FINECO
THE NEW BANK

2014 REPORTS AND ACCOUNTS

SIMPLE
AND TRASPARENT

FINECO. THE BANK THAT SEMPLIFIES BANKING.

Member of UniCredit

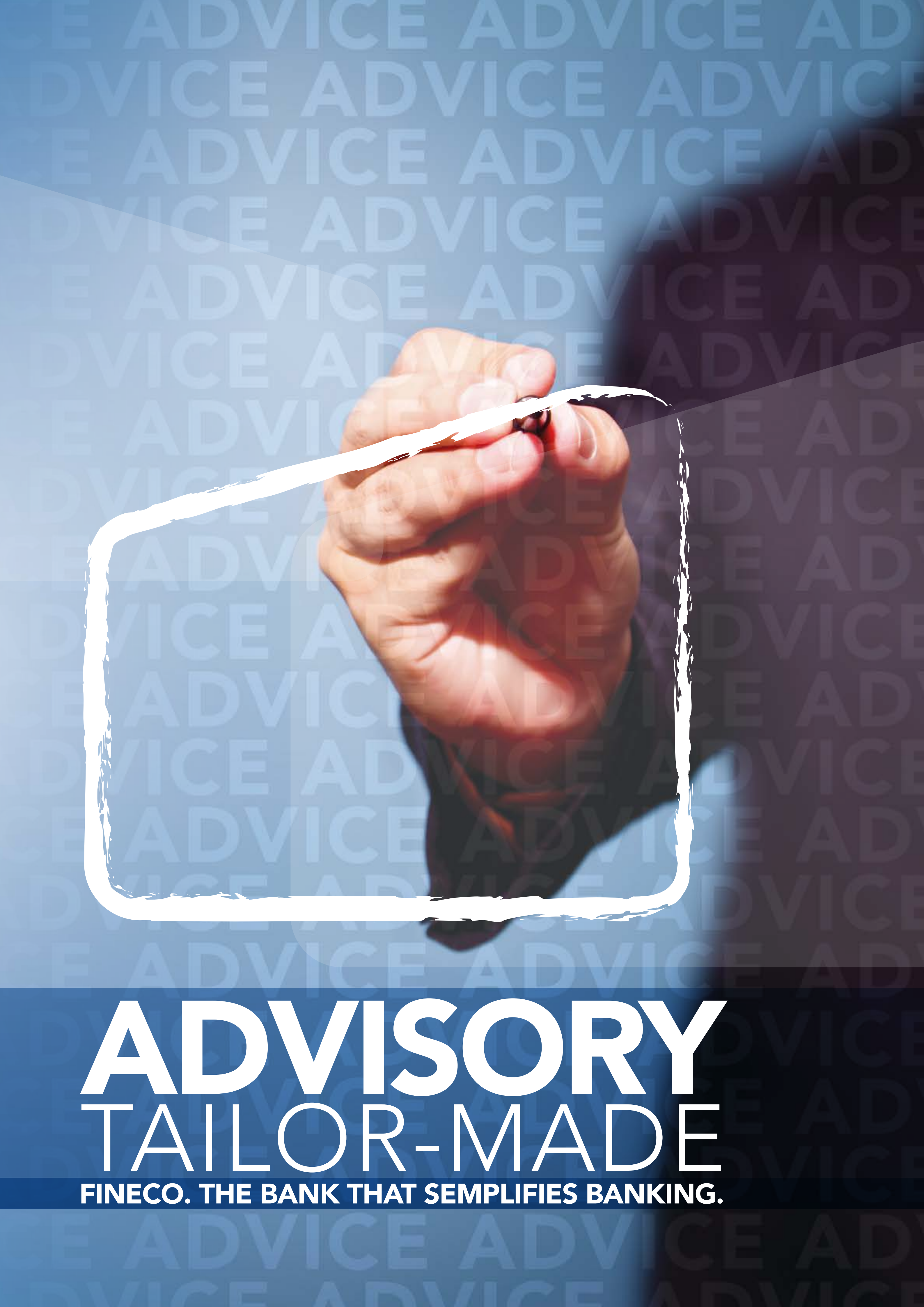
FinecoBank's Annual Report highlights the way the Bank helps its customers to face new challenges and opportunities through innovative products and services.

Fineco's new products and services, focused on transparency, simplicity and convenience are designed according to a multi-channel strategy, confirming we're always close to our clients, quickly adapting to changes and providing them with real support to keep up with the times.

FinecoBank strives every day to simplify its relationship with customers in order to, thanks to new technologies, let them achieve their goals and make the most of their time. That's why we feel the responsibility to offer our clients the flexibility and tools they need to make their life simple and to catch new challenges.

Future calls us for change. Let's change together.

2014 Reports and Accounts


ADVISORY
TAILOR-MADE
FINECO. THE BANK THAT SEMPLIFIES BANKING.

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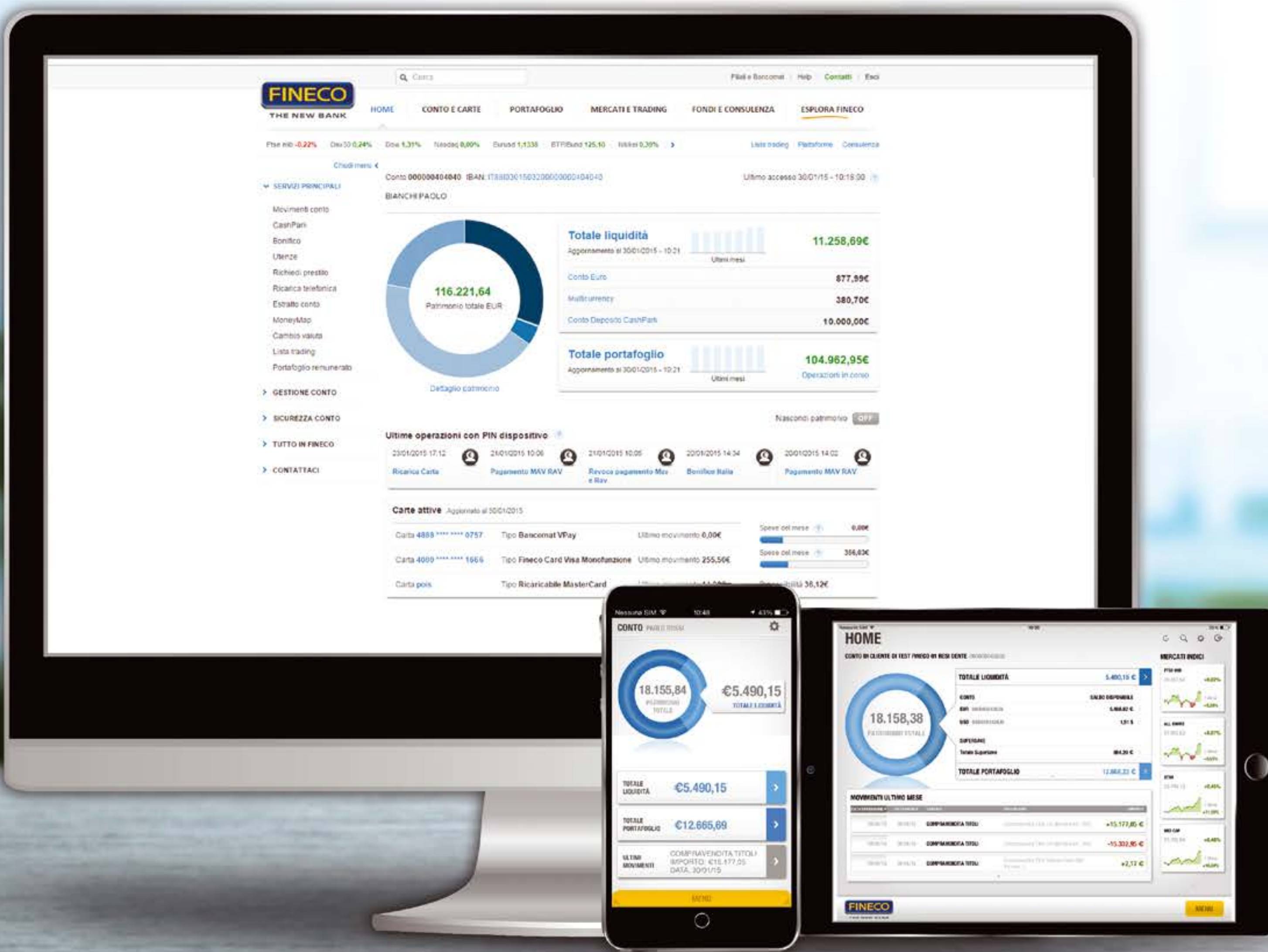

FINECO
THE NEW BANK
HOME
CONTO E CARTE
PORTAFOGLIO
MERCATI E TRADING
FONDI E CONSULENZA
ESPLORA FINECO
Totale liquidità
11.258,69€
116.221,64
Totale portafoglio
104.962,95€
18.155,84
€5.490,15
€12.665,69
18.158,38

Board of Directors and Board of Statutory Auditors

Board of Directors

Enrico Cotta Ramusino	**Chairman**
Francesco Saita	**Vice Chairman**
Alessandro Foti	**Managing Director and General Manager**
Gianluigi Bertolli Girolamo Ielo Laura Stefania Penna Mariangela Grosoli Marina Natale Pietro Angelo Guindani	**Directors**

Board of Statutory Auditors

Gian-Carlo Noris Gaccioli	**Chairman**
Barbara Aloisi Marziano Viozzi	**Standing Auditors**
Federica Bonato Marzio Duilio Rubagotti	**Alternate Auditors**

Deloitte & Touche S.p.A.	**External Auditors**

Lorena Pelliciari	**Nominated Official in charge of drawing up Company Accounts**

Registered office
Piazza Durante 11, 20131 Milan, Italy

"FinecoBank Banca Fineco S.p.A."
in abbreviated form "FinecoBank S.p.A.", or "Banca Fineco S.p.A."
or "Fineco Banca S.p.A."
Company controlled by UniCredit S.p.A., Gruppo Bancario UniCredit, Register of Banking Groups no. 2008.1, Member of the National Guarantee Fund and National Interbank Deposit Guarantee Fund, Italian Banking Association Code 03015, Tax Code and Milan Company Register no. 01392970404 – R.E.A. (Economic and Administrative Index) no. 1598155, VAT No. 12962340159

On March 24, 2014 Mr. Alfredo Michele Malguzzi submitted his resignation from the position of Board Director.

On April 15, 2014 the Ordinary Shareholders' Meeting of FinecoBank S.p.A. appointed the new corporate bodies of the Bank and the Board of Statutory Auditors.

The appointment of Mr. Alessandro Foti, formerly Chief Executive Officer, as General Manager took place by resolution of the Board of Directors on May 15, 2014, effective July 1, 2014.


MONEYMAP
1.706 €
1.411 €
850 €
1.311 €
2.149 €
2.288 €
6.728 €
GEN 2014 - FEB 2015
MENU
CHECK YOUR
SPENDING SMARTLY
FINECO. THE BANK THAT SEMPLIFIES BANKING.

Report on Operations

Introduction to the Annual Report and Accounts

The financial statements of FinecoBank Banca Fineco S.p.A. (hereinafter, "FinecoBank") as at December 31, 2014 have been prepared in application of Legislative Decree 38 of February 28, 2005, in accordance with the accounting standards (hereinafter "IFRS", "IAS", or "international accounting standards") issued by the International Accounting Standards Board (IASB), including the SIC and IFRIC interpretation documents, approved by the European Commission, as established by European Union Regulation no. 1606/2002 of July 19, 2002, and in force at December 31, 2014.

In its circular 262 of December 22, 2005, as amended, the Bank of Italy – whose powers regarding the accounts of banks and regulated financial companies, previously established under Legislative Decree 87/92, were confirmed in the above mentioned Legislative Decree – laid down the formats for the financial statements and explanatory notes used to prepare these Accounts.

The Annual Report and Accounts includes:
- the **Financial Statements** which comprise the Balance Sheet, the Income Statement, the Statement of Comprehensive Income, the Statement of Changes in Shareholders' Equity, the Cash Flow Statement, presented with a comparison to those of 2013;
- the **Notes to the Accounts**.

It is accompanied by:
- the **Report on Operations**, which includes the condensed accounts, the main results of the various business areas, and comments on the results for the period;
- the Certification of Annual Financial Statements pursuant to Article 81-ter of Consob Regulation no. 11971 of May 14, 1999 and subsequent amendments.

The annual report also includes:
- the Report of the Board of Statutory Auditors
- the Report of the External Auditors.

It is noted that starting with the financial statements ended December 31, 2014, deferred tax assets are shown in the Balance Sheet net of Deferred tax liabilities where the requirements set out in IAS 12 are met. In addition, the expenses resulting from the measures already approved by the National Interbank Deposit Guarantee Fund have been presented in item 130 of the Income Statement "Impairment losses on: d) other financial assets" and, for the amount not paid, offsetting item 100 of the Income Statement "Other liabilities".
Consequently, for the purposes of like-for-like comparison, the corresponding figures relating to the previous year have been restated in the financial statements and statement of quarterly changes in balance sheet shown in the report on operations.

For information on the presentation in the condensed accounts used in the report on operations, refer to the "Reconciliation of condensed accounts to mandatory reporting schedule" annexed to the annual report.

Summary data

Condensed Accounts

Balance Sheet

(Amounts in € thousand)

ASSETS	12.31.2014	12.31.2013	CHANGES AMOUNT	CHANGES %
Cash and cash balances	5	5	-	-
Financial assets held for trading	3,054	4,700	(1,646)	-35.0%
Loans and receivables with banks	13,892,197	16,330,912	(2,438,715)	-14.9%
Loans and receivables with customers	695,594	641,250	54,344	8.5%
Financial investments	1,695,555	93,114	1,602,441	1720.9%
Hedging instruments	24,274	179,265	(154,991)	-86.5%
Property, plant and equipment	10,892	10,772	120	1.1%
Goodwill	89,602	89,602	-	-
Other intangible assets	8,142	8,014	128	1.6%
Tax assets	18,550	47,075	(28,525)	-60.6%
Other assets	326,756	256,629	70,127	27.3%
Total assets	**16,764,621**	**17,661,338**	**(896,717)**	**-5.1%**

(Amounts in € thousand)

LIABILITIES AND SHAREHOLDERS' EQUITY	12.31.2014	12.31.2013	CHANGES AMOUNT	CHANGES %
Deposits from banks	1,428,568	1,648,675	(220,107)	-13.4%
Deposits from customers	13,914,712	12,732,309	1,182,403	9.3%
Debt securities in issue	424,710	2,322,511	(1,897,801)	-81.7%
Financial liabilities held for trading	3,135	2,301	834	36.2%
Hedging instruments	46,220	178,574	(132,354)	-74.1%
Provisions for risks and charges	118,031	105,421	12,610	12.0%
Tax liabilities	33,358	16,842	16,516	98.1%
Other liabilities	243,633	235,556	8,077	3.4%
Shareholders' equity	*552,254*	*419,149*	*133,105*	*31.8%*
- capital and reserves	*400,085*	*329,719*	*70,366*	*21.3%*
- revaluation reserves for available-for-sale financial assets and for actuarial gains (losses) from defined benefit plans	*2,262*	*4,214*	*(1,952)*	*-46.3%*
- net profit (loss)	*149,907*	*85,216*	*64,691*	*75.9%*
Total liabilities and shareholders' equity	**16,764,621**	**17,661,338**	**(896,717)**	**-5.1%**

Summary data (Continued)

Balance Sheet - Quarterly data

(Amounts in € thousand)

ASSETS	12.31.2014	09.30.2014	06.30.2014	03.31.2014	12.31.2013
Cash and cash balances	5	9	14	7	5
Financial assets held for trading	3,054	4,708	10,407	8,405	4,700
Loans and receivables with banks	13,892,197	13,612,912	13,476,117	17,084,534	16,330,912
Loans and receivables with customers	695,594	700,208	696,142	669,141	641,250
Financial investments	1,695,555	1,716,878	1,715,320	93,934	93,114
Hedging instruments	24,274	23,494	35,637	130,687	179,265
Property, plant and equipment	10,892	10,901	11,391	10,718	10,772
Goodwill	89,602	89,602	89,602	89,602	89,602
Other intangible assets	8,142	8,100	7,915	8,055	8,014
Tax assets	18,550	17,164	20,072	26,992	47,075
Other assets	326,756	227,200	227,865	170,281	256,629
Total assets	**16,764,621**	**16,411,176**	**16,290,482**	**18,292,356**	**17,661,338**

(Amounts in € thousand)

LIABILITIES AND SHAREHOLDERS' EQUITY	12.31.2014	09.30.2014	06.30.2014	03.31.2014	12.31.2013
Deposits from banks	1,428,568	1,282,386	1,026,852	1,590,439	1,648,675
Deposits from customers	13,914,712	13,741,345	13,911,224	13,473,654	12,732,309
Debt securities in issue	424,710	423,842	421,965	2,322,527	2,322,511
Financial liabilities held for trading	3,135	4,647	4,867	7,902	2,301
Hedging instruments	46,220	45,195	48,960	130,411	178,574
Provisions for risks and charges	118,031	104,876	106,574	105,412	105,421
Tax liabilities	33,358	47,999	30,156	17,342	16,842
Other liabilities	243,633	246,862	268,182	188,903	235,556
Shareholders' equity	*552,254*	*514,024*	*471,702*	*455,766*	*419,149*
- capital and reserves	*400,085*	*396,179*	*392,928*	*414,934*	*329,719*
- revaluation reserves for available-for-sale financial assets and for actuarial gains (losses) from defined benefit plans	*2,262*	*8,581*	*4,912*	*3,906*	*4,214*
- net profit (loss)	*149,907*	*109,264*	*73,862*	*36,926*	*85,216*
Total liabilities and shareholders' equity	**16,764,621**	**16,411,176**	**16,290,482**	**18,292,356**	**17,661,338**

Income Statement

(Amounts in € thousand)

			CHANGES	
	2014	2013	AMOUNT	%
Net interest	228,247	180,278	47,969	26.6%
Net fee and commission income	195,744	166,736	29,008	17.4%
Net trading, hedging and fair value income	29,742	28,281	1,461	5.2%
Net other expenses/income	(5,719)	(3,013)	(2,706)	89.8%
OPERATING INCOME	**448,014**	**372,282**	**75,732**	**20.3%**
Payroll costs	(69,151)	(63,338)	(5,813)	9.2%
Other administrative expenses	(208,189)	(174,636)	(33,553)	19.2%
Recovery of expenses	77,170	56,997	20,173	35.4%
Amortization, depreciation and impairment losses on intangible and tangible assets	(8,809)	(8,081)	(728)	9.0%
Operating costs	**(208,979)**	**(189,058)**	**(19,921)**	**10.5%**
OPERATING PROFIT (LOSS)	**239,035**	**183,224**	**55,811**	**30.5%**
Net impairment losses on loans and provisions for guarantees and commitments	(4,596)	(9,160)	4,564	-49.8%
NET OPERATING PROFIT (LOSS)	**234,439**	**174,064**	**60,375**	**34.7%**
Provisions for risks and charges	(4,705)	(12,125)	7,420	-61.2%
Net income from investments	(4)	(6)	2	-33.3%
PROFIT (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS	**229,730**	**161,933**	**67,797**	**41.9%**
Income tax for the period	(79,823)	(76,717)	(3,106)	4.0%
PROFIT (LOSS) AFTER TAX FROM CONTINUING OPERATIONS	**149,907**	**85,216**	**64,691**	**75.9%**
NET PROFIT (LOSS) FOR THE PERIOD	**149,907**	**85,216**	**64,691**	**75.9%**

Summary data (Continued)

Income statement - Quarterly data

(Amounts in € thousand)

	2014			
	Q4	Q3	Q2	Q1
Net interest	55,875	56,432	57,607	58,333
Net fee and commission income	52,884	45,831	49,311	47,718
Net trading, hedging and fair value income	10,331	6,522	5,810	7,079
Net other expenses/income	(2,073)	(2,074)	(758)	(814)
OPERATING INCOME	**117,017**	**106,711**	**111,970**	**112,316**
Payroll costs	(19,283)	(18,033)	(16,065)	(15,770)
Other administrative expenses	(51,527)	(49,671)	(55,029)	(51,962)
Recovery of expenses	20,420	19,208	18,735	18,807
Amortisation, depreciation and impairment losses on intangible and tangible assets	(2,634)	(2,233)	(2,037)	(1,905)
Operating costs	**(53,024)**	**(50,729)**	**(54,396)**	**(50,830)**
OPERATING PROFIT (LOSS)	**63,993**	**55,982**	**57,574**	**61,486**
Net impairment losses on loans and provisions for guarantees and commitments	(2,620)	(685)	(826)	(465)
NET OPERATING PROFIT (LOSS)	**61,373**	**55,297**	**56,748**	**61,021**
Provisions for risks and charges	(1,077)	(677)	422	(3,373)
Net income from investments	-	(4)	-	-
PROFIT (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS	**60,296**	**54,616**	**57,170**	**57,648**
Income tax for the period	(19,653)	(19,214)	(20,234)	(20,722)
PROFIT (LOSS) AFTER TAX FROM CONTINUING OPERATIONS	**40,643**	**35,402**	**36,936**	**36,926**
NET PROFIT (LOSS) FOR THE PERIOD	**40,643**	**35,402**	**36,936**	**36,926**

In the quarterly data for the income statement shown above, the expenses resulting from the measures already approved by the National Interbank Deposit Guarantee Fund have been presented in item “Net impairment losses on loans and provisions for guarantees and commitments” for the fourth quarter in line with the presentation used in the financial statements as at December 31, 2014; in the third quarter these expenses were shown under the item “Provisions for risks and charges”.

Income statement - Quarterly data

(Amounts in € thousand)

	2013			
	Q4	Q3	Q2	Q1
Net interest	43,119	41,254	47,525	48,380
Net fee and commission income	45,358	39,573	40,636	41,169
Net trading, hedging and fair value income	6,416	6,057	6,841	8,967
Net other expenses/income	(2,074)	(585)	(914)	560
OPERATING INCOME	**92,819**	**86,299**	**94,088**	**99,076**
Payroll costs	(16,474)	(15,874)	(15,650)	(15,340)
Other administrative expenses	(41,965)	(40,064)	(44,408)	(48,199)
Recovery of expenses	14,624	14,319	13,985	14,069
Amortisation, depreciation and impairment losses on intangible and tangible assets	(2,654)	(1,936)	(1,779)	(1,712)
Operating costs	**(46,469)**	**(43,555)**	**(47,852)**	**(51,182)**
OPERATING PROFIT (LOSS)	**46,350**	**42,744**	**46,236**	**47,894**
Net impairment losses on loans and provisions for guarantees and commitments	(7,205)	(600)	(565)	(790)
NET OPERATING PROFIT (LOSS)	**39,145**	**42,144**	**45,671**	**47,104**
Provisions for risks and charges	(7,650)	(4,115)	2,346	(2,706)
Net income from investments	-	-	(6)	-
PROFIT (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS	**31,495**	**38,029**	**48,011**	**44,398**
Income tax for the period	(25,698)	(14,872)	(18,773)	(17,374)
PROFIT (LOSS) AFTER TAX FROM CONTINUING OPERATIONS	**5,797**	**23,157**	**29,238**	**27,024**
NET PROFIT (LOSS) FOR THE PERIOD	**5,797**	**23,157**	**29,238**	**27,024**

Main balance sheet figures

(Amounts in € thousand)

			CHANGES	
	12.31.2014	12.31.2013	AMOUNT	%
Loan receivables with ordinary customers [1]	478,752	421,784	56,968	13.5%
Total assets	16,764,621	17,661,338	(896,717)	-5.1%
Customer direct sales [2]	13,753,719	12,518,293	1,235,426	9.9%
Customer indirect sales [3]	35,587,446	31,088,364	4,499,082	14.5%
Total customer sales (direct and indirect)	49,341,165	43,606,657	5,734,508	13.2%
Shareholders' equity	552,254	419,149	133,105	31.8%

(1) Loans receivable with ordinary customers refer solely to loans granted to customers (current account overdrafts, credit cards, personal loans and unsecured loans);

(2) Customer direct sales include overdrawn current accounts, Supersave repos and the Cash Park deposit account;

(3) Customer indirect sales consist of products placed online or through the sales networks of FinecoBank.

Key figures

Operating Structure

	12.31.2014	12.31.2013
No. of Employees	1,008	965
No. of Human Resources	1,022	976
No. of Financial Advisors	2,533	2,438
No. of Operating financial outlets	325	311

Number of human resources: includes permanent employees, atypical employees, Directors and Group employees seconded to FinecoBank, net of FinecoBank employees seconded to the Group.
Number of operating financial branches: financial branches managed by the Bank and financial branches managed by financial advisors (Fineco Center).

Profitability, productivity and efficiency ratios

(Amounts in € thousand)

	12.31.2014	12.31.2013
Net interest/Operating income	50.95%	48.43%
Income from brokerage and other income/Operating income	49.05%	51.57%
Income from brokerage and other income/Operating costs	105.16%	101.56%
Cost/income ratio	46.65%	50.78%
Operating costs/TFA	0.45%	0.45%
Cost of risk	71 bp	83 bp
ROE	36.49%	23.58%
Return on assets	0.89%	0.48%
EVA	128.379	68.142
RARORAC	57.77%	39.38%
ROAC	67.46%	49.25%
Total customer sales/Average employees	49,391	45,306
Total customer sales/(Average employees + average PFAs)	14,160	13,056

Key
Income from brokerage and other income: Net fee and commission income, Net trading, hedging and fair value income and Net other expenses/income.
Operating costs/TFA: ratio of operating costs to Total Financial Assets (direct and indirect sales). The TFA used for the ratio is the average for the period, calculated as the average between the period-end balance and the balance as at the previous December 31.
Cost of risk: ratio between net impairment losses on loans and provisions for guarantees and commitments (net of adjustments connected to the commitment to measures already approved by the National Interbank Deposit Guarantee Fund) and the average loans and receivables with ordinary customers. Average ordinary loans to customers were calculated as the average between the period-end balance and the balance as at the previous December 31.
ROE: the denominator used to calculate the index in question is the average shareholders' equity for the period (excluding dividends expected to be distributed and the revaluation reserves).
Return on assets: ratio of net profit to total assets.
EVA (Economic Value Added): shows the firm's ability to create value; calculated as the difference between net operating profit and the figurative cost of the allocated capital.
RARORAC (Risk adjusted Return on Risk adjusted Capital): which is the ratio between EVA and Allocated/Absorbed Capital and expresses, in percentage, the capacity to create value for unit of risk taken.
ROAC (Return on Allocated Capital): is the ratio of Net Operating Profit and Allocated Capital. The Allocated Capital is intended as the greater of internally calculated capital based on shared UniCredit Group models (Economic Capital) and regulatory capital.

Balance Sheet indicators

	12.31.2014	12.31.2013
Loan receivables with ordinary customers/Total assets	2.86%	2.39%
Loans and receivables with banks/Total assets	82.87%	92.47%
Financial assets/Total assets	10.13%	0.55%
Direct Sales/Total liabilities and shareholders' equity	82.04%	70.88%
Debt securities in issue/Total liabilities and shareholders' equity	2.53%	13.15%
Shareholders' equity (including profit)/Total liabilities and shareholders' equity	3.29%	2.37%
Loans and receivables with ordinary customers/Customer direct sales	3.48%	3.37%

CREDIT QUALITY	12.31.2014	12.31.2013
Impaired loans/Loan receivables with ordinary customers	0.89%	1.12%
Non-performing loans/Loan receivables with ordinary customers	0.66%	0.78%
Coverage (1) - Non-performing loans	84.08%	81.45%
Coverage (1) - Doubtful loans	67.19%	67.41%
Coverage (1) - Past-due impaired loans	48.97%	45.91%
Coverage (1) - Total impaired loans	81.07%	77.66%

(1) Calculated as the ratio between the amount of impairment losses and gross exposure.

Own funds and capital ratios

	12.31.2014	12.31.2013
Total Own Funds (regulatory capital at December 31, 2013) (€ thousand)	353,133	316,008
Total risk weighted assets (€ thousand)	1,850,331	2,580,595
Common Equity Tier 1 Capital Ratio (Tier 1 capital/Risk-weighted assets -TIER 1 capital ratio at December 31, 2013)	19.08%	12.25%
Tier 1 Capital Ratio (Tier 1 capital/Risk-weighted assets -TIER 1 capital ratio at December 31, 2013)	19.08%	12.25%
Total Own Funds Capital Ratio (Regulatory capital/Risk-weighted assets - Total capital ratio at December 31, 2013)	19.08%	12.25%

The "Common Equity Tier 1 Capital", "Tier 1 Capital" and "Total Own Funds" ratios as at December 31, 2014 were calculated by applying the supervisory regulations in force according to the Basel III regulatory framework. At December 31, 2013, the RWAs used to calculate the Tier 1 Capital ratio and the Total capital ratio were determined by applying the Basel II supervisory regulations, supplementing the total capital requirements of the Basel I "floor", which corresponds to the positive difference between 80% of the capital requirements calculated on the basis of regulations in force as at December 31, 2006, and the sum of capital requirements for credit, counterparty, market and operational risks, calculated using the Basel II provisions.

Market share

TRADING ON ITALIAN STOCK MARKET (ASSOSIM)	12.31.2014	12.31.2013
Third party volumes traded on MTA	18.54%	22.98%
Classification of third party volumes traded on MTA	1°	1°

PERSONAL FINANCIAL ADVISERS NETWORK (ASSORETI)	12.31.2014	12.31.2013
Stock Classification	3°	3°

PERSONAL FINANCIAL ADVISERS NETWORK (ASSORETI)	12.31.2014	12.31.2013
Net Sales Classification	3°	2°

TOTAL DEPOSITS (BANK OF ITALY)	09.30.2014	12.31.2013
Share of Total Deposits market	1.34%	1.30%
Share of Direct Deposits market	1.01%	0.98%
Share of Indirect Deposits market	1.55%	1.52%

The figures relating to "Total Sales" (Bank of Italy) refer to September 30, 2014 – the latest available figures.

The Assosim market share refers to the ranking of volumes traded on Italian markets and internalised by associated brokers on the MTA market managed by Borsa Italiana (the source is the Assosim press release itself). The Assosim market share of December 2013 is calculated refering to the total number of Assosim associates, whereas the December 2014 market share is calculated refering to the entire market. Market share as at December 2014 – recalculated on the total number of Assosim associates – would be equal to 22.76%.

Fineco shares

Share information

The trading of FinecoBank ordinary shares on the Italian MTA stock exchange (Mercato Telematico Azionario) started on July 2, 2014. The outcome of the global offering set the price at €3.7 per share, equivalent to a market capitalization of the bank of €2,243 million. The global offering concerned 181,883,000 ordinary shares, representing 30% of the share capital of the Bank. Overall, taking into account both the public offering and the institutional placement, requests were received for 609,079,891 shares by 46,534 applicants, with a total demand equal to 2.9 times the offer. Including the shares subject to the greenshoe option, the global offering concerned a total of 209,166,000 FinecoBank ordinary shares, representing approximately 34.5% of the share capital, for a total corresponding value of approximately €774 million, before fees and expenses.

At December 31, 2014, the closing share price was €4.668, giving the company a market capitalisation of €2,830 million – a 26% increase since trading began.

	2014
Share price (€)	
- maximum	4.750
- minimum	3.808
- average	4.168
- end of period	4.668
Number of outstanding shares (million)	
- at end of period	606.3

Business performance and main initiatives in the period

FinecoBank is UniCredit Group's direct multichannel bank, with 963,991 customers, 103,000 of which acquired during the year (up 15% on 2013), €4 billion of net sales and €49.3 billion of total financial assets (up 13.2% on 2013). It is the number one broker in Italy for equity trades in terms of volume of orders and has one of the largest advisory networks in Italy with 2,533 Personal Financial Advisors as at December 31, 2014. FinecoBank offers an integrated business model combining direct banking and financial advice, offering a single free-of-charge account with a full range of banking, credit, trading and investment services, which are also available through applications for smartphone and tablet. With its fully integrated platform, FinecoBank is the benchmark for modern investors.
The Bank's offering is split into the following three areas: (i) banking: including current account and deposit services, payment services, and issuing debit, credit and prepaid cards; (ii) brokerage: providing order execution services on behalf of customers, with direct access to major global equity markets and the ability to trade in CFDs (on currencies, indices, shares, bonds and commodities), futures, options, bonds, ETFs and certificates; and (iii) investing: including placement and distribution services of more than 5,000 products, including mutual funds and SICAV sub-funds managed by 65 leading Italian and international investment firms, insurance and pension products, as well as consulting services in the investment field.

Main events during the period

In order to fully leverage FinecoBank's assets and support its growth, on April 15, 2014 the Shareholders' meeting, upon proposal of the Board of Directors, approved the proposal for admission to listing on the MTA (Mercato Telematico Azionario) of FinecoBank ordinary shares.
The listing and consequent expansion of the shareholder base have enabled the Bank to strengthen the visibility of its business model, thereby improving its standing in the market, thanks also to national and international institutional investors becoming shareholders of the bank.
After the FinecoBank listing project began, in the meeting of April 15, 2014, the Board of Directors approved the new 2014-2018 Multi-Annual Plan. The new Plan, which amends the plan approved by the Board of Directors on March 10, 2014, takes into account the effects of the new liquidity investment policy as from April 1, 2014, the costs for the new incentive system for employees and financial advisors and the costs related to the listing process.

On the same date - in line with best practice and the recommendations of the Corporate Governance Code of listed companies and in accordance with the remuneration policies in place - the Board of Directors of FinecoBank approved the adoption of a remuneration scheme aimed at incentivizing, retaining and motivating senior managers, "key people" (intended as other Managers and Employees of the Company who, due to the importance and critical nature of their role as well as their skills and potential can affect the company's economic performance and sustainability) and Financial Advisors.

The regulations for the above plans were approved by the Board of Directors on May 15, 2014 and the Shareholders' Meeting of June 5, 2014.
In particular, the following plans were approved:

- **Group Executive Incentive System 2014 (Bonus Pool)**, offering selected Executives and relevant personnel identified on the basis of regulatory requirements, a bonus structure consisting of immediate payments (following performance evaluation) and deferred payments in cash and ordinary UniCredit or FinecoBank shares, over a period of 6 years (immediate payment for 1 year and deferred payments for 5 years). This payment structure ensures that bonuses are aligned to shareholders' interests and is subject to malus clauses (which apply in the event that specific profitability, liquidity and capital thresholds are not met both at Group level and at Country/Division level) and clawback clauses (to the extent they are legally applicable) in accordance with the plan rules (both vesting conditions other than market conditions);
- **Stock granting for employees** offering the allocation of free shares of FinecoBank to beneficiaries belonging to Top Management ("*2014-2017 Multi-year Plan Top Management*") and to executives and employees of the Bank (other than Top Management) who, in the Bank's opinion, can significantly contribute to the Bank's profitability and sustainability due to their role, skills and potential ("*2014 Key People Plan*"),. The shares will be allocated to the respective beneficiaries, once the vesting period has passed and satisfaction of the conditions established has been verified, in 4 annual tranches for the *"2014-2017 Multi-year Top Management Plan"* from 2017, and in 3 annual tranches for the *"2014 Key People Plan"* from 2015;
- **Stock granting for personal financial advisors** offering the allocation of free shares of FinecoBank to the network's personal financial advisors, subject to the achievement by the entire network of personal financial advisors of the Bank of a set net sales target for the year 2014 ("*2014 PFA Plan*") and for the three-year period 2015–2017 ("*2015-2017 PFA Plan*"). The shares will be allocated to the respective beneficiaries in 3 annual tranches from 2015 for the "*2014 PFA Plan*" and from 2018 for the "*2015-2017 PFA Plan*".
  Shares to be allocated under the incentive plans reserved to PFAs will be purchased by the Bank on the market on the basis of an authorisation by the Shareholders' Meeting pursuant to Article 2357 of the Italian Civil Code.

Business performance and main initiatives in the period (CONTINUED)

On July 15, 2014, following the listing of the ordinary shares of the Bank, the Board of Directors of FinecoBank also approved:

- the total number of newly issued FinecoBank shares freely assignable to the recipients of the stock granting plan “2014-2017 Multi Year Top Plan Management” (guidelines approved by the Board of Directors on April 15, 2014 and related regulation by the Board of Directors on May 15, 2014, with execution conditional on listing), and the allocation of the shares quota for the year 2014. Specifically, the total number of shares that can be assigned under the plan has been set at 2,523,400. The quota allocated for 2014 amounted to 630,850 shares. As defined by the Plan Rules, the allocation of the other quotas is expected in 2015, 2016 and 2017. The number of shares allocated to each quota may decrease according to the Bank’s requirement to keep the ratio between the variable and fixed part of the remuneration in line with the rules applicable from time to time. In order to ensure a more appropriate balance between the short-, medium- and long-term variable components of remuneration, the Board of Directors may reduce the value of the variable remuneration granted under the Plan down to the limit of 100% of fixed remuneration. The shares allotted pursuant to the above rules, will actually be assigned, after a three-year vesting period (i.e. in 2017 for the quota allotted in 2014), upon satisfaction of pre-defined conditions;
- the list of employees identified as Key People under the “2014 Key People Plan” plan (stock granting plan whose guidelines were approved by the Board of Directors on April 15, 2014 and the related regulation by the Board of Directors on May 15, 2014, with execution conditional on listing), and the shares to be allocated to the said people. The total number of newly issued shares allocated under the plan amounted to 796,390; they will be assigned, upon verification that pre-defined conditions have been satisfied, in three annual tranches, the first of which in 2015 and the third in 2017.

The dilution effect from the full execution of the free capital increases to service the mentioned stock granting plans (Group Executive Incentive System 2014, 2014-2017 Multi Year Top Plan Management, 2014 Key People Plan) is calculated as a maximum of 0.60% of the fully diluted capital.
In addition, on February 9, 2015, the Board of Directors launched the “2014 Key People Plan”, resolving to issue 241,700 FinecoBank ordinary shares, corresponding to a free capital increase of €79,761.00, following the verification of the achievement of the performance targets set in the Plan. The dilution effect resulting from the above free capital increase to service the stock granting plans is calculated as a maximum of 0.04% of the fully diluted capital.

Regarding to the new liquidity investment policy, the most significant investment was realised in early April 2014, for an amount totalling €7,650 million and $250 million. In the subsequent months, two further investments were realised: €200 million in July and €400 million in October.

These types of investment were determined by taking into account the overall structure of the Bank’s balance sheet and with a view to optimizing its liquidity risk profile, in line with the amount of structural liquidity (whose main component is sight deposits considered as “Core”), with the objective of diversifying these investments in terms of maturities. The bonds issued by UniCredit and reserved for FinecoBank are freely transferable to third parties throughout the term of the bond.

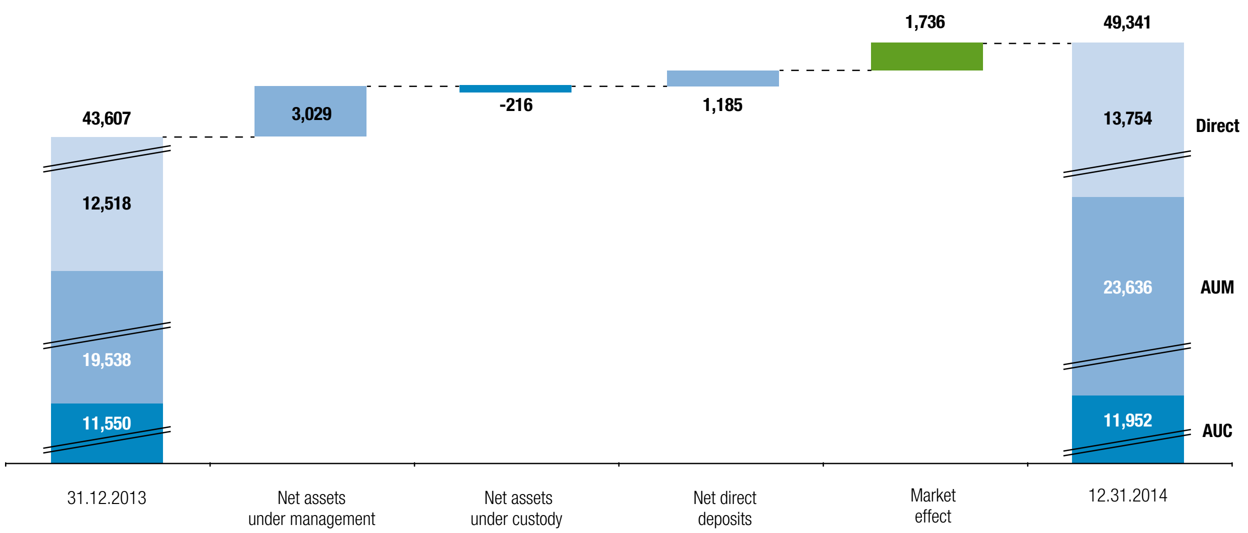
On June 27, 2014, the Bank announced the outcome of the global offering - which set the price at €3.7 per share, equivalent to a market capitalization of the bank of €2,243 million. The global offering concerned 181,883,000 ordinary shares, representing 30% of the share capital of the Bank.
Overall, taking into account both the public offering and the institutional placement, requests were received for 609,079,891 shares by 46,534 applicants, with a total demand equal to 2.9 times the offer.
Trading of the shares started on July 2, 2014.

On July 17, 2014, the coordinators of the FinecoBank ordinary shares global offering (the ‘”Global Offering”), UBS Investment Bank and UniCredit Corporate & Investment Banking, exercised the greenshoe option granted by UniCredit for 27,283,000 shares, representing all the over-allotted shares. The purchase price of the shares issued under the greenshoe option was €3.7 per share - corresponding to the offer price set in the Global Offering - for a gross amount of €100,947,100.
Payment of the shares under the greenshoe option was made on July 22, 2014.

Performance of balance sheet aggregates

Total customer sales (direct and indirect) as at December 31, 2014 came to €49,341 million, an increase of 13.2% compared to the end of 2013, thanks to net sales of €3,998 million and a positive effect driven by market performance of €1,736 million. Indirect customer sales (Assets under Management-AUM plus Assets under Custody-AUC) amounted to €35,587 million, compared to €31,088 million as at December 31, 2013, going up by 14.5%, confirming a constant growth trend, as well as an ongoing improvement in the quality of deposits. In this respect, the growth in “guided products & services”[1] should be pointed out, which continued to increase as a percentage of TFA, rising from 12.70% as at December 31, 2013 to 17.30% as at December 31, 2014. There was also noteworthy growth in Managed Assets, from 28.39% at December 31, 2013 to 36.10% at December 31, 2014.

Direct sales also showed consistent growth, driven by the increasing number of new customers, thus confirming their appreciation for the quality of the services. Direct sales mainly consist of 'transactional' deposits that support all customers' transactions, confirming the high and increasing degree of customer loyalty, which in turn contributes to improving the quality and stability of direct sales.



AUC = Asset under custody
AUM = Asset under management
TFA = Total Financial Assets (direct and indirect sales)

The table below shows the figures for the balance of direct sales, assets under management and assets under administration of Fineco customers, including both those linked to a financial advisor and online customers.

Assets under administration and under management

(Amounts in € thousand)

	12.31.2014	%	12.31.2013	%	CHANGE	% CHANGE
Current accounts and demand deposits	12,247,082	24.8%	10,666,629	24.5%	1,580,453	14.8%
Time deposits and reverse repos	1,506,637	3.1%	1,851,664	4.2%	(345,027)	-18.6%
BALANCE DIRECT SALES	**13,753,719**	**27.9%**	**12,518,293**	**28.7%**	**1,235,426**	**9.9%**
Segregated accounts	14,782	0.0%	41,901	0.1%	(27,119)	-64.7%
UCITS and other investment funds	21,176,945	42.9%	17,691,343	40.6%	3,485,602	19.7%
Insurance products	2,444,167	5.0%	1,805,235	4.1%	638,932	35.4%
BALANCE ASSETS UNDER MANAGEMENT	**23,635,894**	**47.9%**	**19,538,479**	**44.8%**	**4,097,415**	**21.0%**
Government securities, bonds and stocks	11,951,552	24.2%	11,549,885	26.5%	401,667	3.5%
BALANCE ASSETS UNDER ADMINISTRATION	**11,951,552**	**24.2%**	**11,549,885**	**26.5%**	**401,667**	**3.5%**
BALANCE DIRECT AND INDIRECT SALES	**49,341,165**	**100.0%**	**43,606,657**	**100.0%**	**5,734,508**	**13.2%**
of which Guided products & services	8,532,245	17.3%	5,546,246	12.7%	2,985,999	53.8%

1. Respectively FinecoBank products and/or services developed by investing in UCITs selected from among those distributed for each asset class taking into account customers' different risk profiles and offered to FinecoBank customers under the guided open architecture model. At the date of this interim report, the guided products category includes the "Core Series" umbrella fund of funds and the "Core Unit" and "Advice Unit" unit-linked policies, while the "Fineco Advice" and "Fineco Stars" advanced advisory service (investment) falls into the guided service category.

Business performance and main initiatives in the period (CONTINUED)

The table below shows the figures for the balance of direct sales, assets under management and assets under administration of only the personal financial advisors network.

Assets under administration and under management - Financial Advisors Network - Source Assoreti (Amounts in € thousand)

	12.31.2014	%	12.31.2013	%	CHANGE	% CHANGE
Current accounts and demand deposits	8,605,117	20.7%	7,390,277	20.4%	1,214,840	16.4%
Time deposits and reverse repos	1,064,704	2.6%	1,319,221	3.6%	(254,517)	-19.3%
BALANCE DIRECT SALES	**9,669,821**	**23.3%**	**8,709,498**	**24.1%**	**960,323**	**11.0%**
Segregated accounts	14,782	0.0%	41,901	0.1%	(27,119)	-64.7%
UCITS and other investment funds	20,772,136	50.1%	17,344,996	47.9%	3,427,140	19.8%
Insurance products	2,346,758	5.7%	1,703,434	4.7%	643,324	37.8%
BALANCE ASSETS UNDER MANAGEMENT	**23,133,676**	**55.8%**	**19,090,331**	**52.7%**	**4,043,345**	**21.2%**
Government securities, bonds and stocks	8,669,714	20.9%	8,392,123	23.2%	277,591	3.3%
BALANCE ASSETS UNDER ADMINISTRATION	**8,669,714**	**20.9%**	**8,392,123**	**23.2%**	**277,591**	**3.3%**
BALANCE DIRECT AND INDIRECT SALES	**41,473,211**	**100.0%**	**36,191,952**	**100.0%**	**5,281,259**	**14.6%**

Performance of income statement aggregates

Profit before tax amounted to €229.7 million (+41.9%).
Profit before tax increased sharply compared to the previous year, due to the improvement in net interest margin (up €48 million) attributable to the consistent increase in transactional liquidity – driving customer trading overall – as well as a steadily declining cost of funding and a careful liquidity investment policy. Net fee and commission income posted a 17.4% increase, thanks to both asset management commissions and the improvement in trading commissions as a result of the increase in the number of executed orders.
This confirms the success of a strategy that for years has targeted diversification and the introduction of new products and services. Thanks to this positioning, customers have maintained and strengthened their relationship with FinecoBank, precisely because, by using the platform or through the advice of financial advisors, they could find all the necessary products and services to carry out their banking transactions and their investment and trading strategies.

Communications and external relations

Multimedia and multichannel communications were at the heart of Fineco's strategy in 2014, enabling the consolidation of the progress made in the previous year thanks to synergistic use of all appropriate means to reach the relevant targets.

National radio and TV have been used to reinforce knowledge of the Fineco brand, posters have supported the network at local level, while digital web and mobile activities have been used for customer acquisition. In particular we note:
- the new campaign to reposition Fineco over its competitors: "the bank that simplifies banking";
- the focus on TV for "brand building" and other channels/media (radio, press, web) for presenting products;
- the increase in local marketing activities and local "format" events for PFAs;
- the development of new social media initiatives (Facebook, Twitter, LinkedIn);
- the enhancement of courses and events, with a specific focus on remote learning (webinars).

The "Member Get Member" promotional initiative enabled the acquisition of new customers and the opening of over 32 thousand current accounts.
Marketing activities, specifically to support the day-to-day activities of the network of PFAs, were oriented towards the production of materials, local initiatives and events for customers to consolidate advertising campaigns and awareness of the Bank's key products and services.
During 2014 the Bank launched new products and services for its customers in order to ensure greater diversification in its offering. In addition, efforts to promote new products launched by the Bank aimed at existing and/or potential customers continued, through marketing campaigns and incentives for the network.

Commercial activities and development of new products and services

The main commercial activities, products and services provided in 2014 – which involved all the Bank's departments and units, within their respective areas, and consisted of feasibility studies, subsequent implementation and sale/placement – are summarized below:

- extension of the "Member Get Member" campaign;
- introduction of CFDs on shares, new derivative instruments to invest in the US and UK markets directly in euro in intraday mode, with no need for a specific authorization, with zero trading commissions and free information;
- release of the new Logos platform, which provides 100 additional tools including shares, indices, currencies, commodities and bonds of the major world markets, new graphics, new functions (users can now search tools, customize views and check P&L in a single screen) and faster order entry through the simultaneous opening of multiple chips;
- release of MoneyMap for smartphone on the App Store and Google Play. The "MoneyMap" app provides additional functions compared to the desktop version, including the ability to assign a reminder to each expense, categorize cash expenses and withdrawals as soon as they are made, add a tag or a description for each transaction, add a location for a charge directly from the user's smartphone, take a picture of the product or the receipt and match it to a payment that has just made. In addition there are new online features such as the ability to assign keywords (tags) to account transactions, view transactions by item and access account transactions directly from the Brand Map;
- release of a new version of the public area of the Fineco website, with a new design and a more vertical layout, updated with the most recent web technologies and design;
- introduction of the new Advice Unit solution. This is a unit-linked life insurance by Skandia Vita S.p.A., exclusively distributed by Fineco, which allows for maximum customization of investments while ensuring the financial efficiency provided by the "Advice" advisory service;
- introduction of the "Logos" current account for trading on Logos CFDs. The Logos account does not provide the services typically associated with current accounts: debit and credit cards, cheques, direct debits of utility bills, loans and credit lines. On the other hand, it can be used to transfer money in and out of the account as well as to receive, transmit and execute orders on the market (including trading for own account), limited to Logos CFDs. The Logos account is available online via a desktop platform and a mobile app for tablets and Apple and Android smartphones;
- enhancement of the Portfolio and Trading Lists services with new functions: "Drag&Drop", which enables users to move their securities around as they please and organise their Portfolio on the basis of their own objectives and strategies; "Hide Securities", which enables the user to hide securities temporarily by dragging them into the appropriate area, thereby creating a "Hidden Portfolio"; "Favourite Securities Lists", which enables the user to create up to three lists for saving and monitor up to 50 securities;
- introduction of the new investment firm Natixis;
- introduction of the STARS financial advisory service, dedicated to the Fineco network: a financial advisory agreement through which the promoters can offer their customers highly diversified portfolios, freely constructed by choosing from over 250 STARS Strategies (around 800 ISINs) and more than 20 Building Blocks and model portfolios;
- introduction of a new e-billing service called CBILL, created by the Consorzio CBI (Customer to Business Integration), which enables the display of information and electronic payment of bills issued by a selection of participating entities, including private companies and public authorities;
- release of new services on the Fineco App that allow you to trade CFDs on indices, CFDs on bonds, CFDs on US shares and, CFDs on UK shares;
- enhancement of the Portfolio section, with the portfolio overview and detail sections now showing bonds and shares purchased or transferred that cannot be traded online;
- expansion of trading options with Super CFDs on the Dax, Eurostoxx, BTP, Bund and US indices. The new instruments add to the CFDs already available, are larger in scope and have lower spreads;
- introduction of the Fineco POS service managed in collaboration with CartaSì, for all Fineco customers who trade as freelance professionals and sole-proprietorships;
- introduction of the ability to change the margin of a margin-lending position at any time according to market trends and trading strategies.

The following pages contain the main indicators and results of the main business segments: Brokerage, Banking and Investing.
Given the Bank's specific business model that provides for a high level of integration among its different activities, these segments are interdependent. Indeed the Bank offers its services (banking and investment services) through a network of financial advisors and online and mobile channels that operate in a coordinated and integrated manner.
All the activities were carried out with the aim of obtaining economic results from the "industrial" management of the businesses, to minimise their financial risk. FinecoBank's financial management approach is to manage risks with a view to protecting the industrial returns on the various businesses while not assuming risk positions on its own account.

Results achieved in the main areas of activity

Brokerage

Over time, Fineco has developed and consolidated a strong presence in the brokerage segment by offering an efficient and complete range of order execution services on customers' behalf. The Bank has been a leading player in the Italian stock market since 2004.

In 2014 FinecoBank further consolidated its leadership in the Italian Brokerage market, benefiting from the return of market volatility, particularly in the first and last quarter of the year.
The total increase in number of executed orders, equal to 10.2%, was driven above all by the consistent growth in active users, with a significant number of users returning to trade on the markets. The amount attributable to new users was also significant (with around 2,000 customers per month making their first trade within two months of opening their Fineco account). This result was also achieved thanks to the numerous "trading campaigns" carried out during the year, which contributed to spreading awareness of the enormous potential of Fineco's platform.
Compared to 2013, the segment of most active customers showed a recovery, but the level of transactions was still far from the activity peaks recorded in recent years. There was also growth of around 36% compared to 2013 in terms of the number of trades executed via mobile, thanks to the development of the apps for iPhone, iPad, Android and Windows Phone.

Regarding the performance of individual products, there was:
- Additional growth in CFDs and Logos thanks to improvements in the ways the two products are offered: new underlying products, Super-CFDs, Logos bonuses for non-active users, and a new Logos Desktop platform;
- continuation of the differentiation in trades in various asset classes, partly caused by the US markets, which have seen a 44% increase in trades over the last year;
- an increase in interest revenues on open overnight margin positions;
- a slight contraction in the volumes traded as a result of the Tobin Tax and less market opportunities in forex, despite a strong recovery in the final quarter of the year.

The strategy for product completion, innovation and development continued with the introduction of different services and features, namely:
- new CFDs on U.S. and UK stocks. The "zero commissions" option, so far only applicable to indices and forex, was extended to equities for the first time;
- new Super-CFDs on indices, which have seen an increase in value and daily trades;
- the new Logos desktop platform that, in addition to a new look and feel and improved usability, saw an increase in the number of instruments that can be traded from approximately 50 to more than 150;
- the Logos bonus through which the bank can target promotional campaigns to specific customers;
- restyling of the markets and trading area with the introduction of new information tools such as the macroeconomic data calendar, the introduction of intraday charts for CFDs, improved news service and improved look and feel of the snapshots;
- development of the News area of the site with new Kapitall infographics, with in-depth reports on US equities and a new information feed from Alberto Nosari;
- ability to enter conditional orders, stop losses and profit taking on listed bonds, including on pre-existing positions;
- opening of an off-line channel for the trading securities not listed online. A gradual expansion is taking place, with a further 2,000 instruments now available for trading, on top of the range of bonds, currently numbering more than 9,000;
- extension of information on the Equiduct market to the Euronext market (France, Netherlands and Portugal);
- addition of new functions enabling users to personalise their Portfolio on the site, with the ability to view securities that are not tradable online and the ability to save multiple Trading Lists;
- new US Treasury bonds, expanding Fineco's offering which already included futures on Italian, German and French government bonds;
- development of the applications for iPhone, iPad and Android, introducing CFD trading, and bond trading on Windows Phones.

Finally, changes were made to the data provided to professional customers, especially PFAs and legal persons.
In general, the results achieved confirm the success of a business model focused on offering very easy to use innovative services in a comprehensive solution for all target customers.
Thanks to this positioning, we continue to strengthen our relationship with Fineco's customers and to intercept new customers both from traditional banks and from competing direct banks, consolidating our leadership in the market.

The following table shows the number of orders on financial instruments recorded in 2014 compared to the previous year.

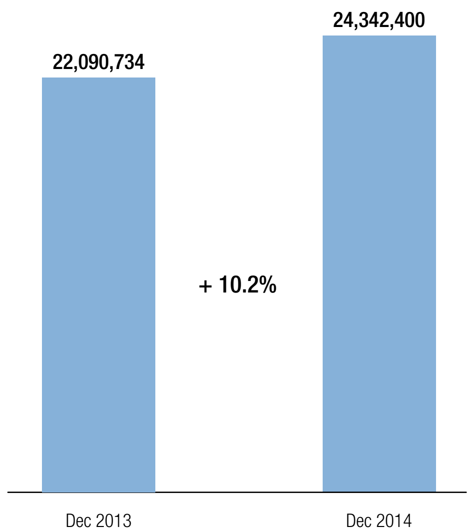
	12.31.2014	12.31.2013	CHANGE	% CHANGE
Orders - Equity Italy (including internalised orders)	7,275,908	6,358,387	917,521	14.4%
Orders- Equity USA	1,248,426	852,546	395,880	46.4%
Orders- Equity other markets	418,189	349,663	68,526	19.6%
Total equity orders	*8,942,523*	*7,560,596*	*1,381,927*	*18.3%*
Orders - Bonds	707,039	740,791	(33,752)	-4.6%
Orders - Derivatives	3,238,692	2,920,958	317,734	10.9%
Orders - Forex	1,092,967	1,464,106	(371,139)	-25.3%
Orders - CFDs	1,080,031	781,271	298,760	38.2%
Orders - Funds	2,100,890	1,852,179	248,711	13.4%
Orders - Repos	32,141	39,586	(7,445)	-18.8%
TOTAL ORDERS	**17,194,283**	**15,359,487**	**1,834,796**	**11.9%**

The table shows a general increase in orders executed in 2014 compared to the previous year, except for a decline in Forex, Bond and Repo orders; the increase in transactions on foreign equity markets, especially the USA, should also be pointed out, which confirms the validity of the product and service diversification model. The following table shows the volume of trades carried out as direct counterparty in orders placed by customers, resulting from the internalization of orders received on shares, CFDs and Logos products, recorded in 2014 compared to 2013. In 2014 the volumes traded on forex markets recorded a decrease, partially offset by an increase in the volume of Logos and CFD transactions.

(Amounts in € thousand)

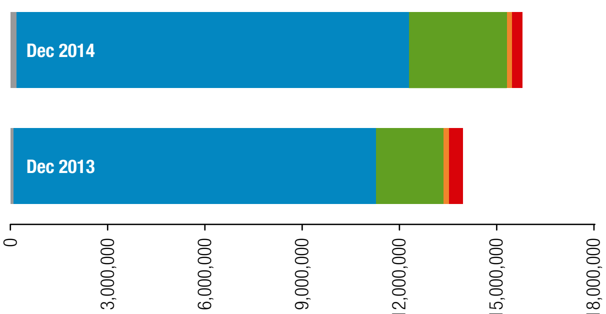
	12.31.2014	12.31.2013	CHANGE	% CHANGE
Equity (internalisation)	46,907,152	46,655,186	251,966	0.5%
Forex	75,518,932	92,993,082	(17,474,150)	-18.8%
CFDs and Logos	19,600,019	8,315,853	11,284,166	135.7%
Total "Internalised" Volumes	**142,026,103**	**147,964,121**	**(5,938,018)**	**-4.0%**

Total number of orders executed



The total number of orders executed refers to transactions carried out by retail and institutional customers for the purchase and sale of shares, bonds, derivatives, forex, CFDs, funds and repos.

Number of orders executed on line broken down by stock market



	DEC 2013	DEC 2014
Other Markets	109,317	180,963
Italy (MTA+AH)	11,114,412	12,097,883
USA	2,121,466	3,008,816
France	153,738	86,218
Germany	377,994	337,441

Other Markets Italy (MTA+AH) USA France Germany

Results achieved in the main areas of activity (Continued)

Banking

Banking

Fineco offers its clients a full range of direct banking services (mainly through online and mobile channels) that are comparable to those offered by traditional banks and competitors in this segment. Fineco has successfully increased its market share (estimated on the basis of direct sales), from 0.98% as at December 31, 2013 to 1.01% as at September 30, 2014, thanks to more robust growth than elsewhere in the industry (+6.60% vs +4.73% growth in the banking system).

In Banking the main development in 2014 related to digitalisation, with the launch of the new Logos account and the procedure for sending digital codes for initial access to the secure current account area – an important change that has made it possible to activate customers just one day after they opened their account. The account opening process has been further improved with two more important changes:

- the ability for the customer to be identified for legal purposes at a Fineco Center by a Financial Adviser, without having to sign up with him/her;
- the ability to accept transfers from other online banks as a further way to perform due diligence for the purposes of customer identification.

The Logos account is a new current account in euro that enables a limited number of transactions, oriented towards Logos CFDs trading. It is reserved for natural persons above the age of majority who are resident for tax purposes in Italy. On this type of account customers cannot request the services usually associated with current accounts, such as debit and credit cards, cheques, direct debit for utility bills and credit lines. The payment services provided (e.g. bank transfers) are intended for liquidity management and/or transfer transactions that are necessary for and related to the above listed investments; similarly, order reception, transmission and execution services (including trading for own account) are limited to orders arising from the mentioned Logos CFDs and any other derivative financial instruments that have been added. The Logos Account is available online at the website www.logostrading.com and via the mobile app.

Continuing with the theme of digitalisation, we have implemented the process for migrating "old customers" to the new terms offered by the Fineco account (zero fees and interest) by enabling the digital signature of contractual documents.

In terms of innovation, we also note the new Moneymap app for smartphones and the expansion of the banking services available via mobile (e.g, payment of the Italian TV licence fee and road tax). MoneyMap is Fineco's household budgeting service with full current account integration, providing customers with completely automated tracking of household expenditure.

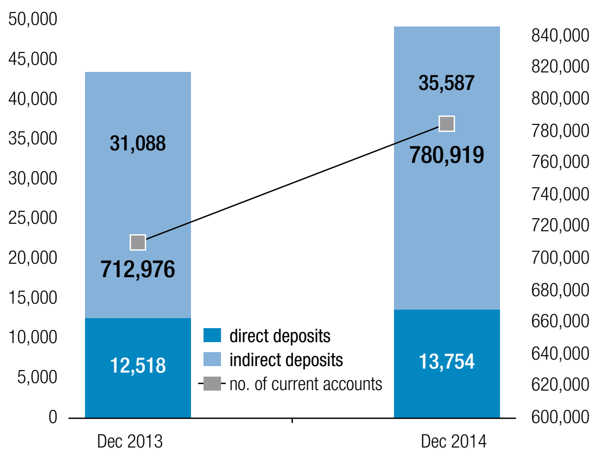
On the regulatory side, the main changes have related to adjustment to the SEPA (Single Euro Payments Area) European interbank procedures, as set out in Regulation EU 260/2012 of March 14, 2012. At the end of April 2014, the Electronic Database Alignment procedure for paying utility bills was abandoned and replaced by the SEDA procedure – the optional service additional to SEPA direct debit instructions that consists in the exchange between the creditor company and the debtor's bank, via the Collecting Bank, of electronic data relating to the information contained in the SEPA instructions. FinecoBank uses the BASIC and ADVANCED SEDA forms.
Using the advanced SEDA form, account holders can make an online request to pay a utility bill issued by a creditor company that is part of the network.

Regarding to the Cash Park service – the deposit account opened at the same time as the current account – the 1-month maturity (Open) has been cancelled, because of the lower interest rates. The product was also geared towards Small Business customers, applying different interest rates than for retail customers.

In terms of bank transfers, the possibility was also introduced for customers not using the SMS PIN service to issue instructions with payment date T (to other Fineco accounts) or T+1 (to non-Fineco accounts).
With regard to the *Singolo Italia, Agevolazione Fiscale ed Estero* (cross-border, SEPA) types of bank transfer, the following maximum daily limits have also been introduced.

- €250,000 if SMS PIN is active;
- €160,000 if SMS PIN is not active.

No. of current accounts and balance of direct and indirect deposits (Amounts in € thousand)



Lastly, with regard to the expansion of the range of new products and services, we note:
- C-bill, the online bill payment service created by the financial institutions that are members of the Consorzio CBI, to offer people a new way to pay their bills online;
- telepass premium extra, giving customers a free roadside rescue service on all Italian roads and motorways.

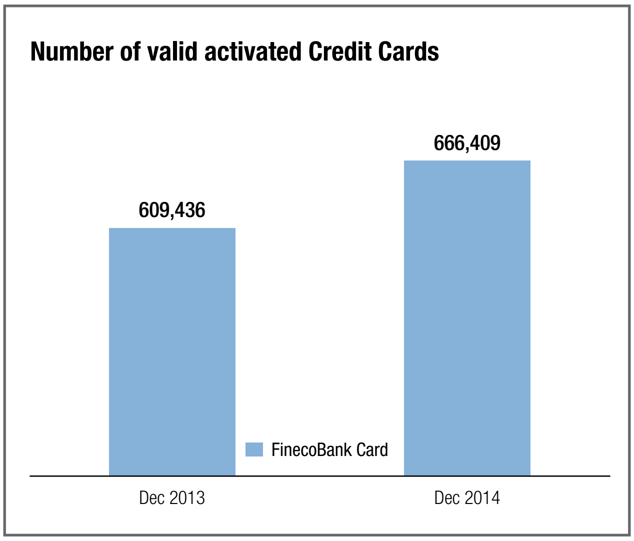
Credit

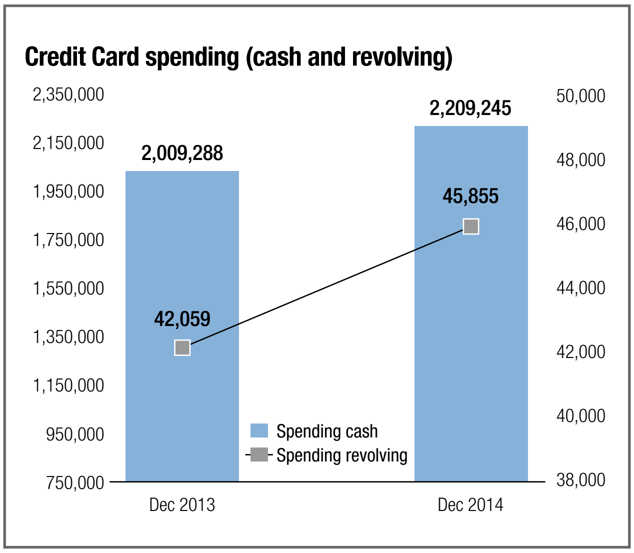
Regarding the credit cards segment, a 6% increase was recorded in the number of active credit card holders with full repayment of balance at term, whilst a 7% increase was recorded in the number of customers holding credit cards with instalment payment plans (also known as revolving credit cards).
In addition, the spending figure increased by almost 10% compared to the previous year, for a total value of approximately €2.2 billion. The spending of revolving cards represented 1.8% of the total.

During 2014 a new function was released for the online management of credit card limits, enabling customers to manage the use of their card directly by geographical area and for e-commerce purchases. In particular, customers can also customise usage for online transactions, blocking or limiting transactions on games and betting websites; alternatively, e-commerce transactions can be blocked completely.

During 2014, certification also began to enable VISA cards for contactless technology (VISA PayWave). All new Mastercards are already enabled for contactless technology (Mastercard PayPass).

Lastly, regarding to the other Credit products we note:
- placement of UniCredit loans: in January the Bank began to place UniCredit loans through the PFA network. The introduction of the new products, which add to the range of existing credit products, is geared towards customer retention;
- Secured loan with for sale mandate: to improve the retention of the best customers, secured loans have been repositioned and new Apex bands have been introduced;
- Personal loans: a new product for repeat business has been created; all customers who have had a Fineco loan and repaid it correctly can obtain refinancing with a competitive rate;
- Acquiring: in order to expand products and services for small business, traditional POS and mPOS solutions have been released in collaboration with CartaSì. The targets are all customers who trade as freelance professionals and sole traders.





Payment systems

Regarding payment systems, the main changes related to the implementation of new services and collection and payment procedures stemming both from regulatory changes that have affected the entire banking system and from internal procedures and processes aimed at providing innovative services to customers, including specifically:
- the Italian TV licence fee payment service, available in the Fineco reserved area (www.fineco.it) is now managed via a new platform called Fastbank, managed by SIA S.p.A. The new infrastructure enables customers to obtain a real-time payment receipt. The same platform is used for the payment of Postal Bills and Road Tax;
- direct debit payments (RID) were migrated to the new SEPA Direct Debit (SDD) infrastructure;

Results achieved in the main areas of activity (Continued)

Banking (Continued)

- the SDD Attivi service was activated for creditor customers only, who already used the RID Attivi service;
- the “Advanced” SEDA service (SEPA Compliant Electronic Database Alignment) was activated for Fineco customers, supplementing the “Basic” service. As of May 2014 the SEDA procedure has replaced the Electronic Database Alignment procedure thereby enabling companies and banks participating in the procedure to exchange information on Sepa Direct Debit instructions before debit instructions are implemented;
- the new e-billing service called CBILL was also launched. CBILL is an e-bill service created by the Consorzio CBI which enables the display of information and electronic payment of bills issued by a selection of participating entities, including private companies and public authorities;
- payments through bank transfers and via cross-border transfers were migrated to the new SEPA Credit Transfer (SCT) infrastructure regardless of the channel from which the customers’ orders originated;
- in accordance with Directive 2007/64/EC (Payment Services Directive - PSD), the Sepa Transfer Recall (RECALL) procedure was introduced both for SCTs received (Passive Recall) and SCTs sent (Active Recall). Under this procedure, both active and passive transfer recalls can be managed automatically on behalf of customers.

The table below shows the number of transactions carried out during 2014 compared with the previous year.

TRANSACTIONS	2014	2013	CHANGE	% CHANGE
Incoming bank transfers	9,242,372	8,381,439	860,933	10.3%
Outgoing bank transfers	5,517,010	6,304,103	(787,093)	-12.5%
Cards*	78,257,176	68,429,872	9,827,304	14.4%
Trans. with UCI branches	1,436,960	1,347,363	89,597	6.6%
Cheques	176,869	183,970	(7,101)	-3.9%
Other transactions**	13,370,300	12,009,187	1,361,113	11.3%

* POS payments and ATM, Credit Card, Debit Card, VPAY withdrawals, topups of Reloadable cards and FAST Pay Payments.

** Telepass Family charges, RID direct debits, MAV/RAV, RIBA, mobile phone topups, Pensions, F24 Payments and Postal Payments.

Investing

FinecoBank uses an open architecture business model to offer customers an extremely wide range of asset management products - comprising collective asset management products, such as units of UCITS and SICAV shares - from carefully selected Italian and international investment firms.

As at December 31, 2014, FinecoBank had signed placement agreements with 65 Italian and international investment firms for the distribution of approximately 5,000 UCITS and SICAV sub-funds. With a view to identifying the best products from the range to propose to customers and thereby optimize service levels, FinecoBank has developed an additional selection process as part of the monitoring of its range of products, aimed at identifying the best products available on the market at any time.
With this goal in mind, investment programmes were created starting in 2011, in partnership with Pioneer Investments as manager. Exclusively targeted to the bank's customers, the investments take the form of funds of funds ("Core Series") that invest in the best funds from among those distributed by the Bank, by individual asset class.
Through its financial advisors, FinecoBank offers its customers a traditional investment advisory service and, since 2010, an advanced advisory service called Fineco Advice.
Fineco Advice – a service mainly dedicated to affluent/private customers – is an advisory platform that enables financial advisors to:

- run diagnostics on customer portfolios invested with FinecoBank or with other banks, and conduct a detailed mapping of asset allocation, the risk/return profile of the customer's portfolio, the cost of each individual instrument in which the portfolio is invested and the overall efficiency of the portfolio;
- monitor portfolios invested with FinecoBank, which takes the form of ongoing advice on asset allocation, the selection of individual financial instruments (strongly focused on high quality instruments in terms of ratings and liquidity, among other aspects) and their consistency over time with the risk/return profile selected by the customer.

In July 2014 a new investment advice contract called Fineco Stars was also created, mainly for retail/affluent customers.
Through Fineco Stars, the Bank offers its customers Italian and foreign funds:

- carefully selected on an ongoing basis, with the creation and maintenance of model portfolios for the investment classes that are most representative of the main market categories;
- with a comprehensive report showing the asset allocation of the customer portfolio invested in the proposed selections.

Through its financial advisors FinecoBank also offers customers the option to subscribe different types of insurance products and supplementary pension products offered by numerous insurance companies or investment firms.

The table below shows the amount of assets under management of Fineco customers, including both those linked to a financial advisor and online customers.

(Amounts in € thousand)

	12.31.2014	%	12.31.2013	%	CHANGE	% CHANGE
UCITS and other investment funds	21,176,945	89.6%	17,691,343	90.6%	3,485,602	19.7%
Insurance products	2,444,167	10.3%	1,805,235	9.2%	638,932	35.4%
Segregated accounts	14,782	0.1%	41,901	0.2%	(27,119)	-64.7%
Total managed assets	**23,635,894**	**100.0%**	**19,538,479**	**100.0%**	**4,097,415**	**21.0%**

The network of financial advisors

The year 2014 – the year of FinecoBank's listing – saw outstanding results in various different areas. It was the best year in the history of FinecoBank; the increase in assets under management and their quality have been the two drivers behind the Bank's growth over the past few years.
Specifically, the following results were achieved in 2014:
- total net sales of €3,598 million;
- net managed assets of €2,990 million;
- net sales of advisory services of €2,724 million;
- new accounts opened during the year: 79,196 new accounts.

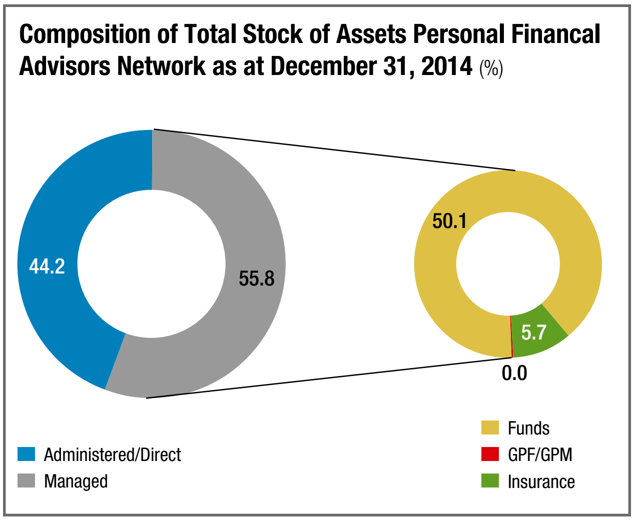
From the start, 2014 was called "the advisory year", as a way to underline the focus on advisory services that was a central factor and will remain so in the future.
As for the Wealth Management segment, high-level training courses continued throughout the year for participants in the Fineco Wealth Advisor Forum; this training will be gradually extended to the whole network, in order to better target consulting services to the Bank's private customers, who represent a significant and growing portion of the Network: 2% in terms of number of customers (15,710) and 37% in terms of assets (about €15,396 million).
As well as the promotional initiatives for the acquisition of new customers, there was heavy renewed focus on the "Transfer securities and funds" campaign. These campaigns are designed using segmentation criteria that reward the assets transferred, consequently directing efforts towards high-end customers.
There was continued focus on customer events organised across Italy. In 2014, 667 events were organised, with more than 26,600 customers and prospects attending, contributing €453 million to net sales. This was a slightly lower number of events than last year, but with a significant increase in terms of quality and returns. With regard to customer events, new formats were introduced for the top segment, with exclusive and high-value meetings.
The consistent attention to positioning can also be seen in the Bank's investments in logistics. It now has an increased and more widespread presence across Italy with a new design . Recruiting played an important role in 2014, with the appointment of 125 new PFAs with a background in banking and networks, while 77 "inexperienced" employees were recruited as part of the "youth programme". On this front, net sales stood at €729 million, plus €36 million from the youth programme.
As at December 31, 2014, the network was made up of 2,533 personal financial advisors, who operate countrywide through 325 financial branches (Fineco Centers), managed directly by the Company or by the financial advisors themselves.

