UniCredit

The world
is changing.

Let's change
together.

UniCredit S.p.A.
2014 Reports and Accounts

**GENERAL MEETING DRAFT**

This year's report depicts how innovative UniCredit products and ideas help our customers and businesses respond to the challenges of this changing world.

By spotlighting sophisticated, new multichannel products and services we have developed to meet the modern needs of our customers, we show how our bank is adapting to rapid changes – and how our solutions are helping our customers adapt at the same time.

At UniCredit, we make it easy for the people who bank with us to take full advantage of the technologies and customized services now available to them – so that they can achieve their goals and live their lives on their own terms. As their partner, we have a clear responsibility to provide them the flexibility, the foresight and the tools they need to overcome obstacles and seize new opportunities.

The world is changing. Let's change together.

# Hospitality is important.

# But the welcome is crucial.

## The real star is the customer.

Going to the branch becomes a unique experience.
A **revolutionary branch format**, combining technological innovation and design to guide the customer in an easy, enjoyable and interactive world. A branch tailored to the customer where opening hours are no longer a constraint, with multiple access channels and ways to use the services. A multifunctional space where Customers and consultants sit side by side to experience the bank service in total comfort.
Because reliability is part of our way of doing things.

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**Notes**

The following conventional symbols have been used in the tables:

- a dash (-) indicates that the item/figure is inexistent or that the figures do not reach the minimum considered significant;
- "n.s." when are not in any case considered significant;

Any discrepancies between data are solely due to the effect of rounding.

# Time
# is precious.

# Give it more value.

## Advice when you want it.

Everyone needs advice. And no one wants to waste time. That is why we created **Video Advice@home**. This convenient service delivers expert advice online, allowing you to connect with our consultants from the comfort of home. Easy-to-install software enables us to respond quickly to questions about your current account, car loan or mortgage. We can create value for you, whenever and wherever you need us.

# Introduction


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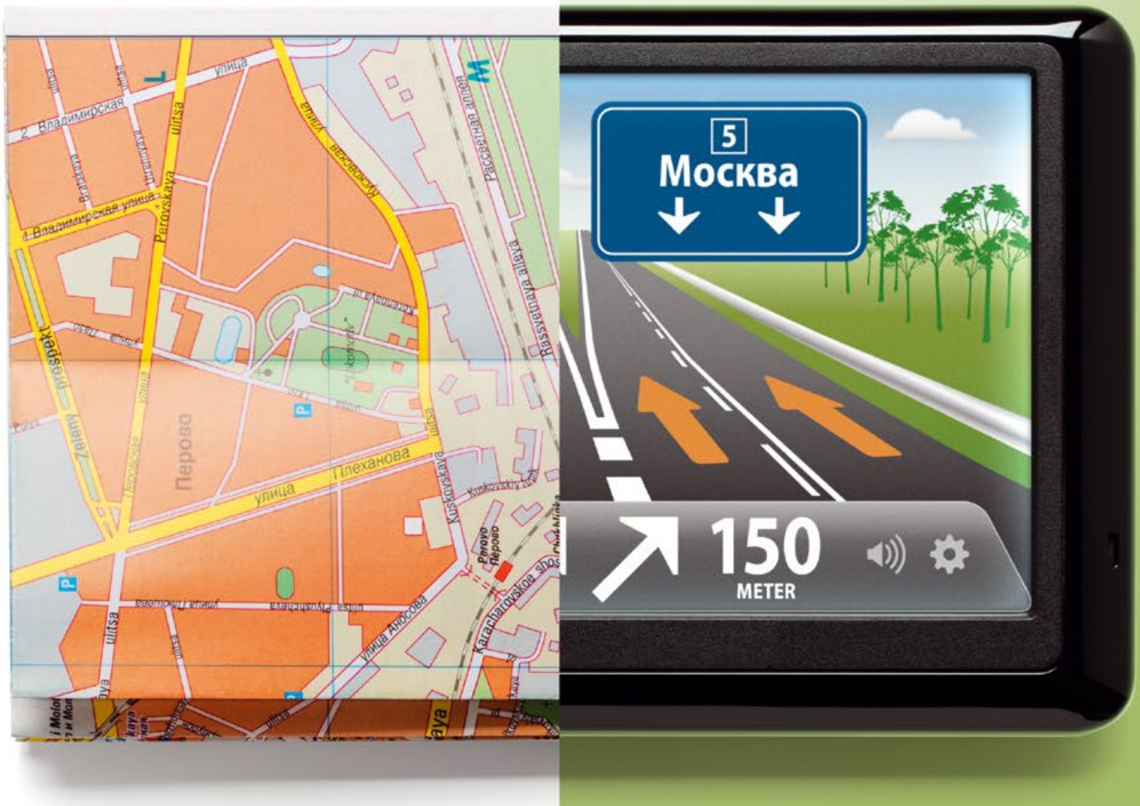
# There is a whole world to discover.

# Better discover it now.

## At home when you're abroad.

Together, we can go far.
UniCredit has more than 8,500 branches and over 147,000 employees in roughly 50 markets across the world. That means we have the tools, the knowledge and the manpower to help your business go international. Our **UniCredit International Centers** gather our most experienced cross-border experts into a single, powerful network that can provide your business with the information and services it needs to succeed abroad. From evaluating investments, to identifying optimal financial solutions and, of course, providing basic banking services, UniCredit is always with you, anywhere you choose to be.



# Board of Directors, Board of Statutory Auditors and External Auditors (as at December 31, 2014)

| | |
|---|---|
| | **Board of Directors** |
| Giuseppe Vita | **Chairman** |
| Candido Fois | **Deputy Vice Chairman** |
| Vincenzo Calandra Buonaura<br>Luca Cordero di Montezemolo<br>Fabrizio Palenzona | **Vice Chairmen** |
| Federico Ghizzoni | **CEO** |
| Mohamed Ali Al Fahim<br>Manfred Bischoff<br>Henryka Bochniarz<br>Alessandro Caltagirone<br>Francesco Giacomin<br>Helga Jung<br>Marianna Li Calzi<br>Luigi Maramotti<br>Giovanni Quaglia<br>Lucrezia Reichlin<br>Lorenzo Sassoli de Bianchi<br>Alexander Wolfgring<br>Anthony Wyand | **Directors** |
| Gianpaolo Alessandro | **Company Secretary** |
| | **Board of Statutory Auditors** |
| Maurizio Lauri | **Chairman** |
| Giovanni Battista Alberti<br>Cesare Bisoni<br>Enrico Laghi<br>Maria Enrica Spinardi | **Standing Auditors** |
| Federica Bonato<br>Paolo Domenico Sfameni<br>Beatrice Lombardini<br>Pierpaolo Singer | **Alternate Auditors** |
| Roberto Nicastro | **General Manager** |
| Marina Natale | **Manager charged with preparing the financial reports** |
| Deloitte & Touche S.p.A. | **External Auditors** |

UniCredit S.p.A.
Registered office: Via Alessandro Specchi 16 - 00186 Rome
Head Office: Piazza Gae Aulenti, 3 - Tower A - 20154 Milan
Share capital: €19,960,518,108.04 fully paid in
Registered in the Register of Banking Groups and Parent Company of the UniCredit Banking Group, with cod. 02008.1
Cod. ABI 02008.1.
Fiscal Code, VAT number and Registration number with the Company Register of Rome: 00348170101
Member of the National Interbank Deposit Guarantee Fund and of the National Compensation Fund.

# Chairman's message to the Shareholders

**GIUSEPPE VITA**
Chairman

"We have people who are capable and energetic. Their skills, commitment and sense of responsibility are certainties on which we can stake our prospects and future success."

## Dear Shareholders,

Our bold choices over the past three years have enabled UniCredit to become one of Europe's most solid banks, working hard to serve the real economy. I am especially proud that the excellent health of our Group was certified by the European authorities in 2014. Your confidence in our management and the strong contributions of the entire UniCredit staff enabled us to achieve these results. I am genuinely grateful to our colleagues in Italy and abroad for their impressive efforts over the past year, particularly in connection with the stress tests and Asset Quality Review.

The work of the comprehensive assessment restored some measure of trust in Europe's financial institutions. Trust is a vital commodity as we seek to reenergize our markets, especially in an uncertain and fast-changing environment. The commitment and credibility of the banking industry are essential to completely reestablishing this trust.

At UniCredit, the next four years will be guided by the industrial plan presented last March, which set a course enabling us to achieve sustainable results. The plan recognizes that our relationships with customers will be increasingly important over this period. The key challenge we face is to develop our digital banking services further while maintaining close and lasting client relationships.

We carried out a number of improvements in our governance in 2014. In light of the rapidly changing regulatory environment, we took steps to further simplify the work of the Board of Directors, with the object of sharpening its focus on strategy and supervision. Because a clear and effective governance structure increasingly distinguishes us from our competitors, over the past year we improved the planning and processes that underlie the Board's activities. The strength of our governance system today is particularly evident in the effective oversight of our risk appetite and our efficient internal controls system.

This year we celebrated our 15th anniversary. This milestone offered us an occasion to look back over the history of our Group and to reflect on UniCredit's successful integration of a number of distinct corporate cultures. Some of our entities marked other significant anniversaries in 2014. Yet all of our entities share a strong commitment to promoting economic growth and supporting recovery in employment. These two priorities for Europe require significant investment, and UniCredit is now in a position to provide financing for that purpose.

In my previous letter to you, I wrote that last year's European elections could send new representatives to Brussels who might oppose the European Union and the euro. Fortunately, the majority of EU representatives still strongly favor the European project. This result offers hope for stronger integration and cooperation across the continent.

An important step in this direction was taken with the recent introduction of the European Single Supervisory Mechanism for the banking industry. But much remains to be done to integrate Europe more completely and to establish a more harmonious balance in all areas, particularly economics and politics.

We have no real alternative to creating a more inclusive Europe. Each of us must play a part in restoring faith in Europe's future prosperity – a task that will require strategic vision, responsibility and courage. These are the prerequisites to achieving any worthwhile goal, whether one's focus is on economic growth, social welfare or institutional reform.

As we look to the future, we must keep in mind that innovation is a key driver of growth. By making the best use of rapid and far-reaching developments in technology, culture and society, we can shape the future according to our designs. Thanks to an abundantly dynamic and open culture at UniCredit, our bank consistently stands out for its flexibility. We have regularly demonstrated that we have the right mindset to innovate.

Solidity, credibility and a vision for the future – these are the strengths that enable UniCredit to contribute to the development of the territories in which it operates and to set an example in the international banking sector. The next few years will certainly present challenges, but we have built a solid foundation to face whatever comes next.

With enthusiasm, determination and, above all, a high level of professional competence, we can reach any goal. We have people who are capable and energetic. Their skills, commitment and sense of responsibility are certainties on which we can stake our prospects and future success.

Sincerely,

**Giuseppe Vita**
Chairman

# CEO's message to the Shareholders

**FEDERICO GHIZZONI**
Chief Executive Officer

> "We returned to profitability, reaping the rewards of our hard work. Now we are once again able to concentrate on the pursuit of growth."

## Dear Shareholders,

In 2014, we returned to profitability, reaping the rewards of our hard work to strengthen our capital position, simplify our processes and increase our efficiency. Now we are again able to concentrate on the pursuit of growth.

The period marked a turning point for our Group. In the first year of the current industrial plan, we achieved our €2 billion profit target. We met that target by executing the initial stages of our plan in a timely fashion. Two noteworthy examples were the Fineco IPO and the sale of UniCredit Credit Management Bank. The plan itself emphasizes investment, development of our commercial banking activities, realization of greater value from our core assets, and reduction of non-core assets. Solid results in Italy and Central and Eastern Europe demonstrated that we have been making the right strategic choices. In the knowledge that our Group is intrinsic to the broader, interconnected economy, we are providing financing where it is most needed and also fostering the overall development of the communities where we live and work.

UniCredit's accomplishments in 2014 are even more significant when viewed in light of the persistent geopolitical tensions and unemployment that trouble Europe. In this complex environment, we pursued growth by focusing on the day-to-day operations of our business. Thanks to the strong decision-making skills of our managers and the professionalism of our people, we have achieved considerable gains in efficiency and have increased our market share – principally in the form of new loans.

Furthermore, we are witnessing positive macroeconomic shifts that can help restore market confidence and stimulate investment, putting us in a position to look to the future with optimism. Yet we are well aware that a solid and sustainable European recovery will only take place if government leaders can implement continent-wide structural reforms. In the past year, we demonstrated our confidence in Europe's true potential when we opted to use the maximum resources made available to us by the European Central Bank to support families and businesses, thereby doing our part to develop the real economy.

Supporting communities this way is at the core of our mission. It is why we have redesigned our business model and are investing in innovative new services – like UniCredit International Centers, which facilitate cross-border transactions for corporate clients. This model is rooted in a commitment to sustainability and to conservation of the world's resources. Strong customer relationships are central to this vision. Customers today want more than ever to control how, when and where they interact with their banks. It is our job to develop innovative, user-friendly ways to enable close business relationships marked by superior service. As we move forward, we intend to make close partnerships with our customers an even more distinguishing feature of our Group.

Our multichannel strategy is key to making this future a reality. Even now, we are dedicating significant resources of both personnel and technology to its implementation. The goal is to combine the best elements of face-to-face and digital banking to improve the quality and efficiency of our services. Customer satisfaction surveys have confirmed that the work we have done is appreciated. These surveys also indicate that our customers value their relationships with UniCredit. The ability of our people to convert the principles of our competency model into concrete action is at the heart of this business success. We are committed to building further on these strengths, and we will continue to invest in the skills and knowledge of all of our colleagues. The quality of our people was evident when the asset quality review was conducted last year, when the comprehensive assessment classified UniCredit as one of the strongest banks in Europe. I believe the review served a vital purpose and contributed significantly to transparency and trust in the European banking sector. By doing so, it provided a firm foundation for a true banking union, which is a fundamental prerequisite for a solid and sustainable economic recovery.

All of these developments have contributed to preparing UniCredit to face the next set of challenges. Our key objective now is to establish UniCredit as the premier bank in Europe for quality of service. In particular, we plan to differentiate ourselves from other players in the sector by thoroughly assessing and participating in the digital revolution that is transforming the banking business. We are well-equipped to meet the challenges of the future. Our broad European footprint, sound capital position, strong risk management culture and innovative spirit are all closely tied to our commitment to achieving sustainable results and engaging with our stakeholders. We face a considerably more challenging environment, but many new developments and trends are in our favor, including regulatory integration at the European level, a consensus on the need to reignite investment activity, the sharp decline in energy prices, and the depreciation of the euro.

As one of the most robust and best-positioned banks in Europe, we are prepared to continue to do our part to support a sustainable recovery across the continent. In 2015, we will continue to take a primary role in the European economy, putting our resources and skills to the best possible use with foresight and determination.

Sincerely,

**Federico Ghizzoni**
Chief Executive Officer

# Note on the Report and Financial Statements

## General Matters

The UniCredit S.p.A. Financial Statements at December 31, 2014 were drafted in accordance with the IAS/IFRS international accounting standards, in compliance with the instructions of Banca d'Italia in circular 262 of December 22, 2005 (3rd update - December 22, 2014). These instructions are binding for the financial statements and the methods of completion, as well as for the minimal content of Notes to the Financial Statements.

The Financial Statements comprise the Balance Sheet, the Income Statement, the Comprehensive Income statement, the Statement of changes in Shareholder's Equity, the Cash Flow Statement, the Notes to the Financial Statements, and are also accompanied by a Report on the operating performance, the economic results achieved and the financial situation of the Bank.

This booklet includes:
- Financial Statements certification pursuant to Article 81-ter of Consob Regulation no. 11971 of May 14, 1999, as amended;
- Board of Statutory Auditors' Report pursuant to Article 153 of Legislative Decree no. 58 of February 24, 1998;
- Report of the External Auditors pursuant to Articles 14 and 16 of Legislative Decree no. 39 of January 27, 2010.

The press releases concerning the main events of the period can be found on the UniCredit website.

Any discrepancies between data disclosed in the Report on operations and in the company accounts are solely due to the effect of rounding.

## General principles for drafting the Directors' Report

The Directors' Report - present the need to ensure due clarity and true accurate representation of accounting data - includes the information supplied in accordance with the criteria for drafting the summarized condensed accounts of the balance sheet and the income statement. Reconciliation with the compulsory elements is given in the annex to the Financial Statements in compliance with the requirements of Consob in notification no. 6064293 of July 28, 2006.

The Report is accompanied by some tables (Highlights, Condensed Financial Statements, Quarterly figures, UniCredit shares) as well as by comments on the "Results of the period".

## Reconciliation Principles Followed for the Condensed Balance Sheet and Income Statement

The main reclassifications - wherein amounts are provided analytically in the tables enclosed with this booklet - involve:

### Balance sheet

- The aggregation of Financial assets designated at fair value, Available-for-sale financial assets, Held-to-maturity financial assets and Equity investments as "Financial investments";
- the grouping of a single item called "Hedging", in both the assets and liabilities of the Financial Statements of the "Hedging Derivatives" and "Changes in fair value of portfolio hedged items";
- the combination of the "Deposits from customers" and "Debt securities in issue" items into a single item "Deposit from customers and debt securities in issue";
- the inclusion of the financial statements items "Employee severance pay" into "Other liabilities";
- inclusion in the item Provisions for risks and charges of the contribution to the National Interbank Deposit Guarantee Fund (FITD) recorded under the item Other liabilities;
- the offsetting of deferred tax assets (item Tax assets) against the related deferred tax liabilities (item Tax liabilities).

## Income Statement

- the exclusion among dividends and other income of dividends from shares held for trading, classified together with the result of trading negotiations, hedging and assets and liabilities measured at fair value; classified under "Net trading income";
- the exclusion among the other income/expenses balance of the recovery of expenses classified as a separate item with the exception of the so-called "commissione di istruttoria veloce" (CIV) which is classified among Net Commissions;
- the exclusion among the balance of other operating income and charges of the costs for leasehold improvements classified among Other administrative expenses;
- the representation among staff expenses, other administrative expenses, adjustments in value for tangible and intangible assets and provisions for risks and charges net of integration costs relating to the reorganization operations following the integration of the Capitalia Group and the One4C "One for Clients" operation shown under the specific item;
- the inclusion among net trading, hedging and fair value income of the gains/losses realized on available-for-sale financial assets and on held-to-maturity financial assets;
- the inclusion among net income from investments of write-downs/write-backs on available-for-sale financial assets and held-to-maturity financial assets, of the net result of the measurement at fair value of tangible and intangible assets, as well as gains/losses for equity investments and disposal of investments;
- inclusion in the item Provisions for risks and charges of the contribution to the National Interbank Deposit Guarantee Fund (FITD) recorded under the item Impairment losses/write-backs on: d) other financial assets and under the item "Other net operating income".

## Changes Made to Increase Comparability

In order to be able to make a consistent comparison between the compared periods, the balance sheet and income statement presented in the Reports on Operations for the various periods of the year 2013 were restated, taking account of the changes relating to the offsetting of deferred tax assets with the related deferred tax liabilities and the reclassification of the contribution to the National Interbank Deposit Guarantee Fund (FITD).

## Other information

As part of the rationalization plan of the support operations for the Parent Company performed by the subsidiary UBIS and in order to centralize the oversight of ITC operations within UniCredit, in line with the recent changes to supervisory regulations, and achieve synergies in operating processes for security, the following business units were transferred from UBIS to UniCredit, effective January 1, 2014:

- "Group ICT and Operations" business unit, pertaining to the activities supporting the Parent Company UniCredit in governing instrumental ICT and Operations services.
- "Security Network Services" business unit, pertaining to the specialized security services performed throughout Italy.

In addition, as of 10.06.2014, the Munich branch of UniCredit sold its consumer finance activities in Germany (granting personal loans and credit cards), services and related assets to UniCredit Bank AG (HVB), UniCredit Business Integrated Solutions Deutschland (UBIS) Munich branch and UniCredit Direct Services GmbH, in implementation of the "Consumer Credit Deutschland" project (CONCRED).

In this regard, please note that, in view of the non-significance, in proportion to the overall figures shown, of the accounting entries for these transactions, it was decided not to "reconstruct" the balance sheet and income statement items for the periods compared.

## Non-Current Assets and Asset Groups Held for Disposal

At December 31, 2014, the main assets classified, according to IFRS 5, as non-current assets and disposal groups were mainly:

- Several properties;
- The investment in Public Joint Stock Company Ukrsotsbank.

# Technology is for young people.

# Young people of all ages.

## The future is for everyone.

Simplicity and clarity appeal to all of us. That's way UniCredit created **Subito Banca via Internet**, a practical online banking interface with common sense graphics, intuitive navigation buttons and large fonts. We are making our online services easy to use even by people unfamiliar with new technologies. We are offering solutions based on the preferences of more than 300 customers over the age of 60, collected during workshops and laboratories in Italy. We are proof that you can always innovate in a new way.

# Directors' Report on operations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Unless otherwise indicated, all amount are in **millions of euros.**

# Highlights

## Income statements

(€ million)

| | YEAR | | CHANGE | |
|---|---|---|---|---|
| | 2014 | 2013 | IN TOTAL | % |
| Operating income | 9,924 | 11,062 | -1,138 | -10.3% |
| *of which: - net interest* | *4,350* | *3,994* | *+356* | *+8.9%* |
| *- dividends and other income from equity investments* | *1,381* | *3,180* | *-1,799* | *-56.6%* |
| *- net fees and commissions* | *3,746* | *3,487* | *+259* | *+7.4%* |
| Operating costs | -5,573 | -5,606 | +33 | -0.6% |
| Operating profit (Loss) | 4,351 | 5,456 | -1,105 | -20.3% |
| Net write-downs of loans and provisions for guarantees and commitments | -2,796 | -9,915 | +7,119 | -71.8% |
| Net operating profit (Loss) | 1,555 | -4,459 | +6,014 | n.s. |
| Profit (Loss) before tax | 501 | -11,157 | +11,658 | n.s. |
| Impairment of goodwill | - | -2,815 | +2,815 | -100.0% |
| **Net Profit (Loss)** | **80** | **-11,601** | **+11,681** | **n.s.** |

## Balance sheet

(€ million)

| | AMOUNTS AS AT | | CHANGE | |
|---|---|---|---|---|
| | 12.31.2014 | 12.31.2013 | IN TOTAL | % |
| Total assets | 398,813 | 397,802 | +1,011 | +0.3% |
| Financial assets held for trading | 16,166 | 12,254 | +3,912 | +31.9% |
| Loans and receivables with customers | 220,649 | 231,171 | -10,522 | -4.6% |
| *of which: - impaired loans* | *25,838* | *24,221* | *+1,617* | *+6.7%* |
| Financial liabilities held for trading | 13,020 | 10,804 | +2,216 | +20.5% |
| Deposits from customers and debt securities in issue | 282,099 | 270,751 | +11,348 | 4.2% |
| *of which: - deposits from customers* | *167,990* | *150,840* | *+17,150* | *+11.4%* |
| *- securities in issue* | *114,109* | *119,911* | *-5,802* | *-4.8%* |
| **Shareholders' net equity** | **48,173** | **46,078** | **+2,095** | **+4.5%** |

## Staff and branches

| | AS AT | | CHANGE | |
|---|---|---|---|---|
| | 12.31.2014 | 12.31.2013 | IN TOTAL | % |
| Employees | 43,405 | 43,530 | -125 | -0.3% |
| Branches | 3,995 | 4,156 | -161 | -3.9% |
| *of which: - Italy* | *3,988* | *4,149* | *-161* | *-3.9%* |
| *- Other countries* | *7* | *7* | *-* | *-* |

## Profitability ratios

| | YEAR | | |
|---|---|---|---|
| | 2014 | 2013 | CHANGE |
| Net interest income / Operating income | 43.8% | 36.1% | +7.7% |
| Net fees and commissions / Other administative expenses net of recovery of expenses | 164.2% | 158.9% | +5.3% |
| Net fees and commissions / Operating costs | 67.2% | 62.2% | +5.0% |
| Operating profit (loss) / Operating income | 43.8% | 49.3% | -5.5% |

## Risk ratios

| | AS AT | | |
|---|---|---|---|
| | 12.31.2014 | 12.31.2013 | CHANGE |
| Net non-performing loans to customers / Loans to customers | 5.0% | 4.0% | +1.0% |
| Net impaired loans to customers / Loans to customers | 11.7% | 10.5% | +1.2% |

## Own Funds and Capital Ratios

(€ million)

| | AMOUNTS AS AT | |
|---|---|---|
| | 12.31.2014 (*) | 12.31.2013 (**) |
| Total own funds | 53,306 | 57,444 |
| Total risk-weighted assets | 206,405 | 156,957 |
| **Common Equity Tier 1 Capital Ratio** | **20.98%** | **26.60%** |
| **Total own funds Capital Ratio** | **25.83%** | **36.60%** |

(*) Transitional own funds and capital ratios (Basel 3).

(**) Amounts and ratios calculated in compliance with the supervisory regulations in force at the date (Basel 2.5); the Core Tier 1 Ratio relating to December 31, 2013, compared with Common Equity Tier 1 ratio as at December 31, 2014, was calculated using an internal model.

# Condensed Financial Accounts

## Condensed balance sheet

(€ million)

| | AMOUNTS AS AT | | CHANGE | |
|---|---|---|---|---|
| | 12.31.2014 | 12.31.2013 | AMOUNT | PERCENT |
| **Assets** | | | | |
| Cash and cash balances | 2,325 | 3,227 | -902 | -28.0% |
| Financial assets held for trading | 16,166 | 12,254 | +3,912 | +31.9% |
| Loans and receivables with banks | 21,866 | 21,869 | -3 | n.s. |
| Loans and receivable with customers | 220,649 | 231,171 | -10,522 | -4.6% |
| Financial investments | 108,026 | 97,716 | +10,310 | +10.6% |
| Hedging instruments | 10,468 | 7,858 | +2,610 | +33.2% |
| Property, plant and equipment | 2,583 | 2,666 | -83 | -3.1% |
| Goodwill | - | - | - | - |
| Other intangible assets | 1 | 1 | - | - |
| Tax assets | 12,047 | 14,261 | -2,214 | -15.5% |
| Non-current assets and disposal groups classified as held for sale | 55 | 368 | -313 | -85.1% |
| Other assets | 4,627 | 6,411 | -1,784 | -27.8% |
| **Total assets** | **398,813** | **397,802** | **+1,011** | **+0.3%** |

| | AMOUNTS AS AT | | CHANGE | |
|---|---|---|---|---|
| | 12.31.2014 | 12.31.2013 | AMOUNT | PERCENT |
| **Liability and shareholders' equity** | | | | |
| Deposits from banks | 31,703 | 47,379 | -15,676 | -33.1% |
| Deposits from customers and debt securities in issue | 282,099 | 270,751 | +11,348 | +4.2% |
| Financial liabilities held for trading | 13,020 | 10,804 | +2,216 | +20.5% |
| Financial liabilities designated at fair value | - | - | - | - |
| Hedging instruments | 11,455 | 8,141 | +3,314 | +40.7% |
| Provisions for risks and charges | 2,047 | 2,298 | -251 | -10.9% |
| Tax liabilities | 224 | 357 | -133 | -37.3% |
| Liabilities included in disposal groups classified as held for sale | - | - | - | - |
| Other liabilities | 10,092 | 11,994 | -1,902 | -15.9% |
| Shareholders' equity: | 48,173 | 46,078 | +2,095 | +4.5% |
| *- capital and reserves* | *47,369* | *57,290* | *-9,921* | *-17.3%* |
| *- available-for-sale assets fair value reserve, cash-flow hedging reserve and Defined benefits plans reserve* | *724* | *389* | *+335* | *+86.1%* |
| *- net profit (loss)* | *80* | *-11,601* | *+11,681* | *n.s.* |
| **Total liabilities and shareholders' equity** | **398,813** | **397,802** | **+1,011** | **+0.3%** |

The comparative data at December 31, 2013 differ from the figures published at that date, due to the reclassification: - of the offsetting of deferred tax assets, under the tax assets item in Balance Sheet assets, with the related deferred tax liabilities, under the tax liabilities item in Balance Sheet liabilities, in the amount of € 505 million;

- of the contribution to the National Interbank Deposit Guarantee Fund (FITD) from Other Liabilities to Provisions for risks and charges in the amount of € 14 million.

## Condensed Income Statement

(€ million)

| | YEAR | | CHANGE ON RESTATED | |
|---|---|---|---|---|
| | 2014 | 2013 | AMOUNT | PERCENT |
| Net interest | 4,350 | 3,994 | +356 | +8.9% |
| Dividends and other income from equity investments | 1,381 | 3,180 | -1,799 | -56.6% |
| Net fees and commissions | 3,746 | 3,487 | +259 | +7.4% |
| Net trading income | 439 | 355 | +84 | +23.7% |
| Net other expenses/income | 8 | 46 | -38 | -82.6% |
| **OPERATING INCOME** | **9,924** | **11,062** | **-1,138** | **-10.3%** |
| Payroll costs | -3,158 | -3,245 | +87 | -2.7% |
| Other administrative expenses | -2,883 | -2,739 | -144 | +5.3% |
| Recovery of expenses | 602 | 544 | +58 | +10.7% |
| Amortisation, depreciation and impairment losses on intangible and tangible assets | -134 | -166 | +32 | -19.3% |
| **Operating costs** | **-5,573** | **-5,606** | **+33** | **-0.6%** |
| **OPERATING PROFIT (LOSS)** | **4,351** | **5,456** | **-1,105** | **-20.3%** |
| Net write-downs of loans and provisions for guarantees and commitments | -2,796 | -9,915 | +7,119 | -71.8% |
| **NET OPERATING PROFIT (LOSS)** | **1,555** | **-4,459** | **+6,014** | **n.s.** |
| Net provisions for risks and charges | -132 | -679 | +547 | -80.6% |
| Integration costs | 17 | -153 | +170 | n.s. |
| Net income (losses) from investments | -939 | -5,866 | +4,927 | -84.0% |
| **PROFIT (LOSS) BEFORE TAX** | **501** | **-11,157** | **+11,658** | **n.s.** |
| Income tax for the year | -421 | 2,371 | -2,792 | n.s. |
| Impairment of goodwill | - | -2,815 | +2,815 | -100.0% |
| **NET PROFIT (LOSS)** | **80** | **-11,601** | **+11,681** | **n.s.** |

The comparative data at December 31, 2013 differ from the figures published at that date, due to the reclassification of the contribution to the National Interbank Deposit Guarantee Fund (FITD) in the amount of € 14 million, from the net of other expenses/income to net provisions for risks and charges.

# Condensed Financial Accounts (Continued)

## Quarterly Figures

### Condensed balance sheet

(€ million)

| | AMOUNTS AS AT | | | | AMOUNTS AS AT | | | |
|---|---|---|---|---|---|---|---|---|
| | 12.31.2014 | 09.30.2014 | 06.30.2014 | 03.31.2014 | 12.31.2013 | 09.30.2013 | 06.30.2013 | 03.31.2013 |
| **Assets** | | | | | | | | |
| Cash and cash balances | 2,325 | 2,641 | 2,755 | 3,777 | 3,227 | 1,781 | 1,562 | 2,221 |
| Financial assets held for trading | 16,166 | 16,025 | 15,030 | 14,712 | 12,254 | 12,069 | 12,115 | 9,904 |
| Loans and receivables with banks | 21,866 | 22,007 | 21,442 | 21,602 | 21,869 | 22,528 | 23,696 | 23,236 |
| Loans and receivable with customers | 220,649 | 217,603 | 223,123 | 233,679 | 231,171 | 245,867 | 247,441 | 251,338 |
| Financial investments | 108,026 | 105,387 | 103,005 | 101,373 | 97,716 | 101,166 | 100,132 | 97,310 |
| Hedging instruments | 10,468 | 9,916 | 9,396 | 8,366 | 7,858 | 8,000 | 8,395 | 9,677 |
| Property, plant and equipment | 2,583 | 2,567 | 2,569 | 2,637 | 2,666 | 2,670 | 2,708 | 2,722 |
| Goodwill | - | - | - | - | - | 2,815 | 2,815 | 2,815 |
| Other intangible assets | 1 | 1 | 1 | 1 | 1 | 25 | 25 | 26 |
| Tax assets | 12,047 | 12,616 | 13,228 | 13,994 | 14,261 | 11,832 | 11,711 | 11,820 |
| Non-current assets and disposal groups classified as held for sale | 55 | 279 | 804 | 367 | 368 | 24 | 3 | - |
| Other assets | 4,627 | 4,454 | 5,761 | 6,242 | 6,411 | 6,254 | 5,649 | 5,606 |
| **Total assets** | **398,813** | **393,496** | **397,114** | **406,750** | **397,802** | **415,031** | **416,252** | **416,675** |

| | AMOUNTS AS AT | | | | AMOUNTS AS AT | | | |
|---|---|---|---|---|---|---|---|---|
| | 12.31.2014 | 09.30.2014 | 06.30.2014 | 03.31.2014 | 12.31.2013 | 09.30.2013 | 06.30.2013 | 03.31.2013 |
| **Liability and shareholders' equity** | | | | | | | | |
| Deposits from banks | 31,703 | 32,832 | 32,641 | 50,178 | 47,379 | 50,494 | 51,467 | 48,889 |
| Deposits from customers and debt securities in issue | 282,099 | 273,470 | 280,942 | 275,278 | 270,751 | 270,737 | 273,711 | 274,045 |
| Financial liabilities held for trading | 13,020 | 12,049 | 10,649 | 11,370 | 10,804 | 10,274 | 9,609 | 10,787 |
| Financial liabilities designated at fair value | - | - | - | - | - | - | - | - |
| Hedging instruments | 11,455 | 10,706 | 9,742 | 8,694 | 8,141 | 8,545 | 8,964 | 10,562 |
| Provisions for risks and charges | 2,047 | 1,906 | 1,912 | 2,020 | 2,298 | 2,006 | 2,002 | 1,900 |
| Tax liabilities | 224 | 55 | 66 | 354 | 357 | 144 | 93 | 2,092 |
| Liabilities included in disposal group classified as held for sale | - | - | - | - | - | - | - | - |
| Other liabilities | 10,092 | 12,768 | 12,994 | 12,467 | 11,994 | 13,185 | 10,352 | 10,660 |
| Shareholders' equity: | 48,173 | 49,710 | 48,168 | 46,389 | 46,078 | 59,646 | 60,054 | 57,740 |
| *- capital and reserves* | *47,369* | *47,381* | *46,359* | *45,640* | *57,290* | *57,354* | *57,389* | *57,920* |
| *- available-for-sale assets fair value reserve, cash-flow hedging reserve and Defined benefits plans reserv* | *724* | *837* | *751* | *643* | *389* | *93* | *-27* | *-131* |
| *- net profit (loss)* | *80* | *1,492* | *1,058* | *106* | *-11,601* | *2,199* | *2,692* | *-49* |
| **Total liabilities and shareholders' equity** | **398,813** | **393,496** | **397,114** | **406,750** | **397,802** | **415,031** | **416,252** | **416,675** |

## Condensed income statement

(€ million)

| | 2014 | | | | 2013 | | | |
|---|---|---|---|---|---|---|---|---|
| | Q4 | Q3 | Q2 | Q1 | Q4 | Q3 | Q2 | Q1 |
| Net interest | 1,087 | 1,091 | 1,118 | 1,054 | 1,036 | 1,016 | 1,004 | 938 |
| Dividends and other income from equity investments | 17 | 3 | 1,348 | 13 | 10 | 7 | 3,153 | 10 |
| Net fees and commissions | 890 | 897 | 979 | 980 | 850 | 847 | 881 | 909 |
| Net trading income | 107 | 120 | 90 | 122 | 16 | -66 | 330 | 75 |
| Net other expenses/income | -53 | -6 | 57 | 10 | -25 | 63 | 27 | -19 |
| **OPERATING INCOME** | **2,048** | **2,105** | **3,592** | **2,179** | **1,887** | **1,867** | **5,395** | **1,913** |
| Payroll costs | -823 | -767 | -763 | -805 | -807 | -798 | -819 | -821 |
| Other administrative expenses | -699 | -671 | -791 | -722 | -689 | -661 | -691 | -698 |
| Recovery of expenses | 152 | 149 | 167 | 134 | 161 | 121 | 149 | 113 |
| Amortisation, depreciation and impairment losses on intangible and tangible assets | -36 | -32 | -33 | -33 | -61 | -35 | -35 | -35 |
| **Operating costs** | **-1,406** | **-1,321** | **-1,420** | **-1,426** | **-1,396** | **-1,373** | **-1,396** | **-1,441** |
| **OPERATING PROFIT (LOSS)** | **642** | **784** | **2,172** | **753** | **491** | **494** | **3,999** | **472** |
| Net write-downs of loans and provisions for guarantees and commitments | -1,016 | -561 | -727 | -492 | -7,101 | -1,028 | -1,089 | -697 |
| **NET OPERATING PROFIT (LOSS)** | **-374** | **223** | **1,445** | **261** | **-6,610** | **-534** | **2,910** | **-225** |
| Net provisions for risks and charges | -19 | -41 | -53 | -19 | -448 | -59 | -152 | -20 |
| Intgration costs | 18 | - | -1 | - | -151 | -1 | - | -1 |
| Net income (losses) from investments | -1,216 | 332 | -35 | -20 | -6,034 | -6 | -34 | 208 |
| **PROFIT (LOSS) BEFORE TAX** | **-1,591** | **514** | **1,356** | **222** | **-13,243** | **-600** | **2,724** | **-38** |
| Income tax for the year | 179 | -80 | -404 | -116 | 2,258 | 107 | 17 | -11 |
| Impairment of goodwill | - | - | - | - | -2,815 | - | - | - |
| **NET PROFIT (LOSS)** | **-1,412** | **434** | **952** | **106** | **-13,800** | **-493** | **2,741** | **-49** |

# UniCredit Share

## Share information

| | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Share price (€) (*)** | | | | | | | | | | | |
| - maximum | 6.870 | 5.630 | 4.478 | 13.153 | 15.314 | 17.403 | 31.810 | 42.841 | 37.540 | 32.770 | 24.629 |
| - minimum | 5.105 | 3.238 | 2.286 | 4.222 | 9.820 | 4.037 | 8.403 | 28.484 | 30.968 | 22.592 | 21.303 |
| - average | 5.996 | 4.399 | 3.292 | 8.549 | 12.701 | 11.946 | 21.009 | 36.489 | 34.397 | 25.649 | 22.779 |
| - end of period | 5.335 | 5.380 | 3.706 | 4.228 | 10.196 | 14.730 | 9.737 | 31.687 | 37.049 | 32.457 | 23.602 |
| **Number of outstanding shares (million)** | | | | | | | | | | | |
| - at period end[1] | 5,866 | 5,792 | 5,789 | 1,930 | 19,297.6 | 16,779.3 | 13,368.1 | 13,278.4 | 10,351.3 | 10,303.6 | 6,249.7 |
| - shares cum dividend | 5,769 | 5,695 | 5,693 | 1,833 | 18,330.5 | 18,329.5 | 13,372.7 | 13,195.3 | 10,357.9 | 10,342.3 | 6,338.0 |
| *of which: savings shares* | *2.45* | *2.42* | *2.42* | *2.42* | *24,2* | *24.2* | *21.7* | *21.7* | *21.7* | *21.7* | *21.7* |
| - average[1] | 5,837 | 5,791 | 5,473 | 1,930 | 19,101.8 | 16,637.8 | 13,204.6 | 11,071.6 | 10,345.2 | 6,730.3 | 6,303.6 |
| **Dividend** | | | | | | | | | | | |
| - total dividends (€ million) | 697 | 570 | 512 | (***) | 550 | 550 | (**) | 3,431 | 2,486 | 2,276 | 1,282 |
| - dividend per ordinary share | 0.120 | 0.100 | 0.090 | (***) | 0.030 | 0.030 | (**) | 0.260 | 0.240 | 0.220 | 0.205 |
| - dividend per savings share | 1.065 | 0.100 | 0.090 | (***) | 0.045 | 0.045 | (**) | 0.275 | 0.255 | 0.235 | 0.220 |

1. The number of shares is net of Treasury shares and included 96.76 million of shares held under a contract of usufruct.

(*) Following extraordinary corporate operations, which involve the detachment of rights, stock splitting or grouping, demerger operations and distribution of extraordinary dividends, the price of the shares can fluctuate so much that they are no longer comparable. Thus, the time series hereby published are adjusted accordingly to restore the continuity of historical price series.

(**) 2008 dividend was paid with cash to savings shareholders (€0.025 per share, for a total amount of €0.5 million), and with newly issued shares (so called "scrip dividend").

(***) As per Bank of Italy's paper dated March 2, 2012, in keeping with the decision of UniCredit S.p.A.'s Board of Directors and in line with the intention announced to the Shareholders' Meeting in 2012, UniCredit S.p.A. did not pay any dividends with respect to its 2011 financial results.

In 2011 the following operations were carried out:
- the €2.5 billion free capital increase, through the allocation to capital of an equivalent amount transferred from the "Issue-premium reserve";
- the reverse stock split of ordinary and savings shares based on a ratio of 1 new ordinary or savings share for every 10 existing ordinary or savings shares;
- elimination of the per-share nominal value of UniCredit shares.

In the first quarter of 2012 the capital increase of €7.5 billion equal to a number of shares issued of 3,859,602,938 was fully subscribed for.

The Shareholders' Meeting of May 13, 2014 approved a scrip dividend scheme under which the holders of ordinary shares and the holders of savings shares will be allocated one new share for every sixty shares held and one new share for every eighty-four shares held, respectively. The new shares were allocated through a free share capital increase, without prejudice to the shareholders' right to opt for a cash payout (€0.10 for each ordinary and savings share) in lieu of the allocation of the new shares.

Figures relating to the 2014 dividend are shown according to the specific Board of Directors' reports on the distribution to Shareholders.

# Results of the period

## Macroeconomic situation, banking and financial markets

### International situation

#### USA/Eurozone

In the last quarter of 2014, global economic activity showed the first signs of a gradual acceleration, thanks to the continuation of extremely accommodative monetary policies and the hesitant recovery of global trade. But growth prospects between and within regions continued to diverge significantly. In advanced economies, the strengthening of domestic demand helped consolidate expansion in the United States and the United Kingdom, while the Eurozone and Japan seem to be struggling to resume sustained growth.
In emerging economies, on the other hand, the recovery has been modest in Brazil, while in China the weakening of investment has led to an economic slowdown, and in Russia the collapse of oil prices is probably behind a deterioration in the economic and financial situation.

In the Eurozone, the recovery remains modest. In the fourth quarter of 2014, GDP is expected to stand at 0.1% on a quarterly basis. This moderate expansion should be driven primarily by a recovery in domestic demand, albeit at a level lower than that required to ensure a sustainable recovery. External demand, however, has suffered from the adverse impact of the Russian/Ukrainian crisis and the weakness of world trade, linked to the slowdown in emerging economies, with negative repercussions on investment spending. However, the upturn in the outlook aspect of the IFO business climate index for the manufacturing sector, up from 98.2 in October to 100.2 in December, confirms our forecast of a sharper recovery in early 2015.

Within this framework of general weakness in aggregate demand, inflation in the Eurozone decreased further (-0.2% in December). The collapse of oil prices is the main factor behind this disinflationary spiral, although core inflation (which excludes the more volatile components such as food and energy) is also still very low. In this quarter, medium-term inflation expectations, as measured by the five year-on-year inflation swap, have deteriorated further, passing the threshold of 2% and almost touching 1.4%, despite the non-standard monetary policy measures announced by the European Central Bank in September.

After the September rate cut by the ECB, there was a second auction of targeted long-term refinancing operations (TLTROs) in December, designed to facilitate the granting of credit to businesses. The second instalment, combined with the first auction in September, led to a net liquidity provision of € 212 billion. Again in the last quarter, the ECB indicated that it intended to expand its budget by one trillion euros, thus creating expectations of a programme of Quantative Easing and thereby contributing to the further depreciation of the Euro against the currencies of major trading partners, a trend in motion since the previous summer.

In the United States, economic growth remained solid even in the last quarter of 2014, standing at 2.5% QOQ. Economic performance has certainly benefited from increasing private consumption, despite signs of weakness in terms of spending on physical capital. Inflation measured on the Consumer Price Index remains contained at around 2% and no marked acceleration is expected in the coming months. In October, the Fed ended its programme of buying long-term securities, thus preparing the market for a future rise in interest rates, which we expect will arrive in mid-2015. The biggest uncertainty factor for the future growth prospects of the US economy concerns the labour market. Although the unemployment rate is back to pre-crisis levels, wage pressures remain extremely contained, creating uncertainty about the actual level of slack. Should the Fed take the view that the economy has not yet reached full employment, the rise in rates could be further delayed.

### Banking and financial markets

2014 ended with visible improvements as regards the trend in bank loans in the euro area as a whole, although the growth rate remains negative in a context in which the economic recovery is proceeding gradually. In more detail, lending to the private sector in the euro area declined by only 0.5%, on an annual basis, at December 2014 compared with -2.3% at December 2013.

In the three countries of reference for the Group, at the end of 2014 the reduction in loans to businesses continued in Italy, although at a more moderate rate of contraction compared with the previous months - in a context of continuing weakness of spending for investment - while the drop in loans to households was limited (around -0.5%, on an annual basis). In Germany and Austria, at the end of 2014 loans to businesses continued to show a moderate expansion, while the recovery of loans to households was further consolidated, above all home loans.

As regards the trend in funding of the system, at the end of 2014, in all three of the Group's countries of reference, a further increase in the rate of expansion of bank deposits was observed. This was driven above all by a sharp acceleration of current account deposits.

In terms of the trend in banking interest rates, following the moves to reduce official rates by the European Central Bank in the second half of 2014, in all three of the Group's countries a process of gradual reduction in interest rates on both loans and bank deposits continued. In fact they came down to even lower levels, with a slight drop in the banking spread (difference between average rate on loans and average rate on deposits).

# Results of the period (Continued)

## Macroeconomic situation, banking and financial markets (Continued)

The end of 2014 was characterised, finally, by a gradual increase in volatility on the financial markets, which affected the performance of the equity markets. The performance of the German stock exchange and the Italian stock exchange showed no visible advance compared with the end of third quarter 2014, while the Austrian stock market ended the fourth quarter with a slightly negative contraction.

### CEE Countries

2014 marked a deeper divergence in economic performance among CEE economies. External risks stemming from geopolitical tensions and a soft patch in eurozone's economic activity were mitigated by stronger domestic demand only in Central Europe, while the Balkans, Turkey, Russia and Ukraine saw their economies slow down or contract.

Central Europe continued to benefit from a robust rebound in domestic demand, driven both by consumption and investment. Real wage growth accelerated amid a fall in inflation, while consumer lending picked up due to a slower pace of deleveraging. Meanwhile, corporate profitability reached its highest level since the financial crisis, boosting investment. Robust EU fund inflows helped capital formation. Hungary saw fixed investment growth in double digits as the government increased infrastructure spending before April's parliamentary elections.

Domestic demand received additional support in Central Europe from dovish central banks amid a sharp fall in consumer price inflation. While low inflation has been driven by supply-side shocks (low food and energy prices and a strong EUR in 2013, falling food and oil prices in 2014), their second round effects on core inflation have been sizeable, requiring more easing. As a result, the central banks of Hungary, Poland and Romania cut policy rates by 0.9, 0.5 and 1.25pp respectively in 2014, while the Czech National Bank extended its currency floor to 2016. As a result, monetary conditions weakened further, with lending rates and sovereign yields touching all-time lows.

The picture is different in the rest of the region. In Serbia and Croatia, domestic demand contracted amid floods and a fiscal adjustment that weighed on growth, but was not sufficient to keep deficits and public debt in check. Public debt rose above 70% of GDP in both countries and is expected to exceed 80% of GDP by the end of 2015. Serbia reached a precautionary agreement with the IMF and committed to further reforms, but tightening expenditure and increasing taxes will postpone economic recovery. Croatia failed to find stimuli for domestic demand amid a high degree of euroisation and structural rigidities that affect investment. In order to comply with EDP requirements, more reforms are on the cards.

In Turkey, an adjustment in domestic demand prompted by the TRY selloff at the beginning of the year resulted in sharp deceleration in loan growth by July. This led to a gradual narrowing of the C/A deficit, but also to a slowdown in growth. However, the adjustment was aborted in August, when lending reaccelerated well above deposit growth. The C/A deficit failed to re-widen due to lower oil prices, but should start increasing again in 2015.

The recession deepened in Ukraine as the conflict in the Donbas continued. All economic sectors suffered from disruptions and tight financial conditions, with the central bank forced to support both the government and the banking sector amid a run on bank deposits and rising NPLs. Money creation and UAH depreciation boosted inflation. IMF and EU financial support helped service debt in 2014, but more will be needed from here on. In addition, a truce in the Donbas is required to stabilise the economy.

For the past years, Russia's economy suffered a structural slowdown that was only reinforced in 2014 by the conflict in Ukraine and the ensuing rounds of sanctions imposed by the US and the EU. Economic growth slowed below 1%yoy, but recession was averted due to a sharp contraction in imports. At the same time, exports suffered from trade sanctions and a sharp deterioration in terms of trade due to falling commodity (and especially oil) prices. Financial sanctions curtailed access to foreign financing and increased the strains on the Russian financial sector, culminating in December in the sharpest bout of RUB depreciation since Russia defaulted on its debt in 1998. The CBR tried to fight currency weakness by hiking its policy rate aggressively. As a result, the Russian economy is expected to fall in recession in 2015. An easing of sanctions will be needed to restart growth.

## The income statement

### Breakdown of Operating Profit

Net operating profit (loss) at December 31, 2014 totaled +€1,555 million, improving by €6,014 million on the previous year. The figure was the result of an operating profit of €4,351 million (-€1,105 million or -20.3% year on year) and net write-downs on loans of -€2,796 million (+€7,119 million or -71.8% year on year).
The reduction in the operating profit (loss) on December 2013 is attributable to the decrease in operating income (-€1,138 million) due to lower dividends collected in 2014 (-€1,799 million compared to the previous year, -56.6%).

**Net Operating profit (loss)**

(€ million)

| | YEAR | | CHANGE | |
|---|---|---|---|---|
| | 2014 | 2013 | AMOUNT | PERCENT |
| Operating income | 9,924 | 11,062 | - 1,138 | - 10.3% |
| Operating costs | -5,573 | -5,606 | + 33 | - 0.6% |
| **Operating profit (loss)** | **4,351** | **5,456** | **- 1,105** | **- 20.3%** |
| Net writedowns of loans and provisions for guarantees and commitments | -2,796 | -9,915 | + 7,119 | - 71.8% |
| **Net Operating profit (loss)** | **1,555** | **-4,459** | **+ 6,014** | **n.s.** |

### Operating income

At December 31, 2014, operating income totaled €9,924 million, down €1,138 million on the previous year (-10.3%). The reduction was largely attributable to dividends and other income from equity investments (-€1,799 million), partially offset by the increase in net interest (+€356 million), in net fees and commissions (+€259 million) and in gains (losses) on financial assets and liabilities held for trading (+€84 million).

Net interest income at December 2014 amounted to €4,350 million, an improvement on the previous year (+€356 million).

This performance reflects the economic situation in the last year and the gradual improvement in the financial market conditions, already seen during 2013.

The general reduction in the cost of retail deposits, supported by the trend in interest rates, continues to favor the growth of net interest. Also, the decline in loans to businesses and households, which marked 2013 and most of 2014, began to ease in the last few months of the year, also as a result of the lending support policies implemented by the ECB.

At December 31, 2014, the Bank had completed the entire annual Financial Plan, implementing a significant and complete diversification of sources of medium/long-term funding. A particularly large contribution was made by unsecuritized public issues of senior notes (43% of total issues) - including those placed through the commercial network - and those backed by commercial assets of the Bank (approximately 18% of total issues). As part of the funding activities carried out during the year, it should be noted that the Bank successfully launched two securities issues Additional Tier 1, placed with institutional investors, both within and outside the Euro zone.

As in 2012 and 2013, in 2014 the Bank also consolidated the decreasing trend in the cost of funding on the structural liquidity market. This decrease specifically regarded the difference between the cost of liquidity and the benchmark rates on the monetary market, which indicates an improvement in the Bank's specific creditworthiness on the long-term market, which was shared across all the different types of issues, including both those placed with institutional investors and through the commercial network.

Dividends recorded in 2014 came to €1,381 million, down €1,799 million versus the previous year. The difference was mainly attributable to lower amounts distributed by UniCredit Bank AG (-€1,707 million versus 2013).

Net fee and commission income at December 31, 2014 totaled €3,746 million, up €259 million (+7.4%) versus the previous year. The growth was almost fully attributable to asset management, custody and administration, driven by UCITS and insurance products.

Net trading income (€439 million) was essentially attributable to the gains from the sale of AFS securities (+€83.1 million for Atlantia, +€31.7 million for Tassara S.p.A., and +€121 million from government securities), in addition to the gains from the effects of the exchange rate revaluation of the exposure in USD generated by the issue of the Additional Tier 1 (+€121 million), gains from the restructuring of the ITR Concession Company position (+€21 million), and the gains from the exercise of the conversion option on the Risanamento security (+€27 million). Gains on "ordinary" repurchases of the Bank's bonds in the secondary market (+€20 million) and the Tender Offer in senior retail issues ("Persephone") of +€48.9 million were offset by the negative effect of the buybacks of own liabilities (Fineco -€48.8 million). At December 31, the valuation of the contract signed with UniCredit Bank Austria for the sale of CAIB to UniCredit Bank AG generated a positive contribution of €59 million.

The improvement year on year (+€84 million, 23.7%) was mainly attributable to the following:
- +€128 million from the valuation of the contract signed with UniCredit Bank Austria for the sale of CAIB to UniCredit Bank AG;

# Results of the period (Continued)

## Main Results and Performance for the Period (Continued)

- +€121 million from the effects of the exchange rate revaluation of the exposure in USD generated by the issue of the Additional Tier 1 (not present in 2013);
- +€170 million in gains from the sale of available for sale instruments. Specifically, 2014 saw positive benefits from the sales of Atlantia and Tassara S.p.A., and the sale of government securities;
- -€255 million deriving from buybacks of own liabilities. Specifically, 2013 benefited from the positive effect of the Tender Offer on senior retail issues ("Fly") of €254 million, and gains on "ordinary" repurchases of the Bank's bonds of €73 million.

The balance of other operating income and charges at December 31, 2014 was +€8 million, down -€38 million year on year.
The figure was mainly driven in 2014 by: +€49.2 million deriving from the resale to Fineco of securities issued by it, originally subscribed by UniCredit (this effect was offset by -€48.8 million in "Net trading, hedging and fair value income"), -€60.4 million in extraordinary costs relating to customer operations, -€4.1 million for claims and lawsuits; +€6.5 million for the Subito Banca campaign; +€43.1 million in chargebacks for intercompany services (relating to call center operations, management of arrears, front-office operations, rentals and outsourcing); +€3.6 million in chargebacks for funded training courses, +€13.6 million in non-group rentals, +€13.6 million in gains from Group Loans&Receivables securities and-€42.6 million from fiscal charges related to transactions with the Tax Authorities.

**Operating Costs**
Operating costs at December 2014 totaled -€5,573 million, showing a year-on-year decrease of €33 million (-€0.6%).

Payroll costs, amounting to €3,158 million, dropped by around €87 million (-2.7%) versus the end of 2013. This performance was mainly due to actions to contain the variable components of payroll costs and from the release of some exceeding accruals previously made. The headcount at December 31, 2014, measured in terms of Full Time Equivalent (FTE) staff, which stood at 41,724, showed a decrease of 91 FTE on the previous year.

Other administrative expenses in 2014 totaled €2,883 million, up €144 million (+5.3%) compared to the same period of the previous year. This increase was the result of an increase in direct costs of €73 million (+6.0%), primarily on indirect taxes (higher duties on current accounts and securities deposits as a result of the legally mandated increase in expenses on said duties) and an increase in intercompany costs of €71 million (+4.7%) attributable in particular to the subsidiary UBIS S.C.p.A.

Recovery of expenses, amounting to €602 million, increased by €58 million (+10.7%) year-on-year, mainly due to greater recoveries of duties.

Amortization, depreciation and impairment losses on intangible and tangible assets amounted to €134 million, a decrease of €32 million compared to the same period of the previous year (-19.3%).

**Net Impairment Losses on Loans**
At December 31, 2014, net write-downs on loans and provisions for guarantees and commitments amounted to -€2,796 million, showing a year-on-year decrease of 71.8%. The cost of risk, measured as a ratio of average loans to customers, equal to 1.24%. For more details in this regard see the chapter "The Balance Sheet", in the section commenting on "Credit Quality".

It should be noted that the net impairment of loans benefited from a change in the method used to measure doubtful loans. This change resulted in a release of adjustment provisions for about 775 million (the nominal gross value of the portfolio affected by the change was 18.1 billion as at September 30, 2014). Following changes in the underlying portfolio during the fourth quarter of 2014, the overall positive contribution to the income statement was down to 560 million, as also reflected in the overall reduction in the coverage ratio for doubtful loans compared to the same data in 2013.

The measurement method was changed to reflect a change in the underlying loan management process, which is currently especially focused on recoveries, a step that precedes the withdrawal of credit lines and which should result in an increase in expected cash flows.

The change in method was accounted for as a change in estimates pursuant to IAS 8.35.

**Net Operating profit**
Net operating profit (loss) showed a profit of €1,555 million, improving by €6,014 million compared to -€4,459 million in 2013, mainly due to the lower negative impact of net write-downs on loans and provisions for guarantees and commitments.

## Net Profit (Loss)

In the table below, the data showing the transition from operating profit (loss) to net profit (loss) have been reclassified for illustrative purposes.

**Net profit (loss)**

(€ million)

| | YEAR | | CHANGE | |
|---|---|---|---|---|
| | 2014 | 2013 | AMOUNT | PERCENT |
| **NET OPERATING PROFIT (LOSS)** | **1,555** | **-4,459** | **+ 6,014** | **n.s.** |
| Net provisions for risks and charges | -132 | -679 | + 547 | - 80.6% |
| Integration costs | 17 | -153 | + 170 | n.s. |
| Net income from investments | -939 | -5,866 | + 4,927 | - 84.0% |
| **PROFIT (LOSS) BEFORE TAX** | **501** | **-11,157** | **+ 11,658** | **n.s.** |
| Income tax for the year | -421 | 2,371 | - 2,792 | n.s. |
| Impairment of goodwill | - | -2,815 | + 2,815 | - 100.0% |
| **NET PROFIT (LOSS)** | **80** | **-11,601** | **+ 11,681** | **n.s.** |

### Provisions for Risks and Charges

Net provisions for risks and charges, totaling -€132 million compared to -€679 million in 2013, refer for the most part to tax and legal disputes. It should be noted that €17 million was released from the provision allocated for the request made by UniCredit Bank AG to a number of group companies in application of the Compensation Agreement referred to the Dependency Report 2013, with reference to the direct expenses between UniCredit S.p.A. and UniCredit Bank AG.

### Integration Costs

Integration costs showed a positive figure of €17 million mainly due to a thorough review of the forecasted participation in incentive plans compared to expectations which, in 2014, resulted in the partial release of previously allocated Redundancy Provisions.

### Net Income from Investments

Net income from investments totaled -€939 million, showing an improvement +€4,927 million versus 2013.

In 2014 write downs on equity investments of -€1,219 million were recognized (of which -€515 million on UniCredit Leasing, -€475 million on UniCredit Bank Austria AG, -€119 million on Public Joint Stock Company Ukrsotsbank, -€56 million on Fenice Holding, -€10 million on Fenice Srl, and -€11 million on Crivelli Srl). A gain was also realized on the sales of the investments in Fineco Bank (+€382 million), SIA S.p.A (+€87 million), Lauro Sessantuno S.p.A. (+€58 million) and SW Holding (+€14 million). A loss of -€17 million was realized on Neep. Write downs of -€32 million were recognized on Private Equity (UCI units) classified as AFS, in addition to write downs on the AFS equity investments in Alitalia (-€61 million), Risanamento (-€20 million), Prelios (-€24 million), and Burgo (-€12 million). Lastly, write downs were recognized on Aviva Vita (-€22 million) and ICS (-€71 million).

### Taxes on income

Income taxes for the year report a negative value of -€421 million, worsening by -€2,792 million compared to €2,371 million of 2013. The key events with respect to tax regulations in 2014 were:

- the initial 0.45% reduction of IRAP corporate tax rates established by Law Decree No. 66 of April 24, 2014 (transposed into Law No. 89 of June 23, 2014), subsequently repealed by Article 1 paragraph 22 of Law No. 190 of December 23, 2014 (2015 Stability Law) without producing any tax effects. Therefore, essentially, the IRAP corporate tax rate for 2014 did not change versus the rate in force in 2013;
- the increase of the rate of the substitute tax on the mandatory revaluation of Bank of Italy shareholdings (Law No. 5 of January 29, 2014 transposing Legislative Decree 133/2013, the "IMU - Bank of Italy Decree"), to be applied - as clarified by Italian Revenue Agency Circular No. 4 of February 24, 2014 - on the difference between the revalued carrying amount and the lower tax value. The rate had originally been set at 12% by Article No. 1 paragraphs 143 and 148 of Law No. 147 of December 27, 2013 (2014 Stability Law), resulting in a provision of €184.4 million in the 2013 financial statements for the payment to be made in June 2014. Article 4 paragraph 12 of the aforementioned Law Decree No. 66 of April 24, 2014 (transposed into Law No. 89 of June 23, 2014) increased this rate to 26%, thus making it necessary to incorporate the tax and recognize €215.2 million in the income statement.

The tax expense (income) item of the Income Statement amounted to -€421 million and consisted of:

- IRES income tax provision (current + deferred) of -€103.2 million;
- IRAP corporate tax provision (current + deferred) of -€157.1 million;
- a provision of -€5.5 million for taxation for transparency of black list foreign subsidiaries (CFC);
- a provision of -€10.4 million for taxes due from foreign branches in the respective countries;
- -€215.2 million supplementation of the substitute tax on the revaluation of Bank of Italy shares;
- non-deductible taxes of €2.2 million on foreign dividends received;
- extraordinary income of €72.5 million resulting from the revaluation at the tax return stage of tax items that were estimated at the provision stage and from tax breaks.

# Results of the period (Continued)

## Main Results and Performance for the Period (Continued)

In 2014 there was a further reduction of the eligible share of the benefit linked to the increase in shareholders' equity (ACE) as a result - in accordance with the mechanism for determining this benefit - of the reduction in capital linked to the distribution to shareholders of reserves as a dividend and the reduction provided for by regulations for contributions to the capital or equity of subsidiaries. Nevertheless, the increase from 3% to 4% of the rate established by the 2014 Stability Law (Law No. 147 of December 27, 2013) to be applied to the base eligible for benefit determination enabled this to stay at almost the same level, at around €33 million, also for 2014.

**Net profit (loss)**
The net profit for the period was €80 million, an improvement of €11,681 million compared to the same period of the previous year.

## The Balance Sheet

### Loans to Customers

Loans to customers at December 31, 2014 totaled €220,649 million, a reduction of €10,522 million (-4.6%) compared to December 31, 2013.

**Loans and receivables with customers**

(€ million)

| | AMOUNTS AS AT | | CHANGE | |
|---|---|---|---|---|
| | 12.31.2014 | 12.31.2013 | AMOUNT | PERCENT |
| Performing loans | 167,678 | 173,986 | -6,308 | -3.6% |
| Impaired assets | 25,838 | 24,221 | +1,617 | +6.7% |
| Repos | 24,917 | 30,119 | -5,202 | -17.3% |
| Debt securities | 2,216 | 2,845 | -629 | -22.1% |
| **Total loans and receivables with customers** | **220,649** | **231,171** | **-10,522** | **-4.6%** |
| *of which:* | | | | |
| *units operating in Italy* | *219,216* | *229,612* | *-10,396* | *-4.5%* |
| *units operating abroad* | *1,433* | *1,559* | *-126* | *-8.1%* |

This decline is essentially attributable to loans disbursed by the units operating in Italy (€219,216 million), which decreased by €10,396 million compared with the figures at December 31, 2013 (€229,612 million).

More specifically:
- performing loans decreased by €6,308 million (-3.6%);
- impaired assets increased by €1,617 million (+6.7%);
- repurchase agreements declined by €5,202 million (-17.3%);
- debt securities dropped by €629 million (-22.1%).

"Performing loans" (€167,678 million at December 31, 2014) included €6,662 million due from Special Purpose Vehicles (SPVs), attributable to liquidity which - following the downgrading of the Bank in 2012 by the rating agencies involved in the transactions - which UniCredit S.p.A. had to transfer (based on the contractual documentation signed) to other banks still considered "eligible" in favor of the SPVs granting loans as part of transactions originated by UniCredit S.p.A. in relation to securitizations and covered bond issue programs. The increase of €2,718 million in this amount compared to value at the end of December 2013 (€3,944 million) is also attributable to the changes in liquidity relating to the securitizations "Consumer One" (concerning consumer loans) and "Impresa One" (concerning medium/long-term loans to businesses), in addition to the amounts transferred in the fourth quarter of 2014 following the assignment of the rating, to support the Bank's covered bond issue programs.

**Impaired loans** at the end of December 2014 amounted to €25,838 million and came to 11.7% of the total amount of loans to customers. These are mainly concentrated in the businesses segment. The aggregate increased by +6.7% compared to €24,221 million at the end of December 2013, with a trend that is still significantly influenced by the consequences of the economic crisis which had had a harsh impact on businesses in the last few years, specifically in Italy.

For the purposes of completeness, as mentioned in the previous periodic statements, the annual evolution of of the aggregate was also affected by the sale of a portfolio of non-performing loans arising from consumer loans with a nominal amount of around €930 million. The sale took place in the first quarter of 2014 at a price of €45.5 million, essentially in line with the book value of these positions.

**Reverse repos** amounted to €24,917 million at December 31, 2014 (€30,119 million at December 31, 2013), and consisted almost entirely of operations with Cassa di Compensazione e Garanzia.

## Credit Quality

At December 31, 2014, the face value of the impaired assets totaled €48,362 million, representing 19.8% of total nominal loans to customers, an increase from 17.9% at December 31, 2013. At book value (net of specific write downs of €22,524 million), impaired loans stood at €25,838 million (€24,221 million at December 31, 2013), representing 11.7% of total loans (10.5% at the end of 2013).

The consequences of the crisis which has impacted the economic system, particularly the Italian system, continue to be significant, as well as the difficulties in debtors' ability to repay their exposures, with equivalent reflection on the successful performance of loans disbursed by the banking system. UniCredit S.p.A. continued to carefully monitor its loan portfolios, carefully classifying problem positions. Within these positions, non-performing loans (at face value) reached 10.6% of the total loans to customers (8.2% at the end of 2013), doubtful loans came to 7.2% (7.5% at the end of 2013), restructured loans rose to 1.4% (1.2% at the end of 2013), while impaired past-due loans came to 0.6% of the overall net worth of loans (1.0% at December 31, 2013).

The coverage ratio (write-downs to face value) at the end of December 2014 came to 57.5% of non-performing loans, 36.0% of doubtful loans, 28.2% of restructured loans and 25.0% of impaired past-due exposures.

In the 3rd quarter of 2014, a change was made to the valuation method of doubtful exposures, in order to represent the change in the underlying credit management process, which is currently more focused on recovery operations preceding overdraft revocation, resulting in a better estimate of expected cash flows. Overall, at December 31, 2014 the coverage ratio of impaired loans came to 46.6%, which is substantially stable compared to the ratio at December 31, 2013 (46.8%).

Performing loans, which amounted to €196,145 million at face value at December 31, 2014 (€209,046 million at December 31, 2013), have been written down for a total of €1,334 million, with a coverage ratio of 0.7% (1% at December 31, 2013). The decrease in this ratio compared to the end of 2013 is mainly attributable to derecognized positions with a high coverage ratio. In 2014 the careful monitoring of emerging risk continued, through the management and monitoring of the risk related to certain portfolios of performing loans, which were included in a cluster in 2013 in order to safeguard the Customer's operation as a going concern and better protect the Bank's credit.

Overall, therefore, total loans to Customers stood at a nominal value of €244,507 million, with value adjustments €23,858 million, taking the general level of coverage from 9.2% at the end of 2013 to 9.8% at December 31, 2014).

# Results of the period (Continued)

## Main Results and Performance for the Period (Continued)

The summary tables below provide additional details:

**Loans to customers asset quality** (€ million)

| | NON-PERFORMING LOANS | DOUBFUL LOANS | RESTRUCTURED LOANS | PAST-DUE LOANS | TOTAL IMPAIRED LOANS | PERFORMING LOANS | TOTAL CUST. LOANS |
|---|---|---|---|---|---|---|---|
| **As at 12.31.2014** | | | | | | | |
| Face value | 25,847 | 17,611 | 3,317 | 1,587 | 48,362 | 196,145 | 244,507 |
| *as a percentage of total loans* | *10.57%* | *7.20%* | *1.36%* | *0.65%* | *19.78%* | *80.22%* | |
| Writedowns | 14,855 | 6,337 | 936 | 396 | 22,524 | 1,334 | 23,858 |
| *as a percentage of face value* | *57.47%* | *35.98%* | *28.22%* | *24.95%* | *46.57%* | *0.68%* | |
| Carrying value | 10,992 | 11,274 | 2,381 | 1,191 | 25,838 | 194,811 | 220,649 |
| *as a percentage of total loans* | *4.98%* | *5.11%* | *1.08%* | *0.54%* | *11.71%* | *88.29%* | |

**Loans to customers asset quality** (€ million)

| | NON-PERFORMING LOANS | DOUBFUL LOANS | RESTRUCTURED LOANS | PAST-DUE LOANS | TOTAL IMPAIRED LOANS | PERFORMING LOANS | TOTAL CUST. LOANS |
|---|---|---|---|---|---|---|---|
| **As at 12.31.2013** | | | | | | | |
| Face value | 20,974 | 19,093 | 3,034 | 2,467 | 45,568 | 209,046 | 254,614 |
| *as a percentage of total loans* | *8.24%* | *7.50%* | *1.19%* | *0.97%* | *17.90%* | *82.10%* | |
| Writedowns | 11,800 | 8,077 | 905 | 565 | 21,347 | 2,096 | 23,443 |
| *as a percentage of face value* | *56.26%* | *42.30%* | *29.83%* | *22.90%* | *46.85%* | *1.00%* | |
| Carrying value | 9,174 | 11,016 | 2,129 | 1,902 | 24,221 | 206,950 | 231,171 |
| *as a percentage of total loans* | *3.97%* | *4.77%* | *0.92%* | *0.82%* | *10.48%* | *89.52%* | |

Lastly, in the same way as for the management and recovery of problem loans (doubtful loans and non-performing loans), that fall within certain set thresholds, the Bank makes use of the services offered by UniCredit Credit Management Bank S.p.A., the Group bank specialized in loan recovery, whose activities are governed by a special contract and by continually evolving procedures, aimed at the constant improvement of recovery performances and their ongoing monitoring.

### Deposits from Customers and Debt Securities in Issue

Deposits from customers and debt securities in issue, totaling €282,099 million (+4,2%), recorded an increase of €11,348 million compared to the end of 2013 due both to operating units in Italy (+€10,001 million) and operating units abroad (+€1,347 million).

**Deposits from customers and debt securities in issue** (€ million)

| | AMOUNTS AS AT | | CHANGE FROM RESTATED | |
|---|---|---|---|---|
| | 12.31.2014 | 12.31.2013 | AMOUNT | PERCENT |
| Deposits from customers | 167,990 | 150,840 | +17,150 | +11.4% |
| Debt securities in issue | 114,109 | 119,911 | -5,802 | -4.8% |
| **Total deposits from customers and debt securities in issue** | **282,099** | **270,751** | **+11,348** | **+4.2%** |
| *of which:* | | | | |
| *units operating in Italy* | *277,588* | *267,587* | *+10,001* | *+3.7%* |
| *units operating abroad* | *4,511* | *3,164* | *+1,347* | *+42.6%* |

Deposits from customers came to €167,990 million, an increase of €17,150 million on the end of 2013.

More specifically:
- current accounts and demand deposits increased by €11,624 million;
- repurchase agreements with customers grew by €8,097 million;
- time deposits decreased by €1,661 million;
- other types of deposits decreased by €910 million.

Debt securities in issue, equal to €114,109 million, decreased in 2014 by €5,802 million attributable, for the Italian operating units, to bond issues (-€986 million of which €2,620 million due to the buy-back of own issuances), to certificates of deposit (-€6,391 million) and to "buoni fruttiferi" (-€72 million), while units operating in other countries reported an increase due to certificates of deposit (+€1,647 million).

## Financial Investments

Financial investments came to €108,026 million, and showed an increase in 2014 of €10,310 million (+10.6%) resulting from the increases in available-for-sale financial assets (+€12,773 million) and in financial assets at fair value through profit or loss (+€6 million), partly offset by the decreases in held-to-maturity investments (-€1,459 million) and in investments in associates and joint ventures (-€1,010 million).

**Financial investments**

(€ million)

| | AMOUNTS AS AT | | CHANGE | |
|---|---|---|---|---|
| | 12.31.2014 | 12.31.2013 | AMOUNT | PERCENT |
| Financial assets at fair value through profit or loss | 395 | 389 | +6 | +1.5% |
| Available-for-sale financial assets | 55,725 | 42,952 | +12,773 | +29.7% |
| *of which: - equity investments* | *2,167* | *2,300* | *-133* | *-5.8%* |
| *- debt securities, equity instruments and investments funds units* | *53,558* | *40,652* | *+12,906* | *+31.7%* |
| Held-to-maturity investments | 1,566 | 3,025 | -1,459 | -48.2% |
| Equity investments | 50,340 | 51,350 | -1,010 | -2.0% |
| **Total financial investments** | **108,026** | **97,716** | **+10,310** | **+10.6%** |
| *of which:* | | | | |
| *units operating in Italy* | *107,992* | *97,683* | *+10,309* | *+10.6%* |
| *units operating abroad* | *34* | *33* | *+1* | *+3.0%* |

More specifically:

- Available-for-sale financial assets included €53,558 million in debt and equity securities and units in investment funds - which posted an increase of €12,906 million primarily due to purchases of Italian government securities, net of redemptions - and €2,167 million in equity interests.

  Equity interests included in this portfolio posted a decrease of €133 million, mainly attributable to (i) the purchase/subscription of shares for €158 million (of which: €50 million in ERG Renew S.p.A., €45 million in Risanamento S.p.A., €26 million in Prelios S.p.A., €11 million in Conbipel S.p.A. and €9 million in Gabetti Property Solutions S.p.A.), (ii) the sale of Atlantia S.p.A. for a price of €102 million, which resulted in profits on sale of €83 million (of which €72 million due to the reclassification of the positive valuation reserve); (iii) the exchange of Mediofactoring S.p.A. shares for Intesa San Paolo S.p.A. shares, which were then sold in full, for a total of €8 million, with profits on sale of €4 million (of which €4 million due to the reclassification of the positive valuation reserve), (iv) the changes in fair value, charged to equity - a positive €9 million, (of which: €8 million for Bank of Valletta Plc) and -€1 million (Serfactoring S.p.A.), (v) the impairment losses through profit or loss of €207 million, (of which: €71 million for Istituto per il Credito Sportivo, €61 million for Alitalia S.p.A., €24 million for Prelios S.p.A., €20 million for Risanamento S.p.A. (net of the reclassification of the positive valuation reserve of €15 million), €12 million for Burgo Group S.p.A., €6 million for Gabetti Solutions Properties S.p.A., €3 million for Cisfi S.p.A., €3 million for Eurofidi S.p.A.), (vi) the transfer from "Investments in associates and joint ventures" of the remaining amount, equal to 4%, of SIA S.p.A. That transfer was carried out following the sale of 20.1% of the shares, already posted at the end of 2013 under assets held for sale, for a price of €133 million, which resulted in profits on sale of €72 million, with a value, based on the disposal price of the shares sold, of €26 million, giving rise to a gain of €14 million.

  In this portfolio, €32 million in profit was also posted to profit and loss, deriving from the sale of equity instruments *(strumenti finanziaria partecipativi)* from the conversion of loans due from Carlo Tassara S.p.A.;

- the value of investments in associates and joint ventures equal to €50,340 million decreased by €1,010 million. This was mainly attributable to (i) €200 million for the purchase by UniCredit Bank Austria AG of the 31.01% equity interest held in UniCredit Leasing S.p.A. for a price of €222 million, which also resulted in the allocation of a negative reserve of €22 million in equity, (ii) the capital contribution to UniCredit Leasing S.p.A. of €490 million, to strengthen the subsidiary's capital, also in view of the merger of Fineco Leasing, (iii) the purchase by another subsidiary of Torre SGR S.p.A. at a price of €17 million, (iv) the subscription of Alitalia S.p.A. shares for €35 million, which were transferred as an equity interest from the AFS portfolio to investments in companies subject to significant influence, (v) the sale of the equity interest held in SW Holding S.p.A., following the reduction of the carrying value by €13 million due to the distribution of reserves, for a price of €72 million, which resulted in profits on sale of €14 million, (vi) the sale of the entire equity interest held in Lauro Sessantuno S.p.A. at a price of €140 million, which generated a profit of €58 million, (vii) the sale of 30% of the share capital of Fineco Bank S.p.A. at a price of €756 million, for a profit of €382 million, (viii) the sale of the remaining 31% of Neep Roma Holding S.p.A. at a price of €33 million, which resulted in a loss of €17 million, (ix) the reduction of the carrying value of Aviva S.p.A. following the distribution of reserves for €11

# Results of the period (Continued)

## Main Results and Performance for the Period (Continued)

million and the reduction in share capital by €49 million, and (x) the impairment losses posted to the income statement of €1,101 million (of which: €515 million for UniCredit Leasing S.p.A., €475 million for UniCredit Bank Austria AG, €56 million for Fenice Holding, €22 million for Aviva Vita S.p.A., €11 million for Crivelli S.r.l., €10 million for Fenice S.r.l. and €8 million for Visconti S.r.l.). Write-downs of equity investments posted to the income statement" also include €119 million for the write-down of the investment in Public Joint Stock Company Ukrsotsbank entered under the item "Non-current assets and disposal groups classified as held for sale.

### Interbank Position

The Bank recorded, under its financial assets, a net interbank position at the end of 2014 of assets (€21,866 million) and liabilities (€31,703 million) equal to -€9,837 million. Compared with the corresponding figures at the end of 2013 (net equal to -€25,510 million), the balance showed a decrease in net liabilities of +€15,673 million almost completely due to the decrease in deposits from banks (-€15,676 million).

In this regard, the decrease of -€15,676 million was mainly generated by the following effects:
- a reduction in funding from Group Banks, as part of the Parent Company's actions to optimize the circulation of intercompany liquidity and as a result of several corporate transactions concluded during the year;
- lower refinancing transactions with the European Central Bank, which dropped by approximately -€4,421 million, as part of the numerous measures implemented by the European Central Bank in 2014 to support growth in the Euro zone. Management of refinancing with Central Banks was also in line with the Parent Company's completion of the Financial Plan for the Bank's medium/long-term issues to institutional investors. As part of these funding activities carried out during the year, in September 2014 the Bank successfully executed the second Additional Tier 1 issue of 2014, placed with institutional investors both within and outside the Euro zone.

**Interbank position**

(€ million)

| | AMOUNTS AS AT | | CHANGE | |
|---|---|---|---|---|
| | 12.31.2014 | 12.31.2013 | AMOUNT | PERCENT |
| **Loans and receivables with banks** | **21,866** | **21,869** | **-3** | **n.s.** |
| *units operating in Italy* | *21,660* | *21,712* | *-52* | *-0.2%* |
| *units operating abroad* | *206* | *157* | *+49* | *+31.2%* |
| **Deposits from banks** | **31,703** | **47,379** | **-15,676** | **-33.1%** |
| *units operating in Italy* | *30,362* | *46,050* | *-15,688* | *-34.1%* |
| *units operating abroad* | *1,341* | *1,329* | *+12* | *+0.9%* |
| **NET INTERBANK POSITION** | **-9,837** | **-25,510** | **+15,673** | **-61.4%** |
| *units operating in Italy* | *-8,702* | *-24,338* | *+15,636* | *-64.2%* |
| *units operating abroad* | *-1,135* | *-1,172* | *37* | *-3.2%* |

### Shareholders' Equity

As of December 31, 2014 shareholders' equity stood at €48,173 million, and showed an increase, compared to December 31, 2013, of €2,095, made up of:
- +€1,888 million from the issuance of Additional Tier 1 Notes for USD 1,250 million and EUR 991 million recorded net of transaction cost in item Equity Instrument;
- +€63 million from the increase of the reserve for long-term incentive plans;
- -€5 million from the allocation to the purchase cost reserve of the "free shares" granted to group employees who had subscribed to the broad-based share plan for Group employees;
- -€22 million from the allocation to reserves of the difference between the price paid and the carrying value resulting from the purchase by UniCredit Bank Austria AG of the 31.01% interest held in UniCredit Leasing S.p.A.. UniCredit S.p.A. now holds 100% of UniCredit Leasing S.p.A.;
- -€35 million from the usufruct fee related to financial instruments ("Cashes") involving almost all the shares subscribed by Mediobanca, during the corresponding capital increase in the first few months of 2009. This is the last payment referred to 2012 result;
- -€39 million to the allocation to reserves of the coupon paid to the subscribers of the above-mentioned issue of Additional Tier 1 instruments, net of the related tax;
- allocation of +€5 million to the reserve for taxes related to the transaction expenses for the issue of the aforesaid Additional Tier 1 instruments;
- +€1 million to the recognition of the net reserve resulting from the sale, to other group companies, of the assets of the former Munich branch of UniCredit Family and Financial Bank;
- +€335 million from the net effect of the revaluation reserves of which: +€536 million from available - for sale financial assets, -€87 million from cash flow hedges and -€114 million from defined benefit plans;

- -€176 million for the payment to shareholders that exercised the right, provided as part of the methods for executing the "scrip dividend", to request that the dividend for 2013 be paid in cash in place of the free assignment of shares;
- +€80 million from the net result for the period.

Note the following significant changes in the first half of 2014 which, though reflected among the various components of shareholders' equity, did not change the overall amount thereof:
- the increase of €251 million in share capital following the free capital increases implemented:
  - the resolution of the Board of Directors of March 11, 2014 executed through a withdrawal of €28 million from the specifically constituted reserve, for the issue of the shares connected to the medium term incentive plan for Group Personnel;
  - the resolution of the Shareholders' Meeting of May 13, 2014 relating to the payment of the "scrip dividend" for 2013, carried out by withdrawing €223 million from the pre-existing "reserve for allocating profits to shareholders through the issuance of new free shares".
- The share premium reserve and other reserves reflect the changes deriving from the resolutions of the Shareholders' Meeting of May 13, 2014 which resulted in:
  - coverage of the loss of the financial year 2013 by using €3,818 million from the "reserve related to business combinations within the Group" and €7,783 million from the "share premium reserve";
  - the increase in the "legal reserve" of €120 million through use of the "share premium reserve".

**Shareholders' equity**

| | AMOUNTS AS AT | | CHANGE | |
|---|---|---|---|---|
| | 12.31.2014 | 12.31.2013 | AMOUNT | PERCENT |
| Share capital | 19,906 | 19,655 | +251 | +1.3% |
| Share premium | 15,977 | 23,879 | -7,902 | -33.1% |
| Equity instruments | 1,888 | - | +1,888 | n.s. |
| Reserves | 9,323 | 13,481 | -4,158 | -30.8% |
| Reserves for special revaluation laws | 277 | 277 | - | - |
| Treasury shares | -2 | -2 | - | - |
| ***Total capital and reserves*** | ***47,369*** | ***57,290*** | ***-9,921*** | ***-17.3%*** |
| Revaluation reserves | 724 | 389 | +335 | +86.1% |
| Net profit or loss | 80 | -11,601 | +11,681 | n.s. |
| **Total shareholders' equity** | **48,173** | **46,078** | **+2,095** | **+4.5%** |

## Shareholders

The share capital, fully subscribed and paid up, totaled €19,905,773,742.24 divided into 5,865,778,463 shares with no face value, of which 5,863,329,150 ordinary shares and 2,449,313 savings shares.
At December 31, 2014, according to analyses performed using data from heterogeneous sources, including the content of the Register of Shareholders, documentation relating to participation in the shareholders' meeting of the Company, communications to CONSOB, public filings available on the market:
- there were approximately 361,000 shareholders;
- resident shareholders held around 32.23% of the capital and foreign shareholders 67.77%;
- 86% of the ordinary share capital is held by legal entities, the remaining 14% by individuals.

Also as of that date, the main shareholders were:

**Principal UniCredit shareholders**

| SHAREHOLDER | ORDINARY SHARES | % OWNED[1] |
|---|---|---|
| Aabar Luxembourg S.a.r.l. | 294,600,000 | 5.024% |
| BlackRock Inc. | 273,722,470 | 4.668% |
| Fondazione Cassa di Risparmio Verona, Vicenza, Belluno e Ancona | 202,808,472 | 3.459% |
| Delfin S.a.r.l. | 176,579,750 | 3.012% |
| Central Bank of Lybia | 171,338,583 | 2.922% |
| Fondazione Cassa di Risparmio di Torino | 147,517,322 | 2.516% |
| Carimonte Holding S.p.A. | 124,016,673 | 2.115% |

(1) as a percentage of ordinary capital.

# Results of the period (Continued)

## Main Results and Performance for the Period (Continued)

### Treasury Shares

The treasury share balance was unchanged from year-end 2013 due to the fact that there were no transactions involving treasury shares in 2014. The number of shares, now with no face value, reflects their aggregation, approved by the Extraordinary Shareholders' Meeting of December 15, 2011, in preparation for the subsequent capital increase carried out in the early months of 2012.

**Treasury shares**

| | |
|---|---|
| Number of ordinary shares as at 12.31.2014 | 47,600 |
| % on capital stock | n.s. |
| Carrying value as at 12.31.2014 € | 2,440,001 |

### Capital and value management

#### Principles of value creation and disciplined capital allocation

In order to create value for the shareholders, the Group's strategic guidelines are aimed at optimizing the composition of its business portfolio. This goal is pursued through a process of capital allocation to each business line in relation to its specific risk profile and ability to generate sustainable earnings measured as EVA, which is the main performance indicator related to TSR (Total Shareholder Return). The development of Group operations with a view to value creation requires a process for allocating and managing capital governed by different phases in the process of planning and control, articulated as:

- formulation of the proposed propensity for risk and capitalization targets;
- analysis of the risks associated with the value drivers and resulting allocation of capital to the business lines and to the Business Units;
- assignment of performance targets in line with risk;
- analysis of the impact on the Group's value and of the creation of value for shareholders;
- drafting and proposal of the financial plan and dividend policy.

The process of capital allocation is based on a "dual track" logic, considering both economic capital, measured through the full evaluation of risks by risk management models, and regulatory capital, quantified applying internal capitalization targets to regulatory capital requirements.

#### Capital Ratios

The Group dynamically manages its capital base by monitoring regulatory capital ratios, anticipating the appropriate changes necessary to achieve its targets, and optimizing the composition of its assets and equity. Planning and monitoring refer, on the one hand, to the total own funds (Common Equity Tier 1, Additional Tier 1 and Tier 2 Capital) and, on the other hand, to the Risk-Weighted Assets (RWAs). The Risk-Weighted Assets, for portfolios managed using the Advanced model, not only depend on the nominal value of the assets but also on the relevant credit parameters. Besides volume dynamics, it is also crucial to monitor and forecast the change in the loan quality of the portfolio in view of the macroeconomic scenario (the so-called pro-cyclical effect).

**Own Funds and Capital Ratios**

| | AMOUNTS AS AT | |
|---|---|---|
| | 12.31.2014 (*) | 12.31.2013 (**) |
| Common Equity Tier 1 Capital | 43,294 | 41,766 |
| Tier 1 Capital | 45,509 | 42,989 |
| Total own funds | 53,306 | 57,444 |
| Total RWA | 206,405 | 156,957 |
| **Common Equity Tier 1 Capital Ratio** | **20.98%** | **26.60%** |
| **Tier 1 Capital Ratio** | **22.05%** | **27.39%** |
| **Total own funds Capital Ratio** | **25.83%** | **36.60%** |

(*) Transitional own funds and capital rations (Basel 3)

(**) Ammounts and rations calculated in compliance with the supervisory regullations in force at the date (Basel 2.5 ); i.e Regulatory Capital and tier 1 Capital; the Core Tier 1C and Core Tier 1 Ratio relating to December 31, 2013, compared with Common Equity Tier 1 and with the related capital ratio as at December 31, 2014, respectively, were calculated using an internal model.

The economic and financial crisis, which began in 2007, has raised an intense debate on the need to promote a stronger and more resilient financial system. Therefore, over the last years, global regulators introduced a series of new regulatory requirements that have contributed greatly to re-shape the financial markets landscape. In particular, in December 2010, the Basel Committee for Banking Supervision (BCBS) published a series of changes relative to the requirements for banking institutions on capital and liquidity, also known as "Basel 3". The regulatory changes introduced by the Basel 3 framework define more stringent rules for capital requirements and introduce for the first time liquidity and leverage limits. According to the Basel 3 framework, the new rules are introduced gradually in order to allow the banking system to comply with the new requirements and contain the impact on the real economy. In Europe, the Basel 3 framework has been translated into law by means of two separate legislative instruments applied from January 1, 2014: the Directive 213/36/EU and the Regulation n. 575/2013. Moreover, in December 2013 the Bank of Italy published the "Circolare 285" which updated and adjusted to the new international regulation framework the rules on Italian banks and banking groups. Starting from January 1, 2014, Italian banks and banking groups are required to comply with a minimum CET1 Capital ratio of 4.5%, Tier 1 Capital ratio of 5.5% (6% starting from 2015) and Total Capital Ratio of 8%. These minimum ratios are complemented on the following capital buffers to be meet with CET1 Capital: Capital Conservation set at 2.5% from January 1, 2014 and, from 2016, Countercyclical in the periods of excessive credit growth and Systemic for Global Systemically Important Institutions (G-SII) or Other Systemically Important Institutions (O-SII). Failure to comply with such combined buffer requirements triggers restrictions on distributions and the need to adopt a capital conservation plan. As part of the transition arrangements, regulatory capital recognition of outstanding non-CET1 capital instruments that no longer meet the minimum criteria will be gradually phased out.

This note is provided at the specific request of Consob pursuant to Art. 114, paragraph 5, of Italian Legislative Decree 58/98.

In December 2014, on consolidated basis, the transitional CET1 ratio stood at 10.41% and Total Capital ratio transitional stood at 13.63%[1].

The ECB, within the framework of the joint decision on the capital adequacy of the UniCredit Group, has defined the following capital requirements: 9.5% of the CET1 ratio and 13% of the total capital ratio, both calculated in accordance with the transitional requirements. In December 2014, the Group sat comfortably above the defined thresholds and, in line with the objectives of the strategic plan, foresees staying at current levels also in the coming years, with the possibility of further strengthening its capital position.

**Note on accounting effects on the quantitative results of the ECB Comprehensive Assessment**

This disclosure is provided upon specific request of Consob, pursuant to art. 114, paragraph 5, of Legislative Decree 58/98.

On October 26, the European Central Bank, the European Banking Authority and Bank of Italy provided the final outcome of the Comprehensive Assessment conducted in preparation of the adoption of the Single Supervisory Mechanism (in force starting from November 2014), which entailed the analysis of the current and future conditions of 130 banking groups in the Eurozone.

The Comprehensive Assessment entailed:

- an Asset Quality Review (AQR) at the reporting date of December 31, 2013, which concerned loan portfolios and financial assets of high risk;
- the simulation of a hypothetical "Stress Test" aimed at assessing the ability of banks to withstand extreme and particularly unfavorable conditions.

The overall results of the assessment confirmed that the UniCredit Group far exceeds the requirements set in the Comprehensive Assessment.

The assessment lasted nearly a year and involved, with reference to the Asset Quality Review process (AQR), the main Group legal entities in Italy, Germany, Austria, Croatia, Romania and Bulgaria, while the Stress Test was referred to the entire Group.
Regarding the accounting implications of the quantitative evidences arisen from the Comprehensive Assessment, we highlight the following:

- the sample analysis on the credit exposures (the Credit File Review), conducted by the ECB highlighted at Consolidated level the need of potential net additional provisions amounting at about €440 million. This value (inferable from the detailed data received by ECB) takes into consideration the overall netting effect of additional provisions and releases of existing provisions related to all the credit files subject to the CFR and, consequently, it differs from the value published by ECB (equal to about €482 million) that reflected an offsetting of additional provisions and release of existing provisions only at portfolio level and not across selected portfolios.

  With regards to the exposures which the CFR indicated the need of potential additional provision, UniCredit S.p.A. posted in the 2014 Financial Statemenst an overall amount of about €277 million.

  It should be noted that at single debtor level the changes in provision recognized during 2014 may differ from what implied in the ECB request given that the credit evaluation (made according

1. Assuming 2014 scrip dividend of 12€cent per ordinary share with 75% acceptance rate of shares. Assuming 2014 full cash dividend, CET 1 ratio transitional at 10.26% and Total Capital ratio transitional at 13.49%.

# Results of the period (Continued)

## Main Results and Performance for the Period (Continued)

to the UniCredit's relevant credit policies) embedded in the 2014 Financial Statements takes into account the changes occurred between December 2013 (reference date for the CFR exercise) and December 2014 in the borrowers conditions and in the set of available information.

- With regard to the statistical projections of the CFR outputs (for which the theoretical increase of provisions resulting from the AQR was about €111 million at consolidated level), it is necessary to highlight that such projections they cannot, by their very nature, be directly interpreted as precise assessments of the need for additional accounting provisions. Moreover it is important to mention that the impairment triggers used during the CFR are largely included in the list of events/indicators currently monitored during the life cycle of the credit transactions and in assessing the related default classification.
- Additional collective provisions need of about €380 million at consolidated level, were calculated for AQR purposes - through the 'Challenger Model' - applying risk parameters that were defined by the ECB using limited time observation period (i.e. one year) and, in Bank's view, do not completely capture, differently from the internally estimated risk parameters, the real riskiness of the portfolio. Consequently, UCG has not changed the approach in use for collective provisioning that has been applied in continuity also for 2014 Financial Statement.
- The analysis of the Level 3 asset evaluation highlighted, at consolidated level, differences for about €54 million substantially related to an investment in an associate coming from impaired credit restructuring. Those differences have been reflected in the 2014 Financial Statements.

In addition to the findings listed above, the final outcome of the Comprehensive Assessment included also other qualitative issues. The Group is addressing in 2015 such qualitative issues, within the on-going process of regular enhancement of policies, procedures and accounting practices, including improvements in the following areas:

- definitions of Fair Value Hierarchy levels and documentation of Fair value adjustments;
- scope and frequency of the existing Group Independent Price Verification (IPV) process;
- measurement of losses arising from contingent liabilities;
- definition of the criteria for independent real estate appraisals.

With regard to the abovementioned qualitative remarks, it is worth remarking that they did not result in effects in 2014 Financial Statements.

# Organizational Model

## Significant organizational changes in the fourth quarter of 2014

Following the decision made by the Board of Directors on August 5, 2014, relating to the separation of the "Legal & Compliance" Competence Line - establishing that Compliance operations will continue to report to the CEO, while Legal operations will be transferred to report directly to the Deputy General Manager/Chief Operating Officer - the new roles of the Compliance CL and the Legal CL have been approved. The new "Group Legal" department has also been established, which reports directly to the COO and is responsible, in coordination with the corresponding functions of Group companies, for ensuring the correct identification and management of Group legal risks through the control of legal matters involving UniCredit S.p.A. and their supervision at Group level.

Additionally, as a result of the new regulatory scenario, with the creation of a Single Supervisory Mechanism for European bank supervision (SSM), on one hand, and the proliferation of international regulations, on the other (i.e. BRRD, TLAC, FATCA, EMIR), a significant transformation needed to be made in the interface framework between the UniCredit group and Regulators/Supervisors. Accordingly, the creation was approved of a new department called "Group Institutional and Regulatory Affairs", under the responsibility of the General Manager. The units and activities of Public Affairs (currently under the CEO) and Banking Supervisory Relations (currently under the General Manager) have been moved to this department, as well as other activities relating to the assessment of impacts on the company of the introduction of new regulations.

## Organizational structure

UniCredit group organization reflects an organizational and business model that maintains a divisional structure for the governance of the Corporate Investment Banking business/products and the business in the CEE Countries, as well as overall control over the Global Banking Services functions, by ensuring the autonomy of the Countries/Banks for specific activities, in order to guarantee increased proximity to the client and faster decision-making processes. Specifically:

- The **Chief Executive Officer**, while maintaining overall responsibility for all the regional businesses (Italy, Germany, Austria, Poland and CEE) that report to him, carries out direct supervision for Italy and delegates the supervision of Austria, Poland and the CEE Division to the General Manager and of Germany to the Deputy General Manager responsible for the CIB division;
- The **CIB Division**, which acts as a Global Division, is responsible for covering Multinationals, a select group of "large corporate" customers with significant potential for investment banking products, and Financial and Institutional Groups (FIG), in addition to the "GTB", "F&A" and "Markets" Global Lines;
- The **General Manager** is responsible for several specific transversal Group issues/areas, including i) overseeing strategic marketing, ii) assisting the CEO in managing the Internal Control System ("ICS System") to ensure its effective operation and iii) promoting dialog and ongoing liaison -, also through the other competent functions - between the Group and the Supervisory Authorities;
- The **CEE Division** coordinates the Group's activities in 19 countries of Central and Eastern Europe, aligning them to a single comprehensive business vision in the area;
- The **Chief Operating Officer** ("COO") concentrates responsibility within a single position for all the management instruments of the organizational, operating and service functions (including HR Management) such as ICT, Operations, Security and Real Estate. These functions are responsible for supporting sustainable growth of the Group business, also through the Group's Global Service Factory, guaranteeing the highest quality of services offered and optimizing the Group's cost structures and internal processes;
- With regard to the Italian perimeter, within the scope of the responsibility and autonomy assigned to the local countries/banks, the **Italy Country Chairman** is responsible for all the coordination, control and development of the "Individuals" (Mass Market, Personal Banking and Private Banking), Small Business and Corporate (which also includes the Medium Enterprises segment) segments of the Italian perimeter, leveraging on a Network covering 7 Regions, a specific Network for the Private Banking segment, and a Special Italy Network, dedicated to customers experiencing difficulties, with a higher risk profile;
- The **Asset Management** Product Line is responsible for asset management development across all geographical areas, by guiding, coordinating and monitoring the growth of business operations globally;
- The various functions, known as **Competence Lines** *(Internal Audit, Planning, Finance & Administration, Risk Management, Legal, Compliance, Organization, Identity & Communications and Human Resources)* ensure the steering, coordination and control of Group operations and the related risks, for their respective areas of responsibility.

# Company activities

## The commercial network

### Operating structure in Italy

During 2014, UniCredit's domestic network was subject to the changes described below:
- simplification of the organizational structure of the Commercial Banking Division by:
  - eliminating Districts, intended as governance structures only;
  - reallocating the District functions to former Branches, which took their name;
  - creating new "District Branches" (with or without Sales Manager, directly reporting to the District) and "Branch Offices" (without Sales Manager, reporting to a Branch);
- closure of **161** offices (including 10 Special Network Corporate Centers);
- closure of **83** Development Centers;
- opening of **2** new offices ("Milano Garibaldi" District Office and "Villesse" Branch Office), using licenses made available by closures.

As a result of the above, the structure of the domestic network at December 31, 2014 consisted of a total of 3,988 units, broken down as follows:
- **3,757** operating branch offices, of which 787 Districts, 1,212 Branches, 1,172 District Branches with Sales Manager, 145 District Branches without Sales Manager, 109 Branch Offices without Sales Manager, 140 Detached Branches, 127 Corporate Centers, 17 Operating Branch Offices and 48 Local Offices. The Commercial Bank consisted of 76 Sales Areas, which in turn were divided into 787 Districts, to which the operating branch offices report.
- Special Network Italy: **58** SN Corporate Centers and 7 Real Estate Areas;
- Private Banking: **164** PB Branches, servicing medium-to-high net worth private customers and providing 360-degree consultancy services and wealth management solutions;
- CIB: **2** Operational Branches (Rome and Milan) servicing a select group of Italian "Multinational" and "Large Corporate" customers with high investment banking product needs.

At December 31, 2014, following the initiatives described above and a small-scale branch reorganization resulting from the ongoing optimization and streamlining process of organizational units, the Italian distribution network was structured as follows:

**Italian branch network**

| Region | NUMBER OF OFFICES AT DECEMBER 31, 2014 | % BREAKDOWN |
|---|---|---|
| - Piedmont | 419 | 10.5% |
| - Valle d'Aosta | 19 | 0.5% |
| - Lombardy | 496 | 12.4% |
| - Liguria | 80 | 2.0% |
| - Trentino Alto Adige | 78 | 2.0% |
| - Veneto | 510 | 12.8% |
| - Friuli Venezia Giulia | 134 | 3.4% |
| - Emilia Romagna | 497 | 12.4% |
| - Tuscany | 162 | 4.1% |
| - Umbria | 84 | 2.1% |
| - Marche | 89 | 2.2% |
| - Lazio | 523 | 13.1% |
| - Abruzzo | 42 | 1.0% |
| - Molise | 33 | 0.8% |
| - Campania | 198 | 5.0% |
| - Puglia | 146 | 3.7% |
| - Basilicata | 10 | 0.2% |
| - Calabria | 26 | 0.7% |
| - Sicily | 386 | 9.7% |
| - Sardinia | 56 | 1.4% |
| **Total branches** | **3,988** | **100.0%** |

In addition, **50 "Foreign Trade Centers"** and **"Foreign Trade Offices"** dealing with technical-operational activities linked to international trade (documentary credits, documentary transactions, sureties and guarantees, import-export/gold portfolio) also operate in Italy.

## Branches and representatives abroad

At December 31, 2014 UniCredit S.p.A. had seven Branches abroad, plus a Permanent Establishment in Vienna and five Representative Offices.

**UniCredit S.p.A. International network as at 12.31.2014**

| BRANCHES | PERMANENT ESTABLISHMENT | REPRESENTATIVE OFFICES |
|---|---|---|
| PRC - Shanghai | AUSTRIA - Wien | BELGIUM - Brussels |
| PRC - Guangzhou | | BRAZIL - Sao Paulo (**) |
| GERMANY - Munich | | PRC - Beijing |
| GERMANY - Munich (*) | | INDIA - Mumbai |
| UNITED KINGDOM - London | | LYBIA - Tripoli |
| UNITED STATES - New York | | |
| FRANCE - Paris | | |

(*) Formerlly Branch of UniCredit Family Financing
(**) Trough the subsidiary BAVÁRIA SERVIÇOS DE REPRESENTAÇÃO COMERCIAL LTDA

# Resources

## Personnel developments

At December 31, 2014, UniCredit S.p.A.'s headcount was 43,405 compared to 43,530 at December 31, 2013. The slight reduction was mainly due the continuation of the Personnel Departure Incentive Plan, a solidarity fund for those entitled to pensions, that led to the departure of 218 employees in 2014.

**Category**

| | 12.31.2014 | | 12.31.2013 | | CHANGE | |
|---|---|---|---|---|---|---|
| | TOTAL | OF WHICH: OUTSIDE ITALY | TOTAL | OF WHICH: OUTSIDE ITALY | IN TOTAL | PERCENT |
| Senior Management | 1,220 | 10 | 1,214 | 17 | +6 | +0.5% |
| Management - 3rd and 4th grade | 8,353 | 71 | 8,221 | 94 | +132 | +1.6% |
| Management - 1st and 2nd grade | 13,249 | 12 | 13,300 | 59 | -51 | -0.4% |
| Other Staff | 20,583 | 14 | 20,795 | 86 | -212 | -1.0% |
| **Total** | **43,405** | **107** | **43,530** | **256** | **-125** | **-0.3%** |
| *of which, Part-time staff* | *5,311* | - | *5,172* | *35* | *+139* | *+2.7%* |

The composition of the workforce by seniority and by age bracket is shown in the following tables. With respect to educational level, 35% of UniCredit S.p.A. employees have university degrees (mostly in the areas of economics and banking, or law).

Women make up 44,6% of personnel.

# Company activities (Continued)

## Resources (Continued)

### Breakdown by seniority

| | 12.31.2014 | | 12.31.2013 | | CHANGE | |
|---|---|---|---|---|---|---|
| | NUMBER | PERCENT | NUMBER | PERCENT | AMOUNT | PERCENT |
| Up to 10 | 7,659 | 17.6% | 10,101 | 23.2% | -2,442 | -24.2% |
| From 11 to 20 years | 10,833 | 25.0% | 10,137 | 23.3% | +696 | +6.9% |
| From 21 to 30 years | 12,919 | 29.8% | 13,114 | 30.1% | -195 | -1.5% |
| Over 30 | 11,994 | 27.6% | 10,178 | 23.4% | +1,816 | +17.8% |
| **Total** | **43,405** | **100.0%** | **43,530** | **100.0%** | **-125** | **-0.3%** |

### Breakdown by age

| | 12.31.2014 | | 12.31.2013 | | CHANGE | |
|---|---|---|---|---|---|---|
| | NUMBER | PERCENT | NUMBER | PERCENT | AMOUNT | PERCENT |
| Up to 30 | 1,233 | 2.8% | 1,529 | 3.5% | -296 | -19.4% |
| From 31 to 40 years | 9,619 | 22.2% | 10,375 | 23.8% | -756 | -7.3% |
| From 41 to 50 years | 15,067 | 34.7% | 15,539 | 35.7% | -472 | -3.0% |
| Over 50 | 17,486 | 40.3% | 16,087 | 37.0% | +1,399 | +8.7% |
| **Total** | **43,405** | **100.0%** | **43,530** | **100.0%** | **-125** | **-0.3%** |

With regard to training, managerial growth, union relations, the environment and occupational safety, reference is made to the chapter "Human Capital" in the Integrated Report.

# Other Information

## Report on corporate governance and proprietary structures

Within the meaning of Art. 123-bis par. 3 of Legislative Decree 58 dated February 24, 1998, the "Report on Corporate Governance and Proprietary Structures" is available in the "Governance" section of the UniCredit website **(http://www.unicreditgroup.eu).**

## 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 UniCredit's website **(http://www.unicreditgroup.eu).**

## Research and development projects

In 2014 UniCredit S.p.A's research and development projects were mainly aimed at:

- developing suitable systems for using all payments data managed by UniCredit to enable a better understanding of the various local economic conditions. These solutions represent a breakthrough innovation in the Bank innovation efforts as they enable a better understanding of customers and therefore give the Bank a new competitive edge, improve the customer service and increase proximity to the territory;
- prototyping and developing flexible solutions to make the physical network of branches more flexible in terms of both cost and localization;
- streamlining branch processes through a non-invasive technology that can be applied in any complex legacy process;
- strengthening industrial and academic partnerships enabling the development of long-term solutions for UniCredit entity, as well as developing new network in the scientific environment.

# Other Information (Continued)

## Development of Group operations and other corporate transactions

During the period, in addition to continuing the reorganisation of certain activities in line with the Group's organisational model, which essentially involves the allocation of business conducted in foreign countries directly to local banks, UniCredit decided, on the one hand, to take further steps to develop high-growth business at the Group level and, on the other, to make non-controlling equity investments aimed at creating new partnerships.
The disposal of now non-strategic shareholdings also continued.

### Group initiatives

#### Reorganisation of international leasing activities

In order to redefine the business model, bringing it closer to the customers' needs, speed up the decision-making process at the local level, reduce complexity and increase efficiency, UniCredit has continued work on the reorganisation of leasing activities at the Group level.
The project begun in 2013 involved the transfer of the leasing companies and businesses operating in the CEE area from UniCredit Leasing to the respective local banks of each CEE country.

In addition, the reorganisation project involved the transfer to UniCredit of the 31% minority stake held by UniCredit Bank Austria in UniCredit Leasing, after which UniCredit acquired full control of the Italian leasing company.

At the end of 2014, the project was substantially completed, except for the transfer (presumably within the first half of 2015) of some businesses in certain Balkan countries (Bosnia and Herzegovina, Croatia, Serbia and Slovenia).

In accordance with the reorganisation, UniCredit Leasing will no longer act as a sub-holding, but will operate exclusively as the leading leasing company in the Italian market, as a result of the merger by incorporation of Fineco Leasing S.p.A. in early 2014.

#### Initial Public Offering (IPO) and listing of FinecoBank

In order to accelerate the growth of the subsidiary and enhance its market visibility while optimising the allocation of capital, in March 2014 the Group decided to launch the activities to proceed with the Initial Public Offering (IPO) of the ordinary shares of FinecoBank.

As part of this transaction, in April FinecoBank, in line with the initiatives set out in the Group's 2013-2018 Strategic Plan, applied for admission to listing of its ordinary shares on the Mercato Telematico Azionario, organised and managed by Borsa Italiana, and filed a request with CONSOB for the approval of the Prospectus relating to the public offering and listing of its shares.

After the full exercise of the over-allotment option in July, the global offering (which was exceeded by demand by 2.9 times) represented 34.5% of FinecoBank's share capital.

The offering price of FinecoBank ordinary shares was set at €3.70 per share, and after full exercise of the over-allotment option the gross proceeds for UniCredit were approximately €774 million, resulting in capital gains recognized in the Income Statement for approximately €382 million.

Since 2 July 2014, FinecoBank ordinary shares have been traded on the Mercato Telematico Azionario, organised and managed by Borsa Italiana.

#### Reorganisation and rationalisation of UniCredit Credit Management Bank

UniCredit Credit Management Bank (UCCMB) is the Group's Bank dedicated to the management and recovery non-performing loans originated in Italy. Today UCCMB is the largest platform in Italy by managed assets and it boasts an outstanding track record, as demonstrated by the top rating assigned to it by Standard & Poor's and Fitch Ratings.

The structure of non-performing loans and the strategy implemented to manage them are currently being reorganized. This resulted in the signature of an agreement in February 2015 for the sale of UCCMB, including a portfolio of non-performing loans for an amount of €2.4 billion (gross value) and a long-term agreement for the management of future small- and medium-size loans of the Italian legal entities of the Group. Further details are provided in the section Subsequent Events and Outlook.

The investment in UCCMB continued to be shown in item 100 Investments in the Balance Sheet Assets, since the conditions for its classification as for held for sale (IFRS 5) were not met at the reporting date.

#### "Subito casa" project

In order to develop new business models based on the centrality of the branch network as part of an integrated system, a plan has been developed to offer dedicated and distinctive services for the sale and leasing of real estate (primarily for residential use) owned by customers, the market and builders.

More specifically, the project is based on the highly important role played by the real estate market in the Italian economic system and on expectations for its recovery, after the significant contraction recorded over recent years.

To implement the project, in March 2014 UniCredit established a new wholly owned subsidiary called UniCredit Subito Casa S.p.A., which specialises in real estate brokerage in Italy.

The operational launch of the initiative, which initially involves the major Italian cities (Turin, Milan, Verona, Bologna, Rome, Naples and Palermo), has taken place in recent months and will subsequently extend to the remaining Italian territory.

## Other transactions and initiatives involving

### Shareholding in Coinv S.p.A. (formerly Lauro Sessantuno S.p.A)

In June 2013, UniCredit, together with Intesa Sanpaolo, became involved as a financial partner (with an 18.43% stake worth €115 million) in the establishment of Lauro Sessantuno S.p.A., an SPV (also owned by Nuove Partecipazioni (NP) and by Clessidra SGR) that, after a series of corporate transactions (including a full mandatory takeover bid), acquired 100% of the share capital of Camfin, a company that owns 26.19% of Pirelli.

The transaction was aimed at encouraging the reorganisation of Pirelli's shareholding structure and at gaining benefits, over a period of 3/4 years, from any increases in the value of the Pirelli Group, an example of manufacturing excellence in Italy and at the global level.

In May 2014, UniCredit, Intesa Sanpaolo and NP reached an agreement with Long Term Investments S.A. (LTI), a Luxembourgian SPV linked to the pension fund of the Russian group Rosneft (the world's major operator in the oil and gas industry), that resulted, on the one hand, in the exit of Clessidra and a partial divestment of UniCredit and Intesa Sanpaolo from the existing partnership in Lauro Sessantuno/Camfin and, on the other hand, in the formation of a new joint partnership between LTI and the Italian shareholders aimed at developing Pirelli's activities and business, also by strengthening its sales network in Russia thanks to Rosneft's extensive market coverage across the country.

The transaction, conducted by setting the value of each share held indirectly in Pirelli at €12, was implemented in the following phases: a) the acquisition by LTI of a shareholding in Lauro Sessantuno (July 2014), as part of which UniCredit sold LTI approximately 12.97% of Lauro Sessantuno for approximately €140 million and with a capital gain of about €58.1 million; b) the merger by incorporation of Lauro Sessantuno into Camfin (concluded on December 1, 2014); c) the retention of the Pirelli shareholding in Camfin and other related assets and liabilities and spin-offs of other assets and liabilities of Camfin in favour of a NewCo (Coinv S.p.A.) owned by NP, UniCredit and Intesa Sanpaolo through a non-proportional partial demerger (also concluded on December 1, 2014); d) the subsequent transfer to Coinv of the Camfin shares owned by NP, UniCredit and Intesa Sanpaolo (carried out on December 22, 2014).
Upon completion of the transactions described above, Camfin is owned by LTI (50%) and Coinv (50%); the latter in turn is owned by NP (76%) and by UniCredit and Intesa Sanpaolo with a share of 12% each.

### Acquisition of a shareholding in ERG Renew S.p.A.

In January 2014, UniCredit signed an ERG Renew capital increase, with an investment of €50 million, corresponding to 7.14% of the company's share capital.

UniCredit's investment is aimed at supporting ERG Renew's plans to expand into the renewable energy market in Italy and abroad, and will enable the Group to benefit from any increases in the value of the investee, also in view of a possible future listing.

### Mediobanca S.p.A. shareholders' agreement

During 2014, the Mediobanca S.p.A. shareholders' agreement was renewed until December 31, 2015, with a percentage of share capital syndicated to the Agreement equal to 30.05%.

On February 19, 2014, the Meeting of the Parties to the Shareholders' Agreement passed a resolution to reduce - from 30% to 25% - the minimum percentage of the Bank's share capital syndicated to the Agreement, below which the Agreement lapses, and granted Financière du Perguet (Bolloré group) the right to increase its percentage syndicated to the Agreement from 6.0% to 8.0%.

During the first half of 2014, Financière du Perguet S.A. partially exercised the right it was granted on February 19, 2014 and increased its percentage syndicated to the Agreement to 6.46%.
On July 17, 2014, the Meeting of the Parties to the Mediobanca S.p.A. Shareholders' Agreement approved the new text of the

# Other Information (Continued)

## Development of Group operations and other corporate transactions (Continued)

Agreement and noted that Financière du Perguet contributed a further 4,747,000 Mediobanca shares to the Agreement (of which 1 million with settlement on July 18) in partial exercise of its right to increase its shares; its syndicated percentage increased therefore from 6.46% to 7.01%.

On September 29, 2014, the above-mentioned Meeting of the Parties to the Shareholders' Agreement noted that Financière du Perguet contributed a further 3,991,000 Mediobanca shares to the Agreement, again in partial exercise of its right to increase its shares, increasing its syndicated percentage from 7.01% to 7.48%.
As a result of the aforementioned increases, the overall percentage of shares syndicated to the Agreement increased from 30.05% to 31.52%, the latter percentage dropping to 31.44% in December as a result of the change in share capital. As at December 31, 2014, UniCredit S.p.A. held a stake of 8.63% in Mediobanca.

### Shareholding in Alitalia S.p.A.

In August, Alitalia finalised an investment agreement with Etihad Airways aimed at strengthening Alitalia in terms of competitiveness and sustainable income.

In particular, the provisions of the agreement include:
- an investment of €560 million by Etihad, which, subject to approval by the regulatory authorities, will thus become a non-controlling shareholder of the company;
- the commitment by the main stakeholders (in addition to UniCredit, Intesa Sanpaolo, Poste Italiane, Atlantia, Immsi, Pirelli, Gavio and Macca) to support additional recapitalisation of the company (maximum liability for UniCredit of €63.5 million, which then fell to €62.1 million);
- support for the transaction from the financial institutions and shareholder banks with a maximum of €598 million in the form of conversion and/or restructuring of short- and medium-term debt.

After successful debt restructuring in the short- and medium-term by the financial institutions and shareholder banks, UniCredit at the end of 2014 now holds a 33.50% stake in CAI. Therefore, at December 31, 2014, the equity investment is classified among those subject to significant influence.

The transaction, closed with effect on January 1, 2015, substantially resulted in:
- the transfer by Alitalia CAI, to a new company called Alitalia-Società Aerea Italiana S.p.A. (SAI), of the business unit dealing with all the operational activities performed; Alitalia CAI was later renamed simply CAI;
- the transfer to Midco S.p.A., again by Alitalia CAI, of the shareholdings in SAI arising from the transfer of the above business unit;
- the subscription by Etihad, via a cash payment of 387.5 million, of a capital increase of SAI, as a result of which Etihad now holds 49% of SAI (the remaining 51% is held by CAI, through Midco).

### Aviva S.p.A.

In 2014 an operation was completed for the strategic repositioning of Aviva S.p.A - a banking and life assurance joint venture held 49% by UniCredit S.p.A. and for the remaining 51% by Aviva Italia Holding S.p.A., directly and indirectly.

In particular, on that occasion, the commercial agreements between UniCredit and Aviva also underwent a revision on the basis of which (from 1 October 2014) UniCredit has stopped placing new Aviva Type 1 (Life) policies (with the exclusion of term life insurance), Type 3, Multi-Type and Pension policies (except for additional payments on existing contracts and/or single operations agreed from time to time between the parties). UniCredit will also continue to distribute, for 5 years, certain types of Aviva insurance products (so-called "Protection"), within a reduced geographical distribution perimeter with respect to the previous one.

### Optimization of selected loans in restructuring

During April 2014 Alvarez & Marsal (A&M), Intesa Sanpaolo, KKR and UniCredit have signed a memorandum of understanding to jointly develop and implement an innovative solution to optimize the performance and maximize the value of a selected corporate loan portfolio under restructuring through proactive management and additional funding at the asset level. Discussions related to the formation and operations of the partnership are ongoing.
The development activities will continue during 2015.

### Pioneer Investments

UniCredit continues to investigate a potential business combination of Pioneer Investments with an industrial partner.

## Disposal of now non-strategic shareholdings

The disposal of now non-strategic shareholdings at the Group level also continued during the period.

The most significant included:

## Operations in Italy

### Sale of the shareholding in Atlantia S.p.A.

In March, UniCredit sold its entire stake (0.67%) in Atlantia S.p.A., with a gross capital gain of about €83 million.

### Sale of 20.1% of Sia S.p.A.

In December 2013, UniCredit, Intesa Sanpaolo, Banca Monte dei Paschi di Siena and BNL signed, with Fondo Strategico Italiano, F2i SGR and Orizzonte SGR, the agreements for the sale of 59.3% of Sia's share capital, of which 28.9% was held by Intesa Sanpaolo Group, 20.1% by UniCredit, 5.8% by Banca Monte dei Paschi di Siena and 4.5% by BNL.

Following satisfaction of the conditions precedent, the aforementioned sale was completed in May 2014 and resulted in

- the three buyers holding the following investments in Sia: Fondo Strategico Italiano, 42.3%; F2i SGR, 10.3%; and Orizzonte SGR 6.7%;
- UniCredit (and Intesa Sanpaolo) has retained a 4% stake in Sia;
- the other existing shareholders have retained the remaining 32.7% of Sia's share capital.

The sale resulted into a gain before taxes of approximately €87 million to profit and loss.

### NEEP Roma Holding S.p.A.

In August, UniCredit sold its entire shareholding in NEEP Roma Holding S.p.A. (controlling company A.S. Roma S.p.A.), corresponding to 31% of the capital, to AS Roma SPV LLC for €33 million. At the same time, the shareholder agreement relating to NEEP Roma Holding, signed by UniCredit on August 18, 2011 and subsequently amended and supplemented on August 1, 2013, ceased to be effective.

## Operations Abroad

### PJSC Ukrsotsbank

The deterioration of the geopolitical situation has affected the disposal process for the investment in PJSC Ukrsotsbank - the Group's Ukrainian subsidiary held by UniCredit Bank Austria A.G. (with a share of 72.9%) and UniCredit S.p.A. (a share of 26.5%) - which had already been classified as held for sale (in accordance with IFRS 5) in the financial statements at December 31, 2013. In particular, the disposal process has suffered slowdowns with respect to the amount of time initially envisaged. During 2014, contacts with the counterparts interested in the acquisition continued and UniCredit is still committed to carrying out the initiatives underway for the sale of the asset, already classified as non-strategic. Accordingly, at December 31, 2014, the investment has been classified under assets held for sale (IFRS 5).

During the year 2014 UniCredit S.p.A. issued two Additional Tier 1 notes with characteristics compliant with new "CRD IV" regulation, in place starting from January 1, 2014.

On March 27, 2014, with value date April 3, 2014, UniCredit S.p.A. launched Additional Tier 1 notes, denominated in USD, for a total of USD 1.25 billion.

The securities are perpetual (with maturity linked to corporate duration of UniCredit S.p.A.) and can be called by the Issuer after 10 years and thereafter at any interest payment date. Notes pay fixed rate coupons of 8.00% per annum for the initial 10 years on a semi-annual basis; if not redeemed, coupon will be reset every 5 years to the then 5-Years Mid-Swap rate + 518 bps.

The transaction represents the inaugural deal for a CRD IV compliant AT1 by an Italian Issuer and the first RegS Perp NC10 USD denominated issue by a European Bank. The offer has encountered exceptional interest from investors, bringing the order book to almost 8 billion USD with approx. 450 investors.

# Other Information (Continued)

## Capital Strengthening and other transactions concerning share capital

Given the positive feedback, the initial price guidance was set at 8.25% area and has been revised to 8.00%/8.25%. Coupon was finally fixed at 8.00% for the initial 10 years, with an issue price set at 100%. Furthermore, the final size of the deal has increased to USD 1.25 billion from initial target of USD 1 billion.

The Notes were distributed to different institutional investors’ categories such as funds (71%), insurance companies/pension funds (10%) and private banks (9%). The demand was mainly coming from the following regions: UK (39%), Italy (20%), Asia (12%) and Switzerland (8%).

UniCredit Corporate & Investment Banking, together with Citi, HSBC, Societe Generale and UBS, has managed the placement acting as joint bookrunners. The assigned rating from Fitch is “BB-”.Bonds are listed on the Luxembourg Stock Exchange.

On September 3, 2014, with value date September 10, 2014, UniCredit S.p.A. launched Additional Tier 1 notes, denominated in EUR, for a total of EUR 1 billion with characteristics compliant with new “CRD IV” regulation in place starting from January 1, 2014.

The securities are perpetual (with maturity linked to corporate duration of UniCredit S.p.A.) and can be called by the Issuer after 7 years and thereafter at any interest payment date. Notes pay fixed rate coupons of 6.75% per annum for the initial 7 years on a semi-annual basis; if not redeemed, coupon will be reset every 5 years to the then 5-Years Mid-Swap rate + 610 bps.

The offer has encountered exceptional interest from investors, bringing the order book to almost 2 billion EUR with approx. 180 investors.

The Notes were distributed to different institutional investors’ categories such as funds (84%), banks (13%) and insurance companies (2%). The demand was mainly coming from the following regions: UK (34%), France (20%), Italy (12%) and Switzerland (6.5%).

UniCredit Corporate & Investment Banking, together with Bank of America, Credit Agricole, Credit Suisse, and Deutsche Bank, has managed the placement acting as joint bookrunners. The assigned rating from Fitch is “BB-”. Also in this case bonds are listed on the Luxembourg Stock Exchange.

Additional Tier 1 contribute to strengthening the Tier 1 ratio of UniCredit S.p.A. In line with the regulatory requirements, the coupon payments are fully discretionary for both instruments.

