FINECO
THE NEW BANK

Member of UniCredit

DISCLOSURE BY INSTITUTIONS
ACCORDING TO REGULATION (EU) NO. 575/2013 AS AT DECEMBER 31, 2014

Contents

Introduction

FinecoBank's Disclosure by Institutions is prepared in accordance with the prudential rules for banks and investment companies, which came into force on January 1, 2014 and is contained in Directive 2013/36/EU (Capital Requirements Directive, CRD IV) and in Regulation 575/2013/EU (Capital Requirements Regulation, CRR).
The Directive and the Regulation transpose the framework known as Basel III into European Union legislation, Basel Committee for Banking Supervision. The new EU rules were collated and implemented by the Bank of Italy through the "Supervisory Regulations for Banks" (Circular 285 of December 17, 2013).

The CRR requires Institutions to publish the information set out in Title I Part Eight at least annually, in conjunction with the financial statements, and to assess the need to publish all or some of the information more frequently in view of the relevant characteristics of their activities.
The Disclosure by Institutions is published at both consolidated and individual level if the bank is considered a "significant subsidiary" (art. 13 CRR, Application of disclosure requirements on a consolidated basis).

Having been identified as a "significant subsidiary" in the UniCredit group and included by the ECB/EBA in the list of significant banks, FinecoBank publishes the Disclosure by Institutions annually and discloses the information specified in articles 437, 438, 440, 442, 450, 451 and 453 of the Regulation.

General Disclosure Requirements

FinecoBank is a multi-channel bank belonging to the UniCredit group and is therefore subject to management and coordination by UniCredit S.p.A.
In view of the ownership structure and in order to ensure effective and efficient risk management, FinecoBank's Risk Management process is structured according to the organisational choices made by the UniCredit group and the Supervisory Instructions for Banks concerning internal control systems.
Risk monitoring and prevention is the responsibility of FinecoBank's Risk Management function in collaboration with the same function of the Parent Company, which provides guidance, coordination and monitoring of risk at Group level. The organisational model names the Chief Risk Officer (CRO) Italy of the Parent Company as a specific reference point for Italy. The CRO Italy is responsible for credit, operational and reputational risks relating to the Italian consolidation, and for managerial coordination of Risk Management functions at the Italian Legal Entities, including FinecoBank.
FinecoBank is responsible for first and second level controls, with specific reference to verifying that the level of risk assumed on individual basis is in line with the Parent Company's instructions, capital requirements and prudential supervisory rules.

The overall level of risk is assessed by FinecoBank on the basis of the Risk Appetite Framework, a managerial tool for setting the risk appetite that best governs the Bank's business activities, in line with an adequate level of risk.

Scope of application

Name of the bank to which the disclosure requirements apply

The contents of this document refer to FinecoBank Banca Fineco S.p.A., subsidiary of UniCredit S.p.A., UniCredit Banking Group.

FinecoBank has been identified by the Parent Company UniCredit S.p.A. as one of the significant subsidiaries of the Group and is included by the ECB/EBA on the list of significant banks. Accordingly, it is required to apply the provisions of article 13 of Regulation (EU) No. 575/2013 (CRR) in relation to the disclosure obligations of institutions.

This document contains the information specified in articles 437, 438, 440, 442, 450, 451 and 453 of the Regulation (EU) No. 575/2013 (CRR).

Own Funds

Own funds at December 31, 2014, amounted to €353,133 thousand, calculated by applying the supervisory regulations in force according to the Basel III regulatory framework.

With reference to the contents of Bank of Italy Bollettino di Vigilanza No. 12 issued in December 2013 related to the transitional provisions on Own Funds regarding the treatment of unrealized gains and losses associated to exposures to central governments classified under IAS 39 as "Available-For-Sale Financial Assets", FinecoBank has exercised the option contained in the Bank of Italy Circular 285 ("Supervisory Regulations for Banks", Part 2, Chapter 14, Section II, Paragraph 2) to completely neutralise the associated gains and losses recorded after December 31, 2009, limited to the debt securities issued by central governments of EU member states.

With reference to defined-benefit plans under IAS 19, the amendment that took effect on January 1, 2013 (IAS 19R) resulting in the elimination of the corridor method – requiring recognition of the present value of defined benefit obligations – resulted in an impact on FinecoBank shareholders equity related to the recognition in the revaluation reserves of actuarial gains/losses not previously recognized using this method. From a regulatory point of view, the authorities have called for the application of a prudential filter to neutralise, for 2014, 100% of the impact of the amendments in question.

Own funds as at December 31, 2014 are compared with the figures as at March 31, 2014, the date of first-time adoption of the Basel III supervisory regulations.

Transitional Own Funds disclosure template

	12.31.2014		03.31.2014	
	(A) Amount at disclosure date	*(C) - Amounts subject to pre-Regulation (EU) No. 575/2013 treatment or prescribed residual amount under Regulation (EU) No. 575/2013*	*(A) Amount at disclosure date*	*(C) - Amounts subject to pre-Regulation (EU) No. 575/2013 treatment or prescribed residual amount under Regulation (EU) No. 575/2013*
Common Equity Tier 1 capital – instruments and reserves				
1 Equity instruments and related share premium accounts	202.004		202.004	
of which: ordinary shares	*202.004*		*202.004*	
2 Retained earnings	190.923		190.923	
3 Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards)	9.420		3.906	
5a Independently reviewed interim profits net of any foreseeable charge or dividend (1)	28.604		-	
6 Common Equity Tier 1 (CET1) capital before regulatory adjustment	**430.951**		**396.833**	

(Amounts in € thousand)

	12.31.2014		03.31.2014	
	(A) Amount at disclosure date	*(C) - Amounts subject to pre-Regulation (EU) No. 575/2013 treatment or prescribed residual amount under Regulation (EU) No. 575/2013*	*(A) Amount at disclosure date*	*(C) - Amounts subject to pre-Regulation (EU) No. 575/2013 treatment or prescribed residual amount under Regulation (EU) No. 575/2013*
Common Equity Tier 1 capital (CET 1): regulatory adjustments				
8 Intangible assets (net of related tax liabilities)	(75.884)		(76.797)	
9 Transitional adjustment related to IAS 19(2)	3.396		(2.542)	
16 Direct and indirect holdings by an institution of own CET1 instruments	(1)		-	
21 Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability where the conditions in 38 (3) are met)	-	-	(49)	6.836
26a Regulatory adjustments relating to unrealised gains and losses pursuant to Article 467 and 468(3)	(5.329)		(1.150)	
of which: Unrealised gains on debt securities issued by European Union central administrations	*(5.329)*		*(1.150)*	
28 Total regulatory adjustment to Common Equity Tier 1 (CET1)	**(77.818)**		**(80.538)**	
29 Common Equity Tier 1 capital (CET 1)	**353.133**		**316.295**	
Additional Tier 1 (AT1) capital: instruments				
36 Additional Tier 1 (AT1) capital before regulatory adjustments2	-		-	
Additional Tier 1 capital (AT1) regulatory adjustments				
43 Total regulatory adjustments to Additional Tier 1 (AT1) capital	**-**		**-**	
44 Additional Tier 1 capital (AT1)	**-**		**-**	
45 Tier 1 capital (T1= CET1+AT1)	**353.133**		**316.295**	
Tier 2 capital (T2); instruments and provisions;				
51 Tier 2 (T2) capital before regulatory adjustments	-		-	
Tier 2 capital (T2); regulatory adjustments				
57 Total regulatory adjustments to Tier 2 (T2) capital	-		-	
58 Tier 2 capital (T2);	-		-	
59 Total capital (TC=T1+T2)	**353.133**		**316.295**	
59a Risk weighted assets in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase out as prescribed in Regulation (EU) No 575/2013 (i.e. CRR residual amounts)	-		-	
60 Total risk weighted assets	**1.850.331**		**1.968.410**	

(Amounts in € thousand)

	12.31.2014		03.31.2014	
	(A) Amount at disclosure date	*(C) - Amounts subject to pre-Regulation (EU) No. 575/2013 treatment or prescribed residual amount of disclosure date under Regulation (EU) No. 575/2013*	*(A) Amount at disclosure date*	*(C) - Amounts subject to pre-Regulation (EU) No. 575/2013 treatment or prescribed residual amount under Regulation (EU) No. 575/2013*
Capital ratios and buffers				
61 Common Equity Tier 1 (as a percentage of risk exposure amount)	**19,08%**		**16,07%**	
62 Tier 1 (as a percentage of risk exposure amount)	**19,08%**		**16,07%**	
63 Total capital (as a percentage of risk exposure amount	**19,08%**		**16,07%**	
64 Institution specific buffer requirement (CET1 requirement in accordance with article 92 (1) (a) plus capital conservation and countercyclical buffer requirements, plus systemic risk buffer, plus the systemically important institution buffer (G-SII or O-SII buffer), expressed as a percentage of risk exposure amount)	5,125%		5,125%	
65 of which: capital conservation buffer requirement	0,625%		0,625%	
68 Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)	13,96%		10,95%	
Capital ratios and buffers				
72 Direct and indirect holdings of the capital of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	1.983		1.572	
75 Deferred tax assets arising from temporary differences (amount below 10% threshold, net of related tax liability where the conditions in 38 (3) are met)	34.393		32.004	
Applicable caps on the inclusion of provisions in Tier 2				
Capital instruments subject to phase-out arrangements (only applicable between January 1, 2013 and January 1, 2022)				

(Amounts in € thousand)

Notes:
Amounts and sub-amounts, other than totals, that are equal to zero or not applicable are not reported.

(1) The amount recognised in Own Funds at December 31, 2014, pursuant to article 26 of the CRR was calculated on the year-end profit for 2014, net of foreseeable dividends, equal to €121,303 thousand.
At March 31, 2014, the profit from the first quarter of the year was not included as it had not been independently audited.

2. As of January 1, 2013, as a result of the entry into force of the amendments to IAS 19 (IAS 19R), the elimination of the corridor method – requiring recognition of present value of defined benefit obligations – resulted in an impact on net equity related to the recognition in the revaluation reserves of actuarial net losses not previously recognized using this method. This revaluation reserve – equal to –€3,067 thousand, included in item "3. Accumulated other comprehensive income" – is subject to a transitional adjustment for €3,396 thousand reported in the present item, equal to 100% of the amount calculated in accordance with CRR article 473.

(3) With reference to the contents of Bank of Italy Bollettino di Vigilanza No. 12 issued in December 2013 related to the transitional provisions on Own Funds regarding the treatment of unrealized gains and losses associated with exposures to central governments classified under IAS 39 as "Available-For-Sale Financial Assets", FinecoBank has exercised the option contained in the Bank of Italy Circular 285 ("Supervisory Regulations for Banks") Part 2, Chapter 14, Section II, Paragraph 2, final point, with reference to consolidated own funds (and the individual own funds of all banks belonging to the banking group subject to the supervision of the Bank of Italy.
Accordingly, starting from March 31, 2014 reporting period and in line with previous periods, FinecoBank – limited to the securities issued by central governments of EU member states classified in the portfolio "available-for-sale financial assets" – does not include in any element of own funds unrealised gains or losses on exposures to central governments classified in the "available-for-sale financial assets " category of IAS 39, in accordance with the procedures set out in article 467 of the CRR.
As of December 31, 2014, the net gains neutralized from common equity tier 1 capital is equal to €5,329 thousand.

Common Equity Tier 1 - CET1 is made up of the following elements:

- share capital, comprising 606,274,033 ordinary shares with a nominal value of €0.33, equal to €200,070 thousand;
- share premium reserve, equal to €1,934 thousand;
- the legal reserve, extraordinary reserve and other reserves, equal to €198,081 thousand;
- other components of accumulated comprehensive income (OCI), comprising the positive reserve of debt securities issued by central governments of EU member states, held in the "available-for-sale financial assets" portfolio after December 31, 2009, equal to €5,329 thousand and the IAS19 negative reserve, equal to €3,067 thousand;
- the portion of retained profits 2014, equal to €28,604 thousand, calculated on year-end profits 2014, as per CRR 575/2013, article 26.2.

The following elements have been deducted from Common Equity Tier 1 capital:

- the book value of goodwill, net of deferred taxes, equal to €67,742 thousand;
- other intangible assets, equal to €8,142 thousand.

Lastly, the effects of applying the transitional provisions on own funds set out by Bank of Italy Circular 285 have been recognised. In particular:

- the positive revaluation reserves on debt securities issued by central governments of EU member states, held in the "available-for-sale financial assets" portfolio after December 31, 2009, have been neutralised for an amount equal to €5,329 thousand;
- a 100% negative prudential filter has been applied for the year 2014 on the amount of the IAS19 Reserve in order to restore, for the most part, the pre-IAS 19 situation, for an amount of €3,397 thousand.

Accounting and regulatory balance sheet consolidation, with reconciliation of elements of Own Funds

	*Accounting figures**	*Amounts relevant for Own Funds purposes ***	*Ref. Own Funds Table*
ASSETS			
130. Intangible assets, of which:	**97.744**	**(75.884)**	
Goodwill	*89.602*	*(67.742)*	*8*
Other intangible assets	*8.142*	*(8.142)*	*8*
140. Tax assets, of which:	**18.551**	**-**	
a) current tax assets	*2.179*	*-*	*-*
b) deferred tax assets	*16.372*	*-*	*21*
deferred tax assets that rely on future profitability	*12.533*	*-*	*21*
LIABILITIES			
130. Valuation reserves, of which:	**2.262**	**329**	
Valuation reserves for available-for-sale securities	*5.329*	*-*	*3 and 26a*
Valuation reserves of actuarial net losses	*(3.067)*	*329*	*3 and 9*
160. Reserves	**198.081**	**198.081**	2
170. Share premium reserve	**1.934**	**1.934**	1
180. Capital	**200.070**	**200.070**	1
200. Net Profit (Loss) for the year	**149.907**	**28.604**	5a
OTHER ELEMENTS OF OWN FUNDS			
Total other elements, of which:		**(1)**	
Deductions of holdings of own Common Equity Tier 1 capital instruments.		(1)	16
Total Own Funds		**353.133**	

(Amounts in € thousand)

* The figures for the accounting consolidation and the regulatory consolidation are identical, hence they are shown in a single column.
(**) The plus / minus sign (+/-) represents the (positive / negative) contribution to Own Funds.

