FINECO
THE NEW BANK

Member of UniCredit

DISCLOSURE BY INSTITUTIONS

ACCORDING TO REGULATION (EU) NO. 575/2013 AS AT DECEMBER 31, 2015

Member of UniCredit

Disclosure by Institutions according to Regulation (EU) No. 575/2013 as at 31 December 2015

Contents

Introduction

The Bank'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, the Bank 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 S.p.A 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, the Bank'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 management and control is performed by the Risk Management function of the Bank in collaboration with the same function of the Parent Company, which performs its role of guidance, coordination and control of risks at Group level. The organisational model 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.

The Bank 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 the Bank 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 levels 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, 2015, amounted to €393,903 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 unrealised gains and losses associated to exposures to central governments classified under IAS 39 as "Available-For-Sale Financial Assets", the Bank 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 the Bank shareholders equity related to the recognition in the revaluation reserves of actuarial gains/losses not previously recognised using this method. From a regulatory point of view, the authorities have called for the application of a prudential filter to neutralise, for 2015, 80% of the impact of the amendments in question.

Transitional Own Funds disclosure template

	12/31/2015		*12/31/2014*	
	(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 of disclosure date under Regulation (EU) No. 575/2013*
Common Equity Tier 1 capital – instruments and reserves				
1 Equity instruments and related share premium accounts (A)	202,084		202,004	
of which: ordinary shares	*202,084*		*202,004*	
2 Retained earnings (B)	214,666		190,923	
3 Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards) (C)	33,550		9,420	
5a Independently reviewed interim profits net of any foreseeable charge or dividend (D)	35,677		28,604	
6 Common Equity Tier 1 (CET1) capital before regulatory adjustment	**485,977**		**430,951**	

(Amounts in € thousand)

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	12/31/2015		12/31/2014	
	(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 of disclosure date under Regulation (EU) No. 575/2013*
Common Equity Tier 1 capital (CET 1): regulatory adjustments				
7 Additional value adjustments (E)	(54)		-	
8 Intangible assets (net of related tax liabilities) (F)	(75,003)		(75,884)	
9 Transitional adjustment related to IAS 19 (G)	4,542		3,396	
16 Direct and indirect holdings by an institution of own CET1 instruments (H)	(8,557)		(1)	
26a Regulatory adjustments relating to unrealised gains and losses pursuant to Article 467 and 468 (I)	(13,002)		(5,329)	
of which: filtered for unrealised gains (losses) on debt securities issued by European Union central administrations	*(7,149)*		*(5,329)*	
of which: filtered for unrealised gains on debt and equity securities other than those issued by European Union central administrations	*(5,853)*		-	
26b Amount to be deducted from or added to Common Equity Tier 1 capital with regard to additional filters and deductions required pre CRR	(2,926)		-	
of which: filtered for unrealised gains on debt and equity securities other than those issued by European Union central administrations	*(2,926)*		-	
28 Total regulatory adjustment to Common Equity Tier 1 (CET1)	**(95,000)**		**(77,818)**	
29 Common Equity Tier 1 capital (CET 1)	**390,977**		**353,133**	
36 Additional Tier 1 (AT1) capital before regulatory adjustments2	-		-	
43 Total regulatory adjustments to Additional Tier 1 (AT1) capital	**-**		**-**	
44 Additional Tier 1 capital (AT1)	**-**		**-**	
45 Tier 1 capital (T1= CET1+AT1)	**390,977**		**353,133**	
51 Tier 2 (T2) capital before regulatory adjustments	**-**		**-**	
Tier 2 capital (T2): regulatory adjustments				
56c Amount to be deducted from or added to T2 capital with regard to additional filters and deductions required pre-CRR	2,926		-	
of which: filtered for unrealised gains on debt and equity securities other than those issued by European Union central administrations	*2,926*		-	
57 Total regulatory adjustments to Tier 2 (T2) capital	**2,926**		**-**	
58 Tier 2 capital (T2);	**2,926**		**-**	
59 Total capital (TC=T1+T2)	**393,903**		**353,133**	
60 Total risk weighted assets	**1,828,007**		**1,850,331**	

(Amounts in € thousand)

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	12/31/2015		12/31/2014	
	(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 of disclosure date under Regulation (EU) No. 575/2013*
Capital ratios and buffers				
61 Common Equity Tier 1 (as a percentage of risk exposure amount)	**21.39%**		**19.08%**	
62 Tier 1 (as a percentage of risk exposure amount)	**21.39%**		**19.08%**	
63 Total capital (as a percentage of risk exposure amount	**21.55%**		**19.08%**	
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)	16.26%		13.96%	
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)	13,992		1,983	
75 Deferred tax assets arising from temporary differences (amount below 10% threshold, net of related tax liability where the conditions in article 38 (3) are met)	32,101		34,393	
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.

A.
The item comprises share capital of 606,515,733 ordinary shares with a par value of €0.33, totalling €200,150 thousand, plus the share premium reserve of €1,934 thousand.

B.
The item comprises the legal reserve, the extraordinary reserve and other retained earnings.

C.
Other components of accumulated comprehensive income (OCI) comprise €7,149 thousand from the net 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, and €9,755 thousand from the positive reserve of equity instruments held in the portfolio "Available-for-sale financial assets, €5,278 thousand from the IAS19 negative reserve and €21,924 thousand from other reserves.

D.
The amount recognised in Own Funds at December 31, 2015, pursuant to article 26 of the CRR was calculated on the year-end profit for 2015, net of foreseeable dividends, equal to €154,376 thousand, and the amount to be allocated to social, charitable and cultural causes pursuant to article 26, paragraph 5 of the Articles of Association, equal to €1,000 thousand.

E.
The item includes the filter relative to additional valuation adjustments (AVA), amounting to €54 thousand, calculated on the assets and liabilities reported in the financial statements, measured at fair value;

F.
The item comprises goodwill, net of deferred taxes, amounting to €66,791 thousand and other intangible assets amounting to €8,212 thousand;

G.
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 recognised using this method. This revaluation reserve – equal to -€5,278 thousand, included in item "3. Accumulated other comprehensive income" – is subject to a transitional adjustment for €4,542 thousand reported in the present item, equal to 80% of the amount calculated in accordance with CRR article 473.

H.
The item includes treasury shares totalling €8,555 thousand and units of UCIs held in the regulatory trading book for which the underlying exposures have not been identified, amounting to €2 thousand.

I.
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 unrealised gains and losses associated with exposures to central governments classified under IAS 39 as "Available-For-Sale Financial Assets", the Bank 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. Accordingly, starting from March 31, 2014 reporting period and in line with previous periods, the Bank 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, 2015, the net unrealised gains neutralised from common equity tier 1 capital is equal to €7,149 thousand.
With reference to the unrealised gains on debt securities and equities other than with central governments classified in the category "Available-for-sale financial assets" under IAS 39, a negative prudential filter amounting to €5,853 thousand was applied on the amount of the positive reserve, as per Circular no. 285, Part Two, Chapter 14, Section II, part. 3.

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:	**97,814**	**(75,003)**	
Goodwill	*89,602*	*(66,791)*	*8*
Other intangible assets	*8,212*	*(8,212)*	*8*
140. Tax assets, of which:	**15,424**	**-**	
a) current tax assets	*1,733*	*-*	*-*
b) deferred tax assets	*13,691*	*-*	*21*
deferred tax assets that rely on future profitability	*9,290*	*-*	*21*
LIABILITIES			
130. Valuation reserves, of which:	**11,626**	**3,166**	
Revaluation reserves for available-for-sale financial assets	*16,904*	*3,902*	*3, 26a, 26b and 56c*
Revaluation reserves for net actuarial gains (losses)	*(5,278)*	*(736)*	*3 and 9*
160. Reserves	**236,590**	**236,590**	2 and 3
170. Share premium reserve	**1,934**	**1,934**	1
180. Capital	**200,150**	**200,150**	1
190. Treasury shares	**(8,555)**	**(8,555)**	16
200. Net Profit (Loss) for the year	**191,053**	**35,677**	5a
OTHER ELEMENTS OF OWN FUNDS			
Total other elements, of which:		**(56)**	
Prudential filters (-) fair value adjustments		(54)	7
Deductions of holdings of own Common Equity Tier 1 capital instruments (units in investment funds)		(2)	16
Total Own Funds		**393,903**	

(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.

Changes in Own Funds

	1-Jan-15 / 31-Dec-15	1-Jan-14 / 31-Dec-14
Common Equity Tier 1 capital - CET1		
Start of period	**353,133**	**316,008**
Instruments and Reserves;		
Share capital, issue-premium reserves and other reserves	9,985	7,157
Own CET1 instruments	(8,555)	-
Accumulated other comprehensive income (OCI);	9,364	(1,952)
Profit allocated to reserves	35,677	28,604
Regulatory adjustments		
Intangible assets – Goodwill	951	1,333
Intangible assets - Other intangible assets	(71)	(128)
Fair value adjustments (AVA)	(54)	
Other transitional adjustments to CET1 capital	(9,453)	(1,933)
Other national filters prior to January 1, 2014	-	4,044
End of period	**390,977**	**353,133**
Additional Tier 1 – AT1		
Start of period	**-**	**-**
End of period	**-**	**-**
Tier 2 capital (T2)		
Start of period	**-**	**-**
Other transitional adjustments to Tier 2 capital	2,926	
End of period	**2,926**	**-**
Total Own Funds	**393,903**	**353,133**

(Amounts in € thousand)

Own Funds totalled €393,903 thousand, an increase on December 31, 2014 attributable mainly to the following factors:

- a €14,766 thousand increase in the reserve related to equity-settled plans;
- the portion of retained profits 2015, equal to €35,677 thousand, calculated on year-end profits 2015, as per CRR 575/2013, article 26.2;
- the €2,837 thousand increase in Accumulated other comprehensive income (OCI), net of effects deriving from the application of the transitional arrangements, attributable to the fair-value remeasurement of the investment in Visa Europe Limited partially offset by the reduction in the IAS 19 reserve;
- the €8,555 thousand increase in Own CET1 instruments held in the portfolio and deducted from CET1, acquired in execution of the 2014 stock granting plan ("2014 PFA Plan") for Personal Financial Advisors and Bank Network Managers;
- use of reserves for €4,781 thousand for the cash payment of the first tranche of the 2014 stock granting plan ("2014 PFA Plan") for Personal Financial Advisors and Bank Network Managers, as resolved by the Board of Directors Meeting on July 9, 2015.

Capital requirements

On the basis of the EU regulations set out in Directive 2013/36/EU 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 6%;
- 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 information in the Supervisory Bulletin of the Bank of Italy no. 12 of December 2013 concerning the transitional and final provisions applicable to capital reserves, for the year 2015 the Bank, as a bank that is part of a banking group, is required to apply a 0.625% capital buffer coefficient; as a result, the Bank minimum capital requirements for the year 2015 amounted to:

- 5.125% of common equity tier 1 capital;
- 6.625% of tier 1 capital;
- 8.625% of total capital.

Following the results of the Supervisory Review and Evaluation Process (SREP) conducted by the ECB in 2015, the competent authorities determined that no decision is due for the Bank under the national legislation implementing article 104(1)(a) of Directive 2013/36/EU or article 16 of Regulation (EU) No 1024/2013.

To calculate regulatory requirements in view of credit and market risks, the Bank 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.
As regards operational risks, the Bank 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.

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).

In line with Group guidelines, the Bank 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 Bank 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 summarise 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 capitalisation targets to regulatory capital requirements.