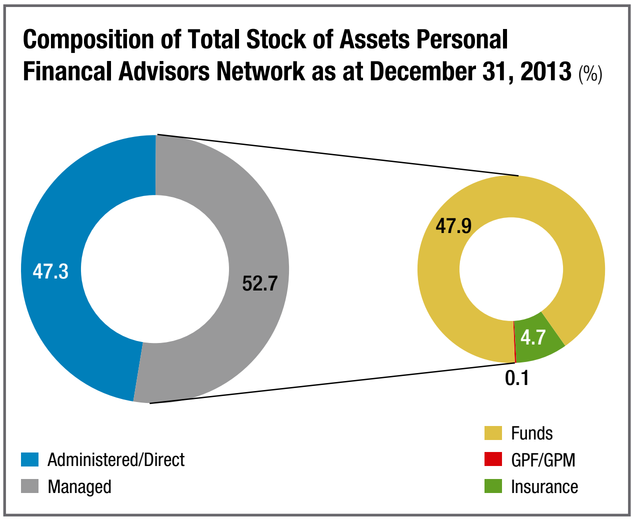
Personal Financial Advisors Network - assets

(Amounts in € thousand)

	12.31.2014	%	12.31.2013	%	CHANGE	% CHANGE
Current accounts and demand deposits	8,605,117	20.7%	7,390,277	20.4%	1,214,840	16.4%
Time deposits and reverse repos	1,064,704	2.6%	1,319,221	3.6%	(254,517)	-19.3%
BALANCE DIRECT SALES	**9,669,821**	**23.3%**	**8,709,498**	**24.1%**	**960,323**	**11.0%**
Segregated accounts	14,782	0.0%	41,901	0.1%	(27,119)	-64.7%
UCITS and other investment funds	20,772,136	50.1%	17,344,996	47.9%	3,427,140	19.8%
Insurance products	2,346,758	5.7%	1,703,434	4.7%	643,324	37.8%
BALANCE ASSETS UNDER MANAGEMENT	**23,133,676**	**55.8%**	**19,090,331**	**52.7%**	**4,043,345**	**21.2%**
Government securities, bonds and stocks	8,669,714	20.9%	8,392,123	23.2%	277,591	3.3%
BALANCE ASSETS UNDER ADMINISTRATION	**8,669,714**	**20.9%**	**8,392,123**	**23.2%**	**277,591**	**3.3%**
BALANCE DIRECT AND INDIRECT SALES	**41,473,211**	**100.0%**	**36,191,952**	**100.0%**	**5,281,259**	**14.6%**

The table above shows the breakdown of the managed assets attributable to the personal financial advisors network as at December 31, 2014. Total direct and indirect sales, amounting to €41,473 million, increased by 14.6% compared to December 31, 2013.





Personal Financial Advisors Network - total net sales

(Amounts in € thousand)

	FY 2014	%	FY 2013	%	CHANGE	% CHANGE
Current accounts and demand deposits	1,214,692	33.8%	956,535	37.5%	258,157	27.0%
Time deposits and reverse repos	(313,766)	-8.7%	(527,089)	-20.7%	213,323	-40.5%
DIRECT SALES	**900,926**	**25.0%**	**429,446**	**16.8%**	**471,480**	**109.8%**
Segregated accounts	(27,301)	-0.8%	(167,871)	-6.6%	140,570	-83.7%
UCITS and other investment funds	2,485,108	69.1%	2,582,231	101.3%	(97,123)	-3.8%
Insurance products	531,821	14.8%	(23,595)	-0.9%	555,416	n.c.
ASSETS UNDER MANAGEMENT	**2,989,628**	**83.1%**	**2,390,765**	**93.8%**	**598,863**	**25.0%**
Government securities, bonds and stocks	(292,186)	-8.1%	(270,881)	-10.6%	(21,305)	7.9%
ASSETS UNDER ADMINISTRATION	**(292,186)**	**-8.1%**	**(270,881)**	**-10.6%**	**(21,305)**	**7.9%**
TOTAL NET SALES - PFA NETWORK	**3,598,368**	**100.0%**	**2,549,330**	**100.0%**	**1,049,038**	**41.1%**

Total net sales for 2014 stood at over €3,598 million, with a strong focus on managed assets and Advisory services, as described previously. More specifically, net sales from managed assets amounted to €2,990 million, while the CORE Series, CORE Unit, Advice, Advice Unit and Fineco STARS services generated €2,724 million in sales.

Human resources

At the end of 2014, FinecoBank's workforce consisted of 1,022 employees compared to 976 as at December 31, 2013, equivalent to an increase of 4.71%; the breakdown was as follows:

HUMAN RESOURCES	DECEMBER 31, 2014	DECEMBER 31, 2013
FinecoBank employees	1,008	965
Workers with atypical contracts* (+)	3	1
Group employees seconded to FinecoBank (+)**	4	4
FinecoBank employees seconded to the Group (-)***	(1)	(2)
Total human resources excluding Directors	**1,014**	**968**
Directors (+)	8	8
Total human resources	**1,022**	**976**

* 1 project-based staff member and 2 interim staff members as at December 31, 2014, 1 project-based staff member as at December 31, 2013.
** Of whom, one seconded on a 50% basis.
*** Of whom, one seconded on a 50% basis.

The year 2014 saw the continuation of intensive management and selection processes aimed at strengthening and optimizing the workforce, especially in light of the listing project, with particular focus on the areas dedicated to business development, organizational support, risk monitoring and management, executed mainly by recruiting 74 employees, of which:

- 8 from other Group companies;
- 66 from the market.

Of the 66 new recruits from the market, around half were employed in the Customer Relationship Management area, confirming the strong and ongoing focus on young graduates. Customer Relationship Management forms the starting point of a pathway of professional development that can lead to different roles in the business.

During the year, 61 employees had their temporary contracts converted into permanent contracts, mainly in the Customer Relationship Management area, therefore, not only guaranteeing operational continuity but also capitalising on the skills and competences already present within the business.

Internal job rotation was a significant feature of 2014, involving 52 employees, through which, on one hand, vacant positions within the company were filled, and, on the other, it ensured the continued professional development of staff.

During the year, 36 employees left the Bank, including 8 who resigned and 24 who were transferred to Group companies. The total staff turnover rate was 3.9% (7.6% new recruits and 3.7% staff members leaving).

The Bank's workforce can be broken down as follows:

	MEN		WOMEN		TOTAL	
Category	12.31.14	12.31.13	12.31.14	12.31.13	12.31.14	12.31.13
Executives	23	20	3	3	26	23
Managers	203	195	81	74	284	269
Professional Areas	345	339	353	334	698	673
Total	**571**	**554**	**437**	**411**	**1,008**	**965**

As at December 31, 2014 part-time staff amounted to 69, accounting for 6.8% of the workforce, with the female employees representing around 43%. Average staff length of service was 7 years, while the average age was approximately 38 years.

Employee training

When appropriately structured and integrated with other systems for human resource development, employee training is an effective tool to improve, enhance and strengthen the technical and professional skills and managerial abilities specific to each role. The goal of training is therefore to provide employees with access to the tools they need to be able to respond effectively to the challenges of a changing business.
Over 22,800 hours of training were provided in 2014, involving the entire population of the business, at varying levels.

TRAINING AREA	HOURS OF TRAINING
Mandatory	5,313
Technical	9,939
Foreign Language	6,336
Behavioural – Management	1,309
Total	**22,897**

Mandatory training

FinecoBank's consistent focus on establishing and strengthening a risk and compliance culture across the organization enables the business to stay not only profitable but also sustainable over time.

For this reason, during 2014, the Bank paid particular attention to mandatory training for all employees who attended the courses both in e-learning mode, using the Group My Learning Platform, and through live seminars for specific subjects. Attendance at the courses was constantly monitored in order to ensure that all employees acquired full understanding of the compulsory subjects, thereby insulating the Bank against operational, legal and reputational risks.

The training was especially focused on anti-money laundering issues. In collaboration with the Compliance Officer, a training programme was delivered involving employees at various levels in live seminars and workshops throughout 2014.

Mandatory attendance at the Operational Risks course was extended to the entire workforce and a new course was made available on privacy and data security. The courses on the subject of money laundering and MiFID were also revised in collaboration with the Compliance function. The modules have actually been redesigned in view of the specific characteristics of the Bank. The two updated courses were then made available and compulsory for all employees on the My Learning Platform.

Technical and behavioural training

Throughout the year, training sessions were organized for the acquisition of technical skills needed to improve company productivity and the level of employee specialization.
During 2014, staff from the Risk Management and Compliance functions continued to participate in specific technical courses required by managers. This group of company staff has also had the opportunity - like all positions within the Bank - to undertake the Risk Diploma Path organized by the UniCredit Group Risk Academy (dedicated to risk training) via the Group My Learning platform.

In the Customer Care area, a total of 7,470 hours of training courses were held for "new recruits" on technical subjects, as well as "ongoing" training courses on technical and behavioural subjects (with a special focus on Communication and Service), with a view to maintaining high quality service standards and a constant customer focus.

Training in support of the Bank's Business Continuity plan also continued, through coaching that is certified in a register of activities.

Foreign language training

The strong focus on foreign language learning for all FinecoBank staff has continued. More than 300 employees undertook English courses (either in the classroom or over the telephone) bearing in mind the usefulness of the English language in their work. In some cases (e.g. Executives) received "one-to-one" training courses in Business English.

Management training

The year 2014 saw continued investment in middle management and specific types of employees (Executives, Talents) with the aim of supporting the development of their managerial abilities through initiatives focused on subjects including leadership, staff management, soft skills, time management and problem solving.

Technology infrastructure

There are essentially six elements to FinecoBank's information system:
- Banking application software;
- On-line Trading system (dedicated applications for the real-time sale/purchase of securities and financial instruments on the main European and American markets);
- A management system for the operations room and for institutional investors, and access to the information/order sections of numerous Italian/foreign markets;
- A management system for investment services such as Funds, SICAVs and Bank Insurance;
- A credit card management system, with the issue of cards for Visa and MasterCard circuits;
- A personal financial advisors network management system, enabling advisors to work on all FinecoBank products through a single portal.

In 2014, the ICT Area carried out its usual activities for the technological upgrading, consolidation and development of the Information System in order to provide new and more versatile added value services to customers.
Specifically, from an architectural perspective, work continued on optimizing infrastructure and applications, as well as the continuous improvement and fine-tuning of the applications security architecture.

Internal control system

The internal control system is a fundamental part of the overall governance system of banks; it ensures that operations are carried out in line with the Bank strategies and policies and based on principles of sound and prudent management.

Circular no. 263 of December 27, 2006 - 15th update of July 2, 2013 - defines the principles and guidelines to which the internal control system of banks must conform; in this respect, the general principles of organization are defined, the role and responsibilities of governing bodies are specified and the characteristics and roles of corporate control functions are outlined.

The internal control system must provide protective measures that cover all types of business risk. The primary responsibility for these tasks lies with the bank's bodies, each in accordance with its specific duties. The structure of tasks and lines of responsibility of corporate functions and bodies must be clearly specified.

Banks must apply the provisions according to the proportionality principle, i.e. taking into account the operating scale and organizational complexity, the nature of the activities carried out and type of services provided.

As part of the supervisory review and evaluation process, the Bank of Italy verifies the banks' internal control system in terms of completeness, suitability, functionality (in terms of efficiency and effectiveness) and reliability.

In accordance with the provisions laid down by the Regulatory Authority, the internal control system of the Bank consists of a set of rules, functions, organizational structures, resources, processes and procedures aimed at ensuring the achievement of the following objectives, in compliance with the principles of sound and prudent management:
- verifying the implementation of the Bank's strategies and policies;
- containing risk within the limits set out in the Bank Risk Appetite Framework - “RAF”;
- preventing the Bank's involvement, even if unintentional, in unlawful activities (with specific reference to money laundering, usury and the financing of terrorism);
- protecting the value of assets and preventing losses;
- ensuring the effectiveness and efficiency of corporate processes;
- ensuring the security and reliability of the Bank information and ICT procedures;
- ensuring transactions' compliance with the law, supervisory regulations as well as internal policies, procedures and regulations.

In terms of the methods applied, the internal control system of Fineco is based on four types of controls:
- level one controls (“line controls”): these are controls relative to individual activities and are carried out according to specific operational procedures based on a specific internal regulation. Monitoring and continuously updating these processes is entrusted to “process supervisors” who are charged with devising controls able to ensure the proper performance of daily activities by the staff concerned, as well as the observance of any delegated powers. The processes subject to control relate to units that have contact with customers as well as completely internal Bank units;
- level two controls: these are controls related to daily operations connected with the process to measure quantifiable risks and

are carried out by units other than operating units, on an ongoing basis. The Risk Management function controls market, credit and operational risks, regarding to compliance with limits assigned to operating functions and the consistency of operations of individual production areas with established risk/return objectives; the Compliance Officer function is responsible for controls on non-compliance risks;
- level three controls: these controls are typical of internal auditing, based on analysis of information obtained from databases or company reports, as well as on-site controls. The purpose of these controls is to check the functioning of the overall internal control system and identify any anomalous trends, or infringements of procedures or regulations. These controls are assigned to the Internal Audit function, which operates at a central level, at UniCredit, based on a specific service agreement;
- institutional supervisory controls: these refer to controls by Bank bodies, including in particular the Board of Statutory Auditors and the Supervisory Body pursuant to Legislative Decree no. 231 of 8 June 2001.

Considering the functions and structures involved, the Internal Control System is based on:
- control bodies and functions including, to the extent of each of their respective areas of responsibility, the Board of Directors, the Audit and Related Parties Committee, the Remuneration and Appointments Committee, the Managing Director and the General Manager[2], the Board of Statutory Auditors, the Supervisory Body set up pursuant to Legislative Decree 231/01 and the corporate control functions (Risk Management, Compliance[3], Internal Audit) as well as other company functions with specific internal control duties[4];
- procedures for the coordination of entities involved in the internal control and risk management system; these procedures provide for:
  - cooperation and coordination among control functions, through specific information flows that are formalized in internal regulations and through managerial committees dedicated to control issues;
  - application of the Group coordination model defined as part of the management and coordination activity carried out by the Parent Company;
  - definition of information flows both between corporate bodies and control functions within the Bank, and with the Parent Company, in order for the latter to be able to properly carry out its management and coordination activities.

Finally, it should be noted that, under Article 49, paragraph 1, of the Regulation (EU) No. 468/2014 of the European Central Bank (ECB/2014/17)1 (the SSM - single supervisory mechanism - Framework Regulation), the ECB published a list containing the names of supervised entities and groups that fall under the direct supervision of the ECB ("significant supervised entities" and "significant supervised groups", as defined in Article 2, points 16) and 22) of the SSM Framework Regulation), indicating each specific reason for direct supervision for each of them, and, if classified as significant based on size, the total value of the assets of the entity or group supervised.
FinecoBank, as a "credit institution established in a participating Member State" belonging to the UniCredit group (classified as a "significant supervised group"), is included in the list of "significant supervised entities".

2. Also appointed as "Director responsible for the internal control and risk management system" in accordance with principle 7.P.3 of the Corporate Governance Code of listed companies.
3. This function includes the Anti Money Laundering Service, responsible for managing the correct application of regulations on anti money laundering and combating the financing of terrorism.
4. The legislative framework and the codes of conduct assign control tasks to specific functions - other than corporate control functions - whose work should be seen as being a functional part of the Internal Control System. In the specific case of FinecoBank, these include the Local Control System for legislation concerning related-party transactions carried out with associated persons in a conflict of interest situation (under the responsibility of the Corporate Affairs Unit of the Legal & Corporate Affairs Department), the Nominated Official in charge of drawing up Company Accounts pursuant to Article 154-bis of the Consolidated Finance Act (identified as the Bank's CFO), the Officer in charge of Health and Safety at Work; the Human Resources function, the Head of Business Continuity & Crisis Management and the Head of Outsourcing Management. All corporate functions, other than corporate control functions, also participate in the Internal Control System by carrying out the level-one controls included in the business processes within their responsibility.

Main risks and uncertainties

For more details of the risks and uncertainties faced by the Bank in the current market situation, reference is made to Part E – Information on risks and hedging policies of the Notes to the Accounts.

Organizational structure

The organizational structure of the Bank is consistent with the Group Organization Guidelines issued by the Parent Company UniCredit S.p.A.
The Guidelines set out organizational principles and rules designed to ensure their uniform application across all Group Legal Entities, through:
- clear organizational principles and criteria;
- specific organizational documents;
- suitable processes for organizational changes.

The Group Organization Guidelines set out structured organizational rankings on four levels (Division, Department, Unit and Team) based on their size and the organizational complexity of the operations overseen.

A number of organisational changes were made during 2014: more specifically, as an alternative to the standardized services for retail customers, Fineco offers a new Asset Protection service to customers in the Private Banking segment and the PFA Network, and especially the Wealth Advisors; the new service provides assistance, support and training on topics related to asset protection and the generational transfer of wealth. Accordingly, the Investment Services Department was assigned new responsibilities and was renamed as "Investment and Wealth Management Services Department".
In summary, the Department's new activities will cover the following areas:
- training and assistance to the network of advisors on legal, corporate and tax matters related to asset protection and the planning and management of the generational transfer of wealth;
- organization of events aimed at strengthening the relationship with customers in the "Private Banking" segment.

In addition, as of July 1, in relation to and in order to meet FinecoBank's operational needs in view of the stock market listing, the Managing Director was also assigned the role of General Manager and, with reference to the management of relations with investors and intermediaries, the role of Investor Relator was created. The Investor Relator represents the Bank in the domestic and international financial community, acting as point of contact between the Bank and the market.

The Legal & Corporate Affairs Department was partially restructured. In particular we note the creation of the new Corporate Affairs & Legal Specialist unit, following on from the greater complexity of legal requirements and corporate activities, due to Fineco's listing on the stock market. The unit is responsible for assisting the Board of Directors and Head Office in setting up effective corporate governance systems.

Organizational Model

Fineco's current organizational model is based on a functional model. A functional model promotes economies of scale and facilitates the development of vertical skills and knowledge within each area. The model guarantees the necessary decision-making mechanisms, whilst maintaining the "horizontal link" between the various functions. Although the current arrangement applies the concept of "functional" specialization, a project-based approach is maintained for every phase of definition and release of products and services.
The horizontal links are guaranteed by the work of specific committees that monitor business lines and the progress of the most important projects, also to guarantee the necessary synergies of distribution channels.

The following organizational units report to the Managing Director and General Manager: Network PFA Department, Investment Services and Wealth Management Department, Direct Bank Department, CFO Department (Chief Financial Officer), CRO Department (Chief Risk Officer), Network Controls, Monitoring And Services Department,

Legal & Corporate Affairs Department, GBS Department (Global Banking Services), Human Resources Unit, Compliance Referent Unit, and the Identity & Communication Team.
The organizational model identifies four main functional lines, which govern:

- the sales network (Network PFA Department);
- investment services (Investment Services and Wealth Management Department);
- direct banking (Direct Bank Department);
- operational functioning (GBS Department).

In summary:

- The Network PFA Department is responsible for overseeing the management and development of Fineco's network of financial advisors;
- The Investment Services And Wealth Management Department is responsible for monitoring the development of products placed by the Bank and the financial advisory services provided to all Customers;
- The Direct Bank Department is responsible for overseeing the development of new products and services in the two core components of Fineco (Trading and Banking) and the related placement process through direct channels (Internet and telephone);
- The Investment Services And Wealth Management Department and the Direct Bank Department work closely with each other in order to develop a combined and synergistic offering of products and services to customers, in line with the Bank's marketing and business strategies;
- The GBS (Global Banking Services) Department coordinates the organizational units in charge of monitoring the organizational/operating processes and the ICT and logistics systems needed to ensure the effective and efficient operation of business support systems. The following organizational units report to the GBS Department: Information Security & Fraud Management Team, ICT – Information & Communication Technology Department, CRM – Customer Relationship Management Department, Organization & Bank Operations Department, Financial Operations Department, Network Services Unit, General Services Unit.

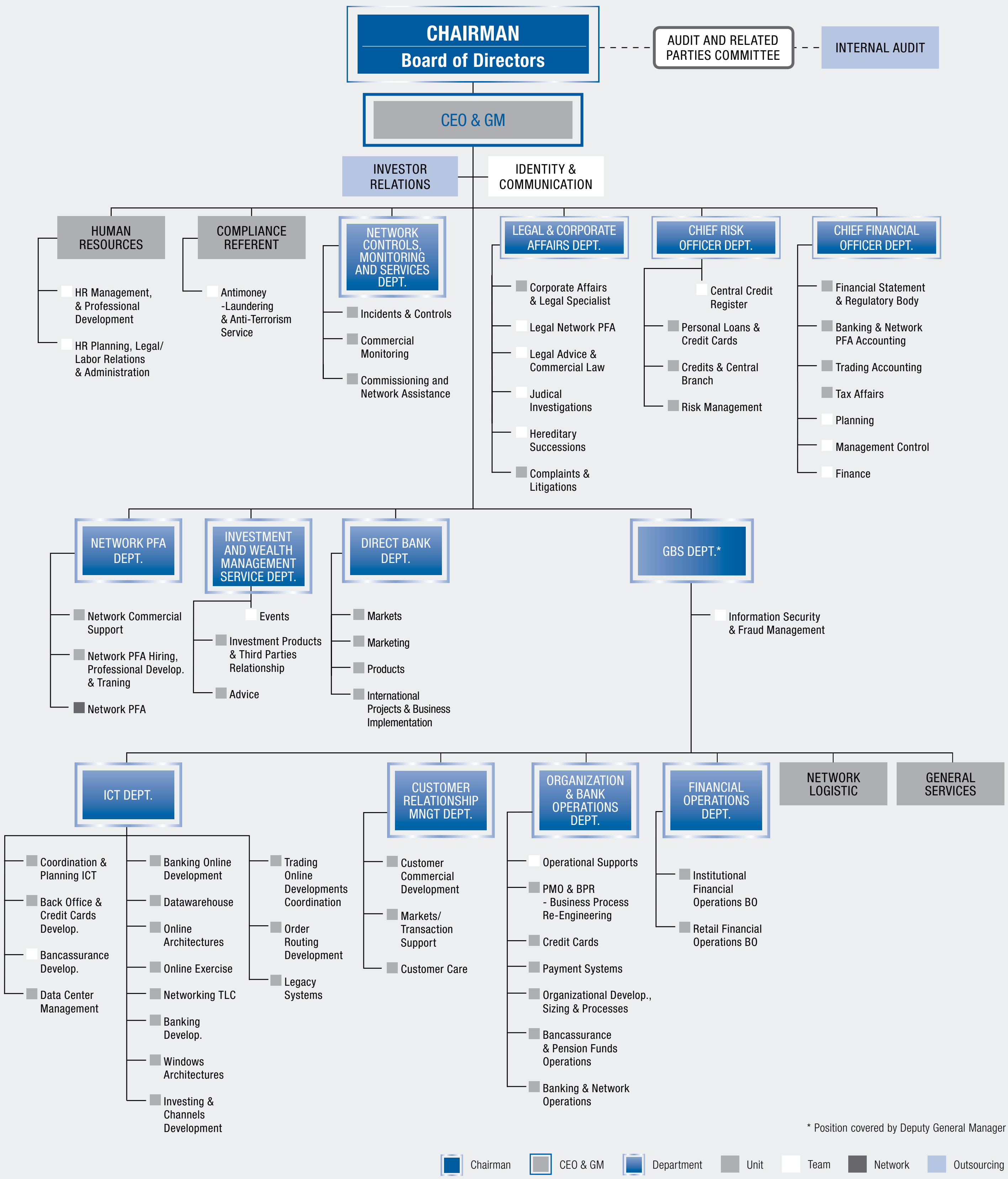
The synergies between the distribution channels and the monitoring of decision-making processes that cut across the Departments are ensured by a Management Committee.

Regarding to audit activities, FinecoBank, in line with the instructions of the Parent Company, has adopted an outsourcing model based on a specific service agreement signed with UniCredit S.p.A.. Under the model, the Audit and Related Parties Committee (a committee established within the Board of Directors) is responsible for liaising with the Bank and the outsourcer, in addition to supporting the Board of Directors – with information, advisory, recommendation and investigation functions – using a risk-oriented approach to identify the guidelines for the entire internal control system and the assessment of its effectiveness and efficiency.
The functioning and jurisdiction of the above Committee are defined in the Board of Directors' Rules and Regulations.

Moreover, with regard to the activities of the Investor Relator, who manages relations with investors and intermediaries and who represents the Company in the national and international financial community, Fineco has adopted an outsourcing model based on a signed service contract with UniCredit S.p.A..

Organizational structure (CONTINUED)

The organizational structure of Fineco is as follows:



Business continuity plan (BCP)

As required by the applicable regulations, the Bank has adopted a model that consists of organisational units dedicated to managing Business Continuity and Crises, both in normal operating conditions and in emergency situations.

FinecoBank's Business Continuity and Crisis Management system includes a business continuity plan (the "BCP"), a disaster recovery plan (the "DRP"), a Pandemic Management Plan and a Crisis Management Plan. These plans describe how crises are to be managed in FinecoBank and/or how the impacts on the UniCredit group are to be managed through predefined "stages", made up of objectives, activities and expected results. In particular, the BCP sets out the strategies and procedures adopted by the Bank to guarantee the continuity of critical services in emergencies. The DRP (incorporated in the BCP) establishes the measures to recover applications and information systems hit by "disaster".

To guarantee the effectiveness and adequacy of these plans and identifying any areas for improvement, test plans were drawn up at the start of 2014 and tests were carried out during the year. The outcomes of the resulting tests carried out during the year were positive.

Main balance sheet aggregates

(Amounts in € thousand)

ASSETS	12.31.2014	12.31.2013	CHANGES AMOUNT	CHANGES %
Cash and cash balances	5	5	-	-
Financial assets held for trading	3,054	4,700	(1,646)	-35.0%
Loans and receivables with banks	13,892,197	16,330,912	(2,438,715)	-14.9%
Loans and receivables with customers	695,594	641,250	54,344	8.5%
Financial investments	1,695,555	93,114	1,602,441	1720.9%
Hedging instruments	24,274	179,265	(154,991)	-86.5%
Property, plant and equipment	10,892	10,772	120	1.1%
Goodwill	89,602	89,602	-	-
Other intangible assets	8,142	8,014	128	1.6%
Tax assets	18,550	47,075	(28,525)	-60.6%
Other assets	326,756	256,629	70,127	27.3%
Total assets	**16,764,621**	**17,661,338**	**(896,717)**	**-5.1%**

(Amounts in € thousand)

LIABILITIES AND SHAREHOLDERS' EQUITY	12.31.2014	12.31.2013	CHANGES AMOUNT	CHANGES %
Deposits from banks	1,428,568	1,648,675	(220,107)	-13.4%
Deposits from customers	13,914,712	12,732,309	1,182,403	9.3%
Debt securities in issue	424,710	2,322,511	(1,897,801)	-81.7%
Financial liabilities held for trading	3,135	2,301	834	36.2%
Hedging instruments	46,220	178,574	(132,354)	-74.1%
Provisions for risks and charges	118,031	105,421	12,610	12.0%
Tax liabilities	33,358	16,842	16,516	98.1%
Other liabilities	243,633	235,556	8,077	3.4%
Shareholders' equity	*552,254*	*419,149*	*133,105*	*31.8%*
- capital and reserves	*400,085*	*329,719*	*70,366*	*21.3%*
- revaluation reserves for available-for-sale financial assets and for actuarial gains (losses) from defined benefit plans	*2,262*	*4,214*	*(1,952)*	*-46.3%*
- net profit (loss)	*149,907*	*85,216*	*64,691*	*75.9%*
Total liabilities and shareholders' equity	**16,764,621**	**17,661,338**	**(896,717)**	**-5.1%**

Financial assets held for trading

Financial assets held for trading consist of:
- bonds and equities classified as HFT (held for trading), amounting to €71 thousand, held in the Bank's portfolio as a result of trading activity, and intended to be traded in the short term;
- the positive valuation of spot contracts for securities in the HFT portfolio and currencies to be settled in time frames established by market practices ("regular way") for €2.1 million, which correspond to negative valuations booked under item 40 "Financial liabilities held for trading";
- the positive valuation of CFDs and futures on indices and interest rates and of CFDs on Forex for €0.9 million.

CFDs on indices and currencies are "Over the counter" derivative contracts that require the payment of a differential generated by the difference between the opening and closing price of the financial instrument. The bank in operational terms covers the imbalance of customer positions, by underwriting futures on the indices underlying the CFDs on indices, or through Forex transactions with institutional counterparties to hedge CFD transactions in open currencies with customers' currency; consequently, the positive valuation booked under "Financial assets held for trading" more or less balanced the negative valuations booked under "Financial liabilities held for trading".

Loans and receivables with banks

(Amounts in € thousand)

			CHANGES	
	12.31.2014	12.31.2013	AMOUNT	%
Current accounts and demand deposits	1,476,280	9,433,356	(7,957,076)	-84.4%
Time deposits	2,894,321	3,563,334	(669,013)	-18.8%
Other loans:				
1 Reverse repos	5,794	5,584	210	3.8%
2 Other	27,472	6,022	21,450	356.2%
Debt securities	9,488,330	3,322,616	6,165,714	185.6%
Total	**13,892,197**	**16,330,912**	**(2,438,715)**	**-14.9%**

Loans and receivables with banks for current accounts and demand deposits mainly consist of accounts held with UniCredit, with a book value of €1,450.7 million and to a lesser extent, of current accounts held with non-Group Banks for transactions in securities.
The time deposits recognized under assets consist of the deposit held with UniCredit for compulsory reserves, with a book value of €131.9 million, in addition to time deposits held with UniCredit with a book value of €2,762.4 million, opened in order to invest the funds collected through repos and CashPark transactions with retail customers and repos with credit institutions, with the same maturities.
In the item Other Loans, the item Other relates to the amount of the initial and variation margins placed with credit institutions from derivative transactions as well as from current receivables associated with the provision of financial services.
The debt securities held in the portfolio and included in the category "*Loans and Receivables*" mainly consist of debt securities issued by UniCredit for an amount of €9,488.3 million (€3,322.5 million at December 31, 2013).

Regarding to the increase in UniCredit securities held compared to December 31, 2013, the most significant investment was realised in early April 2014, for an amount totalling €7,650 million and $250 million. In the subsequent months, two further investments were realised: €200 million in July and €400 million in October.
These types of investment were determined by taking into account the overall structure of the Bank's balance sheet and with a view to optimizing its liquidity risk profile, in line with the amount of structural liquidity (whose main component is sight deposits considered as "Core"), with the objective of diversifying these investments in terms of maturities. The bonds issued by UniCredit and reserved for FinecoBank are freely transferable to third parties throughout the term of the bond.

At the same time, debt securities included in the category "Loans and receivables", issued by UniCredit and held by Fineco at December 31, 2013, with a nominal value of €1,850 million and USD 70 million were sold to UniCredit, as, following the subscription of the bonds mentioned above, maintaining these securities in the portfolio was no longer considered appropriate.

Main balance sheet aggregates (Continued)

Loans and receivables with customers

(Amounts in € thousand)

	12.31.2014	12.31.2013	CHANGES AMOUNT	CHANGES %
Current accounts	130,765	101,195	29,570	29.2%
Reverse repos	118,014	120,860	(2,846)	-2.4%
Mortgages	58	76	(18)	-23.7%
Credit cards and personal loans	346,465	319,087	27,378	8.6%
Other loans	100,291	100,031	260	0.3%
Debt securities	1	1	-	0.0%
Total	**695,594**	**641,250**	**54,344**	**8.5%**

Loans and receivables with customers, amounting to €695.6 million, can essentially be broken down as follows:

- €478.8 million in loans to ordinary customers;
- €118 million in reverse repos;
- €23.1 million in collateral deposits, initial and variance margins with clearing houses for derivative transactions;
- €75.7 million relating to current receivables associated with the provision of financial services.

Reverse repos are represented by "Multiday leverage" transactions, securities lending transactions guaranteed by sums of money readily available to the lender and which are basically the equivalent of repos on securities.
Other loans mainly consist of collateral deposits, initial and variation margins with clearing houses for derivative transactions, mostly on behalf of third parties, as well as current receivables associated with the provision of financial services.

(Amounts in € thousand)

LOANS AND RECEIVABLES WITH CUSTOMERS (MANAGEMENT RECLASSIFICATION)	12.31.2014	12.31.2013	CHANGES AMOUNT	CHANGES %
Current accounts	128,270	98,455	29,815	30.3%
Use of credit cards	243,115	219,010	24,105	11.0%
Personal loans	101,697	98,241	3,456	3.5%
Other loans	1,438	1,402	36	2.6%
Performing loans	*474,520*	*417,108*	*57,412*	*13.8%*
Current accounts	2,495	2,740	(245)	-8.9%
Mortgages	58	76	(18)	-23.7%
Use of credit cards	104	130	(26)	-20.0%
Personal loans	1,549	1,706	(157)	-9.2%
Other loans	26	24	2	8.3%
Impaired loans	*4,232*	*4,676*	*(444)*	*-9.5%*
Loan receivables with ordinary customers	**478,752**	**421,784**	**56,968**	**13.5%**
Reverse repos	117,987	120,804	(2,817)	-2.3%
Reverse repos - impaired	27	56	(29)	-51.8%
Collateral deposits and initial and variation margins	23,122	32,007	(8,885)	-27.8%
Current receivables associated with the provision of financial services	75,705	66,598	9,107	13.7%
Debt securities	1	1	-	0.0%
Current receivables and other receivables	**216,842**	**219,466**	**(2,624)**	**-1.2%**
Loans and receivables with customers	**695,594**	**641,250**	**54,344**	**8.5%**

The portfolio of loan receivables with ordinary customers mainly consists of receivables for personal loans, current accounts and credit card use; overall, loans to ordinary customers increased by 13.5%, due to a greater use of credit cards with full payment of the balance at term and greater use of current account credit lines.

Impaired assets

(Amounts in € thousand)

	GROSS AMOUNT		IMPAIRMENT PROVISION		NET AMOUNT		COVERAGE RATIO	
CATEGORY	12.31.2014	12.31.2013	12.31.2014	12.31.2013	12.31.2014	12.31.2013	12.31.2014	12.31.2013
Non-performing loans	19,845	17,664	(16,686)	(14,387)	3,159	3,277	84.08%	81.45%
Doubtful loans	1,393	2,065	(936)	(1,392)	457	673	67.19%	67.41%
Past-due loans	1,260	1,444	(617)	(663)	643	781	48.97%	45.91%
Total	**22,498**	**21,173**	**(18,239)**	**(16,442)**	**4,259**	**4,731**	**81.07%**	**77.66%**

The amount of impaired loans net of impairment losses was €4.3 million, €3.2 million of which in non-performing loans, €0.5 million in doubtful loans and €0.6 million in past-due loans. Impaired loans mostly relate to current account overdrafts, credit card use and personal loans.

Impaired customer loans represent 0.89% of loan receivables with ordinary customers, down against the figure of 1.12% as at December 31, 2013 as a result of the increase in loans for use of credit cards with full payment of the balance at term and current account overdrafts.

Financial investments flow

(Amounts in € thousand)

			CHANGES	
	12.31.2014	12.31.2013	AMOUNT	%
Financial assets designated at fair value through profit or loss	-	3,199	(3,199)	-100.0%
Available-for-sale financial assets	1,695,555	89,915	1,605,640	1785.7%
Total	**1,695,555**	**93,114**	**1,602,441**	**1720.9%**

Debt securities classified as *Financial assets at fair value through profit or loss* in the portfolio as at December 31, 2013 were sold during the first half of 2014.

Available-for-sale financial assets consist of debt securities issued by governments, including in particular Italian government bonds with a book value of €1,685.1 million, French government bonds with a book value of €10.4 million, and investments in companies in which the Bank does not exercise control or significant influence amounting to €5 thousand, including 20 shares of UniCredit Business Integrated Solutions S.c.p.A. totalling €172.

Regarding to the increase in debt securities compared to December 31, 2013, in the first half of 2014, as part of the guidelines for the new liquidity investment policy that entered into force on April 1, 2014, the portion of liquid assets classified as “Non Core” was invested in Italian government bonds for a nominal amount of €1,500 million while derivative contracts were entered into at the same time in order to convert the fixed rate into a floating rate in compliance with pre-defined limits on interest rate risk.

A portion of debt securities classified in the *Available-for-sale financial assets* portfolio are entirely used as collateral for bankers’ drafts or guarantees with third parties for a book value of €126.7 million.

Main balance sheet aggregates (Continued)

Hedging instruments

(Amounts in € thousand)

	12.31.2014	12.31.2013	CHANGES AMOUNT	%
Asset hedging derivatives - positive valuations	11,554	47,784	(36,230)	-75.8%
Liability hedging derivatives - positive valuations	7,693	75,359	(67,666)	-89.8%
Adjustment to the value of assets under portfolio hedge	5,027	56,122	(51,095)	-91.0%
Total assets	**24,274**	**179,265**	**(154,991)**	**-86.5%**
of which:				
Positive valuations	19,842	125,197	(105,355)	-84.2%
Related accrued assets and liabilities	(595)	(2,054)	1,459	-71.0%
Adjustments to the value of hedged assets	5,027	56,122	(51,095)	-91.0%
Total assets	**24,274**	**179,265**	**(154,991)**	**-86.5%**
Asset hedging derivatives - negative valuations	36,993	93,987	(56,994)	-60.6%
Liability hedging derivatives - negative valuations	-	47,814	(47,814)	-100.0%
Adjustment to the value of assets under portfolio hedge	9,227	36,773	(27,546)	-74.9%
Total liabilities	**46,220**	**178,574**	**(132,354)**	**-74.1%**
of which:				
Negative valuations	30,793	144,546	(113,753)	-78.7%
Related accrued assets and liabilities	6,200	(2,745)	8,945	n.c.
Adjustments to the value of hedged liabilities	9,227	36,773	(27,546)	-74.9%
Total liabilities	**46,220**	**178,574**	**(132,354)**	**-74.1%**

(Amounts in € thousand)

Summary of hedging derivative valuations 12.31.2014	Assets	Liabilities	Difference
Valuation of asset and liability hedging derivatives	19,842	30,793	(10,951)
Change in fair value of hedged assets/liabilities	5,027	9,227	(4,200)
Revaluation reserve before related taxation	-	(15,151)	15,151
Total	**24,869**	**24,869**	**-**

Hedged assets consist of receivables for personal loans due from retail customers, bonds issued by UniCredit belonging to the "*Loans and Receivables category*" and securities issued by the Italian Central Government and classified as "*Available-for-sale financial assets*".

Hedged liabilities refer to bonds issued by FinecoBank, entirely subscribed by the Parent Company and recognized as debt securities in issue.

Accruals relating to asset and liability hedging derivatives amount respectively to €-0.6 million and €6.2 million, and are included in the net interest margin.

Positive and negative valuations of hedging derivatives relate solely to derivative contracts that the Bank has entered into to provide a hedge against interest rate risk inherent in the above-mentioned assets and liabilities, whose income statement effect, net of accrued interest included in the net interest margin, is zero.

Property, plant and equipment

As in previous financial years, investments in electronic machines were made to guarantee the ongoing update of the hardware used by all FinecoBank departments, and in particular by the IT department.

Investments in office furniture and fittings and equipment are primarily intended for use in new financial branches.

(Amounts in € thousand)

PROPERTY, PLANT AND EQUIPMENT	BALANCE 01.01.2014	INVESTMENTS AS AT 12.31.2014	OTHER CHANGES-SALES	DEPRECIATION AND WRITE-DOWNS AS AT 12. 31.2014	BALANCE 12.31.2014
Properties	2,734	-	-	(113)	2,621
Electronic machines	5,846	2,876	-	(2,586)	6,136
Furniture and fixtures	834	901	10	(818)	927
Plant and machinery	1,358	369	-	(519)	1,208
TOTAL	**10,772**	**4,146**	**10**	**(4,036)**	**10,892**

Goodwill

Impairment testing on goodwill, performed on December 31, 2014, did not identify any impairment; for all further information on the impairment test, refer to Part B) – Balance Sheet Information in the Notes to the Accounts.

As at December 31, 2014, the goodwill recorded in the financial statements was made up as follows:

(Amounts in € thousand)

	12.31.2014	12.31.2013
Goodwill relating to Fineco On Line Sim S.p.A.	16,087	16,087
Goodwill relating to the trading and banking division of Banca della Rete	2,034	2,034
Goodwill relating to PFA division formerly FinecoGroup S.p.A.	3,463	3,463
Goodwill relating to PFA division formerly UniCredit Xelion Banca S.p.A.	68,018	68,018
Total	**89,602**	**89,602**

Goodwill relating to Fineco On Line Sim S.p.A.

On April 3, 2001 the merger of Fineco On Line Sim S.p.A., the business division of Fineco Sim S.p.A., into FinecoBank was completed. This merger was carried out on the basis of a share swap ratio of 3.7 shares of the acquiring company for each share of the acquired company, with a consequent increase in the share capital of FinecoBank. The difference between the increase in capital of the acquiring company and the amount of shareholders' equity of the acquired company gave rise to a share swap loss recorded under goodwill.

The balance, amounting to €16 million, is equal to the balance at January 1, 2004, the date of transition to IAS, plus the unamortized amount of the substitute tax, paid for recognition of the loss for tax purposes.

Goodwill relating to the Trading and Banking division of Banca della Rete

On September 1, 2003, FinecoBank acquired the "On-line Banking" and "On-line Trading" business divisions of Banca della Rete, as part of the business plan to rationalize the reorganization of Banca della Rete, in accordance with the directives of at that time parent company Capitalia S.p.A..

The amount of €2 million recorded in the balance sheet is the same as the amount as at January 1, 2004, the date of transition to IAS.

Goodwill relating to PFA division formerly FinecoGroup S.p.A.

On October 1, 2005, FinecoBank acquired the Personal Financial Advisors business division from FinecoGroup S.p.A., which was created from the progressive merger of three different group networks: FinecoBank S.p.A., former Bipop Carire S.p.A. and Banca Manager S.p.A..

The transaction was carried out for a consideration mutually agreed by the parties and subject to a 'fairness opinion', leading to the recognition of €3.5 million of goodwill.

Goodwill relating to the PFA division formerly UniCredit Xelion Banca S.p.A.

As a result of the merger of UniCredit Xelion Banca S.p.A. into FinecoBank on 7 July 2008, FinecoBank S.p.A. recorded goodwill of €68 million under intangible assets, arising from previous extraordinary transactions carried out by UniCredit Xelion Banca S.p.A., more specifically:

- Year 2000: acquisition of the PFA division, formerly Fida SIM, by UniCreditSIM, later merged into Xelion Sim S.p.A., which then became UniCredit Xelion Banca S.p.A.. The balance, amounting to €1 million, is equal to the balance at January 1, 2004, the date of transition to IAS;
- Year 2001: merger of UniCreditSIM into Xelion Sim S.p.A., which

Main balance sheet aggregates (CONTINUED)

then became UniCredit Xelion Banca S.p.A.. The balance, amounting to €13.8 million, is equal to the balance at January 1, 2004, the date of transition to IAS;
- Year 2003: spin-off of the personal financial advisors division, formerly Credit, Rolo and CRT by UniCredit Banca to UniCredit Xelion Banca S.p.A.. The balance, amounting to €19.1 million, is equal to the balance at January 1, 2004, the date of transition to IAS;
- Year 2004: acquisition of the PFA division from Ing Italia. This transaction resulted in the recognition of goodwill of €34.1 million.

It should be noted that all the goodwill (totalling €90 million) relates to acquisitions of businesses or companies carrying out trading activities or the distribution of financial, banking and insurance products through personal financial advisors.

These activities have been fully integrated with FinecoBank's ordinary operations, as a result it is no longer possible to isolate the contribution of each company/business division from the Bank's overall income; this means that to establish the reasonableness of the value of goodwill recognized in the financial statements it is necessary to take account of the Bank's comprehensive income.

The cash generating unit (CGU) is therefore the Bank as a whole. In fact, in view of the specific business model adopted by FinecoBank, which envisages a high level of integration between personal financial advisors and the trading and banking platform, the allocation of costs/revenues to the business units is not considered relevant or meaningful; the personal financial advisors network is an integral part of the overall offer, along with banking, brokerage and investing services.

Other intangible assets

Other intangible assets mainly include purchases and the implementation of information technology procedures with useful lives of several years, required in order to manage the development and ongoing provision by the Bank of new and more versatile high-added-value services for customers, as well as infrastructure and application optimizations, enhancements to architecture for application security, and the developments needed to meet the new regulatory requirements.

(Amounts in € thousand)

INTANGIBLE ASSETS	BALANCE 01.01.2014	INVESTMENTS AS AT 12.31.2014	OTHER CHANGES-SALES	AMORTISATION AND WRITE-DOWNS AS AT 12.31.2014	BALANCE 12.31.2014
Software	6,853	4,523	-	(4,407)	6,969
Other intangible assets	1,161	378	-	(366)	1,173
TOTAL	**8,014**	**4,901**	**-**	**(4,773)**	**8,142**

Tax Assets and Other Assets

(Amounts in € thousand)

	12.31.2014	12.31.2013	CHANGES	
			AMOUNT	%
Tax assets				
Current assets	2,179	25,264	(23,085)	-91.4%
Deferred tax assets	12,532	18,338	(5,806)	-31.7%
Deferred tax assets pursuant to Law 214/2011	3,839	3,473	366	10.5%
Total	**18,550**	**47,075**	**(28,525)**	**-60.6%**
Other assets				
Items in processing	9,193	9,488	(295)	-3.1%
Definitive items not recognised under other items	53,600	62,491	(8,891)	-14.2%
Current receivables not related to the provision of financial services	4,576	1,707	2,869	168.1%
Tax items other than those included in the item "Tax assets"	235,072	160,908	74,164	46.1%
Prepayments	15,109	10,940	4,169	38.1%
Improvement and incremental expenses incurred on leasehold assets	9,081	10,962	(1,881)	-17.2%
Other items	125	133	(8)	-6.0%
Total	**326,756**	**256,629**	**70,127**	**27.3%**

The decrease in "Tax assets" of €23 million is mainly due to the use of previously paid IRES income tax and IRAP corporate tax advances.

With regard to the "Other assets", "Tax items other than those included in the item tax assets" increased as a result of tax advances paid in our capacity as withholding agents.

Deposits from banks

(Amounts in € thousand)

	12.31.2014	12.31.2013	CHANGES AMOUNT	%
Deposits from central banks	-	-	-	-
Deposits from banks				
Current accounts and demand deposits	89,607	29,139	60,468	207.5%
Loans				
Repos	1,337,843	1,619,295	(281,452)	-17.4%
Other liabilities	1,118	241	877	363.9%
Total	**1,428,568**	**1,648,675**	**(220,107)**	**-13.4%**

The item current accounts and demand deposits mainly consists of reciprocal current accounts and loans with UniCredit group companies, with a book value of €17.3 million, as well as reciprocal current accounts and loans with banks outside the Group of €7.7 million. The item also includes margin variations for trading in repos received by UniCredit, with a book value of €64.6 million.
Repos include €1,256.6 million of transactions performed with UniCredit and €27.1 million of transactions with UniCredit AG Monaco.

Deposits from customers

Deposits from customers, mainly consisting of current accounts, the Cash Park deposit account and Supersave repos, totalled €13,914.7 million, an increase of 9.3% compared to December 31, 2013.

(Amounts in € thousand)

	12.31.2014	12.31.2013	CHANGES AMOUNT	%
Current accounts and demand deposits	12,247,454	10,666,363	1,581,091	14.8%
Time deposits	1,315,731	1,699,635	(383,904)	-22.6%
Loans				
Repos	281,178	304,380	(23,202)	-7.6%
Other liabilities	70,349	61,931	8,418	13.6%
Deposits from customers	**13,914,712**	**12,732,309**	**1,182,403**	**9.3%**

Debt securities in issue

(Amounts in € thousand)

	12.31.2014	12.31.2013	CHANGES AMOUNT	%
Bonds	**424.710**	**2.322.511**	**(1.897.801)**	**-81,7%**

During the first half of 2014, the Bank reimbursed securities in issue for a nominal amount of €1,500 million (repurchased in previous years); it also partially repurchased bonds issued for a total nominal amount of €1,850 million and USD 70 million. These bonds had been issued at par in 2011 and had been fully underwritten by UniCredit, while the Bank had underwritten bonds issued by UniCredit, following the need for both the Bank and UniCredit to hold bonds in the portfolio useful for their operations with customers. As described above, by underwriting other bonds issued by UniCredit as part of the liquidity investment policy defined as of April 1, 2014 and following the gradual reduction in repo transactions with customers that had led the Bank and UniCredit to reciprocally underwrite and issue such bonds, both parties were able to sell part of the securities held in the portfolio and to repurchase the securities in issue.

Main balance sheet aggregates (Continued)

Financial liabilities held for trading

Financial liabilities held for trading consist of:
- technical overdrafts classified under as HFT (held for trading), held in the Bank's portfolio as a result of trading activity, for an immaterial amount;
- the negative valuation of spot contracts for securities in the HFT portfolio and currencies to be settled in time frames established by market practices ("regular way") for €2 million, which correspond to positive valuations booked under item 20 "Financial assets held for trading";
- the negative valuation of CFDs and futures on indices and interest rates and CFDs on Forex for €1.1 million.

CFDs on indices and currencies are "Over the counter" derivative contracts that require the payment of a differential generated by the difference between the opening and closing price of the financial instrument. In operational terms, the Bank covers the imbalance of customer positions by underwriting futures on the indices underlying the CFDs on indices, or through Forex transactions with institutional counterparties to hedge CFD transactions in open currencies with customers' currency; consequently, the negative valuations booked under "Financial liabilities held for trading" more or less balanced the positive valuations booked under "Financial assets held for trading".

Provisions for risks and charges

Provisions for risks and charges include allowances for a total of €118 million, for which, given a liability of uncertain amount and expiry, a current obligation was identified as the result of a past event and it was possible to make a reliable estimate of the amount resulting from the fulfilment of said obligation.
The disbursements, with estimated maturity exceeding 18 months, were discounted to present value using a rate equal to the time value of money.
"Staff expenses" include the provisions made for the variable remuneration to be paid to employees in subsequent years, which have an uncertain due date and/or amount.

(Amounts in € thousand)

			CHANGES	
	12.31.2014	12.31.2013	AMOUNT	%
Legal disputes	**49,650**	**55,578**	**(5,928)**	**-10.7%**
- Pending proceedings	36,205	40,573	(4,368)	-10.8%
- Claims	13,445	15,005	(1,560)	-10.4%
Staff expenses	**7,805**	**-**	**7,805**	**-**
Other	**60,576**	**49,843**	**10,733**	**21.5%**
- Supplementary customer indemnity provision	44,114	32,178	11,936	37.1%
- Contractual payments and payments under non-competition agreements	2,269	1,916	353	18.4%
- Tax disputes	7,298	7,439	(141)	-1.9%
- Other provisions	6,895	8,310	(1,415)	-17.0%
Total provisions for risks and charges - other provisions	**118,031**	**105,421**	**12,610**	**12.0%**

Tax liabilities and Other liabilities

(Amounts in € thousand)

	12.31.2014	12.31.2013	CHANGES	
			AMOUNT	%
Tax liabilities				
Current liabilities	33,358	16,842	16,516	98.1%
Total	**33,358**	**16,842**	**16,516**	**98.1%**
Other liabilities				
Impairment of financial guarantees issued	1,416	5,885	(4,469)	-75.9%
Items in processing	42,366	47,398	(5,032)	-10.6%
Definitive items not recognised under other items	33,913	32,445	1,468	4.5%
Payables to employees and other personnel	6,549	15,229	(8,680)	-57.0%
Payables to Directors and Statutory auditors	212	244	(32)	-13.1%
Current payables not related to the provision of financial services	25,075	27,400	(2,325)	-8.5%
Tax items other than those included in the item "Tax liabilities"	107,717	83,854	23,863	28.5%
Social security contributions to be paid	5,576	4,853	723	14.9%
Adjustments for illiquid portfolio items	15,197	13,847	1,350	9.7%
Other items	786	640	146	22.8%
Employee severance pay provision	**4,826**	**3,761**	**1,065**	**28.3%**
Total	**243,633**	**235,556**	**12,546**	**5.3%**

The increase in "Tax liabilities" of €16.5 million was due to higher income taxes for the year resulting from an increase in taxable income.

With regard to the "Other Liabilities", there was a decrease in "Items in processing" relating to incoming and outgoing bank transfers; the reduction in "Payables to employees and other personnel" caused by the recognition within the Provision for risks and charges, as of 2014, of provisions made for the variable remuneration to be paid to employees in subsequent years, which have an uncertain due date and/or amount; the increase in "Tax items other than those included in the item Tax liabilities", as a result of the higher payables to the tax authorities for stamp duty and for withholding taxes in our capacity as withholding agent. In addition, the item "Impairment losses on financial guarantees given" includes the expenses resulting from the measures already approved by the National Interbank Deposit Guarantee Fund.

Shareholders' equity

As at December 31, 2014, the Bank's share capital came to €200 million, and was divided into 606,274,033 shares with a par value of €0.33 each. Reserves comprise the legal reserve amounting to €33.1 million, the extraordinary reserve amounting to €142.7 million, the reserve for purchase of treasury shares amounting to €14.9 million, the reserve connected to the Equity Settled plans amounting to €7.2 million, and retained earnings amounting to €0.2 million.

The Bank does not hold, and did not hold during the period ended December 31, 2014, any treasury shares in the portfolio.

Following the Shareholders' Meeting resolution of April 15, 2014, the profit for the year 2013 of €85.2 million was allocated as follows:
- €4.3 million to the legal reserve;
- €58.9 million to the extraordinary reserve;
- €20 million, equal to €0.033 per share, to the shareholder;
- €2 million to charitable donations.

Main balance sheet aggregates (Continued)

Equity

(Amounts in € thousand)

ITEM/AMOUNT	12.31.2014	12.31.2013	CHANGES AMOUNT	%
Share capital	200,070	200,070	-	-
Share premium reserve	1,934	1,934	-	-
Reserves				-
- Legal reserve	33,061	28,800	4,261	14.8%
- Extraordinary reserve	142,739	98,744	43,995	44.6%
- Other reserves	22,281	171	22,110	n.c.
Revaluation reserves	2,262	4,214	(1,952)	-46.3%
Net Profit (Loss) for the year	149,907	85,216	64,691	75.9%
Total	**552,254**	**419,149**	**133,105**	**31.8%**

Shareholders

The share capital, fully subscribed and paid up, totalled €200,070,430.89 divided into 606,274,033 ordinary shares with a face value of €0.33.
As at December 31, 2014, according to analysis performed on data from heterogeneous sources, as the content of the Register of Shareholders, communications to CONSOB, public filings available on the market:

- there were approximately 10,200 shareholders;
- resident shareholders held around 76.06% of the capital and foreign shareholders 23.94%;
- 97.04% of the ordinary share capital is held by legal entities, the remaining 2.96% by individuals.

Also as of that date, the main shareholders were:

(Amounts in € thousand)

MAJOR SHAREHOLDERS	ORDINARY SHARES	% OWNED
UniCredit S.p.A	397,108,033	65.500%
Threadneedle Asset Management Holdings LTD	13,500,000	2.227%

Capital resources and prudential requirements

(Amounts in € thousand)

	12.31.2014	12.31.2013
Common Equity Tier 1 - CET1	353,133	316,008
Tier 1	-	-
Total Own Funds	**353,133**	**316,008**
Total risk weighed assets	**1,850,331**	**2,580,595**
Common Equity Tier 1 Capital Ratio (Tier 1 capital/Risk-weighted assets -TIER 1 capital ratio at December 31, 2013)	19.08%	12.25%
Tier 1 Capital Ratio (Tier 1 capital/Risk-weighted assets -TIER 1 capital ratio at December 31, 2013)	19.08%	12.25%
Total Own Funds Capital Ratio (Regulatory capital/Risk-weighted assets - Total capital ratio at December 31, 2013)	19.08%	12.25%

Total own funds as at December 31, 2014 amounted to €353.1 million, including the portion of the 2014 profit that will not be distributed, calculated on the year-end profit for 2014, as per article 26.2 of the Regulation (EU) 575/2013 (CRR).

The Common Equity Tier 1 Capital ratio, the Tier 1 Capital Ratio and the Total Own Funds Capital Ratio as at December 31, 2014 were calculated by applying the supervisory regulations in force according to the Basel III regulatory framework.

At December 31, 2013, the Common Equity Tier 1 Capital, Total Own Funds and RWAs used for the calculations were determined by applying the Basel II supervisory regulations, supplementing the total capital requirements of the Basel I “floor”, which corresponds to the positive difference between 80% of the capital requirements calculated on the basis of regulations in force as at December 31, 2006, and the sum of capital requirements for credit, counterparty, market and operational risks, calculated using the Basel II provisions.

Income statement figures

Condensed Income Statement

(Amounts in € thousand)

	2014	2013	CHANGES AMOUNT	CHANGES %
Net interest	228,247	180,278	47,969	26.6%
Net fee and commission income	195,744	166,736	29,008	17.4%
Net trading, hedging and fair value income	29,742	28,281	1,461	5.2%
Net other expenses/income	(5,719)	(3,013)	(2,706)	89.8%
OPERATING INCOME	**448,014**	**372,282**	**75,732**	**20.3%**
Payroll costs	(69,151)	(63,338)	(5,813)	9.2%
Other administrative expenses	(208,189)	(174,636)	(33,553)	19.2%
Recovery of expenses	77,170	56,997	20,173	35.4%
Amortization, depreciation and impairment losses on intangible and tangible assets	(8,809)	(8,081)	(728)	9.0%
Operating costs	**(208,979)**	**(189,058)**	**(19,921)**	**10.5%**
OPERATING PROFIT (LOSS)	**239,035**	**183,224**	**55,811**	**30.5%**
Net impairment losses on loans and provisions for guarantees and commitments	(4,596)	(9,160)	4,564	-49.8%
NET OPERATING PROFIT (LOSS)	**234,439**	**174,064**	**60,375**	**34.7%**
Provisions for risks and charges	(4,705)	(12,125)	7,420	-61.2%
Net income from investments	(4)	(6)	2	-33.3%
PROFIT (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS	**229,730**	**161,933**	**67,797**	**41.9%**
Income tax for the period	(79,823)	(76,717)	(3,106)	4.0%
PROFIT (LOSS) AFTER TAX FROM CONTINUING OPERATIONS	**149,907**	**85,216**	**64,691**	**75.9%**
NET PROFIT (LOSS) FOR THE PERIOD	**149,907**	**85,216**	**64,691**	**75.9%**

Net interest

The net interest as at December 31, 2014 was €228 million, up 26.6% compared to 2013 due to the consistent increase in transactional liquidity – driving customer trading overall – a consistently declining cost of funding and a careful liquidity investment policy.
In particular, as of April 1, 2014, structural liquidity has been invested in UniCredit bonds. The most significant investment was realised in early April 2014, for an amount totalling €7,650 million and $250 million. In the subsequent months, two further investments were realised: €200 million in July and €400 million in October.
These types of investment were determined by taking into account the overall structure of the Bank's balance sheet and with a view to optimize the risk/return profile of the investments and diversify their maturities. The portion of liquidity classified as non-core was invested in liquid assets or assets readily convertible into cash, including Italian government bonds, for a nominal amount of €1,500 million (while derivative contracts were entered into at the same time in order to convert the fixed rate into a floating rate in compliance with pre-defined limits on interest rate risk).

This new investment structure contributed to an increased flow of interest income resulting from the investment of deposits. The average lending rate from the investment of sight deposits changed from 1.49% in 2013 to 1.91% in 2014, whereas the average lending rate from the overall investment of sight and term deposits changed from 1.66% in 2013 to 1.82% in 2014.

(Amounts in € thousand)

			CHANGES	
INTEREST INCOME	**2014**	**2013**	**AMOUNT**	**%**
Financial assets held for trading	1	3	(2)	-66.7%
Available-for-sale financial assets	14,922	1,798	13,124	729.9%
Loans and receivables with banks	235,882	266,077	(30,195)	-11.3%
Loans and receivables with customers	28,793	26,155	2,638	10.1%
Financial assets designated at fair value through profit or loss	5	84	(79)	-94.0%
Hedging derivatives	2,658	-	2,658	-
Other assets	76	48	28	58.3%
Total interest income	**282,337**	**294,165**	**(11,828)**	**-4.0%**

(Amounts in € thousand)

			CHANGES	
INTEREST EXPENSE	**2014**	**2013**	**AMOUNT**	**%**
Deposits from banks	(4,589)	(9,621)	5,032	-52.3%
Deposits from customers	(49,500)	(78,920)	29,420	-37.3%
Debt securities in issue	-	(19,936)	19,936	-100.0%
Other liabilities	(1)	(2)	1	-50.0%
Hedging derivatives	-	(5,408)	5,408	-100.0%
Total interest expense	**(54,090)**	**(113,887)**	**59,797**	**-52.5%**
Net interest	**228,247**	**180,278**	**47,969**	**26.6%**

The following table provides a breakdown of interest income associated with banks and customers:

(Amounts in € thousand)

			CHANGES	
BREAKDOWN OF INTEREST INCOME	**2014**	**2013**	**AMOUNT**	**%**
Interest income on loans and receivables with banks	**235,882**	**266,077**	**(30,195)**	**-11.3%**
- current accounts	56,166	140,311	(84,145)	-60.0%
- reverse repos	697	743	(46)	-6.2%
- time deposits for compulsory reserve	212	671	(459)	-68.4%
- time deposits	33,259	90,933	(57,674)	-63.4%
- other loans	23	12	11	91.7%
- debt securities	145,525	33,407	112,118	335.6%
Interest income on loans and receivables with customers	**28,793**	**26,155**	**2,638**	**10.1%**
- current accounts	4,704	3,659	1,045	28.6%
- reverse repos	11,632	9,731	1,901	19.5%
- mortgages	1	-	1	n.c.
- credit cards	3,620	3,430	190	5.5%
- personal loans	8,692	9,215	(523)	-5.7%
- other loans	144	120	24	20.0%

Interest income on loans and bank receivables amounted to €235.9 million decreasing by €30.2 million compared to the same period of the previous year. The decrease in interest income on current accounts, amounting to €84.1 million, was mainly due to the reduction in the volume of mutual current accounts, partially offset by the positive effect of the aforementioned revision of liquidity investment policies in the first quarter. In contrast there was an increase in interest income on debt securities amounting to €112.1 million, due to the investment of "Core" liquidity in UniCredit bonds.

Finally, interest income on time deposits decreased due to lower volumes and changes in market rates, which steadily declined; on the contrary, in 2013 interest was boosted by the positive effect

Income statement figures (CONTINUED)

of transactions launched in 2012 and concluded in the first few months of 2013.

Interest income on loans and receivables with customers amounted to €28.8 million, showing an increase of 10.1% thanks to higher interest on "Multiday leverage" securities lending transactions guaranteed by cash and on use of current account credit lines, due to the increase in volumes.

The following table provides a breakdown of interest expense related to banks and customers:

(Amounts in € thousand)

			CHANGES	
BREAKDOWN OF INTEREST EXPENSE	2014	2013	AMOUNT	%
Interest expense on deposits from banks	**(4,589)**	**(9,621)**	**5,032**	**-52.3%**
- current accounts	(234)	(74)	(160)	216.2%
- demand deposits	(1)	-	(1)	n.c.
- other loans	(26)	(21)	(5)	23.8%
- reverse repos	(4,328)	(9,526)	5,198	-54.6%
Interest expense on deposits from customers	**(49,500)**	**(78,920)**	**29,420**	**-37.3%**
- current accounts	(13,794)	(13,931)	137	-1.0%
- demand deposits	(44)	(71)	27	-38.0%
- time deposits	(31,882)	(59,159)	27,277	-46.1%
- reverse repos	(3,780)	(5,759)	1,979	-34.4%

Interest expense on deposits from banks amounted to €4.6 million, down by €5 million compared to the same period of the previous year, attributable to lower interest accrued on repos due to the reduction in volumes and changes in market rates.

Interest expense on deposits from customers came to €49.5 million, down by €29.4 million compared to December 31, 2013, due to a reduction in volumes and in the interest rate paid on "Cash Park" time deposits.

Income from brokerage and other income

(Amounts in € thousand)

			CHANGES	
	2014	2013	AMOUNT	%
Net interest	**228,247**	**180,278**	**47,969**	**26.6%**
Net fee and commission income	195,744	166,736	29,008	17.4%
Net trading, hedging and fair value income	29,742	28,281	1,461	5.2%
Net other expenses/income	(5,719)	(3,013)	(2,706)	89.8%
Operating income	**448,014**	**372,282**	**75,732**	**20.3%**

Net fees and commissions

(Amounts in € thousand)

MANAGEMENT RECLASSIFICATION	2014	2013	CHANGES AMOUNT	%
Management, brokerage and consultancy services:				
1. securities trading and order collection	79,202	70,278	8,924	12.7%
2. currency trading	(174)	(375)	201	-53.6%
3. custody and administration of securities	(3,165)	(3,073)	(92)	3.0%
4. placement of securities, investment fund units and segregated accounts	124,400	106,967	17,433	16.3%
6. investment advisory services	124	(8)	132	n.c.
7. distribution of insurance products	14,985	12,282	2,703	22.0%
8. distribution of other products	(236)	(230)	(6)	2.6%
Collection and payment services	11,215	10,814	401	3.7%
Holding and management of current/deposit accounts	(5,960)	(7,524)	1,564	-20.8%
Other fee expense personal financial advisors	(27,182)	(23,125)	(4,057)	17.5%
Securities lending	(1,978)	(3,346)	1,368	-40.9%
Other services	4,513	4,076	437	10.7%
Total	**195,744**	**166,736**	**29,008**	**17.4%**

Net fees and commissions amounted to €195.7 million, increasing by 17.4% compared to the same period of the previous year. This increase was mainly attributable to the increase in net fee and commission income from trading and asset management, units in investment funds and segregated accounts, thanks to the increase in assets under management, driven in particular by managed open architecture products, and securities trading and order collection commissions, as a result of the increase in the number of orders executed.

Net trading, hedging and fair value income is mainly determined from gains realized from the internalisation of securities and CFDs, including forex. The increase of €1.5 million is attributable to higher profits deriving from trading in CFDs on indices and exchange differences on assets and liabilities denominated in currency, partially offset by lower profits from the internalisation of securities and forex CFDs.

The **Net other expenses/income** shows a decline mainly due to the decrease on the previous year of insurance reimbursements recorded in other income, in addition to the effect of the increase in expenditures following complaints amicably settled during the year. However, the combination of these effects resulted in lower risk provisions.

This item also includes net loss of €3 thousand, from the gains and losses on disposals and repurchases related to the sale to UniCredit of securities issued by it and classified in the “Loans and Receivables” and the repurchase of securities issued by the Bank and subscribed by UniCredit.
As described above, by underwriting bonds issued by UniCredit as part of the new liquidity investment policy and following the gradual reduction in repo transactions with customers that had led the Bank and UniCredit to reciprocally underwrite and issue such bonds, both parties were able to sell part of the securities held in the portfolio and to repurchase the securities in issue, thereby realizing a loss on the disposal or the repurchase. For more details see the section “Loans and receivables with banks”.

Income statement figures (CONTINUED)

Operating costs

(Amounts in € thousand)

BREAKDOWN OF OPERATING COSTS	2014	2013	CHANGES AMOUNT	CHANGES %
Payroll costs	(69,151)	(63,338)	(5,813)	9.2%
Other administrative expenses	(208,189)	(174,636)	(33,553)	19.2%
Recovery of expenses	77,170	56,997	20,173	35.4%
Amortisation, depreciation and impairment losses on intangible and tangible assets	(8,809)	(8,081)	(728)	9.0%
Total operating costs	**(208,979)**	**(189,058)**	**(19,921)**	**10.5%**

(Amounts in € thousand)

PAYROLL COSTS	2014	2013	CHANGES AMOUNT	CHANGES %
1) Employees	**(67,613)**	**(61,283)**	**(6,330)**	**10.3%**
- wages and salaries	(44,928)	(41,721)	(3,207)	7.7%
- social security contributions	(11,934)	(11,323)	(611)	5.4%
- severance pay	(871)	(803)	(68)	8.5%
- allocation to employee severance pay provision	(135)	(139)	4	-2.9%
- payments to external pension funds:				
a) defined contribution	(2,375)	(2,276)	(99)	4.3%
- costs related to share-based payments	(3,799)	(465)	(3,334)	717.0%
- other employee benefits	(3,571)	(4,556)	985	-21.6%
2) Other staff	**(133)**	**(101)**	**(32)**	**31.7%**
3) Directors and statutory auditors	**(976)**	**(864)**	**(112)**	**13.0%**
4) Early retirement costs	**-**	**-**	**-**	**n.c.**
5) Recovery of expenses for employees seconded to other companies	**195**	**71**	**124**	**174.6%**
6) Recovery of expenses for employees seconded to the Company	**(624)**	**(1,161)**	**537**	**-46.3%**
Total	**(69,151)**	**(63,338)**	**(5,813)**	**9.2%**

Payroll costs as at December 31, 2014 increased by 9.2%, due to the increase in the number of employees from 976 as at December 31, 2013 to 1,022 as at December 31, 2014 and to the increase in costs related to share-based payments, due to the new incentive plans whose guidelines were approved by the Board of Directors on April 15, 2014 and the related regulation by the Board of Directors on May 15, 2014, with execution conditional on listing, aiming retaining Top management and key people.

Note that item “costs related to share-based payments” includes the costs incurred by FinecoBank for share-based payments involving financial instruments issued by FinecoBank and financial instruments issued by UniCredit S.p.A..

The total of other administrative expenses and recovery of expenses amounted to €131 million, an increase of €13.4 million compared to the same period of the previous year. They included €5.4 million for costs related to the listing of FinecoBank and €4.4 million for costs deriving from the new incentive plans for personal financial advisors. Net of these costs, there was an approximately 3% increase compared to the previous year, which – considering the growth in customers and volumes seen in 2014 – confirms the Bank’s excellent operating leverage.

(Amounts in € thousand)

OTHER ADMINISTRATIVE EXPENSES AND RECOVERY OF EXPENSES	2014	2013	CHANGES AMOUNT	CHANGES %
1) INDIRECT TAXES AND DUTIES	**(80,256)**	**(59,389)**	**(20,867)**	**35.1%**
2) MISCELLANEOUS COSTS AND EXPENSES				
A) Advertising expenses - Marketing and communication	**(20,149)**	**(19,541)**	**(608)**	**3.1%**
Mass media campaigns	(14,986)	(13,903)	(1,083)	7.8%
Marketing and promotions	(5,110)	(5,566)	456	-8.2%
Sponsorships	(33)	(46)	13	-28.3%
Conventions and internal communications	(20)	(26)	6	-23.1%
B) Expenses related to credit risk	**(1,039)**	**(914)**	**(125)**	**13.7%**
Credit recovery expenses	(455)	(495)	40	-8.1%
Commercial information and company searches	(584)	(419)	(165)	39.4%
C) Expenses related to personnel	**(22,812)**	**(12,663)**	**(10,149)**	**80.1%**
Personnel training	(357)	(361)	4	-1.1%
Car rental and other payroll costs	(47)	(51)	4	-7.8%
Personal financial advisor expenses	(21,824)	(11,724)	(10,100)	86.1%
Travel expenses	(522)	(457)	(65)	14.2%
Premises rentals for personnel	(62)	(70)	8	-11.4%
D) ICT expenses	**(28,320)**	**(29,458)**	**1,138**	**-3.9%**
Lease of ICT equipment and software	(4,135)	(5,083)	948	-18.7%
Software expenses: lease and maintenance	(5,555)	(6,441)	886	-13.8%
ICT communication systems	(3,849)	(3,996)	147	-3.7%
ICT services: external personnel/outsourced services	(7,079)	(6,685)	(394)	5.9%
Financial information providers	(7,702)	(7,253)	(449)	6.2%
E) Consulting and professional services	**(6,320)**	**(3,023)**	**(3,297)**	**109.1%**
Consultancy for ordinary operations	(762)	(886)	124	-14.0%
Consultancy for strategy, business development and organisational optimisation	(2,229)	(45)	(2,184)	4.853.3%
Legal expenses	(1,261)	(11)	(1,250)	11.363.6%
Legal disputes	(2,068)	(2,081)	13	-0.6%
F) Real estate expenses	**(19,997)**	**(21,646)**	**1,649**	**-7.6%**
Real estate services	(685)	(685)	-	0.0%
Repair and maintenance of furniture, machinery, and equipment	(1,137)	(159)	(978)	615.1%
Maintenance of premises	(760)	(1,294)	534	-41.3%
Premises rentals	(14,991)	(16,428)	1,437	-8.7%
Cleaning of premises	(485)	(485)	-	0.0%
Utilities	(1,939)	(2,595)	656	-25.3%
G) Other functioning costs	**(29,296)**	**(28,002)**	**(1,294)**	**4.6%**
Surveillance and security services	(291)	(295)	4	-1.4%
Money counting services and transport	(1)	(1)	-	0.0%
Postage and transport of documents	(2,827)	(3,048)	221	-7.3%
Administrative and logistic services	(14,323)	(13,711)	(612)	4.5%
Insurance	(3,522)	(3,892)	370	-9.5%
Printing and stationery	(685)	(747)	62	-8.3%
Association dues and fees	(7,371)	(6,078)	(1,293)	21.3%
Other administrative expenses	(276)	(230)	(46)	20.0%
H) Recovery of costs	**77,170**	**56,997**	**20,173**	**35.4%**
Recovery of ancillary expenses	319	166	153	92.2%
Recovery of taxes	76,851	56,831	20,020	35.2%
Total	**(131,019)**	**(117,639)**	**(13,380)**	**11.4%**

Indirect taxes and duties net of **Recovery of taxes** increased by €0.8 million, mainly attributable to the amount of "Tobin Tax" paid on transactions executed by the Bank on its own behalf.

Advertising expenses - marketing and communication increased by €0.6 million, due to greater investments in advertising of the period ended December 31, 2014 compared to 2013.

Income statement figures (CONTINUED)

Other administrative expenses, net of **Indirect taxes and duties**, **Recovery of taxes** and **Advertising expenses - marketing and communication**, include €4.4 million for costs resulting from the new incentive plans, whose guidelines were approved by the Board of Directors on April 15, 2014 and the related regulation by the Board of Directors on May 15, 2014, with execution conditional on listing, and higher expenses for financial advisors, as a result of the intensification of recruitment, which began in 2012. The increased number of advisors also resulted in higher costs for trade association dues and fees mainly owing to the increase in charges for the ENASARCO association and the FIRR termination compensation fund.
These were in addition to "Legal expenses", "Consultancy for strategy, business development and organisational optimization" and "Association dues and fees" linked to the listing project, totalling €5.4 million.

Impairment losses on intangible assets relate mainly to the amortisation of the costs incurred for computer software with a long-term useful life and did not show any significant change relating to to the previous year.

Impairment losses on tangible assets refer to the depreciation applied to electronic machines, plant and machinery, office furniture and fittings. Compared to the previous year the increase by €0.6 million is mainly due to greater depreciation applied to electronic machines.

Profit (loss) before tax from continuing operations

(Amounts in € thousand)

			CHANGES	
	2014	2013	AMOUNT	%
Operating profit (loss)	**239,035**	**183,224**	**55,811**	**30.5%**
Net impairment losses on loans and provisions for guarantees and commitments	(4,596)	(9,160)	4,564	-49.8%
Net operating profit (loss)	**234,439**	**174,064**	**60,375**	**34.7%**
Provisions for risks and charges	(4,705)	(12,125)	7,420	-61.2%
Net income from investments	(4)	(6)	2	-33.3%
Profit before tax	**229,730**	**161,933**	**67,797**	**41.9%**

Net impairment losses on loans and provisions for guarantees and commitments, net of adjustments made as a result of the measures already approved by the National Interbank Deposit Guarantee Fund, did not show any significant changes compared to the previous year. The decrease of €4.6 million was mainly attributable to adjustments connected to participation in the deposit guarantee system referred to above, amounting to €1.4 million in the year 2014 compared to €5.9 million for the previous year.

Provisions for risks and charges decreased due to lower provisions for legal disputes, partially offset by a revised accounting method for marketing campaigns, which in 2013 had resulted in reallocations through profit or loss for a total of €2.2 million. Starting from 2014, the net provisions for risks and charges in relation to marketing campaigns are booked in a specific item (item 20 Interest expense and similar charges), in order to provide a more accurate accounting recognition.

Profit (loss) before tax from continuing operations amounted to a profit of €229.7 million, increasing by 41.9% on December 31, 2013, due to the positive contribution from net interest margin, as a result of the increase in transactional liquidity – driving customer trading overall – a consistently declining cost of funding and a careful liquidity investment policy, as already mentioned, as well as net fee and commission income, owing to the increase in commission income deriving from assets under management, driven in particular by managed open architecture products and securities trading and order collection, which largely offset the increase in administrative costs related to the listing project.

Income tax for the period

(Amounts in € thousand)

BREAKDOWN OF TAXES FOR THE YEAR	2014	2013	CHANGES AMOUNT	CHANGES %
Current IRES income tax charges	(59,503)	(59,001)	(502)	0.9%
Current IRAP corporate tax charges	(16,995)	(13,536)	(3,459)	25.6%
Adjustment to current tax of prior years	-	(2,500)	2,500	-100.0%
Total current taxes	**(76,498)**	**(75,037)**	**(1,461)**	**1.9%**
Change in deferred tax assets	(1,546)	121	(1,667)	-1.377.7%
Change in deferred tax liabilities	(1,333)	(1,355)	22	-1.6%
Total deferred tax liabilities	**(2,879)**	**(1,234)**	**(1,645)**	**133.3%**
Gain from substitute tax exemption	(446)	(446)	-	-
Income tax for the period	**(79,823)**	**(76,717)**	**(3,106)**	**4.0%**

Current income taxes were calculated according to the legal provisions introduced by Legislative Decree no. 38 of February 28, 2005, issued following the incorporation of IAS/IFRS into Italian legislation and of Decree no. 48 of April 1, 2009, which established provisions for the implementation and coordination of tax requirements for IAS Adopter parties.
Current taxes were determined applying an IRES income tax rate of 27.5% and an IRAP corporate tax rate of 5.57%.

