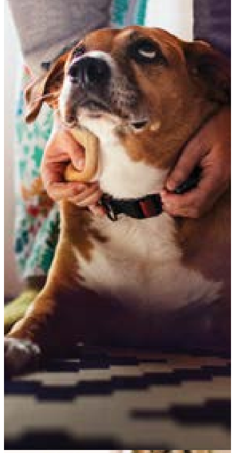
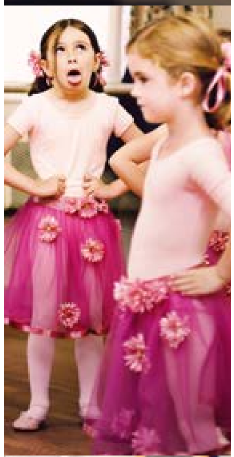
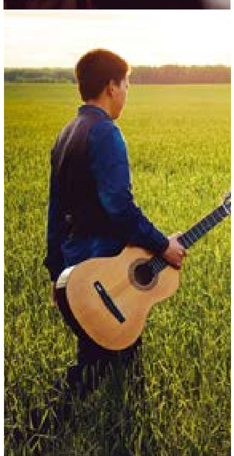



Inside real life. A 360° view.

UniCredit S.p.A. 2015 Reports and Accounts

Welcome to UniCredit

UniCredit firmly believes that to truly understand real life, we must directly experience it. That way we are more prepared to find sustainable solutions while the world's needs and values constantly change.

For us, helping customers fulfil the basic necessities of modern life is just as important as offering the very best financial and banking products.

This means providing a complete range of services to support families and businesses, fully aware that responding to their needs builds a sustainable future for everyone.

Our products begin with real human insights that help us accompany customers throughout their lives. Because life is full of ups and downs, but it is also full of many other things, like buying a home, getting married, having children and sending them to university, etc.

It's a 360-degree approach that we call Real Life Banking.

Over the following pages, our aim is not just to present data and numbers about our Group's performance. We also want to share stories that show how we have helped people realize their dreams and supported the communities that host our branches.

Because the drive to build a better future is what keeps people going.

And supporting people keeps us going too.

Life is full of ups and downs.
We're there for both.

Welcome to
UniCredit

Dude, you should really consider a house with a garden.

Let's talk about the spaces where we live.

There's nothing like staying at home for real comfort. But sometimes you really need to get out -- especially if you're a dog.

Take Osvaldo: His owner is being a bit lazy, preferring to stay in a small apartment rather than dealing with the stress and paperwork of the real estate jungle. Poor Osvaldo.

But we have a complete solution to help. First of all, dear Osvaldo's owner, wouldn't it make you more confident to know what amount you can get from the bank before start house hunting?

Yes, our consultants know very well that this can make a difference. And with products like Voucher Mutuo, there's no risk of choosing a house that you cannot afford.

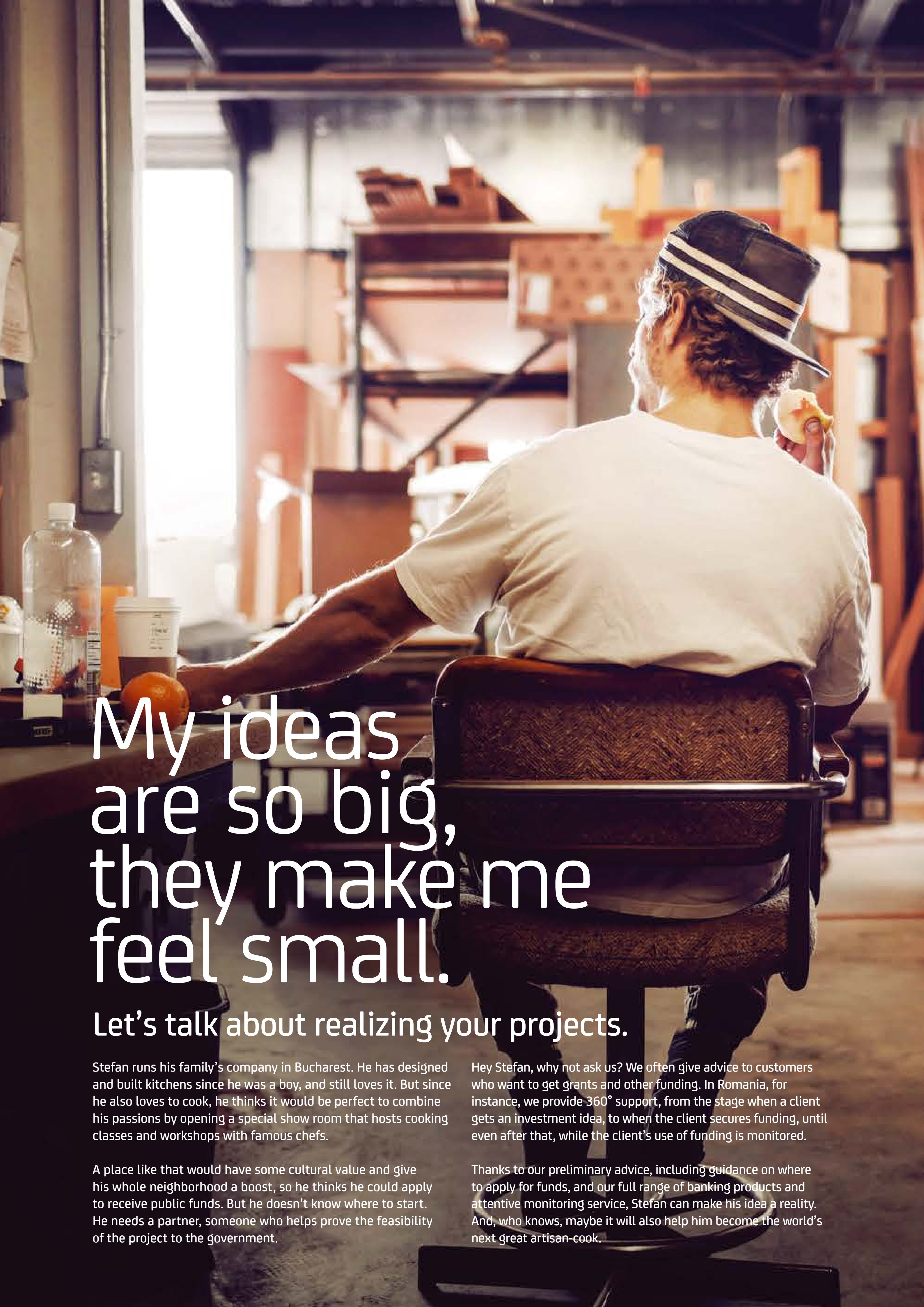
What about the rest? Well, we are a convenient, trusted partner whether you sell or buy a house. In Italy, our Subito Casa program can establish the value of the house or handle all the paperwork – helping you get engineers, lawyers, you name it.

So, dear Osvaldo's owner, feel free to start looking for your cosy new home, and leave the boring part up to us.

Contents

Notes
The following conventional symbols have been used in the tables:
- a dash (-) indicates that the item/figure is inexistent;
- two stops (..), "n.s." or "n.m." when the figures do not reach the minimum considered significant or are not in any case considered significant;
- "n.a." indicates that the figure is not available.

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



My ideas are so big, they make me feel small.

Let’s talk about realizing your projects.

Stefan runs his family’s company in Bucharest. He has designed and built kitchens since he was a boy, and still loves it. But since he also loves to cook, he thinks it would be perfect to combine his passions by opening a special show room that hosts cooking classes and workshops with famous chefs.

A place like that would have some cultural value and give his whole neighborhood a boost, so he thinks he could apply to receive public funds. But he doesn’t know where to start. He needs a partner, someone who helps prove the feasibility of the project to the government.

Hey Stefan, why not ask us? We often give advice to customers who want to get grants and other funding. In Romania, for instance, we provide 360° support, from the stage when a client gets an investment idea, to when the client secures funding, until even after that, while the client’s use of funding is monitored.

Thanks to our preliminary advice, including guidance on where to apply for funds, and our full range of banking products and attentive monitoring service, Stefan can make his idea a reality. And, who knows, maybe it will also help him become the world’s next great artisan-cook.

Introduction

Look, I just made a mess!

Let’s talk about everyday challenges.

Who said that everyday life is boring? It certainly isn’t if you’re dealing with a rascal like Agata. Around her, simple things like getting to school on time, managing the family budget or walking the puppy become far more complicated. Agata’s mom and dad – and countless other parents – face more complications every day. Clearly they could use our help.

For Agata’s parents we have designed dozens of new services that simplify life. Take, for example, what Zagrebačka banka is doing in Croatia. Its two-in-one web token enables customers to not only to do their banking online, but also have access to their public administration documents.

This means you can check your account balance or transfer funds online in the same place where you can get your child’s school grades, see an electronic copy of your birth or marriage certificate or order your European Health Insurance card.

Now with a bit more time for cleaning up her messes, maybe Agata’s parents can laugh a little more too.

Board of Directors, Board of Statutory Auditors and External Auditors as at December 31, 2015

	Board of Directors
Giuseppe Vita	Chairman
Vincenzo Calandra Buonaura	Deputy Vice Chairman
Luca Cordero di Montezemolo Fabrizio Palenzona	Vice Chairman
Federico Ghizzoni	CEO
Mohamed Hamad Al Mehairi(*) Manfred Bischoff Cesare Bisoni Henryka Bochniarz Alessandro Caltagirone Helga Jung Lucrezia Reichlin Clara-Christina Streit Paola Vezzani Alexander Wolfgring Anthony Wyand Elena Zambon	Directors
Gianpaolo Alessandro	Company Secretary
	Board of Statutory Auditors
Maurizio Lauri	Chairman
Angelo Rocco Bonissoni Enrico Laghi Pierpaolo Singer(**) Maria Enrica Spinardi	Standing Auditors
Marina Natale	**Manager in charge with preparing the financial reports**
Deloitte & Touche S.p.A.	**External Auditors**

(*) Mr. Al-Husseiny resigned from his position as Director on October, 15 2015 and the same day the Board of Directors coopted Mr. Mohamed Hamad Al Mehairi as Director.

(**) On November, 9 2015 Mr. Giovanni Alberti resigned from his office as Standing Auditor and Ms. Federica Bonato, who was already an Alternate Auditor, replaced Mr. Alberti.
On December, 9 2015 Ms. Federica Bonato resigned from her position as a Standing Member of the Board of Statutory Auditors, the two Alternate Auditors, Mr. Paolo Domenico Sfameni and Ms. Beatrice Lombardini, decided not to take on the position of Statutory Auditor in replacement of Ms. Federica Bonato and therefore they resigned from their office. Consequently, Mr. Pierpaolo Singer, already an Alternate Auditor, moved from his position to that of Standing Auditor in replacement of Ms. Federica Bonato.

UniCredit S.p.A.
A joint stock company
Registered Office in Rome: Via Alessandro Specchi, 16 - 00186 Roma
Head Office in Milan: Piazza Gae Aulenti, 3 - Tower A - 20154 Milano
Share capital € 20,298,341,840.70 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

“Because innovation requires speed, we are accelerating our work towards a fully digitized service, in the belief that “digitize or die” represents the future of banking.**”**

Giuseppe Vita
CHAIRMAN

Dear Shareholders,

The past year was marked by two major challenges that had great consequences for Europe. On one side, geopolitical tensions threatened stability in key regions, and on the other, the recovery of the global economy remained at the midway point.

At the time of this writing, geopolitical tensions continue to dangerously grow. This was made especially clear by events in the latter part of 2015. Flashpoints in the Middle East are exerting influence well beyond that region, while the ongoing situation in Ukraine has made relations between Europe and Russia increasingly delicate. Macroeconomic indicators have recently provided us positive signs, however there remain serious concerns related to the slowdown now taking place in many emerging countries.

The European Union will soon be called upon to make crucial decisions to address these challenges. These decisions must accelerate the twin processes of integration and economic recovery if the EU is to deliver the stability needed to support further unification and growth. With the creation of the banking union, major progress in this direction has already been made. Yet more can and must be done to support Europe’s incipient recovery. In 2015, the European Central Bank was the only institution to firmly respond to the risk of stagnation; in 2016, it must take decisive action to facilitate the implementation of the European investment plan, which to date has been too slow to materialize.

Given its strong European identity, UniCredit believes in Europe and in its potential. That is why our Group has not wavered in its support of households and businesses, and has continued to help the real economy, even while persistently low interest rates, weak economic growth and increased regulation have constrained banking activities across Europe.

Moreover, 2015 was not wholly defined by geopolitical and economic concerns. In the past year, encouraging data and a strong desire to restart the engines of growth were clearly evident in Italy and across Europe. We saw greater opportunities thanks to digital innovation and new ways to meet environmental challenges. These are the kinds of opportunities that a large group such as UniCredit must seize.

Our Strategic Plan, presented in November, fully embraces new digital technologies, positioning the bank to capitalize on rapidly evolving trends in the markets we serve. Because innovation requires speed, we are accelerating the implementation timetable for our plan. This includes taking decisive action regarding our business operations to create greater organizational efficiency. Such efficiency will enable us to reap the rewards of being a fully digitized provider of banking services. Indeed, we truly believe that "digitize or die" represents the future of banking.

In 2015, we successfully made significant advances in UniCredit's corporate governance system. The board of directors that was appointed in May has been streamlined, in keeping with the objectives of the overhaul we began three years ago. Its composition has been changed, with a larger number of female directors, a strengthened role for independent directors in board committees and an increased range of skills among its membership.
These changes are some of the prerequisites to improving the board's work and to increasing its freedom to devote more time to the strategic debates that are critical to our success.
I would also like to emphasize the resilience of UniCredit's overall governance system, which has demonstrated a remarkable ability to uphold the Group's strong reputation, even in extraordinary situations.

Change is constant and affects us all. For this reason, I believe that making quick decisions and taking rapid action is necessary to achieve optimal results. The superb quality of our staff and their high level of accountability make me optimistic about UniCredit's ability to correctly perceive the direction of future events and meet objectives.

We move into 2016 as a certifiably sound institution with a strong market reputation. For these considerable achievements, I would like to thank all of our outgoing directors. I am also grateful to their successors, who are carrying on the vital process of transforming UniCredit that began three years ago. And finally, I would like to express my gratitude to UniCredit's management team and to all colleagues for their tireless and invaluable contributions to the Group's present and its increasingly bright future.

Sincerely,

Giuseppe Vita
Chairman
UniCredit S.p.A.

Chief Executive Officer's message

"We will invest €1.2 billion to increase the quality and speed of our digital services while more than doubling the number of customers in our online and mobile channels."

Federico Ghizzoni
CHIEF EXECUTIVE OFFICER

Dear Shareholders,

In 2015, we met with continued success in improving our asset quality and strengthening our capital position despite extraordinary charges in the final quarter. Moreover, UniCredit provided critical support to the socioeconomic progress of Europe. In all of our markets, we promoted the development of key business sectors by supporting entrepreneurship and fostering financial inclusion.

Across Europe, UniCredit expanded its credit offerings and facilitated access to capital markets. In doing so, we stimulated growth and enabled our corporate clients to expand internationally. In the course of the year, our Group also allocated all of its TLTRO funding and worked hard to provide tailored consultancy services that have helped individual customers better protect their savings.

We accomplished all of this at a time characterized by historically low interest rates, a weaker-than-expected economic recovery, considerable regulatory pressure, and a turbulent international political landscape. On top of these challenges, we faced major changes in the banking industry brought on by advances in digital technology. This environment will continue to evolve for the foreseeable future, and will require us to be increasingly proactive on all fronts.

Wherever I travel in Europe, I hear discussion about how the banking business is being reshaped. All of our peers are dealing with the same issues, but not all are properly equipped to address them. After careful consideration and planning, UniCredit has opted to confront the transformation of the banking industry by taking full advantage of our unique pan-European franchise, expanding rather than downsizing our business. To succeed, our Group must accelerate its efforts to become more efficient, integrated and digitally oriented.

These goals lie at the heart of the new Strategic Plan that we introduced in November. The plan will strengthen our business and generate sustainable returns for all of our stakeholders. Over the coming years, we intend to increase loans, attract more customers and implement more effective processes Groupwide. The first concrete signs of success are already visible, and, to reach our targets, we are investing €4 billion in improving the experience of our customers.

To finance this investment, we have been freeing up resources by reducing our operating costs, deploying new technologies and integrating our operations. In undertaking these changes, we remain attuned to UniCredit's role in the interlinked value chain of financial, human, social and natural capital.

The stronger cooperation that we have implemented between mid-corporate banking and investment banking is a prime example of how we intend to increase our efficiency and accelerate progress. I have no doubt it will continue to generate excellent results – both for our Group and the economy at large. By reducing complexity across our organization, we can make faster decisions that will improve our cost-to-service and time-to-market ratios.

In terms of new investment opportunities, we are focused on our digital agenda and on growing businesses, exploring promising solutions. These include new ventures, such as the agreement we signed with Santander to create one of the world's largest asset managers.

As banking continues its radical transformation, we will invest €1.2 billion to increase the quality and speed of our digital services while more than doubling the number of customers who use our online and mobile channels. In these changing times, we will proactively modify our service models in ways that contribute to the customer experience, even as we develop innovative solutions that penetrate new markets, such as the upcoming launch of buddybank.

This entails a regular updating of our Group's skills and mindset in ways that generate greater sustainable value for our stakeholders.
So despite the challenging environment, we remain committed to investing in the development of our employees and to promoting the advancement of the next generation in order to foster new ideas.

Thanks to the actions we have taken and the strategies we are implementing, we are well prepared to turn challenges into new opportunities, with full awareness of the complexities in which we operate. UniCredit is and will remain a leader in European banking.

Sincerely,

Federico Ghizzoni
Chief Executive Officer
UniCredit S.p.A.

Note to the Report and to the Financial Statements

General Matters

The UniCredit S.p.A. Financial Statements at December 31, 2015 were drafted in accordance with the IAS/IFRS international accounting standards, in compliance with the instructions of Banca d'Italia in circular No.262 of December 22, 2005 (4th update - December 15, 2015). 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.

UniCredit's website also contains the press releases concerning the main events of the period.

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 Report on Operations

To further illustrate the results for the period, the **Report on Operations** includes reclassified balance sheet and income statement prepared using the same criteria adopted for prior-period quarterly report. The reconciliation with the primary statements - as required by Consob Notice 6064293 of July 28, 2006 - is presented in an annex to the Accounts.

The report is accompanied by a number of tables (Highlights, Condensed Financial Accounts, Quarterly Figures, UniCredit Share) as well as a comment 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".

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 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;
- the inclusion in the item Provisions for risks and charges (previously called Net provisions for risks and charges) of the contribution to the Single Resolution Fund (SRF) and to the Deposit Guarantee Systems (DGS) included in the item Administrative expenses b) Other administrative expenses;
- inclusion in the item Fee and Commission Expense of the cost relating to outsourced services for the management and recovery of Non-Performing loans included in the item Administrative Expenses - Other administrative expenses.

Other information

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).

Non-Current Assets and Asset Groups Held for Disposal

At December 31, 2015, the main assets classified, according to IFRS5, as non-current assets and disposal groups were mainly:

- several properties;
- the investment in Public Joint Stock Company Ukrsotsbank.

I know it's not the best time, but I need to check my finances.

Let's talk about financial advice anywhere, anytime.

Imagine you are in the middle of a ski holiday. Everything is beautiful and the conditions are just right. You feel like you don't have a single worry in the world. But suddenly a thought comes along to disturb your peace: Did you forget to settle your financial business last week?

That's exactly what happened to Nico. During his first romantic holiday with Emma, he realized that this little banking detail was driving him crazy, and spoiling the fun. And he thought to himself: "You know what would be really useful right now? A bank manager I can call or, even better, text."

No sooner said than done.

Thanks to SmartBanking in Austria, it's possible to bring the branch to you. Whether at home with your laptop or on the go with your mobile phone, SmartBanking enables you to manage your finances in the most convenient way for you.

Relationship managers will give advice quickly and conveniently, by any possible method you want, from SMS to video chat. So now answers that you need on every possible financial topic, from taking out a loan to explaining your banking transactions, are at your fingertips.

That means we can help you save for your holiday, and save your holiday.

Report on Operations

Unless otherwise indicated, all amount are in **millions of euros.**

Highlights

Income Statements

(€ million)

	YEAR		CHANGE	
	2015	2014	P&L	%
Operating income	9,739	9,924	-185	- 1.9%
of which:				
- net interest	*4,035*	*4,350*	*-315*	*- 7.2%*
- dividends and other income from equity investments	*1,476*	*1,381*	*+95*	*+ 6.9%*
- net fees and commissions	*3,868*	*3,746*	*+122*	*+ 3.3%*
Operating costs	(5,620)	(5,573)	-47	+ 0.8%
Operating profit (Loss)	4,119	4,351	-232	- 5.3%
Net write-downs of loans and provisions for guarantees and commitments	(2,667)	(2,796)	+129	- 4.6%
Net operating profit (Loss)	1,452	1,555	-103	- 6.6%
Profit (Loss) before tax	(1,715)	501	-2,216	n.s.
Impairment of goodwill	-	-	-	-
Net Profit (Loss)	**(1,441)**	**80**	**-1,521**	n.s.

Balance Sheet

(€ million)

	AMOUNTS AS AT		CHANGE	
	12.31.2015	12.31.2014	AMOUNT	%
Total assets	394,372	398,813	-4,441	- 1.1%
Financial assets held for trading	13,721	16,166	-2,445	- 15.1%
Loans and receivables with customers	215,175	220,649	-5,474	- 2.5%
of which: - Non-Performing loans(*)	*26,364*	*25,838*	*+526*	+ 2.0%
Financial liabilities held for trading	10,672	13,020	-2,348	- 18.0%
Deposits from customers and debt securities in issue	278,885	282,099	-3,214	- 1.1%
of which:				
- deposits from customers	*181,574*	*167,990*	*+13,584*	*+ 8.1%*
- securities in issue	*97,311*	*114,109*	*-16,798*	*- 14.7%*
Shareholders' net equity	**46,525**	**48,173**	**-1,648**	**- 3.4%**

(*) The increase in default loans was impacted by the 'demerger of the " Non-core business" unit from UniCredit Credit Management Bank, with effect from January 1, 2015 and including an impaired loan portfolio that was recorded in the Balance Sheet at December 31, 2015 at €1,044 million.

Staff and Branches

	AS AT		CHANGE	
	12.31.2015	12.31.2014	AMOUNT	%
Employees	43,479	43,405	74	+ 0.2%
Branches	3,860	3,995	-135	- 3.4%
of which:				
- Italy	*3,853*	*3,988*	*-135*	*- 3.4%*
- Other countries	*7*	*7*	-	-

Profitability Ratios

	YEAR		
	2015	2014	CHANGE
Net interest income/Operating income	41.4%	43.8%	- 2.4%
Net fees and commissions/Other administrative expenses net of recovery of expenses	174.3%	164.2%	+ 10.1%
Net fees and commissions/Operating costs	68.8%	67.2%	+ 1.6%
Operating profit (loss)/Operating income	42.3%	43.8%	- 1.5%
Return on assets(*)	-0.4%	n.s.	n.s.

(*) Return on assets: calculated as the ratio of Net profit or loss for the year to Total assets pursuant to Art.90 of CRD IV.

Risk Ratios

	AS AT		
	12.31.2015	12.31.2014	CHANGE
Net Non-Performing loans to customers/Loans to customers	6.4%	5.0%	+ 1.4%
Net impaired loans to customers/Loans to customers	12.3%	11.7%	+ 0.6%

Transitional Capital Ratios

	AMOUNTS AS AT	
	12.31.2015	12.31.2014
Total own funds (€ million)	54,281	53,306
Total risk-weighted assets (€ million)	190,394	206,405
Common Equity Tier 1 Capital Ratio	**21.92%**	**20.98%**
Total own funds Capital Ratio	**28.51%**	**25.83%**

Condensed Financial Accounts

Condensed Balance Sheet

(€ million)

ASSETS	AMOUNTS AS AT 12.31.2015	AMOUNTS AS AT 12.31.2014	CHANGE AMOUNT	CHANGE PERCENT
Cash and cash balances	2,460	2,325	+ 135	+ 5.8%
Financial assets held for trading	13,721	16,166	- 2,445	- 15.1%
Loans and receivables with banks	22,062	21,866	+ 196	+ 0.9%
Loans and receivable with customers	215,175	220,649	- 5,474	- 2.5%
Financial investments	112,362	108,026	+ 4,336	+ 4.0%
Hedging instruments	8,714	10,468	- 1,754	- 16.8%
Property, plant and equipment	2,405	2,583	- 178	- 6.9%
Goodwill	-	-	-	-
Other intangible assets	6	1	+ 5	n.s.
Tax assets	12,554	12,047	+ 507	+ 4.2%
Non-current assets and disposal groups classified as held for sale	238	55	+ 183	+ 332.7%
Other assets	4,675	4,627	+ 48	+ 1.0%
Total assets	**394,372**	**398,813**	**- 4,441**	**- 1.1%**

(€ million)

LIABILITY AND SHAREHOLDERS' EQUITY	AMOUNTS AS AT 12.31.2015	AMOUNTS AS AT 12.31.2014	CHANGE AMOUNT	CHANGE PERCENT
Deposits from banks	37,466	31,703	+ 5,763	+ 18.2%
Deposits from customers and debt securities in issue	278,885	282,099	- 3,214	- 1.1%
Financial liabilities held for trading	10,672	13,020	- 2,348	- 18.0%
Financial liabilities designated at fair value	-	-	-	-
Hedging instruments	9,669	11,455	- 1,786	- 15.6%
Provisions for risks and charges	2,601	2,037	+ 564	+ 27.7%
Tax liabilities	152	224	- 72	- 32.1%
Liabilities included in disposal groups classified as held for sale	-	-	-	-
Other liabilities	8,402	10,102	- 1,700	- 16.8%
Shareholders' Equity:	46,525	48,173	- 1,648	- 3.4%
- capital and reserves	*47,151*	*47,369*	*- 218*	*- 0.5%*
- available-for-sale assets fair value reserve, cash-flow hedging reserve and Defined benefits plans reserve	*815*	*724*	*+ 91*	*+ 12.6%*
- net profit (loss)	*(1,441)*	*80*	*- 1,521*	*n.s.*
Total liabilities and Shareholders' Equity	**394,372**	**398,813**	**- 4,441**	**- 1.1%**

The comparative data at December 31, 2014 differ from the figures published at that date, due to the reclassification of the contribution of the National Interbank Deposit Guarantee Fund (FITD) in the amount of €10 million, from Provisions for risks and charges to Other liabilities.

Condensed Income Statement

(€ million)

	YEAR		CHANGE	
	2015	2014	AMOUNT	PERCENT
Net interest	4,035	4,350	-315	- 7.2%
Dividends and other income from equity investments	1,476	1,381	+95	+ 6.9%
Net fees and commissions	3,868	3,746	+122	+ 3.3%
Net trading income	446	439	+7	+ 1.6%
Net other expenses/income	(86)	8	-94	n.s.
OPERATING INCOME	**9,739**	**9,924**	**-185**	**- 1.9%**
Payroll costs	(3,273)	(3,158)	-115	+ 3.6%
Other administrative expenses	(2,817)	(2,883)	+66	- 2.3%
Recovery of expenses	598	602	-4	- 0.7%
Amortisation, depreciation and impairment losses on intangible and tangible assets	(128)	(134)	+6	- 4.5%
Operating costs	**(5,620)**	**(5,573)**	**-47**	**+ 0.8%**
OPERATING PROFIT (LOSS)	**4,119**	**4,351**	**-232**	**- 5.3%**
Net write-downs of loans and provisions for guarantees and commitments	(2,667)	(2,796)	+129	- 4.6%
NET OPERATING PROFIT (LOSS)	**1,452**	**1,555**	**-103**	**- 6.6%**
Other charges and provisions	(622)	(132)	-490	+ 371.2%
Integration costs	(537)	17	-554	n.s.
Net income (losses) from investments	(2,008)	(939)	-1,069	+ 113.8%
PROFIT (LOSS) BEFORE TAX	**(1,715)**	**501**	**-2,216**	**n.s.**
Income tax for the year	274	(421)	+695	n.s.
Impairment of goodwill	-	-	-	-
NET PROFIT (LOSS)	**(1,441)**	**80**	**-1,521**	**n.s.**

Condensed Financial Accounts - Quarterly Figures

Condensed Balance Sheet

(€ million)

	AMOUNTS AS AT				AMOUNTS AS AT			
ASSETS	**12.31.2015**	**09.30.2015**	**06.30.2015**	**03.31.2015**	**12.31.2014**	**09.30.2014**	**06.30.2014**	**03.31.2014**
Cash and cash balances	2,460	2,426	2,273	1,862	2,325	2,641	2,755	3,777
Financial assets held for trading	13,721	13,230	12,862	14,735	16,166	16,025	15,030	14,712
Loans and receivables with banks	22,062	24,551	26,606	26,520	21,866	22,007	21,442	21,602
Loans and receivable with customers	215,175	216,575	216,814	224,193	220,649	217,603	223,123	233,679
Financial investments	112,362	110,992	114,403	111,798	108,026	105,387	103,005	101,373
Hedging instruments	8,714	9,000	9,002	10,776	10,468	9,916	9,396	8,366
Property, plant and equipment	2,405	2,582	2,580	2,587	2,583	2,567	2,569	2,637
Goodwill	-	-	-	-	-	-	-	-
Other intangible assets	6	5	1	1	1	1	1	1
Tax assets	12,554	11,890	11,882	11,260	12,047	12,616	13,228	13,994
Non-current assets and disposal groups classified as held for sale	238	961	998	1,037	55	279	804	367
Other assets	4,675	4,814	4,944	4,881	4,627	4,454	5,761	6,242
Total assets	**394,372**	**397,026**	**402,365**	**409,650**	**398,813**	**393,496**	**397,114**	**406,750**

(€ million)

	AMOUNTS AS AT				AMOUNTS AS AT			
LIABILITY AND SHAREHOLDERS' EQUITY	**12.31.2015**	**09.30.2015**	**06.30.2015**	**03.31.2015**	**12.31.2014**	**09.30.2014**	**06.30.2014**	**03.31.2014**
Deposits from banks	37,466	33,882	32,175	35,788	31,703	32,832	32,641	50,178
Deposits from customers and debt securities in issue	278,885	284,284	289,499	288,143	282,099	273,470	280,942	275,278
Financial liabilities held for trading	10,672	10,052	9,947	11,478	13,020	12,049	10,649	11,370
Financial liabilities designated at fair value	-	-	-	-	-	-	-	-
Hedging instruments	9,669	9,866	9,508	12,129	11,455	10,706	9,742	8,694
Provisions for risks and charges	2,601	1,978	2,044	2,099	2,037	1,893	1,884	1,992
Tax liabilities	152	148	62	304	224	55	66	354
Liabilities included in disposal group classified as held for sale	-	-	-	-	-	-	-	-
Other liabilities	8,402	10,214	10,246	10,919	10,102	12,781	13,022	12,495
Shareholders' Equity:	46,525	46,602	48,884	48,790	48,173	49,710	48,168	46,389
- capital and reserves	*47,151*	*47,198*	*47,224*	*47,438*	*47,369*	*47,381*	*46,359*	*45,640*
- available-for-sale assets fair value reserve, cash-flow hedging reserve and Defined benefits plans reserve	*815*	*684*	*427*	*1,236*	*724*	*837*	*751*	*643*
- net profit (loss)	*(1,441)*	*(1,280)*	*1,233*	*116*	*80*	*1,492*	*1,058*	*106*
Total liabilities and Shareholders' Equity	**394,372**	**397,026**	**402,365**	**409,650**	**398,813**	**393,496**	**397,114**	**406,750**

The comparative data at December 31, 2014 differ from the figures published at that date, due to the reclassification of the contribution of the National Interbank Deposit Guarantee Fund (FITD) in the amount of €10 million, from Provisions for risks and charges to Other liabilities.

Condensed Income Statement

(€ million)

	2015				2014			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Net interest	966	990	1,026	1,053	1,087	1,091	1,118	1,054
Dividends and other income from equity investments	64	(7)	1,411	8	17	3	1,348	13
Net fees and commissions	921	930	986	1,031	890	897	979	980
Net trading income	88	82	21	255	107	120	90	122
Net other expenses/income	(31)	4	(52)	(7)	(53)	(6)	57	10
OPERATING INCOME	**2,008**	**1,999**	**3,392**	**2,340**	**2,048**	**2,105**	**3,592**	**2,179**
Payroll costs	(795)	(818)	(836)	(824)	(823)	(767)	(763)	(805)
Other administrative expenses	(714)	(690)	(713)	(700)	(699)	(671)	(791)	(722)
Recovery of expenses	146	150	163	139	152	149	167	134
Amortisation, depreciation and impairment losses on intangible and tangible assets	(34)	(31)	(32)	(31)	(36)	(32)	(33)	(33)
Operating costs	**(1,397)**	**(1,389)**	**(1,418)**	**(1,416)**	**(1,406)**	**(1,321)**	**(1,420)**	**(1,426)**
OPERATING PROFIT (LOSS)	**611**	**610**	**1,974**	**924**	**642**	**784**	**2,172**	**753**
Net write-downs of loans and provisions for guarantees and commitments	(830)	(622)	(606)	(609)	(1,016)	(561)	(727)	(492)
NET OPERATING PROFIT (LOSS)	**(219)**	**(12)**	**1,368**	**315**	**(374)**	**223**	**1,445**	**261**
Other charges and provisions	(469)	33	(174)	(12)	(19)	(41)	(53)	(19)
Integration costs	(537)	-	-	-	18	-	(1)	-
Net income (losses) from investments	663	(2,557)	(56)	(58)	(1,216)	332	(35)	(20)
PROFIT (LOSS) BEFORE TAX	**(562)**	**(2,536)**	**1,138**	**245**	**(1,591)**	**514**	**1,356**	**222**
Income tax for the year	401	23	(21)	(129)	179	(80)	(404)	(116)
Impairment of goodwill	-	-	-	-	-	-	-	-
NET PROFIT (LOSS)	**(161)**	**(2,513)**	**1,117**	**116**	**(1,412)**	**434**	**952**	**106**

UniCredit Share

Share Information

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Share price (€)(*)											
- maximum	6.550	6.870	5.630	4.478	13.153	15.314	17.403	31.810	42.841	37.540	32.770
- minimum	4.910	5.105	3.238	2.286	4.222	9.820	4.037	8.403	28.484	30.968	22.592
- average	5.989	5.996	4.399	3.292	8.549	12.701	11.946	21.009	36.489	34.397	25.649
- end of period	5.570	5.335	5.380	3.706	4.228	10.196	14.730	9.737	31.687	37.049	32.457
Number of outstanding shares (million)											
- at period end(1)	5,970	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
- shares cum dividend	5,873	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
of which: savings shares	*2.48*	*2.45*	*2.42*	*2.42*	*2.42*	*24.2*	*24.2*	*21.7*	*21.7*	*21.7*	*21.7*
- average(1)	5,912	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
Dividend											
- total dividends (€ million)	706	697	570	512	(***)	550	550	(**)	3,431	2,486	2,276
- dividend per ordinary share	0.120	0.120	0.100	0.090	(***)	0.030	0.030	(**)	0.260	0.240	0.220
- dividend per savings share	0.120	1.065	0.100	0.090	(***)	0.045	0.045	(**)	0.275	0.255	0.235

(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.
Figures relating to the 2013 dividend are shown according to the specific Board of Directors' reports on the distribution to Shareholders.

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.

The Shareholders' Meeting of the May 13, 2015, approved the payment of dividends in the form of a "scrip dividend", with the assignment to shareholders who hold ordinary shares of one new share per fifty shares held, and to holders of savings shares one new share per seventy-two shares held. The assignment of the new shares occurred following a free share-capital increase, without affecting the shareholders' right to request payment of the dividend in cash (€0.12 per ordinary and savings share), in place of assignment of shares.
The Shareholders' Meeting also approved the partial distribution of 2014 and previous years profits, with payment of €0.945 per savings share, as preferred dividend.

Figures relating to the 2015 dividend are shown according to the specific Board of Directors' reports on the distribution to Shareholders and therefore, following the approval date of General Meeting Draft, already includes the increase of capital of last March 4, 2016.

Results of the year

Macroeconomic situation, banking and financial markets

International situation

USA/Eurozone

In the second half of 2015, the global recovery has remained uneven. Advanced economies have continued to benefit from households' greater purchasing power generated by low oil prices, favorable credit conditions and a strong improvement in both consumer and business confidence. Among the advanced economies, Japan is struggling to regain momentum, while the United States and UK continued to expand at a good pace. Growth prospects in emerging economies, however, have been hampered by structural hurdles and macroeconomic imbalances, aggravated in some cases by the tightening of financial conditions as well as the collapse in commodity prices. In China, economic growth continues to slow down due to multiple structural challenges, such as excess debt and capacity, and the difficult transition to a growth model focused on consumption rather than on exports. Despite these challenges the rate of GDP growth in 2015 likely stabilized at about 7%. Other emerging economies, such as Brazil, were affected by the collapse in revenues due to falling energy prices and the decline in commodity exports as well as growing political uncertainty and corruption scandals. Finally, Russia continues to struggle to recover from the impact of the financial crisis that hit the country at the end of 2014.

In the euro area, the recovery remains overall moderate. In the third quarter of 2015, GDP grew by 0.3% q/q, driven mainly by private consumption and, to a lesser extent, investment. The former benefited from the gain in purchasing power for consumers, the latter from improving credit conditions. External demand, however, was affected by the weakness of world trade, linked to the slowdown in emerging economies. At current levels, the PMIs indicate further expansion of GDP of 0.5% q/q in the fourth quarter of 2015, although hard data paint a slightly less favorable picture.

Inflationary dynamics remain subdued. In December, euro area's inflation rate was only 0.2%. The persistent weakness is mainly due to the price of energy goods. The "core" component (which excludes goods whose prices tend to show greater volatility as energy and food) also remains low, around 0.9%. At the meeting of the Governing Council held on December 3, the European Central Bank (ECB) boosted its monetary stimulus to bring inflation below, but close to 2%. The deposit rate was cut by 10bps, to -0.3%, while the asset purchase program (QE) will be extended until at least March 2017, while maintaining the monthly amount purchases to €60 billion. In addition, the ECB has decided to include debt instruments denominated in euro, issued by regional and local governments of the euro area in the list of assets eligible for purchases by the respective national central banks.

In the US, economic growth slowed in the third quarter to 2% q/q (annualized), after a strong expansion in the previous period. The economic performance benefits from rising consumer spending, driven both by an increase in nominal wages and greater purchasing power favored by low oil prices. Signs of weakness have emerged mainly in the expenditure for physical capital, as many companies operating in the energy sector have reduced their investments in the face of weakness in the oil market. As expected, in December 2015, the monetary policies of the Fed and the ECB started to diverge. For the first time since the crisis, the US central bank raised interest rates by 25bps amid a solid employment picture and despite weak inflationary pressures.

Banking and financial markets

In 2015, bank loans entered a recovery phase. In November 2015 (the latest data available), the annual growth rate of loans to the private sector in the euro area stood at 1.0% y/y, as opposed to the modest decline recorded at the end of 2014. Loans to households showed the largest improvement, although in recent months signs of recovery have emerged also for loans to non-financial corporations. In the three countries of reference for the Group, at the end of 2015, the contraction in corporate loans eased in Italy, which bodes well for expectations of a return to growth for corporate loans during 2016, in line with the expected recovery in fixed investment. Loans to households were characterized by a marked acceleration in the last months of 2015, also supported by a recovery in consumer credit. In Germany, lending to the private sector showed a strengthening in its pace of expansion, both for loans to households and corporates, recording rates of growth above those for the eurozone as a whole, while the lending recovery continued at a modest pace in Austria.

As for the funding of the system, at the end of 2015, the pace of growth of bank deposits was confirmed in all the three reference countries for the Group, mainly supported by an increase in sight deposits, at the expense of the medium and long-term funding (including bank bonds), consistently with the low yields of bank liabilities. During 2015, the context of ECB's expansionary monetary policy has supported a further gradual reduction in bank interest rates, both on loans and deposits, with the interest rates on bank deposits now not far from the zero percent rate. In all the three benchmark countries for the Group, therefore, a further gradual decline/stabilization of the bank spread (difference between the average rate on loans and the average rate on deposits) was in place.

Conditions in euro area financial markets have gradually improved between early September and early December after a period of high volatility due to the financial strains in China. In the final months of the year, stock markets in the euro area and the United States recorded a sharp recovery, largely offsetting the declines observed during the summer, thus ensuring a positive performance for the year as a whole. Among the three reference countries, the Italian stock exchange recorded the best performance, with growth of approximately 13% compared to December 2014, followed by the Austrian stock market and the German stock exchange (for the latter, growth compared to December 2014, was + 10%).

Results of the year

CEE Countries

2015 ought to have been a good year for CEE, with the recovery in the euro area gaining traction, prices for oil and other commodities plummeting and ultra-easy monetary policy stances in the major developed economies keeping interest rates near record lows and global liquidity ample. At the same time, however, as 2015 was drawing to a close, growing concerns about China and the potential fallout from the Fed's liftoff have resulted in heightened global market volatility, weighing on EM asset prices.

Against this background, economic performance in CEE has become increasingly divergent. Only the new EU members in central Europe (CEE-EU) have been able to fully benefit from the favorable external environment. Exports have surged thanks to their deep integration with the euro area, while the lack of macroeconomic imbalances has enabled them to pursue growth-supporting policies and strengthen resilience to external shocks. Financial markets have taken notice, with CEE-EU risk premia diverging from the EM trend and transforming the region into a "safe haven" for EM investors.

Real GDP growth in the CEE-EU last year ranged from 2.6% in Slovenia to 4.3% in the Czech Republic, the strongest since the global financial crisis. In the course of the year, growth increasingly shifted from net exports towards domestic demand. Consumption was boosted by markedly improved labor market conditions, and investment was spurred by improving confidence, renewed bank lending in most CEE-EU countries, and a surge in EU funds absorption as governments raced to utilize the allocations under the 2007-2013 budgeting period before they expire.
With growth above potential, output gaps have closed or diminished. Even so, thanks to slumping commodity prices and imported deflation from the euro area, inflation has been all but absent and current accounts balanced or in surplus, allowing authorities to pursue accommodative policies. Cyclically stronger revenues have enabled governments to ease fiscal stances without affecting fiscal deficits. Very low inflation and ECB's QE have prompted central banks to keep interest rates at record lows. Even so, currencies in the CEE-EU, unlike most other EMs, remained broadly stable against the EUR, and bond prices near record highs.

Elsewhere the outcome was quite different. While the rebound in EU growth has helped pull Croatia and Serbia out of recessions, at just above 1%, growth in both countries was subpar. This reflected both structural factors (a lesser degree of integration, smaller manufacturing sectors and less favorable investment climates), but also the need to pursue tighter fiscal policies to address growing public debt concerns. Nevertheless, the global liquidity glut and the pursuit by investors of higher yields has facilitated capital inflows, enabling both countries to comfortably meet their financing needs at lower spreads despite obvious vulnerabilities.
On this count Serbia, which runs a still sizable current account deficit remains more vulnerable than Croatia, which recorded a sizable surplus.

The region's most populous economies have done even worse. In Turkey, heightened political uncertainty for most of the year dented market confidence, weighing on growth and financial markets. Real GDP is likely to have expanded by just above 3%, less than potential and much less than what could be expected given the favorable external environment. At the same time, portfolio inflows have reversed, causing the TRY to weaken substantially and bond spreads to spike despite a modest decline in the headline current account deficit. The latter, however, reflected entirely terms of trade gains thanks to the drop in oil prices, as the underlying external position deteriorated, with export volumes stagnant despite the significant real depreciation and import volumes up. With growth driven entirely by domestic demand, inflation has accelerated to 8.8% despite the drop in energy prices.

Further east, Russia and Ukraine remain mired in deep recessions. In Russia, real GDP fell nearly 4%, with the downturn triggered by the combination of plummeting oil prices and sanctioned-induced capital outflows against the background of a structurally weakened economy. With oil revenues down by half, the authorities initially resorted to massive ruble devaluation to constrain domestic demand and prop-up the ruble value of oil related taxes. The result has been a double-digit drop in private consumption and double-digit inflation. More recently, however, as oil prices fell precipitously further, policies have shifted, with the government embarking on an ambitious fiscal adjustment and the CBR firmly focusing in bringing inflation down.
Ukraine fared worse in the region, with the economy likely to have contracted 10-11% last year. Most of the economic collapse took place in the first half and was driven by the disruptions caused by the war-related loss of a sizable chunk of the country's productive capacity in the east. This supply-side shock was reinforced by the adverse impact on demand of the otherwise unavoidable and long overdue macroeconomic adjustment. More recently, the economy appears to have stabilized, albeit at a depressed level. With the UAH broadly stable since March, price pressures have eased. Policies, guided by the modalities of the IMF program, have remained tight, but structural reforms have lagged. Insufficient progress in structural reforms, along with dysfunctional politics, have prevented the recovery and stabilization from taking a firmer hold, delaying foreign investment and IMF financing and weighing on confidence.

Main results and performance for the period

The income statement

Breakdown of operating profit

Net operating profit (loss) at December 31, 2015 totaled +€1,452 million, down €103 million (-6.6%) on the previous year.

The figure was the result of an operating profit of €4,119 million (-€232 million or -5.3% year on year) and net write-downs of loans of -€2,667 million (in decrease +€129 million or -4.6% year-on-year). The annual reduction in the operating profit (loss) on December 2014 is attributable to the decrease in operating income (-€185 million) due to lower net interest income collected in 2015 (-€315 million compared to the previous year), only partially offset by the increase in net fees and commissions (€122 million).

Net operating profit (loss)

(€ million)

	YEAR		CHANGE	
	2015	2014	AMOUNT	PERCENT
Operating income	9,739	9,924	-185	- 1.9%
Operating costs	(5,620)	(5,573)	-47	+ 0.8%
Operating profit (loss)	**4,119**	**4,351**	**-232**	**- 5.3%**
Net writedowns of loans and provisions for guarantees and commitments	(2,667)	(2,796)	+129	- 4.6%
Net operating profit (loss)	**1,452**	**1,555**	**-103**	**- 6.6%**

Operating income

At December 31, 2015, operating income totaled €9,739 million, down €185 million on the previous year (-1.9%). The reduction was largely attributable to net interest income (-7.2%) and net other expenses/income (-€94 million) , partially offset by the increase in net fees and commissions (+€122 million) and dividends (+€95 million).

Net interest income at December 2015 amounted to €4,035 million, down on the previous year -7.2%.
This decrease was mainly due to lower margins of short-term loans, due to the general presence of liquidity in the system and the particular competitiveness of the market, competitive in interest rates. On the other hand, worthy of note is the positive impact of longer term loans, increasing on previous year, and the trend of net interest income from deposits, thanks to the reduction in cost of funding.

In 2015, the Bank completed the annual Financial Plan, implementing a complete diversification of sources of medium/long-term funding. A particularly large contribution was made by Collateralized Securities (17% of issue made) and borrowing from Pan-national Bodies, aimed specifically at the development of commercial activities in Business Divisions (30% of issue made). Thanks to these instruments, the Bank placed about half of total issues expected in 2015 Financial Plan.
The Bank also confirmed its position of main player in public issues of senior notes (15% of issue made).

In 2015 the Bank also optimized the medium/long term cost of funding on the structural liquidity market, confirming 2014 and 2013 decreasing trend. 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 as well as an efficient funding mix.

Dividends and other income from equity investments recorded in 2015 came to €1,476 million, improving €95 million year on year. The difference was mainly attributable to amounts distributed by Pioneer Global Asset Management (+€130 million), Fineco Bank (+€59 million versus 2014) and UniCredit Factoring (+€23 million versus 2014), partially offset by lower amounts paid by UniCredit Bank AG (-€129 million compared to the previous year).

Net fees and commission income at December 31, 2015 totaled €3,868 million, up €122 million (+3.3%) 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 (€446 million) was essentially attributable to the gains from the sale of AFS securities (+€246 million), 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 (+€117 million) and gains from XVA (+€67 million).
Gains on "ordinary" repurchases of the Bank's bonds in the secondary market (+€27 million) and Bond Asset Backed Secured (ABS) (+€3 million) are offset by the negative effect (-€45 million) of the Tender Offer on our subordinated issues (so-called "Nemesis" and "Ariadne").

The contract signed with UniCredit Bank Austria connected to the sale of CAIB to UniCredit Bank AG was terminated in advance (as envisaged in the contract) generating a positive contribution of €1.6 million.

Results of the year

Total gains from Net trading income are almost flat (+€7 million) year-on-year. Mainly changes in comparison with previous year are attributable to the following:

- -€58 million from the valuation of the contract signed with UniCredit Bank Austria for the sale of CAIB to UniCredit Bank AG (terminated in advance);
- -€23 million from the sale of available for sale instruments. Specifically, 2014 saw positive benefits from the sales of Atlantia (€83 million) and Tassara S.p.A. (€32 million);
- + €67 million from XVA.

Other income/expenses at December 2015 amounted to -€86 million, down by -€94 million compared to the same period the previous year (positive imbalance of €8 million).
The main repercussions in 2015 referred to: expenses associated with corporate management (penalties related to initiatives to optimize the use of properties subject to rent payable contracts; compensations, refunds, services provided, recoveries, etc.), a portion of which is non-recurring as these relate to prospective projects aimed at improving efficiency.

Operating costs

The total for Operating Costs at the end of December 2015 amounted to -€5,620 million, recording a slight increase of €47 million (+0.8%) compared to the same period the previous year.

Staff expenses for -€3,273 million rose compared to the corresponding period in 2014 by approximately €115 million (+3.6%), due largely to the effects of the once off/non-recurring actions that took place during the previous period. This trend was mainly attributable to actions to contain the variable component of staff expenses undertaken during 2014, which resulted in the release of surpluses, compared with previous allocations. The change in the staff structure, which in terms of Full Time Equivalent (FTE) stands 41,867 at December 31, 2015, showed an increase of 143 FTE from the previous year.

Net impairment losses on loans

At December 31, 2015, net write-downs of loans and provisions for guarantees and commitments amounted to -€2,667 million, showing a year-on-year decrease of 4.6%. The cost of risk, measured as a ratio of average loans to customers is equal to 1.22%.

Net operating profit

Net operating profit (loss) showed a profit of €1,452 million, down €103 million compared to €1,555 million of 2014, mainly due to the lower net interest income partially offset by positive impact of net write-downs of 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	
	2015	2014	AMOUNT	PERCENT
NET OPERATING PROFIT (LOSS)	**1,452**	**1,555**	**- 103**	**- 6.6%**
Other charges and provisions	(622)	(132)	- 490	+ 371.2%
Integration costs	(537)	17	- 554	n.s.
Net income (losses) from investments	(2,008)	(939)	- 1,069	+ 113.8%
PROFIT (LOSS) BEFORE TAX	**(1,715)**	**501**	**- 2,216**	n.s.
Income tax for the year	274	(421)	+ 695	n.s.
Impairment of goodwill	-	-	-	-
NET PROFIT (LOSS)	**(1,441)**	**80**	**- 1,521**	n.s.

Other charges and provisions

Net provisions for risks and charges, totalled -€622 million compared to -€132 million in 2014, consider Deposit Guarantee Scheme (DGS) contribution (-€32 million), ordinary (-€73 million) and extraordinary (-€219 million) contribution to Single Resolution Fund established by European regulation. Remaining part (-€298 million) refers principally to tax and legal disputes.

Integration costs

Integration costs in 2015 totaled -€537 million due to the new Multi Year Plan incentive plans approved in late 2015.

Net income (losses) from Investments

Net income from investments was -€2,008 million, down by -€1,069 million on the 2014 period.
Specifically during 2015, write-downs/write-backs on equity was recognised for -€2,001 million (of which, -€2,053 million UniCredit Bank Austria, -€490 million UniCredit Leasing S.p.A., -€84 million Public Joint Stock Company Ukrsotsbank, -€37 million UniCredit Credit Management Bank S.p.A., -€37 million Compagnia Aerea Italiana S.p.A., -€34 million SIGREC S.p.A., -€12 million Torre SGR, +€426 million UniCredit Bank Ireland Plc,+€166 million Mediobanca S.p.A., +€102 million CNP UniCredit Vita S.p.A. and +€56 million UniCredit International Luxembourg S.A.).
In addition, -€15 million was recorded as write-downs - UCITS units - Private Equity classified as AFS and -€26 million of write-downs relating to AFS equity investments.
Finally, income of +€23 million is noted with regard to the sale of properties.

Taxes on income

Income tax for 2015 amounted to a positive €274.5 million, versus a negative value of -€421 million in 2014.

The key events with respect to tax regulations that have an impact in 2015 were:

- Art.1, paragraphs 20-24, of Law No.190 of December 23, 2014 (Stability Law 2015), introduced the deductibility for IRAP tax purposes of expenses incurred in relation to employees under permanent contracts;
- Art.16 of Law Decree No.83 of 27/6/2015 introduced - in full - the total deductibility in the same accounting year of write-downs and losses on loans both for IRES tax and IRAP tax purposes, compared to the previous rule that allowed them to be deducted over five years. Only for 2015, deductibility is not yet allowed in full but up to 75%.

The aggregate non-deducted portions (“old fifths and eighteenths” for tax deduction over five and eighteen years) on the basis of previous regulations has been recalculated across the period 2016-2025 according to a non-linear reversal method at specific percentages.

The tax expense (income) item of the Income Statement was positive at €274.5 million and consisted of:

- IRES income tax provision (current + deferred) of +€225 million;
- IRAP corporate tax provision (current + deferred) of -€4 million;
- a provision of -€3 million for taxation for transparency of black list foreign subsidiaries (CFC);
- a provision of -€15.6 million for taxes due from foreign branches in the respective countries;
- non-deductible taxes of -€2.1 million on foreign dividends received;
- extraordinary net income of +€32.6 million resulting from the revaluation at the tax return stage of tax items relating to 2014 that at the provision stage for the 2014 financial statement could only be estimated on the basis of non-definitive information;
- extraordinary income of +€41.6 million arising from the regulations on deferred deductibility of provisioned personnel costs, in

Results of the year

accordance with Italian Revenue Agency Circular 22/E of June 9, 2015 in application of Art.1, paragraphs 20-25 of Law No.190 of December 23, 2014.

The current portion of IRES tax fell by -€466 million to -€97.8 million due to the accounting loss and the increased deductibility of write-downs of loans.

The current portion of IRAP tax fell by -€273 million to -€73.2 million due to the deductibility of the cost of labor and the increased deductibility of write-downs of loans. The deduction of the cost of full-time labor for IRAP tax purposes resulted in a fall in the associated tax charge of €143 million.

In 2015 there was a further reduction of the eligible share of the benefit linked to the increase in shareholders' equity (ACE) - even though the rate used to calculate the benefit increased from 4 to 4.5% under the Stability Law 2014 (Law No.147 of December 27, 2013) due to 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. The benefit for 2015 was €23.8 million.

Net profit (loss)

The net loss for the period was €1,441 million compared to the net profit of €80 million of the same period of the previous year.

The Balance Sheet

Loans to Customers

Loans to customers at December 31, 2015 totaled €215,175 million, a reduction of €5,474 million (-2.5%) compared to December 31, 2014.

Loans and receivables with customers

(€ million)

	AMOUNTS AS AT		CHANGE	
	12.31.2015	12.31.2014	AMOUNT	PERCENT
Performing loans	160,387	167,678	-7,291	- 4.3%
Non-Performing exposures	26,364	25,838	+526	+ 2.0%
Repos	26,855	24,917	+1,938	+ 7.8%
Debt securities	1,569	2,216	-647	- 29.2%
Total loans and receivables with customers	**215,175**	**220,649**	**-5,474**	**- 2.5%**
of which:				
units operating in Italy	*213,955*	*219,216*	*-5,261*	*- 2.4%*
units operating abroad	*1,220*	*1,433*	*-213*	*- 14.9%*

This decrease essentially refers to the loans disbursed by the units operating in Italy (€213,955 million), which came down by €5,261 million compared to the figure at December 31, 2014 (€219,216 million).
More specifically:

- **performing loans** came down by €7,291 million (-4.3%);
- **Non-Performing exposures** increased by €526 million (+2.0%);
- **repos** went up by €1,938 million (+7.8%);
- **debt securities** fell by €647 million (-29.2%).

With regard to **performing loans** (€160,387 million at December 31, 2015), €4,063 million were recognised in respect of Special Purpose Vehicles (S.P.V.), attributable to the cash - which subsequent to the Bank's downgrading in 2012 by the Rating Agencies - UniCredit S.p.A. had to transfer (based on the contracts signed) to other Banks, which were still considered "eligible", in favour of the S.P.Vs transferring loans in the context of transactions originated by UniCredit S.p.A. relating to securitizations and the issuing of bank covered bonds.

Non-Performing exposures at the end of December 2015 amounted to €26,364 million and account for 12.3% of the total amount due from customers, mainly concentrated in the companies segment. The +2.0% growth in the aggregate trend compared to €25,838 million at the end of December 2014, reflects a trend that is still being impacted by the consequences of the financial crisis that hit the business sector over recent years, especially on the local front.
For the sake of completeness, the main influences on the aggregate trend can be ascribed to:

- the partial demerger of the business unit in favour of UniCredit S.p.A. with effect from January 1, 2015; the subsidiary UniCredit Credit Management Bank's "Non-core business" including a portfolio of impaired loans for €7,215.6 million with a value of €1,119.8 million recognised in the Balance Sheet;
- the sale of an impaired loans portfolio resulting from personal loans, consumer credit and current account overdrafts, for approximately €624 million in value; the transfer took place during the II quarter of 2015 for €51.7 million, which was substantially in line with the book value for the same positions.

Amounts due from **repos** at December 31, 2015 came to €26,855 million (€24,917 million at December 31, 2014), and consist almost entirely of the transactions with Cassa di Compensazione e Garanzia.

Debt securities at December 31, 2015 came to €1,569 million. The reduction in the aggregate can mainly be attributed to the regular amortisation of securities in the portfolio referring to the LOCAT SV - SERIES 2011 securitization transaction.

Credit Quality

As from the first quarter of 2015, the classification of credit according to risk categories was updated to incorporate the amendments in Banca d'Italia's Circular No.272 (see also Section 4 - Other Aspects of Part A - Accounting Policies in the Notes to the Financial Statements), which were subsequently included in Banca d'Italia's Circular No.262.

This update aims to adapt the previous classification to the definition of "Non-Performing exposure" (NPE) introduced by the European Banking Authority (EBA) through the issue of EBA/ITS /2013/03/rev1 24/7/2014. The total number of loans classified in the previously applicable categories that made up the perimeter of impaired credits at December 31, 2014 (bad loans, substandard loans, restructured and past-due/overdue impaired loans) were re-allocated into the new risk categories (bad loans, unlikely to pay, Non-Performing past-due/overdue loans) by:

a) eliminating the "Restructured loans" class and the re-implementation of the loans therein in the "Unlikely to pay" class;
b) reallocating loans previously classified as "Doubtful loans" in the "Unlikely to pay" and "Non-Performing Past-due loans" classes. In particular, loans for which the Bank believes that there is a condition of probable default as at the reporting date, regardless of the existence of any amounts or instalments overdue and unpaid, were reclassified in the "Unlikely to pay" class". Conversely, the past due items for which this condition does not apply have been reclassified in the "Non-Performing past-due" class.

The impaired assets as at December 31, 2014 restated according to new definitions introduced by the EBA were consistent with the impaired assets established in accordance with the previously applicable Banca d'Italia instructions.

The new definitions coming into effect resulted in these being prospectively applied in the credit processes, which were also involved in a process to adjust to the new classification rules.

At December 31, 2015 the nominal value of Non-Performing assets stood at €55,488 million, impacting at 22.6% on the total nominal loans to customers, showing an increase of 19.8% compared to December 31, 2014. The book value (net of the write-downs for investments for €29,124 million) for Non-Performing loans came to €26,364 million (€25,838 million at December 31, 2014), impacting the total for credits by 12.3% (11.7% at the end of 2014). The careful classification of Non-Performing Loans continued in 2015, with the incidence of Unlikely to pay loans (at nominal values) stood at 7.1% of the total amounts due from Customers (8.14% at the end of 2014), whereas the impaired past-due loans were at 0.6% of the total for loans (1.1% at the end of 2014); Bad loans which at December 31, 2015 included the portfolio that demerged with effect from January 1, 2015 from UniCredit Credit Management Bank - represented 14.9% of the total amount due from Customers (10.6% at the end of 2014 and 13.1% reconstructed at the same date, taking into account the effects of the demerger).

The coverage ratio on Non-Performing loans (adjustments in value in relation to the nominal value) was around 52.5% (46.6% at the end of December 2014 and 51.5% reconstructed at the same date, taking into account the effects of said demerger), broken down for 62.5% in Bad loans, 33.5% into loans classified as Unlikely to pay and 29.7% as Non-Performing past due loans.

In respect of performing loans, which amounted to a nominal value of €189,898 million (€196,145 million at December 31, 2014), write-downs were made for a total of €1,087 million at December 31, 2015, with a coverage ratio of 0.7% (0.68% at the end of December 2014).

The total for Amounts due from Customers therefore comes to a nominal €245,386 million, which underwent write-downs for €30,211 million bring the level of coverage for amounts due from Customers to 12.3% (9.8% at December 31, 2014 and 11.9% reconstructed at the same date, taking into account the effects of the demerger from UniCredit Credit Management Bank on January 1, 2015).

Results of the year

The summary table below provides additional details:

Loans to customers - asset quality

	BAD EXPOSURES	DOUBTFUL	RESTRUCTURED	UNLIKELY TO PAY	NON-PERFORMING PAST-DUE	TOTAL(*) NON-PERFORMING	PERFORMING LOANS	TOTAL LOANS
As at 12.31.2014								
Gross Exposure	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%*	
Transfers from old to new classes								
From Doubtful								
Gross Exposure		(17,611)		16,591	1,020			
Writedowns		(6,337)		6,035	302			
Carrying value		(11,274)		10,556	718			
From Restructured								
Gross Exposure			(3,317)	3,317				
Writedowns			(936)	936				
Carrying value			(2,381)	2,381				
As at 12.31.2014 according to new classes								
Gross Exposure	25,847			19,908	2,607	**48,362**	196,145	**244,507**
as a percentage of total loans	*10.57%*			*8.14%*	*1.07%*	***19.78%***	*80.22%*	
Writedowns	14,855			6,971	698	**22,524**	1,334	**23,858**
as a percentage of face value	*57.47%*			*35.02%*	*26.77%*	***46.57%***	*0.68%*	
Carrying value	10,992			12,937	1,909	**25,838**	194,811	**220,649**
as a percentage of total loans	*4.98%*			*5.86%*	*0.87%*	***11.71%***	*88.29%*	
As at 12.31.2015								
Gross Exposure	36,523			17,411	1,554	**55,488**	189,898	**245,386**
as a percentage of total loans	*14.88%*			*7.10%*	*0.63%*	***22.61%***	*77.39%*	
Writedowns	22,831			5,832	461	**29,124**	1,087	**30,211**
as a percentage of face value	*62.51%*			*33.50%*	*29.67%*	***52.49%***	*0.57%*	
Carrying value	13,692			11,579	1,093	**26,364**	188,811	**215,175**
as a percentage of total loans	*6.36%*			*5.38%*	*0.51%*	***12.25%***	*87.75%*	

(*) The perimeter of Impaired loans is equivalent to the perimeter of EBA NPE exposures.

For the recovery of Non-Peforming Loans (bad and unlikely to pay loans), the Banks makes use of the services of doBank S.p.A., a bank specialised in debt recovery.

Deposits from Customers and Debt Securities in Issue

Deposits from customers and debt securities in issue, totaling €278,885 million (-1.1%), recorded an decrease of €3,214 million compared to the end of 2014 due both to operating units in Italy (-€3,730 million) and operating units abroad (+€516 million).

Deposits from customers and debt securities in issue

(€ million)

	AMOUNTS AS AT		CHANGE	
	12.31.2015	12.31.2014	AMOUNT	PERCENT
Deposits from customers	181,574	167,990	+13,584	+ 8.1%
Debt securities in issue	97,311	114,109	-16,798	- 14.7%
Total deposits from customers and debt securities in issue	**278,885**	**282,099**	**-3,214**	**- 1.1%**
of which:				
units operating in Italy	*273,858*	*277,588*	*-3,730*	*- 1.3%*
units operating abroad	*5,027*	*4,511*	*+516*	*+ 11.4%*

Deposits from customers came to €181.574 million, an increase of €13,584 million on the end of 2014.
More specifically:
- current accounts and demand deposits increased by €11,749 million;
- time deposits increased by €2,116 million;
- repurchase agreements with customers decreased by €680 million;
- other types of deposits increased by €399 million.

Debt securities in issue, equal to €97,311 million, decreased in 2015 by €16,798 million attributable, for the Italian operating units, to bond issues (-€13,741), to certificates of deposit (-€2,030 million) and to "buoni fruttiferi" (-€1,102 million), while units operating in other countries reported an increase due to certificates of deposit (+€75 million).

Results of the year

Financial Investments

Financial investments came to €112,362 million, and showed an increase in 2015 of €4,336 million (+4.0%) resulting from the increases in available-for-sale financial assets (+€9,700 million), partly offset by the decreases in financial assets at fair value through profit or loss (-€57 million), held-to-maturity investments (-€814 million) and Equity investments (-€4,493 million).

Financial investiments

(€ million)

	AMOUNTS AS AT		CHANGE	
	12.31.2015	12.31.2014	AMOUNT	PERCENT
Financial assets at fair value through profit or loss	338	395	-57	- 14.4%
Available-for-sale financial assets	65,425	55,725	+9,700	+ 17.4%
of which: equity investments	*1,995*	*2,167*	-172	*- 7.9%*
debt securities, equity instruments and investments funds units	*63,430*	*53,558*	+9,872	*+ 18.4%*
Held-to-maturity investments	752	1,566	-814	- 52.0%
Equity investments	45,847	50,340	-4,493	- 8.9%
Total financial investments	**112,362**	**108,026**	**+4,336**	**+ 4.0%**
of which:				
units operating in Italy	*112,346*	*107,992*	*+4,354*	*+ 4.0%*
units operating abroad	*16*	*34*	*-18*	*- 52.9%*

More specifically:

- Available-for-sale financial assets included €63,430 million in debt and equity securities and units in investment funds - which posted an increase of €9,872 million primarily due to purchases of Italian government securities, net of redemptions - and €1,995 million in equity interests.
  Equity interests included in this portfolio posted a decrease of €172 million, attributable among other things to (i) the purchase of shares and capital contributions for €71 million (of which: €37 million Tirreno Power S.p.A., €12 million FPE (IT) S.p.A., €6 million Unipol SAI Assicurazioni S.p.A., €4 million Manitex International Inc.), (ii) the sale of shares for €273 million (of which: €257 million Banca d'Italia, €5 million Tikeau Capital Advisors., €5 million Aeroporto G. Marconi S.p.A.), which resulted in profits on sales of €9 million; (iii) the changes in fair value, charged to shareholders' equity - including an increase of €74 million (of which: €44 million Visa Europe Ltd., €15 million Cisalfa Sport S.p.A., €10 million Risanamento S.p.A.) and decreases of -€14 million (of which: €12 million Bank of Valletta Plc); (iv) impairment losses through profit or loss of €26 million (of which: €5 million FPE (IT) S.p.A., €5 million Cisfi S.p.A., €4 million Eurofidi S.p.A., €2 million Aedes S.p.A.).
- The value of equity investments at €45,847 million marks a decrease of €4,493 million that can mainly be attributed to:
  - the transactions involving the shareholding in UniCredit Credit Management Bank (UCCMB) during the year:
    - partial demerger in favour of UniCredit S.p.A. of the subsidiary's "Non-core business" unit, and the business unit relating to the property portfolio resulting from the operations of the former Capitalia of UniCredit Credit Management Immobiliare S.p.A. - UCCMI (100% subsidiary of UCCMB), and
    - the subsequent sale of the shareholding in UCCMB to third parties during the last quarter of 2015;
  - the write-downs carried out on equity investments on the Income Statement for €2,630 million, which include the write-down for impairment in the equity investment in UniCredit Bank Austria (€2,053 million), in UniCredit Leasing S.p.A. (€490 million), in Compagnia Aerea Italiana S.p.A. (€37 million), in SIGREC S.p.A. (€34 million), in Torre SGR (€12 million), in UniCredit Subito Casa S.p.A. (€2 million);
  - the write-backs recognised in the Income Statement for €750 million, relating to UniCredit Bank Ireland Plc (€426 million), Mediobanca S.p.A. (€166 million),CNP UniCredit Vita S.p.A. (€102 million), UniCredit International (Luxembourg) S.A. €56 million).

Among the other significant changes, note the capital contributions to SIGREC S.p.A. in liquidation of €37 million following the write-off of the shareholders' loan, to Creditras Assicurazioni S.p.A. of €20 million, to Cordusio SIM - Advisory and Family Office S.p.A. of €20 million, to Compagnia Aerea Italiana S.p.A. for €11 million, to UniCredit Subito Casa S.p.A. for €2 million and to OGR-CRT S.c.p.a. for €2 million.

Write-downs of equity investments through profit and loss also include the write-downs of the equity investment in Public Joint Stock Company Ukrsotbank (€84 million) and in UniCredit Credit Management Bank S.p.A. (€37 million), recorded in "Non-current assets and disposal groups classified as held for sale".

Interbank Position

The Bank recorded, under its financial activities, a net interbank position at the end of 2015 of assets (€22,062 million) and liabilities (€37,466 million) equal to -€15,404 million. Compared with the corresponding figures at the end of 2014 (net equal to -€9,837 million), the balance showed an increase in the net liabilities of -€5,567 million almost completely due to the increase in Deposits from banks (+€5,763 million).

In this regard, the above Deposits increase was mainly generated by the higher refinancing transactions carried out with the European Central Bank in the first part of 2015, in the context of the numerous initiatives implemented by the European Central Bank since 2014 to support the economic growth in the Euro zone.
Furthermore, the Banks showed a more stable trend of Loans and Receivable with Banks (+€196 million) along the liquidity surplus management supported by a sound trend of Customer deposits and the completion of the Yearly Funding Plan.

Interbank position

(€ million)

	AMOUNTS AS AT		CHANGE	
	12.31.2015	12.31.2014	AMOUNT	PERCENT
Loans and receivables with banks	**22,062**	**21,866**	**+196**	**+ 0.9%**
units operating in Italy	*21,884*	*21,660*	*+224*	*+ 1.0%*
units operating abroad	*178*	*206*	*-28*	*- 13.6%*
Deposits from banks	**37,466**	**31,703**	**+5,763**	**+ 18.2%**
units operating in Italy	*35,203*	*30,362*	*+4,841*	*+ 15.9%*
units operating abroad	*2,263*	*1,341*	*+922*	*+ 68.8%*
NET INTERBANK POSITION	**-15,404**	**-9,837**	**-5,567**	**+ 56.6%**
units operating in Italy	*-13,319*	*-8,702*	*-4,617*	*+ 53.1%*
units operating abroad	*-2,085*	*-1,135*	*-950*	*+ 83.7%*

Results of the year

Shareholders' Equity

Shareholders' equity at December 31, 2015 amounted to €46,525 million, a decrease compared to December 31, 2014, of €1,648 million, attributable to:

- +€93 million from the adjustment to the reserve dedicated to Equity Settled Share Based Payments;
- -€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;
- -€100 million from the usufruct fees 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;
- -€117 million from the allocation to the reserves of the coupon paid to subscribers of the aforesaid Additional Tier 1 notes, net of taxes;
- +€9 million from allocation to the reserves of the difference between the consideration received and the carrying value arising from the sale to Zagrebacka Banka D.D. of shares in UniCredit Bank D.D.;
- +€91 million from the net effect deriving from revaluation reserves, of which: +€162 million from available-for-sale financial assets, -€117 million from cash flow hedges and +€46 million from defined benefit plans;
- -€2 million from the distribution to savings shares of the preferred dividend, as decided by the Ordinary Shareholders' Meeting on May 13, when allocating the profit for the year 2014;
- -€6 million from allocations to social, welfare and cultural initiatives, also decided by the aforesaid Shareholders' Meeting to allocate the profit for the year 2014;
- -€169 million from 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 2014 be paid in cash in place of the free assignment of shares;
- -€1,441 million from the profit (loss) for the period.

Note the following significant changes in 2015 which, though reflected among the various components of shareholders' equity, did not change the overall amount thereof:

- the increase of €352 million in share capital following the free capital increases implemented:
  - the resolution of the Board of Directors of April 9, 2015 executed through a withdrawal of €55 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, 2015 relating to the payment of the "Scrip Dividend" for 2014, carried out by withdrawing €297 million from the pre-existing "reserve for allocating profits to shareholders through the issuance of new free shares";
- the Reserves reflect the changes resulting from the decisions of the Shareholders' Meeting of May 13, 2015, which led to the allocation of €50 million in profit from 2014 to the reserve connected to the medium-term incentive plan for Group staff and €21 million to the statutory reserve.

Shareholders' Equity

(€ million)

	AMOUNTS AS AT		CHANGE	
	12.31.2015	12.31.2014	AMOUNT	PERCENT
Share capital	20,258	19,906	+352	+ 1.8%
Share premium	15,977	15,977	-	-
Equity instruments	1,888	1,888	-	-
Reserves	8,753	9,323	-570	- 6.1%
Reserves for special revaluation laws	277	277	-	-
Treasury shares	(2)	(2)	-	-
Total capital and reserves	***47,151***	***47,369***	**-218**	***- 0.5%***
Revaluation reserves	815	724	+91	+ 12.6%
Net profit or loss	(1,441)	80	-1,521	n.s.
Total shareholders' equity	**46,525**	**48,173**	**-1,648**	**- 3.4%**

Capital Strengthening

During the year 2015 there were no transaction of capital strengthening.

Please note that on April 9, 2015 UniCredit's Board of Directors, pursuant to the powers conferred by the Extraordinary Shareholders' Meeting of April 29, 2011, the Extraordinary Shareholders' Meeting of May 11, 2012 and the Extraordinary Shareholders' Meeting of May 11, 2013, resolved to increase the share capital by €54,744,365.80 by issuing No.16,313,933 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, 2015, 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 €297,149,403.58, corresponding to No.87,534,728 ordinary shares and No.31,364 savings shares.
Therefore, the share capital of the Bank is now €20,257,667,511.62, divided in No.5,969,658,488 shares with no face value, of which No.5,967,177,811 ordinary shares and No.2,480,677 savings shares.

Shareholders

The share capital, fully subscribed and paid up, totaled €20,257,667,511.62 divided into No.5,969,658,488 shares with no face value, of which No.5,967,177,811 ordinary shares and No.2,480,677 savings shares.
At December 31, 2015, 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 333,000 shareholders;
- resident shareholders held around 31.58% of the capital and foreign shareholders 68.42%;
- 87% of the ordinary share capital is held by legal entities, the remaining 13% 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.	301,280,851	5.049%
BlackRock Inc.	299,912,608	5.026%
Fondazione Cassa di Risparmio Verona, Vicenza, Belluno e Ancona	206,864,640	3.467%
Central Bank of Lybia	174,765,354	2.929%
Fondazione Cassa di Risparmio di Torino	150,467,668	2.522%

(1) As a percentage of ordinary capital.

Treasury Shares

The treasury share balance was unchanged from year-end 2014 due to the fact that there were no transactions involving treasury shares in 2015.
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 12.31.2015	47,600
% on capital stock	n.s.
Carrying value as at 12.31.2015 €	2,440,001

Results of the year

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

(€ million)

	AMOUNTS AS AT	
	12.31.2015	12.31.2014
Common Equity Tier 1 Capital	41,742	43,294
Tier 1 Capital	44,475	45,509
Total own funds	54,281	53,306
Total RWA	190,394	206,405
Common Equity Tier 1 Capital Ratio	**21.92%**	**20.98%**
Tier 1 Capital Ratio	**23.36%**	**22.05%**
Total own funds Capital Ratio	**28.51%**	**25.83%**

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 No.575/2013. Moreover, in December 2013 Banca d'Italia published the "Circolare 285" which updated and adjusted to the new international regulation framework the rules on Italian banks and banking groups.

Italian banking groups are required to comply with the following minimum capital ratios: 4.5% CET1 ratio, 6% Tier 1 ratio and 8% Total Capital Ratio of 8%.
These minimum ratios are integrated by the combined buffer requirement which includes the capital conservation buffer, set at 2.5% for all Italian banking groups, extended, since January 2016, by the following, as applicable:

- institution specific coutercyclical capital buffer to be applied in the periods of excessive credit growth;
- global systemically important institution (G-SII) capital buffer for institutions relevant at global level;
- other systemically important institutions (O-SII) capital buffer for institutions relevant at local level.

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.

In March 2015 Banca d'Italia identified UniCredit banking group as a global systemically important institution (G-SII) authorized to operate in Italy(1). the UniCredit group is in the first subcategory of global systemic importance. According to the transition period envisaged under Directive 2013/36/EU (Capital Requirements Directive IV - CRD IV), the UniCredit group is required to maintain a capital buffer for the G-SIIs of an amount equal to 0.25% from January 1, 2016. This buffer must be increased annually by 0.25% to reach 1% no later than January 1, 2019. This decision was confirmed by Banca d'Italia in December 2015.
In January 2016 Banca d'Italia has identified the UniCredit, Intesa Sanpaolo and Monte dei Paschi di Siena banking groups as domestic systemically important institutions (other systemically important institutions, O-SIIs) authorized to operate in Italy. Banca d'Italia has also decided to set an additional capital buffer ('O-SII buffer') equal to zero per cent for 2016 for the three banking groups(2).

Following the results of the Supervisory Review and Evaluation Process (SREP) performed by European Central Bank (ECB), UniCredit is required to meet on a consolidated basis a CET1 ratio transitional of 9.75% as of January 1, 2016. The G-SIB buffer of 0.25% in 2016 has to be applied on top of SREP ratio.

As of December 31, 2015, UniCredit's CET1 ratio transitional on a consolidated basis was equal to 10.59% for regulatory purposes.

UniCredit's capital position remains above the minimum SREP requirement, including the phase-in G-SIB buffer, thanks to the ongoing and continued commitment to further internal capital generation as envisaged in UniCredit's Strategic Plan published on November 11, 2015.

