

PUBLIC DISCLOSURE AT DECEMBER 31, 2017

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doBank
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PUBLIC DISCLOSURE AT DECEMBER 31, 2017

Registered office: Piazzetta Monte, 1 – 37121 Verona

Share capital € 41,280,000.00 fully paid-up

Bank registered in the Register of Banks - ABI code no. 10639

Parent Company of the doBank Banking Group registered in the Register of Banking Groups - ABI code no. 10639

Registered in the Company Register of Verona, Tax ID no. 00390840239 and VAT registration no. 02659940239

Member of the National Interbank Deposit Guarantee Fund

www.dobank.com

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Certification of the Financial Reporting Officer



Introduction

The Third Pillar regulations require that banks fulfil specific obligations to publish information regarding their capital adequacy, exposure to risks and the general characteristics of the systems responsible for identifying, measuring and managing these risks.

The new harmonised framework for banks and investment firms contained in Regulation (EU) No. 575/2013 (hereinafter "CRR" or the "Regulation") and in Directive 2013/36/EU (hereinafter "CRD IV" or the "Directive") of June 26, 2013 is applicable from January 1, 2014, which transpose the standards defined by the Basel Committee on banking supervision (Basel 3 framework) in the regulatory framework of the European Union.

In particular, the Public Disclosure is regulated by Part Eight and Part Ten, Title I, Chapter 3 of the CRR, by the regulatory or implementing technical standards issued by the European Commission to regulate:

- uniform models for the publication of information regarding own funds;
- uniform models for the publication of information regarding own funds in the period from January 1, 2014 to December 31, 2021;
- disclosure obligations relating to capital buffers;
- uniform models for the publication of information regarding indicators of systemic importance;
- information concerning unencumbered assets;
- uniform models for the publication of information regarding financial leverage (leverage ratio).

In order to implement and facilitate the application of the new EU regulation, as well as to ensure an overall review and simplification of the regulation on the supervision of banks, on December 19, 2013, the Bank of Italy issued Circular 285 "Supervisory provisions for banks" (hereinafter the "Circular") which:

- acknowledges the provisions of CRD IV, which the Bank of Italy is responsible for implementing, pursuant to the Consolidated Banking Law;
- indicates the methods for exercising the national discretionary powers attributed to national authorities by the EU regulations;
- outlines a complete, organic and rational regulatory framework integrated with the EU provisions applied directly, to facilitate their use by operators.

In this context, the prudential regulations are structured into "Three Pillars":

- the **First Pillar** was bolstered through a more harmonised definition of capital and higher capital requirements; in fact, in addition to the system of capital requirements for covering credit, counterparty, market and operational risks, provision is now made for the introduction of a limit on financial leverage. New supervision requirements and systems are also provided for liquidity risk, centred on the short-term liquidity requirement (Liquidity Coverage Ratio – LCR) and a longer term structural equilibrium rule (Net Stable Funding Ratio – NSFR);
- the **Second Pillar** requires banks to have a strategy and process of control of current and future capital adequacy, assigning the supervisory authority with the task of verifying the reliability and consistency of the relative results and of adopting, where the situation calls for it, the necessary corrective measures. Growing importance is attached to the corporate governance structures and the internal control systems of the intermediaries as a determining factor in the stability of the individual institutions and the financial system as a whole;
- the **Third Pillar** concerns public disclosure and the regulation for the dissemination of transparent and standardised information to the market on capital adequacy and on risks and has been revised to introduce, among other things, more information on the composition of regulatory capital and on the methods the bank uses to calculate capital ratios.

As regards public disclosure, in chapter 13 of the Second Part, Circular 2851, for the purposes

¹ 20th update of November 21, 2017



of identifying the information to be included, essentially makes reference to Part Eight (art. 431 – 455) and Part Ten, Title I, Chapter 3 (art. 492) of the Regulation.

The public disclosure is prepared through the collaboration of different bodies and structures involved in governance and in the execution of processes, consistently with the roles set forth in the Group's internal regulations.

For the sake of completeness, it should be specified that the information subject to publication relates to the prudential scope of consolidation, i.e. the group of entities subject to banking consolidation for supervisory purposes. Any misalignments with respect to other sources (e.g. consolidated financial statements drafted at the same reference date) are therefore attributable to differences relating to the perimeter considered.

The doBank Group (hereinafter also "the Group"), listed in the Register of Banking Groups of March 9, 2016, publishes the Public Disclosures annually on its website www.doBank.com, in the Investor Relations section.

This document refers to the year ended as at December 31, 2017. Further information on risks and capital adequacy is provided in the Report on Operations and in the Explanatory Notes to the Consolidated Financial Statements as at December 31, 2017.

All amounts reported in the tables of the disclosure, except where indicated otherwise, are stated in thousands of euro.



1. Objectives and risk management policies (art. 435 CRR)

1.1. Risk profile and risk management and measurement systems

The internal control system

The internal control system is composed of instruments, organisational structures, company rules and regulations targeted at allowing, through an adequate process of company risk identification, measurement, management and monitoring, sound, correct company management consistent with the pre-established performance targets and protection of company assets as a whole.

Consistently with the provisions of Circular no. 285 of December 17, 2013 and subsequent updates, the doBank Banking Group attaches strategic relevance to the Internal Control System, considering it not just a fundamental element for guaranteeing effective monitoring of risks and ensuring alignment of the company strategies and policies with the principles of sound and prudent management, but also a prerequisite for the creation of value in the medium/long-term, safeguarding asset quality, for the correct perception and management of risks as well as an appropriate allocation of capital.

Therefore, the Group has structured its organisational model of internal controls by pursuing the need to ensure a high level of integration and coordination between the internal control system players, in respect of the principles of integration, proportionality and cost-effectiveness.

The system's guidelines are defined in the appropriate internal regulations. The operating provisions and detailed information regarding the controls put in place at various levels on the company processes are defined in specific policies, regulations and internal procedures.

In defining the structure of the Group's internal control system, the doBank Group draws inspiration from the principles outlined below:

- proportionality, understood as the application of regulatory provisions based on the nature of the activity carried out, the type of services provided, the operational complexity and the dimensions of the Group as a whole and of the individual companies in said Group;
- integration, understood as the search for mechanisms for coordination and harmonisation between the various internal control system players by using methodologies that make it possible both to provide company bodies with complete and usable information that is the result of an integrated evaluation process and to establish a uniform vision for the fully-informed adoption of decisions;
- segregation of duties, understood as the separation of operating and control activities in order to prevent or, where not possible, to mitigate conflicts of interests;
- cost-effectiveness, understood as the search for an adequate balance between the overall cost of the control and correct monitoring of risks, in respect of the regulatory constraints set forth;
- accountability, understood as the empowerment of management as part of the functions covered and pursuit of the related objectives in guaranteeing the effectiveness and efficiency of the internal control system for activities within its competence, by actively participating in its correct functioning, and in preventing and identifying irregularities and/or fraudulent acts;
- traceability, understood as the formalisation of the decision-making processes and the tasks and responsibilities attributed to personnel as well as the storage of the documentation regarding the activities and controls performed, by using dedicated operating systems, where available;
- communication and information flows, in order to provide each company body/function with the necessary information to fulfil its responsibilities, including those regarding the internal control system;



- knowledge and awareness, understood as the definition of policies and procedures for human resources management targeted at ensuring personnel have the proficiencies and professional skills needed to fulfil the responsibilities attributed;
- evolution, taken to mean the constant search for mechanisms geared towards improving the structure of the internal control system and its effectiveness and efficiency.

The doBank Group, in line with the reference regulations and best practices, is equipped with an internal control system which aims to constantly monitor the main risks connected with the Group's activities, in order to guarantee sound and prudent company management consistent with the pre-established objectives.

The Group's internal control system is structured as below:

- the primary responsibility for the completeness, adequacy, functionality and reliability is attributed to the governance bodies, and, in particular, to the strategic supervision body, which is responsible for the strategic planning, management, evaluation and monitoring of the overall internal control system;
- level three controls are targeted at periodically evaluating the completeness, functionality, adequacy and reliability in terms of the efficiency and effectiveness of the internal control system in relation to the nature and intensity of the risks of the company requirements, by also identifying any breaches of the organisational measures adopted by the Group;
- level two controls, which aim to ensure the correct implementation of the risk management process, to verify observance of the limits assigned to the various operating functions, to control the consistency of the operations of the individual production areas with the risk-return objectives assigned as well as guarantee the compliance of company operations with the rules, including those of self-regulation;
- level one controls, which are targeted at ensuring the correct performance of operations, are carried out by the same production structures, responsible for the associated performance (e.g. hierarchical type, systematic and sample controls) or incorporated in procedures - including automated - or carried out as part of back office activities. These structures, given the primary ones responsible for the internal control and risk management process, are required, during the course of daily operations, to identify, measure or evaluate, monitor and mitigate risks deriving from ordinary company activities, in compliance with the risk management process and the applicable internal procedures.

As already outlined previously, the Internal Control System incorporates multiple Company Bodies/Functions, which complement one another in achieving the objectives pursued and according to shared operating methods.

A summary overview of the players in the doBank Group's internal control system is reported below, in respect of the corporate governance model adopted.



Bodies and structures of the Group Internal Control System (where present):

In practice, the governance and control bodies are represented by:

- Board of Directors, as strategic supervision body (or equivalent body if not present in the Group subsidiaries);
- Board of Statutory Auditors, as control body (or equivalent body if not present in the Group subsidiaries);
- Chief Executive Officer, as management body (or equivalent body if not present in the Group subsidiaries).

The other bodies with control tasks are:

- Supervisory Body, established in accordance with Legislative Decree 231/2001;
- Internal board committees, which contribute to the performance of Group governance and control; Interdepartmental managerial committees, which perform a link role within
- the individual Group companies - or if applicable for the Group - between company governance and control,
- guaranteeing the required exchange of information.

The company control functions and other company functions with control duties are:

- the Group internal audit function (level three control function);
- the Group risk management function (level two control function);
- the Group compliance and anti-money laundering function (level two control function);
- the Financial Reporting Officer;
- the functions involved in line controls.

Based on a Group approach and to ensure the effectiveness, integration and coordination of the controls, the Parent Company decided to centralise the company control functions internally, making use, for the supervised subsidiary, of the appropriate intercompany outsourcing agreements, in accordance with the applicable regulatory provisions. The tasks of the representatives of the company control functions, appointed and identified as required by the Supervisory Provisions, are to coordinate the work performed by the outsourced control functions and are an integral part of the overall Group internal control system. Ultimately, note should be taken of the presence of the external independent auditors, whose job is to check that company accounts are regularly kept and the correct registration of management events in the accounting records.

Group risk appetite

In line with the prudential supervisory provisions (Circular no. 285 of the Bank of Italy and subsequent updates), the doBank Group adopted a Risk Appetite Framework (hereinafter also "RAF"), approved by the Parent Company's Board of Directors in February 2017 and subsequently updated, in order to identify and monitor the level and types of risk that the Group and the individual companies will incur in pursuing their strategic objectives.

Based on the RAF, the risk objectives are defined, which are incorporated in the Risk Appetite Statement (hereinafter also "RAS") of the doBank Group, through the following elements:

- risk dimensions, which represent the company areas in relation to which the Group intends to express a risk appetite;
- RAF metrics, indicators developed in order to quantify the level of risk assumed by the Group for each risk dimension identified; these metrics are selected by taking into consideration the strategic objectives and regulatory requirements.

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f)



For each RAF metric, a parameterisation is defined (i.e. a collection of thresholds that allow it to be monitored). The thresholds that make up the parameterisation are as follows:

- Target, represents the target level of risk that the Group intends and wishes to assume in line with the corporate business objectives defined by the Board of Directors (so-called Ambition);
- Trigger, represents the level of risk still acceptable that the Group intends and wishes to assume under normal operating conditions and in line with the corporate business objectives defined by the Board of Directors;
- Tolerance, represents the maximum deviance acceptable by the Risk Appetite and is defined to guarantee Group operations also under stress conditions within the maximum level of acceptable risk;
- Capacity, represents the maximum level of acceptable risk for the Group in terms of regulatory requirements and the expectations of the Top Management and shareholders, and is generally defined on the basis of the regulatory requirements, i.e. constraints imposed by the shareholder.

The area included within the Trigger threshold represents the Risk Appetite and is considered a reference area for business development.

Setting parameters for the Risk Appetite metrics therefore translates the risk objectives or risk appetite into quantitative and qualitative indicators and is performed by considering various elements such as:

- the external market context and the regulatory context;
- the business model defined by the Parent Company's Board of Directors and the expected positioning of the risk profile;
- the capital and liquidity adequacy assessments, as well as assessments deriving from the performance of stress tests on the current and future risk profile.

For monitoring purposes, the risk profile is defined as the set of values assumed by the metrics on a given date. This value set is compared with the parameterisation defined. Consequently, it expresses the risk actually assumed by the Group at the aforementioned date.

The phase of periodic monitoring of the metrics selected allows the doBank Group's Top Management and competent bodies to monitor the Group's risk profile and respect for the limits, in particular the thresholds defined previously. If, during the monitoring phase, digression of the risk profile is recorded with respect to the risk appetite levels defined in the RAS, escalation processes are triggered, and specific corrective actions defined and distinguished on the basis of the extent to which the thresholds are exceeded, and the relevance of the metrics involved.

Organisation of the Risk Management function

In line with the risk-based approach, the doBank controls and manages the risks to which it is exposed through methodologies and processes whose monitoring and control is assigned to the Risk Management function, in respect of the prudential supervisory regulations. This function is permanent and independent and concerns level two controls.

With reference to the organisational structure of the aforementioned function, an organisational model has been adopted which makes provision for centralisation at the Parent Company doBank, as with the other control functions. This model became fully operational on April 1, 2017 following the corporate transactions which took place in the final quarter of 2016, which led to the creation of the Banking Group. This decision stemmed from the need to implement effective and incisive strategic general coordination and, in particular, of the Group internal control system, ensuring an overall operating rationalisation and greater efficiency of the latter. In configuring the model, the unique operating features of the Group companies was safeguarded, according to a principle of proportionality which took account of the characteristics of the activity performed and the company dimensions.

