FINECO
THE NEW BANK

# 2015 REPORTS AND ACCOUNTS

# IT'S THE MOST RECOMMENDED BANK IN THE WORLD.

## Thanks to one million customers talking about us.

BCG
THE BOSTON CONSULTING GROUP

A 2015 Report of The Boston Consulting Group awards Fineco as the most recommended bank in the world through word of mouth

**FINECO. THE BANK THAT SEMPLIFIES BANKING.**

Member of UniCredit

FINECO
THE NEW BANK

Member of UniCredit

"FinecoBank's Annual Report reflects again our approach to banking, offering customers advanced, user-friendly products and services to meet their increasingly sophisticated needs.

The goal is to confirm our mission to simplify our customers' lives and staying at the forefront of development in our industry, offering modern investment products and services with a multi-channel approach.

At FinecoBank, we focus on finding ways to make customers' daily experience even more simple and satisfying. We feel a responsibility to meet our customers' needs for an efficient and high-quality management of their savings, enabling them to achieve their life goals and to reach even higher.

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

2015 Reports and Accounts

# 99% CUSTOMER SATISFACTION.

Simplifying our customers' life is our mission. Numbers confirm we're on the right way: 99% of customers are satisfied with Fineco and suggest it to family and friends.

Data source: TNS Infratest 2015 survey.

**FINECO, THE BANK THAT SEMPLIFIES BANKING.**

# Contents

# 1 MILLION CUSTOMERS

# A MILLION THANKS

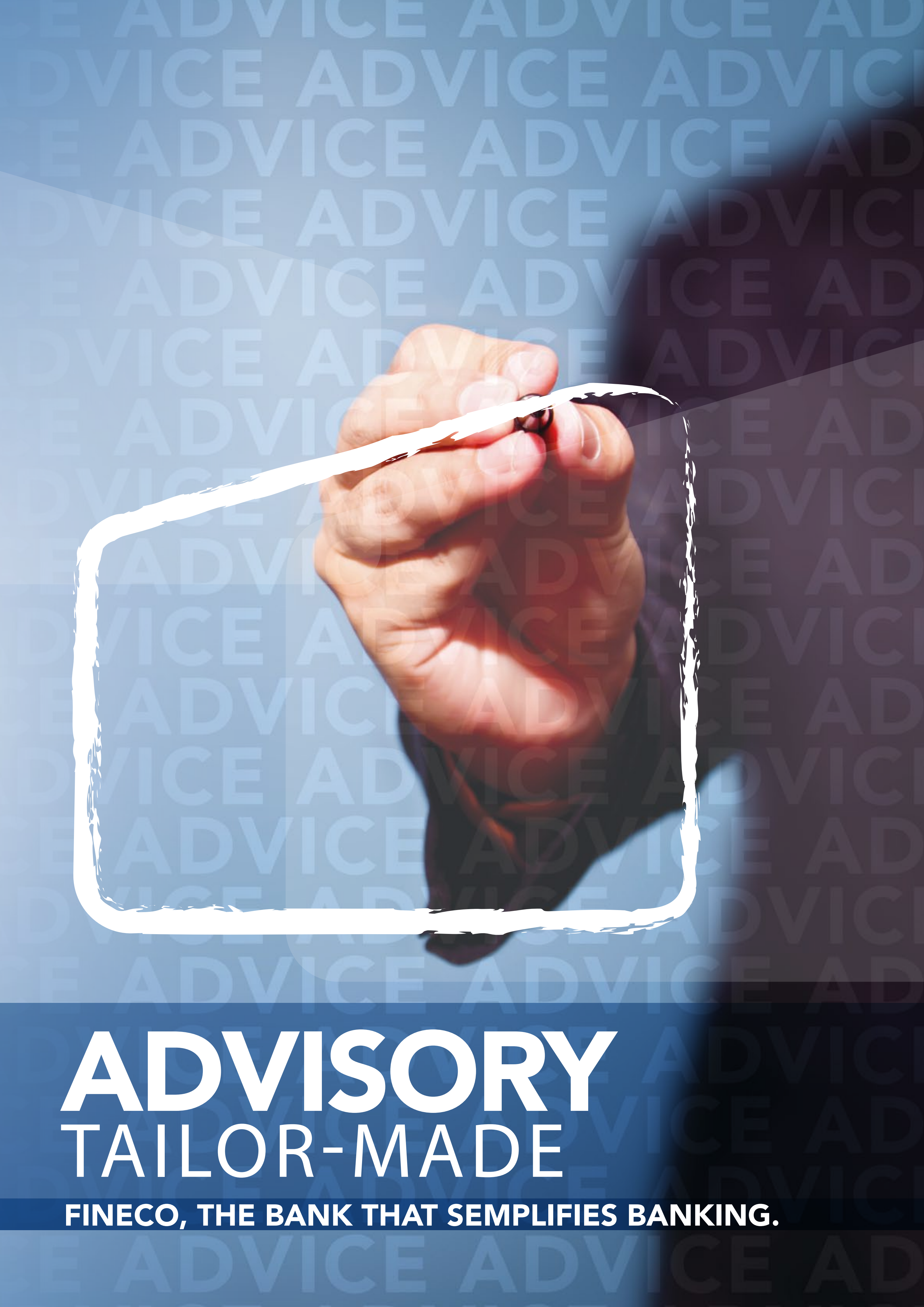
**FINECO, THE BANK THAT SEMPLIFIES BANKING.**

# Board of Directors, Board of Statutory Auditors and External Auditors

| | |
|---|---|
| | **Board of Directors** |
| Enrico Cotta Ramusino | **Chairman** |
| Francesco Saita | **Vice Chairman** |
| Alessandro Foti | **Chief Executive Officer and General Manager** |
| Gianluigi Bertolli<br>Girolamo Ielo<br>Laura Stefania Penna<br>Mariangela Grosoli<br>Marina Natale<br>Pietro Angelo Guindani | **Directors** |
| | **Board of Statutory Auditors** |
| Gian-Carlo Noris Gaccioli | **Chairman** |
| Barbara Aloisi<br>Marziano Viozzi | **Standing Auditors** |
| Federica Bonato<br>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**
20131 Milan - Piazza Durante, 11

"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


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

# Introduction to the Annual Report and Accounts

In implementation of Legislative Decree no. 38 of February 28, these Accounts of FinecoBank as at December 31, 2015 (below FinecoBank) have been prepared in accordance with the IAS/IFRS issued by the International Accounting Standards Board (IASB), including the SIC and IFRIC interpretation documents, as endorsed by the European Commission until December 31, 2015, pursuant to EU Regulation 1606/2002 of July 19, 2012 and applicable to financial reports for the periods starting on or after January 1, 2015.

In its circular 262 of December 22, 2005 as amended, the Bank of Italy laid down the formats for the financial statements and notes to the accounts of banks and regulated financial companies, which have been used to prepare this annual report and accounts.

The Annual Report and Accounts includes:

- the **Financial Statements** 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 2014;
- 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 should be noted that the 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 and the 4th update of Circular 262 of December 22, 2005 "Bank financial statements: presentation and basis of preparation" issued by the Bank of Italy on December 15, 2015), to align them to the notions of non-performing exposures and forborne exposures established by the European Commission in regulation 2015/227 on proposal of the European Banking Authority.
The main changes include the elimination of the "Doubtful Loans" and "Restructured Loans" categories, and the introduction of the new "Unlikely to pay" category. As a consequence, the corresponding figures for the previous year have been restated to enable like-for-like comparison.
The concept of forbearance has also been introduced, which applies to all categories of loans and identifies exposures for which changes in contractual conditions have been granted.

In addition, in the technical memo of December 23, 2015, the Bank of Italy stated that the initial and variance margins received must be shown under "Other liabilities" of liability item 10 "Deposits from banks" and liability item 20 "Deposits from customers" regardless of the technical type of the assets, whereas previously they were shown under "Current accounts and demand deposits" of those balance sheet items.
As a consequence, the corresponding figures for the previous year have been restated to enable like-for-like comparison.

From January 1, 2015 the condensed accounts shown in the Report on Operations have been amended. In particular:

- the "Adjustments of leasehold improvements" have been reallocated to the item "Other administrative expenses" (previously they were allocated to the item "Net other expenses/income");
- "Net value adjustments for the impairment of other financial assets" pertaining to "ex-post" contributions to the National Interbank Deposit Guarantee Fund have been reclassified to the item "Provisions for risks and charges" (in 2014 were allocated to the item "Net write-downs of loans and provisions for guarantees and commitments").

During the year, within the framework of rules that establish and regulate the Banking Union – which govern the banks of the Euro Area and of the other Member States that belong to it – the European directives 49 of 59 of 2014 introduced the contribution schemes for the Deposit Guarantee Schemes (DGS) and the Single Resolution Fund (SRF). In relation to the contribution obligations, these schemes resulted in costs during 2015 and will give rise to costs in future years for the ordinary contribution scheme and the possibility of having to resort to extraordinary contributions. These costs have been recognised under balance sheet item 150. Other administrative expenses, shown in the Report on Operations in the condensed accounts, have been reallocated to the item "Provisions for risks and charges".

Lastly, we note that estimate of the integration costs for the Bank in relation to the Business Plan of the UniCredit Group, recorded on the balance sheet item 150. a) Staff expenses, in condensed accounts contained in the Report on Operations have been allocated to the item "integration costs".


# THE BANK
# CLOSE TO YOU

**FINECO, THE BANK THAT SEMPLIFIES BANKING.**

# Report on Operations

# Summary Data

FinecoBank is the direct, multi-channel bank of the UniCredit Group, with one of the largest advisory networks in Italy. It is the leading bank in Italy for equity trades in terms of volume of orders and number one online broker in Europe for number of orders executed.

The Bank offers an integrated business model combining direct banking and financial advice, with a single free-of-charge account including 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 now has over 1 million customers, reflecting the efficiency and soundness of a business model capable of securing the trust and complete satisfaction of customers and creating value for its shareholders. Over 112 thousand new customers were acquired in 2015, an increase of 9% on the prior year.

Total financial assets (direct and indirect) reached €55,327 million at the end of 2015, up 12.1% on the prior year.

In particular, the Bank recorded total net sales of €5,490 million (up 37.3% compared to 2014), of which €2,653 million for assets under management. Net sales through the personal financial advisors network also increased by 37.3% to €4,940 million.

The sales figures reflect the ability to offer customers advanced advisory services and meet the increasing demand for financial management and planning of their savings, also in complex market phases.

The net profit for the period amounted to €191.1 million, an increase of 27.4% over the prior year. The results for 2015 confirm the Bank's solidity and the strength of its highly diversified business model, capable of fully capturing the structural trends in Italian society, such as the growing demand for advisory services and digitisation.

The Bank's offering is split into the following three areas of activity: (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 CFDs (on currencies, indices, shares, bonds and commodities), futures, options, bonds, ETFs and certificates; and (iii) investing: including placement and distribution services of around 5,900 products, including mutual funds and SICAV sub-funds managed by 70 leading Italian and international investment firms, insurance and pension products, as well as investment advisory services.

# Summary data (Continued)

## Condensed Accounts

### Balance Sheet

(Amounts in € thousand)

| | AMOUNTS AS AT | | CHANGES | |
|---|---|---|---|---|
| ASSETS | 12.31.2015 | 12.31.2014 | AMOUNT | % |
| Cash and cash balances | 6 | 5 | 1 | 20.0% |
| Financial assets held for trading | 3,983 | 3,054 | 929 | 30.4% |
| Loans and receivables with banks | 14,648,904 | 13,892,197 | 756,707 | 5.4% |
| Loans and receivables with customers | 922,774 | 695,594 | 227,180 | 32.7% |
| Financial investments | 2,245,982 | 1,695,555 | 550,427 | 32.5% |
| Hedging instruments | 10,573 | 24,274 | (13,701) | -56.4% |
| Property, plant and equipment | 12,419 | 10,892 | 1,527 | 14.0% |
| Goodwill | 89,602 | 89,602 | - | - |
| Other intangible assets | 8,212 | 8,142 | 70 | 0.9% |
| Tax assets | 15,424 | 18,550 | (3,126) | -16.9% |
| Other assets | 370,070 | 326,756 | 43,314 | 13.3% |
| **Total assets** | **18,327,949** | **16,764,621** | **1,563,328** | **9.3%** |

(Amounts in € thousand)

| | AMOUNTS AS AT | | CHANGES | |
|---|---|---|---|---|
| LIABILITIES AND SHAREHOLDERS' EQUITY | 12.31.2015 | 12.31.2014 | AMOUNT | % |
| Deposits from banks | 1,423,459 | 1,428,568 | (5,109) | -0.4% |
| Deposits from customers | 15,822,459 | 13,914,712 | 1,907,747 | 13.7% |
| Debt securities in issue | - | 424,710 | (424,710) | -100.0% |
| Financial liabilities held for trading | 4,100 | 3,135 | 965 | 30.8% |
| Hedging instruments | 31,319 | 46,220 | (14,901) | -32.2% |
| Provisions for risks and charges | 120,534 | 118,031 | 2,503 | 2.1% |
| Tax liabilities | 37,445 | 33,358 | 4,087 | 12.3% |
| Other liabilities | 255,835 | 243,633 | 12,202 | 5.0% |
| Shareholders' Equity | 632,798 | 552,254 | 80,544 | 14.6% |
| *- capital and reserves* | *430,119* | *400,085* | *30,034* | *7.5%* |
| *- revaluation reserves available-for-sale financial assets and actuarial gains (losses) for defined benefits plans* | *11,626* | *2,262* | *9,364* | *414.0%* |
| - net profit (loss) | 191,053 | 149,907 | 41,146 | 27.4% |
| **Total liabilities and shareholders' equity** | **18,327,949** | **16,764,621** | **1,563,328** | **9.3%** |

## Balance Sheet - Quarterly data

(Amounts in € thousand)

| ASSETS | AMOUNTS AS AT 12.31.2015 | 09.30.2015 | 06.30.2015 | 03.31.2015 | 12.31.2014 |
|---|---|---|---|---|---|
| Cash and cash balances | 6 | 7 | 6 | 10 | 5 |
| Financial assets held for trading | 3,983 | 8,613 | 5,463 | 5,609 | 3,054 |
| Loans and receivables with banks | 14,648,904 | 13,966,287 | 14,582,941 | 14,070,077 | 13,892,197 |
| Loans and receivables with customers | 922,774 | 884,508 | 835,823 | 796,879 | 695,594 |
| Financial investments | 2,245,982 | 2,232,479 | 2,238,746 | 2,264,284 | 1,695,555 |
| Hedging instruments | 10,573 | 6,541 | 39,579 | 24,508 | 24,274 |
| Property, plant and equipment | 12,419 | 11,043 | 11,163 | 11,161 | 10,892 |
| Goodwill | 89,602 | 89,602 | 89,602 | 89,602 | 89,602 |
| Other intangible assets | 8,212 | 7,862 | 8,030 | 7,989 | 8,142 |
| Tax assets | 15,424 | 11,569 | 14,629 | 13,414 | 18,550 |
| Other assets | 370,070 | 232,297 | 225,475 | 215,368 | 326,756 |
| **Total assets** | **18,327,949** | **17,450,808** | **18,051,457** | **17,498,901** | **16,764,621** |

(Amounts in € thousand)

| LIABILITIES AND SHAREHOLDERS' EQUITY | AMOUNTS AS AT 12.31.2015 | 09.30.2015 | 06.30.2015 | 03.31.2015 | 12.31.2014 |
|---|---|---|---|---|---|
| Deposits from banks | 1,423,459 | 1,396,068 | 1,436,173 | 1,466,357 | 1,428,568 |
| Deposits from customers | 15,822,459 | 15,043,178 | 15,256,498 | 14,603,456 | 13,914,712 |
| Debt securities in issue | - | - | 400,000 | 427,884 | 424,710 |
| Financial liabilities held for trading | 4,100 | 6,254 | 5,386 | 4,557 | 3,135 |
| Hedging instruments | 31,319 | 26,810 | 59,668 | 46,933 | 46,220 |
| Provisions for risks and charges | 120,534 | 104,800 | 104,947 | 114,680 | 118,031 |
| Tax liabilities | 37,445 | 57,803 | 30,288 | 55,688 | 33,358 |
| Other liabilities | 255,835 | 233,407 | 227,285 | 169,052 | 243,633 |
| Shareholders' Equity | 632,798 | 582,488 | 531,212 | 610,294 | 552,254 |
| *- capital and reserves* | *430,119* | *427,673* | *437,198* | *554,027* | *400,085* |
| *- revaluation reserves available-for-sale financial assets and actuarial gains (losses) for defined benefits plans* | *11,626* | *5,983* | *310* | *8,485* | *2,262* |
| *- net profit (loss)* | *191,053* | *148,832* | *93,704* | *47,782* | *149,907* |
| **Total liabilities and shareholders' equity** | **18,327,949** | **17,450,808** | **18,051,457** | **17,498,901** | **16,764,621** |

# Summary data (Continued)

## Income Statement

(Amounts in € thousand)

| | YEAR | | CHANGES | |
|---|---|---|---|---|
| | 2015 | 2014 | CHANGES | % |
| Net interest | 245,184 | 228,247 | 16,937 | 7.4% |
| Net fee and commission income | 248,188 | 195,744 | 52,444 | 26.8% |
| Net trading, hedging and fair value income | 53,867 | 29,742 | 24,125 | 81.1% |
| Net other expenses/income | (2,974) | (2,590) | (384) | 14.8% |
| **OPERATING INCOME** | **544,265** | **451,143** | **93,122** | **20.6%** |
| Staff expenses | (75,049) | (69,151) | (5,898) | 8.5% |
| Other administrative expenses | (232,870) | (211,318) | (21,552) | 10.2% |
| Recovery of expenses | 84,347 | 77,170 | 7,177 | 9.3% |
| Impairment/write-backs on intangible and tangible assets | (8,951) | (8,809) | (142) | 1.6% |
| **Operating costs** | **(232,523)** | **(212,108)** | **(20,415)** | **9.6%** |
| **OPERATING PROFIT (LOSS)** | **311,742** | **239,035** | **72,707** | **30.4%** |
| Net write-downs of loans and provisions for guarantees and commitments | (6,706) | (3,180) | (3,526) | 110.9% |
| **NET OPERATING PROFIT (LOSS)** | **305,036** | **235,855** | **69,181** | **29.3%** |
| Net provisions for risks and charges | (15,714) | (6,121) | (9,593) | 156.7% |
| Integration costs | (1,246) | - | (1,246) | n.c. |
| Net income from investments | (1) | (4) | 3 | -75.0% |
| **NET PROFIT (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS** | **288,075** | **229,730** | **58,345** | **25.4%** |
| Income tax for the period | (97,022) | (79,823) | (17,199) | 21.5% |
| **NET PROFIT (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS** | **191,053** | **149,907** | **41,146** | **27.4%** |
| **NET PROFIT (LOSS) FOR THE YEAR** | **191,053** | **149,907** | **41,146** | **27.4%** |

## Income statement - Quarterly data

(Amounts in € thousand)

| | 2015 | | | |
|---|---|---|---|---|
| | 4TH QUARTER | 3RD QUARTER | 2ND QUARTER | 1ST QUARTER |
| Net interest | 63,224 | 63,856 | 60,518 | 57,586 |
| Net fee and commission income | 62,509 | 61,050 | 62,948 | 61,681 |
| Net trading, hedging and fair value income | 12,587 | 13,207 | 11,014 | 17,059 |
| Net other expenses/income | (1,486) | 1,601 | (3,447) | 358 |
| **OPERATING INCOME** | **136,834** | **139,714** | **131,033** | **136,684** |
| Staff expenses | (18,883) | (18,984) | (18,797) | (18,385) |
| Other administrative expenses | (59,238) | (53,097) | (60,134) | (60,401) |
| Recovery of expenses | 21,728 | 20,231 | 21,376 | 21,012 |
| Impairment/write-backs on intangible and tangible assets | (2,550) | (2,211) | (2,163) | (2,027) |
| **Operating costs** | **(58,943)** | **(54,061)** | **(59,718)** | **(59,801)** |
| **OPERATING PROFIT (LOSS)** | **77,891** | **85,653** | **71,315** | **76,883** |
| Net write-downs of loans and provisions for guarantees and commitments | (2,576) | (1,436) | (1,111) | (1,583) |
| **NET OPERATING PROFIT (LOSS)** | **75,315** | **84,217** | **70,204** | **75,300** |
| Net provisions for risks and charges | (10,474) | (1,311) | (814) | (3,115) |
| Integration costs | (1,246) | - | - | - |
| Net income from investments | (1) | - | - | - |
| **NET PROFIT (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS** | **63,594** | **82,906** | **69,390** | **72,185** |
| Income tax for the period | (21,373) | (27,778) | (23,468) | (24,403) |
| **NET PROFIT (LOSS) AFTER TAX FROM CONTINUING OPERATIONS** | **42,221** | **55,128** | **45,922** | **47,782** |
| **NET PROFIT (LOSS) FOR THE PERIOD** | **42,221** | **55,128** | **45,922** | **47,782** |

# Summary data (CONTINUED)

(Amounts in € thousand)

| | 2014 | | | |
|---|---|---|---|---|
| | 4TH QUARTER | 3RD QUARTER | 2ND QUARTER | 1ST QUARTER |
| 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 | (1,289) | (1,302) | 42 | (41) |
| **OPERATING INCOME** | **117,801** | **107,483** | **112,770** | **113,089** |
| Staff expenses | (19,283) | (18,033) | (16,065) | (15,770) |
| Other administrative expenses | (52,311) | (50,443) | (55,829) | (52,735) |
| Recovery of expenses | 20,420 | 19,208 | 18,735 | 18,807 |
| Impairment/write-backs on intangible and tangible assets | (2,634) | (2,233) | (2,037) | (1,905) |
| **Operating costs** | **(53,808)** | **(51,501)** | **(55,196)** | **(51,603)** |
| **OPERATING PROFIT (LOSS)** | **63,993** | **55,982** | **57,574** | **61,486** |
| Net write-downs of loans and provisions for guarantees and commitments | (1,204) | (685) | (826) | (465) |
| **NET OPERATING PROFIT (LOSS)** | **62,789** | **55,297** | **56,748** | **61,021** |
| Net provisions for risks and charges | (2,493) | (677) | 422 | (3,373) |
| Net income from investments | - | (4) | - | - |
| **NET 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) |
| **NET 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** |

## Main balance sheet figures

(Amounts in € thousand)

| | AMOUNTS AS AT | | CHANGES | |
|---|---|---|---|---|
| | 12.31.2015 | 12.31.2014 | AMOUNT | % |
| Loans (1) | 614,000 | 478,752 | 135,248 | 28.3% |
| Total assets | 18,327,949 | 16,764,621 | 1,563,328 | 9.3% |
| Direct deposits (2) | 15,630,645 | 13,753,719 | 1,876,926 | 13.6% |
| Assets under administration (3) | 39,696,024 | 35,587,446 | 4,108,578 | 11.5% |
| Total financial assets (direct and indirect) | 55,326,669 | 49,341,165 | 5,985,504 | 12.1% |
| Shareholders' equity | 632,798 | 552,254 | 80,544 | 14.6% |

(1) Loans refer solely to loans granted to customers (current account overdrafts, credit cards, personal loans and unsecured loans);
(2) Direct deposits include overdrawn current accounts, Supersave repos and the Cash Park deposit account;
(3) Assets under administration consist of products sold online or through the sales networks of FinecoBank.

# Key figures

## Operating Structure

| | FIGURES AS AT | |
|---|---|---|
| | 12.31.2015 | 12.31.2014 |
| No. Employees | 1,059 | 1,008 |
| No. Workers (1) | 1,067 | 1,022 |
| No. Personal financial advisors | 2,622 | 2,533 |
| No. Financial shops (2) | 343 | 325 |

(1) Number of employees: includes permanent employees, workers with atypical contracts, Directors and Group employees seconded to FinecoBank, net of FinecoBank employees seconded to the Group.

(2) Number of financial shops: financial shops managed by the Bank and financial shops managed by personal financial advisors (Fineco Centers).

## Profitability, productivity and efficiency ratios

(Amounts in € thousand)

| | FIGURES AS AT | |
|---|---|---|
| | 12.31.2015 | 12.31.2014 |
| Net interest/Operating income | 45.05% | 50.59% |
| Income from brokerage and other income/Operating income | 54.95% | 49.41% |
| Income from brokerage and other income/Operating costs | 128.62% | 105.09% |
| Cost/income ratio | 42.72% | 47.02% |
| Operating costs/TFA | 0.44% | 0.46% |
| Cost of risk | 78 bp | 71 bp |
| ROE | 42.72% | 36.49% |
| Return on assets | 1.04% | 0.89% |
| EVA | 169,567 | 128,379 |
| RARORAC | 65.39% | 57.77% |
| ROAC | 74.00% | 67.46% |
| Total customer sales/Average employees | 52,970 | 49,391 |
| Total customer sales /(Average employees + average PFAs) | 15,275 | 14,160 |

**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. 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 of net write-downs of loans and provisions for guarantees and commitments to average loans. Average loans have been calculated as the average between the period-end balance and the balance as at the previous December 31.

Net write-downs of loans and provisions for guarantees and commitments as at December 31, 2015 are net of write-downs applied to exposures to customers who made a loss on leveraged Forex positions due to the extraordinary drop in the value of the Euro versus the Swiss Franc on January 15, 2015, of €2.5 million.

ROE: the denominator used to calculate this ratio is the average book shareholders' equity for the period (excluding dividends and donations expected to be distributed and the revaluation reserves).

Return on assets: ratio of net profit after tax to total assets.

EVA (Economic Value Added): shows the company's ability to create value and is calculated as the difference between net operating profit after tax and the notional cost of allocated capital.

RARORAC (Risk Adjusted Return on Risk Adjusted Capital): ratio between EVA and Allocated Capital, which expresses, in percentage, the capacity to create value for unit of risk taken.

ROAC (Return on Allocated Capital): ratio of net operating profit to allocated capital. Allocated Capital means the greater of internally calculated capital based on shared UniCredit Group models (Economic Capital) and regulatory capital.

For the calculation of EVA, RARORAC and ROAC indicators as at December 31, 2015, internal capital is that as at September 30, 2015, the latest available provided by the Parent Company.

# Key figures (Continued)

## Balance Sheet indicators

| | FIGURES AS AT 12.31.2015 | FIGURES AS AT 12.31.2014 |
|---|---|---|
| Loans/Total assets | 3.35% | 2.86% |
| Loans and receivables with banks/Total assets | 79.93% | 82.87% |
| Financial assets/Total assets | 12.28% | 10.13% |
| Direct deposits/Total liabilities and shareholders' equity | 85.28% | 82.04% |
| Shareholders' equity (including profit)/Total liabilities and shareholders' equity | 3.45% | 3.29% |
| Loans/Direct deposits | 3.93% | 3.48% |

| CREDIT QUALITY | FIGURES AS AT 12.31.2015 | FIGURES AS AT 12.31.2014 |
|---|---|---|
| Impaired loans/Loans | 0.79% | 0.89% |
| Non-performing loans/Loans | 0.57% | 0.66% |
| Coverage [(1)] - Non-performing loans | 83.96% | 84.08% |
| Coverage [(1)] - Unlikely to pay | 63.59% | 67.20% |
| Coverage [(1)] - Past-due impaired loans | 51.21% | 49.14% |
| Coverage [(1)] - Total impaired loans | 80.64% | 81.07% |

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

## Own funds and capital ratios

| | FIGURES AS AT 12.31.2015 | FIGURES AS AT 12.31.2014 |
|---|---|---|
| Total own funds (€ thousand) | 393,903 | 353,133 |
| Total risk-weighted assets (€ thousand) | 1,828,007 | 1,850,331 |
| Ratio - Common Equity Tier 1 - CET1 | 21.39% | 19.08% |
| Ratio - Tier 1 Capital | 21.39% | 19.08% |
| Ratio - Total Own Funds | 21.55% | 19.08% |

| | FIGURES AS AT 12.31.2015 |
|---|---|
| Tier 1 Capital (€ thousand) | 390,977 |
| Exposure for leverage (€ thousand) | 3,717,157 |
| Transitional leverage ratio | 10.52% |

Own funds and capital ratios were determined applying the current Supervisory Regulations, in line with Basel III standards, including transitional adjustments. The figures shown include the profit for the year (for the amount that will not be distributed) assuming the conditions established Article 26.2 of the EU Regulation 575/2013 (CRR) are satisfied.
The leverage ratio was calculated in accordance with EU Delegated Regulation 2015/62 of October 10, 2014. As required by Circular No. 285 of the Bank of Italy, Part Two, Chapter 12, Section III Exercise of national discretion, exposures to the UniCredit group companies based in Italy and weighted at 0% pursuant to Article 113, par. 6 of the CRR have not been included in the calculation of total exposure, in accordance with Article 429 (7) of the CRR amended by the Delegated Regulation (EU) 2015/62. In addition, the leverage ratio was calculated as a quarter end figure instead of the simple arithmetic average of the monthly leverage ratio figures for the reporting quarter, pursuant to Article 499.2 of the CRR.

## Market share

| TRADING ON ITALIAN STOCK MARKET (ASSOSIM) | 12.31.2015 | 12.31.2014 |
|---|---|---|
| Third party volumes traded on MTA | 20.84% | 18.54% |
| Classification of third party volumes traded on MTA | 1st | 1st |

| PERSONAL FINANCIAL ADVISORS NETWORK (ASSORETI) | 12.31.2015 | 12.31.2014 |
|---|---|---|
| Stock Classification | 3rd | 3rd |
| Net Sales Classification | 2nd | 3rd |

| TOTAL FINANCIAL ASSETS (BANK OF ITALY) | 09.30.2015 | 12.31.2014 |
|---|---|---|
| Market share - Total Financial Assets | 1.38% | 1.34% |
| Market share - Direct Deposits | 1.07% | 1.01% |
| Market share - Assets under Administration | 1.59% | 1.55% |

The figures for “Total financial assets” (Bank of Italy) refer to September 30, 2015, the latest figures available.

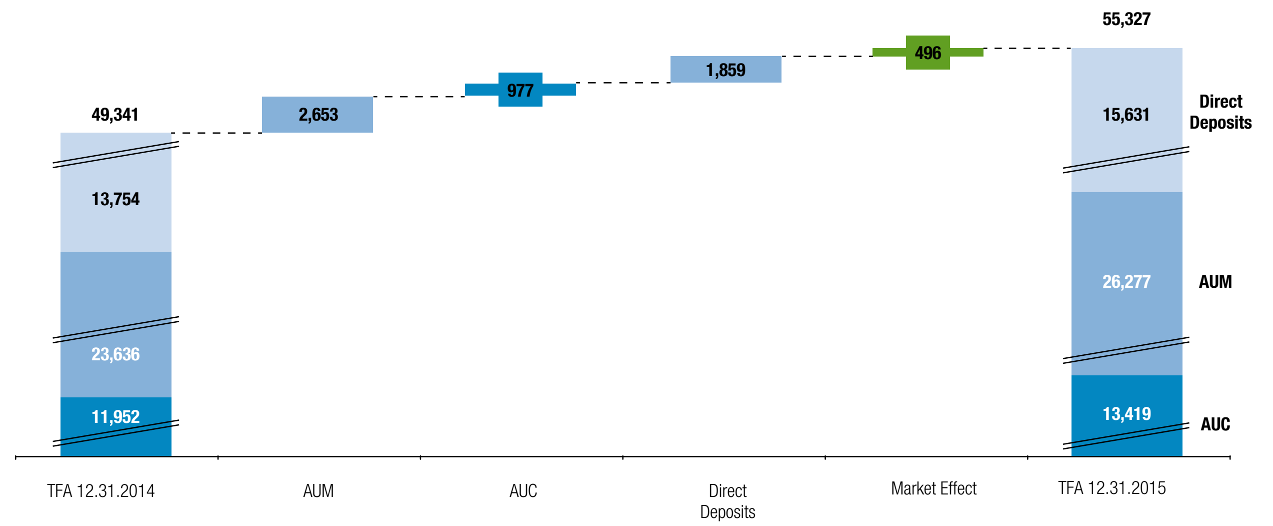
# Business performance

## Performance of total financial assets

In 2015, total financial assets (direct and indirect) continued to grow, reaching €55,327 million, up 12.1% compared to the end of 2014, thanks to net sales of €5,490 million and a positive effect of €496 million, driven by market performance. Assets under administration (Assets under Management-AUM plus Assets under Custody-AUC) stood at €39,696 million, representing an increase of 11.5%.

The steady growth and continued improvement in the quality of sales was reflected in the growth of guided products & services[1], which continued to increase as a percentage of the TFA, up from 17.3% as at December 31, 2014 to 21.4% as at December 31, 2015, and of Assets under Management, up from 36.10% as at December 31, 2014 to 45.01% as at December 31, 2015.

Direct deposits also showed a growth of 13.6%, driven by the increasing number of new customers, thus confirming their appreciation for the quality of the services. Direct deposits mainly consist of 'transactional' deposits that support all customer transactions, confirming the high and increasing degree of customer loyalty, which in turn contributes to improving the quality and stability of direct deposits.




AUC = Asset under custody
AUM = Asset under management
TFA = Total Financial Asset

The table below shows the figures for the balance of direct deposits, assets under management and assets under custody of the Bank's customers, including both those linked to a personal financial advisor and those operating through the online channel.

**Total financial assets**

(Amounts in € thousand)

| | AMOUNTS AS AT | | AMOUNTS AS AT | | CHANGES | |
|---|---|---|---|---|---|---|
| | 12.31.2015 | % | 12.31.2014 | % | AMOUNT | % |
| Current accounts and demand deposits | 14,985,438 | 27.1% | 12,247,082 | 24.8% | 2,738,356 | 22.4% |
| Time deposits and reverse repos | 645,207 | 1.2% | 1,506,637 | 3.1% | (861,430) | -57.2% |
| **DIRECT DEPOSITS** | **15,630,645** | **28.3%** | **13,753,719** | **27.9%** | **1,876,926** | **13.6%** |
| Segregated accounts | 14,112 | 0.0% | 14,782 | 0.0% | (670) | -4.5% |
| UCITS and other investment funds | 23,100,072 | 41.8% | 21,176,945 | 42.9% | 1,923,127 | 9.1% |
| Insurance products | 3,163,241 | 5.7% | 2,444,167 | 5.0% | 719,074 | 29.4% |
| **ASSETS UNDER MANAGEMENT** | **26,277,425** | **47.5%** | **23,635,894** | **47.9%** | **2,641,531** | **11.2%** |
| Government securities, bonds and stocks | 13,418,599 | 24.3% | 11,951,552 | 24.2% | 1,467,047 | 12.3% |
| **ASSETS UNDER CUSTODY** | **13,418,599** | **24.3%** | **11,951,552** | **24.2%** | **1,467,047** | **12.3%** |
| **TOTAL FINANCIAL ASSETS** | **55,326,669** | **100.0%** | **49,341,165** | **100.0%** | **5,985,504** | **12.1%** |
| of which Guided products & services | 11,828,072 | 21.4% | 8,532,245 | 17.3% | 3,295,827 | 38.6% |

1 Respectively, the Bank's 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 the Bank's customers under the guided open architecture model. At the date of this report, the guided products category included the "Core Series" umbrella fund of funds and the "Core Unit", "Advice Unit" and "Core Multiramo" unit-linked policies, while the "Fineco Advice" and "Fineco Stars" advanced advisory services (for investment) fall under the guided service category.

# Business performance (CONTINUED)

The table below shows the figures for direct deposits, assets under management and assets under custody solely for the personal financial advisors network.

### Total financial assets – Personal Financial Advisors Network – Assoreti figures

(Amounts in € thousand)

| | AMOUNTS AS AT | | AMOUNTS AS AT | | CHANGES | |
|---|---|---|---|---|---|---|
| | 12.31.2015 | % | 12.31.2014 | % | AMOUNT | % |
| Current accounts and demand deposits | 10,898,766 | 23.2% | 8,605,117 | 20.7% | 2,293,649 | 26.7% |
| Time deposits and reverse repos | 438,741 | 0.9% | 1,064,704 | 2.6% | (625,963) | -58.8% |
| **DIRECT DEPOSITS** | **11,337,507** | **24.1%** | **9,669,821** | **23.3%** | **1,667,686** | **17.2%** |
| Segregated accounts | 14,112 | 0.0% | 14,782 | 0.0% | (670) | -4.5% |
| UCITS and other investment funds | 22,663,576 | 48.3% | 20,772,136 | 50.1% | 1,891,440 | 9.1% |
| Insurance products | 3,070,003 | 6.5% | 2,346,758 | 5.7% | 723,245 | 30.8% |
| **ASSETS UNDER MANAGEMENT** | **25,747,691** | **54.8%** | **23,133,676** | **55.8%** | **2,614,015** | **11.3%** |
| Government securities, bonds and stocks | 9,866,169 | 21.0% | 8,669,714 | 20.9% | 1,196,455 | 13.8% |
| **ASSETS UNDER CUSTODY** | **9,866,169** | **21.0%** | **8,669,714** | **20.9%** | **1,196,455** | **13.8%** |
| **TOTAL FINANCIAL ASSETS** | **46,951,367** | **100.0%** | **41,473,211** | **100.0%** | **5,478,156** | **13.2%** |
| of which Guided products & services | 11,805,963 | 25.1% | 8,520,497 | 20.5% | 3,285,466 | 38.6% |

The table below shows the figures for direct deposits, assets under management and assets under custody for 2015 compared to the prior year, both for customers linked to a personal financial advisor and online-only customers.

### Net sales

(Amounts in € thousand)

| | | | | | CHANGES | |
|---|---|---|---|---|---|---|
| | YEAR 2015 | % | YEAR 2014 | % | AMOUNT | % |
| Current accounts and demand deposits | 2,738,356 | 49.9% | 1,580,453 | 39.5% | 1,157,903 | 73.3% |
| Time deposits and reverse repos | (879,556) | -16.0% | (394,980) | -9.9% | (484,576) | 122.7% |
| **DIRECT DEPOSITS** | **1,858,800** | **33.9%** | **1,185,473** | **29.6%** | **673,327** | **56.8%** |
| Segregated accounts | (450) | 0.0% | (27,301) | -0.7% | 26,851 | -98.4% |
| UCITS and other investment funds | 1,960,589 | 35.7% | 2,537,111 | 63.4% | (576,522) | -22.7% |
| Insurance products | 693,277 | 12.6% | 519,485 | 13.0% | 173,792 | 33.5% |
| **ASSETS UNDER MANAGEMENT** | **2,653,416** | **48.3%** | **3,029,295** | **75.8%** | **(375,879)** | **-12.4%** |
| Government securities, bonds and stocks | 977,304 | 17.8% | (216,060) | -5.4% | 1,193,364 | n.c. |
| **ASSETS UNDER CUSTODY** | **977,304** | **17.8%** | **(216,060)** | **-5.4%** | **1,193,364** | **n.c.** |
| **NET SALES** | **5,489,520** | **100.0%** | **3,998,708** | **100.0%** | **1,490,812** | **37.3%** |
| of which Guided products & services | 3,410,816 | 62.1% | 2,730,445 | 68.3% | 680,371 | 24.9% |

The table below shows the figures for direct deposits, assets under management and assets under custody for 2015 compared to the prior year for the personal financial advisors network.

### Net sales – Personal Financial Advisors Network – Assoreti figures

(Amounts in € thousand)

| | | | | | CHANGES | |
|---|---|---|---|---|---|---|
| | YEAR 2015 | % | YEAR 2014 | % | AMOUNT | % |
| Current accounts and demand deposits | 2,293,650 | 46.4% | 1,214,692 | 33.8% | 1,078,958 | 88.8% |
| Time deposits and reverse repos | (656,428) | -13.3% | (313,766) | -8.7% | (342,662) | 109.2% |
| **DIRECT DEPOSITS** | **1,637,222** | **33.1%** | **900,926** | **25.0%** | **736,296** | **81.7%** |
| Segregated accounts | (450) | 0.0% | (27,301) | -0.8% | 26,851 | -98.4% |
| UCITS and other investment funds | 1,911,557 | 38.7% | 2,485,108 | 69.1% | (573,551) | -23.1% |
| Insurance products | 699,083 | 14.2% | 531,821 | 14.8% | 167,262 | 31.5% |
| **ASSETS UNDER MANAGEMENT** | **2,610,190** | **52.8%** | **2,989,628** | **83.1%** | **(379,438)** | **-12.7%** |
| Government securities, bonds and stocks | 692,453 | 14.0% | (292,186) | -8.1% | 984,639 | n.c. |
| **ASSETS UNDER CUSTODY** | **692,453** | **14.0%** | **(292,186)** | **-8.1%** | **984,639** | **n.c.** |
| **NET SALES - PERSONAL FINANCIAL ADVISORS NETWORK** | **4,939,865** | **100.0%** | **3,598,368** | **100.0%** | **1,341,497** | **37.3%** |
| of which Guided products & services | 3,399,876 | 68.8% | 2,724,459 | 75.7% | 675,417 | 24.8% |

## Performance of income statement aggregates

Profit before tax amounted to €288.1 million, up 25.4% compared to the prior year.

This result reflects an improvement in operating income of 20.6% as a result of higher net fee and commission income – placement and management of securities and UCITS units which benefited from the increase in assets under management – and the increase in Net trading, hedging and fair value income, as a result of higher profits realised from the internalisation of securities and CFDs.

## Communications and external relations

"The bank that simplifies banking" is the unique positioning that the Bank has continued to develop also in 2015. During the year, important advertising flights were conducted using all means of communication: TV, financial press and posters.

## Incentive plans

In accordance with the instructions of the Regulatory Authority, on January 22, 2015 and March 10, 2015 the Board of Directors respectively approved:

- The "2015 Incentive System", which offers employees, identified as key personnel in accordance with the regulatory requirements, a bonus structure (following performance evaluation), consisting of immediate and deferred payments in cash and the allocation of FinecoBank ordinary shares, over a maximum period of 6 years;
- The "2015 PFA Incentive System", which offers personal financial advisors, identified as key personnel in accordance with the regulatory requirements, a bonus structure (following performance evaluation), consisting of immediate and deferred payments in cash and the allocation of phantom shares, over a maximum period of 5 years.

On February 9, 2015, the Board of Directors launched the stock granting 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 successful outcome of the verification of the access conditions and the individual conditions (compliance in conduct and continued employment). To that effect, the Board of Directors confirmed its approval for a free increase in the Bank's 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 PFA Plan for Personal Financial Advisors and Bank Network Managers, resolving to start the share buyback program, after having obtained authorisation from the Regulatory Authority, pursuant to Articles 77-78 of EU Reg. 575/2013 of June 26, 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 in the year 2015 of 494,493 FinecoBank free ordinary shares to the "2014-2017 Multi-Year Plan Top Management" – a reduction on the number set on April 15, 2014 in order to bring the ratio of the fixed and variable remuneration components into line with current regulations;
    - the allocation of 269,728 FinecoBank free ordinary shares for the "Group Executive Incentive System 2014" plan.

With regard to the stock granting plan ("2014 PFA Plan") for Personal Financial Advisors and Bank Network Managers, pending the obtainment of the authorisation for the purchase of the shares, on July 9, 2015 the Board of Directors resolved to settle the PFAs rights to the first tranche of the plan in cash, instead of allocating FinecoBank ordinary shares, with a payment of a sum corresponding to a third of the bonus consideration, made in July 2015.
To settle the personal financial advisors' rights to the second and third tranche of the above-mentioned plan, the Bank, following the issue of the required authorisation by the Regulatory Authority pursuant to Articles 77-78 of EU Reg. 575 of June 26, 2013 (CRR), purchased a total of 1,408,834 FinecoBank ordinary shares, in the period from September 16, 2015 to October 12, 2015, for an amount of €8.6 million, corresponding to 0.23% of the share capital, which are held by the Bank as at December 31, 2015.

# Fineco Bank shares

## Share information

The FinecoBank shares achieved excellent growth in 2015, rising by over 60% since the beginning of the year. Despite the extensive volatility in the European market during the year, the shares continued to perform strongly with an average price for the year of €6.5 euro. During the fourth quarter the share posted a 27.2% increase in performance.
At December 31, the share price was €7.625, up on the €4.668 recorded at the end of 2014 and more than double its original listing price (€3.7 euro).
The company's market capitalisation amounted to €4,625 million as at December 31, 2015 (€2,830 million at the end of 2014).

| | YEAR 2014 | 1ST QUARTER 2015 | 2ND QUARTER 2015 | 3RD QUARTER 2015 | 4TH QUARTER 2015 | YEAR 2015 |
|---|---|---|---|---|---|---|
| **Official price of ordinary shares (€)** | | | | | | |
| - maximum | 4,750 | 6,425 | 7,170 | 7,805 | 7,625 | 7,805 |
| - minimum | 3,808 | 4,438 | 6,355 | 5,740 | 5,995 | 4,438 |
| - average | 4,168 | 5,356 | 6,771 | 6,808 | 6,968 | 6,479 |
| - period end | 4,668 | 6,425 | 6,645 | 5,940 | 7,625 | 7,625 |
| **Number of shares (millions)** | | | | | | |
| - outstanding at period end | 606,3 | 606,5 | 606,5 | 606,5 | 606,5 | 606,5 |

# Results achieved in the main areas of activity

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. The Bank'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.

## Brokerage

In 2015 the Bank continued to consolidate its leadership in the Italian online trading market. The early part of the year saw a sharp rise in trading, due to the renewed optimism of traders and an ever expanding offering, open to all target customers. However, in the second half, there was an increase in volatility due to the Grexit risk and fears of a slowdown in global growth, due to the downturn in China and the emerging countries.
However, periods of volatility have historically driven users, in particular the most active users, to increase the number of transactions, and the second half of the year was no exception.
During the year there was a continued increase in new customers who carried out their first order on financial markets and with higher value-added products such as Forexes and CFDs, which are attracting an ever-increasing number of customers thanks to their ease of use and lack of trading commissions. The growth in CFDs was also due to the expansion of the offering and the higher visibility given to these products in the trading channels.

The strategy to expand, innovate and develop the offering continued with the introduction of new services and functions, in particular:

- Logos Time, binary options that can be traded through the website, the Logos desktop platform and Logos apps for iPhone, iPad and Android;
- Stockscreener, a new tool which can be used to search for securities among the thousands available on the Bank's website and to carry out predefined searches through the "search ideas" option;
- new Fineco apps, which display a summary portfolio including all investments in euro and the possibility to view up to three favourites lists;
- addition of a financial news stream from Twitter, enabling customers to be continually updated through this new information channel.

The new "no fees" offer was also introduced for CFDs on commodities, tradable from the website, Powerdesk e Apps.
In general, the results achieved confirm the strength of a business model aimed at offering very easy to use and innovative services in a comprehensive solution for all target customers.
Thanks to this positioning, the Bank continues to attract new customers both from traditional banks and from competing direct banks, strengthening its leadership in the market.

The following table shows the number of orders on financial instruments recorded in 2015 compared to the prior year.

| | | | CHANGES | |
|---|---|---|---|---|
| | YEAR 2015 | YEAR 2014 | AMOUNT | % |
| Orders - Equity Italy (including internalised orders) | 8,553,503 | 7,275,908 | 1,277,595 | 17.6% |
| Orders - Equity USA (including internalised orders) | 1,082,918 | 1,248,426 | (165,508) | -13.3% |
| Orders - Equity other markets (including internalised orders) | 603,623 | 418,189 | 185,434 | 44.3% |
| *Total equity orders* | *10,240,044* | *8,942,523* | *1,297,521* | *14.5%* |
| Orders - Bonds | 631,411 | 707,039 | (75,628) | -10.7% |
| Orders - Derivatives | 3,547,912 | 3,238,692 | 309,220 | 9.5% |
| Orders - Forex | 1,585,120 | 1,092,967 | 492,153 | 45.0% |
| Orders - CFDs | 2,336,099 | 1,080,031 | 1,256,068 | 116.3% |
| Orders - Funds | 2,500,870 | 2,100,890 | 399,980 | 19.0% |
| Orders- Repos | 21,139 | 32,141 | (11,002) | -34.2% |
| **TOTAL ORDERS** | **20,862,595** | **17,194,283** | **3,668,312** | **21.3%** |

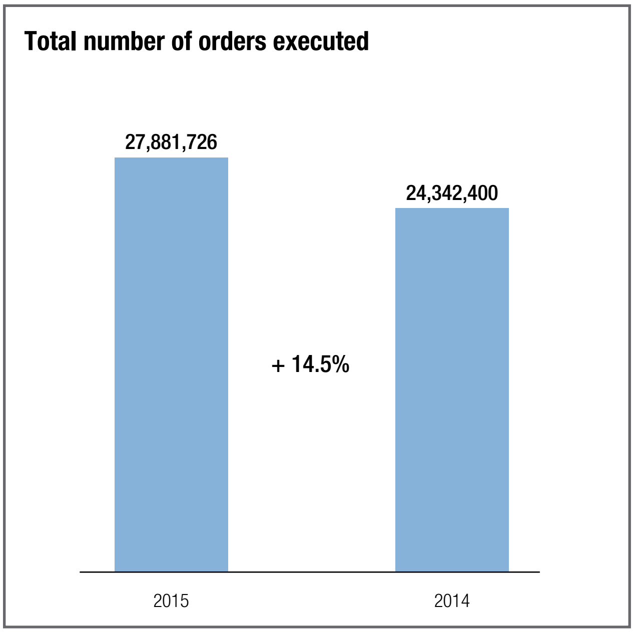
# Results achieved in the main areas of activity (SEGUE)

The table shows a general increase in orders executed in 2015 compared to the prior year, except for a slight decline in USA Equity, Bond and Repo orders.

The following table shows the volume of trades carried out as direct counterparty in orders placed by customers, resulting from the internalisation of orders received on shares, CFDs and Logos products, recorded in 2015 compared to 2014.

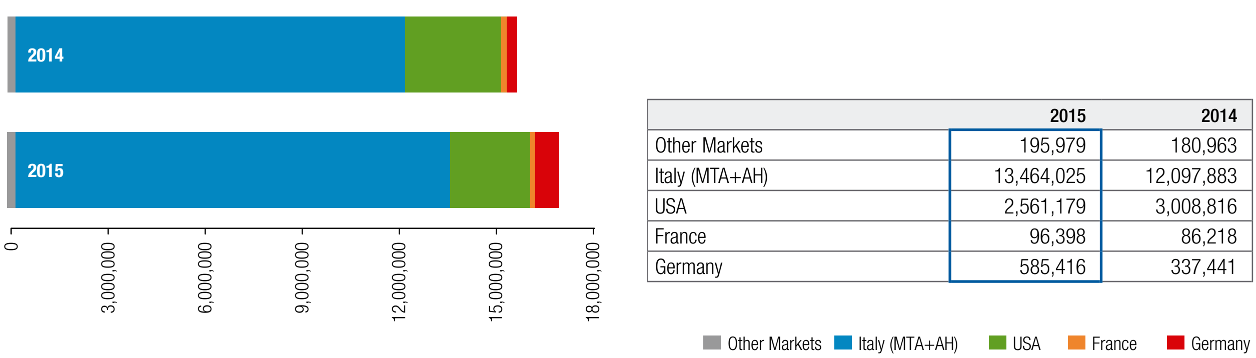
(Amounts in € thousand)

| | YEAR 2015 | YEAR 2014 | CHANGES AMOUNT | CHANGES % |
|---|---|---|---|---|
| Equity (internalisation) | 65,098,298 | 46,907,152 | 18,191,146 | 38.8% |
| Forex | 102,253,275 | 75,518,932 | 26,734,343 | 35.4% |
| CFDs and Logos | 65,076,048 | 19,600,019 | 45,476,029 | 232.0% |
| **Total "internalised" volumes** | **232,427,621** | **142,026,103** | **90,401,518** | **63.7%** |




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 reverse repos.

**Number of orders executed on line broken doen by stock market**




| | 2015 | 2014 |
|---|---|---|
| Other Markets | 195,979 | 180,963 |
| Italy (MTA+AH) | 13,464,025 | 12,097,883 |
| USA | 2,561,179 | 3,008,816 |
| France | 96,398 | 86,218 |
| Germany | 585,416 | 337,441 |

## Banking

The Bank offers its customers 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.
During the year identification via webcam and the digital signature of the contract were introduced, which, together with the sending of the access codes by email and SMS, enable the current account to be opened in a day. This has made the account opening procedure extremely smooth, completely online and secure. After the initial login to the site customers can start to order investment and trading transactions. Banking services, on the other hand, are activated by entering a third "security code", sent separately by post to their home, in a reserved area.

The digitisation processes included:
- the extension of the digital signature service to current accounts in joint names. In particular, during the second half of 2015, this service was made available for the online signature of the additional contract for derivatives trading;
- the option for customers of personal financial advisors to directly sign Advice advisory contracts – sent to them via web collaboration - by accessing the reserved area of the website and using a digital signature.

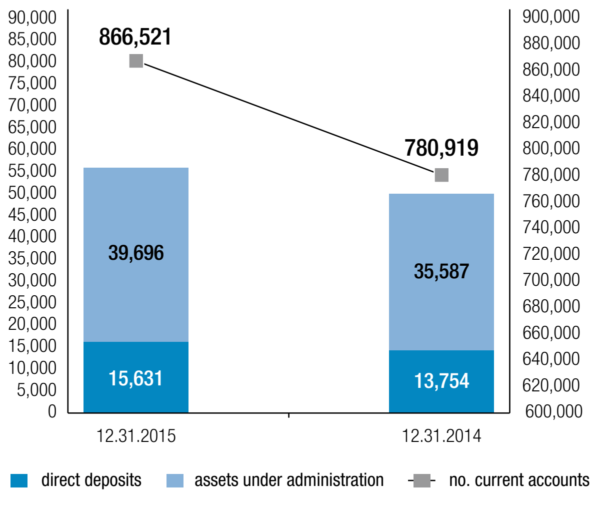
On the regulatory side the main activities involved:
- the update of all the account opening procedures and the related contractual documentation for the purposes of customer due diligence. As a result of the Bank of Italy measure of April 3, 2013, starting from January 2015, transfers from other online banks are deemed valid for remote identification;
- the update of the contractual documentation with the new MIFID questionnaire;
- the enhancement of the procedures for the collection of customer tax data in accordance with the new international Common reporting standard for the automatic and mutual exchange of financial information between tax authorities.

The new "SMS PIN - Basic Service" was introduced to comply with the security standards required by the European regulations on Strong Customer Authentication. This service involves the use of the SMS PIN code to confirm transactions which require greater security control in accordance with the above-mentioned standards and for all the transactions identified by the Bank. The Bank has automatically activated this service for the entire customer base since August.

In the area of products and services offered we note:
- the introduction of new constraint expiries of up to 5 years for the Cash Park Investing and a maximum subscription limit of €1 million per customer;
- the enhancement of the online credit transfer service with the introduction of the white list in the beneficiary address book management, the credit transfer cancellation function, and the automatic sending of alert mails both for incoming and outgoing instruction orders;
- new providers for the mobile top-ups service: Poste, Tiscali, and COOP Voce;
- the extension of payment of road tax also to the Marche and Sicily regions;
- the increase in the number of bill-payers signed up for the CBILL service;
- the option for customers to upload updated ID documents.

This was accompanied by the continued development and management of marketing campaigns aimed at the online target market and word-of-mouth initiatives (member gets member) aimed at existing customers. These are complexes initiatives that combine creativity, promotional work, logistics and monitoring.

**No. corrents accounts, direct deposits and assets under administration**



# I risultati conseguiti nelle principali aree di attività (Segue)

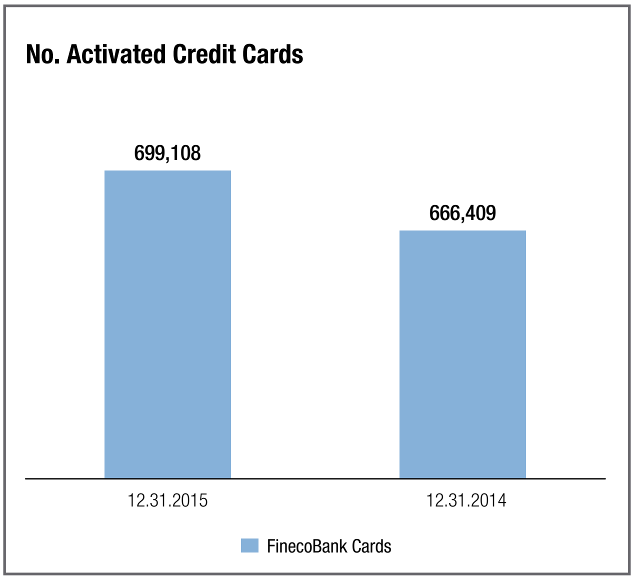
## Banking (Segue)

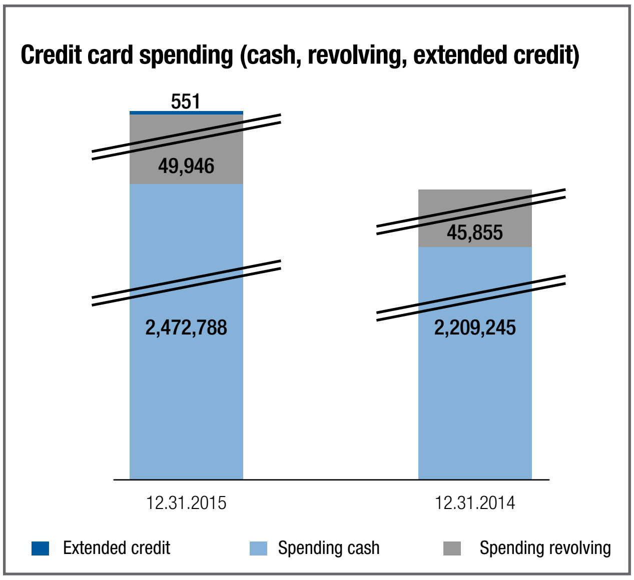
### Credit

In 2015 there was a 9% increase in holders of convenience credit cards, while the number of customers with revolving credit cards was up 8%.
The spending figure, which is still the main driver of profitability, increased by 11.9% compared to the prior year, for a total value of €2.5 billion. The spending of revolving cards represented 2% of the total.
The cards portfolio currently consists of 43% of cards operating on the VISA circuit and the remaining 57% of cards operating on the Mastercard circuit, with the related spending allocated 52% to the Visa circuit and the remaining 48% to the MasterCard circuit.
A new extended credit service was introduced called "Paga a Rate" (pay by instalments), reserved exclusively for the holders of a Fineco Classic credit card (Fineco Card or Fineco Black), with an additional credit facility of €2,000 (linked, but separate from the ceiling for the credit card), which can only be repaid on an instalment basis.