The Board of Directors proposes the allocation of a dividend from profit reserves (the "Dividend"), executed in the form of a scrip dividend, totaling €704,742,537.84 and therefore equal - bearing in mind the redistribution in light of the Company's treasury shares and the ordinary shares used in support of the "Cashes" financial instruments - to €0.12 per savings and ordinary share.

This proposal is considered to be compliant with the recommendation issued by the European Central Bank on December 17, 2015 about dividend distribution policies - ECB/2015/49.

(1) The decision was taken pursuant to Banca d'Italia Circular No.285 on prudential regulations for banks, published on December 17, 2013, which implements the CRD IV rules in Italy and specifies the criteria on which the methodology for identifying the G-SIIs is based. The criteria and data required to identify and classify the G-SIIs among the various subcategories are listed in the Commission Delegated Regulation (EU) No.1222/2014 of October 8, 2014. The delegated regulation contains provisions consistent with the methodology used by the Basel Committee on Banking Supervision and the Financial Stability Board (FSB), in order to ensure that each year the banks identified as global systemically important institutions correspond to the European banks included on the FSB list, also published annually.
(2) The decision to identify the three banking groups as O-SIIs was taken pursuant to Banca d'Italia Circular No.285/2013 on prudential regulations for banks, which implements Directive 2013/36/EU (Capital Requirements Directive, CRD IV) in Italy and specifies the criteria on which the methodology for identifying the O-SIIs is based.
The assessment was carried out following the European Banking Authority Guidelines (EBA/GL/2014/10), which set out the criteria and the data required to identify O-SIIs in EU jurisdictions. The Guidelines are consistent with the rules set by the Basel Committee on Banking Supervision to identify systemically important banks at a national level, the goal being uniformity in the identification process at an international level.

Organizational Model

Significant organizational changes in second half of 2015

At the meetings on August 5 and September 24, 2015, the Board of Directors approved the creation of a new role of Deputy General Manager - who takes on the responsibilities for the Strategy & Finance area (which also includes the activities currently held by Planning, Finance & Administration) and the cancellation of the General Manager role with the contextual reallocation of responsibilities and activities to others top managers of the bank (CEO, Deputy General Managers, Country Chairman Italy).

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 Germany, Austria, Poland and the CEE Division to the Deputy General Manager responsible for CIB Division;
- the **Deputy General Manager**, responsible for **CIB Division** (which maintains the role as a Global Division), has a coverage role for the multinational customers ("Multinational"), for selected "Large corporate" clients with a strong potential demand for investment banking products, for the Financial and Institutional Groups (FIG) customers and for the Global Lines "Global Transaction Banking (GTB)", "Global Financing & Advisory (F&A)", "Markets", and for internationalization activities;
- the **Deputy General Manager - Chief Operating Officer** ("COO") concentrates under a sole responsibility all the managerial levers regarding the organizational, operational and service functions (included HR Management and Group Legal) - such as Organization, ICT, Operations, Security - responsible for supporting, also through the Group Global Service Factories, the sustainable business growth of the Group, ensuring the utmost quality of services provided and optimizing cost structures and Group's internal processes, and taking on the leadership of the digital transformation of the Group;
- the **Deputy General Manager**, responsible for **Strategy & Finance**, is in charge of the coordination of activities and processes related to the definition of corporate and Group strategies and goals, supporting Top management (e.g. definition of Group business portfolio, creation of expected value and capital absorption), the coordination of comprehensive process of planning and checks, finance and administration, the coordination of strategic partnerships and of the Asset Management business, besides assisting the Chief Executive Officer as for the management and supervision of the internal control system;

- the **CEE Division** coordinates the Group's activities in the countries of Central and Eastern Europe, aligning them to a single comprehensive business vision in the area;
- **Group Institutional & Regulatory Affairs** is responsible for developing the relations with institutional counterparts of interest for Group activities and managing the relationship with European Banking Supervisory Authorities (e.g. EBA, ECB) and Banca d'Italia;
- as far as the Italian perimeter is concerned, the **Country Chairman Italy** is responsible for all the coordination, control and development activities of the client segments (Family, First, Business First, Public Sector, Corporate e Private Banking) of the Italian perimeter, leveraging on a Network breaking down into 7 "Regions", a Special Network Italy and a Network dedicated to the Private Banking segment. The Country Chairman Italy also functionally coordinates the Legal Entities of its area (e.g. UniCredit Leasing S.p.A., UniCredit Factoring S.p.A., Cordusio Società Fiduciaria per Azioni, Cordusio Sim - Advisory & Family Office S.p.A., UniCredit Subito Casa S.p.A., UniCredit UK Trust Services Ltd.).
- the functions called **Competence Lines** (*Planning, Finance & Administration, Risk Management, Legal, Compliance, Internal Audit, Human Resources, Organization and Identity & Communications*) oversee the guidance, coordination and control of UniCredit's activities and manage the related risks.

Company activity

The commercial network

Operating structure in Italy

During 2015, UniCredit's domestic network was subject to the changes described below:

- closure of **146** branches (including the former "Agenzia TU" branches) and of 66 "Studi Private";
- simplification of the organizational structure of the Private Banking Division in two level: Principal Branches and Detached Branches;
- activation of **8** new Private Areas (now 76 overall, in full coplanarity with "Aree Commerciali" retail);
- reconciliation of Special Network sector directly employed by the Commercial Bank and the simultaneous elimination of the Special Network Italy Direction;
- opening of retail branch of Rende (CS).

As a result of the above, the structure of the domestic network at December 31, 2015 consisted of a total of **3,853** units, broken down as follows:

- **3,679** operating branch offices, of which 788 Districts, 1,161 Branches, 1,116 District Branches with Sales Manager, 120 District Branches without Sales Manager, 98 Branch Offices without Sales Manager, 118 Detached Branches, 24 retail branches to particular operations, 65 detachements, 129 Corporate Centers, 36 Special Network Corporate Centers,17 Operating Branch Offices and 7 Real Estate Areas;
- the Commercial Bank consisted of 7 Regions, 76 Sales Areas, which in turn were divided into 788 Districts, to which the operating branch offices report;
- Private Banking**: 172** PB Branches, of which 76 Principal Branches and 96 Detached 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, 2015, 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 12.31.2015	% BREAKDOWN
- Piedmont	411	10.7%
- Valle d'Aosta	19	0.5%
- Lombardy	476	12.3%
- Liguria	73	1.9%
- Trentino Alto Adige	72	1.9%
- Veneto	476	12.3%
- Friuli Venezia Giulia	133	3.4%
- Emilia Romagna	480	12.5%
- Tuscany	160	4.1%
- Umbria	83	2.2%
- Marche	83	2.2%
- Lazio	508	13.2%
- Abruzzo	41	1.1%
- Molise	32	0.8%
- Campania	190	4.9%
- Puglia	142	3.7%
- Basilicata	11	0.3%
- Calabria	27	0.7%
- Sicily	382	9.9%
- Sardinia	54	1.4%
Total branches	**3,853**	**100.0%**

Company activity

In particular, the network of the Commercial Bank is detailed as follows for Region and Commercial Areas:

NETWORK CCI	COMMERCIAL AREAS	BRANCHES
Region North-West	10	472
Region Lombardia	11	450
Region North-East	11	652
Region Centre-North	14	770
Region Centre	14	608
Region South	8	354
Region Sicily	8	373
Total	**76**	**3,679**

and network management for Private Banking Network:

NETWORK CCI	DIREZIONE NETWORK	BRANCHES
Private Banking Italy Network	PB Nord Ovest	31
	PB Lombardia	25
	PB Nord Est	29
	PB Centro Nord	36
	PB Centro	26
	PB Sud	16
	PB Sicilia	9
Total		**172**

The structure CIB Italy is articulated as follows:

BUSINESS LINE	DIREZIONE NETWORK/COMMERCIAL COVERAGE COMMERCIALE STRUCTURES	COMMERCIAL AREAS/COMMERCIAL COVERAGE COMMERCIALE STRUCTURES
CIB Italy	FIG Italy and Southern Europe Network	2

In addition, **7** “**Foreign Trade Centers**” and **40** “**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, 2015 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 12.31.2015

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		

(*) Formerly Branch of UniCredit Family Financing.
(**) Through the subsidiary BAVÁRIA SERVIÇOS DE REPRESENTAÇÃO COMERCIAL LTDA.

Resources

Personnel developments

At December 31, 2015, UniCredit S.p.A.'s headcount is 43,479 compared to 43,405 at December 31, 2014. The resulting slight increase of resources is primarily due to entry from other Group Companies.

Category

	12.31.2015		12.31.2014		CHANGE	
	TOTAL	*OF WHICH: OUTSIDE ITALY*	TOTAL	*OF WHICH: OUTSIDE ITALY*	IN TOTAL	PERCENT
Senior Management	1,224	*10*	1,220	*10*	+4	+ 0.3%
Management - 3rd and 4th grade	8,456	*55*	8,353	*71*	+103	+ 1.2%
Management - 1st and 2nd grade	13,217	*12*	13,249	*12*	-32	- 0.2%
Other Staff	20,582	*11*	20,583	*14*	-1	-
Total	**43,479**	***88***	**43,405**	***107***	**+74**	**+ 0.2%**
of which, Part-time staff	*5,544*	*-*	*5,311*	*-*	*+233*	*+ 4.4%*

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 44.7% of personnel.

Company activity

Breakdown by seniority

	12.31.2015		12.31.2014		CHANGE	
	NUMBER	PERCENT	NUMBER	PERCENT	AMOUNT	PERCENT
Up to 10	6,895	15.9%	7,659	17.6%	-764	- 10.0%
From 11 to 20 years	11,283	26.0%	10,833	25.0%	+450	+ 4.2%
From 21 to 30 years	12,696	29.2%	12,919	29.8%	-223	- 1.7%
Over 30	12,605	29.0%	11,994	27.6%	+611	+ 5.1%
Total	**43,479**	**100.0%**	**43,405**	**100.0%**	**+74**	**+ 0.2%**

Breakdown by age

	12.31.2015		12.31.2014		CHANGE	
	NUMBER	PERCENT	NUMBER	PERCENT	AMOUNT	PERCENT
Up to 30	1,182	2.7%	1,233	2.8%	-51	- 4.1%
From 31 to 40 years	8,715	20.0%	9,619	22.2%	-904	- 9.4%
From 41 to 50 years	14,543	33.5%	15,067	34.7%	-524	- 3.5%
Over 50	19,039	43.8%	17,486	40.3%	+1,553	+ 8.9%
Total	**43,479**	**100.0%**	**43,405**	**100.0%**	**+74**	**+ 0.2%**

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.

Report on corporate governance and ownership structure

Within the meaning of Section 123-bis paragraph 3 of the Legislative Decree No.58 dated February 24, 1998, the “Report on corporate governance and ownership structure” 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 2015 Unicredit S.p.A.’s Research and Development projects were mainly aimed at:

- setting and testing a new Master Data Management System that can be used as a seamless and drop-in replacement for current Masterdata inquiries to reduce costs, to scale-up and to respond faster than the legacy solution
- developing a mobile application with the Media Relation Department to stream press releases and other group wide communications. The solution contains analytics functions that collect feedbacks on the usage and on the diffusion of the different group communications;
- prototyping a new software for low latency data flow processing such as financial markets data and others from different strategic areas of the bank;
- defining new setups for the office environments rethinking the interaction between operators, customers and facilities realizing, for example, a new headless ATM;
- promoting the Open Source adoption - through Github and committing to existing projects;
- strengthening industrial and academic partnerships enabling the development of long-term solutions for UniCredit, as well as developing new network in the scientific environment.

Other information

Development of Group operations and other corporate transactions

Over 2015, UniCredit pursued new initiatives to develop high-growth businesses and to rationalise activities within the Group, while launching partnerships with leading counterparties to implement industrial projects with global ramifications so as to offer a better and more complete range of services to its customers. This included additional transactions on the Group's shareholding portfolio.

Initiatives to develop business, rationalise and establish partnerships

Strengthening the presence in Wealth Management

As part of its growth strategy focusing on businesses with high capital returns, UniCredit S.p.A. decided to strengthen its presence in Wealth Management in Italy by using a dedicated company as a hub, identified in the subsidiary Cordusio SIM - Advisory & Family Office S.p.A. ("Cordusio SIM"). This will offer a full package of investment management and consulting services for customers with over €5 million invested in financial assets (Ultra high Network Wealth Individuals, below UHNWI).
In this scenario, Cordusio SIM, duly licensed, receives the business unit UHNWI of UniCredit S.p.A. upon release of a capital increase. Following the above transaction Cordusio SIM, with a net worth of over 250 million, will manage assets totalling 24 billion with the goal to reach in 2018 30 billion of assets under management. The Company, in its new mission, can use fiduciary services in Italy as well as the international structures in the United Kingdom and Luxembourg.
The completion of the transaction is expected by 2016.
In preparation thereof, in 2015 a business combination was concluded with Atlantic SIM (a non-Group company).

Disposal of UniCredit Credit Management Bank

On October 30, 2015 UniCredit disposed the entire shareholding in UniCredit Credit Management Bank ("UCCMB"), the Bank within the Group focusing on the management and recovery of Non-Performing loans originated in Italy, including a portfolio of bad loans for €2.4 billion (gross value) to affiliates of Fortress Investment Group LLC ("Fortress). Simultaneously with the disposal, carried out following the subscription of an agreement in February 2015, a long-term strategic contract was concluded with the sold company (renamed doBank S.p.A.) for the management of current and future small and medium-sized loans of UniCredit S.p.A. and other Group entities. This transaction, falling under the reorganisation plan for UniCredit's credit recovery division, has a strong strategic rationale, and allows the Group to benefit, *inter alia* from:

- access to a specialised credit recovery platform, further enhanced by the considerable know-how of certain Fortress and Prelios affiliates (involved as industrial partners) regarding the management of impaired loans;
- the possible improved profitability of the Group in the future, thanks to the expected increase in the recovery performance on small and medium-sized files.

In preparation to sale of UCCMB shareholding, starting from January 1, 2015 a spin-off has become effective in favour of UniCredit S.p.A. of (i) the going concern of UCCMB dedicated to "non-core Business" and (ii) the real estate going concern of UCCMI (subsidiary controlled at 100% by UCCMB) and formerly belonging to Capitalia.

The disposal took place on October 30, 2015 with a substantially neutral impacts on UniCredit capital and net results, also taking into consideration the adjustment of value already recognised in the financial statements as at December 31, 2014.

Disposal of PJSC Ukrsotsbank to Alfa Group's ABH Holdings

On December 31, 2015 UniCredit signed a binding agreement for the disposal of Ukrsotsbank ("USB") to Alfa Group.
The transaction structure envisages UCG to contribute its exposure in USB to ABH Holdings S.A. ("ABHH" - a privately owned Luxembourg-based holding company investing into several banking activities in the CIS) in exchange for newly issued shares representing 9.9% stake of ABHH post transaction. Agreements foresee specific protection rights for both parties.
The signing of the agreement lead to an extraordinary charge, in the fourth quarter for the Bank, of ca. -€100 million, as net result of the disposal.
Based on the agreement the participation will continue being considered as Held-for-Sale (IFRS5).

As next step, the parties will be seeking the necessary regulatory approvals. The closing of the transaction is expected to happen in 2016.

Pioneer Investments and Santander Asset Management: creating a global leader in asset management

On April 2015, UniCredit, Santander and affiliate companies of Warburg Pincus and General Atlantic (together "Sponsor Entity") reached a non-binding preliminary and exclusive agreement to integrate Pioneer Investments and Santander Asset Management, bringing into being a leading global company in the field of asset management (about €400 billion asset under management), with a strong global footprint and trade capabilities and relations throughout the world.
Pioneer and Santander Asset Management will combine their complementary platforms, investment skills and trade relations in order to provide the new entity with a more complete offering of products and services for its customers.

The preliminary agreement envisages the set-up of a holding company which will control Pioneer's operations in the United States along with the combination of Pioneer and Santander Asset Management outside the United States. UniCredit and the Sponsor Entity will each hold 50% of the holding company, which in turn will hold 100% of the assets of Pioneer in the USA and 66.7% of the company resulting from the integration of the non-USA assets of Pioneer and Santander Asset Management, while Santander will directly own the remaining 33.3% of the latter company.
The combined entity will continue to operate as a single global organization focused on meeting the investment needs of its customers worldwide.

On November 2015, the parties have signed a binding master agreement and started the necessary regulatory and other approvals in many of the markets where Pioneer Investments e Santander Asset Management have a presence.
The full closing of the transaction is expected to occur in 2016.
The shareholding has not been classified among the Held for sale assets (IFRS5) since the related conditions were not satisfied as at December 31, 2015.

Creation of a platform for managing loans in restructuring with Intesa SanPaolo and KKR

In June 2015, Intesa SanPaolo, UniCredit and KKR Credit, a part of KKR & Co. L.P. reached an agreement, based on the fulfilment of certain conditions precedent, whereby they would transfer their exposures in loans and equity relating of a selected number of companies, that are undergoing a process of loan restructuring, into a securitization vehicle and a newco respectively, both managed by the Italian platform launched by KKR Credit.
The objective of the platform is to provide certain medium-large Italian industrial companies with new capital and operational capabilities, while supporting their management for the purpose of receiving the payment of the loans granted. In the future, the platform will also be open to other banks and companies that can benefit from new capital and additional functional support.
The purpose of the transaction is to allow companies to regain their financial balance, grow once again and create value for all stakeholders, including the current shareholders of the companies and banks, which will share the positive returns resulting from the recovery in the companies' performance and the value of the relevant assets recorded in the balance sheet.
According to this agreement, in December UniCredit S.p.A. securitized through the vehicle Pillarstone Italy SPV S.r.l. (established pursuant to Law 130/99) the loans provided to the companies Comital, Rainbow, Lediberg and Burgo, for an overall amount of nominal €288 million. Being the conditions set in IAS39 not satisfied with reference to the derecognition, this transfer did not lead to the write-off of the loans, therefore the latter are still included in the financial statements of UniCredit S.p.A.

Other transactions and initiatives involving shareholdings

Shareholding in Coinv S.p.A.

With reference to the associate in Coinv S.p.A., during 2015, in order to give further boost to the continuous growth strategy of Pirelli with the strengthening in the "industrial" tire sector and the penetration in the Chinese market, China National Tire & Rubber Corporation (CNRC), a subsidiary of China National Chemical Corporation, on the one hand, and Camfin SpA, Long-Term Investments Luxembourg SA (LTI) and Coinv SpA (the latter vehicle in which UniCredit holds 12%) on the other, reached an agreement which resulted in:

- the purchase of a new company (controlled by CNRC) of 26.2% of Pirelli held by Camfin and partial reinvestment of the proceeds received from Camfin in the capital of Newco;
- the simultaneous signing of a shareholders' agreement between the shareholders of the NewCo, with clauses relating to, among other things, corporate governance and the transfer of shares of Pirelli;
- the subsequent launch by the same Newco of a mandatory tender offer on the minorities of Pirelli (priced at €15.00 per share), which was completed during the fourth quarter of 2015 with the acquisition of all the ordinary shares and almost all of the savings shares and the subsequent delisting of Pirelli;
- the output of LTI capital of Camfin through a buy-back of own shares by Camfin, part of which was set by the sale of NewCo shares and the remainder in cash.

Upon completion of the various phases of the operation, Coinv controls 100% of Camfin (net of treasury shares held at the same Camfin), which holds a stake of 22.4% in NewCo (65% controlled by CNRC and owned the remaining 12.6% from LTI). Under existing agreements, Camfin has an option to raise its stake in NewCo to 37.3%, with simultaneous dilution of the other shareholders.

Other information

Conversion of tax credit

Consequent to Resolution No.55 of May 29, 2015, the Italian Revenue Agency recognized the convertibility, for tax purposes, into tax credits of a portion of deferred tax assets relating to the detaxation of goodwill under Article 23, paragraph 12 of Law Decree No.98 of December 2, 2011 (which introduced paragraph 10-bis to Article 15 of Law Decree No.185 of November 29, 2008) which was pending clarifications since Banca d'Italia Communication of May 8, 2013 did not recognize deductibility for the purposes of calculating Core Tier 1. Therefore, the additional amount of €114 million was therefore converted into tax credits in light of the accounting loss recognized in the 2013 financial statements.

Transactions with related parties

The table below shows the assets, liabilities, guarantees and commitments outstanding as at December 31, 2015, 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	37,549	35,880	13,016
Joint Ventures	20	58	3,410
Associates	1,634	1,064	179
Key Management Personnel	2	6	-
Other related parties	124	143	29
Total	**39,329**	**37,151**	**16,634**

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) according to the "Global policy for the management of transactions with persons in conflict of interest" adopted by the Board of Directors of UniCredit S.p.A. on February 11, 2015, and published on the website www.unicreditgroup.eu, during 2015 Bank's Presidio Unico received a report of a transaction of greater importance. Specific disclosure on this transaction, ended in the period, was provided to Consob;

b) during 2015, no transactions with related parties as defined by Article 2427, paragraph 22-bis of the Civil Code was conducted, under different conditions from normal market conditions and materially affecting the Group's financial and economic situation;

c) during 2015, 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.

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[3]

Upon Consob's request, pursuant to Art.114, paragraph 5, Legislative Decree. No.58/1998, with reference to news in the press concerning the ECB's attention to the high levels of Non-Performing Loans held by European banks, UniCredit announces, on January 18, 2016, that in the framework of its 2016 activities, the ECB has launched an assessment of NPLs involving a number of other banks.

On January 21, 2016 UniCredit S.p.A. launched a tender offer for repurchase 10 different issues of Tier II e Lower Tier II subordinated notes in circulation for redemption dates between 2019 and 2022 and for a total nominal value of €1.8 billion.
The offer started on January 25, 2016 to close on February 16, 2016 and is totally cash without exchange of other securities; the holders of the existing notes who tendered them to the offer before February 9, 2016, date of publishing of UniCredit annual report for the year 2015, are entitled to withdraw their acceptances before offer expiry date.
The tender offer will allow UniCredit to optimize the profile of its liabilities, repurchasing the existing notes that no longer qualify as Tier 2 instruments in the own funds of the offeror and are therefore inefficient from a regulatory perspective.

On February 5, 2016, an understanding was reached with the Trade Union organizations and an agreement was signed regarding the consequences of the 2018 Strategic Plan of the UniCredit Group for Italy.
The agreement sets out the creation of a retirement plan with the foundation of an Extraordinary Solidarity Fund on a voluntary basis with a duration of 36 months, aimed at professional and executive roles. 3,100 employees are expected to take this option.

(3) Up to the date of approval by the Board of Directors' Meeting of February 9, 2016

Outlook

In the second half of 2015, the global recovery has remained uneven. Advanced economies have continued to benefit from households' greater purchasing power generated by low oil prices, favorable credit conditions and a strong improvement in both consumer and business confidence. Among the advanced economies, Japan is struggling to regain momentum, while the United States and UK continued to expand at a good pace. Growth prospects in emerging economies, however, have been hampered by structural hurdles and macroeconomic imbalances, aggravated in some cases by the tightening of financial conditions as well as the collapse in commodity prices. In China, economic growth continues to slow down due to multiple structural challenges, such as excess debt and capacity, and the difficult transition to a growth model focused on consumption rather than on exports. The GDP growth rate in 2015 likely stabilized at about 7%. Other emerging economies, such as Brazil, were affected by the collapse in revenues due to falling energy prices, as well as growing political uncertainty and corruption scandals. Finally, Russia continues to struggle to recover from the impact of the financial crisis that hit the country at the end of 2014. Conditions in euro area financial markets have gradually improved between early September and early December after a period of strong volatility due to the financial turmoil in China. In the final part of the year, stock markets in the euro area and the United States recorded a sharp recovery, largely offsetting the declines observed during the summer.

In the euro area, the recovery remains overall moderate. In the third quarter of 2015, GDP grew by 0.3% qoq, driven mainly by private consumption and, to a lesser extent, investment. The former benefited from the gain in purchasing power for consumers, the latter from improving credit conditions. External demand, however, was affected by the weakness of world trade, linked to the slowdown in emerging economies. At current levels, the PMIs confidence indicators indicate further expansion of GDP of 0.5% qoq in the fourth quarter of 2015, although hard data paint a slightly less favorable picture. In Italy, economic activity expanded by 0.2% qoq in 3Q15, slightly lower than the growth rate in the first half of 2015. Despite a strengthening in the recovery of private consumption, the slowdown in GDP growth was essentially due to the weakness in world trade, which dragged down export performance, and to a halt in fixed investment, with the recovery in transport investment not being sufficient to offset the decline of investment in machinery and equipment. In the fourth quarter of 2015, Italian economic growth is expected to show a moderate acceleration, supported by a strengthening of the recovery in domestic demand (not only private consumption but also fixed investment) and a moderate recovery in exports, thanks to demand from advanced economies and a positive impulse from the weak exchange rate. The economic recovery, together with the action taken by the European Central Bank (ECB) since mid-2014, supported an improvement in both the demand for and supply of loans to non-financial corporations. Lending to the private sector in Italy showed a slight expansion towards the end of 2015, also due to an easing of the pace of contraction in corporate loans.

Inflationary dynamics remain subdued. In December, the inflation rate for the euro area was only 0.2%. The persistent weakness is mainly due to the collapse in energy prices. The "core" component (which excludes volatile goods like energy and food) also remains low, around 0.9%. As expected, in December 2015, the monetary policies of the Fed and the ECB started to diverge. For the first time since the crisis, the US central bank has raised interest rates by 25bps in response to a solid employment picture and despite weak inflationary pressures. The ECB, for its part, considered necessary the adoption of further monetary stimulus to bring inflation below, but close to 2%. The deposit rate was cut by 10bps, to -0.3%, while the asset purchase program (QE) will be extended until at least March 2017, while maintaining the monthly amount purchases to EUR 60 billion. In addition, the ECB has decided to include debt instruments denominated in euro, issued by regional and local governments of the euro area in the list of assets eligible for purchases by the respective national central banks.

The Group looks confidently towards 2016 as forecasts for the recovery of the global macro cycle have improved recently. This is particularly evident for growth in Italy, were expectations for GDP have risen significantly in recent months. Even though the level of interest rates remains extraordinary low the Group aims to improve its overall profitability thanks to three levers: firstly, the aim is to increase revenues thanks to an increase in "core" loans and by providing more services, particularly in the asset management business where total assets under management have been increasing significantly in recent years. Secondly, the improving trend in asset quality and the resulting impact in the cost of risk is likely to continue as the macroeconomic situation brightens up, especially in Italy. Thirdly, as outlined in the new strategic plan, the Group will further intensify its focus on cost containment. Furthermore, the newly announced policy measures of the ECB will contribute to keeping the Group's cost of funding very low. The Group will also intensify its efforts to maintain its capital base solid and to strengthen its liquidity position.

Milan - February 9, 2016

CHAIRMAN
GIUSEPPE VITA

THE BOARD OF DIRECTORS
CEO
FEDERICO GHIZZONI

Daddy, are you done working yet?

Let’s talk about lending a hand to entrepreneurs.

Being an entrepreneur often means that the line between work and private life is very thin. Sometimes it just does not exist, as is the case with Matteo and Giacomo’s father: He wants to balance everything by himself, but often he just can’t make that happen.

But help is closer than it looks. When you think about the ways banks can support private businesses, you probably think about financing, or special current accounts for small enterprises.

Our Italian colleagues were able to look beyond that when they created My Business Manager. To help small entrepreneurs in their everyday lives, My Business Manager is an online report that enables them to continuously monitor and forecast flows, transactions, payments, receipts, invoices and credit.

It’s just like having a personal manager who handles the administration while you take care of your business. Easy, isn’t it?

Thanks to this simple interface, entrepreneurs like Matteo and Giacomo’s dad can check their business at a glance and be faster in all of their transactions and, above all, spend more time with their families.

Proposal to Shareholders' Meeting

For the proposals to Shareholders' Meeting refer to specific Board of Directors' report in relation to:

- allocation of result for the year 2015;
- distribution of a dividend from company profit reserves in the form of a scrip dividend;
- increase of legal reserve.

I'd rather play basketball.

Let's talk about making the right investments.

Nina's father thinks she has a future as a dancer, but she has other plans. What exactly? Well, actually, she changes her mind every day … basketball player, pop singer, pianist, actress. Right now, she's probably just not mature enough to invest seriously in her future. But Nina's father doesn't see that. He could use some wise advice.

Everyone has different goals and needs – and everyone can use a good consultant to help meet them. That's why we take care of each of our customers by tailoring our solutions to their individual needs.

This premium approach is especially popular with our clients in Germany, thanks to the FinanzKonzept project, which provides an interactive consulting platform for integrated advice.

This is financial counseling 2.0: Smart, transparent, available via video and telephone, from advisors with the right skills. We are doing this because, in a world of data and numbers, it makes a difference to have a personal relationship with clients and figure out together what to expect from the future.

Company Financial Statements

In addition to what has already been specified in the Notes at the bottom of the Contents, please note that:
- "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

Balance Sheet

Balance Sheet

(€)

BALANCE SHEET - ASSETS	AMOUNTS AS AT 12.31.2015	AMOUNTS AS AT 12.31.2014
10. Cash and cash balances	2,460,123,105	2,324,945,243
20. Financial assets held for trading	13,720,643,922	16,165,889,326
30. Financial assets at fair value through profit or loss	338,295,453	395,501,895
40. Available-for-sale financial assets	65,424,747,740	55,725,023,162
50. Held-to-maturity investments	751,807,953	1,565,887,092
60. Loans and receivables with banks	22,062,498,699	21,865,747,058
70. Loans and receivables with customers	215,174,711,235	220,649,120,433
80. Hedging derivatives	6,405,356,900	7,842,137,399
90. Changes in fair value of portfolio hedged items (+/-)	2,309,155,751	2,626,300,944
100. Equity investments	45,847,175,443	50,339,369,659
110. Property, plant and equipment	2,405,407,416	2,582,507,703
120. Intangible assets	5,509,461	1,285,280
of which: - goodwill	-	-
130. Tax assets	12,554,411,647	12,046,618,915
a) current tax assets	*805,803,481*	*773,083,079*
b) deferred tax assets	*11,748,608,166*	*11,273,535,836*
of which for purposes of L. 214/2011	*11,354,076,328*	*10,503,951,460*
140. Non-current assets and disposal groups classified as held for sale	238,358,640	55,231,602
150. Other assets	4,674,078,440	4,627,489,264
Total assets	**394,372,281,805**	**398,813,054,975**

(€)

BALANCE SHEET - LIABILITIES AND SHAREHOLDERS' EQUITY	AMOUNTS AS AT 12.31.2015	AMOUNTS AS AT 12.31.2014
10. Deposits from banks	37,466,490,120	31,703,099,960
20. Deposits from customers	181,573,565,455	167,989,749,017
30. Debt securities in issue	97,311,533,237	114,109,332,713
40. Financial liabilities held for trading	10,671,552,238	13,020,472,032
50. Financial liabilities at fair value through profit or loss	-	-
60. Hedging derivatives	6,629,618,425	7,606,128,032
70. Changes in fair value of portfolio hedged items (+/-)	3,039,174,156	3,848,482,192
80. Tax liabilities	152,030,669	223,636,955
a) current tax liabilities	*142,239,520*	*223,636,955*
b) deferred tax liabilities	*9,791,149*	-
90. Liabilities included in disposal groups classified as held for sale	-	-
100.Other liabilities	7,373,932,982	9,043,865,479
110. Provision for employee severance pay	1,028,374,419	1,059,051,641
120. Provisions for risks and charges	2,601,453,029	2,036,873,658
a) post retirement benefit obligations	*735,894,822*	*829,326,094*
b) other provisions	*1,865,558,207*	*1,207,547,564*
130. Revaluation reserves	1,092,027,055	1,001,109,067
150. Equity instruments	1,888,463,450	1,888,463,450
160. Reserves	8,753,683,190	9,323,078,472
170. Share premium	15,976,604,463	15,976,604,463
180. Share capital	20,257,667,512	19,905,773,742
190. Treasury shares (-)	(2,440,001)	(2,440,001)
200. Net profit (loss) for the year (+/-)	(1,441,448,594)	79,774,103
Total liabilities and Shareholders' Equity	**394,372,281,805**	**398,813,054,975**

Income Statement/Statement of Comprehensive Income

Income Statement

(€)

ITEM	YEAR 2015	YEAR 2014
10. Interest income and similar revenues	7,287,626,938	8,781,262,857
20. Interest expenses and similar charges	(3,252,384,982)	(4,431,349,165)
30. Net interest margin	**4,035,241,956**	**4,349,913,692**
40. Fee and commission income	4,205,454,685	4,024,773,110
50. Fee and commission expense	(368,170,617)	(365,841,811)
60. Net fees and commissions	**3,837,284,068**	**3,658,931,299**
70. Dividend income and similar revenue	1,475,529,410	1,381,468,997
80. Gains and losses on financial assets and liabilities held for trading	194,509,003	149,253,796
90. Fair value adjustments in hedge accounting	7,386,379	4,928,797
100. Gains (Losses) on disposal and repurchase of:	204,918,442	323,136,453
a) loans	*(25,867,903)*	*44,711,967*
b) available-for-sale financial assets	*246,497,724*	*269,326,098*
c) held-to-maturity investments	*(2)*	*2*
d) financial liabilities	*(15,711,377)*	*9,098,386*
110. Gains and losses on financial assets/liabilities at fair value through profit or loss	13,161,224	6,197,210
120. Operating income	**9,768,030,482**	**9,873,830,244**
130. Net losses/recoveries on impairment:	(2,667,654,568)	(3,035,081,791)
a) loans	*(2,593,265,051)*	*(2,684,364,596)*
b) available-for-sale financial assets	*(41,124,605)*	*(239,628,045)*
c) held-to-maturity investments	-	-
d) other financial assets	*(33,264,912)*	*(111,089,150)*
140. Net profit from financial activities	**7,100,375,914**	**6,838,748,453**
150. Administrative costs:	(6,949,656,706)	(5,994,225,368)
a) staff expense	*(3,810,497,955)*	*(3,140,960,747)*
b) other administrative expense	*(3,139,158,751)*	*(2,853,264,621)*
160. Net provisions for risk and charges	(298,586,948)	(121,863,290)
170. Impairment/write-backs on property, plant and equipment	(129,068,119)	(141,467,442)
180. Impairment/write-backs on intangible assets	(1,103,465)	(398,392)
190. Other net operating income	527,007,770	611,857,609
200. Operating costs	**(6,851,407,468)**	**(5,646,096,883)**
210. Profit (loss) of investments	(1,998,575,823)	(694,495,451)
230. Impairment of goodwill	-	-
240. Gains and losses on disposal of investments	33,655,491	2,680,169
250. Total profit or loss before tax from continuing operations	**(1,715,951,886)**	**500,836,288**
260. Tax expense (income) related to profit or loss from continuing operations	274,503,292	(421,062,185)
270. Total profit or loss after tax from continuing operations	**(1,441,448,594)**	**79,774,103**
290. Net profit or loss for the year	**(1,441,448,594)**	**79,774,103**

Statement of Comprehensive Income

(€)

ITEMS	YEAR 2015	YEAR 2014
10. Net profit (loss) for the year	**(1,441,448,594)**	**79,774,103**
Other comprehensive income after tax not reclassified to profit or loss		
20. Property, plant and equipment	-	-
30. Intangible assets	-	-
40. Defined benefit plans	46,265,150	(114,307,756)
50. Non-current assets classified as held for sale	-	-
60. Portion of revaluation reserves from investments valued at equity	-	-
Other comprehensive income after tax that may be reclassified to profit or loss		
70. Hedges of foreign investments	-	-
80. Exchange differences	-	-
90. Cash flow hedges	(117,663,209)	(87,430,365)
100. Available-for-sale financial assets	162,348,412	536,335,032
110. Non-current assets classified as held for sale	-	-
120. Valuation reserves from investments accounted for using the equity method	-	-
130. Total other comprehensive income after tax	**90,950,353**	**334,596,911**
140. Comprehensive income after tax (Item 10+130)	**(1,350,498,241)**	**414,371,014**

Statement of changes in Shareholders' Equity

Statement of changes in Shareholders' Equity as at December 31, 2015

(€)

						CHANGES DURING THE YEAR								
				ALLOCATION OF PROFIT FROM PREVIOUS YEAR			SHAREHOLDERS' EQUITY TRANSACTIONS							
	BALANCE AS AT 12.31.2014	CHANGE IN OPENING BALANCE	BALANCE AS AT 01.01.2015	RESERVES	DIVIDENDS AND OTHER ALLOCATIONS	CHANGES IN RESERVES	ISSUE OF NEW SHARES	ACQUISITION OF TREASURY SHARES	DISTRIBUTION OF EXTRAORDINARY DIVIDENDS	CHANGE IN EQUITY INSTRUMENTS	OWN SHARE DERIVATIVES	STOCK OPTIONS	COMPREHENSIVE INCOME 2015	SHAREHOLDERS' EQUITY AS AT 12.31.2015
Issued capital:	19,905,773,742	-	19,905,773,742	-	-	-	351,893,770	-	-	-	-	-	-	20,257,667,512
a) ordinary shares	19,897,461,892	-	19,897,461,892	-	-	-	351,787,596	-	-	-	-	-	-	20,249,249,488
b) other shares	8,311,850	-	8,311,850	-	-	-	106,174	-	-	-	-	-	-	8,418,024
Share premiums	15,976,604,463	-	15,976,604,463	-	-	-	-	-	-	-	-	-	-	15,976,604,463
Reserves:	9,323,078,472	-	9,323,078,472	71,459,502	-	(213,417,333)	(351,893,770)	-	(168,751,280)	-	-	93,207,599	-	8,753,683,190
a) from profits	4,116,784,266	-	4,116,784,266	71,459,502	-	9,091,098	(351,893,770)	-	(168,751,280)	-	-	-	-	3,676,689,816
b) other	5,206,294,206	-	5,206,294,206	-	-	(222,508,431)	-	-	-	-	-	93,207,599	-	5,076,993,374
Revaluation reserves	1,001,109,067	-	1,001,109,067	-	-	(32,365)	-	-	-	-	-	-	90,950,353	1,092,027,055
Equity instruments	1,888,463,450	-	1,888,463,450	-	-	-	-	-	-	-	-	-	-	1,888,463,450
Treasury shares	(2,440,001)	-	(2,440,001)	-	-	-	-	-	-	-	-	-	-	(2,440,001)
Net profit or Loss for the period	79,774,103	-	79,774,103	(71,459,502)	(8,314,601)	-	-	-	-	-	-	-	(1,441,448,594)	(1,441,448,594)
Shareholders' Equity	**48,172,363,296**	**-**	**48,172,363,296**	**-**	**(8,314,601)**	**(213,449,698)**	**-**	**-**	**(168,751,280)**	**-**	**-**	**93,207,599**	**(1,350,498,241)**	**46,524,557,075**

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).

Share Capital increased by a total of €352 million.

- €297 million, following the scrip dividend approved by the Ordinary Shareholders' Meeting of May 13, 2015 and executed through the assignment of newly-issued ordinary and savings shares of the Company to shareholders entitled to a dividend who opted for the scrip dividend; to the shareholders opting for cash payment a total dividend of €169 million was paid.
- €55 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 December 31, 2014

(€)

				ALLOCATION OF PROFIT FROM PREVIOUS YEAR		CHANGES DURING THE YEAR								
							SHAREHOLDERS' EQUITY TRANSACTIONS							
	BALANCE AS AT 12.31.2013	CHANGE IN OPENING BALANCE	BALANCE AS AT 01.01.2014	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	COMPREHENSIVE INCOME 2014	SHAREHOLDERS' EQUITY AS AT 12.31.2014
Issued 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 premiums	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 or Loss for the period	(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**

Cash Flow Statement

Cash Flow Statement (indirect method)

(€)

	YEAR	
	2015	2014
A. OPERATING ACTIVITIES		
1. Operations	**2,516,769,502**	**3,870,762,234**
- profit and loss of the year (+/-)	(1,441,448,594)	79,774,103
- capital gains/losses on financial assets/liabilities held for trading and on assets/liabilities designated at fair value through profit and loss (+/-)	(162,889,451)	(192,484,949)
- capital gains/losses on hedging operations (+/-)	(7,386,379)	(4,928,797)
- net losses/recoveries on impairment (+/-)	3,367,632,671	3,835,327,461
- net write-offs/write-backs on tangible and intangible assets (+/-)	130,171,584	141,865,834
- provisions and other incomes/expenses (+/-)	262,374,070	(405,531,521)
- unpaid taxes and tax credits (+/-)	(1,116,467,411)	206,914,539
- other adjustments (+)	1,484,783,012	209,825,564
2. Liquidity generated/absorbed by financial assets	**(1,710,963,055)**	**(7,436,524,254)**
- financial assets held for trading	2,887,289,516	(2,047,755,144)
- financial assets at fair value	65,215,889	(379,331)
- available-for-sale financial assets	(9,830,439,911)	(11,667,024,630)
- loans and receivables with banks	210,022,769	6,717,306
- loans and receivables with customers	3,355,653,782	7,038,905,339
- other assets	1,601,294,900	(766,987,794)
3. Liquidity generated/absorbed by financial liabilities	**(2,958,324,669)**	**(2,346,255,829)**
- deposits from banks	5,762,037,982	(15,675,596,766)
- deposits from customers	13,583,816,438	17,149,916,021
- debt certificates including bonds	(16,797,799,476)	(5,801,552,664)
- financial liabilities held for trading	(2,636,083,902)	538,415,200
- financial liabilities designated at fair value	-	-
- other liabilities	(2,870,295,711)	1,442,562,380
Net liquidity generated/absorbed by operating activities	**(2,152,518,222)**	**(5,912,017,849)**
B. INVESTMENT ACTIVITIES		
1. Liquidity generated by:	**3,176,413,012**	**4,718,624,199**
- sales of equity investments	927,928,618	1,254,807,728
- collected dividends on equity investments	1,369,409,108	1,278,390,512
- sales of financial assets held to maturity	817,500,000	1,986,406,465
- sales of tangible assets	61,575,286	196,507,777
- sales of intangible assets	-	1,186
- sales of divisions	-	2,510,531
2. Liquidity absorbed by:	**(356,115,845)**	**(1,401,554,509)**
- purchases of equity investments	(174,190,812)	(758,172,728)
- purchases of financial assets held to maturity	-	(524,406,465)
- purchases of tangible assets	(176,668,091)	(118,289,950)
- purchases of intangible assets	(5,256,942)	(237,352)
- purchases of sales/purchases of divisions	-	(448,014)
Net liquidity generated/absorbed by investment activities	**2,820,297,167**	**3,317,069,690**
C. FUNDING ACTIVITIES		
- issue/purchase of treasury shares	-	-
- issue/purchase of equity instruments	-	1,888,463,450
- distribution of dividends and other scopes	(441,764,617)	(270,079,847)
Net liquidity generated/absorbed by funding activities	**(441,764,617)**	**1,618,383,603**
NET LIQUIDITY GENERATED/ABSORBED DURING THE YEAR	**226,014,328**	**(976,564,556)**

Reconciliation

(€)

ITEMS	YEAR 2015	YEAR 2014
Cash and cash equivalents at the beginning of the year	**2,324,945,243**	**3,226,549,368**
Net liquidity generated/absorbed during the period	226,014,328	(976,564,556)
Cash and cash equivalents: effect of exchange rate variations	(90,836,466)	74,960,431
Cash and cash equivalents at the end of the year	**2,460,123,105**	**2,324,945,243**

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

Notes to the Accounts

Part A - Accounting Policies

Part A - Accounting Policies

A.1 - General

Section 1 - Statement of compliance with IFRS

These Accounts have been prepared in accordance with the 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, 2015, pursuant to EU Regulation 1606/2002 which was incorporated into Italian legislation through the Legislative Decree No.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 Banca d'Italia laid down the formats for the financial statements and explanatory notes used to prepare these Accounts.

On December 15, 2015, the fourth update of this circular was issued, adapting the notes on "credit quality" to the definitions of impaired loans as "Non-Performing exposures" and "forborne exposures" laid down by the European Commission in Regulation 2015/227, as recommended by EBA.
In addition, with this update some of the previously applicable templates of the tables have been rationalized.
In particular, the main rationalization changes to the disclosure templates concerned the following areas:
in Part B disclosure on the balance sheet:

- tables concerning annual changes to the financial instruments presented in the assets and liabilities of the balance sheet (for example, table "2.3 On-balance-sheet financial assets held for trading: annual changes");

in Part E - Information on risks and related risk management policies:

- Tables relating to the securitisation transactions provided for in Section 1 - Credit risks - C. securitisation transactions (for example, tables "C.1 Exposures deriving from securitisation transactions broken down by quality of underlying assets", "C.4 Exposures deriving from securitisation transactions broken down by portfolio and type", and "C.5 Total amount of securitised assets underlying junior securities or other forms of credit support");
- in Section 1 "Credit risks - credit quality" of the consolidated financial statements, tables "A.1.1. Breakdown of financial assets by portfolio and credit quality (carrying value)" and "A.1.2 Breakdown of credit exposures by portfolio and credit quality (gross and net values)", no distinction is made between "banking group" and "other companies".

Section 2 - General 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) and the Notes to the Accounts, together with the Directors' Report on Operations and Annexes.

Pursuant to Art.123-bis paragraph 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).

Figures in the financial statements and Notes to the Accounts are given in **thousands of euros**, unless otherwise specified.

In their joint Document No.4 of March 3, 2010, Banca d'Italia, 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 net operating profit 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 IAS1, the accounts as at December 31, 2015 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 Main Items of the Accounts relating to the introduction of new standards and interpretations.

Risk and uncertainty related to the use of estimates

Under the IFRS, management must make judgments, 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, 2015, as required by the accounting policies 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 confirm the carrying values at December 31, 2015. 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 were 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 measurement of:
- fair value of financial instruments not listed in active markets;
- loans and receivables, investments and, in general, any other financial assets/liabilities;
- 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) ;
- goodwill and other intangible assets;
- assets and liabilities related to insurance contracts;
- 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.

Please note that the economic and political uncertainty in Ukraine were taken into account during the assessment of the net assets owned in that country.

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.

Section 3 - Subsequent events

No material events have occurred after the balance sheet date that would make it necessary to change any of the information given in the Accounts as of December 31, 2015.
For a description of the significant events after year end see the specific paragraph of the Report on Operations.

Part A - Accounting Policies

Section 4 - Other matters

The following accounting standards and interpretations came into effect in 2015:
- IFRIC21 - Levies (EU Regulation 634/2014);
- Annual Improvements to IFRSs 2011 - 2013 Cycle (EU Regulation 1361/2014),

the adoption of which has determined the application of IFRIC 21 in defining the accounting treatment for the expenses related to the contribution schemes of Deposit Guarantee Schemes (DGS) and the Single Resolution Fund (SRF), which were introduced by European directives No.49 and 59 of 2014, effective as of 2015.

Effective January 1, 2015, Banca d'Italia has revised the classification method for regulatory purposes and for the reporting of impaired financial assets (7th update of Circular No.272 of July 30, 2008 - "Accounts Matrix" issued by Banca d'Italia on January 20, 2015). The purpose of this update is to adapt the definition of impaired asset to the new definitions of "Non-Performing exposures" and "forborne exposures" laid down by the European Commission in Regulation 2015/227, as recommended by EBA (EBA/ITS/2013/03/rev1 24/7/2014). The new classification criteria enables the following:
- provides that impaired financial assets are divided into the categories of bad loans, unlikely to pay and impaired past-due and that the total of these categories corresponds to the aggregate "Non-Performing Exposures" referred to in the EBA ITS;
- eliminates the previously applicable concepts of doubtful and restructured exposures;
- introduces the qualification exposures subject to forbearance measures or "forborne".

These new definitions have entered into effect within the framework of the Group's accounting policies for IFRS purposes starting from financial year 2015. For further details, refer to item 4. Loans in section A.2 Parts referring to the main items of the accounts. The entry into force of these new definitions has been achieved with a prospective application into the relevant credit processes, which consequently have to undergo a process of adaptation to the new classification rules. This is described in further detail in Part E - Information on risks and related risk management policies - Section 1 - Credit risk - Qualitative information - 2.4 - Impaired loans.

The EBA issued for comments a proposal for changing the default definition ("Guidelines on the application of the definition of default under Article 178 of Regulation (EU) 575/2013"); the comment period ended on January 22, 2016. Based on the outcome of these new guidelines, it is expected that the classification criteria relating to impaired loans could undergo further changes in the future. The effects of these amendments will only become clear once the final guidelines have been issued, including new EBA guidelines on the materiality threshold for measuring impaired past-due exposures, which comment period was completed on January 31, 2015.

The European Commission has endorsed the following accounting standards that are not yet compulsory in the financial statements at December 31, 2015 and which have not been early adopted by the Bank:
- Annual Improvements to IFRSs 2010 - 2012 cycle (EU Regulation 28/2015);
- Amendments to IAS19 - Defined benefit plans: employee contributions (EU Regulation 29/2015);
- Amendments to IAS16 and IAS41: Agriculture: Bearer Plants (EU Regulation 2113/2015);
- Amendments to IFRS11: Accounting for Acquisition of Interests in Joint Operations (EU Regulation 2173/2015);
- Amendments to IAS16 and IAS38: Clarification of Acceptable Methods of Depreciation and Amortisation (EU Regulation 2231/2015);
- Annual Improvements to IFRSs 2012 - 2014 cycle (EU Regulation 2343/2015);
- Amendments to IAS1: Disclosure Initiative (EU Regulation 2406/2015);
- Amendments to IAS27: Equity Method in Separate Financial Statements (EU Regulation 2441/2015).

As of December 31, 2015, the IASB issued the following standards, amendments, interpretations or revisions. However, their application is subject to completion of the endorsement process by the competent bodies of the European Commission, which is still ongoing:
- IFRS9 - Financial instruments (July 2014);
- IFRS14 - Regulatory deferral accounts (January 2014);
- IFRS15 - Revenue from contracts with customers (May 2014);
- Amendments to IFRS10 and IAS28: Sale or contribution of assets between an investor and its associate or joint venture (September 2014);
- Amendments to IFRS10, IFRS12 and IAS28: Investment entities: Applying the Consolidation Exception (December 2014).

In July 2014 the IASB has issued IFRS9 Financial Instruments, the new accounting standard, mandatorily effective for annual periods beginning on or after January 1, 2018, that will replace IAS39 Financial Instruments: Recognition and Measurement. The endorsement by the European authorities is expected to be completed before its date of first time adoption.
The new standard includes a revised model for classification and measurement of financial asserts, an impairment model for credit allowances based on 'expected loss' and a reformed approach to general hedge accounting.
The new classification and measurement approach for financial assets in IFRS9 will be based upon the contractual cash flow characteristics of the financial asset and, for financial assets whose contractual cash flows are solely payments of principal and interest on the principal amount outstanding ("SPPI assets"), the entity's business model for managing them. Depending on the entity's business model, SPPI assets may be classified as "held to collect" contractual cash flows (measured at amortized costs and subject to the expected loss impairment), assets "held to collect and sale" (measured at fair value through other comprehensive income and subject to the expected loss impairment) or held for trading (measured at fair value through profit or loss).

With reference to the new impairment model, the introduction of the expected credit loss (ECL) approach is expected to have an extensive impact on UniCredit consolidated financial statements: loans to customers and banks, loan commitments, debt securities “held to collect” and “held to collect and sale”, financial guarantees and leasing financial assets are in scope of the ECL approach. This approach has been designed by the IASB in order to produce earlier recognition of credit losses than IAS39, which is instead based on the existence of evidences of impairment, as requested by the G20 following the financial crisis.
IFRS9 will require to base the measurement of credit impairment allowance on ECL using a three stage impairment approach. The measurement of ECL depends on its credit risk and the extent of the observed increase in credit risk since initial recognition, as follows:
a) “12-month ECL” (Stage 1), which applies to all items (from initial recognition) as long as there is no significant increase in credit risk; and
b) “Lifetime ECL” (Stages 2 and 3), which applies when a significant increase in credit risk has occurred, whether assessed on an individual or collective basis.

Assets allocated for IFRS9 in Stage 1 and 2 are classified as performing under IAS39 and the amount of their allowance is under IAS39 measured using the “incurred but not reported approach” (“IBNR”), i.e. with an amount of allowance calculated as the product of risk factors derived from the parameters used under supervisory regulations CRR requirements (with a 12-month time horizon): probability of default, loss-given default, exposure at default and loss confirmation periods, the latter expressed as portion of a year and diversified according to loan classes on the basis of the characteristics of the customer’s segment/portfolios. With the transition to IFRS9, this IBNR approach used for IAS39 will be replaced respectively for assets allocated in Stage 1 by the 12-month ECL and for assets allocated in Stage 2 by the lifetime ECL (the latter having as relevant time horizon the residual life of the asset).
For assets allocated in Stage 3, which are non performing under IAS39, no major conceptual differences exist with the ECL approach of IFRS9, as triggers for impairment recognition and Non-Performing loan classification used under IAS39 will continue to be applied.
Considering the differences in concepts described above for performing assets, the ECL approach is expected to increase the credit loss allowances on transition compared to the existing IAS39 approach.
IFRS9 accounting model is generally expected to include a greater degree of management judgment than IAS39 and will employ, even more, model-based calculations that are inherently complex. Preparation to the ECL approach is requiring significant data, systems and process changes within the UniCredit group and requires to carefully consider the Group implementation strategies.
The Group has launched a dedicated program to implement IFRS9, involving the main banking subsidiaries in Italy, Germany, Austria, Poland and the CEE Countries. The program actively involves: Group Risk Management, Strategy and Finance, the main Business functions, Organization and Business Integrated Solutions departments.
After a phase of gap analysis and definition of high-level methodological guidelines, the activities are currently in the detailed design phase. Current status of the activities reflects the fact that, since the accounting and modelling requirements are new, leading practices are now being developed with reference to several key issues, through guidelines recently issued by the Basel Committee and at industry level; accordingly at this stage it is not possible precisely assess final results.
With reference to classification and measurement, the Group is undertaking a detailed assessment of cash flow characteristics of debt instruments classified at amortized cost under IAS39, in order to identify potential assets that, failing the SPPI test, will have to be measured at fair value under IFRS9.
With reference to the ECL approach, the Group is currently working on models, data and system design and testing and plans to run detailed impact assessment for IFRS9 impairment in due course, while progressing with such design activities.
Quantitative impacts on UniCredit consolidated financial statements at initial application are to date not available, reflecting the status of the above mentioned activities.
The main impacts on UniCredit group are expected to come from the implementation of the new impairment model, which will result in higher credit loss allowances for performing loans. Adjustments to carrying values of financial instruments due to IFRS9 transition will impact book value of equity as of January 1, 2018.
Furthermore, the adoption of the new ECL framework may eventually result in changes, in addition to the financial reporting processes, also to the bank’s risk management organization and processes, including both front office credit management processes (e.g. underwriting, credit monitoring) and back office provisioning process. Such changes are currently under analysis and will be implemented in compliance within regulation enforcement timeframe.

Part A - Accounting Policies

Under current capital approach, any deficit between regulatory expected loss ("EL") and IAS39 accounting allowance is deducted from CT1 capital, while any excess is added back to Tier 2 capital. In the absence of any amendment to Basel regulatory rules, the new ECL approach is expected to affect negatively regulatory capital as of January 1, 2018. However to date it is unclear how regulators will treat the interaction of the accounting impairment allowance and the Basel concept of expected loss: current Basel framework was designed to deal with IAS39 accounting allowances based on incurred loss, while IFRS9 will trigger expected loss to impact accounting equity. Accordingly, final implications on regulatory capital are still uncertain to date.
Key concepts within the ECL approach includes the assessment of a significant increase in credit risk and the measurement of ECL. Such concepts, according to the standard, must be based on reasonable and supportable information that is available without undue cost or effort, and must reflect historical, current and forward-looking information.
As described above, the concept of "significant increase in credit risk" will drive the timing of recognizing lifetime ECL (i.e. those exposures assigned to Stage 2) as opposed to 12-month expected credit losses (i.e. Stage 1) in the measurement of the impairment allowance.
With reference to the assessment of a significant increase in credit risk interpretations and policies at UniCredit group are now being defined, with the risk parameter of probability of default taking a key role in the assessment at portfolio level, together with trigger indicators used in the risk monitoring processes at portfolio and individual exposure level. In addition, the more-than-30-days-past-due rebuttable presumption will also be taken into account, unless for specific parts of portfolio where such information has no substantive relationship with the credit risk driver. Macro-economic variables and forward-looking information are being factored into such assessment at portfolio level, starting from the stress testing statistics and processes already in place.
With reference to ECL measurement, advanced-internal-rating-based Basel models are used as the starting point for designing IFRS9 approach. Detailed design of IFRS9 entails switch from 12-month time horizon to long-life parameters and from through-the-cycle and downturn approach to point-in-time logic for probability of default and loss given default. Long-life parameters will factor both historical information, where trends and correlations to the credit risk are identified, and forward looking events as well as macroeconomic forecasts at portfolio level as above mentioned.

With reference to the first application of IFRS15 Revenue recognition, effective by January 1, 2018, the activities of impact assessment will be completed in the coming periods.

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

The UniCredit group prepared and published its Consolidated First Half Financial Report as at June 30, 2015, subject to limited scope audit, as well as the Consolidated Interim Reports as at March 31 and September 30, 2015, within the time limits set by law and in manner required by Consob.

The Parent Company Accounts were approved by the Board of Directors meeting of February 9, 2016, which authorized their publication, also pursuant to IAS10.
The entire document has been filed with the competent offices and entities as required by law.

A.2 - 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 and 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.

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.

Part A - Accounting Policies

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. Net losses/recoveries on impairment: b) available-for-sale financial assets” and item “80. Gains and 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. Gains (losses) on disposal or repurchase of: b) available-for-sale 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. Net losses/recoveries on impairment: 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. Gains (Losses) on disposal and repurchase of c) held-to-maturity investments" 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. Net losses/recoveries on impairment: (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 disbursement to the borrower which may coincide with the date of contract signing.

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 IAS39 (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. Gains (Losses) on disposal and repurchase of: a) loans";

or:

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

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.

Part A - Accounting Policies

The amount of the loss on impaired exposure classified as bad loans and unlikely to pay, 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. Net losses/recoveries on impairment: a) loans".

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. Net losses/recoveries on impairment: a) loans" 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 Banca d'Italia regulations, set out in Circular No.272 of July 30, 2008 and subsequent updates, loans classified as 'impaired' based on the characteristics set out in paragraphs 58-62 of IAS39, correspond to the category Non-Performing Exposures as defined by ITS EBA (EBA/ITS /2013/03/rev1 7/24/2014).
In particular, the EBA has defined Non-performing exposures as those that satisfy one or both of the following criteria:
- material exposures past-due by more than 90 days;
- exposures for which the bank considers it unlikely that the debtor can entirely fulfil its credit obligations, without proceeding with the enforcement and realisation of collateral, regardless of whether exposures are past due and regardless of number of days past due.

In addition the mentioned EBA standards have introduced the definition of "forborne" exposures, i.e. debt contracts in respect of which forbearance measures have been extended. Forbearance measures consist of concessions towards a debtor facing or about to face difficulties in meeting its financial commitments ("financial difficulties"), i.e. modifications of the previous contractual terms and conditions or total or partial refinancing. Forborne exposures may be classified in the risk category of Non-Performing loans (bad loans, unlikely-to-pay, past-due impaired) or performing loans. With reference to the assessments of impairment and provisions for Forborne exposures, the accounting policies applied are in line with the general criteria in accordance with IAS39 requirements with the following clarification on forborne exposures classified as unlikely to pay.

The same Circular No.272 further classifies Non-Performing exposures in the following categories:
- Bad loans: refers to on-balance sheet and off-balance sheet exposures that are formally considered as uncollectable, towards borrowers that are in insolvency (even not judicially ascertained) or an equivalent situation. The impairment loss assessment is performed in general on analytical basis (including the validation of the provision with coverage levels statistically defined for certain loan portfolios below a set threshold). In case of not significant amounts, the assessment of impairment loss is performed on a collective basis aggregating similar exposures.
- Unlikely to pay: refers to on-balance and off-balance sheet exposures that meet the definition of unlikely to pay, which do not meet the conditions to be classified as bad loans. The classification as "unlikely to pay" derives from the assessment of the debtor's unlikeliness (without actions such as realization of collateral) to repay fully his credit obligation (principal and/or interest). The classification within the unlikely to pay category is not necessarily related to the explicit presence of anomalies (repayment failure) but rather is tied to the existence of evidences of a debtor's risk of default. The impairment loss assessment is performed in general on analytical basis (also checking the coverage level which is statistically defined for certain loan portfolios below a set threshold) or on a collective basis aggregating similar exposures.

The exposure classified as unlikely to pay and qualified as forborne can be reclassified back to performing loans only after one year since the forbearance measure has been granted and provided that the conditions set for in paragraph 157 of the Implementing Technical Standard of EBA are met. With reference to their provisioning:

- measurement is performed in general on a loan-by-loan basis and the resulting allowance may include the discounted cost due to renegotiation of the interest rate at a rate lower than the original contractual rate;
- 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.

- Non-Performing past-due: they are on-balance-sheet exposures, other than those classified among bad loans or unlikely to pay, which, at the reference date, have amounts that are past-due or over limits. Not-performing past-due amounts are determined by UniCredit S.p.A. making reference single debtor. In particular, they include the total exposure to any borrower not included in the categories of bad loans or unlikely to pay, 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 local supervisory regulations for their classification under the “past due exposures” category (TSA banks, that adopt standardized approach) or under the “defaulted exposures” category (IRB banks). 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) No.575/2013 (CRR) on prudential requirements for credit institutions and investment firms reporting (LGD - Loss given default).

Collective assessment is used for groups of performing 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 of performing exposures 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 IAS39 (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. Net losses/recoveries on impairment: a) loans”.

Guarantees

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 bad loans, unlikely to pay.
In respect of guarantees issued on behalf of debtors classified as “Non-Performing 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 “performing exposures”, and on behalf of debtors classified as Performing Past due 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

Risk arising from off-balance sheet items, e.g. loan commitments or released garantees, is recognized in profit and loss under item "130. Net losses/recoveries on impairment: d) other financial assets" 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

Any financial asset may be designated, in accordance with the provisions of IAS39 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 and losses on financial assets/liabilities at fair value through profit or loss".

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:

- **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 and repurchase";
- **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";
- **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".
- **Macro-hedged financial assets (liabilities) -** IAS39 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 and repurchase".

7 - Equity investments

Equity investments are equity instruments and consequently defined as financial instruments under IAS32.

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

Part A - Accounting Policies

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.

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 venture
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 equity investments”. 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 “90. Liabilities included in disposal groups classified as 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 IAS40, 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. Administrative costs: b) administrative expense”, 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.

Part A - Accounting Policies

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 and losses on disposal of investments".

9 - Intangible assets

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

Intangible assets 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 and 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 of 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 IFRS5.

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. Tax assets” of assets and item “80. Tax liabilities” of 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.

Part A - Accounting Policies

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 applied on a regional basis. The national rate is set at 4.65%, to which each Region can autonomously increase a surcharge up to 0.92%, therefore theoretically a rate of 5.57% (plus an additional surcharge of 0.15% provided for the Regions with an healthcare deficit status).

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.

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 IAS19 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. Net 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 and 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.

Part A - Accounting Policies

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. Gains (Losses) on disposal and repurchase of: d) 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 IFRIC19 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

Financial liabilities, like financial assets may also be designated, according to IAS39, 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 and losses on financial assets and liabilities at fair value through profit and loss”.

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).

IFRS3 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.

Part A - Accounting Policies

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 IAS39 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.

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) No.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.

Part A - Accounting Policies

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 December 31, 2006 (or to the date between January 1, 2007 and June 30, 2007 on which the employee opted to devolve their TFR to a supplementary pension fund) stay in the employer and are considered a post-employment defined benefit plan therefore incurring actuarial valuation, though with simplified actuarial assumptions, i.e., forecast future pay rises are not considered.

TFR installments accrued since January 1, 2007 (date of Law 252's coming into effect) (or since the date between January 1, 2007 and June 30, 2007) are, at the employee's discretion, either paid into a pension fund or left in the company and (where the company has in excess of 50 employees) paid into an INPS Treasury fund by the employer, and are assimilated to a defined-contribution plan.

Costs relating to TFR are recognized in the Income Statement in item "150. Administrative costs: a) 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 IAS19 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. Administrative costs: a) 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. Administrative costs: a) staff expense".

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 IAS39, 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. Net losses/recoveries on impairment: d) 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 IAS32, 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 IFRS7, 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.

Part A - Accounting Policies

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).

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. Net losses/recoveries on impairment" and the asset's carrying value is reduced.

Part A - Accounting Policies

If the terms of a loan, receivable or held-to-maturity investment are renegotiated or otherwise modified because of financial difficulties of the borrower or issuer, impairment is measured using the original effective interest rate before the modification of terms. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial. If a loan, receivable or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

A reduction in the fair value of a financial asset below its cost or amortised cost is not necessarily an indication of impairment (e.g. reduction in the fair value of an investment in a debt instrument resulting from an increase in the risk free interest rate).

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

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

The process of estimating impairment losses considers all credit exposures, not only those of low credit quality, which reflect a serious impairment.

Reversals of impairment losses

If, in a subsequent period, the amount of 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. Net losses/recoveries on Impairment” 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 IAS39 and to IFRS7 "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, 2015 (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 2015, if these assets had not been reclassified, would have been a loss of €111 thousand, while the impact actually recognized was a gain of €119 thousand.

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

(€ '000)

INSTRUMENTS TYPE	ACCOUNTING PORTFOLIO BEFORE RECLASSIFICATION	ACCOUNTING PORTFOLIO AFTER RECLASSIFICATION	BOOK VALUE AS AT 12.31.2015	FAIR VALUE AS AT 12.31.2015	INCOME/EXPENSES ABSENT RECLASSIFICATION (BEFORE TAX)		INCOME/EXPENSE RECOGNIZED DURING THE PERIOD (BEFORE TAX)	
					FROM MEASUREMENT	OTHER	FROM MEASUREMENT	OTHER
Debt securities	Held for trading	Loans to Banks	9,436	9,013	(84)	109	-	255
Debt securities	Held for trading	Loans to Customers	-	-	-	-	-	-
Debt securities	Available for sale	Loans to Customers	-	-	-	(136)	-	(136)
Total			**9,436**	**9,013**	**(84)**	**(27)**	**-**	**119**

The income/expense of the assets transferred to loans to customers refer only to structured credit products (other than derivatives).

No further reclassifications were made during 2015, 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 and AfS 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, 2015 is shown in table A.3.1.

Part A - Accounting Policies

A.4 - Information on fair value

Qualitative information

This section presents a disclosure on fair value as required by IFRS13.

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 Financial 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 execution 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 Levels 2 and 3 of the fair value hierarchy: valuation techniques and inputs 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[(4)].
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 several 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

UniCredit's relies on internal policies relying on two pillars:
- extension and implementation of an 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.

(4) 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

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.
- 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, 2015, net CVA/DVA cumulative adjustment, related to performing counterparts, amounts to €52 million negative; adjustment related to Non-Performing counterparts amounts to €45 million negative.

The part related to own credit spread evolution, which is filtered out from regulatory capital (accordingly to CRDIV), amounts to €31 million positive.

Funding Cost and Benefit Adjustment (FCA/FBA)
Funding Valuation Adjustment (FundVA) is the sum of a Funding Cost Adjustment (FCA) and a Funding Benefit Adjustment (FBA) that indeed accounts for the expected future funding costs/benefits for derivatives that are not fully collateralized. Most material contributors are in-the-money trades with uncollateralized counterparties.

UniCredit FVA methodology is based on the following input:
- Positive and Negative exposure profiles derived leveraging on a risk-neutral spin-off of the Counterparty Credit Risk internal model;
- PD term structure implied by current market default rates obtained from credit default swaps;
- A funding spread curve that is representative of the average funding spread of peer Financial Groups.

Such adjustment was previously considered among the capital deduction within the AVA prudential requirements. From December 2015 the fair value adjustment component is reflected into P&L with a net cumulative adjustment equal to €12 million negative.

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 IFRS13.

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.

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.

Part A - Accounting Policies

Description of the valuation techniques

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:

Option Pricing Model

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.

Discounted cash flow

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

Hazard Rate Model

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.

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.

Part A - Accounting Policies

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.

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	18.33	14.70	Discounted Cash Flows	Swap Rate (% of used value)	10%	130%
					Option Pricing Model	Volatility	20%	120%
						Correlation	-95%	95%
		Foreign Exchange	64.83	51.97	Option Pricing Model	Volatility	1%	40%
					Discounted Cash Flows	Interest rate	-30%	20%
		Interest Rate	585.88	469.67	Discounted Cash Flows	Swap Rate (bps)	- 30 bps	1000 bps
						Inflation Swap Rate	100 bps	230 bps
					Option Pricing Model	Inflation Volatility	1%	10%
						Interest Rate Volatility	10%	100%
						Correlation	20%	100%
	Credit		0.00	0.00	Hazard Rate Model	Credit Spread	0.02%	236%
						Recovery rate	7%	75%
Debt Securities and Loans		Corporate / Government/ Other	51.02	0.00	Market Approach	Price (% of used value)	0%	215%
		Mortgage & Asset Backed Securities	0.00	0.00	Discounted Cash Flows	Credit Spread (% of used value)	21 bps	30%
						LGD	18%	80%
						Default Rate	1%	12.0%
						Prepayment Rate	0%	30%
Equity Securities		Unlisted Equity & Holdings	356.80	0.00	Market Approach	Price (% of used value)	0%	100%
					Gordon Growth Model	Ke	8.5%	10.5%
						Growth Rate	2.0%	3.5%
					Dividend Discount Model	Beta	0.35	0.45
						Risk Premium	5.5%	7.0%
Units in Investment Funds		Real Estate & Other Funds	295.94	0.00	Adjusted Nav	PD	1%	30%
						LGD	35%	60%

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 provided by an independent Market Risk function for all instruments including those illiquid.

Fair value sensitivity to variations in unobservable inputs 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	+/-	0.65
		Foreign Exchange	+/-	2.30
		Interest Rate	+/-	- 10.24
	Credit		+/-	-
Debt Securities and Loans				
		Corporate/ Government/Other	+/-	1.03
		Mortgage & Asset Backed Securities	+/-	-
Equity Securities				
		Unlisted Equity & Holdings	+/-	99.82
Units in investment funds				
		Real Estate & Other Funds	+/-	5.44

Part A - Accounting Policies

A.4.3 Fair value hierarchy
The IFRS13 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.

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 fair value 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 IFRS13 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 a recurring basis: breakdown by fair value levels

(€ '000)

	AMOUNTS AS AT 12.31.2015			AMOUNTS AS AT 12.31.2014		
ASSETS/LIABILITIES MEASURED AT FAIR VALUE	LEVEL 1	LEVEL 2	LEVEL 3	LEVEL 1	LEVEL 2	LEVEL 3
1. Financial assets held for trading	6,502,186	6,549,386	669,072	6,325,205	9,339,822	500,862
2. Financial assets at fair value through P&L	1,101	285,088	52,106	1,102	353,958	40,442
3. Available for sale financial assets	62,248,560	2,117,030	652,286	52,470,534	490,827	2,331,623
4. Hedging derivative assets	-	6,405,357	-	-	7,836,659	5,478
5. Property, plant and equipment	-	-	-	-	-	-
6. Intangible assets	-	-	-	-	-	-
Total	**68,751,847**	**15,356,861**	**1,373,464**	**58,796,841**	**18,021,266**	**2,878,405**
1. Financial liabilities held for Trading	3,534,631	6,600,588	536,333	3,466,922	9,148,992	404,558
2. Financial liabilities at fair value through P&L	-	-	-	-	-	-
3. Hedging derivative liabilities	-	6,629,590	29	-	7,604,810	1,318
Total	**3,534,631**	**13,230,178**	**536,362**	**3,466,922**	**16,753,802**	**405,876**

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

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, 2014 and December 31, 2015 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, 2015, does not include €407 million measured at cost (€432 million as of December 31, 2014). 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 2015, debt securities classified under available-for-sale financial assets for an amount of around €79 million were transferred from level 1 to level 2, and around €64 million were transferred from level 2 to level 1.

Part A - Accounting Policies

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

(€ '000)

	CHANGES IN 2015					
	HELD FOR TRADING FINANCIAL ASSETS	AT FAIR VALUE TROUGH P&L FINANCIAL ASSETS	AVAILABLE FOR SALE FINANCIAL ASSETS	HEDGING DERIVATIVES	PROPERTY, PLANT AND EQUIPMENT	INTANGIBLE ASSETS
1. Opening balances	**500,862**	**40,442**	**2,331,623**	**5,478**	**-**	**-**
2. Increases	**617,283**	**15,090**	**157,953**	**-**	**-**	**-**
2.1 Purchases	539	13,470	54,690	-	-	-
2.2 Profits recognized in:	543,659	1,014	70,352	-	-	-
2.2.1 Income Statement	543,659	1,014	3,244	-	-	-
- of which Unrealized gains	*459,188*	*1,006*	-	-	-	-
2.2.2 Equity	X	X	67,108	-	-	-
2.3 Transfers from other levels	62,607	-	25,000	-	-	-
2.4 Other increases	10,478	606	7,911	-	-	-
3. Decreases	**449,073**	**3,426**	**1,837,290**	**5,478**	**-**	**-**
3.1 Sales	85,010	2,983	258,511	-	-	-
3.2 Redemptions	123,876	-	129,647	-	-	-
3.3 Losses recognized in:	226,412	443	32,624	5,478	-	-
3.3.1 Income Statement	226,412	443	10,016	5,478	-	-
- of which Unrealized losses	*226,412*	*69*	*5,663*	-	-	-
3.3.2 Equity	X	X	22,608	-	-	-
3.4 Transfers to other levels	80	-	1,406,337	-	-	-
3.5 Other decreases	13,695	-	10,171	-	-	-
4. Closing balances	**669,072**	**52,106**	**652,286**	**-**	**-**	**-**

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 Profits” 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 (debt securities) which are reported respectively within item “130. Net losses/recoveries on impairment: b) 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. Gains (Losses) on financial assets and liabilities: b) available-for-sale financial investments”.

Transfers between level of fair value occurring between December 31, 2014 and December 31, 2015 mainly reflect the evolution of market of reference in the period and the enhancement of processes for fair value level attribution.

During 2015 the equity investment in Banca d’Italia reported under financial assets available for sale for an amount equal to €1,401 million as of December 31, 2015 (€1,659 million as of December 31, 2014), was reclassified from level 3 to level 2 of fair value hierarchy (for further information see Part B Section 4 - Available for sale financial assets - Item 40).

A.4.5.3 Annual changes in liabilities at fair value on a recurring basis (level 3)

(€ '000)

	CHANGES IN 2015		
	FINANCIAL LIABILITIES HELD FOR TRADING	FINANCIAL LIABILITIES AT FAIR VALUE THROUGH P&L	HEDGING DERIVATIVES
1. Opening balances	**404,558**	**-**	**1,318**
2. Increases	**644,924**	**-**	**-**
2.1 Issuance	-	-	-
2.2 Losses recognized in:	644,924	-	-
2.2.1 Income Statement	644,924	-	-
- of which Unrealized losses	*460,660*	-	-
2.2.2 Equity	X	X	-
2.3 Transfers from other levels	-	-	-
2.4 Other increases	-	-	-
3. Decreases	**513,149**	**-**	**1,289**
3.1 Redemptions	186,623	-	1,275
3.2 Purchases	-	-	-
3.3 Profits recognized in:	326,526	-	14
3.3.1 Income Statement	326,526	-	14
- of which Unrealized gains	*326,526*	-	*14*
3.3.2 Equity	X	X	-
3.4 Transfers to other levels	-	-	-
3.5 Other decreases	-	-	-
4. Closing balances	**536,333**	**-**	**29**

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, 2014 and December 31, 2015 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

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

(€ '000)

ASSETS/LIABILITIES NOT MEASURED AT FAIR VALUE OR MEASURED AT FAIR VALUE ON A NON-RECURRING BASIS: BREAKDOWN BY FAIR VALUE LEVEL	AMOUNTS AS AT 12.31.2015				AMOUNTS AS AT 12.31.2014			
	BOOK VALUE	FAIR VALUE LEVEL 1	FAIR VALUE LEVEL 2	FAIR VALUE LEVEL 3	BOOK VALUE	FAIR VALUE LEVEL 1	FAIR VALUE LEVEL 2	FAIR VALUE LEVEL 3
1. Held-to-maturity investments	751,808	24,393	755,294	-	1,565,887	845,077	746,354	-
2. Loans and receivables with banks	22,062,499	-	16,052,764	6,175,011	21,865,747	-	15,854,096	6,142,234
3. Loans and receivables with customers	215,174,711	-	116,057,800	106,676,007	220,649,120	-	100,557,127	128,654,868
4. Property, plant and equipment held for investment	667,361	-	-	883,064	899,063	-	-	1,115,880
5. Non-current assets and disposal groups classified as held for sale	238,359	-	21,760	-	55,232	-	24,949	22,197
Total	**238,894,738**	**24,393**	**132,887,618**	**113,734,082**	**245,035,049**	**845,077**	**117,182,526**	**135,935,179**
1. Deposits from banks	37,466,490	-	18,657,568	18,981,610	31,703,100	-	24,996,164	6,558,001
2. Deposits from customers	181,573,566	10,922	40,762,935	141,119,286	167,989,749	-	42,361,094	125,334,366
3. Debt securities in issue	97,311,533	43,496,569	52,317,247	5,011,061	114,109,333	42,446,892	72,812,960	3,674,747
4. Liabilities included in disposal groups classified as held for sale	-	-	-	-	-	-	-	-
Total	**316,351,589**	**43,507,491**	**111,737,750**	**165,111,957**	**313,802,182**	**42,446,892**	**140,170,218**	**135,567,114**

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

Between December 31, 2014 and December 31, 2015 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, 2014 and December 31, 2015 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 €217 million measured at cost (see Part B Section 14, table 14.1).

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, 2015, as well as at December 31, 2014, there were no value adjustments to reflect model risk (amount not recognized though profit or loss).

