2016 CONSOLIDATED REPORTS AND ACCOUNTS

SERVICING | LENDING | SOLUTIONS

doBank

Servicing | Lending | Solutions

2016 CONSOLIDATED REPORTS AND ACCOUNTS

Registered Office and Headquarter: Piazzetta Monte, 1 - 37121 Verona (Italy)
Share Capital € 41,280,000.00
Registered in the Register of Banks and Holding of the Banking Group doBank S.p.A. -
Banking Groups Public Register code no. 10639
Registered in the Company Register of Verona: VR/19260, Fiscal Code no. 00390840239 and VAT no. 02659940239
Member of the National Interbank Deposit Guarantee Fund
Shareholder: Avio S.à r.l.
www.dobank.com

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GOVERNING AND CONTROL BODIES

BOARD OF DIRECTORS

Chairman	Giovanni Castellaneta
CEO	Andrea Mangoni
Directors	Fabio Balbinot Edovige Catitti (2) (3) Francesco Colasanti (2) Nunzio Guglielmino (1) (4) Giovanni Lo Storto (2) (4) Giuseppe Ranieri (4) Charles Robert Spetka

BOARD OF STATUTORY AUDITORS

Chairman	Francesco Mariano Bonifacio (5)
Standing Auditors	Massimo Fulvio Campanelli (6) Nicola Lorito (6)
Alternate Auditors	Maurizio De Magistris Giovanni Parisi

At the date these financial statements were approved

Notes
(1) Chairman, Appointments and Remuneration Committee.
(2) Member, Appointments and Remuneration Committee.
(3) Chairman, Risk Committee and Operations with Affiliated Persons.
(4) Member, Risk Committee and Operations with Affiliated Persons.
(5) Chairman, Supervisory Committee, pursuant to Legislative Decree 231/2001.
(6) Member, Supervisory Committee, pursuant to Legislative Decree 231/2001.

CONSOLIDATED REPORT ON OPERATIONS

Consolidated Report on Operations

GENERAL MACROECONOMIC SITUATION

The main national economic indicators confirm a moderate recovery during 2016. In fact Gross Domestic Product recorded +0.9%, the best figure in the last 6 years, which was however less than that of the Euro zone which came out at exactly double (1.8%). Also for 2017, the EU estimates the same increase for Italy which would however be that with a lower increase compared to that of the rest of the EU countries.

The gradual recovery in Italy is characterised by an improvement in investments and by an increase in household spending in general. The unemployment rate instead worsened slightly during the last year recording a figure of 12% with a worrying peak of more than 40% in the youth unemployment rate (between 15 and 24 years).

The prolonged recession, or at least limited recovery, continues to have significant effects on the quality of the assets held by credit institutions, to the degree that the non-performing loans of banks at the end of 2016, before write-downs, came out at € 201 billion, substantially in line with the same period in 2015. Net non-performing loans (€ 86.9 billion) fell slightly (-1.9%) compared to the same figure for 2015 as did the non-performing loans/total loans ratio which came out at 4.89% compared to 4.91%.

In this general context there were some recent legislative changes aimed at speeding up the recovery activities and giving a positive boost to the problem loan market. Among these, for example, a number of changes to the bankruptcy law through measures which ensure certainty and rapidity in completing the procedures (Italian Law Decree 59/2016 converted into Italian Law 119/2016). The recent measures of the Italian Government - which provide for a Public Guarantee of Securitisation of Non-performing bank loans (GACS) valid for the "senior" securities issued by securitisation companies, and provided with an adequate rating - also tend to facilitate the sale of problem portfolios also by reducing the price difference between demand and supply.

BUSINESS
THE GROUP

During the 2016 financial year, portfolio management of mostly impaired loans continued by doBank S.p.A. and Italfondiario S.p.A., in respect of banks, investors, other financial and commercial companies and for certain securitisations, and a doBank proprietary portfolio coming from previous aggregation transactions deriving from the UniCredit/Capitalia merger which was then securitised during the year.

At the end of 2016, the doBank Group managed a portfolio of approximately 750,000 positions for an amount of approximately € 81 billion expressed in gross contractual value, which weighted over the twelve-month management period, represents a managed portfolio equivalent to € 51.1 billion, which determined the achievement of total recoveries of approximately € 1.4 billion (annual collections/GBV equivalent at December 31, 2016: 2.72%).

The distribution of the portfolio under management shows a proportion of the "secured" portfolio (mortgages) of 31% compared to the "unsecured" portfolio of 69%.

From the geographical point of view, the portfolio is situated in the North for 46%, in the Centre for 23% and in the South for 31%.

The synergy continued with doRealEstate S.p.A. and Italfondiario RE S.r.l. subsidiaries which materially contributed to supporting doBank's recovery activities through real estate information on the positions managed and also providing a strong boost to property auctions. The contribution by IBIS S.r.l. was also important in respect of the activities associated with commercial information.

doBank and Italfondiario in addition to the usual activities as Servicer and Auxiliary Servicer (management and recoveries of non-performing loans), also pursued ancillary activities relating to due diligence, Back-Up Servicer (Servicer replacement), and Corporate Services Provider (administrative services management) for certain loan securitisation companies, established pursuant to Law 130/99 (Special Purpose Vehicle, SPV).

The excellence of the system established and the continuous improvements and developments made over the years have allowed it to maintain a high level of recognition from ratings agencies which have confirmed the respective levels of "RSS1-" and "CSS1-" (FitchRatings) and "Strong" (Standard & Poor's).

During financial year 2016 the Parent Company doBank S.p.A. continued the activity of granting credit facilities to performing counterparties, with particular regard to legal professionals who already have a relationship with the Bank itself. It also continued to grant medium/long-term loans in the form of mortgage loans having as final goal the award in public auctions of property complexes subject to enforcement and/or arrangement proceedings through the courts.

doBank S.p.A.

In 2016 management of the portfolios of impaired loans of companies in the UniCredit Group continued, as well as of other banking, financial and commercial companies and for certain securitisations, and an own portfolio coming from previous aggregation transactions deriving from the UniCredit/Capitalia merger which was then securitised during the year.

At the end of 2016, doBank managed a portfolio of approximately 529,000 positions for an amount of approximately € 41 billion expressed in gross contractual value which determined the achievement of total recoveries of approximately € 1.2 billion, which accounted for over € 142 million in commissions.

The granting of credit facilities similarly continued in respect of to performing counterparties, in addition to granting medium/long-term loans associated with public auctions.

THE INVESTEES

doRealEstate S.p.A.

During 2016, the Group consolidated its services aimed at supporting the Parent Company doBank's collection activities, with special focus on processes correlated with increasing participation in auctions, leading to more widespread advertising within the market in relation to opportunities for purchasing the real estate serving as guarantees for loans managed by doBank through auctions. The company therefore perfected a complete commercial proposal (working in synergy with doBank's "auctioned mortgage" product), which is associated with a specific and exclusive tag line, "Asta per Te!".

During the year, the company continued to manage the 34 real estate properties that it owns, selling 4 buildings and carrying out the activities to regularise the remaining buildings and make them safe.

Italfondiario S.p.A.

Italfondiario S.p.A., which was fully bought over in 2016, represents a highly specialized hub for problem loans, servicing the Italian banking and financial system.

Specifically, 2016 was characterised by increased performance in managing securitised portfolios and further development in due diligence activities.

Revenue from the management of core activities in 2016 came in at € 61.3 million, recording a 14% increase on the previous year. Total Assets recorded at the end of the 2016 financial year were € 57.8 million and

the gross economic result was negative for € 3.2 million, reflecting the effects of the full reversal of the Goodwill recognised in the financial statements of Italfondiario S.p.A. for € 7.4 million as a consequence of the Purchase Price Allocation referred to under Part G of these Financial Statements.

Italfondiario RE S.r.l.

Italfondiario RE, a product company, carrying out asset management and servicing activities, mainly associated with the real-estate sector, for problem loans on behalf of banks, institutional investors, public and private companies, further developed its business. The company was fully transferred from Italfondiario S.p.A. to doBank in October 2016.

Specifically, 2016 was marked by a strong commitment to provide Italfondiario S.p.A. with the services associated with the due diligence activities carried out by the latter.

Revenue from the management of core activities in 2016 came in at € 4.0 million, recording a 68% increase on the previous year, mainly as a result of the support activities provided to the abovementioned due diligence. Total Assets recorded at the end of the 2016 financial year were € 2.3 million and the gross economic result was negative for € 571 thousand, reflecting a significant increase on 2015.

IBIS S.r.l.

IBIS S.r.l., a product company that was fully transferred from Italfondiario to doBank at the end of 2016, specialises in carrying out the activities and services related to the collection, storage, processing and supply of commercial information; in 2016, it developed its business within the scope of providing Italfondiario S.p.A. the services associated with the due diligence activities carried out by the latter.

Income from core activities came in at € 5.5 million for 2016, up by 11% compared to the previous year. Total Assets recorded were € 3.2 million and the gross economic result stood at € 1.4 million, slightly down (-13%) on the previous year.

GEXTRA S.r.l.

Gextra S.r.l., a product company specialising in Process Management consulting and providing outsourced services to manage, monitor and collect loans and Customer Care, is held entirely by Italfondiario S.p.A., improved its income levels during 2016.

Income from core activities was essentially in line with the previous financial year, reaching € 4.4 million, whereas total Assets came down to € 2.9 million. The result gross of tax was € 160 thousand, up on the previous year (+67%).

Within the scope of the Group's reorganisation, the company is being held for sale to a third party, and the relative book value was reclassified according to IFRS 5 standards.

BCC Gestione Crediti S.r.l.

Italfondiario S.p.A. acquired a 45% share of BCC Gestione Crediti S.p.A. share capital in 2014. The company operates in the professional management of problem loans serving the cooperative credit system.

Income from core activities came in at € 14.4 million for 2016, up by 18% compared to the previous administrative financial year. Total Assets recorded at the end of the 2016 financial year were € 10.5 million and the result gross of taxes was € 909 thousand, strongly up (+148%) on the previous year.

SIGNIFICANT EVENTS IN THE FINANCIAL YEAR

On March 9, 2016, the doBank Banking Group was officially set up; this consisted of doBank as the Parent Company and doRealEstate as an instrumental company, as communicated by the Bank of Italy through registration in the Register of Banking Groups under the terms of Art. 64 of the Consolidated Law on Banking.

This event then began a process of reorganising the doBank Group with significant impacts both in the shareholding area and with reference to the non-performing loan portfolio.

The shareholding structure was radically impacted by the acquisition of the Italfondiario S.p.A. Group, which operates in the Italian market managing financial and commercial, performing and non-performing loans in outsourcing. The process of acquiring 100% of its share capital began on March 31, 2016 with a tranche of 9.75%, and was completed on October 14, 2016 after obtaining authorisation from the Bank of Italy. The operation, classified as an external business combination, was accounted for under the terms of IFRS 3 as specified also in Part G of the present Financial Statements to which you are referred for more details.

The corporate restructuring during the period also included the acquisition of Italfondiario RE S.r.l. and IBIS S.r.l., two of three 100% equity investments held by Italfondiario S.p.A.

Also to be mentioned is the incorporation of a new company, doSolutions S.p.A., which was still not operating in 2016 because only starting from March 2017 with the contribution and demerger of a business unit by doBank and Italfondiario S.p.A. respectively, it can begin to operate as the Group's technological hub.

With reference to the loan portfolio, 2016 was affected by a securitisation transaction involving impaired assets which entailed the derecognition of the same from the Bank's balance sheet assets. This event, named "Operation Romeo" had its first concrete stage at the end of September 2016 with the sale to the vehicle company Romeo SPV - set up under the terms of Italian Law 130/1999 - of the entire block of impaired assets at a price corresponding to the book value at the date of sale. Transfer of the portfolio enabled, through a payment delegation, repayment of the "Interim Period Loan" opened in 2015 in relation to Verona Holdco and Siena Holdco. At the same time the Bank - as originator of the portfolio - undertook to subscribe a limited proportion of securities for the purpose of observing the "Retention Rule" with a percentage of 5%, such as to confirm complete derecognition of the receivables. The second stage of Operation Romeo, consisting of the issue of the securities on the market by the SPV itself, will take place during 2017.

Operation Romeo, besides deconsolidating the receivables, also enabled continuation of management of the same receivables in a mandate, and company management of the SPV through specific Servicing and Corporate Services Provider contracts.

In the context of this securitisation, in addition, it became opportune to sell to third parties the equity investment in Immobiliare Veronica 84, a company being wound up, which doBank had acquired in previous years in order to be able to oversee as well as possible the disposal of the property assets held by the same guaranteeing the loans of the "Cecchi Gori" position, which were involved in Operation Romeo together with other non-performing positions.

As regards the operating aspects, during the year the process of replacing the Bank's information system began, with the aim of adapting it more to the new organisational and operational situation. This process began with a formal termination letter to the provider UBIS (UniCredit Group) with regard to the current IT servicing agreements and will continue into 2017 with the progressive replacement of all the Group's IT systems, with a view to standardising operations.

STAFF

Following the entry of the companies of the former Italfondiario Group in to the doBank Group, the number of units changed radically compared to the previous year, as shown in the table below.

Group's Companies	Group's Unit to 12/31/2015	Inputs / (outputs)	Group's Unit to 12/31/2016
1. doBank S.p.A.	618	33	651
2. doRealEstate S.p.A.	3	1	4
3. Immobiliare Veronica 84 srl in liquidation	-	-	-
4. doSolutions S.p.A.	-	-	-
5 Italfondiario S.p.A.	-	545	545
6. Italfondiario RE s.r.l.	-	19	19
7. IBIS S.r.l.	-	1	1
8. Gextra S.r.l.	-	26	26
Total	**621**	**625**	**1,246**

The staff of the companies of the former Italfondiario Group is made up to the extent of 56% by people under 45 and a seniority level of under 11 years of service in respect of 62% of the staff.

The table below represents a breakdown in terms of units and in Full Time Equivalent (FTE) for the staff based on the main functions they carry out, namely those in Servicing activities - loan management and collections - and Staff and Ancillary - support and ancillary services to servicing activities.

macro-functions	Group's Companies	Units	FTEs	%	Weighted FTEs [1]
servicing	doBank+doRE	366	364		364
	ex ITF group	409	397		99
	servicing total	**775**	**760**	**62%**	**463**
staff and ancillary	doBank+doRE	289	284		284
	ex ITF group	182	177		44
	Staff total	**471**	**461**	**38%**	**328**
Total		**1,246**	**1,221**	**100%**	**792**

Notes

1 FTEs weighted to the membership period for the ITF Group's companies
It corresponds to the quarter

The annual average recoveries per resource amounts to € 3.0 million for 2016, and is calculated as the ratio between the total recoveries recorded for € 1.4 billion and the number of Weighted FTEs dedicated to servicing (463).

During the year, around 8,200 training hours were provided within the Group in various ways, including online training, classroom training, streaming, and using the dedicated corporate Web TV channel.

The Group's total territorial structure, as at December 31, 2016, includes 23 branches and offices throughout Italy. In addition, there are 2 Network Banking Solution structures at the Verona and Rome offices, corresponding to 2 bank branches.

EXTERNAL NETWORKS

doBank Group's external network of professionals consists of around 3,800 professionals who guarantee full coverage of all internal requirements, including around 2,870 professionals for out of court activities (external professionals and credit recovery companies and their employees) and around 930 for court-related activities (attorneys, members of the creditor committees, expert witnesses and notaries).

The cooperative relationships with the external professionals are governed by specific agreements and conventions which determine the operational/relational methods and economic conditions. Case management activities are carried out through a structured digital interface and assignment of the same is done in correlation with predetermined qualitative/quantitative factors, governed algorithmically so as to ensure out of court and court related activities are carried out by affiliated professionals, with appropriate preparation and subject to constant monitoring through specific instruments, namely the annual rating, quarterly sector analysis and numerous KPIs, some of which determined daily.

THE COMPANY AS A GOING CONCERN

doBank Group has ascertained that there are adequate economic prospects and that the company can continue as a going concern, both of which were confirmed also following the important extraordinary operations completed in 2016, namely the business combination with Italfondiario S.p.A. and the securitisation transaction under the terms of Italian Law 130/99 of the entire non-performing loan portfolio.

To that end, the Group has taken the results of the operating budget approved for financial year 2017 into account, as well as the forecasts found in the 2017-2019 Business Plan. Therefore, there are no doubts regarding the assumption that the company is a going concern, which served as the foundation for the preparation of these corporate Financial Statements at December 31, 2016.

RISK MANAGEMENT

In line with the risk-based structure, the Group controls and manages the risks to which it is exposed through methods and processes, for which the Risk Management is responsible, in compliance with the prudential supervisory rules. The Risk Management department is, similar to other analogous departments, permanent and independent and is responsible exclusively for second level controls.
We can note that as of January 1, 2014, the new harmonised regulations for credit institutions and investment companies apply. These are contained in EU Regulation no. 575/2013 (CRR) and Directive 2013/36/EU (CRD IV) of June 26, 2013, through which the rules defined by the Basel Committee were introduced in the European Union, regarding bank supervision on the subject of capital adequacy (Pillar 1) and public disclosures (Pillar 3) (known as "Basel 3").

The CRR (Capital Requirements Regulation) and the CRD IV (Capital Requirements Directive, the fourth European directive, which updated the minimum equity requirements regulations for European banks) define the new reference regulatory situation in the European Union for banks and investment companies, supplemented by regulatory technical standards (RTS) or implementing technical standards (ITS) approved by the European Union upon a proposal by the European Supervisory Authorities, which implement the first level EU regulations and are binding in terms of harmonised prudential notifications for banks and investment companies (known as COREP - Common Reporting Framework).
In order to adapt regulatory notifications of banks and brokerage companies to the changes in the European framework (COREP), in December 2013 the Bank of Italy issued Circular no. 286, regarding the regulations on prudential supervisory notifications applying to banks and brokerage companies. Circular no. 286 has 2 parts: the first translates the cited ITS based on the methods of the matrix currently adopted for regulatory notifications; the second part - which applies solely to banks and banking groups - governs non-harmonised notifications required on the basis of Italian regulations, pursuant to articles 51 and 66 of the Consolidated Law on Banking.

Specifically, the Circular defines the notification frameworks regarding:

1) harmonised notifications: own funds, credit and counterparty risk, market risks, operating risk, significant exposures, recognition of mortgage losses, comprehensive capital position, monitoring of liquidity, and financial leverage;
2) non-harmonised notifications: related parties (additional information with respect to that foreseen under COREP).

With reference in particular to the findings relating to the quantification of credit risks, we would refer you for more details to Part E - Section 1. We can report at the same time that, compared to the previous year, already characterised by abandonment of the advanced AIRB approach and adoption of the Standardised simplified model, during financial year 2016 the sale without recourse of the owned perimeter of non-performing receivables (Operation Romeo) was completed, and this reduced significantly the Parent Company doBank's total impaired portfolio.
Specifically, for the purposes of determining the minimum capital requirement for credit risk, the Group, adopting the standardised approach, divided its exposures into portfolios applying to each of them differentiated prudential treatments. On this point, the Group does not make use, for assessment of creditworthiness, of external ratings attributed by external assessment agencies (ECAIs) recognised for prudential purposes on the basis of the provisions of specific regulations.
Measurement of the asset items using the Standard approach led to the recognition of consolidated risk weighted assets (RWA) of € 145.9 million, which corresponds to a Requirement of € 11.7 million, or 8%.
To calculate the operating risk capital the Group adopted starting from November 1, 2015 the BIA (Basic Indicator Approach). This methodology is linked to the Operating Income, including the item "Other Gains" recorded on an annual basis and the average of the last three recording, which resulted in a capital requirement of € 29.8 million, with a corresponding total assessment of exposure to operating risk of € 373.3 million.
With reference to the organisational structure of the Corporate Audit Units, during 2016 the planning activity, launched in the last quarter of 2015, was completed. This involved a redesign of the said units owing to the fact that some of the related activities were carried out by UniCredit S.p.A. In addition, following the corporate operations that occurred in the last quarter of financial year 2016 relating to the acquisition of 100% of the share capital of Italfondiario S.p.A. and of the companies IBIS and Italfondiario RE which were previously 100% owned by Italfondiario, doBank, as the Parent Company, in order to give the Group a unitary internal auditing system that would enable effective control, both over the strategic decisions of the Group as a whole and over the management balance of the single components, adopted an organisational model which involves centralisation at the Parent Company of the second- and third-level audit units. The methods of performing these activities on behalf of the subsidiaries, where considered opportune with the exception of the supervised subsidiary for which there is a legislative obligation, are governed by service agreements, in compliance with the current Supervisory Rules and by the Group regulations on the subject of outsourcing. The determination of the model is aimed at ensuring an overall operational rationalisation and therefore greater efficiency of the Group's internal audit system. In setting up the model in any case the Company's specific operational nature was safeguarded, according to a principle of proportionality which took into account the company's dimensions and business volumes. The full introduction of this model will be completed in the early months of 2017.
Finally, as regards the specific activities related to risk management, during 2016 the regulatory activities required by the supervisory legislation were fully implemented for the first time. In particular: the prudential control process, which can be summarised as preparation of the ICAAP report, was implemented; the document "Policy Risk Appetite Framework and Management of the Most Significant Operations" was drawn up, defining the risk-propensity targets, the tolerance thresholds and the criteria for identifying the Most Significant Operations; in the context of the activities aimed at overseeing and monitoring liquidity risk, the document "Liquidity Risk Policy and Contingency Funding Plan" was prepared; finally, the IT Assessment exercise was carried out.

CORPORATE GOVERNANCE

From the end of 2015 the shares of the Parent Company doBank came into the ownership of Avio S.à r.l., operating under Luxembourg law, affiliated equally to the Fortress Group and to Eurocastle Investment Limited, which holds 98% of the Share Capital. The remaining 2%, consisting of 175,000 treasury shares, valued at cost, for a total of Euro 277,165.20, is held by the Bank itself.

The shareholder does not exercise any management or coordination activities under the terms of Arts 2497 ff. of the Italian Civil Code, either directly or through the companies within the Fortress Group or Eurocastle Investment. The doBank Parent Company exercises, in regards to its direct subsidiaries, management and coordination as provided for in the aforementioned legislation.

RESEARCH AND DEVELOPMENT

The doBank Group did not carry out any research or development activities in 2016.

CONSOLIDATED BALANCE SHEET

Below is the consolidated Balance Sheet, which shows the figures at December 31, 2016, compared with the figures at December 31, 2015. The values are expressed in millions of Euro.

(€/million)

ASSETS	12/31/2016	12/31/2015	Change	
			Amount	%
40 AVAILABLE-FOR-SALE FINANCIAL ASSETS	1.0	1.9	(0.9)	-47.4%
60 LOANS AND RECEIVABLES WITH BANKS	52.6	17.0	35.6	209.4%
70 LOANS AND RECEIVABLES WITH CUSTOMERS	10.8	166.7	(155.9)	-93.5%
100 EQUITY INVESTMENTS	1.6	-	1.6	n.s.
120 PROPERTY, PLANT AND EQUIPMENT	0.6	-	0.6	n.s.
130 INTANGIBLE ASSETS	2.1	-	2.1	n.s.
140 TAX ASSETS	143.0	189.3	(46.3)	-24.5%
a) current	37.7	8.5	29.2	343.5%
b) deferred	105.3	180.8	(75.5)	-41.8%
of which for purposes of Law 214/2011	*55.4*	*118.0*	*(62.6)*	-53.1%
150 NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS	2.5	-	2.5	n.s.
160 OTHER ASSETS	114.2	43.3	70.9	163.7%
TOTAL ASSETS	**328.4**	**418.2**	**(89.8)**	**-21.5%**

LIABILITIES AND SHAREHOLDERS' EQUITY	12/31/2016	12/31/2015	Change	
			Amount	%
10 DEPOSITS FROM BANKS	13.1	4.4	8.7	197.7%
20 DEPOSITS FROM CUSTOMERS	11.1	181.8	(170.7)	-93.9%
80 TAX LIABILITIES	0.2	0.3	(0.1)	-33.3%
a) current	*0.2*	-	0.2	n.s.
b) deferred	-	*0.3*	(0.3)	-100.0%
90 LIABILITIES ASSOCIATES WITH NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS	1.7	-	1.7	n.s.
100 OTHER LIABILITIES	56.0	36.5	19.5	53.4%
110 EMPLOYEE TERMINATION INDEMNITIES	10.2	4.6	5.6	121.7%
120 PROVISIONS FOR RISKS AND CHARGES	25.3	31.4	(6.1)	-19.4%
b) other provisions	*25.3*	*31.4*	(6.1)	-19.4%
140 VALUATION RESERVES	0.3	1.0	(0.7)	-70.0%
170 RESERVES	117.2	284.3	(167.1)	-58.8%
190 SHARE CAPITAL	41.3	41.3	-	-
200 TREASURY SHARES (-)	(0.3)	(0.3)	-	-
210 NET PROFIT (LOSS) FOR THE YEAR	52.3	(167.1)	219.4	-131.3%
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**328.4**	**418.2**	**(89.8)**	**-21.5%**

Below are comments on the main changes seen in the balance sheet figures during financial year.

Assets

During the year the item Available-for-sale Financial Assets was affected by the sale of the securities deriving from the Aurora SPV securitisation transaction for € 1.5 million. This decrease was partially offset by the supplementary purchase of government securities (BOT) for € 0.7 million made in order to observe the European regulatory requirement in terms of liquidity coverage, the Liquidity Coverage Ratio (LCR).

The item "Loans and receivables with banks", which comprises substantially the cash available in current accounts, during the period recorded an increase of € 35.6 million, mainly due to the recoveries on loans for commissions in respect of UniCredit, net of outflows for the period associated with current operations and the doRealEstate recoveries resulting from the sale of properties, in addition to recoveries on loans in respect of the Parent Company doBank. Furthermore, the increase compared to the previous year is attributable for around € 6.0 million to the cash available on the Current accounts of the new consolidated companies.

The item "Loans and receivables with customers" recorded a sharp drop compared to the previous year, as a result of doBank completing the sale of impaired loans to the company Romeo SPV S.r.l. set up under the terms of Italian Law no. 130/1999 ("Law on Securitisation"). In particular, the item includes loans and receivables to the company Romeo SPV S.r.l. for € 8.4, mortgages and current account for € 1.5 million.
The item "Equity investments" refers to the subsidiary BCC Gestione Crediti S.p.A., held for 45% by Italfondiario, and measured using the net equity method.

The item "Intangible assets", comprising mainly software applications, recorded an increase due solely to the change in the consolidation scope.

The item Tax Assets was affected in the period by the conversion into tax credits of € 62.6 million referred to prepaid taxes against write-downs of loans, under the terms of Italian Law Decree no. 83 of 06/27/2015. On this point we can note that doBank has exercised the option to maintain the possibility of transforming deferred tax assets into tax credits under the terms of Art. 11 of Italian Law Decree no. 59 of 05/03/2016 converted by Italian Law no. 119 of 06/30/2016. This law introduced the optional arrangement with the purpose of removing the critical issues that had emerged at the community level concerning the incompatibility of the rules of transforming DTAs with the legislation on the subject of state aid ensuring that the convertibility into tax credits of qualified DTAs is guaranteed only against a specific fee to be paid on the amount of such DTAs.

In total, the item even with the contribution of € 5.0 million by the new consolidated companies, came down by € 44.0 million for the period mainly due to the payment of the IRAP and IRES advances, the reversal of deferred tax assets on the tax loss and of the use of the credit to offset indirect taxes for the period (VAT and tax withholdings).

The item "Non-current assets held for sale and discontinued operations" includes all the asset item referring to Gextra S.r.l., which was put up for sale at the end of the last period.

The item "Other assets", which includes mainly receivables deriving from recovery services on mandate and not yet settled, recorded an increase due to the contribution from Italfondiario S.p.A. for € 41.3 million.

Liabilities

The item Due to banks comprises short-term loans payable taken out by the Parent Company during the year for € 10 million and the credit lines granted by UniCredit in favour of doRealEstate for € 3.0 million.

Deposits from Customers includes for € 10.8 million current accounts and demand deposits. The item came down compared to December 31, 2015, following the repayment of the "Interim Period Loan" linked to the Romeo Transaction referred to above.

The item Liabilities included in disposal groups classified as held for sale includes all the liability items referring to Gextra S.r.l.

Other liabilities, which amounted to a total of € 56 million, include mainly payables to suppliers for invoices received and not yet paid, provisions related to personnel, tax items to be paid and other residual items. The increase of € 19.5 million is mainly attributable to the change in the consolidation scope.

The item Provisions for risks and charges, which includes € 2.2 million referring to the new companies, fell in the period by € 6.1 million as a result of the release of provisions for legal disputes and legal cases considered excessive with respect to the updated estimate of the related probable and possible liabilities.

As regards Reserves, the reduction that occurred in the period was due to the allocation of the consolidated loss recognised at December 31, 2015 of € 167.1 million taken from the extraordinary reserve.

Own funds, after attribution of the result for the period, therefore amounted to 158.4 million.

CONSOLIDATED INCOME STATEMENT

Before commenting on the main changes that occurred in the Income Statement of the year compared to the previous period, we must state that during 2016 a number of changes were made to the presentation of the components and of the results of the reclassified Income Statement substantially aimed at identifying EBITDA (Earnings before Interest, Taxes, Depreciation and Amortization) as one of the Group's main economic indicators.

For the purposes of a uniform comparison the previous year compared to December 31, 2016 was therefore also reclassified in the same way. At the end of the present paragraph a table is presented which reconciles the reclassified Income Statement with the statutory one to help the reader to understand the single components of the interim results.

The table below shows the reclassified Consolidated Income Statement at December 31, 2016 compared with 2015; also represented is the pro-forma Income Statement at December 31, 2016 prepared in accordance with Consob Communication no. DEM/1052803 of July 5, 2001, which retroactively shows the significant effects of the two extraordinary transactions for the period, namely the acquisition of 100% of the share capital of Italfondiario S.p.A. and the derecognition of the loan portfolio (Romeo Transaction),as if these had been put in place on January 1, 2016.

(€/million)

	ITEMS	2016	2015	Change Amount	Change %	2016 PRO-FORMA[1]
A	**Net Interest Income**	**0.1**	**0.2**	**(0.1)**	**-50.0%**	**0.1**
B1	Fee and Commission Income	159.2	80.9	78.3	96.8%	191.8
B2	Fee and Commission Expense	(17.3)	(17.3)	-	-	(17.8)
B3	Other net Operating Income/expenses	5.0	14.5	(9.5)	-65.5%	14.3
B	**Operating Income**	**147.0**	**78.3**	**68.7**	**87.7%**	**188.4**
	Staff expenses	(58.7)	(46.5)	(12.2)	26.2%	(81.6)
	Other administrative expenses	(34.5)	(39.9)	5.4	-13.5%	(44.7)
	Other Operating Income - Recovery of expenses	4.2	6.7	(2.5)	-37.3%	2.2
C	**Operating costs**	**(89.0)**	**(79.7)**	**(9.3)**	**11.7%**	**(124.1)**
D	**Operating Profit (Loss) (EBITDA)**	**58.0**	**(1.4)**	**59.4**	**-4242.9%**	**64.3**
	Impairment/Write-backs on property, plant, equipment and intangible assets	(0.6)	(0.1)	(0.5)	500.0%	(1.7)
	Net Provisions for risks and charges	5.5	(5.3)	10.8	-203.8%	1.5
	Net Write-downs of loans	8.2	(236.3)	244.5	-103.5%	0.1
	Net income (losses) from investments	7.6	-	7.6	n.s.	0.2
	Net financial interest and commission	(0.5)	0.1	(0.6)	-600.0%	(0.2)
E	**Profit (Loss) before tax (EBT)**	**78.2**	**(243.0)**	**321.2**	**-132.2%**	**64.2**
	Income tax for the year	(26.8)	75.9	(102.7)	-135.3%	(23.6)
F	**Net Profit (Loss)**	**51.4**	**(167.1)**	**218.5**	**-130.8%**	**40.6**
	Profit (Loss) after tax from discontinued operations	(0.3)	-	(0.3)	n.s.	(1.4)
G	**Net Profit (Loss) for the year**	**51.1**	**(167.1)**	**218.2**	**-130.6%**	**39.2**
	Minorities	-	-	-	n.s.	-
H	**Profit (Loss) for the year attributable to the parent company before PPA**	**51.1**	**(167.1)**	**218.2**	**-130.6%**	**39.2**
	Economic effects of "Purchase Price Allocation"	1.2	-	1.2	n.s.	1.2
I	**Profit (Loss) for the year attributable to the parent company**	**52.3**	**(167.1)**	**219.4**	**-131.3%**	**40.4**

Cost/Income ratio (C/B)	60.5%	101.8%	65.9%
EBITDA Margin (D/(B1+B3))	35.3%	-1.5%	31.2%
EBT Margin (E/(B1+B3))	47.6%	-254.7%	31.1%
ROE (I/Equity avg)	28.3%	-12.0%	19.2%
EBITDA - Capex[2] €/mln	30.7	(1.4)	36.1

[1] The Consolidated Shareholders' Equity at December 31, 2016 for € 210.8 million was used for the 2016 Pro-forma.

[2] the Capex represents the increase in cash absorbed by investments in Property, plant and equipment, intangible and financial assets (subtotal from Statement of Cash Flows: (Net liquidity provided/used by investment activities)

It should be noted that the companies from the former Italfondiario Group that have been included in the consolidation scope as from October 1, 2016 (in line with the date when the sale was formalised, on October 14), only contribute to the Income Statement during the last quarter of the financial year. The comparison of certain items with the previous year therefore have little significance.

The Net Interest Income includes mainly interest income on loans granted and on Aurora debt securities which were recognised in Assets available-for-sale up to November, then sold to third parties.

Fee and commission income was up by 96.8% compared to the previous year, mainly due to the positive effects of the new servicing contract ("MSA") for recovery activities under mandate between UniCredit and doBank, in addition to the contribution of € 16.7 million from Italfondiario S.p.A. for commissions referring to managing the loans portfolio and commissions for servicing securitisation transactions.

Fee and Commission expenses have essentially remained stable over the two years being compared.

"Other net operating income" decreased by € 9.5 million mainly as a result of the "one-off" effect of the income of € 9.6 million recognised in 2015 and deriving from a transaction completed in regards to a payable recognised by the subsidiary Immobiliare Veronica 84 S.r.l., in liquidation. The reduction is also marginally due to the effect of the closure of a number of servicing contracts related to the UniCredit Group, and the change in the consolidation scope.

"Operating Income" therefore reached € 147 million, a sharp improvement compared to the same period of the previous year (+87.7%).

"Staff expenses", which came out at € 58.7 million, were up overall as a consequence of the entry of the new companies, impacting on the Group's Income Statement for the last three months of the year with an average of 590 FTEs.

Administrative expenses for € 34.5 million, despite the extended consolidation scope, fell overall in proportion, recording an improvement of 13.5%, due mainly to lower legal expenses on the doBank-owned portfolio, with a parallel reduction of the item Other operating income: recovery of expenses - following the aforementioned securitisation transaction. We also note during the year, the lower impact of ICT services, property maintenance and rents paid to the Parent Company by the UniCredit Group companies. In particular, in relation to ICT services the decrease compared to the previous year derived both from the temporary reduction of the fee agreed with UBIS, a UniCredit Group company, and from the absence of software developments in the period with the prospect of migration of the information systems to new suppliers.

The improvement of Operating Income and the proportionately lower increase in operating costs determine an Operating Profit (Loss) - EBITDA of € 58.0 million sharply up compared to 2015 which recorded a result that was just above break-even point (€ 1.4 million). At the same time the Cost/Income ratio came out at 60.5% compared to 101.8% at December 31, 2015.

The item Net provisions for risks and charges had a positive balance of € 5.5 million, while at the end of 2015 the same item presented a negative balance of € 5.3 million, thanks to the release of provisions on legal cases and disputes found to be in excess of the effective estimated liabilities for the risks and charges provision.

The Net write-downs of loans shows a positive amount of € 8.2 million and is substantially related to write-backs from collection recognised by doBank before the date the aforementioned securitisation transaction took effect. The latter in fact did not produce economic effects in terms of either valuation or income as it occurred at a figure corresponding to the book value, already aligned to the sale expectations.

The item Net income (losses) from investments mainly represents the positive effect from the reversal of the negative consolidation reserve that existed at the start of the year for € 7.6 million, referring to the equity investment in Immobiliare Veronica 84 in liquidation, which was sold at the same time as the Romeo Transaction in September 2016. For a negative amount of € 26 thousand, the item includes the Shareholders' Equity measurement of the company subject to the significant influence of BCC Gestione Crediti.

The item "Interest and commissions deriving from financial activities", which includes the components deriving from treasury management, showed a loss of € 0.5 million due mainly to borrowing costs pertinent to the Parent Company doBank on the loan related to the Bank's own portfolio recognised in "Deposits from customers". This item, at December 31, 2015, also included interest income on the surplus liquidity which was subsequently transferred to the former shareholder UniCredit in October 2015 with the distribution of extraordinary dividends.