The Bank 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 the Bank through performance measures corrected for risk – namely EVA (Economic Value Added) and RARORAC.
The Bank'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	12/31/2015			12/31/2014		
	Exposure to credit and counterparty risk	*Risk-weighted assets*	*Capital requirement*	*Exposure to credit and counterparty risk*	*Risk-weighted assets*	*Risk-weighted 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	2,559,604	84,653	6,772	1,971,033	89,822	7,186
Exposures with or secured by Institutions	15,059,974	29,198	2,336	14,426,384	23,965	1,917
Exposures with or secured by regional governments or local authorities	-	-	-	1	-	-
Exposures with or secured by multilateral development banks	3	-	-	3	-	-
Exposures with or secured by Companies or other entities	137,933	136,406	10,912	126,029	124,423	9,954
Retail exposures	921,226	690,919	55,274	920,738	690,553	55,244
Exposures secured by real estate property	211	96	8	452	197	16
Exposures in default	4,875	4,903	392	4,242	4,290	343
Equity exposures	4,198	10,488	839	5	5	-
Other exposures	107,177	107,171	8,574	118,223	118,217	9,458
Total - standardised approach	**18,795,201**	**1,063,834**	**85,107**	**17,567,110**	**1,051,472**	**84,118**
Exposures to central counterparties in the form of pre-funded contributions to the default fund		**426**	**34**		**387**	**31**
Risk assets – Credit and counterparty risk	**18,795,201**	**1,064,260**	**85,141**	**17,567,110**	**1,051,859**	**84,149**

(Amounts in € thousand)

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

Book	12/31/2015				12/31/2014			
	Credit risk		*Counterparty credit risk*		*Credit risk*		*Counterparty credit risk*	
	Risk-weighted assets	*Capital requirement*	*Risk-weighted assets*	*Capital requirement*	*Risk-weighted assets*	*Capital requirement*	*Risk-weighted assets*	*Risk-weighted 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	84,653	6,772	-	-	89,822	7,186	-	-
Exposures with or secured by Institutions	13,143	1,051	16,055	1,284	12,830	1,026	11,135	891
Exposures with or secured by Companies or other entities	80,462	6,437	55,944	4,476	106,499	8,520	17,924	1,434
Retail exposures	444,411	35,553	246,508	19,721	351,705	28,136	338,848	27,108
Exposures secured by real estate property	96	8	-	-	197	16	-	-
Exposures in default	4,903	392	-	-	4,290	343	-	-
Equity exposures	10,488	839	-	-	5	-	-	-
Other exposures	107,171	8,574	-	-	118,217	9,458	-	-
Total - standardised approach	**745,327**	**59,626**	**318,507**	**25,481**	**683,565**	**54,685**	**367,907**	**29,433**
Exposures to central counterparties in the form of pre-funded contributions to the default fund	**426**	**34**			**387**	**31**		
Risk assets – Credit and counterparty risk	**745,753**	**59,660**	**318,507**	**25,481**	**683,952**	**54,716**	**367,907**	**29,433**

(Amounts in € thousand)

Total capital requirements

Type of risk	*Approach used*	*Capital requirements 12/31/2015*	*Capital requirements 12/31/2014*
1. On-balance-sheet risk assets	Standardised approach	59,406	51,608
2. Guarantees given and commitments to disburse funds	Standardised approach	221	3,077
3. Derivative contracts	Current value method	132	138
4. SFT Transactions	CRM – Comprehensive method with regulatory adjustments for volatility	25,348	29,295
Capital requirements for credit and counterparty risk		**85,107**	**84,118**
Capital requirements for exposures to central counterparties in the form of pre-funded contributions to the default fund		**34**	**31**
Market risk			
1. Foreign-exchange risk	Standardised approach	-	832
2. Debt securities position risk	Standardised approach	514	1,316
3. Equity securities position risk	Standardised approach	257	133
4. Position risk on commodities	Standardised approach	-	-
Capital requirements for market risk		**771**	**2,281**
1. Concentration risk	Standardised approach	-	-
Capital requirements for concentration risk		**-**	**-**
1. Risk of credit valuation adjustment	Standardised approach	160	13
Capital requirements for risk of credit valuation adjustment		**160**	**13**
1. Settlement risk	Standardised approach	1	-
Capital requirements for settlement risk		**1**	**-**
1. Advanced approach	Advanced approach	60,168	61,584
Capital requirements for operational risk		**60,168**	**61,584**
Total capital requirements		**146,241**	**148,027**

(Amounts in € thousand)

Capital adequacy

The Bank's supervisory prudential requirements at December 31, 2015 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*	
	12/31/2015	*12/31/2014*	*12/31/2015*	*12/31/2014*
A. RISK ASSETS				
A.1 Credit and counterparty risk	**18,795,201**	**17,567,110**	**1,064,260**	**1,051,859**
1. Standardised approach	18,795,201	17,567,110	1,064,260	1,051,859
2. Internal rating method	-	-	-	-
2.1 Basic	-	-	-	-
2.2 Advanced	-	-	-	-
3. Securitisations	-	-	-	-
B. REGULATORY CAPITAL REQUIREMENTS				
B.1 Credit and counterparty risk			**85,141**	**84,149**
B.2 Risk of credit valuation adjustment			**160**	**13**
B.3 Settlement risk			**1**	**-**
B.4 Market risk			**771**	**2,281**
1. Standardised approach			771	2,281
2. Internal Models			-	-
3. Concentration risk			-	-
B.5 Operational risk			**60,168**	**61,584**
1. Basic Indicator Approach			-	-
2. Standardised approach			-	-
3. Advanced approach			60,168	61,584
B.6 Other calculation elements			**-**	**-**
B.7 Total prudential requirements			**146,241**	**148,027**
C. RISK ASSETS AND CAPITAL RATIOS				
C.1 Risk-weighted assets			1,828,007	1,850,331
C.2 Common equity Tier 1 capital/Risk-weighted assets (CET1 capital ratio)			21.39%	19.08%
C.3 Tier 1 capital/Risk-weighted assets (Tier 1 capital ratio)			21.39%	19.08%
C.3 Own funds/risk-weighted assets (Total capital ratio)			21.55%	19.08%

(Amounts in € thousand)

As described above, the Bank uses advanced measurement approaches for calculating Own Funds requirements for operating risk. Therefore, under Basel III (article 500 CRR – Regulation 575/2013) it must hold own funds until December 31, 2017 that are equal to or above 80% of the requirements under Basel I. As at December 31, 2015, Basel I capital requirements amounted to €310,011 thousand; accordingly, 80% of such amount was €248,009 thousand.

Capital Buffers

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.

This reserve must be composed of Common Equity Tier 1 capital and for 2016 will be the maximum 0.625% of total risk-weighted exposures, in application of the transitional arrangements established by the Bank of Italy.

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Credit risk adjustments

Definitions of impaired exposures

The Bank of Italy has revised the criteria to be applied as of January 1, 2015 for classifying impaired financial assets (see 7th update of Circular no. 272 of July 30, 2008 - "Matrix of accounts" issued by the Bank of Italy on 20 January 2015 and the 4th update of Circular no. 262 of December 22, 2005 “Bank Financial Statements: Templates and Rules for Compilation” issued by the Bank of Italy on December 15, 2015), in order to align them to the notions of non-performing exposures and forborne exposures introduced by the European Commission with Regulation 2015/227 on proposal of the European Banking Authority (EBA) in the "Final Draft Implementing Technical Standards on Supervisory reporting on forbearance and non-performing exposures".

The main novelties are the elimination of the “Doubtful Loans" and "Restructured Loans" categories, and the introduction of the new "Unlikely to pay" category and of the "Forbearance" concept, which cuts through all receivables categories, both performing and impaired.

According to Bank of Italy regulations defined in Circular 272 of July 30, 2008 (as amended), impaired exposures – i.e. those presenting the characteristics set out in paragraphs 58-62 of IAS 39, corresponding to aggregate non-performing exposures under the EBA ITS – are classified into the following categories:

- **Non-performing loans** – formally impaired loans, being exposure to insolvent borrowers, even if the insolvency has not been recognised in a court of law, or borrowers in a similar situation. They are measured individually (including by verifying statistically and automatically defined coverage levels for some loan portfolios below a predefined threshold) or, for individually insignificant amounts, on a flat basis by type of homogeneous exposures;
- **Unlikely to pay** – on-balance sheet and off-balance sheet exposures that do not meet the conditions for classifying the borrower as non-performing and for which it is considered unlikely that the borrower will be able to fully meet their credit obligations (in terms of principal and/or interest) without actions being taken such as enforcement of guarantees. This decision is made regardless of whether there are any amounts (or instalments) due and not paid.

  Classification as “unlikely to pay” is not necessarily linked to the presence of specific anomalies (non-repayment) but rather to the presence of indications of a risk of default by the borrower. Exposures classified as unlikely to pay are generally measured individually (including by verifying statistically and automatically defined coverage levels for some loan portfolios below a predefined threshold) or by applying percentages determined on a flat basis by type of loan;
- **Impaired past due and/or overdue exposures** - represent on-balance sheet exposures other than those classified as non-performing loans or unlikely to pay which, at the reference dates, are past due or over due. Impaired past due and/or overdue exposures can be identified either be reference to the individual borrower or the individual transaction. In particular, they represent the total exposure to any borrower not included in the category of unlikely to pay, which at the reporting date has past-due loans or unauthorised overdrafts that are more than 90 days past due and meet the requirements set out by supervisory regulations (TSA banks).

  Impaired past due and/or overdue exposures are measured using a statistical approach based on historical data, applying where available the degree of risk as measured by the risk factor used for Regulation No. 575/2013

(CRR) on prudential requirements for credit institutions and investment firms (loss given default - LGD).

The Bank identifies impaired past due and/or overdue exposures by reference to the individual borrower. Total exposure is recognised in this category if, at the reporting date, either of the following amounts, whichever is larger, is equal to or more than 5%:

- the expired/overdrawn portion out of the entire exposure as at the reporting date

and

- the average of the past-due and/or overdrawn portions out of the entire exposure, as measured daily in the last preceding quarter.

The EBA standards also introduced the definition of forborne exposures, i.e. exposures in respect of which forbearance measures have been extended, consisting of concessions towards a debtor facing or about to face difficulties in meeting its financial commitments ("financial difficulties").
The same EBA standards define a concession as:

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

Forborne exposures can be either impaired loans (non-performing loans, unlikely to pay, impaired past-due and overdue) or performing loans. Regarding the measurement and provisioning of forborne exposures, the accounting policies follow the general principle in line with the provisions of IAS 39, with the specifications set out above regarding renegotiated loans classified as unlikely to pay.

<u>Description of the approaches adopted for determining value adjustments</u>
Loans and receivables are financial assets with customers or banks, with fixed or determinable payments that are not listed on an active market. Loans and receivables are recognised on the date of contract signing, which normally coincides with the date of disbursement to the borrower.
These items include debt instruments with the above characteristics (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 amortised 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 recognised 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 and unlikely to pay according to the categories specified above, 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 recognised in profit or loss in item 130.a) "Impairment losses on loans and 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 impairment no longer exist, and this assessment is objectively attributable to an event such as an improvement in the debtor's credit worthiness occurred after the impairment, a reversal is made in the same profit or loss item, within the amount of the amortised cost that there would have been if there had been no impairments.

Derecognition of a loan or receivable in its entirety is made when the 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) "Impairment losses on loans and receivables" and reduce the amount of the principal of the loan or receivable. Reversals of all or part of amounts previously written off are recognised in the same item.

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

Each loan with similar characteristics in terms of credit risk - in relation to loan type, the borrower's sector of economic activity, geographical location, type of security or other relevant factors - is assessed in terms of its PD (Probability of Default) and LGD (Loss Given Default); these are uniform for each class of loan.

The methods used combine the CRR prudential regulation recommendations and IFRS. The latter exclude future loan losses not yet sustained, but include losses already sustained even if they were not manifest at the time of measurement, on the basis of past experience of losses on assets having a similar risk profile to the assets being measured.

The parameter for the average period from deterioration of a borrower's financial condition and its classification as an impaired loan is the Loss Confirmation Period.

The portfolio valuation is the product of the risk factors derived from the parameters used under CRR prudential regulation requirements, with a one-year time horizon, and the above loss confirmation periods (LCP) expressed as part of a year and diversified according to classes of loans and receivables on the basis of customer segments/portfolios characteristics. The Bank assumes that the Loss Confirmation Period is the maximum 12 months, expressing the time between the provision being made in the accounts and the expected loss.

If these indicators are not available, estimated value and standard loss percentages, based on internal historical series and sectoral studies, shall be used.

Classification of exposures in risk categories

The classification into different risk categories is made following the guidelines of the EBA standards (Implementing Technical Standards - Implementing Regulation (EU) no. 680/2014 of the European Commission) and of Circular 272 (7th update - "Matrix of accounts" issued by the Bank of Italy on January 20, 2015), introduced starting from the statistical reporting of consolidated harmonised supervision (FINREP) at September 30, 2014.