Law no. 2/2009 introduced the option, through the payment of a substitute tax, to recalculate the tax deductible amounts of goodwill.
On the instructions of the Parent Company, in 2008 FinecoBank realigned the goodwill recognized following the merger of UniCredit Xelion Sim into UniCredit Xelion Banca S.p.A..
The redeemed goodwill may be amortized off the books for an amount not exceeding one ninth for 2010 and one tenth from 2011 onwards.
In 2008, the tax benefit expected from the future deductibility of off-the-book amortization, corresponding to €4 million, was recognized in the accounts. A tenth of this amount will be recognized through profit or loss for each year of the tax deduction of tax-related amortization of goodwill.

For the three-year period 2013-2015, FinecoBank, in its capacity as consolidated company, is subject to "national tax consolidation", as established by Legislative Decree no. 344 of December 12, 2003, which is carried out by the Parent Company, UniCredit.

Profit (loss) for the period

Net profit for the period is equal to €149.9 million, an increase of 75.9% on the previous year mainly due to the increase in net interest margin associated with the new liquidity investment policy; the increase in net fee and commission income resulting from the higher volume of assets under management; the increase in commissions on securities trading and order collection, as a result of the increase in the number of orders executed; lower income taxes for the period, since Italian Law Decree 133/2013 (converted by Law 5 of January 29, 2014) had introduced an additional 8.5% IRES income tax for the tax year 2013 alone. These positive effects largely offset the increase in administrative costs mainly connected to the listing project.

Related-party transactions

In order to ensure full compliance with current legislation and regulatory provisions on disclosure of related-party transactions, on December 13, 2010, FinecoBank approved the provisions for related-party transactions, in compliance with the provisions of the Consob Regulation, approved by Resolution no. 17221 of March 12, 2010 and subsequently amended by Resolution no. 17389 of June 23, 2010.
On December 17, 2013 and January 27, 2014, respectively, the Board of Directors of the Bank then approved the “Global Policy for the management of transactions with related parties involving conflict of interest” (Related Parties as defined by Consob, Associated Persons as defined by the Bank of Italy and Bank Officers pursuant to Article 136 of the Consolidated Law on Banking (TUB)” and the “Global Operational Instructions for the management of transactions with parties involving conflicts of interest”, issued by the Parent Company UniCredit as part of its management and coordination of subsidiaries. Lastly, in order to establish principles and rules that the Bank should apply as protection against the risks arising from situations of potential conflict of interest due to specific parties having close relations with the Bank’s decision-making centers, the Board of Directors of FinecoBank in the meeting of May 15, 2014 approved, with the prior favourable opinion of the Audit and Related Parties Committee and the Board of Statutory Auditors, its “Procedures for the management of transactions with parties involving conflicts of interest (the” Procedures”).
These Procedures were drafted based on the fact that FinecoBank S.p.A. is a listed company, which means that the legislation applicable to Issuers listed on regulated markets is directly relevant, but also considering that the bank belongs to the UniCredit Banking Group and, accordingly, the parent company UniCredit exercises management and coordination in this regard. They contain rules to be observed in the management of:
- Related-Party transactions pursuant to the Consob Regulation adopted by resolution 17221 of March 12, 2010 as amended by resolution 17389 of June 23, 2010;
- Transactions with Associated Persons pursuant to the regulations on “Risk activities and conflicts of interest with Associated Persons”, laid down by Bank of Italy Circular 263/2006, Title V, Chapter 5 (“New regulations for the prudential supervision of banks”, as amended);
- Obligations of Bank Officers pursuant to Article 136 of Legislative Decree 385 of September 1, 1993, “Consolidated Law on Banking”.

Considering the above, during 2014:
1. two non-standard transactions were carried out with related parties/associated persons, based on the approval of the Board of Directors on March 27, 2014, In particular:
   - a significant transaction, resulting from the change in the liquidity investment policy of FinecoBank with the Parent Company UniCredit, concluded with the subscription of €7,650 million and $250 million in UniCredit bonds issued at market conditions; and
   - a minor transaction, concerning the appointment of Mediobanca S.p.A. as sponsor for the admission to the listing of the ordinary shares of the Bank, carried out at market conditions.

These transactions were approved by the Related-Parties and Equity Investments Committee of UniCredit and by: (i) all the members of the Audit Committee of FinecoBank for the Mediobanca appointment and (ii) solely the Independent Directors of FinecoBank for the liquidity investment transactions. The latter transaction was also examined by the Board of Directors of the Parent Company, on a prudential basis, given that up until the listing – due to the effect of 100% control – intragroup transactions would have been excluded from the above decision-making procedures;

2. three transactions were carried out with related parties/associated persons, based on the approval of the Board of Directors on April 15, 2014 and the prior favourable opinion of the Audit and Related Parties Committee. Specifically:
   - a minor, non-standard transaction was carried out at market conditions with UniCredit Bank AG concerning the appointment of the mentioned bank as Joint Global Coordinator and Joint Bookrunner in the placement of the Bank’s shares for the purpose of the listing; the fees due to the Syndicate were paid by the selling Shareholder;
   - a minor, non-standard transaction was carried out at market conditions, concerning the appointment of Mediobanca as Joint Bookrunner in the placement of the Company’s shares for the purpose of the listing; the fees due to the Syndicate were paid by the selling Shareholder; and
   - a minor, non-standard transaction, was carried out with UniCredit at non-market conditions, as it was free of charge, concerning the signing of an agreement acknowledging the licence agreement for the “Fineco” trademark;

3. based on the approval of the Board of Directors on June 27, 2014, and the prior favourable opinion of the Audit and Related Parties Committee, an ordinary significant transaction was carried out at market conditions with UniCredit S.p.A., consisting of a framework resolution “Repo transactions with institutional clients, term deposits from retail customers and related use of liquidity”, valid until October 31, 2014. The above transaction was approved by the Parent’s Related-Parties and Equity Investments Committee with the issue of a non-binding opinion on the matter, in compliance with the current Procedures.

4. based on the approval of the Board of Directors on July 15, 2014 and the prior favourable opinion of the Audit and Related Parties Committee. Specifically:
   - an ordinary significant transaction was carried out at market conditions with UniCredit S.p.A., relating to the addition to the framework resolution “Repo transactions with institutional clients, term deposits from retail customers and related use of liquidity”, already approved by the Board on June 27, 2014, with the following limits: for institutional clients, €900 million in repos and €900 million in term deposits; for retail clients, €800 million in repos, valid until October 31, 2014;
   - an ordinary significant transaction was carried out at market conditions with UniCredit S.p.A., represented by a medium to long-term investment in the structural liquidity raised in the period April 1, 2014/June 30, 2014, completed with the subscription of €200 million in UniCredit bonds issued at market conditions.

For both transactions the Parent’s Related-Parties and Equity Investments Committee, asked to issue a non-binding opinion on the matter, gave its approval.

5. based on the approval of the Board of Directors on September 23, 2014 and the prior favourable opinion of the Audit and Related Parties Committee. Specifically:
   - two ordinary significant transactions at market conditions with (i) UniCredit S.p.A., Dab Bank AG and Direktanlage. AT AG, consisting of a “Framework Resolution related to current accounts held with UniCredit Group companies”, valid until September 23, 2015; and with UniCredit S.p.A., represented by a medium to long-term investment in the structural liquidity raised in the period July 1, 2014/ September 30, 2014, completed with the subscription of €400 million in UniCredit bonds issued at market conditions. For both transactions the Parent’s Related-Parties and Equity Investments Committee, asked to issue a non-binding opinion on the matter, gave its approval.

6. based on the approval of the Board of Directors on November 7, 2014 and the prior favourable opinion of the Audit and Related Parties Committee. Specifically:
   - an ordinary significant transaction at market conditions with UniCredit S.p.A., consisting of a Framework Resolution “Repos and Term Deposits with the Parent Bank” (as a renewal of the framework resolution already approved by the Board of Directors on June 27, 2014, supplemented by the Board Directors’ meeting of July 15, 2014 and expired October 31, 2014), effective until May 31, 2015 which sets out a maximum amount: (i) for Reverse repos of approximately €2 billion and (ii) for Term Deposits of approximately €2.9 billion.

     Since this transaction was classified for UniCredit as a transaction of “Lesser relevance with a significant amount” under the Global Policy, a non-binding opinion on the matter was also issued by the Related-Parties and Equity Investments Committee of the Parent Company and the Board of Directors of UniCredit.

7. based on the approval of the Board of Directors on December 16, 2014 and the prior favourable opinion of the Audit and Related Parties Committee. Specifically:
   - an ordinary transaction of greater materiality at market conditions with UniCredit Bank AG and Mediobanca S.p.A., consisting of framework resolution “Stock Lending Activities with Institutional Clients” valid until October 31, 2015, concerning equity lending transactions with institutional counterparties under which FinecoBank can undertake the above transactions for a maximum amount of approximately €500 million for trading with UniCredit Bank AG and approximately €200 million in trades with Mediobanca S.p.A.; it was approved by the UniCredit’s Related-Parties and Equity Investments Committee with the issue of a non-binding opinion on the matter.

During 2014, inter-group transactions and transactions with related parties in general, both Italian and foreign, were conducted within the ordinary course of business and related financial activities of the Bank, and were carried out under conditions similar to those applied to transactions with unrelated third parties.

You are reminded that for the three-year period 2013-2015, FinecoBank opted for the “national tax consolidation” – introduced by Italian Legislative Decree no. 344 of December 12, 2003 – with the Consolidating Company UniCredit.
In accordance with the National Tax Consolidation agreement, participation in the consolidation cannot result in tax advantages for the participating Consolidated Company compared to the situation that would have arisen if the company had not participated. The consolidation results in the following tax advantages: (i) consolidation adjustment relating to deductible interest expense, considering that the amount of interest expense accrued by entities participating in the national consolidation is fully deductible on the basis of the relationship between the total interest expense (intercompany and outside the group) recognised in the financial statements by the individual subsidiary and the overall interest expense recognised in the financial statements by all the subsidiaries pursuant to Article 96.5 bis of the Income Tax Code, (ii) tax credits, and withholdings as advances and detractions, are recognised by the Controlling Company and the Controlled Company as a reduction in the IRES income tax amount due when then the latter has a tax loss, and (iii) any tax losses are paid by the Control Company at the IRES income tax rate applicable for the tax period in which the tax losses are realised.

Lastly, with regard to transactions of significant financial and economic relevance, during 2012, FinecoBank S.p.A. issued 5 bank guarantees in favour of the Italian Revenue Agency upon

Related-party transactions (Continued)

request by UniCredit, with indefinite duration (specifically of a duration until payment of the underlying sums), for a total amount of €256,065 thousand, plus interest accrued and accruing until request for payment from the Italian Revenue Agency. The bank guarantees were issued to secure the obligations assumed by UniCredit in relation to five VAT refund suspension orders issued by the Italian Revenue Agency and entail the assumption by FinecoBank S.p.A. of an irrevocable payment commitment on demand, within 30 days and without any exceptions. In the previous year, following the settlement of an assessment notice issued by the Regional Department of Liguria, for €4,505 thousand, replaced by another assessment notice issued by the same Department up to the amount settled, a guarantee already issued by FinecoBank S.p.A. was replaced, with amounts unchanged; this transaction did not change the commitments undertaken according to the forms, procedures and risks already assessed during 2012, which did not change in 2014.

Transactions with Group companies

The Bank is subject to the direction and coordination of UniCredit S.p.A. and, consequently, pursuant to Article 2497 bis paragraph 4 of the Italian Civil Code, the key figures from the last approved financial statements of UniCredit S.p.A. are provided in Part C – Section 20 of the Notes to the Accounts.

The following table provides a summary of outstanding assets, liabilities, guarantees and commitments as at December 31, 2014 in relation to Group companies.

(Amounts in € thousand)

	ASSETS	LIABILITIES	GUARANTEES AND COMMITMENTS
Transactions with the Parent Company UniCredit S.p.A.	13,861,356	1,737,979	256,070
Transactions with companies controlled by UniCredit S.p.A.	41,114	51,838	-

For the three-year period 2013-2015, FinecoBank, in its capacity as consolidated company, was subject to “national tax consolidation”, as established by Legislative Decree no. 344 of 12 December 2003, which was carried out by the Parent Company, UniCredit S.p.A..

For detailed information on transactions with group companies and other related parties see the comments in this regard in Part H of the Notes to the Accounts.
No atypical and/or unusual transactions were carried out.

Other information

Report on corporate governance and proprietary structures

Pursuant to Article 123-bis, paragraph 3 of Legislative Decree no. 58 of February 24, 1998, the Report on Corporate Governance and Proprietary Structures is available at the "Governance" section of the FinecoBank website (http://www.fineco.it).

Report on remuneration

Pursuant to Art. 84-quater, paragraph 1, of the Issuers' Regulations implementing the Legislative Decree no. 58 of February 24, 1998, the "Report on remuneration" is available on FinecoBank's website (http:// www.fineco.it).

Information on the time limits for convening the ordinary Shareholders' Meeting

Pursuant to Article 2364, paragraph 2, of the Italian Civil Code and Art. 6, paragraph 4, of Fineco's Articles of Association, the draft Accounts will be submitted to the Ordinary Shareholders' Meeting for approval within 120 days from the end of the financial year.

Subsequent events and outlook

Subsequent events

On February 9, 2015, the Board of Directors launched the plans approved by the Shareholders' Meeting on June 5, 2014.
In particular:

- it launched the "2014 Key People Plan" for employees of the Bank, following the verification of the achievement of the performance targets set in the Plan. To that effect, the Board of Directors confirmed its approval for a free increase in FinecoBank share capital of €79,761.00 corresponding to 241,700 ordinary shares. The dilution effect resulting from the above free capital increase to service the stock granting plans is calculated as a maximum of 0.04% of the fully diluted capital;
- it launched the 2014 stock granting plan ("2014 PFA Plan") for PFAs and Company Network Managers, resolving to start the treasury shares purchase programme. Purchases only began after receipt of the authorisation from the Supervisory Authority, in accordance with articles 77-78 of EU Regulation 575/2013 of 26 June 2013 (CRR);
- considering the positive outcome of the verification of the entry conditions and the favourable opinion of the Remuneration and Appointments Committee, it approved:
  - the allocation of 494,493 FinecoBank free ordinary shares to the "2014-2017 Multi-Year Plan Top Management" – a reduction on the number decided on April 15, 2014 in order to ensure compliance with the ratio between the fixed and variable components of remuneration in line with current regulations;
  - the allocation of 269,728 FinecoBank free ordinary shares for the "Group Executive Incentive System 2014".

Number of treasury shares of the parent company

FinecoBank does not hold treasury shares or shares of the Parent Company, even through other companies or third parties.

Outlook

FinecoBank will continue to pursue a strategy of consolidation and further strengthening of its competitive positioning in the Italian market of integrated banking, brokerage and investment services. Achieving this goal will require the network of financial advisors to be strengthened, leveraging innovation to expand the range of product and services offered, and developing the advisory area in order to meet the increasingly sophisticated needs of a broader customer base. All these activities will be supported by advertising investments aimed at consolidating customers' perception of the fundamental characteristics of FinecoBank's proposal: simplicity, transparency and innovation.
The above steps reflect a strategy that combines the main trends characterizing the competitive environment in which we operate: the growing demand for financial advisory services and the increasing digitization of society – structural trends that favour the growth of the Fineco's business.

Evolution of Italian households' wealth

Our country is characterized by significant household wealth and a historically high propensity to save. The net wealth of Italian households at the end of 2013 was approximately €8,728 billion (source: Bank of Italy, T*he Wealth of Italian households, 2013*), 40% of which (€3,848 billion) is invested in financial assets.
On an international level, Italian households show a comparatively high net wealth, amounting in 2012 to 8 times their gross disposable income; this ratio is comparable to that of France, the UK and Germany, and higher than that of the United States, Japan and Canada. During 2013, savings started to grow again, after eight years of decline, to reach €46 billion versus on €34 billion for the previous year (source: Bank of Italy, *The Wealth of Italian households, 2013*).
Given increasing market complexity and a growing need for professionally managed investments, Italians have shown an increasing propensity to rely on financial advisors when selecting their investments. As a result the sales network appear to be favourable.

Impact of the digitization of the market

In recent years there has been an increasing digitization of Italian society, directly related to demographic and technological factors.
In the new, integrated multi-channel approach, as a general rule no individual channel is used exclusively, as customers tend to combine them according to their preferences and current needs; accordingly, it has become increasingly frequent for banking services to be offered together with brokerage and investing services.

Estimates of assets under management by distribution channel - AuM 2011 - 16F

(Billions of Euro) [2]

	2011	2012	2013F	2014F	2015F	2016F	CAGR 11-13 (%)	CAGR 13F-16F (%)
Bank branches	269.6	273.3	304.3	326.9	345.0	363.2	6.2	6.1
Financial advisors	113.1	128.0	144.9	161	177.0	194.6	13.2	10.3
Institutional	368.3	407.3	427.9	452.8	478.0	502.8	7.8	5.5
Total	**751.0**	**808.6**	**877.1**	**940.7**	**1,000.0**	**1,060.6**	**8.1**	**6.5**

Source: Prometeia, *Osservatorio risparmi delle famiglie 2013* (Household saving monitor 2013), november 2013 edition.
2. Figures net of duplications.

Proposal for the approval of the accounts and allocation of profit for the year

FinecoBank's 2014 ended with a net profit of €149,906,667.70.
We recommend the following allocation of the net profit:

- €6,968,796.04 to the **Legal Reserve**, equal to 4.65% of profit for the year, having reached the limit of a fifth of the share capital;
- €21,634,725.06 to the **Extraordinary Reserve**
- €121,303,146.60 to the **Shareholders**, equal to a dividend of €0.20 for each of the 606,515,733 ordinary shares with nominal value of €0.33 comprising the share capital following the capital increase approved by the Board of Directors on February 9, 2015.

We also inform you that €169,961.57 will be released from **Unavailable retained earnings** under Italian Legislative Decree 38/2005, art. 6, allocating it to the **Extraordinary Reserve**, since the reasons for its unavailability no longer exist.

In conclusion, the Shareholders Meeting is invited to approve:

- the Annual Report and Accounts for the year 2014 in their entirety;
- the allocation of profit (loss) for the year of €149,906,667.70 as follows:
  - €6,968,796.04 to the **Legal Reserve**, equal to 4.65% of profit for the year, having reached the limit of a fifth of the share capital;
  - €21,634,725.06 to the **Extraordinary Reserve**
  - €121,303,146.60 to the **Shareholders**, equal to a dividend of €0.20 for each of the 606,515,733 ordinary shares with nominal value of €0.33 comprising the share capital following the capital increase approved by the Board of Directors on February 9, 2015.

Payment of the aforesaid dividend amount, in accordance with legal regulations, will take place with the value date of April 29, 2015.

If the accounts and the allocation of the profit for the year obtain your approval, the shareholders' equity of the Bank, net of revaluation reserves and after the capital increase approved by the Board of Directors on February 9, 2015, will be as follows:

(Amounts in €)

Share capital	200,150,191.89
Legal reserve	40,030,038.38
Share premium reserve	1,934,112.62
Other reserves	186,574,233.38
Shareholders' equity	**428,688,576.27**

The Board of Directors

Milan, March 10, 2015

FinecoBank S.p.A.
Managing Director
Alessandro Foti

FinecoBank S.p.A.
Chairman
Enrico Cotta Ramusino


ADVISORS
ALWAYS NEXT TO YOU
FINECO. THE BANK THAT SEMPLIFIES BANKING.

Bank Financial Statements

Balance sheet

BALANCE SHEET - ASSETS	12.31.2014	12.31.2013
10. Cash and cash equivalents	5,166	4,634
20. Financial assets held for trading	3,053,707	4,700,335
30. Financial assets designated at fair value through profit or loss	-	3,199,399
40. Available-for-sale financial assets	1,695,554,562	89,914,773
60. Loans and receivables with banks	13,892,196,843	16,330,912,207
70. Loans and receivables with customers	695,594,232	641,249,951
80. Hedging derivatives	19,246,853	123,142,677
90. Changes in fair value of portfolio hedged financial assets (+/-)	5,026,907	56,122,418
110. Property, plant and equipment	10,892,420	10,771,844
120. Intangible assets	97,743,596	97,615,790
of which		
- goodwill	*89,601,768*	*89,601,768*
130. Tax assets	18,550,495	47,075,211
a) current tax assets	*2,178,546*	*25,264,179*
b) deferred tax assets	*16,371,949*	*21,811,032*
out of which for purposes of Law 214/2011	*3,838,902*	*3,473,290*
150. Other assets	326,756,231	256,629,063
Total assets	**16,764,621,012**	**17,661,338,302**

BALANCE SHEET - LIABILITIES AND SHAREHOLDERS' EQUITY	12.31.2014	12.31.2013
10. Deposits from banks	1,428,568,269	1,648,675,366
20. Deposits from customers	13,914,711,969	12,732,308,955
30. Debt securities in issue	424,709,661	2,322,511,058
40. Financial liabilities held for trading	3,134,683	2,301,409
60. Hedging derivatives	36,992,811	141,800,654
70. Changes in fair value of portfolio hedged financial liabilities (+/-)	9,227,504	36,773,395
80. Tax liabilities	33,358,091	16,841,629
a) current tax liabilities	33,358,091	16,841,629
100. Other liabilities	238,807,723	231,795,160
110. Provision for employee severance pay	4,825,798	3,760,989
120. Provisions for risks and charges	118,030,959	105,420,771
b) other provisions	118,030,959	105,420,771
130. Revaluation reserves	2,261,820	4,214,349
160. Reserves	198,080,512	127,714,418
170. Share premium reserve	1,934,113	1,934,113
180. Share capital	200,070,431	200,070,431
200. Net Profit (Loss) for the year	149,906,668	85,215,605
Total liabilities and shareholders' equity	**16,764,621,012**	**17,661,338,302**

Starting with the financial statements ended December 31, 2014, deferred tax assets are shown in the Balance Sheet net of Deferred tax liabilities where the requirements set out in IAS 12 are met. In addition, the expenses resulting from the measures already approved by the National Interbank Deposit Guarantee Fund, and not yet paid, have been presented in item 100 of the Balance Sheet "Other Liabilities".
The corresponding figures at December 31, 2013 have also been restated to enable a like-for-like comparison.

Income statement

INCOME STATEMENT	2014	2013
10. Interest income and similar revenues	282,336,693	294,165,037
20. Interest expenses and similar charges	(54,089,714)	(113,886,814)
30. Net interest income	**228,246,979**	**180,278,223**
40. Fee and commission revenues	409,828,011	359,631,069
50. Fee and commission expenses	(214,084,108)	(192,895,035)
60. Net fee and commission income	**195,743,903**	**166,736,034**
70. Dividend income and similar revenue	4,406	3,026
80. Gains (losses) on financial assets and liabilities held for trading	29,719,234	27,937,157
90. Fair value adjustments in hedge accounting	-	-
100. Gains (losses) from disposal or repurchase of:	(2,794)	(35,263)
a) loans and receivables	49,160,469	52,445,828
d) financial liabilities	(49,163,263)	(52,481,091)
110. Gains (losses) on financial assets/liabilities designated at fair value through profit or loss	18,204	340,613
120. Operating income	**453,729,932**	**375,259,790**
130. Impairment losses/write-backs on:	(4,596,234)	(9,159,510)
a) loans and receivables	(3,224,482)	(3,274,680)
d) other financial assets	(1,371,752)	(5,884,830)
140. Net profit (loss) from financial activities	**449,133,698**	**366,100,280**
150. Administrative costs	(277,340,179)	(237,974,609)
a) payroll costs	(69,151,399)	(63,338,282)
b) other administrative expenses	(208,188,780)	(174,636,327)
160. Net provisions for risks and charges	(4,704,591)	(12,125,087)
170. Impairment/write-backs on property, plant and equipment	(4,035,945)	(3,424,154)
180. Impairment/write-backs on intangible assets	(4,773,420)	(4,657,306)
190. Other net operating income	71,453,787	54,019,755
200. Operating costs	**(219,400,348)**	**(204,161,401)**
240. Gains (losses) on disposal of investments	(3,915)	(6,301)
250. Total profit (loss) before tax from continuing operations	**229,729,435**	**161,932,578**
260. Tax expense (income) related to profit or loss from continuing operations	(79,822,767)	(76,716,973)
270. Total profit (loss) after tax from continuing operations	**149,906,668**	**85,215,605**
290. Net Profit (Loss) for the year	**149,906,668**	**85,215,605**

Starting from the financial statements for the year ended December 31, 2014, the expenses resulting from the measures already approved by the National Interbank Deposit Guarantee Fund have been presented in item 130 of the Income Statement "Impairment losses on: d) other financial assets". The corresponding figures at December 31, 2013 have also been restated to enable a like-for-like comparison.

	2014	2013
Earnings per share (€)	**0.25**	**0.14**
Diluted earnings per share (€)	**0.25**	**0.14**

Note:
For further information on "Earnings per share" and "Diluted earnings per share" please see Notes to the Accounts, Part C - Information on the Income Statement, Section 21.

Statement of comprehensive income

	2014	2013
10. Net Profit (Loss) for the year	**149,906,668**	**85,215,605**
Other comprehensive income after tax without reclassification through profit or loss		
40. Defined benefit plans	(6,640,210)	165,957
Other comprehensive income after tax with reclassification through profit or loss		
100. Available-for-sale financial assets	4,687,681	356,443
130. Total of other comprehensive income after tax	**(1,952,529)**	**522,400**
140. Comprehensive income (item 10+130)	**147,954,139**	**85,738,005**

Statement of changes in shareholders' equity

Statement of Changes in Shareholders' Equity as at 31.12.2014

	BALANCE AS AT 12.31.2013	CHANGE IN OPENING BALANCE	BALANCE AS AT 01.01.2014	ALLOCATION OF PROFIT FROM PREVIOUS YEAR		CHANGE DURING THE YEAR								SHAREHOLDERS' EQUITY AT 12.31.14
							SHAREHOLDERS' EQUITY TRANSACTIONS							
				RESERVES	DIVIDENDS AND OTHER DISTRIBUTIONS	CHANGES IN RESERVES	ISSUES OF NEW SHARES	PURCHASE OF OWN SHARES	DISTRIBUTION OF EXTRAORDINARY DIVIDENDS	CHANGES IN EQUITY INSTRUMENTS	OWN SHARE DERIVATIVES	STOCK OPTIONS	COMPREHENSIVE INCOME AS AT 12.31.14	
Share capital:														
a) ordinary shares	200,070,431		200,070,431											200,070,431
b) other shares														
Share premium reserve	1,934,113		1,934,113											1,934,113
Reserves:														
a) from profits	127,714,418		127,714,418	63,208,562										190,922,980
b) other												7,157,532		7,157,532
Revaluation reserves	4,214,349		4,214,349											
Equity instruments													(1,952,529)	2,261,820
Treasury Shares														
Net Profit (Loss) for the period	85,215,605		85,215,605	(63,208,562)	(22,007,043)								149,906,668	149,906,668
Shareholders' equity	**419,148,916**		**419,148,916**		**(22,007,043)**	**-**	**-**	**-**	**-**	**-**	**-**	**7,157,532**	**147,954,139**	**552,253,544**

The dividends paid to shareholders in 2014 amount to €20,007,043.09, equal to €0.033 per share.

The "Stock options" column includes "Stock granting" incentive plans served by FinecoBank shares.

Statement of Changes in Shareholders' Equity as at 31.12.2013

	BALANCE AS AT 12.31.2012	CHANGE IN OPENING BALANCE	BALANCE AS AT 01.01.2013	ALLOCATION OF PROFIT FROM PREVIOUS YEAR		CHANGE DURING THE YEAR								SHAREHOLDERS' EQUITY AT 12.31.13
							SHAREHOLDERS' EQUITY TRANSACTIONS							
				RESERVES	DIVIDENDS AND OTHER DISTRIBUTIONS	CHANGES IN RESERVES	ISSUES OF NEW SHARES	PURCHASE OF OWN SHARES	DISTRIBUTION OF EXTRAORDINARY DIVIDENDS	CHANGES IN EQUITY INSTRUMENTS	OWN SHARE DERIVATIVES	STOCK OPTIONS	COMPREHENSIVE INCOME AS AT 12.31.13	
Share capital:	200,070,431		200,070,431											200,070,431
a) ordinary shares														
b) other shares														
Share premium reserve	1,934,113		1,934,113											1,934,113
Reserves:														
a) from profits	116,304,721		116,304,721	11,409,126		571								127,714,418
b) other														
Revaluation reserves	3,691,949		3,691,949										522,400	4,214,349
Equity instruments														
Treasury Shares														
Net Profit (Loss) for the period	125,466,685		125,466,685	(11,409,126)	(114,057,559)								85,215,605	85,215,605
Shareholders' equity	**447,467,899**		**447,467,899**		**(114,057,559)**	**571**	**-**	**-**	**-**	**-**	**-**	**-**	**85,738,005**	**419,148,916**

The dividends paid to shareholders in 2013 amount to €111,857,559.09, equal to €0.1845 per share.

Cash flow statement

Indirect method

A. OPERATING ACTIVITIES	12.31.2014	12.31.2013
1. Operations	**172,136,394**	**149,734,816**
- profit (loss) for the period	149,906,668	85,215,605
- capital gains/losses on financial assets/liabilities held for trading and on assets/liabilities at fair value through profit or loss	484,601	(453,694)
- capital gains/losses on hedging transactions	-	-
- net write-offs/write-backs due to impairment	4,999,418	9,542,232
- net write-offs/write-backs on tangible and intangible assets	8,809,365	8,081,460
- provisions and other income/expenses	16,920,816	12,251,087
- duties, taxes and tax credits not paid	19,010,046	2,945,612
- net impairment/write-backs on disposal groups classified as held for sale after tax	-	-
- other adjustments	(27,994,520)	32,152,514
2. Cash flows from/used by financial assets	**(7,868,316,493)**	**1,393,554,411**
- financial assets held for trading	3,725,374	5,506,298
- financial assets designated at fair value through profit or loss	3,196,673	7,428,349
- available-for-sale financial assets	(1,594,752,031)	(30,139,814)
- loans and receivables with banks: on demand	-	-
- loans and receivables with banks: other loans and receivables	(6,176,632,637)	1,619,105,443
- loans and receivables with customers	(58,129,611)	(91,123,760)
- other assets	(45,724,261)	(117,222,105)
3. Cash flows from/used by financial liabilities	**(907,369,258)**	**(686,490,246)**
- deposits from banks: on demand	-	-
- deposits from banks: other liabilities	(213,873,115)	(402,798,040)
- deposits from customers	1,206,745,254	474,515,264
- debt securities in issue	(1,897,801,397)	(750,000,000)
- financial liabilities held for trading	(1,729,610)	(7,177,375)
- financial liabilities at fair value through profit or loss	-	-
- other liabilities	(710,390)	(1,030,095)
Net cash flows from/used in operating activities	**(8,603,549,357)**	**856,798,981**
B. INVESTMENT ACTIVITIES		
1. Cash flows from		
- sales of equity investments	-	-
- collected dividends on equity investments	-	-
- sales of financial assets held to maturity	-	-
- sales of tangible assets	143	229
- sales of intangible assets	-	-
- disposal of businesses	-	-
2. Cash flows used in		
- purchases of equity investments	-	-
- purchases of financial assets held to maturity	-	-
- purchases of tangible assets	(4,145,955)	(5,493,421)
- purchases of intangible assets	(4,901,227)	(4,503,485)
- purchases of businesses		
Net cash flows from/used in investing activities	**(9,047,039)**	**(9,996,677)**
C. FINANCING ACTIVITIES		
- issue/purchase of treasury shares	-	-
- issue/purchase of equity instruments	-	-
- dividends and other distributions	(22,007,043)	(114,057,559)
Net cash flows from/used in financing activities	**(22,007,043)**	**(114,057,559)**
NET LIQUIDITY GENERATED / ABSORBED DURING THE PERIOD	**(8,634,603,439)**	**732,744,745**

Reconciliation

BALANCE SHEET ITEMS		
Cash and cash equivalents at the beginning of the year	10,038,098,537	9,305,413,792
Net liquidity generated/absorbed during the period	(8,634,603,439)	732,744,745
Cash and cash equivalents: effect of changes in exchange rates	47,733,856	-
Cash and cash equivalents at the end of the year	1,451,228,954	10,038,158,537

As described above, starting from the financial statements for the year ended December 31, 2014, the presentation of the expenses resulting from the measures already approved by the National Interbank Deposit Guarantee Fund has been changed; the corresponding figures at December 31, 2013 have also been restated to enable a like-for-like comparison.
The term "cash and cash equivalents" means cash recorded under item 10 of assets "cash and cash equivalents" and the equivalent liquid assets recorded under item 60 of assets "Loans and receivables with banks" (consisting of current accounts and deposits maturing within 3 months) net of the equivalent liquid liabilities recorded under item 10 of liabilities "Deposits from banks" (represented by current accounts and deposits maturing within 3 months).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Notes to the Accounts

The following conventional symbols have been used in the tables:

a dash (-) indicates that the item/figure is inexistent or that the figure do not reach the minimum considered significant;
"X" indicates an item not to be completed according to Bank of Italy Circular n. 262/2005

Part A - Accounting Policies

Part A - Accounting Policies

A.1 General

Section 1 - Statement of compliance with IFRS

These Accounts have been prepared in accordance with the IAS/IFRS issued by the International Accounting Standards Board (IASB), including the interpretation documents issued by the SIC and the IFRIC, and endorsed by the European Commission, pursuant to EU Regulation 1606/2002 of July 19, 2012, which was incorporated into Italian legislation through Italian Legislative Decree no. 38 of February 28, 2005, and in force as at December 31, 2014 (see Section 4 - Other matters).

They are an integral part of the Annual Financial Report as required by art. 154-ter, paragraph 1 of the Consolidated Finance Act (TUF, Italian Legislative Decree no. 58 of February 24,1998).

In its circular 262 of December 22, 2005 the Bank of Italy - whose powers regarding the accounts of banks and regulated financial companies, previously established under Italian Legislative Decree 87/92, were confirmed in the above mentioned Italian Legislative Decree 58/98 - laid down the formats for the financial statements and explanatory notes used to prepare these Accounts.

In addition, on December 22, 2014 the Bank of Italy issued a third revision to this circular incorporating the amendments to IAS/IFRS, as endorsed by the European Commission, applicable to reporting periods beginning on or after December 31, 2014.

Section 2 - Preparation criteria

As mentioned above, these Accounts have been prepared in accordance with the IFRS endorsed by the European Commission. The following documents have been used to interpret and support the application of IFRS, even though not all of them have been endorsed by the European Commission:
- Framework for the Preparation and Presentation of Financial Statements issued by the IASB in 2010;
- Implementation Guidance, Basis for Conclusions, IFRICs and any other documents prepared by the IASB or International Financial Reporting Interpretations Committee (IFRIC) supplementing the IFRS;
- Interpretation documents on the application of IFRS in Italy prepared by the *Organismo Italiano di Contabilità* (Italian Accounting Body) ;
- ESMA (European Securities and Markets Authority) and Consob documents on the application of specific IFRS provisions;
- the documents prepared by the Italian Banking Association (ABI).

The Accounts comprise the Balance Sheet, the Income Statement, the Statement of Comprehensive Income, the Statement of Changes in Shareholders' Equity, the Cash flow Statement (compiled using the indirect method), and these Notes to the Accounts, together with the Directors' Report on Operations.
Pursuant to Art. 123-bis par. 3 of TUF, as noted in the " Other Information" section of the Report on Operations, the Report on Corporate Governance and Ownership Structures is available in the "Governance" section of the FinecoBank website.
The figures in the financial statements are provided in euros, and in thousands of euros in the Notes, unless otherwise indicated. In accordance with the Bank of Italy Circular 262/2005, items in the Balance Sheet, Income Statement and Statement of Comprehensive Income for which there is no significant information to be disclosed for the reporting period and the previous year, are not provided.
In addition, the tables in the Notes that do not have any significant information to be disclosed are not shown either for the reporting period or the previous year.
With reference to IAS 1, these Financial Statements have been prepared on a going concern basis, as there are no doubts or uncertainties as to the Bank's ability to continue its business operations and to continue operating for the foreseeable future (at least for the next 12 months).
The measurement criteria adopted are therefore consistent with this assumption and with the principles of accrual-based accounting, the relevance and materiality of accounting information, and the prevalence of economic substance over legal form. These criteria have not changed with respect to the previous year.
It is also noted that starting with the financial statements ended December 31, 2014, deferred tax assets are shown in the Balance Sheet net of Deferred tax liabilities where the requirements set out in IAS 12 are met. In addition, the expenses resulting from the measures already approved by the National Interbank Deposit Guarantee Fund have been presented in item 130 of the Income Statement "Impairment losses on: d) other financial assets" as a contra entry, for the amount not yet paid, to the balance sheet item 100 "Other liabilities".
Consequently, for the purposes of like-for-like comparison, the corresponding figures relating to the previous year have been restated.

Section 3 - Subsequent events

On January 15, 2015 the Swiss Central Bank decided to cease operations in support of the EUR/CHF exchange rate and to allow its national currency to float freely, resulting in a violent disruption in the cross trading between the two currencies: institutional traders in the foreign exchange market essentially suspended their EUR/CHF cross trading for around half an hour. The stop losses for customers who had long positions on CFDs with underlying EUR/CHF crosses were only triggered when the liquidity for the underlying returned to the market and at the new pricing conditions established by the market at that time. This resulted, in some cases, in losses exceeding margins placed.

FinecoBank is managing the individual positions relating to disputes and credit recovery. Appropriate investigations and detailed analysis are being conducted, according to which, at present, no significant impact is expected on the bank's financial position.

No significant events have occurred after the balance sheet date that would make it necessary to change any of the information given in the Accounts as at December 31, 2014. Further details and information are represented in the Report on Operations.

The Accounts were approved by the Board of Directors' meeting of 10 March 2015, which authorised their publication.

Section 4 - Other matters

In 2014, the following accounting standards, amendments and interpretations have become effective for reporting periods beginning on or after January 1, 2014:
• IAS 27 revised – Separate Financial Statements (EU Regulation 1254/2012);
• IAS 28 revised - Investments in Associates and Joint Ventures (EU Regulation 1254/2012);
• IFRS 10 - Consolidated Financial Statement (EU Regulation 1254/2012);
• IFRS 11 - Joint Arrangements (EU Regulation 1254/2012);
• IFRS 12 - Disclosure of Interests in Other Entities (EU Regulation 1254/2012);
• Amendments to IAS 36 - Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets (EU Regulation 1374/2013);
• Amendments to IAS 32 – Financial Instruments: presentation – Offsetting Financial Assets and Financial Liabilities (EU Regulation 1256/2012);
• Amendments to IAS 39 - Financial Instruments: Novation of Derivatives and Continuation of Hedge Accounting (EU Regulation 1375/2013);
• Amendments to IFRS 10, IFRS 11 and IFRS 12 – Transition Guidance (EU Regulation 313/2013);
• Amendments to IFRS 10, IFRS 12 and IAS 27 – Investment Entities (EU Regulation 1174/2013);
Where applicable, these accounting standards, amendments and interpretations had no impact on the financial position and results of the Bank as at December 31, 2014.

The European Commission endorsed the following accounting standards whose application is not yet mandatory in preparing the financial statements at December 31, 2014 and which were not applied in advance by the Bank:
• IFRIC 21 – Levies (EU Regulation 634/2014).
• Improvements to IFRSs (2011-2013) (EU Regulation 1361/2014).
• Improvements to IFRSs (2010-2012) (EU Regulation 28/2015).
• Amendments to IAS 19 - Defined benefit plans: employee contributions (Reg. UE 29/2015).

Finally, as at December 31, 2014, the IASB issued the following accounting standards and interpretations or revisions thereof, whose application is subject to completion of the approval process by the European Union, which is still ongoing:
• IFRS 9 - Financial Instruments (July 2014);
• IFRS 14 - Rate-regulated activities (January 2014);
• IFRS 15 - Revenue from contracts with customers (May 2014);
• Amendments to IAS 16 and IAS 41: Agriculture Bearer plants (June 2014)
• Amendments to IAS 16 and IAS 38: Clarification of acceptable methods of depreciation and amortization (May 2014);
• Amendments to IFRS 11: Accounting for Acquisitions of Interests in Joint Operations (May 2014);
• Amendments to IAS 27: The equity method in the Separate Financial Statements (August 2014);
• Amendments to IAS 10 and IAS 28: Sale or transfer of assets to a joint venture or associate (September 2014);
• Annual Improvements to International Financial Reporting Standards, 2012-2014 Cycle (September 2014);
• Amendments to IAS 1: Disclosure Initiative (December 2014);
• Amendments to IFRS 10, IFRS 12 and IAS 28: Application of consolidation exception to investment entities (December 2014).

Risks and uncertainties related to the use of estimates

In the application of the accounting policies, the management is required to make judgments, estimates and assumptions about the carrying amounts of certain assets and liabilities as well as the information regarding potential assets and liabilities. Estimates and related assumptions are based on previous experience and other factors considered reasonable under the circumstances and have been used to estimate the carrying values of assets and liabilities not readily available from other sources.

Estimated figures have been used for the recognition of some of the largest value-based items in the financial statements as at December 31, 2014, as required by the accounting standards and regulations. These estimates are largely based on calculations of future recoverability of the values recognised in the accounts according to the rules laid down in current legislation and have been made on the assumption of a going concern, i.e. without contemplating the possibility of the forced sale of the estimated items.
The processes adopted support the carrying values at December 31, 2014. Valuation is particularly complex given the uncertainty of the macroeconomic and market situation, characterised by the significant volatility of financial indicators used in the valuation process and still high levels of credit quality impairment.

Part A - Accounting Policies (Continued)

The parameters and information used to check the above-mentioned values are therefore significantly affected by such factors, which could change rapidly in ways that are currently unforeseeable, such that further effects on future book values cannot be ruled out.

The estimates and underlying assumptions are reviewed on an ongoing basis. Any changes resulting from these reviews are recognised in the period in which the review was carried out, provided the change only concerns that period. If the revision concerns both current and future periods it is recognised accordingly in both current and future periods.

Uncertainty affecting estimates is generally inherent in the determination of:
- fair value of financial instruments not listed in active markets;
- receivables, and in general, all other financial assets/liabilities;
- employee severance pay provision (Italy) and other employee and financial advisor benefits;
- provisions for risks and charges;
- goodwill;
- deferred tax assets;
- tax liabilities;

This is because the quantification of these items is mainly influenced by the evolution of domestic and international socio-economic conditions and the performance of the financial markets, which affect interest rates, price fluctuations, actuarial assumptions and, more generally, the creditworthiness of borrowers and counterparties, as well as the progress and developments of ongoing or potential litigation.

With specific reference to future cash flow projections used in the valuation of goodwill, it should be noted that the parameters and information used are significantly influenced by the macro-economic market situation, which may change unpredictably. For further information see Part B - Balance Sheet - Section 12 - Intangible assets.

With specific reference to valuation techniques, unobservable inputs used in the fair value measurement and sensitivities to changes in those inputs, please refer to section A.4. Information on fair value.

Contributions to guarantee and resolution funds

The European Directive no. 49/2014 relating to the deposit guarantee systems, which is due to be transposed into national law by July 2015, introduces significant changes to the previously existing national guarantee funds. The new directive – within a framework of substantial legal, organizational and operational continuity – requires the adoption of an “ex ante” contribution mechanism, aimed at establishing a target amount of funds by 2024, corresponding to 0.8 % of guaranteed deposits. The previous guarantee schemes that have operated so far according to an “ex post” system (i.e., involving the payment of contributions to fund individual actions taken in relation to depositors of a bank in difficulty) will therefore be required to adopt an ex-ante funding scheme. These include the National Interbank Deposit Guarantee Fund of which the Bank is a member.

In addition, the European Directive no. 59/2014 on recovery and resolution of credit institutions, has introduced a requirement for the credit institutions to make payments in order to establish the European Single Resolution Fund, with the aim of establishing a target amount of funds by 2024 of 1% of guaranteed deposits. These payments will be made, for 2015 and 2016, to the national resolution funds and then directly to the European fund.

These two contributions will result in an increase in recurring costs from 2015, whose amount will depend over time on the specific characteristics established by the national transposing legislation.

A.2 The main items of the accounts

1 - Financial Assets held for trading (HfT)

A financial asset is classified as held for trading if it is:
- acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
- part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking;
- a derivative (except for derivatives which constitute financial guarantees, see Section 17, and derivatives designated as hedging instruments – see Section 6).

Like other financial instruments, on initial recognition, at settlement date, a held-for-trading financial asset is measured at its fair value, usually equal to the amount paid, excluding transaction costs and income, which are recognised through profit or loss even when directly attributable to the financial assets. Trading book derivatives are recognised at trade date.
After initial recognition these financial assets are measured at their fair value through profit or loss. An exception is represented by derivatives settled by delivery of an unlisted equity instrument whose fair value cannot be reliably measured, and which are therefore measured at cost.

A gain or loss arising from sale or redemption or a change in the fair value of a HfT financial asset is recognised in profit or loss in item 80 "Gains (losses) on financial assets and liabilities held for trading", with the exception of financial derivatives relating to a *fair value option* of which gains and losses, whether realised or measured, are booked in item 110. "Gains (losses) on financial assets/liabilities at fair value through profit or loss" (please see Ch.5). If the fair value of a financial asset falls below zero, which may happen with derivative contracts, it is recognised in item 40. "Financial liabilities held for trading".

A derivative is a financial instrument or other contract with all three of the following characteristics:
- its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable (usually called the 'underlying') provided that in case of non-financial variable, this is not specific of one of the parties;
- it requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors;
- it is settled at a future date.

An embedded derivative is a component of a hybrid (combined) instrument that also includes a non-derivative host contract, with the effect that some of the cash flows of the combined instrument vary in a way similar to a stand-alone derivative.

An embedded derivative is separated from the host contract and recognised as a derivative if:
- the economic characteristics and risks of the embedded derivative are not closely related to those of the host contract;
- a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative;
- the hybrid (combined) instrument is not measured entirely at fair value through profit or loss.

If it is necessary to separate an embedded derivative from its host contract, but it is not possible to measure the embedded derivative separately either at acquisition or at a subsequent financial reporting date, the entire combined contract is treated as a financial asset or financial liability at fair value through profit or loss.

When an embedded derivative is separated, the host contract is recognised according to its accounting classification.
A derivative that is attached to a financial instrument but is contractually transferable independently of that instrument, or has a different counterparty from that instrument, is not an embedded derivative, but a separate financial instrument.

2 - Available-for-sale Financial Assets (AfS)

Available-for-sale financial assets are those non-derivative financial assets that are designated as available for sale or are not classified as loans and receivables, held-to-maturity investments, financial assets held for trading or financial assets at fair value through profit or loss. These assets are held for an indefinite period of time and meet the need to ensure liquidity and face changes in interest rates, exchange rates and prices.

AfS financial assets are money market instruments, other debt instruments (included host contract of hybrid instruments from which embedded derivative has been bifurcated) or equity instruments; they include shares held as minority stakes where these do not constitute controlling, or joint control, or associate interests.

On initial recognition, at settlement date, an AfS financial asset is measured *at fair value*, which is usually equal to the consideration of the transaction, plus transaction costs and income directly attributable to the instrument.
In subsequent periods AfS assets are measured at fair value, the interest on interest-bearing instruments being recognised at amortised cost in the income statement. Gains or losses arising out of changes in fair value are recognised in equity item 130. "Revaluation reserves" - except losses due to

significant impairment and exchange rate gains or losses on monetary items (debt instruments) which are recognised under item 130. b) "Impairment losses on AfS available for sale financial assets" and item 80. "Gains (losses) on financial assets and liabilities held for trading" in the income statement, respectively - until the financial asset is sold, at which time cumulative gains and losses are recognised in profit or loss in item 100.b) "Gains (losses) on disposal or repurchase of AfS financial assets".

The fair value changes recorded in item 130. "Revaluation reserves" are also reported in the Statement of Comprehensive Income.

Equity instruments (shares) not listed in an active market and whose fair value cannot be reliably determined due to lack or unreliability of information for the fair value measurement are valued at cost, equivalent to the last fair value reliably measured.

If there is objective evidence of a significant loss or impairment on an available-for-sale financial asset, the cumulative loss that, until then, had been recognised directly in equity item 130."Revaluation reserves", is removed from equity and recognised in profit or loss under item 130.b) "Impairment losses on available-for-sale financial assets".

In respect of debt instruments, any circumstances indicating that the borrower/issuer is experiencing financial difficulties which could prejudice the collection of the principal or interest, represent a significant or lasting loss.
Significant or lasting loss of value of equity instruments is assessed on the basis of indicators such as fair value below cost and adverse changes in the environment in which the company operates, as well as the issuer's debt service difficulties.
The loss of value is normally considered significant or lasting if fair value falls to less than 50% of cost or lasts for more than 18 months, in which case the financial assets is impaired.
If however the fall in the fair value of the financial instrument is over 20% but less than or equal to 50% or continues for no less than 9 but no longer than 18 months, the Bank reviews further income and market indicators. If the results of the review are such as to prejudice the recovery of the amount originally invested, a lasting loss of value is recognised (impairment).
The amount taken to profit and loss is the difference between the carrying amount (value of initial recognition less any impairment loss already recognised in profit or loss) and current fair value.
Where instruments are valued at cost, the amount of the loss is determined as the difference between their carrying value and the present value of estimated future cash flows, discounted at the current market yield on similar financial assets (the recoverable amount).
If, in a subsequent period, the fair value of an impaired debt instrument increases and the increase can be objectively related to an event such as an improvement in the debtor's credit worthiness occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed and the amount of the reversal is recognised in the same profit or loss item. The reversal cannot result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised.

Impairment losses recognised in profit or loss for an investment in an equity instrument classified as available for sale are not reversed through profit or loss, but recognised at equity.

3 - Held to Maturity Investments (HtM)

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity for which there is the positive intention and ability to hold them to maturity (included host contract of hybrid instruments from which embedded derivative has been bifurcated whose value is represented by the difference between the total amount received and the fair value of the embedded derivative).

If, during the financial year, more than an insignificant amount of held-to-maturity investments are sold or reclassified before maturity, the remaining HtM financial assets shall be reclassified as available-for-sale and no financial assets shall be classified as HtM investments for the two following financial years, unless the sales or reclassifications:
- are so close to maturity or the financial asset's call date that changes in the market rate of interest would not have a significant effect on the financial asset's *fair value*;
- occur after substantially all of the financial asset's original principal has been collected through scheduled payments or prepayments; or
- are attributable to an isolated event that is beyond the entity's control, is non-recurring and could not have been reasonably anticipated by the entity.

After initial recognition at its fair value, which will usually be the price paid including transaction costs and income directly attributable to the acquisition or provision of the financial asset (even if not yet settled), a held-to-maturity financial asset is measured at amortised cost using the effective interest method. The difference between the carrying value of the asset and the amount received is taken to profit and loss under item 100.c) "Gains (losses) on disposal of HtM financial assets" when the financial asset is derecognised.

If there is objective evidence that a held-to-maturity investment is impaired, the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted using the original effective interest rate of the financial asset. The carrying amount of the asset is reduced accordingly and the loss is recognised in profit or loss under item 130.c) "Impairment losses (c) held-to-maturity investments".
If, in a subsequent period, the amount of an impairment loss decreases and the decrease can be related objectively to an event such as an improvement in the debtor's credit worthiness occurring after the impairment loss was recognised, the previously recognised impairment loss is

reversed. The reversal cannot result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised. The amount of the reversal is recognised in the same profit or loss item.
Held-to-maturity investments cannot be hedged for other than the credit/non performance risk.

At the balance sheet date the Bank did not hold any financial assets classified as “Held-to-maturity investments”.

4 - Loans and Receivables

Loans and Advances

Loans and receivables with banks and with customers are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are recognised on the date of contract signing, which normally coincides with the date of disbursement to the borrower.
These items include debt instruments with the above characteristics (included host contract of hybrid instruments from which embedded derivative has been bifurcated) or those subject to portfolio reclassification in accordance with the rules of IAS 39 (see Part A.3.1 below - Transfers between portfolios).

After initial recognition at fair value, which is usually the price paid including transaction costs and income directly attributable to the acquisition or issuance of the financial asset (even if not yet paid), a loan or receivable is measured at amortised cost, which can be adjusted to take account of any write-downs/write-backs resulting from the valuation process.

A gain or loss on loans and receivables, where not hedged, is recognised in profit or loss:
- when a loan or receivable is derecognised: in item 100. a) “Gains (losses) on disposal”;

or:
- when a financial asset is impaired (or the impairment loss previously recognised is reversed: in item 130.a) “Net impairment losses on (a) loans and receivables”.

Interest on loans and receivables is recognised in profit or loss on an accrual basis using the effective interest rate method under item 10. “Interest income and similar revenue”.

Delay interest is taken to the income statement on collection or receipt.

Loans and receivables are reviewed in order to identify those that, following events occurring after initial recognition, show objective evidence of possible impairment. These impaired loans are reviewed and analysed periodically at least once a year.

A loan or receivable is deemed impaired when it is considered that it will probably not be possible to recover all the amounts due according to the contractual terms, or equivalent value.
Allowances for impairment of loans and receivables are based on the present value of expected cash flows of principal and interest; in determining the present value of future cash flows, the basic requirement is the identification of estimated collections, the timing of payments and the rate used.
The amount of the loss on impaired exposure classified as non-performing, doubtful or restructured according to the categories specified below, is the difference between the carrying value and the present value of estimated cash flows discounted at the original interest rate of the financial asset.

For all fixed-rate positions, the rate determined in this manner is also held constant in future years, while for floating rate positions the interest rate is updated according to contractual terms.
If the original interest rate is not readily available, or if finding it would be excessively onerous, the interest rate that best approximates the original one is applied, including through practical expedients that do not affect the substance and ensure consistency with international accounting standards.
Recovery times are estimated on the basis of business plans or forecasts based on historical recovery experience observed for similar classes of loans, taking into account the customer segment, type of loan, type of security and any other factors considered relevant.
Any subsequent change with respect to initial expectations of the amount or timing of expected cash flows of principal and interest causes a change in allowances for impairment and is recognised in profit or loss in item 130. (a)”Impairment losses on loans and receivables”.
In the Notes to the Accounts, write-downs of impaired loans are classified as specific in the relevant income statement item even when the calculation is flat-rate or statistical, as indicated below.
When the reasons for the impairment no longer exist, and this assessment is objectively attributable to an event such as an improvement in the debtor’s credit worthiness occurred after the impairment, a reversal is made in the same profit or loss item, within the amount of the amortised cost that there would have been if there had been no impairments.
Derecognition of a loan or receivable in its entirety is made when the underlying cause of the loan or receivable no longer exists, or when the loan or receivable is deemed to be irrecoverable or is written off. Write-offs are recognised directly in profit or loss under item 130.a) “Impairment losses on loans and receivables” and reduce the amount of the principal of the loan or receivable. Reversals of all or part of amounts previously written off are recognised in the same item.

Part A - Accounting Policies (Continued)

According to Bank of Italy regulations, impaired loans (i.e. those with the characteristics identified in paragraphs 58-62 of IAS 39, are classified into the following categories:

- **Non-performing loans** - formally impaired loans, being exposure to insolvent borrowers, even if the insolvency has not been recognised in a court of law, or borrowers in a similar situation. They are measured individually (including by verifying statistically and automatically defined coverage levels for some loan portfolios below a predefined threshold) or, for individually insignificant amounts, on a flat basis by type of homogeneous exposures;
- **Doubtful loans** - exposure to borrowers experiencing temporary difficulties, which the Group believes may be overcome within a reasonable period of time. Doubtful loans also include loans not classified as non-performing granted to borrowers other than government entities where the following conditions are met:
  - they have fallen due and remained unpaid for more than 270 days (or for more than 150 or 180 days for consumer credit exposure with an original term of less than 36 months, or 36 months or over, respectively);
  - the amount of the above exposure to the same borrower and other defaulted payments that are less than 270 days overdue, is at least 10% of the total exposure to that borrower.

  Doubtful loans are valued individually when special elements make this advisable or by individually applying flat percentages on a historical or stochastic basis in the remaining cases;
- **Restructured loans** - exposure to borrowers with whom a rescheduling agreement has been entered into including renegotiated pricing at interest rates below market, the conversion of part of a loan into shares ("debt to equity swap") and/or any reduction of principal; measurement is on a loan-by-loan basis, including discounted cost due to renegotiation of the interest rate at a rate lower than the original contractual rate. Restructured exposures can be reclassified under unimpaired loans only after two years have passed from the date of signing of the restructuring agreement and a resolution has been adopted by the competent corporate bodies declaring that the debtor's full solvency has been restored and that there are no outstanding balances on all existing lines of credit. Loans under renegotiation involving a "debt/equity swap" are valued, pending swap finalization, on the basis of the conversion agreements entered into on the balance-sheet date. Any differences between the value of the loans and value at which the shares were initially recognised are taken to profit and loss as write-downs.
- **Past-due impaired loans** - total exposure to any borrower not included in the other categories, which at the balance-sheet date has expired facilities or unauthorised overdrafts that are more than 90 days past due and meet the requirements set out by supervisory regulations for their classification under the "past due exposures" category (TSA banks).

  Total exposure is recognised in this category if, at the reporting date, either of the following amounts, whichever is larger, is equal to or more than 5%:
  - the expired/overdrawn portion out of the entire exposure as at the reporting date

  and
  - the average of the past-due and/or overdrawn portions out of the entire exposure, as measured daily in the last preceding quarter.

  Past-due exposures are valued at a flat rate on a historical/stochastic basis by applying where available the risk rating referred to Loss Given Default (LGD) under Regulation (EU) No. 575/2013 (CRR) on prudential requirements for credit institutions and investment firms.

It should be noted in this regard that Bank of Italy has revised the criteria to be applied as of January 1, 2015 for classifying impaired financial assets (see 7th update of Circular no. 272 of July 30, 2008 - "Matrix of accounts" issued by the Bank of Italy on January 20, 2015), in order to align them to the new definitions of Non-Performing Exposures and Forbearance introduced by the European Banking Authority in the "Final Draft Implementing Technical Standards on Supervisory reporting on forbearance and not -performing exposures" (EBA/ITS /2013/03/rev1 24/7/2014).

Collective assessment is used for groups of loans for which individually there are no indicators of impairment: to these portfolios a latent impairment can be attributed, according to the method described below, inter alia on the basis of the risk factors used under CRR prudential regulation.
Each loan with similar characteristics in terms of credit risk - in relation to loan type, the borrower's sector of economic activity, geographical location, type of security or other relevant factors - is assessed in terms of its PD (Probability of Default) and LGD (Loss Given Default); these are uniform for each class of loan.
The methods used combine the CRR prudential regulation recommendations and IFRS. The latter exclude future loan losses not yet sustained, but include losses already sustained even if they were not manifest at the time of measurement, on the basis of past experience of losses on assets having a similar risk profile to the assets being measured.
The parameter for the average period from deterioration of a borrower's financial condition and its classification as an impaired loan is the Loss Confirmation Period.
The portfolio valuation is the product of the risk factors derived from the parameters used under CRR prudential regulation requirements, with a one-year time horizon, and the above loss confirmation periods (LCP) expressed as part of a year and diversified according to classes of loans and receivables on the basis of customer segments/portfolios characteristics.
If these indicators are not available, estimated value and standard loss percentages, based on internal historical series and sectoral studies, shall be used.
Allowances for unsecured loans to residents of countries experiencing debt service difficulties, where the transfer risk is not included in the rating system applied, are generally determined, country by country, with the aim of attributing latent impairment on the basis of shared parameters.
Allowances for impairment reduce the loan or receivable's carrying amount.

Guarantees, etc.
These include all personal guarantees issued by the bank to secure third parties' obligations.
This portfolio is valued on the basis of impairment losses due to a worsening of the solvency of the guaranteed party calculated on a case-by-case basis in respect of guarantees given on behalf of debtors classified as non-performing or restructured. Impairment of guarantees given on behalf of debtors classified as doubtful is calculated as for loans and advances.
In respect of guarantees issued on behalf of debtors classified as "Impaired Past due Exposures", expected loss is estimated on the basis of the riskiness of the type of guarantee and underlying risk mitigation instruments.
In respect of guarantees issued on behalf of debtors classified as "Not impaired past due exposures", Expected Loss is calculated on the basis of the amount of losses incurred but not reported due to the time elapsed between the deterioration of creditworthiness and the calling of the guarantee.
Risk arising from off-balance sheet items, e.g. loan commitments, is recognised in profit and loss under item 130.d) "Impairment Losses on other financial assets" contra liability item 120 .b) "Provisions for risks and charges - other provisions" (except for impairment losses on guarantees given and derivatives considered similar by IAS 39, which are written down or back contra liability item 100 "Other Liabilities").
Subsequent write-backs may not exceed the amount of write-downs (whether individual or generic) previously recognised due to impairment.

5 - Financial Instruments at Fair Value through Profit or Loss (FIaFV)

Any financial asset may be designated, in accordance with the provisions of IAS 39 as a financial instrument measured at fair value through profit or loss on initial recognition, except for the following:
- investments in equity instruments for which there is no price quoted in active markets and whose fair value cannot be reliably determined;
- derivatives.

FIaFV includes financial assets:
(i) not belonging to regulatory trading book, whose risk is:
- connected with debt positions measured at fair value (see also item 15 "Financial liabilities at fair value through profit or loss");
- managed by the use of derivatives not treatable as accounting hedges.

(ii) represented by hybrid (combined) instruments containing embedded derivatives that otherwise would have been separated from the host contract.
FIaFV are accounted for in a similar manner to HfT financial assets (see Section 1), however gains and losses, both realised and unrealised, are recognised in item 110. "Gains (losses) on financial assets and liabilities at fair value through profit or loss".

6 - Hedge Accounting

Hedging derivatives are those created to hedge market risks (interest-rate, currency and price) to which the hedged positions are exposed.
They may be described as follows:
- fair value hedge: a hedge of the exposure to changes in fair value of a recognised asset or liability, or an identifiable portion of such an asset or liability;
- cash flow hedge: a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction which could affect profit or loss in future periods;
- hedge of a net investment in a foreign entity, whose operations are presented in a currency other than euro.

Hedging derivatives are initially recognised on trade date and are valued at their fair value.

A hedging relationship qualifies for hedge accounting if there is formal designation and documentation of the hedging relationship including the risk management objective, the strategy for undertaking the hedge, and how the hedging instrument's prospective and retrospective effectiveness will be assessed. It is necessary to assess the hedge's effectiveness, at inception and in subsequent periods, in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk.

A hedge is regarded as highly effective if, at the inception of the hedge and in subsequent periods, it is determined prospectively to remain highly effective, and the retrospectively verified that the hedge ratio (i.e.. the changes in fair value of hedged items and hedging instruments) is within a range of 80-125 per cent. The hedge is assessed on an ongoing basis and thus must prospectively remain highly effective throughout the financial reporting periods for which the hedge has been designated.

The assessment of effectiveness is made at each balance-sheet date or other reporting date. If the assessment does not confirm the effectiveness of the hedge, from that time on hedge accounting is discontinued in respect of the hedge and the hedging derivative is reclassified as a held-for-trading instrument.
In addition, the hedging relationship ceases when the hedging instrument expires or is sold, terminated or exercised; the hedged item is sold, expires or is repaid; or it is no longer highly probable that the forecast transaction will occur.

Part A - Accounting Policies (Continued)

Hedging derivatives are measured at fair value. In particular:

- **Fair Value Hedging** - an effective fair value hedge is accounted for as follows: the gain or loss from remeasuring the hedging instrument at fair value is recognised through profit or loss in item 90. "Fair value adjustments in hedge accounting". the gain or loss on the hedged item attributable to the hedged risk adjusts the carrying amount of the hedged item and is recognised through profit or loss in the same item. If the hedging relationship is terminated for reasons other than the sale of the hedged item, this is measured according to the original criterion dictated by the accounting standard applied to the relevant portfolio. In the case of interest-bearing instruments, the difference between the carrying amount of the hedged item on termination of the hedging and the carrying amount it would have had if the hedge had never existed, is recognised through profit or loss in interest receivable or payable over the residual life of the original hedge. The difference in fair value of the hedging derivative since the latest effectiveness testing date is recognised in profit or loss under item 90. "Fair value adjustments in hedge accounting". If the hedged item is sold or repaid, the portion of fair value which is still unamortised is recognised immediately under item 100. "Gains (losses) on disposal or repurchase". With regard to specific Fair Value hedging derivatives of securities included in the portfolio of "Available-for-sale financial assets", the fair value changes of the hedging instrument were recognised through profit or loss in item 90. "Fair value adjustments in hedge accounting"; fair value changes of the hedged item attributable to the hedged risk (interest rate risk) were recognised through profit or loss in the same item; fair value changes of the hedged item attributable to the non-hedged risk (essentially, credit risk) were recognised in shareholders' equity item 130 "Revaluation reserves for available-for-sale financial assets".
- **Cash Flow Hedging** - hedges are valued at fair value Change in the fair value of a hedging instrument that is considered effective is recognised in equity item 130 "Revaluation reserves". The ineffective portion of the gain or loss is recognised through profit or loss in item 90. "Fair value adjustments in hedge accounting". If a cash flow hedge is determined to be no longer effective or the hedging relationship is terminated, the cumulative gain or loss on the hedging instrument that remains recognised in "Revaluation reserves" from the period when the hedge was effective remains separately recognised in "Revaluation reserves" until the forecast hedged transaction occurs or is determined to be no longer possible; in the latter case, the gains or losses are transferred from shareholders' equity to item 80. "Gains and losses on financial assets and liabilities held for trading". The fair value changes recorded in item 130. "Revaluation reserves" are also reported in the Statement of Comprehensive Income.
- **Hedging a Net Investment in a Foreign entity** - hedges of a net investment in a foreign entity, whose operations are presented in a currency other than euro, are accounted for similarly to cash flow hedges.
  The gain or loss on the hedging instrument relating to the effective portion of the hedge that has been recognised directly in equity is recognised through profit or loss on disposal of the foreign entity.
  The fair value changes recorded in item 130. "Revaluation reserves" are also reported in the Statement of Comprehensive Income. The ineffective portion of the gain or loss is recognised through profit or loss in item 90. "Fair value adjustments in hedge accounting";
- **macro-hedged financial assets (liabilities)** - IAS 39 allows a fair-value item hedged against interest rate fluctuations to be not only a single asset or liability but also a monetary position contained in a number of financial assets or liabilities (or parts of them); accordingly, a group of derivatives can be used to offset fair-value fluctuations in hedged items due to changes in market rates. Macro hedging may not be used for net positions resulting from the offsetting of assets and liabilities. As for fair value micro hedging, macro hedging is considered highly effective if, at the inception of the hedge and in subsequent periods, changes in the fair value attributable to the hedged position are offset by changes in fair value of the hedging instrument and if the hedge ratio is retrospectively assessed falling within the range of 80-125 per cent. Net changes – gains or losses – in the value of the macro-hedged assets and liabilities attributable to the hedged risk are recognised in asset item 90 and liability item 70 respectively and offset the profit and loss item 90 "Fair value adjustments in hedge accounting". The gain or loss from remeasuring the hedging instrument at fair value is recognised in the same profit and loss item.
  The ineffectiveness of the hedging arises to the extent that the change in the fair value of the hedging item differs from the change in the fair value of the hedged monetary position. The extent of hedge ineffectiveness is in any case recognised in profit and loss item 90. "Fair value adjustments in hedge accounting".
  If the hedging relationship is terminated, for reasons other than the sale of the hedged items, cumulative gain or loss in items 90 (Assets) and 70 (Liabilities) is recognised through profit or loss in interest income or expenses, along the residual life of the hedged financial assets or liabilities.

If the latter are sold or repaid, unamortised fair value is at once recognised through profit and loss in item 90. "Fair value adjustments in hedge accounting".

During the year 2014, the Bank carried out, and had in place at the reporting date, only specific fair value hedges of debt securities issued by governments and classified in the "Available-for-sale financial assets" portfolio and macro-hedges against the interest rate risk of personal loans to retail customers, of bonds issued by UniCredit subscribed by the Bank and classified under the "*Loans and receivables*" category, and of bonds issued by the Bank, fully subscribed by the Parent Company, recognised as debt securities in issue.

7 - Equity Investments

At the balance sheet date, the Bank held no investments in subsidiaries, associates and joint ventures.
Interests held – other than subsidiaries, associates and joint ventures, and interests recognised in items 150. "Non-current assets and disposal groups classified as held for sale" – are classified as "Available-for-sale financial assets".

8 - Property, Plant and Equipment

The item includes:
- buildings
- furniture and fixtures
- plant and machinery
- other machinery and equipment

and is divided between:
- assets used in the business;
- assets held as investments.

Assets used in the business are held for use in the production or supply of goods or services or for administrative purposes and are expected to be used during more than one period.

Property, plant and equipment also include leasehold improvements relating to assets which can be separately identified. They are classified according to the specific sub-items relating to the asset type (e.g. plants). Leasehold improvements are usually borne in order to make leased premises fit for the expected use. Improvements and additional expenses relating to property, plant and equipment identifiable but not separable are recognised in item 150 "Other assets".

Assets held for investment purposes are properties covered by IAS 40, i.e. properties held in order to derive rentals and/or a capital gain.

Property, plant and equipment are initially recognised at cost including all costs directly attributable to bringing the asset into use (transaction costs, professional fees, direct transport costs incurred in bringing the asset to the desired location, installation costs and dismantling costs).
Subsequent costs are added to the carrying amount or recognised as a separate asset only when it is probable that there will be future economic benefits in excess of those initially foreseen and the cost can be reliably measured. Other expenses borne at a later time (e.g. normal maintenance costs) are recognised in the year they are incurred in profit and loss items:
- 150.b) "Other administrative expenses", if they refer to assets used in the business;
or:
- 190. "Other net operating income", if they refer to property held for investment.

After being recognised as an asset, an item of property, plant and equipment is carried at cost less any accumulated depreciation and any cumulative impairment losses.
An item with a finite useful life is subject to straight-line depreciation.

The depreciation rates used for the main categories of property, plant and equipment are as follows:

• Furniture	12 percent
• Fittings	15 percent
• Ordinary office equipment	12 percent
• Miscellaneous machines, devices and equipment	15 percent
• Alarm and security systems	30 percent
• Electronic machines	20 percent
• Mobile phones and television camera systems	20 percent
• Hoisting systems and equipment	7.5 percent
• Motor vehicles	25 percent
• Buildings	3 percent

Land and buildings, if separately quantifiable, are recognised separately, even if acquired together. Land is not depreciated since it usually has an indefinite useful life. Buildings, conversely, have a finite useful life and are therefore subject to depreciation.
The estimate of the useful life of an asset is reviewed at least at each accounting period-end on the basis inter alia of the conditions of use of the asset, of maintenance conditions and expected obsolescence, and, if expectations differ from previous estimates, the depreciation amount for the current and subsequent financial years is adjusted accordingly.
If there is objective evidence that an asset has been impaired, the carrying amount of the asset is compared with its recoverable value, equal to the greater of its fair value less selling cost and its value in use, i.e. the present value of future cash flows expected to originate from the asset. Any value adjustment is recognised in profit and loss item 170. "Impairment/Write-backs on property, plant and equipment".

If the value of a previously impaired asset is restored, its increased carrying amount cannot exceed the net carrying amount it would have had if there had been no losses recognised on the prior-year impairment.

Part A - Accounting Policies (Continued)

An item of Property, plant and equipment is de-recognised from the Balance sheet upon disposal or when no further economic benefits are expected to be generated by its use or its disposal and any difference between the disposal or recoverable value and the book value is recognised in the Income Statement under item 240. “Gains (losses) on disposal of investments”.

9 - Intangible Assets

An intangible asset is an identifiable non-monetary without physical substance which is expected to be used during more than one period and from which future economic benefits are probable.

Intangible assets mainly consist of goodwill, software and costs incurred for the creation of the new Fineco website.
Intangible assets other than goodwill are recognised at purchase cost, i.e. including any cost incurred to bring the asset into use, less accumulated amortisation and any recognised impairment losses.
Costs sustained after purchase are:
- added to initial cost, provided they increase future economic benefits arising from the underlying asset (i.e. if they increase its value or productive capacity);
- in other cases (i.e. when they do not increase the asset’s original value, but are intended merely to preserve its original functionality) are taken to profit or loss in a single amount in the year in which they have been borne.

An intangible asset with a finite life is subject to straight-line amortisation over its estimated useful life.

Residual useful life is usually assessed as follows:
- software maximum 3 years;
- other intangible assets maximum 5 years.

There are no intangible assets with an indefinite life, except for goodwill.

If there is objective evidence that an asset has been impaired, the carrying amount of the asset is compared with its recoverable value, equal to the greater of its fair value less selling cost and its value in use, i.e. the present value of future cash flows expected to originate from the asset. Any impairment loss is recognised in profit and loss item 180. “Impairment/write-backs on intangible assets”.

If the value of a previously impaired intangible asset, other than goodwill is restored, its increased carrying amount cannot exceed the net carrying amount it would have had if there were no losses recognised on the prior-year impairment.

An intangible asset is de-recognised from the Balance sheet upon disposal or when no further economic benefits are expected to be generated by its use or its disposal and any difference between the disposal or recoverable value and the book value is recognised in the Income Statement under item 240. “Gains (losses) on disposal of investments”.

Goodwill

In accordance with IFRS3, goodwill is the excess of the cost of a business combination over the net fair value of the assets and liabilities acquired at the acquisition date.

Goodwill arising from the acquisition of companies through merger or absorption is recognised as an intangible asset, whereas goodwill arising from the acquisition of subsidiaries, associates and joint ventures is included in the acquisition cost and, then, shown as an increase in the value of the investments.
At a subsequent financial reporting date, goodwill is recognised net of any cumulative impairment losses and is not amortised.

Goodwill is tested for impairment annually, in the same way as other intangible assets with an indefinite life.
Impairment losses on goodwill are recognised in profit and loss item 230. “Impairment of goodwill”. In respect of goodwill, no write-backs are allowed.

Goodwill relates to buy-outs of divisions or companies engaged in trading activities or the distribution of financial, banking and insurance products through personal financial advisors. These activities have been fully integrated with FinecoBank’s ordinary operations; as a result it is not possible to isolate the contribution of each company/business division from the Bank’s overall business. This means that to establish the reasonableness of the value of goodwill recognised in the financial statements it is necessary to take account of the Bank’s comprehensive income. The cash generating unit (CGU) is the Bank as a whole.
In view of the specific business model adopted by FinecoBank, which involves a high level of integration between personal financial advisors and the trading and banking platform, so that the financial advisors’ network is an integral part of the overall offer, which includes banking, brokerage and investing services, an allocation of costs/revenues for business units is not considered relevant or meaningful.

Please see Section 12.3 Intangible assets - Other information in Part B below for further information on goodwill and related impairment tests.

10 - Non-current Assets Held for Sale

These categories include individual assets held for disposal (tangible, intangible and financial assets) or groups of assets held for sale, with the related liabilities, as required by IFRS 5.

Individual assets (or groups of assets held for sale) are recognised in item 140. "Non-current assets and disposal groups held for sale" and 90. "Liabilities included in disposal groups classified as held for sale", respectively, at the lower of their carrying amounts and fair values less costs to sell.

The revaluation reserves relating to Non-current assets held for sale, which are recorded as a contra item to changes in value relevant for this purpose, are reported separately in the Statement of Comprehensive Income (see Part D - Comprehensive Income).

The net balance of profits (dividends, interest income, etc.) and losses (interest expense, etc.) attributable to groups of assets or liabilities held for sale are recognised in the income statement under item 280. "Profit (Loss) after tax from discontinued operations". Profits and losses attributable to individual assets held for disposal are recognised in the income statement under the most appropriate item.

At the balance sheet date the Bank held no non-current assets classified as held for sale.

11 - Current and Deferred Tax

Current tax assets are shown in the balance sheet net of related current tax liabilities, where the following requirements are met:

- there is a right to offset the recognised amounts; and
- there is an intention to settle the asset and liability positions with a single payment on a net basis or to realize the asset and settle the liability simultaneously.

As of the year ended December 31, 2014, similarly to current tax assets and liabilities, also deferred tax assets are shown in the balance sheet net of related deferred tax liabilities, where the following requirements are met:

- there is a right to offset the underlying current assets with the current liabilities; and
- deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on the same taxable entity or different taxable entities which intend to settle current tax assets and liabilities on a net basis (usually under a tax consolidation agreement).

Consequently, for the purposes of like-for-like comparison, the corresponding figures relating to the previous year have been restated.

In compliance with the "Balance sheet liability method", current and deferred tax items are:

- current tax assets, i.e. amount of tax paid in excess of income tax due in accordance with current tax regulations on business income;
- current tax liabilities, i.e. amounts of corporate tax due in accordance with current tax regulations on business income;
- deferred tax assets, i.e. amounts of income tax recoverable in future fiscal years as a consequence of:
  - deductible temporary differences;
  - the carry-forward of unused tax losses;
  - the carry-forward of unused tax credits;
- deferred tax liabilities, i.e. the amounts of income tax due in future fiscal years in respect of taxable temporary differences.

Current tax assets and tax liabilities are calculated in accordance with local tax regulations and are recognised in profit or loss on an accrual basis. More specifically, for current IRES income tax, a rate of 27.50% has been calculated; for IRAP corporate tax, the rate applied was 5.57%.

In general, deferred tax assets and liabilities arise when there is a difference between the accounting treatment and the tax treatment of the carrying amount of an asset or liability.