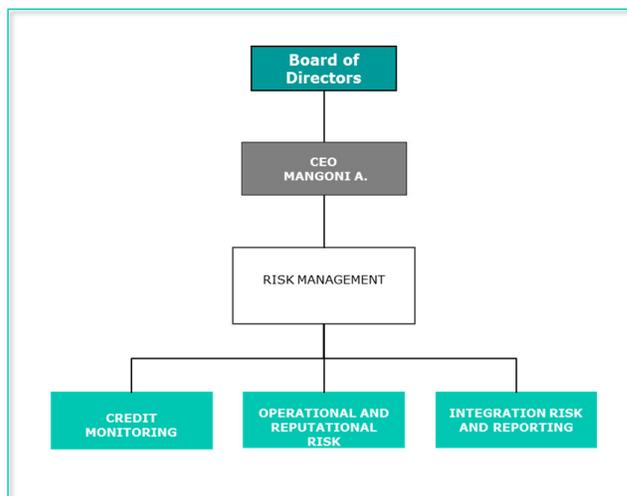
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The function is attributed the direct management of level two controls, on behalf of both the parent company and the subsidiaries, without prejudice to the competences and responsibilities of the company bodies of the latter. In particular, it should be noted that:

- the supervised subsidiary Italfondario outsourced its risk management function to the parent company, based on an intercompany service agreement prepared in compliance with the reference regulations. In that context, a representative was also identified for the function - who meets the requirements of integrity, professionalism and independence required by the Supervisory Provisions - with the main task of supporting the function manager with performing the relevant activities, as governed in the service agreement.
- In relation to the other subsidiaries for which no provision is made for the establishment of functions in charge of the monitoring, management and control of risks, the function ensures the necessary coverage of the main operating processes and the associated inherent risks through their inclusion in the level two controls at consolidated level.
- The current function configuration, rendered effective from April 1, 2017, is structured into the following organisational units (hereinafter OUs), reporting to the manager:
- "Risk Integration and Reporting": responsible for the activities targeted at defining the Risk Appetite Framework and the constant verification of its adequacy as well as the activities aimed at defining the capital and liquidity adequacy assessment process at Group level and the associated periodic reports. In addition, the structure coordinates the definition and updating of the function's annual plan and ensures the preparation of a periodic integrated and homogeneous report of the Group's risk profile and the associated transmission to the company bodies.
- "Operational and Reputational Risks": responsible for the development of the methodologies targeted at the identification, evaluation, monitoring, control and reporting of operational, IT and reputational risks as well as the relevant governance policies and the various phases that make up the process for managing these risks. Furthermore, the structure's objective is to collaborate in the identification of the initiatives to mitigate the risks covered and to monitor the implementation and effectiveness of the risk mitigation actions carried out.
- "Credit Monitoring": responsible for formulating, as part of the credit process, a non-binding opinion on the proposals received from the business structures, to systematically monitor the positions belonging to the credit portfolio, to provide opinions on the "credit assessment" proposals as well as to monitor the trend in the portfolio of proprietary non-performing loans.

Configuration of the Risk Management Function:



In order to fulfil the duties and responsibilities set out in the supervisory regulations and internal provisions, the function's objective is to:

- Identify, measure or evaluate, monitor, prevent or mitigate, as well as to communicate to the appropriate hierarchical levels, the risks to which Group activities are exposed, by adopting reliable methodological approaches, techniques, procedures, applications and tools that are consistent with the degree of complexity of Group operations;
- Collaborate in the definition, implementation and verification of the adequacy of the RAF and the associated risk governance policies;
- Guarantee a current and future integrated view of the risk context and the capital and organisational adequacy of the Group;
- Ensure constant monitoring of the Group's risk profile and its consistency with the risk objectives defined in the RAF as well as contribute to the establishment of operating limits on the assumption of the various types of risk;
- Guarantee the development and maintenance of systems for measuring and controlling relevant risks for both regulatory and management purposes;
- Ensure the adequacy and effectiveness of the measures adopted to remedy the deficiencies identified in the risk management process;
- Guarantee risk information to the company bodies, to the other control functions and to the interested company functions;
- Ensure support to the Board of Directors in defining the level of risk appetite regarding transactions with connected persons and a periodic reporting flow to the company bodies in relation to the scope of the more general process of management of conflicts of interest;
- Guarantee, in collaboration with the other company control functions, the adequacy and compliance with the regulations governing the Group's remuneration policies and their correct functioning, plus the consistency of said policies with the risk appetite expressed in the RAF, identifying any objectives aimed at mitigating risks;
- Guarantee the performance, within its areas of competence, the prior checks on the statements set forth in Law 262.

The function structures adequate information flows to the company bodies and functions and also promptly informs the company bodies, on request or its own initiative, of any problems considered significant that came to light while carrying out its activities. The outcomes of the assessments concluded with negative judgments or which highlight significant deficiencies are sent in their entirety, promptly and directly to the company bodies.

Risk management strategies and processes

Relevant risks are identified continuously by the risk management function. This activity is targeted at the structured identification of all risks which may hinder or limit the Group's ability to fully achieve its strategic objectives and which may have a significant impact on capital or profits and, therefore, must be subject to measurement and evaluation.

The Group defines the risk map by assessing the relevance of all risks identified previously. A risk is defined as relevant if it satisfies at least one of the following conditions:

- the risk, regardless of the existing or planned mitigating checks and controls, derives from current operations and determines or could determine economic impacts for the Group;
- the risk, regardless of the mitigating checks and controls envisaged, derives or could derive from the company's future strategy defined at strategic plan level (business plan and/or budget), or from changes in the reference regulatory context, and could determine economic impacts for the Group.

The list of relevant risks for the Group is presented below, which are illustrated in the

art. 435,
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paragraphs that follow.

First Pillar Risks:

- Credit risk;
- Operational risk;

Second Pillar Risk:

- Concentration risk;
- Interest rate risk of the banking book;
- Liquidity risk;
- Residual risk (CRM);
- Risks deriving from securitisations;
- Strategic risk;
- Reputational risk;
- Risk of excessive financial leverage;
- Non-compliance risk.

For each category of relevant risk for the doBank Group, information is provided on the strategies for managing these risks as well as on the policies for the measurement, control and mitigation of said risks.

Credit risk (which also includes Counterparty Risk)

Credit risk is defined as the possibility, for a creditor, that a financial obligation will not be fulfilled at maturity or afterwards. To address this risk, the parent company doBank has adopted adequate internal processes for managing the aforementioned risk (risk measurement, investigation, disbursement, performance control and monitoring of exposures, review of credit lines, classification of risk positions, intervention in the case of anomalies, criteria for the classification, evaluation and management of impaired exposures), defined by taking into consideration the principle of proportionality and periodically subject to verification and any updates stemming from the evolution of the regulatory context and the Group's organisational structures. Credit operations, deriving from the performance of banking activities, may expose the Group to the risk of credits, due in any form, not being repaid by third party debtors at maturity and needing to be written off, in whole or in part, due to the deterioration in the financial conditions of said debtors.

The doBank Group is also exposed to credit risk deriving from the signing of servicing agreements in accordance with which the Group companies accrue trade receivables due from counterparties, which could default due to insolvency, political and economic events, liquidity shortage, operating deficiency or other reasons.

The Credit Monitoring Organisational Unit, integrated in the risk management function, performs a fundamental role in the assessment of counterparty creditworthiness, taking an active role in the phases of the credit process through the issuing of a non-binding opinion which accompanies, as per mandatory requirements, the proposals for the granting and/or modification/review of a bank credit facility before it is subject to careful examination in terms of the evaluation by the competent decision-making body set forth in the system of bank powers. This unit also takes part in the phases of credit monitoring and, in particular, in the phase of downgrade of the status of said credit, outlining the customer's general position and coordinating with the commercial function that manages the customer.

In turn, the Risk Management function, as part of its activities, guarantees the necessary level two controls are carried out, targeted at ascertaining that the monitoring of credit exposures, their classification and the measurement of the relevant provisions comply with the provisions of the internal regulations and the applicable supervisory provisions.



Management, measurement and control systems

For the purposes of determining the prudential requirements for credit risk, the doBank Group adopts the standardised methodology, according to the prudential rules (Regulation EU no. 575/2013 of the European Parliament and Council of June 26, 2013, CRR), dividing its exposures into portfolios and applying different prudential treatment to each of them, consistent with the relevant Supervisory Provisions. The Group does not use, for the assessment of creditworthiness, external ratings attributed by external evaluation agencies (ECAI) recognised for prudential purposes on the basis of the provisions of the specific regulations.

As regards, in particular, the component associated with the individual non-performing positions (a marginal number remaining in terms of book values), the process approaches and instruments for supporting the activities of the workout structures always allow representatives to draw up accurate forecasts regarding the amounts and timescales of expected recoveries in respect of the individual accounts, based on the relative progress status of the recovery process. These analytical evaluations take account of all the elements that objectively relate to the counterparty and are, in any case, performed by the position representatives in respect of the principle of sound and prudent management.

As regards the granting of credit facilities - a minor activity with respect to the core business of the bank and of the Group, focused primarily on servicing activities - the bank performed controls on the entire reference perimeter, again in relation to a low number. This methodology therefore makes it possible to promptly intercept any situations involving potential deterioration in the counterparty's creditworthiness, consequently carrying out all the activities considered necessary or appropriate in order to ensure compliance with the principle of sound and prudent management of banking assets.

The initiatives implemented include the updating and revision, during the year, of the Credit Policy governing the granting of mortgages and current account credit facilities, which contains the guidelines on the two current credit products offered to doBank customers.

In the second half of 2017, the doBank Group started a process to implement the principles set out in IFRS 9 Financial Instruments, the new accounting standard, which came into force on January 1, 2018, replacing IAS 39 previously in force, which impacts the methods of classification and measurement of financial instruments and the approaches and methods of calculating value adjustments.

This process ensures that the operating implementation of the principle is in line with the best practices and is as faithful as possible to the substantial significance of the provisions of IFRS 9, in any case taking into consideration the specific characteristics of the core business of the doBank Group. IFRS 9 introduces a model for which the classification of financial assets is guided, on the one hand, by the contractual characteristics of the cash flows of the instruments and, on the other, management's intention for holding these instruments (Group business model).

As part of the IFRS 9 project, the doBank Group has conducted in-depth analyses targeted at identifying the main impact areas, implementing the necessary application and organisational measures for the consistent, organic and effective adoption of the provisions envisaged by said standard. In addition, the company proceeded to align the internal regulations in order to formalise the Group's business model and the definition of the impairment criteria.

Techniques for mitigating credit risk and hedging policies

The credit initiatives in the form of medium/long-term loans, targeted primarily at consumer households and whose ultimate purpose is the award at auction/sale of assets subject to enforcement and/or bankruptcy proceedings, are all secured by the necessary collateral acquired in the form of voluntary substantially first ranking mortgages which affect the aforementioned assets all classified as residential properties.

This collateral is acquired on the basis of the expert valuations consistent with the model adopted and in respect of the relevant supervisory regulations.

The Parent Company doBank has adjusted its policies for the granting of loans secured by property mortgages into line with the applicable regulatory provisions, ensuring that the mortgage is acquired and managed using methods that guarantee that they can, at the same time, be opposed and enforced in reasonable times.



In order to guarantee the admissibility of the mortgage guarantees on residential and non-residential properties, consistently with the provisions of the prudential supervisory regulations, the bank verifies the absence of correlation between the value of the property and the creditworthiness of the borrower by assessing, therefore, that the debtor's repayment capacity does not depend, to a significant degree, on the cash flows generated by the property acting as guarantee, but on its ability to repay the debt by drawing on other documented sources.

In order to ensure a consistent evaluation, with the effective risk inherent in the asset forming the object of the guarantee, the bank monitors the value of the mortgaged property asset at least once per year in the case of "non-residential" properties and once every three years for "residential" properties, and performs more frequent checks where the market conditions are subject to significant variations, reviewing the valuation of the property pledged as guarantee when the available information suggests that its value may have fallen significantly in relation to the general prices in the reference market.

Impaired financial assets

The monitoring of positions and proposals for the classification as higher risk is the responsibility of the structures that manage the position, while the Risk Management function is responsible for verifying the correctness and consistency of the classifications and the suitability of the provisions.

In this context, the parent company doBank is organised with the IT structures and procedures for the management, classification and control of credits, based on the nature and the composition of its credit portfolio.

The Parent Company doBank is oriented towards a methodology for the assessment of its own position that follows the line by line approach as a function of the results that emerge from their monitoring process.

When a debtor belongs to an economic group, the need to consider the exposures of the Group's other entities to be impaired as well is assessed, if they are not already considered in default, with the exception of the exposures involved in isolated disputes not related to the solvency of the counterparty itself.

The principle for the determination of the provisions shall apply; such determination shall be carried out periodically and every time there are significant new facts, and in relation to the evolution of the recovery expectations and to the strategies implemented.

The main elements considered for a correct assessment of the loss forecast are the following:

- assets of the customer and of any guarantors (net of any encumbrances);
- current and prospective operating results, financial position and cash flows of the principal debtor;
- existence of any recovery plans, duly signed by all guarantors as well, and of their proper implementation;
- size and enforceability of existing accessory guarantees;
- accessory guarantees in the form of collateral (more often) or personal guarantees obtained voluntarily or acquired through judicial activities.

The criteria for determining impairments are based on the obtaining the present value of expected cash flows for principal and interest; for the purposes of determining the present value, the fundamental elements are represented by the identification of the estimated collections, of their due dates and of the discount rate to apply. For the estimate of problem loans, reference is made to the line by line forecasts; with regard to the time component, reference is made to the line by line plans or, in their absence, estimated values are used, if available.

Operational Risk

Operational risk is defined as the risk of losses due to errors, violations, interruptions, damages caused by internal processes, personnel, systems or caused by external events. This definition includes legal risk but excludes strategic and reputational risk. For example, losses deriving



from internal or external fraud may be defined as operational, as well as from employment relationships and workplace safety, customer complaints, product distribution, fines and other sanctions resulting from regulatory violations, damages to the company's capital assets, interruptions to operations and the malfunction of systems and process management.