On and off-balance sheet exposures to banks

Exposure type / Accounting portfolio	Values as at December 31, 2015											
	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	X	X	-	-	-	-	-	-	-	-	X	X
- of which: forborne exposures	X	X	-	-	-	-	-	-	-	-	X	X
b) Unlikely to pay	X	X	-	-	-	-	-	-	-	-	X	X
- of which: forborne exposures	X	X	-	-	-	-	-	-	-	-	X	X
c) Past-due impaired loans	X	X	-	-	-	-	-	-	-	-	X	X
- of which: forborne exposures	X	X	-	-	-	-	-	-	-	-	X	X
d) Past due non-impaired exposures	X	X	-	-	-	-	-	-	-	-	X	X
- of which: forborne exposures	X	X	-	-	-	-	-	-	-	-	X	X
e) Other exposures	38	36	-	-	-	-	-	-	14,648,904	14,270,551	X	X
- of which: forborne exposures	-	-	-	-	-	-	-	-	-	-	X	X
TOTAL A	**38**	**36**	**-**	**-**	**-**	**-**	**-**	**-**	**14,648,904**	**14,270,551**		
B. "Off-balance" sheet exposures												
a) Impaired	X	X	X	X	X	X	X	X	X	X	-	-
b) Other	X	X	X	X	X	X	X	X	X	X	373,829	458,559
TOTAL B											**373,829**	**458,559**
TOTAL A+B December 31, 2015	**38**	**36**	**-**	**-**	**-**	**-**	**-**	**-**	**14,648,904**	**14,270,551**	**373,829**	**458,559**

(Amounts in € thousand)

On and off-balance sheet exposures to customers

Exposure type / Accounting portfolio	Values as at December 31, 2015											
	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	X	X	-	-	-	-	-	-	21,819	20,832	X	X
- of which: forborne exposures	X	X	-	-	-	-	-	-	48	24	X	X
b) Unlikely to pay	X	X	-	-	-	-	-	-	2,181	1,781	X	X
- of which: forborne exposures	X	X	-	-	-	-	-	-	208	104	X	X
c) Past-due impaired loans	X	X	-	-	-	-	-	-	1,195	1,234	X	X
- of which: forborne exposures	X	X	-	-	-	-	-	-	49	25	X	X
d) Past due non-impaired exposures	X	X	-	-	-	-	-	-	25,800	21,871	X	X
- of which: forborne exposures	X	X	-	-	-	-	-	-	87	44	X	X
e) Other exposures	7	9	-	-	2,235,494	1,965,522	-	-	900,593	790,799	X	X
- of which: forborne exposures	-	-	-	-	-	-	-	-	51	26	X	X
TOTAL A	**7**	**9**	**-**	**-**	**2,235,494**	**1,965,522**	**-**	**-**	**951,588**	**836,517**		
B. "Off-balance" sheet exposures												
a) Impaired	X	X	X	X	X	X	X	X	X	X	-	1
b) Other	X	X	X	X	X	X	X	X	X	X	418,846	455,188
TOTAL B											**418,846**	**455,189**
TOTAL A+B December 31, 2015	**7**	**9**	**-**	**-**	**2,235,494**	**1,965,522**	**-**	**-**	**951,588**	**836,517**	**418,846**	**455,189**

(Amounts in € thousand)

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

The tables below exclude the exposures connected with counterparty risk relative to securities lending and borrowing.

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 Unlikely to pay	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.3 Impaired past-due exposures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.4 Non-impaired exposures	14,616,514	-	14,616,514	32,422	-	32,422	-	-	-	-	-	-	6	-	6
TOTAL	**14,616,514**	**-**	**14,616,514**	**32,422**	**-**	**32,422**	**-**	**-**	**-**	**-**	**-**	**-**	**6**	**-**	**6**
B. "Off-balance" sheet exposures															
B.1 Non-performing loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.2 Unlikely to pay	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.3 Other impaired assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.4 Non-impaired exposures	258,524	(1,416)	257,108	989	-	989	-	-	-	-	-	-	-	-	-
TOTAL	**258,524**	**(1,416)**	**257,108**	**989**	**-**	**989**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
TOTAL December 31, 2015	**14,875,038**	**(1,416)**	**14,873,622**	**33,411**	**-**	**33,411**	**-**	**-**	**-**	**-**	**-**	**-**	**6**	**-**	**6**

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 Unlikely to pay	-	-	-	-	-	-	-	-	-	-	-	-
A.3 Impaired past-due exposures	-	-	-	-	-	-	-	-	-	-	-	-
A.4 Non-impaired exposures	24,085	-	24,085	-	-	-	14,592,430	-	14,592,430	-	-	-
TOTAL	**24,085**	**-**	**24,085**	**-**	**-**	**-**	**14,592,430**	**-**	**14,592,430**	**-**	**-**	**-**
B. "Off-balance" sheet exposures												
B.1 Non-performing loans	-	-	-	-	-	-	-	-	-	-	-	-
B.2 Unlikely to pay	-	-	-	-	-	-	-	-	-	-	-	-
B.3 Other impaired assets	-	-	-	-	-	-	-	-	-	-	-	-
B.4 Non-impaired exposures	-	-	-	5	-	5	258,519	(1,416)	257,103	-	-	-
TOTAL	**-**	**-**	**-**	**5**	**-**	**5**	**258,519**	**(1,416)**	**257,103**	**-**	**-**	**-**
TOTAL December 31, 2015	**24,085**	**-**	**24,085**	**5**	**-**	**5**	**14,850,949**	**(1,416)**	**14,849,533**	**-**	**-**	**-**

(Amounts in € thousand)

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

The tables below exclude the exposures connected with counterparty risk relative to securities lending and borrowing.

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	21,819	(18,319)	3,500	-	-	-	-	-	-	-	-	-	-	-	-
A.2 Unlikely to pay	2,181	(1,387)	794	-	-	-	-	-	-	-	-	-	-	-	-
A.3 Impaired past-due exposures	1,195	(612)	583	-	-	-	-	-	-	-	-	-	-	-	-
A.4 Non-impaired exposures	2,508,756	(8,496)	2,500,260	652,914	(1)	652,913	158	-	158	67	-	67	1	-	1
TOTAL	**2,533,951**	**(28,814)**	**2,505,137**	**652,914**	**(1)**	**652,913**	**158**	**-**	**158**	**67**	**-**	**67**	**1**	**-**	**1**
B. "Off-balance" sheet exposures															
B.1 Non-performing loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.2 Unlikely to pay	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.2 Other impaired assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.4 Non-impaired exposures	20,008	-	20,008	299	-	299	257	-	257	-	-	-	10	-	10
TOTAL	**20,008**	**-**	**20,008**	**299**	**-**	**299**	**257**	**-**	**257**	**-**	**-**	**-**	**10**	**-**	**10**
TOTAL December 31, 2015	**2,553,959**	**(28,814)**	**2,525,145**	**653,213**	**(1)**	**653,212**	**415**	**-**	**415**	**67**	**-**	**67**	**11**	**-**	**11**

(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	7,183	(5,813)	1,370	3,079	(2,500)	579	3,882	(3,377)	505	7,675	(6,630)	1,045
A.2 Unlikely to pay	1,199	(715)	484	203	(147)	56	182	(130)	52	598	(395)	203
A.3 Impaired past-due exposures	341	(165)	176	172	(90)	82	242	(125)	117	438	(231)	207
A.4 Non-impaired exposures	322,175	(3,006)	319,169	128,299	(1,268)	127,031	1,865,377	(2,447)	1,862,930	192,904	(1,774)	191,130
TOTAL	**330,898**	**(9,699)**	**321,199**	**131,753**	**(4,005)**	**127,748**	**1,869,683**	**(6,079)**	**1,863,604**	**201,615**	**(9,030)**	**192,585**
B. "Off-balance" sheet exposures												
B.1 Non-performing loans	-	-	-	-	-	-	-	-	-	-	-	-
B.2 Unlikely to pay	-	-	-	-	-	-	-	-	-	-	-	-
B.2 Other impaired assets	-	-	-	-	-	-	-	-	-	-	-	-
B.4 Non-impaired exposures	7,875	-	7,875	3,251	-	3,251	4,259	-	4,259	4,623	-	4,623
TOTAL	**7,875**	**-**	**7,875**	**3,251**	**-**	**3,251**	**4,259**	**-**	**4,259**	**4,623**	**-**	**4,623**
TOTAL December 31, 2015	**338,773**	**(9,699)**	**329,074**	**135,004**	**(4,005)**	**130,999**	**1,873,942**	**(6,079)**	**1,867,863**	**206,238**	**(9,030)**	**197,208**

(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	-	-	-	-	-	-	46	(40)	6	-	-	-	102	(92)	10	21,672	(18,187)	3,485
- of which: forborne exposures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	48	(41)	7
A.2 Unlikely to pay	-	-	-	-	-	-	4	(3)	1	-	-	-	9	(7)	2	2,168	(1,377)	791
- of which: forborne exposures	-	-	-	-	-	-	4	(3)	1	-	-	-	-	-	-	204	(146)	58
A.3 Impaired past-due exposures	4	(2)	2	-	-	-	-	-	-	-	-	-	19	(8)	11	1,171	(601)	570
- of which: forborne exposures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	48	(17)	31
A.4 Non-impaired exposures	2,235,501	-	2,235,501	-	-	-	92,477	(129)	92,348	11,464	-	11,464	19,788	(3,327)	16,461	802,663	(5,040)	797,623
- of which: forborne exposures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	139	(1)	138
TOTAL A	2,235,505	(2)	2,235,503	-	-	-	92,527	(172)	92,355	11,464	-	11,464	19,918	(3,434)	16,484	827,674	(25,205)	802,469
B. "Off-balance" sheet exposures																		
B.1 Non-performing loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.2 Unlikely to pay	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.3 Other impaired assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.4 Non-impaired exposures	14	-	14	-	-	-	530	-	530	-	-	-	421	-	421	19,608	-	19,608
TOTAL B	14	-	14	-	-	-	530	-	530	-	-	-	421	-	421	19,608	-	19,608
TOTAL A + B December 31, 2015	**2,235,519**	**(2)**	**2,235,517**	**-**	**-**	**-**	**93,057**	**(172)**	**92,885**	**11,464**	**-**	**11,464**	**20,339**	**(3,434)**	**16,905**	**847,282**	**(25,205)**	**822,077**

(Amounts in € thousand)

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

Items/breakdown by time	*On demand*	*Between 1 and 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*	*Between 6 months and 1 year*	*From 1 year to 5 years*	*Over 5 years*	*Indefinite life*
On-balance sheet assets										
A.1 Government securities	-	-	-	11,025	14,185	275,941	622,761	1,061,000	150,004	-
A.2 Debt securities	1	3,151	3,860	7,893	132,586	46,356	444,581	6,833,742	4,151,854	-
A.3 Units in investment funds	2	-	-	-	-	-	-	-	-	-
A.4 Loans										
- Banks	1,285,642	729	274,614	50,203	744,424	449,445	249,248	-	-	151,472
- Customers	241,028	40,336	228,190	84,027	174,658	26,340	39,581	98,596	7,181	-
On-balance sheet liabilities										
B.1 Deposits and current accounts										
- Banks	68,848	-	-	-	-	-	-	-	-	-
- Customers	14,987,550	13,607	19,829	36,274	107,592	120,845	247,310	13,265	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	118,673	25,528	252,196	8,218	610,481	401,018	215,440	-	-	-
Off-balance sheet transactions										
C.1 Financial derivatives with exchange of capital										
- Long positions	34	132,516	-	-	-	10	-	14	960	-
- Short positions	34	131,386	-	-	762	10	-	14	198	-
C.2 Financial derivatives without exchange of capital										
- Long positions	2,347	1,034	2,086	-	5,221	11,183	11,815	-	-	-
- Short positions	3,103	-	11	-	7,798	10,231	16,034	-	-	-
C.3 Deposits and loans to be collected										
- Long positions	-	6,703	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	5,798	906	-	-	-
C.4 Irrevocable commitments to lend funds										
- Long positions	-	-	-	-	1,023	16,804	-	620	-	-
- Short positions	-	17,827	-	620	-	-	-	-	-	-
C.5 Financial guarantees given	-	-	-	-	-	-	-	-	-	-
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-
C.7 Credit derivatives with exchange of capital										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.8 Credit derivatives without exchange of capital										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-

(Amounts in € thousand)

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

Source / Categories	*Non-performing loans*	*Unlikely to pay*	*Past-due impaired loans*
A. Total opening impairment	**(16,686)**	**(928)**	**(625)**
of which: transferred exposures not written off	-	-	-
B. Increases	**(6,259)**	**(1,311)**	**(548)**
B.1 Value adjustments	(5,370)	(1,278)	(548)
B.2 Losses on disposal	-	-	-
B.3 Transfers from other categories impaired exposures	(875)	(33)	-
B.4 Other increases	(14)	-	-
C. Decreases	**4,626**	**852**	**561**
C.1 Write-backs from valuation	398	68	170
C.2 Write-backs from collections	430	93	134
C.3 Gains on disposal	-	-	-
C.4 Write-offs	3,798	36	4
C.5 Transfers to other categories impaired exposures	-	655	253
C.6 Other decreases	-	-	-
D. Total final adjustments	**(18,319)**	**(1,387)**	**(612)**
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 and incentive systems and practices

Qualitative Information

1. Governance & Compliance

1.1 Remuneration and Appointments Committee

The Remuneration and Appointments Committee, established by the Board of Directors' resolution on May 13th, 2014, performs a strategic role in supporting Board of Directors' oversight of FinecoBank Compensation Policy and plans design.