Both the Notes have a 5.125% Common Equity Tier 1 (CET1) trigger - if the Group or Issuer CET1 at any time falls below the trigger level, the instrument will be temporarily written down to cure the breach, taking into consideration other instruments with similar write down triggers.

Please note that on March 11, 2014 UniCredit’s Board of Directors, pursuant to the powers conferred by the Extraordinary Shareholders' Meeting of April 29, 2011 and the Extraordinary Shareholders' Meeting of May 11, 2012, resolved to increase the share capital by €28,143,498.84 by issuing 8,498,340 ordinary shares to be granted to the employees of UniCredit and of Group banks and companies.

It should also be noted that, following the scrip dividend scheme approved by the Extraordinary Shareholders’ Meeting of May 13, 2014, under which newly-issued ordinary and savings shares of the Company were allocated to the shareholders entitled to receive a dividend who did not opt for a cash payout, the share capital increased by €222,774,043.97. Therefore, the share capital of the Bank is now €19,905,773,742.24.

## Conversion of tax credit

Pursuant to Article 2, paragraphs 55 to 58, of Law Decree No. 225 of December 29, 2010, since the Company closed the year 2013 with an accounting loss of €11,601.1 million in the financial statements, resulting in a tax loss of €94.4 million in the IRES income tax return for 2013 (2014 tax return form) - also convertible in accordance with the aforementioned provision - the deferred tax assets recognized in previous years were converted, as required by law, into tax credits against value adjustments on receivables and goodwill totaling €2,557.7 million. This amount had no impact on the income statement.

## Transactions with related parties

The table below shows the assets, liabilities, guarantees and commitments outstanding as at December 31, 2014, in respect of direct and indirect subsidiaries, companies subject to joint control, companies subject to significant influence and other related parties.

(€ million)

| | ASSETS | LIABILITIES | GUARANTEES AND COMMITMENTS |
|---|---|---|---|
| Subsidiaries | 41,018 | 45,480 | 9,081 |
| Joint Venture | 21 | 9 | 299 |
| Associates | 738 | 407 | 160 |
| Key Management Personnel | 2 | 9 | - |
| Other related parties | 95 | 123 | 129 |
| **Total** | **41,874** | **46,028** | **9,669** |

With reference to paragraph 8 of Art. 5 - "Public information on transactions with related parties" of Consob Regulation containing provisions relating to transactions with related parties (adopted by Consob with Resolution No. 17221 of March 12, 2010, as subsequently amended by Resolution No. 17389 of June 23, 2010 ), it should be noted that:

a) during 2014, a transaction of greater importance was conducted with FinecoBank S.p.A - at the transaction date a 100%-owned subsidiary of UniCredit S.p.A. and therefore subject to the exclusions provided for by the Global Policy with respect to intragroup transactions - anyway subject to the early opinion of the Related-party and Equity Investments Committee and the Board of Directors as part of the activities aimed at the listing of FinecoBank, which, after the listing, has become a related party of the company. Specific disclosure on this transaction was provided in the IPO Prospectus filed with Consob;
b) during 2014, 3 transactions with related parties as defined by Article 2427, paragraph 22-bis of the Civil Code were conducted, under different conditions from normal market conditions. These transactions did not however significantly impact the Group's Balance Sheet and Income Statement;
c) during 2014, there were no changes or developments in the individual transactions with related parties already described in the latest annual report that had a material effect on the Group's financial position or results during the reference period.

For more information on related-party transactions please refer to the Notes to the Accounts - Part H.

# Other Information (Continued)

## Contributions to guarantee and resolution funds

European Directive 49/2014, transposition of which into Italian legislation is expected by the end of July 2015, relating to deposit guarantee systems, introduces significant changes for national guarantee funds previously existing in the various countries in which the Group operates. Although it operates in a framework of substantial legal, organisational and operational continuity, the new directive requires the adoption of an "ex ante" contribution mechanism, that is aimed at establishing a target amount of resources by the end of 2024 of 0.8% of guaranteed deposits. The previous guarantee systems operating up to now in an "ex post" regime (meaning that they provided for payment of contributions to finance the single interventions made in relation to the depositors of a bank in difficulty) must adopt an ex-ante financing scheme. Among these there is also the National Interbank Deposit Guarantee Fund for the Group's Italian entities.

In addition, European Directive 59/2014 on banking recovery and resolution introduced an obligation for banks to make payments in order to establish a European Single Resolution Fund with the aim of establishing a target amount of resources by the end of 2024 of 1% of guaranteed deposits. For 2015 and 2016 these payments will be made to national resolution funds and subsequently directly to the European fund.

In relation to these two contributions, starting from 2015 there will be an increase in recurrent expenses, the amount of which from time to time depends on the specific features defined by the different national transposing laws.

## Information on Risks

For a full description of the risks and uncertainties that the Bank must face under current market conditions, reference is made to the appropriate section in the Notes to the Financial Statements.

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

Pursuant to Art. 2364, paragraph 2, of the Civil Code and Art. 8, paragraph 1, of UniCredit's Articles of Association, the draft Accounts will be submitted to the Ordinary Shareholders' Meeting for approval within 180 days from the end of the financial year, since the Company is required to prepare the consolidated financial statements.

# Subsequent Events and Outlook

## Subsequent Events[2]

The structure of non-performing loans and the strategy implemented to manage them are currently undergoing a reorganization process in which:

- the partial spin off took effect on January 1, 2015 in favor of UniCredit (i) of the non-core business unit of the subsidiary UCCMB and (ii) of the business unit related to the real estate portfolio originating from the operations of the former Capitalia of UCCMI (100% UCCMB), as per the spin off deed signed on December 23, 2014 and following the Bank of Italy authorization issued on October 24, 2014 pursuant to Article 57 of the Banking Act;
- on February 11, 2015, UniCredit signed an agreement with the affiliates of Fortress Investment Group LLC ("Fortress") for:
  - the sale of UCCMB (post spin off) including a portfolio of non-performing loans of around €2.4 billion (gross value);
  - the definition of the main terms and conditions of a long-term agreement for the management of already existing and future small and medium-sized impaired loans of the Italian legal entities of the Group.

The transaction, which is part of the reorganization plan for UniCredit's loan recovery activities, has a strong strategic basis and allows the Group to benefit from:

- access to a specialized loan recovery platform, which will be strengthened by the significant know-how of a number of affiliates Fortress and Prelios in the management of impaired loans;
- better management accountability and process monitoring; and
- possible improvement in the Group's future income thanks to an expected increase in the recovery performance for small- and medium-size loans.

The transaction, which is subject to regulatory authorizations and standard conditions for this type of transaction, is expected to be completed by the second quarter of 2015.
It is estimated that for UniCredit the impact of the transaction on the regulatory capital and on the income statement is substantially neutral, taking into account also the value adjustment recognised in the 2014 financial statements.

The developments in progress with reference to the Ukrainian political crisis and the devaluation of the local currency above all starting from February 2015 have led to a weaker financial and capital situation of the subsidiary Ukrosotsbank. In relation to these developments in February 2015 the Ukrainian National Bank asked the UniCredit group to assess a number of options to increase the bank's capital ratio.
Taking into account the volatility of the exchange rate and the changing geopolitical situation the initiatives to strengthen the capital most suited to this context are currently in progress.
The UniCredit Group has confirmed to the Ukrainian National Bank its commitment to ensure that the subsidiary continues as a going concern for the period necessary to complete the planned sale of the same.
For further details refer to Part E - Section 5 - Other risks - Selected emerging risks.

During the first part of 2015, with value date March 3, 2015, UniCredit S.p.A. has distributed on the Italian network Tier 2 bond with maturity May 3, 2025, callable on May 3, 2020, denominated in EUR, for a total of EUR 2.5 billion. The bond pays a quarterly floating rate coupon equal to Euribor 3 months + 2.75%; if not called, the bond does not foresee any step up clause.

2. This paragraph includes the events occurring in the period from January 1, 2015 to March 12, 2015, date of the "General Meeting Draft 2014" approval by the Board of Directors.

# Subsequent Events and Outlook (Continued)

## Outlook

Although early 2014 was characterized by fairly weak economic growth, global economic activity began to accelerate gradually in the last two quarters of the year thanks to the continuation of extremely accommodative monetary policies, the decline in geopolitical tensions in Ukraine, and a timid recovery in global trade. However, growth prospects continued to be marked by major differences both between and within individual regions. Among the advanced economies, an improvement in internal demand led to the consolidation of economic growth in the United States and United Kingdom, while the euro area and Japan struggled to return to sustained expansion. In the emerging economies, Brazil's recovery remained limited, while a drop in investments led to a slowdown in economic activity in China, and the collapse of oil prices exacerbated the deterioration of Russia's economy and finances. On the financial markets, expectations of low inflation and a prolonged stagnation of economic activity caused a gradual decline in returns on 10-year bonds issued by advanced countries. In the euro area, sovereign spreads continued to contract, with the sole exception of Greek bonds. Lastly, the stock markets in the various advanced economies saw growth, albeit with a certain level of volatility.

In the euro area, the recovery remains modest. In the fourth quarter of 2014, GDP is expected to show growth of 0.1% on a quarterly basis, while growth for 2014 as a whole is expected to be 0.8%. This expansion has been driven mainly by the recovery in internal demand, albeit at a lower level than required to assure a sustainable recovery. On the other hand, external demand has suffered from the significant geopolitical uncertainty triggered by the worsening of the Ukrainian crisis, as well as weak global trade connected to the slowdown in the emerging economies, with negative repercussions on investment spending. Italy's GDP is expected to contract 0.4% year-on-year, mainly because of ongoing poor export performance and a further decline in fixed investment, against a background of continuing uncertainty. Household spending recovered over the course of the year, although at modest rates. In the latter months of the year, the balance of supply and demand for business lending improved, helping to ease the pace of decline in business loans.

The monetary policy established by the European Central Bank (ECB) remained accommodative for the whole of 2014. Weak aggregate demand and a significant fall in non-core inflation (due to the collapse of food prices in the first part of the year and of oil prices in the last quarter) brought fears of deflationary pressure, leading the ECB to adopt expansionary monetary policies. In June, the ECB decided to cut benchmark interest rates by 10 basis points to 0.15% and trimmed them by a further 0.10 bps in September. In addition, the ECB launched the first two tranches of its Targeted Long-Term Refinancing Operations (TLTRO) in September and December, in an attempt to stimulate lending to businesses, pumping €212 billion of liquidity into the system. In the final months of the year, the ECB declared its intention to expand its balance she et by a billion euro, raising expectations of a program of Quantitative Easing, which has contributed to the depreciation of the euro against the currencies of the euro area's main trading partners. Although the risks of increased strains in financial markets remain, the continued support of the ECB, together with the capital strengthening measures for European banks, should help the credit system as a whole, favoring the progressive normalization of lending activity.

In 2015, the Group's results should benefit from expectations of a recovery in the international macroeconomic situation. The economic outlook in Italy remains uncertain, although it seems to have improved compared to the recent past. Despite the continued low interest rates, the Bank is aiming to improve its revenues both by expanding lending activities and focusing on income from services, including through the asset management industry, which saw record flows in 2014. The ECB's recent monetary policy decisions will help to hold down the cost of money for the Bank. The Bank will keep striving to maintain its financial strength, which was confirmed by the successful outcome of the ECB stress tests. In accordance with the guidelines of the business plan, the Bank will continue to focus in particular on its liquidity position and the cost containment program.

Milan, March 12, 2015

BOARD OF DIRECTORS

Chairman
GIUSEPPE VITA

CEO
FEDERICO GHIZZONI

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# Proposal to the Shareholders' Meeting

# Proposal to the Shareholders' Meeting

For the proposals to Shareholders' Meeting refer to specific Board of Directors' report in relation to:
- allocation of profit for the year 2014;
- distribution of a dividend from company profit reserves in the form of a scrip dividend.

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In a world that is always on the move, UniCredit saw the need for a network of high-tech services.
**UniCredit Start Lab** is our accelerator for innovative startups. From mentoring and network development to managerial coaching, we've got it covered.
**MyZabaStart** is a platform, lauched in Croatia by Zagrebačka Banca BB, that provides support for deserving business ideas in the green, creative and innovative sectors, to help drive their business growth.

# Company Accounts and Annexes


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**Notes**

The following conventional symbols have been used in the tables:

- a dash (-) indicates that the item/figure is inexistent or that the figure do not reach the minimum considered significant;
- "n.s." when are not in any case consistently significant;
- "X" indicates an item not to be completed under Banca d'Italia instructions.

Unless otherwise indicated, all amounts are in **thousands of euros**.

# Company Accounts


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# Company Accounts

## Balance sheet

(€)

| ASSETS | 12.31.2014 | 12.31.2013 |
|---|---|---|
| 10. Cash and cash balances | 2,324,945,243 | 3,226,549,368 |
| 20. Financial assets held for trading | 16,165,889,326 | 12,253,518,976 |
| 30. Financial assets at fair value through profit or loss | 395,501,895 | 389,198,381 |
| 40. Available-for-sale financial assets | 55,725,023,162 | 42,951,975,023 |
| 50. Held-to-maturity investments | 1,565,887,092 | 3,025,400,668 |
| 60. Loans and receivables with banks | 21,865,747,058 | 21,868,522,720 |
| 70. Loans and receivables with customers | 220,649,120,433 | 231,171,219,507 |
| 80. Hedging derivatives | 7,842,137,399 | 5,389,229,951 |
| 90. Changes in fair value of portfolio hedged financial assets (+/-) | 2,626,300,944 | 2,468,958,399 |
| 100. Equity investments | 50,339,369,659 | 51,349,511,410 |
| 110. Property, plant and equipment | 2,582,507,703 | 2,666,253,902 |
| 120. Intangible assets: | 1,285,280 | 1,338,922 |
| *of which:* | | |
| *- goodwill* | - | - |
| 130. Tax assets: | 12,046,618,915 | 14,260,881,497 |
| *a) current tax assets* | *773,083,079* | *639,168,797* |
| *b) deferred tax assets* | *11,273,535,836* | *13,621,712,700* |
| *out of which for purposes of L. 214/2011* | *10,503,951,460* | *12,346,590,637* |
| 140. Non-current assets and disposal groups classified as held for sale | 55,231,602 | 368,228,307 |
| 150. Other assets | 4,627,489,264 | 6,411,362,078 |
| **Total assets** | **398,813,054,975** | **397,802,149,109** |

| LIABILITIES AND SHAREHOLDERS' EQUITY | 12.31.2014 | 12.31.2013 |
|---|---|---|
| 10. Deposits from banks | 31,703,099,960 | 47,378,696,726 |
| 20. Deposits from customers | 167,989,749,017 | 150,839,832,996 |
| 30. Debt securities in issue | 114,109,332,713 | 119,910,885,377 |
| 40. Financial liabilities held for trading | 13,020,472,032 | 10,804,002,392 |
| 60. Hedging derivatives | 7,606,128,032 | 5,797,147,663 |
| 70. Changes in fair value of portfolio hedged financial liabilities (+/-) | 3,848,482,192 | 2,344,206,355 |
| 80. Tax liabilities: | 223,636,955 | 356,856,863 |
| *a) current tax liabilities* | *223,636,955* | *356,856,863* |
| *b) deferred tax liabilities* | - | - |
| 100. Other liabilities | 9,043,865,479 | 11,071,843,916 |
| 110. Provision for employee severance pay | 1,059,051,641 | 964,941,946 |
| 120. Provisions for risks and charges: | 2,036,873,658 | 2,255,811,041 |
| *a) post-retirement benefit obligations* | *829,326,094* | *806,370,467* |
| *b) other provisions* | *1,207,547,564* | *1,449,440,574* |
| 130. Revaluation reserves | 1,001,109,067 | 666,512,156 |
| 150. Equity instruments | 1,888,463,450 | - |
| 160. Reserves | 9,323,078,472 | 13,480,904,261 |
| 170. Share premium | 15,976,604,463 | 23,879,201,855 |
| 180. Share capital | 19,905,773,742 | 19,654,856,199 |
| 190. Treasury shares (-) | (2,440,001) | (2,440,001) |
| 200. Net Profit or Loss (+/-) | 79,774,103 | (11,601,110,636) |
| **Total liabilities and shareholders' equity** | **398,813,054,975** | **397,802,149,109** |

Comparative figures at December 31, 2013 have been restated as a result of the reclassification:

- of the contribution to the National Interbank Deposit Guarantee Fund (FITD) for actions already approved, for an amount of 28 million from item 120. b) Provisions for risks and charges - other provisions to item 100. Other liabilities in the Balance sheet liabilities.
- of the offsetting of deferred tax assets, item 130. Tax assets - deferred tax assets of the Balance sheet assets, against deferred tax liabilities, item 80.b) Tax liabilities - deferred tax liabilities of the Balance sheet liabilities for an amount of €505 million.

## Income statement

(€)

| ITEMS | 12.31.2014 | 12.31.2013 |
|---|---|---|
| 10. Interest income and similar revenues | 8,781,262,857 | 9,415,743,403 |
| 20. Interest expense and similar charges | (4,431,349,165) | (5,421,966,007) |
| **30. Net interest margin** | **4,349,913,692** | **3,993,777,396** |
| 40. Fee and commission income | 4,024,773,110 | 3,773,274,803 |
| 50. Fee and commission expense | (365,841,811) | (421,052,971) |
| **60. Net fees and commissions** | **3,658,931,299** | **3,352,221,832** |
| 70. Dividend income and similar revenue | 1,381,468,997 | 3,180,206,420 |
| 80. Gains and losses on financial assets and liabilities held for trading | 149,253,796 | (21,304,443) |
| 90. Fair value adjustments in hedge accounting | 4,928,797 | (5,242,038) |
| 100. Gains and losses on disposal of: | 323,136,453 | 1,745,652,313 |
| *a) loans* | *44,711,967* | *10,060,166* |
| *b) available-for-sale financial assets* | *269,326,098* | *1,474,151,660* |
| *c) held-to-maturity investments* | *2* | - |
| *d) financial liabilities* | *9,098,386* | *261,440,487* |
| 110. Gains and losses on financial assets/liabilities at fair value through profit or loss | 6,197,210 | 19,923,973 |
| **120. Operating income** | **9,873,830,244** | **12,265,235,453** |
| 130. Impairment losses on: | (3,035,081,791) | (9,975,127,614) |
| *a) loans* | *(2,684,364,596)* | *(9,798,010,959)* |
| *b) available-for-sale financial assets* | *(239,628,045)* | *(56,646,657)* |
| *c) held-to-maturity investments* | - | - |
| *d) other financial assets* | *(111,089,150)* | *(120,469,998)* |
| **140. Net profit from financial assets** | **6,838,748,453** | **2,290,107,839** |
| 150. Administrative costs: | (5,994,225,368) | (6,100,469,360) |
| *a) staff expenses* | *(3,140,960,747)* | *(3,397,730,262)* |
| *b) other administrative expenses* | *(2,853,264,621)* | *(2,702,739,098)* |
| 160. Provisions for risks and charges | (121,863,290) | (636,419,781) |
| 170. Impairment/write-backs on property, plant and equipment | (141,467,442) | (144,232,915) |
| 180. Impairment/write-backs on intangible assets | (398,392) | (24,809,620) |
| 190. Other net operating income | 611,857,609 | 639,312,765 |
| **200. Operating costs** | **(5,646,096,883)** | **(6,266,618,911)** |
| 210. Profit (loss) of associates | (694,495,451) | (7,193,491,366) |
| 230. Impairment of goodwill | - | (2,815,450,828) |
| 240. Gain and losses on disposal of investments | 2,680,169 | 12,669,694 |
| **250. Total profit or loss before tax from continuing operations** | **500,836,288** | **(13,972,783,572)** |
| 260. Tax expense (income) related to profit or loss from continuing operations | (421,062,185) | 2,371,672,936 |
| **270. Total profit or loss after tax from continuing operations** | **79,774,103** | **(11,601,110,636)** |
| **290. Net Profit or Loss for the year** | **79,774,103** | **(11,601,110,636)** |

Comparative figures at December 31, 2013 have been restated as a result of the reclassification of the contribution to the National Interbank Deposit Guarantee Fund (FITD) for actions already approved, for an amount of € 28 milion from item 160. Provisions for risks and charges and for an amount of € 14 milion from item 190. Other net operating income to item 130.d) Impairment losses on other financial transactions.

## Statement of comprehensive income

(€)

| | YEAR 2014 | YEAR 2013 |
|---|---|---|
| **10. Net Profit (Loss) for the year** | **79,774,103** | **(11,601,110,636)** |
| **Other comprehensive income, net of tax, without reversal to income statement** | | |
| 20. Property plant and equipment | - | - |
| 30. Intangible assets | - | - |
| 40. Defined benefits plans | (114,307,756) | 45,040,544 |
| 50. Non current assets classified as held for sale | - | - |
| 60. Valuation reserves from investments accounted for using the equity method | - | - |
| **Other comprehensive income, net of tax, with reversal to the income statement** | | |
| 70. Hedges of foreign investments | - | - |
| 80. Exchange differences | - | - |
| 90. Cash flow hedges | (87,430,365) | (165,528,535) |
| 100. Available-for-sale financial assets | 536,335,032 | 581,465,786 |
| 110. Non current assets classified as held for sale | - | - |
| 120. Valuation reserves from investments accounted for using the equity method | - | - |
| **130. Total of other comprehensive income (net of tax)** | **334,596,911** | **460,977,795** |
| **140. Comprehensive income after tax (10+130)** | **414,371,014** | **(11,140,132,841)** |

# Company Accounts (Continued)

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

(€)

| | BALANCE AS AT 12.31.2013 | CHANGE IN OPENING BALANCE | BALANCE AS AT 1.1.2014 | ALLOCATION OF PROFIT FROM PREVIOUS YEAR: RESERVES | ALLOCATION OF PROFIT FROM PREVIOUS YEAR: DIVIDENDS AND OTHER ALLOCATIONS | CHANGES DURING THE PERIOD: CHANGES IN RESERVES | SHAREHOLDERS' EQUITY TRANSACTIONS: ISSUE OF NEW SHARES | SHAREHOLDERS' EQUITY TRANSACTIONS: ACQUISITION OF TREASURY SHARES | SHAREHOLDERS' EQUITY TRANSACTIONS: DISTRIBUTION OF EXTRAORDINARY DIVIDENDS (*) | SHAREHOLDERS' EQUITY TRANSACTIONS: CHANGE IN EQUITY INSTRUMENTS | SHAREHOLDERS' EQUITY TRANSACTIONS: OWN SHARE DERIVATIVES | SHAREHOLDERS' EQUITY TRANSACTIONS: STOCK OPTIONS | OTHER COMPREHENSIVE INCOME STATEMENT AS AT 12.31.2014 | SHAREHOLDERS' EQUITY AS AT 12.31.2014 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Share capital: | 19,654,856,199 | - | 19,654,856,199 | - | - | - | 250,917,543 | - | - | - | - | - | - | 19,905,773,742 |
| a) ordinary shares | 19,646,630,304 | - | 19,646,630,304 | - | - | - | 250,831,588 | - | - | - | - | - | - | 19,897,461,892 |
| b) other shares | 8,225,895 | - | 8,225,895 | - | - | - | 85,955 | - | - | - | - | - | - | 8,311,850 |
| Share premium | 23,879,201,855 | - | 23,879,201,855 | (7,782,902,133) | - | (119,695,259) | - | - | - | - | - | - | - | 15,976,604,463 |
| Reserves: | 13,480,904,261 | - | 13,480,904,261 | (3,818,208,503) | - | 24,493,722 | (250,917,543) | - | (176,392,131) | - | - | 63,198,666 | - | 9,323,078,472 |
| a) from profits | 8,361,310,288 | - | 8,361,310,288 | (3,818,208,503) | - | 992,155 | (250,917,543) | - | (176,392,131) | - | - | - | - | 4,116,784,266 |
| b) other | 5,119,593,973 | - | 5,119,593,973 | - | - | 23,501,567 | - | - | - | - | - | 63,198,666 | - | 5,206,294,206 |
| Revaluation reserves | 666,512,156 | - | 666,512,156 | - | - | | - | - | - | - | - | - | 334,596,911 | 1,001,109,067 |
| Equity instruments | - | - | - | - | - | - | - | - | - | 1,888,463,450 | - | - | - | 1,888,463,450 |
| Treasury shares | (2,440,001) | - | (2,440,001) | - | - | - | - | - | - | - | - | - | - | (2,440,001) |
| Net Profit (Loss) for the year | (11,601,110,636) | - | (11,601,110,636) | 11,601,110,636 | - | - | - | - | - | - | - | - | 79,774,103 | 79,774,103 |
| Shareholders' equity | 46,077,923,834 | - | 46,077,923,834 | - | - | (95,201,537) | - | - | (176,392,131) | 1,888,463,450 | - | 63,198,666 | 414,371,014 | 48,172,363,296 |

The amounts disclosed in column "Stock options" represent the effects of the delivery of shares (Stock Options, Performance Shares, Discount and Matching Shares connected with the ESOP Plans and other Group Executive Incentive Plans).The change in equity instruments refers to the issuance of Additional Tier 1 instruments.

Share Capital increased by a total of € 251 million.

- € 223 million, following the scrip dividend approved by the Ordinary Shareholders' Meeting of May 13, 2014 and executed through the assignment of newly-issued ordinary and savings shares of the Company to shareholders entitled to a dividend who did not opt for the cash payment - Shareholders opting for cash payment were paid a total dividend of € 176 million.
- € 28 million for the assignment of performance shares connected to the incentive plan for the Personnel of UniCredit and the Group Banks and Companies. The Share Capital was increased through the use of previously established reserves.

## Statement of changes in shareholders' equity as at 12.31.2013

(€)

| | | | | ALLOCATION OF PROFIT FROM PREVIOUS YEAR | | CHANGES DURING THE PERIOD | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | SHAREHOLDERS' EQUITY TRANSACTIONS | | | | | | | |
| | BALANCE AS AT 12.31.2012 | CHANGE IN OPENING BALANCE | BALANCE AS AT 1.1.2013 | RESERVES | DIVIDENDS AND OTHER ALLOCATIONS | CHANGES IN RESERVES | ISSUE OF NEW SHARES | ACQUISITION OF TREASURY SHARES | DISTRIBUTION OF EXTRAORDINARY DIVIDENDS (*) | CHANGE IN EQUITY INSTRUMENTS | OWN SHARE DERIVATIVES | STOCK OPTIONS | OTHER COMPREHENSIVE INCOME STATEMENT AS AT 12.31.2013 | SHAREHOLDERS' EQUITY AS AT 12.31.2013 |
| Share capital: | 19,647,948,525 | - | 19,647,948,525 | - | - | - | 6,907,674 | - | - | - | - | - | - | 19,654,856,199 |
| a) ordinary shares | 19,639,722,542 | - | 19,639,722,542 | - | - | - | 6,907,762 | - | - | - | - | - | - | 19,646,630,304 |
| b) other shares | 8,225,983 | - | 8,225,983 | - | - | - | (88) | - | - | - | - | - | - | 8,225,895 |
| Share premium | 32,877,937,677 | - | 32,877,937,677 | (219,783,468) | - | (8,778,952,354) | - | - | - | - | - | - | - | 23,879,201,855 |
| Reserves: | 5,284,519,052 | - | 5,284,519,052 | - | - | 8,692,795,837 | (6,907,674) | - | (512,534,665) | - | - | 23,031,711 | - | 13,480,904,261 |
| a) from profits | 6,461,113,705 | - | 6,461,113,705 | - | - | 2,419,638,922 | (6,907,674) | - | (512,534,665) | - | - | - | - | 8,361,310,288 |
| b) other | (1,176,594,653) | - | (1,176,594,653) | - | - | 6,273,156,915 | - | - | - | - | - | 23,031,711 | - | 5,119,593,973 |
| Revaluation reserves | 201,965,214 | - | 201,965,214 | - | - | 3,569,147 | - | - | - | - | - | - | 460,977,795 | 666,512,156 |
| Equity instruments | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Treasury shares | (2,440,001) | - | (2,440,001) | - | - | - | - | - | - | - | - | - | - | (2,440,001) |
| Net Profit (Loss) for the year | (219,783,468) | - | (219,783,468) | 219,783,468 | - | - | - | - | - | - | - | - | (11,601,110,636) | (11,601,110,636) |
| Shareholders' equity | 57,790,146,999 | - | 57,790,146,999 | - | - | (82,587,370) | - | - | (512,534,665) | - | - | 23,031,711 | (11,140,132,841) | 46,077,923,834 |

(*) As approved by the Shareholders' meeting of May 11, 2013.

# Company Accounts (Continued)

## Cash flow statement - indirect method

(€)

| | | 12.31.2014 | 12.31.2013 |
|---|---|---|---|
| A. | **OPERATING ACTIVITIES** | | |
| 1. | **Operations** | **3,870,762,234** | **4,459,240,246** |
| | - profit (loss) for the period (+/-) | 79,774,103 | (11,601,110,636) |
| | - capital gains/losses on financial assets/liabilities held for trading and on assets/liabilities at fair value through profit and loss (+/-) | (192,484,949) | (61,403,537) |
| | - capital gains/losses on hedging transactions (+/-) | (4,928,797) | 5,242,037 |
| | - net write-offs/write-backs due to impairment (+/-) | 3,835,327,461 | 13,198,741,584 |
| | - net write-offs/write-backs on tangible and intangible assets (+/-) | 141,865,834 | 169,042,535 |
| | - provisions and other income/expenses (+/-) | (405,531,521) | 385,625,405 |
| | - unpaid taxes and tax credits (+/-) | 206,914,539 | (2,414,166,063) |
| | - other adjustements | 209,825,564 | 4,777,268,921 |
| 2. | **Liquidity generated/absorbed by financial assets** | **(7,436,524,254)** | **16,136,904,361** |
| | - financial assets held for trading | (2,047,755,144) | (1,620,035,382) |
| | - financial assets at fair value through profit and loss | (379,331) | 3,650,017 |
| | - available-for-sale financial assets | (11,667,024,630) | (11,045,528,237) |
| | - loans and receivables with banks | 6,717,306 | 6,067,630,986 |
| | - loans and receivables with customers | 7,038,905,339 | 19,468,875,398 |
| | - other assets | (766,987,794) | 3,262,311,579 |
| 3. | **Liquidity generated/absorbed by financial liabilities** | **(2,346,255,829)** | **(22,424,655,764)** |
| | - deposits from banks | (15,675,596,766) | (9,066,829,414) |
| | - deposits from customers | 17,149,916,021 | (807,279,783) |
| | - debt securities in issue | (5,801,552,664) | (7,510,662,793) |
| | - financial liabilities held for trading | 538,415,200 | 670,101,937 |
| | - financial liabilities designated at fair value through profit or loss | - | - |
| | - other liabilities | 1,442,562,380 | (5,709,985,711) |
| | **Net liquidity generated/absorbed by operating activities** | **(5,912,017,849)** | **(1,828,511,157)** |
| B. | **INVESTING ACTIVITIES** | | |
| 1. | **Liquidity generated by:** | **4,718,624,199** | **6,099,068,193** |
| | - sales of equity investments | 1,254,807,728 | 975,176,651 |
| | - collected dividends on equity investments | 1,278,390,512 | 3,139,166,587 |
| | - sales of financial assets held to maturity | 1,986,406,465 | 1,959,715,843 |
| | - sales of property, plant and equipment | 196,507,777 | 25,009,112 |
| | - sales of intangible assets | 1,186 | - |
| | - disposal of businesses | 2,510,531 | - |
| 2. | **Liquidity absorbed by:** | **(1,401,554,509)** | **(2,575,801,207)** |
| | - purchases of equity investments | (758,172,728) | (712,260,814) |
| | - purchases of financial assets held to maturity | (524,406,465) | (1,629,738,181) |
| | - purchases of tangible assets | (118,289,950) | (233,553,507) |
| | - purchases of intangible assets | (237,352) | (248,705) |
| | - purchase of businesses | (448,014) | - |
| | **Net liquidity generated/absorbed by investing actvities** | **3,317,069,690** | **3,523,266,986** |
| C. | **FINANCING ACTIVITIES** | | |
| | - issue/purchase of treasury shares | - | - |
| | - issue/purchase of equity instruments | 1,888,463,450 | - |
| | - distribution of dividends and other purposes | (270,079,847) | (623,318,870) |
| | **Net liquidity generated/absorbed by financing actvities** | **1,618,383,603** | **(623,318,870)** |
| | **NET LIQUIDITY GENERATED/ABSORBED DURING THE PERIOD** | **(976,564,556)** | **1,071,436,959** |

Compartive figures at December 31, 2013 differ from the figures published at that date, due to the reclassification of the contribution to the National Interbank Deposit Guarantee Fund (FITD).

**LEGEND:**

(+) generated; (-) absorbed

## Reconciliation

(€)

| ITEMS | 12.31.2014 | 12.31.2013 |
|---|---|---|
| **Cash and cash equivalents at the beginning of the year** | **3,226,549,368** | **2,213,411,731** |
| Net liquidity generated/absorbed during the period | (976,564,556) | 1,071,436,959 |
| Cash and cash equivalents: effect of exchange differences | 74,960,431 | (58,299,322) |
| **Cash and cash equivalents at the end of the period** | **2,324,945,243** | **3,226,549,368** |

**LEGEND:**
(+) generated; (-) absorbed

# Notes to the Accounts


| | |
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# Part A - Accounting Policies


| | |
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# Part A - Accounting Policies

## A.1 - General

### Section 1 - Statement of compliance with IFRS

These Accounts have been prepared in accordance with the IFRS issued by the International Accounting Standards Board (IASB), including the interpretation documents issued by the SIC and the IFRIC, and endorsed by the European Commission up to December 31, 2014, pursuant EU Regulation 1606/2002, which was incorporated into Italian legislation through the Legislative Decree 38 of February 28, 2005 (see Section 4 - Other matters).

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

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

In addition, on December 22, 2014 the Bank of Italy issued a third revision to this circular incorporating the amendments to IAS/IFRS, as endorsed by the European Commission, effective for reporting periods beginning on or after December 31, 2014.
For further information see Section 2 - Preparation Criteria and Part A.2 concerning the main items in the 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;
- Interpretative documents on the application of IFRS in Italy prepared by the Organismo Italiano di Contabilità (OIC) and Associazione Bancaria Italiana (ABI);
- ESMA (European Securities and Markets Authority) and Consob documents on the application of specific IFRS provisions.

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), the Notes to the Accounts and Annexes, together with the Directors' Report on Operations.

Pursuant to Art. 123-bis par. 3 of TUF, as noted in the Report on Operations, the Report on Corporate Governance and Ownership Structures is available in the "Governance" section of the UniCredit website:
https://www.unicreditgroup.eu/it/governance/system-policies/corporate-governance-report.html - Italian version and
https://www.unicreditgroup.eu/en/governance/system-policies/corporate-governance-report.html - English version.

Unless otherwise specified, figures are given in **thousands of euros.** In accordance with the Bank of Italy Circular 262/2005, **items and tables for which there is no significant information to be disclosed are not included in these Notes.**

In their joint Document no. 4 of March 3, 2010, the Bank of Italy, Consob and Isvap made a few observations on the current situation of the markets and businesses and requested that information essential for a better understanding of business trends and outlook be disclosed in financial reports.

In this regard, the Directors, in light of the positive result of the year and not having identified symptoms in the capital and financial structure that could indicate uncertainty about the entity's ability to continue as a going concern, believe with reasonable certainty that the Bank will continue to operate profitably in the foreseeable future; as a result, in accordance with the provisions of IAS 1, the accounts as at December 31, 2014 were prepared on a going concern basis.

The measurement criteria adopted are therefore consistent with the above mentioned 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, except for the modifications described in section A.2 "The Main Items of the Accounts" relating to the introduction of new standards and interpretations.

### Third revision of December 22, 2014 to Bank of Italy circular 262/2005

In application of the above-mentioned third revision to Bank of Italy circular 262/2005, the financial statements and the tables included in the Notes to the accounts have incorporated the new aspects concerning disclosure, introduced by International Financial Reporting Standard 12 "Disclosure of Interests in Other Entities". Additionally, disclosure pursuant to Part F of the Notes, " Shareholders' Equity", Section 2 "Own funds and regulatory ratios" was modified to take into consideration the new aspects introduced by Regulation (EU) No. 575/2013 of the European Parliament and of the Council of June 26, 2013 (the "CRR") and Directive 2013/36/EU of the European Parliament and of the Council of June 26, 2013 (the "CRD IV").

As concerns IFRS 12, the main innovations introduced relate to disclosure of:

- the "significant judgements and assumptions" used to determine whether an entity has exclusive control, joint control or significant influence over another entity;
- the group structure;
- the subsidiaries with significant minority interests;
- the significant restrictions to the possible use of assets or of liquidating the liabilities of the subsidiaries;
- the nature and risks connected with consolidated structured entities (such as special purpose vehicles);
- the consequences of changes in interests with regard to subsidiaries that may or may not entail a loss of control;
- joint ventures or companies subject to a significant influence, important for the intermediary preparing the financial statements;
- the nature and extent of interests in unconsolidated structured entities and on the related risks.

Details are also requested of the performing loans which banking intermediaries agree to renegotiate for customers experiencing financial difficulties, in addition to further information on the liquidity risk and fair value of derivatives.

## RISK AND UNCERTAINTY RELATED TO THE USE OF ESTIMATES

Under the IFRS, management provides valuations, estimates and assumptions that affect the application of accounting principles and the amounts of assets and liabilities and income and expenses reported in the accounts, as well as the disclosure concerning 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 Accounts at December 31, 2014, as required by the accounting standards and regulations described above.

These estimates are largely based on calculations of future recoverability of the values recognized in the accounts according to the rules laid down in current legislation and have been made on the assumption of a going concern, i.e. without contemplating the possibility of the forced sale of the estimated items.

The processes adopted support the carrying values at December 31, 2014. Valuation is particularly difficult because of the uncertainty in the macroeconomic and market environment.

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

Estimates and assumptions are regularly reviewed. Any changes resulting from these reviews are recognized 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 recognized 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;
- loans and receivables, investments and, in general, any other financial asset/liability;
- severance pay (Italy) and other employee benefits;
- provisions for risks and charges and contingent assets (for more information on legal risks see part E - Section 4);
- other intangibile assets;
- deferred tax assets;
- property held for investment.

whose assessment may significantly change over time according to the trend in: domestic and international socio-economic conditions and subsequent impact on the Bank's profitability and customers' creditworthiness; financial markets which affect changes in interest rates, prices and actuarial assumptions; real estate market affecting the value of property owned by the Bank or received as collateral.

# Part A - Accounting Policies (Continued)

With specific reference to future cash flow projections used in the valuation of goodwill and other intangible assets, it should be noted that the parameters and information used are significantly influenced by the macro-economic market situation, which may change in 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.

With reference to the direct exposure of the Group in Russia and relatively to the Swiss Franc, please refer to Part E - Information on risks and related risk management - Section 5 - Other risks - Selected emerging risks of the Consolidated Financial Statements.

## 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, 2014.
Further details and information are represented in the Report on Operations.

## Section 4 - Other matters

Since 2014 the following principles or accounting interpretations have become effective:
- IAS 27 revised - Separate Financial Statements (EU Regulation 1254/2012);
- IAS 28 revised - Investments in Associates and Joint Ventures (EU Regulation 1254/2012);
- IFRS 10 - Consolidated Financial Statements (EU Regulation 1254/2012);
- IFRS 11 - Joint Arrangements (EU Regulation 1254/2012);
- IFRS 12 - Disclosure of interests in Other Entities (EU Regulation 1254/2012);
- Amendments to IAS 36 - Recoverable Amount Disclosures for Non-Financial Assets (EU Regulation 1374/2013);
- Amendments to IAS 39 - Novation of Derivatives and Continuation of Hedge Accounting (EU Regulation 1375/2013);
- Amendments to IFRS 10, IFRS 11 and IFRS 12 - Transition Guidance (EU Regulation 313/2013);
- Amendments to IFRS 10, IFRS 12 and IAS 27 - Investment Entities (EU Regulation 1174/2013);
- IFRIC 21 - Levies (EU Regulation 634/2014).

On January 9, 2015, the European Commission has approved the technical standards on harmonized statistical consolidated regulatory reporting defined by European Banking Association (EBA) in draft on July 2014 (FINREP) concerning Non Performing Exposures (NPE) and Forbearance and applied, on the base of these technical standards, already for the quarterly FINREP reporting as of September 30, 2014.

The definition of impaired exposures provided by Bank of Italy, and applied for the preparation of Group Financial statements, is substantially equivalent to NPE definition provided by EBA.

For further information on the new EBA definitions of NPE and Forbearance please refer to Part E - Section 1 - Credit Risk.

In this context please note that starting from January 1, 2015, Bank of Italy has updated the methodology of classification of impaired financial positions (please refer to seventh revision of July 30, 2008 to Bank of Italy circular 272/2008 - "Matrice dei conti" issued by Bank of Italy on January 20, 2015), in order to harmonize them to the definition of Non Performing Exposures and Forbearance introduced by European Banking Authority through the document "Final draft Implementing Technical Standards on Supervisory reporting on forbearance and non performing exposures" (EBA/ITS/2013/03/rev1 7/24/2014).

Even though no significant effects are expected from the application of the new Circular 272 on the overall amount of impaired exposures, the changes in the monitoring process requested by new EBA definition might determine a different dynamic in the volumes of Forborne and Non performing exposures, from the one that would have resulted following the application of the previous Bank of Italy risk classes and reflecting the existing differences of the classification criteria for the Restructured exposures from the previous regulation.

On January 31, 2015 EBA consultation concerning materiality thresholds for the measurements of Past due exposures has ended ("Regulatory Technical Standards on materiality threshold of past due credit obligations"). Following this consultation, it is expected that the criteria for classification of impaired exposures could be further modified. The effects of these changes can be defined once the final version of this RTS will be issued.

The European Commission endorsed the following accounting principles and interpretations that will be applicable starting from 2015 financial statements:
- January 1, 2013:Annual Improvements to IFRSs 2011-2013 Cycle (EU Regulation 1361/2014);
- Annual Improvements to IFRSs 2010-2012 Cycle (EU Regulation 28/2015);
- Defined Benefit Plans: Employee Contributions (Amendments to IAS 19) (EU Regulation 29/2015).

As of December 31, 2014 the IASB issued the following standards, amendments, interpretations or revisions:
• IFRS 9 Financial Instruments (July 2014);
• IFRS 14 Regulatory Deferral Accounts (January 2014);
• IFRS 15 Revenue from Contracts with Customers (May 2014);
• Amendments to IFRS 10, IFRS 12 and IAS 28: Investment Entities: Applying the Consolidation Exception (December 2014)
• Amendments to IAS 1: Disclosure Initiative (December 2014);
• Annual Improvements to IFRSs 2012-2014 Cycle (September 2014);
• Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (September 2014);
• Amendments to IAS 27: Equity Method in Separate Financial Statements (August 2014);
• Amendments to IAS 16 and IAS 41: Agriculture: Bearer Plants (June 2014);
• Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation (May 2014);
• Amendments to IFRS 11: Accounting for Acquisitions of Interests in Joint Operations (May 2014).

However, the application of these principles by the Bank is subject to their transposition by the European Commission.

These Accounts are audited by Deloitte & Touche pursuant to Legislative Decree no. 39 of January 27, 2010 and the resolution passed by the Shareholders' Meeting on May 11, 2012.

The Parent Company Accounts were approved by the Board of Directors meeting of March 12, 2015, which authorized their publication. also pursuant to IAS 10.

The entire document is lodged with the competent offices and entities as required by law.

# 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 - Other Information, 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 recognized in profit and loss even when directly attributable to the financial assets. Trading book derivatives are recognized at trade date.

After initial recognition these financial assets are measured at their fair value through profit or loss. An exception is represented by derivatives settled by delivery of an unlisted equity instrument whose fair value cannot be reliably measured, and which are therefore measured at cost.

A gain or loss arising from sale or redemption or a change in the fair value of a HfT financial asset is recognized 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 realized or measured, are booked in item 110. "Gains (losses) on financial assets/liabilities at fair value through profit and loss" (see Section 5 - Financial Instruments at Fair Value through Profit and Loss). If the fair value of a financial instrument falls below zero, which may happen with derivative contracts, it is recognized 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.

# Part A - Accounting Policies (Continued)

An embedded derivative is separated from the host contract and recognized 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 recognized 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 can 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.

Interest-bearing instruments are recognized at amortized cost using the effective interest method.

In subsequent periods AfS assets are measured at fair value, the interest on interest-bearing instruments being recognized at amortized cost in the income statement. Gains or losses arising out of changes in fair value are recognized in equity item 130. “Revaluation reserves” - except losses due to impairment and exchange rate gains or losses on monetary items (debt instruments) which are recognized 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” respectively - until the financial asset is sold, at which time cumulative gains and losses presented in Revaluation reserves are recognized in profit or loss in item 100.b) “Gains (losses) on disposal or repurchase of AfS financial assets”.

The fair value changes recorded in in the Statement of Comprehensive Income and disclosed 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 an impairment loss on an available-for-sale financial asset, the cumulative loss that had been recognized directly in equity item 130.“Revaluation reserves”, is removed from equity and recognized in profit or loss under item 130.b) “Impairment losses (b) 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 loss.

Lasting loss of value of equity instruments is assessed on the basis of indicators such as fair value below cost and adverse changes in the environment in which the company operates, as well as the issuer’s debt service difficulties.

The loss of value is normally considered lasting 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, UniCredit reviews further income and market indicators. If the results of the review are such as to prejudice the recovery of the amount originally invested, a lasting loss of value is recognized.

The amount taken to profit and loss is the difference between the carrying amount (value of initial recognition less any impairment loss already recognized 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 worthyness occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed and the amount of the reversal is recognized 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 recognized.

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

## 3 - Held to Maturity Investments (HtM)

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

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

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 derecognized.

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 recognized 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 recognized, the previously recognized impairment loss is reversed. The reversal cannot result in a carrying amount of the financial asset that exceeds the amortized cost would have been had the impairment not been recognized. The amount of the reversal is recognized in the same profit or loss item.

Held-to-maturity investments cannot be hedged for other than credit risk and currency risk.

## 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 recognized 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 an 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 amortized cost, which can be adjusted to take account of any write-downs/write-backs resulting from the valuation process.

A gain or loss on loans and receivables is recognized in profit or loss:
- when a loan or receivable is derecognized: in item 100. a) "Gains (losses) on disposal";

or:
- when a loan or receivable is impaired (or the impairment loss previously recognized is reversed: in item 130.a) "Net losses/recoveries on impairment (a) loans and receivables".

# Part A - Accounting Policies (Continued)

Interest on loans and receivables is recognized in profit or loss on an accrual basis by 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, display objective evidence of possible impairment. These impaired loans are reviewed and analyzed periodically at least once a year.

A loan or receivable is deemed impaired when it is considered that it will probably not be possible to recover all the amounts due according to the contractual terms, or equivalent value.

Allowances for impairment of loans and receivables are based on the present value of expected cash flows of principal and interest; in determining the present value of future cash flows, the basic requirement is the identification of estimated collections, the timing of payments and the rate used.

The amount of the loss on impaired exposure classified as non-performing, doubtful or restructured according to the categories specified below, is the difference between the carrying value and the present value of estimated cash flows discounted at the original interest rate of the financial asset.

For all fixed rate positions the interest rate so determined is kept constant also in subsequent financial years, while for floating rate positions the interest rate is updated on the basis of the contractual arrangements.

If the original rate cannot be directly found, or if finding it would be excessively onerous, the best estimation of it, even using of practical expedients that do not alter the substance and the coherence with international accounting standards, are applied.

Recovery times are estimated on the basis of business plans or in forecasts based on historical recovery experience observed for similar classes of loans, taking into account the segment of the customers, the type of loan, the type of security and any other factors considered relevant.

Any subsequent change vis-à-vis initial expectations of the amount or timing of expected cash flows of principal and interest causes a change in allowances for impairment and is recognized in profit or loss in item 130.a) "Impairment losses on loans and receivables".

In the Notes to the Accounts, write-downs of impaired loans are classified as specific in the relevant income statement item even when the calculation is flat-rate or statistical, as indicated below.

When the reasons for the impairment no longer exist, and this assessment is objectively attributable to an event such as an improvement in the debtor's credit worthiness occurred after the impairment, a reversal is made in the same profit or loss item, within the amount of the amortized cost that there would have been if there had been no impairments.

Derecognition of a loan or receivable in its entirety (write-off) is made when the legal rights on the loan have failed or the loan or receivable is deemed to be irrecoverable or is written off. Write-offs are recognized directly in profit or loss under item 130(a) "Net losses/recoveries on impairment (a) 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 recognized in the same item.

According to the Bank of Italy regulations, as defined in circular 272 of July 30, 2008 and subsequent amendments, impaired exposures, those that present the characteristics listed in paragraphs 58-62 of IAS 39, are classified into the following categories:
- **Non-performing loans** - formally impaired loans, being exposure to insolvent borrowers, even if the insolvency has not been recognized in a court of law, or borrowers in a similar situation. Measurement is generally on a loan-by-loan basis (coverage ratios statistically and automatically determined for some loan portfolios below a predefined threshold are also checked), for loans singularly not significant, on a portfolio basis for homogeneous categories of loans;
- **Doubtful loans** - exposure to borrowers experiencing temporary difficulties, which the Group believes may be overcome within a reasonable period of time. Doubtful loans also include loans not classified as non-performing granted to borrowers other than government entities where the following conditions are met:
  - They have fallen due and remained unpaid for more than 270 days (or for more than 150 or 180 days for consumer credit exposure with an original term of less than 36 months, or 36 months or over, respectively);
  - The amount of the above exposure to the same borrower and other defaulted payments that are less than 270 days overdue, is at least 10% of the total exposure to that borrower. Doubtful loans are valued analytically when special elements make this advisable or by applying analytically flat percentages on a historical or stochastic basis in the remaining cases.
- **Restructured loans** - exposure to borrowers with whom a rescheduling agreement has been entered into including renegotiated pricing at interest rates below market or the conversion of part of a loan into shares ("debt to equity swap") and/or any reduction of principal; measurement is on a loan-by-loan basis, including discounted cost due to renegotiation of the interest rate at a rate lower than the original contractual rate. Restructured exposures can be reclassified under unimpaired loans only after two years have passed from the date of signing of the restructuring agreement and a resolution has been adopted by the competent corporate bodies declaring that the debtor's full solvency has been restored and that there are no

outstanding balances on all existing lines of credit. Loans under renegotiation involving a debt/equity swap are valued, pending swap finalization, on the basis of the conversion agreements entered into on the balance-sheet date. Any differences between the value of the loans and the fair value of the shares at the initial recognition are taken to profit and loss as write-downs;

- **past-due Impaired loans** - total exposure to any borrower not included in the other categories, which at the balance-sheet date has expired facilities or unauthorized 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) or under the "defaulted exposures" category (IRB banks). Total exposure is recognized in this category if, at the balance-sheet date, either:
- the expired or unauthorized borrowing;

or:

- the average daily amount of expired or unauthorized borrowings during the last preceding quarter, is equal to or exceeds 5% of total exposure.

Overdue exposures are valued using a statistical approach based on historical data, applying where available the degree of risk as measured by the risk factor used for Regulation (EU) n. 575/2013 (CRR) on prudential requirements for credit institutions and investment firms reporting (LGD - Loss given default).

Collective assessment is used for groups of loans for which individually there are no indicators of impairment: to these portfolios a latent impairment can be attributed, according to the method described below, inter alia on the basis of the risk factors used under supervisory regulations CRR.

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 CRR 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 date of measurement, on the basis of past experience of losses on assets with 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 requirements, with a one-year time horizon, and the above loss confirmation periods (LCP), expressed as part of a year and diversified according to Loan classes on the basis of the characteristics of the customer's segment / portfolios.

If these indicators are not available, estimated value and standard loss percentages, based on internal historical series and sectorial 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.

### Loan Securitizations

Loans and receivables also include, according to the applicable product breakdown, loans securitized after January 1, 2002 which cannot be derecognized under IAS 39 (see Section 17 - Other information - Derecognition).

Corresponding amounts received for the sale of securitized loans, net of the amount of any issued securities and any other type of credit enhancement held in portfolio (retained risk) are recognized in liability items 10. "Deposits from banks" and 20. "Deposits from customers".
Both assets and liabilities are measured at amortized cost and interest received is recognized through profit or loss.
Impairment losses on securitized assets sold but not derecognized are reported in item 130.a) "Impairment losses on loans and receivables".

### Guarantees, etc.

These include all personal guarantees issued by the bank to secure third parties' obligations.

This portfolio is valued on the basis of impairment losses due to a worsening of the solvency of the guaranteed party calculated on a case-by-case basis in respect of guarantees given on behalf of debtors classified as non-performing, doubtful or restructured loans.

In respect of guarantees issued on behalf of debtors classified as "Impaired Past due Exposures", expected loss is estimated on the basis of the riskiness of the type of guarantee and underlying risk mitigation instruments.

In respect of guarantees issued on behalf of debtors classified as "Not impaired past due exposures", Expected Loss is calculated on the basis of the amount of losses incurred but not reported due to the time elapsed between the deterioration of creditworthiness and the calling of the guarantee.

# Part A - Accounting Policies (CONTINUED)

Risk arising from off-balance sheet items, e.g. loan commitments, is recognized in profit and loss under item 130.d) "Impairment Losses on other financial assets" contra liability item 120 .b) "Provisions for risks and charges - other provisions" (except for impairment losses on guarantees given and derivatives considered similar by IAS 39, which are written down or back contra liability item 100. "Other Liabilities").

Subsequent write-backs may not exceed the amount of write-downs (whether individual or generic) previously recognized due to impairment.

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

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

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

(ii) represented by hybrid (combined) instruments containing embedded derivatives that otherwise should have been separated from the host contract.

FIaFV are accounted for in a similar manner to "HfT financial assets" (see Section 1 - Financial Assets held for trading), however gains and losses, whether realized or unrealized, are recognized in item 110. "Gains (losses) on financial assets and liabilities measured at fair value".

## 6 - Hedge Accounting

Hedging instruments 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 recognized 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 recognized 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 recognized 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 (ie. 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.

Hedging instuments are so designated when identifiable with an ultimate counterparty outside the Group.

Hedging derivatives are measured at fair value. Specifically:
1. **Fair Value Hedging** - an effective fair value hedge is acounted for as follows: the gain or loss from remeasuring the hedging instrument at fair value is recognized 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 recognized through profit or loss in the same item. If the hedging relationship is terminated for reasons other than the sale of the hedged item, 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 recognized through profit or loss in interest receivable or payable over the residual life of the original hedge, in the case of interest-bearing instruments; if the financial instrument does not bear interest, the

difference is recognized in profit or loss under item 90. "Fair value adjustments in hedge accounting" at once. If the hedged item is sold or repaid, the portion of fair value which is still unamortised is at once recognized through profit or loss in the item 100. "Gains (losses) on disposal or repurchase";

2. **Cash Flow Hedging** - hedging instruments are valued at fair value. Change in the fair value of a hedging instrument that is considered effective is recognized in equity item 130. "Revaluation reserves". The ineffective portion of the gain or loss is recognized 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 recognized in "Revaluation reserves" from the period when the hedge was effective remains separately recognized in "Revaluation reserves" until the forecast hedged transaction occurs or is determined to be no longer possible; in the latter case gains or losses are transferred through profit or loss to 90 "Fair value adjustments in hedge accounting". The fair value changes recorded in the Statement of Comprehensive Income and disclosed in item 130. "Revaluation reserves".
3. **Hedging a Net Investment in a Foreign entity** - hedges of a net investment in a foreign entity 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 recognized directly in equity is recognized through profit or loss on disposal of the foreign entity. The fair value changes recorded in the Statement of Comprehensive Income and disclosed in item 130. "Revaluation reserves".

   The ineffective portion of the gain or loss is recognized through profit or loss in item 90. "Fair value adjustments in hedge accounting".

4. **Macro-hedged financial assets (liabilities)** - IAS 39 allows a fair-value item hedged against interest rate fluctuations to be not only a single asset or liability but also a monetary position contained in a number of financial assets or liabilities (or parts of them); accordingly, a group of derivatives can be used to offset fair-value fluctuations in hedged items due to changes in market rates. Macro hedging may not be used for net positions resulting from the offsetting of assets and liabilities. As for fair value micro hedging, macro hedging is considered highly effective if, at the inception of the hedge and in subsequent periods, changes in the fair value attributable to the hedged position are offset by changes in fair value of the hedging instrument and if the hedge ratio is retrospectively assessed falling within the range of 80-125 per cent. Net changes - gains or losses - in the fair value of the macro-hedged assets and liabilities attributable to the hedged risk are recognized in asset item 90. and liability item 70. respectively and offset the profit and loss item 90. "Fair value adjustments in hedge accounting".

   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 recognized 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 recognized 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, unamortized fair value is at once recognized through profit and loss in item 100. "Gains (losses) on disposal or repurchase".

## 7 - Equity Investments

Equity investments are equity instruments and consequently defined as financial instruments under IAS 32.

Investments in equity instruments made with the intention of establishing or maintaining a long-term operational relationship with the investee are strategic investments.

The following are the types of equity investment:

### SUBSIDIARIES

Entities, including structured entities, over which the Bank has direct or indirect control, are considered subsidiaries. Control over an entity entails the Bank's ability to exercise power in order to influence the variable returns to which the Bank is exposed through its relationship with them.

In order to verify the existence of control, the Group considers the following factors:
- the purpose and establishment of the investee in order to identify which are the entity's objectives, the activities that determine its returns and how these activities are governed;
- the power in order to understand whether the Group has contractual rights that attribute the ability to govern the relevant activities; to this end only substantial rights that provide practical ability to govern are considered;
- the exposure held in relation to the investee in order to assess whether the Group has relations with the investee, the returns of which are subject to changes deriving from variations in the investee's performance;
- the existence of potential principal - agent relationships.

If the relevant activities are governed through voting rights, the existence of control is verified considering the voting rights held, including the potential ones, and the existence of any shareholders' or other agreements which attribute the right to control the majority of the voting rights, to appoint the majority of the governing body or in any case the power to determine the entity's financial and operating policies.

# Part A - Accounting Policies (Continued)

Subsidiaries may also include any "structured entity" in which the voting rights are not significant for establishing control, including special purpose entities and investment funds.

In the case of structured entities, the existence of control is ascertained considering both the contractual rights that enable governance of the relevant activities (or those that contribute most to the results) and the Group's exposure to the variability of returns deriving from these activities.

### JOINT VENTURES

A joint venture is an entity in which the Bank has:
- a joint control agreement;
- rights on the net assets of the entity.

In detail a joint control exists when the decisions over the relevant activities require the unanimous consent of all the parties that share control.

### ASSOCIATES

An associate is an entity over which the investor has significant influence and which are not subsidiaries or joint ventures.

Significant influence is presumed when the investor:
• holds, directly or indirectly, at least 20% of the share capital of another entity, or
is able, also through shareholders' agreements, to exercise significant influence through:
• representation on the governing body of the company;
• participation in the policy-making process, including participation in decisions about dividends or other distributions;
• the existence of significant transactions;
• interchange of managerial personnel;
• provision of key technical information.

It is to be pointed out that only companies which are governed through voting rights can be classified as subject to significant influence.

Investments in subsidiaries, associates and joint ventures are measured at cost.

The purchase price of an equity investment is the sum of:
- the fair value, at the date of acquisition, of the assets sold, liabilities assumed and equity instruments issued by the purchaser in exchange for control of the investee,
and
- any cost directly attributable to the acquisition.

If there is evidence that an equity investment may have become impaired, its carrying value is compared with its recoverable value, which is determined on the basis of its value in use, in turn calculated by means of valuation models in general use in financial business, which discount expected future cash flow from the equity investment.

If it is not possible to obtain sufficient information the value in use is considered to be the net worth of the company.

If the recovery value is less than the carrying value, the difference is recognized through profit or loss in item 210. "Profit (loss) of associates". If the reasons for impairment are removed following a subsequent event occurring after the recognition of impairment, write-backs are made through same profit or loss item.

Equity investments considered strategic investments not covered by the above definitions and not recognized in item 140. "Non-current assets and disposal groups held for sale" or item 100. "Liabilities associated with assets held for sale" (see Section 10 - Non-current Assets Held for Sale), are classified as available for sale financial assets or financial assets measured at fair value, and treated accordingly (see Sections 2 - Available-for-sale Financial Assets and Section 5 - Financial Instruments at Fair Value through Profit or Loss).

## 8 - Property, Plant and Equipment

The item includes:
• land;
• buildings;
• furniture and fixtures;
• plant and machinery;
• other machinery and equipment;
and is divided between:
• assets used in the business;
• assets held as investments.

Assets used in the business are held for use in the production or supply of goods or services or for administrative purposes and are expected to be used during more than one period. This category also (conventionally) includes assets to be let or under construction and to be leased under a finance lease, only for those finance leases which provide for retention of risk by the lessor until the acceptance of the asset by the lessee and the start of rentals under the finance lease (see also Section 4 - Loans and Receivables for transactions with transfer of risk are recognized).

The item includes assets used as lessee under a finance lease, or let/hired out as lessor under an operating lease.

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 recognized in item 150. "Other assets".

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

Property, plant and equipment are initially recognized 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 recognized 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 recognized 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 recognized 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.

Residual useful life is usually assessed as follows:

| | |
|---|---|
| Buildings | max. 33 years; |
| Furniture | max. 7 years; |
| Electronic equipment | max. 12 years; |
| Other | max. 7 years; |
| Leasehold Improvements | max. 15 years. |

An item with an indefinite useful life is not depreciated. Land and buildings are recognized separately, even if acquired together.
Land is not depreciated since it usually has an indefinite useful life.

Buildings, conversely, have a finite useful life and are therefore subject to depreciation.

The estimate of the useful life of an asset is reviewed at least at each accounting period-end on the basis inter alia of the conditions of use of the asset, of maintenance conditions and expected obsolescence, and, if expectations differ from previous estimates, the depreciation amount for the current and subsequent financial years is adjusted accordingly.

If there is objective evidence that an asset has been impaired the carrying amount of the asset is compared with its recoverable value, equal to the greater of its fair value less selling cost and its value in use, i.e., the present value of future cash flow expected to originate from the asset. Any value adjustment is recognized in profit and loss item 170. "Impairment/write-backs on property, plant and equipment".

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

An item of property, plant and equipment is derecognized on disposal or when no future economic benefits are expected from its use or sale in the future and any difference between sale proceeds or recoverable value and carrying value is recognized in profit and loss item 240. "Gains (losses) on disposal of investments".

# Part A - Accounting Policies (Continued)

## 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 are principally goodwill, software, brands and patents.

This item also includes intangible assets used as lessee under finance leases or as lessor under operating leases (rental/hire).

Intangible assets other than goodwill are recognized at purchase cost, i.e. including any cost incurred to bring the asset into use, less accumulated amortization and 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 definite life is subject to straight-line amortisation over its estimated useful life.

Residual useful life is usually assessed as follows:

| | |
|---|---|
| Software | max. 5 years; |
| Other intangible assets | max. 5 years. |

Intangible assets with an indefinite life are not amortized.

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 recognized in profit and loss item 180. "Impairment/write-backs on intangible assets".

For an intangible fixed asset with indefinite life even if there are no indications of impairment, the carrying amount is compared annually with its recoverable value. If the carrying amount is greater than the recoverable value, the difference is recognized 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 recognized on the prior-year impairment.

An intangible asset is derecognized on disposal or when any further economic benefits are expected from its use or sale in the future and any difference between sale proceeds or recoverable value and carrying value is recognized in the profit and loss 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 subsidiaries and joint ventures (consolidated proportionately) is recognized as an intangible asset, whereas goodwill arising from the acquisition of associates is included in the carrying amount of the investments in associates.

At a subsequent financial reporting date, goodwill is recognized net of any cumulative impairment losses and is not amortised.

Goodwill is tested for impairment annually, as for other intangible assets with an indefinite life.

Impairment losses on goodwill are recognized in profit and loss item 230. "Impairment losses on goodwill". In respect of goodwill, no write-backs are allowed.

## 10 - Non-current Assets Held for Sale

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

Individual assets (or groups of assets held for sale) are recognized in item 140. “Non-current assets and disposal groups classified as held for sale” and item 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 recognized in the income statement under item 280. “Gains (losses) on groups of assets held for sale, net of tax”. Profits and losses attributable to individual assets held for disposal are recognized in the income statement under the most appropriate item.

## 11 - Current and Deferred Tax

Tax assets and tax liabilities are recognized in the Balance Sheet respectively in item 130. of assets (“Tax assets”) and item 80. of liabilities (“Tax liabilities”).

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 local tax regulations;
- current tax liabilities, i.e. amounts of corporate tax due in accordance with local tax regulations;
- deferred tax assets, i.e. amounts of income tax recoverable in future fiscal years and attributable to:
  - deductible temporary differences;
  - the carryforward of unused tax losses;
  - the carryforward 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 recognized in profit or loss on an accrual basis. In particular current corporate tax (“IRES”) is calculated at a rate of 27.50%; the regional tax on productive activity (“IRAP”) is calculated at 5.47% plus the regional surtax where applicable.

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 recognized 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.

Under the tax consolidation system adopted by the Bank, deferred tax assets are recognized 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 recognized. In accordance with the provisions of IAS12, the probability that sufficient future taxable profit against which the deferred tax assets can be utilized will be available is reviewed periodically. The carrying amount of deferred tax assets should be reduced to the extent that it is not probable that sufficient taxable profit will be available.

Current and deferred taxes are recognized 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, whose changes in value are recognized, net of tax, directly in the Statement of Comprehensive Income - Valuation reserves.

IRES is determined on the basis of the “consolidato fiscale” rules pursuant to LD 344/03; UniCredit S.p.A. opted to apply tax consolidation of the Group’s Italian entities for the three-year period 2013-2015 (see also Part B of these Notes - Section 13.7 - Further Information).
Current tax assets and liabilities are presented on the Balance Sheet net of the related current tax liabilities if the following requirements are met:
- existence of an enforceable right to offset the amounts recognised;
- the intention to extinguish for the remaining net, or realise the asset and at the same time extinguish the liability.

# Part A - Accounting Policies (Continued)

Deferred tax assets are presented on the Balance Sheet net of the related deferred tax liabilities if the following requirements are met:
- existence of a legally enforceable right to offset current tax assets with current tax liabilities; and
- the deferred tax assets and liabilities must relate to income taxes applied to the same tax authority on the same taxable entity or on different taxable entities that intend to settle the current tax liabilities and assets on a net basis (usually in presence of a "consolidato fiscale").

## 12 - Provisions for Risks and Charges

**Retirement Payments and Similar Obligations**

Retirement provisions - i.e. provisions for employee benefits payable after the completion of employment - are defined as contribution plans or defined-benefit plans according to the nature of the plan.
In detail:
- 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 plans as it has no legal or implicit obligation to make further contributions, should the plan not be sufficient to provide benefit to all employes.

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

This method distributes the cost of benefits uniformly over the employee's working life. Obligations are the present value of average future benefits pro rata to the ratio of years of service to theoretical seniority at the time of benefit payment.

More specifically, the amount recognized 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 recognized, less the fair value at the balance sheet date of plan assets other than those due to directly settle the obligations adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. Actuarial gains or losses arising from the valuation of defined-benefit liabilities are recorded in the Statement of Comprehensive Income and disclosed in the 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.

**Other Provisions**

Provisions for risks and charges are recognized 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 recognized 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 recognized.

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

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

In certain cases, provisions for risks and charges (e.g. fiscal charges or charges relating to payroll costs) have been classified under their own Profit and Loss item 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 recognized 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 recognized as a derivative, provided that separation requirements are met, and recognized at fair value. Any subsequent changes in fair value are recognized 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 initial fair value of the embedded derivative is attributed to the host contract.

Instruments convertible into treasury shares imply recognition, at the issuing date, of a financial liability and of the equity part recognized in item 150 “Equity instruments”, any time contractual terms provide for physical delivery settlement.

The equity part is initially measured at the residual value, i.e., the overall value of the instrument less the separately determined value of a financial liability with no conversion clause and the same cash flow.

The financial liability is initially recognized at amortised cost using the effective interest method.

Securities in issue are recognized 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.

Debts do not include covenants that would cause default or restructuring events. There are no debt instruments involving convertibility to equity instruments (under 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.

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

## 15 - Financial Liabilities at Fair Value through Profit and Loss

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

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

This category may also include financial liabilities represented by hybrid (combined) instruments containing embedded derivatives that otherwise should have been separated from the host contract.

These transactions are recognized as per HfT financial liabilities, gains and losses, whether realised or not, being recognized in item 110. “Gains (losses) on financial assets and liabilities at fair value through profit and loss”.

# Part A - Accounting Policies (Continued)

## 16 - Foreign Currency Transactions

A foreign currency transaction is recognized 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 recognized in profit and loss item 80. “Gains and losses on financial assets and liabilities held for trading”.

Exchange rate differences arising on a monetary item that forms part of an entity’s net investment in a foreign operation whose assets are located or managed in a country or currency other than the euro are initially recognized in the entity’s equity, and recognized in profit or loss on disposal of the net investment.

Non-monetary assets and liabilities recognized 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 recognized:

- in profit and loss if the financial asset is HfT;
- in the Statement of Comprehensive Income and disclosed in the Revaluation reserves if the financial asset is AfS.

Hedges of a net investment in a foreign operation are recognized similarly to cash flow hedges.

On the disposal of a foreign operation, the cumulative amount of the exchange rate differences, classified in an Equity reserve, is reclassified in profit or loss.

## 17 - Other Information

**Business Combinations**

A business combination is a transaction through which an entity obtains control 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 concerning business divisions shall be accounted for by applying the purchase method, that involves the following steps:
- identifying an acquirer;
- measuring the cost of the business combination;

and:
- allocating, at the acquisition date, the cost of the business combination to the assets acquired and liabilities and contingent liabilities assumed.

The cost of a business combination is the aggregate of the fair value, at the date of exchange, of assets given, liabilities incurred or assumed and equity instruments issued by the acquirer, in exchange for control of the acquiree.

The acquisition date is the date on which the acquirer effectively obtains control of the acquiree. When this is achieved through a single exchange transaction, the date of exchange coincides with the acquisition date.

A business combination may involve more than one exchange transaction; nevertheless, the cost of the business combination remains equal to the fair value of the total shareholding acquired. This involves the revaluation at fair value - and the recognition of the effects in the Income Statement - of the equity investments previously held in the acquired entity.

The cost of a business combination is allocated by recognizing the assets, the liabilities and the identifiable contingent liabilities of the acquired company at their acquisition-date fair value. Exceptions to this principle are deferred income tax assets and liabilities, employee benefits, indemnification assets, reacquired rights, non-current assets held for sale, and share-based payment transactions that are subject to review in accordance with the principle applicable to them.

Positive difference between the cost of the business combination and the net fair value of the identifiable assets, liabilities and contingent liabilities so recognized 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 recognize immediately any excess remaining after that reassessment in profit or loss.

In the case of business combinations resulting in a Parent company-subsidiary (acquirer-acuiree) relationship, the equity investment is accounted for under the cost method.

**Derecognition of financial assets**

Derecognition is the removal of a previously recognized 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 derecognize 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 amounts not received from 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 derecognize the asset (or group of assets) and recognise 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 recognise the transferred asset(s). In this case it is necessary to recognise a liability corresponding to the amount received under the transfer and subsequently recognise 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 securitizations the Bank does not derecognize the financial asset on purchase of the equity tranche or provision of other forms of support of the structure which result in the Bank retaining the credit risk of the securitized portfolio.

In the case of repurchase transactions and stock lending, the assets transacted are not derecognized since the terms of the transaction entail the retention of all their risks and rewards.

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

# Part A - Accounting Policies (Continued)

**Repo Transactions 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 recognized nor derecognized. In respect of securities purchased under an agreement to resell, the consideration is recognized as a loan to customers or banks, or as an assets held for trading. In respect of securities held in a repurchase agreement, the liability is recognized as due to banks or customers, or as held for trading financial liabilities. Revenue from these loans, being the coupons accrued on the securities and the difference between the sale/purchase and resale/repurchase prices, is recognized 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 collateralized by cash fully available to the lender.

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

With reference to securities lending transactions collateralized by other securities, or not collateralized, the security lent or the security put up as collateral are still recognized 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 - 1.1 Credit risk - A. Credit quality.

**Equity instruments**
Equity instruments are instruments that represent a residual interest in Group’s assets net of its liabilities.

Classification of an issued instrument as equity is possible only absent contractual obligation to make payments in form of capital redemptions, interest or other kinds of returns.

In particular the Group classifies as equity instruments those instruments that have the following features:
- the instrument is perpetual or has a maturity equal to duration of the entity;
- full discretion of the issuer in coupon payments and redemptions, also advanced, of the principal outstanding.

Additional Tier 1 instruments are included in this category, in coherence with the provisions of the Regulation (EU) n. 575/2013 (CRR) on prudential requirements for credit institutions and investment firms, if, in addition to the characteristics described above:
(i) maintain within the full discretion of the issuer the possibility to perform a write-up of the nominal value after the occurrence of a capital event that has determined a write-down;
(ii) do not incorporate previsions that force the issuer to provide for payments (must pay clauses) following genuine events under direct control of the parties.

Equity instruments, different from common or saving shares, are presented in item 150 “Equity instruments” for the consideration received including transaction costs directly attributable to the instruments.

Any coupon paid, net of related taxes, reduces item 160. “Reserves”.

Any difference between the amounts paid for the redemption or repurchase of these instruments and their carrying value is recognized in item 160. “Reserves”.

**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 recognized entirely as a contra item to shareholders’ equity.

### Finance Leases
Finance leases effectively transfer all the risks and benefits of ownership of an asset to the lessee; ownership of the asset will be transferred to the lessee, however not necessarily at contractual maturity.
The lessee acquires the economic benefit of the use of the leased asset for most of its useful life, in exchange for a commitment to pay to the lessor an amount approximately equivalent to the fair value of the asset and related finance costs. Recognition in the lessor's accounts is as follows:
- in assets, the value of the loan, less the principal of lease payments due and paid by the lessee;
- in profit or loss, interest received.

See Sections 8 - Property, Plant and Equipment and 9 - Intangible Assets below for treatment of the lessee's assets.

### Factoring
Loans acquired in factoring transactions with recourse are recognized to the extent of the advances granted to customers on their consideration. Loans acquired without recourse are recognized as such once it has been established that there are no contractual clauses that would invalidate the transfer of all risks and benefits to the factor.

### Italian Staff Severance Pay (Trattamento di fine rapporto - "TFR")
The "TFR" provision for Italy-based employee benefits is to be construed as a "post-retirement defined benefit". It is therefore recognized 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 252/2005, TFR installments accrued to 12.31.2006 (or to the date between 01.01.2007 and 06.30.2007 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 installments accrued since 01.01.2007 (date of Law 252's coming into effect) (or since the date between 01.01.2007 and 30.06.2007) are, at the employee's discretion, either paid into a pension fund or left in the company and (where the company has in excess of 50 employees) paid into an INPS Treasury fund by the employer, and are assimilated to a defined-contribution plan.

Costs relating to TFR are recognized in the Income Statement in item 150.a) "Administrative costs: staff expense" and include, for the part of obligations already exiting at the date of the reform (assimilated to a defined benefit plan) (i) interest cost accrued in the year, for the part of plan considered defined contribution plan (ii) the accrued installments for the year paid into the complementary pension scheme or to the Treasury fund of INPS.

Actuarial gains (losses), i.e., the difference between the liabilities' carrying value and the present value of the obligation at the end of the period are recorded in the Statement of Comprehensive Income and disclosed in the Revaluation reserves according to IAS 19 Revised.

### Share-Based Payment
Equity-settled payments made to employees or other staff in consideration of goods received or services rendered, using equity instruments comprise:
- Stock options
- Performance shares (i.e. awarded on attainment of certain objectives)
- Restricted shares (i.e. subject to a lock-up period).

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

This fair value is recognized as cost in profit and loss item 150.a) "Administrative costs: Staff expenses" offsetting the liability item 160 "Reserves", on an accruals basis over the period in which the services are acquired.

The fair value of a cash-settled share-based payment, the services acquired and the liability incurred are measured at the fair value of the liability, recognized in item 100."Other liabilities". The fair value of the liability, as long as it remains unsettled, is remeasured at each balance sheet date and all changes in fair value are recognized in profit and loss item 150.a) "Administrative costs".

# Part A - Accounting Policies (Continued)

**Other Long-term Employee Benefits**
Long-term employee benefits - e.g. long-service bonuses, paid on reaching a predefined number of years' service - are recognized in item 100. "Other liabilities" on the basis of the measurement of the liability at the balance sheet date, also in this case determined by an external actuary using the unit credit projection method (see Section 12 - Provisions for risks and charges - retirement payments and similar obligations). Actuarial gains (losses) on this type of benefit are recognized immediately in the Income Statement.

**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 recognized 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 fulfillment of the following requirements:
(a) current legal enforceable right to set off the recognized amounts;
(b) intention either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

In accordance with IFRS 7, further information have been included in the table of Note to the accounts, in Part B - Other information.

In the new tables, in particular, following information have to be reported:
- balance-sheet values, before and after the accounting offsetting effects, related to the assets and liabilities which meet the criteria for applying those effects;
- values of the exposures which do not meet the above mentioned criteria, but are included in Master Netting Agreements, or similar agreements, which create the right to set-off only following specified circumstances (i.e. default events);
- figures of related collaterals.

**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 securities in issue.

Interest income and expense are recognized 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 recognized according to the provision of the services from which they have arisen.
Securities trading commission is recognized at the time the service is rendered. Investment portfolio management fees, advisory fees and investment fund management fees are recognized 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 recognized in the profit and loss account for the year in which their distribution has been approved.

## RELEVANT DEFINITIONS FOR IAS/IFRS

The main definitions introduced by international accounting principles IAS/IFRS are described below, other than those dealt with in previous sections.

### Amortized 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 uncollectability.

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

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

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

### Impairment of financial assets

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

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

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

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

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

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 Section 2 - Available-for-sale Financial Assets).

# Part A - Accounting Policies (Continued)

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 carrying amount of the asset shall be reduced either directly or through use of an allowance account. The amount of the loss is recognized 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 riskfree 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 the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit worthiness), the previously recognized impairment loss is reversed and the amount of the reversal is recognized in profit and loss item 130 "Impairment losses" except in the case of AfS equity instruments (see Section 2 - Available-for-sale Financial Assets).

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 recognized.

## A.3 - Information on transfers between portfolios of financial assets

The amendments to IAS 39 and to IFRS 7 "Reclassification of financial assets" approved by the IASB in 2008 make it possible to reclassify certain financial assets, after their initial recognition, out of the HfT and AfS portfolios.

In particular, the following may be reclassified:
- those HfT or AfS financial assets that would have satisfied the definition specified by the international accounting standards for the loan portfolio (if such assets were not classified as HfT or AfS respectively on initial recognition) if the entity intends, and is able, to hold them for the foreseeable future or until maturity;
- "only in rare circumstances" those HfT financial assets which, at the time of their recording, did not satisfy the definition of loans.

The following table provides the book value and the fair value as at December 31, 2014 (broken down by type of underlying asset and portfolio) of assets which were reclassified in the second half of 2008 and in the first half of 2009.

The income/expenses that would have been recognized if such reclassifications had not occurred, as well as those effectively recognized through profit or loss or at equity, are also provided.

These income/expenses before tax are broken down into two categories: those arising "from measurement" (including any write-downs) and "other" (including interest and gains/losses on the disposal of the transferred assets).

As a result the overall impact that would have been recognized in the income statement in 2014, if these assets had not been reclassified, would have been a gain of €9,063 thousand, while the impact actually recognized was a gain of €3,587 thousand.

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

| INSTRUMENTS TYPE | ACCOUNTING PORTFOLIO BEFORE RECLASSIFICATION | ACCOUNTING PORTFOLIO AFTER RECLASSIFICATION | CARRYING AMOUNT AS AT 12.31.2014 | FAIR VALUE AS AT 12.31.2014 | INCOME/EXPENSES ABSENT RECLASSIFICATION (BEFORE TAXES) | | INCOME/EXPENSE RECOGNIZED DURING THE PERIOD (BEFORE TAXES) | |
|---|---|---|---|---|---|---|---|---|
| | | | | | FROM MEASUREMENT | OTHER | FROM MEASUREMENT | OTHER |
| Debt securities | Financial assets held for trading | Loans and receivables with banks | 13,263 | 13,070 | 171 | 129 | - | 339 |
| Debt securities | Financial assets held for trading | Loans and receivables with customers | - | - | - | 95 | - | 1,819 |
| Debt securities | Available-for-sale financial assets | Loans and receivables with customers | 109,581 | 109,812 | 7,445 | 1,223 | - | 1,429 |
| **Total** | | | **122,844** | **122,882** | **7,616** | **1,447** | **-** | **3,587** |

Assets transferred to loans to customers comprise structured credit products (other than derivatives).

No further reclassifications were made during 2014, therefore table A.3.2 "Reclassified financial assets: effects on comprehensive Income before reclassification" and information concerning item A.3.4 "Effective interest rate and cash flows expected from reclassified assets" are not provided.

#### A.3.3 Transfer of financial assets held for trading

In application of the provisions of Article 2 of referenced EC Regulation 1004/2008, pursuant to which "the current financial crisis is considered to be such a rare circumstance which would justify the use of this possibility [reclassification] by companies," during the second half of 2008 and first half of 2009, UniCredit S.p.A. reclassified HfT financial assets consisting of structured credit products (other than derivatives) and debt securities issued by governments, public entities, companies and financial institutions other than derivative contracts and financial instruments containing embedded derivatives.

The carrying amount as at December 31, 2014 is shown in table A.3.1.

# Part A - Accounting Policies (Continued)

## A.4 - Information on Fair Value

### QUALITATIVE INFORMATION

This section presents a disclosure on fair value 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 to which the Company 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 can be determined on the basis of the relevant market prices for the component parts.

If the observable prices in active market or other observable inputs, such as the quoted price of a similar instrument in an active market, the Company may use another valuation techniques, such as:
- a market approach (e.g. using quoted prices for similar liabilities or equity instruments held by other parties as assets).
- 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).
- an income approach (e.g. a present value technique that takes into account the future cash flows that a market participant would expect to receive from holding the liability or equity instrument as an asset).

The Company 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 Company employs:
- Independent price verifications (IPVs);
- Fair value adjustments (FVAs).

Independent price verification requires that the prices are verified monthly by Risk Management units that are independent from the units that assume the risk exposure.

This verification calls for comparing and adjusting the price in line with valuations obtained from independent market participants.

For instruments not quoted in active markets, the above verification process uses prices contributed by info providers as a reference, and assigns a greater weighting to those prices that are considered representative of the instrument being valued.

This valuation can include 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 info provider to obtain the information.

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

Hereby we provide IFRS13 disclosure requirements about accounting portfolios measured at fair value on a recurring basis, not measured at fair value, or measured at fair value on a non-recurring basis.

## Assets and Liabilities measured at fair value on a 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[1].

In order to assess it, within the global bond Independent Price Verification (IPV) process a daily Liquidity Indicator is defined taking into account: the number of executable bid/ask quotes, their relative sizes and spreads. Such indicator is tracked over a 20 business days time window in order to obtain a stable monthly indicator.

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 credit spread curves used are significantly unobservable. Under fair value accounting, fair value adjustments for liquidity and model deficiencies compensate for the lack of market observables for the Level 2 and Level 3 positions.

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

*Structured Financial Products*

The Company determines the fair value of structured financial products not quoted on active markets using the appropriate derivative valuation methodology given the nature of the embedded structure (when this is not to be separated). Such instruments are classified as Level 2 or Level 3 depending on the observability of significant inputs to the model.

*Asset Backed Securities*

Since 2009, UniCredit's relies on internal policies centered on:

- extension and implementation of the new Independent Price Verification (IPV) process suited to the changed market conditions for Structured Credit Bonds;
- integration of current Fair Value Adjustments Policy.

According to the IPV process the quality of a price is assessed based upon the availability of quotes of independent market players for identical assets.

The process relies in the first instance on consensus data provider as reliable collector of market quotes.

As a second step, prices are assessed by benchmarking each security to a pool of similar securities with available market quotes. An alternative approach consists in evaluating the instrument through the use of quantitative pricing models, which are applicable every time that information regarding market participants assumptions on model parameters are reasonably made available without excessive costs or efforts.

*Derivatives*

Fair value of derivatives not traded in an active market is determined using a mark to model valuation technique. In such cases, where active markets exist for its component parts, then fair value is determined on the basis of the relevant market prices for the component parts.

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 significant 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 a liquid 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 Company holds investments in certain investment funds that publish net asset value (NAV) per share, including mutual funds, private equity funds, hedge funds (including funds of funds) and real estate funds. The Company's investments include co-investments in funds that are managed by the Group and investments in funds that are managed by third parties and in particular:

*Real Estate Funds*

Real Estate Funds are mapped to Level 1 when quoted prices are available on an active market; when this condition does not hold, Real Estate Funds are disclosed as Level 3 and they are evaluated through an adequate credit adjustment of the NAV based on the specific features of each fund.

1. As far as Italian Government bonds are concerned, it is worth stressing they are typically exchanged on the MTS market which is largely aknowledged as the main liquid platform for this kind of asset.

# Part A - Accounting Policies (Continued)

*Other Funds*
The Company holds investments also in mutual funds, hedge funds and private equity funds.

Funds are usually assigned to Level 1 when a quoted price is available on an active market.

Funds are disclosed as Level 2 or Level 3 depending on NAV availability, portfolio transparency and possible issues related to position write off.
When sufficient information for reliable fair value measurements is not available, funds (e.g. hedge funds and private equity) are valued at cost and classified as Available for Sale at Level 3.

With reference to funds valued at cost, an impairment is applied in case the carrying amount is significantly above the recoverable amount or above the carrying amount for a prolonged period of time.

### ***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. Therefore FVA are aimed at insuring that the fair value reflects the actual exit price of a certain position.
Below a list of adjustments:
- Credit and debit valuation adjustment (CVA/DVA);
- Model Risk;
- Close-out Costs;
- Other Adjustments.

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

As of December 31, 2014, net CVA/DVA cumulative adjustment, related to performing counterparts, amounts to 97 €/Mln negative; adjustment related to non-performing counterparts amounts to 80 €/mln negative.
The part related to own credit spread evolution, which is filtered out from regulatory capital (accordingly to CRDIV), amounts to 26 €/mln positive.

*Model Risk*
Financial models are used for the valuation of the financial instruments if the direct market quotes are not readily available. In general the model risk is represented by the possibility that a financial instrument's evaluation is actually sensitive to the choice of model. It is possible to value the same financial instrument by using alternative models which could provide different results in term of pricing. The model risk adjustment refers to the risk that the actual fair value of the instrument differs from the value produced by the model.

*Close-out Costs*
It measures the implicit costs of closing an (aggregated) trading position. The position could be closed by a long position (or purchase in the case of a short position), or by entering into a new transaction (or several transactions) that offsets (hedges) the open position. The close-out costs are typically derived from the bid/ask spreads observed on the market. It accounts for the fact that a position is valued at mid but can only be closed at bid or ask. This adjustment is not needed when the position is marked at bid or ask and already represents an exit price. Moreover a close-out adjustment of the NAV is applied when there are some penalties related to position write-off in an investment fund.

*Other adjustments*
Other fair value adjustments, which are not included into the previous categories, could be taken into consideration to align the evaluation to the current exit price, also according to the level of liquidity of the market and valuation parameters, e.g. adjustment of equity prices whose quotation on the market are not representative of the effective exit price.

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

Financial instrument not carried at fair value, for example retail loans and deposit, and credit facilities extended to corporate clients are not managed on a fair value basis.
For these instruments fair value are calculated for disclosure purposes only and do not impact the balance sheet or the profit or loss. Additionally, since these instruments generally do not trade, there is significant management judgment required to determine their fair values as defined by IFRS 13.

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

*Held-to-maturity investments*
Considering that held to maturity investments are mainly composed by securities, fair value for this asset class is determined according to what above explained in section "Assets and Liabilities measured at fair value on a recurring basis - Fixed Income Securities".

*Loans and Receivables to banks and customers*
Fair value for performing Loans and Receivables to banks and customers, recorded at amortized cost, is determined using the discounted cash flow model adjusted for credit risk. Some portfolios are valued according to simplified approaches, which however take into account the financial features of the financial instruments.

*Property, plant and equipment held for investment purposes*
The fair value of property, plant and equipment held for investment purposes is determined on the basis of a valuation by an independent appraiser who holds a recognized and relevant professional qualification which perform its valuation mainly on the basis of an indirect knowledge of the assets through the information made available by the owner and relative to the localization, consistency, destination and in consideration of market analysis.
The attribution of fair value levels is based on the level of observability of the significant market parameters used by the valuation technique. Given the current portfolio composition, most of the positions are at level 3.

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

*Other liabilities*
Fair value for liabilities, recorded at amortized cost, is determined using the discounted cash flow model adjusted for UniCredit credit risk.
The Credit Spread is determined using UCI's senior and subordinated risk curves.

## Description of the valuation technique

Specific valuation techniques are used to value positions for which a market price is not directly observable from market sources. The Company 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:

<u>Option Pricing Model</u>
Option model valuation techniques are generally used for instruments in which the holder has a contingent right or obligation based on the occurrence of a future event, such as the price of a referenced asset going above or below a predetermined strike price. Option models estimate the likelihood of the specified event occurring by incorporating assumptions such as volatility estimates, price of the underlying instrument and expected rate of return.

<u>Discounted cash flow</u>
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 flows.

<u>Hazard Rate Model</u>
The valuation of CDS instruments requires the knowledge of the entity's survival probability at future dates. The estimate of this probability curve uses the standard model for survival probabilities and requires as parameters the credit default swap market quotes on standard future dates in addition to the risk free curve and the expected recovery rate.
The hazard rate is part of the described process and it indicates the instantaneous probability of default at different future instants.

# Part A - Accounting Policies (Continued)

*Market Approach*
A valuation technique that uses prices generated by market transactions involving identical or comparable (i.e. similar) assets, liabilities or a group of assets and liabilities.

*Gordon Growth Model*
This is the model used to determine the intrinsic value of an equity investment, based on a series of future dividends which grow at a constant rate. Given a dividend to be paid in a specific year and the hypothesis that the dividend grows at a constant rate, the model computes the present value of future dividends.

*Dividend Discount Model*
This model is used to determine the value of an equity investment, based on the series of predicted future dividends. Given a dividend to be paid in a specific year and the hypothesis that the dividend grows at a constant rate, the model computes the fair value of an equity share as the sum of the present value of all future dividends.

*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 measure. Usually for funds classified as Level 3, NAV represents a risk free valuation, therefore in this case the NAV is adjusted so as to consider the issuer's default risk.

### Description of the inputs used to measure the fair value of items categorized in Level 2 and 3

Hereby a description of the main significant inputs used to measure the fair value of items categorized in Level 2 and 3 of the fair value hierarchy.

*Volatility*
Volatility is a measure for variation of price of a financial instrument over time. In particular, volatility measures the speed and severity of market price changes for an instrument, parameter or market index given how much the particular instrument, parameter or index changes in value over time, expressed as a percentage of relative change in price. The higher the volatility of the underlying, the riskier the instrument. In general, long option positions benefit from increases in volatility, whereas short option positions will suffer losses.
There are different types of volatility: volatility of interest rate, inflation volatility, volatility of foreign exchange and volatility of equity stocks, equity or other indices.

*Correlation*
Correlation is a measure of the relationship between the movements of two variables. When parameters are positively correlated, an increase in correlation results in a higher fair value measure. On the contrary, given a short correlation position, an increase in correlation, in isolation, would generally result in a decrease in a fair value measure. Therefore changes in correlation levels can have a major impact, favorable or unfavorable, on the fair value of an instrument, depending on the type of correlation.
Correlation is a pricing input for a derivative product where the payoff is driven by multiple underlying risks. The level of correlation used in the valuation of derivatives with multiple underlying risks depends on a number of factors including the nature of those risks.

*Dividends*
The derivation of a forward price for an individual stock or index is important both for measuring fair value for forward or swap contracts and for measuring fair value using option pricing models. The relationship between the current stock price and the forward price is based on a combination of expected future dividend levels and payment timings and, to a lesser extent, the relevant funding rates applicable to the stock in question. The dividend yield and timing represents the most significant parameter in determining fair value for instruments that are sensitive to an equity forward price.

*Interest rate curve*
The calculation of the interest rate curve is based on standard bootstrapping techniques relying on the set of quotes of appropriate financial instruments, for each currency.
Less liquid currencies interest curve refer to the rates in currencies for which doesn't exist a market liquidity in terms of tightness, depth and resiliency. The illiquidity of these input data impacts directly the valuation of securities or derivatives expressed in illiquid currencies.

*Inflation Swap rate*
The determination of forward levels for inflation indexes is based on swap quote over inflation indexes. Swap over inflation may present a low liquidity level whether there is no liquid market in terms of rigidity, deepness and resistance. The illiquidity of those inputs has an indirect impact on the valuation of a debt instrument linked to inflation (inflation-linked note) or in case of a derivative over inflation.

*Credit spreads*
Different valuation models, especially for credit derivatives require an input for the credit spread which reflects the credit quality of the associated credit name. The credit spread of a particular security is quoted in relation to the yield on a benchmark security or reference rate, typically either U.S. Treasury or LIBOR/EURIBOR and is generally expressed in terms of basis points. The ranges for credit spreads cover a variety of underlings (index and single names), regions, sectors, maturities and credit qualities (high-yield and investment-grade). The broad range of this population gives rise to the width of the ranges of unobservable inputs.

*Loss Given Default (LGD)/Recovery Rate*
LGD also known as loss severity (the inverse concept is the recovery rate) represents the percentage of contractual cash flows lost in the event of a default, expressed as the net amount of loss relative to the outstanding balance. An increase in the loss severity, in isolation, would result in a decrease in a fair value measure. Loss given default is facility-specific because such losses are generally understood to be influenced by key transaction characteristics such as the presence of collateral and the degree of subordination.

*Price*
Where market prices are not observable, comparison via proxy is used to measure a fair value.

*Prepayment Rate (PR)*
The PR is the estimated rate at which forecasted prepayments of principal of the related debt instrument are expected to occur. Voluntary unscheduled payments (prepayments) change the future cash flows for the investor and thereby change the fair value of the security.
In general as prepayment speeds change, the weighted average life of the security changes, which impacts the valuation either positively or negatively, depending upon the nature of the security and the direction of the change in the weighted average life.

*Probability of Default (PD)*
The probability of default is an estimate of the likelihood of not collecting contractual amounts. It provides an estimate of the likelihood that a client of a financial institution will be unable to meet its debt obligations over a particular time horizon. The PD of an obligor not only depends on the risk characteristics of that particular obligor but also the economic environment and the degree to which it affects the obligor.

*Early conversion*
The early conversion is the estimate of the probability that the liability would be converted into equity earlier than the terms stated.

*EBITDA*
EBITDA is an indicator of the current operating profitability of the business, that is the income generated by the use of the company's assets and the commercialization of the products manufactured.

*Ke*
The Ke (cost of capital) represents the minimum rate that the company has to offer to its shareholders as remuneration for the capital received.

*Growth rate*
It is the constant growth rate used for the future dividends estimate.

# Part A - Accounting Policies (CONTINUED)

**Quantitative information on significant unobservable inputs used in the fair value measurement: accounting portfolios measured at fair value categorized as Level 3**

The following table shows, for each product category, the amount of Assets and Liabilities measured at fair value and the range of variation of unobservable parameters, across the whole portfolio, as monitored by Risk Management functions.

(€ million)

| PRODUCT CATEGORIES | | | FAIR VALUE ASSETS | FAIR VALUE LIABILITIES | VALUATION TECHNIQUES | UNOBSERVABLE PARAMETERS | RANGE | |
|---|---|---|---|---|---|---|---|---|
| **Derivatives** | Financial | | | | | | | |
| | | Commodities | 13.72 | 11.08 | Discounted Cash Flows | Swap Rate (% of used value) | 70% | 130% |
| | | | | | Option Pricing Model | Volatility | 20% | 120% |
| | | | | | | Correlation | -100% | 100% |
| | | Foreign Exchange | 48.53 | 39.20 | Option Pricing Model | Volatility | 1% | 40% |
| | | | | | Discounted Cash Flows | Interest rate | 1 bps | 1000 bps |
| | | Interest Rate | 444.01 | 355.59 | Discounted Cash Flows | Swap Rate (bps) | 0 bps | 1000 bps |
| | | | | | | Inflation Swap Rate | 120 bps | 230 bps |
| | | | | | Option Pricing Model | Inflation Volatility | 1% | 10% |
| | | | | | | Interest Rate Volatility | 5% | 100% |
| | | | | | | Correlation | 20% | 100% |
| | Credit | | 0.00 | 0.00 | Hazard Rate Model | Credit Spread | 10bps | 150% |
| | | | | | | LGD | 5% | 95% |
| **Debt Securities and Loans** | | Corporate/ Government/Other | 133.88 | 0.00 | Market Approach | Price (% of used value) | 95% | 110% |
| | | Mortgage & Asset Backed Securities | 6.50 | 0.00 | Discounted Cash Flows | Credit Spread (% of used value) | 0bps | 30% |
| | | | | | | LGD | 25% | 100% |
| | | | | | | Default Rate | 1% | 12.0% |
| | | | | | | Prepayment Rate | 0% | 30% |
| **Equity Securities** | | Unlisted Equity & Holdings | 1,923.14 | 0.00 | Market Approach | Price (% of used value) | 0% | 100% |
| | | | | | Gordon Growth Model | Ke | 8.8% | 11.8% |
| | | | | | | Growth Rate | 2.5% | 3.5% |
| | | | | | Dividend Discount Model | Beta | 0.35 | 0.45 |
| | | | | | | Risk Premium | 5.5% | 6.5% |
| **Units in Investment Funds** | | Real Estate & Other Funds | 308.63 | 0.00 | Adjusted Nav | PD | 1% | 30% |
| | | | | | | LGD | 30% | 40% |

Unlisted equity securities classified as Level 3 and valued using a model include the shareholdings in the Bank of Italy (worth €1,659 million as at December 31, 2014 - unchanged over the previous period); for further information see Part B - Section 4 - Available-for-sale financial assets - Item 40.

## A.4.2 Valuations processes and sensitivities

The Company verifies that the value attributed to each 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 the measurements are classified as Level 1, Level 2 or Level 3 of the fair value hierarchy.

When a financial instrument, measured at fair value, is valued through the use of one or more significant inputs not directly observable on the market, a further procedure for the price verification 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. This approach uses subjective opinions and judgments based on experience and, therefore, it could require valuation adjustments which take into account the bid/ask spread, liquidity and counterparty risk, in addition to the valuation model type adopted.

According to Group Market Risk Governance guidelines, in order to ensure the right separateness of the functions in charge of the model development and those in charge of the validation processes, all valuation models developed by Group companies' front offices are independently tested centrally and validated by the Group Internal Validation functions. The aim of this independent control structure is of evaluating the model risk from a theoretical solidity, calibration techniques eventually applied 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 with the aim of guaranteeing a fair value which is independent from Market Risk perspective for all illiquid instruments.

### Fair value sensitivity to variations in unobservable input used in the fair value computation for instruments categorized as Level 3

The direction of sensitivity for instruments categorized at level 3 of fair value hierarchy to variations in significant unobservable inputs is supplied in the following table. For fair value computations where significant unobservable input are employed (Level 3), the sensitivity analysis is performed using a range of reasonable alternatives for the unobservable parameters.

The Company takes into account that the impact of unobservable inputs in the fair value computation of level 3 financial instruments, depends on the correlation among different inputs used in the valuation technique. Furthermore, the effect of unobservable input variation has an impact on the amount and the direction of fair value measurement, also according to the instrument nature and sign.

(€ million)

| PRODUCT CATEGORIES | | | FAIR VALUE MOVEMENTS GIVEN REASONABLE POSSIBLE ALTERNATIVES | |
|---|---|---|---|---|
| **Derivatives** | | | | |
| | Financial | | | |
| | | Commodities | +/- | 0.49 |
| | | Foreign Exchange | +/- | 1.73 |
| | | Interest Rate | +/- | 7.96 |
| | Credit | | +/- | - |
| **Debt Securities and Loans** | | Corporate/ Government/Other | +/- | 1.75 |
| | | Mortgage & Asset Backed Securities | +/- | 0.00 |
| **Equity Securities** | | | | |
| | | Unlisted Equity & Holdings | +/- | 368.43 |
| **Units in investment funds** | | | | |
| | | Real Estate & Other Funds | +/- | 5.51 |

## A.4.3 Fair value hierarchy

The IFRS 13 principle establishes a fair value hierarchy according to the observability of the input used in the valuation techniques adopted for valuations.

The fair value hierarchy level associated to assets and liabilities is set as the minimum level among all significant valuation inputs used.
A valuation input is not considered significant for the fair value of an instrument if the remaining inputs are able to explain the major part of the fair value variance itself over a period of three months.
In some specific cases, the significance limit is assessed in relation to the fair value of the instrument at the measurement date.

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 inputs on active markets;
- level 3: fair value for instruments classified within this level is determined according to the valuation models which prevalently use significant unobservable input on active markets.

Financial instruments are classified to a certain fair value level according to the observability of the input used for the valuation.

**Level 1 (quoted prices in active markets):** quoted prices (unadjusted) in active markets are available for identical assets or liabilities that the entity has the ability to access at the measurement date. An active market is a market in which orderly transactions for the asset or liability take place with sufficient frequency and volume for pricing information to be provided on an on-going basis (e.g. MTS market about prices for most of the government bonds therein traded).

**Level 2 (observable inputs):** inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Inputs are observable if they are developed on the basis of publicly available information about actual events or transactions and reflect the assumptions that market participants would use when pricing the asset or liability.

**Level 3 (unobservable inputs):** inputs other than the ones included in level 1 and level 2, not directly observable on the market for the evaluation of asset and liability, or used for the definition of significant adjustments to fair value. Unobservable inputs shall reflect the assumptions that market participants would use when pricing the asset or liability, including assumptions about risk.

# Part A - Accounting Policies (Continued)

When fair value is measured directly taking into consideration an observable price and quoted on an active market, the hierarchy attribution process will assign Level 1. When fair value has to be measured either via Comparable approach or via Mark-to-Model approach, the hierarchy attribution process will assign Level 2 or Level 3, depending on the observability of all the significant input parameters.

Within the choice among various valuation techniques the Group employs the one which maximizes the use of observable inputs.

***Transfers between hierarchy levels***

The main drivers to transfers in and out the FV levels (both between L1 and L2 and in/out L3) include changes in market conditions (among which liquidity parameter) and enhancements to valuation techniques and weights for unobservable inputs used for the valuation itself.

Quantitative and qualitative details about transfers between FV levels occurred in the period is presented in Part A.4.5 - Fair Value Hierarchy.

## A.4.4 Other information

The Company uses the IFRS 13 exception for fair value measurements on a net basis with reference to financial assets and liabilities with offsetting positions of market risk or counterparty credit risk.

## QUANTITATIVE INFORMATION

## A.4.5 Fair value hierarchy

The following tables presents the portfolios breakdown in terms of (i) financial assets and liabilities valued at fair value as well as (ii) assets and liabilities not measured at fair value or measured at fair value on a non recurring basis, according to the above mentioned levels.

### A.4.5.1 Assets and liabilities measured at fair value on recurring basis: fair value levels breakdown

**A.4.5.1 - Accounting portfolios - breakdown by fair value levels**

| FINANCIAL ASSETS/LIABILITIES CARRIED AT FAIR VALUE | 12.31.2014 | | | 12.31.2013 | | |
|---|---|---|---|---|---|---|
| | L1 | L2 | L3 | L1 | L2 | L3 |
| 1. Financial assets held for Trading | 6,325,205 | 9,339,822 | 500,862 | 3,913,351 | 7,999,799 | 340,369 |
| 2. Financial assets at fair value through P&L | 1,102 | 353,958 | 40,442 | 1,081 | 352,687 | 35,430 |
| 3. Available for sale financial assets | 52,470,534 | 490,827 | 2,331,623 | 39,775,500 | 406,838 | 2,193,468 |
| 4. Hedging derivative assets | - | 7,836,659 | 5,478 | - | 5,389,230 | - |
| 5. Property, plant and equipment | - | - | - | - | - | - |
| 6. Intangibles assets | - | - | - | - | - | - |
| **Total** | **58,796,841** | **18,021,266** | **2,878,405** | **43,689,932** | **14,148,554** | **2,569,267** |
| 1. Financial liabilities held for Trading | 3,466,922 | 9,148,992 | 404,558 | 2,264,701 | 8,085,594 | 453,707 |
| 2. Financial liabilities at fair value through P&L | - | - | - | - | - | - |
| 3. Hedging derivative Liabilities | - | 7,604,810 | 1,318 | - | 5,797,092 | 56 |
| **Total** | **3,466,922** | **16,753,802** | **405,876** | **2,264,701** | **13,882,686** | **453,763** |

**Legenda:**
L1 = Level 1
L2 = Level 2
L3 = Level 3

The increase in Level 1 financial assets held for trading is attributable to the start of primary dealer and market maker transaction on government bond formerly carried out by the subsidiary UniCredit Bank AG through its Milan branch.

Available-for-sale Financial Assets increased due to the growth in investments in Italian government bonds (Level 1).

Transfers between level of fair value occurring between December 31, 2013 and December 31, 2014 mainly reflect the evolution of market of reference in the period and the enhancement of processes for fair value level.

The sub-item 3. Available-for-sale financial assets at level 3 as of December 31, 2014, does not include €432 million measured at cost (€576 million as of December 31, 2013). Comparative amounts have been restated accordingly.

Other than the transfers relating to the financial assets and liabilities measured at level 3, detailed in the sections below, there were no significant transfers between levels 1 and 2 during the year.
It is noted that, during 2014, debt securities classified under available-for-sale financial assets for an amount of around €91 million were transferred from level 1 to level 2.

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

| | HELD FOR TRADING | AT FAIR VALUE TROUGHT P&L | AVAILABLE FOR SALE | HEDGING DERIVATIVES | PROPERTY, PLANT AND EQUIPMENT | INTANGIBLES ASSETS |
|---|---|---|---|---|---|---|
| **1.Opening balances** | **340,369** | **35,430** | **2,193,468** | **-** | **-** | **-** |
| **2. Increases** | **422,308** | **5,012** | **354,758** | **5,478** | **-** | **-** |
| 2.1 Purchases | 124,468 | 2,971 | 153,295 | - | - | - |
| 2.2 Recognized profits | 297,769 | 2,041 | 72,012 | 5,478 | - | - |
| 2.2.1 Income Statement | 297,769 | 2,041 | 60,803 | 5,478 | - | - |
| *- of which Unrealized gains* | *214,911* | *2,041* | *32,080* | *5,478* | - | - |
| 2.2.2 Equity | X | X | 11,209 | - | - | - |
| 2.3 Transfer from other levels | 68 | - | 114,795 | - | - | - |
| 2.4 Other increases | 3 | - | 14,656 | - | - | - |
| **3. Decreases** | **261,815** | **-** | **216,603** | **-** | **-** | **-** |
| 3.1 Sales | 3,303 | - | 109,820 | - | - | - |
| 3.2 Redemptions | 181,044 | - | 10,453 | - | - | - |
| 3.3 Recognized losses: | 77,468 | - | 33,289 | - | - | - |
| 3.3.1 Income Statement: | 77,468 | - | 23,816 | - | - | - |
| *- of which Unrealized losses* | *77,468* | - | *23,450* | - | - | - |
| 3.3.2 Equity | X | X | 9,473 | - | - | - |
| 3.4 Transfer to other levels | - | - | 24,948 | - | - | - |
| 3.5 Other decreases | - | - | 38,093 | - | - | - |
| **4. Closing balances** | **500,862** | **40,442** | **2,331,623** | **5,478** | **-** | **-** |

The sub-category 2 increases and 3 decreases in financial assets are included in the 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-category 2.2 gains and the sub-category 3.3 losses on fair value on financial assets and liabilities available for sale are accounted in item 130. “Revaluation reserves” of shareholder’s equity - with the exception of impairment and gains and losses on exchange rates on monetary assets (liabilities) which are reported respectively within item 130. b) “Impairment losses on available-for-sale financial assets” and item 80. “Gains and losses on financial assets and liabilities held for trading” until the financial asset is not sold, instant in which cumulative gains and losses are reported at Profit & loss at item 100. b) “Gains and losses on financial assets and liabilities available for sale”.

Transfers between level of fair value occurring between December 31, 2013 and December 31, 2014 mainly reflect the evolution of market of reference in the period and the enhancement of processes for fair value level attribution.

# Part A - Accounting Policies (Continued)

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

| | HELD FOR TRADING | AT FAIR VALUE TROUGHT P&L | HEDGING DERIVATIVES |
|---|---|---|---|
| **1.Opening balances** | **453,707** | **-** | **56** |
| **2. Increases** | **418,825** | **-** | **1,289** |
| 2.1 Issuance | 1,429 | - | - |
| 2.2 Losses recognized in: | 417,396 | - | 1,289 |
| 2.2.1 Income Statement | 417,396 | - | 1,289 |
| *- of which Unrealized losses* | *215,428* | - | *1,275* |
| 2.2.2 Equity | X | X | - |
| 2.3 Transfer from other levels | - | - | - |
| 2.4 Other increases | - | - | - |
| **3. Decreases** | **467,974** | **-** | **27** |
| 3.1 Redemptions | 201,967 | - | 14 |
| 3.2 Purchases | - | - | - |
| 3.3 Profits recognized in: | 266,007 | - | 13 |
| 3.3.1 Income Statement | 266,007 | - | 13 |
| *- of which Unrealized gains* | *266,007* | - | *13* |
| 3.3.2 Equity | X | X | - |
| 3.4 Transfer to other levels | - | - | - |
| 3.5 Other decreases | - | - | - |
| **4. Closing balances** | **404,558** | **-** | **1,318** |

The sub-category 2 increases and 3 decreases in financial liabilities are included in the 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.

Transfers between level of fair value occurring between December 31, 2013 and December 31, 2014 mainly reflect the evolution of market of reference in the period and the enhancement of processes for fair value level attribution.

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

| ASSETS/LIABILITIES NOT MEASURED AT FAIR VALUE OR MEASURED AT FAIR VALUE ON A NON-RECURRING BASIS | 12.31.2014 | | | | 12.31.2013 | | | |
|---|---|---|---|---|---|---|---|---|
| | BV | L1 | L2 | L3 | BV | L1 | L2 | L3 |
| 1. Held-to-maturity investments | 1,565,887 | 845,077 | 746,354 | - | 3,025,401 | 3,028,467 | - | - |
| 2. Loans and receivables with banks | 21,865,747 | - | 15,854,096 | 6,142,234 | 21,868,523 | - | 11,992,136 | 9,971,254 |
| 3. Loans and receivables with customers | 220,649,120 | - | 100,557,127 | 128,654,868 | 231,171,220 | - | 94,244,013 | 140,041,901 |
| 4. Property, plant and equipment held for investment | 899,063 | - | - | 1,115,880 | 1,116,129 | - | - | 1,270,206 |
| 5. Non-current assets and disposal groups classified as held for sale | 55,232 | - | 24,949 | 22,197 | 368,228 | - | 165,175 | - |
| **Total** | **245,035,049** | **845,077** | **117,182,526** | **135,935,179** | **257,549,501** | **3,028,467** | **106,401,324** | **151,283,361** |
| 1. Deposits from banks | 31,703,100 | - | 24,996,164 | 6,558,001 | 47,378,697 | - | 30,880,813 | 16,310,949 |
| 2. Deposits from customers | 167,989,749 | - | 42,361,094 | 125,334,366 | 150,839,833 | - | 35,482,637 | 114,648,769 |
| 3. Debt securities in issue | 114,109,333 | 42,446,892 | 72,812,960 | 3,674,747 | 119,910,885 | 46,513,462 | 73,607,381 | 1,978,896 |
| 4. Liabilities included in disposal groups classified as held for sale | - | - | - | - | - | - | - | - |
| **Total** | **313,802,182** | **42,446,892** | **140,170,218** | **135,567,114** | **318,129,415** | **46,513,462** | **139,970,831** | **132,938,614** |

**Legend:**
BV=Book Value
L1 = Level 1
L2 = Level 2
L3 = Level 3

Between December 31, 2013 and December 31, 2014 changes in the ratio between fair value and book value for loans and receivables to banks and customers reflect the enhancement of the assumptions and the parameters adopted for the fair value calculation for disclosure and are mainly attributable to the reduction in short-term and medium/long-term benchmark rates observable in financial markets, as well as the reduction in the risk premium requested by the market and the refinement of the methods for calculating the value of collateral.

The changes in the breakdown of the fair value levels of loans and deposits with banks and customers between December 31, 2013 and December 31, 2014 mainly reflect the refinement of the measurement methods, which are now more oriented towards the use of market parameters.

Sub item 5. Non-current assets and disposal groups classified as held for sale contains also €8 million measured at cost.

# Part A - Accounting Policies (Continued)

## A.5 Information on “day one profit/loss”

The value at which financial instruments are recognized is equal to their fair value on the same date.

The fair value of financial instruments, other than those designated at fair value through profit or loss, at their recognition date is usually assumed to be equal to the amount collected or paid.

For financial instruments held for trading (see sections 1 and 14 of Part A.2 above) and instruments designated at fair value (see sections 5 and 15 of Part A.2 above), any difference from the amount collected or paid is posted under the appropriate items of the income statement.

The use of conservative valuation models, the processes described above for revising the models used and related parameters and value adjustments to reflect model risk ensure that the amount recognized in the income statement is not derived from the use of valuation parameters that cannot be observed.

More specifically, the calculation of fair value adjustments to reflect model risk ensures that the fair value portion of these instruments relating to the use of subjective parameters is not recognized in the profit and loss account, but changes the balance sheet value of these instruments.

Recognition of this portion in the profit and loss account is then made only when objective parameters are applied and therefore the adjustments are derecognized.

At December 31, 2014, there were no value adjustments to reflect model risk (amount not recognized though profit or loss) whereas at December 31, 2013 these amounted to €18,744 thousand.

# Part B - Balance Sheet


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# Part B - Balance Sheet (Amounts in thousands of €)

## Assets

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

**1.1 Cash and cash balances: breakdown**

| | AMOUNTS AS AT | |
|---|---|---|
| | 12.31.2014 | 12.31.2013 |
| a) Cash | 1,615,331 | 1,763,590 |
| b) Demand deposits with Central banks | 709,614 | 1,462,959 |
| **Total** | **2,324,945** | **3,226,549** |

The change in the item “Demand deposits with Central Banks” is mainly attributable to the decrease in cash invested by foreign branches with local central banks.

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

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

| | AMOUNTS AS AT | | | | | |
|---|---|---|---|---|---|---|
| | 12.31.2014 | | | 12.31.2013 | | |
| ITEM/VALUES | LEVEL 1 | LEVEL 2 | LEVEL 3 | LEVEL 1 | LEVEL 2 | LEVEL 3 |
| **A) Financial assets (non-derivatives)** | | | | | | |
| **1. Debt securities** | **6,321,634** | **76** | **82** | **3,909,882** | **82** | **-** |
| 1.1 structured securities | - | 6 | 2 | 2 | 1 | - |
| 1.2 other debt securities | 6,321,634 | 70 | 80 | 3,909,880 | 81 | - |
| **2. Equity instruments** | **31** | **-** | **-** | **33** | **-** | **-** |
| **3. Units in investment funds** | **-** | **-** | **-** | **-** | **-** | **-** |
| **4. Loans** | **-** | **-** | **-** | **-** | **-** | **-** |
| 4.1 reverse repos | - | - | - | - | - | - |
| 4.2 other | - | - | - | - | - | - |
| **Total (A)** | **6,321,665** | **76** | **82** | **3,909,915** | **82** | **-** |
| **B) Derivative instruments** | | | | | | |
| **1. Financial derivatives** | **3,540** | **9,339,746** | **500,780** | **3,436** | **7,999,717** | **340,314** |
| 1.1 trading | 3,540 | 8,982,357 | 409,656 | 3,436 | 7,728,206 | 259,558 |
| 1.2 related to fair value option | - | - | - | - | - | - |
| 1.3 other | - | 357,389 | 91,124 | - | 271,511 | 80,756 |
| **2. Credit derivatives** | **-** | **-** | **-** | **-** | **-** | **55** |
| 2.1 trading | - | - | - | - | - | - |
| 2.2 related to fair value option | - | - | - | - | - | - |
| 2.3 other | - | - | - | - | - | 55 |
| **Total (B)** | **3,540** | **9,339,746** | **500,780** | **3,436** | **7,999,717** | **340,369** |
| **Total (A+B)** | **6,325,205** | **9,339,822** | **500,862** | **3,913,351** | **7,999,799** | **340,369** |
| | | | | | | |
| **Total Level 1, Level 2 and Level 3** | | | **16,165,889** | | | **12,253,519** |

The change in “On-balance sheet assets: debt securities” derives from the increase in primary dealer and market maker transactions on government bonds (“Markets” transactions) over the last year, formerly carried out solely by the subsidiary UniCredit Bank AG through its Milan branch.

“Financial derivatives: other” comprises: (i) derivatives embedded in structured financial instruments, where the host has been classified in a category other than held-for-trading or fair value option and (ii) derivatives that, for economic purposes, are related to banking book entries.

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

| ITEM/VALUES | AMOUNTS AS AT 12.31.2014 | AMOUNTS AS AT 12.31.2013 |
|---|---|---|
| **A. Financial assets (non-derivatives)** | | |
| **1. Debt securities** | **6,321,792** | **3,909,964** |
| a) Governments and Central Banks | 6,321,637 | 3,909,825 |
| b) Other public-sector entities | - | - |
| c) Banks | 144 | 135 |
| d) Other issuers | 11 | 4 |
| **2. Equity instruments** | **31** | **33** |
| a) Banks | - | - |
| b) Other issuers: | 31 | 33 |
| - *insurance companies* | - | - |
| - *financial companies* | - | - |
| - *non-financial companies* | *31* | *33* |
| - *other* | - | - |
| **3. Units in investment funds** | **-** | **-** |
| **4. Loans** | **-** | **-** |
| a) Governments and Central Banks | - | - |
| b) Other public-sector entities | - | - |
| c) Banks | - | - |
| d) Other issuers | - | - |
| **Total A** | **6,321,823** | **3,909,997** |
| **B. Derivative instruments** | | |
| a) Banks | 5,271,180 | 4,942,491 |
| b) Customers | 4,572,886 | 3,401,031 |
| **Total B** | **9,844,066** | **8,343,522** |
| **Total (A+B)** | **16,165,889** | **12,253,519** |

## 2.3 Financial assets held for trading: annual changes

| | CHANGES IN 2014 DEBT SECURITIES | EQUITY INSTRUMENTS | UNITS IN INVESTMENT FUNDS | LOANS | TOTAL |
|---|---|---|---|---|---|
| **A. Opening balance** | **3,909,964** | **33** | **-** | **-** | **3,909,997** |
| **B. Increases** | **290,686,168** | **39,073** | **40,571** | **-** | **290,765,812** |
| B.1 Purchases | 286,881,406 | 39,045 | 40,530 | - | 286,960,981 |
| B.2 Positive changes in fair value | 24,592 | - | - | - | 24,592 |
| B.3 Other changes | 3,780,170 | 28 | 41 | - | 3,780,239 |
| **C. Decreases** | **288,274,340** | **39,075** | **40,571** | **-** | **288,353,986** |
| C.1 Sales | 285,390,215 | 38,911 | 40,571 | - | 285,469,697 |
| C.2 Redemptions | 375,881 | - | - | - | 375,881 |
| C.3 Negative changes in fair value | 32,481 | 1 | - | - | 32,482 |
| C.4 Tranfers to other portfolios | - | - | - | - | - |
| C.5 Other changes | 2,475,763 | 163 | - | - | 2,475,926 |
| **D. Closing balance** | **6,321,792** | **31** | **-** | **-** | **6,321,823** |

# Part B - Balance Sheet - Assets (Continued)

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

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

| ITEM/VALUES | AMOUNTS AS AT | | | | | |
|---|---|---|---|---|---|---|
| | 12.31.2014 | | | 12.31.2013 | | |
| | LEVEL 1 | LEVEL 2 | LEVEL 3 | LEVEL 1 | LEVEL 2 | LEVEL 3 |
| **A) Financial assets (non-derivatives)** | **1,102** | **54,866** | **3,349** | **1,081** | **1** | **-** |
| 1.1 Structured securities | - | 1 | - | - | - | - |
| 1.2 Other debt securities | 1,102 | 54,865 | 3,349 | 1,081 | 1 | - |
| **2. Equity instruments** | **-** | **-** | **37,093** | **-** | **-** | **35,430** |
| **3.Units in investment funds** | **-** | **299,092** | **-** | **-** | **352,686** | **-** |
| **4. Loans** | **-** | **-** | **-** | **-** | **-** | **-** |
| 4.1 Structured | - | - | - | - | - | - |
| 4.2 Other | - | - | - | - | - | - |
| **Total** | **1,102** | **353,958** | **40,442** | **1,081** | **352,687** | **35,430** |
| | | | | | | |
| **Total Level 1, Level 2 and Level 3** | | | **395,502** | | | **389,198** |

The item “Units in investment funds” includes the units of Pioneer funds classified at level 2 since 2013, as a result of the change to the classification criteria of fair value with the first-time adoption of IFRS 13.

In 2014, some securities convertible into shares of the issuer, whose fair values are qualified as “level 2”, were acquired and classified under the fair value option among other debt securities.

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

| ITEMS/VALUE | AMOUNTS AS AT | |
|---|---|---|
| | 12.31.2014 | 12.31.2013 |
| **1. Debt securities** | **59,317** | **1,082** |
| a) Governments and central banks | 1,103 | 1,080 |
| b) Other public-sector entities | - | - |
| c) Banks | 2 | 2 |
| d) Other issuers | 58,212 | - |
| **2. Equity instruments** | **37,093** | **35,430** |
| a) Banks | 3 | - |
| b) Other issuers: | 37,090 | 35,430 |
| - insurance companies | - | - |
| - financial companies | - | - |
| - non-financial companies | 37,090 | 35,430 |
| - other | - | - |
| **3. Units in investment funds** | **299,092** | **352,686** |
| **4. Loans** | **-** | **-** |
| a) Governments and central banks | - | - |
| b) Other public-sector entities | - | - |
| c) Banks | - | - |
| d) Other entities | - | - |
| **Total** | **395,502** | **389,198** |

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

| | CHANGES IN 2014 | | | | |
|---|---|---|---|---|---|
| | DEBT SECURITIES | EQUITY INSTRUMENTS | UNITS IN INVESTMENT FUNDS | LOANS | TOTAL |
| **A. Opening balance** | **1,082** | **35,430** | **352,686** | **-** | **389,198** |
| **B. Increases** | **75,785** | **1,663** | **30,117** | **-** | **107,565** |
| B.1 Purchases | 67,725 | - | - | - | 67,725 |
| B.2 Positive changes in fair value | 400 | 1,663 | 17,839 | - | 19,902 |
| B.3 Other increases | 7,660 | - | 12,278 | - | 19,938 |
| **C. Decreases** | **17,550** | **-** | **83,711** | **-** | **101,261** |
| C.1 Sales | 4,557 | - | 80,000 | - | 84,557 |
| C.2 Redemptions | 1 | - | - | - | 1 |
| C.3 Negative changes in fair value | 10,266 | - | 3,711 | - | 13,977 |
| C.4 Other decreases | 2,726 | - | - | - | 2,726 |
| **D. Closing balance** | **59,317** | **37,093** | **299,092** | **-** | **395,502** |

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

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

| | CONSISTENZE AL | | | | | |
|---|---|---|---|---|---|---|
| | 12.31.2014 | | | 12.31.2013 | | |
| ITEM/VALUES | LEVEL 1 | LEVEL 2 | LEVEL 3 | LEVEL 1 | LEVEL 2 | LEVEL 3 |
| **A) Financial assets (non-derivatives)** | **52,399,704** | **435,120** | **136,950** | **39,630,565** | **403,071** | **36,096** |
| 1.1 Structured securities | - | - | - | - | - | - |
| 1.2 Other | 52,399,704 | 435,120 | 136,950 | 39,630,565 | 403,071 | 36,096 |
| **2. Equity instruments** | **65,022** | **30,724** | **2,079,789** | **139,171** | **3,616** | **2,219,558** |
| 2.1 Measured at fair value | 65,022 | 30,724 | 1,886,045 | 139,171 | 3,616 | 1,863,553 |
| 2.2 Carried at cost | - | - | 193,744 | - | - | 356,005 |
| **3. Units in investment funds** | **5,808** | **24,983** | **546,923** | **5,764** | **151** | **513,983** |
| **4. Loans** | **-** | **-** | **-** | **-** | **-** | **-** |
| **Total** | **52,470,534** | **490,827** | **2,763,662** | **39,775,500** | **406,838** | **2,769,637** |
| | | | | | | |
| **Total Level 1, Level 2 and Level 3** | | | **55,725,023** | | | **42,951,975** |

Available-for-sale financial assets amounted to €55,725 million at December 31, 2014, up by 30% (+€12,773 million) over December 31, 2013 (€42,952 million).