Management, measurement and control systems

In compliance with the elements defined by the Basel Committee for Banking Supervision (document entitled Sound Practices for the Management and Supervision of Operational Risk), "appropriate operational risk management" means: identification, evaluation, monitoring and control/mitigation of said risk.

In order to ensure the Group has a comprehensive set of principles and rules targeted at ensuring this appropriate management, the methodology adopted by the Group makes provision for:

- the identification and evaluation of the operational risk inherent in each product, activity, process and system;
- a periodic process of monitoring of the operational risk profiles and of the exposures to significant losses;
- the appropriate strategies, policies, processes and procedures for controlling and/or mitigating significant operational risks.

With reference to the organisational aspects, the doBank Group has defined the system for the management of operational risks and the set of policies and procedures for the control, measurement and mitigation of operational risks. The operational risk policies are standard principles that establish the role of the company bodies, the risk control function, as well as the interactions with the other functions involved in the process.

The doBank Group has arranged its risk control structure in observance of the supervisory regulations and the associated activities and levels of responsibility have been defined and formalised appropriately in the Internal Company Regulation and in the company regulations.

The governance structure, regarding operational risks, envisages not only the direct involvement of the Top Management, but also the Operational Risks Committee, which was set up at the parent company doBank and the supervised subsidiary Italfondario, in order to monitor the exposure, mitigation actions and the methodologies for measuring and controlling operational risks.

For the control of the operational risks of the doBank Group, the activity is centralised at the appropriate Operational and Reputational Risk Organisational Unit within the Parent company Risk Management Function.

For the management of operational risks, the doBank Group employs a structured set of processes, functions and resources dedicated to:

- the collection of the internal operational loss data for the entities in the Group;
- the determination and calculation of the risk indicators for the most significant entities of the Group and preparation of company reports;
- the control of risk capital.

Lastly, with reference to IT risk defined as the risk of incurring financial, reputational and market share losses in relation to the loss of confidentiality, integrity, availability, execution of authorised operations and traceability of information, in line with the indications of the relevant Supervisory provisions, the doBank Group adopts an integrated presentation of the company risks in which IT risk is considered a component of operational and reputational risks.

The IT risks evaluation process aims to identify and assess the IT risks to the business processes and the existing ICT controls that mitigate these risks.

As a result of significant company changes that have occurred over the course of the last year, the parent company doBank saw fit to review the methodology already adopted for



the process of evaluation and monitoring of IT risks, in order to make it more suited to the new organisational context. The new framework of the ICT risk management process for the entire doBank Group which is formalised in the document "IT risk management policy". As part of management and coordination activities, the parent company Risk Management Function is tasked with performing the analysis and monitoring of IT risk for the subsidiaries.

It should be noted that, consistent with the main operational risks which the activities performed are subject to, the doBank Group has put in place the necessary insurance cover. In particular, the main guarantees put in place include:

- professional RC (third-party liability insurance) policy to cover risks deriving from professional errors;
- BBB policy to cover internal and external fraud;
- Industrial Fire Risk policies (properties pledged as guarantee of securitised loans managed and the properties owned by some property companies to which Group companies provide administrative management services).

For the calculation of capital subject to operational risk, the parent company doBank adopted, from 31 December 2015, the BIA (Basic Indicator Approach) method, which is based on the calculation of the average of the relevant indicator of the last three years.

Concentration Risk

Concentration risk is the risk deriving from the exposures to counterparties, including central counterparties, groups of related counterparties and counterparties operating in the same economic sector, in the same geographical region or that carry out the same business or handle the same goods, as well as from the application of credit risk mitigation techniques including, in particular, risks deriving from indirect exposures, for example, to individual providers of guarantees.

The significance of this risk in previous years was essentially due to the structure of the historical portfolio comprised of non-performing loans, which includes exposures to corporate counterparties. Although 2016 saw the transfer of almost all of said portfolio, it was considered appropriate, nonetheless, to continue to manage, monitor and record the Group's exposure to concentration risk, albeit insignificant, as expected. In addition, in relation to Supervisory Reporting, the bank periodically monitors the level of concentration on single counterparties by reporting Large Exposures.

Measurement

Concentration risk is not covered by the capital requirement in respect of credit risk, given that the methods provided by the regulator for credit risk are based on the assumption that the credit portfolio is composed of an extremely high number of exposures, each of which of involving an insignificant amount.

The Group measures concentration risk to counterparties or groups of counterparties connected to the credit portfolio through the use of the regulatory methodology known as Granularity Adjustment (GA), as described in Circular no. 285 of 2013 of the Bank of Italy.

In consideration of the ordinary operations of the Group, characterised by the presence of significant exposures to financial counterparties, the concentration risk is also monitored on a quarterly basis through the calculation of the indicator "Large exposures to financial counterparties" as part of the Risk Appetite Framework.

Interest rate risk

This is the risk deriving from potential changes in interest rates.

The relevance of this risk is constituted by any timing mismatch between the rate reset date (date on which the rate is established: for fixed rate transactions it coincides with the expiry, for variable rate transactions it coincides with the end of the interest period) on assets and the rate reset date on liabilities.



Measurement

The bank measures exposure to the Interest Rate Risk with reference to the assets and to the liabilities in the Banking book with the simplified methodology, as prescribed by Bank of Italy Circular no. 285 of 2013 (Title III, Chapter I, Annex C).

Liquidity risk

Liquidity risk is the risk of an entity not being able to cover its cash commitments in the required times and at sustainable costs. This may manifest itself in an inability to obtain funds or the presence of limits on the disposal of assets.

By making reference to shared definitions in the international domain, a distinction is made between:

- funding liquidity risk: this happens when an entity is unable to efficiently deal, without compromising ordinary operations and the financial equilibrium, with expected and unexpected cash outflows (linked to the reimbursement of liabilities or observance of the commitments to disburse funds);
- market liquidity risk: this is verified when the market situation does not allow the financial assets held to be sold, in order to deal with the relevant commitments.

Considering the current operations of the Group, the processes targeted at controlling and mitigating liquidity risk focus exclusively on the aspect of Funding Liquidity Risk.

Risk management process

As part of management and coordination activities, the parent company doBank is responsible for the adoption of a liquidity risk management system at consolidated level that conforms to the regulatory principles of prudential supervision. In this domain, the company bodies of the parent company are responsible for the strategic decisions on the governance and management of liquidity risk, the setting of the tolerance threshold on liquidity risk and the verification of the overall reliability of the liquidity risk management system.

The doBank Group, in consideration of its organisational structure, adopted a unitary and centralised approach to the management of liquidity risk, requiring the Treasury Organisational Unit of the parent company to manage the Group's liquidity and cover all the requirements of the subsidiaries consistently with the internal procedures, while the Risk Management Function is tasked with monitoring the exposure to risk and verifying respect for the limits defined.

The liquidity risk management framework provides suitable strategies and procedures to monitor said risk and aims to ensure, in the short-term, the maintenance of a sufficient amount of liquid instruments suited to fulfilling the Group's commitments, also in the presence of stress scenarios, while in the medium/long-term it is targeted at maintaining an adequate balance in terms of the composition of the assets and liabilities in the Group's financial statements.

This framework, subject to revision and fine-tuning in 2017, is structured into the following main phases:

- identification of liquidity risk;
- monitoring of the exposure to risk also under stress conditions;
- definition of the plan of intervention upon verification of crisis situations;
- reporting and information flows.

Liquidity risk is monitored by the Risk Management Function also as part of the Risk Appetite Framework, approved by doBank's Board of Directors through the periodic monitoring of the following regulatory indicators, for which threshold values have been identified. If the latter are exceeded, escalation procedures have been put in place to manage and mitigate the risk during the various stages in which it may occur:

- LCR (Liquidity Coverage Ratio), with the goal of guaranteeing a sufficient quantity of liquid assets to meet the cash requirements in the short-term;
- NSFR (Net Stable Funding Ratio), with the goal of ensuring a stable funding profile in



relation to the composition of assets and off-balance sheet transactions in accordance with the regulatory requirements.

Residual Risk

Residual risk is the risk that the recognised techniques for mitigating credit risk used by the intermediary are less effective than expected. This risk is managed and monitored based on the use of Credit Risk Mitigation techniques for "auction mortgage loans" but given the characteristics of the loans granted (mortgage loans to purchasers of properties in judicial auctions), it is altogether marginal owing to both the reduced number of loans and, as stated, the specific technical characteristics.

The risk is monitored through the presence of organisational processes and controls targeted at monitoring the effectiveness of the techniques recognised for mitigating credit risk. In this regard, the doBank has formalised these aspects in the document "Policy on Auction Mortgage Loans and Current Account Credit Facilities".

Risk deriving from securitisations

This is the risk that the economic substance of the securitisation transaction is not fully reflected in the valuation and risk management decisions.

Owing to the nature of the risk and the large number of parties involved, the Group may be exposed to said risk in different forms, depending on the role performed in the securitisation process.

Originator

A Group entity, as Originator or guarantor of a securitisation transaction, is exposed to Securitisation Risk which may potentially manifest itself in the following:

- **Reputational Risk**, deriving from the unsuccessful transaction/operating criticalities connected with the transaction, or any other situation which may undermine the relationship between the bank and the transferred customers or bank and the market;
- **Credit Risk**, deriving from the fact that the bank is forced to shoulder, wholly or partly, the risk relating to credits that make up the securitised portfolio, due to the absence of a true sale or forms of guarantee (such as credit enhancement or liquidity support) provided for the transaction;
- **Legal Risk**, deriving from the alleged violation or the non-compliance with the laws or regulations relating to the structuring of said transaction.

Investor

A Group entity, as an investor in assets deriving from a securitisation (e.g. ABS, MBS, CDS), is exposed to Securitisation Risk which may potentially manifest itself in the following:

- **Credit Risk**, deriving from the potential default of the original debtors or a deterioration in their creditworthiness;
- **Model Risk**, deriving from any defects of the valuation model used to evaluate and manage the portfolio, or errors in determining the parameters of the model itself;
- **Liquidity Risk**, deriving from criticalities connected with the sale of securities (e.g. timescales, price, transaction costs);
- **Risk of early redemption** of securitised assets (prepayment risk), which changes the profile of the return on the securities (early redemption clause) and, consequently, the value of the investment;
- **Risks connected with the verification of trigger events**, i.e. the events set out in the securitisation contract which modify the repayment priorities and, consequently, the investment performances;



- **Operational Risks**, deriving from the complexity of the transaction, which involves different players.

Servicer

The Group, in the different roles assumed based on the type of securitisation, is exposed to further risks which may potentially manifest themselves in the following:

- **Legal Risk**, deriving from non-observance of the contractual agreements with one or more players involved in the process, which may expose the bank to non-budgeted capital outlays;
- **Operational Risk**, deriving from criticalities in the performance of activities that generate non-compliance with the contractual obligations and/or a drop in the bank's performance;
- **Reputational Risk**, deriving from the bank's unsatisfactory performance in the role assumed.

With reference to the definition provided by the Bank of Italy regarding "risks deriving from securitisation", the relevance of said risk relates solely to the parent company doBank, owing to the roles of Originator and Investor assumed in securitisation transactions. As regards Italfondario, a financial subsidiary specialised in the role of Servicer in securitisation transactions, the risks connected with the performance of said activity are mainly controlled through the implementation of technical and organisational structures suited to monitoring the different phases the securitisation process is structured into, as well as through the formalisation of the processes, activities, roles and responsibilities of the different entities involved in a policy approved by the body with strategic function.

Measurement

In accordance with the letter from the Bank of Italy received on January 15, 2018, the "Romeo" securitisation (which in turn transferred the unsecured part of the portfolio to the vehicle "Mercuzio") can no longer be considered as a "securitisation" for prudential purposes because of the absence of tranching. Therefore, for the purposes of calculating the capital requirement, the ABS securities held for an amount of approximately € 8 million are treated according to the rules prescribed by the standard credit risk method (Article 132 of Regulation (EU) No. 575/2013) and no longer fully deducted from Own Funds as applied previously.

Risk of excessive financial leverage

The Risk of excessive financial leverage is the possibility that a level of indebtedness which is particularly high with respect to the equity held, makes the bank vulnerable, determining the adoption of corrective measures in its business plan, including the sale of assets with the accounting of losses which could also involve value adjustments to the remaining assets.

The relevance of this risk is given by the financial structure of the Group which provides for the use of external sources of financing. By contrast, the insignificant weight of the degree of indebtedness on equity and the absence in the plan of changes in said situation is less relevant for the purposes of the impact on the capital considered.

Measurement

In order to prevent said risk, the bank, as indicated in Regulation EU 575/2013 and Circular 285/2013 of the Bank of Italy, calculates the Leverage Ratio according to the methodology defined in said Regulation. This indicator is calculated as the ratio between Tier 1 Capital and Adjusted Exposure.

Strategic risk

This is the current or prospective risk of a decrease in profits, or capital, deriving from changes in the operational context or from incorrect business decisions, inadequate implementation



of decisions or poor reactions to changes in the competitive context.

Strategic risk, and in particular, the component linked to business risk (understood as the risk of volatility of profits), was considered significant in consideration of the potential income statement and balance sheet implications of both the business model adopted and the economic and system tensions.

Strategic risk, in terms of its broader meaning, is evaluated by using a self-evaluation questionnaire, on the business strategies and the organisational structure, in order to assess the controls in place to cover strategic risk.

The qualitative scorecard has been constructed by making provision for three distinct analysis dimensions relating to:

- Incorrect business decisions, connected with the process of definition and drafting of the strategic plan;
- Inadequate implementation of decisions, connected to the operational and organisational context and, in particular, to the structuring and implementation of the strategic guidelines as part of the main company projects with strategic content;
- Reactiveness with respect to the evolution of the competitive context, which relates to the strategic planning and budget processes.

Reputational risk

Current or prospective risk of a decrease in profits, or of capital, stemming from a negative perception of the bank's image by customers, counterparties, bank shareholders, investors or the Supervisory Authorities. The Group believes that the Reputational Risk may be considered a "subordinate" risk, i.e. the consequence of risks of a different type which may also have repercussions for the bank's image, including operational and compliance risks.