Income tax for the period was quantified for accrual at € 26.8 million of which € 7.6 million related to current taxes and € 15.1 million to prepaid taxes. We can specify that the item also includes the amount of the fee referred to the year 2015 (€ 2.1 million) and the portion accruing of the fee referred to the year 2016 (€ 1.9 million) related to the Parent Company doBank exercising the option to maintain the possibility of transforming deferred tax assets into tax credits under the terms of Art. 11 of Italian Law Decree no. 59 of 05/03/2016 converted by Italian Law no. 119 of 6/30/2016. The total tax rate calculated as the ratio between income taxes and profit/loss before tax, was therefore 34% (neutralising the effect of the DTA fee it came out at 28%, referable for 10% to current taxes and for the remainder to the effect of prepaid taxes).

The profit for the period, after taxes, came out at € 52.3 million, a sharp improvement compared to the previous year which was greatly impacted by impairment of doBank's receivables portfolio.

Statement reconciling the reclassified Consolidated Income Statement and the statutory Consolidated Income Statement

(€/milion)

		2016	2015 (*)	2016 PRO-FORMA
Net interest income		**0.1**	**0.2**	**0.1**
10	of which: INTEREST INCOME AND SIMILAR REVENUES	0.1	0.2	0.1
20	of which: INTEREST EXPENSES AND SIMILAR CHARGES	-	-	-
Fee and commission income		**159.2**	**80.9**	**191.7**
40	FEE AND COMMISSION INCOME	158.9	80.9	189.8
220	of which: OTHER NET OPERATING INCOME	0.3	-	1.9
Fee and commission expense		**(17.3)**	**(17.3)**	**(17.8)**
50	FEE AND COMMISSION EXPENSE	(17.3)	(17.3)	(17.8)
Other net operating income / expense		**5.0**	**14.5**	**14.4**
220	of which: OTHER NET OPERATING INCOME	5.4	14.5	14.6
40	of which: FEE AND COMMISSION INCOME	0.2	-	0.4
180b	of which ADMINISTRATIVE COSTS: b) OTHER ADMINISTRATIVE EXPENSE	(0.6)	-	(0.6)
Operating income		**147.0**	**78.3**	**188.4**
Staff expenses		**(58.7)**	**(46.5)**	**(81.6)**
180a	of which ADMINISTRATIVE COSTS: b) STAFF EXPENSE	(58.6)	(46.5)	(81.6)
180	of which ADMINISTRATIVE COSTS: b) OTHER ADMINISTRATIVE EXPENSE	(0.1)	-	-
Adminitrative costs		**(34.5)**	**(39.9)**	**(44.7)**
180b	of which ADMINISTRATIVE COSTS: b) OTHER ADMINISTRATIVE EXPENSE	(34.5)	(39.9)	(44.7)
220	of which: OTHER NET OPERATING INCOME	-	-	-
Other operating income - recovery of expense		**4.2**	**6.7**	**2.2**
220	of which: OTHER NET OPERATING INCOME	4.2	6.7	2.2
Operating costs		**(89.0)**	**(79.7)**	**(124.1)**
Operating profit (loss) (EBITDA)		**58.0**	**(1.4)**	**64.3**
Impairment/Write-backs on property, plant, equipment and intangible assets		**(0.6)**	**(0.1)**	**(1.7)**
200	IMPAIRMENT / WRITE-BACKS ON PROPERTY, PLANT AND EQUIPMENT	(0.1)	-	(0.3)
210	IMPAIRMENT / WRITE-BACKS ON INTANGIBLE ASSETS	(0.4)	-	(1.2)
220	of which: OTHER NET OPERATING INCOME	(0.1)	(0.1)	(0.2)
Net provisions		**5.5**	**(5.3)**	**1.5**
190	NET PROVISIONS FOR RISKS AND CHARGES	4.8	(4.1)	1.6
220	of which: OTHER NET OPERATING INCOME	0.7	(1.2)	(0.1)
Losses / Recoveries		**8.2**	**(236.3)**	**0.1**
130	NET LOSSES / RECOVERIES ON IMPAIRMENT	3.2	(240.6)	(0.1)
220	of which: OTHER NET OPERATING INCOME	4.7	3.7	-
10	of which: INTEREST INCOME AND SIMILAR REVENUES	0.1	0.6	-
20	of which: INTEREST EXPENSES AND SIMILAR CHARGES	-	-	-
100	GAINS (LOSSES) ON DISPOSAL AND REPURCHASE	0.2	-	0.2
Profit (loss) of equity investments		**7.6**	**-**	**0.2**
240	PROFIT (LOSS) OF EQUITY INVESTMENTS	-	-	0.2
270	GAINS AND LOSSES ON DISPOSAL OF INVESTMENTS	7.6	-	-
Net profit from financial activities		**(0.5)**	**0.1**	**(0.2)**
10	of which: INTEREST INCOME AND SIMILAR REVENUES	-	0.3	-
20	of which: INTEREST EXPENSES AND SIMILAR CHARGES	(0.5)	(0.2)	(0.2)
70	DIVIDEND INCOME AND SIMILAR REVENUE	-	-	-
50	of which: FEE AND COMMISSION EXPENSE	-	-	-
Profit (loss) before tax (EBT)		**78.2**	**(243.0)**	**64.2**
Income tax for the year		**(26.8)**	**75.9**	**(23.6)**
290	TAX (EXPENSE) RECOVERY ON INCOME FROM CONTINUING OPERATIONS	(22.7)	75.9	(21.6)
180b	of which ADMINISTRATIVE COSTS: b) OTHER ADMINISTRATIVE EXPENSE	(4.1)	-	(2.0)
Profit (loss) from continuing operations		**51.4**	**(167.1)**	**40.6**
Profit (loss) from group of assets sold and held for sale net of tax		**(0.3)**	**-**	**(1.4)**
310	PROFIT (LOSS) AFTER TAX FROM DISCONTINUED OPERATIONS	(0.3)	-	(1.4)
Net Profit (loss) for the year		**51.1**	**(167.1)**	**39.2**
MINORITIES		**-**	**-**	**-**
330	MINORITIES	-	-	-
Net profit (loss) for the year attributable to the Group before PPA		**51.1**	**(167.1)**	**39.2**
Economic effect of "Purchase Price Allocation"		**1.2**	**-**	**1.2**
220	of which: OTHER NET OPERATING INCOME	1.2	-	1.2
Goodwill impairment		**-**	**-**	**-**
260	Goodwill impairment	-	-	-
Net profit (loss) attributable to the parent company		**52.3**	**(167.1)**	**40.4**

(*) The data for the previous year were restated to guarantee a uniform comparison. The annexes contain a statement reconciling the Consolidated Income Statement published in the Report and consolidated Financial Statements at December 31, 2015 and that restated in these consolidated financial statements.

RECONCILIATION OF THE PARENT COMPANY'S ACCOUNTS TO THE CONSOLIDATED ACCOUNTS

The table that follows shows the reconciliation between the shareholders' equity and net profit for doBank and the corresponding figures at the consolidated level.

(€/million)

	Shareholders' Equity before result	Net profit (loss)	Shareholders' Equity	Notes
Balance as at December 31, 2016 as per doBank S.p.A. Accounts	166.2	41.0	207.2	
Elimination of the value of consolidated investments in associates:				
- Surplus (minus) over the carrying values of consolidated subsidiaries	0.1	1.2	1.3	(1)
- Net profit (loss) of consolidated subsidiaries		4.8	4.8	(2)
Ohter reclassifications on consolidation	(7.8)	5.3	(2.5)	(3)
Balance as at December 31, 2016 attributable to the group	**158.5**	**52.3**	**210.8**	

Notes
(1) The amount represents the difference between the book value and the value of the Shareholders' Equity of the investee companies, of which € 1.2 million refers to Italfondiario S.p.A.
(2) The amount represents the value of the net profit/(loss) for the 2016 financial year of the investee companies, of which € 4.1 million refers to the companies of the former Italfondiario Group.
(3) The amount represents other reclassifications on consolidation adjustments due mainly to the reversal of the negative consolidation reserve that existed at the start of the year for € 7.6 million, referring to the equity investment in Immobiliare Veronica 84 in liquidation, as well as the reversal of infragroup profits and dividends.

TREASURY SHARES AND PARENT COMPANY SHARES

We note that during the period none of the holding's shares in the Parent Company doBank were purchased, sold or held in the portfolio, either directly or through a trust or a proxy.

At December 31, 2016, there were 175,000 treasury shares in the portfolio with a face value of € 903,000, equal to 2.2% of total share capital. Their carrying amount was € 277 thousand. They are recognised in the financial statements directly reducing shareholders' equity in item "200. Treasury shares". Item "170. Reserves" includes the envisaged equity reserve of the same amount.

SIGNIFICANT EVENTS AFTER THE END OF THE PERIOD

During the early months of 2017 the Parent Company doBank has continued in the internal reorganisation activities with the intention of centralising in itself the functions of management, coordination, guidance and control and also approving, in January, the new Corporate Governance project which provides for simplified Governance of the Bank and the subsidiaries, according to a principle of proportionality, and a stronger role of management and coordination of doBank in its capacity as Parent Company.

This model is therefore capable of providing to the market, starting already from the early months of 2017, an integrated system of services related mainly to credit recovery and to guarantee benefits to the Group as regards the cost/performance ratio raising at the same time the technological content of the services offered and the internal processes.

Starting from March 1, 2017 the subsidiary doSolutions S.p.A. represents the Group's new technological hub, offering Information Technology, organisational support, back office and logistic services, thanks to the operation of contribution and demerger of the business units respectively by doBank and by Italfondiario. Again within the scope of Information Technology, during the first half of 2017, the progressive replacement of all the Group's IT systems will begin, with a view to standardising operations.

Again starting from March 2017 the merger between the Group's two real estate companies, Italfondiario RE and doRe comes into effect; this is aimed at integrating in a single unit the ancillary Real Estate services related to credit recovery.

BUSINESS OUTLOOK

The Group will continue to operate developing a strong commitment to commercial growth, aimed at maximising the net economic contribution deriving from the servicing activities for third parties in credit recovery, in particular in relation to the assignor UniCredit S.p.A., from the possible investments in securities on securitisation transactions, from the increase in the volumes of banking products, from expanding the ancillary services offered to customers, also using the services of the investee companies, and from strong discipline in monitoring administrative costs. These commitments are reflected in the 2017 - 2019 Three-Year Plan.

OTHER INFORMATION

As foreseen in the regulations (Bank of Italy no. 285 of December 17, 2013 as amended) we can note that the disclosure to the public (Basel II Third Pillar) will be published on the doBank S.p.A. website (www.dobank.com).

Rome, March 2, 2017

THE BOARD OF DIRECTORS

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Balance Sheet

(€/000)

ASSETS	12/31/2016	12/31/2015
10 CASH AND CASH EQUIVALENTS	18	1
40 AVAILABLE-FOR-SALE FINANCIAL ASSETS	1,047	1,878
60 LOANS AND RECEIVABLES WITH BANKS	52,575	17,032
70 LOANS AND RECEIVABLES WITH CUSTOMERS	10,820	166,668
100 EQUITY INVESTMENTS	1,608	-
120 PROPERTY, PLANT AND EQUIPMENT	638	24
130 INTANGIBLE ASSETS	2,079	47
140 TAX ASSETS	143,030	189,344
a) current tax assets	37,722	8,503
b) deferred tax assets	105,308	180,841
of which for purposes of Law 214/2011	55,406	117,976
150 NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS	2,516	-
160 OTHER ASSETS	114,103	43,217
TOTAL ASSETS	**328,434**	**418,211**

LIABILITIES AND SHAREHOLDERS' EQUITY	12/31/2016	12/31/2015
10 DEPOSITS FROM BANKS	13,076	4,407
20 DEPOSITS FROM CUSTOMERS	11,060	181,760
80 TAX LIABILITIES	219	317
a) current tax liabilities	199	-
b) deferred tax liabilities	20	317
90 LIABILITIES ASSOCIATED WITH NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS	1,738	-
100 OTHER LIABILITIES	55,986	36,419
110 EMPLOYEE TERMINATION INDEMNITIES	10,240	4,629
120 PROVISION FOR RISKS AND CHARGES	25,371	31,494
b) other provisions	25,371	31,494
140 VALUATION RESERVES	256	1,027
170 RESERVES	117,155	284,267
190 SHARE CAPITAL	41,280	41,280
200 TREASURY SHARES (-)	(277)	(277)
220 NET PROFIT (LOSS) FOR THE YEAR (+/-)	52,330	(167,112)
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**328,434**	**418,211**

Consolidated Income Statement

(€/000)

ITEMS	12/31/2016	12/31/2015 (*)
10 INTEREST INCOME AND SIMILAR REVENUES	235	1,037
20 INTEREST EXPENSES AND SIMILAR CHARGES	(485)	(191)
30 NET INTEREST INCOME	**(250)**	**846**
40 FEE AND COMMISSION INCOME	159,053	80,907
50 FEE AND COMMISSION EXPENSE	(17,296)	(17,338)
60 NET FEE AND COMMISSION INCOME	**141,757**	**63,569**
100 GAINS (LOSSES) ON DISPOSAL AND REPURCHASE OF:	241	(19)
a) LOANS	-	(19)
b) AVAILABLE-FOR-SALE FINANCIAL ASSETS	241	-
120 OPERATING INCOME	**141,748**	**64,396**
130 NET LOSSES / RECOVERIES ON IMPAIRMENT:	3,198	(240,425)
a) LOANS	3,333	(240,425)
d) OTHER FINANCIAL ACTIVITIES	(135)	-
140 NET PROFIT FROM FINANCIAL ACTIVITIES	**144,946**	**(176,029)**
170 NET PROFIT FROM FINANCIAL AND INSURANCE ACTIVITIES	**144,946**	**(176,029)**
180 ADMINISTRATIVE COSTS:	(97,838)	(86,622)
a) STAFF EXPENSE	(58,638)	(46,495)
b) OTHER ADMINISTRATIVE EXPENSE	(39,200)	(40,127)
190 NET PROVISIONS FOR RISKS AND CHARGES	4,809	(4,120)
200 IMPAIRMENT/WRITE-BACKS ON PROPERTY, PLANT AND EQUIPMENT	(82)	(4)
210 IMPAIRMENT/WRITE-BACKS ON INTANGIBLE ASSETS	(420)	(37)
220 OTHER NET OPERATING INCOME	16,337	23,800
230 OPERATING COSTS	**(77,194)**	**(66,983)**
240 PROFIT (LOSS) OF EQUITY INVESTMENTS	(26)	-
270 GAINS AND LOSSES ON DISPOSAL OF INVESTMENTS	7,651	-
280 PROFIT (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS	**75,377**	**(243,012)**
290 TAX (EXPENSE) RECOVERY ON INCOME FROM CONTINUING OPERATIONS	(22,697)	75,900
300 PROFIT (LOSS) AFTER TAX FROM CONTINUING OPERATIONS	**52,680**	**(167,112)**
310 PROFIT (LOSS) AFTER TAX FROM DISCONTINUED OPERATIONS	(350)	-
320 NET PROFIT (LOSS) FOR THE YEAR	52,330	(167,112)
340 PROFIT (LOSS) FOR THE YEAR ATTRIBUTABLE TO THE PARENT COMPANY	**52,330**	**(167,112)**

(*) The data referring to the previous year were restated to guarantee a homogeneous comparison. A reconciliation between the Consolidated Income Statement year 2015 and the same restated for comparative purposes is reported into the annexes.

Consolidated Statement of Comprehensive Income

(€/000)

	ITEMS	12/31/2016	12/31/2015
10.	**Net profit (loss) for the year**	**52,330**	**(167,112)**
	Other comprehensive income after tax not reversed in profit and loss		
20.	Property, plant and equipment	-	-
30.	Intangible assets	-	-
40.	Defined benefit plans	(79)	116
50.	Non-current assets classified as held for sale	-	-
60.	Share of valuation reserves of equity accounted investments	-	-
	Other comprehensive income after tax reversed in profit and loss		
70.	Hedges of foreign investment	-	-
80.	Exchange differences	-	-
90.	Cash flow hedges	-	-
100.	Available-for-sale financial assets	(714)	339
110.	Non-current assets classified as held for sale	-	-
120.	Share of valuation reserves of equity accounted investments	-	-
130.	**Total other comprehensive income after tax**	**(793)**	**455**
140.	**Comprehensive income after tax (item 10 + 130)**	**51,537**	**(166,657)**
150.	Consolidated comprehensive income attributable to minorities	-	-
160.	**Consolidated comprehensive income attributable to the Parent Company**	**51,537**	**(166,657)**

Consolidated Statement of Changes in Shareholders' Equity

(€/000)

	Balance as at 12/31/2014	Changes in opening balance	Balances as at 01/01/2015	Allocation of profit from previous year		Changes during the year									Shareholders' equity group as at 12/31/2015	Shareholders' equity minorities as at 12/31/2015
							Shareholders' equity transactions									
				Reserves	Dividends and other payout	Changes in reserves	Issue of new share	Acquisition of treasury share	Distribution of extraordinary dividends	Change in equity instruments	Own shares derivates	Stock options	Changes in shareholdings	Comprehensive income at 12/31/2015		
Issued capital																
- ordinary shares	41.280	-	41.280	-	-	-	-	-	-	-	-	-	-	-	-	41.280
- other shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- from profits	20.806	-	20.806	-	-	-	-	-	(10.330)	-	-	-	-	-	-	10.476
- other	2.687.927	-	2.687.927	(25.807)	-	(1.804.659)	-	-	(583.670)	-	-	-	-	-	-	273.791
Valuation reserves	539	-	539	-	-	33	-	-	-	-	-	-	-	455	-	1.027
Equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Treasury shares	(277)	-	(277)	-	-	-	-	-	-	-	-	-	-	-	-	(277)
Net profit (loss) for the year	(25.807)	-	(25.807)	25.807	-	-	-	-	-	-	-	-	-	(167.112)	-	(167.112)
Shareholders' equity Group	**2.724.468**	**-**	**2.724.468**	**-**	**-**	**(1.804.626)**	**-**	**-**	**(594.000)**	**-**	**-**	**-**	**-**	**(166.657)**	**-**	**159.185**
Shareholders' equity Minorities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

(€/000)

	Balance as at 12/31/2015	Changes in opening balance	Balances as at 01/01/2016	Allocation of profit from previous year		Changes during the year								Comprehensive income at 12/31/2016	Shareholders' equity group as at 12/31/2016	Shareholders' equity minorities as at 12/31/2016
							Shareholders' equity transactions									
				Reserves	Dividends and other payout	Changes in reserves	Issue of new share	Acquisition of treasury share	Distribution of extraordinary dividends	Change in equity instruments	Own shares derivates	Stock options	Changes in shareholdings			
Issued capital																
- ordinary shares	41.280	-	41.280	-	-	-	-	-	-	-	-	-	-	-	-	41.280
- other shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- from profits	10.476	-	10.476	-	-	-	-	-	-	-	-	-	-	-	-	10.476
- others	273.791	-	273.791	(167.112)	-	-	-	-	-	-	-	-	-	-	-	106.679
Valuation reserves	1.027	-	1.027	-	-	-	-	-	-	-	-	-	-	(771)	-	256
Equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Treasury shares	(277)	-	(277)	-	-	-	-	-	-	-	-	-	-	-	-	(277)
Net profit (loss) for the year	(167.112)	-	(167.112)	167.112	-	-	-	-	-	-	-	-	-	52.330	-	52.330
Shareholders' equity Group	**159.185**	**-**	**159.185**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**51.559**	**-**	**210.744**
Shareholders' equity Minorities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Consolidated Cash Flow Statement (indirect method)

(€/000)

A. OPERATING ACTIVITIES	Amount 12/31/2016		12/31/2015
1. Operations:	**25,856**		**(6,683)**
- Profit (loss) for the year (+/-)	52,330		(167,112)
- capital gains/losses on financial assets/liabilities held for trading and on assets/liabilities designed at fair through profit and loss (+/-)	-		-
- Capital gains/losses on hedging operations (+/-)	-		-
- Net losses/recoveries on impairment (+/-)	3,152		242,179
- Net write-offs/write-backs on tangible and intangible assets (+/-)	7,940		41
- Provisions and other income/expenses (+/-)	(6,070)		4,739
- Uncollected net premiums (-)	-		-
- Other uncollected incomes and expenses from insurance activities (-/+)	-		-
- Unpaid taxes and tax credits (+)	23,131		(76,206)
- Impairment/write-backs on discontinued operations, net of tax (-/+)	(173)		-
- Other adjustments (+/-)	(54,454)		(10,324)
2. Liquidity generated/absorbed by financial assets:	**191,851**		**463,915**
- Financial assets held for trading			
- Financial assets at fair value	-		-
- Available-for-sale financial assets	131		512
- Loans and receivables with banks: on demand	(32,298)		66,277
- Loans and receivables with banks: other receivables	14		324,543
- Loans and receivables with customers	162,694		24,580
- Other assets	61,310		48,003
3. Liquidity generated/absorbed by financial liabilities:	**(190,421)**		**136,799**
- Deposits from banks: on demand	10,077		(91)
- Deposits from banks: other liabilities	(2,000)		-
- Deposits from customers	(170,911)		175,140
- Debt certificates including bonds	-		-
- Financial liabilities held for trading	-		-
- Financial liabilities designated at fair value	-		-
- Other liabilities	(27,587)		(38,250)
Net liquidity generated/absorbed by operating activities	**27,286**	**A**	**594,031**
B. Investment activities			
1. Liquidity generated by:	**-**		**-**
- Sales of equity investments	-		-
- Collected dividends on equity investments	-		-
- Sales of financial assets held to maturity	-		-
- Sales of tangible assets	-		-
- Sales of intangible assets	-		-
- Sales of subsidiaries and divisions	-		-
2. Liquidity absorbed by:	**(27,268)**		**(32)**
- Purchases of equity investments	(26,553)		-
- Purchases of financial assets held to maturity	-		-
- Purchases of tangible assets	(135)		(23)
- Purchases of intangible assets	(580)		(9)
- Purchase of subsidiaries and divisions	-		-
Net liquidity generated/absorbed by investment activities	**(27,268)**	**B**	**(32)**
C. Funding activities			
- Issue/purchase of treasury shares	-		-
- Issue/purchase of equity instruments	-		-
- Distribution of dividends and other scopes	-		(594,000)
Net liquidity generated/absorbed by funding activities	**-**	**C**	**(594,000)**
Net increase (decrease) in cash and cash equivalents during the year	**18**	**D**	**(1)**
(+) generated			
(-) absorbed	**D = A +/- B +/- C**		**D = A +/- B +/- C**

Reconciliation

	Amount	
	12/31/2016	12/31/2015
Balance sheet items		
Cash and cash equivalents at the beginning of the year	-	291
Net increase (decrease) in cash and cash equivalents during the year	18	(291)
Cash and cash equivalents: effect of exchange rate variations	-	-
Cash and cash equivalents at the end of the year	**18**	**-**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Notes to the Consolidated Financial Statements

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Part B - Consolidated Balance Sheet

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Annex 2
Reconciliation between the Consolidated Income Statement year 2015
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Annex 3
Country-by-Country Reporting

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Section 2 - Preparation criteria
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Part A - Accounting policies

A.1 - General

Section 1 - Statement of compliance with international accounting principles

These consolidated Financial Statements, in application of Italian Legislative Decree no. 38 of February 28, 2005, are prepared in compliance with the accounting standards issued by the International Accounting Standards Board (IASB), including the SIC and IFRIC interpretation documents, endorsed by the European Commission, as foreseen in European Union Regulation no. 1606 of July 19, 2002 and applicable until December 31, 2016 (see also Section 5 - Other Matters).

In respect of bank financial statements, the Bank of Italy established in terms of Circular no. 262 of December 22, 2005 and subsequent amendments, the Financial Statement Schedules and additional notes used to prepare these Financial Statements. In addition, on December 15, 2015, the 4th update to the same circular was issued, implementing the changes made in regards to credit quality and the new definitions of impaired assets, which took effect for financial statements at December 31, 2015.

To that end, please also see Part A.2 relative to the main items of the accounts, Section 2 - Preparation criteria.

Section 2 - Preparation criteria

The Consolidated Financial Statements were prepared, as noted above, on the basis of the International Accounting Standards endorsed by the European Commission. In terms of interpretation and to support their application, the following documents were used, even if they have not all been approved by the European Commission:

- the Conceptual Framework for Financial Reporting;
- Implementation Guidance, Basis for Conclusions, IFRIC and any other documents prepared by the IASB or IFRIC (International Financial Reporting Interpretations Committee) complementing the main standards issued;
- the interpretation documents on application of IAS/IFRS in Italy prepared by the Organismo Italiano di Contabilità (OIC) and Associazione Bancaria Italiana (ABI);
- the ESMA (European Securities and Markets Authority) and Consob documents which pertain to application of specific IFRS provisions.

The consolidated financial statements consist of the Consolidated Balance Sheet, Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Statement of Changes in Shareholders' Equity, the Consolidated Cash Flow Statement (prepared using the indirect method) - prepared in thousands of Euro - and the consolidated Notes to the Accounts - prepared in thousands of Euro (if not otherwise stated) - and is accompanied by the Directors' Consolidated Report on Operations. To that end, reference was made to the schedules issued by the Bank of Italy in circular no. 262 of December 22, 2005 (4th update of December 15, 2015). Note that, as foreseen in said circular, the items and tables with zero amounts are not indicated in the Consolidated Notes to the Accounts.

As cited in the Consolidated Report on Operations, measurement criteria was adopted with the presupposition of the company as a going concern, in compliance with that foreseen in accounting standard IAS 1, there being no uncertainties about the ability of the company to continue its business.

Therefore, the measurement criteria adopted comply with said presupposition and meet the principles of accrual, relevance and significance for accounting information, with economic substance prevailing over legal form. These criteria were applied in continuity both for the purposes of preparing the consolidated

Financial Statements at December 31, 2016 and in presenting the pro forma data of the previous financial year, with the exception of those highlighted in Part A.2 Main items of the accounts, with reference to new 2016 standards and interpretations taking effect.

Risk and uncertainty related to the use of estimates

Under the IFRS, company management must formulate assessments, estimates and hypotheses that influence the application of the accounting standards and the amounts of assets, liabilities, costs and revenues shown in the financial statements, as well as the disclosures relative to potential assets and liabilities. The estimates and relative hypotheses are based on previous experience and other factors considered reasonable for the specific cases and are adopted to estimate the carrying amount of assets and liabilities that cannot be easily determined from other sources.

In particular, estimate processes are adopted to support the recognition of the largest items recognised in the financial statements at December 31, 2016, as foreseen in the accounting standards and the reference regulations described above. These processes are based in large part on estimates of the future recoverability of the values recognised in the financial statements, based on the rules dictated by the regulations in effect and have been made with an eye to the company as a going concern, that is leaving aside the hypothesis of forced liquidation of the items being measured.

The processes adopted support the values recognised at December 31, 2016. The measurement process was particularly complex in consideration of the current macroeconomic and market situation.

The parameters and information used to verify the values initially mentioned were therefore significantly influenced by said factors, which could see rapid changes not foreseeable at present, making it impossible to exclude the possibility of consequent effects on future book values.

The estimates and hypotheses used are reviewed regularly. Any changes made consequent to said reviews are recognised in the period in which the review is carried out, in the case it is relevant to solely that period. In the case the review involves either current or future periods, the change is recognised in the period in which the review is carried out and in future periods.

The risk of uncertainty for estimates is seen substantially in the determination of the value of:

- fair value for financial instruments not listed in active markets;
- loans and receivables, investments and, in general, any other financial assets/liabilities;
- provisions for risks and charges and contingent assets;
- deferred tax assets,

for which quantification is mainly connected to both the changes in the Italian and international socio-economic situation, and the trends on the financial markets, which provoke consequent impacts on the performance of interest rates, fluctuations in prices, actuarial data, and more generally, the creditworthiness of counterparts.

With specific reference to valuation techniques, non-observable input that may be used in fair value measurement and sensitivity to changes in the same, please refer to Part A.4 Information on fair value.

Section 3 - Consolidation procedures and scope

The consolidated criteria and principles used to prepare the Consolidated Accounts at December 31, 2016 are described below.

For the preparation of the Consolidated Accounts as at December 31, 2016, the following sources have been used:

- the draft financial statements at December 31, 2016 of the Parent Company doBank S.p.A.;
- the accounts as at December 31, 2016, approved by the competent bodies and functions of the fully consolidated companies: doRealEstate S.p.A., Italfondiario S.p.A., IBIS S.r.l., Italfondiario RE S.r.l., Gextra S.r.l. and doSolutions S.p.A. These accounting records were appropriately reclassified and adjusted to take consolidation requirements into account and, where necessary, align them to the Group accounting principles.

Subsidiaries

Entities in which doBank holds direct or indirect control are considered subsidiaries. Control over an entity is identified through the ability of the holding to exercise power in order to influence the variable returns to which the group is exposed through its relationship with the same.

In order to ascertain the existence of control, the following factors are considered:

- the purpose and establishment of the investee in order to identify what the entity's objectives are, the activities that determine its returns and how these activities are governed;
- the power in order to understand whether the holding 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 holding has relations with the investee, the returns of which are subject to changes that depend on changes in the investee's performance;
- existence of potential "principal-agent" relationships.

The carrying amount of equity investments in companies consolidated on a line-by-line basis, held by the Parent Company, is eliminated - against the assumption of the assets and liabilities of the investees - as a counter entry for the corresponding portion of shareholders' equity attributable to the Group.
Financial relationships, receivable and payable, off balance sheet transactions, income and expense, as well as profit and loss occurring between companies within the scope of consolidation are fully elided, in line with the consolidation methods adopted.
Costs and revenues of a subsidiary are included in the consolidated figures as of the date control was acquired. The costs and revenues of a subsidiary disposed of are included in the Consolidated Income Statement until the date of the disposal that is until the moment in which control over the investee is lost. The difference between the amount received for the subsidiary and the carrying value of its net assets as of the same date is recognised in the Income Statement under item 270. "Gains and losses on disposal of investments" for companies subject to line-by-line consolidation.
For companies included within the scope of consolidation for the first time, the fair value of the cost sustained to obtain control over said equity investment, inclusive of accessory expense, is measured as of the acquisition date.
If the disposal does not involve a loss of control, the difference between the amount received to dispose of a portion held in a subsidiary and the relative carrying value of the net assets is recognised in a counter entry in Shareholders' equity.

Associates

An associate is an entity over which an investor has significant influence and which is not controlled exclusively or jointly controlled. Significant influence is presumed when the investor:

- holds, directly or indirectly, at least 20% of the share capital of another entity, or
- is able, including 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 ben pointed out that only companies which are governed through voting rights can be classified as subject to significant influence.
Investments in associates are recognised using the equity method. In accordance with IAS 36, the book value of associated companies is measured as a single asset, comparing this with the recoverable value (defined as the greater value between the value in use and the fair value net of disposal costs).

Equity method

Equity investments in companies measured according to the Equity method, include the goodwill (less any impairment loss) paid to purchase them. The investor's share of the profit and loss of the investee after the date of acquisition is recognised in the Income Statement under item 240. "Profit (Loss) of equity investments". Any dividends distributed reduce the carrying amount of the equity investment.
If the investor's share of a subsidiary's losses is equal to or more than its carrying amount, no further losses are recognised, unless the investor has incurred specific obligations or made payments on behalf of the company.
Gains and losses on transactions with associated or joint arrangements are eliminated according to the percentage interest in said company.
Any changes in the measurement of associates or joint arrangements, which are recorded as a contra item to changes in value of phenomena relevant to this purpose, are reported separately in the Statement of Comprehensive Income.
At December 31, 2016, the stake in BCC Gestione Crediti was measured using the Equity method.

1. Investments in subsidiaries

The table below shows the companies included in the scope of consolidation:

Name companies	Administrative office	Main Office	Type of Relationship (1)	Owner relationship		Voting rights % (2)
				Held by	Holding %	
1. doBank S.p.A.	Verona	Verona		Holding		
2. doReal Estate S.p.A.	Verona	Verona	1	doBank S.p.A.	100%	100%
3. Italfondiario S.p.A.	Roma	Roma	1	doBank S.p.A.	100%	100%
4. Ibis S.r.l.	Roma	Roma	1	doBank S.p.A.	100%	100%
5. Italfondiario RE S.r.l.	Roma	Roma	1	doBank S.p.A.	100%	100%
6. doSolutions S.p.A.	Roma	Roma	1	doBank S.p.A.	100%	100%
7. Gextra S.r.l.	Bologna	Bologna	1	Italfondiario S.p.A.	100%	100%

Notes to the table
(1) Type of relationship:
1 = majority of voting rights at ordinary shareholders' meeting
2 = dominant influence at ordinary shareholders' meeting
3 = agreements with other shareholders
4 = other types of control
5 = centralized management pursuant to paragraph 1 of art. 39 of "Legislative Decree 136/2015"
6 = centralized management pursuant to paragraph 2 of art. 39 of "Legislative Decree 136/2015"
(2) Voting rights available in general meeting. Voting rights are disclosed only if different from the percentage of ownership.

Changes in the consolidation scope

As stated in the Report on Operations, subsequent to the business combination that took place during the last quarter of 2016, the Group's consolidation scope increased by 4 companies, following the entry of Italfondiario S.p.A. and its three subsidiaries Italfondiario RE S.r.l, IBIS S.r.l. and Gextra S.r.l. (for additional information, reference is made to Part G). As these companies had been acquired during October 2016, they contributed to the Consolidated Income Statement during the last quarter of the year.

An additional entry into the consolidation scope was the newly-established company doSolutions S.p.A., representing the Group's technology hub.

Finally, during the year, the company Immobiliare Veronica 84 in liquidation linked to the non-performing portfolio, left the consolidation scope, when it was sold at the same time as the Romeo transaction on September 30, 2016. The 2016 Consolidated Income Statement therefore includes the result for the first 9 months of the year for these companies, and the effect of closing the relative portion of the Consolidation Reserve recorded at December 31, 2015.

2. Significant assessments and assumptions for determining the scope of consolidation

The doBank Group determines the existence of control and, as a consequence, the scope of consolidation, by ascertaining the following with reference to entities in which it holds exposures:

- the existence of power over its significant activities;
- exposure to variable returns;
- the ability to use the power held to influence the returns to which it is exposed.

The factors considered for the purpose of this assessment depend on the entity's method of governance, its purpose and its equity structure. To that end, the holding includes entities governed through voting rights within the scope of consolidation.

At December 31, we note that doBank holds a majority of voting rights in all the companies within the scope of consolidation.

3. Equity investments in subsidiaries with significant minority interests

There is no figure to report.

4. Significant restrictions

There is no figure to report.

5. Other information

There is no figure to report.

Section 4 - Subsequent events

During the early months of 2017 the Parent Company doBank has continued in the internal reorganisation activities with the intention of centralising in itself the functions of management, coordination, guidance and control and also approving, in January, the new Corporate Governance project which provides for simplified Governance of the Bank and the subsidiaries, according to a principle of proportionality, and a stronger role of management and coordination of doBank in its capacity as Parent Company.

This model is therefore capable of providing to the market, starting already from the early months of 2017, an integrated system of services related mainly to credit recovery and to guarantee benefits to the Group as regards the cost/performance ratio raising at the same time the technological content of the services offered and the internal processes.

Starting from March 2017 doSolutions S.p.A. represents the Group's new technological hub, offering Information Technology, organisational support, back office and logistic services, thanks to the operation of contribution and demerger of the business units respectively by doBank and by Italfondiario. Again within the scope of Information Technology, during the first half of 2017, the progressive replacement of all the Group's IT systems will begin, with a view to standardising operations.

Again starting from March 2017 the merger between the Group's two real estate companies, Italfondiario RE and doRe comes into effect; this is aimed at integrating in a single unit the ancillary Real Estate services related to credit recovery.

Section 5 - Other matters

During 2016, the following accounting amendments and interpretations took effect, applicable to financial statements relative to periods starting on or after January 1, 2016:

- Annual improvements cycle 2010-2012 for international accounting standards (Reg. EU 28/2015);
- Annual improvements cycle 2012-2014 for international accounting standards (Reg. EU 2343/2015);
- Amendments to IAS 19 - Defined Benefit Plans: Employee Contributions (Reg. EU 29/2015);
- Amendments to IAS 16 and IAS 41: Agriculture Bearer plants (Reg. EU 2113/2015);
- Amendments to IFRS 11: Accounting for acquisitions of equity investments in joint operations (Reg. EU 2173/2015);
- Amendments to IAS 16 and IAS 38: Clarification of acceptable methods of depreciation and amortisation (Reg. EU 2231/2015);
- Amendments to IAS 1: Disclosure Initiative (Reg. EU 2406/2015);
- Amendments to IAS 27: Shareholders' equity method in separate financial statements (Reg. EU 2441/2015);
- Amendments to IFRS 10, IFRS 12 and IAS 28: application of the exception related to investment entities (Reg. EU 1703/2016).