Part B - Balance Sheet

Part B - Balance Sheet - Assets

Assets

Section 1 - Cash and cash balances - Item 10

1.1 Cash and cash balances: breakdown

(€ '000)

	AMOUNTS AS AT	
	12.31.2015	12.31.2014
a) Cash	1,390,393	1,615,331
b) Demand deposits with Central banks	1,069,730	709,614
Total	**2,460,123**	**2,324,945**

The change in the item "Demand deposits with Central Banks" is mainly attributable to the increase 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

(€ '000)

	AMOUNTS AS AT 12.31.2015			AMOUNTS AS AT 12.31.2014		
ITEM/VALUES	LEVEL 1	LEVEL 2	LEVEL 3	LEVEL 1	LEVEL 2	LEVEL 3
A) Financial assets (non-derivatives)						
1. Debt securities	**6,500,771**	**156**	**2**	**6,321,634**	**76**	**82**
1.1 Structured securities	-	6	-	-	6	2
1.2 Other debt securities	6,500,771	150	2	6,321,634	70	80
2. Equity instruments	**-**	**-**	**32**	**31**	**-**	**-**
3. Units in investment funds	**-**	**-**	**-**	**-**	**-**	**-**
4. Loans	**-**	**-**	**-**	**-**	**-**	**-**
4.1 Reverse Repos	-	-	-	-	-	-
4.2 Other	-	-	-	-	-	-
Total (A)	**6,500,771**	**156**	**34**	**6,321,665**	**76**	**82**
B) Derivative instruments						
1. Financial derivatives	**1,415**	**6,549,230**	**669,038**	**3,540**	**9,339,746**	**500,780**
1.1 Trading	1,415	6,339,352	594,428	3,540	8,982,357	409,656
1.2 Related to fair value option	-	-	1,028	-	-	-
1.3 Other	-	209,878	73,582	-	357,389	91,124
2. Credit derivatives	**-**	**-**	**-**	**-**	**-**	**-**
2.1 Trading	-	-	-	-	-	-
2.2 Related to fair value option	-	-	-	-	-	-
2.3 Other	-	-	-	-	-	-
Total (B)	**1,415**	**6,549,230**	**669,038**	**3,540**	**9,339,746**	**500,780**
Total (A+B)	**6,502,186**	**6,549,386**	**669,072**	**6,325,205**	**9,339,822**	**500,862**
Total Level 1, Level 2 and Level 3			**13,720,644**			**16,165,889**

The change in "A) Financial assets - 1. Debt securities" derives from primary dealer and market maker transactions on government bonds ("Markets" transactions).

"B) Derivative instruments - 1. Financial derivatives - 1.3 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

(€ '000)

ITEM/VALUES	AMOUNTS AS AT 12.31.2015	AMOUNTS AS AT 12.31.2014
A. Financial assets (non-derivatives)		
1. Debt securities	**6,500,929**	**6,321,792**
a) Governments and Central Banks	6,500,779	6,321,637
b) Other public-sector entities	-	-
c) Banks	144	144
d) Other issuers	6	11
2. Equity instruments	**32**	**31**
a) Banks	-	-
b) Other issuers	32	31
- insurance companies	-	-
- financial companies	-	-
- non-financial companies	*32*	*31*
- 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	**6,500,961**	**6,321,823**
B. Derivative instruments		
a) Banks	3,401,619	5,271,180
b) Customers	3,818,064	4,572,886
Total B	**7,219,683**	**9,844,066**
Total (A+B)	**13,720,644**	**16,165,889**

Part B - Balance Sheet - Assets

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

(€ '000)

ITEM/VALUES	AMOUNTS AS AT 12.31.2015			AMOUNTS AS AT 12.31.2014		
	LEVEL 1	LEVEL 2	LEVEL 3	LEVEL 1	LEVEL 2	LEVEL 3
1. Debt securities	**1,101**	**55,449**	**14,008**	**1,102**	**54,866**	**3,349**
1.1 Structured securities	-	1	-	-	1	-
1.2 Other debt securities	1,101	55,448	14,008	1,102	54,865	3,349
2. Equity instruments	**-**	**-**	**38,098**	**-**	**-**	**37,093**
3. Units in investment funds	**-**	**229,639**	**-**	**-**	**299,092**	**-**
4. Loans	**-**	**-**	**-**	**-**	**-**	**-**
4.1 Structured	-	-	-	-	-	-
4.2 Other	-	-	-	-	-	-
Total	**1,101**	**285,088**	**52,106**	**1,102**	**353,958**	**40,442**
Total Level 1, Level 2 and Level 3			**338,295**			**395,502**

The item "3. Units in investment funds" includes the units of Pioneer funds.
The item "1. Debt securities" include some securities convertible into shares of the issuer, whose fair values are qualified as "level 2" and "level 3".

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

(€ '000)

ITEM/VALUES	AMOUNTS AS AT 12.31.2015	AMOUNTS AS AT 12.31.2014
1. Debt securities	**70,558**	**59,317**
a) Governments and central banks	1,102	1,103
b) Other public-sector entities	-	-
c) Banks	2	2
d) Other issuers	69,454	58,212
2. Equity instruments	**38,098**	**37,093**
a) Banks	2	3
b) Other issuers:	38,096	37,090
- insurance companies	-	-
- financial companies	-	-
- non-financial companies	*38,096*	*37,090*
- other	-	-
3. Units in investment funds	**229,639**	**299,092**
4. Loans	**-**	**-**
a) Governments and central banks	-	-
b) Other public-sector entities	-	-
c) Banks	-	-
d) Other entities	-	-
Total	**338,295**	**395,502**

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

4.1 Available for sale financial assets: product breakdown

(€ '000)

	AMOUNTS AS AT 12.31.2015			AMOUNTS AS AT 12.31.2014		
	LEVEL 1	LEVEL 2	LEVEL 3	LEVEL 1	LEVEL 2	LEVEL 3
1. Debt securities	**62,157,191**	**661,709**	**37,278**	**52,399,704**	**435,120**	**136,950**
1.1 Structured securities	-	-	-	-	-	-
1.2 Other	62,157,191	661,709	37,278	52,399,704	435,120	136,950
2. Equity instruments	**84,328**	**1,429,861**	**488,522**	**65,022**	**30,724**	**2,079,789**
2.1 Measured at fair value	84,328	1,429,861	313,447	65,022	30,724	1,886,045
2.2 Carried at cost	-	-	175,075	-	-	193,744
3. Units in investment funds	**7,041**	**25,460**	**533,358**	**5,808**	**24,983**	**546,923**
4. Loans	**-**	**-**	**-**	**-**	**-**	**-**
Total	**62,248,560**	**2,117,030**	**1,059,158**	**52,470,534**	**490,827**	**2,763,662**
Total Level 1, Level 2 and Level 3			**65,424,748**			**55,725,023**

The increase in Available for Sale instruments is attributable to the following:

- the changes in investments in debt securities, which increased from €52,972 million at the end of 2014 to €62,856 million at the end of 2015, 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 decreased from €2,175 million at the end of 2014 to €2,003 million at the end of 2015, mainly attributable to the sale of part of Banca d'Italia stake.

During 2015, Government Bonds strategic investments have been increased, as also stated in the following tables.

During 2015 the Bank received an offer from VISA INC. for the purchase of the Bank's share in VISA EUROPE, classified as available-for-sale financial assets measured at cost, due to the lack of a reliable measure of fair value.
The offer comprised both a cash component and VISA INC. preferred stock, convertible into ordinary shares in the company from a future date and under certain conditions.
As a result of this offer, the share in VISA was remeasured and reclassified at Fair Value, assumed to be equal to the €44 million cash component of the offer, recording the remeasurement (net of taxes) under "other comprehensive income" with an equivalent increase in revaluation reserves.
The deal is expected to be completed during 2016.

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

Information about the shareholding in Banca d'Italia

During the third quarter of 2015, UniCredit sold 3.4% of its shares in Banca d'Italia capital for an amount corresponding to its carrying value, in this way reducing the shareholding to 18.7% (book value of €1,401 million at the end of the period). The shares are the result of a capital increase carried out in 2013, when in order to facilitate the redistribution of shares, a limit of 3% was introduced in respect of holding shares, establishing that after an adjustment period of no more than 36 months starting from December 2013, no voting rights would be applicable to shares exceeding the above limit. In accordance with the Law, the shareholdings can belong to: banks and insurance and re-insurance companies that have their registered and head offices in Italy; foundations pursuant to Art.27 of Italian Legislative Decree No.153 of May 17, 1999; pension and insurance entities and institutions with head office in Italy established in terms of Art.4, paragraph 1 of Legislative Decree No.252 of December 5, 2005. During 2015, shareholders with excess shares began selling, finalizing sales for around 11% of the total capital. With the objective of facilitating the redistribution of excess shares, Banca d'Italia's Governing Board began a process of dematerializing shareholdings in the Bank's capital, passing a resolution to transfer them to the central securities depository at Monte Titoli S.p.A., with effect from January 18, 2016. The book value at December 31, 2015, in line with the figure at the end of the last period and the outcome of the measurement conducted by the committee of high-level experts on behalf of Banca d'Italia at the time of the capital increase in 2013, is supported by the price for the transactions that took place during 2015. The relevant measurement was allocated as level 2 in the fair value classification, instead of the previous level 3 used for the balance sheet at December 31, 2014. Initiatives aimed at selling the shares exceeding the 3% limit are underway, with the completion of this process constituting a significant factor for the sustainability of value in the near future.
With regard to regulatory treatment at December 31, 2015 (effects on regulatory capital and capital ratios):
- the value of the investment measured at fair value in the balance sheet is given 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

(€ '000)

ITEM/VALUES	AMOUNTS AS AT 12.31.2015	AMOUNTS AS AT 12.31.2014
1. Debt securities	**62,856,178**	**52,971,774**
a) Governments and central banks	57,174,486	46,699,336
b) Other public-sector entities	221,249	223,615
c) Banks	4,613,809	4,951,866
d) Other issuers	846,634	1,096,957
2.Equity instruments	**2,002,711**	**2,175,535**
a) Banks	1,561,900	1,831,354
b) Other issuers:	440,811	344,181
- insurance companies	*8,038*	*2,486*
- financial companies	*92,104*	*101,136*
- non-financial companies	*340,669*	*240,559*
- other	-	-
3. Units in investment funds	**565,859**	**577,714**
4. Loans	**-**	**-**
a) Governments and central banks	-	-
b) Other public-sector entities	-	-
c) Banks	-	-
d) Other entities	-	-
Total	**65,424,748**	**55,725,023**

Equity instruments issued by borrowers with exposures classified as Non-Performing are equal to €7,899 thousand.

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

(€ '000)

ITEM/VALUES	AMOUNTS AS AT 12.31.2015	AMOUNTS AS AT 12.31.2014
1. Financial assets subject to micro-hedging of fair value	**56,606,189**	**46,065,708**
a) Interest rate risk	56,606,189	46,065,708
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	**56,606,189**	**46,065,708**

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

5.1 Held-to-maturity investments: product breakdown

(€ '000)

	AMOUNTS AS AT 12.31.2015				AMOUNTS AS AT 12.31.2014			
	BOOK VALUE	FAIR VALUE			BOOK VALUE	FAIR VALUE		
		LEVEL 1	LEVEL 2	LEVEL 3		LEVEL 1	LEVEL 2	LEVEL 3
1. Debt securities	**751,808**	**24,393**	**755,294**	**-**	**1,565,887**	**845,077**	**746,354**	**-**
- Structured securities	-	-	-	-	-	-	-	-
- Other securities	751,808	24,393	755,294	-	1,565,887	845,077	746,354	-
2. Loans	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total	**751,808**	**24,393**	**755,294**	**-**	**1,565,887**	**845,077**	**746,354**	**-**
Total Level 1, Level 2 and Level 3				**779,687**				**1,591,431**

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.

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

(€ '000)

	AMOUNTS AS AT	
TYPE OPERATIONS/VALUES	12.31.2015	12.31.2014
1. Debt securities	**751,808**	**1,565,887**
a) Governments and central banks	751,808	1,565,887
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	**751,808**	**1,565,887**

Part B - Balance Sheet - Assets

Section 6 - Loans and receivables with banks - Item 60

6.1 Loans and receivables with banks: product breakdown

(€ '000)

TYPE OF TRANSACTIONS/VALUES	AMOUNTS AS AT 12.31.2015				AMOUNTS AS AT 12.31.2014			
	BOOK VALUE	FAIR VALUE			BOOK VALUE	FAIR VALUE		
		LEVEL 1	LEVEL 2	LEVEL 3		LEVEL 1	LEVEL 2	LEVEL 3
A. Loans to Central Banks	**2,035,012**	**-**	**-**	**2,035,012**	**518,329**	**-**	**-**	**518,328**
1. Time deposits	-	X	X	X	-	X	X	X
2. Compulsory reserves	2,034,009	X	X	X	518,050	X	X	X
3. Reverse repos	-	X	X	X	-	X	X	X
4. Other	1,003	X	X	X	279	X	X	X
B. Loans to banks	**20,027,487**	**-**	**16,052,764**	**4,139,999**	**21,347,418**	**-**	**15,854,096**	**5,623,906**
1. Loans	**13,572,521**	**-**	**9,414,584**	**4,125,700**	**13,394,509**	**-**	**7,825,149**	**5,579,984**
1.1 Current accounts and demand deposits	4,108,575	X	X	X	5,534,778	X	X	X
1.2 Time deposits	473,111	X	X	X	452,133	X	X	X
1.3 Other loans	8,990,835	X	X	X	7,407,598	X	X	X
- Reverse repos	*7,353,436*	*X*	*X*	*X*	*5,930,928*	*X*	*X*	*X*
- Finance leases	*-*	*X*	*X*	*X*	*-*	*X*	*X*	*X*
- Other	*1,637,399*	*X*	*X*	*X*	*1,476,670*	*X*	*X*	*X*
2. Debt securities	**6,454,966**	**-**	**6,638,180**	**14,299**	**7,952,909**	**-**	**8,028,947**	**43,922**
2.1 Structured	*-*	*X*	*X*	*X*	*-*	*X*	*X*	*X*
2.2 Other	*6,454,966*	*X*	*X*	*X*	*7,952,909*	*X*	*X*	*X*
Total	**22,062,499**	**-**	**16,052,764**	**6,175,011**	**21,865,747**	**-**	**15,854,096**	**6,142,234**
Total impaired assets	**3,123**				**5,921**			

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.

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.1.3 of Part E - Section 1 - Credit Risk, in accordance with current Banca d’Italia regulations. See also the section “Other information of Part B.

Section 7 - Loans and receivables with customers - Item 70

7.1 Loans and receivables with customers: product breakdown

(€ '000)

	AMOUNTS AS AT 12.31.2015						AMOUNTS AS AT 12.31.2014					
	BOOK VALUE			FAIR VALUE			BOOK VALUE			FAIR VALUE		
		NON-PERFORMING						NON-PERFORMING				
TYPE OF TRANSACTION/VALUES	PERFORMING	PURCHASED	OTHERS	LEVEL 1	LEVEL 2	LEVEL 3	PERFORMING	PURCHASED	OTHERS	LEVEL 1	LEVEL 2	LEVEL 3
Loans	**187,241,571**	**41,619**	**26,322,329**	**-**	**115,196,265**	**105,898,516**	**192,594,982**	**50,836**	**25,787,148**	**-**	**98,953,840**	**127,945,669**
1. Current accounts	19,907,235	21,871	6,038,099	X	X	X	22,899,774	23,009	5,774,732	X	X	X
2. Reverse repos	26,854,768	-	-	X	X	X	24,917,441	-	-	X	X	X
3. Mortgages	83,141,244	11,583	14,586,424	X	X	X	82,712,322	11,627	13,729,580	X	X	X
4. Credit cards and personal loans, including wage assignment loans	8,528,480	6	330,860	X	X	X	8,580,863	6	355,310	X	X	X
5. Finance leases	-	-	-	X	X	X	-	-	-	X	X	X
6. Factoring	283,978	-	58,966	X	X	X	345,030	-	81,790	X	X	X
7. Other loans	48,525,866	8,159	5,307,980	X	X	X	53,139,552	16,194	5,845,736	X	X	X
Debt securities	**1,569,192**	**-**	**-**	**-**	**861,535**	**777,491**	**2,216,154**	**-**	**-**	**-**	**1,603,287**	**709,199**
8. Structured securities	-	-	-	X	X	X	-	-	-	X	X	X
9. Other debt securities	1,569,192	-	-	X	X	X	2,216,154	-	-	X	X	X
Total	**188,810,763**	**41,619**	**26,322,329**	**-**	**116,057,800**	**106,676,007**	**194,811,136**	**50,836**	**25,787,148**	**-**	**100,557,127**	**128,654,868**
Total carrying amount Performing and Non-Performing			**215,174,711**						**220,649,120**			

Sub-items "7. Other loans" and "9. Other debt securities" include exposures of €48 million and €269 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 collateralized by an Italian Government bond whose market value is €331 million.

Please note that, in September 2015, "Trevi Finance 3" sold bad loans, which were included in its segregated funds, to one other securitization SPVs not belonging to the UniCredit group named "Tiberius SPV S.r.l.".

The repayment of the "Trevi Finance 3" loan is expected to occur at the next payment date (February 16, 2016), according to the "payment waterfall" applicable under this transaction.

The valuation of this loan in the Financial Statements as at December 31, 2015 has been aligned to the best estimate of the value of the transaction, taking into account the aforementioned "payment waterfall".

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 Banca d'Italia 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 fair value of on-demand items has been valued at their net carrying value using the possibility offered by IFRS7.29. 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.

Part B - Balance Sheet - Assets

Sub-item “9. Other debt securities" includes securities related to securitization transactions shown in the following table:

Exposures to securities related to securitization transactions

(€ '000)

TRANCHING	AMOUNTS AS AT 12.31.2015
Senior	700,286
Mezzanine	75,376
Junior	347,348
Total	**1,123,010**

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

(€ '000)

	AMOUNTS AS AT 12.31.2015			AMOUNTS AS AT 12.31.2014		
		NON-PERFORMING			NON-PERFORMING	
TYPE OF TRANSACTION/VALUES	PERFORMING	PURCHASED	OTHERS	PERFORMING	PURCHASED	OTHERS
1. Debt securities:	**1,569,192**	**-**	**-**	**2,216,154**	**-**	**-**
a) Governments	100,842	-	-	98,074	-	-
b) Other public-sector entities	114,852	-	-	163,136	-	-
c) Other issuers	1,353,498	-	-	1,954,944	-	-
- non-financial companies	*38,000*	-	-	*19,959*	-	-
- financial companies	*1,270,501*	-	-	*1,889,987*	-	-
- insurance companies	*44,997*	-	-	*44,998*	-	-
- other	-	-	-	-	-	-
2. Loans to:	**187,241,571**	**41,619**	**26,322,329**	**192,594,982**	**50,836**	**25,787,148**
a) Governments	1,638,291	-	739	1,541,261	-	1,333
b) Other public-sector entities	2,810,737	-	95,186	2,995,124	-	96,912
c) Other entities	182,792,543	41,619	26,226,404	188,058,597	50,836	25,688,903
- non-financial companies	*65,591,261*	*27,173*	*18,248,408*	*68,210,434*	*35,045*	*18,515,524*
- financial companies	*57,822,268*	*4,181*	*968,024*	*57,668,227*	-	*532,934*
- Insurance companies	*154,746*	-	*115*	*89,290*	-	*81*
- other	*59,224,268*	*10,265*	*7,009,857*	*62,090,646*	*15,791*	*6,640,364*
Total	**188,810,763**	**41,619**	**26,322,329**	**194,811,136**	**50,836**	**25,787,148**
Total Performing and Non-Performing			**215,174,711**			**220,649,120**

Section 8 - Hedging derivatives - Item 80

8.1 Hedging derivatives: breakdown by hedged risk and fair value hierarchy

(€ '000)

	AMOUNTS AS AT 12.31.2015				AMOUNTS AS AT 12.31.2014			
	FAIR VALUE			NOTIONAL AMOUNT	FAIR VALUE			NOTIONAL AMOUNT
	LEVEL 1	LEVEL 2	LEVEL 3		LEVEL 1	LEVEL 2	LEVEL 3	
A. Financial derivatives	**-**	**6,405,357**	**-**	**174,359,661**	**-**	**7,836,659**	**5,478**	**145,212,274**
1) Fair value	-	6,058,782	-	166,209,258	-	7,331,725	-	135,021,484
2) Cash flows	-	346,575	-	8,150,403	-	504,934	5,478	10,190,790
3) Net investment in foreign subsidiaries	-	-	-	-	-	-	-	-
B. Credit derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1) Fair value	-	-	-	-	-	-	-	-
2) Cash flows	-	-	-	-	-	-	-	-
Total	**-**	**6,405,357**	**-**	**174,359,661**	**-**	**7,836,659**	**5,478**	**145,212,274**
Total Level 1, Level 2 e Level 3			**6,405,357**				**7,842,137**	

8.2 Hedging derivatives: breakdown by hedged assets and risk

(€ '000)

	AMOUNTS AS AT 12.31.2015								
	FAIR VALUE HEDGES						CASH-FLOW HEDGES		
	MICRO-HEDGE								
TRANSACTIONS/TYPE OF HEDGES	INTEREST RATE RISK	CURRENCY RISK	CREDIT RISK	PRICE RISK	MULTIPLE RISKS	MACRO-HEDGE	MICRO-HEDGE	MACRO-HEDGE	FOREIGN INVESTM.
1. Available-for-sale financial assets	107,373	-	-	-	-	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	2,043,443	X	327,270	X
5. Other investments	-	-	-	-	-	X	-	X	-
Total assets	**107,373**	**-**	**-**	**-**	**-**	**2,043,443**	**-**	**327,270**	**-**
1. Financial liabilities	-	-	-	X	-	X	-	X	X
2. Portfolio	X	X	X	X	X	3,907,966	X	19,305	X
Total liabilities	**-**	**-**	**-**	**-**	**-**	**3,907,966**	**-**	**19,305**	**-**
1. Expected transactions	X	X	X	X	X	X	-	X	X
2. Financial assets and liabilities portfolio	X	X	X	X	X	-	X	-	-

Part B - Balance Sheet - Assets

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

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

(€ '000)

CHANGES TO HEDGED ASSETS/ VALUES	AMOUNTS AS AT 12.31.2015	AMOUNTS AS AT 12.31.2014
1. Positive changes	**4,073,879**	**4,799,859**
1.1 of specific portfolios:	-	-
a) loans and receivables	-	-
b) available-for-sale financial assets	-	-
1.2 overall	4,073,879	4,799,859
2. Negative changes	**1,764,723**	**2,173,558**
2.1 of specific portfolios:	-	-
a) loans and receivables	-	-
b) available-for-sale financial assets	-	-
2.2 overall	1,764,723	2,173,558
Total	**2,309,156**	**2,626,301**

9.2 Assets subject to macro-hedging of interest-rate risk

(€ '000)

	AMOUNTS AS AT 12.31.2015	AMOUNTS AS AT 12.31.2014
1. Loans and receivables	-	-
2. Available-for-sale financial assets	-	-
3. Portfolio	68,167,052	19,198,904
Total	**68,167,052**	**19,198,904**

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	Sao Paulo	99.53%	(A)	
3	Box 2004 S.r.l. (in liquidation)	Rome	Rome	100.00%		
4	Centurione 2007 S.r.l. (in liquidation)	Milan	Milan	100.00%		
5	Cordusio SIM - Advisory & Family Office S.p.A.	Milan	Milan	67.32%		
6	Cordusio Società Fiduciaria per Azioni	Milan	Milan	100.00%		
7	Cofiri S.p.A. in liquidazione	Rome	Rome	100.00%		
8	CORIT - Concessionaria Riscossione Tributi S.p.A. in liquidazione	Rome	Rome	60.00%		
9	Crivelli S.r.l.	Milan	Milan	100.00%		
10	Dom Inwestycyjny Xelion Sp. Z.o.o.	Warsaw	Warsaw	50.00%	(B)	
11	Entasi S.r.l. in liquidazione	Rome	Rome	100.00%	(C)	
12	Europeye S.r.l.	Rome	Rome	70.00%		
13	Fineco Verwaltung AG (in liquidation)	Munich	Munich	100.00%		
14	FinecoBank S.p.A.	Milan	Reggio Emilia	65.47%		
15	GE.S.E.T.T. - Gestione Servizi Esazione Tributi Tesorerie S.p.A. in liquidazione	Rome	Rome	98.45%		
16	I-Faber Società per Azioni	Milan	Bologna	65.32%		
17	Island Finance (ICR4) S.r.l. (in liquidation)	Rome	Rome	100.00%		
18	Island Finance 2 (ICR7) S.r.l. (in liquidation)	Rome	Rome	100.00%		
19	Le Cotoniere S.p.A.	Naples	Naples	33.33%		
20	Nuova Compagnia di Partecipazioni S.p.A. (formerly Compagnia Italpetroli S.p.A.)	Rome	Rome	100.00%		
21	Pioneer Global Asset Management S.p.A.	Milan	Milan	100.00%		
22	Salone n. 1 S.p.A.	Conegliano (TV)	Rome	100.00%		
23	Salone n. 2 S.p.A.	Conegliano (TV)	Rome	100.00%		
24	Salone n. 3 S.p.A.	Conegliano (TV)	Rome	100.00%		
25	Sanità - S.r.l. in liquidazione	Rome	Rome	99.60%		
26	Sicilia Convention Bureau S.c.a.r.l.	Catania	Catania	86.00%		
27	Società di Gestioni Esattoriali in Sicilia SO.G.E.SI. S.p.A. in liquidazione	Palermo	Palermo	80.00%		
28	Società Italiana Gestione ed Incasso Crediti S.p.A. in liquidazione	Rome	Rome	100.00%		
29	Sofigere Société par Actions Simplifiée	Paris	Paris	100.00%		
30	Trevi Finance N. 3 S.r.l.	Conegliano (TV)	Conegliano (TV)	60.00%		
31	Trevi Finance S.r.l.	Conegliano (TV)	Conegliano (TV)	80.00%		
32	Trieste Adriatic Maritime Initiatives S.r.l.	Trieste	Trieste	36.86%		
33	UniCredit Bank AG	Munich	Munich	100.00%		
34	UniCredit Bank Austria AG	Wien	Wien	99.99%		
35	UniCredit Bank Ireland P.l.c.	Dublin	Dublin	100.00%		
36	UniCredit BPC Mortgage S.r.l.	Verona	Verona	60.00%		
37	UniCredit Bulbank A.D.	Sofia	Sofia	-	(D)	
38	UniCredit Business Integrated Solutions Società consortile per azioni	Milan	Milan	100.00%	(E)	
39	UniCredit Consumer Financing IFN S.A.	Bucarest	Bucarest	49.90%	(F)	
40	UniCredit Delaware Inc.	Dover (Delaware)	New York	100.00%		
41	Unicredit Factoring S.p.A.	Milan	Milan	100.00%		
42	UniCredit International Bank (Luxembourg) S.A.	Luxemburg	Luxemburg	100.00%		
43	UniCredit Leasing S.p.A.	Milan	Milan	100.00%		
44	UniCredit OBG S.r.l.	Verona	Verona	60.00%		
45	Unicredit Subito Casa S.p.A.	Milan	Milan	100.00%		
46	UniCredit (U.K.) Trust Services Ltd	London	London	100.00%		
47	UniCredito Italiano Funding LLC III	Wilmington (Delaware)	New York	100.00%	(G)	
48	UniCredito Italiano Funding LLC IV	Wilmington (Delaware)	New York	100.00%	(H)	
49	Visconti S.r.l.	Milan	Milan	76.00%		

Part B - Balance Sheet - Assets

Continued: 10.1 Equity: information on shareholders' equity

NAME		MAIN OFFICE LEGAL	MAIN OFFICE OPERATIVE(*)	EQUITY %(**)		VOTING RIGHTS %
B. Joint ventures						
1	Officinae Verdi Società per azioni	Rome	Rome	26.03%		
C. Companies under significant influence						
1	Accadiesse S.p.A. in liquidazione	Milan	Milan	4.68%	(I)	
2	Asset Bancari II	Milan	Milan	36.76%	(J)	
3	Aviva S.p.A.	Milan	Milan	49.00%		
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.	Fiumicino (Rome)	Fiumicino (Rome)	32.98%		
7	Creditras Assicurazioni S.p.A.	Milan	Milan	50.00%		
8	Creditras Vita S.p.A.	Milan	Milan	50.00%		
9	Credifarma S.p.A.	Rome	Rome	17.00%		
10	Europrogetti & Finanza S.p.A. in liquidazione	Rome	Rome	39.79%		
11	EuroTLX SIM S.p.A.	Milan	Milan	15.00%		
12	Fenice Holding S.p.A.	Calenzano (FI)	Calenzano (FI)	25.91%		
13	Fenice S.r.l.	Milan	Milan	21.04%		
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	La Fortezza S.r.l.	Catanzaro	Catanzaro	1.00%		
17	Le Vigne S.r.l	Catanzaro	Catanzaro	1.00%		
18	Maccorp Italiana S.p.A.	Milan	Milan	25.45%		
19	Mediobanca - Banca di Credito Finanziario S.p.A.	Milan	Milan	8.56%		
20	OGR-CRT Società Consortile per Azioni	Turin	Turin	18.75%		
21	Profingest (in liquidation)	Bologna	Bologna	49.09%		
22	SMIA S.p.A.	Rome	Rome	26.38%		
23	Sviluppo Globale GEIE (in liquidation)	Rome	Rome	33.33%		
24	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) The subsidiary was removed from the Register of Companies on January 18, 2016.
(D) 99.45% is held by UniCredit Bank Austria AG.
(E) A fractional share is held by various Group companies.
(F) The remaining share of 50.10% is held indirectly by UniCredit Bank Austria AG.
(G) The subsidiary was removed from the local register of companies on January 2016.
(H) The subsidiary was removed from the local register of companies on January 2016.
(I) Equity instruments (Strumenti Finanziari Partecipativi) have been subscribed; the portion subscribed is calculated on the total equity instruments issued by the investee.
(J) It is a real estate closed-end investment fund .

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 IAS36. 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, 2015 there were some write-downs, of which the most significant were:
- the subsidiaries UniCredit Bank Austria by €2.053 million, UniCredit Leasing S.p.A. by €490 million, Società Italiana Gestione e Incasso Crediti by €34 million;
- the associates Compagnia Aerea Italiana by €37 million and Torre SGR by €12 million.

Following the ceasing of conditions that generated impairments in previous years, reversal of impairments have been recorded on the subsidiaries UniCredit Bank Ireland for €426 million and Unicredit International Luxembourg for €56 million and on associates Mediobanca for €166 million and CNP UniCredit Vita S.p.A. for €102 million.

During 2015, following the business combination that involved UniCredit Credit Management Bank, the subsidiary has been partially sold and partially merged into UniCredit S.p.A.

10.5 Equity investments: annual changes

(€ '000)

	CHANGES IN	
	2015	2014
A. Opening balance	**50,339,370**	**51,349,511**
B. Increases	**867,992**	**976,660**
B.1 Purchases	108,644	916,027
B.2 Write-backs	749,902	-
B.3 Revaluation	-	-
B.4 Other changes	9,446	60,633
C. Decreases	**5,360,187**	**1,986,801**
C.1 Sales	1,779,984	411,466
C.2 Write-downs	2,629,847	1,100,646
C.3 Other changes	950,356	474,689
D. Closing balance	**45,847,175**	**50,339,370**
E. Total revaluation	**-**	**-**
F. Total write-downs	**11,211,207**	**10,055,757**

Section 11 - Property, plant and equipment - Item 110

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

(€'000)

	AMOUNTS AS AT	
ASSETS/VALUES	12.31.2015	12.31.2014
1. Owned assets	**1,738,046**	**1,683,445**
a) land	670,259	668,862
b) buildings	757,768	727,831
c) office furniture and fitting	33,846	29,365
d) electronic systems	167,358	146,339
e) other	108,815	111,048
2 Leased assets	**-**	**-**
a) land	-	-
b) buildings	-	-
c) office furniture and fitting	-	-
d) electronic systems	-	-
e) other	-	-
Total	**1,738,046**	**1,683,445**

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

(€'000)

	AMOUNTS AS AT 12.31.2015				AMOUNTS AS AT 12.31.2014			
		FAIR VALUE				FAIR VALUE		
ASSETS/VALUES	BOOK VALUE	LEVEL 1	LEVEL 2	LEVEL 3	BOOK VALUE	LEVEL 1	LEVEL 2	LEVEL 3
1. Owned assets	**667,361**	**-**	**-**	**883,064**	**899,063**	**-**	**-**	**1,115,880**
a) land	296,622	-	-	332,028	439,449	-	-	479,685
b) buildings	370,739	-	-	551,036	459,614	-	-	636,195
2. Leased assets	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
a) land	-	-	-	-	-	-	-	-
b) buildings	-	-	-	-	-	-	-	-
Total	**667,361**	**-**	**-**	**883,064**	**899,063**	**-**	**-**	**1,115,880**
Total Level 1, Level 2 and Level 3				**883,064**				**1,115,880**

Part B - Balance Sheet - Assets

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.

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

(€'000)

	CHANGES IN 2015					
	LAND	BUILDINGS	OFFICE FURNITURE AND FITTINGS	ELECTRONIC SYSTEMS	OTHER	TOTAL
A. Gross opening balance	**668,862**	**1,254,766**	**648,237**	**1,193,614**	**515,066**	**4,280,545**
A.1 Total net reduction in value	-	(526,935)	(618,872)	(1,047,275)	(404,018)	(2,597,100)
A.2 Net opening balance	**668,862**	**727,831**	**29,365**	**146,339**	**111,048**	**1,683,445**
B Increases	**17,236**	**79,485**	**9,006**	**56,772**	**30,598**	**193,097**
B.1 Purchases	7,465	9,566	8,997	56,761	30,466	113,255
of which: business combination	-	-	-	-	-	-
B.2 Capitalised expenditure on improvements	-	55,241	-	-	-	55,241
B.3 Write-backs	-	-	-	-	-	-
B.4 Increases in fair value:	-	-	-	-	-	-
a) in equity	-	-	-	-	-	-
b) through profit or loss	-	-	-	-	-	-
B.5 Positive exchange differences	-	69	1	11	1	82
B.6 Transfer from properties held for investment	9,771	14,591	-	-	-	24,362
B.7 Other changes	-	18	8	-	131	157
C. Reductions	**15,839**	**49,548**	**4,525**	**35,753**	**32,831**	**138,496**
C.1 Disposals	26	42	8	1	132	209
of which: business combination	-	-	-	-	-	-
C.2 Depreciation	-	37,448	4,421	33,853	30,231	105,953
C.3 Impairmente losses	-	-	96	1,881	454	2,431
a) in equity	-	-	-	-	-	-
b) through profit or loss	-	-	*96*	*1,881*	*454*	*2,431*
C.4 Reduction of fair value:	-	-	-	-	-	-
a) in equity	-	-	-	-	-	-
b) through profit or loss	-	-	-	-	-	-
C.5 Negative exchange differences	-	-	-	-	-	-
C.6 Trasfer to:	15,813	12,058	-	-	-	27,871
a) property, plant and equipment held for investment	*12,952*	*10,765*	-	-	-	*23,717*
b) assets held for sale	*2,861*	*1,293*	-	-	-	*4,154*
C.7 Other changes	-	-	-	18	2,014	2,032
D. Net final balance	**670,259**	**757,768**	**33,846**	**167,358**	**108,815**	**1,738,046**
D.1 Total net reduction in value	-	(561,489)	(618,292)	(1,061,490)	(410,299)	(2,651,570)
D.2 Gross closing balance	**670,259**	**1,319,257**	**652,138**	**1,228,848**	**519,114**	**4,389,616**
E. Carried at cost	**-**	**-**	**-**	**-**	**-**	**-**

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

(€'000)

	CHANGES IN 2015		
	LAND	BUILDINGS	TOTAL
A Opening balances	**439,449**	**459,614**	**899,063**
B. Increases	**18,419**	**21,774**	**40,193**
B.1 Purchases	5,467	3,484	8,951
of which: business combinations	5,256	3,385	8,641
B.2 Capitalised expenditure on improvements	-	7,120	7,120
B.3 Increases in fair value	-	-	-
B.4 Write backs	-	-	-
B.5 Positive exchange differences	-	-	-
B.6 Transfer from properties used in the business	12,952	10,765	23,717
B.7 Other changes	-	405	405
C. Reductions	**161,246**	**110,649**	**271,895**
C.1 Disposals	905	760	1,665
of which: business combinations	905	760	1,665
C.2 Depreciation	-	18,828	18,828
C.3 Reductions in fair value	-	-	-
C.4 Impairment losses	-	-	-
C.5 Negative exchange differences	-	-	-
C.6 Transfer to:	160,341	91,061	251,402
a) Properties used in the business	*9,771*	*14,591*	*24,362*
b) Non current assets classified as held for sale	*150,570*	*76,470*	*227,040*
C.7 Other changes	-	-	-
D. Closing balances	**296,622**	**370,739**	**667,361**
E. Measured at fair value	**332,028**	**551,036**	**883,064**

Section 12 - Intangible assets - Item 120

12.1 Intangible assets: breakdown by asset type

(€'000)

	AMOUNTS AS AT 12.31.2015		AMOUNTS AS AT 12.31.2014	
ASSETS/VALUES	FINITE LIFE	INDEFINITE LIFE	FINITE LIFE	INDEFINITE LIFE
A.1 Goodwill	**X**	**-**	**X**	**-**
A.2 Other intangible assets	**5,509**	**-**	**1,285**	**-**
A.2.1 Assets carried at cost:	5,509	-	1,285	-
a) Intangible assets generated internally	-	-	-	-
b) Other assets	*5,509*	-	*1,285*	-
A.2.2 Assets valued at fair value:	-	-	-	-
a) Intangible assets generated internally	-	-	-	-
b) Other assets	-	-	-	-
Total	**5,509**	**-**	**1,285**	**-**
Total finite and indefinite life		**5,509**		**1,285**

Part B - Balance Sheet - Assets

12.2 Intangible assets: annual changes

(€'000)

	CHANGES IN 2015					
		OTHER INTANGIBLE ASSETS				
		GENERATED INTERNALLY		OTHER		
	GOODWILL	FINITE LIFE	INDEFINITE LIFE	FINITE LIFE	INDEFINITE LIFE	TOTAL
A. Gross opening balance	**7,709,526**	**-**	**-**	**239,797**	**-**	**7,949,323**
A.1 Total net reduction in value	(7,709,526)	-	-	(238,512)	-	(7,948,038)
A.2 Net opening balance	**-**	**-**	**-**	**1,285**	**-**	**1,285**
B. Increases	**-**	**-**	**-**	**5,327**	**-**	**5,327**
B.1 Purchases	-	-	-	5,256	-	5,256
of which: business combinations	-	-	-	-	-	-
B.2 Increases in intangible assets generated internally	X	-	-	-	-	-
B.3 Write-backs	X	-	-	-	-	-
B.4 Increases in fair value	X	-	-	-	-	-
- in equity	*X*	-	-	-	-	-
- through profit or loss	*X*	-	-	-	-	-
B.5 Positive exchange differences	-	-	-	71	-	71
B.6 Other changes	-	-	-	-	-	-
C. Reduction	**-**	**-**	**-**	**1,103**	**-**	**1,103**
C.1 Disposals	-	-	-	-	-	-
of which: business combinations	-	-	-	-	-	-
C.2 Write-downs	-	-	-	1,103	-	1,103
- amortization	X	-	-	1,103	-	1,103
- write-downs	-	-	-	-	-	-
+ in equity	*X*	-	-	-	-	-
+ through profit or loss	-	-	-	-	-	-
C.3 Reduction in fair value	X	-	-	-	-	-
- in equity	*X*	-	-	-	-	-
- through profit or loss	*X*	-	-	-	-	-
C.4 Transfer to non-current assets held for sale	-	-	-	-	-	-
C.5 Negative exchange differences	-	-	-	-	-	-
C.6 Other changes	-	-	-	-	-	-
D. Net Closing Balance	**-**	**-**	**-**	**5,509**	**-**	**5,509**
D.1 Total net write-down	(7,709,526)	-	-	(239,668)	-	(7,949,194)
E. Gross closing balance	**7,709,526**	**-**	**-**	**245,177**	**-**	**7,954,703**
F. Carried at cost	**-**	**-**	**-**	**-**	**-**	**-**

Section 13 - Tax assets and tax liabilities - Item 130 (assets) and 80 (liabilities)

13.1 Deferred tax assets: breakdown

(€'000)

	AMOUNTS AS AT	
	12.31.2015	12.31.2014
Deferred tax assets related to:		
Assets/liabilities held for trading	-	-
Other financial instruments	63,737	99,227
Hedging derivatives/changes in fair value of portfolio hedged items	36,374	35,702
Investments in associates and joint ventures	3,968,902	3,966,020
Property, plant and equipment/Intangible assets	1,856,440	1,846,382
Provisions	671,997	434,281
Write-downs on loans	5,583,584	5,312,591
Other assets/liabilities	91,366	82,912
Loans and receivables with banks and customers	102,715	137,952
Tax losses carried forward	-	-
Other	29,302	46,908
Effect of netting gross deferred tax position	(655,809)	(688,439)
Total	**11,748,608**	**11,273,536**

The item “Investments in associates and joint ventures” includes €3,964,770 thousand in 2015 (€3,961,646 thousand in 2014) related to deferred tax assets (for IRES and IRAP taxation) due to the tax step-up of the value of the investments in subsidiaries pursuant to Art.23 of D.L. 98/2011.
Amounts of 2014 have been re-exposed including in the item “Investments in associates and joint ventures” €657,471 thousand previously included in the item “Property, plant and equipment/Intangible assets”.

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 (€12,404 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

(€'000)

	AMOUNTS AS AT	
	12.31.2015	12.31.2014
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	96,273	153,192
Investments in associates and joint ventures	8,807	4,859
Other financial instruments	422,376	399,591
Property, plant and equipment/intangible assets	126,223	130,797
Other assets/liabilities	11,921	-
Deposits from Banks and Customers	-	-
Other	-	-
Effect of netting gross deferred tax position	(655,809)	(688,439)
Total	**9,791**	**-**

At December 31, 2015, the total amount of deferred tax assets convertible into tax credits amounted to €10,008.9 million for IRES income tax and €1,345.1 million for IRAP corporate tax purposes.

Part B - Balance Sheet - Assets

Deferred tax assets, in addition to the normal offsetting against current taxes, underwent:

- a reduction of €113.7 million, of which €94.8 million for IRES income tax and €18.9 million for IRAP corporate tax. Consequent to Resolution No.55 of May 29, 2015, the Italian Revenue Agency recognized the convertibility, for tax purposes, into tax credits of a portion of deferred tax assets relating to the detaxation of goodwill under Article 23, paragraph 12 of Law Decree No.98 of December 29, 2011, which introduced paragraph 10-bis to Article 15 of Law Decree 185 of November 29, 2008, which was pending clarifications since Banca d'Italia Communication of May 8, 2013 did not recognise deductibility for the purposes of calculating Core Tier 1. Therefore, the additional amount of €113.7 million was therefore converted into tax credits in light of the accounting loss recognized in the 2013 financial statements;
- an increase in deferred tax assets for IRAP tax purposes of €57.4 million in relation to the deferred deductibility of provisioned personnel costs, in accordance with Italian Revenue Agency Circular 22/E of June 9, 2015 in application of Art.1 c. 20-25 of Law 190 of December 23, 2014 (Stability Law 2015);
- an increase in deferred tax liabilities recognized for IRES tax purposes of €15.8 million in relation to the recovery of deductions to IRES tax of IRAP tax on the cost of labor (as per Article 2, paragraph 1, of Law Decree 201/201124 (the "Monti Decree") in accordance with aforesaid Italian Revenue Agency Circular 22/E of June 9, 2015.

13.3 Deferred tax assets: annual changes (balancing P&L)

(€'000)

	CHANGES IN	
	2015	2014
1. Opening balance	**11,035,675**	**13,303,624**
2. Increases	**1,528,998**	**1,489,938**
2.1 Deferred tax assets arising during the year	657,688	984,836
a) relating to previous years	*43,611*	*120,227*
b) due to change in accounting policies	-	-
c) write-backs	-	-
d) other	*614,077*	*864,609*
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	871,310	505,102
business combinations	*192,850*	-
effect of netting DTA/DTL previous year	*678,460*	*505,102*
other	-	-
3. Decreases	**992,762**	**3,757,887**
3.1 Deferred tax assets derecognised during the year	232,141	519,107
a) reversals of temporary differences	*209,728*	*380,773*
b) write-downs of non-recoverable items	-	-
c) change in accounting policies	-	-
d) other	*22,413*	*138,334*
3.2 Reduction in tax rates	-	-
3.3 Other decreases	760,621	3,238,780
a) conversion into tax credit under L. 214/2011	114,590	2,557,728
b) other	646,031	681,052
business combinations	-	-
effect of netting DTA/DTL current year	*645,537*	*678,460*
other	*494*	*2,592*
4. Final amount	**11,571,911**	**11,035,675**

13.3.1 Deferred tax assets (L. 214/2011): annual changes (balancing P&L)

(€'000)

	CHANGES IN	
	2015	2014
1. Opening balance	**10,503,951**	**12,346,591**
2. Increases	**967,357**	**715,088**
3. Decreases	**117,232**	**2,557,728**
3.1 Reversal	-	-
3.2 Conversion into tax credits	114,590	2,557,728
a) due to loss positions arising from P&L	*114,590*	*2,463,284*
b) due to tax losses	-	*94,444*
3.3 Other decreases	2,642	-
4. Final amount	**11,354,076**	**10,503,951**

13.4 Deferred tax liabilities: annual changes (balancing P&L)

(€'000)

	CHANGES IN	
	2015	2014
1. Opening balance	**-**	**-**
2. Increases	**187,962**	**163,812**
2.1 Deferred tax liabilities arising during the year	21,673	12,698
a) relating to previous years	*86*	*-*
b) due to change in accounting policies	*-*	*-*
c) other	*21,587*	*12,698*
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	166,289	151,114
business combinations	*10,738*	*-*
effect of netting DTA/DTL previous year	*155,551*	*151,114*
other	*-*	*-*
3. Decreases	**187,962**	**163,812**
3.1 Deferred tax liabilities derecognised during the year	39,108	8,262
a) reversals of temporary differences	*39,108*	*8,262*
b) due to change in accounting policies	*-*	*-*
c) other	*-*	*-*
3.2 Reduction in tax rates	-	-
3.3 Other decreases	148,854	155,550
business combinations	*-*	*-*
effect of netting DTA/DTL current year	*140,420*	*155,550*
other	*8,434*	*-*
4. Final amount	**-**	**-**

13.5 Deferred tax assets: annual changes (balancing Net Equity)

(€'000)

	CHANGES IN	
	2015	2014
1. Opening balance	**237,861**	**318,088**
2. Increases	**89,733**	**39,224**
2.1 Deferred tax assets arising during the year	79,754	39,224
a) relating to previous years	*-*	*-*
b) due to change in accounting policies	*-*	*-*
c) other	*79,754*	*39,224*
2.2 New taxes or increase in tax rates	-	-
2.3 Other increases	9,979	-
business combinations	*-*	*-*
effect of netting DTA/DTL previous year	*9,979*	*-*
other	*-*	*-*
3. Decreases	**150,897**	**119,451**
3.1 Deferred tax assets derecognised during the year	140,570	31,245
a) reversals of temporary differences	*89,524*	*31,245*
b) writedowns of non-recoverable items	*-*	*-*
c) due to change in accounting policies	*-*	*-*
d) other	*51,046*	*-*
3.2 Reduction in tax rates	-	-
3.3 Other decreases	10,327	88,206
business combinations	*55*	*-*
effect of netting DTA/DTL current year	*10,272*	*9,979*
other	*-*	*78,227*
4. Final amount	**176,697**	**237,861**

Part B - Balance Sheet - Assets

13.6 Deferred tax liabilities: annual changes (balancing Net Equity)

(€'000)

	CHANGES IN	
	2015	2014
1. Opening balance	**-**	**-**
2. Increases	**672,567**	**616,842**
2.1 Deferred tax liabilities arising during the year	137,526	260,774
a) relating to previous years	-	-
b) due to change in accounting policies	-	-
c) other	*137,526*	*260,774*
2.2 New taxes or increase in tax rates	-	-
2.3 Other increases	535,041	356,068
business combinations	-	-
effect of netting DTA/DTL previous year	*532,889*	*353,988*
other	*2,152*	*2,080*
3. Decreases	**662,776**	**616,842**
3.1 Deferred tax liabilities derecognised during the year	146,921	83,429
a) reversal of temporary differences	*137,434*	*83,429*
b) due to change in accounting policies	-	-
c) other	*9,487*	-
3.2 Reduction in tax rates	-	-
3.3 Other decreases	515,855	533,413
business combinations	-	-
effect of netting DTA/DTL current year	*515,389*	*532,889*
other	*466*	*524*
4. Final amount	**9,791**	**-**

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 meeting 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 offset 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 the same 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 for the 2015 financial year the companies that adhered to the national tax consolidation system were:
- UniCredit Factoring - Milan
- Pioneer Global Asset Management - Milan
- Pioneer Investment Management - Milan
- Fineco Bank - Milan
- UniCredit Leasing - Milan
- 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 2014 because UniCredit Credit Management Bank was sold to outside the Group.

DEFERRED TAX ASSETS DUE TO TAX LOSSES CARRIED FORWARD
There are no unused tax losses to offset against future taxable income and therefore no corresponding deferred tax assets are recorded in the accounts.

There are however unused tax losses totaling €3,643.5 million on the foreign branches, for startup-related costs for the aforementioned branches or other structural costs. These are tax losses which can only be used against the taxable income of individual branches 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 IAS12.

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 asset type

(€'000)

	AMOUNTS AS AT	
	12.31.2015	**12.31.2014**
A. Individual assets		
A.1 Financial assets	-	-
A.2 Equity investments	-	22,197
A.3 Property, Plant and Equipment	238,359	33,035
A.4 Intangible assets	-	-
A.5 Other non-current assets	-	-
Total A	**238,359**	**55,232**
of which carried at cost	216,599	8,086
of which designated at fair value - level 1	-	-
of which designated at fair value - level 2	21,760	24,949
of which designated at fair value - level 3	-	22,197
B. Assets 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	**-**	**-**
of which carried at cost	-	-
of which designated at fair value - level 1	-	-
of which designated at fair value - level 2	-	-
of which designated at fair value - level 3	-	-
Total A+B	**238,359**	**55,232**
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 designated at fair value - level 1	-	-
of which designated at fair value - level 2	-	-
of which designated 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 designated at fair value - level 1	-	-
of which designated at fair value - level 2	-	-
of which designated at fair value - level 3	-	-

Part B - Balance Sheet - Assets

The decrease of €22 million in item "A.2 Equity investments", in comparison with the same period of 2014, is due to the equity investments in Public Joint Stock Company Ukrosostbank that, in view of the state of the negotiations initiated in 2013, at December 2015 has been fully impaired.
For more details see Directors' Report on operations ("Rationalization of Group operations and other corporate transactions").

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

(€'000)

ITEM/VALUES	AMOUNTS AS AT 12.31.2015	12.31.2014
Accrued income other capitalised income	442,668	366,286
Cash and other valuables held by cashier:	282,970	301,285
- current account cheques being settled, drawn on third parties	*282,751*	*283,511*
- current account cheques payable by group banks, cleared and in the process of being debited	*219*	*416*
- money orders, bank drafts and equivalent securities	-	*17,358*
- coupons, securities due on demand, revenue stamps and miscellaneous valuables	-	-
Interest and changes to be debited to:	132	805
- customers	*132*	*805*
- banks	-	-
Items in transit between branches not yet allocated to destination accounts	14,727	22,106
Items in processing	837,195	582,644
Items deemed definitive but not-attributable to other items:	710,393	757,454
- securities and coupons to be settled	*39,313*	*110,806*
- other transactions	*671,080*	*646,648*
Adjustments for unpaid bills and notes	8,023	9,815
Tax items other than those included in item 130	1,917,966	2,041,517
Loans in respect of share based payments	172,385	170,127
- loans to subsidiaries in respect of equity settled share based payments	172,385	125,773
- loans to subsidiaries in respect of cash settled share based payments	-	44,354
Other items	287,620	375,451
- leasehold improvements (on non-separable assets)	85,226	76,482
- items related to accidents and disputes pending (valued at their estimated realization amount)	27,194	41,247
- other items	175,200	257,722
Total	**4,674,079**	**4,627,490**

Part B - Balance Sheet - Liabilities

Liabilities

Section 1 - Deposits from banks - Item 10

1.1 Deposits from banks: product breakdown

(€ '000)

TYPE OF TRANSACTIONS/VALUES	AMOUNTS AS AT	
	12.31.2015	12.31.2014
1. Deposits from central banks	**15,362,790**	**9,887,910**
2. Deposits from banks	**22,103,700**	**21,815,190**
2.1 Current accounts and demand deposits	5,664,497	7,133,815
2.2 Time deposits	4,266,561	8,106,277
2.3 Loans	12,171,478	6,555,726
2.3.1 repos	*8,094,982*	*1,611,059*
2.3.2 other	*4,076,496*	*4,944,667*
2.4 Liabilities in respect of commitments to repurchase treasury shares	-	-
2.5 Other liabilities	1,164	19,372
Total	**37,466,490**	**31,703,100**
Fair value - level 1	-	-
Fair value - level 2	18,657,568	24,996,164
Fair value - level 3	18,981,610	6,558,001
Total fair value	**37,639,178**	**31,554,165**

The increase in “Deposits from central banks” is due to advances received from Banca d’Italia.

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.

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 €813,152 thousand.

Part B - Balance Sheet - Liabilities

Section 2 - Deposits from customers - Item 20

2.1 Deposits from customers: product breakdown

(€ '000)

TYPE OF TRANSACTIONS/GROUP COMPONENTS	AMOUNTS AS AT 12.31.2015	AMOUNTS AS AT 12.31.2014
1. Current accounts and demand deposits	131,941,171	120,191,826
2. Time deposits	3,838,519	1,722,250
3. Loans	40,854,382	40,628,662
3.1 repos	*38,210,562*	*38,891,196*
3.2 other	*2,643,820*	*1,737,466*
4. Liabilities in respect of commitments to repurchase treasury shares	-	-
5. Other liabilities	4,939,494	5,447,011
Total	**181,573,566**	**167,989,749**
Fair value - level 1	10,922	-
Fair value - level 2	40,762,935	42,361,094
Fair value - level 3	141,119,286	125,334,366
Total fair value	**181,893,143**	**167,695,460**

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.

The fair value of on-demand items has been valued at their net carrying value using the possibility offered by IFRS7.29. 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 € 172,451 thousand.

Section 3 - Debt securities in issue - Item 30

3.1 Debt securities in issue: product breakdown

(€ '000)

TYPE OF SECURITIES/VALUES	AMOUNTS AS AT 12.31.2015				AMOUNTS AS AT 12.31.2014			
	BOOK VALUE	FAIR VALUE			BOOK VALUE	FAIR VALUE		
		LEVEL 1	LEVEL 2	LEVEL 3		LEVEL 1	LEVEL 2	LEVEL 3
A. Listed securities								
1. Bonds	89,025,980	43,496,569	49,029,742	19	101,653,726	42,446,892	63,977,025	114
1.1 structured	8,882,149	1,429,765	7,595,217	-	11,352,860	903,181	10,696,551	-
1.2 other	80,143,831	42,066,804	41,434,525	19	90,300,866	41,543,711	53,280,474	114
2. Other securities	8,285,553	-	3,287,505	5,011,042	12,455,607	-	8,835,935	3,674,633
2.1 structured	253,431	-	268,663	-	424,946	-	456,929	-
2.2 other	8,032,122	-	3,018,842	5,011,042	12,030,661	-	8,379,006	3,674,633
Total	**97,311,533**	**43,496,569**	**52,317,247**	**5,011,061**	**114,109,333**	**42,446,892**	**72,812,960**	**3,674,747**
Total Level 1, Level 2 and Level 3				**100,824,877**				**118,934,599**

The sub-items “1.1 structured” of bonds and “2.1. structured” of other securities amount to a total of €9,136 million and represent 9% 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 €14,505,795 thousand.

3.4 Breakdown of item 30 “Debt securities in issue”: Covered Bond

At December 31, 2015, a total of 22 series of covered bonds were issued for the two programs for a total of €20,256 million, of which €5,050 held within UniCredit S.p.A.

Part B - Balance Sheet - Liabilities

Section 4 - Financial liabilities held for trading - Item 40

4.1 Financial liabilities held for trading: product breakdown by product

(€ '000)

TYPE OF TRANSACTIONS/VALUES	AMOUNTS AS AT 12.31.2015					AMOUNTS AS AT 12.31.2014				
	NOMINAL VALUE	FAIR VALUE			FAIR VALUE(*)	NOMINAL VALUE	FAIR VALUE			FAIR VALUE(*)
		LEVEL 1	LEVEL 2	LEVEL 3			LEVEL 1	LEVEL 2	LEVEL 3	
A. Financial liabilities										
1. Deposits from banks	-	210,936	-	-	210,936	-	43,500	-	-	43,500
2. Deposits from customers	-	3,321,353	-	-	3,321,354	-	3,418,798	-	-	3,418,798
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	**-**	**3,532,289**	**-**	**-**	**3,532,290**	**-**	**3,462,298**	**-**	**-**	**3,462,298**
B. Derivatives instruments										
1. Financial derivatives	X	2,342	6,600,588	536,333	X	X	4,624	9,148,992	404,558	X
1.1 Trading	X	2,342	6,360,217	461,226	X	X	4,624	8,750,865	213,504	X
1.2 Related to fair value option	X	-	61	1,525	X	X	-	-	-	X
1.3 Other	X	-	240,310	73,582	X	X	-	398,127	191,054	X
2. Credit derivatives	X	-	-	-	X	X	-	-	-	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	-	-	-	X
Total B	**X**	**2,342**	**6,600,588**	**536,333**	**X**	**X**	**4,624**	**9,148,992**	**404,558**	**X**
Total A+B	**X**	**3,534,631**	**6,600,588**	**536,333**	**X**	**X**	**3,466,922**	**9,148,992**	**404,558**	**X**
Total Level 1, Level 2 and Level 3				**10,671,552**					**13,020,472**	

(*) Calculated excluding value adjustment due to variations in the credit rating of issuer since the issue date.

“1. Deposit from banks” and “2. 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).

"1.3 Other" of financial derivatives 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.

Section 6 - Hedging derivatives - Item 60

6.1 Hedging derivatives: breakdown by type of hedging and by levels

(€ '000)

	AMOUNTS AS AT 12.31.2015				AMOUNTS AS AT 12.31.2014			
	FAIR VALUE			NOTIONAL AMOUNT	FAIR VALUE			NOTIONAL AMOUNT
	LEVEL 1	LEVEL 2	LEVEL 3		LEVEL 1	LEVEL 2	LEVEL 3	
A. Financial derivatives	**-**	**6,629,590**	**29**	**167,356,835**	**-**	**7,604,810**	**1,318**	**158,453,213**
1) Fair value	-	6,512,032	29	161,137,635	-	7,492,179	43	151,570,210
2) Cash flows	-	117,558	-	6,219,200	-	112,631	1,275	6,883,003
3) Net investment in foreign subsidiaries	-	-	-	-	-	-	-	-
B. Credit derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1) Fair value	-	-	-	-	-	-	-	-
2) Cash flows	-	-	-	-	-	-	-	-
Total	**-**	**6,629,590**	**29**	**167,356,835**	**-**	**7,604,810**	**1,318**	**158,453,213**
Total Level 1, Level 2 e Level 3			**6,629,619**				**7,606,128**	

6.2 Hedging derivatives: breakdown by hedged items and risk type

(€ '000)

	AMOUNTS AS AT 12.31.2015								
	FAIR VALUE						CASH FLOWS		
	MICRO-HEDGE								
TRANSACTIONS/HEDGE TYPES	INTEREST RATE RISK	CURRENCY RISK	CREDIT RISK	PRICE RISK	MULTIPLE RISKS	MACRO-HEDGE	MICRO-HEDGE	MACRO-HEDGE	FOREIGN INVESTMENTS
1. Available-for-sale financial assets	1,757,446	-	-	-	-	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	4,253,203	X	115,726	X
5. Others	-	-	-	-	-	X	-	X	-
Total assets	**1,757,446**	**-**	**-**	**-**	**-**	**4,253,203**	**-**	**115,726**	**-**
1. Financial liabilities	-	-	-	X	-	X	-	X	X
2. Portfolio	X	X	X	X	X	501,412	X	1,832	X
Total liabilities	**-**	**-**	**-**	**-**	**-**	**501,412**	**-**	**1,832**	**-**
1. Highly probable transactions (CFH)	X	X	X	X	X	X	-	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

(€ '000)

	AMOUNTS AS AT	
CHANGES TO MACRO-HEDGED LIABILITIES	12.31.2015	12.31.2014
1. Positive changes to financial liabilities	3,409,819	4,267,384
2. Negative changes to financial liabilities	(370,645)	(418,902)
Total	**3,039,174**	**3,848,482**

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

(€ '000)

	AMOUNTS AS AT	
HEDGED LIABILITIES	12.31.2015	12.31.2014
1. Deposits	-	-
2. Debt securities in issue	-	-
3. Portfolio	88,446,097	81,918,808
Total	**88,446,097**	**81,918,808**

Part B - Balance Sheet - Liabilities

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

(€ '000)

ITEM/VALUES	AMOUNTS AS AT 12.31.2015	AMOUNTS AS AT 12.31.2014
Liabilities in respect of financial guarantees issued	11,514	14,659
Impairment: of financial guarantees issued, of credit derivatives, of irrevocable commitments to distribute funds	248,696	1,219,346
Obligations for irrevocable commitments to distribute funds	-	-
Accrued expenses other than those to be capitalized for the financial liabilities concerned	76,699	53,390
Share Based Payment classified as liabilities under IFRS2	-	44,354
Other liabilities due to other staff	340,059	361,921
Interest and amounts to be credited to:	-	-
- customers	-	-
- banks	-	-
Items in transit between branches and not yet allocated to destination accounts	37,952	92,366
Available amounts to be paid to others	923,365	2,084,530
Items in processing	1,153,271	685,940
Entries related to securities transactions	171,811	166,736
Items deemed definitive but not attributable to other lines:	2,487,252	2,375,501
- accounts payable - suppliers	*451,693*	*334,491*
- other entries	*2,035,559*	*2,041,010*
Liabilities for miscellaneous entries related to tax collection service	-	-
Adjustments for unpaid portfolio entries	791,835	711,026
Tax items different from those included in item 80	956,144	1,029,767
Other entries	175,335	204,330
Total	**7,373,933**	**9,043,866**

In June 2015 €1,013 million, booked in item “Impairment: of financial guarantees issued, of credit derivatives, of irrevocable commitments to distribute funds”,as at December 31, 2014 and relating to the impairment of the guarantee issued as part of the “Trevi Finance 3” securitization transaction, were used.

This commitment aimed at guaranteeing the redemption of class C mezzanine securities issued by the SPV as part of the securitization, happened at the same date.

Section 11 - Provision for employee severance pay - Item 110

The “TFR” provision for Italy-based employee benefits is to be constructed 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 A.2 - Main Items of the Accounts).

11.1 Provision for employee severance pay: annual change

(€ '000)

	CHANGES IN	
	2015	2014
A. Opening balances	**1,059,052**	**964,942**
B. Increases	**24,352**	**155,844**
B.1 Provisions for the year	16,959	31,510
B.2 Other increases	7,393	124,334
of which: busines combinations	*1,116*	*2,010*
C. Reductions	**55,029**	**61,734**
C.1 Severance payments	30,584	30,508
C.2 Other decreases	24,445	31,226
of which: business combinations	-	-
D. Closing balance	**1,028,375**	**1,059,052**

11.2 Provisions for employee severance pay: other information

(€ '000)

	CHANGES IN	
	2015	2014
Cost Recognised in P&L:	**16,959**	**31,510**
- Current Service Cost	-	-
- Interest Cost on the DBO	16,959	31,510
- Settlement (Gain)/Loss	-	-
- Past Service Cost	-	-
Remeasurement Effects (Gains) Losses Recognised in OCI	**(23,424)**	**89,214**
Annual weighted average assumptions		
- Discount rate	1.75%	1.60%
- Price inflation	1.00%	1.10%

The financial duration of the commitments is 8, 9 years; the balance of the negative Revaluation reserves net of tax changed from -€105,673 at December 31, 2014 to -€88,723 at December 31, 2015.

A change of -25 basis points in the discount rate would result in an increase in liabilities of €23,137(+2.25%); an equivalent increase in the rate, on the other hand, would result in a reduction in liabilities of €22,379 (-2.18%). A change of -25 basis points in the inflation rate would result in a reduction in liabilities of €13,501 (-1.31%); an equivalent increase in the rate, on the other hand, would result in an increase in liabilities of €13,737 (+1.34%).

Section 12 - Provisions for risks and charges - Item 120

12.1 Provisions for risks and charges: breakdown

(€ '000)

	AMOUNTS AS AT	
ITEMS/VALUES	12.31.2015	12.31.2014
1. Pensions and other post retirement benefit obligations	**735,895**	**829,326**
2. Other provisions for risks and charges	**1,865,558**	**1,207,548**
2.1 Legal disputes	431,520	390,203
2.2 Staff expenses	926,901	440,513
2.3 Other	507,137	376,832
Total	**2,601,453**	**2,036,874**

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 €337 million at December 31, 2015 (€313 million at December 31, 2014).

Increase into provisions for risks and charges point 2.2 Staff expenses is referred to costs related to the new business plan 2015-2018.

Part B - Balance Sheet - Liabilities

12.2 Provisions for risks and charges: annual changes

(€ '000)

ITEMS/COMPONENTS	CHANGES IN 2015		
	PENSION AND POST RETIREMENT BENEFIT OBLIGATIONS	OTHER PROVISIONS	TOTAL
A. Opening balance	**829,326**	**1,207,548**	**2,036,874**
B. Increases	**16,849**	**1,001,132**	**1,017,981**
B.1 Provisions for the year(*)	1,966	899,003	900,969
B.2 Changes due to the passing time	13,023	1,642	14,665
B.3 Differences due to discount-rate changes	-	2,142	2,142
B.4 Other adjustments	1,860	98,345	100,205
of which: business combinations	-	*84,233*	*84,233*
C. Decreases	**110,280**	**343,122**	**453,402**
C.1 Use during the year	**68,313**	**304,773**	**373,086**
C.2 Differences due to discount-rate changes	-	652	652
C.3 Other adjustments	41,967	37,697	79,664
of which: business combinations	*274*	-	*274*
D. Closing balance(**)	**735,895**	**1,865,558**	**2,601,453**

(*) For the Pensions and post-retirement benefit obligations, the amount includes the contributions paid by the Company of €1,250 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 €699,220 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 "investment grade" bonds whose rating is lower than AA (i.e. No.21 securities ranging in 15/30y 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 IAS19 ('IAS19R'), 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 -€164,648 thousand at December 31, 2014 to -€134,915 thousand at December 31, 2015.

(€ '000)

2. BREAKDOWN OF NET DEFINED BENEFIT LIABILITY/ASSET AND ANY REIMBURSEMENT RIGHTS AS OF THE PERIOD END DATE		
NET DEFINED BENEFIT LIABILITY/ASSET AS OF THE PERIOD END DATE	**12.31.2015**	**12.31.2014**
Defined benefit obligation	731,505	820,409
Fair value of assets	(32,285)	(29,541)
Deficit/(Surplus)	**699,220**	**790,868**
Irrecoverable surplus (effect of asset ceiling)	-	-
Net defined benefit liability/(asset) as of the period end date	**699,220**	**790,868**

(€ '000)

2.1 CHANGES IN DEFINED BENEFIT OBLIGATIONS	12.31.2015	12.31.2014
Defined benefit obligation as of the prior period end date	820,409	789,334
Current service cost	716	619
Settlement (gain)/loss	-	-
Past service cost	-	-
Interest cost on the defined benefit obligation	13,981	23,822
Net actuarial (gain)/loss	1,319	72,909
Plan participants' contributions	14	15
Disbursements from plan assets	-	(356)
Disbursements directly paid by the employer	(64,253)	(67,963)
Settlements	-	-
Other changes on defined benefit obligation	(40,681)	2,029
Total defined benefit obligations as of the period end date	**731,505**	**820,409**

(€ '000)

2.2 CHANGES TO PLAN ASSETS	12.31.2015	12.31.2014
Fair value of plan assets as of the prior period end date	29,541	22,635
Interest Income on Plan Assets	958	1,042
Return on plan assets greater/(less) than discount rate	-	823
Employer contributions	1,786	3,805
Disbursements from plan assets	-	(356)
Settlements	-	-
Other changes on plan assets	-	1,592
Total fair value of plan assets as of the period end date	**32,285**	**29,541**

Part B - Balance Sheet - Liabilities

(€ '000)

3. INFORMATION ABOUT PLAN ASSETS	12.31.2015	12.31.2014
1. Equities	17,338	11,487
2. Bonds	9,770	9,224
3. Units in investment funds	-	4,752
4. Properties	2,356	755
5. Derivative instruments	-	-
6. Others	2,821	3,323
Total	**32,285**	**29,541**

(%)

4. PRINCIPAL ACTUARIAL ASSUMPTIONS	12.31.2015	12.31.2014
Discount rate	1.83	1.76
Expected return on plan assets	1.83	1.76
Rate of increase in future compensation and vested rights	2.23	2.24
Rate of increase in pension obligations	0.88	0.89
Expected inflation rate	1.16	1.19

5. INFORMATION ON AMOUNT, TIMING AND UNCERTAINLY OF CASH FLOWS	12.31.2015
- Impact of changes in financial/demographic assumptions on DBOs	
a. Discount rate	
a1. -25 basis points	16,959
	2.32%
a2. +25 basis points	(16,259)
	2.22%
b. Pensions increase rate	
b1. -25 basis points	(11,846)
	-1.62%
b2. +25 basis points	12,249
	1.67%
c. Mortality	
c1. Survival rate +1 year	36,912
	5.05%
- Weighted average duration (years)	9.08

12.4 Provisions for risks and charges - other provisions

(€ '000)

	AMOUNTS AS AT	
	12.31.2015	12.31.2014
2.3 Other provisions for risks and charges - other		
Out-of-court settlements, accidents and other claims	14,882	18,594
Tax Disputes	17,732	42,394
Guarantees and other risks connected with equity investment disposals	154,612	46,142
Other	319,911	269,702
Total	**507,137**	**376,832**

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

(€ '000)

	12.31.2015		12.31.2014	
	ISSUED SHARES	UNDERWRITTEN SHARES	ISSUED SHARES	UNDERWRITTEN SHARES
A.Share capital				
A.1 ordinary shares	20,249,250	-	19,897,462	-
- related to "usufrutto" contract	328,337	-	328,347	-
- other	19,920,913	-	19,569,115	-
A.2 saving shares	8,418	-	8,312	-
Total A	**20,257,668**	**-**	**19,905,774**	**-**
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 2015 share capital - which at December 31, 2014 was represented by No.5,863,329,150 ordinary shares and No.2,449,313 savings shares, both categories with no per-share face value - changed due to the reasons illustrated in the paragraph "Capital Strenghtening" of the "Report on Operations".

Specifically, share capital rose from €19,905,774 thousand at the end of 2014 to €20,257,668 thousand following the free share capital increases of:

- €54,745 thousand, resolved by the Board of Directors' meeting of April 9, 2015, 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 No.16,313,933 ordinary shares;
- €297,149 thousand, resolved by the Shareholders' Meeting of May 13, 2015 for the payment of the "Scrip dividend" for 2014, through the concurrent withdrawal from the existing "reserves for allocating profits to shareholders through the issuance of new free shares.

In particular, the Shareholders' Meeting held to approve UniCredit S.p.A.'s financial statements as at December 31, 2014 approved the distribution of a dividend of €694,239,666,96 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 50 shares held and 1 new share for every 72 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 5, 2015, resulted in:

- with respect to the shareholders who decided to exercise the option to receive a cash dividend, the payment of €168,751,280.40;
- with respect to the shareholders who did not opt for a cash payout, the issue of No.87,534,728 new ordinary shares and No.31,364 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, 2015, the share capital is represented by No.5,967,177,811 ordinary shares and No.2,480,677 savings shares.

At the end of December 2015, the number of treasury shares outstanding was 47,600 ordinary shares, unchanged compared to the end of 2014 as no transactions in respect of treasury shares were carried out during the period.

Part B - Balance Sheet - Liabilities

14.2 Share capital - number of shares: annual changes

	CHANGES IN 2015		
ITEMS/TYPE	ORDINARY	OTHER (SAVINGS)	TOTALE
A. Issued shares as at the beginning 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	96,756,406	-	96,756,406
- other	5,766,572,744	2,449,313	5,769,022,057
- not fully paid	-	-	-
A.1 Treasury shares (-)	(47,600)	-	(47,600)
A.2 Shares outstanding: opening balance	5,863,281,550	2,449,313	5,865,730,863
B. Increases	**103,848,661**	**31,364**	**103,880,025**
B.1 New issues	103,848,661	31,364	103,880,025
- against payment	-	-	-
- business combinations	-	-	-
- bonds converted	-	-	-
- warrants exercised	-	-	-
- other	-	-	-
- free	103,848,661	31,364	103,880,025
- to employees	*16,313,933*	-	*16,313,933*
- to Directors	-	-	-
- other	*87,534,728*	*31,364*	*87,566,092*
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	**5,967,130,211**	**2,480,677**	**5,969,610,888**
D.1 Treasury Shares (+)	47,600	-	47,600
D.2 Shares outstanding as at the end of the year	5,967,177,811	2,480,677	5,969,658,488
- Fully paid	5,967,177,811	2,480,677	5,969,658,488
- related to "usufrutto" contract(1)	96,756,406	-	96,756,406
- other	5,870,421,405	2,480,677	5,872,902,082
- not fully paid	-	-	-

(1) The usufruct agreement relative to the No.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: other information

(€ '000)

	AMOUNTS AS AT	
	12.31.2015	12.31.2014
Legal Reserve(*)	1,517,514	1,517,514
Statutory Reserve	1,217,304	1,195,845
Other Reserves	941,872	1,403,425
Total	**3,676,690**	**4,116,784**

(*) 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 among Reserves from allocation of profit from previous year.

For what refer to Article 2427, paragraph 22-septies of the Italian Civil Code, refer to specific Board of Directors' report.

The following table, in accordance with Article 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 and distribution)

					SUMMARY OF USE IN THE THREE PREVIOUS FISCAL YEARS		
ITEMS	AMOUNT	PERMITTED USES(*)		AVAILABLE PORTION	TO COVER LOSSES	OTHER REASONS	
Share capital	**20,257,668**	**-**		**-**			
Share premium	**15,976,604**	A, B, C	(1) (2)	**15,976,604**	**8,002,686**	**6,495,276**	
Reserves:	**8,753,683**						
Legal reserve	4,050,666	B	(3)	4,050,666	-	-	
Reserve for treasury shares or interests	2,440	-		-	-	-	
Statutory reserves	1,217,304	A, B, C	(4)	1,217,304	-	-	
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	103,293	-	(6)	-	-	89,795	(15)
Reserve related to equity-settled plans	512,476	-		-	-	-	
Reserve related to business combinations (IFRS3)	2,118,624	A, B, C	(7)	2,118,624	-	-	
Reserve related to business combinations within the Group	263,639	A, B, C	(8)	263,639	3,818,208	512,535	(16)
Reserve for allocating profits to Shareholders through the issuance of new free shares	328,896	A, B, C	(9)	328,896	-	865,067	(17)
Reserve pursuant to Art.6, paragraph 2 Legislative Decree 38/2005	18,721	B	(10)	18,721	-	-	
Other reserves	38,593	A, B, C	(11)	38,593	-	-	
Negative components of Shareholders' Equity	(904,941)	-	(12)	(904,941)	-	-	
Revaluation reserves:	**1,092,028**				-	-	
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 reserve	915,911	-	(14)	-	-	-	
Cash-flow hedges reserve	121,253	-	(14)	-	-	-	
Reserve for actuarial gains (losses) on employee defined -benefit plans	(222,156)	-		-	-	-	
Total	**46,079,983**			**24,389,098**	11,820,894	7,962,673	
Portion not allowed in distribution(**)				**5,467,666**			
Remaining portion available for distribution(***)				**18,921,432**			

(*) 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.

Part B - Balance Sheet - Liabilities

Notes:

(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 (€8,564.500) thousand and includes €7,878,428 thousand 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 €686,072 thousand is considered not distributable.
(3) Reserve 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 €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; the reserve was increased by € 21,459 thousand by Shareholders' Meeting resolution of May 13, 2015 for 2014 net profit distribution.
(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) The Reserve from business combination (IFRS3) is considered as distributable for €1,406,433 thousand 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 €3,818,208 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, 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 thousand 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 dividends in the year 2014 and 2015.
(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) Amount paid to shareholders in the year 2013.
(17) Amounts paid to shareholders in the year 2014 (€399,166 thousand) an in the year 2015 (€465,901 thousand) with settlement in cash and scrip dividend.

In detail the composition of Other negative components of Shareholders' Equity:

VOICE	12.31.2015
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	(469,508)
Reserve arising out of capital instrument and cashes	(391,830)
ESOP share price reserve	(16,144)
Total	**(904,941)**

Other Information

1. Guarantees given and commitments

(€ '000)

TRANSACTIONS	AMOUNTS AS AT 12.31.2015	12.31.2014
1) Financial guarantees given to	**21,122,729**	**24,485,028**
a) Banks	10,365,315	12,027,808
b) Customers	10,757,414	12,457,220
2) Commercial guarantees given to	**18,405,819**	**16,920,040**
a) Banks	2,502,678	1,816,897
b) Customers	15,903,141	15,103,143
3) Other irrevocable commitments to disburse funds	**31,564,733**	**32,338,458**
a) banks:	5,714,918	2,532,896
i) usage certain	*2,592,127*	*1,666,360*
ii) usage uncertain	*3,122,791*	*866,536*
b) customers:	25,849,815	29,805,562
i) usage certain	*6,443,576*	*10,338,080*
ii) usage uncertain	*19,406,239*	*19,467,482*
4) Underlying obligations for credit derivatives: sales of protection	**-**	**-**
5) Assets used to guarantee others' obligations	**3,258**	**2,101**
6) Other commitments	**228,363**	**738,935**
Total	**71,324,902**	**74,484,562**

2. Assets used to guarantee own liabilities and commitments

(€ '000)

PORTFOLIOS	AMOUNTS AS AT 12.31.2015	12.31.2014
1. Financial assets held for trading	1,118,403	2,107,009
2. Financial assets designated at fair value	1,101	1,102
3. Financial assets available for sale	34,867,717	28,309,666
4. Financial assets held to maturity	750,293	1,545,002
5. Loans and receivables with banks	2,748,379	3,743,104
6. Loans and receivables with customers	37,333,255	36,213,667
7. Property, plant and equipment	-	-

Deposits from banks include €15,168 thousand related to Banca d'Italia's refinancing operations collateralized by securities nominal value €6,331 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 €4,223 thousand.