The evaluation of the exposure to Reputational risk is a qualitative one. The approach is based on the identification of the risk events considered relevant for reputational purposes and on the construction of a self-evaluation questionnaire for the collection of subjective estimates.

Compliance risk

Compliance risk is the risk of incurring judicial or administrative sanctions, significant financial losses or reputational damages as a result of violations of mandatory regulations (laws, regulations) or self-regulation codes (e.g. articles of association, codes of conduct, codes of corporate governance).

This risk, in turn, may generate reputational risk.

The doBank banking Group recognises the strategic relevance of the monitoring of compliance risk, in the belief that compliance with the regulations and the correctness of affairs constitute fundamental elements in the performance of banking activities, which by nature are based on trust.

In respect of the requirements of the applicable legislation, the doBank Group has set up an independent Compliance and Anti-money laundering Function whose task is to oversee the recognition, monitoring and control of compliance risk, providing advisory services and support to the operating and business structures as well as drafting the necessary periodic disclosures for the company bodies.

The Compliance and Anti-money laundering Function, as the second-level company control function, operates according to a risk-based approach, adhering to the proper principles and techniques of risk management and helps ensure the compliance of the Group's work with all the regulations it is subject to.

The compliance risk management model in the doBank Group requires the Compliance function to carry out:

- "Direct" monitoring of the most important regulations for the purposes of compliance risk or as required by specific regulations - e.g. those concerning the performance of



banking and intermediation activities, management of conflicts of interests, transparency vis-à-vis customers, regulations for protecting consumers and regulations governing the remuneration and incentive policies and practices - and for those regulations for which no provision has been made for specialised forms of monitoring within the Group (hereinafter also "Direct Model");

- "Indirect" monitoring with reference to other regulations for which provision has already been made for specialised forms of monitoring, so-called "Specialist Controls" (hereinafter also "Indirect Model").

The Group's compliance risk management and monitoring process can be summarised into the following phases:

- a. Start-up phase, which includes the definition of the guiding principles and methodological rules;
- b. Cyclical phases, which include the activities listed below:
 - regulatory monitoring;
 - risk assessment;
 - planning of activities;
 - verification activities;
 - monitoring of actions;
 - reporting.
- c. cross-company phases, which include advisory and training activities.



1.2 Governance System

The number of positions held by members of the bank's Board of Directors in other companies as at 31 December 2017 is reported below:

art. 435,
par. 2 a)

Name	Position held in the Bank	Number of positions held in other companies (*)
Giovanni Castellaneta	Chairman	3
Andrea Mangoni	CEO	2
Fabio Balbinot	Director	8
Edovige Catitti	Independent Director	1
Francesco Colasanti	Director	7
Nunzio Guglielmino	Independent Director	5
Giovanni Lo Storto	Independent Director	7
Giuseppe Ranieri	Director	7
Charles Robert Spetka	Director	1

(*) including positions in companies in the Banking Group

Hiring policy for the selection of members of the management body and their effective knowledge, expertise and experience

art. 435,
par. 2 b)

Professionalism requirements

In order to ensure that the Administrative Body contains a broad range of professional skills and competencies and its members are jointly suited to fulfil the duties assigned and assume the decisions within their competence, and to guarantee the best management and supervision of the bank, said Body must be composed of individuals who not only meet the professionalism requirements set forth in the applicable legislative and regulatory provisions (and without prejudice to additional legal requirements), but at least one of the following experience and knowledge requirements:

- knowledge of the banking sector and of techniques for assessing and managing the risks connected with the performance of banking activities, acquired through many years' experience in administration, management and control in the financial sector (specialist experience of at least three years in the credit sector is preferred);
- business management and company organisation experience, acquired from many years working in administration, management or control in companies or entities of significant financial dimensions or proven standing (e.g. universities or research institutes).
- ability to read and interpret the financial statements data of companies or institutions, acquired through many years' experience of administration and control or the performance of professional or university teaching activities;
- corporate expertise (audit, compliance, legal, corporate, etc.): acquired through roles spanning multiple years held in auditing or management control, performed at large companies or through the performance of professional or university teaching activities;
- knowledge of banking or financial regulations, acquired through specific positions held for many years at financial companies or supervisory bodies or through the performance of professional or university teaching activities;
- knowledge of global trends in the economic-financial system, acquired through considerable experience gained at research institutes, study offices of businesses or international bodies, supervisory authorities;
- experience and knowledge of the markets, gained through studies or surveys carried out at research institutes or through the performance of business or professional activities spanning many years at institutions or authorities, groups or companies (public or private),



including with an international vocation.

The Group also adopts training plans suited to ensuring that the technical skill sets of members of the Board of Directors (as well as the of the Board of Statutory Auditors and of the managers of the main company functions), needed to perform their roles in a fully-informed manner, are preserved over time; in the event of new appointments, specific training programmes are prepared to make it easier to integrate the new members in the company bodies.

Integrity requirements

Considering the importance, the integrity requirements hold from a reputational point of view, the candidates for the appointment as doBank director must satisfy the requirements set forth in ministerial decrees no. 161 of March 18, 1998 and no. 162 of March 30, 2000; in particular, they

- must not find themselves in one of situations of ineligibility or forfeiture set out in art. 2382 of the Civil Code;
- must not be subject to prevention measures imposed by the judicial authorities pursuant to legislative decree no. 159 of September 6, 2011 (so-called "Anti-mafia Code") and subsequent amendments and additions, except in the event of rehabilitation;
- must not have been sentenced with a final judgment, except in the event of rehabilitation;
- must not have served a prison sentence for one of the crimes set forth in the regulations that govern banking, financial and insurance activities, and the regulations governing markets and financial instruments, tax matters and payment instruments;
- must not have been imprisoned for one of the offences set out in title XI of book V of the Civil Code and royal decree no. 267 of March 16, 1942;
- must not have been imprisoned for a period of six months or more for a crime against the public administration, against the public trust, property, public order, against public finances or for a tax offence;
- must not have served a prison sentence of one year or more for any intentional offence;
- must not have been sentenced with a final judgment which applies the punishment at the request of the parties, except in the event of extinguishment of the offence;
- must not have served a prison sentence for one of the crimes set forth in the regulations that govern banking, financial and insurance activities, and the regulations governing markets and financial instruments, tax matters and payment instruments;
- must not have been imprisoned for one of the offences set out in title XI of book V of the Civil Code and royal decree no. 267 of March 16, 1942;
- must not have been imprisoned for a period of six months or more for a crime against the public administration, against the public trust, property, public order, against public finances or for a tax offence;
- must not have served a prison sentence of one year or more for any intentional offence;
- must not have been subject, in foreign countries, to any criminal convictions or other sanctions for cases corresponding to those that would entail, according to Italian law, the loss of the integrity requirements.

As regards the actual knowledge, expertise and experience of the individual members of the Board of Directors, the following should be noted for each of them:



Giovanni Castellaneta

Born in Gravina in Puglia (BA) on 9/11/1942, graduated in law from the La Sapienza University of Rome. Was the Italian ambassador in Australia (and in some countries of the Pacific Ocean), in Iran, Representative of the Government in Albania and Italian ambassador in the United States (2005-2009), at the Organisation of the American States (OSA) and the Bahamas. Was the diplomatic advisor of the President of the Council and his personal representative for the G7/G8 summits from 2001 to 2005. In addition, from 2002 to 2012 he held the role of Board Director of Leonardo/Finmeccanica and Vice President of the Group of the same name. From 2010 to 2016, he was Chairman of the Board of Directors of SACE, and from 2012 to 2017 he held the role of President of Italfondario S.p.A.. He was the Senior Advisor for Italy of Fortress Investment Group.

He currently holds the position of Chairman of the Board of Directors of doBank S.p.A., and has also been the Chairman of the Board of Directors of the company Torre SGR S.p.A. from 2013. He has been the President of Milanosesto Spa from March 2014 and was appointed the General Secretariat of Iniziativa Adriatico Ionica (IAI) in June 2017.

Andrea Mangoni

Born in Terni in 1963, graduate in economic sciences, he began his career by working for Inter-American Development Bank, overseeing restructuring projects in Brazil and Argentina.

In 1996 he held the role of head of extraordinary finance at Acea, coordinating activities relating to the placement of the company on the stock market, which took place in 1998. He was then head of Planning and, CFO from 2001.

He was appointed CEO in 2003.

He joined Telecom Italia in 2009 in the role of Group CFO and operating Chairman of Telecom Italia Sparkle, company responsible for traffic management and the international network.

In 2012 he was appointed the General Manager of International Operations of Telecom Italia and managed, among other things, the crisis and relaunch of Tim Brazil, becoming its CEO.

Between June 2013 and March 2015 he held the role of President and CEO of Sorgenia (CIR Group), and managed the financial restructuring of the company.

In 2015, he held the position of General Manager of Fincantieri. In April 2016 he was the Chief Executive Officer doBank S.p.A..

Fabio Balbinot

Born in Conegliano (TV) on 2/2/1973, he graduated in economics from the University of Trieste. Until 2001 he worked at a few companies in the Montedison Group and the CIR Group as financial controller, while from 2001 to 2004 he held various roles in finance and M&A at Pirelli RE (now Prelios). From 2005 to 2017 he held the role of Senior Vice President of Fortress Investment Group. From 2010 to 2016, he was a Board Director of Torre SGR S.p.A.. From 2010 he was the General Manager of Italfondario S.p.A and from 2011 until February 2017 he held the position of Chief Executive Officer of Italfondario S.p.A. and is currently a Board director at said company. Since 2015 he has held the role of Board Director of BCC Gestione Crediti S.p.A..

Edovige Catitti

Born in Bisenti (TE) on 9/3/1947, he graduated in law from the University of Rome, and then achieved a Master in Business Administration (MBA) from the Bocconi University of Milan. He was the Director the Milan Branch of the Istituto Nazionale di Credito Edilizio (National Building Credit Institute) from 1988 until 1992, from 1992 to 1995 he managed the Commercial Area of said institution at the Rome office, and previously worked at the Istituto Italiano di Credito Fondiario (Italian Institute for Mortgage Credit) of Rome and Milan where, in particular, he dealt with urban planning law and the investigations of financial/real estate transactions. From 1995 to 2011, he was the General Manager of Aareal Bank Italia, Aareal Bank AG branch based in Wiesbaden (Germany). From January 2012 until December 2013 he was a Director the business advisory company Ad Advisory S.r.l., which operates in the restructuring sector in relation to real estate finance transactions. From January 2012 to October 2013 he was a Board Director, on behalf of Banca Monte dei Paschi di Siena, of the companies Trixia S.r.l., with registered office in Milan, and Le Robinie S.p.A. with registered office in Reggio Emilia. From October 2013 until July 2017, he worked for the Leonardo Caltagirone Group as Director of numerous Group companies. From January 2016 he was the Adjunct Professor of real estate finance at the LUISS Business School.



Francesco Colasanti	<p>Born in Frosinone on 12/29/1975, he graduated in economics from the LUISS Guido Carli University of Rome. He has worked for Fortress Investment Group since 2001, where he currently holds the position of managing director responsible for Private Equity funds in Europe. Within the Group, he also holds the role of Chief Investment Officer of the Fortress Italian NPL Fund and head of investments of Eurocastle (listed company managed by Fortress - ECT.AS). He has participated in the main investment processes of the Fortress Group in the NPLs sector and in the real estate sector. Since 2005 he has contributed to the creation and the growth, on behalf of the Fortress Group, of Torre SGR S.p.A., which he has been a Director of since 2009. He worked at PricewaterhouseCoopers from 2000 to 2001 in the audit and transaction support team.</p>
Nunzio Guglielmino	<p>Born in Rome on 1/14/1946, he graduated in law and political sciences from the University of Rome. From 1980 to 1984 he was an officer of the Ministry of the Treasury, and from 1984 to 1993 he held the role of Counsellor for Economic and Monetary Affairs at the Italian Permanent Representative in Brussels, actively participating in the meetings of the Council of Financial Ministers of the European Union (ECOFIN) and helping to draft the Maastricht Treaty. From 1993 to 1995 he worked at the Ministry of Economy and Finance and, in 1996, he was appointed the General Manager of the Treasury Department of the Ministry of Economy and Finance. From 1993 to 2000 he was a member of the Board of Directors of the European Investment Bank, and from 2000 to 2015 he was the Deputy Governor of the Council of Europe Development Bank. He was the Vice President of Poste Italiane (Italian Post Office) and a Board Director at Cassa Depositi e Prestiti (Deposits and Loans Fund) and other companies, both public and private. Since October 2016 he has held the position of expert advisor for the examination and in-depth analysis of EU law matters, at the Presidency of the Council of Ministers.</p>
Giovanni Lo Storto	<p>Born in Troia (FG) on 12/3/1970, he graduated in economics from the LUISS Guido Carli University of Rome, at which he has been the General Manager since 2013. He was an official of the administration corps of the army and worked as a branch operations manager at Bartolini, at the Italian Reinsurance Union and at Swiss Re on the CEO's staff. From 1997 to 2005 he was Honorary Fellow and then contract Professor in Economics and Insurance Business Management at the LUISS Guido Carli University in Rome and the University of Aquila. He is the Vice Chairman of Pola S.r.l.. He is the Managing Director of L.Lab Srl and is on the Board of Directors of the magazines "Internazionale", "Formiche", the press agency AskaneWS, L.COM Srl, the Bruno Visentini Foundation and the "Mediterraneo" Foundation. He was on the Board of Directors of the Gerardo Capriglione and Italicamp Foundations. He is also co-founder of the LuissEnlabs enterprise accelerator. He was responsible for the Italian edition of the book Jugaad Innovation in 2014 and of Frugal Innovation in 2016. His book Erstudente was released on May 25, 2017.</p>
Giuseppe Ranieri	<p>Born in Rome on 2/19/1974, graduated in Economics from the "La Sapienza" University in Rome and has been a Director with the Fortress Investment Group since 2013. From 1998 until 1999 he worked as an analyst at Nusa SIM S.p.A. and then from 2000 until 2005, as a Manager at PricewaterhouseCoopers-Transaction Services. From 2005 to 2009 he worked for the Morgan Stanley Real Estate Fund and Prelios S.p.A., and from 2009 until 2012 with First Atlantic Real Estate NPL S.p.A (now Frontis S.p.A.).</p>
Charles Robert Spetka	<p>Born in Ohio (USA) on 8/30/1962, graduated in Electronic Engineering from the Pennsylvania State University and obtained his Master in Business Administration from the University of North Carolina. Up until 1997 he worked at Goldman Sachs as a Trader, specialising in commercial mortgage-backed securities, HUD project loans and commercial performing and non-performing loans. From 1997 to 2003, he was Real Estate Debt Investment Managing Director at the GMAC Commercial Mortgage Corporation. From 2003 to 2013 he covered the role of Managing Director for CW Financial Services. Since 2013, he has been Managing Director at the Fortress Investment Group.</p>

Diversity policy adopted in the selection of members of the management body, associated objectives and targets set

The Board of Directors, based on the company's listing on the MTA (electronic equity market) organised and managed by Borsa Italiana S.p.A. ("MTA"), adjusted its Articles of Association into line with the legal and regulatory provisions governing the composition of company bodies, introduced under law no. 120 of July 12, 2011, which imposed the obligation to



appoint a certain number of members of the Board of Directors of listed companies from the less represented gender.