Deferred tax assets and liabilities are recognised applying tax rates that at the balance sheet date are expected to apply in the period when the carrying amount of the asset will be recovered or the liability will be settled on the basis of tax regulations in force, and are periodically reviewed in order to reflect any changes in regulations.

Deferred tax assets are recognised only to the extent that it is probable that sufficient taxable profit evaluated based on the Bank's ability to generate it in future financial years will be available.

Deferred tax liabilities are always recognised. In accordance with the provisions of IAS12, the probability that sufficient future taxable profit against which the deferred tax assets can be utilised will be available is reviewed periodically. The carrying amount of deferred tax assets should be reduced to the extent that it is not probable that sufficient taxable profit will be available.

Current and deferred taxes are recognised in profit and loss item 260. "Tax expense (income) related to profit or loss from continuing operations", except for tax referred to items that in the same or in another fiscal year are credited or charged directly to equity, such as those relating to gains or losses on available-for-sale financial assets and those relating to changes in the fair value of cash flow hedging instruments (not present in the Bank's financial statements), whose changes in value are recognised, net of tax, directly in the statement of comprehensive income.

Current IRES income tax is calculated on the basis of the "tax consolidation" introduced by Italian Legislative Decree 344/03. UniCredit S.p.A. opted to apply tax consolidation of the Group's Italian entities for the three-year period 2013-2015 (see also Part B of these Notes - Section 13.7 - Further Information).

Part A - Accounting Policies (Continued)

12 - Provisions for Risks and Charges

Retirement Payments and Similar Obligations
Retirement provisions – i.e. provisions for employee benefits paid after leaving employment – are defined as defined contribution plans or defined benefit plans according to the economic nature of the plan.
In particular:
- Defined-benefit plans provide a series of benefits depending on factors such as age, years of service and compensation policies. Under this type of plan actuarial and investment risks are borne by the company.
- Defined-contribution plans are plans under which the company makes fixed contributions. Benefits are the result of the amount of contributions paid and return on contributions invested. The employer bears no actuarial and/or investment risks connected with this type of benefit as it has no legal or implicit obligation to make further contributions, should the plan not be sufficient to provide benefit to all employees.

Defined-benefit plans are present-valued by an external actuary using the unit credit projection method.

This method distributes the cost of the benefit evenly over the employee's working life. The liability is determined as the present value of average future payments adjusted according to the ratio of years of service to theoretical total years of service at the time of payment of the benefit.
More specifically, the amount recognised according to IAS 19 Revised, as a net liability/asset in item 120. Provisions for risks and charges - a) Post-retirement benefit obligations is the present value of the obligation at the balance sheet date, less any pension charges relating to benefits already provided but not yet recognised, less the fair value at the balance sheet date of plan assets other than those due to directly settle the obligations adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. Actuarial gains or losses arising from the valuation of defined-benefit liabilities are recognised against Revaluation reserves.

The discount rate used to discount obligations (whether financed or not) relating to benefits to be provided after retirement varies according to the currency of denomination and country where the liabilities are allocated and is determined on the basis of market yield at the balance sheet date of prime issuers' bonds with an average life in keeping with that of the relevant liability.

At the balance sheet date, the Bank did not have provisions for retirement payments and similar obligations.

Other Provisions
Provisions for risks and charges consist of liabilities recognised when:
- the entity has a present obligation (legal or constructive) as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the amount of the obligation.

The amounts recognised as provisions are the best estimate of the expenditure required to settle the present obligation. The risks and uncertainties that inevitably surround the relevant events and circumstances are taken into account in reaching the best estimate of a provision.
Where the effect of the time value of money is significant (generally when payment is to be made more than 18 months from recognition), the amount of the provision should be the present value of the best estimate of the cost required to settle the obligation. The discount rate used reflects the current market assessments.

Provisions are reviewed periodically and adjusted to reflect the current best estimate. If it becomes clear that it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed.

Provisions are used only for expenses for which they were originally recognised.

Allocations made in the year are recognised in profit and loss item 160. "Provisions for risks and charges" and include increases due to the passage of time; they are also net of any re-attributions.

"Other provisions" also include obligations relating to benefits due to agents, specifically supplementary customer portfolio payments and contractual payments, which are measured as per defined benefit plans; accordingly these obligations are calculated using the unit credit projection method (see paragraph "Retirement Payments and Similar Obligations"), and payments under non-competition agreements.

In certain cases, provisions for risks and charges have been classified under their own item in the income statement to better reflect their nature.

13 - Liabilities and Securities in Issue

The items “Deposits from banks”, “Deposits from customers” and “Debt Securities in issue” are used for all forms of third-party funding other than trading liabilities or those valued at fair value through profit or loss.

These financial liabilities are recognised on the settlement date principle initially at fair value, which is normally the consideration received less transaction costs directly attributable to the financial liability. Subsequently these instruments are measured at amortised cost using the effective interest method.

Hybrid debt instruments relating to equity instruments, foreign exchange, credit instruments or indexes, are treated as structured instruments. The embedded derivative is separated from the host contract and recognised as a derivative, provided that separation requirements are met, and recognised at fair value. The embedded derivative is initially recognised at fair value and subsequently reassessed. Any subsequent changes in fair value are recognised in profit and loss item 80. “Gains (losses) on financial assets and liabilities held for trading”.

The difference between the total amount received and the fair value of the embedded derivative is attributed to the host contract.

Securities in issue are recognised net of repurchased amounts; the difference between the carrying value of the liability and the amount paid to buy it in is taken to profit and loss under item 100.d) “Gains (losses) on buy-ins of financial liabilities”. Subsequent disposal by the issuer is considered as a new issue which doesn’t produce gains or losses.

The Bank’s debts do not include covenants that would cause default or restructuring events. There are no debt instruments involving convertibility to equity instruments (under IASB IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments).

14 - Financial Liabilities Held for Trading

Financial liabilities held for trading include:
- derivatives that are not designated as hedging instruments;
- obligations to deliver financial assets borrowed by a short seller (i.e., an entity that sells financial assets it does not yet own);
- financial liabilities issued with an intention to repurchase them in the near term;
- financial liabilities that are part of a portfolio of financial instruments considered as a unit and for which there is evidence of a recent pattern of trading.

An HfT liability, including a derivative, is measured at fair value initially and for the life of the transaction, except for a derivative liability settled by delivery of an unlisted equity instrument whose fair value cannot reliably be measured, and which is therefore measured at cost.

15 - Financial Liabilities at Fair Value through profit or loss

According to IAS 39, financial liabilities, as well as financial assets, may also be designated on initial recognition as measured at fair value, provided that:
- this designation eliminates or considerably reduces the discrepancy that could arise from the application of different methods of measurement of assets and liabilities and related gains or losses;

or
- a group of financial assets, financial liabilities or both are managed and measured at fair value under risk management or investment strategy which is internally documented with the entity’s Board of Directors or equivalent body.

This category may also include financial liabilities represented by hybrid (combined) instruments containing embedded derivatives that otherwise should have been separated from the host contract.
These transactions are recognised in the same was as the HfT financial liabilities, with gains and losses, both realised and unrealised, recognised in item 110. “Gains (losses) on financial assets and liabilities at fair value through profit or loss”.

At the balance sheet date the Bank did not hold any financial liabilities classified as “Financial liabilities at fair value through profit or loss”.

Part A - Accounting Policies (Continued)

16 - Foreign Currency Transactions

A foreign currency transaction is recognised at the spot exchange rate of the transaction date.

Foreign currency monetary assets and liabilities are translated at the closing rate of the period.

Exchange differences arising from settlement of monetary items at rates different from those of the transaction date and unrealised exchange rate differences on foreign currency assets and liabilities not yet settled, other than assets and liabilities designated as measured at fair value and hedging instruments, are recognised in profit and loss item 80. "Gains and losses on financial assets and liabilities held for trading".
Non-monetary assets and liabilities recognised at historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary items that are measured at fair value in a foreign currency are translated at the closing rate. In this case the exchange differences are recognised:
• in profit and loss if the financial asset is HfT;
• in revaluation reserves if the financial asset is AfS.

All exchange differences recorded under revaluation reserves in shareholders' equity are also reported in the Statement of Comprehensive Income.

17 - Other Information

Business combinations

A business combination is a transaction through which an entity obtains control of a company or of a business segment, thus bringing together different businesses into one reporting entity.
A business combination may result in a Parent-subsidiary relationship in which the acquirer is the Parent and the acquiree a subsidiary of the acquirer. A business combination may involve the purchase of the net assets of another entity, in which case goodwill can arise, or the purchase of the equity of the other entity (mergers).
IFRS 3 requires that all business combinations shall be accounted for by applying the purchase method, that involves the following steps:
- identifying an acquirer;
- measuring the cost of the business combination;
and
- allocating, at the acquisition date, the cost of the business combination to the assets acquired and liabilities and contingent liabilities assumed.

The cost of a business combination is the aggregate of the fair value, at the date of exchange, of assets given, liabilities incurred or assumed and equity instruments issued by the acquirer, in exchange for control of the acquiree.
The acquisition date is the date on which the acquirer effectively obtains control of the acquiree. When this is achieved through a single exchange transaction, the date of exchange coincides with the acquisition date.
A business combination may involve more than one exchange transaction; nevertheless, the cost of the business combination remains equal to the fair value of the total shareholding acquired. This involves the revaluation at fair value - and the recognition of the effects in the Income Statement - of the equity investments previously held in the acquired entity.
The cost of a business combination is allocated by recognizing the assets, the liabilities and the identifiable contingent liabilities of the acquired company at their acquisition-date fair value. Exceptions to this principle are deferred income tax assets and liabilities, employee benefits, indemnification assets, reacquired rights, non-current assets held for sale, and share-based payment transactions that are subject to review in accordance with the principle applicable to them.
Positive difference between the cost of the business combination and the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities so recognised is accounted for as goodwill.
After initial recognition, goodwill is tested for impairment at least annually.
If the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the acquirer shall reassess the fair values and immediately recognise any excess remaining after that reassessment in profit or loss.
In the case of business combinations resulting in a Parent company-subsidiary (acquirer-acquiree) relationship, the equity investment is accounted for under the cost method.

Derecognition of financial assets

Derecognition is the removal of a previously recognised financial asset from an entity's balance sheet.

Before evaluating whether, and to what extent, derecognition is appropriate, under IAS 39 an entity should determine whether the relevant conditions apply to a financial asset in its entirety or to a part of a financial asset. The standard is applied to a part of financial assets being transferred if, and only if, the part being considered for derecognition meets one of the following conditions:
• the part comprises only specifically identified cash flows from a financial asset (or a group of assets), e.g. interest cash flows from an asset;
• the part comprises a clearly identified percentage of the cash flows from a financial asset, e.g., a 90 per cent share of all cash flows from an asset;
• the part comprises only a fully proportionate (pro rata) share of specifically identified cash flow, e.g. 90 per cent share of interest cash flows from an asset.

In all other cases, the standard is applied to the financial asset in its entirety (or to the group of similar financial assets in their entirety).
An entity shall derecognise a financial asset when the contractual rights to the cash flows from the financial asset expire or it transfers the contractual rights to receive the cash flows of the financial asset to a third party.
Rights to cash flow are considered to be transferred even if contractual rights to receive the asset's cash flow are retained but there is an obligation to pay this cash flow to one or more entities and all the following conditions are fulfilled (pass-through agreement):
- there is no obligation on the Bank to pay uncollected amounts associated with the original asset;
- sale or pledge of the original asset is not allowed, unless it secures the obligation to pay cash flow;
- the Bank is obliged to transfer forthwith all cash flows received and may not invest them, except for liquidity invested for the short period between the date of receipt and that of payment, provided that the interest accrued in that period is paid on.

Recognition is also subject to verification of effective transfer of all the risks and rewards of ownership of the financial asset. If the entity transfers substantially all the risks and rewards of ownership of the financial asset, the entity shall derecognise the asset (or group of assets) and recognize separately as assets or liabilities any rights and obligations created or retained in the transfer.
Conversely, if the entity substantially retains all the risks and rewards of ownership of the asset (or group of assets), the entity shall continue to recognize the transferred asset(s). In this case it is necessary to recognize a liability corresponding to the amount received under the transfer and subsequently recognize all income accruing on the asset or expense accruing on the liability.
The main transactions that do not allow, under the above rules, total derecognition of a financial asset are securitizations, repurchase (sell and buy- backs) and stock lending transactions.
In the case of repurchase transactions and stock lending, the assets transacted are not derecognised since the terms of the transaction entail the retention of all their risks and rewards.

Lastly, it should be noted that securities lending transactions collateralised by other securities or not collateralised were recorded as off-balance sheet items.

Repos

Securities received in a transaction that entails a contractual obligation to sell them at a later date or delivered under a contractual obligation to repurchase are neither recognised nor derecognised. In respect of securities purchased under an agreement to resell, the consideration is recognised as a loan to customers or banks, or as an assets held for trading; In respect of securities held in a repurchase agreement, the liability is recognised as due to banks or customers, or as held for trading financial liabilities. Revenue from these loans, being the coupons accrued on the securities and the difference between the sale/purchase and resale/repurchase prices, is recognised in profit or loss through interest income and expenses on an accruals basis.

These transactions can only be offset if, and only if, they are carried out with the same counterparty and provided that such offset is provided for in the underlying contracts.

The same rules apply to securities lending transactions collateralised by cash fully available to the lender.
The P&L items connected with these transactions are booked respectively:
- in item Interest, with respect to the positive item (borrower) and the negative item (lender) related to the return on cash paid to the lender;
- in item Fees and commissions, with respect to the negative item (borrower) and the positive item (lender) related to the service provided by the lender by making the security available.

With reference to securities lending transactions collateralised by other securities, or not collateralised, the security lent or the security put up as collateral are still recognised as assets in the balance sheet, depending on the role - lender or borrower, respectively - played in the transaction. Counterparty risk related to the latter securities lending or borrowing transactions is shown under the tables of Part E - Section 1 - Credit risk - A. Credit quality.

Treasury Shares

Changes in treasury shares are reported as a direct contra item to shareholders' equity, i.e. as a reduction to the latter in the amount of any purchases, and as an increase in the amount of any sales proceeds. This entails that, if treasury shares are subsequently sold, the difference between the sale price and the related post-tax repurchase cost is recognised entirely as a contra item to shareholders' equity.

The Bank does not hold, nor did it hold during the period, any treasury shares in the portfolio.

Provision for employee severance pay

The "TFR" provision for Italy-based employee benefits is to be construed as a "post-retirement defined benefit". It is therefore recognised on the basis of an actuarial estimate of the amount of benefit accrued by employees discounted to present value. This benefit is calculated by an external actuary using the unit credit projection method (see Section 12 - under Provisions for Risks and Charges - Retirement Payments and Similar Obligations). This method distributes the cost of the benefit evenly over the employee's working life. The liability is determined as the present value of average future payments adjusted according to the ratio of years of service to total years of service at the time of payment of the benefit.

Part A - Accounting Policies (Continued)

Following pension reform by Law 252 of December 5, 2005, TFR instalments accrued to December 31, 2006 (or to the date between Jan 1, 2007 and June 30, 2007 on which the employee opted to devolve their TFR to a supplementary pension fund) stay in the employer and are considered a post-employment defined benefit plan therefore incurring actuarial valuation, though with simplified actuarial assumptions, i.e., forecast future pay rises are not considered.
TFR instalments accrued since 01.01.2007 (date of Law 252 coming into effect) (or since the date between 01.01.2007 and 30.06.2007) are, at the employee's discretion, either paid into a pension fund or left in the company and (where the company has in excess of 50 employees) paid into an INPS Treasury fund by the employer, and are assimilated to a defined-contribution plan.
Costs relating to TFR are recognised in the Income Statement in item 150.a) "Administrative costs: staff expense" and include, for the part of the defined benefit plan: (i) interest cost accrued in the year, for the part of plan considered defined contribution plan (ii) the accrued instalments for the year paid into the complementary pension scheme or to the Treasury fund of INPS.
Actuarial gains (losses), i.e., the difference between the liabilities' carrying value and the present value of the obligation at the end of the period are recognised in equity item 130 Revaluation reserves according to IAS 19 Revised.

Share-Based Payment

Equity-settled payments made to employees or other staff (in particular, financial advisors) in consideration of goods received or services rendered, using equity instruments (representing equity of the bank or the parent), which consist of:
- Stock options;
- Performance shares (i.e. awarded on attainment of certain objectives);
- Restricted shares (i.e. subject to a lock-up period).

Considering the difficulty of reliably measuring the fair value of the services acquired against equity-settled payments, reference is made to the fair value of the instruments themselves, measured at the date of the allocation.

The fair value of equity-settled payments in exchange of work or services is recognised as cost in profit and loss item 150.a) "Administrative costs" as a contra entry to shareholders' equity item 160. "Reserves", on an accruals basis over the period in which the services are acquired.

Share based payments consisting in the payment of shares of the parent company directly allocated to employees of the Bank, under agreements between the Bank and the Parent Company for their cash settlement, are measured at fair value recognised as a cost in profit and loss item 150 "Administrative expenses", as a contra entry to item 100. "Other Liabilities", on an accruals basis over the period in which the services are acquired.

Other Long-term Employee Benefits

Long-term Employee Benefits are recognised in item 100. "Other liabilities" on the basis of the measurement of existing commitments at the balance sheet date.

Credit derivatives treated as financial guarantees given

Credit derivatives are treated as financial guarantees given, in accordance with IAS 39, when they require the issuer to make specified payments to the holder to indemnify the latter for actual losses borne due to the default of a specific debtor on payment at a maturity set by a debt instrument.
The value of initial recognition is equal to their fair value, which is usually the amount received when the guarantee is issued, and is booked under item 100 "Other Liabilities".
The effects of valuation, related to any impairment of the underlying, are recognised in the same balance-sheet item contra item 130.d) "Write-downs and write-backs due to impairment of other financial transactions" in the income statement.

Offsetting Financial assets and Financial liabilities

The accounting offsetting of assets and liabilities items has been performed according to IAS 32, assessing the fulfilment of the following requirements:
a) current legal enforceable right to set off the recognised amounts;
b) intention either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

The Bank did not make any accounting offsets nor recognised the validity of Master Netting Agreements, or similar agreements, which create the right to set-off only following specified circumstances.

RECOGNITION OF INCOME AND EXPENSES

Interest Income and Expense

Interest income and expense and similar income and expense items relate to monetary items - i.e., liquidity and debt financial instruments, held for trading measured at fair value through profit or loss or available for sale, HtM financial assets, loans and receivables, deposits, and debt securities in issue.

Interest income and expense are recognised through profit or loss with respect to all instruments measured at amortised cost, using the effective interest method.

Interest also includes the net credit or debit balance of differentials and margins on financial derivatives:
- hedging interest-bearing assets and liabilities;
- HfT but linked for business purposes to assets and liabilities designated as measured at fair value (fair value option);
- linked for business purposes to HfT assets and liabilities paying differentials or margins on different maturities.

Fees and Commissions
Fees and commissions are recognised according to the provision of the services from which they have arisen.
Securities trading commission is recognised at the time the service is rendered. Advisory fees and investment fund management fees are recognised on a pro-rata temporis basis.

Fees included in amortised cost used to calculate effective interest rates are not included under fees and commissions, since they are part of the effective interest rate.

Dividends
Dividends are recognised in the profit and loss account for the year in which their distribution has been approved.

RELEVANT IFRS DEFINITIONS
The main definitions introduced by IFRS are described below, other than those dealt with in previous sections.

Amortised cost
The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

The effective interest method is a method of allocating the interest income or interest expense over the life of a financial asset or liability. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to the net carrying amount of the financial asset or financial liability. The calculation includes all fees and basis points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts.

Commissions forming an integral part of the effective interest rate include loan drawdown fees or underwriting fees relating to a financial asset not designated at fair value, e.g., fees received as compensation for the assessment of the issuer's or borrower's financial situation, for valuation and registration of security, and generally for the completion of the transaction (management fees).

Transaction costs include fees and commissions paid to agents (including employees acting as selling agents), advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Transaction costs do not include debt premiums or discounts, financing costs or internal administrative or holding costs.

Impairment of financial assets
At each balance sheet date an entity assesses whether there is any objective evidence that a financial asset or group of financial assets is impaired.

A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

It may not be possible to identify a single, discrete event that caused the impairment. Rather the combined effect of several events may have caused the impairment.

Losses expected as a result of future events, no matter how likely, are not recognised.

Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to our attention about the following loss events:
a) significant financial difficulty of the issuer or obligor;
b) a breach of contract, such as a default or delinquency in interest or principal payments;
c) the lender, for economic or legal reasons relating to the borrower's financial difficulty, granting a concession to the borrower which the lender would not otherwise consider;
d) it becoming probable that the borrower will enter bankruptcy or other financial reorganization;
e) the disappearance of an active market for that financial asset because of financial difficulties; however, the disappearance of an active market due to the fact that a company's financial instruments are no longer traded publicly is no evidence of impairment;

f) observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including:
- adverse changes in the payment status of borrowers;

or
- national or local economic conditions that correlate with defaults on the assets.

Objective evidence of impairment for an investment in an equity instrument includes information about significant changes with an adverse effect that have taken place in the technological, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment may not be recovered. A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost is also objective evidence of impairment.

If there is objective evidence that an impairment loss on loans and receivables or held-to-maturity investments carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The amount of the loss is recognised in profit and loss item 130. "Impairment losses" and the asset's carrying value is reduced.
For instruments classified as available-for-sale financial assets that amount is equal to the balance of the negative valuation Reserve (see chapter 2).
If the terms of a loan, receivable or held-to-maturity investment are renegotiated or otherwise modified because of financial difficulties of the borrower or issuer, impairment is measured using the original effective interest rate before the modification of terms. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial. If a loan, receivable or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.
The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.
A reduction in the fair value of a financial asset below its cost or amortised cost is not necessarily an indication of impairment (e.g. reduction in the fair value of an investment in a debt instrument resulting from an increase in the risk-free interest rate).

Objective evidence of impairment is initially assessed individually; however, if it is determined that there is no objective evidence of individual impairment, the asset is included in a group of financial assets with similar credit risk characteristics and assessed collectively.

Formula-based approaches and statistical methods may be used to assess impairment losses on a group of financial assets. Models used incorporate the temporary value of money, and consider cash flows over the entire residual life of the asset (not just the following year) and do not give rise to an impairment loss on initial recognition of a financial asset. They take into account losses already sustained but not manifest in the group of financial assets at the time of measurement, on the basis of past experience of losses on assets having a similar credit risk to the group of assets being measured.
The process of estimating impairment losses considers all credit exposures, not only those of low credit quality, which reflect a serious impairment.

Reversals of impairment losses

If, in a subsequent period, the amount of an impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed. The amount of the reversal is recognised in profit and loss item 130. "Impairment losses" except in the case of AfS equity instruments (see Section 2 above).
The reversal shall not result - at the date the impairment is reversed - in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised.

A.3 Disclosure on transfers between portfolios of financial assets

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

FinecoBank has not reclassified any financial assets from the “held-for-trading” or the “available-for-sale” portfolios to the loan portfolio.

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

No data to report.

A.3.3 Transfer of financial assets held for trading

No data to report.

A.3.4 Effective interest rate and cash flows expected from reclassified assets

No data to report.

A.4 Information on fair value

QUALITATIVE INFORMATION

This section presents a disclosure on fair value hierarchy as required by IFRS 13.
Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the principal market at the measurement date (i.e. an exit price).
The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.
For financial instruments listed in active markets, fair value is determined on the basis of official prices in the principal market (most advantageous) to which the Bank has access (Mark to Market).
A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from a pricing service, dealer, broker, agency that determines prices or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm’s length basis. If a published price quotation in an active market does not exist for a financial instrument in its entirety, but active markets exist for its component parts, fair value is determined on the basis of the relevant market prices for the component parts.

If market quotations or other observable inputs, such as the quoted price of a similar instrument in an inactive market, are not available, the Bank should use other valuation techniques, such as:
(i) a market approach (e.g. using quoted prices for similar liabilities or equity instruments held by other parties as assets);
(ii) cost approach (e.g. it reflects the amount that would be required currently to replace the service capacity of an asset, that is the current replacement cost);
(iii) an income approach (e.g. a present value technique that takes into account the future cash flows that a market participant would expect to receive from holding the liability or equity instrument as an asset).
The Bank uses valuation models (Mark to Model) in keeping with the methods generally accepted and used by the market. Valuation models include techniques based on the discounting of future cash flows and on volatility estimates, and they are subject to revision both during their development and periodically in order to ensure their consistency with the objectives of the valuation.
These methods use inputs based on prices set in recent transactions for the instrument being valued and/or prices/quotations for instruments having similar characteristics in terms of risk profile.
Indeed, these prices/quotations are relevant for determining significant parameters in terms of the credit risk, liquidity risk and price risk of the instrument being valued. Reference to these “market” parameters makes it possible to limit the discretionary nature of the valuation, and ensures that the resulting fair value can be verified.
If, for one or more risk factors it is not possible to refer to market data, the valuation models employed use estimates based on historical data as inputs.
As a further guarantee of the objectivity of valuations derived from valuation models, the Bank employs:
• independent price verifications (IPVs);
• fair value adjustments (FVAs).
Independent price verification requires that the prices are verified monthly by Risk Management units that are independent from the units that assume the risk exposure. This verification calls for comparing and adjusting the daily price in line with valuations obtained from independent market participants.

Part A - Accounting Policies (Continued)

For instruments not quoted in active markets, the above verification process uses prices contributed by infoproviders as a reference, and assigns a greater weighting to those prices that are considered representative of the instrument being valued.
This valuation includes: the "executability" of the transaction at the price observed, the number of contributors, the degree of similarity of the financial instruments, the consistency of prices from different sources, and the process followed by the infoprovider to obtain the information.

A.4.1 Fair value levels 2 and 3: valuation techniques and input used

Hereby we provide IFRS 13 disclosure requirements about accounting portfolios measured at fair value on a recurring basis.

Assets and liabilities measured at fair value on recurring basis

Fixed Income Securities
Fixed Income Securities are priced in a two tier process depending on the liquidity in the respective market. Liquid instruments in active markets are marked to market and consequently positions in these instruments are disclosed in reference to Fair Value Hierarchy under Level 1.
Instruments not traded in active markets are marked to model based on implied credit spread curves derived from the former Level 1 instruments. The model maximizes the use of observable input and minimizes the use of unobservable inputs. With this respect, depending on the proximity of the credit spread curve applied, the bonds are disclosed as Level 2 or Level 3 respectively; Level 3 is applied in case a significant unobservable credit spread is used.

In the global bond Independent Price Verification (IPV) process market prices of Level 1 bonds and pricing models for illiquid bonds are regularly verified for accuracy.

Structured Financial Products
The Bank determines the fair value of structured financial products using the appropriate valuation methodology given the nature of the embedded structure. Such instruments are classified as Level 2 or Level 3 depending on the observability of significant inputs to the model.

OTC derivatives
Fair value of derivatives not traded in an active market is determined using a valuation technique. In such cases, where active markets exist for the components of the derivative, fair value is determined on the basis of the market prices for the individual components. Valuation techniques that are based on significant inputs that are observable are referred to as Level 2 valuations, while those based on techniques that use unobservable inputs are referred to as Level 3 valuations.

Equity Instruments
Equity Instruments are assigned to Level 1 when a quoted price is available on an active market and to Level 3 when no quotations are available or quotations have been suspended indefinitely. These instruments are classifies as Level 2 only when trading volume on the market where the instrument is quoted has decreased significantly.
For equity instruments measured at cost an impairment is given, if the carrying amount exceeds the recoverable amount significantly and/or over a prolonged period of time.

Investment Funds
Funds are usually assigned to Level 1 when a quoted price is available on an active market; they are disclosed as Level 2 or Level 3 depending on NAV availability, portfolio transparency and possible issues related to position write off.

Fair Value Adjustments (FVAs)

Fair value adjustment is defined as the amount to be added either to the market observed mid-price or to the theoretical price generated by a valuation model with the aim of obtaining a fair value of the position. The FVA takes into account the uncertainty of a financial instrument valuation in order to: reduce the risk of incorrect assessments being recognised in the financial statements; ensure that fair value reflects the realisation amount from an actual possible market transaction; incorporate possible future costs.
Adopting the Credit/Debit Valuation Adjustments was considered necessary given the type of instruments held by the Bank.

Credit and debit valuation adjustment (CVA/DVA)
Credit valuation adjustments (CVAs) and debit valuation adjustments (DVAs) are incorporated into derivative valuations to reflect the impact on fair value of counterparty credit risk and the Bank's credit quality.
The CVA/DVA methodology used by the Parent Company, which is responsible for this calculation, is based on the following inputs:
- EAD derived by simulation techniques. Simulated exposures also take into account Specific Wrong Way Risk that arises for transactions where there is a correlation between counterparty credit risk and the underlying derivative risk factors;
- PD derived by actual historic default rates or implied by current market default rates, obtained from credit default swaps;
- LGD based on the estimated level of expected recovery should a counterparty default and obtained from a bank's own historical experience or implied by current market default rates, obtained from credit default swaps.

Assets and Liabilities not measured at fair value or measured at fair value on a non-recurring basis
Financial instruments not carried at fair value, including loans and receivables with customers and banks, not handled on a fair value basis. For these instruments fair value is calculated for disclosure purposes only and does not impact the balance sheet or the profit or loss. Additionally, since these instruments generally do not trade, there is significant management judgment required to determine their fair values as defined by IFRS 13.

Cash and cash equivalents
Cash and cash equivalents are not carried at fair value on the Balance Sheets, but they are carried at amounts that approximate fair value, due to their short term nature and generally negligible credit risk.

Loans and receivables with banks and customers
Fair value for performing Loans and Receivables from customers and banks, recorded ad amortised cost, is determined using the discounted cash flow model adjusted for credit risk. Some portfolios are valued using simplified approaches, which however take into account their financial characteristics. Loans and Receivables with banks and customers with maturity less than 12 months, for which the fair value has been approximated as being equal to their book value, have been classified in level 3 of the fair value hierarchy.
For the UniCredit securities classified in the Loans and Receivables portfolio, the fair value is determined using the Group method based on discounted cash flow, which consists of developing an estimate of future cash flows expected to occur over the life of an instrument and the relating present value discounting to incorporate the credit spread. The credit spread is determined on the basis of the issuer's credit spread curve, which is constructed by selecting issues, also from the secondary market, that have the same specific characteristics.
The valuation of the UniCredit securities by Risk Management is, therefore, carried out for the purposes of disclosure and second-level control.

Liabilities
Fair value for liabilities, recorded at amortised cost, is determined using the discounted cash flow model adjusted for UniCredit credit risk. The Credit Spread is determined using UCG's subordinated and non-subordinated risk curves. Deposits from banks and customers with maturity less than 12 months, for which the fair value has been approximated as being equal to their book value, have been classified in level 3 of the fair value hierarchy.

Debt securities in issue
Fair value for debt securities in issue, recorded ad amortised cost, is determined using the discounted cash flow model adjusted for UniCredit credit risk. The Credit Spread is determined using UCG's subordinated and non-subordinated risk curves.

Description of the valuation technique
Valuation techniques are used to value positions for which a market price is not available from market sources. The Bank uses well known valuation techniques for determining fair values of financial and non-financial instruments that are not actively traded and quoted. The valuation techniques used for Level 2 and 3 assets and liabilities, are described as follows.

Discounted cash flow
Discounted cash flow valuation techniques generally consist of developing an estimate of future cash flows that are expected to occur over the life of an instrument. The model requires the estimation of the cash flow and the adoption of market's parameters for the discounting: discount rate or discount margin reflects the credit and / or funding spreads required by the market for instruments with similar risk and liquidity profiles to produce a "present value". The fair value of the contract is given by the sum of the present values of future cash flow.

Adjusted NAV
Net asset value is the total value of a fund's assets less liabilities. An increase in net asset value would result in an increase in a fair value measurement.

A.4.2 - Valuation processes and sensitivity of fair value measurements
The Bank verifies that the value attributed to each trading position reflects the current fair value in an appropriate way. Assets and liabilities subject to fair value measurements are determined using different techniques, among which (but not only) models such as discounted cash flow and internal models. On the basis of the observability of the input used, all instruments are classified as Level 1, Level 2 or Level 3 of the fair value hierarchy. When a position is characterised by one or more significant inputs that are not directly observable, a further price verification procedure is implemented. These procedures include the revision of relevant historical data, the analysis of profits and losses, the individual valuation of each component for structural products and benchmarking.
According to the Parent Group Market Risk guidelines, in order to ensure the appropriate level of separation between the functions in charge of development activities and those in charge of validation processes, all valuation models developed by the front offices of Group companies are independently and centrally tested and validated by the Group Internal Validation functions. The aim of this independent control structure is to evaluate the model risk deriving from theoretical robustness, calibration techniques where applicable and appropriateness of the model for a specific product in a defined market point of views.
In addition to the daily mark to market or mark to model valuation, the Independent Price Verification (IPV) is applied monthly by the Bank Market Risk with the aim of guaranteeing an independent fair value perspective for all illiquid instruments.

Part A - Accounting Policies (Continued)

A.4.3 Fair value hierarchy

The IFRS 13 principle establishes a fair value hierarchy according to the observability of the input used in the valuation techniques adopted for valuations. In particular, three levels are considered:

- Level 1: fair value for instruments classified within this level is determined according to the quoted prices (not adjusted) on active markets; this assessment provides the most reliable evidence of fair value;
- Level 2: fair value for instruments classified within this level is determined according to the valuation models which use directly or indirectly observable inputs; these inputs include for e.g. prices for similar instruments traded in active and inactive markets, observable interest rates and yield curves, volatility etc..
- Level 3: fair value for instruments classified within this level is determined according to valuation models which prevalently use inputs not directly observable on active markets.

A.4.4 Other information

No further information to report.

QUANTITATIVE INFORMATION

The following tables show a breakdown of financial assets and liabilities designated at fair value according to the above-mentioned levels, transfers of assets and liabilities between level 1 and level 2 as well as the annual changes of Level 3 assets or liabilities.

A.4.5 Fair value hierarchy

A.4.5.1 Assets and liabilities measured at fair value on a recurring basis: breakdown by level of fair value

(Amounts in € thousand)

ASSETS/LIABILITIES MEASURED AT FAIR VALUE	12.31.2014			12.31.2013		
	L1	L2	L3	L1	L2	L3
1. Financial assets held for trading	2,125	908	21	3,717	969	14
2. Financial assets designated at fair value through profit or loss	-	-	-	3,199	-	-
3. Available-for-sale financial assets	1,695,550	-	-	89,910	-	-
4. Hedging derivatives	-	19,247	-	-	123,143	-
5. Property, plant and equipment	-	-	-	-	-	-
6. Intangible assets	-	-	-	-	-	-
Total	**1,697,675**	**20,155**	**21**	**96,826**	**124,112**	**14**
1. Financial liabilities held for Trading	1,986	1,146	3	1,709	592	-
2. Financial liabilities at fair value through profit or loss	-	-	-	-	-	-
3. Hedging derivatives	-	36,993	-	-	141,801	-
Total	**1,986**	**38,139**	**3**	**1,709**	**142,393**	**-**

Key:
L1 = Level 1
L2 = Level 2
L3 = Level 3

A.4.5.1.1 Assets and liabilities measured at fair value on a recurring basis: transfers between levels of fair value hierarchy (level 1 and level 2)

(Amounts in € thousand)

		CHANGES FOR 2014	
		LEVEL 1	LEVEL 2
Financial assets measured at fair value			
Financial assets held for trading			
	Transfer from level 1	X	25
	Transfer from level 2	-	X
Financial assets designated at fair value through profit or loss			
	Transfer from level 1	X	-
	Transfer from level 2	-	X
Available-for-sale financial assets			
	Transfer from level 1	X	-
	Transfer from level 2	-	X
Hedging derivatives			
	Transfer from level 1	X	-
	Transfer from level 2	-	X
Financial liabilities measured at fair value			
Financial liabilities held for Trading			
	Transfer from level 1	X	-
	Transfer from level 2	-	X
Financial liabilities at fair value through profit or loss			
	Transfer from level 1	X	-
	Transfer from level 2	-	X
Hedging derivatives			
	Transfer from level 1	X	-
	Transfer from level 2	-	X

Part A - Accounting Policies (Continued)

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

(Amounts in € thousand)

	FINANCIAL ASSETS HELD FOR TRADING	*FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS*	AVAILABLE-FOR-SALE FINANCIAL ASSETS	HEDGING DERIVATIVES	PROPERTY, PLANT AND EQUIPMENT	INTANGIBLE ASSETS
1. Opening balance	**14**	**-**	**-**	**-**	**-**	**-**
2. Increases						
2.1 Purchases	5,973	-	-	-	-	-
2.2 Profits recognised in:						
2.2.1 Income Statement	27	-	-	-	-	-
- of which Unrealised gains	6	-	-	-	-	-
2.2.2 Equity			-	-	-	-
2.3 Transfers from other levels	1	-	-	-	-	-
2.4 Other increases	-	-	-	-	-	-
3. Decreases						
3.1 Sales	(5,993)	-	-	-	-	-
3.2 Redemptions	-	-	-	-	-	-
3.3 Losses recognised in:						
3.3.1 Income Statement	(1)	-	-	-	-	-
- of which Unrealised losses	(1)	-	-	-	-	-
3.3.2 Equity			-	-	-	-
3.4 Transfers to other levels	-	-	-	-	-	-
3.5 Other decreases	-	-	-	-	-	-
4. Closing balance	**21**	**-**	**-**	**-**	**-**	**-**

Sub-item 2.2.1 Profits through profit and loss and 3.3.1 Losses through profit and loss are included, where present, in Profit and Loss in the following items:
- Item 80: Gains and losses on financial assets and liabilities held for trading;
- Item 110: Gains and losses on financial assets/liabilities at fair value through profit or loss;
- Item 90: Fair value adjustments in hedge accounting.

A.4.5.3 Annual changes in financial liabilities at fair value level 3

(Amounts in € thousand)

	FINANCIAL LIABILITIES HELD FOR TRADING	*FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS*	HEDGING DERIVATIVES
1. Opening balance	**-**	**-**	**-**
2. Increases			
2.1 Issuance	-	-	-
2.2 Losses recognized in:			
2.2.1 Income Statement	3	-	-
- of which Unrealised losses	3	-	-
2.2.2 Equity			-
2.3 Transfers from other levels	-	-	-
2.4 Other increases	-	-	-
3. Decreases			
3.1 Redemptions	-	-	-
3.2 Purchases	-	-	-
3.3 Profits recognized in:			
3.3.1 Income Statement	-	-	-
- of which Unrealised gains	-	-	-
3.3.2 Equity			-
3.4 Transfers to other levels	-	-	-
3.5 Other decreases	-	-	-
4. Closing balance	**3**	**-**	**-**

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

(Amounts in € thousand)

ASSET/LIABILITIES NOT MEASURED AT FAIR VALUE OR MEASURED AT FAIR VALUE ON A NON-RECURRING BASIS	12.31.2014				12.31.2013			
	BV	L1	L2	L3	BV	L1	L2	L3
1. Held-to-maturity investments	-	-	-	-	-	-	-	-
2. Loans and receivables with banks	13,892,197	-	9,907,356	4,373,322	16,330,912	-	4,090,562	12,335,344
3. Loans and receivables with customers	695,594	-	1	730,740	641,250	-	1	655,502
4. Property, plant and equipment held for investment	2,621	-	-	4,813	2,734	-	-	4,813
5. Non-current assets and disposal groups disposal groups classified as held for sale	-	-	-	-	-	-	-	-
Total	**14,590,412**	**-**	**9,907,357**	**5,108,875**	**16,974,896**	**-**	**4,090,563**	**12,995,659**
1. Deposits from banks	1,428,568	-	-	1,428,568	1,648,675	-	-	1,648,675
2. Deposits from customers	13,914,712	-	55,191	13,860,288	12,732,309	-	642,507	12,096,595
3. Debt securities in issue	424,710	-	438,958	-	2,322,511	-	2,422,470	-
4. Liabilities associated with assets classified as held for sale	-	-	-	-	-	-	-	-
Total	**15,767,990**	**-**	**494,149**	**15,288,856**	**16,703,495**	**-**	**3,064,977**	**13,745,270**

Key:
L1 = Level 1 - L2 = Level 2 - L3 = Level 3 - BV = Book Value.

As of 2014, following the refinement of the processes for the allocation of fair value, Loans and Receivables with banks and customers and Deposits from banks and customers with maturity less than 12 months, for which the fair value has been considered as approximately equal to their book value, have been classified in level 3 of the fair value hierarchy. To enable a like-for-like comparison, the same type of receivables and payables at December 31, 2013 have been restated accordingly, assigning them the level 3 fair value hierarchy.

A.5 Day-one profit/loss

Financial instruments are initially recognised at *fair value* on the recognition date.
The *fair value* of financial instruments, other than those measured at *fair value* through profit or loss, at their initial recognition date is usually assumed to be equal to the amount collected or paid (transaction price). The same applies to financial instruments held for trading and financial instruments measured at *fair value* classified in level 1 and, in many cases, level 2 of the *fair value* hierarchy, for which *fair value* - based on prices indirectly obtained from the market - and transaction price coincide; any difference from the amount collected or paid is recognised in the appropriate line items of the income statement on initial recognition of the instrument.
In the case of Level 3 financial instruments whose *fair value* is determined using valuation techniques, the transaction price, which generally represents the best estimate of *fair value* upon initial recognition, differs from the *fair value* determined at the same date, on the basis of valuation techniques. In this case, initial recognition must always be at price and the resulting profit/loss - “day-one profit/loss” - is only recognised in the income statement based on changes in the factors on which market participants base their valuations when setting prices.

There are no “day-one profits/losses” to disclose in accordance with paragraph 28 of IFRS 7.

Part B - Balance Sheet

Part B - Balance Sheet (Amounts in € thousand)

Assets

Section 1 - Cash and cash equivalents - Item 10

1.1 Cash and cash equivalents: breakdown

	12.31.2014	12.31.2013
(a) Cash	5	5
(b) Demand deposits with Central Banks	-	-
Total	**5**	**5**

Section 2 - Financial assets held for trading - Item 20

2.1 Financial assets held for trading: product breakdown

	12.31.2014			12.31.2013		
ITEM/AMOUNT	LEVEL 1	LEVEL 2	LEVEL 3	LEVEL 1	LEVEL 2	LEVEL 3
A. On-balance sheet assets						
1. Debt securities	44	-	-	48	-	-
1.1 Structured securities	3	-	-	4	-	-
1.2 Other debt securities	41	-	-	44	-	-
2. Equity Instruments	9	-	17	9	-	14
3. Units in investment funds	-	-	1	1,936	-	-
4. Loans	-	-	-	-	-	-
4.1 Reverse repos	-	-	-	-	-	-
4.2 Other	-	-	-	-	-	-
Total A	**53**	**-**	**18**	**1,993**	**-**	**14**
B. Derivative instruments						
1. Financial derivatives	2,072	908	3	1,724	969	-
1.1 trading derivatives	2,072	908	3	1,724	969	-
1.2 related to the fair value option	-	-	-	-	-	-
1.3 other	-	-	-	-	-	-
2. Credit derivatives	-	-	-	-	-	-
2.1 trading derivatives	-	-	-	-	-	-
2.2 related to the fair value option	-	-	-	-	-	-
2.3 other	-	-	-	-	-	-
Total B	**2,072**	**908**	**3**	**1,724**	**969**	**-**
Total (A+B)	**2,125**	**908**	**21**	**3,717**	**969**	**14**

Trading financial derivatives refer to the positive valuation of Forex Contracts for Difference (CFDs), CFDs on indices, CFDs on interest rates and Futures used to hedge CFDs. They amounted to €920 thousand (€908 thousand as at December 31, 2013).

Sub-item B.1.1 Derivative instruments - Trading financial derivatives includes the positive valuations of spot contracts for securities classified in the HFT portfolio and currencies to be settled in times established by market practices ("regular way"). They amounted to €2,063 thousand (€1,786 thousand as at December 31, 2013).

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

ITEM/AMOUNT	12.31.2014	12.31.2013
A. ON-BALANCE SHEET ASSETS		
1. Debt securities	**44**	**48**
a) Governments and Central Banks	8	11
b) Other public entities	-	-
c) Banks	33	35
d) Other issuers	3	2
2. Equity Instruments	**26**	**23**
a) Banks	4	4
b) Other issuers:	22	19
- insurance companies	-	-
- financial companies	3	1
- non-financial companies	19	18
- other	-	-
3. Units in investment funds	**1**	**1,936**
4. Loans	**-**	**-**
a) Governments and Central Banks	-	-
b) Other public entities	-	-
c) Banks	-	-
d) Other entities	-	-
Total A	**71**	**2,007**
B. DERIVATIVE INSTRUMENTS		
a) Banks	560	559
b) Customers	2,423	2,134
Total B	**2,983**	**2,693**
Total (A+B)	**3,054**	**4,700**

Item B. Derivative instruments also includes the positive valuations of spot contracts for securities classified in the HFT portfolio and currencies to be settled within times established by market practices (“regular way”).

Equity securities of issuers in default were classified by the Bank as non-performing in the financial statements for a total amount of 10 thousand euros.

2.3 Financial assets held for trading: annual changes

	DEBT SECURITIES	EQUITY INSTRUMENTS	UNITS IN INVESTMENT FUNDS	LOANS	TOTAL
A. Opening balance	**48**	**23**	**1,936**	**-**	**2,007**
B. Increases	**307,783**	**26,433,927**	**1,762**	**-**	**26,743,472**
B1. Purchases	307,719	26,428,029	1,761	-	26,737,509
B2. Positive changes in fair value	1	3	-	-	4
B3. Other changes	63	5,895	1	-	5,959
C. Decreases	**(307,787)**	**(26,433,924)**	**(3,697)**	**-**	**(26,745,408)**
C1. Sales	(307,781)	(26,433,623)	(3,679)	-	(26,745,083)
C2. Repayments	(1)	-	-	-	(1)
C3. Negative changes in fair value	-	-	-	-	-
C4. Transfers to other portfolios	-	-	-	-	-
C5. Other changes	(5)	(301)	(18)	-	(324)
D. Closing balance	**44**	**26**	**1**	**-**	**71**

Other increases and decreases include the variation in interest accrued relating to Financial assets held for trading, the gains or losses made, and any technical overdrafts relating to the end and beginning of the period.

Part B - Balance Sheet - Assets (Continued)

Section 3 - Financial assets at fair value through profit or loss - Item 30

3.1. Financial assets at fair value through profit or loss: product breakdown

ITEM/AMOUNT	12.31.2014			12.31.2013		
	LEVEL 1	LEVEL 2	LEVEL 3	LEVEL 1	LEVEL 2	LEVEL 3
A. On-balance sheet assets						
1. Debt securities	-	-	-	3,199	-	-
1.1 Structured securities	-	-	-	844	-	-
1.2 Other debt securities	-	-	-	2,355	-	-
2. Equity Instruments	-	-	-	-	-	-
3. Units in investment funds	-	-	-	-	-	-
4. Loans	-	-	-	-	-	-
4.1 Structured	-	-	-	-	-	-
4.2 Other	-	-	-	-	-	-
Total	**-**	**-**	**-**	**3,199**	**-**	**-**
Cost	**-**	**-**	**-**	**3,211**	**-**	**-**

Securities classified as Financial assets designated at fair value through profit or loss as at December 31, 2013 were sold during the first half of 2014.

3.2. Financial assets at fair value through profit or loss: breakdown by issuer/borrower

ITEM/AMOUNT	12.31.2014	12.31.2013
1. Debt securities	**-**	**3,199**
a) Governments and Central Banks	-	-
b) Other public entities	-	-
c) Banks	-	3,199
d) Other issuers	-	-
2. Equity Instruments	**-**	**-**
a) Banks	-	-
b) Other issuers:	-	-
- insurance companies	-	-
- financial companies	-	-
- non-financial companies	-	-
- other	-	-
3. Units in investment funds	**-**	**-**
4. Loans	**-**	**-**
a) Governments and Central Banks	-	-
b) Other public entities	-	-
c) Banks	-	-
d) Other entities	-	-
Total	**-**	**3,199**

3.3 Financial assets at fair value through profit or loss: annual changes

	DEBT SECURITIES	EQUITY INSTRUMENTS	UNITS IN INVESTMENT FUNDS	LOANS	TOTAL
A. Opening balance	**3,199**	**-**	**-**	**-**	**3,199**
B. Increases	**20**	**-**	**-**	**-**	**20**
B1. Purchases	-	-	-	-	-
B2. Positive changes in fair value	-	-	-	-	-
B3. Other changes	20	-	-	-	20
C. Decreases	**(3,219)**	**-**	**-**	**-**	**(3,219)**
C1. Sales	(3,215)	-	-	-	(3,215)
C2. Repayments	-	-	-	-	-
C3. Negative changes in fair value	-	-	-	-	-
C4. Other changes	(4)	-	-	-	(4)
D. Closing balance	**-**	**-**	**-**	**-**	**-**

Other increases and decreases include the variation in interest accrued relating to *Financial assets held* for trading and the realised trading income.

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

4.1 Available-for-sale financial assets: product breakdown

	12.31.2014			12.31.2013		
ITEM/AMOUNT	LEVEL 1	LEVEL 2	LEVEL 3	LEVEL 1	LEVEL 2	LEVEL 3
1. Debt securities	1,695,550	-	-	89,910	-	-
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	1,695,550	-	-	89,910	-	-
2. Equity Instruments	-	-	5	-	-	5
2.1 Carried at fair value	-	-	-	-	-	-
2.2 Carried at cost	-	-	5	-	-	5
3. Units in investment funds	-	-	-	-	-	-
4. Loans	-	-	-	-	-	-
Total	**1,695,550**	**-**	**5**	**89,910**	**-**	**5**

Equity instruments carried at cost refer to equity investments in companies in which the Bank does not exercise control or have a significant influence, for an amount equal to €5 thousand. These instruments are not listed, therefore the fair value may not be reliably determined.

The other debt securities are issued by the Italian Government, for a book value of €1,685,157 thousand (€79,871 thousand as at December 31, 2013) and by the French Government, for a book value of €10,393 thousand (€10,039 thousand as at December 31, 2013).

As regards the increase in debt securities compared to December 31, 2013, in the first half of 2014, as part of the guidelines for the new liquidity investment policy that entered into force on April 1, 2014, the portion of liquid assets classified as "Non Core" was invested in Italian government bonds for a nominal amount of €1,500,000 thousand while derivative contracts were entered into at the same time in order to convert the fixed rate into a floating rate in compliance with pre-defined limits on interest rate risk.

A portion of debt securities classified in the *Available-for-sale financial assets* portfolio are entirely used as collateral for bankers' drafts or guarantees with third parties for a book value of €126,717 thousand.

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

ITEM/AMOUNT	12.31.2014	12.31.2013
1. Debt securities	**1,695,550**	**89,910**
a) Governments and Central Banks	1,695,550	89,910
b) Other public entities	-	-
c) Banks	-	-
d) Other issuers	-	-
2. Equity Instruments	**5**	**5**
a) Banks	-	-
b) Other issuers:	5	5
- insurance companies	-	-
- financial companies	-	-
- non-financial companies	5	5
- other	-	-
3. Units in investment funds	**-**	**-**
4. Loans	**-**	**-**
a) Governments and Central Banks	-	-
b) Other public entities	-	-
c) Banks	-	-
d) Other entities	-	-
Total	**1,695,555**	**89,915**

Part B - Balance Sheet - Assets (Continued)

4.3 Available-for-sale financial assets: subject to micro-hedging

ITEM/AMOUNT	12.31.2014	12.31.2013
Financial assets subject to micro-hedging of fair value	**1,614,200**	**-**
a) Interest rate risk	1,614,200	-
b) Price risk	-	-
c) Exchange	-	-
d) Credit	-	-
e) Multiple risks	-	-
Financial assets subject to micro-hedging of cash flows	**-**	**-**
a) Interest rate risk	-	-
b) Exchange	-	-
c) Other	-	-
Total	**1,614,200**	**-**

The reported value is the value recognised in the financial statements at December 31, 2014.

4.4 Available-for-sale financial assets: annual changes

	DEBT SECURITIES	EQUITY INSTRUMENTS	UNITS IN INVESTMENT FUNDS	LOANS	TOTAL
A. Opening balance	**89,910**	**5**	**-**	**-**	**89,915**
B. Increases	**1,641,983**	**-**	**-**	**-**	**1,641,983**
B1. Purchases	1,614,752	-	-	-	1,614,752
B2. Increases in FV	22,416	-	-	-	22,416
B3. Write-backs	-	-	-	-	-
- through profit or loss	-	X	-	-	-
- in equity	-	-	-	-	-
B4. Transfers from other portfolios	-	-	-	-	-
B5. Other changes	4,815	-	-	-	4,815
C. Decreases	**(36,343)**	**-**	**-**	**-**	**(36,343)**
C1. Sales	-	-	-	-	-
C2. Repayments	(20,000)	-	-	-	(20,000)
C3. Decreases in FV	(261)	-	-	-	(261)
C4. Impairment	-	-	-	-	-
- through profit or loss	-	-	-	-	-
- in equity	-	-	-	-	-
C5. Transfers to other portfolios	-	-	-	-	-
C6. Other changes	(16,082)	-	-	-	(16,082)
D. Closing balance	**1,695,550**	**5**	**-**	**-**	**1,695,555**

Other increases and decreases of Debt securities include the variation in interest accrued and amortised cost relating to *Available-for-sale financial assets.*

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

FinecoBank did not recognise any financial assets under “Held-to-maturity investments”.

Section 6 - Loans and receivables with banks - Item 60

6.1 Loans and receivables with banks: product breakdown

	12.31.2014				12.31.2013			
		FV				FV		
TYPE OF TRANSACTION/AMOUNT	BV	LEVEL 1	LEVEL 2	LEVEL 3	BV	LEVEL 1	LEVEL 2	LEVEL 3
A. Loans and receivables with Central Banks	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1. Time deposits	-	X	X	X	-	X	X	X
2. Compulsory reserves	-	X	X	X	-	X	X	X
3. Reverse repos	-	X	X	X	-	X	X	X
4. Other	-	X	X	X	-	X	X	X
B. Loans and receivables with banks	**13,892,197**	**-**	**9,907,356**	**4,373,322**	**16,330,912**	**-**	**4,090,562**	**12,335,344**
1. Loans	**4,403,867**	**-**	**30,613**	**4,373,322**	**13,008,296**	**-**	**678,358**	**12,335,344**
1.1 Current accounts and demand deposits	1,476,280	X	X	X	9,433,356	X	X	X
1.2 Time deposits	2,894,321	X	X	X	3,563,334	X	X	X
1.3 Other loans		X	X	X		X	X	X
- Reverse repos	5,794	X	X	X	5,584	X	X	X
- Finance leases	-	X	X	X	-	X	X	X
- Other	27,472	X	X	X	6,022	X	X	X
2. Debt securities	**9,488,330**	**-**	**9,876,743**	**-**	**3,322,616**	**-**	**3,412,204**	**-**
2.1 Structured securities	-	X	X	X	12	X	X	X
2.2 Other debt securities	9,488,330	X	X	X	3,322,604	X	X	X
Total	**13,892,197**	**-**	**9,907,356**	**4,373,322**	**16,330,912**	**-**	**4,090,562**	**12,335,344**

Key:
FV = Fair Value
BV = Book Value

Loans and receivables with banks for current accounts and demand deposits mainly consist of accounts held with UniCredit, with a book value of €1,450,699 thousand (€9,415,098 thousand as at December 31, 2013), and to a lesser extent, of current accounts held with other banks not belonging to UniCredit group for transactions in securities.
Time deposits consist of the deposit held with UniCredit for compulsory reserves, with a book value of €131,855 thousand (€124,028 thousand as at December 31, 2013), in addition to time deposits held with UniCredit with a book value of €2,762,466 thousand (€3,439,306 thousand as at December 31, 2013), opened to invest the liquidity collected through repos and CashPark transactions with retail customers and through repos with credit institutions, with the same maturities.

The debt securities held in the portfolio and included in the category *"Loans and Receivables"* mainly consist of debt securities issued by UniCredit for an amount of €9,488,327 thousand (€3,322,523 thousand at December 31, 2013).
As regards the increase in UniCredit securities held compared to December 31, 2013, the most significant investment was realised in early April 2014, for an amount totalling €7,650,000 thousand and $250,000 thousand. In the subsequent months, two further investments were realised: of €200,000 thousand in July and €400,000 thousand in October.
These types of investment were determined by taking into account the overall structure of the Bank's balance sheet and with a view to optimizing its liquidity risk profile, in line with the amount of structural liquidity (whose main component is sight deposits considered as "Core"), with the objective of diversifying these investments in terms of maturities. The bonds issued by UniCredit and reserved for FinecoBank are freely transferable to third parties throughout the term of the bond.

At the same time, debt securities included in the category "Loans and receivables", issued by UniCredit and held by Fineco at December 31, 2013, with a nominal value of €1,850,000 thousand and USD 70,000 thousand were sold to UniCredit, as, following the subscription of the bonds mentioned above, maintaining these securities in the portfolio was no longer considered appropriate.

At the reporting date there were no impaired assets with respect to banks.

6.2 Loans and receivables with banks: assets subject to micro-hedging
No data to report.

6.3 Finance leases
No data to report.

Part B - Balance Sheet - Assets (Continued)

Section 7 - Loans and receivables with customers - Item 70

7.1 Loans and receivables with customers: product breakdown

TYPE OF TRANSACTION/ AMOUNT	12.31.2014						12.31.2013					
	BOOK VALUE			FAIR VALUE			BOOK VALUE			FAIR VALUE		
		IMPAIRED						IMPAIRED				
	PERFORMING	PURCHASED	OTHER	L1	L2	L3	PERFORMING	PURCHASED	OTHER	L1	L2	L3
Loans	**691,334**	**-**	**4,259**	**-**	**-**	**730,740**	**636,518**	**-**	**4,731**	**-**	**-**	**655,502**
1. Current accounts	128,270	-	2,495	X	X	X	98,455	-	2,740	X	X	X
2. Reverse repos	117,987	-	27	X	X	X	120,804	-	56	X	X	X
3. Mortgages	-	-	58	X	X	X	-	-	76	X	X	X
4. Credit cards personal loans and wage assignment loans	344,812	-	1,653	X	X	X	317,252	-	1,835	X	X	X
5. Finance leases	-	-	-	X	X	X	-	-	-	X	X	X
6. Factoring	-	-	-	X	X	X	-	-	-	X	X	X
7. Other loans	100,265	-	26	X	X	X	100,007	-	24	X	X	X
Debt securities	**1**	**-**	**-**	**-**	**1**	**-**	**1**	**-**	**-**	**-**	**1**	**-**
8. Structured securities	-	-	-	X	X	X	-	-	-	X	X	X
9. Other debt securities	1	-	-	X	X	X	1	-	-	X	X	X
Total	**691,335**	**-**	**4,259**	**-**	**1**	**730,740**	**636,519**	**-**	**4,731**	**-**	**1**	**655,502**

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

TYPE OF TRANSACTION/AMOUNT	12.31.2014			12.31.2013		
		IMPAIRED			IMPAIRED	
	PERFORMING	PURCHASED	OTHER	PERFORMING	PURCHASED	OTHER
1. Debt securities	**1**	**-**	**-**	**1**	**-**	**-**
a) Governments	-	-	-	-	-	-
b) Other public entities	1	-	-	1	-	-
c) Other issuers:	-	-	-	-	-	-
- non-financial companies	-	-	-	-	-	-
- financial companies	-	-	-	-	-	-
- insurance companies	-	-	-	-	-	-
- other	-	-	-	-	-	-
2. Loans to:	**691,334**	**-**	**4,259**	**636,518**	**-**	**4,731**
a) Governments	-	-	-	-	-	-
b) Other public entities	-	-	-	-	-	-
c) Other entities:	691,334	-	4,259	636,518	-	4,731
- non-financial companies	14,071	-	23	7,800	-	34
- financial companies	85,269	-	15	92,797	-	11
- insurance companies	7,096	-	-	4,328	-	-
- other	584,898	-	4,221	531,593	-	4,686
Total	**691,335**	**-**	**4,259**	**636,519**	**-**	**4,731**

7.3 Loans and receivables with customers: assets subject to micro-hedging

No data to report.

7.4 Finance leases

No data to report.

Section 8 - Hedging derivatives - Item 80

8.1 Hedging derivatives: breakdown by type of hedge and by hierarchical level

ITEM/AMOUNT	FV 12.31.2014 L1	FV 12.31.2014 L2	FV 12.31.2014 L3	NA 12.31.2014	FV 12.31.2013 L1	FV 12.31.2013 L2	FV 12.31.2013 L3	NA 12.31.2013
A. Financial derivatives	**-**	**19,247**	**-**	**889,575**	**-**	**123,143**	**-**	**2,322,511**
1) Fair value	-	19,247	-	889,575	-	123,143	-	2,322,511
2) Cash flows	-	-	-	-	-	-	-	-
3) Net investment in foreign subsidiaries	-	-	-	-	-	-	-	-
B. Credit derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1) Fair value	-	-	-	-	-	-	-	-
2) Cash flows	-	-	-	-	-	-	-	-
Total	**-**	**19,247**	**-**	**889,575**	**-**	**123,143**	**-**	**2,322,511**

Key:
NA = Nominal or Notional Amount.
L1 = Level 1.
L2 = Level 2.
L3 = Level 3.

8.2 Hedging derivatives: breakdown by hedged assets and risk

TRANSACTION/TYPE OF HEDGE	FAIR VALUE						CASH FLOWS		FOREIGN INVESTMENTS
	MICRO								
	INTEREST RATE RISK	CURRENCY EXCHANGE RATE RISK	CREDIT RISK	PRICE RISK	MULTIPLE RISK	MACRO	MICRO	MACRO	
1. Available-for-sale financial assets	-	-	-	-	-	X	-	X	X
2. Loans and receivables	-	-	-	X	-	X	-	X	X
3. Held-to-maturity investments	X	-	-	X	-	X	-	X	X
4. Portfolio	X	X	X	X	X	11,554	X	-	X
5. Other transactions	-	-	-	-	-	X	-	X	-
Total assets	**-**	**-**	**-**	**-**	**-**	**11,554**	**-**	**-**	**-**
1. Financial liabilities	-	-	-	X	-	X	-	X	X
2. Portfolio	X	X	X	X	X	7,693	X	-	X
Total liabilities	**-**	**-**	**-**	**-**	**-**	**7,693**	**-**	**-**	**-**
1. Expected transactions	X	X	X	X	X	X	-	X	X
2. Financial assets and financial liabilities	X	X	X	X	X	-	X	-	-

Part B - Balance Sheet - Assets (Continued)

Section 9 - Changes in fair value of portfolio hedged financial assets - Item 90

9.1 Adjustments to the value of hedged financial assets: breakdown by hedged portfolio

ADJUSTMENTS TO THE VALUE OF HEDGED ASSETS/AMOUNT	12.31.2014	12.31.2013
1. Positive changes	**15,641**	**100,241**
1.1 of specific portfolios	15,641	100,241
a) loans and receivables	15,641	100,241
b) available-for-sale financial assets	-	-
1.2 overall	-	-
2. Negative changes	**(10,614)**	**(44,119)**
2.1 of specific portfolios	(10,614)	(44,119)
a) loans and receivables	(10,614)	(44,119)
b) available-for-sale financial assets	-	-
2.2 overall	-	-
Total	**5,027**	**56,122**

9.2 Assets macro-hedged against interest rate risk

HEDGED ASSETS	12.31.2014	12.31.2013
1. Loans and receivables	1,505,077	3,419,840
2. Available-for-sale financial assets	-	-
3. Portfolio	-	-
Total	**1,505,077**	**3,419,840**

Receivables subject to macro-hedging against interest rate risk consist of fixed-rate personal loans and debt securities issued by UniCredit S.p.A. and classified as Loans and Receivables.
The value stated corresponds to the residual contractual debt on the balance sheet date.

Section 10 - Equity investments - Item 100

No data to report.

Section 11 - Property, plant and equipment - Item 110

11.1 Property, plant and equipment used in the business: breakdown of assets carried at cost

ASSET/AMOUNT	12.31.2014	12.31.2013
1. Owned assets	**8,271**	**8,038**
a) land	-	-
b) buildings	-	-
c) office furniture and fittings	927	834
d) electronic systems	6,136	5,846
e) other	1,208	1,358
2. Assets under financial lease	**-**	**-**
a) land	-	-
b) buildings	-	-
c) office furniture and fittings	-	-
d) electronic systems	-	-
e) other	-	-
Total	**8,271**	**8,038**

A description of the methods used to calculate depreciation is provided in Section 11 of the income statement.

11.2 Property, plant and equipment held for investment: breakdown of assets carried at cost

ASSET/AMOUNT	12.31.2014				12.31.2013			
	BOOK VALUE	FAIR VALUE			BOOK VALUE	FAIR VALUE		
		L1	L2	L3		L1	L2	L3
1. Owned assets	**2,621**	**-**	**-**	**4,813**	**2,734**	**-**	**-**	**4,813**
a) land	-	-	-	-	-	-	-	-
b) buildings	2,621	-	-	4,813	2,734	-	-	4,813
2. Assets under financial lease	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
a) land	-	-	-	-	-	-	-	-
b) buildings	-	-	-	-	-	-	-	-
Total	**2,621**	**-**	**-**	**4,813**	**2,734**	**-**	**-**	**4,813**

11.3 Property, plant and equipment used in the business: breakdown of revalued assets

No data to report.

11.4 Property, plant and equipment held for investment: breakdown of assets measured at fair value

No data to report.

11.5 Property, plant and equipment used in the business: annual changes

	LAND	BUILDINGS	OFFICE FURNITURE AND FITTINGS	ELECTRONIC SYSTEMS	OTHER	TOTAL
A. Gross opening balance	**-**	**-**	**12,598**	**28,367**	**9,708**	**50,673**
A.1 Total net reduction in value	-	-	(11,764)	(22,521)	(8,350)	(42,635)
A.2 Net opening balance	**-**	**-**	**834**	**5,846**	**1,358**	**8,038**
B. Increases:	**-**	**-**	**912**	**2,876**	**369**	**4,157**
B.1 Purchases	-	-	901	2,876	369	4,146
B.2 Capitalised expenditure on improvements	-	-	-	-	-	-
B.3 Write-backs	-	-	-	-	-	-
B.4 Positive changes in fair value:						
a) in equity	-	-	-	-	-	-
b) through profit or loss	-	-	-	-	-	-
B.5 Positive Exchange differences	-	-	-	-	-	-
B.6 Transfers from properties held for investment	-	-	-	-	-	-
B.7 Other changes	-	-	11	-	-	11
C. Decreases:	**-**	**-**	**(819)**	**(2,586)**	**(519)**	**(3,924)**
C.1 Sales	-	-	-	-	-	-
C.2 Depreciation	-	-	(811)	(2,586)	(512)	(3,909)
C.3 Impairment losses recognised						
a) in equity	-	-	-	-	-	-
b) through profit or loss	-	-	(7)	-	(7)	(14)
C.4 Negative changes in fair value:						
a) in equity	-	-	-	-	-	-
b) through profit or loss	-	-	-	-	-	-
C.5 Negative exchange differences	-	-	-	-	-	-
C.6 Transfers to:						
a) property, plant and equipment held for investment	-	-	-	-	-	-
b) assets held for sale	-	-	-	-	-	-
C.7 Other changes	-	-	(1)	-	-	(1)
D. Net closing balance	**-**	**-**	**927**	**6,136**	**1,208**	**8,271**
D.1 Total net reduction in value	-	-	(10,908)	(14,010)	(8,113)	(33,031)
D.2 Gross closing balance	**-**	**-**	**11,835**	**20,146**	**9,321**	**41,302**
E. Carried at cost	-	-	927	6,136	1,208	8,271

The asset classes specified in the table above are carried at cost.

Part B - Balance Sheet - Assets (Continued)

11.6 Property, plant and equipment held for investment: annual changes

	12.31.2014	
	LAND	BUILDINGS
A. Gross opening balance	**-**	**3,745**
A.1 Total net reduction in value	-	(1,011)
A.2 Net opening balance	**-**	**2,734**
B. Increases:	**-**	**-**
B.1 Purchases	-	-
B.2 Capitalised expenditure on improvements	-	-
B.3 Net increases in fair value	-	-
B.4 Write-backs	-	-
B.5 Positive exchange differences	-	-
B.6 Transfer from properties used in the business	-	-
B.7 Other changes	-	-
C. Decreases:	**-**	**(113)**
C.1 Sales	-	-
C.2 Depreciation	-	(113)
C.3 Negative changes in fair value	-	-
C.4 Impairment losses	-	-
C.5 Negative exchange differences	-	-
C.6 Transfers to other asset portfolios		
a) properties used in the business	-	-
b) non-current assets classified as held for sale	-	-
C.7 Other changes	-	-
D. Net closing balance	**-**	**2,508**
D.1 Total net reduction in value	-	(1,123)
D.2 Gross closing balance	**-**	**3,631**
E. Fair value measurement	**-**	**4,813**

The buildings specified in the table above are carried at cost.

11.7 Commitments to purchase property, plant and equipment
As at December 31, 2014 the Bank had contractual commitments to purchase property, plant and equipment amounting to €1,136 thousand. We also report that there are no restrictions on the ownership of tangible assets and there are no tangible assets pledged as security for liabilities.

Section 12 - Intangible assets - Item 120

12.1 Intangible assets: breakdown by type assets

	12.31.2014		12.31.2013	
ASSET/AMOUNT	FINITE LIFE	INDEFINITE LIFE	FINITE LIFE	INDEFINITE LIFE
A.1 Goodwill	X	89,602	X	89,602
A.2 Other Intangible assets	8,142		8,014	
A.2.1 Assets carried at cost:				
a) Intangible assets generated internally	-	-	-	-
b) Other assets	8,142	-	8,014	-
A.2.2 Assets valued at fair value:				
a) Intangible assets generated internally	-	-	-	-
b) Other assets	-	-	-	-
Total	**8,142**	**89,602**	**8,014**	**89,602**

The useful life of software, considered for the calculation of amortisation, is 3 years, while the useful life of other intangible assets with definite life is 5 years. A description of the methods used to calculate amortisation and depreciation is provided in section 12 of the income statement.

12.2 Intangible assets: annual changes

	GOODWILL	OTHER INTANGIBLE ASSETS: GENERATED INTERNALLY FIN	OTHER INTANGIBLE ASSETS: GENERATED INTERNALLY INDEF	OTHER INTANGIBLE ASSETS: OTHER FIN	OTHER INTANGIBLE ASSETS: OTHER INDEF	TOTAL
A. Gross opening balance	**124,729**	**-**	**-**	**60,255**	**-**	**184,984**
A.1 Total net reduction in value	(35,127)	-	-	(52,241)	-	(87,368)
A.2 Net opening balance	**89,602**	**-**	**-**	**8,014**	**-**	**97,616**
B. Increases	**-**	**-**	**-**	**4,901**	**-**	**4,901**
B.1 Purchases	-	-	-	4,901	-	4,901
B.2 Increases in internal intangible assets	X	-	-	-	-	-
B.3 Write-backs	X	-	-	-	-	-
B.4 Positive changes in fair value:						
- in equity	X	-	-	-	-	-
- through profit or loss	X	-	-	-	-	-
B.5 Positive exchange differences	-	-	-	-	-	-
B.6 Other increases	-	-	-	-	-	-
C. Decreases	**-**	**-**	**-**	**(4,773)**	**-**	**(4,773)**
C.1 Sales	-	-	-	-	-	-
C.2 Write-downs						
- Amortisation	X	-	-	(4,773)	-	(4,773)
- Write-downs						
+ in equity	X	-	-	-	-	-
+ through profit or loss	-	-	-	-	-	-
C.3 Negative changes in fair value						
- in equity	X	-	-	-	-	-
- through profit or loss	X	-	-	-	-	-
C.4 Transfers to non-current assets classified as held for sale	-	-	-	-	-	-
C.5 Negative exchange differences	-	-	-	-	-	-
C.6 Other decreases	-	-	-	-	-	-
D. Net closing balance	**89,602**	**-**	**-**	**8,142**	**-**	**97,744**
D.1 Total net impairments	(35,127)	-	-	(57,015)	-	(92,142)
E. Gross closing balance	**124,729**	**-**	**-**	**65,157**	**-**	**189,886**
F. Carried at cost	89,602	-	-	8,142	-	97,744

Key:
FIN: finite life.
IND: indefinite life.

The asset classes specified in the table above are carried at cost.

12.3 Other information

As at December 31, 2014 the Bank had contractual commitments to purchase intangible assets amounting to €583 thousand.
We also report that there are no intangible assets acquired through government concession; no intangible assets were used as collateral for own debts; no intangible assets are held under a finance lease; there are no revalued intangible assets and, therefore, there are no impediments to the distribution of the related capital gains to shareholders.

Other information - Impairment test

Under IAS 36, impairment testing of intangible assets with indefinite useful lives must be performed at least annually and, in any case, whenever there is objective evidence of the occurrence of events that may have reduced their value.
Recoverable value is the greater of the value in use (present value of future cash flows generated by the asset being valued) and the associated fair value, net of sales costs.
The recoverable value of the assets subject to impairment testing must be determined for the individual assets, unless both of the following conditions exist:
- the value in use of the asset is not estimated to be close to the fair value net of selling costs;
- the asset does not generate incoming cash flows largely independent of those coming from other assets (or group of assets).

If these conditions exist, the impairment test is conducted at the level of the Cash Generating Unit (CGU) of the asset, as required by the accounting principle.
According to IAS 36, when determining the value in use of assets subject to impairment testing, reference must be made to the cash flows of assets in their current conditions at the testing date and representing the best estimate by the management of the overall economic conditions in place during the residual useful life of the asset.

Part B - Balance Sheet - Assets (Continued)

For the impairment testing, the value in use of the Cash Generating Units (CGUs) to which these intangible assets are assigned must be calculated taking into account the cash flows for all assets and liabilities included in the CGUs and not only those for which goodwill and/or the intangible asset were recorded when applying IFRS 3.

Definition of CGU

Estimating the value in use for the purposes of any impairment testing of intangible assets, including goodwill, which do not independently generate cash flows, but only in conjunction with other business assets, requires that these assets first be attributed to operating units that are relatively autonomous in the business context (from the points of view of independent cash flows generated and of internal planning and reporting). These operating units are defined as Cash Generating Units (CGU).

Goodwill relates to buy-outs of divisions or companies engaged in trading activities or the distribution of financial, banking and insurance products through personal financial advisors. These activities have been fully integrated with FinecoBank's ordinary operations, as a result it is not possible to isolate the contribution of each company/business division from the Bank's overall income; this means that to establish the reasonableness of the value of goodwill recognised in the financial statements it is necessary to take account of the Bank's comprehensive income.

The cash generating unit (CGU) to be considered for the impairment test is therefore the Bank as a whole. In view of the specific business model adopted by FinecoBank, which envisages a high level of integration between personal financial advisors and the trading and banking platform, so that the financial advisors' network is an integral part of the overall offering of the Bank, which includes banking, brokerage and investing services, an allocation of costs/revenues for business units is not considered relevant or meaningful.

Estimating cash flows to determine the value in use of the CGU

The applicable accounting principles require that the impairment test be carried out by comparing the book value of the CGU to its recoverable value. When the latter proves to be less than the book value, a write-down must be recorded in the financial statements. The recoverable value is the greater of its fair value (net of sales costs) and the related value in use.

The recoverable amount of the CGU is the greater of its fair value (net of costs to sell) and the related value in use.

Impairment test model

The calculation of the value in use for the purposes of impairment testing is made using the Discounted Cash Flow (DCF) model. The cash flows are determined by subtracting the annual capital requirement generated by the change in the risk-weighted assets from net profit. This capital requirement is determined by considering the long-term capitalization to be achieved, also in light of the minimum regulatory capital requirements.

Cash flows

The discounted cash flow model used is based on future cash flows estimated by management in four steps:

- year 2015, which considers the budget data approved by the Board of Directors on January 22, 2015;
- period from 2016 to 2018, which considers the financial forecasts of the Strategic Plan submitted to the approval of the Board of Directors' meeting on April 15, 2014;
- intermediate period of 5 years, from 2019 to 2023, for which the projections of the financial flows are extrapolated by applying, beginning in the last explicit estimate period (2018), rates of growth decreasing (from 4% to 2%) to the terminal value;
- terminal value calculated using a nominal growth rate of 2%. The average nominal growth rate of GDP in the eurozone from 1996 to 2014 was 2.9% (of which 1.9% was due to inflation). The choice of nominal 2%, corresponding to ~ 0% real growth, was made for prudential reasons.

Discount rates of cash flows

The main assumptions used by management in determining the discount rate to calculate the value in use are summarised below:

- Initial discount rate net of tax (Ke); 8.18%
- Final discount rate net of tax (Ke); 10.00%
- Nominal growth rate used to calculate Terminal Value: 2.00%

Future financial flows were discounted using a conservative estimate of the discount rate, incorporating the various risk factors linked to the business sector into the cost of equity (Ke). The discount rate is a nominal rate, net of taxes.