Security borrowing transactions collateralized by securities or not collateralized

(€ '000)

	AMOUNTS AS AT 12.31.2015			
	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	641,650	-	-	1,320,942
B. Financial companies	-	-	-	-
C. Insurance companies	-	-	-	-
D. Non-Financial companies	-	-	-	-
E. Others	-	-	-	-
Total	**641,650**	**-**	**-**	**1,320,942**

Part B - Balance Sheet - Liabilities

3. Operating leases
No data to be disclosed.

4. Asset management and trading on behalf of others

(€ '000)

TYPE OF SERVICES	AMOUNT AS AT 12.31.2015	AMOUNT AS AT 12.31.2014
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	10,051,733	7,989,426
b) Collective	-	-
3. Custody and administration of securities		
a) third party securities on deposits: 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 deposits (excluding segregated accounts): other	142,021,849	149,868,133
1. securities issued by the bank preparing the accounts	*20,256,078*	*27,703,385*
2. Other securities	*121,765,771*	*122,164,748*
c) Third party securities deposited with third parties	140,762,578	148,883,892
d) Property securities deposited with third parties	87,146,245	86,378,066
4. Other	**8,587,351**	**8,668,551**

5. Assets subject to accounting offsetting or under master netting agreements and similar ones

(€ '000)

INSTRUMENT TYPE	GROSS AMOUNTS OF FINANCIAL ASSETS (A)	FINANCIAL LIABILITIES OFFSET IN BALANCE SHEET (B)	NET BALANCE SHEET VALUES OF FINANCIAL ASSETS (C=A-B)	RELATED AMOUNTS NOT RECOGNIZED IN BALANCE SHEET: FINANCIAL INSTRUMENTS (D)	RELATED AMOUNTS NOT RECOGNIZED IN BALANCE SHEET: CASH COLLATERAL RECEIVED (E)	NET AMOUNTS AT 12.31.2015 (F=C-D-E)	NET AMOUNTS AT 12.31.2014
1. Derivatives	9,774,064	-	9,774,064	9,390,727	176,521	206,816	924,521
2. Reverse repos	-	-	-	-	-	-	-
3. Securities lending	-	-	-	-	-	-	-
4. Others	-	-	-	-	-	-	-
Total 12.31.2015	**9,774,064**	**-**	**9,774,064**	**9,390,727**	**176,521**	**206,816**	**X**
Total 12.31.2014	**13,076,694**	**-**	**13,076,694**	**12,152,173**	**-**	**X**	**924,521**

6. Liabilities subject to accounting offsetting or under master netting agreements and similar ones

(€ '000)

INSTRUMENT TYPE		GROSS AMOUNTS OF FINANCIAL LIABILITIES (A)	FINANCIAL ASSETS OFFSET IN BALANCE SHEET (B)	NET BALANCE SHEET VALUES OF FINANCIAL LIABILITIES (C=A-B)	RELATED AMOUNTS NOT RECOGNIZED IN BALANCE SHEET: FINANCIAL INSTRUMENTS (D)	RELATED AMOUNTS NOT RECOGNIZED IN BALANCE SHEET: CASH COLLATERAL PLEDGED (E)	NET AMOUNTS AT 12.31.2015 (F=C-D-E)	NET AMOUNTS AT 12.31.2014
1. Derivatives		10,610,851	-	10,610,851	9,390,727	1,220,124	-	1,310,170
2. Repos		-	-	-	-	-	-	-
3. Securities lending		-	-	-	-	-	-	-
4. Others		-	-	-	-	-	-	-
Total	**12.31.2015**	**10,610,851**	**-**	**10,610,851**	**9,390,727**	**1,220,124**	**-**	**X**
Total	**12.31.2014**	**13,462,343**	**-**	**13,462,343**	**12,152,173**	**-**	**X**	**1,310,170**

Part C - Income Statement

Part C - Income Statement

Section 1 - Interest income and expense - Item 10 and 20

1.1 Interest income and similar revenues: breakdown

(€ '000)

ITEMS/TYPE	YEAR 2015 DEBT SECURITIES	YEAR 2015 LOANS	YEAR 2015 OTHER TRANSACTIONS	YEAR 2015 TOTAL	YEAR 2014 TOTAL
1. Financial assets held for trading	41,997	-	-	41,997	75,475
2. Available-for-sale financial assets	1,010,962	-	-	1,010,962	1,075,586
3. Held-to-maturity investments	10,869	-	-	10,869	33,528
4. Loans and receivables with banks	152,204	60,446	-	212,650	197,246
5. Loans and receivables with customers	36,163	5,277,538	-	5,313,701	6,488,896
6. Financial assets at fair value through profit or loss	9,124	-	-	9,124	7,661
7. Hedging derivatives	X	X	678,773	678,773	892,428
8. Other assets	X	X	9,551	9,551	10,443
Total	**1,261,319**	**5,337,984**	**688,324**	**7,287,627**	**8,781,263**

The interest accrued during the year on positions classified at December 31, 2015 as “impaired” amount to €680 million.

1.2 and 1.5 Interest income/expense and similar revenues/charges: hedging differentials

(€ '000)

ITEMS	YEAR 2015	YEAR 2014
A. Positive differentials relating to hedging operations	2,987,304	3,386,924
B. Negative differentials relating to hedging operations	(2,308,531)	(2,494,496)
C. Net differential	**678,773**	**892,428**

1.3.1 Interest income from financial assets denominated in currency

(€ '000)

ITEMS	YEAR 2015	YEAR 2014
a) Assets denominated in currency	133,322	68,775

1.4 Interest expense and similar charges: breakdown

(€ '000)

ITEMS/TYPE	YEAR 2015 DEBTS	YEAR 2015 SECURITIES	YEAR 2015 OTHER TRANSACTIONS	YEAR 2015 TOTAL	YEAR 2014 TOTAL
1. Deposits from Central banks	(15,483)	X	-	(15,483)	(19,457)
2. Deposits from banks	(123,376)	X	-	(123,376)	(236,437)
3. Deposits from customers	(302,102)	X	-	(302,102)	(592,450)
4. Debt securities in issue	X	(2,793,228)	-	(2,793,228)	(3,563,963)
5. Financial liabilities held for trading	-	-	(14,587)	(14,587)	(18,166)
6. Financial liabilities at fair value through profit or loss	-	-	-	-	-
7. Other liabilities and funds	X	X	(3,609)	(3,609)	(876)
8. Hedging derivatives	X	X	-	-	-
TOTAL	**(440,961)**	**(2,793,228)**	**(18,196)**	**(3,252,385)**	**(4,431,349)**

1.6.1 Interest expense on liabilities denominated in currency

(€ '000)

ITEMS	YEAR 2015	YEAR 2014
a) Liabilities denominated in currency	(182,322)	(121,103)

Section 2 - Fees and commissions - Item 40 and 50

2.1 Fee and commission income: breakdown

(€ '000)

TYPE OF SERVICES/VALUES	YEAR 2015	YEAR 2014
a) guarantees given	**376,448**	**376,554**
b) credit derivatives	**-**	**-**
c) management, brokerage and consultancy services:	**1,903,855**	**1,692,562**
1. securities trading	5	151
2. currency trading	99,693	77,600
3. portfolio management	91,081	83,501
3.1 individual	*91,081*	*83,501*
3.2 collective	-	-
4. custody and administration of securities	11,387	12,631
5. custodian bank	-	-
6. placement of securities	914,904	776,819
7. reception and transmission of orders	125,073	144,227
8. advisory services	28,073	21,714
8.1 related to investments	*12,701*	*13,336*
8.2 related to financial structure	*15,372*	*8,378*
9. distribution of third party services	633,639	575,919
9.1 portfolio management	11,242	15,554
9.1.1 individual	*11,242*	*15,554*
9.1.2 collective	-	-
9.2 insurance products	612,076	545,890
9.3 other products	10,321	14,475
d) collection and payment services	**614,293**	**610,050**
e) securitization servicing	**52,159**	**50,190**
f) factoring	**-**	**-**
g) tax collection services	**-**	**-**
h) management of multilateral trading facilities	**-**	**-**
i) management of current accounts	**901,776**	**979,591**
j) other services	**350,348**	**308,242**
k) security lending	**6,576**	**7,584**
Total	**4,205,455**	**4,024,773**

For previous year the amounts related to portfolio management have been restated.

2.2 Fee and commission income by distribution channel

(€ '000)

CHANNELS/SECTORS	YEAR 2015	YEAR 2014
a) through Group bank branches	**1,639,300**	**1,435,959**
1. portfolio management	91,081	83,501
2. placement of securities	914,580	776,539
3. others' products and services	633,639	575,919
b) off-site	**324**	**280**
1. portfolio management	-	-
2. placement of securities	324	280
3. others' products and services	-	-
c) other distribution channels	**-**	**-**
1. portfolio management	-	-
2. placement of securities	-	-
3. others' products and services	-	-
Total	**1,639,624**	**1,436,239**

Part C - Income Statement

2.3 Fee and Commissions expense: breakdown

(€ '000)

TYPE OF SERVICES/VALUES	YEAR 2015	YEAR 2014
a) guarantees received	**(82,327)**	**(68,255)**
b) credit derivatives	**(318)**	**(598)**
c) management,brokerage and consultancy services:	**(72,341)**	**(80,736)**
1. trading financial instruments	(9,510)	(14,369)
2. currency trading	(1,368)	(1,281)
3. portfolio management	(2,587)	(5,442)
3.1 own portfolio	*(2,587)*	*(5,442)*
3.2 third party portfolio	-	-
4. custody and administration of securities	(41,443)	(43,182)
5. placement of financial instruments	(168)	(117)
6. off-site distribution of financial instruments, products and services	(17,265)	(16,345)
d) collection and payment services	**(135,057)**	**(120,472)**
e) other services	**(73,453)**	**(89,878)**
f) security borrowing	**(4,675)**	**(5,903)**
Total	**(368,171)**	**(365,842)**

Section 3 - Dividend income and similar revenue - Item 70

3.1 Dividend income and similar revenue: breakdown

(€ '000)

	YEAR 2015		YEAR 2014	
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	85,461	20,659	94,505	8,573
C. Financial assets at fair value through profit or loss	-	-	-	-
D. Investments	1,369,409	X	1,278,391	X
Total	**1,454,870**	**20,659**	**1,372,896**	**8,573**
Total dividends and income from units in investment funds		**1,475,529**		**1,381,469**

Provided below is the breakdown of dividends on equity investments collected during 2015 and 2014.

Breakdown of dividends by investments

(€ '000)

	YEAR 2015	YEAR 2014
Unicredit Bank AG	626,751	755,401
Bank Pekao S.A.	313,470	316,402
Pioneer Global Asset Management S.p.A.	130,032	-
Finecobank S.p.A.	79,422	20,007
Unicredit Bank Ireland P.l.c.	74,000	47,000
Unicredit Factoring S.p.A.	72,671	49,385
Aviva S.p.A.	45,766	14,816
Mediobanca - Banca di Credito Finanziario S.p.A.	18,633	11,180
CNP Unicredit Vita S.p.A.	7,690	7,690
Crivelli S.r.l.	500	-
Euro TLX S.p.A.	300	832
Torre S.g.r. S.p.A.	173	-
CreditRas Vita S.p.A.	-	23,100
SIA S.p.A.	-	24,133
Sw Holding S.p.A.	-	7,589
Smia S.p.A.	-	855
Unicredit Bulbank A.D.	1	1
Total	**1,369,409**	**1,278,391**

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

(€ '000)

	YEAR 2015				
TRANSACTIONS/P&L ITEMS	UNREALIZED PROFITS	REALIZED PROFITS	UNREALIZED LOSSES	REALIZED LOSSES	NET PROFIT
1. Financial assets held for trading	**7,708**	**125,287**	**(20,162)**	**(105,784)**	**7,049**
1.1 Debt securities	7,708	125,235	(20,162)	(105,777)	7,004
1.2 Equity instruments	-	11	-	(7)	4
1.3 Units in investment funds	-	41	-	-	41
1.4 Loans	-	-	-	-	-
1.5 Other	-	-	-	-	-
2. Financial liabilities held for trading	**-**	**-**	**-**	**-**	**-**
2.1 Debt securities	-	-	-	-	-
2.2 Deposits	-	-	-	-	-
2.3 Other	-	-	-	-	-
3. Financial assets and liabilities: exchange differences	**X**	**X**	**X**	**X**	**762,400**
4. Derivatives	**453,471**	**1,234,723**	**(285,570)**	**(1,351,222)**	**(574,940)**
4.1 Financial derivatives:	453,471	1,234,723	(285,570)	(1,351,222)	(574,940)
- on debt securities and interest rates	*73,328*	*803,494*	*(7,460)*	*(827,466)*	*41,896*
- on equity securities and share indices	*104,957*	*53,944*	*(2,924)*	*(152,017)*	*3,960*
- on currency and gold	*X*	*X*	*X*	*X*	*(626,342)*
- other	*275,186*	*377,285*	*(275,186)*	*(371,739)*	*5,546*
4.2 Credit derivatives	-	-	-	-	-
Total	**461,179**	**1,360,010**	**(305,732)**	**(1,457,006)**	**194,509**

Item "3. Other financial assets and liabilities: exchange differences" includes +€117,403 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 +€1,584 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. During first half 2015 the contract has been early terminated at "early termination date" previous agreement between the parties, as contractually agreed.

For more information, please refer to Part H - Related-Party Transactions.

Part C - Income Statement

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

5.1 Fair value adjustments in hedge accounting: breakdown

(€ '000)

P&L COMPONENT/VALUES	YEAR 2015	YEAR 2014
A. Gains on:		
A.1 Fair value hedging instruments	382,029	2,497,991
A.2 Hedged asset items (in fair value hedge relationship)	109,792	1,759,120
A.3 Hedged liability items (in fair value hedge relationship)	823,368	1,706
A.4 Cash-flow hedging derivatives	-	43
A.5 Assets and liabilities denominated in currency	-	215
Total gains on hedging activities	**1,315,189**	**4,259,075**
B. Losses on:		
B.1 Fair value hedging instruments	(754,690)	(1,720,940)
B.2 Hedged asset items (in fair value hedge relationship)	(428,259)	(874,272)
B.3 Hedged liability items (in fair value hedge relationship)	(122,746)	(1,655,380)
B.4 Cash-flow hedging derivatives	(2,019)	(3,554)
B.5 Assets and liabilities denominated in currency	(89)	-
Total losses on hedging activities	**(1,307,803)**	**(4,254,146)**
C. Net hedging result	**7,386**	**4,929**

Fair value adjustments in hedge accounting for 2015 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 +€100 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 +€5,910 thousand.

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

6.1 Gains and losses on disposals/repurchases: breakdown

(€ '000)

	YEAR 2015			YEAR 2014		
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**
2. Loans and receivables with customers	**84,985**	**(110,853)**	**(25,868)**	**72,645**	**(77,239)**	**(4,594)**
3. Available-for-sale financial assets	**569,209**	**(322,711)**	**246,498**	**362,176**	**(92,850)**	**269,326**
3.1 Debt securities	560,309	(322,692)	237,617	213,856	(92,503)	121,353
3.2 Equity instruments	8,898	(19)	8,879	148,288	(6)	148,282
3.3 Units in Investment funds	2	-	2	32	(341)	(309)
3.4 Loans	-	-	-	-	-	-
4. Held-to-maturity investments	**-**	**-**	**-**	**-**	**-**	**-**
Total assets	**654,194**	**(433,564)**	**220,630**	**513,535**	**(199,497)**	**314,038**
Financial liabilities						
1. Deposits with banks	**48,662**	**(23,489)**	**25,173**	**-**	**-**	**-**
2. Deposits with customers	**-**	**-**	**-**	**-**	**-**	**-**
3. Debt securities in issue	**46,131**	**(87,015)**	**(40,884)**	**175,754**	**(166,656)**	**9,098**
Total liabilities	**94,793**	**(110,504)**	**(15,711)**	**175,754**	**(166,656)**	**9,098**
Total financial assets and liabilities			**204,919**			**323,136**

During 2015 transactions that can generate gains or losses with banks have not been performed, differently from 2014 when transactions with Fineco Bank (legal entity belonging to the Group) have been realized.

Gains on Available for Sale equity instruments mainly arise from the sale of Aeroporto Marconi (+€3,683 thousand), Sofia (+€2,028 thousand), Tikehau (+€1.644 thousand).

Gains on Available for Sale debt instruments essentially arise from the sale of Italian Government bonds and the unwinding of corresponding hedging derivative.

During 2015, in second quarter, two tender offers on own issued Lower Tier Two bonds have been concluded, originating a loss of -€45,106 thousand.

In the first three quarters of the year some own issued deposits have been repurchased before their maturity with a gain of +€25.173 represented into gains on liabilities that are deposits with banks.

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

(€ '000)

	YEAR 2015				
TRANSACTIONS/P&L ITEMS	UNREALIZED PROFITS	REALIZED PROFITS	UNREALIZED LOSSES	REALIZED LOSSES	NET PROFIT
1. Financial assets	**12,904**	**3,301**	**(4,895)**	**(374)**	**10,936**
1.1 Debt securities	959	-	(72)	(374)	513
1.2 Equity securities	1,006	-	(1)	-	1,005
1.3 Units in investment funds	10,939	3,301	(4,822)	-	9,418
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	**1,028**	**18,521**	**(1,595)**	**(15,729)**	**2,225**
Total	**13,932**	**21,822**	**(6,490)**	**(16,103)**	**13,161**

Section 8 - Impairment losses - Item 130

8.1 Impairment losses on loans and receivables: breakdown

(€ '000)

	YEAR 2015								YEAR 2014
	WRITE-DOWNS			WRITE-BACKS					
	SPECIFIC			SPECIFIC		PORTFOLIO			
TRANSACTIONS/P&L ITEMS	WRITE-OFFS	OTHER	PORTFOLIO	INTEREST	OTHER	INTEREST	OTHER	TOTAL	TOTAL
A. Loans and receivables with banks	**-**	**(787)**	**(2,032)**	**7**	**1,359**	**-**	**2,178**	**725**	**(695)**
- Loans	-	(787)	(2,032)	7	1,359	-	2,178	725	(695)
- Debt securities	-	-	-	-	-	-	-	-	-
B. Loans and receivables with customers	**(355,446)**	**(4,195,400)**	**(406,640)**	**540,319**	**1,248,539**	**-**	**574,638**	**(2,593,990)**	**(2,683,670)**
Impaired related to purchase agreements	**(1,607)**	**(6,832)**	**-**	**1,613**	**4,438**	**-**	**-**	**(2,388)**	**1,703**
- Loans	(1,607)	(6,832)	X	1,613	4,438	X	X	(2,388)	1,703
- Debt securities	-	-	X	-	-	X	X	-	-
Other loans	**(353,839)**	**(4,188,568)**	**(406,640)**	**538,706**	**1,244,101**	**-**	**574,638**	**(2,591,602)**	**(2,685,373)**
- Loans	(353,839)	(4,188,568)	(406,640)	538,706	1,244,101	-	574,638	(2,591,602)	(2,645,038)
- Debt securities	-	-	-	-	-	-	-	-	(40,335)
C. Total	**(355,446)**	**(4,196,187)**	**(408,672)**	**540,326**	**1,249,898**	**-**	**576,816**	**(2,593,265)**	**(2,684,365)**

It should be noted that the impairment losses on certain non-impaired portfolios incorporate a methodological change in the definition of the Loss Confirmation Period (LCP). This change meant that in 2015 the recording of greater credit allowance for the above-mentioned portfolios totalling €123 million, compared to that which would have been applied with the previous methodology. The change in methodology allows better estimation of systematic identification of "loss events", understood as a measure of the deterioration in the financial situation of the counterparty, in line with company procedures adopted in the context of the internal rating system. The change in methodology was recorded as a change in estimate, pursuant to IAS8.35.

Part C - Income Statement

8.2 Impairment losses on available for sale financial assets: breakdown

(€ '000)

TRANSACTIONS/P&L ITEMS	YEAR 2015					YEAR 2014
	WRITE-DOWNS		WRITE-BACKS			
	SPECIFIC		SPECIFIC			
	WRITE-OFFS	OTHER	INTEREST	OTHER	TOTAL	TOTAL
A. Debt securities	-	-	-	-	-	-
B. Equity instruments	-	(25,984)	X	X	(25,984)	(207,173)
C. Units in investment funds	-	(15,140)	X	-	(15,140)	(32,455)
D. Loans to banks	-	-	-	-	-	-
E. Loans to customers	-	-	-	-	-	-
F. Total	**-**	**(41,124)**	**-**	**-**	**(41,124)**	**(239,628)**

8.4 Impairment losses on other financial transactions: breakdown

(€ '000)

TRANSACTIONS/P&L ITEMS	YEAR 2015								YEAR 2014
	WRITE-DOWNS			WRITE-BACKS					
	SPECIFIC			SPECIFIC		PORTFOLIO			
	WRITE-OFFS	OTHER	PORTFOLIO	INTEREST	OTHER	INTEREST	OTHER	TOTAL	TOTAL
A. Guarantees given	-	(55,058)	(20,283)	-	29,934	-	12,142	(33,265)	(111,089)
B. Credit derivatives	-	-	-	-	-	-	-	-	-
C. Commitments to disburse funds	-	-	-	-	-	-	-	-	-
D. Other transactions	-	-	-	-	-	-	-	-	-
E. Total	**-**	**(55,058)**	**(20,283)**	**-**	**29,934**	**-**	**12,142**	**(33,265)**	**(111,089)**

Section 9 - Administrative costs - Item 150

9.1 Payroll: breakdown

(€ '000)

TYPE OF EXPENSES/VALUES	YEAR 2015	YEAR 2014
1) Employees	**(3,819,951)**	**(3,139,703)**
a) wages and salaries	(2,235,008)	(2,179,278)
b) social charges	(614,112)	(578,345)
c) severance pay	(136,970)	(134,003)
d) social security costs	-	-
e) allocation to employee severance pay provision	(20,609)	(33,755)
f) provision for retirements and similar provisions:	(14,989)	(24,514)
- defined contribution	*(1,250)*	*(1,115)*
- defined benefit	*(13,739)*	*(23,399)*
g) payments to external pension funds:	(96,237)	(74,222)
- defined contribution	*(96,230)*	*(74,178)*
- defined benefit	*(7)*	*(44)*
h) costs related to share-based payments	(23,766)	(16,223)
i) other employee benefits	(678,260)	(99,363)
2) Other staff	**(5,428)**	**(4,181)**
3) Directors and Statutory Auditors	**(6,760)**	**(6,968)**
4) Early retirement costs	**-**	**-**
5) Recoveries of payments for second employees to other companies	**68,783**	**53,181**
6) Refund of expensives for employees seconded to the company	**(47,142)**	**(43,290)**
Total	**(3,810,498)**	**(3,140,961)**

9.2 Average number of employees by category

	YEAR 2015	YEAR 2014
Employees:	**40,276**	**40,551**
a) Senior managers	1,157	1,105
b) Managers	20,803	20,765
c) Remaining employees staff	18,316	18,681
Other Staff	**643**	**528**
Total	**40,919**	**41,079**

9.3 Defined benefit company pension funds: costs and revenues

(€ '000)

	YEAR 2015	YEAR 2014
Current service cost	(716)	(619)
Settlement gains (losses)	-	-
Past service cost	-	-
Interest cost on the DBO	(13,981)	(23,822)
Interest income on plan assets	958	1,042
Total recognized in profit or loss	**(13,739)**	**(23,399)**

9.4 Other employee benefits

(€ '000)

	YEAR 2015	YEAR 2014
- Seniority premiums	-	(12,983)
- Leaving incentives	(538,697)	15,305
- Other	(139,563)	(101,685)
Total	**(678,260)**	**(99,363)**

Part C - Income Statement

9.5 Other administrative expenses: breakdown

(€ '000)

TYPE OF EXPENSES/SECTORS	YEAR 2015	YEAR 2014
1) Indirect taxes and duties	**(509,553)**	**(516,531)**
2) Contributions to Resolution Funds and Deposit Guarantee Schemes (DGS)	**(323,960)**	**-**
3) Miscellaneous costs and expenses	**(2,305,646)**	**(2,336,733)**
a) advertising marketing and communication	**(78,027)**	**(89,904)**
b) expenses related to credit risk	**(272,397)**	**(236,382)**
c) indirect expenses related to personnel	**(90,845)**	**(94,534)**
d) Information & Communication Technology expenses	**(665,093)**	**(704,478)**
lease of ICT equipment and software	(12,923)	(15,473)
software expenses: lease and maintenance	(5,115)	(4,521)
ICT communication systems	(5,431)	(6,818)
ICT services: external personnel/outsourced services	(618,634)	(657,684)
financial information providers	(22,990)	(19,982)
e) consulting and professionals services	**(154,032)**	**(153,731)**
consulting	(97,445)	(100,333)
legal expenses	(56,587)	(53,398)
f) real estate expenses	**(525,660)**	**(542,213)**
premises rentals	(312,734)	(311,907)
utilities	(76,150)	(83,147)
other real estate expenses	(136,776)	(147,159)
g) operative costs	**(519,592)**	**(515,491)**
surveillance and security services	(59,462)	(66,710)
printing and stationery	(10,800)	(10,449)
postage and transport of documents	(30,165)	(39,474)
administrative and logistic services	(349,547)	(329,040)
insurance	(27,717)	(31,211)
association dues and fees	(19,285)	(13,550)
Other administrative expenses - Other	(22,616)	(25,057)
Total (1+2+3)	**(3,139,159)**	**(2,853,264)**

The year 2015 saw the introduction of the contribution schemes from the European Directives Nos.49 and 59 of 2014 related to the Deposit Guarantee Schemes (DGS) and Single Resolution Fund (SRF), within the framework of the rules establishing and regulating the Banking Union (involving the banks of the Group in the Euro area and of the other Member States who have joined it). As regards the contribution obligations described below, such schemes have led to costs during the year and will result in costs in future years in respect of the ordinary contribution scheme and the possibility of the need to resort to extraordinary contributions.

The registered costs in 2015, presented under the item Other administrative expenses, amounted to €324 million and relate to:
a) €292 million for the SRF corresponding to the estimate of the annual cost for 2015 and extraordinary contribution for Banca Marche, Cassa Risparmio Ferrara, Cassa Risparmio Chieti, Banca Etruria, as detailed decribed in te following;
b) €32 million for deposit guarantee funds.

With the introduction of the European directive 2014/59/EU, the Regulation on the Single Resolution Mechanism ("BRRD Directive" Regulation (EU) No.806/2014 of the European Parliament and of the Council dated July 15, 2014) established a framework for the recovery and resolution of crises in credit institutions, by setting up a single resolution committee and a single resolution fund for banks (Single Resolution Fund for the 2015 National Resolution Fund). The regulatory framework dictated by these provisions alters the previous civil and banking regulations by introducing harmonized rules for the prevention and management of banking crises and giving new powers to the National Resolution Authorities. The directive provides for the launch of a compulsory contribution mechanism at a national level that will allow the collection of the target level of resources by December 31, 2024, equal to 1% of the guaranteed deposits of all the authorised institutions in the respective territory. The accumulation period may be extended for a further four years if the funding mechanisms have made cumulative disbursements for a percentage higher than 0.5% of the guaranteed deposits. If, after the accumulation period, the available financial resources fall below the target level, the collection of contributions shall resume until that level has been recovered. In addition, having reached the target level for the first time and, in the event that the available financial resources fall to less than two thirds of the target level, these contributions are set at the level which allows the target level to be reached within a period of six years. The contribution mechanism provides for ordinary annual contribution instalments, with the aim of distributing the costs evenly over time for the contributing banks, and also extraordinary additional contributions, of up to three times the specified annual contributions, when the available financial resources are not sufficient to cover the losses and costs of the interventions.

Directive 2014/49/EU of April 16, 2014 on DGS - Deposit Guarantee Schemes - aims to enhance the protection of depositors through harmonization of the related national legislation. The directive provides for the launch of a mandatory national contribution mechanism that will allow a target level of 0.8% of the amount of its members' covered deposits to be collected by July 3, 2024. The contribution funding resumes when the financing capacity is below the target level, at least until the target level is reached. If, after the target level has been reached for the first time, the available financial resources have been reduced to below two thirds of the target level, the regular contribution shall be set at a level to achieve the target level within six years. The contribution mechanism provides for ordinary annual contribution instalments, with the aim of distributing the costs evenly over time for the contributing banks, and also extraordinary contributions, if the available financial resources of an DGS are insufficient to repay depositors; the extraordinary contributions cannot exceed 0.5% of covered deposits per calendar year, but in exceptional cases and with the consent of the competent authority the DGSs may demand even higher contributions.
The contributory schemes of Directives Nos.49 and 59 described above fall under the scope of the accounting interpretation IFRIC21 - Levies. Leading to the existence of a progressive series of annual payment obligations, they determine costs in the income statement for the instalment due in each financial year in the form of ordinary and extraordinary contributions, recorded under “Other administrative expenses”, when the obligation to pay the annual fee arises pursuant to the law of transposition.
Although Directives Nos.49 and 59 specified the possibility of introducing irrevocable payment commitments as an alternative form of collection to cash contributions, up to a maximum of 30% of the total resources target, this kind of collection was not made effective as of December 31, 2015. Therefore the contributions for 2015 were made via cash payments.
In Italy, Directive No.59 was transposed with Italian Legislative Decrees Nos.180 and 181 of November 16, 2015, making the application of the new rules on banking crises immediately effective, including the write-down or conversion of shares and subordinated loans, including securities, when necessary to prevent a crisis, according to the principle of “burden-sharing”.

For 2015, the ordinary contribution to the SRF was €73 million.
In its capacity as National Resolution Authority (“NRA”), Banca d’Italia, with its Provisions dated November 21, 2015, approved by the Italian Minister of Economy and Finance on November 22, 2015, ordered the launch of a resolution programme (for the Banca delle Marche, Banca Popolare dell'Etruria e del Lazio, Cassa di Risparmio di Ferrara, Cassa di Risparmio della Provincia di Chieti). These relate to a restructuring process which resulted in the separation of the Non-Performing loans of the four banks concerned, which flowed into a “bad bank”, from the rest of the assets and liabilities, that flowed into four new “bridge banks”. As a result of this intervention, the aforementioned ministerial measures led to a request for extraordinary contributions in accordance with Directive 59, established at the maximum rate of three times the ordinary contribution due for 2015. Therefore, UniCredit S.p.A. made an extraordinary contribution of €219 million (equal to 3 times the ordinary annual contribution due in 2015 for the Single Resolution Fund).

The liquidity needed to fund this intervention was provided through a loan which UniCredit participated in. In particular, the intervention of UniCredit entailed:
- the provision of a loan in favour of the Single Resolution Fund for about €783 million (portion of a total loan of Euro 2,350 million disbursed together with Intesa SanPaolo and UBI Banca), fully refunded on December 21, 2015 through the liquidity inflow from the ordinary and extraordinary contributions of 2015;
- the provision of funding in favour of the Single Resolution Fund whose value at December 31, 2015 was €516 million in the short term, 18 months minus one day, (portion of a total loan of €1,650 million disbursed along with Intesa SanPaolo and UBI Banca) against which the Cassa Depositi e Prestiti has assumed a commitment of financial support in the event of insufficiency of the Fund on the date the loan expires.

It should be noted that with regard to the financing of the resolution of the four banks mentioned above, Italian Legislative Decree 183/2015 also introduced an additional guarantee for 2016, due to the National Resolution Fund, for the payment of contributions of up to twice the ordinary contribution quotas to the Single Resolution Fund, which could be activated if the funds available to the National Resolution Fund net of recoveries arising from the disposal transactions carried out by the Fund from the assets of the four banks mentioned above were not sufficient to cover the bonds, losses and costs payable by the Fund in relation to the measures provided for by the Provisions launching the resolution.
As of the date of this financial statements, the process of enacting the law in Italy transposing Directive 2014/49/EU has not yet been completed. Though depending on this transposition, the Italian scheme of deposit guarantees known as the Interbank Deposit Protection Fund proceeded to amend its Statute with a Shareholders' Meeting Resolution dated November 26, 2015, anticipating the introduction of a contributory mechanism ex-ante (aimed at achieving the aforesaid long-term objective with a target of 2024). The costs recorded by UniCredit S.p.A. in “Other administrative expenses” in the fourth quarter of 2015 for the ordinary contribution to the FITD according to this new regime were €32 million.
In relation to the losses incurred by the holders of subordinated loans of the four banks subject to termination under the Italian Decree 183 of 2015, a solidarity fund was established under the 2016 Stability Law (Finance Bill) with a maximum of €100 million; therefore UniCredit S.p.A. has set aside a provision for risks and charges amounting to its stake (€15 million).

Following the disposal that involved the subsidiary UniCredit Credit Management Bank, starting from November 2015 UniCredit S.p.A. uses the credit recovery services of an entity external to the Group (doBank S.p.A.). Costs related to such services amount to €24,853 thousand.

Part C - Income Statement

Section 10 - Provisions for risks and charges - Item 160

10.1 Net provisions for risks and charges: breakdown

(€ '000)

ASSETS/P&L ITEMS	YEAR 2015 PROVISIONS	YEAR 2015 REALLOCATION SURPLUS	YEAR 2015 TOTAL	YEAR 2014 TOTAL
1. Other provisions				
1.1 legal disputes	(199,793)	85,603	(114,190)	(104,681)
1.2 staff costs	-	-	-	-
1.3 other	(260,475)	76,078	(184,397)	(17,182)
Total	**(460,268)**	**161,681**	**(298,587)**	**(121,863)**

In 2015, following the business combination that has brought to the merge into UniCredit S.p.A. of the "no-core Business" of UniCredit Credit Management Bank S.p.A. and the subsequent sale of the remaining investment of UniCredit S.p.A. in the same company, the reasons for maintaining the provision posted at the end of previous period (€30,272 thousand) have ceased due to no more existing contractual clauses.

Under the terms of the sale of Public Joint Stock Company Ukrsotsbank, signed on December 31, 2015, €78 million were recorded under "Other provisions" for the related contractual obligations.

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

11.1 Impairment on property, plant and equipment: breakdown

(€ '000)

ASSETS/P&L ITEMS	YEAR 2015 DEPRECIATION	YEAR 2015 IMPAIRMENT LOSSES	YEAR 2015 WRITE-BACKS	YEAR 2015 NET PROFIT
A. Property, plant and equipment				
A.1 Owned	**(124,782)**	**(2,431)**	**-**	**(127,213)**
- used in the business	(105,954)	(2,431)	-	(108,385)
- held for investment	(18,828)	-	-	(18,828)
A.2 Finance lease	**-**	**-**	**-**	**-**
- used in the business	-	-	-	-
- held for investment	-	-	-	-
Total A	**(124,782)**	**(2,431)**	**-**	**(127,213)**
B. Non-current assets and groups of assets held for sale	**X**	**(1,855)**	**-**	**(1,855)**
- used in the business	X	-	-	-
- held for investment	X	(1,855)	-	(1,855)
Total A + B	**(124,782)**	**(4,286)**	**-**	**(129,068)**

Section 12 - Impairments/write-backs on intangible assets - Item 180

12.1 Impairments on intangible assets: breakdown

(€ '000)

ASSETS/P&L ITEMS	YEAR 2015 AMORTISATION	YEAR 2015 IMPAIRMENT LOSSES	YEAR 2015 WRITE-BACKS	YEAR 2015 NET PROFIT
A. Intangible assets				
A.1 Owned	**(1,103)**	**-**	**-**	**(1,103)**
- generated internally by the company	-	-	-	-
- other	(1,103)	-	-	(1,103)
A.2 Finance leases	**-**	**-**	**-**	**-**
Total	**(1,103)**	**-**	**-**	**(1,103)**

Section 13 - Other net operating income - Item 190

13.1 Other operating expense: breakdown

(€ '000)

TYPE OF EXPENSE/VALUE	YEAR 2015	YEAR 2014
Impairment losses on leashold improvements (on-non separable assets)	(26,270)	(30,287)
Other	(246,939)	(162,592)
Total	**(273,209)**	**(192,879)**

We can note that as part of the initiatives to optimize the use (also prospective) of the spaces covered by payable rental contracts expenses of -€87,134 thousand were recognized against a commitment to liquidate a break option for the remodulation (reduction of the term and of the spaces rented) of the contract relating to the premises of Piazza Cordusio/Palazzo Boggi and the following decision to abandon the building before the termination date.

Other expenses include -€1,018 thousand paid to the subsidiary UniCredit Bank AG following the final revision of the contract denominated "Compensation Agreement" referred to Dependency Report 2013. For more information please refer to Part H - Related-Party Transactions.

13.2 Other operating revenues: breakdown

(€ '000)

TYPE OF REVENUE/VALUES	YEAR 2015	YEAR 2014
Recovery of costs	653,379	688,446
of which: Commissione di istruttoria veloce (CIV)	*55,088*	*86,696*
Revenues for administrative services	40,780	20,126
Rentals	39,405	36,997
Other revenues	66,653	59,167
Total	**800,217**	**804,736**

Other revenues include €17,536 thousand referred to UniCredit S.p.A.'s compensations from its subsidiaries for "corporate services" rendered to the Group. For more information please refer to Part H - Related-Party Transactions.

Section 14 - Profit (Loss) of equity investments - Item 210

14.1 Profit (Loss) of investments: breakdown

(€ '000)

P&L ITEMS/VALUES	YEAR 2015	YEAR 2014
A. Income	**752,839**	**541,350**
1. Revaluations	-	-
2. Gains on disposal	2,937	541,350
3. Writebacks	749,902	-
4. Other gains	-	-
B. Expense	**(2,751,415)**	**(1,235,846)**
1. Writedowns	-	-
2. Impairment losses	(2,751,035)	(1,219,210)
3. Losses on disposal	(380)	(16,636)
4. Other expenses	-	-
Net profit	**(1,998,576)**	**(694,496)**

As of December 2015 an impairment loss has been recognized for the following investments in subsidiaries: €2,053 million for UniCredit Bank Austria AG (sub-holding of the CEE region) and €490 million for UniCredit Leasing S.p.A.
In particular, the recoverable amounts of the two entities as of December 2015 have suffered a decrease determined by the updated financial projections of the Strategic Plan approved in November 2015: the targets embedded in this plan are more challenging, as they consider a macro-economic scenario with flat interest rates (close to 0) for the entire period of the plan. Additionally, the valuation of Bank Austria AG reflects the dynamics of the Ukraininan subsidiary (whose valuation reflects the expected outcome of the disposal process) and of the other subsidiaries operating in the CEE region, which are impacted by weaker FX rates. Regarding valuation parameters, the positive contribution of the updated cost of equity (improved versus 2014) was partly offset by the higher capital target projected for the updated strategic plan.

Impairment losses include impairments of the subsidiaries Società Italiana Gestione ed Incasso Crediti for -€34,069 thousand and impairment of the associates Compagnia Aerea Italiana for -€37,049 thousand and Torre SGR for -€12,000 thousand.

Further, Public Joint Stock Company Ukrsotsbank, classified as Held for Disposal, have been impaired for -€84,448 thousand.

Part C - Income Statement

Following the ceasing of conditions that generated impairments in previous years, reversal of impairments have been recorded on the subsidiaries UniCredit Bank Ireland for €425,851 thousand and UniCredit International Luxembourg for €56,203 thousand and on associates Mediobanca for €165,889 thousand and CNP UniCredit Vita S.p.A. for €101,959 thousand.

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

No data to be disclosed in this section.

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

17.1 Gains and losses on disposal of investments: breakdown

(€ '000)

P&L ITEMS/VALUES	YEAR 2015	YEAR 2014
A. Property		
- gains on disposal	23,105	44,093
- losses on disposal	-	(43,185)
B. Other assets		
- gains on disposal	12,581	6,743
- losses on disposal	(2,031)	(4,971)
Net Profit	**33,655**	**2,680**

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

(€ '000)

P&L ITEMS/SECTORS	YEAR 2015	YEAR 2014
1. Current tax (+/-)	(190,255)	(967,669)
2. Adjustment to current tax of prior years (+/-)	21,778	85,314
3. Reduction of current tax for the year (+)	-	-
3. bis Reduction in current tax for the year due tax credit under L. 214/2011 (+)	114,590	2,557,728
4. Changes to deferred tax assets (+/-)	310,956	(2,091,998)
5. Changes to deferred tax liabilities (+/-)	17,434	(4,437)
6. Tax expense for the year (+/-)	**274,503**	**(421,062)**

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

(€ '000)

	YEAR 2015	YEAR 2014
Total profit or loss before tax from continuing operations (item 260)	**(1,715,952)**	**500,836**
Theoretical tax rate	27.5%	27.5%
Theoretical computed taxes on income	**471,887**	**(137,730)**
1. Different tax rates	-	-
2. Non-taxable income - permanent differences	680,649	669,873
3. Non-deductible expenses - permanent differences	(925,619)	(608,988)
4. Different fiscal laws/IRAP	35,220	(177,402)
a) IRAP (italian companies)	53,414	(157,100)
b) other taxes (foreign companies)	(18,194)	(20,302)
5. Prior years and changes in tax rates	11,606	48,341
a) effects on current taxes	19,182	90,623
- tax loss carryforward/unused tax credit	-	-
- other effects of previous periods	*19,182*	*90,623*
b) effects on deferred taxes	(7,576)	(42,282)
- changes in tax rates	-	-
- new taxes incurred (+) previous taxes revocation (-)	-	-
- true-ups/ adjustments of the calculated deferred taxes	*(7,576)*	*(42,282)*
6. Valuation adjustments and non-recognition of deferred taxes	-	-
a) deferred tax assets write-down	-	-
b) deferred tax assets recognition	-	-
c) deferred tax assets non recognition	-	-
d) deferred tax assets non-recognition according to IAS12.39 and 12.44	-	-
e) other	-	-
7. Amortization of goodwill	-	-
8. Non-taxable foreign income	-	-
9. Other differences	760	(215,156)
Recognized taxes on income	**274,503**	**(421,062)**

Income taxes are recognized in accordance with the provisions of IAS12. The tax charge consists of current and deferred taxes, mainly determined in accordance with the current provisions on IRES tax and IRAP tax, and separate taxation "for transparency" of CFCs.

IRES 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 different tax period established by the TUIR compared to the accounting period in the financial statements disclosure.

Part C - Income Statement

For IRES 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 tax, a separate taxation “for transparency” has been established for tax incomes, recalculated in accordance with the provisions of the TUIR, of the direct and indirect foreign subsidiaries resident in tax havens (referred to as CFCs or Controlled Foreign Companies). The tax rate is 27.5%.

The IRAP tax, on the other hand, is a tax on production, linked to the algebraic sum of the income statement items identified by Legislative Decree 446/97, to which clearly identified upward and downward adjustments (different to those for IRES tax) are also to be made. Law No.190 of December 23, 2014 (2015 Stability Law) establishes - starting from 2015 - that personnel costs for employees with permanent employment contracts are fully 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%, therefore up to a theoretical rate of 5.57% (plus an additional 0.15% for Regions with a health budget deficit).

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 made on the basis of the regional distribution of the deposits) and applying the respective regional rate to each of the individual portions identified.

Income tax for 2015 amounted to a positive +€274.5 million, versus a negative value of -€421 million in 2014.

The reduction is due to the effects of the entry into force of two regulations:
- Article 1, paragraphs 20-24, of Law No.190 of December 23, 2014 (Stability Law 2015), which - as noted above - introduced the deductibility for IRAP tax purposes of expenses incurred in relation to employees with permanent contracts;
- Article 16 of Law Decree No.83 of 27/6/2015 introduced - in full - the total deductibility in the same accounting year of write-downs and losses on loans both for IRES tax and IRAP tax purposes, compared to the previous rule that allowed them to be deducted over five years. Only for 2015, deductibility is not yet allowed in full but up to 75%.

The current portion of IRES tax fell by -€466 million to -€97.8 million due to the accounting loss and the increased deductibility of write-downs of loans.

The current portion of IRAP tax fell by -€273 million to -€73.2 million due to the deductibility of the cost of labor and the increased deductibility of write-downs of loans and receivables. The deduction of the cost of full-time labor for IRAP tax purposes resulted in a fall in the associated tax charge of €143 million.

In 2015 there was a further reduction of the eligible share of the benefit linked to the increase in shareholders’ equity (ACE) - even though the rate used to calculate the benefit increased from 4 to 4.5% under the Stability Law 2014 (Law No.147 of December 27, 2013) due to 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. The benefit for 2015 was €23.8 million.

Finally, consequent to Resolution No.55 of May 29, 2015, the Italian Revenue Agency recognized the convertibility, for tax purposes, into tax credits of a portion of deferred tax assets relating to the detaxation of goodwill under Article 23, paragraph 12 of Law Decree No.98 of December 29, 2011 (which introduced paragraph 10-bis to Article 15 of Law Decree No.185 of November 29, 2008) which was pending clarifications since Banca d’Italia Communication of May 8, 2013 did not recognise deductibility for the purposes of calculating Core Tier1. Therefore, the additional amount of €114 million was therefore converted into tax credits in light of the accounting loss recognized in the 2013 financial statements.

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.

21.1 and 21.2 Average number of diluted shares and other information

	YEAR 2015	YEAR 2014
Net profit (loss) (thousands of €)(1)	(1,541,858)	44,308
Average number of outstanding shares(2)	5,829,820,906	5,740,053,411
Average number of potential dilutive shares	22,064,400	8,446,613
Average number of diluted shares	5,851,885,307	5,748,500,025
Earning (Loss) per share (€)	**(0.264)**	**0.008**
Diluted Earning (Loss) per share (€)	**(0.263)**	**0.008**

(1) €100,409 thousand was deducted from 2015 net loss of -1,441,449 thousand of euro due to disbursements charged to equity made in connection with the contract of usufruct on treasury shares agreed under the cashes' transaction (€35,466 thousand was deducted from 2014 net profits).
(2) Average of outstanding shares is net of treasury shares and of 96,756,406 shares held under a contract of usufruct.

Part D - Comprehensive Income

Part D - Comprehensive Income

Other Comprehensive Income Statement

(€ '000)

ITEMS	YEAR 2015 BEFORE TAX EFFECT	TAX EFFECT	AFTER TAX EFFECT
10. Net profit (loss) for the year	**X**	**X**	**(1,441,449)**
Other comprehensive income not reclassified to profit or loss			
20. Property, plant and equipment	**-**	**-**	**-**
30. Intangible assets	**-**	**-**	**-**
40. Defined benefit plans	**62,965**	**(16,700)**	**46,265**
50. Non-current assets classified as held for sale	**-**	**-**	**-**
60. Portion of revaluation reserves from investments valued at equity	**-**	**-**	**-**
Other comprehensive income that may be reclassified to profit or loss			
70. Hedges of foreign investments:	**-**	**-**	**-**
a) fair value changes	-	-	-
b) reclassification to profit or loss	-	-	-
c) other changes	-	-	-
80. Exchange differences:	**-**	**-**	**-**
a) changes in value	-	-	-
b) reclassification to profit or loss	-	-	-
c) other changes	-	-	-
90. Cash flow hedges:	**(175,438)**	**57,774**	**(117,664)**
a) fair value changes	(175,438)	57,891	(117,547)
b) reclassification to profit or loss	-	-	-
c) other changes	-	(117)	(117)
100. Available-for-sale financial assets:	**224,384**	**(62,035)**	**162,349**
a) fair value changes	370,423	(108,375)	262,048
b) reclassification to profit or loss	(149,891)	47,910	(101,981)
- impairment losses	*(307)*	*21*	*(286)*
- gains/losses on disposals	*(149,584)*	*47,889*	*(101,695)*
c) other changes	3,852	(1,570)	2,282
110. Non-current assets classified as held for sale:	**-**	**-**	**-**
a) fair value changes	-	-	-
b) reclassification to profit or loss	-	-	-
c) other changes	-	-	-
120. Portion of revaluation reserves from investments valued at equity:	**-**	**-**	**-**
a) fair value changes	-	-	-
b) reclassification to profit or loss	-	-	-
- impairment losses	-	-	-
- gains/losses on disposals	-	-	-
c) other changes	-	-	-
130. Total other comprehensive income	**111,911**	**(20,961)**	**90,950**
140. Comprehensive income after tax (Item 10+130)	**X**	**X**	**(1,350,499)**

Part E - Risks and Hedging Policies

Part E - Risks and Hedging Policies

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. 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 Strategy & Finance 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 Banca d'Italia 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 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 a risk culture in UniCredit S.p.A. and across the whole Group.

Section 1 - Credit risk

Qualitative information

1. General Matters

With reference to the risks management model, the streamlining of the governance system already initiated through the One4C project and enhanced in line with the approach of Single Supervisory Mechanism, continued during 2015 with the aim of achieving higher levels of efficiency and ensuring strong control on issues related to risk.

In particular in the Parent Company a single competence center is operating for all the activities of steering and coordination for credit risk and also for the development and validation of rating systems and for integrated risk management.

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, 2015, is described in the next sections with specific reference to structures and responsibilities.

During the first half of 2015 the Group Credit Risk Strategies were released, consistent with the Group "risk appetite" and Pillar II metrics and accompanied by innovative management dashboards, in order to optimize the operational application. 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 corporate portfolios and retail exposures. With regard to the EAD parameter, 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.

During 2015 the new classification of impaired loans and the categories of forborne exposures have been incorporated and implemented both in regulation and in the credit processes, in line with EBA and Supervisory Authority requirements, with the goal of making more pervasive the risk culture, supported by dedicate training events. Some activities will be completed in 2016, following the evolution of the regulatory legislation.

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 unit within Risk Management dedicated to the definition and periodic review of the “Top Group”, which includes both industrial and financial groups. All the economic groups are mapped with a single procedure that supports a uniform management for this risk driver.

Within the scope of the Italian business, the steps of lending, monitoring and loan recovery are managed through specific processes and IT procedures, which are constantly enhanced in order to maximize the efficiency and effectiveness. In particular for the lending, highly automated processes for Small Enterprises and individuals are implemented, based on Risk Management predefined credit measures and in line with the constantly updated technology, aiming to spread and make more secure and easier the use of advanced transactional channels, particularly for current account and consumer lending services, also with ad hoc initiatives (“Subito Banca”) and high-tech tools.

In addition, the update of the performance monitoring process and metrics is completed, while at the end of 2015 the management of impaired loans has been reorganized enhancing specialized credit structures, already operative, that are responsible for the management of the positions classified at unlikely to pay or doubtful loans.

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, the Central Guarantee Fund and tranched cover operations. Furthermore, specific attention was focused on households that intend to purchase a home, both through the range of specific products 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.

Part E - Risks and Hedging Policies

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;
  - 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) 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 S.p.A. 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 Risk Policies & Products Italy department which, inter alia, is responsible for:
    - defining the credit rules for UniCredit S.p.A.

- 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 Group Risk Management, through dedicated structures in UniCredit S.p.A., ensures the definition and the management of the credit risk methodologies.

- 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):
  - the Credit Underwriting department whose responsibilities include the following activities:
    - coordinating the activities of 8 'Regional Industry Team';
    - RIT decision-making activities;
    - managing the lending to UniCredit S.p.A. customers;
    - coordination and management of lending to UniCredit S.p.A. customers in relation to Consumer Finance products;
    - managing the lending activities for higher risk costumers through specialized structures;
    - preliminary and administrative activities for transactions to be submitted to the Italian Transactional Credit Committee and the Italian Special & Transactional Credit Committee.
  - 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 & 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;
    - managing the collection of delinquent and overdue unpaid credits and the related activities, as the classifications doubtful or non performing credits, according to the delegated powers, ensuring the enforcement and implementations of collection strategies and activities;
    - conducting borrower assessment, credit analysis and preparing the related documentation for applications to be submitted to the competent decision-making Bodies;
    - overseeing the administrative and accounting activities under its responsibility.
    The department consists of the following structures:
    - Workout & Special Credit Administration Italy;
    - Inc. Italy;
    - Special Credit Analysis and Control Management.
  - the Restructuring Department Italy, which - inter alia- is in charge of managing (deciding, within its delegated powers, or submitting proposals to the relevant decision-making Bodies) 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.
  - 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.
    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.

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

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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 Commercial Area and by Network Real Estate Board .

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 ingrained 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.

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 local 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" and "Cross Border Risk".

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 ordinary 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.

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.

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 Strategy & Finance 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/LE/Division level, thereby providing the competent Strategy & Finance 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.

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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 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)", the definitions and classification categories of the credits;
- policies developed at the local level by individual Entities. Such documents provide detailed credit rules for, e.g. specific regions, subsidiaries, and, if required by local market peculiarities, they are applicable only within the specific Legal Entity perimeter.

At both Legal Entity and UniCredit S.p.A. level, the policies could be further detailed through Operative Instructions, describing specific rules and instructions for current management.

For instance, 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 Policy valid for the Italy perimeter ("Policies and methods for the classification and assessment of higher risk loans and receivables with customers in Italy").

Credit Policies are normally based on credit principles, and are primarily revised to reflect external regulatory changes, while the coordination with Credit Risk Strategies, that are updated at least annually, drives the areas that will form the target of UniCredit S.p.A.'s relevant credit business and the relative risk drivers (customers/products, industry segments and geographical areas).

2.2.3 Management and Measurement Methods

Credit Risk 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.

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.

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.

The internal rating assigned to each borrower and its economic group exposure form a part of the lending decision calculation, defined so that, at a constant credit amount, the approval powers granted to each decision-making Body are gradually reduced in proportion to an increased borrower/related risk level.

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.

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 the accounting standards requirements (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-α 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.

The Expected Shortfall (ES) is another measure 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.

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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 transferred through credit derivatives) and in those involving asset sales.

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, through dedicated management dashboards.

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 regulatory requirements, 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 S.p.A. 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. performs periodical 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 particular for the personal guarantees, UniCredit S.p.A. in order to support the underwriting and monitoring activities, has adopted an internal model for the guarantor evaluation.

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.

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2.4 Impaired financial assets

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.

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 IAS39 and “Basel II” rules;
- accurate and regular reporting to monitor over time the risk of the portfolio at the aggregate level.

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.

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.

Loan categorization in the risk categories and forborne exposures

With effect from January 1, 2015 Banca d’Italia reviewed the classification of impaired loans for regulatory and reporting purposes (7th update of Circular No.272 of July 30, 2008 - "Accounts Matrix" issued by Banca d’Italia on January 20, 2015), in order to align with the new definitions of “Non-Performing exposures” and “forborne exposures” set by the EU Regulation 2015/227, in accordance with the EBA standard (EBA/ITS /2013/03/rev1 24/7/2014). These definitions had been introduced with effect on the consolidated harmonized supervisory reporting (FINREP) as of September 30, 2014.

The new classification process:
- allocates impaired loans into the categories of Non-Performing loans, unlikely to pay and past-due loans. The total of these classes corresponds to the overall amount of Non-Performing Exposures mentioned in the EBA standards;
- eliminates the previous concepts of doubtful and restructured loans;
- introduces the qualification of forborne exposures.

With specific reference to the categories making up the "impaired" loans classes:
- the classification in the different "impaired" classes, must be done in accordance with legal and regulatory provisions issued by the local Supervisory Authorities;
- the volume of Non-Performing exposures according to the IFRS definition is the same as the one for Non-Performing assets referred to in the EBA standards.

Despite no significant effects on overall volume of Non-Performing loans resulted from the initial application of the seventh updating of Circular 272 of Banca d’Italia from January 1, 2015, Forborne Non-Performing exposures trend might be impacted by the changes on the risk classification process arising from the introduction of the EBA standards; these dynamics might be potentially justified by differences in the detailed classification criteria as compared by the previously applicable definitions.

Specifically, in view of the changes in the regulatory and reporting scenario, actions are being taken to align the credit process to the new classification rules, to monitor the dynamics of these exposures, and to ensure reporting to the Supervisory Authority.

In line with EBA Implementing Technical Standards issued on July 2014 and approved by the European Commission on January 9, 2015, a transaction has to be considered as forborne when both of the following conditions are simultaneously met:
- a concession, either (i) contractual modification or (ii) refinancing is granted in favour of the debtor;
- the debtor is facing or about to face financial difficulties.

With reference to the implementation of forbearance definition, it is worth mentioning that:

- the database used to define the Forborne exposures perimeter consists of information already available within the management and accounting system. This approach has enabled the tracking of a concession when:
  - the loan is refinanced through collective agreements or through internal initiatives supporting certain debtor categories or through initiatives designed to support the debtor in case of natural disaster;
  - the amortization plan related to a loan is modified;
  - pool loans are renegotiated;
- during 2015, the IT platform and the management system have been improved, with the objective of integrating an analytic method to the current automated approach (specifically, the IT applications used during the decision-making phase have been adjusted in order to identify the specific technical refinancing codes and initiatives that have been individually agreed with the customer);
- in order for these concessions to be included within the forborne perimeter, it's necessary, as defined by EBA Standard, to evaluate the existence of financial difficulty of the debtor by means of the verification of specific criteria (Troubled Debt Test);
- In consideration of the use of an approach based on the best estimates possible applicable in each case and the emergence of a reference implementation method, the volumes of exposures identified in this phase as forborne could differ from those corresponding to a precise application of the new definition when fully implemented.

On January 22, 2016 the EBA consultation on the Default Definition ("Guidelines on the application of the definition of default under Article 178 of Regulation (EU) 575/2013") was completed. Based on its outcome, it is expected that the classification criteria related to impaired loans might be subject to future further changes. The effects of these amendments will become clearer once the final regulation will be issued (including the EBA guidelines on the materiality threshold of past due exposures on which consultations were completed on January 31, 2015.

In relation to that, UniCredit S.p.A. is still required to comply with instructions issued by the Italian Supervisory Authority.

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.

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, through a dedicated structure of "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.

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Impaired assets acquired

Impaired loans acquired were recognized under item 70 "Loans and receivables with customers" for €41,619 thousand at December 31, 2015, a decrease of €9,217 thousand (-18.1%) compared to December 31, 2014 (€50,836 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

(€ '000)

	ACQUISITION DATE		12.31.2014		12.31.2015		CHANGE 12.31.15 - 12.31.14	
	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	158,670	37,728	143,763	28,145	-14,907	-9,583
Oney S.p.A.	148	121	66	6	61	6	-5	-
Island Refinancing S.r.l.	88,532	27,766	61,658	13,102	61,852	13,468	194	366
Total	**387,903**	**180,399**	**220,394**	**50,836**	**205,676**	**41,619**	**-14,718**	**-9,217**

(*) Inclusive of default interest accrued.

Quantitative information

A. Credit quality

A.1 Non-Performing and performing credit exposures: amounts, write-downs, 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.

With reference to the comparative figures as of December 31, 2014 of loans due to customers in tables A.1.1 and A.1.2 , starting from the first quarter of 2015 the classification of loans into risk classes was updated in order to reflect the changes provided in Banca d’Italia Circular 272.This update adjusts the previous classification instructions to the definition of "Non-Performing Exposure" (NPE) introduced by the European banking authority (EBA) through the issue of EBA/ITS /2013/03/rev1 24/7/2014. The total volume of loans classified in the previous categories that made up the perimeter of impaired loans as at December 31, 2014 (Bad Loans, Doubtful, Restructured, Past-due) were reallocated to new risk classes (Bad Loans, Unlikely to pay other than bad, Past-due) through:

a) the elimination of the Restructured loans class and the re-attribution of the loans therein in the "Unlikely to pay" class;
b) the reallocation of loans previously classified as "Doubtful" in the "Unlikely to pay" and "Non-Performing past due exposures". In particular, loans for which the Bank believes that there is a condition of unlikely to pay as at the reporting date, regardless of the existence of days/instalments past-due, were reclassified in the "Unlikely to pay other than bad" class. Conversely, the past due items for which this condition does not apply have been reclassified in the "Non-Performing past due exposures" class;

Non-Performing assets as of December 31, 2014 restated under the new definitions introduced by the EBA are consistent with impaired assets established in accordance with the previously applicable Banca d’Italia instructions.

With reference to comparative figures as of December 31, 2014 of other portfolios (other than loans with customers), the figures, previously conventionally classified as “Doubtful” or as “Restructured loans”, have been allocated in “Unlikely to pay”.

A.1.1 Breakdown of credit exposures by portfolio and credit quality (carrying value) (€ '000)

PORTFOLIOS/QUALITY	BAD EXPOSURES	UNLIKELY TO PAY	NON-PERFORMING PAST-DUE EXPOSURES	PERFORMING PAST-DUE EXPOSURES	OTHER PERFORMING EXPOSURES	TOTAL
1. Available-for-sale financial assets	1	4,979	-	-	62,851,199	62,856,179
2. Held-to-maturity financial instruments	-	-	-	-	751,808	751,808
3. Loans and receivables with banks	-	3,118	4	-	22,059,376	22,062,498
4. Loans and receivables with customers	13,692,425	11,578,904	1,092,619	4,403,670	184,407,093	215,174,711
5. Financial assets at fair value	-	9,467	-	-	61,091	70,558
6. Financial instruments classified as held for sale	-	-	-	-	-	-
Total 12.31.2015	**13,692,426**	**11,596,468**	**1,092,623**	**4,403,670**	**270,130,567**	**300,915,754**
Total 12.31.2014	**10,992,493**	**12,945,824**	**1,920,308**	**6,201,655**	**265,051,567**	**297,111,847**

Breakdown of credit exposures by portfolio and credit quality - Forborne exposures (carrying value) (€ '000)

PORTFOLIOS/QUALITY	BAD EXPOSURES	UNLIKELY TO PAY	NON-PERFORMING PAST-DUE EXPOSURES	PERFORMING PAST-DUE EXPOSURES	OTHER PERFORMING EXPOSURES	TOTAL
1. Available-for-sale financial assets	-	-	-	-	-	-
2. Held-to-maturity financial instruments	-	-	-	-	-	-
3. Loans and receivables with banks	-	-	-	-	-	-
4. Loans and receivables with customers	89,566	4,720,883	114,525	1,110,371	1,382,938	7,418,283
5. Financial assets at fair value	-	9,467	-	-	-	9,467
6. Financial instruments classified as held for sale	-	-	-	-	-	-
Total 12.31.2015	**89,566**	**4,730,350**	**114,525**	**1,110,371**	**1,382,938**	**7,427,750**

Part E - Risks and Hedging Policies

Breakdown of performing past-due credit exposures by portfolio and past-due bucket (gross value) (€ '000)

PORTFOLIOS/QUALITY	PAST-DUE LESS THAN 30 DAYS	PAST-DUE BETWEEN 30 AND 60 DAYS	PAST-DUE BETWEEN 60 AND 90 DAYS	PAST-DUE OVER 90 DAYS	TOTAL
1. Available-for-sale financial assets	-	-	-	-	-
2. Held-to-maturity financial instruments	-	-	-	-	-
3. Loans and receivables with banks	-	-	-	-	-
4. Loans and receivables with customers	796,217	877,358	408,317	2,526,449	4,608,341
5. Financial assets at fair value	-	-	-	-	-
6. Financial instruments classified as held for sale	-	-	-	-	-
Total 12.31.2015	**796,217**	**877,358**	**408,317**	**2,526,449**	**4,608,341**

The amounts past due over 90 days refer to loans that do not meet the definition of Non-Performing past due (below the materiality threshold).

A.1.2 Breakdown of credit exposures by portfolio and credit quality (gross and net values) (€ '000)

	NON-PERFORMING ASSETS			PERFORMING ASSETS			12.31.2015
PORTFOLIOS/QUALITY	GROSS EXPOSURE	SPECIFIC WRITEDOWNS	NET EXPOSURE	GROSS EXPOSURE	PORTFOLIO ADJUSTMENTS	NET EXPOSURE	TOTAL (NET EXPOSURE)
1. Available-for-sale financial assets	6,969	1,990	4,979	62,851,199	-	62,851,199	62,856,178
2. Held-to-maturity financial instruments	-	-	-	751,808	-	751,808	751,808
3. Loans and receivables with banks	6,037	2,914	3,123	22,062,256	2,880	22,059,376	22,062,499
4. Loans and receivables with customers	55,488,392	29,124,444	26,363,948	189,897,866	1,087,103	188,810,763	215,174,711
5. Financial assets at fair value	9,467	-	9,467	X	X	61,091	70,558
6. Financial instruments classified as held for sale	-	-	-	-	-	-	-
Total 12.31.2015	**55,510,865**	**29,129,348**	**26,381,517**	**275,563,129**	**1,089,983**	**274,534,237**	**300,915,754**
Total 12.31.2014	**48,388,766**	**22,530,141**	**25,858,625**	**272,589,701**	**1,336,479**	**271,253,222**	**297,111,847**

On January 1, 2015 loans and receivables with customers from the partial spin off from UniCredit Credit Management Bank S.p.A. are expressed at their residual face value among the "Gross Exposures", while the related devaluations are included in the Writedowns, in order to express the above-mentioned operation fully corresponding with its representation in the Consolidated Financial Statements with ongoing values.
It is noted that the total loans of the spin off were purchased for €1,175.1 million (corresponding to their face value net of write-downs carried out on the date of the spin off), fully held at their Fair value on the date of the operation. In particular, no loans were purchased at a value higher than the nominal amount.

Portfolio adjustments on loans regarding a number of performing portfolios incorporate a methodological change in the definition of the Loss Confirmation Period (LCP). This change led, in 2015, to the recognition of loan-loss provisions for these groups that were around €123 million higher than they would have been under the previous methodology. The change in the methodology improves the systematic estimation of the "loss event", understood as the date on which the financial condition of the borrower deteriorated, in line with the company processes adopted under the internal rating system. The change in methodology was recognized in the accounts as a change in estimates under IAS8.35.

Breakdown of credit exposures by portfolio and credit quality - Financial assets held for trading and Hedging instruments (gross and net values) (€ '000)

	LOW CREDIT QUALITY ASSETS		OTHER ASSETS
PORTFOLIOS/QUALITY	CUMULATED LOSSES	NET EXPOSURE	NET EXPOSURE
1. Financial assets held for trading	45,045	93,254	13,627,358
2. Hedging derivatives	-	-	6,405,357
Total 12.31.2015	**45,045**	**93,254**	**20,032,715**
Total 12.31.2014	**84,235**	**176,460**	**15,989,398**

The total partial write-offs carried out on Non-Performing assets classified as "Loans and receivables with customers" and "Loans and receivables with banks" amounted to €9,436 million, attributable to bad loans and other revoked Non-Performing loans. The increase compared to December 31, 2014 (€7,487 million) is substantially attributable to loan portfolios deriving from the partial spin-off from UniCredit Credit Management Bank.

Write-Offs (Long life criteria)

ACCOUNTING PORTFOLIOS	TOTAL IMPAIRED PARTIAL WRITE OFF
A.1 Financial assets held for trading	-
A.2 Financial assets at fair value through profit or loss	-
A.3 Available-for-sale financial assets	-
A.4 Held-to-maturity financial instruments	-
A.5 Loans and receivables with banks	1,659
A.6 Loans and receivables with customers	9,433,867
A.7 Financial instruments classified as held for sale	-
Total with banks	**1,659**
Total with customers	**9,433,867**

A.1.3 On- and off-balance sheet credit exposure with banks: gross and net values and past-due buckets

(€ '000)

	AMOUNT AS AT 12.31.2015							
	GROSS EXPOSURE							
	NON-PERFORMING ASSETS							
EXPOSURE TYPES/AMOUNTS	PAST-DUE LESS THAN 90 DAYS	PAST-DUE BETWEEN 90 AND 180 DAYS	PAST-DUE BETWEEN 180 DAYS AND 1 YEAR	PAST-DUE OVER 1 YEAR	PERFORMING ASSETS	SPECIFIC WRITEDOWNS	PORTFOLIO ADJUSTMENTS	NET EXPOSURE
A. On-balance sheet exposure								
a) Bad exposures	-	-	-	893	X	893	X	-
- of which: forborne exposures	-	-	-	-	X	-	X	-
b) Unlikely to pay	-	-	-	5,026	X	1,908	X	3,118
- of which: forborne exposures	-	-	-	-	X	-	X	-
c) Non-Performing past due	6	-	-	112	X	114	X	4
- of which: forborne exposures	-	-	-	-	X	-	X	-
d) Performing past-due	X	X	X	X	-	X	-	-
- of which: forborne exposures	X	X	X	X	-	X	-	-
e) Other performing exposures	X	X	X	X	26,676,211	X	2,881	26,673,330
- of which: forborne exposures	X	X	X	X	-	X	-	-
Total A	**6**	**-**	**-**	**6,031**	**26,676,211**	**2,915**	**2,881**	**26,676,452**
B. Off-balance sheet exposure								
a) Non-Performing	-	-	-	-	X	-	X	-
b) Performing	X	X	X	X	24,683,926	X	11,800	24,672,126
Total B	**-**	**-**	**-**	**-**	**24,683,926**	**-**	**11,800**	**24,672,126**
Total (A+B)	**6**	**-**	**-**	**6,031**	**51,360,137**	**2,915**	**14,681**	**51,348,578**

Off-balance sheet exposures comprise guarantees given, irrevocable commitments and derivatives regardless of each transaction's classification category.
The revocable commitments towards banks (not included in the off-balance sheet exposures) amount overall to €21,401 million.

Part E - Risks and Hedging Policies

A.1.4 On-balance sheet credit exposures with banks: gross changes in Non-Performing exposures

(€ '000)

	CHANGES IN 2015		
SOURCE/CATEGORIES	BAD EXPOSURES	UNLIKELY TO PAY	NON-PERFORMING PAST-DUE
A. Opening balance (gross amount)	**782**	**782**	**7,813**
- of which sold but not derecognised	-	-	-
B. Increases	**155**	**7,637**	**369**
B.1 transfers from Performing loans	-	-	7
B.2 transfers from other Non-Performing exposures	-	7,137	-
B.3 other increases	155	500	362
C. Reductions	**44**	**3,393**	**8,064**
C.1 transfers to Performing loans	-	-	-
C.2 write-offs	-	-	-
C.3 recoveries	-	974	-
C.4 sales proceeds	-	-	-
C.5 losses on disposals	-	-	-
C.6 transfers to other Non-Performing exposures	-	-	7,137
C.7 other decreases	44	2,419	927
D. Closing balance (gross amounts)	**893**	**5,026**	**118**
- of which sold but not derecognised	-	-	-

A.1.5 On-balance sheet Non-Performing credit exposures with banks: change in overall impairments

(€ '000)

	CHANGES IN 2015		
SOURCE/CATEGORIES	NON-PERFORMING LOANS	UNLIKELY TO PAY	NON-PERFORMING PAST-DUE
A. Opening balance (gross amount)	**644**	**725**	**2,087**
- of which sold but not derecognised	-	-	-
B. Increases	**356**	**2,490**	**79**
B.1 writedowns	264	447	77
B.2 losses on disposal	-	-	-
B.3 transfers from other Non-Performing exposure	-	2,043	-
B.4 other increases	92	-	2
C. Reductions	**107**	**1,307**	**2,052**
C.1 write-backs from assessments	63	1,303	-
C.2 write-backs from recoveries	-	-	-
C.3 gains on disposal	-	-	-
C.4 write-offs	-	-	-
C.5 transfers to other Non-Performing exposures	-	-	2,043
C.6 other decreases	44	4	9
D. Closing balance (gross amounts)	**893**	**1,908**	**114**
- of which sold but not derecognised	-	-	-

A.1.6 On- and off-balance sheet credit exposure with customers: gross and net values and past-due buckets

(€ '000)

	AMOUNT AS AT 12.31.2015							
	GROSS EXPOSURE							
	NON-PERFORMING ASSETS							
EXPOSURE TYPES/AMOUNTS	PAST DUE LESS THAN 90 DAYS	PAST-DUE BETWEEN 90 AND 180 DAYS	PAST-DUE BETWEEN 180 DAYS AND 1 YEAR	PAST-DUE OVER 1 YEAR	PERFORMING ASSETS	SPECIFIC WRITEDOWNS	PORTFOLIO ADJUSTMENTS	NET EXPOSURE
A. On-balance sheet								
a) Bad exposures	62,093	31,395	238,230	36,191,506	X	22,830,798	X	13,692,426
- of which: forborne exposures	16,406	1,981	27,693	321,795	X	278,308	X	89,567
b) Unlikely to pay	281,434	510,432	1,435,619	15,199,977	X	5,834,111	X	11,593,351
- of which: forborne exposures	168,378	270,648	431,149	5,971,171	X	2,110,995	X	4,730,351
c) Non-Performing past-due	2,980	307,989	542,815	700,360	X	461,524	X	1,092,620
- of which: forborne exposures	94	24,904	55,082	70,765	X	36,320	X	114,525
d) Performing past-due	X	X	X	X	4,608,342	X	204,672	4,403,670
- of which: forborne exposures	X	X	X	X	1,179,956	X	69,585	1,110,371
e) Other performing exposures	X	X	X	X	250,840,597	X	882,432	249,958,165
- of which: forborne exposures	X	X	X	X	1,426,187	X	43,248	1,382,939
Total A	**346,507**	**849,816**	**2,216,664**	**52,091,843**	**255,448,939**	**29,126,433**	**1,087,104**	**280,740,232**
B. Off-balance sheet exposures								
a) Non-Performing	1,524,237	-	-	-	X	106,234	X	1,418,003
b) Performing	X	X	X	X	56,507,750	X	130,662	56,377,088
Total B	**1,524,237**	**-**	**-**	**-**	**56,507,750**	**106,234**	**130,662**	**57,795,091**
Total (A+B)	**1,870,744**	**849,816**	**2,216,664**	**52,091,843**	**311,956,689**	**29,232,667**	**1,217,766**	**338,535,323**

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, irrevocable commitments and derivatives regardless of each transaction's classification category.
The revocable commitments towards clients (not included in the off-balance sheet exposures) amount overall to €72,163 million.

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 €4,785 million at December 31, 2015, against which specific impairments have been made for €2,803 million, with a total coverage level of 58.6%.

Portfolio adjustments on loans regarding a number of performing portfolios incorporate a methodological change in the definition of the Loss Confirmation Period (LCP). This change led, in 2015, to the recognition of loan-loss provisions for these groups that were around €123 million higher than they would have been under the previous methodology. The change in the methodology improves the systematic estimation of the "loss event", understood as the date on which the financial condition of the borrower deteriorated, in line with the company processes adopted under the internal rating system. The change in methodology was recognized in the accounts as a change in estimates under IAS8.35.

Part E - Risks and Hedging Policies

A.1.7 On-balance sheet credit exposures with customers: gross changes in Non-Performing exposures

(€ '000)

	CHANGES IN 2015		
SOURCE/CATEGORIES	BAD EXPOSURES	UNLIKELY TO PAY	NON-PERFORMING PAST DUE
A. Opening balance (gross amount)	**25,847,010**	**19,918,344**	**2,614,034**
- of which sold but not derecognised	*399,485*	*178,765*	*60,534*
B. Increases	**14,030,030**	**9,922,779**	**3,879,080**
B.1 transfers from performing exposures	142,141	2,969,705	3,529,117
B.2 transfers from other Non-Performing exposures	5,986,952	2,771,395	83,987
B.3 other increases	7,900,937	4,181,679	265,976
- of which: business combinations	*7,227,298*	-	-
C. Decreases	**3,353,816**	**12,413,661**	**4,938,971**
C.1 transfers to performing loans (including Performing past-due)	4,366	1,010,010	1,381,921
C.2 write-offs	1,894,945	594,243	-
C.3 recoveries	939,938	4,838,184	7,148
C.4 sales proceeds	169,460	96,331	-
C.5 losses on disposals	80,132	29,197	-
C.6 transfers to other Non-Performing exposures	31,716	5,818,073	2,992,545
C.7 other decreases	233,259	27,623	557,357
- of which: business combinations	-	-	-
D. Closing balance (gross amounts)	**36,523,224**	**17,427,462**	**1,554,143**
- of which sold but not derecognised	*429,765*	*518,693*	*52,382*

A.1.8 On-balance sheet Non-Performing credit exposures with customers: changes in overall impairment

(€ '000)

	CHANGES IN 2015		
SOURCE/CATEGORIES	BAD EXPOSURES	UNLIKELY TO PAY	NON-PERFORMING PAST DUE
A. Opening balance (gross amount)	**14,854,656**	**6,972,577**	**699,453**
- of which sold but not derecognised	*116,307*	*23,088*	*12,327*
B. Increases	**11,077,050**	**2,433,005**	**570,511**
B.1 writedowns	2,606,925	1,621,474	312,225
B.2 losses on disposal	80,132	29,197	-
B.3 transfers from other Non-Performing exposure	2,049,758	484,226	22,347
B.4 other increases	6,340,235	298,108	235,939
of which: business combinations	*6,101,718*	-	-
C. Reductions	**3,100,907**	**3,571,471**	**808,440**
C.1 write-backs from assessments	709,844	362,707	16,329
C.2 write-backs from recoveries	320,231	312,478	67,269
C.3 gains on disposal	50,794	19,126	-
C.4 write-offs	1,894,945	594,243	-
C.5 transfers to other Non-Performing exposures	12,525	1,992,626	551,180
C.6 other decreases	112,568	290,291	173,662
- of which: business combinations	-	-	-
D. Closing balance (gross amounts)	**22,830,799**	**5,834,111**	**461,524**
- of which sold but not derecognised	*130,628*	*195,826*	*18,889*

A.2 Breakdown of exposures according to external and internal ratings

A.2.1 On- and off-balance sheet credit exposure by external rating classes

(€ '000)

	AMOUNTS AS AT 12.31.2015							
	EXTERNAL RATING CLASSES							
EXPOSURES	CLASS 1	CLASS 2	CLASS 3	CLASS 4	CLASS 5	CLASS 6	NO RATING	TOTAL
A. On-balance sheet exposures	**5,085,653**	**8,251,324**	**95,112,207**	**1,950,245**	**997,685**	**26,381,971**	**170,433,097**	**308,212,182**
B. Derivative contracts	**20,969**	**242,255**	**307,513**	**36,345**	**168,029**	**-**	**3,459,202**	**4,234,313**
B.1 Financial derivative contracts	20,969	242,255	307,513	36,345	168,029	-	3,459,202	4,234,313
B.2 Credit derivative contracts	-	-	-	-	-	-	-	-
C. Guarantees given	**584,587**	**1,525,316**	**14,970,649**	**956,693**	**603,533**	**752,197**	**20,135,573**	**39,528,548**
D. Other commitments to disburse funds	**44,314**	**3,355,186**	**7,331,459**	**1,951,147**	**1,910,937**	**674,467**	**16,526,409**	**31,793,919**
E. Other	**-**	**8,494**	**6,901,466**	**-**	**-**	**-**	**478**	**6,910,438**
Total	**5,735,523**	**13,382,575**	**124,623,294**	**4,894,430**	**3,680,184**	**27,808,635**	**210,554,759**	**390,679,400**

Impaired assets are included in "Class 6".