The "SMS PIN" service was launched during 2015, which allows customers to receive the PIN code for their credit card via SMS directly on their certified mobile phone.
At the end of 2015 the certification phase was completed to enable cards from the VISA circuit to also use contactless technology. As a result, from early 2016, all products offered to customers will be enabled for proximity payments.

Activity on other credit products was also intense, also due to the market scenario and the need to reinstate a sharp focus on developing and enriching this family of products. In particular, we note:
- the review of interest rates on loans, to make personal loans and loan consolidation even more competitive;
- the introduction of digital signatures for loans, which speeds up the application and disbursement process;
- the re-engineering of the lending process on the online channel and through personal financial advisors, in order to improve the usability of the services.



# Investing

The Bank 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.

The year 2015 closed with the launch of five new partnerships with asset management companies: Standard Life Investments and Ignis (Standard Life PLC group), H2O (Natixis AM group), Schroders GAIA and T.Rowe Price. The range of asset management products was further enhanced with the addition to the platform of over 620 new ISINs available to customers.

With a view to expanding Diversified Management offering, 3 new CORE SERIES funds have been introduced: in February CORE ALTERNATIVE and GLOBAL OPPORTUNITY, which were welcomed as a way to diversify customer portfolios; in September CORE MULTIASSET INCOME, which increased the investment opportunities for customers who want spread their income. Overall, the CORE SERIES range has made €1,233 million in net sales since the beginning of the year.

The year 2015 was also highly positive for the "Fee-based" Fineco Advice advisory service, with net sales of approximately €1,056 million, most of which deriving from new customers.

The improvement of the usability of the platform increased during the year, aimed at simplifying the work of the personal financial advisors both in the construction and rebalancing of portfolios, and more detail was added to the reporting to customers. The financial criteria have been updated to the new market parameters, with the expansion of the related asset classes and the addition of a new, almost entirely equity-based, "risk/return 9" profile to the "Capital Appreciation with medium/high risk" objective.

The Fineco Stars advisory services also achieved highly positive results, continuing its growth and development: net sales from the beginning of the year reached €337 million, with an increase in the range of selected funds, which includes 21 fund selection strategies. In June the "Simulator" was released, a portfolio construction and analysis tool available to the personal financial advisors network as an aid for the advisory service. The digital signature feature was also extended to Fineco Stars, enabling the remote signing of the contract.

Lastly, 2015 confirmed the interest in advisory services in the form of insurance offering through the two unit-linked products CORE UNIT and ADVICE UNIT of Old Mutual Wealth Italy SPA, which generated sales of €620 million from the beginning of the year. In June the monitoring service for Advice Unit portfolios was released, which provides constant risk monitoring, including of the insurance product, in line with advanced advisory services.

With a view to further strengthening the interest in insurance advisory services, in the fourth quarter of 2015 the Bank launched the CORE Multiramo fund of Aviva S.p.A., a new umbrella fund, which together with the Core Unit and Advice Unit funds is the flagship product in the Bank's insurance offering. Sales of CORE Multiramo since its launch came to €165 million at December 31, 2015.

The table below shows the amount of assets under management of the Bank's customers, including both those linked to a personal financial advisor and those operating exclusively online.

(Amounts in € thousand)

| | AMOUNTS AS AT | | AMOUNTS AS AT | | CHANGES | |
|---|---|---|---|---|---|---|
| | 12.31.2015 | % | 12.31.2014 | % | AMOUNT | % |
| UCITS and other investment funds | 23,100,072 | 87.9% | 21,176,945 | 89.6% | 1,923,127 | 9.1% |
| Insurance products | 3,163,241 | 12.0% | 2,444,167 | 10.3% | 719,074 | 29.4% |
| Segregated accounts | 14,112 | 0.1% | 14,782 | 0.1% | (670) | -4.5% |
| **Total assets under management** | **26,277,425** | **100.0%** | **23,635,894** | **100.0%** | **2,641,531** | **11.2%** |

# The network of personal financial advisors

The personal financial advisors network continued to achieve improvements in various areas. In particular, there as an increase in sales and a strengthening of the organic sales (total net sales performance of the existing network up 51% on 2014), accompanied by growth in the acquisition of new customers and a further increase in the amount of assets in managed asset products, particularly in the advisory services component.
The Bank's business model, the structured planning approach and the advisory tools available, enable FinecoBank to promptly and effectively respond to the growing customer demand for advisory services even in periods of high market volatility.
The figures recorded by the PFA network in 2015 are as follows:
- total net sales of €4,940 million;
- net assets under management of €2,610 million;
- net sales of guided products and services of €3,400 million;
- new accounts opened during the year: 84,294 new accounts.

The focus continued on guided products and services which are a key factor and will remain so in the future, with an approach to investments increasingly oriented towards financial planning. This approach is becoming an increasingly common way of working and is highly appreciated by private banking customers.
Private banking customers represent a significant portion of the customer base and are showing steady, constant growth: 2% in terms of customers and 38% in terms of assets (an increase of 3% compared to 2014), placing the Bank among the top Italian Private Banks.
As for the Wealth Management segment, high-level training courses continued for the entire PFA network, and specifically for participants in the Fineco Wealth Advisor Forum.

Continuous, repeated communications campaigns and promotional initiatives were implemented to support growth and increase the impact of the Bank on the top customer segments.
There was also a continued focus on customer events organised across Italy, both in quantitative and qualitative terms, with significant impacts on results. Over 1,000 events were organised in 2015, which were attended by over 42,000 customers and prospects, who made a major contribution to total net sales. New customer events were held, dedicated to the top customer segment, with exclusive, high-value meetings.
Continuous investment in commercial facilities contributed to enhancing the Bank's image throughout the country, demonstrating significant attention to brand awareness.
As regards recruitment, 118 new personal financial advisors were appointed in 2015, with a background in sales networks and banking, and 79 "inexperienced" employees were recruited as part of the "youth programme". Also this area provided a major contribution to total net sales, which, however, are still driven primarily by the existing network, reflecting the unique strength of our model which enables healthy and organic growth.

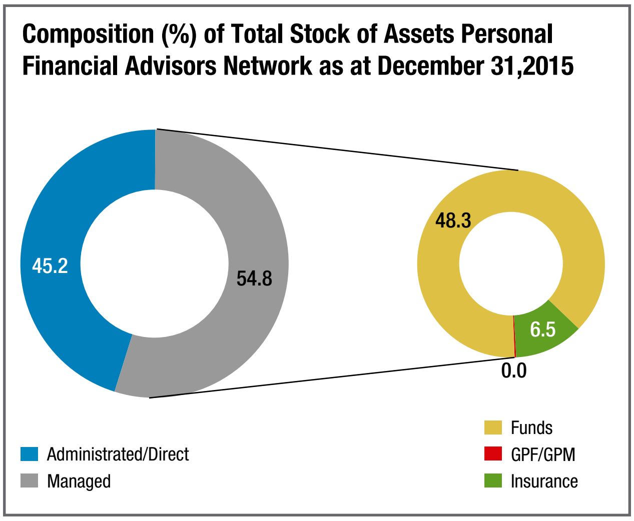
As at December 31, 2015, the network was made up of 2,622 personal financial advisors, who operate countrywide through 343 financial shops (Fineco Centers), managed directly by the Company or by the personal financial advisors themselves.

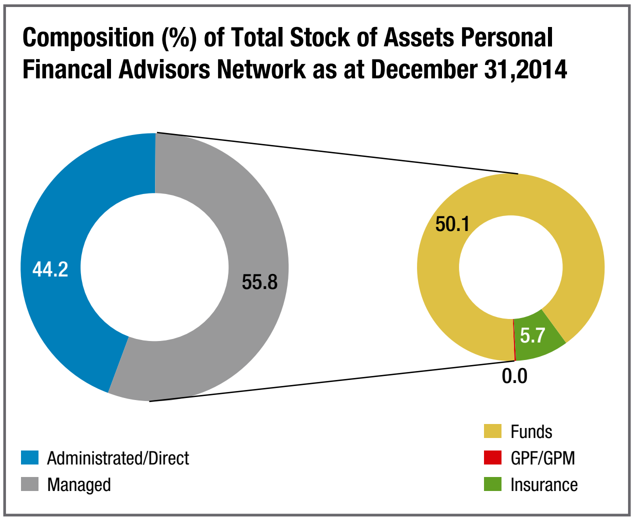
The table below shows the breakdown of sales attributable to the PFA network as at December 31, 2015 and December 31, 2014. Total financial assets, amounting to €46,951 million, increased by 13.2% compared to December 31, 2014.

**Total financial assets – Personal Financial Advisors Network – Assoreti figures**

(Amounts in € thousand)

| | AMOUNTS AS AT | | AMOUNTS AS AT | | CHANGES | |
|---|---|---|---|---|---|---|
| | 12.31.2015 | % | 12.31.2014 | % | AMOUNT | % |
| Current accounts and demand deposits | 10,898,766 | 23.2% | 8,605,117 | 20.7% | 2,293,649 | 26.7% |
| Time deposits and reverse repos | 438,741 | 0.9% | 1,064,704 | 2.6% | (625,963) | -58.8% |
| **DIRECT DEPOSITS** | **11,337,507** | **24.1%** | **9,669,821** | **23.3%** | **1,667,686** | **17.2%** |
| Segregated accounts | 14,112 | 0.0% | 14,782 | 0.0% | (670) | -4.5% |
| UCITS and other investment funds | 22,663,576 | 48.3% | 20,772,136 | 50.1% | 1,891,440 | 9.1% |
| Insurance products | 3,070,003 | 6.5% | 2,346,758 | 5.7% | 723,245 | 30.8% |
| **ASSETS UNDER MANAGEMENT** | **25,747,691** | **54.8%** | **23,133,676** | **55.8%** | **2,614,015** | **11.3%** |
| Government securities, bonds and stocks | 9,866,169 | 21.0% | 8,669,714 | 20.9% | 1,196,455 | 13.8% |
| **ASSETS UNDER CUSTODY** | **9,866,169** | **21.0%** | **8,669,714** | **20.9%** | **1,196,455** | **13.8%** |
| **TOTAL FINANCIAL ASSETS - PERSONAL FINANCIAL ADVISORS NETWORK** | **46,951,367** | **100.0%** | **41,473,211** | **100.0%** | **5,478,156** | **13.2%** |
| of which Guided products & services | 11,805,963 | 25.1% | 8,520,497 | 20.5% | 3,285,466 | 38.6% |




Total net sales for 2015 stood at €4,940 million, with a strong focus on assets under management and guided products and services, as described previously.
More specifically, net sales for managed assets amounted to €2,610 million, while guided products and services (CORE Series, CORE Unit, Advice, Advice Unit, Fineco STARS and Core Multiramo) generated €3,400 million in sales.

### Net sales – Personal Financial Advisors Network – Assoreti figures

(Amounts in € thousand)

| | | | | | CHANGES | |
|---|---|---|---|---|---|---|
| | YEAR 2015 | % | YEAR 2014 | % | AMOUNT | % |
| Current accounts and demand deposits | 2,293,650 | 46.4% | 1,214,692 | 33.8% | 1,078,958 | 88.8% |
| Time deposits and reverse repos | (656,428) | -13.3% | (313,766) | -8.7% | (342,662) | 109.2% |
| **DIRECT DEPOSITS** | **1,637,222** | **33.1%** | **900,926** | **25.0%** | **736,296** | **81.7%** |
| Segregated accounts | (450) | 0.0% | (27,301) | -0.8% | 26,851 | -98.4% |
| UCITS and other investment funds | 1,911,557 | 38.7% | 2,485,108 | 69.1% | (573,551) | -23.1% |
| Insurance products | 699,083 | 14.2% | 531,821 | 14.8% | 167,262 | 31.5% |
| **ASSETS UNDER MANAGEMENT** | **2,610,190** | **52.8%** | **2,989,628** | **83.1%** | **(379,438)** | **-12.7%** |
| Government securities, bonds and stocks | 692,453 | 14.0% | (292,186) | -8.1% | 984,639 | n.c. |
| **ASSETS UNDER CUSTODY** | **692,453** | **14.0%** | **(292,186)** | **-8.1%** | **984,639** | **n.c.** |
| **NET SALES - PERSONAL FINANCIAL ADVISORS NETWORK** | **4,939,865** | **100.0%** | **3,598,368** | **100.0%** | **1,341,497** | **37.3%** |
| of which Guided products & services | 3,399,876 | 68.8% | 2,724,459 | 75.7% | 675,417 | 24.8% |

# Human resources

As at December 31, 2015, the Bank's total workforce consisted of 1,067 employees compared to 1,022 as at December 31, 2014. The breakdown was as follows:

| HUMAN RESOURCES | DECEMBER 31,2015 | DECEMBER 31,2014 |
|---|---|---|
| FinecoBank employees | 1,059 | 1,008 |
| Workers with atypical contracts (+) | - | 3 |
| Group employees seconded to FinecoBank (+) | 2 | 4 |
| FinecoBank employees seconded to the Group (-) | (2) | (1) |
| **Total human resources excluding Directors** | **1,059** | **1,014** |
| Directors (+) | 8 | 8 |
| **Total human resources** | **1,067** | **1,022** |

During 2015, activities continued to strengthen and optimise the areas dedicated to business development, organisational support and risk control and management. This led to the hiring of 102 human resources, of which:

- 14 from other Group companies;
- 88 from the market.

Of the 88 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, 41 temporary contracts were converted into permanent contracts, mainly in the Customer Relationship Management area, thereby not only guaranteeing business continuity, but also capitalising on the skills and expertise already present within the business.

In 2015, there was significant Internal job rotation, involving 42 employees, through which vacant positions within the company were filled, while also ensuring the continued professional development of staff.

In 2015, a total of 51 employees left the bank, of which:

- 6 through resignations;
- 23 transfers to Group companies;
- 22 for other reasons (e.g. termination of maternity replacement contract).

Overall, the staff turnover was 5%.

The breakdown of the Bank's employees was as follows:

| CATEGORY | MEN | | WOMEN | | TOTAL | |
|---|---|---|---|---|---|---|
| | 12.31.2015 | 12.31.2014 | 12.31.2015 | 12.31.2014 | 12.31.2015 | 12.31.2014 |
| Executives | 22 | 23 | 4 | 3 | 26 | 26 |
| Managers | 218 | 203 | 94 | 81 | 312 | 284 |
| Professional Areas | 352 | 345 | 369 | 353 | 721 | 698 |
| **Total** | **592** | **571** | **467** | **437** | **1,059** | **1,008** |

As at December 31, 2015 part-time staff in the Bank amounted to 83, accounting for 7.8% of employees, with women employees representing around 44% of the workforce. The average length of service was 7.5 years and the average age was around 39.

## Employee training

During 2015, employee training concentrated both on acquiring and consolidating staff skills based on the company's needs, as well as on the continuous professional development of individual abilities, with specific focus on mandatory, management, technical and foreign language training.

| TRAINING AREA | HOURS OF TRAINING |
|---|---|
| Mandatory | 3,002 |
| Technical | 11,781 |
| Foreign Language | 8,054 |
| Conduct - Management | 2,118 |
| **Total** | **24,955** |

### Mandatory training

The Bank is committed to constantly establishing and strengthening a risk and compliance culture, across the organisation, which enables our business be profitable but also sustainable over time. For this reason, the Bank paid significant 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. Staff attendance at the courses was monitored in order to ensure that all employees acquired full understanding of the mandatory subjects, thereby protecting the Bank against operational, legal and reputational risk.
Particular attention was paid to Anti-fraud training, with the provisions of a mandatory online course ("Introduction to Fraud and Forensic Auditing") to a number of colleagues.

### Management training

The year 2015 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.

### Technical and conduct training

In 2015, training sessions were organised for the acquisition of technical skills needed to improve business productivity and the level of employee specialisation.
In the Customer Care area, a total of 7,515 hours of training courses were held for "new recruits" on technical subjects, as well as "ongoing" training courses on technical and conduct-related 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

Foreign language training in 2015 involved 323 employees in English courses (classroom-based or via telephone). In some cases (e.g. for Executives), "one-to-one" training courses in Business English were provided. Employees are assigned to participate in foreign language training courses based on requests made by the individual unit managers, according to the specific professional needs of colleagues.

# Technology infrastructure

There are essentially six elements to the Bank'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 US 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 the Visa and MasterCard circuits;
- A personal financial advisors network management system, enabling advisors to work with all the Bank's products through a single portal.

In 2015, 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 optimising infrastructure and applications, as well as the continuous improvement and fine-tuning of the applications security architecture. In particular, the infrastructure technology components for the provision of the Trading Online service were updated.

In the Banking and Investing areas, the main project activities completed included:
- the extension of the Remote Digital and Graphometric Signature for an increasing number of products and services offered to customers;
- the improvement of the ADVICE and STARS advisory services offered to customers.

Work in the Trading area included:
- the activation of new USA and UK CFD Equity products;
- the possibility of setting up the transferability of securities accounts from other banks online.

Developments in the Regulatory area included the issue of the new MIFID Questionnaire.

# 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. 285 of December 17, 2013 - 14th update of July 24, 2015 - defines the principles and guidelines to which the internal control system of banks must conform. The circular defines the general principles of organisation, identifies the role and responsibilities of governing bodies, and sets out the characteristics and roles of corporate control functions.

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 organisational complexity, the nature of the activities carried out, and the type of services provided.

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

In accordance with the provisions laid down by the Regulatory Authorities, the Bank's internal control system consists of a set of rules, functions, organisational 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's Risk Appetite Framework - "RAF";
- preventing the Bank's involvement, including 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 company processes;
- ensuring the security and reliability of the company information and ICT procedures;
- ensuring compliance of transactions with the law and supervisory regulations, as well as internal policies, procedures and regulations.

In terms of the methods applied, the Bank's internal control system is based on four types of controls:

- level one controls ("line controls"): these are controls for 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, in terms of 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; for regulatory areas which already have types of control performed by the Bank's specialised units, monitoring of compliance risk is assigned to these units based on the "Indirect Coverage" operating model, also adopted by the Parent Company;
- 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 information communication technology system (ICT audit) and identify any anomalous trends, or infringements of procedures or regulations. These controls are assigned to the Internal Audit function, which operates at central level, at UniCredit, based on a specific service agreement;
- institutional supervisory controls: these refer to controls by the Bank's 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 units involved, the Internal Control System is based on:

- control bodies and functions including, according to their respective responsibilities, the Board of Directors, the Audit and Related Parties Committee, the Remuneration and Appointments Committee, the Chief Executive Officer 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, which provide for:
  - cooperation and coordination among control functions, through specific information flows that are formalised 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 to enable the latter 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) (the SSM - single supervisory mechanism - Framework Regulation), on 4 September 2014 the ECB published a list, which was updated on 30 December 2015, containing the names of supervised entities and groups that come 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 the 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.

The Bank, 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. For the Bank in particular, 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 Occupational Health and Safety Officer; 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 under their responsibility.

# Main risks and uncertainties

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

# Organisational structure

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

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

In 2015, several changes were made to the organisational structure. Specifically, in the Investment Services and Wealth Management Department, the advisory service was upgraded, and its strengthened position as the focal point of the Bank's business model made it necessary to reorganise the Advice Unit, also to guarantee effective oversight of the activities and related risks.
Specifically:
- the *Advice Financial Service Management* team was replaced with two new teams: *Portfolio Modelling* and *Financial Logic & Portfolio Monitoring*;
  - the *Portfolio Modelling* team draws up the portfolio model, classifies and maps the financial instruments included in the Advice advisory service and oversees the commissions paid by customers;
  - the *Financial Logic & Portfolio Monitoring* team develops and manages qualitative and statistical models relating to the Advice advisory service, monitoring its ex ante and ex post risk;
- the *Specialised Support and Advice Promotion* team was renamed the *Advice Network Support* team. The team is tasked with supporting the Fineco personal financial advisors network with regard to the advisory service, on financial issues as well as more operational issues.

Also note that as a result of the new provisions on Business Continuity, introduced by the 15th update of July 2, 2013 to the Bank of Italy Circular no. 263 "New Regulations for the prudential supervision of banks", it was necessary to set up greater controls in relation to additional responsibilities of intermediaries. In order to fully highlight the responsibilities assigned, the *Organisational Development, Sizing and Processes* Unit was renamed to *Organisational Development and Business Continuity*.

During 2015, in order to ensure greater oversight to guarantee an adequate tax advisory process to support the Bank's operations, within the Chief Financial Officer (CFO) Department, the Tax Affairs Unit was also reorganised, by:
- renaming the Tax Affairs Unit to Tax Affairs & Advisory;
- creating two teams that report to the Tax Affairs and Advisory Unit:
  - *Tax Administration*, in charge of overseeing the correct fulfilment of the Bank's tax obligations;
  - *Tax Advisory*, in charge of providing assistance on tax matters to all organisational structures of the Bank required to fulfil tax obligations.

Also in 2015, following an increase in the complexity of the requirements and a specialisation in the activities relating to the management of the Bank's remuneration policy, changes were made within the Human Resources Unit consisting of the creation of the HR Planning & Compensation team the changing of the name of the HR Planning, Legal/Labour Relations & Administration unit to Industrial Relations, Labour Law & HR Services.

In addition, the Securities Operations Department was reorganised to better define and distribute certain activities and responsibilities, also with a view to optimising the span of control of the entire department, which involved the upgrading of the Securities Accounts Administration team to the status of unit reporting directly to the Management.

## Organisational Model

The Bank's current organisational model is based on a functional model, which favours 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 specialisation", 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 organisational units report to the Chief Executive Officer 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 organisational 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 PFA Network Department is responsible for overseeing the management and development of the personal financial advisors network;
- 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 the Bank's Customers;
- The Direct Bank Department is responsible for overseeing the development of new products and services in the two components 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 organisational units in charge of monitoring the organisational/operating processes and the ICT and logistics systems needed to ensure the effective and efficient operation of business support systems. The following organisational units report to the GBS Department: Information Security & Fraud Management Team, ICT – Information & Communication Technology Department, CRM – Customer Relationship Management Department, Organisation & 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.

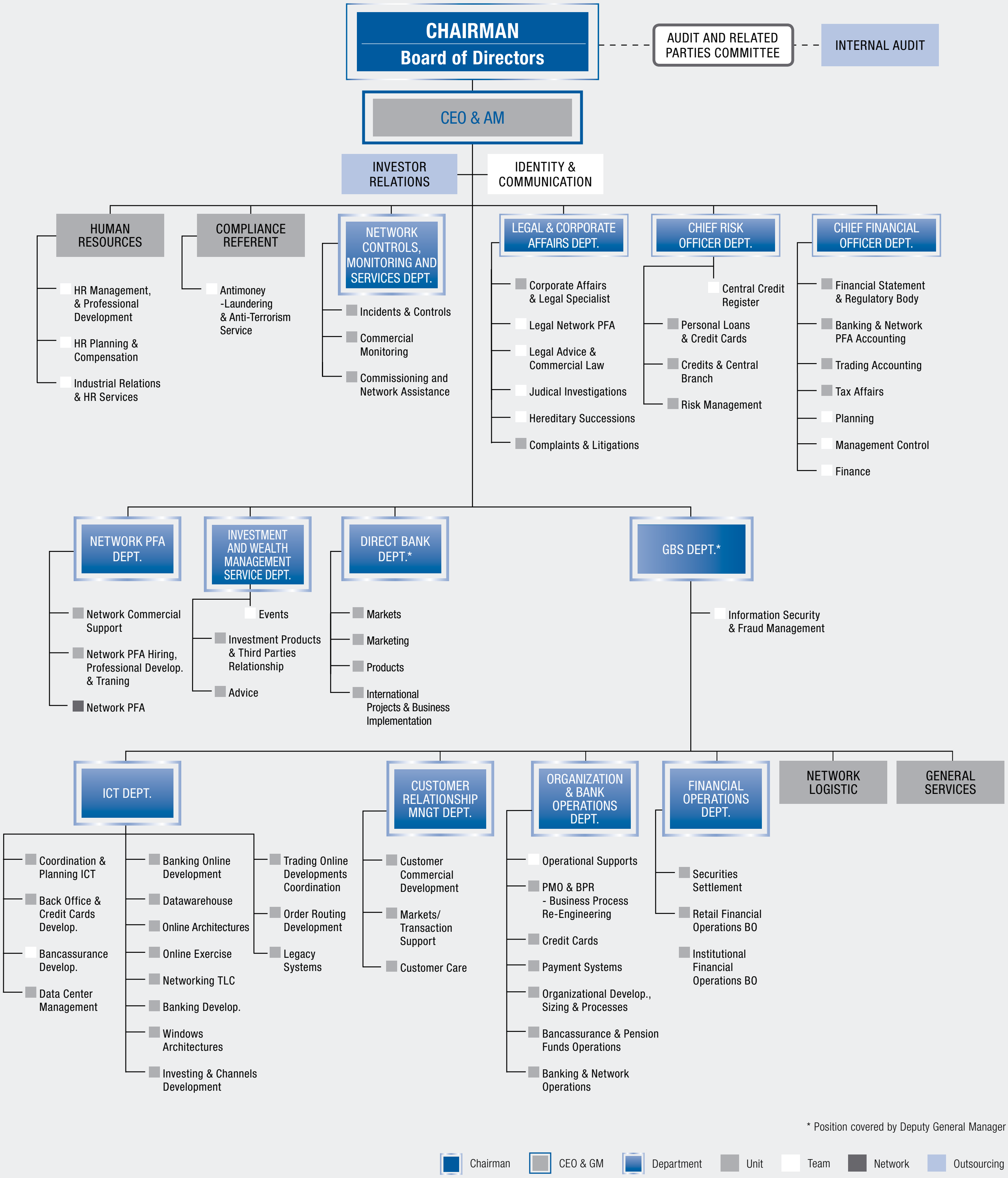
As regards audit activities, the Bank, in line with the instructions of the Parent Company, has adopted an outsourcing model based on a specific service agreement signed with UniCredit S.p.A. Under the model, the Audit and Related Parties Committee (a committee established within the Board of Directors) 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 represents the Bank vis à vis the national and international financial community, an outsourcing model has been adopted based on a specific service contract with UniCredit S.p.A.

# Organisational 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 comprises organisational units dedicated to managing Business Continuity and Crises, both in normal operating conditions and in emergency situations.
The Bank's Business Continuity and Crisis Management framework includes the management plan for events, incidents and crises, and the business continuity plan. These plans are an integral part of the disaster recovery plan (which establishes the measures for the restoration of applications and information technology systems affected by disasters) and of the cyber attack plan (which sets out the strategies – for systemic processes – for handling large scale computer attacks).
These Plans describe the crisis management procedures and are checked regularly to ensure that their effectiveness and adequacy.

# Main balance sheet aggregates

(Amounts in € thousand)

| ASSETS | AMOUNTS AS AT 12.31.2015 | AMOUNTS AS AT 12.31.2014 | CHANGES AMOUNT | CHANGES % |
|---|---|---|---|---|
| Cash and cash balances | 6 | 5 | 1 | 20.0% |
| Financial assets held for trading | 3,983 | 3,054 | 929 | 30.4% |
| Loans and receivables with banks | 14,648,904 | 13,892,197 | 756,707 | 5.4% |
| Loans and receivables with customers | 922,774 | 695,594 | 227,180 | 32.7% |
| Financial investments | 2,245,982 | 1,695,555 | 550,427 | 32.5% |
| Hedging instruments | 10,573 | 24,274 | (13,701) | -56.4% |
| Property, plant and equipment | 12,419 | 10,892 | 1,527 | 14.0% |
| Goodwill | 89,602 | 89,602 | - | - |
| Other intangible assets | 8,212 | 8,142 | 70 | 0.9% |
| Tax assets | 15,424 | 18,550 | (3,126) | -16.9% |
| Other assets | 370,070 | 326,756 | 43,314 | 13.3% |
| **Total assets** | **18,327,949** | **16,764,621** | **1,563,328** | **9.3%** |

(Amounts in € thousand)

| LIABILITIES AND SHAREHOLDERS' EQUITY | AMOUNTS AS AT 12.31.2015 | AMOUNTS AS AT 12.31.2014 | CHANGES AMOUNT | CHANGES % |
|---|---|---|---|---|
| Deposits from banks | 1,423,459 | 1,428,568 | (5,109) | -0.4% |
| Deposits from customers | 15,822,459 | 13,914,712 | 1,907,747 | 13.7% |
| Debt securities in issue | - | 424,710 | (424,710) | -100.0% |
| Financial liabilities held for trading | 4,100 | 3,135 | 965 | 30.8% |
| Hedging instruments | 31,319 | 46,220 | (14,901) | -32.2% |
| Provisions for risks and charges | 120,534 | 118,031 | 2,503 | 2.1% |
| Tax liabilities | 37,445 | 33,358 | 4,087 | 12.3% |
| Other liabilities | 255,835 | 243,633 | 12,202 | 5.0% |
| Shareholders' Equity | 632,798 | 552,254 | 80,544 | 14.6% |
| *- capital and reserves* | *430,119* | *400,085* | *30,034* | *7.5%* |
| *- revaluation reserves available-for-sale financial assets and actuarial gains (losses) for defined benefits plans* | *11,626* | *2,262* | *9,364* | *414.0%* |
| - net profit (loss) | 191,053 | 149,907 | 41,146 | 27.4% |
| **Total liabilities and shareholders' equity** | **18,327,949** | **16,764,621** | **1,563,328** | **9.3%** |

## Financial assets held for trading

Financial assets held for trading consist of:

- bonds, equities, and UCIT units classified as HFT (held for trading), amounting to €0.6 million, 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") of €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 of €2.3 million.

CFDs are "Over the counter" derivative contracts that require the payment of a spread generated by the difference between the opening and closing price of the financial instrument. The Bank, in operational terms, hedges the imbalance of customer positions, by underwriting futures on the underlyings, or through Forex transactions with institutional counterparties to hedge CFD transactions in open currencies with customers' currency.

**Loans and receivables with banks**

(Amounts in € thousand)

| | AMOUNTS AS AT | | CHANGES | |
|---|---|---|---|---|
| | 12.31.2015 | 12.31.2014 | AMOUNT | % |
| Current accounts and demand deposits | 1,251,070 | 1,476,280 | (225,210) | -15.3% |
| Time deposits | 1,914,662 | 2,894,321 | (979,659) | -33.8% |
| Other loans: | | | | |
| 1 Reverse repos | 1,906 | 5,794 | (3,888) | -67.1% |
| 2 Others | 36,917 | 27,472 | 9,445 | 34.4% |
| Debt securities | 11,444,349 | 9,488,330 | 1,956,019 | 20.6% |
| **Total** | **14,648,904** | **13,892,197** | **756,707** | **5.4%** |

Loans and receivables with banks for current accounts and demand deposits mainly consist of accounts held with UniCredit, with a book value of €1,224.2 million (€1,450.7 million as at December 31, 2014), and to a lesser extent, of current accounts held with other banks not belonging to the UniCredit group for transactions in securities.

Time deposits consist of the deposit held with UniCredit for compulsory reserves, which stood at €151.5 million (€131.9 million as at December 31, 2014), in addition to time deposits held with UniCredit for an amount of €1,763.2 million (€2,762.4 million as at December 31, 2014), opened to invest the liquidity collected through repos and CashPark transactions with retail customers and through repos with credit institutions, with the same maturities.

In the item Other loans, the item "Other" relates to the amount of the initial and variance margins placed with credit institutions for derivative transactions, of which €8.2 million with UniCredit and €21.6 million with UniCredit Bank AG Monaco (23.2 million at December 31, 2014), as well as current receivables related to 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 €11,444.3 million (€9,488.3 million at December 31, 2014).

The increase, compare to the end of the prior year, was mainly generated by liquidity investment transactions carried out, for a total amount of €2,460 million and $50 million, through the purchase of UniCredit medium/long-term variable-rate bonds. During 2015 there were redemptions of UniCredit bonds that reached maturity were redeemed for a total of €550 million and $30 million.

# Main balance sheet aggregates (CONTINUED)

### Loans and receivables with customers

(Amounts in € thousand)

| | AMOUNTS AS AT | | CHANGES | |
|---|---|---|---|---|
| | 12.31.2015 | 12.31.2014 | AMOUNT | % |
| Current accounts | 215,038 | 130,765 | 84,273 | 64.4% |
| Reverse repos | 198,951 | 118,014 | 80,937 | 68.6% |
| Mortgages | 46 | 58 | (12) | -20.7% |
| Credit cards and personal loans | 396,750 | 346,465 | 50,285 | 14.5% |
| Other loans | 111,989 | 100,291 | 11,698 | 11.7% |
| Debt securities | - | 1 | (1) | -100.0% |
| **Total** | **922,774** | **695,594** | **227,180** | **32.7%** |

Loans and receivables with customers, amounting to €922.8 million, essentially consisted of:

- €614 million in loans;
- €199 million in reverse repos;
- €26.7 million in collateral deposits and initial and variation margins for derivative contract transactions;
- €83.1 million relating to current receivables associated with the provision of financial services.

(Amounts in € thousand)

| LOANS AND RECEIVABLES WITH CUSTOMERS (MANAGEMENT RECLASSIFICATION) | AMOUNTS AS AT | | CHANGES | |
|---|---|---|---|---|
| | 12.31.2015 | 12.31.2014 | AMOUNT | % |
| Current accounts | 211,273 | 128,270 | 83,003 | 64.7% |
| Credit card use | 259,171 | 243,115 | 16,056 | 6.6% |
| Personal loans | 136,550 | 101,697 | 34,853 | 34.3% |
| Other loans | 2,139 | 1,438 | 701 | 48.7% |
| *Performing loans* | *609,133* | *474,520* | *134,613* | *28.4%* |
| Current accounts | 3,765 | 2,495 | 1,270 | 50.9% |
| Mortgages | 46 | 58 | (12) | -20.7% |
| Credit card use | 67 | 104 | (37) | -35.6% |
| Personal loans | 962 | 1,549 | (587) | -37.9% |
| Other loans | 27 | 26 | 1 | 3.8% |
| *Impaired loans* | *4,867* | *4,232* | *635* | *15.0%* |
| **Loans** | **614,000** | **478,752** | **135,248** | **28.3%** |
| Reverse repos | 198,941 | 117,987 | 80,954 | 68.6% |
| Reverse repos - impaired | 10 | 27 | (17) | -63.0% |
| Collateral deposits and initial and variation margins | 26,721 | 23,122 | 3,599 | 15.6% |
| Current receivables associated with the | | | | |
| with the provision of financial services | 83,102 | 75,705 | 7,397 | 9.8% |
| Debt securities | - | 1 | (1) | -100.0% |
| **Current receivables and other receivables** | **308,774** | **216,842** | **91,932** | **42.4%** |
| **Loans and receivables with customers** | **922,774** | **695,594** | **227,180** | **32.7%** |

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

The portfolio of loans mainly consists of receivables for personal loans, current accounts and credit card use. Overall, loans increased by 28.3%.

## Impaired assets

(Amounts in € thousand)

| | GROSS EXPOSURE | | TOTAL IMPAIRMENT | | NET EXPOSURE | | COVERAGE RATIO | |
|---|---|---|---|---|---|---|---|---|
| | AMOUNTS AS AT | | AMOUNTS AS AT | | AMOUNTS AS AT | | DATA AS AT | |
| CATEGORY | 12.31.2015 | 12.31.2014 | 12.31.2015 | 12.31.2014 | 12.31.2015 | 12.31.2014 | 12.31.2015 | 12.31.2014 |
| Non-performing loans | 21,819 | 19,845 | (18,319) | (16,686) | 3,500 | 3,159 | 83.96% | 84.08% |
| Unlikely to pay | 2,181 | 1,381 | (1,387) | (928) | 794 | 453 | 63.59% | 67.20% |
| Past-due loans | 1,195 | 1,272 | (612) | (625) | 583 | 647 | 51.21% | 49.14% |
| **Total** | **25,195** | **22,498** | **(20,318)** | **(18,239)** | **4,877** | **4,259** | **80.64%** | **81.07%** |

Impaired loans net of impairment losses amounted to €4.9 million, of which €3.5 million of non-performing loans, €0.8 million unlikely to pay and €0.6 million of past-due loans. Impaired loans mostly related to current account overdrafts, credit card use and personal loans.

### Financial investments

(Amounts in € thousand)

| | AMOUNTS AS AT | | CHANGES | |
|---|---|---|---|---|
| | 12.31.2015 | 12.31.2014 | AMOUNT | % |
| Available-for-sale financial assets | 2,245,982 | 1,695,555 | 550,427 | 32.5% |
| **Total** | **2,245,982** | **1,695,555** | **550,427** | **32.5%** |

*Available-for-sale financial assets* consisted of debt securities issued by governments, in particular Italian government securities, for a book value of €1,639 million (€1,685.1 million as at December 31, 2014), French government securities, for a book value of €10.4 million (€10.4 million as at December 31, 2014), and Spanish government securities, for a book value of €586.1 million (purchased in 2015). A part of the debt securities classified in the *Available-for-sale financial assets* portfolio is entirely used as collateral for bankers' drafts or guarantees with third parties for a book value of €131.4 million.

This item also includes equity investments in companies in which the Bank does not exercise control or have a significant influence, for an amount of €10.5 million primarily consisting of the equity investment (consisting of a share) in Visa Europe Limited. In this regard, at the end of 2015 the Bank received an offer from Visa Inc. for the purchase of above-mentioned Visa Europe Limited share. This offer involved a consideration consisting of a part in cash and a part in Visa Inc preferred shares, convertible into ordinary shares by the latter at a future date, upon satisfaction of certain conditions, in addition to a potential earn-out. As a result of the offer, the Visa Europe Limited share, previously recognised at cost, was remeasured at fair value, recognising the corresponding revaluation under "other comprehensive income with reclassification through profit or loss" of the statement of comprehensive income, and consequently as an increase in revaluation reserves, for an amount of €9.8 million. The transaction is expected to be completed during 2016.

# Main balance sheet aggregates (Continued)

## Hedging instruments

(Amounts in € thousand)

| | AMOUNTS AS AT | | CHANGES | |
|---|---|---|---|---|
| | 12.31.2015 | 12.31.2014 | AMOUNT | % |
| Asset hedging derivatives - positive valuations | - | 11,554 | (11,554) | -100.0% |
| Liability hedging derivatives - positive valuations | - | 7,693 | (7,693) | -100.0% |
| Adjustments to the value of assets under | | | | |
| portfolio hedge | 10,573 | 5,027 | 5,546 | 110.3% |
| **Total assets** | **10,573** | **24,274** | **(13,701)** | **-56.4%** |
| of which: | | | | |
| Positive valuations | - | 19,842 | (19,842) | -100.0% |
| Accrued interest | - | (595) | 595 | -100.0% |
| Adjustments to the value of hedged assets | 10,573 | 5,027 | 5,546 | 110.3% |
| **Total assets** | **10,573** | **24,274** | **(13,701)** | **-56.4%** |
| Asset hedging derivatives - negative valuations | 31,319 | 36,993 | (5,674) | -15.3% |
| Liability hedging derivatives - negative valuations | - | - | - | - |
| Adjustments to the value of liabilities under | | | | |
| portfolio hedge | - | 9,227 | (9,227) | -100.0% |
| **Total liabilities** | **31,319** | **46,220** | **(14,901)** | **-32.2%** |
| of which: | | | | |
| Negative valuations | 24,240 | 30,793 | (6,553) | -21.3% |
| Accrued interest | 7,079 | 6,200 | 879 | 14.2% |
| Adjustments to the value of hedged liabilities | - | 9,227 | (9,227) | -100.0% |
| **Total liabilities** | **31,319** | **46,220** | **(14,901)** | **-32.2%** |

(Amounts in € thousand)

| Summary of hedging derivatives valuations as at December 31, 2015 | Assets | Liabilities | Difference |
|---|---|---|---|
| Valuation of hedging derivatives for assets and liabilities | - | 24,240 | (24,240) |
| Change in fair value of hedged assets/liabilities | 10,573 | - | 10,573 |
| Revaluation reserve before related taxation | - | (13,520) | 13,520 |
| **Total** | **10,573** | **10,720** | **(147)** |

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*".

Positive and negative valuations of hedging derivatives related 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 of €7 million, was a negative amount of €0.2 million.

## 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 the Bank's departments, and in particular by the IT department.

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

(Amounts in € thousand)

| PROPERTY, PLANT AND EQUIPMENT | BALANCE 01.01.2015 | INVESTMENTS YEAR 2015 | OTHER CHANGES-SALES | DEPRECIATION AND IMPAIRMENT YEAR 2015 | BALANCE 12.31.2015 |
|---|---|---|---|---|---|
| Properties | 2,621 | - | - | (112) | 2,509 |
| Electronic machines | 6,136 | 4,257 | (1) | (2,817) | 7,575 |
| Office furniture and fittings | 927 | 720 | (4) | (579) | 1,064 |
| Plant and machinery | 1,208 | 518 | - | (455) | 1,271 |
| **TOTAL** | **10,892** | **5,495** | **(5)** | **(3,963)** | **12,419** |

## Goodwill

The goodwill recognised in the financial statements derives from in transactions carried out in the years from 2001 to 2008, involving acquisitions and mergers by absorption of business units and businesses engaged in trading operations or the distribution of financial, banking and insurance products through the personal financial advisors (Fineco On Line Sim S.p.A., Trading and Banking business unit of Banca della Rete, personal financial advisors business unit of the former FinecoGroup S.p.A., and UniCredit Xelion Banca S.p.A.).
These activities have been fully integrated with the Bank'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 recognised 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 the Bank, which envisages a high level of integration between personal financial advisors and the trading and banking platform, the allocation of costs/revenues to the macro areas of activity 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.

Impairment testing on goodwill, performed on December 31, 2015, did not identify any impairment. For all other information on the impairment testing, see Part B) – Balance Sheet Information in the Notes to the Accounts.

## 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 optimisations, enhancements to architecture for application security, and the developments needed to meet the new regulatory requirements.

(Amounts in € thousand)

| INTANGIBLE ASSETS | BALANCE 01.01.2015 | INVESTMENTS YEAR 2015 | OTHER CHANGES-SALES | AMORTISATION AND IMPAIRMENT YEAR 2015 | BALANCE 12.31.2015 |
|---|---|---|---|---|---|
| Software | 6,969 | 4,721 | - | (4,533) | 7,157 |
| Other intangible assets | 1,173 | 338 | - | (456) | 1,055 |
| **TOTAL** | **8,142** | **5,059** | - | **(4,989)** | **8,212** |

# Main balance sheet aggregates (CONTINUED)

## Tax Assets and Other Assets

(Amounts in € thousand)

| | AMOUNTS AS AT | | CHANGES | |
|---|---|---|---|---|
| | 12.31.2015 | 12.31.2014 | AMOUNT | % |
| **Tax assets** | | | | |
| Current assets | 1,733 | 2,179 | (446) | -20.5% |
| Deferred tax assets | 37,063 | 37,025 | 38 | 0.1% |
| Deferred tax assets pursuant to Law 214/2011 | 4,401 | 3,839 | 562 | 14.6% |
| *Total before IAS 12 offset* | *43,197* | *43,043* | *154* | *0.4%* |
| Offsetting with deferred tax liabilities - IAS 12 | (27,773) | (24,493) | (3,280) | 13.4% |
| **Total Tax assets** | **15,424** | **18,550** | **(3,126)** | **-16.9%** |
| **Other assets** | | | | |
| Items in processing | 17 | 24 | (7) | -29.2% |
| Items awaiting settlement | 10,021 | 9,169 | 852 | 9.3% |
| Definitive items not recognised under other items | 43,039 | 53,600 | (10,561) | -19.7% |
| Current receivables not associated with the provision of financial services | 3,163 | 4,576 | (1,413) | -30.9% |
| Tax items other than those included in the item “Tax assets” | 285,875 | 235,072 | 50,803 | 21.6% |
| Prepayments | 19,950 | 15,109 | 4,841 | 32.0% |
| Improvement and incremental expenses incurred on leasehold assets | 7,849 | 9,081 | (1,232) | -13.6% |
| Other items | 156 | 125 | 31 | 24.8% |
| **Total other assets** | **370,070** | **326,756** | **43,314** | **13.3%** |

There were no significant changes in “Tax assets” compared to the prior year.

“Deferred tax liabilities” increased by €3.3 million, mainly due to the revaluation of bond securities held in the Available-for-sale financial assets portfolio.
It is also noted that Deferred tax assets are shown in the Balance Sheet net of the relevant Deferred tax liabilities, where the requirements set out in IAS 12 are met.

With regard to “Other assets”, the main change was the increase of €50.8 million in “Tax items other than those included in the item Tax Assets” as a result of higher advance tax paid, as a withholding agent.

## Deposits from banks

(Amounts in € thousand)

| | AMOUNTS AS AT | | CHANGES | |
|---|---|---|---|---|
| | 12.31.2015 | 12.31.2014 | AMOUNT | % |
| **Deposits from central banks** | - | - | - | - |
| **Deposits from banks** | | | | |
| Current accounts and demand deposits | 68,848 | 25,057 | 43,791 | 174.8% |
| Loans | | | | |
| Repos | 1,313,191 | 1,337,843 | (24,652) | -1.8% |
| Other liabilities | 41,420 | 65,668 | (24,248) | -36.9% |
| **Total** | **1,423,459** | **1,428,568** | **(5,109)** | **-0.4%** |

The item Current accounts and demand deposits mainly consisted of reciprocal current accounts and loans with UniCredit, amounting to €58.8 million (€17.3 million as at December 31, 2014), as well as reciprocal current accounts and loans with banks outside the Group of €10 million.
Repos included €1,186.3 million in transactions carried out with UniCredit (€1,256.6 million as at December 31, 2014) and €41.7 million of transactions carried out with UniCredit AG Monaco (€27.1 million as at December 31, 2014).
The item other liabilities also includes margin variations received from UniCredit for trading in repos, with a book value of €40.6 million (€64.6 million as at December 31, 2014).

## Deposits from customers

Deposits from customers, mainly consisting of current accounts, the Cash Park deposit account and Supersave repos, totalled €15,822.5 million, up 13.7% compared to December 31, 2014.

(Amounts in € thousand)

| | AMOUNTS AS AT | | CHANGES | |
|---|---|---|---|---|
| | 12.31.2015 | 12.31.2014 | AMOUNT | % |
| Current accounts and demand deposits | 14,985,275 | 12,246,966 | 2,738,309 | 22.4% |
| Time deposits | 560,114 | 1,315,731 | (755,617) | -57.4% |
| Loans | | | | |
| Repos | 199,817 | 281,178 | (81,361) | -28.9% |
| Other liabilities | 77,253 | 70,837 | 6,416 | 9.1% |
| **Deposits from customers** | **15,822,459** | **13,914,712** | **1,907,747** | **13.7%** |

The increase in current accounts and demand deposits was also driven by the transfer of the sales of Cash Park time deposits and Supersave repos, which recorded a decrease as a result of the reduction in the remuneration rates.
The item other liabilities comprises current payables related to the provision of financial services, totalling €32.5 million (€31.4 million as at December 31, 2014), initial and variance margins for derivative transactions, which came to €24.4 million (€21.8 million as at December 31, 2014) and other liabilities for rechargeable credit cards and bankers' drafts, amounting to €20.4 million (€17.6 million at December 31, 2014).

## Debt securities in issue

(Amounts in € thousand)

| | AMOUNTS AS AT | | CHANGES | |
|---|---|---|---|---|
| | 12.31.2015 | 12.31.2014 | AMOUNT | % |
| **Bonds** | **-** | **424,710** | **(424,710)** | **-100.0%** |

In 2015, the Bank redeemed its own bonds for €400 million and $30 million, representing the last tranche of the total amounts of €3,000 million and $100 million (repurchased for €2,600 million and $70 million in previous years).

## Financial liabilities held for trading

Financial liabilities held for trading consist of:

- 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") of €1 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 of CFDs on Forex of €3.1 million.

CFDs are "Over the counter" derivative contracts that require the payment of a spread generated by the difference between the opening and closing price of the financial instrument. The Bank, in operational terms, hedges the imbalance of customer positions, by underwriting futures on the underlyings, or through Forex transactions with institutional counterparties to hedge CFD transactions in open currencies with customers' currency.

# Main balance sheet aggregates (Continued)

## Provisions for risks and charges

Provisions for risks and charges includes allowances totalling €120.5 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. This item also includes the estimated integration costs for the Bank in relation to the Business Plan of the UniCredit Group, whose revision was approved on November 11, 2015.

(Amounts in € thousand)

| | AMOUNTS AS AT | | CHANGES | |
|---|---|---|---|---|
| | 12.31.2015 | 12.31.2014 | AMOUNT | % |
| **Legal disputes** | **43,458** | **49,650** | **(6,192)** | **-12.5%** |
| - Pending cases | 35,225 | 36,205 | (980) | -2.7% |
| - Claims | 8,233 | 13,445 | (5,212) | -38.8% |
| **Staff expenses** | **9,570** | **7,805** | **1,765** | **22.6%** |
| **Other** | **67,506** | **60,576** | **6,930** | **11.4%** |
| - Supplementary customer indemnity provision | 51,139 | 44,114 | 7,025 | 15.9% |
| - Contractual payments and payments under non-competition agreements | 2,270 | 2,269 | 1 | 0.0% |
| - Tax disputes | 7,034 | 7,298 | (264) | -3.6% |
| - Other provisions | 7,063 | 6,895 | 168 | 2.4% |
| **Total provisions for risks and charges - other provisions** | **120,534** | **118,031** | **2,503** | **2.1%** |

## Tax liabilities and Other liabilities

(Amounts in € thousand)

| | AMOUNTS AS AT | | CHANGES | |
|---|---|---|---|---|
| | 12.31.2015 | 12.31.2014 | AMOUNT | % |
| **Tax liabilities** | | | | |
| Current liabilities | 37,445 | 33,358 | 4,087 | 12.3% |
| Deferred tax liabilities | 27,773 | 24,493 | 3,280 | 13.4% |
| *Total before IAS 12 offset* | *65,218* | *57,851* | *7,367* | *12.7%* |
| Offsetting with Prepaid tax assets - IAS 12 | (27,773) | (24,493) | (3,280) | 13.4% |
| **Total Tax liabilities** | **37,445** | **33,358** | **4,087** | **12.3%** |
| **Other liabilities** | | | | |
| Impairment of financial guarantees given | 1,416 | 1,416 | - | 0.0% |
| Items in processing | 2,966 | 1,335 | 1,631 | 122.2% |
| Items awaiting settlement | 46,681 | 41,031 | 5,650 | 13.8% |
| Definitive items not recognised under other items | 39,448 | 31,888 | 7,560 | 23.7% |
| Payables for share-based payments or shares of the Parent Company UniCredit | 2,491 | 2,025 | 466 | 23.0% |
| Payables to employees and other personnel | 6,611 | 6,549 | 62 | 0.9% |
| Payables to Directors and statutory auditors | 187 | 212 | (25) | -11.8% |
| Current payables not associated with the provision of financial services | 21,804 | 25,075 | (3,271) | -13.0% |
| Tax items other than those included in the item "Tax liabilities" | 106,060 | 107,717 | (1,657) | -1.5% |
| Social security contributions payable | 5,829 | 5,576 | 253 | 4.5% |
| Illiquid items for portfolio transactions | 16,569 | 15,197 | 1,372 | 9.0% |
| Other items | 927 | 786 | 141 | 17.9% |
| Employee severance pay provision | 4,846 | 4,826 | 20 | 0.4% |
| **Total Other Liabilities** | **255,835** | **243,633** | **12,202** | **5.0%** |

The increase of €7.4 million in "Tax liabilities" (before IAS 12 offset), was mainly attributable to:
- the increase in the item "Current liabilities" for payables to tax authorities due to higher income taxes for the year resulting from an increase in taxable income;
- the increase in the item "Deferred tax liabilities" resulting from the evaluation of the securities in the "Available for sale financial assets" portfolio.

It is also noted that deferred tax liabilities are shown in the Balance Sheet as offsetting Deferred tax assets where the requirements of IAS 12 are met.

With regard to "Other liabilities" there was an increase of €5.6 million in "Items awaiting settlement " for outgoing credit transfers and of €7.6 million in "Definitive items not recognised under other items" for the service of payment of the mandates received from customers.

## Shareholders' equity

As at December 31, 2015, the Bank's share capital came to €200 million, divided into 606,515,733 ordinary shares with a par value of €0.33 each.
The reserves consisted of the:
- Share premium reserve, amounting to €1.9 million;
- Legal reserve, amounting to €40 million;
- Extraordinary reserve, amounting to €166.1 million;
- Reserve for treasury shares held, amounting to €8.6 million;
- Reserve related to equity-settled plans, amounting to €21.9 million.

Following the Board of Directors' resolution of February 9, 2015, for the execution of the "2014 Key People Plan" approved by the Shareholders' Meeting of June 5, 2014, the share capital was increased through a bonus issue by an amount of €79,761.00, corresponding to 241,700 ordinary shares, with consequent reduction of the available retained earnings.

The "Reserve for treasury shares to be purchased", which had a carrying amount of €15 million as at December 31, 2014, was used in the amount of €8.6 million to establish the Reserve for treasury shares held, at the time of the purchase of treasury shares described, and €4.8 million for the cash payment of the first tranche of the 2014 stock granting plan ("2014 PFA Plan") for the Personal Financial Advisors and Network Managers of the Bank, settled in cash in July 2015, without therefore giving rise to the allocation of FinecoBank ordinary shares, as resolved by the Board of Directors on July 9, 2015. The amount not used of the Reserve for treasury shares to be purchased, of €1.6 million, was reclassified to the Extraordinary reserve, because the share buyback programme pursuant to Articles 77-78 EU Regulation 575/2013 of June 26, 2013 (CRR) was completed on October 12, 2015.

The Reserve related to equity-settled plans increased by €14.8 million, as a result of the recognition during the year of the income statement and balance sheet effects of the payments plans based on FinecoBank ordinary shares during the vesting period for the instruments.

As at December 31, 2015, the Bank held 1,408,834 treasury shares in its portfolio, for an amount of €8.6 million, purchased in execution of the stock granting plan "2014 PFA Plan" for the Personal Financial Advisors and Network Managers of the Bank, approved by the Board of Directors on May 15, 2014 and by the Shareholders' Meeting on June 5, 2014. The purchases were made starting from September 16, 2015, after receipt of the authorisation from the Regulatory Authority, in accordance with Articles 77-78 of EU Reg. 575/2013 of June 26, 2013 (CRR), and ended on October 12, 2015.

The Shareholders' Meeting resolution of April 23, 2015 approved the allocation of profit for the year 2014, amounting to €149.9 million, as follows:
- €7 million to the **Legal reserve**;
- €21.6 million to the **Extraordinary reserve**;
- €121.3 million, equal to €0.2 per share, to **Shareholders**.

The Revaluation reserve consisted of €7.1 million for the net positive revaluation reserve for the debt securities issued by central governments of EU member countries, held in the "Available-for-sale financial assets" portfolio, €9.8 million for the net positive revaluation reserve for equity instruments held in the "Available for sale financial assets" portfolio, relating solely to the fair value remeasurement of the equity investment in Visa Europe Limited, and €5.3 million from the negative IAS19 Reserve.

# Main balance sheet aggregates (Continued)

## Shareholders' equity

(Amounts in € thousand)

| ITEMS/ VALUES | AMOUNTS AS AT 12.31.2015 | AMOUNTS AS AT 12.31.2014 | CHANGES AMOUNT | CHANGES % |
|---|---|---|---|---|
| Share capital | 200,150 | 200,070 | 80 | 0.0% |
| Share premium reserve | 1,934 | 1,934 | - | - |
| Reserves | | | | |
| - Legal reserve | 40,030 | 33,061 | 6,969 | 21.1% |
| - Extraordinary reserve | 166,081 | 142,739 | 23,342 | 16.4% |
| - Treasury shares reserve | 8,555 | - | 8,555 | - |
| - Other reserves | 21,924 | 22,281 | (357) | -1.6% |
| (Treasury Shares) | (8,555) | - | (8,555) | - |
| Revaluation reserves | 11,626 | 2,262 | 9,364 | 414.0% |
| Net Profit (Loss) for the year | 191,053 | 149,907 | 41,146 | 27.4% |
| **Total** | **632,798** | **552,254** | **80,544** | **14.6%** |

## Shareholders

The share capital, fully subscribed and paid up, totalled €200,150,191.89 divided into 606,515,733 ordinary shares with a par value of €0.33.
As at December 31, 2015, 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 15,000 shareholders;
- resident shareholders held around 71.49% of the capital and foreign shareholders 28.51%;
- 95.74% of the ordinary share capital is held by legal entities, the remaining 4.26% by individuals.