Therefore, on November 9, 2017, the Board of Directors approved a specific diversity policy considered applicable by the company regarding the composition of the administration and control bodies in relation to gender and the training which company representatives must possess, recommending that at least one-fifth of the members of the new administrative body be appointed from the less represented gender.

In this regard, the existence of these characteristics was given preference, regardless of the representative's age.

These policies, with particular reference to gender diversity, will be applied for the first time upon renewal of the offices envisaged with approval of the financial statements for the year ended as at 31 December 2017.

Internal Board committees

The statutory provisions (art. 21) attribute the Board of Directors with the power to establish internal committees, as well as to determine the number of members.

As part of doBank's listing on the MTA, it was necessary to approve some changes to the structure of the internal board committees, originally incorporated in an "Nominations and Remuneration Committee" and a "Risk and Transactions with Connected Persons Committee". Therefore, effective from July 14, 2017, the date trading of the company's shares on the MTA started, the decision was taken to distinguish and separate the functions originally carried out by the Nominations and Remuneration Committee, through the setting up of two separate committees known as the "Nominations Committee" and the "Remuneration Committee", whose regulations were adjusted into line with the provisions of the Code of Corporate Governance adopted by Borsa Italiana.

Taking account of its composition as well as the number and availability of independent and non-executive directors, the Board of Directors opted for a composition of the committees whereby the majority are independent, from which the Chairman is to be chosen.

The Committees under review, in support of the parent company's Board of Directors, were established and regulated in such a way as to avoid limiting the decision-making powers and responsibilities of the Board of Directors itself.

On the date of this document, three committees were set up in the Board of Directors with proposal, advisory and coordination functions:

- Nominations Committee;
- Remuneration Committee;
- Risk and Transactions with Connected Persons Committee.

All three Committees are composed of at least three non-executive directors, the majority of whom independent and whose Chairman is chosen from the latter. In order to enhance the necessary knowledge, the members of the Committees possess the necessary expertise and experience to fulfil the tasks and roles attributed to the Committees.

Each Committee has its own operating regulation which, inter alia, includes provisions governing mechanisms of coordination and reciprocal information between the various bodies.

Minutes are duly taken for all the meetings of all three company internal board committees and the Chairmen provide information on them at the next meeting of the Board of Directors, in which they outline the opinions expressed by said committees in support of the evaluations of the Board itself. In performing their functions, all committees have the right to access the information that, in the opinion of their members, is considered necessary for the fulfilment of their duties. The committees can also employ external advisors whose cost is borne by the company, in accordance with the budget limits that the Board of Directors has approved for their correct functioning.

The **Nominations Committee** performs advisory, investigative and proposal functions vis-à-vis the parent company's Board of Directors, regarding the nomination and co-optation of the parent company's directors:

art. 435,
par. 2 d)



- participates in the ex-ante definition of the optimal quali-quantitative composition in relation to the governance objectives identified by the sector legislation, (i) by identifying and explaining the theoretical profile (including therein the characteristics of professionalism and, if applicable, of independence) of the candidates deemed appropriate for these purposes
- supports the Board of Directors in evaluating the merits of any problems relating to the nominations of directors made on the basis of the authorisation - general and preventive - of the shareholders' meeting of the bank in derogation of the non-competition obligation set forth in article 2390 of the Civil Code;
- proposes candidates to the Board of Directors for the position of directors in cases of co-optation, where independent directors need to be replaced;
- is required to express its opinion on the suitability of the candidates who, based on the analysis performed beforehand, the Board of Directors has identified to fill the positions (the opinions issued by the Committee as part of the analyses conducted by the Board of Directors are sent, together with the latter, to the supervisory authorities);
- formulates opinions to the Board of Directors on the resolutions concerning any replacement of the members of the Board of Directors' internal committees that become necessary during the term of office of the Committee;
- with reference to the need to ensure an adequate degree of diversification in the collective composition of the Board of Directors, establishes an objective (target) in terms of the less represented gender quota and prepares a plan to increase this quota until the target set is met;
- assists the Board of Directors in the process of self-evaluation of the company bodies and in the definition of the succession plans in the top management positions of the executive;
- provides the Board of Directors with its support in the ex-post evaluation of the consistency between the actual composition and that defined as optimal on an ex-ante basis, as well as with the verification of the existence of the necessary regulatory and statutory requirements for directors and statutory auditors, including therein the conditions set forth in article 26 of Legislative Decree no. 385 of September 1, 1993 (TUB - Consolidated Law on Banking), as subsequently supplemented and amended;
- supports the Board of Directors with the definition of the succession plans in the top management positions of the executive set forth in Section IV of Circular 285;

In carrying out its tasks, the Committee takes account of the objective of ensuring that the decision-making processes of the Board of Directors area is not dominated by a single entity or by a group of entities which might jeopardise the bank.

The Committee identifies the information flows which must be addressed to it for the proper performance of its functions and can access relevant company information for the purposes of carrying out these functions. The Committee is also equipped with sufficient financial resources to guarantee its operational independence and can employ external experts.

As regards the internal control system, the Committee also collaborates with the Risk and Transactions with Connected Persons Committee in order to identify the managers of the Internal Audit, Compliance and Anti-Money Laundering and Risk Management functions (the "company control functions") that will be appointed by the Board of Directors, having consulted the bank's Board of Statutory Auditors.

As at December 31, 2017, doBank's Nominations Committee is composed of the following members:

- Chairman Mr. Giovanni Lo Storto – Independent Director
- Mr. Edovige Catitti – Independent Director
- Mr. Francesco Colasanti



With reference to 2017, 9 meetings were held by the Nominations and Remuneration Committee up until July 14, 2017 and, subsequently, 2 meetings of the Nominations Committee.

The **Remuneration Committee** supports the Board of Directors with advisory, proposal and investigative functions regarding remuneration and incentive systems. More specifically, the Committee:

- presents proposals or expresses opinions to the Board of Directors in relation to the remuneration of directors and personnel, whose remuneration and incentive systems are within the competence of the Board of Directors; it also monitors the relevant decisions taken by the Board of Directors;
- in relation to the remuneration of executive directors and the other directors who hold special roles, presents proposals or expresses opinions to the Board of Directors in relation to the establishment of performance targets linked to the variable component of said remuneration; it also monitors the relevant decisions taken by the Board of Directors;
- has advisory tasks regarding the determination of criteria for the compensation of the identified staff of the parent company and of its subsidiaries (the "Group"), as identified in accordance with the provisions of Circular 285 and EU legislation ("identified staff");
- periodically evaluates the adequacy, overall consistency and practical application of the policy of the remuneration of directors and the Identified Staff, also making use of the information supplied by the parent company's Chief Executive Officer; it formulates the relevant proposals to the Board of Directors;
- it evaluates, in collaboration with the Risk and Transactions with Connected Persons Committee, the adequacy and correctness of the self-evaluation process for the identification of the Identified Staff in order to direct the activities to be implemented, guaranteeing the independent review recommended by the guidelines of the European Banking Authority;
- directly monitors the correct application of the rules regarding the remuneration of the managers of the Internal Audit, Compliance and Anti-Money Laundering and Risk Management functions (the "company control functions"), in close connection with doBank's Board of Statutory Auditors;
- handles the preparation of the documentation to be presented to the Board of Directors for the relevant decisions (including therein the remuneration report pursuant to article 123-ter of Legislative Decree no. 58 of February 24, 1998 (TUF - Consolidated Law on Finance), in respect of the terms established for its presentation to the shareholders' meeting of the bank);
- contributes to the definition of the Group's remuneration and incentive policies and their periodic evaluation;
- ensures the involvement of the competent company functions in the process of creation and control of the Group's remuneration and incentive policies;
- expresses a judgment, by also making use of the information received from the competent company functions, on the achievement of the performance targets connected with the incentive plans and on the assessment of the other conditions established for compensation;
- provides adequate feedback on the activities carried out to the company functions and the shareholders' meeting.

As at December 31, 2017, doBank's Remuneration Committee is composed of the following members:

- Chairman Mr. Nunzio Guglielmino – Independent Director
- Mr. Giovanni Lo Storto – Independent Director
- Mr. Francesco Colasanti



With reference to 2017, 9 meetings were held by the Nominations and Remuneration Committee up until July 14, 2017 and, subsequently, 4 meetings of the Remuneration Committee.

The **Risk and Transactions with Connection Persons Committee** performs advisory, investigative and proposal functions vis-à-vis the parent company's Board of Directors, regarding risks and the internal control system. In particular:

- it identifies and proposes, with the help of the Nominations Committee, the managers of the company control functions to be appointed;
- conducts a prior examination of the plans of activities (including the Audit Plan) and the annual reports of the company control functions;
- expresses judgments and formulates opinions on the observance of the principles to which the internal control system and the company organisation must conform and the requirements that must be respected by the company control functions, informing the parent company's Board of Directors of any weaknesses and the subsequent corrective actions to be promoted; to this end, it evaluates the proposals of the Chief Executive Officer;
- contributes, by means of judgments and opinions, to the definition of the company policy of outsourcing of company control functions;
- verifies that the company control functions conform correctly to the indications and guidelines of the parent company's Board of Directors and supports the latter in drafting the coordination document required by the applicable supervisory provisions;
- assesses the correct use of the accounting standards for the drafting of the consolidated financial statements and the separate financial statements of the parent company and, to this end, coordinates with the Board of Statutory Auditors;
- as regards the correct and effective determination of the risk appetite framework and risk governance policies, supports doBank's Board of Directors with the related decisions to be taken;
- as part of the duties attributed to it by the Code of Corporate Governance, expresses its opinion to the Board of Directors with regard to:
 - the definition of the guidelines of the internal control and risk management system, to ensure that the main risks relating to the bank and its subsidiaries are correctly identified, and adequately measured, managed and monitored, and the determination of the degree of compatibility of said risks with company management that is consistent with the strategic objectives established;
 - the assessment, at least annually, of the adequacy of the internal control and risk management system with respect to the characteristics of the company and the risk profile assumed, as well as its effectiveness;
 - the approval, at least annually, of the work plan prepared by the manager of the internal audit function, having consulted the Board of Statutory Auditors and the director responsible for the internal control and risk management system;
 - the description, in the corporate governance report, of the main characteristics of the internal control and risk management system, expressing its judgment on the adequacy of the latter;
 - the evaluation, having consulted the Board of Statutory Auditors, of the results reported by the independent auditor in the letter of suggestions and in the report on the fundamental issues that came to light during the audit;
 - the appointment and revocation of the internal audit function manager;
 - the fact that the internal audit function manager is equipped with adequate resources to fulfil his responsibilities;
 - the fact that the remuneration of the internal audit function manager is defined consistently with the company policies;
- evaluates, together with the Financial Reporting Officer and having consulted the independent auditor and the Board of Statutory Auditors, the homogeneity of the accounting standards used for the purposes of drafting the consolidated financial



- statements;
- expresses judgments on specific aspects relating to the identification of the main company risks;
 - examines the periodic reports, regarding the evaluation of the internal control and risk management system, and those of particular relevance prepared by the internal audit function;
 - monitors the autonomy, adequacy, effectiveness and efficiency of the internal audit function;
 - asks the internal audit function, where the need or opportunity arises, to carry out checks on specific operating areas, simultaneously communicating this to the Chairman of the Board of Statutory Auditors;
 - reports to the Board of Directors, at least on a half-yearly basis, at the time of approval of the annual or half-yearly financial report, on the activities carried out and on the adequacy of the internal control and risk management system;
 - supports, with an adequate preliminary investigation, the evaluations and decisions of the Board of Directors relating to the management of risks deriving from adverse events which the Board of Directors has gained knowledge of;
 - in relation to the remuneration and incentive policies, in collaboration with the Remuneration Committee, examines whether the incentives provided by the Group remuneration system take into account the risks, capital, liquidity;
 - regarding the evaluation of cases of conflicts of interests and, in particular, transactions with connected persons, in accordance with the limits of the role attributed to it by the reference regulatory provisions, supports the bodies with strategic supervision and management functions of the parent company and, if required by internal regulations, of the subsidiaries, for the related decisions to be taken.

As at December 31, 2017, doBank's Risk and Transactions with Connected Persons Committee is composed of the following members:

- Chairman Mr. Edovige Catitti – Independent Director
- Mr. Giovanni Lo Storto – Independent Director
- Mr. Nunzio Guglielmino – Independent Director
- Mr. Giuseppe Ranieri

With reference to 2017, the "Risk and Transactions with Connected Persons Committee" met 18 times.

Flow of information on risks addressed to the management body

The body with strategic supervision function at doBank is the Board of Directors, which is responsible for defining the guidelines of the internal control and risk management system, ensuring that doBank's main risks are adequately identified, measured, managed and monitored.