According to the Corporate Governance rules, this Committee is composed by 3 non-executive members, Mr. Gianluigi Bertolli, Mrs. Mariangela Grosoli and Mr. Girolamo Ielo, who met the independence requirements set out in Article 3.C.1 of the Corporate Governance Code and also Article 147 (4) and 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 meetings during 2015.

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.

In 2015 the Remuneration and Appointments Committee met 12 times. The meetings had an average duration of two hours. As of March 2016, 3 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.

From December 2014 on the Committee, by means of its budget assigned for the year, has started a collaboration with an independent external advisor who is invited to the Committee's meeting when required.

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 2015 the Head of *Human Resources* has been always invited to Committee's meetings. The Chairman has also invited the Head of *Legal & Corporate Affairs* to introduce the results of the Board of Directors' self-evaluation process and the Head of *Network Controls, Monitoring and Service Department* to analyse the Stock Granting Plans, Incentive Systems and related rules for the Financial Advisors. The Chairman has also invited the *Internal Audit*[1] function to the meeting related to the annual audit performed on FinecoBank remuneration policies and practices.

During 2015 the key activities of the Remuneration and Appointments Committee included:

KEY ACTIVITIES OF THE COMMITTEE IN 2015	
January	▪ 2015 Incentive System for employees belonging to *Identified Staff* ▪ Confirmation of the 2:1 ratio between variable and fixed compensation for *Identified Staff* belonging to business functions ▪ 2015 performance goals for *Identified Staff*
February	▪ Bonus Pool 2014 ▪ Execution of 2014 Incentive System and individual bonuses 2014 for *Identified Staff* ▪ Execution of stock granting plans "*2014-2017 Multi-year Plan Top Management*" and "*2014 Plan Key People*" for employees ▪ Execution of the plan "*2014 PFA Plan*" for Financial Advisors
March	▪ Evaluation of the independence requirements of the Administrative Bodies as per Article 3 of

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

	the Corporate Governance Code and Article 148 (3) of the TUF ▪ Report on Corporate Governance and Ownership Structures 2014 ▪ 2015 Compensation Policy (Annual Compensation Report and Audit report included) ▪ Termination Payments Policy ▪ Rules of the 2015 Incentive System for employees belonging to *Identified Staff* ▪ Definition of 2015 *Identified Staff* ▪ 2015 Incentive System for Financial Advisors belonging to *Identified Staff* ▪ 2015 Incentive Plans for Financial Advisors (PFA/GM/AM) and related rules
April	▪ Salary review for *Identified Staff* ▪ Rules of the 2015 Incentive System for Financial Advisors belonging to *Identified Staff*
June	▪ Change of one entry condition parameter of *stock granting* plan for employees
July	▪ Execution of the plan "*2014 PFA Plan*" for Financial Advisors (little amendments to what already approved in the previous meeting) ▪ Rules of the plans "*Loyalty Plan*" for Financial Advisors and Managers of the Network of FinecoBank ▪ Change of entry conditions for the plans "*Bonus All in Fee*", "2015 Incentive Plans (Bonus Raccolta Netta)" for Financial Advisors (PFA/GM/AM), "*2014 PFA Plan*" and "*2015-2017 PFA Plan*" and related new rules ▪ Development plans and succession plans ▪ Change of the name of the plans "*Loyalty Plan*" for Financial Advisors and Managers of the Network of FinecoBank to "*Additional Future Program*" and related new rules
September	▪ Global Policy "Compensation processes for *Identified Staff* population"
November	▪ Corrective measures after the results of the Board of Directors' self-evaluation process made by *Egon Zehnder International*
December	▪ Appointment new Deputy General Manager ▪ 2016 performance goals for *Identified Staff* ▪ Share Netting / Share Cashing process

The main topics discussed by the Committee are also submitted to the attention of the Board of Statutory Auditors, in advance over their submission to the Board of Directors.

The following table summarizes the composition of the Committee in 2015 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 01/01/2015 – 12/31/2015)						
Office	**Name**	**Indipendency according to**		*****	******	*******
		Code	**TUF**			
Members currently in office						
Chairman	Gianluigi Bertolli	Yes	Yes	C	12	100%
Director	Mariangela Grosoli	Yes	Yes	M	12	100%
Director	Girolamo Ielo	Yes	Yes	M	12	92%

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)

1.2 The Role of Company Control Functions: Compliance, Risk Management and Audit

Key contributions in 2015 of FinecoBank *Compliance* function, for all aspects that fall within its perimeter and in collaboration with Group *Compliance*, included:

- validation of the 2015 Compensation Policy submitted to the Board of Directors for subsequent approval of the Shareholders' Meeting on April 23rd, 2015;
- validation of the 2015 Incentive System for employees of FinecoBank belonging to *Identified Staff*;
- validation of the 2015 Incentive System for Financial Advisors of FinecoBank belonging to *Identified Staff*;
- preparation – in collaboration with the *Human Resources* function – and distribution of FinecoBank guidelines for the development and management of incentive systems for the population not belonging to *Identified Staff* (ref. *FinecoBank Internal Regulation 23/2015*);
- participation in specific initiatives of *Human Resources* function (e.g.: review of definition of *Identified Staff* for the application of Incentive System).

In 2016, 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 2015 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 Framework*, which is consistent with Group *Risk Appetite Framework*, so that incentives to take risk are appropriately constrained by incentives to manage risk. In particular, the Board of Directors and Remuneration 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

Key highlights of the 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 Compensation Policy for the *Identified* Staff, both employees and Financial Advisors, with particular reference to the design of the 2016 incentive systems
- the pay recommendations based on specific benchmarking analysis versus our defined peer group to inform any decision.

The peer group used to benchmark compensation policy and practice with particular reference to employees 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 2016 it has been defined a national peer group that includes:

- some Banks operating in the same industry of FinecoBank or Banks used by financial analysts as comparable, as:
  - Banca Generali and Generali Investments Europe SGR
  - Allianz Bank Financial Advisor
  - Gruppo Mediolanum
  - Azimut
- positions of Asset Management, Wealth Management, Trading internal to national Banks:
  - Banca Popolare Vicenza
  - BNP Paribas (BNP Investment Partners included)
  - BPER
  - Credem
  - Deutsche Bank
  - Gruppo Banco Popolare (*Prospect*)
  - Gruppo Generali
  - ING Direct
  - Gruppo Mediobanca (CheBanca and Banca Esperia)
  - Monte Paschi di Siena
  - Intesa SanPaolo
  - UBI Banca
  - Veneto Banca (*Prospect*)

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.

Only for the Chief Executive Officer and General Manager it will be added also a benchmark with a sample of European Banks with Wealth Management, Asset Management and Private Banking activities, trading platform, on top of a US comparables' analysis.

3. FinecoBank Compensation Systems

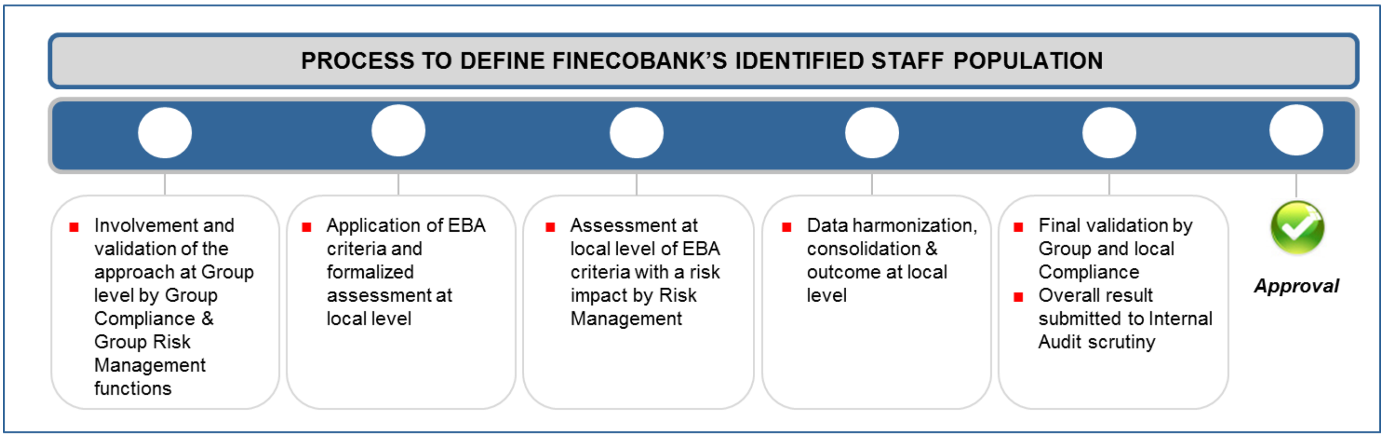
3.1 Target population

FinecoBank, starting from 2014 conducted, in alignment with specific regulation, the annual self-evaluation process to define *Identified Staff* population, both employees and Financial Advisors, to whom, according to regulators, specific remuneration rules apply

The identification of 2016 *Identified Staff*, pursuant to the European criteria foreseen in the *European Banking Authority Regulatory Technical Standard* (RTS)[2], followed a structured and formalized assessment process both at Group and local level, based on the guidelines provided by the Group functions *Human Resources* with the contribution of *Risk Management* and *Compliance*, to guarantee a unique and common approach at Group level.

At local level, the control functions mentioned above have been appropriately involved for their respective areas of competence.

The recognition of employee with significant impact on Group and local risk took into account the role, the decision-making power, the effective responsibilities of the employees and of the Financial Advisors and, in addition, the total compensation level.



The result of the assessment process, submitted to Internal Audit scrutiny and documented into FinecoBank Compensation Policy, brought to the identification of a total number of 13 employees and 11 Financial Advisors for 2016[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 confirmed for 2016 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

[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.
[3] *Identified Staff* data refers to the population at the date of January 2016, providing for an *ex-ante* definition, in line with regulatory requirements.

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 2016 as *Identified Staff*:

- for the single PFA the criteria above mentioned has been applied selecting those Advisors who have a total yearly compensation higher/equal to Euro 750,000;
- for PFA who have a managerial role have been selected Managers that coordinate Advisors with a total asset higher/equal to 5% of the total asset of the PFA Network.

3.2 Implementation and Outcomes of 2015 Incentive Systems

3.2.1 2015 Incentive System for employees belonging to *Identified Staff*

The 2015 Incentive System, approved by FinecoBank Board of Directors on January 22nd, 2015, provides for a "*bonus pool*" approach which directly links bonuses with Company results at Group and local level, ensuring the link between profitability, risk and reward.

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", that, during the year of performance, has been adjusted based on the effective performance trend.

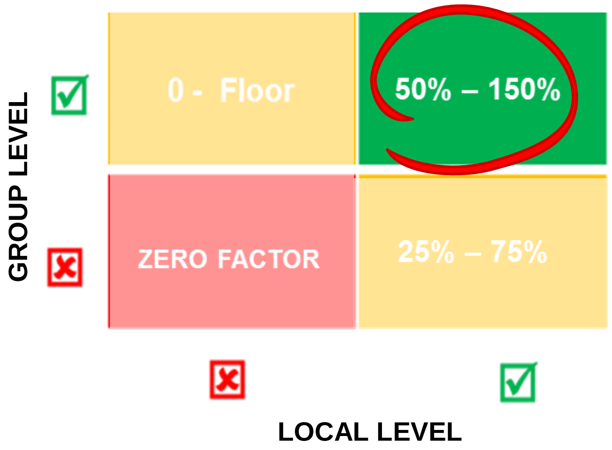
2015 Entry conditions at Group and local level

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 2015 Incentive System as defined within the Entry Conditions that confirm, reduce or cancel upfront and deferred pay-outs include:

Group level	Local level
Net Operating Profit adjusted ≥ 0 and	Net Operating Profit adjusted ≥ 0 and
Net Profit ≥ 0 and	Net Profit ≥ 0
Common Equity Tier 1 ratio transitional ≥ 7% and	
Cash Horizon ≥ 90 days	

- **Net Operating Profit adjusted** to measure the profitability, is the NOP excluding income from buy-back of own debt and from the fair value accounting of own liabilities.
- **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.
- **Common Equity Tier 1 Ratio Transitional** to measure the bank's solidity in terms of highest quality common equity introduced by Basel 3, consistent with regulatory limits and conservation buffers.
- **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 8th, 2016, and by the Board of Directors of UniCredit on February 9th, 2016, 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.