Also as of that date, the main shareholders were:

| MAJOR SHAREHOLDERS | ORDINARY SHARES | % OWNED |
|---|---|---|
| UniCredit S.p.A. | 397,108,033 | 65.474% |

# Own funds and prudential requirements

(Amounts in € thousand)

| | FIGURES AS AT | |
|---|---|---|
| | 12.31.2015 | 12.31.2014 |
| Common Equity Tier 1 Capital - CET1 | 390,976 | 353,133 |
| Tier 1 Capital | 390,976 | 353,133 |
| **Total Own Funds** | **393,903** | **353,133** |
| **Total risk-weighted assets** | **1,828,007** | **1,850,331** |
| Ratio - Common Equity Tier 1 - CET1 | 21.39% | 19.08% |
| Ratio - Tier 1 Capital | 21.39% | 19.08% |
| Ratio - Total Own Funds | 21.55% | 19.08% |

| | FIGURES AS AT 12.31.2015 |
|---|---|
| Tier 1 Capital | 390,977 |
| Exposure for leverage ratio | 3,717,157 |
| Transitional leverage ratio | 10.52% |

Own funds as at December 31, 2015 amounted to a €393.9 million. Own funds and Capital ratios were determined applying the current Supervisory Regulations, in line with Basel III standards including transitional adjustments. The figures shown include the profit for the year (for the amount that will not be distributed) assuming the conditions established Article 26.2 of the EU Regulation 575/2013 (CRR) are satisfied.

For more details, see Part F - Shareholders' Equity of the Notes to the Accounts.

The leverage ratio was calculated in accordance with EU Delegated Regulation 2015/62 of October 10, 2014. As required by Circular No. 285 of the Bank of Italy, Part Two, Chapter 12, Section III Exercise of national discretion, exposures to the UniCredit Group companies based in Italy and weighted at 0% pursuant to Article 113, par. 6 of the CRR have not been included in the calculation of total exposure, in accordance with Article 429 (7) of the CRR amended by the Delegated Regulation (EU) 2015/62. In addition, the leverage ratio was calculated as a quarter end figure instead of the simple arithmetic average of the monthly leverage ratio figures for the reporting quarter, pursuant to Article 499.2 of the CRR.

# Income statement figures

## Condensed Income Statement

(Amounts in € thousand)

| | YEAR | | CHANGES | |
|---|---|---|---|---|
| | 2015 | 2014 | AMOUNT | % |
| Net interest | 245,184 | 228,247 | 16,937 | 7.4% |
| Net fee and commission income | 248,188 | 195,744 | 52,444 | 26.8% |
| Net trading, hedging and fair value income | 53,867 | 29,742 | 24,125 | 81.1% |
| Net other expenses/income | (2,974) | (2,590) | (384) | 14.8% |
| **OPERATING INCOME** | **544,265** | **451,143** | **93,122** | **20.6%** |
| Staff expenses | (75,049) | (69,151) | (5,898) | 8.5% |
| Other administrative expenses | (232,870) | (211,318) | (21,552) | 10.2% |
| Recovery of expenses | 84,347 | 77,170 | 7,177 | 9.3% |
| Impairment/write-backs on intangible and tangible assets | (8,951) | (8,809) | (142) | 1.6% |
| **Operating costs** | **(232,523)** | **(212,108)** | **(20,415)** | **9.6%** |
| **OPERATING PROFIT (LOSS)** | **311,742** | **239,035** | **72,707** | **30.4%** |
| Net write-downs of loans and provisions for guarantees and commitments | (6,706) | (3,180) | (3,526) | 110.9% |
| **NET OPERATING PROFIT (LOSS)** | **305,036** | **235,855** | **69,181** | **29.3%** |
| Net provisions for risks and charges | (15,714) | (6,121) | (9,593) | 156.7% |
| Integration costs | (1,246) | - | (1,246) | n.c. |
| Net income from investments | (1) | (4) | 3 | -75.0% |
| **NET PROFIT (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS** | **288,075** | **229,730** | **58,345** | **25.4%** |
| Income tax for the period | (97,022) | (79,823) | (17,199) | 21.5% |
| **NET PROFIT (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS** | **191,053** | **149,907** | **41,146** | **27.4%** |
| **PROFIT (LOSS) FOR THE YEAR** | **191,053** | **149,907** | **41,146** | **27.4%** |

## Net interest margin

The net interest margin for 2015 amounted to €245 million, up by 7.4% on 2014, due to the increase in sales volume and the reduction in the cost of sales that offset the fall in interest income linked to the decline in market interest rates.

(Amounts in € thousand)

| | YEAR | | CHANGES | |
|---|---|---|---|---|
| INTEREST INCOME | 2015 | 2014 | AMOUNT | % |
| Financial assets held for trading | 2 | 1 | 1 | 100.0% |
| Available-for-sale financial assets | 20,362 | 14,922 | 5,440 | 36.5% |
| Loans and receivables with banks | 217,586 | 235,882 | (18,296) | -7.8% |
| Loans and receivables with customers | 33,371 | 28,793 | 4,578 | 15.9% |
| Financial assets designated at fair value through profit or loss | - | 5 | (5) | -100.0% |
| Hedging derivatives | 1,945 | 2,658 | (713) | -26.8% |
| Other assets | 66 | 76 | (10) | -13.2% |
| **Total interest income** | **273,332** | **282,337** | **(9,005)** | **-3.2%** |

(Amounts in € thousand)

| | YEAR | | CHANGES | |
|---|---|---|---|---|
| INTEREST EXPENSE | 2015 | 2014 | AMOUNT | % |
| Deposits from banks | 231 | (4,589) | 4,820 | n.c. |
| Deposits from customers | (14,340) | (49,500) | 35,160 | -71.0% |
| Debt securities in issue | (14,039) | - | (14,039) | - |
| Other liabilities | - | (1) | 1 | -100.0% |
| **Total interest expense** | **(28,148)** | **(54,090)** | **25,942** | **-48.0%** |
| **Net interest** | **245,184** | **228,247** | **16,937** | **7.4%** |

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

(Amounts in € thousand)

| BREAKDOWN OF INTEREST INCOME | YEAR 2015 | YEAR 2014 | CHANGES AMOUNT | CHANGES % |
|---|---|---|---|---|
| **Interest income on loans and receivables with banks** | **217,586** | **235,882** | **(18,296)** | **-7.8%** |
| - current accounts | 1,516 | 56,166 | (54,650) | -97.3% |
| - reverse repos | 973 | 697 | 276 | 39.6% |
| - time deposit for compulsory reserves | 73 | 212 | (139) | -65.6% |
| - time deposits | 10,151 | 33,259 | (23,108) | -69.5% |
| - other loans | (11) | 23 | (34) | -147.8% |
| - debt securities | 204,884 | 145,525 | 59,359 | 40.8% |
| **Interest income on loans and receivables with customers** | **33,371** | **28,793** | **4,578** | **15.9%** |
| - current accounts | 5,566 | 4,704 | 862 | 18.3% |
| - reverse repos | 14,409 | 11,632 | 2,777 | 23.9% |
| - mortgages | - | 1 | (1) | -100.0% |
| - credit cards | 3,882 | 3,620 | 262 | 7.2% |
| - personal loans | 9,393 | 8,692 | 701 | 8.1% |
| - other loans | 121 | 144 | (23) | -16.0% |

**Interest income on loans and receivables with banks** amounted to €217.6 million, decreasing by €18.3 million compared to the same period of the previous year. The decrease in current account interest, equal to €54.6 million, and time deposits, equal to €23.1 million, was mainly due to a fall in volumes and the trend in market interest rates; this fall was partly offset by the increase in the interest rate for debt securities, amounting to €59.4 million, as a result of the volume increase due to the investments made starting from Q2 2014. It should be noted that, starting from April 1, 2014, the liquidity investment policy experienced some changes: specifically, "core" liquidity was invested in UniCredit shares, whilst the portion of liquidity classified as "non core" was invested in liquid assets or assets readily convertible into cash, such as Government Bonds.

**Interest income on loans and receivables with customers** amounted to €33.4 million, showing an increase of 15.9% thanks to higher interest on "Multiday leverage" securities lending transactions guaranteed by cash and on use of current account credit lines and personal loans, due to the increase in volumes.

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

(Amounts in € thousand)

| BREAKDOWN OF INTEREST EXPENSE | YEAR 2015 | YEAR 2014 | CHANGES AMOUNT | CHANGES % |
|---|---|---|---|---|
| **Interest expense on deposits from banks** | **231** | **(4,589)** | **4,820** | **n.c.** |
| - current accounts | (64) | (234) | 170 | -72.6% |
| - demand and collateral deposits | 22 | (1) | 23 | n.c. |
| - other loans | (24) | (26) | 2 | -7.7% |
| - reverse repos | 297 | (4,328) | 4,625 | n.c. |
| **Interest expense on deposits from customers** | **(14,340)** | **(49,500)** | **35,160** | **-71.0%** |
| - current accounts | (4,340) | (13,794) | 9,454 | -68.5% |
| - collateral deposits | (51) | (44) | (7) | 15.9% |
| - time deposits | (8,741) | (31,882) | 23,141 | -72.6% |
| - reverse repos | (1,208) | (3,780) | 2,572 | -68.0% |

**Interest expense on deposits from banks** showed a positive amount of €0.2 million due to the changes in market rates, resulted in the recording of negative interest expense on reverse repos and, to a lesser extent, on collateral deposits.

**Interest expense on deposits from customers** stood at €14.3 million, down €35.2 million over the same period of the prior year, as a result of the reduction in the current account interest rate, coupled with the reduction in volumes and the interest rate for "Cash Park" time deposits. The cost of deposits went from 0.35% in 2014 to 0.08% in 2015.

The structure of the investments carried out by the Bank contributed to keep a flow of interest income resulting from the investment of deposits, even against a backdrop of significant reduction of credit spreads and market interest rates. The average return for the investment of all deposits (both demand and term) went from 1.82% in 2014 to 1.50% in 2015.

# Income statement figures (Continued)

## Income from brokerage and other income

(Amounts in € thousand)

| | YEAR | | CHANGES | |
|---|---|---|---|---|
| | 2015 | 2014 | AMOUNT | % |
| **Net interest** | **245,184** | **228,247** | **16,937** | **7.4%** |
| Net fee and commission income | 248,188 | 195,744 | 52,444 | 26.8% |
| Net trading, hedging and fair value income | 53,867 | 29,742 | 24,125 | 81.1% |
| Net other expenses/income | (2,974) | (2,590) | (384) | 14.8% |
| **Operating income** | **544,265** | **451,143** | **93,122** | **20.6%** |

## Net fee and commission income

(Amounts in € thousand)

| | YEAR | | CHANGES | |
|---|---|---|---|---|
| MANAGEMENT RECLASSIFICATION | 2015 | 2014 | AMOUNT | % |
| Management, brokerage and advisory services: | | | | |
| 1. securities trading and order collection | 86,703 | 79,202 | 7,501 | 9.5% |
| 2. currency trading | (140) | (174) | 34 | -19.5% |
| 3. custody and administration of securities | (3,488) | (3,165) | (323) | 10.2% |
| 4. placement of securities, investment fund units and segregated accounts | 155,366 | 124,400 | 30,966 | 24.9% |
| 6. investment advisory services | (1,213) | 124 | (1,337) | -1078.2% |
| 7. distribution of insurance products | 22,143 | 14,985 | 7,158 | 47.8% |
| 8. distribution of other products | (159) | (236) | 77 | -32.6% |
| Collection and payment services | 11,598 | 11,215 | 383 | 3.4% |
| Holding and management of current/deposit accounts | (1,557) | (5,960) | 4,403 | -73.9% |
| Other fee expense personal financial advisors | (24,034) | (27,182) | 3,148 | -11.6% |
| Securities lending | (1,959) | (1,978) | 19 | -1.0% |
| Other services | 4,928 | 4,513 | 415 | 9.2% |
| **Total net fee and commission income** | **248,188** | **195,744** | **52,444** | **26.8%** |

**Net fee and commission income** amounted to €248.2 million, increasing by 26.8% compared to previous year, as a result of higher fee and commission income from the placement of securities and UCITS units, which benefited, in particular, from the increase in assets under management.
Fee and commission income from the insurance products and from securities trading and order collection performed strongly, thanks to the increase in number of orders executed, driven by market volatility and customer appreciation of the Fineco platform.

**Net trading, hedging and fair value income** was mainly generated by gains realised from the internalisation of securities and CFDs and the exchange differences on assets and liabilities denominated in currency. The increase of €24.1 million was attributable to higher profits deriving from securities trading of €4.1 million, trading in CFDs and Futures used for operational hedging of €15.1 million, and from exchange differences on assets and liabilities denominated in currency for €4.8 million.

Net other expenses/income did not show any change compared to the prior year.

## Operating costs

(Amounts in € thousand)

| OPERATING COSTS DETAIL | YEAR | | CHANGES | |
|---|---|---|---|---|
| | 2015 | 2014 | AMOUNT | % |
| Staff expenses | (75,049) | (69,151) | (5,898) | 8.5% |
| Other administrative expenses | (232,870) | (211,318) | (21,552) | 10.2% |
| Recovery of expenses | 84,347 | 77,170 | 7,177 | 9.3% |
| Impairment/write-backs on intangible and tangible assets | (8,951) | (8,809) | (142) | 1.6% |
| **Total operating costs** | **(232,523)** | **(212,108)** | **(20,415)** | **9.6%** |

(Amounts in € thousand)

| STAFF EXPENSES | YEAR | | CHANGES | |
|---|---|---|---|---|
| | 2015 | 2014 | AMOUNT | % |
| **1) Employees** | **(74,077)** | **(67,613)** | **(6,464)** | **9.6%** |
| - wages and salaries | (48,664) | (44,928) | (3,736) | 8.3% |
| - social security contributions | (13,184) | (11,934) | (1,250) | 10.5% |
| - provision for employee severance pay | (978) | (871) | (107) | 12.3% |
| - allocation to employee severance pay provision | (99) | (135) | 36 | -26.7% |
| - payments to supplementary external pension funds: | | | | |
| a) defined contribution | (2,686) | (2,375) | (311) | 13.1% |
| - costs related to share-based payments* | (4,785) | (3,799) | (986) | 26.0% |
| - other employee benefits | (3,681) | (3,571) | (110) | 3.1% |
| **2) Other staff** | **(152)** | **(133)** | **(19)** | **14.3%** |
| **3) Directors and statutory auditors** | **(991)** | **(976)** | **(15)** | **1.5%** |
| **4) Early retirement costs** | **-** | **-** | **-** | **n.c.** |
| **5) Recovery of expenses for employees seconded to other companies** | **235** | **195** | **40** | **20.5%** |
| **6) Recovery of expenses for employees seconded to the company** | **(64)** | **(624)** | **560** | **-89.7%** |
| **Total staff expenses** | **(75,049)** | **(69,151)** | **(5,898)** | **8.5%** |

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

**Staff expenses** in 2015 showed an increase of 8.5%, due to a rise in staff numbers, up from 1,022 as at December 31, 2014 to 1,067 as at December 31, 2015, and the increase of costs resulting from share-based payments.
The costs of the incentive plans approved by the Board of Directors on May 15, 2014 and by the Shareholders' Meeting on June 5, 2014, whose execution was conditional upon listing and, therefore, with an initial vesting date of July 2014, amounted to €4.5 million (compared to €2.8 million for the prior year).

**Other administrative expenses** net of **Recovery of expenses** totalled €148.5 million, up €14.4 million compared to the same period of the previous year, and included costs totalling €10.2 million (compared to €4.4 million for the prior year) resulting from the incentive plans for personal financial advisors, approved by the Board of Directors on May 15, 2014 and by the Shareholders' Meeting on June 5, 2014, whose execution was also conditional upon listing and, therefore, with an initial vesting date of July 2014.

# Income statement figures (Continued)

(Amounts in € thousand)

| | YEAR | | CHANGES | |
|---|---|---|---|---|
| OTHER ADMINISTRATIVE EXPENSES AND RECOVERY OF EXPENSES | 2015 | 2014 | AMOUNT | % |
| **1) INDIRECT TAXES AND DUTIES** | **(90,797)** | **(80,256)** | **(10,541)** | **13.1%** |
| **2) MISCELLANEOUS COSTS AND EXPENSES** | | | | |
| **A) Advertising expenses - Marketing and communication** | **(19,584)** | **(20,149)** | **565** | **-2.8%** |
| Mass media campaigns | (14,035) | (14,986) | 951 | -6.3% |
| Marketing and promotions | (5,317) | (5,110) | (207) | 4.1% |
| Sponsorships | (205) | (33) | (172) | 521.2% |
| Conventions and internal communications | (27) | (20) | (7) | 35.0% |
| **B) Expenses related to credit risk** | **(1,572)** | **(1,039)** | **(533)** | **51.3%** |
| Credit recovery expenses | (728) | (455) | (273) | 60.0% |
| Commercial information and company searches | (844) | (584) | (260) | 44.5% |
| **C) Expenses related to staff** | **(32,745)** | **(22,812)** | **(9,933)** | **43.5%** |
| Staff training | (437) | (357) | (80) | 22.4% |
| Car hire and other staff expenses | (40) | (47) | 7 | -14.9% |
| Personal financial advisor expenses | (31,696) | (21,824) | (9,872) | 45.2% |
| Travel expenses | (508) | (522) | 14 | -2.7% |
| Premises rentals for personnel | (64) | (62) | (2) | 3.2% |
| **D) ICT expenses** | **(29,749)** | **(28,320)** | **(1,429)** | **5.0%** |
| Lease of ICT equipment and software | (3,318) | (4,135) | 817 | -19.8% |
| Software expenses: lease and maintenance | (6,712) | (5,555) | (1,157) | 20.8% |
| ICT communication systems | (3,935) | (3,849) | (86) | 2.2% |
| ICT service: external personnel | (7,090) | (7,079) | (11) | 0.2% |
| Financial information providers | (8,694) | (7,702) | (992) | 12.9% |
| **E) Consultancies and professional services** | **(3,258)** | **(6,320)** | **3,062** | **-48.4%** |
| Consultancy on ordinary activities | (896) | (762) | (134) | 17.6% |
| Consultancy for strategy, business development and organisational optimisation | (698) | (2,229) | 1,531 | -68.7% |
| Legal expenses | (5) | (1,261) | 1,256 | -99.6% |
| Legal disputes | (1,659) | (2,068) | 409 | -19.8% |
| **F) Real estate expenses** | **(20,104)** | **(19,997)** | **(107)** | **0.5%** |
| Real estate services | (800) | (685) | (115) | 16.8% |
| Repair and maintenance of furniture, machinery, and equipment | (200) | (1,137) | 937 | -82.4% |
| Maintenance of premises | (1,741) | (760) | (981) | 129.1% |
| Premises rentals | (14,322) | (14,991) | 669 | -4.5% |
| Cleaning of premises | (546) | (485) | (61) | 12.6% |
| Utilities | (2,495) | (1,939) | (556) | 28.7% |
| **G) Other functioning costs** | **(31,672)** | **(29,296)** | **(2,376)** | **8.1%** |
| Surveillance and security services | (410) | (291) | (119) | 40.9% |
| Money counting services and transport | (1) | (1) | - | 0.0% |
| Postage and transport of documents | (2,946) | (2,827) | (119) | 4.2% |
| Administrative and logistic services | (15,732) | (14,323) | (1,409) | 9.8% |
| Insurance | (3,629) | (3,522) | (107) | 3.0% |
| Printing and stationery | (621) | (685) | 64 | -9.3% |
| Association dues and fees | (7,889) | (7,371) | (518) | 7.0% |
| Other administrative expenses | (444) | (276) | (168) | 60.9% |
| **H) Adjustments of leasehold improvements** | **(3,389)** | **(3,129)** | **(260)** | **8.3%** |
| **I) Recovery of costs** | **84,347** | **77,170** | **7,177** | **9.3%** |
| Recovery of ancillary expenses | 369 | 319 | 50 | 15.7% |
| Recovery of taxes | 83,978 | 76,851 | 7,127 | 9.3% |
| **Total** | **(148,523)** | **(134,148)** | **(14,375)** | **10.7%** |

**Indirect taxes and duties** net of **Recovery of taxes** increased by €3.4 million, attributable to the amount of "Tobin Tax" paid by the Bank and related to the increase in the number of brokerage transactions, which generated greater revenues.

**Advertising expenses – marketing and communication** did not show any significant changes compared to 2014.

The increase in **Other administrative expenses** other than those mentioned above was attributable to the increase in "Personal financial advisor expenses" generated by the incentive plans and recruiting costs, and the rise in "ICT expenses" and "Other operating costs" as a result of the Bank's significant growth. Nevertheless, the cost/income ratio stood at 42.72%, representing a decrease compared to 47.02% as at December 31, 2014, thanks to the continued efficiency improvement of the operational structure and the business support functions.

It should be noted that **Other administrative expenses** as at December 31, 2014 included €5.4 million linked to the listing project, recognised, primarily, under the items "Legal expenses", "Consultancy for strategy, business development and organisational optimisation" and "Association dues and fees".

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

**Impairment losses on property, plant and equipment** refer to the depreciation applied to electronic machines, plant and machinery, furniture and fittings and did not show any major changes compared to the previous financial year.

## Net profit (loss) before tax from continuing operations

(Amounts in € thousand)

| | YEAR | | CHANGES | |
|---|---|---|---|---|
| | 2015 | 2014 | AMOUNT | % |
| **Net operating profit (loss)** | **311,742** | **239,035** | **72,707** | **30.4%** |
| Net write-downs of loans and provisions for guarantees and commitments | (6,706) | (3,180) | (3,526) | 110.9% |
| **Net operating profit (loss)** | **305,036** | **235,855** | **69,181** | **29.3%** |
| Net provisions for risks and charges | (15,714) | (6,121) | (9,593) | 156.7% |
| Integration costs | (1,246) | - | (1,246) | n.c. |
| Net income from investments | (1) | (4) | 3 | -75.0% |
| **Net profit before tax from continuing operations** | **288,075** | **229,730** | **58,345** | **25.4%** |

The increase of €3.5 million in **Net write-downs of loans and provisions for guarantees and commitments** in 2015 compared to the same period of the prior year was attributable, for €2.5 million, to write-downs of exposures to some customers who had opened leveraged positions on the Forex market and incurred a loss greater than the guaranteed margin as a result of the extraordinary fall of the Euro versus the Swiss Franc recorded on January 15, 2015.

**Net provisions for risks and charges** increased by €9.6 million compared to the prior year, mainly due to the contribution, of €4.7 million, paid in December 2015 for the Deposit Guarantee Schemes (DGS) and the allocation for the contribution to the Fondo di Solidarietà, estimated at around €2.3 million by the Bank. The Fondo di Solidarietà was established, up to a maximum of €100 million, by the Legge di Stabilità 2016, which maintained the effects of Law Decree 183 of November 2015 that had lapsed due to its absence of conversion, involving the resolution procedures for Cassa di risparmio di Ferrara S.p.A., Banca delle Marche S.p.A., Banca popolare dell'Etruria e del Lazio - Società cooperativa and Cassa di risparmio della Provincia di Chieti S.p.A., in relation to losses incurred by the subordinated loan holders of the four banks subject of the resolution. In addition, with regard to the National Resolution Fund established by the Bank of Italy, in accordance with the provisions of Legislative Decree 180 of November 2015 implementing Directive 2014/59/EU (BRRD), the Bank was called upon to pay an ordinary lump-sum contribution for the year 2015 of €1 thousand, in addition to an extraordinary contribution of €3 thousand under the crisis resolution program for the above-mentioned banks.

**Integration costs** consist of the estimated integration costs for the Bank of the Business Plan of the UniCredit Group.

**Profit (loss) before tax from continuing operations** amounted to a profit of €288.1 million, increasing by 25.4% on the prior year, due to the positive contribution from operating income, owing in particular to the increase in Net fee and commission income and Net trading, hedging and fair value income. These items more than offset the increase in Staff expenses and Other administrative expenses.

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# Income statement figures (CONTINUED)

## Income tax for the period

(Amounts in € thousand)

| BREAKDOWN OF TAXES FOR THE YEAR | YEAR | | CHANGES | |
|---|---|---|---|---|
| | 2015 | 2014 | AMOUNT | % |
| Current IRES income tax charges | (77,115) | (59,503) | (17,612) | 29.6% |
| Current IRAP corporate tax charges | (18,147) | (16,995) | (1,152) | 6.8% |
| **Total current tax** | **(95,262)** | **(76,498)** | **(18,764)** | **24.5%** |
| Change in deferred tax assets | (297) | (1,546) | 1,249 | -80.8% |
| Change in deferred tax liabilities | (1,017) | (1,333) | 316 | -23.7% |
| **Total deferred tax liabilities** | **(1,314)** | **(2,879)** | **1,565** | **-54.4%** |
| Redemption income depreciation and amortization | (446) | (446) | - | - |
| **Income tax for the period** | **(97,022)** | **(79,823)** | **(17,199)** | **21.5%** |

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 the Bank realigned the goodwill recognised following the merger of UniCredit Xelion Sim into UniCredit Xelion Banca S.p.A..
The redeemed goodwill may be amortised 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 amortisation, corresponding to €4 million, was recognised in the accounts. A tenth of this amount will be recognised through profit or loss for each year of the tax deduction of tax-related amortisation of goodwill.
For the three-year period 2013-2015, the Bank, 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 year

The net profit for the year amounted to €191.1 million, an increase of 27.4% over the prior year.

# Related-party transactions

In order to ensure continued compliance with applicable legal and regulatory provisions on corporate disclosure on transactions with related parties, during the Board of Directors' Meeting of September 22, 2015 and with the prior positive opinion of the Audit and Related Parties Committee and the Board of Statutory Auditors, the Bank approved the adoption of new procedures aimed at regulating transactions with related parties and associated persons ("Procedures for the management of transactions with persons in conflict of interest") which cancel and replace the previous version of those procedures approved by the Board of Directors on May 15, 2014.

The above-mentioned procedures include the provisions to be complied with when managing:
- 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".

Given that the Bank belongs to the UniCredit Group, the aforementioned Procedures are also base on the "UniCredit Global Policy for managing transactions with subjects in conflict of interest" and the relevant "Global Operational Instructions" issued by UniCredit S.p.A. to subsidiaries within the framework of its management and co-ordination activity.

Considering the above, during 2015:

1. with the approval of the Board of Directors of January 22, 2015, upon recommendation by the Audit and Related Parties Committee, two Significant Ordinary Transactions were carried out with the related party at market conditions, and, specifically:
   (i) "Framework resolution – Investment of medium-long term liquidity with the Parent Company", with validity up to December 31, 2015, which involves the purchase of UniCredit bonds. Since this transaction was classified for UniCredit as a transaction of "Lesser relevance with a significant amount" under the Global Policy, a favourable, 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 on February 11, 2015;
   (ii) medium-long term investment of structural liquidity raised in the period October 1, 2014 - December 31, 2014 to be carried out through the subscription of UniCredit bonds up to a maximum of €300 million issued at market conditions; it was approved by the Parent Company's Related Parties and Equity Investments Committee with the issue of a favourable, non-binding opinion on the matter;

2. with approval of the Board of Directors of March 10, 2015 a Significant Ordinary Transaction at market conditions with UniCredit Bank A.G., carried out on March 2, 2015, consisting in the purchase of "BONOS" Spanish government securities, with an equivalent value of €30 million. The transaction was brought to the attention of the Audit and Related Parties Committee of the Bank during the meeting held on March 9, 2015, which agreed on the suitability of the transaction. On April 1, 2015, UniCredit's Related Parties and Equity Investments Committee expressed its favourable, non-binding opinion;

3. with the approval of the Board of Directors' meeting of April 20, 2015, by way of the favourable opinion of the Audit and Related Parties Committee, an ordinary Significant Transaction at market conditions with UniCredit S.p.A. and UniCredit Bank AG, consisting of a "*Framework Resolution related to the entering into of hedging derivative contracts with the Parent Company or companies in the UniCredit Group*", for the purpose of entering into hedging derivatives with the Parent Company or with other companies in the UniCredit Group, by virtue of which the Bank may implement said transactions, up to April 20, 2016, whose maximum amount is expected to be €500 million with the Parent Company and €900 million with UniCredit Bank AG. On May 6, 2015, UniCredit's Related Parties and Equity Investments Committee expressed its favourable, non-binding opinion;

4. with the approval of the Board of Directors' meeting of May 11, 2015, by way of the favourable opinion of the Audit and Related Parties Committee, an ordinary Significant Transaction at market conditions with UniCredit S.p.A., consisting of a "*Framework Agreement - Reverse Repos and Term Deposits with the Parent Company*", effective until May 11, 2016, concerning (i) Reverse Repos with the Parent Company for an amount of €3 billion, calculated as the sum of the individual transactions in absolute value (whether repos or reverse repos) and (ii) Term deposits with the Parent Company for an amount of €4.5 billion, calculated as the sum of the individual transactions in absolute value. On May 6, 2015, UniCredit's Related Parties and Equity Investments Committee expressed its favourable, non-binding opinion;

5. with the approval of the Board of Directors' meeting of June 18, 2015, by way of the favourable opinion of the Audit and Related Parties Committee, an ordinary Significant Transaction at market conditions with UniCredit Bank AG and Mediobanca S.p.A., consisting of a "*Framework Resolution - Securities Trading with Related Party Institutional Counterparties*", effective up to June 18, 2016, regarding the trading of financial instruments with related party institutional counterparties, by virtue of which the Bank may implement said transactions, up to a maximum amount of €1 billion with UniCredit Bank AG and €500 million with Mediobanca S.p.A.. UniCredit's Related Parties and Equity Investments Committee issued a favourable non-binding opinion on the matter;

# Related-party transactions (Continued)

6. with the approval of the Board of Directors' meeting of July 30, 2015, by way of the favourable opinion of the Audit and Related Parties Committee, an ordinary Significant Transaction at market conditions with UniCredit S.p.A., consisting of a "*Framework Agreement for the transactions on current accounts held with UniCredit*", effective up to July 30, 2016, which will enable the Bank to manage its liquidity in euro and in foreign currencies through specific current accounts already held with UniCredit S.p.A. within an amount of less than €1,000 million understood as a single transaction (single payment and single withdrawal); UniCredit's Related Parties and Equity Investments Committee issued a favourable non-binding opinion on the matter;

7. with the approval of the Board of Directors' meeting of September 22, 2015, by way of the favourable opinion of the Audit and Related Parties Committee, an ordinary Significant Transaction at market conditions with UniCredit Bank AG and Mediobanca S.p.A., consisting of the renewal of a "*Framework resolution for Stock Lending with institutional customers*", effective up to September 21, 2016, regarding stock lending transactions with institutional counterparties, by virtue of which the Bank may implement those transactions, up to a maximum amount of €500 million with UniCredit Bank AG and €200 million with Mediobanca S.p.A.; UniCredit's Related Parties and Equity Investments Committee issued a favourable non-binding opinion on the matter;

8. with the approval of the Board of Directors of November 10, 2015, by way of the favourable opinion of the Audit and Related Parties Committee, an ordinary Significant Transaction at market conditions with the UniCredit S.p.A consisting of the renewal of the "*Framework resolution – Investment of medium-long term liquidity with the Parent Company*" due to expire on December 31, 2015, which enabled the Bank to subscribe UniCredit bonds with a ceiling of around €1.5 billion; as a result of the change in the core component in the on-demand items approved at the same Board meeting, which will allow the Bank to increase the investable structural liquidity component, the new Framework resolution will allow the Bank to subscribe bonds of the Parent Company, up to November 10, 2016, with a ceiling of €3 billion. UniCredit's Related Parties and Equity Investments Committee issued a favourable non-binding opinion on the matter.

In relation to the above transactions, the Bank provided a simplified disclosure to CONSOB pursuant to Art. 13, paragraph 3, letter c) of CONSOB Regulation 17221/2010.
In 2015, no other transactions were undertaken with related parties that could significantly affect the Bank's asset situation and results, or atypical and/or unusual transactions with those parties.
Intercompany 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, the Bank opted for the "national tax consolidation" – introduced by 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, the Bank issued 5 bank guarantees in favour of the Italian Revenue Agency upon (guaranteed) request by UniCredit, with indefinite duration (specifically, valid until the Italian Revenue Agency issues a declaration of receipt of the payment by UniCredit at the end of the collection process, in the event of an unfavourable outcome for UniCredit, or until a ruling is issued in favour of the Bank by means of final judgement), for a total amount of €256 million, 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 the Bank of an irrevocable payment commitment on demand, within 30 days and without any exceptions. In 2013, following the settlement of an overall assessment notice issued by the Regional Department of Liguria, for €4.5 million, replaced by another assessment notice issued by the same Department up to the amount settled, a guarantee already issued by the Bank 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 remain unchanged.

## 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, 2015 in relation to Group companies.

(Amounts in € thousand)

| | ASSETS | LIABILITIES | GUARANTEES AND COMMITMENTS |
|---|---|---|---|
| Transactions with Parent Company UniCredit S.p.A. | 14,597,004 | 1,242,511 | 257,093 |
| Transactions with companies controlled by UniCredit S.p.A. | 40,035 | 63,704 | - |

For the three-year period 2013-2015, the Bank, in its capacity as consolidated company, was subject to the "National tax consolidation", as established by Legislative Decree no. 344 of December 12, 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.

# 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 FinecoBank'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 8, 2016, the Board of Directors launched the plans approved by the Shareholders' Meeting on June 5, 2014 and the 2015 Incentive Schemes approved by the Shareholders' Meeting on April 23, 2015.
In particular:

- for the "2014 Key People Plan", considering the positive outcome of the verification of the entry conditions and the individual conditions (compliance in conduct and continued employment) and the favourable opinion of the Remuneration and Appointments Committee, it approved the allocation of the second tranche corresponding to 289,703 free ordinary shares to 79 beneficiaries and, as a consequence, it approved a free capital increase for a total amount of €95,601.99. The dilution effect resulting from the above free capital increase to service the stock granting plans is calculated as a maximum of 0.05% of the fully diluted capital;
- for the "2014-2017 Multi-year Top Management Plan", considering the positive outcome of the verification of the entry conditions and the individual conditions (compliance in conduct and continued employment) and the favourable opinion of the Remuneration and Appointments Committee, it approved the allocation to 6 beneficiaries for the year 2016 of a total of 335,624 free ordinary shares, a smaller amount than the amount established on April 15, 2014 to ensure that the ratio between the fixed and variable remuneration is kept in line with the applicable regulations;
- for the "2015 Incentive System", considering the positive outcome of the verification of the entry conditions (at Group and level and local level) and the individual conditions (compliance in conduct and continued employment), the individual performances of the beneficiaries and the favourable opinion of the Remuneration and Appointments Committee, it approved the allocation of 210,288 free ordinary shares of FinecoBank;
- for the "2015 PFA Incentive System", considering the positive outcome of the verification of the entry conditions at local level, the due application of the "conformity assessment" and the favourable opinion of the Remuneration and Appointments Committee, it approved the allocation of 45,171 Phantom shares.

## Number of treasury shares or shares of the parent company

As at December 31, 2015 the Bank held 1.408.834 treasury shares in its portfolio, corresponding to 0.23% of the share capital, for an amount of €8.6 million, purchased in execution of the stock granting plan "2014 PFA Plan" for the Personal Financial Advisors and Network Managers of the Bank, approved by the Board of Directors on May 15, 2014 and by the Shareholders' Meeting on June 5, 2014. The purchases were made starting from September 16, 2015, after receipt of the authorisation from the Regulatory Authority, in accordance with Articles 77-78 of EU Reg. 575/2013 of June 26, 2013 (CRR), and ended on October 12, 2015.
The Bank does not hold shares of its Parent Company, even through other companies or third parties.

## Outlook

The main drivers of Fineco's growth can be found in two major trends that are supporting the Bank's business and that have been reshaping Italian society for some time: On the one hand, the increasing customer demand for professional and specialist advice for their investments, and on the other hand, the ever-increasing digitisation. Two trends that are revolutionising the way both banking and advisory services are being delivered, because, on the one hand, the digitisation of society is affecting all segments of the Italian population, including the most elderly, and, on the other hand, the performance of the markets, from the financial crisis to recent developments, has increased people's awareness of the need for effective and professional management of their investments, based on the concept of portfolio planning and diversification. In this scenario, Fineco is well-positioned to develop its business by leveraging these two major drivers.
The Bank will continue to pursue its strategy aimed at further strengthening its competitive positioning in the sector of banking, brokerage and investing services. A fundamental part of our strategy is focused on the area of private banking customers, where we are already one of the leading players in Italy with volumes of over a third of the Bank's total assets. In these customers we are continuing to see a strong interest, particularly for Wealth Management services, such as generational transition, asset protection and tax planning.

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

The Bank closed the year 2015 with a net profit of €191,052,791.15.

It is proposed to allocate the net profit for the year as follows:
- €19,120.40 to the **Legal reserve**, corresponding to 0.01% of the profits of the year, having reached the limit of a fifth of the share capital;
- €35,657,537.24 to the **Extraordinary Reserve**;
- €154,376,133.51 to **Shareholders**, corresponding to a dividend of €0.255 for each of the 605,396,602 ordinary shares with a par value of €0.33 euro, constituting the share capital net of 1,408,834 treasury shares held by the Bank and including 289,703 shares relating to the capital increase approved by the Board of Directors on February 8, 2016;
- €1,000,000.00 to social, charity and cultural causes, pursuant to art. 26, para. 5, of the Articles of Association.

In conclusion, the Shareholders Meeting is invited to approve:
- the Annual Report and Accounts for the year 2015 in their entirety;
- The allocation of the profit for the year of €191,052,791.15 as follows:
  - €19,120.40 to the **Legal reserve**, corresponding to 0.01% of the profits of the year, having reached the limit of a fifth of the share capital;
  - €35,657,537.24 to the **Extraordinary Reserve**;
  - €154,376,133.51 to **Shareholders**, corresponding to a dividend of €0.255 for each of the 605,396,602 ordinary shares with a par value of €0.33 euro, constituting the share capital net of 1,408,834 treasury shares held by the Bank and including 289,703 shares relating to the capital increase approved by the Board of Directors on February 8, 2016;
  - €1,000,000.00 to social, charity and cultural causes, pursuant to art. 26, para. 5, of the Articles of Association.

Payment of the aforesaid dividend amount, in accordance with legal regulations, will take place with the value date of April 20, 2016.

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 8, 2016, will be as follows:

(Amounts in €)

| | |
|---|---|
| Share capital | 200,245,793.88 |
| Legal reserve | 40,049,158.78 |
| Share premium reserve | 1,934,112.62 |
| Treasury Shares (-) | (8,555,283.60) |
| Other reserves | 232,121,474.27 |
| **Shareholders' equity** | **465,795,255.95** |

The Board of Directors

Milan, February 8, 2016

FinecoBank S.p.A.
Chief Executive Officer and General Manager
Alessandro Foti

FinecoBank S.p.A.
Chairman
Enrico Cotta Ramusino


ADVISOR
ALWAYS NEXT TO YOU
FINECO, THE BANK THAT SEMPLIFIES BANKING.

# Bank Financial Statements

# Balance sheet

| BALANCE SHEET - ASSETS | 12.31.2015 | 12.31.2014 |
|---|---|---|
| 10. Cash and cash balances | 6,285 | 5,166 |
| 20. Financial assets held for trading | 3,983,184 | 3,053,707 |
| 40. Available-for-sale financial assets | 2,245,982,088 | 1,695,554,562 |
| 60. Loans and receivables with banks | 14,648,904,038 | 13,892,196,843 |
| 70. Loans and receivables with customers | 922,773,794 | 695,594,232 |
| 80. Hedging derivatives | - | 19,246,853 |
| 90. Changes in fair value of portfolio hedged financial assets (+/-) | 10,573,434 | 5,026,907 |
| 110. Property, plant and equipment | 12,418,792 | 10,892,420 |
| 120. Intangible assets | 97,814,087 | 97,743,596 |
| of which | | |
| *- goodwill* | *89,601,768* | *89,601,768* |
| 130. Tax assets | 15,423,666 | 18,550,495 |
| *a) current tax assets* | *1,732,934* | *2,178,546* |
| *b) deferred tax assets* | *13,690,732* | *16,371,949* |
| *pursuant to Law 214/2011* | *4,400,831* | *3,838,902* |
| 150. Other assets | 370,069,607 | 326,756,231 |
| **Total assets** | **18,327,948,975** | **16,764,621,012** |

| BALANCE SHEET - LIABILITIES AND SHAREHOLDERS' EQUITY | 12.31.2015 | 12.31.2014 |
|---|---|---|
| 10. Deposits from banks | 1,423,459,247 | 1,428,568,269 |
| 20. Deposits from customers | 15,822,458,746 | 13,914,711,969 |
| 30. Debt securities in issue | - | 424,709,661 |
| 40. Financial liabilities held for trading | 4,099,512 | 3,134,683 |
| 60. Hedging derivatives | 31,318,669 | 36,992,811 |
| 70. Changes in fair value of portfolio hedged financial liabilities (+/-) | - | 9,227,504 |
| 80. Tax liabilities | 37,445,058 | 33,358,091 |
| *a) current tax assets* | *37,445,058* | *33,358,091* |
| 100. Other liabilities | 250,989,832 | 238,807,723 |
| 110. Provision for employee severance pay | 4,846,165 | 4,825,798 |
| 120. Provisions for risks and charges: | 120,534,113 | 118,030,959 |
| *b) other provisions* | *120,534,113* | *118,030,959* |
| 130. Revaluation reserves | 11,626,244 | 2,261,820 |
| 160. Reserves | 236,589,577 | 198,080,512 |
| 170. Share premium reserve | 1,934,113 | 1,934,113 |
| 180. Capital | 200,150,192 | 200,070,431 |
| 190. Treasury Shares (-) | (8,555,284) | - |
| 200. Net Profit (Loss) for the year | 191,052,791 | 149,906,668 |
| **Total liabilities and shareholders' equity** | **18,327,948,975** | **16,764,621,012** |

# Income statement

| INCOME STATEMENT | 2015 | 2014 |
|---|---|---|
| 10. Interest income and similar revenues | 273,332,373 | 282,336,693 |
| 20. Interest expenses and similar charges | (28,147,922) | (54,089,714) |
| **30. Net interest margin** | **245,184,451** | **228,246,979** |
| 40. Fee and commission income | 487,501,623 | 409,828,011 |
| 50. Fee and commission expense | (239,289,064) | (214,084,108) |
| **60. Net fee and commission income** | **248,212,559** | **195,743,903** |
| 70. Dividend income and similar revenue | 4,990 | 4,406 |
| 80. Gains (losses) on financial assets and liabilities held for trading | 53,704,715 | 29,719,234 |
| 90. Fair value adjustments in hedge accounting | (147,476) | - |
| 100. Gains (losses) on disposal or repurchase of | 304,506 | (2,794) |
| *a) loans and receivables* | *34* | *49,160,469* |
| *b) available-for-sale financial assets* | *304,472* | - |
| *d) financial liabilities* | - | *(49,163,263)* |
| 110. Gains (losses) on financial assets and liabilities at fair value through profit and loss | - | 18,204 |
| **120. Operating income** | **547,263,745** | **453,729,932** |
| 130. Impairment losses/write-backs on: | (6,706,077) | (4,596,234) |
| *a) loans and receivables* | *(6,713,191)* | *(3,224,482)* |
| *d) other financial assets* | *7,114* | *(1,371,752)* |
| **140. Net profit from financial activities** | **540,557,668** | **449,133,698** |
| 150. Administrative costs | (310,491,777) | (277,340,179) |
| *a) staff expenses* | *(76,295,083)* | *(69,151,399)* |
| *b) other administrative expenses* | *(234,196,694)* | *(208,188,780)* |
| 160. Net provisions for risks and charges | (11,022,754) | (4,704,591) |
| 170. Net impairment/write-backs on property, plant and equipment | (3,962,603) | (4,035,945) |
| 180. Net impairment/write-backs on intangible assets | (4,988,533) | (4,773,420) |
| 190. Other net operating income | 77,983,585 | 71,453,787 |
| **200. Operating costs** | **(252,482,082)** | **(219,400,348)** |
| 240. Gains (losses) on disposal of investments | (1,011) | (3,915) |
| **250. Profit (loss) before tax from continuing operations** | **288,074,575** | **229,729,435** |
| 260. Tax expense (income) related to profit or loss from continuing operations | (97,021,784) | (79,822,767) |
| **270. Profit (loss) after tax from continuous operations** | **191,052,791** | **149,906,668** |
| **290. Net Profit (Loss) for the year** | **191,052,791** | **149,906,668** |

| | 2015 | 2014 |
|---|---|---|
| Earnings per share (euro) | 0.32 | 0.25 |
| Diluted earnings per share (euro) | 0.31 | 0.25 |

**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

| | 2015 | 2014 |
|---|---|---|
| **10. Net Profit (Loss) for the year** | **191,052,791** | **149,906,668** |
| **Other comprehensive income after tax without reclassification through profit or loss** | | |
| 40. Defined benefit plans | (2,210,716) | (6,640,210) |
| **Other comprehensive income after tax with reclassification through profit or loss** | | |
| 100. Available-for-sale financial assets | 11,575,140 | 4,687,681 |
| **130. Total other comprehensive income after tax** | **9,364,424** | **(1,952,529)** |
| **140. Comprehensive income (item 10+130)** | **200,417,215** | **147,954,139** |

# Statement of changes in shareholders' equity

### Statement of changes in shareholders' equity 12.31.2015

| | | | | ALLOCATION OF PRIOR YEAR PROFIT/(LOSS) | | CHANGE DURING THE YEAR | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | SHAREHOLDERS' EQUITY TRANSACTIONS | | | | | | | |
| | BALANCE AS AT 12.31.2014 | CHANGE IN OPENING BALANCE | BALANCE AS AT 01.01.2015 | RESERVES | DIVIDENDS AND OTHER ALLOCATIONS | CHANGES IN RESERVES | ISSUES OF NEW SHARES | PURCHASE OF OWN SHARES | DISTRIBUTION OF EXTRAORDINARY DIVIDENDS | CHANGE IN EQUITY INSTRUMENTS | OWN SHARE DERIVATIVES | STOCK OPTIONS | COMPREHENSIVE INCOME YEAR 2015 | SHAREHOLDERS' EQUITY AS AT 12.31.15 |
| Share capital: | | | | | | | | | | | | | | |
| a) ordinary shares | 200,070,431 | | 200,070,431 | | | | 79,761 | | | | | | | 200,150,192 |
| b) other shares | | | | | | | | | | | | | | |
| Share premium reserve | 1,934,113 | | 1,934,113 | | | | | | | | | | | 1,934,113 |
| Reserves: | | | | | | | | | | | | | | |
| a) from profits | 190,922,980 | | 190,922,980 | 28,603,521 | | (4,780,718) | | | | | | (79,761) | | 214,666,022 |
| b) other | 7,157,532 | | 7,157,532 | | | | | | | | | 14,766,023 | | 21,923,555 |
| Revaluation reserves | 2,261,820 | | 2,261,820 | | | | | | | | | | 9,364,424 | 11,626,244 |
| Equity instruments | | | | | | | | | | | | | | |
| Treasury Shares | | | | | | | | (8,555,284) | | | | | | (8,555,284) |
| Net Profit (Loss) for the year | 149,906,668 | | 149,906,668 | (28,603,521) | (121,303,147) | | | | | | | | 191,052,791 | 191,052,791 |
| **Shareholders' equity** | **552,253,544** | **-** | **552,253,544** | **-** | **(121,303,147)** | **(4,780,718)** | **79,761** | **(8,555,284)** | **-** | **-** | **-** | **14,686,262** | **200,417,215** | **632,797,633** |

The amount of the dividend paid to shareholders in 2015, totalling €121,303,146.60, corresponds to €0.2 per share.
The column "Stock options" includes the incentives plans serviced by FinecoBank shares.

# Statement of changes in shareholders’ equity

## Statement of changes in shareholders’ equity as at 12.31.2014

| | BALANCE AS AT 12.31.2013 | CHANGE IN OPENING BALANCE | BALANCE AS AT 01.01.2014 | ALLOCATION OF PRIOR YEAR PROFIT/(LOSS) | | CHANGE DURING THE YEAR | | | | | | | | SHAREHOLDERS’ EQUITY AS AT 12.31.14 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | SHAREHOLDERS’ EQUITY TRANSACTIONS | | | | | | | |
| | | | | RESERVES | DIVIDENDS AND OTHER ALLOCATIONS | CHANGES IN RESERVES | ISSUES OF NEW SHARES | PURCHASE OF OWN SHARES | DISTRIBUTION OF EXTRAORDINARY DIVIDENDS | CHANGE IN EQUITY INSTRUMENTS | OWN SHARE DERIVATIVES | STOCK OPTIONS | COMPREHENSIVE INCOME YEAR 2014 | |
| 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 | | | | | | | | | | (1,952,529) | 2,261,820 |
| Equity instruments | | | | | | | | | | | | | | |
| Treasury Shares | | | | | | | | | | | | | | |
| Net Profit (Loss) for the year | 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 amount of the dividend paid to shareholders in 2014, totalling €20,007,043.09, corresponds to €0.033 per share.
The column “Stock options” includes the incentives plans serviced by FinecoBank shares.

# Cash flow statement

### Indirect method

| A. OPERATING ACTIVITIES | AMOUNT 2015 | 2014 |
|---|---|---|
| **1. Operations** | **256,444,769** | **172,136,394** |
| - profit (loss) for the year (+/-) | 191,052,791 | 149,906,668 |
| - unrealised gains/losses on financial assets/liabilities held for trading and on assets/liabilities at fair value through profit or loss (-/+) | 532,274 | 484,601 |
| - capital gains/losses on hedging transactions (-/+) | 147,476 | - |
| - impairment losses/write-backs (+/-) | 6,953,932 | 4,999,418 |
| - impairment losses/write-backs on tangible and intangible assets (+/-) | 8,951,136 | 8,809,365 |
| - provisions for risks and charges and other income/expenses (+/-) | 32,349,786 | 16,920,816 |
| - duties, taxes and tax credits not paid (+/-) | 21,563,736 | 19,010,046 |
| - net impairment losses/write-backs on disposal groups classified as held for sale after tax (+/-) | - | - |
| - other adjustments (+/-) | (5,106,362) | (27,994,520) |
| **2. Cash flows from/used by financial assets** | **(1,838,442,626)** | **(7,868,316,493)** |
| - financial assets held for trading | 1,500,139 | 3,725,374 |
| - financial assets designated at fair value through profit or loss | - | 3,196,673 |
| - available-for-sale financial assets | (574,742,362) | (1,594,752,031) |
| - loans and receivables with banks: on demand | - | - |
| - loans and receivables with banks: other loans and receivables | (987,993,301) | (6,176,632,637) |
| - loans and receivables with customers | (233,899,421) | (58,129,611) |
| - other assets | (43,307,681) | (45,724,261) |
| **3. Cash flows from/used by financial liabilities** | **1,422,974,600** | **(907,369,258)** |
| - deposits from banks: on demand | - | - |
| - deposits from banks: other liabilities | (48,139,439) | (213,873,115) |
| - deposits from customers | 1,920,201,178 | 1,206,745,254 |
| - debt securities in issue | (424,709,661) | (1,897,801,397) |
| - financial liabilities held for trading | (1,996,960) | (1,729,610) |
| - financial liabilities at fair value through profit or loss | - | - |
| - other liabilities | (22,380,518) | (710,390) |
| **Net cash flows from/used in operating activities** | **(159,023,257)** | **(8,603,549,357)** |
| **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 | 249 | 143 |
| - sales of intangible assets | - | - |
| - disposals of businesses | - | - |
| **2. Cash flows used in** | | |
| - purchases of equity investments | - | - |
| - purchases of financial assets held to maturity | - | - |
| - purchases of tangible assets | (5,494,919) | (4,145,955) |
| - purchases of intangible assets | (5,059,023) | (4,901,227) |
| - purchases of businesses | | |
| **Net cash flows from/used in investing activities** | **(10,553,693)** | **(9,047,039)** |
| **C. FINANCING ACTIVITIES** | | |
| - issue/purchase of treasury shares | (8,555,284) | - |
| - issue/purchase of equity instruments | 79,761 | - |
| - dividends and other distributions | (126,163,626) | (22,007,043) |
| **Net cash flows from/used in financing activities** | **(134,639,149)** | **(22,007,043)** |
| **NET LIQUIDITY GENERATED / ABSORBED DURING THE PERIOD** | **(304,216,099)** | **(8,634,603,439)** |

**Key:**
(+) from
(-) used

### Reconciliation

| Balance sheet items | AMOUNT 2015 | 2014 |
|---|---|---|
| Cash and cash balances at the beginning of the year | 1,451,228,954 | 10,038,098,537 |
| Net liquidity generated/absorbed during the year | (304,216,099) | (8,634,603,439) |
| Cash and cash balances: effect of changes in exchange rates | 35,215,366 | 47,733,856 |
| Cash and cash balances at the end of the year | 1,182,228,221 | 1,451,228,954 |

The term “Cash and cash balances” means cash recorded under item 10 of assets “Cash and cash balances” 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).

The item “Cash and cash balances” at the end of the year consisted of:
- “Cash” recognised under asset item 10 “Cash and cash balances” in the amount of €6 thousand;
- “Current accounts and demand deposits” recognised under asset item 60 “Loans and receivables with banks” in the amount of €1,251,070 thousand;
- net of the “Current accounts and demand deposits” recognised under liability item 10 “Loans and receivables with banks” in the amount of €68,848 thousand.

The item “Cash and cash balances” at the end of the prior year consisted of:
- “Cash” recognised under asset item 10 “Cash and cash balances” in the amount of €5 thousand;
- “Current accounts and demand deposits” recognised under asset item 60 “Loans and receivables with banks” in the amount of €1,476,280 thousand;
- net of the “Current accounts and demand deposits” recognised under liability item 10 “Loans and receivables with banks” in the amount of €25,057 thousand.

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# Notes to the Accounts

# Part A - Accounting policies

# Part A - Accounting policies

## A.1 General

### Section 1 - Statement of compliance with IFRS

In implementation of Legislative Decree no. 38 of February 28, these Accounts of FinecoBank as at December 31, 2015 (below FinecoBank) have been prepared in accordance with the IAS/IFRS issued by the International Accounting Standards Board (IASB), including the SIC and IFRIC interpretation documents, as endorsed by the European Commission until December 31, 2015, pursuant to EU Regulation 1606/2002 of July 19, 2012 and applicable to financial reports for the periods starting on or after January 1, 2015 (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 as amended, the Bank of Italy laid down the formats for the financial statements and explanatory notes to the accounts of banks and regulated financial companies, which have been used to prepare these Accounts.

### 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:

- The Conceptual Framework for Financial Reporting;
- 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 Consolidated Finance Act, 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 to the accounts, 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.

### Section 3 - Subsequent events

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, 2015.

The Accounts were approved by the Board of Directors' meeting of February 8, 2016, which authorised their publication, including pursuant to IAS 10.

### Section 4 - Other matters

In 2015, the following accounting standards, amendments and interpretations have become effective for reporting periods beginning on or after January 1, 2015:

- IFRIC 21 - Levies (EU Regulation 634/2014).
- Improvements to IFRSs (2011-2013) (EU Regulation 1361/2014);

In particular, IFRIC 21 has been used for the purpose of defining the accounting treatment of charges associated with contribution schemes relating to Deposit Guarantee Schemes (DGS) and Single Resolution Fund (SRF), which were introduced by the European directives no. 49 and 59 of 2014, with effect from 2015. For an assessment of the related impact on the financial position and performance of the Bank see the section "Contributions to guarantee and resolution funds".
In addition to the above considerations, these accounting standards, amendments and interpretations, where applicable, had no significant impact on the financial position and results of the Bank as at December 31, 2015.

On December 15, 2015, the Bank of Italy issued the 4th update of Circular no. 262/2005, which implemented the regulatory changes on “credit quality” reporting in the notes to the accounts and adapted it to the new definitions of impaired financial assets, already introduced in the regulatory reporting of January 2015, in line with the definitions of non-performing exposures and forborne exposures established by the European Commission with Regulation 2015/227 on proposal of the European Banking Authority.
The main changes are the elimination of the “Doubtful Loans” and “Restructured Loans” categories, and the introduction of the new “Unlikely to pay” category and of the “Forbearance” concept, which applies to all the categories, both performing and impaired, and identifies exposures for which changes in contractual conditions have been granted.
In addition, the tables in Part E “Information on risks and hedging policies”, relating to the encumbered assets previously provided in Section 3 “Liquidity Risk”, have been eliminated and Part B “Balance Sheet” and part E “Information on risks and hedging policies” of the notes to the accounts have been streamlined, also by eliminating the tables on the annual changes in financial instruments recognized in the Balance Sheet assets and liabilities.
Finally, in its technical note of December 23, 2015, the Bank of Italy stated that the initial and variance margins received must be reported as “Other liabilities” in liability items 10 “Deposits from banks” and 20 “Deposits from customers” regardless of how they are technically used, whereas, they were previously reported as “Current accounts and demand deposits” in the same items of the accounts.
As a consequence, the corresponding figures for the previous year have been restated to enable like-for-like comparison.