Item "A. On-balance sheet Exposure" includes €795,497.2 thousand 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 Banca d'Italia Circular (4th update dated December 15, 2015); 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.

In the case in which there are ratings from different Agencies for the same counterparty, the most prudential valuation is taken.

The "Investment Grade" area (Class 1 to Class 3) is comprised of 79.8% of the counterparties provided with an external rating and refers to clients with a high credit rating.

Exposures without ratings amount to 53.9% of the total portfolio reflecting the fact that a considerable part of the portfolio is composed of private clients and small and medium sized companies for which an external rating is not available.

Part E - Risks and Hedging Policies

A.2.2 On- and off-balance sheet exposure by internal rating classes

(€ '000)

EXPOSURES	AMOUNTS AS AT 12.31.2015											
	INTERNAL RATING CLASSES									IMPAIRED EXPOSURES	NO RATING	TOTAL
	1	2	3	4	5	6	7	8	9			
A. On-balance sheet exposures	1,560,776	5,770,991	129,123,460	52,886,308	18,217,006	16,242,896	10,497,000	3,681,934	3,592,759	26,381,518	39,462,037	307,416,685
B. Derivative contracts	-	28,607	788,121	419,201	124,858	333,972	62,665	33,460	16,851	-	2,426,578	4,234,313
B.1 Financial derivative contracts	-	28,607	788,121	419,201	124,858	333,972	62,665	33,460	16,851	-	2,426,578	4,234,313
B.2 Credit derivative contracts	-	-	-	-	-	-	-	-	-	-	-	-
C. Guarantees given	470	739,455	15,712,766	10,810,725	2,678,870	2,806,301	957,999	269,928	163,464	747,036	4,641,533	39,528,547
D. Other commitments to disburse funds	17,278	2,076,393	14,591,595	2,926,353	2,845,291	734,617	345,390	130,599	138,237	670,967	7,317,199	31,793,919
E. Other	-	343	6,908,702	1,393	-	-	-	-	-	-	-	6,910,438
Total	1,578,524	8,615,789	167,124,644	67,043,980	23,866,025	20,117,786	11,863,054	4,115,921	3,911,311	27,799,521	53,847,347	389,883,902

INTERNAL RATING 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

(€ '000)

	AMOUNTS AS AT 12.31.2015														
		COLLATERAL (1)				GUARANTEES (2)									
						CREDIT DERIVATIVES					SIGNATURE LOANS (LOANS GUARANTIES)				
		PROPERTY					OTHER CREDIT DERVATIVES								
	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 On-balance sheet credit exposures:															
1.1 totally secured	7,356,425	-	-	7,353,436	-	-	-	-	-	-	-	-	-	2,989	7,356,425
- of which Non-Performing	*2,989*	-	-	-	-	-	-	-	-	-	-	-	-	*2,989*	*2,989*
1.2 partially secured	200,887	-	-	-	-	-	-	-	-	-	892	-	199,948	-	200,840
- of which Non-Performing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Secured Off-balance sheet credit exposures:															
2.1 totally secured	1,042,348	-	-	919,482	122,866	-	-	-	-	-	-	-	-	-	1,042,348
- of which Non-performing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2 partially secured	43,425	-	-	-	28,817	-	-	-	-	-	-	-	-	-	28,817
- of which Non-Performing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

A.3.2 Secured credit exposures with customers

(€ '000)

	AMOUNTS AS AT 12.31.2015														
		COLLATERAL (1)				GUARANTEES (2)									
						CREDIT DERIVATIVES					SIGNATURE LOANS (LOANS GUARANTIES)				
		PROPERTY					OTHER CREDIT DERVATIVES								
	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 On-balance sheet credit exposures:															
1.1 totally secured	128,492,875	77,467,611	-	28,004,365	2,174,705	-	-	-	-	-	475,458	694,324	558,332	18,270,641	127,645,436
- of which Non-Performing	*19,280,577*	*14,190,933*	-	*44,313*	*304,275*	-	-	-	-	-	*4,400*	*41,997*	*523*	*4,312,575*	*18,899,016*
1.2 partially secured	6,063,036	139,104	-	448,900	445,983	-	-	-	-	-	71,534	491,681	86,290	1,649,981	3,333,473
- of which Non-Performing	*1,026,842*	*36,316*	-	*90,052*	*36,911*	-	-	-	-	-	*30*	*19,883*	*2,016*	*566,747*	*751,955*
2. Secured Off-balance sheet credit exposures:															
2.1 totally secured	11,754,164	1,403,038	-	6,208,856	166,975	-	-	-	-	-	-	5,765	210,905	3,650,107	11,645,646
- of which Non-Performing	*734,058*	*362,098*	-	*1,511*	*25,359*	-	-	-	-	-	-	-	*79,491*	*206,716*	*675,175*
2.2 partially secured	1,515,161	3,905	-	108,874	144,102	-	-	-	-	-	17,474	1,935	96,727	541,547	914,564
- of which Non-Performing	*35,995*	*543*	-	*9,012*	*3,642*	-	-	-	-	-	-	-	*2,462*	*2,862*	*18,521*

In accordance with the instructions of Circular 262/2005 of Banca d'Italia, as of December 31, 2015, the value of the collateral cannot exceed the book value of the secured exposures; therefore, from this disclosure onwards, the lower of the loan at the book value and the value of the collateral is displayed.

Part E - Risks and Hedging Policies

B. Distribution and concentration of loans

B.1 Distribution by segment of On- and off-balance sheet credit exposures with customers (book value)

(€ '000)

COUNTERPARTS/EXPOSURES	GOVERNMENTS			OTHER PUBLIC ENTITIES			FINANCIAL COMPANIES		
	NET EXPOSURE	SPECIFIC WRITE-DOWNS	PORTFOLIO ADJUSTMENTS	NET EXPOSURE	SPECIFIC WRITE-DOWNS	PORTFOLIO ADJUSTMENTS	NET EXPOSURE	SPECIFIC WRITE-DOWNS	PORTFOLIO ADJUSTMENTS
A. On-balance sheet exposures									
A.1 Bad exposures	374	16,142	X	91,967	39,304	X	194,517	853,743	X
- of which: forborne exposures	-	-	*X*	*-*	*-*	*X*	*2,123*	*63,395*	*X*
A.2 Unlikely to pay	-	-	X	3,031	1,242	X	664,926	331,879	X
- of which: forborne exposures	-	-	*X*	*-*	*-*	*X*	*213,772*	*72,397*	*X*
A.3 Non-Performing past-due	365	163	X	188	75	X	112,764	43,568	X
- of which: forborne exposures	-	-	*X*	*37*	*16*	*X*	*396*	*201*	*X*
A.4 Performing exposures	66,167,308	X	3,630	3,146,838	X	51,524	59,879,127	X	195,085
- of which: forborne exposures	-	*X*	-	*245*	*X*	-	*7,815*	*X*	*293*
Total A	**66,168,047**	**16,305**	**3,630**	**3,242,024**	**40,621**	**51,524**	**60,851,334**	**1,229,190**	**195,085**
B. Off-balance sheet exposures									
B.1 Bad exposures	-	-	X	18,665	-	X	35	572	X
B.2 Unlikely to pay	-	-	X	7,017	-	X	37,023	-	X
B.3 Other Non-Performing exposures	-	-	X	11	5	X	-	-	X
B.4 Performing exposures	1,641,931	X	-	5,241,975	X	1,975	13,089,610	X	168
Total B	**1,641,931**	**-**	**-**	**5,267,668**	**5**	**1,975**	**13,126,668**	**572**	**168**
Total 12.31.2015	**67,809,978**	**16,305**	**3,630**	**8,509,692**	**40,626**	**53,499**	**73,978,002**	**1,229,762**	**195,253**
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**

continued: B.1 Distribution by segment of On- and off-balance sheet credit exposures with customers (book value)

COUNTERPARTS/EXPOSURES	INSURANCE COMPANIES			NON-FINANCIAL COMPANIES			OTHER ENTITIES		
	NET EXPOSURE	SPECIFIC WRITE-DOWNS	PORTFOLIO ADJUSTMENTS	NET EXPOSURE	SPECIFIC WRITE-DOWNS	PORTFOLIO ADJUSTMENTS	NET EXPOSURE	SPECIFIC WRITE-DOWNS	PORTFOLIO ADJUSTMENTS
A. On-balance sheet exposures									
A.1 Bad exposures	115	1,006	X	8,768,361	16,733,296	X	4,637,092	5,187,307	X
- of which: forborne exposures	-	-	*X*	*71,901*	*210,212*	*X*	*15,542*	*4,701*	*X*
A.2 Unlikely to pay	-	-	X	9,065,073	4,961,625	X	1,860,321	539,365	X
- of which: forborne exposures	-	-	*X*	*3,751,681*	*1,851,596*	*X*	*764,898*	*187,002*	*X*
A.3 Non-Performing past-due	-	-	X	456,593	163,281	X	522,709	254,438	X
- of which: forborne exposures	-	-	*X*	*27,678*	*9,828*	*X*	*86,414*	*26,275*	*X*
A.4 Performing exposures	310,489	X	356	65,633,806	X	542,788	59,224,267	X	293,720
- of which: forborne exposures	-	*X*	-	*1,010,447*	*X*	*50,294*	*1,474,804*	*X*	*62,245*
Total A	**310,604**	**1,006**	**356**	**83,923,833**	**21,858,202**	**542,788**	**66,244,389**	**5,981,110**	**293,720**
B. Off-balance sheet exposures									
B.1 Bad exposures	-	-	X	180,928	43,830	X	1,779	-	X
B.2 Unlikely to pay	-	-	X	1,005,368	50,363	X	58,611	-	X
B.3 Other Non-Performing exposures	-	-	X	104,608	10,843	X	3,959	621	X
B.4 Performing exposures	405,512	X	145	31,104,557	X	126,050	4,889,853	X	2,324
Total B	**405,512**	**-**	**145**	**32,395,461**	**105,036**	**126,050**	**4,954,202**	**621**	**2,324**
Total 12.31.2015	**716,116**	**1,006**	**501**	**116,319,294**	**21,963,238**	**668,838**	**71,198,591**	**5,981,731**	**296,044**
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**

B.2 Distribution of On- and off-balance sheet exposures with customers by geographic area (book value)

(€ '000)

	AMOUNT AS AT 12.31.2015									
	ITALY		OTHER EUROPEAN COUNTRIES		AMERICA		ASIA		REST OF THE WORLD	
GEOGRAPHIC AREA/EXPOSURES	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. On-balance sheet exposures										
A.1 Bad exposures	13,662,159	22,663,771	28,563	154,315	514	2,812	146	8,680	1,043	1,221
A.2 Unlileky to pay	11,309,132	5,759,550	192,057	56,946	91,568	16,573	265	81	329	961
A.3 Non-Performing past-due exposures	1,076,483	454,535	15,694	6,174	103	213	100	171	238	432
A.4 Performing exposures	236,837,070	1,052,824	15,692,486	9,073	923,488	11,650	467,714	13,496	441,076	62
Total A	**262,884,844**	**29,930,680**	**15,928,800**	**226,508**	**1,015,673**	**31,248**	**468,225**	**22,428**	**442,686**	**2,676**
B. Off-balance sheet exposures										
B.1 Bad exposures	201,356	44,402	51	-	-	-	-	-	-	-
B.2 Unlikely to pay	1,098,275	50,363	1,035	-	8,684	-	24	-	-	-
B.3 Other Non-Performing exposures	108,554	11,468	24	1	-	-	-	-	-	-
B.4 Performing exposures	50,933,377	130,184	3,741,520	304	1,374,807	12	308,131	150	15,603	12
Total B	**52,341,562**	**236,417**	**3,742,630**	**305**	**1,383,491**	**12**	**308,155**	**150**	**15,603**	**12**
Total A+B 12.31.2015	**315,226,406**	**30,167,097**	**19,671,430**	**226,813**	**2,399,164**	**31,260**	**776,380**	**22,578**	**458,289**	**2,688**
Total A+B 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**

B.2 Distribution of On- and off-balance sheet exposures with customers by geographic area (book value) - Italy

(€ '000)

	AMOUNT AS AT 12.31.2015							
	NORTH-WEST ITALY		NORTH-EAST ITALY		CENTRAL ITALY		SOUTH ITALY AND ISLANDS	
GEOGRAPHIC AREA/EXPOSURES	NET EXPOSURE	TOTAL WRITE-DOWNS	NET EXPOSURE	TOTAL WRITE-DOWNS	NET EXPOSURE	TOTAL WRITE-DOWNS	NET EXPOSURE	TOTAL WRITE-DOWNS
A. On-balance sheet exposures								
A.1 Bad exposures	3,919,483	5,745,133	3,015,323	4,438,435	3,259,389	6,420,128	3,467,964	6,060,075
A.2 Unlileky to pay	3,294,003	1,666,656	2,576,370	1,421,570	3,186,103	1,459,476	2,252,656	1,211,848
A.3 Non-Performing past-due exposures	196,937	83,208	249,072	84,838	290,049	120,355	340,425	166,134
A.4 Performing exposures	64,880,549	260,819	39,165,391	326,375	109,194,663	267,191	23,596,467	198,439
Total A	**72,290,972**	**7,755,816**	**45,006,156**	**6,271,218**	**115,930,204**	**8,267,150**	**29,657,512**	**7,636,496**
B. Off-balance sheet exposures								
B.1 Bad exposures	36,641	1,606	63,870	15,964	73,978	16,555	26,867	10,277
B.2 Unlikely to pay	439,829	26,013	205,575	18,679	289,372	3,430	163,499	2,241
B.3 Other Non-Performing exposures	3,754	223	4,777	348	96,882	10,752	3,141	145
B.4 Performing exposures	17,245,629	7,068	9,344,587	113,331	21,813,332	7,579	2,529,829	2,206
Total B	**17,725,853**	**34,910**	**9,618,809**	**148,322**	**22,273,564**	**38,316**	**2,723,336**	**14,869**
Total A+B 12.31.2015	**90,016,825**	**7,790,726**	**54,624,965**	**6,419,540**	**138,203,768**	**8,305,466**	**32,380,848**	**7,651,365**
Total A+B 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**

Part E - Risks and Hedging Policies

B.3 Distribution of On- and off-balance sheet credit exposures with banks by geographic area (book value)

(€ '000)

	AMOUNT AS AT 12.31.2015									
	ITALY		OTHER EUROPEAN COUNTRIES		AMERICA		ASIA		REST OF THE WORLD	
EXPOSURES/GEOGRAPHIC AREA	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. On-balance sheet exposures										
A.1 Bad exposures	-	-	-	849	-	44	-	-	-	-
A.2 Unlikely to pay	-	-	-	-	-	-	3,118	1,908	-	-
A.3 Non-Performing past-due	-	-	4	2	-	-	-	112	-	-
A.4 Performing exposures	8,473,328	561	17,648,356	887	96,392	436	168,170	207	287,085	789
Total A	**8,473,328**	**561**	**17,648,360**	**1,738**	**96,392**	**480**	**171,288**	**2,227**	**287,085**	**789**
B. Off-balance sheet exposures										
B.1 Bad exposures	-	-	-	-	-	-	-	-	-	-
B.2 Unlikely to pay	-	-	-	-	-	-	-	-	-	-
B.3 Other Non-Performing exposures	-	-	-	-	-	-	-	-	-	-
B.4 Performing exposures	2,231,000	9,765	13,485,692	640	136,467	143	1,312,703	730	599,476	522
Total B	**2,231,000**	**9,765**	**13,485,692**	**640**	**136,467**	**143**	**1,312,703**	**730**	**599,476**	**522**
Total A+B 12.31.2015	**10,704,328**	**10,326**	**31,134,052**	**2,378**	**232,859**	**623**	**1,483,991**	**2,957**	**886,561**	**1,311**
Total A+B 12.31.2014	**6,606,935**	**10,208**	**34,514,324**	**2,199**	**299,665**	**196**	**902,900**	**3,240**	**484,582**	**508**

B.3 Distribution of On- and off-balance sheet credit exposures with banks by geographic area (book value) - Italy

(€ '000)

	AMOUNT AS AT 12.31.2015							
	NORTH-WEST ITALY		NORTH-EAST ITALY		CENTRAL ITALY		SOUTH ITALY AND ISLANDS	
EXPOSURES/GEOGRAPHIC AREA	NET EXPOSURE	TOTAL WRITE-DOWNS	NET EXPOSURE	TOTAL WRITE-DOWNS	NET EXPOSURE	TOTAL WRITE-DOWNS	NET EXPOSURE	TOTAL WRITE-DOWNS
A. On-balance sheet exposures								
A.1 Bad exposures	-	-	-	-	-	-	-	-
A.2 Unlikely to pay	-	-	-	-	-	-	-	-
A.3 Non-Performing past-due	-	-	-	-	-	-	-	-
A.4 Performing exposures	7,105,735	407	1,058,863	134	308,731	19	-	-
Total A	**7,105,735**	**407**	**1,058,863**	**134**	**308,731**	**19**	**-**	**-**
B. Off-balance sheet exposures								
B.1 Bad exposures	-	-	-	-	-	-	-	-
B.2 Unlikely to pay	-	-	-	-	-	-	-	-
B.3 Other Non-Performing exposures	-	-	-	-	-	-	-	-
B.4 Performing exposures	505,177	31	1,702,303	43	23,458	9,691	63	-
Total B	**505,177**	**31**	**1,702,303**	**43**	**23,458**	**9,691**	**63**	**-**
Total A+B 12.31.2015	**7,610,912**	**438**	**2,761,166**	**177**	**332,189**	**9,710**	**63**	**-**
Total A+B 12.31.2014	**5,363,901**	**262**	**638,183**	**135**	**604,673**	**9,811**	**177**	**-**

B.4 Large exposures

	12.31.2015
a) Amount book value (€ million)	273,225
b) Amount weighted value (€ million)	6,307
c) Number	5

In compliance with Article 4.1 39 of Regulation (EU) No.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, both the amounts shown in letter a), b), and the number in the letter c) in the table above 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.

Part E - Risks and Hedging Policies

C. Securitisation transactions

Qualitative information

In 2015 UniCredit S.p.A. carried out four traditional and eight synthetic new securitization transactions:

- Pillarstone Italy - Burgo (traditional)
- Pillarstone Italy - Comital (traditional)
- Pillarstone Italy - Lediberg (traditional)
- Pillarstone Italy - Rainbow (traditional)
- Gepafin (synthetic)
- ARTS Leonardo (synthetic)
- ARTS Midcap2 (synthetic)
- ARTS Midcap3 (synthetic)
- Bond Italia1 Investimenti (synthetic)
- Bond Italia1 Misto (synthetic)
- Bond Italia2 Investimenti (synthetic)
- Bond Italia2 Misto (synthetic)

details of the transactions - traditional and synthetic - are set out in the tables enclosed in the 'Annexes' to the Company Accounts, 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, both traditional and synthetic, including those traditional 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 €10,700 million as at December 31, 2015;
- own securitization transactions acquired in 2007 from Capitalia S.p.A. (Trevi Finance 3 and Caesar Finance) for a book value of €353 million as at December 31, 2015;
- it should be noted that, during 2015, the mezzanine class C1 and C2 securities issued by the "Trevi Finance 3" securitisation were repaid in advance and, consequently, the securities issued by the "Entasi" re-securitization transaction were repaid in advance, leading to the closure of the latter;
- also as part of the "Trevi Finance 3" transaction, the special purpose vehicle sold to another securitization special purpose vehicle, not belonging to the UniCredit group and named "Tiberius SPV S.r.L.", the bad loans which were included in its separate assets;
- securities arising out of securitization transactions carried out by other Companies belonging to the UniCredit group, for a book value of €716 million as at December 31, 2015;
- other third-party securitizations (including Fonspa securitizations), for a book value of €107 million as at December 31, 2015.

Quantitative information

C.1 - Exposure from the main "in-house" securitisation transaction broken down by type of securitised asset and by type of exposure

(€ '000)

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**	**-**	**-**	**47,530**	**2,239**	**305,746**	**-**
A.1	CBO OTHERS	-	-	-	-	36,566	-
A.2	OTHERS	-	-	47,530	2,239	269,180	-
B.	**Partially derecognised**	**-**	**-**	**-**	**-**	**-**	**-**
C.	**Not-derecognised**	**9,186,442**	**-**	**373,647**	**-**	**1,139,529**	**(54,897)**
C.1	RMBS Prime	1,366,408	-	233,650	-	603,126	(16,776)
C.2	CLO SME	50,969	-	-	-	14	-
C.3	CLO OTHERS	7,769,065	-	139,997	-	13,927	(15,492)
C.4	CONSUMER LOANS	-	-	-	-	522,462	(22,629)

Write-downs and write-backs, including depreciations and revaluations posted on the income statement or to reserves, refer to financial year 2015 only.

continued: C.1 - 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	
		NET EXPOSURE	WRITE-DOWNS/ WRITE-BACKS	NET EXPOSURE	WRITE-DOWNS/ WRITE-BACKS	NET EXPOSURE	WRITE-DOWNS/ WRITE-BACKS
A.	**Totally derecognised**	**-**	**-**	**-**	**-**	**-**	**-**
A.1	CBO OTHERS	-	-	-	-	-	-
A.2	OTHERS	-	-	-	-	-	-
B.	**Partially derecognised**	**-**	**-**	**-**	**-**	**-**	**-**
C.	**Not-derecognised**	**304,000**	**-**	**-**	**-**	**-**	**-**
C.1	RMBS Prime	-	-	-	-	-	-
C.2	CLO SME	-	-	-	-	-	-
C.3	CLO OTHERS	304,000	-	-	-	-	-
C.4	CONSUMER LOANS	-	-	-	-	-	-

continued: C.1 - 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	
		NET EXPOSURE	WRITE-DOWNS/ WRITE-BACKS	NET EXPOSURE	WRITE-DOWNS/ WRITE-BACKS	NET EXPOSURE	WRITE-DOWNS/ WRITE-BACKS
A.	**Totally derecognised**	**-**	**-**	**-**	**-**	**-**	**-**
A.1	CBO OTHERS	-	-	-	-	-	-
A.2	OTHERS	-	-	-	-	-	-
B.	**Partially derecognised**	**-**	**-**	**-**	**-**	**-**	**-**
C.	**Not-derecognised**	**13,709**	**-**	**-**	**-**	**-**	**-**
C.1	RMBS Prime	-	-	-	-	-	-
C.2	CLO SME	-	-	-	-	-	-
C.3	CLO OTHERS	13,709	-	-	-	-	-
C.4	CONSUMER LOANS	-	-	-	-	-	-

Part E - Risks and Hedging Policies

C.2 - Exposure resulting from the main third-party securitisation transactions broken down by type of securitised asset and by type of exposure

(€ '000)

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
- CLO OTHERS	41,959	-	-	-	43,503	(275)
- CONSUMER LOANS	17,933	-	-	-	-	-
- LEASING	640,543	(3)	75,376	-	-	-
- OTHERS	-	-	4,473	(57)	-	-

continued: C.2 - 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	GUARANTEES GIVEN					
	SENIOR		MEZZANINE		JUNIOR	
	NET EXPOSURE	WRITE-DOWNS/ WRITE-BACKS	NET EXPOSURE	WRITE-DOWNS/ WRITE-BACKS	NET EXPOSURE	WRITE-DOWNS/ WRITE-BACKS
- CLO OTHERS	-	-	-	-	-	-
- CONSUMER LOANS	-	-	-	-	-	-
- LEASING	-	-	-	-	-	-
- OTHERS	-	-	-	-	-	-

continued: C.2 - 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	
	NET EXPOSURE	WRITE-DOWNS/ WRITE-BACKS	NET EXPOSURE	WRITE-DOWNS/ WRITE-BACKS	NET EXPOSURE	WRITE-DOWNS/ WRITE-BACKS
- CLO OTHERS	-	-	-	-	-	-
- CONSUMER LOANS	-	-	-	-	-	-
- LEASING	-	-	-	-	-	-
- OTHERS	-	-	-	-	-	-

C.3 SPVs for securitizations

(€ '000)

NAME OF SECURITIZATION/SPVs	COUNTRY OF INCORPORATION	CONSOLIDATION	ASSETS LOANS AND RECEIVEBLES	ASSETS DEBT SECURITIES	ASSETS OTHERS	LIABILITIES SENIOR	LIABILITIES MEZZANINE	LIABILITIES JUNIOR
Capital Mortgage S.r.l. - BIPCA Cordusio	Piazzetta Monte 1 - 37121 Verona	Yes	459,069	-	74,279	382,329	99,600	10,357
Capital Mortgage S.r.l. - 2007	Piazzetta Monte 1 - 37121 Verona	Yes	1,010,786	-	223,227	974,655	74,019	67,419
CONSUMER TWO SRL	Piazzetta Monte 1 - 37121 Verona	Yes	887,832	-	122,611	479,152	-	493,613
Cordusio RMBS - UCFin S.r.l	Piazzetta Monte 1 - 37121 Verona	Yes	764,700	-	187,463	682,586	148,000	14,800
Cordusio RMBS S.r.l.	Piazzetta Monte 1 - 37121 Verona	Yes	311,362	-	194,628	295,910	171,200	8,890
Cordusio RMBS Securitisation S.r.l. - Serie 2006	Piazzetta Monte 1 - 37121 Verona	Yes	524,569	-	187,605	520,708	141,700	10,683
Cordusio RMBS Securitisation S.r.l. - Serie 2007	Piazzetta Monte 1 - 37121 Verona	Yes	1,383,376	-	263,094	1,274,680	236,400	2,272
F-E Mortgages S.r.l. - 2003	Piazzetta Monte 1 - 37121 Verona	Yes	175,772	-	27,771	97,769	59,025	7,633
F-E Mortgages S.r.l. - 2005	Piazzetta Monte 1 - 37121 Verona	Yes	278,633	-	16,830	165,399	36,875	32,325
Heliconus S.r.l	Piazzetta Monte 1 - 37121 Verona	Yes	87,934	-	13,696	46,835	30,840	8,990
LARGE CORPORATE ONE SRL	Piazzetta Monte 1 - 37121 Verona	Yes	199,947	-	85,750	252,612	-	32,254
Trevi Finance No.3 S.r.l.	Via Vittorio Alfieri, 1 - 31015 Conegliano (TV)	Yes	-	241,434	52,738	204,219	-	448,166
ARCOBALENO FINANCE SRL	Foro Buonaparte,70 - 20121 Milano	No	107,316	-	7,091	58,658	-	54,700
AUGUSTO SRL	Via Pontaccio, 10 - 20121 Milano	No	1,356	-	2,161	14,103	-	-
Caesar Finance S.A.	4 Rue Henry M. Schnadt - 2530 Luxembourg	No	-	36,259	-	-	-	49,275
COLOMBO SRL	Via Pontaccio, 10 - 20121 Milano	No	23,389	-	7,280	-	7,189	19,722
CREDIARC SPV SRL	Foro Buonaparte,70 - 20121 Milano	No	93,355	-	13,560	81,200	-	26,411
DANUBIO S.r.l.	Largo Angelo Fochetti, 30 Roma	No	42,617	-	-	26,691	-	19,759
Pillarstone Italy SPV S.r.l. - Burgo	Via Pietro Mascagni, 14 - 20122 Milano	No	193,395	-	4,323	6,959	132,225	27,078
Pillarstone Italy SPV S.r.l. - Comital	Via Pietro Mascagni, 14 - 20122 Milano	No	45,579	-	5,927	1,175	22,330	24,465
Pillarstone Italy SPV S.r.l. - Lediberg	Via Pietro Mascagni, 14 - 20122 Milano	No	52,423	-	1,075	419	7,968	44,035
Pillarstone Italy SPV S.r.l. - Rainbow	Via Pietro Mascagni, 14 - 20122 Milano	No	74,454	-	1,514	890	16,921	56,405

C.4 Special Purpose Vehicles for securitizations not consolidated

See the corresponding item of Consolidated Financial Statements.

C.5 Servicer activities - Collections of securitised loans and redemptions of securities issued by the special purpose e vehicle for securitization

(€ '000)

Servicer	Special Purpose Vehicle	Securitised assets (year end figures) Impaired	Securitised assets (year end figures) Performing	Loans collected during the year Impaired	Loans collected during the year Performing	Percentage of securities redeemed (year end figures) Senior Impaired assets	Senior Performing assets	Mezzanine Impaired assets	Mezzanine Performing assets	Junior Impaired assets	Junior Performing assets
UniCredit S.p.A.	Capital Mortgage S.r.L.	149,090	861,697	5,331	118,470	-	66.63%	-	-	-	-
	Consumer Two S.r.L.	14,208	873,624	318	577,007	-	41.64%	-	41.64%	-	-
	Cordusio RMBS S.r.L.	20,566	290,795	2,478	108,220	-	95.78%	-	-	-	-
	Cordusio RMBS Securitisation S.r.L. - SERIE 2006	32,735	491,834	3,322	115,600	-	85.39%	-	-	-	-
	Cordusio RMBS Securitisation S.r.L. - SERIE 2007	123,651	1,259,725	6,186	190,609	-	71.74%	-	-	-	-
	Cordusio RMBS UCFin S.r.L.	88,065	676,635	3,911	106,076	-	77.67%	-	-	-	-
	F-E Mortgage S.r.L. - SERIE 2003	20,307	155,465	1,965	21,942	-	82.06%	-	-	-	-
	F-E Mortgage S.r.L. - SERIE 2005	32,823	245,810	2,248	32,194	-	82.62%	-	10.31%	-	10.31%
	Heliconus S.r.L.	7,557	80,377	586	11,937	-	90.08%	-	-	-	-
	Large Corporate One S.r.L.	-	199,947	-	203,632	-	-	-	-	-	-
	Trevi Finance No.3 S.p.A.	-	331,063	52,834	-	100.00%	-	100.00%	-	-	-
	Entasi S.r.L.	-	-	-	1,014,191	-	100.00%	-	-	-	-

Part E - Risks and Hedging Policies

D. Information on structured entities not consolidated for accounting purposes (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: book value and full value

(€ '000)

TYPE/PORTFOLIO	AMOUNTS AS AT 12.31.2015								
	FINANCIAL ASSETS HELD FOR TRADING			FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS			AVAILABLE FOR SALE FINANCIAL ASSETS		
	A	B	C	A	B	C	A	B	C
A. On-balance sheet assets	**1,118,403**	**-**	**-**	**-**	**-**	**-**	**21,871,624**	**-**	**-**
1. Debt securities	1,118,403	-	-	-	-	-	21,871,624	-	-
2. Equity securities	-	-	-	-	-	-	-	-	-
3. UCIS	-	-	-	-	-	-	-	-	-
4. Loans	-	-	-	-	-	-	-	-	-
B. Derivatives	**-**	**-**	**-**	**X**	**X**	**X**	**X**	**X**	**X**
Total 12.31.2015	**1,118,403**	**-**	**-**	**-**	**-**	**-**	**21,871,624**	**-**	**-**
of which Non-Performing	-	-	-	-	-	-	-	-	-
Total 12.31.2014	**2,107,000**	**-**	**-**	**-**	**-**	**-**	**18,899,293**	**-**	**-**
of which Non-Performing	-	-	-	-	-	-	-	-	-

continued: E.1 Financial assets sold and not derecognised: book value and full value

TYPE/PORTFOLIO	AMOUNTS AS AT 12.31.2015									TOTAL	
	HELD-TO-MATURITY INVESTMENTS			LOANS AND RECEIVABLES WITH BANKS			LOANS AND RECEIVABLES WITH CUSTOMERS				
	A	B	C	A	B	C	A	B	C	12.31.2015	12.31.2014
A. On-balance sheet assets	**1,715,546**	**-**	**-**	**-**	**-**	**-**	**6,209,351**	**-**	**-**	**30,914,924**	**29,664,887**
1. Debt securities	1,715,546	-	-	-	-	-	-	-	-	24,705,573	22,551,148
2. Equity securities	X	X	X	X	X	X	X	X	X	-	-
3. UCIS	X	X	X	X	X	X	X	X	X	-	-
4. Loans	-	-	-	-	-	-	6,209,351	-	-	6,209,351	7,113,739
B. Derivatives	**X**	**X**	**X**	**X**	**X**	**X**	**X**	**X**	**X**	**-**	**-**
Total 12.31.2015	**1,715,546**	**-**	**-**	**-**	**-**	**-**	**6,209,351**	**-**	**-**	**30,914,924**	**X**
of which Non-Performing	-	-	-	-	-	-	*655,496*	-	-	*655,496*	*X*
Total 12.31.2014	**1,544,855**	**-**	**-**	**-**	**-**	**-**	**7,113,739**	**-**	**-**	**X**	**29,664,887**
of which Non-Performing	-	-	-	-	-	-	*487,062*	-	-	*X*	*487,062*

LEGEND:
A = Financial assets sold and fully recognised (book value)
B = Financial assets sold and partially recognised (book value)
C = Financial assets sold and partially recognised (full value)

Loans (A.4) are assets sold and not derecognized under securitizations.
Debt securities (A.1) are underlying repo agreements.

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

(€ '000)

LIABILITIES/ASSETS PORTFOLIOS	AMOUNTS AS AT 12.31.2015						
	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	**1,097,398**	**-**	**17,188,611**	**-**	**-**	**3,336,259**	**21,622,268**
a) relating to fully recognised assets	1,097,398	-	17,188,611	-	-	3,336,259	21,622,268
b) relating to partially recognised assets	-	-	-	-	-	-	-
2. Deposits from Banks	**61,159**	**-**	**5,629,427**	**760,596**	**-**	**-**	**6,451,182**
a) relating to fully recognised assets	61,159	-	5,629,427	760,596	-	-	6,451,182
b) relating to partially recognised assets	-	-	-	-	-	-	-
Total 12.31.2015	**1,158,557**	**-**	**22,818,038**	**760,596**	**-**	**3,336,259**	**28,073,450**
Total 12.31.2014	**2,101,036**	**-**	**18,818,811**	**1,565,472**	**-**	**4,584,368**	**27,069,687**

E.3 Sales transactions relating to financial liabilities with repayment exclusively based on assets sold and not derecognized: fair value

(€ '000)

TYPE/PORTFOLIO	AMOUNTS AS AT 12.31.2015					
	FINANCIAL ASSETS HELD FOR TRADING		FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS		AVAILABLE FOR SALE FINANCIAL ASSETS	
	A	B	A	B	A	B
A. On-balance sheet assets	**1,118,403**	**-**	**-**	**-**	**21,871,624**	**-**
1. Debt securities	1,118,403	-	-	-	21,871,624	-
2. Equity securities	-	-	-	-	-	-
3. UCIS	-	-	-	-	-	-
4. Loans	-	-	-	-	-	-
B. Derivatives	**-**	**-**	**X**	**X**	**X**	**X**
Total assets	**1,118,403**	**-**	**-**	**-**	**21,871,624**	**-**
C. Associated financial liabilities	**1,158,557**	**-**	**-**	**-**	**22,818,038**	**-**
1. Deposits from customers	1,097,398	-	-	-	17,188,611	-
2. Deposits from banks	61,159	-	-	-	5,629,427	-
3. Debt securities in issue	-	-	-	-	-	-
Total liabilities	**1,158,557**	**-**	**-**	**-**	**22,818,038**	**-**
Total 12.31.2015	**(40,154)**	**-**	**-**	**-**	**(946,414)**	**-**
Total 12.31.2014	**5,964**	**-**	**-**	**-**	**80,482**	**-**

Part E - Risks and Hedging Policies

continued: E.3 Sales transactions relating to financial liabilities with repayment exclusively based on assets sold and not derecognized: fair value (€ '000)

TYPE/PORTFOLIO	AMOUNTS AS AT 12.31.2015						TOTAL	
	HELD-TO-MATURITY INVESTMENTS		LOANS AND RECEIVABLES WITH BANKS		LOANS AND RECEIVABLES WITH CUSTOMERS			
	A	B	A	B	A	B	12.31.2015	12.31.2014
A. On-balance sheet assets	**1,734,743**	**-**	**-**	**-**	**6,590,595**	**-**	**31,315,365**	**30,123,606**
1. Debt securities	1,734,743	-	-	-	-	-	24,724,770	22,567,409
2. Equity securities	X	X	X	X	X	X	-	-
3. UCIS	X	X	X	X	X	X	-	-
4. Loans	-	-	-	-	6,590,595	-	6,590,595	7,556,197
B. Derivatives	**X**	**X**	**X**	**X**	**X**	**X**	**-**	**-**
Total assets	**1,734,743**	**-**	**-**	**-**	**6,590,595**	**-**	**31,315,365**	**30,123,606**
C. Associated financial liabilities	**760,596**	**-**	**-**	**-**	**3,079,697**	**-**	**X**	**X**
1. Deposits from customers	-	-	-	-	3,079,697	-	X	X
2. Deposits from banks	760,596	-	-	-	-	-	X	X
3. Debt securities in issue	-	-	-	-	-	-	X	X
Total liabilities	**760,596**	**-**	**-**	**-**	**3,079,697**	**-**	**27,816,888**	**26,796,120**
Totale 12.31.2015	**974,147**	**-**	**-**	**-**	**3,510,898**	**-**	**3,498,477**	**X**
Total 12.31.2014	**(4,356)**	**-**	**-**	**-**	**3,245,396**	**-**	**X**	**3,327,486**

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 Law 130/99, the MEF decree dated December 14, 2006 and Banca d'Italia instructions dated May 17, 2007 as amended on March 24, 2010 and on June 24, 2014.

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 BDO S.p.A. (formerly Mazars S.p.A.) is Asset Monitor.

UniCredit S.p.A.'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 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:
- 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;
- 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;
- 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;
- 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 commercial mortgage loans as underlyings. 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 Programme was restructured after which the method of reimbursing OBGs was converted from Soft-bullet to Conditional Pass-through and a rating of AA+ was assigned by the rating agency Fitch. During 2015 Obbligazioni Bancarie Garantite for an amount of € 1,500 million were issued and placed to institutional investors.

At December 31, 2015 the series of covered bonds issued under the two programs totaled 22 and were worth €20,256 million, of which € 5,050 million was repurchased by UniCredit S.p.A.

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 (€):	19,416,216,920.98
Covered Bonds issued at the end of accounting period (€):	13,706,000,000.00
Other Credit Enhancements:	UniCredit S.p.A. has granted SPV a subordinated loans of total €20,375,276,946.85
Rating Agencies:	S & P - Moody's - Fitch
Rating:	A (from 12.18.2014) - Aa2 (from 01.21.2015) - AA (from 05.25.2015)

NAME	COVERED BONDS (OBBLIGAZIONI BANCARIE GARANTITE) II PROGRAM
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 (€):	16,567,929,238.36
Covered Bonds issued at the end of accounting period (€):	6,550,000,000.00
Other Credit Enhancements:	UniCredit S.p.A. has granted SPV a subordinated loans of total €17,422,429,926.51
Rating Agencies:	Fitch
Rating:	AA+ (from 12.23.2014)

Part E - Risks and Hedging Policies

Other transactions

With reference to the instructions in Banca d'Italia/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 €736 million including accrued interest at December 31, 2015 (classified in 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 of liabilities of €761 million at December 31, 2015, was completed in 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, 2015, 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(5) held by UniCredit S.p.A. as of December 31, 2015.

Altogether, the book value of Sovereign Exposures represented by "debt securities" as of December 31, 2015 was €61,332 million, of which nearly 78% 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 12.31.2015		
COUNTRY/PORTFOLIO	NOMINAL VALUE	BOOK VALUE	FAIR VALUE
- Italy	**43,735,689**	**47,937,559**	**47,968,983**
financial assets/liabilities held for trading (net exposures(*))	2,879,334	2,968,490	2,968,490
financial assets at fair value through profit or loss	1,096	1,101	1,101
available for sale financial assets	39,900,997	44,026,321	44,026,321
loans and receivables	188,768	189,839	193,385
held to maturity investments	765,494	751,808	779,687

(*) Including exposures in Credit Derivatives.

The remaining 22% of total Sovereign Exposures to debt securities, equal to €13,4 million, still in connection with the relative book value as of December 31, 2015, is spread over 31 countries, of which €8,250 million to Spain, €2,429 million to France, €1,148 million to the Germany, and €461 million to Poland. Note that there are Sovereign Exposures to Greece amounting to €20 thousand.

The exposures in question were not subject to impairment in 2015.

The table below ranks debt securities and their percentage share over their related total portfolio.

(5) 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.

Breakdown of Sovereign Debt Securities by Portfolio

(€ '000)

	AMOUNTS AS AT 12.31.2015				
	FINANCIAL ASSETS AT FAIR VALUE(*)	AVAILABLE FOR SALE FINANCIAL ASSETS	LOANS	HELD TO MATURITY INVESTMENTS	TOTAL
Book value	2,969,593	57,395,735	215,694	751,808	61,332,829
% Portfolio	28.21%	88.29%	0.10%	100.00%	21.04%

(*) The financial assets measured at fair value include "assets held for trading" and "assets measured at fair value".

"Financing"[6] 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)

COUNTRY	AMOUNTS AS AT 12.31.2015 BOOK VALUE
- Italy	4,312,027
- Brazil	128,698
- Turkey	59,570
- Dominican Republic	36,639
- Abu Dhabi	7,962
- Indonesia	22
- Uzbekistan	9
- Haiti	6
- Saudi Arabia	5
- Latvia	5
- Nigeria	3
- Portugal	1
- Romania	1
- Other	5
Total on-balance sheet exposures	**4,544,954**

For more details on the analysis of sensitivity to credit spreads and the outcome of stress tests, please see the "Greece default", "Sovereign Debt 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.

(6) Excluding tax items.

Part E - Risks and Hedging Policies

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 to customers 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 fourth update published on December 15, 2015 (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 €7,220 million (with a notional value of €158,803 million) including €3,818 million with customers. The notional value of derivatives with customers amounted to €58,484 million including €55,926 million in plain vanilla (with a fair value of €3,593 million) and €2,558 million in structured derivatives (with a fair value of €225 million). The notional value of derivatives with banking counterparties totaled €100,319 million (fair value of €3,402 million) including €1,100 million related to structured derivatives (fair value of €29 million).

The balance of item "40. Financial liabilities held for trading" of the consolidated accounts with regard to derivative contracts totaled €7,139 million (with a notional value of €159,408 million) including €2,955 million with customers. The notional value of derivatives with customers amounted to €45,713 million including €44,718 million in plain vanilla (with a fair value of €2,955 million) and €994 million in structured derivatives (with a fair value of €28 million). The notional value of derivatives with banking counterparties totaled €113,696 million (fair value of €4,184 million) including €2,434 million related to structured derivatives (fair value of €248 million).

F. Credit risk measurement models

At the end of September 2015 the expected loss on the credit risk perimeter was 0.76% 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 September 30, 2015, the Bank economic capital on the loan portfolio totaled 2.52% of total Bank credit exposures decreased compared with December 2014 (3.61%) due to the reduction of the Sovereign Italy exposure and its rating review.

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.

Part E - Risks and Hedging Policies

Structure and organization

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.

The “Group Financial Risk” is responsible for the government and control of Group financial risks (liquidity, interest rate, market, counterparty and trading credit[7] 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[8]” 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);

(7) I.e. Pre-settlement, Settlement, Money Market and Issuer Risk.
(8) Group Managerial Golden Rules.

- 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;
  - 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 Banca d'Italia, for trading credit and collateral risks;

Part E - Risks and Hedging Policies

- 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.

Internal Model for Price, Interest Rate and Exchange Rate Risk of the Regulatory Trading Book
During the last 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.

Daily VaR on Trading Book

(€ million)

		2015			2014
	12.30.2015	AVERAGE	MAX	MIN	AVERAGE
UniCredit S.p.A.	3.55	5.0	8.7	0.1	7.4

Shown below are the SVaR data on the market risk for the trading book.

SVaR on Trading Book

(€ million)

		2015			2014
	12.30.2015	AVERAGE	MAX	MIN	AVERAGE
UniCredit S.p.A.	19.45	18.59	30.39	7.35	21.59

Shown below are the IRC data on the market risk for the trading book.

IRC on Trading Book

(€ million)

		2015			2014
	12.30.2015	AVERAGE	MAX	MIN	AVERAGE
UniCredit S.p.A.	277.5	234.2	346.6	131.1	213.9

Part E - Risks and Hedging Policies

2.1 Interest Rate Risk and Price 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. Management Processes and Measurement Methods of the Interest Rate Risk and Price Risk
For both a description of internal processes for monitoring and managing risk and an illustration of the methodologies used to 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 December 31, 2015, the sensitivity of interest income to an immediate and parallel shift of +100bps was 153.1 million (and -201.5 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 bps was €270.8 million at December 31, 2015.
The above managerial figures include modeled sensitivity estimates for assets and liabilities with well not defined maturities, such as sight and savings deposits.

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".

Part E - Risks and Hedging Policies

Quantitative information

1. Banking book: breakdown by maturity (repricing date) of financial assets and liabilities

(€ '000)

	AMOUNTS AS AT 12.31.2015							
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. On-balance sheet assets	**59,060,659**	**115,486,973**	**20,211,898**	**17,642,458**	**63,093,393**	**17,633,067**	**7,787,304**	**-**
1.1 Debt securities	57,399	12,890,898	5,242,344	6,053,013	37,488,479	9,246,959	723,611	-
- With prepayment option	-	-	-	-	-	-	-	-
- Other	57,399	12,890,898	5,242,344	6,053,013	37,488,479	9,246,959	723,611	-
1.2 Loans to banks	3,900,373	10,191,075	1,360,263	77,249	48,069	30,504	-	-
1.3 Loans to customers	55,102,887	92,405,000	13,609,291	11,512,196	25,556,845	8,355,604	7,063,693	-
- Current accounts	20,026,379	126,073	43,032	1,581,160	3,416,021	633,862	140,678	-
- Other loans	35,076,508	92,278,927	13,566,259	9,931,036	22,140,824	7,721,742	6,923,015	-
- With prepayment option	*26,534,480*	*39,309,130*	*10,208,643*	*3,030,421*	*13,762,119*	*5,275,240*	*6,035,575*	-
- Other	8,542,028	52,969,797	3,357,616	6,900,615	8,378,705	2,446,502	887,440	-
2. On-balance sheet liabilities	**144,033,847**	**98,293,086**	**11,480,699**	**13,250,667**	**37,733,827**	**10,057,448**	**885,762**	**-**
2.1 Deposits from customers	137,511,967	35,750,082	3,398,933	2,382,034	1,263,776	238,062	403,722	-
- Current accounts	130,104,613	279,184	20,000	-	-	-	-	-
- Other	7,407,354	35,470,898	3,378,933	2,382,034	1,263,776	238,062	403,722	-
- With prepayment option	-	-	-	-	-	-	-	-
- Other	7,407,354	35,470,898	3,378,933	2,382,034	1,263,776	238,062	403,722	-
2.2 Deposits from banks	6,253,356	11,084,377	3,177,078	958,096	15,911,491	29,326	52,766	-
- Current accounts	893,791	-	-	-	-	-	-	-
- Other	5,359,565	11,084,377	3,177,078	958,096	15,911,491	29,326	52,766	-
2.3 Debt securities in issue	259,787	51,458,627	4,904,688	9,910,537	20,558,560	9,790,060	429,274	-
- With prepayment option	-	*60,000*	-	-	-	-	-	-
- Other	259,787	51,398,627	4,904,688	9,910,537	20,558,560	9,790,060	429,274	-
2.4 Other liabilities	8,737	-	-	-	-	-	-	-
- With prepayment option	-	-	-	-	-	-	-	-
- Other	8,737	-	-	-	-	-	-	-
3. Financial derivatives								
3.1 Physically settled financial derivatives								
- Option								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	16	-
- Other derivatives								
+ Long positions	-	273,968	-	1,596,280	699,887	96,982	-	-
+ Short positions	-	299,789	-	1,891,991	753,032	112,934	-	-
3.2 Cash settled financial derivatives								
- Option								
+ Long positions	-	1,493,126	431,241	455,105	598,654	551,329	297,813	-
+ Short positions	-	1,473,678	438,021	463,813	602,614	551,329	297,813	-
- Other derivatives								
+ Long positions	5,107,896	199,808,518	14,697,925	39,633,722	68,603,911	35,163,648	3,538,813	-
+ Short positions	5,662,388	198,059,903	33,213,100	35,033,501	70,590,017	18,110,734	6,257,606	-
4. Other off-balance sheet transactions								
+ Long positions	10,918,736	20,184,681	1,550,216	2,217,764	5,007,568	80,966	233,881	-
+ Short positions	28,031,588	9,953,427	1,255,109	953,688	-	-	-	-

1.1 Banking book: breakdown by maturity (repricing date) of financial assets and liabilities - Currency: euro

(€ '000)

TYPE/RESIDUAL MATURITY	AMOUNTS AS AT 12.31.2015 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. On-balance sheet assets	**56,642,093**	**112,850,613**	**19,592,122**	**17,603,214**	**62,482,551**	**17,508,344**	**7,776,996**	**-**
1.1 Debt securities	57,279	12,808,811	5,240,097	6,053,013	37,227,600	9,148,360	714,426	-
- With prepayment option	-	-	-	-	-	-	-	-
- Other	57,279	12,808,811	5,240,097	6,053,013	37,227,600	9,148,360	714,426	-
1.2 Loans to banks	1,880,745	9,162,459	1,346,824	72,937	44,778	30,504	-	-
1.3 Loans to customers	54,704,069	90,879,343	13,005,201	11,477,264	25,210,173	8,329,480	7,062,570	-
- Current accounts	19,872,536	126,072	42,793	1,580,859	3,383,836	633,824	140,666	-
- Other loans	34,831,533	90,753,271	12,962,408	9,896,405	21,826,337	7,695,656	6,921,904	-
- With prepayment option	*26,516,847*	*39,298,789*	*10,205,534*	*3,028,036*	*13,726,257*	*5,250,022*	*6,034,660*	-
- Other	8,314,686	51,454,482	2,756,874	6,868,369	8,100,080	2,445,634	887,244	-
2. On-balance sheet liabilities	**139,557,591**	**95,099,749**	**10,600,780**	**13,218,152**	**36,983,637**	**10,005,889**	**885,762**	**-**
2.1 Deposits from customers	134,538,673	35,143,007	3,391,386	2,377,410	1,263,776	238,062	403,722	-
- Current accounts	127,153,945	118,000	20,000	-	-	-	-	-
- Other	7,384,728	35,025,007	3,371,386	2,377,410	1,263,776	238,062	403,722	-
- With prepayment option	-	-	-	-	-	-	-	-
- Other	7,384,728	35,025,007	3,371,386	2,377,410	1,263,776	238,062	403,722	-
2.2 Deposits from banks	4,751,044	9,489,548	3,020,170	952,418	15,222,596	29,326	52,766	-
- Current accounts	737,350	-	-	-	-	-	-	-
- Other	4,013,694	9,489,548	3,020,170	952,418	15,222,596	29,326	52,766	-
2.3 Debt securities in issue	259,137	50,467,194	4,189,224	9,888,324	20,497,265	9,738,501	429,274	-
- With prepayment option	-	*60,000*	-	-	-	-	-	-
- Other	259,137	50,407,194	4,189,224	9,888,324	20,497,265	9,738,501	429,274	-
2.4 Other liabilities	8,737	-	-	-	-	-	-	-
- With prepayment option	-	-	-	-	-	-	-	-
- Other	8,737	-	-	-	-	-	-	-
3. Financial derivatives								
3.1 Physically settled financial								
- Option								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	16	-
- Other derivatives								
+ Long positions	-	50,536	-	1,596,280	136,031	73,142	-	-
+ Short positions	-	240,423	-	-	590,008	25,682	-	-
3.2 Cash settled financial								
- Option								
+ Long positions	-	757,794	226,851	250,014	528,590	551,329	297,813	-
+ Short positions	-	748,070	230,241	254,368	530,570	551,329	297,813	-
- Other derivatives								
+ Long positions	4,924,208	197,127,795	14,355,184	39,504,146	66,960,001	35,139,808	3,538,813	-
+ Short positions	3,586,708	196,355,388	33,205,584	35,026,729	70,335,149	18,023,482	6,257,606	-
4. Other off-balance sheet								
+ Long positions	10,429,046	19,938,655	1,254,517	2,137,158	4,983,738	66,560	109,062	-
+ Short positions	26,769,410	9,940,713	1,255,109	953,504	-	-	-	-

Part E - Risks and Hedging Policies

1.2 Banking book: breakdown by maturity (repricing date) of financial assets and liabilities - Currency: other currencies

(€ '000)

	AMOUNTS AS AT 12.31.2015							
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. On-balance sheet assets	**2,418,566**	**2,636,360**	**619,776**	**39,244**	**610,842**	**124,723**	**10,308**	**-**
1.1 Debt securities	120	82,087	2,247	-	260,879	98,599	9,185	-
- With prepayment option	-	-	-	-	-	-	-	-
- Other	120	82,087	2,247	-	260,879	98,599	9,185	-
1.2 Loans to banks	2,019,628	1,028,616	13,439	4,312	3,291	-	-	-
1.3 Loans to customers	398,818	1,525,657	604,090	34,932	346,672	26,124	1,123	-
- Current accounts	153,843	1	239	301	32,185	38	12	-
- Other loans	244,975	1,525,656	603,851	34,631	314,487	26,086	1,111	-
- With prepayment option	*17,633*	*10,341*	*3,109*	*2,385*	*35,862*	*25,218*	*915*	-
- Other	227,342	1,515,315	600,742	32,246	278,625	868	196	-
2. On-balance sheet liabilities	**4,476,256**	**3,193,337**	**879,919**	**32,515**	**750,190**	**51,559**	**-**	**-**
2.1 Deposits from customers	2,973,294	607,075	7,547	4,624	-	-	-	-
- Current accounts	2,950,668	161,184	-	-	-	-	-	-
- Other	22,626	445,891	7,547	4,624	-	-	-	-
- With prepayment option	-	-	-	-	-	-	-	-
- Other	22,626	445,891	7,547	4,624	-	-	-	-
2.2 Deposits from banks	1,502,312	1,594,829	156,908	5,678	688,895	-	-	-
- Current accounts	156,441	-	-	-	-	-	-	-
- Other	1,345,871	1,594,829	156,908	5,678	688,895	-	-	-
2.3 Debt securities in issue	650	991,433	715,464	22,213	61,295	51,559	-	-
- With prepayment option	-	-	-	-	-	-	-	-
- Other	650	991,433	715,464	22,213	61,295	51,559	-	-
2.4 Other liabilities	-	-	-	-	-	-	-	-
- With prepayment option	-	-	-	-	-	-	-	-
- Other	-	-	-	-	-	-	-	-
3. Financial derivatives								
3.1 Physically settled financial derivatives								
- Option								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other derivatives								
+ Long positions	-	223,432	-	-	563,856	23,840	-	-
+ Short positions	-	59,366	-	1,891,991	163,024	87,252	-	-
3.2 Cash settled financial derivatives								
- Option								
+ Long positions	-	735,332	204,390	205,091	70,064	-	-	-
+ Short positions	-	725,608	207,780	209,445	72,044	-	-	-
- Other derivatives								
+ Long positions	183,688	2,680,723	342,741	129,576	1,643,910	23,840	-	-
+ Short positions	2,075,680	1,704,515	7,516	6,772	254,868	87,252	-	-
4. Other off-balance sheet transactions								
+ Long positions	489,690	246,026	295,699	80,606	23,830	14,406	124,819	-
+ Short positions	1,262,178	12,714	-	184	-	-	-	-

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 (€ '000)

	AMOUNTS AS AT 12.31.2015					
	CURRENCIES					
ITEMS	USD	GBP	YEN	CHF	CAD	OTHER CURRENCIES
A. Financial assets	**6,447,140**	**480,923**	**41,733**	**93,884**	**84,965**	**486,771**
A.1 Debt securities	411,791	42,839	-	-	-	-
A.2 Equity securities	102,941	-	-	3,219	-	-
A.3 Loans to banks	3,540,387	368,451	25,178	24,724	18,368	161,899
A.4 Loans to customers	2,392,021	69,633	16,555	65,941	66,597	324,872
A.5 Other financial assets	-	-	-	-	-	-
B. Other assets	**314,297**	**52,548**	**4,547**	**34,161**	**7,216**	**14,144**
C. Financial liabilities	**7,418,092**	**849,215**	**25,087**	**72,884**	**336,427**	**682,070**
C.1 Deposits from banks	3,229,376	340,179	1,969	49,895	17,088	310,115
C.2 Deposits from customers	3,095,418	275,166	7,750	22,989	21,240	169,977
C.3 Debt securities in issue	1,093,298	233,870	15,368	-	298,099	201,978
C.4 Other financial liabilities	-	-	-	-	-	-
D. Other liabilities	**484,268**	**63,328**	**5,694**	**32,586**	**6,835**	**20,087**
E. Financial derivatives						
- Options						
- Long positions	*1,073,834*	*12,062*	*5,341*	-	*8,793*	*72,468*
- Short positions	*1,071,077*	*12,062*	*5,341*	-	*8,793*	*79,269*
- Other						
- Long positions	*27,386,562*	*7,565,810*	*4,365,285*	*2,375,098*	*367,218*	*663,814*
- Short positions	*25,838,510*	*7,198,790*	*4,385,568*	*2,412,833*	*117,573*	*475,006*
Total assets	**35,221,833**	**8,111,343**	**4,416,906**	**2,503,143**	**468,192**	**1,237,197**
Total liabilities	**34,811,947**	**8,123,395**	**4,421,690**	**2,518,303**	**469,628**	**1,256,432**
Difference (+/-)	**409,886**	**(12,052)**	**(4,784)**	**(15,160)**	**(1,436)**	**(19,235)**

Part E - Risks and Hedging Policies

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.

Widespread Contagion
In this risk scenario we assume an intensification of political risks across the EU, with tensions arising due to Brexit, a clash between Catalonia and Spain, more extensive policy influence of protest parties in France, Italy and Germany, and renewed political issues in Greece and Portugal.

Confidence of financial markets, businesses and households sours, leading to tighter financial conditions and lower economic activity. The ECB would cut the deposit rate; another dose of QE appears very likely at a time of meaningful deviation from the price stability target.

The US economy should be less affected than EU. The reason is that most of the growth in the US comes from domestic demand, notably consumer spending. The main transmission channel of the shock is lower stock prices. Although not particularly severe for the US economy, the shock will dissuade the Fed from any further rate hikes over the coming two years. Credit spreads would come under pressure, particularly in the early stages of the shock. The widening would be more severe for the periphery, but material also for core and semi-core countries.

The deterioration in risk appetite would cause some flight-to-quality, with the focus on German, US and UK bonds. The Widespread Contagion is seen as the most negative scenario for the euro. EUR cross rates will fall accordingly and, in particular, both JPY and CHF are expected to gain ground also given global-risk considerations/hunt for safe-haven currencies. In EU, heightened uncertainty and the deterioration in the growth/inflation outlook leads to lower equity market valuations, with the FTSE 100 seen underperforming in the wake of Brexit.

As for CEE, economic growth slows more in more open economies like the Czech Republic, Hungary and Slovakia. In Poland and Romania, strong domestic demand helps GDP growth to be more resilient. While Bulgaria and the Balkans have weaker ties to the eurozone than Central Europe, domestic demand is not strong enough to prevent a slowdown. Russia, Turkey and Ukraine are less affected due to weaker ties to the eurozone. Russia, however, would be additionally hit by the lower oil prices, which would require further fiscal tightening and currency depreciation and would weigh on growth. Turkey, on its part, would benefit from the lower oil prices, which would cut the C/A deficit and ease financing pressures. Some CEE would cut rates to tackle the negative growth shock. CEE currencies are expected to depreciate as a reaction to the drop in foreign demand.

China hard landing
In this new risk scenario we assume a significant deceleration that pushes down Chinese growth driven by a weakening of domestic demand, especially fixed investment. This is a more global shock than “widespread contagion” and the main transmission channels are trade and, especially, financial markets - the latter predominantly via an aggressive sell-off in risky assets and its negative impact on confidence and investment plans. Moreover, as China is a big commodity importer, its slowdown is expected to increase downward pressure on commodity prices, damaging commodity producers like Russia. In a context of a global growth slowdown amid much weaker commodity prices, the ECB would act further by cutting the deposit rate. One or more doses of QE appear very likely also in this scenario.

The US economy should be less affected than the eurozone, due to its stronger reliance on domestic demand. Credit spreads would come under pressure, particularly in the early stages of the shock. The widening would be more severe for the periphery, but material also for core and semi-core countries. We expect a reaction in the first three months after the shock materializes in line with that observed during the 2011-2012 crisis. Over a longer time horizon, the initial widening in sovereign spreads would be partially reabsorbed, due to a step up in policy response.

The deterioration in risk appetite would cause some flight-to-quality, with the focus on German, US and UK bonds, where we expect a moderate richening vs. swap. In this scenario we envisage no particular tensions in money markets (in the eurozone, UK and US), since abundant liquidity related to the ECB's QE would prevent credit risk re-pricing on the interbank market. The global shock that raises widespread uncertainty and damages the outlook for growth and inflation leads to an aggressive sell-off in the equity market.

As for CEE, the impact is mostly indirect, via the eurozone and especially Germany, with the direct impact stronger for car manufacturers like Slovakia and the Czech Republic. All countries would slip into recession except for Poland, which would avoid outright recession thanks to strong domestic demand. Outside the EU, the magnitude of the deterioration would be much larger. Russia would be hit the hardest, suffering from a triple shock: sharply lower oil and commodity prices; the slowdown in China, which is a major trading partner and the broader financial contagion that would curtail capital inflows. Turkey would suffer a multiple shock from slower growth in the EU and other EM and the broader financial contagion, but these would be mitigated in part by the slump in oil prices. Several countries would cut rates to tackle the abrupt drop in foreign demand. Stronger currency depreciation in CEE-EU than in "widespread contagion" reflects a larger drop in activity, especially in exports.

Interest Rate Shock

In this new risk scenario we assume that interest rates (IR) in the eurozone move sharply higher, by 250bp at the short end and by 300bp at the long end. This IR increase is assumed to be totally exogenous, i.e. not driven by macro fundamentals like faster growth or inflation, therefore this scenario should mainly be seen as a purely technical exercise. We also assume that the IR increase is totally passed on to households and firms, meaning that there is no ECB facility that is capable to stop the full pass-through to the real economy.

The US economy should remain relatively less affected than the eurozone also in this scenario. As consumer spending is expected to remain the main growth driver, the main transmission channel of this shock are higher interest rates and lower stock prices, which directly affect household finances and balance sheets. To keep the focus on the IR risk, and given the exogenous nature of the shock itself, we assume yield curves stay at the new, higher level for the exercise horizon.

10Y yield are highly positively correlated across western economies. We preserve the correlation structure and, as a result, in this scenario we see a rise in the swap curve in the US, the UK and Japan. The scenario is thought as an IR stress. In this respect the pressure on credit spreads is likely to be smaller compared to other scenarios and relatively small in absolute terms. On the FX front, in this scenario we see a depreciation of the dollar vs. the EUR. Similarly, the EUR would gain vs. the CHF, GBP and JPY.

As for CEE, the Interest Rate Shock coupled with lower growth and inflation is a toxic mix for the equity market, especially in the euro area. Weaker growth or outright recessions in the CEE are caused by the recession in Europe and the sharp tightening in financial conditions. We assume that curves would steepen in countries where the exposure to foreign investors is sizable.

Stress Test on trading book
12.31.2015

Scenario

(€ million)

	2015		
	WIDESPREAD CONTAGION	CHINA HARD LANDING	IR SHOCK
UniCredit S.p.A.	-46	-48	-103

Part E - Risks and Hedging Policies

2.4 Derivative instruments

A. Financial derivatives

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

(€ '000)

DERIVATIVE INSTRUMENT TYPES/UNDERLYINGS	AMOUNTS AS AT 12.31.2015 OVER THE COUNTER	AMOUNTS AS AT 12.31.2015 CLEARING HOUSE	AMOUNTS AS AT 12.31.2014 OVER THE COUNTER	AMOUNTS AS AT 12.31.2014 CLEARING HOUSE
1. Debt securities and interest rate indexes	**205,117,188**	**4,065,784**	**221,997,279**	**4,126,266**
a) Options	5,351,341	-	4,619,356	100,000
b) Swap	197,696,932	-	214,855,453	100,000
c) Forward	2,068,915	720,284	2,522,470	596,266
d) Futures	-	3,345,500	-	3,330,000
e) Others	-	-	-	-
2. Equity instruments and stock indexes	**1,752,132**	**-**	**1,334,191**	**9**
a) Options	1,752,125	-	1,334,182	-
b) Swap	-	-	-	-
c) Forward	7	-	9	9
d) Futures	-	-	-	-
e) Others	-	-	-	-
3. Gold and currencies	**66,687,400**	**-**	**72,558,341**	**-**
a) Options	1,560,557	-	1,834,939	-
b) Swap	3,721,214	-	2,812,577	-
c) Forward	61,405,629	-	67,910,825	-
d) Futures	-	-	-	-
e) Others	-	-	-	-
4. Commodities	**3,366,853**	**-**	**1,339,323**	**-**
5. Other underlyings	**-**	**-**	**-**	**-**
Total	**276,923,573**	**4,065,784**	**297,229,134**	**4,126,275**

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 Banking portfolio: end of period notional amounts

A.2.1 Banking book: end-of-period notional amounts - Hedging derivatives

(€ '000)

DERIVATIVE INSTRUMENT TYPES/UNDERLYINGS	AMOUNTS AS AT 12.31.2015		AMOUNTS AS AT 12.31.2014	
	OVER THE COUNTER	CLEARING HOUSE	OVER THE COUNTER	CLEARING HOUSE
1. Debt securities and interest rate indexes	**337,064,020**	**520,000**	**299,968,792**	**-**
a) Options	4,984,586	-	7,559,100	-
b) Swap	332,079,434	520,000	292,409,692	-
c) Forward	-	-	-	-
d) Futures	-	-	-	-
e) Others	-	-	-	-
2. Equity instruments and stock indexes	**13,000**	**-**	**13,000**	**-**
a) Options	13,000	-	13,000	-
b) Swap	-	-	-	-
c) Forward	-	-	-	-
d) Futures	-	-	-	-
e) Others	-	-	-	-
3. Gold and currencies	**4,091,921**	**-**	**3,683,695**	**-**
a) Options	-	-	-	-
b) Swap	2,712,102	-	3,194,321	-
c) Forward	1,379,819	-	489,374	-
d) Futures	-	-	-	-
e) Others	-	-	-	-
4. Commodities	**-**	**-**	**-**	**-**
5. Other underlyings	**-**	**-**	**-**	**-**
Total	**341,168,941**	**520,000**	**303,665,487**	**-**

A.2.2 Banking book: end-of-period notional amounts - Other derivatives

(€ '000)

DERIVATIVE INSTRUMENT TYPES/UNDERLYINGS	AMOUNTS AS AT 12.31.2015		AMOUNTS AS AT 12.31.2014	
	OVER THE COUNTER	CLEARING HOUSE	OVER THE COUNTER	CLEARING HOUSE
1. Debt securities and interest rate indexes	**25,185,023**	**3,600,000**	**32,934,197**	**-**
a) Options	20,000	-	97,280	-
b) Swap	25,165,023	3,600,000	32,836,917	-
c) Forward	-	-	-	-
d) Futures	-	-	-	-
e) Others	-	-	-	-
2. Equity instruments and stock indexes	**2,396,086**	**-**	**3,592,563**	**-**
a) Options	2,396,086	-	2,310,615	-
b) Swap	-	-	-	-
c) Forward	-	-	-	-
d) Futures	-	-	-	-
e) Others	-	-	1,281,948	-
3. Gold and currencies	**917,347**	**-**	**6,986**	**-**
a) Options	-	-	-	-
b) Swap	-	-	-	-
c) Forward	917,347	-	6,986	-
d) Futures	-	-	-	-
e) Others	-	-	-	-
4. Commodities	**-**	**-**	**-**	**-**
5. Other underlyings	**-**	**-**	**-**	**-**
Total	**28,498,456**	**3,600,000**	**36,533,746**	**-**

Part E - Risks and Hedging Policies

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

(€ '000)

TRANSACTION TYPES/UNDERLYINGS	POSITIVE FAIR VALUE			
	AMOUNTS AS AT 12.31.2015		AMOUNTS AS AT 12.31.2014	
	OVER THE COUNTER	CLEARING HOUSE	OVER THE COUNTER	CLEARING HOUSE
A. Regulatory trading book	**6,832,743**	**835**	**9,102,879**	**2,032**
a) Options	112,604	-	167,158	15
b) Interest rate swaps	5,230,364	-	6,706,655	21
c) Cross currency swap	356,024	-	169,370	-
d) Equity swaps	-	-	-	-
e) Forward	723,825	233	1,946,204	373
f) Futures	-	602	-	1,623
g) Others	409,926	-	113,492	-
B. Banking book - Hedging derivatives	**6,404,679**	**-**	**7,842,137**	**-**
a) Options	177	-	6,113	-
b) Interest rate swaps	6,361,014	-	7,815,949	-
c) Cross currency swap	24,860	-	14,931	-
d) Equity swaps	-	-	-	-
e) Forward	18,628	-	5,144	-
f) Futures	-	-	-	-
g) Others	-	-	-	-
C. Banking book - other derivatives	**283,236**	**891**	**448,508**	**-**
a) Options	74,610	-	100,797	-
b) Interest rate swaps	203,784	891	347,407	-
c) Cross currency swap	-	-	-	-
d) Equity swaps	-	-	-	-
e) Forward	4,842	-	304	-
f) Futures	-	-	-	-
g) Others	-	-	-	-
Total	**13,520,658**	**1,726**	**17,393,524**	**2,032**

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

(€ '000)

PORTFOLIOS/DERIVATIVE INSTRUMENT TYPES	NEGATIVE FAIR VALUE			
	AMOUNTS AS AT 12.31.2015		AMOUNTS AS AT 12.31.2014	
	OVER THE COUNTER	CLEARING HOUSE	OVER THE COUNTER	CLEARING HOUSE
A. Regulatory trading book	**6,810,255**	**1,892**	**8,759,405**	**3,415**
a) Options	117,677	-	172,644	-
b) Interest rate swaps	5,352,135	-	6,873,688	-
c) Cross currency swap	345,827	-	181,481	-
d) Equity swaps	-	-	-	-
e) Forward	583,762	131	1,411,162	95
f) Futures	-	1,761	-	3,320
g) Others	410,854	-	120,430	-
B. Banking book - Hedging derivatives	**6,554,326**	**75,293**	**7,606,128**	**-**
a) Options	37,002	-	39,970	-
b) Interest rate swaps	6,084,237	75,293	7,334,036	-
c) Cross currency swap	427,459	-	226,448	-
d) Equity swaps	-	-	-	-
e) Forward	5,628	-	5,674	-
f) Futures	-	-	-	-
g) Others	-	-	-	-
C. Banking book - Other derivatives	**315,028**	**96**	**589,177**	**-**
a) Options	75,107	-	100,797	-
b) Interest rate swaps	236,100	96	388,450	-
c) Cross currency swap	-	-	-	-
d) Equity swaps	-	-	-	-
e) Forward	3,821	-	-	-
f) Futures	-	-	-	-
g) Others	-	-	99,930	-
Total	**13,679,609**	**77,281**	**16,954,710**	**3,415**

A.5 OTC Financial derivatives - regulatory trading book: notional amounts, positive and negative gross fair value by counterparty - contracts not included in netting agreement

(€ '000)

CONTRACTS NOT INCLUDED IN NETTING AGREEMENT	GOVERNMENTS AND CENTRAL BANKS	OTHER PUBLIC-SECTOR ENTITIES	BANKS	FINANCIAL COMPANIES	INSURANCE COMPANIES	NON-FINANCIAL COMPANIES	OTHER ENTITIES
	AMOUNTS AS AT 12.31.2015						
1) Debt securities and interest rate indexes							
- notional amount	1,017,244	956,528	3,333,928	68,108,801	8,102	18,893,332	56,023
- positive fair value	499	78,656	5,933	2,232,251	-	948,409	291
- negative fair value	23	2,428	59,718	2,190,228	-	239,250	9
- future exposure	-	7,977	6,929	207,738	-	128,604	16
2) Equity instruments and stock indexes							
- notional amount	-	-	875,615	15,947	-	4,516	856,054
- positive fair value	-	-	4,286	27	-	8	1,728
- negative fair value	-	-	1,381	-	-	-	4,103
- future exposure	-	-	1	-	-	-	28
3) Gold and currencies							
- notional amount	-	-	3,150,785	1,278,578	-	4,650,341	642
- positive fair value	-	-	59,880	64,887	-	78,244	13
- negative fair value	-	-	58,429	199,206	-	123,960	204
- future exposure	-	-	38,686	77,557	-	90,728	6
4) Other instruments							
- notional amount	-	-	1,653	98,846	-	884,504	-
- positive fair value	-	-	-	9,477	-	94,500	-
- negative fair value	-	-	624	457	-	49,975	-
- future exposure	-	-	-	10,871	-	75,534	-

A.6 OTC Financial derivatives - regulatory trading book: notional amounts, positive and negative gross fair value by counterparty - contracts included in netting agreement

(€ '000)

CONTRACTS INCLUDED IN NETTING AGREEMENT	GOVERNMENTS AND CENTRAL BANKS	OTHER PUBLIC-SECTOR ENTITIES	BANKS	FINANCIAL COMPANIES	INSURANCE COMPANIES	NON-FINANCIAL COMPANIES	OTHER ENTITIES
	AMOUNTS AS AT 12.31.2015						
1) Debt securities and interest rate indexes							
- notional amount	-	-	112,457,756	-	-	275,498	9,976
- positive fair value	-	-	2,031,376	-	-	12,206	137
- negative fair value	-	-	2,944,852	-	-	-	-
2) Equity instruments and stock indexes							
- notional amount	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
3) Gold and currencies							
- notional amount	-	-	57,262,116	276,880	-	68,058	-
- positive fair value	-	-	918,021	-	-	2,626	-
- negative fair value	-	-	557,341	34,362	-	120	-
4) Other instruments							
- notional amount	-	-	1,681,773	-	-	700,076	-
- positive fair value	-	-	71,231	-	-	218,055	-
- negative fair value	-	-	322,932	-	-	20,653	-

Part E - Risks and Hedging Policies

A.7 OTC Financial derivatives - banking book: notional amounts, positive and negative gross fair value by counterparty - contracts not included in netting agreement

(€ '000)

CONTRACTS NOT INCLUDED IN NETTING AGREEMENT	AMOUNTS AS AT 12.31.2015						
	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	-	-	9,469,418	667,789	-	-	86,554
- positive fair value	-	-	133,514	15,752	-	-	-
- negative fair value	-	-	40,129	17,696	-	-	2,797
- future exposure	-	-	12,062	2,656	-	-	50
2) Equity instruments and stock indexes							
- notional amount	-	-	213,000	83	-	89	1,496,868
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	5,658	-	-	-	67,952
- future exposure	-	-	-	4	-	4	-
3) Gold and currencies							
- notional amount	-	-	1,330,828	-	-	8,542	-
- positive fair value	-	-	18,190	-	-	46	-
- negative fair value	-	-	4,521	-	-	9	-
- future exposure	-	-	74	-	-	78	-
4) Other instruments							
- notional amount	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
- future exposure	-	-	-	-	-	-	-

A.8 OTC Financial derivatives - banking book: notional amounts, positive and negative gross fair value by counterparty - contracts included in netting agreements

(€ '000)

CONTRACTS INCLUDED IN NETTING AGREEMENT	AMOUNTS AS AT 12.31.2015						
	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	-	-	349,721,282	2,304,000	-	-	-
- positive fair value	-	-	6,412,788	2,921	-	-	-
- negative fair value	-	-	6,158,734	137,954	-	-	-
2) Equity instruments and stock indexes							
- notional amount	-	-	699,046	-	-	-	-
- positive fair value	-	-	74,610	-	-	-	-
- negative fair value	-	-	1,525	-	-	-	-
3) Gold and currencies							
- notional amount	-	-	3,669,898	-	-	-	-
- positive fair value	-	-	30,094	-	-	-	-
- negative fair value	-	-	432,379	-	-	-	-
4) Other instruments							
- notional amount	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-

A.9 OTC financial derivatives residual maturity: notional amounts

(€ '000)

UNDERLYING/RESIDUAL MATURITY	UP TO 1 YEAR	OVER 1 YEAR UP TO 5 YEAR	OVER 5 YEARS	TOTAL
A. Regulatory trading book	**96,337,232**	**104,602,498**	**75,983,841**	**276,923,571**
A.1 Financial derivative contracts on debt securities and interest rates	29,812,791	100,971,313	74,333,083	205,117,187
A.2 Financial derivative contracts on equity securities and stock indexes	1,752,110	22	-	1,752,132
A.3 Financial derivative contracts on exchange rates and gold	62,118,158	2,918,484	1,650,758	66,687,400
A.4 Financial derivative contracts on other values	2,654,173	712,679	-	3,366,852
B. Banking book	**162,848,272**	**137,475,680**	**69,343,445**	**369,667,397**
B.1 Financial derivative contracts on debt securities and interest rates	157,216,543	135,820,929	69,211,571	362,249,043
B.2 Financial derivative contracts on equity securities and stock indexes	1,447,324	928,712	33,050	2,409,086
B.3 Financial derivative contracts on exchange rates and gold	4,184,405	726,039	98,824	5,009,268
B.4 Financial derivative contracts on other values	-	-	-	-
Total 12.31.2015	**259,185,504**	**242,078,178**	**145,327,286**	**646,590,968**
Total 12.31.2014	**201,816,918**	**274,448,020**	**161,163,429**	**637,428,367**

Part E - Risks and Hedging Policies

B. Credit derivatives
No data to be disclosed.

C. Financial and credit derivatives

C.1 OTC Financial and credit derivatives: net fair values and future exposure by counterparty

(€ '000)

	AMOUNTS AS AT 12.31.2015						
	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	-	-	171,071	-	-	212,266	-
- negative fair value	-	-	1,050,715	169,395	-	15	-
- future exposure	-	-	1,171,841	8,289	-	73,957	-
- net counterparty risk	-	-	1,195,501	8,289	-	284,416	-
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 Banca d’Italia 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.