This increase is attributable to the following:
- the changes in investments in debt securities, which increased from €40,070 million at the end of 2013 to €52,972 million at the end of 2014, mainly relating to the increase in value and volumes of investments in sovereign instruments (for more details, see Section E - Information on Sovereign Exposures).
- the changes in investments in equity instruments, which increased from €2,362 million at the end of 2013 to €2,175 million at the end of 2014, mainly attributable to equity investments following the sale of Atlantia (-€91 million), the impairment losses on Istituto per il Credito Sportivo (-€71 million) and Alitalia (-€50 million), the acquisition of ERG Renew (+€50 million) and the reclassification of SIA following the loss of significant influence over the investee (+€27 million).

During 2014, Government Bonds strategic investments have been increased, as also stated in the following tables.

Fair value measurements have been classified according to a hierarchy of levels reflecting the significance of the valuations input. For further information see Part A - Accounting Policies - A.4 Information on fair value.

# Part B - Balance Sheet - Assets (Continued)

## Information about the shareholding in the Bank of Italy

UniCredit S.p.A. holds 22.114% of the Share Capital of Bank of Italy, recognized under the Balance Sheet Item 40 - Available-for-sale financial assets.

Pursuant to Law no. 5 of January 29, 2014, the Bank of Italy carried out a capital increase of Euro 7.5 billion (using pre-existing reserves), through the issue of new shares to replace the existing shares (which were canceled). Following this transaction, the difference between the fair value of the initial recognition of the new shares (Euro 1,659 million) and the carrying amount of the former canceled shares (Euro 285 million) was recognized through profit or loss in 2013 (Item 100 - Gains on disposal of available-for-sale financial assets). This resulted in a positive effect on the profit for the year 2013 of € 1,190 million (net of Euro 184 million of taxes). This accounting treatment was examined by the IFRS Interpretation Committee, which decided that since the issue related to circumstances that were unique, it was not of general interest, and since it had caused differences in the accounting approach in the financial statements of the companies involved (prepared on the basis of the same interpretation), it would not be the subject of a technical decision. The taxes had been determined using the 12% tax rate, as set by the Stability Law of December 27, 2013; the transaction did not have any impact on Regulatory Capital at December 31, 2013.

Law Decree No. 66 of April 24, 2014, converted into Law no. 89/2014, established an increase of the tax rate, to be applied at the higher value of the new shares of the Bank of Italy (from 12% to 26%), thus resulting in an increase in costs of Euro 215 million recorded under item Taxes in the income statement for the first half of 2014.

In order to facilitate the balanced distribution of shares between shareholders, the new Bylaws of the Bank of Italy - in force from December 2013 - introduced a limit of 3% for the holding of shares in the capital of the Bank of Italy, establishing that no voting rights or dividend rights would be attached to excess shares, and that there would be an adjustment period (within which to dispose of any surplus shares) of no more than 36 months, during which the excess shares would not have voting rights but would have dividend rights. Although the reform has laid the basis for removing the previous situation of immobilization, as things stand, the Bank of Italy has not made any commitment to the repurchase or intermediate the excess shares, the operating procedures and the conditions for such repurchase have not yet been defined, and initiatives aimed at creating transactions are still at the initial study phase.

At December 31, 2014, investments in the Bank of Italy were measured at fair value, using a fundamentally level 3 measurement process, which confirmed a book value in line with the values of the previous year, without therefore resulting in any measurement impacts in 2014.
The measurement, based on a long-term dividend discount model adjusted by a liquidity discount appropriate to reflect a limited circulation of shares, also takes into account the value at which the capital increase was carried out, which in turn reflects the outcome of the measurement process carried out last November 2013 by the committee of high-level experts on behalf of the Bank of Italy.

As is the case for all measurements of unlisted securities performed using models and non-observable variables, there is a certain level of uncertainty and professional judgment. In addition, in the specific case of the investment in question, the establishment of trading in the shares, in the coming months, qualifies as a factor of uncertainty for the determination of fair value and its sustainability in the near future.

With regard to the regulatory treatment in 2014 (effects on regulatory capital and capital ratios):
- the value of the investment measured at fair value in the balance sheet, is applied a weighting of 100% (in accordance with Article 133 “Exposures in Equity Instruments” of the CRR);
- the revaluation recognized through profit or loss at December 31, 2013 is not subject to the filter.

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

| ITEMS/VALUES | AMOUNTS AS AT 12.31.2014 | AMOUNTS AS AT 12.31.2013 |
|---|---|---|
| **1. Debt securities** | **52,971,774** | **40,069,732** |
| a) Governments and central banks | 46,699,336 | 34,373,548 |
| b) Other public-sector entities | 223,615 | 11 |
| c) Banks | 4,951,866 | 4,260,853 |
| d) Other issuers | 1,096,957 | 1,435,320 |
| **2. Equity instruments** | **2,175,535** | **2,362,345** |
| a) Banks | 1,831,354 | 1,898,502 |
| b) Other issuers: | 344,181 | 463,843 |
| *- insurance companies* | *2,486* | *2,486* |
| *- financial companies* | *101,136* | *127,704* |
| *- non-financial companies* | *240,559* | *333,653* |
| *- other* | - | - |
| **3. Units in investment funds** | **577,714** | **519,898** |
| **4. Loans** | **-** | **-** |
| a) Governments and central banks | - | - |
| b) Other public-sector entities | - | - |
| c) Banks | - | - |
| d) Other entities | - | - |
| **Total** | **55,725,023** | **42,951,975** |

Equity instruments issued by borrowers with exposures classified as non-performing are equal to €8,880 thousand.

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

| ITEMS/VALUES | AMOUNTS AS AT 12.31.2014 | 12.31.2013 |
|---|---|---|
| **1. Financial assets subject to micro-hedging of fair value** | **46,065,708** | **35,736,508** |
| a) interest rate risk | 46,065,708 | 35,736,508 |
| b) price risk | - | - |
| c) currency risk | - | - |
| d) credit risk | - | - |
| e) multiple risks | - | - |
| **2. Financial assets subject to micro-hedging of cash flows** | **-** | **-** |
| a) interest rate risk | - | - |
| b) currency risk | - | - |
| c) other | - | - |
| **Total** | **46,065,708** | **35,736,508** |

### 4.4 Available-for-sale financial assets: annual changes

| | CHANGES IN 2014 | | | | |
|---|---|---|---|---|---|
| | DEBT SECURITIES | EQUITY INSTRUMENTS | UNITS IN INVESTMENT FUNDS | LOANS | TOTAL |
| **A. Opening balance** | **40,069,732** | **2,362,345** | **519,898** | **-** | **42,951,975** |
| **B. Increases** | **29,413,385** | **404,623** | **146,796** | **-** | **29,964,804** |
| B.1 Purchases | 25,824,707 | 241,614 | 142,925 | - | 26,209,246 |
| B.2 Positive changes in fair value | 1,757,607 | 9,271 | 1,736 | - | 1,768,614 |
| B.3 Write-backs | - | - | - | - | - |
| *- through profit or loss* | - | *X* | - | - | - |
| *- in equity* | - | - | - | - | - |
| B.4 Transfers from other portfolios | - | - | - | - | - |
| B.5 Other changes | 1,831,071 | 153,738 | 2,135 | - | 1,986,944 |
| **C. Decreases** | **16,511,343** | **591,433** | **88,980** | **-** | **17,191,756** |
| C.1 Sales | 13,639,888 | 231,325 | 45,038 | - | 13,916,251 |
| C.2 Redemptions | 677,718 | - | 9,053 | - | 686,771 |
| C.3 Negative changes in fair value | 72,181 | 11,721 | 1,452 | - | 85,354 |
| C.4 Impairment | - | 207,173 | 32,455 | - | 239,628 |
| *- through profit or loss* | - | *207,173* | *32,455* | - | *239,628* |
| *- in equity* | - | - | - | - | - |
| C.5 Transfers to other portfolios | - | - | - | - | - |
| C.6 Other changes | 2,121,556 | 141,214 | 982 | - | 2,263,752 |
| **D. Closing balance** | **52,971,774** | **2,175,535** | **577,714** | **-** | **55,725,023** |

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

### 5.1 Held-to-maturity investments: product breakdown

| | AMOUNTS AS AT | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 12.31.2014 | | | | 12.31.2013 | | | |
| | | FAIR VALUE | | | | FAIR VALUE | | |
| | BOOK VALUE | LEVEL 1 | LEVEL 2 | LEVEL 3 | BOOK VALUE | LEVEL 1 | LEVEL 2 | LEVEL 3 |
| **1. Debt securities** | **1,565,887** | **845,077** | **746,354** | **-** | **3,025,401** | **3,028,467** | **-** | **-** |
| - Structured securities | - | - | - | - | - | - | - | - |
| - Other securities | 1,565,887 | 845,077 | 746,354 | - | 3,025,401 | 3,028,467 | - | - |
| **2. Loans** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| **Total** | **1,565,887** | **845,077** | **746,354** | **-** | **3,025,401** | **3,028,467** | **-** | **-** |
| **Total Level 1, Level 2 and Level 3** | | | | **1,591,431** | | | | **3,028,467** |

# Part B - Balance Sheet - Assets (Continued)

The held-to-maturity investments are represented by Italian government bonds.

The reduction in the portfolio was due to the expiry of some of these bonds during the financial year.

The increase in level 2 fair value for the sub-item "Debt securities - Other" was due to an Italian government bond, which, based on the measurement method adopted, was less liquid in 2014 than in 2013 and consequently moved from the previous level 1 to level 2.

In order to represent the fair value hierarchy in accordance with IFRS 13, the bonds are classified at level 1 and 2 of the fair value hierarchy, depending on the liquidity of the reference market.

Valuations at fair value were classified according to a hierarchy of levels reflecting the significance of the valuations input for market disclosure purposes only.

For further information see Part A - Accounting Policies - A.4 Information on fair value.

### 5.2 Held-to-maturity investments: breakdown by issuer/borrower

| | AMOUNTS AS AT | |
|---|---|---|
| TYPE OPERATIONS/VALUES | 12.31.2014 | 12.31.2013 |
| **1. Debt securities** | **1,565,887** | **3,025,401** |
| a) Governments and central banks | 1,565,887 | 3,025,401 |
| b) Other public-sector entities | - | - |
| c) Banks | - | - |
| d) Other issuers | - | - |
| **2. Loans** | **-** | **-** |
| a) Governments and central banks | - | - |
| b) Other public-sector entities | - | - |
| c) Banks | - | - |
| d) Other entities | - | - |
| **Total** | **1,565,887** | **3,025,401** |

### 5.4 Held-to-maturity investments: annual changes

| | CHANGES IN 2014 | | |
|---|---|---|---|
| | DEBT SECURITIES | LOANS | TOTAL |
| **A. Opening balance** | **3,025,401** | **-** | **3,025,401** |
| **B. Increases** | **560,312** | **-** | **560,312** |
| B.1 Purchases | 524,406 | - | 524,406 |
| B.2 Write-backs | - | - | - |
| B.3 Transfers from other portfolios | - | - | - |
| B.4 Other changes | 35,906 | - | 35,906 |
| **C. Decreases** | **2,019,826** | **-** | **2,019,826** |
| C.1 Sales | - | - | - |
| C.2 Redemptions | 1,986,406 | - | 1,986,406 |
| C.3 Write-downs | - | - | - |
| C.4 Transfers to other portfolios | - | - | - |
| C.5 Other changes | 33,420 | - | 33,420 |
| **D. Closing balance** | **1,565,887** | **-** | **1,565,887** |

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

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

| | AMOUNTS AS AT | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 12.31.2014 | | | | 12.31.2013 | | | |
| | | FV | | | | FV | | |
| TYPE OF TRANSACTIONS/VALUES | BOOK VALUE | LEVEL 1 | LEVEL 2 | LEVEL 3 | BOOK VALUE | LEVEL 1 | LEVEL 2 | LEVEL 3 |
| **A. Loans to central banks** | **518,329** | **-** | **-** | **518,328** | **1,720,224** | **-** | **-** | **1,720,224** |
| 1. Time deposits | - | X | X | X | 2,269 | X | X | X |
| 2. Compulsory reserves | 518,050 | X | X | X | 1,717,495 | X | X | X |
| 3. Reverse repos | - | X | X | X | - | X | X | X |
| 4. Other | 279 | X | X | X | 460 | X | X | X |
| **B. Loans to banks** | **21,347,418** | **-** | **15,854,096** | **5,623,906** | **20,148,299** | **-** | **11,992,136** | **8,251,030** |
| 1. Loans | 13,394,509 | - | 7,825,149 | 5,579,984 | 11,189,519 | - | 2,942,114 | 8,247,404 |
| 1.1 Current accounts and demand deposits | 5,534,778 | X | X | X | 5,948,550 | X | X | X |
| 1.2 Time deposits | 452,133 | X | X | X | 887,784 | X | X | X |
| 1.3 Other loans | 7,407,598 | X | X | X | 4,353,185 | X | X | X |
| *Reverse repos* | *5,930,928* | *X* | *X* | *X* | *2,942,114* | *X* | *X* | *X* |
| *Financial leases* | - | *X* | *X* | *X* | - | *X* | *X* | *X* |
| *Other* | *1,476,670* | *X* | *X* | *X* | *1,411,071* | *X* | *X* | *X* |
| 2. Debt securities | 7,952,909 | - | 8,028,947 | 43,922 | 8,958,780 | - | 9,050,022 | 3,626 |
| *2.1 Structured* | - | *X* | *X* | *X* | - | *X* | *X* | *X* |
| *2.2 Other* | *7,952,909* | *X* | *X* | *X* | *8,958,780* | *X* | *X* | *X* |
| **Total** | **21,865,747** | **-** | **15,854,096** | **6,142,234** | **21,868,523** | **-** | **11,992,136** | **9,971,254** |

| | | |
|---|---|---|
| **Total impaired assets** | **5,921** | **13,211** |

Total loans and receivables with banks at December 31, 2014, shows no significant change compared to December 31, 2013; the only thing to be noted is the decline in Central Bank loans, as part of more efficient management of liabilities and assets with the Central Banks.

Loans and receivables with banks are not managed on the basis of their fair value, which is only shown in order to meet disclosure requirements. Fair value measurements have been classified according to a hierarchy of levels reflecting the significance of the valuations input. For further information see Part A - Accounting Policies - A.4 Information on fair value.

The changes between December 31, 2013 and December 31, 2014 in the relationship between fair value and book value of loans to banks reflect the refinement of the methods and parameters used to measure fair value for financial reporting purposes and are mainly attributable to the reduction in short-term and medium/long-term benchmark rates observable in financial markets, as well as the general reduction in the risk premium requested by the market. The changes in the breakdown of the fair value levels between December 31, 2013 and December 31, 2014 mainly reflect the refinement of the measurement methods, which are now more oriented towards the use of market parameters.

# Part B - Balance Sheet - Assets (Continued)

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

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

| TYPE OF TRANSACTIONS/ VALUES | AMOUNTS AS AT | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 12.31.2014 | | | | | | 12.31.2013 | | | | | |
| | BOOK VALUE | | | FAIR VALUE | | | BOOK VALUE | | | FAIR VALUE | | |
| | PERFORMING | IMPAIRED | | | | | PERFORMING | IMPAIRED | | | | |
| | | PURCHASED | OTHERS | L1 | L2 | L3 | | PURCHASED | OTHERS | L1 | L2 | L3 |
| **Loans** | **192,594,982** | **50,836** | **25,787,148** | **-** | **98,953,840** | **127,945,669** | **204,105,374** | **68,293** | **24,152,590** | **-** | **91,878,978** | **139,530,151** |
| 1. Current accounts | 22,899,774 | 23,009 | 5,774,732 | X | X | X | 27,085,301 | 17,106 | 5,336,411 | X | X | X |
| 2. Reverse Repos | 24,917,441 | - | - | X | X | X | 30,118,633 | - | - | X | X | X |
| 3. Mortgages | 82,712,322 | 11,627 | 13,729,580 | X | X | X | 81,658,331 | 13,985 | 12,440,839 | X | X | X |
| 4. Credit cards and personal loans, including wage assignement loans | 8,580,863 | 6 | 355,310 | X | X | X | 8,473,808 | 31 | 437,826 | X | X | X |
| 5. Finance leases | - | - | - | X | X | X | - | - | - | X | X | X |
| 6. Factoring | 345,030 | - | 81,790 | X | X | X | 311,236 | - | 65,224 | X | X | X |
| 7. Other loans | 53,139,552 | 16,194 | 5,845,736 | X | X | X | 56,458,065 | 37,171 | 5,872,290 | X | X | X |
| **Debt securities** | **2,216,154** | **-** | **-** | **-** | **1,603,287** | **709,199** | **2,844,963** | **-** | **-** | **-** | **2,365,035** | **511,750** |
| 8.1 Structured securities | - | - | - | X | X | X | - | - | - | X | X | X |
| 8.2 Other debt securities | 2,216,154 | - | - | X | X | X | 2,844,963 | - | - | X | X | X |
| **Total** | **194,811,136** | **50,836** | **25,787,148** | **-** | **100,557,127** | **128,654,868** | **206,950,337** | **68,293** | **24,152,590** | **-** | **94,244,013** | **140,041,901** |

| | | |
|---|---|---|
| **Total carrying amount Performing and Impaired** | **220,649,120** | **231,171,220** |

Sub-items 7. “Other loans” and 8.2 “Other Debt Securities” include exposures of €48 million and €257 million, respectively, arising from the “Trevi Finance 3” securitization transaction, in respect of which the underlying assets were not recognized again in the accounts, at the date of first application of the International Accounting Standards, by virtue of the option introduced by IFRS1 applicable to the transactions conducted before January 1, 2004.

In addition, the above-mentioned debt securities are partially collateralized by an Italian Government bond whose market value is €339 million. Please note that, since January 1, 2014, pursuant to IFRS 10 “Consolidated Financial Statements”, the segregated funds of “Trevi Finance”, “Trevi Finance 2” and “Trevi Finance 3” have been consolidated line by line in the UniCredit group’s accounts.

In addition, in June 2014, “Trevi Finance” and “Trevi Finance 2” sold non-performing loans, which represented their segregated funds, to two other securitization SPVs not belonging to the UniCredit group named “Aurora SPV S.r.L.” and “Augustus SPV S.r.L.”

During the second half of 2014, therefore, exposures to “Trevi Finance” and “Trevi Finance 2” were subject to repayment, based on the “chain of payments” envisaged by these transactions.

The value of the non-performing loans in the separate financial statements of the SPV “Trevi Finance 3”, not involved in the sale described above, amounted to €45 million as at December 31, 2014 compared to a gross amount of €668 million.

It should be noted that securities lending transactions collateralized by other securities or not collateralized are shown under “off-balance sheet” exposures in table A.1.6 of Part E - Section 1 - Credit Risk, in accordance with current Bank of Italy regulations. See also the section “Other information” of Part B.

Loans and receivables with customers are not managed on the basis of their fair value, which is only shown in order to meet disclosure requirements. Fair value measurements have been classified according to a hierarchy of levels reflecting the significance of the valuations input. For further information see Part A - Accounting Policies - A.4 Information on fair value.

The changes between December 31, 2013 and December 31, 2014 in the relationship between fair value and book value of loans and receivables with customers reflect the refinement of the methods and parameters used to measure fair value for financial reporting purposes and are mainly attributable to the reduction in short-term and medium/long-term benchmark rates observable in financial markets, as well as the general reduction in the risk premium requested by the market and the refinement of the methods for calculating the value of collateral. The changes in the breakdown of the fair value levels between December 31, 2013 and December 31, 2014 mainly reflect the refinement of the measurement methods, which are now more oriented towards the use of market parameters.

The fair value of on-demand items has been valued at their net carrying value using the possibility offered by IFRS 7.29. According to this assumption, demand items were classified as level 3 in the fair value hierarchy.

The fair value of impaired loans has been measured at their net carrying amount taking their specific realizable value as the best estimate of the expected discounted future cash flows at the valuation date. According to this assumption, impaired loans have been assigned a fair value level of 3.

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

| | AMOUNTS AS AT | | | | | |
|---|---|---|---|---|---|---|
| | 12.31.2014 | | | 12.31.2013 | | |
| | | IMPAIRED | | | IMPAIRED | |
| TYPE OF TRANSACTIONS/VALUE | PERFORMING | PURCHASED | OTHERS | PERFORMING | PURCHASED | OTHERS |
| **1. Debt securities** | **2,216,154** | **-** | **-** | **2,844,963** | **-** | **-** |
| a) Governments | 98,074 | - | - | 95,217 | - | - |
| b) Other public-sector entities | 163,136 | - | - | 134,696 | - | - |
| c) Other issuers | 1,954,944 | - | - | 2,615,050 | - | - |
| *- non-financial companies* | *19,959* | - | - | - | - | - |
| *- financial companies* | *1,889,987* | - | - | *2,556,041* | - | - |
| *- insurance companies* | *44,998* | - | - | *59,009* | - | - |
| *- other* | - | - | - | - | - | - |
| **2. Loans to** | **192,594,982** | **50,836** | **25,787,148** | **204,105,374** | **68,293** | **24,152,590** |
| a) Governments | 1,541,261 | - | 1,333 | 1,455,177 | - | 1,266 |
| b) Other public-sector entities | 2,995,124 | - | 96,912 | 3,665,806 | - | 90,138 |
| c) Other entities | 188,058,597 | 50,836 | 25,688,903 | 198,984,391 | 68,293 | 24,061,186 |
| *- non-financial companies* | *68,210,434* | *35,045* | *18,515,524* | *73,566,684* | *54,808* | *17,677,734* |
| *- financial companies* | *57,668,227* | - | *532,934* | *62,251,717* | - | *272,058* |
| *- Insurance companies* | *89,290* | - | *81* | *84,133* | - | *100* |
| *- other* | *62,090,646* | *15,791* | *6,640,364* | *63,081,857* | *13,485* | *6,111,294* |
| **Total** | **194,811,136** | **50,836** | **25,787,148** | **206,950,337** | **68,293** | **24,152,590** |
| | | | | | | |
| **Total Performing and Impaired** | | | **220,649,120** | | | **231,171,220** |

# Part B - Balance Sheet - Assets (Continued)

## Section 8 - Hedging derivatives - Item 80

### 8.1 Hedging derivatives: breakdown by hedges risk and fair value hierarchy

| | AMOUNTS AS AT | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 12.31.2014 | | | | 12.31.2013 | | | |
| | FAIR VALUE | | | NOTIONAL AMOUNT | FAIR VALUE | | | NOTIONAL AMOUNT |
| | LEVEL 1 | LEVEL 2 | LEVEL 3 | | LEVEL 1 | LEVEL 2 | LEVEL 3 | |
| **A. Financial derivatives** | **-** | **7,836,659** | **5,478** | **145,212,274** | **-** | **5,389,230** | **-** | **152,638,336** |
| *1) Fair value* | - | 7,331,725 | - | 135,021,484 | - | 4,799,439 | - | 142,190,901 |
| 2) Cash flows | - | 504,934 | 5,478 | 10,190,790 | - | 589,791 | - | 10,447,435 |
| 3) Net investment in foreign subsidiaries | - | - | - | - | - | - | - | - |
| **B. Credit derivatives** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| *1) Fair value* | - | - | - | - | - | - | - | - |
| 2) Cash flows | - | - | - | - | - | - | - | - |
| **Total** | **-** | **7,836,659** | **5,478** | **145,212,274** | **-** | **5,389,230** | **-** | **152,638,336** |
| **Total Level 1, Level 2 and Level 3** | | | **7,842,137** | | | | **5,389,230** | |

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

| TRANSACTIONS/ TYPE OF HEDGES | AMOUNTS AS AT 12.31.2014 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | FAIR VALUE HEDGES | | | | | | CASH-FLOW HEDGES | | |
| | MICRO-HEDGE | | | | | MACRO-HEDGE | MICRO-HEDGE | MACRO-HEDGE | TOTAL NET INVESTMENTS ON FOREIGN INVESTMENTS |
| | INTEREST RATE RISK | CURRENCY RISK | CREDIT RISK | PRICE RISK | MULTIPLE RISKS | | | | |
| 1. Available-for-salefinancial assets | 37 | - | - | - | - | 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 | 2,466,381 | X | 499,736 | X |
| 5. Other investments | - | - | - | - | - | X | - | X | - |
| **Total assets** | **37** | **-** | **-** | **-** | **-** | **2,466,381** | **-** | **499,736** | **-** |
| 1. Financial liabilities | - | - | - | X | - | X | - | X | X |
| 2. Portfolio | X | X | X | X | X | 4,865,307 | X | 5,144 | X |
| **Total liabilities** | **-** | **-** | **-** | **X** | **-** | **4,865,307** | **-** | **5,144** | **X** |
| 1. Expected transactions | X | X | X | X | X | X | 5,532 | X | X |
| 2. Financial assets and liabilities portfolio | X | X | X | X | X | - | X | - | - |

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

### 9.1 Changes to macro-hedged financial assets: breakdown by hedged portfolio

| CHANGES TO HEDGED ASSETS/VALUES | AMOUNTS AS AT | |
|---|---|---|
| | 12.31.2014 | 12.31.2013 |
| **1. Positive changes** | **4,799,859** | **3,579,234** |
| 1.1 of specific portfolios: | - | - |
| *a) loans and receivables* | - | - |
| *b) available-for-sale financial assets* | - | - |
| 1.2 overall | 4,799,859 | 3,579,234 |
| **2. Negative changes** | **(2,173,558)** | **(1,110,276)** |
| 2.1 of specific portfolios: | - | - |
| *a) loans and receivables* | - | - |
| *b) available-for-sale financial assets* | - | - |
| 2.2 overall | (2,173,558) | (1,110,276) |
| **Total** | **2,626,301** | **2,468,958** |

### 9.2 Assets subject to macro-hedging of interest-rate risk: breakdown

| | AMOUNTS AS AT | |
|---|---|---|
| | 12.31.2014 | 12.31.2013 |
| 1, Loans and receivables | - | - |
| 2, Available-for-sale financial assets | - | - |
| 3, Portfolio | 19,198,904 | 19,162,580 |
| **Total** | **19,198,904** | **19,162,580** |

## Section 10 - Equity investments - Item 100

### 10.1 Equity: information on shareholder's equity

| NAME | MAIN OFFICE LEGAL | MAIN OFFICE OPERATIVE (*) | EQUITY % (**) | | VOTING RIGHTS |
|---|---|---|---|---|---|
| **A. Subsidiaries** | | | | | |
| 1. Bank Pekao S.A. | Warsaw | Warsaw | 50.10% | | |
| 2. Bavaria Servicos de Representacao Comercial LTDA | Sao Paulo | San Paolo | 99.53% | (A) | |
| 3. Box 2004 S.r.l. (in liquidazione) (formerly Box 2004 S.p.A. in liquidazione) | Rome | Rome | 100.00% | | |
| 4. Centurione 2007 S.r.l. (in liquidazione) | Milan | Milan | 100.00% | | |
| 5. Compagnia Italpetroli S.p.A. | Rome | Rome | 100.00% | | |
| 6. Cordusio SIM - Advisory & Family Office S.p.A. | Rome | Milan | 100.00% | | |
| 7. Cordusio Società Fiduciaria per Azioni | Milan | Milan | 100.00% | | |
| 8. Crivelli S.r.l. | Milan | Milan | 100.00% | | |
| 9. Dom Inwestycyjny Xelion Sp. Z.o.o. | Warsaw | Warsaw | 50.00% | (B) | |
| 10. Entasi S.r.l. | Rome | Rome | 100.00% | | |
| 11. Europeye S.r.l. | Rome | Rome | 80.00% | | |
| 12. Fineco Verwaltung AG (in liquidation) | Munich | Munich | 100.00% | | |
| 13. FinecoBank S.p.A. | Milan | Reggio Emilia | 65.50% | (C) | |
| 14. I-Faber Società per Azioni | Milan | Bologna | 65.32% | | |
| 15. IPSE 2000 S.p.A. (in liquidazione) | Rome | Rome | 50.00% | | |
| 16. Island Finance (ICR4) S.r.l. (in liquidazione) | Rome | Rome | 100.00% | | |
| 17. Island Finance 2 (ICR7) S.r.l. (in liquidazione) | Rome | Rome | 100.00% | | |
| 18. Le Cotoniere S.p.A. | Naples | Naples | 33.33% | | |
| 19. Pioneer Global Asset Management S.p.A. | Milan | Milan | 100.00% | | |
| 20. Sicilia Convention Bureau S.c.a.r.l. (formerly Sicilia Convention Bureau S.r.l.) | Catania | Catania | 86.00% | | |
| 21. Sofigere Société par Actions Simplifiée | Paris | Paris | 100.00% | | |
| 22. Trevi Finance N. 2 S.r.l. (formerlyTrevi Finance N. 2 S.p.A.) | Conegliano (TV) | Conegliano (TV) | 80.00% | | |
| 23. Trevi Finance N. 3 S.r.l. | Conegliano (TV) | Conegliano (TV) | 60.00% | | |
| 24. Trevi Finance S.r.l. (formerly Trevi Finance N. 2 S.p.A.) | Conegliano (TV) | Conegliano (TV) | 80.00% | | |
| 25. Trieste Adriatic Maritime Initiatives S.r.l. | Trieste | Trieste | 35.19% | | |
| 26. UniCredit Bank AG | Munich | Munich | 100.00% | | |
| 27. UniCredit Bank Austria AG | Wien | Wien | 99.99% | | |
| 28. UniCredit Bank D.D. | Mostar | Mostar | 3.27% | (D) | 3.28% |
| 29. UniCredit Bank Ireland P.l.c. | Dublin | Dublin | 100.00% | | |
| 30. UniCredit BPC Mortgage S.r.l. | Verona | Verona | 60.00% | | |
| 31. UniCredit Bulbank A.D. | Sofia | Sofia | - | (E) | |
| 32. UniCredit Business Integrated Solutions Società consortile per azioni | Milan | Milan | 100.00% | (F) | |
| 33. UniCredit Consumer Financing IFN S.A. | Bucarest | Bucarest | 49.90% | (G) | |
| 34. UniCredit Credit Management Bank S.p.A. | Verona | Verona | 97.81% | (H) | 100.00% |
| 35. UniCredit Delaware Inc. | Dover (Delaware) | New York | 100.00% | | |
| 36. UniCredit Factoring S.p.A. | Milan | Milan | 100.00% | | |
| 37. UniCredit International Bank (Luxembourg) S.A. | Luxemburg | Luxemburg | 100.00% | | |
| 38. UniCredit Leasing S.p.A. | Bologna | Milan | 100.00% | | |
| 39. UniCredit OBG S.r.l. | Verona | Verona | 60.00% | | |
| 40. UniCredit Subito Casa S.p.A. | Milan | Milan | 100.00% | | |
| 41. UniCredit (U.K.) Trust Services Ltd | London | Londra | 100.00% | | |
| 42. UniCredito Italiano Funding LLC III | Wilmington (Delaware) | New York | 100.00% | | |
| 43. UniCredito Italiano Funding LLC IV | Wilmington (Delaware) | New York | 100.00% | | |
| 44. Visconti S.r.l. | Milan | Milano | 76.00% | | |

# Part B - Balance Sheet - Assets (Continued)

| NAME | MAIN OFFICE LEGAL | MAIN OFFICE OPERATIVE (*) | EQUITY % (**) | VOTING RIGHTS |
|---|---|---|---|---|
| **B. Joint ventures** | | | | |
| 1. Officinae Verdi Società per azioni | Rome | Rome | 37.79% | |
| **C. Companies under significant influence** | | | | |
| 1. Accadiesse S.p.A. in liquidazione (già Accadiesse S.p.A.) | Milan | Milan | 4.68% (I) | |
| 2. Aviva S.p.A. | Milan | Milan | 49.00% | |
| 3. Bluvacanze S.p.A. | Rozzano (MI) | Rozzano (MI) | 42.85% | |
| 4. CNP UniCredit Vita S.p.A. | Milan | Milan | 38.80% | |
| 5. Coinv S.p.A. | Milan | Milan | 12.00% | |
| 6. Compagnia Aerea Italiana S.p.A. (già Alitalia - Compagnia Aerea Italiana S.p.A.) | Fiumicino (Rome) | Fiumicino (Rome) | 33.50% (J) | |
| 7. Creditras Assicurazioni S.p.A. | Milan | Milan | 50.00% | |
| 8. Creditras Vita S.p.A. | Milan | Milan | 50.00% | |
| 9. Europrogetti & Finanza S.p.a. in liquidazione | Rome | Rome | 39.79% | |
| 10. EuroTLX SIM S.p.A. | Milan | Milan | 15.00% | |
| 11. Fenice Holding S.p.A. | Calenzano (FI) | Calenzano (FI) | 25.91% | |
| 12. Fenice S.r.l. | Milan | Milan | 15.02% | |
| 13. Fidia S.p.A. in liquidazione | Milan | Milan | 50.00% | |
| 14. Incontra Assicurazioni S.p.A. | Milan | Milan | 49.00% | |
| 15. Istituto per l'Edilizia Economica e Popolare di Catania S.p.A. (in liquidazione) | Catania | Catania | 20.00% | |
| 16. Mediobanca - Banca di Credito Finanziario S.p.A. | Milan | Milan | 8.63% | |
| 17. OGR-CRT Società Consortile per Azioni | Turin | Turin | 18.75% | |
| 18. Profingest | Bologna | Bologna | 49.09% | |
| 19. SMIA S.p.A. | Rome | Rome | 26.38% | |
| 20. Sviluppo Globale GEIE | Rome | Rome | 33.33% | |
| 21. Torre SGR S.P.A. | Rome | Rome | 37.50% | |

(*) Also meaning the administrative office
(**) The equity stake is held by the Parent Company and does not include any stake held by other Group companies

(A) The remaining share of 0.47% is held by UniCredit Delaware Inc
(B) The remaining share of 50.00% is held by Bank Pekao
(C) Since February 16, 2015 the 65.47% is held by UniCredit
(D) An additional 89.98% is held directly and indirectly by UniCredit Bank Austria AG (89.97% with voting rights).
(E) 99.45% is held by UniCredit Bank Austria AG.
(F) A fractional share is held by various Group companies.
(G) The remaining share of 50.10% is held indirectly by UniCredit Bank Austria AG.
(H) The subsidiary holds 175,000 treasury shares equal to 2.19% of the share capital.
(I) Equity instruments (Strumenti Finanziari Partecipativi) have been subscribed; the portion subscribed is calculated on the total equity instruments issued by the investee
(J) Since January 15, 2015 the 33.19% is held by UniCredit

The equity interest in Mediobanca - Banca di Credito Finanziario S.p.A. is classified under companies subject to significant influence by virtue of UniCredit S.p.A.'s right, resulting from its participation in the Shareholders' Agreement, to be represented by its officers in the Board of Directors and therefore to also participate in determining the company's financial and operating policies.

The investments are individually tested for impairment in accordance with the provisions of IAS 36. When the conditions provided for therein apply, their recovery value is determined, understood as the greater of their "fair value" and "value in use" (the latter determined by discounting the cash flows at a rate that takes account of the current market rates and the specific risks of the asset or using other commonly accepted valuation criteria and methods suitable for the correct valuation of the investment). If the recovery value is less than the carrying amount, the latter is consequently reduced by allocating the corresponding impairment loss to the Income Statement.

On the basis of the above, at December 31, 2014 there were some write-downs, of which the most significant were:
- the subsidiaries UniCredit Leasing S.p.A. by €515 million, UniCredit Bank Austria by €475 million, Crivelli by €11 million, Visconti S.r.l. by €8 million and UniCredit Credit Management Bank S.p.A. by €1.5 million;
- the associates Fenice Holding by €56 million, Aviva Vita S.p.A. by €22 million and Fenice S.r.l. by €10 million.

### 10.5 Investments in associates and joint ventures: annual changes

| | CHANGES IN | |
|---|---|---|
| | 2014 | 2013 |
| **A. Opening balance** | **51,349,511** | **59,290,567** |
| **B. Increases** | **976,660** | **1,033,663** |
| B.1 Purchases | 916,027 | 795,400 |
| B.2 Write-backs | - | - |
| B.3 Revaluation | - | - |
| B.4 Other changes | 60,633 | 238,263 |
| **C. Decreases** | **1,986,801** | **8,974,719** |
| C.1 Sales | 411,466 | 1,330,047 |
| C.2 Write-downs | 1,100,646 | 7,431,616 |
| C.3 Other changes | 474,689 | 213,056 |
| **D. Closing balance** | **50,339,370** | **51,349,511** |
| **E. Total revaluation** | **-** | **-** |
| **F. Total write-downs** | **10,055,757** | **8,977,876** |

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

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

| | AMOUNTS AS AT | |
|---|---|---|
| ASSETS/VALUES | 12.31.2014 | 12.31.2013 |
| **1 Owned** | **1,683,445** | **1,550,125** |
| a) land | 668,862 | 607,245 |
| b) buildings | 727,831 | 649,000 |
| c) office furniture and fittings | 29,365 | 29,849 |
| d) elettronic systems | 146,339 | 143,963 |
| e) other | 111,048 | 120,068 |
| **2 Leased** | **-** | **-** |
| a) land | - | - |
| b) buildings | - | - |
| c) office furniture and fittings | - | - |
| d) elettronic systems | - | - |
| e) other | - | - |
| **Total** | **1,683,445** | **1,550,125** |

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

| | AMOUNTS AS AT | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 12.31.2014 | | | | 12.31.2014 | | | |
| | | FAIR VALUE | | | | FAIR VALUE | | |
| ASSETS'/VALUES | BOOK VALUE | L1 | L2 | L3 | BOOK VALUE | L1 | L2 | L3 |
| **1. Owned** | **899,063** | **-** | **-** | **1,115,880** | **1,116,129** | **-** | **-** | **1,270,206** |
| a) land | 439,449 | - | - | 479,685 | 538,651 | - | - | 563,604 |
| b) buildings | 459,614 | - | - | 636,195 | 577,478 | - | - | 706,602 |
| **2. Leased** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| a) land | - | - | - | - | - | - | - | - |
| b) buildings | - | - | - | - | - | - | - | - |
| **Total** | **899,063** | **-** | **-** | **1,115,880** | **1,116,129** | **-** | **-** | **1,270,206** |

### 11.4 Property, plant and equipment: breakdown of assets measured at fair value

For the measurement of property, plant and equipment, the Company does not apply the revaluation model.

# Part B - Balance Sheet - Assets (Continued)

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

| | CHANGES IN 2014 | | | | | |
|---|---|---|---|---|---|---|
| | LAND | BUILDINGS | OFFICE FUNITURE AND FITTINGS | ELECTRONIC SYSTEMS | OTHER | TOTAL |
| **A. Gross opening balance** | **607,245** | **1,098,143** | **648,589** | **1,173,070** | **538,178** | **4,065,225** |
| A.1 Total net reduction in value | - | (449,143) | (618,740) | (1,029,107) | (418,110) | (2,515,100) |
| A.2 Net opening balance | 607,245 | 649,000 | 29,849 | 143,963 | 120,068 | 1,550,125 |
| **B. Increases** | **79,910** | **126,335** | **4,565** | **38,604** | **33,238** | **282,652** |
| B.1 Purchases | 5 | 13 | 4,555 | 38,586 | 33,180 | 76,339 |
| *of which: business combinations* | - | - | *8* | *13* | - | *21* |
| B.2 Capitalised expenditure on improvements | - | 39,142 | - | - | - | 39,142 |
| B.3 Write-backs | - | - | - | - | - | - |
| B.4 Increase in fair value: | - | - | - | - | - | - |
| *a) in equity* | - | - | - | - | - | - |
| *b) through profit or loss* | - | - | - | - | - | - |
| B.5 Positive Exchange differences | - | 72 | 2 | 17 | 2 | 93 |
| B.6 Transfer from properties held for investment | 79,905 | 86,949 | - | - | - | 166,854 |
| B.7 Other changes | - | 159 | 8 | 1 | 56 | 224 |
| **C. Reductions** | **18,293** | **47,504** | **5,049** | **36,228** | **42,258** | **149,332** |
| C.1 Disposals | 24 | 224 | 59 | 4 | 101 | 412 |
| C.2 Depreciation | - | 35,951 | 4,905 | 34,753 | 36,799 | 112,408 |
| C.3 Impairment losses: | - | - | 85 | 1,425 | 434 | 1,944 |
| *a) in equity* | - | - | - | - | - | - |
| *b) through profit or loss* | - | - | *85* | *1,425* | *434* | *1,944* |
| C.4 Reductions of fair value: | - | - | - | - | - | - |
| *a) in equity* | - | - | - | - | - | - |
| *b) through profit or loss* | - | - | - | - | - | - |
| C.5 Negative exchange differences | - | - | - | - | - | - |
| C.6 Transfers to: | 18,269 | 11,329 | - | - | - | 29,598 |
| *a) property, plant and equipment held for investment* | *5,987* | *6,757* | - | - | - | *12,744* |
| *b) assets held for sale* | *12,282* | *4,572* | - | - | - | *16,854* |
| C.7 Other changes | - | - | - | 46 | 4,924 | 4,970 |
| **D. Net final balance** | **668,862** | **727,831** | **29,365** | **146,339** | **111,048** | **1,683,445** |
| D.1 Total net reduction in value | - | (526,935) | (618,872) | (1,047,275) | (404,018) | (2,597,100) |
| D.2 Gross closing balance | 668,862 | 1,254,766 | 648,237 | 1,193,614 | 515,066 | 4,280,545 |
| **E. Carried at cost** | **-** | **-** | **-** | **-** | **-** | **-** |

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

| | CHANGES IN 2014 | | |
|---|---|---|---|
| | LAND | BUILDINGS | TOTAL |
| **A. Opening balances** | **538,651** | **577,478** | **1,116,129** |
| **B. Increases** | **6,467** | **8,884** | **15,351** |
| B.1 Purchases | - | - | - |
| B.2 Capitalised expenditure on improvements | - | 1,865 | 1,865 |
| B.3 Increases in fair value | - | - | - |
| B.4 Write backs | - | - | - |
| B.5 Positive exchange differences | - | - | - |
| B.6 Transfer from properties used in the business | 5,987 | 6,757 | 12,744 |
| B.7 Other changes | 480 | 262 | 742 |
| **C. Reductions** | **105,669** | **126,748** | **232,417** |
| C.1 Disposals | 599 | 395 | 994 |
| C.2 Depreciation | - | 19,269 | 19,269 |
| C.3 Reductions in fair value | - | - | - |
| C.4 Impairment losses | - | - | - |
| C.5 Negative exchange differences | - | - | - |
| C.6 Transfers to: | 103,496 | 104,157 | 207,653 |
| *a) Properties used in the business* | *79,905* | *86,949* | *166,854* |
| *b) Non current assets classified as held for sale* | *23,591* | *17,208* | *40,799* |
| C.7 Other changes | 1,574 | 2,927 | 4,501 |
| **D. Closing balances** | **439,449** | **459,614** | **899,063** |
| **E. Measured at fair value** | **479,685** | **636,195** | **1,115,880** |

# Section 12 - Intangible assets - Item 120

### 12.1 Intangible assets: breakdown

| | AMOUNTS AS AT | | | |
|---|---|---|---|---|
| | 12.31.2014 | | 12.31.2013 | |
| ASSETS/VALUES | FINITE LIFE | INDEFINITE LIFE | FINITE LIFE | INDEFINITE LIFE |
| **A.1 Goodwill** | **X** | **-** | **X** | **-** |
| **A.2 Other intangible assets** | **1,285** | **-** | **1,339** | **-** |
| A.2.1 Assets carried at cost: | 1,285 | - | 1,339 | - |
| *a) Intangible assets generated internally* | - | - | - | - |
| *b) Other assets* | *1,285* | - | *1,339* | - |
| A.2.2 Assets valued at fair value: | - | - | - | - |
| *a) Intangible assets generated internally* | - | - | - | - |
| *b) Other assets* | - | - | - | - |
| **Total** | **1,285** | **-** | **1,339** | **-** |
| | | | | |
| **Total finite and indefinite life** | | **1,285** | | **1,339** |

# Part B - Balance Sheet - Assets (Continued)

## 12.2 Intangible assets: annual changes

| | CHANGES IN 2014 | | | | | |
|---|---|---|---|---|---|---|
| | | OTHER INTANGIBLE ASSETS | | | | |
| | | GENERATED INTERNALLY | | OTHER | | |
| | GOODWILL | FINITE LIFE | INDEFINITE LIFE | FINITE LIFE | INDEFINITE LIFE | TOTAL |
| **A. Gross Opening Balance** | **7,709,526** | **-** | **-** | **268,885** | **-** | **7,978,411** |
| A.1 Net reductions | (7,709,526) | - | - | (267,546) | - | (7,977,072) |
| **A.2 Net opening balance** | **-** | **-** | **-** | **1,339** | **-** | **1,339** |
| **B. Increases** | **-** | **-** | **-** | **345** | **-** | **345** |
| B.1 Purchases | - | - | - | 237 | - | 237 |
| B.2 Increases in intangible assets generated internally | X | - | - | - | - | - |
| B.3 Write-backs | X | - | - | - | - | - |
| B.4 Increase in fair value | - | - | - | - | - | - |
| - *in equity* | *X* | - | - | - | - | - |
| - *through profit or loss* | *X* | - | - | - | - | - |
| B.5 Positive exchange differences | - | - | - | 108 | - | 108 |
| B.6 Other changes | - | - | - | - | - | - |
| **C. Reductions** | **-** | **-** | **-** | **399** | **-** | **399** |
| C.1 Disposals | - | - | - | - | - | - |
| C.2 Write-downs | - | - | - | 398 | - | 398 |
| - amortization | X | - | - | 398 | - | 398 |
| - write-downs | - | - | - | - | - | - |
| + *in equity* | *X* | - | - | - | - | - |
| + *through profit or loss* | - | - | - | - | - | - |
| C.3 Reduction in fair value | - | - | - | - | - | - |
| - *in equity* | *X* | - | - | - | - | - |
| - *through profit or loss* | *X* | - | - | - | - | - |
| C.4 Transfers to non-current assets held for sale | - | - | - | - | - | - |
| C.5 Negative exchange differences | - | - | - | - | - | - |
| C.6 Other changes | - | - | - | 1 | - | 1 |
| **D. Net Closing Balance** | **-** | **-** | **-** | **1,285** | **-** | **1,285** |
| D.1 Total net write-down | (7,709,526) | - | - | (238,512) | - | (7,948,038) |
| **E. Closing balance** | **7,709,526** | **-** | **-** | **239,797** | **-** | **7,949,323** |
| **F. Carried at cost** | **-** | **-** | **-** | **-** | **-** | **-** |

## Section 13 - Tax assets and tax liabilities - Item 130 (assets) and 80 (liabilities)

### 13.1 Deferred tax assets: breakdown

| | AMOUNTS AS AT | |
|---|---|---|
| | 12.31.2014 | 12.31.2013 |
| **Deferred tax assets related to:** | | |
| Assets/liabilities held for trading | - | - |
| Other financial instruments | 99,227 | 206,106 |
| Hedging derivatives / changes in fair value of portfolio hedged items | 35,702 | 18,023 |
| Investments in associates and joint ventures | 3,308,549 | 2,383,480 |
| Property, plant and equipment / Intangible assets | 2,503,853 | 3,878,013 |
| Provisions | 434,281 | 513,003 |
| Write-downs on loans | 5,312,591 | 6,704,026 |
| Other assets / liabilities | 82,912 | 128,850 |
| Loans and receivables with banks and customers | 137,952 | 148,148 |
| Tax losses carried forward | - | 62,867 |
| Other | 46,908 | 84,298 |
| Effect of netting DTA/DTL | (688,439) | (505,102) |
| **Total** | **11,273,536** | **13,621,712** |

Deferred tax assets are subjected to probability tests taking into account economic projections foreseeable for future years and the peculiarities of the fiscal legislations of each country, in order to check whether there are future taxable incomes against which it is possible to use the same.

With particular reference to deferred tax assets (€ 11,962 million before offsetting against the corresponding deferred tax liabilities), the recoverability test takes into account, besides the economic projections, the forecasts for the transformability of deferred tax assets into tax credits under the terms of Italian Law No. 214/2011.

### 13.2 Deferred tax liabilities: breakdown

| | AMOUNTS AS AT | |
|---|---|---|
| | 12.31.2014 | 12.31.2013 |
| **Deferred tax liabilities related to:** | | |
| Loans and receivables with banks and customers | - | - |
| Assets/liabilities held for trading | - | - |
| Hedging derivatives / changes in fair value of portfolio hedged items | 153,192 | 178,448 |
| Investments in associates and joint ventures | 4,859 | 12,063 |
| Other financial instruments | 399,591 | 165,753 |
| Property, plant and equipment / intangible assets | 130,797 | 148,836 |
| Other assets / liabilities | - | - |
| Deposits from banks and customers | - | - |
| Other | - | 2 |
| Effect of netting DTA/DTL | (688,439) | (505,102) |
| **Total** | **-** | **-** |

At December 31, 2014, the total amount of deferred tax assets convertible into tax credits amounted to €9,302.9 million for IRES income tax and €1,205.4 for IRAP corporate tax purposes.

Deferred tax assets, in addition to the normal offsetting against current taxes, underwent a significant reduction of €1,233.3 million for IRES and €140.7 million for IRAP. These are amounts with a reversal on current tax for 2015 and 2016 that were converted into tax credits pursuant to Article 2, Paragraphs 55 to 58, of Law Decree No. 225 of December 29, 2010, with respect to the 2013 balance sheet accounting loss of €11,601.1 million.

The conversion into tax credits, with respect to the accounting loss of €11,601.1 million in the 2013 financial year and the IRES income tax loss (due to reversal from convertible amounts) of €94.4 million of tax recognized in the tax return for the same year, amounted to €2,557.7 million.

# Part B - Balance Sheet - Assets (Continued)

## 13.3 Deferred tax assets: annual changes (balancing P&L)

| | CHANGES IN | |
|---|---|---|
| | 2014 | 2013 |
| **1. Opening balance** | **13,303,624** | **10,639,582** |
| **2. Increases** | **1,489,938** | **3,566,282** |
| 2.1 Deferred tax assets arising during the year | 984,836 | 3,023,073 |
| *a) relating to previous years* | *120,227* | *69,330* |
| *b) due to change in accounting policies* | - | - |
| *c) write-backs* | - | - |
| *d) other* | *864,609* | *2,953,743* |
| 2.2 New taxes or increases in tax rates | - | - |
| 2.3 Other increases | 505,102 | 543,209 |
| *business combinations* | - | *2,156* |
| *effect of netting DTA/DTL previous year* | *505,102* | *541,053* |
| *other* | - | - |
| **3. Decreases** | **3,757,887** | **902,240** |
| 3.1 Deferred tax assets derecognised during the year | 519,107 | 365,186 |
| *a) reversals* | *380,773* | *365,186* |
| *b) write-downs of non-recoverable items* | - | - |
| *c) change in accounting policies* | - | - |
| *d) other* | *138,334* | - |
| 3.2 Reduction in tax rates | - | - |
| 3.3 Other decreases | 3,238,780 | 537,054 |
| *a) conversion onto tax credit under L. 214/2011* | *2,557,728* | *31,905* |
| *b) other* | *681,052* | *505,149* |
| *effect of netting DTA/DTL current year* | *678,460* | *505,102* |
| *other* | *2,592* | *47* |
| **4. Final amount** | **11,035,675** | **13,303,624** |

## 13.3.1 Deferred tax assets (L. 214/2011): annual changes (balancing P&L)

| | CHANGES IN | |
|---|---|---|
| | 2014 | 2013 |
| **1. Opening balance** | **12,346,591** | **9,375,536** |
| **2. Increases** | **715,088** | **3,144,872** |
| **3. Decreases** | **2,557,728** | **173,817** |
| 3.1 Reversal | - | 141,912 |
| 3.2 Conversion into tax credit: | 2,557,728 | 31,905 |
| *a) due to loss positions arising from Profit and Loss* | *2,463,284* | *31,905* |
| *b) due to tax losses* | *94,444* | - |
| 3.1 Other decreases | - | - |
| **4. Final amount** | **10,503,951** | **12,346,591** |

### 13.4 Deferred tax liabilities: annual changes (balancing P&L)

| | CHANGES IN 2014 | CHANGES IN 2013 |
|---|---|---|
| **1. Opening balance** | **-** | **-** |
| **2. Increases** | **163,812** | **169,635** |
| 2.1 Deferred tax liabilities arising during the year | 12,698 | 4,916 |
| *a) relating to previous years* | *-* | *369* |
| *b) due to change in accounting policies* | *-* | *-* |
| *c) other* | *12,698* | *4,547* |
| 2.2 New taxes or increases in tax rates | - | - |
| 2.3 Other increases | 151,114 | 164,719 |
| *business combinations* | *-* | *17* |
| *effect of netting DTA/DTL previous year* | *151,114* | *164,702* |
| *other* | *-* | *-* |
| **3. Decreases** | **163,812** | **169,635** |
| 3.1 Deferred tax liabilities derecognised during the year | 8,262 | 18,521 |
| *a) reversals* | *8,262* | *18,521* |
| *b) due to change in accounting policies* | *-* | *-* |
| *c) other* | *-* | *-* |
| 3.2 Reduction in tax rates | - | - |
| 3.3 Other decreases | 155,550 | 151,114 |
| *effect of netting DTA/DTL current year* | *155,550* | *151,114* |
| *other* | *-* | *-* |
| **4. Final amount** | **-** | **-** |

### 13.5 Deferred tax assets: annual changes (balancing Net Equity)

| | CHANGES IN 2014 | CHANGES IN 2013 |
|---|---|---|
| **1. Opening balance** | **318,088** | **572,125** |
| **2. Increases** | **39,224** | **1,178** |
| 2.1 Deferred tax assets arising during the year | 39,224 | 1,178 |
| *a) relating to previous years* | *-* | *-* |
| *b) due to change in accounting policies* | *-* | *-* |
| *c) other* | *39,224* | *1,178* |
| 2.2 New taxes or increase in tax rates | - | - |
| 2.3 Other increases | - | - |
| *effect of netting DTA/DTL previous year* | *-* | *-* |
| *other* | *-* | *-* |
| **3. Decreases** | **119,451** | **255,215** |
| 3.1 Deferred tax assets derecognised during the year | 31,245 | 254,968 |
| *a) reversals* | *31,245* | *20,305* |
| *b) writedowns of non-recoverable items* | *-* | *-* |
| *c) due to change in accounting policies* | *-* | *-* |
| *d) other* | *-* | *234,663* |
| 3.2 Reduction in tax rates | - | - |
| 3.3 Other decreases | 88,206 | 247 |
| *effect of netting DTA/DTL current year* | *9,979* | *-* |
| *other* | *78,227* | *247* |
| **4. Final amount** | **237,861** | **318,088** |

# Part B - Balance Sheet - Assets (Continued)

### 13.6 Deferred tax liabilities: annual changes (balancing Net Equity)

| | CHANGES IN | |
|---|---|---|
| | 2014 | 2013 |
| **1. Opening balance** | **-** | **-** |
| **2. Increases** | **616,842** | **467,892** |
| 2.1 Deferred tax liabilities arising during the year | 260,774 | 89,889 |
| *a) relating to previous years* | - | - |
| *b) due to change in accounting policies* | - | - |
| *c) other* | *260,774* | *89,889* |
| 2.2 New taxes or increase in tax rates | - | - |
| 2.3 Other increases | 356,068 | 378,003 |
| *effect of netting DTA/DTL previous year* | *353,988* | *376,351* |
| *other* | *2,080* | *1,652* |
| **3. Decreases** | **616,842** | **467,892** |
| 3.1 Deferred tax liabilities derecognised during the year | 83,429 | 110,522 |
| *a) reversals* | *83,429* | *41,556* |
| *b) due to change in accounting policies* | - | - |
| *c) Other* | - | *68,966* |
| 3.2 Reduction in tax rates | - | - |
| 3.3 Other decreases | 533,413 | 357,370 |
| *effect of netting DTA/DTL current year* | *532,889* | *353,988* |
| *other* | *524* | *3,382* |
| **4. Final amount** | **-** | **-** |

### 13.7 Other information

**National tax consolidation system**

Legislative Decree 344 of December 12, 2003 reforming the Italian corporate income tax (IRES) introduced the taxation of income for group companies based on the national tax consolidation system.

The national tax consolidation regulations are optional, have a fixed term of three financial years and are subject to certain conditions (controlling relationship, identification of the operating period).

At present, participation in the national tax consolidation system provides the following economic and/or financial advantages:
- immediate offsetting of income and tax losses generated by companies included in the scope of consolidation;
- ability to deduct interest expense accrued to banks and other financial entities on behalf of other participating entities (banks and other financial entities), but only up to the total amount of interest expense accrued to those entities on behalf of entities outside the consolidation system (Law 133/2008);
- ability to deduct interest expense accrued to non-banking/non-financial entities on behalf of other similar participating entities, if and to the extent that other companies participating in the consolidation system report gross operating profit and therefore not totally used (2008 Budget Law) for the same tax period.

It should be noted that at the end of the 2014 financial year the option was exercised to apply the national tax consolidation system to the following companies:
- UniCredit Factoring - Milan
- Pioneer Global Asset Management - Milan
- Pioneer Investment Management - Milan
- Fineco Bank - Milan
- UniCredit Leasing - Milan
- UniCredit Credit Management Bank - Verona
- I-Faber - Milan
- Cordusio Fiduciaria - Milan
- UniCredit Business Integrated Solutions - Milan
- Cordusio SIM - Advisory & Family Office - Milan

The number of Companies included in the Tax Consolidation perimeter was reduced by one compared to 2013, because Fineco Leasing was merged into UniCredit Leasing.

**Deferred tax assets due to tax losses carried forward**

Deferred tax assets arising from tax losses carried forward of €65.9 million relate to the balance of the tax loss arising from the merged company Capitalia, increased in 2013 by the tax loss of €1 million acquired from UniCredit Merchant, absorbed by merger during the year. Such losses, which cannot be used for tax consolidation purposes in compliance with the applicable regulations, were fully used in the 2014 tax year against the taxable income of the individual financial statements (pursuant to Article 84 c. 1 TUIR).

There were also unused tax losses totaling €2,701.8 million on the foreign Subsidiaries, for startup-related costs for the aforementioned Subsidiaries or other structural costs. These are tax losses which can only be used against the taxable income of individual Subsidiaries for taxes due in the country in which they are based; since no taxable income enabling their recovery is expected, no deferred tax assets have been recognized at local level, in accordance with IAS 12.

## Section 14 - Non-current assets and disposal groups classified as held for sale - Item 140 (assets) and 90 (liabilities)

### 14.1 Non-current assets and disposal groups classified as held for sale: breakdown by type assets

| | AMOUNTS AS AT | |
|---|---|---|
| | 12.31.2014 | 12.31.2013 |
| **A. Individual assets** | | |
| A.1 Financial assets | - | - |
| A.2 Equity investments | 22,197 | 202,048 |
| A.3 Property, Plant and Equipment | 33,035 | 166,180 |
| A.4 Intangible assets | - | - |
| A.5 Other non-current assets | - | - |
| **Total A** | **55,232** | **368,228** |
| *of which carried at cost* | 8,086 | 203,053 |
| *of which measured at fair value level 1* | - | - |
| *of which measured at fair value level 2* | 24,949 | 165,175 |
| *of which measured at fair value level 3* | 22,197 | - |
| **B. Asset groups classified as held for sale** | | |
| B.1 Financial assets held for trading | - | - |
| B.2 Financial assets at fair value through profit or loss | - | - |
| B.3 Available for sale financial assets | - | - |
| B.4 Held to maturity investments | - | - |
| B.5 Loans and receivables with banks | - | - |
| B.6 Loans and receivables with customers | - | - |
| B.7 Equity investments | - | - |
| B.8 Property, Plant and Equipment | - | - |
| B.9 Intangible assets | - | - |
| B.10 Other assets | - | - |
| **Total B** | **-** | **-** |
| **Total A+B** | **55,232** | **368,228** |
| *of which carried at cost* | - | - |
| *of which measured at fair value level 1* | - | - |
| *of which measured at fair value level 2* | - | - |
| *of which measured at fair value level 3* | - | - |
| **C. Liabilities associated with assets classified as held for sale** | | |
| C.1 Deposits | - | - |
| C.2 Securities | - | - |
| C.3 Other liabilities | - | - |
| **Total C** | **-** | **-** |
| *of which carried at cost* | - | - |
| *of which measured at fair value level 1* | - | - |
| *of which measured at fair value level 2* | - | - |
| *of which measured at fair value level 3* | - | - |
| **D. Liabilities included in disposal groups classified as held for sale** | **-** | **-** |
| D.1 Deposits from banks | - | - |
| D.2 Deposits from customers | - | - |
| D.3 Debt securities in issue | - | - |
| D.4 Financial liabilities held for trading | - | - |
| D.5 Financial liabilities at fair value through profit or loss | - | - |
| D.6 Provisions | - | - |
| D.7 Other liabilities | - | - |
| **Total D** | **-** | **-** |
| *of which carried at cost* | - | - |
| *of which measured at fair value level 1* | - | - |
| *of which measured at fair value level 2* | - | - |
| *of which measured at fair value level 3* | - | - |

# Part B - Balance Sheet - Assets (Continued)

Assets held for sale include the equity investments in Public Joint Stock Company Ukrosostbank (€22 million), in addition to property, plant and equipment (€33 million).

In view of the state of the negotiations initiated in 2013, the value of the equity investment in Public Joint Stock Company Ukrosostbank and of part of the property, plant and equipment (€25 million), as required by IFRS 5, has been adjusted to reflect their fair value classed as Level 2, determined on the basis of the offers received.

For more details see Directors' Report on operations ("Rationalization of Group operations and other corporate transactions").

At December 31, 2013, there were no "Non-current assets and disposal groups held for sale" in addition to property, plant and equipment of €166 million and the investment in Public Joint Stock Company Ukrosostbank (€141 million), this also included the investment in SIA (€61 million) disposed of in 2014.

Valuations at fair value were classified according to a hierarchy of levels reflecting the significance of the valuations input for market disclosure purposes only. For further information see Part A - Accounting Policies - A.4 Information on fair value.

## Section 15 - Other assets - Item 150

### 15.1 Other assets: breakdown

| ITEMS/VALUES | AMOUNTS AS AT 12.31.2014 | AMOUNTS AS AT 12.31.2013 |
|---|---|---|
| Accrued income other capitalised income | 366,286 | 354,628 |
| Cash and other valuables held by cashier: | 301,285 | 329,772 |
| *- current account cheques being settled, drawn on third parties* | *283,511* | *318,086* |
| *- current account cheques payablee by group banks, cleared and in the process of being debited* | *416* | *545* |
| *- money orders, bank drafts and equivalent securities* | *17,358* | *11,141* |
| *- coupons, securities due on demand, revenue stamps and miscellaneous valuables* | - | - |
| Interest and charges to be debited to: | 805 | 728 |
| *- customers* | *805* | *728* |
| *- banks* | - | - |
| Items in transit between branches not yet allocated to destination accounts | 22,106 | 57,630 |
| Items in processing | 582,644 | 1,556,942 |
| Items deemed definitive but non-attributable to other items: | 757,454 | 1,717,927 |
| *- securities and coupons to be settled* | *110,806* | *54,115* |
| *- other transactions* | *646,648* | *1,663,812* |
| Adjustments for unpaid bills and notes | 9,815 | 11,984 |
| Tax items other than those included in item 130 | 2,041,517 | 1,994,761 |
| *of which: Group VAT credit* | *53,532* | *205,650* |
| Loans in respect of share based payments: | 170,127 | 114,480 |
| *- loans to subsidiaries in respect of equity settled share based payments* | *125,773* | *95,275* |
| *- loans to subsidiaries in respect of cash settled share based payments* | *44,354* | *19,205* |
| Other items: | 375,451 | 272,511 |
| *- leasehold improvements (on non-separable assets)* | *76,482* | *76,117* |
| *- items related to accidents and disputes pending (valued at their estimated realization amount)* | *41,247* | *32,275* |
| *- other items* | *257,722* | *164,119* |
| **Total** | **4,627,490** | **6,411,363** |

In accordance with the provisions of the Technical Memo issued by the Bank of Italy on August 8, 2012, an analysis was conducted aimed at identifying entries whose realization depends on the occurrence, or not, of future uncertain events not fully under the Bank's control.

The analysis detected the presence of these types of assets, amounting to €335 million, which were derecognized from financial statement assets, using the corresponding provisions for risk and charges made for that purpose. In particular, these provisions are mainly related to legal and labor claims risks (€ 226 million) and to tax disputes risks (about €63 million).

# Part B - Balance Sheet

## Liabilities

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

**1.1 Deposits from banks: product breakdown**

| TYPE OF TRANSACTIONS/VALUES | AMOUNTS AS AT 12.31.2014 | 12.31.2013 |
|---|---|---|
| **1. Deposits from central banks** | **9,887,910** | **14,157,684** |
| **2. Deposits from banks** | **21,815,190** | **33,221,013** |
| 2.1 Current accounts and demand deposits | 7,133,815 | 14,024,316 |
| 2.2 Time deposits | 8,106,277 | 9,927,873 |
| 2.3 Loans | 6,555,726 | 9,258,955 |
| *2.3.1 repos* | *1,611,059* | *4,916,189* |
| *2.3.2 other* | *4,944,667* | *4,342,766* |
| 2.4 Liabilities in respect of commitments to repurchase treasury shares | - | - |
| 2.5 Other liabilities | 19,372 | 9,869 |
| **Total** | **31,703,100** | **47,378,697** |
| *Fair value - level 1* | - | - |
| *Fair value - level 2* | *24,996,164* | *30,880,813* |
| *Fair value - level 3* | *6,558,001* | *16,310,949* |
| *Total fair value* | *31,554,165* | *47,191,762* |

The decrease in deposits from central banks is due to the reduction in advances received from the Bank of Italy.

Deposits from banks are not carried at fair value, which is only shown in order to meet disclosure requirements. Fair value measurements have been classified according to a hierarchy of levels reflecting the significance of the valuations input. For further information see Part A - Accounting Policies - A.4 Information on fair value.

The changes between December 31, 2013 and December 31, 2014 in the relationship between fair value and book value of deposits from banks reflect the refinement of the methods and parameters used to measure fair value for financial reporting purposes and are mainly attributable to the reduction in short-term and medium/long-term benchmark rates observable in financial markets, as well as the reduction in the risk premium requested by the market on debt instruments issued by the Bank.

**1.2 Breakdown of item 10 "Deposits from banks": subordinated debt**

Part F) Shareholders' Equity of the Notes to the Accounts includes the list of all subordinated debt instruments. Subordinated debt recognized in the item "Deposits from banks" amounts to € 738,627 thousand.

### Section 2 - Deposits from customers - Item 20

**2.1 Deposits from customers: product breakdown**

| TYPE OF TRANSACTIONS/VALUES | AMOUNTS AS AT 12.31.2014 | 12.31.2013 |
|---|---|---|
| 1. Current accounts and demand deposits | 120,191,826 | 108,568,278 |
| 2. Time deposits | 1,722,250 | 3,382,997 |
| 3. Loans | 40,628,662 | 32,809,465 |
| *3.1 repos* | *38,891,196* | *30,794,526* |
| *3.2 other* | *1,737,466* | *2,014,939* |
| 4. Liabilities in respect of commitments to repurchase treasury shares | - | - |
| 5. Other liabilities | 5,447,011 | 6,079,093 |
| **Total** | **167,989,749** | **150,839,833** |
| *Fair value - level 1* | - | - |
| *Fair value - level 2* | *42,361,094* | *35,482,637* |
| *Fair value - level 3* | *125,334,366* | *114,648,769* |
| *Total fair value* | *167,695,460* | *150,131,406* |

Deposits from customers are not carried at fair value, which is only shown in order to meet financial disclosure requirements. Fair value measurements have been classified according to a hierarchy of levels reflecting the significance of the valuations input. For further information see Part A - Accounting Policies - A.4 Information on fair value.

# Part B - Balance Sheet - Liabilities (Continued)

The changes between December 31, 2013 and December 31, 2014 in the relationship between fair value and book value reflect the refinement of the methods and parameters used to measure fair value for the purposes of financial reporting and are mainly attributable to the reduction in short-term and medium/long-term benchmark rates observable in financial markets, as well as the reduction in the risk premium requested by the market on debt instruments issued by the Bank.

The fair value of on-demand items has been valued at their net carrying value using the possibility offered by IFRS 7.29. According to this assumption, demand items have been classified as level 3 in the fair value hierarchy.

**2.2 Breakdown of item 20 "Deposits from customers": subordinated debt**

This item "Deposit from customers" includes subordinated debt in the amount of € 359,437 thousand.

## Section 3 - Debt securities in issue - Item 30

**3.1 Debt securities in issue: product breakdown**

| TYPE OF SECURITIES/ VALUES | AMOUNTS AS AT | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 12.31.2014 | | | | 12.31.2014 | | | |
| | | FAIR VALUE | | | | FAIR VALUE | | |
| | BOOK VALUE | LEVEL 1 | LEVEL 2 | LEVEL 3 | BOOK VALUE | LEVEL 1 | LEVEL 2 | LEVEL 3 |
| **A. Listed securities** | | | | | | | | |
| 1. Bonds | 101,653,726 | 42,446,892 | 63,977,025 | 114 | 101,033,612 | 46,513,462 | 56,580,714 | 200 |
| 1.1 structured | 11,352,860 | 903,181 | 10,696,551 | - | 15,948,693 | 2,511,532 | 13,589,167 | - |
| 1.2 other | 90,300,866 | 41,543,711 | 53,280,474 | 114 | 85,084,919 | 44,001,930 | 42,991,547 | 200 |
| 2. Other securities | 12,455,607 | - | 8,835,935 | 3,674,633 | 18,877,273 | - | 17,026,667 | 1,978,696 |
| 2.1 structured | 424,946 | - | 456,929 | - | 360,956 | - | 365,288 | - |
| 2.2 other | 12,030,661 | - | 8,379,006 | 3,674,633 | 18,516,317 | - | 16,661,379 | 1,978,696 |
| **Total** | **114,109,333** | **42,446,892** | **72,812,960** | **3,674,747** | **119,910,885** | **46,513,462** | **73,607,381** | **1,978,896** |

| | | |
|---|---|---|
| **Total Level 1, Level 2 and Level 3** | **118,934,599** | **122,099,739** |

The sub-items 1.1 Structured bonds and 2.1. Other structured securities amount to a total of €11,778 million and represent 10% of the total. They mainly relate to interest-rate linked instruments with highly correlated derivative component, identified in accordance with the Mifid classification rules. To that effect, the comparison amounts from the previous year were also rendered uniform.

Fair value measurements, solely for the purpose of fulfilling financial disclosure requirements, are classified according to a hierarchy of levels reflecting the significance of the valuations input. For further information see Part A - Accounting Policies - A.4. Information on Fair Value.

**3.2 Breakdown of item 30 "Debt securities in issue": subordinated debt securities**

This item includes subordinated securities in the amount of €14,523,793 thousand.

**3.4 Breakdown of item 30 "Debt securities in issue": Covered Bond**

At December 31, 2014, a total of 27 series of covered bonds were issued for the two programs for a total of € 24,106 million, of which €9,100 held within the Group. In addition, following the buy back, € 2,267 million have been placed as collateral for repos and, consequently, these are also shown under liability item 30 "Debt securities in issue".

# Section 4 - Financial liabilities held for trading - Item 40

## 4.1 Financial liabilities held for trading: product breakdown

| TYPE OF TRANSACTIONS/ VALUES | AMOUNTS AS | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 12.31.2014 | | | | | 12.31.2013 | | | | |
| | NOMINAL VALUE | FAIR VALUE | | | FV * | NOMINAL VALUE | FAIR VALUE | | | FV * |
| | | LEVEL 1 | LEVEL 2 | LEVEL 3 | | | LEVEL 1 | LEVEL 2 | LEVEL 3 | |
| **A. Financial liabilities** | | | | | | | | | | |
| 1. Deposits from banks | - | 43,500 | - | - | 43,500 | - | 60,291 | - | - | 60,291 |
| 2. Deposits from customers | - | 3,418,798 | - | - | 3,418,798 | - | 2,199,610 | - | - | 2,199,610 |
| 3. Debt securities | - | - | - | - | - | - | - | - | - | - |
| 3.1 Bonds | - | - | - | - | - | - | - | - | - | - |
| 3.1.1 Structured | - | - | - | - | X | - | - | - | - | X |
| 3.1.2 Other | - | - | - | - | X | - | - | - | - | X |
| 3.2 Other securities | - | - | - | - | - | - | - | - | - | - |
| 3.2.1 Structured | - | - | - | - | X | - | - | - | - | X |
| 3.2.2 Other | - | - | - | - | X | - | - | - | - | X |
| **Total A** | **-** | **3,462,298** | **-** | **-** | **3,462,298** | **-** | **2,259,901** | **-** | **-** | **2,259,901** |
| **B. Derivative instruments** | | | | | | | | | | |
| 1. Financial derivatives | X | 4,624 | 9,148,992 | 404,558 | X | X | 4,800 | 8,085,594 | 453,652 | X |
| 1.1 Trading | X | 4,624 | 8,750,865 | 213,504 | X | X | 4,800 | 7,796,825 | 84,427 | X |
| 1.2 Related to fair value option | X | - | - | - | X | X | - | - | - | X |
| 1.3 Other | X | - | 398,127 | 191,054 | X | X | - | 288,769 | 369,225 | X |
| 2. Credit derivatives | X | - | - | - | X | X | - | - | 55 | X |
| 2.1 Trading derivatives | X | - | - | - | X | X | - | - | - | X |
| 2.2 Related to fair value option | X | - | - | - | X | X | - | - | - | X |
| 2.3 Other | X | - | - | - | X | X | - | - | 55 | X |
| **Total B** | **X** | **4,624** | **9,148,992** | **404,558** | **X** | **X** | **4,800** | **8,085,594** | **453,707** | **X** |
| **Total A+B** | **-** | **3,466,922** | **9,148,992** | **404,558** | **X** | **-** | **2,264,701** | **8,085,594** | **453,707** | **X** |
| **Total Level 1, Level 2 and Level 3** | | | | **13,020,472** | | | | | **10,804,002** | |

FV* = *fair value* calculated excluding value adjustment due to variations in the credit rating of issuer since the issue date.
"Deposit from banks" and "Deposit from customers" are referred to technical overdrafts in respect of which no nominal amount was attributed.

Balance-sheet liabilities have increased as a result of the recognition of technical overdrafts typical of primary dealer and market maker transactions in government bonds ("Markets" transactions) started in 2013, formerly carried out by the subsidiary UniCredit Bank AG through its Milan branch.

"Financial derivatives: other" comprises: (i) derivatives embedded in structured financial instruments, where the host has been classified in a category other than held-for-trading or fair value option and (ii) derivatives that, for economic purposes, are related to banking book entries.

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

No data to be disclosed in this section.

# Part B - Balance Sheet - Liabilities (CONTINUED)

## Section 6 - Hedging derivatives - Item 60

### 6.1 Hedging derivatives: breakdown by type of hedging and by levels

| | AMOUNTS AS AT | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 12.31.2014 | | | | 12.31.2013 | | | |
| | FAIR VALUE | | | NOTIONAL AMOUNT | FAIR VALUE | | | NOTIONAL AMOUNT |
| | LEVEL 1 | LEVEL 2 | LEVEL 3 | | LEVEL 1 | LEVEL 2 | LEVEL 3 | |
| **A. Financial derivatives** | **-** | **7,604,810** | **1,318** | **158,453,213** | **-** | **5,797,092** | **56** | **178,437,477** |
| 1) Fair value | - | 7,492,179 | 43 | 151,570,210 | - | 5,645,443 | 56 | 172,184,137 |
| 2) Cash flows | - | 112,631 | 1,275 | 6,883,003 | - | 151,649 | - | 6,253,340 |
| 3) Net investment in foreign subsidiaries | - | - | - | - | - | - | - | - |
| **B. Credit derivatives** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| 1) Fair value | - | - | - | - | - | - | - | - |
| 2) Cash flows | - | - | - | - | - | - | - | - |
| **Total** | **-** | **7,604,810** | **1,318** | **158,453,213** | **-** | **5,797,092** | **56** | **178,437,477** |

| | | |
|---|---|---|
| **Total Level 1, Level 2 and Level 3** | **7,606,128** | **5,797,148** |

### 6.2 Hedging derivatives: breakdown by hedged items and risk type

| | AMOUNTS AS AT 12.31.2014 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | FAIR VALUE | | | | | | CASH FLOW | | |
| | MICRO-HEDGE | | | | | MACRO-HEDGE | MICRO-HEDGE | MACRO-HEDGE | |
| TRANSACTIONS/ HEDGE TYPES | INTEREST RATE RISK | CURRENCY RISK | CREDIT RISK | PRICE RISK | MULTIPLE RISKS | | | | FOREIGN INVESTMENTS |
| 1. Available for sale financial assets | 1,957,386 | - | - | - | - | 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 | 4,896,753 | X | 110,187 | X |
| 5. Others | - | - | - | - | - | X | - | X | - |
| **Total assets** | **1,957,386** | **-** | **-** | **-** | **-** | **4,896,753** | **-** | **110,187** | **-** |
| 1. Financial liabilities | - | - | - | X | - | X | - | X | X |
| 2. Portfolio | X | X | X | X | X | 638,083 | X | 1,242 | X |
| **Total liabilities** | **-** | **-** | **-** | **X** | **-** | **638,083** | **-** | **1,242** | **X** |
| 1. Higly probable transactions (CFH) | X | X | X | X | X | X | 2,477 | X | X |
| 2. Financial assets and liabilities portfolio | 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 AS AT | |
|---|---|---|
| CHANGES TO MACRO-HEDGED LIABILITIES | 12.31.2014 | 12.31.2013 |
| 1. Positive changes to financial liabilities | 4,267,384 | 2,796,899 |
| 2. Negative changes to financial liabilities | (418,902) | (452,693) |
| **Total** | **3,848,482** | **2,344,206** |

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

| | AMOUNTS AS AT | |
|---|---|---|
| HEDGED LIABILITIES | 12.31.2014 | 12.31.2013 |
| 1. Deposits | - | - |
| 2. Debt securities in issue | - | - |
| 3. Portfolio | 81,918,808 | 80,313,759 |
| **Total** | **81,918,808** | **80,313,759** |

## 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 AS AT | |
|---|---|---|
| **ITEMS/VALUES** | **12.31.2014** | **12.31.2013** |
| Liabilities for financial guarantees issued | 14,659 | 17,807 |
| Impairment: of financial guarantees issued, of credit derivatives, of irrevocable commitments to distribute funds | 1,219,346 | 1,158,284 |
| Obligations for irrevocable commitments to distribute funds | - | - |
| Accrued expenses other than those to be capitalized for the financial liabilities concerned | 53,390 | 70,709 |
| Liabilities in respect of share based payments | 44,354 | 19,205 |
| Other liabilities due to employees | 361,921 | 812,734 |
| Items in transit between branches and not yet allocated to destination accounts | 92,366 | 67,312 |
| Available amounts to be paid to others | 2,084,530 | 2,743,771 |
| Items in processing | 685,940 | 566,212 |
| Entries related to securities transactions | 166,736 | 158,335 |
| Items deemed definitive but not attributable to other lines: | 2,375,501 | 3,603,822 |
| *- accounts payable - suppliers* | *334,491* | *342,626* |
| *- other entries* | *2,041,010* | *3,261,196* |
| *- of which: Group Vat debt to subsidiaries* | *53,532* | *205,650* |
| Liabilities for miscellaneous entries related to tax collection service | - | 22 |
| Adjustments for unpaid portfolio entries | 711,026 | 439,801 |
| Tax items different from those included in item 80 | 1,029,767 | 1,010,636 |
| Other entries | 204,330 | 403,195 |
| **Total Other Liabilities** | **9,043,866** | **11,071,845** |

Comparative figures at 31 December 2013 have been restated as a result of the reclassification of the contribution to National Interbank Deposit Guarantee Fund (FITD) for actions already approved, for an amount of 28 million from 120.b) Provisions for risks and charges - other funds to the item “Impairment: of financial guarantees issued, of credit derivatives, of irrevocable commitments to distribute funds”.

Item “Impairment: of financial guarantees issued, of credit derivatives, of irrevocable commitments to distribute funds” includes €1,013 million (€951 million as at December 31, 2013) relating to the impairment of the guarantee issued as part of the “Trevi Finance 3” securitization transaction.
This commitment aims at guaranteeing the redemption of class C mezzanine securities issued by the SPV as part of the securitization.

These securities are zero-coupon bonds with a maturity value (August 16, 2016) of €1,013 million and a carrying value of €896 million in the SPV’s financial statements as at December 31, 2014.

Accordingly the liability recognized at the balance sheet date corresponds to the value at maturity of the guarantee.

# Part B - Balance Sheet - Liabilities (Continued)

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

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 Part A2 - The Main Items of the Accounts).

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

| | CHANGES IN | |
|---|---|---|
| | 2014 | 2013 |
| **A. Opening balance** | **964,942** | **1,033,597** |
| **B. Increases** | **155,844** | **45,922** |
| B.1 Provisions for the year | 31,510 | 33,348 |
| B.2 Other increases | 124,334 | 12,574 |
| *of which: business combinations* | *2,010* | *5,853* |
| **C. Reductions** | **61,734** | **114,577** |
| C.1 Severance payments | 30,508 | 72,711 |
| C.2 Other decreases | 31,226 | 41,866 |
| **D. Closing balance** | **1,059,052** | **964,942** |

### 11.2 Other information

| | 12.31.2014 | 12.31.2013 |
|---|---|---|
| **Cost Recognised in P&L** | **31,510** | **33,348** |
| Current Service Cost | - | - |
| Interest Cost on the DBO | 31,510 | 33,348 |
| Settlement (Gain) / Loss | - | - |
| Past Service Cost | - | - |
| **Remeasurement Effects (Gains) Losses Recognised in OCI** | **(89,214)** | **(40,437)** |
| **Annual weighted average assumptions** | | |
| Discount rate | 1.60% | 3.30% |
| Price inflation | 1.10% | 1.80% |

The financial duration of the commitments is 9.6 years; the balance of the negative Revaluation reserves net of tax changed from -€40,994 at December 31, 2013 to -€105,673 at December 31, 2014.

A change of -25 basis points in the discount rate would result in an increase in liabilities of €25,848 (+2.44%); an equivalent increase in the rate, on the other hand, would result in a reduction in liabilities of €24,958 (-2.36%). A change of -25 basis points in the inflation rate would result in a reduction in liabilities of €15,065 (-1.42%); an equivalent increase in the rate, on the other hand, would result in an increase in liabilities of €15,344 (+1.45%).

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

### 12.1 Provisions for risks and charges: breakdown

| | AMOUNTS AS AT | |
|---|---|---|
| ITEMS/VALUES | 12.31.2014 | 12.31.2013 |
| **1. Pensions and other post retirement benefit obligations** | **829,326** | **806,371** |
| **2. Other provisions for risks and charges** | **1,207,548** | **1,449,440** |
| 2.1 Legal disputes | 390,203 | 591,850 |
| 2.2 Staff expenses | 440,513 | 322,254 |
| 2.3 Other | 376,832 | 535,336 |
| **Total** | **2,036,874** | **2,255,811** |

Comparative figures at 31 December 2013 have been restated as a result of the reclassification of the contribution to the National Interbank Deposit Guarantee Fund (FITD) for actions already approved, for an amount of €28,365 thousand from item 2.3. Other provisions for risks and charges - other funds to item 100. Other liabilities in the Balance sheet liabilities.

To cover potential liabilities that may result from pending lawsuits (excluding labor disputes, tax cases or credit recovery actions), UniCredit S.p.A. has set aside a provision for risks and charges of €312.8 million at December 31, 2014.

Within the provisions for risks and charges, point 2.1 Legal disputes, €180,434 thousand of the provisions made for Cirio Finanziaria S.p.A. were used for the payment to settle the entire matter, and the remaining provisions of €4,095 thousand were released.

Provisions for risks and charges, point 2.2 Staff expenses, included the reclassification of €186,837 thousand of provisions for long-service bonuses previously recognized under “Other liabilities”.

Provisions for tax disputes have been increased in view of disputes and notices of assessment served in 2014.

Reduction in provision for risks and charges, item Other, derives mainly from their usage during the year to cover charges for which they were originally allocated, including in particular: payment of compensation under the HVB Compensation Agreement (€26,500 thousand) and release of the residual amount (€17,266 thousand); and use of the specific provision made to cover the guarantee issued to the subsidiary UCCMB under the guarantee agreement (€71,958 thousand).

Following the restructuring of the company Aviva, the existing provision of €12,174 was also released.

Under the provisions for risks and charges, the provisions made for contingent assets totaling €335,056 thousand have been eliminated.

## 12.2 Provisions for risks and charges: annual changes

| | CHANGE IN 2014 | | |
|---|---|---|---|
| ITEMS/VALUES | PENSIONS AND POST-RETIREMENT BENEFIT OBLIGATIONS | OTHER PROVISIONS | TOTAL |
| **A. Opening balance** | **806,371** | **1,449,440** | **2,255,811** |
| **B. Increases** | **106,111** | **372,204** | **478,315** |
| B.1 Provisions for the year (*) | 1,734 | 125,619 | 127,353 |
| B.2 Changes due to the passage of time | 22,780 | 3,071 | 25,851 |
| B.3 Differences due to discount-rate changes | - | 5,866 | 5,866 |
| B.4 Other increases | 81,597 | 237,648 | 319,245 |
| **C. Decreases** | **83,156** | **614,096** | **697,252** |
| C.1 Use during the year | 75,083 | 504,924 | 580,007 |
| C.2 Diffrences due to discount-rate changes | - | 488 | 488 |
| C.3 Other decreases | 8,073 | 108,684 | 116,757 |
| **D. Closing balance (**)** | **829,326** | **1,207,548** | **2,036,874** |

(*) For the Pensions and post-retirement benefit obligations, the amount includes the contributions paid by the Company of €1,114 thousand.
For the “Other provisions”, the amount shown is net of the provisions of €30,272 thousand made with respect to a guarantee issued to UniCredit Credit Management Bank S.p.A. (former Aspra Finance), following the sale of non-performing loans recognized under “Other liabilities”, but includes €42,477 thousand allocated to the item 150. Administrative Costs a) staff expenses.

(**) Of which: Provisions for defined-benefit company pensions of € 790,868 thousand.

## 12.3 Provisions for defined-benefit company pensions

### 1. Description of the funds

In respect of Pensions and other post-retirement benefit obligations, the Annexes provide details of Fund movements and include statements of changes in funds with segregated assets pursuant to article 2117 of the Italian Civil Code, as well as explanatory notes thereto.

Allocations to funds other than those with segregated assets are indiscriminately invested in asset items. Therefore, it is not possible to provide any statement of these funds.

For details of the methods used to calculate the present value of the defined benefit plans, see the specific section “12- Provisions for risks and charges” in part A of these Notes to the Accounts.

The discount rate is determined, depending on the currency of denomination of the commitments and the maturity of the liability, by reference to market yields at the balance sheet date on a basket of high quality corporate bonds.

In the light of evolving common interpretation about “high quality corporate bonds” identification and persisting interest rates decreasing trend, UniCredit refined its Discount Rate setting methodology by limiting the number of “investiment grade” bonds whose rating is lower than AA (i.e. only no. 6 securities ranging in 15/20y maturity), for which an adjustment is made to reduce the excess-return.

In addition, a Nelson Siegel methodology has been applied in modelling the yield-curve expressed by the basket of securities (adjusted above 25y in order to stick the long-term maturity segment of the curve to the Euribor implied-forward rate).

From January 1, 2013, as a result of the entry into force of the amendments to IAS 19 (‘IAS 19R’), the elimination of the “corridor” approach has resulted in an impact on the Group’s shareholders’ equity connected to the recognition under “revaluation reserves” of actuarial gains and losses that were not previously recognized due to the adoption of that “approach”.

The balance of the negative Revaluation reserves net of tax changed from -€112,266 at December 31, 2013 to -€164,648 at December 31, 2014.

# Part B - Balance Sheet - Liabilities (CONTINUED)

| 2. BREAKDOWN OF NET DEFINED BENEFIT LIABILITY/ASSET AND ANY REIMBURSEMENT RIGHTS AS OFTHE PERIOD END DATE | 12.31.2014 | 12.31.2013 |
|---|---|---|
| Defined Benefit Obligation | 820,409 | 789,333 |
| Fair Value of Assets | (29,541) | (22,634) |
| Surplus/ (Deficit ) | 790,868 | 766,699 |
| Irrecoverable Surplus (Effect of Asset Ceiling) | - | - |
| **Net Defined Benefit Liability/(Asset) as of the Period End Date** | **790,868** | **766,699** |

| 2.1 CHANGES IN DEFINED BENEFIT OBLIGATIONS | 12.31.2014 | 12.31.2013 |
|---|---|---|
| **Defined Benefit Obligation as of the Prior Period End date** | **789,334** | **855,034** |
| Current Service Cost | 619 | 804 |
| Settlement (Gain) / Loss | - | - |
| Past Sevice Cost | - | - |
| Interest Cost on the defined benefit obligation | 23,822 | 25,560 |
| Net Actuarial (Gain) / Loss | 72,909 | (22,947) |
| Plan Partecipants' Contributions | 15 | 19 |
| Disbursements from Plan Assets | (356) | (142) |
| Disbursements Directly Paid by the Employer | (67,963) | (68,962) |
| Settlements | - | - |
| Other changes on defined benefit obligation | 2,029 | (32) |
| **Total Defined beneft Obligation as of the Period End Date** | **820,409** | **789,334** |

| 2.2 CHANGES TO PLAN ASSETS | 12.31.2014 | 12.31.2013 |
|---|---|---|
| **Fair Value of Plan Assets as of the Prior Period End date** | **22,635** | **18,119** |
| Interest Income on Plan Assets | 1,042 | 773 |
| Return on Plan Assets Greater / (Less) than Discount Rate | 823 | 176 |
| Employer Contibutions | 3,805 | 3,709 |
| Disbursemens from Plan Assets | (356) | (142) |
| Settlemets | - | - |
| Other changes on plan assets | 1,592 | - |
| **Total Fair Value of Plan Assets as of the Period End Date** | **29,541** | **22,635** |

| 3. INFORMATIONS ABOUT FAIR VALUE OF PLAN ASSETS | 12.31.2014 | 12.31.2013 |
|---|---|---|
| 1. Equities | 11,487 | 8,234 |
| 2. Bonds | 9,224 | 7,498 |
| 3. Units in investment funds | 4,752 | - |
| 4. Properties | 755 | - |
| 5. Derivative instruments | - | - |
| 6. Other | 3,323 | 6,903 |
| **Total** | **29,541** | **22,635** |

| 4. PRINCIPAL ACTUARIAL ASSUMPTIONS | 12.31.2014 | 12.31.2013 |
|---|---|---|
| Discount rate | 1.76% | 3.14% |
| Expected return on plan assets | 1.76% | 3.14% |
| Rate of increse in future compensation and vested rights | 2.24% | 2.90% |
| Rate of increase in pension obligations | 0.88% | 1.17% |
| Expected inflation rate | 1.19% | 1.92% |

| 5. INFORMATION ON AMOUNT, TIMING AND UNCERTAINTY OF CASH FLOWS | 12.31.2014 |
|---|---|
| **Impact of changes in financial/demographic assumptions on DBOs** | |
| **a. Discount rate** | |
| a1. - 25 basis points | 20,032 |
| | **2.44%** |
| a2.+ 25 basis points | (19,164) |
| | **-2.34%** |
| **b. Pensions increase rate** | |
| b1. - 25 basis points | (12,309) |
| | **-1.50%** |
| b2.+ 25 basis points | 12,755 |
| | **1.55%** |
| **c. Mortality** | |
| c1. Survival rate + 1 year | 45,959 |
| | **5.60%** |
| **Weighted average duration (years)** | **10.0** |

#### 12.4 Provisions for risks and charges - other provisions - other

| | AMOUNTS AS AT | |
|---|---|---|
| | 12.31.2014 | 12.31.2013 |
| **2.3 Other provisions for risks and charges - other** | | |
| Out-of-court settlements, accidents and other claims | 18,594 | 18,529 |
| Tax disputes | 42,394 | 20,296 |
| Guarantees and other risks connected with equity investment disposals | 46,142 | 48,520 |
| Other | 269,702 | 447,991 |
| **Total** | **376,832** | **535,336** |

## Section 13 - Redeemable shares - Item 140

No data to be disclosed in this section.

## Section 14 - Shareholders' Equity - Items 130, 150, 160, 170, 180, 190 and 200

Further information about Shareholders' Equity are represented in Part F) Shareholders' Equity.

#### 14.1 "Share capital" and "treasury shares": breakdown

| | 12.31.2014 | | 12.31.2013 | |
|---|---|---|---|---|
| | ISSUED SHARES | UNDERWRITTEN SHARES | ISSUED SHARES | UNDERWRITTEN SHARES |
| **A. Share Capital** | | | | |
| A.1 ordinary shares | 19,897,462 | - | 19,646,630 | - |
| - related to "usufrutto" contract | 328,347 | - | 328,359 | - |
| - other | 19,569,115 | - | 19,318,271 | - |
| A.2 savings shares | 8,312 | - | 8,226 | - |
| **Total A** | **19,905,774** | **-** | **19,654,856** | **-** |
| **B. Treasury Shares** | | | | |
| B.1 ordinary shares | (2,440) | - | (2,440) | - |
| B.2 savings shares | - | - | - | - |
| **Total (B)** | **(2,440)** | **-** | **(2,440)** | **-** |

In the course of 2014 share capital - which at December 31, 2013 was represented by 5,789,209,719 ordinary shares and 2,423,898 savings shares, both categories with no per-share face value - changed due to the reasons illustrated in the paragraph "Capital Strengthening and other transactions concerning share capital" of the "Director's Reporting Operations".

Specifically, share capital rose from €19,654,856 thousand at the end of 2013 to €19,905,774 thousand following the free share capital increases of:
- €28,144 thousand, resolved by the Board of Directors' meeting of March 11, 2014, executed through the concurrent withdrawal from the specifically constituted "reserves related to the medium-term incentive program for Group staff", which resulted in the issue 8,498,340 ordinary shares;
- €222,774 thousand, resolved by the Shareholders' Meeting of May 13, 2014 for the payment of the "Scrip dividend" for 2013, through the concurrent withdrawal from the existing "reserves for allocating profits to shareholders through the issuance of new free shares", which resulted in the issue of 65,621,091 ordinary shares and 25,415 savings shares.

The Shareholders' Meeting held to approve UniCredit S.p.A.'s financial statements as at December 31, 2013 approved the distribution of a dividend of €570,332,795.10 to shareholders through withdrawal from retained earnings. Specifically, the Meeting approved a scrip dividend scheme under which the holders of UniCredit ordinary shares and the holders of UniCredit savings shares will be allocated 1 new share for every 60 shares held and 1 new share for every 84 shares held, respectively, without prejudice to the shareholders' right to opt for a cash payout in lieu of the allocation of the new shares.

The scrip dividend, which took place on June 6, 2014, resulted in:

- with respect to the shareholders who decided to exercise the option to receive a cash dividend, the payment of €176,392,131.40;
- with respect to the shareholders who did not opt for a cash payout, the issue of 65,621,091 new ordinary shares and 25,415 new savings shares, allocated according to the ratios mentioned above. Each new ordinary and savings share issued was recognized in the Shareholders' Equity at approximately €3.39.

As a result, at December 31, 2014, the share capital is represented by 5,863,329,150 ordinary shares and 2,449,313 savings shares.

# Part B - Balance Sheet - Liabilities (Continued)

At the end of December 2014, the number of treasury shares outstanding was 47,600 ordinary shares, unchanged compared to the end of 2013 as no transactions in respect of treasury shares were carried out during the period.

### 14.2 Capital Stock - number of shares: annual changes

| | CHANGES IN 2014 | | |
|---|---|---|---|
| ITEMS/TYPES | ORDINARY | OTHERS (SAVING) | TOTAL |
| **A. Issued shares as at the beginning of the year** | **5,789,209,719** | **2,423,898** | **5,791,633,617** |
| - fully paid | 5,789,209,719 | 2,423,898 | 5,791,633,617 |
| - related to"usufrut to"contract | 96,756,406 | - | 96,756,406 |
| - other | 5,692,453,313 | 2,423,898 | 5,694,877,211 |
| -not fully paid | - | - | - |
| A.1 Treasury shares (-) | (47,600) | - | (47,600) |
| A.2 Shares out standind: opening balance | 5,789,162,119 | 2,423,898 | 5,791,586,017 |
| **B. Increases** | **74,119,431** | **25,415** | **74,144,846** |
| B.1 New issues | 74,119,431 | 25,415 | 74,144,846 |
| - against payment | - | - | - |
| *- business combinations* | - | - | - |
| *- bonds converted* | - | - | - |
| *- warrants exercised* | - | - | - |
| *- other* | - | - | - |
| - free | 74,119,431 | 25,415 | 74,144,846 |
| *- to employees* | *8,498,340* | - | *8,498,340* |
| *- to Directors* | - | - | - |
| *- other* | *65,621,091* | *25,415* | *65,646,506* |
| B.2 Sales of treasury shares | - | - | - |
| B.3 Other changes | - | - | - |
| **C. Decreases** | **-** | **-** | **-** |
| C.1 Cancellation | - | - | - |
| C.2 Purchase of treasury shares | - | - | - |
| C.3 Business tranferred | - | - | - |
| C.4 Other changes | - | - | - |
| **D. Shares outstanding: closing balance** | **5,863,281,550** | **2,449,313** | **5,865,730,863** |
| D.1 Treasury Shares(+) | 47,600 | - | 47,600 |
| D.2 Shares out standing as at the end of the year | 5,863,329,150 | 2,449,313 | 5,865,778,463 |
| -fully paid | 5,863,329,150 | 2,449,313 | 5,865,778,463 |
| -related to "usufrutto" contract[1] | 96,756,406 | - | 96,756,406 |
| -other | 5,766,572,744 | 2,449,313 | 5,769,022,057 |
| -not fully paid | - | - | - |

1. The usufruct agreement relative to the 96,756,406 shares (issued in the context of the January 2009 capital increase) provides for Euribor-linked discretionary payments contingent on the payment of dividends on ordinary and/or savings shares. On these shares the voting right cannot be exercised.

### 14.3 Capital: other information

Pursuant to the resolution passed by the Extraordinary Shareholders' Meeting on December 15, 2011, ordinary and savings shares have no par value.

For specific details about the Savings shares, see articles 5, 7 and 32 of the Articles of Association of UniCredit S.p.A..

### 14.4 Reserves from allocation of profit from previous year: other information

| | AMOUNTS AS AT | |
|---|---|---|
| | 12.31.2014 | 12.31.2013 |
| Legal Reserve (*) | 1,517,514 | 1,517,514 |
| Statutory Reserve | 1,195,845 | 1,195,845 |
| Other Reserves | 1,403,425 | 5,647,951 |
| **Total** | **4,116,784** | **8,361,310** |

(*) The "Legal reserve" includes also € 2,533,152 thousand constituted, as resolved by the approval of the Ordinary Shareholders'Meeting of May 11, 2013 and of May 13, 2014 with the withdrawal from "Share premium Reserve" and therefore it is not classified amonf Reserves from allocation of profit from previous year.

The following table, in accordance with Section 2427, paragraph 7-bis, of the Italian Civil Code, provides details on the origin, possible uses and availability of distribution of Shareholders' Equity, as well as the summary of its use in the three previous fiscal years.

### Breakdown of Shareholders' equity (with indication of availability for distribution)

| ITEMS | AMOUNT | PERMITTED USES (*) | | AVAILABLE PORTION | SUMMARY OF USE IN THE THREE PREVIOUS FISCAL YEARS | |
|---|---|---|---|---|---|---|
| | | | | | TO COVER LOSSES | OTHER REASONS |
| **Share capital** | **19,905,774** | **-** | | **-** | | |
| **Share premium** | **15,976,604** | **A, B, C** | **(1) (2)** | **15,976,604** | **14,351,334** | **6,495,276** |
| **Reserves:** | **9,323,078** | | | | | |
| legal reserve | 4,050,666 | B | (3) | 4,050,666 | | |
| reserve for treasury shares or interests | 2,440 | - | | - | | |
| statutory reserves | 1,195,845 | A, B, C | (4) | 1,195,845 | - | |
| reserves arising out of share swaps | 511,210 | A, B, C | | 511,210 | | |
| reserves arising out of transfer of assets | 477,090 | A, B, C | (5) | 477,090 | | |
| reserves arising out of split-offs | 15,672 | A, B, C | | 15,672 | | |
| reserves related to the medium-term | | | | | | |
| incentive programme for Group staff | 108,038 | - | (6) | - | | 35,326 (15) |
| reserve related to equity-settled plans | 419,268 | - | | - | | |
| reserve related to business combinations (IFRS 3) | 2,118,624 | A, B, C | (7) | 2,118,624 | | |
| reserve related to business combinations within the Group | 254,619 | A, B, C | (8) | 254,619 | 3,818,208 | 512,535 (16) |
| reserve for allocating profits to Shareholders through the issuance of new free shares | 794,796 | A, B, C | (9) | 794,796 | - | 399,166 (17) |
| reserve pursuant to art. 6, paragraph 2 Lgislative Decree 38/2005 | 11,913 | B | (10) | 11,913 | | |
| Other reserves | 45,307 | A, B, C | (11) | 45,307 | - | |
| Negative components of Shareholders' equity | (682,410) | | (12) | (682,410) | | |
| **Revaluation reserves** | **1,001,110** | | | | | |
| monetary equalisation reserve under L. 576/75 | 4,087 | A, B, C | (13) | 4,087 | | |
| monetary revaluation reserve under L.72/83 | 84,658 | A, B, C | (13) | 84,658 | | |
| asset revaluation reserve under L. 408/90 | 28,965 | A, B, C | (13) | 28,965 | | |
| property revaluation reserve under L. 413/91 | 159,310 | A, B, C | (13) | 159,310 | | |
| Available-for-sale financial assets | 753,563 | - | (14) | - | | |
| Cash-flow hedges | 238,916 | - | (14) | - | | |
| Reserve for actuarial gains (losses) on employee defined -benefit plans | (268,389) | - | | - | | |
| **Total** | **46,206,566** | | | **25,046,956** | | |
| **Portion not allowed in distribution (**)** | | | | **5,465,536** | | |
| **Remaining portion available for distribution (***)** | | | | **19,581,420** | | |

(*) A: for capital increase; B: to cover losses; C: distribution to shareholders

(**) Includes the part of Share premium (see note 2), the remainder is distributable because the legal reserve is at the level of one-fifth of the share capital, as per art. 2430 of the Civil Code.

(***) The distributable amount is net of negative items.

(1) Reserve utilized to cover losses for the years 2011, 2012 and 2013 of €14,351,334 thousand, to supplement the legal reserve by €2,533,152 thousand, and to cover negative items of shareholders' equity of €3,962,124 thousand.

(2) The amount of Share premium reserve generated as a result of the business combination with Capitalia exceeds the shareholders' equity of the absorbed company by €8,565 million and includes €7,874 million considered as available for distribution following the impairment losses on goodwill, intangible assets and equity investments and recognized on each occasion through profit or loss. The remaining amount of €691 is considered not distributable.

(3) Available, to cover losses, only after the utilization of other reserves, except for the reserves pursuant to Article 6, paragraph 2, of the Legislative Decree 38/2005. The reserve includes €2,533,152 thousand taken from Share Premium as approved by the Ordinary Shareholders' Meetings of May 11, 2013 and May 13, 2014.

(4) Reserve established for the entire amount of €1,195,845 thousand by resolution of Ordinary Shareholders' Meeting of May 11, 2013 following the reallocation of the loss for the year 2011 posted entirely to the share premium reserve.

(5) The amount includes €214,747 thousand which is distributable according to the procedure established Article 2445 of the Italian Civil Code. If the reserve is utilized to cover losses, profits may not be distributed until the reserve is restored to its full amount or is reduced by the corresponding amount by resolution extraordinary shareholder's meeting resolution, without application of the provisions of the second and third paragraphs of article 2445 of the Italian Civil Code.

(6) Allocation constraints to render the reserve available and distributable may be approved by the shareholders' meeting.

(7) €1,406 million of the Business Combination (IFRS3) reserve is considered as distributable, following value adjustments due to the decrease in UniCredit Bank AG and UniCredit Bank Austria AG investments, which are recognized in the income statement.

(8) The amount of €3,818,209 thousand, resulting from the transfer in 2007 to UniCredit Bank Austria AG (formerly Bank Austria Creditanstalt AG) of a business unit consisting of controlling interests in commercial banks domiciled in central-eastern Europe and related management and support operations, and considered non-distributable because the transactions were not conducted with third parties, was used in full to partially cover the losses for the year 2013 by Shareholders' Meeting resolution of May 13, 2014.

(9) Reserve established for the entire amount of €1,193,962 in 2013 following the reallocation of the loss for the year 2011 posted entirely to the share premium reserve and partially used for the payment of dividends approved by the Ordinary Shareholders' Meeting of May 13, 2014.

(10) If this Reserve is used to cover losses, profits cannot be distributed until this Reserve has been replenished by allocating profits from future years.

(11) Other reserves include the reserve pursuant to Art. 19 of Legislative Decree 87/92 equal to €16 thousand non-distributable.

(12) Negative items of shareholders' equity affect the availability and distributability of positive reserves of the shareholders equity.

(13) If these reserves are utilized to cover losses, profits may not be distributed until the reserve is restored to its full amount or is reduced by the corresponding amount by resolution of the Extraordinary Shareholders' Meeting Resolution, without application of the provisions of the second and third paragraphs of article 2445 of the Civil Code. If the reserve is not recognized under share capital, it may only be reduced by resolution adopted in application of the provisions of the second and third paragraphs of article 2445 of the Italian Civil Code.

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

(15) For capital increase with respect to allocation of performance shares connected to the personnel incentive plan.

(16) €512,535 thousand paid to shareholders in the year 2013.

(17) €399,166 million paid to shareholders in the year 2014 with settlement in cash and scrip dividend.

# Part B - Balance Sheet - Liabilities (Continued)

In detail the composition of Other negative components of Shareholders' equity:

| VOICE | 12.31.2014 |
|---|---|
| Reserve related to business combinations within the Group | (27,459) |
| Reserve arising out of transfers of assets within the Group under art. 58 Banking law | (469,653) |
| Reserve arising out of capital instrument and cashes | (174,203) |
| ESOP share price reserve | (11,095) |
| **Total** | **(682,410)** |

## Other information

### 1. Guarantees given and commitments

| TRANSACTIONS | AMOUNTS AS AT 12.31.2014 | AMOUNTS AS AT 12.31.2013 |
|---|---|---|
| **1) Financial guarantees given to** | **24,485,028** | **22,037,713** |
| a) Banks | 12,027,808 | 8,464,176 |
| b) Customers | 12,457,220 | 13,573,537 |
| **2) Commercial guarantees given to** | **16,920,040** | **16,075,343** |
| a) Banks | 1,816,897 | 1,864,497 |
| b) Customers | 15,103,143 | 14,210,846 |
| **3) Other irrevocable commitments to disburse funds** | **32,338,458** | **42,793,191** |
| a) banks: | 2,532,896 | 3,304,744 |
| *i) usage certain* | *1,666,360* | *2,463,637* |
| *ii) usage uncertain* | *866,536* | *841,107* |
| b) customers: | 29,805,562 | 39,488,447 |
| *i) usage certain* | *10,338,080* | *18,724,043* |
| *ii) usage uncertain* | *19,467,482* | *20,764,404* |
| **4) Underlying obligations for credit derivatives: sales of protection** | **-** | **5,000** |
| **5) Assets used to guarantee others' obligations** | **2,101** | **2,046** |
| **6) Other commitments** | **738,935** | **374,916** |
| **Total** | **74,484,562** | **81,288,209** |

### 2. Assets used to guarantee own liabilities and commitments

| PORTFOLIOS | AMOUNTS AS AT 12.31.2014 | AMOUNTS AS AT 12.31.2013 |
|---|---|---|
| 1. Financial assets held for trading | 2,107,009 | 98,610 |
| 2. Financial assets designated at fair value | 1,102 | 1,079 |
| 3. Financial assets available for sale | 28,309,666 | 17,256,898 |
| 4. Financial assets held to maturity | 1,545,002 | 2,652,309 |
| 5. Loans and receivables with banks | 3,743,104 | 1,849,998 |
| 6. Loans and receivables with customers | 36,213,667 | 34,104,806 |
| 7. Property, plant and equipment | - | - |

Deposits from banks include €7,753 thousand related to Bank of Italy's refinancing operations collateralized by securities nominal value €9,065 thousand. Of these, the securities not recognized on balance-sheet - since they represent repurchased or retained UniCredit S.p.A.'s financial liabilities - amount to nominal €3,307 thousand.

### Security borrowing transactions collateralized by securities or not collateralized

| | AMOUNTS AS AT 12.31.2014 | | | |
|---|---|---|---|---|
| | AMOUNTS OF THE SECURITIES BORROWED / TRANSACTION PURPOSE | | | |
| LENDER BREAKDOWN | GIVEN AS COLLATERAL IN OWN FUNDING TRANSACTIONS | SOLD | SOLD IN REPO TRANSACTIONS | OTHER PURPOSES |
| A. Banks | 151,001 | - | - | 2,100,084 |
| B. Financial companies | - | - | - | - |
| C. Insurance companies | - | - | - | - |
| D. Non-financial companies | - | - | - | - |
| E. Others | - | - | - | - |
| **Total** | **151,001** | **-** | **-** | **2,100,084** |

### 3. Operating leasing

No data to be disclosed.

### 4. Asset management and trading on behalf of others

| | AMOUNTS AS AT | |
|---|---|---|
| TYPE OF SERVICES | 12.31.2014 | 12.31.2013 |
| **1. Management and trading on behalf of third parties** | | |
| a) Purchases | - | - |
| *1. Settled* | - | - |
| *2. Unsettled* | - | - |
| b) Sales | - | - |
| *1. Settled* | - | - |
| *2. Unsettled* | - | - |
| **2. Segregated accounts** | | |
| a) Individual | 7,989,426 | 7,350,554 |
| b) Collective | - | - |
| **3. Custody and administration of securities** | | |
| a) Third party securities on deposit: relating to depositary bank activities (excluding segregated accounts) | - | - |
| *1. securities issued by the bank preparing the accounts* | - | - |
| *2. other securities* | - | - |
| b) Third party securities held in deposit (excluding segregated accounts): other | 149,868,133 | 161,995,870 |
| *1. securities issued by the bank preparing the accounts* | *27,703,385* | *36,624,061* |
| 2. other securities | 122,164,748 | 125,371,809 |
| c) Third party securities deposited with third parties | 148,883,892 | 160,649,451 |
| d) Proprietary securities deposited with third parties | 86,378,066 | 68,572,382 |
| **4. Other** | **8,668,551** | **8,136,812** |

# Part B - Balance Sheet - Liabilities (Continued)

### 5 Assets subject to accounting offsetting, or under master netting agreements and similar ones

| INSTRUMENT TYPE | GROSS AMOUNTS OF FINANCIAL ASSETS (A) | FINANCIAL LIABILITIES OFFSET IN BALANCE SHEET (B) | NET BALANCE SHEET VALUES OF FINANCIAL ASSET (C=A-B) | RELATED AMOUNTS NOT RECOGNISED IN BALANCE SHEET: FINANCIAL INSTRUMENTS (D) | RELATED AMOUNTS NOT RECOGNISED IN BALANCE SHEET: CASH COLLATERAL RECEIVED (E) | NET AMOUNTS 12.31.2014 (F=C-D-E) | NET AMOUNTS 12.31.2013 |
|---|---|---|---|---|---|---|---|
| 1) Derivatives | 13,076,694 | - | 13,076,694 | 12,152,173 | - | 924,521 | 515,225 |
| 2) Repos | - | - | - | - | - | - | - |
| 3) Securities lending | - | - | - | - | - | - | - |
| 4) Others | - | - | - | - | - | - | - |
| **Total 12.31.2014** | **13,076,694** | **-** | **13,076,694** | **12,152,173** | **-** | **924,521** | **515,225** |
| **Total 12.31.2013** | **10,011,395** | **-** | **10,011,395** | **9,496,170** | **-** | **515,225** | |

### 6 Liabilities subject to accounting offsetting, or under master netting agreements and similar ones

| INSTRUMENT TYPE | GROSS AMOUNTS OF FINANCIAL LIABILITIES (A) | FINANCIAL LIABILITIES OFFSET IN BALANCE SHEET (B) | NET BALANCE SHEET VALUES OF FINANCIAL LIABILITIES (C=A-B) | RELATED AMOUNTS NOT RECOGNISED IN BALANCE SHEET: FINANCIAL INSTRUMENTS (D) | RELATED AMOUNTS NOT RECOGNISED IN BALANCE SHEET: CASH COLLATERAL GIVEN (E) | NET AMOUNTS 12.31.2014 (F=C-D-E) | NET AMOUNTS 12.31.2013 |
|---|---|---|---|---|---|---|---|
| 1) Derivatives | 13,462,343 | - | 13,462,343 | 12,152,173 | - | 1,310,170 | 1,953,173 |
| 2) Repos | - | - | - | - | - | - | - |
| 3) Securities lending | - | - | - | - | - | - | - |
| 4) Others | - | - | - | - | - | - | - |
| **Total 12.31.2014** | **13,462,343** | **-** | **13,462,343** | **12,152,173** | **-** | **1,310,170** | **1,953,173** |
| **Total 12.31.2013** | **11,449,343** | **-** | **11,449,343** | **9,496,170** | **-** | **1,953,173** | |

# Part C - Income Statement


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# Part C - Income Statement (amounts in thousands of €)

## Section 1 - Interest income and similar revenues - Item 10 and 20

### 1.1 Interest income and similar revenues: breakdown

| ITEMS/TYPE | 2014 DEBT SECURITIES | 2014 LOANS | 2014 OTHER TRANSACTIONS | 2014 TOTAL | 2013 TOTAL |
|---|---|---|---|---|---|
| 1. Financial assets held for trading | 75,475 | - | - | 75,475 | 37,481 |
| 2. Available-for-sale financial assets | 1,075,586 | - | - | 1,075,586 | 950,911 |
| 3. Held-to-maturity investments | 33,528 | - | - | 33,528 | 44,455 |
| 4. Loans and receivables with banks | 107,363 | 89,883 | - | 197,246 | 211,517 |
| 5. Loans and receivables with customers | 49,126 | 6,439,770 | - | 6,488,896 | 7,140,796 |
| 6. Financial assets at fair value through profit or loss | 7,661 | - | - | 7,661 | 20 |
| 7. Hedging derivatives | X | X | 892,428 | 892,428 | 1,022,093 |
| 8. Other assets | X | X | 10,443 | 10,443 | 8,470 |
| **Total** | **1,348,739** | **6,529,653** | **902,871** | **8,781,263** | **9,415,743** |

The interest accrued during the year on positions classified at 12.31.2014 as "impaired" amount to €269,492 million.

### 1.2 and 1.5 Interest income/expense and similar revenues/charges: hedging differentials

| ITEMS | 2014 | 2013 |
|---|---|---|
| A. Positive differentials relating to hedging operations | 3,386,924 | 3,834,175 |
| B. Negative differentials relating to hedging operations | (2,494,496) | (2,812,082) |
| **C. Net differentials (A - B)** | **892,428** | **1,022,093** |

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

| ITEMS | 2014 | 2013 |
|---|---|---|
| a) Assets denominated in currency | 68,775 | 89,742 |

### 1.4 Interest expense and similar charges: breakdown

| ITEMS/TYPE | 2014 DEBTS | 2014 SECURITIES | 2014 OTHER TRANSACTIONS | 2014 TOTAL | 2013 TOTAL |
|---|---|---|---|---|---|
| 1. Deposits from Central banks | (19,457) | X | - | (19,457) | (93,306) |
| 2. Deposits from banks | (236,437) | X | - | (236,437) | (387,673) |
| 3. Deposits from customers | (592,450) | X | - | (592,450) | (916,951) |
| 4. Debt securities in issue | X | (3,563,963) | - | (3,563,963) | (4,014,455) |
| 5. Financial liabilities held for trading | - | (3) | (18,163) | (18,166) | (9,396) |
| 6. Financial liabilities at fair value through profit or loss | - | - | - | - | - |
| 7. Other liabilities and funds | X | X | (876) | (876) | (185) |
| 8. Hedging derivatives | X | X | - | - | - |
| **Total** | **(848,344)** | **(3,563,966)** | **(19,039)** | **(4,431,349)** | **(5,421,966)** |

### 1.6.1 Interest expense on liabilities denominated in currency

| ITEMS | 2014 | 2013 |
|---|---|---|
| a) Liabilities denominated in currency | (121,103) | (196,872) |

## Section 2 - Fee and commission income and expense - Item 40 and 50

### 2.1 Fee and commission income: breakdown

| TYPE OF SERVICES/VALUES | 2014 | 2013 |
|---|---|---|
| **a) guarantees given** | **376,554** | **328,019** |
| **b) credit derivatives** | **-** | **-** |
| **c) management, brokerage and consultancy services:** | **1,692,562** | **1,462,586** |
| 1. securities trading | 151 | 12 |
| 2. currency trading | 77,600 | 75,635 |
| 3. portfolio management | 83,501 | 81,302 |
| *3.1. individual* | *71,336* | *71,141* |
| *3.2. collective* | *12,165* | *10,161* |
| 4. custody and administration of securities | 12,631 | 13,048 |
| 5. custodian bank | - | - |
| 6. placement of securities | 776,819 | 641,212 |
| 7. reception and transmission of orders | 144,227 | 151,379 |
| 8. advisory services | 21,714 | 26,691 |
| *8.1 related to investments* | *13,336* | *12,389* |
| *8.2 related to financial structure* | *8,378* | *14,302* |
| 9. distribution of third party services | 575,919 | 473,307 |
| 9.1 portfolio management | 15,554 | 21,617 |
| *9.1.1. individual* | *15,554* | *21,617* |
| *9.1.2. collective* | - | - |
| 9.2. insurance products | 545,890 | 439,909 |
| 9.3. other products | 14,475 | 11,781 |
| **d) collection and payment services** | **610,050** | **644,571** |
| **e) securitization servicing** | **50,190** | **50,672** |
| **f) factoring** | **-** | **-** |
| **g) tax collection services** | **-** | **-** |
| **h) management of multilateral trading facilities** | **-** | **-** |
| **i) management of current accounts** | **979,591** | **956,034** |
| **j) other services** | **308,242** | **322,788** |
| **k) security lending** | **7,584** | **8,605** |
| **Total** | **4,024,773** | **3,773,275** |

### 2.2 Fee and commission income by distribution channel

| CHANNELS/SECTORS | 2014 | 2013 |
|---|---|---|
| **a) through Group bank branches** | **1,435,959** | **1,195,395** |
| 1. portfolio management | 83,501 | 81,302 |
| 2. placement of securities | 776,539 | 640,786 |
| 3. others' products and services | 575,919 | 473,307 |
| **b) off-site** | **280** | **426** |
| 1. portfolio management | - | - |
| 2. placement of securities | 280 | 426 |
| 3. others' products and services | - | - |
| **c) other distribution channels** | **-** | **-** |
| 1. portfolio management | - | - |
| 2. placement of securities | - | - |
| 3. others' products and services | - | - |
| **Total** | **1,436,239** | **1,195,821** |

# Part C - Income Statement (Continued)

### 2.3 Fee and commission expense: breakdown

| TYPE OF SERVICES/VALUES | 2014 | 2013 |
|---|---|---|
| **a) guarantees received** | **(68,255)** | **(74,889)** |
| **b) credit derivatives** | **(598)** | **(5,247)** |
| **c) management, brokerage and consultancy services:** | **(80,736)** | **(74,513)** |
| 1. trading financial instruments | (14,369) | (14,088) |
| 2. currency trading | (1,281) | (1,627) |
| 3. portfolio management: | (5,442) | (9,452) |
| *3.1. own portfolio* | *(5,442)* | *(9,452)* |
| *3.2. third party portfolio* | - | - |
| 4. custody and administration of securities | (43,182) | (42,652) |
| 5. placement of financial instruments | (117) | (476) |
| 6. off-site distribution of financial instruments, products and services | (16,345) | (6,218) |
| **d) collection and payment services** | **(120,472)** | **(120,881)** |
| **e) other services** | **(89,878)** | **(141,041)** |
| **f) security borrowing** | **(5,903)** | **(4,482)** |
| **Total** | **(365,842)** | **(421,053)** |

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

### 3.1 Dividend income and similar revenue: breakdown

| | 2014 | | 2013 | |
|---|---|---|---|---|
| ITEMS/REVENUES | DIVIDENDS | INCOME FROM UNITS IN INVESTMENT FUNDS | DIVIDENDS | INCOME FROM UNITS IN INVESTMENT FUNDS |
| A. Financial assets held for trading | - | - | - | - |
| B. Available for sale financial assets | 94,505 | 8,573 | 30,656 | 10,383 |
| C. Financial assets at fair value thought profit or loss | - | - | - | - |
| D. Investments | 1,278,391 | X | 3,139,167 | X |
| **Total** | **1,372,896** | **8,573** | **3,169,823** | **10,383** |

| | | |
|---|---|---|
| **Total dividends and income from units in investments funds** | **1,381,469** | **3,180,206** |

Provided below is the breakdown of dividends on equity investments collected during 2013 and 2014.