Trend of Own Funds

	01.01.2014 / 12.31.2014	01.01.2013 / 12.31.2013
Common Equity Tier 1 - CET1 (Core Tier 1 Capital in relation to 2013)		
Start of period	**316.008**	**251.095**
Instruments and Reserves;		
Capital, premium reserves and other reserves	7.157	-
Accumulated other comprehensive income (OCI);	(1.952)	4.214
Profit for the period (net of charity and foreseeable dividends)	28.604	63.209
Regulatory adjustments		
Intangible assets – Goodwill	1.333	1.371
Intangible assets - Other intangible assets	(128)	163
Other transitional adjustments to CET1 capital	(1.933)	-
Other national filters before January 1, 2014	4.044	(4.044)
End of period	**353.133**	**316.008**
Additional Tier 1 capital (AT1) (Tier 1 in relation to 2013)		
Start of period	**-**	**-**
End of period	**-**	**-**
Tier 2 capital (T2) (Tier 2 capital in relation to 2013)		
Start of period	**-**	**-**
End of period	**-**	**-**
Total Own Funds (Total regulatory capital in relation to 2013)	**353.133**	**316.008**

(Amounts in € thousand)

The opening balance of Core Tier 1 Capital for the period 1-Jan-2014 / 31-Dec-2014 is Core Tier 1 Capital at December 31, 2013). New regulatory requirements related to CRR adoption are reflected in the trend of assets relating to 2014. The trend related to the period 1-Jan-2013 – 31-Dec-2013 reflects the regulatory amounts under the regulations in force in that period.

The increase in Own Funds compared to December 31, 2013 is mainly attributable to the establishment of the reserve connected to the Equity Settled plans, amounting to €7,158 thousand, and the portion of retained 2014 profits totalling €28,604 thousand, calculated on year-end profits 2014, as per article 26.2 of the CRR (EU Regulation 575/2013).

Comparative regulatory capital breakdown (December 31, 2014 – December 31, 2013) between Own Funds including transitional adjustments and Supervisory Capital

	12.31.2014	*Ref. Own Funds Table*	*12.31.2013*
Capital, premium reserves and other reserves	428.688	1, 2, 3 and 5a	392.927
Accumulated other comprehensive income (OCI);	2.262	3	4.214
Intangible assets – Goodwill	(67.742)	8	(69.075)
Intangible assets - Other intangible assets	(8.142)	8	(8.014)
Other transitional adjustments to CET1 capital	(1.933)	9 and 26a	-
Other national filters before January 1, 2014	-	-	(4.044)
Common Equity Tier 1 - CET1 (Core Tier 1 Capital in relation to 2013)	**353.133**	**29**	**316.008**
Additional Tier 1 capital (AT1) (Tier 1 in relation to 2013)	-	**44**	**-**
Tier 1 capital (T1= CET1+AT1) (Tier 1 capital in relation to 2013)	-	**45**	**-**
Tier 2 capital (T2) (Tier 2 capital in relation to 2013)	-	**58**	**-**
Total Own Funds (Total regulatory capital in relation to 2013)	**353.133**	**59**	**316.008**

(Amounts in € thousand)

Capital requirements

On the basis of the EU regulations set out in Directive 2013/36/EU ((Capital Requirements Directive, CRD IV) and Regulation No 575/2013/EU, collated and implemented by the Bank of Italy through Circular No. 285 of December 17, 2013 "Supervisory Regulations for Banks", the Bank must satisfy the following capital requirements, expressed as a percentage of the total risk exposure amount (RWA – Risk Weighted Assets):

- a Common Equity Tier 1 capital ratio of at least 4.5%;
- a Tier 1 capital ratio of at least 5.5%;
- a total capital ratio of at least 8%.

In addition to the common equity tier 1 capital needed to meeting the Own Funds requirements under article 92 of the CRR, banks must hold a capital conservation buffer equal to 2.5% of their total exposure to risk. With reference to the contents of Bank of Italy Bollettino di Vigilanza No. 12 of December 2013 relating to transitory and final provisions applicable to capital reserves regulations, the Bank – as part of a banking group – must apply, for the year 2014, a capital conservation buffer ratio of 0.625%. Hence the minimum capital requirements for FinecoBank for 2014 are:

- 5.125% of common equity tier 1 capital;
- 6.125% of tier 1 capital;
- 8.625% of total capital.

Lastly, the Basel III supervisory regulations require that entities using methods based on internal ratings to calculate capital requirements for credit risk or advanced measurements approaches for calculating own funds requirements for operating risk must, until December 31, 2017, hold own funds that are equal to or above 80% of the requirements under Basel I (article 500 CRR – Regulation 575/2013).
FinecoBank has obtained approval from the Bank of Italy to use Advanced Measurements Approaches (AMA) to calculate capital requirements in light of operational risks as of June 30, 2010.

To calculate regulatory requirements in view of credit and market risks, FinecoBank applies standardised approaches, in accordance – respectively – with Part Three, Title II, Chapter 2 of Regulation (EU) No. 575/2013 and Part Two, Title II, Chapter 4 of Bank of Italy Circular No. 263/2013.

In line with Group guidelines, FinecoBank assesses capital adequacy by managing and allocating (regulatory and economic) capital according to the risks assumed and with the aim of directing its operations towards the creation of value.

The Group has set itself the goal of generating income in excess of that necessary to remunerate risk (cost of equity).
This goal is achieved by allocating capital to the different areas and operational units according to their specific risk profiles and by adopting a risk-adjusted performance measurement, RAPM. In support of planning and monitoring processes, a number of indicators are used that combine and summarize the operating, financial and risk variables to be considered.

Capital and its allocation are therefore extremely important in defining strategies, since on the one hand it represents the shareholders' investment in the Bank, which must be adequately remunerated, while on the other hand it is a scarce resource on which there are external limitations imposed by supervisory regulations.

The definitions of capital used in the allocation process are as follows:

- Risk or employed capital: This is the equity component provided by shareholders (employed capital) for which a return that is greater than or equal to expectations (cost of equity) must be provided;
- Capital at risk: This is the portion of capital and reserves that is used (the budgeted amount or allocated capital) or was used to cover (at period-end - absorbed capital) risks assumed to pursue the objective of creating value.

If capital at risk is measured using risk management methods, it is defined as economic capital; if it is measured using regulatory provisions, it is defined as regulatory capital.

Economic capital and regulatory capital differ in terms of their definition and the categories of risk covered. The former is based on the actual measurement of exposure assumed, while the latter is based on templates specified in regulatory provisions. Economic capital is set at a level that will cover adverse events with a certain probability (confidence interval), while regulatory capital is quantified on the basis of a CET1 target ratio higher than that required by the supervisory regulations in force and in line with Group targets.

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

FinecoBank monitors regulatory capital in relation to shareholders' equity, both according to the accounting and supervisory definition (Common Equity Tier 1, Additional Tier 1 and Tier 2 Capital), and in relation to the planning and performance of risk-weighted assets (RWAs).

The assessment of the Bank's capital adequacy is a dynamic process that requires constant monitoring designed to control the level of available resources compared to the capital used, and also to provide indications to the decision-making bodies. The monitoring is accompanied by an efficient and appropriate communications system, both for management purposes and communications with the supervisory authorities.

The joint analysis of the risk/return profile is performed by FinecoBank through performance measures corrected for risk – namely EVA (Economic Value Added) and RARORAC.
FinecoBank's risk-weighted exposures have been calculated in accordance with Part Three, Title II, Chapter 2 of CRR 575/2013 – Capital requirements for credit risk – Standardised Approach.

Credit and counterparty risk

Book	12.31.2014			03.31.2014		
	Exposure to credit and counterparty risk	*Risk weighed assets*	*Capital requirement*	*Exposure to credit and counterparty risk*	*Risk weighed assets*	*Risk weighed assets*
Exposures subject to the IRB method						
Total – IRB approach	-	-	-	-	-	-
Exposures subject to the standardised approach						
Exposures with or secured by central governments or central banks	1.971.033	89.822	7.186	210.050	83.127	6.650
Exposures with or secured by Institutions	14.426.384	23.965	1.917	17.842.659	21.008	1.681
Exposures with or secured by regional governments or local authorities	1	-	-	1	-	-
Exposures with or secured by multilateral development banks	3	-	-	3	-	-
Exposures with or secured by Companies or other entities	126.029	124.423	9.954	119.164	117.050	9.364
Retail exposures	920.738	690.553	55.244	979.786	734.839	58.787
Exposures secured by real estate property	452	197	16	-	-	-
Exposures in default	4.242	4.290	343	4.783	4.876	390
Equity exposures	5	5	-	5	5	-
Other exposures	118.223	118.217	9.458	178.366	178.358	14.269
Total - standardised approach	**17.567.110**	**1.051.472**	**84.118**	**19.334.817**	**1.139.263**	**91.141**
Exposures to central counterparties in the form of pre-funded contributions to the default fund		**387**	**31**		**652**	**52**
Risk assets – Credit and counterparty risk	**17.567.110**	**1.051.859**	**84.149**	**19.334.817**	**1.139.915**	**91.193**

(Amounts in € thousand)

Exposures to credit and counterparty risk, risk-weighted assets and the associated capital requirement at December 31, 2014 are compared with the figures as at March 31, 2014, the date of first-time adoption of the Basel III supervisory regulations.

Credit and counterparty risk – Breakdown of credit risk and counterparty risk

Book	12.31.2014				03.31.2014			
	Credit risk		*Counterparty credit risk*		*Credit risk*		*Counterparty credit risk*	
	Risk weighed assets	*Capital requirement*	*Risk weighed assets*	*Capital requirement*	*Risk weighed assets*	*Capital requirement*	*Risk weighed assets*	*Risk weighed assets*
Exposures subject to the IRB method								
Total – IRB approach	-	-	-	-	-	-	-	-
Exposures subject to the standardised approach								
Exposures with or secured by central governments or central banks	89.822	7.186	-	-	83.127	6.650	-	-
Exposures with or secured by Institutions	12.830	1.026	11.135	891	4.907	393	16.102	1.288
Exposures with or secured by Companies or other entities	106.499	8.520	17.924	1.434	97.081	7.766	19.969	1.598
Retail exposures	351.705	28.136	338.848	27.108	285.708	22.857	449.131	35.930
Exposures secured by real estate property	197	16	-	-	-	-	-	-
Exposures in default	4.290	343	-	-	4.876	390	-	-
Equity exposures	5	-	-	-	5	-	-	-
Other exposures	118.217	9.458	-	-	178.358	14.269	-	-
Total - standardised approach	**683.565**	**54.685**	**367.907**	**29.433**	**654.062**	**52.325**	**485.202**	**38.816**
Exposures to central counterparties in the form of pre-funded contributions to the default fund	**387**	**31**			**651**	**52**		
Risk assets – Credit and counterparty risk	**683.952**	**54.716**	**367.907**	**29.433**	**654.713**	**52.377**	**485.202**	**38.816**

(Amounts in € thousand)

Total capital requirements

Type of risk	*Approach used*	*Capital requirements 12.31.2014*	*Capital requirements 03.31.2014*
1. On-balance sheet risk assets	Standardized approach	51.608	49.009
2. Guarantees given and commitments to disburse funds	Standardized approach	3.077	3.316
3. Derivative contracts	Current value method	138	127
4. SFT Transactions	CRM – Comprehensive method with supervisory volatility adjustments	29.295	38.689
Capital requirements for credit and counterparty risk		**84.118**	**91.141**
Capital requirements for exposures to central counterparties in the form of pre-funded contributions to the default fund		**31**	**52**
Market risk			
1. Foreign-exchange risk	Standardized approach	832	-
2. Debt securities position risk	Standardized approach	1.316	1.311
3. Equity securities position risk	Standardized approach	133	71
4. Position risk on commodities	Standardized approach	-	-
Capital requirements for market risk		**2.281**	**1.382**
1. Concentration risk	Standardized approach	-	-
Capital requirements for concentration risk		**-**	**-**
1. Risk of credit valuation adjustment	Standardized approach	13	-
Capital requirements for risk of credit valuation adjustment		**13**	**-**
1. Settlement risk	Standardized approach	-	1
Capital requirements for settlement risk		**-**	**1**
1. Advanced approach	Advanced approach	61.584	64.896
Capital requirements for operational risk		**61.584**	**64.896**
Total capital requirements		**148.027**	**157.472**

(Amounts in € thousand)

The Basel III supervisory regulations require that entities using methods based on internal ratings to calculate capital requirements for credit risk or advanced measurements approaches for calculating own funds requirements for operating risk must, until December 31, 2017, hold own funds that are equal to or above 80% of the requirements under Basel I (article 500 CRR – Regulation 575/2013), instead of the adjusted Basel I capital floor set out by the Bank of Italy regulations previously in force (Bank of Italy Circular No. 263).

Capital adequacy

FinecoBank's supervisory prudential requirements at December 31, 2014 have been calculated by applying the current Basel III supervisory provisions, standardised approach, with the exception of operational risk capital requirements, calculated using the advanced approaches.

Categories/Values	Non-weighted amounts			Weighted/required amounts		
	12.31.2014	03.31.2014	12.31.2013*	12.31.2014	03.31.2014	12.31.2013*
A. RISK ASSETS						
A.1 Credit and counterparty risk	**17.567.110**	**19.334.817**	**18.756.147**	**1.051.859**	**1.139.915**	**1.073.917**
1. Standardized approach	17.567.110	19.334.817	18.756.147	1.051.859	1.139.915	1.073.917
2. Internal rating method	-	-	-	-	-	-
2.1 Basic	-	-	-	-	-	-
2.2 Advanced	-	-	-	-	-	-
3. Securitisations	-	-	-	-	-	-
B. REGULATORY CAPITAL REQUIREMENTS						
B.1 Credit and counterparty risk				**84.149**	**91.193**	**85.913**
B.2 Risk of credit valuation adjustment				**13**	**-**	**-**
B.3 Settlement risk				**-**	**1**	**2**
B.4 Market risk				**2.281**	**1.382**	**3.333**
1. Standardized approach				2.281	1.382	3.333
2. Internal Models				-	-	**-**
3. Concentration risk				-	-	-
B.5 Operational risk				**61.584**	**64.896**	**64.912**
1. Basic Indicator Approach				-	-	-
2. Standardised approach				-	-	-
3. Advanced approach				61.584	64.896	64.912
B.6 Other calculation elements				**-**	**-**	**52.288**
B.7 Total prudential requirements				**148.027**	**157.472**	**206.448**
C. RISK ASSETS AND CAPITAL RATIOS						
C.1 Risk-weighted assets				1.850.331	1.968.410	2.580.595
C.2 Common equity Tier 1 capital/Risk-weighted assets (CET1 capital ratio)				19,08%	16,07%	12,25%
C.3 Tier 1 capital/Risk-weighted assets (Tier 1 capital ratio)				19,08%	16,07%	12,25%
C.3 Own funds/risk-weighted assets (Total capital ratio)				19,08%	16,07%	12,25%

(Amounts in € thousand)

* Figures as at December 31, 2013 are calculated in accordance with regulatory rules in force at that time. In particular, supervisory prudential requirements at December 31, 2013 were calculated by applying the Basel II supervisory provisions, standardised approach, with the exception of operational risk capital requirements, calculated using the advanced approaches. To this end, the Bank has adjusted the total capital requirements for the "floor" set out by Bank of Italy regulations in force at that date, which corresponds to the positive difference between 80% of the capital requirements calculated on the basis of regulations in force as at December 31, 2006, and the sum of capital requirements for credit, counterparty, market and operational risks, calculated using the Basel II standardised approach.