In particular, the cost of capital for the Company is the sum of the following:

- Risk-free rate: the average of the last six years of the 5-year Bund. The six-year horizon was adopted in line with the average economic cycle in the eurozone;
- Debt risk premium: the average over the last six years of the Credit Default Swap paid by UniCredit;
- Risk premium on own equity: calculated using the option-based model, based on the average volatility over the last six years of the share price of banks operating primarily in the same sector.

The cost of capital as defined above, converges in a linear fashion to the cost of capital of the Terminal Value, over the 9 years envisaged in the model.

Impairment test results
For the purpose of impairment testing, the book value of goodwill was compared to the value in use calculated using the above-illustrated method. The result of the test conducted as at December 31, 2014 confirms the sustainability of goodwill as recognised in the balance sheet.

Sensitivity analysis
Since this assessment is made particularly complex by the current macroeconomic and market environment affecting the financial sector and the resulting difficulty in making predictions about future long-term profitability, sensitivity analyses were conducted, assuming changes to the main parameters used in the impairment test.

The table below shows the change in the value in use, net of book value and of shareholders' equity, in relation to changes in the main parameters used in the DCF model.

	1% INCREASE OF THE DISCOUNT RATE AFTER TAXES (KE)	1% INCREASE OF CORE TIER 1 RATIO TARGET	1% DECREASE OF THE NOMINAL GROWTH RATE FOR THE CALCULATION OF TERMINAL VALUE	5% DECREASE OF ANNUAL EARNINGS
Change of value in use	-14,7%	-0,2%	-9,4%	-6,2%

The results confirm the sustainability of goodwill as recognised in the balance sheet; the value in use, determined by applying these changes, was significantly higher than the book value in the various scenarios, thereby ruling out any need for a write-down.
It should also be noted, that the impairment test reaches the break-even assuming changes in the above parameters that are currently unreasonable. More specifically, the impairment test reaches break even with a positive absolute change in the discount rate after tax (Ke) by more than 28 percentage points, or a reduction of about 80% in annual earnings (while keeping the other parameters and information unchanged in both cases).

We should also point out that the share price of "FinecoBank" results in a market capitalization significantly higher than the Bank shareholders' equity: the market value of the Bank as at December 31, 2014 amounted to €2,830 million compared with shareholders' equity of €552 million.

Section 13 - Tax Assets and Tax Liabilities - Asset item 130 and liability item 80

General aspects
The item "Tax assets" amounting to €18,550 thousand comprises:
- "Current tax assets" of €2,178 thousand;

and
- "Deferred tax assets" of €16,372 thousand; Deferred tax assets are shown in the balance sheet net of the related deferred tax liabilities; the detail is as follows:
  - "Deferred tax assets" of €39,075 thousand recognised as a balancing entry in the income statement;
  - "Deferred tax assets" of €1,790 thousand as a contra entry of Shareholders' equity, mainly associated with the loss resulting from the assignment of non-performing receivables to Aspra Finance S.p.A., merged into UniCredit Credit Management Bank S.p.A., recorded in a negative reserve under shareholders' equity;
  - "Deferred tax liabilities" of -€21,860 thousand recognised as a balancing entry in the income statement;
  - "Deferred tax liabilities" of -€2,633 thousand recognised as a balancing entry of shareholders' equity.

The calculation of the aforementioned asset and liability items was affected by the impact of the adoption of "national tax consolidation" and the application of IAS/IFRS.

Current Tax Assets and Liabilities

ASSET/AMOUNT	12.31.2014	12.31.2013
Current tax assets	**2,178**	**25,264**
Current tax liabilities	**33,358**	**16,842**

National tax consolidation
For the three-year period 2013-2015, FinecoBank, in its capacity as consolidated company, was subject to "national tax consolidation", as established by Legislative Decree no. 344 of 12 December 2003, which was carried out by the Parent Company, UniCredit S.p.A..

Prepaid/deferred tax assets/liabilities
In accordance with the law and regulations currently in force:
- the valuation of deferred tax assets for IRES income tax purposes takes into account the expected income figures for future years, according to the decisions made by the competent company bodies;

Part B - Balance Sheet - Assets (Continued)

- the valuation of deferred tax assets for IRAP corporate tax purposes takes place on the basis of the Company's expected income figures for future years, and takes into account changes in the legal context;
- deferred tax liabilities are recognised whenever the relevant requirements are satisfied.

Deferred tax assets and liabilities were determined assuming an IRES income tax rate of 27.5% and an IRAP corporate tax rate of 5.57%.
More detailed information on "Deferred tax assets" is provided in sections 13.1, 13.3 and 13.5 below. Similar information concerning "Deferred tax liabilities" is provided in sections 13.2, 13.4 and 13.6 below.

13.1 Deferred tax assets: breakdown

ASSET/AMOUNT	12.31.2014	12.31.2013
Allocations through equity	35,236	37,843
Allocations through equity	1,790	1,354
Impairment losses on receivables (of which pursuant to Law 214/2011)	3,839	3,473
Total before IAS 12 offset	**40,865**	**42,670**
Offset against Deferred tax liabilities - IAS 12	(24,493)	(20,859)
Total	**16,372**	**21,811**

13.2 Deferred tax liabilities: breakdown

ASSET/AMOUNT	12.31.2014	12.31.2013
Allocations through equity	21,860	20,527
Allocations through equity	2,633	332
Total before IAS 12 offset	**24,493**	**20,859**
Offset against Deferred tax assets - IAS 12	(24,493)	(20,859)
Total	**-**	**-**

13.3 Changes in deferred tax assets (through profit or loss)

	12.31.2014	12.31.2013
1. Opening balance	**41,316**	**41,633**
2. Increases	**5,842**	**7,048**
2.1 Deferred tax assets recognised in the year	5,842	7,048
a) relating to previous years	-	-
b) due to changes in accounting policies	-	-
c) write-backs	-	-
d) other	5,842	7,048
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
3. Decreases	**(8,083)**	**(7,365)**
3.1 Deferred tax assets cancelled in the year	(7,388)	(6,928)
a) reversals of temporary differences	(7,388)	(6,928)
b) write-downs of non-recoverable items	-	-
c) change in accounting policies	-	-
d) other	-	-
3.2 Reduction in tax rates	-	-
3.3 Other decreases	(695)	(437)
a) conversion of tax credits as per Law 214/2011	-	-
b) other	(695)	(437)
4. Closing balance	**39,075**	**41,316**

Increases in deferred tax assets recorded in the financial year through profit or loss refer to the following main items:
- allocations to provisions for risks and charges;
- future personnel costs;
- write-downs and credit losses deferred to the extent of 4/5th pursuant to art. 106, paragraph 3 of the Income Tax Code (TUIR);
- listing-related expenses deferred to the extent of 4/5th pursuant to art. 108, paragraph 3 of the Income Tax Code (TUIR).

Decreases in deferred tax assets recorded in the financial year through profit or loss mainly refer to the following items:
- tax recovery for deferred expenses;
- use of provisions for future personnel costs;
- use of provisions for risks and charges;
- tax recovery of receivables write-downs.
The Bank did not recognize any deferred tax assets in relation to tax loss carry-forwards.

13.3.1 Changes in deferred tax assets under Law 214/2011 (through profit or loss)

	12.31.2014	12.31.2013
1. Opening balance	**3,473**	**3,159**
2. Increases	**366**	**945**
3. Decreases	**-**	**(631)**
3.1 Reversals	-	(243)
3.2 Conversion into tax credits		
a) resulting from operating losses	-	-
b) resulting from tax losses	-	-
3.3 Other decreases	-	(388)
4. Closing balance	**3,839**	**3,473**

13.4 Changes in deferred tax liabilities (through profit or loss)

	12.31.2014	12.31.2013
1. Opening balance	**20,527**	**19,172**
2. Increases	**1,333**	**1,374**
2.1 Deferred tax liabilities arising during the year	1,333	1,374
a) relating to previous years	-	-
b) due to changes in accounting policies	-	-
c) other	1,333	1,374
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
3. Decreases	**-**	**(19)**
3.1 Deferred tax liabilities de-recognised during the year	-	(19)
a) reversals of temporary differences	-	(19)
b) due to changes in accounting policies	-	-
c) other	-	-
3.2 Reduction in tax rates	-	-
3.3 Other decreases	-	-
4. Closing balance	**21,860**	**20,527**

Increases in deferred tax liabilities recorded in the financial year as a balancing item of the income statement refer to the recognition of deferred tax liabilities resulting from the accounting and tax treatment of goodwill.

Part B - Balance Sheet - Assets (Continued)

13.5 Changes in deferred tax assets (through equity)

	12.31.2014	12.31.2013
1. Opening balance	**1,354**	**1,597**
2. Increases	**546**	**26**
2.1 Deferred tax assets recognised in the year	546	26
a) relating to previous years	-	-
b) due to changes in accounting policies	-	-
c) other	546	26
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
3. Decreases	**(110)**	**(269)**
3.1 Deferred tax assets cancelled in the year	(110)	(269)
a) reversals of temporary differences	(16)	(223)
b) write-downs of non-recoverable items	-	-
c) due to changes in accounting policies	-	-
d) other	(94)	(46)
3.2 Reduction in tax rates	-	-
3.3 Other decreases	-	-
4. Closing balance	**1,790**	**1,354**

The increase in deferred tax assets recognised during the year through equity refers to the recognition of deferred tax assets on actuarial gains recognised in equity revaluation reserves as per IAS 19 Revised.

13.6 Changes in deferred tax liabilities (through equity)

	12.31.2014	12.31.2013
1. Opening balance	**332**	**148**
2. Increases	**2,387**	**271**
2.1 Deferred tax liabilities arising during the year	2,387	271
a) relating to previous years	-	-
b) due to change in accounting policies	-	-
c) other	2,387	271
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
3. Decreases	**(86)**	**(87)**
3.1 Deferred tax liabilities de-recognised during the year	(86)	(87)
a) reversals of temporary differences	(86)	(87)
b) due to change in accounting policies	-	-
c) other	-	-
3.2 Reduction in tax rates	-	-
3.3 Other decreases	-	-
4. Closing balance	**2,633**	**332**

Increases and decreases in deferred tax liabilities recorded in the financial year through equity refer to the recognition and reversal of deferred tax liabilities resulting from the fair value measurement of debt securities classified as “Available-for-sale financial assets”.

13.7 Other information

No information to report.

Section 14 - Non-current assets and disposal groups classified as held for sale and associated liabilities - Assets item 140 and liabilities item 90

14.1 Non-current assets and disposal groups classified as held for sale: breakdown by type assets
No data to report.

14.2 Other information
No information to report.

14.3 Information on equity investments in companies subject to significant influence not valued according to the equity method
No information to report.

Section 15 - Other assets - Item 150

15.1 Other assets: breakdown

	12.31.2014	12.31.2013
Items in transit not allocated to relevant accounts	6	13
Items in processing:		
- notes, cheques and other documents	9,169	9,108
- POS and ATM cards	8	379
- other items in processing	16	1
Current receivables not related to the provision of financial services	4,576	1,707
Definitive items not recognised under other items:		
- securities and coupons to be settled	13,494	8,283
- fees to be charged to customers	28,240	33,020
- amounts to be settled via clearing houses	-	908
- other transactions	11,866	20,281
Tax items other than those recognised under item 130:		
- tax advances	225,208	151,540
- tax credit	9,850	9,356
- tax advances on employee severance indemnities	14	12
Receivables due to disputed items not deriving from lending	119	119
Prepayments	15,109	10,940
Improvement and incremental expenses incurred on leasehold assets	9,081	10,962
Total	**326,756**	**256,629**

Part B - Balance Sheet - Liabilities (CONTINUED)

Liabilities

Section 1 - Deposits from banks - Item 10

1.1 Deposits from banks: product breakdown

TYPE OF TRANSACTION/AMOUNT	12.31.2014	12.31.2013
1. Deposits from central banks	**-**	**-**
2. Deposits from banks	**1,428,568**	**1,648,675**
2.1 Current accounts and demand deposits	89,607	29,139
2.2 Time deposits	-	-
2.3 Loans	1,337,843	1,619,295
2.3.1 Repos	1,337,843	1,619,295
2.3.2 Other	-	-
2.4 Liabilities in respect of commitments to repurchase treasury shares	-	-
2.5 Other liabilities	1,118	241
Total	**1,428,568**	**1,648,675**
Fair value - level 1	**-**	**-**
Fair value - level 2	**-**	**-**
Fair value - level 3	**1,428,568**	**1,648,675**
Total fair value	**1,428,568**	**1,648,675**

1.2 Breakdown of item 10 "Deposits from banks": subordinated debts
No data to report.

1.3 Breakdown of item 10 "Deposits from banks": structured debts
No data to report.

1.4 Deposits from banks subject to micro-hedging
No data to report.

1.5 Amounts payable under finance leases
No data to report.

Section 2 - Deposits from customers - Item 20

2.1 Deposits from customers: product breakdown

TYPE OF TRANSACTION/AMOUNT	12.31.2014	12.31.2013
1. Current accounts and demand deposits	12,247,454	10,666,363
2. Time deposits	1,315,731	1,699,635
3. Loans	281,178	304,380
3.1 Repos	281,178	304,380
3.2 Other	-	-
4. Liabilities in respect of commitments to repurchase treasury shares	-	-
5. Other liabilities	70,349	61,931
Total	**13,914,712**	**12,732,309**
Fair value - level 1	**-**	**-**
Fair value - level 2	**55,191**	**642,507**
Fair value - level 3	**13,860,288**	**12,096,595**
Total fair value	**13,915,479**	**12,739,102**

2.2 Breakdown of item 20 "Deposits from customers": subordinated debts
No data to report.

2.3 Breakdown of item 20 "Deposits from customers": structured debts
No data to report.

2.4 Deposits from customers subject to micro-hedging
No data to report.

2.5 Amounts payable under finance leases
No data to report.

Section 3 - Debt securities in issue - Item 30

3.1. Debt securities in issue: product breakdown

TYPE OF TRANSACTION/AMOUNT	12.31.2014				12.31.2013			
		FAIR VALUE				FAIR VALUE		
	BOOK VALUE	LEVEL 1	LEVEL 2	LEVEL 3	BOOK VALUE	LEVEL 1	LEVEL 2	LEVEL 3
A. Securities								
1. Bonds	424,710	-	438,958	-	2,322,511	-	2,422,470	-
1.1 structured	-	-	-	-	-	-	-	-
1.2 other	424,710	-	438,958	-	2,322,511	-	2,422,470	-
2. Other securities	-	-	-	-	-	-	-	-
2.1 structured	-	-	-	-	-	-	-	-
2.2 other	-	-	-	-	-	-	-	-
Total	**424,710**	**-**	**438,958**	**-**	**2,322,511**	**-**	**2,422,470**	**-**

During the first half of 2014, the Bank reimbursed securities in issue for a nominal amount of €1,500,000 thousand (repurchased in previous years); it also partially repurchased bonds issued for a total nominal amount of €1,850,000 thousand and USD 70,000.
These bonds had been issued at par in 2011 and had been fully underwritten by UniCredit, while the Bank had underwritten bonds issued by UniCredit, following the need for both the Bank and UniCredit to hold bonds in the portfolio useful for their operations. As described above, by underwriting other bonds issued by UniCredit as part of the liquidity investment policy defined as of April 1, 2014 and following the gradual reduction in repo transactions with customers that had led the Bank and UniCredit to reciprocally underwrite and issue such bonds, both parties were able to sell part of the securities held in the portfolio and to repurchase the securities in issue.

3.2 Breakdown of item 30 “Debt securities in issue”: subordinated debt securities

No data to report.

3.3. Debt securities in issue subject to micro-hedging

No data to report.

Section 4 - Financial liabilities held for trading - Item 400

4.1 Financial liabilities held for trading: product breakdown

TYPE OF TRANSACTION/AMOUNT	12.31.2014					12.31.2013				
		FV					FV			
	NA	L1	L2	L3	FV*	NA	L1	L2	L3	FV*
A. On-balance sheet liabilities										
1. Deposits from banks	-	-	-	-	-	-	-	-	-	-
2. Deposits from customers	576	-	-	-	-	633	-	-	-	-
3. Debt securities	-	-	-	-	X	-	-	-	-	X
3.1 Bonds	-	-	-	-	X	-	-	-	-	X
3.1.1 Structured	-	-	-	-	X	-	-	-	-	X
3.1.2 Other bonds	-	-	-	-	X	-	-	-	-	X
3.2 Other securities	-	-	-	-	X	-	-	-	-	X
3.2.1 Structured	-	-	-	-	X	-	-	-	-	X
3.2.2 Other	-	-	-	-	X	-	-	-	-	X
Total A	**576**	**-**	**-**	**-**	**-**	**633**	**-**	**-**	**-**	**-**
B. Derivative instruments										
1. Financial derivatives	X	1,986	1,146	3	X	X	1,709	592	-	X
1.1 Trading derivatives	X	1,986	1,146	3	X	X	1,709	592	-	X
1.2 Related to the fair value option	X	-	-	-	X	X	-	-	-	X
1.3 Other	X	-	-	-	X	X	-	-	-	X
2. Credit derivatives	X	-	-	-	X	X	-	-	-	X
2.1 Trading derivatives	X	-	-	-	X	X	-	-	-	X
2.2 Related to the fair value option	X	-	-	-	X	X	-	-	-	X
2.3 Other	X	-	-	-	X	X	-	-	-	X
Total B	**X**	**1,986**	**1,146**	**3**	**X**	**X**	**1,709**	**592**	**-**	**X**
Total (A+B)	**X**	**1,986**	**1,146**	**3**	**X**	**X**	**1,709**	**592**	**-**	**X**

Key:
FV = Fair Value. - FV* = Fair value calculated excluding the changes in value due to the change in the issuer’s credit rating since the issue date. - NA = Nominal or Notional Amount.
L1 = Level 1. - L2 = Level 2. - L3 = Level 3.

Part B - Balance Sheet - Liabilities (CONTINUED)

Trading financial derivatives refer to the negative valuation of Forex Contracts for Difference (CFDs), CFDs on indices, CFDs on interest rates and Futures used to hedge CFDs. They amounted to €1,138 thousand (€572 thousand as at December 31, 2013).
Sub-item B.1.1 Derivative instruments - Trading financial derivatives includes the negative valuations of spot contracts for securities classified in the HFT portfolio and currencies to be settled in times established by market practices ("regular way"). They amounted to €1,997 thousand (€1,730 thousand as at December 31, 2013).

4.2 Item 40 "Financial liabilities held for trading": subordinated liabilities

No data to report.

4.3 Item 40 "Financial liabilities held for trading": structured debts

No data to report.

4.4 On-balance sheet financial liabilities (excluding "technical overdrafts") held for trading: annual changes

No data to report.

Section 5 - Financial liabilities at fair value through profit or loss - Item 50

FinecoBank has not booked any financial liabilities under the item "Financial liabilities at fair value through profit or loss".

Section 6 - Hedging derivatives - Item 60

6.1 Hedging derivatives: breakdown by type of hedge and by hierarchical level

ITEM/AMOUNT	FAIR VALUE 12.31.2014			NA	FAIR VALUE 12.31.2013			NA
	L1	L2	L3	12.31.2014	L1	L2	L3	12.31.2013
A. Financial derivatives	**-**	**36,993**	**-**	**2,559,363**	**-**	**141,801**	**-**	**3,382,879**
1) Fair value	-	36,993	-	2,559,363	-	141,801	-	3,382,879
2) Cash flows	-	-	-	-	-	-	-	-
3) Net investment in foreign subsidiaries	-	-	-	-	-	-	-	-
B. Credit derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1) Fair value	-	-	-	-	-	-	-	-
2) Cash flows	-	-	-	-	-	-	-	-
Total	**-**	**36,993**	**-**	**2,559,363**	**-**	**141,801**	**-**	**3,382,879**

Key:
NA = Nominal or Notional Amount.
L1 = Level 1.
L2 = Level 2.
L3 = Level 3.

6.2 Hedging derivatives: breakdown by hedged assets and risk

TRANSACTION/TYPE OF HEDGE	FAIR VALUE						CASH FLOWS		
	MICRO								
	INTEREST RATE RISK	CURRENCY EXCHANGE RATE RISK	CREDIT RISK	PRICE RISK	MULTIPLE RISK	MACRO	MICRO	MACRO	FOREIGN INVESTMENTS
1. Available-for-sale financial assets	22,929	-	-	-	-	X	-	X	X
2. Loans and receivables	-	-	-	X	-	X	-	X	X
3. Held-to-maturity investments	X	-	-	X	-	X	-	X	X
4. Portfolio	X	X	X	X	X	14,064	X	-	X
5. Other transactions	-	-	-	-	-	X	-	X	-
Total assets	**22,929**	**-**	**-**	**-**	**-**	**14,064**	**-**	**-**	**-**
1. Financial liabilities	-	-	-	X	-	X	-	X	X
2. Portfolio	X	X	X	X	X	-	X	-	X
Total liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1. Expected transactions	X	X	X	X	X	X	-	X	X
2. Financial assets and financial liabilities	X	X	X	X	X	-	X	-	-

Section 7 - Changes in fair value of portfolio hedged items - Item 70

7.1 - Adjustments to the value of hedged financial liabilities

CHANGES TO HEDGED FINANCIAL LIABILITIES/AMOUNTS	12.31.2014	12.31.2013
1. Positive changes to financial liabilities	9,228	81,077
2. Negative changes to financial liabilities	-	(44,304)
Total	**9,228**	**36,773**

7.2 Financial liabilities subject to macro-hedging of interest rate risk: breakdown

HEDGED LIABILITIES	12.31.2014	12.31.2013
1. Debt securities in issue	424,710	2,322,511
Total	**424,710**	**2,322,511**

Liabilities subject to macro-hedging of interest rate risk consist of debt securities issued by FinecoBank. The value stated corresponds to the residual contractual debt on the balance sheet date.

Section 8 - Tax liabilities - Item 80

See section 13 of assets.

Section 9 - Liabilities included in disposal groups classified as held for sale - Item 900

See section 14 of assets.

Section 10 - Other liabilities - Item 100

10.1 Other liabilities: breakdown

	12.31.2014	12.31.2013
Impairment of financial guarantees issued	1,416	5,885
Accrued expenses other than those to be capitalised for the financial liabilities concerned	140	183
Other liabilities relative to employees	6,533	15,229
Other liabilities relative to other personnel	16	-
Other liabilities due to Directors and Statutory Auditors	212	244
Sums available to be paid to customers	244	181
Items in processing:		
- incoming bank transfers	985	2,819
- outgoing bank transfers	41,031	44,326
- POS and ATM cards	132	-
- other items in processing	218	253
Current payables not related to the provision of financial services	25,075	27,400
Definitive items not recognised under other items:		
- securities and coupons to be settled	18,343	12,417
- other items	15,570	20,028
Adjustments for illiquid portfolio items	15,197	13,847
Tax items other than those included in item 80:		
- sums withheld from third parties as withholding agent	30,615	26,157
- other	77,102	57,697
Prepayments	403	276
Social security contributions to be paid	5,576	4,853
Total	**238,808**	**231,795**

Part B - Balance Sheet - Liabilities (CONTINUED)

Section 11 - Provision for employee severance pay - Item 110

11.1 Provision for employee severance pay: annual changes

	12.31.2014	12.31.2013
A. Opening balance	**3,761**	**3,909**
B. Increases	**1,124**	**273**
B.1 Provisions for the year	122	126
B.2 Other increases	1,002	147
of which adjustments for actuarial losses on Employee Severance Fund (IAS19R)	424	-
C. Decreases	**(59)**	**(421)**
C.1 Payments made	(18)	(124)
C.2 Other decreases	(41)	(297)
of which adjustments for actuarial gains on Employee Severance Fund (IAS19R)	-	(176)
D. Closing balance	**4,826**	**3,761**

11.2 Other information

The “TFR” provision for Italy-based employee benefits is considered to be a “post-retirement defined benefit”. It is therefore recognised on the basis of an actuarial estimate of the amount of benefit accrued by employees discounted to present value. This benefit is calculated by an external actuary using the unit credit projection method (see Part A.2 - The Main Items of the Accounts).
The Provision for employee severance pay covers the amount of the rights accrued in that respect up to December 31, 2014 by employees, under current legal regulations, as well as national collective bargaining agreements and supplementary company agreements.
The financial year under review was characterised by:
1) normal events relating to the employee severance pay provision in accordance with legal provisions and company agreements in force;
2) changes associated with employment contracts pursuant to Article 1406 and following of the Civil Code dealing with individual mobility within the Group.

In 2007, the new supplementary pension reform pursuant to Italian Legislative Decree no. 252/2005 became effective and, as a result the amounts accrued up to 31 December 2006 were kept with the Company, whilst the amounts of employee severance pay provision accruing as of 1 January 2007 were transferred to the supplementary pension funds or the INPS Treasury fund according to the option adopted by the employees (within 30 June 2007). The result is that:
- the employee severance fund accrued up to 31 December 2006 (or until the date of the option - falling between 1 January 2007 and 30 June 2007 - adopted by the employees if the they decided to transfer their employee severance pay provision to a supplementary pension fund) continues to be a “defined-benefit” plan and therefore subject to actuarial valuation, although based on simplified actuarial assumptions which no longer take account of estimated future pay rises;
- the amounts accrued from 1 January 2007 (or from the date of the option - falling between 1 January 2007 and 30 June 2007 - by the employees if they decided to transfer their employee severance pay provision to a supplementary pension fund), were considered as a “defined-benefit” plan (as the Company’s liability ceases at the time it pays the employee severance pay provision accrued to the pension fund chosen by the employee) and therefore the related cost for the period is equal to the amounts paid to the Supplementary Pension fund or the INPS Treasury fund.

The following table shows the main actuarial assumptions used to measure the liability.

DESCRIPTION OF THE MAIN ACTUARIAL ASSUMPTIONS	12.31.2014	12.31.2013
Discount rate	1.60%	3.30%
Expected inflation rate	1.10%	1.80%

EMPLOYEE SEVERANCE PAY PROVISION: OTHER INFORMATION	12.31.2014	12.31.2013
Provisions for the year	**122**	**126**
- Current service cost	-	-
- Interest expense on defined-benefit obligations	122	126
- Gains and losses on curtailments and settlements	-	-
- Past service cost	-	-
Actuarial gains (losses) recognised in Revaluation reserves (OCI)	**424**	**(176)**
- Actuarial gains (losses) for the year	(308)	(109)
- Actuarial gains/losses on demographic assumptions	-	-
- Actuarial gains/losses on financial assumptions	732	(67)

As required by IAS 19 Revised, a sensitivity analysis was conducted aimed at identifying how the present value of the liability changes when the actuarial assumptions considered most significant are changed, while keeping the other actuarial assumptions constant. A change of -25 basis points in the discount rate would result in a increase in the liability of €165 thousand (+3.43%); an equivalent increase in the rate, on the other hand, would reduce the liability by €158 thousand (-3.27%). A change of -25 basis points in the inflation rate would result in a reduction in the liability of €97 thousand (-2.00%); an equivalent increase in the rate, on the other hand, would increase the liability by €99 thousand (+2.05%).

Section 12 - Provisions for risks and charges - Item 120

12.1 - Provisions for risks and charges: breakdown

ITEM/AMOUNT	12.31.2014	12.31.2013
1. Pensions and other post-retirement benefit obligations	-	-
2. Other provisions for risks and charges	118,031	105,421
2.1 legal disputes	49,650	55,577
2.2 staff expenses	7,805	-
2.3 other	60,576	49,844
Total	**118,031**	**105,421**

Sub-item 2.2 "staff expenses" includes provisions made in relation to the variable remuneration to be paid to employees in subsequent years which have an uncertain due date and/or amount. The related income component is recognised as "Payroll costs".

Other provisions for risks and charges under sub-item 2.3 include the supplementary customer indemnity provision amounting to €44,114 thousand compared with €32,178 thousand as at December 31, 2013.

12.2 Provisions for risks and charges: annual changes

	PENSION FUNDS	OTHER PROVISIONS	TOTAL
A. Opening balance	**-**	**105,421**	**105,421**
B Increases	**-**	**23,459**	**23,459**
B.1 Provisions for the year	-	17,865	17,865
B.2 Changes due to the passage of time	-	1,114	1,114
B.3 Changes due to variations in the discount rate	-	46	46
B.4 Other increases	-	4,434	4,434
C Decreases	**-**	**(10,849)**	**(10,849)**
C.1 Amounts used in the year	-	(10,849)	(10,849)
C.2 Changes due to variations in the discount rate	-	-	-
C.3 Other decreases	-	-	-
D. Closing balance	**-**	**118,031**	**118,031**

12.3 Pensions and other post-retirement defined-benefit obligations

No data to report.

12.4 Provisions for risks and charges - other provisions

	12.31.2014	12.31.2013
Legal disputes	**49,650**	**55,578**
- Pending proceedings	36,205	40,573
- Claims	13,445	15,005
Staff expenses	**7,805**	**-**
Other	**60,576**	**49,843**
- Supplementary customer indemnity provision	44,114	32,178
- Contractual payments and payments under non-competition agreements	2,269	1,916
- Tax disputes	7,298	7,439
- Other provisions	6,895	8,310
Total provisions for risks and charges - other provisions	**118,031**	**105,421**

Part B - Balance Sheet - Liabilities (Continued)

PROVISIONS FOR RISKS AND CHARGES	12.31.2013	USES	TRANSFERS AND OTHER CHANGES	ACTUARIAL GAINS (LOSSES) IAS 19R *	PROVISIONS **	12.31.2014
Legal disputes	**55,578**	**(8,661)**	**45**	**-**	**2,688**	**49,650**
- Pending proceedings	40,573	(4,920)	778	-	(226)	36,205
- Claims	15,005	(3,741)	(733)	-	2,914	13,445
Staff expenses	**-**	**-**	**4,303**	**-**	**3,502**	**7,805**
Other	**49,843**	**(2,188)**	**86**	**9,384**	**3,451**	**60,576**
- Supplementary customer indemnity provision	32,178	(884)	-	9,107	3,713	44,114
- Contractual payments and payments under non-competition agreements	1,916	-	-	277	76	2,269
- Tax disputes	7,439	(141)	-	-	-	7,298
- Other provisions	8,310	(1,163)	86	-	(338)	6,895
Total provisions for risks and charges - other provisions	**105,421**	**(10,849)**	**4,434**	**9,384**	**9,641**	**118,031**

* The item " IAS 19R actuarial gains (losses)" includes the actuarial gains (losses) recognised in the item "Revaluation reserves" in application of IAS 19R.

** The item "Provisions" includes the costs recognised under "Payroll costs" and "Interest expenses and similar charges".

The following table shows the main actuarial assumptions used to measure the liability for the Agents' supplementary indemnity provision.

DESCRIPTION OF THE MAIN ACTUARIAL ASSUMPTIONS	12.31.2014	12.31.2013
Discount rate	1.60%	3.30%
Expected inflation rate	2.60%	3.00%

As required by IAS 19 Revised, a sensitivity analysis was conducted aimed at identifying how the present value of the liability changes when the actuarial assumptions considered most significant are changed, while keeping the other actuarial assumptions constant.
With regard to the supplementary customer indemnity, a change of -25 basis points in the discount rate would result in a increase in the liability of €1,396 thousand (+3.16%); an equivalent increase in the rate, on the other hand, would reduce the liability by €1,332 thousand (-3.02%). A change of -25 basis points in the salary base would result in a reduction in the liability of €482 thousand (-1.09%); an equivalent increase in the base, on the other hand, would increase the liability by €497 thousand (+1.13%).
With regard to contractual payments, a change of -25 basis points in the discount rate would result in a increase in the liability of €40 thousand (+2.21%); an equivalent increase in the rate, on the other hand, would reduce the liability by €38 thousand (-2.12%). A change of -25 basis points in the salary base would result in a reduction in the liability of €2 thousand (-0.13%); an equivalent increase in the base, on the other hand, would increase the liability by €2 thousand (+0.12%).

The **Provision for legal disputes** includes provisions made to cover disputes for damage to customers arising from the unlawful behaviour of the company's financial advisors, provisions relating to pending disputes with financial advisors and other ongoing court and out-of-court litigation with customers and other parties.

The **Supplementary customer indemnity provision** is accrued to cover the amount of indemnity to be paid to financial advisors pursuant to art. 1751 of the Italian Civil Code, in the event of termination of the contract for reasons not attributable to the advisor, such as, for example, when reaching retirement age. The amount of the obligation at year-end is assessed with the support of an independent actuary.

The **Provision for staff expenses** includes provisions made in relation to the variable remuneration to be paid to employees in subsequent years which have an uncertain due date and amount; The related income component is recognised as "Payroll costs".

The **Provision for contractual payments and payments under non-competition agreements** is related to a limited number of financial advisors; these payments are contractually provided. More specifically, the non-competition agreement is an extension of the loyalty obligation at the end of the employment contract which protects the Bank from competition from former financial advisors; contractual payments are a special indemnity that the Bank agrees to pay to financial advisors, who opted to transfer the rights and obligations arising from their contract with the Bank to third parties, where these advisors continue to keep an ethical and professional conduct with the Bank after termination of employment, with specific regard to the client portfolio. The amount of the obligation for contractual payments is assessed with the support of an independent actuary.

The **Provision for tax disputes** is allocated to cover tax demands received from the Italian Revenue Agency following tax audits carried out on the Bank over the years.
The Bank believes that its tax payments were properly and legitimately calculated and, accordingly, it has appealed in the various stages of the proceedings. However, the current legislation requires that the payments demanded by the Financial Authorities, through tax bills or payment notices, are to be made in advance, both with regard to the higher taxes in dispute and the penalties and interest thereon.
The above provision for risks and charges includes the amounts paid in advance to the Treasury to cover the payments made and expected for penalties and interest, and the expected legal costs to be incurred in the various stages of proceedings.
For more details see Part E - Information on risks and hedging policies - Section 4 - Operational risk - paragraph "Risks arising from tax disputes and audits" of the Notes to the Accounts.

The **Other provisions** are mainly allocated to cover the risks related to the business and operations of the Bank. The provision specifically includes provisions for marketing and customer loyalty campaigns.

Section 13 - Redeemable shares - Item 140

13.1 Redeemable shares: breakdown

No data to report.

Section 14 - Bank's shareholders' equity - Items 130, 150, 160, 170, 180, 190 and 200

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

Share capital amounts to €200,070,430.89, fully paid-up, comprising 606,274,033 ordinary shares with a par value of €0.33.

ITEM/AMOUNT	12.31.2014	12.31.2013
1. Share capital	200,070	200,070
2. Share premium reserve	1,934	1,934
3. Reserves	198,081	127,715
- Legal reserve	33,061	28,800
- Extraordinary reserve	142,739	98,744
- Other reserves	22,281	171
4. (Treasury shares)	-	-
5. Revaluation reserves	2,262	4,214
6. Equity instruments	-	-
7. Net Profit (Loss) for the year	149,907	85,216
Total	**552,254**	**419,149**

Following the Shareholders' Meeting resolution of April 15, 2014, the profit for the year 2013 of €85,216 thousand was allocated as follows:

- €4,261 thousand to the legal reserve;
- €58,948 thousand to the extraordinary reserve;
- €20,007 thousand, equal to €0.033 per share, to the shareholder;
- €2,000 thousand as charitable donations.

14.2 Share capital - Number of shares: annual changes

	12.31.2014	
ITEMS/TYPE	ORDINARY	OTHER
A. Shares outstanding at the beginning of the year		
- fully paid	606,274,033	-
- not fully paid	-	-
A.1 Treasury shares (-)	-	-
A.2 Shares outstanding: opening balance	**606,274,033**	**-**
B. Increases		
B.1 New issues		
- against payment:		
- business combinations	-	-
- bonds converted	-	-
- warrants exercised	-	-
- other	-	-
- free		
- to employees	-	-
- to directors	-	-
- other	-	-
B.2 Sale of treasury shares	-	-
B.3 Other changes	-	-
C. Decreases		
C.1 Cancellation	-	-
C.2 Purchase of treasury shares	-	-
C.3 Business transfers	-	-
C.4 Other changes	-	-
D. Shares outstanding: closing balance	**606,274,033**	**-**
D.1 Treasury shares (+)		-
D.2 Shares outstanding as at the end of the year	-	-
- fully paid	606,274,033	-
- not fully paid	-	-

Part B - Balance Sheet - Liabilities (Continued)

14.3 Share capital: other information

The shares are not subject to any right, privilege or constraint; there are no shares reserved for issue under option and sales contracts.

14.4 Reserves from allocation of profit from previous years: other information

Reserves from allocation of profit from previous years comprise the legal reserve amounting to €33,061 thousand, the extraordinary reserve amounting to €142,739 thousand, the reserve for purchase of treasury shares amounting to €14,953 thousand, the reserve connected to the Equity Settled plans amounting to €7,158 thousand, and retained earnings amounting to €170 thousand.

Information on the availability and distribution of shareholders' equity

In accordance with art. 2427, paragraph 7-bis of the Italian Civil Code, and according to document no. 1 issued by the Italian Accounting Body on October 25, 2004, a detailed description of equity items is provided below, with a breakdown in terms of availability, eligibility for distribution and use in the last three years.

TYPE/DESCRIPTION	AMOUNT	POSSIBLE USE	AMOUNT AVAILABLE	SUMMARY OF THE AMOUNTS USED IN THE PAST THREE YEARS: TO COVER LOSSES	SUMMARY OF THE AMOUNTS USED IN THE PAST THREE YEARS: FOR OTHER REASONS
Share capital	**200,070**	**-**	**-**	**-**	**-**
Share premium reserve	**1,934**	**A, B, C**	**1,934** (1)	**-**	**-**
Reserves:					
Legal reserve	33,061	B	33,061	-	-
Extraordinary reserve	142,739	A, B, C	142,739	-	-
Unavailable reserve (Article 6 Leg Dec. 38/2005)	170	B	170 (2)	-	-
reserve related to equity-settled plans	7,158	-	-	-	-
Reserve for treasury shares to be purchased	14,953	B	14,953	-	-
Revaluation reserves:					
Revaluation reserves for Available-for-sale financial assets	5,329	-	- (3)	-	-
Revaluation reserves actuarial gains (losses) from defined benefit plans	(3,067)	-	-	-	-
TOTAL	**402,347**		**192,857**		
Undistributable amount			50,118		
Distributable amount			142,739		

Key:
A: for capital increase.
B: to cover losses.
C: for distribution to shareholders.

Note:
(1) Pursuant to Article 2431 of the Civil Code, the sum total of this reserve may be distributed only on condition that the legal reserve has reached the limit set in Article 2430 of the Civil Code.
(2) If this Reserve is used to cover losses, profits cannot be distributed until this Reserve has been replenished by allocating profits from future years.
(3) The reserve, when positive, is not available pursuant to article 6 of Italian Legislative Decree 38/2005.

14.5 Equity instruments: breakdown and annual changes

No data to report.

14.6 Other information

No data to report.

Section 15 - Other information

1 Guarantees given and commitments

TRANSACTIONS	12.31.2014	12.31.2013
1) Financial guarantees given	292,124	306,815
a) Banks	291,361	306,033
b) Customers	763	782
2) Commercial guarantees given	4	4
a) Banks	4	4
b) Customers	-	-
3) Irrevocable commitments to lend funds	158,159	178,000
a) Banks	-	28,028
i) certain to be called on	-	28,028
ii) not certain to be called on	-	-
b) Customers	158,159	149,972
i) certain to be called on	158,159	149,972
ii) not certain to be called on	-	-
4) Commitments underlying credit derivatives: protection sales	-	-
5) Assets given as collateral for third-party obligations	-	-
6) Other commitments	-	-
Total	**450,287**	**484,819**

Financial guarantees given to banks include 5 guarantees issued on request of UniCredit, with indefinite duration, for a total amount of €256,065 thousand and the commitment with the National Interbank Deposit Guarantee Fund (FITD), for measures still to be approved, for an amount of €36,713 thousand, net of provisions for commitments and guarantees of €1,416 thousand.
Irrevocable commitments to lend funds mainly refer to spot contracts for the purchase and sale of securities to be settled in times established by market practices ("regular way").

2. Assets given as collateral for own liabilities and commitments

PORTFOLIOS	12.31.2014	12.31.2013
1. Financial assets held for trading	-	-
2. Financial assets designated at fair value through profit or loss	-	-
3. Available-for-sale financial assets	-	-
4. Held-to-maturity investments	-	-
5. Loans and receivables with banks	205,909	188,989
6. Loans and receivables with customers	-	-
7. Property, plant and equipment	-	-
Total	**205,909**	**188,989**

Assets given as collateral for own liabilities and commitments shown in item "*Loans and receivables with banks*" refer to bonds issued by UniCredit, classified in the "*Loans and Receivables*" category, subscribed by the Bank in order to conduct repos with the obligation for the buyer to resell the assets covered by the transaction upon expiration of said transaction; bonds are given as collateral for the entire duration of the repos.

FinecoBank also used debt securities issued by governments as collateral for bankers' drafts or as guarantee with third parties in relation to transactions on foreign markets: more specifically, the Bank used bonds issued by the Italian and French governments, classified as *Available-for-sale* assets, for a book value of €126,717 thousand (€89,910 thousand as at December 31, 2013). Securities are used as collateral until the Bank decides to stop the transactions for which the collateral or guarantees are granted.

3. Information on operating leases

With regard to outstanding non-cancellable leases, the future payments amount to:
- €3,844 thousand up to twelve months;
- -€575 thousand from one to five years.

There are no sub-leases in place.

Part B - Balance Sheet - Liabilities (CONTINUED)

4. Asset management and trading on behalf of others

TYPE OF SERVICE	AMOUNT 12.31.2014	AMOUNT 12.31.2013
1. Execution of orders for customers	**346,368,648**	**308,293,224**
Securities	**121,797,736**	**106,727,116**
a) purchases	60,684,094	53,443,200
1. Settled	60,408,362	52,846,365
2. Unsettled	275,732	596,835
b) sales	61,113,642	53,283,916
1. Settled	60,832,456	52,697,184
2. Unsettled	281,186	586,732
Derivative contracts	**224,570,912**	**201,566,108**
a) purchases	112,337,954	100,788,072
1. Settled	112,197,633	100,624,537
2. Unsettled	140,321	163,535
b) sales	112,232,958	100,778,036
1. Settled	112,093,872	100,594,652
2. Unsettled	139,086	183,384
2. Segregated accounts	**-**	**-**
a) individual	-	-
b) collective	-	-
3. Custody and administration of securities		
a) third party securities on deposits: relating to depositarybank activities (excluding segregated accounts)	-	-
1. securities issued by the bank preparing the accounts	-	-
2. other securities	-	-
b) third party securities held in deposits (excluding segregated accounts): other	10,919,911	12,580,382
1. securities issued by the bank preparing the accounts	2,482	-
2. other securities	10,917,429	12,580,382
c) third-party securities deposited with third parties	10,919,911	12,580,382
d) own securities deposited with third parties	11,076,157	3,430,300
4. Other transactions	**26,187,756**	**19,928,994**
Order receipt and transmission	26,187,756	19,928,994
a) purchases	13,111,249	10,055,945
b) sales	13,076,507	9,873,049

5. Assets subject to accounting offsetting, to master netting agreements or similar agreements
No data to report.

6. Liabilities subject to accounting offsetting or under master netting agreements and similar ones
No data to report.

7. Securities lending transactions
FinecoBank conducts securities lending transactions on a continuous and systematic basis, with the objective of optimizing the returns of customer portfolios, satisfying the requests of institutional counterparties and obtaining a profit for the Bank. FinecoBank operates as the borrower, borrowing the securities of its customers and using them in repos and securities lending transactions guaranteed by cash amounts with retail and institutional customers interested in the temporary ownership of the securities. In the case of securities lending transactions guaranteed by other securities, which are not recognised as liabilities or commitments in the accounts, FinecoBank has used bond issues of UniCredit, classified as *"Loans and Receivables",* as guarantees; for this purpose, the Bank has deposited debt securities issued by UniCredit in a dedicated portfolio held at the Custodian bank, representing an amount higher than that of the securities borrowed from customers, in order to provide a collective guarantee.

The nominal value of the underlying securities not recognised as assets in the accounts totalled €1,188,213 thousand, broken down as follows:

SECURITIES RECEIVED ON LOAN FROM:	TYPE OF SECURITIES (NOMINAL VALUE AT DECEMBER 31, 2014)		
	SOLD	SOLD IN REPOS	OTHER PURPOSES
Banks	-	-	-
Financial companies	-	3,001	-
Insurance	-	-	-
Non-financial companies	-	3,432	-
Other entities	576	1,181,144	60
Total nominal value	**576**	**1,187,577**	**60**

SECURITIES RECEIVED ON LOAN FROM:	TYPE OF SECURITIES (FAIR VALUE AT DECEMBER 31, 2014)		
	SOLD	SOLD IN REPOS	OTHER PURPOSES
Banks	-	-	-
Financial companies	-	3,169	-
Insurance	-	-	-
Non-financial companies	-	3,434	-
Other entities	-	1,409,862	53
Total nominal value	**-**	**1,416,465**	**53**

Part C - Income statement

Part C - Income statement (Amounts in € thousand)

Section 1 - Interest income and expense - Items 10 and 20

1.1 Interest income and similar revenues: breakdown

ITEMS/TYPE	DEBT SECURITIES	LOANS	OTHER TRANSACTIONS	2014	2013
1. Financial assets held for trading	1	-	-	1	3
2. Available-for-sale financial assets	14,922	-	-	14,922	1,798
3. Held-to-maturity investments	-	-	-	-	-
4. Loans and receivables with banks	145,526	90,356	-	235,882	266,077
5. Loans and receivables with customers	-	28,793	-	28,793	26,155
6. Financial assets designated at fair value through profit or loss	5	-	-	5	84
7. Hedging derivatives	-	-	2,658	2,658	-
8. Other assets	-	-	76	76	48
Total interest income	**160,454**	**119,149**	**2,734**	**282,337**	**294,165**

Interest accrued on impaired assets, relating exclusively to the item Loans and receivables with customers, amounted to €446 thousand (€343 thousand as at December 31, 2013).

1.2 Interest income and similar revenues: hedging differentials

ITEMS	2014	2013
A. Positive hedging differentials	97,850	141,095
B. Negative hedging differentials	(95,192)	(146,503)
C. Balance (A-B)	**2,658**	**(5,408)**

1.3 Interest income and similar revenues: other information

No information to report.

1.3.1 Interest income from financial assets denominated in currency

ITEMS/TYPE	2014	2013
Interest income on foreign currency financial assets	8,076	7,994

1.3.2 Interest income on finance lease transactions

No data to report.

1.4 Interest expense and similar charges: breakdown

ITEMS/TYPE	PAYABLES	SECURITIES	OTHER TRANSACTIONS	2014	2013
1. Deposits from central banks	-	-	-	-	-
2. Deposits from banks	(4,589)	-	-	(4,589)	(9,621)
3. Deposits from customers	(49,500)	-	-	(49,500)	(78,920)
4. Debt securities in issue	-	-	-	-	(19,936)
5. Financial liabilities held for trading	-	-	-	-	-
6. Financial liabilities at fair value through profit or loss	-	-	-	-	-
7. Other liabilities and provisions	-	-	(1)	(1)	(2)
8. Hedging derivatives	-	-	-	-	(5,408)
Total	**(54,089)**	**-**	**(1)**	**(54,090)**	**(113,887)**

1.5 Interest expenses and similar charges: hedging differentials

This table has been omitted as the balance of hedging differentials is positive (please refer to the above table 1.2).

1.6 Interest expense and similar charges: other information

No information to report.

1.6.1 Interest expense on liabilities denominated in currency

ITEMS/TYPE	2014	2013
Interest expense on liabilities denominated in currency	(1,130)	(956)

1.6.2 Interest expense on finance leases

No data to report.

Section 2 - Fee and commission income and expense - Items 40 and 50

2.1 Fee and commission income: breakdown

TYPE OF SERVICE/AMOUNT	2014	2013
(a) guarantees given	68	67
(b) credit derivatives	-	-
(c) management, brokerage and consulting services:	371,705	322,919
1. securities trading	75,271	68,271
2. currency trading	-	-
3. portfolio management	-	-
3.1. individual	-	-
3.2. collective	-	-
4. custody and administration of securities	868	640
5. custodian bank	-	-
6. placement of securities	26,206	29,664
7. reception and transmission of orders	12,652	9,958
8. advisory services	17,514	11,048
8.1. related to investments	17,514	11,048
8.2. related to financial structure	-	-
9. distribution of third-party services:	239,194	203,338
9.1. portfolio management	211,327	182,093
9.1.1 individual	105	1,515
9.1.2 collective	211,222	180,578
of which maintenance commissions for UCIT units	209,671	179,340
9.2. insurance products	27,835	21,235
9.3. other products	32	10
(d) collection and payment services	27,890	26,421
(e) securitisation servicing	-	-
(f) factoring	-	-
(g) tax collection services	-	-
(h) management of multilateral trading systems	-	-
(i) management of current accounts	5,379	5,861
(j) other services	4,786	4,363
Total	**409,828**	**359,631**

As of December 31, 2014, maintenance commissions earned by product companies following the placement of units of UCITS are presented in section 9.1.2 “collective portfolio management”. For comparison purposes, 2013 commissions were restated, for an amount of €179,340 thousand.

2.2 Fee and commission income: distribution channels for products and services

CHANNEL/AMOUNT	2014	2013
(a) at own branches:	**-**	**-**
1. portfolio management	-	-
2. placement of securities	-	-
3. third-party services and products	-	-
(b) cold-calling:	**195,092**	**174,334**
1. portfolio management	148,553	130,734
2. placement of securities	18,883	22,624
3. third-party services and products	27,656	20,976
(c) other distribution channels:	**70,308**	**58,668**
1. portfolio management	62,774	51,359
2. placement of securities	7,323	7,040
3. third-party services and products	211	269
Total	**265,400**	**233,002**

As of December 31, 2014, maintenance commissions earned by product companies following the placement of units of UCITS are presented in section 1. “portfolio management”. For comparison purposes, 2013 commissions were restated, for an amount of €127,981 thousand in relation to products offered off-site and €51,359 for products offered through other distribution channels.
The fee and commission income described in point (c) “other distribution channels” refer to commissions earned through the online channel and also include fees and commissions collected by product companies and placement and maintenance commissions from the online subscription of units of UCITS and insurance products.

Part C - Income statement (Continued)

2.3 Fee and commission expense: breakdown

SERVICE/AMOUNT	2014	2013
(a) guarantees received	(27)	(30)
(b) credit derivatives	-	-
(c) management and brokerage services:	(195,090)	(173,995)
1. securities trading	(6,870)	(6,046)
2. currency trading	(175)	(375)
3. portfolio management	-	-
3.1 own	-	-
3.2 delegated to third parties	-	-
4. custody and administration of securities	(4,032)	(3,713)
5. placement of financial instruments	-	-
6. cold-calling to offer securities, products and services	(184,013)	(163,861)
(d) collection and payment services	(16,675)	(15,606)
(e) other services	(314)	(322)
(f) securities lending transactions	(1,978)	(2,942)
Total	**(214,084)**	**(192,895)**

Section 3 - Dividend income and similar revenue - Item 70

3.1 Dividend income and similar revenue: breakdown

	2014		2013	
ITEM/INCOME	DIVIDENDS	INCOME FROM UNITS IN INVESTMENT FUNDS	DIVIDENDS	INCOME FROM UNITS IN INVESTMENT FUNDS
A. Financial assets held for trading	4	-	3	-
B. Available-for-sale financial assets	-	-	-	-
C. Financial assets designated at fair value through profit or loss	-	-	-	-
D. Equity investments	-	X	-	X
Total	**4**	**-**	**3**	**-**

Section 4 - Gains (losses) on financial assets and liabilities held for trading - Item 80

4.1 Gains (losses) on financial assets and liabilities held for trading: breakdown - As at December 31, 2014

TRANSACTION/INCOME ITEM	UNREALISED GAINS (A)	REALISED PROFITS (B)	UNREALISED LOSSES (C)	REALISED LOSSES (D)	NET PROFIT (LOSS) [(A+B)-(C+D)]
1. Financial assets held for trading	**3**	**78,294**	**-**	**(72,755)**	**5,542**
1.1 Debt securities	-	46	-	(13)	33
1.2 Equity instruments	3	78,246	-	(72,728)	5,521
1.3 Units in investment funds	-	2	-	(14)	(12)
1.4 Loans	-	-	-	-	-
1.5 Other	-	-	-	-	-
2. Financial liabilities held for trading	**-**	**41**	**-**	**-**	**41**
2.1 Debt securities	-	-	-	-	-
2.2 Payables	-	-	-	-	-
2.3 Other	-	41	-	-	41
3. Other financial assets and liabilities: exchange differences	**X**	**X**	**X**	**X**	**4,282**
4. Derivatives	**2,306**	**24,183**	**(2,259)**	**(13,774)**	**19,854**
4.1 Financial derivatives:	2,306	24,183	(2,259)	(13,774)	19,854
- On debt securities and interest rates	16	305	(10)	(139)	172
- On equity securities and share indices	2,290	23,462	(2,249)	(13,475)	10,028
- On currency and gold	X	X	X	X	9,398
- Other	-	416	-	(160)	256
4.2 Credit derivatives	-	-	-	-	-
Total	**2,309**	**102,518**	**(2,259)**	**(86,529)**	**29,719**

4.1 Gains (losses) on financial assets and liabilities held for trading: breakdown - As at December 31, 2013

TRANSACTION/INCOME ITEM	UNREALISED GAINS (A)	REALISED PROFITS (B)	UNREALISED LOSSES (C)	REALISED LOSSES (D)	NET PROFIT (LOSS) [(A+B)-(C+D)]
1. Financial assets held for trading	**4**	**78,207**	**(70)**	**(63,474)**	**14,667**
1.1 Debt securities	-	183	(4)	(19)	160
1.2 Equity instruments	4	71,139	(2)	(63,454)	7,687
1.3 Units in investment funds	-	1	(64)	(1)	(64)
1.4 Loans	-	-	-	-	-
1.5 Other	-	6,884	-	-	6,884
2. Financial liabilities held for trading	**-**	**92**	**-**	**(9)**	**83**
2.1 Debt securities	-	-	-	-	-
2.2 Payables	-	-	-	-	-
2.3 Other	-	92	-	(9)	83
3. Other financial assets and liabilities: exchange differences	**X**	**X**	**X**	**X**	**2,699**
4. Derivatives	**1,863**	**10,730**	**(1,780)**	**(5,752)**	**10,488**
4.1 Financial derivatives:	1,863	10,730	(1,780)	(5,752)	10,488
- On debt securities and interest rates	116	2	(108)	(2)	8
- On equity securities and share indices	1,747	10,627	(1,672)	(5,691)	5,011
- On currency and gold	X	X	X	X	5,427
- Other	-	101	-	(59)	42
4.2 Credit derivatives	-	-	-	-	-
Total	**1,867**	**89,029**	**(1,850)**	**(69,235)**	**27,937**

Section 5 - Fair value adjustments in hedge accounting - Item 90

5.1 Fair value adjustments in hedge accounting: breakdown

INCOME ITEM/AMOUNT	2014	2013
A. Gains on:		
A.1 Fair value hedging instruments	200,331	232,935
A.2 Hedged asset items (in fair value hedge relationship)	28,503	125,734
A.3 Hedged liability items (in fair value hedge relationship)	42,654	-
A.4 Cash-flow hedging derivatives	-	-
A.5 Assets and liabilities denominated in currency	-	-
Total gains on hedging activities (A)	**271,488**	**358,669**
B. Losses on:		
B.1 Fair value hedging instruments	(192,428)	(228,548)
B.2 Hedged asset items (in fair value hedge relationship)	(65,782)	(4,156)
B.3 Hedged liability items (in fair value hedge relationship)	(13,278)	(125,965)
B.4 Cash-flow hedging derivatives	-	-
B.5 Assets and liabilities denominated in currency	-	-
Total losses on hedging activities (B)	**(271,488)**	**(358,669)**
C. Fair value adjustments in hedge accounting (A-B)	**-**	**-**

Part C - Income statement (Continued)

Section 6 - Gains (Losses) on disposals/repurchases - Item 100

6.1 Gains (Losses) on disposals/repurchases: breakdown

ITEM/INCOME ITEM	2014			2013		
	PROFIT	LOSS	NET PROFIT (LOSS)	PROFIT	LOSS	NET PROFIT (LOSS)
Financial assets						
1. Loans and receivables with banks	78,806	(29,646)	49,160	52,446	-	52,446
2. Loans and receivables with customers	-	-	-	-	-	-
3. Available-for-sale financial assets	-	-	-	-	-	-
3.1 Debt securities	-	-	-	-	-	-
3.2 Equity instruments	-	-	-	-	-	-
3.3 Units in investment funds	-	-	-	-	-	-
3.4 Loans	-	-	-	-	-	-
4. Held-to-maturity investments	-	-	-	-	-	-
Total assets	**78,806**	**(29,646)**	**49,160**	**52,446**	**-**	**52,446**
Financial liabilities						
1. Deposits from banks	-	-	-	-	-	-
2. Deposits from customers	-	-	-	-	-	-
3. Debt securities in issue	29,408	(78,571)	(49,163)	-	(52,481)	(52,481)
Total liabilities	**29,408**	**(78,571)**	**(49,163)**	**-**	**(52,481)**	**(52,481)**

Net gains and losses on disposals and repurchases, amounting to €-3 thousand, refer to securities issued by the Bank and classified in the “Loans and Receivables” portfolio, which were sold to UniCredit, and securities issued by the Bank and underwritten by UniCredit, which were repurchased by the Bank; these transactions are described in Section 6 - Loans and receivables with banks - Item 60 and in Section 3 - Debt securities in issue - Item 30.

Section 7 - Gains (losses) on financial assets and liabilities measured at fair value - Item 110

7.1 Gain (losses) on financial assets and liabilities measured at fair value through profit or loss: breakdown - As at December 31, 2014

TRANSACTION/INCOME ITEM	UNREALISED GAINS (A)	REALISED PROFITS (B)	UNREALISED LOSSES (C)	REALISED LOSSES (D)	NET PROFIT (LOSS) [(A+B)-(C+D)]
1. Financial assets	**-**	**19**	**-**	**(1)**	**18**
1.1 Debt securities	-	19	-	(1)	18
1.2 Equity instruments	-	-	-	-	-
1.3 Units in investment funds	-	-	-	-	-
1.4 Loans	-	-	-	-	-
2. Financial liabilities	**-**	**-**	**-**	**-**	**-**
2.1 Debt securities	-	-	-	-	-
2.2 Deposits from banks	-	-	-	-	-
2.3 Deposits from customers	-	-	-	-	-
3. Financial assets and liabilities in foreign currency: exchange differences	**X**	**X**	**X**	**X**	**-**
4. Credit and financial derivatives	**-**	**-**	**-**	**-**	**-**
Total	**-**	**19**	**-**	**(1)**	**18**

7.1 Gain (losses) on financial assets and liabilities measured at fair value through profit or loss: breakdown - As at December 31, 2013

TRANSACTION/INCOME ITEM	UNREALISED GAINS (A)	REALISED PROFITS (B)	UNREALISED LOSSES (C)	REALISED LOSSES (D)	NET PROFIT (LOSS) [(A+B)-(C+D)]
1. Financial assets	**128**	**391**	**-**	**(178)**	**341**
1.1 Debt securities	128	391	-	(178)	341
1.2 Equity instruments	-	-	-	-	-
1.3 Units in investment funds	-	-	-	-	-
1.4 Loans	-	-	-	-	-
2. Financial liabilities	**-**	**-**	**-**	**-**	**-**
2.1 Debt securities	-	-	-	-	-
2.2 Deposits from banks	-	-	-	-	-
2.3 Deposits from customers	-	-	-	-	-
3. Financial assets and liabilities in foreign currency: exchange differences	**X**	**X**	**X**	**X**	**-**
4. Credit and financial derivatives	**-**	**-**	**-**	**-**	**-**
Total	**128**	**391**	**-**	**(178)**	**341**

Section 8 - Impairment losses - Item 130

8.1 Impairment losses on loans and receivables: breakdown

	IMPAIRMENTS (1)			WRITE-BACKS (2)					
	MICRO			MICRO		MACRO			
TRANSACTION/INCOME ITEM	WRITE-OFFS	OTHER	MACRO	A	B	A	B	2014	2013
A. Loans and receivables with banks	-	-	-	-	-	-	-	-	-
- Loans	-	-	-	-	-	-	-	-	-
- Debt securities	-	-	-	-	-	-	-	-	-
B. Loans and receivables with customers	(88)	(4,510)	(505)	188	1,076	-	615	(3,224)	(3,275)
Impaired related to purchase agreements	-	-		-	-	-		-	-
- Loans	-	-	X	-	-	-	X	-	-
- Debt securities	-	-	X	-	-	-	X	-	-
Other loans	(88)	(4,510)	(505)	188	1,076	-	615	(3,224)	(3,275)
- Loans	(88)	(4,510)	(505)	188	1,076	-	615	(3,224)	(3,275)
- Debt securities	-	-	-	-	-	-	-	-	-
C. Total	**(88)**	**(4,510)**	**(505)**	**188**	**1,076**	**-**	**615**	**(3,224)**	**(3,275)**

Key:
A = From interest. - B = Other write-backs.

8.2 Impairment losses on available for sale financial assets: breakdown

No data to report.

8.3 Impairment losses on held-to-maturity investments: breakdown

No data to report.

8.4 Impairment losses on other financial transactions: breakdown

	IMPAIRMENTS (1)			WRITE-BACKS (2)					
	MICRO			MICRO		MACRO			
TRANSACTION/INCOME ITEM	WRITE-OFFS	OTHER	MACRO	A	B	A	B	2014	2013
A. Guarantees given	-	(1,416)	-	-	-	-	-	(1,416)	(5,885)
B. Credit derivatives	-	-	-	-	-	-	-	-	-
C. Commitments to disburse funds	-	-	-	-	-	-	-	-	-
D. Other transactions	-	-	-	-	44	-	-	44	-
E. Total	**-**	**(1,416)**	**-**	**-**	**44**	**-**	**-**	**(1,372)**	**(5,885)**

Key:
A = From interest. - B = Other write-backs.

Part C - Income statement (Continued)

Section 9 - Administrative costs - Item 150

9.1 Payroll costs: breakdown

TYPE OF EXPENSE/AMOUNT	2014	2013
1) Employees	(67,613)	(61,283)
a) wages and salaries	(44,928)	(41,721)
b) social security contributions	(11,934)	(11,323)
c) employee severance fund	(871)	(803)
d) pension costs	-	-
e) allocation to employee severance pay provision	(135)	(139)
f) provision for retirements and similar provisions		
- defined contribution	-	-
- defined benefit	-	-
g) payments to external pension funds		
- defined contribution	(2,375)	(2,276)
- defined benefit	-	-
h) costs related toshare-based payments	(3,799)	(465)
i) other employee benefits	(3,571)	(4,556)
2) Other staff	(133)	(101)
3) Directors and statutory auditors	(976)	(864)
4) Early retirement costs	-	-
5) Recovery of expenses for employees seconded to other companies	195	71
6) Recovery of expenses for employees seconded to the company	(624)	(1,161)
Total	**(69,151)**	**(63,338)**

Sub-item h) “costs related to share-based payments”, includes costs incurred by FinecoBank in relation to payment agreements based on financial instruments issued by FinecoBank and UniCredit.

9.2 Average number of employees by category

	2014	2013
Employees	**982**	**949**
(a) executives	23	21
(b) managers	275	259
(c) remaining employees	684	669
Other personnel	**17**	**17**

9.3 Pensions and other post-retirement defined-benefit obligations costs and revenues

No data to report.

9.4 Other employee benefits

TYPE OF EXPENSE/AMOUNT	2014	2013
Leaving incentives	(122)	(291)
Medical plan	(727)	(728)
Luncheon vouchers	(796)	(761)
Seniority premiums	(249)	(1,554)
Other	(1,677)	(1,222)
Total	**(3,571)**	**(4,556)**

9.5 Other administrative expenses: breakdown

	2014	2013
1) INDIRECT TAXES AND DUTIES	(80,256)	(59,389)
2) MISCELLANEOUS COSTS AND EXPENSES		
A) Advertising expenses - Marketing and communication	**(20,149)**	**(19,541)**
Mass media campaigns	(14,986)	(13,903)
Marketing and promotions	(5,110)	(5,566)
Sponsorships	(33)	(46)
Conventions and internal communications	(20)	(26)
B) Expenses related to credit risk	**(1,039)**	**(914)**
Credit recovery expenses	(455)	(495)
Commercial information and company searches	(584)	(419)
C) Expenses related to personnel	**(22,812)**	**(12,663)**
Personnel training	(357)	(361)
Car rental and other payroll costs	(47)	(51)
Personal financial advisor expenses	(21,824)	(11,724)
Travel expenses	(522)	(457)
Premises rentals for personnel	(62)	(70)
D) ICT expenses	**(28,320)**	**(29,458)**
Lease of ICT equipment and software	(4,135)	(5,083)
Software expenses: lease and maintenance	(5,555)	(6,441)
ICT communication systems	(3,849)	(3,996)
ICT services: external personnel/outsourced services	(7,079)	(6,685)
Financial information providers	(7,702)	(7,253)
E) Consulting and professional services	**(6,320)**	**(3,023)**
Consultancy for ordinary operations	(762)	(886)
Consultancy for strategy, business development and organisational optimisation	(2,229)	(45)
Legal expenses	(1,261)	(11)
Legal disputes	(2,068)	(2,081)
F) Real estate expenses	**(19,997)**	**(21,646)**
Real estate services	(685)	(685)
Repair and maintenance of furniture, machinery, and equipment	(1,137)	(159)
Maintenance of premises	(760)	(1,294)
Premises rentals	(14,991)	(16,428)
Cleaning of premises	(485)	(485)
Utilities	(1,939)	(2,595)
G) Other functioning costs	**(29,296)**	**(28,002)**
Surveillance and security services	(291)	(295)
Money counting services and transport	(1)	(1)
Postage and transport of documents	(2,827)	(3,048)
Administrative and logistic services	(14,323)	(13,711)
Insurance	(3,522)	(3,892)
Printing and stationery	(685)	(747)
Association dues and fees	(7,371)	(6,078)
Other administrative expenses	(276)	(230)
Total	**(208,189)**	**(174,636)**

Charges related to the listing project, amounting to €5,419 thousand, were mainly included in items “Legal expenses”, “Consultancy for strategy, business development and organizational optimization”, “Association duties and fees” and “Advertising expenses – Marketing and communication”.

Part C - Income statement (CONTINUED)

Section 10 - Net provisions for risks and charges - Item 160

10.1 Net provisions for risks and charges: breakdown

	2014			2013		
	PROVISIONS	REALLOCATIONS	TOTAL	PROVISIONS	REALLOCATIONS	TOTAL
Legal disputes	(14,260)	11,572	(2,688)	(21,690)	11,713	(9,977)
Supplementary customer indemnity provision	(3,713)	-	(3,713)	(3,031)	-	(3,031)
Other provisions for risks and charges	(1,097)	2,793	1,696	(2,147)	3,030	883
Total	**(19,070)**	**14,365**	**(4,705)**	**(26,868)**	**14,743**	**(12,125)**

Section 11 - Impairments/write-backs on property, plant and equipment - Item 170

11.1 Impairment/write-backs on property, plant and equipment: breakdown

ASSET/INCOME ITEM	DEPRECIATION (A)	WRITE-DOWNS FOR IMPAIRMENT (B)	WRITE-BACKS (C)	NET PROFIT (LOSS) 2014 (A+B-C)	NET PROFIT (LOSS) 2013
A. Property, plant and equipment					
A.1 Owned	(4,022)	(14)	-	(4,036)	(3,424)
- Used in the business	(3,909)	(14)	-	(3,923)	(3,312)
- Held for investment	(113)	-	-	(113)	(112)
A.2 Finance lease	-	-	-	-	
- Used in the business	-	-	-	-	-
- Held for investment	-	-	-	-	-
Total	**(4,022)**	**(14)**	**-**	**(4,036)**	**(3,424)**

Impairment losses were recognised in the year for insignificant amounts and mainly in relation to office furniture and fittings for which a zero value in use was determined.
Percent depreciation rates applied during the reporting period:
- 3% instrumental properties
- 15% fittings
- 15% miscellaneous plant and equipment
- 12% furniture and ordinary machines
- 20% EDP machines
- 20% mobile phones and television camera systems
- 30% alarm and security systems
- 7.5% hoisting equipment and systems
- 25% motor vehicles

Section 12 - Impairments/write-backs on intangible assets - Item 180

12.1 Impairment on intangible assets: breakdown

ASSET/INCOME ITEM	AMORTIZATION (A)	WRITE-DOWNS FOR IMPAIRMENT (B)	WRITE-BACKS (C)	NET PROFIT (LOSS) 2014 (A+B-C)	NET PROFIT (LOSS) 2013
A. Intangible assets					
A.1 Owned	(4,773)	-	-	(4,773)	(4,657)
- Generated internally by the Company	-	-	-	-	-
- Other	(4,773)	-	-	(4,773)	(4,657)
A.2 Finance lease					
Total	**(4,773)**	**-**	**-**	**(4,773)**	**(4,657)**

Impairments on intangible assets relate to software, amortised over three years and the costs incurred to create the new Fineco website, amortised over 5 years.

For the disclosures required by IAS 36 paragraph 134, d), e), f) and 135, c), d), e), see Part B paragraph 12.3 Other information.

Section 13 - Other net operating income - Item 190

13.1 Other operating expenses: breakdown

TYPE/AMOUNT	2014	2013
Refunds and allowances	(284)	(288)
Penalties, fines and unfavourable rulings	(2,642)	(2,665)
Improvements and incremental expenses incurred on leasehold properties	(3,122)	(2,778)
Improvements and incremental expenses incurred on group properties	(7)	(13)
Exceptional write-downs of assets	(1,008)	(847)
Other operating expense	(1,208)	(397)
Total	**(8,271)**	**(6,988)**

Exceptional write-downs of assets include costs incurred for credit card fraud of €966 thousand (€758 thousand as at December 31, 2013).

13.2 Other operating income: breakdown

TYPE/AMOUNT	2014	2013
Recovery of costs:	77,170	56,996
- ancillary expenses - other	319	166
- taxes	76,851	56,830
Rental income from real estate investments	231	230
Other income from current year	2,324	3,782
Total	**79,725**	**61,008**

Section 14 - Profit (loss) of associates - Item 210

14.1 Profit (Loss) of associates: breakdown

No data to report.

Section 15 - Gains (losses) on tangible and intangible assets measured at fair value - Item 220

15.1 Net gains (losses) on property, plant and equipment and intangible assets measured at fair value: breakdown

No data to report.

Section 16 - Impairment of goodwill - Item 230

16.1 Impairment of goodwill: breakdown

No data to report.

Part C - Income statement (Continued)

Section 17 - Gains (losses) on disposal of investments - Item 240

17.1 Gains (losses) on disposal of investments: composition

INCOME ITEM/AMOUNT	2014	2013
A. Properties		
- Gains on disposal	-	-
- Losses on disposal	-	-
B. Other assets		
- Gains on disposal	-	-
- Losses on disposal	(4)	(6)
Net profit (loss)	**(4)**	**(6)**

Section 18 - Tax expense (income) related to profit or loss from continuing operations - Item 260

18.1 Tax expense (income) related to profit or loss from continuing operations: breakdown

INCOME ITEM/AMOUNT	2014	2013
1. Current tax (-)	(76,944)	(72,983)
2. Adjustment to current tax of prior years (+/-)	-	(2,500)
3. Reduction of current tax for the year (+)	-	-
3.bis Reduction of current tax for the year due to tax receivables pursuant to Law 214/2011 (+)	-	-
4. Changes in deferred tax assets (+/-)	(1,546)	121
5. Changes in deferred tax liabilities (+/-)	(1,333)	(1,355)
6. Tax expense for the period (-) (-1+/-2+3+/-4+/-5)	(79,823)	(76,717)

18.2 Reconciliation of theoretical tax charge to actual tax charge

	2014	2013
Profit before tax	229,730	161,933

	IRES INCOME TAX	IRAP TAX	2014	2013
Amount corresponding to theoretical tax rate	**(63,176)**	**(12,796)**	**(75,972)**	**(67,316)**
+ Tax effects of charges not relevant to the calculation of taxable income	3,673	(4,199)	(526)	(5,221)
- Tax effects of income not relevant to the calculation of taxable income	-	-	-	-
- Tax effects deriving from the use of tax losses from previous years	-	-	-	-
- Tax effects deriving from the application of substitute taxes	(446)	-	(446)	(446)
Amount corresponding to actual tax rate	**(59,949)**	**(16,995)**	**(76,944)**	**(72,983)**

Section 19 - Profit (Loss) after tax from discontinued operations - Item 280

19.1 Profit (Loss) after tax from discontinued operations: breakdown

No data to report.

19.2 Breakdown of tax on discontinued operations

No data to report.

Section 20 - Other information

1.1 Designation of Parent Company

UniCredit S.p.A.
Rome Register of Companies
Registered in the Register of Banking Groups and Parent Company of the UniCredit Banking Group with code 2008.1

1.2 Registered Office of Parent Company

Registered Office: Rome, Via A. Specchi, 16 -
Head Office: Milan, Piazza Gae Aulenti

1.3 Key figures for the Parent Company (income statement, balance sheet, structure)

The Bank is subject to management and coordination of UniCredit S.p.A.; therefore, in accordance with Article 2497 bis, paragraph 4 of the Italian Civil Code the key figures of the last approved financial statements of the parent company are provided below:

UniCredit S.p.A. – Reclassified balance sheet as at December 31, 2013

(Amounts in € million)

ASSETS	12.31.2013
Cash and cash balances	3,227
Financial assets held for trading	12,254
Loans and receivables with banks	21,869
Loans and receivables with customers	231,171
Financial investments	97,716
Hedging instruments	7,858
Property, plant and equipment	2,666
Goodwill	-
Other intangible assets	1
Tax assets	14,766
Non-current assets and disposal groups classified as held for sale	368
Other assets	6,411
Total assets	**398,307**

(Amounts in € million)

LIABILITIES AND SHAREHOLDERS' EQUITY	12.31.2013
Deposits from banks	47,379
Deposits from customers and debt securities in issue	270,751
Financial liabilities held for trading	10,804
Financial liabilities at fair value through profit and loss	-
Hedging instruments	8,141
Provisions for risks and charges	2,284
Tax liabilities	862
Liabilities included in disposal groups classified as held for sale	-
Other liabilities	12,008
Shareholders' equity	46,078
- capital and reserves	*57,290*
- revaluation reserves for available-for-sale financial assets - cash flow hedges - from defined benefit plans	*389*
- net profit (loss)	*(11,601)*
Total liabilities and shareholders' equity	**398,307**

Part C - Income statement (CONTINUED)

UniCredit S.p.A. – Condensed Income Statement 2013

(Amounts in € million)

	2013
Net interest	3,994
Dividends and other income from equity investments	3,180
Net fee and commission income	3,487
Net trading, hedging and fair value income	355
Net other expenses/income	32
OPERATING INCOME	**11,048**
Payroll costs	(3,245)
Other administrative expenses	(2,739)
Recovery of expenses	544
Amortization, depreciation and impairment losses on intangible and tangible assets	(166)
Operating costs	**(5,606)**
GROSS OPERATING PROFIT (LOSS)	**5,442**
Net write-downs of loans and provisions for guarantees and commitments	(9,915)
NET OPERATING PROFIT (LOSS)	**(4,473)**
Provisions for risks and charges	(665)
Integration costs	(153)
Net income from investments	(5,866)
COGROSS PROFIT (LOSS) FROM CONTINUING OPERATIONS	**(11,157)**
Income tax for the year	2,371
Goodwill impairment	**(2,815)**
PROFIT (LOSS) AFTER TAX	**(11,601)**

1.4 Disclosure of auditing fees pursuant to art. 160 paragraph 1 bis of Italian Legislative Decree 58/98

The table below provides details of the fees (net of VAT and expenses) paid to the auditing firm Deloitte & Touche S.p.A. and entities within the network that the auditing firm belongs to.

(Amounts in €)

TYPE OF SERVICE	SERVICE PROVIDER	FEES
Audit	Deloitte & Touche S.p.A.	154,285
Other services	Deloitte & Touche S.p.A.	330,000
		484,285

Other services relate to certification services provided as part of the process of admission to listing of the Bank's ordinary shares and the related global offering for their sale.

Section 21 - Earnings per share

21.1 Average number of diluted shares

Basic earnings per share are calculated by dividing the net profit by the average number of ordinary shares outstanding during the year (note that the number of ordinary shares outstanding is the same during the years presented).

	12.31.2014	12.31.2013
Net Profit for the year (€ thousands)	149,907	85,216
Average number of outstanding shares	606,274,033	606,274,033
Average number of outstanding shares (including potential ordinary shares with dilution effect)	608,143,928	606,274,033
Basic Earnings Per Share	**0.25**	**0.14**
Diluted Earnings Per Share	**0.25**	**0.14**

21.2 Other information

No data to report.