### Breakdown of dividends by shareholding

| | 2014 | 2013 |
|---|---|---|
| UniCredit Bank AG | 755,401 | 2,462,121 |
| Bank Pekao S.A. | 316,402 | 256,818 |
| UniCredit Factoring S.p.A. | 49,385 | 30,405 |
| UniCredit Bank Ireland P.l.c. | 47,000 | 82,000 |
| SIA S.p.A. | 24,133 | 6,136 |
| Creditras Vita S.p.A. | 23,100 | 59,400 |
| FinecoBank S.p.A. | 20,007 | 111,858 |
| Aviva S.p.A. | 14,816 | 32,658 |
| Mediobanca - Banca di Credito Finanziario S.p.A. | 11,180 | - |
| CNP UniCredit Vita S.p.A. | 7,690 | 7,690 |
| SW Holding S.p.A. | 7,589 | 8,417 |
| SMIA S.p.A. | 855 | - |
| Euro TLX S.p.A. | 832 | - |
| UniCredit Bulbank A.D. | 1 | 2 |
| Pioneer Global Asset Management S.p.A. | - | 46,986 |
| UniCredit Credit Management Bank S.p.A. | - | 21,000 |
| Creditras Assicurazioni S.p.A. | - | 8,100 |
| UniCredit International Bank (Luxembourg) S.A. | - | 5,500 |
| Localmind S.p.A. | - | 76 |
| **Total** | **1,278,391** | **3,139,167** |

## Section 4 - Gains and losses on financial assets and liabilities held for trading - Item 80

### 4.1 Gains and losses on financial assets and liabilities held for trading: breakdown

| TRANSACTIONS/P&L ITEMS | 2014 UNREALIZED PROFITS | 2014 REALIZED PROFITS | 2014 UNREALIZED LOSSES | 2014 REALIZED LOSSES | 2014 NET PROFIT |
|---|---|---|---|---|---|
| **1. Financial assets held for trading** | **24,592** | **196,527** | **(32,482)** | **(101,097)** | **87,540** |
| 1.1 Debt securities | 24,592 | 196,457 | (32,481) | (100,935) | 87,633 |
| 1.2 Equity instruments | - | 28 | (1) | (162) | (135) |
| 1.3 Units in investment funds | - | 42 | - | - | 42 |
| 1.4 Loans | - | - | - | - | - |
| 1.5 Other | - | - | - | - | - |
| **2. Financial liabilities held for trading** | **-** | **-** | **-** | **-** | **-** |
| 2.1 Debt securities | - | - | - | - | - |
| 2.2 Deposits | - | - | - | - | - |
| 2.3 Other | - | - | - | - | - |
| **3. Other financial assets and liabilities: exchange differences** | **X** | **X** | **X** | **X** | **14,696** |
| **4. Derivatives** | **1,872,506** | **988,913** | **(1,678,055)** | **(1,249,506)** | **47,018** |
| 4.1 Financial derivatives: | 1,872,451 | 988,886 | (1,678,000) | (1,249,506) | 46,991 |
| *- on debt securities and interest rates* | *1,568,867* | *908,190* | *(1,562,802)* | *(1,042,125)* | *(127,870)* |
| *- on equity securities and share indices* | *201,233* | *35,930* | *(12,847)* | *(165,138)* | *59,178* |
| *- on currency and gold* | *X* | *X* | *X* | *X* | *113,160* |
| *- other* | *102,351* | *44,766* | *(102,351)* | *(42,243)* | *2,523* |
| 4.2 Credit derivatives | 55 | 27 | (55) | - | 27 |
| **Totale** | **1,897,098** | **1,185,440** | **(1,710,537)** | **(1,350,603)** | **149,254** |

Item 3 Other financial assets and liabilities: exchange differences includes +€120,646 thousand arising from the positive effect of the euro/dollar on the amounts received (and not traded) resulting from the first issue of Additional Tier 1 instruments carried out in April 2014.

The item 4.1 Financial derivatives on equity securities and share indices includes +€59,269 thousand originating from the Compensation Agreement signed between UniCredit Bank AG, UniCredit S.p.A. and Bank Austria (now UniCredit Bank Austria AG) under the ReboRa agreement.

For more information, please refer to Part H) Related-Party Transactions.

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

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

| PROFIT COMPONENT/VALUES | 2014 | 2013 |
|---|---|---|
| **A. Gains on:** | | |
| A.1 Fair value hedging instruments | 2,497,991 | 204,178 |
| A.2 Hedged asset items (in fair value) | 1,759,120 | 19,154 |
| A.3 Hedged liability items (in fair value) | 1,706 | 1,407,813 |
| A.4 Cash-flow hedging derivatives | 43 | 2,908 |
| A.5 Assets and liabilities denominated in currency | 215 | - |
| **Total gains on hedging activities** | **4,259,075** | **1,634,053** |
| **B. Losses on:** | | |
| B.1 Fair value hedging instruments | (1,720,940) | (873,165) |
| B.2 Hedged asset items (in fair value) | (874,272) | (760,311) |
| B.3 Hedged liability items (in fair value) | (1,655,380) | (5,601) |
| B.4 Cash-flow hedging derivatives | (3,554) | - |
| B.5 Assets and liabilities denominated in currency | - | (218) |
| **Total losses on hedging activities** | **(4,254,146)** | **(1,639,295)** |
| **C. Net hedging result** | **4,929** | **(5,242)** |

Fair value adjustments in hedge accounting for 2014 include the residual effect of the collateralization of the downward adjustment to market value of derivatives in place with the German subsidiary UniCredit Bank AG, of which +€300 thousand attributable to UniCredit S.p.A.'s creditworthiness, as well as the OIS adjustment in the valuation of derivatives to take account of the presence of guarantees (recognized for the first time in 2012) of +€6,379 thousand.

# Part C - Income Statement (Continued)

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

### 6.1 Gains and losses on disposals/repurchases: breakdown

| | 2014 | | | 2013 | | |
|---|---|---|---|---|---|---|
| ITEMS /P&L ITEMS | GAINS | LOSSES | NET PROFIT | GAINS | LOSSES | NET PROFIT |
| **Financial assets** | | | | | | |
| **1. Loans and receivables with banks** | **78,714** | **(29,408)** | **49,306** | **52,478** | **(4)** | **52,474** |
| **2. Loans and receivables with customers** | **72,645** | **(77,239)** | **(4,594)** | **15,332** | **(57,746)** | **(42,414)** |
| **3. Available-for-sale financial assets** | **362,176** | **(92,850)** | **269,326** | **1,547,242** | **(73,090)** | **1,474,152** |
| 3.1 Debt securities | 213,856 | (92,503) | 121,353 | 113,562 | (73,087) | 40,475 |
| 3.2 Equity instruments | 148,288 | (6) | 148,282 | 1,422,639 | (2) | 1,422,637 |
| 3.3 Units in investment funds | 32 | (341) | (309) | 11,041 | (1) | 11,040 |
| 3.4 Loans | - | - | - | - | - | - |
| **4. Held-to-maturity investments** | **-** | **-** | **-** | **-** | **-** | **-** |
| **Total assets** | **513,535** | **(199,497)** | **314,038** | **1,615,052** | **(130,840)** | **1,484,212** |
| **Financial liabilities** | | | | | | |
| **1. Deposits with banks** | **-** | **-** | **-** | **-** | **-** | **-** |
| **2. Deposits with customers** | **-** | **-** | **-** | **-** | **-** | **-** |
| **3. Debt securities in issue** | **175,754** | **(166,656)** | **9,098** | **342,615** | **(81,175)** | **261,440** |
| **Total liabilities** | **175,754** | **(166,656)** | **9,098** | **342,615** | **(81,175)** | **261,440** |
| | | | | | | |
| **Total financial assets and liabilities** | | | **323,136** | | | **1,745,652** |

The gain realized on the sale of loans and receivables with banks resulted from the resale to the issuer Fineco Bank (a subsidiary) of a bond issued by it and classified in the portfolio “Loans and receivables with banks”.

In the first quarter of 2014, the entire ownership interest in Atlantia was sold, realizing a gain on disposal of equity instruments classified under available-for-sale financial assets of €83,094 thousand.

In the first half year of 2014, the conversion option on the Risanamento and Prelios securities was exercised, realizing a gain on disposal of equity instruments classified under available-for-sale financial assets of €26,868 thousand and €1,488 thousand respectively.

In the third quarter of 2014, the Tassara equity instruments were sold, realizing a gain on disposal of equity instruments classified under available-for-sale financial assets of €31,667 thousand.

In 2014, gains on buybacks of own bond issues were realized of +€9,098 thousand, of which €48,904 thousand from the offer for buy back of senior retail securities launched in the second half of 2014 and -€48,802 thousand following the buy back by Fineco Bank (a subsidiary) of a bond issued and fully subscribed by it.

Realized gains for the previous year mainly arose from the recognition of the increase in value of the investment in Bank of Italy by €1,374,039 thousand (classified under available-for-sale assets) originating from the change in its governance introduced by Law Decree 133/2013.

# Section 7 - Gains and losses on financial assets/liabilities at fair value through profit or loss - Item 110

### 7.1 Net change in financial assets and liabilities at fair value through profit or loss: breakdown

| TRANSACTIONS/P&L ITEMS | 2014 UNREALIZED PROFITS | 2014 REALIZED PROFITS | 2014 UNREALIZED LOSSES | 2014 REALIZED LOSSES | 2014 NET PROFIT |
|---|---|---|---|---|---|
| **1. Financial assets** | **19,902** | **273** | **(13,978)** | **-** | **6,197** |
| 1.1 Debt securities | 400 | - | (10,267) | - | (9,867) |
| 1.2 Equity securities | 1,663 | - | - | - | 1,663 |
| 1.3 Units in investment funds | 17,839 | 273 | (3,711) | - | 14,401 |
| 1.4 Loans | - | - | - | - | - |
| **2. Financial liabilities** | **-** | **-** | **-** | **-** | **-** |
| 2.1 Debt securities | - | - | - | - | - |
| 2.2 Deposits from banks | - | - | - | - | - |
| 2.3 Deposits from customers | - | - | - | - | - |
| **3. Financial assets and liabilities in foreign currency: exchange differences** | **X** | **X** | **X** | **X** | **-** |
| **4. Credit and financial derivatives** | **-** | **-** | **-** | **-** | **-** |
| **Total** | **19,902** | **273** | **(13,978)** | **-** | **6,197** |

# Section 8 - Impairment losses - Item 130

Note that the accounts for 2013 were significantly influenced by the modification to the parameters used for the valuation of impaired and performing loans, qualified as “change in accounting estimates”.

For more information, please see the 2013 Accounts - Part E - Risks and Hedging Policies - A. Credit quality.

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

| TRANSACTIONS/P&L ITEMS | 2014 WRITE-DOWNS SPECIFIC WRITE-OFFS | 2014 WRITE-DOWNS SPECIFIC OTHER | 2014 WRITE-DOWNS PORTFOLIO | 2014 WRITE-BACKS SPECIFIC INTEREST | 2014 WRITE-BACKS SPECIFIC OTHER | 2014 WRITE-BACKS PORTFOLIO INTEREST | 2014 WRITE-BACKS PORTFOLIO OTHER | 2014 TOTAL | 2013 TOTAL |
|---|---|---|---|---|---|---|---|---|---|
| A. Loans and receivables with banks | - | (2,245) | (2,095) | 8 | 528 | - | 3,109 | (695) | (539) |
| - Loans | - | (2,245) | (2,095) | 8 | 528 | - | 3,109 | (695) | (539) |
| - Debt securities | - | - | - | - | - | - | - | - | - |
| B. Loans and receivables with customers | (354,028) | (4,250,166) | (537,136) | 343,541 | 1,505,776 | - | 608,343 | (2,683,670) | (9,797,472) |
| Impaired related to purchase agreements | (1,575) | (9,468) | X | 1,235 | 11,511 | - | X | 1,703 | (52,727) |
| - Loans | (1,575) | (9,468) | X | 1,235 | 11,511 | - | X | 1,703 | (52,727) |
| - Debt securities | - | - | X | - | - | - | X | - | - |
| Others | (352,453) | (4,240,698) | (537,136) | 342,306 | 1,494,265 | - | 608,343 | (2,685,373) | (9,744,745) |
| - Loans | (352,453) | (4,240,698) | (496,801) | 342,306 | 1,494,265 | - | 608,343 | (2,645,038) | (9,700,624) |
| - Debt securities | - | - | (40,335) | - | - | - | - | (40,335) | (44,121) |
| **C. Total** | **(354,028)** | **(4,252,411)** | **(539,231)** | **343,549** | **1,506,304** | **-** | **611,452** | **(2,684,365)** | **(9,798,011)** |

It should be noted that the net impairment of loans benefited from a change in the method used to measure doubtful loans. This change resulted in a release of adjustment provisions for about 775 million (the nominal gross value of the portfolio affected by the change was 18.1 billion as at September 30, 2014). Following changes in the underlying portfolio during the fourth quarter of 2014, the overall positive contribution to the income statement was down to 560 million, as also reflected in the overall reduction in the coverage ratio for doubtful loans compared to the same data in 2013.

The measurement method was changed to reflect a change in the underlying loan management process, which is currently especially focused on recoveries, a step that precedes the withdrawal of credit lines and which should result in an increase in expected cash flows.

The change in method was accounted for as a change in estimates pursuant to IAS 8.35.

# Part C - Income Statement (Continued)

## 8.2 Impairment losses on available for sale financial assets: breakdown

| | 2014 | | | | | |
|---|---|---|---|---|---|---|
| | WRITE-DOWNS | | WRITE-BACKS | | | |
| | SPECIFIC | | SPECIFIC | | | |
| TRANSACTIONS/P&L ITEMS | WRITE-OFFS | OTHER | INTEREST | OTHER | TOTAL | 2013 TOTAL |
| A. Debt securities | - | - | - | - | - | - |
| B. Equity instruments | - | (207.173) | X | X | (207.173) | (16.895) |
| C. Units in investment funds | - | (32.455) | X | - | (32.455) | (39.752) |
| D. Loans to banks | - | - | - | - | - | - |
| E. Loans to customers | - | - | - | - | - | - |
| **F. Total** | **-** | **(239.628)** | **-** | **-** | **(239.628)** | **(56.647)** |

## 8.4 Impairment losses on other financial transactions: breakdown

| | 2014 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | WRITE-DOWNS | | | WRITE-BACKS | | | | | |
| | SPECIFIC | | | SPECIFIC | | PORTFOLIO | | | |
| TRANSACTIONS/P&L ITEMS | WRITE-OFFS | OTHER | PORTFOLIO | INTEREST | OTHER | INTEREST | OTHER | TOTAL | 2013 TOTAL |
| A. Guarantees given | - | (52,316) | (102,363) | - | 14,087 | - | 29,503 | (111,089) | (120,470) |
| B. Credit derivatives | - | - | - | - | - | - | - | - | - |
| C. Commitments to disburse funds | - | - | - | - | - | - | - | - | - |
| **D. Other transactions** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| **E. Total** | **-** | **(52,316)** | **(102,363)** | **-** | **14,087** | **-** | **29,503** | **(111,089)** | **(120,470)** |

Comparative figures at December 31, 2013 have been restated as a result of the reclassification of the contribution to the National Interbank Deposit Guarantee Fund (FITD) for actions already approved, for an amount of €28,286 thousand from item 160. Net provisions for risks and charges and for an amount of 14,066 thousand from item 190. Other net operating income to the item “Specific net value adjustments on Guarantees issued”.

# Section 9 - Administrative costs - Item 150

## 9.1 Payroll: breakdown

| TYPE OF EXPENSES/SECTORS | 2014 | 2013 |
|---|---|---|
| **1) Employees** | **(3,139,703)** | **(3,397,792)** |
| a) wages and salaries | (2,179,278) | (2,205,325) |
| b) social charges | (578,345) | (605,978) |
| c) severance pay | (134,003) | (128,378) |
| d) social security costs | - | - |
| e) allocation to employee severance pay provision | (33,755) | (36,230) |
| f) provision for retirement payments and similar provisions: | (24,514) | (26,852) |
| *- defined contribution* | *(1,115)* | *(1,260)* |
| *- defined benefit* | *(23,399)* | *(25,592)* |
| g) payments to external pension funds: | (74,222) | (90,078) |
| *- defined contribution* | *(74,178)* | *(89,929)* |
| *- defined benefit* | *(44)* | *(149)* |
| h) costs related to share-based payments | (16,223) | 1,960 |
| i) other employee benefits | (99,363) | (306,911) |
| **2) Other staff in activity** | **(4,181)** | **(4,575)** |
| **3) Directors and Statutory Auditors** | **(6,968)** | **(6,799)** |
| **4) Early retirement costs** | **-** | **-** |
| **5) Recoveries of payments for second employees to other companies** | **53,181** | **54,211** |
| **6) Refund of expensives for employees seconded to the company** | **(43,290)** | **(42,775)** |
| **Total** | **(3,140,961)** | **(3,397,730)** |

## 9.2 Average number of employees by category

| | 2014 | 2013 |
|---|---|---|
| **Employees:** | **40,551** | **40,764** |
| a) Senior managers | 1,105 | 1,120 |
| b) Managers | 20,765 | 20,785 |
| c) Remaining employees staff | 18,681 | 18,859 |
| **Other Staff** | **528** | **458** |
| **Total** | **41,079** | **41,222** |

## 9.3 Defined benefit company pension funds: costs and revenues

| | 2014 | 2013 |
|---|---|---|
| Current Service cost | (619) | (805) |
| Settlement gains/losses | - | - |
| Past Service Cost | - | - |
| Interest Cost on the DBO | (23,822) | (25,560) |
| Interest Income on Plan Assets | 1,042 | 773 |
| **Total recognized in profit or loss** | **(23,399)** | **(25,592)** |

## 9.4 Other employee benefits

| | 2014 | 2013 |
|---|---|---|
| - Seniority premiums | (12,983) | (25,066) |
| - Leaving incentives | 15,305 | (154,708) |
| - Other | (101,685) | (127,137) |
| **Total** | **(99,363)** | **(306,911)** |

Redundancy incentives show a positive effect of €15,305 thousand due to the release of the Redundancy Provisions allocated in 2013 following the revision of the forecasts of participation in the Plan compared to the original expectations.

# Part C - Income Statement (Continued)

### 9.5 Other administrative expenses: breakdown

| TYPE OF EXPENSES/SECTORS | 2014 | 2013 |
|---|---|---|
| **1) Indirect taxes and duties** | **(516,531)** | **(448,681)** |
| **2) Miscellaneous costs and expenses** | **(2,336,733)** | **(2,254,058)** |
| **a) advertising marketing and communication** | **(89,904)** | **(92,956)** |
| **b) expenses related to credit risk** | **(236,382)** | **(241,497)** |
| **c) expenses related to personnel** | **(94,534)** | **(95,505)** |
| **d) Information & Communication Technology expenses** | **(704,478)** | **(616,744)** |
| Lease of ICT equipment and software | (15,473) | (17,481) |
| Software expenses: lease and maintenance | (4,521) | (4,480) |
| ICT communication systems | (6,818) | (6,430) |
| ICT services: external personnel/outsourced services | (657,684) | (570,759) |
| Financial information providers | (19,982) | (17,594) |
| **e) consulting and professionals services** | **(153,731)** | **(143,084)** |
| Consulting | (100,333) | (92,671) |
| Legal expenses | (53,398) | (50,413) |
| **f) real estate expenses** | **(542,213)** | **(555,555)** |
| Premises rentals | (311,907) | (333,766) |
| Utilities | (83,147) | (80,672) |
| Other real estate expenses | (147,159) | (141,117) |
| **g) other functioning costs** | **(515,491)** | **(508,717)** |
| Surveillance and security services | (66,710) | (68,545) |
| Printing and stationery | (10,449) | (10,393) |
| Postage and transport of documents | (39,474) | (40,470) |
| Administrative and logistic services | (329,040) | (330,623) |
| Insurance | (31,211) | (29,710) |
| Association dues and fees | (13,550) | (14,135) |
| Other administrative expences - Other | (25,057) | (14,841) |
| **Total (1+2)** | **(2,853,264)** | **(2,702,739)** |

## Section 10 - Provisions for risks and charges - Item 160

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

| ITEMS/COMPONENTS | 2014 PROVISIONS | 2014 REALLOCATION SURPLUS | 2014 TOTAL | 2013 TOTAL |
|---|---|---|---|---|
| **1. Other provisions** | | | | |
| 1.1 legal disputes | (152,313) | 47,632 | (104,681) | (143,361) |
| 1.2 staff costs | - | - | - | - |
| 1.3 other | (205,400) | 188,218 | (17,182) | (493,059) |
| **Total** | **(357,713)** | **235,850** | **(121,863)** | **(636,420)** |

The comparative data at December 31, 2013 have been restated due to the reclassification of the contribution to the National Interbank Deposit Guarantee Fund (FITD), for actions already approved, for an amount of €28,286 thousand from the item "1.3 Other provisions for risks and charges - Other - Allocations" to the item 130.d) "Impairment losses/write-backs on other financial assets".

In the first quarter of 2014, following the final settlement for an amount less than the amount allocated in 2013, €17,266 thousand was released from the provisions made for that requested by UniCredit Bank AG for a number of group companies in application of the Compensation Agreement following the 2013 Dependency Report, which UniCredit S.p.A. took charge of.

In the financial statements at December 31, 2014, provisions of €30,272 thousand have been made for indemnities (UniCredit Credit Management Bank).

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

### 11.1 Impairment on property, plant and equipment: breakdown

| ASSETS/P&L ITEMS | 2014 DEPRECIATION | 2014 IMPAIRMENT LOSSES | 2014 WRITE-BACKS | 2014 NET PROFIT |
|---|---|---|---|---|
| **A. Property, plant and equipment** | | | | |
| **A.1 Owned** | **(131,677)** | **(1,944)** | **-** | **(133,621)** |
| - used in the business | (112,408) | (1,944) | - | (114,352) |
| - held for investment | (19,269) | - | - | (19,269) |
| **A.2 Finance lease** | **-** | **-** | **-** | **-** |
| - used in the business | - | - | - | - |
| - held for investment | - | - | - | - |
| **B. Non-current assets and groups of assets held for sale** | **X** | **(7,846)** | **-** | **(7,846)** |
| - used in the business | X | - | - | - |
| - held for investment | X | (7,846) | - | (7,846) |
| **Total** | **(131,677)** | **(9,790)** | **-** | **(141,467)** |

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

### 12.1 Impairment on intangible assets: breakdown

| ASSETS/P&L ITEMS | 2014 AMORTISATION | 2014 IMPAIRMENT LOSSES | 2014 WRITE-BACKS | 2014 NET PROFIT |
|---|---|---|---|---|
| **A. Intangible assets** | | | | |
| **A.1 Owned** | **(398)** | **-** | **-** | **(398)** |
| - generated internally by the company | - | - | - | - |
| - other | (398) | - | - | (398) |
| **A.2 Finance leases** | **-** | **-** | **-** | **-** |
| **Total** | **(398)** | **-** | **-** | **(398)** |

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

### 13.1 Other operating expense: breakdown

| | 2014 | 2013 |
|---|---|---|
| Impairment losses on leasehold improvements (on non-separable assets) | (30,287) | (36,389) |
| Other | (162,592) | (125,795) |
| **Total** | **(192,879)** | **(162,184)** |

The comparative data at December 31, 2013 have been restated due to the reclassification of the contribution to the National Interbank Deposit Guarantee Fund (FITD), for interventions already approved, for an amount of €14,066 thousand from the item "Other expenses" to the item 130.d) "Impairment losses/write-backs on other financial assets".

Operating expenses include -€74,915 thousand relating to the costs incurred by UniCredit for indemnities towards the subsidiary UniCredit Credit Management Bank.

In December 2014, with respect to a new Compensation Agreement resulting from the 2014 Dependency Report, UniCredit S.p.A. paid the subsidiary UniCredit Bank AG €10,412 thousand.

### 13.2 Other operating income: breakdown

| | 2014 | 2013 |
|---|---|---|
| Recovery of costs | 688,446 | 678,242 |
| *of which: Commissione di istruttoria veloce (CIV)* | *86,696* | *134,798* |
| Revenues for administrative services | 20,126 | 19,741 |
| Rentals | 36,997 | 32,584 |
| Other Revenues | 59,167 | 70,930 |
| **Total** | **804,736** | **801,497** |

# Part C - Income Statement (Continued)

Other operating expense include +€10,854 thousand relating to the surplus of the expense allocated in the 2013 financial statements for the requests for reimbursement made directly to UniCredit S.p.A. by UniCredit Bank AG under the Compensation Agreement entered into in December 2013.

For more information related to Compensation Agreement contracts, please refer to Part H) Related-Party Transactions.

## Section 14 - Profit (Loss) of associates - Item 210

### 14.1 Profit (Loss) of associates: breakdown

| P&L ITEMS/SECTORS | 2014 | 2013 |
|---|---|---|
| **A. Income** | **541,350** | **238,146** |
| 1. Revaluations | - | - |
| 2. Gains on disposal | 541,350 | 238,146 |
| 3. Writebacks | - | - |
| 4. Other gains | - | - |
| **B. Expense** | **(1,235,846)** | **(7,431,637)** |
| 1. Writedowns | - | - |
| 2. Impairment losses | (1,219,210) | (7,431,616) |
| 3. Losses on disposal | (16,636) | (21) |
| 4. Other expenses | - | - |
| **Net profit** | **(694,496)** | **(7,193,491)** |

Gains on disposal include €381,989 thousand from the disposal of the free float of Fineco Bank during its stock exchange listing, which was completed in the third quarter of 2014. In addition, this item includes the gains from the sales of Lauro61 (€58,080 thousand) and SIA (€86,501 thousand of which €14,375 thousand from the transfer of the remaining 4% to item "Available-for-sale Financial assets").Losses on disposal resulted from the total sale of Neep, which took place in the third quarter of 2014.

Impairment losses include: -€474,853 thousand for UniCredit Bank Austria, -€515,039 thousand for UniCredit Leasing, -€55,517 thousand for Fenice Holding, -€22,431 thousand for Aviva Vita, -€10,657 thousand for Crivelli, -€10,393 thousand for Fenice SRL, and -€8,190 thousand for Visconti. In addition, an impairment loss of -€118,564 was recognized on the investee Public Joint Stock Company Ukrsotsbank, which was classified during the year 2013 under "Non-current assets and disposal groups classified as held for sale".

## Section 15 - Net gains (losses) on property, plant and equipment and intangible assets measured at fair value - Item 220

No data to be disclosed in this section.

## Section 16 - Impairment of goodwill - Item 230

### 16.1 Impairment of goodwill: breakdowns

| | 2014 | 2013 |
|---|---|---|
| Impairment of goodwill | - | (2,815,451) |

Goodwill was written down in full in the year 2013.

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

### 17.1 Gains and losses on disposal of investments: breakdown

| P&L ITEMS | 2014 | 2013 |
|---|---|---|
| **A. Property** | **908** | **10,800** |
| - Gains on disposal | 44,093 | 12,998 |
| - Losses on disposal | (43,185) | (2,198) |
| **B. Other assets** | **1,772** | **1,870** |
| - Gains on disposal | 6,743 | 4,631 |
| - Losses on disposal | (4,971) | (2,761) |
| **Net gains (losses)** | **2,680** | **12,670** |

## 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

| P&L ITEMS/SECTORS | 2014 | 2013 |
|---|---|---|
| 1. Current tax (-) | (967,669) | (393,507) |
| 2. Adjustment to current tax of prior years (+/-) | 85,314 | 93,688 |
| 3. Reduction of current tax for the year (+) | - | - |
| 3. bis Reduction of current tax assets for tax credits - lawn. 214/2011(+) | 2,557,728 | 31,904 |
| 4. Changes to deferred tax assets (+/-) | (2,091,998) | 2,625,982 |
| 5. Changes to deferred tax liabilities (+/-) | (4,437) | 13,606 |
| **6. Tax expense for the year(+/-)** | **(421,062)** | **2,371,673** |

### 18.2 Riconciliazione tra onere fiscale teorico e onere fiscale effettivo di bilancio

| | 2014 | 2013 |
|---|---|---|
| **Total profit or loss before tax from continuing operations (item 250)** | **500,836** | **(13,972,784)** |
| Theoretical tax rate | 27.5% | 27.5% |
| **Theoretical computed taxes on income** | **(137,730)** | **3,842,516** |
| 1. Different tax rates | - | - |
| 2. Non-taxable income - permanent differences | 669,873 | 1,380,107 |
| 3. Non-deductible expenses - permanent differences | (608,988) | (3,028,427) |
| 4. Different fiscal laws/IRAP | (177,402) | 303,854 |
| a) IRAP (italian companies) | (157,100) | 326,054 |
| b) other taxes (foreign companies) | (20,302) | (22,200) |
| 5. Prior years and changes in tax rates | 48,341 | 58,043 |
| a) effects on current taxes | 90,623 | 69,007 |
| *- tax loss carryforward/unused tax credit* | - | *93,689* |
| *- other effects of previous periods* | *90,623* | *(24,682)* |
| b) effects on deferred taxes | (42,282) | (10,964) |
| *- changes in tax rates* | - | - |
| *- new taxes incurred (+) previous taxes revocation (-)* | - | - |
| *- true-ups/ adjustments of the calculated deferred taxes* | *(42,282)* | *(10,964)* |
| 6. Valuation adjustments and recognition of deferred taxes | - | - |
| a) deferred tax assets write-down | - | - |
| b) deferred tax assets recognition | - | - |
| c) deferred tax assets non recognition | - | - |
| d) deferred taxes non-recognition according to IAS 12.39 and 12.44 | - | - |
| e) other | - | - |
| 7. Amortization of goodwill | - | - |
| 8. Non-taxable foreign income | - | - |
| 9. Other differences | (215,156) | (184,420) |
| **Recognized taxes on income** | **(421,062)** | **2,371,673** |

# Part C - Income Statement (Continued)

Income taxes are recognized in accordance with the provisions of IAS 12. The tax charge consists of current and deferred taxes, mainly determined in accordance with the current provisions on IRES income and IRAP corporate tax, and separate taxation “for transparency” of CFCs. The effective tax charge for 2014 amounts to €421 million, or 84.07% of income before taxes.

IRES income tax is calculated by making certain upward or downward adjustments to the profit for the year to determine the taxable income. These tax adjustments are made, as required by the provisions of the Italian Income Tax Code (TUIR), in relation to the non-deductibility of certain expenses or the non-taxability of certain income.
The tax rate applied to the taxable income is 27.5%.
The above-mentioned tax adjustments may be “permanent” or “temporary”.
The “permanent” adjustments relate to expenses/revenues that are totally or partially non-deductible/non-taxable.
The “temporary” adjustments, on the other hand, relate to expenses or income whose deductibility or taxability is deferred to future tax periods, until the occurrence of particular events or spread in equal amounts over a predefined number of years.
The presence of “temporary” adjustments leads to the recognition of deferred tax assets (for income to be deducted) or deferred tax liabilities (for expenses to be taxed).
The purpose of the recognition of deferred tax assets and liabilities is to reconcile the difference between the tax period established by the TUIR and the accounting period in the financial statements disclosure.

For IRES income tax purposes - subject to an option to be applied for from the Italian Revenue Agency - the tax can be paid at the level of national tax consolidation rather than on an individual basis.
All the Italian companies for which there is a relationship of control can adhere to the tax consolidation, which enables the payment of tax on a single taxable amount consisting of the algebraic sum of the taxable amounts of the individual companies adhering to the consolidation.

The tax rate is 27.5%.

Also within the IRES income tax, a separate taxation “for transparency purposes” has been established for tax incomes - recalculated in accordance with the provisions of the TUIR - for direct and indirect foreign subsidiaries resident in tax havens (referred to as CFCs: Controlled Foreign Companies). The tax rate is 27.5%. In 2014, a 36% rate was applied to taxes pertaining to the 2013 financial year, in line with the aforementioned Law No. 5 of January 29, 2014, which established an additional rate of 8.5% for banks for 2013 only.

The IRAP corporate tax, on the other hand, is a tax on production, linked to the algebraic sum of the accounting items identified by Legislative Decree 446/97, to which clearly identified upward and downward adjustments (different to those for IRES tax) are to be made. To mitigate the impact of the non-deductibility by principle of the cost of labor, a specific deduction has been established, known as the “tax wedge”. Law No. 190 of December 23, 2014 (2015 Stability Law) establishes - but only starting from 2015 - that personnel costs for employees with permanent employment contracts are deductible from IRAP corporate tax in addition to the deductions already established by the “tax wedge”.

This tax is applied on a regional basis. A national rate of 4.65% has been established, to which each Region can independently add an increase of 0.92%, up to a theoretical rate of 5.57% (plus an additional 0.15% for Regions with a health budget deficit).
Law Decree No. 66 of April 24, 2014 (transposed into Law No. 89 of June 23, 2014) established a general 0.45% rate reduction. However, this measure was repealed by Article 1 Paragraph 22 of the aforementioned Law No. 190 of December 23, 2014 (2015 Stability Law), without generating any tax effects as a consequence.

The tax is calculated by apportioning the overall value of production among the various regions where the productive activities are carried out (for banks the apportionment is done on the basis of the regional distribution of the deposits) and applying the respective regional rate to the individual portions identified.
Income tax for 2014 amounted to -€421 million, versus a positive value of €2,371.6 million in 2013.

Unlike 2013, during which both IRES income tax and IRAP corporate tax were positive overall (current tax + deferred tax liabilities) as a result of considerable writedowns of receivables and the recognition of the related deferred tax assets, in 2014 there were no significant events and, therefore, both IRES income tax and IRAP corporate tax had a negative impact on profit and loss.

IRES income tax for the current year amounted to a taxable income, which also enabled full recovery the outstanding tax loss resulting from the merger of Capitalia (€65.9 million of lower tax).

The incorporation of the tax relating to tax relief for the revaluation Bank of Italy shares of €215.2 (€184.4 had been provided for in the 2013 financial statements), in line with the provisions of Decree-Law No. 66 of April 24, 2014, which increased the rate from the original 12% to 26% (Decree-Law No. 133 of November 30, 2013 and Decree-Law No. 147 of December 27, 2013), had a further negative impact on the balance of the tax expense (income) item of the Income Statement.

Lastly, please note that, pursuant to Article 2, paragraphs 55 to 58, of Law Decree No. 225 of December 29, 2010, since the Company closed the year 2013 with an accounting loss of €11,601.1 million and an IRES income tax loss of €94.4 million in the financial statements, the deferred tax assets recognized in previous years were converted, as required by law, into tax credits against value adjustments on receivables and goodwill totaling €2,557.7 million. This amount had no impact on the income statement.

## Section 19 - Gains (Losses) on groups of assets held for sale, net of tax - Item 280

No data to be disclosed in this section.

## Section 20 - Other information

No information to be disclosed in this section

## Section 21 - Earnings per share

The amounts reported in the table here below are referred to the complex of ordinary and savings shares.

**Earnings per share**

| | 2014 | 2013 |
|---|---|---|
| Net profit (loss) (thousands of euros) (1) | 44,308 | (11,706,308) |
| Average number of outstanding shares (2) | 5,740,053,411 | 5,694,410,094 |
| Average number of potential dilutive shares | 8,446,613 | 27,109,723 |
| Average number of diluted shares | 5,748,500,025 | 5,721,519,817 |
| **Earning (Loss) per share €** | **0.008** | **(2.056)** |
| **Diluted Earning (Loss) per share €** | **0.008** | **(2.046)** |

1. € 35,466 thousand was deducted from 2014 net profit of €79,774 thousand due to disbursements charged to equity made in connection with the contract of usufruct on treasury shares agreed under the 'cashes' transaction.
€ 105,197 thousand was added to 2013 net loss of -€11,601,111 thousand due to disbursements charged to equity made in connection with the contract of usufruct on treasury shares agreed under the 'cashes' transaction.
2. Net of the average number of 47,600 treasury shares and of 96,756,406 shares held under a contract of usufruct.

# Part D - Comprehensive Income

Other Comprensive Income Statement 167

# Part D - Comprehensive Income (amounts in thousands of €)

## Other Comprensive Income Statement

| ITEM | BEFORE TAX EFFECTS | TAX EFFECTS | AFTER TAX EFFECTS |
|---|---|---|---|
| **10. Net Profit or Loss for the period** | **X** | **X** | **79,774** |
| **Other comprehensive income not to be recycled to incomestatement** | | | |
| **20. Property, plant and equipment** | **-** | **-** | **-** |
| **30. Intangible assets** | **-** | **-** | **-** |
| **40. Actuarial gains (losses) on definited benefit plans** | **(157,666)** | **43,359** | **(114,307)** |
| **50. Non-current assets classified held for sale** | **-** | **-** | **-** |
| **60. Changes in valuation reserve pertaining to the equity method investments** | | | |
| **Other comprehensive income to be recycled to P&L** | | | |
| **70. Hedges of foreign investments:** | **-** | **-** | **-** |
| a) fair value changes | - | - | - |
| b) reclassifications through profit or loss | - | - | - |
| c) other variations | - | - | - |
| **80. Exchange differences:** | **-** | **-** | **-** |
| a) changes in value | - | - | - |
| b) reclassifications through profit or loss | - | - | - |
| c) other variations | - | - | - |
| **90. Cash flow hedges:** | **(130,365)** | **42,935** | **(87,430)** |
| a) fair value changes | (130,365) | 42,975 | (87,390) |
| b) reclassifications through profit or loss | - | - | - |
| c) other variations | - | (40) | (40) |
| **100. Available-for-sale financial assets** | **835,792** | **(299,457)** | **536,335** |
| a) fair value changes | 1,062,616 | (350,125) | 712,491 |
| b) reclassifications through profit or loss | (229,353) | 52,183 | (177,170) |
| - due to impairment | (13,377) | 3,497 | (9,880) |
| - following disposal | (215,976) | 48,686 | (167,290) |
| c) other variations | 2,529 | (1,515) | 1,014 |
| **110. Non-current assets classified held for sale** | **-** | **-** | **-** |
| a) fair value changes | - | - | - |
| b) reclassifications through profit or loss | - | - | - |
| c) other variations | - | - | - |
| **120. Changes in valuation reserve pertaining to equity method investments:** | | | |
| a) fair value changes | - | - | - |
| b) reclassifications through profit or loss | - | - | - |
| - due to impairment | - | - | - |
| - following disposal | - | - | - |
| c) other variations | - | - | - |
| **130. Other comprehensive income after tax** | **547,761** | **(213,163)** | **334,598** |
| **140. Comprehensive income (Item 10+130)** | | | **414,372** |

# Part E - Risks and Hedging Policies


| | |
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# Part E - Risks and Hedging Policies (amounts in thousands of €)

## Risk Management within UniCredit S.p.A.

UniCredit S.p.A. monitors and manages its risks through rigorous methodologies and procedures proving to be effective through all phases of the economic cycle.

The control and steering of the risks are exerted by the UniCredit S.p.A.'s Risk Management function which pursues its own steering, coordination and control role in particular through the "Portfolio Risk Managers" which are responsible for the relevant risks, from a Group and cross-divisional perspective. Furthermore the model considers a specific point of reference for Italy through the "CRO Italy" function, to which has been assigned the responsibilities related to credit, operational and reputational risks of the Italian perimeter, as well as the managerial coordination of Risk Management functions in the Italian Legal Entities.

In particular, the Risk Management function is responsible for the following tasks:
- optimizing asset quality, minimizing the cost of risks, consistent with the risk / return targets assigned to each Business Area;
- defining, together with the Planning, Finance & Administration function, the risk appetite and evaluating capital adequacy, within the Internal Capital Adequacy Process (ICAAP), consistently with Basel II, Pillar II requirements;
- defining - in compliance with Basel II standards and Bank of Italy requirements - the rules, methodologies, guidelines, policies and strategies for risk management, and, in cooperation with the Organization department, the relevant processes and their implementation;
- setting up a credit and concentration risk control system both of single counterpart/economic groups and significant clusters (e.g. as industrial areas/economic sectors), monitoring and reporting the limits defined beforehand;
- defining and providing to the Business Areas and to the Entities the valuation, managerial, monitoring and reporting criteria of the risks and ensuring the consistency of systems and control procedures;
- supporting the Business Areas to achieve their targets, contributing to product and business development (e.g. innovation of credit products, competitive opportunities linked to Basel accords, etc.);
- verifying, by means of the initial and on-going validation process, the adequacy of the risk measurement systems adopted, steering the methodological choices towards higher and homogeneous qualitative standards and controlling the coherence in using the above systems within the processes;
- setting up an adequate system of preventive risk analysis, in order to quantify the impacts of a quick worsening of the economic cycle or of other shock factors (i.e. Stress Test) on the economic and financial structure. This holds for single risk types as well as their integration and comparison to available capital;
- creating and spreading a risk culture in UniCredit S.p.A. and across the whole Group.

## Section 1 - Credit risks

### QUALITATIVE INFORMATION

#### *1. General Matters*

With reference to the risks management model, the streamlining of the governance system initiated through the One4C project also continued during 2014 with the aim of achieving higher levels of efficiency and ensuring strong control on issues related to risk.

In the Parent Company, the simplification and streamlining of the organizational structure continued in 2014. With specific reference to the control of credit risk a single competence center has been established for all the activities of steering and coordination that incorporates under its responsibility, in addition to credit risk, the responsibility for the development and validation of rating systems and integrated risk management. The new center became fully operational during the first quarter of 2014.

The "CRO Italy" function has been assigned all the credit and risk management responsibilities for UniCredit S.p.A as well as the overall Italian perimeter and the managerial coordination of the relevant risk management functions in the Italian Legal Entities of the Group.

The organizational structure for the control of credit risk, operational since December 31, 2014, is described in the next section with specific reference to structures and responsibilities.

During the first half of 2014 the Group Credit Risk Strategies were released, consistent with the Group "risk appetite" and Pillar II metrics. Also in accordance with Pillar II, concentration risk was updated in respect of single name concentration risk (so-called Bulk Risk) and at industry level. In addition, in order to further improve the process and methodologies to be used in the development of credit risk strategies and stress tests on credit risk, the relevant internal regulations were updated.

UniCredit S.p.A. continues its intense effort to extend Basel 2 principles to the entire perimeter. With specific reference to credit risk, it is currently authorized to use internal estimates for PD, LGD and EAD parameters for its own loan portfolio (Sovereigns, Banks, Multinational Enterprises and Global Project Finance transactions) and for loan portfolios such as corporate and retail exposures. With regard to the EAD parameter, pending approval for the use of internal models, the parameters defined according to the Foundation approach are currently being used, with the exception of Private Mortgages for which an internal EAD model is already being used for regulatory purposes.

Monitoring of the identification of major business groups - those with an exposure exceeding two percent of the consolidated regulatory capital (Top Group) - is carried out by a special dedicated unit within Risk Management. The activity focused on the definition and periodic review of the "Top Group", which includes both industrial and financial groups. Special support initiatives were also organized by providing methodological and technical assistance aimed at facilitating the above activity in respect of groups not directly supervised by that unit.

Within the scope of the Italian business, we further strengthened the processes and procedures supporting loan disbursement, monitoring and loan recovery. A single application was released at Group level though which all business groups, both local and global, can be mapped; a credit assessment process during disbursement dedicated to Small Economic Operators has been introduced; and numerous other activities, partly still in under way, have been undertaken to further strengthen the processes and tools to support restructuring, credit recovery for businesses and collection from individuals.

With regard to risk measurement, in order to improve our assessment of counterparties, the redevelopment is underway of the measurement model for Probability of Default of individuals for non-mortgage exposures, which has been completed for current account overdrafts and cards and is in the final phase for personal loans as well as Corporates. Loss Given Default models have also been redeveloped for Residential Mortgages.

The Italian loan disbursement and monitoring units (Credit Operations Italy) have been organized into 7 local units each responsible for the entire local portfolio (Corporate, SME Corporate and Individuals).

In order to continue providing adequate support to the economy the range of financing products has been continuously updated, enhancing the use of instruments such as the SACE guarantees and the Central Guarantee Fund. Furthermore, specific attention was focused on households that intend to purchase a home, both through the range of products launched in the second half of 2013, with advisory services and features that can be customized based on the analysis of customer needs, including future needs, and by optimizing the management of novation. We also continued to support customers in the areas affected by events such as floods and earthquakes, both by participating in the initiatives promoted by ministerial decrees and through the Group own initiatives.

In addition, initiatives ("Subito Banca" immediate banking) and high-tech instruments have been developed, aimed at spreading and making the use advanced transactional channels easier and more secure, particularly for current account and consumer credit services.

Lastly, with regard to the management of guarantees, in the first half of 2014 work continued on the gathering of paper-based information and the update of the appraisals of mortgage guarantee assets, through extensive of dedicated IT systems.

## 2. Credit Risk Management Policy

### *2.1 Organization*

The credit risk organization in UniCredit S.p.A. breaks down into two levels:
- functions with responsibilities at Group level
- functions with responsibilities at country level.

The functions with responsibilities at Group level are:
- the Group Credit & Integrated Risks department, in charge, at Group level, of governance and control of the Group portfolio credit risk, ensuring that robust methods and effective systems are in place to measure risk, measure financial assets and verify capital adequacy, as well as ensuring that the top management is provided with a comprehensive, transversal view of Pillar I and Pillar II risks. The responsibilities of this department include:
  - defining the proposed Group risk appetite and its structure in operational terms and at local level
  - defining the Group regulations on credit risk;
  - defining credit strategies and limits;
  - carrying out stress tests and portfolio analysis;
  - monitoring the concentration of credit risk through dedicated limits;
  - providing the top management with a comprehensive (current and future) view of group risks;
  - monitoring the overall quality of the loan portfolio and its breakdown according to the main credit risk metrics at Group/LE/Division level;
  - acting as a point of reference and coordination for the Supervisory Authorities and the main external stakeholders for issues under its responsibility;

# Part E - Risks and Hedging Policies (CONTINUED)

- ensuring the development, management and continuous evolution of models, rating tools, credit risk measurement tools for the overall portfolio and credit risk methodologies;
- coordinating the implementation of the Basel regulation on credit risk and ensuring the relevant disclosure to corporate governance Bodies and Supervisory Authorities;
- Group level validation of the methodologies for measuring credit risk, the relevant processes and the IT and data quality components, in order to verify their compliance with regulatory requirements and internal standards;
- assigning the rating to certain types of relevant counterparties (Top Banking and Top Corporate);
- deciding, within its delegated powers, or submitting proposals to the relevant decision-making Bodies for rating override in respect of Group Wide rating systems.

- the Group Credit Transactions department which - inter alia - is responsible for the evaluation, monitoring and supervision of *Large Credit Transactions*, through the following activities:
  - evaluating credit proposals to be submitted to the "Group Transactional Credit Committee" and/or the "Group Credit Committee" and formulating expert opinions to be submitted to these committees;
  - within its delegated powers, deciding or issuing non-binding credit opinions (NBCO) in respect of credit proposals for Financial Institutions, Banks and Sovereigns (FIBS) and Special Products (e.g. ABS, Securitization, etc.);
  - acting as Group competence team, issuing expert advice on credit proposals submitted by the Legal Entities in relation to structured finance (LPAC and Special Products)[1] and FIBS transactions;
  - monitoring FIBS counterparties, the companies in the CIB portfolio, Structured Finance transactions and Debt-to-Equity positions arising in the course of restructuring activities;
  - assessing, approving and managing country risk on an ongoing basis, specifically the risk assumed in cross-border credit transactions.

At Country level, steering and credit risk control activities, as well as the conducting of "operational" activities (e.g. credit delivery, performance monitoring, etc.) falls under the responsibility of CRO controlled subsidiaries.

In UniCredit S.p.A., these functions are carried out by the organizational units under "CRO Italy", reporting to "Group CRO" and specifically:

- the "Risk Management Italy" department responsible - among other activities - for governance and control of credit risk originating in the "Country Chairman Italy" perimeter activities. With respect to credit risk, the department consists of the following units:
  - the Group Risks Portfolio Analytics department which, inter alia, is responsible for:
    - monitoring the risk composition of the loan portfolio in terms of credit quality, cost of risk, RWA and capital requirement for UniCredit SpA group and for preparing the required reporting.
  - the Credit Risk Planning and Forecasting unit which, inter alia, is responsible for:
    - planning and monitoring provisions, RWA and capital absorption performing loans and problem loans, and formulating credit risk appetite proposals for the portfolios under its responsibility.
  - the Credit Policies & Products Italy department which, inter alia, is responsible for:
    - defining the loan process/product rules relating to the disbursement, monitoring, restructuring and workout steps, for UniCredit S.p.A. group.
  - the Credit Risk Methodologies department which, inter alia, is responsible for:
    - defining and managing the methodologies on credit risk management. These methodologies refer to credit risk measurement models for all customer segments.
  - the Rating Desk Italy department which, inter alia, is responsible for:
    - deciding, within its delegated powers, or submitting proposals to the relevant bodies on rating override with respect to local rating systems for the measurement of credit risk of UniCredit S.p.A. business segments.

- the Credit Underwriting department whose responsibilities include the following activities:
  - coordinating the activities of 7 'Regional Industry Team Leaders',
  - ensuring that RIT decision-making activities are properly carried out,
  - managing the lending to UniCredit S.p.A. customers (through the Territorial Credit Risk Underwriting department),
  - coordination and management of lending to UniCredit S.p.A. customers in relation to Consumer Finance products,
  - preliminary and administrative activities for transactions to be submitted to the Italian Transactional Credit Committee and the Italian Special & Transactional Credit Committee,
- the Loans Administration department which - inter alia- is responsible for the following activities:
  - monitoring administrative activities after the loan has been granted/disbursed,
  - managing subsidized loans,
  - lending and administrative activities relating to mutual guarantee institutions,
  - coordination and management of activities after disbursement of Mortgages by ensuring the quality and integrity of information assets and risk minimization; decisions on loan applications falling within its responsibility.

1. Acquisition & Leveraged Finance, Project Finance, Aircraft Finance, Commodities Finance.

- The department consists of the following structures:
  - Loan Administration Network
  - Subsidized Loans
  - Credit Advice Italy
  - Collateral and Contracts Administration Services
  - Loan Administration Services, Support and Controls
- the Credit Monitoring department whose responsibilities include the following activities:
  - monitoring trends in credit risk, in the recovery of past-due and unpaid loans (including the classification as doubtful/non-performing loans within the granted authority) and ensuring the applicability and implementation of recovery strategies and actions;
  - overseeing activities aimed at reducing the cost of credit risk of irregular loans.

- The department consists of the following structures:
  - Credit Monitoring Operations and Support;
  - Central Credit Risk Monitoring Italy;
  - Territorial Credit Risk Monitoring Italy;
  - Customer Recovery.
- the Special Credit department whose responsibilities include the following activities:
  - overseeing activities aimed at reducing the cost of credit risk of problem loans;
  - coordinating the lending strategy with the aim of withdrawing from or restructuring doubtful loans;
  - coordinating and restructuring the management of positions under restructuring;
  - making decisions, within its delegated powers, on doubtful loans or workouts;
  - coordinating and supervising the approval activities of the Real Estate 'Regional Industry Team';
  - managing the lending to UniCredit S.p.A. Special Network customers (through the Territorial Credit Risk Underwriting Special Portfolio department);
  - preparatory activities for the files to be submitted to the Italian Special & Transactional Credit Committee;
  - overseeing the administrative and accounting activities under its responsibility.
- The department consists of the following structures:
  - Territorial Credit Risk Underwriting Special Portfolio Italy;
  - Restructuring and Workout Italy;
  - Special Credit Analysis and Control Management.
- the Large File Restructuring Department, which is in charge of managing positions under restructuring, specifically for large counterparties.
- the Italy Change Management and Support CRO, in charge of quantitative and qualitative analysis of credit processes and phenomena, managing area projects, coordinating relations with Supervision and Control Bodies, budget planning and cost analyses.

In addition, with respect to credit risk, specific committees have been set up:
- the "Group Risk Committee", in charge, with advisory/proposal functions or decision-making functions on the Group risk appetite, of the structure of limits by type of risk and risk allocation to the business functions and Legal Entities, specific guidelines and strategies relating to risks, policies, methods and control systems for measuring and controlling Group risk;
- the "Group Credit Committee", in charge of discussing and approving credit proposals within its responsibility, including "restructuring" and "workout" positions, relevant strategies and corrective actions to be taken for "watchlist" positions, specific limits for transactions related to debt capital markets on the Trading Book, single issuer exposure limits on the Trading Book, "Debt to Equity" transactions and transactions on investments deriving from "Debt to Equity" transactions;
- the "Group Transactional Credit Committee" which has decision-making functions, within its delegated authority (resolutions and / or non-binding opinions to the Group Entities), and / or advisory functions on matters within the remit of Senior Bodies, with regard to credit proposals, including "restructuring" and "workout" positions; strategies and relevant corrective actions to be taken for "watchlist" files, specific limits for transactions related to debt capital markets, single issuer exposure limits on Trading book;
- the "Italian Transactional Credit Committee", which has decision-making functions within its delegated powers and / or advisory functions for matters within the remit of Senior Bodies, is responsible, with regard to UniCredit S.p.A. counterparties, (excluding FIBS counterparties) for credit proposals (including "restructuring" and "workout" positions), the classification status of positions, strategies and corrective actions for "watchlist" positions, transactions concerning pawn loans and issue of non-binding opinions to the Italian Legal Entities of the Group;
- the "Group Rating Committee", responsible for taking decisions and/or issuing non-binding opinions to the Group Legal Entities on rating override proposals;
- the "Italian Special & Transactional Credit Committee", which is responsible, within its delegated powers, for the evaluation and approval or, for positions within the remit of Senior Bodies, the issue of advisory opinions on restructuring and workout positions, as well as positions of customers managed by Special Network Italy.

# Part E - Risks and Hedging Policies (Continued)

***Credit Risk***

In the course of its credit business activities UniCredit S.p.A. 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 resulting in a partial or full write-off. This risk is always inherent in traditional lending operations regardless of the form of the credit facility (whether cash or credit commitments, secured or unsecured, etc.).

The main reasons for default lie in the borrower's lacking the autonomous ability to service and repay the debt (due to a lack of liquidity, insolvency, etc.), as well as the occurrence of events that are unrelated to the debtor's operating and financial condition, such as country risk or the impact of operational risks. Other banking operations, in addition to traditional lending and deposit activities, can expose UniCredit S.p.A. to other credit risks. For example, 'non-traditional' credit risk may arise from:

- entering into derivative contracts;
- purchasing and selling securities, futures, currencies or commodities;
- holding third-party securities.

The counterparties in these transactions or issuers of securities held by UniCredit S.p.A. could default as a result of insolvency, political and economic events, lack of liquidity, operating problems or other reasons. Defaults in relation to a large number of transactions, or one or more large transactions, could have a material adverse impact on the operations, financial condition and operating results of UniCredit S.p.A..

UniCredit S.p.A. monitors and manages the specific risk of each counterparty and the overall risk of loan portfolios through procedures, structures and rules, that steer, govern and standardize the assessment and management of credit risk, in line with the Group principles and best practice of Group, and which are capable of extending their effectiveness to all phases of the economic cycle.

***Country risk***

Country risk is defined as the risk of losses of exposures caused by events in a specific Country which may be under the control of the government but not under the control of a private enterprise or individuals. This may imply that the repayment of assets within a specific Country will be ultimately prevented by actions of the Country's government (e.g. transfer risk, expropriation risk, legal risk, tax risk, security risk, delivery risk) or by a deterioration of the economic and / or political environment (e.g. a sharp recession, currency and / or banking crisis, disaster, war, civil war, social unrest) of a Country. Country risk is managed by determining the appropriate maximum risk levels (country limits), that can be assumed by UniCredit S.p.A. vis-à-vis all counterparties (sovereigns, government entities, banks, financial institutions, corporate customers, small businesses, individuals, project finance, etc.) residing in or related to the Country, for cross-border transactions (from the standpoint of the UniCredit S.p.A. providing the loan) in foreign currency or (from the standpoint of the borrower) in local currency.

Country risk management processes are mainly concentrated at UniCredit S.p.A. in terms of both methodological aspects and the decision-making process, in order to ensure a uniform assessment and monitoring approach, particularly for the rating assignment - PD (probability of default) and LGD (loss given default) - as well as control of concentration risk.

The country rating assignment (both in terms PD and LGD) is performed using the specific internal rating model. The analysis, focused on both qualitative and quantitative factors, is an integral part of the final rating calculation process. In case the rating resulting from the model does not appropriately reflect the credit profile of the country, an override is requested from the competent Body. Both the calculation of PD and LGD values are mandatory and must be assigned before any decision on cross-border credit transactions is taken. The rating has to be updated at least once a year or whenever any material information (both positive and negative) impacting the country creditworthiness becomes available.

Cross border risk plafonds are calculated in a top-down/bottom-up process considering the risk of the Country (rating), the size of the country measured by its share in international trade of goods and services as well as its share in international capital flows, demand of the bank's export customers and business opportunities. Cross border plafonds are renewed at least on a yearly basis.

The risk exposures of UniCredit S.p.A., in particular countries that show signs of significant risk as result of economic or other developments are closely monitored, in terms of counterparty types - Individuals, Corporates, Banks & Financial Institutions, Sovereigns and Central Governments - as well as in terms of product categories - Loans, Bonds, CDS, Derivatives, and Guarantees. In this focused monitoring process, Risk Exposures include both "Domestic Risk" (if the Borrower is located in Italy) and "Cross Border Risk" (if the Borrower is located elsewhere).

The evolution of the macroeconomic and political scenario has been constantly monitored in order to be consistently reflected within the Internal Ratings of the mentioned countries; Internal Ratings have been therefore revised more than on a yearly basis, when needed.

With specific reference to the sovereign risk, direct counterparty risk to sovereigns (and their central governments) is managed through the normal counterparty approval process. Limits and exposures to sovereigns - in both the trading and banking books - have been managed in a prudent way to ensure such limits/ exposures are sized primarily by both regulatory and liquidity requirements of UniCredit S.p.A..

Through collateral arrangements, UniCredit S.p.A. has obtained eligible collateral to reduce exposures to OTC derivative counterparties; such collateral includes, in addition to cash, also government bonds issued by countries included in the "eligibility list" (the criteria are defined in the specific "Credit Policy"). This eligibility is however always subject to minimum external rating criteria, and ongoing daily price availability. The rating threshold has therefore seen a reduction in the number of the eligible sovereign issuers from the original name specific eligibility list.

For CEE Countries, given the strategic importance of this area for the Group, loans to local customers were subject to specific credit risk strategies defined and monitored at country level, taking also into consideration the macroeconomic outlook.

With reference to loans to local customers (other than Sovereigns and Central Governments), UniCredit S.p.A.'s exposure continues to very low overall in countries classified as requiring "strict monitoring", especially the countries where there are group branches and banks. Lending activities have mainly focused on corporates less linked to the sovereign risk associated with the Country of origin. For CEE Countries, given the strategic importance of this area for UniCredit S.p.A. and for the Group, loans to local customers were subject to specific credit risk strategies defined and monitored at country level, taking also into consideration the macroeconomic outlook.

### *2.2 Credit Risk Management, Measurement and Control*

#### *2.2.1 Reporting and Monitoring*

The fundamental objective of the reporting and monitoring activities performed by the Group Risk Management function is the analysis of the main drivers and parameters of credit risk (exposure at default ("EAD"), expected loss ("EL"), migration, cost of risk etc.) in order to promptly initiate any counter-measures on portfolios, sub-portfolios or individual counterparties.

Group Risk Management function performs credit risk reporting at portfolio level, producing reports both recurring and specific (on demand of Senior Management or external entities, e.g., regulators or rating agencies) with the objective of analyzing the main risk components and their development over time, and thus to detect any signals of deterioration at an early stage and, subsequently, to put in place the appropriate corrective actions. Credit portfolio performance is analyzed with reference to its main risk drivers (such as growth and risk indicators) customer segments, industrial sectors, regions, and impaired credits performance and related coverage.

Portfolio reporting activities are performed in close collaboration with the Chief Risk Officers (CRO) at Legal Entities level and Credit Risk Portfolio Managers who, within their respective perimeters, implement specific reporting activities.

At Group level, reporting and monitoring activities are assigned to two difference Organizational Units in the "Group Credit and Integrated Risks" Department.

The "Group Credit Risk MIS & Reporting" Unit is in charge of defining the Group framework for reporting on risks and producing standard/customized reporting on credit risk, and is a liaison with the "PF&A Department" for second level controls on supervisory reports.

It is also in charge of defining the credit risk analyses and reporting requirements, the implementation of strategies for unifying the MIS platforms and promoting the use of business intelligence tools at Group level.

The "Risks Assessment & Monitoring" Unit is in charge of analyzing and monitoring the breakdown and risk of the loan portfolio according to the main credit risk metrics at Group/LEs/Division level, thereby providing the competent PF&A functions with useful factors to highlight deviations from budgets/forecasts and produce the periodic analyses that provide the top management with a comprehensive view of Group risks, as well as the analyses for rating agencies, investors and "customized" requests from external Entities/Bodies.

Starting from 2011 and 2012, reporting activities were streamlined through significant fine tuning of the processes for collecting and consolidating data. As a result, significant improvements were made in the quality of information reported and the processes supporting the consolidated reports, such as, for example, the ERM - Enterprise Risk Management Report, as well as the Risk Assessment provided to the top management. Moreover, the units in charge of reporting on portfolios and business segments contributed to monitoring positions exposed to credit risk in their areas of responsibility.

All monitoring to identify and promptly react to the possible impairment of credit quality of counterparties was further strengthened through dedicated structures of Group Risk Management which are in charge of reporting that analyzes the main components of such risk and their evolution over time, to promptly detect any symptoms of impairment and thus implement suitable corrective actions.

#### *2.2.2 Governance and policies*

Relationships between UniCredit S.p.A. and Group Legal Entities carrying out credit-related businesses are defined by specific governance rules, assigning the role of guidance, support and control to UniCredit S.p.A. itself, in respect of the following areas: credit policies, credit strategies, models development, rating systems validation, credit concentration risk, the issuance of credit products, monitoring and reporting portfolio credit risk.
In particular, Group Legal Entities are required to request the Group Risk Management functions of UniCredit S.p.A. a dedicated opinion before granting

# Part E - Risks and Hedging Policies (Continued)

or reviewing credit lines to individual borrowers or economic groups, whenever they exceed defined thresholds, also with reference to the obligation of compliance with the credit risk concentration limits that have to be measured with respect to the regulatory capital.

In accordance with the role assigned to UniCredit S.p.A. under the Group governance, and specifically to the Group Risk Management function, the " General Group Credit Policies" relating to the Group lending activities define group-wide rules and principles for guiding, governing and standardizing credit risk assessment and management, in line with the regulatory requirements and Group best practice.

The general rules are supplemented by policies governing defined subjects (business areas, segment activities, type of counterpart/transaction, etc.). Such documents are divided in two categories:
- policies on "Group-wide" issues, developed by UniCredit S.p.A. and addressed to all Entities. Some examples are the policies on FIBS customers (Financial Institutions, Banks and Sovereigns), on Country Limits, on Project Finance and Acquisition & Leveraged Finance transactions, on collateral management for OTC derivatives and Repo and securities lending business, on assessment, monitoring and management of underwriting risk limits for the syndicated loan, on "Commercial Real Estate Financing (CREF)" and on "Structured Trade and Export Finance (STEF)";
- policies developed at the local level by individual Entities. Such documents provide detailed credit rules for specific regions, subsidiaries, etc., if required by local market peculiarities, and are applicable only within the specific Legal Entity perimeter.

At both Legal Entity and UniCredit S.p.A. (if necessary) level, the policies are further detailed through Operative Instructions, describing specific rules and instructions for the day-by-day activity.

Credit Policies have generally a static approach and are revised when necessary. Therefore they need to be supplemented with Credit Risk Strategies that are updated at least annually and define customers / products, industry segments and geographical areas that will form the target of UniCredit S.p.A.'s relevant credit business.
In order to provide detailed guidelines for the assessment of loans and receivables with customers of the Italy perimeter and to ensure a uniform approach in that perimeter in relation to similar risks, the Global Policy "General Group Credit Policies" has been supplemented by a specific Global Policy ("Policies and methods for the classification and assessment of higher risk loans and receivables with customers in Italy"). In the specific Global Policy new "Assessment methods for Non-Performing and Doubtful loans", have been established that apply to UniCredit S.p.A..

*2.2.3 Management and Measurement Methods*
Credit Risk generally represents the risk of losses of the value of a credit exposure arising from an unexpected worsening of the counterparty's credit quality.

For the purpose of credit risk measurement, credit risk is defined as the risk of incurring losses arising from the possibility that a counterparty, either a borrower or an issuer of a financial obligation (bond, note, etc.) is not able to repay interest and/or principal or any other amount due (Default Risk). In a broader sense, credit risk can also be defined as potential losses arising either from a default of the borrower / issuer or a decrease in the market value of a financial obligation due to a deterioration in its credit quality. On this topic UniCredit S.p.A. is exploring new approaches to cover also the market value component of banking book credit risk.

Credit risk is measured by single borrower / transaction and for the whole portfolio. The tools and processes used for lending to single borrowers during both the approval and monitoring phases include a credit rating process, which is differentiated by customer segment / product to ensure maximum effectiveness.

The assessment of a counterpart's creditworthiness, within the credit proposal evaluation, begins with an analysis of the financial statements and the qualitative data (competitive positioning, corporate and organizational structure, etc.), regional and industry factors and counterpart behavior within the Entity or the banking system (e.g., "Centrale dei rischi"), and results in a rating, i.e. the counterpart's probability of default (PD) on a one-year time horizon.

Regular monitoring focuses on the borrower's performance management, using all available internal and external information in order to arrive at a score representing a synthetic assessment of the risk associated. This score is obtained using a statistical function that summarizes available information using a set of proven significant variables that are predictors of an event of default within a 12 months horizon.

The internal rating, or risk level assigned to the customer / transaction, forms a part of the lending decision calculation. In other words, at a constant credit amount the approval powers granted to the competent Bodies are gradually reduced in proportion to an increased borrower/related risk level.

The organizational model in use includes also a dedicated function, which is separated from loan approval and business functions and is responsible for the management of the so-called rating overrides, i.e. any changes to the automatic rating calculated by the model.

Each borrower's credit rating is reviewed at least annually on the basis of new information acquired. Each borrower is also assessed in the context of any economic group with which it is affiliated by taking into account, as a general rule, the theoretical maximum risk for the entire economic group.

In addition to the usual estimation of risk parameters over a one-year time horizon, long-term risk parameters are estimated to provide a more robust assessment of the risk-adjusted performance in compliance with recent updates to the accounting standards (IFRS13).

Besides the methodologies summarized in the rating systems, the risk management function uses portfolio models enabled to measure credit risk on an aggregated portfolio basis and at the same time to identify sub-portfolio, or single obligor contributions to the overall risk position.

There are three fundamental portfolio credit Risk Measures that are calculated and are evaluated on a one year time horizon:
- Expected Loss (EL);
- Credit Value at Risk (Credit VaR);
- Expected Shortfall (ES).

In order to derive the Credit VaR of the portfolio, the portfolio loss distribution is specified; it is represented by the probabilities of getting different values of the portfolio loss on the given time horizon ("discrete loss case"). The loss associated to a specific probability is the product of the percentage of losses given default (LGD) and exposures at default (EAD) considering the correlations among the defaults.

The Expected Loss (EL) at portfolio level represents the aggregated average loss of the portfolio due to potential defaults of the obligors. The EL of the portfolio is just the sum of the single obligor ones, which can be evaluated as the product of PD x LGD x EAD, and is independent from the default correlations in the portfolio. EL is typically charged as a cost component.

Value at Risk represents the threshold monetary loss overcome only with a given probability level (VaR at 1-⊠ confidence level. Economic Capital is derived from Value at Risk subtracting the expected loss and it is an input for determining Internal Capital set up to cover potential unexpected losses from risk factors.

VaR is a widely used measure of portfolio risk but it does not provide information on potential losses in case the VaR limit has been exceeded. Such information is provided by the Expected Shortfall (ES) that represents the expected value of losses that exceed the VaR threshold. Portfolio Credit VaR and ES strongly depend on default correlation and can be reduced by portfolio diversification.

The credit portfolio models produce also measures of economic capital reallocated by individual borrowers within each portfolio and are the basis for risk-adjusted performance measures.

The measures of economic capital (Credit VaR based) are also a fundamental input for the design and application of credit strategies, the analysis of credit limits and risk concentration. The economic capital calculation engine is also one of the instruments used for the analysis of stress tests of the credit portfolio, starting from macro-economic variables that affect the various customer segments, by country, size, etc.

All the above mentioned risk parameters are subject to an initial validation and a regular monitoring process for each rating system in all its components: models, processes, IT architecture and data quality.

The aim is to give evidence of the systems compliance, highlighting improvement areas as well as possible misalignments in the methodologies, which could limit the full comparability among the resulting risk measures.

The internal Credit VaR model is also subject to assessment in the context of Basel - Pillar II validation.

The calculation of the credit economic capital is available on a single technological platform ("CPM"), with a shared method for the holding structures and for various investee companies of the UniCredit Group. The roll out of the CPM to the investees in the CEE area enabled the coverage of the main geographical areas of the Group.

To measure the effectiveness of securitization in transferring credit risk, an application has been developed (Structured Credit Risk Analyzer), which simulates the losses of the portfolios underlying securitizations (collateral portfolios) and allocates them to the tranches comprising the liabilities of securitization transactions, both in synthetic transactions (where the credit risk is transfered through credit derivatives) and in those involving asset sales.

# Part E - Risks and Hedging Policies (Continued)

*2.2.4 Credit Risk Strategies*

Credit Strategies are an effective credit risk governance tool that contribute to defining budget targets in line with the Group's Risk Appetite, of which they are an integral part. These strategies are also a management tool, as they translate the metrics defined in the risk appetite into a concrete form.

Taking into consideration the macroeconomic and credit scenarios, the outlook for each economic sector, as well as the business initiatives/strategies, the Credit Strategies provide a set of guidelines and operational targets for countries and business segments UniCredit S.p.A. operates in, for the purpose of identifying their risk profiles and enabling growth consistent with such profiles.

With regard to risk management of the Group loan portfolio, specific importance is granted to loan concentration risk. Such concentration risk, according to the Basel definition, consists of a single exposure or of a group of correlated exposures with the potential to generate losses of such magnitude as to prejudice UniCredit S.p.A. ability to carry on its normal business.

In compliance with the regulatory framework outlined by the Basel Committee (Pillar II), UniCredit S.p.a. has set up policies and control systems to identify, measure and monitor loan concentration risk:

- to individual counterparties or groups of associated counterparties (Single Borrowers/Economic Groups);
- to counterparties in the same economic sector (Industries).

Stress test simulations are a comprehensive part of credit risk strategies definition. The stress test procedure is used to estimate some risk parameters, including PD, Expected Loss, economic capital and RWA under the assumption of "extreme but plausible" macroeconomic and financial stressed scenario. Stressed parameters are used not only for regulatory purposes but also as managerial indicators of the vulnerability of a portfolio of a Group company, a business line, a specific industry/regional/economic group or other relevant cluster, conditioned to a downturn of economic cycle.

In compliance with regulatory requirements, stress tests are performed on an on-going basis on updated stressed scenarios and are communicated to the senior management as well as to the Supervisory Authority. In addition to the regular stress test, ad hoc stress test simulations are performed on specific request by the Supervisory Authority.

*2.2.5 Acquisition of impaired loans*

The Bank usually does not acquire impaired loans. The positions reported as such in the tables of the Notes to the Financial Statements in relation to item 70 "Loans to customers" are part of larger transactions involving the acquisition of loan portfolios, whose objectives cannot be classified among those relating to a specific acquisition of impaired positions.

### *2.3 Credit Risk Mitigation Techniques*

UniCredit S.p.A. uses various credit risk mitigation techniques to reduce potential credit losses in case of the obligor default. Consistently with the Basel framework, UniCredit S.p.A. is firmly committed to satisfy the requirements for recognition of Credit Risk Mitigation techniques for regulatory capital purposes, according to the different approaches adopted (Standardized, Foundation IRB or Advanced IRB) both for internal use in operations and for the purposes of calculating the credit risk capital requirements.

With specific reference to Credit Risk Mitigation, general guidelines are in force, issued by UniCredit S.p.A., to lay down Group-wide rules and principles that should guide, govern and standardize the credit risk mitigation management, in line with Group principles and best practice, as well as in accordance with the relevant regulatory requirements.

In addition to the general guidelines on risk mitigation techniques, UniCredit SpA has issued internal regulations, specifying processes, strategies and procedures for the management of collateral. In particular, these regulations detail the rules on the eligibility, valuation and management of collateral, ensuring that the guarantee is valid, legally enforceable and can be promptly recovered in accordance with the local legal system of each country.

UniCredit S.p.A. also performed assessment activities on the management of guarantees and compliance checks on risk mitigation techniques, in particular with respect to the application of internal rating systems, in order to verify that adequate documentation and formal procedures are in place for the use of risk mitigation techniques for the purpose of calculating regulatory capital.

According to credit policy, collaterals or guarantees can be accepted only to support loans and they cannot serve as a substitute for the borrower's ability to meet obligations. For this reason, in addition to the overall analysis of the credit worthiness and of the repayment capacity of the borrower, they are subject to specific evaluation and analysis of the support role for the repayment of the exposure.

Collaterals accepted in support of credit lines primarily include real estate, both residential and commercial, financial collateral (including cash deposits, debt securities, equities, and units of Undertakings for Collective Investment in Transferable Securities - UCITS). Other types of collateral (pledged goods or pledged loans and life insurance policies) are less common. UniCredit S.p.A. also makes use of bilateral netting agreements for derivative transactions (by means of ISDA and CSA agreements), Repos and securities lending.

The management system of credit risk mitigation techniques is embedded in the credit approval process and in the credit risk monitoring process, which widely support the evaluation and data quality checks of collaterals / guarantees and their appropriate linking to the categories defined for LGD estimates purposes. Controls and related responsibilities are duly formalized and documented in internal rules and operative procedures. Furthermore processes are implemented to monitor all the relevant information regarding the identification and evaluation of the credit protection and to ensure it is correctly registered in the system.

When accepting a credit risk mitigation technique, UniCredit S.p.A. gives particular importance to processes and controls of the legal certainty requirements of the protection, as well as the assessment of the suitability of the collateral or guarantee. In case of personal guarantees, the protection provider (or the protection seller in case of credit default swap) has to be assessed in order to measure his/her solvency and risk profile.

In case of collaterals, the process of valuation is based on precautionary principles, with reference to the use of “market values” and to the application of adequate haircuts to ensure that, in case of liquidation, there are no unexpected losses on secured debt.

Monitoring processes of credit risk mitigation techniques ensure that general and specific requirements established by credit policies, internal and regulatory rules are met over the time.

### *2.4 Impaired financial assets*

With reference to the “non-performing” portfolio, UniCredit S.p.A. activities are mainly focused on the following:

- prompt action. With a solid and effective monitoring and reporting process, the early identification of possible credit quality deterioration allows to perform the necessary restrictive management measures aimed at risk reduction in the early phases prior to the potential default;
- proper evaluation of impaired loans, in order to define the actions and classification within the “default” classes;
- start of recovery actions depending on the type, the amount of exposure and the customer characteristics;
- appropriate impairment losses in line with the relevant recovery strategies and plans as well as the type of exposure. This activity is in line with IAS 39 and “Basel II” rules;
- accurate and regular reporting to monitor over time the risk of the portfolio at the aggregate level.

Each Legal Entity’s classification of positions into the various default categories must comply with local legal and regulatory dispositions issued by the Supervisory Authority.

Since UniCredit S.p.A., in its role as Holding Company, is required to comply with instructions issued by the Italian Supervisory Authority, suitable measures are taken vis-à-vis the Group’s foreign Legal Entities to link and align classifications which would otherwise not be consistent with the appropriate default categories.

In general, the main goal of managing the non-performing portfolio is to recover all, or as much exposure as possible, by identifying the best strategy for maximizing the Net Present Value (NPV) of the amounts recovered, or rather minimizing the loss given default.

This activity is managed internally within the group by specially qualified staff or externally through a mandate given to specialized companies or through the sale of non-performing assets to external companies.

In order to determine impairment losses, an exercise that is performed periodically or in any case if an event occurs during the file management, specialized units use an analytical approach to assess the loss projections for loans at default in line with the Group’s accounting policies and Basel II.

With reference to the Italian business of UniCredit S.p.A., in line with the events of the last quarter of 2013, the new assessment methods introduced for doubtful and non- performing loans are used, in order to improve the set of existing methods and enhance the effectiveness and efficiency of the work of the staff of the CRO Italy functions involved, who are responsible for the assessment and approval of loan loss projections. In particular, statistical or automatic methods have been introduced for the assessment of loans to companies with group exposure below a set limit and for the assessment of mortgage loans to individuals. Furthermore, in the third quarter of 2014, new models for discounting doubtful loans were developed, differentiating the estimated present value of expected cash flows for doubtful loans whose credit lines were revoked from those still backed by credit lines.

# Part E - Risks and Hedging Policies (Continued)

As an alternative to the usual solutions for internal management of impaired positions, there is also the option of sale on the secondary credit market. In order to catalyze the use of the secondary market, the dedicated structure "Distressed Asset Management" is in charge of identifying and selling portfolios or single credit positions which are part of an impaired group.

Single transactions are organized through competitive auctions, and their cost-effectiveness is assessed based on logic comparing the net present value.

*Impaired assets acquired*

Impaired loans acquired were recognized under item 70 "Loans and receivables with customers" for €50,836 thousand at December 31, 2014, a decrease of €17,457 thousand (-25.6%) compared to December 31, 2013 (€68,293 thousand).

These loans were acquired as part of the following transactions:

- the acquisition in 2011 of a loan portfolio from Banca MB S.p.A. (total face value of €414,543 thousand at a price of €246,052 thousand, including impaired loans with a face value of €299,223 thousand at a price of €152,512 thousand). The loans deriving from the financing disbursed by Banca MB under administrative compulsory liquidation were acquired;
- the acquisition in 2011 of a loan portfolio from Oney S.p.A. (overall face value of €21,143 thousand, at a price of €19,041 thousand, including impaired loans totaling €148 thousand at a price of €121 thousand). The loans were acquired as part of the acquisition of a credit card portfolio from Oney S.p.A.;
- the acquisition in 2013 of a portfolio of impaired loans from Island Refinancing S.r.l. (overall face value of €88,532 thousand at a price of €27,766 thousand). The loans were acquired as part of a Settlement Agreement, relating to previous agreements/contracts entered into by the merged company Banco di Sicilia S.p.A..

The above loans were measured in accordance with the measurement criteria used for all impaired loans and receivables with customers recognized in the Financial Statements.

The table below shows the changes in "Impaired loans acquired" (face value, purchase price, carrying amount), broken down by individual transaction:

**Impaired assets acquired**

| | ACQUISITION DATE | | 12.31.2013 | | 12.31.2014 | | CHANGE 12.31.14 - 12.31.13 | |
|---|---|---|---|---|---|---|---|---|
| | FACE AMOUNT | PURCHASE PRICE | FACE VALUE | CARRYING AMOUNT | FACE VALUE | CARRYING AMOUNT | FACE VALUE | CARRYING AMOUNT |
| Banca MB S.p.A. | 299,223 | 152,512 | 195,309 | 53,260 | 158,670 | 37,728 | -36,639 | -15,532 |
| Oney S.p.A. | 148 | 121 | 106 | 31 | 66 | 6 | -40 | -25 |
| Island Refinancing S.r.l. | 88,532 | 27,766 | 63,169 | 15,002 | 61,658 | 13,102 | -1,511 | -1,900 |
| **Total** | **387,903** | **180,399** | **258,584** | **68,293** | **220,394** | **50,836** | **-38,190** | **-17,457** |

## QUANTITATIVE INFORMATION

### *A. CREDIT QUALITY*

**A. 1 IMPAIRED AND PERFORMING LOANS: AMOUNTS, WRITEDOWNS, CHANGES, ECONOMIC AND GEOGRAPHICAL DISTRIBUTION**

For the purposes of the disclosure of quantitative information about credit quality, the term "credit exposures" does not include equity instruments and UCITS shares.

**A.1.1 Breakdown of financial assets by portfolio and credit quality (carrying value)**

| PORTFOLIO/QUALITY | NON-PERFORMING LOANS | DOUBTFUL ASSETS | RESTRUCTURED EXPOSURES | IMPAIRED PAST-DUE | NOT IMPAIRED PAST-DUE | OTHER ASSETS | TOTAL |
|---|---|---|---|---|---|---|---|
| 1. Financial assets held for trading | 3,673 | 153,724 | 7,988 | 11,075 | 61,167 | 15,928,231 | 16,165,858 |
| 2. Available-for-sale financial assets | 1 | - | 4,813 | 6,556 | - | 52,960,404 | 52,971,774 |
| 3. Held-to-maturity financial instruments | - | - | - | - | - | 1,565,887 | 1,565,887 |
| 4. Loans and receivables with banks | 138 | 5,771 | - | 12 | - | 21,859,826 | 21,865,747 |
| 5. Loans and receivables with customers | 10,992,354 | 11,273,884 | 2,381,076 | 1,190,670 | 6,201,655 | 188,609,482 | 220,649,121 |
| 6. Financial assets at fair value through profit or loss | - | - | 3,349 | - | - | 55,969 | 59,318 |
| 7. Financial instruments classified as held for sale | - | - | - | - | - | - | - |
| 8. Hedging derivatives | - | - | - | - | - | 7,842,137 | 7,842,137 |
| **Total 12.31.2014** | **10,996,166** | **11,433,379** | **2,397,226** | **1,208,313** | **6,262,822** | **288,821,936** | **321,119,842** |
| **Total 12.31.2013** | **9,186,461** | **11,178,035** | **2,135,405** | **1,912,835** | **6,968,657** | **282,397,281** | **313,778,674** |

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

| PORTFOLIO/QUALITY | IMPAIRED ASSETS GROSS EXPOSURE | IMPAIRED ASSETS SPECIFIC WRITEDOWNS | IMPAIRED ASSETS NET EXPOSURE | PERFORMING GROSS EXPOSURE | PERFORMING PORTFOLIO ADJUSTMENTS | PERFORMING NET EXPOSURE | TOTAL (NET EXPOSURE) |
|---|---|---|---|---|---|---|---|
| 1. Financial assets held for trading | 260,695 | 84,235 | 176,460 | X | X | 15,989,398 | 16,165,858 |
| 2. Available-for-sale financial assets | 13,360 | 1,990 | 11,370 | 52,960,404 | - | 52,960,404 | 52,971,774 |
| 3. Held-to-maturity financial instruments | - | - | - | 1,565,887 | - | 1,565,887 | 1,565,887 |
| 4. Loans and receivables with banks | 9,377 | 3,456 | 5,921 | 21,862,714 | 2,888 | 21,859,826 | 21,865,747 |
| 5. Loans and receivables with customers | 48,362,679 | 22,524,695 | 25,837,984 | 196,144,728 | 1,333,591 | 194,811,137 | 220,649,121 |
| 6. Financial assets at fair value through profit or loss | 3,349 | - | 3,349 | X | X | 55,969 | 59,318 |
| 7. Financial instruments classified as held for sale | - | - | - | - | - | - | - |
| 8. Hedging derivatives | - | - | - | X | X | 7,842,137 | 7,842,137 |
| **Total 12.31.2014** | **48,649,460** | **22,614,376** | **26,035,084** | **272,533,733** | **1,336,479** | **295,084,758** | **321,119,842** |
| **Total 12.31.2013** | **45,907,838** | **21,495,101** | **24,412,737** | **273,997,222** | **2,099,938** | **289,365,937** | **313,778,674** |

It should be noted that the net impairment of loans benefited from a change in the method used to measure doubtful loans. This change resulted in a release of adjustment provisions for about 775 million (the nominal gross value of the portfolio affected by the change was 18.1 billion as at September 30, 2014). Following changes in the underlying portfolio during the fourth quarter of 2014, the overall positive contribution to the income statement was down to 560 million, as also reflected in the overall reduction in the coverage ratio for doubtful loans compared to the same data in 2013.

The measurement method was changed to reflect a change in the underlying loan management process, which is currently especially focused on recoveries, a step that precedes the withdrawal of credit lines and which should result in an increase in expected cash flows.

The change in method was accounted for as a change in estimates pursuant to IAS 8.35.

The total partial write-offs carried out on the impaired assets of the "Loans and receivables with customers" amounted to €7,487 million, attributable to non-performing loans and other revoked impaired loans.

### Accounting Portfolios

| ACCOUNTING PORTFOLIOS | WRITE OFF (LONG LIFE CRITERIA) TOTAL IMPAIRED |
|---|---|
| A1. Financial assets held for trading | - |
| A2. Financial assets at fair value through profit or loss | - |
| A3. Available-for-sale financial assets | - |
| A4. Held-to-maturity financial instruments | - |
| A5. Loans and receivables with banks | - |
| A6. Loans and receivables with customers | 7,487,362 |
| A7. Financial instruments classified as held for sale | - |
| **Total with banks** | **-** |
| **Total with customers** | **7,487,362** |

The table below shows, in accordance with the rules laid down in Bank of Italy Circular 262, performing loans to customers subject to renegotiation under collective agreements, entered into by Banking Associations/Unions or in compliance with the regulations in force; the mentioned regulations provide for the temporary suspension of payment of installments (for principal and/or interest) and renegotiated exposures individually granted by banks to customers in financial difficulty and which therefore fall under the EBA definition of Forborne performing exposures.

For information on EBA Forbearance, please refer to the next section E - *Information regarding forborne credit exposures and new EBA definitions related to impaired loans.*

# Part E - Risks and Hedging Policies (Continued)

### Customer Loans - Performing forborne exposures

| PORTAFOLIO / QUALITY | PERFORMING | | | | | | | | | TOTAL (NET EXPOSURE) 12.31.2014 |
|---|---|---|---|---|---|---|---|---|---|---|
| | OTHER PERFORMING EXPOSURE | | | PAST-DUE 1/90 DAYS | | | PAST-DUE OVER 90 DAYS | | | |
| | GROSS EXPOSURE | PORTFOLIO ADJUSTMENTS | NET EXPOSURE | GROSS EXPOSURE | RETTIFICHE DI PORTAFOGLIO | NET EXPOSURE | GROSS EXPOSURE | PORTFOLIO ADJUSTMENTS | NET EXPOSURE | |
| **5. Loans and receivables with customers** | **189,665,018** | **1,055,536** | **188,609,482** | **3,112,213** | **100,617** | **3,011,596** | **3,367,497** | **177,438** | **3,190,059** | **194,811,137** |
| - Exposures renegotiated in application of collective agreements (*) | 395,185 | 11,832 | 383,353 | 57,793 | 2,766 | 55,027 | 72,578 | 3,550 | 69,028 | 507,408 |
| - Exposures renegotiated under single initiatives of the bank (*) | 496,341 | 13,496 | 482,845 | 288,966 | 7,717 | 281,249 | 1,068,007 | 56,671 | 1,011,336 | 1,775,430 |
| - Other exposures | 188,773,492 | 1,030,208 | 187,743,284 | 2,765,454 | 90,134 | 2,675,320 | 2,226,912 | 117,217 | 2,109,695 | 192,528,299 |

(*) Exposures refer to measures extended to clients experimenting financial difficulty.

### A.1.3. On - balance sheet credit exposure to banks: gross and net values

| EXPOSURE TYPES / AMOUNTS | AMOUNTS AS AT 12.31.2014 | | | |
|---|---|---|---|---|
| | GROSS EXPOSURE | SPECIFIC WRITEDOWNS | PORTFOLIO ADJUSTMENTS | NET EXPOSURE |
| **A. Balance sheet exposure** | | | | |
| a) Non-performing loans | 782 | 644 | X | 138 |
| b) Doubtful loans | 8,538 | 2,767 | X | 5,771 |
| c) Restructured exposures | - | - | X | - |
| d) Past due | 57 | 45 | X | 12 |
| e) Other assets | 26,814,725 | X | 2,888 | 26,811,837 |
| **Total A** | **26,824,102** | **3,456** | **2,888** | **26,817,758** |
| **B. Off-Balance sheet exposure** | | | | |
| a) Impaired | 469 | 261 | X | 208 |
| b) Other | 24,444,483 | X | 9,746 | 24,434,737 |
| **Total B** | **24,444,952** | **261** | **9,746** | **24,434,945** |
| **Total (A+B)** | **51,269,054** | **3,717** | **12,634** | **51,252,703** |

On-balance sheet exposures to banks include all balance-sheet assets, including held-for-trading, available-for-sale, held-to-maturity assets, loans, assets at fair value through profit or loss and assets held for sale.

Off-balance sheet exposure comprises guarantees given, commitments and derivatives regardless of each transaction's classification category.

The gross exposure of credit derivatives for which protection has been sold corresponds to (i) the sum of the face value and the positive fair value in respect of total rate of return swaps, (ii) to positive fair value in respect of credit spread swaps and (iii) to the notional value in respect of credit default products and credit linked notes.

### A.1.4 Balance-sheet credit exposures with banks: gross change in impaired exposures

| SOURCE/CATEGORIES | CHANGES IN 2014 | | | |
|---|---|---|---|---|
| | NON-PERFORMING LOANS | DOUBTFUL LOANS | RESTRUCTURED EXPOSURES | PAST DUE EXPOSURES |
| **A. Opening balance - gross exposure** | **531** | **14,252** | **-** | **170** |
| *- of which: assets sold but not derecognised* | - | - | - | - |
| **B. Increases** | **251** | **17,487** | **-** | **19,861** |
| B.1 transfers from performing loans | - | - | - | - |
| B.2 transfers from other impaired exposure categories | - | 17,107 | - | 19,319 |
| B.3 other increases | 251 | 380 | - | 542 |
| **C. Reductions** | **-** | **23,201** | **-** | **19,974** |
| C.1 transfers to performing loans | - | - | - | - |
| C.2 derecognised items | - | - | - | - |
| C.3 recoveries | - | 3,882 | - | - |
| C.4 sales proceeds | - | - | - | - |
| C.4 bis losses proceeds | - | - | - | - |
| C.5 transfers to other impaired exposure categories | - | 19,319 | - | 17,107 |
| C.6 other reductions | - | - | - | 2,867 |
| **D. Gross exposure closing balance** | **782** | **8,538** | **-** | **57** |
| *- of which: assets sold but not derecognised* | - | - | - | - |

### A.1.5 Balance-sheet credit exposures to banks: change in overall impairments

| | CHANGES IN 2014 | | | |
|---|---|---|---|---|
| SOURCE/CATEGORIES | NON-PERFORMING LOANS | DOUBTFUL LOANS | RESTRUCTURED EXPOSURES | PAST DUE EXPOSURES |
| **A. Opening gross writedowns** | **376** | **1,209** | **-** | **157** |
| *- of which: sold but not derecognised* | - | - | - | - |
| **B. Increases** | **276** | **2,088** | **-** | **7** |
| B.1 writedowns | 271 | 1,969 | - | 4 |
| B.1 bis Losses on disposal | - | - | - | - |
| B.2 transfers from other impaired exposure | - | 119 | - | 3 |
| B.3 other increases | 5 | - | - | - |
| **C. Reductions** | **8** | **530** | **-** | **119** |
| C.1 write-backs from assessments | 8 | 151 | - | - |
| C.2 write-backs from recoveries | - | 377 | - | - |
| C.2 bis Gains on disposal | - | - | - | - |
| C.3 write-offs | - | - | - | - |
| C.4 transfers to other impaired exposure | - | 2 | - | 119 |
| C.5 other reductions | - | - | - | - |
| **D. Final gross writedowns** | **644** | **2,767** | **-** | **45** |
| *- of which: sold but not derecognised* | - | - | - | - |

### A.1.6. On Balance sheet credit exposure to customers: gross and net values

| | AMOUNTS AS AT 12.31.2014 | | | |
|---|---|---|---|---|
| EXPOSURE TYPES / AMOUNTS | GROSS EXPOSURE | SPECIFIC WRITEDOWNS | PORTFOLIO ADJUSTMENTS | NET EXPOSURE |
| **A. Balance sheet exposure** | | | | |
| a) Non-performing loans | 25,847,010 | 14,854,656 | X | 10,992,354 |
| b) Doubtful loans | 17,611,315 | 6,337,431 | X | 11,273,884 |
| c) Restructured exposures | 3,327,140 | 937,901 | X | 2,389,239 |
| d) Past due | 1,593,924 | 396,698 | X | 1,197,226 |
| e) Other assets | 252,096,769 | X | 1,333,591 | 250,763,178 |
| **Total A** | **300,476,158** | **22,526,686** | **1,333,591** | **276,615,881** |
| **B. Off-balance sheet exposure** | | | | |
| a) Impaired | 1,871,559 | 159,334 | X | 1,712,225 |
| b) Other | 64,013,396 | X | 1,134,615 | 62,878,781 |
| **Total B** | **65,884,955** | **159,334** | **1,134,615** | **64,591,006** |
| **Total (A+B)** | **366,361,113** | **22,686,020** | **2,468,206** | **341,206,887** |

On-balance sheet exposures to customers include all balance-sheet assets, including held-for-trading, available-for-sale, held-to-maturity assets, loans, assets at fair value through profit or loss and assets held for sale.

Off-balance sheet exposure comprises guarantees given, commitments and derivatives regardless of each transaction's classification category.

The gross exposure of credit derivatives for which protection has been sold corresponds to (i) the sum of the face value and the positive fair value in respect of total rate of return swaps, (ii) to positive fair value in respect of credit spread swaps and (iii) to the notional value in respect of credit default products and credit linked notes.

On-balance sheet impaired gross exposures connected to the proposals for recourse to an arrangement with creditors made by the debtor - for the positions that have been converted into a Debt restructuring agreement pursuant to Article 182-bis of the Bankruptcy Law or continuity of business, as well as the positions not yet assigned or with liquidatory purposes - amounted to a total of €4,809 million at December 31, 2014, against which specific impairments have been made for €2,555 million, with a total coverage level of 53.1%.

# Part E - Risks and Hedging Policies (Continued)

### A.1.7 Balance-sheet credit exposures to customers: gross change in impaired exposures

| | CHANGES IN 2014 | | | |
|---|---|---|---|---|
| SOURCE/CATEGORIES | NON-PERFORMING LOANS | DOUBTFUL LOANS | RESTRUCTURED EXPOSURES | PAST DUE EXPOSURES |
| **A. Opening balance - gross exposure** | **20,973,915** | **19,096,838** | **3,034,057** | **2,467,385** |
| *- of which: sold but not derecognised* | *375,657* | *177,356* | *1* | *52,737* |
| **B. Increases** | **7,338,025** | **12,485,010** | **3,356,793** | **6,066,836** |
| B.1 transfers from performing loans | 140,303 | 4,759,669 | 833,412 | 5,176,537 |
| B.2 transfers from other impaired exposure | 6,415,727 | 4,909,806 | 1,021,355 | 619,341 |
| B.3 other increases | 781,995 | 2,815,535 | 1,502,026 | 270,958 |
| *of which: business combinations* | *35,623* | - | - | - |
| **C. Reductions** | **2,464,930** | **13,970,533** | **3,063,710** | **6,940,297** |
| C.1 transfers to performing loans | 7,342 | 977,500 | 235,025 | 2,348,253 |
| C.2 derecognised items | 1,370,968 | 516,481 | 106,320 | - |
| C.3 recoveries | 685,840 | 4,382,910 | 352,082 | 629 |
| C.4 sales proceeds | 58,372 | 94,212 | 96,397 | - |
| C.4.bis sales losses | 21,889 | - | 45,493 | - |
| C.5 transfers to other impaired exposure | 135,477 | 7,953,505 | 759,402 | 4,117,846 |
| C.6 other reductions | 185,042 | 45,925 | 1,468,991 | 473,569 |
| **D. Closing balance-gross exposure** | **25,847,010** | **17,611,315** | **3,327,140** | **1,593,924** |
| *- of which: sold but not derecognised* | *399,485* | *198,103* | - | *41,196* |

Sub-items B.3 “Other increases” and C.3 “Collections” include the amounts collected during the year with respect to impaired exposures that were derecognized.

### A.1.8 Balance-sheet credit exposures to customers: changes in overall impairment

| | CHANGES IN 2014 | | | |
|---|---|---|---|---|
| SOURCE/CATEGORIES | NON-PERFORMING LOANS | DOUBTFUL LOANS | RESTRUCTURED EXPOSURES | PAST DUE EXPOSURES |
| **A. Total opening writedowns** | **11,799,927** | **8,077,914** | **904,706** | **565,267** |
| *- of which: sold but not derecognised* | *121,229* | *28,862* | - | *10,408* |
| **B. Increases** | **5,273,281** | **3,164,356** | **664,143** | **760,664** |
| B.1 writedowns | 2,255,733 | 1,921,676 | 141,415 | 285,369 |
| B.1 bis losses on disposal | 21,889 | - | 45,493 | - |
| B.2 transfers from other impaired exposure | 2,705,250 | 896,403 | 324,208 | 136,861 |
| B.3 other increases | 290,409 | 346,277 | 153,027 | 338,434 |
| *of which: business combinations* | *32,468* | - | - | - |
| **C. Reductions** | **2,218,552** | **4,904,839** | **630,948** | **929,232** |
| C.1 write-backs from assessments | 549,213 | 448,224 | 47,926 | 4,086 |
| C.2 write-backs from recoveries | 181,587 | 455,498 | 131,521 | 31,262 |
| C.2 bis gains on disposal | 19,090 | 33,119 | 5,341 | - |
| C.3 write-offs | 1,370,968 | 516,481 | 106,320 | - |
| C.4 transfers to other impaired exposure | 67,892 | 3,137,916 | 219,695 | 637,219 |
| C.5 other reductions | 29,802 | 313,601 | 120,145 | 256,665 |
| **D. Final gross writedowns** | **14,854,656** | **6,337,431** | **937,901** | **396,699** |
| *- of which: sold but not derecognised* | *116,307* | *26,763* | - | *8,651* |

## A. 2 Breakdown of exposures according to external and internal ratings

### A.2.1 Balance Sheet and off-balance sheet credit exposure by external rating class (book values)

| | AMOUNTS AS AT 12.31.2014 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | EXTERNAL RATING CLASSES | | | | | | | |
| EXPOSURES | CLASS 1 | CLASS 2 | CLASS 3 | CLASS 4 | CLASS 5 | CLASS 6 | NO RATING | TOTAL |
| **A. On-balance-sheet credit exposures** | **179,223** | **6,825,707** | **71,971,031** | **854,711** | **162,325** | **25,859,487** | **198,457,960** | **304,310,444** |
| **B. Derivative contracts** | **68,604** | **810,315** | **96,467** | **2,049** | **67,781** | **176,744** | **4,312,070** | **5,534,030** |
| B.1 Financial derivative contracts | 68,604 | 810,315 | 96,467 | 2,049 | 67,781 | 176,744 | 4,312,070 | 5,534,030 |
| B.2 Credit derivative contracts | - | - | - | - | - | - | - | - |
| **C. Guarantees given** | **335,837** | **2,006,627** | **14,300,475** | **781,403** | **133,677** | **880,874** | **22,966,177** | **41,405,070** |
| **D. Other commitments to disburse funds** | **112,877** | **2,671,164** | **5,647,082** | **878,664** | **187,025** | **657,157** | **23,474,344** | **33,628,313** |
| **E. Other** | **-** | **2,403** | **8,443,788** | **29** | **-** | **-** | **12,318** | **8,458,538** |
| **Total** | **696,541** | **12,316,216** | **100,458,843** | **2,516,856** | **550,808** | **27,574,262** | **249,222,869** | **393,336,395** |

Impaired assets are included in "Class 6".

Item A. On-Balance Sheet includes €876,806 thousands of units in investment funds.

The table details on- and off-balance sheet credits granted to counterparties rated by external rating agencies, which provide brief assessments of the creditworthiness of different classes of borrowers such as Sovereigns, Banks, Public-Sector Entities, Insurance Companies and (usually large) Enterprises.

The table refers to classification of 262/2005 Bank of Italy Circular (3rd update dated December 22, 2014); then it provides, for external ratings, 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. For the ratings for counterparties subject of securitization transactions (in particular Impresa One and Consumer One) reference has also been made to the agency DBRS.

Where more than one agency rating is available, the most prudential rating is assigned.

The "Investment Grade" area (from class 1 to 3), particularly the Class 2 and Class 3, comprises nearly all externally rated exposures (75% of externally rated exposures), since the corresponding counterparties are mainly banks; 24% refers to Class 6.

Details of securitized exposures not derecognized for accounting purposes (but derecognized at origination for prudential purposes) are provided below:

(€ million)

| SECURITIZATION NAME | ORIGINATOR | ASSET CLASS | AMOUNTS AS AT 12.31.2014 |
|---|---|---|---|
| Cordusio RMBS UCIFin - SERIE 2006 (Cordusio RMBS 3 - UBCASA 1) | UniCredit S.p.A. | RMBS | 859 |
| CORDUSIO RMBS | UniCredit S.p.A. | RMBS | 411 |
| CORDUSIO RMBS SECURITISATION - SERIE 2006 (EX CORDUSIO RMBS2) | UniCredit S.p.A. | RMBS | 633 |
| CORDUSIO RMBS SECURITISATION - SERIE 2007 | UniCredit S.p.A. | RMBS | 1,560 |
| F-E Mortgages 2003-1 | UniCredit S.p.A. | RMBS | 196 |
| F-E Mortgages 2005-1 | UniCredit S.p.A. | RMBS | 307 |
| Heliconus | UniCredit S.p.A. | RMBS | 99 |
| CAPITAL MORTGAGE 2007-1 | UniCredit S.p.A. | RMBS | 1,121 |
| | | | **5,186** |

# Part E - Risks and Hedging Policies (CONTINUED)

**A.2.2 Balance Sheet and off-balance sheet exposure by internal rating class (book values)**

| | AMOUNTS AS AT 12.31.2014 | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | INTERNAL RATING CLASSES | | | | | | | | | | | |
| EXPOSURES | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | IMPAIRED EXPOSURES | NO RATING | TOTAL |
| **A. On-balance-sheet exposures** | **323,393** | **5,534,766** | **114,307,746** | **57,694,760** | **19,454,370** | **16,012,280** | **13,830,132** | **4,552,627** | **4,991,102** | **25,858,624** | **40,873,839** | **303,433,639** |
| **B. Derivative contracts** | **-** | **318,202** | **715,905** | **508,498** | **99,480** | **329,182** | **2,931,744** | **181,083** | **17,842** | **176,744** | **255,352** | **5,534,032** |
| B.1 Financial derivative contracts | - | 318,202 | 715,905 | 508,498 | 99,480 | 329,182 | 2,931,744 | 181,083 | 17,842 | 176,744 | 255,352 | 5,534,032 |
| B.2 Credit derivative contracts | - | - | - | - | - | - | - | - | - | - | - | - |
| **C. Guarantees given** | **1,018** | **909,870** | **9,135,495** | **17,235,120** | **2,336,314** | **2,560,615** | **1,420,179** | **511,629** | **190,789** | **878,832** | **6,225,209** | **41,405,070** |
| **D. Other commitments to disburse funds** | **16,454** | **1,992,437** | **15,909,984** | **3,573,262** | **916,964** | **679,866** | **570,089** | **177,125** | **392,572** | **656,857** | **8,742,703** | **33,628,313** |
| **E. Other** | **-** | **-** | **2,156,920** | **6,289,272** | **-** | **33** | **-** | **-** | **-** | **-** | **12,314** | **8,458,539** |
| **Total** | **340,865** | **8,755,275** | **142,226,050** | **85,300,912** | **22,807,128** | **19,581,976** | **18,752,144** | **5,422,464** | **5,592,305** | **27,571,057** | **56,109,417** | **392,459,593** |

| INTERNAL CLASSES | PD RANGE | | | |
|---|---|---|---|---|
| 1 | 0.0000% | <= | PD <= | 0.0036% |
| 2 | 0.0036% | < | PD <= | 0.0208% |
| 3 | 0.0208% | < | PD <= | 0.1185% |
| 4 | 0.1185% | < | PD <= | 0.5824% |
| 5 | 0.5824% | < | PD <= | 1.3693% |
| 6 | 1.3693% | < | PD <= | 3.2198% |
| 7 | 3.2198% | < | PD <= | 7.5710% |
| 8 | 7.5710% | < | PD <= | 17.8023% |
| 9 | 17.8023% | < | PD <= | 99.9999% |

The table contains on- and off-balance sheet exposures grouped according to the counterparties' internal rating.

Ratings are assigned to individual counterparties using internally-developed models included in their credit risk management processes.
The internal models validated by the regulators are both 'Local' and 'Group-wide' (e.g. for banks, multinationals and sovereigns).

The various rating scales of these models are mapped onto a single master-scale of 9 classes (illustrated above) based on Probability of Default (PD).

## A.3 Breakdown of secured exposures by type of guarantee

### A.3.1 Secured credit exposures with banks

| | AMOUNTS AS AT 12.31.2014 | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | COLLATERALS (1) | | | | GUARANTEES (2) | | | | | | | | | |
| | | PROPERTY | | | | CREDIT DERIVATIVES | | | | | SIGNATURE LOANS (LOANS GUARANTEES) | | | | |
| | | | | | | | OTHER CREDIT DERIVATIVES | | | | | | | | |
| | NET EXPOSURES | MORTGAGES | FINANCE LEASES | SECURITIES | OTHER ASSETS | CREDIT LINK NOTES | GOVERNMENTS AND CENTRAL BANKS | OTHER PUBLIC ENTITIES | BANKS | OTHER ENTITIES | GOVERNMENTS AND CENTRAL BANKS | OTHER PUBLIC ENTITIES | BANKS | OTHER ENTITIES | TOTAL (1)+(2) |
| 1. Secured balance sheet credit exposures: | | | | | | | | | | | | | | | |
| 1.1. totally secured | 5,934,601 | - | - | 6,168,159 | - | - | - | - | - | - | - | - | - | 3,673 | **6,171,832** |
| - of which impaired | 3,673 | - | - | - | - | - | - | - | - | - | - | - | - | 3,673 | **3,673** |
| 1.2. partially secured | 1,901 | - | - | - | - | - | - | - | - | - | - | - | - | 1,901 | **1,901** |
| - of which impaired | 1,901 | - | - | - | - | - | - | - | - | - | - | - | - | 1,901 | **1,901** |
| 2. Secured off balance sheet credit exposures: | | | | | | | | | | | | | | | |
| 2.1. totally secured | 518,597 | - | - | 2,081 | 516,516 | - | - | - | - | - | - | - | - | - | **518,597** |
| - of which impaired | - | - | - | - | - | - | - | - | - | - | - | - | - | - | **-** |
| 2.2. partially secured | 78,353 | - | - | - | 77,885 | - | - | - | - | - | - | - | - | - | **77,885** |
| - of which impaired | - | - | - | - | - | - | - | - | - | - | - | - | - | - | **-** |

### A.3.2 Secured credit exposures with customers

| | AMOUNTS AS AT 12.31.2014 | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | COLLATERALS (1) | | | | GUARANTEES (2) | | | | | | | | | |
| | | PROPERTY | | | | CREDIT DERIVATIVES | | | | | SIGNATURE LOANS (LOANS GUARANTEES) | | | | |
| | | | | | | | OTHER CREDIT DERIVATIVES | | | | | | | | |
| | NET EXPOSURES | MORTGAGES | FINANCE LEASES | SECURITIES | OTHER ASSETS | CREDIT LINK NOTES | GOVERNMENTS AND CENTRAL BANKS | OTHER PUBLIC ENTITIES | BANKS | OTHER ENTITIES | GOVERNMENTS AND CENTRAL BANKS | OTHER PUBLIC ENTITIES | BANKS | OTHER ASSETS | TOTAL (1)+(2) |
| 1. Secured balance sheet credit exposures: | | | | | | | | | | | | | | | |
| 1.1. totally secured | 129,570,649 | 228,870,116 | - | 26,689,568 | 2,410,825 | - | - | - | - | - | 252,797 | 487,984 | 57,759 | 19,133,884 | **277,902,933** |
| - of which impaired | 18,259,512 | 38,404,348 | - | 66,526 | 358,205 | - | - | - | - | - | 26,551 | 34,037 | 360 | 4,388,751 | **43,278,778** |
| 1.2. partially secured | 6,017,742 | 207,607 | - | 698,147 | 412,489 | - | - | - | - | - | 101,716 | 334,346 | 34,613 | 1,363,746 | **3,152,664** |
| - of which impaired | 1,399,330 | 161,208 | - | 226,229 | 66,089 | - | - | - | - | - | 618 | 19,156 | 2,000 | 561,081 | **1,036,381** |
| 2. Secured off balance sheet credit exposures: | | | | | | | | | | | | | | | |
| 2.1. totally secured | 14,582,042 | 3,497,476 | - | 9,287,658 | 249,707 | - | - | - | - | - | 70,389 | 5,563 | 193,870 | 2,820,269 | **16,124,932** |
| - of which impaired | 703,373 | 771,192 | - | 4,292 | 20,563 | - | - | - | - | - | - | 209 | 78,944 | 160,953 | **1,036,153** |
| 2.2. partially secured | 1,505,560 | 4,816 | - | 65,483 | 167,769 | - | - | - | - | - | 27,488 | 6,331 | 141,413 | 589,704 | **1,003,004** |
| - of which impaired | 55,097 | 4,528 | - | 757 | 10,707 | - | - | - | - | - | - | - | 21,851 | 6,064 | **43,907** |

# Part E - Risks and Hedging Policies (Continued)

## B. DISTRIBUTION AND CONCENTRATION OF LOANS

### B.1 Distribution by segment of Balance Sheet and off-Balance Sheet credit exposure to customers (book value)

| | GOVERNMENTS | | | OTHER PUBLIC ENTITIES | | | FINANCIAL COMPANIES | | |
|---|---|---|---|---|---|---|---|---|---|
| COUNTERPARTS/ EXPOSURES | NET EXPOSURE | SPECIFIC WRITE-DOWNS | PORTFOLIO ADJUSTMENTS | NET EXPOSURE | SPECIFIC WRITE-DOWNS | PORTFOLIO ADJUSTMENTS | NET EXPOSURE | SPECIFIC WRITE-DOWNS | PORTFOLIO ADJUSTMENTS |
| **A. Cash exposure** | | | | | | | | | |
| A.1 Non-performing loans | 237 | 212 | X | 89,461 | 41,533 | X | 73,149 | 240,047 | X |
| A.2 Doubtful loans | 883 | 385 | X | - | 381 | X | 304,407 | 206,688 | X |
| A.3 Restructured exposures | - | - | X | - | - | X | 97,907 | 29,335 | X |
| A.4 Impaired past-due exposures | 213 | 94 | X | 7,451 | 3,294 | X | 64,028 | 29,547 | X |
| A.5 Other exposures | 56,227,299 | X | 3,085 | 3,837,780 | X | 74,714 | 60,026,883 | X | 219,748 |
| **Total A** | **56,228,632** | **691** | **3,085** | **3,934,692** | **45,208** | **74,714** | **60,566,374** | **505,617** | **219,748** |
| **B. Off-balance sheet exposures** | | | | | | | | | |
| B.1 Non-performing Loans | - | - | X | 18,665 | - | X | 25 | - | X |
| B.2 Doubtful loans | - | - | X | - | - | X | 12,876 | - | X |
| B.3 Other impaired assets | - | - | X | 11 | 2 | X | 2,821 | 11 | X |
| B.4 Other exposures | 2,711,292 | X | - | 7,946,274 | X | 1,331 | 17,665,665 | X | 1,012,945 |
| **Total B** | **2,711,292** | **-** | **-** | **7,964,950** | **2** | **1,331** | **17,681,387** | **11** | **1,012,945** |
| **Total 12.31.2014** | **58,939,924** | **691** | **3,085** | **11,899,642** | **45,210** | **76,045** | **78,247,761** | **505,628** | **1,232,693** |
| **Total 12.31.2013** | **45,545,262** | **721** | **2,697** | **13,342,081** | **40,411** | **76,534** | **92,650,798** | **345,580** | **1,567,942** |

### continued B.1 Distribution by segment of Balance Sheet and off-Balance Sheet credit exposure to customers (book value)

| | INSURANCE COMPANIES | | | NON-FINANCIAL COMPANIES | | | OTHER ENTITIES | | |
|---|---|---|---|---|---|---|---|---|---|
| COUNTERPARTS/ EXPOSURES | NET EXPOSURE | SPECIFIC WRITE-DOWNS | PORTFOLIO ADJUSTMENTS | NET EXPOSURE | SPECIFIC WRITE-DOWNS | PORTFOLIO ADJUSTMENTS | NET EXPOSURE | SPECIFIC WRITE-DOWNS | PORTFOLIO ADJUSTMENTS |
| **A. Cash exposure** | | | | | | | | | |
| A.1 Non-performing loans | 80 | 1,023 | X | 6,890,850 | 10,950,403 | X | 3,938,577 | 3,620,806 | X |
| A.2 Doubtful loans | - | - | X | 8,679,367 | 5,288,576 | X | 2,289,227 | 841,401 | X |
| A.3 Restructured exposures | - | - | X | 2,246,732 | 888,211 | X | 44,600 | 20,355 | X |
| A.4 Impaired past-due exposures | 1 | - | X | 741,781 | 252,185 | X | 383,752 | 111,577 | X |
| A.5 Other exposures | 245,242 | X | 89 | 68,335,326 | X | 710,186 | 62,090,647 | X | 326,402 |
| **Total A** | **245,323** | **1,023** | **89** | **86,894,056** | **17,379,375** | **710,186** | **68,746,803** | **4,594,139** | **326,402** |
| **B. Off-balance sheet exposures** | | | | | | | | | |
| B.1 Non-performing Loans | - | - | X | 98,544 | 30,683 | X | 1,760 | - | X |
| B.2 Doubtful loans | - | - | X | 964,700 | 98,591 | X | 14,814 | 307 | X |
| B.3 Other impaired assets | - | - | X | 592,500 | 29,696 | X | 5,509 | 45 | X |
| B.4 Other exposures | 54,145 | X | 55 | 30,474,437 | X | 119,292 | 4,012,724 | X | 993 |
| **Total B** | **54,145** | **-** | **55** | **32,130,181** | **158,970** | **119,292** | **4,034,807** | **352** | **993** |
| **Total 12.31.2014** | **299,468** | **1,023** | **144** | **119,024,237** | **17,538,345** | **829,478** | **72,781,610** | **4,594,491** | **327,395** |
| **Total 12.31.2013** | **188,308** | **1,003** | **62** | **122,981,361** | **16,386,004** | **1,130,918** | **72,415,940** | **4,766,339** | **387,370** |

## B.2 Distribution of Balance Sheet and Off-Balance Sheet credit exposures to customers by geographic area (book value)

| EXPOSURES/ GEOGRAPHIC AREA | ITALY | | OTHER EUROPEAN COUNTRIES | | AMERICA | | ASIA | | REST OF THE WORLD | |
|---|---|---|---|---|---|---|---|---|---|---|
| | NET EXPOSURE | TOTAL WRITE-DOWNS | NET EXPOSURE | TOTAL WRITE-DOWNS | NET EXPOSURE | TOTAL WRITE-DOWNS | NET EXPOSURE | TOTAL WRITE-DOWNS | NET EXPOSURE | TOTAL WRITE-DOWNS |
| **A. Balance sheet exposures** | | | | | | | | | | |
| A.1 Non performing loans | 10,953,018 | 14,661,036 | 33,651 | 135,434 | 335 | 2,299 | 482 | 8,452 | 4,868 | 47,435 |
| A.2 Doubtful exposures | 11,084,923 | 6,168,422 | 182,911 | 165,681 | 4,318 | 1,851 | 859 | 818 | 872 | 658 |
| A.3 Restructured exposures | 2,361,098 | 916,644 | 28,141 | 21,257 | - | - | - | - | - | - |
| A.4 Impaired past dueexposures | 1,146,170 | 352,623 | 50,679 | 43,836 | 127 | 68 | 52 | 29 | 198 | 141 |
| A.5 Other exposures | 243,826,550 | 1,281,225 | 5,486,810 | 15,779 | 775,744 | 18,065 | 252,278 | 18,404 | 421,796 | 119 |
| **Total A** | **269,371,759** | **23,379,950** | **5,782,192** | **381,987** | **780,524** | **22,283** | **253,671** | **27,703** | **427,734** | **48,353** |
| **B. "Off-balance sheet" exposures** | | | | | | | | | | |
| B.1 Non-performing loans | 115,153 | 30,683 | 3,841 | - | - | - | - | - | - | - |
| B.2 Doubtful loans | 990,568 | 97,989 | 1,486 | 909 | 335 | - | - | - | - | - |
| B.3 Other impaired past due exposures | 587,183 | 29,754 | 13,659 | - | - | - | - | - | - | - |
| B.4 Other exposures | 59,748,663 | 1,134,356 | 1,931,214 | 175 | 874,135 | 5 | 292,506 | 76 | 18,021 | 5 |
| **Total B** | **61,441,567** | **1,292,782** | **1,950,200** | **1,084** | **874,470** | **5** | **292,506** | **76** | **18,021** | **5** |
| **Total 12.31.2014** | **330,813,326** | **24,672,732** | **7,732,392** | **383,071** | **1,654,994** | **22,288** | **546,177** | **27,779** | **445,755** | **48,358** |
| **Total 12.31.2013** | **335,414,435** | **24,076,814** | **8,941,640** | **343,906** | **1,774,050** | **217,845** | **473,486** | **18,791** | **520,139** | **48,223** |

## B.2 Distribution of Balance Sheet and Off-Balance Sheet credit exposures to customers by geographic area (book value) - Italy

| EXPOSURES / GEOGRAPHICAL AREAS | NORTH-WEST ITALY | | NORTH-EAST ITALY | | CENTRAL ITALY | | SOUTH ITALY AND ISLANDS | |
|---|---|---|---|---|---|---|---|---|
| | NET EXPOSURE | TOTAL WRITE-DOWNS | NET EXPOSURE | TOTAL WRITE-DOWNS | NET EXPOSURE | TOTAL WRITE-DOWNS | NET EXPOSURE | TOTAL WRITE-DOWNS |
| **A. Balance sheet exposures** | | | | | | | | |
| A.1 Non-performing loans | 3,340,366 | 4,063,621 | 2,491,680 | 3,067,277 | 2,615,672 | 4,010,506 | 2,505,300 | 3,519,633 |
| A.2 Doubtful exposures | 2,810,149 | 1,459,346 | 2,615,978 | 1,523,121 | 2,970,388 | 1,648,112 | 2,688,408 | 1,537,844 |
| A.3 Restructured exposures | 1,180,354 | 494,431 | 502,439 | 190,928 | 565,658 | 163,267 | 112,647 | 68,019 |
| A.4 Impaired past due exposures | 268,480 | 87,593 | 231,395 | 65,125 | 335,247 | 95,014 | 311,048 | 104,890 |
| A.5 Other exposures | 65,934,949 | 316,599 | 43,826,704 | 370,210 | 109,091,307 | 337,431 | 24,973,590 | 256,984 |
| **Total A** | **73,534,299** | **6,421,589** | **49,668,195** | **5,216,662** | **115,578,272** | **6,254,330** | **30,590,992** | **5,487,370** |
| **B. "Off-balance sheet" exposures"** | | | | | | | | |
| B.1 Non-performing loans | 46,951 | 1,269 | 30,175 | 4,181 | 24,773 | 15,148 | 13,253 | 10,085 |
| B.2 Doubtful loans | 303,041 | 33,372 | 218,819 | 8,529 | 325,804 | 42,948 | 142,904 | 13,139 |
| B.3 Other impaired past due exposures | 285,186 | 8,909 | 170,769 | 18,789 | 52,035 | 1,546 | 79,193 | 510 |
| B.4 Other exposures | 17,891,830 | 5,958 | 10,415,758 | 1,120,163 | 28,730,975 | 6,490 | 2,710,101 | 1,744 |
| **Total B** | **18,527,008** | **49,508** | **10,835,522** | **1,151,662** | **29,133,587** | **66,132** | **2,945,451** | **25,478** |
| **Total 12.31.2014** | **92,061,307** | **6,471,098** | **60,503,717** | **6,368,324** | **144,711,860** | **6,320,462** | **33,536,443** | **5,512,848** |
| **Total 12.31.2013** | **80,060,643** | **6,223,010** | **73,195,204** | **6,288,863** | **147,404,877** | **6,012,493** | **34,753,711** | **5,552,448** |

# Part E - Risks and Hedging Policies (CONTINUED)

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

| EXPOSURES/ GEOGRAPHIC AREA | ITALY | | OTHER EUROPEAN COUNTRIES | | AMERICA | | ASIA | | REST OF THE WORLD | |
|---|---|---|---|---|---|---|---|---|---|---|
| | NET EXPOSURE | TOTAL WRITE-DOWNS | NET EXPOSURE | TOTAL WRITE-DOWNS | NET EXPOSURE | TOTAL WRITE-DOWNS | NET EXPOSURE | TOTAL WRITE-DOWNS | NET EXPOSURE | TOTAL WRITE-DOWNS |
| **A. Balance sheet exposures** | | | | | | | | | | |
| A.1 Non-performing loans | - | - | 138 | 644 | - | - | - | - | - | - |
| A.2 Doubtful exposures | - | - | - | - | - | - | 5,771 | 2,767 | - | - |
| A.3 Restructured exposures | - | - | - | - | - | - | - | - | - | - |
| A.4 Impaired past due exposures | - | - | - | - | - | - | 12 | 45 | - | - |
| A.5 Other exposures | 6,092,647 | 462 | 20,065,361 | 1,294 | 176,680 | 196 | 251,821 | 428 | 225,328 | 508 |
| **Total A** | **6,092,647** | **462** | **20,065,499** | **1,938** | **176,680** | **196** | **257,604** | **3,240** | **225,328** | **508** |
| **B. "Off-balance sheet exposures"** | | | | | | | | | | |
| B.1 Non-performing loans | - | - | 174 | 261 | - | - | - | - | - | - |
| B.2 Doubtful loans | - | - | - | - | - | - | - | - | - | - |
| B.3 Other impaired past due exposures | - | - | - | - | 34 | - | - | - | - | - |
| B.4 Other exposures | 514,288 | 9,746 | 14,448,651 | - | 122,951 | - | 645,296 | - | 259,254 | - |
| **Total B** | **514,288** | **9,746** | **14,448,825** | **261** | **122,985** | **-** | **645,296** | **-** | **259,254** | **-** |
| **Total 12.31.2014** | **6,606,935** | **10,208** | **34,514,324** | **2,199** | **299,665** | **196** | **902,900** | **3,240** | **484,582** | **508** |
| **Total 12.31.2013** | **9,349,535** | **1,095** | **27,712,121** | **1,977** | **303,141** | **71** | **709,151** | **1,635** | **366,903** | **900** |

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

| EXPOSURES / GEOGRAPHIC AREAS | NORTH-WEST ITALY | | NORTH-EAST ITALY | | CENTRAL ITALY | | SOUTH ITALY AND ISLANDS | |
|---|---|---|---|---|---|---|---|---|
| | NET EXPOSURE | TOTAL WRITE-DOWNS | NET EXPOSURE | TOTAL WRITE-DOWNS | NET EXPOSURE | TOTAL WRITE-DOWNS | NET EXPOSURE | TOTAL WRITE-DOWNS |
| **A. Balance sheet exposures** | | | | | | | | |
| A.1 Non-performing loans | - | - | - | - | - | - | - | - |
| A.2 Doubtful exposures | - | - | - | - | - | - | - | - |
| A.3 Restructured exposures | - | - | - | - | - | - | - | - |
| A.4 Impaired past due exposures | - | - | - | - | - | - | - | - |
| A.5 Other exposures | 5,186,056 | 262 | 566,234 | 135 | 340,357 | 65 | - | - |
| **Total A** | **5,186,056** | **262** | **566,234** | **135** | **340,357** | **65** | **-** | **-** |
| **B. "Off-balance sheet" exposures"** | | | | | | | | |
| B.1 Non-performing loans | - | - | - | - | - | - | - | - |
| B.2 Doubtful loans | - | - | - | - | - | - | - | - |
| B.3 Other impaired past due exposures | - | - | - | - | - | - | - | - |
| B.4 Other exposures | 177,845 | - | 71,949 | - | 264,316 | 9,746 | 177 | - |
| **Total B** | **177,845** | **-** | **71,949** | **-** | **264,316** | **9,746** | **177** | **-** |
| **Total 12.31.2014** | **5,363,901** | **262** | **638,183** | **135** | **604,673** | **9,811** | **177** | **-** |
| **Total 12.31.2013** | **8,241,957** | **680** | **640,169** | **414** | **465,631** | **-** | **1,778** | **1** |

### B.4 Large Exposures

| | 12.31.2014 | 12.31.2013 |
|---|---|---|
| a) Amount Book Value | 276,584,945 | 180,687,485 |
| b) Amount Weighted Value | 4,273,592 | 1,806,132 |
| c) Number | 3 | 2 |

In compliance with Article 4.1 39 of Regulation (EU) n. 575/2013 (CRR), in case of exposures towards a group of connected clients formed by a Central Government and other groups of connected clients, such exposure towards the Central Government is reported for each group of connected clients when remitting regulatory reporting; despite the regulatory approach above mentioned, the amounts shown in the table below disclose only once the exposure towards the Central Government.

Please also note that deferred tax assets towards Italian Central Government were considered as fully exempted and, as a consequence, the weighted amount reported is null.