The European Commission has also endorsed the following accounting standards that are not applicable at December 31, 2016 and for which the Group did not make use, in any cases provided for, of application in advance:

- IFRS 9 - Financial instruments (July 2014);
- IFRS 15 - Revenue from Contracts with Customers (April 2016).

Finally, at December 31, 2016, the IASB has issued the following accounting standards and interpretations or revisions of the same, the application of which is subordinated to completion of the endorsement process by the relevant bodies of the European Union, which is not yet concluded:

- IFRS 14 - Regulatory Deferral Accounts (January 2014);
- Amendments to IFRS 10 and IAS 28: Disposals or contributions of assets between an investor and its associate/joint venture (September 2014);

- Amendments to IAS 12: recognition of deferred tax assets related to debt instruments measured at fair value (January 2016);
- IFRS 16 - Leases (January 2016);
- Amendments to IAS 7 - Statement of Cash Flows (January 2016);
- Amendments to IFRS 2 - Share-based Payment (June 2016);
- Amendments to IFRS 4 - Insurance Contracts (September 2016);
- Annual improvements to IFRSs 2014-2016 cycle (December 2016);
- IFRIC 22 - Foreign Currency Transactions (December 2016);
- Amendments to IAS 40 - Investment Property (December 2016).

These Consolidated Financial Statements are subject to auditing by the auditing firm Ernst & Young S.p.A., pursuant to Legislative Decree no. 39 of January 27, 2010.

Illustration of the changes to the consolidated financial statement schedules restated for comparative purposes

During 2016, as a consequence of the gradual reduction to zero of the owned portfolio component, the activity of the external network was focused almost exclusively on managing the portfolio managed with a mandate.
To this end, the expenses related to legal professionals for out-of-court activities, up to the previous year, included in item 180b). Administrative expenses - other administrative expenses, in analogy with expenses related to in-court activities payable to external legal professionals, were reclassified within item 50. Fee and commission expenses, which therefore include all expenses referable to management of the third party portfolio.

For the purpose of a more immediate understanding of the quantitative impacts of the changes to the presentation criteria that occurred during financial year 2016, in the annexes to the Financial Statements the restated Consolidated Income Statement for the previous financial year is presented connected with the data originally published in the 2015 consolidated financial statements.

A.2 - Main items of the accounts

1 - Held-for-trading financial assets

Item not present.

2 - Available-for-sale financial assets

Recognition criteria

These are non-derivative financial assets that are not classified as receivables, held-to-maturity investments or as assets valued at fair value. These assets are held for an undefined period of time and meet possible requirements to obtain liquidity or deal with changes in interest rates, foreign exchange rates, or in prices.

Classification criteria

Money market securities, other debt securities and equity securities can be classified as financial investments available-for-sale. These include share-based investments in the form of minority interests that cannot be classified as controlling interests, joint interests or equity investments in associates.

Measurement criteria

Available-for-sale financial assets are initially recognised at fair value on the adjustment date, which normally corresponds to the amount of the transaction, including costs and revenues directly attributable to the instrument itself.

For interest-bearing instruments, interest is recognised at the amortised cost, using the effective interest criteria.

These assets are subsequently measured at fair value. For interest-bearing securities, interest is recognised in the Income Statement using the amortised cost criteria. Profit and loss deriving from changes in fair value is recognised under item 140. “Valuation reserves” in shareholders’ equity - with the exception of losses due to impairment and profits and losses on changes in monetary assets (debt securities) which are respectively recognised in item 130.b) “Net losses/recoveries on impairment of available-for-sale financial assets” and in item 80. “Gains and losses on financial assets and liabilities held-for-trading” - until the financial asset is disposed of, when the accumulated profits and losses are recognised in the Income Statement under item 100.b) “Gains (losses) on disposal and repurchase of available-for-sale financial assets”.

Fair value changes recognised under item 140. “Valuation reserves” are also recognised in the Statement of Comprehensive Income.

Equity instruments (equity securities) no listed on an active market and for which the fair value cannot be determined in a reliable manner due to a lack of or unreliable information for fair value measurement are carried at cost, corresponding to the last reliably measured fair value.

In the case there is objective evidence that the asset has undergone a lasting reduction in value (impairment), the accumulated loss, recognised directly under item 140 of the Shareholders’ equity, “Valuation reserves”, is transferred to the Income Statement under item 130.b) “Net losses/recoveries on impairment”. For debt securities, evidence of impairment is established by circumstances indicating financial difficulties such as to prejudice the receipt of the capital or interest.

For equity instruments, impairment is measured considering, in addition to any difficulties in servicing the debt by the issuer, additional indicators such as fair value falling below the cost and adverse changes in the situation in which the company operates.

In particular, in cases in which the reduction of fair value to below the cost exceeds 50% or lasts for over 18 months, the loss of value is generally considered to be lasting.

On the other hand, when the decline in the fair value of the instrument to below cost is less than or equal to 50% but greater than 20%, or when it lasts for less than 18 months but more than 9, the Bank analyses additional income and market information. If the results of said analysis are such to cast doubt on the possibility of recovering the original amount invested, impairment is recognised.

The amount transferred to the Income Statement is therefore equal to the difference between the carrying value (purchase cost net of any impairment losses previously recognised in the Income Statement) and the current fair value.

In the case of instruments carried at cost, the amount of the loss is determined as the difference between the carrying amount of the same and the current estimated value of future cash flows, discounted on the basis of the current market return rate for similar financial assets (that is the recoverable value).

If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively connected with an event which occurred in a period subsequent to that in which the impairment loss was recognised in the Income Statement, the loss is written-back, recognising the corresponding amount in the same Income Statement item. The write-back cannot, in any case, lead to a carrying amount greater than that which would result from the application of the amortised cost in the case the loss had never been recognised.

Impairment losses for equity securities, recognised in the Income Statement, are subsequently written back with effects in equity, in the case that the original motivations which led to the write-downs no longer exist.

Derecognition criteria

Available-for-sale financial assets are derecognised when the asset in question is transferred, with substantial transfer of the connected risks and benefits, or when the contractual rights expire.

3 - Held to maturity investments

Item not present.

4 - Loans and receivables

Cash loans

Recognition criteria

Loans and receivables consist of non-derivative financial assets with customers and banks, with fixed or determinable payments and that are not listed on an active market. Loans and receivables are recognised on the date the contract is signed, which normally coincides with the date they are disbursed to the counterpart.

Measurement criteria

After initial recognition at fair value, including transaction costs directly attributable to the acquisition or disbursement of the financial assets (if not yet settled), the loans and receivables are carried at the amortised cost, using the effective interest criteria, adjusted if necessary to take any adjustments/write-backs into account resulting from the measurement process.
Profits (or losses) on loans and receivables, when not hedged, are recognised in the Income Statement:

- when the financial asset in question is eliminated, under item 100.a) “Gains (losses) on disposal and repurchase;
  or
- when the financial asset has suffered impairment, under item 130.a) “Net losses/recoveries on impairment”.

Interest on loans and receivables disbursed is classified under item 10. “Interest income and similar revenues” and is recognised using the accrual principle.

Loans and receivables are subjected to testing aimed at identifying those which, following the occurrence of events after recognition, indicate objective evidence of a possible loss of value. These impaired loans and receivables are periodically analysed and reviewed, at least once per year.

A loan or receivable is considered impaired when it is held that, probably, the entire amount will not be recovered, on the basis of the original contractual conditions, or an equivalent value.

The criteria for determining the write-downs applied to the loans and receivables are based on discounting of expected financial flows coming from principal and interest. For the purposes of determining the current value of the flows, the fundamental elements used are estimated recoveries, relative maturities, and the discount rate. In order to estimate recoveries and the relative maturities of problem loans and receivables, an analytical repayment plan is used when available. If not, estimated and lump sum amounts are used, derived from internal historic series and sector studies, taking into account the technical form, geographic location, type of guarantees and any other factors held relevant.

All problem loans and receivables are reviewed and analysed periodically. Every subsequent change in the amount or maturity of expected cash flows that leads to a negative change with respect to the initial estimates leads to the recognition of a write-down in Income Statement item 130.a) "Net losses/recoveries on impairment for loans".

If the quality of the impaired loan improves and there is reasonable certainty of timely recovery of the capital and interest, in line with the original contractual terms, a write-back is recognised in the same Income Statement item, up to a maximum limit of the amortised cost that it would have had if the previous write-downs had never been recognised.

According to the Bank of Italy rules, defined in the 9th update to Circular no. 272 of July 30, 2008, "Accounts Matrix", issued on December 20, 2016, impaired exposures are classified in the following categories, which were adapted to the new concepts of "non-performing exposures" and "forborne exposures" established by the European Commission with Regulation 2015/227:

- **bad loans** - this identifies the area of formally impaired loans and receivables, consisting of exposures with customers that are insolvent, even if not legally certified as such, or in similar situations. Measurement is, as a rule, done on an analytical basis or, in solely cases in which individual reductions of value have not and cannot be determined, on the basis of collective measurement by homogeneous type of exposures;

- **probable defaults ("unlikely to pay")** - these are on- and off-balance sheet exposures which do not meet the conditions necessary to classify the debtor as non-performing and for which there is an assessment that it is improbable, in the absence of actions such enforcement of guarantees, that the debtor will be able to fully comply (in terms of capital and/or interest) with their credit obligations. This assessment is carried out independent of the presence of any amounts (or instalments) overdue and unpaid.

  Classification among probable defaults is not necessary connected to the explicit presence of anomalies (lack of redemptions), but instead is connected to the existence of elements which indication a situation which suggests a risk of non-payment by the debtor. Probable defaults are generally measured analytically, that is by applying established percentages in a lump sum manner to groups of homogeneous exposures;

- **past due exposures** - these represent the entire exposure in relation to counterparties, not classified among the previous categories, which at the reference date have past-due or over-the-limit receivables.

The total exposure is recognised when, at the reporting date:

- the overdue and/or over drafted portion,
  or:
- the average of the expired and/or over drafted portions, recognised on a daily basis over the previous quarter, is equal to or greater than 5% of the exposure in question.

These exposures are measured in a lump sum manner on a historical/statistical basis, applying, when available, the risk level determined from the appropriate risk factor used for the purposes of EU Regulation no. 575/2013 (CRR) relative to prudential requirements for credit institutions and investment companies ("loss given default" [LGD]).

Collective measurement involves the assets portfolio for which, even if no individual objective loss elements were discovered, measurable latent loss can be attributed, also taking into account risk factors used for the purposes of the CRR prudential regulatory requirements.
In relation to the receivable positions, the Group proceeds at least every three months to assess the risk and to set aside corresponding provisions, so that the presentation of the net value of the asset is in keeping with the valuation made.
With reference to banking products, this activity is carried out for performing positions at reporting dates, applying a series of expert parameters defined by the Risk Management unit considering the type of product, the policies applied at the moment of disbursing the loan, and the trend in the relationship, and these are revised over time also on the basis of internal experience.
This approach involves the application of two parameters; PD (probability of default of the counterparty) and LGD (Loss Given Default, the expected loss in the event that the customer defaults). The product of these parameters generates a sort of theoretical expected loss to which the risk attributed to the position, and consequently, the level of provisions correspond.
For impaired positions the assessment is made case by case at the moment of the classification, on the basis of concrete and conservative valuations on the recovery forecasts, or at the moment of their revision following modification of the risk profile. The criteria of the policy are to be considered a minimum reference to which exceptions can be made only in the presence of solid assumptions.
The revision of impaired positions is carried out at least every 3 months, in keeping with the current corporate processes.
The Group's Risk Management Unit checks the overall correctness and consistency of the provisions, intervening in cases in which it sees shortcomings.
Write-downs of losses on loans and receivables are recognised a reduction in the carrying amount of the loan.

Derecognition criteria

Full or partial derecognition of a loan is recognised respectively when the same is considered definitively non-collectable, based on appropriate documentation, or is written off, or when the legal justification for the loan no longer exists.

A loan is also derecognised when:

- the contractual rights to the financial flows deriving from said loan expire;
- the loan is transferred, substantially transferring all the risks and benefits connected to it;
- not having either substantially transferred or maintained all the risks and benefits, control over the loan itself is lost.

Write-offs are recognised directly in item 130.a) " Net losses/recoveries on impairment for loans" in the Income Statement and are recognised as a decrease of the capital portion of the loan. Partial or full recoveries of previously written-down amounts are recognised in the same item. In the case of gains or losses on disposals, the economic effects are recognised in item 100.a) "Gains/losses on disposal and repurchase of loans". Any amounts received against loans and receivables previously derecognised (even if at a time prior to the acquisition) are recognised under item 130.a) " Net losses/recoveries on impairment for loans".

Loan Securitizations

The item loans and receivables also includes, based on the relevant sector composition, loans and receivables subject to securitisation transactions (subsequent to January 1, 2002), for which requirements for derecognition from the financial statements are not met, as established in IAS 39 (see Section 18 - Other information - Derecognition of financial assets).

Unsecured loans

Not present.

5 - Financial instruments at fair value through Profit and Loss

Not present.

6 - Hedge accounting

Not present.

7 - Equity investments

The criteria for initial recognition and subsequent measurement of equity investments are governed by IFRS 10 - Consolidated Financial Statements, IAS 27 - Separate Financial Statements, IAS 28 - Investments in Associates and Joint Ventures, and IFRS 11 - Joint Arrangements.

These standards are explained in Part A.1 - Section 3. Consolidation procedures and scope, where information is also provided on measurements and assumptions made to establish the existence of control or significant influence.

The remaining equity investments - other than subsidiaries, associates and joint ventures, and those indicated under items 150. "Non-current assets and disposal groups classified of assets held for sale" and 90. "Liabilities included in disposal groups classified as held for sale" - are classified among financial assets available-for-sale and treated in a corresponding manner (see Section 2 - Available-for-sale financial assets).

8 - Property, plant and equipment

Recognition criteria

This item includes:

- land and buildings
- furniture and fixtures
- plant and machinery
- other machines and equipment
- improvements made to third party assets, and is divided between the following categories:
- assets used in the business;
- assets held as investments.

Assets used in the business have a physical form, are held for use in production or in the provision of goods

and services or for administrative purposes and it is held they can be used for more than one financial year. Improvements to third party assets are improvements and incremental expenses relative to property, plant and equipment that can be identified and separated. In this case, classification is carried out in the specific reference sub-items (e.g. plant), in relation to the nature of the asset in question. Normally, these investments occur in order to render properties leased from third parties suitable for the expected use.

Improvements and incremental expenses relative to identifiable and non-separable property, plant and equipment are instead recognised in item 160. "Other assets".

Assets held as investments refer to property investments pursuant to IAS 40, that is real estate properties held (owned or through financial leases) in order to receive leasing fees and/or achieve appreciation of the capital invested.

Property, plant and equipment is initially recognised at cost, including all charges directly attributable to the "commissioning" of the asset (transaction costs, professional fees, direct costs to transport the asset to the assigned location, installation costs, dismantling expense).

Expenses sustained subsequently are added to the carrying amount of the asset or recognised as separate assets if it is probable that future economic benefits will be received in excess of those initially estimated and the cost can be reliably determined.

All other expenses sustained subsequently (e.g. ordinary maintenance) is recognised in the Income Statement, during the period in which it is sustained, under the item:

- 180.b) "Other administrative expense", if pertaining to assets used in the business;

or

- 220. "Other net operating income", if pertaining properties held for investment purposes.

Measurement criteria

Subsequent to initial recognition, property, plant and equipment is recognised at cost net of depreciation, amortisation and impairment.

Fixed assets with defined useful lives are depreciated at constant rates during their useful life.

Tangible fixed assets with unlimited useful life are not depreciated.

The useful life of tangible fixed assets is reviewed at the end of each period, taking into account the conditions of use of the asset, the maintenance conditions, expected obsolescence, etc. and, if the expectations differ from previous estimates, the depreciation rate for the current period and subsequent periods is adjusted.

If there is objective evidence that an individual asset may have suffered a reduction in value, a comparison is made between the carrying amount of the asset and its recoverable value, equal to the greater between fair value, having deducted sales costs, and the relative value in use, understood as the current value future financial flows expected to originate with the asset. Any write-downs are recognised under item 200. "Impairment/write-backs on property, plant and equipment" in the Consolidated Income Statement.

If the value of a previously written-down asset is written back, the new carrying amount cannot exceed the net carrying amount that would have existed if no impairment loss had been recognised on the asset in previous years.

Derecognition criteria

Property, plant and equipment are derecognised from the balance sheet at the time of disposal or when no future economic benefits are foreseen for the same through use or disposal and any difference between the disposal value and the carrying amount is recognised in the Income Statement under item 270. "Gains and losses on disposal of investments".

9 - Intangible assets

Recognition criteria

Intangible assets are non-monetary assets with multi-year utility, identifiable even if they lack physical form, controlled by the company and from which future economic benefits are probable.

Intangible assets mainly relate to goodwill, software, brands and patents.

Intangible assets other than goodwill are recognised at the purchase cost, including any direct costs sustained to prepare the asset for use, net of accumulated amortisation and impairment recognised.

Any expenses sustained subsequent to the acquisition:

- are recognised as an increase to the initial cost, if they increase the future economic benefits of the underlying assets (that is if they increase their value or productive capacity);
- are recognised in a single amount in the Income Statement during the financial year in which they are sustained in other cases (that is, when they do not increase the original value of the assets, but solely conserve the original functionality).

Intangible asset with finite life are amortised at constant rates on the basis of their estimated useful life.

Intangible assets with unlimited useful life are not amortised.

Measurement criteria

If there is objective evidence that an individual asset may have suffered a reduction in value, a comparison is made between the carrying amount of the asset and its recoverable value, equal to the greater between fair value, having deducted sales costs, and the relative value in use, understood as the current value future financial flows expected to originate with the asset. Any write-downs are recognised under item 210. "Net write-downs/write-backs on intangible assets" in the Consolidated Income Statement.

For intangible assets with indefinite life, even if no indication of impairment is determined, the carrying amount is compared with the recoverable value on an annual basis. In the case that the carrying amount is greater than the recoverable value, in item 210. "Impairment/write-backs on intangible assets" in the Consolidated Income Statement a loss is recognised equal to the difference between the 2 values.

If the value of a previously written-down intangible asset is written back, other than goodwill, the new carrying amount cannot exceed the net carrying amount that would have existed if no impairment loss had been recognised on the asset in previous years.

Derecognition criteria

Intangible assets are derecognised from the balance sheet at the time of disposal or when no future economic benefits are foreseen through use or disposal and any difference between the disposal value and the carrying amount is recognised in the Income Statement under item 270. "Gains and losses on disposal of investments".

10 - Non-current assets held for sale and discontinued operations

These categories include non-current individual assets (property, plant and equipment, intangible assets, and financial assets), or groups of assets held for sale, with the associated liabilities, as governed by IFRS 5.

The individual assets (or groups of assets held for sale) are recognised respectively in items 150. " Non-current assets held for sale and discontinued operations" and 90. "Liabilities included in disposal groups classified as held for sale" at the lesser of the carrying amount and the fair value net of disposal costs.

The positive and negative balances on income (dividends, interest, etc.) and expenses (interest payable, etc.) relating to the groups of assets and liabilities held for sale, net of the relative current and deferred taxes, is recognised under item 310. "Profit (Loss) after tax from discontinued operations" in the Consolidated Income Statement.

11 - Current and deferred tax

Recognition criteria

Tax assets and tax liabilities are recognised in the balance sheet of the financial statements, respectively under items 140. "Tax assets" in the assets and item 80. "Tax liabilities" in the liabilities.

In application of the "balance sheet liability method", accounting items for current and deferred taxes include:

- current tax assets, that is excess payment of tax obligations to be met, based on the current tax laws regulating business income;
- current tax liabilities, that is tax payables to be met based on the current tax laws regulating business income;
- deferred tax assets, that is amounts of income taxes recoverable in future financial years as a consequence of:
  - temporary deductible differences (represented mainly by charges deductible in the future based on the current tax laws regulating business income);
  - retained unutilised tax losses;
  - retained unutilised tax credits;
- deferred tax liabilities, that is income tax payables to be met in future periods as a consequence of temporary taxable differences (mainly represented by deferral of taxation of revenues or advance deduction of charges based on the current tax laws regulating business income).

Current tax assets and liabilities are recognised applying the current tax rates and are recognised as charges (income) using the same accrual criteria for the costs and revenues which generated them. In particular, for current taxes, IRES was calculated at 27.50%, while for IRAP purposes, a rate of 5.57% was applied.

In general, deferred tax assets and liabilities develop in the cases in which the deductibility or taxability of a cost or revenue is deferred with respect to their recognition for accounting purposes.

Measurement criteria

Deferred tax assets and liabilities are recognised on the basis of tax rates which, as of the financial statement reporting date, are foreseen as applicable in the financial year in which the asset will be realised or the liability will be eliminated, on the basis of the current tax legislation. They are periodically reviewed in order to take any regulatory changes into account.

Deferred tax assets are recognised only in the case in which their recovery is probably through expected future taxable income measured on the basis of the Group's ability to produce taxable income in future financial years. Deferred tax liabilities are always recognised. A requirement for the recognition of said deferred tax assets is the consideration that, with respect to possible corporate changes, it is held with reasonable certainty that taxable income will be achieved, against which the temporary deductible differences will be used. In accordance with the provisions of IAS 12, the probability that future taxable income sufficient to utilise the deferred tax assets will exist will be subject to periodic verification. If said verification suggests insufficient future taxable income, the deferred tax assets are reduced in a corresponding amount.

Current and deferred taxes are recognised in the Consolidated Income Statement under item 290. "Tax expense (income) recovery on income from continuing operations", with the exception of taxes which refer to items which are credited or debited, in the same financial year or in another, directly in equity such as, for example, those relative to profit or losses on available-for-sale financial assets and those relative to fair value changes in cash flow hedging derivative financial instruments, for which changes in value are recognised directly in the valuation reserves after taxes in the Consolidated Statement of Comprehensive Income.

Derecognition criteria

Deferred tax assets and liabilities are derecognised at the time they are recovered/realised.

12 - Provision for risks and charges

Other provisions

Recognition criteria

Provision for risks and charges consists of liabilities recognised when:

- the company has a current obligation (legal or implicit) resulting from a past event;
- it is probable that resources intended to provide economic benefits will have to be paid out to fulfil the obligation;
- a reliable estimate can be made of the amount of the obligation.

If these conditions are not met, no liability is recognised.

Measurement criteria

The amounts allocated to provisions are determined in a method that represents the best estimate of the expense required to fulfil the obligation. In making this estimate, the risks and uncertainties pertaining to the facts and circumstances in question are taken into account.

Specifically, when the effect of deferring suffering of the charge is significant, the amount of the provision is determined as the current value of the best estimate of the cost assumed necessary to eliminate the obligation. In this case, a discount rate is used to reflect current market values.

The allocated provisions are periodically reviewed and adjusted if necessary, to reflect the current best estimates. When, following a review, sustaining the charge becomes improbable, the provision is reversed.

Derecognition criteria

A provision is used only against the charges for which it was initially recognised.

Provisions for the year, recognised under item 190. “Net provisions for risks and charges”, in the Income Statement, include increases of provisions due to the passing of time and is net of any reattributions.

13 - Liabilities and securities in issue

Not present.

14 - Financial liabilities held-for-trading

Not present.

15 - Financial liabilities at fair value through Profit and Loss

Not present.

16 - Foreign currency transactions

Not present.

17 - Insurance assets and liabilities

Not present.

18 - Other information

Derecognition of financial assets

This is the write-off of a previously recognised financial asset or liability from the balance sheet.

Before evaluating the existence of conditions for the write-off of financial assets from the financial statements, IAS 39 establishes that it is necessary to verify whether these conditions apply to the assets in their entirety or whether they refer to only a part of them. Regulations regarding write-offs are applied to a part of the financial assets subject to transfer only if at least one of the following requirements is met:

- the part includes solely cash flows relative to a financial asset (or group of financial assets) which is/are specifically identified (for example, only the portion of interest pertaining to the asset);
- the part includes cash flows based on a clearly identified percentage of the total (e.g. 90% of all cash flows deriving from the asset);
- the part includes a clearly identified portion of specifically identified cash flows (e.g. 90% of cash flows on the portion of interesting pertaining to the asset).

If these requirements are not met, the regulations on derecognition must be applied to the financial asset (or group of financial assets) as a whole.

The conditions for full write-off of a financial asset are the termination of contractual rights, based on their natural maturity, or the transfer of rights to future cash flows deriving from said asset to a counterparty external to the Group.

Rights to receiving cash flows are also considered to have been transferred when contractual rights to receive financial flows from assets are maintained, but an obligation is taken on to pay these flows to one or more entities and all three of the following conditions (pass-through agreements) are met:

- the Bank has no obligation to pay amounts not received from the original asset;
- the sale or use as a guarantee of the original asset is prohibited, unless this is to guarantee the obligation to pay financial flows;
- there is an obligation to transfer, without delay, all the financial flows received and there is no right to invest them, with the exception of investments in short term liquid assets between the dates of receipt and deposit, on the condition that the interest accrued during the period is also transferred.

In addition, derecognition of a financial asset is subordinate to verification that all the risks and benefits deriving from ownership of the rights have been effectively transferred (true sale). In the case of substantial transfer of all risks and benefits, the asset (or group of assets) transferred are written off, separately recognising the rights and obligations relative to the transfer as assets or liabilities.

Vice versa, if the risks and benefits are maintained, the asset (or group of assets) transferred must continue to be recognised. In this case, a liability corresponding with the amount received as payment for the transfer must also be recognised, and subsequently all income accrued from the asset must be recognised, as well as all charges accruing on the liability.

The main transactions which, on the basis of the aforementioned rules, do not allow full derecognition of a financial asset are loan securitisation transactions, reverse repos and security loan transactions.

In the case of securitisation transactions, financial assets are not written off in the case of the purchase of equity tranches or the provision of other structural support, where the credit risk associated with the securitised portfolio continues to be maintained.

During financial year 2016 the Parent Company carried out a sale transaction for the securitisation of non-performing receivables to the SPV Romeo S.r.l. For this transaction the conditions were fulfilled for derecognition from the Consolidated Financial Statements of the financial assets under the terms of IAS 39.

Treasury shares

Changes in treasury shares in the portfolio are recognised in a direct contra entry in equity, that is reducing the latter by the value of the purchases and increasing it for the value of sales.

This means that, in the case of subsequent transfer, the difference between the sales price of the treasury shares and the relative repurchase cost, net of any tax effects, is fully recognised in a contra entry in shareholders' equity.

Employee Termination Indemnities (Trattamento di fine rapporto - "TFR")

The "TFR" provisions for Italy-based employee benefits should be understood as a post-employment defined benefits, therefore its recognition in the Financial Statements requires an estimate, carried out using actuarial techniques, of the amounts accrued by employees and discounting of the same.

Determination of these amounts was done by an external actuary, using the "Projected Unit Credit Method". This method uniformly distributes the cost of the benefit during the working life of the employee. Obligations are determined as the discounted value of the average future disbursements, proportioned on the basis of the relationship between years of service accrued and total seniority achieved at the time the benefit is disbursed.

Following the reform of supplementary social security, pursuant to Legislative Decree no. 252 of December 5, 2005, the termination benefit units accrued up to 12/31/2006 remained in the company, while the termination benefit units accruing as of January 1, 2007 were, based on the employees' choices (made by 06/30/2007), sent to supplementary social security funds or to the INPS Treasury Fund.

It follows that:

- termination benefits accruing up to 12/31/2006 (or up to the date of the choice - falling between 01/01/2007 and 06/30/2007 - of the employee if their termination benefits are sent to a supplementary social security fund) continue to have the form of a "defined benefit" plan and are therefore subject to actuarial measurement, although with simplified actuarial hypotheses that no longer take into account predictions of future income increases.
- the units accruing after 01/01/2007 (or the date of choice - between 01/01/2007 and 06/30/2007 - of the employee in the case their termination benefits are sent to a supplementary social security fund) are considered a "defined contribution" plan (in that the company's obligation is eliminated at the moment the accrued termination benefit units are deposited in the fund selected by the employee) and therefore the relative cost pertaining to the period is equal to the amounts paid to the supplementary social security fund or to the INPS Treasury Fund.

Actuarial gains and losses, defined as the difference between the book value of the liabilities and the current value of the obligation at the end of the period, are recognised in the Consolidated Statement of Comprehensive Income and in the item "Valuation Reserves", applying the provisions of the Revised IAS 19.

Share-based payments

These are payments made to employees or similar subjects, as payment for work or other services/goods received, based on shares representing the equity of the former holding UniCredit S.p.A., which consists in the assignment of:

- rights to subscribe capital increases for pay (stock options);
- rights to receive shares upon meeting quantitative/qualitative objectives (performance shares);
- shares subject to binding clauses (restricted shares).

In consideration of the difficulty of reliably measuring the fair value of services received as a contra entry for instruments representing the equity of the UniCredit S.p.A., the fair value of the latter is used, measured on the date they are assigned.

The fair value of payments made with the issuing of UniCredit S.p.A. shares is recognised as a cost in the Income Statement under item 180.a) "Staff expense", as a contra entry to item 100. "Other liabilities" in the liabilities, based on the accrual criteria, in proportion to the period in which the service is provided.

In regards to share based payments made in cash, the services obtained and liabilities taken on are measured at the fair value of the latter, recognised under item 100. "Other liabilities". Until the moment the liability is eliminated, the fair value is recalculated at each financial statement reporting date until the adjustment date, recognised under item 180. "Administrative costs", all the fair value changes.

Other long term employee benefits

Long term employee benefits - for example those deriving from seniority premiums, provided upon the achievement of a given level of years of service - are recognised under item 100. "Other liabilities" based on the measurement of the commitments undertaken as of the reporting date.

Measurement of subsidiaries' properties

The properties of subsidiaries considered as Inventories in the individual financial statements are classified under "Other assets" in the Consolidated Financial Statements. In accordance with IAS 2, inventories mainly comprise properties that are to be renovated and/or undergoing renovation and trading properties.

Properties undergoing renovation are measured at the lower value between the cost, plus the incremental expenses of their value and the capitalizable financial expenses, and the corresponding presumed realisable value, less the direct sale costs.

Trading properties are measured at the lower value between the cost and presumed realisable value, which is generally represented by the market value, taken from similar property transactions in terms of area and type. The presumed realisable value and the market value are determined on the basis of independent expert reports or the lower value that Management is prepared to sell based on town planning/cadastral positions that do not correspond to the effective status of the places and legal problems (such as the illegal occupation of the properties).

The possible write-downs arising from the above valuation are charged to the relative Income Statement item.

If the reasons leading to the inventories' write-down should lapse, the write-downs recorded for previous periods are recovered by crediting the Income Statement to the extent of the lower value between the cost and presumed realisable value.

RECOGNITION OF INCOME AND COSTS

Interest income and expense

Interest income and expense and similar income and expense relate to liquidity, financial assets and liabilities measured at fair value, available-for-sale financial assets, and to receivables and payables.

Interest income and expense is recognised in the Income Statement for all instruments measured using the amortised cost criteria, using the effective interest rate method.

Interest on arrears is recognised on a cash basis.

Fees and commissions

Fees and commissions are recognised in relation to the provision of services from which the originate, on the basis of the accrual principle.

RELEVANT IAS/IFRS DEFINITIONS

Below certain concepts relevant for the purposes of the IAS/IFRS international accounting standards are outlined, in addition to those already dealt with in the previous sections.

Amortized cost

The amortized cost of a financial asset or liability is the same as the value the asset was measured at on the date of initial recognition net of any capital redemptions. This is increased or reduced by the overall amortisation (calculated using the effective interest method) of any difference between the initial value and that at maturity and minus any reduction following a write-down or irrecoverability (impairment).

The effective interest criteria is the method used to separate interest income or interest expense along the duration of a financial asset or liability. The effective interest rate is the rate which precisely discounts the expected future payments or recoveries throughout the life of the financial instruments at the net carrying amount of the financial asset or liability. This includes all the charges and basis points paid or received between the parties of a contract which are an integral part of said rate, as well as transaction costs and all other premiums or discounts.

Fees and commissions that are considered an integral part of the effective interest rate are initial fees received for the disbursement of acquisition of a financial asset not classified as measured at fair value, such as, for example, that received as compensation for the measurement of the debtor's financial conditions, to measure and register the guarantees and, more generally, to complete the transaction.

Transaction costs, in turn, include fees and commissions paid to agents (including employees filling the role of commercial agents), consultants, mediators and operators, contributions taken from regulatory bodies and stock markets, and taxes and charges on the transfer. Transaction costs do not include lending costs or internal administrative or management costs.

Impairment of financial assets

At ever financial statement reporting date, it is determined whether a financial asset or group of financial assets has suffered a reduction in value.

An asset or group of financial assets has suffered a reduction in value and said losses are recognised if and only if there is objective evidence of a lasting reduction in value following one or more events that occurred after the initial recognition of the asset and said loss event had an impact on the future financial flows from the asset that can be reliably estimated.

The reduction in value can also be caused not by a single event but by the combined effect of various events.

Losses expected as result of future events, regardless of the probability of occurrence, are not recognised.

Objective evidence that a financial asset or group of financial assets has suffered impairment includes determinable information that comes to the company's attention in regard to the following events:

(a) the issuer or debtor is having significant financial difficulties;
(b) the contract has been breached, such as non-fulfilment or lack of payment of interest or capital;
(c) the beneficiary has been granted favourable conditions that the bank considered mainly for economic or legal reasons relative to the financial difficulties of the same and that otherwise would not have been granted;
(d) reasonable probability that the beneficiary will declare bankruptcy or another form of financial restructuring procedure;
(e) the elimination of an active market for the financial asset in question due to financial difficulties. Nonetheless, the disappearance of an active market due to the fact that the financial instruments of a company are no longer publicly traded is not evidence of impairment;
(f) detectable information that indicates the existence of a significant decrease in estimated future financial flows for a group of financial assets, from the moment said assets are initially recognised, although the decrease cannot yet be identified with the individual financial assets of the group, including:
    - unfavourable changes in the payment status of beneficiaries in the group;
      or
    - local or national economic conditions correlated with non-fulfilment relative to assets within the group.

Objective evidence of impairment for an investment in an equity instrument includes information regarding important changes with an adverse effect that occurred in the technical, economic or legal area or the market in which the issuer operates, and indicates that the cost of the investment may not be recovered. A prolonged and significant decrease in the fair value of an equity instrument to below its cost is also objective evidence of impairment.
If there is objective evidence for the occurrence of a loss for impairment of loans or held-to-maturity investments (booked at amortized cost); the amount of the loss is measured as the difference between the asset carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred), discounted at the original effective interest rate of the financial asset. The amount of the loss is recognized in item 130 of the Income Statement under "Net losses/recoveries on impairment" and the carrying amount of the asset is reduced. For instruments classified among available-for-sale financial assets, this amount is equal to the balance of the Valuation reserve.

If the conditions of a loan, receivable or held-to-maturity investments are renegotiated or otherwise amended due to financial difficulties for the debtor, impairment is measured using the original effective interest rate prior to modification of the conditions. Financial flows relative to short-term loans are not discounted if the effect of the discounting is irrelevant. If a receivable or held-to-maturity investment has a variable interest rate, the discount rate used to measure possible losses for impairment is the current effective interest rate on the date determined by the contract.
A decrease in the fair value of a financial asset to below its cost or amortised cost is not, nonetheless, necessarily an indication of impairment (for example, a reduction in the fair value of an investment in a debt security that results from an increase in the risk-free interest rate).

Objective evidence of impairment is first of all assessed individually. However, if it is determined that there is no objective evidence of individual impairment, then said asset is included in a group of financial assets with similar credit risk characteristics and evaluated collectively.

Approaches based on formulas or statistical methods can be used to determined impairment losses for groups of financial assets. Any models used incorporate the time value effect, considering financial flows for the entire residual life of an asset (not just the subsequent year), and do not give rise to impairment losses at the time a financial asset is initially recognised. These also take into account the existence of losses already suffered but not yet manifested in groups of financial assets as of the measurement date, on the basis of historical losses on assets with similar credit risk characteristics in regards to the group being considered.

The process used to estimate impairment considers all credit exposures, not only those with low credit quality, which reflect serious deterioration of the positions.

Reversals of impairment losses

If, in a subsequent financial year, the amount of impairment losses decreases and the decrease can be objectively connected to an event which occurred after the impairment was recognised (such as an improvement in the financial solvency of the debtor), the impairment loss previously recognised is reversed. The amount of the reversal is recognised in the Income Statement under item 130. “Net losses/recoveries on impairment”, without prejudice to that specified for equity securities classified among available-for-sale financial assets.