The EBA consultation on the definition of default (“Guidelines on the application of the definition of default under Article 178 of Regulation (EU) 575/2013”) was completed on January 22, 2016. As a result of the consultation, further changes are expected in the coming periods in the classification criteria of impaired financial assets. The effects of these changes will be clarified once the final guidelines have been published, including the EBA guidelines on the materiality threshold for the measurement of past due exposures, for which the consultation process was completed on January 31, 2015.

The European Commission endorsed the following accounting standards whose application is not yet mandatory in preparing the financial statements at December 31, 2015 and which were not applied in advance by the Bank:
- Improvements to IFRSs (2010-2012) (EU Regulation 28/2015).
- Amendments to IAS 19 - Defined benefit plans: employee contributions (Reg. EU 29/2015).
- Amendments to IAS 16 and IAS 41: Agriculture: Bearer plants (EU Reg. 2113/2015);
- Amendments to IFRS 11: Accounting for Acquisitions of Interests in Joint Operations (EU Regulation 2173/2015);
- Amendments to IAS 16 and IAS 38: Clarification of acceptable methods of depreciation and amortisation (EU Regulation 2231/2015);
- Improvements to IFRSs (2012-2014) (EU Regulation 2343/2015);
- Amendments to IAS 1: Disclosure Initiative (EU Regulation 2406/2015);
- Amendments to IAS 27: The equity method in the Separate Financial Statements (EU Regulation 2441/2015).

Finally, as at December 31, 2015, 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 10 and IAS 28: Sale or transfer of assets to a joint venture or associate (September 2014);
- Amendments to IFRS 10, IFRS 12 and IAS 28: Application of consolidation exception to investment entities (December 2014).

In July 2014, the IASB issued the new accounting standard IFRS 9 Financial Instruments replacing IAS 39 Financial Instruments: recognition and measurement; application of the new standard is mandatory starting January 1, 2018. Endorsement by the European authorities is expected within the date of first adoption (scheduled for January 1, 2018).
The new standard provides for a revised model for classifying and measuring financial assets, an “expected loss” based impairment model for loans and a reformed approach to hedge accounting.
The new method for classifying and measuring financial assets under IFRS 9 is based on the contractual cash flow characteristics of the financial asset and, for financial assets with cash flows consisting “Solely of payments of principal and interest” or “SPPI”, on the basis of the business model used by the entity to manage them. Depending on the entity’s business model, SPPI assets can be classified as “held to collect” contractual cash flows (carried at amortized cost and subject to impairment based on expected losses), “held to collect cash flows and for sale” (at fair value through comprehensive income, revaluation reserve, and subject to impairment on the basis of expected losses) or held for trading (at fair value through profit or loss).
With regard to the credit impairment model based on the “expected loss” (“Expected Credit Loss” or “ECL”), the IASB developed this method in order to ensure early recognition of credit losses compared to IAS 39, which is based on actual evidence that an impairment has occurred, as required by the G20 as a result of the financial crisis.

# Part A - Accounting policies (Continued)

With regard to impaired assets according to IAS 39, there are no significant conceptual differences between the incurred losses method under IAS 39 and IFRS 9 ECL method, as the same indicators for recognition of the loss and for classification as non-performing loans under IAS 39 shall continue to apply. With regard to the effects on unimpaired assets expected from application of the new impairment model, an in-depth analysis is currently ongoing along with an assessment of the impacts on the financial position and performance of the company.
This analysis of the impacts resulting from the first time application of the standard, which is expected for January 1, 2018, will be completed in the coming years.

IFRS 15 - Revenue from Contracts with Customers (published by the IASB on May 28, 2014) is intended to replace IAS 18 - Revenue and IAS 11 - Construction Contracts, and IFRIC 13 - Customer Loyalty Programmes, IFRIC 15 - Agreements for the Construction of Real Estate, IFRIC 18 - Transfers of Assets from Customers and SIC 31 - Revenues-Barter Transactions Involving Advertising Services. The standard establishes a new revenue recognition model, which will apply to all contracts with customers except those that fall within the scope of other IAS/IFRS standards such as finance leases, insurance contracts and financial instruments. The recognition of revenue under the new model envisages the following basic steps:
- identification of the contract with the customer;
- identification of performance obligations under the contract;
- determination of the price;
- allocation of price to the contract performance obligations;
- the revenue recognition criteria when the entity satisfies each performance obligation.

The standard applies starting from January 1, 2018, with earlier application permitted.
At the reporting date, the analysis and assessment of the impacts and the estimate of the effects of the standard on revenues and the related disclosures were ongoing.

These accounts are subject to audit by Deloitte & Touche S.p.A. pursuant to Legislative Decree no. 39 of January 27, 2010 and in implementation of the Shareholders' Meeting resolution of April 16, 2013.

The full document has been filed with the relevant offices and entities in accordance with law.

### Risks and uncertainties related to the use of estimates

In the application of the accounting policies, the management is required to make judgements, 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, 2015, 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 standards and have been made on the assumption of a going concern, on which basis these accounts have been prepared, i.e. without contemplating the possibility of the forced sale of the estimated items.
The processes adopted support the carrying values at December 31, 2015. 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.
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, which means that further effects on future book values cannot be ruled out.
At the date of preparing these accounts we believe that there are no uncertainties such as to give rise to significant adjustments to the carrying amounts within one year.

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 personal 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 directives 49 and 59 of 2014 relating to contribution schemes for the Deposit Guarantee Schemes (DGS) and Single Resolution Fund (SRF) were introduced in 2015, as an addition to existing deposit protection systems, under the rules which establish and govern the Banking Union (which applies to the banks of the Euro Area and to those of other participating Member States). With respect to the contribution obligations described below, these schemes have resulted in charges for the year and will give rise to charges in future years in relation to the ordinary contribution scheme and to any extraordinary contributions as may become necessary.

With the introduction of the European Directive 2014/59/EU, the Regulations on the Single Resolution Mechanism ("BRRD Directive", Regulation (EU) no. 806/2014 of the European Parliament and the Council of July 15, 2014) established a crisis recovery and resolution framework for credit institutions, providing for a single resolution committee and a single resolution fund for banks (Single Resolution Fund, National Resolution Fund for 2015). The regulatory framework established by these provisions amends the previous national statutory and banking legislation, through the introduction of harmonized rules for the prevention and management of banking crises and the assignment, within that area, of new powers to the National Resolution Authorities. The Directive provides for the start of a new compulsory national contribution scheme with the aim of reaching the collection target, equal to 1% of the protected deposits of all respective authorized institutions, by December 31, 2024. The accumulation period can be extended by a further four years if the cumulative disbursements from the contribution schemes have exceeded 0.5% of protected deposits. If, after the accumulation period, the available funds fall below the target level, the collection of contributions resumes until the said level is reinstated. Moreover, after first reaching the target level and, in the event that the funds available fall below two thirds of the target level, these contributions are set at such a level that enables achieving the target level within a period of six years. The contribution mechanism provides for ordinary annual contributions, aimed at distributing the costs for the contributing banks evenly over time, and additional extraordinary contributions, of up to three times the annual contributions, where the funds available are not sufficient to cover losses and intervention costs.
Directive 59 was implemented in Italy by Legislative Decrees no. 180 and 181 of November 16, 2015, which made the implementation of the new regulations on banking crises immediately applicable, including the write-down or conversion of shares and subordinated loans, inclusive of equity instruments, when necessary to avoid failure, according to the "burden sharing" principle.

In this regard, by resolutions of November 21, 2015, approved by the Minister of Economy and Finance on November 22, 2015, the Bank of Italy, in its capacity as National Resolution Authority ("NRA"), ordered the start of a resolution program for Banca delle Marche, Banca Popolare Etruria e Lazio, Cassa di Risparmio di Ferrara, Cassa di Risparmio della Provincia di Chieti. This restructuring process of the four banks involved the spin-off of assets classified as non-performing, which were transferred to a "bad bank", from the other assets and liabilities, which were transferred to four new "bridge banks". To cover this restructuring, the aforementioned ministerial decrees involved the request for extraordinary contributions, in addition to the ordinary contribution, in accordance with Directive No. 59, for a maximum amount equal to three times the ordinary contributions due for 2015, to be paid to the National Resolution Fund established by the Bank of Italy, in accordance with the provisions of the aforementioned Legislative Decree 180.
For the sake of completeness, it should be noted that, in order to finance the resolution of the four banks mentioned above, Law Decree no. 183/2015 also introduced an additional guarantee for 2016, due to the National Resolution Fund, for the payment to the Single Resolution Fund of potential contributions of up to two ordinary contribution instalments. This guarantee shall only be triggered if the funds available to the National Resolution Fund, net of recoveries from divestments of assets carried out by it for the four banks carried out by the Fund, are not sufficient to cover the obligations, losses and costs in relation to the measures provided by the resolutions starting the resolution program.

Directive 2014/49/EU of April 16, 2014 on the deposit guarantee schemes (DGS - Deposit Guarantee Schemes) aims to increase the protection of depositors through the harmonization of the relevant national legislation. The Directive provides for the start of a new compulsory national contribution scheme with the aim of reaching a collection target of 0.8% of the protected deposits of its members by July 3, 2024. The contribution resumes when the funds available fall short of the target level, at least until the target level is reached again. If after reaching the target level, the funds available decrease to less than two thirds of the target level, the regular contribution shall be set at a level that enables the target level to be reached within six years. The contribution mechanism provides for ordinary annual contributions, aimed at distributing the costs for the contributing banks evenly over time, and extraordinary contributions where the funds available to an SGD are not enough to reimburse depositors; extraordinary contributions cannot exceed 0.5% of covered deposits per calendar year, but, in exceptional cases and with the consent of the relevant authority, the SGDs may demand higher contributions.
At the date of preparing these accounts, the process of enactment in Italy of the law implementing Directive 2014/49/EU had not been completed. Although the implementation is pending, the National Interbank Deposit Guarantee Fund, which is the Italian deposit protection scheme, by resolution of its shareholders' meeting of last November 26, 2015, amended its Articles of Association in anticipation of the introduction of the ex-ante contribution mechanism (aimed at achieving the multi-year objective mentioned above by 2024) and requested that the payment of the contribution for 2015 (corresponding, for the Bank, to its share of the funds for the protected deposits as at September 30, 2015).
Although directives no. 49 and 59 provided for the potential introduction of irrevocable payment commitments as a collection method alternative to cash contributions, up to a maximum of 30% of total target funds, in Italy this form of funding had not been made effective as of December 31, 2015 and, accordingly, contributions for 2015 were made through cash payments made within the 2015.

# Part A - Accounting policies (Continued)

As also specifically indicated by the Bank of Italy, the mandatory contributions to the National Resolution Fund, paid during the year, both in the "ordinary" and in the "extraordinary" form, are based on legislative provisions, and, accordingly, they fall within the definition of "Levies" under IFRIC 21. Since they involve a progressive series of annual payment obligations, they result in income statement costs for the amount of ordinary and extraordinary contributions due each year, recognized as "Other administrative expenses", when, in accordance with the implementing law, the obligation to pay the annual instalment arises on annual basis.
Similarly, the above-mentioned contributions requested by the National Interbank Deposit Guarantee Fund for DGS also come under the scope of IFRIC 21.

The costs recorded in 2015 for the above-mentioned contributions, paid in full in 2015 and recognised in the balance sheet item 150. B) Other administrative expenses, amounted to €4,691 thousand.

Finally, in relation to the losses incurred by the subordinated loan holders of the four banks covered by the resolution, the Legge di Stabilità 2016 - which maintained the effects of Law Decree 183 of November 22, 2015, which lapse due to its absence of conversion, relating to the implementation of the related resolution procedures - established Solidarity Fund was established up to a maximum of €100 million. This Solidarity Fund will be funded by the National Interbank Deposit Guarantee Fund (and therefore by the banks subscribing to it) according to terms and conditions yet to be determined pending the ministerial decrees to which the Stability Law refers.
Having identified that this measure results in an obligation to make a contribution to the fund, the Bank has allocated a sum to the Provision for risks and charges estimated based on the same criteria as those used by the National Interbank Deposit Guarantee Fund to calculate the DGS contribution, amounting to approximately €2,276 thousand.

# 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 - Hedge Accounting).

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 the derivatives settled by delivery of an unlisted equity instrument whose fair value cannot be reliably measured, and which are measured at cost like the underlying.

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 and liabilities at fair value through profit and loss" (Please see Ch.5 - Financial Instruments at Fair Value through Profit or Loss) If the fair value of an instrument 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 may 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.

# Part A - Accounting policies (Continued)

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 are recognized in the Statement of Comprehensive Income and shown in item 130. "Revaluation reserves".

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 impairment on an available-for-sale financial asset, the cumulative loss that 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 an impairment.
The impairment 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 as impairment, if fair value falls to less than 50% of cost or lasts for more than 18 months.
If, however, the fall in the fair value of the 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, an impairment is recognised.
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 a 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.
Conversely, 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 in equity under the revaluation reserve.

## 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;
- 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 and exchange rate 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 profit (or loss) on loans and receivables is recognized through 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 collections and the discount rate used.
The amount of the loss on impaired exposures classified as non-performing and unlikely to pay 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 interest 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 exposures 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 the rules defined in Bank of Italy Circular no. 272 of July 30, 2008 as amended (in particular, the 7th update of January 20, 2015), impaired exposures, i.e. those with the characteristics mentioned in paragraphs 58-62 of IAS 39, corresponding to the non-performing aggregate referred to in EBA ITS, 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;
- **unlikely to pay** - i.e. on- and off-balance sheet exposures which do not meet the borrower's condition for classification as non-performing loans and for which, in the absence of actions such as the enforcement of collateral, the debtor's ability to fully meet its credit obligations (principal and/or interest) is assessed as unlikely. This assessment is made independently of any past due and unpaid amount (or instalment). The classification of an exposure as unlikely to pay is not necessarily tied to evident issues (non-repayment), but is rather linked to indicators of a potential default of the borrower. The "unlikely to pay" exposures are measured individually (including by verifying statistically defined coverage levels for some loan portfolios below a predefined threshold) or by applying a percentage on a flat basis by type of homogeneous exposures;
- **past due and/or overdrawn impaired exposures** - i.e. on-balance sheet exposures, other than those classified as non-performing or unlikely to pay that are past due or overdrawn at the reporting date. The past due and/or overdrawn impaired exposures may be determined, alternatively, with respect to the individual debtor or the individual transaction. Specifically, they represent the total exposure to any borrower not included in the "unlikely to pay" 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).

  Past-due and/or overdrawn impaired 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. The Bank assesses past due and/or overdrawn impaired exposures with respect to the individual debtor. 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.

The EBA standards have introduced the definition of forborne exposures, i.e. exposures subject to forbearance when a debtor is or is about to face difficulties in meeting his financial commitments (financial difficulties).
Forbearance is defined by EBA standards as:

- a modification of the previous terms and conditions of a contract the debtor is considered unable to comply with due to its financial difficulties ("troubled debt") to allow for sufficient debt service ability, that would not have been granted had the debtor not been in financial difficulties;
- a total or partial refinancing of a troubled debt contract, that would not have been granted had the debtor not been in financial difficulties.

Forborne exposures may be classified in the impaired loans category (non-performing, unlikely to pay, impaired past due and overdrawn) or as performing loans. The accounting policies regarding provisions and assessments of forborne exposures are in accordance with the general principle set out by IAS 39, with the clarifications given above regarding renegotiated loans classified as unlikely to pay.

The collective assessment of performing loans 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. The Bank assumes the loss confirmation period as equal to a maximum of 12 months, at which existing accounting provisions and expected losses are equivalent.

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**
These include all personal guarantees issued by the bank to secure third-party 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. Impairment of guarantees given on behalf of debtors classified as "unlikely to pay" is calculated as for loans and advances.
In respect of guarantees issued on behalf of debtors classified as "Impaired past due and/or overdrawn 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 "unimpaired past due and/or overdrawn 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 credit 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 (FlaFV)

Any financial asset may be designated, in accordance with the provisions of IAS 39 as a financial instrument measured at fair value through profit and 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.

FlaFV 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.
FlaFV are accounted for in a similar manner to HfT financial assets (see Section 1 - Financial assets held for trading), 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 and loss".

At the balance sheet date, the Bank did not hold any financial assets classified as "Financial assets at fair value through profit and 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; the fair value changes of the hedged item relating to the unhedged risk (essentially the credit risk) are recognized in the Statement of Comprehensive Income and shown in item 130. "Revaluation reserves";
- **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 are recognized in the Statement of Comprehensive Income and shown in item 130. "Revaluation reserves";
- **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 throughout its life, 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 100. "Gains (Losses) on disposals/repurchase.

The Bank 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.

## 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 and those to be recognised, where applicable, under the item 140. “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.

Tangible 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”.

Tangible 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% |
| • Furnishings | 15% |
| • Ordinary office equipment | 12% |
| • Machinery, appliances and equipment | 15% |
| • Alarm and safety systems | 30% |
| • Electronic equipment | 20% |
| • Mobile phones and photographing systems | 20% |
| • Lifts and lifting equipment | 7.5% |
| • Motor vehicles | 25% |
| • Buildings | 3% |

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 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”.

# Part A - Accounting policies (Continued)

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.
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 the Bank’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 the Bank, which involves a high level of integration between personal financial advisors and the trading and banking platform, so that the personal financial advisors network is an integral part of the overall offer, which includes banking, brokerage and investing services, an allocation of costs/revenues to the macro areas of activity 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.

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## 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 associated 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

Tax assets and liabilities are recognised in the balance sheet respectively in asset item 130. "Tax assets" and in liability item 80. "Tax liabilities".
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.

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 tax assets with the current tax 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).

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.
In this regard, it should be noted that the effects of the reduction in the IRES income tax rate from 27.50% to 24% introduced, with effect from January 1, 2017 effective for tax periods after the period to December 31, 2016, introduced by the Legge di Stabilità 2016 were "neutralised" for the Bank as a result of the introduction, by the same Law, of an additional 3.5 percentage points for credit and financial institutions effective for the same tax periods.
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 will be available, against which the deferred tax assets can be utilised, 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 which the Bank subscribed to (see also Part B of the notes to the accounts - Section 13.7 - Further Information).

## 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 plan 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/losses recognized in the statement of comprehensive income are shown in item 130. "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.

Provisions for the year are recognised in the income statement 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 and 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.

HfT financial liabilities, including derivatives, are measured at fair value initially and for the life of the transaction, except for derivative liabilities 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 Bank'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 and 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 or liability is HfT;
- in the statement of comprehensive income and shown 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 involving the purchase of a division 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.
The positive difference between the cost of the business combination and the 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 and securities lending

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 asset held for trading. In respect of securities held in a repurchase agreement, the liability is recognised as due to banks or customers, or as financial liabilities held for trading. 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.

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.

### Equity instruments

Equity instruments represent a residual interest in assets, net of liabilities. An instrument is classified as equity instrument if there are no contractual obligations to make payments in the form of principal, interest or other types of returns.
Specifically, instruments that meet the following requirements are classified as equity instruments:
- unlimited term or at least equal to the term of the company;
- issuer's full discretion as to the payment of coupons or principal reimbursement, including early redemption.

Equity instruments include Additional Tier 1 instruments under Regulation (EU) No. 575/2013 (CRR) on prudential requirements for credit institutions and investment firms, which in addition to the above characteristics:
(i) maintain the issuer's full discretion as to the reinstatement of the nominal value (write-up) following a capital event that resulted in a write-down;
(ii) do not include provisions that require the issuer to make payments (must pay clauses) as a result of actual events under the control of the parties.

Equity instruments other than ordinary or savings shares, are classified in item 150. "Equity instruments" for the amount received including transaction costs attributable to the transaction.
Any coupons paid, net of related taxes, are deducted from Item 160. "Reserves".
Any difference between the amount paid for extinguishing or repurchasing these instruments and their book value is recognized in item 160. "Reserves".
At the balance sheet date, the Bank had not issued any "Equity instruments".

# Part A - Accounting policies (Continued)

## 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.

## 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.
Following pension reform by Law 252 of December 5, 2005, TFR instalments accrued to December 31, 2006 (or to the date between January 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 January 1, 2007 (date of Law 252 coming into effect) (or since the date between January 1, 2007 and June 30, 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 expenses" 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 and losses, defined as the difference between the carrying amount of the liability and the present value of obligations at period end, are recognized in the statement of comprehensive income and shown in item 130. Revaluation reserves in accordance with the provisions of IAS 19 Revised.

## Share-Based Payment

Equity-settled payments made to employees or other staff (in particular, personal financial advisors) in consideration of goods received or services rendered, using shares of the Bank or the parent, which consist of:
- Stock options;
- rights to receive shares upon attainment of certain objectives, which are settled with equity instruments;
- rights to receive shares upon attainment of certain objectives, which are settled in cash;

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 allocation of the rights.

The fair value of equity-settled payments using the Bank's shares 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.

As for share-based payments settled in cash in favour of personal financial advisors, the services acquired and the liabilities assumed are measured at the latter's fair value, recognised in Item 100. "Other Liabilities". Until the liability is settled, the fair value is recalculated at each balance sheet date until the settlement date, and all changes in fair value are recognised in item 50 "Fee and commission expense".

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, calculated when the related rights are assigned, recognised as a cost in profit and loss item 150 "Administrative costs", 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 the liability 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.

# Part A - Accounting policies (CONTINUED)

### 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 (see also Section Available-for-sale financial assets).

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.
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

The Bank 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).

# Part A - Accounting policies (Continued)

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 Adjustment or FVA.

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.
For instruments not listed 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

The Bank uses valuation techniques to value positions for which a market price is not available from market sources. In particular, 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.

**Fair Value Adjustment (FVA)**
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 thus ensure that fair value reflects the realisation amount from an actual possible market transaction.

## 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 Governance 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's Market Risk with the aim of guaranteeing an independent fair value.

## 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.
In particular, three levels are considered:

- Level 1: fair value for instruments classified within this level is determined according to the quoted prices on active markets;
- Level 2: fair value for instruments classified within this level is determined according to the valuation models which use observable market inputs;
- Level 3: fair value for instruments classified within this level is determined according to valuation models which prevalently use significant inputs not observable on active markets.

## A.4.4 Other information

Hereby we provide IFRS 13 disclosure requirements.

### 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 classified 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***

The Bank holds investment funds that calculate the Net Asset Value (NAV) per unit and may include investments in funds managed by the Group.

### Assets and liabilities not measured fair value or measured at fair value on a non-recurring basis

For these financial 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.

***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 a duration of less than 12 months for which the fair value was estimated to be equal to the book value have been assigned the level 3 fair value hierarchy.
For the UniCredit securities classified in the Loans and Receivables portfolio, the fair value has been calculated using the Group's methodology based on discounted cash flow, which consists of producing an estimate of the estimated cash flows over the life of the instrument and discounting at a rate that incorporates the credit spread. The credit spread is calculated based on the credit spread curve of the issuer, constructed by selecting issues, also from the second market, with the same specific characteristics.
The assessment of the UniCredit securities by Risk Management is then carried out for the purposes of disclosure and second level control.

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# Part A - Accounting policies (CONTINUED)

### *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 a duration of less than 12 months for which the fair value was estimated to be equal to the book value have been assigned the level 3 fair value hierarchy.

### *Cash and cash balances*
Cash and cash balances 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.

## QUANTITATIVE INFORMATION

## 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 | 12.31.2015 L1 | 12.31.2015 L2 | 12.31.2015 L3 | 12.31.2014 L1 | 12.31.2014 L2 | 12.31.2014 L3 |
|---|---|---|---|---|---|---|
| 1. Financial assets held for trading | 1,908 | 2,059 | 16 | 2,125 | 908 | 21 |
| 2. Financial assets designated at fair value through profit or loss | - | - | - | - | - | - |
| 3. Available-for-sale financial assets | 2,235,494 | - | 10,483 | 1,695,550 | - | - |
| 4. Hedging derivatives | - | - | - | - | 19,247 | - |
| 5. Property, plant and equipment | - | - | - | - | - | - |
| 6. Intangible assets | - | - | - | - | - | - |
| **Total** | **2,237,402** | **2,059** | **10,499** | **1,697,675** | **20,155** | **21** |
| 1. Financial liabilities held for trading | 1,020 | 3,080 | - | 1,986 | 1,146 | 3 |
| 2. Financial Liabilities at fair value through profit or loss | - | - | - | - | - | - |
| 3. Hedging derivatives | - | 31,319 | - | - | 36,993 | - |
| **Total** | **1,020** | **34,399** | **-** | **1,986** | **38,139** | **3** |

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 IN 2015 LEVEL 1 | CHANGES IN 2015 LEVEL 2 |
|---|---|---|---|
| **Financial assets measured at fair value** | | | |
| Financial assets held for trading | | | |
| | Transfer from level 1 | X | - |
| | Transfer from level 2 | 986 | 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 |

### 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** | **21** | **-** | **-** | **-** | **-** | **-** |
| **2. Increases** | | | | | | |
| 2.1 Purchases | 2,358 | - | - | - | - | - |
| 2.2 Profits allocated to: | | | | | | |
| 2.2.1 Income Statement | 19 | - | - | - | - | - |
| - of which capital gains | - | - | - | - | - | - |
| 2.2.2 Shareholders' Equity | X | X | 10,483 | - | - | - |
| 2.3 Transfers from other levels | - | - | - | - | - | - |
| 2.4 Other increases | - | - | - | - | - | - |
| **3. Decreases** | | | | | | |
| 3.1 Sales | (2,374) | - | - | - | - | - |
| 3.2 Reimbursements | - | - | - | - | - | - |
| 3.3 Losses allocated to: | | | | | | |
| 3.3.1 Income Statement | (8) | - | - | - | - | - |
| - of which capital losses | (4) | - | - | - | - | - |
| 3.3.2 Shareholders' Equity | X | X | - | - | - | - |
| 3.4 Transfers to other levels | - | - | - | - | - | - |
| 3.5 Other decreases | - | - | - | - | - | - |
| **4. Closing balance** | **16** | **-** | **10,483** | **-** | **-** | **-** |

The sub-items 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.

The sub-items 2.2.2 Profits recognised in equity and 3.3.2 Losses recognised in equity arising from changes in fair value of Available-for-sale financial assets are recognised, if any, in equity item 130. "Revaluation reserves" - except losses due to 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" of 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".

### 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** | **3** | **-** | **-** |
| **2. Increases** | | | |
| 2.1 Issues | - | - | - |
| 2.2 Losses allocated to: | | | |
| 2.2.1 Income Statement | - | - | - |
| - of which capital losses | - | - | - |
| 2.2.2 Shareholders' Equity | X | X | - |
| 2.3 Transfers from other levels | - | - | - |
| 2.4 Other increases | - | - | - |
| **3. Decreases** | | | |
| 3.1 Reimbursements | - | - | - |
| 3.2 Repurchases | - | - | - |
| 3.3 Profits recognised: | | | |
| 3.3.1 Income Statement | (3) | - | - |
| - of which capital gains | (3) | - | - |
| 3.3.2 In equity | X | X | - |
| 3.4 Transfers to other levels | - | - | - |
| 3.5 Other decreases | - | - | - |
| **4. Closing balance** | **-** | **-** | **-** |

# Part A - Accounting policies (Continued)

### 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)

| ASSETS/LIABILITIES NOT MEASURED AT FAIR VALUE OR MEASURED AT FAIR ON A NON-RECURRING BASIS | 12.31.2015 | | | | 12.31.2014 | | | |
|---|---|---|---|---|---|---|---|---|
| | BV | L1 | L2 | L3 | BV | L1 | L2 | L3 |
| 1. Held to maturity investments | - | - | - | - | - | - | - | - |
| 2. Loans and receivables with banks | 14,648,904 | - | 11,786,051 | 3,204,555 | 13,892,197 | - | 9,907,356 | 4,373,322 |
| 3. Loans and receivables with customers | 922,774 | - | - | 972,334 | 695,594 | - | 1 | 730,740 |
| 4. Property, plant and equipment held for investment | 2,509 | - | - | 4,535 | 2,621 | - | - | 4,813 |
| 5. Non-current assets and disposal groups classifield as held for sale | - | - | - | - | - | - | - | - |
| **Total** | **15,574,187** | **-** | **11,786,051** | **4,181,424** | **14,590,412** | **-** | **9,907,357** | **5,108,875** |
| 1. Deposits from banks | 1,423,459 | - | - | 1,423,459 | 1,428,568 | - | - | 1,428,568 |
| 2. Deposits from customers | 15,822,459 | - | 49,815 | 15,772,976 | 13,914,712 | - | 55,191 | 13,860,288 |
| 3. Debt securities in issue | - | - | - | - | 424,710 | - | 438,958 | - |
| "4. Liabilities included in disposal groups classified as held for sale" | - | - | - | - | - | - | - | - |
| **Total** | **17,245,918** | **-** | **49,815** | **17,196,435** | **15,767,990** | **-** | **494,149** | **15,288,856** |

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

Property, plant and equipment held for investment consist of two properties held by the Bank, the fair value of which corresponds to the market value as determined by an appraisal carried out by an external and independent valuation firm.

## 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 the recognition date is usually assumed to be equal to the amount collected or paid.
For financial instruments held for trading and financial instruments measured at fair value, any difference from the amount collected or paid is recognised in the appropriate line items of the income statement upon initial measurement of the financial instrument.
The use of prudent valuation models, the review processes of these models and their parameters and value adjustments to reflect model risk ensure that the amount recognized in the income statement is not derived from the use of unobservable valuation parameters. In particular, the quantification of the value adjustments relating to the risk model ensures that the part of the fair value of these instruments that refers to the use of subjective parameters is not recognised through profit or loss, but rather as an adjustment to the equity value of those instruments. Accordingly, this item is only subsequently recognised through profit or loss when there is a predominance of objective parameters and, consequently, when the mentioned adjustments are no longer required.
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 - Asset

## Assets

### Section 1 - Cash and cash balances - Item 10

**1.1 Cash and cash balances: breakdown**

(Amounts in € thousand)

| | 12.31.2015 | 12.31.2014 |
|---|---|---|
| (a) Cash | 6 | 5 |
| (b) Demand deposits with central banks | - | - |
| **Total** | **6** | **5** |

### Section 2 - Financial assets held for trading - Item 20

**2.1 Financial assets held for trading: product breakdown**

(Amounts in € thousand)

| | 12.31.2015 | | | 12.31.2014 | | |
|---|---|---|---|---|---|---|
| ITEM/AMOUNT | LEVEL 1 | LEVEL 2 | LEVEL 3 | LEVEL 1 | LEVEL 2 | LEVEL 3 |
| **A. On-balance sheet assets** | | | | | | |
| 1. Debt securities | 15 | 30 | - | 44 | - | - |
| 1.1 Structured securities | 3 | - | - | 3 | - | - |
| 1.2 Other debt securities | 12 | 30 | - | 41 | - | - |
| 2. Equity Instruments | 570 | - | 14 | 9 | - | 17 |
| 3. UCITS units | - | - | 2 | - | - | 1 |
| 4. Loans | - | - | - | - | - | - |
| 4.1 Reverse repos | - | - | - | - | - | - |
| 4.2 Others | - | - | - | - | - | - |
| **Total A** | **585** | **30** | **16** | **53** | **-** | **18** |
| **B. Derivatives** | | | | | | |
| 1. Financial derivatives | 1,323 | 2,029 | - | 2,072 | 908 | 3 |
| 1.1 trading derivatives | 1,323 | 2,029 | - | 2,072 | 908 | 3 |
| *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** | **1,323** | **2,029** | **-** | **2,072** | **908** | **3** |
| **Total (A+B)** | **1,908** | **2,059** | **16** | **2,125** | **908** | **21** |

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 €2,349 thousand (€920 thousand as at December 31, 2014).

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 €1,004 thousand (€2,063 thousand as at December 31, 2014).

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

(Amounts in € thousand)

| ITEM/AMOUNT | 12.31.2015 | 12.31.2014 |
|---|---|---|
| **A. ON-BALANCE SHEET ASSETS** | | |
| **1. Debt securities** | **45** | **44** |
| a) Governments and central banks | 7 | 8 |
| b) Other public entities | - | - |
| c) Banks | 38 | 33 |
| d) other issuers | - | 3 |
| **2. Equity Instruments** | **584** | **26** |
| a) Banks | 312 | 4 |
| b) Other issuers: | 272 | 22 |
| *- insurance companies* | *1* | - |
| *- financial companies* | *3* | *3* |
| *- non-financial companies* | *268* | *19* |
| *- other* | - | - |
| **3. UCITS units** | **2** | **1** |
| **4. Loans** | **-** | **-** |
| a) Governments and central banks | - | - |
| b) Other public entities | - | - |
| c) Banks | - | - |
| d) Other entities | - | - |
| **Total A** | **631** | **71** |
| **B. Derivatives** | | |
| a) Banks | 989 | 560 |
| b) Customers | 2,363 | 2,423 |
| **Total B** | **3,352** | **2,983** |
| **Total (A+B)** | **3,983** | **3,054** |

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 €8 thousand.

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

The Bank has not recognised any financial assets under the balance-sheet item “Financial assets designated at fair value through profit or loss”.

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

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

(Amounts in € thousand)

| | 12.31.2015 | | | 12.31.2014 | | |
|---|---|---|---|---|---|---|
| ITEM/AMOUNT | LEVEL 1 | LEVEL 2 | LEVEL 3 | LEVEL 1 | LEVEL 2 | LEVEL 3 |
| 1. Debt securities | 2,235,494 | - | - | 1,695,550 | - | - |
| 1.1 Structured securities | - | - | - | - | - | - |
| 1.2 Other debt securities | 2,235,494 | - | - | 1,695,550 | - | - |
| 2. Equity Instruments | | - | 10,488 | - | - | 5 |
| 2.1 Carried at fair value | - | - | 10,483 | - | - | - |
| 2.2 Carried at cost | - | - | 5 | - | - | 5 |
| 3. UCITS units | - | - | - | - | - | - |
| 4. Loans | - | - | - | - | - | - |
| **Total** | **2,235,494** | **-** | **10,488** | **1,695,550** | **-** | **5** |

# Part B - Balance Sheet - Asset (Continued)

The other debt securities are issued by the Italian Government, for a book value of €1,639,048 thousand (€1,685,157 thousand as at December 31, 2014), by the French Government, for a book value of €10,356 thousand (€10,393 thousand as at December 31, 2014) and by the Spanish Government, for a book value of €586,090 thousand (purchased in 2015).

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 €131,435 thousand.

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.

Equity instruments carried at fair value consist of the investment held in Visa Europe Limited (one unlisted share, carried at cost up to the prior year). As a result of the acquisition of the above-mentioned company by Visa International Inc., as described Report on Operations, this investment was remeasured as at December 31, 2015, assuming its fair value to be equal to the cash component of the offer consideration amounting to €10,483 thousand, recognising the re-measurement, after tax, under "other comprehensive income with reclassification through profit or loss" of the statement of comprehensive income and shown in the revaluation reserves.

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

(Amounts in € thousand)

| ITEM/AMOUNT | 12.31.2015 | 12.31.2014 |
|---|---|---|
| **1. Debt securities** | **2,235,494** | **1,695,550** |
| a) Governments and central banks | 2,235,494 | 1,695,550 |
| b) Other public entities | - | - |
| c) Banks | - | - |
| d) Other issuers | - | - |
| **2. Equity Instruments** | **10,488** | **5** |
| a) Banks | - | - |
| b) Other issuers: | 10,488 | 5 |
| *- insurance companies* | - | - |
| *- financial companies* | *10,483* | - |
| *- non-financial companies* | *5* | *5* |
| *- other* | - | - |
| **3. UCITS units** | **-** | **-** |
| **4. Loans** | **-** | **-** |
| a) Governments and central banks | - | - |
| b) Other public entities | - | - |
| c) Banks | - | - |
| d) Other entities | - | - |
| **Total** | **2,245,982** | **1,695,555** |

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

(Amounts in € thousand)

| ITEM/AMOUNT | 12.31.2015 | 12.31.2014 |
|---|---|---|
| **Financial assets subject to micro-hedging of fair value** | **1,581,481** | **1,614,200** |
| a) Interest rate risk | 1,581,481 | 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** | **1,581,481** | **1,614,200** |

The reported value is the value recognised in the financial statements at December 31, 2015.

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

The Bank has not recognised any financial assets under the balance-sheet item "Held to maturity investments".

## Section 6 - Loans and receivables with banks - Item 60

### 6.1 Loans and receivables with banks: product breakdown

(Amounts in € thousand)

| TYPE OF TRANSACTION/AMOUNT | 12.31.2015 BV | 12.31.2015 FV LEVEL 1 | 12.31.2015 FV LEVEL 2 | 12.31.2015 FV LEVEL 3 | 12.31.2014 BV | 12.31.2014 FV LEVEL 1 | 12.31.2014 FV LEVEL 2 | 12.31.2014 FV 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** | **14,648,904** | **-** | **11,786,051** | **3,204,555** | **13,892,197** | **-** | **9,907,356** | **4,373,322** |
| **1. Loans** | **3,204,555** | **-** | **-** | **3,204,555** | **4,403,867** | **-** | **30,613** | **4,373,322** |
| 1.1 Current accounts and demand deposits | 1,251,070 | X | X | X | 1,476,280 | X | X | X |
| 1.2 Time deposits | 1,914,662 | X | X | X | 2,894,321 | X | X | X |
| 1.3 Other loans: | | X | X | X | | X | X | X |
| - Reverse repos | 1,906 | X | X | X | 5,794 | X | X | X |
| - Finance leases | - | X | X | X | - | X | X | X |
| - Other | 36,917 | X | X | X | 27,472 | X | X | X |
| **2. Debt securities** | **11,444,349** | **-** | **11,786,051** | **-** | **9,488,330** | **-** | **9,876,743** | **-** |
| 2.1 Structured securities | - | X | X | X | - | X | X | X |
| 2.2 Other debt securities | 11,444,349 | X | X | X | 9,488,330 | X | X | X |
| **Total** | **14,648,904** | **-** | **11,786,051** | **3,204,555** | **13,892,197** | **-** | **9,907,356** | **4,373,322** |

**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 €1,224,234 thousand (€1,450,699 thousand as at December 31, 2014), 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, totalling €151,477 thousand (€131,855 thousand as at December 31, 2014), in addition to time deposits held with UniCredit for a carrying amount of €1,763,185 thousand (€2,762,466 thousand as at December 31, 2014), opened to invest the liquidity raised 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 €11,444,346 (€9,488,327 thousand as at December 31, 2014).

In the item Other loans, the item "Other" relates to the amount of the initial and variance margins placed with credit institutions for derivative transactions, of which €8,160 thousand with UniCredit and €21,630 thousand with UniCredit Bank AG Monaco (€23,170 thousand at December 31, 2014), as well as current receivables related to the provision of financial services.

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 - Asset (Continued)

## Section 7 - Loans and receivables with customers - Item 70

### 7.1 Loans and receivables with customers: product breakdown

(Amounts in € thousand)

| TYPE OF TRANSACTION/ AMOUNT | 12.31.2015 BOOK VALUE UNIMPAIRED | 12.31.2015 BOOK VALUE IMPAIRED PURCHASED | 12.31.2015 BOOK VALUE IMPAIRED OTHER | 12.31.2015 FAIR VALUE L1 | 12.31.2015 FAIR VALUE L2 | 12.31.2015 FAIR VALUE L3 | 12.31.2014 UNIMPAIRED | 12.31.2014 IMPAIRED PURCHASED | 12.31.2014 IMPAIRED OTHER | 12.31.2014 FAIR VALUE L1 | 12.31.2014 FAIR VALUE L2 | 12.31.2014 FAIR VALUE L3 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Loans** | **917,897** | **-** | **4,877** | **-** | **-** | **972,334** | **691,334** | **-** | **4,259** | **-** | **-** | **730,740** |
| 1. Current accounts | 211,273 | - | 3,765 | X | X | X | 128,270 | - | 2,495 | X | X | X |
| 2. Reverse repos | 198,941 | - | 10 | X | X | X | 117,987 | - | 27 | X | X | X |
| 3. Mortgages | - | - | 46 | X | X | X | - | - | 58 | X | X | X |
| 4. Credit cards, personal loans and wage assignment loans | 395,721 | - | 1,029 | X | X | X | 344,812 | - | 1,653 | X | X | X |
| 5. Finance leases | - | - | - | X | X | X | - | - | - | X | X | X |
| 6. Factoring | - | - | - | X | X | X | - | - | - | X | X | X |
| 7. Other loans | 111,962 | - | 27 | X | X | X | 100,265 | - | 26 | X | X | X |
| **Debt securities** | **-** | **-** | **-** | **-** | **-** | **-** | **1** | **-** | **-** | **-** | **1** | **-** |
| 8. Structured securities | - | - | - | X | X | X | - | - | - | X | X | X |
| 9. Other debt securities | - | - | - | X | X | X | 1 | - | - | X | X | X |
| **Total** | **917,897** | **-** | **4,877** | **-** | **-** | **972,334** | **691,335** | **-** | **4,259** | **-** | **1** | **730,740** |

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

(Amounts in € thousand)

| TYPE OF TRANSACTION/AMOUNT | 12.31.2015 UNIMPAIRED | 12.31.2015 IMPAIRED PURCHASED | 12.31.2015 IMPAIRED OTHER | 12.31.2014 UNIMPAIRED | 12.31.2014 IMPAIRED PURCHASED | 12.31.2014 IMPAIRED OTHER |
|---|---|---|---|---|---|---|
| **1. Debt securities** | **-** | **-** | **-** | **1** | **-** | **-** |
| a) Governments | - | - | - | - | - | - |
| b) Other public entities | - | - | - | 1 | - | - |
| c) Other issuers: | - | - | - | - | - | - |
| *- non-financial companies* | - | - | - | - | - | - |
| *- financial companies* | - | - | - | - | - | - |
| *- insurance companies* | - | - | - | - | - | - |
| *- other* | - | - | - | - | - | - |
| **2. Loans to:** | **917,897** | **-** | **4,877** | **691,334** | **-** | **4,259** |
| a) Governments | - | - | 2 | - | - | - |
| b) Other public entities | - | - | - | - | - | - |
| c) Other entities: | 917,897 | - | 4,875 | 691,334 | - | 4,259 |
| *- non-financial companies* | *16,461* | - | *23* | *14,071* | - | *23* |
| *- financial companies* | *92,348* | - | *7* | *85,269* | - | *15* |
| *- insurance companies* | *11,464* | - | - | *7,096* | - | - |
| *- other* | *797,624* | - | *4,845* | *584,898* | - | *4,221* |
| **Total** | **917,897** | **-** | **4,877** | **691,335** | **-** | **4,259** |

### 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

(Amounts in € thousand)

| ITEM/AMOUNT | FV 12.31.2015 L1 | FV 12.31.2015 L2 | FV 12.31.2015 L3 | NA 12.31.2015 | FV 12.31.2014 L1 | FV 12.31.2014 L2 | FV 12.31.2014 L3 | NA 12.31.2014 |
|---|---|---|---|---|---|---|---|---|
| **A. Financial derivatives** | **-** | **-** | **-** | **-** | **-** | **19,247** | **-** | **889,575** |
| 1) Fair value | - | - | - | - | - | 19,247 | - | 889,575 |
| 2) Cash flows | - | - | - | - | - | - | - | - |
| 3) Net investment in foreign subsidiaries | - | - | - | - | - | - | - | - |
| **B. Credit derivatives** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| 1) Fair value | - | - | - | - | - | - | - | - |
| 2) Cash flows | - | - | - | - | - | - | - | - |
| **Total** | **-** | **-** | **-** | **-** | **-** | **19,247** | **-** | **889,575** |

Key:
NA = Notional amount
L1 = Level 1
L2 = Level 2
L3 = Level 3

### 8.2 Hedging derivatives: breakdown by hedged assets and risk

No data to report.

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

### 9.1 Changes in value of hedged financial assets: breakdown by hedged portfolio

(Amounts in € thousand)

| CHANGES IN VALUE OF HEDGED ASSETS/AMOUNT | 12.31.2015 | 12.31.2014 |
|---|---|---|
| **1. Positive changes** | **10,573** | **15,641** |
| 1.1 of specific portfolios | 10,573 | 15,641 |
| *a) loans and receivables* | *10,573* | *15,641* |
| *b) available-for-sale financial assets* | - | - |
| 1.2 overall | - | - |
| **2. Negative changes** | **-** | **(10,614)** |
| 2.1 of specific portfolios | - | (10,614) |
| *a) loans and receivables* | - | *(10,614)* |
| *b) available-for-sale financial assets* | - | - |
| 2.2 overall | - | - |
| **Total** | **10,573** | **5,027** |

### 9.2 Assets subject to macro-hedgeding of interest rate risk

(Amounts in € thousand)

| HEDGED ASSETS | 12.31.2015 | 12.31.2014 |
|---|---|---|
| 1. Loans and receivables | 930,880 | 1,505,077 |
| 2. Available-for-sale financial assets | - | - |
| 3. Portfolio | - | - |
| **Total** | **930,880** | **1,505,077** |

Receivables subject to macro-hedging of interest rate risk consist of fixed-rate personal loans and debt securities issued by UniCredit S.p.A. and classified as Loans and Receivables.

## Section 10 - Equity investments - Item 100

No data to report.

# Part B - Balance Sheet - Asset (Continued)

## Section 11 - Property, plant and equipment - Item 110

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

(Amounts in € thousand)

| ASSET/AMOUNT | 12.31.2015 | 12.31.2014 |
|---|---|---|
| **1. Owned assets** | **9,910** | **8,271** |
| a) land | - | - |
| b) buildings | - | - |
| c) office furniture and fittings | 1,064 | 927 |
| d) electronic systems | 7,575 | 6,136 |
| e) other | 1,271 | 1,208 |
| **2. Assets under financial lease** | **-** | **-** |
| a) land | - | - |
| b) buildings | - | - |
| c) office furniture and fittings | - | - |
| d) electronic systems | - | - |
| e) other | - | - |
| **Total** | **9,910** | **8,271** |

A description of the methods used to calculate depreciation is provided in Part A - Accounting Policies of the notes to the accounts.

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

(Amounts in € thousand)

| | 12.31.2015 | | | | 12.31.2014 | | | |
|---|---|---|---|---|---|---|---|---|
| | | FAIR VALUE | | | | FAIR VALUE | | |
| ASSET/AMOUNT | BOOK VALUE | L1 | L2 | L3 | BOOK VALUE | L1 | L2 | L3 |
| **1. Owned assets** | **2,509** | **-** | **-** | **4,535** | **2,621** | **-** | **-** | **4,813** |
| a) land | - | - | - | - | - | - | - | - |
| b) buildings | 2,509 | - | - | 4,535 | 2,621 | - | - | 4,813 |
| **2. Assets under finance lease** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| a) land | - | - | - | - | - | - | - | - |
| b) buildings | - | - | - | - | - | - | - | - |
| **Total** | **2,509** | **-** | **-** | **4,535** | **2,621** | **-** | **-** | **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

(Amounts in € thousand)

| | LAND | BUILDINGS | OFFICE FURNITURE AND FITTINGS | ELECTRONIC SYSTEMS | OTHER | TOTAL |
|---|---|---|---|---|---|---|
| **A. Gross opening balance** | **-** | **-** | **11,835** | **20,146** | **9,321** | **41,302** |
| A.1 Total net reduction in value | - | - | (10,908) | (14,010) | (8,113) | (33,031) |
| **A.2 Net opening balance** | **-** | **-** | **927** | **6,136** | **1,208** | **8,271** |
| **B. Increases:** | **-** | **-** | **724** | **4,257** | **518** | **5,499** |
| B.1 Purchases | - | - | 720 | 4,257 | 518 | 5,495 |
| B.2 Capitalised expenditure on improvements | - | - | - | - | - | - |
| B.3 Write-backs | - | - | - | - | - | - |
| B.4 Increase in fair value recognised | | | | | | |
| 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 | - | - | 4 | - | - | 4 |
| **C. Decreases:** | **-** | **-** | **(587)** | **(2,818)** | **(455)** | **(3,860)** |
| C.1 Sales | - | - | - | - | - | - |
| C.2 Depreciation | - | - | (568) | (2,817) | (451) | (3,836) |
| C.3 Impairment losses recognised | | | | | | - |
| a) in equity | - | - | - | - | - | - |
| b) through profit or loss | - | - | (11) | - | (3) | (14) |
| C.4 Decreases in fair value recognised | | | | | | |
| 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 | - | - | (8) | (1) | (1) | (10) |
| **D. Net closing balance** | **-** | **-** | **1,064** | **7,575** | **1,271** | **9,910** |
| D.1 Total net reduction in value | - | - | (11,307) | (15,636) | (8,376) | (35,319) |
| **D.2 Gross closing balance** | **-** | **-** | **12,371** | **23,211** | **9,647** | **45,229** |
| E. Carried at cost | - | - | 1,064 | 7,575 | 1,271 | 9,910 |

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

# Part B - Balance Sheet - Asset (Continued)

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

(Amounts in € thousand)

| | LAND | BUILDINGS |
|---|---|---|
| **A. Gross opening balance** | **-** | **3,745** |
| A.1 Total net reduction in value | - | (1,124) |
| **A.2 Net opening balance** | **-** | **2,621** |
| **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:** | **-** | **(112)** |
| C.1 Sales | - | - |
| C.2 Depreciation | - | (112) |
| C.3 Decreases 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** | **-** | **2,509** |
| D.1 Total net reduction in value | - | (1,236) |
| **D.2 Gross closing balance** | **-** | **3,745** |
| E. Fair value measurement | - | 4,535 |

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

### 11.7 Commitments to purchase property, plant and equipment

As at December 31, 2015 the Bank had contractual commitments to purchase property, plant and equipment amounting to €2,725 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

(Amounts in € thousand)

| | 12.31.2015 | | 12.31.2014 | |
|---|---|---|---|---|
| ASSET/AMOUNT | FINITE LIFE | INDEFINITE LIFE | FINITE LIFE | INDEFINITE LIFE |
| A.1 Goodwill | X | 89,602 | X | 89,602 |
| A.2 Other intangible assets | 8,212 | | 8,142 | |
| A.2.1 Assets carried at cost: | | | | |
| a) Intangible assets generated internally | - | - | - | - |
| b) Other assets | 8,212 | - | 8,142 | - |
| A.2.2 Assets carried at fair value: | | | | |
| a) Intangible assets generated internally | - | - | - | - |
| b) Other assets | - | - | - | - |
| **Total** | **8,212** | **89,602** | **8,142** | **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 finite life is 5 years. A description of the methods used to calculate depreciation is provided in Part A - Accounting Policies of the notes to the accounts.

### 12.2 Intangible assets: annual changes

(Amounts in € thousand)

| | 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** | **-** | **-** | **65,157** | **-** | **189,886** |
| A.1 Total net reduction in value | (35,127) | - | - | (57,015) | - | (92,142) |
| **A.2 Net opening balance** | **89,602** | **-** | **-** | **8,142** | **-** | **97,744** |
| **B. Increases** | **-** | **-** | **-** | **5,059** | **-** | **5,059** |
| B.1 Purchases | - | - | - | 5,059 | - | 5,059 |
| B.2 Increases in internal intangible assets | X | - | - | - | - | - |
| B.3 Write-backs | X | - | - | - | - | - |
| B.4 Increases in fair value recognised: | | | | | | |
| - in equity | X | - | - | - | - | - |
| - through profit or loss | X | - | - | - | - | - |
| B.5 Positive exchange differences | - | - | - | - | - | - |
| B.6 Other changes | - | - | - | - | - | - |
| **C. Decreases** | **-** | **-** | **-** | **(4,989)** | **-** | **(4,989)** |
| C.1 Sales | - | - | - | - | - | - |
| C.2 Impairment losses | | | | | | |
| - Amortisation | X | - | - | (4,989) | - | (4,989) |
| - Write-downs | | | | | | |
| + in equity | X | - | - | - | - | - |
| + through profit or loss | - | - | - | - | - | - |
| C.3 Decreases 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 changes | - | - | - | - | - | - |
| **D. Net closing balance** | **89,602** | **-** | **-** | **8,212** | **-** | **97,814** |
| D.1 Total net impairments | (35,127) | - | - | (62,003) | - | (97,130) |
| **E. Gross closing balance** | **124,729** | **-** | **-** | **70,215** | **-** | **194,944** |
| F. Carried at cost | 89,602 | - | - | 8,212 | - | 97,814 |

**Key**
FIN: finite life
INDEF: indefinite life

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

### 12.3 Other information

As at December 31, 2015 the Bank had contractual commitments to purchase intangible assets amounting to €419 thousand.
We also report that there were no intangible assets acquired through government concession; no intangible assets were used as collateral for own debts; no intangible assets were held under a finance lease; and there were no revalued intangible assets.

### *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.
For the purposes of impairment testing, the value in use of the cash generating unit (CGU) to which the intangible assets have been assigned must be

# Part B - Balance Sheet - Asset (Continued)

calculated considering the cash flows for all the assets and liabilities included in the CGU and not just those for which goodwill and/or the intangible asset has been recognised upon application of 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 the Bank'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 the Bank, which envisages a high level of integration between personal financial advisors and the trading and banking platform, so that the personal 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 the macro areas of activity 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 2016, in which the budget figures were considered (subject to approval by the Board of Directors on January 12, 2016);
- period from 2017 to 2018, which considers the financial projections of the Strategic Plan (submitted for approval by the Board of Directors of November 10, 2015);
- intermediate period of five 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 2015 was 2.9% (of which 1.7% 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); 8.76%
- Final discount rate net of tax (Ke); 8.99%
- 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 Bank is the sum of the following:

- Risk-free rate: the average of the last 6 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 of over the last six years of the shares of banks operating predominantly in the same sector.

However, for prudential reasons, the cost of capital for the Bank from 2018 to the Terminal Value was raised to the level of the Germany Commercial Banking of the UniCredit Group, which was considered to be the floor value within the Group.

The cost of capital used for the impairment testing has 3 target points (2016 budget, 2018 target from the Strategic Plan, and Terminal Value) within which a linear convergence is calculated.

*Impairment test results*

The methodology for calculating the value in use described above (model, assumptions and parameters used) was approved by the Board of Directors on January 12, 2016. For the impairment testing the carrying amount of the goodwill was compared with its value in use calculated using that methodology. The outcome of the tests (approved by the Board of Directors of February 8, 2016) confirmed the sustainability of the goodwill recognised in the financial statements as at December 31, 2015.

*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 | -17.0% | -0.6% | -11.7% | -6.4% |

The results confirmed the sustainability of the goodwill recognised in the financial statements. Indeed, none of the scenarios hypothesised revealed the need for a write-down, as the value in use, calculated applying those variations, was significantly higher than the book value.
It should also be noted, that the impairment test reaches the break-even assuming changes in the above parameters that are currently unreasonable. The impairment test reached a break-even with an absolute positive change in the discount rate after tax (Ke) of over 20 percentage points, i.e. with a reduction of around 80% of annual earnings (while maintaining all the other parameters and information used unchanged, in both scenarios).

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, 2015 amounted to €4,625 million compared with shareholders' equity of €633 million.

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

### General aspects

The item "Tax assets" amounting to €15,424 thousand comprises:
- "Current tax assets" of €1,733 thousand;
- "Deferred tax assets" of €13,691 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 €39,024 thousand recognised as a balancing entry in the income statement;
  - "Deferred tax assets" of €2,440 thousand recognised as a balancing entry of shareholders' equity;
  - "Deferred tax liabilities" of €22,878 thousand recognised as a balancing entry in the income statement;
  - "Deferred tax liabilities" of €4,895 thousand recognised as a balancing entry of shareholders' equity.

The item "Tax liabilities" amounting to €37,445 thousand, consists exclusively of "Current tax liabilities".
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

(Amounts in € thousand)

| ASSET/AMOUNT | 12.31.2015 | 12.31.2014 |
|---|---|---|
| **Current tax assets** | **1,733** | **2,178** |
| **Current tax liabilities** | **37,445** | **33,358** |

### National tax consolidation

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

# Part B - Balance Sheet - Asset (Continued)

## 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;
- 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%.

### 13.1 Deferred tax assets: breakdown

(Amounts in € thousand)

| ASSET/AMOUNT | 12.31.2015 | 12.31.2014 |
|---|---|---|
| Allocations through profit or loss | 34,623 | 35,236 |
| Allocations through equity | 2,440 | 1,790 |
| Impairment losses on receivables (of which pursuant to Law 214/2011) | 4,401 | 3,839 |
| **Total before IAS 12 offset** | **41,464** | **40,865** |
| Offset against deferred tax liabilities - IAS 12 | (27,773) | (24,493) |
| **Total** | **13,691** | **16,372** |

### 13.2 Deferred tax liabilities: breakdown

(Amounts in € thousand)

| ASSET/AMOUNT | 12.31.2015 | 12.31.2014 |
|---|---|---|
| Allocations through profit or loss | 22,878 | 21,860 |
| Allocations through equity | 4,895 | 2,633 |
| **Total before IAS 12 offset** | **27,773** | **24,493** |
| Offset against deferred tax liabilities - IAS 12 | (27,773) | (24,493) |
| **Total** | **-** | **-** |

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

(Amounts in € thousand)

| | 12.31.2015 | 12.31.2014 |
|---|---|---|
| **1. Opening balance** | **39,075** | **41,316** |
| **2. Increases** | **6,988** | **5,842** |
| 2.1 Deferred tax assets recognised in the year | 6,742 | 5,842 |
| a) relating to prior years | - | - |
| b) due to changes in accounting policies | - | - |
| c) write-backs | - | - |
| d) other | 6,742 | 5,842 |
| 2.2 New taxes or increases in tax rates | - | - |
| 2.3 Other increases | 246 | - |
| **3. Decreases** | **(7,039)** | **(8,083)** |
| 3.1 Deferred tax assets cancelled in the year | (7,039) | (7,388) |
| a) reversals of temporary differences | (7,039) | (7,388) |
| 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) |
| a) conversion of tax credits as per Law 214/2011 | - | - |
| b) other | - | (695) |
| **4. Closing balance** | **39,024** | **39,075** |

Increases in deferred tax assets recognised in the year through profit or loss refer to the following main items:
- allocations to provisions for risks and charges;
- future staff expenses;
- impairments and losses on loans deferred in the amount of 25% in application of Article 106, paragraph 3 Income Tax Code.