The Entry Conditions were achieved both at Group and local level.

Therefore, no *malus* condition is activated both for 2015 incentive and installments referred to previous years deferral.

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 (Risk Appetite Framework)*, to evaluate risk sustainability;
- performance indicators connected with the Multi-Year Strategic Plan, to evaluate the financial sustainability.

Evaluation and pay-out for Identified Staff

In line with FinecoBank governance, 2015 evaluations and pay-outs for Chief Executive Officer and General Manager, Deputy General Managers, other Executives with strategic responsibilities and other *Identified Staff* 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 8th, 2016, has approved the allocation of a total number of shares equal to 210.288 to be assigned in 2018, 2019, 2020 and 2021.

3.2.2 2015 Incentive System for Financial Advisors belonging to *Identified Staff*

The 2015 Incentive System PFA, approved by FinecoBank Board of Directors on March 10th 2015, takes into consideration the most recent national and international regulatory requirements and directly links bonuses with the objectives of growth in the medium and long term, in a general framework of overall sustainability.

The System, implemented within the framework of our policy and governance, provides for the allocation of a performance related bonus in cash and/or Phantom shares over 5 years.

Based on the effective results approved by the Board of Directors of FinecoBank on February 8th, 2016, all entry conditions were achieved and was approved the allocation of a total number of Phantom shares equal to 45.171 to be assigned in 2018, 2019 and 2020.

3.3 2016 Incentive System for employees belonging to *Identified Staff*

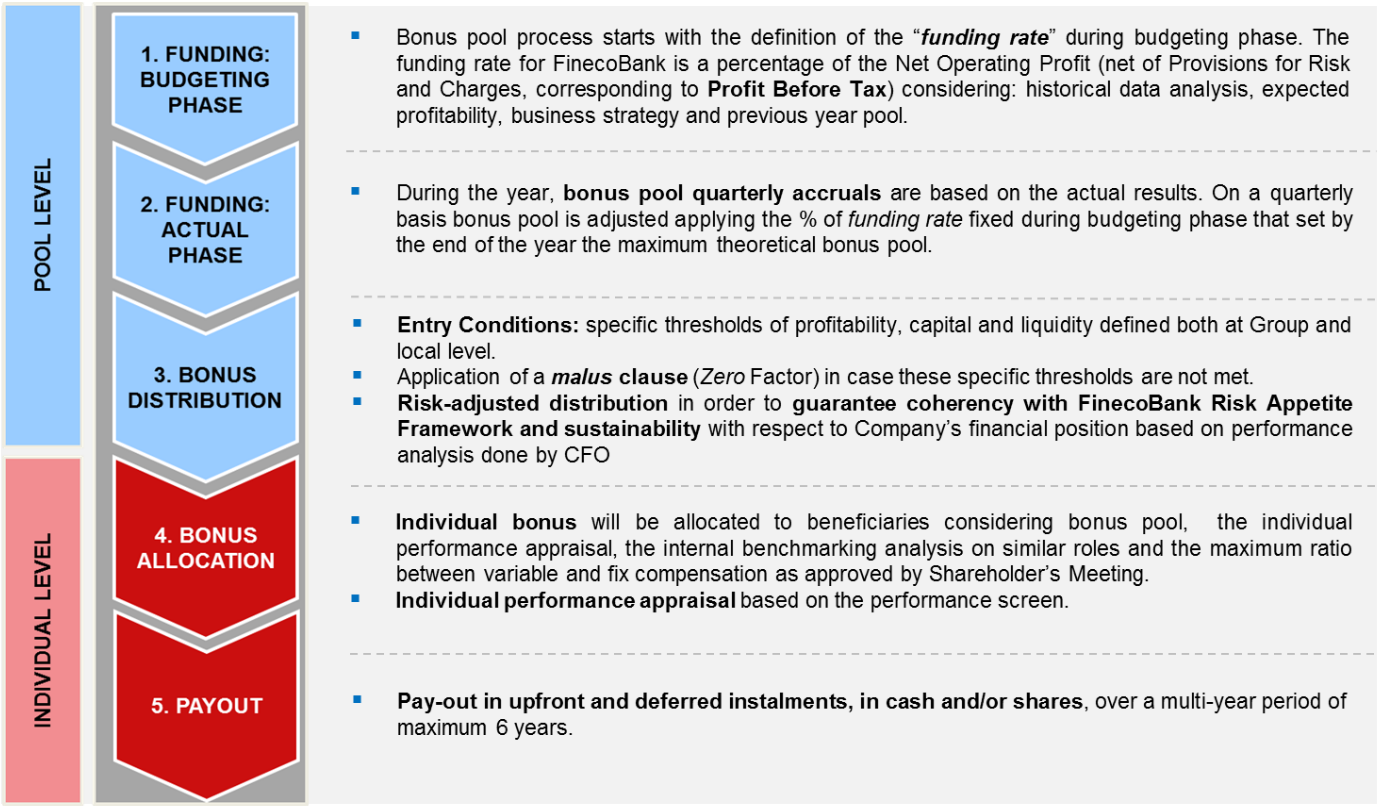
As in the past years, the 2016 Incentive System, as approved by the Board of Directors of FinecoBank on January 12th, 2016, is based on a "*bonus pool*" approach which takes into consideration most recent national and international regulatory requirements and directly links bonuses with Company results at Group and local level, ensuring the link between profitability, risk and reward.

In particular, the system provides for:

- allocation of a variable incentive defined on the basis of the determined bonus pool, of the individual performance appraisal and of the internal benchmarking on similar roles as well as compliant with the ratio between fixed and variable remuneration approved by the Shareholder's Meeting;
- 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. In fact the payment structure defined requires a retention period on shares (of 2 years for upfront shares and of 1 year for deferred shares);
- risk adjusted measures in order to guarantee long-term sustainability, regarding Company financial position and to ensure compliance with regulations;
- a *malus* clause (Zero Factor) which applies in case specific thresholds (profitability, capital and liquidity) are not met at both Group and local level. In particular, the bonus pool of 2016 will be zeroed, while previous systems deferrals could be reduced from 50% to 100% of their value, based on final effective results and dashboards assessments done by CRO and CFO.

The bonus pool process includes the following steps:



<u>*1. Funding: budgeting phase*</u>

- Bonus pool process starts with the definition of the "funding rate" during budgeting phase. The funding rate for FinecoBank is a percentage of the 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. The bonus pool is submitted for approval to the Board of Directors of FinecoBank.

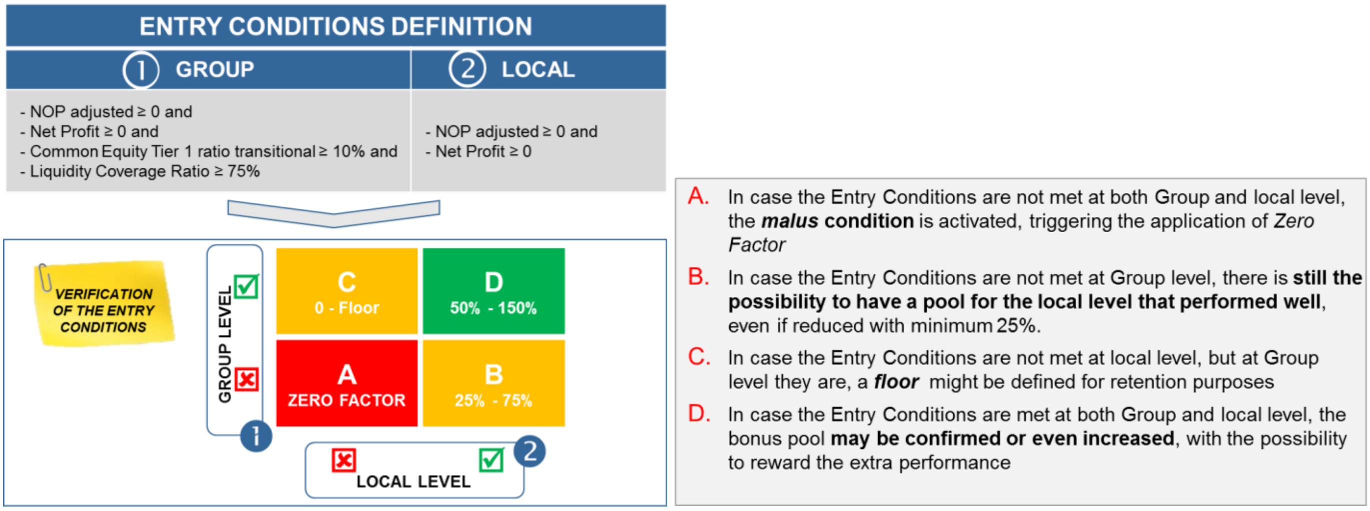
<u>*2. Funding: actual phase*</u>

- During the year of performance, quarterly accruals are based on the actual results;
- on a quarterly basis bonus pool is adjusted applying the % of *funding rate* fixed during budgeting phase that set by the end of the year the maximum theoretical bonus pool.

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 year forecast – risk-adjusted – both at Group and local level.

The Entry Conditions are 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.



- *NOP adjusted: Net Operating Profit (NOP) excluding income from buy-back of own debt and from the fair value accounting of own liabilities.*
- *Net Profit: Net Profit stated in the Balance Sheet, excluding any extraordinary items as considered appropriate by the Board of Directors upon Remuneration and Appointments Committee proposal.*
- *Common Equity Tier 1 Ratio Transitional: the level of CET1 Ratio transitional, certified by Group CFO, ensures the alignment with the threshold set as the outcome of the SREP process (Supervisory Review and Evaluation Process) coordinated by the European Central Bank. The level of 10% includes also the 0,25% buffer set for systemically relevant banks for 2016.*
- *Liquidity Coverage Ratio, aims to ensure that banks maintain an adequate level of not restricted "High Quality Liquid Assets" in a sufficient quantity to cover the overall ‘Net Cash Outflows’, over a period of thirty days, under gravely stressed conditions specified by Supervisors.*

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[4] whereas for the rest of the population it could be applied a Zero Factor or it could be allocated a discretional pool for retention purposes and/or to maintain the minimum pay levels needed to play in the market. 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.

In case entry conditions are met at local level (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.

[4] The bonus pool of 2016 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.

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 (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 performance analysis on the main performance and sustainability KPIs defined in the local and Group performance dashboard.