The write-back does not lead to, on the date on which the original value of the financial asset is restored, a carrying amount greater than the amortised cost that it would have had on the same date in the case the impairment loss had not been recognised.

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

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

There is no figure to report.

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

There is no figure to report.

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

There is no figure to report.

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

There is no figure to report.

A.4 - Information on fair value

QUALITATIVE INFORMATION

This section includes the information on fair value as requested under IFRS 13.

Fair value is the payment that could be received when selling an asset, or paid to transfer a liability, in an ordinary transaction between market counterparts on the main market as of the measurement date (exit price).

The fair value of a collectable financial liability (for example an on demand deposit) cannot be less than the amount collectable upon request, discounted as of the first date on which payment could be requested.

In the case of financial instruments listed on active markets, the fair value is determined starting from the official listings on the main market (or the most advantageous) to which doBank and its subsidiaries have access (Mark to Market).

A financial instrument is considered to be listed on an active market if the listed prices are readily and regularly available on a price list, through a dealer, broker, agency which determines prices or regulatory authority, and if said prices represent effective market transactions carried out through normal negotiations.
If the official listing on an active market does not exist for a financial instrument as a whole, but active markets exist for the parts that compose it, the fair value is determined on the basis of the relevant market prices for parts that compose it.
If the market listing or other observable input, such as the listed price for an identical asset on an non-active market, is not available, alternative measurement models are used, such as:

- market approach (use of market listings for similar liabilities or equity instruments held as assets by other market players);
- cost approach (that is the replacement cost that would be required at the time to replace the service capacity of an asset);
- income approach (discounted value technique based on expected future cash flows from a market counterparty that holds a liability or shareholders' equity instrument as an asset).

Measurement approaches (Mark to Model) in line with methods generally accepted and used on the market are utilised. The measurement models include techniques based on discounting of future cash flows and estimates of volatility and are subject to review, both during their development and periodically, in order to guarantee full compliance with the measurement objectives.
Said methods use input based on prices seen in recent transactions relevant to the instrument being measured and/or prices/listings for instruments with similar risk profile characteristics. In fact, these prices/listings are relevant for the purposes of determining the significant parameters, in terms of credit risk, liquidity risk, price risk and all other relevant risks, relative to the instrument being measured. Reference to said "market" parameters makes it possible to limit the degree of discretion in the measurement, while simultaneously guaranteeing that the resulting fair value can be verified. In the case that for one or more risk factors it is not possible to use market data, the measurement models used utilise input based on historic data.

In the case of instruments not listed on active markets, the cited verification process uses prices contributed by info-providers as a reference, placing greater weight on said prices, given that they are considered to better represent the instrument being measured.

Said evaluation includes: the possible "collectability" of the transaction at the observed price, the number of contributors, the degree of similarity between the financial instruments, the consistency of prices contributed by different sources, and the process used by the info-provider to obtain the information.

A.4.1 - Fair value Levels 2 and 3: valuation techniques and inputs used

Below is the information requested under IFRS 13 regarding accounting portfolios, both measured at fair value on a recurring basis and not measured at fair value or measured at a fair value on a non-recurring basis.

Assets and liabilities measured at fair value on a recurring basis

Asset-Backed Securities

ABS are measured using mathematical models, applied every time that the information regarding assumptions of market participants in regard to the model parameters is reasonably available without excessive cost or effort.

Equity Securities

Equity securities are assigned to Level 1 when a price on an active market considered to be liquid is available or to Level 3 when there are no prices or the prices have been suspended for an indeterminate amount of time. These instruments are classified as Level 2 only in the case that activity volumes on the listing market have fallen significantly.
For equity securities carried at cost, impairment is applied when the cost exceeds the recoverable value significantly and/or over an extended period of time.

Real Estate Funds

Real estate funds are classified as Level 1 in the case that they are listed on an active market. If not, they are classified as Level 3 and are measured using a credit adjustment of the NAV, based on the specific characteristics of the individual fund.

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

Financial instruments not measured at fair value, including payables and loans and receivables with customers and banks are not managed on a fair value basis.

For these instruments, the fair value is calculated solely in order to fulfil disclosure requirements for the market and it has no impact on the financial statements or in regards to gains or losses. In addition, given that said instruments are not generally exchanged, the determination of fair value is based on the use of internal parameters that cannot be directly observed on the market, as defined in IFRS 13.

Cash and cash equivalents

Given their short-term horizon and negligible credit risk, the carrying amount of cash and liquid assets approximates their fair value.

Loans and receivables with banks and customers

The fair value of loans and receivables with banks and customers, recognised at the amortised cost, is mainly determined using a current value model, adjusted for risk. For some portfolios, other simplified approaches are used, which in any case take the financial characteristics of the financial instruments contained in them into consideration.

Description of valuation techniques

Specific valuation techniques are used to measure positions for which market sources do not provide a directly observable market price. Valuation techniques widely used on the market to determine the fair value of financial and non-financial instruments, which are not listed or actively traded on the market, are utilised. The valuation techniques used to measure Level 3 assets are described below.

Discounted cash flow

Valuation techniques based on discounted cash flow generally consist in determining an estimate of the expected future cash flows throughout the life of the instrument. The model requires an estimate of the cash flows and the adoption of market parameters for the discount: the discount rate or margin reflects the credit spread and/or financing required by the market for instruments with similar risk profiles and liquidity, in order to determine a "discounted value". The fair value of the contract is equal to the sum of the discounted future cash flows.

Market Approach

A valuation technique that uses prices generated from market transactions involving identical or similar assets, liabilities or groups of assets and liabilities.

NAV

The NAV (net adjusted value) is the difference between the total value of the fund's assets and its liabilities. An increase in NAV coincides with an increase in the fair value measurement. Generally, for funds classified as Level 3, the NAV represents a risk-free measurement. Therefore, in this case the NAV is adjusted to consider the default risk of the issuer.

Description of input 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 the expression of the change over time of the price of a financial instrument. Specifically, volatility measures the speed and the extent of changes in the market price of an instrument, parameter or market index, given the effective change of the value over time for said instrument, parameter or market index, expressed as a percentage of the change relative to the price. The greater the volatility of the underlying asset, the greater the risk connected with the instrument. In general, long position options benefit from an increase in volatility, while short position options are harmed.

There are various macro-categories of volatility: interest rate volatility, inflation volatility, exchange rate volatility and share or index/price volatility for the underlying assets.

Correlation

Correlation is a measure of the relationship existing between changes in two variables. When the parameters are positively correlated, an increase in the correlation generally leads to an increase in the fair value. On the other hand, given a short correlation position, an increase in the correlation will lead to a decrease in the fair value measurement. As a consequence, changes in correlation levels can have impacts, both favourable and not, on the fair value of an instrument, based on the type of correlation.
The correlation is an input used in the measurement of a derivative product, where the payoff is determined by multiple underlying risks. The level of correlation used in measuring derivatives with multiple underlying risks depends on a variety of factors, including the nature of said risks.

Loss Given Default (LGD)/Recovery Rate

LGD, also known as loss severity (the inverse of recovery rate), represents the percentage of contractual cash flows lost in the case of bankruptcy, expressed as net losses relative to the accounting balance. An increase in loss severity, all things held equal, leads to a decrease in the fair value measurement. Loss given default must be measured on a case by case basis, given that losses are generally influenced by characteristics specific to the transaction, such as the presence of collateral and the level of subordination.

Price

When market prices cannot be observed, a comparable approach is used to measure fair value through identification of a proxy.

Probability of Default (PD)

The probability of default is the estimate of the probability of not receiving the amount foreseen in the contract. This is an estimate of the probability that a customer of a financial institution becomes insolvent over a given time horizon. The PD of a debtor does not depend solely on the risk characteristics of the individual debtor, but also on market conditions and the degree of influence that said conditions have on the debtor.

EBITDA and EBT

L'EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization) and EBT (Earnings Before Taxes) represent the changes in operating performance and provide useful information regarding the Group's economic performance; these indicators are more generally used by analysts and investors to measure company and sector performances.

A.4.2 - Valuations processes and sensitivities

It is verified that the value assigned to each position appropriately reflects the current fair value. Fair value measurement of assets and liabilities is done using various techniques, among which (but not solely) discounted cash flow and internal models. On the basis of the observability of the input used, all measurements are classified as Level 1, Level 2 or Level 3 in the fair value hierarchy.
When a financial instrument measured at fair value is measured through the use of one or more significant input which are not directly observable on the market, an additional price verification procedure is carried out. These procedures include a review of relevant historic data, analysis of profit and loss, individual measuring of each component of a structured product and benchmarking. This approach foresees the use of subjective opinions and judgements based on experience and, as a consequence, may require adjustments which take into account the bid/ask spread, liquidity and counterparty risk, as well as the type of model and/or measurement adopted.

Description of fair value sensitivity to changes in non-observable input used in fair value measurement of Level 3 instruments

There is no figure to report.

A.4.3 - Fair value hierarchy

IFRS 13 establishes a fair value hierarchy based on the degree to which the input used in the valuation techniques used is observable.

The fair value hierarchy associated with assets and liabilities is the lowest level among all the significant input used.
Generally, measurement input is not considered significant for the fair value of an instrument if the remaining input account for the majority of the fair value changes over a three months time horizon.

Specifically, 3 levels exist:

- Level 1: the fair values of instruments classified in this level is determined on the basis of listed prices observed on active markets;
- Level 2: the fair values of instruments classified in this level is determined on the basis of measurement models which use observable input from active markets;
- Level 3: the fair values of instruments classified in this level is determined on the basis of measurement models which mainly use significant input not observable on active markets.

A certain fair value level is assigned to financial instruments on the basis of the observability of the inputs used to measure them.

Level 1 (listed prices on active market): listed prices (not adjusted) on active markets for identical assets and liabilities which the entity can access on the measurement date. An active market is one on which the transactions relative to the assets or liabilities being measured occur with sufficient frequency and volume to provide useful information for determining prices on a continuous basis.

Level 2 (observable inputs): inputs other than the market prices already included in Level 1, that is observable for assets or liabilities, directly or indirectly. Inputs are considered observable if they are developed on the basis of information available on the market regarding current events or transactions and reflect the assumptions that market counterparties would use in measuring the assets or liabilities.

Level 3 (non-observable inputs): inputs other than those included in Level 1 or Level 2, not directly observable on the market for measurement of the asset or liability, or used in determining significant fair value adjustments. Non-observable inputs must, in any case, reflect the assumptions that market participants would use in measuring assets or liabilities, including assumptions about risk.

When the fair value is measured directly using an observable price listed on an active market, it falls in Level 1. When the fair value must be measured using a comparable approach or through the use of a pricing model, it falls in Level 2 or 3, based on the observability of all the significant inputs used in the measurement.

When selecting between the various valuation techniques, the Bank uses that which maximises utilisation of observable inputs.

Among the available-for-sale financial assets in Level 3 at December 31, 2015, there were ABS securities coming from the Aurora SPV S.r.l. securitisation transaction which were sold during the second half of 2016.

Transfer between fair value hierarchy levels

All transfers between fair value hierarchy levels must be carried out in reference to the reporting date for the financial statements.
The main factors that contribute to transfers between fair value hierarchy levels (whether between Level 1 and Level 2 and within Level 3) include changes in market conditions (including the liquidity parameter) and refinements in measurement models and the relative weights of non-observable inputs used in measuring the fair value.

A.4.4 - Other information

There is no figure to report.

QUANTITATIVE INFORMATION

A.4.5 - Fair value hierarchy

The tables below indicate the breakdown of the portfolio of (I) financial assets and liabilities measured at fair value, as well as (ii) assets and liabilities not measured at fair value or measured at fair value through P&L on a non-recurring basis, on the basis of the aforementioned levels.

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

(€/000)

Financial assets/Liabilities carried at fair value	12/31/2016			12/31/2015		
	L1	L2	L3	L1	L2	L3
1. Financial assets held for trading	-	-	-	-	-	-
2. Financial assets at fair value through profit and loss	-	-	-	-	-	-
3. Available for sale financial assets	1,002	-	-	350	-	1,528
4. Hedging derivative assets	-	-	-	-	-	-
5. Property, plant and equipment	-	-	-	-	-	-
6. Intangible assets	-	-	-	-	-	-
Total	**1,002**	**-**	**-**	**350**	**-**	**1,528**
1. Financial liabilities held for trading	-	-	-	-	-	-
2. Financial liabilities at fair value through profit and loss	-	-	-	-	-	-
3. Hedging derivative liabilities	-	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**-**	**-**

Level 1 includes, in the item available-for-sale financial assets, government securities (BOT) acquired during the year in order to strengthen further the coverage on the European regulatory requirement in terms of short-term liquidity, the Liquidity Coverage Ratio (LCR).

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

(€/000)

	Held for trading	At fair value through profit and loss	Available for sale	Hedging derivatives	Property, plant and equipment	Intangible assets
1. Opening balances			**1,528**			
2. Increases	**-**	**-**	**242**	**-**	**-**	**-**
2.1. Purchases	-	-	-	-	-	-
2.2. Recognized profits in:	-	-	242	-	-	-
2.2.1. Income Statement	-	-	242	-	-	-
of which: gains	-	-	-	-	-	-
2.2.2. Equity	-	-	-	-	-	-
2.3. Trasfer from other levels	-	-	-	-	-	-
2.4. Other increases	-	-	-	-	-	-
3. Decreases	**-**	**-**	**1,770**	**-**	**-**	**-**
3.1. Sales	-	-	600	-	-	-
3.2. Redemptions	-	-	185	-	-	-
3.3. Recognized losses in:	-	-	985	-	-	-
3.3.1 Income Statement	-	-	-	-	-	-
of which: losses	-	-	-	-	-	-
3.3.2 Equity	-	-	985	-	-	-
3.4. Trasfer to other levels	-	-	-	-	-	-
3.5. Other decreases	-	-	-	-	-	-
4. Closing balances	**-**	**-**	**-**	**-**	**-**	**-**

The trend of the item in the period was affected by the sale to third parties made during the second half of 2016 of the remaining ABS securities deriving from the Aurora SPV securitisation.

The sub-item 2.2.1. "Recognized profits attributed to the Income Statement of which gains" represents the higher value realised in the context of the aforementioned sale, while sub-item 3.3.2 "Recognized losses attributed to the equity" represents the value at which the securities were sold.

Sub-item 3.2 "Redemptions" recognises redemptions of the capital value of the securities that occurred before the sale.

A.4.5.3 - Annual changes in financial liabilities measured at fair value on a recurring basis (Level 3)

There is no figure to report.

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

(€/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 12/31/2016				Amounts as at 12/31/2015			
	Book Value	L1	L2	L3	Book Value	L1	L2	L3
1. Held to maturity investments	-	-	-	-	-	-	-	-
2. Loans and receivables with banks	52,575	-	-	52,575	17,032	-	-	17,032
3. Loans and receivables with customers	10,820	-	-	10,820	166,668	-	-	166,668
4. Property, plant and equipment held for investment	-	-	-	-	-	-	-	-
5. Non-current assets and disposal groups classified as held for sale	2,516	-	-	2,516	-	-	-	-
Total	**65,911**	**-**	**-**	**65,911**	**183,700**	**-**	**-**	**183,700**
1. Deposits from banks	13,076	-	-	13,076	4,407	-	-	4,407
2. Deposits from customers	11,060	-	-	11,060	181,760	-	-	181,760
3. Debt securities in issue	-	-	-	-	-	-	-	-
4. Liabilities included in disposal groups classified as held for sale	1,738	-	-	1,738	-	-	-	-
Total	**25,874**	**-**	**-**	**25,874**	**186,167**	**-**	**-**	**186,167**

A.5 - Disclosure on "Day One Profit/Loss"

There is no figure to report.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - PART B

Part B - Consolidated Balance Sheet

Assets

Section 1 - Cash and cash equivalents - Item 10
Section 2 - Financial assets held-for-trading - Item 20
Section 3 - Financial assets at fair value through profit or loss- Item 30
Section 4 - Available-for-sale financial assets - Item 40
Section 5 - Held-to-maturity investments - Item 50
Section 6 - Loans and receivables with banks - Item 60
Section 7 - Loans and receivables with customers - Item 70
Section 8 - Hedging derivatives - Item 80
Section 9 - Changes in fair value of portfolio hedged items - Item 90
Section 10 - Equity investments - Item 100
Section 11 - Insurance reserves attributable to reinsurers - Item 110
Section 12 - Property, plant and equipment - Item 120
Section 13 - Intangible assets - Item 130
Section 14 - Tax assets and liabilities - Item 140 (assets) and Item 80 (liabilities)
Section 15 - Non-current assets and disposal groups classified as held for sale and discontinued operations and associated liabilities - Item 150 (assets) and item 90 (liabilities)
Section 16 - Other assets - Item 160

Liabilities

Section 1 - Deposits from banks - Item 10
Section 2 - Deposits from customers - Item 20
Section 3 - Debt securities in issue - Item 30
Section 4 - Financial liabilities held-for-trading - Item 40
Section 5 - Financial liabilities at fair value through profit or loss - Item 50
Section 6 - Hedging derivatives - Item 60
Section 7 - Changes in fair value of portfolio hedged items - Item 70
Section 8 - Tax liabilities - Item 80
Section 9 - Liabilities included in disposal groups classified as held for sale - Item 90
Section 10 - Other liabilities - Item 100
Section 11 - Employee termination indemnities —Item 110
Section 12 - Provisions for risks and charges - Item 120
Section 13 - Insurance reserves - Item 130
Section 14 - Redeemable shares - Item 150
Section 15 - Group Shareholders' Equity - Items 140, 160, 170, 180, 190, 200 and 220
Section 16 - Minorities - Item 210

Other information

Assets

Section 1 - Cash and cash equivalents - Item 10

1.1 - Cash and cash equivalents: breakdown

		12/31/2016	12/31/2015
a)	Cash	18	1
b)	Demand deposits with Central banks	-	-
	Total	**18**	**1**

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

There is no figure to report.

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

There is no figure to report.

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

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

Items/Amounts	12/31/2016			12/31/2015		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Debt securities	1,002	-	-	350	-	1,528
1.1 Structured securities	-	-	-	-	-	-
1.2 Other	*1,002*	-	-	*350*	-	*1,528*
2. Equity instruments	-	-	45	-	-	-
2.1 Measured at fair value	-	-	*3*	-	-	-
2.2 Carried at cost	-	-	*42*	-	-	-
3. Units in investment funds	-	-	-	-	-	-
4. Loans	-	-	-	-	-	-
Total	**1,002**	**-**	**45**	350	**-**	**1,528**

During the year the item Available-for-sale financial assets was affected for € 1.5 million by the sales of the sale of the securities deriving from the Aurora SPV securitisation transaction. The decrease was partially offset by the supplementary purchase of government securities (BOT) for € 0.7 million which therefore increased the value of the “highly liquid” assets in the portfolio up to the value of € 1 million in order to strengthen further the coverage on the European regulatory requirement in terms of short-term liquidity, the Liquidity Coverage Ratio (LCR).

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

	Items/Amounts	12/31/2016	12/31/2015
1.	**Debt securities**	**1.002**	**1.878**
	a) Governments and Central banks	1.002	350
	b) Other public entities	-	-
	c) Banks	-	-
	d) Other issuers	-	1.528
2.	**Equity instruments**	**45**	**-**
	a) Banks	3	-
	b) Other issuers:	42	-
	- insurance companies	-	-
	- financial companies	-	-
	- non-financial companies	*42*	-
	- other	-	-
3.	**Units in investment funds**	-	-
4.	**Loans**	-	-
	a) Governments and Central banks	-	-
	b) Other public entities	-	-
	c) Banks	-	-
	d) Other entities	-	-
	Total	**1.047**	**1.878**

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

There is no figure to report.

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

There is no figure to report.

Section 6 - Loans and receivables with banks - Item 60

6.1 - Loans and receivables with banks: product breakdown

Type of transaction/values	12/31/2016				12/31/2015			
	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								
1. Time deposits	-	-	-	-	-	-	-	-
2. Compulsory reserves	-	-	-	-	1,705	-	-	1,705
3. Reverse repos	-	-	-	-	-	-	-	-
4. Other	-	-	-	-	-	-	-	-
B. Loans to banks								
1. Loans	52,455	-	-	52,455	15,327	-	-	15,327
1.1 Current accounts and demand deposits	52,455	-	-	52,455	14,466	-	-	14,466
1.2 Time deposits	-	-	-	-	-	-	-	-
1.3 Other Loans	-	-	-	-	861	-	-	861
- Reverse repos	-	-	-	-	-	-	-	-
- Financial leases	-	-	-	-	-	-	-	-
- Other	-	-	-	-	861	-	-	861
2. Debt securities	120	-	-	120	-	-	-	-
2.1 Structured	-	-	-	-	-	-	-	-
2.2 Other	120	-	-	120	-	-	-	-
Total	**52,575**	**-**	**-**	**52,575**	**17,032**	**-**	**-**	**17,032**

Loans and receivables with banks totalling € 52.6 million refer mainly to the cash available on current accounts. The item recorded an increase compared to 12/31/2015, mainly due to the significant collection on loans and receivables for commissions in respect of UniCredit, net of outflows for the period associated with current operations and the doRealEstate recoveries resulting from the sale of properties, in addition to recoveries on loans and receivables in respect of the Parent Company doBank. Furthermore, the increase compared to the previous year is attributable for around € 6.0 million to the cash available on the Current accounts of the new consolidated companies.

Following the repayment of a loan or receivable liability for € 175.1 million to Siena Holdco and Verona Holdco, companies affiliated to the Fortress Group and Eurocastle Investment Limited respectively, the obligation to make payment on the Compulsory Reserve lapsed, which was consequently returned to the Central Bank as shown under the item Loans and receivables with Central Banks A.2.

In consideration of the short-term duration of these exposures, as well as the variable interest rate to which they refer, it is reasonable to hold that the fair value of these items corresponds with the related book value.

6.2 - Loans and receivables with banks subject to micro-hedging

There is no figure to report.

6.3 - Financial leases

There is no figure to report.

Section 7 - Loans and receivables with customers - Item 70

7.1 - Loans and receivables with customers: product breakdown

Type of transaction/Amounts	Total 12/31/2016						Total 12/31/2015					
	Book value			Fair value			Book value			Fair value		
	Performing	Non-perfoming		Level 1	Level 2	Level 3	Performing	Non-perfoming		Level 1	Level 2	Level 3
		Purchased	Other					Purchased	Other			
Loans												
1. Current accounts	636	249	-	-	-	885	723	82.716	-	-	-	83.439
2. Reverse repos	-	-	-	-	-	-	-	-	-	-	-	-
3. Mortgages	1.171	272	-	-	-	1.443	1.172	60.495	-	-	-	61.667
4. Credit cards, personal loans, including wage assignment loans	-	-	-	-	-	-	-	88	-	-	-	88
5. Finance leases	-	-	-	-	-	-	-	-	-	-	-	-
6. Factoring	-	-	-	-	-	-	-	257	-	-	-	257
7. Other loans	8.474	18	-	-	-	8.492	200	21.017	-	-	-	21.217
Debt securities							-	-	-	-	-	-
8. Structured securities	-	-	-	-	-	-	-	-	-	-	-	-
9. Other debt securities	-	-	-	-	-	-	-	-	-	-	-	-
Total	**10.281**	**539**	**-**			**10.820**	**2.095**	**164.573**	**-**	**-**	**-**	**166.668**

The Non-performing assets component of the item Loans and receivables with customers was substantially reduced to zero, as a result of completion of the aforementioned sale to the company Romeo SPV S.r.l. set up under the terms of Italian Law no. 130/1999 ("Law on Securitisation").
At December 31, 2016 the item includes, among performing receivables, € 1.6 million made up mostly of "auctioned mortgage loans" and current accounts overdrafts, as well as an amount of € 8.4 million in the item "Other loans", related to portion, 5%, pertaining to doBank of the "bridging loan" granted to the SPV Romeo by the subjects that undertook to subscribe the notes at the moment in which they will be put on the market.

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

Type of transaction/Amounts	Total 12/31/2016			Total 12/31/2015		
	Performing	Non-perfoming		Performing	Non-perfoming	
		Purchased	Other		Purchased	Other
1. Debt securities	**-**	**-**	**-**	**-**	**-**	**-**
a) Governments	-	-	-	-	-	-
b) Other public entities	-	-	-	-	-	-
c) Other issuers	-	-	-	-	-	-
- non-financial companies	-	-	-	-	-	-
- financial companies	-	-	-	-	-	-
- insurance companies	-	-	-	-	-	-
- other	-	-	-	-	-	-
2. Loans to	**10.281**	**539**	**-**	**2.095**	**164.573**	**-**
a) Governments	106	-	-	196	-	-
b) Other public entities	-	-	-	-	-	-
c) Others	10.175	539	-	1.899	164.573	-
- non-financial companies	*639*	*479*	-	*723*	*148.069*	-
- financial companies	*8.364*	-	-	-	*389*	-
- insurance companies	-	-	-	-	-	-
- other	*1.172*	*60*	-	*1.176*	*16.115*	-
Total	**10.281**	**539**	**-**	**2.095**	**164.573**	**-**

7.3 - Loans and receivables with customers subject to macro-hedging

There is no figure to report.

7.4 - Financial leases

There is no figure to report.

Section 8 - Hedging derivatives - Item 80

There is no figure to report.

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

There is no figure to report.

Section 10 - Equity investments - Item 100

10.1 - Equity investments: information on shareholding

Names	Main Office	Administrative Office	Type of relationship	Ownership Relationship		Voting Rights %
				Investor company	Holding %	
A. Companies under joint control						
B. Companies subject to significant influence						
BCC GESTIONE CREDITI S.P.A.	ROME	ROME	Associates	BCC GESTIONE CREDITI S.P.A.	45.00%	45.00%

10.2 - Significant equity investments: book value, fair value and dividends received

Names	Book Value	Fair value	Dividends Received
A. Companies under joint control			
B. Companies subject to significant influence			
BCC GESTIONE CREDITI S.P.A.	1,608	1,608	-
Total	**1,608**	**1,608**	**-**

10.3 - Significant equity investments: accounting information

(Amounts in Euro)

Names	Cash and liquid assets	Financial assets	Non-financial assets	Financial liabilities	Non-financial liabilities
A. Companies under joint control					
B. Companies subject to significant influence					
BCC GESTIONE CREDITI S.P.A.	X	7,999,681	156,906	5,933,315	433,701

Names	Total revenue	Net interest income	Adjustments to the backs on tangible and intangible assets	Profit (loss) from continuing operations before taxes	Profit (Loss) from continuing operations, net of tax	Profit (loss) from groups of assets held for sale net of tax	Net profit (Loss) (1)	Other comprehensive income net of tax (2)	Comprehensive income (3) = (1) + (2)
A. Companies under joint control									
B. Companies subject to significant influence									
BCC GESTIONE CREDITI S.P.A.	6,990,746	X	X	748,839	487,470	-	487,470	-	487,470

10.4 - Non-significant equity investments: accounting information

There is no figure to report.

10.5 - Equity investments: annual changes

	12/31/2016	12/31/2015
A. Opening balances		-
B. Increases	***1,634***	-
B1. Purchases	-	-
B2. Write-backs	-	-
B3. Revaluations	-	-
B4. Other changes	1,634	-
C. Decreases	***(26)***	-
C1. Sales	-	-
C2. Write-downs	(26)	-
C3. Other changes	-	-
D. Closing balances	***1,608***	-
E. Total revaluations		-
F. Total adjustments	**(26)**	-

Item B.4 “Other changes” refers to the entry of the subsidiary Italfondiario S.p.A. into the consolidation scope, which holds 45% of the company BCC Gestione Crediti S.p.A.

The item C.2 “Write-downs” includes the outcome of the equity measurement of the equity investment in BCC Gestione Crediti S.p.A.

10.6 - Valuation and significant assumptions to establish the existence of joint control or significant influence

There is no figure to report.

10.7 - Commitments related to equity investments in jointly-controlled companies

There is no figure to report.

10.8 - Commitments related to equity investments in companies subject to significant influence

There is no figure to report.

10.9 - Significant restrictions

There is no figure to report.

10.10 - Other information

There is no figure to report.

Section 11 - Insurance reserves attributable to reinsurers - Item 110

There is no figure to report.

Section 12 - Property, plant and equipment - Item 120

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

Assets/Values	12/31/2016	12/31/2015
1. Owned assets	616	24
a) land	-	-
b) buildings	-	-
c) office furniture and fitting	253	5
d) electronic systems	335	18
e) other	28	1
2. Leased assets	**21**	**-**
a) land	-	-
b) buildings	-	-
c) office furniture and fitting	-	-
d) electronic systems	21	-
e) other	-	-
Total	**638**	**24**

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

There is no figure to report.

12.3 - Property, plant and equipment used in the business purposes: breakdown of revalued assets

There is no figure to report.

12.4 - Property, plant and equipment for investment purposes: breakdown of assets designated at fair value

There is no figure to report.

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

	Land	Buildings	Furniture	Electronic	Other	Total
A. Gross opening balances	**-**	**-**	**331**	**872**	**87**	**1,290**
A.1 Total net reduction in value	-	-	(327)	(854)	(85)	(1,266)
A.2 Net opening balances	**-**	**-**	**4**	**18**	**2**	**24**
B. Increases:	**-**	**-**	**287**	**377**	**35**	**699**
B.1 Purchases	-	-	1	135	-	136
B.2 Capitalised expenditure on improvements	-	-	-	-	-	-
B.3 Write-backs	-	-	-	-	-	-
B.4 Increases in fair value:	-	-	-	-	-	-
a) in equity	-	-	-	-	-	-
b) through profit or loss	-	-	-	-	-	-
B.5 Positive exchange differences	-	-	-	-	-	-
B.6 Transfer from properties held for investment	-	-	-	-	-	-
B.7 Other changes	-	-	286	242	35	563
C. Reductions	**-**	**-**	**(37)**	**(38)**	**(10)**	**(85)**
C.1 Disposals	-	-	-	-	-	-
C.2 Depreciation	-	-	(37)	(38)	(8)	(83)
C.3 Impairment losses:	-	-	-	-	-	-
a) in equity	-	-	-	-	-	-
b) through profit or loss	-	-	-	-	-	-
C.4 Reduction of fair value:	-	-	-	-	-	-
a) in equity	-	-	-	-	-	-
b) through profit or loss	-	-	-	-	-	-
C.5 Negative exchange differences	-	-	-	-	-	-
C.6 Transfers to:	-	-	-	-	-	-
a) property plant and equipment held for investment	-	-	-	-	-	-
b) assets held for sale	-	-	-	-	-	-
C.7 Other changes	-	-	-	-	(2)	(2)
D. Net final balance	**-**	**-**	**254**	**357**	**27**	**638**
D.1 Total net reduction in value	-	-	(2,312)	(3,594)	(679)	(6,585)
D.2 Gross closing balances	**-**	**-**	**2,566**	**3,951**	**706**	**7,223**
E. Carried at cost	**-**	**-**	**-**	**-**	**-**	**-**

Depreciation is calculated at constant rates on the basis of the residual possibility of use for property, plant and equipment.

12.6 - Property, plant and equipment held for investment: annual changes

There is no figure to report.

12.7 - Commitments to purchase of property, plant and equipment

As of the reporting date of these financial statements, there were no commitments to purchase of property, plant and equipment.

Section 13 - Intangible assets - Item 130

13.1 - Intangible assets: breakdown by asset type

Assets/values	12/31/2016		12/31/2015	
	Finite Life	Indefinite Life	Finite Life	Indefinite Life
A.1 Goodwill	-	-	-	-
A.1.1 attributable to the Group	-	-	-	-
A.1.2 attributable to minorities	-	-	-	-
A.2 Other intangible assets	2.079	-	47	-
A.2.1 Assets carried at cost:	2.082	-	47	-
a) Intangible assets generated internally	-	-	-	-
b) Other assets	*2.082*	-	*47*	-
A.2.2 Assets valued at fair value:	(3)	-	-	-
a) Intangible assets generated internally	-	-	-	-
b) Other assets	*(3)*	-	-	-
Total	**2.079**	**-**	**47**	**-**

The item refers to software applications.

13.2 - Intangible assets: annual changes

	Goodwill	Other intangible assets: generated internally		Other intangible assets: other		Total
		Finite Life	Indefinite Life	Finite Life	Indefinite Life	
A. Gross opening balances	**-**	**-**	**-**	**2,748**	**-**	**2,748**
A.1 Total net reduction in value	-	-	-	(2,701)	-	(2,701)
A.2 Net opening balances	**-**	**-**	**-**	**47**	**-**	**47**
B. Increases	**-**	**-**	**-**	**2,475**	**-**	**2,475**
B.1 Purchases	-	-	-	290	-	290
B.2 Increases in intangible assets generated internally	-	-	-	-	-	-
B.3 Write-backs	-	-	-	-	-	-
B.4 Increases in fair value	-	-	-	-	-	-
- in equity	-	-	-	-	-	-
- through profit or loss	-	-	-	-	-	-
B.5 Positive exchange differences	-	-	-	-	-	-
B.6 Other changes	-	-	-	2,185	-	2,185
C. Reduction	**-**	**-**	**-**	**(443)**	**-**	**(443)**
C.1 Disposal	-	-	-	-	-	-
C.2 Write-downs	-	-	-	(420)	-	(420)
- Amortization	-	-	-	(420)	-	(420)
- Write-downs	-	-	-	-	-	-
+ in equity	-	-	-	-	-	-
+ through profit or loss	-	-	-	-	-	-
C.3 Reduction in fair value	-	-	-	-	-	-
- in equity	-	-	-	-	-	-
- through profit or loss	-	-	-	-	-	-
C.4 Transfer to non-current assets held for sale	-	-	-	-	-	-
C.5 Negative exchange differences	-	-	-	-	-	-
C.6 Other changes	-	-	-	(23)	-	(23)
D. Net closing balances	**-**	**-**	**-**	**2,079**	**-**	**2,079**
D.1 Total net write-down	-	-	-	(20,705)	-	(20,705)
E. Gross closing balance	**-**	**-**	**-**	**22,784**	**-**	**22,784**
F. Carried at cost	**-**	**-**	-	**-**	-	**-**

Item B.6 “Other changes” refers to the extension of the scope of consolidation.

Amortisation is calculated at constant rates on the basis of the residual possibility of use for intangible assets.

13.3 - Other information

There is no figure to report.

Section 14 - Tax assets and liabilities - Item 140 (assets) and Item 80 (liabilities)

14.1 - Deferred tax assets: breakdown

	12/31/2016			12/31/2015		
	Ires	Irap	Totale	Ires	Irap	Total
Deferred tax assets referred to:						
Provisions - adminitrative expenses	2,368	-	2,368	8,016	-	8,016
Provisions - for risks and charges	5,207	7	5,214	50	9	59
Write-down on loans	47,749	7,660	55,409	101,666	16,310	117,976
Other assets / liabilities	1,029	57	1,086	790	63	853
Tax losses carried forward in the future	41,136	-	41,136	53,847	-	53,847
Other items	93	2	95	89	-	89
Total	**97,582**	**7,726**	**105,308**	**164,458**	**16,382**	**180,840**

The item shows deferred tax assets due to temporary differences deductible in future financial years.

The item deferred tax assets includes portions related to write-downs of loans and the deferred tax assets, determined on the basis of the amounts remaining in the components to which they referred (disputes, provisions for personnel).

We can note on this point that the Parent Company has exercised the option to maintain the possibility of transforming deferred tax assets into tax credits under the terms of Art. 11 of Italian Law Decree no. 59 of 05/03/2016 converted by Italian Law no. 119 of 06/30/2016. This law introduced the optional arrangement with the purpose of removing the critical issues that had emerged at the community level concerning the incompatibility of the rules of transforming DTAs with the legislation on the subject of state aid ensuring that the convertibility into tax credits of qualified DTAs is guaranteed only against a specific fee to be paid on the amount of such DTAs.

The legislative provisions in fact enable companies, mostly banking and financial companies, to maintain this possibility only if they exercise the said option by July 31, 2016 with the assumption of an irrevocable commitment to pay an annual fee up to the financial year in progress at 12/31/2029. Exercising the option enables the company to maintain both the possibility of transforming (starting from the 2015 tax year) such qualified DTAs (in the specific case DTAs deriving from write-downs of loans) into tax credits, proportionally to any statutory loss resulting from the financial statements approved, and the possibility of not proceeding to detract these amounts from Own Funds for prudential purposes, because the requirements laid down in Art. 39 of the CRR (575/2013), which provides for their being subjected to the credit risk calculation with a 100% weighting, remain met.

With reference to the deferred tax assets pursuant to Italian Law 214/2011, for express legislative provision pursuant to art. 56 of Italian Law no. 225 of 12/29/2010, the negative components corresponding to deferred tax assets transformed into tax credits are not deductible, proceeding to cancel out as a priority decreases maturing sooner for an amount to which corresponds a tax equal to the DTAs transformed. As a result of the above provisions of the law, the amount of deferred tax assets recognised will begin to “move” only starting from 2021.