Item B.6 Other calculation elements at December 31, 2013 relate to the adjustment of the aforementioned floor, equal to €121 million, net of the 25% reduction granted until December 31, 2013 to banks belonging to a banking group, equal to €69 million (the 25% reduction in capital requirements granted to banks belonging to a banking group was eliminated with the entry into force of Regulation (EU) 575/2013 as of January 1, 2014).

Capital Buffers

Article 129 of Directive 2013/36/EU (CRD IV) requires institutions to maintain a capital conservation buffer of Common Equity Tier 1 capital equal to 2.5% of their total risk exposure amount calculated in accordance with Article 92 of the CRR 575/2013.

With reference to the contents of Bank of Italy Bollettino di Vigilanza No. 12 of December 2013 relating to transitory and final provisions applicable to capital reserves regulations, FinecoBank – as part of a banking group – must apply, for the year 2014, a capital conservation buffer ratio of 0.625%.

In addition, Article 130 of Directive 2013/36/EU (CRD IV) requires institutions to maintain an institution-specific countercyclical capital buffer, comprise common equity tier 1 capital, equivalent to their total risk exposure amount calculated in accordance with Article 92(3) of Regulation (EU) No 575/2013 multiplied by the weighted average of the bank's countercyclical buffer rates. The transitory and final provisions applicable to capital reserves regulations contained in Bank of Italy Bollettino di Vigilanza No. 12 of December 2013 envisage application starting from January 1, 2016.

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Credit risk adjustments

Definitions for accounting purposes of ‘past due’ and ‘impaired’

According to Bank of Italy regulations, impaired exposures – i.e. those presenting the characteristics set out in paragraphs 58-62 of IAS 39 – are classified into the following categories:

- Non-performing loans – formally impaired loans, comprising exposure to insolvent borrowers, even if the insolvency has not been recognized in a court of law, or borrowers in a similar situation.
- Doubtful loans – exposure to borrowers experiencing temporary difficulties, which the Group believes may be overcome within a reasonable period of time. Doubtful loans also include loans not classified as non-performing granted to borrowers other than government entities where both of the following conditions are met:
    - They have fallen due and remained unpaid for more than 270 days (or for more than 150 or 180 days for consumer credit exposure with an original term of less than 36 months, or 36 months or over, respectively);
    - The amount of the above exposure to the same borrower and other defaulted payments that are less than 270 days overdue, is at least 10% of the total exposure to that debtor.
- Restructured loans – exposure to borrowers with whom a rescheduling agreement has been entered into with an extension to the payment and renegotiated pricing at interest rates below market, the conversion of part of a loan into shares (“debt to equity swap”) and/or any reduction of principal. Restructured exposures can be reclassified under unimpaired loans only after two years have passed from the date of signing of the restructuring agreement and a resolution has been adopted by the competent corporate bodies declaring that the debtor’s full solvency has been restored and that there are no outstanding balances on all existing credit products.
- Past-due loans – total exposure to any borrower not included in the other categories, which at the reporting date has past-due receivables or unauthorised overdrafts that are more than 90 days past due and meet the requirements set out by supervisory regulations (TSA banks).

  Total exposure is recognized in this category if, at the reference date:
    - the past-due and/or unauthorised borrowing,

    or:
    - the average amount of past-due and/or unauthorised borrowings recorded on a daily basis during the preceding quarter is equal to or exceeds 5% of total exposure.

Credit risk disclosure related to forborne exposures and new EBA definitions of impaired loans

In relation to ESMA document No. 2012/853 of December 20, 2012 on treatment of forbearance practices in IFRS financial statements of financial institutions and subsequent ESMA recommendations on the subject, it should be noted that the identification of the portfolio in question is important for enabling:

- prompt action: with a solid and effective process for monitoring and reporting, the timely identification of possible credit quality impairment enables the Group to promptly put in place either the necessary activities aimed at an eventual renegotiation or the restrictive measures at a stage prior to the potential "default" aimed at reappraising the level of risk; any activity aimed at a possible renegotiation has as objective the timely identification and consequently the proper management of exposures with an increased credit risk, when the bank has not yet launched legal enforcement actions still in presence of a full repayment capacity of the customer;

- proper evaluation of impaired loans, in order to define the actions and classification within the "default" classes;
- start of recovery actions depending on the type, the amount of exposure and the customer characteristics;
- appropriate provisioning in the income statement, consistent with the outlook and recovery time of credit and type of exposure. This activity is in line with IAS 39 and " Basel II" rules;
- accurate and regular reporting to monitor over time the risk of the portfolio at the aggregate level.

ESMA and IAS 39 provisions are complemented by the instructions for financial reporting FINREP, recently issued by the European Banking Authority (EBA), which introduced two new classifications for loans and debt securities in the financial statements: Forborne exposures and Non-performing exposures.

Forborne exposures are defined as exposures containing measures of renegotiation (Forbearance), i.e. concessions in respect of a debtor who has faced - or is about to face - difficulty in meeting its financial commitments ("financial difficulties”).

Non-performing exposures under the new EBA definitions are those that meet one or both of the following criteria:

- material exposures overdue by more than 90 days;
- the bank assesses unlikely that the debtor can fulfil entirely to its credit obligations, without proceeding with the enforcement and realization of collateral, regardless of whether exposures are past due and/or unauthorised and regardless of days past due.

FinecoBank’s current loans portfolio does not include any cases of renegotiation that could effectively be classified as “forborne”.

<u>Description of the approaches adopted for determining value adjustments;</u>

Loans and receivables are non-derivative financial assets with customers or banks, with fixed or determinable payments that are not listed on an active market. Loans and receivables are recognized on the date of contract signing, which normally coincides with the date of disbursement to the borrower.

These items include debt instruments with the above characteristics (including the primary component of structured instruments after the embedded derivative has been unbundled) or that are subject to portfolio reclassification in accordance with the rules of IAS 39.

After initial recognition at fair value, which usually is the price paid including transaction costs and income which are directly attributable to the acquisition or issuance of the financial asset (even if not paid), a loan or receivable is measured at amortized cost, which may be adjusted to take account of impairments/writebacks in value resulting from remeasurement.

A gain or loss on loans and receivables is recognized in profit or loss:

- when a loan or receivable is written off, in item 100.a) “Gains (losses) on disposal”;

or:

- when a loan or receivable is impaired (or written back after an impairment), in item 130.a) “Net value adjustments for impairment of receivables”.

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

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

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

In particular, the amount of the loss on impaired exposures classified as non-performing, doubtful or restructured according to the categories specified below, is the difference between the carrying value and the present value of estimated cash flows discounted at the original interest rate of the financial asset. If the original interest rate is not readily found, or if finding it would be excessively onerous, the best approximation is used.

For all fixed-rate positions, the rate determined in this manner was also held constant in future years, while for variable-rate positions the interest rate is updated in relation to the variable-rate component, keeping the original spread constant.

Recovery times are estimated on the basis of any repayment schedules agreed with the borrower or included in a business plan or in forecasts based on historical recovery experience observed for similar classes of loans, taking into account the type of loan, the geographical location, the type of security and any other factors considered relevant.

Any subsequent change vis-à-vis initial expectations of the amount or timing of expected cash flows of principal and interest causes a change in allowances for impairment and is recognized in profit or loss in item 130(a) “Net value adjustments/writebacks due to impairment of receivables”.

Value adjustments of impaired loans are classified as specific in the relevant income statement item even when the calculation is flat-rate or statistical.

When the reasons for the value adjustments no longer exist, and this assessment is objectively attributable to an event connected to the improvement in the financial solvency of the debtor after the adjustment, a reversal is made in the same income statement item, within the amount of the amortized cost that there would have been if there had been no impairments.

Derecognition of a loan or receivable in its entirety is made when the loan or receivable is deemed to be irrecoverable or is written off. Write-offs are recognized directly in profit or loss under item 130(a) “Value adjustments/writebacks due to impairment of receivables” and reduce the amount of the principal of the loan or receivable. Reversals of all or part of amounts previously written off are recognized in the same item.

On and off-balance sheet exposures to banks

Exposure type / Accounting portfolio	Values as at December 31, 2014											
	On-balance sheet exposures										Off-balance sheet exposures	
	Financial assets held for trading		Financial assets measured at fair value		Available-for-sale financial assets		Held to maturity		Receivables from banks			
	Gross exposure	Average exposure	Gross exposure	Average exposure	Gross exposure	Average exposure	Gross exposure	Average exposure	Gross exposure	Average exposure	Gross exposure	Average exposure
A. On-balance sheet exposures												
a) Non-performing loans	-	-	-	-	-	-	-	-	-	-		
b) Problem loans	-	-	-	-	-	-	-	-	-	-		
c) Restructured loans	-	-	-	-	-	-	-	-	-	-		
d) Overdue loans	-	-	-	-	-	-	-	-	-	-		
e) Other exposures	33	34	-	1.600	-	-	-	-	13.892.197	15.111.555		
TOTAL A	**33**	**34**	**-**	**1.600**	**-**	**-**	**-**	**-**	**13.892.197**	**15.111.555**	**-**	**-**
B. Off-balance sheet exposures												
a) Impaired											-	-
b) Other											543.289	687.710
TOTAL B	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**543.289**	**687.710**
TOTAL A+B December 31, 2014	**33**	**34**	**-**	**1.600**	**-**	**-**	**-**	**-**	**13.892.197**	**15.111.555**	**543.289**	**687.710**

(Amounts in € thousand)

The average exposure has been calculated on figures disclosed.

On and off-balance sheet exposures to customers

Exposure type / Accounting portfolio	Values as at December 31, 2014											
	On-balance sheet exposures										Off-balance sheet exposures	
	Financial assets held for trading		Financial assets measured at fair value		Available-for-sale financial assets		Held to maturity		Receivables from customers			
	Gross exposure	Average exposure	Gross exposure	Average exposure	Gross exposure	Average exposure	Gross exposure	Average exposure	Gross exposure	Average exposure	Gross exposure	Average exposure
A. On-balance sheet exposures												
a) Non-performing loans	-	-	-	-	-	-	-	-	19.845	18.755		
b) Problem loans	-	-	-	-	-	-	-	-	1.393	1.729		
c) Restructured loans	-	-	-	-	-	-	-	-	-	-		
d) Overdue loans	-	-	-	-	-	-	-	-	1.260	1.352		
e) Other exposures	11	12	-	-	1.695.549	892.730	-	-	698.945	671.594		
TOTAL A	**11**	**12**	**-**	**-**	**1.695.549**	**892.730**	**-**	**-**	**721.443**	**693.429**	**-**	**-**
B. Off-balance sheet exposures												
a) Impaired											1	1
b) Other											491.529	554.018
TOTAL B	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**491.530**	**554.018**
TOTAL A+B December 31, 2014	**11**	**12**	**-**	**-**	**1.695.549**	**892.730**	**-**	**-**	**721.443**	**693.429**	**491.530**	**554.018**

(Amounts in € thousand)

The average exposure has been calculated on figures disclosed.

Distribution of on and off-balance sheet exposures to banks by geographical area

Exposures / Geographic areas	ITALY			OTHER EUROPEAN COUNTRIES			AMERICA			ASIA			REST OF WORLD		
	Gross exposure	Total value adjustments	Net exposure	Gross exposure	Total value adjustments	Net exposure	Gross exposure	Total value adjustments	Net exposure	Gross exposure	Total value adjustments	Net exposure	Gross exposure	Total value adjustments	Net exposure
A. On-balance sheet exposures															
A.1 Non-performing loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.2 Problem loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.3 Restructured loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.4 Overdue loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.5 Other exposures	13.860.725	-	13.860.725	31.503	-	31.503	-	-	-	-	-	-	3	-	3
TOTAL	**13.860.725**	**-**	**13.860.725**	**31.503**	**-**	**31.503**	**-**	**-**	**-**	**-**	**-**	**-**	**3**	**-**	**3**
B. Off-balance sheet exposures															
B.1 Non-performing loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.2 Problem loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.3 Other impaired assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.4 Other exposures	312.028	(1.416)	310.612	576	-	576	-	-	-	-	-	-	-	-	-
TOTAL	**312.028**	**(1.416)**	**310.612**	**576**	**-**	**576**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
TOTAL December 31, 2014	**14.172.753**	**(1.416)**	**14.171.337**	**32.079**	**-**	**32.079**	**-**	**-**	**-**	**-**	**-**	**-**	**3**	**-**	**3**

(Amounts in € thousand)

Exposures / Geographic areas	NORTH-WEST ITALY			NORTH-EAST ITALY			CENTRAL ITALY			SOUTH ITALY AND ISLANDS		
	Gross exposure	Total value adjustments	Net exposure	Gross exposure	Total value adjustments	Net exposure	Gross exposure	Total value adjustments	Net exposure	Gross exposure	Total value adjustments	Net exposure
A. On-balance sheet exposures												
A.1 Non-performing loans	-	-	-	-	-	-	-	-	-	-	-	-
A.2 Problem loans	-	-	-	-	-	-	-	-	-	-	-	-
A.3 Restructured loans	-	-	-	-	-	-	-	-	-	-	-	-
A.4 Overdue loans	-	-	-	-	-	-	-	-	-	-	-	-
A.5 Other exposures	18.331	-	18.331	-	-	-	13.842.394	-	13.842.394	-	-	-
TOTAL	**18.331**	**-**	**18.331**	**-**	**-**	**-**	**13.842.394**	**-**	**13.842.394**	**-**	**-**	**-**
B. Off-balance sheet exposures												
B.1 Non-performing loans	-	-	-	-	-	-	-	-	-	-	-	-
B.2 Problem loans	-	-	-	-	-	-	-	-	-	-	-	-
B.3 Other impaired assets	-	-	-	-	-	-	-	-	-	-	-	-
B.4 Other exposures	-	-	-	-	-	-	312.028	(1.416)	310.612	-	-	-
TOTAL	**-**	**-**	**-**	**-**	**-**	**-**	**312.028**	**(1.416)**	**310.612**	**-**	**-**	**-**
TOTAL December 31, 2014	**18.331**	**-**	**18.331**	**-**	**-**	**-**	**14.154.422**	**(1.416)**	**14.153.006**	**-**	**-**	**-**