## C. SECURITISATION TRANSACTIONS

### Qualitative Information

In 2014 UniCredit S.p.A. carried out one traditional and three synthetic new securitization transactions:

| | |
|---|---|
| - Danubio | (traditional, where UniCredit S.p.A. has the role of seller of the securitized assets) |
| - Confidimpresa Trentino e Cooperativa Artigiana di Garanzia della provincia di Trento | (synthetic) |
| - UniCredit MidCap 2014 | (synthetic) |
| - Veneto Sviluppo 2014 | (synthetic) |

details of the transactions - traditional and synthetic - are set out in the following tables, including also those carried out in previous financial years.

It should be noted that "self-securitizations" are not included in the quantitative tables of Part C, as required by regulations.

Part of the portfolio are:

- own securitization transactions, including those carried out in previous years by the Banks absorbed by UniCredit S.p.A. as part of the ONE4C project for a book value of €4,155.2 million as at December 31, 2014;
- own securitization transactions acquired in 2007 from Capitalia S.p.A. (Trevi Finance 3, Entasi and Caesar Finance) for a book value of €451.8 million as at December 31, 2014.
  During 2014, the "Trevi Finance" and "Trevi Finance 2" securitizations sold non-performing loans that constituted their segregated assets to two additional securitization vehicles, not belonging to the UniCredit group, called "Aurora SPV S.r.l." and "Augustus SPV S.r.l.", thereby closing the securitizations;
- securities arising out of securitization transactions carried out by other Companies belonging to the UniCredit group, for a book value of €1,336.4 million as at December 31, 2014;
- some other third-party securitizations (including Fonspa securitizations), for a book value of €3.2 million as at December 31, 2014.

# Part E - Risks and Hedging Policies (Continued)

**TRADITIONAL OPERATIONS OF PERFORMING LOANS**

| | |
|---|---|
| STRATEGIES, PROCESSES AND GOALS: | The initiatives are a part of the Group's strategies, one of the objectives of which is to finance, at competitive rates (and in large amounts), the development of medium and long-term performing loan portfolios through the structuring of such portfolios and the resulting release of financial resources for new investments.<br>The main advantages of the transactions can be summarized as follows:<br>- improvement in the matching of asset maturities;<br>- diversification of sources of financing;<br>- broadening of investor base and resulting optimization of funding cost. |
| INTERNAL MEASUREMENT AND RISK MONITORING SYSTEMS: | UniCredit S.p.A. acts as "Servicer" for all transactions concerned. As per the agreements entered into with issuing companies (special purpose vehicles - SPV), servicing consists of performing, on behalf of these companies, administrative, collection and securitized loan collection activities as well as the management of any recovery procedures for impaired loans. Thus, as Servicer, UniCredit S.p.A. is charged with continually tracking cash flows from securitized loans and constantly monitoring their collection, with the assistance of third party companies of the Group. (especially for the recovery of impaired loans; the company involved is UniCredit Credit Management Bank S.p.A., which operates as an assistant to the Servicer, governed by a special agreement).<br>The Service provides the Special Purpose Vehicle (and other counterparties indicated in the servicing agreements) information on the activity performed by, periodically reports that indicate, among other things, the collection and transfer of the income stream sold, the amount of default positions and recoveries completed, overdue installments, etc., with all information broken down in relation to specific transactions. These reports (which are usually quarterly) are periodically checked (if contractually required) by an auditing firm. |
| ORGANIZATIONAL STRUCTURE AND SYSTEM FOR REPORTING TO SENIOR MANAGEMENT: | From a strategic point of view, the ABS & Covered Bond Unit established within the Group Finance Department is responsible for central coordination. In this context, ABS & Covered Bond unit also plays the role of proposer and provides support to the Bank's Divisions and to the individual Legal Entities in conducting transactions, cooperating with all the other departments (Planning & Control, Group Credit Treasury, Capital Management, Group Risk Management, etc..) in identifying the characteristics and the distinctive features of ""true sale"" securitizations of originally performing loans in order to achieve the targets set in the Group's Funding Plan, approved by the Board of Directors. Specific transactions are subject to prior approval by the competent departments of the Bank (during approval, among other things, the structure, costs and impacts in terms of liquidity and/or any capital relief are discussed and analyzed), and to final approval by the Board of Directors.<br>The Bank has established a special coordination unit (Operative Securitization Management) within the Accounting Department. This unit has been tasked with the coordination and operational performance of the servicer-related duties, and to carry out these duties, it works in close cooperation with specific, qualified areas of the Bank (Group Risk Management, Legal & Compliance, etc.) and the Group (UniCredit Business Integrated Solutions S.C.p.A., UniCredit Credit Management Bank S.p.A., etc.). Operative Securitization Management also provides technical and operational support to network units. The information regarding the monitoring of collections and the performance of the securitized portfolio is periodically submitted to the Servicer's Board of Directors. |
| HEDGING POLICIES: | By agreement, securitized portfolios are protected from interest rate risk by means of the Special Purpose Vehicle entering into Interest Rate Swap (IRS) agreements to hedge a fixed-rate portfolio, and Basis Swaps to hedge an indexed rate portfolio. In connection with these swaps (with the exclusion of Impresa One, Consumer One, Large Corporate One and Consumer Two transactions), related back-to-back swap contracts are entered into between UniCredit S.p.A. and UniCredit Bank AG - London Branch as the swap counterparty. |
| OPERATING RESULTS: | At the end of December 2014, the operating results related to existing securitization transactions essentially reflected the performance of underlying portfolios and the resulting cash flows, and obviously are affected by the amount of defaults and prepayments during the period, which, moreover, are in line with the performance seen in other assets of this kind that are not securitized. |

**ORIGINATOR: UniCredit S.p.A.**
**Transaction from previous period**

| NAME: | CONSUMER TWO | |
|---|---|---|
| Type of securitisation: | Traditional | |
| Originator: | UniCredit S.p.A. | |
| Issuer: | Consumer TWO S.r.l. | |
| Servicer: | UniCredit S.p.A. | |
| Arranger: | UniCredit S.p.A. | |
| Target transaction : | Funding / Counterbalancing capacity | |
| Type of asset: | Personal loans | |
| Quality of Asset: | Performing | |
| Closing date: | 11/25/2013 | |
| Nominal Value of reference portfolio: | 1,234,022.049 € | |
| Issue guarantees by the Bank: | - | |
| Issued guarantees by third parties: | - | |
| Bank Lines of Credit: | - | |
| Third Parties Lines of Credit: | - | |
| Other Credit Enhancements: | UniCredit S.p.A. has granted the SPV, with respect to this transaction, two subordinated loans amounting to €24.68 million (at the end of accounting period is fully reimbursed) and € 5 million (at the end of accounting period was repaid for € 4 million). | |
| Other relevant information: | In the role of Servicer, UniCredit S.p.A. has had to hedge mingling risk, with a collateral amounting to € 57.57 million at 31st December 2014 | |
| Rating Agencies: | Moody's / Fitch | |
| Amount and Condition of tranching: | | |
| - ISIN | IT0004974983 | IT0004974777 |
| - Type of security | Senior | Senior |
| - Class | A1 | A2 |
| - Rating | A2/AA+ | A2/AA+ |
| - Reference Position | 250,000,000 € | 490,400,000 € |
| - Reference Position at the end of accounting period | 250,000,000 € | 490,400,000 € |
| - Valore nominale in essere a fine esercizio | 250,000,000 € | 490,400,000 € |
| - ISIN | IT0004974975 | |
| - Type of security | Junior | |
| - Class | B | |
| - Rating | n.r. | |
| - Reference Position | 493,622,030 € | |
| - Reference Position at the end of accounting period | 493,622,030 € | |

The "Closing Date" is the date when the securitization transaction was completed i.e. the date when all contractual documents were signed.

# Part E - Risks and Hedging Policies (Continued)

**ORIGINATOR: UniCredit S.p.A.**
**Transactions from previous periods**

| NAME: | LARGE CORPORATE ONE | |
|---|---|---|
| Type of securitisation: | Traditional | |
| Originator: | UniCredit S.p.A. | |
| Issuer: | Large Corporate ONE S.r.l. | |
| Servicer: | UniCredit S.p.A. | |
| Arranger: | - | |
| Target transaction : | Funding / Counterbalancing capacity | |
| Type of asset: | Large Corporate Loans | |
| Quality of Asset: | Performing | |
| Closing date: | 08/13/2013 | |
| Nominal Value of reference portfolio : | 278,606,012 € | |
| Issue guarantees by the Bank: | Senior Notes Guarantee € 304,000,000 | |
| Issued guarantees by third parties: | - | |
| Bank Lines of Credit: | Interest Shortfall Facility € 13,708,996 | |
| Third Parties Lines of Credit: | - | |
| Other Credit Enhancements: | - | |
| Other relevant information: | The credit line of Interest Shortfall Facility, of the original value of € 15,000,000, was used for € 1,291,004 | |
| Rating Agencies: | Standard & Poor's | |
| Amount of CDS or other risk transferred: | - | |
| Amount and Condition of tranching: | | |
| - ISIN | IT0004955776 | IT0004955479 |
| - Type of security | Senior | Junior |
| - Class | A | B |
| - Rating | BBB- from 01.06.2015 | -- |
| - Nominal value issued | 897,000,000 € | 103,000,000 € |
| - Reference Position | 250,000,000 € | 28,706,800 € |
| - Reference Position at the end of accounting period | 250,000,000 € | 28,706,800 € |

The “Closing Date” is the date when the securitization transaction was completed i.e. the date when all contractual documents were signed.

**ORIGINATOR: UniCredit S.p.A.**

**Transactions from previous periods**

| NAME: | CONSUMER ONE | | IMPRESA ONE | |
|---|---|---|---|---|
| NAME: | CONSUMER ONE | | IMPRESA ONE | |
| Type of securitisation: | Traditional | | Traditional | |
| Originator: | UniCredit S.p.A. | | UniCredit S.p.A. | |
| Issuer: | Consumer ONE S.r.l. | | Impresa ONE S.r.l. | |
| Servicer: | UniCredit S.p.A. | | UniCredit S.p.A. | |
| Arranger: | UniCredit Bank AG, London Branch | | UniCredit Bank AG, London Branch | |
| Target transaction: | Funding / Counterbalancing capacity | | Funding / Counterbalancing capacity | |
| Type of asset: | Consumer Loans | | CLO SME | |
| Quality of Asset: | Performing | | Performing | |
| Closing date: | 07/29/2011 | | 10/21/2011 | |
| Nominal Value of disposal portfolio: | 4,193,357,976 € | | 9,290,300,919 € | |
| Guarantees issued by the Bank: | - | | - | |
| Guarantees issued by Third Parties: | - | | - | |
| Bank Lines of Credit: | - | | - | |
| Third Parties Lines of Credit: | - | | - | |
| Other Credit Enhancements: | UniCredit S.p.A. - London Branch, in August 2011, has granted the SPV two subordinated loans amounting to € 420 million (at the end of accounting period the principal amount repaid was € 286.10 million) and € 5 million (at the end of accounting period the principal amount repaid was € 4.03 million). UniCredit S.p.A. - London Branch, in May 2012, has granted a new subordinated loan amounting € 102.16 million (at the end of accounting period the principal amount repaid was € 10 million). | | UniCredit S.p.A. - London Branch has granted the SPV, with respect to this transaction, two subordinated loans amounting to €232.3 million and €190 million. | |
| Other relevant information : | Self-securitisation | | Self-securitisation | |
| Rating Agencies: | Moody's / DBRS | | DBRS / Moody's | |
| Amount of CDS or other supersenior risk transferred: | - | | - | |
| - ISIN | IT0004752116 | IT0004751902 | IT0004774433 | IT0004774425 |
| - Type of security | Senior | Junior | Senior | Mezzanine |
| - Class | A | B | A | B |
| - Rating | A2 / AAA | n.r. | AAA/A2 | A/A2 |
| - Nominal value issued | 2,956,200,000 € | 1,236,943,620 € | 5,156,100,000 € | 1,207,700,000 € |
| - Nominal value at the end of accounting period | 983,171,222 € | 1,236,943,620 € | 452,762,297 € | 1,207,700,000 € |
| - ISIN | | | IT0004774441 | IT0004774458 |
| - Type of security | | | Mezzanine | Junior |
| - Class | | | C | D |
| - Rating | | | BBB/Baa3 | n.r. |
| - Nominal value issued | | | 836,100,000 € | 2,090,400,000 € |
| - Nominal value at the end of accounting period | | | 836,100,000 € | 2,090,400,000 € |

The “Closing Date” is the date when the securitization transaction was completed i.e. the date when all contractual documents were signed.

# Part E - Risks and Hedging Policies (Continued)

**ORIGINATOR: UniCredit S.p.A. (ex UniCredit Family Financing Bank S.p.A.)**

**Transactions from previous periods**

| NAME: | CORDUSIO RMBS UCFIN - SERIE 2006 (EX CORDUSIO RMBS 3 - UBCASA 1) | |
|---|---|---|
| Type of securitisation: | Traditional | |
| Originator: | UniCredit Banca per la Casa S.p.A. | |
| Issuer: | Cordusio RMBS UCFin S.r.l. (ex Cordusio RMBS 3 - UBCasa 1 S.r.l.) | |
| Servicer: | UniCredit S.p.A. | |
| Arranger: | UniCredit Banca Mobiliare S.p.A. | |
| Target transaction: | Funding / Counterbalancing capacity | |
| Type of asset: | Private Mortgage Loans | |
| Quality of Asset: | Performing | |
| Closing date: | 11/16/2006 | |
| Nominal Value of disposal portfolio: | 2,495,969,428 € | |
| Guarantees issued by the Bank: | - | |
| Guarantees issued by Third Parties: | - | |
| Bank Lines of Credit: | - | |
| Third Parties Lines of Credit: | - | |
| Other Credit Enhancements: | UniCredit S.p.A. has granted SPV a subordinated loan of 14.976 million euro, which at the end of accounting period that amount is fully reimbursed | |
| Other relevant information: | Following its downgrade by debt-rating agencies, UniCredit S.p.A. paid €160 million of funds into an eligible entity to maintain its role as an Account Bank. | |
| Rating Agencies: | Fitch /Moody's / Standard & Poor's | |
| Amount of CDS or other supersenior risk transferred: | - | |
| Amount and Conditions of tranching: | | |
| - ISIN | IT0004144884 | IT0004144892 |
| - Type of security | Senior | Senior |
| - Class | A1 | A2 |
| - Rating | - | AA+/A2/AA- |
| - Nominal value issued | 600,000,000 € | 1,735,000,000 € |
| - Nominal value at the end of accounting period | 0 € | 622,123,114 € |
| - ISIN | IT0004144900 | IT0004144934 |
| - Type of security | Mezzanine | Mezzanine |
| - Class | B | C |
| - Rating | AA/Baa2/A | A+/Baa3/A |
| - Nominal value issued | 75,000,000 € | 25,000,000 € |
| - Nominal value at the end of accounting period | 75,000,000 € | 25,000,000 € |
| - ISIN | IT0004144959 | IT0004144967 |
| - Type of security | Mezzanine | Junior |
| - Class | D | E |
| - Rating | BBB-/Ba2/A | n,r, |
| - Nominal value issued | 48,000,000 € | 12,969,425 € |
| - Nominal value at the end of accounting period | 48,000,000 € | 12,969,425 € |

The “Closing date” is the date when the securitization transaction was completed, i.e. the date when all contractual documents were signed.

**ORIGINATOR: UniCredit S.p.A. (ex UniCredit Family Financing Bank S.p.A., ex UniCredit Banca S.p.A.)**
**Transactions from previous periods**

| NAME: | CORDUSIO RMBS SECURITISATION - SERIE 2007 | | CORDUSIO RMBS SECURITISATION - SERIE 2006 (EX CORDUSIO RMBS 2) | | CORDUSIO RMBS | |
|---|---|---|---|---|---|---|
| Type of securitisation: | Traditional | | Traditional | | Traditional | |
| Originator: | UniCredit Banca S.p.A. | | UniCredit Banca S.p.A. | | UniCredit Banca S.p.A. | |
| Issuer: | Cordusio RMBS Securitisation S.r.l. | | Cordusio RMBS Securitisation S.r.l. (ex Cordusio RMBS 2 S.r.l.) | | Cordusio RMBS S.r.l. | |
| Servicer: | UniCredit S.p.A. | | UniCredit S.p.A. | | UniCredit S.p.A. | |
| Arranger: | Bayerische Hypo und Vereinsbank AG, London Branch | | UniCredit Banca Mobiliare S.p.A | | Euro Capital Structures Ltd | |
| Target transaction: | Funding / Counterbalancing capacity | | Funding / Counterbalancing capacity | | Funding / Counterbalancing capacity | |
| Type of asset: | Private Mortgage Loans | | Private Mortgage Loans | | Private Mortgage Loans | |
| Quality of Asset: | Performing | | Performing | | Performing | |
| Closing date: | 05/22/2007 | | 07/06/2006 | | 05/05/2005 | |
| Nominal Value of disposal portfolio: | 3,908,102,838 € | | 2,544,388,351 € | | 2,990,089,151 € | |
| Guarantees issued by the Bank: | - | | - | | - | |
| Guarantees issued by Third Parties: | - | | - | | - | |
| Bank Lines of Credit: | - | | - | | - | |
| Third Parties Lines of Credit: | - | | - | | - | |
| Other Credit Enhancements: | UniCredit S.p.A. has granted SPV a subordinated loan of 6.253 million euro, at the end of accounting period that amount is fully reimbursed | | UniCredit S.p.A. has granted SPV a subordinated loan of 6.361 million euro, at the end of accounting period that amount is fully reimbursed | | UniCredit S.p.A. has granted SPV a subordinated loan of 6.127 million euro, at the end of accounting period that amount is fully reimbursed | |
| Other relevant information: | Following its downgrade by debt-rating agencies, UniCredit S.p.A. paid €236 million of funds into an eligible entity to maintain its role as an Account Bank. | | Following its downgrade by debt-rating agencies, UniCredit S.p.A. paid €170 million of funds into an eligible entity to maintain its role as an Account Bank. | | Following its downgrade by debt-rating agencies, UniCredit S.p.A. paid €176 million of funds into an eligible entity to maintain its role as an Account Bank. | |
| Rating Agencies: | Fitch /Moody's / Standard & Poor's | | Fitch /Moody's / Standard & Poor's | | Fitch /Moody's /Standard & Poor's | |
| Amount of CDS or other supersenior risk transferred : | - | | - | | - | |
| Amount and Conditions of tranching: | | | | | | |
| - ISIN | IT0004231210 | IT0004231236 | IT0004087158 | IT0004087174 | IT0003844930 | IT0003844948 |
| - Type of security | Senior | Senior | Senior | Senior | Senior | Senior |
| - Class | A1 | A2 | A1 | A2 | A1 | A2 |
| - Rating | - | AA+/A2/AA- | - | AA+/A2/AA- | - | AA+/A2/AA- |
| - Nominal value issued | 703,500,000 € | 2,227,600,000 € | 500,000,000 € | 1,892,000,000 € | 750,000,000 € | 2,060,000,000 € |
| - Nominal value at the end of accounting period | 0 € | 481,617,144 € | 0 € | 458,962,117 € | 0 € | 219,656,564 € |
| - ISIN | IT0004231244 | IT0004231285 | IT0004087182 | IT0004087190 | IT0003844955 | IT0003844963 |
| - Type of security | Senior | Mezzanine | Mezzanine | Mezzanine | Mezzanine | Mezzanine |
| - Class | A3 | B | B | C | B | C |
| - Rating | AA+/A2/A | AA-/Baa2/A | AA/Baa1/A | BBB+/Ba3/A | AA+/A2/A | BBB+/Baa3/A |
| - Nominal value issued | 738,600,000 € | 71,100,000 € | 45,700,000 € | 96,000,000 € | 52,000,000 € | 119,200,000 € |
| - Nominal value at the end of accounting period | 738,600,000 € | 71,100,000 € | 45,700,000 € | 96,000,000 € | 52,000,000 € | 119,200,000 € |
| - ISIN | IT0004231293 | IT0004231301 | IT0004087216 | | IT0003844971 | |
| - Type of security | Mezzanine | Mezzanine | Junior | | Junior | |
| - Class | C | D | D | | D | |
| - Rating | A/Baa3/A | BB/B1/BBB- | n,r, | | n,r, | |
| - Nominal value issued | 43,800,000 € | 102,000,000 € | 10,688,351 € | | 8,889,150 € | |
| - Nominal value at the end of accounting period | 43,800,000 € | 102,000,000 € | 10,688,351 € | | 8,889,150 € | |
| - ISIN | IT0004231319 | IT0004231327 | | | | |
| - Type of security | Mezzanine | Junior | | | | |
| - Class | E | F | | | | |
| - Rating | CCC/Caa1/B- | n,r, | | | | |
| - Nominal value issued | 19,500,000 € | 2,002,838 € | | | | |
| - Nominal value at the end of accounting period | 19,500,000 € | 2,002,838 € | | | | |

The "Closing date" is the date when the securitization transaction was completed, i.e. the date when all contractual documents were signed.

# Part E - Risks and Hedging Policies (Continued)

**ORIGINATOR : UniCredit S.p.A. (formerly UniCredit Family Financing Bank S.p.A., formerly BIPOP - Carire S.p.A.)**
**Transactions from previous periods**

| NAME: | BIPCA CORDUSIO RMBS | |
|---|---|---|
| Type of securitisation: | Traditional | |
| Originator: | Bipop - Carire, Società per Azioni | |
| Issuer: | Capital Mortgage Srl | |
| Servicer: | UniCredit S.p.A | |
| Arranger: | Bayerische Hypo und Vereinsbank AG, London Branch | |
| Target transaction: | Funding / Counterbalancing capacity | |
| Type of asset: | Private Mortgage Loans | |
| Quality of Asset: | Performing | |
| Closing date: | 12/17/2007 | |
| Nominal Value of disposal portfolio: | 951,664,009 € | |
| Guarantees issued by the Bank: | - | |
| Guarantees issued by Third Parties: | - | |
| Bank Lines of Credit: | - | |
| Third Parties Lines of Credit: | - | |
| Other Credit Enhancements: | UniCredit S.p.A. has granted SPV a subordinated loan of 9.514 million euro. At the end of accounting period the amount of capital tranche is equal to 1.5 million euro. | |
| Other relevant information: | All securities issued outstanding from 12.31.2010 have been retained by UniCredit S.p.A. Following its downgrade by debt-rating agencies, UniCredit S.p.A. paid €59 million of funds into an eligible entity to maintain its role as an Account Bank. | |
| | | |
| Rating Agencies: | Standard & Poor's / Moody's | |
| Amount of CDS or other supersenior risk transferred: | - | |
| Amount and Conditions of tranching: | | |
| - ISIN | IT0004302730 | IT0004302748 |
| - Type of security | Senior | Senior |
| - Class | A1 | A2 |
| - Rating | AA-/A2 | A/A2 |
| - Nominal value issued | 666,300,000 € | 185,500,000 € |
| - Nominal value at the end of accounting period | 184,190,639 € | 185,500,000 € |
| - ISIN | IT0004302755 | IT0004302763 |
| - Type of security | Mezzanine | Mezzanine |
| - Class | B | C |
| - Rating | A/Baa2 | BBB-/Ba1 |
| - Nominal value issued | 61,800,000 € | 14,300,000 € |
| - Nominal value at the end of accounting period | 61,800,000 € | 14,300,000 € |
| - ISIN | IT0004302797 | IT0004302854 |
| - Type of security | Mezzanine | Mezzanine |
| - Class | D | E |
| - Rating | BB-/B1 | CCC/Caa1 |
| - Nominal value issued | 18,000,000 € | 5,500,000 € |
| - Nominal value at the end of accounting period | 18,000,000 € | 5,500,000 € |
| - ISIN | IT0004302912 | |
| - Type of security | Junior | |
| - Class | F | |
| - Rating | n.r. | |
| - Nominal value issued | 250,000 € | |
| - Nominal value at the end of accounting period | 250,000 € | |

The “Closing date” is the date when the securitization transaction was completed, i.e. the date when all contractual documents were signed.

**ORIGINATOR: UniCredit S.p.A. (formerly UniCredit Family Financing Bank S.p.A., formerly Banca di Roma S.p.A.)**
**Transactions from previous periods**

| NAME: | CAPITAL MORTGAGE 2007 - 1 | |
|---|---|---|
| Type of securitisation: | Traditional | |
| Originator: | Banca di Roma S.p.A. | |
| Issuer: | Capital Mortgage S.r.l. | |
| Servicer: | UniCredit S.p.A. | |
| Arranger: | Capitalia S.p.A. | |
| Target transaction: | Funding / Counterbalancing capacity | |
| Type of asset: | Private Mortgage Loans | |
| Quality of Asset: | Performing | |
| Closing date: | 05/14/2007 | |
| Nominal Value of disposal portfolio: | 2,183,087,875 € | |
| Guarantees issued by the Bank: | - | |
| Guarantees issued by Third Parties: | - | |
| Bank Lines of Credit: | - | |
| Third Parties Lines of Credit: | - | |
| Other Credit Enhancements: | UniCredit S.p.A. has granted SPV a subordinated loan of 37.19 million euro (as equity). | |
| Other relevant information: | Tranching based on an original assets portfolio € 2,479.4 million, reduced to € 2,183.1 million due to checks after closing date. Following its downgrade by debt-rating agencies, UniCredit S.p.A. paid funds into an eligible entity amounting to € 200.05 million at December 31, 2014 to maintain its role as Account Bank. | |
| Rating Agencies: | S & P / Moody's / Fitch | |
| Amount of CDS or other supersenior risk transferred: | - | |
| Amount and Conditions of tranching: | | |
| - ISIN | IT0004222532 | IT0004222540 |
| - Type of security | Senior | Senior |
| - Class | A1 | A2 |
| - Rating | AA-/Baa1/BBB- | AA-/Baa1/BBB- |
| - Nominal value issued | 1,736,000,000 € | 644,000,000 € |
| - Nominal value at the end of accounting period | 357,171,584 € | 543,722,502 € |
| - ISIN | IT0004222557 | IT0004222565 |
| - Type of security | Mezzanine | Junior |
| - Class | B | C |
| - Rating | BB/B1/CCC | D/Ca/CC |
| - Nominal value issued | 74,000,000 € | 25,350,000 € |
| - Nominal value at the end of accounting period | 74,000,000 € | 25,350,000 € |

The “Closing date” is the date when the securitization transaction was completed, i.e. the date when all contractual documents were signed.

# Part E - Risks and Hedging Policies (Continued)

**ORIGINATOR: UniCredit S.p.A. (ex UniCredit Family Financing Bank S.p.A., ex FinecoBank S.p.A.)**
**Transactions from previous periods**

| NAME: | F-E MORTGAGES 2005 | | F-E MORTGAGES SERIES 1-2003 | | HELICONUS | |
|---|---|---|---|---|---|---|
| Type of securitisation: | Traditional | | Traditional | | Traditional | |
| Originator: | FinecoBank S.p.A. | | Fin-eco Banca ICQ S.p.A. | | Fin-eco Banca ICQ S.p.A. | |
| Issuer: | F-E Mortgages S.r.l. | | F-E Mortgages S.r.l. | | Heliconus S.r.l | |
| Servicer: | UniCredit S.p.A. | | UniCredit S.p.A. | | UniCredit S.p.A. | |
| Arranger: | MCC S.p.A. - Group Capitalia | | MCC S.p.A. - Group Capitalia | | MCC S.p.A. - Group Capitalia | |
| Target transaction: | Funding / Counterbalancing capacity | | Funding / Counterbalancing capacity | | Funding / Counterbalancing capacity | |
| Type of asset: | Private Mortgage Loans | | Private Mortgage Loans | | Private Mortgage Loans | |
| Quality of Asset: | Performing | | Performing | | Performing | |
| Closing date: | 04/06/2005 | | 11/27/2003 | | 11/08/2002 | |
| Nominal Value of disposal portfolio: | 1,028,683,779 € | | 748,630,649 € | | 408,790,215 € | |
| Guarantees issued by the Bank: | - | | - | | - | |
| Guarantees issued by Third Parties: | - | | - | | - | |
| Bank Lines of Credit: | - | | UniCredit S.p.A. issued a credit line for € 20 million (jointly with The Royal Bank of Scotland Milan Branch). The amount of line of credit is totally redeemed. | | UniCredit S.p.A. issued a credit line for € 10.22 million. The amount of the credit line is totally redeemed. | |
| Third Parties Lines of Credit: | - | | - | | - | |
| Other Credit Enhancements: | UniCredit S.p.A. has granted SPV a subordinated loan of 15.431 million euro (as Equity). At the end of accounting period the amount of capital tranche reimboursed is € 13.20 million. | | - | | - | |
| Other relevant information: | - | | Following the downgrade of Royal Bank of Scotland Plc by Moody's, on August 3 2012 UniCredit S.p.A. made a reserve of € 20 million for the SPV, corresponding to the liquidity line. | | Following its downgrade by Moody's, on January 12 2012 UniCredit S.p.A. made a reserve of € 10.22 million for the SPV, corresponding to the liquidity line. | |
| Rating Agencies: | S & P / Moody's / Fitch | | S & P / Moody's / Fitch | | S & P / Moody's / Fitch | |
| Amount of CDS or other supersenior risk transferred: | - | | - | | - | |
| Amount and Conditions of tranching: | | | | | | |
| - ISIN | IT0003830418 | IT0003830426 | IT0003575039 | IT0003575070 | IT0003383855 | IT0003383871 |
| - Type of security | Senior | Mezzanine | Senior | Mezzanine | Senior | Mezzanine |
| - Class | A | B | A1 | B | A | B |
| - Rating | AA-/A2/AA+ | A/A2/A+ | AA-/A2/AA+ | A/A2/A | AA-/A2/AA+ | -- /A2/A+ |
| - Nominal value issued | 951,600,000 € | 41,100,000 € | 682,000,000 € | 48,000,000 € | 369,000,000 € | 30,800,000 € |
| - Nominal value at the end of accounting period | 191,613,034 € | 36,863,691 € | 95,070,220 € | 48,000,000 € | 47,468,562 € | 30,800,000 € |
| - ISIN | IT0003830434 | | IT0003575088 | IT0003575096 | IT0003383939 | |
| - Type of security | Junior | | Mezzanine | Junior | Junior | |
| - Class | C | | C | D | C | |
| - Rating | BBB-/Baa2/BBB- | | A/Baa2/BBB- | n,r, | n,r, | |
| - Nominal value issued | 36,000,000 € | | 11,000,000 € | 7,630,000 € | 8,990,200 € | |
| - Nominal value at the end of accounting period | 32,289,365 € | | 11,000,000 € | 7,630,000 € | 8,990,200 € | |

The “Closing date” is the date when the securitization transaction was completed, i.e. the date when all contractual documents were signed.

## TRADITIONAL OPERATIONS OF NON-PERFORMING LOANS

### SELLER OF ASSETS: UniCredit S.p.A.
**New transaction 2014**

| NAME: | DANUBIO | |
|---|---|---|
| Type of securitization: | Traditional | |
| Seller of underlying assets: | UniCredit SpA | |
| Sponsor: | Credito Fondiario S.p.A. | |
| Issuer: | Danubio S.r.l. | |
| Servicer: | Credito Fondiario S.p.A. | |
| Arranger: | - | |
| Target transaction: | Derecognition of the transferred portfolio by the transferor | |
| Type of asset: | Consumer and personal loans | |
| Quality of Asset: | Non performing | |
| Closing date: | 04/11/2014 | |
| Nominal Value of reference portfolio: | 932,941,760 € | |
| Net amount of preexisting writedown/writebacks: | - | |
| Disposal Profit & Loss realized: | - | |
| Portfolio disposal price: | 49,459,403 € | |
| Issue guarantees by the Bank: | - | |
| Issue guarantees by Third Parties: | - | |
| Bank Lines of Credit: | - | |
| Third Parties Lines of Credit: | - | |
| Other Credit Enhancements: | - | |
| Other relevant information: | - | |
| Rating Agencies: | - | |
| Amount of CDS or other supersenior risk transferred: | - | |
| Amount and Conditions of tranching: | | |
| - ISIN | IT0005009060 | IT0005009078 |
| - Type of security | Senior | Senior |
| - Class | A1 | A2 |
| - Rating | - | - |
| - Quotation | - | - |
| - Issue date | 04/11/14 | 04/11/14 |
| - Legal maturity | 10/21/2022 | 10/21/2022 |
| - Call option | - | - |
| - Expected duration | 3 years | n.a. |
| - Rate | Euribor 3M + 4% | Euribor 3M + 4% |
| - Subordinated level | - | Sub A1 |
| - Reference Position | 19,800,000 € | 9,900,000 € |
| - Reference Position at the end of accounting period | 19,800,000 € | 9,900,000 € |
| - Security subscribers | UniCredit S.p.A. | Credito Fondiario S.p.A. and Cerberus Italy Investor LP |
| - ISIN | IT0005009094 | |
| - Type of security | Junior | |
| - Class | B | |
| - Rating | n.r. | |
| - Quotation | not listed | |
| - Issue date | 04/11/14 | |
| - Legal maturity | 10/21/2030 | |
| - Call option | - | |
| - Expected duration | n.a. | |
| - Rate | Variable | |
| - Subordinated level | Sub A1, A2 | |
| - Reference Position | 19,759,406 € | |
| - Reference Position at the end of accounting period | 19,759,406 € | |
| - Security subscribers | Credito Fondiario S.p.A. and Cerberus Italy Investor LP | |

# Part E - Risks and Hedging Policies (Continued)

**continued SELLER OF ASSETS: UniCredit S.p.A. - New transaction 2014**

| **Distribution of securitised assets by area:** | |
|---|---|
| Italy - Northwest | 212,068,740 € |
| - Northeast | 184,951,362 € |
| - Central | 172,349,459 € |
| - South and Islands | 362,223,300 € |
| Other European Countries - U.E. countries | - |
| - not U.E. countries | - |
| America | - |
| Rest of the World | - |
| **TOTAL** | **931,592,860 €** |
| **Distribution of securitised assets by business sector of the borrower:** | |
| Governments | - |
| Other governments agencies | - |
| Banks | - |
| Finance Companies | - |
| Insurance Companies | - |
| Non-financial companies | - |
| Other entities | 931,592,860 € |
| **TOTAL** | **931,592,860 €** |

| | |
|---|---|
| STRATEGIES, PROCESSES AND GOALS: | The goals of the transactions were largely to finance non-performing loan portfolios, diversify sources of funding, improve asset quality and enhance the portfolio with management focused on recovery transactions. |
| INTERNAL MEASUREMENT AND RISK MONITORING SYSTEMS: | The securitization portfolio is monitored on an ongoing basis as a part of servicing activities and is recorded in quarterly reports with a breakdown of loan status and the trend of recoveries. |
| ORGANIZATIONAL STRUCTURE AND SYSTEM FOR REPORTING TO SENIOR MANAGEMENT: | Reporting related to the monitoring of portfolio collections takes the form of a report to senior management and the board of directors. |
| HEDGING POLICIES: | Special purpose vehicles enter into IRS and interest rate cap contracts in order to hedge structure-related risk and risk due to the difference between the variable-rate return for the securities issued and the return anticipated from recoveries from the portfolio acquired. |
| OPERATING RESULTS: | At year-end 2014 profits from existing transactions largely reflected the impact of cash flows from collections for the original defaulting loan portfolio. In particular the collections for the year totalled € 13.38 millions for TREVI 3. |

**ORIGINATOR: UniCredit S.p.A. (formerly Capitalia S.p.A., formerly Banca di Roma S.p.A.)**
**Transactions from previous periods**

| **NAME:** | **TREVI FINANCE 3** | | **ENTASI** |
|---|---|---|---|
| Type of securitisation: | Traditional | | Traditional |
| Originator: | Banca di Roma S.p.A. 92.2%,<br>Mediocredito Centrale S.p.A. 5.2%<br>Leasing Roma S.p.A. 2.6% | | Banca di Roma S.p.A |
| Issuer: | Trevi Finance N. 3 Srl | | Entasi Srl |
| Servicer: | UniCredit S.p.A. | | UniCredit S.p.A. |
| Arranger: | Finanziaria Internazionale securitization Group S.p.A.<br>ABN AMRO, MCC S.p.A. | | Capitalia S.p.A. |
| Target transaction: | Funding | | Funding |
| Type of asset: | ordinary loans - mortgage loans | | Collateralised bond obligation |
| Quality of asset: | non performing | special purpose loan | Trevi Finance 3 classes C1<br>and C2 securitites |
| Closing date: | 05/25/2001 | | 06/28/2001 |
| Nominal Value of disposal portfolio: | 2,745,000,000 € | 102,000,000 € | 320,000,000 € |
| Guarantees issued by the Bank: | Redemption of mezzanine securities in issue | | Commitment of UniCredit S.p.A. (formerly Capitalia S.p.A.) in case of events entitling to early redemption of securities in issue or to the repurchase of Trevi Finance 3 notes at a price sufficient to redeem Entasi securities. The same commitment applies if Trevi Finance 3 exercises the early redemption option of C1 securities. |

continued **ORIGINATOR: UniCredit S.p.A. (formerly Capitalia S.p.A., formerly Banca di Roma S.p.A.) Transactions from previous periods**

| | | | | |
|---|---|---|---|---|
| Guarantees issued by Third Parties: | - | | - | |
| Bank Lines of Credit | - | | - | |
| Third Parties Lines of Credit | - | | - | |
| Other Credit Enhancements: | - | | - | |
| Other relevant information: | The principal amount of the D-class security, underwritten by the Bank, is guaranteed up to its maturity by zero coupon Italian government bonds. The value of these collateral securities as at 12/31/2014 was € 227,729,267.26. The C1 and C2 classes were fully underwritten by the Bank and then restructured for their disposal. These securities were sold (for a nominal of 320 million) to Entasi Srl, which placed them in the market with institutional investors. | | As at 12/31/2014 the portfolio of UniCredit S.p.a. includes Entasi securities with a face value of € 110,087,000. | |
| Rating Agencies | Moody's / S&P / Fitch | | Moody's | |
| Amount of CDS or other supersenior risk transferred: | - | | - | |
| Amount and conditions of tranching: | | | ENTASI Series 2001-1 | ENTASI Series 2001-2 |
| - ISIN | XS0130116568 | XS0130117020 | IT0003142996 | IT0003143028 |
| - Type of security | Senior | Mezzanine | Senior | Senior |
| - Class | A | B | Series 1 | Series 2 |
| - Rating | Aaa/AAA/AAA | Aa1/AA/AA- | A1 | A1 |
| - Nominal value issued | 600,000,000 € | 150,000,000 € | 160,000,000 € | 160,000,000 € |
| - Nominal value at the end of accounting period | 0 € | 0 € | 160,000,000 € | 160,000,000 € |
| - ISIN | XS0130117459 | XS0130117616 | | |
| - Type of security | Mezzanine | Mezzanine | | |
| - Class | C1 | C2 | | |
| - Rating | - | - | | |
| - Nominal value issued | 160,000,000 € | 160,000,000 € | | |
| - Nominal value at the end of accounting period | 452,964,186 € | 442,826,429 € | | |
| - ISIN | IT0003355911 | | | |
| - Type of security | Junior | | | |
| - Class | D | | | |
| - Rating | n.r. | | | |
| - Nominal value issued | 448,166,000 € | | | |
| - Nominal value at the end of accounting period | 448,166,000 € | | | |

# Part E - Risks and Hedging Policies (Continued)

| | |
|---|---|
| STRATEGIES, PROCESSES AND GOALS: | The goals of the transaction were largely to finance portfolios, diversify sources of funding and improve asset quality. |
| INTERNAL MEASUREMENT AND RISK MONITORING SYSTEMS: | The securitization portfolio is monitored on an ongoing basis by the servicing company and is recorded in quarterly reports with a breakdown of security status and the trend of repayments. |
| ORGANIZATIONAL STRUCTURE AND SYSTEM FOR REPORTING TO SENIOR MANAGEMENT: | Reporting produced by servicing companies on the monitoring of portfolio collections is forwarded to senior management and the board of directors. |
| HEDGING POLICIES: | Special purpose vehicles enter into IRS contracts in order to hedge rate risk related to the structure of underlying securities. |
| OPERATING RESULTS: | The results achieved up to the present are broadly in line with expectations; payments received from the portfolio acquired ensured punctual and full payment to security holders and other parties to the transaction. |

| NAME: | CAESAR FINANCE | |
|---|---|---|
| Type of securitisation: | Traditional | |
| Originator: | Banca di Roma S.p.A | |
| Issuer: | Caesar Finance S.A. | |
| Servicer: | Bank of New York | |
| Arranger: | Donaldson, Lufkin & Jenrette | |
| Target transaction : | Funding | |
| Type of asset: | Collateralised bond obligation | |
| Quality of asset: | Performing | |
| Closing date: | 11/05/1999 | |
| Nominal Value of disposal portfolio: | 360,329,000 € | |
| Guarantees issued by the Bank: | - | |
| Guarantees issued by Third Parties: | - | |
| Bank Lines of Credit: | - | |
| Third Parties Lines of Credit: | - | |
| Other Credit Enhancements: | - | |
| Other relevant information: | - | |
| Rating Agencies: | Fitch / Moody's | |
| Amount of CDS or other supersenior risk transferred: | - | |
| Amount and Conditions of tranching: | | |
| - ISIN | XS0103928452 | XS0103929773 |
| - Type of security | Senior | Junior |
| - Class | A | B |
| - Rating | AAA/Aaa | n.r. |
| - Nominal value issued | 270,000,000 € | 90,329,000 € |
| - Nominal value at the end of accounting period | 0 € | 50,123,165 € |

## SYNTHETIC TRANSACTIONS

### ORIGINATOR: UniCredit S.p.A.
**New transactions 2014**

| NAME: | UNICREDIT MIDCAP 2014 | | VENETO SVILUPPO 2014 | |
|---|---|---|---|---|
| Type of securitisation: | Tranched Cover | | Tranched Cover | |
| Originator: | UniCredit S.p.A. | | UniCredit S.p.A. | |
| Issuer: | UniCredit S.p.A. | | UniCredit S.p.A. | |
| Servicer: | UniCredit S.p.A. | | UniCredit S.p.A. | |
| Arranger: | UniCredit S.p.A. | | UniCredit S.p.A. | |
| Target transaction : | Capital Relief and risk transfer | | Capital Relief and risk transfer | |
| Type of asset: | Highly diversified and granular pool of UniCredit's SME loans, guaranteed in erogation phase by CRC European Loan Origination Platform, Areo Sarl. | | Highly diversified and granular pool of UniCredit's SME loans, guaranteed in erogation phase by NEA FIDI and VENETO SVILUPPO S.p.A. | |
| Quality of Asset: | Performing | | Performing | |
| Closing date: | 12/16/2014 | | 10/27/2014 | |
| Nominal Value of reference portfolio : | 1,864,170,543 € | | 28,785,600 € | |
| Issue guarantees by the Bank: | - | | - | |
| Issued guarantees by third parties: | Financial guarantee to hedge the junior tranche in the form of a lien on fixed deposit account; financial guarantee to hedge the mezzanine tranche in the form of personal guarantee | | Financial guarantee to hedge the junior tranche in the form of a lien on fixed deposit account; financial guarantee to hedge the mezzanine tranche in the form of personal guarantee | |
| Bank Lines of Credit: | - | | - | |
| Third Parties Lines of Credit: | - | | - | |
| Other Credit Enhancements: | - | | - | |
| Other relevant information: | | | | |
| Rating Agencies: | No rating agency, use of Standardized Approach (*) | | No rating agency, use of Standardized Approach (*) | |
| Amount of CDS or other risk transferred: | - | | - | |
| Amount and Conditions of tranching: | | | | |
| - ISIN | n.a | n.a | n.a | n.a |
| - Type of security | Senior | mezzanine | Senior | mezzanine |
| - Class | A | B | A | B |
| - Rating | n.r. | n.r. | n.r. | n.r. |
| - Quotation | not listed | not listed | not listed | not listed |
| - Issue date | 12/16/2014 | 12/16/2014 | 10/27/2014 | 10/27/2014 |
| - Legal maturity | 12/31/2026 | 12/31/2026 | 06/30/2017 | 06/30/2017 |
| - Call option | Clean-up call, Regulatory Call | | Clean-up call, Regulatory Call | |
| - Expected duration | 2.43 | 2.43 | 0.97 | 0.97 |
| - Rate | n.a | n.a | n.a | n.a |
| - Subordinated level | - | Sub A | - | Sub A |
| - Reference Position | 1,715,036,900 € | 37,133,644 € | 26,266,860 € | 1,259,370 € |
| - Reference Position at the end of accounting period | 1,666,082,772 € | 37,133,644 € | 19,290,027 € | 1,259,370 € |
| - Security subscribers | UniCredit S.p.A. | Covered by Protection Seller | UniCredit S.p.A. | Covered by Protection Seller |
| - ISIN | n.a | | n.a | |
| - Type of security | Junior | | Junior | |
| - Class | C | | C | |
| - Rating | n.r. | | n.r. | |
| - Quotation | not listed | | not listed | |
| - Issue date | 12/16/2014 | | 10/27/2014 | |
| - Legal maturity | 12/31/2014 | | 06/30/2017 | |
| - Expected duration | 2,43 | | 0,97 | |
| - Rate | n.a | | n.a | |
| - Subordinated level | Sub A, B | | Sub A, B | |
| - Reference Position | 112,000,000 € | | 1,259,370 € | |
| - Reference Position at the end of accounting period | 112,000,000 € | | 1,259,370 € | |
| - Security subscribers | Covered by Protection Seller | | Covered by Protection Seller | |

# Part E - Risks and Hedging Policies (Continued)

**continued ORIGINATOR: UniCredit S.p.A. New transactions 2014**

| | | | |
|---|---|---|---|
| **Distribution of securitised assets by area:** | | | |
| Italy - Northwest | 630,548,260 € | | - |
| - Northeast | 689,743,634 € | | 28,625,600 € |
| - Central | 279,877,467 € | | 160,000 € |
| - South and Islands | 264,001,182 € | | - |
| Other European Countries - U.E. countries | - | | - |
| - not U.E. countries | - | | - |
| America | - | | - |
| Rest of the World | - | | - |
| **TOTAL** | **1,864,170,543 €** | | **28,785,600 €** |
| **Distribution of securitised assets by business sector of the borrower:** | | | |
| Governments | - | | - |
| Other governments agencies | - | | - |
| Banks | - | | - |
| Finance Companies | - | | - |
| Insurance Companies | - | | - |
| Non-financial companies | 10,225,929 € | | 28,528,000 € |
| Other entities | 1,853,944,614 € | | 257,600 € |
| **TOTAL** | **1,864,170,543 €** | | **28,785,600 €** |

(*) Synthetic securitizations carried out used the Supervisory Formula Approach as required by Italian Regulator (Bank of Italy - Circular 263/2006).

Where there is no eligible external rating, this approach requires the calculation of the regulatory capital requirement for each tranche of a securitization should use the following five elements:

1. The capital requirement on the securitized assets calculated using the IRB approach (kIRB);
2. The level of credit support of the tranche in question;
3. The thickness of the tranche;
4. The number of securitized assets;
5. Average LGD.

Using the Supervisory Formula Approach it is possible to calculate the amount of risk equivalent to the rating of a senior tranche, the remainder being subordinated and classified as junior.

## ORIGINATOR: UniCredit S.p.A.

### New transactions 2014

| NAME: | CONFIDIMPRESA TRENTINO E COOPERATIVA ARTIGIANA DI GARANZIA DELLA PROVINCIA DI TRENTO | |
|---|---|---|
| Type of securitisation: | Tranched Cover | |
| Originator: | UniCredit S.p.A. | |
| Issuer: | UniCredit S.p.A. | |
| Servicer: | UniCredit S.p.A. | |
| Arranger: | UniCredit S.p.A. | |
| Target transaction: | Capital Relief and risk transfer | |
| Type of asset: | Small and Medium Enterprises Receivables, guaranteed in erogation phase by Consortia | |
| Quality of Asset: | Performing | |
| Closing date: | 06/30/2014 | |
| Nominal Value of reference portfolio: | 10,540,000 € | |
| Issue guarantees by the Bank: | - | |
| Issued guarantees by third parties: | Financial Guarantee to hedge the junior tranche in the form of a lien on fixed deposit account. | |
| Bank Lines of Credit: | - | |
| Third Parties Lines of Credit: | - | |
| Other Credit Enhancements: | - | |
| Other relevant information: | The Consortia guarantee hedges the 95% of the Junior tranche and the tranche is equal to € 665,694.00 | |
| Rating Agencies: | No rating agency, use of Standardized Approach (*) | |
| Amount of CDS or other risk transferred: | - | |
| Amount and Conditions of tranching: | | |
| - ISIN | n.a | n.a |
| - Type of security | Senior | Junior |
| - Class | A | B |
| - Rating | n.r. | n.r. |
| - Quotation | not listed | not listed |
| - Issue date | 06/30/2014 | 06/30/2014 |
| - Legal maturity | 03/31/2020 | 03/31/2020 |
| - Call option | Clean-up call, Regulatory Call | |
| - Expected duration | 0,00 | 0,00 |
| - Rate | n.a | n.a |
| - Subordinated level | - | Sub A |
| - Reference Position | 9,874,316 € | 665,694 € |
| - Reference Position at the end of accounting period | 8,326,605 € | 665,694 € |
| - Security subscribers | UniCredit S.p.A. | Covered by protection seller |

| | |
|---|---|
| **Distribution of securitised assets by area:** | |
| Italy - Northwest | 800,000 € |
| - Northeast | 9,820,000 € |
| - Central | - |
| - South and Islands | - |
| Other European Countries - U.E. countries | - |
| - not U.E. countries | - |
| America | - |
| Rest of the World | - |
| **TOTAL** | **10,620,000 €** |
| **Distribution of securitised assets by business sector of the borrower:** | |
| Governments | - |
| Other governments agencies | - |
| Banks | - |
| Finance Companies | - |
| Insurance Companies | - |
| Non-financial companies | 10,109,000 € |
| Other entities | 511,000 € |
| **TOTAL** | **10,620,000 €** |

(*) Synthetic securitizations carried out used the Supervisory Formula Approach as required by Italian Regulator (Bank of Italy - Circular 263/2006).
Where there is no eligible external rating, this approach requires the calculation of the regulatory capital requirement for each tranche of a securitization should use the following five elements:
1. The capital requirement on the securitized assets calculated using the IRB approach (kIRB);
2. The level of credit support of the tranche in question;
3. The thickness of the tranche;
4. The number of securitized assets;
5. Average LGD.
Using the Supervisory Formula Approach it is possible to calculate the amount of risk equivalent to the rating of a senior tranche, the remainder being subordinated and classified as junior.

# Part E - Risks and Hedging Policies (CONTINUED)

**ORIGINATOR: UniCredit S.p.A.**
**Transactions from previous periods**

| NAME: | U-PROPELLER 2013-1 | | FEDERASCOMFIDI | | FEDERCONFIDI | |
|---|---|---|---|---|---|---|
| Type of securitisation: | Tranched Cover | | Tranched Cover | | Tranched Cover | |
| Originator: | UniCredit S.p.A. | | UniCredit S.p.A. | | UniCredit S.p.A. | |
| Issuer: | U-Propeller 2013 S.A. | | UniCredit S.p.A. | | UniCredit S.p.A. | |
| Servicer: | UniCredit S.p.A. | | UniCredit S.p.A. | | UniCredit S.p.A. | |
| Arranger: | UniCredit S.p.A. | | UniCredit S.p.A. | | UniCredit S.p.A. | |
| Target transaction: | Capital Relief and risk transfer for concentration risks | | Capital Relief and risk transfer | | Capital Relief and risk transfer | |
| Type of asset: | Loans to renewable energy project financiers | | Highly diversified and granular pool of UniCredit's SME loans | | Highly diversified and granular pool of UniCredit's SME loans | |
| Quality of Asset: | Performing | | Performing | | Performing | |
| Closing date: | 12/27/2013 | | 03/25/2013 | | 03/25/2013 | |
| Nominal Value of reference portfolio: | 916,000,000 € | | 64,235,679 € | | 62,470,203 € | |
| Issue guarantees by the Bank: | - | | - | | - | |
| Issued guarantees by third parties: | cash collateral Mariner Investment Group LLC | | Financial guarantee to hedge the junior tranche in the form of a lien on fixed deposit account; financial guarantee to hedge the mezzanine tranche in the form of a personal guarantee. | | Financial guarantee to hedge the junior tranche in the form of a lien on fixed deposit account; financial guarantee to hedge the mezzanine tranche in the form of a personal guarantee. | |
| Bank Lines of Credit: | - | | - | | - | |
| Third Parties Lines of Credit: | - | | - | | - | |
| Other Credit Enhancements: | - | | - | | - | |
| Other relevant information: | This transaction can be characterized as a partial synthetic securitization of the individual loans included in the portfolio. The guarantee for U-Propeller 2013 S.A. hedges 100% of the Junior tranche, up to a maximum amount equal to 4.75% of the entire securitized portfolio. | | Financial guarantee to hedge the junior tranche is issued by a plurality of mutual credit guarantee consortia (confidi) belonging to the Federascom federation and hedges the 80% of the tranche which is equal to € 1,122,089.60 . Financial guarantee to hedge the mezzanine is issued by European Investment Fund (EIF), hedges the 95% of the tranche which is equals to € 1,332,481.00. | | Federcomfidi's guarantee hedges the 80% of the Junior tranche and the Junior tranche is equal to € 1,973,702.97. EIF's guarantee hedges the 95% of the Junior and the Junior tranche is equal to € 1,338,103.97. | |
| Rating Agencies: | No Rating Agency, use of Supervisory Formula Approach (*) | | No Rating Agency, use of Supervisory Formula Approach (*) | | No Rating Agency, use of Supervisory Formula Approach (*) | |
| Amount of CDS or other risk transferred: | - | | - | | - | |
| Amount and Conditions of tranching: | | | | | | |
| - ISIN | n.a | CLN | n.a | n.a | n.a | n.a |
| - Type of security | Senior | Junior | Senior | Mezzanine | Senior | Mezzanine |
| - Class | A | B | A | B | A | B |
| - Rating | n.r. | n.r. | n.r. | n.r. | n.r. | n.r. |
| - Reference Position | 762,000,000 € | 38,000,000 € | 61,430,455 € | 1,402,612 € | 59,141,910 € | 1,344,765 € |

**continued ORIGINATOR: UniCredit S.p.A. Transactions from previous periods**

| | | | | | | |
|---|---|---|---|---|---|---|
| - Reference Position at the date of the last servicer report | 698,817,595 € | 38,000,000 € | 33,807,980 € | 1,396,135 € | 36,136,460 € | 1,338,104 € |
| - Security subscribers | UniCredit S.p.A. | Covered by protection seller | UniCredit S.p.A. | Partially covered by protection seller | UniCredit S.p.A. | Partially covered by protection seller |
| | | | Junior | | Junior | |
| | | | C | | C | |
| | | | n.r. | | n.r. | |
| | | | not listed | | not listed | |
| | | | 03/25/2013 | | 03/25/02013 | |
| | | | 05/31/2030 | | 01/31/2030 | |
| | | | - | | - | |
| | | | 4,2 | | 4,2 | |
| | | | n.a | | n.a | |
| | | | Sub A, B | | Sub A, B | |
| | | | 1,402,612 € | | 1,983,528 € | |
| | | | 1,396,135 € | | 1,973,703 € | |
| | | | Partially covered by protection seller | | Partially covered by protection seller | |

(*) Synthetic securitizations carried out used the Supervisory Formula Approach as required by Italian Regulator (Bank of Italy - Circular 263/2006).

Where there is no eligible external rating, this approach requires the calculation of the regulatory capital requirement for each tranche of a securitization should use the following five elements:

1. The capital requirement on the securitized assets calculated using the IRB approach (kIRB);
2. The level of credit support of the tranche in question;
3. The thickness of the tranche;
4. The number of securitized assets;
5. Average LGD.

Using the Supervisory Formula Approach it is possible to calculate the amount of risk equivalent to the rating of a senior tranche, the remainder being subordinated and classified as junior.

# Part E - Risks and Hedging Policies (Continued)

## QUANTITATIVE INFORMATION

### C.1 - Exposure resulting from securitisation transactions broken down by quality of underlying assets

| QUALITY OF UNDERLYING ASSETS / EXPOSURES | BALANCE-SHEET EXPOSURE | | | | | |
|---|---|---|---|---|---|---|
| | SENIOR | | MEZZANINE | | JUNIOR | |
| | GROSS EXPOSURE | NET EXPOSURE | GROSS EXPOSURE | NET EXPOSURE | GROSS EXPOSURE | NET EXPOSURE |
| **A. With own underlying assets:** | **5,480,980** | **2,876,892** | **252,318** | **281,691** | **1,258,951** | **1,448,412** |
| a) Impaired | - | - | 117,844 | 47,904 | - | - |
| b) Other | 5,480,980 | 2,876,892 | 134,474 | 233,787 | 1,258,951 | 1,448,412 |
| **B. With third-party underlying assets:** | **3,641,743** | **1,248,211** | **146,300** | **89,340** | **51,469** | **2,022** |
| a) Impaired | - | - | - | - | - | - |
| b) Other | 3,641,743 | 1,248,211 | 146,300 | 89,340 | 51,469 | 2,022 |

In-house securitizations not involving derecognition of the assets are accounted for as retained risk, i.e. the difference between sold assets and the corresponding liabilities recognized under IAS 39.

### continued C.1 - Exposure resulting from securitisation transactions broken down by quality of underlying assets

| QUALITY OF UNDERLYING ASSETS / EXPOSURES | GUARANTEES GIVEN | | | | | |
|---|---|---|---|---|---|---|
| | SENIOR | | MEZZANINE | | JUNIOR | |
| | GROSS EXPOSURE | NET EXPOSURE | GROSS EXPOSURE | NET EXPOSURE | GROSS EXPOSURE | NET EXPOSURE |
| **A. With own underlying assets:** | **304,000** | **304,000** | **1,012,821** | **-** | **-** | **-** |
| a) Impaired | - | - | 1,012,821 | - | - | - |
| b) Other | 304,000 | 304,000 | - | - | - | - |
| **B. With third-party underlying assets:** | **-** | **-** | **-** | **-** | **-** | **-** |
| a) Impaired | - | - | - | - | - | - |
| b) Other | - | - | - | - | - | - |

### Continued C.1 - Exposure resulting from securitisation transactions broken down by quality of underlying assets

| QUALITY OF UNDERLYING ASSETS / EXPOSURES | CREDIT FACILITIES | | | | | |
|---|---|---|---|---|---|---|
| | SENIOR | | MEZZANINE | | JUNIOR | |
| | GROSS EXPOSURE | NET EXPOSURE | GROSS EXPOSURE | NET EXPOSURE | GROSS EXPOSURE | NET EXPOSURE |
| **A. With own underlying assets:** | **15,000** | **13,709** | **-** | **-** | **-** | **-** |
| a) Impaired | - | - | - | - | - | - |
| b) Other | 15,000 | 13,709 | - | - | - | - |
| **B. With third-party underlying assets:** | **-** | **-** | **-** | **-** | **-** | **-** |
| a) Impaired | - | - | - | - | - | - |
| b) Other | - | - | - | - | - | - |

## C.2 - Exposure from the main "in-house" securitisation transaction broken down by type of securitised asset and by type of exposure

| TYPE OF SECURITISED ASSETS / EXPOSURE | BALANCE-SHEET EXPOSURE | | | | | |
|---|---|---|---|---|---|---|
| | SENIOR | | MEZZANINE | | JUNIOR | |
| | CARRYING VALUE | WRITE-DOWNS / WRITE-BACKS | CARRYING VALUE | WRITE-DOWNS / WRITE-BACKS | CARRYING VALUE | WRITE-DOWNS / WRITE-BACKS |
| **A. Totally derecognised** | **109,848** | **-** | **47,904** | **-29,052** | **294,003** | **-** |
| **A.1 CLO/CBO OTHERS** | **109,848** | **-** | **-** | **-** | **37,425** | **-** |
| A.1 1 Caesar Finance | - | - | - | - | 37,425 | - |
| A.1 2 Entasi | 109,848 | - | - | - | - | - |
| A.2 OTHERS | - | - | 47,904 | -29,052 | 256,578 | - |
| A.2 3 Trevi Finance 3 | - | - | 47,904 | -29,052 | 256,578 | - |
| **B. Partially derecognised** | **-** | **-** | **-** | **-** | **-** | **-** |
| **C. Not-derecognised** | **2,767,045** | | **233,787** | **-** | **1,154,409** | **6,266** |
| **C.1 RMBS Prime** | **1,142,019** | **-** | **233,650** | **-** | **595,429** | **12,271** |
| C.1. 1 BIPCA Cordusio RMBS | 369,691 | - | 99,600 | - | 38,102 | 721 |
| C.1. 2 Capital Mortgage 2007 - 1 | 116,567 | - | | - | 181,773 | 2,186 |
| C.1. 3 Cordusio RMBS | 47,136 | - | 28,250 | - | 15,560 | 2,391 |
| C.1. 4 Cordusio RMBS UCFin - Serie 2006 | 133,262 | - | 17,650 | - | 29,049 | 1,826 |
| C.1. 5 Cordusio RMBS Securitisation - Serie 2006 | 139,287 | - | 28,250 | - | 108,355 | 634 |
| C.1. 6 Cordusio RMBS Securitisation - Serie 2007 | 314,110 | - | 59,900 | - | 99,590 | 2,802 |
| C.1. 7 F-E Mortgages 2003 | 7,609 | - | - | - | 42,894 | 736 |
| C.1. 8 F-E Mortgages 2005 | 11,783 | - | - | - | 57,249 | 644 |
| C.1. 9 Heliconus | 2,574 | - | - | - | 22,857 | 332 |
| **C.2 CLO/SME** | **1,625,026** | **-** | **137** | **-** | **707** | **-** |
| C.2 1 Federascomfidi | 32,669 | - | 70 | - | 279 | - |
| C.2 2 Federconfidi | 34,725 | - | 67 | - | 395 | - |
| C.2 3 Confidimpresa Trentino | 7,578 | - | - | - | 33 | - |
| C.2 4 UniCredit MidCap 2014 | 1,534,171 | | | | | |
| C.2 5 Veneto Sviluppo 2014 | 15,883 | | | | | |
| **C.3 CLO OTHERS** | **-** | **-** | **-** | **-** | **30,161** | **254** |
| C.3 1 Large Corporate One | - | - | - | - | 30,161 | 254 |
| **C.4 CONSUMER LOANS** | **-** | **-** | **-** | **-** | **528,112** | **-6,259** |
| C.4 1 Consumer Two | - | - | - | - | 528,112 | -6,259 |

The carrying value is the net exposures shown in Table C.1. Write-downs and write-backs, including depreciations and revaluations posted on the income statement or to reserves, refer to financial year 2014 only.

# Part E - Risks and Hedging Policies (Continued)

**Continued C.2 - Exposure from the main "in-house" securitisation transaction broken down by type of securitised asset and by type of exposure**

| TYPE OF SECURITISED ASSETS / EXPOSURE | GUARANTEES GIVEN | | | | | |
|---|---|---|---|---|---|---|
| | SENIOR | | MEZZANINE | | JUNIOR | |
| | CARRYING VALUE | WRITE-DOWNS / WRITE-BACKS | CARRYING VALUE | WRITE-DOWNS / WRITE-BACKS | CARRYING VALUE | WRITE-DOWNS / WRITE-BACKS |
| **A. Totally derecognised** | **-** | **-** | **-** | **-61,518** | **-** | **-** |
| **A.1 CLO/CBO OTHERS** | **-** | **-** | **-** | **-** | **-** | **-** |
| A.1 1 Caesar Finance | - | - | - | - | - | - |
| A.1 2 Entasi | - | - | - | - | - | - |
| **A.2 OTHERS** | **-** | **-** | **-** | **-61,518** | **-** | **-** |
| A.2 3 Trevi Finance 3 | - | - | - | -61,518 | - | - |
| **B. Partially derecognised** | **-** | **-** | **-** | **-** | **-** | **-** |
| **C. Not-derecognised** | **304,000** | **-** | **-** | **-** | **-** | **-** |
| **C.1 RMBS Prime** | **-** | **-** | **-** | **-** | **-** | **-** |
| C.1. 1 BIPCA Cordusio RMBS | - | - | - | - | - | - |
| C.1. 2 Capital Mortgage 2007 - 1 | - | - | - | - | - | - |
| C.1. 3 Cordusio RMBS | - | - | - | - | - | - |
| C.1. 4 Cordusio RMBS UCFin - Serie 2006 | - | - | - | - | - | - |
| C.1. 5 Cordusio RMBS Securitisation - Serie 2006 | - | - | - | - | - | - |
| C.1. 6 Cordusio RMBS Securitisation - Serie 2007 | - | - | - | - | - | - |
| C.1. 7 F-E Mortgages 2003 | - | - | - | - | - | - |
| C.1. 8 F-E Mortgages 2005 | - | - | - | - | - | - |
| C.1. 9 Heliconus | - | - | - | - | - | - |
| **C.2 CLO/SME** | **-** | **-** | **-** | **-** | **-** | **-** |
| C.2 1 Federascomfidi | - | - | - | - | - | - |
| C.2 2 Federconfidi | - | - | - | - | - | - |
| C.2 3 Confidimpresa Trentino | - | - | - | - | - | - |
| C.2 4 UniCredit MidCap 2014 | - | - | - | - | - | - |
| C.2 5 Veneto Sviluppo 2014 | - | - | - | - | - | - |
| **C.3 CLO OTHERS** | **304,000** | **-** | **-** | **-** | **-** | **-** |
| C.3 1 Large Corporate One | 304,000 | - | - | - | - | - |
| **C.4 CONSUMER LOANS** | **-** | **-** | **-** | **-** | **-** | **-** |
| C.4 1 Consumer Two | - | - | - | - | - | - |

**Continued C.2 - Exposure from the main "in-house" securitisation transaction broken down by type of securitised asset and by type of exposure**

| TYPE OF SECURITISED ASSETS / EXPOSURE | CREDIT FACILITIES | | | | | |
|---|---|---|---|---|---|---|
| | SENIOR | | MEZZANINE | | JUNIOR | |
| | CARRYING VALUE | WRITE-DOWNS / WRITE-BACKS | CARRYING VALUE | WRITE-DOWNS / WRITE-BACKS | CARRYING VALUE | WRITE-DOWNS / WRITE-BACKS |
| **A. Totally derecognised** | **-** | **-** | **-** | **-** | **-** | **-** |
| **A.1 CLO/CBO OTHERS** | **-** | **-** | **-** | **-** | **-** | **-** |
| A.1 1 Caesar Finance | - | - | - | - | - | - |
| A.1 2 Entasi | - | - | - | - | - | - |
| **A.2 OTHERS** | **-** | **-** | **-** | **-** | **-** | **-** |
| A.2 1 Trevi Finance | - | - | - | - | - | - |
| A.2 2 Trevi Finance 2 | - | - | - | - | - | - |
| A.2 3 Trevi Finance 3 | - | - | - | - | - | - |
| **B. Partially derecognised** | **-** | **-** | **-** | **-** | **-** | **-** |
| **C. Not-derecognised** | **13,709** | | **-** | **-** | **-** | **-** |
| **C.1 RMBS Prime** | **-** | **-** | **-** | **-** | **-** | **-** |
| C.1. 1 BIPCA Cordusio RMBS | - | - | - | - | - | - |
| C.1. 2 Capital Mortgage 2007 - 1 | - | - | - | - | - | - |
| C.1. 3 Cordusio RMBS | - | - | - | - | - | - |
| C.1. 4 Cordusio RMBS UCFin - Serie 2006 | - | - | - | - | - | - |
| C.1. 5 Cordusio RMBS Securitisation - Serie 2006 | - | - | - | - | - | - |
| C.1. 6 Cordusio RMBS Securitisation - Serie 2007 | - | - | - | - | - | - |
| C.1. 7 F-E Mortgages 2003 | - | - | - | - | - | - |
| C.1. 8 F-E Mortgages 2005 | - | - | - | - | - | - |
| C.1. 9 Heliconus | - | - | - | - | - | - |
| **C.2 CLO/SME** | **-** | **-** | **-** | **-** | **-** | **-** |
| C.2 1 Federascomfidi | - | - | - | - | - | - |
| **C.2 2 Federconfidi** | **-** | **-** | **-** | **-** | **-** | **-** |
| C.2 3 Confidimpresa Trentino | - | - | - | - | - | - |
| C.2 4 UniCredit MidCap 2014 | - | - | - | - | - | - |
| C.2 5 Veneto Sviluppo 2014 | - | - | - | - | - | - |
| **C.3 CLO OTHERS** | **13,709** | **-** | **-** | **-** | **-** | **-** |
| C.3 1 Large Corporate One | 13,709 | - | - | - | - | - |
| **C.4 CONSUMER LOANS** | **-** | **-** | **-** | **-** | **-** | **-** |
| C.4 1 Consumer Two | - | - | - | - | - | - |

# Part E - Risks and Hedging Policies (Continued)

**C.3 - Exposure resulting from the main third-party securitisation transactions broken down by type of securitised asset and by type of exposure (*)**

| TYPE OF SECURITISED ASSETS / EXPOSURE | BALANCE-SHEET EXPOSURE | | | | | |
|---|---|---|---|---|---|---|
| | SENIOR | | MEZZANINE | | JUNIOR | |
| | CARRYING VALUE | WRITE-DOWNS / WRITE-BACKS | CARRYING VALUE | WRITE-DOWNS / WRITE-BACKS | CARRYING VALUE | WRITE-DOWNS / WRITE-BACKS |
| A.01 EUROCONNECT ISSUER SME 2007 | | | | | | |
| - Corporate Loans | - | - | 6,556 | - | - | - |
| A.02 F-E GOLD CL. A2 | | | | | | |
| - Car / Equipments / Real Estate leasing | 22,161 | - | - | - | - | - |
| A.03 DANUBIO | | | | | | |
| - Consumer and personal loans | 19,959 | - | - | - | - | - |
| A.04 LOCAT SV8 - Serie 2014 | | | | | | |
| - Car / Equipments / Real Estate leasing | 125,124 | - | - | - | - | - |
| A.05 LOCAT SV - Serie 2011 | | | | | | |
| - Car / Equipments / Real Estate leasing | 1,074,146 | - | - | - | - | - |
| A.06 LOCAT SV - Serie 2006 | | | | | | |
| - Car / Equipments / Real Estate leasing | 5,626 | - | 69,550 | - | - | - |
| A.07 LOCAT SV Serie 2005 | | | | | | |
| - Car / Equipments / Real Estate leasing | - | | 13,234 | - | - | - |
| A.08 OTHER 4 EXPOSURES | 1,196 | - | - | - | 2,022 | - |

(*) list of details for exposures over € 3 million.

**continued C.3 - Exposure resulting from the main third-party securitisation transactions broken down by type of securitised asset and by type of exposure (*)**

| | GUARANTEES GIVEN | | | | | |
|---|---|---|---|---|---|---|
| | SENIOR | | MEZZANINE | | JUNIOR | |
| TIPOLOGIA ATTIVITÀ SOTTOSTANTI / ESPOSIZIONI | CARRYING VALUE | WRITE-DOWNS / WRITE-BACKS | CARRYING VALUE | WRITE-DOWNS / WRITE-BACKS | CARRYING VALUE | WRITE-DOWNS / WRITE-BACKS |
| A.01 EUROCONNECT ISSUER SME 2007 | | | | | | |
| - Corporate Loans | - | - | - | - | - | - |
| A.02 F-E GOLD CL. A2 | | | | | | |
| - Car / Equipments / Real Estate leasing | - | - | - | - | - | - |
| A.03 DANUBIO | | | | | | |
| - Consumer and personal loans | - | - | - | - | - | - |
| A.04 LOCAT SV8 - Serie 2014 | | | | | | |
| - Car / Equipments / Real Estate leasing | - | - | - | - | - | - |
| A.05 LOCAT SV - Serie 2011 | | | | | | |
| - Car / Equipments / Real Estate leasing | - | - | - | - | - | - |
| A.06 LOCAT SV - Serie 2006 | | | | | | |
| - Car / Equipments / Real Estate leasing | - | - | - | - | - | - |
| A.07 LOCAT SV Serie 2005 | | | | | | |
| - Car / Equipments / Real Estate leasing | - | - | - | - | - | - |
| A.08 OTHER 4 EXPOSURES | - | - | - | - | - | - |

(*) list of details for exposures over € 3 million.

# Part E - Risks and Hedging Policies (Continued)

**continued C.3 - Exposure resulting from the main third-party securitisation transactions broken down by type of securitised asset and by type of exposure (*)**

| TYPE OF SECURITISED ASSETS / EXPOSURE | CREDIT FACILITIES | | | | | |
|---|---|---|---|---|---|---|
| | SENIOR | | MEZZANINE | | JUNIOR | |
| | CARRYING VALUE | WRITE-DOWNS / WRITE-BACKS | CARRYING VALUE | WRITE-DOWNS / WRITE-BACKS | CARRYING VALUE | WRITE-DOWNS / WRITE-BACKS |
| A.01 EUROCONNECT ISSUER SME 2007 | | | | | | |
| - Corporate Loans | - | - | - | - | - | - |
| A.02 F-E GOLD CL. A2 | | | | | | |
| - Car / Equipments / Real Estate leasing | - | - | - | - | - | - |
| A.03 DANUBIO | | | | | | |
| - Consumer and personal loans | - | - | - | - | - | - |
| A.04 LOCAT SV8 - Serie 2014 | | | | | | |
| - Car / Equipments / Real Estate leasing | - | - | - | - | - | - |
| A.05 LOCAT SV - Serie 2011 | | | | | | |
| - Car / Equipments / Real Estate leasing | - | - | - | - | - | - |
| A.06 LOCAT SV - Serie 2006 | | | | | | |
| - Car / Equipments / Real Estate leasing | - | - | - | - | - | - |
| A.07 LOCAT SV Serie 2005 | | | | | | |
| - Car / Equipments / Real Estate leasing | - | - | - | - | - | - |
| A.08 OTHER 4 EXPOSURES | | - | - | - | - | - |

(*) list of details for exposures over € 3 million.

**C.4 - Exposures resulting from securitisation transactions broken down by portfolio and type**

| EXPOSURE / PORTFOLIO | AMOUNTS AT 12.31.2014 | | | | | | 12.31.2013 TOTAL |
|---|---|---|---|---|---|---|---|
| | TRADING | DESIGNATED AT FAIR VALUE | AVAILABLE FOR SALE | HELD-TO-MATURITY | LOANS | TOTAL | |
| **1. Balance-sheet exposures** | **-** | **-** | **267** | **-** | **474,665** | **474,932** | **2,627,499** |
| - Senior | - | - | 267 | - | 130,736 | 131,003 | 2,058,158 |
| - Mezzanine | - | - | - | - | 47,904 | 47,904 | 278,428 |
| - Junior | - | - | - | - | 296,025 | 296,025 | 290,913 |
| **2. Off-balance-sheet exposures** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| - Senior | - | - | - | - | - | - | - |
| - Mezzanine | - | - | - | - | - | - | - |
| - Junior | - | - | - | - | - | - | - |

This table shows the carrying value only of exposures arising from in-house securitizations for which the assets sold have been derecognized as well as securitizations carried out by others.

### C.5 - Securitised assets underlying junior securities or other forms of credit support

| ASSET/SECURITIES | AMOUNT | |
|---|---|---|
| | TRADITIONAL | SYNTHETIC |
| **A. Own underlying assets:** | **7,542,185** | **16,348** |
| **A.1 Totally derecognised** | **428,446** | **X** |
| 1. Non-performing loans | 53,161 | X |
| 2. Doubtful loans | - | X |
| 3. Restructured exposures | - | X |
| 4. Past-due exposures | - | X |
| 5. Other assets | 375,285 | X |
| **A.2 Partially derecognised** | **-** | **X** |
| 1. Non-performing loans | - | X |
| 2. Doubtful loans | - | X |
| 3. Restructured exposures | - | X |
| 4. Past-due exposures | - | X |
| 5. Other assets | - | X |
| **A.3 Non-derecognised** | **7,113,739** | **16,348** |
| 1. Non-performing loans | 283,178 | - |
| 2. Doubtful loans | 171,340 | - |
| 3. Restructured exposures | - | - |
| 4. Past-due exposures | 32,544 | - |
| 5. Other assets | 6,626,677 | 16,348 |
| **B. Third party underlying assets:** | **2,121** | **-** |
| B.1 Non-performing loans | 5 | - |
| B.2 Doubtful loans | 359 | - |
| B.3 Restructured exposures | - | - |
| B.4 Past-due exposures | 372 | - |
| B.5 Other assets | 1,385 | - |

### C.6 SPVs for securitizations

| NAME OF SECURITIZATION/SPES | COUNTRY OF INCORPORATION | CONSOLIDATION | ASSETS | | | LIABILITIES | | |
|---|---|---|---|---|---|---|---|---|
| | | | LOANS AND RECEIVEBLES | DEBT SECURITIES | OTHER | SENIOR | MEZZANINE | JUNIOR |
| Capital Mortgage S.r.l. - BIPCA Cordusio | Piazzetta Monte 1 - 37121 Verona | Yes | 507,393 | - | 73,212 | 428,968 | 99,600 | 10,712 |
| Capital Mortgage S.r.l. - 2007 | Piazzetta Monte 1 - 37121 Verona | Yes | 1,120,865 | - | 238,492 | 1,102,445 | 74,039 | 67,277 |
| Consumer Two S.r.l. | Piazzetta Monte 1 - 37121 Verona | Yes | 1,178,008 | - | 158,660 | 797,968 | - | 494,613 |
| Cordusio RMBS - UCFin S.r.l | Piazzetta Monte 1 - 37121 Verona | Yes | 858,593 | - | 191,936 | 782,877 | 148,000 | 14,535 |
| Cordusio RMBS S.r.l. | Piazzetta Monte 1 - 37121 Verona | Yes | 411,252 | - | 199,552 | 396,507 | 171,200 | 8,890 |
| Cordusio RMBS Securitisation S.r.l. - Serie 2006 | Piazzetta Monte 1 - 37121 Verona | Yes | 633,025 | - | 190,868 | 629,763 | 141,700 | 10,683 |
| Cordusio RMBS Securitisation S.r.l. - Serie 2007 | Piazzetta Monte 1 - 37121 Verona | Yes | 1,560,096 | - | 267,060 | 1,457,328 | 236,400 | 2,211 |
| Entasi Srl | Largo Chigi 5 - 00187 Roma | Yes | - | 895,552 | 311 | 320,000 | - | - |
| F-E Gold S.r.l. | Via Generale Gustavo Fara 26 - 20124 Milano | Yes | 161,651 | - | 29,533 | 107,224 | 25,427 | 57,038 |
| F-E Mortgages S.r.l. - 2003 | Piazzetta Monte 1 - 37121 Verona | Yes | 195,951 | - | 28,298 | 119,614 | 59,031 | 7,634 |
| F-E Mortgages S.r.l. - 2005 | Piazzetta Monte 1 - 37121 Verona | Yes | 307,492 | - | 14,883 | 191,675 | 36,885 | 34,566 |
| Heliconus S.r.l | Piazzetta Monte 1 - 37121 Verona | Yes | 98,593 | - | 13,566 | 57,721 | 30,847 | 8,990 |
| LARGE CORPORATE ONE SRL | Piazzetta Monte 1 - 37121 Verona | Yes | 242,471 | - | 41,131 | 252,552 | - | 30,798 |
| Trevi Finance N. 3 S.r.l. | Via Vittorio Alfieri, 1 - 31015 Conegliano (TV) | Yes | 53,161 | 227,729 | 5,868 | 206,832 | 895,579 | 448,166 |
| AUGUSTO SRL | Via Pontaccio, 10 - 20121 Milano | No | 3,941 | - | 2,280 | 6,924 | - | 8,339 |
| Caesar Finance S.A. | 4 Rue Henry M. Schnadt - 2530 Luxembourg | No | - | 36,483 | - | - | - | 50,123 |
| COLOMBO SRL | Via Pontaccio, 10 - 20121 Milano | No | 35,527 | - | 8,926 | 35,076 | - | 10,272 |
| DANUBIO S.r.l. | Largo Angelo Fochetti, 30 Roma | No | 44,454 | - | 4,853 | 29,700 | - | 19,759 |
| EuroConnect Issuer SME 2007 Limited | 8 EXCHANGE PLACE - DUBLIN 1, Ireland | No | 213,590 | - | - | - | 115,900 | 97,690 |
| U-PROPELLER 2013-1 SA | 52-54 Avenue Du X Septembre - 2550 Luxembourg | No | - | - | 40,576 | - | - | 38,000 |

# Part E - Risks and Hedging Policies (Continued)

**C.7 Special Purpose Vehicles for securitizations not consolidated**
See the corresponding item of Consolidated Financial Statements

**C.8 Servicer activities - Collections of securitised loans and redemptions of securities issued by the special purpose vehicle for securitization**

| | | SECURITISED ASSETS (YEAR END FIGURES) | | LOANS COLLECTED DURING THE YEAR | | PERCENTAGE OF SECURITIES REDEEMED (YEAR END FIGURES) | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | SENIOR | | MEZZANINE | | JUNIOR | |
| SERVICER | SPECIAL PURPOSE VEHICLE | IMPAIRED | PERFORMING | IMPAIRED | PERFORMING | IMPAIRED ASSETS | PERFORMING ASSETS | IMPAIRED ASSETS | PERFORMING ASSETS | IMPAIRED ASSETS | PERFORMING ASSETS |
| UniCredit S.p.A. | Capital Mortgage S.r.L. | 179,199 | 1,449,059 | 5,368 | 153,754 | - | 60.68% | - | - | - | - |
| | Consumer Two S.r.L. | 6,666 | 1,171,342 | 3 | 611,867 | - | | - | - | - | - |
| | Cordusio RMBS S.r.L. | 18,437 | 392,815 | 3,193 | 130,039 | - | 92.18% | - | - | - | - |
| | Cordusio RMBS Securitisation S.r.L. | 143,993 | 2,049,128 | 6,084 | 319,661 | - | 72.30% | - | - | - | - |
| | Cordusio RMBS UCFin S.r.L. | 78,914 | 779,679 | 3,531 | 112,187 | - | 73.36% | - | - | - | - |
| | F-E Mortgage S.r.L. | 52,657 | 450,786 | 3,348 | 49,471 | - | 82.45% | - | 4.23% | - | 8.50% |
| | Heliconus S.r.L. | 7,196 | 91,397 | 977 | 12,359 | - | 87.14% | - | - | - | - |
| | Large Corporate One S.r.L. | - | 242,471 | | 83,401 | - | - | - | - | - | - |
| | Trevi Finance S.p.A. | - | - | 8,792 | - | 100.00% | - | 100.00% | - | 100.00% | - |
| | Trevi Finance n. 2 S.p.A. | - | - | 4,400 | - | 100.00% | - | 100.00% | - | 100.00% | - |
| | Trevi Finance n. 3 s.p.A. | 53,161 | 338,802 | 13,378 | - | 100.00% | - | - | 68.08% | - | - |
| | Entasi S.r.L. | - | 895,552 | - | 3,644 | - | - | - | - | - | - |

## D. INFORMATION ON NOT CONSOLIDATED STRUCTURED ENTITIES (OTHER THAN VEHICLES FOR SECURITIZATION TRANSACTIONS)

See the corresponding section of Consolidated Financial Statements.

## E. SALES TRANSACTIONS

### A. Financial Assets sold and not fully derecognized

**E.1 - Financial assets sold and not derecognised: carrying value and full value**

| | AMOUNTS AS AT 12.31.2014 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | FINANCIAL ASSETS HELD FOR TRADING | | | FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS | | | AVAILABLE FOR SALE FINANCIAL ASSETS | | |
| TYPE / PORTFOLIO | A | B | C | A | B | C | A | B | C |
| **A. Balance-sheet assets** | **2,107,000** | **-** | **-** | **-** | **-** | **-** | **18,899,293** | **-** | **-** |
| 1. Debt securities | 2,107,000 | - | - | - | - | - | 18,899,293 | - | - |
| 2. Equity securities | - | - | - | - | - | - | - | - | - |
| 3. Investment fund | - | - | - | - | - | - | - | - | - |
| 4. Loans | - | - | - | - | - | - | - | - | - |
| **B. Derivatives** | **-** | **-** | **-** | **X** | **X** | **X** | **X** | **X** | **X** |
| **Total 12.31.2014** | **2,107,000** | **-** | **-** | **-** | **-** | **-** | **18,899,293** | **-** | **-** |
| *of which impaired* | - | - | - | - | - | - | - | - | - |
| **Total 12.31.2013** | **98,610** | **-** | **-** | **-** | **-** | **-** | **10,833,707** | **-** | **-** |
| *of which impaired* | - | - | - | - | - | - | - | - | - |

**continued E.1 - Financial assets sold and not derecognised: carrying value and full value**

| | AMOUNTS AS AT 12.31.2014 | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | HELD-TO-MATURITY INVESTMENTS | | | LOANS AND RECEIVABLES WITH BANKS | | | LOANS AND RECEIVABLES WITH CUSTOMERS | | | TOTAL | |
| TYPE / PORTFOLIO | A | B | C | A | B | C | A | B | C | 31.12.2014 | 31.12.2013 |
| **A. Balance-sheet assets** | **1,544,855** | **-** | **-** | **-** | **-** | **-** | **7,113,739** | **-** | **-** | **29,664,887** | **21,399,067** |
| 1. Debt securities | 1,544,855 | - | - | - | - | - | - | - | - | 22,551,148 | 13,627,081 |
| 2. Equity securities | X | X | X | X | X | X | X | X | X | - | - |
| 3. Investment fund | X | X | X | X | X | X | X | X | X | - | - |
| 4. Loans | - | - | - | - | - | - | 7,113,739 | - | - | 7,113,739 | 7,771,986 |
| **B. Derivatives** | **X** | **X** | **X** | **X** | **X** | **X** | **X** | **X** | **X** | **-** | **-** |
| **Total 12.31.2014** | **1,544,855** | **-** | **-** | **-** | **-** | **-** | **7,113,739** | **-** | **-** | **29,664,887** | **-** |
| *of which impaired* | - | - | - | - | - | - | *487,062* | - | - | *487,062* | *X* |
| **Total 12.31.2013** | **2,423,675** | **-** | **-** | **271,089** | **-** | **-** | **7,771,986** | **-** | **-** | **-** | **21,399,067** |
| *of which impaired* | - | - | - | - | - | - | *445,252* | - | - | *X* | *445,252* |

LEGEND:
A = Financial assets sold and fully recognised (carrying value)
B = Financial assets sold and partially recognised (carrying value)
C = Financial assets sold and partially recognised (total value)

Loans (A.4) are assets sold and not derecognized under securitizations (see A.3. Table C.5).
Debt securities (A.1.) are underlying repo agreements.

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

| | AMOUNTS AS AT 12.31.2014 | | | | | | |
|---|---|---|---|---|---|---|---|
| LIABILITIES / ASSET PORTFOLIOS | FINANCIAL ASSETS HELD FOR TRADING | FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND 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** | **2,026,020** | **-** | **17,315,760** | **347,094** | **-** | **4,584,368** | **24,273,242** |
| a) relating to fully recognised assets | 2,026,020 | - | 17,315,760 | 347,094 | - | 4,584,368 | 24,273,242 |
| b) relating to partially recognised assets | - | - | - | - | - | - | - |
| **2. Deposits from Banks** | **75,016** | **-** | **1,503,051** | **1,218,378** | **-** | **-** | **2,796,445** |
| a) relating to fully recognised assets | 75,016 | - | 1,503,051 | 1,218,378 | - | - | 2,796,445 |
| b) relating to partially recognised assets | - | - | - | - | - | - | - |
| **Total 12.31.2014** | **2,101,036** | **-** | **18,818,811** | **1,565,472** | **-** | **4,584,368** | **27,069,687** |
| **Total 12.31.2013** | **98,026** | **-** | **10,804,752** | **2,445,457** | **283,220** | **5,091,145** | **18,722,600** |

# Part E - Risks and Hedging Policies (Continued)

### E.3 - Sales of assets not derecognised and associated financial liabilities with repayment only based on asset sold: fair value

| | AMOUNTS AS AT 12.31.2014 | | | | | |
|---|---|---|---|---|---|---|
| | FINANCIAL ASSETS HELD FOR TRADING | | FINANCIAL ASSETS CARRIED AT FAIR VALUE THROUGH | | AVAILABLE-FOR-SALE FINANCIAL ASSETS | |
| TYPE/PORTFOLIOS | A | B | A | B | A | B |
| **A. On Balance Sheet Assets** | **2,107,000** | **-** | **-** | **-** | **18,899,293** | **-** |
| 1. Debt securities | 2,107,000 | - | - | - | 18,899,293 | - |
| 2. Equity securities | - | - | - | - | - | - |
| 3. UCIS | - | - | - | - | - | - |
| 4. Loans | - | - | - | - | - | - |
| **B. Derivatives** | **-** | **-** | **X** | **X** | **X** | **X** |
| **Total assets** | **2,107,000** | **-** | **-** | **-** | **18,899,293** | **-** |
| **C. Associated financial liabilities** | **2,101,036** | **-** | **-** | **-** | **18,818,811** | **-** |
| 1. Deposits from customers | 2,026,020 | - | - | - | 17,315,760 | - |
| 2. Deposits from banks | 75,016 | - | - | - | 1,503,051 | - |
| 3. Debt securities in issue | - | - | - | - | - | - |
| **Total liabilities** | **2,101,036** | **-** | **-** | **-** | **18,818,811** | **-** |
| **Total 12.31.2014** | **5,964** | **-** | **-** | **-** | **80,482** | **-** |
| **Total 12.31.2013** | **584** | **-** | **-** | **-** | **28,955** | **-** |

### continued E.3 - Sales of assets not derecognised and associated financial liabilities with repayment only based on asset sold: fair value

| | AMOUNTS AS AT 12.31.2014 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | HELD-TO-MATURITY INVESTMENTS | | LOANS AND RECEIVABLES WITH BANKS | | LOANS AND RECEIVABLES WITH CUSTOMERS | | TOTAL | |
| TYPE/PORTFOLIOS | A | B | A | B | A | B | 12.31.2014 | 12.31.2013 |
| **A. On Balance Sheet Assets** | **1,561,116** | **-** | **-** | **-** | **7,556,197** | **-** | **30,123,606** | **21,588,368** |
| 1. Debt securities | 1,561,116 | - | - | - | - | - | 22,567,409 | 13,625,353 |
| 2. Equity securities | X | X | X | X | X | X | - | - |
| 3. UCIS | X | X | X | X | X | X | - | - |
| 4. Loans | - | - | - | - | 7,556,197 | - | 7,556,197 | 7,963,015 |
| **B. Derivatives** | **X** | **X** | **X** | **X** | **X** | **X** | **-** | **-** |
| **Total assets** | **1,561,116** | **-** | **-** | **-** | **7,556,197** | **-** | **30,123,606** | **21,588,368** |
| **C. Associated financial liabilities** | **1,565,473** | **-** | **-** | **-** | **4,310,801** | **-** | **X** | **X** |
| 1. Deposits from customers | 347,094 | - | - | - | 4,310,801 | - | X | X |
| 2. Deposits from banks | 1,218,378 | - | - | - | - | - | X | X |
| 3. Debt securities in issue | - | - | - | - | - | - | X | X |
| **Total liabilities** | **1,565,473** | **-** | **-** | **-** | **4,310,801** | **-** | **26,796,120** | **18,081,443** |
| **Total 12.31.2014** | **-4,357** | **-** | **-** | **-** | **3,245,396** | **-** | **3,327,485** | **X** |
| **Total 12.31.2013** | **-25,549** | **-** | **-10,092** | **-** | **3,513,027** | **-** | **X** | **3,506,925** |

LEGEND:
A = Financial assets sold and fully recognized
B = Financial assets sold and partially recognized

**B. Financial Assets sold and totally derecognized with recognition of continuing involvement**

At the end of the year they were no disposals of financial assets that had been fully derecognized, which required the recognition of continuing involvement.

## E.4 Covered Bond Transactions

In 2008 UniCredit S.p.A. initiated a Covered Bond (OBG or Obbligazioni Bancarie Garantite) Program with residential mortgage loans as the underlying assets, in line with 1999 Law 130/99, the MEF decree dated December 14, 2006 and Banca d'Italia instructions dated May 17, as amended on March 24, 2010.

Under this program:
- UniCredit S.p.A. is issuer and also acts as transferor of suitable assets and servicer,
- UniCredit BpC Mortgage S.r.L. (a special purpose vehicle set up within the banking group as expressly authorized by Banca d'Italia) is guarantor of the OBG holders, within the limits of the cover pool and
- The auditing firm Mazars S.p.A. is Asset Monitor.

The Bank's main aims in issuing OBGs are to diversify its funding sources and fund at competitive rates. As with the securitizations, the difficulties in the markets made it advisable to use securitization as a means of increasing the Group's counterbalancing capacity by retaining part of the securities issued by the vehicle.

An integral feature of OBG Program management is maintaining a balance between the characteristics of the assets sold and the issues.
This is necessary to maintain the efficacy of the guarantee given by the SPV to the bondholders.

Given the complexity of the transaction, a system of first- and second-level controls and procedures has been set up, as required by Banca d'Italia instructions, to identify units, functions, duties and responsibilities, and specific policies have been issued to this end. The policies were as approved by the competent committees, the Statutory Auditors and the Board of Directors of UniCredit S.p.A..

As required by Banca d'Italia instructions on controls:
a) UniCredit's Risk Management function is charged with the management of the issuer's risks and checks:
   - the quality, suitability and integrity of the assets sold to guarantee the OBGs;
   - that the maximum ratio of OBGs issued to assets sold to guarantee them is adhered to;
   - that limits on sales and supplementary sales procedures are followed;
   - the effectiveness and adequacy of the hedges provided by any derivatives contracts entered into in relation to the Program and
   - the trend in the balance between the cash flow arising from the cover pool and that absorbed by the OBGs in issue.
b) The Asset Monitor is an outside independent entity charged with checking at least annually the regularity of the transactions and the integrity of the guarantee to the bondholders.
c) UniCredit's internal audit department is responsible for a complete audit (to be conducted at least once a year of the adequacy of the controls performed.
d) The results of the audits performed by the Asset Monitor and the issuer's internal audit department are submitted to the governing bodies.

Moreover, in order to create counterbalancing capacity, at the end of January 2012 UniCredit S.p.A. initiated a new Covered Bonds (OBG or Obbligazioni Bancarie Garantite) program ("New OBG Program"), without specific ratings and having residential mortgage loans and/or commercial mortgage loans. The contractual and supervisory structure and the counterparties of this program are modeled on the pre-existing program, with the exception of references to Ratings Agencies and the use of a new Special Purpose Vehicle, UniCredit OBG S.r.L.. During 2014, the "New OBG Program" of covered bonds was restructured, resulting in the conversion of the repayment terms for the covered bonds from Soft-bullet to Conditional Pass-through and the assignment of a AA+ rating by the Fitch rating agency.

At December 31, 2014 the series of covered bonds issued under the two programs totaled 27 and were worth €24,106 million, of which €9,100 million was retained by UniCredit S.p.A.. In addition, following the buy back, € 2,267 million were placed as collateral for repos and, consequently, these are also shown under liability item 30 "Securities in issue"
Finally, it should be noted that, as part of the first OBG program, new covered bonds worth €1,500 million were issued and placed on the market in January 2014.

# Part E - Risks and Hedging Policies (CONTINUED)

| NAME | COVERED BONDS OBBLIGAZIONI BANCARIE GARANTITE |
|---|---|
| Originator: | UniCredit S.p.A. (formerly UniCredit Family Financing Bank S.p.A.) |
| Issuer: | UniCredit S.p.A. |
| Servicer: | UniCredit S.p.A. |
| Arranger: | UniCredit Bank AG, London Branch |
| Target transaction: | Funding |
| Type of asset: | Private Mortgage loans |
| Quality of Asset: | performing |
| Book value of the underlying assets at the end of accounting period: | 22,165,217,789.89 € |
| Covered Bonds issued at the end of accounting period: | 15,006,000,000 € |
| Other Credit Enhancements: | UniCredit S.p.A. has granted SPV a subordinated loans of total 24,675,276,946.85 euro. |
| Rating Agencies: | S & P - Moody's - Fitch |
| Rating: | A (from 12/18/2014) - Aa2 (from 10/21/2015) - AA- (from 07/01/2014) |

| NAME | COVERED BONDS (OBBLIGAZIONI BANCARIE GARANTITE) |
|---|---|
| Originator: | UniCredit S.p.A. |
| Issuer: | UniCredit S.p.A. |
| Servicer: | UniCredit S.p.A. |
| Arranger: | UniCredit Bank AG, London Branch |
| Target transaction: | Funding - Counterbalancing Capacity |
| Type of asset: | Private Mortgage loans |
| Quality of Asset: | performing |
| Book value of the underlying assets at the end of accounting period: | 14,646,621,955.26 € |
| Covered Bonds issued at the end of accounting period: | 9,100,000,000 € |
| Other Credit Enhancements: | UniCredit S.p.A. has granted SPV a subordinated loans of total 16,051,367,281.17 euro. |
| Rating Agencies: | Fitch |
| Rating: | AA+ (from 12/23/2014) |

**Information on forbone exposures and new EBA definitions regarding non performing exposures**
On July 24, 2014 EBA issued *"Final Draft Implementing Technical Standards on Supervisory reporting on forbearance and non-performing exposures"*, (EBA/ITS /2013/03/rev1 24/7/2014) that was approved by the European Commission on January 9, 2015. This draft contains supervisory reporting rules that form an addendum to the financial reporting (FINREP) framework.

In addition to providing the signage requirements, the EBA document outlines the guidelines that should lead to the classification of an exposure as Performing, Non-Performing or forborne.

Non-performing exposures are those that meet one or both of the following criteria:
- material exposures which are more than 90 days past-due;
- the debtor is assessed as unlikely to pay its credit obligation in full without realization of collateral, regardless the existence of any past-due amount or of the number of days past due.

According to the EBA guidelines, this classification applies irrespective of the classification of an exposure as a default for regulatory purposes in accordance with Article 178 of Regulation 575/2013 (CRR) or impaired for the purposes of the Financial Statements.

With reference to December 31, 2014, the rules for classification of loans into risk categories for the purposes of the Financial Statements remained unchanged compared to December 31, 2013 and reflected the regulations issued by the Bank of Italy in force as at December 31, 2014. This indicates, however, that the overall amount of impaired assets shown in the balance sheet is broadly consistent with the total perimeter of the activities defined by the EBA as Non-Performing Exposure.

The same EBA guidelines define as Forborne exposures those transactions which have been extended measures of tolerance (Forbearance), i.e. concessions against a debtor which has faced - or is about to face - difficulties in meeting its financial commitments (Financial Difficulties).

Under the EBA standard, a "concession" is defined as follows:
- a modification of the previous terms and conditions of a contract the debtor is considered unable to comply with due to its financial difficulties (*modification*);
- a provision in dealings with a debtor in financial difficulties for a new loan to enable the fulfilment of the pre-existing obligation (refinancing).

The new definitions entered into force for the purposes of consolidated harmonized supervisory quarterly statistical reporting (FINREP) on September 30, 2014.

Effective January 1, 2015, the classification criteria for impaired financial assets were reviewed by the Bank of Italy in order to align them - even in individual types - with the new definitions of Non-Performing Exposures and Forbearance introduced by ITS EBA cited (see 7 update of Circular no. 272 of July 30, 2008 - "Matrix of accounts" issued by the Bank of Italy on January 20, 2015).

These regulatory developments in the coming periods will involve an adjustment process of classification and valuation of credit, which will allow full alignment with the new classification rules, the monitoring of the dynamics of these exposures and the provision of the necessary reports to the Supervisory Board.

In order to implement the classification rules introduced by the EBA in the management and accounting systems of the Group, UniCredit has begun its implementation activities in two phases.

In the first phase, an approach was adopted based on best approximations derived from the previously applicable management systems, used for the production of consolidated FINREP harmonized reports as at the dates of September 30, 2014 and December 31, 2014. This approach - based on the objectivity of the information already in the management and accounting systems - allows the attraction, among the transactions subject to forbearance measures, of exposures classified as "restructured loans" under the rules of the Bank of Italy in force until December 31, 2014 (for completeness, see Part A) Accounting Policies - A 2 - 4 - Loans). In addition, it provides for the tracking of the transactions covered by the concession if:

- the loan was renegotiated in terms of collective agreements or in application of legal provisions, through initiatives to support the customer as a result of acts of a particular type (e.g. natural disasters);
- the loan was renegotiated through initiatives promoted by the Bank to support specific categories of borrowers (for example: actions to cope with particularly adverse events, such as loss of employment, natural disasters, etc.);
- the "pooled" loans have undergone a renegotiation.

In order to cover these concessions within the forborne perimeter, the existence was considered of the condition of the "financial difficulties" of the borrower, as defined by the EBA Standard, identified through a defined list of parameters (the so-called Troubled Debt Test) used as the basis for the placement of the transaction in the forborne perimeter.

As above, it is specified that the forborne credits perimeter includes, among the Non-Performing Exposure, exposures classified as "restructured loans" and exposures classified within the other categories of impaired loans.

The above criteria were then followed for the identification of Forborne Performing and Forborne Non-Performing exposures as at December 31, 2014.

The results are set out below:

**Forborne exposure - loans and receivable with customers**

(€ million)

| | PERFORMING | NON PERFORMING | TOTAL | | |
|---|---|---|---|---|---|
| | NET EXPOSURE | NET EXPOSURE | GROSS EXPOSURE | WRITEDOWNS | NET EXPOSURE |
| General governments | - | - | - | - | - |
| Financial corporations | 12 | 143 | 230 | 75 | 155 |
| Non-financial corporations | 570 | 3,207 | 5,529 | 1,752 | 3,777 |
| Households | 1,701 | 622 | 2,558 | 235 | 2,323 |
| **Total** | **2,283** | **3,972** | **8,317** | **2,062** | **6,255** |
| | | | **Coverage ratio** | | **24.8%** |
| | | | **% Forborne on customer loans** | | **2.83%** |

Renegotiated exposures qualified with a measure of forbearance, as at December 31, 2014 at book value, come to a total of €6,255 million, with a percentage of total loans to customers of approximately 2.8%. In this context:
- about 63% (€3,972 million) falls within the Non-Performing Exposure category;
- about 23% (€1,417 million) relate to transactions that show delays in the regularization of payments, which vary according to the different case studies and relating to Performing customers;
- about 14% (€866 million) relate to wholly regular transactions in cash flows and also referring to Performing customers.

# Part E - Risks and Hedging Policies (Continued)

In light of the adopted approach, based on the best estimations possible, the volume of the exposures identified as Forborne could differ from those deriving from a strict application of the new definition. In particular, it is relevant to notice that in this phase it has not been possible to systematically identify the credit exposures subject to refinancing on the overall Group's perimeter (though included in the Forbearance EBA definition). Similarly, the criteria for exit and entry in the category of Non-Performing Exposures may be affected by differences between the requirements of the previously applicable definitions and the provisions of the new definitions.

The second phase of the project, currently underway, involves during 2015 a phased implementation which is parallel to IT developments and management processes, with the aim of combining the approach adopted in the first phase (and essentially based on objective criteria) with a similarly analytical methodology, in order to expand and enrich on the one hand the elements supporting the identification of transactions attracted to measures of forbearance and, on the other, to integrate and possibly reinforce the findings emerging from the aforementioned Troubled Debt Test.

**Other transactions**

With reference to the instructions in the Bank of Italy/Consob/IVASS document no. 6 of March 8, 2013 - Booking of "long-term structured repos", there are no transactions of this kind to report. In addition, with reference to an investment of UniCredit S.p.A. in a debt security issued by the Italian Republic maturing on August 30, 2019 (ITALY 19EUR FRN), subscribed for during placement for a nominal amount of €750 million and with a book value of €733 million including accrued interest at December 31, 2014 (classified into the held-to-maturity portfolio in accordance with the economic purpose), a term repo (conducted in two stages) for a total nominal amount of €750 million, with a book value (liability) of €761 million at December 31, 2014, was completed during the year 2012.

At the same time, a 4.25% BTP maturing in September 2019 was purchased under a term reverse repo (conducted in 2 stages) for a total nominal value of €750 million and a book value of €761 million at December 31, 2014, with the economic purpose of obtaining the availability of more liquid securities (compared with the security ITALY 19EUR FRN) - with the same maturity and similar underlying risks - that can be therefore used more easily for refinancing operations.

The term repo and the term reverse repo are subject to netting (whose value is collateralized by cash) in the event of the default of one of the two counterparties or of the Italian Republic. This clause is accounted for as a financial guarantee issued, in accordance with the nature of the commitments of the parties. The fair value at trade date, €22 million, was initially recorded in other liabilities and is amortized on a pro-rata basis according to the current accounting rules.

**Information on Sovereign Exposures**

In accordance with CONSOB Notice DEM/11070007 of August 5, 2011 (which in turn refers to ESMA document 2011/266 of July 28, 2011) concerning information to be disclosed in the financial reports on exposures held by listed companies in debt securities and sovereign financing, as well as the current trend in global markets, details are provided on Sovereign Exposures[2] held by UniCredit S.p.A. as of December 31, 2014.

2 Sovereign Exposures means debt obligations issued by central and local governments, and government bodies as well as loans granted to them. For purposes of the current risk exposure any positions held through ABSs are excluded.

Altogether, the book value of Sovereign Exposures represented by "debt securities" as of December 31, 2014 was € 51,610 million, of which nearly 95% in connection with Italy.

This exposure is shown in the table below:

### Breakdown of Sovereign Debt Securities by Country and Portfolio

(€ '000)

| | AMOUNTS AS AT 12.31.2014 | | |
|---|---|---|---|
| COUNTRY / PORTFOLIO | NOMINAL VALUE | BOOK VALUE | FAIR VALUE |
| **- Italy** | **44,576,434** | **48,975,182** | **48,996,878** |
| financial assets/liabilities held for trading (net exposures*) | 2,593,649 | 2,699,234 | 2,699,234 |
| financial assets at fair value through profit or loss | 1,096 | 1,102 | 1,102 |
| available for sale financial assets | 40,177,197 | 44,470,854 | 44,470,854 |
| available for sale financial assets | 236,992 | 238,105 | 234,257 |
| held to maturity investments | 1,567,500 | 1,565,887 | 1,591,431 |

* including exposures in Credit Derivatives and short positions.

The remaining 5% of total Sovereign Exposures to debt securities, equal to €2,635 million, still in connection with the relative book value as of December 31, 2014, is spread over 14 countries, of which €613 million to Poland, €440 million to Luxembourg, €292 million to the Czech Republic, and €339 million to France. Note that there are no Sovereign Exposures to Greece.

The exposures in question were not subject to impairment in 2014.

The table below ranks debt securities and their percentage share over their related total portfolio.

### Breakdown of Sovereign Debt Securities by Portfolio

(€ '000)

| | AMOUNTS AS AT 12.31.2014 | | | | |
|---|---|---|---|---|---|
| | FINANCIAL ASSTES AT FAIR VALUE* | AVAILABLE FOR SALE FINANCIAL ASSTES | LOANS | HELD TO MATURITY INVESTMENTS | TOTAL |
| Book value | 2,860,444 | 46,922,951 | 261,209 | 1,565,887 | 51,610,492 |
| % Portfolio | 17.27% | 84.21% | 0.12% | 100.00% | 17.52% |

* The financial asset measured at fair value include "assets held for trading" and "asset measured at fair value".

"Financing"[3] granted to central and local governments, and government entities must also be added to Sovereign Exposures in debt securities, as shown in the table below:

### Breakdown of Sovereign Loans by Country

(€ '000)

| | AMOUNTS AS AT 12.31.2014 |
|---|---|
| COUNTRY | BOOK VALUE |
| - Italy | 4,398,463 |
| - Brazil | 150,054 |
| - Turkey | 77,150 |
| - United Arab Emirates | 8,920 |
| - Indonesia | 27 |
| - Latvia | 4 |
| - Haiti | 2 |
| - Malta | 2 |
| - Somalia | 2 |
| - Romania | 1 |
| - Austria | 1 |
| - Denmark | 1 |
| - Saudi Arabia | 1 |
| - Other | 1 |
| **Total on-balance sheet exposures** | **4,634,630** |

For more details on the analysis of sensitivity to credit spreads and the outcome of stress tests, please see the "Greece default", "Sovereign Debt

3. Excluding tax items.

# Part E - Risks and Hedging Policies (CONTINUED)

Tension" and "Widespread Contagion" scenarios described under Section 2 - Market risks below. For details regarding liquidity management policies, please see the following Section 3 - Liquidity risk.

### Information on OTC Trading Derivatives with Customers

The business model governing OTC derivatives trading with customers provides for centralization of market risk in the CIB Division, while credit risk is assumed by the Group company which, under the divisional or geographical segmentation model, manages the relevant customer's account.

The Group's operational model provides for customer trading derivatives business to be carried on, as part of each subsidiary's operational independence:
- by the commercial banks and divisions that close transaction in OTC derivatives in order to provide non-institutional clients with products to manage currency, interest-rate and price risk. Under these transactions, the commercial banks transfer their market risks to the CIB Division by means of equal and opposite contracts, retaining only the relevant counterparty risk. The commercial banks also place or collect orders on behalf of others for investment products with embedded derivatives (e.g., structured bonds);
- by the CIB Division operating with large corporate and financial institutions, in respect of which it assumes and manages both market and counterparty risk;
- by CEE Banks, which transact business directly with their customers.

The UniCredit group trades OTC derivatives on a wide range of underlying, e.g.: interest rates, currency rates, share prices and indexes, commodities (precious metals, base metals, petroleum and energy materials) and credit rights.

OTC derivatives offer considerable scope for personalization: new payoff profiles can be constructed by combining several OTC derivatives (for example, a plain vanilla IRS with one or more plain vanilla or exotic options). The risk and the complexity of the structures obtained in this manner depend on the respective characteristics of the components (reference parameters and indexation mechanisms) and the way in which they are combined.

Credit and market risk arising from OTC derivatives business is controlled by the Chief Risk Officer competence line (CRO) in the Parent and/or in the Division or subsidiary involved. This control is carried out by means of guidelines and policies covering risk management, measurement and control in terms of principles, rules and processes, as well as by setting VaR limits.

The business with non-institutional clients does not entail the use of margin calls, whereas with institutional counterparties (dealt with by the CIB Division) recourse may be made to credit risk mitigation techniques, for example "netting" and/or collateral agreements.

Write-downs and write-backs of derivatives to take account of counterparty risk are determined in line with the procedure used to assess other credit exposure, specifically:
- performing exposure are mapped by deriving EAD (Exposure at Default) that take into account the Wrong Way Risk and measured with PD (Probability of Default) and LGD (Loss Given Default) implied by current market default rates obtained from credit default swaps, in order to obtain a value in terms of 'expected loss' to be used for items designated and measured at fair value;
- non-performing positions are valued in terms of estimated expected future cash flow according to specific indications of impairment (which are the basis for the calculation of the amount and timing of the cash flow).

Here follows the breakdown of balance-sheet asset item 20. "Financial assets held for trading" and of balance-sheet liability item 40. "Financial liability held for trading".

To make the distinction between customers and banking counterparties, the definition contained in Banca d'Italia Circular No. 262 as for its third update published on December 22, 2014 (which was used for the preparation of the accounts) was used as a reference.

Structured products were defined as derivative contracts that incorporate in the same instrument forms of contracts that generate exposure to several types of risk (with the exception of cross currency swaps) and/or leverage effects.

The balance of item 20 "Financial assets held for trading" with regard to derivative contracts totaled €9,844 million (with a notional value of €174,139 million) including €4,573 million with customers. The notional value of derivatives with customers amounted to €60,296 million including €57.660 million in plain vanilla (with a fair value of €4,285 million) and €2,636 million in structured derivatives (with a fair value of €288 million). The notional value of derivatives with banking counterparties totaled €113,843 million (fair value of €5,271 million) including €1,008 million related to structured derivatives (fair value of €41 million).

The balance of item 40 "Financial liabilities held for trading" of the consolidated accounts with regard to derivative contracts totaled €9,558 million (with a notional value of €173,576 million) including €3,294 million with customers. The notional value of derivatives with customers amounted to €50,138 million including €48.874 million in plain vanilla (with a fair value of €3,253 million) and €1,265 million in structured derivatives (with a fair value of €41 million). The notional value of derivatives with banking counterparties totaled €123,437 million i (fair value of €6,264 million) including €4,140 million related to structured derivatives (fair value of €406 million).

### D. Credit risk measurement models

At the end of 2014 the expected loss on the credit risk perimeter was 0.93% of total Bank credit exposure. This trend is mitigated by the exposures which migrate to default and therefore do not enter in the calculation of expected loss. Besides, since risk measurement systems tend to be anti-cyclical, this may result in a smaller elasticity to the swift changes of the macroeconomic scenario. As of December 31, 2014, the Bank economic capital on the loan portfolio totaled 3.61% of total Bank credit exposures. The decrease on December 2013 (4.86%) is due to the improvement in the risk parameters which were also reflected in a decrease in expected loss.

# Section 2 - Market risks

Generally speaking, banks' market risks are due to price fluctuations or other market risk factors affecting the value of positions on its own books, both the trading book and the banking book, i.e. those arising from business operations and strategic investment decisions. UniCredit Group's market risk management includes, therefore, all activities relating to cash and capital structure management, both in the Parent and in the individual Group companies.

The Parent monitors risk positions at the Group level. The individual Group companies, UniCredit S.p.A. included, monitor their own risk positions, within the scope of their specific responsibilities, in line with UniCredit Group supervision policies.

The individual companies produce detailed reports on business trends and related market risks on a daily basis, forwarding market risk documentation to the Parent company.

The Parent's Group Market Risk unit is responsible for aggregating this information and producing information on overall market risks.

### Organizational Structure

The Parent'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 propensity for risk and value creation objectives in proportion to risks assumed.

The Parent's Risks Committee provides advice and recommendations in respect of decisions taken by the Chief Executive Officer and in drawing up proposals made by the Chief Executive Officer to the Board of Directors with regard to the following:

- the Group's risk appetite, including capitalization objectives, capital allocation criteria, risk-taking capacity, cost of equity and dividends policy, as well as internal capital limits;
- general strategies for the optimization of risks, general guidelines and general policies for Group risk management;
- internal models for measuring all types of risks to calculate regulatory capital;
- structure of limits by type of risk;
- strategic policies and funding plans.

Similarly, it decides on the following:

- the definition of guidelines relative to Group financial policies (asset and liability management strategies, including the Group-wide duration profile);
- the allocation of risk to the Business Units and to the Entities (UniCredit S.p.A. included), specific risk-related guidelines and strategies and consequently setting of limits for achieving objectives in terms of risk appetite and limits by type of risk;
- methods for the measurement and control of the Group's aggregate risks (deriving from the aggregation of individual types of risk);
- guidelines, policies and strategies for real estate risk, financial investment risk and business risk;
- intervention plans in the event of critical aspects shown in the initial validation reports and over time;
- topics involving the implementation of Basel II standards, as well as the respective project and process activities.

The Risk Committee comprises the following members: the Chief Executive (Chair of the Committee), the Deputy General Managers, the Chief Risk Officer (chairs the Committee in the absence of the Chief Executive) and the Chief Financial Officer, the Legal &Compliance Officer, the CEE Division Program Officer, and the Human Resources Officer. The Head of the Group Internal Audit Department also attends meetings of the Risk Committee, but is not entitled to vote.

### Structure and organisation

During the second quarter of 2013, in order to create a single reference point for the management of UniCredit Group financial risks and to ensure a more efficient steering, coordination and control through a single organizational structure, the "Group Financial Risk" department has been created, with direct report to "Group Risk Management" department.

# Part E - Risks and Hedging Policies (Continued)

The “Group Financial Risk” is responsible for the government and control of Group financial risks (liquidity, interest rate, market, counterparty and trading credit[5] risks) through the evaluation of strategies and the proposal to relevant Bodies of risk limits and Global/Local rules. The department is also responsible for the managerial coordination of the corresponding functions of Regional Centers (RCs), according to “GMGR[6]” and “GMGR Evolution”, and for providing decisions and Non Binding Opinions (NBO), when specifically required, for all financial risks of the Group.

In addition, the “Group Financial Risk” department is responsible for the definition, set up and maintenance of Group methodologies and architectures for the measurement and control of financial risks and practices for Market Data Reference and Fair Value of financial instruments. The department ensures the compliance of the Financial Risk Management framework with regulatory requirements.

In order to effectively manage Group financial risks, the new organizational structure includes the following units:
- “Group Market & Trading Credit Risk Management” department, responsible for the governance and control of Group’s market, trading credit and collateral risks, in charge of the following activities:
  - define Group market and trading credit risk management framework to be implemented by RCs;
  - ensure that counterparty and issuer risk strategies are integrated in the Group credit risk strategy and into the daily credit risk management processes of the RCs;
  - verify the sound implementation of market, counterparty and issuer risk framework and processes in the RCs;
  - steer the market and traded credit risk management of the RCs and ensuring a consistent Group-wide approach;
  - monitor the coherence of business strategy with the market risk strategy.

The department includes:
- “Market Risk Management” unit, responsible for market risk management at consolidated level and in charge of these activities:
  - coordinate the market risk identification process of the RCs and ensure the consistency with regulatory standards;
  - propose the Group market risk strategy and translate the strategy into the set up and allocation of global and granular limits at Group and RCs level;
  - assess market risk for new products and formulate NBOs on the issuance of such products for RCs;
  - control risks not included in internal models in cooperation with “Group Risk Methodologies & Architecture” unit;
  - verify the compliance of front office activity with Group market risk strategy through the analysis of P&L explanation and attributions and the daily supervision of the limits monitoring activity performed by RCs’ market risk control functions, with the activation, in case of limit breach, of the escalation process and the definition of correct mitigation actions to be taken.
- “Portfolio Market Risk Management” unit, responsible for stress testing, monitoring and reporting of market risk profiles and limits, with the following activities:
  - coordinate the Group market risk stress test program to be implemented by RCs and ensure that it includes all material market risks of the Group;
  - perform stress testing for market risk at Group level, evaluating Group capacity to absorb market risk losses and opportunities to reduce risk;
  - produce market risk reports in order to provide an updated view of market risks at Group level, both in normal and stressed scenarios, in compliance with the requirements set by the “Group Financial Risk Standard & Practice” unit;
  - provide the relevant functions with the adequate information on Group market risk and ensure they are consistently integrated in Group capital planning and in all regulatory disclosures (ICAAP, Basel II Pillar III disclosures, notes to Financial Statements).

- “Group Price Control” team, responsible for Group-wide Market Data Reference and Fair Value framework for marking books and records. In particular, the team is responsible for the following activities:
  - define, set up and update Market Data Reference framework for the end-of-day market data assignment and Fair Value framework for the valuation of financial instruments for marking purposes, the latter in cooperation with “Group Risk Methodologies & Architecture” unit;
  - define the Group-wide Independent Price Verification (IPV) and Fair Value Adjustments (FVA) activities (for example: cooperation with competence centers and PF&A department, reporting);
  - verify the correct implementation and output quality of the above mentioned frameworks in the RCs and the congruity of the valuation criteria;
  - define, set up and update market conformity checks;
  - perform second level controls, for its area of competence, on money market rates contribution and FTP and end of day market data validation, market conformity checks, IPV and FVA processes for the RC Italy;
  - support UniCredit S.p.A, for the Country Chairman Italy perimeter, in the activities related to the enforcement of the MiFID application;
  - define and monitor risk limits and autonomy levels on portfolio models and building blocks used for management of segregated accounts and verify their allocation with respect to the investment strategies;
  - deliver the results of the monitoring activity to the Group Investment Committee and to the Board of Directors/CEO;
  - assess portfolio models and building blocks’ performance data calculated by “Global Investment Strategy (GIS)” department;
  - provide, or approve if proposed by “Global Investment Strategy” (GIS) or “Investment Products Italy” department, the asset classification for financial instruments in the “Common Instrument Classification” (CIC) Management System.
- “Group Risk Methodologies & Architecture” unit, responsible for the methodologies and architecture at Group level for market, counterparty, interest rate and liquidity risks, through the following activities:
  - define, set up and update the financial risk measurement, management and stress testing methodologies (e.g. VaR, SVaR, IRC, CCR, EPE, CBC);
  - analyze and review of the models developed by “Planning, Finance & Administration” department, used for management and control of the balance sheet and liquidity risk;

5. I.e. Pre-settlement, Settlement, Money Market and Issuer Risk
6. Group Managerial Golden Rules

- develop prototypes for new financial risk management models and financial risk management and reporting applications;
- define, set up and update the methodologies for Independent Price Verification (IPV) and Fair Value Adjustments (FVA), in cooperation with "Group Price Control" team;
- manage the regulatory approval and review process for financial risks management models, addressing "Group Internal Validation" department and "Internal Audit" department recommendations related to such models;
- coordinate the Group-wide models' and architectures rollout and maintenance within the various RCs, verifying their correct implementation and output quality;
- develop risk metrics for those risks not correctly captured by internal models in cooperation with the "Market Risk Management" unit;
- support the competent functions in the measurement and analysis of counterparty, liquidity, interest rate and market risk economic capital for regulatory ICAAP process, strategic planning and budgeting process;
- support, in cooperation with the "CIB Division" and "PF&A" department, the competent functions in order to identify and exploit capital optimization opportunities;
- analyze Front Office developed models used for marking P&L, review their adequacy on an on-going basis and assess, in cooperation with "Group Price Control" team, the related model risk to quantify Fair Value Adjustments;
- define, set up and update the Group-wide financial risks management and Front Office reference market data (i.e. EOD, IPV, FVA, conformity checks) architectures;
- source, validate and supply market parameters for financial risks management models;
- support the "Group Market & Trading Credit Risk Management" department by configuring Group-wide stress test scenarios into the Group-wide risk measurement systems;
- maintain and monitor the performance of the Group-wide financial risks models, including back testing results carried out by the RCs and at a consolidated level, in cooperation with "Market Risk Validation" unit.

• "Financial Risk Italy" unit, responsible for the independent control of liquidity, interest rate, market, counterparty, trading credit and collateral risks at RC Italy level as well as for carrying out the stress tests required. In particular, the unit is responsible for the following activities:
  - propose, in cooperation with the Group function, the setting and allocation for the RC Italy of market, interest rate and liquidity risk limits, monitoring breaches and evaluating also countermeasures/mitigation actions to be taken;
  - verify the consistency of Front Office activity with the market risk strategy;
  - perform exposure validation, credit lines monitoring, overnight and intra-day overdraft management for RC Italy trading credit and collateral risks, on FIBS counterparties;
  - produce relevant reporting at RC Italy level;
  - perform stress test program defined at Group level on RC Italy level for market, liquidity, trading credit and collateral risks and relevant internal models maintenance and back-testing for the RC Italy;
  - monitor collateral management relating to derivative products and securities financing transactions with FIBS counterparties at RC Italy level;
  - assess financial risks pertaining to new products in RC Italy and provide an opinion on the issuance of such products;
  - limit monitoring in terms of mark up and hedging cost for corporate treasury sales business;
  - perform largest 50 exposure plausibility checks on exposure data for RC Italy according to the required data model, for weekly and monthly official reporting to the Bank of Italy, for trading credit and collateral risks;
  - perform second level controls, for its area of competence, on money market rates contribution and FTP, as indicated by internal processes and regulation in force.

• "Group Financial Risk Standard & Practice" unit, responsible for Global Policies and for the financial risk reporting coherence and coordination across the Group. In detail, the unit is in charge of the following activities:
  - issue Global Policies in cooperation with the "Group Financial Risk" department;
  - monitor the approval and the implementation of Global Policies on financial risks at local level with the cooperation of Legal Entities competent functions; these functions guarantee the implementation of local Policies in accordance to Global Policies;
  - verify the approval and the implementation at local level of the Global Operational Instructions (GOI) leveraging on Legal entities' competent functions;
  - set the reporting standards for the "Group Financial Risk" department, managing documentation to Group Committees identifying roles and responsibilities;
  - track and coordinate activities related to "Group Financial Risk" department Audit findings;
  - act as interface with Regulators/Management/relevant Bodies for the "Group Financial Risk" department, in coordination with Group and department's structures.