With reference to that indicated in IAS 12, deferred tax assets are subjected to a probability test, taking foreseeable economic projections for future financial years into account, in order to verify whether there will be future taxable income against which the deferred tax assets can be used.
Specifically, for the figures at December 31, 2016, the test carried out, which took into account the 2017-2019 Capital and Economic Plan presented to the Corporate Bodies, showed a large taxable base capable of absorbing the deferred tax assets recognised.

In addition, in regards to the tax credit deriving from deferred tax assets pursuant to Law 214/2011, the same test guaranteed full use against foreseen operating taxes.

The criteria used for recognition of deferred tax assets can be summarised as follows:

- deferred tax assets correspond to the amounts of income tax for the year that can be recovered in future financial years, pertaining to temporary differences;
- a requirement for the recognition of said deferred tax assets is the consideration that, with respect to possible corporate changes, it is held with reasonable certainty that taxable income will be achieved, against which the temporary deductible differences will be used.

A rate of 27.5% was used as the IRES rate contemplated under article 77 of the Income Tax Consolidation Act (TUIR) for doBank S.p.A. and Italfondiario S.p.A., whereas a rate of 24% was used for the other consolidated equity investments. For IRAP (regional business tax) a rate of 5.57% (set by the Veneto Region) and 4.82% (for the Lazio Region) was used.

14.2 - Deferred tax liabilities: breakdown

	12/31/2016			12/31/2015		
	Ires	Irap	Total	Ires	Irap	Total
Deferred tax liabilities referred to:						
Financial assets/liabilities held for negotiation	-	-	-	271	-	271
Other Items	20	-	20	46	-	46
Total	**20**	**-**	**20**	**317**	**-**	**317**

In 2015, we note the deferred taxation in relation to the valuation reserve on AFS securities sold during 2016, whereas in 2016 the item refers solely to IRES and the temporary differences on administrative costs for the subsidiary Italfondiario S.p.A.

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

	12/31/2016	12/31/2015
1. Opening balance	**180,751**	**105,872**
2. Increases	**4,702**	**78,021**
2.1 Deferred tax assets arising during the year	2,586	78,021
a) relating to previous years	-	-
b) due to changes in accounting policies	-	-
c) write-backs	-	-
d) other	*2,586*	*78,021*
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	2,116	-
3. Decreases	**(80,226)**	**(3,141)**
3.1 Deferred tax assets derecognised during the year	(17,591)	(2,101)
a) reversals of temporary differences	*(17,307)*	*(2,068)*
b) write-downs of non-recoverable items	-	-
c) change in accounting policies	-	-
d) other	*(284)*	*(33)*
3.2 Reduction in tax rates	(64)	-
3.3 Other decreases	(62,571)	(1,040)
a) conversion into tax credits under L. 214/2011	(62,571)	(1,040)
b) other	-	-
4. Final amount	**105,227**	**180,752**

Item 2.1 of the Increases - d) others, regards mainly the component of deferred tax assets relating to Provisions for Risks while in 2015 the item included mainly deferred tax assets on write-downs of loans and on the negative taxable income of the financial year.

Item 2.3 Other increases, incorporates the opening balances for tax referring to the companies included in the scope of consolidation for the first time.
Item 3.1 of the Decreases - a) reversals mainly includes the recovery of the component of deferred tax assets related to the tax loss of € 13 million, and the recovery of the taxation following the reduction in the value of the temporary differences for provisions for risks against disputes and against staff expenses.
Item 3.3 of the Decreases - b) other includes the component of deferred tax assets relative to the tax credit resulting from the transformation of the 2014 DTA.

14.3.1 - Deferred tax assets pursuant to Italian Law 214/2011: annual changes (balancing P&L)

	Total 12/31/2016	Total 12/31/2015
1. Opening balance	**117,976**	**98,206**
2. Increases	**-**	**20,810**
3. Decreases	**(62,569)**	**(1,040)**
3.1 Reversals	-	-
3.2 Conversion into tax credits	-	-
a) due to loss positions arising from P&L	-	-
b) due to tax losses	-	-
3.3 Other decreases	(62,569)	(1,040)
4. Final amount	**55,406**	**117,976**

Deferred tax assets pursuant to Italian Law no. 214/2011 refer to write-downs of loans not yet deducted pursuant to article 106, paragraph 3 of the Income Tax Consolidation Act, for which negative components can be deducted for the purposes of income taxes over several tax periods. Article 16 of Italian Law Decree no. 83 of 06/27/2015 introduced a new form of deductibility for write-downs on receivables with a measurement aspect, which reformulates the consequences of reversals of previous deferred tax assets. With special reference to financial year 2015, the law established a suspension of the recovery of the fractions (18ths or 5ths) allocated in previous financial years, carrying them forward and transforming them into constant rates over the subsequent 10 financial years. The value indicated represents the portion that can be considered transformable to a tax credit based on the law in question, in the case the presuppositions required under said law are met.

Item 3.3 Other decreases - a) includes the component of deferred tax assets related to transformation into tax credits on the basis of the conditions recognised with reference to the results of the 2015 Parent Company doBank's Financial Statements.

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

	12/31/2016	12/31/2015
1. Opening balance	**-**	**-**
2. Increases	**20**	**-**
2.1 Deferred tax liabilities arising during the year	-	-
a) relating to previous years	-	-
b) due to change in accounting policies	-	-
c) other	-	-
2.2 New taxes or increase in tax rates	-	-
2.3 Other increases	20	-
3. Decreases	**-**	**-**
3.1 Deferred tax liabilities derecognised during the year	-	-
a) reversals on temporary differences	-	-
b) due to changes in accounting policies	-	-
c) other	-	-
3.2 Reduction in tax rates	-	-
3.3 Other decreases	-	-
4. Final amount	**20**	**-**

14.5 - Deferred tax assets: annual changes (balancing Shareholders' Equity)

	12/31/2016	12/31/2015
1. Opening balance	**90**	**88**
2. Increases	**-**	**1**
2.1 Deferred tax assets arising during the year	-	1
a) relating to previous years	-	-
b) due to change in accounting policies	-	-
c) other	-	*1*
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
3. Decreases	**(9)**	**-**
3.1 Deferred tax assets derecognised during the year	(9)	-
a) reversals of temporary differences	*(9)*	-
b) writedown of non-recoverable items	-	-
c) due to change in accounting policies	-	-
d) other	-	-
3.2 Reduction in tax rates	-	-
3.3 Other decreases	-	-
4. Final amount	**81**	**89**

14.6 - Deferred tax liabilities: annual changes (balancing Shareholders' Equity)

	12/31/2016	12/31/2015
1. Opening balance	**317**	**10,436**
2. Increases	**30**	**205**
2.1 Deferred tax liabilities arising during the year	30	176
a) relating to previous years	-	-
b) due to change in accounting policies	-	-
c) other	*30*	*176*
2.2 New taxes or increase in tax rates	-	-
2.3 Other increases	-	29
3. Decreases	**(347)**	**(10,324)**
3.1 Deferred tax liabilities derecognised during the year	(347)	(30)
a) reversals on temporary differences	*(347)*	*(30)*
b) due to changes in accounting policies	-	-
c) other	-	-
3.2 Reduction in tax rates	-	-
3.3 Other decreases	-	(10,294)
4. Final amount	**-**	**317**

Item 3.1 is entirely attributable to the cancellation of deferred tax assets on the AFS securities reserve.

14.7 - Other information

Current tax assets: breakdown

	12/31/2016			12/31/2015		
	Ires	Irap	Total	Ires	Irap	Total
Accounts for the financial year	10,092	2,959	13,051	9,651	2,577	12,228
Tax credit pursuant to law 214/2011	30,079	4,824	34,903	-	-	-
Tax credit pursuant to tax statement	1,414	454	1,868	271	16	287
Other loans	2	-	2	-	-	-
Tax liabilities	(7,801)	(4,301)	(12,102)	(4,012)	-	(4,012)
Total	**33,786**	**3,936**	**37,722**	**5,910**	**2,593**	**8,503**

Current tax liabilities: breakdown

	12/31/2016			12/31/2015		
	Ires	Irap	Total	Ires	Irap	Total
Taxes for the year	201	49	250	-	-	-
Net of accounts paid	(40)	(11)	(51)	-	-	-
Total	**161**	**38**	**199**	**-**	**-**	**-**

Section 15 - Non-current assets and disposal groups classified as held for sale and discontinued operations and associated liabilities- Item 150 (assets) and item 90 (liabilities)

15.1 - Non-current assets and disposal groups classified as held for sale and discontinued operations: asset type breakdown

	12/31/2016	12/31/2015
A. Individual Assets	**-**	**-**
A.1 Financial assets	10	-
A.2 Equity investments	-	-
A.3 Property, plant and equipment	-	-
A.4 Intangible assets	-	-
A.5 Other non-current assets	-	-
Total A	**10**	**-**
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	**10**	**-**
B. Asset groups (discontinued operations)	**-**	**-**
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	302	-
B.6 Loans and receivables with customers	5	-
B.7 Equity investments	-	-
B.8 Property, plant and equipment	48	-
B.9 Intangible assets	117	-
B.10 Other assets	2,034	-
Total B	**2,506**	**-**
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	**2,506**	**-**
C. Liabilities associated with individual 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 associated with groups of assets classified as held for sale	**-**	**-**
D.1 Deposit from banks	-	-
D.2 Deposit from customers	-	-
D. 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	(1,738)	-
Total D	**(1,738)**	**-**
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	**(1,738)**	**-**

At 12/31/2016, the item " Non-current assets and disposal groups classified as held for sale" includes the balance sheet items referring to the subsidiary Gextra S.r.l., which was put up for sale at the end of the current period.

15.2 - Other information

There is no figure to report.

15.3 - Equity investments in companies subject to significant influence not measured at shareholders' equity

There is no figure to report.

Section 16 - Other assets - Item 160

16.1 - Other assets: breakdown

	12/31/2016	12/31/2015
Consolidation assets adjustments (IC eliminations)	19	-
Accruend income other capitalised income	1,382	297
Items in processing	288	378
Items deemed definitive but not-attributable to other items:	*78,812*	*20,487*
- Other operations	*78,812*	*20,487*
. Receivables maturing during the period, deriving from credit management and recovery activities through mandates and from servicing and administrative services carried out for third party companies	*74,978*	*19,803*
. Advances paid to suppliers	*145*	-
. Other residual	*3,689*	*684*
Tax items other than those included in item 140	3,848	3,510
Other items:	29,753	18,545
- Tangible assets closing balance (IAS 2)	*1,138*	*12,027*
. Receivables maturing during the period not yet collected, deriving from credit management and recovery activities through mandates and from servicing and adm.services carried out for third party companies	*27,707*	*6,124*
- Other items - Other	*908*	*394*
Total	**114,102**	**43,217**

The increase in the item "Other assets" compared to 2015 is attributable for around € 45.2 million to the extended scope of consolidation.

The item "Items deemed definitive but not attributable to other lines" and the item "Other entries - receivables maturing during the period not yet collected" include receivables deriving from the core business with UniCredit and other customers for collection services through mandates and other servicing activities. Note that these services are not categorised within the definition of "Financial Services" as indicated in Bank of Italy Circular 262/2005 and therefore were not classified within items 60 and 70, respectively Loans and receivables with banks and loans and receivables with customers.

The item "Other entries - property, plant and equipment inventories" in 2015 also included the real estate properties of Immobiliare Veronica 84 S.r.l. in liquidation (€ 10.6 million) sold during the period.

Note that the individual components of said item were measured, in order to verify, based on the provisions of IAS 37, the existence of elements that render "virtually certain" the realisation of the related income. Lacking these requirements, appropriate provisions were carried out. Therefore, potential assets are not recognised. The results of these checks were shared with the competent control departments.

The operating loans referred to here related to loan management and collection activities under mandate and to servicing activities, which are not held to fall within the definition of "Financial Services", as stated in Bank of Italy Circular 262/2005, and therefore were not reclassified to the item loans and receivables with Banks/Customers. A summary of the item is provided below for the sake of completeness:

Other information: Operating receivables

	12/31/2016	12/31/2015
Credit management and collection activities through mandates - banks	76,421	21,693
Credit management and collection activities through mandates - customers	16,470	2,094
Outsourced administrative activities	742	363
Other	6,627	2,090
Total	**100,260**	**26,240**

The significant increase in the item, in addition to the extended scope of consolidation (€ 36.7 million), is related both to the adoption of different invoicing and fee liquidation times, in particular with reference to the servicing contract with the UniCredit Group, and to the improvement in overall recovery performance and the consequent increase in volumes invoiced.

Liabilities

Section 1 - Deposits from banks - Item 10

1.1 - Deposits from banks: product breakdown

Type of transaction/Group components	12/31/2016	12/31/2015
1. Deposits from central banks	-	-
2. Deposits from banks	**13.076**	**4.407**
2.1 Current accounts and demand deposits	2.999	4.407
2.2 Time deposits	-	-
2.3 Loans	10.032	-
2.3.1 Repos	-	-
2.3.2 Other	*10.032*	-
2.4 Liabilities for commitments to repurchase own equity instruments	-	-
2.5 Other liabilities	45	-
Total	**13.076**	**4.407**
Fair value - level 1	-	-
Fair value - level 2	-	-
Fair value - level 3	**13.076**	**4.407**
Total **Fair value**	**13.076**	**4.407**

The item "Deposits from Banks" includes € 3.0 million for a credit line granted by UniCredit S.p.A. to doRealEstate dedicated to repossession and friendly repossession activities, whereas € 10 million refers to the short-term loans payable taken out by the Parent Company during the year for € 10 million including the relevant interest accrued.

1.2 - Breakdown of item 10 "Deposits from banks": subordinate debts

There is no figure to report.

1.3 - Breakdown of item 10 "Deposits from banks": structured debts

There is no figure to report.

1.4 - Deposits from banks subject to micro-hedging

There is no figure to report.

1.5 - Financial lease payables

There is no figure to report.

Section 2 - Deposits from customers - Item 20

2.1 - Deposit from customers: product breakdown

Type of transaction/Group component	12/31/2016	12/31/2015
1. Current accounts and demand deposits	**10.850**	**6.629**
2. Time deposits	-	-
3. Loans	-	**175.131**
3.1 Repos	-	-
3.2 Other	-	**175.131**
4. Liabilities for commitments to repurchase own equity instruments	-	-
5. Other liabilities	**210**	-
Total	**11.060**	**181.760**
Fair value - level 1	-	-
Fair value - level 2	-	-
Fair value - level 3	**11.060**	**181.760**
Total Fair Value	11.060	181.760

The item "Customer current accounts and demand deposits" in respect of ordinary customers, mainly consisting of affiliated lawyers, shows an increase compared to the end of 2015.
Compared to December 31, 2015 Item 3.2 Loans - other - fell by an amount of € 175.3 million related to the "Interim Period Loan" originally granted by UniCredit to doBank in order to enable the Bank to pay the extraordinary dividend resolved and subsequently taken on in equal parts by Siena Holdco and Verona Holdco, which was fully repaid following the aforementioned sale transaction for securitisation of the non-performing portfolio.

2.2 - Breakdown of item 20 "Deposits from customers": subordinated debts

There is no figure to report.

2.3 - Breakdown of item 20 "Deposits from customers": structured debts

There is no figure to report.

2.4 - Deposits from customers subject to micro-hedging

There is no figure to report.

2.5 - Finance lease payables

There is no figure to report.

Section 3 - Debt securities in issue - Item 30

There is no figure to report.

Section 4 - Financial liabilities held-for-trading - Item 40

There is no figure to report.

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

There is no figure to report.

Section 6 - Hedging derivatives - Item 60

There is no figure to report.

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

There is no figure to report.

Section 8 - Tax liabilities - Item 80

In regards to tax liabilities, please refer to Section 14 of the Assets.

Section 9 - Liabilities associates with non-current assets held for sale and discontinued operations - Item 90

In regards to Liabilities associates with non-current assets and disposal groups classified held for sale and discontinued operations, please refer to Section 15 of the Assets.

Section 10 - Other liabilities - Item 100

10.1 - Other liabilities: breakdown

	12/31/2016	12/31/2015
Accrued expense other than that capitalized on the financial liabilities concerned	7	227
Other liabilities due to employees	9,808	1,871
Other liabilities relative to other staff	550	101
Interest and amount to be credited to customers	1,560	2,040
Available amounts to be paid to others	3,848	73
Items in processing	1,443	519
Items deemed definitive but not attributable to other lines:	31,418	24,536
- account payable - suppliers	*23,365*	*19,541*
- other entries	*8,053*	*4,995*
Tax items different from those included in item 80	7,052	2,225
Other entries	300	4,827
Total	**55,986**	**36,419**

Overall, the increase in the item compared to 2015 is mainly due to the extended scope of consolidation.

The item "Other liabilities due to employees" includes provisions related to holidays not taken and profitability bonuses as well as payables for early retirement incentives.

The Item "Items deemed definitive but not attributable to other lines - accounts payable - suppliers" essentially includes the accounts payable to suppliers for invoices to be received and for supplies that are to be settled. The item "Items deemed definitive but not attributable to other lines - other entries" includes the payable to the INPS for employee contributions and other sundry payable items awaiting definitive allocation.

The item "Tax items different from those included in item 80" includes besides the payable to the Tax Authority for VAT to be paid, the amount of the fee referred to the year 2016 (€ 2.0 million) related to the Parent Company doBank exercising the option to maintain the possibility of transforming deferred tax assets into tax credits under the terms of Art. 11 of Italian Law Decree no. 59 of 05/03/2016 converted by Italian Law no. 119 of 06/30/2016.

The item "Other entries" includes the residual items.

Section 11 - Employee termination indemnities - Item 110

11.1 - Employee termination indemnities: annual change

	12/31/2016	12/31/2015
A. Opening balances	**4,629**	**7,614**
B. Increases	**5,817**	**150**
B.1 Provision for the year	108	143
B.2 Other increases	5,709	7
C. Reductions	**(206)**	**(3,135)**
C.1 Severance payments	(117)	(292)
C.2 Other decreases	(89)	(2,843)
D. Closing balances	**10,240**	**4,629**
Total	**10,240**	**4,629**

The change during the period relating to the extended scope of consolidation is recorded under item B.2 Increases - Other increases.

Other information

Following the reform of supplementary social security, pursuant to Legislative Decree no. 252 of December 5, 2005, the termination benefit units accrued up to 12/31/2006 remained in the company, while the termination benefit units accruing as of January 1, 2007 were, based on the employees' choices (made by 06/30/2007), sent to supplementary social security funds or to the INPS Treasury Fund.

It follows that:

- termination benefits accruing up to 12/31/2006 (or up to the date of the choice - falling between 01/01/2007 and 06/30/2007 - of the employee if their termination benefits are sent to a supplementary social security fund) continue to have the form of a "defined benefit" plan and are therefore subject to actuarial measurement, although with simplified actuarial hypotheses that no longer take into account predictions of future income increases;
- the units accruing after 01/01/2007 (or the date of choice - between 01/01/2007 and 06/30/2007 - of the employee in the case their termination benefits are sent to a supplementary social security fund) are considered a "defined contribution" plan (in that the company's obligation is eliminated at the moment the accrued termination benefit units are deposited in the fund selected by the employee) and therefore the relative cost pertaining to the period is equal to the amounts paid to the supplementary social security fund or to the INPS Treasury Fund.
  Note that as of January 1, 2013, changes to the standard IAS 19 (IAS 19R) took effect. These envisage, in particular, elimination of the "corridor" method, with the requirement to recognise a commitment as a function of the current value of defined benefit obligations, net of the fair value of the assets serving the plan. Measurement of commitments connected to the current value of benefit obligations at December 31, 2016, indicated a net imbalance of € 160 thousand.
  For the definition of the aforementioned aggregates, the actuarial company used the following technical foundations:
  - discount rate 1.60%;
  - expected inflation rate 1.1%.

Section 12 - Provision for risks and charges - Item 120

12.1 - Provision for risks and charges: breakdown

Items/Amounts	12/31/2016	12/31/2015
1. Pensions and other post-retirement benefit obligations	-	-
2. Other provisions for risks and charges	25,371	31,494
2.1 Legal disputes	*9,427*	*15,006*
2.2 Staff expenses	*9,002*	*8,250*
2.3 Other	*6,942*	*8,238*
Total	**25,371**	**31,494**

The item includes € 2.2 million referring to the new companies included in the scope of consolidation.

Item 2.1 "Legal disputes" mainly contains the provision for risks for disputes coming from the Group's core business and that of its subsidiaries. This item fell in the period mainly as a result of the release of provisions for legal disputes and legal cases considered excessive with respect to the updated estimate of the related probable and possible liabilities.
Item 2.2 "Staff expenses" includes allocations recognised necessary to finance possible premiums that do not pertain to pre-existing agreements or determinable quantification mechanisms and MBO bonuses.
Item 2.3 "Other" mainly includes provisions set aside to cover risks for which legal cases have not yet been begun.

Risks associated with legal disputes in progress

The Group operates in a legal and regulatory context which exposes it to a vast range of legal disputes, associated with the core business related to the activity of servicing credit recovery on mandates, to any administrative irregularities, and to employment law litigation.
The related risks are the subject of periodical analysis in order to proceed to set aside specific provisions for risks and charges, if the outlay is considered probable or possible, on the basis of the information available each time, as provided for in the "Guidelines for determining provisions for risks and charges".

12.2 - Provision for risks and charges: annual changes

Items/Components	Pension funds	Other provisions	Total
A. Opening balances	**-**	**31.494**	**31.494**
B. Increases	**-**	**11.006**	**11.006**
B.1 Provision for the year	-	7.044	7.044
B.2 Changes due to the passing time	-	86	86
B.3 Differences due to discount-rate changes	-	4	4
B.4 Other adjustments	-	3.872	3.872
C. Decreases	**-**	**(17.129)**	**(17.129)**
C.1 Use during the year	-	(7.455)	(7.455)
C.2 Differences due to discount-rate changes	-	(14)	(14)
C.3 Other decreases	-	(9.660)	(9.660)
D. Closing balances	**-**	**25.371**	**25.371**

Item B.1 "Provision for the year" comprises new provisions to cover cases brought to court (for € 1.7 million), variable remuneration for employees and legal cases involving personnel (for a total of € 4.4 million), new provision to cover disputes for which at the moment legal actions have not been initiated (€ 0.2 million), provision to cover the risk of disputes on trade receivables from principals (€ 0.7 million).

Item C.3 "Other decreases" comprises the reduction in provisions to cover legal cases and personnel disputes for a total of € 7.0 million, as a result of the release of provisions, on legal disputes and cases involving personnel, considered excessive with respect to the updated estimate of the related probable and possible liabilities and legal disputes not currently brought to court for € 1 million.

12.3 - Pensions and other post-retirement benefit obligations

There is no figure to report.

12.4 - Provision for risks and charges - other provisions

Items/Amounts	12/31/2016	12/31/2015
Previous legal expenses	320	320
Risks on Real Estate	130	145
Liquidation costs	-	1,752
Other Provisions	6,492	6,021
Total	**6,942**	**8,238**

The "Other provisions" component of the Provisions for risks and charges includes:

- "Previous legal expenses" for the residual portion of the provisions for risks and charges connected to non-performing loans acquired and intended for payments to professionals for activities carried out prior to the acquisition;
- "Other provisions" includes allocations against risks connected with foreseeable outlays on positions under mandates, in respect of which a claim has been made by a counterparty, but no legal dispute is in course.

Section 13 - Insurance reserves - Item 130

There is no figure to report.

Section 14 - Redeemable shares - Item 150

There is no figure to report.

Section 15 - Group Shareholders' Equity - Items 140, 160, 170, 180, 190, 200 and 220

15.1 - "Share capital" and "Treasury shares": breakdown

Share Capital

	12/31/2016	12/31/2015
Ordinary shares, no. 8,000,000, nominal value of Euro 5.16 each	41,280	41,280

Treasury shares

	12/31/2016	12/31/2015
Ordinary shares, no. 175,000, nominal value of Euro 5.16 each, measured at cost	277	277

Based on Italian law, these shares, which were originally held by the incorporated Federalcasse Banca S.p.A., as they come through a merger and do not represent more than 10% of the share capital, can be kept in company equity, without an obligation for disposal.

15.2 - Share Capital - Parent Company's number of shares: annual changes

Items/Types	Ordinary	Other
A. Share Outstanding as at the beginning of the year	**8.000.000**	**-**
- fully paid	*8.000.000*	-
- not fully paid	-	-
A.1 Treasury shares (-)	(175.000)	-
A.2 Shares outstanding: opening balance	**7.825.000**	**-**
B. Increases	**-**	**-**
B.1 New issues	-	-
- against payment:	-	-
- business combinations	-	-
- bond converted	-	-
- warrants exercised	-	-
- other	-	-
- free:	-	-
- to employees	-	-
- to Directors	-	-
- other	-	-
B.2 Sale of treasury shares	-	-
B.3 Other changes	-	-
C. Decreases	**-**	**-**
C.1 Cancellation	-	-
C.2 Purchase of treasury shares	-	-
C.3 Business tranferred	-	-
C.4 Other changes	-	-
D. Shares outstanding: closing balance	**7.825.000**	**-**
D.1 Treasury shares (+)	**175.000**	**-**
D.2. Shares outstanding as at end of the year	8.000.000	-
- fully paid	*8.000.000*	-
- not fully paid	-	-

As seen in the table, during the period, no equity transactions were carried out.

15.3 - Share capital: other information

There is no other information.

15.4 - Reserves from allocation of profit: other information

Reserves from allocation of profits from previous years	12/31/2016	12/31/2015
Legal reserve	8,256	8,256
Reserve art. 7 Law 218/90	2,305	2,305
Reserve, Lgs. Decree 153/99	-	-
Susp. reserve for taxes from aggregation (UniCredit Credit Management Service S.p.A.)	3	3
Reserve from FTA art. 7 par. 7 Lgs. Decree 38/2005	8,780	8,780
Statutory reserve for purchase of treasury shares	277	277
Reserve from retained earnings IAS art.6 par.2 Lgs. Decree 38/2005	(9,145)	(9,145)
Total	**10,476**	**10,476**

Other Reserves	12/31/2016	12/31/2015
Extraordinary reserve	104,149	292,723
Reserve, Lgs. Decree 153/99	6,103	6,103
Legal reserve for distributed earnings	44	44
Reserve art. 7 Law 218/90	4,179	4,179
Reserve from aggregation (UniCredit Credit Management Service S.p.A.)	4	4
Reserve from Aspra Finance S.p.A. merger	-	-
- of which share capital	-	-
- of which reserves for purchase of credits Under Common Control	-	-
- of which shareholder payments for future capital increases	-	-
Consolidation Reserve	(7,800)	(29,262)
Total	**106,679**	**273,791**

With regard to the other Reserves, the decrease with respect to the end of 2015 in the Extraordinary reserve derives from the allocation of the Parent Company loss recorded at 12/31/2015 for € 188.6 million. The item also includes the decrease in the consolidation reserve for € 21.5 million.

15.5 - Other information

Below is a table which breaks down the valuation reserves.

Valuation Reserves	12/31/2016	12/31/2015
Monetary equalisation reserve under Law 413/91	429	429
Valuation Reserve Available-for-sale financial assets	-	714
Reserve for actuarial gains (losses) on employee defined-benefit plans	(173)	(116)
Total	**256**	**1,027**

Section 16 - Minorities - Item 210

There is no figure to report.

Other information

1. Guarantees given and commitments

There is no figure to report.

2. Assets used to guarantees own liabilities and commitments

There is no figure to report.

3. Operating leases

There is no figure to report.

4. Breakdown of investments against unit-linked and index-linked policies

There is no figure to report.

5. Asset management and trading on behalf of others

Type of services	Amount	
	12/31/2016	12/31/2015
1. Management and trading on behalf of third parties		
a) purchases	-	-
1. settled	-	-
2. unsettled	-	-
b) sales		
1. settled	-	-
2. unsettled	-	-
2. Portfolio management		
a) individual	-	-
a) collective	-	-
3. Custody and administration of securities		
a) third-party securities on deposit: relationg to depositary bank activities (excluding portfolio management)	-	-
1. securities issued by companies included in consolidation	-	-
2. other securities	-	-
b) third party securities held in deposits (excluding portfolio management): other		
1. securities issued by companies included in consolidation	-	-
2. other securities	-	-
c) third-party securities deposited with third parties	-	-
d) Property securities deposited with third parties	27,707	894
4. Other	-	-

The balance includes government securities and equity investments classified under item 100.

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

There is no figure to report.

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

There is no figure to report.

8. Security lending transactions

There is no figure to report.

9. Disclosure on assets under joint control

There is no figure to report.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - PART C

Part C - Consolidated Income Statement

Section 1 - Interest income and expense - Items 10 and 20
Section 2 - Fees and commission income and expense - Items 40 and 50
Section 3 - Dividend income and similar revenue - Item 70
Section 4 - Gains and losses on financial assets and liabilities held-for-trading - Item 80
Section 5 - Fair value adjustments in hedge accounting - Item 90
Section 6 - Gains (losses) on disposals and repurchases - Item 100
Section 7 - Gains (losses) on financial assets/liabilities at fair value through profit and loss - Item 110
Section 8 - Net losses/recoveries on impairment - Item 130
Section 9 - Premiums earned (net) - Item 150
Section 10 - Other income (net) from insurance activities - Item 160
Section 11 - Administrative costs - Item 180
Section 12 - Net provisions for risks and charges - Item 190
Section 13 - Impairment/write-backs on property, plant and equipment - Item 200
Section 14 - Impairment/write-backs on intangible assets - Item 210
Section 15 - Other net operating income - Item 220
Section 16 - Profit (loss) of equity investments - Item 240
Section 17 - Gains (losses) on tangible and intangible assets measured at fair value - Item 250
Section 18 - Impairment of goodwill - Item 260
Section 19 - Gains and Losses on disposals of investments - Item 270
Section 20 - Tax (expense) recovery on income from continuing operations - Item 290
Section 21 - Profit (loss) after tax from discontinued operations - Item 310
Section 22 - Minorities - Item 330
Section 23 - Other information
Section 24 - Earnings per share

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

1.1 - Interest income and similar revenues: breakdown

Items/Type	Debt securities	Loans	Other transactions	Total 12/31/2016	Total 12/31/2015
1. Financial assets held for trading	-	-	-	-	-
2. Financial assets at fair value through profit and loss	-	-	-	-	-
3. Available-for-sale financial assets	24	-	-	24	121
3. Held-to-maturity investments	-	-	-	-	-
5. Loans and receivables with banks	1	(1)	-	-	276
6. Loans and receivables with customers	-	196	-	196	654
7. Hedging derivatives	-	-	-	-	-
8. Other assets	-	-	15	15	(14)
Total	**25**	**195**	**15**	**235**	**1,037**

The item as a whole fell considerably compared to 2015 (-€ 0.8 million) owing mainly to the effects of completion of the aforementioned sale transaction, of the non-performing portfolio, to the company Romeo SPV S.r.l. set up under the terms of Italian Law no. 130 of 1999 ("Law on Securitisation") which occurred with economic effectiveness from July 31, 2016 and to the consequent lower amount of default interest received.

In addition there was practically no interest on loans and receivables with banks which in 2015 showed the interest accrued on the surplus cash equivalents invested by the Parent Company doBank before the extraordinary distribution of dividends that occurred at the end of the year, to the former shareholder UniCredit S.p.A.

1.2 - Interest income and similar revenues: differentials relative to hedging transactions

There is no figure to report.

1.3 - Interest income and similar revenues: other information

There is no figure to report.

1.4 - Interest expense and similar charges: breakdown

Items/Type	Payables	Securities	Other transactions	Total 12/31/2016	Total 12/31/2015
1. Deposits from central banks	-	-	-	-	-
2. Deposits from banks	(171)	-	-	(171)	(115)
3. Deposits from customers	(313)	-	-	(313)	(75)
4. Debr securities in issue	-	-	-	-	-
5. Financial liabilities held for trading	-	-	-	-	-
6. Financial liabilities at fair value through profit and loss	-	-	-	-	-
7. Other liabilities and funds	-	-	(1)	(1)	(1)
8. Hedging derivatives	-	-	-	-	-
Total	**(484)**	**-**	**(1)**	**(485)**	**(191)**

Interest expense on deposits from Banks related mainly to short-term loans payable taken out during the year and the credit lines granted.
Interest expense on deposits from customers related to the interest accrued and paid on the "Interim Period Loan" fully repaid on 9/30/2016 following the aforementioned sale transaction for securitisation of the non-performing portfolio.

1.5 - Interest expense and similar charges: hedging differentials

There is no figure to report.

1.6 - Interest expense and similar charges: other information

There is no figure to report.

Section 2 - Fee and commission income and expense - Items 40 and 50

2.1 - Fee and commission income: breakdown

Type of services/Amounts	Total 12/31/2016	Total 12/31/2015
a) guarantees given	-	-
b) credit derivatives	-	-
c) management, brokerage and consultancy services:	-	-
1. security trading	-	-
2. currency trading	-	-
3. portfolio management	-	-
3.1. individual	-	-
3.2 collective	-	-
4. custody and administration of securities	-	-
5. custodian bank	-	-
6. placement of securities	-	-
7. reception and transmission of orders	-	-
8. advisory services	-	-
8.1 related to investments	-	-
8.2 related to financial structure	-	-
9. distribution of third-party services	-	-
9.1. portfolio management	-	-
9.1.1. individual	-	-
9.1.2. collective	-	-
9.2. insurance products	-	-
9.3. other products	-	-
d) collection and payment services	33	23
e) securitization servicing	11,349	2,903
f) factoring	-	-
g) tax collection services	-	-
h) management of multilateral trading facilities	-	-
i) management of current accounts	44	40
j) other services	147,627	77,941
loans granted; ordinary customer loans	*6*	*10*
mandate operations	*147,621*	*77,657*
other services	-	*274*
Total	**159,053**	**80,907**

The most important item "Other services - mandate operations" includes fee and commission income accrued for management and collection of loans received through mandates.

The € 78.1 million increase (+96.6%) in fee and commission income seen with respect to the previous period is mainly connected to the positive effects of the new servicing contract ("MSA") between UniCredit and the Parent Company doBank for credit management and recovery under a mandate. This result was also made possible thanks to excellent performance which enabled the achievement of total recoveries of € 1.188 billion, an amount that was 16% higher than in 2015.

In the context of this agreement commissions calculated on large portfolio sales also had a positive effect of € 12.9 million.

Finally, the increase in this item is also attributable to the contribution of € 16.7 million from Italfondiario S.p.A. for commissions referring to managing the loans portfolio and commissions for servicing securitisation transactions.

2.2 - Fee and commission expense: breakdown

Services/ Value	Total 12/31/2016	Total 12/31/2015
a) guarantees received	(18)	(5)
b) credit derivatves	-	-
c) management, brokerage and consultancy services:	-	-
1. trading financial instruments	-	-
2. currency trading	-	-
3. portfolio management:	-	-
3.1 own portfolio	-	-
3.2 third party portfolio	-	-
4. custody and administration of security	-	-
5. placement of financial instruments	-	-
6. off-site distribution of financial instruments, products and services	-	-
d) collection and payment services	(27)	(7)
e) other services	(17,251)	(17,326)
mandate operations	*(17,050)*	*(17,318)*
other services	*(201)*	*(8)*
Total	**(17,296)**	**(17,338)**

Item 50. "Fee and commission expense", which contains the fees paid to the external Network, was reclassified during 2016 and now also contains in item "e) other services - through mandate operations" the fees payable to legal professionals for out-of-court activities.
The amount shown for financial year 2015 does not correspond to the figure presented in the dossier published at the time, because for uniformity the analogous component (€ 6.4 million) previously allocated to item 150. "Other administrative expenses - other legal expenses" has also been reclassified.
For more details please see Part A - Accounting policies - Section 4 "Other matters - Illustration of the changes to the financial statement schedules restated for comparative purposes".

Section 3 - Dividend income and similar revenue - Item 70

There is no figure to report.

Section 4 - Gains and losses on financial assets and liabilities held-for-trading - Item 80

There is no figure to report.

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

There is no figure to report.

Section 6 - Gains (losses) on disposals and repurchases - Item 100

6.1 - Gains (Losses) on disposals and repurchases: breakdown

	Total 12/31/2016			Total 12/31/2015		
	Gains	Losses	Net Result	Gains	Losses	Net Result
Financial assets						
1 Loans and receivables with banks	-	-	-	-	-	-
2 Loans and receivables with customers	-	-	-	20	(39)	(19)
3 Available-for-sale financial assets	241	-	241	-	-	-
3.1 Debt securities	*241*	-	*241*	-	-	-
3.2 Equity instruments	-	-	-	-	-	-
3.3 Units in Investment funds	-	-	-	-	-	-
3.4 Loans	-	-	-	-	-	-
4 Held-to-maturity investments	-	-	-	-	-	-
Total assets	**241**	**-**	**241**	**20**	**(39)**	**(19)**
	-	-	-	-	-	-
Financial liabilities	-	-	-	-	-	-
1 Deposit from banks	-	-	-	-	-	-
2 Deposit from customers	-	-	-	-	-	-
3 Debt securities in issue	-	-	-	-	-	-
Total liabilities	**-**	**-**	**-**	**-**	**-**	**-**
Total Financial assets and liabilities	**241**	**-**	**241**	**20**	**(39)**	**(19)**

The amount shown in the gains refers to the effects of the sale that occurred during the year of the securities deriving from the Aurora SPV securitisation transaction.