CRO DASHBOARD

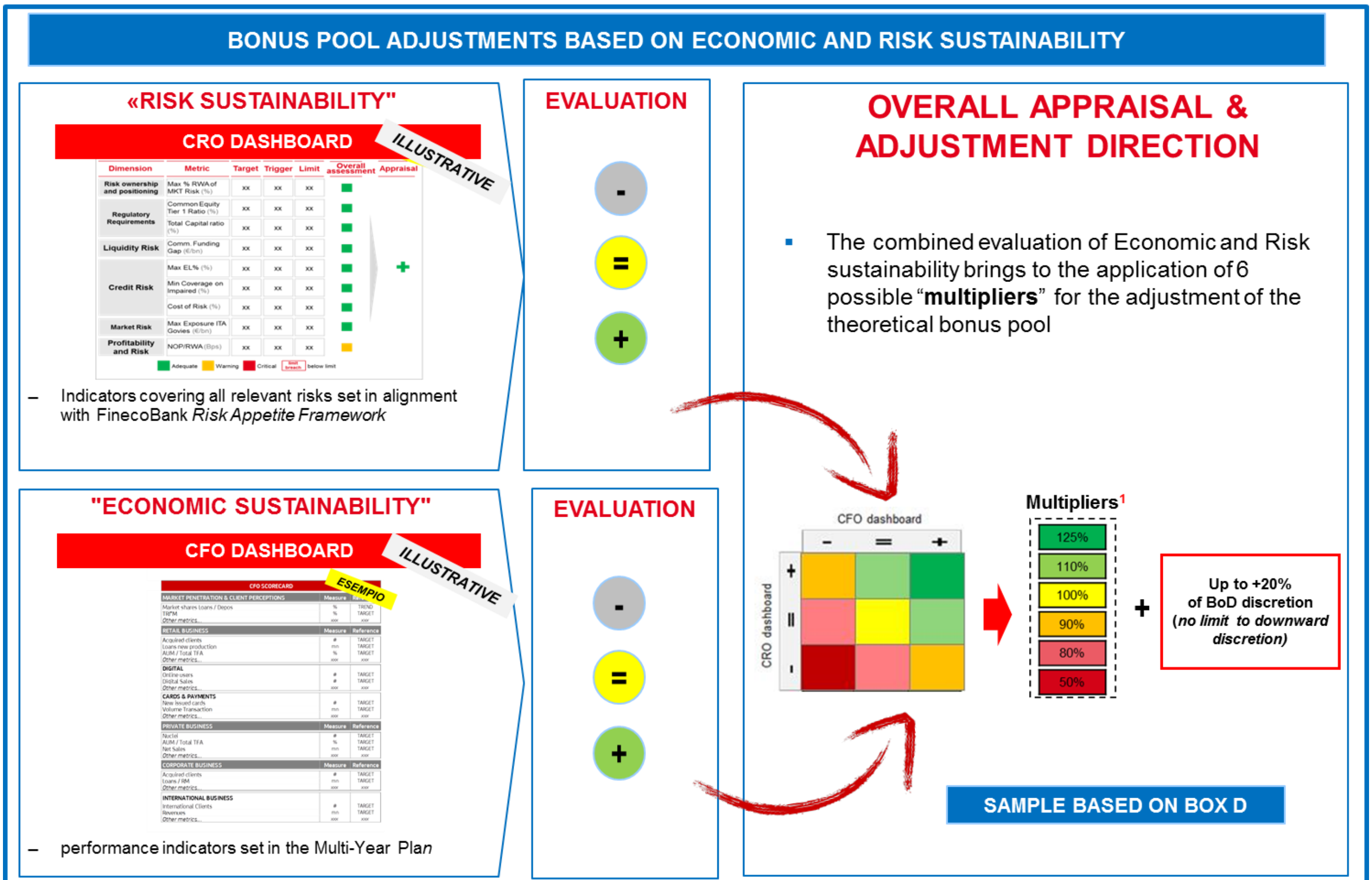
Dimension		Metric	Target	Trigger	Limit
Risk Ownership and positioning		Max RWA of MKT Risk (%)	xx	xx	xx
Regulatory Requirements		Common Equity Tier 1 Ratio (%)	xx	xx	xx
		Total Capital ratio (%)	xx	xx	xx
Profitability and Risk		Net Operating Profit/RWA(%)	xx	xx	xx
Control on specific risks	Credit Risk	Max EL% (%)	xx	xx	xx
		Min Coverage on Impaired (%)	xx	xx	xx
		Cost of Risk (bps)	xx	xx	xx
	Operational	Perdite Op. / Margine di Int. (%)	xx	xx	xx
	Liquidity	Structural Ratio (%)	xx	xx	xx

FINECO

MYP Scorecard as of CFO

	REF. TARGET	REF. VALUE
Δ Clients (#/1000)	***vs Target***	**xx**
o/w Δ managed by PFAs	***vs Target***	**xx**
Recruited PFA (#/1000)	***vs Target***	**xx**
Market Share Assoreti TFA	***vs Trend***	**xx**
AUM / Total TFA (%)	***vs Target***	**xx**
Guided Products / TFA (%)	***vs Target***	**xx**
Net Sales (mn)	***vs Target***	**xx**
o/w AUM	***vs Target***	**xx**
o/w Guided products	***vs Target***	**xx**
Net Sales PFA (mn)	***vs Target***	**xx**
o/w Net Sales from PFA recruited in curr. year	***vs Target***	**xx**
Transactions (#/1000)	***vs Target***	**xx**
Loans volumes eop (mn)	***vs Target***	**xx**
TRI*M	***vs Trend***	**xx**

The relevant overall assessment on the CRO and CFO evaluations brings to the definition of a "multiplier" to be applied to adjust the bonus pool; the application of a further discretional range, up to +20%, in the faculty of Board of Directors, while no limits to downward discretionally the bonus pool with respect to theoretical value is foreseen:



[1] In case Entry Conditions are not met at Group level, but at local level they are (box B), there will be applied more restricted multipliers, equal to a 50% reductions of the values mentioned above (e.g. from 110% to 55%).

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 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.

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.

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, extraordinary contributions to deposit guarantee schemes, etc.).

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

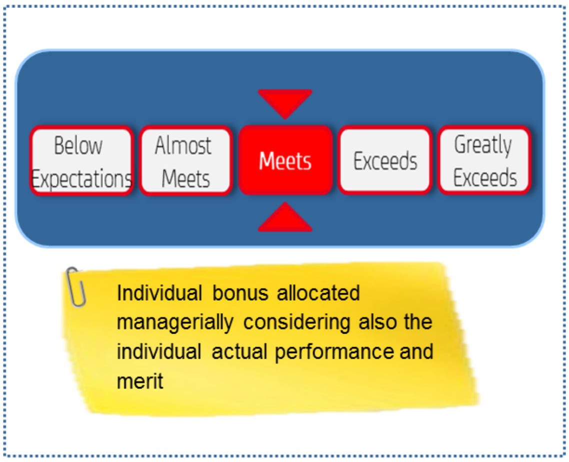
- Individual bonus will be allocated to beneficiaries considering bonus pool, the individual performance appraisal, the internal benchmarking analysis on similar roles and the maximum ratio between variable and fix compensation as approved by Shareholder's Meeting;
- individual performance appraisal is based on 2016 performance screen: a minimum of 4 individual goals 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[5]. All goals carry the same weight for evaluation purposes. 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 values scale with a descriptive outcome (from "*Below Expectations*" to "*Greatly Exceeds Expectations*").

EXAMPLE OF 2016 PERFORMANCE SCREEN

#	GOAL	PERIMETER	TARGET	LINK TO 5 FUNDAMENTALS
1	Goal 1 RISK ADJUSTED	FinecoBank	vs. budget	People & Business Development
2	Goal 2 RISK ADJUSTED	FinecoBank	vs. qualitative assessment based on CRO report	Risk Management
3	Goal 3	FinecoBank	vs target	Execution & Discipline
4	Goal 4	FinecoBank	vs. qualitative assessment	Client Obsession
5	Goal 5	FinecoBank	vs. budget	Cooperation & Synergies

LEGEND:
S sustainability drivers
RISK ADJUSTED Risk adjusted KPI

EXAMPLE OF 2016 APPRAISAL



5. Bonus pay-out

- As approved by the Board of Directors of January 12nd, 2016, with reference to pay-out structure, the *Identified Staff* population will be differentiated into two clusters, using a combined approach of banding and compensation:
  - CEO/GM and 1st reporting line: 5 years deferral scheme;
  - Other *Identified Staff*: 3 years deferral scheme.
- The pay-out of incentives will be done through upfront and deferred instalments, in cash or in

REGULATORY REQUIREMENTS

- The payment structure of 2016 Incentive System has been defined in line with the applicable regulatory requirements:
  - 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 as well as the direct reports to strategic supervisory, management and control bodies
  - 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

[5] *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*.

Fineco ordinary shares, up to a maximum 6-year period:

- in 2017 the first instalment of the total incentive will be paid in cash in absence of any individual / values compliance breach[6];
- over the period 2018-2022 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[6].

	2016	2017	2018	2019	2020	2021	2022
CEO/GM AND 1st REPORTING LINE	PERFORMANCE YEAR	20% UPFRONT CASH	10% DEFERRED CASH	20% UPFRONT SHARES	10% DEFERRED SHARES	10% DEFERRED SHARES	20% DEFERRED CASH 10% DEFERRED SHARES
OTHER IDENTIFIED STAFF	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;
- in coherence with 2015, a minimum threshold[7] will be introduced, below which no deferral mechanisms will be applied, accordingly with relevant regulatory indications;
- the number of shares to be allocated in the respective instalments shall be defined in 2017, 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 2016 performance achievements;
- free Fineco ordinary shares that will be allocated will be freely transferable;
- 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;
- the 2016 Incentive System provides for an expected impact on FinecoBank share capital of approximately 0,06%, assuming that all free shares for employees have been distributed. The overall dilution for all other current outstanding FinecoBank equity-based plans equals 0,61%;
- 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.

[6] Considering also the gravity of any internal/external findings (e.g. Audit, Bank of Italy, Consob and/or analogous local authorities).
[7] Equal to Euro 75.000 that will be paid in cash.

3.4 Comprehensive Performance Measurement

The 2016 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 that to all *Identified Staff* are assigned at the beginning of the year their own individuals goals and includes a rigorous review of their goals achievements.

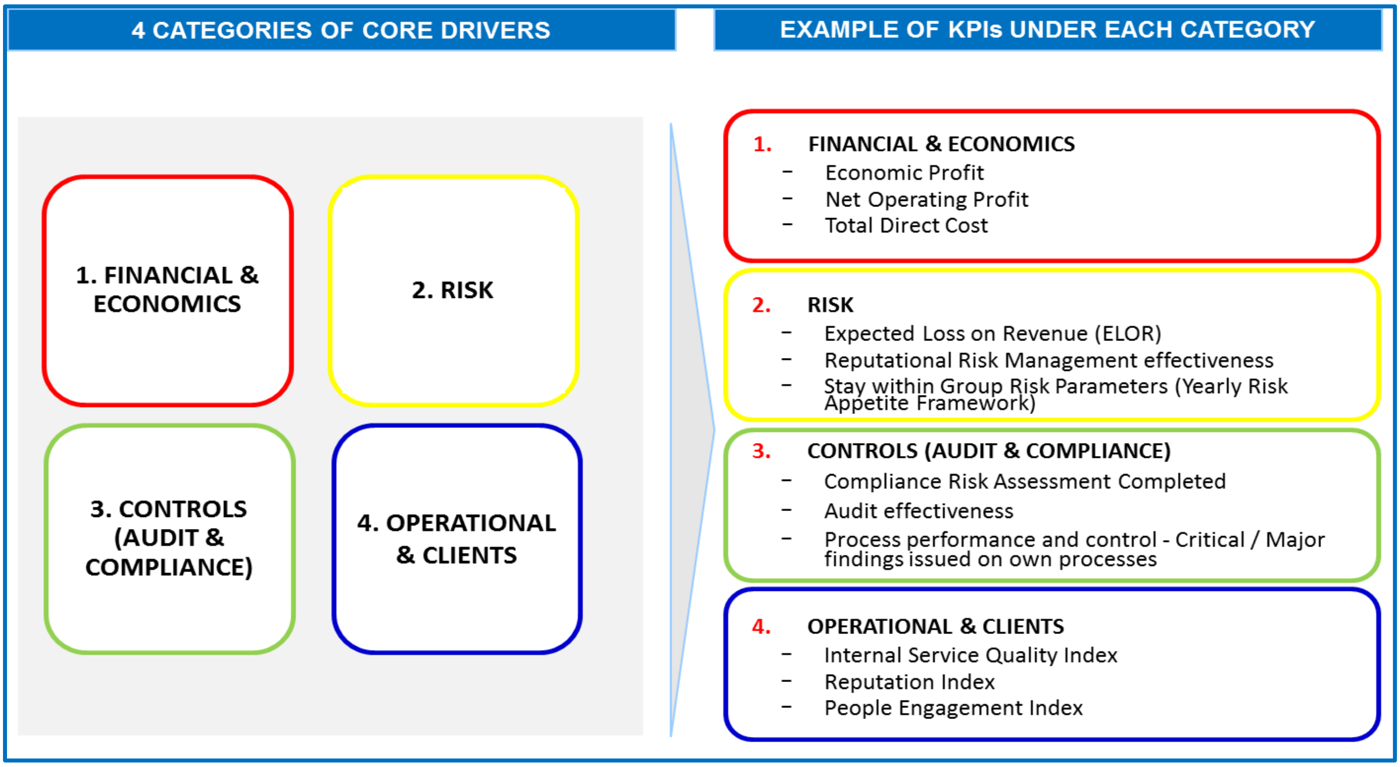
A specific process is performed annually at Group level with the involvement of key relevant functions (*Human Resources, Strategy & Finance, Risk Management, Compliance, Group Sustainability, Audit, Group Stakeholder and Service Intelligence*) to review the so-called *KPI Bluebook*.

The *KPI Bluebook* serves as the framework for the definition of performance goals coherent, high quality based, aligned to business strategy, compliant with regulatory requirements and consistent with our corporate values and Group Competency model. Therefore it supports the employees and their managers in the definition of individual Performance Screen.

KPI Bluebook includes a list of indicators certified at Group level, as well as specific guidelines related to:

- the use of risk-adjusted goal (e.g. select at least one KPI belonging to "Risk category" or related to risk management / risk-adjusted profitability)
- the use of sustainability objectives (e.g. at least half of the goals should be related to sustainability)
- the definition of the target of reference, in case objectives not included in certified list are selected(e.g. use clear and pre-defined parameters for future evaluation of performance)
- the selection of goals for the Company Control Functions, in order to ensure their independence (e.g. avoid KPI linked to economic measure).