(Amounts in € thousand)

Distribution of on and off-balance sheet exposures to customers by geographical area

Exposures / Geographic areas	ITALY			OTHER EUROPEAN COUNTRIES			AMERICA			ASIA			REST OF WORLD		
	Gross exposure	Total value adjustments	Net exposure	Gross exposure	Total value adjustments	Net exposure	Gross exposure	Total value adjustments	Net exposure	Gross exposure	Total value adjustments	Net exposure	Gross exposure	Total value adjustments	Net exposure
A. On-balance sheet exposures															
A.1 Non-performing loans	19.845	(16.686)	3.159	-	-	-	-	-	-	-	-	-	-	-	-
A.2 Problem loans	1.393	(936)	457	-	-	-	-	-	-	-	-	-	-	-	-
A.3 Restructured loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.4 Overdue loans	1.260	(617)	643	-	-	-	-	-	-	-	-	-	-	-	-
A.5 Other exposures	2.334.516	(7.610)	2.326.906	59.857	-	59.857	60	-	60	66	-	66	6	-	6
TOTAL	**2.357.014**	**(25.849)**	**2.331.165**	**59.857**	**-**	**59.857**	**60**	**-**	**60**	**66**	**-**	**66**	**6**	**-**	**6**
B. Off-balance sheet exposures															
B.1 Non-performing loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.2 Problem loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.2 Other impaired assets	1	-	1	-	-	-	-	-	-	-	-	-	-	-	-
B.4 Other exposures	21.053	-	21.053	40	-	40	135	-	135	2	-	2	66	-	66
TOTAL	**21.054**	**-**	**21.054**	**40**	**-**	**40**	**135**	**-**	**135**	**2**	**-**	**2**	**66**	**-**	**66**
TOTAL December 31, 2014	**2.378.068**	**(25.849)**	**2.352.219**	**59.897**	**-**	**59.897**	**195**	**-**	**195**	**68**	**-**	**68**	**72**	**-**	**72**

(Amounts in € thousand)

Exposures / Geographic areas	NORTH-WEST ITALY			NORTH-EAST ITALY			CENTRAL ITALY			SOUTH ITALY AND ISLANDS		
	Gross exposure	Total value adjustments	Net exposure	Gross exposure	Total value adjustments	Net exposure	Gross exposure	Total value adjustments	Net exposure	Gross exposure	Total value adjustments	Net exposure
A. On-balance sheet exposures												
A.1 Non-performing loans	4.793	(4.035)	758	2.593	(2.203)	390	3.991	(3.334)	657	8.468	(7.113)	1.355
A.2 Problem loans	356	(239)	117	136	(92)	44	279	(186)	93	623	(420)	203
A.3 Restructured loans	-	-	-	-	-	-	-	-	-	-	-	-
A.4 Overdue loans	276	(136)	140	155	(80)	75	286	(129)	157	543	(272)	271
A.5 Other exposures	234.402	(2.632)	231.770	91.577	(1.063)	90.514	1.858.468	(2.441)	1.856.027	150.068	(1.473)	148.595
TOTAL	**239.827**	**(7.042)**	**232.785**	**94.461**	**(3.438)**	**91.023**	**1.863.024**	**(6.090)**	**1.856.934**	**159.702**	**(9.278)**	**150.424**
B. Off-balance sheet exposures												
B.1 Non-performing loans	-	-	-	-	-	-	-	-	-	-	-	-
B.2 Problem loans	-	-	-	-	-	-	-	-	-	-	-	-
B.2 Other impaired assets	1	-	1	-	-	-	-	-	-	-	-	-
B.4 Other exposures	8.384	-	8.384	3.711	-	3.711	5.433	-	5.433	3.524	-	3.524
TOTAL	**8.385**	**-**	**8.385**	**3.711**	**-**	**3.711**	**5.433**	**-**	**5.433**	**3.524**	**-**	**3.524**
TOTAL December 31, 2014	**248.212**	**(7.042)**	**241.170**	**98.172**	**(3.438)**	**94.734**	**1.868.457**	**(6.090)**	**1.862.367**	**163.226**	**(9.278)**	**153.948**

(Amounts in € thousand)

Distribution of on and off-balance sheet exposures to customers by sector

Exposures / Counterparties	Governments			Other public entities			Financial companies			Insurance company			Non-financial companies			Other entities		
	Gross exposure	Total value adjustments	Net exposure	Gross exposure	Total value adjustments	Net exposure	Gross exposure	Total value adjustments	Net exposure	Gross exposure	Total value adjustments	Net exposure	Gross exposure	Total value adjustments	Net exposure	Gross exposure	Total value adjustments	Net exposure
A. On-balance sheet exposures																		
A.1 Non-performing loans	-	-	-	-	-	-	53	(44)	9	-	-	-	118	(106)	12	19.675	(16.536)	3.139
A.2 Problem loans	-	-	-	-	-	-	2	(1)	1	-	-	-	3	(2)	1	1.388	(933)	455
A.3 Restructured loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.4 Overdue loans	-	-	-	-	-	-	5	-	5	-	-	-	20	(10)	10	1.235	(607)	628
A.5 Other exposures	1.695.557	-	1.695.557	1	-	1	85.408	(139)	85.269	7.096	-	7.096	17.403	(3.332)	14.071	589.040	(4.139)	584.901
TOTAL A	1.695.557	-	1.695.557	1	-	1	85.468	(184)	85.284	7.096	-	7.096	17.544	(3.450)	14.094	611.338	(22.215)	589.123
B. Off-balance sheet exposures																		
B.1 Non-performing loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.2 Problem loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.3 Other impaired assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1	-	1
B.4 Other exposures	494	-	494	-	-	-	160	-	160	-	-	-	82	-	82	20.560	-	20.560
TOTAL B	494	-	494	-	-	-	160	-	160	-	-	-	82	-	82	20.561	-	20.561
TOTAL A + B December 31, 2014	**1.696.051**	**-**	**1.696.051**	**1**	**-**	**1**	**85.628**	**(184)**	**85.444**	**7.096**	**-**	**7.096**	**17.626**	**(3.450)**	**14.176**	**631.899**	**(22.215)**	**609.684**

(Amounts in € thousand)

Distribution by time of contractual residual maturity of financial assets and liabilities

Items/breakdown by time	*Overnight*	*From 1 day to 7 days*	*From 7 days to 15 days*	*From 15 days to 1 month*	*From 1 month to 3 months*	*From 3 months to 6 months*	*From 6 months to 1 year*	*From 1 year to 5 years*	*Over 5 years*	*Indefinite life*
On-balance sheet assets										
A.1 Government securities	-	-	-	-	28.788	13.586	53.562	1.537.501	4	-
A.2 Debt securities	1	3.376	4.252	7.171	29.642	69.213	657.179	5.463.587	3.442.367	-
A.3 Units in investment funds	1	-	-	-	-	-	-	-	-	-
A.4 Loans										
- Banks	1.503.238	285.992	20.236	222.046	905.797	937.327	402.245	-	-	131.851
- Customers	151.633	15.350	212.787	66.945	102.588	33.043	44.496	78.819	4.667	-
On-balance sheet liabilities										
B.1 Deposits and bank accounts										
- Banks	89.607	-	-	-	-	-	-	-	-	-
- Customers	12.252.000	31.190	46.781	80.104	328.730	387.155	419.381	23.229	-	-
B.2 Debt securities	-	-	-	-	-	25.539	414.536	-	-	-
B.3 Other liabilities	71.468	287.558	9.072	15.637	683.289	448.106	176.638	-	-	-
Off-balance sheet transactions										
C.1 Financial derivatives with exchange of capital										
- Long positions	-	165.330	108	-	1.050	-	-	85	423	-
- Short positions	-	164.918	111	-	-	-	-	85	1.473	-
C.2 Financial derivatives without exchange of capital										
- Long positions	920	1.002	2.170	-	14.925	15.382	35.729	-	-	-
- Short positions	1.137	-	24	-	16.389	13.070	37.856	-	-	-
C.3 Deposits and loans to be received										
- Long positions	-	6.991	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	6.412	579	-	-	-
C.4 Irrevocable commitments to lend funds										
- Long positions	-	-	-	-	-	16.980	-	537	-	-
- Short positions	-	16.980	-	537	-	-	-	-	-	-
C.5 Financial guarantees given	-	-	-	-	-	-	-	-	-	-
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-
C.7 Credit derivatives with exchange of capital										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.8 Credit derivatives without exchange of capital										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-

(Amounts in € thousand)

On-balance sheet exposures to customers: trend of overall value adjustments.

Reasons / Categories	*Non-performing loans*	*Problem loans*	*Exposures restructured*	*Exposures Past-due*
A. Total initial adjustments	**(14.387)**	**(1.393)**	**-**	**(663)**
of which: transferred exposures not written off	-	-	-	-
B. Increases				
B.1 Value adjustments	(3.363)	(824)	-	(587)
B.1 bis Losses on disposal	-	-	-	-
B.2 Transfers from other categories impaired exposures	(1.171)	(41)	-	-
B.3 Other increases	(31)	-	-	-
C. Decreases				
C.1 Write-backs from valuation	354	211	-	254
C.2 Write-backs from collections	225	93	-	139
C.2 bis Gains on disposal	-	-	-	-
C.3 write-offs	1.687	42	-	4
C.4 Transfers to other categories impaired exposures	-	976	-	236
C.5 Other decreases	-	-	-	-
D. Total final adjustments	**(16.686)**	**(936)**	**-**	**(617)**
of which: transferred exposures not written off	-	-	-	-

(Amounts in € thousand)

The impaired on-balance sheet exposures shown above refer exclusively to receivables from customers. No data to report in relation to on-balance sheet exposures to banks: trend of overall value adjustments.

Remuneration policy

Qualitative disclosure

1. Governance & Compliance

FinecoBank's corporate governance framework assures clarity and accountability in decision-making regarding remunerations.

1.1 Remuneration and Appointments Committee

The Remuneration and Appointments Committee performs a strategic role in supporting Board of Directors' oversight of FinecoBank Compensation Policy and plans design.

The Board of Directors of FinecoBank, renewed on April 15th, 2014, during the first session started the process to adopt Corporate Governance system to the status of Listed Company, that is subjected, inter alia, to legislation and regulations for Companies that appeals to the market of capital risk, to TUF and Issuers Regulation provisions, as well as to the need to bring its own Corporate Governance model in line with the one foreseen by the Corporate Governance Code.

Later, on May 13th, 2014, the Board of Directors established an internal Remuneration and Appointments Committee, one committee with proposal making and advisory functions to the Board itself.

This Committee is composed of Directors Mr. Gianluigi Bertolli, Mrs. Mariangela Grosoli and Mr. Girolamo Ielo, who met the independence requirements set out in Article 3 of the Corporate Governance Code and also Article 148 (3) of the TUF and have adequate knowledge and experience in finance or remuneration policies.

The Chairman, Mr. Gianluigi Bertolli, has presided the Committee's meeting during 2014.

In performing its duties and if important and suitable, also availing itself with the support of an external consultant, The Remuneration and Appointments Committee:

a) provides opinions to the Board of Directors - on the proposals formulated, as appropriate, by the Chairman of the Board or by the Chief Executive Officer and General Manager - concerning:
   - the definition of policies for appointing the Company's directors (including the qualitative- quantitative characteristics required by the Supervisory Regulations of the Bank of Italy);
   - the appointment of the Chief Executive Officer and General Manager and the other Executives with strategic responsibilities;
   - the definition of any succession plans for the Chief Executive Officer and General Manager and for the other Executives with strategic responsibilities;
   - the identification of FinecoBank director candidates in the event of co-optation, and of independent director candidates to be submitted for approval by the Company shareholders' meeting, taking into account any reports received from shareholders;
   - the appointment of members of the Committees established within the Board of Directors, upon the proposal of the Chairman;

b) presents proposals to the Board for the definition of a general remuneration policy for the Chief Executive Officer and General Manager, for the other Executives with strategic responsibilities, for the Heads of Company Control Functions e for the other Identified Staff – also so that the Board is able to prepare the Annual Compensation Report to be presented to the Shareholders' Meeting on an annual basis, and to periodically assess the suitability, overall consistency and effective application of the general remuneration policy approved by the Board;
c) presents proposals to the Board relating to the total remuneration of the Chief Executive Officer and General Manager, of the other Executives with strategic responsibilities, of the Heads of Company Control Functions e of the other Identified Staff, including the relevant performance targets related to the variable component of the remuneration;
d) monitors the implementation of the decisions adopted by the Board and verifies, in particular, the achievement of the performance targets;
e) examines any share-based or cash incentive plans for employees of the Company, and strategic staff development policies.

The Committee may, when it deems it appropriate, invite other individuals from within the Company to attend the meetings, in relation to the corporate functions and organizations concerned by the issues at hand, including members of other committees within the Board of Directors, or external parties, whose presence may facilitate the Committee in performing its functions. The Committee shall meet when convened by its Chairman, whenever he/she deems necessary, or upon the request of one of its members.

In 2014 the Head of Human Resources has been always invited to Committee’s meetings. The Chairman has also invited the Chief Risk Officer of FinecoBank to have his evaluation on the consistency of Long-term Incentive Plans for employees and Financial Advisors with the risk policies of the Bank, and the Head of Network PFA Sales Department, Monitoring & Service Network to analyze the Guidelines of Stock Granting Plans for the Financial Advisors.

During 2014 the key activities of the Remuneration and Appointments Committee included:

compensation package and performance targets of the Executives with strategic responsibilities;

Compensation Policy and Guidelines of Incentive and Loyalty Plans for employees and Financial Advisors.

On December 2014 the Committee, by means of its budget assigned for the year, has started a collaboration with an independent external advisor.