Section 7 - Gains (losses) on financial assets/liabilities at fair value through profit and loss - Item 110

There is no figure to report.

Section 8 - Net losses/recoveries on impairment - Item 130

8.1 - Losses on impairment of loans and receivables: breakdown

Transactions/Profit and Loss Items	Write-downs (1)			Write-backs (2)				Total 12/31/2016 (1) + (2)	Total 12/31/2015
	specific		portfolio	specific		portfolio			
	write-offs	other		interest	other	interest	other		
A. Loans and receivables with banks	-	-	-	-	-	-	-	-	-
- Loans	-	-	-	-	-	-	-	-	-
- Debt securities	-	-	-	-	-	-	-	-	-
B. Loans and receivables with customers	**(500)**	**(2,531)**	**-**	**8**	**6,342**	**-**	**14**	**3,333**	**(240,425)**
Non-performing related to purchase a	-	-	-	-	-	-	-	-	**(240,425)**
- Loans	-	-	-	-	-	-	-	-	(240,425)
- Debt securities	-	-	-	-	-	-	-	-	-
Other loans	(500)	(2,531)	-	8	6,342	-	14	3,333	-
- Loans	(500)	(2,531)	-	8	6,342	-	14	3,333	-
- Debt securities	-	-	-	-	-	-	-	-	-
C. Total	**(500)**	**(2,531)**	**-**	**8**	**6,342**	**-**	**14**	**3,333**	**(240,425)**

Overall the item recorded a net positive balance of € 3.3 million deriving from write-backs from collection recognised before the date of effectiveness of the aforementioned sale transaction of the Parent Company doBank's NPL portfolio to SPV Romeo S.r.l. This transaction instead did not produce economic effects in terms of either valuation or income as it occurred at a figure corresponding to the book value, already aligned to the sale expectations.

8.2 - Losses on impairment of available-for-sale financial assets: breakdown

There is no figure to report.

8.3 - Net losses on impairment of held-to-maturity investments: breakdown

There is no figure to report.

8.4 - Losses on impairment of other financial transactions: breakdown

Transactions/Profit and Loss Items	Write-downs (1)			Write-backs (2)				Total 12/31/2016 (1) + (2)	Total 12/31/2015
	specific		portfolio	specific		from portfolio			
	write-offs	other		interest	other	interest	other		
A. Guarantees given	-	-	-	-	-	-	-	-	-
B. Credit derivatives	-	-	-	-	-	-	-	-	-
C. Commitments to disburse funds	-	-	-	-	-	-	-	-	-
D. Other transactions	-	(135)	-	-	-	-	-	(135)	-
E. Total	**-**	**(135)**	**-**	**-**	**-**	**-**	**-**	**(135)**	**-**

Section 9 - Premiums earned (net) - Item 150

There is no figure to report.

Section 10 - Other income (net) from insurance activities - Item 160

There is no figure to report.

Section 11 - Administrative costs - Item 180

11.1 - Staff expense: breakdown

Type of expense/Sectors	Total 12/31/2016	Total 12/31/2015
1) Employees	(56,183)	(44,717)
a) wages and salaries	(39,112)	(31,670)
b) social charges	(11,587)	(9,120)
c) severance pay	-	(1,999)
d) social security costs	(191)	-
e) allocation to employee severance pay provision	(544)	(164)
f) provision for retirement and similar provisions:	-	-
– defined contribution	-	-
- defined benefits	-	-
g) payments to external pension funds:	(2,697)	(804)
– defined contribution	(2,697)	(804)
- defined benefits	-	-
h) costs related to share-based payments	-	1
i) other employee benefits	(2,052)	(973)
j) Recovery payments seconded employees	-	12
2) Other staff	(180)	(943)
3) Directors and statutory auditors	(2,275)	(835)
4) Early retirement costs	-	-
Total	**(58,638)**	**(46,495)**

Personnel expenses showed an increase compared to the previous year (€ 12.2 million) resulting from the extension of the scope of consolidation.

11.2 - Average number of employees by category

	12/31/2016	12/31/2015
Employees	1.215	658
a) Executives	28	13
b) Managers	480	299
c) Remaining employees staff	707	346
Other staff	7	-
Total	**1.222**	**658**

11.3 - Pensions and other post-retirement defined-benefit obligations: costs and revenues

There is no figure to report.

11.4 - Other employee benefits

	12/31/2016	12/31/2015
Leaving incentives	(517)	508
Seniority premiums	(19)	-
Expense for replacement of employee canteen service	(658)	(641)
Additional health care	(723)	(603)
Free disbursements to personnel	(51)	(105)
Monetary incentive plans	-	(123)
Other	(84)	(9)
Total	**(2,052)**	**(973)**

11.5 - Other administrative expense: breakdown

Type of expenses/sectors	12/31/2016	12/31/2015
1) Indirect taxes and duties	**(4.731)**	**(1.142)**
1a. Settled	(2.748)	(1.142)
1b. Unsettled	(1.983)	-
2) Miscellaneous costs and expenses	**(34.469)**	**(38.985)**
Advertising marketing and communication	***(186)***	***(137)***
- Advertising costs - mass media comunication	(49)	(20)
- Marketing and promotions	(99)	(81)
- Sponsorship	(22)	(14)
- Convention and internal communication	(16)	(22)
Expenses related to credit risk	***(3.016)***	***(5.705)***
- Credit recovery expenses	(2.484)	(4.922)
- Commercial information and company reports	(532)	(783)
Indirect expenses related to personnel	***(1.132)***	***(1.060)***
- Staff training	(60)	(69)
- Renting car and other personnel expenses and PFA	(292)	(293)
- Travel expenses	(564)	(349)
- Rents and property leases for personal use	(216)	(349)
Information & communication technology expenses	***(10.431)***	***(11.796)***
- Hardware costs: rent and maintenance	(7)	(1)
- Software costs: rent and maintenance	(3.990)	(2.745)
- ICT service	(6.305)	(8.933)
- Financial infoprovider	(27)	(12)
- ICT other expenses	(102)	(105)
Consulting and professional services	***(6.507)***	***(2.038)***
- Advice on ordinary activities (no projects)	(3.078)	(1.222)
- Advice for one-off project - updating legislation	(381)	(222)
- Strategy, business evolution and organizational optimization consulting	(2.283)	(70)
- Legal expenses	(765)	(524)
Real estate expenses	***(5.665)***	***(5.761)***
- Real estate servicing	(278)	(278)
- Forniture, machines, equipments maintenance	(1)	(4)
- Offices maintenance	(402)	(303)
- Rent for real estate rentals	(4.233)	(4.222)
- Offices cleaning	(395)	(273)
- Utilities	(356)	(681)
Operative costs	***(7.532)***	***(12.488)***
- Surveillance and security services	(184)	(197)
- Postage and transport documents	(409)	(801)
- Administrative and logistic services	(5.230)	(7.122)
- Insurance	(709)	(523)
- Printing and stationery	(178)	(50)
- Association dues, fees and contribution to the admin.exp. Deposit Guarantee Schemes	(69)	(57)
- Contribution to the Single Resolution Fund	(279)	(3.481)
- Other administrative expenses - Other	(474)	(257)
Total	**(39.200)**	**(40.127)**

The total amount of the item related to financial year 2015 does not correspond to the figure presented in the report published, because from the item "Miscellaneous costs and expenses - Fees for external professionals" the amount € 6.4 million related to fees payable to legal professionals for out-of-court activities has been deducted, and reclassified to item 50. "Fee and Commission expense" (see table 2.3 Fee and commission expense).
For more details please see Part A - Accounting policies - Section 4 "Other matters - Illustration of the changes to the financial statement schedules restated for comparative purposes".

The item "Indirect taxes and duties" includes, with reference to the results at 12/31/2016, the amount of the fee referred to the year 2015 (€ 2.1 million) and the portion accruing of the fee referred to the year 2016 (€ 2.0 million) related to the Parent Company doBank exercising the option to maintain the possibility of transforming deferred tax assets into tax credits under the terms of Art. 11 of Italian Law Decree no. 59 of 05/03/2016 converted by Italian Law no. 119 of 06/30/2016, as illustrated also in part B, Section 13 of the present Notes to the Accounts in the comment on the item "Deferred tax assets".

Following the aforementioned reclassification, the sub-item related to "Loan risk related expenses - Loan recovery expense", which includes the Bank's overheads and legal expenses, compared to 2015, recorded an improvement of € 2.4 million, due mainly to lower legal expenses on the owned portfolio (-€ 2.3 million), as a consequence of the aforementioned sale of the portfolio and to the significantly lower impact of the portion accruing to 2016 of "Ex ante contributions to the Single Resolution Fund" which compared to financial year 2015 was lower (-€ 3.2 million) because it is now commensurate with the Bank's total assets at 12/31/2015 which were much less following the demerger operation with UniCredit.

Despite the extended scope of consolidation, we also note during the year, the lower impact of ICT services, property maintenance and rents paid to the Parent Company doBank by the UniCredit Group companies. In particular, in relation to ICT services the decrease compared to the previous year derived both from the temporary reduction of the fee agreed with UBIS, a UniCredit Group company, and from the absence of software developments in the period with the prospect of migration of the information systems to new suppliers, to be carried out in the first half of 2017 and that will entail instead an increase in "one-off" costs.

Section 12 - Net provisions for risks and charges - Item 190

12.1 - Net provisions for risks and charges: breakdown

	12/31/2016			12/31/2015		
	Provisions	Reattributions of excess	Total	Provisions	Reattributions of excess	Total
1. Other provisions						
1.1 Legal disputes	(1,499)	6,821	5,322	(3,988)	2,624	(1,364)
- revocations	-	-	-	-	-	-
- disputes regarding employees	*(37)*	*701*	*664*	*(408)*	*100*	*(308)*
- disputes regarding financial instruments and derivative con	-	-	-	-	-	-
- other	*(1,462)*	*6,120*	*4,658*	*(3,580)*	*2,524*	*(1,056)*
1.2 Staff costs	(23)	-	(23)	-	-	-
1.3 Other	(1,561)	1,071	*(490)*	(5,915)	3,159	(2,756)
Total	**(3,083)**	**7,892**	**4,809**	**(9,903)**	**5,783**	**(4,120)**

The item "Net provisions for risks and charges" had a positive balance of € 4.8 million compared to the end of 2015, which had presented a negative balance of -€ 4.1 million, thanks to the release of provisions on legal cases and disputes found to be in excess with respect to the updated estimate of the related probable and possible liabilities.

Section 13 - Impairment/write-backs on property, plant and equipment - Item 200

13.1 - Impairment on property, plant and equipment: breakdown

Assets/P&L Items	Depreciation (a)	Impairment losses (b)	Write-backs (c)	Net profit 12/31/2016 (a + b - c)
A. Property, plant and equipment				
A.1 Owned	(78)	-	-	(78)
- used in the business	*(78)*	-	-	*(78)*
-held for investment	-	-	-	-
A.2 Financial lease	(4)	-	-	**(4)**
- used in the business	*(4)*	-	-	*(4)*
-held for investment	-	-	-	-
Total	**(82)**	**-**	**-**	**(82)**

The depreciation was determined pro-rata temporis on the basis of the estimated useful life of the assets.

Section 14 - Impairment/write-backs on intangible assets - Item 210

14.1 - Impairment on intangible assets: breakdown

Assets/P&L Items	Depreciation and amortisation (a)	Write-downs for impairment (b)	Write-backs (c)	Net result 12/31/2016 (a + b - c)
A. Intangible assets				
A.1 Owned	*(420)*	-	-	(420)
- generated internally by the company	-	-	-	-
- other	*(420)*	-	-	*(420)*
A.2 Finance leases	-	-	-	**-**
Total	**(420)**	**-**	**-**	**(420)**

The amortisation was determined pro-rata temporis on the basis of the estimated useful life considering a utilisation period of 3 years.

Section 15 - Other net operating income - Item 220

15.1 - Other operating expense: breakdown

	12/31/2016	12/31/2015
Write-downs on improvements on third-party assets (non-separable assets)	(74)	(100)
Outlays for miscellaneous charges from previous financial years	(2.001)	(229)
Other operating expenses from current financial year	(1.379)	(1.187)
Total	**(3.454)**	**(1.516)**

15.2 - Other operating income: breakdown

	12/31/2016	12/31/2015
Recovery of expenses	3.442	5.483
Revenues from contractual and repetitive administrative services	4.503	4.192
Excess VAT	-	262
Various reimbursement of charges sustained in previous financial years	181	162
Indemnities on own portfolio	-	3.446
Non-existence of liabilities	2.283	9.699
Other operating income from current financial year	9.382	2.072
Total	**19.791**	**25.316**

The item "Recovery of expenses" which amounts to € 3.4 million, mainly includes recovery of expenses realised by the Parent Company doBank in relation to owned non-performing positions, incurred for credit recovery activities before the date of effectiveness of the aforementioned securitisation transaction.

The item "Other operating income from current financial year" mainly includes write-backs from collections on the owned doBank portfolio, which occurred before the date of effectiveness of the aforementioned sale transaction.

In addition, the item includes income from Due Diligence for € 1.6 million and € 1. 4 million for administrative type services.

Finally, the item includes the positive result of € 1.2 million deriving from the allocation process of the Purchase Price Allocation for the former Italfondiario Group as referred to under Part G below.

Section 16 - Profit (loss) of equity investments - Item 240

16.1 - Profit (loss) of equity investments: breakdown

Component/Amounts	Total 12/31/2016	Total 12/31/2015
1) Jointly owned companies		
A. Income	-	-
1. Revaluations	-	-
2. Gains on disposal	-	-
3. Write-backs	-	-
4. Other Incomes	-	-
B. Expense	-	-
1. Write-downs	-	-
2. Impairment losses	-	-
3. Losses on disposal	-	-
4. Other expenses	-	-
Net profit	**-**	**-**
2) Companies subject to significant influence	-	-
A. Income	-	-
1. Revaluations	-	-
2. Gains on disposal	-	-
3. Write-backs	-	-
4. Other Incomes	-	-
B. Expense	(26)	-
1. Write-downs	(26)	-
2. Impairment losses	-	-
3. Losses on disposal	-	-
4. Other expenses	-	-
Net profit	**(26)**	**-**
Total	**(26)**	**-**

The item "Write-downs" includes the result of the measurement at Shareholders' Equity of the subsidiary BCC Gestione Crediti S.p.A.

Section 17 - Gains (losses) on tangible and intangible assets measured at fair value - Item 250

There is no figure to report.

Section 18 - Impairment of goodwill - Item 260

There is no figure to report.

Section 19 - Gains and Losses on disposals of investments - Item 270

19.1 - Gains and Losses on disposals of investments: breakdown

P&L Components/ Sectors	Total 12/31/2016	Total 12/31/2015
A. Property		
- Gains on disposal	-	-
- Losses on disposal	-	-
B. Other assets	7,651	-
- Gains on disposal	7,651	-
- Losses on disposal	-	-
Net Profit	7,651	-

The item includes the profit resulting from the sale during the period of the equity investment in Immobiliare Veronica 84 S.r.l. in liquidation.

Section 20 - Tax (expense) recovery on income from continuing operations - Item 290

20.1 - Tax (expense) recovery on income from continuing operations: breakdown

Component/Amounts	Total 12/31/2016	Total 12/31/2015
1. Current taxes (-)	(7,653)	(48)
2. Adjustment to current tax of prior years (+/-)	26	30
3. Reduction of current taxes for the year (+)	-	-
3.bis Reduction in current tax for the year due tax credits under L.214/2011 (+)		-
4. Changes in deferred tax assets (+/-)	(15,070)	75,918
5. Changes in deferred tax liabilities (+/-)	-	-
6. Tax expenses for the year (-) (-1+/-2+3+/-4+/-5)	(22,697)	75,900

20.2 - Reconciliation of theoretical tax charge to actual tax charge

Income components/Amounts	12/31/2016	12/31/2015
Profit (loss) before tax from continuing operations (item 280)	**75,377**	**(254,196)**
Theoretical tax rate	27.50%	27.50%
Theoretical computed taxes on income	(20,729)	69,904
1. Different tax rates	-	-
2. Non-taxable income - permanent differences	2,330	3,043
3. Non-deductible expenses - permanent differences	(240)	(735)
4. IRAP (regional business tax)	(4,120)	3,507
5. Prior years and changes in tax rates	-	-
a) effect on current taxes	-	-
- tax loss carryforward/unused tax credit	-	-
- other effects of previous periods	(2)	-
b) effect on deferred taxes	-	-
- changes in tax rate	(68)	-
- tax recoveries from previous years deductible costs (-)	-	-
- tax adjustments temporary non-deductible costs (+)	-	-
- establishment of new taxes (-) revocation of previous (+)	-	-
6. Valuation adjustments and non-recognition of deferred taxes	-	-
- deferred tax assets write-downs	-	-
- deferred tax assets recognition	-	-
- deferred tax assets non-recognition	(4)	-
- deferred taxes non-recognition according to IAS 12.39 and 12.44	-	-
7. Measurement of associates	-	-
8. Other differences	136	181
Income tax recognised in income statement	(22,697)	75,900

This table refers to a nominal IRES rate of 27.50%, whereas for IRAP, a 5.57% rate was used for the Veneto Region and 4.82% for the Lazio Region.

Section 21 - Profit (loss) after tax from discontinued operations - Item 310

Section 21.1 - Profit (loss) on groups of assets/liabilities held for sale after tax: breakdown

P&L Items/Sectors	Total 12/31/2016	Total 12/31/2015
1. Incomes	802	-
2. Expenses	(1,152)	-
3. Valuation of discontinued operations and related liabilities	-	-
4. Profit (loss) on disposal	-	-
5. Tax	-	-
Profit (loss)	**(350)**	**-**

The item includes the income and expenses referring to the subsidiary Gextra S.r.l. that was put up for sale at the end of the current period.

21.2 - Breakdown of income tax relating to groups of assets/liabilities held for sale

There is no figure to report.

Section 22 - Minorities - Item 330

There is no figure to report.

Section 23 - Other information

There is no figure to report.

Section 24 - Earnings per share

24.1 - Average number of ordinary shares with diluted capital

(in Euro)

	12/31/2016	12/31/2015
Net profit	41,017,846	-
Average number of shares in circulation	7,825,000	-
Earnings per share (€)	5.2419	-

24.2 - Other information

There is no figure to report.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - PART D

Part D - Consolidated Statement of Comprehensive Income

CONSOLIDATED ANALYTIC STATEMENT OF COMPREHENSIVE INCOME

(€/000)

		Items	Gross amount	Income tax	Net amount
10.		**Net profit (loss) for the year**			**52,330**
		Other comprehensive income after tax not reversed in profit and loss			
20.		Property, plant and equipment	-	-	-
30.		Intangible assets	-	-	-
40.		Defined-benefit plans	(116)	37	(79)
50.		Non-current assets classified as held for sale	-	-	-
60.		Share of valuation reserves of equity accounted investments	-	-	-
		Other comprehensive income after tax reversed in profit and loss			
70.		**Hedges of foreign investments:**	-	-	-
	a)	fair value changes	-	-	-
	b)	reclassification to profit or loss	-	-	-
	c)	other changes	-	-	-
80.		**Exchange differences**	-	-	-
	a)	fair value changes	-	-	-
	b)	reclassification to profit or loss	-	-	-
	c)	other changes	-	-	-
90.		**Cash flow hedges**	-	-	-
	a)	fair value changes	-	-	-
	b)	reclassification to profit or loss	-	-	-
	c)	other changes	-	-	-
100.		**Available for sale financial assets**	-	-	-
	a)	fair value changes	-	-	-
	b)	reclassification to profit or loss	-	-	-
		- impairment losses	-	-	-
		- gains/losses on disposal	(714)	-	(714)
	c)	other changes	-	-	-
110.		**Non-current assets classified as held for sale**	-	-	-
	a)	fair value changes	-	-	-
	b)	reclassification to profit or loss	-	-	-
	c)	other changes	-	-	-
120.		**Share of valuation reserves of equity accounted investments**	-	-	-
	a)	fair value changes	-	-	-
	b)	reclassification to profit or loss	-	-	-
		- impairment losses	-	-	-
		- gains/losses on disposal	-	-	-
	c)	other changes	-	-	-
130.		**Total other comprehensive income**	**(830)**	**37**	**(793)**
140.		**Comprehensive income (items 10 + 130)**			**51,537**
150.		Consolidated comprehensive income attributable to minorities			
160.		**Consolidated comprehensive income attributable to Parent Company**			**51,537**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - PART E

Part E - Information on risks and related hedging policies

Introduction

Section 1 - Banking Group risks

1.1 Credit risk

- Qualitative information
  - General aspects
  - Credit risk management policies
- Quantitative information
  - A - Credit quality
  - B - Distribution and concentration of credit exposures
  - C - Securitisation transactions
  - D - Structured entities (other than entities for securitisation transactions)
  - E - Sales transactions
  - F - Banking Group - credit risk measurement models

1.2 - Banking Group - market risk

1.2.1 Interest rate and price risks - regulatory trading book
1.2.2 Interest rate risk and price risk - banking book
1.2.3 Exchange rate risk
1.2.4 Derivative instruments

1.3 - Banking Group - liquidity risk

- Qualitative information
- Quantitative information

1.4 - Banking Group - operating risk

- Qualitative information
- Quantitative information

Section 2 - Insurance companies risk

Section 3 - Other companies risk

Introduction

In the present part of the Notes to the Accounts the information of a qualitative and quantitative nature on risks is provided.

Section 1 - Banking Group risks

1.1 Credit risk

Qualitative information

General aspects

Unlike in previous years, the fundamental component of the Group's assets subject to credit risk is no longer represented mainly by non-performing positions classifiable in the risk category of non-performing loans, consisting of the Parent Company doBank's historical portfolio that comprised anomalous loans deriving from management of the former Mediovenezie Banca S.p.A. and of a more representative portfolio that comprised the non-performing loans incorporated following the merger by incorporation of Aspra Finance S.p.A.

This change in the perimeter of assets subject to credit risk is ascribable to the securitisation transaction put in place by the Parent Company on 09/30/2016, which entailed the transfer of ownership of the entire non-performing NPL portfolio, subject to what is better specified in the section devoted to non-performing financial assets.

During financial year 2016 the Parent Company continued the activity - although still a marginal one - of granting credit facilities to performing counterparties, not only in relation to legal professionals (lawyers or associated law offices) already in a relationship, through for example agreements signed with the Bank, but also in relation to customers belonging to the category of consumers. After the routine activities of enquiry, proposal and resolution in observance of the principle of assessing creditworthiness, and observing the internal regulations and the guidelines of the Supervisory Authority, the activities of granting and reviewing credit continued in fact, both in the form open on-demand credit and in the form medium/long-term mortgage loans having as final goal the award of property complexes subject to enforcement and/or arrangement proceedings at the local courts.

Credit risk management policies

Organisational aspects
Factors that generate credit risk, organisational structure for its management and related operational methods

Credit risk is defined as the possibility for a creditor that a financial obligation is not met, either at maturity or later. Based on a principle of proportionality, the Bank must provide itself with an internal process to manage said risk (risk measurement, investigation, disbursement, performance control and monitoring of exposures, review of credit lines, classification of positions at risk, actions in the case of anomaly, classification criteria, assessment and management of non-performing exposures) that is adequate, coherent and periodically verified.

Therefore, in carrying out its banking activities, the Bank is exposed to the risks that its receivables, held for whatever reason, will not be honoured by third-party debtors at maturity and that they must be written off, entirely or partially, due to the worsening of said debtors' financial conditions.

Most of the activities that go beyond traditional banking activities can create further exposure to credit risk for the Bank. For example, "non-traditional" risk may derive from the signing of contracts to provide credit recovery services, pursuant to which the company accrues trade receivables in relation to counterparts. The counterparts associated with these transactions could default due to insolvency, political or economic events, a lack of liquidity, operational problems or other reasons.

The Parent Company has developed an organisational structure functional to achieving an effective and efficient process in terms of managing and controlling credit risk, both performing and in default, a structure which is evolving also following the Bank's development, both at the individual level and in its capacity as parent company of the doBank banking group.

A specific internal unit of the Risk Management Department carries out the activity of assessing the creditworthiness of performing counterparties, intervening in the stages of loan disbursement and monitoring of the progress of the relationships. Specifically, this Unit intervenes in the credit granting process by issuing a non-binding Risk Opinion which obligatorily must accompany any proposal to grant and/or modify/revise a bank loan before the same is submitted to the review and decision-making assessment of the Bank's competent decision-making body. This unit intervenes, in addition, also in the stages of loan monitoring and above all in the stage of any worsening change in the status of the loan itself, coordinating with the commercial unit that manages the relationship.

The Risk Management department guarantees that the due checks are performed, aimed at ascertaining, also on a periodic basis, that the monitoring of the loan exposures, their classification, the measurement of the related provisions, is carried out observing effective, efficient and reliable internal procedures, specifically with reference to the ability to report in a timely manner any anomalies that arise and/or to ensure adequate levels as regards write-downs and write-offs, or cancellations of loans.

Management, measuring and control systems

On September 30, 2016, the sale without recourse of the company-owned perimeter of doBank's NPLs took place, pursuant to the law on securitisations, and this substantially and drastically reduced the Group's total non-performing portfolio.

For this transaction the conditions were fulfilled for derecognition from the Financial Statements of the financial assets under the terms of IAS 39.

Specifically, for the purposes of determining the minimum capital requirement for credit risk, the Group, adopting the standardised approach, divided its exposures into portfolios applying to each of them differentiated prudential treatments. On this point, the Group does not make use, for assessment of creditworthiness, of external ratings attributed by external assessment agencies (ECAIs) recognised for prudential purposes on the basis of the provisions of specific regulations.

The above events did not affect the monitoring of credit quality which continues to be guaranteed through oversight at the level of both single counterparties and any groups they belong to.

In particular, as regards the component associated with individual non-performing positions (which remain marginal in terms of their number), the logic of the processes and instruments supporting the activity of the Workout structures always allow the relevant employees (primarily Asset Managers) to prepare accurate forecasts of expected amounts and time frames of expected recovery for individual positions, based on the related progress of the recovery management process. These analytical evaluations take into account all elements which objectively pertain to the counterparty and, in any case, are performed by the account managers observing the principle of sound and prudential management.

Also in the segment of the typical banking business of granting loans - an area that still plays a marginal role with respect to the Bank's real core business focused mainly on the servicing business - the Bank has not shifted its attention away from controls not on samples but, in relation again to not a high number, at the level of the complete perimeter.

Among the initiatives carried out we can note that during the early months of financial year 2016, the Board of Directors of the Parent Company approved the first Guidelines on the current two lending products offered to doBank's customers: auction mortgage loans and professional current account overdrafts.

Credit risk mitigation techniques

The Parent Company continued in the financial year in question to disburse the balance and discharge medium/long-term mortgage-property loans having as final goal the award in auctions/sales of property complexes subject to enforcement and/or arrangement proceedings. These lending operations were all supported by appropriate real guarantees in the form of voluntary substantial first degree mortgages on the assets awarded, which can be classified as residential properties.

These guarantees were acquired, on the basis of the appraisals made following the adopted model, as elements representing the accessory nature with respect to the loan approved and granted, without prejudice to the principles underlying the assessment of the counterparty/customer's creditworthiness and even if mortgages represent one of the fundamental elements in forecasts for collection.

At the moment of assessing creditworthiness in relation to the offering to consumers of property loan contracts, doBank adopts the new community and national regulatory guidelines which state that the bank, before concluding any loan contract, has an obligation to perform an assessment of an in-depth nature of the creditworthiness of consumers in order to verify their ability - current and prospective - to fulfil their contractual obligations and, to do this, the bank itself must take into account, among other things, the consumers' earning capacity; the factors that reduce, or could prospectively reduce, the ability of the said consumers to fulfil the obligations deriving from the loan contract, and any other payment commitments already assumed by the said consumers.

The Parent Company doBank has updated its policies regarding the granting of loans guaranteed by mortgages on properties to comply with the current regulatory provisions, guaranteeing that the acquisition and management of the mortgages is done using methods able to guarantee enforceability and collectability, and in reasonable time.

Non-performing financial assets

Monitoring of the positions and proposals for classification as at greater risk are the responsibility of the structures that are in charge of managing the position, while Risk Management has the responsibility for checking the correctness and consistency of the classifications.

In this context, the Parent Company doBank is organised with IT structures and procedures for the management, classification and monitoring of loans, on the basis of the nature and composition of its loan portfolio.

doBank is oriented to a method of assessing its positions that follows the so-called *analytical approach* according to the results that emerge from the process of monitoring the same.

When a debtor belongs to an economic group, the need to consider Non-performing also the exposures of the other entities in the group must be assessed, if they are not already considered in default, with the exception of exposures involved in isolated disputes not related to the solvency of the said counterparty.

Unlike in previous years, as of today, the Group's loan portfolio no longer consists mainly of non-performing positions, in particular non-performing loans.

The principles for determining provisions remain unchanged, with regular frequency and at any time significant new circumstances emerge, and in relation to the evolution of recovery prospects and to the strategies put in place.

The main elements considered in order to correctly measure forecast losses are as follows:

- the assets of the customer and of any guarantors (net of any encumbrances);
- the current and prospective financial and economic situation of the main debtor;
- the existence of any repayment plans, duly signed by all guarantors, and regular compliance with the same;
- amount and enforceability of any existing accessory guarantees; real (more often) or personal guarantees obtained voluntarily or acquired through legal action.

The criteria used to determine write-downs is based on discounting of expected financial flows from principal and interest. In terms of determining current value, the fundamental elements used are estimated recoveries, the related maturities and the discount rate to be applied. To estimate recoveries from problem loans, analytical forecasts are used. As regards the time component, analytical plans or, if not available, estimated values are used, if these are available.

Quantitative information

A. Credit quality

A.1 - Non-performing and performing credit exposures: amounts, write-downs, trends, economic and geographical breakdown

A.1.1 - Breakdown of financial assets by portfolio and credit quality (book value)

Portfolio/Quality	Bad loans	Unlikely to pay	Non-performing Past-due	Performing Past-Due	Pperforming exposures	Total
1. Available-for-sale financial assets	-	-	-	-	1,002	1,002
2. Held-to-maturity financial instruments	-	-	-	-	-	-
3. Loans and receivables with banks	-	-	-	-	52,575	52,575
4. Loans and receivables with customers	539	-	-	-	10,281	10,820
5. Financial assets at fair value through profit or loss	-	-	-	-	-	-
6. Financial instruments classified as held for sale	-	-	-	-	307	307
Total 12/31/2016	**539**	**-**	**-**	**-**	**64,165**	**64,704**
Total 12/31/2015	**164,573**	**-**	**-**	**-**	**21,005**	**185,578**

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

Portfolio/Quality	Non-performing assets			Performing assets			Total (net exposure)
	Gross exposure	Specific write-downs	Net exposure	Gross exposure	Portfolio adjustments	Net exposure	
1. Available-for-sale financial assets	-	-	-	1.002	-	1.002	1.002
2. Held-to-maturity financial instruments	-	-	-	-	-	-	-
3. Loans and receivables with banks	-	-	-	52.575	-	52.575	52.575
4. Loans and receivables with customers	907	(368)	539	10.287	(6)	10.281	10.820
5. Financial assets at fair value through profit or loss	-	-	-	-	-	-	-
6. Financial instruments classified as held for sale	-	-	-	307	-	307	307
Total 12/31/2016	**907**	**(368)**	**539**	**64.171**	**(6)**	**64.165**	**64.704**
Total 12/31/2015	**735.608**	**(571.035)**	**164.573**	**21.025**	**(20)**	**21.005**	**185.578**

Portfolio/Quality	Low credit quality assets		Other assets	
	Cumulated losses	Net exposure	Cumulated losses	Net exposure
1. Financial assets held for trading	-	-	-	-
2. Hedging derivatives	-	-	-	-
Totale 31.12.2016	**-**	**-**	**-**	**-**
Totale 31.12.2015	**-**	**-**	**-**	**-**

As foreseen in Circular 262, we note that in the tables below relative to credit quality, on-balance sheet exposures include all cash financial assets due from banks or customers, whatever accounting portfolio they are in, therefore also including financial instruments classified as held for sale.

A.1.3 - Banking Group - On- and off-balance sheet credit exposures with banks: gross and net values, and past-due buckets

Type of exposure/Amounts	Gross exposure					Specific adjustments	Portfolio adjustments	Net exposure
	Non-performing assets				Performing assets			
	Up to 3 months	3 to 6 months	6 months to 1 year	More than 1 year				
A. On balance sheet exposure								
a) Bad loans	-							-
- of which: forbone exposures	-	-	-	-	-	-	-	-
b) Unlikely to pay	-	-	-	-	-	-	-	-
- of which: forbone exposures	-	-	-	-	-	-	-	-
c) Non-performing Past-due	-	-	-	-	-	-	-	-
- of which: forbone exposures	-	-	-	-	-	-	-	-
d) Performing Past-due	-	-	-	-	-	-	-	-
- of which: forbone exposures	-	-	-	-	-	-	-	-
e) Performing exposures	-	-	-	-	52,762	-	-	52,762
- of which: forbone exposures	-	-	-	-	-	-	-	-
Total A	**-**	**-**	**-**	**-**	**52,762**	**-**	**-**	**52,762**
B. Off-balance sheet loans	-	-	-	-	-	-	-	-
a) Non-performing	-	-	-	-	-	-	-	-
b) Performing	-	-	-	-	-	-	-	-
Total B	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total A+B	**-**	**-**	**-**	**-**	**52,762**	**-**	**-**	**52,762**

A.1.4 - Banking Group - On-balance sheet credit exposures with banks: gross changes in non-performing exposures

There is no figure to report.

A.1.4bis - Banking Group - On-balance sheet credit exposures with banks: gross changes by credit quality in forborne exposures

There is no figure to report.

A.1.5 - Banking Group - On-balance sheet non-performing credit exposures with banks: changes in overall impairments

There is no figure to report.

A.1.6 - Banking Group - On and off-balance sheet credit exposures with customers: gross and net values, and past-due buckets

Type of exposure/Amounts	Gross exposure					Specific adjustments	Portfolio adjustments	Net exposure
	Non-performing assets				Performing assets			
	Up to 3 months	3 to 6 months	6 months to 1 year	More than 1 year				
A. On balance sheet exposures								
a) Bad loans	-	-	907	-	-	(368)	-	539
- of which: forbone exposures	-	-	-	-	-	-	-	-
b) Unlikely to pay	-	-	-	-	-	-	-	-
- of which: forbone exposures	-	-	-	-	-	-	-	-
c) Non-performing Past-due	-	-	-	-	-	-	-	-
- of which: forbone exposures	-	-	-	-	-	-	-	-
d) Performing Past-due	-	-	-	-	115	-	(3)	112
- of which: forbone exposures	-	-	-	-	-	-	-	-
e) Performing exposures	-	-	-	-	11,179	-	(3)	11,176
- of which: forbone exposures	-	-	-	-	-	-	-	-
Total A	**-**	**-**	**907**	**-**	**11,294**	**(368)**	**(6)**	**11,827**
B. Off-balance sheet exposures	-	-	-	-	-	-	-	-
a) Non-performing	-	-	-	-	-	-	-	-
b) Performing	-	-	-	-	864	-	-	864
Total B	**-**	**-**	**-**	**-**	**864**	**-**	**-**	**864**
Total A+B	**-**	**-**	**907**	**-**	**12,158**	**(368)**	**(6)**	**12,691**

On-balance sheet loan exposures include all on-balance sheet financial assets due from customers, whatever accounting portfolio they are in (trading, available-for-sale, held to maturity, receivables, assets measured at fair value, financial assets held for sale), while the "gross" exposure of on-balance sheet financial assets corresponds:

a) for those in the portfolio measured at fair value, to the book value of the closing balances, prior to the valuations made for the balance sheet;
b) for others, to the book value of the financial assets gross of any specific and portfolio value adjustments.