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 12 clusters of business (Asset Gathering included) to help identifying the most relevant standardized KPIs (all certified by relevant Group functions) for each business, with specific focus on risk-adjusted, sustainability-driven metrics and economic measures.

2016 Chief Executive Officer and General Manager Performance Screen

2016 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, with particular focus on risk, consistency with *Risk Appetite Framework* and sustainability. For 2016 a specific KPI has been introduced, with reference to *“Tone from the top*” related to integrity towards conduct principles and spread of compliance culture among the organization.

#	CORE GOALS	REFERENCE PERIMETER	REFERENCE TARGET	LINK TO 5 FUNDAMENTALS	RISK ADJUSTMENT	SUSTAINABILITY GOAL
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		S
4	Stakeholder Value: Customer satisfaction (TRI*M external); People Engagement, Reputation	FinecoBank	vs target	Client Obsession		S
5	Operational Risk Management	FinecoBank	vs qualitative assessment considering: • # incidents • Losses • Launch of mitigation actions	Risk Management	RISK ADJUSTED	
6	Execution of Strategic Plan	FinecoBank	vs qualitative assessment with a specific focus on: • Loan business volume increase • Net sales of guided products	Execution & Discipline		S
7	Tone from the top on conduct and compliance culture, also coherent with FSB guidelines	FinecoBank	vs qualitative assessment, considering: • Initiatives aimed at promoting staff integrity towards internal/external conduct principles • Findings or proceedings in place (severity and aging)	Execution & Discipline		S

All goals carry the same weight for evaluation purposes.

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 2016 Incentive System for Financial Advisors belonging to *Identified Staff*

The 2016 Incentive System PFA, as approved by the Board of Directors of FinecoBank on January 12th, 2016, aims to retain and motivate beneficiary Advisors in compliance with the most recent national and international regulatory requirements with the aim to define – in the interest of all stakeholders – incentive systems in line with long-term Company strategies and goals, linked to Bank results, adjusted in order to consider all risks, in coherence with capital and liquidity levels needed to cover the activities in place and, in any case, able to avoid misleading incentives that could drive to regulatory breaches or to assume excessive risks for the Bank and the system in its whole.

In particular the system provides for:

- allocation of a variable incentive defined on the basis of the available bonus pool, individual performance evaluation and bonus cap as set by the Ordinary Shareholder's meeting;
- definition of a balanced structure of "upfront" (done at the moment of performance evaluation) and "deferred payments", in cash and in Fineco ordinary shares;
- distribution of Fineco share payments, coherently with the applicable regulatory requirements regarding the application of share retention periods. In fact the payment structure defined requires a retention period on Fineco shares (of 2 years for upfront shares and of 1 year for deferred shares);
- risk-adjusted metrics in order to guarantee long-term sustainability with respect to Company's financial position and to ensure compliance with regulatory expectations;
- *malus* clause (Zero Factor) applies in case specific thresholds (capital and liquidity) are not met at both Group and local level (at local level also profitability will be considered). In particular, the bonus pool of 2016 will be zeroed.

Total incentive pay-out as defined will be made over a multi-year period (2017-2021), as indicated below, in absence of any individual / values compliance breach, considering also the gravity of any internal / external findings (e.g. Audit, Consob and/or analogous local authorities) and provided that the agency relationship of the beneficiaries is in place at the time of each payment:

- in 2017 the first instalment of the overall incentive will be paid in cash;
- over the period 2018-2021 the remaining amount of the overall incentive will be paid in several instalments in cash and/or FinecoBank ordinary shares; each further instalments will be subject to the application of the Zero Factor for the year of allocation;

	2017	2018	2019	2020	2021
Financial Advisors belonging to *Identified Staff*	30% cash	10% cash	30% shares	10% cash + 10% shares	10% shares

- it's foreseen a specific minimum threshold[8] below which deferrals and instruments will not be applied;
- the number of shares to be allocated with the third, fourth and fifth instalments will be defined in the year 2017, on the basis of the arithmetic mean of the official closing price of the shares in the month before the date of the resolution by the Board of Directors that evaluates 2016 performance achievements; the maximum impact on the share capital is about 0,04% in case all the shares would be assigned to the Financial Advisors beneficiaries;
- Fineco ordinary shares that will be allocated will be freely transferable;
- the beneficiaries cannot activate programs or agreements that specifically protect the value of unavailable financial instruments assigned within the incentive plans.

[8] Equal to Euro 75.000 that will be paid in cash.

Quantitative Information

1. Compensation Data

1.1 2015 Compensation Outcomes

Employees

Euro/ 000

Population as of 31/12/2015	No.	Fix	2015 Short Term Variable				Deferred variable from previous exercises				Variable paid in 2015 from previous exercises	
			Upfront		Deferred		Vested in 2015		Unvested			
			€	Shares	€	Shares	€	Shares	€	Shares	€	Shares
Chief Executive Officer and General Manager (CEO)*	1	850	170	0	255	425	234	279	198	5.398	311	678
Other Executives Directors**	1	0	0	0	0	0	0	0	0	0	0	0
Non-executives directors**	7	622	0	0	0	0	0	0	0	0	0	0
Executives with strategic responsibilities	5	1.648	297	0	446	743	207	272	207	9.144	511	565
Other Identified Staff	7	1.196	344	0	179	297	14	557	14	543	343	197

* 10% of the amount has been paid by Unicredit S.p.A.

** 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.

The vested component refers to cash and equity awards to which the right matured in 2015 as the performance conditions were achieved:

- vested cash payments refer to *2012 and 2014 Group Incentive System*;
- vested equity payments refer to *2012 and 2013 Group Incentive System* and to "*2014 Plan Key People*".

The unvested component refer to cash and equity awards for which the right did not matured in 2015 and for which any potential future gain has not been yet realized and remains subject to future performance:

- unvested cash payments refer to *2013 and 2014 Group Incentive System*;
- unvested equity payments refer to *2012, 2013 and 2014 Group incentive System*, to "*2014-2017 Multi-year Plan Top Management*" and to "*2014 Plan Key People*".

The value of the shares shown as 2015 short term variable and deferred variable from previous exercises is calculated considering:

- for *2014 Group Incentive System* the arithmetic mean of the official closing prices of Fineco ordinary shares from January 7th to February 7th, 2016;
- for "*2014-2017 Multi-year Plan Top Management*" the listing price of Fineco ordinary shares for the 3rd and 4th instalments' number of shares, while the arithmetic mean of the official closing prices of Fineco ordinary shares from January 7th to February 7th, 2016 for the 1st and 2nd instalments' number of shares;
- for "*2014 Plan Key People*" the arithmetic mean of the official closing prices of Fineco ordinary shares from January 7th to February 7th, 2016;
- for *2012, 2013 and 2014 Group Incentive System* based on UniCredit shares, the arithmetic mean of the official closing prices of UniCredit ordinary shares from January 2nd to February 2nd, 2016.

Variable paid in 2015 from previous exercises includes pay-outs based on demonstrated multi-year performance achievements related to Group Incentive Systems plans based on Fineco and UniCredit shares, to the "*2014 Plan Key People*" and to other forms of variable remuneration.

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 2015 have been rewarded with more than 1 mln Euros.

Financial Advisors

Euro/ 000

Population as of 31/12/2015	No.	Fix*	2015 Short Term Variable**				Deferred variable** from previous exercises				Variable** paid in 2015 from previous exercises	
			Upfront		Deferred		Vested in 2015		Unvested			
			€	Shares	€	Shares***	€	Shares	€	Shares	€	Shares
Financial Advisors belonging to Identified Staff	6	4.081	250	0	126	315		104		104	489	

* Recurring remuneration
** Non-recurring remuneration
**** Phantom Share*

The vested component refers to equity awards to which the right matured in 2015 as the performance conditions were achieved. In particular amounts refer to "*2014 Plan PFA*" for Financial Advisors and Managers of the Network.

The unvested component refer to equity awards to which the right did not matured in 2015 and for which any potential future gain has not been yet realized and remains subject to future performance. In particular amounts refer to "*2014 Plan PFA*" for Financial Advisors and Managers of the Network.

The value of the shares / Phantom shares shown as 2015 short term variable and deferred variable from previous exercises is calculated considering the arithmetic mean of the official closing prices of Fineco ordinary shares from January 7th to February 7th, 2016.

Variable paid in 2015 from previous exercises includes pay-outs based on actual performance achievements related to "*2014 Plan PFA*" for Financial Advisors and Managers of the Network and to other forms of variable remuneration.

1.2 2016 Compensation Policy

COMPENSATION PAY-MIX

	FIXED AND OTHER NON-PERFORMANCE RELATED PAY	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	80%	20%
Support functions	91%	9%
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

The Basel III supervisory regulations introduced obligations on the calculation, reporting, and publication of the leverage ratio, forming an additional regulatory requirement to risk-based indicators.

The leverage ratio has the following objectives:

- restricting the build-up of leverage in the banking sector;
- enhancing capital requirements with a further, simple and non risk-based measure.

Timeline

The BCBS provisions (1st framework as of December 2010) were transposed into “Regulation (EU) No 575/2013 of the European Parliament and of the Council of June 26, 2013 on prudential requirements for credit institutions and investment firms” (CRR), with the first quarterly report due on March 31, 2014.

In January 2014, the BCBS published the 2nd framework which defines calculation rules, timelines and disclosure requirements.

On October 10, 2014 the European Commission amended article 429 of Regulation (EU) 575/2013 through Delegated Regulation (2015/62).

On January 17, 2015 the Delegated Regulation was published on the European Union Official Journal and entered into force the next day. Therefore, starting from January 18, 2015, the Disclosure by Institutions must be provided according to the rules of the Delegated Regulation.

On June 15, 2015, the EBA published the final version of:

- the new reporting technical standards (Implementing Technical Standards ITS), which include the amendments introduced by the Delegated Regulation (2015/62), which will enter into force six months after adoption by the European Commission and in any case not before December, 31, 2015. Therefore, until the new ITS come into force, the leverage ratio will continue to be calculated according to the rules preceding the entry into force of the Delegated Regulation;
- the tables required for the Disclosure by Institutions and the related compilation rules (ITS on Disclosure), in line with the amendments introduced by the Delegated Regulation (2015/62), which came into force the day after adoption by the European Commission adoption with publication in the EU Official Journal.

The final calibration and any further amendments to the ratio will be completed by the end of 2017, with the aim of making the leverage ratio a Pillar 1 requirement starting from January 1, 2018.

Therefore, in accordance with the regulatory framework described above, the present disclosure applies the Leverage Ratio calculation rules set out in Delegated Regulation 2015/62. The template used to provide this disclosure is as provided by the aforementioned ITS.

Contents

Article 429 of the CRR defines the leverage ratio as the Bank’s capital measure divided by that institution's total exposure measure and shall be expressed as a percentage ratio between:

- Tier 1 capital;
- the total exposure of the Bank, equal to the sum of the exposure values of all assets and off-balance sheet items not deducted from Tier 1 capital.

As per Bank of Italy Circular No. 285, Part Two, Chapter 12, Section III, Exercise of National Discretion, exposures to companies in the UniCredit Group with headquarters in Italy and weighted at 0% in accordance with article 113(6) of the CRR have been included in the calculation of the overall exposure pursuant to article 429 (7) of the CRR (Regulation 575/2013) as amended by the EU Delegated Regulation 2015/62. In addition, pursuant to article 499(2) of the CRR, the leverage ratio has been calculated as an end-of-quarter figure rather than the simple arithmetic mean of the monthly leverage ratios in the relevant quarter.

The total exposure includes (article numbers refer to the CRR):

- Derivatives measured according to the mark-to-market method as per Article 274;
- Security Financing Transactions (SFTs) – exposure to which is calculated as sum of counterparty risk (i.e. exposure less collateral and the accounting value of the transaction;
- "Off-balance" sheet exposures – measured at nominal value, after deducting credit risk adjustments converted with credit conversion factors relating to financial leverage, as per article 111;
- Other asset exposures different to derivatives and SFTs – measured at book value net of additional value adjustments and other own funds reductions relative to the asset item as per article 111.

The qualitative and quantitative disclosure given below is provided according to the rules and templates set out in the final draft of the aforementioned ITS on the Disclosure.

The following figures refer to the Leverage Ratio calculated by applying the transitional rules.

Quantitative Disclosure

Leverage ratio common disclosure

The following table shows the leverage ratio at December 31, 2015 and the breakdown of the exposure by main categories, according to CRR articles 451(1)(a), 451(1)(b) and 451(1)(c).