Decreases in deferred tax assets recognised in the year through profit or loss mainly refer to the following items:
- tax recovery for deferred expenses;
- use of provisions for future staff expenses;
- use of provisions for risks and charges.
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)

(Amounts in € thousand)

| | 12.31.2015 | 12.31.2014 |
|---|---|---|
| **1. Opening balance** | **3,839** | **3,473** |
| **2. Increases** | **562** | **366** |
| **3. Decreases** | **-** | **-** |
| 3.1 Reversals | - | - |
| 3.2 Conversion into tax credits | | |
| a) resulting from operating losses | - | - |
| b) resulting from tax losses | - | - |
| 3.3 Other decreases | - | - |
| **4. Closing balance** | **4,401** | **3,839** |

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

(Amounts in € thousand)

| | 12.31.2015 | 12.31.2014 |
|---|---|---|
| **1. Opening balance** | **21,860** | **20,527** |
| **2. Increases** | **1,018** | **1,333** |
| 2.1 Deferred tax liabilities arising during the year | 1,018 | 1,333 |
| a) relating to prior years | - | - |
| b) due to changes in accounting policies | 66 | - |
| c) other | 952 | 1,333 |
| 2.2 New taxes or increases in tax rates | - | - |
| 2.3 Other increases | - | - |
| **3. Decreases** | **-** | **-** |
| 3.1 Deferred tax liabilities de-recognised during the year | - | - |
| a) reversals of temporary differences | - | - |
| b) due to changes in accounting policies | - | - |
| c) other | - | - |
| 3.2 Reduction in tax rates | - | - |
| 3.3 Other decreases | - | - |
| **4. Closing balance** | **22,878** | **21,860** |

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 - Asset (Continued)

### 13.5 Changes in deferred tax assets (through equity)

(Amounts in € thousand)

| | 12.31.2015 | 12.31.2014 |
|---|---|---|
| **1. Opening balance** | **1,790** | **1,354** |
| **2. Increases** | **832** | **546** |
| 2.1 Deferred tax assets recognised in the year | 832 | 546 |
| a) relating to prior years | - | - |
| b) due to changes in accounting policies | - | - |
| c) other | 832 | 546 |
| 2.2 New taxes or increases in tax rates | - | - |
| 2.3 Other increases | - | - |
| **3. Decreases** | **(182)** | **(110)** |
| 3.1 Deferred tax assets cancelled in the year | (182) | (110) |
| a) reversals of temporary differences | (115) | (16) |
| b) write-downs of non-recoverable items | - | - |
| c) due to changes in accounting policies | - | - |
| d) other | (67) | (94) |
| 3.2 Reduction in tax rates | - | - |
| 3.3 Other decreases | - | - |
| **4. Closing balance** | **2,440** | **1,790** |

The increase in deferred tax assets recognised in the year in equity refer to the recognition in advance of:
- actuarial gains (losses) to equity under the Revaluation reserves according to IAS 19 Revised;
- fair value measurement of debt securities classified under the “Available-for-sale financial assets” category

### 13.6 Changes in deferred tax liabilities (through equity)

(Amounts in € thousand)

| | 12.31.2015 | 12.31.2014 |
|---|---|---|
| **1. Opening balance** | **2,633** | **332** |
| **2. Increases** | **2,503** | **2,387** |
| 2.1 Deferred tax liabilities arising during the year | 2,503 | 2,387 |
| a) relating to prior years | - | - |
| b) due to change in accounting policies | - | - |
| c) other | 2,503 | 2,387 |
| 2.2 New taxes or increases in tax rates | - | - |
| 2.3 Other increases | - | - |
| **3. Decreases** | **(241)** | **(86)** |
| 3.1 Deferred tax liabilities de-recognised during the year | (241) | (86) |
| a) reversals of temporary differences | (241) | (86) |
| b) due to change in accounting policies | - | - |
| c) other | - | - |
| 3.2 Reduction in tax rates | - | - |
| 3.3 Other decreases | - | - |
| **4. Closing balance** | **4,895** | **2,633** |

The increase and decreases in deferred tax assets recognised during the year in equity related to the recognition and reversal of deferred tax assets as a result of the fair value measurement of debt securities and equity instruments classified under the “Available-for-sale financial assets” category.

### 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

(Amounts in € thousand)

| | 12.31.2015 | 12.31.2014 |
|---|---|---|
| Items in transit not allocated to relevant accounts | 37 | 6 |
| Items awaiting settlement: | | |
| - notes, cheques and other documents | 10,021 | 9,169 |
| Items in processing: | | |
| - POS and ATM cards | - | 8 |
| - other items in processing | 17 | 16 |
| Current receivables not associated with the provision of financial services | 3,163 | 4,576 |
| Definitive items not recognised under other items: | | |
| - securities and coupons to be settled | 1,496 | 13,494 |
| - fees to be charged to customers | 29,613 | 28,240 |
| - other transactions | 11,930 | 11,866 |
| Tax items other than those included in item 130: | | |
| - tax advances | 276,372 | 225,208 |
| - tax credits | 9,483 | 9,850 |
| - tax advances on employee severance indemnities | 20 | 14 |
| Receivables due to disputed items not deriving from lending | 119 | 119 |
| Prepayments | 19,950 | 15,109 |
| Improvement and incremental expenses incurred on leasehold assets | 7,849 | 9,081 |
| **Total** | **370,070** | **326,756** |

# Part B - Balance Sheet - Liabilities

## Liabilities

### Section 1 - Deposits from banks - Item 10

**1.1 Deposits from banks: product breakdown**

(Amounts in € thousand)

| TYPE OF TRANSACTION/AMOUNT | 12.31.2015 | 12.31.2014 |
|---|---|---|
| **1. Deposits from central banks** | **-** | **-** |
| **2. Deposits from banks** | **1,423,459** | **1,428,568** |
| 2.1 Current accounts and demand deposits | 68,848 | 25,057 |
| 2.2 Time deposits | - | - |
| 2.3 Loans | 1,313,191 | 1,337,843 |
| 2.3.1 Repos | 1,313,191 | 1,337,843 |
| 2.3.2 Other | - | - |
| 2.4 Liabilities in respect of commitments to repurchase treasury shares | - | - |
| 2.5 Other liabilities | 41,420 | 65,668 |
| ***Total*** | **1,423,459** | **1,428,568** |
| ***Fair value - level 1*** | **-** | **-** |
| ***Fair value - level 2*** | **-** | **-** |
| ***Fair value - level 3*** | ***1,423,459*** | ***1,428,568*** |
| **Total fair value** | **1,423,459** | **1,428,568** |

**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**

(Amounts in € thousand)

| TYPE OF TRANSACTION/AMOUNT | 12.31.2015 | 12.31.2014 |
|---|---|---|
| 1. Current accounts and demand deposits | 14,985,275 | 12,246,966 |
| 2. Time deposits | 560,114 | 1,315,731 |
| 3. Loans | 199,817 | 281,178 |
| 3.1 Repos | 199,817 | 281,178 |
| 3.2 Others | - | - |
| 4. Liabilities in respect of commitments to to repurchase treasury shares | - | - |
| 5. Other liabilities | 77,253 | 70,837 |
| ***Total*** | **15,822,459** | **13,914,712** |
| ***Fair value - level 1*** | **-** | **-** |
| ***Fair value - level 2*** | ***49,815*** | ***55,191*** |
| ***Fair value - level 3*** | ***15,772,976*** | ***13,860,288*** |
| **Total fair value** | **15,822,791** | **13,915,479** |

**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

(Amounts in € thousand)

| TYPE OF TRANSACTION/AMOUNT | 12.31.2015 | | | | 12.31.2014 | | | |
|---|---|---|---|---|---|---|---|---|
| | | 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 | - |
| 1.1 structured | - | - | - | - | - | - | - | - |
| 1.2 other | - | - | - | - | 424,710 | - | 438,958 | - |
| 2. Other securities | - | - | - | - | - | - | - | - |
| 2.1 structured | - | - | - | - | - | - | - | - |
| 2.2 other | - | - | - | - | - | - | - | - |
| **Total** | **-** | **-** | **-** | **-** | **424,710** | **-** | **438,958** | **-** |

In 2015, the Bank redeemed securities issued by it for nominal amounts of €400,000 thousand and $30,000 thousand, representing the last tranche of the total nominal amounts of €3,000,000 thousand and $100,000 thousand (repurchased for amounts of €2,600,000 thousand and $70,000 thousand in previous years).

### 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 40

### 4.1 Financial liabilities held for trading: product breakdown

(Amounts in € thousand)

| TYPE OF TRANSACTION/AMOUNT | 12.31.2015 | | | | | 12.31.2014 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | 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 | - | - | - | - | 576 | - | - | - | - |
| 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 Others | - | - | - | - | X | - | - | - | - | X |
| **Total A** | **576** | **-** | **-** | **-** | **-** | **576** | **-** | **-** | **-** | **-** |
| **B. Derivatives** | | | | | | | | | | |
| 1. Financial derivatives | X | 1,020 | 3,080 | - | X | X | 1,986 | 1,146 | 3 | X |
| 1.1 Trading derivatives | X | 1,020 | 3,080 | - | X | X | 1,986 | 1,146 | 3 | 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** | **1,020** | **3,080** | **-** | **X** | **X** | **1,986** | **1,146** | **3** | **X** |
| **Total (A+B)** | **X** | **1,020** | **3,080** | **-** | **X** | **X** | **1,986** | **1,146** | **3** | **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 €3,103 thousand (€1,138 thousand as at December 31, 2014).
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 €997 thousand (€1,997 thousand as at December 31, 2014).

### 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.

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

The Bank has not recognised any financial liabilities under the balance-sheet 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

(Amounts in € thousand)

| ITEM/AMOUNT | FAIR VALUE 12.31.2015 L1 | L2 | L3 | NA 12.31.2015 | FAIR VALUE 12.31.2014 L1 | L2 | L3 | NA 12.31.2014 |
|---|---|---|---|---|---|---|---|---|
| **A. Financial derivatives** | **-** | **31,319** | **-** | **2,430,880** | **-** | **36,993** | **-** | **2,559,363** |
| 1) Fair value | - | 31,319 | - | 2,430,880 | - | 36,993 | - | 2,559,363 |
| 2) Cash flows | - | - | - | - | - | - | - | - |
| 3) Net investment in foreign subsidiaries | - | - | - | - | - | - | - | - |
| **B. Credit derivatives** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| 1) Fair value | - | - | - | - | - | - | - | - |
| 2) Cash flows | - | - | - | - | - | - | - | - |
| **Total** | **-** | **31,319** | **-** | **2,430,880** | **-** | **36,993** | **-** | **2,559,363** |

Key:
NA = Notional amount
L1 = Level 1
L2 = Level 2
L3 = Level 3

### 6.2 Hedging derivatives: breakdown by hedged assets and risk

(Amounts in € thousand)

| TRANSACTION/TYPE OF HEDGE | FAIR VALUE - SPECIFICA - INTEREST RATE RISK | CURRENCY EXCHANGE RATE RISK | CREDIT RISK | PRICE RISK | MULTIPLE RISKS | FAIR VALUE - MACRO | CASH FLOWS - MICRO | CASH FLOWS - MACRO | FOREIGN INVESTMENTS |
|---|---|---|---|---|---|---|---|---|---|
| 1. Available-for-sale financial assets | 21,503 | - | - | - | - | 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 | 9,816 | X | - | X |
| 5. Other transactions | - | - | - | - | - | X | - | X | - |
| **Total assets** | **21,503** | **-** | **-** | **-** | **-** | **9,816** | **-** | **-** | **-** |
| 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 financial liabilities - Item 70

### 7.1 Changes to macro-hedged financial liabilities

(Amounts in € thousand)

| CHANGES TO MACRO-HEDGED FINANCIAL LIABILITIES/AMOUNTS | 12.31.2015 | 12.31.2014 |
|---|---|---|
| 1. Positive changes to financial liabilities | - | 9,228 |
| 2. Negative changes to financial liabilities | - | - |
| **Total** | **-** | **9,228** |

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

(Amounts in € thousand)

| HEDGED LIABILITIES | 12.31.2015 | 12.31.2014 |
|---|---|---|
| 1. Debt securities in issue | - | 424,710 |
| **Total** | **-** | **424,710** |

The liabilities subject to macro-hedging of interest rate risk at December 31, 2014 were fully repaid during 2015.

# Section 8 - Tax liabilities - Item 80

See section 13 of assets.

# Section 9 - Liabilities included in disposal groups classified as held for sale - Item 90

See section 14 of assets.

# Section 10 - Other liabilities - Item 100

### 10.1 Other liabilities: breakdown

(Amounts in € thousand)

| | 12.31.2015 | 12.31.2014 |
|---|---|---|
| Impairment of financial guarantees given | 1,416 | 1,416 |
| Accrued expenses other than those to be capitalised for the financial liabilities concerned | 164 | 140 |
| Other liabilities relative to employees | 6,610 | 6,533 |
| Other liabilities relative to other personnel | 1 | 16 |
| Other liabilities due to directors and statutory auditors | 187 | 212 |
| Sums available to be paid to customers | 248 | 244 |
| Items in processing: | | |
| - incoming bank transfers | 2,629 | 985 |
| - other items in processing | 211 | 218 |
| Items awaiting settlement: | | |
| - outgoing bank transfers | 46,681 | 41,031 |
| - POS and ATM cards | 126 | 132 |
| Current payables not related to the provision of financial services | 21,804 | 25,075 |
| Definitive items not recognised under other items: | | |
| - securities and coupons to be settled | 7,377 | 18,343 |
| - other items | 32,072 | 13,545 |
| Payables for share-based payments or shares of the Parent Company UniCredit | 2,491 | 2,025 |
| Illiquid items for portfolio transactions | 16,569 | 15,197 |
| Tax items other than those included in item 80: | | |
| - sums withheld from third parties as withholding agent | 21,670 | 30,615 |
| - other | 84,390 | 77,102 |
| Prepayments | 515 | 403 |
| Social security contributions payable | 5,829 | 5,576 |
| **Total** | **250,990** | **238,808** |

# Part B - Balance Sheet - Liabilities (CONTINUED)

## Section 11 - Provision for employee severance pay - Item 110

### 11.1 Provision for employee severance pay: annual changes

(Amounts in € thousand)

| | 12.31.2015 | 12.31.2014 |
|---|---|---|
| **A. Opening balance** | **4,826** | **3,761** |
| **B. Increases** | **348** | **1,124** |
| B.1 Provisions for the year | 76 | 122 |
| B.2 Other increases | 272 | 1,002 |
| *of which adjustments for actuarial losses on Employee Severance Fund (IAS19R)* | - | *424* |
| **C. Decreases** | **(328)** | **(59)** |
| C.1 Payments made | (43) | (18) |
| C.2 Other decreases | (285) | (41) |
| *of which adjustments for actuarial gains on Employee Severance Fund (IAS19R)* | *(227)* | - |
| **D. Rimanenze finali** | **4,846** | **4,826** |

### 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, 2015 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 Legislative Decree no. 252/2005 became effective and, as a result the amounts accrued up to December 31, 2006 were kept with the Company, whilst the amounts of employee severance pay provision accruing as of January 1, 2007 were transferred to the supplementary pension funds or the INPS Treasury fund according to the option adopted by the employees (by June 30, 2007).

The result is that:

- the employee severance fund accrued up to December 31, 2006 (or until the date of the option - falling between January 1, 2007 and June 30, 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 January 1, 2007 (or from the date of the option - falling between 1 January 2007 and June 30, 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 | 12.31.2015 | 12.31.2014 |
|---|---|---|
| Discount rate | 1.75% | 1.60% |
| Expected inflation rate | 1.00% | 1.10% |

(Amounts in € thousand)

| EMPLOYEE SEVERANCE PAY PROVISION: OTHER INFORMATION | 12.31.2015 | 12.31.2014 |
|---|---|---|
| **Provisions for the year** | **76** | **122** |
| - Current service cost | - | - |
| - Interest expense on defined benefit obligations | 76 | 122 |
| - Gains and losses on curtailments and settlements | - | - |
| - Past service cost | - | - |
| **Actuarial gains (losses) recognised in revaluation reserves (OCI)** | **(227)** | **424** |
| - Actuarial gains (losses) for the year | (94) | (308) |
| - Actuarial gains/losses on demographic assumptions | - | - |
| - Actuarial gains/losses on financial assumptions | (133) | 732 |

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 an increase in the liability of €159 thousand (+3.28%), whereas an equivalent increase in the rate would result in a reduction of the liability of €152 thousand (-3.14%); A change of -25 basis points in the inflation rate would result in a decrease in the liability of €93 thousand (-1.92%), whereas an equivalent increase in the rate would result in an increase in the liability of €95 thousand (+1.97%).

# Section 12 - Provisions for risks and charges - Item 120

## 12.1 - Provisions for risks and charges: breakdown

(Amounts in € thousand)

| ITEM/AMOUNT | 12.31.2015 | 12.31.2014 |
|---|---|---|
| 1. Pensions and other post-retirement benefit obligations | - | - |
| 2. Other provisions for risks and charges | 120,534 | 118,031 |
| 2.1 legal disputes | 43,458 | 49,650 |
| 2.2 staff expenses | 9,570 | 7,805 |
| 2.3 other | 67,506 | 60,576 |
| **Total** | **120,534** | **118,031** |

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 and estimated integration costs for the Bank for the Business Plan of the UniCredit Group. The related income component is recognised as "Staff expenses".

Other provisions for risks and charges under sub-item 2.3 include the supplementary customer indemnity provision amounting to €51,139 thousand compared with €44,114 thousand as at December 31, 2014.

## 12.2 Provisions for risks and charges: annual changes

(Amounts in € thousand)

| | PENSION FUNDS | OTHER PROVISIONS | TOTAL |
|---|---|---|---|
| **A. Opening balance** | **-** | **118,031** | **118,031** |
| **B. Increases** | **-** | **21,029** | **21,029** |
| B.1 Provisions for the year | - | 20,342 | 20,342 |
| B.2 Changes due to the passage of time | - | 670 | 670 |
| B.3 Changes due to variations in the discount rate | - | 17 | 17 |
| B.4 Other increases | - | - | - |
| **C. Decreases** | **-** | **(18,526)** | **(18,526)** |
| C.1 Amounts used in the year | - | (18,525) | (18,525) |
| C.2 Changes due to variations in the discount rate | - | (1) | (1) |
| C.3 Other decreases | - | - | - |
| **D. Closing balance** | **-** | **120,534** | **120,534** |

## 12.3 Pensions and other post-retirement defined-benefit obligations

No data to report.

## 12.4 Provisions for risks and charges - other provisions

(Amounts in € thousand)

| | 12.31.2015 | 12.31.2014 |
|---|---|---|
| **Legal disputes** | **43,458** | **49,650** |
| - Pending proceedings | 35,225 | 36,205 |
| - Claims | 8,233 | 13,445 |
| **Staff expenses** | **9,570** | **7,805** |
| **Other** | **67,506** | **60,576** |
| - Supplementary customer indemnity provision | 51,139 | 44,114 |
| - Contractual payments and payments under non-competition agreements | 2,270 | 2,269 |
| - Tax disputes | 7,034 | 7,298 |
| - Other provisions | 7,063 | 6,895 |
| **Total provisions for risks and charges - other provisions** | **120,534** | **118,031** |

# Part B - Balance Sheet - Liabilities (Continued)

(Amounts in € thousand)

| PROVISIONS FOR RISKS AND CHARGES | TOTAL 12.31.2014 | USES | TRANSFERS AND OTHER CHANGES | ACTUARIAL GAINS (LOSSES) IAS 19R * | NET PROVISIONS ** | TOTAL 12.31.2015 |
|---|---|---|---|---|---|---|
| **Legal disputes** | **49,650** | **(11,631)** | **-** | **-** | **5,439** | **43,458** |
| - Pending cases | 36,205 | (3,889) | 1,168 | - | 1,741 | 35,225 |
| - Claims | 13,445 | (7,742) | (1,168) | - | 3,698 | 8,233 |
| **Staff expenses** | **7,805** | **(3,803)** | **-** | **-** | **5,568** | **9,570** |
| **Other** | **60,576** | **(3,091)** | **-** | **3,520** | **6,501** | **67,506** |
| - Supplementary customer indemnity provision | 44,114 | (775) | - | 3,445 | 4,355 | 51,139 |
| - Contractual payments and payments under non-competition agreements | 2,269 | - | - | 75 | (74) | 2,270 |
| - Tax disputes | 7,298 | (264) | - | - | - | 7,034 |
| - Other provisions | 6,895 | (2,052) | - | - | 2,220 | 7,063 |
| **Total provisions for risks and charges - other provisions** | **118,031** | **(18,525)** | **-** | **3,520** | **17,508** | **120,534** |

* 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 "Staff expenses" and "Interest expenses and similar charges".

The following table shows the main actuarial assumptions used to measure the liability for the supplementary customer indemnity provision and the provision for contractual payments.

| DESCRIPTION OF THE MAIN ACTUARIAL ASSUMPTIONS | 12.31.2015 | 12.31.2014 |
|---|---|---|
| Discount rate | 1.75% | 1.60% |
| Salary increase rate | 2.60% | 2.60% |

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 reference to the supplementary customer indemnity provision, a change of -25 basis points in the discount rate would result in an increase in liabilities of €1,563 thousand (+3.06%); an equivalent increase in the rate, on the other hand, would result in a reduction in liabilities of €1,493 thousand (-2.92%). A change of -25 basis points in the rate of increase in the salary base would result in a reduction in liabilities of €539 thousand (-1.05%); an equivalent increase in the rate, on the other hand, would result in an increase in liabilities of €555 thousand (+1.09%).
With reference to the provision for contractual payments, a change of -25 basis points in the discount rate would result in an increase in liabilities of €40 thousand (+2.10%); an equivalent increase in the rate, on the other hand, would result in a reduction in liabilities of €39 thousand (-2.02%). A change of -25 basis points in the rate of increase in the salary base would result in a reduction in liabilities of €3 thousand (-0.14%); an equivalent increase in the rate, on the other hand, would result in an increase in liabilities of €2 thousand (+0.10%).
In addition, for the other provisions recognised in the financial statements on the basis of IAS 37, 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. As at December 31, 2015 an analysis was conducted to assess the impact on the provision is made of a variation of +/- 25 basis points in the discount rate and no significant impacts were found.

The **Provision for legal disputes** includes provisions made to cover disputes for damage to customers arising from the unlawful behaviour of the company's personal financial advisors, provisions relating to pending disputes with personal 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 severance indemnity to be paid to the PFA network 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 the end of the period was assessed with the aid 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. This provision includes the estimated integration costs in relation to the Business Plan of the UniCredit Group.

The **Provision for contractual payments and payments under non-competition agreements** is related to a limited number of personal 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 personal financial advisors; contractual payments are a special indemnity that the Bank agrees to pay to personal 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 was assessed with the aid 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, in relation to which the Bank considers it has calculated the tax correctly and legitimately and has therefore submitted an appeal at various levels of proceedings.
The above provisions for risks and charges include the allocations for fines and interest for the additional tax being contested and requested by the Tax Authorities through tax bills or payment notices paid and for the estimated amount of legal expenses to be incurred in the various 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 these 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.
In addition, with regard to the losses incurred by the subordinated loan holders of the four banks covered by the resolution, the Legge di Stabilità 2016 - which maintained the effects of Law Decree 183 of November 22, 2015, which lapse due to its absence of conversion, relating to the implementation of the related resolution procedures - established Fondo di Solidarietà was established up to a maximum of €100 million. This Fondo di Solidarietà will be funded by the National Interbank Deposit Guarantee Fund (and therefore by the banks subscribing to it) according to terms and conditions yet to be determined pending the ministerial decrees to which the Legge di Stabilità made reference to. In this regard, the Bank made a provision for an amount, estimated based on the same criteria used by the National Interbank Deposit Guarantee Fund for the calculation of the DGS, amounting to around €2.276 thousand.

## Section 13 - Redeemable shares - Item 140

### 13.1 Redeemable shares: breakdown

No data to report.

# Part B - Balance Sheet - Liabilities (Continued)

## 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 €200,150,191.89 fully paid-up, comprising 606,515,733 ordinary shares with a par value of €0.33.

As at December 31, 2015, the Bank held 1,408,834 treasury shares in its portfolio, for a total amount of €8.555 thousand, purchased in execution of the stock granting plan "2014 PFA Plan" for the Personal Financial Advisors and Network Managers of the Bank, approved by the Board of Directors on May 15, 2014 and by the Shareholders' Meeting on June 5, 2014.

(Amounts in € thousand)

| ITEM/AMOUNT | 12.31.2015 | 12.31.2014 |
|---|---|---|
| 1. Share capital | 200,150 | 200,070 |
| 2. Share premium reserve | 1,934 | 1,934 |
| 3. Reserves | 228,035 | 198,081 |
| *- Legal reserve* | *40,030* | *33,061* |
| *- Extraordinary reserve* | *166,081* | *142,739* |
| *- Treasury shares reserve* | *8,555* | - |
| *- Other reserves* | *21,924* | *22,281* |
| 4. (Treasury Shares) | (8,555) | - |
| 5. Revaluation reserves | 11,626 | 2,262 |
| 6. Equity instruments | - | - |
| 7. Net Profit (Loss) for the year | 191,053 | 149,907 |
| **Total** | **632,798** | **552,254** |

Following the Board of Directors' resolution of February 9, 2015, for the execution of the "2014 Key People Plan" approved by the Shareholders' Meeting of June 5, 2014, the share capital was increased through a bonus issue by an amount of €79,761.00, corresponding to 241,700 ordinary shares, with consequent reduction of the available retained earnings.

The "Reserve for treasury shares to be purchased", established under "Other reserves" as at December 31, 2014 in the amount of €14,953 million, was used in the amount of €8.555 million to establish the Reserve for treasury shares held, at the time of the purchase of treasury shares described, and €4,781 thousand for the cash payment in July 2015 of the first tranche of the stock granting plan "2014 PFA Plan" for the Personal Financial Advisors and Network Managers of the Bank, since the allocation of FinecoBank ordinary shares did not arise, as resolved by the Board of Directors on July 9, 2015. The amount not used of €1,617 thousand, was reclassified to the Extraordinary reserve, because the share buyback programme pursuant to Article 77-78 EU Regulation 575/2013 of June 26, 2013 (CRR) was completed on October 12, 2015.

The shareholders' meeting resolution of April 23, 2015 approved the allocation of profit for the year 2014, amounting to €149,907 thousand, as follows:
- €6,969 thousand to the **legal reserve**;
- €21,635 thousand to the **extraordinary reserve**;
- €121,303 thousand, equal to €0.2 per share, to the **shareholders**.

### 14.2 Share capital - Number of shares: annual changes

| 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 | 241,700 | - |
| - to directors | - | - |
| - other | - | - |
| B.2 Sale of treasury shares | - | - |
| B.3 Other changes | - | - |
| **C. Decreases** | | |
| C.1 Cancellation | - | - |
| C.2 Purchase of treasury shares | (1,408,834) | - |
| C.3 Business transfers | - | - |
| C.4 Other changes | - | - |
| **D. Shares outstanding: closing balance** | **605,106,899** | **-** |
| D.1 Treasury shares (+) | 1,408,834 | - |
| D.2 Shares outstanding at the end of the year | - | - |
| - fully paid | 606,515,733 | - |
| - not fully paid | - | - |

### 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

The reserves from profits consist of the:
- Legal reserve, amounting to €40,030 thousand;
- Extraordinary reserve, amounting to €166,081 thousand;
- Reserve for treasury shares held, amounting to €8,555 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.

# Part B - Balance Sheet - Liabilities (CONTINUED)

(Amounts in € thousand)

| TYPE/DESCRIPTION | AMOUNT | POSSIBLE USE | AMOUNT AVAILABLE | SUMMARY OF THE AMOUNTS USED IN THE PAST THREE YEARS | |
|---|---|---|---|---|---|
| | | | | TO COVER LOSSES | OTHER REASONS |
| **Share capital** | **200,150** | **-** | **-** | **-** | **-** |
| **Share premium reserve** | **1,934** | **A, B, C** | **1,934** (1) | **-** | **-** |
| **Reserves:** | | | | | |
| Legal reserve | 40,030 | B | 40,030 | - | - |
| Extraordinary reserve | 166,081 | A, B, C | 166,081 | - | - |
| Reserve related to equity-settled plans | 21,924 | - | - | - | - |
| Reserve for treasury shares | 8,555 | - | - | | |
| **Revaluation reserves:** | | | | | |
| Revaluation reserves for available-for-sale financial assets | 16,904 | - | - (2) | - | - |
| Revaluation reserves for actuarial gains (losses) from defined benefit plans | (5,278) | - | - | - | - |
| **TOTAL** | **450,300** | | **208,045** | | |
| Undistributable amount | | | 40,030 | | |
| Distributable amount | | | 168,015 | | |

**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) The reserve, when positive, is not available pursuant to article 6 of Legislative Decree 38/2005.

As described above, in 2015 the €80 thousand of the reserves from profits were used for the capital increase related to the "2014 Key People Plan" and €4,781 thousand for the payment in cash of the first tranche of the 2014 stock granting plan "2014 PFA Plan" for the Personal Financial Advisors and Network Managers of the Bank.

The Bank closed the year 2015 with a net profit of €191,053 thousand and the Board of Directors Meeting of February 8, 2016 proposed its allocation as follows.
- €19 thousand to the **Legal reserve**, corresponding to 0,01% of the profit for the year, having reached the limit of a fifth of the share capital;
- €35,658 thousand to the **Extraordinary reserve**;
- €154,376 thousand to **Shareholders**, corresponding to a dividend of €0.255 for each of the 605,396,602 ordinary shares with a par value of €0.33 euro, constituting the share capital net of 1,408,834 treasury shares held by the Bank and including 289,703 shares relating to the capital increase approved by the Board of Directors on February 8, 2016;
- €1,000 thousand to social, charity and cultural causes, pursuant to art. 26, para. 5, of the Articles of Association.

### 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 issued and commitments

(Amounts in € thousand)

| TRANSACTIONS | 12.31.2015 | 12.31.2014 |
|---|---|---|
| 1) Financial guarantees given | 256,615 | 292,124 |
| a) Banks | 256,065 | 291,361 |
| b) Customers | 550 | 763 |
| 2) Commercial guarantees given | 4 | 4 |
| a) Banks | 4 | 4 |
| b) customers | - | - |
| 3) Irrevocable commitments to lend funds | 129,165 | 158,159 |
| a) Banks | 1,974 | - |
| i) certain to be called on | 1,974 | - |
| ii) not certain to be called on | - | - |
| b) Customers | 127,191 | 158,159 |
| i) certain to be called on | 127,191 | 158,159 |
| 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** | **385,784** | **450,287** |

Financial guarantees given to banks include 5 guarantees issued in 2012 on request of UniCredit, with indefinite duration, for a total amount of €256,065 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

(Amounts in € thousand)

| PORTFOLIOS | 12.31.2015 | 12.31.2014 |
|---|---|---|
| 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 | 87,367 | 205,909 |
| 6. Loans and receivables with customers | - | - |
| 7. Property, plant and equipment | - | - |
| **Total** | **87,367** | **205,909** |

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.
The Bank 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 €131,435 thousand (€126,717 thousand as at December 31, 2014). 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:
- €1,002 thousand up to twelve months;
- €208 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

(Amounts in € thousand)

| TYPE OF SERVICE | 12.31.2015 | 12.31.2014 |
|---|---|---|
| **1. Execution of orders for customers** | **381,095,835** | **346,368,648** |
| **Securities** | **120,951,894** | **121,797,736** |
| a) purchases | 60,336,465 | 60,684,094 |
| *1. Settled* | *60,133,028* | *60,408,362* |
| *2. Unsettled* | *203,437* | *275,732* |
| b) sales | 60,615,429 | 61,113,642 |
| *1. Settled* | *60,419,410* | *60,832,456* |
| *2. Unsettled* | *196,019* | *281,186* |
| **Derivative contracts** | **260,143,941** | **224,570,912** |
| a) purchases | 130,139,759 | 112,337,954 |
| *1. Settled* | *129,921,309* | *112,197,633* |
| *2. Unsettled* | *218,450* | *140,321* |
| b) sales | 130,004,182 | 112,232,958 |
| *1. Settled* | *129,801,959* | *112,093,872* |
| *2. Unsettled* | *202,223* | *139,086* |
| **2. Segregated accounts** | **-** | **-** |
| a) individual | - | - |
| b) collective | - | - |
| **3. Custody and administration of securities** | | |
| a) third party securities on deposits: relating to custodian bank 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 | 12,708,687 | 10,919,911 |
| *1. securities issued by the bank preparing the accounts* | *2,787* | *2,482* |
| *2. other securities* | *12,705,900* | *10,917,429* |
| c) third-party securities deposited with third parties | 12,708,687 | 10,919,911 |
| d) own securities deposited with third parties | 13,515,797 | 11,076,157 |
| **4. Other transactions** | **27,347,644** | **26,187,756** |
| Order receipt and transmission | 27,347,644 | 26,187,756 |
| *a) purchases* | 13,635,216 | 13,111,249 |
| *b) sales* | 13,712,428 | 13,076,507 |

### 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
The Bank conducts securities lending transactions on a continuous and systematic basis, with the objective of optimising the returns of customer portfolios, satisfying the requests of institutional counterparties and obtaining a profit for the Bank. The Bank 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, the Bank has used bond issues of UniCredit, classified as "*Loans and Receivables*", as guarantees; these are deposited in a securities account held at the custodian bank for an amount higher than that of the securities borrowed from customers, in order to provide a collective guarantee.

The face value of the underlying securities not recognised as assets in the accounts totalled €1,095,896 thousand, broken down as follows:

(Amounts in € thousand)

| SECURITIES RECEIVED ON LOAN FROM: | TYPE OF SECURITIES (NOMINAL VALUE AT DECEMBER 31, 2015) | | |
|---|---|---|---|
| | SOLD | SOLD IN REPOS | OTHER PURPOSES |
| Banks | - | - | - |
| Financial companies | 1 | 2,364 | - |
| Insurance | - | - | - |
| Non-financial companies | - | 3,849 | - |
| Other entities | 575 | 1,089,088 | 19 |
| **Total nominal value** | **576** | **1,095,301** | **19** |

(Amounts in € thousand)

| SECURITIES RECEIVED ON LOAN FROM: | TYPE OF SECURITIES (FAIR VALUE AT DECEMBER 31, 2015) | | |
|---|---|---|---|
| | SOLD | SOLD IN REPOS | OTHER PURPOSES |
| Banks | - | - | - |
| Financial companies | - | 2,643 | - |
| Insurance | - | - | - |
| Non-financial companies | - | 4,153 | - |
| Other entities | - | 1,400,844 | 120 |
| **Total fair value** | **-** | **1,407,640** | **120** |

# Part C - Income statement

# Part C - Income statement

## Section 1 - Interest income and expense - Items 10 and 20

### 1.1 Interest income and similar revenues: breakdown

(Amounts in € thousand)

| ITEMS/TYPE | DEBT SECURITIES | LOANS | OTHER TRANSACTIONS | YEAR 2015 | YEAR 2014 |
|---|---|---|---|---|---|
| 1. Financial assets held for trading | 2 | - | - | 2 | 1 |
| 2. Available-for-sale financial assets | 20,362 | - | - | 20,362 | 14,922 |
| 3. Held to maturity investments | - | - | - | - | - |
| 4. Loans and receivables with banks | 204,884 | 12,702 | - | 217,586 | 235,882 |
| 5. Loans and receivables with customers | - | 33,371 | - | 33,371 | 28,793 |
| 6. Financial assets designated at fair value through profit or loss | - | - | - | - | 5 |
| 7. Hedging derivatives | - | - | 1,945 | 1,945 | 2,658 |
| 8. Other assets | - | - | 66 | 66 | 76 |
| **Total interest income** | **225,248** | **46,073** | **2,011** | **273,332** | **282,337** |

Interest accrued on impaired assets, relating exclusively to the item Loans and receivables with customers, amounted to €540 thousand (€446 thousand as at December 31, 2014).

### 1.2 Interest income and similar revenues: hedging differentials

(Amounts in € thousand)

| ITEMS | YEAR 2015 | YEAR 2014 |
|---|---|---|
| A. Positive hedging differentials | 79,895 | 97,850 |
| B. Negative hedging differentials | (77,950) | (95,192) |
| **C. Balance (A-B)** | **1,945** | **2,658** |

### 1.3 Interest income and similar revenues: other information

No information to report.

#### 1.3.1 Interest income from financial assets denominated in currency

(Amounts in € thousand)

| ITEMS/TYPE | YEAR 2015 | YEAR 2014 |
|---|---|---|
| Interest income on foreign currency financial assets | 10,403 | 8,076 |

#### 1.3.2 Interest income on finance lease transactions

No data to report.

### 1.4 Interest expenses and similar charges: breakdown

(Amounts in € thousand)

| ITEMS/TYPE | PAYABLES | SECURITIES | OTHER TRANSACTIONS | YEAR 2015 | 2014 |
|---|---|---|---|---|---|
| 1. Deposits from central banks | - | - | - | - | - |
| 2. Deposits from banks | 231 | - | - | 231 | (4,589) |
| 3. Deposits from customers | (14,340) | - | - | (14,340) | (49,500) |
| 4. Debt securities in issue | - | (14,039) | - | (14,039) | - |
| 5. Financial liabilities held for trading | - | - | - | - | - |
| 6. Financial Liabilities at fair value through profit or loss | - | - | - | - | - |
| 7. Other liabilities and provisions | - | - | - | - | (1) |
| 8. Hedging derivatives | - | - | - | - | - |
| **Total interest expense** | **(14,109)** | **(14,039)** | **-** | **(28,148)** | **(54,090)** |

### 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 expenses and similar charges: other information

No information to report.

#### 1.6.1 Interest expense on liabilities denominated in currency

(Amounts in € thousand)

| ITEMS/TYPE | YEAR 2015 | YEAR 2014 |
|---|---|---|
| Interest expense on liabilities denominated in currency | (1,069) | (1,130) |

#### 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

(Amounts in € thousand)

| TYPE OF SERVICE/AMOUNT | YEAR 2015 | YEAR 2014 |
|---|---|---|
| (a) guarantees given | 68 | 68 |
| (b) credit derivatives | - | - |
| (c) management, brokerage and advisory services: | 448,071 | 371,705 |
| 1. securities trading | 82,054 | 75,271 |
| 2. currency trading | - | - |
| 3. portfolio management | - | - |
| 3.1. individual | - | - |
| 3.2. collective | - | - |
| 4. custody and administration of securities | 817 | 868 |
| 5. custodian bank | - | - |
| 6. placement of securities | 27,907 | 26,206 |
| 7. reception and transmission of orders | 13,434 | 12,652 |
| 8. advisory services | 27,832 | 17,514 |
| 8.1. related to investments | 27,832 | 17,514 |
| 8.2. related to financial structure | - | - |
| 9. distribution of third-party services: | 296,027 | 239,194 |
| 9.1. portfolio management | 255,527 | 211,327 |
| 9.1.1 individual | 65 | 105 |
| 9.1.2 collective | 255,462 | 211,222 |
| *of which maintenance commissions for UCIT units* | *253,427* | *209,671* |
| 9.2. insurance products | 40,485 | 27,835 |
| 9.3. other products | 15 | 32 |
| (d) collection and payment services | 29,306 | 27,890 |
| (e) securitisation servicing | - | - |
| (f ) factoring | - | - |
| (g) tax collection services | - | - |
| (h) management of multilateral trading systems | - | - |
| (i) management of current accounts | 5,074 | 5,379 |
| (j) other services | 4,983 | 4,786 |
| **Total** | **487,502** | **409,828** |

### 2.2 Fee and commission income: distribution channels for products and services

(Amounts in € thousand)

| CHANNEL/AMOUNT | YEAR 2015 | YEAR 2014 |
|---|---|---|
| **(a) at own branches:** | **-** | **-** |
| 1. portfolio management | - | - |
| 2. placement of securities | - | - |
| 3. third-party services and products | - | - |
| **(b) cold-calling:** | **286,270** | **195,092** |
| 1. portfolio management | 225,925 | 148,553 |
| 2. placement of securities | 20,044 | 18,883 |
| 3. third-party services and products | 40,301 | 27,656 |
| **(c) other distribution channels:** | **37,664** | **70,308** |
| 1. portfolio management | 29,602 | 62,774 |
| 2. placement of securities | 7,863 | 7,323 |
| 3. third-party services and products | 199 | 211 |
| **Total** | **323,934** | **265,400** |

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 expenses: breakdown

(Amounts in € thousand)

| SERVICE/AMOUNT | YEAR 2015 | YEAR 2014 |
|---|---|---|
| (a) guarantees received | - | (27) |
| (b) credit derivatives | - | - |
| (c) management and brokerage services: | (219,306) | (195,090) |
| 1. securities trading | (7,663) | (6,870) |
| 2. currency trading | (140) | (175) |
| 3. portfolio management: | - | - |
| 3.1 own | - | - |
| 3.2 delegated to third parties | - | - |
| 4. custody and administration of securities | (4,305) | (4,032) |
| 5. placement of financial instruments | - | - |
| 6. cold-calling to offer securities, products and services | (207,198) | (184,013) |
| (d) collection and payment services | (17,708) | (16,675) |
| (e) other services | (316) | (314) |
| (f) securities lending transactions | (1,959) | (1,978) |
| **Total** | **(239,289)** | **(214,084)** |

## Section 3 - Dividend income and similar revenue - Item 70

### 3.1 Dividend income and similar revenue: breakdown

(Amounts in € thousand)

| ITEM/INCOME | YEAR 2015 | | YEAR 2014 | |
|---|---|---|---|---|
| | DIVIDENDS | INCOME FROM UCITS UNITS | DIVIDENDS | INCOME FROM UCITS UNITS |
| A. Financial assets held for trading | 5 | - | 4 | - |
| B. Available-for-sale financial assets | - | - | - | - |
| C. Financial assets designated at fair value through profit or loss | - | - | - | - |
| D. Equity investments | - | X | - | X |
| **Total** | **5** | **-** | **4** | **-** |

## 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, 2015

(Amounts in € thousand)

| 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** | **2** | **112,367** | **(4)** | **(102,726)** | **9,639** |
| 1.1 Debt securities | 1 | 51 | - | (55) | (3) |
| 1.2 Equity instruments | 1 | 112,266 | (4) | (102,671) | 9,592 |
| 1.3 UCITS units | - | 50 | - | - | 50 |
| 1.4 Loans | - | - | - | - | - |
| 1.5 Other | - | - | - | - | - |
| **2. Financial liabilities held for trading** | **-** | **15** | **-** | **(5)** | **10** |
| 2.1 Debt securities | - | - | - | - | - |
| 2.2 Payables | - | - | - | - | - |
| 2.3 Other | - | 15 | - | (5) | 10 |
| **3. Other financial assets and liabilities: exchange differences** | **X** | **X** | **X** | **X** | **9,081** |
| **4. Derivatives** | **1,913** | **52,224** | **(1,314)** | **(32,993)** | **34,975** |
| 4.1 Financial derivatives: | 1,913 | 52,224 | (1,314) | (32,993) | 34,975 |
| - On debt securities and interest rates | 6 | 1,274 | (11) | (848) | 421 |
| - On equity securities and share indices | 1,907 | 48,559 | (1,303) | (31,139) | 18,024 |
| - On currencies and gold | X | X | X | X | 15,145 |
| - Other | - | 2,391 | - | (1,006) | 1,385 |
| 4.2 Credit derivatives | - | - | - | - | - |
| **Total** | **1,915** | **164,606** | **(1,318)** | **(135,724)** | **53,705** |

### As at December 31, 2014

(Amounts in € thousand)

| 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 UCITS units | - | 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 currencies 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** |

# Section 5 - Fair value adjustments in hedge accounting - Item 90

### 5.1 Fair value adjustments in hedge accounting: breakdown

(Amounts in € thousand)

| INCOME ITEM/AMOUNT | YEAR 2015 | YEAR 2014 |
|---|---|---|
| **A. Gains on:** | | |
| A.1 Fair value hedging instruments | 13,763 | 200,331 |
| A.2 Hedged asset items (in fair value hedge relationship) | 17,678 | 28,503 |
| A.3 Hedged liability items (in fair value hedge relationship) | 9,228 | 42,654 |
| A.4 Cash-flow hedging derivatives | - | - |
| A.5 Assets and liabilities denominated in currency | - | - |
| **Total gains on hedging activities (A)** | **40,669** | **271,488** |
| **B. Losses on:** | | |
| B.1 Fair value hedging instruments | (27,053) | (192,428) |
| B.2 Hedged asset items (in fair value hedge relationship) | (13,763) | (65,782) |
| B.3 Hedged liability items (in fair value hedge relationship) | - | (13,278) |
| B.4 Cash-flow hedging derivatives | - | - |
| B.5 Assets and liabilities denominated in currency | - | - |
| **Total losses on hedging activities (B)** | **(40,816)** | **(271,488)** |
| **C. Fair value adjustments in hedge accounting (A-B)** | **(147)** | **-** |

# Part C - Income statement (CONTINUED)

## Section 6 - Gains (Losses) on disposals/repurchases - Item 100

### 6.1 Gains (Losses) on disposals/repurchases: breakdown

(Amounts in € thousand)

| ITEM/INCOME ITEM | YEAR 2015 PROFIT | YEAR 2015 LOSS | YEAR 2015 NET PROFIT (LOSS) | YEAR 2014 PROFIT | YEAR 2014 LOSS | YEAR 2014 NET PROFIT (LOSS) |
|---|---|---|---|---|---|---|
| **Financial assets** | | | | | | |
| 1. Loans and receivables with banks | - | - | - | 78,806 | (29,646) | 49,160 |
| 2. Loans and receivables with customers | - | - | - | - | - | - |
| 3. Available-for-sale financial assets | 304 | - | 304 | - | - | - |
| 3.1 Debt securities | 304 | - | 304 | - | - | - |
| 3.2 Equity instruments | - | - | - | - | - | - |
| 3.3 UCITS units | - | - | - | - | - | - |
| 3.4 Loans | - | - | - | - | - | - |
| 4. Held-to-maturity investments | - | - | - | - | - | - |
| **Total assets** | **304** | **-** | **304** | **78,806** | **(29,646)** | **49,160** |
| **Financial liabilities** | | | | | | |
| 1. Deposits from banks | - | - | - | - | - | - |
| 2. Deposits from customers | - | - | - | - | - | - |
| 3. Debt securities in issue | - | - | - | 29,408 | (78,571) | (49,163) |
| **Total liabilities** | **-** | **-** | **-** | **29,408** | **(78,571)** | **(49,163)** |

## Section 7 - Gains (losses) on financial assets/liabilities measured at fair value - Item 110

### 7.1 Gain (losses) on financial assets and liabilities at fair value through profit or loss: breakdown

No data to report.

## Section 8 - Impairment losses - Item 130

### 8.1 Impairment losses on loans and receivables: breakdown

(Amounts in € thousand)

| TRANSACTION/INCOME ITEM | IMPAIRMENTS (1) SPECIFIC WRITE-OFFS | IMPAIRMENTS (1) SPECIFIC OTHER | IMPAIRMENTS (1) PORTFOLIO | WRITE-BACKS (2) SPECIFIC A | WRITE-BACKS (2) SPECIFIC B | WRITE-BACKS (2) PORTFOLIO A | WRITE-BACKS (2) PORTFOLIO B | YEAR 2015 | YEAR 2014 |
|---|---|---|---|---|---|---|---|---|---|
| A. Loans and receivables with banks | - | - | - | - | - | - | - | - | - |
| - Loans | - | - | - | - | - | - | - | - | - |
| - Debt securities | - | - | - | - | - | - | - | - | - |
| B. Loans and receivables with customers | (405) | (6,703) | (971) | 244 | 1,038 | - | 84 | (6,713) | (3,224) |
| Impaired related to purchase agreements | - | - | | - | - | - | | - | - |
| - Loans | - | - | X | - | - | - | X | - | - |
| - Debt securities | - | - | X | - | - | - | X | - | - |
| Other loans | (405) | (6,703) | (971) | 244 | 1,038 | - | 84 | (6,713) | (3,224) |
| - Loans | (405) | (6,703) | (971) | 244 | 1,038 | - | 84 | (6,713) | (3,224) |
| - Debt securities | - | - | - | - | - | - | - | - | - |
| **C. Total** | **(405)** | **(6,703)** | **(971)** | **244** | **1,038** | **-** | **84** | **(6,713)** | **(3,224)** |

**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 Net value adjustments for the impairment of other financial assets: breakdown

(Amounts in € thousand)

| TRANSACTION/INCOME ITEM | IMPAIRMENTS (1) SPECIFIC WRITE-OFFS | IMPAIRMENTS (1) SPECIFIC OTHER | IMPAIRMENTS (1) PORTFOLIO | WRITE-BACKS (2) SPECIFIC A | WRITE-BACKS (2) SPECIFIC B | WRITE-BACKS (2) PORTFOLIO A | WRITE-BACKS (2) PORTFOLIO B | YEAR 2015 | YEAR 2014 |
|---|---|---|---|---|---|---|---|---|---|
| A. Guarantees given | - | - | - | - | - | - | - | - | (1,416) |
| B. Credit derivatives | - | - | - | - | - | - | - | - | - |
| C. Commitments to disburse funds | - | - | - | - | - | - | - | - | - |
| D. Other transactions | - | - | - | - | 7 | - | - | 7 | 44 |
| **E. Total** | **-** | **-** | **-** | **-** | **7** | **-** | **-** | **7** | **(1,372)** |

**Key**
A = From interest
B = Other write-backs

# Section 9 - Administrative costs - Item 150

### 9.1 Staff expenses: breakdown

(Amounts in € thousand)

| TYPE OF EXPENSE/AMOUNT | YEAR 2015 | YEAR 2014 |
|---|---|---|
| 1) Employees | (75,323) | (67,613) |
| a) wages and salaries | (48,664) | (44,928) |
| b) social security contributions | (13,184) | (11,934) |
| c) severance pay | (978) | (871) |
| d) pension costs | - | - |
| e) allocation to employee severance pay provision | (99) | (135) |
| f) provision for retirements and similar provisions: | | |
| - defined contribution | - | - |
| - defined benefit | - | - |
| g) payments to external pension funds: | | |
| - defined contribution | (2,686) | (2,375) |
| - defined benefit | - | - |
| h) costs related to share-based payments | (4,785) | (3,799) |
| i) other employee benefits | (4,927) | (3,571) |
| 2) Other staff | (152) | (133) |
| 3) Directors and statutory auditors | (991) | (976) |
| 4) Early retirement costs | - | - |
| 5) Recovery of expenses for employees seconded to other companies | 235 | 195 |
| 6) Recovery of expenses for employees seconded to the company | (64) | (624) |
| **Total** | **(76,295)** | **(69,151)** |

Item 1 h) Employees: costs related to share-based payments, includes costs incurred by the Bank in relation to payment agreements based on financial instruments issued by the Bank and on financial instruments issued by UniCredit to employees.

### 9.2 Average number of employees by category

| | YEAR 2015 | YEAR 2014 |
|---|---|---|
| **Employees** | **1,005** | **982** |
| (a) executives | 27 | 23 |
| (b) managers | 295 | 275 |
| (c) remaining employees | 683 | 684 |
| **Other personnel** | **12** | **17** |

### 9.3 Pensions and other post-retirement defined-benefit obligations costs and revenues

No data to report.

### 9.4 Other employee benefits

(Amounts in € thousand)

| TYPE OF EXPENSE/AMOUNT | YEAR 2015 | YEAR 2014 |
|---|---|---|
| Leaving incentives | (1,251) | (122) |
| Medical plan | (932) | (727) |
| Luncheon vouchers | (892) | (796) |
| Seniority premiums | - | (249) |
| Other | (1,852) | (1,677) |
| **Total** | **(4,927)** | **(3,571)** |

# Part C - Income statement (CONTINUED)

### 9.5 Other administrative expenses: breakdown

(Amounts in € thousand)

| | YEAR 2015 | YEAR 2014 |
|---|---|---|
| **1) INDIRECT TAXES AND DUTIES** | **(90,797)** | **(80,256)** |
| **2) MISCELLANEOUS COSTS AND EXPENSES** | | |
| **A) Advertising expenses - Marketing and communication** | **(19,584)** | **(20,149)** |
| Mass media campaigns | (14,035) | (14,986) |
| Marketing and promotions | (5,317) | (5,110) |
| Sponsorships | (205) | (33) |
| Conventions and internal communications | (27) | (20) |
| **B) Expenses related to credit risk** | **(1,597)** | **(1,039)** |
| Credit recovery expenses | (753) | (455) |
| Commercial information and company searches | (844) | (584) |
| **C) Expenses related to staff** | **(32,745)** | **(22,812)** |
| Staff training | (437) | (357) |
| Car hire and other staff expenses | (40) | (47) |
| Personal financial advisor expenses | (31,696) | (21,824) |
| Travel expenses | (508) | (522) |
| Premises rentals for personnel | (64) | (62) |
| **D) ICT expenses** | **(29,749)** | **(28,320)** |
| Lease of ICT equipment and software | (3,318) | (4,135) |
| Software expenses: lease and maintenance | (6,712) | (5,555) |
| ICT communication systems | (3,935) | (3,849) |
| ICT service: external personnel | (7,090) | (7,079) |
| Financial information providers | (8,694) | (7,702) |
| **E) Consultancies and professional services** | **(3,258)** | **(6,320)** |
| Consultancy on ordinary activities | (896) | (762) |
| Consultancy for strategy, business development and organisational optimisation | (698) | (2,229) |
| Legal expenses | (5) | (1,261) |
| Legal disputes | (1,659) | (2,068) |
| **F) Real estate expenses** | **(20,104)** | **(19,997)** |
| Real estate services | (800) | (685) |
| Repair and maintenance of furniture, machinery, and equipment | (200) | (1,137) |
| Maintenance of premises | (1,741) | (760) |
| Premises rentals | (14,322) | (14,991) |
| Cleaning of premises | (546) | (485) |
| Utilities | (2,495) | (1,939) |
| **G) Other functioning costs** | **(31,672)** | **(29,296)** |
| Surveillance and security services | (410) | (291) |
| Money counting services and transport | (1) | (1) |
| Postage and transport of documents | (2,946) | (2,827) |
| Administrative and logistic services | (15,732) | (14,323) |
| Insurance | (3,629) | (3,522) |
| Printing and stationery | (621) | (685) |
| Association dues and fees | (7,889) | (7,371) |
| Other administrative expenses | (444) | (276) |
| **H) Ex-ante contribution to the Single Resolution Fund and Interbank Deposit Protection Fund** | **(4,691)** | **-** |
| **Total** | **(234,197)** | **(208,189)** |

From 2015 the European directives 49 and 59 of 2014 introduced the contribution schemes for the Deposit Guarantee Schemes (DGS) and Single Resolution Fund (SRF) in relation to which the costs recorded in 2015 for contributions paid during the year shown under the item "Other administrative expenses" (point H) of table 9.5, amounted to a total of €4,691 thousand. For more details, see Part A - Accounting Policies, Section 4 - Other Matters. "Contributions to guarantee and resolution funds" of these Notes to the accounts.

## Section 10 - Net provisions for risks and charges - Item 160

### 10.1 Net provisions for risks and charges: breakdown

(Amounts in € thousand)

| | YEAR 2015 | | | YEAR 2014 | | |
|---|---|---|---|---|---|---|
| | PROVISIONS | REALLOCATIONS | TOTAL | PROVISIONS | REALLOCATIONS | TOTAL |
| Legal disputes | (13,504) | 8,065 | (5,439) | (14,260) | 11,572 | (2,688) |
| Supplementary customer indemnity provision | (4,356) | - | (4,356) | (3,713) | - | (3,713) |
| Other provisions for risks and charges | (2,634) | 1,406 | (1,228) | (1,097) | 2,793 | 1,696 |
| **Total** | **(20,494)** | **9,471** | **(11,023)** | **(19,070)** | **14,365** | **(4,705)** |

## Section 11 - Impairment/write-backs on property, plant and equipment - Item 170

### 11.1 Impairment/write-backs on property, plant and equipment: breakdown

(Amounts in € thousand)

| ASSET/INCOME ITEM | DEPRECIATION (A) | WRITE-DOWNS FOR IMPAIRMENT (B) | WRITE-BACKS (C) | NET PROFIT (LOSS) YEAR 2015 (A+B-C) | NET PROFIT (LOSS) YEAR 2014 |
|---|---|---|---|---|---|
| A. Property, plant and equipment | | | | | |
| A.1 Owned | (3,949) | (13) | - | (3,962) | (4,036) |
| - Used in the business | (3,837) | (13) | - | (3,850) | (3,923) |
| - Held for investment | (112) | - | - | (112) | (113) |
| A.2 Held under finance lease | - | - | - | - | |
| - Used in the business | - | - | - | - | - |
| - Held for investment | - | - | - | - | - |
| **Total** | **(3,949)** | **(13)** | **-** | **(3,962)** | **(4,036)** |

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.
A description of the methods used to calculate depreciation is provided in Part A – Accounting Policies of the notes to the accounts.