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

Cause/Category	Bad loans	Unlikely to pay	Non-performing Past-Due
A. Opening balance - gross exposure	**849,392**	**-**	**-**
- of which: assets sold but not derecognised	-	-	-
B. Increases	**5,721**	**-**	**-**
B.1 transfers from performing loans	-	-	-
B.2 transfers from other non-performing exposure	-	-	-
B.3 other increases	5,721	-	-
C. Reduction	**(854,206)**	**-**	**-**
C.1 transfers to performing loans	-	-	-
C.2 derecognised items	(672,271)	-	-
C.3 recoveries	(13,018)	-	-
C.4 sales proceeds	(168,917)	-	-
C.5 losses on disposals	-	-	-
C.6 transfers to other non-performing exposure	-	-	-
C.7 other reductions	-	-	-
D. Closing balance-gross exposure	**907**	**-**	**-**
- of which: assets sold but not derecognised	-	-	-

Items C.2 “Derecognised items” and C.4 “Sales proceeds” show the effects related to completion of the aforementioned sale by the Parent Company doBank to the company Romeo SPV S.r.l. set up under the terms of Italian Law no. 130 of 1999 (“Law on Securitisation”).

A.1.7bis - Banking Group - On-balance sheet credit exposures with customers: gross changes by credit quality in forborne exposures

There is no figure to report.

A.1.8 - Banking Group - On-balance sheet exposures with customers: changes in overall impairments

Cause/Category	Bad loans		unlikely to pay		Non-performing Past-due	
	Total	- of which: forbone exposures	Total	- of which: forbone exposures	Total	- of which: forbone exposures
A. Total opening write-downs	**674,986**	**-**	**-**	-	-	**-**
- of which: assets sold but not derecognised	-	-	-	-	-	-
B. Increases	**4,110**	**-**	**-**	**-**	**-**	**-**
B.1. write-downs	2,587	-	-	-	-	-
B.2 losses on disposals	-	-	-	-	-	-
B.3 transfers from other of non-performing exposure	-	-	-	-	-	-
B.4 other increases	1,523	-	-	-	-	-
C. reductions	**(678,729)**	**-**	**-**	**-**	**-**	**-**
C.1. write-backs from assestments	-	-	-	-	-	-
C.2. write-backs from recoveries	(6,458)	-	-	-	-	-
C.3 gains on disposal	-	-	-	-	-	-
C.4 write-offs	(672,271)	-	-	-	-	-
C.5 transfers to other non-performing exposure	-	-	-	-	-	-
C.6 other reductions	-	-	-	-	-	-
D. Final gross write-downs	**367**	**-**	**-**	**-**	**-**	**-**
- of which: assets sold but not derecognised	-	-	-	-	-	-

Item C.4 “Write-offs” represents the effect of finalising the aforementioned transactions of selling to the company Romeo SPV S.r.l. set up under the terms of Italian Law no. 130 of 1999 (“Law on Securitisation”).

A.2 Classification of credit exposures based on external and internal ratings

The Parent Company doBank and its subsidiaries do not have exposure according to external ratings and do not use internal ratings to manage credit risk.

A.2.1 Banking Group - On- and off-balance sheet credit exposures by external rating classes

In regards to the distribution of exposures based on external ratings, this is of little significance to the Group, given that its customers mainly consist of "unrated" subjects and therefore no information is provided.

A.2.2 Banking Group - on- and off-balance sheet exposure by internal rating classes

The Group does not use internal ratings to manage credit risk.

A.3 Distribution of secured credit exposures by type of security

A.3.1 Banking Group - Secured credit exposures with banks

There is no figure to report.

A.3.2 Banking Group - Secured credit exposures with customers

	Net exposure	Collateral guarantee (1)				Personal guarantee (2)									Total (1) + (2)
						Loan derivatives					Unsecured loans				
							Other derivatives								
		Real estate - mortgages	Real estate - financial lease	Securities	Other collateral guarantee	CLN	Governments and Central banks	Other public entities	Banks	Other entities	Governments and Central banks	Other public entities	Banks	Other entities	
1. Secured on balance sheet credit exposures:	**1,349**	**1,157**	**-**	**-**	**-**		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**192**	**1,349**
1.1 totally secured	1,349	1,157	-	-	-	-	-	-	-	-	-	-	-	192	1,349
- of which impaired	530	339	-	-	-	-	-	-	-	-	-	-	-	192	531
1.2 partially secured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- of which impaired	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Secured off-balance sheet credit exposures:	**-**	**-**	**-**	**-**	**-**		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2.1 totally secured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- of which impaired	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2 partially secured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- of which impaired	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

B. Distribution and concentration of credit exposures

As foreseen in the regulations of the supervisory authority, note that in the following tables relating to the distribution and concentration of loan exposures, on and off balance sheet exposures include all on- and off-balance sheet financial assets due from banks or customers, whatever accounting portfolio they are in, therefore also including financial instruments classified as held for sale.

Distribution of on- and off-balance sheet credit exposures by the economic segment to which the debtors belong, as well as the payers (for guarantees given), is done using the classification criteria found in the "Classification of customers by sector and economic activity group" brochure, published by the Bank of Italy.

B.1 Banking Group - Distribution by segment of on- and off-balance sheet credit exposures with customers (Book value)

Exposure/Counterparties	Governments			Other public bodies			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 exposure									
A.1 Bad loans	-	-	-	-	-	-	-	-	-
- of which: forbone exposures	-	-	-	-	-	-	-	-	-
A.2 Unlikely to pay	-	-	-	-	-	-	-	-	-
- of which: forbone exposures	-	-	-	-	-	-	-	-	-
A.3 Non-performing Past-due	-	-	-	-	-	-	-	-	-
- of which: forbone exposures	-	-	-	-	-	-	-	-	-
A.4 Performing exposures	1,108	-	(3)	-	-	-	8,365	-	-
- of which: forbone exposures	-	-	-	-	-	-	-	-	-
Total A	1,108	-	(3)	-	-	-	8,365	-	-
B. Off-balance sheet exposures									
B.1 Bad loans	-	-	-	-	-	-	-	-	-
B.2 Unlikely to pay	-	-	-	-	-	-	-	-	-
B.3 Non-performing Past-due	-	-	-	-	-	-	-	-	-
B.3 Non-performing Past-due	-	-	-	-	-	-	-	-	-
Total B	-	-	-	-	-	-	-	-	-
Total 12/31/2016 (A+B)	**1,108**	**-**	**(3)**	**-**	**-**	**-**	**8,365**	**-**	**-**
Total 12/31/2015 (A+B)	**547**	**-**	**(5)**	**-**	**-**	**-**	**1,916**	**(2,614)**	**-**

Exposure/Counterparties	Insurance companies			Non-financial companies			Other subjects		
	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 exposure									
A.1 Bad loans	-	-	-	479	(354)	-	61	(13)	-
- of which: forbone exposures	-	-	-	-	-	-	-	-	-
A.2 Unlikely to pay	-	-	-	-	-	-	-	-	-
- of which: forbone exposures	-	-	-	-	-	-	-	-	-
A.3 Non-performing Past-due	-	-	-	-	-	-	-	-	-
- of which: forbone exposures	-	-	-	-	-	-	-	-	-
A.4 Performing exposures	-	-	-	644	-	(2)	2,826	-	(2)
- of which: forbone exposures	-	-	-	-	-	-	-	-	-
Total A	-	-	-	1,123	(354)	(2)	2,887	(13)	(2)
B. Off-balance sheet exposures									
B.1 Bad loans	-	-	-	-	-	-	-	-	-
B.2 Unlikely to pay	-	-	-	-	-	-	-	-	-
B.3 Non-performing Past-due	-	-	-	-	-	-	-	-	-
B.3 Non-performing Past-due	-	-	-	-	-	-	864	-	-
Total B	-	-	-	-	-	-	864	-	-
Total 12/31/2016 (A+B)	**-**	**-**	**-**	**1,123**	**(354)**	**(2)**	**3,751**	**(13)**	**(2)**
Total 12/31/2015 (A+B)	**-**	**-**	**-**	**158,626**	**(611,034)**	**(8)**	**17,291**	**(61,338)**	**(7)**

B.2 Banking Group - Distribution of on- and off-balance sheet credit exposures with customers by geographic area (Book value)

Exposure/Geographical area	ITALY		OTHER EUROPEAN		AMERICA		ASIA		REST OF THE WORLD	
	Net exposure	Total write-downs	Net exposure	Total write-downs	Net exposure	Total write-downs	Net exposure	Total write-downs	Net exposure	Total write-downs
A. On balance sheet exposures										
A.1 Bad loans	539	(368)	-	-	-	-	-	-	-	-
A.2 Unlikely to pay	-	-	-	-	-	-	-	-	-	-
A.3 Non-performing Past-due	-	-	-	-	-	-	-	-	-	-
A.4 Performing exposures	11,287	(6)	-	-	-	-	-	-	-	-
Total A	**11,826**	**(374)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
B. Off-balance sheet exposures	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
B.1 Bad loans	-	-	-	-	-	-	-	-	-	-
B.2 Unlikely to pay	-	-	-	-	-	-	-	-	-	-
B.3 Non-performing Past-due	-	-	-	-	-	-	-	-	-	-
B.4 Performing exposures	864	-	-	-	-	-	-	-	-	-
Total B	**864**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total 31/12/2016 (A+B)	**12,690**	**(374)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total 31/12/2015 (A+B)	**178,268**	**(671,745)**	**112**	**(3,260)**	**-**	**-**	**-**	**-**	**-**	**-**

B.3 Banking Group - Distribution of on- and off-balance sheet credit exposures with banks by geographic area (Book value)

Exposure/Geographical area	ITALY		OTHER EUROPEAN		AMERICA		ASIA		REST OF THE WORLD	
	Net exposure	Total write-downs	Net exposure	Total write-downs	Net exposure	Total write-downs	Net exposure	Total write-downs	Net exposure	Total write-downs
A. Cash exposure										
A.1 Bad loans	-									
A.2 Unlikely to pay	-	-	-	-	-	-	-	-	-	-
A.3 Non-performing Past-due	-	-	-	-	-	-	-	-	-	-
A.4 Performing exposures	52,762	-	-	-	-	-	-	-	-	-
Total A	**52,762**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
B. Off-balance sheet exposures	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
B.1 Bad loans	-	-	-	-	-	-	-	-	-	-
B.2 Unlikely to pay	-	-	-	-	-	-	-	-	-	-
B.3 Non-performing Past-due	-	-	-	-	-	-	-	-	-	-
B.4 Performing exposures	-	-	-	-	-	-	-	-	-	-
Total B	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total 31/12/2016 (A+B)	**52,762**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total 31/12/2015 (A+B)	**17,032**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

B.4 - Large exposures

This item includes the amount (unweighted value and weighted value) and the number of "risk positions" which are classified as "Large exposures" based on the provisions of Circular no. 286 of December 17, 2013 "Instructions for completion of prudential reporting for banks and brokerage companies", issued by the Bank of Italy.

Below is the related table:

	12/31/2016	12/31/2015
a) Amount (book value)	292,010	245,179
b) Amount (weighted value)	127,708	60,880
c) Number	6	3

Other quantitative information on credit risk

As more fully described in Cection F hereinafter (Credit risk measurement models), the doBank Group uses the standardized approach.
Therefore, the Loan Portfolio, whether non-performing or not, secured or unsecured, is measured using the Traditional standardized approach, including for other residual items in the assets not classified under "Receivables".
With reference to the calculation of Capital Requirements and in particular prudential requirements for credit risk, the table below contains the amounts recorded, showing the nominal values and relevant weighting (figures in Euro):

(Amounts in Euro)

Subitems	12/31/2016	
	Exposure amount	Risk weighted exposure after application of the SMEs support factor
Exposures to or guaranteed by central governments or central banks	106,632,238	77,120,439
Exposures to or guaranteed by public sector entities	142,280	31,790
Exposures to or guaranteed by supervised entities	141,205,997	30,206,396
Exposures to or guaranteed by corporates and other entities	25,975,940	27,530,270
Retail exposures	354,894	266,170
Exposures to or guaranteed by properties	818,472	286,465
Exposure in default	542,804	784,227
Equity exposures	1,809,707	4,261,717
Other exposure	5,587,471	5,538,282
Credit risk and counterparty risk - Standard Approach	**283,069,803**	**146,025,756**

We note that deferred tax assets, divided as follows, are also included among significant risk assets measured using the standardized approach:

- those not based on future profitability and for which the requirements established under article 39 of CRR 575/2013 are met. As mentioned above for these components, which amounted to € 55.4 million, the regulations provide for application of a risk weighting factor of 100%;
- those based on future profitability and originating from temporary differences and for which a weighting factor of 250% is applied, as provided for in article 48 of CRR 575/2013, as it is contained within the threshold of 10% of Own Funds, € 8.7 million.

Measurement of the items in the consolidated assets, which include the Banking Group doBank's assets using the standard approach led to the recognition of risk weighted assets (RWA) of € 146.0 million, which correspond to a consolidated requirement of 8% or € 11.7 million.

C. Securitisation transactions

C.1 Securitisation transactions

Qualitative information

On 09/30/2016 the sale of the Parent Company doBank's non-performing portfolio to the securitisation vehicle company Romeo SPV was completed. The securities for this transaction have not yet been issued nor have the relevant tranches been finalised. This should happen during the first quarter of 2017. The selling price was paid to doBank using a bridging loan granted to Romeo SPV by the subjects that undertook to subscribe the securities at the moment of issue.

In this operation doBank, besides being the originator, performs the roles of "Servicer" and "Corporate Service Provider".

In its role as Originator, doBank is involved in the second securitisation Aurora SPV S.r.l. portfolio. In the first quarter of 2016, doBank also performed the role of servicer for the 2 Aurora SPV and Aurora 3 SPV portfolios of the company Aurora SPV S.r.l., for which however the Termination Agreement came into force in the first half of 2016.

Below the main characteristics of each securitisation are indicated:

Aurora SPV S.r.l. Securitisation - Aurora 1

The Company, as a "vehicle" company, carried out the first securitisation transaction for non-performing loans transferred from the vehicle companies Trevi Finance S.p.A., Trevi Finance no. 2 S.p.A. and Trevi Finance n. 3 S.r.l. in March 2013. The transaction involved the transfer without recourse, pursuant to Law 130 of 04/30/1999, of around 8,500 positions classified as non-performing to the Italian vehicle company Aurora SPV S.r.l.

In addition, the Bank had acquired a 19.7% stake in the securities issued, both of the senior tranche (for an initial € 1.46 million, already fully redeemed) and of the junior tranche (for an initial € 0.49 million), simultaneously signing a co-investment contract with the investor PC3. On November 18, 2016 a "written resolution" of the contract was signed with the investor reaching an agreement for the sale of the entire amount of the remaining securities.

The Bank was given the role of "Servicer" and "Corporate Service Provider" for the transaction.

Both these roles were terminated during 2016.

Aurora SPV S.r.l. Securitisation - Aurora 2

The Company, as a vehicle company, carried out a second securitisation transaction in December 2013, for non-performing loans transferred directly by the Bank. The transaction involved the transfer without recourse, pursuant to Law no. 130 of 04/30/1999, of around 4,800 positions classified as non-performing to the vehicle company Aurora SPV S.r.l., with full derecognition of the loans from the financial statements of the transferring party.

The Bank had the role of "Corporate Service Provider" of the transaction which came to an end during 2016.

INFORMATION ON SECURITISATIONS

Below are tables which summarise securitisation transactions originating with the Bank, for which securities have been successfully sold to third parties.

SECURITISATION NAME:	ROMEO SPV
Type of transaction:	Traditional - Self-securitization
Originator:	doBank S.p.A.
Issuer:	ROMEO SPV S.R.L.
Servicer:	doBank S.p.A.
Arranger:	
Target transaction:	Funding
Type of assets securitised:	ordinary loans - mortgages - funding
Quality of assets securitised:	Non-performing loans
Closing date:	30/09/2016
Nominal value of reference portfolio:	3,196,132,172 €
Net amount of pre-existing w ritedow ns/w ritebacks:	167,302,716 €
Disposal Profit & Loss realized:	0 €
Portfolio disposal price:	167,302,716 €
Issue guarantees granted by the bank:	8,365,136 €
Issue guarantees granted by third parties:	-
Bank lines of credit:	-
Third parties lines of credit:	-
Other credit enhancements:	-
Other relevant information:	-
Ratings Agencies:	No Rating Agency
Amount of CDS or other supersenior risk transferred:	-

Distribution of securitised assets by geographic area	
Italy - Northeast	506,934,451 €
- Northeast	380,169,741 €
- Central	1,662,064,421 €
- South and Islands	641,327,367 €
Other European countries - U.E. countries	2,921,093 €
- not U.E. countries	2,715,099 €
America	0 €
Rest of the World	0 €
TOTAL	**3,196,132,172 €**

The borrower:	
Governments	0 €
Other governments agencies	111,083 €
Banks	0 €
financial companies	32,057,383 €
Insurance companies	0 €
non-financial companies	2,838,674,389 €
Other entities	325,289,316 €
TOTAL	**3,196,132,172 €**

Quantitative information

C.1 - Banking Group - Exposure from main "in-house" securitisation transactions, broken down by type of securitised asset and type of exposure

Type of securitised assets/Exposure	Balance Sheet exposure						Guarantees given						Credit facilities					
	Senior		Mezzanine		Junior		Senior		Mezzanine		Junior		Senior		Mezzanine		Junior	
	Carrying value	Write-downs/Write-backs	Carrying value	Write-downs/Write-backs	Carrying value	Write-downs/Write-backs	Carrying value	Write-downs/Write-backs	Carrying value	Write-downs/Write-backs	Carrying value	Write-downs/Write-backs	Carrying value	Write-downs/Write-backs	Carrying value	Write-downs/Write-backs	Carrying value	Write-downs/Write-backs
A. Totally derecognised																		
Non-performing loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- A.1 defaulted loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	8,365	-
B. Partially derecognised																		
Type of securised asset...	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
C. Not-derecognised																		
Type of securised asset...	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

The amount refers to the 5% portion pertinent to the Parent Company doBank for the bridging loan granted to the SPV Romeo.

C.2 - Banking Group - Exposures from main "third party" securitisation transactions broken down by type of securitised asset and type of exposure

There is no figure to report.

C.3 - Banking Group - Equity investments in securitisation vehicles

Securitisation name/Vehicle company name	Registered office	Consolidation	Assets			Liabilities		
			Loans	Debt securities	Other	Senior	Mezzanine	Junior
ROMEO SPV SRL	Verona	NO	8,365	-	-	-	-	-

C.4 - Banking Group - Non-consolidated securitisation vehicle companies

Nature of equity investments

In the context of the non-consolidated securitisations we can note the transaction involving Romeo SPV, the underlying receivables portfolio of which at 12/31/2016 amounted to a total of € 143 million.
As already mentioned above doBank granted the Company a bridging loan of € 8.3 million, equivalent to 5% of the purchase price of the receivables, against the commitment to subscribe the same proportion of Notes which will be issued in the early months of 2017, under the Retention Rule.

Nature of the risks

Below the exposures related to Romeo SPV are indicated, as well as the maximum amount of exposure to losses deriving from the equity investment in the vehicle, essentially consisting of the book value of the same. In fact, no liabilities exist, nor do guarantees or further loans issued to this entity, either contractually or implicitly under the form of financial support without contractual obligations.

Financial statement items/type of structured entities	Amounts at 31/12/2016						
	Accounting portfolios, assets	Total Assets (A)	Accounting portfolios, liabilities	Total Liabilities (B)	Net carrying amount (C=A-B)	Maximum exposure to risk of loss (D)	Difference between exposures to risk of loss and carrying amount (E=D-C)
Vehicle company issuing ABS		**8,365**	-	-	**8,365**	**8,365**	-
	HFT	-	*Payables*	-	-	-	-
	FVO	-	*Securities*	-	-	-	-
	AFS	-	*HFT*	-	-	-	-
	HTM	-	*FVO*	-	-	-	-
	LAR	8,365	-	-	-	-	-

HFT= Financial assets held for trading
FVO= Financial assets measured at fair value
HTM= Financial assets held to maturity
AFS= Financial assets available for sale
LAR= Loans to customers

Payables= Loans from customers
Securities= Securities issued
HFT= Financial liabilities held for trading
FVO= Financial liabilities measured at fair value

C.5 Banking Group - Servicer activities - "in-house" securitisations: collection of securitised loans and redemption of securities issued by the vehicle company for securitisation

Vehicle company	Securitised assets (year end figure)		Loans collected during the year		% of securities redeemed (years end figures)					
	Impaired	Performing	Impaired	Performing	Senior		Mezzanine		Junior	
					Impaired assets	Performing assets	Impaired assets	Performing assets	Impaired assets	Performing assets
ROMEO SPV S.r.L.	143,547	-	36,470	-	-	-	-	-	-	-

C.6 - Banking Group - Consolidated securitisation vehicle companies

There is no figure to report.

D. Structured entities (other than entities for securitisation transactions)

There is no figure to report.

E. Sales transactions

A. Financial assets sold but not fully derecognised

There is no figure to report.

B. Financial assets disposed of and fully derecognised with recognition of continuous involvement

There is no figure to report.

F. Banking Group - Credit risk measurement models

Over time, the doBank Group has activated advance credit risk measurement models, using the same LGD models used in the UniCredit Group on a portion of the total non-performing portfolio; the remaining portion was measured using the standard approach.

With the exit from the UniCredit Group, which was completed in the fourth quarter of 2015, the doBank Group returned to using the standardized approach which involves dividing exposures into various classes ("portfolios"), based on the nature of the counterparty, the technical characteristics of the relationship, or the methods used to carry out the latter, with various weighting ratios applied to each portfolio.

In this context, the doBank Group decided not to make use of the assessments of recognised rating agencies.

1.2 - Banking Group - Market risk

1.2.1 Interest rate and price risks - Regulatory trading book

Qualitative information

A. General aspects

Financial risks consist of the fluctuations of the value of positions consequent to changes in the prices/market factors. The doBank Group does not have any exposures affected by this risk. The Group does not carry out trading, nor does it hold portfolios of equity-based securities for trading or UCITS units.

B. Management and measurement of interest rate risk and price risk

The doBank Group does not carry out trading, nor does it hold portfolios of securities for trading.
Therefore, the doBank Group has not implemented any specific processes to manage interest rate risk and price risk, nor does it use advanced methods to measure the same. Interest rate risk is periodically monitored, using the standard methods established under the current regulatory instructions issued by Bank of Italy.

Quantitative information

1. Regulatory trading book: breakdown by maturity (re-pricing date) of on-balance sheet financial assets and liabilities and financial derivatives

There is no figure to report.

2. Regulatory trading book: breakdown by exposures in equity securities and stock indexes by the main stock market countries

There is no figure to report.

3. Regulatory trading book: internal models and other sensitivity analysis methods

Internal models were not adopted.

1.2.2 Interest rate risk and price risk - banking book

Qualitative information

A. General aspects, management procedures and measurement of interest rate risk and price risk

The special nature of the equity items of the doBank Group means that assessing the balancing of temporal deadlines for repricing is of little value. This situation justifies the lack of specific processes and methods to measure interest rate risk.

B. Fair value hedging

In consideration of the specific nature of the Bank's assets, this activity is not carried out.

C. Cash flow hedging

In consideration of the specific nature of the Bank's assets, this activity is not carried out.

Quantitative information

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

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	More than 10 years	Unspecified term
1. Balance sheet assets	**62,518**	**526**	**1,002**	**69**	**489**	**101**	**-**	**-**
1.1 Debt securities	-	-	1,002	1	55	64	-	-
- with prepayment option	-	-	-	-	-	-	-	-
- others	-	-	1,002	1	55	64	-	-
1.2 Loans to banks	52,758	-	-	-	-	-	-	-
1.3 Loans to customers	9,760	526	-	69	434	37	-	-
- current accounts	636	-	-	64	167	18	-	-
- other loans	9,123	526	-	5	266	20	-	-
- with prepayment option	-	-	-	-	-	-	-	-
- others	9,123	526	-	5	266	20	-	-
2. Balance sheet liabilities	24,136	-	-	-	-	-	-	-
2.1 Deposit from customers	11,060	-	-	-	-	-	-	-
- current accounts	10,850	-	-	-	-	-	-	-
- other loans	210	-	-	-	-	-	-	-
- with prepayment option	-	-	-	-	-	-	-	-
- others	210	-	-	-	-	-	-	-
2.2 Deposit from banks	13,076	-	-	-	-	-	-	-
- current accounts	2,999	-	-	-	-	-	-	-
- other liabilities	10,077	-	-	-	-	-	-	-
2.3 Debt securities in issue	-	-	-	-	-	-	-	-
- with prepayment option	-	-	-	-	-	-	-	-
- others	-	-	-	-	-	-	-	-
2.4 Other liabilities	-	-	-	-	-	-	-	-
- with prepayment option	-	-	-	-	-	-	-	-
- others	-	-	-	-	-	-	-	-
3. Financial derivatives	-	-	-	-	-	-	-	-
3.1 Physically settled financial derivatives	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
3.2 Cash settled financial derivatives	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
4. Other off balance sheet transactions	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-

The item “Loans to customers” was substantially reduced to zero, as a result of completion of the aforementioned sale to the company Romeo SPV S.r.l. set up under the terms of Italian Law no. 130 of 1999 (“Law on Securitisation”).

Specifically, the item “Other loans - others” includes € 1.6 million of loans as well as an amount of € 8.4 million related to the portion, equal to 5% pertaining to the Parent Company doBank of the “bridging loan” granted to the SPV Romeo by the subjects that undertook to subscribe the notes at the moment in which they will be put on the market.
The item “Deposits from customers” comprises current accounts and demand deposits for € 10.8 million.
The item “Deposits from banks - Other liabilities” comprises short-term loans payable taken out during the year for € 10 million and the related portion of interest accrued.

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

Internal models were not adopted.

1.2.3 Exchange rate risk

doBank and its subsidiaries are not subject to exchange rate risk in that there are no assets or liabilities in foreign currencies.

1.2.4 Derivative instruments

There is no figure to report.

1.3 - Banking Group - liquidity risk

Qualitative information

A. Liquidity risk: general aspects, management processes and measurement methods

Liquidity risk is the risk of not being able to pay one's debts in the time required and at sustainable costs. It can occur due to the inability to obtain funds or due to limits on the liquidation of assets. The 2 types cited generate two distinct types of risk:

Funding liquidity risk, or the risk of unavailable funds: this occurs when one cannot efficiently access expected or unexpected cash flows, without compromising ordinary operations and financial balance (connected to the repayment of liabilities or with respect to commitments to disburse funds).

Market liquidity risk: this occurs when the market situation does not make it possible to realise the financial assets held, in order to honour commitments.

The short term liquidity risk management process foresees strategies and procedures intended to verify daily liquidity and is aimed at ensuring that over time liquid instruments of an amount able to allow the bank to honour its commitments are maintained.

Measurement of the level of risk exposure is based on daily monitoring of the accumulated balance of total liquidity, with reference to a series of pre-set temporal ranges, over a 12 month-time horizon.

The process used to manage structural liquidity risk is aimed at monitoring possible imbalances in the structure of assets and liabilities held by the bank, over a one year time horizon. In particular, also following the securitisation transaction involving the stock of impaired receivables in the portfolio and, among the liabilities, the repayment of a loan coinciding with this transaction, doBank is substantially in a situation of structural balance.
In the context of the activities aimed at overseeing and monitoring liquidity risk, during the year the Board of Directors of the Parent Company doBank approved the document "Liquidity Risk Policy and Contingency Funding Plan". In particular, the Policy governs the methods of managing the risk providing for a model divided into the following main components:

- management of operational liquidity risk, that is events which have an impact on the Bank's liquidity position over a short-term time horizon (up to 12 months), with the primary objective of maintaining the Bank's ability to honour its ordinary and extraordinary payment commitments, minimising the costs;
- managing structural liquidity risk, i.e. the bank's medium/long term position (more than 12 months) with the primary objective of maintaining an adequate dynamic balance between liabilities and assets in the various time frames;
- monitoring the value of the liquidity reserves, available at the time, both in ordinary conditions, through periodic verification of the market value of the financial instruments attributable to them, and in stress conditions;

- monitoring the conditions external and internal to the Bank which can generate situations of liquidity stress or crisis such as to require the adoption of non-ordinary processes for managing the Bank's solvency. For overseeing and managing these possible circumstances the Bank has defined a specific process formalised in the Contingency Funding Plan which supplements/replaces the management processes related to a normal course of business situation.

Liquidity risk is monitored by the Risk Management function also in the context of the Risk Appetite Framework, approved by the Board of Directors of doBank, through periodic monitoring of the following regulatory indicators, for which threshold values were identified. For when these are exceeded escalation procedures were defined for managing and mitigating the risk in the various stages at which the same may be:

- LCR (Liquidity Coverage Ratio), with the purpose of guaranteeing a quantity of liquid assets sufficient to meet the cash needs in a short-term time horizon;
- NSFR (Net Stable Funding Ratio), with the purpose of ensuring a stable funding profile in relation to the composition of the assets and of the off-balance sheet transactions in accordance with the requirements laid down in the legislation.

Quantitative information

1. Distribution by maturity according to residual contractual term of financial assets and liabilities

Item/Maturities	On demand	1 to 7 days	7 to 15 days	15 days to 1	1 to 3 months	3 to 6 months	6 months to 1 year	1 to 5 years	More than 5 years	Unspecified term
Balance sheet assets	**53,512**	**-**	**-**	7	**14**	**9,387**	**42**	**287**	**1,489**	**-**
A.1 Government securities	-	-	-	-	-	1,002	-	-	-	-
A.2 Other debt securities	-	-	-	-	-	-	1	55	64	-
A.3 Units in investment funds	-	-	-	-	-	-	-	-	-	-
A.4 Loans	53,512	-	-	7	14	8,385	41	232	1,425	-
- Banks	52,758	-	-	-	-	-	-	-	-	-
- Customers	754	-	-	7	14	8,385	41	232	1,425	-
Cash liabilities	**14,105**	**-**	**-**	**-**	**5,007**	**-**	**5,025**	**-**	**-**	**-**
B.1 Deposits and current accounts	13,849	-	-	-	5,007	-	5,025	-	-	-
- Banks	2,999	-	-	-	5,007	-	5,025	-	-	-
- Customers	10,850	-	-	-	-	-	-	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	256	-	-	-	-	-	-	-	-	-
Off balance sheet transactions	**864**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
C.1 Physucally settled financial derivatives	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.2 Cash settled financial derivatives	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.3 Deposits to be received	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to disburse funds	864	-	-	-	-	-	-	-	-	-
- Long positions	864	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.5 Financial guarantees given	-	-	-	-	-	-	-	-	-	-
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-
C.7 Credit derivatives with equity swap	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.8 Credit derivatives without equity swap	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-

The item "Loans - customers" includes € 1.6 million of loans as well as an amount of € 8.4 million, equal to 5%, related to portion pertaining to the Parent Company doBank of the "bridging loan" granted to the SPV Romeo by the subjects that undertook to subscribe the securities at the time they will be put on the market. The item "Balance sheet liabilities" includes short-term loan liabilities activated during the year for € 10 million and the relevant interest portion accrued, as well as current accounts and demand deposits in respect of customers for around € 10 million.

1.4 - Banking Group operating risk

Qualitative information

A. General aspects, management and measuring of operating risk

Operating risk - definition

Operating risk is the risk of loss due to errors, violations, interruptions, damages caused by internal processes, personnel, systems, or caused by external events. This definition includes legal and compliance risk, but excludes strategic and reputational risk. For example, losses deriving from internal or external fraud, employment relationships or workplace safety, customer complaints, distribution of products, fines and other sanctions deriving from violation of regulations, damages to the company's assets, interruptions of operations and malfunctioning systems and management of processes can all be defined as operational risks.

Methodology

In order to calculate operating risk capital, the Parent Company doBank adopted the following methods:

- basic indicator approach for prior to 2009;
- after approval by the Bank of Italy, the advanced approach (AMA - Advanced Measurement Approach), from 2009 - 2011;
- from 2011 to closing, the "partial use" method, that is the basic indicator approach for the incorporated portion of Aspra Finance S.p.A. and the advanced measurement approach for the part pertaining to the former UniCredit CMB;
- from 12/31/2015, the Basic Indicator Approach (BIA).

Organisational requirements for management of operating risks

The doBank Group has defined a management system for operating risks, with a combination of policies and procedures to control, measure and mitigate operating risks. The operating risk policies are shared principles that establish the roles of company departments, the risk control department and the interactions with the other departments involved in the process.

doBank Group has developed its risk control structure in respect of the Supervisory Regulations and the related activities and levels of responsibility have been determined and formalised in an appropriate manner in the company's Internal Regulations and Rules.

The governance structure in terms of operating risk foresees, in addition the direct involvement of top management, the participation of the Operating Risk Committee, which was established to monitor exposure to operating risk, as well as mitigation actions and methods to measure and control it. In addition, a permanent Mitigation Actions workgroup has been established, in order to identify risk areas and implement specific corrective actions in response. To control operational risk, doBank has created a specific Operational, Financial Risk & Pillar II department.

Quantitative information

To manage operational risk, doBank has a structured combination of processes, departments and employees dedicated to collecting and determining the following elements:

- internal data on operating losses;
- determining and calculating risk indicators;
- preparing corporate reporting;
- determining risk capital.

Internal data on operating losses

doBank collects data on operating losses and classifies them within the following reference classes, based on what is defined in the New Basel Agreement on Capital and Regulation (EU) no. 575/2013 of the European Parliament and Council of June 26, 2013:

- Internal fraud
- External fraud
- Employment contracts and workplace safety
- Customers, products and business practices
- Damages to property, plant and equipment
- System failure or breakdown
- Process execution, delivery and management

Below is a breakdown by percentage of the losses recognised in 2016.

DISTRIBUTION PER RISK EVENT TYPE	%
Execution	84%
Clients	0%
Employment practices	16%
Internal fraud	0%
External fraud	0%
Asset damages	0%
IT systems	0%
Total	100%

In 2016, the category that saw the largest amount of losses was that of process execution, delivery and management. No losses were seen connected to customers, internal or external fraud, damages to property, plant and equipment or to system failures or breakdowns.

Risk indicators

Risk indicators are a prospective component that reflects changes in the risk profile for better or worse in a timely manner, following changes in operating segments or in the human, technological and organisational resources, as well as in the internal control system.
Risk indicators have been created for doBank, which are monitored on a monthly basis. On a quarterly basis, an action plan is prepared for any indicators not falling within the range established by the Operational Risk Committee.

Reporting System

The doBank Group has created a reporting system that ensures information on operational risks reaches the company bodies and managers of the relevant organisational departments in a timely manner. The frequency and content of the reporting is in line with the level of risk and varies based on the recipient and how they use the information.

Quantification of Operating Risk at 12/31/2016

In particular, we refer to Circular no. 285 "Supervisory provisions for banks", issued by Bank of Italy on December 17, 2013. In regards to operating risk, this circular fully implements Regulation 575/2013 "Capital Requirement Regulations (CRR)", issued by the European Parliament on June 26, 2013, containing the updated definition of the relevant indicator.
In the context of the basic indicator approach, the requirement on the subject of own funds for operating risk is 15% of the 3-years average of the relevant economic indicator as laid down in article 316 of the CRR 575/2013 on the basis of the last 3 year-end figures on an annual basis.
In consideration of the first contribution to Consolidated doBank Group operating risk calculation, the Italfondiario Income Statement figures and the companies previously controlled by the latter, for 2014 and 2015, the individual Operating income for doBank and doRealEstate was considered, together with the consolidated figures of the Italfondiario Group that include the instrumental companies that were controlled by the latter at the time. For 2016, the figures of the pro forma Consolidated Income Statement for the doBank Group were considered, which include the result of all the companies it comprises.

At 12/31/2016, risk capital for the doBank Group, calculated using the Basic indicator approach method, came to € 29.9 million.

Section 2 - Insurance companies risk

There is no figure to report.

Section 3 - Other companies risk

There is no figure to report.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - PART F

Part F - Consolidated Shareholders' Equity

Section 1 - Consolidated Shareholders' Equity

A. Qualitative information

B. Quantitative information

Section 2 - Own funds and banking regulatory ratios

A. Qualitative information

B. Quantitative information

Section 3 - Share capital and capital ratios for insurance

Section 4 - Capital adequacy for the financial conglomerate

Section 1 - Consolidated Shareholders' Equity

A. Qualitative information

With reference to the consolidated position at December 31, 2016, the information includes the data relative to the companies acquired directly or indirectly as a result of the corporate transactions that took place in the last quarter of 2016, which are summarised below:

- acquisition of 100% of the Shareholders' Equity of Italfondiario S.p.A. and of the companies IBIS and Italfondiario RE, which were previously 100% owned by Italfondiario;
- establishment of doSolutions, 100% owned by doBank;
- indirect consolidation of the company Gextra, currently held for sale, which is 100% directly owned by Italfondiario.

With regard to doSolutions, we note that the company is not included in the prudential scope of consolidation required by applicable Supervisory Rules, as it has not yet been included in the Banking Group.

Consolidated Shareholders' Equity consists of the combination of share capital, reserves, treasury shares, valuation reserves and profits for the year for the companies falling within the scope of consolidation. All financial instruments that are not classified as financial assets or liabilities based on that established under the international accounting standards are considered part of equity.