The Board of Directors performs overall supervision of the main company risks. In particular, it resolves on the formalisation of policies for the governance of the risks to which the parent bank may be exposed, their periodic review in order to ensure their effectiveness over time and the monitoring of the actual functioning of the risk management and control processes, in compliance with the applicable legislative and regulatory provisions. With specific reference to compliance risk, the Board of Directors, having consulted the Board of Statutory Auditors, approves the policies for the management of said risk, and evaluates, at least once per year, the adequacy of the organisational structure, the quality and quantity of the resources of the compliance function and analyses the periodic reports concerning the checks performed by said entity as part of the management of compliance risk.

The body with management function of doBank is the Chief Executive Officer who is responsible, as set out in the applicable regulations, for the tasks of current management,

art. 435,
par. 2 e)



understood as the implementation of the guidelines approved in the year by the strategic supervision function.

Without prejudice to the Board of Directors' responsibility regarding the establishment of the company control functions and the definition of the associated roles and responsibilities, the Chief Executive Officer is charged with managing - through the design, management and monitoring - the internal control and risk management system. The Chief Executive Officer is responsible for defining the internal information flows targeted at ensuring the company bodies and company control functions have full knowledge of and are able to fully govern the risk factors. With specific reference to compliance risk, the Chief Executive Officer guarantees the effective management of the risk in question, also preparing adequate policies and procedures for compliance with the applicable regulations to be observed within the bank, verifying that, in the event of violations, the necessary remedies are implemented and outlining the information flows aimed at guaranteeing the competent company bodies of the bank are fully aware of the compliance risk management methods. With the support of the Compliance function, the Chief Executive Officer identifies and evaluates, at least once per year, the main compliance risks to which the bank is exposed, and plans the relevant management actions, and reports at least once per year to the Board of Directors and the Board of Statutory Auditors on the adequacy of the management of compliance risk. A structured dissemination of the information flows within doBank and, more specifically, between the company bodies and control functions, constitutes a preliminary requirement for the effective and synergistic coordination regarding internal controls.

In compliance with the regulatory provisions governing internal control systems (also with respect to the provisions of Circular no. 285/2013, as updated, issued by the Bank of Italy), the parent company has not only adopted the regulations of the individual control functions which indicate the respective duties and responsibilities, but an internal regulation regarding information flows which formalise the flows of information between the different control functions/bodies and between the latter and the company bodies. Consistently with the requirements of the Supervisory Authorities, doBank's internal control system is composed of a set of rules, functions, structures, resources, processes and procedures which aim to ensure, in respect of sound and prudent management, the achievement of the following objectives:

- verifies the implementation of the strategies and company policies;
- prevention of the risk of the bank being involved, including involuntarily, in illicit activities (with particular reference to those connected with money laundering, usury and financing of terrorism);
- safeguarding of the value of assets and protection from losses;
- effectiveness and efficiency of company processes;
- reliability and security of company information and IT procedures;
- compliance of transactions with the law and supervisory regulations, as well as with the internal policies, regulations and procedures.

In this scenario, the internal control system plays a central role in the organisation of the parent company, given that:

- it represents a fundamental element of knowledge for the company bodies, so as to ensure full awareness of the situation and the effective monitoring of company risks and their interrelations;
- it guides the changes in the strategic guidelines and company policies, making it possible to adjust the organisational context consistently;
- it monitors the functionality of the management systems;
- it promotes the dissemination of a proper ethos of risks, legality and company values.

The Parent Company doBank monitors, measures and controls the set of relevant risks (credit, operational, reputational, compliance) according to the following scheme and rules:

- line controls (so-called "level one controls"), targeted at ensuring the correct performance of transactions. They are carried out by the same operating structures (e.g. hierarchical type, systematic and sample controls); as far as possible, they are incorporated in IT procedures. The operating structures are the primary ones



responsible for the risk management process: during the course of daily operations these structures must identify, measure or evaluate, monitor, mitigate and report the risks deriving from ordinary company activities, in compliance with the risk management process; they must respect the operational limits assigned to them consistently with the risk objectives and with the procedures into which the risk management process is structured;

- controls on risks and compliance (so-called "level two controls"), which aim to ensure, among other things:
 - the correct implementation of the risk management process;
 - respect for the operational limits assigned to the various functions;
 - the safeguarding of the risks deriving from a violation of the mandatory regulations or the provisions of self-regulation.

The functions responsible for these controls are the compliance function and the risk control function;

- level three controls, targeted at identifying the violations of the procedures and the regulations as well as periodically evaluating the completeness, adequacy, functionality (in terms of efficiency and effectiveness) and reliability of the internal control system, based on a frequency established beforehand in relation to the nature and intensity of the risks.



2. Scope of application (art. 436 CRR)

The bank to which the Third Pillar disclosure obligations apply is doBank S.p.A, parent company of the banking Group of the same name.

art
436, a)

The scope of consolidation for financial statements purposes is defined on the basis of the international accounting standards (IAS/IFRS) and, more specifically, IFRS 10, while article 19 of the CRR provides for the inclusion, for the purposes of prudential consolidation, of the parent company of the banking Group not consolidated in reported shareholders' equity.

In this regard, please make reference to the communication received from the Bank of Italy on February 23, 2018 relating to the need to proceed with the transmission of prudential reports based on the broader scope of the Group envisaged in the CRR, including the Luxembourg financial company Avio S.à r.l., a majority shareholder of doBank S.p.A..

This communication clarifies that, for Avio S.à r.l., the transmission of consolidated financial reports (FINREP) is not required, given that it does not need to draft the consolidated financial statements according to the international accounting standards (IAS/IFRS). However, it is confirmed that, for harmonised prudential reports (COREP), the scope of consolidation must make reference to the "CRR Group" and therefore, must include the majority shareholder Avio. To that end, a new reporting ABI code was identified, different from that of doBank relating to the banking Group, pursuant to TUB (Consolidated Law on Banking).

art
436, b)

Therefore, starting from December 31, 2017, the scope of prudential consolidation used in this Disclosure differs from the financial statements' scope of consolidation regulated by IAS/IFRS. The table below lists the companies consolidated for prudential and accounting purposes.

Table EU LI3 - Differences in the scopes of consolidation (entity by entity)

Denominazione dell'entità	Metodo di consolidamento contabile	Metodo di consolidamento regolamentare			Tipo di attività
		Integrale	Consolidamento proporzionale	Né consolidate né dedotte	
1. Avio S.à r.l.	Integrale	x			Finanziaria
2. doBank S.p.A.	Integrale	x			Banca
3. doReal Estate S.p.A.	Integrale	x			Strumentale
4. Italfondario S.p.A.	Integrale	x			Finanziaria
5. Ibis S.r.l.	Integrale	x			Strumentale
6. doSolutions S.r.l.	Integrale	x			Strumentale
7. BCC Gestione Crediti S.p.A.	Equity			x	Altra

With respect to 2016, Avio S.à r.l., a majority shareholder of doBank S.p.A. was included in the prudential scope, whose assets are made up almost exclusively of the equity investment in doBank S.p.A, which is fully capitalised through the contribution of risk capital and did not contract any form of financial indebtedness. The operations of the parent company, since the acquisition of doBank by UniCredit, are limited to the management of the equity investment and as regards future prospects no further developments are foreseen.

The company doSolutions also helped to increase the scope of consolidation (both accounting and prudential), for which, in the first part of 2017, the inclusion in the banking Group as an operating company was defined; the exits with respect to the previous year include the transfer of Gextra S.r.l., completed in April 2017.



Table EU LI1 - Differences between the accounting scope of consolidation and the regulatory one and reconciliation of financial statements items with the categories of regulatory risk

(€/000)

Assets	Book values reported in the financial statements document	Book values based on the scope of regulatory consolidation	Book values of the financial statements items				Not subject to requirements governing own funds or subject to deduction from capital
			Subject to credit risk	Subject to CCR	Subject to securitisation scheme	Subject to market risk	
10 Cash and cash equivalents	21	21	-	-	-	-	-
40 Available-for-sale financial assets	24,001	24,001	24,001	-	-	-	-
60 Loans and receivables with banks	49,449	54,168	54,168	-	-	-	-
70 Loans and receivables with customers	2,853	32,853	32,853	-	-	-	-
100 Equity investments	2,879	2,879	2,879	-	-	-	-
120 Property, plant and equipment	1,819	1,819	1,819	-	-	-	-
130 Intangible assets	4,506	80,841	-	-	-	-	80,841
of which goodwill	-	76,335	-	-	-	-	76,335
140 Tax assets	94,187	94,187	64,254	-	-	-	29,933
a) Current tax assets	165	165	165	-	-	-	-
b) Deferred tax assets	94,022	94,022	64,089	-	-	-	29,933
of which pursuant to Law 214/2011	55,406	55,406	55,406	-	-	-	-
150 Non-current assets and disposal groups held for sale	10	10	10	-	-	-	-
160 Other assets	117,775	117,798	117,798	-	-	-	-
Total assets	297,500	408,577	297,782	-	-	-	110,774

(cont.)

(€/000)		Book values of the financial statements items						
		Book values reported in the financial statements document	Book values based on the scope of regulatory consolidation	Subject to credit risk	Subject to CCR	Subject to securitisation scheme	Subject to market risk	Not subject to requirements governing own funds or subject to deduction from capital
10	Due to banks	-	-	-	-	-	-	-
20	Due to customers	12,106	12,106	-	-	-	-	-
80	Tax liabilities	3,852	3,852	-	-	-	-	-
1	a) Current tax liabilities	3,405	3,405	-	-	-	-	-
›	b) Deferred tax liabilities	447	447	-	-	-	-	-
100	Other liabilities	37,906	42,137	-	-	-	-	-
110	Employee termination benefits	10,360	10,360	-	-	-	-	-
120	Provisions for risks and charges	26,579	26,579	-	-	-	-	-
'a	a) Pensions and similar obligations	-	-	-	-	-	-	-
'b	b) Other provisions	26,579	26,579	-	-	-	-	-
140	Valuation reserves	1,350	-	-	-	-	-	-
165	Advanced dividends	-	(229,532)	-	-	-	-	-
170	Reserves	119,350	68,986	-	-	-	-	-
180	Share premium	-	-	-	-	-	-	-
190	Share capital	41,280	176,470	-	-	-	-	-
200	Treasury shares (-)	(277)	-	-	-	-	-	-
210	Minorities (+/-)	-	77,153	-	-	-	-	-
220	Net profit (loss) (+/-)	44,994	220,466	-	-	-	-	-
	Total liabilities and shareholders' equity	297,500	408,577	-	-	-	-	-

Table EU LI2 - Main differences between the amounts of exposures determined for regulatory purposes and the book values calculated on the basis of the scope of regulatory consolidation

(€/000)

	Total	Exposures subject to			
		Credit risk	CCR framework	Securitisation scheme	Market risk
1 Book values of assets based on the scope of regulatory consolidation (as in table EU LI1)	297,782	297,782	-	-	-
2 Book values of liabilities based on the scope of regulatory consolidation (as in table EU LI1)	-	-	-	-	-
3 Net total amount based on the scope of regulatory consolidation	297,782	297,782	-	-	-
4 Off-balance sheet amounts	14,706	14,706	-	-	-
5 Amounts of exposures considered for regulatory purposes	312,488	312,488	-	-	-

It should be noted that there are no legal or substantive impediments within the Group that hinder the rapid transfer of capital resources or funds.

Article
436, c)

3. Own funds (Articles 437 and 492 CRR)

On January 1, 2014, the new prudential requirements for credit institutions and investment first contained in Regulation (EU) No. 575/2013 (Capital Requirements Regulation, "CRR") and in Directive 2013/36/EU (Capital Requirements Directive, "CRD IV"), which transpose in the European Union the standards defined by the Basel Committee on Banking Supervision ("Basel 3 framework"). The regulatory framework is completed with the enforcement measures, contained in Regulatory Technical Standards and Implementing Technical Standards adopted by the European Union at the proposal of the European Supervisory Authorities.

The CRR had direct effectiveness in the member States, while the regulations contained in CRD IV was transposed into domestic regulations by the Bank of Italy on December 17, 2013 with the publication of Circular no. 285 ("Prudential regulations for banks" which implemented the new EU rules, together with Circular no. 286 ("Instructions for filling in prudential reporting for supervised entities") and the revision of Circular no. 154 ("Credit and financial institutions' supervisory reports. Reporting templates and instructions for the sending of information flows").

With specific reference for financial intermediaries, in 2016 the enrolment in the new consolidated register was completed as provided by Circular No. 288 of April 3, 2015 "Supervisory Provisions for Financial Intermediaries" which transposed into domestic regulations the application of CRD IV for the operators of the financial sector as well (formerly financial intermediaries Article 107 or Article 106 included in consolidated banking supervision).

Briefly, the Regulation defines the rules pertaining to own funds, minimum capital requirements, liquidity risk, counterparty risk, financial leverage and public disclosure, while the Directive contains provisions pertaining to the authorisation to exercise banking activities, freedom of establishment and freedom to provide services, cooperation between supervisory activities, prudential control process, method for determining capital reserves (buffers), administrative penalties and rules on corporate governance and remuneration.

The new framework introduces several changes with respect to the previous prudential regulations providing, in particular: a recomposition of banks' capital in favour of ordinary shares and retained earnings ("common equity"), to enhance its quality; the adoption of stricter criteria for the computability of other capital instruments and callable subordinate liabilities); a greater harmonisation of the elements to be deducted (with reference to certain categories of deferred tax assets and to significant equity investments in Banking, financial and insurance companies); the partial inclusion of minority interests in common equity.

The introduction of the Basel 3 rules is subject to transitional arrangements, under which the new rules will be applied in an increasing proportion until 2018 when full application will begin. At the same time, no longer compliant capital instruments shall be gradually excluded from the total regulatory capital, useful for supervisory purposes, no later than 2021.

As a result of the clarification received from Bank of Italy on February 23, 2018, from December 31, 2017 onwards, the prudential scope of consolidation differs from the scope of the banking group because it includes the majority shareholder Avio S.à r.l., in accordance with Article 19 of CRR, with consequent computability of the minority interests in the consolidated own funds.

Of particular significance is the determination of minority interests to be included in own funds because they can be computed limited to the part of capital useful to meet the minimum capital requirements prescribed by Regulation 5757/2013 under Article 84 et seq.