Part D - Comprehensive income

Part D - Comprehensive income (Amounts in € thousand)

Statement of comprehensive income

	ITEMS	GROSS AMOUNT	INCOME TAX	NET AMOUNT
10.	**Profit (loss) for the year**	**X**	**X**	**149,907**
	Other comprehensive income without reclassification through profit or loss			
20.	Property, plant and equipment	-	-	-
30.	Intangible assets	-	-	-
40.	Defined benefit plans	(9,808)	3,168	(6,640)
50.	Non current assets classified as held for sale	-	-	-
60.	Revaluation reserve from investments accounted for using the equity method	-	-	-
	Other comprehensive income with reclassification through profit or loss			
70.	**Hedges of foreign investments:**			
	a) fair value changes	-	-	-
	b) reclassification through profit or loss	-	-	-
	c) other variations	-	-	-
80.	**Exchange differences:**			
	a) fair value changes	-	-	-
	b) reclassification through profit or loss	-	-	-
	c) other variations	-	-	-
90.	**Cash flow hedges:**			
	a) fair value changes	-	-	-
	b) reclassification through profit or loss	-	-	-
	c) other variations	-	-	-
100.	**Available-for-sale financial assets:**			
	a) fair value changes	7,098	(2,348)	4,750
	b) reclassification through profit or loss			
	- due to impairment	-	-	-
	- gains/losses on disposals	(94)	31	(63)
	c) other variations	-	-	-
110.	**Noncurrent assets classified held for sale:**			
	a) fair value changes	-	-	-
	b) reclassification through profit or loss	-	-	-
	c) other variations	-	-	-
120.	**Revaluation reserve from investments accounted for using the equity method**			
	a) fair value changes	-	-	-
	b) reclassification through profit or loss			
	- due to impairment	-	-	-
	- gains/losses on disposals	-	-	-
	c) other variations	-	-	-
130.	**Other comprehensive income after tax**	**(2,804)**	**851**	**(1,953)**
140.	**Comprehensive income (item 10+130)**			**147,954**

Part E - Information on risks and hedging policies

Part E - Information on risks and hedging policies

(Amounts in € thousand)

Introduction

In order to ensure lean and efficient management of risks, the risk management process is structured in accordance with the organizational choices made by the Group and the provisions of the Supervisory Instructions for Banks pertaining to the internal control system.
Risk management and control is performed by the Risk Management function of the Bank in collaboration with the same function of the Parent Company, which performs its role of guidance, coordination and control of risks at Group level. The organizational model considers a specific point of reference for Italy through the Chief Risk Officer function (CRO) of the Parent Company, to which has been assigned the responsibilities related to credit risks, operational risks and reputational risks of the Italian perimeter, as well as the managerial coordination of Risk Management functions in the Italian Legal Entities - among which FinecoBank - have been assigned.
FinecoBank is responsible for first and second-level monitoring, especially for verifying that the risk level of individual companies is compatible with the guidelines set by the Parent Company, individual company equity, and prudential supervisory rules.

As an aid to the reader, an explanatory glossary of terms used is provided at the end of this section.

In addition, it is noted that the "Disclosure by Institutions" (Pillar III Basel 3), required by Regulation (EU) 575/2013, is published on FinecoBank's website (www.fineco.it).

Organizational structure

The Board of Directors of FinecoBank ("Board") is tasked with setting the strategic policies and the guidelines for the organizational and operational structures, overseeing and monitoring their timely execution within the risk profiles of assigned. The Board is responsible for promoting a company culture that empowers controls, in compliance with the indications and principles contained in the Supervisory Instructions, setting and approving strategies for identifying and evaluating risk, and approving the strategic guidelines and risk management policies. The Board also verifies that the internal control structure is consistent with the risk tolerance established and approves policies for the management of risks. On June 5, 2014, the Board of Directors identified one of its members, Mr. Alessandro Foti, as the director designated by the institution as responsible for maintaining an effective internal control and risk management system ("Designated Director").

The Managing Director and General Manager has been assigned specific powers by the Board of Directors in all the Bank's areas of activity. These powers are to be exercised in accordance with the applicable regulations and within the limits of the Parent Company directives and the policies, instructions, limits, risk assumption procedures and using the operational methods governed by the applicable information notices. The Managing Director and General Manager puts in place the necessary measures to ensure the establishment and maintenance of an efficient and effective internal control system.

The CRO Department, in line with the instructions and the guidelines of the Parent Company, is responsible for credit operations and risk management. The disclosure, at various levels, is provided by the Strategic Bodies and Officers (Managing Director and General Manager, Board of Directors, Audit Committee and Risk Committee). In relation to the Basel II Pillar 2 instructions, reputational and business risk and, in collaboration with the CFO, liquidity risk are also monitored and reported.
The CRO and the CFO are responsible for proposing and adapting the Group Risk Appetite Framework to FinecoBank and setting risk management strategies and policies, in line with the Bank's strategies and objectives, coordinating and monitoring their implementation by the units responsible, also in the various company areas.
The CRO Department ensures the control of the Bank's overall risk profile monitoring the various types of exposure, in accordance with the methods established by the Parent Company.

The Risk Management Unit prevents and monitors different components of Bank risks. The function specifically controls credit, market and operational risks to which the Bank is exposed. The Risk Management function also monitors business, reputational and liquidity risk. The Risk Management Unit supports the CRO, in the area of responsibility of the Department, in monitoring and reporting to the Strategic Bodies and Officers.

Given the complexity of the Bank's activities and the significant risks involved, the Board of Directors of the Bank decided to establish an Audit Committee to carry out internal control tasks; the committee is made up of non-executive members of the same Board and its task is to carry out adequate investigations to support the Board of Directors in its assessments and decisions on the internal control system and risk management.

The corporate governance structure for operational risk involves the establishment of the Risks Committee, which defines the strategies for the mitigation and assessment of all types of risk, within the directives issued by the Parent Company, and approves and validates the internal procedures and operating manuals for operational risk.
Lastly, the participation by the Chief Risk Officer and Head of Risk Management in the Products Committee ensures oversight of the operational risk associated with the Bank's new business activities, as well as creating and disseminating a risk culture in the various functional areas.

Section 1 - Credit Risk

QUALITATIVE INFORMATION

1. General Matters
FinecoBank's objective is to provide an adequate range of products able to satisfy and encourage loyalty among customers, through a competitive and complete offer. The development of the products and of the product line must also seek to maintain portfolio quality and, in any event, adequate processes to monitor profitability.
Lending is expanded through the development of new products, or modification of existing ones, as well as through the protection of market share achieved. The factors that generate credit risk are determined by acceptance and creditworthiness polices, which are always adequately correlated to the risk/return ratio, and therefore remuneration of the product.

In line with the Risk Appetite established by the Group, FinecoBank sets the Credit Risk Strategies as an instrument for credit risk management. The Strategies focus on loans and receivables with customers and are aimed at reducing cost of risk and rates of default by setting the Target Risk and optimizing the loan portfolio.
The quality of the loan portfolio, which is constantly monitored and supported by risk mitigation instruments, is protected by scoring models that contribute to evaluation during the approval process, ensuring that it is consistent and controlled. In addition to adequate coverage of the risk levels, monitoring of the portfolio and its segmentation by product and seniority allow a better understanding of the best loan issue strategies. The identification of any high-risk areas permits intervention on the automated measurement systems as well as on disbursement standards, with the possibility to take measures to limit credit risk in advance.

In 2014, lending activity continued to focus on granting credit lines, mostly backed by assets, issuing credit cards with full payment of the balance at term to current account holders, and granting personal loans.

During the year, loans to ordinary customers grew due to an increased number of credit lines approved for the product "Fido con Mandato a Vendere su Amministrato e Sicav" (Credit line backed by assets under management and SICAVs, with mandate for selling): with this product, customers can obtain a credit line in proportion to the amount of securities they hold. The offering is designed to meet the liquidity needs of affluent customers to avoid divestitures.

Choices concerning the investment of the Bank's liquidity are governed by a prudential approach aimed at containing credit risk and mainly involve deposits with UniCredit S.p.A. and the subscription of bonds issued by the latter.

FinecoBank also issued and approved the policy "Issuer risk in bonds - Contingency Plan" aimed at defining principles and rules to efficiently and comprehensively evaluate, control and limit the issuer's risk associated with bonds in FinecoBank's banking portfolio. In accordance with the policy, FinecoBank Risk Management monitors a series of indicators to analyse the exposure of the Bank's portfolio to issuer risk; through this analysis it is possible to identify the emergence of abnormal situations and assess the need for corrective actions to avoid deterioration of the portfolio position.

2. Credit Risk Management Policy
2.1 Organizational aspects
The credit process can be broken down into the following stages:
- assessment of creditworthiness
- granting/disbursement of credit
- credit monitoring
- management of impaired loans
- risk measurement and control.

The assessment of creditworthiness entails ascertaining the ability of the borrower to repay. It is performed by specific centralised and specialist operating units in the various product lines disbursed to customers (personal loans, credit cards, credit lines). On receipt of the request, the offices in question assess the reliability of documentation, evaluate the equity and income situation, and gather information, also by consulting public records, private banks and system data such as the information contained in the Bank of Italy's risk center and in the Group archives.

In addition to an assessment of creditworthiness by the dedicated functions, credit approval also requires that they assess the compatibility of the request with the customer's overall situation, considering the amount requested and agreeing on a different amount with the customer, where necessary, evaluate and finalize guarantees, if any, linking them to credit lines and filing them according to specific processes. Lastly, the decision-making parties approve or reject the application on the basis of their powers or send the application to a higher decision-making body.

Credit monitoring is carried out on credit lines to check that the economic situation of the Customer and of the guarantor that resulted in the approval has not changed. This check may entail collecting updated system data and information, as well as information from private banks. Checks are carried out according to established processes at set intervals, and may vary according to the amount of the credit line granted.
In line with the general principles laid down by the Regulatory Authority, receivables are classified on the basis of the level of impairment, which may be established on the basis of qualitative or quantitative criteria.

Part E - Information on risks and hedging policies (Continued)

The management of impaired loans entails taking all action necessary to restore them to normality or to recover the credits in situations where the relationship cannot be continued. All of these measures are established by specific processes based on the type and amount of the past-due loan and the past-due period as well as taking into account any financial assets of the customer, which may be offered as collateral. Credit collection is performed through payment reminders directly carried out by FinecoBank as well as through reminders and debt recovery carried out by specialised, authorised external companies.
Lastly, management also entails forecasting losses on an individual basis, which is continuously updated based on the progress of recovery actions for the amounts due or based on information collected during the recovery actions.

The measurement and control of credit risk takes place at the assessment stage with the support of scoring tools that analyse the customers' socio-demographic profiles, making an assessment of individual counterparties on a statistical basis and supplementing the assessment, on one hand, with the support of credit bureaus for a better knowledge of public and private data and on the other hand, with information contained in the Bank of Italy's risk center.
Credit risk control is also performed through the systematic assessment of the performance of loan portfolios in order to estimate expected losses and intervene on disbursement policies where necessary.

2.1.1 Factors that generate Credit Risk

In the course of its credit business activities FinecoBank is exposed to the risk that its loans may, due to the deterioration of the debtor's financial condition, not be repaid at maturity, and thus result in a partial or full write-down. This risk is always inherent in traditional lending operations regardless of the form of the credit facility. The main reasons for default lie in the borrower's lack of autonomous ability to ensure the repayment of the debt.

In addition to the granting and disbursement of credit, FinecoBank is also exposed to counterparty risk for all the activities for all clearing and pre-clearing operations with the institutional and banking counterparties necessary to conduct the Bank's business. Counterparty risk is defined as the risk that a counterparty to one of the transactions is in default prior to the final settlement of the financial flows involved in the transaction. The counterparties in these transactions could default as a result of insolvency, political and economic events, lack of liquidity, operating problems or other reasons.
Other transactions involving counterparty risk are:

- entering into derivative contracts;
- purchasing and selling securities, futures, or currencies;
- holding third-party securities.

In addition, "Non-Traditional Credit Risk" is generated by leverage/short transactions conducted through securities lending. Leverage/short transactions conducted through securities lending, also when there are automatic stop losses performed within the margins, can generate credit risk if the security lacks liquidity (for example, in the case of dramatic events that affect the normal functioning of markets) and/or the margin is insufficient. To anticipate such events, scenario analyses are conducted periodically to assess the impacts and implement appropriate mitigation policies.

FinecoBank monitors and manages the specific risk of each counterparty and the overall risk of loan portfolios through procedures, structures and rules that steer, govern and standardize the assessment and management of credit risk, in line with the Group principles and best practice, and which are capable of extending their effectiveness to all phases of the economic cycle.

FinecoBank reports all information to the Parent Company that can help it in its assessment of each FIBS counterparty ("Financial Institutions, Banks and Sovereigns") that FinecoBank intends to have dealings with and with respect to whom a risk limit (ceiling) is to be set within which the Group intends to operate.
The assessment is conducted within the risk limits assigned to the counterparty's Economic Group, i.e. considering the Group's exposure towards all the parties legally and economically linked to the counterparty. At the end of the assessment, the Parent Company assigns FinecoBank a risk limit that has to be monitored.

2.2 Management, measurement and control system

The measurement of credit risk during the issue process is supported by automated assessment systems (so-called credit scoring systems). These systems also incorporate all available information and facts: public and private data provided by Credit rating bureaus, Risk Center data flows or information requests submitted to the Bank of Italy, Group archives with data relating to positions shared with other Group banks and other performance information on customers, historicised by FinecoBank. During the loan application process, attention is always focused on the possibility of optimizing all information concerning customers that has been provided by the Bank, the Group and the System.
The collection of any guarantees, their assessment and the margins between the fair value of the guarantee and the amount of the loan granted are a simple kind of support to risk mitigation, but there is no relevant positive correlation between the value of the financial guarantee and the applicant's creditworthiness.

The collective write-downs of the "performing" loan portfolio are determined using migration rates, through transition matrices, both from performing loans to non-performing loans and for each classification status (past due, doubtful, non-performing) by combining the default rates with the expected recovery rates individually calculated for non-performing loans and taking account of any supporting guarantees.

The global assessment of portfolio risks, in order to identify the sustainability of the asset and the remuneration margins, is made both with the assistance of a tool shared with the Parent Company (Credit Tableau de Bord), which contains all the main risk indicators and the largest receivables of those listed, and with the support of specific product reports that identify the trend of default rates, broken down by disbursement period and default level.

The monitoring of credit risk as part of the management of the trading book is conducted by breaking it down into rating class and issuer sector, which determine the implicit risk of contracts.

2.2.1 Credit Risk Strategies

The Group Credit Risk Strategies (GCRS) are one of the advanced instruments for managing credit risk. Consistent both with the budget process and industry expert views, the GCRS provide a set of guidelines and operative targets on the loan portfolio evolution (new business), aimed at improving the overall risk-return profile of the portfolio.
Based on the Group's risk appetite, FinecoBank identifies its own targets related to credit quality and profitability of its loan portfolio which are then defined in FinecoBank's risk appetite.
FinecoBank's Credit Risk Strategies focus on loans and receivables with customers. The objective is therefore to keep risk/default levels within the limits.
Credit risk strategies are set by using the main credit risk measures established by the Parent Company in order to correctly and prudentially manage credit portfolio risk.

2.3 Credit risk mitigation techniques

In order to mitigate risk when granting the different types of credit facilities, various types of collateral are obtained: liens on shares, bonds or investment funds, insurance contracts and government bonds are used to guarantee current account overdraft facilities, whilst the registration of first mortgages is quite rare.

2.4 Impaired loans

Loans are classified as past due, doubtful or non-performing in accordance with the criteria set forth by the Bank of Italy and the thresholds established by the Parent Company, with methods differing according to product type. Generally speaking, the classification of problem loans is usually objective, while the classification as non-performing, linked to the customer's insolvency, is always individual and defined on the basis of the progress of debt recovery actions.
The loss estimate for classified positions is also individual.
The classification criterion used for overdrawn accounts is related to the performance of debt recovery activity or the forced sale of securities to cover debts.
The restructuring of loans is only authorised if the amount past due has been paid in full in observance of the original payment schedule, or if considerable payments have been made leading the Bank to believe the debt exposure is very likely to be repaid.
The procedure for the management of irregularly performing loans involves actions that may be taken to recover debts by ranking them by seniority of expiration.

Part E - Information on risks and hedging policies (Continued)

QUANTITATIVE INFORMATION

A. Credit quality

A.1 Impaired and performing loans: amounts, write-downs, changes, distribution by business activity/region

A.1.1 Breakdown of financial assets by portfolio and credit quality (book value)

PORTFOLIO/QUALITY	NON-PERFORMING LOANS	DOUBTFUL LOANS	RESTRUCTURED LOANS	PAST-DUE IMPAIRED LOANS	PAST-DUE NON-IMPAIRED LOANS	OTHER ASSETS	TOTAL
1. Financial assets held for trading	-	-	-	-	-	3,028	3,028
2. Available-for-sale financial assets	-	-	-	-	-	1,695,549	1,695,549
3. Held-to-maturity investments	-	-	-	-	-	-	-
4. Loans and receivables with banks	-	-	-	-	-	13,892,197	13,892,197
5. Loans and receivables with customers	3,159	457	-	643	17,941	673,394	695,594
6. Financial assets designated at fair value through profit or loss	-	-	-	-	-	-	-
7. Financial instruments classified as held for sale	-	-	-	-	-	-	-
8. Hedging derivatives	-	-	-	-	-	19,247	19,247
Total December 31, 2014	**3,159**	**457**	**-**	**643**	**17,941**	**16,283,415**	**16,305,615**
Total December 31, 2013	**3,277**	**673**	**-**	**781**	**18,662**	**17,167,763**	**17,191,156**

As at December 31, 2014 there were no impaired purchased loans.

A.1.2 Breakdown of credit exposures by portfolio and credit quality (gross and net values)

PORTFOLIO/QUALITY	IMPAIRED ASSETS			PERFORMING			TOTAL (NET EXPOSURE)
	GROSS EXPOSURE	SPECIFIC IMPAIRMENT	NET EXPOSURE	GROSS EXPOSURE	SPECIFIC IMPAIRMENT	NET EXPOSURE	
1. Financial assets held for trading	-	-	-	X	X	3,028	3,028
2. Available-for-sale financial assets	-	-	-	1,695,549	-	1,695,549	1,695,549
3. Held-to-maturity investments	-	-	-	-	-	-	-
4. Loans and receivables with banks	-	-	-	13,892,197	-	13,892,197	13,892,197
5. Loans and receivables with customers	22,498	(18,239)	4,259	698,945	(7,610)	691,335	695,594
6. Financial assets designated at fair value through profit or loss	-	-	-	X	X	-	-
7. Financial instruments classified as held for sale	-	-	-	-	-	-	-
8. Hedging derivatives	-	-	-	X	X	19,247	19,247
Total December 31, 2014	**22,498**	**(18,239)**	**4,259**	**16,286,691**	**(7,610)**	**16,301,356**	**16,305,615**
Total December 31, 2013	**21,174**	**(16,443)**	**4,731**	**17,065,063**	**(7,722)**	**17,186,425**	**17,191,156**

As at December 31, 2014, there were no performing loans to customers renegotiated under collective agreements and no impaired purchased loans. During 2014 a partial write-off was made on impaired financial assets for an amount of €10 thousand.

Breakdown by maturity of net performing loans to customers, amounting to €691,335 thousand (€636,519 thousand as at December 31, 2013), is as follows:
- not past due of €673,394 thousand (€617,858 thousand as at December 31, 2013);
- not-impaired, past due between 1 day and 90 days of €17,644 thousand (€18,015 thousand as at December 31, 2013);
- not-impaired, past due between 90 days and 180 days of €206 thousand (€451 thousand as at December 31, 2013);
- not-impaired, past due between 180 days and 1 year of €86 thousand (€191 thousand as at December 31, 2013);
- not-impaired, past due by more than 1 year of €5 thousand (€5 thousand as at December 31, 2013).

Other performing loans shown in table A.1.2 are all not past due.

A.1.3 On-balance sheet and off-balance-sheet credit exposures to banks: gross and net values

TYPE OF EXPOSURE/AMOUNT	GROSS EXPOSURE	SPECIFIC IMPAIRMENTS	PORTFOLIO IMPAIRMENTS	NET EXPOSURE
A. On-balance sheet exposures				
a) Non-performing loans	-	-	X	-
b) Doubtful loans	-	-	X	-
c) Restructured loans	-	-	X	-
d) Past-due impaired loans	-	-	X	-
e) Other assets	13,892,230	X	-	13,892,230
Total A	**13,892,230**	**-**	**-**	**13,892,230**
B. Off-balance sheet exposures				
a) Impaired	-	-	X	-
b) Other	543,289	X	(1,416)	541,873
Total B	**543,289**	**-**	**(1,416)**	**541,873**

In the above table, item B. "Off-balance sheet exposures" includes the counterparty risk related to repos that can be classified as "Securities Financing Transactions" (SFT) defined in prudential regulations, amounting to €230,684 thousand.
There were no securities lending transactions collateralised by other securities or without a cash guarantee with banks.

A.1.4 On-balance sheet credit exposures to banks: gross change in impaired exposures:
No data to report.

A.1.5 On-balance sheet credit exposures to banks: trend in total write-downs
No data to report.

A.1.6 On-balance sheet and off-balance-sheet credit exposures to customers: gross and net values

TYPE OF EXPOSURE/AMOUNT	GROSS EXPOSURE	SPECIFIC IMPAIRMENTS	PORTFOLIO IMPAIRMENTS	NET EXPOSURE
A. On-balance sheet exposures				
a) Non-performing loans	19,845	(16,686)	X	3,159
b) Doubtful loans	1,393	(936)	X	457
c) Restructured loans	-	-	X	-
d) Past-due impaired loans	1,260	(617)	X	643
e) Other assets	2,394,505	X	(7,610)	2,386,895
Total A	**2,417,003**	**(18,239)**	**(7,610)**	**2,391,154**
B. Off-balance sheet exposures				
a) Impaired	1	-	X	1
b) Other	491,529	X	-	491,529
Total B	**491,530**	**-**	**-**	**491,530**

In the above table, item B. "Off-balance sheet exposures" includes the counterparty risk related to securities lending transactions collateralised by other securities and to repos that can be classified as "Securities Financing Transactions" (SFT) defined in prudential regulations, amounting to €470,234 thousand.
There were no securities lending transactions without cash guarantees with customers.

Part E - Information on risks and hedging policies (CONTINUED)

A.1.7 On-balance sheet credit exposures to customers: gross change in impaired exposures:

SOURCE / CATEGORIES	NON-PERFORMING LOANS	DOUBTFUL LOANS	RESTRUCTURED LOANS	PAST-DUE LOANS
A. Opening balance - gross exposure	**17,664**	**2,065**	**-**	**1,444**
of which: assets sold but not derecognised	-	-	-	-
B. Increases	**4,528**	**4,759**	**-**	**6,798**
B.1 inflows from performing loans	76	699	-	6,050
B.2 transfers from other categories of impaired exposures	4,061	3,630	-	-
B.3 Other increases	391	430	-	748
C. Decreases	**(2,347)**	**(5,431)**	**-**	**(6,982)**
C.1 outflows to performing loans	-	(681)	-	(764)
C.2 de-recognitions	(1,687)	(42)	-	(4)
C.3 collections	(631)	(700)	-	(2,477)
C.4 disposals	-	-	-	-
C.4 bis losses on disposal	-	-	-	-
C.5 transfers to other categories of impaired exposures	-	(3,997)	-	(3,694)
C.6 other decreases	(29)	(11)	-	(43)
D Gross exposure closing balance	**19,845**	**1,393**	**-**	**1,260**
of which: assets sold but not derecognised	-	-	-	-

A.1.8 On-balance sheet credit exposures to customers: trend in total write-downs

SOURCE / CATEGORIES	NON-PERFORMING LOANS	DOUBTFUL LOANS	RESTRUCTURED LOANS	PAST-DUE LOANS
A. Total opening impairment	**(14,387)**	**(1,393)**	**-**	**(663)**
of which: assets sold but not derecognised	-	-	-	-
B. Increases	**(4,565)**	**(865)**	**-**	**(587)**
B.1 impairment	(3,363)	(824)	-	(587)
B.1.a losses on disposal	-	-	-	-
B.2 transfers from other categories of impaired exposures	(1,171)	(41)	-	-
B.3 Other increases	(31)	-	-	-
C. Decreases	**2,266**	**1,322**	**-**	**633**
C.1 write-backs from assessments	354	211	-	254
C.2 write-backs from recoveries	225	93	-	139
C.2.a gains on disposal	-	-	-	-
C.3 de-recognitions	1,687	42	-	4
C.4 transfers to other categories of impaired exposures	-	976	-	236
C.5 other decreases	-	-		-
D Final overall impairment	**(16,686)**	**(936)**	**-**	**(617)**
of which: assets sold but not derecognised	-	-	-	-

Breakdown of exposures according to external and internal ratings

A.2.1 Breakdown of on-balance sheet and off-balance-sheet exposures by external rating class

EXPOSURES	EXTERNAL RATING CLASSES							
	CLASS 1	CLASS 2	CLASS 3	CLASS 4	CLASS 5	CLASS 6	NO RATING	TOTAL
A. On-balance sheet exposures	**10,393**	**10,565**	**15,524,445**	**4**	**-**	**-**	**737,979**	**16,283,386**
B. Derivatives	**-**	**511**	**19,247**	**-**	**-**	**-**	**2,472**	**22,230**
B.1 Financial derivatives	-	511	19,247	-	-	-	2,472	22,230
B.2 Credit derivatives	-	-	-	-	-	-	-	-
C. Guarantees given	**-**	**-**	**256,070**	**-**	**-**	**-**	**36,059**	**292,129**
D Other commitments to disburse funds	**-**	**10**	**483**	**-**	**-**	**-**	**17,632**	**18,125**
E. Other	**-**	**7,336**	**214,946**	**540**	**-**	**-**	**478,095**	**700,917**
Total	**10,393**	**18,422**	**16,015,191**	**544**	**-**	**-**	**1,272,237**	**17,316,787**

The table below shows the breakdown of on-balance sheet and off-balance-sheet exposures to counterparties with an external rating. Rating agencies provide a summary assessment on the creditworthiness of different type of counterparties: Countries, Banks, Public Bodies, Insurance Companies and Businesses, usually large-scale.
The table refers to the classification set forth in the Bank of Italy Circular no. 262/2005 regarding external ratings, which envisages 6 classes of creditworthiness.
The above presentation refers to the Standard and Poor's ratings, which are also associated to the ratings of the other two main Agencies, Moody's and Fitch. If two ratings from two rating agencies were available for one credit exposure, the less favourable was retained; if three different ratings were available, the best two ratings were identified and, if different, the worst was retained.
FinecoBank establishes the regulatory requirements by applying the Basel III Traditional Standardised Approach which involves the subdivision of the exposures into different classes ("portfolios") according to the status of counterparty, i.e. the technical characteristics of the relationship or the methods adopted to manage the relationship and the application of different weighting ratios to each portfolio. In order to determine credit risk, FinecoBank only uses the ratings of agencies specific to individual countries, which lead to the weighting of the "Central governments and central banks", "Entities" and "Public-sector entities" portfolios; in general, a weighting factor of 100 percent is applied to the remaining credit exposures, subject to the main exceptions established by CRR 575/2013.
As at December 31, 2014, credit exposure to retail customers was limited to personal loans, credit cards spending (full payment of balance or revolving), unsecured and secured loans and securities lending. Exposures to non-retail customers mainly derive from amounts due to the Parent Company for treasury activities and for hedging banking book positions through interest-rate derivatives.
The remaining exposures regard receivables relating to customer trading, whose counterparties are leading banks with a high credit rating.
In the above table, item E "Other" includes the counterparty risk related to securities lending transactions guaranteed by other securities and to repos.
In the above table, equity instruments have been excluded whereas units in investment funds have been included, unlike the previous tables in this section in which both were excluded.

A.2.2 Breakdown of on-balance sheet and off-balance-sheet exposures by internal rating class
This table has not been included because internal ratings are not used to managed credit risk.

Part E - Information on risks and hedging policies (Continued)

A. 3 Breakdown of secured exposures by type of guarantee

A.3.1 Secured exposures to banks

	NET EXPOSURE VALUE	REAL GUARANTEES (1) MORTGAGE PROPERTIES	FINANCE LEASE PROPERTIES	SECURITIES	OTHER REAL GUARANTEES
1. Secured on-balance sheet exposures:					
1.1 totally secured	5,794	-	-	5,789	-
- of which impaired	-	-	-	-	-
1.2 partially secured	-	-	-	-	-
- of which impaired	-	-	-	-	-
2. Secured off-balance Sheet credit exposures:					
2.1 totally secured	28	-	-	-	89
- of which impaired	-	-	-	-	-
2.2 partially secured	-	-	-	-	-
- of which impaired	-	-	-	-	-

A.3.2 Secured exposures to customers

	NET EXPOSURE VALUE	REAL GUARANTEES (1) MORTGAGE PROPERTIES	FINANCE LEASE PROPERTIES	SECURITIES	OTHER REAL GUARANTEES
1. Secured on-balance sheet exposures:					
1.1 totally secured	170,948	2,174	-	239,442	23,264
- of which impaired	55	344	-	42	-
1.2 partially secured	436	-	-	1,779	-
- of which impaired	-	-	-	-	-
2. Secured off-balance Sheet credit exposures:					
2.1 totally secured	17,972	-	-	22,124	5,762
- of which impaired	1	-	-	1	-
2.2 partially secured	-	-	-	-	-
- of which impaired	-	-	-	-	-

B. Distribution and concentration of credit exposures

B.1 Breakdown of on-balance sheet and off-balance-sheet exposures to customers by sector (carrying value)

EXPOSURE/ COUNTERPARTY	GOVERNMENTS NET EXPOSURE	GOVERNMENTS SPECIFIC IMPAIRMENTS	GOVERNMENTS PORTFOLIO IMPAIRMENTS	OTHER PUBLIC ENTITIES NET EXPOSURE	OTHER PUBLIC ENTITIES SPECIFIC IMPAIRMENTS	OTHER PUBLIC ENTITIES PORTFOLIO IMPAIRMENTS
A. On-balance sheet exposures						
A.1 Non-performing loans	-	-		-	-	
A.2 Doubtful loans	-	-		-	-	
A.3 Restructured loans	-	-		-	-	
A.4 Past-due loans	-	-		-	-	
A.5 Other exposures	1,695,557		-	1		-
Total A	1,695,557	**-**	**-**	**1**	**-**	**-**
B. "Off-balance" sheet exposures						
B.1 Non-performing loans	-	-		-	-	
B.2 Doubtful loans	-	-		-	-	
B.3 Other impaired assets	-	-		-	-	
B.4 Other exposures	494		-	-		-
Total B	**494**	**-**	**-**	**-**	**-**	**-**
TOTAL A + B December 31, 2014	**1,696,051**	**-**	**-**	**1**	**-**	**-**
TOTAL A + B December 31, 2013	**126,882**	**-**	**-**	**1**	**-**	**-**

	PERSONAL GUARANTEES (2)									
	CREDIT DERIVATIVES					GUARANTEES, ETC.				
		OTHER DERIVATIVES								
	CLN	GOVERNMENTS AND CENTRAL BANKS	OTHER PUBLIC ENTITIES	BANKS	OTHER ENTITIES	GOVERNMENTS AND CENTRAL BANKS	OTHER PUBLIC ENTITIES	BANKS	OTHER ENTITIES	TOTAL (1) + (2)
	-	-	-	-	-	-	-	-	-	5,789
	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	89
	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-

	PERSONAL GUARANTEES (2)									
	CREDIT DERIVATIVES					GUARANTEES, ETC.				
		OTHER DERIVATIVES								
	CLN	GOVERNMENTS AND CENTRAL BANKS	OTHER PUBLIC ENTITIES	BANKS	OTHER ENTITIES	GOVERNMENTS AND CENTRAL BANKS	OTHER PUBLIC ENTITIES	BANKS	OTHER ENTITIES	TOTAL (1) + (2)
	-	-	-	-	-	-	-	-	10	264,890
	-	-	-	-	-	-	-	-	-	386
	-	-	-	-	-	-	-	-	-	1,779
	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	27,886
	-	-	-	-	-	-	-	-	-	1
	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-

	FINANCIAL COMPANIES			INSURANCE COMPANIES			NON-FINANCIAL COMPANIES			OTHER ENTITIES		
	NET EXPOSURE	SPECIFIC IMPAIRMENTS	PORTFOLIO IMPAIRMENTS	NET EXPOSURE	SPECIFIC IMPAIRMENTS	PORTFOLIO IMPAIRMENTS	NET EXPOSURE	SPECIFIC IMPAIRMENTS	PORTFOLIO IMPAIRMENTS	NET EXPOSURE	SPECIFIC IMPAIRMENTS	PORTFOLIO IMPAIRMENTS
	9	(44)		-			12	(106)		3,139	(16,536)	
	1	(1)		-			1	(2)		455	(933)	
	-	-		-			-	-		-	-	
	5	-		-			10	(10)		628	(607)	
	85,269		(139)	7,096		-	14,071		(3,332)	584,901		(4,139)
	85,284	**(45)**	**(139)**	**7,096**	**-**	**-**	**14,094**	**(118)**	**(3,332)**	**589,123**	**(18,076)**	**(4,139)**
	-	-		-	-		-	-		-	-	
	-	-		-	-		-	-		-	-	
	-	-		-	-		-	-		1	-	
	160		-	-		-	82		-	20,560		-
	160	**-**	**-**	**-**	**-**	**-**	**82**	**-**	**-**	**20,561**	**-**	**-**
	85,444	**(45)**	**(139)**	**7,096**	**-**	**-**	**14,176**	**(118)**	**(3,332)**	**609,684**	**(18,076)**	**(4,139)**
	93,406	**(60)**	**(141)**	**4,344**	**-**	**-**	**8,914**	**(96)**	**(3,316)**	**539,590**	**(16,287)**	**(4,265)**

Part E - Information on risks and hedging policies (CONTINUED)

B.2 Breakdown of on-balance sheet and off-balance-sheet exposures to customers by geographical area (carrying value)

EXPOSURE/GEOGRAPHICAL AREA	ITALY		OTHER EUROPEAN COUNTRIES		AMERICA		ASIA		REST OF THE WORLD	
	NET EXPOSURE	TOTAL IMPAIRMENT	NET EXPOSURE	TOTAL IMPAIRMENT	NET EXPOSURE	TOTAL IMPAIRMENT	NET EXPOSURE	TOTAL IMPAIRMENT	NET EXPOSURE	TOTAL IMPAIRMENT
A. On-balance sheet exposures										
A.1 Non-performing loans	3,159	(16,686)	-	-	-	-	-	-	-	-
A.2 Doubtful loans	457	(936)	-	-	-	-	-	-	-	-
A.3 Restructured loans	-	-	-	-	-	-	-	-	-	-
A.4 Past-due loans	643	(617)	-	-	-	-	-	-	-	-
A.5 Other exposures	2,326,906	(7,610)	59,857	-	60	-	66	-	6	-
TOTAL	**2,331,165**	**(25,849)**	**59,857**	**-**	**60**	**-**	**66**	**-**	**6**	**-**
B. "Off-balance" sheet exposures										
B.1 Non-performing loans	-	-	-	-	-	-	-	-	-	-
B.2 Doubtful loans	-	-	-	-	-	-	-	-	-	-
B.3 Other impaired assets	1	-	-	-	-	-	-	-	-	-
B.4 Other exposures	21,053	-	40	-	135	-	2	-	66	-
TOTAL	**21,054**	**-**	**40**	**-**	**135**	**-**	**2**	**-**	**66**	**-**
TOTAL December 31, 2014	**2,352,219**	**(25,849)**	**59,897**	**-**	**195**	**-**	**68**	**-**	**72**	**-**
TOTAL December 31, 2013	**718,340**	**(24,164)**	**54,658**	**(1)**	**113**	**-**	**21**	**-**	**5**	**-**

EXPOSURE/GEOGRAPHICAL AREA	NORTHWEST ITALY		NORTH-EAST ITALY		CENTRAL ITALY		SOUTHERN ITALY AND ISLANDS	
	NET EXPOSURE	TOTAL IMPAIRMENT	NET EXPOSURE	TOTAL IMPAIRMENT	NET EXPOSURE	TOTAL IMPAIRMENT	NET EXPOSURE	TOTAL IMPAIRMENT
A. On-balance sheet exposures								
A.1 Non-performing loans	758	(4,035)	390	(2,203)	657	(3,334)	1,355	(7,113)
A.2 Doubtful loans	117	(239)	44	(92)	93	(186)	203	(420)
A.3 Restructured loans	-	-	-	-	-	-	-	-
A.4 Past-due loans	140	(136)	75	(80)	157	(129)	271	(272)
A.5 Other exposures	231,770	(2,632)	90,514	(1,063)	1,856,027	(2,441)	148,595	(1,473)
TOTAL	**232,785**	**(7,042)**	**91,023**	**(3,438)**	**1,856,934**	**(6,090)**	**150,424**	**(9,278)**
B. "Off-balance" sheet exposures								
B.1 Non-performing loans	-	-	-	-	-	-	-	-
B.2 Doubtful loans	-	-	-	-	-	-	-	-
B.3 Other impaired assets	1	-	-	-	-	-	-	-
B.4 Other exposures	8,384	-	3,711	-	5,433	-	3,524	-
TOTAL	**8,385**	**-**	**3,711**	**-**	**5,433**	**-**	**3,524**	**-**
TOTAL December 31, 2014	**241,170**	**(7,042)**	**94,734**	**(3,438)**	**1,862,367**	**(6,090)**	**153,948**	**(9,278)**
TOTAL December 31, 2013	**202,782**	**(6,580)**	**85,760**	**(3,127)**	**294,747**	**(5,669)**	**135,049**	**(8,788)**

B.3 Breakdown of on-balance sheet and off-balance-sheet exposures to banks by geographical area

	ITALY		OTHER EUROPEAN COUNTRIES		AMERICA		ASIA		REST OF THE WORLD	
EXPOSURE/GEOGRAPHICAL AREA	NET EXPOSURE	TOTAL IMPAIRMENT	NET EXPOSURE	TOTAL IMPAIRMENT	NET EXPOSURE	TOTAL IMPAIRMENT	NET EXPOSURE	TOTAL IMPAIRMENT	NET EXPOSURE	TOTAL IMPAIRMENT
A. On-balance sheet exposures										
A.1 Non-performing loans	-	-	-	-	-	-	-	-	-	-
A.2 Doubtful loans	-	-	-	-	-	-	-	-	-	-
A.3 Restructured loans	-	-	-	-	-	-	-	-	-	-
A.4 Past-due loans	-	-	-	-	-	-	-	-	-	-
A.5 Other exposures	13,860,725	-	31,503	-	-	-	-	-	3	-
TOTAL	**13,860,725**	**-**	**31,503**	**-**	**-**	**-**	**-**	**-**	**3**	**-**
B. "Off-balance" sheet exposures										
B.1 Non-performing loans	-	-	-	-	-	-	-	-	-	-
B.2 Doubtful loans	-	-	-	-	-	-	-	-	-	-
B.3 Other impaired assets	-	-	-	-	-	-	-	-	-	-
B.4 Other exposures	310,612	(1,416)	576	-	-	-	-	-	-	-
TOTAL	**310,612**	**(1,416)**	**576**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
TOTAL December 31, 2014	**14,171,337**	**(1,416)**	**32,079**	**-**	**-**	**-**	**-**	**-**	**3**	**-**
TOTAL December 31, 2013	**16,754,303**	**-**	**10,100**	**-**	**-**	**-**	**73**	**-**	**9**	**-**

	NORTHWEST ITALY		NORTH-EAST ITALY		CENTRAL ITALY		SOUTHERN ITALY AND ISLANDS	
EXPOSURE/GEOGRAPHICAL AREA	NET EXPOSURE	TOTAL IMPAIRMENT	NET EXPOSURE	TOTAL IMPAIRMENT	NET EXPOSURE	TOTAL IMPAIRMENT	NET EXPOSURE	TOTAL IMPAIRMENT
A. On-balance sheet exposures								
A.1 Non-performing loans	-	-	-	-	-	-	-	-
A.2 Doubtful loans	-	-	-	-	-	-	-	-
A.3 Restructured loans	-	-	-	-	-	-	-	-
A.4 Past-due loans	-	-	-	-	-	-	-	-
A.5 Other exposures	18,331	-	-	-	13,842,394	-	-	-
TOTAL	**18,331**	**-**	**-**	**-**	**13,842,394**	**-**	**-**	**-**
B. "Off-balance" sheet exposures								
B.1 Non-performing loans	-	-	-	-	-	-	-	-
B.2 Doubtful loans	-	-	-	-	-	-	-	-
B.3 Other impaired assets	-	-	-	-	-	-	-	-
B.4 Other exposures	-	-	-	-	310,612	(1,416)	-	-
TOTAL	**-**	**-**	**-**	**-**	**310,612**	**(1,416)**	**-**	**-**
TOTAL December 31, 2014	**18,331**	**-**	**-**	**-**	**14,153,006**	**(1,416)**	**-**	**-**
TOTAL December 31, 2013	**17,139**	**-**	**-**	**-**	**16,737,165**	**-**	**-**	**-**

B.4 Significant exposures

At December 31, 2014 the following “risk positions” constituted “significant exposures” pursuant to Circular 286 of December 17, 2013, “Instructions for the prudential reporting of banks and securities firms” issued by the Bank of Italy:

a) non-weighted value: €17,512,175 thousand, of which €15,510,896 thousand with the UniCredit Group;

b) weighted value: €11,793 thousand, none with the UniCredit Group;

c) number of “risk positions”: 3, including the UniCredit Group.

Part E - Information on risks and hedging policies (Continued)

C. Securitization transactions
No data to report.

D. Disclosure of structured entities not consolidated in the accounts (other than special purpose vehicles for securitization transactions)
No data to report.

E. Sales Transactions

A. Financial assets sold and partially derecognised

QUALITATIVE INFORMATION
FinecoBank undertakes reverse repos on securities not recognised in the balance sheet, received through repos and securitised lending, on securities in the Bank's portfolio.
With regard to transactions on securities in the Bank's portfolio, the financial assets transferred are bonds issued by UniCredit S.p.A., recognised under Loans and Receivables, which have not been derecognised because FinecoBank undertakes repos with the obligation for the buyer to resell at the end of the activities object of the transaction and maintains all the risks associated with ownership of the securities.

QUANTITATIVE INFORMATION

E.1 Financial assets sold but not derecognised: book value and full value

	FINANCIAL ASSETS HELD FOR TRADING			FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS			AVAILABLE-FOR-SALE FINANCIAL ASSETS			HELD-TO-MATURITY INVESTMENTS		
TYPE/ PORTFOLIO	A	B	C	A	B	C	A	B	C	A	B	C
A. On-balance sheet assets												
1. Debt securities												
2. Equity Instruments												
3. Units in investment funds												
4. Loans												
B. Derivative instruments												
Total December 31, 2014												
of which impaired												
Total December 31, 2013												
of which impaired												

Key:
A = financial assets sold and fully recognised (book value)
B = financial assets sold and partially recognised (book value)
C = financial assets sold and partially recognised (entire value).

E.2 Financial liabilities relating to financial assets sold and not derecognised: book value

LIABILITY/ASSET PORTFOLIO	FINANCIAL ASSETS HELD FOR TRADING	FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS	AVAILABLE-FOR-SALE FINANCIAL ASSETS
1. Deposits from customers			
a) from fully-recognised assets			
b) from partially-recognised assets			
2. Deposits from banks			
a) from fully-recognised assets			
b) from partially-recognised assets			
Total December 31, 2014			
Total December 31, 2013			

	LOANS AND RECEIVABLES WITH BANKS			LOANS AND RECEIVABLES WITH CUSTOMERS			TOTAL	
	A	B	C	A	B	C	12.31.2014	12.31.2013
	205,909						**205,909**	**188,989**
	205,909						205,909	188,989
	205,909						**205,909**	
	188,989							**188,989**

	HELD-TO-MATURITY INVESTMENTS	LOANS AND RECEIVABLES WITH BANKS	LOANS AND RECEIVABLES WITH CUSTOMERS	TOTAL
		206,286		**206,286**
		206,286		206,286
		-		-
		1,505		**1,505**
		1,505		1,505
		-		-
		207,791		**207,791**
		190,618		**190,618**

Part E - Information on risks and hedging policies (Continued)

E.3 Sales transactions relating to financial liabilities with repayment exclusively based on assets sold and not derecognised: fair value
The table below only shows own securities not derecognised and used for repos.

TYPE/ PORTFOLIO	FINANCIAL ASSETS HELD FOR TRADING		FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS		AVAILABLE-FOR-SALE FINANCIAL ASSETS	
	A	B	A	B	A	B
A. On-balance sheet assets						
1. Debt securities						
2. Equity Instruments						
3. Units in investment funds						
4. Loans						
B. Derivative instruments						
Total assets						
C. Associated liabilities						
1. Deposits from customers						
2. Deposits from banks						
Total liabilities						
Net value December 31, 2014						
Net value December 31, 2013						

Key:
A = financial assets sold and wholly recognised.
B= financial assets sold and partially recognised.

B. Assets sold and fully derecognised with recognition of continuing involvement
No data to report.

E.4 Covered bond transactions
No data to report.

F. Credit Risk Measurement Models

F.1. Credit Risk Measurement – Trading Book
The monitoring of credit risk as part of the management of the trading book is conducted through the rating of all financial instruments held.

F.2. Credit Risk Measurement – Banking Book
The banking portfolio of FinecoBank is composed of securities, current accounts and deposits with the Parent Company. Retail customer activities are limited to the granting of personal loans and credit lines, as well as the issue of credit cards.

INFORMATION ON SOVEREIGN EXPOSURES
The Bank is exposed to the sovereign debt of some countries, having invested a portion of its assets in debt securities issued by governments and, specifically, in securities issued by the Italian and French governments. The following table shows the nominal value, the book value and the fair value of these exposures as at December 31, 2014.

	FACE VALUE 12.31.2014	BOOK VALUE 12.31.2014	FAIR VALUE 12.31.2014	% OF FINANCIAL STATEMENT ITEM
Exposures to the Italian government	**1,569,004**	**1,685,163**	**1,685,163**	
Financial assets held for trading	4	6	6	0,20%
Available-for-sale financial assets	1,569,000	1,685,157	1,685,157	99,39%
Exposures to the French government	**10,000**	**10,393**	**10,393**	
Available-for-sale financial assets	10,000	10,393	10,393	0,61%
Total Sovereign exposures	**1,579,004**	**1,695,556**	**1,695,556**	

	HELD-TO-MATURITY INVESTMENTS (FAIR VALUE)		LOANS AND RECEIVABLES WITH BANKS (FAIR VALUE)		LOANS AND RECEIVABLES WITH CUSTOMERS (FAIR VALUE)		TOTAL	
	A	B	A	B	A	B	12.31.2014	12.31.2013
			211,315				**211,315**	**200,329**
			211,315				211,315	200,329
							-	-
							-	-
			-				-	-
			211,315				**211,315**	**200,329**
			207,791				**207,791**	**187,807**
			206,286				206,286	187,807
			1,505				1,505	2,811
			207,791				**207,791**	**190,618**
			3,524				**3,524**	
			9,711					**9,711**

The following table shows the sovereign ratings as at December 31, 2014 for countries to which the Bank is exposed as at December 31, 2014, provided by Fitch Ratings, Moody's and Standard & Poor's.

	Italy	France
FITCH RATINGS	BBB+	AA
MOODY'S	Baa2	Aa1
STANDARD & POOR'S	BBB-	AA

As at December 31, 2014, investments in debt securities issued by sovereign states accounted for 10.11% of the Bank's total assets.
There were no structured debt securities among the sovereign debt securities held by the Bank.

The Bank is therefore exposed to fluctuations in the price of Italian and French public debt securities. Tensions or volatility in the government bond market could negatively impact on the Bank's financial position and performance.

Part E - Information on risks and hedging policies (CONTINUED)

Section 2 - Market risk

Market risk derives from the effect that changes in market variables (interest rates, securities prices, exchange rates, etc.) can cause to the economic value of the Bank's portfolio, if it includes the assets held in the trading book (assets held for trading) as well as those in the banking book, i.e. the transactions connected to strategic investment choices.

Risk Management Strategies and Processes

The Parent Company's Board of Directors lays down strategic guidelines for taking on market risks by calculating capital allocation for the Parent company and its subsidiaries, depending on risk appetite and value creation objectives in proportion to risks assumed.
The Board of Directors of FinecoBank, in line with the Group's approach, approves a general framework of reference for market risk and any significant changes, relating to the organizational structure, strategies, and methods.
FinecoBank's strategy is to keep the minimum level of market risk in line with business needs and the limits set by the Parent Company.
Market risk in FinecoBank is defined through two sets of limits:

- Global measures of market risk (e.g. VaR): which are meant to establish a boundary to the economic capital absorption and to the economic loss accepted in trading activities; these limits must be consistent with assigned revenue targets and the defined risk taking capacity;
- Granular measures of market risk (Sensitivity limits, Stress scenario limits, Nominal limits): which exist independently of, but act in concert with the global limits; in order to control more effectively and more specifically different risk types, desks and products, these limits are generally granular sensitivity or stress-related limits. The levels set for granular limits aim at limiting the concentration in individual risk factors and the excessive exposure in risk factors which are not sufficiently covered under VaR.

Structure and Organization

In order to ensure the effective implementation of operations and the consistency of policies, methods and practices related to market risk in the Group legal entities, the Group model for activities related to market risk is based on the definition of specific responsibilities.
In its relations with FinecoBank, the Parent Company is mainly responsible for:

- establishing, implementing and refining appropriate measures at global level for measuring exposure to market risk;
- setting risk limits, based on measurements identified, in line with the risk appetite approved by the Group.

The Market Risk function of FinecoBank, within the Risk Management Unit, in full compliance with local legal and regulatory obligations, works together with the Market Risk Management Italy Function of the Parent Company and is tasked primarily – but not exclusively – with:

- calculating the risk measurements for the global and granular measures for the Bank's portfolios;
- checking that the measurements are compatible with the approved limits;
- initiating the escalation process when limits are exceeded, engaging the Market Risk Management Italy function of the Parent Company;
- discussing and approving new products with innovative and complex market risk profiles, providing the Financial Risk Italy function of the Parent Company with adequate information in order for the said function to issue a non-binding opinion on the matter.

Risk measurement and reporting systems

Trading Book

The main tool used by FinecoBank to measure the market risk of trading positions is Value at Risk (VaR), calculated using the historic simulation approach.
The historic simulation method involves the daily revaluation of positions on the basis of market price trends over an appropriate observation period. The resulting distribution of gains and losses is analysed to determine the effect of extreme market fluctuations on portfolios. The percentile value of the distribution corresponding to the set confidence level represents the VaR. The following parameters are used to calculate VaR: confidence level 99%; time horizon of 1 day; daily update of the time series; observation period of 500 days.

Banking Book

The primary responsibility for monitoring and controlling Market Risk management in the Banking Book lies with the Bank's competent Bodies. The Parent Company is responsible for monitoring market risk in the banking book at consolidated level, while sharing this responsibility with the relevant functions of the Legal Entities at local level.
The Parent Company, defines structure, data and frequency of the necessary Group and local level reporting.

Market risk in the banking book mainly consists of credit spread risk, interest rate risk and foreign exchange risk. Credit spread risk mainly arises from investments in debt securities held for liquidity purposes. Market risk associated with the bond portfolio is monitored and subject to limits on the notional amount, the sensitivity to Economic Value and the Value at Risk.
The management of interest rate risk focuses on stabilizing this second type of risk. The banking book interest rate risk measure covers both the value and net interest income risk aspects. More precisely, the different, and complementary, perspectives involve:

- Economic value perspective: variation in interest rates can affect the economic value of assets and liabilities. The economic value of the Bank can be viewed as the present value of the expected net cash flows, defined as the expected cash flows on assets minus the expected cash flows on liabilities. A relevant risk measure from this perspective is the economic value sensitivity per time bucket for a 1bp rate shock. This measure is reported to the relevant committees to assess the economic value impact of various changes in the yield curve. The economic value sensitivity is also calculated for a 200bp parallel shock. A monitoring variable from this perspective is the value at risk resulting from interest rate risk exposure;
- Income perspective: the focus of analysis is the impact of changes of interest rates on accrual or reported Net Interest Income that is the difference between revenues generated by interest sensitive assets and the cost related to interest sensitive liabilities. An example of a measure of risks used is Net Interest Income sensitivity for a 100bp parallel shock in rates. This measure provides an indication of the impact that such a shock would have on the net interest income over the next 12 months. For these scenarios, a limit is set to interest payable (customers current accounts) and receivable (bond coupons): both of them cannot have negative values.

The third type of risk is foreign exchange risk. This exposure mainly derives from a mismatching of assets and liabilities in USD. Exchange rate risk is hedged through the matching of assets and liabilities denominated in currency or through spot transactions in foreign currencies.

Procedures and methodologies for Valuation of Trading Book positions

FinecoBank ensures that the value applied to each trading book position appropriately reflects the current fair (market) value, i.e. the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. The fair value of each financial instrument is based on, or derived from, observable market prices or inputs. The availability of observable prices or inputs differs by product and market, and might change over time.
If observable prices or parameters are readily and regularly available (i.e. satisfying adequate liquidity requirements), they are directly employed in the determination of fair value (mark-to-market).
In non-active markets or for certain instruments, for which observable prices or inputs are not available, fair value is calculated using valuation techniques that are appropriate for the specific instrument (mark-to-model). This approach involves estimation and judgment and, therefore, might require valuation adjustments which take into account bid-ask spreads, liquidity and counterparty risk, besides the employed pricing model. In addition, each pricing model used for fair value calculation is validated by a dedicated function independent from business units.
According to the Group Market Risk Governance Guidelines, which define principles and rules for managing and controlling activities potentially involving a market risk, in order to ensure the adequate separation between functions in charge of development activities and functions in charge of validation, all valuation models developed by the front-office functions of Group companies need to be centrally and independently tested and validated by the Market Risk functions of the Parent Company. Model validation is also carried out centrally for any novel system or analysis framework whose utilization has a potential impact on the Bank's economic results.
In addition to daily marking to market or marking to model, Independent Price Verification (IPV) shall be performed by FinecoBank's Risk Management. This is the process by which market prices or model inputs are regularly verified for accuracy and independence. While daily marking to market or marking to model may be performed by front-office dealers, verification of market prices and model inputs is performed at least monthly.

Risk measures

VaR

The VaR calculated within the measurement of the market risk of the banking and trading book uses a historical simulation approach. The choice of model adopted by the Parent Company has a series of advantages:

- easy to understand and communicate;
- does not require any explicit assumptions about the particular functional form of the distribution of yields of the risk factors;
- does not require estimation of the variance-covariance matrix of the market factors that may affect the value of the portfolio.
- captures the correlation structure reflected in the simultaneous changes in market factors, implicitly assuming that it will remain constant in the future.

On the other hand VaR models based on historical simulations do not provide any information on the amount of the loss exceeding the VaR. This why the framework established by the Parent Company uses additional instruments such as stress tests.

Part E - Information on risks and hedging policies (CONTINUED)

2.1 Interest rate risk and price risk – regulatory trading book

QUALITATIVE INFORMATION

A. General Matters

The trading book is used to hold debt securities (ordinary and subordinated, structured and plain vanilla), equity instruments, and certificates – listed and non-listed – related to brokerage activities with retail customers.

FinecoBank does not perform proprietary trading and does not assume speculative positions in its books. Entries in the Bank's trading book are recorded against brokerage activities with retail customers particularly during the sale of OTC instruments. Other entries in the trading book are made for the internalisation of various financial instruments when the Bank is a counterparty to the customer. This activity is performed as a result of the options introduced by the MiFID which allow the execution of orders for financial instruments in a number of execution venues including internal execution.

B. Processes for managing and methods for measuring interest rate risk and price risk

For both a description of internal processes for monitoring and managing risk and an illustration of the methodologies used to analyse exposure, please refer to the introduction.

QUANTITATIVE INFORMATION

1. Regulatory trading book: distribution by maturity (repricing date) of on-balance sheet financial assets and liabilities and financial derivatives Currency: Euro

TYPE/UNEXPIRED TERM	ON DEMAND	UP TO 3 MONTHS	BETWEEN 3 AND 6 MONTHS	BETWEEN 6 MONTHS AND 1 YEAR	BETWEEN 1 AND 5 YEARS	BETWEEN 5 AND 10 YEARS	OVER 10 YEARS	INDEFINITE DURATION
1. On-balance sheet assets	**30**	**-**	**1**	**4**	**2**	**4**	**3**	**-**
1.1 Debt securities	30	-	1	4	2	4	3	-
- with earlyredemption option	-	-	-	-	-	-	-	-
- other	30	-	1	4	2	4	3	-
1.2 Other assets	-	-	-	-	-	-	-	-
2. On-balance sheet liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2.1 Repos	-	-	-	-	-	-	-	-
2.2 Other liabilities	-	-	-	-	-	-	-	-
3. Financial derivatives								
3.1 With underlying security								
- Options								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other derivatives								
+ Long positions	-	33,744	-	-	6	70	414	-
+ Short positions	-	32,346	-	-	6	849	685	-
3.2 Without underlying security								
- Options								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other derivatives								
+ Long positions	-	189,521	3,540	35,056	-	-	-	-
+ Short positions	-	129,335	15,250	93,817	-	-	-	-

Item 3.1 Financial Derivatives with underlying securities - Other Derivatives includes spot contracts for the purchase and sale of securities, other than shares and units of UCITS, to be settled in times established by market practices ("regular way").

Item 3.2 Financial Derivatives without underlying securities - Other Derivatives includes spot contracts for the purchase and sale of foreign currencies, to be settled in times established by market practices ("regular way").

Currency: US dollar

TYPE/UNEXPIRED TERM	ON DEMAND	UP TO 3 MONTHS	BETWEEN 3 AND 6 MONTHS	BETWEEN 6 MONTHS AND 1 YEAR	BETWEEN 1 AND 5 YEARS	BETWEEN 5 AND 10 YEARS	OVER 10 YEARS	INDEFINITE DURATION
1. On-balance sheet assets	**-**	**-**	**-**	**-**	**-**	**-**	**1**	**-**
1.1 Debt securities	-	-	-	-	-	-	1	-
- with earlyredemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	1	-
1.2 Other assets	-	-	-	-	-	-	-	-
2. On-balance sheet liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2.1 Repos	-	-	-	-	-	-	-	-
2.2 Other liabilities	-	-	-	-	-	-	-	-
3. Financial derivatives								
3.1 With underlying security								
- Options								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other derivatives								
+ Long positions	-	108,240	-	-	-	21	-	-
+ Short positions	-	108,209	-	-	-	21	-	-
3.2 Without underlying security								
- Options								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other derivatives								
+ Long positions	-	120,420	154	47,601	-	-	-	-
+ Short positions	-	121,437	3,577	38,954	-	-	-	-

Currency: other currencies

TYPE/UNEXPIRED TERM	ON DEMAND	UP TO 3 MONTHS	BETWEEN 3 AND 6 MONTHS	BETWEEN 6 MONTHS AND 1 YEAR	BETWEEN 1 AND 5 YEARS	BETWEEN 5 AND 10 YEARS	OVER 10 YEARS	INDEFINITE DURATION
1. On-balance sheet assets	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1.1 Debt securities	-	-	-	-	-	-	-	-
- with earlyredemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
1.2 Other assets	-	-	-	-	-	-	-	-
2. On-balance sheet liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2.1 Repos	-	-	-	-	-	-	-	-
2.2 Other liabilities	-	-	-	-	-	-	-	-
3. Financial derivatives								
3.1 With underlying security								
- Options								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other derivatives								
+ Long positions	-	87	-	-	71	-	10	-
+ Short positions	-	87	-	-	71	-	10	-
3.2 Without underlying security								
- Options								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other derivatives								
+ Long positions	-	334,350	15,295	75,983	-	-	-	-
+ Short positions	-	394,697	145	24,960	-	-	-	-

The effects of changes in the yield curve on net interest margin arising from instruments in the trading book are negligible. For similar considerations regarding the banking book, see paragraph 2. Banking book: Internal models and other methods of sensitivity analysis.

Part E - Information on risks and hedging policies (CONTINUED)

2. Regulatory trading book: distribution of exposures in equity instruments and share indices for the main stock market countries

TYPE OF TRANSACTION/ LISTING INDEX	LISTED						UNLISTED
	USA	NETHERLANDS	ITALY	GERMANY	CANADA	OTHER	
A. Equity Instruments							
- Long positions	-	-	3	3	-	8	11
- Short positions	-	-	-	-	-	-	-
B. Unsettled transactions on equity instruments							
- Long positions	102,809	4,040	26,976	499	823	305	-
- Short positions	102,809	4,040	26,983	835	823	305	-
C. Other derivatives on equity instruments							
- Long positions	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-
D. Derivatives on share indices							
- Long positions	6,960	-	2,138	1,671	-	1,135	-
- Short positions	6,887	4	2,163	1,375	-	1,634	-

In relation to the lack of speculative activity and as discussed in section 2.1, the positions in equity instruments and equity indices in the regulatory trading book as at December 31, 2014 are negligible and only arise from settlement activities with institutional counterparties on behalf of customers; equally negligible is their impact on operating income, profit (loss) for the year and shareholders' equity.

3. Regulatory trading book: internal models and other methods of sensitivity analysis

FinecoBank monitors the VaR of the Trading Book on a weekly basis.
As at December 31, 2014, the daily VaR of the trading book amounted to €73.7 thousand.

2.2 Interest rate risk and price risk – banking book

QUALITATIVE INFORMATION

A. General aspects, management processes and measurement methods for interest rate risk and price risk

Interest rate risk consists of changes in interest rates that are reflected in:
• interest income sources, and thus, the Bank's earnings (cash flow risk);
• the net present value of assets and liabilities, due to their impact on the present value of future cash flows (fair value risk).
In line with the Group approach, FinecoBank measures and monitors interest rate risk daily, within the methodological framework and the corresponding limits or thresholds set by the Parent Company. These relate to the sensitivity of the net interest margin and the economic value.
Interest rate risk has an impact on all owned positions resulting from strategic investment decisions (banking book).
The main sources of interest rate risk can be classified as follows:
• repricing risk - the risk resulting from timing mismatches in maturities and the repricing of the Bank's assets and liabilities; the main features of this risk are:
  - yield curve risk – risk resulting from exposure of the bank's positions to changes in the slope and shape of the yield curve;
  - basis risk – risk resulting from the imperfect correlation in lending and borrowing interest rate changes for different instruments that may also show similar repricing characteristics.
• optionality risk – risk resulting from implicit or explicit options in the Group's banking book positions.

Within the organizational framework described above, the Board of Directors of FinecoBank approves the limits on interest rate risk previously agreed with the Parent Company. These limits are set in terms of VaR (calculated using the methodology described above in relation to the trading book). FinecoBank is responsible for managing the exposure to interest rate risk within the limits assigned.

To assess effects of the change in the interest rate curve on the banking book, scenario analyses are conducted that involve the parallel shifts in the rate curve of +/- 100 bps and +/- 200 bps at weekly intervals. For more details see section *2. Banking book: Internal models and other methods of sensitivity analysis.*

B. Fair value hedging activities

Hedging strategies aimed at complying with interest rate risk limits for the banking portfolio are carried out with unlisted derivative contracts. These derivatives, which are usually interest rate swaps, are the type of contracts most used.
Macro-hedging is generally used, meaning hedges related to the amounts of cash contained in asset or liability portfolios.

C. Cash flow hedging activity

There are currently no cash flow hedges generated by FinecoBank business operations.

D. Hedges of foreign investments

There are currently no hedges of foreign investments within FinecoBank's business operations.

QUANTITATIVE INFORMATION

1. Banking book: distribution by maturity (repricing date) of financial assets and liabilities - Currency: Euro

TYPE/UNEXPIRED TERM	ON DEMAND	UP TO 3 MONTHS	BETWEEN 3 AND 6 MONTHS	BETWEEN 6 MONTHS AND 1 YEAR	BETWEEN 1 AND 5 YEARS	BETWEEN 5 AND 10 YEARS	OVER 10 YEARS	INDEFINITE DURATION
1. On-balance sheet assets	**1,322,234**	**9,831,952**	**989,437**	**1,421,772**	**2,109,635**	**4,196**	**64**	**-**
1.1 Debt securities	-	7,890,254	26,658	1,000,003	2,036,215	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	7,890,254	26,658	1,000,003	2,036,215	-	-	-
1.2 Loans to banks	1,174,522	1,564,897	935,208	381,458	-	-	-	-
1.3 Loans to customers	147,712	376,801	27,571	40,311	73,420	4,196	64	-
- current accounts	128,503	158	107	196	1,277	-	-	-
- other loans	19,209	376,643	27,464	40,115	72,143	4,196	64	-
- with early redemption option	3,304	19,365	16,300	25,636	67,827	4,055	-	-
- other	15,905	357,278	11,164	14,479	4,316	141	64	-
2. On-balance sheet liabilities	**11,878,817**	**1,461,222**	**826,583**	**986,322**	**23,425**	**-**	**-**	**-**
2.1 Deposits from customers	11,790,497	586,653	444,592	505,039	23,425	-	-	-
- current accounts	11,722,966	-	-	-	-	-	-	-
- other payables	67,531	586,653	444,592	505,039	23,425	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	67,531	586,653	444,592	505,039	23,425	-	-	-
2.2 Deposits from banks	88,320	874,569	381,991	81,283	-	-	-	-
- current accounts	22,652	-	-	-	-	-	-	-
- other payables	65,668	874,569	381,991	81,283	-	-	-	-
2.3 Debt securities	-	-	-	400,000	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	400,000	-	-	-	-
2.4 Other liabilities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
3. Financial derivatives								
3.1 With underlying security								
- Options								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other derivatives								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security								
- Options								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other derivatives								
+ Long positions	382,500	2,534,653	-	400,000	-	-	-	-
+ Short positions	-	402,772	11,865	1,013,489	1,889,027	-	-	-
4. Other off-balance sheet transactions								
+ Long positions	7,847	3,997	-	-	537	-	-	-
+ Short positions	3,346	8,384	-	-	651	-	-	-

Part E - Information on risks and hedging policies (Continued)

Currency: US dollar

TYPE/UNEXPIRED TERM	ON DEMAND	UP TO 3 MONTHS	BETWEEN 3 AND 6 MONTHS	BETWEEN 6 MONTHS AND 1 YEAR	BETWEEN 1 AND 5 YEARS	BETWEEN 5 AND 10 YEARS	OVER 10 YEARS	INDEFINITE DURATION
1. On-balance sheet assets	**262,049**	**145,523**	**24,710**	**19,044**	**41,184**	**41,183**	**-**	**-**
1.1 Debt securities	-	123,675	24,710	-	41,183	41,183	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	123,675	24,710	-	41,183	41,183	-	-
1.2 Loans to banks	260,042	-	-	19,018	-	-	-	-
1.3 Loans to customers	2,007	21,848	-	26	1	-	-	-
- current accounts	1,270	-	-	-	-	-	-	-
- other loans	737	21,848	-	26	1	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	737	21,848	-	26	1	-	-	-
2. On-balance sheet liabilities	**461,833**	**21,056**	**31,696**	**6,553**	**-**	**-**	**-**	**-**
2.1 Deposits from customers	461,833	21,056	6,986	6,553	-	-	-	-
- current accounts	458,625	-	-	-	-	-	-	-
- other payables	3,208	21,056	6,986	6,553	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	3,208	21,056	6,986	6,553	-	-	-	-
2.2 Deposits from banks	-	-	-	-	-	-	-	-
- current accounts	-	-	-	-	-	-	-	-
- other payables	-	-	-	-	-	-	-	-
2.3 Debt securities	-	-	24,710	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	24,710	-	-	-	-	-
2.4 Other liabilities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
3. Financial derivatives								
3.1 With underlying security								
- Options								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other derivatives								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security								
- Options								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other derivatives								
+ Long positions	82,366	24,710	24,710	-	-	-	-	-
+ Short positions	-	24,710	24,710	-	41,183	41,183	-	-
4. Other off-balance sheet transactions								
+ Long positions	9,116	2,987	-	-	-	-	-	-
+ Short positions	2,649	9,116	-	-	339	-	-	-

Currency: other currencies

TYPE/UNEXPIRED TERM	ON DEMAND	UP TO 3 MONTHS	BETWEEN 3 AND 6 MONTHS	BETWEEN 6 MONTHS AND 1 YEAR	BETWEEN 1 AND 5 YEARS	BETWEEN 5 AND 10 YEARS	OVER 10 YEARS	INDEFINITE DURATION
1. On-balance sheet assets	**69,795**	**474**	**42**	**48**	**-**	**-**	**-**	**-**
1.1 Debt securities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
1.2 Loans to banks	68,673	-	-	48	-	-	-	-
1.3 Loans to customers	1,122	474	42	-	-	-	-	-
- current accounts	3	-	-	-	-	-	-	-
- other loans	1,119	474	42	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	1,119	474	42	-	-	-	-	-
2. On-balance sheet liabilities	**68,268**	**126**	**8**	**-**	**-**	**-**	**-**	**-**
2.1 Deposits from customers	65,863	126	8	-	-	-	-	-
- current accounts	65,863	-	-	-	-	-	-	-
- other payables	-	126	8	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	126	8	-	-	-	-	-
2.2 Deposits from banks	2,405	-	-	-	-	-	-	-
- current accounts	2,405	-	-	-	-	-	-	-
- other payables	-	-	-	-	-	-	-	-
2.3 Debt securities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2.4 Other liabilities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
3. Financial derivatives								
3.1 With underlying security								
- Options								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other derivatives								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security								
- Options								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other derivatives								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
4. Other off-balance sheet transactions								
+ Long positions	17	7	-	-	-	-	-	-
+ Short positions	7	17	-	-	-	-	-	-

For a description of the effects of a change in interest rates on net interest margin, profit (loss) for the year, shareholders' equity and the results of scenario analysis, see paragraph *2. Banking book: Internal models and other methods of sensitivity analysis.*

Part E - Information on risks and hedging policies (CONTINUED)

2. Banking book: internal models and other methods of sensitivity analysis

The following table provides the results of the analyses conducted.

<table>
<tr><th>CURRENCY</th><th>VALUE ANALYSIS (SHIFT + 200 BP)</th><th>VALUE ANALYSIS (SHIFT - 200 BP)</th><th>VALUE ANALYSIS (SHIFT + 1 BP)</th><th>IRVAR*</th></tr>
<tr><td>EUR</td><td>14,609</td><td>-15,358</td><td>74,83</td><td>351,9</td></tr>
<tr><td>USD</td><td>499</td><td>-505</td><td>2,51</td><td rowspan="2">6,7</td></tr>
<tr><td>Other currencies</td><td>113</td><td>-116</td><td>0,56</td></tr>
<tr><td>Total</td><td>15,221</td><td>15,979</td><td>77,91</td><td>351,3</td></tr>
</table>

* 1 day holding period, 99% confidence level.

The sensitivity analysis on the value of shareholders' equity, which was conducted assuming a shift of + 200 basis points on the euro interest rate curve, showed an impact of €15,221 thousand. A shift of -200 basis points showed an impact of €15,979 thousand.
The sensitivity analysis on the value of shareholders' equity, which was conducted assuming a shift of + 1 basis point, showed an overall impact of €77.91 thousand.
The interest rate VaR figure for FinecoBank came to approximately €351.3 thousand.
Total VaR, including the Credit Spread Risk component arising from Italian government securities held as investment of liquidity, amounted to €5,613.7 thousand.

2.3 Exchange Rate Risk

QUALITATIVE INFORMATION

A. General aspects, management processes and measurement methods for exchange rate risk

As part of its treasury activities, FinecoBank collects funds in foreign currencies, mainly US dollars, through customer current accounts and repos, subsequently investing these funds in bonds, current accounts and time deposits, in the same currency, with the Parent Company.
The impact on the value of balance sheet items is estimated using the Forex VaR indicator.

The VaR of the Bank's positions is not used for the calculation of the Pillar 1 capital requirement because the traditional standardised approach is used. The VaR is only used for management purposes.

B. Exchange rate risk hedging

Exchange rate risk is hedged through the matching of assets and liabilities denominated in currency or through spot transactions in foreign currencies. The component of exchange rate risk that contributes to the formation of the overall VaR is usually tied to the temporal mismatch between assets and liabilities in US dollars.

QUANTITATIVE INFORMATION

1. Breakdown by currency of assets, liabilities and derivatives

	CURRENCIES					
ITEMS	U.S. DOLLAR	POUND STERLING	SWISS FRANC	YEN	AUSTRALIAN DOLLAR	OTHER CURRENCIES
A. Financial assets	**533,693**	**38,188**	**28,754**	**146**	**388**	**2,893**
A.1 Debt securities	230,751	-	-	-	-	-
A.2 Equity instruments	1	3	-	5	-	1
A.3 Loans to banks	279,060	37,200	28,503	94	388	2,537
A.4 Loans to customers	23,881	985	251	47	-	355
A.5 Other financial assets	-	-	-	-	-	-
B. Other assets	**130**	**93**	**-**	**-**	**5**	**64**
C. Financial liabilities	**521,139**	**37,702**	**28,251**	**100**	**312**	**2,037**
C.1 Deposits from banks	-	-	-	100	312	1,993
C.2 Deposits from customers	496,429	37,702	28,251	-	-	44
C.3 Debt securities	24,710	-	-	-	-	-
C.4 Other financial liabilities	-	-	-	-	-	-
D. Other liabilities	**14,615**	**204**	**444**	**22**	**1**	**179**
E. Financial derivatives						
- Options						
+ Long positions	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-
- Other derivatives						
+ Long positions	168,176	46,366	103,416	93,404	38,658	143,784
+ Short positions	163,968	46,902	103,503	86,911	38,813	143,672
Total assets	**701,999**	**84,647**	**132,170**	**93,550**	**39,051**	**146,741**
Total liabilities	**699,722**	**84,808**	**132,198**	**87,033**	**39,126**	**145,888**
Difference	**2,277**	**(161)**	**(28)**	**6,517**	**(75)**	**853**

The impact of changes in exchange rates are quantified by the daily Forex VaR of the overall portfolio, as described in the following paragraph.

2. Internal models and other methods of sensitivity analysis

As at December 31, 2014, the daily Forex VaR of the overall portfolio (banking and trading books) was approximately €132.1 thousand.

2.4 Derivative instruments

A. Financial derivatives

A.1 Regulatory trading book: end of period notional amounts and average

	12.31.2014		12.31.2013	
UNDERLYING ASSET/TYPE OF DERIVATIVE	OVER THE COUNTER	CENTRAL COUNTER-PARTIES	OVER THE COUNTER	CENTRAL COUNTER-PARTIES
1. Debt securities and interest rate indexes	**1,283**	**1,050**	**384**	**115**
a) Options	-	-	-	-
b) Swaps	-	-	-	-
c) Forwards	-	-	-	-
d) Futures	-	1,050	-	115
e) Other	1,283	-	384	-
2. Equity instruments and share indices	**15,931**	**8,050**	**7,222**	**2,301**
a) Options	-	5	-	-
b) Swaps	-	-	-	-
c) Forwards	-	-	-	-
d) Futures	-	8,045	-	2,297
e) Other	15,931	-	7,222	4
3. Currencies and gold	**796,045**	**-**	**529,958**	**-**
a) Options	-	-	-	-
b) Swaps	-	-	-	-
c) Forwards	-	-	-	-
d) Futures	13	-	-	-
e) Other	796,032	-	529,958	-
4. Commodities	**-**	**-**	**-**	**-**
5. Other underlying assets	**-**	**-**	**-**	**-**
Total	**813,259**	**9,100**	**537,564**	**2,416**
Average amounts	**568,766**	**7,563**	**349,734**	**1,533**

Item e) Other OTC derivatives primarily includes CFDs on interest rates, indices and currencies.

A.2 Banking book: end of period notional amounts and average

A.2.1 Hedging instruments

	12.31.2014		12.31.2013	
UNDERLYING ASSET/TYPE OF DERIVATIVE	OVER THE COUNTER	CENTRAL COUNTER-PARTIES	OVER THE COUNTER	CENTRAL COUNTER-PARTIES
1. Debt securities and interest rate indexes	**3,448,938**	**-**	**5,705,390**	**-**
a) Options	-	-	-	-
b) Swaps	3,448,938	-	5,705,390	-
c) Forwards	-	-	-	-
d) Futures	-	-	-	-
e) Other	-	-	-	-
2. Equity instruments and share indices	**-**	**-**	**-**	**-**
a) Options	-	-	-	-
b) Swaps	-	-	-	-
c) Forwards	-	-	-	-
d) Futures	-	-	-	-
e) Other	-	-	-	-
3. Currencies and gold	**-**	**-**	**-**	**-**
a) Options	-	-	-	-
b) Swaps	-	-	-	-
c) Forwards	-	-	-	-
d) Futures	-	-	-	-
e) Other	-	-	-	-
4. Commodities	**-**	**-**	**-**	**-**
5. Other underlying assets	**-**	**-**	**-**	**-**
Total	**3,448,938**	**-**	**5,705,390**	**-**
Average amounts	**3,452,310**	**-**	**6,331,222**	**-**

A.2.2 Other derivatives

No data to report.