In 2014 the Remuneration and Appointments Committee met 5 times. The meetings had an average duration of two hours. As of April 2015, 4 meetings of the Committee have been held this year. Minutes are taken of each meeting of the Remuneration and Appointments Committee and placed on record by the Secretary designated by Committee itself.

The main topics discussed by the Committee are also submitted to the attention of the Board of Statutory Auditors.

The following table summarizes the composition of the Committee in 2014 and, in addition to the information on the independency of the members, provides details regarding their attendance to the meetings that have been called during the year.

REMUNERATION AND APPOINTMENTS COMMITTEE – (YEAR 13/05/2014 – 31/12/2014)						
Office	**Name**	**Independency according to**		*	**	***
		Code	**TUF**			
Members currently in office						
Chairman	Gianluigi Bertolli	Yes	Yes	C	5	100%
Director	Mariangela Grosoli	Yes	Yes	M	5	100%
Director	Girolamo Ielo	Yes	Yes	M	5	100%

Notes

(*) In this column is pointed out the office covered in the Committee (C=Chairman; M=Member)

(**) In this column is pointed out the number of meetings attended during the period when the office has been covered

(***) In this column is pointed out the percentage of attending to Committee's meetings (no. of participation / no. of meetings taken during the effective period when the office has been covered)

2.2 The Role of Company Control Functions: Compliance, Risk Management and Audit[1]

Key contributions in 2014 of FinecoBank Compliance function, for all aspects that fall within its perimeter and in collaboration with Group Compliance, included:

- validation of the 2014 Compensation Policy submitted to the Board of Directors for subsequent approval of the Shareholders' Meeting on June 5th, 2014;
- validation of the 2014 Incentive System for Identified Staff;
- preparation – in collaboration with the Human Resources function – and distribution of FinecoBank guidelines for the development and management of 2014 incentive systems for the population not belonging to Identified Staff (ref. FinecoBank Internal Regulation 5/2013);
- participation in specific initiatives of Human Resources function (e.g.: review of definition of Identified Staff for the application of Incentive System);
- analysis of specific non-standard compensation within the 2014 cycle.

In 2015, the Compliance function will continue to operate in close co-ordination with the Human Resources function to support not only in the validation but also in the design and definition of compensation policy and processes.

The link between compensation and risk has been maintained in 2014 with the involvement of the Risk Management function in compensation design and the definition of an explicit framework to base remuneration within an overarching FinecoBank Risk Appetite, which is consistent with Group Risk Appetite, so that incentives to take risk are appropriately constrained by incentives to manage risk. In particular, the Board of Directors and Remuneration

[1] Internal Audit function is centralized in UniCredit and works based on a specific service contract.

and Appointments Committee draw upon the input of involved functions to define the link between profitability, risk and reward within FinecoBank incentive systems.

2. Continuous Monitoring of Market Trends and Practices

Remuneration and Appointments Committee and Board of Directors make informed decisions on compensation, in line with business strategy and based on appropriate market awareness.

Key highlights of total compensation policy defined this year with the support of external benchmarking and trends analysis provided by the independent external advisor to the Remuneration and Appointments Committee include:

- the definition of executive compensation policy with particular reference to the design of the 2015 incentive systems;
- the pay recommendations based on specific benchmarking analysis versus our defined peer group to inform any decision.

Compensation levels and ratio between fix and variable component of overall remuneration for Identified Staff are planned, managed and reviewed based on our strategic framework and also aligned with FinecoBank relative performance over time. As policy target, total compensation is set around upper quartile, with individual positioning defined considering specific market of the business and talent, skills and competencies that the individual brings to the Bank. The level of fix pay should be sufficient so that inappropriate risk-taking is not encouraged.

The peer group used to benchmark compensation policy and practice with particular reference to Identified Staff has been defined by the Remuneration and Appointments Committee upon proposal of the independent external advisor on the basis of criteria including: comparability of size, complexity and business model, presence in customer, talent and capital markets, risk and legal-socio-economic environment.

The peer group is subject to annual review to assure its continuing relevance. For 2015 it has been defined a national peer group that includes:

- some Banks operating in the same industry of FinecoBank, in particular those listed as:
  - Generali
  - Mediolanum
  - Azimut
- positions of Asset Management, Wealth Management, Trading internal to national Banks:
  - Banco Popolare
  - Veneto Banca
  - Generali
  - Carige
  - Credem
  - Cariparma
  - BNP Paribas (Italy)
  - BPER

- Deutsche Bank (Italy)
- Monte Paschi di Siena
- Intesa SanPaolo
- UBI Banca

In addition to what mentioned above, for the Chief Executive Officer and General Manager and for the Executives with strategic responsibilities it will be realized a benchmark also with European market, based on a sample of European Banks listed, belonging to FT Europe 500 listing, and approximately of Banks with Wealth Management, Asset Management and Private Banking activities, trading platform, on top of a US comparables' analysis.

3. Compensation Systems

3.1 Target Population

FinecoBank, starting from last year conducted, in alignment with specific regulation, the self-evaluation process to define Identified Staff population to whom, according to regulators, specific remuneration rules apply.

For 2014, the assessment process, documented into 2014 FinecoBank Compensation Policy, brought to the identification of 9 resources, pursuant to the *European Banking Authority Regulatory Technical Standard* (RTS)[2].

In 2015, Identified Staff population has been reviewed also taking into consideration the latest regulatory requirements (ref. Supervisory Provisions "*Regulations on remuneration and incentive policies and practices of Banks and Banking groups*" issued on November 18th, 2014).

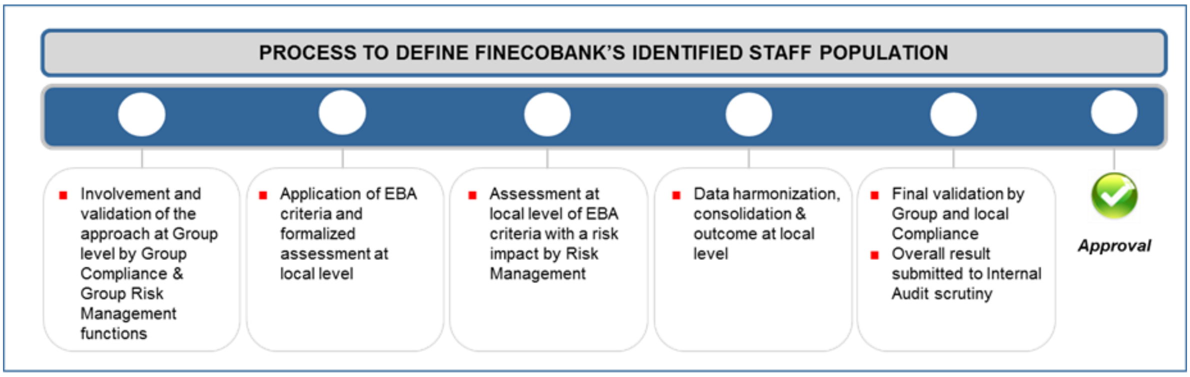
The definition of 2015 Identified Staff followed a structured and formalized assessment process both at Group and local level, based on the qualitative and quantitative criteria common at European level defined by EBA and on the guidelines provided by the Group functions Human Resources, Risk Management and Compliance.

In particular, Risk Management function has been directly involved in the assessment at local level on the application of qualitative criteria with a risk impact.

Finally Compliance function validated FinecoBank approach both at Group and local level.

The application of qualitative criteria brought, based on role, decisional power and senior accountability of staff, to the identification of Management staff, risk takers and staff belonging to control functions, regardless of their remuneration; quantitative criteria have been used as residual criteria in order to include in the Identified Staff category those employees whose overall compensation reflects the impact of their professional activity on the risk profile of the Bank.

[2] *European Banking Authority* (EBA) *Regulatory Technical Standards* on criteria to identify categories of staff whose professional activities have a material impact on an institution's risk profile under Article 94 (2) of Directive 2013/36/EU.



The result of the assessment process for the definition of Identified Staff, submitted to Internal Audit scrutiny, brought to the identification of a total number of 13 employees and 6 Financial Advisors for 2015[3].

Regarding the employees, as a result of the analysis and as approved by the Board of Directors upon Remuneration and Appointments Committee proposal, the following categories of employees have been identified for 2015 as Identified Staff: Chief Executive Officer and General Manager, Executives with strategic responsibilities, executive positions in Company Control Functions (Compliance, Risk Management and Human Resources) and other positions that are responsible at local level for strategic decisions which may have a relevant impact on the Bank's risk profile.

Regarding the Financial Advisors, FinecoBank has applied a qualitative criteria to select those belonging to Identified Staff, on the basis of their impact on business risk (represented by the risk that the Bank's profitability decreases consequently to the exit of Advisors from the Network and the related loss of customers and assets), the only type of risk that the Bank considers attributable to PFA, due to the absence of power of attorney they have to assume any other kind of risks.

As a result of the analysis and as approved by the Board of Directors upon Remuneration and Appointments Committee proposal, the following categories of employees have been identified for 2015 as Identified Staff:

- for the single PFA the criteria above mentioned has been applied selecting those Advisors who have a total yearly compension higher/equal to Euro 750.000;
- for PFA who have a managerial role have been selected Managers that coordinate Advisors with a total asset on their own higher/equal to 5% of the total asset of the PFA Network.

3.2 Implementation and Outcomes of 2014 Incentive System for employees

The 2014 Incentive System, approved by FinecoBank Board of Directors on April 15th, 2014, provides for a "*bonus pool*" approach which takes into consideration most recent national and international regulatory requirements and directly links bonuses with Company results at Group and local level, furtherly ensuring the link between profitability, risk and reward.

[3] I dati sul personale più rilevante si riferiscono alla popolazione a marzo 2015, mediante una identificazione *ex-ante*, in linea con le richieste dei regolatori.

The System, implemented within the framework of our policy and governance, provides for the allocation of a performance related bonus in cash and/or free ordinary shares over maximum 6 years.

Bonus pool sizing

The bonus pool dimension is related to the actual profitability measure multiplied for the percentage of the bonus pool funding rate defined in the budgeting phase.

This calculation determines the so called “theoretical bonus pool”. After this step the process foresees a verification on the entry conditions at Group and local level, as described in the following paragraph.

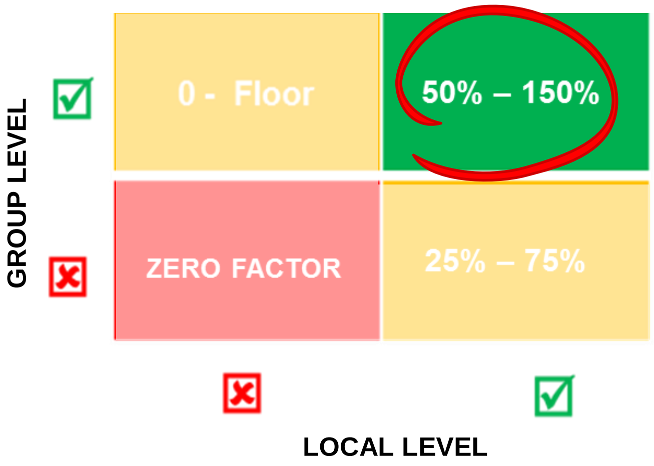
2014 Entry conditions at Group and local level

In order to align to regulatory requirements, specific indicators measuring annual profitability, solidity and liquidity results had been set both local and Group level as Entry Conditions. In particular, risk metrics and thresholds for 2014 Incentive System as defined within the Entry Conditions that confirms, reduces or cancels upfront and deferred payouts include:

Group level	Local level
Net Operating Profit adjusted ≥ 0 and	Net Operating Profit adjusted ≥ 0 and
Net Profit ≥ 0 and	Net Profit ≥ 0
Core Tier 1 ≥ 9% and	
Cash Horizon ≥ 90 days	

- **Net Operating Profit adjusted** (NOP excluding income from buy-back of own debt and from the fair value accounting of own liabilities) to measure profitability. In case of loss the Zero Factor is triggered.
- **Net Profit** to measure profitability considering the results stated in the balance sheet excluding any extraordinary item as considered appropriate by the Board of Directors upon Remuneration and Appointments Committee proposal. In case of loss the Zero Factor is triggered.
- **Core Tier 1 Ratio** to measure the Bank’s solidity in terms of highest quality common equity, consistent with regulatory limits and conservation buffers. As per regulatory requirements, this parameter threshold was set at EBA Limit 9%.
- **Cash Horizon** to measure the Bank’s capacity to face up to its liquidity obligations consistent with Basel 3 Horizon Liquidity Coverage. The threshold is set at 90 days.

According to the actual results, verified and approved by the Board of Directors of FinecoBank on February 9th, 2015, and by the Board of Directors of UniCredit on February 11th, 2015, at local and Group level the relevant entry conditions have been achieved. As a consequence, FinecoBank bonus pool falls in a range between 50% and 150% of the theoretical bonus pool value, calculated applying the funding rate percentage to the actual profitability results.



Based on the achievements, no *malus* condition is activated (at Group and local level) both for 2014 bonus and for payouts provided by previous years incentive plans deferred instalments

Risk & Financial sustainability

After the verification of the Entry Conditions achievement, the actual bonus pool of FinecoBank had been adjusted within respective ranges, based on the assessment of the overall financial and risk sustainability evaluated by CRO & CFO dashboards including respectively:

- risk indicators linked to local *RAF*[4]
- performance indicators connected with the Strategic Plan, to evaluate the financial sustainability.

Evaluation and payout for Identified Staff

In line with FinecoBank governance, 2014 evaluations for Chief Executive Officer and General Manager, Deputy General Manager, other Executives with strategic responsibilities, Chief Risk Officer, Head of Legal & Corporate Affairs and Head of Referente Compliance have been approved by the Board of Directors, based on favourable advice of Remuneration and Appointments Committee.

The Board of Directors of FinecoBank on February 9th, 2015, has approved the allocation of a total number of shares equal to 269.728 to be assigned in 2017, 2018, 2019 and 2020.