## Section 12 - Impairment/write-backs on intangible assets - Item 180

### 12.1 Impairment on intangible assets: breakdown

(Amounts in € thousand)

| ASSET/INCOME ITEM | AMORTISATION (A) | WRITE-DOWNS FOR IMPAIRMENT (B) | WRITE-BACKS (C) | NET PROFIT (LOSS) YEAR 2015 (A+B-C) | NET PROFIT (LOSS) YEAR 2014 |
|---|---|---|---|---|---|
| A. Intangible assets | | | | | |
| A.1 Owned | (4,989) | - | - | (4,989) | (4,773) |
| - Generated internally by the company | - | - | - | - | - |
| - Other | (4,989) | - | - | (4,989) | (4,773) |
| A.2 Held under finance lease | | | | | |
| **Total** | **(4,989)** | **-** | **-** | **(4,989)** | **(4,773)** |

Impairments on intangible assets relate to software, amortised over three years and the costs incurred to create the 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.

# Part C - Income statement (Continued)

## Section 13 - Other net operating income - Item 190

### 13.1 Other operating expenses: breakdown

(Amounts in € thousand)

| TYPE/AMOUNT | YEAR 2015 | YEAR 2014 |
|---|---|---|
| Refunds and allowances | (146) | (284) |
| Penalties, fines and unfavourable rulings | (5,039) | (2,642) |
| Improvements and incremental expenses incurred on leasehold properties | (3,387) | (3,122) |
| Improvements and incremental expenses incurred on group properties | (3) | (7) |
| Exceptional write-downs of assets | (906) | (1,008) |
| Other operating expense | (1,266) | (1,208) |
| **Total** | **(10,747)** | **(8,271)** |

Exceptional write-downs of assets include costs incurred for credit card fraud of €796 thousand (€966 thousand as at December 31, 2014).

### 13.2 Other operating income: breakdown

(Amounts in € thousand)

| TYPE/AMOUNT | YEAR 2015 | YEAR 2014 |
|---|---|---|
| Recovery of expenses: | 84,347 | 77,170 |
| - recovery of ancillary expenses - other | 369 | 319 |
| - recovery of taxes | 83,978 | 76,851 |
| Rental income from real estate investments | 232 | 231 |
| Other income from current year | 4,152 | 2,324 |
| **Total** | **88,731** | **79,725** |

## 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.

## Section 17 - Gains (losses) on disposal of investments - Item 240

### 17.1 Gains (losses) on disposal of investments: breakdown

(Amounts in € thousand)

| INCOME ITEM/AMOUNT | YEAR 2015 | YEAR 2014 |
|---|---|---|
| A. Properties | | |
| - Gains on disposal | - | - |
| - Losses on disposal | - | - |
| B. Other assets | | |
| - Gains on disposal | - | - |
| - Losses on disposal | (1) | (4) |
| **Net profit (loss)** | **(1)** | **(4)** |

## 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

(Amounts in € thousand)

| INCOME ITEM/AMOUNT | YEAR 2015 | YEAR 2014 |
|---|---|---|
| 1. Current tax (-) | (95,708) | (76,944) |
| 2. Adjustment to current tax of prior years (+/-) | - | - |
| 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. Change in deferred tax assets (+/-) | (297) | (1,546) |
| 5. Change in deferred tax liabilities (+/-) | (1,017) | (1,333) |
| 6. Tax expense for the period (-) (-1+/-2+3+/-4+/-5) | (97,022) | (79,823) |

### 18.2 Reconciliation of theoretical tax charge to actual tax charge

(Amounts in € thousand)

| | YEAR 2015 | 2014 |
|---|---|---|
| Profit before tax | 288,075 | 229,730 |

| | IRES INCOME TAX | IRAP TAX | YEAR 2015 | YEAR 2014 |
|---|---|---|---|---|
| **Amount corresponding to theoretical tax rate** | **(79,221)** | **(16,046)** | **(95,267)** | **(75,972)** |
| + Tax effects of charges not relevant to the calculation of taxable income | 2,105 | (2,100) | 5 | (526) |
| - 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** | **(77,562)** | **(18,146)** | **(95,708)** | **(76,944)** |

## 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 income tax on discontinued operations

No data to report.

# Part C - Income statement (Continued)

## 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, 2014**

(Amounts in € million)

| ASSETS | 12.31.2014 |
|---|---|
| Cash and cash balances | 2,325 |
| Financial assets held for trading | 16,166 |
| Loans and receivables with banks | 21,866 |
| Loans and receivables with customers | 220,649 |
| Financial investments | 108,026 |
| Hedging instruments | 10,468 |
| Property, plant and equipment | 2,583 |
| Goodwill | - |
| Other intangible assets | 1 |
| Tax assets | 12,047 |
| Non-current assets and disposal groups classified as held for sale | 55 |
| Other assets | 4,627 |
| **Total assets** | **398,813** |

(Amounts in € million)

| LIABILITIES AND SHAREHOLDERS' EQUITY | 12.31.2014 |
|---|---|
| Deposits from banks | 31,703 |
| Deposits from customers and debt securities in issue | 282,099 |
| Financial liabilities held for trading | 13,020 |
| Financial liabilities at fair value through profit or loss | - |
| Hedging instruments | 11,455 |
| Provisions for risks and charges | 2,047 |
| Tax liabilities | 224 |
| Liabilities included in disposal groups classified as held for sale | - |
| Other liabilities | 10,092 |
| Shareholders' Equity | 48,173 |
| *- capital and reserves* | *47,369* |
| *- revaluation reserves (available-for-sale financial assets - cash flow hedges - on defined benefit plans)* | *724* |
| *- net profit (loss)* | *80* |
| **Total liabilities and shareholders' equity** | **398,813** |

### UniCredit S.p.A. – Condensed Income Statement 2014

(Amounts in € million)

| | YEAR 2014 |
|---|---|
| Net interest | 4,350 |
| Dividends and other income from equity investments | 1,381 |
| Net fee and commission income | 3,746 |
| Net trading, hedging and fair value income | 439 |
| Net other expenses/income | 8 |
| **OPERATING INCOME** | **9,924** |
| Staff expenses | (3,158) |
| Other administrative expenses | (2,883) |
| Recovery of expenses | 602 |
| Impairment/write-backs on intangible and tangible assets | (134) |
| **Operating costs** | **(5,573)** |
| **Gross operating profit (loss)** | **4,351** |
| Net write-downs of loans and provisions for guarantees and commitments | (2,796) |
| **NET OPERATING PROFIT (LOSS)** | **1,555** |
| Provisions for risks and charges | (132) |
| Integration costs | 17 |
| Net income from investments | (939) |
| **GROSS PROFIT (LOSS) FROM CONTINUING OPERATIONS** | 501 |
| Income tax for the year | (421) |
| Goodwill impairment | - |
| **NET PROFIT** | **80** |

### 1.4 Disclosure of auditing fees pursuant to art. 160 paragraph 1 bis of Legislative Decree 58/98

The table below provides details of the fees (net of VAT and expenses) paid to the independent auditing firm Deloitte & Touche S.p.A. and entities within the network that the external auditors belongs to.

(Amounts in €)

| TYPE OF SERVICE | SERVICE PROVIDER | FEES |
|---|---|---|
| Audit | Deloitte & Touche S.p.A. | 154,285 |
| Certification services | Deloitte & Touche S.p.A. | 40,000 |
| | | **194,285** |

# Section 21 - Earnings per share

### 21.1 Average number of diluted ordinary shares

Basic earnings per share are calculated by dividing the net profit by the average number of ordinary shares outstanding during the year.

| | 12.31.2015 | 12.31.2014 |
|---|---|---|
| Net profit for the period (€ thousands) | 191,053 | 149,907 |
| Average number of outstanding shares | 606,101,380 | 606,274,033 |
| Average number of outstanding shares (including potential ordinary shares with dilution effect) | 609,836,318 | 608,143,928 |
| **Basic earnings per share** | **0.32** | **0.25** |
| **Diluted earnings per share** | **0.31** | **0.25** |

### 21.2 Other information

No data to report.

# Part D - Comprehensive income

# Part D - Comprehensive income

## Statement of comprehensive income

(Amounts in € thousand)

| | ITEMS | GROSS AMOUNT | INCOME TAX | NET AMOUNT |
|---|---|---|---|---|
| **10.** | **Profit (loss) for the year** | **X** | **X** | **191,053** |
| | **other comprehensive income without reclassification through profit or loss** | | | |
| 20. | Property, plant and equipment | - | - | - |
| 30. | Intangible assets | - | - | - |
| 40. | Defined benefit plans | (3,293) | 1,082 | (2,211) |
| 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 changes | - | - | - |
| **80.** | **Exchange differences:** | | | |
| | a) fair value changes | - | - | - |
| | b) reclassification through profit or loss | - | - | - |
| | c) other changes | - | - | - |
| **90.** | **Cash flow hedges:** | | | |
| | a) fair value changes | - | - | - |
| | b) reclassification through profit or loss | - | - | - |
| | c) other changes | - | - | - |
| **100.** | **Available-for-sale financial assets:** | | | |
| | a) fair value changes | 13,661 | (1,779) | 11,882 |
| | b) reclassification through profit or loss | | | |
| | - due to impairment | - | - | - |
| | - gains/losses on disposals | (458) | 151 | (307) |
| | c) other changes | - | - | - |
| **110.** | **Non-current assets classified as held for sale:** | | | |
| | a) fair value changes | - | - | - |
| | b) reclassification through profit or loss | - | - | - |
| | c) other changes | - | - | - |
| **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 changes | - | - | - |
| **130.** | **Total other comprehensive income** | **9,910** | **(546)** | **9,364** |
| **140.** | **Comprehensive income (item 10+130)** | | | **200,417** |

# Part E - Information on risks and hedging policies

# Part E - Information on risks and hedging policies

## Introduction

In order to ensure lean and efficient management of risks, the risk management process is structured in accordance with the organisational 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 organisational 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.
The Bank 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.

### Organisational structure

The Board of Directors of the Bank ("Board") is tasked with setting the strategic policies and the guidelines for the organisational 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. The Board of Directors of the Bank 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 Chief Executive Officer 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 Chief Executive Officer 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 (Chief Executive Officer and General Manager, Board of Directors, Audit and Related Parties Committee and Risk Committee). In relation to the Basel 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 the Bank 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 by monitoring the various types of risk 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 and Related Parties 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

The Bank'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 in line with the Risk Appetite defined by the Board of Directors.

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 2015, 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. In order to optimise the management of short-term liquidity in 2015, the Bank also purchased €500 million of Spanish government bonds; these instruments were added to the liquidity reserves of the Bank, consisting of Italian and French government bonds.

The Bank 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 the Bank's banking book. In accordance with the policy, the Bank's 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 Organisational 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 centre 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 finalise guarantees, if any, linking them to credit facilities 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.

# Part E - Information on risks and hedging policies (Continued)

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.

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 the Bank 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 better knowledge of public and private data and on the other hand, with information contained in the Bank of Italy's risk centre.
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 the Bank 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 risk associated with the granting and disbursement of credit, the Bank is also exposed to counterparty risk 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 cash 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.

The Bank 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 standardise 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.

The Bank reports all information to the Parent Company that can help it in its assessment of each FIBS counterparty ("Financial Institutions, Banks and Sovereigns") that the Bank 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 the Bank 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, stored by the Bank. During the loan application process, attention is always focused on the possibility of optimising all information concerning customers that has been provided by the Bank, the Group and the above-mentioned databanks.
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 credit 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, unlikely to pay, 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 which 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.

### *2.3 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, unlikely to pay or non-performing in accordance with the criteria set forth by the Bank of Italy and the thresholds established by the Parent Company.
In line with these regulations, the unlikely to pay status is the result of an assessment by the Bank regarding at the unlikelihood that the borrower will not fully meet their credit obligations (in terms of principle and/or interest), without recourse to actions such as enforcement of the guarantees.
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 positions classified on a subjective basis 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 reclassification of loans to a category of lower risk exposure 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.

## QUANTITATIVE INFORMATION

## A. Credit quality

#### A.1 Impaired and unimpaired loans: amounts, write-downs, changes, distribution by business activity/region

**A.1.1 Breakdown of credit exposures by portfolio and credit quality (book value)** (Amounts in € thousand)

| PORTFOLIO/QUALITY | NON-PERFORMING LOANS | UNLIKELY TO PAY | PAST DUE IMPAIRED EXPOSURES | PAST DUE UNIMPAIRED EXPOSURES | OTHER UNIMPAIRED EXPOSURES | TOTAL |
|---|---|---|---|---|---|---|
| 1. Available-for-sale financial assets | - | - | - | - | 2,235,494 | 2,235,494 |
| 2. Held to maturity investments | - | - | - | - | - | - |
| 3. Loans and receivables with banks | - | - | - | - | 14,648,904 | 14,648,904 |
| 4. Loans and receivables with customers | 3,500 | 794 | 583 | 25,575 | 892,322 | 922,774 |
| 5. Financial assets designated at fair value through profit or loss | - | - | - | - | - | - |
| 6. Financial instruments classified as held for sale | - | - | - | - | - | - |
| **Total December 31, 2015** | **3,500** | **794** | **583** | **25,575** | **17,776,720** | **17,807,172** |
| **Total December 31, 2014** | **3,159** | **453** | **647** | **17,941** | **16,261,140** | **16,283,340** |

As at December 31, 2015 there were no impaired purchased loans.

# Part E - Information on risks and hedging policies (CONTINUED)

**A.1.2 Breakdown of credit exposures by portfolio and credit quality (gross and net values)**

(Amounts in € thousand)

| PORTFOLIO/QUALITY | IMPAIRED ASSETS | | | UNIMPAIRED ASSETS | | | TOTAL (NET EXPOSURE) |
|---|---|---|---|---|---|---|---|
| | GROSS EXPOSURE | SPECIFIC IMPAIRMENT | NET EXPOSURE | GROSS EXPOSURE | PORTFOLIO IMPAIRMENT | NET EXPOSURE | |
| 1. Available-for-sale financial assets | - | - | - | 2,235,494 | - | 2,235,494 | 2,235,494 |
| 2. Held to maturity investments | - | - | - | - | - | - | - |
| 3. Loans and receivables with banks | - | - | - | 14,648,904 | - | 14,648,904 | 14,648,904 |
| 4. Loans and receivables with customers | 25,195 | (20,318) | 4,877 | 926,394 | (8,497) | 917,897 | 922,774 |
| 5. Financial assets designated at fair value through profit or loss | - | - | - | X | X | - | - |
| 6. Financial instruments classified as held for sale | - | - | - | - | - | - | - |
| **Total December 31, 2015** | **25,195** | **(20,318)** | **4,877** | **17,810,792** | **(8,497)** | **17,802,295** | **17,807,172** |
| **Total December 31, 2014** | **22,498** | **(18,239)** | **4,259** | **16,286,691** | **(7,610)** | **16,279,081** | **16,283,340** |

(Amounts in € thousand)

| PORTAFOGLIO / QUALITÀ | ASSETS WITH OF CLEARLY POOR CREDIT QUALITY | | OTHER ASSETS |
|---|---|---|---|
| | ACCUMULATED UNREALISED LOSSES | NET EXPOSURE | NET EXPOSURE |
| 1. Financial assets held for trading | - | - | 3,397 |
| 2. Hedging derivatives | - | - | - |
| **Total December 31, 2015** | **-** | **-** | **3,397** |
| **Total December 31, 2014** | **-** | **-** | **22,275** |

**A.1.3 On-balance sheet and off-balance-sheet credit exposures to banks: gross values, net values and past due bands**

(Amounts in € thousand)

| TYPE OF EXPOSURE/AMOUNT | GROSS EXPOSURE | | | | | SPECIFIC IMPAIRMENTS | PORTFOLIO IMPAIRMENTS | NET EXPOSURE |
|---|---|---|---|---|---|---|---|---|
| | IMPAIRED ASSETS | | | | UNIMPAIRED ASSETS | | | |
| | UP TO 3 MONTHS | BETWEEN 3 AND 6 MONTHS | BETWEEN 6 MONTHS AND 1 YEAR | OVER 1 YEAR | | | | |
| **A. On-balance sheet exposures** | | | | | | | | |
| a) Non-performing loans | - | - | - | - | X | - | X | - |
| - of which: exposures subject to concession | - | - | - | - | X | - | X | - |
| b) Unlikely to pay | - | - | - | - | X | - | X | - |
| - of which: exposures subject to concession | - | - | - | - | X | - | X | - |
| c) Past-due impaired loans | - | - | - | - | X | - | X | - |
| - of which: exposures subject to concession | - | - | - | - | X | - | X | - |
| d) Unimpaired past-due loans | X | X | X | X | - | X | - | - |
| - of which: exposures subject to concession | X | X | X | X | - | X | - | - |
| e) Other unimpaired exposures | X | X | X | X | 14,648,942 | X | - | 14,648,942 |
| - of which: exposures subject to concession | X | X | X | X | - | X | - | - |
| **Total A** | **-** | **-** | **-** | **-** | **14,648,942** | **-** | **-** | **14,648,942** |
| **B. Off-balance sheet exposures** | | | | | | | | |
| a) Impaired | - | - | - | - | X | - | X | - |
| b) Unimpaired | X | X | X | X | 373,829 | X | (1,416) | 372,412 |
| **Total B** | **-** | **-** | **-** | **-** | **373,829** | **-** | **(1,416)** | **372,412** |
| **Total A+B** | **-** | **-** | **-** | **-** | **15,022,771** | **-** | **(1,416)** | **15,021,354** |

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 €114,315 thousand.
There were no securities lending transactions collateralised by other securities or without a cash guarantee with banks.

**A.1.4 Impaired 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 values, net values and past due bands**

(Amounts in € thousand)

| | GROSS EXPOSURE | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | IMPAIRED ASSETS | | | | | | | |
| TYPE OF EXPOSURE/AMOUNT | UP TO 3 MONTHS | BETWEEN 3 AND 6 MONTHS | BETWEEN 6 MONTHS AND 1 YEAR | OVER 1 YEAR | UNIMPAIRED ASSETS | SPECIFIC IMPAIRMENTS | PORTFOLIO IMPAIRMENTS | NET EXPOSURE |
| **A. On-balance sheet exposures** | | | | | | | | |
| a) Non-performing loans | 4 | 28 | 4,183 | 17,604 | X | (18,319) | X | 3,500 |
| - of which: exposures subject to concession | - | 3 | 13 | 32 | X | (41) | X | 7 |
| b) Unlikely to pay | 175 | 356 | 1,434 | 216 | X | (1,387) | X | 794 |
| - of which: exposures subject to concession | 148 | 9 | 23 | 28 | X | (149) | X | 59 |
| c) Past-due impaired loans | 143 | 624 | 292 | 136 | X | (612) | X | 583 |
| - of which: exposures subject to concession | - | 19 | 30 | - | X | (17) | X | 31 |
| d) Unimpaired past-due loans | X | X | X | X | 25,800 | X | (226) | 25,575 |
| - of which: exposures subject to concession | X | X | X | X | 87 | X | (1) | 86 |
| e) Other unimpaired exposures | X | X | X | X | 3,136,095 | X | (8,271) | 3,127,824 |
| - of which: exposures subject to concession | X | X | X | X | 51 | X | - | 51 |
| **Total A** | **322** | **1,008** | **5,909** | **17,956** | **3,161,895** | **(20,318)** | **(8,497)** | **3,158,276** |
| **B. Off-balance sheet exposures** | | | | | | | | |
| a) Impaired | - | - | - | - | X | - | X | - |
| b) Unimpaired | X | X | X | X | 418,846 | X | - | 418,846 |
| **Total B** | **-** | **-** | **-** | **-** | **418,846** | **-** | **-** | **418,846** |
| **Total A+B** | **322** | **1,008** | **5,909** | **17,956** | **3,580,741** | **(20,318)** | **(8,497)** | **3,577,122** |

As at December 31, 2015, there were no unimpaired loans to customers renegotiated under collective agreements and no impaired purchased loans.

Breakdown by maturity of unimpaired past-due loans, amounting to €25,800 thousand (€17,941 thousand as at December 31, 2014), is as follows:
- past due between 1 day and 90 days of €25,780 thousand (€17,644 thousand as at December 31, 2014);
- past due between 90 days and 180 days of €5 thousand (€206 thousand as at December 31, 2014);
- past due between 180 days and 1 year of €15 thousand (€86 thousand as at December 31, 2014);
- there were no past due exposures over 1 year (€5 thousand as at December 31, 2014).

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 €398,272 thousand.
There were no securities lending transactions without a cash guarantee or not collateralised by other securities 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:**

(Amounts in € thousand)

| SOURCE / CATEGORIES | NON-PERFORMING LOANS | UNLIKELY TO PAY | PAST-DUE IMPAIRED LOANS |
|---|---|---|---|
| **A. Opening balance gross exposure** | **19,845** | **1,381** | **1,272** |
| of which: assets sold but not derecognised | - | - | - |
| **B. Increases** | **6,629** | **8,272** | **11,488** |
| B.1 transfers from performing exposures | 156 | 707 | 10,800 |
| B.2 transfers from other categories of impaired exposures | 6,158 | 7,043 | - |
| B.3 other increases | 315 | 522 | 688 |
| **C. Decreases** | **(4,655)** | **(7,472)** | **(11,565)** |
| C.1 transfers to performing exposures | - | (396) | (670) |
| C.2 de-recognitions | (3,798) | (36) | (4) |
| C.3 collections | (857) | (959) | (3,717) |
| C.4 proceeds from disposals | - | - | - |
| C.5 losses on disposal | - | - | - |
| C.6 transfers to other categories of impaired exposures | - | (6,065) | (7,136) |
| C.7 other decreases | - | (16) | (38) |
| **D. Gross exposure closing balance** | **21,819** | **2,181** | **1,195** |
| of which: assets sold but not derecognised | - | - | - |

With regard to the revised criteria for classifying impaired financial assets, with effect from January 1, 2015, the gross exposures classified under “Doubtful loans” as at December 31, 2014 were reclassified as “Unlikely to pay” for €1,381 thousand and “Past-due loans” for €12 thousand.

**A.1.8 Impaired on-balance sheet credit exposures to customers: trend in total write-downs**

(Amounts in € thousand)

| SOURCE / CATEGORIES | NON-PERFORMING LOANS | UNLIKELY TO PAY | PAST-DUE IMPAIRED LOANS |
|---|---|---|---|
| **A. Total opening impairment** | **(16,686)** | **(928)** | **(625)** |
| of which: assets sold but not derecognised | - | - | - |
| **B. Increases** | **(6,259)** | **(1,311)** | **(548)** |
| B.1 impairment losses | (5,370) | (1,278) | (548) |
| B.2 losses on disposal | - | - | - |
| B.3 transfers from other categories of impaired exposures | (875) | (33) | - |
| B.4 other increases | (14) | - | - |
| **C. Decreases** | **4,626** | **852** | **561** |
| C.1 write-backs from assessments | 398 | 68 | 170 |
| C.2 write-backs from recoveries | 430 | 93 | 134 |
| C.3 gains on disposal | - | - | - |
| C.4 de-recognitions | 3,798 | 36 | 4 |
| C.5 transfers to other categories of impaired exposures | - | 655 | 253 |
| C.6 other decreases | - | - | - |
| **D. Final overall impairment** | **(18,319)** | **(1,387)** | **(612)** |
| of which: assets sold but not derecognised | - | - | - |

With regard to the revised criteria for classifying impaired financial assets, with effect from January 1, 2015, the total write-downs classified under “Doubtful loans” as at December 31, 2014 were reclassified as “Unlikely to pay” for €928 thousand and “Past-due loans” for €8 thousand.

### A.2 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

(Amounts in € thousand)

| | EXTERNAL RATING CLASSES | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| EXPOSURES | CLASS 1 | CLASS 2 | CLASS 3 | CLASS 4 | CLASS 5 | CLASS 6 | NO RATING | TOTAL |
| **A. On-balance sheet exposures** | **10,356** | **37,564** | **16,818,122** | **11** | **-** | **-** | **941,166** | **17,807,219** |
| **B. Derivatives** | **-** | **987** | **-** | **-** | **-** | **-** | **2,365** | **3,352** |
| B.1 Financial derivatives | - | 987 | - | - | - | - | 2,365 | 3,352 |
| B.2 Credit derivatives | - | - | - | - | - | - | - | - |
| **C. Guarantees given** | **-** | **-** | **256,070** | **-** | **-** | **-** | **550** | **256,620** |
| **D. Other commitments to disburse funds** | **-** | **-** | **1,037** | **-** | **-** | **-** | **17,661** | **18,698** |
| **E. Other** | **-** | **20,393** | **90,560** | **1,504** | **-** | **-** | **400,130** | **512,587** |
| **Total** | **10,356** | **58,944** | **17,165,789** | **1,515** | **-** | **-** | **1,361,872** | **18,598,476** |

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. When there were two credit ratings for an individual exposure provided by two rating agencies the worst rating was recognised; if there were three different ratings the two best ratings were identified and, if they were different, the worst rating from these was recognised.
The Bank determines the regulatory requirements using the Traditional Standardised Approach, under which the exposures are split into different classes ("portfolios") according to the status of the counterparty or the technical characteristics of the relationship or how the relationship is conducted, applying different weighting coefficients to each portfolio. In determining the credit risk, the Bank only uses the assessments of the rating agencies assigned to the individual countries, which drive 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, 2015, 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 UCITS units 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 manage 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

| | | REAL GUARANTEES (1) | | | |
|---|---|---|---|---|---|
| | NET EXPOSURE VALUE | PROPERTIES - MORTGAGES | PROPERTIES - FINANCE LEASES | SECURITIES | OTHER REAL GUARANTEES |
| **1. Secured on-balance sheet exposures:** | | | | | |
| 1.1 totally secured | 1,906 | - | - | 1,838 | - |
| - of which impaired | - | - | - | - | - |
| 1.2 partially secured | - | - | - | - | - |
| - of which impaired | - | - | - | - | - |
| **2. secured off-balance sheet credit exposures:** | | | | | |
| 2.1 totally secured | 1,023 | - | - | 1,023 | - |
| - of which impaired | - | - | - | - | - |
| 2.2 partially secured | - | - | - | - | - |
| - of which impaired | - | - | - | - | - |

#### A.3.2 Secured exposures to customers

| | | REAL GUARANTEES (1) | | | |
|---|---|---|---|---|---|
| | NET EXPOSURE VALUE | PROPERTIES - MORTGAGES | PROPERTIES - FINANCE LEASES | SECURITIES | OTHER REAL GUARANTEES |
| **1, Secured on-balance sheet exposures:** | | | | | |
| 1,1 totally secured | 298,369 | 239 | - | 287,966 | 10,030 |
| - of which impaired | 39 | 28 | - | 10 | - |
| 1,2 partially secured | 724 | - | - | 417 | - |
| - of which impaired | - | - | - | - | - |
| **2, secured off-balance sheet credit exposures:** | | | | | |
| 2,1 totally secured | 18,257 | - | - | 17,284 | 972 |
| - of which impaired | - | - | - | - | - |
| 2,2 partially secured | 35 | - | - | - | 31 |
| - 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)

| | GOVERNMENTS | | | OTHER PUBLIC ENTITIES | | |
|---|---|---|---|---|---|---|
| EXPOSURE/COUNTERPARTY | NET EXPOSURE | SPECIFIC IMPAIRMENTS | PORTFOLIO IMPAIRMENTS | NET EXPOSURE | SPECIFIC IMPAIRMENTS | PORTFOLIO IMPAIRMENTS |
| **A. On-balance sheet exposures** | | | | | | |
| A.1 Non-performing loans | - | - | x | - | - | x |
| - of which: exposures subject to concessions | - | - | x | - | - | x |
| A.2 Unlikely to pay | - | - | x | - | - | x |
| - of which: exposures subject to concessions | - | - | x | - | - | x |
| A.3 Past-due impaired loans | 2 | (2) | x | - | - | x |
| - of which: exposures subject to concessions | - | - | x | - | - | x |
| A.4 Unimpaired exposures | 2,235,501 | x | - | - | x | - |
| - of which: exposures subject to concessionsx | - | x | - | - | x | - |
| **TOTAL A** | **2,235,503** | **(2)** | **-** | **-** | **-** | **-** |
| **B. "Off-balance" sheet exposures** | | | | | | |
| B.1 Non-performing loans | - | - | x | - | - | x |
| B.2 Unlikely to pay | - | - | x | - | - | x |
| B.3 Other impaired assets | - | - | x | - | - | x |
| B.4 Unimpaired exposures | 14 | x | - | - | x | - |
| **TOTAL B** | **14** | **-** | **-** | **-** | **-** | **-** |
| **TOTAL (A + B) December 31, 2015** | **2,235,517** | **(2)** | **-** | **-** | **-** | **-** |
| **TOTAL (A + B) December 31, 2014** | **1,696,051** | **-** | **-** | **1** | **-** | **-** |

(Amounts in € thousand)

| 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) |
| | | | | | | | | | |
| - | - | - | - | - | - | - | - | - | 1,838 |
| - | - | - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - | - | - |
| | | | | | | | | | |
| - | - | - | - | - | - | - | - | - | 1,023 |
| - | - | - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - | - | - |

(Amounts in € thousand)

| 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) |
| | | | | | | | | | |
| - | - | - | - | - | - | - | - | 3 | 298,238 |
| - | - | - | - | - | - | - | - | - | 38 |
| - | - | - | - | - | - | - | - | - | 417 |
| - | - | - | - | - | - | - | - | - | - |
| | | | | | | | | | |
| - | - | - | - | - | - | - | - | - | 18,256 |
| - | - | - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - | - | 31 |
| - | - | - | - | - | - | - | - | - | - |

(Amounts in € thousand)

| 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 |
| | | | | | | | | | | | |
| 6 | (40) | x | - | - | x | 10 | (92) | x | 3,485 | (18,187) | x |
| - | - | x | - | - | x | - | - | x | 7 | (41) | x |
| 1 | (3) | x | - | - | x | 2 | (7) | x | 791 | (1,377) | x |
| 1 | (3) | x | - | - | x | - | - | x | 58 | (146) | x |
| - | - | x | - | - | x | 11 | (8) | x | 570 | (601) | x |
| - | - | x | - | - | x | - | - | x | 31 | (17) | x |
| 92,348 | x | (129) | 11,464 | x | - | 16,461 | x | (3,327) | 797,623 | x | (5,040) |
| - | x | - | - | x | - | - | x | - | 138 | x | (1) |
| **92,355** | **(43)** | **(129)** | **11,464** | **-** | **-** | **16,484** | **(107)** | **(3,327)** | **802,469** | **(20,165)** | **(5,040)** |
| | | | | | | | | | | | |
| - | - | x | - | - | x | - | - | x | - | - | x |
| - | - | x | - | - | x | - | - | x | - | - | x |
| - | - | x | - | - | x | - | - | x | - | - | x |
| 530 | x | - | - | x | - | 421 | x | - | 19,608 | x | - |
| **530** | **-** | **-** | **-** | **-** | **-** | **421** | **-** | **-** | **19,608** | **-** | **-** |
| **92,885** | **(43)** | **(129)** | **11,464** | **-** | **-** | **16,905** | **(107)** | **(3,327)** | **822,077** | **(20,165)** | **(5,040)** |
| **85,444** | **(45)** | **(139)** | **7,096** | **-** | **-** | **14,176** | **(118)** | **(3,332)** | **609,684** | **(18,076)** | **(4,139)** |

# 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)**

Exposures connected to the counterparty risk related to securities lending or borrowing transactions are not included.

(Amounts in € thousand)

| 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 | 3,500 | (18,319) | - | - | - | - | - | - | - | - |
| A.2 Unlikely to pay | 794 | (1,387) | - | - | - | - | - | - | - | - |
| A.3 Past-due impaired loans | 583 | (612) | - | - | - | - | - | - | - | - |
| A.4 Unimpaired exposures | 2,500,260 | (8,496) | 652,913 | (1) | 158 | - | 67 | - | 1 | - |
| **TOTAL** | **2,505,137** | **(28,814)** | **652,913** | **(1)** | **158** | **-** | **67** | **-** | **1** | **-** |
| **B. "Off-balance" sheet exposures** | | | | | | | | | | |
| B.1 Non-performing loans | - | - | - | - | - | - | - | - | - | - |
| B.2 Unlikely to pay | - | - | - | - | - | - | - | - | - | - |
| B.3 Other impaired assets | - | - | - | - | - | - | - | - | - | - |
| B.4 Unimpaired exposures | 20,008 | - | 299 | - | 257 | - | - | - | 10 | - |
| **TOTAL** | **20,008** | **-** | **299** | **-** | **257** | **-** | **-** | **-** | **10** | **-** |
| **TOTAL December 31, 2015** | **2,525,145** | **(28,814)** | **653,212** | **(1)** | **415** | **-** | **67** | **-** | **11** | **-** |
| **TOTAL December 31, 2014** | **2,352,219** | **(25,849)** | **59,897** | **-** | **195** | **-** | **68** | **-** | **72** | **-** |

(Amounts in € thousand)

| 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 E XPOSURE | TOTAL IMPAIRMENT |
| **A. On-balance sheet exposures** | | | | | | | | |
| A.1 Non-performing loans | 1,370 | (5,813) | 579 | (2,500) | 505 | (3,377) | 1,045 | (6,630) |
| A.2 Unlikely to pay | 484 | (715) | 56 | (147) | 52 | (130) | 203 | (395) |
| A.3 Past-due impaired loans | 176 | (165) | 82 | (90) | 117 | (125) | 207 | (231) |
| A.4 Unimpaired exposures | 319,169 | (3,006) | 127,031 | (1,268) | 1,862,930 | (2,447) | 191,130 | (1,774) |
| **TOTAL** | **321,199** | **(9,699)** | **127,748** | **(4,005)** | **1,863,604** | **(6,079)** | **192,585** | **(9,030)** |
| **B. "Off-balance" sheet exposures** | | | | | | | | |
| B.1 Non-performing loans | - | - | - | - | - | - | - | - |
| B.2 Unlikely to pay | - | - | - | - | - | - | - | - |
| B.3 Other impaired assets | - | - | - | - | - | - | - | - |
| B.4 Unimpaired exposures | 7,875 | - | 3,251 | - | 4,259 | - | 4,623 | - |
| **TOTAL** | **7,875** | **-** | **3,251** | **-** | **4,259** | **-** | **4,623** | **-** |
| **TOTAL December 31, 2015** | **329,074** | **(9,699)** | **130,999** | **(4,005)** | **1,867,863** | **(6,079)** | **197,208** | **(9,030)** |
| **TOTAL December 31, 2014** | **241,170** | **(7,042)** | **94,734** | **(3,438)** | **1,862,367** | **(6,090)** | **153,948** | **(9,278)** |

#### B.3 Distribution of Balance Sheet and Off-Balance Sheet credit exposures to banks by geographic area (book value)

Exposures connected to the counterparty risk related to securities lending or borrowing transactions are not included.

(Amounts in € thousand)

| 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 | - | - | - | - | - | - | - | - | - | - |
| A.2 Unlikely to pay | - | - | - | - | - | - | - | - | - | - |
| A.3 Past-due impaired loans | - | - | - | - | - | - | - | - | - | - |
| A.4 Unimpaired exposures | 14,616,514 | - | 32,422 | - | - | - | - | - | 6 | - |
| **TOTAL** | **14,616,514** | **-** | **32,422** | **-** | **-** | **-** | **-** | **-** | **6** | **-** |
| **B. "Off-balance" sheet exposures** | | | | | | | | | | |
| B.1 Non-performing loans | - | - | - | - | - | - | - | - | - | - |
| B.2 Unlikely to pay | - | - | - | - | - | - | - | - | - | - |
| B.3 Other impaired assets | - | - | - | - | - | - | - | - | - | - |
| B.4 Unimpaired exposures | 257,108 | (1,416) | 989 | - | - | - | - | - | - | - |
| **TOTAL** | **257,108** | **(1,416)** | **989** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| **TOTAL December 31, 2015** | **14,873,622** | **(1,416)** | **33,411** | **-** | **-** | **-** | **-** | **-** | **6** | **-** |
| **TOTAL December 31, 2014** | **14,171,337** | **(1,416)** | **32,079** | **-** | **-** | **-** | **-** | **-** | **3** | **-** |

(Amounts in € thousand)

| 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 | - | - | - | - | - | - | - | - |
| A.2 Unlikely to pay | - | - | - | - | - | - | - | - |
| A.3 Past-due impaired loans | - | - | - | - | - | - | - | - |
| A.4 Unimpaired exposures | 24,085 | - | - | - | 14,592,430 | - | - | - |
| **TOTAL** | **24,085** | **-** | **-** | **-** | **14,592,430** | **-** | **-** | **-** |
| **B. "Off-balance" sheet exposures** | | | | | | | | |
| B.1 Non-performing loans | - | - | - | - | - | - | - | - |
| B.2 Unlikely to pay | - | - | - | - | - | - | - | - |
| B.3 Other impaired assets | - | - | - | - | - | - | - | - |
| B.4 Unimpaired exposures | - | - | 5 | - | 257,103 | (1,416) | - | - |
| **TOTAL** | **-** | **-** | **5** | **-** | **257,103** | **(1,416)** | **-** | **-** |
| **TOTAL December 31, 2015** | **24,085** | **-** | **5** | **-** | **14,849,533** | **(1,416)** | **-** | **-** |
| **TOTAL December 31, 2014** | **18,331** | **-** | **-** | **-** | **14,153,006** | **(1,416)** | **-** | **-** |

#### B.4 Significant exposures

At December 31, 2015 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: €18,856,212 thousand, of which €16,223,559 with the UniCredit Group;

b) weighted value: €18,089 thousand, none with the UniCredit Group;

c) number of "risk positions": 4, including the UniCredit Group.

Please note that, for the deferred tax assets within the exposure towards the Italian Central Government, these have been exempted and, therefore, their weighted value is nil.

# 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)

### QUALITATIVE INFORMATION

The Bank has exposures towards unconsolidated structured entities as a result of investments in units issued by investment funds (UCITS) that qualify as structured entities according to IFRS 12.

### QUANTITATIVE INFORMATION

The table below shows the assets, liabilities and off-balance sheet exposure to structured entities represented by unconsolidated UCITS units.

(Amounts in € thousand)

| BALANCE SHEET ITEMS/TYPE OF STRUCTURED ENTITY | ACCOUNTING PORTFOLIOS OF THE ASSETS | TOTAL ASSETS (A) | ACCOUNTING PORTFOLIOS OF THE LIABILITIES | TOTAL LIABILITIES (B) | NET CARRYING AMOUNT (C=A-B) | MAXIMUM EXPOSURE TO LOSS (D) | DIFFERENCE BETWEEN EXPOSURE TO THE RISK OF LOSS AND THE CARRYING AMOUNT (E=D-C) |
|---|---|---|---|---|---|---|---|
| 1. UCITS | HFT | 2 | | - | 2 | 2 | - |

**Key**
HFT = Financial assets held for trading

## E. Sales Transactions

*A. Financial assets sold and partially derecognised*

### QUALITATIVE INFORMATION

The Bank carries out repos on securities not recognised in the assets, received through reverse repos and securities lending, or on securities held in the Bank's portfolio.
With regard to the transactions on securities held in the Bank's portfolio, the financial assets transferred are bonds issued by UniCredit S.p.A, classified in the Loans and Receivables category, which have not been removed from the financial statements because the Bank conducts repos with the obligation for the buyer to resell the assets covered by the transaction upon expiration of the transaction and maintains all the risks connected to the 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 | | |
|---|---|---|---|---|---|---|---|---|---|
| TYPE/ PORTFOLIO | A | B | C | A | B | C | A | B | C |
| **A. On-balance sheet assets** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| 1. Debt securities | - | - | - | - | - | - | - | - | - |
| 2. Equity Instruments | - | - | - | - | - | - | - | | |
| 3. UCITS | - | - | - | - | - | - | - | | |
| 4. Loans | - | - | - | - | - | - | - | - | - |
| **B. Derivatives** | **-** | **-** | **-** | **x** | **x** | **x** | **x** | **x** | **x** |
| **Total December 31, 2015** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| *of which impaired* | - | - | - | - | - | - | - | - | - |
| **Total December 31, 2014** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| *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)

(Amounts in € thousand)

| HELD TO MATURITY INVESTMENTS | | | LOANS AND RECEIVABLES WITH BANKS | | | LOANS AND RECEIVABLES WITH CUSTOMERS | | | TOTAL | |
|---|---|---|---|---|---|---|---|---|---|---|
| A | B | C | A | B | C | A | B | C | 12.31.2015 | 12.31.2014 |
| - | - | - | 87,367 | - | - | - | - | - | 87,367 | 205,909 |
| - | - | - | 87,367 | - | - | - | - | - | 87,367 | 205,909 |
| X | X | X | X | X | X | X | X | X | - | - |
| X | X | X | X | X | X | X | X | X | - | - |
| - | - | - | - | - | - | - | - | - | - | - |
| x | x | x | x | x | x | x | x | x | | |
| - | - | - | 87,367 | - | - | - | - | - | 87,367 | x |
| - | - | - | - | - | - | - | - | - | | X |
| - | - | - | 205,909 | - | - | - | - | - | x | 205,909 |
| - | - | - | - | - | - | - | - | - | X | |

# Part E - Information on risks and hedging policies (CONTINUED)

**E.2 Financial liabilities relating to financial assets sold and not derecognised: book value**

(Amounts in € thousand)

| LIABILITY/ASSET PORTFOLIO | FINANCIAL ASSETS HELD FOR TRADING | FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS | AVAILABLE-FOR-SALE FINANCIAL ASSETS | HELD TO MATURITY INVESTMENTS | LOANS AND RECEIVABLES WITH BANKS | LOANS AND RECEIVABLES WITH CUSTOMERS | TOTAL |
|---|---|---|---|---|---|---|---|
| **1. Deposits from customers** | **-** | **-** | **-** | **-** | **87,568** | **-** | **87,568** |
| a) from fully-recognised assets | - | - | - | - | 87,568 | - | 87,568 |
| b) from partially-recognised assets | - | - | - | - | - | - | - |
| **2. Deposits from banks** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| a) from fully-recognised assets | - | - | - | - | - | - | - |
| b) from partially-recognised assets | - | - | - | - | - | - | - |
| **Total December 31, 2015** | **-** | **-** | **-** | **-** | **87,568** | **-** | **87,568** |
| **Total December 31, 2014** | **-** | **-** | **-** | **-** | **207,791** | **-** | **207,791** |

**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. UCITS | - | - | - | - | - | - |
| 4. Loans | - | - | | - | - | - |
| **B. Derivatives** | **-** | **-** | **x** | **x** | **x** | **x** |
| **Total assets** | **-** | **-** | **-** | **-** | **-** | **-** |
| **C. Associated liabilities** | **-** | **-** | **-** | **-** | **-** | **-** |
| 1. Deposits from customers | - | - | - | - | - | - |
| 2. Deposits from banks | - | - | - | - | - | - |
| **Total liabilities** | **-** | **-** | **-** | **-** | **-** | **-** |
| **Net value December 31, 2015** | **-** | **-** | **-** | **-** | **-** | **-** |
| **Net value December 31, 2014** | **-** | **-** | **-** | **-** | **-** | **-** |

**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 book of the Bank consists 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.

(Amounts in € thousand)

| 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 | 12.31.2015 | 12.31.2014 |
| **-** | **-** | **92,093** | **-** | **-** | **-** | **92,093** | **211,315** |
| - | - | 92,093 | - | - | - | 92,093 | 211,315 |
| X | X | X | X | X | X | - | - |
| | X | X | X | X | X | - | - |
| - | - | - | - | - | - | - | - |
| X | X | X | X | X | X | | |
| **-** | **-** | **92,093** | **-** | **-** | **-** | **92,093** | **211,315** |
| **-** | **-** | **87,568** | **-** | **-** | **-** | **87,568** | **207,791** |
| - | - | 87,568 | - | - | - | **87,568** | **206,286** |
| - | - | - | - | - | - | - | 1,505 |
| **-** | **-** | **87,568** | **-** | **-** | **-** | **87,568** | **207,791** |
| **-** | **-** | **4,525** | **-** | **-** | **-** | **4,525** | **X** |
| **-** | **-** | **3,524** | **-** | **-** | **-** | **X** | **3,524** |

# Part E - Information on risks and hedging policies (CONTINUED)

## 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, Spanish, French and German governments. The following table shows the nominal value, the book value and the fair value of these exposures as at December 31, 2015.

(Amounts in € thousand)

| | NOMINAL VALUE AS AT 12.31.2015 | BOOK VALUE AS AT 12.31.2015 | FAIR VALUE AS AT 12.31.2015 | % OF FINANCIAL STATEMENT ITEM |
|---|---|---|---|---|
| **Exposures to the Italian government** | **1,553,504** | **1,639,054** | **1,639,054** | |
| Financial assets held for trading | 4 | 6 | 6 | 0.15% |
| Available-for-sale financial assets | 1,553,500 | 1,639,048 | 1,639,048 | 72.98% |
| **Exposures to the Spanish government** | **500,000** | **586,090** | **586,090** | |
| Available-for-sale financial assets | 500,000 | 586,090 | 586,090 | 26.10% |
| **Exposures to the German government** | **1** | **1** | **1** | |
| Financial assets held for trading | 1 | 1 | 1 | 0.03% |
| **Exposures to the French government** | **10,000** | **10,356** | **10,356** | |
| Available-for-sale financial assets | 10,000 | 10,356 | 10,356 | 0.46% |
| **Total Sovereign exposures** | **2,063,505** | **2,235,501** | **2,235,501** | |

The following table shows the sovereign ratings as at December 31, 2015 for countries to which the Bank is exposed as at December 31, 2015, provided by Fitch Ratings, Moody's and Standard & Poor's.

| | ITALY | SPAIN | GERMANY | FRANCE |
|---|---|---|---|---|
| MOODY'S | Baa2 | Baa2 | Aaa | Aa2 |
| FITCH RATINGS | BBB+ | BBB+ | AAA | AA |
| STANDARD & POOR'S | BBB- | BBB+ | AAA | AA |

As at December 31, 2015, investments in debt securities issued by sovereign states accounted for 12.20% 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, Spanish, French and German public debt securities. Tensions or volatility in the government bond market could negatively impact on the Bank's financial position and performance.

# 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 organisational structure, strategies, and methods.
The Bank'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 the Bank 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 Organisation

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 the Bank, 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 the Bank, 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 the Bank 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 exchange rate 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 stabilising this second type of risk. The banking book interest rate risk measure covers both the value and net interest margin 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 margin over the next 12 months. Banca può essere visto come il valore attuale dei flussi di cassa netti attesi, cioè i flussi attesi dell'attivo meno quelli del passivo. Una misura di rischio rilevante da questo punto di vista è la sensitività del valore economico per bucket temporale per uno shock dei tassi di 1pb. Questa misura è riportata al fine di valutare l'impatto sul valore economico di possibili cambiamenti nella curva dei rendimenti. La sensitività al valore economico è calcolata anche per uno shock parallelo di 200 punti base. Una variabile di controllo da questo punto di vista è il Value at Risk relativo alla sola componente rischio di tasso di interesse;

The third type of risk is exchange rate 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**

The Bank 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 judgement 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 utilisation 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 the Bank'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 daily 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.

## 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.

The Bank 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 approaches 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

(Amounts in € thousand)

| TYPE/UNEXPIRED TERM | ON DEMAND | UP TO 3 MONTHS | BETWEEN 3 AND 6 MONTHS | BETWEEN 6 MONTHS AND 1 YEAR | BETWEEN 1 YEAR AND 5 YEARS | BETWEEN 5 AND 10 YEARS | OVER 10 YEARS | INDEFINITE DURATION |
|---|---|---|---|---|---|---|---|---|
| **1. On-balance sheet assets** | **30** | **-** | **-** | **5** | **1** | **3** | **4** | **-** |
| 1.1 Debt securities | 30 | - | - | 5 | 1 | 3 | 4 | - |
| *- with early redemption option* | - | - | - | - | - | - | - | - |
| *- other* | 30 | - | - | 5 | 1 | 3 | 4 | - |
| 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 | - | 62,414 | 10 | - | - | 158 | 618 | - |
| + SHORT positions | - | 62,113 | 10 | - | - | - | 14 | - |
| 3.2 Without underlying security | | | | | | | | |
| - Options | | | | | | | | |
| + long positions | - | - | - | - | - | - | - | - |
| + SHORT positions | - | - | - | - | - | - | - | - |
| - Other derivatives | | | | | | | | |
| + long positions | 17 | 135,680 | - | 33,565 | 257 | - | - | - |
| + short positions | 17 | 139,918 | - | 32,010 | 1,047 | - | - | - |

Item 3.1 Financial Derivatives with underlying securities - Other Derivatives includes spot contracts for the purchase and sale of securities, other than shares and UCITS units, 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”).

# Part E - Information on risks and hedging policies (CONTINUED)

**Currency: Other currencies**

(Amounts in € thousand)

| TYPE/UNEXPIRED TERM | ON DEMAND | UP TO 3 MONTHS | BETWEEN 3 AND 6 MONTHS | BETWEEN 6 MONTHS AND 1 YEAR | BETWEEN 1 YEAR 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 early redemption 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 | - | 49,627 | - | - | 7 | - | - | - |
| + SHORT positions | - | 49,582 | - | - | 7 | - | - | - |
| 3.2 Without underlying security | | | | | | | | |
| - Options | | | | | | | | |
| + long positions | - | - | - | - | - | - | - | - |
| + SHORT positions | - | - | - | - | - | - | - | - |
| - Other derivatives | | | | | | | | |
| + long positions | 17 | 452,258 | - | 51,011 | - | - | - | - |
| + short positions | 17 | 448,857 | - | 52,495 | - | - | - | - |

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 of section* "2.2 Interest rate risk and price risk – banking book" below.

## 2. Regulatory trading book: distribution of exposures in equity instruments and share indices for the main stock market countries

(Amounts in € thousand)

| TYPE OF TRANSACTION/LISTING INDEX | LISTED | | | | | | UNLISTED |
|---|---|---|---|---|---|---|---|
| | USA | SWITZERLAND | ITALY | GERMANY | FRANCE | OTHER | |
| **A. Equity Instruments** | | | | | | | |
| - long positions | - | - | 477 | 21 | - | 78 | 8 |
| - short positions | - | - | - | - | - | - | - |
| **B. Unsettled transactions on equity instruments** | | | | | | | |
| - long positions | 48,075 | - | 56,822 | 4,401 | - | 442 | - |
| - short positions | 48,089 | - | 57,813 | 4,518 | - | 442 | - |
| **C. Other derivatives on equity instruments** | | | | | | | |
| - long positions | - | - | - | - | - | - | - |
| - short positions | - | - | - | - | - | - | - |
| **D. Derivatives on share indices** | | | | | | | |
| - long positions | 2,689 | 1,964 | 4,279 | 4,183 | 264 | 948 | - |
| - short positions | 2,874 | 2,149 | 4,329 | 4,543 | 326 | 933 | - |

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, 2015 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

The Bank monitors the VaR of the Trading Book on a weekly basis.
As at December 31, 2015, the daily VaR of the trading book amounted to €99 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:
- net interest margin 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, the Bank 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 terms of the repricing of the bank's assets and liabilities. These mismatches result in a risk associated with the rate curve. This risk relates to the Bank's exposure to changes in the slope and shape of the interest rate curve. An associated risk is the basis risk. This risk derives 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 organisational framework described above, the Board of Directors of the Bank 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).
The Bank 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* in this section.

#### *B. Fair value hedging activities*

Hedging strategies aimed at complying with interest rate risk limits for the banking book 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 the Bank business operations.

#### *D. Hedges of foreign investments*

There are currently no hedges of foreign investments within the Bank's business operations.

# Part E - Information on risks and hedging policies (Continued)

## QUANTITATIVE INFORMATION

### 1. Banking book: distribution by maturity (repricing date) of financial assets and liabilities
Currency: Euro

(Amounts in € thousand)

| TYPE/UNEXPIRED TERM | ON DEMAND | UP TO 3 MONTHS | BETWEEN 3 AND 6 MONTHS | BETWEEN 6 MONTHS AND 1 YEAR | BETWEEN 1 YEAR AND 5 YEARS | BETWEEN 5 AND 10 YEARS | OVER 10 YEARS | INDEFINITE DURATION |
|---|---|---|---|---|---|---|---|---|
| **1. On-balance sheet assets** | **1,156,224** | **12,057,736** | **738,810** | **1,338,209** | **1,636,047** | **207,611** | **41** | **-** |
| 1.1 Debt securities | - | 10,336,114 | 267,331 | 1,057,243 | 1,542,471 | 200,952 | - | - |
| *- with early redemption option* | - | - | - | - | - | - | - | - |
| *- other* | - | *10,336,114* | *267,331* | *1,057,243* | *1,542,471* | *200,952* | - | - |
| 1.2 Loans to banks | 922,623 | 1,220,918 | 449,145 | 248,412 | - | - | - | - |
| 1.3 Loans to customers | 233,601 | 500,704 | 22,334 | 32,554 | 93,576 | 6,659 | 41 | - |
| - current accounts | 211,882 | 99 | 823 | 349 | 1,388 | - | - | - |
| - other loans | 21,719 | 500,605 | 21,511 | 32,205 | 92,188 | 6,659 | 41 | - |
| *- with early redemption option* | *3,564* | *22,548* | *19,149* | *30,828* | *90,050* | *6,531* | - | - |
| *- other* | *18,155* | *478,057* | *2,362* | *1,377* | *2,138* | *128* | *41* | - |
| **2. On-balance sheet liabilities** | **14,520,198** | **1,062,552** | **518,947** | **459,947** | **13,311** | **-** | **-** | **-** |
| 2.1 Deposits from customers | 14,410,760 | 247,699 | 144,878 | 336,587 | 13,311 | - | - | - |
| - current accounts | 14,338,408 | - | - | - | - | - | - | - |
| - other liabilities | 72,352 | 247,699 | 144,878 | 336,587 | 13,311 | - | - | - |
| *- with early redemption option* | - | - | - | - | - | - | - | - |
| *- other* | *72,352* | *247,699* | *144,878* | *336,587* | *13,311* | - | - | - |
| 2.2 Deposits from banks | 109,438 | 814,853 | 374,069 | 123,360 | - | - | - | - |
| - current accounts | 68,020 | - | - | - | - | - | - | - |
| - other liabilities | 41,418 | 814,853 | 374,069 | 123,360 | - | - | - | - |
| 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 | - | 2,339,027 | - | - | - | - | - | - |
| + short positions | - | 1,505 | 251,255 | 1,043,767 | 1,042,500 | - | - | - |
| **4. Other off-balance sheet transactions** | | | | | | | | |
| + long positions | 10,910 | 3,124 | 1,023 | - | 620 | - | - | - |
| + short positions | 2,243 | 12,553 | - | - | 881 | - | - | - |

**Currency: Other currencies**

(Amounts in € thousand)

| TYPE/UNEXPIRED TERM | ON DEMAND | UP TO 3 MONTHS | BETWEEN 3 AND 6 MONTHS | BETWEEN 6 MONTHS AND 1 YEAR | BETWEEN 1 YEAR AND 5 YEARS | BETWEEN 5 AND 10 YEARS | OVER 10 YEARS | INDEFINITE DURATION |
|---|---|---|---|---|---|---|---|---|
| **1. On-balance sheet assets** | **366,730** | **212,428** | **-** | **1,485** | **45,926** | **45,926** | **-** | **-** |
| 1.1 Debt securities | - | 183,880 | - | - | 45,926 | 45,926 | - | - |
| *- with early redemption option* | - | - | - | - | - | - | - | - |
| *- other* | - | *183,880* | - | - | *45,926* | *45,926* | - | - |
| 1.2 Loans to banks | 363,019 | 109 | - | 329 | - | - | - | - |
| 1.3 Loans to customers | 3,711 | 28,439 | - | 1,156 | - | - | - | - |
| - current accounts | 498 | - | - | - | - | - | - | - |
| - other loans | 3,213 | 28,439 | - | 1,156 | - | - | - | - |
| *- with early redemption option* | - | - | - | - | - | - | - | - |
| *- other* | *3,213* | *28,439* | - | *1,156* | - | - | - | - |
| **2. On-balance sheet liabilities** | **651,714** | **11,250** | **3,042** | **2,168** | **-** | **-** | **-** | **-** |
| 2.1 Deposits from customers | 650,884 | 11,250 | 3,042 | 1,259 | - | - | - | - |
| - current accounts | 646,867 | - | - | - | - | - | - | - |
| - other liabilities | 4,017 | 11,250 | 3,042 | 1,259 | - | - | - | - |
| *- with early redemption option* | - | - | - | - | - | - | - | - |
| *- other* | *4,017* | *11,250* | *3,042* | *1,259* | - | - | - | - |
| 2.2 Deposits from banks | 830 | - | - | 909 | - | - | - | - |
| - current accounts | 828 | - | - | - | - | - | - | - |
| - other liabilities | 2 | - | - | 909 | - | - | - | - |
| 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 | - | 91,853 | - | - | - | - | - | - |
| + short positions | - | - | - | - | 45,926 | 45,926 | - | - |
| **4. Other off-balance sheet transactions** | | | | | | | | |
| + long positions | 5,895 | 3,579 | - | - | - | - | - | - |
| + short positions | 3,554 | 5,895 | - | - | 25 | - | - | - |

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* below.