• "Group Interest Rate Risk Management" unit, responsible for the independent control of interest rate risks at Group level. Responsibilities include these activities:
  - propose to the competent Bodies the limits for managing balance sheet interest rate risks at Group level and review the limits proposal at Regional Centre level;
  - perform controls, analysis and limits monitoring for balance sheet relevant risk factors;
  - verify the correct implementation of balance sheet risks management processes in the Regional Centers;
  - define and coordinate scenario analysis for interest rate risk;
  - produce relevant reporting at Group level to competent Bodies and to Regulators when required, in accordance to the standards and requirements set by the "Financial Risk Standard & Practice" unit.

# Part E - Risks and Hedging Policies (Continued)

**Internal Model for Price, Interest Rate and Exchange Rate Risk of the Regulatory Trading Book**
During the last three years, in compliance with Basel Committee regulations and guidelines, state-of-the-art models for market risk measurement, such as Stressed VaR and Incremental Risk Charge, have been developed for both capital charge calculation and managerial purposes.

The main tool used to measure market risk on trading positions is Value at Risk (VaR), calculated using the Historical simulation method (new IMOD).

The Historical simulation method provides for the daily revaluation of positions on the basis of trends in market prices over an appropriate observation period. The empirical distribution of profits/losses deriving there from is analyzed to determine the effect of extreme market movements on the portfolios. The distribution value at the percentile corresponding to the fixed confidence interval represents the VaR measurement. The parameters used to calculate the VaR are as follows: 99% confidence interval; 1 day time horizon; daily update of time series; observation period of 500 days. Use of a 1-day time-horizon makes it possible to make an immediate comparison between profits/losses realized.

New IMOD is in use for risk steering purposes and starting from end of September 2013 it is used for calculating capital requirements regarding trading positions.

In addition to VaR and Basel II 2.5 risk measures ( Stressed VaR and Incremental Risk Charge), stress tests represent an important risk management tool that provides UniCredit with an indication of how much capital might be needed to absorb losses in case of large financial shocks. Stress testing forms an integral part of the Internal Capital Adequacy Assessment Process (ICAAP), which requires UniCredit to undertake rigorous, forward-looking stress testing that identifies possible events or changes in market conditions that could adversely impact the bank.

Within the organizational context described above, the policy implemented by the UniCredit Group within the scope of market risk management is aimed at the gradual adoption and use of common principles, rules and processes in terms of appetite for risk, ceiling calculations, model development, pricing and risk model scrutiny.

As for internal scenario analysis policies and procedures (i.e. “stress testing”), these procedures have been entrusted to the individual legal entities. Overall, however, a set of scenarios common to the Group as a whole, is applied to all positions in order to check on a monthly basis the potential impact that their occurrence could have on the global trading portfolio.

Shown below are the VaR data on the market risk for the trading book in UniCredit S.p.A..

**Daily VaR on Trading Book**

(€ million)

| | | 2014 | | | 2013 |
|---|---|---|---|---|---|
| 12.31.2014 | 12.31.2014 | AVERAGE | MAX | MIN | AVERAGE |
| UniCredit S.p.A. | 6.84 | 7.4 | 14.0 | 2.8 | 6.5 |

Shown below are the SVaR data on the market risk for the trading book in UniCredit S.p.A.

**SVaR on Trading Book**

(€ million)

| | | 2014 | | | 2013 |
|---|---|---|---|---|---|
| 12.31.2014 | 12.31.2014 | AVERAGE | MAX | MIN | AVERAGE |
| UniCredit S.p.A. | 24.24 | 21.59 | 29.69 | 12.66 | 13.80 |

Shown below are the IRC data on the market risk for the trading book in UniCredit S.p.A.

**IRC on Trading Book**

(€ million)

| | | 2014 | | | 2013 |
|---|---|---|---|---|---|
| 12.31.2014 | 12.31.2014 | AVERAGE | MAX | MIN | MEDIO |
| UniCredit S.p.A. | 202.5 | 213.9 | 298.8 | 125.4 | 131.5 |

## 2.1 Interest Rate Risk - Regulatory trading book

### Qualitative Information

#### *A. General information*
Interest rate risk arises from financial positions taken by specialist desks holding assigned market risk limits within certain levels of discretion. Apart from use of internal models in calculating capital requirements on market risks, risk positions are monitored and subject to limits assigned to the portfolios on the base of managerial responsibilities and not purely on regulatory criteria.

#### *B. Risk Management Processes and Measurement Methods*
For both a description of internal processes for monitoring and managing risk and an illustration of the methodologies used to analyze exposure, please refer also to introduction on internal models.

## 2.2 Interest Rate and Price Risk - Banking Book

### Interest Rate Risk

### Qualitative Information

#### *A. General aspects, operational processes and methods for measuring interest rate risk*
Interest rate risk consists of changes in interest rates that are reflected in:
- interest income sources, and thus, the bank's earnings (cash flow risk);
- the net present value of assets and liabilities, due to their impact on the present value of future cash flows (fair value risk).

The Group daily measures and monitors this risk within the framework of a banking book interest rate risk policy that establishes consistent methodologies and models and limits or thresholds to focus on with regard to the sensitivity of net interest income and the Group's economic value.

Interest rate risk has an impact on all owned positions resulting from business operations and strategic investment decisions (banking book).

At Dec 31, 2014, the sensitivity of interest income to an immediate and parallel shift of +100bps was 114 million (and -125 million for a shift of -100bps).

The sensitivity of the economic value of shareholders' equity to an immediate and parallel change in interest rates ("parallel shift") of +200 bp was € 68 million at Dec 31, 2014.

The above managerial figures include modeled sensitivity estimates for assets and liabilities with well not defined maturities, such as sight and savings deposits.

# Part E - Risks and Hedging Policies (CONTINUED)

The main sources of interest rate risk can be classified as follows:
- repricing risk - the risk resulting from timing mismatches in maturities and the repricing of the bank's assets and liabilities; the main features of this risk are:
  - yield curve risk - risk resulting from exposure of the bank's positions to changes in the slope and shape of the yield curve;
  - basis risk - risk resulting from the imperfect correlation in lending and borrowing interest rate changes for different instruments that may also show similar repricing characteristics;
- optionality risk - risk resulting from implicit or explicit options in the Group's banking book positions.

Some limits have been set out, in the above described organization, to reflect a risk propensity consistent with strategic guidelines issued by the Board of Directors. These limits are defined in terms of VaR (calculated using the methodology described above in relation to the trading portfolio), Sensitivity or Gap Repricing.

UniCredit S.p.A., like each of the Group's banks or companies, assumes responsibility for managing exposure to interest rate risk within its specified limits. Both micro- and macro-hedging transactions are carried out for this purpose.

At the consolidated level, Group HQ's Asset Liability Management Unit takes the following measures:
- It performs operating sensitivity analysis in order to measure any changes in the value of shareholders' equity based on parallel shocks to rate levels for all time buckets along the curve;
- Using static gap analysis (i.e., assuming that positions remain constant during the period), it performs an impact simulation on net interest income for the current period by taking into account different elasticity assumptions for demand items;
- It analyses interest income using dynamic simulation of shocks to market interest rates;
- It develops methods and models for better reporting of the interest rate risk of items with no contractual maturity date (i.e., demand items).

Group Risk Management performs second-level controls on the above mentioned analyses.

Group Balance Sheet & Liquidity Risk sets interest rate risk limits using VaR methodologies and verifies compliance with these limits on a daily basis.

### B. Fair value hedging operations
Hedging strategies aimed at complying with interest rate risk limits for the banking portfolio are carried out with listed or unlisted derivative contracts, and the latter, which are commonly interest rate swaps, are the type of contracts used the most.

Macro-hedging is generally used, meaning hedges related to the amounts of cash contained in asset or liability portfolios. Under certain circumstances, the impact of micro-hedges related to securities issued or individual financial assets are recognized (especially when they are classified in the available-for-sale portfolio).

### C. Cash flow hedging operations
In certain instances, cash flow hedging strategies are also used as an alternative to fair value hedging strategies in order to stabilize income statement profits in the current and future years. Macro-hedging strategies are mainly used and they may also refer to the interest rate risk of the core portion of financial assets "on demand."

## QUANTITATIVE INFORMATION

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

| TYPE / RESIDUAL MATURITY | AMOUNTS AS AT 12.31.2014 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | ON DEMAND | UP TO 3 MONTHS | 3 TO 6 MONTHS | 6 MONTHS TO 1 YEAR | 1 TO 5 YEARS | 5 TO 10 YEARS | OVER 10 YEARS | UNSPECIFIED MATURITY |
| **1. Balance-sheet assets** | **65,336,205** | **111,542,638** | **22,680,790** | **18,180,034** | **51,845,851** | **18,387,212** | **9,139,114** | **-** |
| 1.1 Debt securities | 1,389 | 14,723,521 | 4,983,179 | 6,916,897 | 27,613,167 | 9,795,928 | 731,960 | - |
| - With prepayment option | - | - | - | - | - | - | - | - |
| - Other | 1,389 | 14,723,521 | 4,983,179 | 6,916,897 | 27,613,167 | 9,795,928 | 731,960 | - |
| 1.2 Loans to banks | 5,526,524 | 7,222,047 | 784,876 | 297,364 | 51,934 | 30,046 | 46 | - |
| 1.3 Loans to customers | 59,808,292 | 89,597,070 | 16,912,735 | 10,965,773 | 24,180,750 | 8,561,238 | 8,407,108 | - |
| - Current accounts | 23,279,115 | 22,524 | 74,974 | 1,323,898 | 3,085,337 | 675,221 | 236,445 | - |
| - Other loans | 36,529,177 | 89,574,546 | 16,837,761 | 9,641,875 | 21,095,413 | 7,886,017 | 8,170,663 | - |
| *- With prepayment option* | *26,938,768* | *37,257,042* | *10,552,235* | *3,055,293* | *13,655,082* | *5,520,468* | *7,167,259* | - |
| *- Other* | *9,590,409* | *52,317,504* | *6,285,526* | *6,586,582* | *7,440,331* | *2,365,549* | *1,003,404* | - |
| **2. Balance-sheet liabilities** | **133,440,590** | **103,924,286** | **13,268,434** | **11,960,908** | **36,077,657** | **13,357,024** | **1,106,288** | **-** |
| 2.1 Deposits from customers | 125,246,108 | 34,768,090 | 4,440,541 | 1,343,068 | 791,159 | 115,696 | 605,079 | - |
| - Current accounts | 116,789,813 | 51,903 | 30,000 | 8,378 | - | - | - | - |
| - Other loans | 8,456,295 | 34,716,187 | 4,410,541 | 1,334,690 | 791,159 | 115,696 | 605,079 | - |
| *- With prepayment option* | - | - | - | - | - | - | - | - |
| *- Other* | *8,456,295* | *34,716,187* | *4,410,541* | *1,334,690* | *791,159* | *115,696* | *605,079* | - |
| 2.2 Deposits from banks | 7,838,643 | 12,352,131 | 2,295,865 | 700,676 | 8,442,855 | 36,780 | 36,149 | - |
| - Current accounts | 1,452,674 | - | - | - | - | - | - | - |
| - Other loans | 6,385,969 | 12,352,131 | 2,295,865 | 700,676 | 8,442,855 | 36,780 | 36,149 | - |
| 2.3 Debt securities in issue | 342,825 | 56,804,065 | 6,532,028 | 9,917,164 | 26,843,643 | 13,204,548 | 465,060 | - |
| - With prepayment option | - | - | - | - | - | - | - | - |
| - Other | 342,825 | 56,804,065 | 6,532,028 | 9,917,164 | 26,843,643 | 13,204,548 | 465,060 | - |
| 2.4 Other liabilities | 13,014 | - | - | - | - | - | - | - |
| - With prepayment option | - | - | - | - | - | - | - | - |
| - Other | 13,014 | - | - | - | - | - | - | - |
| **3. Financial derivatives** | | | | | | | | |
| 3.1 Phisically settled financial derivatives | | | | | | | | |
| - Option | | | | | | | | |
| + Long positions | - | 1,917,430 | - | - | - | - | - | - |
| + Short positions | - | 1,917,430 | - | - | - | - | - | - |
| - Other derivatives | | | | | | | | |
| + Long positions | - | 2,059 | - | 126,867 | 2,878,729 | 127,401 | - | - |
| + Short positions | - | 1,570 | - | 139,445 | 3,060,506 | 137,795 | - | - |
| 3.2 Cash settled financial derivatives | | | | | | | | |
| - Options | | | | | | | | |
| + Long positions | - | 862 | - | 37 | 848,026 | 412,749 | 131,261 | - |
| + Short positions | - | 862 | - | 37 | 848,026 | 412,749 | 131,261 | - |
| - Other derivatives | | | | | | | | |
| + Long positions | 6,529,468 | 172,048,408 | 14,162,688 | 17,824,395 | 78,965,261 | 35,873,861 | 3,471,304 | - |
| + Short positions | 9,982,933 | 179,090,455 | 24,579,277 | 16,172,159 | 74,789,454 | 17,815,531 | 6,650,162 | - |
| **4. Other off-balance sheet** | | | | | | | | |
| + Long positions | 12,094,797 | 22,816,476 | 1,953,371 | 1,008,970 | 6,302,907 | 238,234 | 114,560 | - |
| + Short positions | 30,408,336 | 11,067,821 | 1,697,144 | 1,320,373 | - | 25,640 | 10,000 | - |

# Part E - Risks and Hedging Policies (CONTINUED)

**1.1 Banking portfolio: distribution by maturity (repricing date) of financial assets and liabilities - Currency: *euro***

| | AMOUNTS AS AT 12.31.2014 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| TYPE / RESIDUAL MATURITY | ON DEMAND | UP TO 3 MONTHS | 3 TO 6 MONTHS | 6 MONTHS TO 1 YEAR | 1 TO 5 YEARS | 5 TO 10 YEARS | OVER 10 YEARS | UNSPECIFIED MATURITY |
| **1. Balance-sheet assets** | **62,370,277** | **108,645,268** | **22,125,044** | **18,018,388** | **51,554,852** | **18,257,048** | **9,110,266** | **-** |
| 1.1 Debt securities | 1,305 | 14,672,936 | 4,956,481 | 6,770,095 | 27,472,202 | 9,695,684 | 712,500 | - |
| - With prepayment option | - | - | - | - | - | - | - | - |
| - Other | 1,305 | 14,672,936 | 4,956,481 | 6,770,095 | 27,472,202 | 9,695,684 | 712,500 | - |
| 1.2 Loans to banks | 2,876,905 | 6,270,954 | 773,368 | 295,059 | 44,507 | 30,046 | 46 | - |
| 1.3 Loans to customers | 59,492,067 | 87,701,378 | 16,395,195 | 10,953,234 | 24,038,143 | 8,531,318 | 8,397,720 | - |
| - Current accounts | 23,099,142 | 22,524 | 74,813 | 1,323,860 | 3,084,314 | 675,214 | 236,441 | - |
| - Other loans | 36,392,925 | 87,678,854 | 16,320,382 | 9,629,374 | 20,953,829 | 7,856,104 | 8,161,279 | - |
| *- With prepayment option* | *26,931,469* | *37,245,778* | *10,549,274* | *3,051,517* | *13,600,446* | *5,490,606* | *7,163,716* | - |
| *- Other* | *9,461,456* | *50,433,076* | *5,771,108* | *6,577,857* | *7,353,383* | *2,365,498* | *997,563* | - |
| **2. Balance-sheet liabilities** | **130,499,198** | **102,327,002** | **12,536,647** | **11,685,023** | **35,168,848** | **13,310,010** | **1,106,288** | **-** |
| 2.1 Deposits from customers | 123,822,892 | 34,658,226 | 4,435,279 | 1,276,785 | 791,159 | 115,696 | 605,079 | - |
| - Current accounts | 115,382,354 | - | 30,000 | 5,905 | - | - | - | - |
| - Other loans | 8,440,538 | 34,658,226 | 4,405,279 | 1,270,880 | 791,159 | 115,696 | 605,079 | - |
| *- With prepayment option* | - | - | - | - | - | - | - | - |
| *- Other* | *8,440,538* | *34,658,226* | *4,405,279* | *1,270,880* | *791,159* | *115,696* | *605,079* | - |
| 2.2 Deposits from banks | 6,320,660 | 11,640,109 | 2,239,488 | 551,955 | 7,825,114 | 36,780 | 36,149 | - |
| - Current accounts | 1,140,466 | - | - | - | - | - | - | - |
| - Other loans | 5,180,194 | 11,640,109 | 2,239,488 | 551,955 | 7,825,114 | 36,780 | 36,149 | - |
| 2.3 Debt securities in issue | 342,632 | 56,028,667 | 5,861,880 | 9,856,283 | 26,552,575 | 13,157,534 | 465,060 | - |
| - With prepayment option | - | - | - | - | - | - | - | - |
| - Other | 342,632 | 56,028,667 | 5,861,880 | 9,856,283 | 26,552,575 | 13,157,534 | 465,060 | - |
| 2.4 Other liabilities | 13,014 | - | - | - | - | - | - | - |
| - With prepayment option | - | - | - | - | - | - | - | - |
| - Other | 13,014 | - | - | - | - | - | - | - |
| **3. Financial derivatives** | | | | | | | | |
| 3.1 Phisically settled financial derivatives | | | | | | | | |
| - Option | | | | | | | | |
| + Long positions | - | 1,917,430 | - | - | - | - | - | - |
| + Short positions | - | 1,917,430 | - | - | - | - | - | - |
| - Other derivatives | | | | | | | | |
| + Long positions | - | - | - | 55,630 | 2,079,627 | 105,270 | - | - |
| + Short positions | - | 1,570 | - | 79,658 | 847,612 | 24,954 | - | - |
| 3.2 Cash settled financial derivatives | | | | | | | | |
| - Options | | | | | | | | |
| + Long positions | - | 862 | - | 37 | 848,026 | 412,749 | 131,261 | - |
| + Short positions | - | 862 | - | 37 | 848,026 | 412,749 | 131,261 | - |
| - Other derivatives | | | | | | | | |
| + Long positions | 6,364,737 | 171,152,729 | 14,136,551 | 17,654,725 | 77,250,664 | 35,851,729 | 3,471,304 | - |
| + Short positions | 7,767,300 | 177,693,300 | 24,543,416 | 15,995,104 | 74,606,698 | 17,702,690 | 6,650,162 | - |
| **4. Other off-balance sheet** | | | | | | | | |
| + Long positions | 11,877,267 | 22,590,588 | 1,828,722 | 861,141 | 6,286,987 | 224,027 | 111,892 | - |
| + Short positions | 29,677,795 | 11,051,545 | 1,697,144 | 1,318,501 | - | 25,640 | 10,000 | - |

*1.2 Banking portfolio: distribution by maturity (repricing date) of financial assets and liabilities*
*- Currency: **USD***

| TYPE / RESIDUAL MATURITY | AMOUNTS AS AT 12.31.2014 ON DEMAND | UP TO 3 MONTHS | 3 TO 6 MONTHS | 6 MONTHS TO 1 YEAR | 1 TO 5 YEARS | 5 TO 10 YEARS | OVER 10 YEARS | UNSPECIFIED MATURITY |
|---|---|---|---|---|---|---|---|---|
| **1. Balance-sheet assets** | **2,555,645** | **2,367,110** | **506,254** | **155,737** | **290,365** | **130,020** | **28,810** | **-** |
| 1.1 Debt securities | 58 | 9,975 | 26,699 | 146,802 | 140,965 | 100,244 | 19,460 | - |
| - With prepayment option | - | - | - | - | - | - | - | - |
| - Other | 58 | 9,975 | 26,699 | 146,802 | 140,965 | 100,244 | 19,460 | - |
| 1.2 Loans to banks | 2,296,698 | 840,385 | 11,509 | 2,306 | 7,427 | - | - | - |
| 1.3 Loans to customers | 258,889 | 1,516,750 | 468,046 | 6,629 | 141,973 | 29,776 | 9,350 | - |
| - Current accounts | 156,811 | 1 | 161 | 38 | 959 | 6 | 4 | - |
| - Other loans | 102,078 | 1,516,749 | 467,885 | 6,591 | 141,014 | 29,770 | 9,346 | - |
| *- With prepayment option* | *1,820* | *2,016* | *2,950* | *3,725* | *54,341* | *29,718* | *3,505* | - |
| *- Other* | *100,258* | *1,514,733* | *464,935* | *2,866* | *86,673* | *52* | *5,841* | - |
| **2. Balance-sheet liabilities** | **2,339,613** | **854,478** | **715,548** | **111,427** | **658,925** | **41,183** | **-** | **-** |
| 2.1 Deposits from customers | 1,207,958 | 58,422 | 5,262 | 6 | - | - | - | - |
| - Current accounts | 1,207,849 | 51,903 | - | - | - | - | - | - |
| - Other loans | 109 | 6,519 | 5,262 | 6 | - | - | - | - |
| *- With prepayment option* | - | - | - | - | - | - | - | - |
| *- Other* | *109* | *6,519* | *5,262* | *6* | - | - | - | - |
| 2.2 Deposits from banks | 1,131,468 | 577,701 | 40,138 | 50,540 | 617,742 | - | - | - |
| - Current accounts | 78,002 | - | - | - | - | - | - | - |
| - Other loans | 1,053,466 | 577,701 | 40,138 | 50,540 | 617,742 | - | - | - |
| 2.3 Debt securities in issue | 187 | 218,355 | 670,148 | 60,881 | 41,183 | 41,183 | - | - |
| - With prepayment option | - | - | - | - | - | - | - | - |
| - Other | 187 | 218,355 | 670,148 | 60,881 | 41,183 | 41,183 | - | - |
| 2.4 Other liabilities | - | - | - | - | - | - | - | - |
| - With prepayment option | - | - | - | - | - | - | - | - |
| - Other | - | - | - | - | - | - | - | - |
| **3. Financial derivatives** | | | | | | | | |
| 3.1 Phisically settled financial derivatives | | | | | | | | |
| - Option | | | | | | | | |
| + Long positions | - | - | - | - | - | - | - | - |
| + Short positions | - | - | - | - | - | - | - | - |
| - Other derivatives | | | | | | | | |
| + Long positions | - | 2,059 | - | - | - | 16,473 | - | - |
| + Short positions | - | - | - | 46,948 | 2,187,217 | 112,841 | - | - |
| 3.2 Cash settled financial derivatives | | | | | | | | |
| - Options | | | | | | | | |
| + Long positions | - | - | - | - | - | - | - | - |
| + Short positions | - | - | - | - | - | - | - | - |
| - Other derivatives | | | | | | | | |
| + Long positions | 164,731 | 566,290 | 26,137 | 2,791 | 1,235,483 | 16,473 | - | - |
| + Short positions | 2,215,633 | 1,397,155 | 35,861 | 164,216 | 157,079 | 112,841 | - | - |
| **4. Other off-balance sheet** | | | | | | | | |
| + Long positions | 178,142 | 200,258 | 121,774 | 125,367 | 15,920 | 14,207 | 2,668 | - |
| + Short positions | 655,392 | 1,071 | - | 1,873 | - | - | - | - |

# Part E - Risks and Hedging Policies (Continued)

***1.3 Banking portfolio: distribution by maturity (repricing date) of financial assets and liabilities - Currency: Other currencies***

| | AMOUNTS AS AT 12.31.2014 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| TYPE / RESIDUAL MATURITY | ON DEMAND | UP TO 3 MONTHS | 3 TO 6 MONTHS | 6 MONTHS TO 1 YEAR | 1 TO 5 YEARS | 5 TO 10 YEARS | OVER 10 YEARS | UNSPECIFIED MATURITY |
| **1. Balance-sheet assets** | **410,281** | **530,261** | **49,494** | **5,911** | **634** | **145** | **39** | **-** |
| 1.1 Debt securities | 26 | 40,610 | - | - | - | - | - | - |
| - With prepayment option | - | - | - | - | - | - | - | - |
| - Other | 26 | 40,610 | - | - | - | - | - | - |
| 1.2 Loans to banks | 352,921 | 110,708 | - | - | - | - | - | - |
| 1.3 Loans to customers | 57,334 | 378,943 | 49,494 | 5,911 | 634 | 145 | 39 | - |
| - Current accounts | 23,161 | - | - | - | 65 | - | - | - |
| - Other loans | 34,173 | 378,943 | 49,494 | 5,911 | 569 | 145 | 39 | - |
| *- With prepayment option* | *5,478* | *9,248* | *11* | *51* | *295* | *145* | *39* | - |
| *- Other* | *28,695* | *369,695* | *49,483* | *5,860* | *274* | - | - | - |
| **2. Balance-sheet liabilities** | **601,778** | **742,806** | **16,240** | **164,458** | **249,885** | **5,832** | **-** | **-** |
| 2.1 Deposits from customers | 215,258 | 51,442 | - | 66,277 | - | - | - | - |
| - Current accounts | 199,610 | - | - | 2,473 | - | - | - | - |
| - Other loans | 15,648 | 51,442 | - | 63,804 | - | - | - | - |
| *- With prepayment option* | - | - | - | - | - | - | - | - |
| *- Other* | *15,648* | *51,442* | - | *63,804* | - | - | - | - |
| 2.2 Deposits from banks | 386,515 | 134,322 | 16,240 | 98,181 | - | - | - | - |
| - Current accounts | 234,206 | - | - | - | - | - | - | - |
| - Other loans | 152,309 | 134,322 | 16,240 | 98,181 | - | - | - | - |
| 2.3 Debt securities in issue | 5 | 557,042 | - | - | 249,885 | 5,832 | - | - |
| - With prepayment option | - | - | - | - | - | - | - | - |
| - Other | 5 | 557,042 | - | - | 249,885 | 5,832 | - | - |
| 2.4 Other liabilities | - | - | - | - | - | - | - | - |
| - With prepayment option | - | - | - | - | - | - | - | - |
| - Other | - | - | - | - | - | - | - | - |
| **3. Financial derivatives** | | | | | | | | |
| 3.1 Phisically settled financial derivatives | | | | | | | | |
| - Option | | | | | | | | |
| + Long positions | - | - | - | - | - | - | - | - |
| + Short positions | - | - | - | - | - | - | - | - |
| - Other derivatives | | | | | | | | |
| + Long positions | - | - | - | 71,237 | 799,102 | 5,658 | - | - |
| + Short positions | - | - | - | 12,839 | 25,677 | - | - | - |
| 3.2 Cash settled financial derivatives | | | | | | | | |
| - Options | | | | | | | | |
| + Long positions | - | - | - | - | - | - | - | - |
| + Short positions | - | - | - | - | - | - | - | - |
| - Other derivatives | | | | | | | | |
| + Long positions | - | 329,389 | - | 166,879 | 479,114 | 5,658 | - | - |
| + Short positions | - | - | - | 12,839 | 25,677 | - | - | - |
| **4. Other off-balance sheet** | | | | | | | | |
| + Long positions | 39,388 | 25,630 | 2,874 | 22,462 | - | - | - | - |
| + Short positions | 75,149 | 15,205 | - | - | - | - | - | - |

### Price Risk

### QUALITATIVE INFORMATION

#### *A. General Aspects, Price Risk Management Processes And Measurement Methods*

Banking Book price risk primarily originates from equity interests held by UniCredit S.p.A. as a stable investment, as well as units in mutual investment funds not included in the trading book in so far as they are also held as a stable investment.

In the whole aggregated banking and trading book portfolio assessment of UniCredit S.p.A. this kind of risk is also considered.

For both a description of internal processes for monitoring and managing risk and an illustration of the methodologies used to analyze exposure, please refer to introduction on internal models.

## 2.3 Exchange Rate Risk

### QUALITATIVE INFORMATION

#### *A. General Aspects, Exchange Rate Risk Management Processes and Measurement Methods*

Exchange risk originates from currency trading activities, for both trading and banking book, performed through the negotiation of the various market instruments is constantly monitored and measured by using internal models developed by group companies.

#### *B. Hedging Exchange Rate Risk*

UniCredit S.p.A. performs hedge strategies for profits and dividends arising from its subsidiaries not belonging to the euro zone. The hedging strategies takes into account market circumstances.

### QUANTITATIVE INFORMATION

**1.Distribution by currency of assets and liabilities and derivatives**

| | AMOUNTS AS AT 12.31.2014 | | | | | |
|---|---|---|---|---|---|---|
| | CURRENCIES | | | | | |
| ITEMS | USD | GBP | YEN | CHF | CAD | OTHER CURRENCIES |
| **A. Financial assets** | **6,700,042** | **312,817** | **120,402** | **126,112** | **65,026** | **504,035** |
| A.1 Debt securities | 444,322 | 40,637 | - | - | - | - |
| A.2 Equity securities | 96,637 | - | - | 3,219 | - | - |
| A.3 Loans to banks | 3,724,453 | 182,979 | 77,436 | 29,915 | 25,358 | 291,426 |
| A.4 Loans to customers | 2,434,630 | 89,201 | 42,966 | 92,978 | 39,668 | 212,609 |
| A.5 Other financial assets | - | - | - | - | - | - |
| **B. Other assets** | **158,854** | **24,972** | **1,322** | **13,724** | **5,078** | **11,927** |
| **C. Financial liabilities** | **4,721,247** | **608,413** | **108,622** | **158,963** | **340,018** | **564,984** |
| C.1 Deposits from banks | 2,417,587 | 238,943 | 38,456 | 136,318 | 4,777 | 216,764 |
| C.2 Deposits from customers | 1,271,723 | 133,455 | 8,100 | 22,645 | 14,800 | 153,978 |
| C.3 Debt securities in issue | 1,031,937 | 236,015 | 62,066 | - | 320,441 | 194,242 |
| C.4 Other financial liabilities | - | - | - | - | - | - |
| **D. Other liabilities** | **372,407** | **49,512** | **2,340** | **11,709** | **5,215** | **44,262** |
| **E. Financial derivatives** | | | | | | |
| - Options | | | | | | |
| *- Long positions* | *1,235,784* | *76,178* | *50,761* | *566* | *9,694* | *54,017* |
| *- Short positions* | *1,260,670* | *76,178* | *50,761* | *566* | *9,694* | *146,786* |
| - Other | | | | | | |
| *- Long positions* | *25,771,076* | *13,957,232* | *9,145,622* | *6,648,470* | *740,620* | *580,976* |
| *- Short positions* | *27,460,373* | *13,739,257* | *9,163,643* | *6,647,652* | *489,233* | *456,278* |
| **Total assets** | **33,865,756** | **14,371,199** | **9,318,107** | **6,788,872** | **820,418** | **1,150,955** |
| **Total liabilities** | **33,814,697** | **14,473,360** | **9,325,366** | **6,818,890** | **844,160** | **1,212,310** |
| **Difference (+/-)** | **51,059** | **(102,161)** | **(7,259)** | **(30,018)** | **(23,742)** | **(61,355)** |

# Part E - Risks and Hedging Policies (Continued)

## Credit Spread Risk

### QUALITATIVE INFORMATION

#### *A. General Information*
As described above, risk relating to credit spreads included in both trading book and banking book, originates from positions taken by UniCredit S.p.A. holding assigned market risk limits within certain levels of discretion.

#### *B. Risk Management Processes and Measurement Methods*
For both a description of internal processes for monitoring and managing risk and an illustration of the methodologies used to analyze exposure, please refer to introduction on internal models.

Credit spread sensitivity is calculated by assuming a worsening of creditworthiness seen in a parallel shift of +1bp in the credit spread curves.

These sensitivities are calculated both inclusively, assuming a parallel shift of all the credit spread curves, and in respect of specific rating classes and economic sectors.

#### *Stress testing*
Stress tests complement the sensitivity analysis and VaR results in order to assess the potential risks in a different way. A stress test performs the evaluation of a portfolio under both simple scenarios (assuming change to single risk factors) and complex scenarios (assuming simultaneous changes in a number of risk factors).

What follows contains the description of complex scenarios, which combine changes in interest rate, price, exchange-rate and credit spread risk factors. For the description of simple scenarios, please refer to the previous paragraphs. As far as complex scenarios are concerned, different scenarios have been applied to the whole Group Trading Book on a monthly basis and reported to top management.

#### *Greece Exit first*
This scenario, introduced in June 2012 and updated in December 2013, assumes that Greece exits from the EMU without however bringing the Eurozone to a collapse. While recent developments have greatly reduced the near-term probability of such an event, Greece remains in a difficult situation and exit from EMU in the medium term remains a non-negligible possibility. The exit of Greece from the EMU would negatively affect GDP growth in the Eurozone through several channels, mainly related to financial markets. Rising volatility and the generalized increase in risk premia would make it harder for businesses to plan investment decisions. Credit for the real economy would be more expensive as a consequence of the severe intensification of funding difficulties in the banking system (including via renewed deposit outflows and tensions in the inter-bank market). This would strengthen the negative feedback loop between sovereign risk, banks and the real economy.
- On the fixed income side, a flight-to-quality demand would be observed, with the focus on German and US bonds, for which we expect a significant richening vs swap (20 bp).
- As for peripheral countries, spreads would come under pressure. The Italian swap spread would widen 300bp, reaching the 500bp area, while Spain would widen 250bp.
- Equity markets would plunge and, at the same time, a steady increase in volatility is expected.
- With respect to FX rates, EUR is expected to sharply depreciate across the board as a Greek exit would clearly undermine confidence in the common currency. The most serious losses are expected to be against the USD (with an approximate 30% depreciation), as the USD will likely continue to be perceived as the reference safe-haven currency in the case of escalating turmoil in the eurozone. However, EUR would also probably lose ground to a significant extent vs. JPY and CHF. On the other hand, EUR fall against sterling should be less significant (-20%), since the UK economy would also be heavily affected by developments in the EMU.

#### *Widespread Contagion*
In this scenario, updated in December 2014, we assume that debt crisis escalates again, with pressures hitting Spain and Italy. The step-up in government commitment towards building a credible firewall against contagion and the ECB's policies should continue to provide some cushion against spread widening. However, market volatility and the ensuing financial market disruption would still lead to a severe tightening in financial conditions euro-wide. Due to the important trade links between eurozone countries, the financial shock would be amplified and cause a deeper recession. Such an escalation in tensions would weigh on Spain and Italy creating pressure for a more radical and systemic response from European authorities. This should avert a sovereign default or an EUR break-up in the following two years.

The shock originated in financial markets would have a severe impact on GDP growth in EU periphery. On the Fixed Income side, the flight-to-quality demand would focus on German and US bonds. Credit Spreads would fall by around 20/30 bps for these issuers respectively. All other government bonds would come under pressure due to credit risk reprising. Italian and Spanish bonds would widen around 200 bps vs swap. Spread widening is expected also for corporate bonds; the shift in credit risk preference would lead to strong pressure on high-yield bonds; equity markets would experience a moderate downturn, coupled with an increase in volatility.

Contagion spreading across the eurozone should weight on EUR-USD. GBP-USD would be relatively less affected then EUR-USD, while EUR-GBP may suffer as well as GBP might be perceived as an hedge for EUR.

In CEE, as response to lower growth and deteriorating fundamentals, we would expect policy-makers to favor some local currency devaluation to promote growth. In particular for Russia, Ukraine and Turkey this would reinforce the current inflation target overshoot.

### *Adverse CEE*

In this new risk scenario, introduced in December 2014, we assume eurozone countries facing a deep recession in 2015 and 2016, due to the direct and indirect impact of an adverse CEE shock. The escalation of Russian sanctions and the negative impact on the other CEE countries would negatively affect GDP growth in Germany, whose real economy is the most exposed to risks from CEE. A further cooling of the Russian economy would have negative implications for German exporters, although the direct impact is limited. There could be negative second-round effects also on business in the whole CEE region. Uncertainty may lead to a wait-and-see attitude of companies, thereby weighing on the investment activity. This deterioration of the outlook for the CEE economies would have negative consequences on Germany and its trading partners, especially on Italy's real economy at a time when domestic demand is still fragile.

On the FI side, we would initially observe a flight-to-quality on German and US bonds, where we expect a moderate richening vs swap of 10/15 bps respectively. In the periphery, spreads would come under pressure. The Italian and Spanish swap spreads would widen by 250/230 bps.

With respect to FX, EUR is expected to sharply depreciate mainly against USD, as USD would likely continue to be perceived as the reference safe-haven currency in case of escalating turmoil in the eurozone. EUR would also probably lose ground versus JPY, GBP and CHF, which are also traditional safe-haven currencies.

Credit Spread shifts are particularly high for Russia Federation and Ukraine and higher spillover will be on other CEE countries, mainly Bosnia Herzegovina/Bulgaria/Croatia/Hungary/Romania. As for Interest Rates, curves evidence a counterclockwise swing (decrease of IR on short maturities, increase of IR on long maturities) for PLN/HUF/RON.

### *Emerging Markets Slowdown*

This scenario, introduced in June 2011, covers the period 2011, 2012 and 2013. It assumes a shock coming from the real economy, namely a sharp slowdown in the growth rate of emerging economies starting in 2011 and intensifying during 2012. This would negatively affect EMU GDP growth and, to a lesser extent, the US, where the weight of the manufacturing sector and trade openness is lower. As a result of weaker economic activity and lower oil prices, inflation would slow down. The combination of weaker GDP growth and lower inflation would lead to a considerable slowdown in the normalization of monetary policy rates.

In terms of macro-economic variables, this scenario assumes:

- credit spreads: as for European sovereign spreads the deterioration is not severe compared to the Sovereign Tensions scenario because the shock would affect credit-risk premium only indirectly. The shock would reflect more on oil companies which are not included in the "iTraxx main". The widening of the iTraxx Financial Senior and Sub is also important;
- the shock has no impact on the Japanese yield curve. The impact on the US, EU and UK curves is that of a fall in yields which will bull flatten as the time bucket increases. This reflects the worsening growth outlook and the resulting more positive inflation outlook. The Euribor curve is the most reactive of the three as the risk aversion gives further support to Bunds;
- the performance of stock markets will lower and equity volatilities will increase;
- the EUR is expected to depreciate against the US Dollar, Japanese Yen and Swiss Franc (because of the demand for safe-havens) and to appreciate versus the other European currencies and Turkish Lira.

Shown below are the Stress Test data on the market risk for the trading book in UniCredit S.p.A..

### *Stress Test on trading book*
### *December 31, 2014*
**Scenario**

(€ million)

| | 2014 | | | |
|---|---|---|---|---|
| 12.31.2014 | ADVERSE CEE | EMERGING MARKET SLOWDOWN | GREXIT | WIDESPREAD CONTAGION |
| UniCredit S.p.A. | -87 | -20 | -103 | -69 |

# Part E - Risks and Hedging Policies (Continued)

## 2.4 Derivative instruments

## A. FINANCIAL DERIVATIVES

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

| DERIVATIVE INSTRUMENT TYPES/UNDERLYINGS | AMOUNTS AS AT | | | |
|---|---|---|---|---|
| | 12.31.2014 | | 12.31.2013 | |
| | OVER THE COUNTER | CLEARING HOUSE | OVER THE COUNTER | CLEARING HOUSE |
| **1. Debt securities and interest rate indexes** | **221,997,279** | **4,126,266** | **217,941,578** | **5,624,872** |
| a) Options | 4,619,356 | 100,000 | 5,419,466 | - |
| b) Swap | 214,855,453 | 100,000 | 209,713,514 | - |
| c) Forward | 2,522,470 | 596,266 | 2,808,598 | 1,979,372 |
| d) Futures | - | 3,330,000 | - | 3,645,500 |
| e) Others | - | - | - | - |
| **2. Equity instruments and stock indexes** | **1,334,191** | **9** | **5,875,938** | **-** |
| a) Options | 1,334,182 | - | 5,875,937 | - |
| b) Swap | - | - | - | - |
| c) Forward | 9 | 9 | 1 | - |
| d) Futures | - | - | - | - |
| e) Others | - | - | - | - |
| **3. Gold and currencies** | **72,558,341** | **-** | **167,220,289** | **-** |
| a) Options | 1,834,939 | - | 4,276,555 | - |
| b) Swap | 2,812,577 | - | 1,769,888 | - |
| c) Forward | 67,910,825 | - | 161,173,846 | - |
| d) Futures | - | - | - | - |
| e) Others | - | - | - | - |
| **4. Commodities** | **1,339,323** | **-** | **602,195** | **-** |
| **5. Other underlyings** | **-** | **-** | **-** | **-** |
| **Total** | **297,229,134** | **4,126,275** | **391,640,000** | **5,624,872** |
| **Average amounts** | **344,434,567** | **4,875,574** | **356,061,325** | **5,357,936** |

Amounts reported in column “Over the counter” of tables A.1, A.2.1, A.2.2, A.3 and A.4 include OTC traded contracts settled with Central Clearing Counterparts.

Column “Clearing House” of tables A.1, A.2.1, A.2.2, A.3 and A.4 includes those contracts negotiated within listed markets and supported by margining processes overriding counterparty risk exposure.

### A.2.1 Banking book: end of period notional amounts and average - Hedging derivatives

| DERIVATIVE INSTRUMENT TYPES/UNDERLYINGS | AMOUNTS AS AT 12.31.2014 OVER THE COUNTER | 12.31.2014 CLEARING HOUSE | 12.31.2013 OVER THE COUNTER | 12.31.2013 CLEARING HOUSE |
|---|---|---|---|---|
| **1. Debt securities and interest rate indexes** | **299,968,792** | **-** | **325,274,533** | **-** |
| a) Options | 7,559,100 | - | 5,631,362 | - |
| b) Swap | 292,409,692 | - | 319,643,171 | - |
| c) Forward | - | - | - | - |
| d) Futures | - | - | - | - |
| e) Others | - | - | - | - |
| **2. Equity instruments and stock indexes** | **13,000** | **-** | **13,248** | **-** |
| a) Options | 13,000 | - | 13,248 | - |
| b) Swap | - | - | - | - |
| c) Forward | - | - | - | - |
| d) Futures | - | - | - | - |
| e) Others | - | - | - | - |
| **3. Gold and currencies** | **3,683,695** | **-** | **6,734,572** | **-** |
| a) Options | - | - | - | - |
| b) Swap | 3,194,321 | - | 3,470,905 | - |
| c) Forward | 489,374 | - | 3,263,667 | - |
| d) Futures | - | - | - | - |
| e) Others | - | - | - | - |
| **4. Commodities** | **-** | **-** | **-** | **-** |
| **5. Other underlyings** | **-** | **-** | **-** | **-** |
| **Total** | **303,665,487** | **-** | **332,022,353** | **-** |
| **Average amounts** | **317,843,920** | **-** | **329,594,533** | **-** |

### A.2.2 Banking book: end of period notional amounts and average - Other derivatives

| DERIVATIVE INSTRUMENT TYPES/UNDERLYINGS | AMOUNTS AS AT 12.31.2014 OVER THE COUNTER | 12.31.2014 CLEARING HOUSE | 12.31.2013 OVER THE COUNTER | 12.31.2013 CLEARING HOUSE |
|---|---|---|---|---|
| **1. Debt securities and interest rate indexes** | **32,934,197** | **-** | **36,261,443** | **-** |
| a) Options | 97,280 | - | 107,700 | - |
| b) Swaps | 32,836,917 | - | 36,153,743 | - |
| c) Forwards | - | - | - | - |
| d) Futures | - | - | - | - |
| e) Others | - | - | - | - |
| **2. Equity instruments and stock indexes** | **3,592,563** | **-** | **4,226,474** | **-** |
| a) Options | 2,310,615 | - | 2,944,526 | - |
| b) Swaps | - | - | - | - |
| c) Forwards | - | - | - | - |
| d) Futures | - | - | - | - |
| e) Others | 1,281,948 | - | 1,281,948 | - |
| **3. Gold and currencies** | **6,986** | **-** | **650,167** | **-** |
| a) Options | - | - | - | - |
| b) Swap | - | - | - | - |
| c) Forwards | 6,986 | - | 650,167 | - |
| d) Futures | - | - | - | - |
| e) Others | - | - | - | - |
| **A.4 Commodities** | **-** | **-** | **-** | **-** |
| **A.5 Other underlyings** | **-** | **-** | **-** | **-** |
| **Total** | **36,533,746** | **-** | **41,138,084** | **-** |
| **Average amounts** | **38.835.915** | **-** | **36.943.532** | **-** |

# Part E - Risks and Hedging Policies (Continued)

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

| TRANSACTION TYPES/UNDERLYINGS | POSITIVE *FAIR VALUE* AMOUNTS AS AT 12.31.2014 OVER THE COUNTER | 12.31.2014 CLEARING HOUSE | 12.31.2013 OVER THE COUNTER | 12.31.2013 CLEARING HOUSE |
|---|---|---|---|---|
| **A. Regulatory trading portfolio** | **9,102,879** | **2,032** | **7,902,088** | **1,301** |
| a) Options | 167,158 | 15 | 146,802 | - |
| b) Interest rate swaps | 6,706,655 | 21 | 5,165,462 | - |
| c) Cross currency swap | 169,370 | - | 136,544 | - |
| d) Equity swaps | - | - | - | - |
| e) Forward | 1,946,204 | 373 | 2,436,187 | 944 |
| f) Futures | - | 1,623 | - | 357 |
| g) Others | 113,492 | - | 17,093 | - |
| **B. Banking portfolio - Hedging derivatives** | **7,842,137** | **-** | **5,389,229** | **-** |
| a) Options | 6,113 | - | 8,642 | - |
| b) Interest rate swaps | 7,815,949 | - | 5,231,076 | - |
| c) Cross currency swap | 14,931 | - | 142,938 | - |
| d) Equity swaps | - | - | - | - |
| e) Forward | 5,144 | - | 6,573 | - |
| f) Futures | - | - | - | - |
| g) Others | - | - | - | - |
| **C. Banking portfolio - Other derivatives** | **448,508** | **-** | **352,263** | **-** |
| a) Options | 100,797 | - | 84,552 | - |
| b) Interest rate swaps | 347,407 | - | 258,017 | - |
| c) Cross currency swap | - | - | - | - |
| d) Equity swaps | - | - | - | - |
| e) Forward | 304 | - | 9,694 | - |
| f) Futures | - | - | - | - |
| g) Others | - | - | - | - |
| **Total** | **17,393,524** | **2,032** | **13,643,580** | **1,301** |

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

| PORTFOLIOS/DERIVATIVE INSTRUMENT TYPES | NEGATIVE *FAIR VALUE* AMOUNTS AS AT 12.31.2014 OVER THE COUNTER | 12.31.2014 CLEARING HOUSE | 12.31.2013 OVER THE COUNTER | 12.31.2013 CLEARING HOUSE |
|---|---|---|---|---|
| **A. Regulatory trading portfolio** | **8,759,405** | **3,415** | **7,857,169** | **2,464** |
| a) Options | 172,644 | - | 148,039 | - |
| b) Interest rate swaps | 6,873,688 | - | 5,372,231 | - |
| c) Cross currency swap | 181,481 | - | 145,240 | - |
| d) Equity swaps | - | - | - | - |
| e) Forward | 1,411,162 | 95 | 2,174,066 | 581 |
| f) Futures | - | 3,320 | - | 1,883 |
| g) Others | 120,430 | - | 17,593 | - |
| **B. Banking portfolio - Hedging derivatives** | **7,606,128** | **-** | **5,796,744** | **-** |
| a) Options | 39,970 | - | 52,315 | - |
| b) Interest rate swaps | 7,334,036 | - | 5,567,286 | - |
| c) Cross currency swap | 226,448 | - | 109,800 | - |
| d) Equity swaps | - | - | - | - |
| e) Forward | 5,674 | - | 67,343 | - |
| f) Futures | - | - | - | - |
| g) Others | - | - | - | - |
| **C. Banking portfolio - Other derivatives** | **589,177** | **-** | **657,992** | **-** |
| a) Options | 100,797 | - | 84,551 | - |
| b) Interest rate swaps | 388,450 | - | 279,271 | - |
| c) Cross currency swap | - | - | - | - |
| d) Equity swaps | - | - | - | - |
| e) Forward | - | - | 5,700 | - |
| f) Futures | - | - | - | - |
| g) Others | 99,930 | - | 288,470 | - |
| **Total** | **16,954,710** | **3,415** | **14,311,905** | **2,464** |

## A.5 OTC Financial derivatives: regulatory trading portfolio - notional amounts, positive and negative gross *fair value* by counterparty - contracts not included in netting agreement

| CONTRACTS NOT INCLUDED IN NETTING AGREEMENT | AMOUNTS AS AT 12.31.2014 | | | | | | |
|---|---|---|---|---|---|---|---|
| | GOVERNMENTS AND CENTRAL BANKS | OTHER PUBLIC-SECTOR ENTITIES | BANKS | FINANCIAL COMPANIES | INSURANCE COMPANIES | NON-FINANCIAL COMPANIES | OTHER ENTITIES |
| **1) Debt securities and interest rate indexes** | | | | | | | |
| - notional amount | 1,122,128 | 1,051,207 | 2,204,688 | 75,138,404 | - | 13,319,644 | 91,700 |
| - positive fair value | 1,223 | 96,539 | 506 | 2,813,454 | - | 892,111 | 910 |
| - negative fair value | 6 | 3,013 | 72,092 | 2,771,344 | - | 17,174 | 13 |
| - future exposure | - | 8,567 | 924 | 268,064 | - | 81,194 | 67 |
| **2) Equity instruments and stock indexes** | | | | | | | |
| - notional amount | - | - | 666,623 | 14,337 | - | 3,463 | 649,769 |
| - positive fair value | - | - | 350 | 25 | - | 6 | 1,221 |
| - negative fair value | - | - | 1,084 | 1 | - | - | 4,842 |
| - future exposure | - | - | 53,319 | - | - | - | 29 |
| **3) Gold and currencies** | | | | | | | |
| - notional amount | - | - | 1,424,602 | 404,174 | - | 3,427,289 | 966 |
| - positive fair value | - | - | 56,405 | 78,591 | - | 64,425 | 38 |
| - negative fair value | - | - | 53,205 | 2,165 | - | 128,127 | 951 |
| - future exposure | - | - | 15,850 | 16,008 | - | 44,386 | 9 |
| **4) Other instruments** | | | | | | | |
| - notional amount | - | - | 669,661 | 37,279 | - | 632,382 | - |
| - positive fair value | - | - | 19,282 | 1,012 | - | 93,198 | - |
| - negative fair value | - | - | 100,400 | 608 | - | 19,422 | - |
| - future exposure | - | - | 60,906 | 3,025 | - | 57,881 | - |

## A.6 OTC Financial Derivatives: Regualatory trading portfolio - notional amounts, positive and negative gross *fair value* by counterparty - contracts included in netting agreement

| CONTRACTS INCLUDED IN NETTING AGREEMENT | AMOUNTS AS AT 12.31.2014 | | | | | | |
|---|---|---|---|---|---|---|---|
| | GOVERNMENTS AND CENTRAL BANKS | OTHER PUBLIC-SECTOR ENTITIES | BANKS | FINANCIAL COMPANIES | INSURANCE COMPANIES | NON-FINANCIAL COMPANIES | OTHER ENTITIES |
| **1) Debt securities and interest rate indexes** | | | | | | | |
| - notional amount | - | - | 124,333,333 | 935,722 | - | 3,800,453 | - |
| - positive fair value | - | - | 2,627,443 | 4,750 | - | 344,870 | - |
| - negative fair value | - | - | 3,943,996 | - | - | 145,310 | - |
| **2) Equity instruments and stock indexes** | | | | | | | |
| - notional amount | - | - | - | - | - | - | - |
| - positive fair value | - | - | - | - | - | - | - |
| - negative fair value | - | - | - | - | - | - | - |
| **3) Gold and currencies** | | | | | | | |
| - notional amount | - | - | 66,195,782 | 1,043,847 | - | 61,681 | - |
| - positive fair value | - | - | 2,000,865 | - | - | 5,653 | - |
| - negative fair value | - | - | 1,409,061 | 80,202 | - | 6,387 | - |
| **4) Other instruments** | | | | | | | |
| - notional amount | - | - | - | - | - | - | - |
| - positive fair value | - | - | - | - | - | - | - |
| - negative fair value | - | - | - | - | - | - | - |

# Part E - Risks and Hedging Policies (Continued)

### A.7 OTC Financial derivatives: banking portfolio - notional amounts, positive and negative gross fair value by counterparty - contracts not included in netting agreements

| CONTRACTS NOT INCLUDED IN NETTING AGREEMEN | AMOUNTS AS AT 12.31.2014 | | | | | | |
|---|---|---|---|---|---|---|---|
| | GOVERNMENTS AND CENTRAL BANKS | OTHER PUBLIC-SECTOR ENTITIES | BANKS | FINANCIAL COMPANIES | INSURANCE COMPANIES | NON-FINANCIAL COMPANIES | OTHER ENTITIES |
| **1) Debt securities and interest rate indexes** | | | | | | | |
| - notional amount | - | - | 11,255,457 | 8,598,529 | - | - | 569,964 |
| - positive fair value | - | - | 74,893 | 109,784 | - | - | 9,649 |
| - negative fair value | - | - | 95,049 | 20,419 | - | - | 11,354 |
| - future exposure | - | - | 9,551 | 16,710 | - | - | 883 |
| **2) Equity instruments and stock indexes** | | | | | | | |
| - notional amount | - | - | 1,494,948 | 124 | - | 89 | 1,508,788 |
| - positive fair value | - | - | - | - | - | - | - |
| - negative fair value | - | - | 108,114 | - | - | - | 82,983 |
| - future exposure | - | - | 76,917 | 5 | - | 4 | - |
| **3) Gold and currencies** | | | | | | | |
| - notional amount | - | - | 202,904 | - | - | 6,986 | - |
| - positive fair value | - | - | 2,903 | - | - | 304 | - |
| - negative fair value | - | - | - | - | - | - | - |
| - future exposure | - | - | 1,671 | - | - | 58 | - |
| **4) Other instruments** | | | | | | | |
| - notional amount | - | - | - | - | - | - | - |
| - positive fair value | - | - | - | - | - | - | - |
| - negative fair value | - | - | - | - | - | - | - |
| - future exposure | - | - | - | - | - | - | - |

### A.8 OTC Financial derivatives: banking portfolio - notional amounts, positive and negative gross *fair value* by counterparty - contracts included in netting agreements

| CONTRACTS INCLUDED IN NETTING AGREEMENT | AMOUNTS AS AT 12.31.2014 | | | | | | |
|---|---|---|---|---|---|---|---|
| | GOVERNMENTS AND CENTRAL BANKS | OTHER PUBLIC-SECTOR ENTITIES | BANKS | FINANCIAL COMPANIES | INSURANCE COMPANIES | NON-FINANCIAL COMPANIES | OTHER ENTITIES |
| **1) Debt securities and interest rate indexes** | | | | | | | |
| - notional amount | - | - | 311,085,037 | 1,394,000 | - | - | - |
| - positive fair value | - | - | 7,980,635 | 4,180 | - | - | - |
| - negative fair value | - | - | 7,510,701 | 134,565 | - | - | - |
| **2) Equity instruments and stock indexes** | | | | | | | |
| - notional amount | - | - | 601,613 | - | - | - | - |
| - positive fair value | - | - | 91,124 | - | - | - | - |
| - negative fair value | - | - | - | - | - | - | - |
| **3) Gold and currencies** | | | | | | | |
| - notional amount | - | - | 3,480,791 | - | - | - | - |
| - positive fair value | - | - | 17,173 | - | - | - | - |
| - negative fair value | - | - | 232,122 | - | - | - | - |
| **4) Other instruments** | | | | | | | |
| - notional amount | - | - | - | - | - | - | - |
| - positive fair value | - | - | - | - | - | - | - |
| - negative fair value | - | - | - | - | - | - | - |

### A.9 OTC financial derivatives - residual life: notional amounts

| UNDERLYING/RESIDUAL MATURITY | UP TO 1 YEAR | OVER 1 YEAR UP TO 5 YEAR | OVER 5 YEAR | TOTAL |
|---|---|---|---|---|
| **A. Regulatory trading portfolio** | **101,838,725** | **107,282,473** | **88,107,936** | **297,229,134** |
| A.1 Financial derivative contracts on debt securities and interest rates | 31,315,915 | 104,881,705 | 85,799,659 | 221,997,279 |
| A.2 Financial derivative contracts on equity securities and stock indexes | 1,979 | 1,332,212 | - | 1,334,191 |
| A.3 Financial derivative contracts on exchange rates and gold | 69,354,893 | 895,171 | 2,308,277 | 72,558,341 |
| A.4 Financial derivative contracts on other values | 1,165,938 | 173,385 | - | 1,339,323 |
| **B. Banking portfolio** | **99,978,193** | **167,165,547** | **73,055,493** | **340,199,233** |
| B.1 Financial derivative contracts on debt securities and interest rates | 97,529,637 | 162,514,273 | 72,859,079 | 332,902,989 |
| B.2 Financial derivative contracts on equity securities and stock indexes | 1,836,101 | 1,703,272 | 66,190 | 3,605,563 |
| B.3 Financial derivative contracts on exchange rates and gold | 612,455 | 2,948,002 | 130,224 | 3,690,681 |
| B.4 Financial derivative contracts on other values | - | - | - | - |
| **Total as at 12.31.2014** | **201,816,918** | **274,448,020** | **161,163,429** | **637,428,367** |
| **Total as at 12.31.2013** | **345,515,434** | **271,613,511** | **147,671,491** | **764,800,436** |

## B. CREDIT DERIVATIVES

### B.1 Credit derivatives: end of period notional amounts and average

| TRANSACTION CATEGORIES | REGULATORY TRADING PORTFOLIO | | BANKING PORTFOLIO | |
|---|---|---|---|---|
| | WITH A SINGLE COUNTERPARTY | WITH MORE THAN ONE COUNTERPARTY (BASKET) | WITH A SINGLE COUNTERPARTY | WITH MORE THAN ONE COUNTERPARTY (BASKET) |
| **1. Protection buyer's contracts** | | | | |
| a) Credit default products | - | - | - | - |
| b) Credit spread products | - | - | - | - |
| c) Total rate of return swap | - | - | - | - |
| d) Other | - | - | - | - |
| **Total as at 12.31.2014** | **-** | **-** | **-** | **-** |
| **Average amounts** | **-** | **-** | **2,500** | **-** |
| **Total as at 12.31.2013** | **-** | **-** | **5,000** | **-** |
| **2. Protection seller's contracts** | | | | |
| a) Credit default products | - | - | - | - |
| b) Credit spread products | - | - | - | - |
| c) Total rate of return swap | - | - | - | - |
| d) Other | - | - | - | - |
| **Total as at 12.31.2014** | **-** | **-** | **-** | **-** |
| **Average amounts** | **-** | **-** | **2,500** | **-** |
| **Total as at 12.31.2013** | **-** | **-** | **5,000** | **-** |

### B.2 Credit derivatives: gross positive *fair value* - breakdown by product

| PORTFOLIOS/DERIVATIVE INSTRUMENT TYPES | POSITIVE *FAIR VALUE* AMOUNTS AS AT | |
|---|---|---|
| | 12.31.2014 | 12.31.2013 |
| **A. Regulatory trading portfolio** | **-** | **-** |
| a) Credit default products | - | - |
| b) Credit spread products | - | - |
| c) Total rate of return swap | - | - |
| d) Others | - | - |
| **B. Banking portfolio** | **-** | **55** |
| a) Credit default products | - | 55 |
| b) Credit spread products | - | - |
| c) Total rate of return swap | - | - |
| d) Others | - | - |
| **Total** | **-** | **55** |

### B.3 Credit derivatives: gross negative *fair value* - breakdown by product

| PORTFOLIOS/DERIVATIVE INSTRUMENT TYPES | NEGATIVE *FAIR VALUE* AMOUNTS AS AT | |
|---|---|---|
| | 12.31.2014 | 12.31.2013 |
| **A. Regulatory trading portfolio** | **-** | **-** |
| a) Credit default products | - | - |
| b) Credit spread products | - | - |
| c) Total rate of return swap | - | - |
| d) Others | - | - |
| **B. Banking portfolio** | **-** | **55** |
| a) Credit default products | - | - |
| b) Credit spread products | - | - |
| c) Total rate of return swap | - | - |
| d) Others | - | 55 |
| **Total** | **-** | **55** |

# Part E - Risks and Hedging Policies (Continued)

**B.6. Credit derivatives residual life: notional amount**

| UNDERLYING / RESIDUAL MATURITY | UP TO 1 YEAR | OVER 1 YEAR UP TO 5 YEARS | OVER 5 YEARS | TOTAL |
|---|---|---|---|---|
| **A. Regulatory trading portfolio** | **-** | **-** | **-** | **-** |
| A.1 Credit derivatives with "qualified reference obligation" | - | - | - | - |
| A.2 Credit derivatives with "not qualified reference obligation" | - | - | - | - |
| **B. Banking portfolio** | **-** | **-** | **-** | **-** |
| B.1 Credit derivatives with "qualified reference obligation" | - | - | - | - |
| B.2 Credit derivatives with "not qualified reference obligation" | - | - | - | - |
| **Total 12.31.2014** | **-** | **-** | **-** | **-** |
| **Total 12.31.2013** | **10,000** | **-** | **-** | **10,000** |

## C. FINANCIAL AND CREDIT DERIVATIVES

**C.1 OTC Financial and credit derivatives: net *fair value* and future exposure by counterparty**

| | AMOUNTS AS AT 12.31.2014 | | | | | | |
|---|---|---|---|---|---|---|---|
| | GOVERNMENTS AND CENTRAL BANKS | OTHER PUBLIC-SECTOR ENTITIES | BANKS | FINANCIAL COMPANIES | INSURANCE COMPANIES | NON-FINANCIAL COMPANIES | OTHER ENTITIES |
| **1) Netting agreements related to Financial Derivatives** | | | | | | | |
| - positive fair value | - | - | 582,579 | 4,896 | - | 337,047 | - |
| - negative fair value | - | - | 961,217 | 134,088 | - | 214,865 | - |
| - future exposure | - | - | 396,186 | 10,770 | - | 2,432 | - |
| - net counterparty risk | - | - | 978,765 | 15,666 | - | 339,479 | - |
| **2) Netting agreements related to Credit Derivatives** | | | | | | | |
| - positive fair value | - | - | - | - | - | - | - |
| - negative fair value | - | - | - | - | - | - | - |
| - future exposure | - | - | - | - | - | - | - |
| - net counterparty risk | - | - | - | - | - | - | - |
| **3) Cross Product netting agreements** | | | | | | | |
| - positive fair value | - | - | - | - | - | - | - |
| - negative fair value | - | - | - | - | - | - | - |
| - future exposure | - | - | - | - | - | - | - |
| - net counterparty risk | - | - | - | - | - | - | - |

# Section 3 - Liquidity risk

## QUALITATIVE INFORMATION

Liquidity risk is defined as the risk that the Bank may find itself unable to fulfil its expected or unexpected payment obligations (by cash or delivery) current and future without jeopardizing its day-to day operations or its financial condition.

### The key principles

#### *The Liquidity Centres*

The main goal of the Group's overall liquidity management is to keep an efficient level of liquidity to allow the bank to honour its payment obligations not only on an on-going basis, but also during a crisis without jeopardizing its franchise value or its brand's name, keeping the refinancing risk at manageable level. Refinancing risk is defined as the one of not being able to raise the necessary funds to manage current and future cash flows and collateral needs, expected or unexpected, at reasonable pricing level, without affecting the daily operations or the financial conditions.

To this end, the Bank complies accurately with the legal and regulatory provisions imposed by the national Central Banks and by the national authorities of each country where it operates.

In addition to local legal and regulatory requirements the Bank, under the responsibility of its Risk Management, defines policies and metrics to ensure a sound liquidity position.

The Group defines Liquidity Centres those Legal Entities that have, through their operative treasury, the responsibility for:
- managing the payment systems on a centralized basis for a specific Legal Entities that do not have a direct access to the payment system and/or the wholesale/interbank markets;
- managing the liquidity mismatches of these Legal Entities through a direct access to the wholesale/interbank markets;
- coordinating specific Legal Entities with an operative treasury and with a direct access to the relevant local wholesale/interbank markets, optimizing their funding activity.

The Legal Entities which refer to a common Liquidity Centre are consolidated and form a liquidity subgroup. Each Liquidity Centre monitors and has oversight over the liquidity positions of its own subgroup and ensures that each Legal Entity falling within its perimeter has a sufficient level of liquidity to meet its individual and joint obligations as they come due.

Moreover, within each liquidity subgroup, different managerial subsets of Legal Entities may be identified, according to their peculiarities and materiality, for liquidity risk indicators' estimation purposes.

HC Finance and Liquidity Risk Control functions are responsible for the definition of the organizational framework in terms of Liquidity Centres and liquidity subgroups, as well as for the identification of the managerial subsets for the calculation of each relevant indicator.

A particularly important role is played by the Parent Company, with its role of steering, coordinating, and controlling all the aspects regarding liquidity for the whole Group. The Holding Company, moreover, acts as the Liquidity Centre for the Italian perimeter, therefore manages and runs in an integral manner the liquidity risk of all the other legal entities belonging to its perimeter (UniCredit S.p.A., UniCredit Bank Ireland PLC, UniCredit Luxembourg, Fineco Bank, UniCredit Factoring, UniCredit Leasing, UniCredit Credit Management Bank).

Within the Holding Company, such role is performed by the Financial Risk Italy function for its perimeter of competence. Regarding the liquidity management, its role consists in steering, coordinating and control all the aspects regarding liquidity in the Liquidity Center Italy: such as assessing the liquidity risk exposure trends, monitoring limits in place at Liquidity Centre level and the correct implementation of the agreed mapping rules, assessing the Liquidity Funding and Contingency Funding Plan for its competence perimeter, § monitoring liquidity risk exposures in the Liquidity Centre, developing and performing stress tests calculation for liquidity risk at Liquidity Center level.

### Roles and responsibilities

Three main functions are identified in the management of the liquidity: the Group Risk Management competence line (through the Financial Risk Italy unit), the "Finance" function (within Planning, Finance & Administration competence line), and the "Treasury" function (within the "Markets" Business Unit), each with different roles and responsibilities. In particular, the operational responsibilities reside in the Finance and the Treasury functions, while the Risk Management function has responsibilities of independent controls and independent reporting compared to the operational functions (in line with the requirements of Bank of Italy 263 Circular).

HC Treasury function is responsible for the financial stability and solvency of the Group, having as primary objective the capacity to fulfill ordinary and extraordinary payment obligations on the short term period, managing the liquidity risk generated by possible unbalances in the Group financial structure, as well as settlement, rate and FX risks, accessing to money markets and coordinating the treasury functions within HC international branches, Liquidity Centres and Legal Entities, also for the purpose of refinancing transactions with the European Central Bank. Moreover, HC Treasury function act also as the sole party in the management of the intra-group financial flows linked to net liquidity requirements/surpluses of the banks and companies in the Group.

HC Finance function is responsible for the coordination of the overall financial planning process at Group, Liquidity Centres and relevant LEs level, aiming to efficiently ensure the stability and the sustainability of the financial structure through time, addressing assets and liabilities composition and maturities, in compliance with the limits and triggers set for liquidity and balance sheet metrics, both regulatory and internal. HC Finance functions are responsible for the execution of the medium long term Group's funding strategy (including securitization operations), coordinating the access to national and international capital markets for all the Liquidity Centres and relevant LEs, exploiting local market opportunities in order to reduce the costs of funding and diversify the financing sources.

Optimisation of liquidity risks is pursued through the setting of specific limits on the standard banking activity of transforming short, medium and long-term maturities. This is implemented in accordance with legal and regulatory framework and internal rules and policies, through management.

Such models are subject to analyses carried out by Group Liquidity Risk Management to ensure that they comply with the metrics and the objectives of the Group's Liquidity Framework. In particular, attention is paid to the liquidity restrictions (in terms of limits and triggers) set by HC Risk Management function in the Risk Appetite Framework: these restrictions are meant to keep the liquidity position of the Group secure, also in case of unforeseen negative developments.

The monitoring of relevant set of Liquidity Indicators is carried out by HC Finance, Treasury and Risk Control functions, according to own responsibilities, to perform first and second level controls on liquidity, interest rate and exchange rate refinancing risk management. Financial Risk Italy unit performs such monitoring activity for its perimeter of competence.

# Part E - Risks and Hedging Policies (Continued)

### Contingency Liquidity Management

A liquidity crisis is a high impact, low probability event. Therefore, a crisis-mode governance model that can be activated effectively in case of crisis according to an approved procedure has to be defined. In order to be able to proceed timely, a set of mitigating actions have to be pre-defined. Depending on the situation some of these actions can then be approved for execution.

The ability to act in time is essential to minimize the potentially disruptive consequences of a liquidity crisis. The analytics of the Stress tests will 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 the analysis of specific liquidity risk indicators the Bank may even be able to reduce the liquidity effects in the initial stages of a crisis.

Liquidity crises usually develop quickly and the relevant signals may be either difficult to interpret or may even be lacking; it is, therefore, important to identify clearly players, powers, responsibilities, communication and reporting criteria, in order to increase significantly the probability of overcoming the state of emergency successfully. A liquidity crisis could be classified as systemic (e.g. overall capital and money market disruption) or specific (e.g. specific within the sphere of the bank), or a combination of both.

The *Contingency Liquidity Management Global Operation Instruction (GOI)* has the objective of ensuring effective interventions starting from the very outset (initial hours) of the liquidity crisis, through the clear identification of individuals, powers, responsibilities, communication, and reporting criteria, with a view of increasing significantly the probability of successfully overcoming the state of emergency. This is achieved through:

- activation of extraordinary liquidity governance and operating model;
- consistent internal and external communication;
- a set of available standby mitigating liquidity actions;
- a set of specific liquidity risk indicators that may point towards a developing crisis.

A fundamental part of the Contingency Liquidity Management GOI is the Contingency Funding Plan. Such a plan consists of a set of potential but concrete management actions. Such actions should be described in terms of a menu of actions together with sizes, instruments, and timing of execution aimed at improving the bank's liquidity position mainly during times of crisis. The Contingency Funding Plan has to be developed on the basis of the annual Funding Plan.

HC and LE Finance functions are responsible for executing the contingency liquidity management transactions, coordinating the relevant operations, taking care of the alignment of internal and external communications in such circumstances. The HC and LE risk control functions shall assure an independent oversight on the plan execution.

The activation of Contingency phase could be triggered either at Holding and/or Liquidity Centre level toward the controlled LEs or from a Legal Entity upward to the Holding Company. There may be situations where a Contingency liquidity management procedure is also activated solely at the LE level. In such a case both the HC Finance and the HC Risk functions are to be informed immediately.

## Risk measurement and reporting systems

### *Techniques for risk measurement*

Liquidity risk, for its particular nature, is addressed by means of gap analyses, liquidity stress testing, and complementary measures (mainly through a calculation of ratios/indices: e.g. loan to deposit, leverage). In particular, gap analyses are performed within two distinct time horizons:

- liquidity imbalance mismatch approach on a daily basis, which controls for the short term liquidity risk arising from the overnight up to a 12 months maturity;
- gap ratios on a monthly basis, which control the medium to long term risk (structural liquidity) from the 1Y maturity onwards.

### *The liquidity metrics*

The Group's Liquidity Framework is based upon the Liquidity Risk Mismatch Model which is characterized by the following fundamental principles:

1. *Short-term liquidity risk management (operational liquidity)*, which considers the events that will impact upon the Bank's liquidity position from 1 day up to one year. The primary objective is to maintain the Bank's capacity to fulfill its ordinary and extraordinary payment obligations while minimizing the relevant costs;
2. *Structural liquidity risk management (structural risk)*, which considers the events that will impact upon the Bank's liquidity position over one year. The primary objective is to maintain an adequate ratio between medium/long term liabilities and medium to long-term assets, with a view to avoiding pressures on short-term funding sources (both current and future), while in the meantime optimizing the cost of funding;
3. *Stress tests:* Liquidity risk is a low probability, high impact event. Therefore stress testing is an excellent 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, UniCredit S.p.A. takes into account all of the assets, liabilities, off-balance sheet positions and present and future events which generate certain or potential cash flows, thereby protecting the Bank from risks related to the transformation of maturity.

### Short term liquidity management

Short-term liquidity management aims at ensuring that the Bank remains in a position to fulfill its cash payment obligations always, whether expected or unexpected, focused on the exposure for the first 12 months.

The standard measures taken for such purposes are the following:
- management of the access to payment systems (intraday and operational liquidity management);
- management of cash payments to be made and monitoring of the level of liquidity reserves and the extent of their utilization (analysis and active management of the maturity ladder).

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-in 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 liquidity obligations as expressed in the operative Maturity Ladder, after having exhausted the available Counterbalancing Capacity. The objective of the Bank is to guarantee a cash horizon of at least 3 months.

The Cash Horizon is one of the liquidity metrics included in the Group's Risk Appetite Framework. At the same time, different sensitivity analysis are performed, for example to verify the impact of 1 and 2 bln Euro inflows or outflows on the Cash Horizon or to estimate the additional liquidity needed in the event of downgrades by rating agencies.

### Structural liquidity management

The Bank's structural liquidity management aims to limit refinancing long term exposures with liabilities with short maturities, avoiding an higher pressure on the short term funding sources (therefore financing the medium long term assets with liabilities with same or longer term maturities). The structural Liquidity Ratio over 1 year is one of the liquidity metrics included in the Group's Risk Appetite Framework. The maintenance of an adequate ratio between medium to long-term liabilities and assets aims to avoid pressures on short-term sources, whether present or future.

The standard measures taken for such purposes are the following:
1. the spreading of the maturity of funding operations in order to reduce the usage of less stable funding sources, while in the meantime optimizing the cost of funding (integrated management of strategic liquidity and tactical liquidity);
2. the financing of growth through strategic funding activities, setting the most appropriate maturities (Yearly Funding Plan);
3. the balancing of medium- to long-term wholesale funding requirements with the need to minimize costs, by diversifying sources, national markets, currencies of issuance and instruments used (realization of the Yearly Funding Plan).

In order to monitor the structural liquidity position, together with the Structural Liquidity Ratio, Holding Company's Finance function calculates the Core Banking Book Funding Gap (CBBFG). Such indicator is calculated as the difference between the commercial funding and the commercial loans. When it is negative, it represents the financing need of the bank that must be met by using the interbank channel or the wholesale market.

It is calculated as the difference between:
- loans to customers - adjusted to exclude the amount of reverse repos - and
- the commercial funding as the sum of deposits from customers -adjusted to exclude the amount of repos-, Certificates of Deposit debt securities issued by the Bank and originally placed in non-institutional counterparts across the network of any company of the Group (network bonds), considered at their nominal value.

For LC Italy perimeter, second level control on CBBFG calculation is responsibility of Financial Risk Italy unit.

### Liquidity Stress Test

Stress testing is a risk management technique used to evaluate the potential effects on an institution's financial condition of a specific event and/or movement in a set of financial variables. As a forward looking tool, liquidity stress testing diagnostics the institution's liquidity risk. In particular the results of the Stress tests are used to:
- assess the adequacy of liquidity limits both in quantitative and qualitative terms;
- assess the adequate size of the available liquidity buffer (i.e. Counterbalancing Capacity);
- plan and carry out alternative sourcing transactions for purposes of off-setting liquidity outflows;
- structure/modify the liquidity profile of the Bank's assets;
- provide support to the development of the liquidity contingency plan.

In order to execute Stress tests that are consistent across the Liquidity Centres, the Group has a centralised approach to stress testing, requiring each local Liquidity Centre to run the same scenario set under the coordination of the Group Liquidity Risk Management.

At the Liquidity Centre level the use of statistical/quantitative behavioural models are accepted, provided they are validated by the local Risk Management or equivalent structure with same responsibilities.

# Part E - Risks and Hedging Policies (CONTINUED)

UniCredit S.p.A. can use statistical/quantitative behavioural models, provided they are validated by Risk Management.

The Group runs liquidity scenarios and sensitivity analyses on a regular basis, the latter by assessing the impact on an institution's financial condition of a move in one particular risk factor, the source of the shock not being identified, whereas scenario tests tend to consider the impact of simultaneous moves in a number of risk factors, based on a hypothetical, well defined and consistent stress scenario.

### Liquidity scenarios

At macro level the Bank identifies three basic different classes of potential liquidity crisis:
1. market (systemic, global o sector) related crisis: Market Downturn Scenario. This scenario consists of a sudden turmoil in a monetary and capital market, which may be caused by closure (or limited access) to market/settlement system, critical political events, country crisis, credit crunch, etc.;
2. specific to the Bank: name crisis, and downgrade scenarios; the assumption could be operational risk, event related to the worsen perception of the Bank reputation risk and a downgrade in UniCredit S.p.A. rating;
3. a combination of market and specific crisis: combined scenario. The survival period of the combined liquidity stress test scenario is one of the liquidity metrics included in the Group's Risk Appetite Framework.

The results of the stress test may highlight the needs of setting up specific limits concerning, for instance, unsecured funding, the ratio between cash-in/cash-out flows and counterbalancing capacity, the ratio between eligible and non-eligible securities, among others.

UniCredit Group calculates the metrics requested by the Regulator, such as the Liquidity Coverage Ratio (LCR) and the Net Stable Funding Ratio (NSFR), as integral part of the overall liquidity management process. The necessity to meet Basel 3 ratios is effectively managed within the Group Funding Plan as well as within the Group Risk Appetite Framework by the means of a dedicated metric: The Core Banking Book Funding Gap (as mentioned before).

The LCR identifies the amount of unencumbered (i.e. freely available) high quality liquid assets an institution holds that can be used to offset the net cash outflows it would encounter under an acute short-term stress scenario as specified by the regulators.

Bank is required to hold an amount of highly-liquid assets, such as cash or Treasury bonds, equal to or greater than their net cash outflows over a 30 day period (having at least 100% coverage - minimum requirement).

The specified scenario combines both institution-specific and systemic shocks based on the experiences of the recent financial crisis.

The NSFR is defined as the ratio of the "available amount of stable funding" to the "required amount of stable funding" that are calculated applying defined weighting factors to on and off-balance sheet items.

Basel 3 liquidity framework requires to hold a ratio above 100%, starting from 2018. That is, regulators require the available table funding to be at least as large as required stable funding.

### Behavioral modeling of Asset and Liabilities

UniCredit Group developed specific behavioral models to estimate the maturity profile of those assets and liability which do not have a defined contractual due date. Indeed, what is perceived to be sight maturing in reality shows some stickiness.

Asset and liability modeling aims to build a replicating profile that best reflects the behavioral features. Examples include loans with embedded option and sight items. For loans with embedded options like mortgages the amortisation profile takes into account projected prepayments. For sight items the maturity projections reflects the perceived stickiness. This estimate taken into account factors as historical volume stability.

### Monitoring and reporting

The short term liquidity limits and the Cash Horizon are monitored and reported on a daily basis. The structural liquidity ratios and its exposure against limits are monitored and reported on a monthly basis. The survival period and the result of the liquidity Stress test are reported and monitored on a weekly basis.

## Risk mitigation

### Mitigation factors
It is generally accepted that liquidity risk cannot be mitigated by capital. As such liquidity risk does not add to the economic capital usage, nevertheless it is considered as an important risk category also for the risk appetite determination of the Bank.

The main liquidity mitigation factors for UniCredit S.p.A. are:
- an accurate short term and medium to long term liquidity planning monitored monthly;
- an effective Contingency Liquidity Management with feasible and up-to-date Contingency Funding Plan and actions to be executed in case of crisis;
- a liquidity buffer to face unexpected outflows;
- robust and regular up to date stress testing performed on a high frequency.

### Funding Plan
The Funding Plan plays a fundamental role in the overall liquidity management influencing both the short term and the structural position. The Funding Plan is developed consistently with a sustainable uses and sources analysis both on short term and structural position. One of the objectives of accessing the medium and long term channels is to avoid also the pressure on the short term liquidity position. The Funding Plan is updated at least on a yearly basis and is approved by the Board of Directors. Moreover, it is aligned with the Budgeting process and the Risk Appetite framework.

UniCredit S.p.A., through the Planning Finance and Administration (PFA) function, coordinates the market access of the Liquidity Centres and Legal Entities, while the Liquidity Centres coordinate the access of the Legal Entities falling within their perimeter.

Planning Finance and Administration (PFA) can access the markets for medium and long term funding, in order to increase its self-sufficiency, exploit market opportunities and functional specialization, safeguarding the optimization of cost of funds of the Bank.

PFA is responsible for the elaboration of the Funding Plan. Risk Management function is responsible for providing an independent assessment of the Funding Plan. Financial Risk Italy unit is responsible for providing an independent assessment on the Funding Plan related to LC Italy perimeter.

# Part E - Risks and Hedging Policies (Continued)

## QUANTITATIVE INFORMATION

### 1.Time breakdown by contractual residual maturity of financial assets and liabilities

| | AMOUNTS AS AT 12.31.2014 | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| ITEMS/MATURITIES | ON DEMAND | 1 TO 7 DAYS | 7 TO 15 DAYS | 15 DAYS TO 1 MONTH | 1 TO 3 MONTHS | 3 TO 6 MONTHS | 6 MONTHS TO 1 YEAR | 1 TO 5 YEARS | OVER 5 YEARS | UNSPECIFIED MATURITY |
| **Balance sheet assets** | **35,659,667** | **11,433,664** | **8,951,525** | **13,827,127** | **23,902,091** | **15,794,218** | **28,397,715** | **97,115,138** | **71,611,052** | **547,286** |
| A.1 Government securities | 2,594 | - | 100,545 | 6,046 | 482,815 | 1,441,511 | 8,557,747 | 29,654,337 | 10,944,289 | - |
| A.2 Other debt securities | 9,628 | 235 | 9,250 | 1,036,834 | 84,366 | 1,347,301 | 1,460,456 | 6,564,655 | 5,796,626 | 6,556 |
| A.3 Units in investment funds | 876,806 | - | - | - | - | - | - | - | - | - |
| A.4 Loans | 34,770,639 | 11,433,429 | 8,841,730 | 12,784,247 | 23,334,910 | 13,005,406 | 18,379,512 | 60,896,146 | 54,870,137 | 540,730 |
| - Banks | 5,526,702 | 1,226,936 | 592,459 | 2,476,513 | 1,460,519 | 788,552 | 321,642 | 998,105 | 35,134 | 518,050 |
| - Customers | 29,243,937 | 10,206,493 | 8,249,271 | 10,307,734 | 21,874,391 | 12,216,854 | 18,057,870 | 59,898,041 | 54,835,003 | 22,680 |
| **Balance sheet liabilities** | **128,989,924** | **19,279,462** | **8,873,621** | **11,582,658** | **12,386,064** | **12,755,807** | **20,209,830** | **76,486,172** | **28,575,735** | **-** |
| B.1 Deposits and current accounts | 127,686,881 | 2,809,590 | 427,964 | 1,666,096 | 1,654,625 | 1,222,212 | 848,707 | 601,266 | 459,859 | - |
| - Banks | 7,517,749 | 2,660,120 | 411,486 | 1,595,600 | 1,492,166 | 1,047,170 | 706,404 | 24,503 | 3,144 | - |
| - Customers | 120,169,132 | 149,470 | 16,478 | 70,496 | 162,459 | 175,042 | 142,303 | 576,763 | 456,715 | - |
| B.2 Debt securities | 222,809 | 517,675 | 402,711 | 2,782,835 | 3,427,096 | 7,855,350 | 15,664,364 | 63,815,110 | 21,499,077 | - |
| B.3 Other liabilities | 1,080,234 | 15,952,197 | 8,042,946 | 7,133,727 | 7,304,343 | 3,678,245 | 3,696,759 | 12,069,796 | 6,616,799 | - |
| **Off-balance sheet transactions** | | | | | | | | | | |
| C.1 Physically settled financial derivatives | | | | | | | | | | |
| - Long positions | 5,205 | 14,799,786 | 7,504,223 | 10,355,350 | 20,902,151 | 17,429,585 | 10,853,896 | 4,235,458 | 3,019,299 | 56,604 |
| - Short positions | 5,173 | 15,204,569 | 7,547,448 | 10,516,553 | 20,798,730 | 16,813,439 | 10,871,072 | 4,386,151 | 2,885,940 | 64,127 |
| C.2 Cash settled financial derivatives | | | | | | | | | | |
| - Long positions | 6,943,550 | 12,440 | 39,129 | 231,029 | 576,303 | 639,719 | 1,430,780 | - | - | - |
| - Short positions | 7,124,275 | 36,444 | 12,416 | 182,488 | 660,343 | 632,520 | 1,158,092 | - | - | - |
| C.3 Deposit to be received | | | | | | | | | | |
| - Long positions | 2,943 | 11,410,681 | 1,223,547 | 951,599 | 49,462 | 482,746 | - | - | - | - |
| - Short positions | - | 5,638,775 | 3,393 | 3,433,037 | 1,992,616 | 1,697,144 | 1,320,373 | - | 35,640 | - |
| C.4 Irrevocable commitments to disburse funds | | | | | | | | | | |
| - Long positions | 5,046,464 | 6,284,235 | 33,367 | 514,805 | 1,422,095 | 2,673,349 | 1,514,528 | 10,631,180 | 2,139,063 | 656,852 |
| - Short positions | 29,058,002 | 1,201,117 | - | - | - | - | - | - | - | 656,819 |
| C.5 Written guarantees | 27,553 | - | 157 | 32,705 | 5,304 | 16,292 | 43,450 | 44,070 | 22,535 | - |
| C.6 Financial guarantees received | 4,015 | - | - | 2,966 | 352 | 3,056 | 9,418 | 7,058 | 1,133 | - |
| C.7 Physically settled credit derivatives | | | | | | | | | | |
| - Long positions | - | - | - | - | - | - | - | - | - | - |
| - Short positions | - | - | - | - | - | - | - | - | - | - |
| C.8 Cash settled credit derivatives | | | | | | | | | | |
| - Long positions | - | - | - | - | - | - | - | - | - | - |
| - Short positions | - | - | - | - | - | - | - | - | - | - |

### 1.1 Time breakdown by contractual residual maturity of financial assets and liabilities - Currency: **Euro**

| | AMOUNTS AS AT 12.31.2014 | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| ITEMS/MATURITIES | ON DEMAND | 1 TO 7 DAYS | 7 TO 15 DAYS | 15 DAYS TO 1 MONTH | 1 TO 3 MONTHS | 3 TO 6 MONTHS | 6 MONTHS TO 1 YEAR | 1 TO 5 YEARS | OVER 5 YEARS | UNSPECIFIED MATURITY |
| **Balance sheet assets** | **32,699,440** | **10,690,755** | **8,615,367** | **13,378,941** | **23,128,075** | **15,220,082** | **28,222,712** | **96,151,628** | **71,403,011** | **547,286** |
| A.1 Government securities | 2,491 | - | 99,319 | 3,315 | 482,815 | 1,438,802 | 8,409,525 | 29,599,889 | 10,822,006 | - |
| A.2 Other debt securities | 2,215 | 235 | 8,796 | 1,028,598 | 80,965 | 1,322,375 | 1,458,558 | 6,482,689 | 5,758,106 | 6,556 |
| A.3 Units in investment funds | 780,169 | - | - | - | - | - | - | - | - | - |
| A.4 Loans | 31,914,565 | 10,690,520 | 8,507,252 | 12,347,028 | 22,564,295 | 12,458,905 | 18,354,629 | 60,069,050 | 54,822,899 | 540,730 |
| - Banks | 2,877,896 | 977,499 | 569,060 | 2,453,406 | 1,422,994 | 776,263 | 317,707 | 372,862 | 35,134 | 518,050 |
| - Customers | 29,036,669 | 9,713,021 | 7,938,192 | 9,893,622 | 21,141,301 | 11,682,642 | 18,036,922 | 59,696,188 | 54,787,765 | 22,680 |
| **Balance sheet liabilities** | **126,076,954** | **19,030,480** | **8,843,618** | **11,347,632** | **11,964,495** | **12,617,714** | **19,883,127** | **75,174,575** | **27,639,717** | **-** |
| B.1 Deposits and current accounts | 124,950,998 | 2,560,706 | 400,428 | 1,519,542 | 1,304,916 | 1,156,269 | 686,719 | 601,266 | 458,674 | - |
| - Banks | 6,126,840 | 2,474,333 | 386,774 | 1,467,906 | 1,229,530 | 990,793 | 557,683 | 24,503 | 3,144 | - |
| - Customers | 118,824,158 | 86,373 | 13,654 | 51,636 | 75,386 | 165,476 | 129,036 | 576,763 | 455,530 | - |
| B.2 Debt securities | 222,616 | 517,577 | 400,244 | 2,694,363 | 3,355,236 | 7,783,200 | 15,570,886 | 63,131,873 | 20,608,183 | - |
| B.3 Other liabilities | 903,340 | 15,952,197 | 8,042,946 | 7,133,727 | 7,304,343 | 3,678,245 | 3,625,522 | 11,441,436 | 6,572,860 | - |
| **Off-balance sheet transactions** | | | | | | | | | | |
| C.1 Physically settled financial derivatives | | | | | | | | | | |
| - Long positions | 572 | 5,992,006 | 2,478,686 | 4,175,395 | 8,469,420 | 2,870,628 | 2,451,327 | 2,942,728 | 1,787,032 | 6,709 |
| - Short positions | 4,599 | 5,926,135 | 1,572,733 | 2,457,042 | 6,530,381 | 6,869,322 | 3,711,068 | 1,672,552 | 1,562,963 | 39,120 |
| C.2 Cash settled financial derivatives | | | | | | | | | | |
| - Long positions | 6,802,470 | 12,418 | 39,129 | 230,543 | 576,217 | 599,883 | 1,391,728 | - | - | - |
| - Short positions | 6,980,693 | 36,370 | 12,416 | 178,471 | 650,918 | 620,791 | 1,133,866 | - | - | - |
| C.3 Deposit to be received | | | | | | | | | | |
| - Long positions | - | 11,395,476 | 1,223,547 | 951,599 | 49,462 | 482,746 | - | - | - | - |
| - Short positions | - | 5,627,793 | - | 3,433,037 | 1,990,715 | 1,697,144 | 1,318,501 | - | 35,640 | - |
| C.4 Irrevocable commitments to disburse funds | | | | | | | | | | |
| - Long positions | 5,044,769 | 6,271,422 | 25,051 | 269,905 | 1,306,140 | 2,528,139 | 1,355,828 | 10,605,471 | 2,125,483 | 653,190 |
| - Short positions | 27,929,605 | 1,095,000 | - | - | - | - | - | - | - | 653,190 |
| C.5 Written guarantees | 25,503 | - | 157 | 30,998 | 3,245 | 12,869 | 41,094 | 41,517 | 22,535 | - |
| C.6 Financial guarantees received | 4,015 | - | - | 2,966 | 352 | 3,056 | 8,882 | 7,058 | 1,133 | - |
| C.7 Physically settled credit derivatives | | | | | | | | | | |
| - Long positions | - | - | - | - | - | - | - | - | - | - |
| - Short positions | - | - | - | - | - | - | - | - | - | - |
| C.8 Cash settled credit derivatives | | | | | | | | | | |
| - Long positions | - | - | - | - | - | - | - | - | - | - |
| - Short positions | - | - | - | - | - | - | - | - | - | - |

# Part E - Risks and Hedging Policies (Continued)

### 1.2 Time breakdown by contractual residual maturity of financial assets and liabilities - Currency: USD

| | AMOUNTS AS AT 12.31.2014 | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| ITEMS/MATURITIES | ON DEMAND | 1 TO 7 DAYS | 7 TO 15 DAYS | 15 DAYS TO 1 MONTH | 1 TO 3 MONTHS | 3 TO 6 MONTHS | 6 MONTHS TO 1 YEAR | 1 TO 5 YEARS | OVER 5 YEARS | UNSPECIFIED MATURITY |
| **Balance sheet assets** | **2,555,061** | **633,747** | **294,206** | **312,617** | **569,283** | **522,342** | **167,647** | **956,155** | **163,566** | **-** |
| A.1 Government securities | 70 | - | 1,227 | 2,731 | - | 2,709 | 148,222 | 54,447 | 122,283 | - |
| A.2 Other debt securities | 7,413 | - | 454 | 8,237 | 1,228 | 24,926 | 1,898 | 81,966 | 4 | - |
| A.3 Units in investment funds | 96,637 | - | - | - | - | - | - | - | - | - |
| A.4 Loans | 2,450,941 | 633,747 | 292,525 | 301,649 | 568,055 | 494,707 | 17,527 | 819,742 | 41,279 | - |
| - Banks | 2,295,805 | 158,279 | 23,178 | 16,156 | 25,092 | 12,289 | 3,935 | 625,243 | - | - |
| - Customers | 155,136 | 475,468 | 269,347 | 285,493 | 542,963 | 482,418 | 13,592 | 194,499 | 41,279 | - |
| **Balance sheet liabilities** | **2,407,858** | **202,633** | **21,372** | **190,972** | **237,483** | **118,498** | **139,545** | **741,290** | **700,839** | **-** |
| B.1 Deposits and current accounts | 2,231,429 | 202,535 | 18,905 | 107,656 | 227,900 | 49,143 | 57,096 | - | 732 | - |
| - Banks | 1,066,500 | 146,265 | 18,657 | 104,894 | 196,691 | 40,138 | 50,540 | - | - | - |
| - Customers | 1,164,929 | 56,270 | 248 | 2,762 | 31,209 | 9,005 | 6,556 | - | 732 | - |
| B.2 Debt securities | 187 | 98 | 2,467 | 83,316 | 9,583 | 69,355 | 82,449 | 123,548 | 700,107 | - |
| B.3 Other liabilities | 176,242 | - | - | - | - | - | - | 617,742 | - | - |
| **Off-balance sheet transactions** | | | | | | | | | | |
| C.1 Physically settled financial derivatives | | | | | | | | | | |
| - Long positions | 4,632 | 5,055,257 | 1,918,251 | 2,056,096 | 5,391,301 | 6,714,502 | 4,340,788 | 166,592 | 1,041,107 | 33,023 |
| - Short positions | 574 | 5,170,300 | 4,767,769 | 3,823,321 | 5,674,992 | 4,203,395 | 924,907 | 2,362,063 | 1,137,475 | 24,968 |
| C.2 Cash settled financial derivatives | | | | | | | | | | |
| - Long positions | 130,106 | 22 | - | 486 | 87 | 39,836 | 39,051 | - | - | - |
| - Short positions | 130,936 | 74 | - | 4,018 | 9,425 | 11,729 | 24,226 | - | - | - |
| C.3 Deposit to be received | | | | | | | | | | |
| - Long positions | 2,943 | - | - | - | - | - | - | - | - | - |
| - Short positions | - | - | - | - | 1,071 | - | 1,873 | - | - | - |
| C.4 Irrevocable commitments to disburse funds | | | | | | | | | | |
| - Long positions | 1,695 | - | - | 235,842 | 101,976 | 136,690 | 136,237 | 25,709 | 13,580 | 3,662 |
| - Short positions | 585,034 | 66,729 | - | - | - | - | - | - | - | 3,629 |
| C.5 Written guarantees | 563 | - | - | - | 2,059 | 3,295 | 2,356 | 2,059 | - | - |
| C.6 Financial guarantees received | - | - | - | - | - | - | 535 | - | - | - |
| C.7 Physically settled credit derivatives | | | | | | | | | | |
| - Long positions | - | - | - | - | - | - | - | - | - | - |
| - Short positions | - | - | - | - | - | - | - | - | - | - |
| C.8 Cash settled credit derivatives | | | | | | | | | | |
| - Long positions | - | - | - | - | - | - | - | - | - | - |
| - Short positions | - | - | - | - | - | - | - | - | - | - |

### 1.3 Time breakdown by contractual residual maturity of financial assets and liabilities - Currency: **Other currencies**

| ITEMS/MATURITIES | AMOUNTS AS AT 12.31.2014 | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | ON DEMAND | 1 TO 7 DAYS | 7 TO 15 DAYS | 15 DAYS TO 1 MONTH | 1 TO 3 MONTHS | 3 TO 6 MONTHS | 6 MONTHS TO 1 YEAR | 1 TO 5 YEARS | OVER 5 YEARS | UNSPECIFIED MATURITY |
| **Balance sheet assets** | **405,165** | **109,163** | **41,952** | **135,570** | **204,732** | **51,795** | **7,356** | **7,354** | **44,475** | **-** |
| A.1 Government securities | 32 | - | - | - | - | - | - | - | - | - |
| A.2 Other debt securities | - | - | - | - | 2,172 | - | - | - | 38,516 | - |
| A.3 Units in investment funds | - | - | - | - | - | - | - | - | - | - |
| A.4 Loans | 405,133 | 109,163 | 41,952 | 135,570 | 202,560 | 51,795 | 7,356 | 7,354 | 5,959 | - |
| - Banks | 353,001 | 91,158 | 220 | 6,950 | 12,433 | - | - | - | - | - |
| - Customers | 52,132 | 18,005 | 41,732 | 128,620 | 190,127 | 51,795 | 7,356 | 7,354 | 5,959 | - |
| **Balance sheet liabilities** | **505,109** | **46,349** | **8,631** | **44,054** | **184,085** | **19,595** | **187,157** | **570,308** | **235,178** | **-** |
| B.1 Deposits and current accounts | 504,452 | 46,349 | 8,631 | 38,898 | 121,809 | 16,801 | 104,892 | - | 453 | - |
| - Banks | 324,408 | 39,522 | 6,055 | 22,800 | 65,945 | 16,240 | 98,181 | - | - | - |
| - Customers | 180,044 | 6,827 | 2,576 | 16,098 | 55,864 | 561 | 6,711 | - | 453 | - |
| B.2 Debt securities | 5 | - | - | 5,156 | 62,276 | 2,794 | 11,028 | 559,689 | 190,786 | - |
| B.3 Other liabilities | 652 | - | - | - | - | - | 71,237 | 10,619 | 43,939 | - |
| **Off-balance sheet transactions** | | | | | | | | | | |
| C.1 Physically settled financial derivatives | | | | | | | | | | |
| - Long positions | - | 3,752,523 | 3,107,285 | 4,123,858 | 7,041,430 | 7,844,455 | 4,061,782 | 1,126,138 | 191,160 | 16,872 |
| - Short positions | - | 4,108,134 | 1,206,946 | 4,236,189 | 8,593,357 | 5,740,722 | 6,235,098 | 351,535 | 185,502 | 39 |
| C.2 Cash settled financial derivatives | | | | | | | | | | |
| - Long positions | 10,974 | - | - | - | - | - | - | - | - | - |
| - Short positions | 12,646 | - | - | - | - | - | - | - | - | - |
| C.3 Deposit to be received | | | | | | | | | | |
| - Long positions | - | 15,205 | - | - | - | - | - | - | - | - |
| - Short positions | - | 10,982 | 3,393 | - | 830 | - | - | - | - | - |
| C.4 Irrevocable commitments to disburse funds | | | | | | | | | | |
| - Long positions | - | 12,813 | 8,317 | 9,058 | 13,979 | 8,520 | 22,462 | - | - | - |
| - Short positions | 543,364 | 39,388 | - | - | - | - | - | - | - | - |
| C.5 Written guarantees | 1,487 | - | - | 1,707 | - | 128 | - | 493 | - | - |
| C.6 Financial guarantees received | - | - | - | - | - | - | - | - | - | - |
| C.7 Physically settled credit derivatives | | | | | | | | | | |
| - Long positions | - | - | - | - | - | - | - | - | - | - |
| - Short positions | - | - | - | - | - | - | - | - | - | - |
| C.8 Cash settled credit derivatives | | | | | | | | | | |
| - Long positions | - | - | - | - | - | - | - | - | - | - |
| - Short positions | - | - | - | - | - | - | - | - | - | - |

# Part E - Risks and Hedging Policies (Continued)

## 2. Disclosures about encumbered assets recognized in the Financial Statements

| TYPE OF TRANSACTIONS | ENCUMBERED ASSETS BOOK VALUE | ENCUMBERED ASSETS FAIR VALUE | UNENCUMBERED ASSETS BOOK VALUE | UNENCUMBERED ASSETS FAIR VALUE | TOTAL 12.31.2014 | TOTAL 12.31.2013 |
|---|---|---|---|---|---|---|
| 1. Cash and cash balances | - | X | 2,324,945 | X | 2,324,945 | 3,226,549 |
| 2. Debt securities | 33,498,831 | 31,924,382 | 37,589,004 | 39,405,040 | 71,087,835 | 58,809,922 |
| 3. Equity instruments | - | - | 2,212,659 | 2,212,659 | 2,212,659 | 2,397,808 |
| 4. Loans | 54,231,500 | - | 178,114,304 | - | 232,345,804 | 241,235,999 |
| 5. Other financial assets | - | X | 71,528,679 | X | 71,528,679 | 68,423,806 |
| 6. Non financial assets | - | X | 19,313,133 | X | 19,313,133 | 24,213,166 |
| **Total 12.31.2014** | **87,730,331** | **31,924,382** | **311,082,724** | **41,617,699** | **398,813,055** | **398,307,250** |
| **Total 12.31.2013** | **87,869,718** | **27,335,967** | **310,437,532** | **34,031,045** | **398,307,250** | |

## 3. Disclosures about own encumbered assets not recognized in the Financial Statements

| | ENCUMBERED ASSETS | UNENCUMBERED ASSETS | TOTAL 12.31.2014 | TOTAL 12.31.2013 |
|---|---|---|---|---|
| 1. Financial assets | 33,834,957 | 55,497,631 | 89,332,588 | 127,909,428 |
| - Securities | 33,834,957 | 55,497,631 | 89,332,588 | 127,909,428 |
| - Others | - | - | - | - |
| 2. Non financial assets | - | - | - | - |
| **Total 12.31.2014** | **33,834,957** | **55,497,631** | **89,332,588** | **127,909,428** |
| **Total 12.31.2013** | **61,672,485** | **66,236,943** | **127,909,428** | |

# Section 4 - Operational risks

## QUALITATIVE INFORMATION

### A. General aspects, operational processes and methods for measuring operational risk

Operational risk is the risk of loss due to errors, infringements, interruptions, damages caused by internal processes or personnel or systems or caused 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, client claims, products distribution, fines and penalties due to regulation breaches, damage to the company's physical assets, business disruption and system failures, process management.

***Group operational risk framework***

UniCredit Group sets the operational risk management framework as a combination of policies and procedures for controlling, measuring and mitigating the operational risk of the Group and controlled entities.

The operational risk policies, applying to all Group entities, are common principles defining the roles of the company bodies, the operational risk management function as well as the relationship with other functions involved in operational risk monitoring and management.

The Parent company coordinates the Group entities according to the internal regulation for operational risk control and management. Specific risk committees (Risk Committee, Operational & Reputational Risk Committee) are set up to monitor risk exposure, mitigating actions and measurement and control methods.

The methodology for data classification and completeness verification, scenario analysis, risk indicators, reporting and capital at risk measurement is set by the Group Operational & Reputational Risks department of the Holding company.

The operational risks management and control of UniCredit S.p.A. is set by the Unit "Operational, Reputational & Fraud Management Italy" (collocated within the department "Risk Management Italy" - CRO Italy).

The compliance of the Group 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 Holding company and independent from the Group Operational & Reputational Risks department.

In March 2008, UniCredit Group received authorization to use the AMA model (Advanced Measurement Approach) for calculating operational risk capital. In July 2014 Supervisors have authorized UniCredit Group to implement the proposed qualitative and quantitative changes to the AMA model, both at consolidated and individual level, starting from June 30th, 2014.

***Organizational structure***

Senior Management 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.

The Group Operational & Reputational Risk Committee, chaired by the Group Chief Risk Manager, is made up of permanent and guest members. The list of participants of the Committee has been updated in 2014.

The mission of the Group Operational & Reputational Risk Committee relative to operational risk, is to define proposals and opinions for the Group Risk Committee, for:
- the Group risk appetite including capitalization targets and capital allocation criteria for Group operational risks;
- the structure and definition of warning levels for Group operational risk for achieving risk allocation targets across Business Functions, Legal Entities and portfolios;
- initial approval and fundamental modifications of risk control and measurement systems and applications for operational risk, including possible action plans, processes, IT and data quality requirements, supported by the related internal validations;
- overall strategies for operational risk optimization, "Governance Guidelines" and general "Policies" for the management of Group operational risk;
- action plans to address possible critical findings related to risk control and measurement system resulting from "Group Internal Validation" and Internal Audit activities, with regard to internal control system and risk measurement;
- status update of relevant Basel project activities and processes on operational risk topics;
- ICAAP topics for operational risks;
- yearly Regulatory Internal Validation Report on operational risk.
- advice on matter of operational risk, upon request of the Holding Company functions/Bodies and Legal Entities.

# Part E - Risks and Hedging Policies (Continued)

The Group Operational & Reputational Risk Committee, relative to operational risk, meets with approval functions instead for the following topics:
- special operational and reputational risk “Policies”;
- corrective actions for balancing the Group operational risk positions, including the planned mitigation actions, within the warning levels defined by the competent Bodies;
- Group insurance strategies, including renewals, limits and franchises;
- initial approval and fundamental modifications of the methodologies for the measurement and control of operational risk, supported by the related internal validations.

The Group Operational & Reputational Risks department reports to Group Risk Management (Group CRO) and supervises and manages the overall profile of the operational and reputational risks (including operational risks bordering on credit risk and market risk) in the Group by defining the strategies, methodologies and warning levels, thus granting the compliance to regulatory requirements.

The department is structured in three units.
- Operational and Reputational Risk Oversight unit , responsible for defining the principles and rules for identification, assessment and control of operational risk and reputational risk (including operational risks bordering on credit risk and market risk), and monitoring their correct application by the Legal Entities.
- Operational and Reputational Risk Strategies & Mitigation unit, responsible for defining operational risk strategies, defining and controlling warning levels, as well as proposing mitigation actions and monitoring their effectiveness.
- Operational and Reputational Risk Analytics unit, responsible for defining risk capital measurement approaches, calculating operational risk capital and the corresponding economic capital, as well as conducting quantitative analysis of the Group’s exposure to operational risk and reputational risk, and providing suitable reporting to the functions concerned.

The Operational & Reputational Risk Management Italy Unit depends on CRO Italy and is responsible for the evaluation of the operational and reputational risks exposure of UniCredit S.p.A., for granting on those risks a continuous and independent presidium, for defining strategies aiming the mitigation and loss control, complying to Global Rules defined by Group Operational & Reputational Risks department.

In the matter of the operational risks measurement, management and mitigation, the Unit:
- is responsible of data quality concerning operational risks entered in the Group database, using both the General Ledger analysis, and the accounting reconciliation of operational losses with accounting items entered by UniCredit S.p.A.
- is responsible of losses data analysis entered by UniCredit S.p.A and of risk indicators trend. The team is also responsible for the periodical reporting on the operational risk exposure
- is responsible of strategies planning due to operational risks mitigation and to related losses of UniCredit S.p.A, consistent with strategies and Group Rules defined by “Group Operational & Reputational Risk”, identifying any mitigation action, monitoring the implementation and the effectiveness, in cooperation with “Internal Controls Italy” and “Organization Italy” units
- identifies initiatives needed for the prevention, control and management of frauds on residential mortgages and consumer lending. Starting from 2014, the Unit is also responsible of the evaluation of Information Communication Technology risks (ICT risk) and the related controls, in line with the Group methodology.

Finally, with the purpose both to fulfill specific Supervisory request in matter of Governance on operational risk and strengthen the mechanism of operational risk control, various initiatives have been launched in order to establish the “Italian Operational & Reputational Risk Committee”, responsible for the monitoring of operational and reputational risk exposure of UniCredit S.p.A. and for the evaluation of relevant events and related mitigation actions implemented.

### *Internal validation process*
In compliance with regulations, an internal validation process for the operational risk control and measurement system has been set up in order to verify the conformity with regulations and Group standards. This process is responsibility of the Market, Operational & Pillar II Risks Validation unit, within the Group Internal Validation department.

Group methodologies for measuring and allocating the capital at risk are validated at Holding company level by the abovementioned Unit, while the implementation of the operational risk control and management system within the relevant entities is validated by the local ORM functions following the Technical Instructions and policies issued by the Group Internal Validation Department.

The results of the local assessments are annually verified by the Group Internal Validation department which also performs additional analysis on data and documentation. Detailed reports are then submitted to the Group CRO for the release of specific Non Binding Opinions to the relevant subsidiaries. The local validation report, together with the opinion of the Holding company and the Internal Audit report is submitted to the entities’ competent Governing Bodies for approval.

All the validation outcomes on the operational risk control and measurement system, both at Holding Company and controlled entities level, are annually consolidated within the Group Validation report which, along with the annual Internal Audit report, is presented to the UniCredit Board of Directors.

Periodical reporting on validation activities is submitted also to the Group Operational & Reputational Risk Committee.

### *Reporting*
A reporting system has been developed by ORM function to inform senior management and relevant control bodies on the operational risk exposure and the risk mitigation actions.

In particular, quarterly updates are provided on operational losses, capital-at-risk estimates, the main initiatives undertaken to mitigate operational risk in the various business areas, operational losses suffered in the credit linked processes ("cross-credit" losses).

The ORM function, on a monthly basis, analyses operational risk indicators and, by the mean of a dedicated report, informs senior management upon the results of the above mentioned assessment.

The results of the main scenario analyses carried out at Group level and the relevant mitigation actions undertaken are also submitted to the attention of the Group Operational & Reputational Risk Committee.

### *Operational risk management*
Operational risk management exploits process reengineering to reduce the risk exposure and insurance policies management, defining proper deductibles and policies limits. Regularly tested business continuity plans assure sound operational risk management in case of interruption of main business services.
Compliant to Group Guidelines on operational risk matters, UniCredit SpA set up the "Permanent Work Group" - PWG composed by relevant functions for the operational risk monitoring (ORM function, Organization, Security, Compliance and Internal Controls); this PWG regularly meets in order to detect critical areas the company is exposed and, consequently, implements specific mitigating actions.

### *Risk capital measurement and allocation mechanism*
UniCredit developed an internal model for measuring the capital requirements. The system for measuring operational risk is based on internal loss data, external loss data (consortium and public data) scenario loss data and risk indicators.

Capital at risk is calculated per event type class. For each risk class, severity and frequency of loss data are separately estimated to obtain the annual loss distribution through simulation, considering also insurance coverage. The severity distribution is estimated on internal, external and scenario loss data, while the frequency distribution is determined using only the internal data. An adjustment for key operational risk indicators is applied to each risk class. Annual loss distributions of each risk class are aggregated through a copula functions based method. Capital at risk is calculated at a confidence level of 99,9% on the overall loss distribution for regulatory purposes and at a confidence level of 99,97% for economic capital purposes.

Through an allocation mechanism, the individual legal entities' capital requirements are identified, reflecting the entities' risk exposure.

## QUANTITATIVE INFORMATION
Detailed below is the percentage composition, by type of event, of operational risk sources as defined by the New Basel Capital Accord and acknowledged by the New Regulations for the Prudential Supervision of Banks issued by the Bank of Italy in December 2006 (Circular No. 263) and in successive updates.

The major categories are as follows:
- internal fraud: losses owing to unauthorized activity, fraud, embezzlement or violation of laws, regulations or business directives that involve at least one internal member of the bank;
- external fraud: losses owing to fraud, embezzlement or violation of laws by subjects external to the bank;
- employment practices and workplace safety: losses arising from actions in breach of employment, health and workplace safety laws or agreements, from personal injury compensation payments or from cases of discrimination or failure to apply equal treatment;
- clients, products and professional practices: losses arising from non-fulfillment of professional obligations towards clients 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 owing to operational or process management shortfalls, as well as losses arising from transactions with commercial counterparties, sellers and suppliers.

| DISTRIBUTION PER RISK EVENT TYPE | PERCENTAGE |
|---|---|
| Clients | 57.10% |
| Executions | 25.51% |
| External fraud | 7.47% |
| Internal fraud | 5.91% |
| Employment practices | 3.00% |
| IT systems | 0.66% |
| Asset damages | 0.35% |
| **Total** | **100.00%** |

# Part E - Risks and Hedging Policies (Continued)

In the first half 2014 , the main source of operational risk was "Clients, products and professional practices", a category which includes losses arising from the non-fulfillment of professional obligations towards clients or from the nature or characteristics of the products or services provided. The second largest contribution to losses came from execution.

In decreasing order of total impact, losses for external fraud, internal fraud, legal and labour disputes have been booked. Losses on asset damages and it failures represents the residual part of operational risk.

## B. Legal Risks

UniCredit S.p.A. is involved in numerous legal proceedings (which include commercial disputes, adversarial regulatory matters and investigations). From time to time, past and present directors, officers and employees may be involved in civil and/or criminal proceedings, the details of which the UniCredit S.p.A. may not lawfully know about or communicate.

UniCredit S.p.A. is also required to deal appropriately with various legal and regulatory requirements in relation to issues such as conflicts of interest, ethical issues, anti-money laundering laws, US and international sanctions, client assets, competition law, privacy and information security rules and others. Actual or alleged failure to do so may lead, and in certain instances has led, to additional litigation and investigations and subjects UniCredit S.p.A. to damages claims, regulatory fines, other penalties and/or reputational damage. In addition, one or more UniCredit group companies is subject to investigations by the relevant supervisory authority in a number of countries in which it operates. These include investigations relating to aspects of systems and controls and instances of actual and potential regulatory infringement by the Bank and/or its clients. Given the nature of the Bank's business and the reorganization of the Bank over time there is a risk that claims or matters that initially involve one Group company may affect or involve other Group entities.

In many cases, there is substantial uncertainty regarding the outcome of the proceedings and the amount of any possible losses. These cases include criminal proceedings, administrative proceedings brought by the relevant supervisory or prosecution authority and claims in which the petitioner has not specifically quantified the penalties requested (for example, in putative class actions in the United States). In such cases, given the impossibility of predicting possible outcomes and estimating losses (if any) in a reliable manner, no provisions have been made. However, where it is possible to reliably estimate the amount of possible losses and the loss is considered likely, provisions have been made in the financial statements based on the circumstances and consistent with international accounting standards (IAS).

To provide for possible liabilities that may result from pending legal proceedings (excluding labour law, tax cases and credit recovery actions), UniCredit S.p.A. has set aside a provision for risks and charges of €426.1 million as at December 31, 2014 (€312.8 million considering the elimination of provisions allocated for contingent assets). The estimate for reasonably possible liabilities and this provision are based upon currently available information but, given the numerous uncertainties inherent in legal proceedings, involve significant elements of judgment. In some cases it is not possible to form a reliable estimate, for example where proceedings have not yet been initiated or where there are sufficient legal and factual uncertainties to make any estimate purely speculative. Therefore, it is possible that this provision may not be sufficient to entirely meet the legal costs and the fines and penalties that may result from pending legal actions, and the actual costs of resolving pending matters may prove to be substantially higher.

Consequently it cannot be excluded that an unfavourable outcome of such legal proceedings or such investigations may have a negative impact on the results of the UniCredit S.p.A..

Set out below is a summary of information relating to matters involving the UniCreditS.p.A. which are not considered groundless or in the ordinary course.

This section also describes pending proceedings against UniCredit S.p.A. and/or employees (even former employees) that UniCredit considers relevant and which, at present, are not characterised by a defined claim or for which the respective claim cannot be quantified.

Unless expressly mentioned below, labour law, tax and credit recovery claims are excluded from this section and are described elsewhere in the notes.

In accordance with IAS 37 information which would seriously prejudice the relevant company's position in the dispute may be omitted.

**Madoff**

*Background*

UniCredit S.p.A. and various of its direct and indirect subsidiaries have been sued or investigated in the wake of a Ponzi scheme perpetrated by Bernard L. Madoff (**"Madoff"**) through his company Bernard L. Madoff Investment Securities LLC (**"BLMIS"**), and which was exposed in December 2008. Madoff or BLMIS and the UniCredit S.p.A. group of companies were principally connected as follows:

- The Alternative Investments division of Pioneer (**"PAI"**), an indirect subsidiary of UniCredit S.p.A., was investment manager and/or investment adviser for the Primeo funds (including the Primeo Fund Ltd (now in Official Liquidation) (**"Primeo"**)) and other non-U.S. funds-of-funds that had invested in other non-U.S. funds with accounts at BLMIS.
- Before PAI's involvement with Primeo, BA Worldwide Fund Management Ltd (**"BAWFM"**), an indirect subsidiary of UniCredit Bank Austria AG (**"BA"**), had been Primeo's investment adviser. BAWFM also performed for some time investment advisory functions for Thema International Fund plc (**"Thema"**), a non-U.S. fund that had an account at BLMIS.
- Some BA customers purchased shares in Primeo funds that were held in their accounts at BA.
- BA owned a 25 percent stake in Bank Medici AG (**"Bank Medici"**), a defendant in certain proceedings described below.
- BA acted in Austria as the "prospectus controller" under Austrian law in respect of Primeo and the Herald Fund SPC (**"Herald"**), a non-U.S. fund that had an account at BLMIS.
- UniCredit Bank AG (then Hypo- und Vereinsbank AG (**"HVB"**)) issued notes whose return was to be calculated by reference to the performance of a synthetic hypothetical investment in Primeo.

**Proceedings in the United States**

*Purported Class Actions*

UniCredit S.p.A., BA, PAI and Pioneer Global Asset Management S.p.A. (**"PGAM"**), a UniCredit S.p.A. subsidiary, were named among some 70 defendants in three putative class action lawsuits filed in the United States District Court for the Southern District of New York (the **"Southern District"**) between January and March 2009 by purported representatives of investors in the Herald funds, the Primeo fund and the Thema funds, which were invested, either directly or indirectly, in BLMIS. Plaintiffs principally alleged that the defendants should have discovered Madoff's fraud. The Herald case asserted violations of the United States Racketeer Influenced and Corrupt Organizations Act (**"RICO"**), demanding some $2 billion in damages, which plaintiffs sought to treble under RICO. Plaintiffs in the three cases also sought damages in unspecified amounts (other than under RICO, as noted above) and other relief.

On November 29, 2011, the Southern District dismissed all three purported class actions on grounds, with respect to UniCredit S.p.A., PGAM, PAI and BA, that the United States was not a convenient forum for resolution of plaintiffs' claims. That decision was upheld on appeal. Various further appeals have followed. Currently a petition remains pending before the United States Supreme Court (the **"Supreme Court"**).

*Claims by the SIPA Trustee*

In December of 2008, a bankruptcy administrator (the **"SIPA Trustee"**) for the liquidation of BLMIS was appointed in accordance with the U.S. Securities Investor Protection Act of 1970 (**"SIPA")**. In December 2010, the SIPA Trustee filed two cases (the **"HSBC"** and the **"Kohn"** case, respectively) in the United States Bankruptcy Court in the Southern District of New York (the **"Bankruptcy Court"**) against several dozen defendants, including UniCredit S.p.A., PAI, BA, PGAM, BAWFM, Bank Austria Cayman Islands and certain currently or formerly affiliated persons, as well as Bank Medici. Both cases were later removed to the non-bankruptcy federal trial court, i.e., the Southern District.

*Kohn Case*

In the Kohn case, the SIPA Trustee made claims against more than 70 defendants, including UniCredit S.p.A., BA, PGAM, BAWFM, Bank Austria Cayman Islands, certain current or formerly affiliated persons, and Bank Medici.

Three categories of claims were advanced: "claw-back" claims, common law claims and RICO violations. On November 26, 2014, the SIPA Trustee voluntarily dismissed without prejudice and effective immediately certain defendants (and all claims against them) from the Kohn case, including UniCredit S.p.A., BA, PGAM, BAWFM, Bank Austria Cayman Islands and the current or formerly affiliated persons. The case remains pending against certain other defendants not affiliated with UniCredit S.p.A. or its affiliated entities.

*HSBC Case*

In the HSBC case, the SIPA Trustee made claims against some 60 defendants, including UniCredit S.p.A., BA, BAWFM, PAI, certain current or formerly affiliated persons, and Bank Medici. In this case, the SIPA Trustee (i) made avoidance claims (commonly referred to as "claw-back" claims) against certain defendants on a joint and several basis, including the abovementioned, alleged to be in excess of $2 billion and (ii) sought unspecified amounts (said to exceed several billion dollars) for common law claims, including aiding and abetting BLMIS's breach of fiduciary duty and BLMIS's fraud.

The common law claims were dismissed by the Southern District on July 28, 2011. That decision was upheld on appeal by the Second Circuit. A further request for review by the Supreme Court was also rejected and no further appeals are pending.

The avoidance claims remain pending in the Bankruptcy Court. They are currently subject to a motion that they be dismissed pursuant to a ruling that such avoidance claims cannot be made in respect of transfers outside the United States between foreign transferors and foreign transferees because the relevant provisions of United States law do not apply extra-territorially.

On December 17, 2014, the Bankruptcy Court approved settlements the SIPA Trustee entered into with the Primeo Funds and the Herald Fund. Counsel for the SIPA Trustee then advised counsel for UniCredit S.p.A. that the pending avoidance claims were satisfied as a result of these settlements and that neither UniCredit S.p.A. nor PAI would be named as defendants in a forthcoming amendment to the HSBC complaint. Until such amendment is in fact filed, however, there can be no assurance that the pending avoidance claims against UniCredit S.p.A. and PAI will no longer be pressed.

The current or formerly affiliated persons named as defendants in the HSBC case, who had not been previously served, have now been served. The current or formerly affiliated persons may have similar defenses to the claims as UniCredit S.p.A. and its affiliated entities, and may have rights to indemnification from those parties.

*Claims by SPV Optimal SUS Ltd. and by SPV OSUS Ltd.*

UniCredit S.p.A. and certain of its affiliates - BA, BAWFM, PAI - have been named as defendants, together with approximately 40 other defendants, in a lawsuit filed in the Supreme Court of the State of New York, County of New York, on December 12, 2014, by SPV OSUS Ltd. The complaint asserts common law based claims in connection with the Madoff Ponzi scheme, principally that defendants aided and abetted and/or knowingly participated in Madoff's scheme. The case is brought on behalf of investors in BLMIS and claims damages in an unspecified amount. The action filed by SPV OSUS Ltd. is in the initial stages.

*Proceedings Outside the United States*

On July 22 2011, the Joint Official Liquidators of Primeo (the **"Primeo Liquidators"**) sued PAI in the Grand Court of the Cayman Islands, Financial Services Division. PAI and the Primeo Liquidators settled these claims.

Investors in the Primeo and Herald Madoff feeder funds have brought numerous civil proceedings, of which 212 with a claimed amount totaling €128 million plus interest remain. The claims in these proceedings are either that BA breached certain duties regarding its function as prospectus controller,

# Part E - Risks and Hedging Policies (CONTINUED)

or that BA improperly advised certain investors (directly or indirectly) to invest in those funds or a combination of these claims. The Austrian Supreme Court has issued 8 final decisions with respect to prospectus liability claims asserted in the legal proceedings. With respect to claims related to the Primeo feeder funds, all 6 final Austrian Supreme Court decisions have been in favour of BA. With respect to the Herald feeder funds, the Austrian Supreme Court has ruled twice with respect to prospectus liability, once in favour of BA and once in favour of the claimant. At this stage, it is not possible to forecast what effect these decisions may have on other cases.
In respect of the Austrian civil proceedings pending as against BA related to Madoff's fraud, BA has made provisions for an amount considered appropriate to the current risk.
BA has been named as a defendant in criminal proceedings in Austria which concern the Madoff case.These complaints allege, amongst other things, that BA breached provisions of the Austrian Investment Fund Act as prospectus controller of the Primeo fund and certain tax issues. These criminal proceedings are still at the pre-trial stage.

HVB issued several tranches of notes whose potential return was to be calculated by reference to the performance of a synthetic hypothetical investment in the Primeo fund. The nominal value of the notes issued by HVB is around €27 million. Three legal proceedings have been commenced in Germany in connection with the issuance of said Primeo-linked notes, which named HVB as a defendant. In the first case, the court of appeal has dismissed the lawsuit and the German Federal Court of Justice has not allowed a further appeal. The second case has been abandoned by the plaintiff. The last case has been decided in favour of HVB at first instance but is not final and binding as of today.