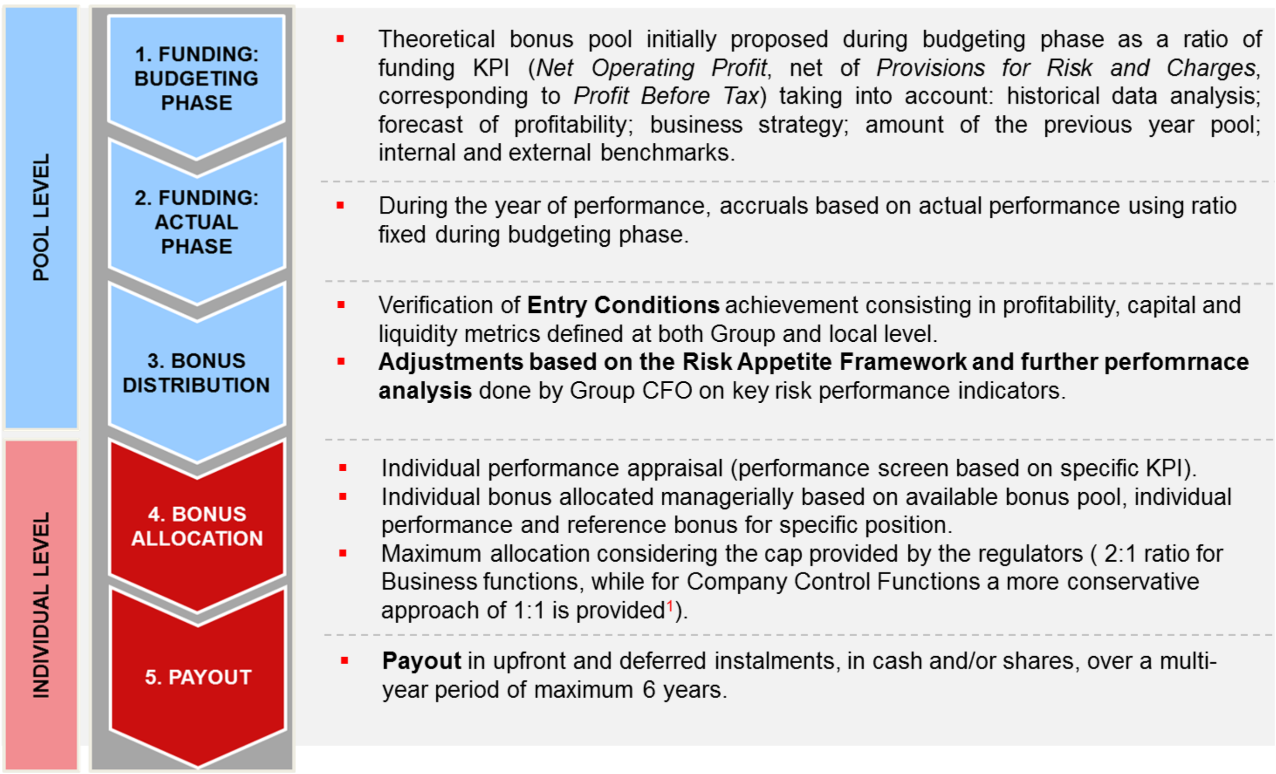
<u>3.3 2015 Incentive System for employees belonging to Identified Staff</u>

The 2015 Incentive System, as approved by the Board of Directors of FinecoBank on January 22nd, 2015, is based on a "*bonus pool*" approach which takes into consideration most recent national and international regulatory requirements and directly links bonuses with Company results at Group and local level, furtherly ensuring link between profitability, risk and reward. In particular, the system provides for:

[4] *Risk Appetite Framework*

- allocation of a variable incentive defined on the basis of the determined bonus pool;
- a *malus* clause (Zero Factor) which applies in case specific thresholds (profitability, capital and liquidity) are not met at both Group and local level;
- risk adjusted measures in order to guarantee long-term sustainability, regarding Company financial position and to ensure compliance with regulations;
- definition of a balanced structure of upfront (following the moment of performance evaluation) and deferred payments, in cash and in shares, to be paid over a period of up to maximum 6 years;
- distributions of share payments which take into account the applicable regulatory requirements regarding the application of share retention periods.

The 2015 Incentive System is based on a process that includes the following steps:



[1] Including also the 2015 allocation of «2014-2017 Multy-year Plan Top Management».

1. FUNDING: BUDGETING PHASE

- Theoretical bonus pool is initially proposed during the budgeting phase as a percentage of the funding KPI (*Net Operating Profit,* net of *Provisions for Risk and Charges*, corresponding to *Profit Before Tax*) considering: historical data analysis, expected profitability, business strategy and previous year pool. Budget is submitted for approval to the Board of Directors of FinecoBank.

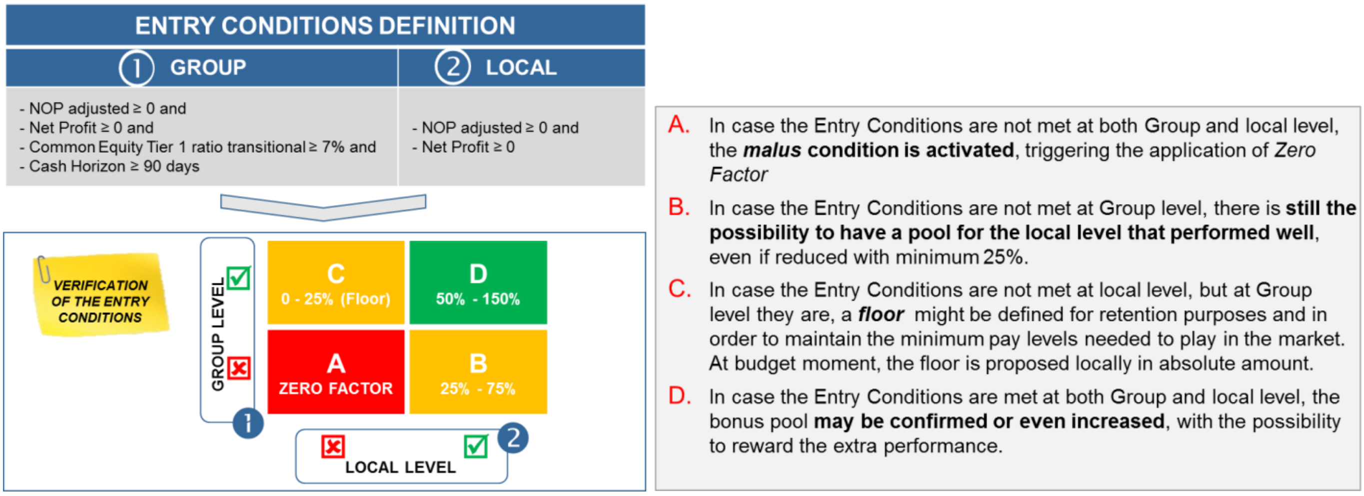
2. FUNDING: ACTUAL PHASE

- During the year of performance, quarterly accruals are based on the actual results, with adjustments made throughout the year with 1st, 2nd and 3rd quarter forecast being affected by performance trends;
- for the pool the accruals would be determined according to the actual trend of the funding KPIs defined in the budgeting phase. In this way the bonus pool set is adjusted accordingly to the infra-annual trend of funding KPI.

3. BONUS DISTRIBUTION

- Consistency with FinecoBank performance and sustainability is ensured through specific “Entry Conditions” set at both Group and local level;
- application of a *malus* clause in case specific profitability, liquidity and capital thresholds are not reached at Group and local level;
- the distribution is risk adjusted in order to guarantee sustainability with respect to Company’s financial position based on FinecoBank *Risk Appetite Framework* and further performance analysis done by CFO;
- the bonus pool is proposed by FinecoBank on the basis of the latest forecast data, taking into consideration the forecasted results evaluation – risk-adjusted – both at Group and local level.

The Entry Conditions is the mechanism that determines the possible application of *malus* clause (Zero Factor) on the basis of performance indicators in terms of profitability, capital and liquidity defined at both Group and local level.

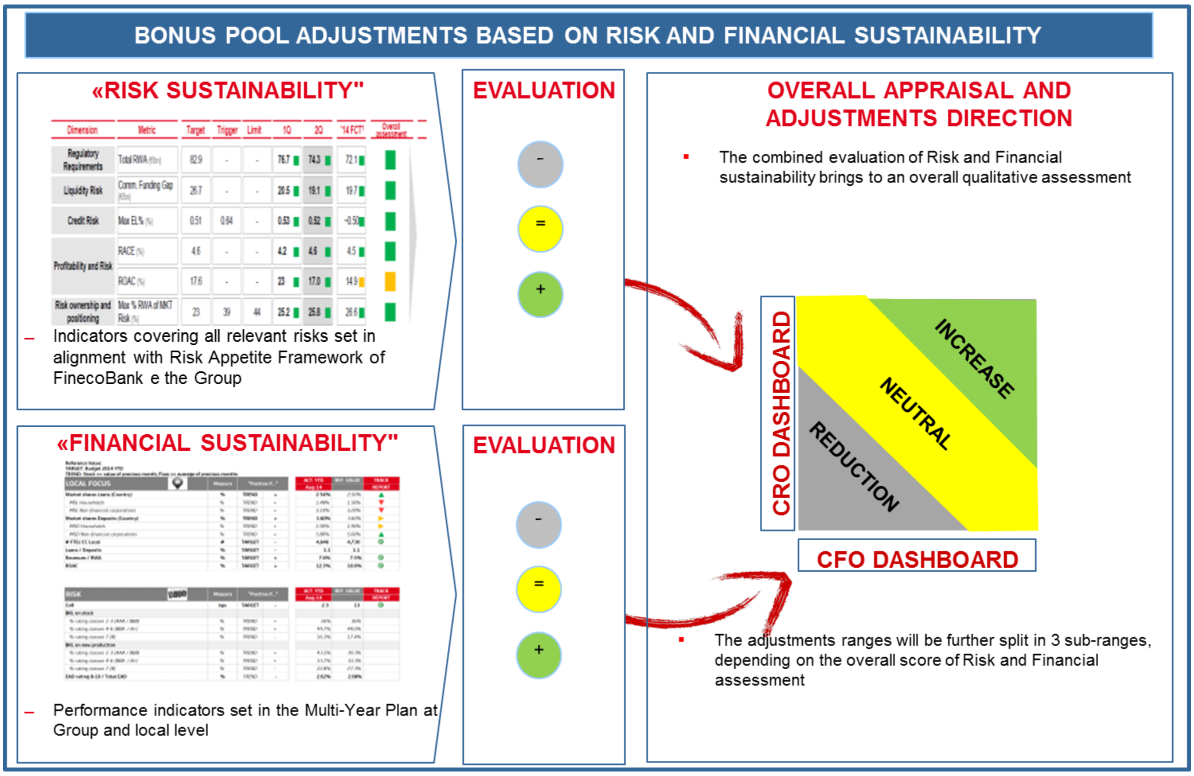


In order to align to regulatory requirements, in case both at Group and local level set KPIs are not met (box A of the matrix included in the scheme “Entry Conditions definition”), a Zero Factor will apply to the Identified Staff population[5] whereas for the rest of the population, a significant reduction will be applied. Moreover, at individual level it will be also considered the respect and the individual adherence to provisions of discipline, conduct and behaviour and the application of *claw back* clauses, as legally enforceable.

[5] The Bonus Pool of 2015 will be zeroed, while deferrals of previous year systems could be reduced from 50% to 100% of their value, based on final effective results and dashboard assessments done by CFO and CRO.

In case Zero Factor is not activated (boxes B and D of the matrix included in the scheme “Entry Conditions definition”), bonus pool adjustments will be applied within respective ranges based on the assessment of local and Group performance and risk factors:

- the Group and local risk dashboards include indicators covering all relevant risks including cost of capital and different risks such as credit, market and liquidity and are measured against their relevant thresholds (e.g. limit, trigger and target), which are set in alignment with Risk Appetite Framework of FinecoBank and the Group;
- Group and local CFO performs a further bonus pool analysis on the main performance and sustainability KPIs defined in the local and Group performance dashboard;
- the CRO and CFO Group function, via specific Memos, provide an overall qualitative assessment of the dashboards on the risk and financial sustainability, including a synthetic evaluation on the pool adjustments.



In any case, as requested by regulations as per Bank of Italy provisions, the final evaluation of sustainable performance parameters and the alignment between risk and remuneration will be assessed by Remuneration and Appointments Committee and defined under the governance and accountability of the Board of Directors.

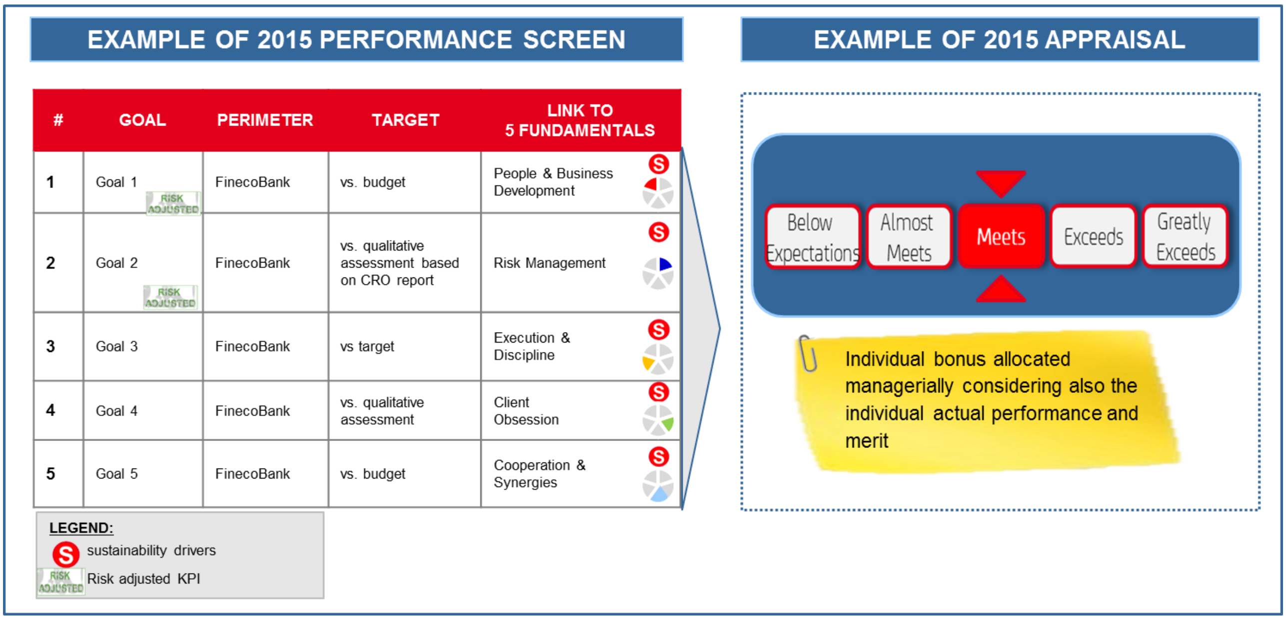
In case the Entry Conditions are not met at local level, but at Group level they are (box C of the matrix included in the scheme “Entry Conditions definition”), a floor (equal to 25%) might be defined for retention purposes and in order to maintain the minimum pay levels needed to play in the market. In this specific case, no specific sub-ranges can be applied, however the decision regarding pool size from 0 to the Floor level will also consider CRO & CFO dashboards assessment.