# Part E - Information on risks and hedging policies (Continued)

**2. Banking book: internal models and other methods of sensitivity analysis**

To measure the interest rate risk contained in the Bank's financial statements it is necessary to measure the sensibility of the loans and deposits to changes in the interest rate curve. 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.

In 2015, the availability of historic data made it possible to completely align the representation of the interest rate risk profile to the profile used by the Group and that representation provided the breakdowns below.

(Amounts in € thousand)

<table>
<tr><th>CURRENCY</th><th>VALUE ANALYSIS (SHIFT + 1 BP)</th><th>IRVAR*</th></tr>
<tr><td>EUR</td><td>873,29</td><td>3,591,06</td></tr>
<tr><td>USD</td><td>4,52</td><td rowspan="2">10,89</td></tr>
<tr><td>Other currencies</td><td>0,84</td></tr>
<tr><td>Total</td><td>878,65</td><td>3,590,35</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 + 1 basis point, showed an overall impact of €878.65 thousand.

The interest rate VaR figure for the Bank came to approximately €3,590.35 thousand.

Total VaR, including the Credit Spread Risk component arising from Italian government securities held as investment of liquidity, amounted to €4,633.24 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, the Bank 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

(Amounts in € thousand)

| ITEMS | CURRENCIES US DOLLAR | POUND STERLING | SWISS FRANC | YEN | AUSTRALIAN DOLLAR | OTHER CURRENCIES |
|---|---|---|---|---|---|---|
| **A. Financial assets** | **575,472** | **45,101** | **48,935** | **142** | **77** | **2,847** |
| A.1 Debt securities | 275,733 | - | - | - | - | - |
| A.2 Equity instruments | 70 | 3 | - | 6 | - | - |
| A.3 Loans to banks | 268,287 | 43,802 | 48,691 | 84 | 77 | 2,516 |
| A.4 Loans to customers | 31,382 | 1,296 | 244 | 52 | - | 331 |
| A.5 Other financial assets | - | - | - | - | - | - |
| **B. Other assets** | **600** | **69** | **-** | **-** | **3** | **1** |
| **C. Financial liabilities** | **573,695** | **44,668** | **48,858** | **4** | **-** | **948** |
| C.1 Deposits from banks | 909 | 1 | - | 4 | - | 825 |
| C.2 Deposits from customers | 572,786 | 44,667 | 48,858 | - | - | 123 |
| C.3 Debt securities | - | - | - | - | - | - |
| C.4 Other financial liabilities | - | - | - | - | - | - |
| **D. Other liabilities** | **1,254** | **100** | **-** | **-** | **39** | **128** |
| **E. Financial derivatives** | | | | | | |
| - Options | | | | | | |
| + long positions | - | - | - | - | - | - |
| + short positions | - | - | - | - | - | - |
| - Other derivatives | | | | | | |
| + long positions | 176,448 | 37,520 | 19,041 | 54,345 | 39,088 | 176,844 |
| + short positions | 174,265 | 37,519 | 19,118 | 54,367 | 39,241 | 176,859 |
| **Total assets** | **752,520** | **82,690** | **67,976** | **54,487** | **39,168** | **179,692** |
| **Total liabilities** | **749,214** | **82,287** | **67,976** | **54,371** | **39,280** | **177,935** |
| **Difference** | **3,306** | **403** | **-** | **116** | **(112)** | **1,757** |

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, 2015, the daily Forex VaR of the overall portfolio (banking and trading books) was approximately €88.19 thousand.

# Part E - Information on risks and hedging policies (Continued)

## 2.4 Derivative instruments

*A. Financial derivatives*

### A.1 Regulatory trading book: end of period notional amounts

(Amounts in € thousand)

| UNDERLYING ASSET/TYPE OF DERIVATIVE | TOTAL 12.31.2015 OVER THE COUNTER | TOTAL 12.31.2015 CENTRAL COUNTER-PARTIES | TOTAL 12.31.2014 OVER THE COUNTER | TOTAL 12.31.2014 CENTRAL COUNTER-PARTIES |
|---|---|---|---|---|
| **1. Debt securities and interest rate indexes** | **1,304** | **766** | **1,283** | **1,050** |
| a) Options | - | 4 | - | - |
| b) Swaps | - | - | - | - |
| c) Forwards | - | - | - | - |
| d) Futures | - | 762 | - | 1,050 |
| e) Other | 1,304 | - | 1,283 | - |
| **2. Equity instruments and share indices** | **21,275** | **8,207** | **15,931** | **8,050** |
| a) Options | 1 | - | - | 5 |
| b) Swaps | - | - | - | - |
| c) Forwards | - | - | - | - |
| d) Futures | - | 8,207 | - | 8,045 |
| e) Other | 21,274 | - | 15,931 | - |
| **3. Currencies and gold** | **651,337** | **-** | **796,045** | **-** |
| a) Options | - | - | - | - |
| b) Swaps | - | - | - | - |
| c) Forwards | - | - | - | - |
| d) Futures | - | - | 13 | - |
| e) Other | 651,337 | - | 796,032 | - |
| **4. Commodities** | **-** | **-** | **-** | **-** |
| **5. Other underlying assets** | **-** | **-** | **-** | **-** |
| **Total** | **673,916** | **8,973** | **813,259** | **9,100** |

Letter e) Other in the “Over the counter” column consists of CFD derivatives.

### A.2 Banking book: end of period notional amounts

#### A.2.1 Hedging instruments

(Amounts in € thousand)

| UNDERLYING ASSET/TYPE OF DERIVATIVE | TOTAL 12.31.2015 OVER THE COUNTER | TOTAL 12.31.2015 CENTRAL COUNTER-PARTIES | TOTAL 12.31.2014 OVER THE COUNTER | TOTAL 12.31.2014 CENTRAL COUNTER-PARTIES |
|---|---|---|---|---|
| **1. Debt securities and interest rate indexes** | **2,430,880** | **-** | **3,448,938** | **-** |
| a) Options | - | - | - | - |
| b) Swaps | 2,430,880 | - | 3,448,938 | - |
| 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** | **2,430,880** | **-** | **3,448,938** | **-** |

#### A.2.2 Other derivatives

No data to report.

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

(Amounts in € thousand)

| TRANSACTION TYPES/UNDERLYINGS | POSITIVE FAIR VALUE | | | |
|---|---|---|---|---|
| | TOTAL 12.31.2015 | | TOTAL 12.31.2014 | |
| | OVER THE COUNTER | CENTRAL COUNTER-PARTIES | OVER THE COUNTER | CENTRAL COUNTER-PARTIES |
| **A. Regulatory trading book** | **1,992** | **357** | **860** | **60** |
| a) Options | - | - | - | - |
| b) Interest rate swaps | - | - | - | - |
| c) Cross currency swaps | - | - | - | - |
| d) Equity swaps | - | - | - | - |
| e) Forwards | - | - | - | - |
| f) Futures | - | 357 | - | 60 |
| g) Other | 1,992 | - | 860 | - |
| **B. Banking book - hedges** | **-** | **-** | **19,247** | **-** |
| a) Options | - | - | - | - |
| b) Interest rate swaps | - | - | 19,247 | - |
| 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** | **1,992** | **357** | **20,107** | **60** |

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

(Amounts in € thousand)

| TRANSACTION TYPES/UNDERLYINGS | NEGATIVE FAIR VALUE | | | |
|---|---|---|---|---|
| | TOTAL 12.31.2015 | | TOTAL 12.31.2014 | |
| | OVER THE COUNTER | CENTRAL COUNTER-PARTIES | OVER THE COUNTER | CENTRAL COUNTER-PARTIES |
| **A. Regulatory trading book** | **3,064** | **39** | **1,127** | **10** |
| a) Options | - | - | - | - |
| b) Interest rate swaps | - | - | - | - |
| c) Cross currency swaps | - | - | - | - |
| d) Equity swaps | - | - | - | - |
| e) Forwards | - | - | - | - |
| f) Futures | - | 39 | - | 10 |
| g) Other | 3,064 | - | 1,127 | - |
| **B. Banking book - hedges** | **31,319** | **-** | **36,993** | **-** |
| a) Options | - | - | - | - |
| b) Interest rate swaps | 31,319 | - | 36,993 | - |
| 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** | **34,383** | **39** | **38,120** | **10** |

# 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

(Amounts in € thousand)

| 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 | - | - | - | - | - | - | 1,304 |
| - positive fair value | - | - | - | - | - | - | 2 |
| - negative fair value | - | - | - | - | - | - | 1 |
| - future exposure | - | - | - | - | - | - | - |
| 2. Equity instruments and share indices | | | | | | | |
| - notional value | - | - | - | - | - | - | 21,275 |
| - positive fair value | - | - | - | - | - | - | 448 |
| - negative fair value | - | - | - | - | - | - | 92 |
| - future exposure | - | - | - | - | - | - | 2,127 |
| 3. Currencies and gold | | | | | | | |
| - notional value | - | - | 566,828 | - | - | 10 | 84,499 |
| - positive fair value | - | - | 984 | - | - | - | 557 |
| - negative fair value | - | - | 2,633 | - | - | - | 338 |
| - future exposure | - | - | - | - | - | - | 845 |
| 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

(Amounts in € thousand)

| 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 | - | - | 2,430,880 | - | - | - | - |
| - positive fair value | - | - | - | - | - | - | - |
| - negative fair value | - | - | 31,319 | - | - | - | - |
| - future exposure | - | - | 8,381 | - | - | - | - |
| 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

(Amounts in € thousand)

| UNDERLYING/UNEXPIRED TERM | UP TO 1 YEAR | FROM 1 YEAR AND 5 YEARS | OVER 5 YEARS | TOTAL |
|---|---|---|---|---|
| **A. Regulatory trading book** | **652,642** | **-** | **21,274** | **673,916** |
| A.1 Financial derivative contracts on debt securities and interest rates | 1,304 | - | - | 1,304 |
| A.2 Financial derivatives on equity instruments and share indices | 1 | - | 21,274 | 21,275 |
| A.3 Financial derivatives on exchange rates and gold | 651,337 | - | - | 651,337 |
| A.4 Financial derivatives on other instruments | - | - | - | - |
| | | | | - |
| **B. Banking book** | **1,296,527** | **1,088,426** | **45,926** | **2,430,879** |
| B.1 Financial derivative contracts on debt securities and interest rates | 1,296,527 | 1,088,426 | 45,926 | 2,430,879 |
| 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 as at December 31, 2015** | **1,949,169** | **1,088,426** | **67,200** | **3,104,795** |
| **Total as at December 31, 2014** | **2,274,873** | **1,930,210** | **57,114** | **4,262,197** |

### A.10 Over the counter financial derivatives: Counterparty risk/financial risk – Internal models

No data to report.

## B. Credit derivatives

No data to report.

## C. Financial and credit derivatives

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.

The different types of liquidity risk managed by the Bank are as follows:
- funding risk, the Bank may not be able to effectively address any expected or unexpected cash outflows due to the unavailability of funding sources;
- market risk, in liquidating a considerable amount of assets, the Bank may be facing a considerable (and unfavourable) change in price generated by internal or external factors;
- risk of mismatch, the risk generated by a mismatch between the amounts and/or the maturities of cash inflows and outflows;
- contingency risk, future unexpected commitments (credit facilities being drawn down, deposit withdrawals, increase of collateral) may require a higher amount of liquidity compared to that used by the Bank in ordinary operations.

To address its exposure to 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 the Bank establishes the managerial autonomy of the Bank's Treasury department 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***

The "Fineco Liquidity Policy" establishes the principles adopted in terms of internal governance, which envisage the involvement of the Treasury and Risk Management departments, in line with the Group's approach.

The operational management of liquidity is carried out by the Treasury 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 one day up to one year. The primary objective is to maintain the Bank's capacity to fulfil its ordinary and extraordinary payment obligations while minimising 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, the Bank 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 fulfil its cash payment obligations always, whether expected or unexpected, focused on the exposures 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 unencumbered 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 three months.

### *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, the Bank 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 a 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 the Bank.

### *FinecoBank Contingency Liquidity Policy*

A liquidity crisis is a high impact, low probability event. Therefore, a crisis-mode operating model, that can be activated effectively in case of crisis according to an approved procedure, has been defined in the "Contingency Plan for liquidity risk".

The ability to act in time is essential to minimise 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.

The Bank's "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 to 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

(Amounts in € thousand)

| ITEM/TIME BRACKETS | ON DEMAND | BETWEEN 1 DAY AND 7 DAYS | BETWEEN 7 DAYS AND 15 DAYS | BETWEEN 15 DAYS AND 1 MONTH | BETWEEN 1 MONTH AND 3 MONTHS | BETWEEN 3 AND 6 MONTHS | BETWEEN 6 MONTHS AND 1 YEAR | BETWEEN 1 YEAR AND 5 YEARS | OVER 5 YEARS | INDEFINITE DURATION |
|---|---|---|---|---|---|---|---|---|---|---|
| **On-balance sheet assets** | **1,159,860** | **37,033** | **506,388** | **152,079** | **1,044,703** | **796,793** | **1,351,880** | **7,809,633** | **4,217,187** | **151,472** |
| A.1 Government securities | - | - | - | 11,025 | 14,185 | 275,941 | 622,761 | 1,061,000 | 150,004 | - |
| A.2 Debt securities | 1 | 3,039 | 3,860 | 7,610 | 131,769 | 45,067 | 441,775 | 6,650,037 | 4,060,002 | - |
| A.3 UCITS units | 2 | - | - | - | - | - | - | - | - | - |
| A.4 Loans | 1,159,857 | 33,994 | 502,528 | 133,444 | 898,749 | 475,785 | 287,344 | 98,596 | 7,181 | 151,472 |
| - Banks | 922,623 | 623 | 274,614 | 50,201 | 744,424 | 449,445 | 248,919 | - | - | 151,472 |
| - Customers | 237,234 | 33,371 | 227,914 | 83,243 | 154,325 | 26,340 | 38,425 | 98,596 | 7,181 | - |
| **On-balance sheet liabilities** | **14,523,357** | **36,257** | **271,470** | **42,948** | **711,782** | **518,817** | **460,578** | **13,265** | **-** | **-** |
| B.1 Deposits and current accounts | 14,408,703 | 13,607 | 19,829 | 36,274 | 107,592 | 120,845 | 247,310 | 13,265 | - | - |
| - Banks | 68,020 | - | - | - | - | - | - | - | - | - |
| - Customers | 14,340,683 | 13,607 | 19,829 | 36,274 | 107,592 | 120,845 | 247,310 | 13,265 | - | - |
| B.2 Debt securities | - | - | - | - | - | - | - | - | - | - |
| B.3 Other liabilities | 114,654 | 22,650 | 251,641 | 6,674 | 604,190 | 397,972 | 213,268 | - | - | - |
| **Off-balance sheet transactions** | | | | | | | | | | |
| C.1 Financial derivatives with exchange of capital | | | | | | | | | | |
| - long positions | 17 | 70,790 | - | - | - | 10 | - | 5 | 777 | - |
| - short positions | 17 | 73,180 | - | - | 762 | 10 | - | 5 | 14 | - |
| C.2 Financial derivatives without exchange of capital | | | | | | | | | | |
| - long positions | 614 | 784 | 2,086 | - | 4,771 | 10,434 | 10,216 | - | - | - |
| - short positions | 104 | - | 11 | - | 7,798 | 10,231 | 16,034 | - | - | - |
| C.3 Deposits and loans to be collected | | | | | | | | | | |
| - long positions | - | 3,124 | - | - | - | - | - | - | - | - |
| - short positions | - | - | - | - | - | 2,243 | 881 | - | - | - |
| C.4 Irrevocable commitments to lend funds | | | | | | | | | | |
| - long positions | - | - | - | - | 1,023 | 10,910 | - | 620 | - | - |
| - short positions | - | 11,933 | - | 620 | - | - | - | - | - | - |
| C.5 Financial guarantees given | - | - | - | - | - | - | - | - | - | - |
| C.6 Financial guarantees received | - | - | - | - | - | - | - | - | - | - |
| C.7 Credit derivatives with exchange of capital | | | | | | | | | | |
| - long positions | - | - | - | - | - | - | - | - | - | - |
| - short positions | - | - | - | - | - | - | - | - | - | - |
| C.8 Credit derivatives without exchange of capital | | | | | | | | | | |
| - long positions | - | - | - | - | - | - | - | - | - | - |
| - short positions | - | - | - | - | - | - | - | - | - | - |

### Currency: Other currencies

(Amounts in € thousand)

| ITEM/TIME BRACKETS | ON DEMAND | BETWEEN 1 DAY AND 7 DAYS | BETWEEN 7 DAYS AND 15 DAYS | BETWEEN 15 DAYS AND 1 MONTH | BETWEEN 1 MONTH AND 3 MONTHS | BETWEEN 3 AND 6 MONTHS | BETWEEN 6 MONTHS AND 1 YEAR | BETWEEN 1 YEAR AND 5 YEARS | OVER 5 YEARS | INDEFINITE DURATION |
|---|---|---|---|---|---|---|---|---|---|---|
| **On-balance sheet assets** | **366,813** | **7,183** | **275** | **1,070** | **21,149** | **1,289** | **4,291** | **183,706** | **91,854** | **-** |
| A.1 Government securities | - | - | - | - | - | - | - | - | 1 | - |
| A.2 Debt securities | - | 112 | - | 283 | 817 | 1,289 | 2,806 | 183,705 | 91,853 | - |
| A.3 UCITS units | - | - | - | - | - | - | - | - | - | - |
| A.4 Loans | 366,813 | 7,071 | 275 | 787 | 20,332 | - | 1,485 | 1 | - | - |
| - Banks | 363,019 | 106 | - | 3 | - | - | 329 | - | - | - |
| - Customers | 3,794 | 6,965 | 275 | 784 | 20,332 | - | 1,156 | 1 | - | - |
| **On-balance sheet liabilities** | **651,714** | **2,878** | **555** | **1,545** | **6,291** | **3,047** | **2,172** | **-** | **-** | **-** |
| B.1 Deposits and current accounts | 647,695 | - | - | - | - | - | - | - | - | - |
| - Banks | 828 | - | - | - | - | - | - | - | - | - |
| - Customers | 646,867 | - | - | - | - | - | - | - | - | - |
| B.2 Debt securities | - | - | - | - | - | - | - | - | - | - |
| B.3 Other liabilities | 4,019 | 2,878 | 555 | 1,545 | 6,291 | 3,047 | 2,172 | - | - | - |
| **Off-balance sheet transactions** | | | | | | | | | | |
| C.1 Financial derivatives with exchange of capital | | | | | | | | | | |
| - long positions | 17 | 61,725 | - | - | - | - | - | 9 | 184 | - |
| - short positions | 17 | 58,206 | - | - | - | - | - | 9 | 184 | - |
| C.2 Financial derivatives without exchange of capital | | | | | | | | | | |
| - long positions | 1,733 | 250 | - | - | 449 | 749 | 1,600 | - | - | - |
| - short positions | 2,999 | - | - | - | - | - | - | - | - | - |
| C.3 Deposits and loans to be collected | | | | | | | | | | |
| - long positions | - | 3,579 | - | - | - | - | - | - | - | - |
| - short positions | - | - | - | - | - | 3,554 | 25 | - | - | - |
| C.4 Irrevocable commitments to lend funds | | | | | | | | | | |
| - long positions | - | - | - | - | - | 5,895 | - | - | - | - |
| - short positions | - | 5,895 | - | - | - | - | - | - | - | - |
| 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 | - | - | - | - | - | - | - | - | - | - |

### Assets received as collateral or loaned as part of repos and securities lending

(Amounts in € thousand)

| | TOTAL 12.31.2015 | TOTAL 12.31.2014 |
|---|---|---|
| Fair value of securities received as guarantee in repos and securities lending with cash guarantee | 267,082 | 168,717 |
| Fair value of securities received on loan | 1,407,760 | 1,416,518 |
| Of which fair value of the securities delivered through reverse repos and securities lending with cash guarantee | (1,438,157) | (1,447,261) |

## 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*

In the UniCredit Group the operational risk management framework is a combination of policies and procedures for controlling, measuring and mitigating operational risk within the Group and the subsidiaries. Operational risk policies, applicable to all Group entities, are common principles that define the roles of company bodies and of the risk management function as well as the interactions with other functions involved in the process. These principles and provisions have been set out in the Group Framework for the management of operational risk and adopted in the Bank'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 the Bank 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 operational 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.
The Bank 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.

*Organisational 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 the Bank who in turn reports directly to the Chief Executive Officer 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 Operational and Pillar II 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 Internal Validation (GIV). For 2015, 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, Information Security & Fraud Management and the Organisation function aimed at sharing their respective expertise in relation to the projects planned or 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 Chief Executive Officer – 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*

UniCredit developed an internal model for measuring the capital requirement. The capital requirement is calculated on the basis of internal loss data, external loss data, scenario loss data and risk indicators.

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 risk indicators, there are currently 37 key risk indicators split into eight control areas (Legal, Claims, Credit Cards, Back Office, PFA, IT systems, Payment Systems, Compliance) that contribute to the calculation of the regulatory capital, 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 the Bank'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, 2015, amounted to €60,168 thousand.

### *Risks arising from significant legal disputes*

The Bank 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, 2015, the Bank had a provision in place for risks and charges of €43,458 thousand.

### *Risks arising from tax disputes and audits*

Risks arising from tax disputes and audits as at December 31, 2015 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, respectively, in tax liabilities 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. The Bank submitted an appeal to the Provincial Tax Commission, which held the grounds for the partial deductibility of the costs claimed in the year 2007 to be partially valid and set the additional tax to be paid at €189 thousand. The Italian Revenue Agency submitted an appeal to the Regional Tax Commission. With regard to this dispute, the taxes and penalties have already been recognised in the income statement with a contra entry, respectively, in tax liabilities and the provision for risks and charges;
- 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, for which the Bank has appealed to the Provincial Tax Commission of Milan as it considers its position to be well-founded and has won the first instance proceedings;
  - years 2009-2010-2011, with reference to both the abovementioned extraordinary transaction and costs considered as non-deductible, the Bank submitted an appeal to the Italian Revenue Agency on the grounds that the costs contested were deductible. 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.

# Part E - Information on risks and hedging policies (CONTINUED)

In light of the foregoing, as at December 31, 2015 the Bank had in place provisions that adequately reflect the specific circumstances and are in line with international accounting standards; specifically, to tax liabilities for a total of €11.7 million, for higher tax, and to provisions for risks and charges of €7.1 million, for penalties and interest.

**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 the Bank's exposure to operational risk and to identify any critical areas.
As at December 31, 2015, operating losses recorded in the accounts amounted to approximately €10.3 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 the Bank considers important. In accordance with the provisions of Basel II Pillar 2, the Bank – 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.

The Bank 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 the Bank 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 the Bank.
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 periodically performed 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 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.

### Risk Appetite

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 the Bank, in accordance with the applicable national and international regulations;
- 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 the Bank's business model and local and Group ICAAP. For this reason, the Risk Appetite is incorporated in the budget process.

# Part E - Information on risks and hedging policies (Continued)

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 the Bank 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 the Bank's positioning under several respects: absolute values, ratio between comparable measures, sensitivity analysis on defined parameters.

The Targets represent the amount of risk that the Bank 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 the Bank 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 the Bank, 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. |
| **Banking book** | The set of positions other than those included in the regulatory trading book are recorded in the banking book. |
| **Cost of Risk** | The ratio between net write-downs of loans 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<br>Represents the expected loss as a percentage of the exposure in the event of default (EAD) of the performing portfolio.<br>The perimeter is the customers of the performing portfolio. |
| **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. |
| **Funding** | Provision, in various forms, of the funds necessary to finance business activities or particular financial transactions. |
| **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. |
| **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 characterise 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. |
| **Risk Taking Capacity** | Ratio between Available Financial Resources and Internal Capital.<br>Includes a prudential buffer (cushion). |
| **RWA - Risk-Weighted Assets** | These are on-balance-sheet and off-balance-sheet assets (derivatives and guarantees) classified and weighted based on different coefficients related to the risks, in accordance with the banking regulations issued by the regulatory authorities for the calculation of the solvency ratios. |
| **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). |
| **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. |
| **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. |

# Part F - Shareholders' equity

# Part F - Shareholders' equity

## Section 1 - Bank's shareholders' equity

### A. QUALITATIVE INFORMATION

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

#### B.1 Bank's shareholders' equity: breakdown

(Amounts in € thousand)

| | AMOUNT 12.31.2015 | AMOUNT 12.31.2014 |
|---|---|---|
| 1. Share capital | 200,150 | 200,070 |
| 2. Share premium reserve | 1,934 | 1,934 |
| 3. Reserves | 236,590 | 198,081 |
| - from profits | 214,666 | 190,923 |
| a) legal | 40,030 | 33,061 |
| b) statutory | - | - |
| c) treasury shares | 8,555 | - |
| d) other | 166,081 | 157,862 |
| - other | 21,924 | 7,158 |
| 4. Equity instruments | - | - |
| 5. (Treasury Shares) | (8,555) | - |
| 6. Revaluation reserves | 11,626 | 2,262 |
| - Available-for-sale financial assets | 16,904 | 5,329 |
| - 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 benefit plans | (5,278) | (3,067) |
| - Revaluation reserves for associates carried at equity | - | - |
| - Special revaluation laws | - | - |
| 7. Net Profit (Loss) for the year | 191,053 | 149,907 |
| **Total** | **632,798** | **552,254** |

#### B.2 Revaluation reserves for available-for-sale financial assets: breakdown

(Amounts in € thousand)

| ASSET/AMOUNT | TOTAL 12.31.2015 | | TOTAL 12.31.2014 | |
|---|---|---|---|---|
| | POSITIVE RESERVE | NEGATIVE RESERVE | POSITIVE RESERVE | NEGATIVE RESERVE |
| 1. Debt securities | 8,434 | (1,285) | 5,329 | - |
| 2. Equity Instruments | 9,755 | - | - | - |
| 3. UCITS units | - | - | - | - |
| 4. Loans | - | - | - | - |
| **Total** | **18,189** | **(1,285)** | **5,329** | **-** |

**B.3 Revaluation reserves for available-for-sale financial assets: annual changes**

(Amounts in € thousand)

| | DEBT SECURITIES | EQUITY INSTRUMENTS | UCITS UNITS | LOANS |
|---|---|---|---|---|
| **1. Opening balance** | **5,329** | **-** | **-** | **-** |
| **2. Increases** | **3,593** | **9,755** | **-** | **-** |
| 2.1 Fair value increases | 3,593 | 9,755 | - | - |
| 2.2 Reclassification through profit or loss of negative reserves | - | - | - | - |
| *- from impairment* | - | - | - | - |
| *- from disposal* | - | - | - | - |
| 2.3 Other changes | - | - | - | - |
| **3. Decreases** | **(1,773)** | **-** | **-** | **-** |
| 3.1 Fair value reductions | (1,466) | - | - | - |
| 3.2 Impairment losses | - | - | - | - |
| 3.3 Reclassification through profit or loss of positive reserves | (307) | - | - | - |
| *- from disposal* | *(307)* | - | - | - |
| 3.4 Other changes | - | - | - | - |
| **4. Closing balance** | **7,149** | **9,755** | **-** | **-** |

**B.4 Revaluation reserves on defined benefit obligations: annual changes**

(Amounts in € thousand)

| | ACTUARIAL GAINS (LOSSES) ON DEFINED BENEFITS PLANS |
|---|---|
| **1. Opening balance** | **(3,067)** |
| **2. Increases** | **165** |
| 2.1 Fair value increases | 165 |
| 2.2 Other Changes | - |
| **3. Decreases** | **(2,376)** |
| 3.1 Fair value reductions | (2,376) |
| 3.2 Other Changes | - |
| **4. Closing balance** | **(5,278)** |

# 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, 2015 amounted to €393,903 thousand and were calculated by applying the supervisory regulations in force according to the Basel III regulatory framework including transitional adjustments.
The figures shown in this Section 2. include the profit for the year (for the amount that will not be distributed) in the calculation of own funds, assuming the conditions established Article 26 of the EU Regulation 575/2013 (CRR) are satisfied.

(Amounts in € thousand)

| | TOTAL 12.31.2015 | TOTAL 12.31.2014 |
|---|---|---|
| Common Equity Tier 1 Capital - CET1 | 390,977 | 353,133 |
| Additional Tier 1 – AT1 | - | - |
| TIER 2 – T2 | 2,926 | - |
| **Total Own Funds** | **393,903** | **353,133** |

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***

The financial instruments in the Common Equity Tier 1 CET1 consist of 606,515,733 ordinary shares with a par value of €0.33 euro, amounting to €200,150 thousand.
For information on the other items that make up the Common Equity Tier 1 see the details provided at the foot of the table presented in the Quantitative information.

# Part F - Shareholders' equity (CONTINUED)

### *2. Additional Tier 1 - AT1*
As at December 31, 2015 there were no Additional Tier 1 items.

### *3. TIER 2 - T2*
As at December 31, 2015 the Tier 2 only consisted of the effects of the transitional arrangements.

## B. QUANTITATIVE INFORMATION

(Amounts in € thousand)

| | TOTAL 12.31.2015 | TOTAL 12.31.2014 |
|---|---|---|
| **A. Common Equity Tier 1 - CET1 first time application of prudential filters** | **477,420** | **430,950** |
| of which CET1 instruments subject to transitional provisions | - | - |
| **B. Prudential filters for cet1 (+/-)** | **(54)** | **-** |
| **C. CET1 before items to be deducted and the effects of the transitional arrangements (A +/- B)** | **477,366** | **430,950** |
| **D. Items to be deducted from CET1** | **75,003** | **75,884** |
| **E. Transitional arrangements - Impact on CET1 (+/-)** | **(11,386)** | **(1,933)** |
| **F. Total Common Equity Tier 1 Capital - CET1 (C - D +/- E)** | **390,977** | **353,133** |
| **G. Additional Tier 1 - AT1 before items to be deducted and the effects of the transitional arrangements** | **-** | **-** |
| of which AT1 instruments subject to transitional provisions | - | - |
| **H. Items to be deducted from AT1** | **-** | **-** |
| **I. Transitional arrangements - Impact on AT1 (+/-)** | **-** | **-** |
| **L. Total Additional Tier 1 - AT1 (G - H +/- I)** | **-** | **-** |
| **M. Tier 2 before items to be deducted and the effects of the transitional arrangements** | **-** | **-** |
| of which T2 instruments subject to transitional provisions | - | - |
| **N. Items to be deducted from T2** | **-** | **-** |
| **O. Transitional arrangements - Impact on T2 (+/-)** | **2,926** | **-** |
| **P. Total Tier 2 (Tier 2 - T2) (M - N +/- O)** | **2,926** | **-** |
| **Q. Total own funds (F + L + P)** | **393,903** | **353,133** |

### *A. Common Equity Tier 1 - CET1 first time application of prudential filters*
The item includes:
- share capital, made up of 606,515,733 ordinary shares of a par value of €0.33 each, for an amount of €200,150 thousand;
- the share premium reserve of €1,934 thousand;
- the legal reserve, the extraordinary reserve and other reserves of €236,590 thousand;
- accumulated other comprehensive income (OCI), which consists of the €7,149 thousand from 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, €9,755 thousand from the net positive reserve for equity instruments held in the "Available for sale financial assets" portfolio and €5,278 thousand from the negative IAS19 Reserve;
- the amount of the 2015 profits that will not be distributed, amounting to €35,677 thousand, calculated on the profit (loss) for the year 2015, as required by CRR 575/2013, Article 26.2.

The following were deducted from this item:
- treasury shares, amounting to €8,555 thousand;
- UCITS units held in the regulatory trading book for which the underlying exposures have not been identified, amounting to €2 thousand.

### *B. CET1 Prudential filters*
This item includes the filter for additional valuation adjustments (AVA) calculated on the assets and liabilities measured at fair value, amounting to €54 thousand.

### *D. Items to be deducted from CET1*
This item includes:
- goodwill, net of deferred taxes, amounting to €66,791 thousand;
- other intangible assets, amounting to €8,212 thousand.

### *E. Transitional arrangements – Impact on CET1*

The item includes the effects of applying the transitional provisions on own funds established in the Bank of Italy Circular 285; specifically:

- the net 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 €7,149 thousand,
- an 80% positive prudential filter, amounting to €4,542 thousand, was applied on the amount of the IAS19 reserve;
- a negative prudential filter, amounting to €8,779 thousand, was applied on the positive reserve for equity instruments held in the "Available-for-sale financial assets" portfolio.

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 the Bank's 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 neutralise 80% of the impact of these amendments.

(Amounts in € thousand)

| | |
|---|---|
| a) Value of liabilities for defined benefits - old IAS 19 | (49,634) |
| b) Value of liabilities for defined benefits - new IAS 19 | (57,897) |
| c) Amount subject to "prudential filter" | (5,278) |

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, the Bank 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 neutralise 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, 2015 the net balance of neutralised capital gains and losses amounted to €7,149 thousand.

### *O. Transitional arrangements – Impact on T2*

The item includes a prudential filter of 60% of the 50% on the amount of the positive reserve for equity instruments held in the "Available-for-sale financial assets" portfolio, as required by the Bank of Italy Circular 285 of December 17, 2013.

**Reconciliation of Own funds with Carrying amounts**

(Amounts in € thousand)

| | TOTAL 12.31.2015 | TOTAL 12.31.2014 |
|---|---|---|
| Share capital, issue-premium reserves and other reserves | 438,674 | 400,085 |
| Accumulated other comprehensive income (OCI) | 11,626 | 2,262 |
| Profit allocated to reserves | 35,677 | 28,604 |
| Own CET 1 instruments | (8,557) | (1) |
| Intangible assets - Goodwill | (66,791) | (67,742) |
| Intangible assets - Other intangible assets | (8,212) | (8,142) |
| Regulatory impairment adjustments (AVA) | (54) | - |
| Other transitional adjustments to Common Equity Tier 1 Capital | (11,386) | (1,933) |
| **Common Equity Tier 1 Capital - CET1** | **390,977** | **353,133** |
| **Additional Tier 1 – AT1** | **-** | **-** |
| **Tier 1 Capital (T1= CET1 + AT1)** | **-** | **-** |
| Other transitional adjustments al Tier 2 | 2,926 | - |
| **TIER 2 – T2** | **2,926** | **-** |
| **Total Own Funds** | **393,903** | **353,133** |

# Part F - Shareholders' equity (Continued)

**Changes in Own Funds**

(Amounts in € thousand)

| | 01.01.2015 / 12.31.2015 | 01.01.2014 / 12.31.2014 |
|---|---|---|
| **Common Equity Tier 1 Capital - CET1** | | |
| **Beginning of period** | **353,133** | **316,008** |
| **Instruments and Reserves** | | |
| Share capital, issue-premium reserves and other reserves | 9,985 | 7,157 |
| Own CET1 instruments | (8,555) | - |
| Accumulated other comprehensive income (OCI) | 9,364 | (1,952) |
| Profit allocated to reserves | 35,677 | 28,604 |
| **Regulatory adjustments** | | |
| Intangible assets - Goodwill | 951 | 1,333 |
| Intangible assets - other non-current intangible assets | (71) | (128) |
| Regulatory impairment adjustments (AVA) | (54) | |
| Other transitional adjustments to Common Equity Tier 1 Capital | (9,453) | (1,933) |
| Other national filters prior to January 1, 2014 | - | 4,044 |
| **End of period** | **390,977** | **353,133** |
| **Additional Tier 1 – AT1** | | |
| **Beginning of period** | **-** | **-** |
| **End of period** | **-** | **-** |
| **TIER 2 – T2** | | |
| **Beginning of period** | **-** | **-** |
| Other transitional adjustments al Tier 2 | 2,926 | |
| **End of period** | **2,926** | **-** |
| **Total Own Funds** | **393,903** | **353,133** |

The opening figure for 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.

## 2.2 Capital adequacy

### A. QUALITATIVE INFORMATION

As at December 31, 2015, the Bank's 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). As at December 31, 2015, the Bank's capital requirements according to Basel I amounted to €310,011 thousand; accordingly, 80% of such amount was €248,009 thousand.
Furthermore, in addition to the Common Equity Tier 1 necessary to meet own funds requirements under Article 92 of the CRR, banks are required to hold a capital buffer of 2.5% of the bank's overall risk exposure. With reference to the information in the Supervisory Bulletin of the Bank of Italy no. 12 of December 2013 concerning the transitional and final provisions applicable to capital reserves, for the year 2015 the Bank, as a bank that is part of a banking group, is required to apply a 0.625% capital buffer coefficient; as a result, the Bank's minimum capital requirements for the year 2015 amounted to:
- Common Equity Tier 1 5.125%;
- Tier 1 capital 6.625%;
- Total capital 8.625%.

The countercyclical capital buffer established in Article 130 of the Directive 2013/36 /EU (CRD IV) will be applicable from January 1, 2016. This buffer must be made up of Common Equity Tier 1 and for the year 2016 it will be at the maximum of 0.625% of the total risk-weighted exposures, in application of the transitional arrangements recognised by the Bank of Italy.
Following the outcome of the Supervisory Review and Evaluation Process (SREP) conducted by the ECB during 2015, the competent authorities established that no decision in application of the national legislation implementing Article 104 (1) (a) of the Directive 2013/36/EU or article 16 of Regulation (EU) No. 1024/2013 was required for the Bank.
As for the qualitative information on the methods used by the Bank for assessing its own funds adequacy to support current and future operations, please refer to Section 1 - Shareholders' Equity of this Part F of the Notes to the Accounts.

## B.QUANTITATIVE INFORMATION

(Amounts in € thousand)

| CATEGORY/AMOUNT | NON-WEIGHTED ASSETS 12.31.2015 | NON-WEIGHTED ASSETS 12.31.2014 | WEIGHTED ASSETS 12.31.2015 | WEIGHTED ASSETS 12.31.2014 |
|---|---|---|---|---|
| **A. RISK ASSETS** | | | | |
| **A.1 Credit and counterparty risk** | **18,795,201** | **17,567,110** | **1,064,260** | **1,051,859** |
| 1. Traditional standardised approach | 18,795,201 | 17,567,110 | 1,064,260 | 1,051,859 |
| 2. Internal rating method | - | - | - | - |
| 2.1 Basic | - | - | - | - |
| 2.2 Advanced | - | - | - | - |
| 3. Securitisations | - | - | - | - |
| **B. Regulatory capital requirements** | | | | |
| **B.1 Credit and counterparty risk** | | | **85,141** | **84,149** |
| **B.2 Risk of adjustment of valuation of credit** | | | **160** | **13** |
| **B.3 Regulatory risk** | | | **1** | **-** |
| **B.4 Market risk** | | | **771** | **2,281** |
| 1. Traditional standardised approach | | | 771 | 2,281 |
| 2. Internal models | | | - | - |
| 3. Concentration risk | | | - | - |
| **B.5 Operational risk** | | | **60,168** | **61,584** |
| 1. Basic method | | | - | - |
| 2. Traditional standardised approach | | | - | - |
| 3. Advanced measurement approach | | | 60,168 | 61,584 |
| **B.6 Other calculation elements** | | | **-** | **-** |
| **B.7 Total prudential requirements** | | | **146,241** | **148,027** |
| **C. RISK ASSETS AND CAPITAL RATIOS** | | | | |
| C.1 Risk-weighted assets | | | 1,828,007 | 1,850,331 |
| C.2 Common Equity Tier 1 Capital/Risk-weighted assets (CET1 capital ratio) | | | 21.39% | 19.08% |
| C.3 Tier 1 capital/risk-weighted assets (Tier 1 capital ratio) | | | 21.39% | 19.08% |
| C.3 Own funds/Risk-weighted assets (Total capital ratio) | | | 21.55% | 19.08% |

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%).

# Part F - Shareholders' equity (Continued)

## Exposure to credit and counterparty risk: breakdown by type of portfolio

(Amounts in € thousand)

| PORTFOLIO | 12.31.2015 EXPOSURE TO CREDIT AND COUNTERPARTY RISK | 12.31.2015 RISK-WEIGHTED ASSETS | 12.31.2014 EXPOSURE TO CREDIT AND COUNTERPARTY RISK | 12.31.2014 RISK-WEIGHTED 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 | 2,559,604 | 84,653 | 1,971,033 | 89,822 |
| Exposures to or guaranteed by public entities | 15,059,974 | 29,198 | 14,426,384 | 23,965 |
| Exposures to or guaranteed by regional governments or local authorities | - | - | 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 | 137,933 | 136,406 | 126,029 | 124,423 |
| Retail exposures | 921,226 | 690,919 | 920,738 | 690,553 |
| Exposures secured by real estate property | 211 | 96 | 452 | 197 |
| Exposures in default | 4,875 | 4,903 | 4,242 | 4,290 |
| Exposures in equity instruments | 4,198 | 10,488 | 5 | 5 |
| Other exposures | 107,177 | 107,171 | 118,223 | 118,217 |
| **Total - traditional standardised approach** | **18,795,201** | **1,063,834** | **17,567,110** | **1,051,472** |
| **Risk assets - credit and counterparty risk** | **18,795,201** | **1,063,834** | **17,567,110** | **1,051,472** |
| **Exposures to central counterparties in the form of pre-financed contributions to the Guarantee Fund** | | **426** | | **387** |
| **Capital requirement - credit and counterparty risk** | | **85,141** | | **84,149** |

### Capital requirement per type of risk and approach used

(Amounts in € thousand)

| TYPE OF RISK | APPROACH USED | CAPITAL REQUIREMENTS 12.31.2015 | CAPITAL REQUIREMENTS 12.31.2014 |
|---|---|---|---|
| 1. On-balance-sheet risk assets | Traditional standardised approach | 59,406 | 51,608 |
| 2. Guarantees issued and commitments to disburse funds | Traditional standardised approach | 221 | 3,077 |
| 3. Derivative contracts | Current value approach | 132 | 138 |
| 4. Securities financing transactions | CRM - Comprehensive method with regulatory adjustments for volatility | 25,348 | 29,295 |
| **Capital requirements - credit and counterparty risk** | | **85,107** | **84,118** |
| **Capital requirements exposures to central counterparties in the form of pre-financed contributions to the Guarantee Fund** | | **34** | **31** |
| **Market risk** | | | |
| 1. Currency exchange rate risk | Traditional standardised approach | - | 832 |
| 2. Risk position debt securities | Traditional standardised approach | 514 | 1,316 |
| 3. Risk position equity instruments | Traditional standardised approach | 257 | 133 |
| 4. Position risk commodities | Traditional standardised approach | - | - |
| **Capital requirements - market risk** | | **771** | **2,281** |
| 1. Concentration risk | Traditional standardised approach | - | - |
| **Capital requirements - concentration risk** | | **-** | **-** |
| 1. Risk of adjustment of valuation of credit | Traditional standardised approach | 160 | 13 |
| **Capital requirements - risk of adjustment of valuation of credit** | | **160** | **13** |
| 1. Regulatory risk | Traditional standardised approach | 1 | - |
| **Capital requirements - regulatory risk** | | **1** | **-** |
| 1. Advanced measurement approach | Advanced measurement approach | 60,168 | 61,584 |
| **Capital requirements - operational risk** | | **60,168** | **61,584** |
| **Total capital requirements** | | **146,241** | **148,027** |

### 2.3 Minimum ratios established by the Bank

| CAPITAL ADEQUACY INDICATORS | 12.31.2015 | TARGET 2015 | TRIGGER 2015 | LIMIT 2015 |
|---|---|---|---|---|
| Common Equity Tier 1 ratio | 21.39% | 10.00% | 8.00% | 6.00% |
| Total capital ratio | 21.55% | 10.00% | 8.625% | 8.00% |

The Common Equity Tier 1 and the Total Capital Ratio comply with the limits provided in the Risk Appetite Framework approved by the Board of Directors on January 22, 2015.

# 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

Information on the fees paid to key management personnel and on related-party transactions, according to IAS 24, are shown below.

## 1. Details of compensation for key management personnel

Key management personnel are persons having authority and responsibility for planning, directing, and controlling the Bank'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 and updated, as well as the Chief Executive Officer and General Manager, the Deputy General Manager/GBS Manager, the Chief Financial Officer, the PFA Network Commercial Manager, the Deputy General Manager/Direct Bank Manager and the Investment & Wealth Management Services Manager.

(Amounts in € thousand)

| | TOTAL 12.31.2015 | TOTAL 12.31.2014 |
|---|---|---|
| Fees paid to "key management personnel", directors and Board of Statutory Auditors | | |
| a) short-term benefits | 5,469 | 5,089 |
| b) post-employment benefits | 284 | 258 |
| *of which under defined benefit plans* | - | - |
| *of which under defined contribution plans* | *284* | *258* |
| c) other long-term employee benefits | - | 6 |
| d) termination benefits | - | - |
| e) share-based payments | 3,272 | 2,058 |
| **TOTAL** | **9,025** | **7,411** |

## 2. Related-Party transactions

In order to ensure continued compliance with applicable legal and regulatory provisions on corporate disclosure on transactions with related parties, during the Board of Directors' Meeting of September 22, 2015 and with the prior positive opinion of the Audit and Related Parties Committee and the Board of Statutory Auditors, the Bank approved the adoption of new procedures aimed at regulating transactions with related parties and associated persons ("Procedures for the management of transactions with persons in conflict of interest") which cancel and replace the previous version of those procedures approved by the Board of Directors on May 15, 2014.

The above-mentioned procedures include the provisions to be complied with when managing:
- 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".

Given that the Bank belongs to the UniCredit Group, the aforementioned Procedures are also base on the "UniCredit Global Policy for managing transactions with subjects in conflict of interest" and the relevant "Global Operational Instructions" issued by UniCredit S.p.A. to subsidiaries within the framework of its management and co-ordination activity.

Considering the above, during 2015:
1. with the approval of the Board of Directors of January 22, 2015, upon recommendation by the Audit and Related Parties Committee, two Significant Ordinary Transactions were carried out with the related party at market conditions, and, specifically:
   (ii) "Framework resolution – Investment of medium-long term liquidity with the Parent Company", with validity up to December 31, 2015, which involves the purchase of UniCredit bonds. Since this transaction was classified for UniCredit as a transaction of "Lesser relevance with a significant amount" under the Global Policy, a favourable, 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 on February 11, 2015;
   (ii) medium-long term investment of structural liquidity raised in the period October 1, 2014 -December 31, 2014, to be carried out through the subscription of UniCredit bonds up to a maximum of €300 million issued at market conditions; it was approved by the Parent Company's Related Parties and Equity Investments Committee with the issue of a favourable, non-binding opinion on the matter;

2. with approval of the Board of Directors of March 10, 2015 a "Significant Ordinary Transaction" at market conditions with UniCredit Bank A.G., consisting in the purchase of "BONOS" Spanish government securities, with an equivalent value of €30 million. The transaction was brought to the attention of the Audit and Related Parties Committee of the Bank during the meeting held on March 9, 2015, which agreed on the suitability of the transaction. On April 1, 2015, UniCredit's Related Parties and Equity Investments Committee expressed its favourable, non-binding opinion;

;

3. with the approval of the Board of Directors' meeting of April 20, 2015, by way of the favourable opinion of the Audit and Related Parties Committee, an ordinary Significant Transaction at market conditions with UniCredit S.p.A. and UniCredit Bank AG, consisting of a "*Framework Resolution related to the entering into of hedging derivative contracts with the Parent Company or companies in the UniCredit Group*", for the purpose of entering into hedging derivatives with the Parent Company or with other companies in the UniCredit Group, by virtue of which the Bank may implement said transactions, up to April 20, 2016, whose maximum amount is expected to be €500 million with the Parent Company and €900 million with UniCredit Bank AG. On May 6, 2015, UniCredit's Related Parties and Equity Investments Committee expressed its favourable, non-binding opinion;

4. with the approval of the Board of Directors' meeting of May 11, 2015, by way of the favourable opinion of the Audit and Related Parties Committee, an ordinary Significant Transaction at market conditions with UniCredit S.p.A., consisting of a "*Framework Agreement - Reverse Repos and Term Deposits with the Parent Company*", effective until May 11, 2016, concerning (i) Reverse Repos with the Parent Company for an amount of €3 billion, calculated as the sum of the individual transactions in absolute value (whether repos or reverse repos) and (ii) Term deposits with the Parent Company for an amount of €4.5 billion, calculated as the sum of the individual transactions in absolute value. On May 6, 2015, UniCredit's Related Parties and Equity Investments Committee expressed its favourable, non-binding opinion;

5. with the approval of the Board of Directors' meeting of June 18, 2015, by way of the favourable opinion of the Audit and Related Parties Committee, an ordinary Significant Transaction at market conditions with UniCredit Bank AG and Mediobanca S.p.A., consisting of a "*Framework Resolution - Securities Trading with Related Party Institutional Counterparties*", effective up to June 18, 2016, regarding the trading of financial instruments with related party institutional counterparties, by virtue of which the Bank may implement said transactions, up to a maximum amount of €1 billion with UniCredit Bank AG and €500 million with Mediobanca S.p.A.. UniCredit's Related Parties and Equity Investments Committee issued a favourable non-binding opinion on the matter;

6. with the approval of the Board of Directors' meeting of July 30, 2015, by way of the favourable opinion of the Audit and Related Parties Committee, an ordinary Significant Transaction at market conditions with UniCredit S.p.A., consisting of a "*Framework Agreement for the transactions on current accounts held with UniCredit*", effective up to July 30, 2016, which will enable the Bank to manage its liquidity in euro and in foreign currencies through specific current accounts already held with UniCredit S.p.A. within an amount of less than €1,000 million understood as a single transaction (single payment and single withdrawal); UniCredit's Related Parties and Equity Investments Committee issued a favourable non-binding opinion on the matter;

7. with the approval of the Board of Directors' meeting of September 22, 2015, by way of the favourable opinion of the Audit and Related Parties Committee, an ordinary Significant Transaction at market conditions with UniCredit Bank AG and Mediobanca S.p.A., consisting of the renewal of a "*Framework resolution for Stock Lending with institutional customers*", effective up to September 21, 2016, regarding stock lending transactions with institutional counterparties, by virtue of which the Bank may implement those transactions, up to a maximum amount of €500 million with UniCredit Bank AG and €200 million with Mediobanca S.p.A.; UniCredit's Related Parties and Equity Investments Committee issued a favourable non-binding opinion on the matter;

8. with the approval of the Board of Directors of November 10, 2015, by way of the favourable opinion of the Audit and Related Parties Committee, an ordinary Significant Transaction at market conditions with the UniCredit S.p.A consisting of the renewal of the "*Framework resolution – Investment of medium-long term liquidity with the Parent Company*" due to expire on December 31, 2015, which enabled the Bank to subscribe UniCredit bonds with a ceiling of around €1.5 billion; as a result of the change in the core component in the on-demand items approved at the same Board meeting, which will allow the Bank to increase the investable structural liquidity component, this new Framework resolution will allow the Bank to subscribe bonds of the Parent Company, up to November 10, 2016, with a ceiling of €3 billion. UniCredit's Related Parties and Equity Investments Committee issued a favourable non-binding opinion on the matter.

In relation to the above transactions, the Bank provided a simplified disclosure to CONSOB pursuant to Art. 13, paragraph 3, letter c) of CONSOB Regulation 17221/2010.
In 2015, no other transactions were undertaken with related parties that could significantly affect the Bank's asset situation and results, or atypical and/or unusual transactions with those parties.
Intercompany 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, the Bank opted for the "national tax consolidation" – introduced by 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.

# Part H - Related-party transactions (CONTINUED)

Lastly, with regard to transactions of significant financial and economic relevance, during 2012, the Bank issued 5 bank guarantees in favour of the Italian Revenue Agency upon (guaranteed) request by UniCredit, with indefinite duration (specifically, valid until the Italian Revenue Agency issues a declaration of receipt of the payment by UniCredit at the end of the collection process, in the event of an unfavourable outcome for UniCredit, or until a ruling is issued in favour of the Bank by means of final judgement), for a total amount of €256 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 the Bank of an irrevocable payment commitment on demand, within 30 days and without any exceptions. In 2013, 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 the Bank 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 remain unchanged.

The following statement shows the outstanding assets, liabilities, guarantees and commitments as at December 31, 2015, for each group of related parties pursuant to IAS 24:

(Amounts in € thousand)

| | AMOUNTS AS AT DECEMBER 31, 2015 | | | |
|---|---|---|---|---|
| | DIRECTORS, BOARD OF STATUTORY AUDITORS AND KEY MANAGEMENT PERSONNEL | OTHER RELATED PARTIES | TOTAL | % OF CARRYING AMOUN |
| Financial assets held for trading | - | 30 | 30 | 0.75% |
| Loans and receivables with banks | - | 1 | 1 | 0.00% |
| Loans and receivables with customers | 22 | 7,530 | 7,552 | 0.82% |
| Other assets | - | 1 | 1 | 0.00% |
| **Total assets** | **22** | **7,562** | **7,584** | **0.04%** |
| Deposits from banks | - | 751 | 751 | 0.05% |
| Deposits from customers | 1,300 | 4,872 | 6,172 | 0.04% |
| Securities and financial liabilities | - | 1 | 1 | 0.02% |
| Other liabilities | 167 | 60 | 227 | 0.09% |
| **Total liabilities** | **1,467** | **5,684** | **7,151** | **0.04%** |
| **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.

(Amounts in € thousand)

| | INCOME STATEMENT AS AT DECEMBER 31, 2015 | | | |
|---|---|---|---|---|
| | DIRECTORS, BOARD OF STATUTORY AUDITORS AND KEY MANAGEMENT PERSONNEL | OTHER RELATED PARTIES | TOTAL | % OF CARRYING AMOUNT |
| Interest income and similar revenues | - | 4 | 4 | 0,00% |
| Interest expenses and similar charges | (7) | (2) | (9) | 0,03% |
| Fee and commission income | 3 | 24,697 | 24,700 | 5,07% |
| Fee and commission expense | (1) | (396) | (397) | 0,17% |
| Other administrative expenses | - | (5,857) | (5,857) | 2,50% |
| Other net operating income | 24 | 6 | 30 | 0,04% |
| **Total income statement** | **19** | **18,452** | **18,471** | |

With regard to the category "Directors, Board of Statutory Auditors and Key Management 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 Management Personnel" includes their dealings with the Bank (excluding their fees, which are discussed in point 1. *Details of compensation for key management personnel*) 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 and 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 related to the placement of asset management and insurance products and insurance premiums.

Amounts as at December 31, 2015 and the income components accrued in 2015 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**

(Amounts in € thousand)

| TOTAL TRANSACTIONS WITH UNICREDIT GROUP COMPANIES | TOTAL 12.31.2015 | % OF CARRYING |
|---|---|---|
| **Assets** | **14,637,039** | **79.86%** |
| Loans and receivables with banks | 14,614,234 | 99.76% |
| Loans and receivables with customers | 18,135 | 1.97% |
| Other assets | 4,670 | 1.26% |
| **Liabilities** | **1,306,215** | **7.13%** |
| Deposits from banks | 1,327,297 | 93.24% |
| Hedging derivative liabilities | 31,319 | 100.00% |
| Tax liabilities | (57,303) | n.c. |
| Other liabilities | 4,902 | 1.95% |
| **Guarantees and commitments** | **257,093** | **66.64%** |
| Guarantees issued and commitments | 257,093 | 66.64% |
| **Income Statement** | **289,817** | |
| Interest income and similar revenues | 219,021 | 80.13% |
| Interest expenses and similar charges | (13,820) | 49.10% |
| Fee and commission income | 118,245 | 24.26% |
| Fee and commission expense | (4,901) | 2.05% |
| Fair value adjustments in hedge accounting | (13,289) | n.c. |
| Administrative costs | (15,690) | 5.05% |
| Other net operating income | 251 | 0.32% |

# Part H - Related-party transactions (Continued)

The following table summarizes transactions with UniCredit group companies as at December 31, 2015:

(Amounts in € thousand)

| COMPANY | ASSETS | LIABILITIES | GUARANTEES AND COMMITMENTS | INCOME STATEMENT |
|---|---|---|---|---|
| UniCredit S.p.A. | 14,597,004 | 1,242,511 | 257,093 | 189,543 |
| UniCredit Bank AG | 21,881 | 41,665 | - | 2,982 |
| UniCredit Bank AG  Milan | - | 21,605 | - | (5,203) |
| UniCredit Credit Management Bank S.p.A. | - | - | - | (40) |
| UniCredit Factoring S.p.A. | - | - | - | 3 |
| UniCredit Leasing S.p.A. | 5 | - | - | 7 |
| UniCredit Luxemburg Finance SA | - | - | - | 81 |
| UniCredit Business Integrated Solutions S.C.p.A. | 13 | 405 | - | (11,711) |
| Pioneer Investment Management SGR p.A. | 1,508 | - | - | 10,088 |
| Cordusio Società Fiduciaria per Azioni | 19 | 29 | - | 3 |
| Pioneer Asset Management SA Luxemburg | 16,607 | - | - | 104,060 |
| Unicredit Bank Austria AG | 2 | - | - | 4 |
| **Total** | **14,637,039** | **1,306,215** | **257,093** | **289,817** |

The following tables contain a breakdown of the items relating to Assets, Liabilities, Guarantees and Commitments, Costs and Revenue for each individual Group company.