*Subpoenas and Investigations*
UniCredit S.p.A. and several of its subsidiaries received subpoenas, orders and requests to produce information and documents from the United States Securities Exchange Commission, the U.S. Department of Justice and the SIPA Trustee in the United States, the Austrian Financial Market Authority, the Irish Supervisory Authority for financial markets and BaFin in Germany related to their respective investigations into Madoff's fraud. These subpoenas, orders and requests have been satisfied.
Similar such subpoenas, orders and requests may be received in the future by UniCredit S.p.A. its affiliates, and some of their employees or former employees, in the foregoing countries or in countries where proceedings related to Madoff investments are, or may in the future be, pending.

*Certain Potential Consequences*
In addition to the foregoing proceedings and investigations stemming from the Madoff case against UniCredit S.p.A., its subsidiaries and some of their respective employees and former employees, additional Madoff-related proceedings and/or investigations may be filed in the future in said countries or in other countries. Such potential future proceedings and/or investigations could be filed against UniCredit S.p.A, its subsidiaries, their respective employees and former employees or entities with which UniCredit S.p.A. is affiliated. The pending or future proceedings and/or investigations may have negative consequences for the UniCredit S.p.A. group of companies.
UniCredit S.p.A. and its subsidiaries intend to defend themselves vigorously against the Madoff-related claims and charges.
Save as described above, for the time being it is not possible to estimate reliably the timing and results of the various proceedings, nor determine the level of responsibility, if any responsibility exists. Presently, and save as described above, in compliance with international accounting standards, no provisions have been made for specific risks associated with Madoff disputes.

**Proceedings arising out of the purchase of UCB AG by UniCredit SpA and the related group reorganization**
*Proceedings in Germany challenging the validity of UCB AG shareholder resolutions*
By resolutions adopted at UCB AG's Extraordinary Shareholders' Meeting of October 25, 2006 (the **"2006 EGM"**), various sale and purchase agreements were approved (the **"2006 Resolutions"**). Those agreements transferred (1) the shares held by UCB AG in BA and in HVB Bank Ukraine to UniCredit S.p.A. (2) the shares held by UCB AG in International Moscow Bank and AS UniCredit Bank Riga to BA and (3) the Vilnius and Tallin branches of UCB AG to AS UniCredit Bank Riga. In 2008, these resolutions were confirmed by a UCB AG Shareholders' Meeting (the "2008 Resolutions").
The validity of the 2006 Resolutions, as well as of the 2008 Resolutions, was challenged by several of UCB AG's former minority shareholders in two sets of proceedings in the German courts against UCB AG (the **"2006 Proceedings"** and the **"2008 Proceedings"**) on the basis, inter alia, that the price paid for the various transactions was too low.
The 2008 Proceedings have now been settled. The 2006 proceedings, which were stayed pending the resolution of the 2008 proceedings, have revived. The 2006 Resolutions, like the 2008 Resolutions, are valid and binding unless and until found void by a court of final instance.

*Squeeze-out of UCB AG minority shareholders (Appraisal Proceedings)*
Approximately 300 former minority shareholders of UCB AG filed a request to have a review of the price paid to them when they were squeezed out (Appraisal Proceedings). The dispute mainly concerns the valuation of UCB AG.
The first hearing took place on April 15, 2010. The proceedings are still pending in Germany and are expected to last for a number of years.

*Squeeze-out of Bank Austria's minority shareholders*
Certain former minority shareholders in Bank Austria initiated proceedings before the Commercial Court of Vienna claiming that the squeeze-out price paid to them was inadequate, and asking the Court to review the adequacy of the amount paid (Appraisal Proceedings).
The Commercial Court of Vienna has referred the case to a panel, called the **"Gremium"**, to investigate the facts of the case in order to review the adequacy of the cash compensation. UniCredit, considering the nature of the valuation methods employed, continues to believe that the amount paid to the minority shareholders was adequate.

Should the parties fail to settle the matter, the Commercial Court will issue a decision (which is appealable), which could result in UniCredit S.p.A. having to pay additional cash compensation to the former shareholders.

### Financial Sanctions matters

Recently, violations of U.S. sanctions and certain US dollar payments practices have resulted in certain financial institutions entering into settlements and paying substantial fines and penalties to various U.S. authorities, including the U.S. Treasury Department's Office of Foreign Assets Control ("OFAC"), the U.S. Department of Justice ("DOJ"), the District Attorney for New York County ("NYDA"), the U.S. Federal Reserve ("Fed") and the New York Department of Financial Services ("DFS"), depending on the individual circumstances of each case. Certain companies in the UniCredit Group are cooperating with various U.S. authorities and are updating other relevant non U.S. authorities as appropriate. More specifically, in March 2011 UCB AG received a subpoena from the NYDA relating to historic transactions involving certain Iranian entities, designated by OFAC, and their affiliates. In June 2012, the DOJ opened an investigation of OFAC-related compliance by UCB AG and its subsidiaries more generally. In this context, UCB AG is conducting a voluntary investigation of its US dollar payments practices and its historic compliance with applicable US financial sanctions, in the course of which certain historic non-transparent practices have been identified. UniCredit Bank Austria AG has independently initiated a voluntary investigation of its historic compliance with applicable U.S. financial sanctions, as has UniCredit S.p.A., and each is cooperating with various US authorities. It is possible that investigations into historic compliance practices may be extended to one or more of the other companies within the UniCredit Group.
The scope, duration and outcome of each review or investigation will depend on facts specific to the individual case. Although we cannot at this time determine the form, extent or the timing of any resolution with any relevant authorities, the investigation costs, remediation required and/or payment or other legal liability incurred could lead to cash outflows and could potentially have a material adverse effect on the net assets and net results of UniCredit S.p.A. (on a stand-alone and consolidated basis) and one or more individual Group entities in any particular period.

### Derivatives Litigation

In the years preceding the 2007 financial crisis, financial institutions, including the companies of the UC group, entered into numerous derivatives contracts both with institutional and non-institutional investors. In Germany and Italy such derivative contracts have been challenged most notably by non-institutional investors where those contracts are out of the money. This affected the financial sector generally and is not specific to UniCredit and its group companies. It is impossible to assess the full impact of such legal challenges on the Group.

### New Mexico CDO-Related Litigation

*Claims brought or threatened by or on behalf of the state of New Mexico or any of its agencies or funds*
In August 2006, the New Mexico Educational Retirement Board (ERB) and the New Mexico State Investment Council (SIC), both US state funds, invested $90 million in Vanderbilt Financial, LLC (VF), a vehicle sponsored by Vanderbilt Capital Advisors, LLC (VCA). The purpose of VF was to invest in the equity tranche of various collateralized debt obligations (CDOs) managed primarily by VCA. The equity investments in VF, including those made by the ERB and SIC, became worthless. VF was later liquidated.
Beginning in 2009, several lawsuits were threatened or filed on behalf of the state of New Mexico, including by private parties who claimed a right to sue in a representative capacity. The suits relate to losses suffered by the ERB and/or SIC on their VF investments, with additional claims threatened in relation to further losses suffered by SIC on its earlier investments in other VCA-managed CDOs. The lawsuits allege fraud and kickback practices. Damages claimed in the filed lawsuits are computed based on multiples of the original investment, up to a total of $365 million. In 2012, VCA reached an agreement in principle with the ERB, SIC and State of New Mexico to settle all claims brought or threatened by or on behalf of the state of New Mexico or any of its agencies or funds. The settlement is contingent on the court's approval, but that process is temporarily on hold pending the determination of a legal question in a lawsuit brought against a different set of defendants in other proceedings. A decision is expected in 2015. In the interim, one suit has been dismissed and the others are either stayed or held in abeyance.

*Other litigation*
In November 2011, Bruce Malott, the former chairman of the ERB, brought suit in New Mexico state court against persons allegedly involved with "pay to play" or kickback practices at the ERB, alleging damages to his reputation in earning capacity as a result of his association with the challenged practices. Among the defendants are VCA, VF, PIM US and two former officers of VCA. No damages amount is specified, but Malott seeks treble damages and punitive damages (as applicable) in addition to any actual damages he might prove. In June 2013, Malott's claims were dismissed without prejudice. Malott filed a further amended complaint in August 2013 which, in October 2013, the defendants once again moved to dismiss. The Court's ruling is awaited.

### Divania S.r.l.

In the first half of 2007, Divania S.r.l. (now in bankruptcy) (**"Divania"**) filed a suit in the Court of Bari against UniCredit Banca d'Impresa S.p.A. (then UniCredit Corporate Banking S.p.A. and now UniCredit S.p.A.) alleging violations of law and regulation in relation to certain rate and currency derivative transactions created between January 2000 and May 2005 first by Credito Italiano S.p.A. and subsequently by UniCredit Banca d'Impresa S.p.A. (now UniCredit S.p.A.).
The petition requests that the contracts be declared non-existent, or failing that, null and void or to be cancelled or terminated and that UniCredit Banca d'Impresa S.p.A. (then UniCredit Corporate Banking S.p.A. and now UniCredit S.p.A.) pay the claimant a total of €276.6 million as well as legal fees and interest. It also seeks the nullification of a settlement the parties reached in 2005 under which Divania S.r.l had agreed to waive any claims in respect of the transactions.
UniCredit S.p.A. rejects Divania S.r.l.'s demands. Without prejudice to its rejection of liability, it maintains that the amount claimed has been calculated by aggregating all the debits made (for an amount much larger than the actual amount), without taking into account the credits received that significantly reduce the claimant's demands.

# Part E - Risks and Hedging Policies (Continued)

In 2010 the report of the Court named expert witness submitted a report which broadly confirms UniCredit's position stating that there was a loss on derivatives amounting to about €6,400,000 (which would increase to about €10,884,000 should the out-of-court settlement, challenged by the claimant, be judged unlawful and thus null and void). The expert opinion states that interest should be added in an amount between €4,137,000 (contractual rate) and €868,000 (legal rate). At the hearing held on December 10, 2012 the Court reserved its decision, but on May 20, 2013 it was decided to reopen the proceedings. On September 29, 2014 the judges reserved their decision.
Another two lawsuits have also been filed by Divania, one for €68.9 million (which was subsequently increased up to € 80,5 million ex art 183 c.p.c.) and the second for €1.6 million; the first one was adjourned for the trial and the second one was adjourned for the conclusions.
UniCredit S.p.A. has made a provision for an amount consistent with the risk of the lawsuit.

**Brontos - criminal proceeding**
With regard to the transactions known as "Brontos" there is a criminal proceeding which concerns the conduct of, inter alia, present and former officers/employees of UniCredit.
On October 10, 2013, the Court of Cassation found that the Court of Rome had jurisdiction to try the case; all court documents were therefore transferred from the Public Prosecutor's office at the Court of Bologna to the Court of Rome.
The procedural stage of the preliminary hearing is in progress.

**I Viaggi del Ventaglio Group (IVV)**
In 2011 a lawsuit was filed with the Court of Milan against UniCredit S.p.a by I Viaggi del Ventaglio de Mexico SA, SA Tonle and the bankruptcy trustee of I Viaggi del Ventaglio International SA ("IVVISA") for approximately €68 million. In 2014 two further lawsuits were filed with the Court of Milan by the bankruptcy trustee of IVV Holding srl, and by the bankruptcy trustee of I Viaggi del Ventaglio SpA for €48 million and €170 million, respectively. The three lawsuits are related. The first and third relate to allegedly unlawful conduct in relation to loans. The second relates to disputed derivative transactions. UniCredit SpA's initial view is that the claims appear to be groundless and no provisions have been made.

**Lawsuit brought by "Paolo Bolici"**
In May 2014, the company wholly owned by Paolo Bolici sued UniCredit S.p.A. in the Court of Rome seeking the return of €12 million in allegedly unlawful interest (allegedly incurred inter alia because of usury) and €400 million for damages. The company then went bankrupt. UniCredit SpA's initial view is that no provisions are to be made.

**Compound interest/usury**
During 2014 a significant increase was recorded in claims for refunds/compensation on the subject of compound interest/usury in relation to UniCredit S.p.A.. These are mostly in the initial enquiry stage.

**MATERIAL EVENTS SUBSEQUENT TO DECEMBER 31, 2014**
For ease of reference relevant developments subsequent to December 31, 2014 have been included directly in the text and included in the following paragraphs: "Madoff".

***

Following the outcome of the review of the balances of contingent assets conducted on the year-end balances as well as in compliance with the requirements of the Bank of Italy set out in the Technical Memo of August 7, 2012, for the purposes of the preparation of the financial statements as at December 31, 2014, €224 million of provisions for risks and charges were eliminated to cover the simultaneous elimination of the same amount of contingent assets not requiring "virtual certainty" that were recorded under the asset item "Other Assets".

## C. Risks arising from employment law cases

UniCredit S.p.A. is involved in employment law disputes. In general, provisions have been made for all employment law disputes to cover any potential disbursements and in any event UniCredit S.p.A. does not believe that any liabilities related to the outcome of the pending proceedings could have a significant impact on its economic and/or financial standing.

*Lawsuits filed against UniCredit S.p.A. by some members of the former Cassa di Risparmio di Roma Fund*
There are lawsuits pending on Appeal that have been decided in favor of the Bank in the first instance, whose main petition is to request that the funding level of the former Cassa di Risparmio di Roma Fund be restored and that the individual social security accounts of each member be assessed and quantified. With reference to the main claim, the relief sought is estimated at €384 million. No provisions have been made as these actions are considered to be unfounded.

*Lawsuit filed against UniCredit S.p.A. by some members of the former Credito Romagnolo's Supplementary Pension Fund*
The lawsuit in question, already described in the 2013 Anuual Report, was concluded in favour of UniCredit S.p.A.

## D. Tax dispute

Last year's Annual Report contains disclosures of ongoing disputes concerning assessment notices for IRES income tax and IRAP corporate tax served on UniCredit S.p.A. by the Emilia Romagna Regional Division and the Liguria Regional Division in relation to structured finance transactions conducted in fiscal year 2004 (while similar disputes concerning 2005 had already been settled), for a total of €136.3 million.

Appeals were promptly lodged against the notices served by the Revenue Agency and, pending the ruling, a judicial conciliation procedure took place during the year leading to the total amount due to the Revenue Agency being reduced to €35.0 million and the settlement of the dispute.

**Pending cases arising during the year**

During the year UniCredit S.p.A. - on own account and in its capacity as the holding company, together with a number of Group Companies - was served several notices of assessment totaling around €124 million.

The matters of particular significance include those served with regard to:

1) the alleged non-payment of withholding taxes on interest paid in relation to debt instruments issued to strengthen capital, with total taxes and ancillary expenses of approximately €40 million;
2) substitute tax on medium- and long-term loans and registration tax, for a total of €22 million in taxes and ancillary expenses;
3) higher IRES and IRAP for 2008 and 2009 relating to Pioneer Investment Management SGRPA, regarding transfer pricing disputes for a total claim of €52.7 million; in this regard it is noted that a judicial conciliation procedure is in progress in relation to the said company over the same issues for the year 2006 and that no penalties have been issued;
4) higher IRES and IRAP for 2009 relating to UniCredit Bank Austria A.G. - Permanent Office in Italy regarding transfer pricing disputes for a total claim of €4.2 million in taxes and ancillary expenses;
5) higher IRES and IRAP for 2009 relating to Finecobank Banca Fineco S.p.A. for disputes pertaining to a number of costs deemed to be non-deductible, for a total of €2 million in taxes and ancillary expenses;
6) higher IRES and IRAP for 2009 relating to the merged companies UniCredit Banca di Roma S.p.A. and UniCredit Private Banking S.p.A, regarding transfer pricing disputes for a total claim of €1.1 million in taxes and ancillary expenses;
7) other disputes pertaining to Italian subsidiaries or merged companies, totaling €2.3 million in taxes and ancillary expenses;

The necessary actions have been taken in regard to the notices detailed above, ensuring they have been promptly appealed before the competent Tax Commissions and/or that reduced settlements have been requested where deemed appropriate.

Having assessed tax risks in relation to the nature of the disputes and considering the foremost jurisprudence on the subject - in particular as regards the matter detailed under point 1) - the Company has decided, in relation to the matters set out above, to make provisions totaling €46.4 million, of which €13.0 million for the disputes over the substitute tax on medium- to long-term loans.

**Updates on pending disputes and tax audits**

The previous years' Annual Reports disclosed notices of assessment served on UniCredit S.p.A. as the consolidating entity of Pioneer Investment Management SGR for the financial years 2006 and 2007, for around €33 million and €30.5 million, respectively. The appeals submitted to the competent Tax Commissions for both tax years are still pending. The judicial conciliation procedure in progress regarding 2006 has already been mentioned in the preceding paragraph.

In addition, a dispute over higher IRES for 2004 allegedly due by Capitalia S.p.A. relating to a structured finance transaction was also disclosed, for a total amount of €20 million. This dispute was settled through a tax settlement proposal for a total amount of €6.6 million in taxes and accessory charges.

Moreover, on November 6, 2013, the Liguria Regional Division served a tax audit report for 2008 equivalent to the one previously served for 2009, for a total amount of €0.8 million in claimed taxes and ancillary expenses.Subsequently, the related notice of assessment was served. On May 5, 2014, the tax audit report was settled through a tax settlement proposal pursuant to Italian Legislative Decree 218/1997, by paying a total amount of €0.6 million.

At December 31, 2013, total provisions for tax risks to cover disputes and audits totaled more than €103 million, including the existing provisions of more than €18 million for payments due pending the ruling on the dispute on structured finance transactions, which was fully used in 2014 to settle the associated disputes.

As indicated above, €46.4 million of additional provisions were made during 2014 (of which €3.0 million following the identification of contingent assets), offset by uses and releases of the provision for tax risks totaling €45.3 million (including €16.2 million of releases for the disputes over the substitute tax on medium- and long-term loans).

Therefore total provisions stand at more than €105 million (€42 million considering the elimination of provisions made for contingent assets).

Lastly, as regards the other group companies in Italy, the outcomes of the most important audits concluded in 2014 are shown below:

1) UniCredit Bank A.G. - Milan Branch (2005): dispute over a total amount claimed for taxes and penalties of €7.2 million; the dispute was settled in September 2014 through judicial conciliation. The total amount to pay following the settlement is €68 thousand, considering that the dispute revolved around the method of accounting for the suitability of a capital injection, and that the arguments put forward were largely accepted;
2) UniCredit Bank A.G. - Milan Branch (2006): dispute over a total amount claimed for taxes and penalties of €13.2 million; the dispute was settled in December 2014 through judicial conciliation. The total amount payable after settlement amounted to €1.6 million.
3) UniCredit Bank A.G. - Milan Branch (2007): dispute over a total amount claimed for taxes and penalties of €23.6 million; Attempts to settle the dispute are currently under way.
4) UniCredit Bank A.G. - Milan Branch (2008): reclassification for tax purposes of several financial transactions implemented by the company, with the claim of €50 million in higher taxes allegedly due. In May 2014, the disputes arising from the tax audit report served in relation to 2008 were settled through a tax settlement proposal with the payment of a total of €15.8 million.

# Part E - Risks and Hedging Policies (Continued)

5) UniCredit Bank Austria A.G. - Milan Branch (2010): €1.8 million in higher taxes have been claimed, allegedly due in relation to transfer pricing regulations. The dispute was settled through a tax settlement proposal for a total amount of €0.8 million
6) UniCredit Bank Austria A.G. - Milan Branch (2009): €2 million in higher taxes have been claimed, allegedly due in relation to transfer pricing regulations. The dispute was settled through a tax settlement proposal for a total amount of €0.6 million
7) FinecoBank S.p.A. (2008-2011): claim of €6.2 million in alleged higher taxes due to company reorganization and other matters; The company has settled the dispute relating to 2008 through a tax settlement proposal, paying €0.36 million for the portion relating to allegedly non-deductible costs relative to irregularities committed by financial advisors.

### E. Extrajudicial procedures

With reference to the extrajudicial procedure relating to Istituto per il Credito Sportivo (ICS), about which disclosure was provided in the financial statements 2012 and 2013, please note that the Regional Administrative Court of Lazio, with a judgment dated May 16, 2014, rejected the private shareholders' request for the annulment of the interministerial order of March 6, 2013 concerning the annulment of the ICS Statute of 2005; the private shareholders appealed to the Council of State to suspend and then nullify this ruling.

It should also be noted that in March 2014, following the approval of the new ICS Statute, issued by interministerial order of January 24, 2014 (published in the Official Gazette of April 19, 2014), in which UniCredit's shareholding in the company has been significantly diluted (from 10.81% to 1.264%), it was considered appropriate to adjust the shareholding held and its book value to the new statutory provisions.

### F. Carlo Tassara S.p.A. restructuring process

On December 23, 2013 Carlo Tassara ("Tassara") and the creditor banks signed the third amendment agreement on the moratorium on debt payments.

The purpose of this transaction is to allow the company to better enhance certain assets under disposal, whose proceeds will be used to pay its financial debts.

The main terms and conditions of the Amendment Agreement include:
1. the postponement of the final expiry of the agreements to December 31, 2016;
2. the appointment of the 9 members composing the Board of Directors, with 6 independent members in accordance with the new corporate governance;
3. the conversion of the creditor banks' exposures into Strumenti Finanziari Partecipativi ("SFP") for a total amount of €650 million. The SFP, which can be traded once the restructuring agreement expires, have no maturity date and have a priority over any classes of shares with respect to distribution of net income and reserves, as well as in case of liquidation of Carlo Tassara. The criteria to split the SFP among the banks was calculated taking into account the amount and the distribution of the unsecured debt and, for the difference, the uncovered portion of the secured debt. The value of the listed securities was determined on the basis of the 6-month average share price before the closing of the restructuring agreement;
4. the commitment of the creditor banks to subscribing additional SFP on a pro-rata basis if in the course of the plan material losses occur pursuant to article 2447 of the Italian Civil Code;
5. the commitment of the creditor banks to converting into SFP the residual credits that should remain in place after the disposal of all the available-for-sale assets of Carlo Tassara;
6. the business continuity of Carlo Tassara will be ensured by enterprises with historical links with the Valcamonica area.

The existing collateral (pledge on Intesa Sanpaolo, Eramet and Cattolica Assicurazioni shares) remained in place after the signing of the above-mentioned agreements.

On December 27, 2013, following the fulfillment of the conditions precedent to the effectiveness of the third amendment agreement, the banks subscribed the SFP worth €650 million.

UniCredit subscribed for 63,131,974 SFP with a nominal value of €1.00 each and totaling €63 million, issued by Tassara pursuant to the resolution of the Extraordinary Meeting of December 23, 2013, and agreed to contemporaneously pay up these SFP by voluntarily offsetting a portion of its loans (nominal value) to Tassara totaling €63 million, reducing the Bank's overall exposure to Tassara.

As a result of the above-mentioned offsetting, part of the Bank's loans to Tassara (€63 million) was paid off and the Company's outstanding debts to the Bank decreased, with effect from December 27, 2013, by €63 million.

On December 23, 2013, in compliance with the governance provisions, the members of Carlo Tassara S.p.A.'s new Board of Directors were appointed.

In the first half of 2014 Tassara sold listed securities (pledged and not pledged as collateral) and collected dividends worth approximately €772 million, which includes the proceeds from the sale of the Intesa Sanpaolo shares (totaling €589 million, of which €580 million arising from securities put up as collateral) pledged as collateral for the loans granted by the creditor banks.

In the third quarter 2014, Tassara sold further shares (pledged and not) for a total amount of about €38 million, including the proceeds from the sale of Cattolica Assicurazioni shares, for a total of about €13 million, of which €6.3 million has been used by the company to partially repay the debt exposures to UniCredit S.p.A..

In the fourth quarter of 2014, Tassara sold further shares (pledged and not) for a total amount of almost €43 million, including the proceeds from the sale of additional Intesa Sanpaolo shares, for a total of €19 million, of which around €2 million arising from securities placed as collateral for the receivables due to the creditor banks and €17 million attributable to negotiable shares.

Overall, therefore, the proceeds received during 2014 by Carlo Tassara S.p.A. as a result of collections made (for securities and dividends), amounted to about €853 million.

As a result of the sales during the year, based on the agreement of December 23, 2013, UniCredit S.p.A.:
- transferred - in the second half of 2014 - to the other banks participating in the agreement, 31,666,758 SFPs with a face value of €1.00 each, while purchasing 833,934 SFPs (with the same face value);
- will transfer - in the first half of 2015 - also to the other banks participating in the agreement, 712,431 SFPs with a face value of €1.00 each, while purchasing 83,087 SFPs (with the same face value);

As a result of the above, the number of SFPs held by UniCredit S.p.A. will amount to a total of 31,669,806, each with a face value of €1.00.

The credit exposure of UniCredit S.p.A. at December 31, 2014 amounted to €120 million (€463 million at the end of 2013 and €132 million at June 30, 2014), against which impairment losses of €28 million have been recognized (unchanged compared to June 30, 2014, while at December 31, 2013 they amounted to €91 million).

### G. Recovery of Banca delle Marche in extraordinary administration

In support of a project for the recovery of Banca delle Marche presented by Fonspa, the extraordinary administration procedure bodies asked for the intervention of the National Interbank Deposit Guarantee Fund, which UniCredit S.p.A. and the subsidiary Fineco contribute to on the basis of their respective proportions of deposits covered by the said fund. The Fund resolved an intervention in July 2014, conditional on approval of the recovery plan by the Bank of Italy and of the associated authorisations by the shareholders, and on the positive outcome of the Banca delle Marche shareholders' meeting on the capital increase and the associated formalities of subscription and payment. The intervention resolved by the fund would entail the issue of a guarantee (enforceable at the term of eight years envisaged for the recovery of an impaired loan portfolio) for a maximum amount of €800 million and the assumption of an equity interest for an amount of up to €100 million, in the context of the capital increase of the said Banca delle Marche (data refer to the entire Italian banking system, the expense of which would be recognised in the financial statements of the single banks in the consortium on the basis of their proportions of deposits guaranteed). At the present time, the conditions precedent have not yet been fulfilled.

# Section 5 - Other risks

## SELECTED EMERGING RISKS

### Ukraine

*Country Risk*

Demonstrations and rallies in support of the signing of a free-trade agreement with the EU in November 2013, to which the government responded by using force of arms, led to a government reshuffle a few weeks later and brought about the downfall of the President, who had enjoyed Russia's support.

After the annexation of Crimea by Russia in February 2014, the military conflict spread to eastern Ukraine, leading to economic recession and rising foreign debt. The Ukrainian economy and the country's independence can only be maintained if far-reaching structural reforms are carried out. Such reforms are a condition to be met for further aid payments from the IMF, the EU and the US. Unless such payments are made soon, the country will face insolvency, given the low level of its foreign exchange reserves and debt repayments due in 2015.

The Ukrainian banking sector was strongly impacted in 2014 by the strained political and economic environment. Lending business fell sharply, non-performing loans increased and the banking sector's capitalisation deteriorated. Loans in local currency, which had grown by 16.9% in 2013, contracted by 9.1% in 2014. Growth of 22.4% in retail loans in the previous year was followed by a 12.4% decline in 2014, while an increase of 15.5% in corporate loans in 2013 was followed by a decrease of 9.1% in 2014. In the reporting year the volume of foreign currency loans rose by 53.5% (compared with 2.8% in 2013), but this growth was mainly due to substantial depreciation of the local currency.

Massive capital flight also had an impact on the banking sector. While 2013 had seen an increase of 17.1% in deposits in 2013, the rate of growth fell to a low 0.8% in 2014. In view of the deterioration in the loan portfolio, net write-downs of loans rose substantially and the Ukrainian banking sector as a whole closed 2014 with a loss of Ukrainian Hryvnia ("UAH") 53 billion (€2.8 billion). (Without banks which are insolvent or were placed under central bank surveillance, the loss was UAH 33.1 billion or €1.7 billion).

Current developments, especially renewed depreciation of the Ukrainian currency at the beginning of February 2015, will further weaken the banking sector and its capitalisation in particular. As official figures are only available as at the end of 2014, it is not yet possible to accurately quantify the effects.

# Part E - Risks and Hedging Policies (Continued)

The UniCredit Group operates in Ukraine through its subsidiary Ukrsotsbank ("USB"), in relation to which actions aimed at its disposal are continuing. The disposal process has in particular suffered delays compared with the initial plans. During 2014 contacts continued however with the counterparties interest in acquiring it and UniCredit remains committed to continuing the current initiatives aimed at selling the asset, which is already classified as non-strategic. The equity investment was therefore kept among assets held for sale (IFRS 5) at December 31, 2014.

The current situation in the country has a strong impact on commercial activity. The Ukrainian subsidiary USB has closed its operations in Crimea. In the regions of Donetsk and Luhansk, 39 branches have been closed permanently and 3 branches have been closed at least temporarily.

*Credit risk*
The general deterioration in the political and economic situation was also reflected in the quality of the Ukrainian banking subsidiary's loan portfolio, leading to a steady increase in defaults.

At December 31, 2014 the loan exposures included the USB portfolio for €2.4 billion (€1.7 billion net of value adjustments) and receivables of UniCredit Bank Austria AG from Ukrainian customers active at the international level for €0.8 billion (€0.5 billion net of adjustments on receivables).

Of these, receivables attributable to the area directly involved in the crisis (receivables accounted for directly in Crimea and in the Donbass region and receivables accounted for in other regions with reference to debtors that carry on most of their business in the area involved in the crisis) were €0.3 billion with reference to the USB portfolio and €0.2 billion with reference to Bank Austria AG (book value net of adjustments on receivables). The measurement of these exposures considers the guarantees received for a total amount of €192 million (substantially referred to direct exposures of the subsidiary USB).

The receivables were measured on the basis of the most recent information available. There are therefore areas of uncertainty, especially with regard to the region involved in the crisis (Crimea and Donbass).

In addition, further negative developments could affect customers' solvency and therefore the consequent recovery prospects.

*Exchange Rate risk*
The political crisis in Ukraine led to material appreciation of the US dollar against UAH (change USD against UAH of about 90% since the beginning of 2014) and an increase in interest rates on loans. At the same time against the Euro, after a sharp devaluation in March/April, the exchange rate settled at about 17 UAH to the Euro. This was followed by further strong devaluation in November, leading to an exchange rate at a level of about 19 UAH to the Euro (in 2014 the Euro gained about 70% compared to the Ukrainian currency.

The UAH has depreciated significantly since February 5, 2015. While the exchange rate had moved to a level of about 19 UAH per euro before February 5, 2015 (exchange rate as at 31 December 2014: 19.206 EUR/UAH); in the middle of February it had risen to about UAH 30 per Euro, declining then to 23.467 UAH per Euro at 10 March 2015.

*Liquidity risk*
The customer deposit base in UAH decreased by 17% in Q1 2014 (deposits in USD by 40%) but was subsequently stabilised. UAH deposits subsequently rose until the end of the year, reaching a year-end 2014 level which was 7% lower than a year earlier; USD deposits (mainly held by corporates) declined by about 37% in 2014.

USB is currently not using local central bank support measures.

Quite generally, considering the crisis, a strong focus on deposit retention and restrictive lending practice helped to keep the overall bank's liquidity position comparatively stable.

*Intra-group loans*
At December 31, 2014 the loan exposures of the UniCredit Group companies to the Ukrainian subsidiary USB were equal to €932 million.

*Developments occurring after the end of the period*
Current political developments in Ukraine led to strong depreciation of the local currency against the euro and the US dollar from February 5, 2015. The weakness of the UAH is having profound repercussions on the Ukrainian economy and in particular on the country's banking sector, including through indirect loan deterioration (currently not yet completely quantifiable) in the case of loans to local customers denominated in USD.

Strong depreciation of the local currency (UAH) leads to the breach, throughout the Ukrainian banking sector, of some local regulatory requirements (minimum capital adequacy level, liquidity and open foreign exchange position) defined by the National Bank of Ukraine (NBU). This also affects USB.

In relation to these developments in February 2015 the Ukrainian National Bank asked the UniCredit Group to assess a number of options to increase the bank's capital ratio.

Taking into account the volatility of the exchange rate and the changing geopolitical situation the initiatives to strengthen the capital most suited to this context are currently in progress.

The UniCredit Group has confirmed to the Ukrainian National Bank its commitment to ensure that the subsidiary continues as a going concern for the period necessary to complete the planned sale of the same.

# Part F - Shareholders' Equity


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# Part F - Shareholders' Equity (amounts in thousands of €)

## Section 1 - Shareholders' Equity

### A. QUALITATIVE INFORMATION

In order to create value for shareholders, UniCredit S.p.A. attributes a crucial role to capital management and allocation on the basis of the risk assumed for the Group operational development in order to create value. These activities are part of the Bank planning and monitoring process and comprise:

- planning and budgeting processes:
  - proposals to risk propensity and capitalisation objectives;
  - analysis of risk associated with value drivers and allocation of capital to business areas and units;
  - assignment of risk-adjusted performance objectives;
  - analysis of the impact on the Group's value and the creation of value for shareholders;
  - preparation and proposal of the capital plan and dividend policy;
- monitoring processes:
  - analysis of performance achieved at Group and business unit level and preparation of management reports for internal and external use;
  - analysis and monitoring of limits;
  - analysis and performance monitoring of the capital ratios of the Group and individual companies.

The Group's strategic guidelines are aimed at optimizing the composition of its business portfolio. This goal is pursued through a process of capital allocation to each business line in relation to its specific risk profile and ability to generate extra income measured as EVA, which is the main performance indicator related to TSR (Total Shareholder Return).

The Group capital plays a crucial role in the main corporate governance processes that drive to strategic decisions. It is considered the key factor of the planning process as, on one hand it represents the shareholders' investment which needs to be adequately remunerated, and on the other hand it is a scarce resource subject to external constraints set by banking regulation.

The process of capital allocation is based on a "dual track" logic, considering both economic capital, measured through the full evaluation of risks by risk management models, and regulatory capital, quantified applying internal capitalization targets to regulatory capital requirements.

The purpose of the capital management function, performed by the Capital Management unit within Planning, Strategy and Capital Management Department, is to define the target level of capitalisation for the Group and its companies in line with regulatory requirements and the risk appetite.

Capital is managed dynamically: the Capital Management unit prepares the capital plan, monitors capital ratios for regulatory purposes.

On the one hand, monitoring is carried out in relation to capital, both according to accounting and regulatory definition (Common Equity Tier 1, Additional Tier 1, and Tier 2 Capital), and on the other hand, in relation to the planning and performance of risk-weighted assets (RWA).

The dynamic management approach aims at identifying the capital instruments (ordinary shares and other capital instruments) most suitable for achieving the defined targets. If there is a capital shortfall, the gaps to be filled and capital generation measures are indicated, and their efficiency are measured using RAPM methodology (Risk Adjusted Performance Management).

## B. QUANTITATIVE INFORMATION

Further information about Shareholders' equity of UniCredit S.p.A. are represented in Part B) Section 14 - Shareholders' equity - Items 130,150,160,170,180,190 and 200.

### B.1 Company Shareholders' Equity: breakdown

| ITEMS/VALUES | 12.31.2014 | 12.31.2013 |
|---|---|---|
| **1. Share capital** | **19,905,774** | **19,654,856** |
| **2. Share premium reserve** | **15,976,604** | **23,879,202** |
| **3. Reserves** | **9,323,078** | **13,480,904** |
| - from profits | 4,116,784 | 8,361,310 |
| a) legal | 1,517,514 | 1,517,514 |
| b) statutory | 1,195,845 | 1,195,845 |
| c) treasury shares | - | - |
| d) other | 1,403,425 | 5,647,951 |
| - other* | 5,206,294 | 5,119,594 |
| **4. Equity instruments** | **1,888,463** | **-** |
| **5. (Treasury shares)** | **(2,440)** | **(2,440)** |
| **6. Revaluation reserves** | **1,001,110** | **666,512** |
| - Available-for sale financial assets | 753,563 | 217,228 |
| - Property, plant and equipment | - | - |
| - Intangible assets | - | - |
| - Hedges of foreign investments | - | - |
| - Cash flow hedges | 238,916 | 326,346 |
| - Exchange differences | - | - |
| - Non-current assets classified held for sale | - | - |
| - Actuarial gains (losses) on definited benefit plans | (268,389) | (154,082) |
| - Changes in valuation reserve pertaining to equity method investments: | - | - |
| - Special revaluation loans | 277,020 | 277,020 |
| **7. Net profit (loss)** | **79,774** | **(11,601,111)** |
| **Total** | **48,172,363** | **46,077,923** |

(*) "Reserves - other" include the "Reserve of treasury shares" (2,440 thousand), originally formed with the withdrawal from the "Share premium reserve", as well as a part of the "Legal reserve" (2,533,152 thousand) also constituted, as resolved by the approval of the OrdinaryShareholders' Meeting of May 11, 2013, and of May 13, 2014 with the withdrawal from the "Share premium Reserve".

Shareholders' Equity at December 31, 2014, in addition to the free capital increases - described in detail in Part B) Section 14 "Shareholders' Equity" - consisting of €28,144 thousand carried out through a withdrawal from the specifically constituted reserve connected to the medium term incentive plan for Personnel, and of €222,774 thousand for the payment of the script dividend for the year 2013, carried out through a simultaneous withdrawal from the existing "Reserve for allocating profits to shareholders through the issuance of new free shares", also reflected the changes resulting from the Ordinary Shareholders' Meeting resolutions of last May 13 which resulted in:

1. coverage of the loss for the financial year 2013 by using €3,818,208,503 from the "reserve related to business combinations within the Group" and €7,782,902,133 from the "share premium reserve";
2. an increase in the legal reserve by €119,695,259 using the "share premium reserve";

In addition, during 2014 UniCredit S.p.A. issued two Additional Tier 1 instruments whose characteristics are described in Section 2 - Own funds and banking regulatory ratios.

The entries for those instruments are recognized under item 150 "Equity instruments" of Balance Sheet liabilities, net of transaction costs, for a value of €1,888,463 thousand at December 31, 2014.

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

| | 12.31.2014 | | | 12.31.2013 | | |
|---|---|---|---|---|---|---|
| ASSETS/VALUES | POSITIVE RESERVE | NEGATIVE RESERVE | TOTAL | POSITIVE RESERVE | NEGATIVE RESERVE | TOTAL |
| 1. Debt securities | 763,863 | (69,672) | 694,191 | 317,714 | (260,806) | 56,908 |
| 2. Equity securities | 61,454 | (2,364) | 59,090 | 163,527 | (2,320) | 161,207 |
| 3. Units in investment funds | 2,989 | (2,707) | 282 | 3,911 | (4,798) | (887) |
| 4. Loans | - | - | - | - | - | - |
| **Total** | **828,306** | **(74,743)** | **753,563** | **485,152** | **(267,924)** | **217,228** |

# Part F - Shareholders' Equity (Continued)

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

| | 12.31.2014 | | | | |
|---|---|---|---|---|---|
| | DEBT SECURITIES | EQUITY SECURITIES | UNITS IN INVESTMENT FUNDS | LOANS | TOTAL |
| **1. Opening balance** | **56,908** | **161,207** | **(887)** | **-** | **217,228** |
| **2. Positive changes** | **1,283,931** | **11,191** | **2,571** | **-** | **1,297,693** |
| 2.1 Fair value increases | 1,220,091 | 8,865 | 1,163 | - | 1,230,119 |
| 2.2 Reclassification through profit or loss of negative provision | 59,834 | 2,318 | 1,408 | - | 63,560 |
| - due to impairment | - | 346 | 1,406 | - | 1,752 |
| - following disposal | 59,834 | 1,972 | 2 | - | 61,808 |
| 2.3 Other changes | 4,006 | 8 | - | - | 4,014 |
| **3. Negative changes** | **646,648** | **113,308** | **1,402** | **-** | **761,358** |
| 3.1 Fair value reductions | 506,317 | 10,337 | 973 | - | 517,627 |
| 3.2 Impairment losses | - | 11,216 | 416 | - | 11,632 |
| 3.3 Reclassification through profit or loss of positive allowances: following disposal | 139,716 | 89,369 | 13 | - | 229,098 |
| 3.4 Other changes | 615 | 2,386 | - | - | 3,001 |
| **4. Closing balance** | **694,191** | **59,090** | **282** | **-** | **753,563** |

**B.4 Revaluation Reserve on Defined benefit obligations: annual changes**

| | 12.31.2014 | 12.31.2013 |
|---|---|---|
| **1. Net opening balance** | **(154,082)** | **(199,122)** |
| **2. Positive changes** | **3,103** | **49,939** |
| 2.1. Fair value increase | 3,103 | 49,939 |
| 2.2 Other changes | - | - |
| **3. Negative changes** | **117,410** | **4,899** |
| 3.1 Fair value reductions | 117,290 | 4,899 |
| 3.2 Other changes | 120 | - |
| **4. Closing balance** | **(268,389)** | **(154,082)** |

## Section 2 - Own funds and banking regulatory ratios

### 2.1 Banking Own Funds

### A. QUALITATIVE INFORMATION

***Transitional Own Funds***
Own Funds and Capital Ratios as of December 31, 2014 - calculated according to the regulatory framework "Basel 3" as defined in the Directive 2013/36/EU (CRD IV) and Regulation (EU) n. 575 issued on June 26, 2013 (CRR) - includes transitional adjustments outlined by the aforementioned regulation for the year 2014.

***Profit of the period***
The net profit of the year 2014, equal to € 80 million, is recognized in Own Funds, reduced of foreseeable dividends calculated at the date, equal to €696 million (dividend distribution will be supported with UniCredit S.p.A. reserves). The year-end result of 2014 is included in Own Funds as UniCredit obtained the prior permission from the competent Authority according to CRR article 26 paragraph 2.

***Stake in Bank of Italy's capital***
With reference to the regulatory treatment of the UniCredit's stake in Bank of Italy, it is worth mentioning that: (I) the carrying value as of December 31, 2014 is risk weighted at 100% (according to the CRR article 133 "Equity exposure"); (II) the revaluation recognized at P&L as of December 31, 2013 is not filtered out.

***Unrealized gain and losses related to exposures towards Central Administrations classified Available for Sale - AFS***
With reference to the contents of Bank of Italy Bollettino di Vigilanza n° 12 issued on December 2013 related to the transitional provisions on Own Funds for unrealized gain and losses associated to exposures towards Central Administrations classified in the IAS 39 category "Available For Sale - AFS", UniCredit S.p.A. exercised the option contained in the Bank of Italy Circular 285 ("Disposizioni di vigilanza per le banche", Part 2, Chapter 14, Section II, Paragraph 2) for the calculation of its Own Funds for UniCredit S.p.A. Accordingly, starting from March 31, 2014 reporting period and in

coherence with previous periods, UniCredit S.p.A. (for those securities issued by EU Central Administration classified in the portfolio "Available for Sale - AFS") excludes by any element of its Own Funds unrealized gains and losses related to exposures towards EU Central Administration classified in the IAS 39 category "Available for Sale - AFS", taking into account the provisions contained in the CRR Article 467.

### *Subordinated liabilities*

- During the year 2014 UniCredit S.p.A. issued two Additional Tier 1 notes with characteristics compliant with new "CRD IV" regulation, in place starting from January 1, 2014:
  - On March 27, 2014, with value date April 3, 2014, UniCredit S.p.A. launched Additional Tier 1 notes, denominated in USD, for a total of USD 1.25 billion.
    The securities are perpetual (with maturity linked to corporate duration of UniCredit S.p.A.) and can be called by the Issuer after 10 years and thereafter at any interest payment date. Notes pay fixed rate coupons of 8.00% per annum for the initial 10 years on a semi-annual basis; if not redeemed, coupon will be reset every 5 years to the then 5-Years Mid-Swap rate + 518 bps.

    The transaction represents the inaugural deal for a CRD IV compliant AT1 by an Italian Issuer and the first RegS Perp NC10 USD denominated issue by a European Bank. The offer has encountered exceptional interest from investors, bringing the order book to almost 8 billion USD with approx. 450 investors. Given the positive feedback, the initial price guidance was set at 8.25% area and has been revised to 8.00%/8.25%. Coupon was finally fixed at 8.00% for the initial 10 years, with an issue price set at 100%. Furthermore, the final size of the deal has increased to USD 1.25 billion from initial target of USD 1 billion.

    The Notes were distributed to different institutional investors' categories such as funds (71%), insurance companies/pension funds (10%) and private banks (9%). The demand was mainly coming from the following regions: UK (39%), Italy (20%), Asia (12%) and Switzerland (8%).

    UniCredit Corporate & Investment Banking, together with Citi, HSBC, Societe Generale and UBS, has managed the placement acting as joint bookrunners. The assigned rating from Fitch is "BB-".Bonds are listed on the Luxembourg Stock Exchange.

  - On September 3, 2014, with value date September 10, 2014, UniCredit S.p.A. launched Additional Tier 1 notes, denominated in EUR, for a total of EUR 1 billion with characteristics compliant with new "CRD IV" regulation in place starting from January 1, 2014.

    The securities are perpetual (with maturity linked to corporate duration of UniCredit S.p.A.) and can be called by the Issuer after 7 years and thereafter at any interest payment date. Notes pay fixed rate coupons of 6.75% per annum for the initial 7 years on a semi-annual basis; if not redeemed, coupon will be reset every 5 years to the then 5-Years Mid-Swap rate + 610 bps.

    The offer has encountered exceptional interest from investors, bringing the order book to almost 2 billion EUR with approx. 180 investors.

    The Notes were distributed to different institutional investors' categories such as funds (84%), banks (13%) and insurance companies (2%).

    The demand was mainly coming from the following regions: UK (34%), France (20%), Italy (12%) and Switzerland (6.5%).

    UniCredit Corporate & Investment Banking, together with Bank of America, Credit Agricole, Credit Suisse, and Deutsche Bank, has managed the placement acting as joint bookrunners. The assigned rating from Fitch is "BB-". Also in this case bonds are listed on the Luxembourg Stock Exchange.

Additional Tier 1 contribute to strengthening the Tier 1 ratio of UniCredit S.p.A. In line with the regulatory requirements, the coupon payments are fully discretionary for both instruments.

Both the Notes have a 5.125% Common Equity Tier 1 (CET1) trigger - if the Group or Issuer CET1 at any time falls below the trigger level, the instrument will be temporarily written down to cure the breach, taking into consideration other instruments with similar write down triggers.

- As of December 31, 2014, amortizing Tier 2 instruments having a 7 years contractual maturity were subject to changes in the regulatory treatment, by excluding the portion of these instruments issued after December 31, 2011, equal to €3,555 million in light of regulatory rules stated by CRR article 63; while transitional Own Funds - according to CRR article 484(5) - include the amount of such instruments issued before December 31, 2011 and subject to the grandfathering provisions, for € 2,105 million.

# Part F - Shareholders' Equity (Continued)

### 1. Common Equity Tier 1 - CET1

Common Equity Tier 1 includes ordinary shares issued by UniCredit S.p.A, including the ordinary shares underlying to the "CASHES" transaction recognized in CET1 for a total amount of €2,374 million.

Please note that saving shares and the ordinary shares underlying to the "CASHES" transaction for a total amount of €609 million have been reclassified in Additional Tier 1 Capital as instruments subject to grandfathering provisions.

### 2. Additional Tier 1 - AT1

Additional Tier 1 instruments included in Additional Tier 1 Capital

| SUBJECT TO TRANSITIONAL RULES (GRANDFATHERING) | ISSUER | UNIQUE IDENTIFIER (1) | COMPUTABLE CRR AMOUNT (€/MLN) | NOMINAL AMOUNT IN ORIGINAL CURRENCY (MLN) | CURRENCY | MATURITY DATE | OPTIONAL CALL DATE | FIXED OR FLOATING DIVIDEND / COUPON | COUPON RATE AND ANY RELATED INDEX | CONVERTIBLE OR NON-CONVERTIBLE | WRITE-DOWN FEATURES | POSITION IN SUBORDINATION HIERARCHY IN LIQUIDATION (2) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| yes | UNICREDIT SPA | XS0527624059 | 325 | 500 | EUR | No maturity | 07.21.2020 | Fixed to Floating | 9.375% from issue date to 07/21/2020, equivalent to MS + 6.49%; Euribor 3M + 7.49% from 07/21/2020 | Non convertible | yes | Tier 2 |
| no | UNICREDIT SPA | XS1046224884 | 898 | 1250 | USD | No maturity | 06.03.2024 | Fixed | 8% p.a. until 06/03/2024; therafter fixed every 5 years for 5-Year Mid-Swap Rate + 518bps | Non convertible | yes | Tier 2 |
| no | UNICREDIT SPA | XS1107890847 | 991 | 1000 | EUR | No maturity | 09.10.2021 | Fixed | 6,75% p.a until 10/09/2021; therafter fixed every 5 years for 5-Year Mid-Swap Rate + 610bps | Non convertible | yes | Tier 2 |

Notes:

1. Please note that ISIN Guidelines (paragraph 7) states that "banking instruments or facilities such as bank loans are outside of the scope of the ISO-6166 standard and should not be identified by ISIN codes". Hence, the present section shows "NA" (Not Applicable) for those instruments classified as Loans.
2. The write-up mechanisms described are aligned with the original Final Terms & Conditions; therefore, the classification of instruments is coherent with the regulatory framework in force at the issuance date.

In addition to such instruments, saving shares for €8 million (and related share premium equal to €10 million) and the ordinary shares underlying to the "CASHES" transaction for a total amount of €609 million are also included in Additional Tier 1.

## 3. Tier 2 Capital

### Tier 2 instruments included in Tier 2 Capital

| SUBJECT TO TRANSITIONAL RULES (GRANDFATHERING) | ISSUER | UNIQUE IDENTIFIER (1) | COMPUTABLE CRR AMOUNT (€/MLN) | NOMINAL AMOUNT IN ORIGINAL CURRENCY (MLN) | CURRENCY | MATURITY DATE | OPTIONAL CALL DATE | FIXED OR FLOATING DIVIDEND / COUPON | COUPON RATE AND ANY RELATED INDEX | CONVERTIBLE OR NON-CONVERTIBLE | WRITE-DOWN FEATURES | POSITION IN SUBORDINATION HIERARCHY IN LIQUIDATION (2) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| no | UNICREDIT SPA | IT0003866412 | 37 | 400 | EUR | 06.30.2015 | 06.30.2010 | Fixed to Floating | 3% first year, max between minimum rate and 75% of swap Euro 10 y from second year to maturity | Non Convertible | no | Senior |
| no | UNICREDIT SPA | XS0241369577 | 193 | 900 | EUR | 02.01.2016 | - | Fixed | 3.95% p.a. | Non Convertible | yes | Lower Tier 2 |
| no | UNICREDIT SPA | XS0241198315 | 124 | 450 | GBP | 02.01.2016 | - | Fixed | 5% p.a. | Non Convertible | yes | Lower Tier 2 |
| no | UNICREDIT SPA | IT0004012552 | 40 | 170 | EUR | 03.30.2016 | 03.30.2011 | Fixed to Floating | 4% first year, max between 3.2% and 65% of swap Euro 10 y from second year to maturity | Non Convertible | no | Senior |
| no | UNICREDIT SPA | IT0004012586 | 53 | 230 | EUR | 03.30.2016 | 03.30.2011 | Fixed to Floating | 3.5% first year, max between minimum rate and 75% of swap Euro 10 y from second year to maturity | Non Convertible | no | Senior |
| no | UNICREDIT SPA | XS0322918565 | 528 | 1.000 | EUR | 09.26.2017 | - | Fixed | 5.75% p.a. | Non Convertible | no | Senior |
| no | UNICREDIT SPA | XS0332831485 | 100 | 171 | EUR | 12.04.2017 | - | Floating | Max between 5.14% and 100% of swap Euro 10 y | Non Convertible | no | Senior |
| no | UNICREDIT SPA | XS0334815601 | 59 | 100 | EUR | 12.11.2017 | - | Floating | Minimum between 11% and 113.5% of swap Euro 10 y | Non Convertible | no | Senior |
| no | UNICREDIT SPA | XS0348222802 | 110 | 125 | EUR | 03.03.2023 | - | Fixed | 6.04% p.a. | Non Convertible | no | Senior |
| no | UNICREDIT SPA | XS0356063940 | 10 | 15 | EUR | 04.10.2018 | - | Floating | Max between 5.535% and 10 y Euro CMS | Non Convertible | no | Senior |
| no | UNICREDIT SPA | XS0356629369 | 66 | 100 | EUR | 04.24.2018 | - | Floating | Max between 5% and 10 y Euro CMS + 0.67% | Non Convertible | no | Senior |
| no | UNICREDIT SPA | XS0367777884 | 482 | 1.000 | EUR | 06.05.2018 | - | Fixed | 6.70% p.a. | Non Convertible | yes | Lower Tier 2 |
| no | UNICREDIT SPA | XS0372227982 | 75 | 125 | EUR | 06.25.2018 | - | Floating | Euribor 6M + 1.7% | Non Convertible | yes | Lower Tier 2 |
| no | UNICREDIT SPA | XS0503612250 | 50 | 50 | EUR | 04.21.2021 | - | Fixed | 5% p.a. | Non Convertible | no | Senior |
| no | UNICREDIT SPA | XS0504566414 | 50 | 50 | EUR | 04.25.2022 | - | Fixed | 5.05% p.a. | Non Convertible | no | Senior |
| no | UNICREDIT SPA | XS0503708280 | 50 | 50 | EUR | 04.26.2020 | - | Fixed | 4.75% p.a. | Non Convertible | no | Senior |

# Part F - Shareholders' Equity (Continued)

continued **Tier 2 instruments included in Tier 2 Capital**

| SUBJECT TO TRANSITIONAL RULES (GRANDFATHERING) | ISSUER | UNIQUE IDENTIFIER (1) | COMPUTABLE CRR AMOUNT (€/MLN) | NOMINAL AMOUNT IN ORIGINAL CURRENCY (MLN) | CURRENCY | MATURITY DATE | OPTIONAL CALL DATE | FIXED OR FLOATING DIVIDEND / COUPON | COUPON RATE AND ANY RELATED INDEX | CONVERTIBLE OR NON-CONVERTIBLE | WRITE-DOWN FEATURES | POSITION IN SUBORDINATION HIERARCHY IN LIQUIDATION (2) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| no | UNICREDIT SPA | IT0004605074 | 332 | 333 | EUR | 05.31.2020 | - | Fixed | 05/31/2011: 3.00%; 05/31/2012: 3.25%; 05/31/2013: 3.50%; 05/31/2014: 3.75%; 05/31/2015: 4.00%; 05/31/2016: 4.40%; 05/31/2017: 4.70%; 05/31/2018: 5.07%; 05/31/2019: 5.40%; 05/31/2020: 6.00%. | Non Convertible | no | Senior |
| no | UNICREDIT SPA | XS0515754587 | 50 | 50 | EUR | 06.14.2020 | - | Fixed | 5.16% p.a. | Non Convertible | no | Senior |
| yes | UNICREDIT SPA | IT0004615305 | 159 | 327 | EUR | 06.14.2017 | - | Fixed | 06/14/2011: 3.00%; 06/14/2012: 3.25%; 06/14/2013: 3.50%; 06/14/2014: 3.80%; 06/14/2015: 4.10%; 06/14/2016: 4.40%; 06/14/2017: 4.70%. | Non Convertible | no | Senior |
| yes | UNICREDIT SPA | IT0004698418 | 300 | 464 | EUR | 03.31.2018 | - | Fixed to Floating | 5.00% p.a. from 06/30/2011 to 03/31/2013; from 06/30/2013 Euribor 3M + 1% p.a. | Non Convertible | no | Senior |
| yes | UNICREDIT SPA | IT0004698426 | 492 | 759 | EUR | 03.31.2018 | - | Fixed | 03/31/2012: 4.10%; 03/31/2013: 4.30%; 03/31/2014: 4.50%; 03/31/2015: 4.70%; 03/31/2016: 4.90%; 03/31/2017: 5.05%; 03/31/2018: 5.10% | Non Convertible | no | Senior |
| no | UNICREDIT SPA | XS0618847775 | 745 | 750 | EUR | 04.19.2021 | - | Fixed | 6.125% p.a. | Non Convertible | no | Senior |
| yes | UNICREDIT SPA | IT0004723927 | 274 | 394 | EUR | 06.30.2018 | - | Fixed to Floating | 5% p.a. until 06/30/2013; from 09/30/2013 Euribor 3M + 1% p.a. | Non Convertible | no | Senior |

continued **Tier 2 instruments included in Tier 2 Capital**

| SUBJECT TO TRANSITIONAL RULES (GRANDFATHERING) | ISSUER | UNIQUE IDENTIFIER (1) | COMPUTABLE CRR AMOUNT (€/MLN) | NOMINAL AMOUNT IN ORIGINAL CURRENCY (MLN) | CURRENCY | MATURITY DATE | OPTIONAL CALL DATE | FIXED OR FLOATING DIVIDEND / COUPON | COUPON RATE AND ANY RELATED INDEX | CONVERTIBLE OR NON-CONVERTIBLE | WRITE-DOWN FEATURES | POSITION IN SUBORDINATION HIERARCHY IN LIQUIDATION (2) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| yes | UNICREDIT SPA | IT0004740368 | 14 | 20 | EUR | 07.05.2018 | - | Floating | Euribor 3M + 2.50% p.a. | Non Convertible | no | Senior |
| no | UNICREDIT SPA | XS0849517650 | 1.492 | 1.500 | EUR | 10.31.2022 | - | Fixed | 6.95% p.a | Non Convertible | no | Senior |
| yes | UNICREDIT SPA | IT0004747330 | 114 | 157 | EUR | 08.19.2018 | - | Fixed | 08/19/2012: 4.40%; 08/19/2013: 4.60%; 08/19/2014: 4.80%; 08/19/2015: 5.00%; 08/19/2016: 5.30%; 08/19/2017: 5.65%; 08/19/2018: 6.00% | Non Convertible | no | Senior |
| yes | UNICREDIT SPA | IT0004748882 | 7 | 10 | EUR | 07.21.2018 | - | Floating | Euribor 3M + 2.637% p.a. | Non Convertible | no | Senior |
| yes | UNICREDIT SPA | IT0004764004 | 315 | 414 | EUR | 10.31.2018 | - | Fixed | 10/31/2012: 5.60%; 10/31/2013: 5.90%; 10/31/2014: 6.10%; 10/31/2015: 6.30%; 10/31/2016: 6.50%; 10/31/2017: 6.80%; 10/31/2018: 7.20% | Non Convertible | no | Senior |
| yes | UNICREDIT SPA | IT0004780562 | 414 | 518 | EUR | 01.31.2019 | - | Fixed | 01/31/2013: 6.50%; 01/31/2014: 6.90%; 01/31/2015: 7.30%; 01/31/2016: 7.80%; 01/31/2017: 8.10%; 01/31/2018: 8.30%; 01/31/2019: 8.50% | Non Convertible | no | Senior |
| no | UNICREDIT SPA | XS0878681419 | 184 | 300 | SGD | 07.30.2023 | 07.30.2018 | Fixed | 1-5.5Y 5.5% p.a., 5.5-10.5Y SOR + 4.47% p.a. | Non Convertible | no | Senior |
| no | UNICREDIT SPA | XS0925177130 | 615 | 750 | USD | 05.02.2023 | 05.02.2018 | Fixed to Floating | 1-5Y 6.375%. 6-10Y USD MS + 5.51% | Non Convertible | no | Senior |
| no | UNICREDIT SPA | XS0986063864 | 995 | 1.000 | EUR | 10.28.2025 | 10.28.2020 | Fixed | 5.75% p.a.. after the call. 5Y Swap + 410 bps | Non Convertible | no | Senior |
| no | UNICREDIT SPA | N/A | 6 | 10 | EUR | 10.30.2017 | - | Fixed | 5.45% p.a. | Non Convertible | no | Senior |
| no | UNICREDIT SPA | N/A | 6 | 10 | EUR | 10.30.2017 | - | Fixed | 5.45% p.a. | Non Convertible | no | Senior |
| no | UNICREDIT SPA | N/A | 6 | 10 | EUR | 11.13.2017 | - | Fixed | 5.54% p.a. | Non Convertible | no | Senior |

# Part F - Shareholders' Equity (Continued)

continued **Tier 2 instruments included in Tier 2 Capital**

| SUBJECT TO TRANSITIONAL RULES (GRANDFATHERING) | ISSUER | UNIQUE IDENTIFIER (1) | COMPUTABLE CRR AMOUNT (€/MLN) | NOMINAL AMOUNT IN ORIGINAL CURRENCY (MLN) | CURRENCY | MATURITY DATE | OPTIONAL CALL DATE | FIXED OR FLOATING DIVIDEND / COUPON | COUPON RATE AND ANY RELATED INDEX | CONVERTIBLE OR NON-CONVERTIBLE | WRITE-DOWN FEATURES | POSITION IN SUBORDINATION HIERARCHY IN LIQUIDATION (2) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| no | UNICREDIT SPA | N/A | 3 | 5 | EUR | 11.27.2017 | - | Fixed | 5.7% p.a. | Non Convertible | no | Senior |
| no | UNICREDIT SPA | N/A | 3 | 5 | EUR | 11.27.2017 | - | Fixed | 5.7% p.a. | Non Convertible | no | Senior |
| no | UNICREDIT SPA | N/A | 12 | 20 | EUR | 11.27.2017 | - | Fixed | 5.7% p.a. | Non Convertible | no | Senior |
| no | UNICREDIT SPA | N/A | 12 | 20 | EUR | 11.27.2017 | - | Fixed | 5.7% p.a. | Non Convertible | no | Senior |
| no | UNICREDIT SPA | N/A | 0 | 1 | EUR | 11.27.2017 | - | Fixed | 5.7% p.a. | Non Convertible | no | Senior |
| no | UNICREDIT SPA | N/A | 23 | 40 | EUR | 11.27.2017 | - | Fixed | 5.7% p.a. | Non Convertible | no | Senior |
| no | UNICREDIT SPA | N/A | 3 | 5 | EUR | 11.27.2017 | - | Fixed | 5.7% p.a. | Non Convertible | no | Senior |
| no | UNICREDIT SPA | N/A | 12 | 20 | EUR | 11.27.2017 | - | Fixed | 5.7% p.a. | Non Convertible | no | Senior |
| no | UNICREDIT SPA | N/A | 3 | 5 | EUR | 11.27.2017 | - | Fixed | 5.7% p.a. | Non Convertible | no | Senior |
| no | UNICREDIT SPA | N/A | 6 | 10 | EUR | 01.30.2018 | - | Fixed | 5.74% p.a. | Non Convertible | no | Senior |
| no | UNICREDIT SPA | N/A | 6 | 10 | EUR | 01.30.2018 | - | Fixed | 5.74% p.a. | Non Convertible | no | Senior |
| no | UNICREDIT SPA | XS1070428732 | 184 | 185 | EUR | 05.21.2024 | 05.21.2019 | Fixed | 3.125% from issue date to 05/21/2019; fixed rate equivalent to 5Y MS + 2.50% from 05/21/2019 | Non Convertible | no | Senior |

Notes:

1. Please note that ISIN Guidelines (paragraph 7) states that "banking instruments or facilities such as bank loans are outside of the scope of the ISO-6166 standard and should not be identified by ISIN codes". Hence, the present section shows "NA" (Not Applicable) for those instruments classified as Loans.
2. The write-up mechanisms described are aligned with the original Final Terms & Conditions; therefore, the classification of instruments is coherent with the regulatory framework in force at the issuance date.

## B. QUANTITATIVE INFORMATION

| OWN FUNDS | 12.31.2014 | 12.31.2013 |
|---|---|---|
| **A. Common Equity Tier 1 Capital (CET1) before prudential filters** | **44,963,281** | **45,082,717** |
| of/w grandfathered CET1 instruments | - | - |
| **B. CET1 Prudential Filters (+/-)** | **(698,061)** | **(646,898)** |
| **C. CET1 gross of deductions and transitional adjustments (A +/- B)** | **44,265,221** | **44,435,818** |
| **D. Items to be deducted from CET1** | **1,964,281** | **490,574** |
| **E. Transitional adjustments - Effect on CET1 (+/-)** | **993,198** | **(57,086)** |
| **F. Common Equity Tier 1 Capital (C - D +/-E)** | **43,294,138** | **43,888,158** |
| **G. Additional Tier 1 Capital (AT1) gross of deductions and transitional adjustments** | **3,011,411** | **1,122,948** |
| of/w grandfathered AT1 instruments | 1,122,948 | 1,122,948 |
| **H. Items to be deducted from AT1** | **27,935** | **17,410** |
| **I. Transitional adjustments - Effect on AT1 (+/-)** | **(768,629)** | **(132,778)** |
| **L. Additional Tier 1 Capital (G - H +/- I)** | **2,214,847** | **972,759** |
| **M. Tier 2 (T2) Capital gross of deductions and transitional adjustments** | **9,304,950** | **13,432,480** |
| of/w grandfathered T2 instruments | 2,230,671 | 547,390 |
| **N. Items to be deducted from T2** | **823,304** | **751,560** |
| **O. Transitional adjustments - Effect on T2 (+/-)** | **(684,722)** | **497,038** |
| **P. Tier 2 Capital (M - N +/- O)** | **7,796,924** | **13,177,957** |
| **Q. Total Own Funds (F + L + P)** | **53,305,909** | **58,038,875** |

For coherence and comparability reasons due to the adoption of Basel III regulatory framework by 01.01.2014, some tables shows figures as of March 31, 2014 reporting period as comparison, instead of figures as of December 31, 2013.

## Description of main capital items[1] and transitional adjustments as of December 31, 2014

### *A. Common Equity Tier 1 Capital (CET1) before prudential filters.*

The item includes:
- paid up instruments for €/mln 19,288;
- share premium for €/mln 15,967;
- other reserves included retained earnings for €/mln 8,707, also containing the net profit of the year 2014 equal to € 80 million, recognized in Own Funds, reduced of dividends calculated at the date, equal to €696 million (dividend distribution will be supported with UniCredit S.p.A. reserves). The year-end result of 2014 is included in Own Funds as UniCredit has obtained the prior permission from the competent Authority according to CRR article 26(2);
- accumulated other comprehensive income, positive for €/mln 1,001; in such items are comprised reserves for actuarial losses (IAS19) and reserves on available for sale (AFS) securities, whose regulatory treatment is outlined below:
  - reserves for actuarial losses (IAS19):
    - amount of the negative reserve: €/mln 268;
    - amount of the positive transitional filter included in section *"E. Transitional adjustments - Effect on CET1 (+/-)*": €/mln 205;
    - increase of the amount in net liability for defined benefit obligations that would be recognized in application of the "corridor method" according to the previous version of IAS19 principle[2]: €/mln 63;
  - reserves on available for sale (AFS) securities:
    - amount of the positive reserve: €/mln 754;
    - amount of the negative transitional adjustment, equal to €/mln 754, due to the following effects recognized in section *"E. Transitional adjustments - Effect on CET1 (+/-)"*, of which:
      - exclusion of 100% of unrealized gains referred to securities issued by UE Central Administrations[3] for €/mln 538;
      - exclusion of 100% of unrealized gains referred to other debt securities and capital instruments at fair value classified in the "Available for sale AFS" portfolio, for €/mln 216.

The item does not include the following elements reclassified in the Item *"G. Additional Tier 1 Capital (AT1) gross of deductions and transitional adjustments"*:
- €/mln 609 related to Cashes[4];
- €/mln 8 related to Saving Shares;
- €/mln 10 related to share premium and referred to Saving Shares.

### *B. CET1 prudential filters*

The item includes:
- filters required by CRR:
  - negative filter on cash flow hedge reserve of financial instruments (CRR art. 33.1 comma a), equal to €/mln 239;
  - negative filter on gains on liabilities of the institutions related to changes in own credit standing (CRR art. 33.1 comma b and c), equal to €/mln 26;
  - additional value adjustments (CRR art. 34), equal to €/mln 31;
- national filters as required by Bank of Italy Circular n° 285, referred to:
  - multiple goodwill redemption ("affrancamenti mutipli"), equal to €/mln 339;
  - gain on sale of properties mainly used in operations ("cessione in blocco"), equal to €/mln 63.

### *D. Items to be deducted from CET1*

The item mainly includes:
- other intangible assets, for €/mln 1;
- excess of expected losses compared to provisions related to IRB positions, equal to €/mln 1,927;
- deductions for securitizations, equal to €/mln 18.

1. With reference to the regulatory treatment of the UniCredit's stake in Bank of Italy, it is worth mentioning that: (I) the carrying value as of December 31st, 2014 is risk weighted at 100% (according to the CRR article 133 "Equity exposure"; (II) the revaluation recognized at P&L as of December 31st, 2013 is not filtered out.
2. As of January 1, 2013, following the entry into force of the amendments to IAS 19 (IAS 19R), the elimination of the corridor method - requiring recognition of present value of defined benefit obligations - will result in an impact on UniCredit S.p.A. net equity related to the recognition in the revaluation reserves of actuarial net losses not previously recognized in line with such method.
3. With reference to the contents of Bank of Italy Bollettino di Vigilanza n° 12 issued on December 2013 related to the transitional provisions on Own Funds for unrealized gain and losses associated to exposures towards Central Administrations classified in the IAS 39 category "Available For Sale - AFS", UniCredit S.p.A. exercised the option contained in the Bank of Italy Circular 285 ("Disposizioni di vigilanza per le banche", Part 2, Chapter 14, Section II, Paragraph 2) for the calculation of its Consolidated and Individual Own Funds for UniCredit S.p.A. Accordingly, starting from 03.31.2014 reporting period and in coherence with previous periods, UniCredit S.p.A. (for those securities issued by EU Central Administration classified in the portfolio "Available for Sale - AFS") excludes by any element of its Own Funds unrealized gains and losses related to exposures towards EU Central Administration classified in the IAS 39 category "Available for Sale - AFS", taking into account the provisions contained in the CRR Article n° 467.
4. The CASHES are equity-linked instruments, issued for a counter value of €2,983,000 thousand in February 2009 by The Bank of New York (Luxembourg) SA, with a maturity on December 15, 2050 and convertible, under certain conditions, into n° 96,756,406 ordinary shares of UniCredit S.p.A. (reduced from n° 967,564,061 after the reverse split occurred on December 23, 2011) underwritten by Mediobanca in the context of the capital increase approved by the UniCredit Extraordinary Shareholders' Meeting on November 14, 2008. Therefore, since such shares are legitimately issued, they are fully loss absorbing as any other ordinary share.

# Part F - Shareholders' Equity (Continued)

### *E. Transitional adjustments - Effect on CET1 (+/-)*
The item includes the following transitional adjustments:
- exclusion of unrealized gains on AFS securities, equal to €/mln 754;
- positive filter on negative actuarial reserves (IAS19), equal to €/mln 205;
- positive filter for the 80% of the deduction related to excess of expected losses compared to provisions related to IRB position, for €/mln 1,542.

### *I. Transitional adjustments - Effect on AT1 (+/-)*
The item includes the following transitional adjustments:
- positive filter for €/mln 2, equal to 80% of the amount of the deduction (€/mln 3) related to indirect positions in AT1 instruments issued by financial sector entities (FSE), in which a significant investment is held;
- deduction of 50% of the residual amount (equal to €/mln 1,542) related to the excess of expected losses compared to provisions referred to IRB position, equal to €/mln 771 (-).

### *M. Tier 2 (T2) Capital gross of deductions and transitional adjustments*
As of December 31, 2014 amortizing Tier 2 instruments having a 7 years contractual maturity were subject to changes in the regulatory treatment as described below:
- the item *"M. Tier 2 (T2) Capital gross of deductions and transitional adjustments"* excludes the portion of these instruments issued after December 31, 2011, equal to €3,555 million;
- the item *"of which: grandfathered T2 instruments"* includes the portion of these instruments issued before December 31, 2011 and subject to the grandfathering provisions according to CRR article 484(5), equal to €2,105 million.

### *O. Transitional adjustments - Effect on T2 (+/-)*
The item includes the following transitional adjustments:
- deduction of 50% of the residual amount related to the excess of expected losses compared to provisions referred to IRB position, equal to €/mln 771 (-);
- national positive filter as regulated by Bank of Italy Circular n° 285, equal to 80% of 50% of unrealised gains on AFS, equal to €/mln 86 (+).

## 2.2 Capital adequacy

### A. QUALITATIVE INFORMATION

Regarding Qualitative Information, please refer to Consolidated Notes to the Accounts.

### B. QUANTITATIVE INFORMATION

| ITEMS/VALUES | NON-WEIGHTED AMOUNTS 12.31.2014 | NON-WEIGHTED AMOUNTS 12.31.2013 (4) | WEIGHTED AMOUNTS 12.31.2014 | WEIGHTED AMOUNTS 12.31.2013 (4) |
|---|---|---|---|---|
| **A. RISK ASSETS** | | | | |
| **A.1 CREDIT AND COUNTERPARTY RISK** | **443,869,763** | **424,104,235** | **184,988,326** | **164,550,155** |
| 1. Standardized approach | 223,337,031 | 218,511,740 | 109,497,483 | 96,052,625 |
| 2. IRB approaches | 219,105,068 | 201,705,219 | 74,712,843 | 67,572,479 |
| 2.1 Foundation | - | - | - | - |
| 2.2 Advanced | 219,105,068 | 201,705,219 | 74,712,843 | 67,572,479 |
| 3. Securitizations | 1,427,664 | 3,887,276 | 778,000 | 925,050 |
| **B. CAPITAL REQUIREMENTS** | | | | |
| **B.1 Credit and counterparty risk** | | | **14,799,066** | **13,164,012** |
| B.2 Credit valuation adjustment risk (1) | | | 20,596 | - |
| B.3 Settlement risk (2) | | | 4,065 | - |
| **B.4 Market Risk** | | | **518,724** | **479,100** |
| 1. Standardized approach | | | - | 4,582 |
| 2. Internal Models | | | 518,724 | 474,518 |
| 3. Concentration Risk | | | - | - |
| **B.5 Operational Risk** | | | **1,169,914** | **1,237,896** |
| 1. Basic indicator approach | | | 20,048 | 19,799 |
| 2. Traditional standardized approach | | | - | - |
| 3. Advanced measurement approach | | | 1,149,866 | 1,218,098 |
| **B.6 Other calculation elements (3)** | | | **-** | **-2,324,434** |
| **B.7 Total capital requirements** | | | **16,512,365** | **12,556,575** |
| **C. RISK ASSETS AND CAPITAL RATIOS** | | | | |
| **C.1 Risk Weighted Assets** | | | **206,404,565** | **156,957,184** |
| **C.2 Common Equity Tier 1 Capital/Risk weighted asset (CET 1 capital ratio)** | | | **20.98%** | **-** |
| **C.3 Tier 1 Capital/Risk weighted assets (Tier 1 capital ratio)** | | | **22.05%** | **27.39%** |
| **C.4 Total Own Funds/ Risk weighted assets (Total capital ratio)** | | | **25.83%** | **36.60%** |

**Notes:**

1. Credit valuation adjustment risk is calculated starting from January 1, 2014 (Basel 3 adoption).
2. Included in credit and counterparty risk as of December 31, 2013.
3. As of December 31, 2013, the amount was related to the floor adjustment.
4. Figures as of December 31, 2013 are calculated in coherence with regulatory rules in force at that time.

# Part G - Business Combinations

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| Section 2 - Business Combinations Completed after December 31, 2014 | 286 |

# Part G - Business Combinations

## Section 1 - Business Combinations Completed in 2014

### 1.1 Business combinations

Business combinations with counterparties outside the Group are performed using the "purchase method" as required by IFRS 3 "Business Combinations", cited in part A.2 concerning the main balance-sheet items. In 2014, the Bank did not carry out any business combinations outside the Group.

As part of the process for the reorganization and rationalization of the activities in line with the business model adopted, in 2014 transactions were carried out involving disposal or buy-outs of Business Units or investments with business combinations under common control.

These transactions had no economic substance and were accounted for in the acquirer's and acquired entity's accounts in accordance with the continuity principle.

- Acquisition by the subsidiary UniCredit Business Integrated Solutions (UBIS) of the "Group ICT and Operations" Business Unit and the "Security Network Services" Business Unit, respectively concerning support operations for the Parent Company UniCredit in governing instrumental ICT and Operations services, and specialized security operations carried out in Italy (effective from January 1, 2014). These transactions implement the rationalization plan for the support operations to the Parent Company performed by the subsidiary UBIS, as well as the centralization within UniCredit of strategic control of ITC operations and security, also in compliance with the supervisory regulations.
- Acquisition by UniCredit Bank Austria of the 31% non-controlling interest held in UniCredit Leasing, with resulting total control of the Italian leasing company by UniCredit (effective from March 26, 2014). This transaction is part of wider reorganization project for the international leasing operations, involving the localization of the business with the relevant group companies.
- Sale by the Munich branch of UniCredit, effective from October 6, 2014, of the consumer credit operations in Germany (provision of personal loans and credit cards), plus connected services and assets, to the companies UniCredit Bank AG (HVB), UniCredit Business Integrated Solutions Deutschland (UBIS) Munich branch, and UniCredit Direct Services GmbH, in implementation of the "Consumer Credit Deutschland" (CONCRED) project.

## Section 2 - Business Combinations Completed after December 31, 2014

As part of the structures and the management strategies for non-performing loans, with effect from January 1, 2015, a partial spin off was completed in favor of UniCredit (i) of the non-core business unit of the subsidiary UniCredit Credit Management Bank (UCCMB), the Group bank dedicated to the management and recovery of non-performing loans originated in Italy, and (ii) the spin off of the business unit related to the real estate portfolio originating from the operations of the former Capitalia of UCCMI (100% controlled by UCCMB).

Subsequently on February 11, 2015, UniCredit signed an agreement with the affiliates of Fortress Investment Group LLC ("Fortress") for the sale of UCCMB (post spin off), including a portfolio of non-performing loans for an amount of €2.4 billion (gross value) and the establishment of the main terms and conditions of a long-term agreement for the management of existing and future small- and medium-size impaired loans of the Italian legal entities of the Group.

The transaction, which is part of the reorganization plan for UniCredit's loan recovery activities, has a strong strategic basis and allows the Group to benefit from:

- access to a specialized loan recovery platform, which will be strengthened by the significant know-how of a number of affiliates Fortress and Prelios in the management of impaired loans;
- better management accountability and process monitoring; and
- possible improvement in the Group's future income thanks to an expected increase in the recovery performance for small- and medium-size loans.

The transaction, which is subject to regulatory authorizations and standard conditions for this type of transaction, is expected to be completed by the second quarter of 2015.

The impacts of the transaction on UniCredit's regulatory capital and income statement are expected to be substantially neutral.

# Part H - Related-Party Transactions


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# Part H - Related-Party Transactions (amounts in thousands of €)

As required by the Commission Regulation (EU) No. 632/2010 of July 19, 2010, the revised IAS 24 - which simplifies and clarifies the definition of related party and the criteria aimed at identifying correctly the nature of the relationship with the reporting entity - is applied to financial reporting for annual periods beginning on or after January 1, 2011. Pursuant to IAS 24, UniCredit S.p.A.'s related parties include:
- companies belonging to the UniCredit group and companies controlled by UniCredit but not consolidated;
- associates and joint-ventures;
- UniCredit's key management personnel;
- close family members of key management personnel and companies controlled (or jointly controlled) by key management personnel or their close family members;
- Group employee post-employment benefit plans.

Details of key management personnel's 2014 remuneration and of related-party transactions are given below, pursuant to IAS 24. Key management personnel are persons having authority and responsibility for planning, directing, and controlling UniCredit's activities, directly or indirectly.

Key management personnel include the Chief Executive Officer and the other members of the Board of Directors, the Standing Auditors, the General Manager and the other members of UniCredit's Executive Management Committee, as well as the Head of Internal Audit.

## 1. Details of Top Managers' Compensation

Total compensation paid to Directors and top managers in 2014 is given below pursuant to IAS 24 and to the circular no. 262 issued by Banca d'Italia on December 22, 2005 (3rd update on December 22, 2014) requiring that also the Statutory Auditors' compensation be included.

**Remuneration paid to key management personnel (including directors)**

| | 2014 | 2013 |
|---|---|---|
| a) short-term employee benefits | 20,443 | 18,618 |
| b) post-retirement benefits | 1,837 | 1,809 |
| *of which: under defined benefit plans* | - | - |
| *of which: under defined contribution plans* | *1,837* | *1,809* |
| c) other long-term benefits | 27 | 50 |
| d) termination benefits | 1,859 | - |
| e) share-based payments | 2,881 | 2,473 |
| **Total** | **27,047** | **22,950** |

In the above reported data are included the compensation paid to Directors (€ 8,029), Statutory Auditors (€ 647), General Manager (€ 1,749) and other Managers with strategic responsibility (€ 9,979), as shown in the document "Compensation tables and information document pursuant Consob regulations" attached to the 2015 Group compensation Policy, and € 6,643 relating to other costs borne in 2014 (the company share of social security contributions, allocations to severance pay funds and share-based payments using UniCredit and its subsidiaries' equity instruments).

The year on year increase in costs is primarily due to the return to the payment - in view of the positive 2014 business performance - of a bonus for the Chief Executive Officer, the General Manager and the other Executives with strategic responsibilities and to the disbursement of amounts in connection to post termination commitments undertaken, in the interest of the Bank, by a key manager terminated during 2014.

# 2. Related-Party transactions

The Company's well-established operating policy is to consistently comply with principles of transparency and material accuracy and to follow fair procedures in conducting related-party transactions in line with the legal and regulatory provisions applicable from time to time.

In particular UniCredit, as a listed issuer, has adopted the "Global Policy for the management of transactions with persons in conflict of interest" that is designed to define preliminary and conclusive rules with respect to transactions initiated by UniCredit, including those conducted through subsidiaries, with related parties (CONSOB) and associated persons (Bank of Italy), and the manner in which information is disclosed to corporate bodies and the market. This Policy - which is published on the UniCredit website (www.unicreditgroup.eu) - identifies, inter alia, in compliance with the "Regulations on related-party transactions" issued by Italy's CONSOB resolution 17221 of March 12, 2010 (as amended/supplemented) and Bank of Italy Circular no. 263/2006 (Title V, Chapter 5 - "Procedures for the management of risk activities and conflicts of interest with associated persons"): the independence of UniCredit's Directors who may be asked to express their opinions on related-party transactions (CONSOB) and transactions with associated persons (Bank of Italy); the scope of related parties (CONSOB) and associated persons (Bank of Italy), together defined as the "Combined Perimeter":

- transactions with significant parties included in the Combined Perimeter;
- instances of exemption and exclusion utilized by UniCredit;
- the manner in which transactions with parties included in the Combined Perimeter are started and approved, even when they are initiated by Italian or foreign subsidiaries;
- the manner and timing information on related-party transactions is conveyed to Independent Directors as well as Administration and Regulatory Bodies;
- transparency obligations towards Management, Regulatory Authorities and the market.

The above-mentioned provisions also require that documents containing internal control policies be communicated to the Shareholders' Meeting and kept available for any requests from the Bank of Italy. In relation to the above, please note that on December 18, 2012 the Board of Directors of UniCredit, upon recommendation of the Related-Parties and Equity Investments Sub-Committee and the Board of Statutory Auditors, approved the Internal policies on controls for risk activities and conflicts of interests with associated persons, which are made available to the Shareholders.

Subject to compliance with the principle set forth in Article 2391 of the Italian Civil Code regarding Directors' interests, the provisions of Article 136 of Legislative Decree 385/93 (Consolidated Banking and Lending Act) also necessarily apply to the Bank, according to which corporate officers may directly or indirectly take on obligations towards the bank they manage, direct or control, only upon unanimous approval by the bank's management body, passed by vote in favor of all members of the controlling body. To that end, the aforesaid members are required to disclose persons with whom relationships may take root that would give rise to the type of material obligation provided for by Article 136 of Legislative Decree 385/93 (intervening individuals or legal entities).

Please note that during the reporting period no transactions with parties included in the Combined Perimeter that would qualify as major according to the *"Global Policy for the management of transactions with persons in conflict of interest"* referred to above were carried out. In 2014 transactions were carried out within the group and/or generally with Italian and foreign related parties that fall within the ordinary course of business and related financial activity; as a rule, they were performed on the same terms and conditions as those applied to transactions entered into with independent third parties. All intra-group transactions were carried out based on assessments of mutual economic benefit, and the applicable terms and conditions were established in accordance with fair dealing criteria, with a view to the common goal of creating value for the entire UniCredit Group. The same principle was applied to intra-group services, as well as the principle of charging on a minimal basis for these services, solely with a view to recovering the respective production costs.

For the purposes of financial disclosure, in accordance with the Commission Regulation (EU) 632/2010 of July 19, 2010, the text of IAS 24 applies, which defines the concept of related party and identifies the relations between that party and the entity producing the financial statements. IAS 24 also explains that the disclosure must include transactions entered into with subsidiaries of associates and subsidiaries of joint ventures.

# Part H - Related-Party Transactions (Continued)

Accordingly, the table below provides the additional information required by IAS 24 at December 31, 2014:

### Related-party disclosure

| | AMOUNTS AS AT 12.31.2014 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | SUBSIDIARIES | JOINT VENTURE | ASSOCIATES | KEY MANAGEMENT PERSONNEL | OTHER RELATED PARTIES | TOTAL | % ON COMPANY ACCOUNTS | AZIONISTI (*) | % ON COMPANY ACCOUNTS |
| Financial assets held for trading | 3,191,212 | - | 425 | 1 | 2,106 | 3,193,744 | 19.76% | - | - |
| Financial assets at fair value through profit or loss | - | - | - | - | - | - | - | - | - |
| Avalaible-for-sale-financial assets | 9,147 | 69 | 109,256 | - | - | 118,472 | 0.21% | 19,000 | - |
| Held to maturity investments | - | - | - | - | - | - | - | - | - |
| Loans and receivables with banks | 14,583,328 | 17,705 | 299,403 | - | - | 14,900,436 | 68.15% | 3,088 | 0.01% |
| Loans and receivables with customers | 22,999,212 | 267 | 294,955 | 2,451 | 92,653 | 23,389,538 | 10.60% | 35,667 | 0.02% |
| Other assets | 235,381 | 3,196 | 33,532 | - | 6 | 272,115 | 5.88% | 1 | 0.00% |
| **Total assets** | **41,018,280** | **21,237** | **737,571** | **2,452** | **94,765** | **41,874,305** | **10.50%** | **57,756** | **0.01%** |
| Deposits from banks | 11,740,320 | 9,063 | 59,738 | - | - | 11,809,121 | 37.25% | 99,762 | 0.31% |
| Deposits from customers | 733,840 | - | 347,383 | 8,739 | 102,920 | 1,192,882 | 0.71% | 342,474 | 0.20% |
| Securities and Financial liabilities | 32,562,895 | - | - | - | 20,169 | 32,583,064 | 25.63% | 33,205 | 0.03% |
| Other liabilities | 442,839 | 42 | - | - | - | 442,881 | 4.90% | - | - |
| **Total liabilities** | **45,479,894** | **9,105** | **407,121** | **8,739** | **123,089** | **46,027,948** | **11.54%** | **475,441** | **0.12%** |
| **Guarantees issued and commitments** | **9,081,196** | **299,340** | **160,095** | **-** | **129,002** | **9,669,633** | **12.98%** | **246,955** | **0.33%** |

(*) Shareholders and related companies holding a stake in UniCredit with voting right exceeding 2% of share capital.

With regard to the aforesaid transactions, and separately by type of related party, the impact on income statement items are also detailed below.

| | 12.31.2014 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | SUBSIDIARIES | JOINT VENTURE | ASSOCIATES | KEY MANAGEMENT PERSONNEL | OTHER RELATED PARTIES | TOTAL | % ON COMPANY ACCOUNTS | SHAREHOLDERS (*) | % ON COMPANY ACCOUNTS |
| Interest income and similar revenues | 1,358,440 | 419 | 8,347 | 57 | 1,069 | 1,368,332 | 15.58% | 2,019 | 0.02% |
| Interest expenses and similar chages | (601,069) | (70) | (375) | (43) | (292) | (601,849) | 13.58% | (3,390) | 0.08% |
| Fee and commission income | 839,000 | 539 | 539,699 | 28 | 1,570 | 1,380,836 | 34.31% | 1,825 | 0.05% |
| Fee and commission expenses | (97,840) | (8) | (9,276) | (5) | (16) | (107,145) | 29.29% | (630) | 0.17% |
| Gains and losses on financial assets and liabilities held for trading | (828,827) | - | - | - | - | (828,827) | n.s. | - | - |
| Fair value adjustments in hedge accounting | 699,343 | - | - | - | - | 699,343 | n.s. | - | - |
| Impairment losses on: | | | | | | | | | |
| a) loans | (7,590) | - | (120,806) | - | 1,609 | (126,787) | 4.72% | 211 | n.s. |
| b) available-for-sale financial assets | - | - | (60,670) | - | - | (60,670) | 25.32% | - | - |
| c) held-to-maturity assets | - | - | - | - | - | - | - | - | - |
| d) other financial assets | 7 | - | (231) | - | 19 | (205) | 0.18% | 19 | n.s. |
| Operating costs | (1,582,430) | 3,250 | (9,791) | - | 13 | (1,588,958) | 28.14% | 4 | n.s. |

(*) Shareholders and related companies holding a stake in UniCredit with voting right exceeding 2% of share capital.

For information on operating costs relating to key management personnel, refer to the table shown in paragraph “1. Details of Top Managers’ Compensation”.

On the other hand, the category “Other related parties” consists of information on:
- 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 (also jointly) by “key management personnel” or their close family members;
- post-employment benefit plans for employees of the UniCredit group.

Not all related parties identified by IAS 24 are subject to the provisions of CONSOB’s “Regulations containing provisions relating to transactions with related parties” (as referred to in Resolutions 17221 and 17389 of 2010, which are based on the definition of related party mentioned in the previous version of IAS 24 effective as of the entry into force of said Regulations).

Specifically, below are some observations on major related-party transactions.

In 2012 the subsidiary UniCredit Business Integrated Solutions S.C.p.A. (UBIS) assumed the role of operating sub-holding to provide the Group’s support services both in Italy and abroad.

Against this backdrop, on February 15, 2013 the Board of Directors of UBIS approved the executive plan relating to the “Invoice Management” transaction aimed at the formation of a joint venture with the partner Accenture S.p.A. (Accenture) for the provision of back office services with respect to the “income and expense cycle” (issuance, receipt, verification, recording and payment of invoices). In relation to this, UBIS - with effect from April 1, 2013 - transferred its “income and expense cycle” business unit to the company formed by Accenture, called “Accenture Back Office and Administration Services S.p.A.”, and sold Accenture some of the shares resulting from the transfer. As a result of the transaction, UBIS holds 49% of the share capital of Accenture Back Office and Administration Services S.p.A.’s; the remaining 51% is held by Accenture (which is the controlling shareholder).

Afterwards, on April 19, 2013, the Board of Directors of UBIS approved the executive plan of the project aimed at the formation of a joint venture with another major player in the industry, IBM Italia S.p.A. (IBM), for the provision of technological infrastructure services (hardware, data center, etc.) to Commercial Banking. The transaction was completed when UBIS, with effect from September, 1, 2013, transferred the “Information Technology” business unit to the company named “Value Transformation Services S.p.A.” (V-TServices), formed and controlled by IBM Italia S.p.A. As a result of the transaction, UBIS holds 49% of V-TServices’s share capital; the remaining 51% is held by IBM (which is the controlling shareholder).

The services provided to the UniCredit group by the above-mentioned companies result in an exchange of fees (administrative costs).

In order to ensure compliance with the commitments undertaken by UniCredit S.p.A. under the “ReboRa Agreement”, in 2010 - following the sale of UniCredit CAIB AG by UniCredit Bank Austria AG (“Bank Austria”) to UniCredit Bank AG - UniCredit S.p.A. and Bank Austria entered into a Compensation Agreement, consisting of a derivative contract valid from January 1, 2010 to a date between January 1, 2015 and March 31, 2016 (at the discretion of the parties), aimed at keeping Bank Austria financially neutral with respect to the profits generated from the operations sold. In particular, this agreement establishes a commitment for UniCredit S.p.A. to pay an amount indexed to the earnings of the Group’s CIB Division-Markets Segment (excluding Poland) in return for Bank Austria’s commitment to pay 12 month Euribor + 200bps recorded annually on the notional amount equal to the sale price of UniCredit CAIB AG (corresponding to around €1.28 billion). Upon expiry of the agreement, UniCredit S.p.A. has made a commitment to pay any increase attributable pro rata to the CIB Markets perimeter with respect to sale price of UniCredit CAIB AG. This agreement has been recognized in the financial statements under trading derivatives and measured using a valuation model which takes account of all the flows described. Following the notification (in the third quarter of 2014) by UniCredit S.p.A. to Bank Austria, the agreement will terminate in March 2015.

With reference to transactions with Mediobanca S.p.A. (“Mediobanca”), in addition to the transactions falling within the ordinary course of business and financial activity, UniCredit S.p.A. has entered into a thirty-year usufruct agreement on UniCredit shares with Mediobanca, under which Mediobanca gives back to UniCredit S.p.A., in return for a consideration (recorded as a reduction in Shareholders’ Equity), the right to vote and receive dividends on the UniCredit S.p.A. shares subscribed for by Mediobanca in January 2009, as part of the capital increase approved by UniCredit in November 2008. These shares were concomitantly used in support of the issuance of convertible securities denominated “CASHES”.

Following the resolutions of UniCredit S.p.A.’s Extraordinary Meeting of December 2011, the number of shares underlying the usufruct agreement and the formula for calculating the remuneration fees in favor of Mediobanca were adjusted to reflect (i) the reverse split of UniCredit S.p.A. shares and (ii) the free capital increase of December 2011 carried out through the allocation to capital of an equivalent amount transferred from the issue-premium reserve recorded in January 2009. Since the conditions of the contract were not fulfilled, the first three installments of the usufruct fees referring to the results for 2013 were not paid. Only the fourth installment, referring to the results for 2012, was paid, amounting to 35 million.

As part of the “CASHES” transaction, Mediobanca also acts as a custodian of the shares issued by UniCredit S.p.A.

At December 31, 2014, since the conditions for an impairment test were met, the value in use of the equity investment in Mediobanca was determined, according to the methods described in Part A of the Notes to the Consolidated Accounts. The impairment test confirmed the carrying value of the equity investment.

# Part H - Related-Party Transactions (Continued)

At December 31, 2014 the Group's exposure to Italpetroli Group, considered part of the intragroup transactions, consisted mainly of the credit exposure. During 2014 a ricapitalization of the company was executed through waivers of loans for about €50 million, most of which were already written down.

In 2011 UniCredit acquired a 40% stake in NEEP ROMA HOLDING S.p.A. ("NEEP"), which at the same time acquired control of A.S. Roma S.p.A. and its investee companies. In August 2014, the entire remaining 31% stake in NEEP (following transfer to Raptor HoldCo LL in August 2013 of 9% of the share capital of Neep Roma Holding S.p.A.) was sold. As a result, the shareholder agreement relating to NEEP Roma Holding, signed by UniCredit on August 18, 2011 and subsequently amended and supplemented on August 1, 2013, ceased to be effective.

During 2013 UniCredit S.p.A. had entered into two separate agreements with UniCredit Bank AG aimed at ensuring fulfillment of the provisions of Articles 311, paragraph 2, and 317 of the German Stock Corporation Act (Aktiengesetz, AktG), applicable to groups including a German company, when there is no domination agreement in place. Those provisions establish (i) the obligation for the parent company to compensate, or commit to compensating, the subsidiary for any damages arising from measures or transactions (or lack thereof) ordered by the parent company and that the subsidiary would not have adopted/conducted had it not belonged to the group and (ii) the subsidiary's obligation to claim a compensation from the parent company and, if no compensation is received, to prepare a report ("dependency report") on the status of all harmful measures and compensation not yet awarded.

In March 2013 UniCredit S.p.A. signed a compensation agreement with UniCredit Bank AG to pay for services provided to UniCredit Bank Russia, Ukrsotsbank and UniCredit Bank Austria and to compensate for the damages caused by the cessation of funding for Russian and Ukrainian companies by UniCredit Bank AG. Under that agreement UniCredit S.p.A. acted as guarantor, committing to pay the amount due to UniCredit Bank AG if the latter and UniCredit Bank Austria failed to reach a deal. The agreement did not result in any disbursements on the part of UniCredit S.p.A. since UniCredit Bank AG and UniCredit Bank Austria later entered into agreements that did not make it necessary to activate the guarantee.

In December 2013, UniCredit S.p.A. signed another compensation agreement with UniCredit Bank AG to compensate for damages identified in 2013 in relation to specific activities relating to (i) loan syndication, (ii) global account management, (iii) guarantees issued and (iv) secondment of human resources carried out by UniCredit Bank AG in favor of UCI S.p.A. and other Group companies (mainly UniCredit Bank Austria, Pekao and other companies in the CEE area). The contract also provided for UniCredit S.p.A.'s guarantee with respect to claims directed to other Group companies if the parties failed to reach a remuneration/compensation agreement by March 31, 2014 and failed to make payment by April 15, 2014.

With respect to this commitment, as at December 31, 2013 UniCredit S.p.A. booked €89 million in its separate financial statements. During the first quarter of 2014, following the revision and refinement of the estimates made in December 2013, the sums requested were definitively calculated and subsequently settled in the amount of €60 million, with a resulting positive effect on the 2014 financial statements of approximately €30 million.

In December 2014, UniCredit S.p.A. and UniCredit Bank AG signed a new agreement relating to certain specific activities performed by UniCredit Bank AG in 2014 and the previous years, mainly relating to global account management, loan syndication, guarantees issued and secondment of human resources, which resulted in the payment to UniCredit Bank AG of €10 million in the same month.

In April 2013, UniCredit S.p.A. started to act as primary dealer and market maker on the Italian, Portuguese, Spanish and Greek government bond markets (these roles were previously played by UniCredit Bank AG). In light of the fact that the model developed provides for the regular provision by UCB AG of services in support of the activity now carried out by UniCredit S.p.A., a cooperation agreement on the remuneration for these services was entered into, which was also in force for 2014.

In the period 2008/2009, UCI S.p.A. (on its own behalf and as the Parent Company of the former segment banks later absorbed) and Aspra (later merged into UniCredit Credit Management Bank (UCCMB)) entered into agreements for the sale to UCCMB of loans incorporating guarantees and indemnities, later extended and partially modified in 2011 by varying the operational conditions for the implementation of these guarantees and indemnities. The original sale contracts signed by each transferring bank include certain statements and guarantees that, if not observed, will result in the return of the loans in question or the activation of indemnities with subsequent claims for damages by UCCMB against UniCredit S.p.A. based on the original sale prices. In view of the rights and obligations contained in the current agreements, the best estimate at December 31, 2014 of risks associated with these guarantees and indemnities, obtained on the basis of the information provided by UCCMB (which is currently responsible for managing the loans sold), resulted in the recognition of a provision for risks and charges in the separate financial statements of UniCredit S.p.A.. This provision was made in the separate financial statements of UniCredit S.p.A. to cover the risks associated with the probable compensation claims by UCCMB (IAS 37). The item was therefore derecognized from the Group's consolidated financial statements, where the individual valuation of the loans in question, carried out by UCCMB, prevails over the original purchase price (IAS 39).

In December 2013, the conditions provided for by IFRS 5 were met for the purposes of the classification as an asset classified as held for sale of a portion (equal to €61 million corresponding to 20.070%) of the stake in the associate SIA S.p.A., which was then sold in the second quarter of 2014. Following the sale, UniCredit S.p.A.'s shareholding decreased from 24.07% (€74 million) to 4%, resulting in the loss of significant influence over the company.

During 2014, a reorganization of Lauro Sessantuno S.p.A. was carried out, consisting of the following phases: a) the acquisition by LTI of a shareholding in Lauro Sessantuno (which took place in July 2014), as part of which UniCredit sold LTI approximately 12.97% of Lauro Sessantuno for about €140 million, generating a capital gain of about €58.1 million; b) the merger of Lauro Sessantuno into Camfin (completed on December 1, 2014); c) retention within Camfin of the shareholding in Pirelli and other associated assets and liabilities, and the spin-off of the other assets and liabilities of Camfin through its non-proportional partial spin off in favor of a NewCo (Coinv S.p.A.) in which NP, UniCredit and Intesa Sanpaolo own a stake (also completed on December 1, 2014); and d) transfer to Coinv of the Camfin shares owned by NP, UniCredit and Intesa Sanpaolo (carried out on December 22, 2014).

Following the end of the transactions described above, Camfin is 50% owned by LTI and Coinv, and Coinv is in turn 76% controlled by NP, with UniCredit and Intesa Sanpaolo each holding a 12% stake.

As part of the reorganization of the lease business at Group level (which in 2013 involved the transfer by UniCredit Leasing of the lease companies and businesses operating in the CEE area to their respective local banks operating in the same CEE countries), in 2014 the minority share of 31% held in UniCredit Leasing was transferred by UniCredit Bank Austria to UniCredit, resulting in UniCredit having 100% control of the Italian lease companies. UniCredit Leasing will no longer act as a sub-holding company, but will exclusively operate as a leading lease company on the Italian market, also following the merger by incorporation of Fineco Leasing S.p.A. in early 2014 at the time of subscription of a capital increase of €490 million. At December 31, 2014, since the conditions for an impairment test were met, the value in use of the equity investment in UniCredit Leasing was determined, according to the methods described in Part A of the Notes to the Consolidated Accounts. Impairment testing resulted in the need to write down the investment by €515 million.

In March 2014, in order to accelerate the growth of the subsidiary and boost its market visibility while optimizing capital allocation, the Group decided to initiate the activities for the Initial Public Offering (IPO) of the ordinary shares of FinecoBank. In that context, in April, in line with the initiatives set out in the Group Strategic Plan 2013-2018, FinecoBank submitted the application for the admission to listing of its ordinary shares on the Electronic Stock Exchange (MTA) organized and managed by Borsa Italiana, submitting its application to CONSOB for approval of the Prospectus concerning the Initial Public Offering and listing of the shares. The global offering for sale (with a demand 2.9 times greater than the offering), following the full exercise of the Greenshoe option in July, involved 34.5% of the capital of FinecoBank. The offer price of ordinary shares of FinecoBank was set at 3.70 per share, and the total consideration for UniCredit, including the shares relating to the Greenshoe option, amounted to approximately €774 million, with share premium posted to the income statement, gross of fees, taxes and expenses, of approximately €382 million. The ordinary shares of FinecoBank have been traded on the Electronic Stock Exchange organized and managed by Borsa Italiana since July 2.

In August 2014, Alitalia sealed an investment agreement with Etihad Airways aimed at strengthening Alitalia in terms of competitiveness and sustainable income, which also includes: (i) an investment of €560 million by Etihad, which thus became a non-controlling shareholder of the company; (ii) the commitment by the main stakeholders (in addition to UniCredit, Intesa Sanpaolo, Poste Italiane, Atlantia, Immsi, Pirelli, Gavio and Macca) to support an additional recapitalization of the company (maximum liability for UniCredit of €62.1 million); and (iii) support for the transaction from the shareholder financial institutions and banks with a maximum of €598 million in the form of conversion and/or consolidation of short- and medium-term debt.

The transaction, which took effect on January 1, 2015, substantially resulted in: (i) the transfer by Alitalia CAI (subsequently renamed CAI) to a new company named Alitalia-Società Aerea Italiana S.p.A. (SAI) of the business pertaining to all the operating activities performed; (ii) the transfer to Midco S.p.A., by Alitalia CAI, of the investment in SAI deriving from the contribution of the aforementioned business; (iii) the subscription by Etihad, through a cash payment of €387.5 million, of a capital increase of SAI resulting in Etihad holding 49% of SAI (the residual 51% is held by CAI, through Midco). Following the restructuring of the short- and medium-term debt by the financial institutions and shareholder banks, at the end of 2014 UniCredit held a share of 33.50% of CAI.

It should be noted that distribution agreements concerning insurance products were signed with the following associates:
1. Aviva S.p.A.
2. CNP UniCredit Vita S.p.A.
3. Creditras Assicurazioni S.p.A.
4. Creditras Vita S.p.A.
5. Incontra Assicurazioni S.p.A.

The relationships with other related parties include the relationships with external pension funds (for UniCredit employees), since they have separate legal personality. These transactions were conducted on the same terms and conditions as those applied to transactions with independent third parties. The relationships with these pension funds are almost entirely represented by the relationships included in Deposits from customers (and related interests).

# Part I - Share-based Payments


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# Part I - Share-based Payments

## A. Qualitative information

### 1. Description of payment agreements based on own equity instruments

#### 1.1 Outstanding instruments

Group Medium & Long Term Incentive Plans for selected employees include the following categories:
- **Equity-Settled Share Based Payments**;
- **Cash-Settled Share Based Payments**[1].

The first category includes the following:

- **Stock Options** allocated to selected Top & Senior Managers and Key Talents of the Group;
- **Performance Stock Options** allocated to selected Top & Senior Managers and Key Talents of the Group and represented by UniCredit Options that the Parent Company undertakes to grant, conditional upon achieving performance targets approved by the Parent Company's Board;
- **Share Plan for Talent** that offer free UniCredit ordinary shares that the Parent Company undertakes to grant, conditional upon achieving performance targets approved by the Parent Company's Board;
- **Group Executive Incentive System** that offer to eligible Group Executive a variable remuneration for which payment will be made within five years. The beneficiary will receive the payment by cash and/or by UniCredit shares; the payment are related to the achievement of performance condition (other than marked conditions) stated in the Plan Rules;
- **Group Executive Incentive System 2014 (Bonus Pool)** that offer to eligible Group Executives and relevant employees identified following regulatory rules, a bonus structure composed by upfront (following the moment of performance evaluation) and deferred payments in cash and in shares, to be paid over a period of up to 6 years (first year upfront and 5 years deferred). This payment structure will guarantee the alignment to shareholder interest and will be subjected to malus (which applies in case specific profitability, capital and liquidity thresholds are not met at both Group and Country/Division level) and claw back conditions (as legally enforceable) as defined in Plan Rules (both non-market vesting conditions);
- **Employee Share Ownership Plan (ESOP)** that offers to eligible Group employees the possibility to buy UniCredit ordinary shares with the advantages to foresee the granting of free ordinary shares ("Discount Shares" and "Matching Shares" or, for the second category, rights to receive them) measured on the basis of the shares purchased by each Participant ("Investment Shares") during the "Enrolment Period". The granting of free ordinary shares is subordinated to vesting conditions (other than market conditions) stated in the Plan Rules.

The second category includes synthetic "Share Appreciation Rights" linked to the share-value and performance results of some Group-Companies[2].

#### 1.2 Measurement model

##### *1.2.1 Stock Options and Performance Stock Options*

The Hull and White Evaluation Model has been adopted to measure the economic value of Stock Options.

This model is based on a trinomial tree price distribution using the Boyle's algorithm and estimates the early exercise probability on the basis of a deterministic model connected to:
- reaching a Market Share Value equals to an exercise price- multiple (M);
- probability of beneficiaries' early exit (E) after the end of the Vesting Period.

Economic and Equity effects will be recognized on a basis of instrument vesting period.

Any new Stock Options' Plans and Performance Stock Options haven't been granted during 2014.

##### *1.2.2 Share Plan for Talent*

The plan offers three "Free UniCredit Shares" installments, having subsequent annual vesting, to selected beneficiaries.

The economic value of Performance Shares is measured considering the share market price at the grant date less the present value of the future dividends, not available to beneficiaries, during the performance period. Parameters are estimated by applying the same model used for Stock Options measurement.

Economic and Net Equity effects will be accrued during the instruments' vesting period.

Any new Share Plans haven't been granted during 2014.

1. Linked to the economic value of instruments representing a subsidiary's Shareholders' Equity.
2. Pioneer Global Asset Management.

### *1.2.3 Group Executive Incentive System*

The amount of the incentive is determined on a basis of the achievement of quantitative and qualitative goals stated by the plan. In particular, the overall evaluation of the Employee's relevant Manager expresses as a percentage, from a minimum of 0% to a maximum of 150% (non market vesting conditions).

This percentage, adjusted by the application of a risk/opportunity factor - Group Gate - at first payment multiplied by the Bonus Opportunity, determines the effective amount that will be paid to the beneficiary.

Economic and Net Equity effects will be accrued on a basis of instruments' vesting period.

*Group Executive Incentive System 2013 - Shares*

The economic value of Performance Shares is measured considering the share market price at the grant date less the present value of the future dividends during the vesting period.

| | SHARES GRANTED GROUP EXECUTIVE INCENTIVE SYSTEM 2013 | | |
|---|---|---|---|
| | 1ST INSTALLMENT (2016) | 2ND INSTALLMENT (2017) | 3RD INSTALLMENT (2018)[1] |
| Date of Bonus Opportunity Economic Value granting | Jan-29-2013 | Jan-29-2013 | Jan-29-2013 |
| Date of Board resolution (to determine number of shares) | Mar-11-2014 | Mar-11-2014 | Mar-11-2014 |
| Vesting Period Start-Date | Jan-1-2013 | Jan-1-2013 | Jan-1-2013 |
| Vesting Period End-Date | Dec-31-2015 | Dec-31-2016 | Dec-31-2017 |
| UniCredit Share Market Price [€] | 5.862 | 5.862 | 5.862 |
| Economic Value of Vesting conditions [€] | -0.200 | -0.299 | -0.427 |
| **Performance Shares' Fair Value per unit @ Grant Date [€]** | **5.662** | **5.563** | **5.435** |

(1) Referred only to Executive Vice-President assignations.

*Group Executive Incentive System 2014 (Bonus Pool)*

New Group Incentive system 2014 is based on a bonus pool approach, aligned with regulatory requirements and market practices, it defines:

- sustainability, through direct link with entity results and alignment with relevant risk categories, utilizing specific indicators linked to risk-appetite;
- link between bonuses and organization structure, defining the pool on a country/division level with further review at Group level;
- bonuses allocated to Executives and other relevant employee, on a basis of European Bank Authority (EBA) rules and local regulations;
- payment structure has been defined in accordance with Regulatory provisions qualified by directive 2013/36/EU (CRD IV) and will be distributed in a period of six years by using a mix of shares and cash.

All Profit and Loss and Net Equity effects related to the plan will be booked during the vesting period.

### *1.2.4 Employee Share Ownership Plan (Let's Share for 2014)*

The following tables show the measurements and parameters used in relation to Free Shares (or rights to receive them) connected to the "Employee Share Ownership Plan" approved in 2013.

**Measurement of Free Shares ESOP for 2014**

| | FREE SHARES 1ST ELECTION WINDOW | FREE SHARES 2ND ELECTION WINDOW |
|---|---|---|
| Date of Free Shares delivery to Group employees | Jan-31-2014 | Jul-31-2014 |
| Vesting Period Start-Date | Jan-31-2014 | Jul-31-2014 |
| Vesting Period End-Date | Jan-31-2015 | Jul-31-2015 |
| Discount Shares' Fair Value per unit [€] | **5.774** | **5.972** |

All Profit and Loss and Net Equity effects referred 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).

The UniCredit free ordinary shares assigned in plan rules applications had been acquired on the market.

# Part I - Share-based Payments (Continued)

***1.2.5 PGAM Shared-Based Incentive Plan 2013***

In December 2013, Pioneer Global Asset Management's Board of Directors approved a long term incentive plan to be assigned to Pioneer Group key talent resources. In March 2014 each beneficiary has been granted with Restricted Units that gave the right to receive Pioneer Global Asset Management shares having restricted economic and administrative rights (Restricted Shares), or other financial instruments (or the cash-equivalent amount). These shares will vest after the fourth year anniversary starting from the granting.

Restricted Shares' value is evaluated on a basis of Pioneer Group EBITDA.

## B. Quantitative information

### 1. Annual changes

**UniCredit Stock Options and Performance Stock Options**

| | YEAR 2014[1] | | | YEAR 2013[1] | | |
|---|---|---|---|---|---|---|
| ITEMS/NUMBER OF OPTIONS AND EXERCISE PRICE | NUMBER OF OPTIONS | AVERAGE EXERCISE PRICE [€] | AVERAGE MATURITY | NUMBER OF OPTIONS | AVERAGE EXERCISE PRICE [€] | AVERAGE MATURITY |
| **A. Outstanding at beginning of period** | **45,012,829** | **18.971** | **Dec-2019** | **45,544,658** | **18.971** | **Dec-2019** |
| **B. Increases** | **-** | | | **-** | | |
| B.1 New issues | - | - | | - | - | |
| B.2 Other | - | | | - | | |
| **C. Decreases** | **11,761,922** | | | **531,829** | | |
| C.1 Forfeited | 56,847 | 27,673 | | 531,829 | 18.993 | |
| C.2 Exercised | - | - | | - | - | |
| C.3 Expired | 11,705,075 | | | - | | |
| C.4 Other | - | | | - | | |
| **D. Outstanding at end of period** | **33,250,907** | **21.444** | **Jul-2019** | **45,012,829** | **18.971** | **Dec-2019** |
| **E. Vested Options at end of period** | **24,303,491** | **27.863** | **Aug-2018** | **36,065,412** | **22.682** | **May-2019** |

1. The information related to Number of options and Average exercise price had been modified following the grouping operation resolved by UniCredit Annual General Meeting on December 15, 2011 and following the application of "adjustment factors" for:
- as the free capital increase resolved by the UniCredit Annual General Meeting on April 29, 2009 ("scrip dividend"), implied the recommendation by AIAF (Associazione Italiana Analisti Finanziari) to apply an "adjustment factor" equal to 0.88730816;
- as the capital increase resolved by the UniCredit Extraordinary Shareholder Meeting on November 16,2009 and finalized on February 24, 2010, implied the recommendation by AIAF (Associazione Italiana Analisti Finanziari) to apply an "adjustment factor" equal to 0.95476659.
- as the capital increase resolved by the UniCredit Extraordinary Shareholders' Meeting on December 15, 2011 and finalized in 2012 implied the recommendation by AIAF (Associazione Italiana Analisti Finanziari) to apply an "adjustment factor" equal to 0.6586305.

**Other UniCredit equity instruments: Performance Shares**

| | YEAR 2014 | | | YEAR 2013 | | |
|---|---|---|---|---|---|---|
| ITEMS/NUMBER OF OTHER EQUITY INSTRUMENTS AND EXERCISE PRICE | NUMBER OF OTHER EQUITY INSTRUMENTS | AVERAGE EXERCISE PRICE [€] | AVERAGE MATURITY | NUMBER OF OTHER EQUITY INSTRUMENTS | AVERAGE EXERCISE PRICE [€] | AVERAGE MATURITY |
| **A. Outstanding at beginning of period** | **41,374,465** | **-** | **Feb-2015** | **25,139,867** | **-** | **Mar-2014** |
| **B. Increases** | **10,558,154** | | | **19,986,661** | | |
| B.1 New issues | 10,558,154 | - | | 19,986,661 | - | |
| B.2 Other | - | | | - | | |
| **C. Decreases** | **15,031,798** | | | **3,752,063** | | |
| C.1 Forfeited | 867,172 | - | | 1,654,476 | - | |
| C.2 Exercised (1) | 8,498,340 | - | | 2,097,587 | - | |
| C.3 Expired | 5,666,286 | | | - | | |
| C.4 Other | - | | | - | | |
| **D. Outstanding at end of period (2)** | **36,900,821** | **-** | **Oct-2015** | **41,374,465** | **-** | **Feb-2015** |
| **E. Vested instruments at end of period** | **4,772,750** | | | **8,547,038** | | |

(1) As far as the 2014 movement is concerned, the average market price at the exercise date is equal to €6.54 (€3.82 was the price observed at exercise date for 2013 movimentation)

(2) UniCredit undertakes to grant, conditional upon achieving performance targets set in the Strategic Plan, 36,900,821 ordinary shares at the end of 2014 (41,374,465 ordinary shares at the end of 2013).

According to Let's Share 2014 (ESOP) Plan Rules, had been delivered to Group Participants respectively 623.144 and 238.880 Free Shares in January and in July 2014 related to services rendered during the period 2014-2015.

The said above UniCredit free ordinary shares had been acquired on the market, and are not considered in the table of annual changes.

## 2. Other information

### Let's Share 2015 (ex 2014) - Employee Share Ownership Plan for 2015

In May 2014 the Ordinary Shareholders' Meeting approved the "UniCredit Group Employee Share Ownership Plan 2015" ("Let's Share for 2015") that offers to eligible Group employees the opportunity to purchase UniCredit ordinary shares at favourable conditions, starting from January 2015, in order to reinforce employees' sense of belonging and commitment to achieve the corporate goals.

Let's Share for 2015 was launched on November 27, 2014 in 12 countries across the Group (Austria, Bulgaria, Czech Republic, Germany, Hungary, Italy, Poland, Serbia, UK, Slovakia, Luxembourg and France) with a participation rate between 3-4% of the eligible employees.

Let's Share for 2015 is a broad based share plan under which:

- during the "Enrolment Periods" (from January 2015 to December 2015 for the first enrolment period and/or from July 2015 to December 2015 for the second enrolment period) the Participants can buy UniCredit ordinary shares ("Investment Shares") by means of monthly or one-off contributions (via one installment in January or July 2015) taken from their Current Account. In case, during this Enrolment Period, a Participant leaves the Plan, he/she will lose the right to receive any free ordinary shares at the end of the Enrolment Period, except in the case of termination of service for reasons allowed by the regulatory plan;
- at the first month of the Enrolment Period (January 2015/July 2015), each Participant will receive, in form of shares ( "Free Shares") a discount equal to 25% of overall amount of shares purchased; the Free Shares will be locked up for one year ("Holding Period"). The Participant will lose the entitlement to the Free Share if, during the holding period, he/she will no longer be an employee of a UniCredit Group Company unless the employment has been terminated for one of the specific reasons stated in the Rules of the Plan. In some countries, for fiscal reasons, it will not be possible to grant the Free Shares at the beginning of the Enrolment Period: in that case an alternative structure is offered that provides to the Participants of those countries the right to receive the Free Shares at the end of the Holding Period ("Alternative Structure");
- during the "Holding Period" (from January 2015 to January 2016 and/or from July 2015 to July 2016), the Participants can sell the Investment Shares purchased at any moment, but they will lose the corresponding Free Shares (or right to receive them).

The Free Shares are qualified as "Equity Settled Share-based Payments" as Participants, according to Plan's Rules, will receive UniCredit Equity Instruments as consideration for the services rendered to the legal entity where they are employed. The fair value will be measured at the beginning of Enrolment Period according to the price paid by Participants to acquire the first installment of the Investment Shares on the market.

All Profit and Loss and Net Equity effects related to Let's Share for 2015 will be booked during the holding period.

Let's Share for 2015 has not produced any effect on 2014 Financial Statements.

### Effects on Profit and Loss

All Share-Based Payment granted after November 7, 2002 whose vesting period ends after January 1, 2005 are included within the scope of the IFRS2.

**Financial statement presentation related to share based payments**

(€ thousand)

| | 2014 | | 2013 | |
|---|---|---|---|---|
| | TOTAL | VESTED PLAN | TOTAL | VESTED PLAN |
| **(Costs)/Revenues** | **(16,223)** | | **1,960** | |
| - connected to Equity Settled Plans(1) | (16,223) | | 1,960 | |
| - connected to Cash Settled Plans(2) | - | | - | |
| **Debts for Cash Settled Plans(2)** | **44,354** | **-** | **19,205** | **-** |

(1) The positive value in 2013 is due to Performance Stock Option and Performance Share plans' non-assignment occurred during the year; the non-assignment is due to performances conditions not achievement (not-market vesting condition).

(2) Costs are borne by Pioneer Group Entities, according to Plan rules.

# Part L - Segment Reporting

# Part L - Segment Reporting

Segment Reporting of UniCredit S.p.A., Parent Company of the UniCredit banking group, is provided in Part L of the consolidated notes to the accounts, in accordance to the IFRS 8.

# Annexes


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# Reconciliation of Condensed Account to Mandatory Reporting Schedule (Amounts in million of €)

A reconciliation of the reclassified balance sheet and profit and loss account to the mandatory reporting schedules, is provided below.