The Board of Directors does not take into account, when deciding bonus, balance sheet extraordinary items which do not impact operational performance, regulatory capital and liquidity (e.g. goodwill impairment).

Moreover, following potential changes in current regulations and/or in relation to potential extraordinary and/or unpredictable contingencies which can impact the Group, the Company or the market in which it operates, the Board of Directors, having heard the opinion of Remuneration and Appointments Committee, maintains the right to amend the system and relevant rules.

4. BONUS ALLOCATION

- Individual bonus will be allocated to beneficiaries considering bonus pool, the individual performance appraisal, the internal benchmarking analysis on similar roles and the maximum ratio between variable and fix compensation as approved by Shareholder's Meeting;
- individual performance appraisal is based on 2015 performance screen: 4 individual goals (suggested max. 6) assigned during the performance year, selected also from our catalogue of main key performance indicators ("*KPI Bluebook*") and based on the 5 Fundamentals of Group Competency Model[6]. Competencies and behaviours considered as relevant can be taken into account by the manager for the overall performance appraisal;
- the goals appraisal system is based on a 1-5 rating scale with a descriptive outcome.



5. BONUS PAYOUT

- As approved by the Board of Directors of January 22nd, 2015, with reference to payout structure, the Identified Staff population will be differentiated into two clusters, using a combined approach of banding and compensation:

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[6] *Group Competency Model* represents the framework in which the Executives are assessed within the *Executive Development Plan* process. The 5 Fundamental are: *Client Obsession, Execution & Discipline, Cooperation and Synergies, Risk management, People and Business Development*.

- *Executive Vice President* (EVP) & *High Earner* (bonus ≥ 500k)[7]: 5-year deferral scheme;
- *Senior Vice President* (SVP) & other Identified Staff (bonus < 500k): 3-year deferral scheme.

FOCUS

REGULATORY REQUIREMENTS

- The payment structure of 2015 Incentive System has been defined in line with the Bank of Italy provisions issued on November 2014:
  - 5-year deferral period maintained only for Top Management and selected key senior roles. In general a deferral period from 3 to 5 years is required, and the request for 5 years is limited to «high earners", Top Management and Head of key business lines[11]
  - minimum 50% of bonus to be allocated in shares or other financial instruments
  - minimum 40% of bonus to be paid out under a deferral period (minimum 60% for specific positions and particularly high amounts)
  - 2 years minimum retention period for the upfront shares and shorter retention period (1 year) for the deferred shares

- The payout of incentives will be done through upfront and deferred instalments, in cash or in Fineco ordinary shares, up to a maximum 6-year period:
  - in 2016 the first instalment of the total incentive will be paid in cash in absence of any individual/values compliance breach[8];
  - over the period 2017-2021 the remaining part of the overall incentive will be paid in cash and/or Fineco ordinary shares; each further tranche will be subject to the application of the Zero Factor for the year of allocation and in absence of any individual/values compliance breach[8].

	2015	2016	2017	2018	2019	2020	2021
EVP & ABOVE AND OTHER IDENTIFIED STAFF WITH BONUS ≥ 500K[11]	PERFORMANCE YEAR	20% UPFRONT CASH	10% DEFERRED CASH	20% UPFRONT SHARES	10% DEFERRED SHARES	10% DEFERRED SHARES	20% DEFERRED CASH 10% DEFERRED SHARES
SVP AND OTHER IDENTIFIED STAFF WITH BONUS <500K	PERFORMANCE YEAR	30% UPFRONT CASH	10% DEFERRED CASH	30% UPFRONT SHARES	10% DEFERRED CASH 10% DEFERRED SHARES	10% DEFERRED SHARES	

- All the instalments are subject to the application of *claw back* conditions, as legally enforceable;
- the number of shares to be allocated in the respective instalments shall be defined in 2016, on the basis of the arithmetic mean of the official closing market price of Fineco ordinary shares during the month preceding the Board resolution that evaluates 2015 performance achievements;
- the payment structure has been defined in line with Bank of Italy provisions requiring a share retention period for upfront and deferred shares. In particular, the implementation of the share retention periods may be carried out in line with the fiscal framework, either via the allocation of restricted shares or the promise of shares that shall subsequently be allocated at the end of the intended retention period;
- in line with national market practices, a minimum threshold[9] will be introduced, below which no deferral mechanisms will be applied, accordingly with relevant regulatory indications;
- 2015 Incentive System provides for an expected impact on FinecoBank share capital of approximately 0,08%, assuming that all free shares for employees have been distributed. The overall dilution for all other current outstanding FinecoBank equity-based plans equals 0,69%;

[7] Including other direct reports to strategic supervisory, management and control bodies and other Identified Staff.
[8] Considering also the gravity of any internal/external findings (e.g. Audit, Bank of Italy, Consob).
[9] Equal to Euro 75.000.

- the beneficiaries cannot activate programs or agreements that specifically protect the value of unavailable financial instruments assigned within the incentive plans. Any form of coverage will be considered a violation of compliance rules and imply the consequences set out in the regulations, rules and procedures.

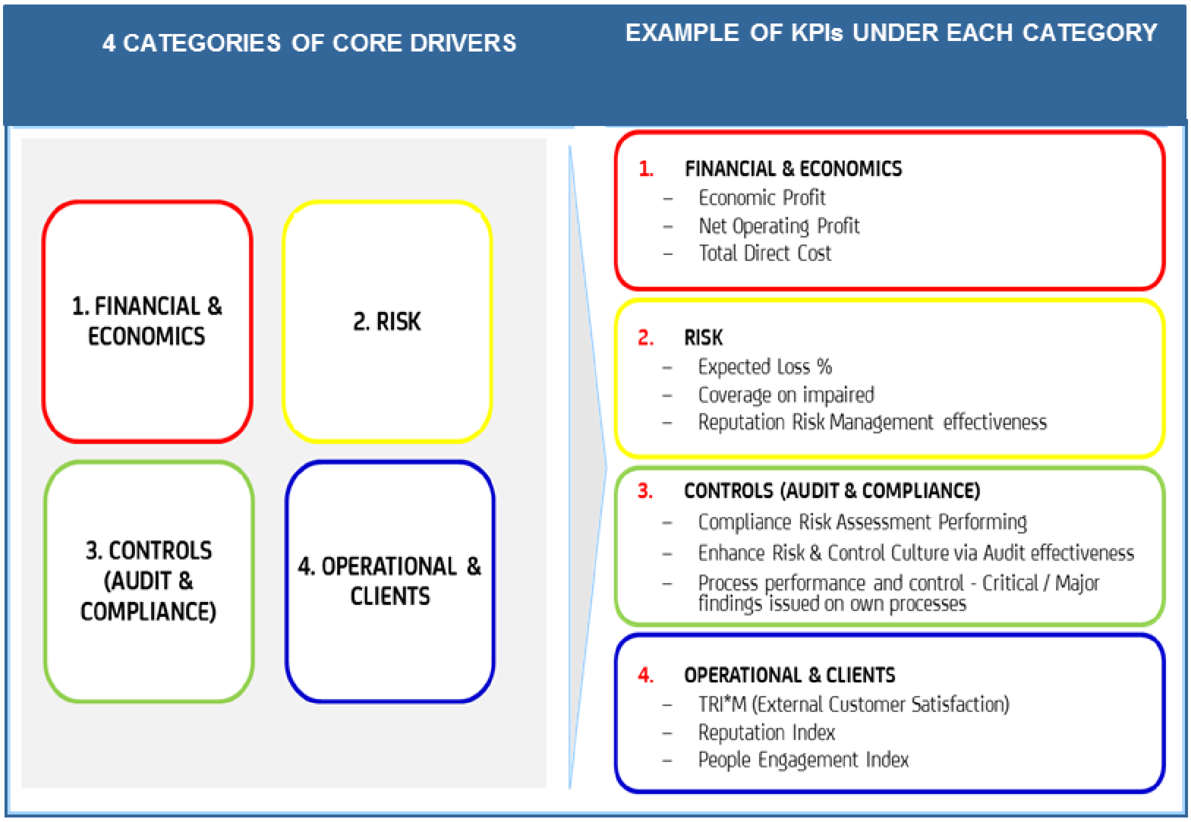
3.4 Comprehensive Performance Management

The 2015 Incentive System, described in the chapter 5.3, is supported by an annual performance measurement framework assuring coherence, consistency and clarity of performance objectives with business strategy, and encouraging and rewarding desired behaviours and risk orientation. Our performance management process ensures all Identified Staff know what is expected from them and includes a rigorous review of their goals achievements.

The *KPI Bluebook* supports Managers and Human Resources function in defining Performance Screens through a set of goals and guidelines. In particular, it provides guidelines for:

- target-setting: to define a reference target for expected performance;
- goal setting with focus on risk perspective by considering the main risks that the business/function itself could positively affect and mitigate;
- setting and evaluating qualitative goals;
- accurate goal selection for Company Control Functions, in order to ensure their independency.

The KPI Bluebook maps 4 categories of core drivers that include a list of goals (KPI Dashboard):



The 4 categories represent financial and non-financial performance and are mapped into 5 clusters of similar businesses (Overall, Commercial Banking, Wealth Management, Investment/Markets, Non-Commercial) to help identifying the most relevant standardized KPIs (all certified by relevant Group functions) according to each role, with specific focus on risk-adjusted, sustainability-driven metrics and economic measure.

2015 Chief Executive Officer and General Manager Performance Screen

5 KPIs defined and approved by FinecoBank Board of Directors as the core drivers of performance for FinecoBank Chief Executive Officer and General Manager include goals related to Bank profitability, risk management focus and sustainability indicators such as execution of Company strategic vision with focus on growth and development of strategic projects.

#	CORE GOALS	REFERENCE PERIMETER	REFERENCE TARGET	LINK TO 5 FUNDAMENTALS
1	Net sales	FinecoBank	vs budget	Execution & Discipline S
2	Net Profit	FinecoBank	vs budget	People & Business Development
3	Net growth of number of clients	FinecoBank	vs budget	Client Obsession
4	TRI*M Index	FinecoBank	vs target	Client Obsession S
5	Operational Risk Management RISK ADJUSTED	FinecoBank	vs qualitative assessment	Risk Management S

For the other Identified Staff of FinecoBank KPIs that include profitability and risk management are reflected also in their Performance Screens, with differences given by the perimeter of reference and the relevant activities.

3.5 Compensation of Company Control Functions

In line with regulatory framework, a specific ratio between variable and fix compensation is defined for Company Control functions (Compliance, Risk Management and Human Resources). The fix compensation must be appropriate to the level of responsibility and commitment associated with the role. The incentive mechanisms for the Company Control Functions have to be "*in accordance with the achievement of the objectives linked to their function, independent of the performance of the business areas they control*" (CRD IV).

According to the Bank of Italy's new regulations, for Identified Staff belonging to Company Control Functions, the ratio between variable and fix component of the remuneration cannot be higher than 33%. Such ratio should be adopted by 1^{st} half 2016, as requested by the Regulatory provisions.

In the perspective to adopt such ratio by 1^{st} half of June and with the phased approach followed in previous years to balance the pay-mix, the ratio between variable and fix compensation for 2015 is equal to 1:1.

Incentive plans for Identified Staff in Company Control Functions are implemented in line with specific policies which assure independence in order to avoid conflict of interest.

Goals are defined to measure individual performance related to the activities of the specific Company Control Function:

- in order to assure independency of the function, no economic measure must be selected for Compliance, Risk Management and Human Resources functions;
- for Chief Risk Officer roles, or – where present – roles reporting to them which are responsible for Risk Management and Credit activities, selection of goals in individual performance screen should directly reflect correlation and integration among the Risk Management and Credit, in order to correctly balance individual responsibilities.

In compliance with regulatory requirements, FinecoBank Incentive System provides for a goals scheme definition that excludes financial goals for Company Control Function.

Moreover, in order to further limit connection with business results and to maintain the adequate independence level of Compliance and Risk Management (as guaranteed in 2014 with "Alternative Group Gate"), a specific governance process will be followed, providing for:

- *malus* condition is activated providing a reduction of bonus pool until 50% of the budgeted figure;
- bonus pool can be phased out to zero only in presence of an exceptionally negative situation (e.g.: Core Tier 1 Ratio Transitional dropping under the minimum regulatory requirement, persistent "recession" scenario, etc.) within an escalation process including a governance step in the Board of Directors.

3.6 2015 Incentive System for Financial Advisors belonging to Identified Staff

The 2015 Incentive System for Financial Advisors belonging to Identified Staff, approved by the Board of Directors on March 10th, 2015, aims to retain and provide incentives to the beneficiary Advisors and confirms the alignment of FinecoBank with the latest national and international regulatory requirements.

In particular the system provides for:

- the allocation of an incentive based on mechanisms of sustainability with regard to the results;
- the definition of a balanced structure of "upfront" (done at the moment of performance evaluation) and "deferred" payments, in cash and Phantom shares;
- the distribution of payments in Phantom shares, coherently with the applicable regulatory requirements regarding the application of instruments retention periods. In fact, the payment structure defined requires a retention period on Phantom shares (of 2 years for the "upfront" payment and of 1 year for "deferred" payment);
- a *malus* clause (Zero Factor) applies in case specific conditions for access are not met. In particular, the bonus relating to the 2015 performance will be zeroed.