Main characteristics of the elements making up Own Funds

Own funds are calculated as the algebraic sum of a series of positive and negative elements, whose computability is allowed - with or without limitations - in relation to their capital "quality". The positive components of own funds shall be fully available to the Group, to be usable without restrictions to hedge the risks to which the intermediary is exposed.

In detail, own funds consist of the following aggregates:

1. Tier 1 - T1 Capital, in turn consisting of:
 - a. Common Equity Tier 1 capital (CET1);
 - b. Additional Tier 1 capital (AT1);
2. Tier 2 capital (T2).

1. Common Equity Tier 1 capital (CET1)

Common Equity Tier 1 capital consists mainly of the following elements: share capital, share premiums, treasury shares, undistributed earnings, other reserves, other comprehensive income ("OCI") and minority interest for the computable amount recognised by the CRR.

Within the quantification of common equity tier 1 capital, in accordance with the provisions of the "Business plan strategic guidelines" for the years 2017-2019, a portion of earnings being formed as at December 31, 2017, amounting to 35% of the consolidated earnings, was allowed in the calculation of own Funds, according to the expected distribution to shareholders.

The calculation of Common Equity Tier 1 capital also includes the prudential filters and the regulatory deductions, which mainly comprise the following aggregates:

- Goodwill and other intangible assets;
- Deferred tax assets that are based on future profitability and do not derive from temporary differences: this includes the residual deferred tax assets recognised on the negative taxable income accrued in previous years mainly in the financial statements of the parent company doBank.

In 2017, a different prudential treatment was used in relation to the notes issued by the special purpose vehicles Romeo SPV and Mercuzio Securitization held in the AFS portfolio totalling €7.7 million. As a result of clarifications provided by Bank of Italy with respect to a specific question asked by doBank, these notes, in the absence of tranching, are excluded from the prudential regulation pertaining to securitisations and deemed similar to financial instruments representative of the underlying credits. Therefore, their carrying amount is no longer deducted from Own Fund, but subjected to the calculation of the credit risk based on the standardised methodology and applying the "look through approach" referred to the average weighting of the underlying portfolio.

Concerning deferred tax assets, it is pointed out that the exercise of the option on maintaining the possibility of transforming deferred tax assets into tax credits in accordance to Article 11 of Italian Legislative Decree no. 59 of May 3, 2016 converted by Law no. 119 of June 30, 2016 and amended by Law no. 15 of February 17, 2017, has had the consequence of continuing to exclude from the computation of deductions from Own Funds the residual value of the DTA deriving from value adjustments on receivables for which the requirements of Article 39 of CRR 575/2013 remain satisfied; the article prescribes that a risk weight of 100% shall be applied to deferred tax assets (for a total amount of €55.4 million), while full use of the tax credit is highlighted.

2. Additional Tier 1 capital (AT1)

AT1 consists mainly of innovative and non-innovative capital instruments net of regulatory deductions.

As at December 31, 2017, there are no Additional Tier 1 Capital elements.



3. Tier 2 capital (T2)

Tier 2 consists mainly of subordinated liabilities issued, for the computable portion in accordance with the regulations, net of regulatory deductions.

As at December 31, 2017, there are no Tier 2 Capital items.

4. Unrealised gains and losses relating to exposures to Central Administrations classified as "Available-for-sale (AFS) financial assets"

With reference to the indications set out in Bank of Italy Supervisory Bulletin no. 12 of December 2013 concerning transitional provisions pertaining to own funds Unrealised gains and losses relating to exposures to Central Administrations classified as "Available For Sale (AFS) financial assets)" of IAS 39, the Bank exercised the option provided in the Second Part, Chapter 14, Section II, Par. 2, last sub-paragraph of Circular 285 bearing "Supervisory provisions for banks" with reference to consolidated and individual own funds. Consistently with the application of the aforesaid option the Bank provides, in relation to the securities issued by central Administrations of European Union Countries included in the "Available for sale financial assets AFS", not to include in any element of own funds unrealised gains or losses relating to exposures to central administrations classified in the category of "Available for sale financial assets" of IAS 39, according to the procedures prescribed by Article 467 of the CRR.

Article
437, 1
letter f)

Composition of Own Funds as at December 31, 2017

The Own Funds as at December 31, 2017 calculated with reference to the CRR Group prudential scope that includes at the top the Luxembourg company Avio S.à r.l. are quantified as follows:

	12/31/2017
A. Common Equity Tier 1 (CET1) before prudential filters	279,758
of which grandfathered CET1 instruments	-
B. CET1 prudential filters (+/-)	-
C. CET1 gross of deductions and transitional adjustments (A+/-B)	279,758
D. Items to be deducted from CET1	(110,774)
E. Transitional adjustment - Effect on CET1 (+/-), including minority interests subject to transitional adjustments	82
F. Common Equity Tier 1 - CET1 (C - D+/-E)	169,066
G. Additional Tier 1 (AT1) gross of deductions and transitional adjustments	-
of which grandfathered AT1 instruments	-
H. Items to be deducted from AT1	-
I. Transitional adjustments - Effect on AT1 (+/-), including qualifying instruments issued by subsidiaries and computable in AT1 due to transitional provisions	-
L. Additional Tier 1 Capital - AT1 (G-H+/-I)	-
M. Tier 2 (T2) Capital gross of deductions and transitional adjustments	-
of which grandfathered T2 instruments	-
N. Items to be deducted from T2	-
O. Transitional adjustments - Effect on T2 (+/-), including qualifying instruments issued by subsidiaries and computable in T2 due to transitional provisions	-
P. Tier 2 Capital (M - N +/- O)	-
Q. Total Own Funds (F + L + P)	169,066

A. Common Equity Tier 1 capital (CET1)

The present item includes:

- fully paid in share capital of €176.5 million;
- other reserves of €59.9 million;
- minority interests of €43.4 million;

D. Elements to be deducted from CET1

The present item includes:

- consolidation difference (goodwill) consequent to the difference of the equity investment of Avio S.à r.l. in doBank S.p.A: with the related shareholders' equity, amounting to € 76.3



million;

- deferred tax assets recognised on the negative taxable income of previous years, amounting to € 29.9 million;
- other intangible assets, amounting to € 4.5 million.

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

The present item comprises the following transitional adjustment:

- positive filter of €82 thousand, equal to 40% of the amount relating to defined benefit plans (IAS 19).

For the sake of full disclosure, the same calculation is provided with reference to the accounting scope of consolidation in accordance with the Consolidated Banking Act (T.U.B.), which also allows for a homogeneous comparison with the previous year.

(€/000)

	12/31/2017	12/31/2016
A. Common Equity Tier 1 (CET1) before prudential filters	175,891	158,414
of which grandfathered CET1 instruments	-	-
B. CET1 prudential filters (+/-)	-	-
C. CET1 gross of deductions and transitional adjustments (A+/-B)	175,891	158,414
D. Items to be deducted from CET1	(34,438)	(51,573)
E. Transitional adjustment - Effect on CET1 (+/-), including minority interests subject to transitional adjustments	82	104
F. Common Equity Tier 1 - CET1 (C - D+/-E)	141,535	106,945
G. Additional Tier 1 (AT1) gross of deductions and transitional adjustments	-	-
of which grandfathered AT1 instruments	-	-
H. Items to be deducted from AT1	-	-
I. Transitional adjustments - Effect on AT1 (+/-), including qualifying instruments issued by subsidiaries and computable in AT1 due to transitional provisions	-	-
L. Additional Tier 1 Capital - AT1 (G-H+/-I)	-	-
M. Tier 2 (T2) Capital gross of deductions and transitional adjustments	-	-
of which grandfathered T2 instruments	-	-
N. Items to be deducted from T2	-	-
O. Transitional adjustments - Effect on T2 (+/-), including qualifying instruments issued by subsidiaries and computable in T2 due to transitional provisions	-	-
P. Tier 2 Capital (M - N +/- O)	-	-
Q. Total Own Funds (F + L + P)	141,535	106,945



Reconciliation with the Balance Sheet

The following table shows the reconciliation of the elements that make up the Own Funds with the Group's book value of Shareholders' Equity according to the Balance Sheet reconciliation methodology prescribed in Annex I to Commission Implementing Regulation (EU) No. 1423/2013 of December 20, 2013.

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(€/000)				
Assets	Accounting scope of consolidation	Regulatory scope	Amounts recognised in own funds	Notes
40. Available-for-sale financial assets	24,001	24,001	-	
70. Loans and receivables with customers	2,853	32,853	-	
100. Equity investments	2,879	2,879	-	
130. Intangible assets	4,506	80,841	(80,841)	
140. Tax assets - of which:	94,187	94,187	(29,933)	
Deferred tax assets	94,022	94,022	(29,933)	(1)

Liabilities and shareholders' equity	Carrying amounts as at 12/31/2017	Regulatory scope	Amounts recognised in own funds	Notes
140. Valuation reserves - of which:	1,350	-	-	
Valuation reserves of available-for-sale financial assets	1,125	-	-	
Valuation reserves of net actuarial losses	(204)	-	-	
Reserves from special revaluation laws	429	-	-	
170. Reserves	119,350	103,288	103,288	(2)
190. Share Capital	41,280	176,470	176,470	
200. Treasury shares	(277)	-	-	
220. Net profit (loss) (+/-)	44,944	220,466	-	

Other Own Funds balancing elements	Amounts recognised in own funds	Notes
- positive elements	82	
- positive filter equal to 80% of the valuation reserve of actuarial losses	82	
- negative elements	-	
- negative filter on unrealised profits relating to AFS securities	-	
Total Own Funds	169,066	

Notes

(1) deferred tax assets recognised on the negative taxable income originated in the previous year

(2) includes the minority interest that can be computed in common equity tier 1 capital, amounting to €43.4 million

The Group did not issue any equity instruments as at December 31, 2017.

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Transitional model for the publication of information regarding Own Funds

The following table provides the detail of the elements that make up own funds as at December 31, 2017, according to the template provided in Annex VI of the Commission Implementing Regulation (EU) No. 1423/2013.

(€/000)

	(A) Amount at the date of the disclosure	(B) Reference Article of Regulation (EU) no. 575/2013	(C) Amounts subject to pre-Regulation (EU) no. 575/2013 treatment or residual amount prescribed by Regulation (EU) no. 575/2013
Common Equity Tier 1 capital: instruments and reserves			
1	Equity instruments and the related share premium reserves	176,470	Article 26(1) point (a), 27, 28, 29, ABE list per Article 26(3)
	<i>of which: Ordinary shares</i>	176,470	ABE list per Article 26(3)
2	Undistributed earnings	-	Article 26(1) point (c)
3	Other cumulated comprehensive income statement components (and other reserves, include unrealised gains and losses in accordance with the applicable accounting standard)	59,920	Article 26(1)
3a	Provisions for general banking risks	-	
4	Amounts of the qualifying elements per Article 484 (3) and related share premium reserves, subject to progressive elimination from common equity tier 1 capital	-	
	Transfers of public capital that benefit from the grandfathering clause until 1 January 2018	-	
5	Minority interests (amount allowed in the consolidated common equity tier 1 capital) (1)	43,368	
5a	Period earnings verified by independent persons net of all foreseeable expenses or dividends	-	art. 26(2)
6	Common Equity Tier 1 capital (CET 1) before regulatory adjustments	279,758	
Common Equity Tier 1 capital (CET 1): regulatory adjustments			
7	Additional value adjustments	-	art. 34, 105
8	Intangible assets (net of the related tax liabilities)	(80,841)	Article 36(1) point (b), 37, 472 (4)
9	Transitional adjustment connected to IAS 19	82	
10	Deferred tax assets that depend on future profitability, excluding those deriving from temporary differences (net of tax liabilities, when the conditions of Article 38(3) are met)	(29,933)	Article 36(1) point c), 38, 472 (5)
11	Fair value reserves relating to the gains and losses generated by cash flow hedging	-	Article 33 point a)
12	Negative amounts resulting from the calculation of the amounts of the expected losses	-	Article 36(1) point (d), 40, 159, 472(6)
13	Any increase in shareholders' equity resulting from securitised assets	-	Article 32(1)
14	Profit or losses on liabilities measured at fair value due to the evolution of creditworthiness	-	Article 33 point (b)
15	Assets of pension funds with defined benefits	-	
16	Own instruments of common equity tier 1 capital held by the institution directly or indirectly	-	Article 36(1) point (f), 42, 472(8)
17	Common equity tier 1 instruments of entities of the financial sector held by the institution, when these entities hold with the institution a mutual cross-holding conceived to artificially increase the own funds of the institution	-	
18	Common equity tier 1 instruments of entities of the financial sector held by the institution directly or indirectly, when the institution has no significant investment in these entities (amount higher than the 10% threshold and net of allowable short positions)	-	
19	Common equity tier 1 instruments of entities of the financial sector held by the institution directly, indirectly or synthetically, when the institution has a significant investment in these entities (amount higher than the 10% threshold and net of allowable short positions)	-	
20			
20a	Amount of the exposure of the following elements, that meet requirements to receive a risk weight of 1250%, when the institution opts for the deduction	-	Article 36(1) point (k)
20b	of which: qualified equity investments outside the financial sector	-	Article 36(1) point (k) (i), 89, 90, 91
20c	of which: positions with respect to securitisations	-	Article 36(1) point (k) (ii), 243(1) point b), 244(1) point b), 258
20d	of which: transactions with non-concurrent settlement	-	Article 36(1) point (k) (iii), 379(3)
21	Deferred tax assets that derive from temporary differences (amount above the 10% threshold, net of the related tax liabilities for which the conditions of Article 38(3) are met)	-	Article 36(1) point (c), 38, 48(1) point (a), 470, 472(5)
22	Amount above the 15% threshold	-	Article 48(1)
23	of which: common equity tier 1 instruments of entities of the financial sector held by the institution directly or indirectly, when the institution has a significant investment in these entities	-	Article 36(1) point (i), 48(1) point (b), 470, 472(11)
24			
25	of which: tax assets deriving from temporary differences	-	Article 36(1) point (c), 38, 48(1) point (a), 470, 472(5)
25a	Losses relating to the current year	-	Article 36(1) point (a), 472(3)
25b	Foreseeable taxes relating to the common equity tier 1 capital elements	-	Article 36(1) point (i)

(cont.)