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.

Part E - Risks and Hedging Policies

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 billion 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).

Part E - Risks and Hedging Policies

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.

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 (<u>systemic</u>, 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. <u>specific</u> 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 <u>combination</u> 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

Quantitative information

1. Time breakdown by contractual residual maturity of financial assets and liabilities

(€ '000)

	AMOUNTS AS AT 12.31.2015									
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
On-balance sheet assets	**29,717,771**	**14,738,397**	**7,048,348**	**11,686,188**	**25,096,514**	**15,011,741**	**27,855,614**	**108,442,496**	**67,898,622**	**2,347,667**
A.1 Government securities	2,494	8,000	7,929	115,627	462,761	2,962,066	7,002,183	39,317,508	9,675,447	-
A.2 Other debt securities	74,740	235	41,449	180,007	128,262	1,543,715	1,849,084	3,605,720	6,372,301	310,321
A.3 Units in investment funds	792,216	-	-	-	-	-	-	-	-	3,281
A.4 Loans	28,848,321	14,730,162	6,998,970	11,390,554	24,505,491	10,505,960	19,004,347	65,519,268	51,850,874	2,034,065
- Banks	3,900,200	1,730,631	1,336,735	1,946,612	2,071,699	1,363,987	252,060	969,132	30,561	2,034,009
- Customers	24,948,121	12,999,531	5,662,235	9,443,942	22,433,792	9,141,973	18,752,287	64,550,136	51,820,313	56
On-balance sheet liabilities	**139,212,560**	**24,128,457**	**5,204,016**	**11,872,223**	**18,439,426**	**7,480,434**	**17,917,123**	**68,224,148**	**28,253,336**	**327,450**
B.1 Deposits and current accounts	138,013,192	1,083,443	1,527,057	1,399,651	1,433,881	804,254	757,372	544,483	402,578	-
- Banks	6,047,285	529,640	378,309	956,162	979,927	695,486	564,378	21,474	2,530	-
- Customers	131,965,907	553,803	1,148,748	443,489	453,954	108,768	192,994	523,009	400,048	-
B.2 Debt securities	238,156	600,704	554,471	4,109,685	6,774,223	4,365,598	13,499,076	46,699,737	21,553,806	327,450
B.3 Other liabilities	961,212	22,444,310	3,122,488	6,362,887	10,231,322	2,310,582	3,660,675	20,979,928	6,296,952	-
Off-balance sheet "transactions"										
C.1 Physically settled financial derivatives										
- Long positions	166,423	8,396,116	8,243,392	11,124,846	19,327,879	17,773,195	8,003,760	3,622,677	2,224,636	-
- Short positions	152,053	8,858,073	8,093,597	10,979,331	19,333,454	17,450,686	8,325,581	3,674,195	2,103,456	1,102
C.2 Cash settled financial derivatives										
- Long positions	5,739,967	20,202	93,191	461,552	1,065,392	1,253,719	2,503,741	-	-	-
- Short positions	5,868,895	48,999	27,822	332,183	995,732	1,298,487	1,999,297	-	-	-
C.3 Deposit to be received										
- Long positions	9,724	10,000,927	610,490	791,083	750,000	-	-	-	-	-
- Short positions	-	840,041	832,134	2,575,016	5,706,236	1,255,109	953,688	-	-	-
C.4 Irrevocable commitments to disburse funds										
- Long positions	4,779,306	2,503,429	1,509,772	805,730	3,054,490	1,713,126	2,579,097	10,085,126	2,450,035	670,962
- Short positions	29,070,998	410,670	-	-	-	-	-	-	-	669,403
C.5 Written guarantees	18,713	-	54	51,014	3,255	19,214	13,695	47,224	14,095	-
C.6 Financial guarantees received	53	-	25	2,714	187	599	5,851	4,013	5,268	-
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

(€ '000)

	AMOUNTS AS AT 12.31.2015									
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
On-balance sheet assets	**27,406,218**	**14,168,335**	**6,805,775**	**11,138,177**	**24,450,847**	**14,313,914**	**27,793,084**	**107,078,050**	**67,754,533**	**2,306,792**
A.1 Government securities	2,382	8,000	6,561	114,686	462,746	2,958,458	6,996,641	39,126,349	9,577,657	-
A.2 Other debt securities	66,473	235	8,795	180,007	124,658	1,543,474	1,847,347	3,546,460	6,358,519	269,446
A.3 Units in investment funds	689,275	-	-	-	-	-	-	-	-	3,281
A.4 Loans	26,648,088	14,160,100	6,790,419	10,843,484	23,863,443	9,811,982	18,949,096	64,405,241	51,818,357	2,034,065
- Banks	1,881,179	1,480,400	1,281,277	1,939,895	2,044,705	1,350,036	245,255	276,890	30,561	2,034,009
- Customers	24,766,909	12,679,700	5,509,142	8,903,589	21,818,738	8,461,946	18,703,841	64,128,351	51,787,796	56
On-balance sheet liabilities	**135,873,552**	**23,350,198**	**3,989,981**	**11,013,938**	**17,713,297**	**7,258,751**	**17,831,465**	**66,980,000**	**27,273,495**	**327,450**
B.1 Deposits and current accounts	134,835,326	305,298	313,022	547,029	1,024,925	630,310	728,873	544,483	401,762	-
- Banks	4,622,472	95,600	304,000	168,655	822,407	538,578	558,700	21,474	2,530	-
- Customers	130,212,854	209,698	9,022	378,374	202,518	91,732	170,173	523,009	399,232	-
B.2 Debt securities	237,506	600,590	554,471	4,104,022	6,457,050	4,317,859	13,441,917	46,202,966	20,574,781	327,450
B.3 Other liabilities	800,720	22,444,310	3,122,488	6,362,887	10,231,322	2,310,582	3,660,675	20,232,551	6,296,952	-
Off-balance sheet "transactions"										
C.1 Physically settled financial derivatives										
- Long positions	1,953	3,939,206	4,005,435	3,929,810	8,283,822	8,190,429	4,934,039	1,727,783	837,819	-
- Short positions	95	5,588,691	3,480,598	5,905,638	9,161,793	8,527,120	2,878,861	1,752,169	704,930	-
C.2 Cash settled financial derivatives										
- Long positions	5,415,946	20,125	93,191	461,402	1,065,082	1,167,508	2,416,898	-	-	-
- Short positions	5,542,193	48,265	27,822	326,965	974,231	1,270,303	1,942,741	-	-	-
C.3 Deposit to be received										
- Long positions	-	9,997,754	610,490	791,083	750,000	-	-	-	-	-
- Short positions	-	840,041	829,027	2,565,903	5,705,743	1,255,109	953,504	-	-	-
C.4 Irrevocable commitments to disburse funds										
- Long positions	4,775,933	2,373,457	1,509,576	682,012	2,679,912	1,347,845	2,485,919	10,058,776	2,312,905	662,560
- Short positions	26,123,820	-	-	-	-	-	-	-	-	645,589
C.5 Written guarantees	18,713	-	54	49,372	3,255	15,356	12,160	45,118	12,904	-
C.6 Financial guarantees received	53	-	25	2,714	187	599	5,851	4,013	5,268	-
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

1.2 Time breakdown by contractual residual maturity of financial assets and liabilities - Currency: other currencies

(€ '000)

	AMOUNTS AS AT 12.31.2015									
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
On-balance sheet assets	**2,311,553**	**570,062**	**242,573**	**548,011**	**645,667**	**697,827**	**62,530**	**1,364,446**	**144,089**	**40,875**
A.1 Government securities	112	-	1,368	941	15	3,608	5,542	191,159	97,790	-
A.2 Other debt securities	8,267	-	32,654	-	3,604	241	1,737	59,260	13,782	40,875
A.3 Units in investment funds	102,941	-	-	-	-	-	-	-	-	-
A.4 Loans	2,200,233	570,062	208,551	547,070	642,048	693,978	55,251	1,114,027	32,517	-
- Banks	2,019,021	250,231	55,458	6,717	26,994	13,951	6,805	692,242	-	-
- Customers	181,212	319,831	153,093	540,353	615,054	680,027	48,446	421,785	32,517	-
On-balance sheet liabilities	**3,339,008**	**778,259**	**1,214,035**	**858,285**	**726,129**	**221,683**	**85,658**	**1,244,148**	**979,841**	**-**
B.1 Deposits and current accounts	3,177,866	778,145	1,214,035	852,622	408,956	173,944	28,499	-	816	-
- Banks	1,424,813	434,040	74,309	787,507	157,520	156,908	5,678	-	-	-
- Customers	1,753,053	344,105	1,139,726	65,115	251,436	17,036	22,821	-	816	-
B.2 Debt securities	650	114	-	5,663	317,173	47,739	57,159	496,771	979,025	-
B.3 Other liabilities	160,492	-	-	-	-	-	-	747,377	-	-
Off-balance sheet "transactions"										
C.1 Physically settled financial derivatives										
- Long positions	164,470	4,456,910	4,237,957	7,195,036	11,044,057	9,582,766	3,069,721	1,894,894	1,386,817	-
- Short positions	151,958	3,269,382	4,612,999	5,073,693	10,171,661	8,923,566	5,446,720	1,922,026	1,398,526	1,102
C.2 Cash settled financial derivatives										
- Long positions	324,021	77	-	150	310	86,211	86,843	-	-	-
- Short positions	326,702	734	-	5,218	21,501	28,184	56,556	-	-	-
C.3 Deposit to be received										
- Long positions	9,724	3,173	-	-	-	-	-	-	-	-
- Short positions	-	-	3,107	9,113	493	-	184	-	-	-
C.4 Irrevocable commitments to disburse funds										
- Long positions	3,373	129,972	196	123,718	374,578	365,281	93,178	26,350	137,130	8,402
- Short positions	2,947,178	410,670	-	-	-	-	-	-	-	23,814
C.5 Written guarantees	-	-	-	1,642	-	3,858	1,535	2,106	1,191	-
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	-	-	-	-	-	-	-	-	-	-

Section 4 - Operational risks

Qualitative information

A. General aspects, operational processes and methods for measuring operational risk

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 30, 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;
- 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

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 Risk Appetite Framework approved 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 and methodologies, 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 & Fraud 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, in January 2015 the "Italian Operational & Reputational Risk Committee" has been established. It is chaired by the Italian Chief Risk Manager and it is 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. During 2015, the Committee met on a quarterly basis.

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 S.p.A. 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.
In 2015 was furthermore completed, in collaboration with Group Operational Risk Management, the "pilot" project of Operational Risk Appetite Framework, thus ELOR and ICT ELOR metrics for the measurement and the monitoring of the Bank's risk profile have been developed.

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.

Part E - Risks and Hedging Policies

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 UniCredit S.p.A. may not lawfully know about or communicate.
The Bank 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 the Bank to damages claims, regulatory fines, other penalties and/or reputational damage. In addition, one or more UniCredit Group companies and/or their current and/or former directors is subject to investigations by the relevant supervisory or prosecutorial 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 relevant Group companies and/or its clients. Given the nature of the Group’s business and the reorganization of the Group 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 lawsuits 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 and costs 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 €341.1 million as at December 31, 2015. 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 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 UniCredit S.p.A. and/or its financial situation.
Set out below is a summary of information relating to matters involving the UniCredit group 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 S.p.A. 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 IAS37 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**”), 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 by the United States Court of Appeals for the Second Circuit (the "**Second Circuit**"), and the United States Supreme Court (the "**Supreme Court**") denied the Thema and Herald plaintiffs' petition for review of that decision. All appeals have now been exhausted.

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: avoidance claims (commonly referred to as "claw-back" claims), common law claims and RICO claims. 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 "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 rejected and no further appeals are pending.

The avoidance claims against BAWFM and Bank Medici 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 which the Trustee regarded as satisfying certain pending claw-back claims against UniCredit S.p.A., PAI and BA. Accordingly, the Trustee voluntarily dismissed with prejudice the avoidance claims against UniCredit S.p.A. and PAI, and voluntary dismissed without prejudice the avoidance claims against BA. Such dismissals were approved by the court on July 22, 2015.

The current or formerly affiliated persons named as defendants in the HSBC case have been omitted as defendants in the SIPA Trustee's proposed amended complaint that was submitted in the HSBC case on June 26, 2015, but which requires permission of the Bankruptcy Court to be filed. The current or formerly affiliated persons may have rights to indemnification from UniCredit S.p.A. and its affiliated entities.

Claim 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.

Part E - Risks and Hedging Policies

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 S.p.A. 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 and the challenges have been dismissed. Several minority shareholders have filed appeals against this dismissal. The 2006 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 U.S. 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 and similarly has identified certain historic non-transparent practices, UniCredit S.p.A. is also in the process of conducting a voluntary review of its historic compliance with applicable

U.S. financial sanctions. Each Bank is cooperating with various U.S. authorities and remediation activities are ongoing. 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 SpA (on a stand-alone and consolidated basis) and one or more individual Group entities in any particular period.

Compound interest

In 2015 the number of claims for refunds/compensation for compound interest did not increase significantly. Specific appropriate provisions have been made for the risk associated with these claims.

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 was temporarily delayed, and the original litigation was stayed, pending the determination by the New Mexico Supreme Court of a legal question in a lawsuit brought against a different set of defendants in other proceedings. In the interim, two related but largely duplicative suits have been dismissed. The New Mexico Supreme Court issued its ruling on the awaited legal question in June 2015 and in December 2015 VCA, the ERB, SIC, and the State of New Mexico renewed their request for court approval of the settlement. The Court is expected to hold a hearing on the matter no earlier than April 2016.

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 Vanderbilt Capital Advisors LLC 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 but with leave to replead. Malott filed a further amended complaint in August 2013 which, in October 2013, the defendants once again moved to dismiss. In May 2014, the Court dismissed the lawsuit again, this time with prejudice. Mallot has stated his intention to appeal the dismissal once motions by other defendants are also resolved.

Until April 2008, Standard Life Insurance Company of Indiana (SLICOI) was one of the asset management clients of Vanderbilt Capital Advisors, LLC (VCA). A different manager then took over. In December 2008, SLICOI failed and was placed into rehabilitation proceedings by the Indiana State Insurance Commissioner (ISIC). In 2010, ISIC filed a lawsuit in Indiana state court in the USA against the successor manager of SLICOI's portfolio, the directors of SLICOI's former parent company, and VCA, alleging against VCA and the successor manager claims for breach of contract, breach of fiduciary duty and violations of the Indiana state Securities Act. Against the directors, ISIC alleged breach of fiduciary duty. The case is still at first instance. Although the alleged damage has not been quantified in the complaint, at year end 2015, ISIC quantified the claimed damage as between $98-348 million. The defendants deny all the claims.

Part E - Risks and Hedging Policies

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.
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). On September 29, 2014 the judges reserved their decision and, by a decision of February 2, 2015, the judge ordered that the Expert's Report be repeated. The matter was set down for a further hearing on June 6, 2016.
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; as for the first one the Court is expected to render its decision and, in respect of the second case, on November 26, 2015, the Court of Bari rejected the original claim of Divania, which was then pursued by the Trustee.
UniCredit S.p.A. has made a provision for an amount consistent with the risk of the lawsuit.

Brontos - criminal proceeding

On March 26, 2015, the Judge of the preliminary hearing of the Court of Rome ruled that there was no case to answer in respect of any of the defendants, including all current and former employees and representatives of UniCredit. On July 27, 2015 the public prosecutor filed an appeal before the Court of Cassation.

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 S.p.A. 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 S.p.A.'s view is that the claims appear to be groundless.

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 for compound interest (including alleged usury component) and €400 million for damages. Conclusions are being heard.
The company then went bankrupt. UniCredit S.p.A.'s initial view is that no provisions are to be made.

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 members of the former Cassa di Risparmio di Roma Fund

Lawsuits have been brought against UniCredit S.p.A. by members of the former Cassa di Risparmio di Roma Fund. These lawsuits, having been won in earlier proceedings by UniCredit, hang on appeal cases brought before the relevant Courts of Appeal and the Court of Cassation (as applicable) in which the main claim is a request that the funding levels 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 were made as these actions are considered to be unfounded.

Part E - Risks and Hedging Policies

D. Risks arising from tax disputes

In the previous financial statements, information was given on the service of a tax assessment notice relative to tax year 2009, relating to 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. The dispute was settled on May 18, 2015 through a tax settlement proposal for a total amount of €17.7 million The dispute was settled by paying only the claimed taxes and interest, without applying the penalties as the Italian Revenue Agency expressly recognized the company's actions in good faith. Provisions of €17.6 million were made in 2014 for this claim.

In addition, during 2015 a tax audit report was served by the Italian Financial Police alleging the same violation referred to in the paragraph above, also for tax year 2010. Before the notice of assessment was serviced, the dispute was settled according to the same criteria used in 2009, through a tax settlement proposal, with payment of €17.8 million.

Eventually, the tax audit has been extended to the fiscal year 2014.

With reference to the tax periods 2011-2014, the audit is still ongoing. As at December 31, 2015, no notices have been served with claims for these tax periods and therefore no such provisions have been made in the financial at December 31, 2015.

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 €55 million.

The matters of particular significance include those served with regard to:

- registration tax allegedly due for the registration of the rulings that had settled a number of opposition proceedings regarding the liability status of the companies of the "Costanzo Group", totaling €23.3 million. The company has promptly submitted appeals against these notices. At the end of the first instance trials, two notices of assessment were cancelled, another four were partially cancelled and another notice is pending for examination. The total amount cancelled, albeit not definitively, amounts to €15.3 million;
- higher IRES for 2010 relating to Pioneer Investment Management SGR S.p.A. regarding transfer pricing disputes for an alleged total claim of €14.3 million in taxes and interest;
- higher IRES and IRAP taxes for 2010 and 2011 relating to FinecoBank S.p.A. for disputes pertaining to a number of costs deemed to be non-deductible, for a total amount of €8.3 million in taxes, penalties and interest;
- higher IRES for 2010 relating to UniCredit Factoring S.p.A. regarding alleged violations, mostly referred to issues relating to the accrual principle, with respect to write-downs of loans and receivables and deductions of losses on loans, for a total amount of €6.3 million in taxes, penalties and interest;
- higher VAT for 2010 relating to UniCredit Leasing S.p.A. regarding alleged non-deductibility of VAT on goods purchases, for a total claim of €1.8 million in taxes, penalties and interest;
- higher registration tax for 2013 relating to UniCredit S.p.A. regarding disputes over the alleged higher taxable value arising from the sale of a business unit, for a total claim of €0.8 million in taxes, penalties and interest;
- higher mortgage registration and Land Register taxes for 2013 relating to UniCredit S.p.A. regarding disputes over the calculation of the alleged value of a building complex purchased in 2013, for a total claim of €0.2 million in taxes and interest.

The necessary actions have been taken in regard to the notices detailed above, ensuring that 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 the Company has decided, in relation to the matters set out above, to make provisions totaling €19.5 million, of which €15.1 million for the disputes for 2010 over the alleged failure to pay withholding tax on interest paid in relation to debt instruments issued to strengthen capital. As previously indicated, the amount equal to €15.1 million has been paid during the fiscal year.

Updates on pending disputes and tax audits

In the previous year's financial statements, notices of assessment were reported for substitute tax on loans and registration tax, for a total of €22 million; The company has, in turn, promptly submitted appeals to the competent Tax Commissions and at the same time submitted a request for administrative cancellation to their offices. In 2015 the Tax Authorities cancelled, through an internal review, some of the disputed notices for assessment worth a total value of €9 million.

Notices of assessment served on UniCredit S.p.A. as the consolidating entity of Pioneer Investment Management SGR for the financial years 2008 and 2009, for around €52.7 million. The company has promptly submitted appeals against these notices to the competent Tax Commissions. With first-instance proceedings pending, negotiations have been started to settle the disputes out of court both for the disputes relative to the aforesaid years and to 2007 (as referred to in the previous report). With reference to 2007, the litigation has been settled by Pioneer Investment Management SGR: therefore, against a request equal to €35,5 million, the company paid €20,6 million.

As regards the additional notices served in the proceedings described in the previous report, the following information is provided:

- disputes for higher IRES tax and IRAP tax for 2009, allegedly due from Fineco Bank S.p.A. arising from the alleged non-deductibility of certain expenses. The company has submitted a tax settlement proposal and, subsequently, appealed to the competent tax commission. Settlement negotiations are currently under way;
- higher IRES and IRAP tax 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; These notices have been promptly challenged before the competent Tax Commissions and the resulting litigation is pending.

In 2015, the Court of Cassation issued a number of judgments favourable to the group relating to various notices of assessment whereby the Tax Authorities had challenged the failure to invoice transactions subject to VAT for the years 2000, 2001 and 2002. Against a total claim of €97 million, the rulings issued in 2015 have canceled assessments for about €65 million. Therefore, with respect to such assessments the company has no tax debts; for the remaining assessment the litigation is still pending in front of the Court of Cassation.
At December 31, 2014, total provisions for tax risks to cover disputes and audits amounted to over €105 million. As indicated above, €19.5 million of additional provisions were made during 2015, offset by uses and releases of the provision for tax risks totaling €40.5 million. As a result, at December 31, 2015 provisions total about €84 million.
Lastly, as regards the other Group Companies in Italy, the most important audit concluded in 2015 related to UniCredit Bank A.G. - Italian branch, and concerned a number of financial transactions carried out in 2011 as part of the normal performance of its activities. At the end of this audit, a claim of €0.24 million was raised for alleged failure to collect withholding tax.
The company has now submitted its observations to the tax audit report.

Part E - Risks and Hedging Policies

E. Extrajudicial procedures

With reference to the extrajudicial procedure relating to Istituto per il Credito Sportivo (ICS), already disclosed in the last financial statements, please note that the Council of State, with a judgment dated September 21, 2015, confirmed the judgment of the Regional Administrative Court of Lazio, which had rejected the request to cancel the interministerial decree of March 6, 2013 concerning the cancellation of the Statute of the ICS 2005; UniCredit, together with other private shareholders, has decided not to submit further appeals difficult to sustain.

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.

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.

In the first half of 2015 Tassara sold listed securities (pledged and not pledged as collateral) and collected dividends worth approximately €159 million, which includes the proceeds from the sale of the Intesa Sanpaolo shares (totaling €70 million) and A2A shares (pledged and not pledged as collateral) amounting to €84 million.

On May 30, 2015, the subsidiaries of Carlo Tassara, Alior Lux Sàrl and Alior Polka signed a preliminary agreement for the sale of the entire shareholding in Alior Bank SA to PZU, representing 25.3% of the Polish Bank's share capital.
The sale was carried out in three stages, two of which had already been partially completed during the second half of 2015, and the third expected by the end of the first half of 2016.

Based on the third amendment agreement on the moratorium on debt payments, following the sale of certain assets during 2015, in the first quarter of 2016 UniCredit S.p.A. shall increase its share of SFP amounting to No.326,419 thus reaching to hold a total of No.31,996,223, each with a face value of €1.00.

UniCredit S.p.A. credit exposure at December 31, 2015 amounted to approximately €91 million, which was a significant reduction compared to the €463 million at the end of 2013 and the €120 million at the end of 2014, against which impairment losses were recognized of €13 million (down compared to €91 million at December 31, 2013 and €28 million at December 31, 2014).

G. Other claims by customers

Supporting the business structures, the Compliance function oversees the regulatory environment evolution related to banking services and products in areas like transparency, financial services and anti- usury. Compliance as control function develops rules, check processes and procedures and monitor complaints trends.

Considering the regulatory complexity and interpretations not always homogeneous we created a risk fund to cope possible costs also whereas the complaints increase in the litigiousness.

Considering interest rate market trends, contracts with clients are subject to monitoring with reference to loans with interest rate indexation to benchmarks that, reflecting prevailing market conditions, may have negative values.

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 Banca d'Italia 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	63.13%
Executions	22.53%
External fraud	5.73%
Internal fraud	4.63%
Employment practices	3.56%
Asset damages	0.27%
IT systems	0.15%
Total	100.00%

In 2015, 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 "Executions".

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.

Part F - Shareholders’ Equity

Part F - Shareholders' Equity

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 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

(€ '000)

ITEMS/VALUES	AMOUNT AS AT 12.31.2015	AMOUNT AS AT 12.31.2014
1. Share capital	**20,257,668**	**19,905,774**
2. Share premium reserve	**15,976,604**	**15,976,604**
3. Reserves	**8,753,683**	**9,323,078**
- from profits	3,676,690	4,116,784
a) legal	1,517,514	1,517,514
b) statutory	1,217,304	1,195,845
c) treasury shares	-	-
d) other	941,872	1,403,425
- other(*)	5,076,993	5,206,294
4. Equity instruments	**1,888,463**	**1,888,463**
5. Treasury shares	**(2,440)**	**(2,440)**
6. Revaluation reserves	**1,092,028**	**1,001,110**
- Available-for sale financial assets	915,911	753,563
- Property, plant and equipment	-	-
- Intangible assets	-	-
- Hedges of foreign investments	-	-
- Cash flow hedges	121,253	238,916
- Exchange differences	-	-
- Non-current assets classified held for sale	-	-
- Actuarial gains (losses) on definited benefit plans	(222,156)	(268,389)
- Changes in valuation reserve pertaining to equity method investments:	-	-
- Special revaluation loans	277,020	277,020
7. Net profit (loss)	**(1,441,449)**	**79,774**
Total	**46,524,557**	**48,172,363**

(*) "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".

The Shareholders' Equity as at December 31, 2015, additionally to the free share capital increase - explained in details in Part B - Section 14 "Shareholders' Equity" - amounting to €54,745 thousand executed through the withdrawal from the specifically constituted reserves related to the medium-term incentive program for the Group staff, and amounting to €297,149 thousand for the payment of the "Script dividend" for 2014, through the concurrent withdrawal from the existing "reserves for allocating profits to shareholders through the issuance of new free shares", reflects, among the others described more in details in the Report on Operations in paragraph "Shareholders' Equity", the changes resulting from the Ordinary Shareholders' Meeting resolutions of May 13, 2015, regarding the allocation of profit for the year 2014, amounting to €79,774 thousand, which brought to:

1. distribute to the 2,449,313 savings shares, pursuant to Art.32, par. 1, lett. b) of the Articles of Association a preferred dividend for the year 2012 and 2013 - for which it had not been paid - and for the year 2014 totaling €2,315 thousand.
2. allocate €6,000 thousand to social, charitable and cultural causes;
3. allocate €50,000 thousand to the reserve connected to the medium-term incentive plan for Group staff;
4. allocate €21,459 thousand to the statutory reserve.

Part F - Shareholders' Equity

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

(€ '000)

ASSETS/VALUES	AMOUNT AS AT 12.31.2015 POSITIVE RESERVE	AMOUNT AS AT 12.31.2015 NEGATIVE RESERVE	AMOUNT AS AT 12.31.2015 TOTAL	AMOUNT AS AT 12.31.2014 POSITIVE RESERVE	AMOUNT AS AT 12.31.2014 NEGATIVE RESERVE	AMOUNT AS AT 12.31.2014 TOTAL
1. Debt securities	850,085	(40,034)	810,051	763,863	(69,672)	694,191
2. Equity securities	109,241	(3,522)	105,719	61,454	(2,364)	59,090
3. Units in investment funds	7,541	(7,400)	141	2,989	(2,707)	282
4. Loans	-	-	-	-	-	-
Total	**966,867**	**(50,956)**	**915,911**	**828,306**	**(74,743)**	**753,563**

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

(€ '000)

ASSETS/VALUES	CHANGES IN 2015 DEBT SECURITIES	EQUITY SECURITIES	UNITS IN INVESTMENT FUNDS	LOANS	TOTAL
1. Opening balance	**694,191**	**59,090**	**282**	**-**	**753,563**
2. Positive changes	**482,800**	**68,641**	**4,666**	**-**	**556,107**
2.1 Fair value increases	297,515	67,774	4,666	-	369,955
2.2 Reclassification through profit or loss of negative provision	181,892	866	-	-	182,758
- due to impairment	-	837	-	-	837
- following disposal	181,892	29	-	-	181,921
2.3 Other changes	3,393	1	-	-	3,394
3. Negative changes	**366,940**	**22,012**	**4,807**	**-**	**393,759**
3.1 Fair value reductions	87,290	15,811	4,807	-	107,908
3.2 Impairment losses	-	1,123	-	-	1,123
3.3 Reclassification through profit or loss of positive allowances: following disposal	278,546	5,070	-	-	283,616
3.4 Other changes	1,104	8	-	-	1,112
4. Closing balance	**810,051**	**105,719**	**141**	**-**	**915,911**

B.4 Revaluation reserve on defined benefit obligations: annual changes

(€ '000)

	CHANGES IN 2015	CHANGES IN 2014
1. Net opening balance	**(268,389)**	**(154,082)**
2. Positive changes	**48,349**	**3,103**
2.1. Fair value increase	48,349	3,103
2.2 Other changes	-	-
3. Negative changes	**2,116**	**117,410**
3.1 Fair value reductions	1,903	117,290
3.2 Other changes	213	120
4. Closing balance	**(222,156)**	**(268,389)**

Section 2 - Own funds and regulatory ratios

2.1 Own Funds

A. Qualitative information

Starting from January 1, 2014, the calculation of capital requirements keeps into account the regulatory framework known as "Basel 3", adopted as a result of the EU Regulation No 575/2013 on prudential requirements for credit institutions and investment firms (Capital Requirements Regulation - "CRR") and in the Directive 2013/36/UE on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms (Capital Requirements Directive 4 - "CRD 4"), also according to their adoption by Italian Laws.

Such regulation foresees the following breakdown of Own Funds:
- Tier 1 Capital (T1), made by Common Equity Tier 1 Capital (CET1) and Additional Tier 1Capital (AT1);
- Tier 2 Capital (T2).

The sum of T1 and T2 generates the Total Own Funds (Total Capital).

Transitional Own Funds

Regarding the amount of transitional adjustments as of December 31, 2015, it is worth mentioning that such amounts - compared to December 31, 2014 - also reflect the gradual reduction of the transitional adjustment requested for 2015, mainly:
- 60% for the items to be deducted from Common Equity Tier 1 (80% for 2014);
- 60% for unrealized gains on AFS securities other than those issued by EU countries' Central Administrations (80% for 2014);
- 80% for the amount of actuarial losses calculated according to CRR Article 473 (100% for 2014).

Result of the period

The loss of 2015 financial year, equal to €1.441 million, is reduced from Own Funds according to CRR Article 36; moreover, the foreseeable amount of dividends calculated at this date, for an amount of € 706 million, have reduced Own Funds as UniCredit group obtained the prior permission from the competent Authority according to CRR Article 26(2).

Stake in Banca d'Italia's capital

With reference to the regulatory treatment of UniCredit's stake in Banca d'Italia, it is worth mentioning that: (I) the carrying value as of December 31, 2015 is risk weighted at 100% (according to the CRR Article 133 "Equity exposure"); (II) the revaluation recognized on P&L as of December 31, 2013 is not filtered out.

Unrealized gains and losses related to exposures towards Central Administrations classified as Available for Sale - AFS

With reference to the contents of Banca d'Italia Bollettino di Vigilanza No.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 IAS39 category "Available For Sale - AFS", UniCredit S.p.A. exercised the option contained in Banca d'Italia 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 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 from Own Funds the unrealized gains and losses related to exposures towards EU Central Administration classified in the IAS39 category "Available for Sale - AFS", taking into account the provisions contained in the CRR Article 467.

Part F - Shareholders' Equity

1. Common Equity Tier 1 Capital - CET1

Common Equity Tier 1 Capital mainly includes the following elements:

- Main Common Equity Tier 1 Capital items, recognised as Common Equity Tier 1 only where they are available to the institution for unrestricted and immediate use to cover risks or losses as soon as these occur: (I) capital instruments, provided the conditions laid down in CRR Article 28 or, where applicable, Article 29 are met (e.g. ordinary shares); (II) s share premium accounts related to the instruments referred to in point (I); (III) retained earnings; (IV) accumulated other comprehensive income; (V) other reserves; Common Equity Tier 1 Capital items also include minority interest for the computable amount recognized by CRR.
- Prudential filters of Common Equity Tier 1 Capital: (I) filter related to increase in its equity under the applicable accounting framework that results from securitized assets; (II) filter related to the fair value reserves related to gains or losses on cash flow hedges of financial instruments that are not valued at fair value; (III) filter related to gains or losses on liabilities of the institution that are valued at fair value that result from changes in the own credit standing of the institution; (IV) filter related to all fair value gains and losses arising from the institution's own credit risk related to derivative liabilities; (V) filter related to additional value adjustments (*prudent valuation*).
- Deductions from Common Equity Tier 1 items: (I) intangible assets; (II) deferred tax assets (DTA) that rely on future profitability and do not arise from temporary differences; (III) negative amounts resulting from the calculation of expected loss amounts when compared with credit risk adjustments (shortfall) for those positions evaluated according to IRB methods; (IV) defined benefit pension fund assets on the balance sheet of the institution; (V) direct, indirect and synthetic holdings by an institution of own Common Equity Tier 1 instruments, including own Common Equity Tier 1 instruments that an institution is under an actual or contingent obligation to purchase by virtue of an existing contractual obligation; (VI) the exposure amount of the items which qualify for a risk weight of 1,250 %, where the institution deducts that exposure amount from the amount of Common Equity Tier 1 items as an alternative to applying a risk weight of 1,250 %; (VII) the applicable amount of direct, indirect and synthetic holdings by the institution of Common Equity Tier 1 instruments of financial sector entities where the institution does not have a significant investment in those entities (deducted for the amount exceeding the thresholds foreseen by the regulation); (VIII) deferred tax assets (DTA) that rely on future profitability and arise from temporary differences, and the applicable amount of direct, indirect and synthetic holdings by the institution of the Common Equity Tier 1 instruments of financial sector entities where the institution has a significant investment in those entities (deducted for the amount exceeding the thresholds foreseen by the regulation).

Common Equity Tier 1 includes ordinary shares issued by UniCredit S.p.A, equal to €19.640 million.
Please note that both saving shares, equal to €8 million, and the ordinary shares underlying to the "CASHES" transaction, equal to €609 million, are reclassified in Additional Tier 1 Capital as instruments subject to grandfathering provisions.

2. Additional Tier 1 Capital - AT1

The main Additional Tier 1 Capital elements are the following: (I) capital instruments (e.g. saving shares), where the conditions laid down in Article 52(1) are met; (II) the share premium accounts related to the instruments referred to in point (I); (III) capital instruments for the amount computable in Own Funds according to the transitional provisions foreseen by CRR (grandfathering).

During 2015, UniCredit Group didn't issue further AT1 instruments other than those already issued during 2014, below briefly outlined, and whose terms and conditions are in line with CRDIV regulation in force 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 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%). 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.

As foreseen from the regulatory requirements, the coupon payment of both instruments is discretionary; 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.

Part F - Shareholders' Equity

Financial 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	03.06.2024	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	10.09.2021	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 an internal identification code 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.

Saving shares for €8 million and related share premium equal to €10 million, in addition to the ordinary shares underlying to the "Cashes" transaction (equal to €609 million), are included in Additional Tier 1 Capital.

3. Tier 2 Capital - T2

The main Tier 2 Capital elements are the following: (I) capital instruments and subordinated loans where the conditions laid down in Article 63 are met; (II) the share premium accounts related to instruments referred to in point (I); (III) possible surplus of credit risk adjustments with reference to expected losses for positions evaluated according to IRB methods; (IV) capital instruments and subordinated loans for the amount computable in Own Funds according to the transitional provisions foreseen by CRR (grandfathering).
Consolidated Own Funds as of December 31, 2015 do not include instruments having a contractual amortization plan in line with regulatory rules stated by CRR Article 63; while they includes - according to CRR Article 484(5) - the amount of such instruments issued before December 31, 2011 and subject to the grandfathering provisions.

On February 10, 2015, UniCredit S.p.A. launched Tier 2 notes, denominated in EUR, through own network Retail e Private with characteristics compliant with new "CRD IV" regulation, in place starting from January 1, 2014. The securities have a maturity of 10 years and 2 months and can be called by the Issuer only one after 5 years and 2 months. Notes pay floating rate coupons of Euribor 3M + 275 basis points. It was launched the maximum amount expected, amounting to €2.5 billion.

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	XS0241369577	13	900	EUR	02.01.2016	-	Fixed	3.95%p.a.	Non Convertible	yes	Lower Tier 2
no	UNICREDIT SPA	XS0241198315	10	450	GBP	02.01.2016	-	Fixed	5%p.a.	Non Convertible	yes	Lower Tier 2
yes	UNICREDIT SPA	IT0004012552	8	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
yes	UNICREDIT SPA	IT0004012586	11	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	334	1,000	EUR	09.26.2017	-	Fixed	5.75%p.a.	Non Convertible	no	Senior
no	UNICREDIT SPA	XS0332831485	66	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	39	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	7	15	EUR	04.10.2018	-	Floating	Max between 5.535%and 10 y Euro CMS	Non Convertible	no	Senior
no	UNICREDIT SPA	XS0356629369	46	100	EUR	04.24.2018	-	Floating	Max between 5%and 10 y Euro CMS + 0.67%	Non Convertible	no	Senior
no	UNICREDIT SPA	XS0367777884	340	1,000	EUR	06.05.2018	-	Fixed	6.70%p.a.	Non Convertible	yes	Lower Tier 2
no	UNICREDIT SPA	XS0372227982	62	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	43	50	EUR	04.26.2020	-	Fixed	4.75%p.a.	Non Convertible	no	Senior
yes	UNICREDIT SPA	IT0004605074	292	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	45	50	EUR	06.14.2020	-	Fixed	5.16%p.a.	Non Convertible	no	Senior
yes	UNICREDIT SPA	IT0004615305	95	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	205	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	339	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	194	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
yes	UNICREDIT SPA	IT0004740368	10	20	EUR	07.05.2018	-	Floating	Euribor 3M + 2.50%p.a.	Non Convertible	no	Senior
no	UNICREDIT SPA	XS0849517650	1,493	1,500	EUR	10.31.2022	-	Fixed	6.95%p.a	Non Convertible	no	Senior
yes	UNICREDIT SPA	IT0004747330	81	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	5	10	EUR	07.21.2018	-	Floating	Euribor 3M + 2.637%p.a.	Non Convertible	no	Senior
yes	UNICREDIT SPA	IT0004764004	232	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	317	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	192	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

Part F - Shareholders' Equity

Continued: Financial 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	XS0925177130	686	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	135_SL0001	4	10	EUR	10.30.2017	-	Fixed	5.45% p.a.	Non Convertible	no	Senior
no	UNICREDIT SPA	135_SL0002	4	10	EUR	10.30.2017	-	Fixed	5.45% p.a.	Non Convertible	no	Senior
no	UNICREDIT SPA	135_SL0003	4	10	EUR	11.13.2017	-	Fixed	5.54% p.a.	Non Convertible	no	Senior
no	UNICREDIT SPA	135_SL0004	2	5	EUR	11.27.2017	-	Fixed	5.7% p.a.	Non Convertible	no	Senior
no	UNICREDIT SPA	135_SL0005	2	5	EUR	11.27.2017	-	Fixed	5.7% p.a.	Non Convertible	no	Senior
no	UNICREDIT SPA	135_SL0006	8	20	EUR	11.27.2017	-	Fixed	5.7% p.a.	Non Convertible	no	Senior
no	UNICREDIT SPA	135_SL0007	8	20	EUR	11.27.2017	-	Fixed	5.7% p.a.	Non Convertible	no	Senior
no	UNICREDIT SPA	135_SL0008	0	1	EUR	11.27.2017	-	Fixed	5.7% p.a.	Non Convertible	no	Senior
no	UNICREDIT SPA	135_SL0009	15	40	EUR	11.27.2017	-	Fixed	5.7% p.a.	Non Convertible	no	Senior
no	UNICREDIT SPA	135_SL0010	2	5	EUR	11.27.2017	-	Fixed	5.7% p.a.	Non Convertible	no	Senior
no	UNICREDIT SPA	135_SL0011	8	20	EUR	11.27.2017	-	Fixed	5.7% p.a.	Non Convertible	no	Senior
no	UNICREDIT SPA	135_SL0012	2	5	EUR	11.27.2017	-	Fixed	5.7% p.a.	Non Convertible	no	Senior
no	UNICREDIT SPA	135_SL0013	4	10	EUR	01.30.2018	-	Fixed	5.74% p.a.	Non Convertible	no	Senior
no	UNICREDIT SPA	135_SL0014	4	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
no	UNICREDIT SPA	IT0005087116	2,496	2,500	EUR	05.03.2025	05.03.2020	Floating	Euribor 3M + 2.75%	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 an internal identification code 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

(€ '000)

OWN FUNDS	12.31.2015	12.31.2014
A. Common Equity Tier 1 Capital (CET1) before prudential filters	**43,305,187**	**44,963,281**
of/w grandfathered CET1 instruments	-	-
B. CET1 Prudential Filters (+/-)	**(525,128)**	**(698,061)**
C. CET1 gross of deductions and transitional adjustments (A +/- B)	**42,780,059**	**44,265,221**
D. Items to be deducted from CET1	**572,639**	**1,964,281**
E. Transitional adjustments - Effect on CET1 (+/-)	**(465,841)**	**993,198**
F. Common Equity Tier 1 Capital (C - D +/-E)	**41,741,579**	**43,294,138**
G. Additional Tier 1 Capital (AT1) gross of deductions and transitional adjustments	**2,895,143**	**3,011,411**
of/w grandfathered AT1 instruments	*1,006,680*	*1,122,948*
H. Items to be deducted from AT1	**26,579**	**27,935**
I. Transitional adjustments - Effect on AT1 (+/-)	**(134,770)**	**(768,629)**
L. Additional Tier 1 Capital (G - H +/- I)	**2,733,794**	**2,214,847**
M. Tier 2 (T2) Capital gross of deductions and transitional adjustments	**10,191,362**	**9,304,950**
of/w grandfathered T2 instruments	*1,865,596*	*2,230,671*
N. Items to be deducted from T2	**321,082**	**823,304**
O. Transitional adjustments - Effect on T2 (+/-)	**(65,115)**	**(684,722)**
P. Tier 2 Capital (M - N +/- O)	**9,805,164**	**7,796,924**
Q. Total Own Funds (F + L + P)	**54,280,537**	**53,305,909**

<u>Description of main capital items as of December 31, 2015</u>

Regarding the amount of transitional adjustments as of December 31, 2015, it is worth mentioning that such amounts - compared to December 31, 2014 - reflect also the gradual reduction of the transitional adjustment requested for 2015; here follows the main items:

- 60% for the items to be deducted from Common Equity Tier 1 (80% for 2014);
- 60% for unrealized gains on AFS securities other than exposures towards EU Central Administration (80% for 2014);
- 80% for the amount of actuarial losses calculated according to CRR Article 473 (100% for 2014).

A. Common Equity Tier 1 Capital (CET1) before prudential filters

The item includes:

- paid up instruments for €19,640 million;
- share premium for €15,967 million;
- other reserves included retained earnings for €6,606 million, also containing the loss of the year 2015 equal to €1.441 million, recognized in Own Funds, reduced of dividends calculated at the date, equal to €706 million (dividend distribution will be supported with UniCredit S.p.A. reserves). Please note that the dividends at the date reduced Own Funds according to formal permission on the basis of Article 26(2) CRR;
- accumulated other comprehensive income, positive for €1,092 million; 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)(9):
    - amount of the negative reserve: €222 million;
    - amount of the positive transitional filter included in section “E. Transitional adjustments - Effect on CET1 (+/-)”: €84 million;
  - reserves on available for sale (AFS) securities:
    - amount of the positive reserve: €916 million;
    - amount of the negative transitional adjustment, equal to €822 million, 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(10) for €681 million;
      - exclusion of 60% of unrealized gains referred to other debt securities and capital instruments at fair value classified in the “Available for sale AFS” portfolio, for €141 million.

The item does not include the following elements reclassified in the Item “G. Additional Tier 1 Capital (AT1) gross of deductions and transitional adjustments”:

- €609 million related to Cashes(11);
- €8 million related to Saving Shares;
- €10 million related to share premium and referred to Saving Shares.

(9) As of January 1, 2013, following the entry into force of the amendments to IAS19 (IAS19R), the elimination of the corridor method - requiring recognition of present value of defined benefit obligations - will result in an impact on the Group's net equity related to the recognition in the revaluation reserves of actuarial net losses not previously recognized in line with such method.

(10) With reference to the contents of Banca d'Italia Bollettino di Vigilanza No.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 IAS39 category “Available For Sale - AFS”, UniCredit S.p.A. exercised the option contained in Banca d'Italia Circular 285 (“Disposizioni di vigilanza per le banche”, Part 2, Chapter 14, Section II, Paragraph 2) for the calculation of its individual own funds. 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 IAS39 category "Available for Sale - AFS", taking into account the provisions contained in the CRR Article 467.

(11) 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 No.96,756,406 ordinary shares of UniCredit S.p.A. (reduced from No.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

B. CET1 prudential filters

The item includes:

- filters required by CRR:
  - negative filter on cash flow hedge reserve of financial instruments (CRR Article. 33.1 comma a), equal to €121 million;
  - negative filter on gains on liabilities of the institutions related to changes in own credit standing (CRR Article. 33.1 comma b and c), equal to €32 million;
  - additional value adjustments (CRR Article. 34), equal to €10 million;
- national filters as required by Banca d'Italia Circular n° 285, referred to:
  - multiple goodwill redemption ("affrancamenti mutipli"), equal to €339 million(12);
  - gain on sale of properties mainly used in operations ("cessione in blocco"), equal to €24 million.

D. Items to be deducted from CET1(13)

The item mainly includes:

- other intangible assets, for €6 million;
- excess of expected losses compared to provisions related to IRB positions, equal to €452 million;
- deductions for securitizations, equal to €95 million.

E. Transitional adjustments - Effect on CET1

The item includes the following transitional adjustments:

- exclusion of unrealized gains on AFS securities, equal to €681 million;
- exclusion of 60% of unrealized gains referred to other debt securities and capital instruments at fair value classified in the "Available for sale AFS" portfolio, for €141 million;
- positive filter on negative actuarial reserves (IAS19), equal to €84 million;
- positive filter for the 60% of the deduction related to excess of expected losses compared to provisions related to IRB position, for €271 million.

I. Transitional adjustments - Effect on AT1

The item includes the following transitional adjustments:

- positive filter for €1 million, equal to 60% of the amount of the deduction (€2 million) 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 €271 million) related to the excess of expected losses compared to provisions referred to IRB position, equal to €136 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 €136 million;
- national positive filter as regulated by Banca d'Italia Circular n° 285, equal to 80% of 50% of unrealised gains on AFS, equal to €71 million.

(12) The calculation takes into account the provisions of the Resolution No.55/E of the Italian Revenue Agency (Agenzia delle Entrate) issued on May 29, 2015 concerning "Discipline of the tax credit resulting from the processing of deferred tax assets recorded in the financial statements referred to in Article 2, paragraphs 55 to 58 of Decree-Law December 29, 2010, No.225" ("Disciplina del credito d'imposta derivante dalla trasformazione di attività per imposte anticipate iscritte in bilancio di cui all'articolo 2, commi da 55 a 58, del decreto legge 29 dicembre 2010, No.225").

(13) With reference to the regulatory treatment of the UniCredit's stake in Banca d'Italia, it is worth mentioning that: (I) the carrying value as of December 31, 2015 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.

2.2 Capital adequacy

A. Qualitative information

Regarding qualitative information, please refer to Notes to the Consolidated Accounts.

B. Quantitative information

Capital Adequacy

(€ '000)

ITEMS/VALUES	NON-WEIGHTED AMOUNTS 12.31.2015	NON-WEIGHTED AMOUNTS 12.31.2014	WEIGHTED AMOUNTS 12.31.2015	WEIGHTED AMOUNTS 12.31.2014
A. RISK ASSETS				
A.1 CREDIT AND COUNTERPARTY RISK	**433,065,056**	**443,869,763**	**169,542,449**	**184,988,326**
1. Standardized approach	218,485,433	223,337,031	103,882,283	109,497,483
2. IRB approaches	213,727,497	219,105,068	64,819,453	74,712,843
2.1 Foundation	-	-	-	-
2.2 Advanced	213,727,497	219,105,068	64,819,453	74,712,843
3. Securitizations	852,125	1,427,664	840,713	778,000
B. CAPITAL REQUIREMENTS				
B.1 Credit and counterparty risk			**13,564,218**	**14,799,066**
B.2 Credit valuation adjustment risk			**17,409**	**20,596**
B.3 Settlement risk			**1,976**	**4,065**
B.4 Market Risk			**538,753**	**518,724**
1. Standardized approach			-	-
2. Internal Models			538,753	518,724
3. Concentration Risk			**-**	-
B.5 Operational Risk			**1,109,147**	**1,169,914**
1. Basic indicator approach			19,001	20,048
2. Traditional standardized approach			-	-
3. Advanced measurement approach			1,090,146	1,149,866
B.6 Other calculation elements			-	-
B.7 Total capital requirements			**15,231,505**	**16,512,365**
C. RISK ASSETS AND CAPITAL RATIOS				
C.1 Risk Weighted Assets			**190,393,806**	**206,404,565**
C.2 Common Equity Tier 1 Capital/Ris weighted assets (CET 1 capital ratio)			**21.92%**	**20.98%**
C.3 Tier 1 Capital/Risk weighted assets (Tie 1 capital ratio)			**23.36%**	**22.05%**
C.4 Total Own Funds/Risk weighted assets (Total capital ratio)			**28.51%**	**25.83%**

Part G - Business Combinations

Part G - Business Combinations

Section 1 - Business Combinations completed in the year

1.1 Business combinations

Business combinations with counterparties outside the Group are carried out using the "purchase method" prescribed by accounting principle IFRS3 "Business Combinations".

Under its reorganization program the Group has carried out business combinations involving companies or businesses which were already directly or indirectly controlled by UniCredit S.p.A. (Business Combination 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.

In February 2015, UniCredit has signed an agreement with affiliates of Fortress Investment Group LLC for the disposal of the entire shareholding in UniCredit Credit Management Bank ("UCCMB"). In preparation to sale of UCCMB shareholding, starting from January 1, 2015 a spin-off has become effective in favour of UniCredit S.p.A. of (i) the going concern of UCCMB dedicated to "non-core Business" and (ii) the real estate going concern of UCCMI (subsidiary controlled at 100% by UCCMB) and formerly belonging to Capitalia.
The completion of the transaction, following the occurred authorisations, took place on October 30, 2015.

Section 2 - Business Combinations completed after year-end

No business combinations are performed after year-end closing.

Part H - Related-Party Transactions

Part H - Related-Party Transactions

As required by the Commission Regulation (EU) No.632/2010 of July 19, 2010, the revised IAS24 - 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 IAS24, 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 2015 remuneration and of related-party transactions are given below, pursuant to IAS24. 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 2015 is given below pursuant to IAS24 and to the circular No.262 issued by Banca d'Italia on December 22, 2005 (4th update on December 15, 2015) requiring that also the Statutory Auditors' compensation be included.

Remuneration paid to key management personnel (including directors)

(€ '000)

	YEAR 2015	YEAR 2014
a) short-term employee benefits	21,987	20,443
b) post-retirement benefits	2,131	1,837
of which: under defined benefit plans	-	-
of which: under defined contribution plans	*2,131*	*1,837*
c) other long-term benefits	-	27
d) termination benefits	9,168	1,859
e) share-based payments	5,993	2,881
Total	**39,279**	**27,047**

In the above reported data are included compensation paid to Directors (€8,005 thousand), Statutory Auditors (€660 thousand), General Manager (€7,189 thousand) and other Managers with strategic responsibility (€13,567 thousand), as shown in the document "Compensation tables and information document pursuant Consob regulations" attached to the 2016 Group Compensation Policy, and €9,858 thousand relating to other costs of the year (the company share of social security contributions, allocations to severance pay funds and share-based payments using UniCredit and its subsidiaries' equity instruments).

The increase in the overall compensation (€12,232 thousand) vs. 2014 is primarily due the indemnities paid in 2015 for the termination of the employment of the General Manager[14] and of another Executive with strategic responsibilities, and also to the higher costs borne in relation to equity based incentive plans, including the LTI Plan for Top Management.

(14) Role discontinued from October 1, 2015.

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 (Banca d'Italia), 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 Banca d'Italia 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 (Banca d'Italia); the scope of related parties (CONSOB) and associated persons (Banca d'Italia), 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 Banca d'Italia. 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 a transaction 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 was carried out. In 2015 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 IAS24 applies, which defines the concept of related party and identifies the relations between that party and the entity producing the financial statements. IAS24 also explains that the disclosure must include transactions entered into with subsidiaries of associates and subsidiaries of joint ventures.

Part H - Related-Party Transactions

Accordingly, the table below provides the additional information required by IAS24 at December 31, 2015:

Related-party transactions: balance sheet items

(€ '000)

	AMOUNT AS AT 12.31.2015								
	SUBSIDIARIES	JOINT VENTURE	ASSOCIATES	KEY MANAGEMENT PERSONNEL	OTHER RELATED PARTIES	TOTAL	% ON NON COMPANY ACCOUNTS	SHAREHOLDERS (*)	% ON NON COMPANY ACCOUNTS
Financial asset held for trading	2,692,342	-	22,658	-	1,906	2,716,906	19.80%	-	-
Financial asset designated at fair value	-	-	-	-	38,096	38,096	11.26%	-	-
Available for sale financial asset	7,899	-	107,484	-	302	115,685	0.18%	19,000	0.03%
Held to maturity investments	-	-	-	-	-	-	-	-	-
Loans and receivables with banks	12,183,708	18,189	1,093,005	-	-	13,294,902	60.26%	-	-
Loans and receivables with customers	22,377,747	586	410,448	1,594	83,503	22,873,878	10.63%	139	-
Other assets	286,814	1,236	723	-	-	288,773	6.18%	2	-
Total Assets	**37,548,510**	**20,011**	**1,634,318**	**1,594**	**123,807**	**39,328,240**	**12.21%**	**19,141**	**0.01%**
Deposits from banks	8,804,354	45,522	486,760	-	-	9,336,636	24.92%	138,833	0.37%
Deposits from customers	585,668	-	574,920	6,207	122,418	1,289,213	0.71%	260,458	0.14%
Debt securities in issue	26,280,368	12,021	-	-	20,417	26,312,806	24.37%	10,082	0.01%
Other liabilities	209,754	118	2,531	-	-	212,403	2.88%	-	-
Total Liabilities	**35,880,144**	**57,661**	**1,064,211**	**6,207**	**142,835**	**37,151,058**	**11.11%**	**409,373**	**0.12%**
Guarantees given and commitments	13,016,305	3,410,271	179,223	-	28,960	16,634,759	23.32%	4,061	0.01%

(*) 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.

Related-party transactions: profit and loss items

(€ '000)

	AMOUNT AS AT 12.31.2015								
	SUBSIDIARIES	JOINT VENTURE	ASSOCIATES	KEY MANAGEMET PERSONNEL	OTHER RELATED PARTIES	TOTAL	% ON COMPANY ACCOUNTS	SHAREHOLDERS (*)	% ON COMPANY ACCOUNTS
Interest income and similar revenues	947,605	264	3,016	56	2,385	953,326	13.08%	1,360	0.02%
Interest expense and similar charges	(466,938)	(343)	(354)	(20)	(172)	(467,827)	14.38%	(1,132)	0.03%
Fee and commission income	957,444	2,434	599,764	60	1,323	1,561,025	37.12%	1,215	0.03%
Fee and commission expense	(89,946)	(4)	(9,237)	(9)	(26)	(99,222)	26.95%	(464)	0.13%
Gains and losses on financial assets and liabilities held for trading	(144,726)	-	(360)	-	-	(145,086)	n.s.	8	0.00%
Fair value adjustments in hedge accounting	(279,682)	-	-	-	-	(279,682)	n.s.	-	-
Impairment losses on:	(63,954)	(3)	(25,049)	(1)	(3,258)	(92,265)	3.46%	1,825	-0.07%
a) loans	*(55,748)*	*(3)*	*(24,507)*	*(1)*	*(3,233)*	*(83,492)*	*3.22%*	*1,840*	*-0.07%*
b) available for sale assets	-	-	-	-	-	-	-	-	-
c) held-to-maturity assets	-	-	-	-	-	-	-	-	-
d) other financial assets	*(8,206)*	-	*(542)*	-	*(25)*	*(8,773)*	*26.37%*	*(15)*	*0.05%*
Operating costs	(1,482,505)	8,254	(33,956)	1	19	(1,508,187)	22.01%	6	-

(*) 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 IAS24 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 IAS24 effective as of the entry into force of said Regulations).

Specifically, below are illustrated the 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 "active and passive cycle" (issuance, receipt, verification, recording and payment of invoices). In relation to this, UBIS transferred - with effect from April 1, 2013 - its "active and passive cycle" business unit to the company formed by Accenture and called "Accenture Back Office and Administration Services S.p.A." and sold to Accenture some of the shares resulting from the transfer. Following the transaction, UBIS holds 49% of Accenture Back Office and Administration Services S.p.A.'s share capital; 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 transferred, with effect from September 1, 2013, of 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. Following the transaction, UBIS holds 49% of V-TServices's share capital; the remaining 51% is held by IBM (which is therefore 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 established 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, recognized in the financial statements under trading derivatives and valued on the basis of a valuation model which considers the flows described, was closed during 2015 with a final payment aligned with the valuation of the contract of December 2014 (€98.3 million).
- 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. In 2015, since the conditions of the contract were fulfilled, the first three instalments referring to the results for 2014 were paid for a total amount of €100 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, 2015 the Group's exposure to Nuova Compagnia Partecipazioni (formerly Italpetroli Group), considered part of the intragroup transactions, consisted mainly of the credit exposure.
- 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

Part H - Related-Party Transactions

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 the first quarter of 2015, following a further joint review of the methods for determining the amounts due, a further modification of the amount determined in December 2013 was agreed, resulting in payment by Unicredit S.p.A. of a further €1 million. 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 2015.

- In the period 2008/2009, UniCredit S.p.A. (on its own behalf and as the Parent Company of the former segment banks later merged into UniCredit S.p.A.) and Aspra (later merged into UniCredit Credit Management Bank (UCCMB)) entered into agreements for the sale to UCCMB of loans providing for guarantees and indemnities; such agreements were later extended and partially modified in 2011 by varying the operational conditions for the implementation of these guarantees and indemnities. The original disposal agreements signed by each vendor bank include certain statements and guarantees that, if not observed, would have resulted in the obligation of UniCredit S.p.A. to buy-back the loans in question or in 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 prevailing agreements, a provision for risks and charges was recognized as of December 31, 2014 in the separate financial statements of UniCredit S.p.A. (for the preparation of UniCredit group consolidated financial statement this item of provision for risks and charges is eliminated as it represent and internal transaction and the specific valuation of the loans in question, carried out by UCCMB, prevails over the original purchase price), reflecting the best estimate of risks associated with these guarantees and indemnities, measured on the basis of the information provided by UCCMB (which is currently as well responsible for managing the transferred loans). With reference to this provision for risks that has been recognized in the separate financial statements of UniCredit S.p.A., following the spin-off in favor of UniCredit S.p.A. of a going concern made of non-core assets and liabilities of UCCMB that was effective by January 1, 2015, the residual risk associated with the eventual claims raised by UCCMB (following IAS37) is limited to exposures that are not included in the going-concern subject to spin-off in favor of UniCredit S.p.A, integrated by the estimate of liability associated to probable ongoing requests of indemnities. At the closing of UCCMB disposal this provision has been fully released into separate financial reporting of UniCredit S.p.A..
- 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, reduced at 32.979% at the end of 2015.
- It should be noted that distribution agreements concerning insurance products were signed with the following associates:
  - Aviva S.p.A.;
  - CNP UniCredit Vita S.p.A.;
  - Creditras Assicurazioni S.p.A.;
  - Creditras Vita S.p.A.;
  - 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).

- Following the Board of Directors' approval of the termination, effective September 30, 2015, of the employment of Mr. Roberto Nicastro, General Manager, and - based on the proposal made by the Remuneration Committee - the Board defined the conditions of his exit package. Mr. Roberto Nicastro's consensual resolution provides for, additionally to the rights to the bonuses and incentives foreseen under the existing plans for the activities rendered (and of the mortgages already granted at the conditions foreseen for the Bank's employees), the payment of the amount of euro 2,716,192.00 gross (corresponding to the cost of the indemnity in lieu of notice and 20% of the severance) upon the employment termination, as well as the deferred payout over further 5 years, in cash and shares, of the remaining part of the severance equal to euro 2,677,499.00 gross, conditional to the preservation by the Bank of adequate capital and liquidity requirements and subject to malus and clawback clauses. All the above in compliance with the applicable Regulatory Provisions and with the Bank's compensation policies. The amounts to be paid at the date of resolution of the employment contract of Mr. Roberto Nicastro are covered by an existing provision. Mr. Roberto Nicastro will keep the offices in the supervisory boards of Bank Pekao, Bank Austria and AO UniCredit Bank (Russia) and the related compensation. Present information are rendered according to Corporate Governance Code.

Part I - Share based Payments

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[15].

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 (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 ranging from 1 to 6 years. 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 - Let's Share)** that offers to eligible Group employees the possibility to buy UniCredit ordinary shares with the advantages to foresee the granting of free ordinary shares ("Free Shares or rights to receive them) measured on the basis of the shares purchased by each Participant ("Investment Shares") during the "Enrolment Period". The granting of free ordinary shares is subordinated to vesting conditions (other than market conditions) stated in the Plan Rules.

The second category includes synthetic "Share Appreciation Rights" linked to the share-value and performance results of some Group-Companies[16].

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 2015.

1.2.2 Share Plan for Talent

The plan offers "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 2015.

(15) Linked to the economic value of instruments representing a subsidiary's Shareholders' Equity.
(16) 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 "Bonus Pool 2014" - 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.

The plan is divided into clusters, each of which can have two or three installments of share-based payments spread over a period defined according to Plan rules.

	SHARES GRANTED GROUP EXECUTIVE INCENTIVE SYSTEM - BONUS POOL 2014			
	INSTALLMENT (2017)	INSTALLMENT (2018)	INSTALLMENT (2019)	INSTALLMENT (2020)
Date of Bonus Opportunity Economic Value granting	Jan-21-2014	Jan-21-2014	Jan-21-2014	Jan-21-2014
Date of Board resolution (to determine number of shares)	Apr-09-2015	Apr-09-2015	Apr-09-2015	Apr-09-2015
Vesting Period Start-Date	Jan-01-2014	Jan-01-2014	Jan-01-2014	Jan-01-2014
Vesting Period End-Date	Dec-31-2016	Dec-31-2017	Dec-31-2018	Dec-31-2019
UniCredit Share Market Price [€]	6.269	6.269	6.269	6.269
Economic Value of Vesting conditions [€]	-0.204	-0.430	-0.710	-1.069
Performance Shares' Fair Value per unit @ Grant Date [€]	**6.029**	**5.839**	**5.559**	**5.200**

Group Executive Incentive System 2015 (Bonus Pool)

New Group Incentive system 2015 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 2015)

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 2014.

Measurement of Free Shares ESOP for 2015

	FREE SHARES 1ST ELECTION WINDOW	FREE SHARES 2ND ELECTION WINDOW
Date of Free Shares delivery to Group employees	Jan-30-2015	Jul-31-2015
Vesting Period Start-Date	Jan-30-2015	Jul-31-2015
Vesting Period End-Date	Jan-30-2016	Jul-31-2016
Discount Shares' Fair Value per unit [€]	**5.280**	**6.078**

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 Plan Let's Share for 2015 provides for the use of shares to be purchased on the market. To that end, Participants give a mandate to a broker (internal or external to UniCredit group) to purchase the shares to be transferred into an account opened in their name.

Part I - Share based Payments

B. Quantitative Information

1. Annual Changes

Stock Option and Performance Stock Option UniCredit

ITEMS/NUMBER OF OPTIONS AND EXERCISE PRICE	YEAR 2015(1) NUMBER OF OPTIONS	YEAR 2015(1) AVERAGE EXERCISE PRICE [€]	YEAR 2015(1) AVERAGE MATURITY	YEAR 2014(1) NUMBER OF OPTIONS	YEAR 2014(1) AVERAGE EXERCISE PRICE [€]	YEAR 2014(1) AVERAGE MATURITY
A. Outstanding at beginning of period	**33,250,907**	**21.444**	**Jul-2019**	**45,012,829**	**18.971**	**Dec-2019**
B. Increases	**-**			**-**		
B.1 New issues	-	-		-	-	
B.2 Other	-	-		-	-	
C. Decreases	**911,780**			**11,761,922**		
C.1 Forfeited	911,780	10.435		56,847	27.673	
C.2 Exercised	-	-		-	-	
C.3 Expired	-	-		11,705,075	-	
C.4 Other	-	-		-	-	
D. Outstanding at end of period	**32,339,127**	**21.755**	**Jul-2019**	**33,250,907**	**21.444**	**Jul-2019**
E. Vested Options at end of period	**24,063,841**	**27.857**	**Aug-2018**	**24,303,491**	**27.863**	**Aug-2018**

(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

ITEMS/NUMBER OF OTHER EQUITY INSTRUMENTS AND EXERCISE PRICE	YEAR 2015 NUMBER OF OTHER EQUITY INSTRUMENTS	YEAR 2015 AVERAGE EXERCISE PRICE [€]	YEAR 2015 AVERAGE MATURITY	YEAR 2014 NUMBER OF OTHER EQUITY INSTRUMENTS	YEAR 2014 AVERAGE EXERCISE PRICE [€]	YEAR 2014 AVERAGE MATURITY
A. Outstanding at beginning of period	**36,900,821**	**-**	**Oct-2015**	**41,374,465**	**-**	**Feb-2015**
B. Increases	**12,219,858**	**-**		**10,558,154**	**-**	
B.1 New issues	12,219,858			10,558,154		
B.2 Other	-			-		
C. Decreases	**16,561,462**			**15,031,798**		
C.1 Forfeited	247,529			867,172		
C.2 Exercised(1)	16,313,933			8,498,340		
C.3 Expired	-			5,666,286		
C.4 Other	-			-		
D. Outstanding at end of period(2)	**32,559,217**	**-**	**Mar-2017**	**36,900,821**	**-**	**Oct-2015**
E. Vested instruments at end of period	**13,312,560**	**-**		**4,772,750**	**-**	

(1) As far as the 2015 movement is concerned, the average market price at the exercise date is equal to €6.23 (€6.54 was the price observed at exercise date for 2014 movimentation);
(2) UniCredit undertakes to grant, conditional upon achieving performance targets set in the Strategic Plan, 32,559,217 ordinary shares at the end of 2015 (36,900,821 ordinary shares at the end of 2014).

According to Let's Share 2015 (ESOP) Plan Rules, had been delivered to Group Participants respectively 595,669 and 178,325 Free Shares in January and in July 2015 related to services rendered during the period 2015-2016.
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 for 2016 (ex 2015) - Employee Share Ownership Plan for 2016
In May 2015 the Ordinary Shareholders' Meeting approved the "UniCredit Group Employee Share Ownership Plan 2015" ("Let's Share for 2016") that offers to eligible Group employees the opportunity to purchase UniCredit ordinary shares at favourable conditions in order to reinforce employees' sense of belonging and commitment to achieve the corporate goals.

According to UniCredit discretionary evaluation, there may be two main election windows:
- 1st election window: within the end of the second quarter of 2016;
- 2nd election window: within the end of the fourth quarter of 2016.

Let's Share for 2016 envisages the following elements:
- during the "Enrolment Period", that will be communicated on due time to the Participants, they can buy UniCredit ordinary shares ("Investment Shares") by means of monthly or one-off contributions taken from their Current Account;
- at the first month of the Enrolment Period, 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", 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 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 2016 will be booked during the holding period.
Let's Share for 2016 has not produced any effect on 2015 Consolidated 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

(€ '000)

	2015		2014	
	TOTAL	VESTED PLAN	TOTAL	VESTED PLAN
(Costs)/Revenues	**(23,766)**		**(16,223)**	
- connected to Equity Settled Plan	*(23,766)*		*(16,223)*	
- connected to Cash Settled Plans	-		-	
Debts for Cash Settled Plans(1)	**-**	**-**	**44,354**	**-**

(1) The reduction of debts for Cash Settled Plans is connected to the effects of the integration transaction between Pioneer Investments and Santander Asset Management, that determine the transfer to Pioneer Global Asset Management of the commitment to settle Cash Settled Share Appreciation Rights granted by the latter to its employees.

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 IFRS8.

Annexes

Reconciliation of Condensed Account to Mandatory Reporting Schedule

A reconciliation of the reclassified balance sheet and profit and loss account to the mandatory reporting schedules, is provided below.

Balance Sheet

(€ million)

	AMOUNTS AS AT		SEE NOTES
	12.31.2015	12.31.2014	TO THE ACCOUNTS
Assets			**Part B - Assets**
Cash and cash balances = item 10	2,460	2,325	Table 1.1
Financial assets held for trading = item 20	13,721	16,166	Table 2.1
Loans and receivables with banks = item 60	22,062	21,866	Table 6.1
Loans and receivables with customers = item 70	215,175	220,649	Table 7.1
Financial investments	112,362	108,026	
30. Financial assets at fair value through profit or loss	*338*	*395*	Table 3.1
40. Available-for-sale financial assets	*65,425*	*55,725*	Table 4.1
50. Held-to maturity investments	*752*	*1,566*	Table 5.1
100. Investments in associates and joint ventures	*45,847*	*50,340*	Table 10.2
Hedging instruments	8,714	10,468	
80 Hedging derivatives	*6,405*	*7,842*	Table 8.1
90. Changes in fair value of portfolio hedged items	*2,309*	*2,626*	Table 9.1
Property, plant and equipment = item 110	2,405	2,583	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	6	1	Table 12.1
Tax assets = item 130	12,554	12,047	
Non-current assets and disposal groups classified as held for sale = item 140	238	55	Table 14.1
Other assets = item 150	4,675	4,627	Table 15.1
Total assets	**394,372**	**398,813**	
Liabilities and Shareholders' Equity			**Part B - Liabilities**
Deposits from banks = item 10	37,466	31,703	Table 1.1
Deposits from customers and debt securities in issue	278,885	282,099	
20. Deposits from customers	*181,574*	*167,990*	Table 2.1
30. Debt securities in issue	*97,311*	*114,109*	Table 3.1
Financial liabilities held for trading = item 40	10,672	13,020	Table 4.1
Financial liabilities at fair value through profit or loss = item 50	-	-	Table 5.1
Hedging instruments	9,669	11,455	
60. Hedging derivatives	*6,630*	*7,606*	Table 6.1
70. Changes in fair value of portfolio hedged items	*3,039*	*3,849*	Table 7.1
Provisions for risks and charges	2,601	2,037	
120. Provisions for risks and charges	2,601	2,037	Table 12.1
Tax liabilities = item 80	152	224	
Liabilities included in disposal group classified as held for sale = item 90	-	-	
Other liabilities	8,402	10,102	
100. Other liabilities	*7,374*	*9,043*	Table 10.1
110. Provision for employee severance pay	*1,028*	*1,059*	Table 11.1
Shareholders' Equity	46,525	48,173	**Part F - Shareholders' Equity**
- Capital and reserves	47,151	47,369	
130. Revaluation reserves, of which: Special revaluation laws	*277*	*277*	Table B.1
150. Equity instruments	*1,888*	*1,888*	
160. Reserves	*8,753*	*9,323*	
170. Share premium	*15,977*	*15,977*	
180. Issued capital	*20,258*	*19,906*	Table B.1
190. Treasury shares	*(2)*	*(2)*	Table B.1
- AfS assets fair value reserve, Cash-flow hedging reserve and Defined benefits plans	815	724	
130. Revaluation reserves, of which: Available-for-sale financial assets	*916*	*753*	Table B.1
130. Revaluation reserves, of which: Cash-flow hedges	*121*	*239*	Table B.1
130. Revaluation reserves, of which: Defined benefits plans	*(222)*	*(268)*	
- Net profit = item 200	(1,441)	80	
Total liabilities and Shareholders' Equity	**394,372**	**398,813**	

Income Statement

(€ million)

	YEAR 2015	YEAR 2014	SEE NOTES TO THE ACCOUNTS
			Part C
Net interest = item 30. Net interest margin	4,035	4,350	Tables 1.1 and 1.4
Dividends and other income from equity investments	1,476	1,381	
70. Dividend income and similar revenue	*1,476*	*1,381*	Table 3.1
less: dividends from held for trading equity investments included in item 70	-	-	Table 3.1
Net fees and commissions	3,868	3,746	
Net fees and commissions = item 60	3,837	3,659	Tables 2.1 and 2.3
less: Other administrative expenses - of which: outsourced services for the management of Non-Performing loans	*(24)*	-	
+ Other operating income - of which: recovery of costs - Commissioni di istruttoria veloce (CIV)	*55*	*87*	Table 13.2
Net trading income	446	439	
80. Gains and losses on financial assets and liabilities held for trading	*195*	*149*	Table 4.1
+ dividends from held for trading equity investments included in item 70	-	-	Table 3.1
90. Fair value adjustments in hedge accounting	*7*	*5*	Table 5.1
100. Gains and losses on disposal of b) available-for-sale financial assets	*247*	*270*	Table 6.1
100. Gains and losses on disposal of: d) financial liabilities	*(16)*	*9*	Table 6.1
110. Gains and losses on financial assets and liabilities at fair value through profit or loss	*13*	*6*	Table 7.1
Net other expenses/income	(86)	8	
190. Other net operating income	*527*	*612*	Tables 13.1 and 13.2
+ gains and losses on disposal/repurchase on loans and receivables - not impaired position (from item 100)	*14*	*55*	
less: Other operating income - of which: recovery of costs	*(653)*	*(689)*	Table 13.2
less: Other operating expense - of which on leasehold improvements	*26*	*30*	Table 13.1
OPERATING INCOME	**9,739**	**9,924**	
Payroll costs	(3,273)	(3,158)	
150. Administrative costs - a) staff expenses	*(3,810)*	*(3,141)*	Table 9.1
less: integration costs	*537*	*(17)*	
Other administrative expenses	(2,817)	(2,883)	
150. Administrative costs - b) other administrative expenses	*(3,139)*	*(2,853)*	Table 9.5
less: integration costs	-	-	
less: contributions to Resolution Funds and Deposit Guarantee Schemes (DGS)	*324*	-	Table 9.5
less: outsourced services for the management of Non-Performing loans	*24*	-	
+Other operating expense - of which on leasehold improvements	*(26)*	*(30)*	Table 13.1
Recovery of expenses = item 190. Other net operating income	598	602	
- of which: Operating income - recovery of costs	*653*	*689*	Table 13.2
less: commissioni istruttoria veloce (CIV)	*(55)*	*(87)*	Table 13.2
Amortisation, depreciation and impairment losses on intangible and tangible assets	(128)	(134)	
170. Impairment/Write-backs on property, plant and equipment	*(129)*	*(142)*	Table 11.1
less: Impairment losses/write backs on property owned for investment	*2*	*8*	Table 11.1
180. Impairment/Write-backs on intangible assets	*(1)*	-	Table 11.2
Operating costs	**(5,620)**	**(5,573)**	
OPERATING PROFIT (LOSS)	**4,119**	**4,351**	
Net impairment losses on loans and provisions for guarantees and commitments	(2,667)	(2,796)	
100. Gains and losses on disposal of a) loans	*(26)*	*45*	Table 6.1
less: gains and losses on disposal/repurchase on loans and receivables - not impaired position (from item 100)	*(14)*	*(55)*	
130. Impairment losses on a) loans	*(2,594)*	*(2,685)*	Table 8.1
130. Impairment losses on d) other financial assets	*(33)*	*(111)*	Table 8.4
less: contribution to National Interbank Deposit Guarantee Fund (FITD)	-	*10*	
NET OPERATING PROFIT (LOSS)	**1,452**	**1,555**	
Net provisions for risks and charges	(622)	(132)	
160. Net provisions for risks and charges	*(298)*	*(122)*	Table 10.1
+ contributions to Resolution Funds and Deposit Guarantee Schemes (DGS)	*(324)*	-	Table 9.5
+ contribution to National Interbank Deposit Guarantee Fund (FITD)	-	*(10)*	
Integration costs	(537)	17	
Net income from investments	(2,008)	(939)	
130. Impairment losses on: b) available-for-sale financial assets	*(41)*	*(240)*	Table 8.2
+ impairment losses/write backs on property owned for investment	*(2)*	*(8)*	Table 11.1
210. Profit (loss) of associates - of which: write-backs (write-downs) of equity investments	*(2,001)*	*(1,219)*	Table 14.1
210. Profit (loss) of associates - of which: gains (losses) on disposal of equity investments	*2*	*525*	Table 14.1
240. Gains and losses on disposal of investments	*34*	*3*	Table 17.1
NET PROFIT BEFORE TAX	**(1,715)**	**501**	
Income tax for the year = item 260. Tax expense (income) related to profit or loss from continuing operations	274	(421)	Table 18.1
Impairment of goodwill = 230. Impairment of goodwill	-	-	Table 16.1
NET PROFIT (LOSS)	**(1,441)**	**80**	

Fees for annual audits and other services

(pursuant to article 149-duodecies, CONSOB Regulation No.11971/99, as supplemented)

(€ '000)

DISCLOSURE OF EXTERNAL AUDITORS' FEES - UNICREDIT S.P.A. - FINANCIAL YEAR 2015 - DELOITTE NETWORK				
As prescribed by paragraph 149-duodecies of the Consob Issuers Regulation, the following table gives fees paid in 2015 for audit services rendered by the Auditor and firms in its network.				
	SERVICE PROVIDER	UNICREDIT GROUP SUBSIDIARY ASSIGNING THE SERVICE		
EXTERNAL AUDITING	**NAME OF AUDITING FIRM**	**COMPANY NAME**	**DESCRIPTION OF SERVICE**	**FEES(1)**
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**
	SERVICE PROVIDER	UNICREDIT GROUP SUBSIDIARY ASSIGNING THE SERVICE		
CHECKING FOR THE PURPOSES OF OTHER OPINIONS	**NAME OF AUDITING FIRM**	**COMPANY NAME**	**DESCRIPTION OF SERVICE**	**FEES(1)**
Auditing Firm	Deloitte & Touche S.p.A.	UniCredit S.p.A.	Issuing Comfort Letters concerning bond issues, Comfort Letter ECB 2015, Signing the Italian tax declaration forms (Modello Unico, Modello 770 S/O and Modello Consolidato Nazionale), Checking the English translation of the Company and Consolidated Accounts and checking the english translation of the Company and Consolidated First Half Report	1,016
Auditing Firm Total				**1,016**
Network Auditing Firm(s)	Deloitte ERS Enterprise Risk Services S.r.l.	UniCredit S.p.A.	Limited review of the sustainability report.	155
Network Auditing Firm(s) Total				**155**
Data Checking Total				**1,171**
	SERVICE PROVIDER	UNICREDIT GROUP SUBSIDIARY ASSIGNING THE SERVICE		
OTHER NON-AUDITING SERVICES	**NAME OF THE AUDITING FIRM**	**COMPANY NAME**	**DESCRIPTION OF SERVICE**	**FEES(1)**
Network Auditing Firm(s)	Deloitte Consulting S.r.l.	UniCredit S.p.A.	Support to Projects Process Management evolution model phase II, SPRINT - Roll out dei Modelli, Remarks Consolidation Framework evolution, Process management dashboard and Risk Assessment	1,158
Network Auditing Firm(s) Total				**1,158**
Other Non-Auditing Services Total				**1,158**
Grand Total				**4,721**

(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 €2,356,600, plus ISTAT indexation, amounting to €35,434.