## Balance sheet

| | AMOUNTS AS AT | | SEE NOTES TO THE ACCOUNTS |
|---|---|---|---|
| | 12.31.2014 | 12.31.2013 | |
| Assets | | | Part B) Assets |
| Cash and cash balances = item 10 | 2,325 | 3,227 | Table 1.1 |
| Financial assets held for trading = item 20 | 16,166 | 12,254 | Table 2.1 |
| Loans and receivables with banks = item 60 | 21,866 | 21,869 | Table 6.1 |
| Loans and receivables with customers = item 70 | 220,649 | 231,171 | Table 7.1 |
| Financial investments | 108,026 | 97,716 | |
| *30. Financial assets at fair value through profit or loss* | *395* | *389* | *Table 3.1* |
| *40. Available-for-sale financial assets* | *55,725* | *42,952* | *Table 4.1* |
| *50. Held-to maturity investments* | *1,566* | *3,025* | *Table 5.1* |
| *100. Investments in associates and joint ventures* | *50,340* | *51,350* | *Table 10.2* |
| Hedging instruments | 10,468 | 7,858 | |
| *80. Hedging derivatives* | *7,842* | *5,389* | *Table 8.1* |
| *90. Changes in fair value of portfolio hedged items* | *2,626* | *2,469* | *Table 9.1* |
| Property, plant and equipment = item 110 | 2,583 | 2,666 | Table 11.1 |
| Goodwill = *item 120 - intangible assets net of which: goodwill* | - | - | Table 12.1 |
| Other intangible assets = *item 120 - Intangible assets net of goodwill* | 1 | 1 | Table 12.1 |
| Tax assets = item 130 | 12,047 | 14,261 | |
| Non-current assets and disposal groups classified as held for sale = *item 140* | 55 | 368 | Table 14.1 |
| Other assets = item 150 | 4,627 | 6,411 | Table 15.1 |
| **Total assets** | **398,813** | **397,802** | |
| Liabilities and shareholders' equity | | | Part B) Liabilities |
| Deposits from banks = item 10 | 31,703 | 47,379 | Table 1.1 |
| Deposits from customers and debt securities in issue | 282,099 | 270,751 | |
| 20. Deposits from customers | 167,990 | 150,840 | Table 2.1 |
| 30. Debt securities in issue | 114,109 | 119,911 | Table 3.1 |
| Financial liabilities held for trading = *item 40* | 13,020 | 10,804 | Table 4.1 |
| Financial liabilities at fair value through profit or loss = *item 50* | - | - | Table 5.1 |
| Hedging instruments | 11,455 | 8,141 | |
| *60. Hedging derivatives* | *7,606* | *5,797* | *Table 6.1* |
| *70. Changes in fair value of portfolio hedged items* | *3,849* | *2,344* | *Table 7.1* |
| Provisions for risks and charges | 2,047 | 2,298 | |
| 120 Provisions for risks and charges | 2,037 | 2,256 | Table 12.1 |
| + contribution to National Interbak Deposit Guarantee Fund ( FITD) | 10 | 42 | |
| Tax liabilities = item 80 | 224 | 357 | |
| Liabilities included in disposal group classifid as held for sale = item 90 | - | - | |
| Other liabilities | 10,092 | 11,994 | |
| *100. Other liabilities* | *9,043* | *11,071* | *Table 10.1* |
| *less: contribution to National Interbak Deposit Guarantee Fund ( FITD)* | *-10* | *-42* | |
| *110. Provision for employee severance pay* | *1,059* | *965* | *Table 11.1* |
| Shareholders' equity | 48,173 | 46,078 | Part F) Shareholders' Equity |
| - Capital and reserves | 47,369 | 57,290 | |
| *130. Revaluation reserves, of which: Special revaluation laws* | *277* | *277* | *Table B.1* |
| *150. Equity instruments* | *1,888* | *-* | |
| *160. Reserves* | *9,323* | *13,481* | |
| *170. Share premium* | *15,977* | *23,879* | |
| *180. Issued capital* | *19,906* | *19,655* | *Table B.1* |
| *190. Treasury shares* | *-2* | *-2* | *Table B.1* |
| - AfS assets fair value reserve, Cash-flow hedging reserve and Defined benefits plans reserve | 724 | 389 | |
| *130. Revaluation reserves, of which: Available-for-sale financial assets* | *753* | *217* | *Table B.1* |
| *130. Revaluation reserves, of which: Cash-flow hedges* | *239* | *326* | *Table B.1* |
| *130. Revaluation reserves, of which: Defined benefits plans* | *-268* | *-154* | |
| - Net profit = item 200 | 80 | -11,601 | |
| **Total liabilities and shareholders' equity** | **398,813** | **397,802** | |

## Income statement

(€ million)

| | YEAR 2014 | YEAR 2013 | SEE NOTES TO THE ACCOUNTS |
|---|---|---|---|
| | | | Part C) |
| Net interest = item 30. Net interest margin | 4,350 | 3,994 | Tables 1.1 and 1.4 |
| Dividends and other income from equity investments | 1,381 | 3,180 | |
| 70. Dividend income and similar revenue | 1,381 | 3,180 | Table 3.1 |
| less: dividends from held for trading equity investmens included in item 70 | - | - | Table 3.1 |
| Net fees and commissions | 3,746 | 3,487 | |
| Net fees and commissions = item 60 | 3,659 | 3,352 | Tables 2.1 and 2.3 |
| + Other operating income - of which: recovery of costs - Commissioni di istruttoria veloce (CIV) | 87 | 135 | Table 13.2 |
| Net trading income | 439 | 355 | |
| *80. Gains and losses on financial assets and liabilities held for trading* | *149* | *-21* | *Table 4.1* |
| *+ dividends from held for trading equity investments included in item 70* | *-* | *-* | *Table 3.1* |
| *90. Fair value adjustments in hedge accounting* | *5* | *-5* | *Table 5.1* |
| *100. Gains and losses on disposal of b) available-for-sale financial assets* | *270* | *1,474* | *Table 6.1* |
| *- Income from equity investment in the Bank of Italy* | *-* | *-1,374* | |
| *100. Gains and losses on disposal of: d) financial liabilities* | *9* | *261* | *Table 6.1* |
| *110. Gains and losses on financial assets and liabilities at fair value through profit or loss* | *6* | *20* | *Table 7.1* |
| Net other expenses/income | 8 | 46 | |
| 190. Other net operating income | 612 | 639 | Tables 13.1 and 13.2 |
| + gains and losses on disposal / repurchase on loans and receivablese - not impaired position (from item 100) | 55 | 49 | |
| less: Other operating income - of which: recovery of costs | -689 | -679 | Table 13.2 |
| less: Other operating expense - of which on leashold improvements | 30 | 37 | Table 13.1 |
| **OPERATING INCOME** | **9,924** | **11,062** | |
| Payroll costs | -3,158 | -3,245 | |
| *150. Administrative costs - a) staff expenses* | *-3,141* | *-3,398* | *Table 9.1* |
| *less: integration costs* | *-17* | *153* | |
| Other administrative expenses | -2,883 | -2,739 | |
| *150. Administrative costs - b) other administrative expenses* | *-2,853* | *-2,702* | *Table 9.5* |
| *less: integration costs* | *-* | *-* | |
| *+ Other operating expense - of which on leashold improvements* | *-30* | *-37* | *Table 13.1* |
| Recovery of expenses = item 190. Other net operating income | 602 | 544 | |
| *- of which: Operating income - recovery of costs* | *689* | *679* | *Table 13.2* |
| *less: commissioni istruttoria veloce (CIV)* | *-87* | *-135* | *Table 13.2* |
| Amortisation, depreciation and impairment losses on intangible and tangible assets | -134 | -166 | |
| *170. Impairment/Write-backs on property, plant and equipment* | *-142* | *-144* | *Table 11.1* |
| *less: Impairment losses/write backs on property owned for investment* | *8* | *3* | *Table 11.1* |
| *180. Impairment/Write-backs on intangible assets* | *-* | *-25* | *Table 11.2* |
| **Operating costs** | **-5,573** | **-5,606** | |
| **OPERATING PROFIT (LOSS)** | **4,351** | **5,456** | |
| Net impairment losses on loans and provisions for guarantees and commitments | -2,796 | -9,915 | |
| *100. Gains and losses on disposal of a) loans* | *45* | *10* | *Table 6.1* |
| *less: gains and losses on disposal / repurchase on loans and receivablese - not impaired position (from item 100)* | *-55* | *-49* | |
| *130. Impairment losses on a) loans* | *-2,685* | *-9,798* | *Table 8.1* |
| *130. Impairment losses on d) other financial assets* | *-111* | *-120* | *Table 8.4* |
| *less: contribution to National Interbak Deposit Guarantee Fund ( FITD)* | *10* | *42* | |
| **NET OPERATING PROFIT (LOSS)** | **1,555** | **-4,459** | |
| *Net provisions for risks and charges* | *-132* | *-679* | |
| *160. Net provisions for risks and charges* | *-122* | *-637* | *Table 10.1* |
| *+ contribution to National Interbak Deposit Guarantee Fund ( FITD)* | *-10* | *-42* | |
| Integration costs | 17 | -153 | |
| Net income from investments | -939 | -5,866 | |
| *100. Gains and losses on disposal of b) available-for-sale financial assets* | | *-* | *Table 6.1* |
| *- Income from equity investment in the Bank of Italy* | *-* | *1,374* | |
| *130. Impairment losses on:* | | | |
| *b) available-for-sale financial assets* | *-240* | *-57* | *Table 8.2* |
| *+ impairment losses/write backs on property owned for investment* | *-8* | *-3* | *Table 11.1* |
| *210. Profit (loss) of associates* | | | |
| *- of which: Write-backs (write-downs) of equity investments* | *-1,219* | *-7,431* | *Table 14.1* |
| *210. Profit (loss) of associates* | | | |
| *- of which: gains (losses) on disposal of equity investments* | *525* | *238* | *Table 14.1* |
| *240. Gains and losses on disposal of investments* | *3* | *13* | *Table 17.1* |
| **NET PROFIT BEFORE TAX** | **501** | **-11,157** | |
| Income tax for the period = item 260. Tax expense (income) related to profit or loss from continuing operations | -421 | 2,371 | Table 18.1 |
| 230. Impairment of goodwill | - | -2,815 | Table 16.1 |
| **NET PROFIT (LOSS) FOR THE PERIOD** | **80** | **-11,601** | |

# Disclosure of fees paid to the Auditing Firm and to entities belonging to its network for financial year 2014

## (pursuant to article 149-duodecies, CONSOB Regulation no. 11971/99, as supplemented)

**DISCLOSURE OF EXTERNAL AUDITORS' FEES - UNICREDIT S.P.A. - FINANCIAL YEAR 2014 - DELOITTE NETWORK**

Disclosure of External Auditors' Fees - UniCredit S.p.A. - Financial Year 2014 - Deloitte network

| EXTERNAL AUDITING | SERVICE PROVIDER<br>NAME OF AUDITING FIRM | UNICREDIT GROUP SUBSIDIARY ASSIGNING THE SERVICE<br>COMPANY NAME | DESCRIPTION OF SERVICE | FEES[(1)] (€'000) |
|---|---|---|---|---|
| Auditing Firm | Deloitte & Touche S.p.A. | UniCredit S.p.A. | Audit of Company and Consolidated Accounts and First Half Report, accounting checks and foreign branches [(2)] | 2,392 |
| **Auditing Firm Total** | | | | **2,392** |
| **External Auditing Total** | | | | **2,392** |

| CHECKING FOR THE PURPOSES OF OTHER OPINIONS | SERVICE PROVIDER<br>NAME OF AUDITING FIRM | UNICREDIT GROUP SUBSIDIARY ASSIGNING THE SERVICE<br>COMPANY NAME | DESCRIPTION OF SERVICE | FEES[(1)] (€'000) |
|---|---|---|---|---|
| Auditing Firm | Deloitte & Touche S.p.A. | UniCredit S.p.A. | Issuing comfort letters concerning bond issues, Signing the Italian tax declaration forms (Modello Unico, Modello 770 S/O and Modello Consolidato Nazionale). | 480 |
| **Auditing Firm Total** | | | | **480** |
| **Network Auditing Firm(s)** | and Deloitte ERS Enterprise Risk Services S.r.l. | UniCredit S.p.A. | Limited review of the sustainability report. | 165 |
| **Network Auditing Firm(s) Total** | | | | **165** |
| **Data Checking Total** | | | | **645** |

| OTHER NON-AUDITING SERVICES | SERVICE PROVIDER<br>NAME OF AUDITING FIRM | UNICREDIT GROUP SUBSIDIARY ASSIGNING THE SERVICE<br>COMPANY NAME | DESCRIPTION OF SERVICE | TYPE | CORRISPETTIVI[1] (MIGLIAIA DI EURO) |
|---|---|---|---|---|---|
| Auditing Firm | Deloitte & Touche S.p.A. | UniCredit S.p.A. | Checking the English translation of the Company and Consolidated Accounts and checking the english translation of the Company and Consolidated First Half Report, support to the project Asset Quality Review. | Checking and other services | 716 |
| **Auditing Firm Total** | | | | | **716** |
| Network Auditing Firm(s) | Studio Tributario e Societario, Deloitte Consulting S.r.l. and Deloitte Consulting Product Services LLC | UniCredit S.p.A. | Support the activities of collection Transfer Pricing documentation, support to projects Finance and Risk platforms convergence, Process Management evolution model, Bersin membership fee. | Tax and Other services | 1,218 |
| **Network Auditing Firm(s) Total** | | | | | **1,218** |
| **Other Non-auditing Services Total** | | | | | **1,934** |
| **Grand Total** | | | | | **4,971** |

(1) Net of VAT and out-of-pocket expenses.
(2) Contract authorized by the Resolution of the Shareholders' Meeting of May 11, 2012 for a total amount of € 2,256,600, plus ISTAT indexation, amounting to € 35,434.

# Internal Pension Funds: Statement of Changes in the Year and Final Accounts (Amounts in thousands of €)

| FUNDS AND DESCRIPTION OF MOVEMENTS | NO. OF RETIREES AS AT 12.31.2014 | NO. OF MEMBERS AS AT 12.31.2014 | TYPE | ACCOUNTING FIGURES | CONTRIBUTION RATE |
|---|---|---|---|---|---|
| "Pension Fund for the employees of Cassa di Risparmio di Trieste Collections Division" Registration no. 9081 | 85 | - | Defined benefit | | - |
| **Opening balance as at 12.31.2013** | | | | **4,233** | |
| Provisions for the year: | | | | | |
| - interest cost | | | | 126 | |
| Benefits paid in the year | | | | 376 | |
| - actuarial (gains)/losses recognised in the year | | | | 272 | |
| **Balance as at 12.31.2014** | | | | **4,255** | |
| "Supplementary Pension Fund for employees of Cassa di Risparmio di Torino in liquidation" Registration no. 9084 | 3 | - | Defined benefit | | - |
| **Opening balance as at 12.31.2013** | | | | **440** | |
| Provisions for the year: | | | | | |
| - interest cost | | | | 13 | |
| Benefits paid in the year | | | | 19 | |
| - actuarial (gains)/losses recognised in the year | | | | (10) | |
| **Balance as at 12.31.2014** | | | | **424** | |
| Supplementary Pension Fund for the collection management staff of Cassa di Risparmio di Torino" Registration no. 9085 | 143 | - | Defined benefit | | - |
| **Opening balance as at 12.31.2013** | | | | **10,348** | |
| Provisions for the year: | | | | | |
| - interest cost | | | | 308 | |
| Benefits paid in the year | | | | 812 | |
| - actuarial (gains)/losses recognised in the year | | | | 773 | |
| **Balance as at 12.31.2014** | | | | **10,617** | |

# Internal Pension Funds: Statement of Changes in the Year and Final Accounts (Continued)

(continued Statement of changes in internal pension funds)

| FUNDS AND DESCRIPTION OF MOVEMENTS | NO. OF RETIREES AS AT 12.31.2014 | NO. OF MEMBERS AS AT 12.31.2014 | TYPE | ACCOUNTING FIGURES | CONTRIBUTION RATE |
|---|---|---|---|---|---|
| "Supplementary Company Pension Fund Cassa di Risparmio di Trieste for the employees of the credit section of Cassa di Risparmio di Trento e Rovereto Spa, the Social Security Fund for employees of the agencies of the Tax Collections Service, and for the employees of the tax collection agency of Cassa di Risparmio di Trento e Rovereto Spa" Section A Registration no. 9131 | 394 | - | Defined benefit | | - |
| **Opening balance as at 12.31.2013** | | | | **38,190** | |
| Provisions for the year: | | | | | |
| - interest cost | | | | 1,125 | |
| Benefits paid in the year | | | | 3,777 | |
| - actuarial (gains)/losses recognised in the year | | | | 1,750 | |
| **Balance as at 12.31.2014** | | | | **37,288** | |
| "Contract for Pensions and Social Security for Staff belonging to the Management/Senior Management, Officers, Managers, Employees, Subordinate employee and Auxiliary staff categories of Cariverona Banca Spa" Registration no. 9013 | 809 | - | Defined benefit | | Payable by the Company on the basis of the technical accounts |
| **Opening balance as at 12.31.2013** | | | | **68,570** | |
| Provisions for the year: | | | | | |
| - interest cost | | | | 2,025 | |
| Benefits paid in the year | | | | 6,529 | |
| - actuarial (gains)/losses recognised in the year | | | | 5,513 | |
| **Balance as at 12.31.2014** | | | | **69,579** | |

(continued Statement of changes in internal pension funds)

| FUNDS AND DESCRIPTION OF MOVEMENTS | NO. OF RETIREES AS AT 12.31.2014 | NO. OF MEMBERS AS AT 12.31.2014 | TYPE | ACCOUNTING FIGURES | CONTRIBUTION RATE |
|---|---|---|---|---|---|
| "Supplementary pension fund of the Cassa di Risparmio di Trieste and survivors insurance (managed by the INPS) of the Cassa di Risparmio di Ancona" (absorbed on 10/1/89 by Cariverona Banca Spa) - Registration no. 9033 | 39 | - | Defined benefit | | – |
| **Opening balance as at 12.31.2013** | | | | **2,883** | |
| Provisions for the year: | | | | | |
| - interest cost | | | | 85 | |
| Benefits paid in the year | | | | 298 | |
| - actuarial (gains)/losses recognised in the year | | | | 155 | |
| **Balance as at 12.31.2014** | | | | **2,825** | |
| "Pension fund for employees, clerks and auxiliary workers of Banca Cuneese Lamberti Meinardi & C. - Cuneo" (absorbed on 8/1/92 by Cariverona Banca Spa) - Registration no. 9012 | 29 | 4 (*) | Defined benefit | | Payable by the Company on the basis of the technical accounts<br><br>Payable by<br><br>Employees: 1% |
| **Opening balance as at 12.31.2013** | | | | **4,535** | |
| Provisions for the year: | | | | | |
| - current service cost (gross) | | | | 8 | |
| - interest cost | | | | 136 | |
| Benefits paid in the year | | | | 299 | |
| Employees contributions | | | | 1 | |
| - actuarial (gains)/losses recognised in the year | | | | 355 | |
| **Balance as at 12.31.2014** | | | | **4,736** | |

(*) of which:1 deferred benefit

| | | | | | |
|---|---|---|---|---|---|
| "Pension fund for the employees of the former Credito Fondiario delle Venezie Spa" Registration no. 9067 | 8 | - | Defined benefit | | – |
| **Opening balance as at 12.31.2013** | | | | **1,413** | |
| Provisions for the year: | | | | | |
| - interest cost | | | | 42 | |
| Benefits paid in the year | | | | 106 | |
| - actuarial (gains)/losses recognised in the year | | | | 109 | |
| **Balance as at 12.31.2014** | | | | **1,458** | |

# Internal Pension Funds: Statement of Changes in the Year and Final Accounts (Continued)

(continued Statement of changes in internal pension funds)

| FUNDS AND DESCRIPTION OF MOVEMENTS | NO. OF RETIREES AS AT 12.31.2014 | NO. OF MEMBERS AS AT 12.31.2014 | TYPE | ACCOUNTING FIGURES | CONTRIBUTION RATE |
|---|---|---|---|---|---|
| "Agreement for the regulation of the social security benefits of the employees of the Istituto Federale delle Casse di Risparmio delle Venezie Spa" - Registration no. 9068 | 54 | - | Defined benefit | | - |
| **Opening balance as at 12.31.2013** | | | | **4,833** | |
| Provisions for the year: | | | | | |
| - interest cost | | | | 142 | |
| Benefits paid in the year | | | | 475 | |
| - actuarial (gains)/losses recognised in the year | | | | 302 | |
| **Balance as at 12.31.2014** | | | | **4,802** | |
| "Internal Company Fund (FIA) of the former Credito Romagnolo" + CIP former Banca del Friuli - Registration no. 9151 | 1,041 | - | Defined benefit | | - |
| **Opening balance as at 12.31.2013** | | | | **104,417** | |
| Provisions for the year: | | | | | |
| - interest cost | | | | 3,097 | |
| Benefits paid in the year | | | | 9,124 | |
| - actuarial (gains)/losses recognised in the year | | | | 7,554 | |
| **Balance as at 12.31.2014** | | | | **105,944** | |
| (*) of which: Actual value of the obligation stipulated by the Agreement dated 01.31.1990 item 18 | | | | - | |

| | | | | | |
|---|---|---|---|---|---|
| "Supplementary Pension Fund for the employees of the former Carimonte Banca Spa" - Registration no. 9147 | 132 | - | Defined benefit | | - |
| **Opening balance as at 12.31.2013** | | | | **12,470** | |
| Provisions for the year: | | | | | |
| - interest cost | | | | 371 | |
| Benefits paid in the year | | | | 1,016 | |
| - actuarial (gains)/losses recognised in the year | | | | 987 | |
| **Balance as at 12.31.2014** | | | | **12,812** | |

(continued Statement of changes in internal pension funds)

| FUNDS AND DESCRIPTION OF MOVEMENTS | NO. OF RETIREES AS AT 12.31.2014 | NO. OF MEMBERS AS AT 12.31.2014 | TYPE | ACCOUNTING FIGURES | CONTRIBUTION RATE |
|---|---|---|---|---|---|
| "Fund for the employees of Magazzini Generali" Registration no. 9148 | 1 | - | Defined benefit | | – |
| **Opening balance as at 12.31.2013** | | | | **106** | |
| Provisions for the year: | | | | | |
| - interest cost | | | | 3 | |
| Benefits paid in the year | | | | 9 | |
| - actuarial (gains)/losses recognised in the year | | | | 11 | |
| **Balance as at 12.31.2014** | | | | **111** | |
| "Supplementary retirement benefits in favour of the members of the General Management of Credito Italiano who retired between January 1, 1963 and September 30, 1989 attributed to UniCredito Italiano" - Registration no. 9029 | 12 | - | Defined benefit | | – |
| **Opening balance as at 12.31.2013** | | | | **8,369** | |
| Provisions for the year: | | | | | |
| - interest cost | | | | 245 | |
| Benefits paid in the year | | | | 875 | |
| - actuarial (gains)/losses recognised in the year | | | | 909 | |
| (*) of which: Actual value of the obligation stipulated by the Agreement dated 01.31.1990 item 18 | | | | **8,648** | |
| "Company Social Security Fund supplementing INPS benefits. Additional--benefit reserve accounts for employees (*) of which:1 deferred benefit included the Tax Collection Service SORIT - Registration no. 9021 and no. 9020 | 115 | - | Defined benefit | | – |
| **Opening balance as at 12.31.2013** | | | | **10,786** | |
| Provisions for the year: | | | | | |
| - interest cost | | | | 320 | |
| Benefits paid in the year | | | | 855 | |
| - actuarial (gains)/losses recognised in the year | | | | (175) | |
| **Balance as at 12.31.2014** | | | | **10,076** | |

# Internal Pension Funds: Statement of Changes in the Year and Final Accounts (Continued)

(continued Statement of changes in internal pension funds)

| FUNDS AND DESCRIPTION OF MOVEMENTS | NO. OF RETIREES AS AT 12.31.2014 | NO. OF MEMBERS AS AT 12.31.2014 | TYPE | ACCOUNTING FIGURES | CONTRIBUTION RATE |
|---|---|---|---|---|---|
| "Company Social Security Cassa di Risparmio di Trieste of Cassa Risparmio Carpi SpA Defined-benefit reserve account for former employees" - Registration no. 9022 | 30 | - | Defined benefit | | - |
| **Opening balance as at 12.31.2013** | | | | **3,257** | |
| Provisions for the year: | | | | | |
| - interest cost | | | | 96 | |
| Benefits paid in the year | | | | 324 | |
| Liquidation on capital account | | | | 864 | |
| - actuarial (gains)/losses recognised in the year | | | | **299** | |
| **Balance as at 12.31.2014** | | | | **2,464** | - |
| **"Pension fund for the employees of former UniCredit Banca Mediocredito" - Registration no. 9127** | 32 | - | Defined benefit | | |
| **Opening balance as at 12.31.2013** | | | | 2,731 | |
| Provisions for the year: | | | | | |
| - interest cost | | | | 79 | |
| Benefits paid in the year | | | | 368 | |
| - actuarial (gains)/losses recognised in the year | | | | 180 | |
| **Balance as at 12.31.2014** | | | | **2,622** | Payable by the Company on the basis of the technical accounts |
| **Pension fund for the employees of Capitalia Head Office (former Banco di (*) of which: 1 deferred benefit and former Cassa di Risparmio di Roma)" - Registration no. 9165** | 102 | 29 (*) | Defined benefit | | |
| **Opening balance as at 12.31.2013** | | | | **90,424** | |
| Provisions for the year: | | | | | |
| - current service cost(gross) | | | | 100 | |
| - interest cost | | | | 2,687 | |
| Benefits paid in the year | | | | 7,445 | |
| - actuarial (gains)/losses recognised in the year | | | | 9,087 | |
| **Balance as at 12.31.2014** | | | | **94,853** | |

(*) of which: 22 deferred benefit.

(continued Statement of changes in internal pension funds)

| FUNDS AND DESCRIPTION OF MOVEMENTS | NO. OF RETIREES AS AT 12.31.2014 | NO. OF MEMBERS AS AT 12.31.2014 | TYPE | ACCOUNTING FIGURES | CONTRIBUTION RATE |
|---|---|---|---|---|---|
| Statement post-employment benefits and pensions for staff of the Cassa di Risparmio di Roma - Registration no. 9096 | 1,393 | 201 (*) | Defined benefit | | Payable by the Company on the basis of the technical accounts |
| **Opening balance as at 12.31.2013** | | | | **151,840** | |
| Provisions for the year: | | | | | |
| - Current service cost | | | | 201 | |
| - interest cost | | | | 4,539 | |
| Benefits paid in the year | | | | 10,865 | |
| - actuarial (gains)/losses recognised in the year | | | | 12,401 | |
| **Balance as at 12.31.2014** | | | | **158,116** | |

(*) of which: 88 deferred benefit.

| | | | | | |
|---|---|---|---|---|---|
| Statement of "Post-employment benefit for staff of Banco di Sicilia" - Registration no. 9161 | 2,974 | 170 (*) | Defined benefit | | Payable by the Company on the basis of the technical accounts Payable by employees: Senior Management: 0.8% Management (3rd and 4th grade): 0,6% Management (1st and 2nd grade): 0.30% Other Staff: 0.15% |
| **Opening balance as at 12.31.2013** | | | | **159,457** | |
| Provisions for the year: | | | | | |
| - interest cost | | | | 4,702 | |
| Employees contributions | | | | 14 | |
| Benefits paid in the year | | | | 15,662 | |
| - actuarial (gains)/losses recognised in the year | | | | 18,455 | |
| **Balance as at 12.31.2014** | | | | **166,966** | |

(*) of which: 59 deferred benefit

| | | | | | |
|---|---|---|---|---|---|
| Statement of the "FIP former Sicilcassa -supplementary pension fund for staff of Cassa Centrale di Risparmio V.E. per le province siciliane" - Registration no. 9063 | 2,559 | - | Defined benefit | | - |
| **Opening balance as at 12.31.2013** | | | | **81,157** | |
| Provisions for the year: | | | | | |
| - interest cost | | | | 2,393 | |
| Benefits paid in the year | | | | 7,864 | |
| - actuarial (gains)/losses recognised in the year | | | | 9,012 | |
| **Balance as at 12.31.2014** | | | | **84,698** | |

# Internal Pension Funds: Statement of Changes in the Year and Final Accounts (Continued)

(continued Statement of changes in internal pension funds)

| FUNDS AND DESCRIPTION OF MOVEMENTS | NO. OF RETIREES AS AT 12.31.2014 | NO. OF MEMBERS AS AT 12.31.2014 | TYPE | ACCOUNTING FIGURES | CONTRIBUTION RATE |
|---|---|---|---|---|---|
| Statement of the "Pension fund for employees of the former Banca di Roma - London Branch | 6 | 20 (*) | Defined benefit | | - |
| **Opening balance as at 12.31.2013** | | | | **3,500** | |
| Provisions for the year: | | | | | |
| - interest cost | | | | 288 | |
| - Interest income on plan assets | | | | -101 | |
| Benefits paid in the year | | | | 245 | |
| Exchange rate effect | | | | 246 | |
| actuarial (gains)/losses recognised in the year | | | | 956 | |
| **Balance as at 12.31.2014** | | | | **4,644** | |
| **Present value of the liabilities** | | | | **10,064** | |
| **Present value of plan assets** | | | | **5,420** | |
| **Net Liability** | | | | **4,644** | |

(*) of which: 20 deferred benefit.

| FUNDS AND DESCRIPTION OF MOVEMENTS | NO. OF RETIREES AS AT 12.31.2014 | NO. OF MEMBERS AS AT 12.31.2014 | TYPE | ACCOUNTING FIGURES | CONTRIBUTION RATE |
|---|---|---|---|---|---|
| "Pension fund for the employees of the London Branch" (ex Credito Italiano) | 11 | 71 (*) | Defined benefit | | – |
| **Opening balance as at 12.31.2013** | | | | **2,742** | |
| Provisions for the year: | | | | | |
| - Corrent service cost (gross) | | | | 310 | |
| - interest cost | | | | 1,001 | |
| - Interest income on plan assets | | | | -942 | |
| Benefits paid in the year | | | | 3,560 | |
| Exchange rate effects | | | | 190 | |
| actuarial (gains)/losses recognised in the year | | | | 3,190 | |
| **Balance as at 12.31.2014** | | | | **2,931** | |
| **Present value of the liabilities** | | | | **27,052** | |
| **Present value of plan assets** | | | | **24,121** | |
| **Net Liability** | | | | **2,931** | |

(*) of which: 66 deferred benefit.

(continued Statement of changes in internal pension funds)

| FUNDS AND DESCRIPTION OF MOVEMENTS | NO. OF RETIREES AS AT 12.31.2014 | NO. OF MEMBERS AS AT 12.31.2014 | TYPE | ACCOUNTING FIGURES | CONTRIBUTION RATE |
|---|---|---|---|---|---|
| "Supplementary Pension Fund of the general obligatory insurance for the employees of the credit section of Cassa di Risparmio di Trento e Rovereto Spa, the Social Security Fund for the employees of the tax collection agencies of the Tax Collection Service and for the employees of the tax collection agency of Cassa di Risparmio di Trento e Rovereto S.p.A" Sections B e C - Registration no. 9131 | | 480 | Defined contribution - individual capitalization | | Payable by the Company for employees ante (*): min. 2% max 14.35% for employees post(*): min. 2% - max 2.35% + empl. sever. pay + average monthly Euribor rate on equity<br>Payable by employees: by employees ante 0.50% by employees post 2% |
| **Opening balance as at 12.31.2013** | | | | **39,286** | |
| **Decreases:** | | | | **3,345** | |
| Capital paid out in the year | | | | 3,315 | |
| Other changes: | | | | 30 | |
| **Increases:** | | | | **2,125** | |
| Performance of liquid assets net of operating costs and replacement tax | | | | **33** | |
| **Other changes:** | | | | | |
| - contributions paid by employees and the Company [1] | | | | **1,809** | |
| - contributions paid by other Group Companies [1] | | | | 282 | |
| - other | | | | 1 | |
| **Balance as at 12.31.2014** | | | | **38,066** | |

| FUND ASSETS | | |
|---|---|---|
| Liquid assets | 38,066 | |
| Items to be settled | - | |
| **Total assets** | **38,066** | |

(1) Includes employee severance pay.
(*) Ante/post employees: those who joined the complementary social security fund before/after 04.28.1993, when Legislative Decree 124/93 came into force.

# Internal Pension Funds: Statement of Changes in the Year and Final Accounts (CONTINUED)

(continued Statement of changes in internal pension funds)

| FUNDS AND DESCRIPTION OF MOVEMENTS | NO. OF RETIREES AS AT 12.31.2014 | ACTIVE MEMBERS AS AT 12.31.2014 | TYPE | ACCOUNTING FIGURES | CONTRIBUTION RATE |
|---|---|---|---|---|---|
| "Company Pension Fund supplementing INPS benefits. Defined-contribution account of former Banca dell'Umbria 1462 S.p.A." - Registration no. 9021 | | 2 | Defined contribution | | Employees "ante": (*)<br>- payable by the employee 0.25% with the option to contribute also the employee severance pay<br>- payable by the Company: from 2% to 6.28%<br>Employees "post": (*)<br>- payable by the employee min. 0.25% + sever. pay<br>- payable by the Company: 2% |
| **Opening balance as at 12.31.2013** | | | | **178** | |
| **Decreases:** | | | | **-** | |
| Capital paid out in the year | | | | - | |
| **Increases:** | | | | **8** | |
| Performance of liquid assets net of operating costs and replacement tax | | | | 1 | |
| Other changes: | | | | | |
| - contributions paid by other Group Companies (1) | | | | 7 | |
| **Balance as at 12.31.2014** | | | | **186** | |
| | | | | | |
| **FUND ASSETS** | | | | | |
| Liquid assets | | | | 186 | |
| Items to be settled | | | | - | |
| **Total assets** | | | | **186** | |

(1) includes employee severance pay

* ante/post employees: those who joined the supplementary social security fund before/after 04.28.1993, when Legislative Decree 124/93 came into force

| | | | | | |
|---|---|---|---|---|---|
| "Company Social Security (*) of which: 66 deferred benefit Defined-contribution account - (cost of living) of former Banca dell'Umbria 1462 S.p.A." - Registration no. 9021 | | | Defined contribution | | |
| **Opening balance as at 12.31.2013** | | | | **206** | |
| Provisions for the year | | | | - | |
| **Balance as at 12.31.2014** | | | | **206** | |

## Company pension funds

As stated in the previous financial statements, the active subscribers are in steady and constant decline, and amounted to 248 at the end of the year, with a ratio of subscribers to pensioners of 2.5%.

Accordingly, in response to the gradual reduction in the active population - an entirely natural process given that the internal retirement funds have been closed to new subscriptions since the establishment of UniCredit - the company continues to pay attention, with a view to administrative simplification and cost rationalization, to the amount of the entitlements paid to the individuals in order to identify appropriate amendments to the current accrual system.

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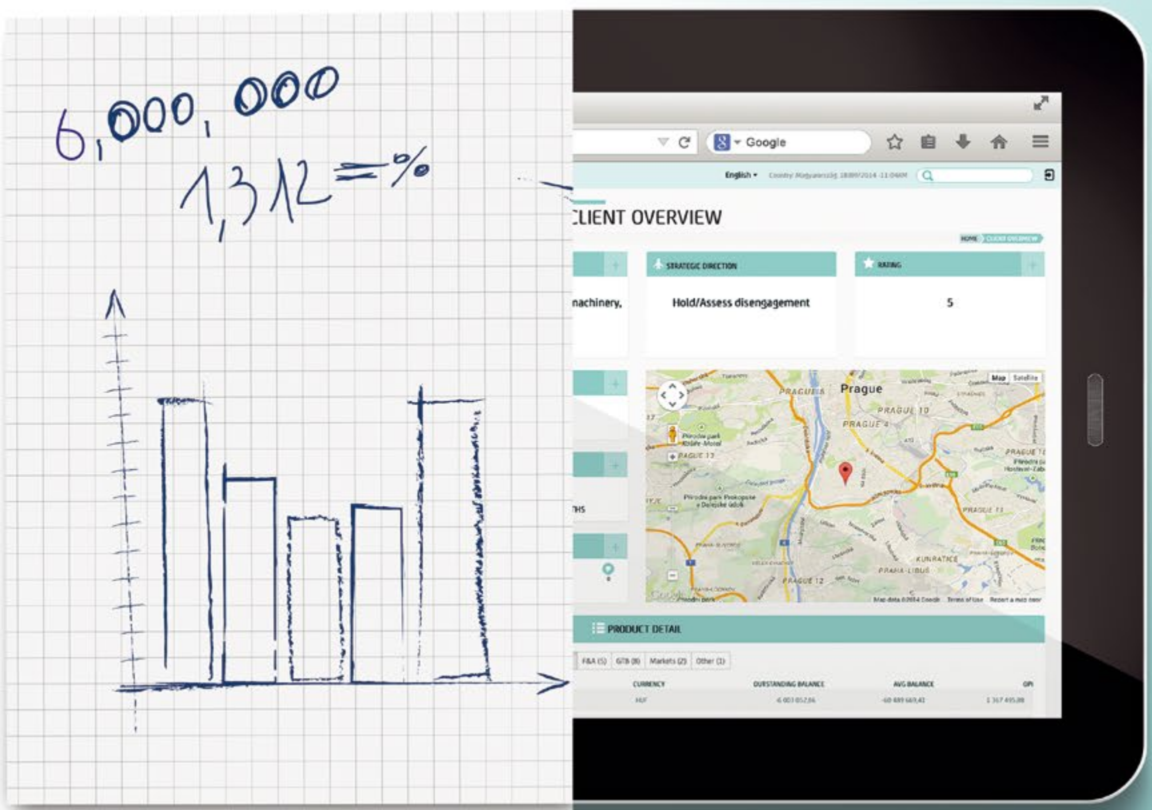


# Certification

Annual financial statements certification pursuant to
Article 81-ter of Consob Regulation no. 11971/99, as amended 325

# Annual financial statements certification pursuant to Article 81-ter of Consob Regulation no. 11971/99, as amended

1. The undersigned Federico Ghizzoni, (as Chief Executive Officer) and Marina Natale, (as the Manager Charged with preparing the financial reports), of UniCredit S.p.A., also in compliance with Art. 154-bis, (paragraphs 3 and 4) of Italian Legislative Decree no. 58 of February 24, 1998, do hereby **certify**:

   - the adequacy in relation to the Legal Entity's features, and
   - the actual application

   of the administrative and accounting procedures employed to draw up the 2014 Annual Financial Statements.

2. The adequacy of the administrative and accounting procedures employed to draw up the 2014 Annual Financial Statements has been evaluated by applying a model developed by UniCredit S.p.A., in accordance with the “Internal Controls - Integrated Framework (CoSO)” and the “Control Objective for IT and Related Technologies (Cobit),” which represent generally accepted international standards for internal control system and for financial reporting in particular.

3. The undersigned also **certify** that:

   3.1 the 2014 Annual Financial Statements:

   a) were prepared in compliance with applicable international accounting standards recognized by the European Community pursuant to European Parliament and Council Regulation no. 1606/2002, of July 19, 2002;

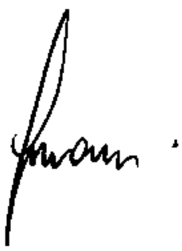
   b) correspond to the results of the accounting books and records;

   c) are suitable to provide a fair and correct representation of the economic and financial situation of the issuer;

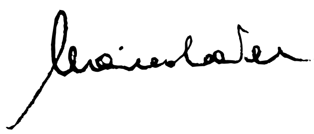
   3.2 the Report on Operations includes a reliable analysis of the operating trend and results as well as of the situation of the issuer, together with a description of the main risks and uncertainties they are exposed to.

Milan, March 12, 2015

Federico Ghizzoni



Marina Natale



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# Reports and Resolutions


**Report of the Board of Statutory Auditors** 329
**Report of the External Auditors** 353
**Resolutions passed at the Shareholders' Meeting** 357

# Report of the Board of Statutory Auditors

# Report of the Board of Statutory Auditors

English translation of the Italian original document

**REPORT OF THE BOARD OF STATUTORY AUDITORS TO THE SHAREHOLDERS IN THE GENERAL MEETING DATED 13 MAY 2015**
**(pursuant to § 153 Italian Legislative Decree 58/1998 and § 2429, paragraph 2, of the Italian Civil Code)**

To the Shareholders:

Under § 153 Italian Legislative Decree 58/1998 (the Italian Consolidated Finance Act, known as the "TUF"), and § 2429, paragraph 2 Italian Civil Code, the Board of Statutory Auditors is required to report to the Shareholders in General Meeting on its oversight activities during the year and on any omissions or censurable facts that were found. The Board of Statutory Auditors is also entitled to make remarks and proposals with respect to the Financial Statements, their approval and all matters within its competence.

In 2014 the Board of Statutory Auditors carried out its statutory duties as required by the Civil Code, by Italian Legislative Decree 385/1993 (the Italian Consolidated Banking Act, known as the "TUB"), by Italian Legislative Decree 58/1998 (TUF), by Legislative Decree 39/2010 (*Testo Unico della Revisione Legale*, Italian unified statutory audit law), by the Company's By-Laws and by the regulations issued by public authorities vested with supervisory and control functions, also taking into consideration the standards of conduct recommended by the Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili (National Board of Certified Public Accountants).

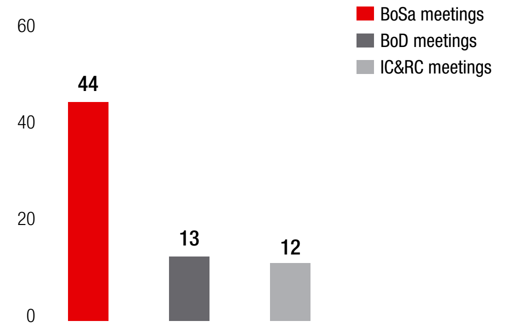
Given the foregoing, this report provides the information required by Consob Communication 1025664/2001, as amended and supplemented.

### 1. Appointment and activities of the Board of Statutory Auditors

This Board of Statutory Auditors was appointed by the Shareholders in General Meeting on 11 May 2013. Its members are Maurizio Lauri (Chairman), Giovanni Battista Alberti, Cesare Bisoni, Enrico Laghi and Maria Enrica Spinardi.

During the year the Board of Statutory Auditors carried out its supervisory activity by holding 44 meetings, each lasting 5 hours and 15 minutes on average, as well as attending 13 meetings of the Board of Directors and 12 meetings of the Internal Controls & Risks Committee (IC&RC).

**Activities of the BoSa**




At the Board of Directors' meetings, at which the most important business, financial and capital transactions carried out by UniCredit S.p.A. and/or by its subsidiaries were discussed, the Board of Statutory Auditors received the information detailed in § 150, paragraph 1 TUF.

Based on the information acquired through its oversight, the Board of Statutory Auditors noted no transactions performed not in compliance with the principles of proper management, or resolved and carried out not in compliance with the law and the Company's By-Laws, or not in the Company's interest, or not in accordance with Shareholders' resolutions, or manifestly imprudent or reckless, or lacking the necessary information where Directors' interests were involved, or prejudicial to the Company's equity.

The Board of Statutory Auditors draws up an annual agenda in line with the agenda of the Board of Directors and the IC&RC as per dates, schedule, topics, in order to enable the appropriate integrated governance of corporate bodies. The agenda is submitted to the Management in order to enable the prompt planning of the activities and the reporting flows requested by the Board of Statutory Auditors. In particular, the Board of Statutory Auditors *ex-ante* defines on an annual basis the information flows to be submitted both by the other corporate bodies and by Management. Following the performance of its supervisory activity, the Board of Statutory Auditors provides Management with recommendations and submits periodic reports to the other corporate bodies.

The Board of Statutory Auditors meeting minutes sometimes contain explicit recommendations regarding the prompt resolution of the identified criticalities. The relevant full version is always submitted to the attention of the Chairman of the Board of Directors, the Chief Executive Officer, the General Manager and the Chairman of the IC&RC in order to ensure appropriate and prompt corporate reporting.

Extracts of the Board of Statutory Auditors meeting minutes are always sent to the members of the Management g, according to their respective areas of competence, for the purpose of ensuring an appropriate written communication of the Board of Statutory Auditors' recommendations.

The Board of Statutory Auditors has developed and adopted an IT tool which enables full traceability of the requests made. For each request, indeed, a finding is opened and its closing is subordinated to the confirmation by Management of the implementation of the relevant corrective measure agreed.

The Head of Internal Audit Department is a permanent guest at the Board of Statutory Auditors meetings, so as to ensure the continuous interaction with the third-level control function.

In light of the complexity of the business and the relevant issues, as well as of the tight timeline for the performance of their tasks, Directors must be supported in focusing on significant topics which are brought to their attention in a brief but effective manner, so as to ensure an appropriate and exhaustive discussion during the Board of Directors meetings. In light of the foregoing, the Board of Statutory Auditors periodically draws up a report addressed to the Board of Directors and to the IC&RC and presented by the Chairman of the Board of Statutory Auditors during a meeting. Such report describes the main activities performed by the Board of Statutory Auditors during the reference period and the recommendations made with the aim to ensure the Board of Directors awareness and constructive discussions with Management.

Particular attention is paid by the Board of Statutory Auditors to the relationship with the External Auditors, also for the purpose of the proper fulfilment of the relevant supervisory task. To this aim, a dedicated IT tool has been developed for managing the sharing of the documentation between the Board of Statutory Auditors and the External Auditors. Through this tool, the documents required to the Board of Statutory Auditors for the performance of its supervisory duties, such as the External Auditors activity plan, the main outcomes of these activities, internal memos and/or particularly important external opinions, are shared in a timely manner, ensuring the preparation of the discussions on the financial reporting held on an ongoing basis between the Board of Statutory Auditors, the External Auditors and the Manager charged with preparing company's financial reports.

## 2. Significant transactions

The most significant transactions are described in the Directors Report on Operations. In particular, it should be noted that:

### Strategic Plan 2014-2018

During its meeting held on 11 March 2014, the Board of Directors approved the Strategic Plan 2014-2018 designed to ensure a sustainable growth of business, anticipating the effects of Basel 3, with the aim of achieving a Group Return on Tangible Assets amounting to 13% and a CET1 Ratio of 10%.

The Strategic Plan is defined on the basis of a multi-year risk appetite which, through the definition of proper metrics - regarding risk ownership and competitive positioning, profitability and risk, control on specific risks and risk culture - analyses the main risk profiles to be addressed by the Group in order to ensure sustainable growth.
To this aim the Board of Statutory Auditors stressed that the implementation of the Strategic Plan is influenced by a number of risks of legal, geo-political and macro-economic nature, which could jeopardise the achievement of the objectives.

### Initial Public Offering (IPO) and listing of FinecoBank S.p.A.

In March 2014 the Group decided to launch the activities to proceed with the Initial Public Offering (IPO) of the ordinary shares of FinecoBank S.p.A., in order to accelerate the growth of the subsidiary and enhance its market visibility while optimising the allocation of capital.

As part of this transaction, in line with the initiatives set out in the Group's Strategic Plan, since 2 July 2014, FinecoBank S.p.A. ordinary shares have been traded on the Mercato Telematico Azionario, organised and managed by Borsa Italiana.

The capital gain resulting from the global offering, gross of commissions, taxes and costs, amounts to €410 million and has been entirely allocated to capital reserves since FinecoBank S.p.A. will continue to be controlled by UniCredit S.p.A..

### Other transactions and initiatives on investments

- Shareholding in Coinv S.p.A. (formerly Lauro Sessantuno S.p.A): following corporate transactions performed in 2014, at year end UniCredit S.p.A. held a stake of 12% in NewCo Coinv S.p.A., which in turn held a 50% stake in Camfin S.p.A. jointly with Long Term Investments Luxembourg S.A. (SPV based in Luxembourg linked to the pension fund of the Russian company Rosneft).
- Mediobanca S.p.A. shareholders' agreement: during 2014, the Mediobanca S.p.A. shareholders' agreement was renewed until 31 December 2015. As at 31 December 2014, UniCredit S.p.A. held a stake of 8.63%.
- Shareholding in Alitalia S.p.A.: following the transactions carried out in 2014 and the short and medium-term debt restructuring performed by financial institutions and shareholder banks, as at the end of 2014 UniCredit S.p.A. held a 33.50% stake in Alitalia CAI S.p.A..
- Shareholding in Pioneer Global Asset Management S.p.A.: in 2014 UniCredit S.p.A. decided to investigate a potential business combination with a major industrial partner.

## 3. Untypical or Unusual Transactions

The Directors Report on Operations, as well as the information submitted to the Board of Directors during its meetings and received by the Chairman, the Chief Executive Officer (CEO), the Company's

# Report of the Board of Statutory Auditors (Continued)

Management, the subsidiaries' Statutory Auditors, and the External Auditors, revealed no untypical and/or unusual transactions, including intercompany or related-party transactions.

## 4. Intercompany or related-party transactions

The most significant intercompany or related-party transactions are reported in the Directors Report on Operations. In particular the following should be noted:

**Global Policy for the management of transactions with subjects having conflicts of interest**

Subject to the favourable opinion of the Related Parties and Equity Investments Committee, exclusively composed of Independent Directors, the Board of Directors resolved on 11 February 2015 to approve the review of the Global Policy for the management of transactions with persons having conflicts of interest pursuant to CONSOB Regulation 17221/2010, to Bank of Italy Circular 263/2006 and to § 136 of Legislative Decree 385/1993, which replaces the Policy approved by the Board of Directors on 11 September 2013.

The Global Policy was reviewed in compliance with the standards for the issuance of Group regulations, favouring the detail of principles and general criteria and including procedural changes in accordance to best practices. The new version was reviewed in line with the Global Policy, which provides for the annual assessment of its appropriateness based on experience and the need for improvement regarding the effectiveness of the implementation procedure.

In particular, the areas of intervention regarded: the role of the Related-Parties and Equity Investments Committee, the recording of subjects in conflict of interest (related parties and associated persons), definition of significant interest, identification of the transactions with subject included in the single perimeter of related parties and associated persons *(Perimetro Unico)*, and application of the Global Policy in the non-Italian LEs.

The Board of Statutory Auditors deemed the Global Policy overall appropriate to reach the objectives set by Bank of Italy provisions on risk activities and conflicts of interest in transactions involving associated persons, as well as by Consob Regulation on related parties transactions.

Pursuant to the regulatory provisions on the annual assessment of the internal policies governing the controls of risk activities and conflicts of interest towards associated persons, the Board of Statutory Auditors noted the assessment performed by the Group Risk Management function which highlighted for 2015 the need to review the abovementioned internal policies, along with the risk appetite levels and exposures to associated persons. These policies, approved by the Board of Directors on 8 April 2014 regulate specific organizational and control processes aimed at comprehensively identifying and recording associated persons, as well as at ensuring an effective measurement and management of the risks taken by the latter.

**Reorganisation of leasing activities**

UniCredit S.p.A. has continued the reorganization of leasing activities at Group level, approved by the Board of Directors on 15 March 2013.

Following the reorganization plan, UniCredit Leasing S.p.A. will cease being a sub-holding company and, after the merger of Fineco Leasing S.p.A. performed at the beginning of 2014, it will act as the leading leasing company in the Italian market.

The Board of Statutory Auditors noted the "Barely Satisfactory" rating assigned by the Internal Audit function to the internal controls system of UniCredit Leasing S.p.A., as well as the administrative issues highlighted with regard to some accounting reconciliations.

In this respect, while noting the importance of an adequate and ongoing reporting flow, on 17 December 2014 the Board of Statutory Auditors met UniCredit Leasing S.p.A. Board of Statutory Auditors, the Chief Executive Officer and the Chief Financial Officer of UniCredit Leasing S.p.A., the Country Chairman Italy and the CFO of UniCredit S.p.A., as well as the External Auditors for the purpose of being updated on the corrective actions put in place by Management in order to solve the highlighted criticalities, as well as on the progress of the restructuring plan and the specific IT road-map.

The Board of Statutory Auditors recommended that the External Auditors perform extensive audits also in light of the recent merger of Fineco Leasing S.p.A. and the persistence of room for improvement in the administrative-accounting procedures. Moreover, the Board of Statutory Auditors recommended that the competent structures improve control and check activities regarding reconciliations.

With regard to the internal control system, on the basis of the information shared with the Board of Statutory Auditors of UniCredit Leasing S.p.A. pursuant to article 151, paragraph 2 TUF and to Bank of Italy's Supervisory Provisions, the Board of Statutory Auditors recommended the prompt resolution of the deficiencies identified by the Internal Audit function and the timely implementation of the most appropriate technical and organizational solutions, in line with the strategic-organisational decisions taken, which provide for the adoption of a new distribution model on the Bank channel. In this respect, the Board of Statutory Auditors highlighted the need to supplement the risk monitoring activity, improving first and second-level controls, as well as through the timely and prompt definition of a plan for the implementation of the new company IT system.

**Disposal of UniCredit Credit Management Bank S.p.A.**

UniCredit Credit Management Bank S.p.A. (UCCMB) is the Group's Bank dedicated to the management and recovery of non-performing loans originated in Italy.

The non-performing loan management setup and strategy are undergoing a reorganizational process, which ended with the signature of an agreement in February 2015 with Forterss Investment Group LLC subsidiaries for the disposal of UCCMB,

including a portfolio of non-performing loans for an amount of €2.4 billion (gross value) and a long-term agreement for the management of small- and medium-size non-performing loans arising in the next ten years in the Italian legal entities of the Group.
The completion of the transaction is expected for the second quarter of 2015 and, according to the Directors' estimates, the impact of the transaction on UniCredit regulatory capital and on the income statement is substantially neutral.

### Reorganisation of the activities in Ukraine

The deterioration of the geopolitical situation has affected the disposal process for the investment in PJSC Ukrsotsbank - the Group's Ukrainian subsidiary held by UniCredit Bank Austria A.G. (with a stake of 72.9%) and UniCredit S.p.A. (with a stake of 26.5%). The disposal process has suffered slowdowns with respect to the amount of time initially envisaged. Nevertheless, Management confirmed that contacts continued with the counterparts interested in the acquisition and UniCredit S.p.A. is still committed to carrying out the initiatives underway for the sale of the asset, already classified as non-strategic.

In light of the Ukrainian political crisis and the devaluation of the local currency - in particular starting from February 2015 - which have led to a weaker financial and capital situation of the subsidiary PJSC Ukrsotsbank, the Ukrainian National Bank has requested that UniCredit Group define a plan aimed at restoring the minimum level required of capital ratio (10%). UniCredit S.p.A. has confirmed its commitment to ensure that the subsidiary continues as a going concern until the completion of its sale.

In the financial statements as at 31 December 2014, the carrying value of PJSC Ukrsotsbank amounted to €74 million, with a negative FX reserve of €587 million. At Group level, UniCredit Bank Austria AG Sub-Holding held credit exposures to Ukrainian companies, part of which were companies based/operating in the Eastern Region-ATO Zone. With regard to these companies, the local External Auditors highlighted audit differences, which however were below the materiality threshold related to the consolidated financial statement.

Moreover, considering the social-political situation in the so-called Eastern Region and the annexation of Crimea to Russia, the local External Auditors' examination was subject to a "scope limitation" regarding the portfolio of loans granted to retail/corporate clients operating in the abovementioned regions. Such limitation had no impact on the opinion on the 2014 UniCredit S.p.A financial statements; nevertheless, it merely led to a difference - however below the materiality threshold related to the consolidated financial statement - in the audit activity results due to the lower fair value of the subsidiary.

The M&A, Planning and Accounting functions confirmed PJSC Ukrsotsbank valuation, despite the cancellation of approx. 250 million USD dollars inter-company loans following the closure at the beginning of 2015 of the FX position held by the Ukrainian bank due to the high number of USD denominated positions.

This transaction supplements a plan for strengthening the Ukrainian bank's capital, which is currently being defined following specific requests from the local Regulators; from such plan new projections for the financial performance of the bank might arise, significant for the purpose of the next accounting closure.

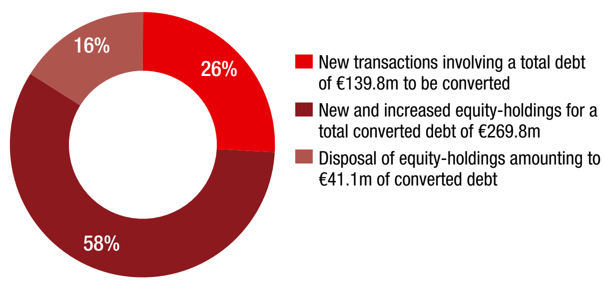
### Transactions pursuant to § 136 of the Consolidated Banking Act (TUB)

With reference to the transactions approved by the Board of Directors pursuant to § 136 TUB, the competent Group Risk Management structures conducted an analysis on the creditworthiness of each company examined, expressing a positive opinion and specifying that the values of the transactions to be approved by the Board of Directors are in line with market conditions, and reflect the conditions applied to customers with the same risk profile and belonging to the same economic sector.

### Debt/equity swap transactions and reorganisation of equity-holdings portfolio

During 2014:
- 5 new Debt/Equity swap transactions were authorized for a total of €139.8 million debt to be converted;
- 6 new equity holdings were acquired and 5 equity holdings were increased for a total of €269.8 million of converted debt;
- 3 equity holdings were disposed, of which 2 entirely and one partially, corresponding to €41.1 million of converted debt.

**Debt/equity swap transactions and reorganisation of the equity-holdings portfolio**




## 5. Compensation agreement with UniCredit Bank AG

In December 2014, UniCredit S.p.A. and UniCredit Bank AG signed a compensation agreement relating to certain specific activities performed by UniCredit Bank AG and to be paid by UniCredit S.p.A. and other Group companies. In the same month this agreement resulted in the payment of approx. €10 million by UniCredit S.p.A..
The Board of Statutory Auditors recommended that all inter-company activities be fully and *ex-ante* agreed by the parties involved, indicating the relevant amounts in the budget documentation so as to avoid in the future being in a position to have to sign a compensation agreement between UniCredit S.p.A. and the Group companies.

# Report of the Board of Statutory Auditors (CONTINUED)

**6. Global Policy on the principles for the management of transactions to be carried out through Special Purpose Vehicles (SPV)**

On the basis of the Global Policy "Principles for the governance of operations realized through Special Purpose Vehicles" - approved by the Board of Directors on 13 June 2013 and defining new rules at Group level for the identification of the SPVs, the classification of risk classes of the related transactions, the issuance of Non-Binding Opinions by the Parent Company structures, as well as the accounting and regulatory treatment of the SPVs, the Board of statutory Auditors noted the Internal Regulation No. 884/1 "Special Purpose Vehicles - Identification, Notification and Monitoring", issued on 21 January 2015, and aimed at ensuring the correct application of the Global Policy within UniCredit S.p.A..

The CFO provided confirmation to the Board of Statutory Auditors of the fact that proper control activities are performed for the purpose of periodically monitoring SPVs - mapping of the existing ones, consolidation test, mapping of credit relations with the SPV - as well as that procedures are in place linking the SPV database to the statements provided by the representatives of the subsidiaries with reference to the consolidated financial statements.

The External Auditors informed the Board of Statutory Auditors that SPVs had been included in the category of significant review risks that they were performing specific activities on this issue.

In 2014 the Board of Statutory Auditors continued to paid the utmost attention to the process of monitoring SPVs, both consolidated and unconsolidated, recommending checking on an on-going basis whether unconsolidated vehicles should be considered for consolidation purposes. The focus should be in particular on those vehicles in which the Company does not hold a controlling interest.

The Board of Statutory Auditors noted the decrease in the number of, in the exposure to and in the riskiness of SPVs compared to 2013. In particular, as at 31 December 2014, 1,040 SPVs (1,135 SPVs as at 31 December 2013) for a total exposure of approx. €80 billion were recorded, showing a decrease compared to December 2013 (€87.5 billion). Additionally, following the risk assessment of 806 SPVs with exposures, 76 SPVs were classified in the highest risk category (81 SPVs as at 31 December 2013) with a Bank's exposure of €506 million (€3,368 million as at 31 December 2013).

Also in light of the changes following the coming into force of the international accounting standards IFRS 10 and IFRS 12 since 1 January 2014, the introduction - expected in 2015 - of the new rules governing the so-called "shadow banking" as well as of the increased focus of Regulators on SPVs, the Board of Statutory Auditors recommended paying the utmost attention to the monitoring of the full scope of Group SPVs.

**7. Supervisory activities pursuant to the Testo Unico della revisione legale dei conti**

With the approval of the *Testo Unico della revisione legale dei conti*, the Board of Statutory Auditors (which the Act defines as the "Internal Control and Audit Committee") is required to oversee:

i. The financial disclosure process;
ii. The effectiveness of the internal control, internal audit and risk management systems;
iii. The annual statutory audit of the Company and Consolidated Accounts;
iv. Independence of the External Auditors, specifically when they provide non-audit services.

The Board of Statutory Auditors examined the reports prepared by Deloitte & Touche S.p.A., whose activity completes the general frame of the control functions set by the regulations with reference to the financial disclosure process.

These reports, issued on 30 March 2015 pursuant to § 14 of the Italian Legislative Decree 39/2010, highlight that the company and consolidated financial statements are prepared based on the IAS/IFRS international accounting principles issued by the International Accounting Standards Board and adopted by the European Union since 31 December 2014, as well as in compliance with the provisions issued pursuant to § 9 of Legislative Decree 38/2005. The financial statements were prepared based on the instructions issued by Bank of Italy with Circular No. 262/2005, as amended and supplemented. They are therefore clear and give a fair and true view of the financial and capital situation, the result of its operations and the cash flows for the year ended on 31 December 2014. In addition, according to Deloitte, the Report on Operations and the information mentioned in paragraph 1, letters c), d), f), l), m) and in paragraph 2, letter b) of § 123 bis of TUF, included in the Report on corporate governance, are consistent with the financial statements documents.

The Board of Statutory Auditors also examined the report issued by Deloitte, pursuant to § 19 of the Legislative Decree 39/2010 on 2 April 2015, whose main topics and contents are dealt with and contained in this report.

The External Auditors - regularly met pursuant to § 150, paragraph 3 TUF, for the purpose of sharing information - showed to the Board of Statutory Auditors no deeds or events considered censurable or irregularities requiring specific reporting pursuant to § 155, paragraph 2 TUF.

In June 2014 the Board of Statutory Auditors met with the partners of the Deloitte network in Western and Central-Eastern Europe in order to be informed of the audit activities performed at local level and any detected issues. During such meeting an overall evaluation of the internal control system supervising the financial disclosure was provided and the outcomes of the meeting were submitted to the main corporate bodies of the Bank.

In October 2014 the External Auditors provided the Board of Statutory Auditors with a document regarding the points of attention identified during the limited audit of the Half-Year Consolidated Report. For the purpose of the sharing of information between the governing bodies of the Bank, during the meeting of 6 November 2014 the Board of Statutory Auditors deemed appropriate to inform the IC&RC of the highlighted elements through a specific document.

During its meeting of November 2014, the Board of Statutory Auditors examined the Audit Plan regarding UniCredit S.p.A. and the Group subsidiaries, defined by the External Auditor for 2014, with reference to the financial statement 2015.

With reference to the IAS 36 accounting principle, to the joint document of Bank of Italy/Consob/ISVAP no. 4 of 3 March 2010 and to the internal regulations which adopted Law 262/2005, the Board of Statutory Auditors noted that the Board of Directors had approved the impairment procedure independently and before the approval of the financial statements. During the exchange of information with the External Auditors, the Board of Statutory Auditors acknowledged that the goodwill impairment test and the test of other intangible assets were performed on the basis of the financial assumptions provided in the Strategic Plan, approved by the Board of Directors on 11 March 2014.

The test confirmed the sustainability of the goodwill as at 31 December 2014, both at Group level and at the level of all Cash Generating Units (CGU) which the goodwill is allocated to, with no economic impact on the consolidated financial statements.

Considering the difficulty in making assumptions on the long-term profitability, sensitivity analyses were performed assuming a change in the main parameters used in the impairment test, as reported in the Notes to the consolidated financial statements.

These analyses revealed that the parameters and data used for the purpose of assessing goodwill sustainability - in particular the financial projections - were significantly influenced by the macro-economic and market context.

Considering the uncertainties regarding the time and extent of the economic recovery, the Board of Statutory Auditors recommended that the Bank Management monitor the economic-financial performance of the CGUs and of the Group, as well as the achievement of the economic-financial objectives defined in the projections, on which the assessments were based, with the aim of assessing the ongoing sustainability of the carrying value of the remaining goodwill as at 31 December 2014.

With reference to UniCredit S.p.A. financial statements, the impairment test of the shareholdings held in controlled companies showed the need to perform the following impairment:

- €475 million on UniCredit Bank Austria AG, mainly as a result of the Rouble depreciation and of a lower recovery value for the Ukrainian shareholding;
- €515 million on UniCredit Leasing S.p.A..

The Board of Statutory Auditors also noted that the Financial Statements documents also reflect the effects of the update of the credit assessment criteria of UniCredit S.p.A., as approved by the Group Risk Committee applying the Global Policy "Principles and methodologies for client classification and evaluation in Italy" and the "Methodology for Non Performing and Doubtful Loans evaluation".

Pursuant to the revision of Circular No. 263/2006 dated 2 July 2013, the evaluation parameters were updated considering the evolution of the economic environment, with particular reference to the real estate market.

Additionally, the Board of Statutory Auditors noted the implementation of the new methodologies for the evaluation of Doubtful loans, with reference in particular to the present value separately for Revoked and Not Revoked Doubtful loans. The adoption of the proposed methodology resulted overall in the release of €560 million of provisions. The change of evaluation methodology was aimed to reflect the change in the underlying credit management process, currently more focused on recovery activities before the foreclosing of loans: from this change the Bank assumes that expected cash flows will increase. The methodological change was accounted for as a change in calculation pursuant to IAS 8.35, and the relevant effects were explained in the Notes to the consolidated financial statements.

Following the Asset Quality Review (AQR) carried out by the European Central Bank and the new available information, the competent Bank functions reviewed some positions in the financial statements. Overall, the book value as at 31 December 2014 highlighted write-downs in line with the Supervisory Authority activities.

While noting some European Central Bank's diverging indications with reference to the collective provisioning, the Bank decided in any case to confirm its approach.

The collective provisions for the Performing loan portfolio as at 31 December 2014 are based on Loss Confirmation Period parameters, forwhich the External Auditors has highlighted points of views significantly different which have led to audit differences, in any case below the materiality threshold, since the complete documentation supporting the back-testing activities was not provided. In this respect, the Board of Statutory Auditors noted the remarks made by the External Auditors following the back-testing activity and recommended further documenting the back-testing of the credit parameters used, in particular with regard to the Loss Confirmation Period.

As regards the shares held in Bank of Italy, the Board of Statutory Auditors refers to the information provided in the Notes to the consolidated financial statements.

As at 31 December 2014 the shares in Bank of Italy were evaluated at fair value, which confirmed a book value in line with the values of the previous year, without therefore resulting in any measurement impacts in 2014.

# Report of the Board of Statutory Auditors (Continued)

As it is the case for all measurements of unlisted securities performed using models and variables non-observable on the market, there is a certain level of uncertainty and professional judgment. In addition, in the specific case of the investment in question, the establishment of trading in the shares, in the forthcoming months, represents a factor of uncertainty for the calculation of the fair value and its sustainability in the near future.

Law Decree No. 66 of 24 April 2014, converted into Law no. 89/2014, provided for an increase of the tax rate to be applied at the higher value of the new shares (from 12% to 26%), thus resulting in a €215 million increase in taxesin the income statement for the first half of 2014.

A recent legal stance of the German Federal Labour Court could result in a potential obligation for the subsidiary UniCredit Bank AG, whose extent and amount could not be quantified as at the time of writing.

**8. Supervisory activities on the independency of the External Auditors**

The Board of Statutory Auditors examined the report on the independency of the External Auditors pursuant to article 17 of Legislative Decree 39/2010, issued on 30 March 2015, which showed no situations compromising the independency or incompatibility pursuant to articles 10 and 17 of the abovementioned Decree and the related implementation provisions.

Based on a statement of the External Auditors, the Board of Statutory Auditors noted that, in addition to the auditing tasks regarding the company and consolidated financial statements, the half-year report and the check of the regular bookkeeping and the proper recording of accounting events, a fee for the following non-auditing services was paid to the Deloitte network in 2014:

**Non-auditing services provided to UniCredit S.p.A. in 2014**

| TYPE | AUDITING FIRM | DESCRIPTION | FEES (EURO/K) |
|---|---|---|---|
| Checking for the purposes of other opinions | Deloitte & Touche S.p.A. | Comfort letters concerning bond issues (EMTN - OBG) | 414 |
| | Deloitte & Touche S.p.A. | Review of quarterly reports of Cordusio RMBS Securitization | 11 |
| | Deloitte & Touche S.p.A. | Signing of the tax declaration forms | 55 |
| | Deloitte ERS Enterprise Risk Services S.r.l. | Limited review of the sustainability report | 165 |
| **Total Checking for the Purposes of Other Opinions** | | | **645** |
| Other services | Deloitte & Touche S.p.A. | Check of translations of consolidated and company financial statements into other languages | 28 |
| | Deloitte & Touche S.p.A. | Support to Asset Quality Review project | 688 |
| | Studio Tributario e Societario | Support to the collection activities of Transfer Pricing documentation | 55 |
| | Deloitte Consulting S.r.l | Support to CRO-CFO Convergence Finance & Risk project | 493 |
| | Deloitte Consulting S.r.l | Support to Process Management Model Evolution project | 560 |
| | Deloitte Consulting S.r.l | Support to Crisis Management project | 50 |
| | Deloitte Consulting LLP | Access to Knowledge Management platform (subscription to the on-line Bersin library) | 60 |
| **Total Other Services** | | | **1,934** |

Following the approval - in April 2014 - of the Regulation on specific requirements regarding statutory audit of public-interest entities by the European Parliament and the European Council, the Board of Statutory Auditors, in conjunction with the Organization function, adopted some requirements provided by the so-called “Barnier Directive” and regarding the independence of the External Auditors, including them in the Global Operational Instruction (GOI) “Management of contractual relations with the Independent Group Auditor” issued in October 2014 and to be implemented by all Group subsidiaries by the end of 2014.

In particular, according to the new process, the Group Cost & Service Management function (GC&SM) is the process owner, responsible *inter alia* for managing the consultancy requests for the Group, and will be supported by the local Cost Management/GBS function, local process owner and local reference point for the local External Auditors.

The GOI defines the following sub-processes: (i) contract managment, (ii) supervision of the independence of the Auditor, (iii) monitoring the costs of the services provided by the Auditor, (iv) Consob requirements for companies listed on the Italian stock market; (v) Preparation of the annual statements to attach to the separate financial statements and the consolidated financial statements.

More specifically, the activities linked to the sub-process “Supervision of the independence of the Auditor” fall within the area of competence of the Board of Statutory Auditors and reflect some indications contained in the Regulation of the European Parliament and of the Council No. 573/2014, in particular with regard to the monitoring of non-audit service (NAS) fees. The adopted regulatory provisions define a cap of 70% on global audit fees for NAS at Group level, align the list of permitted services to the European Regulation, and define a preventive and four-monthly reporting from Group Cost

& Service Management to the Board of Statutory Auditors on the NAS provided by all companies of the Deloitte network.

For the purpose of supervising the External Auditors' independence, the Board of Statutory Auditors receives from the Group Cost & Expenditure Management function a four-month plan on non-auditing tasks to be assigned to the External Auditors, along with a specific request for an assessment/approval of each mandate.

The planned tasks should be assessed in advanced according to their nature and permissibility, and subsequently approved by the local Control body, while the Board of Statutory Auditors of UniCredit S.p.A. authorises the assignment - for the requests regarding the Parent Company -and expresses any observations on the planning, as well as on the individual non-auditing services regarding the subsidiaries.

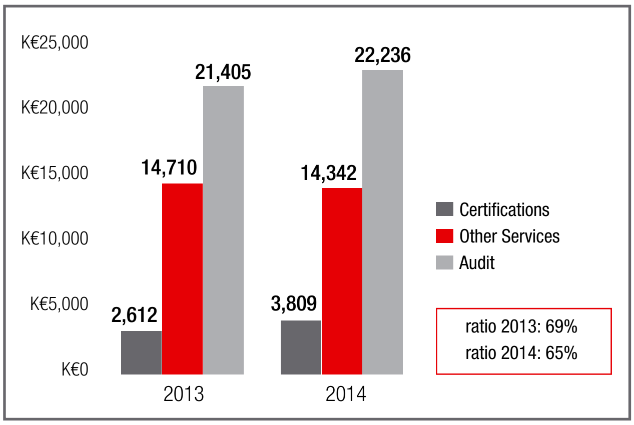
The Board of Statutory Auditors additionally receives a report on the adjustment of the auditing service fees, also for the purpose of monitoring the non-auditing service costs.

In light of the fact that the sub-process "Supervision of the independence of the Auditor" is effective since 2015, the Board of Statutory Auditors has offered its support to the review of 2014 non-auditing services provided to UniCredit S.p.A. and Group subsidiaries, adopting GOI indications.

In this respect, the Board of Statutory Auditors deemed appropriate to inform, through a specific communication, the Chairman of the IC&RC, as representative of the Audit Committees of the foreign subsidiaries, as well as the Chairmen of the Boards of Statutory Auditors of the Italian subsidiaries of the issuance of the GOI, of the 2014 cost trend for non-auditing services planned or performed, as well as, through a subsequent communication, of the correct classification of auditing and non-auditing services.

Notwithstanding the fact that the new regulatory provisions require the monitoring of the compliance with the cap at Group level, the Board of Statutory Auditors requested to be periodically informed by the Board of Statutory Auditors of UniCredit Business Integrated Solutions (UBIS) of the classification of non-auditing services requested by the latter to Deloitte and provided also to other Group companies.

Based on the information included in the charts attached to the individual and consolidated financial statements, the costs of the auditing and non-auditing services provided by Deloitte network in 2014 complied with the auditing/non-auditing service ratio defined by the GOI (70%); at year end such ratio amounted to approx. 65%, showing a decrease compared to 2013. The following chart shows the trend of the ratio and of the fees paid to the Deloitte network in the first two years of its mandate.




**9. Supervisory activities on the financial disclosure process**

The Board of Statutory Auditors examined the internal regulations regarding the process which allows the Manager charged with preparing company's financial reports, appointed pursuant to Law No. 262/2005 and the CEO to issue the statements provided by article 154-bis of TUF.

The administrative and accounting processes for the preparation of the company and consolidated financial statements and any other financial disclosure were performed under the responsibility of the Manager charged with preparing company's financial reports, who, together with the CEO, verifies the relevant adequacy and performance.


Noting the need for the further fine-tuning of the current accounting-administrative system design - in terms of accounting policies, as well as of organizational, IT and data governance setup - the Board of Statutory Auditors recommended:

i. defining general guidelines promoting the reduction of the discretionary power in the application of accounting principles and

# Report of the Board of Statutory Auditors (Continued)

defining a clearer framework of responsibilities and roles of the various persons involved in the accounting process;

ii. increasing the Parent Company power to homogenise and control subsidiaries' behaviours and decisions, without undermining their decisional and organizational independence;

iii. promoting a further discussion aimed at resolving some criticalities with a strategic approach, based on a pre-defined order of priorities, and providing for reminders in case of ineffective and delayed corrective actions.

The Board of Statutory Auditors recommended putting in place additional actions to increase the completeness and severity of the internal regulation system, in order to reduce the existing dissimilarities in assessment practices and methodologies within the Group, in light of the fact that the accounting manual is not yet fully adopted by the subsidiaries and that the mechanisms for steering and coordinating the units involved in the accounting process are not always clearly defined.

In this respect, with regard to the application of the rates used for actuarial valuations of pension liabilities, it should be noted that in the consolidated reporting package UniCredit Bank Austria AG has applied a discounting rate different from the one applied for the purpose of the local financial statements pursuant to IAS/IFRS. In relation to this point, the Board of Statutory Auditors supported the recommendation made by the External Auditors with regard to the application of uniform discounting rates in the financial disclosure pursuant to IAS/IFRS, which should be drawn up in compliance with local regulations in force.

Regarding the enhancement of the internal regulation system, the Board of Statutory Auditors noted the issuance of the Global Policy "Governance on Data and Data Quality Principles" of December 2014 and the approval of the Global Policies "Group manual of accounting rules and principles" and "Preparation of the financial statements and of the relevant regulatory statistical reporting" by the Board of Directors on 12 March 2015.

With reference to the IT architecture and procedures, the Board of Statutory Auditors highlighted the need to abandon the tactical approach which had led to the establishment of an infrastructure based on a wide accumulation of IT applications not always well-integrated. Such need is exacerbated by the important requirements arising from the new regulatory statistics. The Board of Statutory Auditors recommended therefore overcoming the current limits which often require frequent data balancing activities and reconciliations.

With reference to the CFO-CRO Datawarehouse project, aimed at harmonising the architecture underlying the main Group management systems, the Board of Statutory Auditors recommended further efforts to accelerate the relevant implementation so as to increase the level of utilisation of the datawarehouse for accounting purposes and to eliminate the misalignment vis-à-vis the target model, whose implementation still excluded important corporate functions.

Moreover, the Board of Statutory Auditors noted the initiatives launched in order to improve the current design of the IT systems and the multi-year plan for the progressive implementation of the target architecture in UniCredit S.p.A. and its subsequent extension to UniCredit Bank AG and UniCredit Bank Austria AG.

The Board of Statutory Auditors recommended defining the Group regulation on data governance and transfer prices between LEs, as well as completing the Profitability Golden Rules for measuring the financial performance.

Furthermore, sharing the indication provided by the External Auditors, the Board of Statutory Auditors recommended improving the quality of the information submitted to the subsidiaries so as to promote autonomous feedback from central units, while reducing non-consolidated units and focusing on LEs based in "peripheral" countries.

Further recommendations of the Board of Statutory Auditors regarded the improvement of the reporting flow on important litigations involving subsidiaries, as well as the assessments performed by the Group central structures on provisioning. With reference to these significant legal risks, the Board of Statutory Auditors referred to the information provided in the Notes to the financial statements. During periodical meetings held with the Board of Statutory Auditors aimed at exchanging information, the Manager charged with preparing company's financial reports reported no significant deficiencies within the operational and control processes which might jeopardise the adequacy and application of administrative-accounting procedures for the purpose of a proper economic, capital and financial representation of management activities in compliance with international accounting principles.

During periodical meetings aimed at exchanging information, as well as in the report prepared pursuant to article 19 of the Legislative Decree No. 39/2010, the External Auditors reported no significant criticalities in the internal control system regarding the financial disclosure process.

The Manager charged with preparing company's financial reports and the Chief Executive Officer subscribed with dedicated reports the statements regarding the company and consolidated financial statements as at 31 December 2014 pursuant to article 81-ter of Consob Regulation No. 11971/1999, as amended and supplemented, which recalls article 154 bis of TUF.

The staff of the Manager charged with preparing company's financial reports as at 31 December 2014 was composed of 7 resources within the Accounting function. Although recruiting activities are underway, the Board of Statutory Auditors recommended the timely completion of the staff structure in order to achieve the optimal sizing identified by the corporate structures.

During the monitoring activities set by the Policy, the staff of the Manager charged with preparing company's financial reports continued assessing the performance of tests aiming at checking the implementation of controls throughout 2014.

The Board of Statutory Auditors recommended the further strengthening of these activities, as well as promptly defining adequate corrective actions for the removal of the anomalies identified by controls.

It is also necessary to strengthen some aspects of the administrative-accounting system, particularly with regard to the governance of the process relating to the preparation of financial statements, by better defining roles and responsibilities, as well as steering and coordination activities concerning the Group, the performance and documentation of certain administrative processes, the enhancement of some monitoring and evaluation processes, the refinement of some data subject to supervisory reporting, the complete updating of IT procedures, the fine-tuning of certain processes aimed at the preparation of reports to be disclosed to the public.

The Board of Statutory Auditors noted the decision taken in order to ensure the overall data quality and integration, providing for the assignment of the corporate data management responsibility to the Chief Data Officer (CDO), who reports to the Chief Operating Officer (COO) and who is charged with facilitating and optimising the synergy between the functions involved in the data collection, management, production and reporting process, both as users and as subjects involved in the definition and implementation of the relevant IT and process solutions.

In particular, the Board of Statutory Auditors deemed essential to ensure the quality, consistency and timely availability of data.

In light of the information received and the documents examined, and after having recommended the timely implementation of the corrective actions planned by Management, the Board of Statutory Auditors gave - based on above mentioned relevance considerations - a substantially adequate rating to the accounting-administrative system, which was considered in line with reference internal regulations.

### 10. Supervisory activities on the adequacy of the internal control system

Noting the contents of the Report on corporate governance regarding in particular the adequacy and effectiveness of the internal control system, the Board of Statutory Auditors examined the 2014 Report of the Internal Audit function.

Based on the activities performed in 2014, the effectiveness of the Internal Control System (ICS) was rated overall “satisfactory”, both in UniCredit S.p.A. and at Group level.

Although the internal control system was rated “satisfactory” in Yapi Moscow, Yapi Credi Bankasi, UCB Czech Republic and Slovakia, the audit results of the fourth quarter of 2014 showed significant points of attention.

As a result of the criticalities detected in Cordusio Fiduciaria S.p.A., which in 2013 highlighted the need to consolidate operational processes, risk culture, as well as first and second level controls, with particular reference to the anti-money laundering risk control, in 2014 the Board of Statutory Auditors encouraged meetings with the management of Cordusio Fiduciaria S.p.A.. On 6 November 2014, it met the Chairman of the Board of Statutory Auditors and the CEO of Cordusio Fiduciaria S.p.A., as well as the Country Chairman of UniCredit S.p.A., who welcomed the improvements at organizational and governance level. The internal control system of Cordusio Fiduciaria S.p.A., rated “unsatisfactory” by the Internal Audit function, was rated “satisfactory” in 2014.

On the contrary, the ICS was rated “unsatisfactory” in PJSC Ukrsotsbank, due to the persisting weaknesses in the IT system security and in the credit risk area. Likewise, the ICS of the leasing sector in Hungary, Russia and Bosnia was evaluated “unsatisfactory”.

With reference to UniCredit Leasing S.p.A., the “barely satisfactory” rating of the ICS was mainly due to the strategically significant decisions taken and the important project launched, aiming at improving the risk supervision through the improvement of first and second level controls. Nonetheless, the “fully satisfactory” evaluation of the ICS was subject to the effective and timely implementation of corrective measures identified by the Management for solving the issues hightlighted by the Internal Audit Function.

With reference to the various criticalities, corrective action plans had been prepared, requiring the full compliance with deadlines by all involved subjects. According to the Board of Statutory Auditors, their implementation was fundamental and could no longer be postponed. Given the above, in spite of the progress made, the amount of delays in the implementation of corrective actions was an area the Board of Statutory Auditors recommended management to pay attention to.

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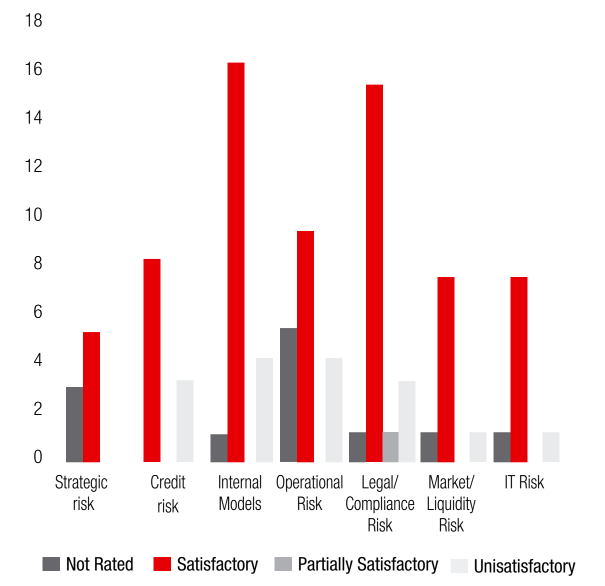


# Report of the Board of Statutory Auditors (Continued)

Significant improvements are needed at Group level in the IT area, which is characterized by some weaknesses at security level, mainly due to the unsatisfactory management of access rights, and by some system stability problems.

The Board of Statutory Auditors recommended fully exploiting the potential of information systems in the strategic governance and in the steering and monitoring activities of the Group, assigning dedicated resources to this objective according to the actual needs, also in light of the recent outsourcing of the technological infrastructure systems.

The Board of Statutory Auditors welcomed the implementation of an ICS Master Plan falling under the responsibility of the Managing Director, aiming to support and promote a consistent Group approach regarding existing risks and the relevant control structure, as well as to monitor the initiatives already underway and the implementation status of remediation plans for the consolidation of the system effectiveness.


The Board of Statutory Auditors noted that the initiatives planned for 2015 aimed to further consolidate the internal control system and regarded: the strengthening of competences and the risk management culture, the timeliness and accuracy in data management; the definition of mechanisms in line with the rating criteria used by the Supervisory Authorities as a further tool for the definition of managerial action priorities; the increased cost-effectiveness of the control system, focusing on the further development of the corporate information system, on a new process design and on the functional coordination.
Pursuant to Circular 263/2006, 15th revision, with reference to the information system and to the business continuity, the Board of Statutory Auditors noted the definition of an action plan aiming to ensure the compliance with regulatory requirements, which was subject to a continuous monitoring activity whose findings were submitted to the corporate bodies in December 2014.

In compliance with regulatory provisions, the Bank prepared the "Documento degli Organi Aziendali e delle funzioni di controllo in UniCredit S.p.A." [Document of the Corporate Bodies and of the control functions in UniCredit S.p.A.], approved by the Board of Directors in July 2014 and aimed at defining the tasks and responsibilities of the main subjects involved in the internal control system of UniCredit S.p.A., the information flows among them, and the coordination and collaboration methods.

Finally, the Board of Statutory Auditors examined the 2014 Report of the Supervisory Body on the implementation of the organizational and managerial model adopted by UniCredit S.p.A. pursuant to Legislative Decree 231/2001. The Supervisory Body highlighted no significant anomalies.

Although situations requiring corrective actions were found, the Board of Statutory Auditors identified no critical situations or events which might lead to an overall unsatisfactory rating of the internal control system. This assessment was takes into account the initiatives designed to achieve a general improvement in terms of effectiveness of the internal control system. In particular, reference was made to the initiatives recently realized regarding internal controls with the aim to increase the risk culture and the compliance with Group regulations.

### 11. Supervisory activities on the adequacy of risk management systems

UniCredit S.p.A. implemented a Group Internal Capital Adequacy Assessment Process (ICAAP) that showed that the available financial resources and the risk governance are considered adequate to cover and manage the risks arising from the current business model and related Group strategies, both in 2014 and, prospectively, in 2015. In addition, the Group capital is considered adequate even under stress conditions.

**Credit Risk**

The Board of Statutory Auditors noted some anomalies regarding the monthly reporting flows to the "Centrale dei Rischi" [Central Credit Register] which might jeopardise the reliability of conveyed data. In this regard, the Board of Statutory Auditors requested the competent structures to perform in-depth analyses and recommended promptly intervening for the final resolution of detected anomalies, in compliance with set deadlines.

The Board of Statutory Auditors noted the rating provided by the Internal Validation Function on the Group IRB systems, which were considered overallcompliant with the regulatory requirements and sufficiently adequate on the basis of internal standards. The Board of

Statutory Auditors also noted the rating provided by the Internal Audit Function, according to which the rating systems overall comply with the minimum requirements set by Bank of Italy.
Nonetheless, the overall effectiveness of the existing rating systems was still considered not fully satisfactory, in spite of significant improvements compared to the past.

Noting that the overall elimination of criticalities was subject to the completion of ongoing projects, the Board of Statutory Auditors recommended a complete support to the functions involved in the abovementioned improvement activities by providing appropriate human and technological resources. The Board of Statutory Auditors recommended focusing in particular on the deficiencies detected in terms of IRB systems' governance. In this regard, the projects currently underway have a strategic relevance and their definition within the set deadline is essential.

The Board of Statutory Auditors also believes that, with regard to an important area such as the one relating to credit risk IRB systems, the Group should aspire to a level of efficiency and effectiveness appropriate to its size, complexity and importance as a Systemically Important Financial Institution.

Although appreciating the effort made by the Group Risk Management function in implementing important improvements aiming at strengthening the credit risk management system compared to the past, also following the various activities required as a result of the regulatory evolution, the Board of Statutory Auditors noted that the overall effectiveness of the rating systems in place was still rated not fully satisfactory, although significant improvements were noted compared to the past.

In this regard, the Board of Statutory Auditors stressed that the amount and complexity of the activities included in GRM working plans, as well as the analysis of available resources for model development and validation purposes, imply the need to define as soon as possible a priority plan, due to the need to necessarily make choices, both in terms of models to be developed and in terms of deadlines and extension of the relevant group roll-out plans.

Therefore, there is a persistent need to strategically define the correct balance between Regulators' requests, the benefits in terms of optimization of the regulatory capital linked to the adoption of advanced risk measurement systems, and the resources assigned to the competent functions for the purpose of the effective and efficient management of these systems.

In this context, the CEO and the Board of Directors should pay the highest attention to the performance of the steering and coordinating roles of the Parent Company, aimed at ensuring the homogeneous management of the system within the various Group Legal Entities.
In conclusion, the Board of Statutory Auditors stressed the need to monitor on an ongoing basis these activities, in consideration of their strategic importance, and their evolution should be periodically submitted to the Board of Directors.

**Market Risk**
The Board of Statutory Auditors noted that Bank of Italy authorised the Group, starting from 30 June 2014, to calculate the consolidated capital requirement for market risks, compensating the risk exposures of the LEs using internal models for risk measurement and having their registered office in one of the EU countries.

The Board of Statutory Auditors noted the satisfactory ratings expressed by the competent functions on the ability of the internal models for market risk measurement to capture material risks and meet regulatory requirements. The major improvements achieved mainly concerned the strengthening of the risk management framework through the reorganisation of Group Market Risk Management, the adequacy of reporting and information flow, the progress in the decommissioning of the local IT systems and the migration towards a Group integrated architecture.

According to the 15th revision of Circular 263/2006 of Bank of Italy, an assessment of some behavioural models used for the liquidity and interest rate risk management was also performed. These models were rated sufficiently adequate.

The Board of Statutory Auditors recommended strengthening the steering and coordination role played by UniCredit S.p.A. in the application of the methodological framework and processes for the Independent Price Verification (IPV) of OTC Derivatives at Group level, and completing the roll-out in the subsidiaries not yet included in the process.

The Board of Statutory Auditors recommended that the improvement actions underway, aiming at strengthening the market risk management system, should be concluded in compliance with planned deadlines, and that adequate resources should be allocated to Risk Management structures, so as to enable the completion of corrective actions within the deadlines set.

**Operational Risk**
The Board of Statutory Auditors noted that Bank of Italy authorized the introduction by UniCredit Group - starting from 30 June 2014 - of qualitative and quantitative adjustments to the calculation of capital requirements for operational risk (AMA method) both at individual and consolidated level.

The Board of Statutory Auditors noted the overall satisfactory evaluation provided by the competent structures in light of the improvements in the internal model for operational risk capital requirement calculation, as well as in the processes and in the IT infrastructure.

In spite of welcoming the efforts made, the Board of Statutory Auditors recommended a further enhancement of the coordinating and monitoring role of Group Operational Risk Management, the introduction of appropriate governance actions with the aim of improving the effectiveness of the accounting reconciliation process, as well as the finalization of the project regarding the review of the Group risk indicator system.

# Report of the Board of Statutory Auditors (Continued)

Additionally, the Board of Statutory Auditors recommended giving priority to the implementation of further adjustments in order to improve the whole operational risk management and measurement framework. It also requested that the progress status of implementation of these actions should be periodically monitored.

**Liquidity Risk**

UniCredit S.p.A. implemented an Internal Liquidity Adequacy Assessment Process (ILAAP) in compliance with the indications contained in the document "Principles for Sound Liquidity Risk Management and Supervision" issued by the Basel Committee, and with the guidelines on liquidity risk management set by the European Banking Authority (EBA).

The overall effectiveness of the liquidity risk management system and processes at Group level was rated satisfactory by the competent functions, since the whole Group and the individual LEs were considered able to manage their respective liquidity commitments and overcome any liquidity stress situations affecting their own funding sources, irrespective of the underlying causes.

**Plan of Activity of Group Risk Management**


With reference to all the advanced internal models for the measurement of risks, there was still room for improvement, in particular with reference to the adoption of a uniform regulatory framework designed to ensure a harmonised management of models in the various Group LEs.

The Board of Statutory Auditors noted that the Board of Directors, during its meeting of 20 January 2015, approved the 2015 Action Plan of the Group Risk Management function of UniCredit S.p.A.. In this regard, the Board of Statutory Auditors acknowledged that the amount and complexity of the activities included in the Plan implied the need to promptly define priorities.

Following the establishment of the Single Supervisory Mechanism, in force since November 2014, the Board of Statutory Auditors highlighted the strategic importance of the steering and coordination tasks of UniCredit S.p.A., aiming to ensure a harmonized risk management in the various Group LEs, requiring the highest attention by the CEO and the Board of Directors.

**Compliance Risk**


As regards the compliance risk, the timely completion of the "Global Compliance Framework" and the gradual consolidation of control procedures enabled to strengthen the second-level control system and to harmonise the compliance culture at Group level.

The Board of Directors had approved to appoint Carlo Appetiti as Group Compliance Officer and to split the Legal & Compliance Department, both starting from 1 December 2014. The Compliance function - Compliance Department - directly reports to the CEO.

Following the entry into force of Circular No. 263/2006, 15th revision, which extended the current responsibility perimeter of the Compliance function, UniCredit adopted an indirect control model for non-compliance risk, whenever specialist controls were in place.

The Board of Statutory Auditors noted that the activities included in the 2014 Compliance Plan had substantially been implemented.

In particular, in 2014, a further consolidation was carried out regarding both the non-compliance risk management and control, and the adjustments to the relevant regulation amendments aiming to achieve a consistent approach towards compliance-related issues and activities. In all regulatory areas, the necessary risk-mitigation actions had been implemented, according to decisions taken by the relevant competent function.

The Board of Statutory Auditors recommended that the Compliance function should continue its effort by promoting the growth of the compliance culture and of controls within the Group, particularly as regards the Russian subsidiary.

The Compliance function used a Quality Assurance Review (QAR) methodology in order to check their processes and assess the risk control level.

In particular, the function developed its own processes and re-classified them into four categories (consultancy, assurance, risk assessment, controls), in order to check whether the various Group compliance structures were in line with the processes defined by UniCredit S.p.A. and with the guidelines provided.

The aim was the optimization of processes, so as to remedy any divergences, and methodologies, through a double-exchange channel: towards subsidiaries and towards UniCredit S.p.A..

The QAR analysis priorities were defined according to a mainly risk-based approach and were formalized in a QAR Annual Plan, identifying the companies and regulations to be examined.

In 2014, the activities regarded bigger-sized companies such as UniCredit S.p.A., UniCredit Bank AG, UniCredit Bank Austria AG and Bank Pekao, which had been analysed with regard to the following areas: MiFID, consumer credit, payment services, SEPA Directive and conflicts of interest.

The outcomes of QAR activities were overall positive, and the various Compliance functions analysed, both in the Holding and in the legal entities, showed a satisfactory level with regard to the appropriateness of assessed standards and processes.

In compliance with Circular 263/2006 and aiming to define a risk appetite level on the non-critical residual compliance risk, during its meeting of 11 February 2015, the Board of Directors approved the 2015 Compliance Plan, whose timely execution was deemed as pivotal by the Board of Statutory Auditors, in particular with respect to anti-money laundering, usury, transparency and market abuse.

As explained in the Plan, due to IT budget limitations, the initiatives relating to anti-money laundering, transparency and usury, as well as the new second-level controls might not be fully implemented by year-end.

The Board of Statutory Auditors highlighted the need to avoid that such limitations regarding a control function might hinder the compliance with regulatory provisions. In this regard, the Compliance function should check with the COO the progress status of activities by the end of the first quarter of 2015.

As regards usury, on 30 June 2014, the Internal Audit function completed the follow-up activity, which showed a “satisfactory” result, aiming to check the actual finalization of actions aiming to further improve the relevant company processes.

In 2014, following the increased amount of claims received by the Bank with regard to anatocism and usury, the Board of Statutory Auditors requested an in-depth analysis, which mainly showed that this was due to the recent case-law approaches and the delayed payments by debtors in financial difficulties. All claims had been specifically analysed by the Claims, Compliance and Internal Controls functions, also aiming to define further interventions on processes and procedures.

As a result of the still persisting room for improvement, activities were underway with reference to privacy regulations, which should be more incisively controlled, in order to avoid the risk of inappropriate processing of customers’ personal data, as well as regarding information delivery and collection of authorisations.

Also following a specific request by the Board of Statutory Auditors, the Compliance and Security functions prepared a plan aiming to eliminate criticalities as soon as possible.

With reference to MiFID, on 13 February 2014 the Board of Directors, noting Consob reporting following the inspection performed in 2012 and 2013, approved the action plan aiming to solve the identified criticality profiles, as well as any issues deemed useful and/or linked thereto, indicating the relevant implementation timeframes.

The action plan can be considered substantially concluded, in compliance with the deadlines set by the Supervisory Authority. During the fourth quarter of 2014, the new MiFID interview and the further interventions relating to the consultancy model and the budget procedure had been published online.

In the regulatory framework of the current MiFID Directive, providing for customer-focussed operations, the Bank adopted policies and procedures aiming to consolidate organisational controls, including internal controls, aiming to concretely ensure the careful and professional care of customers’ interests during each phase of the investment services process.

The Board of Statutory Auditors also recommended a prompt update of the procedures regarding the distribution of complex financial products, in line with the requirements issued by the European Securities and Markets Authority (ESMA) at the beginning of 2014 and adopted by Consob.

With regard to the process concerning the approval of the products offered to the Italian Network Customers, the Board of Statutory Auditors recommended checking the existence of any conflicts of interest involving any roles and responsibilities assigned to the proposing function, as well as the establishment of a control system regarding the preliminary analysis activity, so as to guarantee the quality of the information provided to the New Products Committee and keep collected opinions traceable over time. Finally, the Board of Statutory Auditors recommended improving the authorisation process regarding the sale of new products, the functioning of the New Products Committee and the reporting to the Country Chairman Italy.

# Report of the Board of Statutory Auditors (CONTINUED)

The audit activity performed in the second half of 2014 highlighted the persistence of most problematic issues detected in 2013 with regard to the best execution. These were due to the failure to periodically re-examine the order transmission and execution strategies used by the Bank, as well as to the need to appropriately implement first and second level controls.

Unsolved deficiencies did not enable to completely and effectively monitor the compliance with and the adoption of measures regarding the order transmission at the most profitable conditions for the customer.

Noting that a contract was signed with UniCredit Bank AG on this matter at the end of 2014, the Board of Statutory Auditors recommended re-examining strategies based on the process design, and implementing first and second level controls.

With reference to anti-money laundering, in light of the results achieved in terms of control processes and systems, the Board of Statutory Auditors recommended further efforts for the purpose of increasing the compliance of the Bank's operational activity with Bank of Italy's regulations. In particular, the Board of Statutory Auditors recommended further improving due diligence activities by the network, with particular reference to the correct identification of the beneficial owner, overcoming some problems causing delays in the reporting of suspicious transactions, as well as consolidating the controls regarding the management of the AML database *(Archivio Unico Informatico)* and the monitoring of the activity performed by the outsourcee UBIS.

As regards the ongoing in-depth analyses on the compliance with the US regulations governing USD transactions with entities based in countries under international sanctions, the Board of Statutory Auditors recommended continuining ensuring the highest cooperation level with the various US authorities.

The Board of Statutory Auditors was informed that the investigations regarding the compliance with regulations might negatively impact in a significant way net results and the equity of UniCredit S.p.A., as well as of one or more Group LEs. In this regard, the Board of Statutory Auditors refers to the information contained in the Notes to the financial statements.

In addition, with reference to the economic sanctions imposed on Russia by the United States and by the European Union following the outbreak of the Ukrainian conflict, the Board of Statutory Auditors highlighted the Group presence in Russia through a significant bank such as ZAO Bank.

In order to mitigate the inherent risk, the Compliance function implemented a series of control measures, such as check lists and monitoring of performed transactions, through the issuance of opinions on the applicable legislation, whose constant implementation has been recommended by the Board of Statutory Auditors as prudentially as possible.

**12. Supervisory activities on the adequacy of the internal audit systems**


The Board of Statutory Auditors noted that the Internal Audit function prepared a five-year Audit Plan (2015-2019) prioritising the riskiest Bank processes and activities.

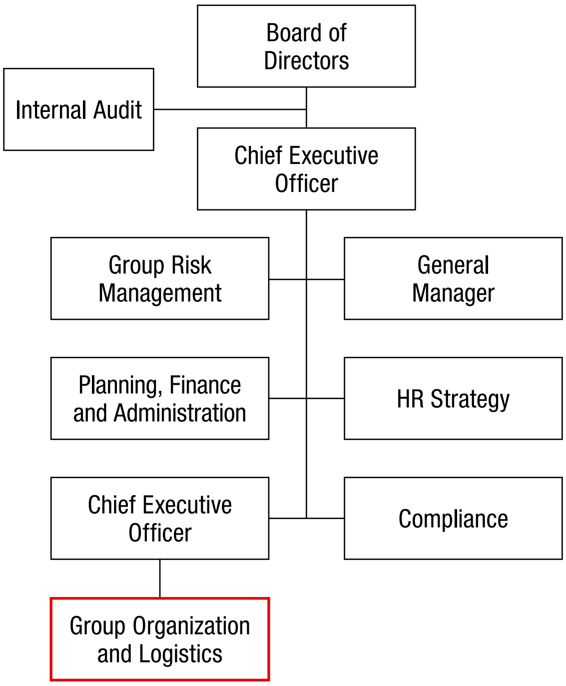
The Long Term Audit Plan is yearly updated on the basis of the risk assessment and of the subsequent identification of the main internal and external risks to which the Group is exposed.

With reference to the audit activities planned for 2014, the Board of Statutory Auditors noted that the Internal Audit function had substantially completed the Audit Plan for UniCredit S.p.A.. At Group level, the Audit Plan had been completed for UniCredit Bank Austria AG and Bank Pekao; the delays relating to UniCredit Bank AG, Pioneer Investments and Central Eastern European LEs highlighted no particular criticalities.

The Board of Statutory Auditors examined the guidelines for the definition of the Group Audit Plan for 2015, which do not only cover the main Group risks, but also consider the constraints arising from the regulation in force. The Plan was subsequently approved by the Board of Directors during its meeting of 20 January 2015.

**13. Supervisory activities with regard to the appropriateness of the organisational model**

The Board of Statutory Auditors examined the document regarding the assessment of the appropriateness of the organisational model of UniCredit S.p.A. prepared by the Organization function.




The document highlighted the existence of:

i. an organisational chart and the relevant organisational book detailing the roles and responsibilities of the organisational structures;

ii. a well-structured system of delegations, used in compliance with the defined roles and organisational processes;

iii. procedures for the performance of governance by UniCredit S.p.A.;

iv. internal regulations governing the performance of activities by each managerial function.

The document also provides an assessment of the appropriateness of UniCredit S.p.A. organisational structure.

Within the framework of a more incisive role compared to the past played by the Organisation function as a result of its co-responsibility in the process design, the Board of Statutory Auditors, while appreciating the efforts made, recommended completing the activities underway aiming to improve processes in terms of effectiveness and efficiency. In particular, the strengthening of supervisory and monitoring activities relating to global processes and the consolidation of the regulatory framework so as to ensure a single system of responsibilities and powers.

The following activities are particularly significant:

- the ongoing processes aiming to strengthen the cooperation model between CRO and CFO;
- the development of the Global Policy on the process relating to the production of aggregated data to be periodically sent to the Supervisory Bodies, to the market and to corporate bodies;
- the completion of the Finance and Risk Platform Convergence project aiming to improve data quality;
- the completion of the PERDAR project aiming to effectively aggregate risk data;
- the consolidation of the governance and management of Group processes and rules.

With reference to IT, the Organisation function plays a significant role in the consolidation of: (i) Incident, Change, Release Management and (ii) Business Continuity and Disaster Recovery processes.

Based on the examined documentation and on the information collected during the performance of supervisory activities, the Board of Statutory Auditors rated the organisational model overall satisfactory. This rating also took into consideration the changes approved with regard to the competences and responsibilities of the Organisation Function and the completion of the improvement activities in place.

**14. Compensation Policy**


The Board of Statutory Auditors noted that on 13 May 2014 the Shareholders' Meeting approved the adoption of a maximum 2:1 ratio between variable and fixed compensation or the lower ratio established by law or regulations from time to time in force. In this regard, in the meeting held on 20 January 2015, the Board of Directors approved the increased ratio between variable and fixed compensation to 2:1 for the population of employees whose professional activities have a material impact on the risk profile (identified staff).

# Report of the Board of Statutory Auditors (Continued)

For control functions, in compliance with the applicable regulation, a maximum ratio of 1:1 was defined.
For employees belonging to the Asset Management function but who do not qualify as "identified staff", taking into consideration the current overall regulatory framework, relevant industry legislation applies that does not envisage a cap on variable compensation.The Board of Statutory Auditors examined the 2014 Report drawn up by the Board of Directors in compliance with the provisions contained in the "Supervisory Regulations for Bank Organization and Corporate Governance" issued by the Bank of Italy (Circular 285/2013 as subsequently amended).

On 9 April 2015, the Board of Directors approved the "2015 Group Compensation Policy" document defines the principles and standards used for designing, implementing and monitoring Group compensation systems.

In line with the new requirements envisaged by the European Banking Authority (EBA), UniCredit S.p.A. performed its annual assessment of categories of staff whose professional activities have a material impact on its risk profile. This self-assessment was performed at local and Group level, as requested by Bank of Italy, and is fully included in the aforesaid document.

The Board of Statutory Auditors acknowledged that in line with national and international regulatory indications, in its annual review of remuneration policy and systems UniCredit S.p.A. deemed it appropriate to introduce a number of amendments, including a new bonus pool system based on collective results and the actual economic contribution of individual business areas and individual countries which, from 2015, will pursue the primary objective of aligning bonus-related criteria with the regulatory framework, while also enhancing levels of corporate productivity.

To ensure transparency and consistency of application, the Board of Statutory Auditors recommended that following the substantive changes made to the bonus mechanism for 2014, better explanations should be provided on conditions for access and the scope of application and calculation, in addition to indications regarding the new incentive system.

Further updates to remuneration policy and systems regard a full description of the new Long-Term Incentive Scheme for Top Management, a description of the structured process for defining the Identified Staff population, and adequate disclosure concerning the role of the Remuneration Committee and its 2014 activities.

The document shows that, once again for 2015, the adoption of a ratio of 2:1 between variable and fixed compensation would have no implications on the Bank's capacity to continue to comply with all prudential rules, in particular capital requirements.

The Board of Statutory Auditors noted the report issued by the Internal Audit function, "2014 Compensation Policies and Practices", which was rated "satisfactory". The Board further acknowledged the partially favourable outcomes of the Inspection Report 2014 on the Group's remuneration and incentive system released by the Bank of Italy in late 2014.

The Board of Statutory Auditors has recommended that corrective measures be completed, particularly with reference to strengthening actions oriented towards preventing conflict of interest in performance measurement and the process for defining Identified Staff, as well as boosting links between the measurement of individual performance and multi-year sustainability.

At its 20 January 2015 session, the Board of Directors approved the "2015 Group Incentive System" and a "Group Long Term Incentive Plan for the CEO, General Manager and Deputy General Managers". With regard to compensation and incentive scheme regulatory provisions, the Board of Statutory Auditors verified that the compensation policies and practices adopted by UniCredit S.p.A. were appropriate and complied with the regulatory framework.
And, specifically, that:
- the bonus pool approach complied with current provisions on remuneration and incentive policies and practices, and with the 2014 Group Compensation Policy approved at the Shareholders' Meeting on 13 May 2014;
- the assessment and payment process is in line with the provisions of CRD IV, which envisage a cap on the ratio of variable to fixed pay;
- performance target achievement was documented and assessed by the Remuneration Committee;
- the assessment process carried out complied with the applicable regulatory framework;
- the proposed bonus amounts were consistent with the assessment submitted to the Board of Directors and fell within the range of amounts envisaged under the system for the aforementioned performance;
- the rationales adopted for calculating incentives associated with the profitability parameters were assessed by independent advisors and cross-checked against the reference market;
- the overall amount of the variable component proposed, calculated using the same process, has not limited the Bank's capacity to achieve or maintain an adequate level of capitalization.

The Board of Statutory Auditors noted that the Board of Directors approved the bonus payouts at its 11 February 2015 meeting, having consulted the Board of Statutory Auditors in its area of competence.

The Board of Statutory Auditors acknowledged that in order to foster a risk-based approach, specific guidelines had been issued to set 2015 targets for the "identified staff" population. It was consequently envisaged that at least half of the allocated targets be related to sustainability, at least one target be risk-linked, and that the profitability targets be adjusted for risk.

On 18 November 2014, the Bank of Italy issued new supervisory provisions on "Remuneration and incentive policies and practices" (amendment no. 7 to Circular no. 285 of 17 December 2013). These provisions envisage a number of reformulations of the wording published by the Authority during the December 2013 consultation, and a review of some of the competencies allocated to the Shareholders' Meeting in ordinary session.

In this regard, the Board of Statutory Auditors noted that in line with the new provisions, the Board of Directors approved the proposed amendment to Clause 8 of the UniCredit S.p.A. Articles of Association with reference to:
- inclusion among the matters under the Ordinary Meeting's exclusive purview of approving criteria for determining the compensation to be paid in the event of early termination of employment or early termination of office;
- indication of the quorum required by the Authority for the resolution of a ratio higher than 1:1, but not exceeding 2: 1, between the variable and fixed components of staff remuneration.

On that occasion, a number of additional changes of a formal nature were proposed to align the Articles of Association with the formulation adopted by the Authority pursuant to the provisions cited. Pursuant to current rules and regulations these amendments were submitted to the Bank of Italy for assessment under § 56 of the Consolidated Banking Act (TUB), and will subsequently be submitted to the next Shareholders' General Meeting for approval.

### 15. Board of Statutory Auditors' Additional Activity and Information Requested by CONSOB

In performance of its duties, as prescribed by § 2403 of the Civil Code and § 149 of the TUF, the following is reported:
- The Board of Statutory Auditors exercised oversight in respect of the implementation of the corporate governance rules contained in the codes of conduct to which UniCredit S.p.A. has publicly stated its adherence. UniCredit S.p.A. adheres to the Corporate Governance Code promoted by Borsa Italiana S.p.A. Pursuant to § 123-bis TUF, UniCredit S.p.A. has drafted its annual "Report on corporate governance and shareholder structure", including information on:
  i. the corporate governance practices followed;
  ii. the main characteristics of its risk management and internal control systems;
  iii. the working mechanisms of the Shareholders' Meeting; the Meeting's powers; and shareholders rights and how they are exercised;
  iv. the composition and operation of management and control bodies, as well as other information required under § 123-bis TUF;

- Acknowledging the work plan to bring UniCredit S.p.A.'s governance into line with the 1st amendment to Bank of Italy Circular no. 285, in particular by implementing the new provisions on corporate governance, the Board of Statutory Auditors noted that the Board of Directors had approved a proposal to amend Clause 20 of the UniCredit S.p.A. Articles of Association with reference to the introduction of a single definition of independent directors. Pursuant to current rules and regulations, this amendment was submitted to the Bank of Italy for assessment under § 56 of the TUB, and will subsequently be submitted to the approval of the next Extraordinary Shareholders' General Meeting;

- The Board of Statutory Auditors exercised oversight in respect of the fitness for purpose of the instructions given to subsidiaries pursuant to § 114.2 TUF. Further to its guidance, coordination and control functions, the Holding company issued 167 Global Rules for approval and adoption by subsidiaries.

  At its 20 January 2015 session, the Board of Directors acknowledged the presentation issued by Group Organization and Logistics on the approval and adoption status of these Global Rules at the UniCredit Group. A significant increase in the overall rate of Global Rule approval and adoption was registered in 2014.

  While appreciating the efforts made, the Board of Statutory Auditors recommended that the Holding company's competent corporate functions orient subsidiary entities towards full approval and adoption of Group policies. To this end, the Board of Statutory Auditors recommended that differences in interpretation and application at subsidiaries be closely monitored, and suggested that internal rules be completed by issuing specific operating instructions and minimum standards of activity to be conveyed to all subsidiaries;

- The Board of Statutory Auditors exchanged information with its counterparts in directly controlled companies as required by § 151.2 TUF and the Bank of Italy's Supervisory Directives;

- The Board of Statutory Auditors exercised oversight through inspections of regional offices in Italy;

- In compliance with Supervisory Directives, specifically the checks required on branches operating outside Italy, the Board of Statutory Auditors inspected the New York branches of UniCredit S.p.A. and UniCredit Bank AG. Furthermore, it acknowledged that, in compliance with the provisions contained in Circular 263/2006, at its meeting on 12 March 2015 the Board of Directors examined the overall assessment of foreign branch performance done by Planning, Finance and Administration department in terms of revenue generated and risks assumed; the process flagged up no critical issues;

- The Board of Statutory Auditors noted that UniCredit S.p.A. was inspected by Regulators, both domestic and foreign, and was informed of critical issues in specific areas of management, organization, control, and compliance. Prompted by the Board of Statutory Auditors among others, UniCredit S.p.A. identified corrective measures involving specific projects as part of multi-year plans to be completed within the timeframe indicated by the Regulators;

# Report of the Board of Statutory Auditors (Continued)

- Acknowledged Council Regulation (EU) no. 1024/2013, the consequent Single Supervisory Mechanism and the assignment of groundbreaking prudential supervisory duties to the European Central Bank, in close partnership with national Supervisory Authorities, for credit institutions that prove to be significant within participant member states. One vital step for establishing the single supervisory mechanism consists of what is known as a "Comprehensive Assessment", something that also includes an analysis of risks for supervisory.
  For UniCredit S.p.A., the Comprehensive Assessment highlighted that compared with a CET1 Ratio at year-end 2013 equal to 9.77%, the ECB estimated the value of this same ratio at 9.58%, adjusted based on the outcome of the AQR, resulting in a negative differential of 19 b.p. The revised CET1 Ratio figure is still significantly above the minimum target threshold of 8%, highlighting that no capital shortfall exists.
  The Board of Statutory Auditors acknowledged the establishment of a new department, "Group Institutional and Regulatory Affairs", which was set up to adequately manage the complexities generated by the new international regulatory scenario, and to strengthen and coordinate Group relations with regulatory and supervisory Authorities;

- The Board of Statutory Auditors noted the half-year report issued by the Internal Audit function, specifically on weaknesses identified by the Supervisory Authority at UniCredit S.p.A. and non-Italian subsidiaries. The Board of Statutory Auditors noted that the overall situation of existing findings concerning major Group companies revealed some delays in resolving the shortcomings highlighted by the various Supervisory Authorities. The reasons provided by the Management teams of the companies involved in the delayed completion of planned corrective actions were shared with the competent Internal Audit Functions, which did not have any particular comments to make.

The Board of Statutory Auditors received the following complaints pursuant to § 2408 of the Civil Code:
- A complaint from shareholder Mr Marco Bava dated 12 May 2014;
- A complaint by shareholder Mr Tommaso Marino dated 29 June 2014;
- A complaint submitted on 25 June 2014 by shareholder Mr Saverio Telesca, representing the group of shareholders/savers - physical persons, minority shareholders from the former Banca Mediterranea;
- A complaint by shareholder Mr Tommaso Marino on 8 August 2014;
- A complaint by shareholder Mr Tommaso Marino dated 25 September 2014;
- A complaint by Messieurs Carlo Sibilia, Marco Saba and Elman Rosania dated 29 December 2014;
- A complaint by Mr Marco Saba dated 29 December 2014 plus a later supplement dated 16 February 2015;
- A complaint by Mr Tommaso Marino, dated 9 March 2015;
- A complaint by Mr Saverio Telesca, dated 11 March 2015;
- A complaint by Legal Counsel Francesco Affatato dated 26 March 2015 on behalf of shareholder Francesco Mercurio;
- A complaint by Messieurs Carlo Sibilia, Marco Saba and Elman Rosania dated 30 March 2015 comments on this matter.

Additionally, the Board of Statutory Auditors received: a petition from Studio Grassi, acting on a mandate for the Caffaro FKT Immobiliare S.r.l. Company; a petition by Dr Goffredo Imperiali di Francavilla; an anonymous allegation against the security firm Over Security S.r.l.; a petition from Mr Claudio Mellia; a petition from counsel Aldo Grassi on behalf of Messieurs Maurizio Andorlini, Renzo Liberati, Biba Nikol and on mandate of Costruzioni and Ristrutturazioni S.r.l. to which, in addition, a further petition on behalf only of Mr Maurizio Andorlini followed.
The Board of Statutory Auditors promptly requested the necessary information and verified with the competent structures that the claims were groundless, agreeing with the opinion expressed by the latter. It also checked that the Bank and the other Group companies had provided responses to such claims.

During 2014, the Board of Statutory Auditors issued opinions and made observations as required by the law and regulations in force on topics that included:
(a) Compliance with the requirements for continuous use of advanced internal models for managing market, credit, counterparty and operational risks for the purpose of determining the relevant capital requirements;
(b) Appointing the Head of the Group Compliance Function;
(c) Appointing the Head of the Anti-Money Laundering Function at UniCredit S.p.A. for the Italian area;
(d) annual assessment on the compliance with regulatory requirements of the "Holding Company's steering and coordination activities on asset management companies of the Group";
(e) Global Policy for the management of transactions with persons in conflict of interest;
(f) Internal controls policies on Risk activities and conflict of interest with Associated Persons;
(g) Compliance with supervisory provisions of the rules governing Covered Bonds;
(h) An opinion on the remuneration of the CEO and Manager in Charge;
(i) Remarks regarding the Annual Report's section on outsourcing;
(j) Comments on activities undertaken in FY 2014 by Group Risk Management, Internal Audit and Compliance, having analyzed their reports drafted pursuant to § 13, 14 and 16 of Joint Bank of Italy/CONSOB Regulations, 29 October 2007 and CONSOB Resolution no. 17297, 28 April 2010;
(k) Remarks on the Annual Report on Complaints;
(l) Remarks on defining the audit plan;
(m) Annual remarks on the outcomes of the activities undertaken by Audit (IAAR) and Compliance;
(n) Remarks on the status of findings issued by the Supervisory Authority concerning Group companies (SAFR);
(o) Observations on the annual report on the outsourcing of cash management.

In addition, the Board of Statutory Auditors disclosed that:

- it acknowledged that in an ad hoc resolution the Board of Directors positively assessed the adequacy of its size, make up and how it operates, complying with the request issued by the Bank of Italy in communication file dated January 11 2012. The Board of Statutory Auditors called for Board meetings to dedicate sufficient time to discussing strategic choices and periodically auditing their implementation; further, it recommended greater openness in data sharing to foster discussions on Human Resource-related issues, particularly with regard to succession plans. Notwithstanding its appreciation of the major efforts made and results achieved, the Board of Auditors recommended continuing with the work targeted at enhancing the optimization of documentation to be sent to the Board, and that collective and individual training offered by the Bank to Directors be expanded to ensure that Directors can participate in Board proceedings more actively and beneficially;

- as required by the Corporate Governance Code issued by Borsa Italiana, it had verified that its members held the same independence requisites as required for Directors;

- it had found that the criteria and procedures established under rules adopted by the Board of Directors for the annual assessment of the independence of its members had correctly been applied.

- it had verified that the Board of Directors had conducted checks on the relevant offices with regard to interlocking prohibitions pursuant to § 36 of Legislative Decree 201/2011;

- it had overseen that transactions undertaken with persons at administrative, managerial or control functions had always been conducted in compliance with § 136 TUB and regulatory requirements;

- it verified that in compliance with the provisions of § 36 of the Market Regulation approved by CONSOB resolution 16191/2007 and subsequent amendments and additions, subsidiaries incorporated and regulated by the laws of countries not belonging to the European Union had properly transmitted their profit, equity and finance data to the management of the Company for the purposes of the Consolidated Accounts.

In compliance with the Bank of Italy's 14 February 2012 disposition "Provisions on Checking the Authenticity and Suitability of Euro Banknotes and Their Recirculation" and its subsequent ad hoc revision, "Outsourcing of Cash Handling Activities" in the update to Circular 263/2006 of 2 July 2013, the Board of Statutory Auditors acknowledged the outcome of audits undertaken by the Internal Audit Function on cash handling to December 2014 and the annual Report prepared jointly by the Internal Audit and Compliance Functions and presented to the Board of Directors on 9 April 2015 regarding the overall configuration of checks on outsourced activities.

The Board of Statutory Auditors recommended adopting specific precautions in the management of relations with parties to which an activity has been outsourced both when choosing the contracting party and through the exercise of effective subsequent controls on an ongoing basis designed to ensure adequate risk oversight.

Moreover, the Board of Statutory Auditors recommended strengthening the oversight of outsourced activities in order to fulfil its guidance, management and supervision role, calling for the functions that manage, coordinate and monitor the service for outsourcing money-handling-related activities to dedicate adequate resources to monitoring and control activities.

Based on annual reports by the Compliance and Internal Audit Functions issued in compliance with the Bank of Italy provisions dated 23 October 2009 and relating to "Steering and coordination activities performed by the Parent Company of a banking group over asset management companies belonging to the Group", the Board of Statutory Auditors noted that no significant issues had come up for inclusion in this report.

During the 12 March 2015 Board of Directors' meeting the Board of Statutory Auditors acknowledged the Report on investment services, investment activities and ancillary services, as well as activities relating to the distribution of financial products issued by insurance companies or banks, in compliance with CONSOB Resolution no. 17297/2010, and that no items came up to be highlighted in this report.

The Board of Statutory Auditors acknowledged that in compliance with Bank of Italy Circular no. 263/2006, on 12 March 2015 the Board of Directors approved the annual Report on the outsourcing of corporate functions.

The Board of Statutory Auditors acknowledged that the audits carried out by Internal Audit on the outsourcing of corporate functions had revealed that the situation was on the whole satisfactory in as much as the Holding company had developed and adopted a framework suited to overseeing risks arising from outsourcing relevant activities, and that in-house rules were sufficiently robust to regulate the provisions envisaged under Bank of Italy Circular 263/2006. The Board of Statutory Auditors nevertheless informed that the overall adequacy of the new risk oversight model would only be in place upon completion of an update plan due to end no earlier than 2016.

In order to guarantee that the Bank has the utmost knowledge of and ability to govern risk factors arising from outsourced activities, including in the event of sub-outsourcing, the Board of Statutory Auditors recommended that the methods for managing, monitoring and control of sub-outsourcing relevant services be more clearly defined.

At the Board of Directors' 20 January 2015 meeting, the Board of Statutory Auditors acknowledged that the 2014 Financial Plan had almost completely been achieved, and that the 2015 Financial Plan and the 2015 Group Emergency Financial Plan conceived to foster evolution of the Group's financial structure to guarantee the prudent management of short-term and structural liquidity had been approved.

# Report of the Board of Statutory Auditors (Continued)

The Board of Statutory Auditors acknowledged the update to Bank of Italy Circular 263 on business continuity which went into effect on 1 July 2014 and that, à propos of the update had met the Group Chief Information Officer and Heads of “Security” and “Group Business Continuity & Crisis Management” to discuss the proposed solutions and updates to UniCredit S.p.A’s plans for operational continuity and crisis management. The Board of Statutory Auditors acknowledged that at its 11 November 2014 meeting the Board of Directors had approved the amendment of the UniCredit S.p.A. Operational Continuity Plan and the Event, Incident and Crisis Management Plan in order to reflect the above-mentioned regulations.

Oversight by the Board of Statutory Auditors revealed no censurable actions, omissions or irregularities necessitating inclusion in this Report.

The Board of Statutory Auditors did not consider it necessary to exercise the option of submitting proposals to the Shareholders’ Meeting pursuant to § 153.2 of the TUF.

Having regard to the foregoing, having examined the reports drawn up by the External Auditors, having noted the joint attestation made by the Chief Executive Officer and the Manager in charge of preparing company’s financial reports within its competence, the Board of Statutory Auditors finds that there is no impediment to the approval of the Financial Statements as at 31 December 2014 and of the divided distribution proposed by the Board of Directors.

Among other items on the agenda, the Meeting is being convened to appoint directors and determine their compensation. To this end, the Board of Directors approved an ad hoc illustrative report, which should be consulted for further information.
Moreover, taking into account the supervisory provisions enshrined in Circular 285/2013 (requiring the Board of Directors in advance to specify its configuration in terms of quality and quantity deemed optimal in order to promptly inform shareholders so that the candidate selection process may take into account the suggested size and professional qualities sought), the outcome of the Directors’ Self-Assessment and a document drafted by an independent advisor on Best Board Profile Standards, the Board of Directors approved the quality and quantity configuration of the Board of Directors for circulation to shareholders.

Milan, 14 April 2015

On behalf of the
Board of Statutory Auditors

Original document signed by

The Chairman
Maurizio Lauri

# Report of the External Auditors

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**AUDITORS' REPORT PURSUANT TO ART. 14 AND 16 OF LEGISLATIVE DECREE No. 39 OF JANUARY 27, 2010**

**To the Shareholders of UNICREDIT S.p.A.**

1. We have audited the financial statements of UniCredit S.p.A. which comprise the balance sheet as of December 31, 2014, and the income statement, statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and the related explanatory notes. These financial statements prepared in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree n. 38/2005 are the responsibility of the Company's Directors. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We conducted our audit in accordance with the Auditing Standards recommended by CONSOB, the Italian Commission for listed Companies and the Stock Exchange. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Directors, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

   The financial statements present the prior year corresponding figures for comparative purposes. As disclosed in the notes, the Company's Directors restated some of the corresponding figures included in the prior year financial statements with respect to the data previously reported and audited by us, on which we issued auditors' report dated April 7, 2014. We have examined the methods used to restate the prior year corresponding figures and the related disclosures for the purposes of expressing an opinion on the financial statements as of December 31, 2014.

3. In our opinion, the financial statements give a true and fair view of the financial position of the UniCredit S.p.A. as of December 31, 2014, and of the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree n. 38/2005.

4. The Directors of UniCredit S.p.A. are responsible for the preparation of a report on operations and a report on the corporate governance and proprietary structures, published in the "Governance" section of UniCredit S.p.A.'s website, in accordance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency of the report on operations and the information required by article 123-bis of Italian Legislative Decree n. 58/1998, paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b) disclosed in the report on the corporate governance and proprietary structures, with the financial statements to which they refer, as required by law. For this purpose, we have performed the procedures required by the Italian Standard on Auditing n. 001 issued by the Italian Accounting Profession (CNDCEC) and recommended by CONSOB. In our opinion, the report on operations and the information required by article 123-bis of Italian Legislative Decree n. 58/1998 paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b) disclosed in the report on the corporate governance and proprietary structures are consistent with the financial statements of the UniCredit S.p.A. as of December 31, 2014.

DELOITTE & TOUCHE S.p.A.

*Signed by*
Riccardo Motta
Partner

Milan, Italy
March 30, 2015

*This report has been translated into the English language solely for the convenience of international readers.*

# Ordinary Shareholders' Meeting resolution of May 13, 2015

# Ordinary Shareholders' Meeting resolution of May 13, 2015

Creative concept and sorter pages: Milk adv

Design, graphic development and composition:
**MERCURIO GP**© and **UniCredit**

Print:
**CPZ S.p.A**

April 2015

The emissions related to the printing and distribution of the 2014 UniCredit S.p.A Report and Accounts, 2014 Consolidated Report and Accounts and the 2014 Integrated Report have been compensated with the support of Officinæ Verdi, which uses Gold Standard credits gained through the development of a landfill gas capture project in China. The Gold Standard is supported by WWF as it is the most rigorous global certification standard for carbon offset projects.

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