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

TRANSACTION TYPES/UNDERLYINGS	POSITIVE FAIR VALUE			
	12.31.2014		12.31.2013	
	OVER THE COUNTER	CENTRAL COUNTER-PARTIES	OVER THE COUNTER	CENTRAL COUNTER-PARTIES
A. Regulatory trading book	**860**	**60**	**903**	**5**
a) Options	-	-	-	-
b) Interest rate swaps	-	-	-	-
c) Cross currency swaps	-	-	-	-
d) Equity swaps	-	-	-	-
e) Forwards	-	-	-	-
f) Futures	-	60	-	5
g) Other	860	-	903	-
B. Banking book - hedges	**19,247**	**-**	**123,143**	**-**
a) Options	-	-	-	-
b) Interest rate swaps	19,247	-	123,143	-
c) Cross currency swaps	-	-	-	-
d) Equity swaps	-	-	-	-
e) Forwards	-	-	-	-
f) Futures	-	-	-	-
g) Other	-	-	-	-
C. Banking book - other derivatives	**-**	**-**	**-**	**-**
a) Options	-	-	-	-
b) Interest rate swaps	-	-	-	-
c) Cross currency swaps	-	-	-	-
d) Equity swaps	-	-	-	-
e) Forwards	-	-	-	-
f) Futures	-	-	-	-
g) Other	-	-	-	-
Total	**20,107**	**60**	**124,046**	**5**

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

TRANSACTION TYPES/UNDERLYINGS	NEGATIVE FAIR VALUE			
	12.31.2014		12.31.2013	
	OVER THE COUNTER	CENTRAL COUNTER-PARTIES	OVER THE COUNTER	CENTRAL COUNTER-PARTIES
A. Regulatory trading book	**1,127**	**10**	**548**	**24**
a) Options	-	-	-	-
b) Interest rate swaps	-	-	-	-
c) Cross currency swaps	-	-	-	-
d) Equity swaps	-	-	-	-
e) Forwards	-	-	-	-
f) Futures	-	10	-	24
g) Other	1,127	-	548	-
B. Banking book - hedges	**36,993**	**-**	**141,801**	**-**
a) Options	-	-	-	-
b) Interest rate swaps	36,993	-	141,801	-
c) Cross currency swaps	-	-	-	-
d) Equity swaps	-	-	-	-
e) Forwards	-	-	-	-
f) Futures	-	-	-	-
g) Other	-	-	-	-
C. Banking book - other derivatives	**-**	**-**	**-**	**-**
a) Options	-	-	-	-
b) Interest rate swaps	-	-	-	-
c) Cross currency swaps	-	-	-	-
d) Equity swaps	-	-	-	-
e) Forwards	-	-	-	-
f) Futures	-	-	-	-
g) Other	-	-	-	-
Total	**38,120**	**10**	**142,349**	**24**

Part E - Information on risks and hedging policies (CONTINUED)

A.5 Over the counter financial derivatives – regulatory trading book: notional values, positive and negative gross fair values by counterparty – contracts not covered by clearing agreements

CONTRACTS NOT INCLUDED IN NETTING AGREEMENT	GOVERNMENTS AND CENTRAL BANKS	OTHER PUBLIC ENTITIES	BANKS	FINANCIAL COMPANIES	INSURANCE COMPANIES	NON-FINANCIAL COMPANIES	OTHER ENTITIES
1. Debt securities and interest rate indexes							
- notional value	-	-	-	-	-	-	1,283
- positive fair value	-	-	-	-	-	-	8
- negative fair value	-	-	-	-	-	-	1
- future exposure	-	-	-	-	-	-	-
2. Equity instruments and share indices							
- notional value	-	-	537	-	-	2	15,392
- positive fair value	-	-	28	-	-	-	104
- negative fair value	-	-	2	-	-	-	126
- future exposure	-	-	54	-	-	-	1,539
3. Currencies and gold							
- notional value	-	-	603,067	5,603	-	8,218	179,157
- positive fair value	-	-	524	3	-	15	179
- negative fair value	-	-	818	-	-	3	177
- future exposure	-	-	167	50	-	73	1,561
4. Other instruments							
- notional value	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
- future exposure	-	-	-	-	-	-	-

A.6 Over the counter financial derivatives - regulatory trading book: notional values, positive and negative gross fair values by counterparty – contracts not covered by clearing agreements

No data to report.

A.7 Over the counter financial derivatives – banking book: notional values, positive and negative gross fair values by counterparty – contracts not covered by clearing agreements

CONTRACTS NOT INCLUDED IN NETTING AGREEMENT	GOVERNMENTS AND CENTRAL BANKS	OTHER PUBLIC ENTITIES	BANKS	FINANCIAL COMPANIES	INSURANCE COMPANIES	NON-FINANCIAL COMPANIES	OTHER ENTITIES
1. Debt securities and interest rate indexes							
- notional value	-	-	3,448,938	-	-	-	-
- positive fair value	-	-	19,247	-	-	-	-
- negative fair value	-	-	36,993	-	-	-	-
- future exposure	-	-	13,269	-	-	-	-
2. Equity instruments and share indices							
- notional value	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
- future exposure	-	-	-	-	-	-	-
3. Currencies and gold							
- notional value	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
- future exposure	-	-	-	-	-	-	-
4. Other instruments							
- notional value	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
- future exposure	-	-	-	-	-	-	-

A.8 Over the counter financial derivatives – banking book: notional values, positive and negative gross fair values by counterparty – contracts not covered by clearing agreements

No data to report.

A.9 OTC financial derivatives - residual life: notional amounts

UNDERLYING/UNEXPIRED TERM	UP TO 1 YEAR	BETWEEN 1 AND 5 YEARS	OVER 5 YEARS	TOTAL
A. Regulatory trading book	**797,328**	**-**	**15,931**	**813,259**
A.1 Financial derivatives on debt securities and interest rates	1,283	-	-	1,283
A.2 Financial derivatives on equity instruments and share indices	-	-	15,931	15,931
A.3 Financial derivatives on exchange rates and gold	796,045	-	-	796,045
A.4 Financial derivatives on other instruments	-	-	-	-
B. Banking Book	**1,477,545**	**1,930,210**	**41,183**	**3,448,938**
B.1 Financial derivative contracts on debt securities and interest rates	1,477,545	1,930,210	41,183	3,448,938
B.2 Financial derivatives on equity instruments and share indices	-	-	-	-
B.3 Financial derivatives on exchange rates and gold	-	-	-	-
B.4 Financial derivatives on other instruments	-	-	-	-
Total December 31, 2014	**2,274,873**	**1,930,210**	**57,114**	**4,262,197**
Total December 31, 2013	**3,878,568**	**2,357,164**	**7,222**	**6,242,954**

A.10 Over the counter financial derivatives: Counterparty risk/financial risk – Internal models

No data to report.

B. Credit derivatives

B.1 Credit derivatives: end of period notional amounts and average

No data to report.

B.2 Credit derivatives: positive fair value - breakdown by product

No data to report.

B.3 Credit derivatives: negative fair value - breakdown by product

No data to report.

B.4 OTC Credit derivatives: gross FV (positive and negative) by counterpart - contracts not in netting agreement

No data to report.

B.5 OTC Credit derivatives: gross FV (positive and negative) by counterpart – contracts included in netting agreements

No data to report.

B.6. Credit derivatives residual life: notional amounts

No data to report

B.7 Credit derivatives: Counterparty risk/financial risk – Internal models

No data to report

C. Financial and credit derivatives

C.1 OTC Financial and credit derivatives: net fair values and future exposures by counterparty

No data to report.

Part E - Information on risks and hedging policies (CONTINUED)

Section 3 - Liquidity Risk

QUALITATIVE INFORMATION

A. General aspects, management processes and measurement methods for liquidity risk

Liquidity risk can be succinctly defined as the risk that the Bank, also due to unexpected future events, is unable to meet its payment obligations or to efficiently match expected cash inflows and outflows. Generally, there are two distinct types of liquidity risk: i) the funding liquidity risk, i.e. the risk that the Bank is unable to meet its payment commitments and obligations in an efficient manner due to its inability to raise funds without jeopardizing its core business and/or its financial situation; and (ii) the market liquidity risk, i.e. the risk that the Bank is unable to sell a financial asset without incurring capital losses due to an illiquid market and/or the timing required to complete the transaction.

To address its exposure to liquidity risk - in terms of both funding liquidity risk and market liquidity risk - the Bank invests the portion of liquidity that according to its internal analyses is less stable ("non-core liquidity") in liquid assets or assets readily convertible into cash, such as, for example, demand deposits, short-term loans or government bonds that can be used as a source of short-term financing with the central bank.

At the reporting date, there were no "Contingent liquidity and funding needs", such as, for example, accelerated repayment clauses or the issue of additional guarantees relating to a downgrade of the bank.

The key principles

"Fineco Liquidity Policy" approved by the Board of Directors of FinecoBank establishes the managerial autonomy of FinecoBank Treasury and sets forth the principles and rules that the Bank applies to both normal and emergency liquidity management in line with the Group liquidity risk management.

Roles and responsibilities

"Fineco Liquidity Policy" establishes the principles adopted in terms of internal governance, which envisage the involvement of the Finance, Treasury and Risk Management Departments, in line with the Group's approach.

The operational management of liquidity is carried out by the Finance Department, which ensures effective and efficient management of liquidity in the short and medium/long term, monitoring of liquidity exposure and first-level controls on the management process.
The Risk Control function is responsible for implementing the rules on liquidity risk, the application of selected risk metrics and methodologies and the approval and compliance with risk limits.

To this end, "Fineco Liquidity Policy" explicitly refers to Group rules regarding the implementation of first and second level monitoring, both from a regulatory and management standpoint:

1. Short-term liquidity risk management (operational liquidity), which considers the events that will impact upon the Bank's liquidity position from 1 day up to one year. The primary objective is to maintain the Bank's capacity to fulfill its ordinary and extraordinary payment obligations while minimizing the relevant costs.
2. Structural liquidity risk management (structural risk), which considers the events that will impact upon the Bank's liquidity position over one year. The primary objective is to maintain an adequate ratio between medium/long term liabilities and medium to long-term assets, with a view to avoiding pressures on short-term funding sources (both current and future).
3. Stress tests: Liquidity risk is a low probability, high impact event. Therefore stress testing is a tool to reveal potential vulnerabilities in the Balance Sheet. The Bank uses several scenarios ranging from general market crisis to idiosyncratic crisis, and combinations hereof.

In this context, FinecoBank takes into account all of the assets, liabilities, off-balance sheet positions and present and future events that generate certain or potential cash flows, thereby protecting the Bank from risks related to the transformation of maturity.

Short term liquidity management

Short-term liquidity management aims at ensuring that the Bank remains in a position to fulfill its cash payment obligations always, whether expected or unexpected, focused on the exposure for the first 12 months.
The Bank calculate also the indicator "Cash Horizon" which is a synthetic indicator of the short term liquidity risk levels; this indicator is monitored through the Operative Maturity Ladder, which measures the cash inflows and outflows affecting the monetary base, with details of the main temporal buckets. The Cash Horizon identifies the number of days after which the Bank is no longer able to meet its contractual obligations as expressed in the operative Maturity Ladder, after having exhausted the available Counterbalancing Capacity (i.e. amount of uncommitted securities accepted as collateral by Central Banks or normally accepted by the market).
The objective of the Bank is to guarantee a cash horizon of at least 3 months.
The Cash Horizon is one of the liquidity metrics included in FinecoBank's Risk Appetite Framework.

Structural liquidity management

The objective of the Bank's structural liquidity management is to maintain an adequate ratio between medium/long term assets and liabilities (generally over one year), with a view to avoiding pressures on short-term funding sources, both current and future. To this end, FinecoBank adopts a prudent approach to its investments of liquidity, taking into account funding maturities.

Liquidity Stress Test

Stress testing is a risk management technique used to evaluate the potential effects of a specific event on an entity's financial position. As a forward looking tool, liquidity stress testing diagnostics the institution's liquidity risk.

Periodically, the Bank uses scenario analysis to evaluate the impact of simultaneous changes in various risk factors, defining an hypothetical and consistent stress event whose assumptions and size are shared and agreed with the parent company's functions.

Behavioural modelling of Assets and Liabilities

The Group has developed specific behavioural models aimed at estimating the maturity profile of asset and liability items that do not have a contractual maturity; Indeed, what is perceived to be sight maturing in reality shows some stickiness.
More specifically, modelling of assets and liabilities aims to construct a replication profile that best reflects the behavioural characteristics of the items. An example is on demand items: estimates of the maturity profile reflect the perceived stickiness. These behavioural models are developed by the Planning, Finance and Administration function of the Parent Company and validated by the Risk Management function of the Parent Company and FinecoBank.

FinecoBank Contingency Liquidity Policy

A liquidity crisis is a high impact, low probability event. Therefore, a specific crisis-mode operating model, that can be activated effectively in case of crisis according to an approved procedure, has been defined in FinecoBank "Contingency Plan for liquidity risk".

The ability to act in time is essential to minimize the potentially disruptive consequences of a liquidity crisis. The analytics of the Stress tests form a valuable tool to identify the expected consequences and to define up front the most suitable actions in a certain crisis scenario. In combination with Early Warning Indicators (EWI) the Bank may be able to reduce the liquidity effects in the initial stages of a crisis.

FinecoBank "Contingency Plan on liquidity risk" has the objective of ensuring effective interventions starting from the very outset of the liquidity crisis, through the clear identification of individuals, powers, responsibilities, communication, and reporting criteria, with a view of increasing significantly the probability of successfully overcoming the state of emergency. This is achieved through:
• activation of extraordinary liquidity governance and operating model;
• consistent communication both internally and to the Group;
• a set of available mitigating liquidity actions;
• a set of early warning indicators that may point towards a developing crisis.

Part E - Information on risks and hedging policies (CONTINUED)

QUANTITATIVE INFORMATION

1. Breakdown by contractual residual maturity of financial assets and liabilities
Currency: Euro

ITEM/TIME BRACKETS	ON DEMAND	BETWEEN 1 AND 7 DAYS	BETWEEN 7 AND 15 DAYS	BETWEEN 15 DAYS AND 1 MONTH	BETWEEN 1 AND 3 MONTHS	BETWEEN 3 AND 6 MONTHS	BETWEEN 6 MONTHS AND 1 YEAR	BETWEEN 1 AND 5 YEARS	OVER 5 YEARS	INDEFINITE DURATION
On-balance sheet assets	**1,322,952**	**299,918**	**237,019**	**294,258**	**1,050,746**	**1,026,798**	**1,136,487**	**6,956,359**	**3,364,672**	**131,851**
A.1 Government securities	-	-	-	-	28,788	13,586	53,562	1,537,501	4	-
A.2 Debt securities	1	3,279	4,252	7,009	29,121	42,883	655,456	5,340,039	3,360,001	-
A.3 Units in investment funds	1	-	-	-	-	-	-	-	-	-
A.4 Loans	1,322,950	296,639	232,767	287,249	992,837	970,329	427,469	78,819	4,667	131,851
- Banks	1,174,522	285,992	20,236	222,046	905,797	937,327	382,999	-	-	131,851
- Customers	148,428	10,647	212,531	65,203	87,040	33,002	44,470	78,819	4,667	-
On-balance sheet liabilities	**11,882,973**	**314,837**	**54,910**	**92,886**	**998,504**	**828,230**	**1,003,947**	**23,229**	**-**	**-**
B.1 Deposits and current accounts	11,814,714	31,190	46,781	80,104	328,730	387,155	419,381	23,229	-	-
- Banks	87,202	-	-	-	-	-	-	-	-	-
- Customers	11,727,512	31,190	46,781	80,104	328,730	387,155	419,381	23,229	-	-
B.2 Debt securities	-	-	-	-	-	-	414,536	-	-	-
B.3 Other liabilities	68,259	283,647	8,129	12,782	669,774	441,075	170,030	-	-	-
Off-balance sheet transactions										
C.1 Financial derivatives with exchange of capital										
- Long positions	-	42,914	3	-	1,050	-	-	5	389	-
- Short positions	-	46,336	108	-	-	-	-	5	1,439	-
C.2 Financial derivatives without exchange of capital										
- Long positions	101	798	2,170	-	14,175	13,952	34,451	-	-	-
- Short positions	69	-	24	-	16,005	12,238	37,856	-	-	-
C.3 Deposits and loans to be collected										
- Long positions	-	3,997	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	3,647	350	-	-	-
C.4 Irrevocable commitments to lend funds										
- Long positions	-	-	-	-	-	7,847	-	537	-	-
- Short positions	-	7,847	-	537	-	-	-	-	-	-
C.5 Financial guarantees given	-	-	-	-	-	-	-	-	-	-
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-
C.7 Credit derivatives with exchange of capital										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.8 Credit derivatives without exchange of capital										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-

Currency: US dollar

ITEM/TIME BRACKETS	ON DEMAND	BETWEEN 1 AND 7 DAYS	BETWEEN 7 AND 15 DAYS	BETWEEN 15 DAYS AND 1 MONTH	BETWEEN 1 AND 3 MONTHS	BETWEEN 3 AND 6 MONTHS	BETWEEN 6 MONTHS AND 1 YEAR	BETWEEN 1 AND 5 YEARS	OVER 5 YEARS	INDEFINITE DURATION
On-balance sheet assets	**262,123**	**4,800**	**244**	**1,903**	**15,610**	**26,330**	**20,947**	**123,549**	**82,367**	**-**
A.1 Government securities	-	-	-	-	-	-	-	-	1	-
A.2 Debt securities	-	97	-	162	521	26,330	1,723	123,548	82,366	-
A.3 Units in investment funds	-	-	-	-	-	-	-	-	-	-
A.4 Loans	262,123	4,703	244	1,741	15,089	-	19,224	1	-	-
- Banks	260,042	-	-	-	-	-	19,198	-	-	-
- Customers	2,081	4,703	244	1,741	15,089	-	26	1	-	-
On-balance sheet liabilities	**461,834**	**3,911**	**942**	**2,855**	**13,390**	**32,563**	**6,608**	**-**	**-**	**-**
B.1 Deposits and current accounts	458,625	-	-	-	-	-	-	-	-	-
- Banks	-	-	-	-	-	-	-	-	-	-
- Customers	458,625	-	-	-	-	-	-	-	-	-
B.2 Debt securities	-	-	-	-	-	25,539	-	-	-	-
B.3 Other liabilities	3,209	3,911	942	2,855	13,390	7,024	6,608	-	-	-
Off-balance sheet transactions										
C.1 Financial derivatives with exchange of capital										
- Long positions	-	119,557	13	-	-	-	-	-	25	-
- Short positions	-	116,241	-	-	-	-	-	-	25	-
C.2 Financial derivatives without exchange of capital										
- Long positions	250	205	-	-	750	1,430	1,278	-	-	-
- Short positions	240	-	-	-	384	832	-	-	-	-
C.3 Deposits and loans to be collected										
- Long positions	-	2,987	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	2,758	229	-	-	-
C.4 Irrevocable commitments to lend funds										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.5 Financial guarantees given	-	-	-	-	-	-	-	-	-	-
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-
C.7 Credit derivatives with exchange of capital										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.8 Credit derivatives without exchange of capital										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-

Part E - Information on risks and hedging policies (CONTINUED)

Currency: other currencies

ITEM/TIME BRACKETS	ON DEMAND	BETWEEN 1 AND 7 DAYS	BETWEEN 7 AND 15 DAYS	BETWEEN 15 DAYS AND 1 MONTH	BETWEEN 1 AND 3 MONTHS	BETWEEN 3 AND 6 MONTHS	BETWEEN 6 MONTHS AND 1 YEAR	BETWEEN 1 AND 5 YEARS	OVER 5 YEARS	INDEFINITE DURATION
On-balance sheet assets	**69,798**	**-**	**12**	**1**	**459**	**42**	**48**	**-**	**-**	**-**
A.1 Government securities	-	-	-	-	-	-	-	-	-	-
A.2 Debt securities	-	-	-	-	-	-	-	-	-	-
A.3 Units in investment funds	-	-	-	-	-	-	-	-	-	-
A.4 Loans	69,798	-	12	1	459	42	48	-	-	-
- Banks	68,673	-	-	-	-	-	48	-	-	-
- Customers	1,125	-	12	1	459	42	-	-	-	-
On-balance sheet liabilities	**68,268**	**-**	**1**	**-**	**125**	**8**	**-**	**-**	**-**	**-**
B.1 Deposits and current accounts	68,268	-	-	-	-	-	-	-	-	-
- Banks	2,405	-	-	-	-	-	-	-	-	-
- Customers	65,863	-	-	-	-	-	-	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	-	-	1	-	125	8	-	-	-	-
Off-balance sheet transactions										
C.1 Financial derivatives with exchange of capital										
- Long positions	-	2,859	92	-	-	-	-	80	10	-
- Short positions	-	2,342	3	-	-	-	-	80	10	-
C.2 Financial derivatives without exchange of capital										
- Long positions	569	-	-	-	-	-	-	-	-	-
- Short positions	828	-	-	-	-	-	-	-	-	-
C.3 Deposits and loans to be collected										
- Long positions	-	7	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	7	-	-	-	-
C.4 Irrevocable commitments to lend funds										
- Long positions	-	-	-	-	-	9,132	-	-	-	-
- Short positions	-	9,132	-	-	-	-	-	-	-	-
C.5 Financial guarantees given	-	-	-	-	-	-	-	-	-	-
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-
C.7 Credit derivatives with exchange of capital										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.8 Credit derivatives without exchange of capital										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-

2. Disclosures about encumbered assets recognised in the Financial Statements

TYPE	ENCUMBERED BV	ENCUMBERED FV	UNENCUMBERED BV	UNENCUMBERED FV	BV 12.31.2014	BV 12.31.2013
1. Cash and cash balances	-	X	5	X	5	5
2. Debt securities	1,659,029	1,756,799	9,524,895	9,815,538	11,183,924	3,415,774
3. Equity Instruments	-	-	30	30	30	28
4. Loans	47,606	X	5,051,854	X	5,099,460	13,649,546
5. Other financial assets	-	X	27,258	X	27,258	183,895
6. Other non-financial assets	-	X	453,943	X	453,943	432,949
Total December 31, 2014	**1,706,635**	**1,756,799**	**15,057,985**	**9,815,568**	**16,764,620**	**X**
Total December 31, 2013	**2,030,007**	**2,027,613**	**15,652,190**	**1,477,777**	**X**	**17,682,197**

3. Disclosures about own encumbered assets not recognised in the Financial Statements

TYPE	ENCUMBERED	UNENCUMBERED	12.31.2014	12.31.2013
1. Financial assets	1,447,263	2,797,740	4,245,003	4,208,203
- securities in issue	1,447,263	2,797,740	4,245,003	4,208,203
- Others	-	-	-	-
2. Other non-financial assets	-	-	-	-
Total December 31, 2014	**1,447,263**	**2,797,740**	**4,245,003**	**X**
Total December 31, 2013	**1,752,187**	**2,456,016**	**X**	**4,208,203**

The “Non encumbered” column in the above table also lists the bonds issued by the Bank and redeemed for a fair value of €2,659,768 thousand (€2,329,626 thousand at December 31, 2013).

No refinancing transactions were carried out with the European Central Bank.

Assets received as collateral or loaned as part of repos and securities lending

	12.31.2014	12.31.2013
Fair value of securities received as guarantee in repos and securities lending with cash guarantee	168,717	173,381
Fair value of securities received on loan	1,416,518	1,705,195
Of which fair value of the securities delivered through reverse repos and securities lending with cash guarantee	(1,447,261)	(1,752,187)

Part E - Information on risks and hedging policies (CONTINUED)

Section 4 - Operational risk

QUALITATIVE INFORMATION

A. General aspects, operational processes and methods for measuring operational risk

Operational risk definition

Operational risk is defined as the risk of losses due to errors, violations, interruptions, or damage caused by internal processes, personnel, systems or by external events. This definition includes legal and compliance risks, but excludes strategic and reputational risk.
For example, losses arising from the following can be defined as operational: internal or external fraud, employment practices and workplace safety, customer claims, product distribution, fines and penalties for regulatory breaches, damage to the Company's physical assets, business disruption and system failures, and management of processes.

Group operational risk framework

The recognition, measurement, control and management of operational risk are carried out according to the principles established by Basel II in the "New Basel agreement on Capital" and in line with the "New regulations for the prudential supervision of banks" (Bank of Italy Circular no. 263 of December 27, 2006 as amended), which incorporate instructions on international convergence for the measurement of capital and of capital ratios. These principles and provisions have been set out in the Group Framework for the management of operational risk and adopted in FinecoBank's Operational Risk Manual approved by the Board of Directors.
The methods for classifying data and verifying its completeness, scenario analysis, risk indicators and risk capital reporting and measurement are set by the Group Operational & Reputational Risks department of the Parent Company and applied by FinecoBank in its capacity as a Group Legal Entity. A pivot element of the risk control framework is the operational risk management application, allowing the collection of the data required for operational risk control and capital measurement.
The compliance of the risk control and measurement system with external regulations and Group standards is assessed through an internal validation process, under the responsibility of the Group Internal Validation department of the Parent Company, which is independent from the Group Operational & Reputational Risks department.
FinecoBank has obtained the approval of the Bank of Italy for the use of advanced approaches (AMA) to calculate its capital requirement for operational risk with effect from June 30, 2010.

Organizational structure

The Strategic Direction Body is responsible for approving all aspects relating to the Group operational risk framework and verifying the adequacy of the measurement and control system and is regularly updated on changes to the risk profile and operational risk exposure, with support from the appropriate risk committees if required.
In addition to the Strategic Direction Body, the corporate governance structure for operational risk consists of the **Risks Committee** – introduced from June 24, 2009 – which examines all risk issues submitted to it, and approves and validates the internal procedures and operating manuals for operational risk.
The reports produced by Risk Management for the Risks Committee and for the Board of Directors ensure that management and the control bodies are constantly updated on the trend in operational risk within the Bank and can actively intervene in the management and mitigation of the risks. The Chief Risk Officer's participation in the **Products Committee** ensures oversight of the operational risk associated with the Bank's new business activities.
The Operational Risk Management (ORM) team is part of the broader Risk Management office which reports to the Chief Risk Officer of FinecoBank who in turn reports directly to the Managing Director and General Manager.
The main activities carried out by the Risk Management office in terms of operational risk are:
- recognition, classification, validation and reporting of operating losses with consequent identification of problem areas;
- assessment of potential risks through scenario analyses and risk indicators (Key Risk Indicator-KRI);
- monitoring and optimisation of the internal control system;
- policies to mitigate and transfer risk through insurance cover;
- development of an operational risk culture within the Bank;
- generating reports for Senior Management on risk trends.

Internal validation process

In compliance with external regulations, the operational risk control and measurement system is subject to an internal validation process established by the Parent Company, in order to verify its compliance with minimum requirements and Group standards. This process is owned by the Pillar 2 Risks and Operational Risk Validation unit, within the Group Internal Validation department.
The use of the Advanced Measurement Approach (AMA) to calculate regulatory capital requires the preparation of an annual report on the management and control system for operational risk by the Operational Risk team. This Annual Report contains a self-assessment of the system and a detailed examination of the governance structure, the process for collecting data on losses, the scenario analyses and internal control system, as well as the operational use of the measurement system.

The Report is submitted to the approval of the Board of Directors and is validated by the Internal Audit department and Group GIV (Group Internal Validation). For 2014, the Internal Audit department and Group GIV confirmed that adequate protection measures are in place for operating risk as well as the adequacy of the existing management and control system.

Operational risk management
Operational risk management consists of the review of processes to reduce the risks found and the management of the related insurance policies, with the identification of the suitable deductibles and limits.
The Risks Committee and the Product Committee, from September 2011, have been joined by a Permanent Work Group (PWG), whose members include the CRO, the Risk Manager and the Organization function aimed at sharing their respective expertise in relation to the projects planned or in under way, new processes and products, or changes to them, and anything else that may affect the Bank's risk profile. The PWG's ultimate objective is to identify and then develop new mitigation measures.
As part of the prevention of operational risk and to control sales channels remotely, the Risk Management office has focused on fraud prevention measures. The development of remote monitoring to prevent fraud has led to the creation of a system called System of Fraud Identification and Analysis (SoFIA). This system enables a larger amount of data and information on individual indicators to be analysed at the same time and enables possible irregularities to be detected on a daily basis through an alert system.
In this way, all of the names put forward to be checked are assessed at the same time with regard to all remote indicators (30 indicators).
On the basis of qualitative and quantitative assessments of these indicators, the assigned staff select any cases that need to be reported to the Network Controls Department, Monitoring and Network Services Department – reporting directly to the Managing Director – for subsequent examination.
Moreover, the Operational Risk team is updated annually on the results of the tests conducted in accordance with the Business Continuity and Disaster Recovery plans.

Risk capital measurement and allocation mechanism
Operational risk is measured internally by means of:
- collecting data on losses;
- monitoring Key Risk Indicators (KRI);
- scenario analysis
- remote control of sales channels

The collection and classification of operating losses is managed by a Group system called Application for Risk Gauging On line (ARGO).
In addition to being used for internal prevention and improvement purposes, the information gathered is also used to calculate Pillar 1 and 2 capital requirements.
In terms of key risk indicators, there are currently 40 risk indicators split into nine control areas (Legal, Claims, Credit Cards, Back Office, PFA, IT systems, Payment Systems, Current Accounts, HR) which the Bank uses to measure its exposure to operational risk. If an indicator shows an irregular value, this may be related to changes in the exposure to operational risk.
Scenario analyses enable FinecoBank's exposure to operational risk, characterised by low frequency but high potential impact, to be estimated. The scenarios are identified by analysing internal losses, external events, risk indicator trends, critical processes, products and risk classes.
The inclusion of the data generated through the analyses of the scenario and of the trend of risk indicators are a forward-looking element of the risk capital calculation model.
Data collection and control is managed at local level, while the management and maintenance of the model to calculate regulatory capital is centralised for all Legal Entities of the Group at the Parent Company.
Risk capital for operational risk used for regulatory purposes as at December 31, 2014, amounted to €61,584 thousand.

Risks arising from significant legal disputes
FinecoBank is involved in individually insignificant legal proceedings over which there is considerable uncertainty regarding the outcome and the amount of possible charges. Where it is possible to reliably estimate the amount of possible charges and the charges are considered likely, provisions have been made in an appropriate amount based on the circumstances and consistent with international accounting standards. Specifically, as a precaution against these obligations and customers' complaints that have not yet resulted in legal proceedings, as at December 31, 2014, FinecoBank had a provision in place for risks and charges of €49,650 thousand.

Risks arising from tax disputes and audits
Risks arising from tax disputes and audits as at December 31, 2014 relate to:
- notice of assessment for the year 2003 containing an objection to the use of tax credits for €2.3 million, in relation to which the bank has appealed to the Supreme Court as it considers its position to be well-founded. The bank has already paid the additional taxes, penalties and interest due. With regard to this dispute, the higher taxes and the penalties have already been recognised in the income statement with a contra entry in the tax provision and the provision for risks and charges. Furthermore, a tax credit for the amount paid has been recognised;
- notice of assessment for the year 2007 containing an objection to the deduction of costs in relation to a foreign subsidiary for €1.6 million; in relation to this assessment, the bank has appealed to the Provincial Tax Commission as it considers the costs in dispute to be deductible. With regard to this dispute, the taxes and penalties have already been recognised in the income statement with a contra entry in the tax provision and the provision for risks and charges;

Part E - Information on risks and hedging policies (Continued)

- tax audit completed in the year 2013 for the years 2008-2011. The following notices of assessment were received by the Bank:
  - year 2008, with reference to an extraordinary transaction of an acquired company; the bank has appealed to the Provincial Tax Commission of Milan as it considers its position to be well-founded;
  - year 2009, with reference to both the aforementioned extraordinary transaction and to costs deemed to be non-deductible; the bank has applied for a tax settlement to the Revenue Agency of Milan.

With regard to this tax audit a provision has been allocated, in view of a reasonable settlement of the case, which is characterised by notably misleading and specious arguments.

In light of the foregoing, as at December 31, 2014 FinecoBank had in place provisions that adequately reflect the specific circumstances and are in line with international accounting standards; specifically, a tax provision for a total of €10.1 million and a provision for risks and charges of €7.3 million, for penalties and interest.

Recovery of Banca delle Marche in receivership

In support of the recovery project for Banca delle Marche presented by Fonspa, the bodies of the receivership requested the intervention of the National Interbank Deposit Guarantee Fund, which FinecoBank participates in according to the amount of deposits covered by the fund. In July 2014, the Fund approved an intervention, conditional on approval of the recovery plan by the Bank of Italy and the related authorisations to the shareholders, as well as the positive outcome of the Shareholders' Meeting of Banca delle Marche in relation to the capital increase and the related subscription requirements and payment. The intervention approved by the fund would involve the issue of a guarantee (enforceable at the end of the eight years established for the recovery of a portfolio of impaired loans) for the maximum amount of €800 million and the assumption of an equity interest for a maximum amount of €100 million, as part of the capital increase of Banca delle Marche (these figures refer to the entire Italian banking system, the cost of which would be allocated to the balance sheets of the individual member banks according to their respective share of the deposits guaranteed). At present the conditions precedent have not yet arisen.

QUANTITATIVE INFORMATION

Internal operating loss data is the main component used to calculate capital requirements against operational risk. Loss analyses enable the ORM team to make assessments on FinecoBank's exposure to operational risk and to identify any critical areas.
As at December 31, 2014, operating losses recorded in the accounts amounted to €5.5 million.

The main sources of operating losses are shown below by "event type", i.e. by type of event that generated them according to the New Basel II Accord:
- Internal fraud: losses due to unauthorised activities, fraud, embezzlement or infringement of laws, regulations or company directives that involve at least one internal staff member of the bank or a resource hired under an agency contract;
- External fraud: losses owing to fraud, embezzlement or violation of laws by subjects external to the bank;
- employment practices and workplace safety: losses due to actions not compliant with the law or to agreements regarding employment, health and safety, to the payment of compensation for bodily harm, or to cases of discrimination or non-application of equality conditions;
- customers, products and professional practices: losses arising from non-fulfilment of professional obligations towards customers or from the nature or characteristics of the products or services provided;
- damage from external events: losses arising from external events, including natural disasters, acts of terrorism and vandalism;
- business disruption and system failures: losses owing to business disruption and system failures or interruptions;
- process management, execution and delivery: losses due to deficiencies in the completion of transactions or management of processes, as well as losses due to relations with commercial counterparties, vendors and suppliers.

Section 5 - Other Risks and information

Although the types of risk described above represent the main categories, there are, other types that FinecoBank considers important. In accordance with the provisions of Basel II Pillar 2, FinecoBank – with the support of the Parent Company – has identified other types of risk in addition to the credit, market, operational and liquidity risks described above:

- **Business risk** is defined as adverse, unexpected changes in business volume and/or margins that are not due to credit, market and operational risks. Business risk can result, above all, from a serious deterioration in the market environment, changes in the competitive situation or customer behaviour, as well as changes in the legal framework;
- **Strategic risk** is the risk of suffering potential losses due to decisions or radical changes in the business environment, improper implementation of decisions, lack of responsiveness to changes in the business environment, which result in negative impacts to the risk profile, capital and earnings as well as the overall direction and scope of a bank over the long run;
- **Reputational risk**, which represents the current or future risk of a fall in profits resulting from a negative perception of the Bank's image by Customers, counterparties, shareholders, investors or Supervisory Authorities.

FinecoBank has not included Real Estate Risk within the Bank's scope of risk, because it does not hold significant positions in real estate, nor does it include Financial Investment Risk, as it does not possess large non-speculative financial investments.
Following the identification of the significant risks, the Parent Company establishes the best way to analyse them in qualitative and quantitative terms. The quantitative measurement is carried out by the Parent Company using data sent by FinecoBank and is used to calculate the Internal Capital.
Credit, market, operational and business risks are measured quantitatively by the Parent Company, using:
- economic capital, calculation of the benefit of diversification and aggregation as a component of internal capital (including prudential cushion for model risk and variability of the economic cycle);
- Stress tests.

Internal Capital is the capital set aside as a buffer against the potential losses inherent in the Group's business activities and it takes into consideration all risk types that the Group has identified as measurable in terms of Economic Capital in line with Pillar II requirements.
For control purposes, Internal Capital is calculated quarterly by the Parent Company based on the periodic figures sent by FinecoBank; it is also projected for budgeting purposes.
The multi-dimensional nature of risk makes it necessary to supplement the measurement of economic capital with stress testing, not only in order to estimate losses in certain scenarios, but also to ascertain the impact of their determinants.
The stress test is one of the instruments used control significant risks in order to assess the Bank's vulnerability to "exceptional but plausible" events, providing additional information to the monitoring activities.

Stress testing, in accordance with regulatory requirements, is conducted on the basis of a set of internally defined stress scenarios and is performed at least twice a year by specific Parent Company functions.

ICAAP - Internal Capital Adequacy Assessment Process

Measuring the risk profile is a fundamental element of the Internal Capital Adequacy Assessment Process under Basel II Pillar 2 (ICAAP).

The Group's approach to ICAAP relies on the definition of the "Risk Governance", as a preliminary requirement, while the process consists of following phases:
- defining the scope and identifying the risks;
- assessing the risk profile;
- risk appetite setting and capital allocation;
- monitoring and reporting.

Capital adequacy is assessed by considering the balance between assumed risks, both Pillar I and Pillar II, and the available capital. With respect to Pillar II, the relevant metric is the Risk Taking Capacity, which is the ratio of available capital (Available Financial Resources - AFR) to Internal Capital.

The main elements of the internal process for determining capital adequacy include the setting and monitoring of the risk appetite. The risk appetite is defined as the level of risk that the Bank is willing to accept for the pursuit of its strategic objectives and business plan, taking into account the interests of its Customers and Shareholders, capital requirements and other requirements.
The main objectives of the risk appetite are:
- Explicitly assessing the risks, and their interconnections at local and Group level, that the Bank decides to assume (or avoid) in a long-term perspective;
- Specifying the types of risk that the Bank intends to assume, setting targets, triggers and limits under both normal operating and stress conditions;
- Ensuring a risk-return profile "ex-ante" consistent with sustainable long-term growth, as defined by the return forecasts of the strategic plan/budget;
- Ensuring that the business developed within the limits of risk tolerance established by the Board of Directors of FinecoBank, in accordance with the applicable national and international regulations;

Part E - Information on risks and hedging policies (CONTINUED)

- Supporting discussions on future policy options with regard to the risk profile;
- Guiding the vision of internal and external stakeholders towards a risk profile consistent with the strategic plan;
- Providing qualitative descriptions for risks that are difficult to quantify (e.g. strategic, reputational, compliance) to strategically guide the review of processes and the internal control system.

The Risk appetite is defined consistently with FinecoBank business model and local and Group ICAAP. For this reason, the Risk Appetite is incorporated in the budget process.
The risk appetite includes a statement and a set of KPIs. The Statement sets out the Bank's positioning in terms of strategic objectives and associated risk profiles, while the KPIs are designed to quantitatively measure the Bank's in the following categories:
- Risk ownership and positioning, to explicitly specify the main activities of FinecoBank and the Group and their overall risk positioning;
- Regulatory requirements, to include the KPIs required by the Regulatory Authority (e.g., capital requirements, including the Risk Taking Capacity);
- Profitability and risk, to ensure alignment with the budget;
- Control over specific types of risk, to ensure control of all major risks (such as credit, market, operational, liquidity and interest rate risks).

For each of the above mentioned factors, one or more KPIs are identified, in order to quantitatively measure FinecoBank positioning under several respects: absolute values, ratio between comparable measures, sensitivity analysis on defined parameters.

The Targets represent the amount of risk that the Group is willing to take in normal operating conditions in line with its Ambitions. The Targets should be considered as reference thresholds for business development. Triggers are the maximum acceptable deviation from the targets; they are defined to ensure operations under stress within the maximum acceptable level of risk.

Limits are the maximum level of risk that FinecoBank accepts to assume.

The setting of the thresholds is evaluated on a case by case basis, also through managerial decisions by the Board of Directors of FinecoBank, in compliance with the regulatory requirements and of the supervisory bodies and considering the consistency with the Group risk appetite.
The metrics are the subject of regular monitoring and reporting, at least quarterly. The monitoring is respectively carried out by the CRO Department and the CFO Department.

Glossary

Available financial resources (AFR)	AFR are the resources that can be used to safeguard the bank from insolvency. The AFR are an economic measure that consider the potential reserves, hybrid debt instruments, IFRS reserves, goodwill and other intangible assets, treasury shares held and the expected profits.
Economic capital	Capital level that is required to cover the losses that may occur with at a time horizon of one year and a certain probability or confidence level. Economic Capital is a measure of the variability of the Expected Loss of the portfolio and depends on the degree of diversification of the portfolio itself.
Internal Capital	Represents the amount of capital required to cover potential losses and is required to support the business activities and positions held. Internal Capital is the sum of the aggregated Economic Capital and a cushion that considers the effects of the cycle and model risk.
Cost of Risk	The ratio between loan loss provisions and loans and receivables with customers. It is one of the indicators of the bank assets' level of risk: the lower the ratio, the less risky the bank assets.
Credit Quality – EL	EL%= EL/EAD Represents the expected loss as a percentage of the exposure in the event of default (EAD) of the performing portfolio. The perimeter is the customers of the performing portfolio.
Funding	Provision, in various forms, of the funds necessary to finance business activities or particular financial transactions.
Key Risk Indicators	The risk indicators are quantitative metrics that reflect exposure to Operational Risks of specific processes or products: the value expressed by an indicator should be related to changes in risk levels.
Model Risk Category	The MRCs have been introduced at the group level in order to characterize the types of operational loss in more detail. They are obtained from the combination of the seven event types established by Basel II with one or more of products offered to customers.
Banking book	The set of positions other than those included in the regulatory trading book are recorded in the banking book.
Trading Book	Positions held for trading are those held intentionally for a subsequent sale in the near term and/or assumed with the intention of benefiting, in the short term, from the differences between buying and selling prices, or other price or interest rate interest variations.
Risk Taking Capacity	Ratio between Available Financial Resources and Internal Capital. Includes a prudential buffer (cushion).
Sensitivity	The greater or lesser degree of sensitivity with which certain assets or liabilities react to changes in rates or other reference parameters.
Sensitivity Analysis	Sensitivity analysis quantifies the change in value of a financial portfolio resulting from an unfavourable change in major risk factors (interest rate, exchange rate, equity)
Value at Risk	A method used for quantifying risk. It measures potential future losses which will not be exceeded within a specified period and with a specified probability.
RWA - Risk-Weighted Assets	It is the value of on-balance sheet and off-balance sheet risk-weighted assets on the basis of different weighting factors according to the class in which the exposure is classified and its credit quality.

Part F - Shareholders' Equity

Part F - Shareholders' Equity (Amounts in € thousand)

Section 1 - Bank's shareholders' equity

A. QUALITATIVE INFORMATION

The management and allocation of capital, aimed at ensuring that the amount of capital and the related ratios are consistent with the risk profile assumed and comply with regulatory provisions, is carried out at Group level, given that the quality and the amount of capital resources of the individual Group companies are established on the basis of more general Group objectives and under Group management and coordination.

B. QUANTITATIVE INFORMATION

B.1 Bank's shareholders' equity: breakdown

	12.31.2014	12.31.2013
1. Share capital	200,070	200,070
2. Share premium reserve	1,934	1,934
3. Reserves	198,081	127,715
- from profits	190,923	127,715
a) legal	33,061	28,800
b) statutory	-	-
c) treasury shares	-	-
d) other	157,862	98,915
- other	7,158	-
4. Equity instruments	-	-
5. (Treasury shares)	-	-
6. Revaluation reserves	2,262	4,214
- Available-for-sale financial assets	5,329	641
- Property, plant and equipment	-	-
- Intangible assets	-	-
- Hedging instruments of foreign investments	-	-
- Cash flow hedges	-	-
- Exchange differences	-	-
- Non-current assets classified as held for sale	-	-
- Actuarial gains (losses) on defined benefits plans	(3,067)	3,573
- Revaluation reserves for associates carried at equity	-	-
- Special revaluation laws	-	-
7. Net Profit (Loss) for the year	149,907	85,216
Total	**552,254**	**419,149**

B.2 Revaluation reserves for available-for-sale financial assets: breakdown

	12.31.2014		12.31.2013	
ASSET/AMOUNT	POSITIVE RESERVE	NEGATIVE RESERVE	POSITIVE RESERVE	NEGATIVE RESERVE
1. Debt securities	5,329	-	673	(32)
2. Equity Instruments	-	-	-	-
3. Units in investment funds	-	-	-	-
4. Loans	-	-	-	-
Total	**5,329**	**-**	**673**	**(32)**

B.3 Revaluation reserves for available-for-sale financial assets: annual changes

	DEBT SECURITIES	EQUITY INSTRUMENTS	UNITS IN INVESTMENT FUNDS	LOANS
1. Opening balance	**641**	**-**	**-**	**-**
2. Increases	**4,863**	**-**	**-**	**-**
2.1 Fair value increases	4,863	-	-	-
2.2 Reclassification through profit or loss of negative reserves	-	-	-	-
- from impairment	-	-	-	-
- from disposal	-	-	-	-
2.3 Other increases	-	-	-	-
3. Decreases	**(175)**	**-**	**-**	**-**
3.1 Fair value reductions	(112)	-	-	-
3.2 Impairment losses	-	-	-	-
3.3 Reclassification through profit or loss of positive reserves	(63)	-	-	-
- from disposal	*(63)*	-	-	-
3.4 Other increases	-	-	-	-
4. Closing balance	**5,329**	**-**	**-**	**-**

B.4 Revaluation Reserve on Defined benefit obligations: annual changes

	ACTUARIAL GAINS (LOSSES) ON DEFINED BENEFITS PLANS
1. Opening balance	**3,573**
2. Increases	**-**
2.1 Fair value increases	-
2.2 Other increases	-
3. Decreases	**(6,640)**
3.1 Fair value reductions	(6,640)
3.2 Other increases	-
4. Closing balance	**(3,067)**

Section 2 - Own funds and regulatory ratios

2.1 Own founds

A. Qualitative information

Own funds are measured on a quarterly basis in accordance with regulatory provisions. The results are reported to the Parent Company's Board of Directors.
Own Funds at December 31, 2014 amounted to €353,133 thousand and were calculated by applying the supervisory regulations in force according to the Basel III regulatory framework.
The Core Tier 1 Capital and the Regulatory capital as at December 31, 2013 were calculated in accordance with the regulatory provisions in force at that time, according to the Basel II regulatory framework.

	12.31.2014	12.31.2013
Common Equity Tier 1 - CET1 (Core Tier 1 Capital for 2013)	353,133	316,008
Additional Tier 1 – AT1 (Tier 1 for 2013)	-	-
TIER 2 – T2 (Tier 2 capital for 2013)	-	-
Total Own Funds (Total Regulatory Capital for 2013)	**353,133**	**316,008**

In addition, it is noted that the "Disclosure by Institutions" (Pillar III Basel 3), required by Regulation (EU) 575/2013, is published on FinecoBank's website (www.fineco.it).

1. Common Equity Tier 1 - CET1

Common Equity Tier 1 - CET1 consists of the following elements:
- share capital of €200,070 thousand, made up of 606,274,033 ordinary shares of a nominal value of €0.33 each;
- the share premium reserve of €1,934 thousand;
- the legal reserve, the extraordinary reserve and other reserves of €198,081 thousand;
- accumulated other comprehensive income (OCI), which consists of the positive reserve of debt securities issued by central governments of EU member countries, held in the "available-for-sale financial assets" portfolio after December 31, 2009, amounting to €5,329 thousand, and the negative IAS19 Reserve, amounting to €3,067 thousand;
- the share of non-distributed 2014 profits, amounting to €28,604 thousand, calculated on profit for the year 2014, as provided by CRR 575/2013, Article 26.2.

Part F - Shareholders' Equity (Continued)

The following deductions have been made from Common Equity Tier 1:
- book value of goodwill, net of deferred taxes, amounting to €67,742 thousand;
- other intangible assets, amounting to €8,142 thousand.

Finally, the effects from applying the transitional provisions laid down in Bank of Italy Circular no. 285, concerning own funds, were taken into account; specifically:
- the positive revaluation reserves related to debt securities issued by central governments of EU member countries, held in the "available-for-sale financial assets" portfolio after December 31, 2009, were neutralised for an amount of €5,329 thousand,
- a 100% negative prudential filter was applied for 2014 for an amount of €3,396 thousand, on the IAS19 reserve in order to essentially restore the situation prior to IAS 19.

With regard to defined benefit plans under IAS 19, the entry into force on January 1, 2013 of the amendments (IAS 19R) that prescribe the elimination of the corridor method – with the resulting recognition of the present value of the defined benefit obligation – had an impact on FinecoBank shareholders' equity due to the recognition of net actuarial gains/losses in revaluation reserves, which were not previously recognised, in application of the said method. From a regulatory point of view, the supervisory authority ordered the implementation of a prudential filter designed to neutralize the full impact of these amendments on 2014. As at December 31, 2014 the positive prudential filter amounted to €3,396 thousand.

a) Value of liabilities for defined benefits - old IAS 19	(45,835)
b) Value of liabilities for defined benefits - new IAS 19	(50,734)
c) Amount subject to "prudential filter"	(3,067)

With regard to the indications provided in the Bank of Italy Supervisory Bulletin of December 12, 2013 on transitional own funds provisions, relating to the treatment of unrealised gains and losses from exposures to Central Governments classified as "Available-for-sale Financial Assets (AFS) pursuant to IAS 39, FinecoBank exercised the right, provided in Part Two, Chapter 14, Section II, par. 2, last sentence of Circular no. 285 setting out "Supervisory regulations for banks", to fully neutralize the related unrealised gains and losses recognised after December 31, 2009, limited to the debt securities issued by Central Governments of European Union countries. As at December 31, 2014 the net balance of neutralised capital gains and losses amounted to €5,329 thousand.

2. Additional Tier 1 – AT1
No data to report.

3. TIER 2 – T2
No data to report.

B. QUANTITATIVE INFORMATION

	12.31.2014	12.31.2013
A. Common Equity Tier 1 Capital - CET1 before prudential filters	**430,950**	**397,141**
of which CET1 instruments subject to transitional provisions	-	-
B. Prudential filters for CET1 (+/-)	-	-
C. CET1 gross of items to be deducted and effects of the transitional regime (A +/- B)	**430,950**	**397,141**
D. Items to be deducted from CET1	**75,884**	**77,089**
E. Transitional regime - Impact on CET1 (+/-)	**(1,933)**	**(4,044)**
F. Total Common Equity Tier 1 -CET1 (C - D +/- E)	**353,133**	**316,008**
G. Additional Tier 1 - AT1 gross of items to be deducted and effects of the transitional regime	**-**	**-**
of which AT1 instruments subject to transitional provisions	-	-
H. Items to be deducted from AT1	**-**	**-**
I. Transitional regime - Impact on AT1 (+/-)	**-**	**-**
L. Total Additional Tier 1 - AT1 (G - H +/- I)	**-**	**-**
M. Tier 2 - T2 gross of items to be deducted and effects of the transitional regime	**-**	**-**
of which T2 instruments subject to transitional provisions	**-**	**-**
N. Items to be deducted from T2	**-**	**-**
O. Transitional regime - Impact on T2 (+/-)	**-**	**-**
P. Total Tier 2 - T2 (M - N +/- O)	**-**	**-**
Q. Total Own Funds (F + L + P)	**353,133**	**316,008**

Reconciliation of Regulatory capital with Carrying amounts

	12.31.2014	12.31.2013
Share capital, issue-premium reserves and other reserves	428,688	392,927
Accumulated other comprehensive income (OCI)	2,262	4,214
Intangible assets - Goodwill	(67,742)	(69,075)
Intangible assets - Other intangible assets	(8,142)	(8,014)
Other deferred taxes resulting from temporary differences (amount above the 10% threshold)	-	-
Other transitional adjustments to Common Equity Tier 1 Capital	(1,933)	-
Other national filters prior to January 1, 2014	-	(4,044)
Common Equity Tier 1 - CET1 (Core Tier 1 Capital for 2013)	**353,133**	**316,008**
Additional Tier 1 – AT1 (Tier 1 for 2013)	**-**	**-**
T1 = CET1 + AT1 (Tier 1 capital for 2013)	**-**	**-**
TIER 2 – T2 (Tier 2 capital for 2013)	**-**	**-**
Total Own Funds (Total Regulatory Capital for 2013)	**353,133**	**316,008**

The item “Other national filters prior to January 1, 2014” as at December 31, 2013 refers to the amount of prudential filters aimed at neutralizing the amendment introduced with effect from January 1, 2013 (IAS 19R) to the defined benefit plans governed by IAS 19, which resulted in the elimination of the corridor method with subsequent recognition of the present value of the defined benefit, and at completely neutralizing the gains and losses recognised in the revaluation reserves relating to debt securities held in the “Available-for-sale financial assets” portfolio after December 31, 2009, limited only to debt securities issued by Central Governments of EU member countries.

Changes in Own Funds

	01.01.2014-12.31.2014	01.01.2013-12.31.2013
Common Equity Tier 1 - CET1 (Core Tier 1 Capital for 2013)		
Beginning of period	**316,008**	**251,095**
Instruments and Reserves		
Share capital, issue-premium reserves and other reserves	7,157	-
Accumulated other comprehensive income (OCI)	(1,952)	4,214
Profit for the period (net of donations and expected dividends)	28,604	63,209
Regulatory adjustments		
Intangible assets - Goodwill	1,333	1,371
Intangible assets - Other intangible assets	(128)	163
Other transitional adjustments to Common Equity Tier 1 Capital	(1,933)	-
Other national filters prior to January 1, 2014	4,044	(4,044)
End of period	**353,133**	**316,008**
Additional Tier 1 – AT1 (Tier 1 for 2013)		
Beginning of period	**-**	**-**
End of period	**-**	**-**
TIER 2 – T2 (Tier 2 capital for 2013)		
Beginning of period	**-**	**-**
End of period	**-**	**-**
Total Own Funds (Total Regulatory Capital for 2013)	**353,133**	**316,008**

The opening balance of the Common Equity Tier 1 Capital for the period Jan 1, 2014/Dec 31, 2014 is the Core Tier 1 Capital as at December 31, 2013. The new rules introduced by the CRR are reflected in the changes recorded by capital items in 2014. The changes for the period Jan 1, 2013/Dec 31, 2013 reflect the regulatory amounts on the basis of the legislation in force at that time.

2.2 Capital adequacy

A. QUALITATIVE INFORMATION

As at December 31, 2014, FinecoBank prudential regulatory requirements were determined by applying the current supervisory regulations of the Basel III Traditional Standardised Approach, except for capital requirements for operational risk, which were calculated using Advanced Measurement Approaches.

According to Basel III supervisory regulations, entities that use internal ratings-based approaches for calculating capital requirements for credit risk and Advanced Measurement Approaches for calculating own funds requirements for operational risk must hold, until December 31, 2017, own funds that are at all times equal to or greater than 80% of the Basel I requirements (CRR 575/2013 art. 500), thereby replacing the requirement to supplement the Basel I floor set forth in the previous Bank of Italy regulation (Bank of Italy Circular no. 263).

Part F - Shareholders' Equity (CONTINUED)

This led to a reduction in capital requirements, which more than offset the elimination of the 25% reduction in capital requirements granted to banks belonging to a banking group under the previous legislation in force until December 31, 2013.
The Bank has made a priority of capital management and allocation on the basis of the risk assumed in order to expand its operations and create value. These activities involve the various planning and control stages and, specifically, the planning, budgeting and monitoring processes (analysis of expected and actual performance, analysis and monitoring of limits, performance analysis and monitoring of capital ratios).
Capital and its allocation are therefore extremely important in defining strategies, since on the one hand it represents the shareholders' investment in the Bank which must be adequately remunerated, on the other hand it is a scarce resource on which there are external limitations imposed by regulatory provisions.
Capital is managed dynamically: the CFO Department prepares the financial plan, monitors capital ratios for regulatory purposes and anticipates the appropriate steps required to achieve goals.
Monitoring refers, on one hand, to both shareholders' equity and the composition of own funds and, on the other hand, to the planning and performance of risk-weighted assets (RWA).

B. QUANTITATIVE INFORMATION

	NON WEIGHTED ASSETS		WEIGHTED ASSETS	
CATEGORY/AMOUNT	12.31.2014	12.31.2013	12.31.2014	12.31.2013
A. RISK ASSETS				
A.1 Credit and counterparty risk	**17,567,110**	**18,756,147**	**1,051,859**	**1,073,917**
1. Traditional standardised approach	17,567,110	18,756,147	1,051,859	1,073,917
2. Internal rating method	-	-	-	-
2.1 Basic	-	-	-	-
2.2 Advanced	-	-	-	-
3. Securitisations	-	-	-	-
B. REGULATORY CAPITAL REQUIREMENTS				
B.1 Credit and counterparty risk			**84,149**	**85,913**
B.2 Risk of adjustment of valuation of credit			**13**	**-**
B.3 Regulatory risk			**-**	**2**
B.4 Market risk			**2,281**	**3,333**
1. Traditional standardised approach			2,281	3,333
2. Internal models			-	-
3. Concentration risk			-	-
B.5 Operational risk			**61,584**	**64,912**
1. Basic method			-	-
2. Traditional standardised approach			-	-
3. Advanced measurement approach			61,584	64,912
B.6 Other calculation elements			**-**	**52,288**
B.7 Total prudential requirements			**148,027**	**206,448**
C. RISK ASSETS AND CAPITAL RATIOS				
C.1 Risk-weighted assets			**1,850,331**	**2,580,595**
C.2 Common Equity Tier 1 Capital/Risk-weighted assets (CET1 capital ratio)			19,08%	12,25%
C.3 Tier 1/Risk-weighted assets (Tier 1 capital ratio)			19,08%	12,25%
C.3 Own funds/Risk-weighted assets (Total capital ratio)			19,08%	12,25%

Risk-weighted assets have been calculated by multiplying the total of prudential requirements by 12.5 (the inverse of the minimum compulsory coefficient of 8%).

The amounts as at December 31, 2013 were calculated in accordance with the regulatory provisions in force at that time. More specifically, as at December 31, 2013, FinecoBank prudential regulatory requirements were determined by applying the supervisory regulations of the Basel II Traditional Standardised Approach, except for capital requirements for operational risk, which were calculated using advanced approaches. To this end, the Bank supplemented the total capital requirements for the "floor" set by Bank of Italy regulations in force at the time, corresponding to the positive difference between 80% of the capital requirements calculated on the basis of regulations in force as at December 31, 2006, and the sum of capital requirements for credit, counterparty, market and operational risks, calculated using the current supervisory regulations of the Basel II Traditional Standardised Approach.
Item B.6 Other calculation elements, as at December 31, 2013 referred to the floor supplement mentioned above, amounting to €121 million, net of the 25% reduction granted until December 31, 2013 to banks belonging to a banking group, amounting to €69 million (the 25% reduction in capital requirements granted to banks belonging to a banking group was cancelled by Regulation (EU) 575/2013 as of January 1, 2014).

Exposure to credit and counterparty risk: breakdown by type of portfolio

PORTFOLIO	12.31.2014 BASEL III EXPOSURE TO CREDIT AND COUNTERPARTY RISK	12.31.2014 BASEL III RISK WEIGHED ASSETS	12.31.2013 BASEL II EXPOSURE TO CREDIT AND COUNTERPARTY RISK	12.31.2013 BASEL II RISK WEIGHED ASSETS
Exposures subject to the IRB approach				
Total - IRB approach	**-**	**-**	**-**	**-**
Exposures subject to the standardised approach				
Exposures to or guaranteed by Central governments and central banks	1,971,033	89,822	442,828	-
Exposures to or guaranteed by Public Entities	14,426,384	23,965	17,019,549	24,456
Exposures to or guaranteed by Regional governments or local authorities	1	-	1	-
Exposures to or guaranteed by Multilateral development banks	3	-	3	-
Exposures to or guaranteed by International organisations	-	-	-	-
Exposures to or guaranteed by Companies and other entities	126,029	124,423	114,846	112,352
Retail exposures	920,738	690,553	967,491	725,618
Exposures secured by real estate property	452	197	-	-
Exposures in default	4,242	4,290	4,685	4,751
Exhibitions equity instruments	5	5	5	5
Other exposures	118,223	118,217	206,739	206,735
Total - standardised approach	**17,567,110**	**1,051,472**	**18,756,147**	**1,073,917**
Risk assets - Credit and counterparty risk	**17,567,110**	**1,051,472**	**18,756,147**	**1,073,917**
Exposures to central counterparties in the form of pre-financed contributions to the Guarantee Fund		**387**		**-**
Capital requirement - Credit and counterparty risk		**84,149**		**85,913**

The amounts as at December 31, 2013 were calculated in accordance with the regulatory provisions in force at that time.

Capital requirement per type of risk and approach adopted

TYPE OF RISK	APPROACH USED	CAPITAL REQUIREMENTS BASEL III 12.31.2014	CAPITAL REQUIREMENTS BASEL II 12.31.2013
1. On-balance-sheet risk assets	Traditional standardised approach	51,608	46,675
2. Guarantees issued and commitments to disburse funds	Traditional standardised approach	3,077	3,287
3. Derivative contracts	Current value approach	138	78
4. Securities Financing Transactions	CRM - Comprehensive method with regulatory adjustments for volatility	29,295	35,874
Capital requirements credit and counterparty risk		**84,118**	**85,913**
Capital requirements Exposures to central counterparties in the form of pre-financed contributions to the Guarantee Fund		**31**	**-**
Market risk			
1. Currency exchange rate risk	Traditional standardised approach	832	1,173
2. Risk position debt securities	Traditional standardised approach	1,316	1,254
3. Risk position equity instruments	Traditional standardised approach	133	906
4. Position risk commodities	Traditional standardised approach	-	-
Capital requirements market risk		**2,281**	**3,333**
1. Concentration risk	Traditional standardised approach	-	-
Capital requirements - concentration risk		**-**	**-**
1. Risk of adjustment of valuation of credit	Traditional standardised approach	13	-
Capital requirements - risk of adjustment of valuation of credit		**13**	**-**
1. Settlement risk	Traditional standardised approach	-	2
Capital requirements - settlement risk		**-**	**2**
1. Advanced measurement approach	Advanced measurement approach	61,584	64,912
Capital requirements operational risk		**61,584**	**64,912**
Supplement for Basel I floor		**-**	**121,103**
Reduction for banks belonging to a Banking Group*		**-**	**(68,815)**
Total capital requirements		**148,027**	**206,448**

* The 25% reduction in capital requirements granted to banks belonging to a banking group was cancelled by Regulation (EU) 575/2013 as of January 1, 2014.

2.3 Minimum ratios established by the Bank

CAPITAL ADEQUACY INDICATORS	12.31.2014	TARGET 2014	TRIGGER 2014	LIMIT 2014
Core Tier 1 ratio	19.08%	9.00%	8.00%	6.00%
Total capital ratio	19.08%	9.00%	8.00%	6.00%

The Core Tier 1 and Total Capital Ratio respect the limits provided in the Risk Appetite Framework approved by the Board of Directors on April 15, 2014.

Part G - Business combinations

Section 1 - Business combinations completed during the year

No information to report.

Section 2 - Business combinations completed after year-end

No information to report.

Section 3 - Retrospective adjustments

No information to report.

Part H - Related-party transactions

Part H - Related-party transactions (Amounts in € thousand)

Information on the fees paid to key management personnel and on related-party transactions, according to IAS 24, are shown below.

1. Details of Top Managers' Compensation

Key management personnel are persons having authority and responsibility for planning, directing, and controlling FinecoBank's activities, directly or indirectly. This category includes Board members and members of the Board of Statutory Auditors, pursuant to requirements of the Bank of Italy Circular no. 262 of December 22, 2005 as amended, as well as the Managing Director and General Manager, the Deputy General Manager/GBS Manager, the Chief Financial Officer, the PFA Network Commercial Manager, the Direct Bank Manager and the Investment & Wealth Management Services Manager. [1]

	12.31.2014	12.31.2013
Fees paid to "Key Management Personnel", Directors		
a) short-term benefits	5,089	2,127
b) post-employment benefits	258	67
of which: under defined benefit plans	-	-
of which: under defined contribution plans	*258*	*67*
c) other long-term employee benefits	6	-
d) termination benefits	-	-
e) share-based payments	2,058	292
TOTAL	**7,411**	**2,486**

2. Related-Party transactions

With regard to related-party transactions in 2014:

1. two non-standard transactions were carried out with related parties/associated persons, based on the approval of the Board of Directors on March 27, 2014, In particular:
   - a significant transaction, resulting from the change in the liquidity investment policy of FinecoBank with the Parent Company UniCredit, concluded with the subscription of €7,650 million and $250 million in UniCredit bonds issued at market conditions;

   and
   - a minor transaction, concerning the appointment of Mediobanca S.p.A. as sponsor for the admission to the listing of the ordinary shares of the Bank, carried out at market conditions.

These transactions were approved by the Related-Parties and Equity Investments Committee of UniCredit and by: (i) all the members of the Audit Committee of FinecoBank for the Mediobanca appointment and (ii) solely the Independent Directors of FinecoBank for the liquidity investment transactions. The latter transaction was also examined by the Board of Directors of the Parent Company, on a prudential basis, given that up until the listing – due to the effect of 100% control – intragroup transactions would have been excluded from the above decision-making procedures;

2. three transactions were carried out with related parties/associated persons, based on the approval of the Board of Directors on April 15, 2014 and the prior favourable opinion of the Audit and Related Parties Committee. Specifically:
   - a minor, non-standard transaction was carried out at market conditions with UniCredit Bank AG concerning the appointment of the mentioned bank as Joint Global Coordinator and Joint Bookrunner in the placement of the Bank's shares for the purpose of the listing; the fees due to the Syndicate were paid by the selling Shareholder;
   - a minor, non-standard transaction was carried out at market conditions, concerning the appointment of Mediobanca as Joint Bookrunner in the placement of the Company's shares for the purpose of the listing; the fees due to the Syndicate were paid by the selling Shareholder;

   and
   - a minor, non-standard transaction, was carried out with UniCredit at non-market conditions, as it was free of charge, concerning the signing of an agreement acknowledging the licence agreement for the "Fineco" trademark;

3. based on the approval of the Board of Directors on June 27, 2014, and the prior favourable opinion of the Audit and Related Parties Committee, an ordinary significant transaction was carried out at market conditions with UniCredit S.p.A., consisting of a framework resolution "Repo transactions with institutional clients, term deposits from retail customers and related use of liquidity", valid until October 31, 2014. The above transaction was approved by the Parent's Related-Parties and Equity Investments Committee with the issue of a non-binding opinion on the matter, in compliance with the current Procedures.

1. As at December 31, 2013, the key managers of the Bank comprised Board members, members of the Board of Statutory Auditors and the Managing Director. As at December 31, 2014, key managers of the Bank also include the Deputy General Manager/GBS Manager, the Chief Financial Officer, the PFA Network Commercial Manager, the Direct Bank Manager and the Investment & Wealth Management Services Manager, as they were identified as key managers by the Board of Directors on March 27, 2014.

4. based on the approval of the Board of Directors on July 15, 2014 and the prior favourable opinion of the Audit and Related Parties Committee. Specifically:

- an ordinary significant transaction was carried out at market conditions with UniCredit S.p.A., relating to the addition to the framework resolution "Repo transactions with institutional clients, term deposits from retail customers and related use of liquidity", already approved by the Board on June 27, 2014, with the following limits: for institutional clients, €900 million in repos and €900 million in term deposits; for retail clients, €800 million in repos, valid until October 31, 2014;
- an ordinary significant transaction was carried out at market conditions with UniCredit S.p.A., represented by a medium to long-term investment in the structural liquidity raised in the period April 1, 2014/June 30, 2014, completed with the subscription of €200 million in UniCredit bonds issued at market conditions.

For both transactions the Parent's Related-Parties and Equity Investments Committee, asked to issue a non-binding opinion on the matter, gave its approval.

5. based on the approval of the Board of Directors on September 23, 2014 and the prior favourable opinion of the Audit and Related Parties Committee. Specifically:
   - two ordinary significant transactions at market conditions with (i) UniCredit S.p.A., Dab Bank AG and Direktanlage.AT AG, consisting of a "Framework Resolution related to current accounts held with UniCredit Group companies", valid until September 23, 2015; and with UniCredit S.p.A., represented by a medium to long-term investment in the structural liquidity raised in the period July 1, 2014/September 30, 2014, completed with the subscription of €400 million in UniCredit bonds issued at market conditions. For both transactions the Parent's Related-Parties and Equity Investments Committee, asked to issue a non-binding opinion on the matter, gave its approval.

6. based on the approval of the Board of Directors on November 7, 2014 and the prior favourable opinion of the Audit and Related Parties Committee. Specifically:
   - an ordinary significant transaction at market conditions with UniCredit S.p.A., consisting of a Framework Resolution "Repos and Term Deposits with the Parent Bank" (as a renewal of the framework resolution already approved by the Board of Directors on June 27, 2014, supplemented by the Board Directors' meeting of July 15, 2014 and expired October 31, 2014), effective until May 31, 2015 which sets out a maximum amount: (i) for Reverse repos of approximately €2 billion and (ii) for Term Deposits of approximately €2.9 billion.

   Since this transaction was classified for UniCredit as a transaction of "Lesser relevance with a significant amount" under the Global Policy, a non-binding opinion on the matter was also issued by the Related-Parties and Equity Investments Committee of the Parent Company and the Board of Directors of UniCredit.

7. based on the approval of the Board of Directors on December 16, 2014 and the prior favourable opinion of the Audit and Related Parties Committee. Specifically:
   - an ordinary transaction of greater materiality at market conditions with UniCredit Bank AG and Mediobanca S.p.A., consisting of framework resolution "Stock Lending Activities with Institutional Clients" valid until October 31, 2015, concerning equity lending transactions with institutional counterparties under which FinecoBank can undertake the above transactions for a maximum amount of approximately €500 million for trading with UniCredit Bank AG and approximately €200 million in trades with Mediobanca S.p.A.; it was approved by the UniCredit's Related-Parties and Equity Investments Committee with the issue of a non-binding opinion on the matter.

During 2014, inter-group transactions and transactions with related parties in general, both Italian and foreign, were conducted within the ordinary course of business and related financial activities of the Bank, and were carried out under conditions similar to those applied to transactions with unrelated third parties.

You are reminded that for the three-year period 2013-2015, FinecoBank opted for the "national tax consolidation" – introduced by Italian Legislative Decree no. 344 of December 12, 2003 – with the Consolidating Company UniCredit.
In accordance with the National Tax Consolidation agreement, participation in the consolidation cannot result in tax advantages for the participating Consolidated Company with respect to the situation that would have arisen if the company had not participated. The consolidation results in the following tax advantages: (i) consolidation adjustment relating to deductible interest expense, considering that the amount of interest expense accrued by entities participating in the national consolidation is fully deductible on the basis of the relationship between the total interest expense (intercompany and outside the group) recognised in the financial statements by the individual subsidiary and the overall interest expense recognised in the financial statements by all the subsidiaries pursuant to Article 96.5 bis of the Income Tax Code, (ii) tax credits, and withholdings as advances and detractions, are recognised by the Controlling Company and the Controlled Company as a reduction in the IRES income tax amount due when then the latter has a tax loss, and (iii) any tax losses are paid by the Control Company at the IRES income tax rate applicable for the tax period in which the tax losses are realised.

Lastly, with regard to transactions of significant financial and economic relevance, during 2012, FinecoBank S.p.A. issued 5 bank guarantees in favour of the Italian Revenue Agency upon request by UniCredit, with indefinite duration (specifically of a duration until payment of the underlying sums), for a total amount of €256,065 thousand, plus interest accrued and accruing until request for payment from the Italian Revenue Agency. The bank guarantees were issued to secure the obligations assumed by UniCredit in relation to five VAT refund suspension orders issued by the Italian Revenue Agency and entail the assumption by FinecoBank S.p.A. of an irrevocable payment commitment on demand, within 30 days and without any

Part H - Related-party transactions (Continued)

exceptions. In the previous year, following the settlement of an assessment notice issued by the Regional Department of Liguria, for €4,505 thousand, replaced by another assessment notice issued by the same Department up to the amount settled, a guarantee already issued by FinecoBank S.p.A. was replaced, with amounts unchanged; this transaction did not change the commitments undertaken according to the forms, procedures and risks already assessed during 2012, which did not change in 2014.

The following statement shows the outstanding assets, liabilities, guarantees and commitments as at December 31, 2014, for each group of related parties pursuant to IAS 24:

	BALANCES AT DECEMBER 31, 2014			
	DIRECTORS, BOARD OF STATUTORY AUDITORS AND KEY MANAGEMENT PERSONNEL	OTHER RELATED PARTIES	TOTAL	% OF CARRYING AMOUNT
Financial assets held for trading	-	29	29	0.95%
Loans and receivables with customers	17	5,447	5,464	0.79%
Total assets	**17**	**5,476**	**5,493**	**0.03%**
Deposits from banks	-	480	480	0.03%
Deposits from customers	1,431	15,876	17,307	0.12%
Other liabilities	-	97	97	0.04%
Total liabilities	**1,431**	**16,453**	**17,884**	**0.11%**
Guarantees issued and commitments	**-**	**-**	**-**	**-**

The following table sets out the impact of the above transactions with related parties on the main Income Statement items, for each group of related parties.

	INCOME STATEMENT AS AT DECEMBER 31, 2014			
	DIRECTORS, BOARD OF STATUTORY AUDITORS AND KEY MANAGEMENT PERSONNEL	OTHER RELATED PARTIES	TOTAL	% OF CARRYING AMOUNT
Interest income and similar revenues	-	2	2	0.00%
Interest expenses and similar charges	(9)	(13)	(22)	0.04%
Fee and commission revenues	1	28,117	28,118	6.86%
Fee and commission expenses	(1)	(524)	(525)	0.25%
Other administrative expenses	-	(3,922)	(3,922)	1.88%
Other net operating income	13	12	25	0.03%
Total Income Statement	**4**	**23,672**	**23,676**	

With regard to the category "Directors, Board of Statutory Auditors, and key personnel", in application of the special regulations laid down in Article 136 of Legislative Decree 385/93 (Consolidated Law on Banking), the obligations established for persons that perform administrative, management and control functions pursuant to those regulations were unanimously approved by a resolution of the Board of Directors with the favourable vote of all members of the Board of Statutory Auditors, in accordance with Article 136 of said Consolidated Law on Banking.
The category "Directors, Board of Statutory Auditors, and key personnel" includes their dealings with FinecoBank (excluding their fees, which are discussed in point *1. Details of Top Managers' Compensation)* and the Parent Company UniCredit, mainly concerning assets for credit card use, liabilities for funds held by them with the Bank and costs and revenues generated from the aforesaid assets and liabilities.

The "other related parties" category includes:
- close family members of key management personnel (i.e., relatives who could be expected to influence, or be influenced by the party involved);
- companies controlled (or jointly controlled) by, or associated with, "key management personnel" or their close family members;
- associates, and their subsidiaries, of the Parent Company UniCredit;
- shareholders, and their subsidiaries, of the Parent Company UniCredit.

Transactions with "Other related parties", mainly refer to:
- assets for credit card use, liabilities for funds held with the Bank or securities lending transactions guaranteed by sums of money;
- assets for current receivables associated with the provision of financial services, mainly referring to fees for the placement of asset management and insurance products;
- costs and revenues generated from the above assets and liabilities, mainly referring to subscription and management fee and commission income relative to the placement of asset management and insurance products, insurance premiums, and costs related to the appointment of Mediobanca as Joint Bookrunner in the placement of the Bank's shares for the listing.

Amounts as at December 31, 2014 and the income components accrued in 2014 relating to the Parent Company UniCredit and the UniCredit group companies are not included, as they are presented further below.

Transactions with the parent company and other UniCredit Group companies

TOTAL TRANSACTIONS WITH UNICREDIT GROUP COMPANIES	12.31.2014	% OF CARRYING AMOUNT
Assets	**13,902,470**	**82.93%**
Loans and receivables with banks	13,861,192	99.78%
Loans and receivables with customers	14,952	2.15%
Hedging derivative assets	19,247	100.00%
Other assets	7,079	2.17%
Liabilities	**1,789,817**	**10.68%**
Deposits from banks	1,365,544	95.59%
Debt securities in issue	424,710	100.00%
Hedging derivative liabilities	36,993	100.00%
Tax liabilities	(44,243)	n.c.
Other liabilities	6,813	2.85%
Guarantees and Commitments	**256,070**	**56.69%**
Guarantees given	256,070	56.69%
Income Statement	**312,258**	
Interest income and similar revenues	238,075	84.32%
Interest expenses and similar charges	(4,433)	8.20%
Fee and commission revenues	90,563	22.10%
Fee and commission expenses	(5,213)	2.44%
Gains (losses) on financial assets and liabilities held for trading	1,208	4.06%
Fair value adjustments in hedge accounting	7,903	n.c.
Gains (losses) from disposal or repurchase	483	n.c.
Administrative costs	(16,579)	5.98%
Other net operating income	251	0.35%

The following table summarizes transactions with UniCredit group companies as at December 31, 2014:

COMPANY	ASSETS	LIABILITIES	GUARANTEES AND COMMITMENTS	INCOME STATEMENT
Unicredit S.p.A.	13,861,356	1,737,979	256,070	252,382
Unicredit Bank AG	23,663	27,079	-	2,582
Unicredit Bank AG Milano	-	23,429	-	(17,902)
Direktanlage.AT AG	-	-	-	230
Unicredit Credit Management Bank S.p.A.	-	56	-	(82)
Unicredit Factoring S.p.A.	-	-	-	3
Unicredit Leasing S.p.A.	1	1	-	447
Localmind S.p.A.	-	-	-	(2)
Unicredit Luxemburg Finance SA	-	-	-	62
Unicredit Business Integrated Solutions S.C.p.A.	2,494	998	-	(11,716)
Pioneer Investment Management SGR p.A.	1,576	244	-	10,398
Dab Bank AG	-	-	-	515
Cordusio Società Fiduciaria per Azioni	30	31	-	1
Pioneer Asset Management SA Luxemburg	13,346	-	-	75,334
Unicredit Bank Austria AG	2	-	-	3
Unicredit Bank Czech Republic A.S.	1	-	-	1
Unicredit Bank Hungary ZRT.	1	-	-	1
Unicredit BulBank AD	-	-	-	1
TOTAL	**13,902,470**	**1,789,817**	**256,070**	**312,258**

Part H - Related-party transactions (Continued)

The following tables contain a breakdown of the items relating to Assets, Liabilities, Costs and Revenue for each individual Group company.