Total incentive payout as defined will be made over a multi-year period (2016-2020), as indicated below, in absence of any individual/values compliance breach, considering also the gravity of any internal/external findings (e.g. Audit, Bank of Italy, Consob) and provided that the agency relationship of the beneficiaries is in place at the time of each payment:

- in 2016 the first instalment of the overall incentive will be paid in cash;
- over the period 2017-2020 the remaining amount of the overall incentive will be paid in several instalments in cash and/or Phantom shares; each further instalments will be subject to the application of the Zero Factor for the year of allocation;

	2016	2017	2018	2019	2020
Financial Advisors belonging to Identified Staff	30% cash	10% cash	30% Phantom shares	10% cash + 10% Phantom shares	10% Phantom shares

- it's foreseen a specific minimum threshold[10] below which deferrals and instruments will not be applied;
- the number of Phantom shares to be allocated with the third, fourth and fifth instalments will be defined in the year 2016, on the basis of the arithmetic mean of the official closing price of the shares on each trading day at the electronic stock market organised and managed by Borsa Italiana S.p.A. in the period from the day preceding the date of the resolution by the Board of Directors that evaluates 2015 performance achievements to the same day in the previous month (both inclusive);
- in addition at the time of effective payment of each instalment, the number of Phantom shares granted will be converted to cash based on the arithmetic mean of the official closing price of the shares of each trading day at the electronic stock market organised and managed by Borsa Italiana S.p.A. in the month prior to the resolution by the Board of Directors approving the payment;
- the beneficiaries cannot activate programs or agreements that specifically protect the value of unavailable financial instruments assigned within the incentive plans.

[10] Equal to Euro 75.000.

Quantitative disclosure

1. Compensation Data

1.1 2014 Remuneration Outcomes

	Aggregate Compensation Amounts[11]			
	Number of incumbents	Fixed & other non-performance related pay	Variable pay related to 2014 performance	
			Cash	Equity[12]
Chief Executive Officer and General Manager (CEO)[13]	1	804	170	0
Others Executive Directors[14]	1	0	0	0
Non-Executive Directors[18]	7	547	0	0
Executives with strategic responsibilities	5	1.413	321	0
Other Identified Staff	4	515	147	7

(Amounts in € thousand)

[11] Considering pro-rata amounts for incumbents in office for part of the year.
[12] Amounts shown as equity compensation reflect the arithmetic mean of the UniCredit shares from January 8th to February 8th, 2015.
[13] It is highlighted that the amount represents the fixed remuneration paid in 2014, considering that from July 1st, 2014 his fixed remuneration is equal to Euro 850.000. Furthermore part of this amount has been paid by UniCredit S.p.A. (respectively 20% from 01/01/2014 to 30/06/2014, 10% from 01/07/2014 to 31/12/2014).
[14] Including employees of UniCredit Group. In compliance with what has been defined at Group level in the "*Policy in materia di struttura, composizione e remunerazione degli Organi Sociali della Società di Gruppo*", the Board of Directors' members who are employees of UniCredit Group renounce to the total amount of their appointment as Board members.

	Deferred Compensation Amounts[15]					
	Paid out in 2014		Outstanding based on future performance			
			Vested		Unvested	
	Cash	Equity[16]	Cash	Equity[17]	Cash	Equity[18]
Chief Executive Officer and General Manager (CEO)	355	279	141	579	432	4.790
Others Executive Directors	0	0	0	0	0	0
Non-Executive Directors	0	0	0	0	0	0
Executives with strategic responsibilities	462	233	190	482	413	7.288
Other Identified Staff	264	12	4	10	5	476

(Amounts in € thousand)

Deferred amounts paid out in 2014 include payouts based on demonstrated multi-year performance achievements. Amounts shown as outstanding deferred compensation represent the potential gain on deferred awards that remain subject to future performance. These amounts are not related to nor indicative of the benefit (if any) that may ultimately be realized on the cash award or the underlying stock options/shares that may become exercisable or be actually allocated.

Vested cash payments refers to *2013 Group Incentive System*.

Vested equity payments refers to *2011* and *2012 Group Incentive System*, whose price has been calculated on the basis of the arithmetic mean of the official closing market price of UniCredit shares from January 8th to February 8th, 2015.

Unvested cash payments refers to *2012, 2013* and *2014 Group Incentive System*.

Unvested equity payments refers to *2012, 2013* and *2014 Group Incentive System*, to *2014-2017 Multi-year Plan Top Management* and to *2014 Key People Plan*.

The unvested component refers to cash and equity awards to which the right has not yet matured and for which any potential future gain has not been yet realized and remains subject to future performance.

[15] Considering pro-rata amounts for incumbents in office for part of the year.
[16] Amounts shown as equity compensation reflect the market value of the shares at the moment of actual grant.
[17] Based on the "Hull&White" option pricing model, the fair value estimates of the equity instruments (underlying UniCredit shares) as at 01/01/2015 would be (€ thousand): 1; 0; 0; 2 and 0 respectively, for each of the categories for which data is disclosed in the table.
[18] Economic value of financial instruments weighted by the probability of achieving the performance as at 01/01/2015 would be (€ thousand): 4.242; 0; 0; 6.372 and 422 respectively, for each of the categories for which data is disclosed in the table.

The value of shares shown as unvested equity is calculated considering:

- for *2014 Group Incentive System 2014* the arithmetic mean of the official closing market price of Fineco shares from January 8th to February 8th, 2015.
- for "*2014-2017 Multi-year Plan Top Management*" the listing price of Fineco shares;
- for "*2014 Key People Plan*" the arithmetic mean of the official closing market price of Fineco shares from January 8th to February 8th, 2015;
- for the other *Group Incentive System* (underlying UniCredit shares), consistently with the calculation for *2014 Group Incentive System*, the arithmetic mean of the official closing market price of UniCredit shares from January 8th to February 8th, 2015.

All stock options granted under existing Group LTI plans represent zero gain for the beneficiaries as long as the entry conditions will not allow the exercise.

The Chief Executive Officer and General Manager for 2014 have been rewarded with more than 1 mln Euros.

1.2 2015 Remuneration Policy

(in percentage)	**Target Total Compensation**	
	Fixed & other non-performance related pay	**Target variable performance-related pay**
NON-EXECUTIVE DIRECTORS		
Chairman and Vice Chairman	100%	0%
Directors	100%	0%
Statutory Auditors	100%	0%
OVERALL EMPLOYEE POPULATION		
Business Areas	77%	23%
Support functions	92%	8%
Overall Company	88%	12%

Total compensation policy for non-Executive Directors, Identified Staff and for the overall employee population demonstrates in particular how:

- remuneration of the non-Executive Directors, as approved by the Shareholders' Meeting, does not include variable performance-related pay;
- Identified Staff are offered opportunities for variable compensation in line with their strategic role, regulatory requirements and our pay for performance culture;

- the general employee population is offered a balanced pay-mix in line with the role, scope and business or market context of reference.

Leverage ratio

Article 429 of Regulation (EU) No. 575/2013 (CRR) requires institutions to calculate their leverage ratio, expressed as a percentage, by dividing tier 1 capital by that institution's total exposure (equal to the sum of the exposure values of all assets and off-balance sheet items not deducted when determining tier 1 capital).

Article 430 of the CRR introduced, as of January 1, 2014, monitoring of leverage for banks and brokerage companies at individual and consolidated level, while the publication of the leverage ratio calculated according to article 429 of Regulation No. 575/2013 (CRR) is required starting from January 1, 2015.

Finally, the Commission Delegated Regulation (EU) 2015/62 of October 10, 2014 – amending Regulation (EU) No 575/2013 of the European Parliament and of the Council with regard to the leverage ratio – was published in the Official Journal of the European Union on January 17, 2015, introducing changes to the method of calculating the leverage ratio.
Among the amendments that will have a significant impact on exposure for the purposes of the Bank's leverage, we note that Delegated Regulation (EU) 2015/62 states that competent authorities may permit an institution not to include in the exposure measure exposures that can benefit from the treatment laid down in Article 113(6) of the CRR (intra-group exposures to companies based in Italy), aligning the treatment of intra-group exposures to the pre-existing provisions for the same exposures with regard to calculating capital requirements.

Use of risk mitigation techniques

FinecoBank, consistent with the "Revised Framework of International Convergence of Capital Measures and Rules" (Basel II), is firmly committed to satisfy the requirements for recognition of Credit Risk Mitigation (hereafter "CRM") techniques for regulatory capital purposes, of the different instruments relating to the Standardized approach.

In this regard, specific projects have been completed and actions have been carried out for implementing the Group's internal regulations and for bringing processes and IT systems into compliance.

FinecoBank has implemented the regulatory requirements on CRM by issuing specific internal Guidelines, prepared in compliance with supervisory regulations. The Guidelines have several objectives:

- to facilitate the optimal management of collateral and guarantees;
- to maximize the mitigating effect of collateral and guarantees on defaulted receivables;
- to attain a positive impact on Group capital requirements, ensuring that local CRM practices meet minimum "Basel II" requirements;
- to define general rules for eligibility, valuation, monitoring and management of collateral and guarantees and to detail special rules and requirements for specific collateral/guarantees.

Collateral/guarantee is accepted only to support loans and they cannot serve as a substitute for the debtor's ability to meet obligations. For this reason they have to be evaluated in the credit application along with the assessment of the creditworthiness and the repayment capacity of the debtor.

Any collateral/guarantee can be considered adequate if it is consistent with the underlying credit exposure and, for guarantees, when there are no relevant risks towards the protection provider.

In general, operative instructions and related processes are particularly severe, aiming at granting the formal perfection of each collateral/guarantee acquired.

<u>Policies and processes for – and an indication of the extent to which FinecoBank makes use of – on- and off-balance sheet netting</u>

FinecoBank mitigates counterparty risk by entering into standardised Stock Lending agreements with institutional counterparties. These techniques are used for management, not regulatory, purposes.

<u>Policies and processes for collateral valuation and management</u>

FinecoBank has implemented a collateral management system in order to ensure a clear and effective processing for valuing, monitoring and managing all types of guarantees intended to mitigate credit risk.

The assessment of the collateral value is based on the current market price or the estimated amount which the underlying asset could reasonably be liquidated for (i.e. pledged financial instrument or mortgaged real estate fair value).

In particular, the valuation methods of financial instruments depends on their type:

- securities listed on a recognised stock exchange are valued at the market price (the price of the most recent trading session);

- units in investment funds are valued at the price corresponding to the daily value published by the management company per unit.

Market price of pledged securities is adjusted by applying haircuts for market price and foreign exchange volatility according to regulatory requirements.

In case of currency mismatch between the credit facility and the collateral, an additional haircut is applied.
Possible mismatches between the maturity of the exposure and that of the collateral are also considered in the adjusted collateral value.

Description of the main types of collateral accepted

The collateral accepted in support of credit products granted by FinecoBank primarily includes debt securities, equities, and units of mutual funds and, residually, residential and commercial mortgages.

In order to be considered eligible for risk mitigation, the general requirements according to Supervisory Regulations must be met, along with the specific requirements for the Standardised approach.

The Parent Company provides specific guidelines for the eligibility of all kind of collaterals and FinecoBank defines the list of eligible collaterals, according to uniform Group methods and procedures and in compliance with all domestic legal and supervisory requirements and local peculiarities.

Main types of guarantor and credit derivative counterparty and their creditworthiness

No data to report.

Information about market or credit risk concentrations within the credit risk mitigation instruments used

There is concentration risk when the major part of collateral financial assets (at portfolio level) are concentrated in a small number of collateral types, of protection arrangements, or when it is provided by a small group of specific providers of collateral (a single entity or reference industrial sector) or when there is lack of proportion in the volume of collateral taken.
Concentration risk for the loans to customers is low as a result of the fragmentation of the retail customer base that characterises the Bank’s portfolio. Accordingly, the collateral attached to these loans are not concentrated.

Risk mitigation techniques – Standardised approach

Book	12.31.2014 Basel III				
	Net exposure before application of conversion factor	*Adjustments for volatility of exposure*	*Financial collateral - comprehensive method*	*Adjusted exposure value*	*Value of exposure after application of conversion factor*
Exposures subject to the IRB method					
Total – IRB approach	-	-	-	-	-
Exposures subject to the standardised approach					
Exposures with or secured by central governments or central banks	1.971.033	-	-	1.971.033	1.971.033
Exposures with or secured by Institutions	15.603.960	171.875	(1.349.448)	14.426.387	14.426.384
Exposures with or secured by regional governments or local authorities	1	-	-	1	1
Exposures with or secured by multilateral development banks	3	-	-	3	3
Exposures with or secured by Companies or other entities	163.471	17.553	(54.889)	126.135	126.029
Retail exposures	2.455.071	398.277	(1.718.214)	1.135.134	920.738
Exposures secured by real estate property	452	-	-	452	452
Exposures in default	4.361	-	(28)	4.333	4.242
Equity exposures	5	-	-	5	5
Other exposures	118.223	-	-	118.223	118.223
Total - standardised approach	**20.316.580**	**587.705**	**(3.122.579)**	**17.781.706**	**17.567.110**
Total Exposures	**20.316.580**	**587.705**	**(3.122.579)**	**17.781.706**	**17.567.110**

(Amounts in € thousand)

Glossary

Banking book	The total positions not contained in the trading book for supervisory purposes are recognised in the banking book.
Common Equity Tier 1 capital - CET1	Common Equity Tier 1 capital, expressed as a percentage of total risk exposure amount.
Cost of Risk	The ratio between net impairment losses on receivables and receivables from customers. It is one of the indicators of the level of risk of the bank's assets: as this indicator decreases, the level of risk of the bank's assets decreases.
Economic Capital	Level of capital required to cover the losses that could occur in one year and at a certain probability or confidence interval. Economic Capital is a measure of the variability of the Expected Loss of the portfolio and depends on the level of diversification within the portfolio.
Funding	Obtaining, in various forms, the funds necessary to finance business activities or particular financial transactions.
Internal Capital	Represents the amount of capital necessary to cover potential losses and is needed to support business activities and positions held. Internal Capital is the sum of Internal Capital – obtained by aggregating the different types of risk – plus a reserve to take account of cyclical effects and model risk.
Risk Taking Capacity	Ratio between Available Financial Resources and Internal Capital. Includes a prudential buffer (cushion).
RWA – Risk-Weighted Assets	The value of on- and off-balance sheet assets weighted by risk based on different weighting factors according to the class in which the exposure is classified and the associated credit quality.
Tier 1 Capital	Tier 1 capital, expressed as a percentage of total risk exposure amount.
Total Own Funds (Total Capital Ratio)	Own funds expressed as a percentage of the total risk exposure amount.
Trading book	Positions held for trading purposes are those intended for disposal in the short term and/or intended to benefit from short-term price differences between buying and selling prices or from other price or interest rate changes.

The undersigned, Lorena Pelliciari, as Nominated Official in charge of drawing up the Company Accounts of FinecoBank S.p.A.

DECLARES

that, pursuant to article 154-bis, paragraph 2, of the "Consolidated Law on Financial Intermediation", the information disclosed in this document corresponds to the accounting documents, books and records.

Milan, March 10, 2015

Lorena Pelliciari