For regulatory purposes, the capital figure used is determined based on the current Bank of Italy regulations and constitutes the reference document for prudential supervisory provisions. About that, for year 2015, the prudential regulations' aggregates are referred to the sole holding doBank in coherence with all showed into the Consolidated Financial Statements as at December 31, 2015.

In calculating prudential requirements, the doBank Group must respect a minimum capital ratio of 8%.

B. Quantitative information

B.1 - Consolidated Shareholders' Equity: breakdown by type of company

Net Equity Items	Banking Group	Insurance Companies	Other Companies	Consolidation Adjustments and Eliminations	Total
Share Capital	**61.708**	**-**	**120**	**(20.548)**	**41.280**
Share premium reserve	**-**	**-**	**-**	**-**	**-**
Reserves	**138.423**	**-**	**-**	**(21.268)**	**117.155**
Equity instruments	-	-	-	**-**	**-**
(Treasury shares)	**(277)**	-	-	**-**	**(277)**
Valuation reserves	**(754)**	**-**	**-**	**1.010**	**256**
- Available for sale financial assets	-	-	-	**-**	**-**
- Property, plant and equipment	-	-	-	**-**	**-**
- Intangible assets	-	-	-	**-**	**-**
- Hedges of foreign investment	-	-	-	**-**	**-**
- Cash flow hedge	-	-	-	**-**	**-**
- Exchange difference	-	-	-	**-**	**-**
- Non current assets classified held for sale	-	-	-	**-**	**-**
- Actuarial gains (losses) on defined benefits plans	(1.183)	-	-	**1.010**	**(173)**
- Valuation reserves from investments accounted for using the equity method	-	-	-	**-**	**-**
- Special revaluation laws	429	-	-	**-**	**429**
Profit (loss) for the financial year - Minority interests	**38.390**	**-**	**(13)**	**13.953**	**52.330**
Shareholders' Equity	**237.490**	**-**	**107**	**(26.853)**	**210.744**

B.2 - Valuation reserves for available-for-sale assets: breakdown

Assets/Amounts	Banking group		Insurance companies		Other companies		Elimination and consolidation adjustments		**Total 12/31/2016**	
	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve	**Positive reserve**	**Negative reserve**
1 Debt securities	-	-	-	-	-	-	-	-	-	-
2 Equity securities	-	-	-	-	-	-	-	-	-	-
3 Units in investment fund	-	-	-	-	-	-	-	-	-	-
4 Loans	-	-	-	-	-	-	-	-	-	-
Total 31/12/2016	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total 31/12/2015	**714**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**714**	**-**

B.3 - Valuation reserves for available-for-sale assets: annual change

	Debt securities	Equity securities	Units in investment fund	Loans
1. Opening balance	**714**	**-**	**-**	**-**
2. Positive changes	-	-	-	-
2.1 Fair value increases	-	-	-	-
2.2 Reclassification through profit or loss of negative reserves:	-	-	-	-
due for impairment	-	-	-	-
following disposal	-	-	-	-
2.3 Other changes	-	-	-	-
3. Negative changes	**(714)**	**-**	**-**	**-**
3.1 Fair value reductions	-	-	-	-
3.2 Impairment losses	-	-	-	-
3.3 Reclassification through profit or loss of positive: following disposal	(714)	-	-	-
3.4 Other changes	-	-	-	-
4. Closing balance	**-**	**-**	**-**	**-**

B.4 - Valuation reserves for defined benefit plans: annual change

	Banking Group	Insurance Companies		Other Companies	Consolidation Adjustments and Eliminations	Total 31/12/2016
1. Opening balance	**(116)**	-	**-**	**-**	**-**	**(116)**
2. Increases	1,089	-	-	-	-	1,089
2.1 Increases in fair value	80	-	-	-	-	80
2.2 Other changes	1,009	-	-	-	-	1,009
3. Decreases	**(1,146)**	-	**-**	**-**	**-**	**(1,146)**
3.1 Decreases in fair value	(158)	-	-	-	-	(158)
3.2 Other changes	(988)	-	-	-	-	(988)
4. Closing balance	**(173)**	-	**-**	**-**	**-**	**(173)**

Section 2 - Own funds and banking regulatory ratios

2.1 Regulatory framework

Bank of Italy Circular no. 285 of December 17, 2013, as amended, states that the prudential consolidation elements from the assets and liabilities are calculated on the basis of the consolidation methods outlined in the regulations on financial statements (Bank of Italy Circular no. 262).
The prudential scope of consolidation is constructed based on prudential regulations and differs from the scope of consolidation in the Consolidated Financial Statements, which refer to the IAS/IFRS.
The qualitative and quantitative information referring to Own Funds and Capital adequacy of the companies falling under the doBank Banking Group is provided below.

2.2 Banking Own funds

The doBank Group's own funds, calculated with reference to the main regulatory standards known as "Basel 3" contained in Directive 2013/36/EU (CRD IV) and Regulation (EU) no. 575 of June 26, 2013 (CRR), amount to a total of € 106.9 million, summing together Common Equity Tier 1 - CET1, Additional Tier 1 - AT1 and Tier 2 - T2, mainly consisting of Share Capital and the "Reserves" item, and for doBank consist mainly of the Share Capital and "Reserves" item, net of the deductions provided for in the regulations.

A. Qualitative information

1. Common Equity Tier 1 - CET1

Common Equity Tier 1 includes, besides the Share Capital, the reserves, treasury shares and the profit for the period (only for the comparative figure at December 31, 2015), the "other comprehensive income - OCI".

The deductions are made up of the residual of deferred assets recognised on the negative taxable income of the doBank Group's previous financial year (€ 41.1 million), the exposure to the Romeo SPV securitisation classified among Loans and receivables with customers (€ 8.4 million) and finally the value of the entire Group's intangible assets (€ 2 million).

In particular, and with reference to the deduction from Own Funds of the exposure to the SPV Romeo S.r.l, consisting of 5% of the "bridging loan" granted to the same by the subjects that undertook to subscribe the securities to be issued, the Parent Company doBank, originator of the securitisation, avails itself of the provisions of art. 243, para. 1-b) of the CRR, that is it intends to consider all the exposures to this securitisation in deduction from the elements of Common Equity Tier 1, in accordance with art. 36 paragraph 1 lett. K. for the purpose of recognising the significant transfer of risk.

In addition we can note, as illustrated in a previous report on the subject, that exercising the option to maintain the possibility of transforming deferred tax assets into tax credits under the terms of Art. 11 of the Italian Law Decree of 05/03/2016 converted by the Law of 06/30/2016, entailed the consequence of continuing to exclude from the calculation of the deductions from Own Funds both the remaining value of the DTAs deriving from write-downs of loans which therefore still meet the requisites required by art. 39 of the CRR 575/2013 which provides for them being included in the calculation of credit risk with the weighting of 100% (for a total of € 55.4 million), and the total value of the portion transformed into tax credits in the current financial year (for an original € 62.5 million and a remaining € 34.9 million at 12/31/2016), which is also included in the credit risk calculation, with a weighting factor of zero%.

There are no elements classified as Additional Tier 1 (AT1) capital nor classified as Additional Tier 2 (AT2) capital and therefore there are no differences between the value of Own Funds and the value of Common Equity Tier 1 of € 106.9 million.

2. Additional Tier 1 - AT1

There are no elements classified as Additional Tier 1.

3. Tier 2 - T2

Tier 2 capital at 12/31/2016 was zero.

B. Quantitative information

	12/31/2016	12/31/2015
A. Common Equity Tier 1 (CET1) before prudential filters	**158,414**	**166,985**
of which grandfathered CET1 instruments	-	-
B. CET1 prudential filters (+/-)	-	-
C. CET1 gross of deductions and transitional adjustments (A+/-B)	**158,414**	**166,985**
D. Items to be deducted from CET1	(51,573)	55,152
E. Transitional adjustment - Effect on CET1 (+/-), including minority interests	104	(193)
subject to transitional adjustments	-	-
F. Common Equity Tier 1 - CET1 (C - D+/-E)	**106,945**	**111,640**
G. Additional Tier 1 (AT1) gross of deductions and transitional adjustments	-	-
of which grandfathered AT1 instruments	-	-
H. Items to be deducted from AT1	-	-
I. Transitional adjustments - Effect on AT1 (+/-), including qualifying instruments issued by	-	-
subsidiaries and computable in AT1 due to transitional provisions	-	-
L. Additional TIER 1 Capital - AT1 (G-H+/-I)	-	-
M. Tier 2 (T2) Capital gross of deductions and transitional adjustments	-	-
of which grandfathered T2 instruments	-	-
N. Items to be deducted from T2	-	-
O. Transitional adjustments - Effect on T2 (+/-), including qualifying instruments issued by	-	-
subsidiaries and computable in AT2 due to transitional provisions	-	-
P. Tier 2 Capital (M - N +/- O)	-	-
Q. Total Own Founds (F + L + P)	**106,945**	**111,640**

A. Common Equity Tier 1 - CET1

This item includes:

- fully paid-up Share Capital of € 41.3 million
- negative treasury shares reserve of € 277 thousand
- other reserves of € 117.4 million

D. Items to be deducted from CET1

This item includes:

- deferred tax assets recognised on negative taxable income for the year of 41.1 million
- exposure to the Romeo SPV securitisation classified among loans and receivables with customers, of € 8.4 million
- other intangible assets, equal to 2 million

E. Transitional regime - Impact on CET1 (+/-)

This item includes the following transitional adjustments:

- positive filter of € 104 thousand, equal to 60% of the amount related to defined-benefit plans (IAS 19)

2.3 Capital adequacy

A. Qualitative information

Within the Bank, the relevant department carries out constant monitoring of the development of total profits for regulatory purposes, with respect to the changes in various risk profiles, in order to achieve appropriate balance within the overall structure.

B. Quantitative information

Categories/Amounts	Unweighted amounts		Weighted amounts/requirements	
	12/31/2016	12/31/2015	12/31/2016 (1)	12/31/2015
A. RISK ASSETS				
A.1 Credit and counterparty risk	**283,070**	**357,856**	**146,026**	**331,893**
1. Standardized approach	283,070	357,856	146,026	331,893
2. IRB approaches	-	-	-	-
2.1 Foundation	-	-	-	-
2.2 Advanced	-	-	-	-
3. Securitisations	-	-	-	-
B. CAPITAL REQUIREMENTS				
B.1 Credit and counterparty risk			**11,682**	**26,551**
B.2 Credit valuation adjustment risk			-	-
B.3 Settlment risk			-	-
B.4 Market risk			-	-
1. Standard approach			-	-
2. Internal models			-	-
3. Concentration risk			-	-
B.5 Operating risk			**29,866**	**20,790**
1. Basic indicator approach			29,866	20,790
2. Traditional standardized approach			-	-
3. Advanced measurement approach			-	-
B.6 Other calculation elements			-	-
B.7 TOTAL CAPITAL REQUIREMENTS			**41,548**	**47,341**
			-	-
C. RISK ASSETS AND CAPITAL RATIOS				
C.1 Risk-weighted assets			519,347	591,768
C.2 Common Equity Tier 1/Risk weighted assets (CET1 capital ratio)			21%	19%
C.3 Tier 1 Capital/Risk weighted assets (Tier1 capital ratio)			21%	19%
C.4 Total own funds/Risk-weighted assets (Total capital ratio)			21%	19%
Additional Requirement for Conservation Buffer Capital 0,625% (from 1.1.2016)			**3,246**	-
Total requirement amount			**44,794**	**47,341**

Notes:

(1) In the calculation of prudential requirements the figures for 2016 take into account a requirement of 8% and an additional capital conservation requirement of 0.625%.

(2) In items C.2, C.3 and C.4, the amount of risk-weighted assets (C.1) is determined, for all the banks, independent of whether or not they belong to a banking group, as the product of all capital requirements (B.7) and 12.5 (the inverse of the minimum capital ratio of 8%).

On February 13, 2017 the communication was received from the Bank of Italy in relation to the completion of the prudential review process (SREP).

With transposition in Italy of Directive 2013/36/EU (CRDIV) and in accordance with the provisions of the EBA in the Guidelines on common SREP, the Bank of Italy - at the conclusion of the periodic SREP process - can require additional capital with respect to the regulatory minimum requirements, according to the overall riskiness of each bank. The capital ratios quantified taking into account the additional capital are of a binding nature.

In this context, the Bank of Italy determined the capital that doBank must hold, in addition to the regulatory minimum from the first report on own funds after the issue date of the final measure.

The Bank will be obliged to apply continuously the following capital requirements at the individual level:

- common Equity Tier 1 ratio (CET 1 ratio) of 6.59%, made up of a binding figure of 5.34% and for the remainder of the capital conservation reserve;
- tier 1 capital ratio (Tier 1 ratio) of 8.38%, made up of a binding figure of 7.13% and for the remainder of the capital conservation reserve;
- total capital ratio of 10.75%, made up of a binding figure of 9.50% and for the remainder of the capital conservation reserve.

Section 3 - Share capital and capital ratios for insurance

There is no figure to report.

Section 4 - Capital adequacy for the financial conglomerate

There is no figure to report.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - PART G

Part G - Business combinations

Section 1 - Business combinations completed in the year

In this section detailed information is provided on business combinations regarding companies and business units carried out with counterparties external to the Group which are accounted for on the basis of the "acquisition method" as provided for in the accounting standard IFRS 3 "Business Combinations".

Business combinations regarding companies or business units already controlled directly or indirectly by doBank, in the context therefore of internal reorganisations of the Group, are therefore also reported. These transactions, with no economic substance are accounted for in the financial statements of the transferor and of the transferee on the basis of the principle of continuity of values.

1.1 Business combinations

Name	Transaction date	Tansaction cost(1)	Total acquired profit % (2)	Revenues of the group (3)	Net profit/loss (4) of the group	Revenues after the transaction date (5) (7)	Profit/loss after the transaction date (6) (7)
1. Italfondiario S.p.A.	October 14, 2016	24,905	100%	172,558	40,394	17,640	4,281

Key
(1) Transaction cost: price paid for the Italfondiario S.p.A. fully acquisition
(2) Percentage of total acquired profit with the right to vote in the ordinary shareholders' meeting
(3) Operating Income (item 120 - income statement) Pro-forma, determined assuming that the transaction was carried out at the beginning of 2016
(4) Pro-forma consolidated profit/loss, determined assuming that the transaction was carried out at the beginning of 2016
(5) Operating Income (item 120 - income statement) of the ITF Group after the acquisition date including the doBank Group consolidated net profit/loss
(6) Profit/loss of the ITF Group after the acquisition date including the doBank Group consolidated net profit/loss
(7) Tha data refers to the aggregation of: Italfondiario S.p.A., IBIS srl, ITFRE srl and Gextra srl

As already illustrated, in 2016 we completed the operation to acquire 100% of the shares of the Italfondiario Group, which operates in the Italian market managing in outsourcing financial and commercial, performing and non-performing receivables. This operation represents an important stage in the Group's development project in the context of its market sector.

The purchase of the Italfondiario Group began on March 31, 2016, with a tranche of 9.75% of the share capital of the parent company Italfondiario S.p.A. and was completed on July 14, 2016, with the signing of agreements to purchase the remaining equity interests. The effectiveness of the operations was subject to the condition precedent of approval by the Supervisory Authority - the Bank of Italy -, which with its consent therefore made the business combination effective starting from October 14, 2016.

At the date of effectiveness of the acquisition the Italfondiario Group held three 100% equity investments in the instrumental companies IBIS S.r.l., ITFRE S.r.l. and Gextra S.r.l., which were therefore fully consolidated, and a 45% stake in BCC Gestione Crediti S.p.A. classified as under significant influence and therefore measured with the net equity method.

The accounting recognition method laid down in IFRS 3 states that at the acquisition date the cost of the business combination is to be identified and allocated subsequently to the assets, liabilities and contingent liabilities of the entity acquired identifiable at the date of effectiveness of the operation and measured at their respective fair values.

The value of the cost of the business combination in question was determined measuring the Italfondiario Group with reference to a date close to that of effectiveness of the acquisition operation identified as September 30, 2016. In particular the measurement at fair value was focused on the main existing assets, that is on the servicing contracts of Italfondiario S.p.A. and on the 100% equity investments mentioned above.

From the analysis carried out there emerged the existence of a positive intrinsic value attributable to Italfondiario's contract portfolio; however the sustainability test, carried out taking into account the total Enterprise Value of Italfondiario S.p.A., showed the absence of the conditions that would allow accounting recognition in the context of the consolidation process of the doBank Group. Therefore, the Purchase Price Allocation process entailed the full reversal of the goodwill recognised in the financial statements of Italfondiario S.p.A., € 7.4 million, referred to a number of existing servicing contracts, deriving from previous acquisitions. Whereas, the measurement of the equity investments, considering also the pro-rata shareholders' equity showed a higher value of the same of € 2.7 million.

Taking into account the effects mentioned above, the fair value of Italfondiario S.p.A. at September 30, 2016 was found to be € 26.1 million and the difference between the fair value and the price paid for the acquisition, entailed the recognition in the Consolidated Income Statement of a Bargain of € 1.2 million ascribable mainly to a higher fair value attributed to the subsidiaries.

A summary table of the process of determining the acquisition cost and its subsequent allocation is provided below:

PURCHASE PRICE ALLOCATION	
Equity ITF as of September 30, 2016	30,792
Lower value of Contracts	(7,441)
Fair value of equity investments	2,711
Fair value of Equity ITF	**26,062**
Price consideration	24,905
Goodwill/(Bargain)	**(1,157)**

The current values assigned to assets and liabilities in the combination are presented below:

Balance sheet of acquisition of Italfondiario S.p.A. at September 30, 2016 *(€/000)*

	ASSETS	Book Value	Fair Value
10	CASH AND CASH EQUIVALENTS	14	14
60	LOANS AND RECEIVABLES WITH BANKS	3,161	3,161
70	LOANS AND RECEIVABLES WITH CUSTOMERS	1,178	1,178
100	EQUITY INVESTMENTS	1,957	4,668
110	PROPERTY, PLANT AND EQUIPMENT	561	561
120	INTANGIBLE ASSETS	8,508	1,067
130	TAX ASSETS	3,860	3,860
140	NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS	10	10
150	OTHER ASSETS	42,298	42,298
	TOTAL ASSETS	**61,547**	**56,817**

	LIABILITIES AND SHAREHOLDERS' EQUITY	Book Value	Fair Value
10	DEPOSITS FROM BANKS	2,045	2,045
20	DEPOSITS FROM CUSTOMERS	68	68
80	TAX LIABILITIES	20	20
100	OTHER LIABILITIES	19,241	19,241
110	EMPLOYEE TERMINATION INDEMNITIES	5,508	5,508
120	PROVISION FOR RISKS AND CHARGES	3,872	3,872
	a) post retirement benefit obligations	-	-
	b) other provisions	*3,872*	*3,872*
130	VALUATION RESERVES	(988)	(988)
160	RESERVES	12,917	8,187
180	SHARE CAPITAL	20,000	20,000
200	NET PROFIT (LOSS) (+/-)	(1,137)	(1,137)
	TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**61,547**	**56,817**
	SHAREHOLDERS' EQUITY	**30,792**	**26,062**

1.2 Internal business combinations

In the context of the reorganisation of the doBank Group after the acquisition of 100% of the Italfondiario Group described in the previous paragraph, the following operations were carried out in 2016:

- doBank S.p.A. acquired from Italfondiario S.p.A 100% of the shares of ITFRE S.r.l. on October 24, 2016;
- doBank S.p.A. acquired from Italfondiario S.p.A 100% of the shares of IBIS S.r.l. on December 28, 2016.

The transfer of these equity investments occurred at a price that took into account the market valuation of the respective companies carried out with the support of an independent consultancy. The economic effects recognised in the financial statements of the selling company Italfondiario S.p.A. were cancelled at the moment of preparing the doBank consolidated financial statements on the basis of the principle of continuity of values provided for in the event of business combinations carried out in the context of the same Group.

Section 2 - Business combinations completed after the year-end

No business combinations occurred after the end of the financial year.

Section 3 - Retrospective adjustments

No retrospective adjustments were made after the end of the financial year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - PART H

Part H - Related-party transactions

Introduction

The introduction of international accounting standards involves the application of the regulations regarding disclosures on related party transactions established in IAS 24, also in line with the provisions of Bank of Italy Circular 262 of December 22, 2005 (4th update of December 15, 2015).

In terms of definitions, on the basis of the text of IAS 24 in its most recent version, approved by EU Regulation 632/2010, a party is considered related to the entity preparing the financial statements if:

a) it directly or indirectly, through one or more intermediaries,

- controls the entity, or is controlled, or is subject to common control (including the parent companies, subsidiaries and associates);
- it holds an equity investment in the entity such as to be in a position to exercise significant influence on the latter;
- it jointly controls the entity;

b) the Party is an associate of the entity (based on the definition in IAS 28);

c) the Party is a joint venture in which the entity holds an equity investment;

d) the Party is a senior manager with strategic responsibilities for the entity or its parent;

e) the Party is a close relative of one of the subjects referred to in points a) or d);

f) the Party is a subsidiary, jointly-controlled subsidiary or is subject to significant influence by one of the subjects pursuant to points d) or e), or those subjects hold, directly or indirectly, a significant percentage of voting rights;

g) the Party is a pension fund for employees of the entity, or any other entity correlated with the same.

The main related party transactions, recognised by type of counterparty are reported hereinafter.

1. Details of Top Managers' compensation

Compensation to Administrative Bodies and Top Managers

The compensation paid to the administrative bodies and Top Managers during the year 2016 are summarised below.

	12/31/2016
Short term benefits	3,501
Other long term benefits	242
Severance indemnity	200
Total	**3,943**

No loans and receivables or guarantees were given to Directors, Statutory Auditors or Senior Managers with strategic responsibilities.

2. Related-party transactions

Below is information on other related -party transactions not included in the previous section, concerning information on fees paid to Directors and Senior Managers.

During the period, ordinary related party transactions were carried out, falling within the following categories:

- signing of contracts for provision of services
- signing of contracts related to loans

All related party transactions carried out during the period described above, falling in the above categories, were carried out in the interest of the Group and under conditions similar to those applied for transactions with independent third parties or, in the case of provision of services, were governed on the basis of a minimum floor commensurate with recovering the related production costs.

Transactions with the holding

Due to the transaction which transferred the doBank shares, as of 11/01/2015 the company which holds the controlling equity investment in the Bank is now Avio Société à responsabilité limitée (Avio S.à r.l.), operating under Luxembourg law and affiliated with both the Fortress Group and Eurocastle Investment. It holds 98% of the share capital. The remaining 2%, consisting of 175,000 treasury shares, valued at cost, for a total of € 277,165.20, is held by the Bank itself.

Avio S.à r.l. does not carry out management or coordination activities with the Bank, as defined under articles 2497 and subsequent of the Civil Code.

At 12/31/2016, there were no financial or economic balances existing with regard to the new holding. However we can note that the loan of € 175.1 million, originally disbursed to doBank by UniCredit on the occasion of distribution of the extraordinary dividend in 2015 and subsequently taken on in equal parts by Siena Holdco and Verona Holdco, was fully repaid following the aforementioned transaction for the securitisation of the non-performing portfolio.

At 12/31/2016, we note the figures relating to the economic effects of relations between entities referring to the shareholding structure.

Type	Balances at 12/31/2016	Balances at 12/31/2015
Loans and receivables	4,066	-
	4,066	**-**

In particular, the item Receivables includes the loans of Italfondiario S.p.A. (for € 1.6 million) and IBIS S.r.l. (for € 0.3 million) in respect of BCC Gestione Crediti S.p.A. Furthermore, it includes the loans and receivables held by Italfondiario S.p.A. (for € 0.1 million) in respect of Torre SGR and Fortress (for € 2.1 million).

Type	Balances at 12/31/2016	Balances at 12/31/2015
Other incomes (expenses)	1,473	-
	1,473	**-**

In particular, the item Other incomes/(expenses) includes the income of Italfondiario S.p.A. in respect of Fortress for € 1.0 million, in respect of BCC Gestione Crediti S.p.A. for € 0.3 million and in respect of Torre SGR for € 0.08. The income of IBIS S.r.l. is also included (for € 0.1 million) in respect of BCC Gestione Crediti S.p.A.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - PART I

Part I - Share-based Payment

A. Qualitative information

1. Description of payment agreements based on own equity instruments

1.1. Outstanding instruments

Medium-long term incentive plans intended for doBank employees, are represented by the existing residual portion of plans applied by the UniCredit Group and payable on the following types of instruments:

- Equity-Settled Share Based Payments which involve the payment of shares;
- Cash Settled Share Based Payments which involve the payment of money.

The first category includes the assignment of:

- **Share Plan for Talent** which offers selected company employees free UniCredit shares, which the same undertakes to assign, on the condition that performance objectives are met, as established by the UniCredit Board of Directors;
- **Group Executive Incentive System** which offers selected executives within the UniCredit Group variable compensation, which is paid within five years. The beneficiaries receive payment in money and/or shares in relation to meeting performance conditions (different from market conditions), based on those established in the Plan regulations;
- **Employee Share Ownership Plan (ESOP - Let's Share)** which offers eligible UniCredit Group employees the opportunity to acquire ordinary UniCredit shares with the advantage of the assignment of a number of "free shares", or the right to receive them, based on the quantity of shares acquired by each participant ("Investment Share") during the "Subscription Period". Assignment of the free shares is subordinate to compliance with the vesting conditions (not market conditions) established in the plan rules.

The second category includes assignments similar to Share Appreciation Rights connected to the share value and the performance results of certain UniCredit Group companies.

1.2. Measurement model

1.2.1 Share Plan For Talent

The plan offers selected beneficiaries free UniCredit shares which are transferred in 3 instalments, each of which having annual vesting.
The economic value of the share is equal to the market price of the share minus the current value of dividends not allocated in the period running from the date the promise is made and the future delivery of the share.
The parameters are estimated using methods similar to those used for stock options.
The economic and equity effects of the plan will be recognised during the vesting period of the instruments.
During the course of 2016, no new plans were assigned.

1.2.2 Group Executive Incentive System

The amount of the incentive is determined on the basis of the achievement of qualitative and quantitative objectives described in the plan. Specifically, determination of achievement of objectives is expressed in variable percentage terms ranging from 0% to 150% (non-market vesting conditions). This percentage, corrected through application of a risk/sustainability factor - Group Gate - upon the initial payment and multiplied by the amount of the incentive, determines the actual amount paid to the beneficiary.

The economic and equity effects are divided as a function of the duration of the Plans.
During the course of 2016, no new plans were assigned.

1.2.3 Employee Share Ownership Plan

All the economic and equity effects of the plans, related to the Free Shares assigned, are recognised during the vesting period (with the exception of adjustments, in line with that foreseen in the plan regulations, which will be recognised at the first useful reporting date subsequent to the vesting period).
During the course of 2016, no new plans were assigned.

B. Quantitative information

1. Annual changes

During the course of 2016, no new plans were assigned.

2. Other information

The Parent Company does not foresee the use of medium/long-term incentive plans in 2016.

Effects on Profit and Loss

All Share-Based Payments assigned after November 7, 2002, with the vesting period ending after January 1, 2005, fall within the area of application of the regulations.

Financial Statement presentation related to share-based payments

(€/thousand)

	2016		2015	
	Total	Vested Plans	Total	Vested Plans
Costs	0		122	
- connected to Piani Equity Settled *- connected to CashSettled*			*-1* *123*	
- Amounts paid to UniCredit S.p.A. for vested plans - Amounts paid to employees for Cash Settled plans		67		0 71
- Debt to UniCredit S.p.A. - Debt to employees regarding Cash Settled	93 0	93 0	161 0	161

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - PART L

Part L - Segment reporting

In 2016, the doBank Group operated in a single business sector, namely managing non-performing loans through a mandate. The companies of the former Italfondiario Group, acquired during the year operate directly or on a subsidiary basis in the same business sector.
From the perspective of the geographic breakdown, the Group only conducted its business in Italy.
Reference is made to the details in the Report on Operations regarding the results and information on the doBank Group's various areas of operation.

Annex 1 - Table of fees due for the year

for services provided by the Auditing Firm and by entities belonging to the Auditing Firm network EY S.p.A.

Type of services Amounts in Eur (VAT and fees excluded)	Ernst & Young S.p.A.		Deloitte & Touche S.p.A.	
	doBank S.p.A.	Subsidiaries (*)	doBank S.p.A.	Subsidiaries (*)
Statutory audit of the financial statements	131,593	33,913	10,050	-
Other services:				
- Other services	183,750	-	-	-
Reviews for tax returns	-	1,000	-	1,320
Total	**315,343**	**34,913**	**10,050**	**1,320**

(*) Banking Group company and other subsidiaries fully consolidated

Annex 2 - Reconciliation between the Consolidated Income Statement year 2015 and the same restated for comparative purposes

(€/1000)

ITEMS	2015	Reclassification	2015 restated (*)
INTEREST INCOME AND SIMILAR REVENUES	1,037	-	1,037
INTEREST EXPENSE AND SIMILAR CHARGES	(191)	-	(191)
NET INTEREST INCOME	**846**	**-**	**846**
FEE AND COMMISSION INCOME	80,907	-	80,907
FEE AND COMMISSION EXPENSE	(10,955)	(6,383)	(17,338)
NET FEE AND COMMISSION INCOME	**69,952**	**(6,383)**	**63,569**
DIVIDEND INCOME AND SIMILAR REVENUE	-	-	-
GAINS AND LOSSES ON FINANCIAL ASSETS AND LIABILITIES HELD FOR TRADING	-	-	-
FAIR VALUE ADJUSTMENTS IN HEDGE ACCOUNTING	-	-	-
GAINS (LOSSES) ON DISPOSAL AND REPURCHASE OF:	(19)	-	(19)
a) LOANS	(19)	-	(19)
b) AVAILABLE-FOR-SALE FINANCIAL ASSETS	-	-	-
c) HELD-TO-MATURITY INVESTMENTS	-	-	-
d) FINANCIAL LIABILITIES	-	-	-
GAINS AND LOSSES ON FINANCIAL ASSETS/LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS	-	-	-
OPERATING INCOME	**70,779**	**(6,383)**	**64,396**
NET LOSSES/RECOVERIES ON IMPAIRMENT:	(240,425)	-	(240,425)
a) LOANS	(240,425)	-	(240,425)
b) AVAILABLE-FOR-SALE FINANCIAL ASSETS	-	-	-
c) HELD-TO-MATURITY INVESTMENTS	-	-	-
d) OTHER FINANCIAL ACTIVITIES	-	-	-
NET PROFIT FROM FINANCIAL ACTIVITIES	**(169,646)**	**(6,383)**	**(176,029)**
ADMINISTRATIVE COSTS:	(93,004)	6,383	(86,621)
a) STAFF EXPENSE	(46,495)	-	(46,495)
b) OTHER ADMINISTRATIVE EXPENSE	(46,510)	6,383	(40,127)
NET PROVISIONS FOR RISKS AND CHARGES	(4,120)	-	(4,120)
IMPAIRMENT/WRITE-BACKS ON PROPERTY, PLANT AND EQUIPMENT	(4)	-	(4)
IMPAIRMENT/WRITE-BACKS ON INTANGIBLE ASSETS	(37)	-	(37)
OTHER NET OPERATING INCOME	23,800	-	23,800
OPERATING COSTS	**(73,366)**	**6,383**	**(66,983)**
PROFIT (LOSS) OF ASSOCIATES	-	-	-
IMPAIRMENT OF GOODWILL	-	-	-
PROFIT (LOSS) OF EQUITY INVESTMENTS	-	-	-
PROFIT (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS	**(243,012)**	**-**	**(243,012)**
TAX (EXPENSE) RECOVERY ON INCOME FROM CONTINUING OPERATIONS	75,900	-	75,900
PROFIT (LOSS) AFTER TAX FROM CONTINUING OPERATIONS	**(167,112)**	**-**	**(167,112)**
NET PROFIT (LOSS) FOR THE YEAR	**(167,112)**	**-**	**(167,112)**

(*) For further details on reclassifications, please refer to the Notes to the Accounts - part A.

Annex 3 - Country-by-Country Reporting

With regard to the obligations provided under the Circular no. 285 "Disposizioni di vigilanza per le banche" of December 17, 2013, and subsequent updates regarding public disclosure Country by Country established by the art. 89 of Directive 2013/36/UE ("CRD IV"), below we report the info present into the letters a), b), c), d), e), and f) in the attachment A in the First Part, Title III, Chapter 2, as at December 31, 2016.

a) Companies' names and nature of business

Name: doBank Group S.p.A. - Holding: doBank S.p.A.

Business: doBank Group S.p.A leads non-performing loans, operating into the whole Italy whose services can be summarized in "Servicing, Lending, Solutions".

Servicing: it consists in non-performing loans management in mandate or in regularization of claims with late payments, achieving recovery aims. The servicing is carried out on a wide range of customers, mainly located in the national territory, consisting of banks, commercial and industrial companies, bankruptcy law courts, consortia, financial and insurance companies, leasing companies, factoring companies, utilities and multiutilities companies, and SPVs operating in securitizations. In order to ensure the top efficiency of recovery without compromising relations with the counterpart, the processes activated by doBank are aimed at facilitating the reaching of extrajudicial agreements with the obligee.

Lending: specialized banking services are offered to the clients such as current accounts dedicated to professionals for the payment of online court fees, or current accounts addressed to judicial offices, delegated entities and other operators authorized to handle money arising from civil and criminal court proceedings, from safe custody facilities and forced sales. In order to extend the participation in legal auctions, products such as "mortgage in auction" are also provided, which allow customers to acquire an auction property without having to use the immediate liquidity.

Solutions: doBank Group carries out a range of services and advisories, through the real estate subsidiaries doRealEstate S.p.A. and Italfondiario RE S.r.l. focused to identify concrete solutions for the recovery of credits through the real estate sale as collateral of itself.

b) Turnover[1]

€ 141,748,079

c) Number of employees on a full time equivalent basis[2]

1,075

d) Profit or Loss before tax[3]

€ 75,239,951

e) Tax Expense (Income) related to Profit or Loss[4]

€ 22,819,010

f) Subsidies received from public authorities[5]

€ 47,929

(Footnotes)

1 It represents the Operating Income of which the item 120 of the Consolidated Income Statement as at December 31, 2016.

2 The "number of employees on a full time equivalent basis" is determined as the ratio between the overall worked hours by all employees (overtime excluded) and the overall planned annual for a full-time employee.

3 The "Profit or Loss before tax" is intended the sum of the items 280 and 310 (this latter before tax) of the Consolidated Income Statement of which the Circular no. 262.

4 The "Tax Expense (Income) related to Profit or Loss" is the sum of taxes of which the item 290 of the Consolidate Income Statement referring to the Circular no. 262 and the tax from discontinued operations related the groups.

5 Into the item "Subsidies received from public authorities" must be indicated the subsidies received directly from public authorities. That item doesn't include the transactions occurring from central banks for financial stability purposes or the transactions with the aim to facilitate the transmission mechanism of monetary policy. Similarly, the eventual transactions belong into the schemes of the matter of State aid approved by the European Commission should not be taken into consideration.

EY REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

Building a better working world

Independent auditor's report in accordance with art. 14 and 16 of legislative decree n. 39, dated 27 January 2010

(Translation from the original Italian text)

To the Shareholders of DoBank S.p.A

Report on the consolidated financial statements

We have audited the consolidated financial statements of DoBank S.p.A. and its subsidiaries (the "DoBank Group"), which comprise the balance sheet as at December 31, 2016, the income statement, the statement of comprehensive income, the statement of changes in equity, the cash flow statement for the year then ended , and the related explanatory notes.

Directors' responsibility for the consolidated financial statements

The Directors are responsible for the preparation of these consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union as well as with the regulations issued to implement art. 9 of Legislative Decree 38/05 and art. 43 of Legislative Decree 136/15 dated 18 August 2015.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISA Italia) implemented in accordance with art. 11, paragraph 3 of 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 consolidated financial statements. The procedures selected depend on the auditor's professional judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated 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 management, as well as evaluating the overall presentation of the consolidated financial statements.
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the DoBank Group as at December 31, 2016, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union as well as with the regulations issued to implement art. 43 of Legislative Decree 136/15 dated 18 August 2015.

Opinion on the consistency of the Report on Operations with the consolidated financial statements

We have performed the procedures required under audit standard SA Italia n. 720B in order to express an opinion, as required by the law, on the consistency of the Report on Operations with the consolidated financial statements. The Directors of doBank S.p.A. are responsible for the preparation of the Report on Operations in accordance with the applicable laws and regulations. In our opinion the Report on Operations is consistent with the consolidated financial statements of doBank Group as at December 31, 2016.

Verona, March 22, 2017
EY S.p.A.
Signed by: Marco Bozzola, Partner

This report has been translated into the English language solely for the convenience of international readers.


doBank
Servicing | Lending | Solutions