Transactions with parent companies

TRANSACTIONS WITH UNICREDIT S.P.A.	12.31.2014
Assets	**13,861,356**
Loans and receivables with banks	13,837,538
Hedging derivative assets	19,247
Other assets	4,571
Liabilities	**1,737,979**
Deposits from banks	1,338,465
Debt securities in issue	424,710
Hedging derivative liabilities	13,747
Tax liabilities	(44,243)
Other liabilities	5,300
Guarantees and Commitments	**256,070**
Guarantees given	256,070
Income Statement	**252,382**
Interest income and similar revenues	241,300
Interest expenses and similar charges	(4,412)
Fee and commission revenues	1,044
Fee and commission expenses	(4,400)
Fair value adjustments in hedge accounting	22,742
Gains (losses) from disposal or repurchase	483
Administrative costs	(4,394)
Other net operating income	19

Transactions with companies controlled by UniCredit S.p.A.

TRANSACTIONS WITH UNICREDIT BANK AG	12.31.2014
Assets	**23,663**
Loans and receivables with banks	23,654
Other assets	9
Liabilities	**27,079**
Deposits from banks	27,079
Income Statement	**2,582**
Interest income and similar revenues	255
Interest expenses and similar charges	(12)
Fee and commission revenues	2,339

TRANSACTIONS WITH UNICREDIT BANK AG, MILAN	12.31.2014
Liabilities	**23,429**
Hedging derivative liabilities	23,246
Other liabilities	183
Income Statement	**(17,902)**
Interest income and similar revenues	(3,480)
Fee and commission revenues	571
Fee and commission expenses	(4)
Fair value adjustments in hedge accounting	(14,839)
Administrative costs	(150)

TRANSACTIONS WITH DIREKTANLAGE.AT AG	12.31.2014
Income Statement	**230**
Interest expenses and similar charges	(2)
Fee and commission revenues	26
Fee and commission expenses	(87)
Gains (losses) on financial assets and liabilities held for trading	293

TRANSACTIONS WITH UNICREDIT CREDIT MANAGEMENT BANK S.P.A.	12.31.2014
Liabilities	**56**
Other liabilities	56
Income Statement	**(82)**
Administrative costs	(82)

TRANSACTIONS UNICREDIT FACTORING S.P.A.	12.31.2014
Income Statement	**3**
Fee and commission revenues	1
Administrative costs	2

TRANSACTIONS WITH UNICREDIT LEASING S.P.A.	12.31.2014
Assets	**1**
Other assets	1
Liabilities	**1**
Other liabilities	1
Income Statement	**447**
Interest expenses and similar charges	(2)
Fee and commission revenues	450
Administrative costs	(1)

TRANSACTIONS WITH LOCALMIND S.P.A. IN LIQUIDATION	12.31.2014
Income Statement	**(2)**
Interest expenses and similar charges	(2)

TRANSACTIONS WITH UNICREDIT LUXEMBOURG FINANCE SA	12.31.2014
Income Statement	**62**
Interest expenses and similar charges	62

TRANSACTIONS WITH UNICREDIT BUSINESS INTEGRATED SOLUTIONS S.C.P.A.	12.31.2014
Assets	**2,494**
Other assets	2,494
Liabilities	**998**
Other liabilities	998
Income Statement	**(11,716)**
Fee and commission revenues	8
Administrative costs	(11,956)
Other net operating income	232

TRANSACTIONS WITH PIONEER INVESTMENT MANAGEMENT SGR P.A.	12.31.2014
Assets	**1,576**
Loans and receivables with customers	1,576
Liabilities	**244**
Other liabilities	244
Income Statement	**10,398**
Fee and commission revenues	10,598
Fee and commission expenses	(200)

Part H - Related-party transactions (Continued)

TRANSACTIONS WITH DAB BANK AG	12.31.2014
Income Statement	**515**
Interest expenses and similar charges	(3)
Fee and commission revenues	72
Fee and commission expenses	(469)
Gains (losses) on financial assets and liabilities held for trading	915

TRANSACTIONS WITH CORDUSIO SOCIETÀ FIDUCIARIA PER AZIONI	12.31.2014
Assets	**30**
Loans and receivables with customers	30
Liabilities	**31**
Other liabilities	31
Income Statement	**1**
Fee and commission revenues	52
Fee and commission expenses	(53)
Administrative costs	2

TRANSACTIONS WITH PIONEER ASSET MANAGEMENT SA LUXEMBOURG	12.31.2014
Assets	**13,346**
Loans and receivables with customers	13,346
Income Statement	**75,334**
Fee and commission revenues	75,334

TRANSACTIONS WITH UNICREDIT BANK AUSTRIA AG	12.31.2014
Assets	**2**
Other assets	2
Income Statement	**3**
Fee and commission revenues	3

TRANSACTIONS WITH UNICREDIT BANK CZECH REPUBLIC A.S.	12.31.2014
Assets	**1**
Other assets	1
Income Statement	**1**
Fee and commission revenues	1

TRANSACTIONS WITH UNICREDIT BANK HUNGARY ZRT	12.31.2014
Assets	**1**
Other assets	1
Income Statement	**1**
Fee and commission revenues	1

TRANSACTIONS WITH UNICREDIT BULBANK AD	12.31.2014
Income Statement	**1**
Fee and commission revenues	1

Part I - Share-based payments

Part I - Share-based payments (Amounts in € thousand)

A. QUALITATIVE INFORMATION

1. Description of share-based payments

1.1 Outstanding instruments

The Company's Medium & Long Term Incentive Plans for the employees and financial advisors of the Bank include the following types of instruments that involve the award of shares of the Parent Company, UniCredit S.p.A. and the Bank (equity-settled share based payments):

- **Stock Options** allocated to selected Top & Senior Managers and Key Talents and consisting of rights to subscribe UniCredit shares;
- **Performance Stock Options** allocated to selected Top & Senior Managers and Key Talents of the Group and represented by UniCredit share options that the Parent Company undertakes to grant, conditional upon achieving performance targets approved by the Parent Company's Board of Directors;
- **Employee Share Ownership Plan (ESOP)** which offers eligible Bank employees the possibility to buy UniCredit ordinary shares with the advantage of the granting of free ordinary shares ("Free Shares" or rights to receive them) measured on the basis of the shares purchased by each Participant ("Investment Shares") during the "Enrolment Period" . The granting of free ordinary shares is subordinated to vesting conditions (other than market conditions) stated in the Plan Rules.
- **Group Executive Incentive System** that offers eligible Group Executives a variable remuneration for which payment will be made within a maximum of five years. For the first two years, the beneficiaries receive cash payments, while in the subsequent years they receive payment in cash and UniCredit shares, in relation to the achievement of performance targets (other than Market conditions) set in the Plan Rules.
- **Share Plan For Talent**, offering selected personnel free UniCredit ordinary shares that the Parent Company undertakes to grant, conditional upon achieving performance targets set by the Parent Company's Board of Directors.
- **Group Executive Incentive System 2014 (Bonus Pool),** offering selected Executives and relevant personnel identified on the basis of regulatory requirements, a bonus structure consisting of immediate payments (following performance evaluation) and deferred payments in cash and ordinary UniCredit or FinecoBank shares, over a period of 6 years (immediate payment for 1 year and deferred payments for 5 years). This payment structure ensures that bonuses are aligned to shareholders' interests and is subject to malus clauses (which apply in the event that specific profitability, liquidity and capital thresholds are not met both at Group level and at Country/Division level) and clawback clauses (to the extent they are legally applicable) in accordance with the plan rules (both vesting conditions other than market conditions);
- **Stock granting for employees** offering the allocation of free shares of FinecoBank to beneficiaries belonging to Top Management *("2014-2017 Multi-year Plan Top Management")* and to executives and employees of the Bank (other than Top Management) who, in the Bank's opinion, can significantly contribute to the Bank's profitability and sustainability due to their role, skills and potential *("2014 Key People Plan"),*. The shares will be allocated to the respective beneficiaries, once the vesting period has elapsed and satisfaction of the conditions established has been verified, in 4 annual tranches for the *"2014-2017 Multi-year Top Management Plan"* from 2017, and in 3 annual tranches for the *"2014 Key People Plan"* from 2015;
- **Stock granting for personal financial** advisors offering the allocation of free shares of FinecoBank to the network's personal financial advisors, subject to the achievement by the entire network of personal financial advisors of the Bank of a set net sales target for the year *2014 ("2014 PFA Plan")* and for the three-year period 2015–2017 ("2015-2017 PFA Plan"). The shares will be allocated to the respective beneficiaries in 3 annual tranches from 2015 for the *"2014 PFA Plan"* and from 2018 for the *"2015-2017 PFA Plan".*

Shares for employee incentive plans envisaging the allocation of FinecoBank shares will be issued through free capital increases in accordance with Article 2349 of the Italian Civil Code.
Shares for PFA incentive plans envisaging the allocation of FinecoBank shares will be obtained through market purchases in implementation of the Resolution of the Company's Shareholders' meeting pursuant to Article 2357 of the Italian Civil Code.

1.2 Measurement model

1.2.1 Stock Options and Performance Stock Options

The Hull and White Evaluation Model has been adopted to measure the economic value of Stock Options.
This model is based on a trinomial tree price distribution using the Boyle's algorithm and estimates the early exercise probability on the basis of a deterministic model connected to:

- reaching a Market Share Value equal to an exercise price-multiple (M);
- probability of beneficiaries' early exit (E) after the end of the Vesting Period.

No new plans were granted during 2014, but the income statement and balance sheet effects of the plans allocated in previous years were recognised.

1.2.2 Share Plan for Talent

The economic value of Shares is measured considering the share market price at the grant date less the present value of future dividends, not available to beneficiaries, during the performance period. Parameters are estimated by applying the same model used for Stock Options measurement.
No new plans were granted during 2014, but the income statement and balance sheet effects of the plans allocated in previous years were recognised.

1.2.3 Group Executive Incentive System from 2011 to 2013

The amount of the incentive is determined on the basis of the achievement of quantitative and qualitative goals stated by the plan. In particular, the overall evaluation is expressed as a percentage, from a minimum of 0% to a maximum of 150% (non market vesting conditions). This percentage, adjusted by the application of a risk/opportunity factor – Group Gate – at first payment, multiplied by the incentive determines the actual amount that will be paid to the beneficiary.

The balance-sheet and income statement effects are spread according to the term of the Plans.
No new plans were granted during 2014, but the income statement and balance sheet effects of the plans allocated in previous years were recognised.
Details are provided below of the plans whose shares were defined during the current year.

Group Executive Incentive System 2013 - Shares

The economic value of the Shares is measured considering the share market price at the grant date less the present value of future dividends during the vesting period.

	SHARES GRANTED		
	FIRST INSTALMENT 2016	SECOND INSTALMENT 2017	THIRD INSTALMENT 2018 *
Bonus Opportunity Economic Value - (Grant Date)	01.29.2013	01.29.2013	01.29.2013
Number of Shares - Date of Board resolution	03.11.2014	03.11.2014	03.11.2014
Vesting Period Start Date	01.01.2013	01.01.2013	01.01.2013
Vesting Period End Date	12.31.2015	12.31.2016	12.31.2017
UniCredit Share Market Price [€]	5.862	5.862	5.862
Average Economic Value of Vesting conditions [€]	-0.2	-0.299	-0.427
Performance Shares Fair Value per unit at Grant Date [€]	**5.662**	**5.563**	**5.435**

* Only for Plans assigned to the Executive Vice Presidents.

1.2.4 Group Executive Incentive System 2014 (Bonus Pool)

The new incentive system 2014 is based on a bonus pool approach, in line with regulatory requirements and market practices; this approach sets out:
- the system's sustainability, by linking it directly to business results and aligning it to relevant risk categories through specific indicators that reflect the risk appetite framework;
- the link between the bonus and our organizational structure, the bonus pool being defined at local level with a further revision at Group level;
- the allocation of bonuses to beneficiaries identified as Executives and other key personnel on the basis of criteria laid down in the Regulation of the European Banking Authority, and to other specific roles, based on local regulatory requirements;
- a structure of payments spread over a period of 6 years (immediate payment for 1 year plus 5 deferred years) and consisting of a mix of cash and shares, aligned with the latest regulatory requirements.

The balance-sheet and income statement effects are spread across the term of the Plan.
The plan was assigned during the current years and the income statement and balance sheet effects will be recognised during the vesting period of the instruments.

1.2.5 Employee Share Ownership Plan (Piano Let's Share 2014)

The following tables show the parameters used in relation to free shares (or rights to receive them) connected to the "Employee Share Ownership Plan" approved in 2013, with enrolment period January 2014 - December 2014.
The unit value of the free shares (or the rights to receive them) is measured at the beginning of Enrolment Period according to the price paid by Participants to acquire the first instalment of the Investment Shares on the market.

Measurement of Free Shares ESOP 2014

	FREE SHARES 1ST ENROLMENT PERIOD	FREE SHARES 2ND ENROLMENT PERIOD
Date of granting of Free Shares to employees	01.31.2014	01.31.2014
Vesting Period Start Date	01.31.2014	07.31.2014
Vesting Period End Date	01.31.2015	07.31.2015
Free Shares Fair Value per unit [€]	**5.774**	**5.972**

All income statement and balance sheet effects related to free shares are booked during the vesting period (except adjustments, according to Plan Rules, that will be booked during the next closing after vesting period).
The UniCredit ordinary shares assigned under this plan are acquired on the market.

Part I - Share-based payments (Continued)

1.2.6 Stock granting for employees

The economic value of the Shares is measured considering the share market price at the grant date less the present value of future dividends during the vesting period.

2014 - 2017 Multi-year – Top management Plan

	SHARES GRANTED TOP MANAGEMENT			
	FIRST INSTALMENT 2017	SECOND INSTALMENT 2018	THIRD INSTALMENT 2019	FOURTH INSTALMENT 2020
Bonus Opportunity Economic Value - (Grant Date)	07.02.2014	07.02.2014	07.02.2014	07.02.2014
Number of Shares - Date of Board resolution	07.15.2014	To be defined	To be defined	To be defined
Vesting Period Start Date	07.02.2014	07.02.2014	07.02.2014	07.02.2014
Vesting Period End Date	12.31.2016	12.31.2017	12.31.2018	12.31.2019
Fineco Share Market Price [€]	3,7	To be defined	To be defined	To be defined
Average Economic Value of Vesting conditions [€]	-0,27	To be defined	To be defined	To be defined
Performance Shares Fair Value per unit at Grant Date [€]	**3,43**	**To be defined**	**To be defined**	**To be defined**

The balance-sheet and income statement effects are spread according to the term of the Plans.
The plan was assigned during the current years and the income statement and balance sheet effects will be recognised during the vesting period of the instruments.

2014 Key people Plan

	SHARES GRANTED KEY PEOPLE		
	FIRST INSTALMENT 2015	SECOND INSTALMENT 2016	THIRD INSTALMENT 2017
Bonus Opportunity Economic Value - (Grant Date)	07.02.2014	07.02.2014	07.02.2014
Number of Shares - Date of Board resolution	07.15.2014	07.15.2014	07.15.2014
Vesting Period Start Date	07.02.2014	07.02.2014	07.02.2014
Vesting Period End Date	12.31.2014	12.31.2015	12.31.2016
FinecoBank Share Market Price [€]	3.7	3.7	3.7
Average Economic Value of Vesting conditions [€]	0	-0.13	-0.27
Performance Shares Fair Value per unit at Grant Date [€]	**3.7**	**3.57**	**3.43**

The balance-sheet and income statement effects are spread according to the term of the Plans.
The plan was assigned during the current years and the income statement and balance sheet effects will be recognised during the vesting period of the instruments.

1.2.7 Stock granting for financial advisors

The economic value of the Shares is measured considering the share market price at the grant date less the present value of future dividends during the vesting period.

2014 PFA Plan

The amount of the incentive will be determined on the basis of the achievement of the goals stated by the plan, subject to the Bank's entire network of financial advisors meeting their net sales targets in 2014.
The plan helps align the interests of beneficiaries, shareholders and other stakeholders and implement effective remuneration practices, in accordance with the applicable legislative and regulatory framework.
The plan is subject to access conditions (profitability and capital thresholds) and clawback clauses (as legally applicable) in accordance with the plan rules.

2015 - 2017 PFA Plan

The amount of the incentive will be determined on the basis of the achievement of the goals stated by the plan, subject to the Bank's entire network of financial advisors meeting their cumulative net sales targets for the three-year period 2015-2017.
The plan helps align the interests of beneficiaries, shareholders and other stakeholders and implement effective remuneration practices, in accordance with the applicable legislative and regulatory framework.
The plan is subject to access conditions (profitability and capital thresholds) and clawback clauses (as legally applicable) in accordance with the plan rules.

B. QUANTITATIVE INFORMATION

2. Annual changes

Stock granting

ITEMS/NUMBER OF OPTIONS AND EXERCISE PRICE	12.31.2014 NUMBER OF OPTIONS	AVERAGE EXERCISE PRICE	AVERAGE MATURITY	12.31.2013 NUMBER OF OPTIONS	AVERAGE EXERCISE PRICE	AVERAGE MATURITY
A. Opening balance	**-**	**-**	**-**	**-**	**-**	**-**
B. Increases	1,427,240	-		-	-	
B.1 New issues	1,427,240	-		-	-	
B.2 Other increases	-	-		-	-	
C. Decreases	-	-		-	-	
C.1 Cancelled	-	-		-	-	
C.2 Exercised	-	-		-	-	
C.3 Expired	-	-		-	-	
C.4 Other changes	-	-		-	-	
D. Closing balance	**1,427,240**	**-**	**June-16**	**-**	**-**	**-**
E. Vested Options at end of period	**241,700**	**-**		**-**	**-**	

The number of shares specified in the above table only refers to plans for which the number of shares allotted to individual beneficiaries has already been defined. The average prices for the year were not included as the Stock Granting only concerns freely granted shares.

2. Other information

Let's Share for 2015 (ex 2014) - Employee Share Ownership Plan for 2015

In May 2014 the Ordinary Shareholders' Meeting of UniCredit approved the "UniCredit Group Employee Share Ownership Plan for 2015" ("Let's Share for 2015") that offers eligible Group employees the opportunity to purchase UniCredit ordinary shares at favourable conditions, starting from January 2015, in order to strengthen employee loyalty and commitment to achieve the corporate goals.
Let's Share for 2015 was launched on November 27, 2014 in 12 countries in which the Group operates, including Italy.

Let's Share for 2015 is a broad based share plan under which:

- during the "Enrolment Periods" (from January 2015 to December 2015 for the first subscription and/or from July 2015 to December 2015 for the second subscription) Participants can buy UniCredit ordinary shares ("Investment Shares") by means of monthly or one-off contributions (via one instalment in January or July 2015). In case, during this Enrolment Period, a Participant leaves the Plan, he/she will lose the right to receive any free ordinary shares at the end of the Enrolment Period, except for cases of termination of service for reasons permitted by the Plan Rules;
- at the beginning of the Enrolment Period (January 2015/July 2015), each Participant will receive a 25% discount, as "Free Shares", on the overall amount of shares purchased; the Free Shares will be locked up for one year ("Holding Period" or "Restriction Period"). The Participants will lose the entitlement to the Free Share if, before the end of the holding period, they are no longer an employee of a UniCredit group Company, unless the employment has been terminated for one of the reasons allowed in the Plan Rules;
- during the "Holding Period" (from January 2015 to January 2016 and/or from July 2015 to July 2016), the Participants can sell the Investment Shares purchased at any moment, but they will lose the corresponding Free Shares (or right to receive them).

The Free Shares are qualified as "Equity Settled Share-based Payments" as Participants, according to Plan's Rules, will receive UniCredit Equity Instruments as consideration for the services rendered to the legal entity where they are employed. The fair value will be measured at the beginning of Enrolment Period according to the price paid by Participants to acquire the first instalment of the Investment Shares on the market.
All Profit and Loss and Net Equity effects related to Let's Share for 2015 will be booked during the holding period.
Let's Share for 2015 has had no effect on 2014 Consolidated Financial Statement.

Effects on Profit and Loss

The income statement effects of incentive systems based on Fineco and UniCredit shares are shown below as well as the balance-sheet effects of incentive systems based only on shares of the parent UniCredit.
The income statement impact is determined each year based on the vesting period of the instruments.

Part I - Share-based payments (Continued)

Financial statement presentation related to payments based on shares of Fineco and of the Parent Company UniCredit

	12.31.2014		12.31.2013	
	TOTAL	VESTED PLANS	TOTAL	VESTED PLANS
Costs	8,159		465	
- connected to Equity Settled Plans	*8,159*		*465*	
Sums paid to UniCredit S.p.A. in relation to vested plans		480		-
Payable due to the UniCredit S.p.A.	2,025		1,504	

Part L - Segment reporting

The Bank does not provide segment reporting information as its business model provides for a high level of integration among its different activities.
FinecoBank offers its services (banking and investment services) through a network of financial advisors and online and mobile channels, that operate in a coordinated and integrated manner. The fully-comprehensive nature of the services offered allows the Bank to act as a one-stop solution for customers' banking and investment requirements.
This strategy, which is strongly anchored to the customer, means that revenues and margins relative to various products/services (investing, banking and brokerage) are highly interdependent on each other.
This integration approach has also inspired top management in setting company targets and identifying the means to achieve them.
As regards information on revenues from customers by product/service, in view of the above, reference should be made to information in Part C - Information on the income statement of these notes.
FinecoBank mainly targets retail customers in Italy; information concerning geographic segments and the degree of dependency on main customers is therefore considered by top management as not being of material importance for information purposes, and is not therefore disclosed.


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GRAFICO INTERATTIVO
DETTAGLI
APERTURA 4,7960
MAX 4,8320
MIN 4,7340
MAX 52 SETT. 4,9200
MIN 52 SETT. 3,5120
VOLUME 424850
CAP. MERCATO 2,92B
SIMBOLO FBK.MI
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ALTRE NOTIZIE
STORICO
1 SETTIMANA -0,08%
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1 ANNO +0,00%
MENU
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Reconciliation of condensed accounts to mandatory reporting schedule

Reconciliation of condensed accounts to mandatory reporting schedule

ASSETS	12.31.2014	12.31.2013
Cash and cash balances = *item 10*	5	5
Financial assets held for trading = *item 20*	3,054	4,700
Loans and receivables with banks = *item 60*	13,892,197	16,330,912
Loans and receivables with customers = *item 70*	695,594	641,250
Financial investments	1,695,555	93,114
30. Financial assets designated at fair value through profit or loss	-	*3,199*
40. Available-for-sale financial assets	*1,695,555*	*89,915*
Hedging instruments	24,274	179,265
80. Hedging derivatives	*19,247*	*123,143*
90. Changes in fair value of portfolio hedged financial liabilities	*5,027*	*56,122*
Property, plant and equipment = *item 110*	10,892	10,772
Goodwill = item 120. Intangible assets of which: goodwill	*89,602*	*89,602*
Other intangible assets = item 120 net of goodwill	8,142	8,014
Tax assets = item 130	*18,550*	*47,075*
Other assets = item 150	326,756	256,629
Total assets	**16,764,621**	**17,661,338**

LIABILITIES AND SHAREHOLDERS' EQUITY	12.31.2014	12.31.2013
Deposits from banks = *item 10*	1,428,568	1,648,675
Deposits from customers	13,914,712	12,732,309
20. Deposits from customers	13,914,712	12,732,309
Debt securities in issue	424,710	2,322,511
30. Debt securities in issue	424,710	2,322,511
Financial liabilities held for trading = *item 40*	3,135	2,301
Hedging instruments	46,220	178,574
60. Hedging derivatives	36,993	141,801
70. Changes in fair value of portfolio hedged financial assets	9,227	36,773
Provisions for risks and charges = *item 120*	118,031	105,421
Tax liabilities = *item 80*	33,358	16,842
Other liabilities	243,633	235,556
100. Other liabilities	238,807	231,795
110. Employee severance pay provision	4,826	3,761
Shareholders' equity	552,254	419,149
- capital and reserves	*400,085*	*329,719*
160. Reserves	*198,081*	*127,715*
170. Share premium reserve	*1,934*	*1,934*
180. Share capital	*200,070*	*200,070*
- revaluation reserves	*2,262*	*4,214*
130. Revaluation reserves of which: Available-for-sale financial assets	*5,329*	*641*
130. Revaluation reserves actuarial gains (losses) from defined benefit plans	*(3,067)*	*3,573*
- net profit = *item 200*	149,907	85,216
Total liabilities and shareholders' equity	**16,764,621**	**17,661,338**

INCOME STATEMENT	2014	2013
Net interest	228,247	180,278
30. Net interest margin	228,247	180,278
Dividends and other income from equity investments	-	-
70. Dividend income and similar revenue	*4*	*3*
less: dividends from held for trading equity instruments included in item 70	*(4)*	*(3)*
Net fee and commission income = *item 60*	195,744	166,736
60. Net fee and commission income	*195,744*	*166,736*
Net trading, hedging and fair value income	29,742	28,281
80. Gains (losses) on financial assets and liabilities held for trading	*29,720*	*27,937*
+ dividends from held for trading equity instruments (from item 70)	*4*	*3*
90. Fair value adjustments in hedge accounting	-	-
110. Gains (losses) on assets and liabilities at fair value through profit and loss	*18*	*341*
Net other expenses/income	(5,719)	(3,013)
190. Other net operating income	*71,454*	*54,019*
less: other operating income - of which: recovery of costs	*(77,170)*	*(56,997)*
100. Gains (losses) on disposal and repurchase of: a) loans and receivables	*49,160*	*52,446*
less: Gains (losses) on disposal and repurchase of: a) impaired loans	-	-
100. Gains (losses) on disposal and repurchase of: d) financial liabilities	*(49,163)*	*(52,481)*
OPERATING INCOME	**448,014**	**372,282**
Payroll costs	(69,151)	(63,338)
150. Administrative costs - a) payroll costs	*(69,151)*	*(63,338)*
Other administrative expenses	(208,189)	(174,636)
150. Administrative costs - b) other administrative expenses	*(208,189)*	*(174,636)*
Recovery of expenses	77,170	56,997
190. Other net operating income - of which: recovery of costs	*77,170*	*56,997*
Amortization, depreciation and impairment losses on intangible and tangible assets	(8,809)	(8,081)
170. Impairment/write-backs on property, plant and equipment	*(4,036)*	*(3,424)*
180. Impairments/write-backs on intangible assets	*(4,773)*	*(4,657)*
Operating costs	**(208,979)**	**(189,058)**
OPERATING PROFIT (LOSS)	**239,035**	**183,224**
Net impairment losses on loans and provisions for guarantees and commitments	(4,596)	(9,160)
+ Gains (losses) on disposal or repurchase of: a) impaired loans (from item 100 a))	-	-
130. Impairment losses/write-backs on: a) loans and receivables	*(3,224)*	*(3,275)*
130. Impairment losses/write-backs on: d) other financial assets	*(1,372)*	*(5,885)*
NET OPERATING PROFIT (LOSS)	**234,439**	**174,064**
Provisions for risks and charges	(4,705)	(12,125)
160. Provisions for risks and charges	*(4,705)*	*(12,125)*
Net income from investments	(4)	(6)
240. Gains (losses) on disposal of investments	*(4)*	*(6)*
PROFIT (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS	**229,730**	**161,933**
Income tax for the period	(79,823)	(76,717)
260. Tax expense (income) related to profit or loss from continuing operations	*(79,823)*	*(76,717)*
PROFIT (LOSS) AFTER TAX FROM CONTINUING OPERATIONS	**149,907**	**85,216**
NET PROFIT (LOSS) FOR THE PERIOD	**149,907**	**85,216**


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Certification of Annual Financial Statements pursuant to Article 81-ter of Consob Regulation no. 11971 of May 14, 1999 and subsequent amendments

Certification of Annual Financial Statements pursuant to Article 81-ter of Consob Regulation no. 11971 of May 14, 1999 and subsequent amendments

1. The undersigned, Alessandro Foti, as Managing Director and General Manager of FinecoBank S.p.A., and Lorena Pelliciari, as Nominated Official in charge of drawing up the Company Accounts of FinecoBank S.p.A, taking into account the provisions of Article 154-bis, par. 3 and 4 of Italian Legislative Decree 58 of February 24, 1998, do hereby certify:
   - the adequacy in relation to the Company's features and
   - the actual application

   of the administrative and accounting procedures used in the preparation of the financial statements for the year ended December 31, 2014.

2. The adequacy of the administrative and accounting procedures employed to draw up the financial statements for the year has been evaluated by applying a model defined by the UniCredit Group, in accordance with the "Internal Control - Integrated Framework (CoSO)" and the "Control Objective for IT and Related Technologies (Cobit)", which are international commonly accepted standards for the internal control system and for financial reporting.

3. The undersigned also certify that:

3.1 The Annual Report and Accounts:

a) were prepared in compliance with applicable international accounting standards recognised by the European Community pursuant to European Parliament and Council Regulation 1606/2002 of July 19, 2002;

b) correspond to the results of the books and accounting records;

c) are suitable to provide an accurate representation of the financial position and performance of the issuer;

3.2. the Directors' Report on operations contains a reliable operating and financial review of the issuer, as well as the description of its exposure to the main risks and uncertainties.

Milan, March 10, 2015

FinecoBank S.p.A
The Managing Director and
General Manager
Alessandro Foti

FinecoBank S.p.A.
The Manager Responsible for Preparing
the Company's Financial Reports
Lorena Pelliciari

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Report of the External Auditors

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Via Tortona, 25
20144 Milano
Italia

Tel: +39 02 83322111
Fax: +39 02 83322112
www.deloitte.it

AUDITORS' REPORT PURSUANT TO ART. 14 AND 16 OF LEGISLATIVE DECREE No. 39 OF JANUARY 27, 2010

To the Shareholders of
FINECOBANK BANCA FINECO S.p.A.

1. We have audited the financial statements of FinecoBank Banca Fineco S.p.A. which comprise the balance sheet as of December 31, 2014, and the income statement, the statement of comprehensive income, the statement of changes in equity and the cash flow statement for the year then ended, and the related explanatory notes. These financial statements prepared in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree n. 38/2005 are the responsibility of the Directors of FinecoBank Banca Fineco S.p.A. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We conducted our audit in accordance with the Auditing Standards recommended by CONSOB, the Italian Commission for listed Companies and the Stock Exchange. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Directors, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

   The financial statements present for comparative purposes prior year data. As explained in the notes to the financial statements, the Directors have reclassified certain comparative data related to the prior year's financial statements with respect to the data previously reported and audited by us, on which we issued auditors' report dated March 28, 2014. We have examined the methods used to reclassify the comparative data and the related disclosures included in the notes to the financial statements for the purposes of expressing our opinion on the financial statements as of December 31, 2014.

3. In our opinion, the financial statements give a true and fair view of the financial position of FinecoBank Banca Fineco S.p.A. as of December 31, 2014, and of the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree n. 38/2005.

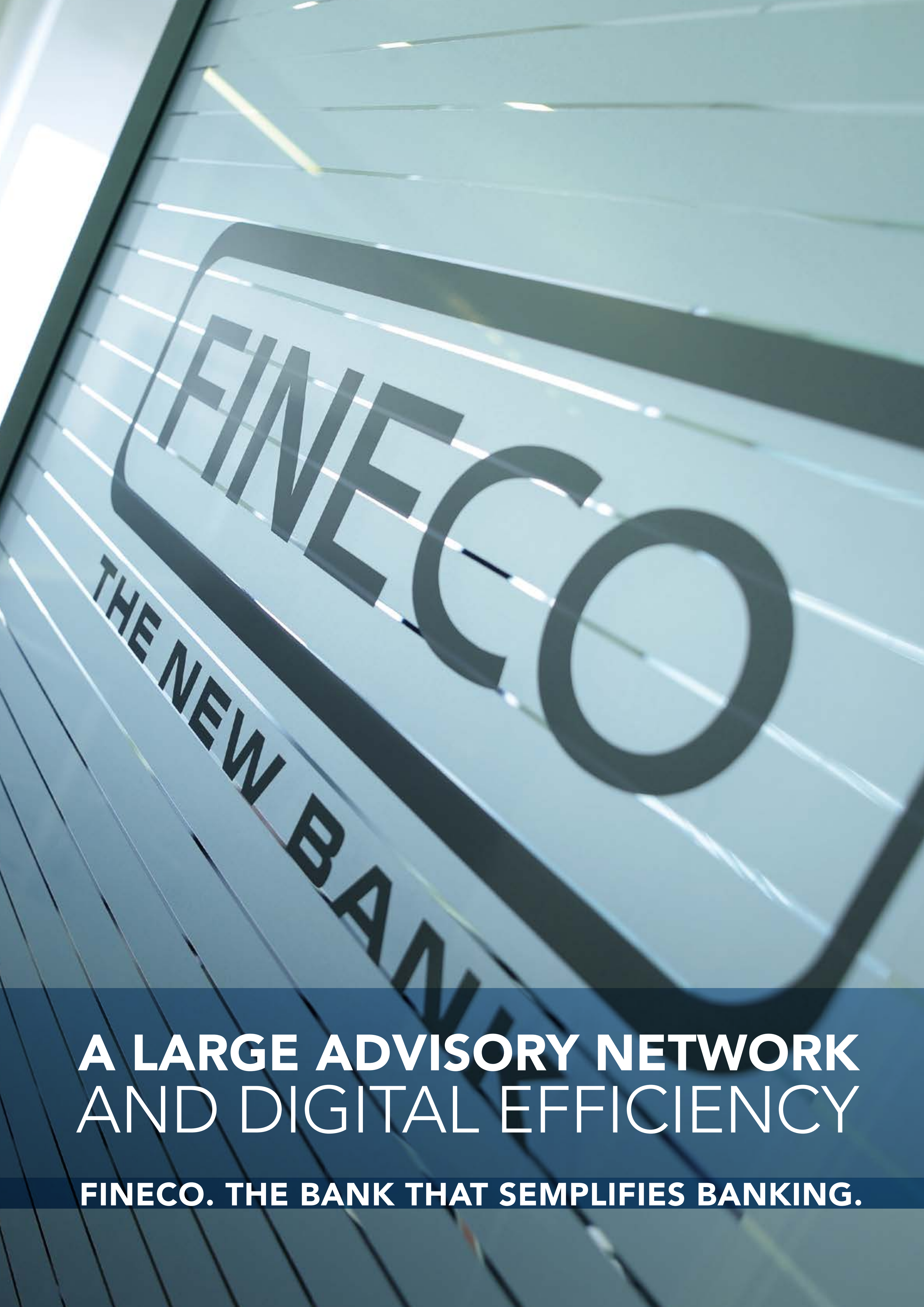
4. The Directors of FinecoBank Banca Fineco S.p.A. are responsible for the preparation of the report on operations and the report on corporate governance and proprietary structures, available in the "Governance" section of FinecoBank Banca Fineco S.p.A.'s website, in accordance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency of the report on operations and of the information reported in compliance with art. 123-bis of Italian Legislative Decree n. 58/1998, paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b) in the report on corporate governance and proprietary structures, with the financial statements, as required by law. For this purpose, we have performed the procedures required under Auditing Standard n. 001 issued by the Italian Accounting Profession (CNDCEC) and recommended by CONSOB. In our opinion the report on operations and the information reported in compliance with art. 123-bis of Italian Legislative Decree n. 58/1998 paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b) in the report on corporate governance and proprietary structures are consistent with the financial statements of FinecoBank Banca Fineco S.p.A. as of December 31, 2014.

DELOITTE & TOUCHE S.p.A.

Signed by
Paolo Gibello Ribatto
Partner

Milan, Italy
March 30, 2015

This report has been translated into the English language solely for the convenience of international readers.



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Report of the Board of Statutory Auditors

Report of the Board of Statutory Auditors

Dear Shareholders,
pursuant to Article 2429, paragraph 2, of the Italian Civil Code and Article 153 of Italian Legislative Decree No. 58 of 24 February 1998, (TUF), the Board of Statutory Auditors reports on the audit activity for the financial year that ended on 31 December 2014.

In 2014, the Board of Statutory Auditors performed its institutional tasks in compliance with the Italian Civil Code, Italian Legislative Decrees no. 385/1993 (TUB), no. 58/1998 (TUF) and no. 39/2010 (Consolidated Law on Statutory Audits), with statutory regulations and regulations issued by surveillance and control Authorities, also taking into account the principles recommended by the National Council of Chartered Accountants and Accounting Experts.

When implementing its work programme, the Board met several times with Top Management the Managers of Operational Areas, discussing in depth the main issues pertaining to the Company's management and organisation and monitoring the adequacy of the organisation and administrative structure and its correct operation. Also in compliance with the guidelines issued by CONSOB, published with notice no. DEM/ 1025564 of 06 April 2001, we would like to specify as follows.

Appointment of the Management Body
The Board of Directors in office at the date of this Report was appointed by the Ordinary Shareholders' Meeting of FinecoBank on 15 April 2014 and shall remain in office until the Shareholders' Meeting held to approve the Financial Statements at 31 December 2016. We hereby acknowledge that the members of the Management Body have - apart from the eligibility, proficiency and integrity requirements provided for by the regulations applicable to Banks and by the Articles of Association - also those set out by the Corporate Governance Code for Listed companies and comply with the interlocking prohibition.

Appointment of the Board of Statutory Auditors
The Board of Statutory Auditors in office on the date of this Report was appointed by the Ordinary Shareholders' Meeting of FinecoBank of 15 April 2014. The Board of Statutory Auditors shall remain in office until the Shareholders' Meeting held to approve the Financial Statements as at 31 December 2016. The Board of Statutory Auditors assessed its composition and verified the presence of legal and statutory requirements and compliance with the independence requirement.

Listing on the MTA (Mercato Telematico Azionario) of FinecoBank S.p.A. shares – New Articles of Association
On 12 June 2014, Borsa Italiana S.p.A., with provision no. 7890, provided for the admission to listing on the MTA (Mercato Telematico Azionario) for FinecoBank S.p.A. shares and, on the same date, CONSOB resolved on the approval of the Public Offering Prospectus and the admission of ordinary shares issued by FinecoBank S.p.A. to listing on the Mercato Telematico Azionario. The Public Offering and Institutional Placement started on 16 June 2014 and ended on 26 June 2014; the conclusion of the Global offering (Public Offering and Institutional Placement) saw the placement of no. 209,166,000 ordinary shares of FinecoBank, equal to approx. 34.5% of the Share Capital.

The Extraordinary Shareholders' Meeting of FinecoBank S.p.A., in compliance with the requirements of applicable regulations and legislation for Companies that resort to the risk capital market, as well as with the provisions of the Corporate Governance Code for Listed Companies, approved the new text of the Articles of the Association for the Bank.

The acquisition of listed Issuer status entailed, *inter alia*, the approval by the Board of Directors of the procedure for the processing of privileged information and the internal dealing procedure, pursuant to the provisions of Article 114, seventh paragraph, of TUF and Article 152-*sexies* and subsequent of the Issuers' Regulation.

Company's compliance with the Corporate Governance Code - Actual implementation of the Code
In April 2014 the Board of Directors of FinecoBank resolved on the Bank's systematic subscription to the Corporate Governance Code approved by the Corporate Governance Committee. In compliance with the Code, the Remuneration and Appointments Committee and the Audit (Control and Risk) Committee and relevant parties are operational within the Board of Directors. The Committees consist of independent non-executive Directors.

The self-assessment process on the size, composition and operation of the Board and its Committees was initiated with the help of an external professional acting as an independent expert.

On 10 March 2015, the Board of Directors, with favourable opinion by the Remuneration and Appointments Committee, verified the independence requirement for independent Directors on the basis of the declarations provided by the latter. The Board of Statutory Auditors verified the correct implementation of criteria and procedures used to express such an assessment.

Parent Company's direction and co-ordination activity.
As part of the UniCredit Group, FinecoBank S.p.A. is subject to the discipline for banking groups enshrined in TUB and in the Bank of Italy Supervisory Regulations aimed at ensuring the stability and unity of companies belonging to the same banking Group. Within this framework, UniCredit S.p.A. provides direction, government and control to FinecoBank S.p.A. pursuant to Articles 60 and subsequent of TUB, as well as carrying out direction and co-ordination activities pursuant to Article 2497 and subsequent of the Italian Civil Code.

Liquidity investment policy
Within the framework of its activity aimed at optimising the use of liquidity gathered and employed in its capacity of asset gatherer, during the financial year the Bank further enhanced internal regulatory and organisational tools aimed at limiting and monitoring risks, whilst continuing to pursue value creation.

Based on the assumption that the obligation of direction and co-ordination under a unified basis imposed to the Parent Company by the applicable legislation and "Governance Instructions" issued by the Bank of Italy are reconciled with the autonomy the Bank requires to manage its own liquidity in the way it deems most

appropriate and suitably justified - in light of economic considerations but also prevailing market conditions, recurrent risk profiles, the relevant financial and regulatory capital absorption and the accounting and regulatory issues arising from being part of a banking Group - in 2014 the Bank approved:
- the "*Liquidity Policy Fineco*", establishing the principles and the rules that the Bank applies to manage its liquidity;
- the *"Short and medium to long-term financial investments"* document and relevant support documentation, and the *"Technical instruction - Short and medium to long-term financial investments - Assessment of market conditions"* pertaining to the management of core and non-core liquidity and the assessment of market conditions that need to support any proprietary financial investment transaction by the Bank. The assessment of the suitability of executed investment transactions to market conditions is performed by the CFO Department's Treasury and is subject to a further check by FinecoBank's CRO Department;
- resolutions on the methods for recognising and determining the price of shares that are the subject of the investment and for analysing alternative investments, with an in-depth study of regulatory issues and the accounting effects of the aforementioned investments;
- the *"Liquidity Risk Contingency Plan"* document, which sets outs the principles and the rules for managing liquidity under crisis or stress conditions, defining the limits and the tools to be used in order to monitor operating and structural liquidity;
- the *"Contingency Plan for Bond Instruments Issuer Risk"* document, which sets outs the principles and the rules for the efficient and comprehensive assessment, control and containment of the issuer risk linked to financial instruments in FinecoBank's banking book. Such policy is integrated into the wider framework of Credit Risk Management the monitoring of the issuer risk linked to the banking book.

The Treasury of the CFO Department and the CRO Department regularly monitor the
investments already made on the basis of the aforementioned *"Liquidity Risk Contingency Plan"* and *"Contingency Plan for Bond Instruments Issuer Risk"*, constantly verifying compliance with "threshold" and "trigger" values; to this end, within the scope of their remit, each of the aforementioned structures provides regular information to the Board of Directors to enable it to verify the ongoing consistency and fairness of the investments.

For investment transactions, the Board of Statutory Auditors verified the implementation of
the procedures established for ensuring the information basis and reasonableness of managerial choices, and, where applicable, the procedures envisaged for transactions with Related Parties, requesting the opinion of the Audit Committee in its Related Party Committee configuration, where needed (see the relevant section of this Report).

Compliance with the Law and Articles of Association - Sound governance principles

The Board monitored compliance with the Law, the Articles of Association and sound governance principles both when performing its activity, including participating in meetings of the Board of Directors, the Audit Committee and other bodies, and during meetings with Top Management and the Managers of the Bank's various Departments and Functions.
During 2014 the serving Board of Statutory Auditors took part in no. 2 Shareholders' Meetings, no. 15 Board of Directors' Meetings, no. 22 meetings of the Audit and Related Parties Committee, no. 5 meetings with Independent Statutory Auditors, no. 1 meeting with the Managing Director and the General Manager and no. 18 meetings with the Managers of Departments and organisational Units and Professional Financial Advisors.
Participating in Board of Directors' Meetings enabled the Board to ascertain, *inter alia*, that delegated parties reported on transactions executed in view of the powers granted to them, pursuant to Article 150, paragraph 1, of TUF. In our opinion, the frequency of Board of Directors' Meetings and the information provided during such meetings meet the obligations set out by the Law and the Articles of Association and are sufficient to acquire the necessary information on sound governance principles.

Atypical and/or unusual transactions
The Report of Operations, the information received during Board of Director's Meetings and those provided by the Chairman and the Managing Director, the management and the Independent Statutory Auditor did not evidence the existence of atypical and/or unusual transactions, including infra-group ones or ones with Related Parties.

Particularly significant transactions.
The most significant transactions are detailed in the Report on Operations.

Infra-group transactions or transactions with Related Parties – Transactions approved pursuant to Article 136 of TUB
Infra-group transactions or transactions with Related Parties, with an indication of assets, liabilities, guarantees and commitments as at 31 December 2014, split by type of related party pursuant to IAS 24, are highlighted in the Report on Operations and in the dedicated section of the Notes to the Financial Statements. The Notes to the Financial Statements acknowledge that infra-group transactions were executed on the basis of reciprocal economic benefits and the definition of the terms and conditions applied meets criteria of substantive fairness.

In April 2014, the Board of Directors of FinecoBank appointed the Audit and Related Parties Committee, consisting of Directors having the independence requirements provided for by Article 147 *ter*, paragraph 4, and 148, paragraph 3, of TUF, as well as by section 3.C.1 of the Corporate Governance Code, and performing the functions deferred not only by the Corporate Governance Code, but also by CONSOB regulations on transactions with related parties.

In May 2014, the Board of Directors of FinecoBank SpA approved, following the favourable opinion of the Audit and Related Parties Committee and the Board of Statutory Auditors, the Board of Directors of FinecoBank SpA approved the "Procedures for managing transactions with subjects in conflict of interest", which the Bank has to adhere to when managing transactions with Related Parties in line with the "Regulation on transactions with Related Parties" adopted by CONSOB with resolution no. 17221 of 12 March 2010 and transactions with Connected Parties pursuant to the discipline about "Risk activities and conflicts of interest with Connected Parties" set out in the Bank of Italy Circular no. 263/2006, and when managing obligations of banking representatives pursuant to Article 136 of Italian Legislative Decree no. 385/1993, without prejudice to disclosure obligations under Article 114 and 154-*ter* of TUF and the aforementioned CONSOB Regulation. The

Report of the Board of Statutory Auditors

aforementioned *"Procedures for managing transactions with subjects in conflict of interest"* also refer to UniCredit's *"Global Policy for managing transactions with subjects in conflict of interest"* and *"Global Operational Instructions issued by UniCredit to manage transactions with subjects in conflict of interest".*

The *"Procedures for managing transactions with subjects in conflict of interest"* for FinecoBank SpA's entail periodical disclosure to management bodies, the Audit and Related Parties Committee and Compliance with respect to transactions with Related Parties implemented by the Bank in the reference period and the Board of Statutory Auditors acknowledges the effectiveness of the relevant quarterly reports and the indication therein also of the opinions issued by the Bank's Audit and Related Parties Committee and the "non-binding" opinions requested from the Related Party and Equity Investment Committee and the Parent Company's Board of Directors.
The Board of Statutory Auditors, moreover, acknowledges that is has always participated in the proceedings of the Audit Committee in its configuration as Related Parties Committee required to provide its opinion on transactions identified by existing procedures.

With respect to detailed information about individual infra-group transactions and transactions with Related Parties, see the relevant sections of the Report on Operations and the Notes to the Financial Statements.

With respect to transactions approved by the Board of Directors pursuant to Article 136 of TUB, the members of the Board of Statutory Auditors acknowledge that they have expressed their approval after verifying compliance with the execution requirements provided for by the Law.

Comments on the adequacy of the organisational structure

The Board of Statutory Auditors monitored the adequacy of the organisational structure and its correct operation over the course of various meetings with Top Management and the Managers of different Departments and functions. Such monitoring activity did not discover any significant organisational deficiencies.

Specifically, in 2014 the Board monitored initiatives aimed at improving the company's corporate management and acknowledged changes made to the Central Head Office and Network Head Offices, the Organisational Chart, with a clear indication of functions, roles and reporting lines, and the Bank's Internal Regulations.

The Bank's Internal Regulations – whose most up-to-date version was approved by the Board of Directors in January 2015 – describes the organisational model and the structure it consists of (bodies, departments, teams). Apart from the Board of Directors' internal Committees, established pursuant to the *"Regulations of the Board of Directors"* "(Audit and Related Party Committee" and "Remuneration and Appointments Committee"), the following managerial Committees are established as collegiate bodies aimed at providing united and participatory guidelines and guaranteeing continuity of direction:
- Strategic Committee
- Management Committee
- Advisory Committee
- *Internal Control Business Committee*
- Business Continuity & Crisis Management Committee
- Project Committee
- Risk Committee
- Network Committee
- Product Committee
- Disciplinary Committee.

The Board of Statutory Auditors has verified the effective operation of the aforementioned Committees, particularly that of the "Audit and Related Parties Committee", in whose meetings it has always participated and for which it acknowledges the submission of periodical activity reports to the Board of Directors.

We nearby acknowledge that, following Bank of Italy's findings and comments after a 2013 audit at FinecoBank (all findings pertained to managerial issues and did not entail any penalty measures) the corrective measures identified and communicated to the Surveillance Body with a relevant action plan were implemented and ascertained with no manor exceptions, apart from one measure whose completion is scheduled by June and whose execution is being monitored by this Board.

The Board has acknowledged the ongoing implementation of the Guidelines issued by the Parent Company - to whose direction and co-ordination activity the Bank is subject - and the relevant organisational changes put in place by the Bank in order to improve the efficiency and effectiveness of operations.

Furthermore, the Board has monitored the adequacy of the Bank's organisational structure with respect to the in-sourcing of the margin-setting service implemented within the framework of specific internal policies with appropriate limits, which were always complied with, in order to mitigate relevant risks.
The Board acknowledges the ongoing updating and implementation of the Banks Business Continuity Plan, also in compliance with Supervisory provisions on business continuity and the by and large successful performance of annual Business Continuity and Disaster Recovery tests. In 2014 FinecoBank approved the FinecoBank "Vulnerability Management" Policy aimed at guaranteeing the integrity, confidentiality and availability of processed information. In this respect, the Business Continuity & Crisis Management Committee tasked with managing activities linked to business continuity and crisis management during ordinary operations and emergency situations has been found to be set up and operational. FinecoBank approved the Cyber Attack Plan, also in compliance with amendment no. 15 to Bank of Italy Circular no. 263/2006.

During meetings with Area and Function Managers, the Board always checked the adequacy of human resources both in terms of quantity and quality, with further in-depth investigation where needed.

Based on the documentation analysed and the information gathered when performing its monitoring activities, given an Organisational Chart and relevant Company

Regulations that detail roles and responsibilities of organisational structures, having verified the correct implementation of the system of Proxies issued by the Board of Directors and the definition, implementation and monitoring of specific company regulations aimed at the performance of the activities of each function of FinecoBank S.p.A., the Board of Statutory Auditors assesses the Bank's organisational structure as adequate as a whole.

Comments on the adequacy of the Internal Control system

In 2014 the new Bank of Italy guidelines (amendment no. 15 of Circular no. 263/2006) on company risk management, internal control systems, information systems and business continuity systems of banks were implemented.

FinecoBank S.p.A. – after forwarding to the Bank of Italy through the Parent Company, within the applicable deadline, the Self-Assessment Document (gap analysis) about the company's situation with respect to amendment no. 15 of Circular no. 263 /2006 – approved the *"Supervisory Bodies and Functions Document"*, the *"Outsourcing/In-sourcing Policy"*, the Organisational Model for Business Continuity and the relevant update to Internal Regulations and Indirect Coverage Model, by 1 July 2014, in compliance with the provisions of Circular n. 263 – amendment no. 15. The aforementioned *"Supervisory Bodies and Functions Document"* defines the Bank's Internal Control System with detailed definition of roles and responsibilities of corporate Bodies and control functions and was suitably amended in January 2015 by incorporating tasks and activities linked to the management of the Information System (which is key to the achievement of the Bank's strategic and operational objectives) as provided for by chapter 8 of the aforementioned Circular no. 263/2006.

The Bank set up permanent and independent corporate control functions for: i) compliance with regulations; ii) risk management; iii) internal audit.
The Managing Director and General Manager was appointed as the Director Responsible for the Internal Control and Risk Management System in compliance with the provisions of the Corporate Governance Code of Borsa Italiana (the Italian Stock Exchange); the Board of Statutory Auditors has met with the Managing Director in this capacity. The Managing Director, in the *"2014 Statement on ICS Managerial Assessment"* document declared that the Internal Control System is "*mostly satisfactory*".

With respect to the Personal Financial Advisers network, the "Risk Management" organisational structure also co-ordinates the activity of the "Operational and reputational risks" team, which carries out systematic remote checks on the entire network of Personal Financial Advisers using Risk Indicators, submitting relevant reports. Moreover, FinecoBank, in order to manage and prevent its own Personal Financial Advisers (PFAs) from adopting behaviours that are non-compliant with regulations, has adopted a number of first and second tier checks by several internal functions and an information flow that, for the purpose of the immediate implementation of any actions deemed necessary for PFAs, gathers all information on a centralised basis and forwards it to the Network Control, Monitoring and Network Service Departments on behalf of Risk Management, Compliance, the Anti-Money Laundering and Anti-Terrorism Service, the Information Security and Fraud Management team, other Bank functions and Internal Audit. Every six months, in compliance with the requirements of the New Prudential Supervisory Provisions for Banks, the Incidents and Controls unit – operating within the Network Control, Monitoring and Network Service Department – submits to the Audit Committee and the Board of Directors a relevant Report on the activity of Financial Advisers that details, on the basis of specific anomaly indicators, the audits performed, their findings, any critical issues and the actions aimed at eliminating them. The Board of Statutory Auditors has examined the aforementioned six-monthly Reports, using the information therein contained to plan its own audit activity.

We have found that the quarterly *Internal Audit Activity and Results Reports (IAAR)* , prepared by the Audit Function to assess the Internal Control System and including sections dedicated to the findings of the Audit activity on the Personal Financial Advisers Network were regularly submitted to the Audited and Related Parties Committee and the Board of Directors and discussed within such bodies.

Following reports received by the Incidents and Controls Unit, the Disciplinary Committee – whose effective operation was monitored by the Auditors – assesses any anomalies that may have emerged with respect to the behaviour of PFAs, in order to apply appropriate disciplinary sanctions to them.

The Bank approved the Policy on "Outsourcing/In-sourcing" and, following the 15 July 2013 amendment to Bank of Italy Circular no. 263/2006 with respect to outsourcing, carried out a review of outsourcing agreements and implemented the relevant procedures. The Statutory Auditors acknowledge that the Internal Audit function assessed the overall adequacy and compliance with regulations of the procedures adopted by FinecoBank to manage existing outsourcing agreements or to start new outsourcing initiatives and monitor the relevant service levels, but highlighted the need to strengthen monitoring for some activities. This assessment is expressed in the document *"Outsourcing of company functions (Outsourcing). Annual Report of the Internal Audit function"*, which, together with the Remarks of the Board of Statutory Auditors, was approved by the Bank's Board of Directors on 10 March 2104. In particular, in its Remarks, the Board of Statutory Auditors recommended checking that the adoption of the procedures implemented to activate and manage outsourcing agreements should take place with the Bank retaining the ability to control outsourced activities and the relevant accountability.

The Internal Audit activity for FinecoBank is carried out in outsourced mode by resources of the Internal Audit Department of UniCredit S.p.A. on the basis of a specific service agreement and in compliance with the terms and conditions of the relevant *"Group Audit Mandate"* adopted by FinecoBank's Board of Directors.
In December 2014 the Board of Directors approved the 2015 annual Audit Plan and the multi-year plan for 2015-2019, which were developed also on the basis of the Guidelines issued by the Parent Company's Internal Department and the suggestions of the Board of Statutory Auditors.

During its activity, the Board ascertained compliance with the previously defined Audit plan both for central structures and processes and Network structures.

The Board successfully and systematically liaised with the Chief Audit Executive (CAE) of the Internal Audit function. In meetings, the periodical reports prepared for the Board of Directors and the Board of Statutory Auditors were examined, *inter alia*, and the Board acknowledges that they always rated the Internal Control System - with specific respect to the *"Report on FinecoBank S.p.A.'s Internal Audit activity pursuant to Article 14 of the joint CONSOB-Bank of Italy Regulation, as per CONSOB Resolution no. 17297 of 28 April 2010"* - as "satisfactory".

Report of the Board of Statutory Auditors

At any rate, they also highlighted areas for improvement and some corrective actions, whose implementation will be subject to the monitoring activity of the Board of Statutory Auditors.

The Board of Statutory Auditors examined the *"Information Report on the activity performed by the Supervisory Authority (SA) pursuant to Italian Legislative Decree no. 231 of 8 June 2001, as at 31 December 2014"* The findings of the activities performed by the SA did not highlight any significant breaches of regulations and showed that FinecoBank's Organisation Model has been adapted, taking into account both the same Model adopted by UniCredit S.p.A. and the specific characteristics of FinecoBank; to this end, within the framework of the Organisation and Management Model approved by the Supervisory Authority and the Board of Directors, and the relevant Decision Protocols, the Board deems the Supervisory Authority's assessment and recommendations as consistent and appropriate. FinecoBank deemed it appropriate to avail itself of the possibility of entrusting the Supervisory Authority function under Italian Legislative Decree 231/2001 to an especially established Body, rather than delegating it to the Control Body. The Board of Statutory Auditors participated in no. 2 meetings of the Supervisory Authority established pursuant to Italian Legislative Decree No. 231 of 2001.

Based on the documentation analysed, the information received and the audits performed during its monitoring activity, in consideration of the Bank's swift implementation of the corrective measures required as a result of the deficiencies detected, the Board of Statutory Auditors deems the Internal Control System adequate as a whole.

Comments on the adequacy of risk management systems.

FinecoBank SpA has an active Chief Risk Office (CRO) function aimed at assessing and monitoring the adequacy of the measurement, control and management of typical risks linked to the performance of financial and banking activities, in particular, liquidity risk, credit and counterparty risk, market risk, exchange rate risk, as well as operational risks, reputational risk and in-sourcing risks. The CRO function also verifies that mitigation transactions for the aforementioned corporate risks (risk management) are performed.

In February 2015 the CRO function, in compliance with Bank of Italy's regulations, submitted the *"Report on Risk Management Activity in 2014 and 2015 Plan"* in which, *inter alia*, it reported on the monitoring of the Risk Appetite Framework, the quarterly monitoring of the adequacy of the Bank's internal capital (ICAAP) and on information flows towards the Board of Directors, the Audit and Related Parties Committee, the Risk Committee and Top Management. The Board of Statutory Auditors verified the effectiveness and the adequacy of the aforementioned information flows (including the reports that provide evidence of structural liquidity and the Bank's ability of fulfilling short-term obligations, and those aimed at verifying compliance of individual limits for the management of liquidity itself), as well as of the aforementioned monitoring, including the risk indicators identified in the *"Liquidity Risk Contingency Plan"* and *"Contingency Plan on Bond Instruments' Issuer"* mentioned above. In 2014 VaR and loss limits for the in-sourcing activity and VaR limits for the banking book, the trading book and exchange rate risk were not exceeded. Risk Management, in compliance with the Supervisory Authority's instructions, carried out stress tests on the Bank's liquidity position.

In January 2015 FinecoBank SpA approved the *"Group Risk Appetite Framework Global Policy"* document and the local Risk Appetite, described in document "2015 *FinecoBank Risk Appetite*", whose metrics were assessed by the Audit and Related Parties Committee also in order to verify the coherence of the business model, the aforementioned RAF and the budgeting process. A measurement method for IT Risk is currently being developed; at the end of all relevant implementations, the quarterly reporting on the Risk Appetite Framework to the Board of Directors shall also include IT Risk.

The Bank's Board of Directors approved the *"Local Validation Report on Management and Control System for Operational Risks"* that presents and details the adoption by FinecoBank of a control, measurement and prevention framework for operational risks. The aforementioned Local Validation Report assessed the ORM System as adequate as a whole with respect to external regulations and internal standards, as well as suitable to guaranteeing adequate management and control of operational risks. The findings of the Local Validation Report were confirmed by the Bank's Internal Audit function, which assessed the Operational Risk Management system as adequate and with a low criticality level.

FinecoBank drafted the document *"Fineco Bank SpA's ICAAP Handbook"* about the Bank's internal Capital Adequacy Assessment Process (ICAAP). The latest version of the aforementioned document was approved by the Bank's Board of Directors in December 2014. The ICAAP Process directly influences FinecoBank's strategic planning as it establishes any economic capital limits and, therefore, it is also considered in the budgeting process.

The Internal Audit Report prepared on the basis of the 2014 ICAAP and the processes for defining and monitoring the Risk Appetite Framework submitted to the Board of Directors expresses an assessment about the adequacy of the Bank's 2014 Internal Capital Adequacy Assessment Process and its compliance with internal and external reference guidelines. The Board of Statutory Auditors finds that the ICAAP process complies with the provisions of Supervisory Bodies and the Parent Company.

During its activity, the Board periodically met with the Chief Risk Officer in order to assess, *inter alia*, his/her work and analyse in more detail the information reports submitted by him/her to the Corporate Bodies.

The Board deems the risk management system broadly adequate to the company's size and characteristics.

Remarks on Compliance activity

The Board of Statutory Auditors acknowledged the *"Report on the 2014 activities of FinecoBank's Compliance Function"*, where, in line with the new prudential supervisory instructions for banks with respect to internal controls issued by the Bank of Italy, as well as with Bank of Italy and CONSOB Regulations pursuant to Article 6, paragraph 2-*bis*, of TUF, the Compliance Function of UniCredit SpA, as FinecoBank's Compliance service outsourcer, expresses a positive opinion about the management of non-conformities by FinecoBank.

The Board of Statutory Auditors also considered the *"Report on total complaints received by FinecoBank S.p.A. in 2014"* prepared by the Compliance function, in which the latter stressed that it had not identified significant shortcomings in the Bank's product/service offering and noted that average claim processing times show a marked improvement and issues detected during the audits were adequately managed.

The Bank's Board of Directors approved the Compliance Function's 2015 activity plan, which, in continuation with the activity performed in 2014 and in line with UniCredit's Compliance plans, focuses on structural issues regarding the dissemination of the Compliance culture, the enhancement of the Compliance Risk Assessment and Controls activity and the strengthening and implementation of activities in "key" areas, such as MIFID, AML, Market Abuse, Anti-corruption, "Controls pursuant to 263 Bankit in presence of specialist coverage (indirect coverage)" etc..

The Annual Report of FinecoBank's Anti-Money Laundering Manager for 2014 – which analyses and describes, *inter alia*, the organisational structure, main activities and the results of first and second-level AML controls, training delivered, corrective actions identified and closed out, information flows towards the Bank's Corporate Bodies, activities performed, operations of the anti-money laundering coverage and the 2015 activity plan - synthetically classifies risk as "medium", identifying the necessary mitigation measures performed and indicating the deadlines for activities in progress. The aforementioned Annual Report of the Anti-Money Laundering Manager also acknowledges that all AML-related corrective actions defined following Bank of Italy's general audit of September-December 2012 had been implemented.

Whilst performing its activity, the Board met with the Compliance Representative on several occasions, focussing in particular on compliance with the deadlines provided for during Compliance Risk Evaluation monitoring for closing corrective actions identified from time to time and residual risks highlighted during these audits. The 2014 Compliance monitoring did not identify any critical risks.

Surveillance activity pursuant to the Consolidated Law on Statutory Audits - Relationship with the Independent Statutory Auditors.

The Board of Statutory Auditors, identified in the Consolidated Law on Statutory Audits as the "Committee for internal control and the statutory audit", monitored the: (i) financial reporting process; (ii) efficiency of internal control, audit and risk management systems; (iii) yearly statutory audit of the Bank's Financial Statements; (iv) independence of the Independent Statutory Audit, particularly with respect to the provision of non-audit services.
The Statutory Board of Auditors examined the Report prepared by the Independent Statutory Auditor Deloitte e Touche S.p.A. that FinecoBank, in line with the provisions of the Regulatory instructions for the financial reporting system (Bank of Italy Circular no. 263/23006) considers as an agent of the Internal Control System.

The Report issued without any remarks on 30 March 2015 pursuant to Articles 14 and 16 of Italian Legislative Decree 39/2010 highlights that the individual Financial Statements were prepared on the basis of international accounting standards IAS/IFRS issued by the *International Standards Board* and adopted by the European Union applicable as at 31 December 2014, as well as pursuant to the provisions issued in implementation of Article 9 of Italian Legislative Decree. 38/2005. Therefore, they were prepared clearly and were a true and correct reflection of the assets and financial situation, the income statement result and the cash flows for the financial year ended at 31 December 2014. Moreover, in the opinion of the Independent Statutory Auditor, the report on Operations and the information under paragraph 1 c), d), f), l) m) and paragraph 2b) of Article 123-*bis* of TUF, included in the Report on Corporate Governance, were coherent with the Financial Statements documentation.
The Board of Statutory Auditors, moreover, also examined the Report issued on 30 March 2015 by the Independent Statutory Auditors pursuant to Article19 of Italian Legislative Decree no. 39/2010, which evidences that the internal control system did not show deficiencies for the financial disclosure process that were sufficiently major to deserve to be brought to the attention of the Internal Control and Audit Committee.

The Board met periodically with the Independent Statutory Auditor, pursuant to Article no. 150, paragraph 3, of Italian Legislative Decree no. 58/98 and the provisions of Italian Legislative Decree no. 39/2010 – examining the 2014 audit activity plan and exchanging data and information relevant to the performance of respective tasks in a timely manner - with no particular results that need to be reported or any omissions requiring the drafting of specific reports pursuant to Article 155, paragraph 2, of TUF being identified. The Notes to the Financial Statements provide information about statutory audit fees as well as fees for other services provided as at 31 December 2014 to FinecoBank by the Independent Statutory Auditor and other entities belonging to its network.

The Board finds that the Company Deloitte & Touche S.p.A. regularly performed the task of Independent Statutory Audit of the Financial Statements for the financial year, as well as monitoring the correct keeping of corporate accounts, the faithful presentation of the results of operation, the signing (as far as this is within its remit based on the mandate received) of tax records and the limited audit of the Interim Financial Statements.

The Board also notes that it has received confirmation by the Independent Statutory Auditors, pursuant to Article 17, paragraph 9, of Italian Legislative Decree no. 39/2010 of the fact that in the period from 1 January 2014 to 30 March 2015 it did not find either situations that may have compromised the independence of the aforementioned Company or grounds for incompatibility pursuant to Articles 10 and 17 of Italian Legislative Decree no. 39/2010 and the relevant implementing provisions.

Finally, the fees (net of VAT and expenses) paid to the auditing company and other entities of the network to which the aforementioned Independent Statutory Auditor belongs:

(Amounts in €)

TYPE OF SERVICE	SERVICE PROVIDER	FEES
Audit	Deloitte & Touche S.p.A.	154,285
Other services	Deloitte & Touche S.p.A.	330,000
		484,285

Report of the Board of Statutory Auditors

other services relate to certification services provided as part of the process of admission to listing of the Bank's ordinary shares and the related global offering for their sale.

Surveillance activities on the financial reporting process - Comments on the adequacy of the administrative and accounting system.
The Responsible Manager was appointed for an indefinite term on 13 May 2014 with the favourable opinion of the Board of Statutory Auditors. The Board of Directors of 1 August 2014 verified its compliance with the "interlocking ban" .

The Board of Statutory Auditors verified compliance with the internal regulations pertaining to the process that allows the Manager responsible for preparing accounting and corporate documents and the Managing Directors to issue the certifications provided for by Article 154-*bis* of TUF. The administrative and accounting procedures for preparing the Financial Statements and any other financial communication were drafted under the Responsibility of the relevant Manager who, together with the Managing Director, in the periodical reporting of the aforementioned information and, finally, in the *"Report on the internal control system on financial reporting in compliance with Law no. 262/2005"* approved by the Board of Directors of 10 March 2015, certifies their adequacy and effective implementation on the basis of tests of the effective implementation of controls. The Responsible Manager also analysed the training received by the employees responsible for financial reporting and aimed at improving the effectiveness of the process assessment managed by them. The Responsible Manager, during his/her meetings with the Board of Statutory Auditors, did not highlight any deficiencies in the operating and control processes that may impact on the assessment of adequacy and effective implementation of administrative and accounting procedures for correct economic, asset and financial reporting of the events of operations in compliance with the accounting principles adopted.

During the periodical meetings organised to exchange information, just like in the report prepared pursuant to Article 19 of Italian Legislative Decree no. 39/2010, the Independent Statutory Auditor did not report any substantial issues of the internal control system with respect to the financial reporting process.

The Board acknowledges that the Financial Statements as at 31 December 2014 were drawn up in application of Italian Legislative Decree 38 of February 28, 2005, in accordance with the accounting standards issued by the International Accounting Standards Board, including the SIC and IFRIC interpretation documents, approved by the European Commission, as established by European Union Regulation no. 1606/2002 of 19 July 2002, and in force at December 31, 2014.

The Financial Statements as at 31 December 2014 consist of the Balance Sheet, the Income Statement, the Statement of Comprehensive Income, the Statement of Changes in Shareholders' Equity, the Statement of Cash Flow and the Notes to the Financial Statements, in addition to the "Directors' Report on Operations" and the Certification of the Financial Statements provided for by Article 81-*ter* of CONSOB Regulation no. 11971 of 14 May 1999 and subsequent amendments and additions. The Financial Statements also follow Financial Statements and relevant Notes formats and provisions set out by Bank of Italy with Circular no. 262 of 22 December 2005, and subsequent updates and amendments.

Pursuant to Bank of Italy/Consob/Isvap Document no. 4 of 3 March 2010 and the internal regulations implementing Law no. 262/2005, it is hereby acknowledged that the Board of Directors approved, priorly to and separately from the approval of the Financial Statements, the impairment test procedure for goodwill and intangible assets with an indefinite useful life. The results confirm the sustainability of the goodwill recorded in the Financial Statements, with the fair value being significantly greater than the book value, also on the basis of sensitivity analysis.

In 2014, the Administration Department periodically forwarded information to the Parent Company for the purposes of calculating the Regulatory Capital and the Second Pillar Capital. As at 31 December 2014, the Tier 1 capital ratio (Core capital/Weighted assets) was 19.08%.

The Board of Statutory Auditors, in light of the information received and the documentation examined, assesses the process of the preparation of financial reporting as substantially adequate.

Compensation Policy
In 2014, pursuant to the provisions of the Supervisory Authority, at last with the issue by Bank of Italy of new regulations pertaining to "Compensation and incentive policies and practices" on 18 November 2014, the Board of Statutory Auditors verified the adequacy and compliance of FinecoBank S.p.A.'s compensation policies and practices with the internal and external regulatory framework .

The Bank's Board of Directors, in its meeting of 13 May 2014, in compliance with the Corporate Governance Code of Listed Companies, resolved on the appointment of the "Remuneration and Appointments Committee" and approved the *"FinecoBank 2014 Compensation Policy"* (validated by the Compliance function), a document prepared by the Bank for the first time separately from the Parent Company, in view of the listing process. The aforementioned Document describes the principles and standards that FinecoBank applies to develop, implement and monitor its own compensation policies and plans – based on a bonus pool approach - for its Top Management and Key People as well as its Network Managers and Personal Financial Advisors.

The 2015 Audit Plan still approved as of today provides for (also on request of the Board of Statutory Auditors) measures aimed at ascertaining variable the compensation system, performance assessment, bonus setting, the assessment of behavioural compliance and the payouts pertaining to the 2014 Compensation Policy adopted by FinecoBank. The audit results, submitted to the Remuneration and Appointments Committee on the meeting of 20 March in which one of the members of the Board of the Statutory Auditors participated, are satisfactory, even if they highlight some remedial actions.

In January 2015, the Board of Directors, with prior positive opinion of the Remuneration and Appointments Committee and validation by the Compliance function, resolved to approve and, as a result ,submit to the Ordinary Shareholders' Meeting, the adoption of the 2015 Incentive System and the confirmation of the increase of the ratio between variable and fixed compensation elements to 2:1 for employees belonging to the "Key People" category (except control functions).

The Incentive System is aimed at granting a cash and/or free ordinary shares incentive payable over a multi-year period.

The Board of Directors also resolved to submit to the Extraordinary Shareholders' Meeting the proposal to grant a the Board of Directors a Delegated Power to increase share capital as a bonus to service the aforementioned 2015 Incentive System, with relevant amendment of the Articles of Association.

On 10 May, the Board of Directors, with prior favourable opinion of the Remuneration and Appointments Committee, approved FinecoBank' 2015 Remuneration Policy, Post-Employment Benefit Policy and Incentive System pursuant to Article 114-*bis* of Italian Legislative Decree 58/1998. In line with the new regulatory requirements provided for by the European Banking Authority (EBA), the Board of Directors performed an annual assessment of the categories of personnel whose professional activity has a significant impact on the Bank's risk profile; the *ex-ante* assessment was performed at local and Group level, as requested by the Bank of Italy.

The Board of Statutory Auditors verified compliance with the regulatory framework of the remuneration policies adopted by the Bank and acknowledges that the 2015 Retribution Policy, including the "Annual Remuneration Report", has been made available to the public in line with applicable legislation; the report also complies with public disclosure requirements pursuant to Article 123-*ter* of TUB and with the obligations provided for by banking regulations.

Complaints under Article 2408 of the Italian Civil Code – Reports
In 2013 the Board of Statutory Auditors did not receive any complaints under Article 2408 of the Italian Civil Code or petitions from third parties.

Opinions and remarks pursuant to the Law
The Board was asked to express its opinion in the following circumstances:
- opinion issued on the *"Memorandum on the Management Control System"* approved by the Board of Directors of FinecoBank in view of the listing application;
- opinion issued on the overall adequacy of the *"Procedures for managing transactions with subjects in conflict of interest"*;
- opinion issued on the allocation of Director remuneration pursuant to Article 2389 of the Italian Civil Code;
- opinion issued on the adoption in principle and the systematic implementation of the Corporate Governance Code;
- opinion issued on the appointment of the Audit and Related Parties Committee;
- opinion issued on the proposal to submit to the Extraordinary Shareholders' Meeting the proposal of granting to the Board of Directors, for a period of five years, pursuant to Article 2443 of the Italian Civil Code, the delegated power to increase the share capital as a bonus to service incentive plan;
- opinion issued on the appointment of the Remuneration and Appointments Committee;
- opinion issued on the appointment of the Responsible Manager pursuant to Article 154-*bis* of Italian Legislative Decree no. 58/1998;
- opinion issued on the approval of the Regulation of the Board of Directors;
- favourable opinion of all members of the Board issued about the provision of a credit facility to a company representative, apart from expressing its remarks pursuant to Articles 14 and 16 of Bank of Italy and CONSOB Regulation in line with Article 6, paragraph 2-*bis*, of TUF.

Conclusions
The Board of Statutory Auditors, on the basis of the surveillance activity carried out, can reasonably assure that FinecoBank S.p.A. has been performed its activity in compliance with the Law and the Articles of Association. The Board also points out that, in the performance of its duties, it did not find any irregularities, omissions and/or anomalies and did not become aware of any transactions that did not comply with sound administration principles, that were not resolved on or implemented in compliance with the Law and the Articles of Association, were not in the interest of FinecoBank, were against the resolutions taken by the Shareholders' Meeting, were manifestly imprudent or risky, such as to compromise the integrity of the share capital or, at any rate, such as to have to be reported to the competent Authority and Supervisory or Control Bodies or in this Report.

The Board of Statutory Auditors acknowledges that, pursuant to Article 123-*bis*, paragraph 3, of Italian Legislative Decree no. 58/1998, the *"Report on Corporate Governance and the Ownership Structure of FinecoBank"*, and the *"Disclosure by the Bodies pursuant to (UE) Regulation no. 575/2013 – 31 December 2014"* are also available on FinecoBank's website.

The Board of Statutory Auditors does not deem it necessary to exercise the right to submit proposals to the Shareholders' Assembly pursuant to Article 153, second paragraph, of TUF.

Noting the results of the Financial Statements and the content of the relevant *"Directors' Report on Operations"*, of the specific independent and prior approval by the Management Body of the impairment procedure pertaining to the goodwill recorded in the aforementioned Financial Statements and confirming their sustainability, and having considered the content of the reports prepared by the Independent Statutory Auditors, the Board of Statutory Auditors does not find, insofar this is within its remit, any impediments to the approval of the draft Financial Statements as at 31 December 2014 submitted by the Board of Directors and the relevant profit allocation proposal.

Milan, March 31, 2015

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