Internal Pension Funds - Statement of Changes and Final Accounts

(€ '000)

FUNDS AND DESCRIPTION OF MOVEMENTS	NO. OF RETIREES AS AT 12.31.2015	NO. OF MEMBERS AS AT 12.31.2015	TYPE	ACCOUNTING FIGURES	CONTRIBUTION RATE
"Pension Fund for the employees of Cassa di Risparmio di Trieste Collections Division" Registration No.9081	**74**	**-**	Defined benefit		–
Opening balance as at 12.31.2014				**4,255**	
Provisions for the year:					
- interest cost				69	
Benefits paid in the year				363	
Actuarial (gains)/losses recognised in the year				(456)	
Balance as at 12.31.2015				**3,505**	
"Supplementary Pension Fund for employees of Cassa di Risparmio di Torino in liquidation" Registration No.9084	**3**	**-**	Defined benefit		–
Opening balance as at 12.31.2014				**424**	
Provisions for the year:					
- interest cost				7	
Benefits paid in the year				18	
Actuarial (gains)/losses recognised in the year				(30)	
Balance as at 12.31.2015				**383**	
"Supplementary Pension Fund for the collection management staff of Cassa di Risparmio di Torino" Registration No.9085	**136**	**-**	Defined benefit		–
Opening balance as at 12.31.2014				**10,617**	
Provisions for the year:					
- interest cost				174	
Benefits paid in the year				781	
Actuarial (gains)/losses recognised in the year				(356)	
Balance as at 12.31.2015				**9,654**	

Internal Pension Funds - Statement of Changes and Final Accounts

continued: Internal Pension Funds - Statement of Changes and Final Accounts (€ '000)

FUNDS AND DESCRIPTION OF MOVEMENTS	NO. OF RETIREES AS AT 12.31.2015	NO. OF MEMBERS AS AT 12.31.2015	TYPE	ACCOUNTING FIGURES	CONTRIBUTION RATE
"Supplementary Company Pension Fund of the general obligatory insurance for the employees of the credit section of Cassa di Risparmio di Trento e Rovereto S.p.A., the Social Security Fund for employees of the agencies of the Tax and for the employees Collections Service, of the tax collection agency of Cassa di Risparmio di Trento e Rovereto S.p.A." Section A - Registration No.9131	**369**	**-**	Defined benefit		–
Opening balance as at 12.31.2014				**37,288**	
Provisions for the year:					
- interest cost				603	
Benefits paid in the year				3,481	
Actuarial (gains)/losses recognised in the year				(4,080)	
Balance as at 12.31.2015				**30,330**	
"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 S.p.A." - Registration No.9013	**747**	**-**	Defined benefit		Payable by the Company on the basis of the technical accounts
Opening balance as at 12.31.2014				**69,579**	
Provisions for the year:					
- interest cost				1,129	
Benefits paid in the year				6,054	
Actuarial (gains)/losses recognised in the year				(5,522)	
Balance as at 12.31.2015				**59,132**	

continued: Internal Pension Funds - Statement of Changes and Final Accounts

(€ '000)

FUNDS AND DESCRIPTION OF MOVEMENTS	NO. OF RETIREES AS AT 12.31.2015	NO. OF MEMBERS AS AT 12.31.2015	TYPE	ACCOUNTING FIGURES	CONTRIBUTION RATE
"Supplementary pension fund of the obligatory insurance, invalidity, widows and survivors insurance (managed by the INPS) of the Cassa di Risparmio di Ancona" (absorbed on 1/10/89 by Cariverona Banca Spa) - Registration No.9033	**35**	**-**	Defined benefit		
Opening balance as at 12.31.2014				**2,825**	–
Provisions for the year:					
- interest cost				46	
Benefits paid in the year				285	
Actuarial (gains)/losses recognised in the year				(272)	
Balance as at 12.31.2015				**2,314**	
"Pension fund for employees, clerks and auxiliary workers of Banca Cuneese Lamberti Meinardi & C. - Cuneo" (absorbed on 1/8/92 by Cariverona Banca Spa) - Registration No.9012	**29**	**4(*)**	Defined benefit		Payable by the Company on the basis of the technical accounts. Payable by Employees: 1%
Opening balance as at 12.31.2014				**4,736**	
Provisions for the year:					
- current service cost (gross)				9	
- interest cost				78	
Benefits paid in the year				301	
Employees contributions				1	
Actuarial (gains)/losses recognised in the year				(185)	
Balance as at 12.31.2015				**4,338**	

(*) of which 1 deferred benefit.

FUNDS AND DESCRIPTION OF MOVEMENTS	NO. OF RETIREES AS AT 12.31.2015	NO. OF MEMBERS AS AT 12.31.2015	TYPE	ACCOUNTING FIGURES	CONTRIBUTION RATE
"Pension fund for the employees of the former Credito Fondiario delle Venezie S.p.A." - Registration No.9067	**7**	**-**	Defined benefit		
Opening balance as at 12.31.2014				**1,458**	
Provisions for the year:					–
- interest cost				24	
Benefits paid in the year				107	
Actuarial (gains)/losses recognised in the year				(106)	
Balance as at 12.31.2015				**1,269**	

Internal Pension Funds - Statement of Changes and Final Accounts

continued: Internal Pension Funds - Statement of Changes and Final Accounts

(€ '000)

FUNDS AND DESCRIPTION OF MOVEMENTS	NO. OF RETIREES AS AT 12.31.2015	NO. OF MEMBERS AS AT 12.31.2015	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 S.p.A" - Registration No.9068	**52**	-	Defined benefit		–
Opening balance as at 12.31.2014				**4,802**	
Provisions for the year:					
- interest cost				78	
Benefits paid in the year				454	
Actuarial (gains)/losses recognised in the year				26	
Balance as at 12.31.2015				**4,452**	
"Internal Company Fund (FIA) of the former Credito Romagnolo" + CIP former Banca del Friuli - Registration No.9151	**824**	-			–
Opening balance as at 12.31.2014				**105,944**	
Provisions for the year:					
- interest cost				1,726	
Benefits paid in the year				8,854	
Actuarial (gains)/losses recognised in the year				(16,019)	
Balance as at 12.31.2015(*)				**82,797**	
(*) 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 S.p.A." - Registration No.9147	**92**	**-**	Defined benefit		–
Opening balance as at 12.31.2014				**12,812**	
Provisions for the year:					
- interest cost				209	
Benefits paid in the year				983	
Actuarial (gains)/losses recognised in the year				(558)	
Balance as at 12.31.2015				**11,480**	

continued: Internal Pension Funds - Statement of Changes and Final Accounts

(€ '000)

FUNDS AND DESCRIPTION OF MOVEMENTS	NO. OF RETIREES AS AT 12.31.2015	NO. OF MEMBERS AS AT 12.31.2015	TYPE	ACCOUNTING FIGURES	CONTRIBUTION RATE
"Fund for the employees of Magazzini Generali" - Registration No.9148	**1**	-	Defined benefit		–
Opening balance as at 12.31.2014				**111**	
Provisions for the year:					
- interest cost				2	
Benefits paid in the year				9	
Actuarial (gains)/losses recognised in the year				(4)	
Balance as at 12.31.2015				**100**	
"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	**10**	**-**	Defined benefit		–
Opening balance as at 12.31.2014				**8,648**	
Provisions for the year:					
- interest cost				140	
Benefits paid in the year				797	
Actuarial (gains)/losses recognised in the year				(1,714)	
Balance as at 12.31.2015				**6,277**	
"Company Social Security Fund supplementing INPS benefits. Additional-benefit reserve accounts for employees of former Banca dell'Umbria 1462 S.p.A." included the Tax Collection Service SORIT '- Registration No.9021 and No.9020	**111**	-	Defined benefit		–
Opening balance as at 12.31.2014				**10,076**	
Provisions for the year:					
- interest cost				165	
Benefits paid in the year				811	
Actuarial (gains)/losses recognised in the year				441	
Balance as at 12.31.2015				**9,871**	

Internal Pension Funds - Statement of Changes and Final Accounts

continued: Internal Pension Funds - Statement of Changes and Final Accounts

(€ '000)

FUNDS AND DESCRIPTION OF MOVEMENTS	NO. OF RETIREES AS AT 12.31.2015	NO. OF MEMBERS AS AT 12.31.2015	TYPE	ACCOUNTING FIGURES	CONTRIBUTION RATE
"Company Social Security Fund supplementing INPS benefits of Cassa Risparmio Carpi S.p.A. Defined-benefit reserve account for former employees" - Registration No.9022	**27**	**-**	Defined benefit		–
Opening balance as at 12.31.2014				**2,464**	
Provisions for the year:					
- interest cost				40	
- actuarial (gains)/losses recognised in the year				**281**	
Benefits paid in the year				281	
Actuarial (gains)/losses recognised in the year				(104)	
Balance as at 12.31.2015				**2,119**	
"Pension fund for the employees of former UniCredit Banca Mediocredito" - Registration No.9127	**29**	**-**	Defined benefit		–
Opening balance as at 12.31.2014				**2,622**	
Provisions for the year:					
- interest cost				42	
Benefits paid in the year				337	
Actuarial (gains)/losses recognised in the year				(360)	
Balance as at 12.31.2015				**1,967**	
Pension fund for the employees of Capitalia Head Office (former Banco di S. Spirito, former Banco di Roma and former Cassa di Risparmio di Roma)" - Registration No.9165	**104**	**29(*)**	Defined benefit		Payable by the Company on the basis of the technical accounts
Opening balance as at 12.31.2014				**94,853**	
Provisions for the year:					
- current service cost(gross)				71	
- interest cost				1,551	
Benefits paid in the year				7,507	
Actuarial (gains)/losses recognised in the year				(1,914)	
Balance as at 12.31.2015				**87,054**	

(*) of which 22 deferred benefit.

continued: Internal Pension Funds - Statement of Changes and Final Accounts

(€ '000)

FUNDS AND DESCRIPTION OF MOVEMENTS	NO. OF RETIREES AS AT 12.31.2015	NO. OF MEMBERS AS AT 12.31.2015	TYPE	ACCOUNTING FIGURES	CONTRIBUTION RATE
Statement post-employment benefits and pensions for staff of the Cassa di Risparmio di Roma - Registration No.9096	**1,364**	**244(*)**	Defined benefit		Payable by the Company on the basis of the technical accounts
Opening balance as at 12.31.2014				**158,116**	
Provisions for the year:					
- Current service cost				245	
- interest cost				2,598	
Benefits paid in the year				10,530	
Actuarial (gains)/losses recognised in the year				(8,448)	
Balance as at 12.31.2015				**141,981**	

(*) of which 91 deferred benefit.

FUNDS AND DESCRIPTION OF MOVEMENTS	NO. OF RETIREES AS AT 12.31.2015	NO. OF MEMBERS AS AT 12.31.2015	TYPE	ACCOUNTING FIGURES	CONTRIBUTION RATE
Statement of "Post-employment benefit for staff of Banco di Sicilia" - Registration No.9161	**2,659**	**235(*)**	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): 0.3%; - Other staff: 0.15%
Opening balance as at 12.31.2014				**166,966**	
Provisions for the year:					
- interest cost				2,711	
Employees contributions				13	
Benefits paid in the year				14,823	
Actuarial (gains)/losses recognised in the year				(330)	
Balance as at 12.31.2015				**154,537**	

(*) of which 109 deferred benefit.

FUNDS AND DESCRIPTION OF MOVEMENTS	NO. OF RETIREES AS AT 12.31.2015	NO. OF MEMBERS AS AT 12.31.2015	TYPE	ACCOUNTING FIGURES	CONTRIBUTION RATE
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	**2,459**	**-**	Defined benefit		Payable by the Company on the basis of the technical accounts
Opening balance as at 12.31.2014				**84,698**	
Provisions for the year:					
- interest cost				1,376	
Benefits paid in the year				7,476	
Actuarial (gains)/losses recognised in the year				(1,704)	
Balance as at 12.31.2015				**76,894**	

Internal Pension Funds - Statement of Changes and Final Accounts

continued: Internal Pension Funds - Statement of Changes and Final Accounts

(€ ‘000)

FUNDS AND DESCRIPTION OF MOVEMENTS	NO. OF RETIREES AS AT 12.31.2015	NO. OF MEMBERS AS AT 12.31.2015	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 12.31.2014				**4,644**	
Provisions for the year:					
- interest cost				208	
- performance of plan assets				(60)	
Benefits paid in the year				369	–
Exchange rate effect				284	
Actuarial (gains)/losses recognised in the year				(265)	
Balance as at 12.31.2015				**4,442**	
Present value of the liabilities				**10,666**	
Present value of plan assets				**6,224**	
Net Liability as at 12.31.2015				**4,442**	

(*) of which 20 deferred benefit.

FUNDS AND DESCRIPTION OF MOVEMENTS	NO. OF RETIREES AS AT 12.31.2015	NO. OF MEMBERS AS AT 12.31.2015	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 12.31.2014				**2,931**	
Provisions for the year:					
- current service cost (gross)				390	
- interest cost				1,007	
- performance of plan assets				(898)	
Benefits paid in the year				1,417	–
Exchange rate effects				(14)	
Actuarial (gains)/losses recognised in the year				1,584	
Balance as at 12.31.2015				**3,583**	
Present value of the liabilities				**29,645**	
Present value of plan assets				**26,062**	
Net Liability as at 12.31.2015				**3,583**	

(*) of which 66 deferred benefit.

continued: Internal Pension Funds - Statement of Changes and Final Accounts

(€ '000)

FUNDS AND DESCRIPTION OF MOVEMENTS	NO. OF RETIREES AS AT 12.31.2015	ACTIVE MEMBERS AS AT 12.31.2015	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 S.p.A., 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	**-**	**453**	Defined contribution - individual capitalisation		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 Payable by employees: - by employees ante(*) 0.50%; - by employees post(*) 2%
Opening balance as at 12.31.2014				**38,066**	
Decreases:				**4,060**	
Capital paid out in the year				4,060	
Other changes				-	
Increases:				**2,270**	
Other changes:					
- contributions paid by employees and the Company(1)				1,952	
- contributions paid by other Group Companies(1)				275	
- other changes				43	
Balance as at 12.31.2015				**36,276**	
FUND ASSETS					
Liquid assets				36,509	
Items to be settled				(233)	
Total assets				**36,276**	

(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: Internal Pension Funds - Statement of Changes and Final Accounts

(€ '000)

FUNDS AND DESCRIPTION OF MOVEMENTS	NO. OF RETIREES AS AT 12.31.2015	MEMBERS AS AT 12.31.2015	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"(*): - payable by the employee 0.25% with the option to contribute also the employee severance pay; - payable by the Company: from 2% to 6.28% Employees "post"(*): - payable by the employee min. 0.25% + sever. pay; - payable by the Company: 2%
Opening balance as at 12.31.2014				**186**	
Decreases:				**-**	
Capital paid out in the year				-	
Increases:				**7**	
Other changes:					
- contributions paid by other Group Companies(1)				7	
Balance as at 12.31.2015				**193**	
FUND ASSETS					
Liquid assets				192	
Items to be settled				1	
Total assets				**193**	

(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 Fund supplementing INPS benefits. Defined-contribution account - (cost of living) of former Banca dell'Umbria 1462 S.p.A." - Registration No.9021			Defined contribution		
Opening balance as at 12.31.2014				**206**	
Provisions for the year				-	
Balance as at 12.31.2015				**206**	

Company pension funds

As part of the implementation of the Business Plan 2018 and in response to the needs for cost rationalization, administrative simplification and a stable company pension system, on October 8, 2015, the Company and the Trade Unions signed a 'Programmatic Process Agreement' for a general reorganization of the said company pension system over a number of phases. On November 10, 2015, at the end of the first phase, an Agreement was therefore signed for the combination of all the Group's pension funds during 2016, subject to institutional processes and technical aspects. Also in context of the said Plan and in light of the opportunities identified to amend the current instalment system, on December 4, 2015, the Company and the Trade Unions entered into another Agreement, to be implemented before the combination described above, for the capitalization of the existing pension benefits due to recipients of the Company pension funds.

Securitizations - qualitative tables

Traditional securitizations of Performing and Non-Performing loans from previous years

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" and "Non-Performing" loan portfolios through the structuring of such portfolios and the resulting release of financial resources for new investments and also creating eligible securities for refinancing operations with the ECB and/or with third parties (counterbalancing capacity). The main advantages of the transactions can be summarized as follows: - improvement in the matching of asset maturities; - diversification of sources of financing; - broadening of investor base and resulting optimization of funding cost; - creating counterbalancing capacity. Moreover, securitization transactions can also be implemented for purposes related to business projects (for better management of assets), corporate restructuring or deleveraging projects.
INTERNAL MEASUREMENT AND RISK MONITORING SYSTEMS:	UniCredit S.p.A. acts as "Servicer" for almost 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 (especially for the recovery of impaired loans; the company involved is DoBank S.p.A., which operates as an assistant to the Servicer, governed by a special agreement). 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, Group Finance Department is responsible for central coordination. In this context, the above structure plays: a) in the launch phase of the operation the role of proposer and provides support to the other Bank's Divisions and to the individual Legal Entities in conducting transactions, cooperating with all the other departments (Planning & Capital Management, Group Risk Management, M&A etc.) in identifying the characteristics and the distinctive features of "true sale" securitizations loans in order to achieve the targets set in the Group's Funding Plan and in the Contingency Funding Plan, approved by the Board of Directors, in the ordinary plan of creating counterbalancing capacity, as well as in organizational strategy and business of Top Management. Specific transactions are subject to prior approval by the competent departments of the Holding and of the Originator Bank (during approval, among other things, the structure, costs and impacts in terms of liquidity, counterbalancing capacity, organizational, business and/or any capital relief are discussed and analyzed), and to final approval by the Board of Directors of the Originator Bank; b) in the management phase of the operation, the monitoring role of the securitized portfolios, the interactions with the Ratings Agencies in order to submit regular information on portfolios and comment rating actions and, more generally, the role of coordination of the Originator Bank to facilitate the solution of events relating to the securitised portfolios (management of actions of payments holidays, downgrading, restructurings, etc.). The Bank has established a special coordination unit (General Ledger & Securitization Reporting) within the Accounting & Regulatory Reporting Department. This unit has been tasked with the administrative coordination 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, Group Finance, Legal Italy, etc.) and the Group (UniCredit Business Integrated Solutions S.C.p.A., etc.). It also provides a 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 can be 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, always if required by agreements, related back-to-back swap contracts are entered into between the Swap counterparty and UniCredit S.p.A. as Originator, interfaced in some cases by UniCredit Bank AG.
OPERATING RESULTS:	At the end of December 2015, 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. The exercise of the option to repurchase the securitized portfolios underlying operations "Consumer One" and "Impresa One" did not result in significant additional economic impacts.

Securitizations - qualitative tables

ORIGINATOR: UniCredit S.p.A.

Transactions from previous periods

NAME:	CONSUMER TWO		LARGE CORPORATE ONE	
Type of securitisation:	Traditional		Traditional	
Originator:	UniCredit S.p.A.		UniCredit S.p.A.	
Issuer:	Consumer TWO S.r.l.		Large Corporate ONE S.r.l.	
Servicer:	UniCredit S.p.A.		UniCredit S.p.A.	
Arranger:	UniCredit S.p.A.		-	
Target transaction:	Funding/Counterbalancing capacity		Funding/Counterbalancing capacity	
Type of asset:	Personal loans		Large Corporate Loans	
Quality of Asset:	Performing		Performing	
Closing date:	11.25.2013		08.13.2013	
Nominal Value of reference portfolio (€):	1,234,022,049		278,606,012	
Issued guarantees by the Bank:	-		Senior Notes Guarantee amounting to €304 million	
Issued guarantees by third parties:	-		-	
Bank Lines of Credit:	-		Interest Shortfall Facility amounting to €13.7 million	
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 and €5 million (at the end of accounting period they are fully reimbursed).		-	
Other relevant information:	In the role of Servicer, UniCredit S.p.A. has had to hedge mingling risk, with a collateral amounting to €47.02 million at December 31, 2015.		The credit line of Interest Shortfall Facility, of the original value of €15 million, was used for €1,291,004.	
Rating Agencies:	Moody's/Fitch		Standard & Poor's	
Amount of CDS or other risk transferred:	-		-	
Amount and Condition of tranching:				
. ISIN	IT0004974983	IT0004974777	IT0004955776	IT0004955479
. Type of security	Senior	Senior	Senior	Junior
. Class	A1	A2	A	B
. Rating	Aa2/AA+	Aa2/AA+	BBB-	-
. Nominal Value Issued (€)	250,000,000	490,400,000	897,000,000	103,000,000
. Reference Position (€)	250,000,000	490,400,000	250,000,000	28,706,800
. Reference Position at the end of accounting period (€)	145,910,750	286,218,527	250,000,000	28,706,800
. ISIN	IT0004974975			
. Type of security	Junior			
. Class	B			
. Rating	-			
. 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.

ORIGINATOR: UniCredit S.p.A. (formerly 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, which at the end of accounting period 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. Moreover UniCredit S.p.A. has been replaced as swap counterparty with another Bank rated as eligible by ratings Agencies.	
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+/Aa2/AA-
. Nominal value issued (€)	600,000,000	1,735,000,000
. Nominal value at the end of accounting period (€)	-	521,428,919
. ISIN	IT0004144900	IT0004144934
. Type of security	Mezzanine	Mezzanine
. Class	B	C
. Rating	AA/Aa2/A	A+/Aa3/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-/Baa2/A	-
. 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.

Securitizations - qualitative tables

ORIGINATOR: UniCredit S.p.A. (formerly UniCredit Family Financing Bank S.p.A., formerly 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, 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, 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, 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. Moreover UniCredit S.p.A. has been replaced as swap counterparty with another Bank rated as eligible by ratings Agencies.		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. Moreover UniCredit S.p.A. has been replaced as swap counterparty with another Bank rated as eligible by ratings Agencies.		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. Moreover UniCredit S.p.A. has been replaced as swap counterparty with another Bank rated as eligible by ratings Agencies.	
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	-	A+/Aa2/AA-	-	AA+/Aa2/AA-	-	AA+/Aa2/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 (€)	-	298,373,654	-	349,478,888	-	118,614,800
. ISIN	IT0004231244	IT0004231285	IT0004087182	IT0004087190	IT0003844955	IT0003844963
. Type of security	Senior	Mezzanine	Mezzanine	Mezzanine	Mezzanine	Mezzanine
. Class	A3	B	B	C	B	C
. Rating	A+/Aa2/A	A+/Aa2/A	AA+/Aa2/A	BBB+/Ba1/A	AA+/Aa2/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/A1/A	B/Ba1/BBB-	-		-	
. 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-	-				
. 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.

ORIGINATOR: UniCredit S.p.A. (formerly UniCredit Family Financing Bank S.p.A., formerly Bipop-Carire Società per Azioni)

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. At the end of accounting period €1.5 million of the principal amount has been repaid.	
Other relevant information:	All securities issued outstanding from December 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. Moreover UniCredit S.p.A. has been replaced as swap counterparty with another Bank rated as eligible by ratings Agencies.	
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-/Aa2	A/Aa2
. Nominal value issued (€)	666,300,000	185,500,000
. Nominal value at the end of accounting period (€)	137,401,987	185,500,000
. ISIN	IT0004302755	IT0004302763
. Type of security	Mezzanine	Mezzanine
. Class	B	C
. Rating	A/Aa3	BBB-/A2
. 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-/Baa1	CCC/Baa3
. 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	-	
. 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.

Securitizations - qualitative tables

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 (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 €178.71 million at December 31, 2015 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-/Baa2/B+	AA-/Baa2/B+
. Nominal value issued (€)	1,736,000,000	644,000,000
. Nominal value at the end of accounting period (€)	314,880,194	479,341,822
. ISIN	IT0004222557	IT0004222565
. Type of security	Mezzanine	Junior
. Class	B	C
. Rating	BB/B3/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.

ORIGINATOR: UniCredit S.p.A. (formerly UniCredit Family Financing Bank S.p.A., formerly 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 (as Equity). At the end of accounting period the amount of capital tranche is fully reimboursed.		-		-	
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-/Aa2/AA+	A/Aa2/AA+	AA-/Aa2/AA+	A/A1/AA+	AA-/Aa2/AA+	- /A1/AA
. 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 (€)	165,389,222	36,863,691	73,935,040	48,000,000	36,597,822	30,800,000
. ISIN	IT0003830434		IT0003575088	IT0003575096	IT0003383939	
. Type of security	Junior		Mezzanine	Junior	Junior	
. Class	C		C	D	C	
. Rating	BBB-/Baa1/BBB+		A/Baa2/A	-	-	
. 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.

Securitizations - qualitative tables

ORIGINATOR: UniCredit S.p.A. (formerly UniCredit Credit Management Bank S.p.A.)

Transactions from previous periods

NAME:	ARENA NPL ONE	
Type of securitisation:	Self-securitisation	
Originator:	UCCMB S.p.A.	
Issuer:	Arena NPL S.r.L.	
Servicer:	UniCredit S.p.A.	
Arranger:	UBS	
Target transaction :	Funding	
Type of asset:	Unsecured loans - mortgage loans	
Quality of asset:	Non-Performing	
Closing date:	12.04.2014	
Nominal Value of disposal portfolio (€):	8,460,706,273	
Guarantees issued by the Bank:	-	
Guarantees issued by Third Parties:	-	
Bank Lines of Credit:	UniCredit S.p.A. issued a line of Liquidity Facility revolving amounts to €100 million, used for €38.25 million at the end of accounting period.	
Third Parties Lines of Credit:	-	
Other Credit Enhancements:	-	
Other relevant information:	UniCredit S.p.A. has granted SPV a loans facility of €30 million, used for legal expenses	
Rating Agencies:	No Rating Agency	
Amount of CDS or other supersenior risk transferred:	-	
Amount and Condition of tranching:		
. ISIN	IT0005070120	IT0005070138
. Type of security	Senior	Junior
. Class	A	B
. Rating	-	-
. Nominal value issued (€)	304,300,000	913,049,310
. Nominal value at the end of accounting period (€)	209,286,506	913,049,310

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 Capitalia S.p.A., formerly Banca di Roma S.p.A.)

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 2015 profits from existing transaction largely reflected the impact of cash flows from collections for the original defaulting loan portfolio and from the sale of the residual securitized portfolio as at September, 29. In particular the collections for the year totalled €52.83 millions for TREVI 3.

Securitizations - qualitative tables

Transactions from previous periods

NAME:	TREVI FINANCE 3	
Type of securitisation:	Traditional	
Originator:	Banca di Roma S.p.A. 92.2%, Mediocredito Centrale S.p.A. 5.2% Leasing Roma S.p.A. 2.6%	
Issuer:	Trevi Finance No.3 S.r.l.	
Servicer:	UniCredit S.p.A.	
Arranger:	Finanziaria Internazionale securitization Group S.p.A. ABN AMRO, MCC S.p.A.	
Target transaction:	Funding	
Type of asset:	Ordinary loans - mortgage loans	
Quality of asset:	Non-Performing	Special purpose loan
Closing date:	05.25.2001	
Nominal Value of disposal portfolio (€):	2,745,000,000	102,000,000
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:	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 nominal value of these collateral securities as at 12.31.2015 was €241,434,045.22	
Rating Agencies	Moody's/S&P/Fitch	
Amount of CDS or other supersenior risk transferred:		
Amount and conditions of tranching:		
. ISIN	XS0130116568	XS0130117020
. Type of security	Senior	Mezzanine
. Class	A	B
. Rating	-	-
. Nominal value issued (€)	600,000,000	150,000,000
. Nominal value at the end of accounting period (€)	-	-
. 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 (€)	-	-
. ISIN	IT0003355911	
. Type of security	Junior	
. Class	D	
. Rating	-	
. Nominal value issued (€)	448,166,000	
. Nominal value at the end of accounting period (€)	448,166,000	

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	-	-
. Nominal value issued (€)	270,000,000	90,329,000
. Nominal value at the end of accounting period (€)	-	49,274,524

Securitizations - qualitative tables

ORIGINATOR: UniCredit S.p.A.

New transactions 2015

STRATEGIES, PROCESSES AND GOALS:	The following initiatives, called Pillarstone Italy, were undertaken to allow the Group to improve the management of loan restructuring, also through the innovative use (for this purpose) of securitization. The goal is to facilitate and increase recoveries of the exposures under securitization thanks to: - restructuring with long-term industrial logic, focusing on introducing new finance (by third parties) in favour of the debtors sold, with focus on concrete needs and opportunities for the companies involved; - efficient and targeted restructuring and turnaround processes. Shared acceptance of the economic principles that guide the transactions in question and a strong alignment of the interests between the parties involved, ensures the asset manager 's commitment to maximize the value of the said assets, optimising therefore the expected recovery on the junior notes bought by UniCredit S.p.A., through the transferred management of the securitised portfolio.
INTERNAL MEASUREMENT AND RISK MONITORING SYSTEMS:	UniCredit S.p.A. does not act as Servicer. The business of servicing is carried out by third parties outside the Group, as per the contracts stipulated with the Special Purpose Vehicle issuing the ABS securities, and involves the administration, encashment, restructuring and collection of securitised loans, on behalf thereof, as well as managing any recovery proceedings on Non-Performing loans. The Servicer of the assets, therefore, has the task, on an ongoing basis, of following the financial flows arising from the securitised loans, constantly monitoring the encashment, also where appropriate making use of third party companies. For each specific transaction, the Servicer provides the Special Purpose Vehicle (in addition to other counterparties as defined in the servicing contracts, including UniCredit S.p.A.) with information on the activities carried out via periodic reports which show, inter alia, the collection and realization of the assigned receivables, the number of defaulted positions and the successfully completed recoveries, the instalments in arrears, restructuring activities, etc. Where contractually provided for, these reports are periodically checked by an independent auditors' firm.
ORGANIZATIONAL STRUCTURE AND SYSTEM FOR REPORTING TO SENIOR MANAGEMENT:	The Servicer provides UniCredit S.p.A. with a series of reports that enable the evaluation and monitoring of the underlying portfolios. On a quarterly basis the performances are also presented in the reference internal Credit Committees.
HEDGING POLICIES:	There are no risk hedging derivatives.
OPERATING RESULTS:	Since the transactions were completed mid December 2015, at the end of the financial year there were no particular detectable economic effects, except for those aligned to the flows that would still have been generated on the portfolios in the absence of securitization.

NAME:	PILLARSTONE ITALY - BURGO		PILLARSTONE ITALY - COMITAL	
Type of securitisation:	Traditional		Traditional	
Originator:	UniCredit S.p.A.		UniCredit S.p.A.	
Issuer:	Pillarstone Italy SPV S.r.l.		Pillarstone Italy SPV S.r.l.	
Servicer:	Securitisation Services S.p.A.		Securitisation Services S.p.A.	
Arranger:	Not applicable		Not applicable	
Target transaction:	Innovative structure of securitization to manage and overcome the temporary difficulties of the debtor sold, in order to optimize the reimbursement of the securitized portfolio.		Innovative structure of securitization to manage and overcome the temporary difficulties of the debtor sold, in order to optimize the reimbursement of the securitized portfolio.	
Type of asset:	Corporate loans		Corporate loans	
Quality of Asset:	Unlikely to pay		Unlikely to pay	
Closing date:	12.10.2015		12.10.2015	
Nominal Value of disposal portfolio (€) :	150,646,763		33,074,000	
Net amount of pre-existing writedown/writebacks:	-		-	
Disposal Profit & Loss realized (€):	-		-	
Portfolio disposal price (€):	150,646,763		33,074,000	
Guarantees issued by the Bank:	No		No	
Guarantees issued by Third Parties:	No		No	
Bank Lines of Credit :	No		No	
Third Parties Lines of Credit (€):	7,000,000		2,500,000	
Other Credit Enhancements (€):	21,998,763		No	
Other relevant information:	Credit Enhancement is represented by the deferred purchase price (DPP), subordinated to the junior security for the payment, of a convertible loan sold to the vehicle.		No	
Rating Agencies:	No		No	
Amount of CDS or other supersenior risk transferred:	-		-	
Amount and Condition of tranching:				
. ISIN	IT0005154809	IT0005154825	IT0005152324	IT0005152340
. Type of security	Senior(*)	Mezzanine(*)	Senior(*)	Mezzanine(*)
. Class	A	B	A	B
. Rating	-	-	-	-
. Quotation	Not listed	Not listed	Not listed	Not listed
. Issue date	12.10.2015	12.10.2015	12.10.2015	12.10.2015
. Legal maturity	10.20.2030	10.20.2030	10.20.2030	10.20.2030
. Call option	Not applicable		Not applicable	
. Expected duration (years)	5.0	5.0	5.0	5.0
. Rate	8.50%	EUR6M(360) + 200bps	8.50%	EUR6M(360) + 78bps
. Subordinated level	-	Sub A	-	Sub A
. Nominal value issued (€)	5,423,000	103,043,000	810,000	15,396,000
. Nominal value at the end of accounting period (€)	5,423,000	103,043,000	810,000	15,396,000
. Security subscribers	Pall Mall Solutions 1 ICAV	UniCredit S.p.A.	Pall Mall Solutions 1 ICAV	UniCredit S.p.A.
. ISIN	IT0005155251		IT0005152357	
. Type of security	Junior(*)		Junior(*)	
. Class	C		C	
. Rating	-		-	
. Quotation	Not listed		Not listed	
. Issue date	12.10.2015		12.10.2015	
. Legal maturity	10.20.2030		10.20.2030	
. Call option	No		No	
. Expected duration (years)	5.0		5.0	
. Rate	EUR6M(360)+1000bps		EUR6M(360)+1000bps	
. Subordinated level	Sub A, B		Sub A, B	
. Nominal value issued (€)	20,182,000		16,868,000	
. Nominal value at the end of accounting period (€)	20,182,000		16,868,000	
. Security subscribers	UniCredit S.p.A.		UniCredit S.p.A.	
Distribution of securitised assets by area (€):				
Italy - Northwest	-		33,074,000	
- Northeast	150,646,763		-	
- Central	-		-	
- South and Islands	-		-	
Other European Countries - E.U. countries	-		-	
- non-E.U. countries	-		-	
America	-		-	
Rest of the World	-		-	
TOTAL	**150,646,763**		**33,074,000**	
Distribution of securitised assets by business sector of the borrower (€):				
Governments	-		-	
other governments agencies	-		-	
Banks	-		-	
Financial Companies	-		-	
Insurance Companies	-		-	
Non-financial companies	150,646,763		33,074,000	
Other entities	-		-	
TOTAL	**150,646,763**		**33,074,000**	

(*) The classification of the field "Type of security" refers to Bank of Italy Circular 262 "The Bank's Financial Statements" - Chapter 1 General principles - Section 5 Definitions - 5.23 - Securitisations: senior, mezzanine and junior exposures.

The "Closing date" is the date when the securitization vehicle has issued the securities of the transaction.

Securitizations - qualitative tables

NAME:	PILLARSTONE ITALY - LEDIBERG		PILLARSTONE ITALY - RAINBOW	
Type of securitisation:	Traditional		Traditional	
Originator:	UniCredit S.p.A.		UniCredit S.p.A.	
Issuer:	Pillarstone Italy SPV S.r.l.		Pillarstone Italy SPV S.r.l.	
Servicer:	Securitisation Services S.p.A.		Securitisation Services S.p.A.	
Arranger:	Not applicable		Not applicable	
Target transaction:	Innovative structure of securitization to manage and overcome the temporary difficulties of the debtor sold, in order to optimize the reimbursement of the securitized portfolio.		Innovative structure of securitization to manage and overcome the temporary difficulties of the debtor sold, in order to optimize the reimbursement of the securitized portfolio.	
Type of asset:	Corporate loans		Corporate loans	
Quality of Asset:	Unlikely to pay		Unlikely to pay	
Closing date:	12.10.2015		12.10.2015	
Nominal Value of disposal portfolio (€):	30,508,000		74,216,000	
Net amount of pre-existing writedown/writebacks:	-		-	
Disposal Profit & Loss realized:	-		-	
Portfolio disposal price (€):	30,508,000		74,216,000	
Guarantees issued by the Bank:	No		No	
Guarantees issued by Third Parties:	No		No	
Bank Lines of Credit:	No		No	
Third Parties Lines of Credit (€):	3,000,000		3,500,000	
Other Credit Enhancements:	-		No	
Other relevant information:	-		No	
Rating Agencies:	No		No	
Amount of CDS or other supersenior risk transferred:	-		-	
Amount and Condition of tranching:				
. ISIN	IT0005154726	IT0005154734	IT0005155833	IT0005155103
. Type of security	Senior(*)	Mezzanine(*)	Senior(*)	Mezzanine(*)
. Class	A	B	A	B
. Rating	-	-	-	-
. Quotation	Not listed	Not listed	Not listed	Not listed
. Issue date	12.10.2015	12.10.2015	12.10.2015	12.10.2015
. Legal maturity	10.20.2030	10.20.2030	10.20.2030	10.20.2030
. Call option	Not applicable		Not applicable	
. Expected duration (years)	5.0	5.0	5.0	5.0
. Rate	8.50%	Until 06.30.2016: EUR6M(360) + 25bps From 07.01.2016: EUR6M(360) + 200bps	8.50%	EUR6M(360) + 129bps
. Subordinated level	-	Sub A	-	Sub A
. Nominal value issued (€)	244,000	4,637,000	890,000	16,921,000
. Nominal value at the end of accounting period (€)	244,000	4,637,000	890,000	16,921,000
. Security subscribers	Pall Mall Solutions 1 ICAV	UniCredit S.p.A.	Pall Mall Solutions 1 ICAV	UniCredit S.p.A.
. ISIN	IT0005154759		IT0005155111	
. Type of security	Junior(*)		Junior(*)	
. Class	C		C	
. Rating	-		-	
. Quotation	Not listed		Not listed	
. Issue date	12.10.2015		12.10.2015	
. Legal maturity	10.20.2030		10.20.2030	
. Call option	Not applicable		Not applicable	
. Expected duration (years)	5.0		5.0	
. Rate	EUR6M(360)+1000bps		EUR6M(360)+1000bps	
. Subordinated level	Sub A, B		Sub A, B	
. Nominal value issued (€)	25,627,000		56,405,000	
. Nominal value at the end of accounting period (€)	25,627,000		56,405,000	
. Security subscribers	UniCredit S.p.A.		UniCredit S.p.A.	
Distribution of securitised assets by area (€):				
Italy - Northwest	-		-	
- Northeast	30,508,000		74,216,000	
- Central	-		-	
- South and Islands	-		-	
Other European Countries - E.U. countries	-		-	
- non-E.U. countries	-		-	
America	-		-	
Rest of the World	-		-	
TOTAL	**30,508,000**		**74,216,000**	
Distribution of securitised assets by business sector of the borrower (€):				
Governments	-		-	
other governments agencies	-		-	
Banks	-		-	
Financial Companies	-		-	
Insurance Companies	-		-	
Non-financial companies	30,508,000		74,216,000	
Other entities	-		-	
TOTAL	**30,508,000**		**74,216,000**	

(*) The classification of the field "Type of security" refers to Bank of Italy Circular 262 "The Bank's Financial Statements" - Chapter 1 General principles - Section 5 Definitions - 5.23 - Securitisations: senior, mezzanine and junior exposures.

The "Closing date" is the date when the securitization vehicle has issued the securities of the transaction.

SYNTHETIC TRANSACTIONS

ORIGINATOR: UniCredit S.p.A.

New transactions 2015

NAME:	GEPAFIN		ARTS MIDCAP2	
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.		UniCreditBank A.G.	
Target transaction:	Credit risk hedging		Credit risk hedging	
Type of asset:	Unsecured loans with maturity > 18 months, to corporate clients settled in Umbria - granted by Gepafin (finanziaria of Regione Umbria)		Underlying pool of loans to small and mid corporates - guarantee from CRC S.à.r.l and AREO S.à.r.l.(Junior risk) and FEI (mezzanine risk)	
Quality of Asset:	Performing		Performing	
Closing date:	03.09.2015		06.12.2015	
Nominal Value of reference portfolio (€):	7,473,980		1,618,022,277	
Issued guarantees by the Bank:	-		-	
Issued guarantees by third parties:	Funded cash collateralized financial guarantee hedging the junior risk		Funded cash collateralized financial guarantee hedging the junior risk; unfunded financial guarantee hedging the mezzanine risk	
Bank Lines of Credit:	-		-	
Third Parties Lines of Credit:	-		-	
Other Credit Enhancements:	-		-	
Other relevant information:	-		-	
Rating Agencies:	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	Not applicable	Not applicable	Not applicable	Not applicable
. Type of security	Senior	Junior	Senior	Mezzanine
. Class	A	B	A	B
. Rating	-	-	-	-
. Quotation	Not listed	Not listed	Not listed	Not listed
. Issue date	03.09.2015	03.09.2015	06.12.2015	06.12.2015
. Legal maturity	12.31.2019	12.31.2019	12.31.2026	12.31.2026
. Call option	Not applicable		Clean-up call, regulatory call	
. Expected duration	12.31.2019	12.31.2019	WAL 2,7 regulatory call expected Sep 2019	WAL 2,7 regulatory call expected Sep 2019
. Rate	Not applicable	Not applicable	Not applicable	Not applicable
. Subordinated level	-	Sub A	-	Sub A
. Reference Position (€)	6,772,921	701,059	1,504,772,277	32,350,000
. Reference Position at the end of accounting period (€)	2,731,932	700,686	1,207,277,952	32,350,000
. Security subscribers	UniCredit S.p.A.	Partially hedged by protection seller	UniCredit S.p.A.	Hedged by protection seller
. ISIN			Not applicable	
. Type of security			Junior	
. Class			C	
. Rating			-	
. Quotation			Not listed	
. Issue date			06.12.2015	
. Legal maturity			12.31.2026	
. Rate			Not applicable	
. Subordinated level			Sub A, B	
. Reference Position (€)			80,900,000	
. Reference Position at the end of accounting period (€)			80,900,000	
. Security subscribers			Hedged by protection seller	
Distribution of securitised assets by area (€):				
Italy - Northwest	-		562,403,692	
- Northeast	-		348,489,670	
- Central	7,473,980		530,561,105	
- South and Islands	-		176,567,810	
Other European Countries - E.U.. countries	-		-	
- non-E.U. countries	-		-	
America	-		-	
Rest of the World	-		-	
TOTAL	**7,473,980**		**1,618,022,277**	
Distribution of securitised assets by business sector of the borrower (€):				
Governments	-		-	
Other governments agencies	-		-	
Banks	-		-	
Financial Companies	-		-	
Insurance Companies	-		-	
Non-financial companies	7,473,980		1,618,022,277	
Other entities	-		-	
TOTAL	**7,473,980**		**1,618,022,277**	

(*) Synthetic securitizations carried out using the Supervisory Formula Approach ("Supervisory Formula Approach - SFA") as required by art . 262 of Regulation (EU) No.575/2013 (Capital Requirements Regulation - CRR), and earlier by circular 263/2006 of the Bank of Italy.
In case of absence of eligible external rating and if PD and LGD estimations can be provided, the CRR (Art . 259 1. b)) requires that the calculation of capital requirements for the various tranches of the securitization shall be performed using the Supervisory formula, in accordance with Art.262, taking care to provide 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 concerned tranche;
3. the thickness of the tranche;
4. the number of securitized assets;
5. the average LGD.
Then, using the Supervisory Formula Approach, it is possible to calculate the risk equivalent amount for a securitization tranche related to its seniority, granularity, support level and risk of the underlying.

Securitizations - qualitative tables

ORIGINATOR: UniCredit S.p.A.

New transactions 2015

NAME:	ARTS LEONARDO		BOND ITALIA1 INVESTIMENTI	
Type of securitisation:	Tranched Cover		Tranched Cover	
Originator:	UniCredit S.p.A.		UniCredit S.p.A.	
Issuer:	ARTS LEONARDO 2015-1 S.A.		UniCredit S.p.A.	
Servicer:	UniCredit S.p.A.		UniCredit S.p.A.	
Arranger:	UniCreditBank A.G.		UniCredit S.p.A.	
Target transaction:	Credit risk hedging		Credit risk hedging	
Type of asset:	Project financing Loans and Shipping		Unsecured loans - maturity between 24 and 60 months - to small and medium enterprises - hedged by FCG	
Quality of Asset:	Performing		Performing	
Closing date:	06.26.2015		06.30.2015	
Nominal Value of reference portfolio (€):	1,519,889,561		93,593,038	
Issued guarantees by the Bank:	-		-	
Issued guarantees by third parties:	Funded cash collateralized financial guarantee hedging the junior risk		Unfunded financial guarantee hedging the junior risk	
Bank Lines of Credit:	-		-	
Third Parties Lines of Credit:	-		-	
Other Credit Enhancements:	-		-	
Other relevant information:	-		-	
Rating Agencies:	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	Not applicable	Not applicable	Not applicable	Not applicable
. Type of security	Senior	Junior	Senior	Junior
. Class	A	B	A	B
. Rating	-	-	-	-
. Quotation	Not listed	Not listed	Not listed	Not listed
. Issue date	06.26.2015	06.26.2015	06.30.2015	06.30.2015
. Legal maturity	2040	2040	02.28.2021	02.28.2021
. Call option	Clean-up call, regulatory call		Not applicable	
. Expected duration	2021	2021	02.28.2021	02.28.2021
. Rate	Not applicable	Not applicable	Not applicable	Not applicable
. Subordinated level	-	Sub A	-	Sub A
. Reference Position (€)	1,413,497,292	106,392,269	86,573,560	7,019,478
. Reference Position at the end of accounting period (€)	1,218,344,902	106,000,000	86,403,560	7,019,478
. Security subscribers	UniCredit S.p.A.	Hedged by protection seller	UniCredit S.p.A.	Partially hedged by protection seller
Distribution of securitised assets by area (€):				
Italy - Northwest	182,041,625		30,417,050	
- Northeast	161,437,233		22,086,028	
- Central	294,741,319		27,823,530	
- South and Islands	881,669,383		13,266,430	
Other European Countries - E.U. countries	-		-	
- non-E.U. countries	-		-	
America	-		-	
Rest of the World	-		-	
TOTAL	**1,519,889,561**		**93,593,038**	
Distribution of securitised assets by business sector of the borrower (€):				
Governments	-		-	
Other governments agencies	-		-	
Banks	-		-	
Financial Companies	-		-	
Insurance Companies	-		-	
Non-financial companies	1,519,889,561		93,593,038	
Other entities	-		-	
TOTAL	**1,519,889,561**		**93,593,038**	

(*) Synthetic securitizations carried out using the Supervisory Formula Approach ("Supervisory Formula Approach - SFA") as required by art . 262 of Regulation (EU) No.575/2013 (Capital Requirements Regulation - CRR), and earlier by circular 263/2006 of the Bank of Italy.
In case of absence of eligible external rating and if PD and LGD estimations can be provided, the CRR (Art . 259 1. b)) requires that the calculation of capital requirements for the various tranches of the securitization shall be performed using the Supervisory formula, in accordance with Art.262, taking care to provide 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 concerned tranche;
3. the thickness of the tranche;
4. the number of securitized assets;
5. the average LGD.
Then, using the Supervisory Formula Approach, it is possible to calculate the risk equivalent amount for a securitization tranche related to its seniority, granularity, support level and risk of the underlying.

ORIGINATOR: UniCredit S.p.A.

New transactions 2015

NAME:	BOND ITALIA1 MISTO		BOND ITALIA2 MISTO	
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:	Credit risk hedging		Credit risk hedging	
Type of asset:	Unsecured loans - maturity between 18 and 60 months - to small and medium enterprises - hedged by FCG		Unsecured loans - maturity between 18 and 60 months - to small and medium enterpises - hedged by FCG	
Quality of Asset:	Performing		Performing	
Closing date:	06.30.2015		12.31.2015	
Nominal Value of reference portfolio (€):	295,689,323		299,780,540	
Issued guarantees by the Bank:	-		-	
Issued guarantees by third parties:	Unfunded financial guarantee hedging the junior risk		Unfunded financial guarantee hedging the junior risk	
Bank Lines of Credit:	-		-	
Third Parties Lines of Credit:	-		-	
Other Credit Enhancements:	-		-	
Other relevant information:	-		-	
Rating Agencies:	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	Not applicable	Not applicable	Not applicable	Not applicable
. Type of security	Senior	Junior	Senior	Junior
. Class	A	B	A	B
. Rating	-	-	-	-
. Quotation	Not listed	Not listed	Not listed	Not listed
. Issue date	06.30.2015	06.30.2015	12.31.2015	12.31.2015
. Legal maturity	02.28.2021	02.28.2021	02.28.2021	02.28.2021
. Call option	Not applicable		Not applicable	
. Expected duration	02.28.2021	02.28.2021	02.28.2021	02.28.2021
. Rate	Not applicable	Not applicable	Not applicable	Not applicable
. Subordinated level	-	Sub A	-	Sub A
. Reference Position (€)	277,208,740	18,480,583	281,044,256	18,736,284
. Reference Position at the end of accounting period (€)	275,438,740	18,480,583	281,044,256	18,736,284
. Security subscribers	UniCredit S.p.A.	Partially hedged by protection seller	UniCredit S.p.A.	Partially hedged by protection seller
Distribution of securitised assets by area (€):				
Italy - Northwest	102,233,200		103,990,100	
- Northeast	58,057,628		43,183,000	
- Central	68,113,180		100,773,940	
- South and Islands	67,285,315		51,833,500	
Other European Countries - E.U. countries	-		-	
- non-E.U. countries	-		-	
America	-		-	
Rest of the World	-		-	
TOTAL	**295,689,323**		**299,780,540**	
Distribution of securitised assets by business sector of the borrower (€):				
Governments	-		-	
Other governments agencies	-		-	
Banks	-		-	
Financial Companies	-		-	
Insurance Companies	-		-	
Non-financial companies	295,689,323		299,780,540	
Other entities	-		-	
TOTAL	**295,689,323**		**299,780,540**	

(*) Synthetic securitizations carried out using the Supervisory Formula Approach ("Supervisory Formula Approach - SFA") as required by art . 262 of Regulation (EU) No.575/2013 (Capital Requirements Regulation - CRR), and earlier by circular 263/2006 of the Bank of Italy.
In case of absence of eligible external rating and if PD and LGD estimations can be provided, the CRR (Art . 259 1. b)) requires that the calculation of capital requirements for the various tranches of the securitization shall be performed using the Supervisory formula, in accordance with Art.262, taking care to provide 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 concerned tranche;
3. the thickness of the tranche;
4. the number of securitized assets;
5. the average LGD.
Then, using the Supervisory Formula Approach, it is possible to calculate the risk equivalent amount for a securitization tranche related to its seniority, granularity, support level and risk of the underlying.

Securitizations - qualitative tables

ORIGINATOR: UniCredit S.p.A.

New transactions 2015

NAME:	BOND ITALIA2 INVESTIMENTI		ARTS MIDCAP3	
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.		UniCreditBank A.G.	
Target transaction:	Credit risk hedging		Credit risk hedging	
Type of asset:	Unsecured loans - maturity between 24 and 60 months - to small and medium enterprises - hedged by FCG.		Underlying pool of loans to small and mid corporates - guarantee from CRC S.à.r.l (Junior risk) and FEI (mezzanine risk).	
Quality of Asset:	Performing		Performing	
Closing date:	12.31.2015		11.21.2015	
Nominal Value of reference portfolio (€):	99,861,218		4,367,226,943	
Issued guarantees by the Bank:	-		-	
Issued guarantees by third parties:	Unfunded financial guarantee hedging the junior risk		Funded cash collateralized financial guarantee hedging the junior risk; unfunded financial guarantee hedging the mezzanine risk	
Bank Lines of Credit:	-		-	
Third Parties Lines of Credit:	-		-	
Other Credit Enhancements:	-		-	
Other relevant information:	-		-	
Rating Agencies:	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	Not applicable	Not applicable	Not applicable	Not applicable
. Type of security	Senior	Junior	Senior	Mezzanine
. Class	A	B	A	B
. Rating	-	-	-	-
. Quotation	Not listed	Not listed	Not listed	Not listed
. Issue date	12.31.2015	12.31.2015	11.21.2015	11.21.2015
. Legal maturity	02.28.2021	02.28.2021	12.31.2030	12.31.2030
. Call option	Not applicable		Clean-up call, regulatory call	
. Expected duration	02.28.2021	02.28.2021	WAL 3,36 regulatory call expected Dec 2022	WAL 3,36 regulatory call expected Dec 2022
. Rate	Not applicable	Not applicable	Not applicable	Not applicable
. Subordinated level	-	Sub A	-	Sub A
. Reference Position (€)	92,371,627	7,489,591	4,105,194,943	43,672,000
. Reference Position at the end of accounting period (€)	92,197,051	7,489,591	3,829,954,248	43,672,000
. Security subscribers	UniCredit S.p.A.	Partially hedged by protection seller	UniCredit S.p.A.	Hedged by protection seller
. ISIN			Not applicable	
. Type of security			Junior	
. Class			C	
. Rating			-	
. Quotation			Not listed	
. Issue date			11.21.2015	
. Legal maturity			12.31.2030	
. Rate			Not applicable	
. Subordinated level			Sub A, B	
. Reference Position			218,360,000	
. Reference Position at the end of accounting period			218,360,000	
. Security subscribers			Hedged by protection seller	
Distribution of securitised assets by area (€):				
Italy - Northwest	34,373,820		1,388,953,076	
- Northeast	20,111,873		755,988,342	
- Central	33,558,525		1,606,930,240	
- South and Islands	11,817,000		615,355,284	
Other European Countries - E.U. countries	-		-	
- non-E.U. countries	-		-	
America	-		-	
Rest of the World	-		-	
TOTAL	**99,861,218**		**4,367,226,943**	
Distribution of securitised assets by business sector of the borrower (€):				
Governments	-		-	
Other governments agencies	-		-	
Banks	-		-	
Financial Companies	-		-	
Insurance Companies	-		-	
Non-financial companies	99,861,218		4,367,226,943	
Other entities	-		-	
TOTAL	**99,861,218**		**4,367,226,943**	

(*) Synthetic securitizations carried out using the Supervisory Formula Approach ("Supervisory Formula Approach - SFA") as required by art . 262 of Regulation (EU) No.575/2013 (Capital Requirements Regulation - CRR), and earlier by circular 263/2006 of the Bank of Italy.
In case of absence of eligible external rating and if PD and LGD estimations can be provided, the CRR (Art . 259 1. b)) requires that the calculation of capital requirements for the various tranches of the securitization shall be performed using the Supervisory formula, in accordance with Art.262, taking care to provide 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 concerned tranche;
3. the thickness of the tranche;
4. the number of securitized assets;
5. the average LGD.
Then, using the Supervisory Formula Approach, it is possible to calculate the risk equivalent amount for a securitization tranche related to its seniority, granularity, support level and risk of the underlying.

ORIGINATOR: UniCredit S.p.A.

Transactions from previous periods

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:	Credit risk hedging	
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	
Issued 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.	
Rating Agencies:	No rating agency, use of Supervisory Formula Approach(*)	
Amount of CDS or other risk transferred:	-	
Amount and Conditions of tranching:		
. ISIN	Not applicable	Not applicable
. Type of security	Senior	Junior
. Class	A	B
. Rating	-	-
. Reference Position (€)	9,874,316	665,694
. Reference Position at the end of accounting period (€)	4,300,999	665,694
. Security subscribers	UniCredit S.p.A.	Covered by protection seller

(*) Synthetic securitizations carried out using the Supervisory Formula Approach ("Supervisory Formula Approach - SFA") as required by art . 262 of Regulation (EU) No.575/2013 (Capital Requirements Regulation - CRR), and earlier by circular 263/2006 of the Bank of Italy.
In case of absence of eligible external rating and if PD and LGD estimations can be provided, the CRR (Art . 259 1. b)) requires that the calculation of capital requirements for the various tranches of the securitization shall be performed using the Supervisory formula, in accordance with Art.262, taking care to provide 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 concerned tranche;
3. the thickness of the tranche;
4. the number of securitized assets;
5. the average LGD.
Then, using the Supervisory Formula Approach, it is possible to calculate the risk equivalent amount for a securitization tranche related to its seniority, granularity, support level and risk of the underlying.

Securitizations - qualitative tables

ORIGINATOR: UniCredit S.p.A.

Transactions from previous periods

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:	Credit risk hedging		Credit risk hedging	
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	
Issued 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 Supervisory Formula Approach(*)		No rating agency, use of Supervisory Formula Approach(*)	
Amount of CDS or other risk transferred:	-		-	
Amount and Conditions of tranching:				
. ISIN	Not applicable	Not applicable	Not applicable	Not applicable
. Type of security	Senior	Mezzanine	Senior	Mezzanine
. Class	A	B	A	B
. Rating	-	-	-	-
. Reference Position (€)	1,715,036,900	37,133,644	26,266,860	1,259,370
. Reference Position at the end of accounting period (€)	773,825,529	37,133,644	1,846,333	1,259,370
. Security subscribers	UniCredit S.p.A.	Covered by Protection Seller	UniCredit S.p.A.	Covered by Protection Seller
. ISIN	Not applicable		Not applicable	
. Type of security	Junior		Junior	
. Class	C		C	
. Rating	-		-	
. 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	

(*) Synthetic securitizations carried out using the Supervisory Formula Approach ("Supervisory Formula Approach - SFA") as required by art . 262 of Regulation (EU) No.575/2013 (Capital Requirements Regulation - CRR), and earlier by circular 263/2006 of the Bank of Italy.
In case of absence of eligible external rating and if PD and LGD estimations can be provided, the CRR (Art . 259 1. b)) requires that the calculation of capital requirements for the various tranches of the securitization shall be performed using the Supervisory formula, in accordance with Art.262, taking care to provide 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 concerned tranche;
3. the thickness of the tranche;
4. the number of securitized assets;
5. the average LGD.
Then, using the Supervisory Formula Approach, it is possible to calculate the risk equivalent amount for a securitization tranche related to its seniority, granularity, support level and risk of the underlying.

ORIGINATOR: UniCredit S.p.A.

Transactions from previous periods

NAME:	FEDERASCOMFIDI		FEDERCONFIDI	
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:	Credit risk hedging		Credit risk hedging	
Type of asset:	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	
Closing date:	03.25.2013		03.25.2013	
Nominal Value of reference portfolio (€):	64,235,679		62,470,203	
Issued 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 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:	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, at the closing date, was equal to €1,122,090. Financial guarantee to hedge the mezzanine is issued by European Investment Fund (EIF) and hedges the 95% of the tranche which, at the closing date, was equal to €1,332,481.		Federcomfidi's guarantee hedges the 80% of the Junior tranche and the Junior tranche, at the closing date, was equal to €1,983,528. EIF's guarantee hedges the 95% of the Mezzanine tranche and the Mezzanine tranche, at the closing date, was equal to €1,344,765.	
Rating Agencies:	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	Not applicable	Not applicable	Not applicable	Not applicable
. Type of security	Senior	Mezzanine	Senior	Mezzanine
. Class	A	B	A	B
. Rating	-	-	-	-
. Reference Position (€)	61,430,455	1,402,612	59,141,910	1,344,765
. Reference Position at the date of the last servicer report (€)	22,663,384	1,396,135	25,027,528	1,338,104
. Security subscribers	UniCredit S.p.A.	Partially covered by protection seller	UniCredit S.p.A.	Partially covered by protection seller
. ISIN	Not applicable		Not applicable	
. Type of security	Junior		Junior	
. Class	C		C	
. Rating	-		-	
. Reference Position (€)	1,402,612		1,983,528	
. Reference Position at the date of the last servicer report (€)	1,008,466		1,723,293	
. Security subscribers	Partially covered by protection seller		Partially covered by protection seller	

(*) Synthetic securitizations carried out using the Supervisory Formula Approach ("Supervisory Formula Approach - SFA") as required by art . 262 of Regulation (EU) No.575/2013 (Capital Requirements Regulation - CRR), and earlier by circular 263/2006 of the Bank of Italy.
In case of absence of eligible external rating and if PD and LGD estimations can be provided, the CRR (Art . 259 1. b)) requires that the calculation of capital requirements for the various tranches of the securitization shall be performed using the Supervisory formula, in accordance with Art.262, taking care to provide 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 concerned tranche;
3. the thickness of the tranche;
4. the number of securitized assets;
5. the average LGD.
Then, using the Supervisory Formula Approach, it is possible to calculate the risk equivalent amount for a securitization tranche related to its seniority, granularity, support level and risk of the underlying.

Ok guys, where's the stage?

Let's talk about getting the goods on time.

Every summer, major music festivals are held in the countryside. The line-ups are announced months in advance, and thousands of people buy tickets to see their favorite bands live. But sometimes ... things can go wrong.

Tens of thousands of goods pass through the customs every day. It's so ordinary that you never even think about it. Until one day, when goods vital to your business operation absolutely must arrive in time.

From concert equipment to spare parts, it can take up to three working days to get your customs payments processed. That is why in Russia we introduced the PayHD card. It speeds up import/export operations and helps our customers avoid bad surprises. With PayHD, goods are always processed quickly, with no extra paper work required.

Now entrepreneurs in Russia can concentrate on their own business and stop worrying about import/export timings.

Certification

Annual Financial Statements Certification pursuant to Art.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 2015 Annual Financial Statements.

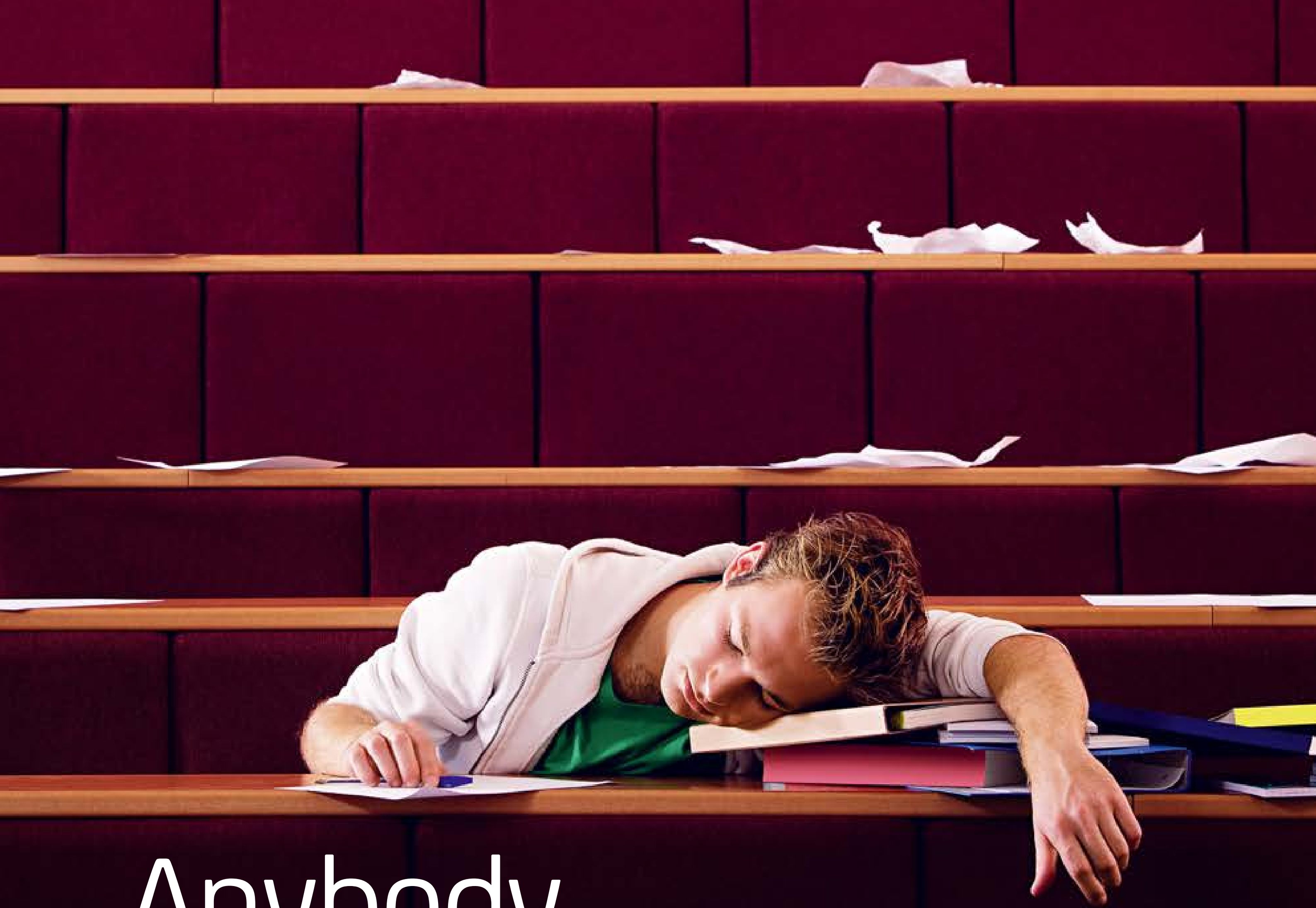
2. The adequacy of the administrative and accounting procedures employed to draw up the 2015 Annual Financial Statements has been evaluated by applying a model developed by UniCredit S.p.A., in accordance with the "Internal Controls - Integrated Framework (CoSO)" and the "Control Objective for IT and 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 2015 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 - February 9, 2016

Federico GHIZZONI

Marina NATALE



Anybody who says that being a student is easy has never been a student.

Let's talk about simplifying your everyday life.

Books, notes, classes, exams. Studying at university is not as easy as they say. Not to mention that studying takes place at the exact moment in life when all you want to do is to have fun, but at the same time you don't want to waste an opportunity that your future life depends on. 'Too much to handle' – Piotr, a law student from Lublin, thinks sometimes. And we understand this.

To make Piotr's and other students' everyday lives easier, we decided to cooperate with the University. Now, once Piotr receives his Student ID Card he can activate the embedded ELS system and use it as a payment card. All he needs to do is to open an Eurokonto Intro account at Bank Pekao S.A.

Apart from its usual functions like allowing access to the university library, thanks to the payment card's activated functionalities, he can withdraw cash or settle payments. As a client of our bank, Piotr can also benefit from other convenient products, such as student loans and multi-currency debit cards.

And if Piotr forgets to return a book to the university's library on time, he will pay the library fee using the payment functionalities of his Student ID Card.

Reports and Resolutions

Report of the Board of Statutory Auditors

Report of the Board of Statutory Auditors

English translation of the Italian original document

BOARD OF STATUTORY AUDITORS' REPORT
TO THE SHAREHOLDERS' MEETING OF 14 APRIL 2016
(PURSUANT TO PARAGRAPH 153 OF ITALIAN LEGISLATIVE DECREE 58/1998 AND PARAGRAPH 2429, PARAGRAPH 2 OF THE ITALIAN CIVIL CODE)

Dear Shareholders,

The Board of Statutory Auditors is required to report to the Shareholders' Meeting regarding the audit conducted during the year, and the omissions and irregularities found, pursuant to paragraph 153 of Italian Legislative Decree 58/1998 (Consolidated Law on Finance - TUF) and paragraph 2429, paragraph 2 of the Italian Civil Code. 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.

During the 2015 financial period, the Board of Statutory Auditors conducted its activities in compliance with the Italian Civil Code, Legislative Decrees 385/1993 (Consolidated Law on Banking - TUB), 58/1998 (TUF) and 39/2010 (Consolidated Law on Auditing), statutory regulations and rules issued by the Authorities vested with supervisory and control functions, whilst also taking into consideration the standards of conduct recommended by the National Board of Certified Public Accountants (Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili).

Based on the above, information is provided below in accordance with Consob Communication 1025664/2001 and subsequent amendments.

1. Appointment and Activities of the Board of Statutory Auditors

Following the resignation of permanent Statutory Auditor Cesare Bisoni with effect from April 15 2015, the Shareholders' Meeting of May 13, 2015 was called to deliberate on restoring the composition of the Board of Statutory Auditors.

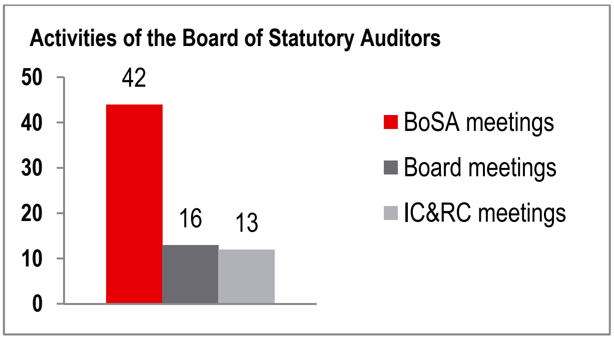
The Shareholders' Meeting consequently appointed Mr Angelo Rocco Bonissoni as a permanent Statutory Auditor.

Following the resignation of permanent Statutory Auditor Mr Giovanni Battista Alberti with effect from November 9, 2015, he was replaced pursuant to paragraph 2401 of the Italian Civil Code by Mrs Federica Bonato, who in turn resigned with effect from December 9, 2015; on the same date, she was replaced by Mr Pierpaolo Singer, given that the substitute Statutory Auditors Mr Paolo Domenico Sfameni and Mrs Beatrice Lombardi had communicated their decision to not take up said appointment.

The Board of Statutory Auditors in office at the date of this report therefore consists of Mr Maurizio Lauri (Chairman), Mr Angelo Rocco Bonissoni, Mr Enrico Laghi, Mr Pierpaolo Singer and Mrs Maria Enrica Spinardi.

Whilst exercising its relevant functions during the financial period, the Board of Statutory Auditors held 42 meetings, each lasting on average 3 hours and 27 minutes.

The Board of Statutory Auditors also attended all of the 16 Board of Directors' meetings and all of the 13 meetings held by the Internal Controls & Risks Committee (IC&RC).



At the Board of Directors' meetings, at which the most important business, financial and capital transactions carried out by UniCredit S.p.A. and by its subsidiaries were discussed, the Board of Statutory Auditors received the information detailed in paragraph 150, paragraph 1 of the TUF.

Based on the information acquired through its monitoring, the Board of Statutory Auditors noted no transactions put in place during the year that this report refers to that were performed without complying with the principles of proper management, or resolved and carried out without complying with the law and the Company's By-Laws, or not in UniCredit S.p.A.'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 were 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, in order to enable the appropriate integrated governance of corporate bodies. The agenda is submitted to Management in order to enable the prompt planning of the activities and the reporting flows requested by the Board of Statutory Auditors.

In particular, on an annual basis, the Board of Statutory Auditors ex-ante defines 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 full version of the Board of Statutory Auditors meeting minutes is always submitted to the attention of the Chairman of the Board of Directors, the Chief Executive Officer 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 Management, according to their respective areas of competence, for the purpose of ensuring an appropriate written communication of the Board of Statutory Auditors' recommendations/requests.

The Board of Statutory Auditors has developed and adopted an IT tool which ensures that the requests made can be fully tracked.

For each request, a finding is opened and is closed only once confirmation is received from Management that the relevant corrective measure agreed on has been implemented.

The Head of the Internal Audit Department is a permanent guest at the Board of Statutory Auditors meetings, so as to ensure continuous interaction with the third-level control function.

In light of the complexity of the business and relevant issues, as well as 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, with the necessary documentation (which should not be overly extensive or technical) that clearly focuses on the strategic priorities that Directors are required to vote on, 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 is presented by the Chairman of the Board of Statutory Auditors during a meeting. This report describes the main activities performed by the Board of Statutory Auditors during the reference period and the recommendations made with the aim of ensuring the Board of Directors' awareness and constructive discussions with Management.

The Board of Statutory Auditors pays particular attention to the relationship with the External Auditors, so as to support the proper fulfilment of the relevant supervisory task. In this sense, a dedicated IT tool has been developed for managing the sharing of reporting flows between the Board of Statutory Auditors and the External Auditors. Through this tool, the documents required by 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 real time. This ensures adequate preparation for 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 the following should be noted:

Strategic Plan 2015-2018

In its meeting held on November 11, 2015, the Board of Directors approved the Strategic Plan 2015-2018, which aims to ensure sustainable business growth, with the objective of achieving a return on the Group's tangible assets of 11% and progressive growth in the CET1 Ratio with a view to reaching 12.6% in 2018. This level is deemed to be consistent with the regulatory objectives based on applicable regulations.

The Strategic Plan was formulated on the basis of a multi-year risk appetite, which identifies the risk limits that the Group must face. These are based on assumptions pertaining to possible future macro-economic scenarios that are characterised by interest rates at historic lows, an increasingly stringent regulatory framework and a more extensive digitalisation and disintermediation process, within a more general context marked by deflationary levels.

In this regard, the Board of Statutory Auditors notes that the Strategic Plan per se contains some elements that while subject to prudential assessments and consideration, do present some features of uncertainty as these are naturally influenced by a series of risk factors falling outside Management's control. These factors include legal and geo-political risks, national, international as well as macro-economic factors, which could make it difficult to reach the set objectives.

The Board of Statutory Auditors recommends that the implementation of the strategic plan be therefore monitored on an ongoing basis by the Board of Directors. The Board will need to balance profitability targets with a prudent propensity to risk (as defined by the Board of Directors in the risk appetite framework), and continue with high levels of control that can guarantee ethical behaviour that fully complies with the applicable regulations.

Having noted the outcome of the analyses carried out by the Internal Audit function on the process to manage and monitor strategic and/or significant projects, in other words, the investment initiatives undertaken to achieve the objectives set in the 2015-2018 Strategic Plan, the Board of Statutory Auditors in this regard recommended that a control process be implemented to manage Group projects. This would allow them to be linked with the objectives of the Strategic Plan providing an overview of the initiatives in progress, and provide transparency regarding the benefits obtained from individual projects. It would also make it possible to manage any deviations from the declared objectives and accurately monitor the costs/benefits of projects through reporting to the Governance bodies.

Other Transactions and Initiatives on Investments

- Shareholding in Coinv S.p.A. (formerly Lauro Sessantuno S.p.A.): subsequent to corporate transactions, at the end of 2015, UniCredit had a 12% stake in Coinv S.p.A., which in turn fully controls Camfin S.p.A. that holds a 22.4% stake in NewCo

Report of the Board of Statutory Auditors

(controlled for 65% by China National Tyre & Rubber Corporation and by Long Term Investments Luxembourg S.A.).
- 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 that came into effect from January 1, 2015, as at the end of 2015 UniCredit S.p.A. held a 32.979% stake in Alitalia CAI S.p.A..

3. Atypical 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 Management, the subsidiaries' Statutory Auditors, and the External Auditors, revealed no atypical 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 Persons in Conflict 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 March 10, 2016 to approve the review of the Global Policy for the management of transactions with persons in conflict of interest pursuant to CONSOB Regulation 17221/2010, to Banca d'Italia Circular 263/2006 and to paragraph 136 of Legislative Decree 385/1993, which replaces the Policy approved by the Board of Directors on February 11, 2015.

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, interventions referred to:
- a new formulation of the structure to make it compliant to the Group Global Rules principles and criteria, favouring the implementation of general criteria and principles;
- the role of the Related Parties and Equity Investments Committee, regarding the issuing of their opinions;
- clarification regarding the identification of components in the Perimetro Unico and the qualification of a "transaction" in terms of the Policy in the case of internal ceilings/limits subject to specific aspects occurring to qualify as a transaction: counterparty, relevance of size, type, kind and an assessment relating to the benefits in carrying out the transaction and the value/correctness of the relevant conditions;
- the qualification of "restructuring" transactions as "non ordinary", expect where exemption is applicable due to the relevance of the cases specifically provided for.

The Board of Statutory Auditors deemed the Global Policy appropriate as a whole to reach the objectives set by Banca d'Italia provisions on risk activities and conflicts of interest in transactions involving associated persons, as well as by Consob Regulation on related parties' transactions.

The Board of Statutory Auditors noted that the currently applicable internal policies regarding the controls of risk activities and the conflicts of interest in respect of associated persons, which regulate the organizational and control processes aimed at identifying and recording associated persons, as well as at ensuring an effective measurement and management of the risks taken by the latter, were those that had been approved by the Board of Directors on April 8, 2014.

Disposal of UniCredit Credit Management Bank S.p.A.
UniCredit has disposed of its entire stake in UniCredit Credit Management Bank S.p.A. (UCCMB), the bank within the Group involved with the management and recovery of problematic debts originating in Italy, including a portfolio of gross Non-Performing loans for approximately €2.4 billion, to subsidiaries of Fortress Investment Group LLC.