### Transactions with parent companies

(Amounts in € thousand)

| TRANSACTIONS WITH UNICREDIT S.P.A. | TOTAL 12.31.2015 |
|---|---|
| **Assets** | **14,597,004** |
| Loans and receivables with banks | 14,592,428 |
| Other assets | 4,576 |
| **Liabilities** | **1,242,511** |
| Deposits from banks | 1,285,632 |
| Hedging derivative liabilities | 9,713 |
| Tax liabilities | (57,303) |
| Other liabilities | 4,469 |
| **Guarantees and commitments** | **257,093** |
| Guarantees issued and commitments | 257,093 |
| **Income Statement** | **189,543** |
| Interest income and similar revenues | 226,557 |
| Interest expenses and similar charges | (13,800) |
| Fee and commission income | 430 |
| Fee and commission expense | (4,822) |
| Fair value adjustments in hedge accounting | (15,131) |
| Administrative costs | (3,710) |
| Other net operating income | 19 |

### Transactions with companies controlled by UniCredit S.p.A.

(Amounts in € thousand)

| TRANSACTIONS WITH UNICREDIT BANK AG | TOTAL 12.31.2015 |
|---|---|
| **Assets** | **21,881** |
| Loans and receivables with banks | 21,806 |
| Other assets | 75 |
| **Liabilities** | **41,665** |
| Deposits from banks | 41,665 |
| **Income Statement** | **2,982** |
| Interest income and similar revenues | 427 |
| Interest expenses and similar charges | (20) |
| Fee and commission income | 2,575 |

(Amounts in € thousand)

| TRANSACTIONS WITH UNICREDIT CREDIT MANAGEMENT BANK S.P.A. | TOTAL 12.31.2015 |
|---|---|
| **Income Statement** | **(40)** |
| Administrative costs | (40) |

(Amounts in € thousand)

| TRANSACTIONS UNICREDIT FACTORING S.P.A. | TOTAL 12.31.2015 |
|---|---|
| **Income Statement** | **3** |
| Administrative costs | 3 |

(Amounts in € thousand)

| TRANSACTIONS WITH UNICREDIT BANK AG MILAN | TOTAL 12.31.2015 |
|---|---|
| **Liabilities** | **21,605** |
| Hedging derivative liabilities | 21,605 |
| **Income Statement** | **(5,203)** |
| Interest income and similar revenues | (7,963) |
| Fee and commission income | 919 |
| Fee and commission expense | (1) |
| Fair value adjustments in hedge accounting | 1,842 |

(Amounts in € thousand)

| TRANSACTIONS WITH UNICREDIT LEASING S.P.A. | TOTAL 12.31.2015 |
|---|---|
| **Assets** | **5** |
| Loans and receivables with customers | 1 |
| Other assets | 4 |
| **Income Statement** | **7** |
| Fee and commission income | 1 |
| Administrative costs | 6 |

(Amounts in € thousand)

| UNICREDIT LUXEMBURG FINANCE SA | TOTAL 12.31.2015 |
|---|---|
| **Income Statement** | **81** |
| Fee and commission income | 81 |

(Amounts in € thousand)

| TRANSACTIONS WITH UNICREDIT BUSINESS INTEGRATED SOLUTIONS S.C.P.A. | TOTAL 12.31.2015 |
|---|---|
| **Assets** | **13** |
| Other assets | 13 |
| **Liabilities** | **405** |
| Other liabilities | 405 |
| **Income Statement** | **(11,711)** |
| Fee and commission income | 7 |
| Administrative costs | (11,950) |
| Other net operating income | 232 |

(Amounts in € thousand)

| TRANSACTIONS WITH PIONEER INVESTMENT MANAGEMENT SGR P.A. | TOTAL 12.31.2015 |
|---|---|
| **Assets** | **1,508** |
| Loans and receivables with customers | 1,508 |
| **Income Statement** | **10,088** |
| Fee and commission income | 10,121 |
| Fee and commission expense | (33) |

(Amounts in € thousand)

| TRANSACTIONS WITH CORDUSIO SOCIETÀ FIDUCIARIA PER AZIONI | TOTAL 12.31.2015 |
|---|---|
| **Assets** | **19** |
| Loans and receivables with customers | 19 |
| **Liabilities** | **29** |
| Other liabilities | 29 |
| **Income Statement** | **3** |
| Fee and commission income | 45 |
| Fee and commission expense | (44) |
| Administrative costs | 2 |

(Amounts in € thousand)

| TRANSACTIONS WITH PIONEER ASSET MANAGEMENT SA LUXEMBURG | TOTAL 12.31.2015 |
|---|---|
| **Assets** | **16,607** |
| Loans and receivables with customers | 16,607 |
| **Income Statement** | **104,060** |
| Fee and commission income | 104,060 |

(Amounts in € thousand)

| TRANSACTIONS WITH UNICREDIT BANK AUSTRIA AG | TOTAL 12.31.2015 |
|---|---|
| **Assets** | **2** |
| Other assets | 2 |
| **Income Statement** | **4** |
| Fee and commission income | 4 |

# Part I - Share-based payments

# Part I - Share-based payments

**A. QUALITATIVE INFORMATION**

## 1. Description of share-based payments

### 1.1 Outstanding instruments

The Medium & Long Term Incentive Plans for employees and personal financial advisors of the Bank include the following types of instruments:
- Equity-Settled Share Based Payments that involve payments settled with shares of the parent UniCredit S.p.A and of the Bank;
- Cash Settled Share Based Payments that involve payments made in cash.

The above categories refer to the allocation of the following instruments:
- **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;
- **Group Executive Incentive System** that offers eligible Group Executives a variable remuneration for which payment will be made within a maximum of five years. The beneficiaries receive a payment in cash and/or UniCredit shares, in relation to the achievement of performance conditions (other than marked conditions) stated in the Plan Rules;
- **Group Executive Incentive System (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 maximum period of 6 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 at Group and/or 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);
- **Employee Share Ownership Plan (ESOP - Let's Share)**, 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 Share") during the "Enrolment Period". The granting of free ordinary shares is subordinated to vesting conditions (other than market conditions) stated in the Plan Rules.
- **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 shall be allocated to the beneficiaries in four annual instalments under the "*2014-2017 Multi-year Top Management Plan*" as of 2017, and three annual instalments under the "*2014 Key People Plan*" as of 2015. The plans are subject to entry conditions (profitability and capital thresholds) and clawback clauses (as legally applicable) in accordance with the plan rules.
- **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 Bank's entire PFA network 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 three annual instalments from 2015, under the "*2014 PFA Plan*" and from 2018 under the "*2015-2017 PFA Plan*". The plans are subject to access conditions (profitability and capital thresholds) and clawback clauses (as legally applicable) in accordance with the plan rules.
- **Group Incentive System 2015 PFA**, offering selected personal financial advisors, identified as key personnel in accordance with regulatory requirements, an incentive system consisting of immediate cash payments (following performance evaluation) and deferred payments and the allocation of Phantom Shares, over a period of 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 at Group and/or 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).

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.
The financial instruments for incentive plans for the Bank's personal financial advisors involving the allocation of FinecoBank shares will be obtained through market purchases in implementation of the authorisation of the Bank Shareholders' meeting pursuant to Article 2357 of the Italian Civil Code and of the Regulatory Authority. In this regard, it is noted that for the stock granting plan "2014 PFA Plan" for Personal Financial Advisors and Bank Network Managers, on July 9, 2015 the Board of Directors resolved to settle the PFAs rights to the first tranche of the bonus in cash, instead of the allocation of FinecoBank ordinary shares, with a payment in cash corresponding to a third of the bonus consideration, made on July, 2015.

## 1.2 Measurement model

### *1.2.1 Stock Option e Performance Stock Option*

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.

The income statement and balance sheet effects are recognised during the vesting period of the instruments.

No new Stock Option and/or Performance Stock Option Plans were granted in 2015, but the income statement and balance sheet effects of the plans allocated in previous years were recognised.

### *1.2.2 Group Executive Incentive System*

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 and multiplied by the incentive, determines the actual amount that will be paid to the beneficiary.

In 2015 the Group Executive Incentive System 2015 (Bonus Pool) plan was assigned and the income statement and balance sheet effects were recognised for that plan and for the plans are assigned in prior years.

### *Group Executive Incentive System "Bonus Pool 2014" – Shares*

The economic value of the shares granted is measured considering the share market price at the grant date less the present value of future dividends during the vesting period.

The plan is divided into clusters, each of which may include two to three deferred share-based payment instalments according to the period defined by the plan rules.

| | UNICREDIT SHARES GRANTED | | | |
|---|---|---|---|---|
| | GROUP EXECUTIVE INCENTIVE SYSTEM - 2014 BONUS POOL | | | |
| | 2017 INSTALMENT | 2018 INSTALMENT | 2019 INSTALMENT | 2020 INSTALMENT |
| Bonus Opportunity Economic Value Grant Date | 01.21.2014 | 01.21.2014 | 01.21.2014 | 01.21.2014 |
| Number of Shares - Date of Board resolution | 04.09.2015 | 04.09.2015 | 04.09.2015 | 04.09.2015 |
| Vesting Period Start Date | 01.01.2014 | 01.01.2014 | 01.01.2014 | 01.01.2014 |
| Vesting Period End Date | 12.31.2016 | 12.31.2017 | 12.31.2018 | 12.31.2019 |
| UniCredit shares market price [€] | 6,269 | 6,269 | 6,269 | 6,269 |
| Economic value of vesting conditions [€] | -0,240 | -0,430 | -0,71 | -1,069 |
| **Performance Shares value per share at Grant Date [€]** | **6,029** | **5,839** | **5,559** | **5,200** |

| | FINECOBANK SHARES GRANTED | | | |
|---|---|---|---|---|
| | GROUP EXECUTIVE INCENTIVE SYSTEM - 2014 BONUS POOL | | | |
| | 2017 INSTALMENT | 2018 INSTALMENT | 2019 INSTALMENT | 2020 INSTALMENT |
| Bonus Opportunity Economic Value Grant Date | 04.15.2014 | 04.15.2014 | 04.15.2014 | 04.15.2014 |
| Number of Shares - Date of Board resolution | 02.09.2015 | 02.09.2015 | 02.09.2015 | 02.09.2015 |
| Vesting Period Start Date | 01.01.2014 | 01.01.2014 | 01.01.2014 | 01.01.2014 |
| Vesting Period End Date | 12.31.2016 | 12.31.2017 | 12.31.2018 | 12.31.2019 |
| FinecoBank shares market price [€] | 4,725 | 4,725 | 4,725 | 4,725 |
| Economic value of vesting conditions [€] | -0,410 | -0,590 | -0,839 | -1,137 |
| **Performance Shares value per share at Grant Date [€]** | **4,315** | **4,135** | **3,886** | **3,588** |

The plan was allocated in 2014 and the income statement and balance sheet effects will be recognised during the vesting period of the instruments.

### *Group Executive Incentive System 2015 (Bonus Pool)*

The new 2015 incentive system 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 the organisational structure, the bonus pool being defined at Country/Division level and further reviewed 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 (EBA), and to other specific roles, based on local regulatory requirements;
- a structure of payments spread over a period of up to 6 years and consisting of a mix of cash and shares, aligned with the latest regulatory requirements as set out in Directive 2013/36/EU (CRD IV).

The plan was assigned during the current year and the income statement and balance sheet effects will be recognised during the vesting period of the instruments.

# Part I - Share-based payments (Continued)

### *1.2.3 Employee Share Ownership Plan (Piano Let's Share 2015)*
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 2014.

**Measurement of Free Shares ESOP 2015**

| | FREE SHARES 1ST ENROLMENT PERIOD | FREE SHARES 2ND ENROLMENT PERIOD |
|---|---|---|
| Grant Date for Free Shares to employees | 01.30.2015 | 07.31.2015 |
| Vesting Period Start Date | 01.30.2015 | 07.31.2015 |
| Vesting Period End Date | 01.30.2016 | 07.31.2016 |
| **Fair Value per share of the Free Shares [€]** | **5,280** | **6,078** |

All income statement and balance sheet effects related to free shares will be booked during the vesting period (except adjustments, according to Plan Rules, that will be booked during the next closing after vesting period).
Let's Share for 2015 is a plan involving the use of the shares to be procured on the market. To that end the Participants grant a mandate to an intermediary (from inside or outside the UniCredit Group) to purchase the shares to be deposited in an account in their name.

### *1.2.4 Stock granting for employees*
The economic value of the shares granted 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
The plan offers the allocation of free shares of FinecoBank to beneficiaries belonging to the Top Management. The shares will be allocated to the respective beneficiaries, once the vesting period has elapsed and satisfaction of the conditions has been verified, in 4 annual tranches, starting in 2017.

| | 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 | 02.09.2015 | 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 |
| FinecoBank shares market price [€] | 3.700 | 4.725 | To be defined | To be defined |
| Economic value of vesting conditions [€] | -0.269 | -0.590 | To be defined | To be defined |
| **Performance Shares value per share at Grant Date [€]** | **3.431** | **4.135** | **To be defined** | **To be defined** |

The plan was assigned during the previous financial year and the income statement and balance sheet effects will be recognised during the vesting period of the instruments.

## 2014 Key people Plan
The plan offers the allocation of free shares of FinecoBank 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. The shares will be allocated to the respective beneficiaries, once the vesting period has elapsed and satisfaction of the conditions has been verified, in 3 annual tranches, starting in 2015.
The plan was assigned during the previous financial year and the income statement and balance sheet effects will be recognised during the vesting period of the instruments.

### *1.2.5 Stock granting for personal financial advisors*
The economic value of the shares granted 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 was determined on the basis of the achievement of the goals stated by the plan, subject to the Bank's entire PFA network 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 verification that the conditions established by the plan rules are satisfied.

| | SHARES GRANTED | | |
|---|---|---|---|
| | FINECO PFA 2014 | | |
| | 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 | 07.09.2015 | 07.09.2015 | 07.09.2015 |
| Vesting Period Start Date | 07.02.2014 | 07.02.2014 | 07.02.2014 |
| Vesting Period End Date | 06.30.2015 | 06.30.2016 | 06.30.2017 |
| Fineco shares market price [€] | x | 6.783 | 6.783 |
| Economic value of vesting conditions [€] | x | -0.210 | -0.39 |
| **Performance Shares value per share at Grant Date [€]** | **x** | **6.573** | **6.393** |

* The first instalment was paid in cash as per the Board of Directors' resolution of July 9, 2015.

The plan was assigned during the previous financial year and the income statement and balance sheet effects will be recognised during the vesting period of the instruments.

### 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 PFA network 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 verification that the conditions established by the plan rules are satisfied.

The plan was assigned during the previous financial year and the income statement and balance sheet effects will be recognised during the vesting period of the instruments.

### *1.2.6 Group Incentive System 2015 PFA*

In line with Regulatory requirements, the 2015 Incentive System for Financial Advisers envisages:

- the system's sustainability, by linking it directly to business results;
- the allocation of bonuses to beneficiaries identified as key personnel on the basis of criteria laid down in the Regulation of the European Banking Authority (EBA);
- a structure of payments spread over a period of 3 years and consisting of a mix of cash and phantom shares, aligned with the latest regulatory requirements providing for the instruments to be unavailable during certain periods;

The amount of the incentive is determined on the basis of the achievement of the goals stated by the plan.

The balance-sheet and income statement effects are spread across the term of the Plan.

The economic value of the phantom shares is measured considering the share market price at the grant date less the present value of future dividends during the vesting period.

The plan was assigned during the current year and the income statement and balance sheet effects will be recognised during the vesting period of the instruments.

## B. QUANTITATIVE INFORMATION

### *1. Annual changes*

| | TOTAL 12.31.2015 | | | TOTAL 12.31.2014 | | |
|---|---|---|---|---|---|---|
| ITEMS / NUMBER OF OPTIONS AND EXERCISE PRICE | NUMBER OF OPTIONS | AVERAGE EXERCISE PRICE | AVERAGE MATURITY | NUMBER OF OPTIONS | AVERAGE EXERCISE PRICE | AVERAGE MATURITY |
| **A. Opening balance** | **1,427,240** | **-** | **-** | **-** | **-** | **-** |
| B. Increases | 2,164,844 | - | | 1,427,240 | - | |
| B.1 New issues | 2,164,844 | - | | 1,427,240 | - | |
| B.2 Other increases | - | - | | - | - | |
| **C. Decreases** | **(245,500)** | **-** | | **-** | **-** | |
| C.1 Cancelled | (3,800) | - | | - | - | |
| C.2 Exercised | (241,700) | - | | - | - | |
| C.3 Expired | - | - | | - | - | |
| C.4 Other decreases | - | - | | - | - | |
| **D. Closing balance** | **3,346,584** | **-** | **March 2017** | **1,427,240** | **-** | **June 2016** |
| **E. Vested options at end of the period** | **289,703** | **-** | | **241,700** | **-** | |

# Part I - Share-based payments (Continued)

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 have not been stated because only freely allocated shares were involved.

## 2. Other information

**Let's Share for 2016 (ex 2015) - Employee Share Ownership Plan for 2016**

In May 2015, the Ordinary Shareholders' Meeting approved the "UniCredit Group Employee Share Ownership Plan for 2015" ("Let's Share for 2016") that offers to eligible Group employees the opportunity to purchase UniCredit ordinary shares at favourable conditions, in order to reinforce employees' sense of belonging and commitment to achieve the corporate goals.

For the Let's Share Plan for 2016, UniCredit will be able, at its discretion, to establish to subscription periods:
- 1 subscription period: by the end of the first half of 2016;
- 2 subscription period: by the end of the second half of 2016.

Let's Share for 2016 is a broad based share plan under which:
- during the "Enrolment Period", which will be communicated in due time to the Participants, they will be able to buy UniCredit ordinary shares ("Investment Shares") on a monthly or one-off basis;
- at the beginning of the Enrolment Period, each Participant will receive a discount, in the form of free shares, equivalent to 25% of the total amount of shares purchased; the Free Shares will be locked up for one year ("Holding Period"), and the Participants will lose the entitlement to the Free Shares if they cease to be employee of the UniCredit Group before the end of the Holding Period, unless the employment has been terminated for one of the specific reasons permitted under the Plan Rules;
- during the "Holding Period", 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 qualify as "Equity Settled Share-based Payments" because the Participants, according to the Plan 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 2016 will be booked during the holding period. Let's Share for 2016 has not been produced any effects on 2015 Financial Statements.

### *Effects on Profit and Loss*

The income statement and balance-sheet effects of the incentive systems based on FinecoBank and UniCredit shares are shown below, except for the balance of the reserve related to equity-settled plans.
The income statement impact is determined each year based on the vesting period of the instruments.

**Financial statement presentation related to payments based on shares of Fineco and of the Parent Company UniCredit**

(Amounts in € thousand)

| | TOTAL 12.31.2015 | | TOTAL 12.31.2014 | |
|---|---|---|---|---|
| | TOTAL | VESTED PLANS | TOTAL | VESTED PLANS |
| Costs | 15,268 | | 8,159 | |
| *- connected to Equity Settled Plans* | *15,019* | | *8,159* | |
| *- connected to Cash Settled Plans* | *249* | | | |
| Sums paid to UniCredit S.p.A. for vested plans | | 36 | | 480 |
| Payable due to UniCredit S.p.A. | 2,242 | | 2,025 | |
| Payable due to personal financial advisors for Cash Settled plans | 249 | | - | |

Please note that the charges relating to Equity Settled Plans were recognised as Administrative costs - Payroll costs with respect to the plans granted to employees and as Administrative costs - Other administrative expenses with regard to plans granted to personal financial advisors. Charges relating to Cash Settled Plans granted to personal financial advisors have been recognised as Fee and commission expenses.

# 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.
The Bank offers its services (banking and investment services) through a network of personal 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.


FINECOBANK AZIONI
INDIETRO
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02 feb 2015
VALORE
4,8100 €
OGGI
0,0380
VAR. %
+0,80%
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
MERCATO AFF
BOOK
ULTIME NEWS
02/02 - 09:45
MARKET TALK: risp.gestito; MB positiva, Mediolanum top pick
20/01 - 11:18
MARKET TALK: FinecoBank, ICBPI vede solida crescita ...
14/01 - 16:45
MARKET TALK: Anima, Icbpi resta sell sul titolo
12/01 - 15:58
MARKET TALK: MB aggiorna "Financials Long Short Portfolio"
12/01 - 10:44
MARKET TALK: banche italiane, tra maggiori beneficiari QE ...
ALTRE NOTIZIE
STORICO
1 SETTIMANA -0,08%
1 MESE +1,65%
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

(Amounts in € thousand)

| ASSETS | AMOUNTS AS AT 12.31.2015 | 12.31.2014 |
|---|---|---|
| Cash and cash balances = *item 10* | 6 | 5 |
| Financial assets held for trading = *item 20* | 3,983 | 3,054 |
| Loans and receivables with banks= *item 60* | 14,648,904 | 13,892,197 |
| *Loans and receivables with customers = item 70* | 922,774 | 695,594 |
| Financial investments | 2,245,982 | 1,695,555 |
| *40. Available-for-sale financial assets* | *2,245,982* | *1,695,555* |
| Hedging instruments | *10,573* | *24,274* |
| *80. Hedging derivatives* | - | 19,247 |
| *90. Changes in fair value of portfolio hedged financial assets* | *10,573* | *5,027* |
| Property, plant and equipment = *item 110* | *12,419* | *10,892* |
| Goodwill = *item 120. Intangible assets of which: goodwill* | 89,602 | 89,602 |
| Other intangible assets = *item 120 net of goodwill* | *8,212* | *8,142* |
| Tax assets = *item 130* | 15,424 | 18,550 |
| Other assets = *item 150* | *370,070* | *326,756* |
| **Total assets** | **18,327,949** | **16,764,621** |

(Amounts in € thousand)

| LIABILITIES AND SHAREHOLDERS' EQUITY | AMOUNTS AS AT 12.31.2015 | 12.31.2014 |
|---|---|---|
| Deposits from banks = *item 10* | 1,423,459 | 1,428,568 |
| Deposits from customers | 15,822,459 | 13,914,712 |
| *20. Deposits from customers* | 15,822,459 | 13,914,712 |
| Debt securities in issue | - | 424,710 |
| *30. Debt securities in issue* | - | 424,710 |
| Financial liabilities held for trading = *item 40* | 4,100 | 3,135 |
| Hedging instruments | 31,319 | 46,220 |
| *60. Hedging derivatives* | 31,319 | 36,993 |
| *70. Changes in fair value of portfolio hedged financial liabilities* | - | *9,227* |
| Provisions for risks and charges = *item 120* | 120,534 | 118,031 |
| Tax liabilities = *item 80* | 37,445 | 33,358 |
| Other liabilities | 255,835 | 243,633 |
| *100. Other liabilities* | 250,989 | 238,807 |
| *110. Employee severance pay provision* | 4,846 | 4,826 |
| Shareholders' Equity | 632,798 | 552,254 |
| - capital and reserves | *430,119* | *400,085* |
| *160. Reserves* | *236,590* | *198,081* |
| *170. Share premium reserve* | *1,934* | *1,934* |
| *180. Capital* | *200,150* | *200,070* |
| *190. Treasury Shares* | *(8,555)* | - |
| - revaluation reserves | *11,626* | *2,262* |
| *130. Revaluation reserves of which: Available-for-sale financial assets* | *16,904* | *5,329* |
| *130. Revaluation reserves for actuarial net gains (losses) for defined benefit plans* | *(5,278)* | *(3,067)* |
| - net profit = *item 200* | 191,053 | 149,907 |
| **Total liabilities and shareholders' equity** | **18,327,949** | **16,764,621** |

(Amounts in € thousand)

| INCOME STATEMENT | YEAR 2015 | YEAR 2014 |
|---|---|---|
| Net interest | 245,184 | 228,247 |
| *30. Net interest margin* | *245,184* | *228,247* |
| Dividends and other income from equity investments | - | - |
| *70. Dividend income and similar revenue* | *5* | *4* |
| *less: dividends from held-for-trading equity instruments included in item 70* | *(5)* | *(4)* |
| Net fee and commission income = item 60 | 248,188 | 195,744 |
| *60. Net fee and commission income* | *248,213* | *195,744* |
| *+ outsourcing costs for the management and recovery of Non Performing Loans* | *(25)* | - |
| Net trading, hedging and fair value income | 53,867 | 29,742 |
| *80. Gains (losses) on financial assets and liabilities held for trading* | *53,705* | *29,720* |
| *+ dividends from held-for-trading equity instruments (from item 70)* | *5* | *4* |
| *90. Fair value adjustments in hedge accounting* | *(147)* | - |
| *110. Gains (losses) on financial assets and liabilities at fair value through profit and loss* | - | *18* |
| *100. Gains (losses) on disposal or repurchase of: b) available-for-sale financial assets* | *304* | - |
| Net other expenses/income | (2,974) | (2,590) |
| *190. Other net operating income* | *77,984* | *71,455* |
| *less: other operating income - of which: recovery of expenses* | *(84,347)* | *(77,170)* |
| *less: adjustments of leasehold improvements* | *3,389* | *1,376* |
| *100. Gains (losses) on disposal or repurchase of: a) loans and receivables* | - | *49,160* |
| *100. Gains (losses) on disposal or repurchase of: d) financial liabilities* | - | *(49,163)* |
| **OPERATING INCOME** | **544,265** | **451,143** |
| Staff expenses | (75,049) | (69,151) |
| *150. Administrative costs - a) staff expenses* | *(76,295)* | *(69,151)* |
| *less: integration costs* | *1,246* | |
| Other administrative expenses | (232,870) | (211,318) |
| *150. Administrative costs- b) other administrative expenses* | *(234,197)* | *(208,189)* |
| *+ adjustments of leasehold improvements* | *(3,389)* | *(1,376)* |
| *- ex-ante contributions to the Single Resolution Fund (SRF) Deposit Guarantee Systems (DGS)* | *4,691* | - |
| *- outsourcing costs for the management and recovery of Non Performing Loans* | *25* | - |
| Recovery of expenses | 84,347 | 77,170 |
| *190. Other net operating income - of which: recovery of expenses* | *84,347* | *77,170* |
| Impairment/write-backs on intangible and tangible assets | (8,951) | (8,809) |
| *170. Impairment/write-backs on property, plant and equipment* | *(3,963)* | *(4,037)* |
| *180. Impairment/write-backs on intangible assets* | *(4,988)* | *(4,773)* |
| **Operating costs** | **(232,523)** | **(212,108)** |
| **OPERATING PROFIT (LOSS)** | **311,742** | **239,035** |
| Net impairment losses on loans and provisions for guaranteed and commitments | (6,706) | (3,180) |
| *130. Impairment losses/write-backs on: a) loans and receivables* | *(6,712)* | *(3,224)* |
| *130. Impairment losses/write-backs on: d) other financial assets* | *7* | *(1,372)* |
| *less: net value adjustments for the impairment of other financial assets - contribution to the National Interbank Deposit Guarantee Fund* | - | *1,416* |
| **NET OPERATING PROFIT (LOSS)** | **305,036** | **235,855** |
| Provisions for risks and charges | (15,714) | (6,121) |
| *160. Net provisions for risks and charges* | *(11,023)* | *(4,705)* |
| *+ ex-ante contributions to the Single Resolution Fund (SRF) Deposit Guarantee Systems (DGS)* | *(4,691)* | - |
| *+ net value adjustments for the impairment of other financial assets - contribution to the National Interbank Deposit Guarantee Fund* | - | *(1,416)* |
| Integration costs | (1,246) | - |
| Net income from investments | (1) | (4) |
| *240. Gains (losses) on disposal of investments* | *(1)* | *(4)* |
| **NET PROFIT (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS** | **288,075** | **229,730** |
| Income tax for the period | (97,022) | (79,823) |
| *260. Tax expense (income) related to profit or loss from continuing operations* | *(97,022)* | *(79,823)* |
| **NET PROFIT (LOSS) AFTER TAX FROM CONTINUING OPERATIONS** | **191,053** | **149,907** |
| **PROFIT (LOSS) FOR THE YEAR** | **191,053** | **149,907** |


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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 company accounts of FinecoBank S.p.A, taking into account the provisions of Article 154-bis, par. 3 and 4 of 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, 2015.

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:

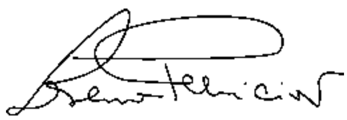
   3.1 The Annual Report and Accounts:
   a) were prepared in compliance with applicable international accounting standards recognised by the European Community pursuant to European Parliament and Council Regulation 1606/2002 of July 19, 2002;
   b) correspond to the results of the books and accounting 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, February 8, 2016

FinecoBank S.p.A
The Chief Executive Officer and
General Manager
Alessandro Foti

FinecoBank S.p.A.
The Manager Responsible for Preparing
the Company's Financial Reports
Lorena Pelliciari




# INNOVATION AND GROWTH

## FINECO, THE BANK THAT SEMPLIFIES BANKING.

# Report of the External Auditors

Deloitte & Touche S.p.A.
Via Tortona, 25
20144 Milano
Italia

Tel: +39 02 83322111
Fax: +39 02 83322112
www.deloitte.it

# INDEPENDENT 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.**

## Report on the Financial Statements

We have audited the accompanying financial statements of FinecoBank Banca Fineco S.p.A., which comprise the balance sheet as at December 31, 2015, and the income statement, the statement of comprehensive income, the statement of changes in equity and the cash flows statement for the year then ended, and the related explanatory notes.

*Management's Responsibility for the Financial Statements*

The Company's Directors are responsible for the preparation of these financial statements that give a true and fair view 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.

*Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISA Italia) issued pursuant to art. 11, n° 3, of Italian Legislative Decree 39/10. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation that give a true and fair view of financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Opinion*

In our opinion, the financial statements give a true and fair view of the financial position of FinecoBank Banca Fineco S.p.A. as at December 31, 2015, and of its financial performance and 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.

**Report on Other Legal and Regulatory Requirements**

*Opinion on the consistency of the report on operations and of certain information included in the report on corporate governance with the financial statements*

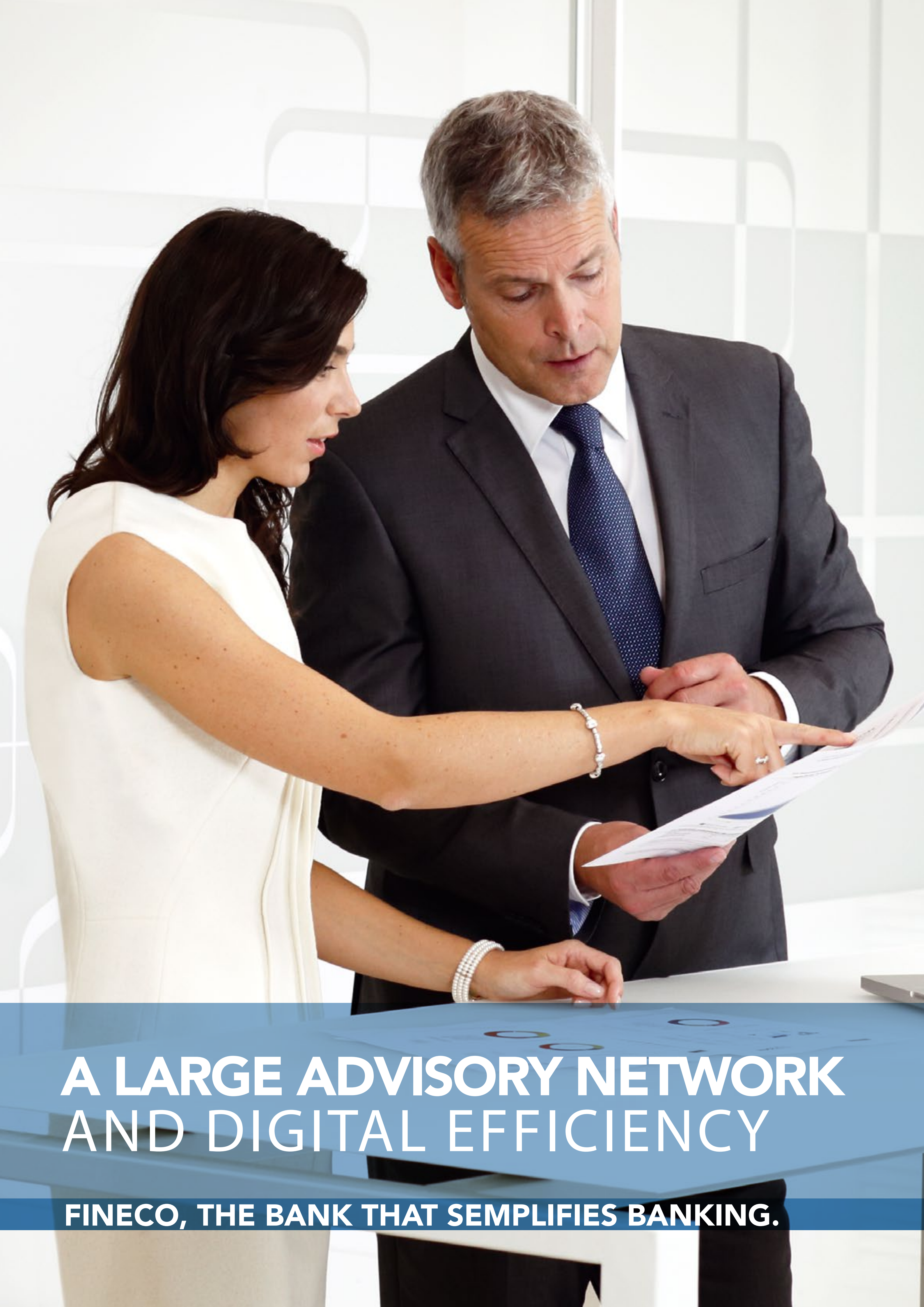
We have performed the procedures indicated in the Auditing Standard (SA Italia) n° 720B in order to express, as required by law, an opinion on the consistency of the report on operations and of certain information included in the report on corporate governance required by art. 123-bis, n° 4, of Italian Legislative Decree n° 58/98, which are the responsibility of the Directors of FinecoBank Banca Fineco S.p.A., with the financial statements of FinecoBank Banca Fineco S.p.A. as at December 31, 2015. In our opinion the report on operations and the information included in the report on corporate governance referred to above are consistent with the financial statements of FinecoBank Banca Fineco S.p.A. as at December 31, 2015.

DELOITTE & TOUCHE S.p.A.

*Signed by*
Paolo Gibello Ribatto
Partner

Milan, Italy
March 15, 2016

*This report has been translated into the English language solely for the convenience of international readers.*


A LARGE ADVISORY NETWORK
AND DIGITAL EFFICIENCY
FINECO, THE BANK THAT SEMPLIFIES BANKING.

# Report of the Board of Statutory Auditors

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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 2015.

In 2015, 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 Code of Conduct issued 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 organisation and control systems 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.

It is acknowledged that, pursuant to current regulations and the Corporate Governance Code for listed companies, the Board of Directors, with positive opinion of the Remuneration and Appointments Committee, checked the independence requirements for the majority of Directors, with the results detailed in the Report on Corporate Governance and the Ownership Structure, as well as their compliance with integrity and professionalism requirements. The Board of Directors also assessed compliance with the so-called interlocking ban.

*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 its members' compliance with the independence requirement.

*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 adoption of the Corporate Governance Code and, in compliance to it, the Remuneration and Appointments Committee and the Audit (control and risk) and Related Parties Committee operate 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 is carried out with the help of an external professional acting as an independent expert. In November 2015, with prior positive opinion of the Remuneration and Appointments Committee, the Board of Directors approved the "Self-assessment of the composition, operation and efficiency of the Board of Directors for the 2014 financial year" document and the action plan proposal contained therein.

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.

The Board of Directors ascertained the correct implementation of corporate governance regulations laid down in the aforementioned Corporate Governance Code.

*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. In this context, UniCredit S.p.A. performs a direction and management activity with respect to FinecoBank S.p.A. pursuant to Articles 2497 and subsequent of the Italian Civil Code.

*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 and Related Parties Committee, the Remuneration and Appointments Committee and the Supervisory Board, both during meetings with Top Management and the Managers of the Bank's various Departments and Functions.

During 2015 the serving Board of Statutory Auditors took part in no. 2 Shareholders' Meetings, no. 11 Board of Directors' Meetings, no. 16 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. 26 meetings with the Managers of Departments and organisational Units and Professional Financial Advisors. Moreover, at least a member of the Board of Statutory Auditors, normally its Chairperson, attended most of the meetings of the Remunerations and Appointments Committee and the Supervisory Body.

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 the meetings of the Board of Directors, the information provided during them and information flows in general comply with legal and statutory obligations and those of applicable regulations.

The Board of Statutory Auditors verified compliance with information obligations for regulated or inside information required by the Supervisory Authority.

During meetings of the Board of Directors, the Statutory Auditors examined the quarterly reports of the Bank's Control Functions and those drafted by the Financial Reporting Manager, ascertaining compliance with the reports and information provided for by supervisory regulations.

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" was drafted in compliance with legal and regulatory provisions; the report shall also be published on FinecoBank's website within the legally required deadline.

*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.

*Infra-group transactions or transactions with Related Parties – Transactions approved pursuant to Article 136 of TUB*
The most relevant infra-group transactions or transactions with Related Parties from an economic, assets and financial viewpoint, with an indication of assets, liabilities, guarantees and commitments as at 31 December 2015, 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.

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 and Bank of Italy regulations on transactions with related parties and associates.

In September 2015, the Board of Directors of FinecoBank SpA approved, with prior positive opinion of the Audit and Related Parties Committee and of the Board of Statutory Auditors, the new "Procedures for the management of transactions with Parties in conflict of interest" with which it must comply in managing relationships with related parties pursuant to the "Regulations on transactions with Related parties" adopted by CONSOB with Resolution no. 17221 of 12 March 2010 and relationships with associated Parties pursuant to discipline about "Risk activities and conflicts of interest with Associated 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 aforementioned "Procedures for the management of transactions with Parties in conflict of interest", which supersede and replace the version approved by the Board of Directors on 15 May 2014, also refer to UniCredit's Global Policy for the management of transactions with Parties in conflict of interest" and the "*Global Operational Instructions* issued by UniCredit for the management of transactions with Parties in conflict of interest".

FinecoBank SpA's "Procedures for the management of transactions with Parties in conflict of interest entail periodic disclosures to Corporate Bodies, the Audit and Related Parties Committee and the Compliance Contact Liaison Person with respect to transactions with Related Parties effected by the Bank in the period under review and, starting from 2015, the Board of Statutory Auditors recognises the effectiveness of relevant quarterly reports, as well the implementation of the decision-making processes envisaged by the aforementioned "Procedures" by reporting that a transaction has been ratified by the 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 and it has monitored compliance with procedural regulations adopted by the Bank as well as with transparency and disclosure provisions .

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.

# Report of the Board of Statutory Auditors (Continue)

Specifically, during 2015 the Board monitored corporate organization improvement measures and acknowledged the changes - duly approved by the Board of Directors subject to prior opinion, where required, by the Remunerations and Appointments Committee and submitted, where envisaged, to assessment by the relevant Parent Company's function - made to the structures of the Top Management of HQ and the Network, to the Organisational Chart, with a clear identification of functions roles and responsibilities, and the Bank's Internal Regulations. The changes made include, in particular, the resolution for the appointment of a second Deputy General Manager approved in December 2015.

The Bank's Internal Regulations – whose most up-to-date version was approved by the Board of Directors in February 2016 – 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 Parties Committee" and "Remuneration and Appointments Committee") and described in the "Corporate Governance Report" and the "Annual Remuneration Report" in compliance with legal provisions, 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.

We nearby acknowledge that, following Bank of Italy's findings and comments after a March 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 substantially implemented.

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.

The Board acknowledges the ongoing updating and implementation of the Bank's Business Continuity Plan and the performance, with overall positive results, of annual Business Continuity and Disaster Recovery testing activities.

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 and involving the Chief Executive Officer and the Board of Directors 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 compliance with the provisions of Circular no. 263 (now incorporated in Circular no. 285) – 15th update, the Bank approved the "Control Bodies and Functions Document" that defines the Bank's Internal Control System with the specific identification of roles and responsibilities of Company Bodies and control functions; the aforementioned document was last updated 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 section 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.

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 and Related Parties 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 - the last one being the "Semi-monthly report on activities performed from 1 July 2015 to 31 December 2015 - 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 Internal Audit to assess the Internal Control System and including sections dedicated to the findings of the Audit activity on the Personal Financial Advisers Network and the Audit Findings were regularly submitted to the Audit 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 audit for no. 2 agreements is planned for 30 June 2016. The Auditors acknowledge that the Internal Audit function prepared the report in line with surveillance provisions for audits on key outsourced operating or control functions, on any deficiencies detected and relevant corrective actions, highlighting the activities whose monitoring needs to be stepped up. Such document is "Outsourcing of company functions". 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 08 March 2016. The Board of Statutory Auditors, in the aforementioned Remarks, made specific recommendations in its aforementioned Remarks, incorporating the remarks of the Audit Function.

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 2015, the Board of Directors approved the 2016 Annual Audit Plan drafted on the basis of the 2016-2020 5-year Strategic Plan and indicating, also taking into account Group Guidelines, follow-up audits and the requests of Regulators, Top Management of the Bank, the Audit and Related Parties Committee and the Board of Statutory Auditors. The "2016 Audit Plan" document details the audits envisaged for the ICT system (ICT auditing).

During its activity, the Board ascertained compliance with the previously defined Audit plan both for central structures and processes and Network structures, checking actual implementation time scales.

The Board acknowledged the assessment of Internal Control System provided by Internal Audit based on the activity it performed in 2015, which was submitted to the Board of Directors in March 2016 and included a "satisfactory" assessment, since monitoring of key risks on investment services audited, on back-office processes, on the issuance and management of credit cards to customers and on processes for strategy definition and ICT audit planning were deemed to be adequate as a whole. Such assessment of the internal control system also acknowledged the correct organisation of the Decision-making Organisation and Management Model adopted by the Bank in compliance with Italian Legislative Decree no. 231/2001 with respect to administrative liability of legal persons and details the measures proposed for the remediation of any issues identified. The Board of Statutory Auditors examined the Audit Reports published by Internal Audit in 2015 using the information contained therein to carry out its activity and monitor the implementation of the relevant recommendations.

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".

The implementation of improvement areas and corrective action suggested by Internal Audit is monitored by the Board of Statutory Auditors.

Based on the documentation reviewed, information received and inspections performed during its monitoring activities, the Board of Statutory Auditors, despite referring to the existence of some corrective measures currently under way, deems the Internal Control System to be adequate as a whole.

*Supervisory Authority pursuant to Italian Legislative Decree no. 231/2001.*
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 examined the "*Information Report on the activity performed by the Supervisory Authority (SA) pursuant to Italian Legislative Decree no. 231 of 08 June 2001, as at 31 December 2015*" the findings of the activities performed by the Supervisory Body did not highlight any significant breaches of the reference regulatory framework and evidenced that FinecoBank's Organizational Model had been updated - also based on direct inspections carried out by Internal Audit - based on the specific features of FinecoBank, group standards and regulatory amendments introduced

# Report of the Board of Statutory Auditors (Continue)

by Legislators from time to time; 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.

The Supervisory Board also started proceedings for the update of the Bank's Model based on the "Guidelines for the definition and update of the Organisational Model pursuant to Italian Legislative Decree 231/2001" received from the Parent Company and shall submit relevant resolution proposals to the Board of Directors based on a compliance plan for the Model. The Ordinary Shareholders' Meeting convened on 12 April 2016 shall be asked to resolve on the compensation for the Chairperson of the Board of Statutory Auditors for taking on the post of external member of the Supervisory Board.

In 2015 the Board of Statutory Auditors attended no. 5 meetings of the Bank's Supervisory Board.

*Comments on the adequacy of risk management systems.*

FinecoBank SpA has an active Risk Management 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, in-sourcing risks and IT risk. The CRO function also verifies that mitigation transactions for the aforementioned corporate risks (risk management) are performed.

In February 2016 the CRO function submitted the "Report on Risk Management Activity in 2015 and 2016 Plan" in which, inter alia, it reported on the monitoring of the Risk Appetite Framework and operating exposures to various types of risks, 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 and the production of monthly reporting to the Parent Company. The Board of Statutory Auditors checked the effectiveness and appropriateness of the aforementioned information flows (including reports highlighting structural liquidity and the Bank's capacity of honouring short-term loan, as well as those aimed at ascertaining compliance with the limits identified to manage the aforementioned liquidity) and of such monitoring, which also including risk indicators identified in the "Liquidity Risk Contingency Plan" document and the "Contingency Plan for Bond Issuer Risk" document. In 2015 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 May 2015, the Board of Directors approved the *Relevant Transactions Global Policy* based on which the Risk Management function is tasked to provide a prior opinion on the consistency of Relevant Transactions with the Risk Appetite Framework.
Risk Management prepared an activity plan for the 2016 that confirmed the validity of the previous year's monitoring system and highlighted the planning activity aimed mainly at second-tier assessment and reporting of the IT risk, the introduction of additional liquidity risk controls and the updating of the Contingency Plan.

In 2015 FinecoBank SpA approved the "2106 FinecoBank Risk Appetite" document, whose metrics, which include the exchange rate risk with respect to hedging policies, were subject to an assessment by the Audit and Related Parties Committee, and which is also aimed at monitoring consistency between the business mode, 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.

In 2015 the Bank's Board of Directors approved the implementation of a policy aimed at reducing the exchange rate risk through the adoption of a specific hedging plan for commercial gains and losses that require the hedging of such risk.

A dedicated Audit Report issued at the end of 2015 highlighted that the Operational Risk Management system, in implementation of the AMA model, and the relevant corporate monitoring and control centres are adequate with respect to the processes of collection, analysis and management of operational losses, processing of scenario analyses, Internal Control Factors, Reporting and Validation Process.

In February 2016, the Bank's Board of approved the "Local Validation Report for the Operational Risks Management and Control System" - a self-certification that confirms the system's ability to deliver adequate control and management of operational risks and its compliance and suitability with respect to the provisions of Group and external regulations. The findings of the self-assessment process for the internal control system, for which the relevant Parent Company's Function drafted the audit document, were also confirmed by FinecoBank's Internal Audit function, which carried out an independent audit of the aforementioned "Local Validation Report", confirming an overall adequate result.

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.

*Liquidity investment policy*

Within the framework of its activity aimed at optimising the use of liquidity gathered 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.

During 2015, based on the "Liquidity Policy" approved in 2014, which sets out the principles and regulations for liquidity management, the Bank:
- approved, with prior positive opinion of the Audit and Related Parties Committee and in line with the guidelines of the "2016-2018" multi-year investment plan", the "Medium-term liquidity investments with the Parent Company" Framework Resolution, including a dedicated Technical Support Document, with validity up to November 2016;
- regularly monitored investment transactions carried out based on framework resolutions on liquidity management, the auditing of compliance of the aforementioned transactions with market conditions and alternative investment analyses performed by the CFO Department Treasury function and subject to second-tier audits by the FinecoBank's CRO Department

The Treasury of the CFO Department and the CRO Department regularly monitor the Investments already carried out based on the "Liquidity Risk Contingency Plan" documents (which defines the principles and the rules for managing liquidity in crises or stress situations, defining the limits and instruments to be monitored with respect to operating and structural liquidity) and the "Contingency Plan on Bond Issuer Risk" document (which defines the principles and the rules for an efficient and comprehensive assessment, control and reduction of the issuer risk linked to the financial instruments in FinecoBank's banking portfolio), constantly assessing 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.

In December 2015, the Internal Audit function carried out an audit first-and second tier processes and controls for liquidity management; The finding of such audit was "Satisfactory".

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).

### *Remarks on Compliance and Anti-Money Laundering activity*

The Board of Statutory Auditors acknowledged the "Report on the 2015 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. Specifically, assessment of primary non-compliance risks subject to the direct monitoring of the Compliance Function did not detect any regulatory area with a "*Critical*" and "*Significant*" risk and, for indirectly monitored areas, a single finding was highlighted, for which relevant corrective action is currently under completion.

The Board of Statutory Auditors also considered the "Report on total complaints received by FinecoBank S.p.A. in 2015" 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 are in compliance with regulatory deadlines for both investment service-related and "other types of complaints".

The Bank's Board of Directors approved the Compliance Function's 2016 Activity Plan, which focuses, as an extension of the activities performed in 2015 and in compliance with UniCredit's Compliance Plans, on the key pillars of the management of non-conformities (development of a Compliance culture and approach, strengthening of Compliance Risk Assessment and Controls, plans and activities for key regulatory areas.

In December 2015, the Board of Directors approved, in compliance with Supervisory Instructions for Banks, the roles responsible for management of the Whistle-blowing process and the key elements that define it.

In February 2016, in agreement with the relevant Parent Company's bodies, the Board of Directors of FinecoBank resolved on the in-sourcing of the Bank's Compliance Function and, prior to positive opinion of the Remunerations and Appointments Commission and upon proposal of the Audit and Related Parties Committee, on the appointment of a Compliance Officer with effect from 1 April 2016. The transaction was notified to the Surveillance Authority.

In February 2016 the Bank complied with a request issued by CONSOB with respect to financial instruments transactions effected by Customers, organizational measures implemented to capture new regulations for the sale of complex financial products and management procedures for consultancy services provided to Customers.

In June 2015 the Board of Directors approved, in implementation of CONSOB Communication no. 0097996/14 of 22 December 2014, relevant resolutions on the distribution of complex financial products to retail customers; to this end, the Board of Statutory Auditors, acknowledging the favourable opinion of Risk Management and Compliance on the aforementioned resolutions and the opinion issued by the Audit Function, gave its opinion highlighting the measures and improvements it deemed necessary.

# Report of the Board of Statutory Auditors (Continue)

Whilst performing its activity, the Board met with the Compliance Representative on several occasions, recommending in particular compliance with the deadlines provided for during Compliance Risk Evaluation quarterly monitoring for closing corrective actions identified from time to time and with particular focus on residual risks highlighted during these audits.

With respect to monitoring of the Anti-money Laundering Function – terrorism financing prevention, and the adoption of relevant second-tier controls, the surveillance activity performed by the Board of Statutory Auditors did not highlight any significant deficiencies as at 31 December 2015, although it did detect some transactions that were recorded late in the Single Computer Archive. To this end, over 2015 the Bank - upon request of the Board of Statutory Auditors - defined a process for reporting any transactions recorded late in the Single Computer Archive to the aforementioned Board.
It should also be acknowledged that the Annual Report of the Anti-Money Laundering Head of FinecoBank for 2015 shall be submitted in a separate document than the Compliance Function's 2015 Report on Activities, together with the self-assessment report requested by the Bank of Italy in October 2015.

*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..

The Audit Report, issued without any remarks on 15 March 2016 pursuant to Articles 14 and 16 of Italian Legislative Decree 39/2010, highlighted that the Financial Statements have been prepared in accordance with IAS/IFRS accounting principles issued by the International Standards Board and adopted by the European Union, as well as with the provisions implementing 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 2015. 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 and Ownership Structure, were coherent with the Financial Statements documentation.

The Board of Statutory Auditors, moreover, assessed the Report issued by the Independent Statutory Auditor on 15 March 2016 pursuant to Article 19 of Italian Legislative Decree no.39/2010, from which it can be evinced that no substantial deficiencies were found in the internal control system with respect to financial reporting so as 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 2015 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 2015 to FinecoBank by the Independent Statutory Auditor. No services other than auditing appeared to have been provided by organisations of the network to which the aforementioned audit company belongs.

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, including 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 2015 to 15 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:

(figures in euros)

| SERVICE TYPE | ENTITY THAT PROVIDED THE SERVICE | FEES |
|---|---|---|
| Accounting Audit | Deloitte & Touche S.p.A. | 154,285 |
| Certification services | Deloitte & Touche S.p.A. | 40,000 |

Certification Services relate to the performance of procedures aimed at the issuing of the provisional certification document required by the ECB in order to include profit for the financial year into CET 1.

*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 08 February 2016 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 8 February 2016, 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. The Financial Reporting Manager regularly updates the Board of Directors on the activities performed and reports on the progress of improvement measures for Internal Control System for Financial Reporting.

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 2015 were drawn up 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 up to 31 December 2015, as established by European Union Regulation no. 1606/2002 of 19 July 2002 and transposed by Italian Legislative Decree no. 38/2005.

The Financial Statements as at 31 December 2015 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 issued on 8 February 2016. The Financial Statements also follow Financial Statements and relevant Notes formats set out by Bank of Italy's provisions 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. 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 June 2015 the Board of Directors approved the Parent Company's Global Policy on "Preparation of financial statements and relevant surveillance reporting".

In 2015, the Administration Department periodically forwarded information to the Parent Company for the purposes of calculating the Regulatory Capital and the Second Pillar Capital. On 31 December 2015 the CET1 Capital ratio (Tier one capital/Risk-weighted assets) was equal to 21.39%, as detailed in the dedicated section of the Financial Statements "Parte F – Information on assets".

The Board of Statutory Auditors, in light of the information received and the documentation examined and the activity performed, assesses the process of the preparation of financial reporting as substantially adequate.

It is acknowledged that FinecoBank is obliged to publish the "Disclosure pursuant to EC Regulation 575/2013" at 31 December 2015. The aforementioned regulation provides that the disclosure by Entities must be effected both at consolidated and separate business unit level if the bank is the "most important subsidiary". FinecoBank publishes this disclosure on its website together with the Draft Financial Statements at 31 December 2015.

*Remarks on the remuneration policy*
Over 2015, in line with the provisions of the Surveillance Authority with respect to "Remuneration and bonus policies and practices", the Board of Statutory Auditors checked the adequacy and compliance with internal and external legal and regulatory of the remuneration policies and practices adopted by FinecoBank S.p.A..

The Bank's Board of Directors, in the meeting of 13 May 2014, adopting the Corporate Governance Code for listed companies, resolved on the appointment of the "Remuneration and Appointments Committee" by availing itself of the option, provided for by the aforementioned Corporate Governance Code, to concentrate the functions of the Appointment Committee and the Remuneration's Committee into a single Committee.

# Report of the Board of Statutory Auditors (CONTINUE)

The Bank's Board of Directors implemented the "2015 bonus scheme", other existing Bonus Schemes and, in March, 2016, following the positive opinion of the Remuneration and Appointment Committee, approved the "2016 Remuneration Policy of FinecoBank" (validated by the Compliance function) and relevant detailed regulation of the 2016 Bonus Scheme - a document that, inclusive of the "Annual Remuneration Report" and attached "2016 share-based compensation plans", shall be submitted to the Ordinary Shareholders' Meeting for approval. This document also acknowledges the Remuneration Policy applied by the members of FinecoBank's Independent Financial Promoters networks, in line with their specific compensation policies.

The Internal Audit function performed an annual audit of the Bank's variable compensation system, in line with the provisions of the Surveillance Regulation issued by the Bank of Italy, ascertaining its compliance with external and group regulations and acknowledging that the Management implemented suggested action. The results of this audit were submitted on 4 March 2016 to the Remuneration and Appointments Committee, which included a member of the Board of Statutory Auditors.

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 and 2016 Incentive Schemes, with relevant amendment of the Articles of Association.

In July 2015 the Board of Directors approved the "Professional Development Paths and Succession Planning" document, aimed, inter alia, at identifying skill and competency levels required for possible Succession Planning candidates, with particular reference to the post of Chief Executive Officer, General Manager and Directors with strategic responsibilities.

The Board of Statutory Auditors verified compliance with the regulatory framework of the remuneration policies adopted by the Bank and acknowledges that the 2016 Retribution Policy, including the "Annual Remuneration Report", has been made available to the public in line CONSOB Regulation no. 11971/1999; 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 - Notifications*

In 2015 the Board of Statutory Auditors did not receive any complaints under Article 2408 of the Italian Civil Code or petitions from third parties.

In July 2015 the Board of Statutory Auditors made a notification to the to the Surveillance Authority pursuant to Article 149, paragraph 3, of T.U.F. Article 52 of Italian Legislative Decree no. 385/1993. Moreover, in June 2015 and January 2016, the Board made two notifications to the Bank of Italy pursuant to Article 52of Italian Legislative Decree no. 231/2007.

*Opinions and remarks pursuant to the Law.*

The Board was asked to express its opinion in the following circumstances:
- favourable opinion of all members of the Board issued about the provision of a credit facility to a company representative;
- opinion on "resolutions on the sale of complex financial products to retail Customers" approved by the Bank in June 2015;
- prior, reasoned opinion on overall suitability of "Procedures for the management of transactions with Parties in conflict of interest".

Moreover, the Board expressed its remarks about Reports pursuant to Articles 13, 14 and 16 of Bank of Italy and CONSOB's Regulation (adopted with provision of 29 October 2007, in line with Article 6, paragraph 2-*bis*, of TUF) and its "Remarks on the "Outsourcing of company functions" document). "Annual Report of the Internal Audit function".

*Conclusions*

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, which 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.

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.

Taking into account the results reported in the Financial Statements and the content of the "Directors' Report" that supplements it, the contents of the Certification of the Financial Statements pursuant to Article 81-*ter* of CONSOB Regulation no. 11971 of 14 May 1999 and subsequent amendments and integrations, signed by the Chief Executive Officer, the General Manager and the Financial Reporting Manger, and considering the content of the Reports drafted by the Independent Statutory Auditor, the Board of Directors does not find, insofar this is within its remit, any impediments to the approval of the draft Financial Statements as at 31 December 2015 submitted by the Board of Directors and the relevant profit allocation proposal.

Milan, 16 March 2016

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