		CRR leverage ratio exposures 12/31/2015
	On-balance sheet exposures (excluding derivatives and SFTs)	
1	On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	18,124,743
2	(Asset amounts deducted in determining Tier 1 capital)	(75,005)
3	**Total on-balance sheet exposures (excluding derivatives and SFTs and fiduciary assets) (sum of lines 1 and 2)**	**18,049,738**
	Derivative exposures	
4	Replacement cost associated with all derivatives transactions (ie net of eligible cash variation margin)	2,349
5	Add-on amounts for PFE associated with all derivatives transactions (mark-to-market method)	17,514
EU-5a	Exposure determined under Original Exposure Method	-
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework	-
7	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	-
8	(Exempted CCP leg of client-cleared trade exposures)	-
9	Adjusted effective notional amount of written credit derivatives	-
10	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	-
11	**Total derivative exposures (sum of lines 4 to 10)**	**19,863**
	SFT exposures	
12	Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	200,857
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)	
14	Counterparty credit risk exposure for SFT assets	49,860
EU-14a	Derogation for SFTs: Counterparty credit risk exposure in accordance with Article 429b (4) and 222 of Regulation (EU) No 575/2013	-
15	Agent transaction exposures	-
EU-15a	(Exempted CCP leg of client-cleared SFT exposure)	
16	**Total securities financing transaction exposures (sum of lines 12 to 15a)**	**250,717**
	Other off-balance sheet exposures	
17	Off-balance sheet exposures at gross notional amount	550,523
18	(Adjustments for conversion to credit equivalent amounts)	(246,635)
19	**Other off-balance sheet exposures (sum of lines 17 to 18)**	**303,888**
	Exempted exposures in accordance with Article 429 (7) and (14) of Regulation (EU) No 575/2013 (on and off balance sheet)	
EU19-a	(Intragroup exposures (solo basis) exempted in accordance with Article 429(7) of Regulation (EU) No 575/2013 (on and off balance sheet))	(14,907,049)
EU19-b	(Exposures exempted in accordance with Article 429 (14) of Regulation (EU) No 575/2013 (on and off balance sheet))	-
	Capital and total exposure mesure	
20	Tier 1 capital	390,977
21	Leverage ratio total exposure measure (sum of lines 3, 11, 16, 19, EU-19a and EU-19b)	3,717,157
22	**Leverage ratio**	**10.52%**
	Choice on transitional arrangements and amount of derecognised fiduciary items	
EU-23	Choice on transitional arrangements for the definition of the capital measure	Transitional
EU-24	Amount of derecognised fiduciary items in accordance with Article 429(11) of Regulation (EU) No. 575/2013	-

(Amounts in € thousand)

Summary reconciliation of accounting assets and leverage ratio exposures

The table reconciles the leverage ratio denominator with figures reported under the relevant accounting standards, as required by Article 451(1)(b) of the CRR.

		Applicable amount 12/31/2015
1	Total assets as per published financial statements	18,327,949
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	-
3	(Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the leverage ratio total exposure measure in accordance with Article 429(13) of Regulation (EU) No 575/2013)	-
4	Adjustments for derivative financial instruments	17,514
5	Adjustments for securities financing transactions (SFTs)	49,860
6	Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	303,888
EU-6a	(Adjustment for intragroup exposures excluded from the leverage ratio total exposure measure in accordance with Article 429 (7) of Regulation (EU) No 575/2013)	(14,907,049)
EU-6b	(Adjustment for exposures excluded from the leverage ratio total exposure measure in accordance with Article 429 (14) of Regulation (EU) No 575/2013)	-
7	Other adjustments	(75,005)
8	**Leverage ratio total exposure measure**	**3,717,157**

(Amounts in € thousand)

Item 7 “Other adjustments” includes deductions from Tier 1 relative to balance-sheet assets (transitional arrangements).

Split-up of on-balance sheet exposures (excluding derivatives, SFTs and exempted exposures)

For exposures other than Derivatives and SFTs, the table provides the breakdown by class of counterparty, according to the provisions of article 451(1)(b) of the CRR.

		CRR leverage ratio exposures 12/31/2015
EU-1	**Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:**	**18,124,743**
EU-2	Trading book exposures	1,626
EU-3	Banking book exposures, of which:	18,123,117
EU-4	Covered bonds	-
EU-5	Exposures treated as sovereigns	2,559,607
EU-6	Exposures to regional governments, MDB, international organisations and PSE NOT treated as sovereigns	-
EU-7	Institutions	14,672,008
EU-8	Secured by mortgages of immovable properties	211
EU-9	Retail exposures	601,854
EU-10	Corporate	81,822
EU-11	Exposures in default	4,875
EU-12	Other exposures (eg equity, securitisations and other non-credit obligation assets)	202,740

(Amounts in € thousand)

Qualitative disclosure

The qualitative disclosure required under Article 451(1) letter d) of the CRR is provided below.

processes used to manage the risk of excessive leverage

The Group's Risk Appetite Framework is the foundation for the management of the UniCredit Group's risks. The Framework sets out governance mechanisms, processes, instruments and procedures for the overall management of Group risks. Leverage risk is covered by the Group Risk Appetite Framework and therefore is subject to the control procedures and mechanisms set out therein.

The quantitative instruments for measuring leverage risk derive from the Group Risk Appetite Framework, which also includes the Leverage Ratio indicator. This KPI has its own targets, triggers and limits that are regularly monitored through reporting processes. The results of periodic monitoring and the reports are submitted to the Board of Directors.

The Risk Appetite process sets out governance processes, management engagement and escalation processes to be used in normal operating conditions and under stress. Escalation processes are activated at the appropriate organisational level to ensure an adequate reaction when triggers or limits are exceeded.

Issues of maturity mismatches and asset encumbrance are closely monitored and managed. The control mechanisms in place ensure prompt identification of potential risks including the risk of excessive leverage.

The risk deriving from a maturity mismatch is monitored through the use of the structural liquidity ratio, calculated on a monthly basis. This indicator is the ratio between accumulated long-term liabilities and medium-/long-term assets, indicating the proportion of assets with a residual maturity of more than 1 year funded by liabilities with a corresponding maturity.

The structural liquidity ratio is part of the set of granular liquidity limits and as such is subject to specific escalation processes.

The dynamics of asset encumbrance are monitored through the counterbalancing capacity. The sum of counterbalancing capacity and aggregate incoming and outgoing cash flows within one year (primary gap) represents the operative maturity ladder, which for each maturity bucket indicates the excess of encumbered assets compared to the bank's accumulated liquidity needs.

The operative maturity ladder is part of the set of granular liquidity limits and as such is subject to specific escalation processes.

Use of risk mitigation techniques

The Bank, consistent with the "Revised Framework of International Convergence of Capital Measures and Rules" (Basel II, as amended), 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 Standardised 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.

The Bank 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 maximise the mitigating effect of collateral and guarantees on defaulted receivables;
- to attain a positive impact on Group capital requirements, ensuring that CRM practices meet minimum "Basel III" 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 on- and off-balance sheet netting, and an indication of the extent to which the Bank makes use of netting</u>

The Bank 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>

The Bank has implemented a collateral management system in order to ensure a clear and effective process of measuring, 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.

The 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 the Bank 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 kinds of collateral and the Bank defines the list of eligible collateral, according to uniform Group methods and procedures and in compliance with all domestic legal and supervisory requirements and specific local requirements.

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

	12/31/2015				
Book	*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	2,559,604	-	-	2,559,604	2,559,604
Exposures with or secured by Institutions	16,350,335	94,362	(1,384,721)	15,059,976	15,059,974
Exposures with or secured by regional governments or local authorities	-	-	-	-	-
Exposures with or secured by multilateral development banks	3	-	-	3	3
Exposures with or secured by Companies or other entities	359,008	47,162	(267,270)	138,900	137,933
Retail exposures	2,355,149	276,759	(1,437,676)	1,194,232	921,226
Exposures secured by real estate property	211	-	-	211	211
Exposures in default	4,930	-	(11)	4,919	4,875
Equity exposures	4,198	-	-	4,198	4,198
Other exposures	107,177	-	-	107,177	107,177
Total - standardised approach	**21,740,615**	**418,283**	**(3,089,678)**	**19,069,220**	**18,795,201**
Total Exposures	**21,740,615**	**418,283**	**(3,089,678)**	**19,069,220**	**18,795,201**

(Amounts in € thousand)

Glossary

AMA (Advanced Measurement Approach)	Applying this methodology, operational risk requirement is obtained using calculation models based on operational loss data and other evaluation elements collected and processed by the Bank.
Basel 2	New international agreement on capital, redefining the guidelines for determining the minimum capital requirements for banks. The new prudential regulations, which came into force in Italy in 2008, are based on three pillars. • Pillar 1: while the objective of a level of capitalisation equivalent to 8% of the risk-weighted exposures remains unchanged, a new set of rules has been defined for measuring the typical risks associated with banking and financial activities (credit risk, counterparty risk, market risk and operational risk) which provides for alternative calculation methods characterised by different levels of complexity, with the ability to use internally developed models subject to prior authorization by the Regulatory Authority; • Pillar 2: requires banks to have processes and tools for determining the adequate level of total internal capital (Internal Capital Adequacy Assessment Process - ICAAP) for covering all types of risk, including risks other than those covered by the overall capital requirement (Pillar I), within the framework of an evaluation of current and future exposure that takes account of strategies and of changes in the reference context. It is the Regulatory Authority's task to examine the ICAAP process, formulate an overall judgment and, where necessary, apply the appropriate corrective measures; • Pillar III: introduces obligations to publish information concerning capital adequacy, exposure to risks, and the general characteristics of the systems used for identifying, measuring and managing those risks.
Basel III	In the light of the crisis that in recent years has hit the financial markets, the Basel Committee on Banking Supervision has approved the substantial enhancement of the minimum capital requirements and the changes to the rules on the liquidity of banks (Basel III) by providing for the gradual introduction of the new prudential requirements as of January 1, 2014. These rules have been implemented at the European level through the CRD IV "Package".
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.
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.
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: the lower the ratio, the less risky the bank assets.
CRM (Credit Risk Mitigation)	Credit Risk Mitigation is a set of techniques, ancillary contracts to the loan or other instruments (e.g. securities, guarantees), which reduces credit risk capital requirements.
EVA (Economic Value Added)	EVA is an indicator of the value created by a company. It expresses the ability to create value in monetary terms, as it is equal to the difference between the NOPAT (Net Operating Profit After Tax) and the cost of invested capital.
Fair value	The price at which an asset can be traded or a liability settled in a free-market transaction between independent parties at arm's length.

Forborne exposures	Forborne exposures are exposures in respect of which forbearance measures have been extended, consisting of concessions towards a debtor facing or about to face difficulties in meeting its financial commitments (“financial difficulties”).
Funding	Obtaining, in various forms, the funds necessary to finance business activities or particular financial transactions.
Banking book	The total positions not contained in the trading book for supervisory purposes are recognised in the banking book.
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.
Credit risk	The risk that an unexpected change in the credit rating of a counterparty, the value of the collateral they have provided, or of the amount used in the event of insolvency generates an unexpected change in the lending position of the Bank.
Credit and counterparty risk	The risk that the counterparty in a transaction in financial instruments may enter default before settling all the agreed cash flows.
Market risk	Derives from the effect that changes in market variables (interest rates, securities prices, exchange rates, etc.) can cause to the economic value of the Bank’s portfolio, including the assets held both in the trading book, as well as those posted in the banking book, both on the operations characteristically involved in commercial banking and in the choice of strategic investments.
Operational risk	The risk of losses due to errors, violations, interruptions, or damage caused by internal processes, personnel, systems or by external events. This definition includes legal and compliance risks, but excludes strategic and reputational risk. For example, losses arising from the following can be defined as operational: internal or external fraud, employment practices and workplace safety, customer claims, product distribution, fines and penalties for regulatory breaches, damage to the Company's physical assets, business disruption and system failures, and management of processes.
Risk Taking Capacity	Ratio between Available Financial Resources and Internal Capital Includes a prudential buffer (cushion).
RWA - Risk-Weighted Assets	On-balance sheet assets and off-balance sheet assets (derivatives and guarantees) classified and weighted by different coefficients referring to risks, following banking rules issued by local Regulatory Authorities to calculate solvency ratios.

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 of the “Consolidated Law on Financial Intermediation”, the information disclosed in this document corresponds to the accounting documents, books and records.

Milan, February 8, 2016

Lorena Pelliciari

Translation in English of the document originally issued in Italian. In the event of any discrepancy, the Italian language version prevails.

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