At the same time as the sale, a long-term strategic agreement was signed with the sold company to manage current and future small- and medium-sized Non-Performing loans for UniCredit S.p.A. and other companies in the Group.

The Bank advised that the strategic rationale for the transaction, which falls within the scope of restructuring UniCredit's debt recovery division, allows the Bank to benefit, inter alia, from access to a specialised debt recovery platform, which will be further enhanced by the considerable know-how of certain Fortress and Prelios affiliates (involved as industrial partners) regarding the management of impaired loans.

The operation was concluded on October 30, 2015 following the necessary authorisations, with an impact on the regulatory capital and on the income statement that was substantially neutral, taking into account also the value adjustment recognised in the consolidated financial statements at December 31, 2014.

Disposal of Ukrosotsbank to ABH Holdings (Alfa Group)
On December 31, 2015, UniCredit signed a binding agreement referring to the transfer of its stake in Ukrosotsbank to ABH Holdings SA (ABHH) in exchange for newly-issued shares that will represent 9.9% of ABHH share capital, once the transfer is completed.

The agreements signed make provision for specific safeguards to protect both parties, including the option for UniCredit to appoint a member to the Board of Directors of ABHH and to activate its listings. The safeguards also refer to UniCredit issuing the usual guarantees for this kind of transaction, including certain specific guarantees for the buyer regarding some credit exposure for clients of the sold bank. In this regard, the Board of Statutory Auditors has recommended careful monitoring on an ongoing basis of the development of the risk implicit to the guarantees issued.

In addition, the parties agreed on a Put and Call options mechanism referring to UniCredit's stake in ABHH, which may be exercised five years after the transaction is finalised. In this regard, the Board of Statutory Auditors recommended monitoring the implicit risk by periodically re-evaluating the assumptions of fair value for the asset sold that were formulated when drafting the 2015 financial statements.

In the consolidated financial statements at December 31, 2015, the shareholdings in Ukrosotsbank and its subsidiaries continue to be classified as being held for sale (in terms of IFRS5), because the sales transaction had not yet been completed pending the necessary authorisations; their valuation was adjusted to reflect the expected outcome from the sale, resulting in a charge of €298 million to the income statement for the entire 2015 period.

Once the authorisation process is completed, it is expected that the transaction will be finalised and become effective in 2016.

On the date that the sales transaction is finalised, the effects of the accumulated FX Reserve will be recognised in UniCredit's income statement, without this having any effect however on the Group's overall Shareholders' Equity level.

It is noted further that at Group level, UniCredit Bank Austria AG Sub-Holding held credit exposures in respect of Ukrainian companies, a portion of which were companies based/operating in the Eastern Region-ATO Zone.

With reference to the effects of the war scenario in Ukraine, UniCredit Bank Austria AG has issued a comfort letter to the Ukrainian National Bank relating to Ukrsotsbank as a going concern.

Strengthening our Presence in Wealth Management
As part of its growth strategy focusing on businesses with high capital returns, as envisaged in the Strategic Plan, UniCredit S.p.A. has strengthened its presence in Wealth Management in Italy via the subsidiary Cordusio SIM Advisory & Family Office S.p.A. ("Cordusio SIM"). The latter takes on the role of a hub to provide all its consulting and investment management services to clients with financial assets over €5 million.

Once the necessary authorisations were obtained, on 01 November 2015, Cordusio SIM consequently established a merger by incorporation of Atlantic SIM S.p.A., a company outside of the Group.

Furthermore during 2016, the business unit of UniCredit made up of the assets and liabilities relating to the management of *Ultra High Network Wealth Individuals* will be transferred to Cordusio SIM.

Subsequent to this transaction, Cordusio SIM will hold shareholders' equity of over €250 million recognised in the Accounts, and will manage a total of €24 billion, with the objective of reaching the target of €30 billion of assets managed by 2018.

The transaction should be completed by the end of 2016.

Pioneer Investments and Santander Asset Management: creating a Global Leader in Asset Management
During November 2015, UniCredit, Santander and affiliate companies of Warburg Pincus and General Atlantic reached a binding framework agreement to create a joint venture between the Pioneer Group and Santander Asset Management, aimed at creating a leading global company in the field of asset management, with a strong global footprint and trade capabilities and relations throughout the world.

At the same time, the parties initiated the necessary formalities to obtain the authorisations required, including those from the regulatory authorities in the countries were Pioneer Investments and Santander Asset Management operate.

The transaction should be completed during the 2016 period.

The shareholding was not classified among the assets held for sale (IFRS5) in the consolidated financial statements at 31 December 2015, because the prerequisites did not exist.

The Board of Statutory Auditors notes in this regard that the Supervisory Authorities have requested supplementary information that is required for a fuller understanding of this prospective complex transaction and its multiple effects over various profiles, including the prudential aspects, thus suspending the proceedings.

Transfer of the Business Unit consisting of the CEE Division of UniCredit Bank Austria AG
With the aim of greater simplification and a more streamlined organisation, a start has been made to transfer the shareholdings of CEE Banks under the direct control of UniCredit S.p.A.

The transaction will result in the concentration of the business functions of the CEE Division, and the Competence Lines dedicated to the CEE perimeter.

The service model envisages that certain activities will be carried out at the Vienna branch of UniCredit S.p.A., whereas others will be managed directly at the offices in Milan, in this way achieving synergies whilst still maintaining control over the business and relevant risks.

As at the time of this report, the transaction is under review by the competent Authorities for the relevant approvals.

Transfer of UniCredit Bank Austria AG Pension Fund
In 2015, the subsidiary UniCredit Bank Austria AG ("UCBA") recognised a significant reduction in net liabilities resulting from the cancellation of its obligations referring to defined benefits, due to certain employees transferring over to the public pension system from the Bank's pension fund.

Report of the Board of Statutory Auditors

In particular, during December, UCBA and the Bank's Central Works Council signed an agreement, based on which for almost all employees entitled to future benefits (essentially the current employees covered by UCBA's pension fund) UCBA pension fund was terminated and the rights for future pension benefits were consequently transferred over to the state pension system, referred to under the “Austrian General Social Insurance Act”.

The employees involved will receive a "one-off" amount as compensation for any disadvantage that may arise from the transfer.

Furthermore, UCBA is obliged to make a payment to the extent set by law, in favour of the state pension system in respect of the transfer of the future pension benefits for the employees involved. The amount for this payment was calculated according to the regulations applicable at December 31, 2015, with a corresponding liability stated in the accounts at that date.

The agreement signed with the Bank's Central Works Council took effect in December 2015. The UCBA pension scheme consequently ceases to be effective for the relevant employees as from February 29, 2016.

In terms of the law, the relevant employees have transferred over to the state pension system; whereas the rights will not be transferred and the payments will not be made until the first quarter of 2016, the effects of cancelling the pension scheme and the relevant reduction in the pension contributions were included in the accounts for 2015 pursuant to IAS19.

The Board of Statutory Auditors has been informed that on March 16, 2016 the Austrian Parliament approved a law amending the abovementioned “Austrian General Social Insurance Act”, leading to significant changes in the quantification of the elements used for the calculation of the amounts due by UCBA, with retroactive effect.

The effects of such amendments should be considered in 2016 financial year, pursuant to IAS10.7.

Following the approval of the new industrial plan of UCBA on March 7, 2016 and the ongoing analyses on the recently approved law, the activities aiming to accurately and exhaustively define the subsequent economic and capital impacts are currently underway.

Regulations in Poland
In respect of the subsidiary Bank Pekao, subsequently to the reference date, a law was introduced on January 15, 2016 relating to taxes on specific financial institutions (Journal of Laws of 2016, Pos. 68).

The law governs the taxation of assets of specific financial institutions and came into effect from February 1, 2016.

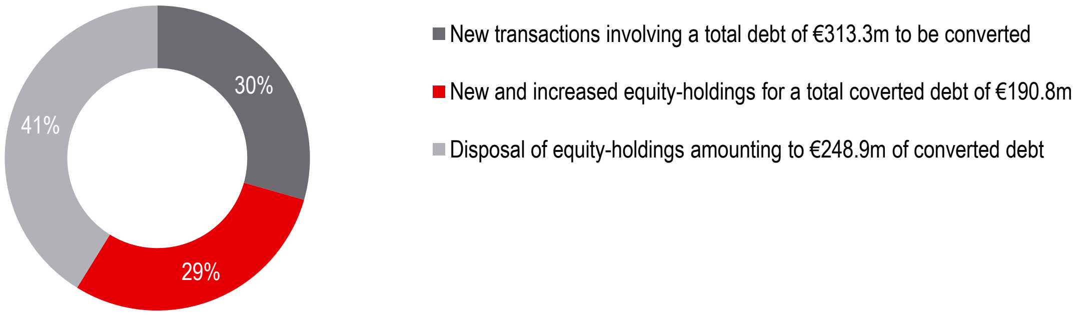
The tax amount that will effectively be paid will depend on the taxable amount that will be calculated at the end of each month. The Bank estimates that the tax burden will be around €9 to €12 million (PLN 40 - 50 million).

Trade Union Agreements
An agreement was reached and signed on February 5, 2016 with the Trade Union Organisations regarding the repercussions of the second phase of the 2018 Strategic Plan for the UniCredit group Italian perimeter. The agreement makes provision for a redundancy scheme with the establishment of an Extraordinary Solidarity Fund with voluntary subscription for 36 months, directed at the Professional Areas and Assistant Managers.

Transactions pursuant to paragraph 136 of the Consolidated Banking Act (TUB)
With reference to the transactions approved by the Board of Directors pursuant to paragraph 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 clients with the same risk profile and belonging to the same economic sector.

Debt/equity Swap Transactions and Reorganisation of Equity-Holdings Portfolio
During 2015:
- 10 new Debt/Equity swap transactions were authorized for a total of €313.3 million debt to be converted;
- 10 new equity holdings were acquired and 5 equity holdings were increased for a total of €190.8 million of converted debt;
- 14 equity holdings were disposed, of which 11 entirely and 3 partially, corresponding to €248.9 million of converted debt.

Debt/equity swap transactions and reorganisation of equity holdings portfolio



5. Compensation Agreement with UniCredit Bank AG

It is worth mentioning that, 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. During the first quarter of 2015, an additional joint review was made of the calculation of the amounts owing. Another amendment was made to the amount already estimated, adding another €1 million to the payment by UniCredit S.p.A.

6. Global Policy on the Principles for the Governance of Transactions Conducted Through Structured Entities

On the basis of the Global Policy "Principles for the governance of transactions conducted through Structured Entities" - approved by the Board of Directors on February 11, 2015 and defining new rules at Group level for the identification of the Special Purpose Vehicles (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 January 21, 2015, and aimed at ensuring the correct application of the Global Policy within UniCredit S.p.A.

The Chief Financial Officer (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 testing, 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 and that they were performing specific activities on this issue.

In 2015, the Board of Statutory Auditors continued to pay 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 Board of Statutory Auditors noted the decrease in the number of SPVs compared to 2014. In particular, as at December 31, 2015, 1,021 SPVs (compared to 1,040 SPVs as at December 31, 2014) for a total exposure of approx. €83.6 billion were recorded. Furthermore, a risk assessment conducted on 726 SPVs with exposure classified 68 SPVs in the higher risk category compared to 76 as at December 31, 2014.

Also in view of the changes following the international accounting standards IFRS10 and IFRS12 coming into effect, the future introduction 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 Consolidated Law on Auditing (Testo Unico della revisione legale dei conti)

With the approval of the Consolidated Law on Auditing (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 audit of the Company and Consolidated Accounts;
iv. the 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

Report of the Board of Statutory Auditors

frame of the control functions set by the regulations with reference to the financial disclosure process.

The reports, issued on March 3, 2016 pursuant to paragraph 14 of 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 December 31, 2015, as well as in compliance with the provisions issued pursuant to paragraph 9 of Legislative Decree 38/2005. The financial statements were prepared based on the instructions issued by Banca d'Italia with Circular No.262/2005, as amended and supplemented.

They are therefore clear and provide a fair and true representation of the financial and capital situation, the result of UniCredit's operations and the cash flows for the year ended on December 31, 2015.

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 paragraph 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 paragraph 19 of the Legislative Decree 39/2010, on March 3, 2016, whose main topics and contents are dealt with and contained in this report.

The External Auditors who met regularly pursuant to paragraph 150, paragraph 3 TUF, for the purpose of sharing information, showed the Board of Statutory Auditors no deeds or events considered censurable or irregularities requiring specific reporting pursuant to paragraph 155, paragraph 2 TUF.

In October 2015, the Board of Statutory Auditors organised a meeting 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 critical issues found. During this 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 September 2015, 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. During the meeting of November 5, 2015 the Board of Statutory Auditors shared the information contained in the report with the IC&RC.

During its meeting in December 2015, the Board of Statutory Auditors examined the Audit Plan regarding UniCredit S.p.A. and the Group subsidiaries, defined by the External Auditors with reference to the 2015 financial statements.

The Board of Statutory Auditors notes the impairment procedure approved by the Board of Directors and the results of the impairment test for goodwill and the other intangible assets as at December 31, 2015, conducted on the basis of the financial forecasts for the 2016 budget and the Strategic Plan approved by the Board of Directors at its meeting held on November 11, 2015.

The test also confirmed the sustainability of the goodwill as at December 31, 2015, both at Group level and at the level of all Cash Generating Units (CGUs) which the goodwill is allocated to, without it becoming necessary to introduce any write-downs 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 cash flows envisaged for the various CGUs and the discounting rates used - 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 constantly 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 December 31, 2015.

In terms of the company financial statements, the impairment procedure specifically necessitated a write-down in the equity investment held in Bank Austria and in UniCredit Leasing, and a re-evaluation of the equity investment in UniCredit Ireland and UniCredit Luxembourg.

The Board of Statutory Auditors notes that the accounting documents reflect the effects of the supervisory action undertaken by the Bank's risk management function, with specific reference to the "unlikely to pay" category, which were put in place in view of the changes to the underlying debt management process. The Bank expects an increase in cash flow from this process.

It is noted further that the net adjustments to receivables in certain non-impaired portfolios includes a review of the methodology used in defining the Loss Confirmation Period (LCP) parameter.

In 2015, this change resulted in more adjustment provisions being made on the above portfolios for a total of approximately €123 million compared to what would have been the case when applying the previous methodology.

This review of the methodology makes it possible to improve the estimate for the systematic finding of the "loss event", intended as the date the counterparty's financial position deteriorated, in accordance with the corporate processes adopted for the internal rating system. The change in methodology was accounted for as a change in calculation pursuant to IAS8.35.

With effect from January 1, 2015, Banca d'Italia revised (7th update to Circular No.272 of July 30, 2008) the classification procedures for regulatory and reporting purposes referring to impaired financial assets, with a view to bringing these in line with the new definitions for Non-Performing financial assets ("Non-Performing exposures") and "forborne exposures", set by the European Commission based on the proposal from the European Banking Authority (EBA).

The new classification method makes a provision, *inter alia*, for impaired financial assets to be divided into bad loans, unlikely to pay and/or past-due loans. The sum of these categories corresponds to the aggregate for Non-Performing exposures. The previously applicable concepts of substandard and restructured loans have been cancelled. The qualification of "forborne exposures" has been introduced.

The Board of Statutory Auditors notes that even though there have not been significant effects resulting from the initial application of the new regulations regarding the overall extent of impaired loans, the volumes of Forborne Non-Performing exposures could trend differently to what would have been the case if the previous risk categories had continued to apply, thus reflecting the differences in the detailed classification criteria compared to the previously applicable definitions.

Specifically, in view of the changes in the regulatory and reporting context, the Board of Statutory Auditors underlines that action is being taken to ensure that the credit process adopts the new classification rules. Furthermore, monitoring is being done on the dynamics of these exposures, and the required reports are being prepared for the Supervisory Authority.

The Board of Statutory Auditors has taken cognisance of the activity put in place during the reference period by Management, aimed at constantly improving credit processes, both in terms of the outcomes of the Asset Quality Review (AQR) conducted by the European Central Bank, and following the recommendations made by this Board, the External Auditors and the Internal Audit function.

Following the review of the loan portfolios conducted by the External Auditors, and the work done by the Internal Audit function on specific request of the Board of Statutory Auditors, the relevant functions in the Bank carried out a review of the accounting figures on individual positions, aimed at checking the adequacy of the classification and assessing the positions classified mainly in the Non-Performing (outstanding by more than 90 days) and "unlikely to pay" (former doubtful and restructured loans) categories.

As regards the stake held in Banca d'Italia, the Board of Statutory Auditors refers to the information provided in the Notes to the consolidated financial statements.

The Board of Statutory Auditors takes note that in its meeting held on July 9, 2015, the Board of Directors authorised the sale of the share capital in Banca d'Italia, subsequent to regulatory amendments that resulted in Banca d'Italia's share capital increasing to €7.5 billion, and the fixing of a maximum limit of 3% for shareholdings held by a single institution or group, with a deadline set within which the portion exceeding said limit needed to be sold.

The equity investment in the Bank Italy was measured at December 31, 2015 at level 2 in the fair value classification, instead of the previous level 3 used for the balance sheet as at December 31, 2014. Initiatives aimed at selling the shares exceeding the 3% limit are underway, with the completion of this process constituting a significant aspect for the sustainability of value in the near future.
The financial statements illustrate the risks, especially the legal and tax related risks, which could have a negative impact on equity in the future.

Specifically, reference is made to investigations underway by the U.S. Authorities regarding alleged regulatory violations of financial sanctions that could result in fines of varying amounts being imposed within a broader framework that will depend on a number of factors.

Investigations are currently in progress, and consequently based on advice from the Bank's lawyers, it is not possible to accurately quantify the final effect. In the Notes to the financial statements, the Bank highlights that while it is currently impossible to identify the format, the extent or duration of any measures imposed by the relevant Authorities, the costs of the investigations, the required remedies and/or payments or other liabilities that may arise, could involve cash flows that could potentially have a significant negative effect on shareholders' equity and the net results of UniCredit S.p.A. (both individually and at a consolidated level) and/or of one or more companies in the Group over any time period.

The Notes also contain information regarding developments in the legal action associated with the well-known Bernard Madoff Investment Securities LLC events.

The Board of Statutory Auditors took note of the letter sent by Banca d'Italia to the banking intermediaries, regarding the indexation parameters on loans with negative interest rates, in which reference is made to the regulations on transparency of contract conditions and the correctness of relations with clients.

In this regard, the Board of Statutory Auditors was informed that investigations are underway by the relevant structures regarding contractual relations with clients, and notes that the External Auditors have highlighted certain auditing differences in this respect.

8. Supervisory Activities on the Independence of the External Auditors

The Board of Statutory Auditors examined the report on the independence of the External Auditors, pursuant to paragraph 17 of the Legislative Decree 39/2010, issued on March 3,2016, which showed no situations compromising the independence or causing incompatibility pursuant to paragraphs 10 and 17 of the above mentioned 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-audit services was paid to the Deloitte network in 2015.

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Non-audit services provided to UniCredit S.p.A. in 2015			
Type	**Entity providing the service**	**Description**	**Amount (Euro/K)**
Certification services	Deloitte & Touche S.p.A	Issuing Comfort Letter (ECB Decision No.2016/656	580
	Deloitte & Touche S.p.A	Comfort letters concerning bond issues (EMTN - OBG)	264
	Deloitte & Touche S.p.A	Certification Reporting Schedules TLTRO	70
	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	63
	Deloitte & Touche S.p.A	Check of translations of consolidated and company financial statements into other languages	28
	Deloitte ERS Enterprise Risk Services S.r.l.	Limited review of the sustainability report	155
Total certification services			**1,171**
Other services	Deloitte Consulting S.r.l	Support to the SPRINT project - Roll out of Models	817
	Deloitte Consulting S.r.l	Remarks Consolidation Framework evolution	161
	Deloitte Consulting S.r.l	Managerial dashboard processes and Risk Assessment	130
	Deloitte Consulting S.r.l	Support for Governance System Project and Reporting Phase II	50
Total Other Services			**1,158**

Subsequent to the issuing of the Global Operational Instruction (GOI) "Management of contractual relations with the Independent Group Auditor", in October 2014, addressed to all the Group's subsidiaries, the Board of Statutory Auditors took note of the disclosure of the non-audit services provided periodically by the Group Cost & Service Management function during 2015.

Subsidiaries gradually incorporated the GOI over the course of 2015, and currently the main companies in the Group have all adopted the GOI.

Independently of the GOI being adopted, and from the start when information was initially being collected, all the companies in the UniCredit Group contributed to sending in the data required and stipulated by internal regulations, in order to allow for accurate monitoring of the costs for services provided by the External Auditor.

Specifically the latter prepared a preliminary and quarterly data flow for the Board of Statutory Auditors, referring to the non-audit services provided by all the entities belonging to the Deloitte network.

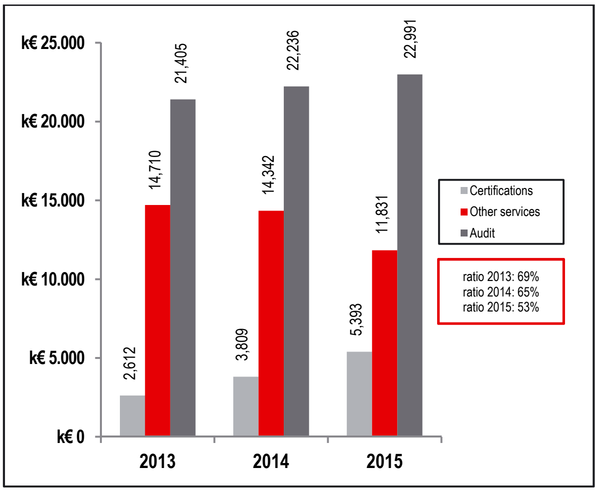
Based on the data collated for 2015, the services provided by the Group's External Auditors amount to approximately €40.2 million, of which €11.8 million refer to non-audit services.

The ratio between the cost of non-audit services 2015 and the three-year average for audit services (2013-2014-2015) came in at 53%, below the limit set by internal regulations (70%). With regard to the planning of non-audit services for 2016, the Deloitte network is currently set to provide services amounting to approximately €11.3 million, resulting in a provisional CAP of 51%. This does not exceed the threshold of 70% at Group level referred to above, and complies with the European Regulation (April 2014).

The Board of Statutory Auditors also received periodic information from the Board of Statutory Auditors of the subsidiary UniCredit Business Integrated Solutions (UBIS) on the procedures for charging for non-audit services that it has requested the Deloitte network to the benefit of other companies in the Group.

With regard to the prospectus concerning the "Disclosure of fees - UniCredit S.p.A. - relevant to the 2015 financial period - Deloitte network", it is noted that compared to the previous period, the costs for services assigned to the External Auditors came down by 5%, whereas at Group level, the costs for non-audit services assigned to the External Auditors were reduced by 18%.

The table below illustrates the trend in the ratio, and what has been provided by the Deloitte network in the first three years of their appointment. This confirms how the ratio between audit and non-audit services has come down significantly compared to 2013 and 2014.



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 paragraph 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 set-up - in terms of accounting policies, as well as of organizational, IT and data governance set-up - the Board of Statutory Auditors recommended:

i. defining general guidelines promoting the reduction of the discretionary power in the application of accounting principles and defining a clearer framework of responsibilities and roles of the various persons involved in the accounting process;
ii. increasing the Parent Company's power to homogenise and control subsidiaries' behaviours and decisions, without undermining their decisional and organizational independence;
iii. promoting 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.

Additionally, the Board of Statutory Auditors has recommended that an additional effort be made to make the internal regulations system more complete and stringent, in order to reduce the discrepancies that exist in the evaluation methods and practices at Group level.

Within the scope of ongoing improvements to the internal regulations system, the Board of Statutory Auditors notes the issuance of the "Data & Information Policy" Global Policy, the "Group Intercompany Transfer Pricing Guidelines" Global Policy, the "Certification and Declaration on the Internal Control System and Financial reporting for compliance with the Italian Law on Savings (Law 262/05 - Manager in charge)" Global Policy and the updates to the "Manual of Accounting rules and principles" Global Policy.

As far as the credit classification and evaluation processes included in the current internal regulations framework in implementing Law 262/2005 are concerned, the Board of Statutory Auditors recommended formulating a structured process aimed at incorporating any accounting adjustments resulting from the audit conducted from time to time by the Internal Audit function and/or those carried out by the Supervisory Authorities, which include, where necessary, a report with the reasons for the failure to make adjustments or doing so only partially.

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. This requirement is exacerbated by the important regulatory innovations 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.

The Board of Statutory Auditors has noted with regard to the establishment of the role of Chief Data Officer (CDO), as from May 2015, who reports to the Chief Operating Officer (COO), that the relevant Group Data Office is currently being established and will be introduced over several phases; the last of these is expected to be completed in 2017, with the concentration of activities associated with the production and certification of data, separated from the use and analysis of data that will remain under the Business functions.

In this sense, the Board of Statutory Auditors deemed it essential to complete the managerial set-up to ensure the quality, consistency and timely availability of data as soon as possible.

With regard to the creation of the Finance & Risk Platform Convergence (DataWarehouse), aimed at establishing a "single point of information" shared between the CFO and GRM functions, the Board of Statutory Auditors has noted the update received from the Group Data Office function relating to the activities carried out in 2015 and those planned for 2016.

The Board of Statutory Auditors has further taken note that the "Square" application has been replaced by "Libra", leaving the chain that feeds data into the current systems unchanged, likewise with the general accounting tool, and the application used for supervisory reporting. In this sense, the Board has urged that the utmost commitment be given to improving the timing and quality of data to also comply with the Supervisory Authority's requirements.

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Furthermore, 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 regard to these significant legal risks, the Board of Statutory Auditors refers to the information provided in this regard in the Notes to the financial statements.

During periodic 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 periodic meetings aimed at exchanging information, as well as in the report prepared pursuant to paragraph 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 December 31, 2015 pursuant to paragraph 81-ter of Consob Regulation No.11971/1999, as amended and supplemented, which recalls paragraph 154 bis of TUF.

The staff of the Manager charged with preparing company's financial reports as at 31 December 2015 was composed of 8.5 FTEs within the "Accounting & Regulatory Reporting" Department.

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 2015.

During 2015, the staff of the Manager charged with preparing the company's financial reports was also assigned with coordinating the activities pertinent to Italian Law 231/2001 and the controls required in terms of Banca d’Italia Circular 263/2006 now transferred to Circular 285/2013.

The Board of Statutory Auditors has recommended further strengthening 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.

Specifically, the areas for improvement refer mainly to replacing manual activities that are still being carried out in structure operations, to completing the identification of key figures responsible for end-to-end processes, to implementing computerised reporting/procedures aimed at improving the production and control activities currently undertaken manually.

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 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 2015 Report of the Internal Audit function, and the document “Annual Report on the Group Internal Control System Managerial Assessment results for 2015”.

Based on the activities performed in 2015, the effectiveness of the Internal Control System (ICS) was rated overall as “satisfactory”, both in UniCredit S.p.A. and at Group level. This was apparent from the positive ratings for most of the Groups' companies, including UniCredit S.p.A., UniCredit Bank AG, UniCredit Bank Austria AG and Bank Pekao that represent about 96% of the Group's total assets.

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. In this regard, the Board of Statutory Auditors has noted the sale of this shareholding.

Likewise, an “unsatisfactory” rating was also given by the ICS in respect of Yapi Investment and Yapi Factoring. On this issue, due regard must be taken of how the steering and coordination function carried out by UniCredit must necessarily take into consideration the other parties involved in the Yapi Kredi chain of command, given that this is a joint venture between the Koç Group and UniCredit.

In any event, the Board of Statutory Auditors has recommended greater control in terms of monitoring the internal control system, and Management's reactivity to closing correction interventions.

The Board of Statutory Auditors notes that in view of the improvements achieved in many risk areas, the Internal Audit function has assessed the ICS at UniCredit Leasing S.p.A. and I-Faber S.p.A. as "satisfactory".

Special attention must be given to managing internal credit models (where shortfalls were found in governance, data quality and development and validation activities) and workout processes, the classification and evaluation of loans (where the need has been identified to improve internal rules, controls, data quality, and IT support).

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. In view of the above, in spite of the progress made, the amount of delays in the implementation of some corrective actions was an area of attention highlighted by the Board of Statutory Auditors.

Given the objectives of a strategic plan, which from the perspective of the current trend in interest rates and the related repercussions on operating income focuses on the corporate activities directed at achieving commissions and income from savings management, the Board of Statutory Auditors hopes that the internal control system will identify, evaluate and adequately monitor the risks associated with complying with the rules of conduct. This also because consideration must be given to a legislative and regulatory context that is continually changing, especially with regard to the MiFID II regulations, anti-money laundering, usury and market abuse and the main initiatives aimed at ensuring adequacy and accuracy in management and statutory reporting.

The Board of Statutory Auditors further recommends strengthening the steering, coordination and control role played by UniCredit S.p.A., this also from the perspective of the stringent management and maintenance of risk models, and fully utilising the potential of IT systems for strategic governance and in the Group's management and control activities. Adequate resources should also be assigned to this objective, in line with actual requirements, and in the light of outsourcing technological infrastructure systems.

The Board of Statutory Auditors has taken note of the outcome of the summarised document on the adequacy and costs of the ICT system, which was prepared in accordance with chapter 4 of Banca d’Italia Circular 285.

The assessment made of the system appeared to adhere to the requirements referring to the high level of complexity, as the Bank has managed to complete the initiatives undertaken to remedy most of the gaps that had emerged in the past.

Additional improvements seem necessary in the field of IT security, mainly due to the still not-fully satisfactory management of access rights. Special attention also needs to be given to the risks associated with cybercrimes and the initiatives directed at ensuring that services levels are optimised in terms of resilience.

The Board of Statutory Auditors welcomed the implementation of an ICS Master Plan falling under the responsibility of Strategy & Finance, 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 under way and the

implementation status of remediation plans for the consolidation of the system effectiveness.

The Board of Statutory Auditors has taken note of the progress made in 2015 regarding the initiatives focusing on further strengthening internal control system, which referred specifically to:
- consolidating competencies and the risk management culture; strengthening the completeness, timeliness and accuracy in data management, which is one of the main elements used by the Supervisory Authorities for ongoing assessment (based on the increasing data flows and greater timeliness);
- 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;
- rendering control system costs more efficient, focusing on additional developments in the company's IT system, redesigning processes and on functional coordination.

The benchmarking activities by the Internal Audit Function, which are carried out with the support of an independent consultant, confirmed that operational methodologies and practices are in line with what has been put in place by the leading reference peers.

Finally, the Board of Statutory Auditors examined the 2015 Report of the 231 Supervisory Body on the implementation of the organizational and managerial model adopted by UniCredit S.p.A. pursuant to Legislative Decree 231/2001. The Board of Statutory Auditors notes that July 2015 saw the completion of the project to revise the Model, which resulted in a new approach being adopted for defining decision-making Protocols. This has gone from an "organisational structure" format to a new outlook based on “sensitive processes”. The Supervisory Body has consequently drawn up the annual programme for audits and monitoring during

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2016, based on the new “per process” protocols. In its report, the Supervisory Authority decided to also conduct a check on how complete and comprehensive the current organisational and management Model is. Based on its controls and activities during 2015, the Supervisory Body found no significant irregularities.

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 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

At the date of this Report, the Board of Statutory Auditors notes that the structures responsible are assessing the adequacy of the Group's capital (ICAAP), as well as the overall functioning of the internal process and liquidity risk management system (ILAAP). With reference to the latter, the Board of Statutory Auditors underlines the importance of promptly meeting the deadlines set for fully implementing the actions aimed at improving the Group's liquidity governance system's effectiveness and efficiency, with special regard for the standard application of Group policies across all participating entities. Attention should also be given to completing the **Risk Appetite Framework and Internal Transfer Pricing Framework** with reference to the liquidity risk and funding aspects, as well as bringing the remuneration and incentives systems for staff in line with the objectives of prudent liquidity management. Also important is increasing the focus on data quality and standardising of IT systems with a view to collecting data pertaining to liquidity, and reviewing the Stress Testing Framework.

Credit Risk

The Board of Statutory Auditors noted the rating provided by the Internal Validation Function on the Group IRB systems, which were considered overall compliant with the regulatory requirements and partially adequate on the basis of internal standards, pending the completion of the authorisation procedure necessary to the change proposals to the rating systems that has already been submitted to the European Central Bank, with the aim of further improving these systems.

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 Supervisory regulations and the Group's internal rules.

The Board of Statutory Auditors is of the opinion that the changed external reference context, both in terms, inter alia, of negative interests, and the increasing complexity of the regulatory framework, including the decisive work done by Supervisors, will create a significant impact on the development of credit risk systems at Group level, taken as a whole.

In addition, continual updates to the regulatory framework contribute to increasing the current complexity of authorisation processes to approve substantial changes to existing models, or for new rating models, as well as the relevant maintenance.

In this context, 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 must continue to receive the full attention and commitment of the Board of Directors and the relevant Top Management.

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.

While welcoming the fact that Management is fully cognisant of the issues highlighted and has for some time being working towards resolving these, the Board of Statutory Auditors has asked that the relevant structures provide full support to all the functions involved at different levels in improving the qualitative and quantitative profiles of IRB systems, by also ensuring adequate human and technological resources, to ensure the success of the corrective measures planned by UniCredit S.p.A. and the Group.

The Board of Statutory Auditors noted that as in the past, the general functioning of the rating systems in place was still not at fully satisfactory levels in respect of the objectives that should be set for a complex Banking Group of systemic relevance like UniCredit.

Specifically, while underlining the weaknesses that emerged with regard to the management and governance processes for the IRB Rating Systems, both Group Wide and locally, and urging the relevant functions to continue with their concerted effort to implement all the necessary corrective measures, the Board of Statutory Auditors considers the timely harmonisation of the Group's IRB systems, both in terms of design, as well as validation and the subsequent application to be absolutely essential.

Finally, in the opinion of the Board of Statutory Auditors, it is especially important that the required overall strategic connection be made among all the managerial and corrective actions in progress, the existing activities and those to be implemented in relation to the application of the model change and/or extension of perimeters, whilst always keeping in mind the ongoing and necessary attention that must be paid to the introduction of new regulations (e.g. the new technical standards issued by the EBA), to ensure a single managerial connection - with this also from the perspective of achieving the objectives set by the Strategic Plan, as revised during November 2015 - and with developments in this regard demanding periodic perusal by the Board of Directors.

In so far as events pertaining to corporate officers covered in the press during 2015 are concerned, whilst highlighting the need for a better understanding of the dynamics in evaluating loans and their processing in managerial and accounting terms, the Board of Statutory Auditors promptly became involved and conducted a series of in-depth meetings and analysis with the relevant corporate structures - in particular with the Chief Risk Officer. Following these, the Board has taken cognisance of the actions undertaken to ensure greater control over credit risk.

More specifically, the Board of Statutory Auditors noted:
- the completion of the monitoring that had already been introduced from the beginning of 2015 by the Group Risk Management Function, in particular on the perimeter of doubtful loans and positions undergoing restructuring, so as to improve the classification of credit positions and guarantee that bad positions are promptly classified and managed;
- the organisational changes and rationalisation completed and under way, which focuses on the structures involved in credit processes (including, Special Network Italy, CRO Italy, with deliberative powers for the performing portfolio, management of the Non-Performing portfolio and underwriting of the non-core portfolio);
- the improvements in controls over the quality of documents in credit files;
- the thorough work regarding the change in flows from substandard to bad, shared and discussed with the External Auditor, and the evaluation methodology and accounting of time value on doubtful loans, as well as the outcome of the backtesting done on the Loss Confirmation Period parameter;
- the outcome of the checks relative to individual credit positions, including those specifically requested by the Board of Statutory Auditors, and carried out by the Internal Audit function and External Auditors.

Whilst appreciating and recognising the commitment of the Group Risk Management Function in implementing significant improvements aimed at strengthening the credit risk management system, the Board of Statutory Auditors recommended keeping a strong focus and control over Non-Performing loans, also in view of the many requirements stipulated by the regulatory changes.

In spite of the non-negligible proliferation of regulations, instructions and indications issued by the competent supervisory and control Authorities - which constantly lead UniCredit's internal organisational structures to positively strive for compliance within the respective areas of competence - according to the Board of Statutory Auditors, the Board of Directors should constantly supervise data quality for the purpose of a better representation of individual events, as well as of their classification, monitoring and analysis.

The Board of Statutory Auditors noted that an adequate level of control has been achieved regarding the risks inherent to the management and governance process for the Alpha Portfolio, with most of the corrective measures required by Management already implemented.

As far as the consolidation of internal rules is concerned, the Board of Statutory Auditors noted that during its meeting held on December 17, 2015, the Board of Directors approved the Global Policy on the "Guidelines on Loan categorization and Forbearance classification", which incorporates the new classification categories for credit exposures introduced by the EBA. In this sense, the Board of Statutory Auditors hopes that the different local practices will soon be harmonised so that reporting and data at Group level can be homogenised.

The Board of Statutory Auditors noted further that the Board of Directors, during its meeting of February 9, 2016, approved the Global Policy on the "Group Credit Risk Management Framework". Finally, a "Group Credit Risk Governance" Department has been established that reports directly to "Group Risk Management", which is responsible for developing models, defining the standard for credit processes and the architectures of data used.

The Board of Statutory Auditors believes that these interventions will serve to further strengthen the steering by the Holding company, and ensure a homogenous and consistent approach at Group level regarding credit risk issues, to correspond with what is required by the regulatory framework.

Market Risk
The Board of Statutory Auditors noted the "partial" and "adequate" 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.

Whilst recognising that current interest rates are significantly distorting regulatory measures in the current market, and that in order to deal with the negative interest rate regimen, the Group Risk Management Function has improved the model used for managerial purposes, and has asked for the Supervisory Authority's authorisation to change the model, the Board of Statutory Auditors nonetheless observes that the calculation for Risk Weighted Assets (RWA) is currently negatively influenced by the need to bring the current model in line with the new market context.

Once the European Central Bank has approved the change in the model, which the Board of Directors had approved on January 13, 2016, the regulatory model will be able to correctly and comprehensively capture market risk.

The Board of Statutory Auditors noted that the internal model used for managerial purposes, which varies from the regulatory model only in the generation of scenarios being configured differently, is nonetheless capable of correctly representing market risk.

With regard to the findings of the previous audit, the Board of Statutory Auditors noted the corrective measures that Management implemented to resolve the shortfalls found in the independent price verification process (IPV) in terms of governance, organisational controls, methodology framework and control processes.

The Board of Statutory Auditors noted the outcomes of the assessments and analyses performed by the Internal Audit Function relating to the management of the currency risk associated with the activities of the Commercial Bank of the subsidiary UniCredit Bank AG, which highlighted the need for a more effective management of said currency risk. In this regard, the Board of Statutory Auditors recommended promptly putting in place the effective controls provided by the procedure that would ensure recognising the exchange risk, measuring it and reconciling the accounts, in addition to setting the relevant hedging strategy.

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Furthermore, the Board of Statutory Auditors noted that with reference to the guidelines on managing interest rate risk resulting from non-trading activities, which were issued by the EBA on May 22, 2015 and come into effect from January 1, 2016, the procedure for the relevant adoption within UniCredit is still underway. The Board of Statutory Auditors within its remit recommended that a detailed plan be prepared on the measures that need to be undertaken as soon as possible to comply with regulations. In addition, the Board underlined that controlling costs could not make it difficult for the control functions to carry out mandatory regulatory requirements.

Whilst taking cognisance of the complex regulatory framework and the current external situation, the Board of Statutory Auditors recommended that the relevant structures have sufficient resources to guarantee that actions are completed within the envisaged time frames and that the current activities aimed at further strengthening the internal control system to manage market risks, be completed as soon as possible and in compliance with planning, and specific monitoring is undertaken by the corporate functions responsible.

Operational Risk

The Board of Statutory Auditors noted that the European Central Bank, in the second half of 2015, conducted two on-site inspections to verify the status of the activities carried out by UniCredit -following the authorisation by Banca d'Italia to make qualitative and quantitative adjustments - starting from July 2014 - 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, governance and the IT infrastructure.

In spite of welcoming the efforts made, the Board of Statutory Auditors recommended a further consolidation of the management and monitoring role of the Group risk indicators and the monitoring and reporting activities connected to the same; moreover the Board also recommended a further enhancement of the coordinating and monitoring role of the Group Operational Risk Management Department, in order that it may be more incisive in requesting that companies, in particular the German Sub-Holding, apply full uniformity and coherence in the construction and change of risk indicators.

Finally, the Board of Statutory Auditors recommended giving due attention to the areas for improvement identified by the Internal Audit Department in the context of single audits made and directly linked to operational risk (such as, for example, contracts, internal control systems and internal regulations in reference to the management and monitoring of activities relative to subsidised credit processes, salary-backed loans, payment delegation and the operation of distribution networks).

Furthermore, 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 be periodically monitored.

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 January 13, 2016, approved the 2016 Action Plan of the Group Risk Management Department of UniCredit S.p.A., developed in continuity with the 2015 strategy.

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 and the increasingly central nature of its role in the context of supervision, 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.

In this regard the Board of Statutory Auditors noted with appreciation the "Risk Governance Project", aimed at reinforcing the management and coordination departments and promoting the harmonisation and simplification of credit risk and financial risk at Group level, with particular reference to RWA management.

In reference to the implementation, from January 1, 2016, of the principles of "Risk Data Aggregation & Reporting" issued by the Basel Committee on Banking Supervision, the Board of Statutory Auditors noted the status of the project by the PERDAR Group, launched in October 2013 to ensure compliance with the regulatory provisions aimed at effective risk data aggregation and reporting. The Board noted in particular that the Bank confirmed its ability to fulfil the commitments in line with the planning of the PERDAR project. It also noted that the Board of Directors - in the meeting of December 17, 2015 - approved the relative "Risk Data Aggregation and Reporting" Global Policy.

Similarly, given the key significance of the definition and monitoring dynamics for compliance with the Risk Appetite parameters, the Board of Statutory Auditors noted the amendment to the Group Risk Appetite Framework Global Policy, aimed at making certain improvements to the escalation processes in regards to Key Performance Indicators relative to the Supervisory Review and Evaluation Process.

Compliance Risk

The Board was informed by the Compliance Department that, in terms of the evaluation of potential compliance risks, at Group level and with reference to Companies under Italian law - including UniCredit S.p.A. - and the key foreign Companies, the overall situation had improved in comparison to the end of 2014, with a significant reduction in risk levels. The monitoring and guidance process on sensitive compliance issues by the Parent Company is constant and continuous and takes place through direct relations between the Group Compliance Officer and local Compliance Officers and cooperation with the Compliance departments of the Parent Company and the other LEs.
Taking into account the substantial implementation of the 2015 Plan, the activities carried out, the results of the Risk Assessment and the Second Level Controls, the Board notes with appreciation the essentially positive opinion expressed by the Compliance Department with regards to non-compliance risk management.

In order to further enhance the guidance, support, coordination and monitoring role of the Group Compliance departments, in 2015 the "Group Compliance Framework" was amended and various organisational adjustments were made.

The Board of Statutory Auditors notes that the progressive enhancement of the procedures and control mechanisms enable a progressive improvement of the second level control system and a homogeneous compliance culture at Group level.

UniCredit, with reference to the Compliance Department, adopted an indirect control model for non-compliance risk in addition to existing specialist controls.

The Board of Statutory Auditors was informed of the internalisation project of the Compliance Department in FinecoBank S.p.A., whose activities are currently subject to a centralisation contract with UniCredit S.p.A., to be completed over the course of the first half of 2016.

In particular, in 2015 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 department.

The Board of Statutory Auditors recommended that the Compliance Department should continue its effort by promoting the growth of the compliance culture and of controls within the Group.

The Compliance Department effectively developed the methodology of the Quality Assurance Review (QAR) - which had been adopted previously - for a periodic quality assessment in terms of the achieved level of standard compliance risk and the effectiveness/efficiency of Compliance procedures.

In 2015 the QAR activity predominantly focused on the simplification of the processes and methodology, the enhancement of the scope of the QAR with extensions to entities within the CEE and subsidiaries in Italy, and the enhancement of the monitoring of corrective actions agreed with local and group departments.

The 2015 QAR Plan was completed in terms of the defined objectives and achieved the improvement of three cycles of Quality Assurance on the regulated areas of Anti-Money Laundering, Market Abuse and the Company Assurance process, as well as an additional Anti-Money Laundering measure in Romania. The activities confirmed total compliance on the part of the Subsidiary Companies to Group standards.
In compliance with Circular 285/2013 and with the aim to define a risk appetite level on the non-critical residual compliance risk, during its meeting of February 9, 2016 the Board of Directors approved the

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2016 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.

In addition to residual activities from 2015, the Plan includes the principle initiatives aimed at managing and mitigating the key non-compliance risks to which the Bank is exposed, taking into account any limitations relative to the IT budget.

In this respect, the Board of Statutory Auditors highlighted the need to avoid that such limitations regarding a control department might hinder the compliance with regulatory provisions.

The Board of Statutory Auditors noted that the Board of Directors, in the course of 2015, approved the “Personal Account Dealing” Global Policy, the “Group Compliance Framework” Global Policy and the amendment to the “Reporting of Unlawful Conduct” Global Policy (“Whistleblowing”) in compliance with the dispositions of Banca d’Italia Circular 285/2013 11th amendment, which introduced specific requirements on the issue in question.

In reference to usury, the Board of Statutory Auditors noted the continuation of activities included in the 2015-2016 Usury Plan and recommended that the Management pay constant attention to the completion of the activities detailed in the plan according to the definitive deadlines and to promptly implement any opportune corrective action in response to criticism noted by the Internal Audit Department.

The Board of Statutory Auditors also noted that, following events relating to Company representatives reported in the press in 2015, activities for the resolution of anomalies impacting the annual percentage rate were continued and subjected to *contingency* measures.

The Board of Statutory Auditors noted with appreciation the slight decrease in complaints regarding compound interest and usury by the Bank over the course of 2015 and, in this regard, urged the Claims, Compliance and Internal Controls Departments to conduct constant monitoring in order to define additional improvement measures for processes and procedures.

In particular, the Board of Statutory Auditors recommended a suitable time frame for internal compound interest processes and procedures with regards to the relative resolution of the Interministerial Committee for Credit and Savings, as soon as said resolution is issued.

As a result of the still persisting areas for improvement, an action plan drafted by the Compliance and Security Departments is in progress with reference to privacy regulations, which should be more incisively controlled in order to avoid the risk of inappropriate processing of clients’ personal data, with particular reference to information delivery and the collection of authorisations.

In the regulatory framework of the current MiFID Directive, providing for client-focused 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 noted the continuation of scheduled activities aimed at the implementation of new revisions in the MiFID framework of Directive 2004/39/EC which shall come into force on January 3, 2018.

The Board of Statutory Auditors noted that the Board of Directors - at the meeting of June 11, 2015 - approved the resolutions relative to the implementation of the CONSOB notification on the distribution of complex financial products to retail customers.

The Board of Statutory Auditors, within its sphere of competence, recommended the implementation, within the established time frames, of the necessary adjustments as well as the enhancement of the controls for compliance with the new provisions.

The Board of Statutory Auditors, with regards to the commercialisation of products, noted with appreciation the measures put in place by the Management which, combined with the activities of the Transparency Program (established in September 2014), determined a significant risk mitigation, particularly of a reputational nature. The Board of Statutory Auditors did however find the persistence of some criticisms, with reference to which it underlined the necessity that the excessively manual technique by which new products are issued should be promptly overcome through the use of an appropriate IT system. Furthermore and with particular reference to the process of assigning Bonds/Certificates to clients, the Board of Statutory Auditors recommended the intensification of contractual controls as well as the regulation of dispositions issued to clients, a necessary and essential condition to ensure the legal certainty of judicial transactions.

Following the news relating to the resolution of four Italian banks in financial collapse (Banca delle Marche, Banca Popolare dell’Etruria e del Lazio, Cassa di Risparmio di Ferrara, CariChieti), the Board of Statutory Auditors requested further information as regards the subordinated instruments issued by UniCredit S.p.A.

In this regard, the Board of Statutory Auditors noted that the offer of subordinated instruments on the primary market, carried out in combination with consultancy services, was subject to compliance controls for suitability and adequacy.

The Board of Statutory Auditors also noted the significant reduction in the assignment of subordinated bonds to retail clients in comparison with those aimed at institutional investors.

The audit activities conducted in the second part of 2015 found the presence of some areas for improvement relative to processes and procedures in place to ensure compliance with the intergovernmental agreement FATCA. Although a remediation action plan was defined, the Board of Statutory Auditors recommended the implementation of an appropriate management framework for procedures, roles and responsibilities. Furthermore and in consideration of the new Common Reporting Standard regulation developed by OECD in collaboration with the Tax Authorities of member countries, the Board of Statutory Auditors urged the company departments to promptly implement a swift resolution to the shortcomings found in the first and second level control and data quality systems.

On the subject of anti-money laundering, with regards to the results achieved through the improvement of control measures, the Board of Statutory Auditors recommended a further commitment to increase the adherence of the Bank's operations to the dispositions issued by Banca d'Italia, calling for the active consolidation of the rules of conduct in every process phase, with particular reference to corresponding banking activities. The Board of Statutory Auditors believes that the changeable nature of the threats posed by money laundering and the financing of terrorism, facilitated by the continual evolution of technology and means at the criminals' disposal, requires that the Bank undertake continual adaptations to the preventative controls according to a risk-based approach.

The Board of Statutory Auditors noted that, on the date of this report, self-assessment activities on the risks of money laundering and the financing of terrorism were in progress, as requested by Banca d'Italia in October 2015. The outcome of such investigations should be included in the Annual Report of the Anti-Money Laundering Department submitted to Banca d'Italia, which to date is not yet completed.

The Board of Statutory Auditors also recommended further improvements of due diligence activities by the network, with particular reference to the correct identification of the beneficial owner, overcoming 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.

The Board of Statutory Auditors noted that the Board of Directors, during its meeting of July 9, 2015, approved the updated version of the "Anti-Money Laundering and Fight against the Financing of Terrorism" Global Policy.

The Board of Statutory Auditors noted that in the month of August 2015 the new "Group Anti Financial Crime Compliance" unit was formed, with the aim of adequately managing the complexity and continual evolution of the international regulatory framework and enhancing coordination at Group level.

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 continuing to ensure the highest cooperation level with the various US authorities

In this regard, the Board of Statutory Auditors noted the status of Project Alba (launched in 2014) which aims to conduct internal investigations into UniCredit S.p.A to specifically assess past compliance with US sanctions legislation and regulations and to centrally coordinate similar projects launched at a local level within UniCredit Bank AG (project FAUNA, launched in 2011) and UniCredit Bank Austria AG (project MOZART, launched in 2014).

The Board of Statutory Auditors also noted with appreciation that, parallel to the internal investigations, a "Group Remediation and Enhancement Plan" was drafted to ensure that the entities of the Group included within the perimeter comply with international sanctions standards, with the aim of implementing all risk mitigation measures for non-compliance to US sanction regulations, in accordance with the results of the internal investigations.

In order to mitigate the inherent risk, the Compliance Department implemented a series of control measures, such as check lists and monitoring of performed transactions, through the issue of opinions on the applicable legislation, whose constant implementation was 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 Department prepared a five-year Audit Plan (2016-2020) prioritising the Bank processes and activities with the highest level of risk.

The Long Term Audit Plan is updated annually on the basis of the risk assessment and the subsequent identification of the main internal and external risks to which the Group is exposed.

With reference to the audit activities planned for 2015, the Board of Statutory Auditors noted that the Internal Audit Department 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 criticisms.
The Board of Statutory Auditors examined the guidelines for the definition of the Group Audit Plan for 2016, which do not only cover the main Group risks but also consider the constraints arising from the regulations in force. The 2016 Audit Plan, an integral part of the

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5-Year Plan, in accordance with the most significant risks of 2016, was later approved by the Board of Directors during the meeting of January 13, 2016.

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 Organisation Department. The organisational structure of the Group reflects a model which ensures the autonomy of local Countries/Banks for specific activities, in order to ensure maximum proximity to the customer and efficient decision-marking processes, maintaining a divisional structure in terms of the governance of certain businesses/products and a global control system of supporting corporate departments, aimed at ensuring the homogenisation of rules and procedures.

The document highlighted the existence of:

i. an organisational chart and the relevant company regulation detailing the roles and responsibilities of the organisational departments;
ii. a well-structured system of delegates, used in compliance with the defined roles and powers assigned to each of the relevant departments/committees;
iii. company regulations for the governance by UniCredit S.p.A. in terms of its guidance, coordination and control functions over legal entities of the Group;
iv. company regulations governing the performance of activities by each managerial department.

The document also provides an assessment of the appropriateness of the UniCredit S.p.A. organisational structure.

The Board of Statutory Auditors noted that over the course of 2015 the Organisation Department reviewed its risk processes evaluation model, launching a series of measures aimed at enhancing the methodological implementation of Group processes and the awareness of managerial responsibility attributed to the relevant departments.

Within the framework of a more incisive role compared to the past played by the Organisation Department as a result of its co-responsibility in process design, the Board of Statutory Auditors, while appreciating the efforts made, recommended completing the activities in progress 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 was recommended.

The Board of Statutory Auditors underlined the importance of moving towards the homogenisation of the taxonomy processes between the various company departments and a unified critical analysis methodology for the processes themselves, a central issue which not only concerns the Organisation Department but also, more generally, the business model and the management and coordination ability of the Parent Company, which may be carried out only through the homogenisation of processes and conduct methods.

The following activities are particularly significant:

- enhancement of the management process of Global Rules to consolidate the governance of the Parent Company over the same departments of the legal entities;
- enhancement of the governance of the Legal Group and Compliance Group;
- formation of the Group Data Office in order to enhance the responsibilities of company data management;
- the ongoing processes aiming to strengthen the cooperation model between GRM and CFO;
- enhancement of the regulations and processes of the consolidated financial statements;
- the Group Disaster Recovery programme.

In compliance with Banca d'Italia Circular 285, which requires the strategic supervision department to be informed on at least a yearly basis of the adequacy of the provided services and the support of such services to the evolution of company operations in relation to incurred costs, the Board of Statutory Auditors noted the "Summary Document on the Adequacy and Costs of the ICT", presented to the Board of Directors in September 2015, which gave an assessment that the adequacy of ICT systems of UniCredit S.p.A was in line with expectations.

The Board of Statutory Directors also noted that, following events regarding company representatives reported in the press during 2015, the Chief Operating Officer continued the review of the control systems launched in 2014, updating the internal regulations and launching a series of initiatives in 2015 aimed at redesigning processes and modifying central and peripheral systems in order to implement a consolidated and efficient process. In this regard, the

Board of Statutory Auditors requested an assessment by the Internal Audit function, which is currently underway.

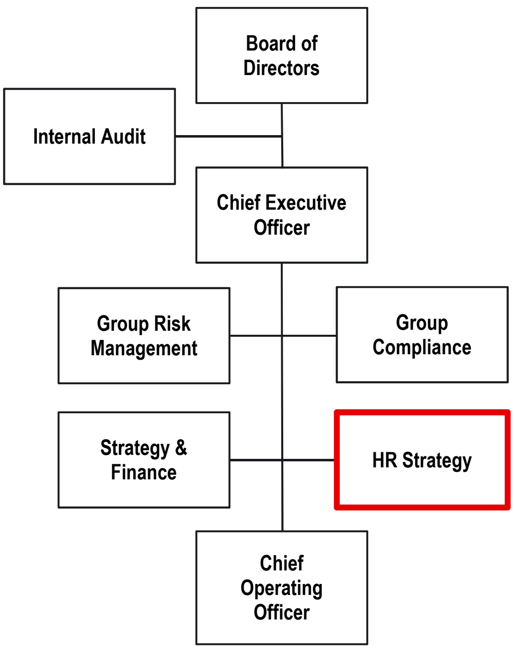
The Board of Statutory Auditors noted that certain managerial and organisational changes were made in the course of 2015. In particular, the Board noted that within the framework of continued streamlining of the organisational structure, the rationalisation of corporate processes and the simplification of Group governance, the role of the Director General was not replaced, with the contextual reallocation of the responsibilities and activities to other executive positions in the Bank (Managing Director, Deputy General Managers and Country Chairman for Italy).

Furthermore, in 2015 the Board of Directors considered the creation of a new position of Deputy General Manager to oversee the Strategy and Finance area.

Finally, to enhance the supervision of the internal control systems, as well as to simplify the organisational structure of the managerial Committees, the new "Group Risk & Internal Control" Committee was formed, enabling a more effective discussion and a greater connection between the risk management aspects and control procedures, as well as promoting a more integrated flow of information to the IC&RC.

Based on the examined documentation and on the information collected during the performance of supervisory activities, including in view of the specific observations made by Fondazione Cariverona, the Board of Statutory Auditors rated the overall organisational model as satisfactory.

14. Remuneration Policy



The Board of Statutory Auditors noted that during the meeting of March 10, 2016, the Board of Directors approved the "Group Remuneration Policy 2016" document and the relative illustrative Directors' Report, to be submitted to the Shareholders' Meeting. This document defines the principles and standards used to design, implement and monitor the Group remuneration systems, which appear to be substantially similar to those of the previous year.

With reference to the remuneration policy, the Board of Statutory Auditors noted that compared to what was approved at the Shareholders' Meeting of May 13, 2014, for staff belonging to the Business departments the implementation of a maximum ratio of 2:1 between the variable and fixed remuneration rate was not changed.

For the remaining part of the staff, a maximum ratio between variable and fixed remuneration of 1:1 is ordinarily adopted, with the exception of staff in the Company Control Departments, for whom the fixed rate of remuneration is the main component of total remuneration and the incentive schemes are in line with the assigned tasks as well as independent from results of the areas under their control.

The confirmation of the adoption of a ratio of 2:1 between variable and fixed remuneration demonstrates that said structure has no implications on the Bank's capacity to continue to comply with all prudential rules, in particular capital requirements.

However, in line with the forecasts issued by the European Central Bank on December 17, 2015, the Board of Statutory Auditors recommended a prudential approach to variable remuneration in terms of capital requirements in order that the Bank may apply a remuneration policy which is consistent with a conservative and linear move towards fully-loaded capital requirements.

With regard to the dispositions of Banca d'Italia for the application of a maximum ratio of 33% between variable and fixed remuneration for Company Control Departments, the Board of Statutory Auditors noted that necessary investigations are in progress to define the opportune actions to be undertaken, taking into account that the EBA published, on December 21, 2015, the "Guidelines on sound remuneration policy" document.

The Board of Statutory Auditors noted the report issued by the Internal Audit Department, "2015 Remuneration Policies and Practices", which was rated "satisfactory".

The Board of Statutory Auditors noted that the Board of Directors approved the "Group Incentive Scheme 2016" with confirmation of the bonus pool approach and a "Long-term Incentive Scheme for the Managing Director, Deputy General Managers and Heads of Control Functions".

With regard to the provisions of the Supervisory Authority as regards remuneration and incentive schemes, the Board of Statutory

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Auditors verified that the remuneration policies and practices adopted by UniCredit S.p.A. were appropriate and complied with the regulatory framework.

In particular:
- the bonus pool approach complies with current provisions on remuneration and incentive policies and practices, and with the 2015 Group Compensation Policy approved at the Shareholders' Meeting on May 13, 2015;
- 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;
- the performance target achievement was documented and assessed by the Remuneration Committee;
- the assessment process carried out complies with the applicable regulatory framework;
- the proposed bonus amounts are consistent with the assessment submitted to the Board of Directors and fall 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 capitalisation.

The Board of Statutory Auditors noted that the Board of Directors also approved the bonus payouts for 2015, having consulted the Board of Statutory Auditors in its area of competence.

15. Board of Statutory Auditors' Additional Activity and Information Requested by CONSOB

In the performance of its duties, as prescribed by paragraph 2403 of the Civil Code and paragraph 149 of the TUF, the Board of Statutory Auditors:
- verified 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 complies with the Self-Discipline Code promoted by Borsa Italiana S.p.A. and has produced, in accordance with paragraph 123-bis of the TUF, the annual "Report on Corporate Governance and Ownership Structure" which provides information on:
  1. the corporate governance practices applied;
  2. the main characteristics of the risk management and internal control systems;
  3. the working mechanisms of the Shareholders' Meeting, its powers and shareholders' rights and how they are exercised;
  4. the composition and operation of management and control bodies, as well as other information required under paragraph 123-bis of the TUF;

- the actions in progress to fully implement the business plan for the adaptation of the governance of UniCredit S.p.A, noted in the 3rd Amendment of Banca d'Italia Circular 285. In particular, the Board noted the verifications still in progress on the governance instruments used by the Parent Company to ensure the supervision of its own control operations, particularly overseas. In this regard, the Board of Statutory Auditors noted the extreme importance of such acts, directly linked to the correct exercise of rights/duties of the Parent Company of a banking Group, representing a concrete expression of the capacity to exercise significant and incisive management and coordination activities;
- the Board of Statutory Auditors exercised oversight in respect of the fitness for purpose of the instructions given to subsidiaries pursuant to Art 114, paragraph 2 of the TUF. Further to its guidance, coordination and control functions, the Parent Company issued 201 Global Rules for approval and adoption by subsidiaries.
- On the meeting of March 10, 2016 session, the Board of Directors acknowledged the presentation issued by the Organisation and Logistics Group on the approval and adoption status of the Global Rules at UniCredit group. A slight fall in the overall rate of Global Rule approval and adoption was registered in 2015. This drop was influenced in particular by an increase in the number of rules for approval/adoption in the first half of 2015 compared with the same period in 2014;
- while appreciating the efforts made, the Board of Statutory Auditors recommended that the Parent Company's competent corporate departments 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 paragraph 151, paragraph 2 of the TUF and Banca d'Italia's Supervisory Directives; in particular, with reference to the merger of Pioneer Investments with Santander Asset Management, the Board of Statutory Auditors recommended maintaining a high level of awareness and diligence among staff in light of the ongoing merger process. With reference to UniCredit Leasing S.p.A., the Board of Statutory Auditors requested constant commitment to organisational improvement and the enhancement of internal control systems in order to overcome the encountered shortcomings;
- the Board of Statutory Auditors exercised oversight through inspections of regional offices in Italy;
- in compliance with the Supervisory Directives and in particular the control systems of external branches, it acknowledged that, in compliance with the provisions contained in Circular 285/2013, at its meeting on March 10, 2016 the Board of Directors examined the overall assessment of foreign branch performance 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 ones, and was informed of critical issues in specific areas of management, organisation, control, and compliance. Prompted by the Board of Statutory Auditors, UniCredit S.p.A. identified corrective measures involving specific projects as part of multi-year plans to be completed within the time-frame indicated by the Supervisory Authority;
- the Board of Statutory Auditors noted the half-year report issued by the Internal Audit Department 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 Departments, which did not make any particular observations;
- it also held meetings, even upon request, with the Supervisory Authorities for the purpose of an effective information exchange on mutual interest issues.

The Board of Statutory Auditors received notifications and/or reports to this effect in accordance with paragraph 2408 of the Italian Civil Code. In particular, the following were received:
- a notification from shareholder Ms. Clara Pisani, formulated on May 10, 2015 before the Shareholders' Meeting (Shareholders' Meeting of May 13, 2015);
- a notification by members D'Atri and Marino, included in the minutes of the Shareholders' Meeting of UniCredit S.p.A of May 13, 2015;
- a notification from shareholder Mr. Elman Rosania dated May 13, 2015, received via Certified Email from Atty. Francescantonio Papa, dated May 17, 2015;
- a notification dated June 10, 2015 from shareholder Marco Bava;
- a notification dated August 7, 2015 from shareholder Tommaso Marino;
- a notification dated October 2, 2015 from shareholder Tommaso Marino;
- a notification dated October 5, 2015 from shareholder Tommaso Marino;
- a notification dated October 30, 2015 from shareholder Fondazione Cariverona;
- a notification dated December 14, 2015 from shareholder Gianmario Fiorentini;
- a notification dated December 14, 2015 from shareholder Gianmario Fiorentini;
- a notification dated February 5, 2016 from shareholder Tommaso Marino;
- a notification dated February 11, 2016 from shareholder Tommaso Marino;
- a notification dated February 22, 2016 from shareholder Gianmario Fiorentini;
- a notification dated January 26, 2016 received via recorded mail on March 3, 2016 from shareholder Francesco Santoro.

The Board of Statutory Auditors promptly acted to gather the necessary information from the competent departments, making all necessary investigations and learning the invalidity of the notifications received, sharing the reasons behind their conclusions.

Furthermore, the Board of Statutory Auditors found that the reports had been responded to by the Bank and companies of the Group.

Over the course of this exercise, the Board of Statutory Auditors issued opinions and made observations as required by the law and regulations in force that included:
a) an opinion on the 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) an opinion on the appointment of the new Chief Risk Officer of the Group;
c) an opinion on the Global Policy for the management of transactions with persons in conflict of interest;
d) an opinion on the remuneration of the CEO and Manager charged with preparing company's financial reports;
e) an opinion of the determined reception of the "Communication on the Distribution of Complex Financial Products to Retail Customers" published by CONSOB on 22 October 2014.

In addition, the Board of Statutory Auditors disclosed that:
- it acknowledged that in an appropriate resolution, the Board of Directors positively assessed the adequacy of its size, composition and operations, complying with the request issued by Banca d'Italia. Outside of board meetings, the Board of Statutory Auditors participated in an off-site meeting and induction session dedicated to the Group strategy. Given the complexity of the board meeting agenda, the Board of Statutory Auditors requested the consideration of the best means aimed at simplifying and rationalising the often unwieldy and unfocused flow of information and improving the coordination between the different departments in the exercise of their respective functions and competences, with the common goal of optimising an increasingly integrated governance aimed at avoiding duplicate analyses and report repetitions.
  With reference to vertical governance (Board/Management), the main themes to consider are the prompt flow of information and the assumption of full responsibility by the Management for the content of the information submitted to the Board (with efforts made to select information deemed relevant and pertaining to strategic choices or shortcomings to be addressed, in order to avoid that information submitted to the Board be too unwieldy or disorganised), supporting the Chairman of the Board of Directors in the facilitation of sound review and discussion dynamics within the Board itself.
  Conversely, in horizontal governance the focus is placed on the opportunities to best regulate information flows between Board Committees and the Board of Directors, which must be based on the summary role of the Committee Chairmen in order to avoid duplications or repetitions of reports and notifications;
- 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. In this regard, the Board of Statutory Auditors recommended that the company departments and structures involved in the evaluation of the independence process give prompt and analytical accounts of the assessments carried out, necessarily grounded by objective evaluation parameters both for documents relevant to internal affairs and, as and when necessary and possible, documents

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relevant to external affairs;
- it had verified that the Board of Directors had conducted checks on the relevant offices with regard to interlocking prohibitions pursuant to paragraph 36 of Legislative Decree 201/2011;
- it had overseen that transactions with persons at administrative, managerial or control departments had always been conducted in compliance with paragraph 136 TUB and Supervisory Directives;
- it had verified that in compliance with the provisions of paragraph 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 Financial Statements.
- The Board of Statutory Auditors, in compliance with the provision issued by Banca d'Italia on February 14, 2012, "Dispositions related to the control of the authenticity and suitability of Euro banknotes and their recirculation" and subsequent reinstatement of the "Outsourcing of cash processing activities" in Circular 285/2013, noted that on the date of the report, the Annual Report on the overall control structure of outsourced activities was in the course of preparation by the Internal Audit and Compliance Departments.

However the Board of Statutory Auditors noted the result of the verifications carried out by the Internal Audit Department on cash management activities in December 2015, which were concluded with a satisfactory rating. In this respect, while appreciating the improvements in terms of the provisions of internal information flows, enhancement of the control monitoring system and the subscription of outsourcing contracts, the Board of Statutory Auditors underlined the need for resolutions particularly in reference to: compliance with the organisational requirements specified by the Decree of the Ministry of Economics and Finance for coin management, the prompt and correct drafting of documents relative to reports of suspected counterfeit banknotes and greater control of outsourced services.

Moreover, the Board of Statutory Auditors recommended strengthening the control of outsourced activities in order to fulfil its guidance, management and supervision role, calling for the departments that manage, coordinate and monitor the service for outsourcing money-handling-related activities to dedicate adequate resources to monitoring and control activities.

The Board of Statutory Auditors noted that the Internal Audit and Compliances Departments did not deem it necessary or relevant to carry out the verifications planned for 2015 in accordance with the Provision of Banca d'Italia on October 23, 2009 "Management and coordination powers of the Parent Company of a banking group with reference to asset management companies belonging to the group", in consideration of the creation of the joint venture between the Pioneer Group and Santander Asset Management and the resulting change to the Group strategy for the Asset Management sector.

The Board of Statutory Auditors noted the positive outcomes of the annual verifications carried out by the Internal Audit Department and the external Asset Monitor into covered bank bonds issuance programmes of UniCredit S.p.A.

During the Board of Directors' meeting on March 10, 2016, the Board of Statutory Auditors acknowledged the "Report on investment services, investing 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, which did not present any observations for the purposes of this report.

The Board of Statutory Auditors noted the outcome of the verifications carried out by the Internal Audit Department on the issuance of covered bank bonds, which was positively rated in the report dated November 30, 2015 having fully demonstrated the effectiveness of the administrative and accounting controls in line with the funding and compliance strategies.

At the Board of Directors' meeting of February 9, 2016, the Board of Statutory Auditors acknowledged that the 2015 Financial Plan had almost completely been achieved, and that the 2016 Financial Plan and the 2016 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.

Pursuant to Circular 285/2013, the Board of Statutory Auditors noted the ongoing status of the 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 2015. In particular, the Board of Statutory Auditors acknowledged that at its December 17, 2015 meeting the Board of Directors had approved the amendment of the UniCredit S.p.A. Business Continuity Plan and the Event, Incident and Crisis Management Plan.

Moreover the Board of Statutory Auditors noted the outcome of the annual report drafted by the Internal Audit Department which provides an overview of the Business Continuity activities, including at Group level, which were rated satisfactory. In this regard, the Board of Statutory Auditors recommended that all departments make every effort to promptly implement further identified improvement measures, and that the Internal Audit Department focus its activities and efforts on the aspects aimed at ensuring the effective execution of impact analyses, amendments to the emergency plans and, in general, the Business Continuity and Disaster Recovery plans. The effective planning and execution of test activities as well as the adequacy of the training process must also be monitored.

The Board of Statutory Auditors noted the monitoring of the supervisory prudential limits (general, total and concentrated), carried out on a quarterly basis, and the monitoring of non-financial investments carried out on a six-monthly basis.

The Board of Statutory Auditors noted the report on the overall situation of complaints received by UniCredit S.p.A. in the first half of 2015.

Assessments 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 deem it necessary to exercise the option of submitting proposals to the Shareholders' Meeting pursuant to Art 153, paragraph 2 of the TUF.

Corporate Governance

With reference to the events regarding company representatives reported in the press in 2015, the Board of Statutory Auditors furthered its investigation into the aspects for a more complete definition of corporate governance rules pertaining to the relations between board members and departments. In this regard, the Board of Statutory Auditors highlights that Corporate Governance rules are constantly being further developed and updated, in line with the requirements, thus constituting an evolving internal regulatory framework, strictly linked to the organisational changes required by the market.

In this regard, the Board of Statutory Auditors noted that the Board of Directors, at the meeting of December 17, 2015 and based on the proposals put forward by the Corporate Governance, HR and Nomination Committee, considered:

- modifications to the Corporate Bodies Regulations with the introduction of a specific discipline for interactions between non-executive Directors and Management, with reference to the Bank's business which is not discussed by the Board, and
- the integration of the Internal Order which regulates the access of third parties to the bank, foreseeing the possibility of issuing to third parties day visitors' permits, expect in the case of specific service requirements.

As previously reported, the Board of Statutory Auditors highlights that an audit was currently being conducted by the Internal Audit function of access systems.

The Board of Statutory Auditors, as part of the annual self-assessment process of the Board of Directors, proposes that particular focus be placed by Board Members on the evaluations of individual and collective conduct, in order to better perceive and enhance the substantial compliance of the governance dispositions given above.

Finally and in accordance with Banca d'Italia Circular 285/2013, the Board carried out a self-assessment to evaluate its own composition and operation, with a satisfactory outcome, and proposed the promotion of increased interaction and collaboration with other corporate bodies, in particular with the Related Parties and Equity Investments Committee and the Corporate Governance, HR and Nomination Committee, and the further enhancement of the interaction between the Internal Controls and Risks Committee.

Considering that the mandate of the Board of Statutory Auditors of UniCredit is due to expire with the approval of the 2015 Financial Statements, the Board was convened to approve, among other items on the agenda, the nomination of the Auditors, including the Chairman of the Board of Statutory Auditors and deputy auditors, for the three year period of 2016/2018, and to determine the remuneration of the same.

In this regard, as suggested by the conduct regulations of the Board of Statutory Auditors of Listed Companies on the subject of remuneration and for the purposes of all considerations and evaluations connected to the proposals to be submitted to the Board, the Board of Statutory Auditors proceeded, before the expiry of its duties, to draft a document summarising the activities carried out over the course of 2015, giving indications of the time and professional resources used, and placing said document at the disposal of the Board of Directors for the preparation of its report to the Shareholders' Meeting on the subject in question.

Conclusions

Having regard to the foregoing, in consideration of the reports produced by the External Auditors noting the joint attestation made by the Chief Executive Officer and the Manager charged with preparing company's financial reports, the Board of Statutory Auditors, within its remit, found no impediment to the approval of the Financial Statements as at December 31, 2015 and of the divided distribution proposed by the Board of Directors.

In this regard, the Board of Statutory Auditors notes that the Board of Directors assessed the dividend distribution proposal based on the assumed conservative acts in order to enable, in a linear path over time, the constant compliance with prudential capital requirements.

Rome - March 21, 2016

On behalf of the Board of Statutory Auditors

The Chairman
Maurizio Lauri

Report of the External Auditors

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INDEPENDENT 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.**

Report on the Financial Statements

We have audited the accompanying financial statements of UniCredit S.p.A., which comprise the balance sheet as at December 31, 2015, 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.

Management's Responsibility for the Financial Statements

The Company's Directors are responsible for the preparation of these financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree n° 38/2005.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISA Italia) issued pursuant to art. 11, paragraph 3, of Italian Legislative Decree 39/10. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation that give a true and fair view of financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of UniCredit S.p.A. as at December 31, 2015, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree n° 38/2005.

Report on Other Legal and Regulatory Requirements

Opinion on the consistency of the report on operations and of certain information included in the report on corporate governance with the financial statements

We have performed the procedures indicated in the Auditing Standard (SA Italia) n° 720B in order to express, as required by law, an opinion on the consistency of the report on operations and of certain information included in the report on corporate governance required by art. 123-bis, paragraph 4, of Italian Legislative Decree n° 58/98, which are the responsibility of the Directors of UniCredit S.p.A., with the financial statements of UniCredit S.p.A. as at December 31, 2015. In our opinion the report on operations and the information included in the report on corporate governance referred to above are consistent with the financial statements of UniCredit S.p.A. as at December 31, 2015.

DELOITTE & TOUCHE S.p.A.

Signed by
Riccardo Motta
Partner

Milan, Italy
March, 3, 2016

This report has been translated into the English language solely for the convenience of international readers.

Shareholders' Meeting resolutions

Shareholders' Meeting resolutions

Ordinary Shareholders’ Meeting resolution of April 14, 2016

The Shareholders’ Meeting of UniCredit S.p.A., held on April 14, 2016, also based on the Reports of the Board of Directors, External Auditors and the Board of Statutory Auditors, approved the financial statements as at December 31, 2015 which recorded, on an individual basis, a loss of €1,441,448,594, also resolving to:

- cover the loss of the financial year 2015 by using the “issue-premium reserve” for the same amount;
- distribute a dividend to the shareholders from profit reserves totaling €706,181,777.04 in the form of a scrip dividend, as described and according to the terms and procedures included in the Directors’ Report, using part of the profit reserve called “Reserve for allocating profits to Shareholders through the issuance of new free shares” and part of the “Statutory Reserve”. The dividend will be paid on May 3, 2016, with “ex-dividend” date of April 18, 2016;
- increase the legal reserve by €150,238,225 by using the “issue-premium reserve”.

In addition, the Ordinary Shareholders’ Meeting passed the following resolutions:

- appoint as standing auditors, alternate auditors and Chairman of the Board of Statutory Auditors the following Messrs.:

STANDING AUDITORS

1. BONISSONI Angelo Rocco	List 1(*)
2. LAGHI Enrico	List 1(*)
3. NAVARRA Benedetta	List 1(*)
4. **SINGER Pierpaolo (Chairman)**	List 2(**)
5. SPINARDI Maria Enrica	List 2(**)

ALTERNATE AUDITORS

1. PAOLUCCI Guido	List 1(*)
2. MANES Paola	List 1(*)
3. BIENTINESI Antonella	List 2(**)
4. TALAMONTI Maria Francesca	List 2(**)

(*) (jointly submitted by Fondazione Cassa di Risparmio di Torino, Cofimar Srl and Allianz)
(**) (jointly submitted by various Funds)

- award to each standing auditor and to the Chairman of the Board of Statutory Auditors a remuneration for each year already established by the Shareholders’ Meeting for the last mandate of the Board of Statutory Auditors, (amounting to €100,000 for each standing auditor and to €140,000 for the Chairman of the Board of Statutory Auditors, included the attendance fee of €400 for every meeting of the Board of Statutory Auditors) as well as an attendance fee of the same amount for every meeting of the other governing bodies;
- appoint a Director for the completion of the Board of Directors, confirming this office to Mr. Mohamed Hamad Ghanem Hamad Al Mehairi, already coopted on October 15, 2015, who will serve until the expiry of the current Board, therefore until the Shareholders’ Meeting convened for the approval of the financial statements of 2017;
- approve the 2016 Group Compensation Policy;
- adopt the 2016 Group Incentive Scheme;
- adopt the 2016 Employee Share Ownership Plan (2017 Let’s Share Plan).

April 14, 2016

Creative concept and sorter pages: M&C Saatchi

Design, graphic development and composition:
UniCredit S.p.A.

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CPZ S.p.A.

December 2016

The emissions related to the printing and distribution of the UniCredit S.p.A. 2015 Reports and Accounts, 2015 Consolidated Reports and Accounts and the 2015 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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