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26	Regulatory adjustments applicable to common equity tier 1 capital in relation to the amount subject to pre-CRR treatment		
26a	Regulatory adjustments relating to unrealised gains and losses in accordance with Articles 467 and 468	-	
	<i>of which: Unrealised losses on debt instruments referred to issuers other than central administrations in the European Union</i>	-	Article 467
	<i>of which: Unrealised losses on debt instruments issued by central administrations in the European Union</i>	-	Article 467
	<i>of which: Unrealised gains on debt instruments referred to issuers other than central administrations in the European Union</i>	-	Article 468
	<i>of which: Unrealised gains on debt instruments issued by central administrations in the European Union</i>	-	Article 468
26b	Amount to be deducted from or added to the common equity tier 1 capital in relation to the additional filters and deductions prescribed for pre-CRR treatment	-	Article 481
27	Allowable deductions from the additional tier 1 capital that exceed the additional tier 1 capital of the institution		Article 36(1) point (j)
28	Total regulatory adjustments to Common Equity Tier 1 capital (CET1)	(110,692)	
29	Common Equity Tier 1 capital (CET1)	169,066	
Additional Tier 1 capital (AT1): instruments			
30	Equity instruments and the related share premium reserves	-	
31	of which: classified as shareholders' equity in accordance with the applicable accounting standards	-	
32	of which: classified as liabilities in accordance with the applicable accounting standards	-	
33	Amounts of the qualifying elements per Article 484 (4) and related share premium reserves, subject to progressive elimination from additional tier 1 capital	-	
	Transfers of public capital that benefit from the grandfathering clause until 1 January 2018	-	
34	Qualifying Tier 1 capital included in the additional consolidated Tier 1 capital (including the minority interests not included in line 5) issued out of subsidiaries and held by third parties	-	
35	<i>of which: instruments issued out of subsidiaries subject to progressive elimination</i>	-	
36	Additional Tier 1 capital (AT1) before regulatory adjustments	0	
Additional Tier 1 capital (AT1): regulatory adjustments			
37	Own instruments of additional tier 1 capital held by the institution directly or indirectly		
38	Additional tier 1 instruments of entities of the financial sector held by the institution, when these entities hold with the institution a mutual cross-holding conceived to artificially increase the own funds of the institution	-	
39	Additional tier 1 instruments of entities of the financial sector held by the institution directly or indirectly, when the institution has no significant investment in these entities (amount higher than the 10% threshold and net of allowable short positions)	-	
40	Additional tier 1 instruments of entities of the financial sector held by the institution directly or indirectly, when the institution has a significant investment in these entities (amount higher than the 10% threshold and net of allowable short positions)	-	
41	Regulatory adjustments applied to common equity tier 1 capital in relation to the amount subject to pre-CRR treatment and transitional treatments, subject to progressive elimination in accordance with Regulation (EU) No. 575/2013 (i.e. residual CRR amounts)	-	
41a	Residual amounts deducted from additional tier 1 capital in relation to the deduction from common equity tier 1 capital during the transitional period in accordance with Article 472 of Regulation (EU) No. 575/2013	-	
	<i>of which: Residual amount relating to the excess expected losses with respect to the value adjustments for IRB position</i>	-	
41b	Residual amounts deducted from additional tier 1 capital in relation to the deduction from tier 2 capital during the transitional period in accordance with Article 475 of Regulation (EU) No. 575/2013	-	
41c	Amount to be deducted from or added to the additional tier 1 capital in relation to the additional filters and deductions prescribed for pre-CRR treatment	-	
	<i>of which: Unrealised losses on debt instruments</i>	-	
	<i>of which: Unrealised losses on equity instruments</i>	-	
42	Allowable deductions from tier 2 capital that exceed the tier 2 capital of the institution	-	
43	Total regulatory adjustments to Additional Tier 1 capital (AT1)	-	
44	Additional Tier 1 capital (AT1)	-	
45	Tier 1 capital (T1= CET1 + AT1)	169,066	
Tier 2 capital (T2): instruments and provisions			

(cont.)



46	Equity instruments and the related share premium reserves	
47	Amounts of the qualifying elements per Article 484 (5) and related share premium reserves, subject to progressive elimination from tier 2 capital	
	Transfers of public capital that benefit from the grandfathering clause until 1 January 2018	
48	Qualifying own fund instruments included in consolidated tier 2 capital (including minority interests and additional tier 1 instruments not included in line 5 or in line 34) issued out of subsidiaries and held by third parties	
49	of which: instruments issued out of subsidiaries subject to progressive elimination	
50	Value adjustments on receivables	
51	Tier 2 capital (T2) before regulatory adjustments	-
Tier 2 capital (T2): regulatory adjustments		
52	Own instruments of tier 2 capital held by the institution directly or indirectly and subordinated loans	-
53	Tier 2 instruments and subordinated loans of entities of the financial sector held by the institution, when these entities hold with the institution a mutual cross-holding conceived to artificially increase the own funds of the institution	-
54	Tier 2 instruments of entities and subordinated loans of the financial sector held directly or indirectly, when the institution has no significant investment in these entities (amount higher than the 10% threshold and net of allowable short positions)	-
54a	of which: new equity investments not subject to the transitional provisions	-
54b	of which: equity investments existing before 1 January 2013 and subject to the transitional provisions	-
55	Tier 2 instruments of entities and subordinated loans of the financial sector held by the institutions directly or indirectly, when the institution has a significant investment in these entities (net of allowable short positions)	-
56	Regulatory adjustments applied to equity tier 2 capital in relation to the amount subject to pre-CRR treatment and transitional treatments, subject to progressive elimination in accordance with Regulation (EU) No. 575/2013 (i.e. residual CRR amounts)	-
56a	Residual amounts deducted from tier 2 capital in relation to the deduction of common equity tier 1 capital during the transitional period in accordance with Article 472 of Regulation (EU) No. 575/2013	-
	of which: Residual amount relating to the excess expected losses with respect to the value adjustments for IRB position	-
56b	Residual amounts deducted from tier 2 capital in relation to the deduction of additional tier 1 capital during the transitional period in accordance with Article 475 of Regulation (EU) No. 575/2013	-
56c	Amount to be deducted from or added to tier 2 capital in relation to the additional filters and deductions prescribed for pre-CRR treatment	-
	of which: unrealised gains on AFS securities subject to additional national filter	-
57	Total regulatory adjustments to Tier 2 capital (T2)	-
58	Tier 2 capital (T2)	-
59	Total capital (TC= T1+T2)	169,066
59a	Risk weighted assets in relation to the amount subject to pre-CRR treatment and transitional treatments, subject to progressive elimination in accordance with Regulation (EU) No. 575/2013 (i.e. residual CRR amounts)	-
	of which: elements not deducted from common equity tier 1 capital (Regulation (EU) No. 575/2013 residual amounts)	-
	of which: deferred tax assets based on future profitability that do not depend on temporary differences net of the related tax liabilities	-
	of which: elements not deducted from additional tier 1 capital (Regulation (EU) No. 575/2013 residual amounts)	-
	of which: investments held directly in additional tier 1 capital instruments when the institution has a significant investment in these entities	-
	of which: elements not deducted from tier 2 capital elements (Regulation (EU) No. 575/2013 residual amounts)	-
	of which: investments held synthetically in tier 2 capital instruments when the institution has a significant investment in these entities	-
60	Total risk-weighted assets	-
Capital ratios and capital reserves		
61	Common Equity Tier 1 capital (as a percentage of the amount of risk exposure)	30%
62	Tier 1 capital (as a percentage of the amount of risk exposure)	30%
63	Total capital (as a percentage of the amount of risk exposure)	30%
64	Requirement of the specific capital buffer of the institution (requirement for common equity tier 1 capital in accordance with Article 92 (1) (a)), requirements of the capital conservation buffer, of the anti-cyclic capital buffer, of the capital buffer in view of systemic risk, of the capital buffer of the institutions with systemic importance (G-SII or O-SII buffer), (as a percentage of the amount of risk exposure)	-
65	of which: capital conservation buffer requirement	-
66	of which: anti-cyclic capital buffer requirement	-
67	of which: systemic risk buffer requirement	-
67a	of which: Capital buffer of Global Systemically Important Institutions (G-SII) or of the Other Systemically Important Institutions (O-SII)	-
68	Common Equity Tier 1 capital available for buffers (as a percentage of the amount of risk exposure) (3)	-

(cont.)



Amounts lower than the deduction thresholds (before risk weighting)		
72	Capital of entities of the financial sector or held directly or indirectly, when the institution has no significant investment in these entities (amount higher than the 10% threshold and net of allowable short positions)	-
73	Common equity tier 1 instruments of entities of the financial sector held by the institution directly or indirectly, when the institution has a significant investment in these entities (amount below the 10% threshold and net of allowable short positions)	-
75	Deferred tax assets that derive from temporary differences (amount below the 10% threshold, net of the related tax liabilities for which the conditions of Article 38(3) are met)	-
Applicable maximum limits for the inclusion of provisions in Tier 2 capital		
76	Value adjustments on receivables included in tier 2 capital in relation to exposures subject to the standardised method (before applying the maximum limit)	-
77	Maximum limit for the inclusion of value adjustments on receivables in tier 2 capital within the standardised method	-
78	Value adjustments on receivables included in tier 2 capital in relation to exposures subject to the internal ratings method 2 (before applying the maximum limit)	-
79	Maximum limit for the inclusion of value adjustments on receivables in tier 2 capital within the internal ratings method	-
Equity instruments subject to progressive elimination (applicable only between 1 January 2013 and 1 January 2022)		
80	Current maximum limit on common equity tier 1 capital instruments subject to progressive elimination	-
81	Amount excluded from common equity tier 1 capital because of the maximum limit (exceedance of the maximum limit after reimbursements and expirations)	-
82	Current maximum limit on additional tier 1 capital instruments subject to progressive elimination	-
83	Amount excluded from additional tier 1 capital because of the maximum limit (exceedance of the maximum limit after reimbursements and expirations)	-
84	Current maximum limit on tier 2 capital instruments subject to progressive elimination	-
85	Amount excluded from tier 2 capital because of the maximum limit (exceedance of the maximum limit after reimbursements and expirations)	-

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4. Capital requirements (Article 438 CRR)

Qualitative information

The term capital adequacy means the assessment of the ability of the equity capital to address, currently and in the future, the unexpected losses inherent in the performance of the activity, assuming that the expected losses - in particular with reference to the credit risk - are addressed by the (specific and portfolio) net impairments/write-backs of equal size already recognised in the income statement.

In this context, the Group, in addition to meeting the regulatory capital requirements ((in view of the credit, counterparty, market, operational risks), because Own Funds represent the first safeguard in view of the risks connected with the banking activity and the priority criterion for judging capital adequacy by the Supervisory Authority, has strategies and processes in place to assess and hold over time the total capital deemed adequate (in terms of amount and composition) to hedge all the risk to which it is or it could be exposed (internal capital or capital at risk).

Through the Internal Capital Adequacy Assessment Process - ICAAP) the Group carries out an autonomous assessment of its current and prospective capital adequacy, in relation to the risks assumed and to the corporate strategies. The present process is documented, known and shared by the corporate structures and it is subject to internal revision. The reference scope of the ICAAP process is referred to the doBank Group, as provided by Regulation (EU) 575/2013 of June 26, 2013 (CRR), the "CRR Group"². In view of the above, the ICAAP process is carried out by the competent functions of the Parent Company.

The process for the determination of capital adequacy comprises the following main steps:

- identification of the risks to be assessed, with reference both to regulatory or first pillar risks, and to the risks included in the second pillar (concentration risk, interest rate risk deriving from activities other than trading, liquidity risk, residual risk, risks deriving from securitisations, strategic risk, reputation risk and any other types of risk connected with the Group's specific operations);
- measurement/assessment of individual risks and of the related internal capital. Internal capital is calculated for regulatory risks and for the quantifiable risks of the second pillar and limited to those for which Bank of Italy has indicated simplified methodologies for determining internal capital. For the other types of risk, which are hard to quantify, qualitative assessments are provided, and adequate control and mitigation systems are provided;
- assessment of the total internal capital. The Group determines the total internal capital according to a simplified building block approach - as prescribed by the Class 3 prudential regulations for Banks and Banking Groups - which consists of adding to the regulatory requirements in view of the first pillar risks (or to the internal capital relating to such risks calculated on the basis of internal methodologies, when present), any internal capital relating to the other relevant risks.

Following the determination of the Total Internal Capital, within the scope of the preparation and sharing of the ICAAP Report, the outcomes of the activity for determining the current and prospective capital are illustrated in relation to:

- measure of the Internal Capital in view of each type of measurable risk or estimates of prospective evolutions of the risk factors connected to each relevant type of risk;
- progress of ongoing interventions and any proposed interventions of an organisational and/or procedural nature directed at upgrading the risk control and mitigation systems.

The necessary activities for the purposes of the capital adequacy assessment are:

- reconciliation between Total Internal Capital and regulatory requirements;

² The "CRR Group" also comprises the holding company AVIO S.A.R.L.



- determination of the Total Capital and comparison with Own Funds;
- comparison between Total Internal Capital and Total Capital.

If Total Internal Capital is lower than the regulatory requirements, the assessment is made as to whether the reduced requirement is qualitatively justified by the different methodology used in the measurements (e.g. due to the diversity of the calculation models used or for any control and attenuation techniques adopted), revising, if the case warrants it, the models used in light of the results obtained.

An assessment is also made if any additional sources included in calculation of the Total Capital, in addition to the elements comprising Own Funds, are characterised by adequate capital qualities; if the quality is not adequate, the appropriate actions to be taken are evaluated.

The Capital Adequacy assessment - i.e. the comparison between Total Internal Capital and Total Capital - is carried out every six months. In case of relevant changes at the organisational and/or strategic level, a revaluation is carried out "for each event".

In the first instance, the assessment as to whether Total Internal Capital is covered by Own Funds; otherwise, the coverage capacity given by Total Capital, justifying the inclusion of any capital instruments that are not computable in Own Funds.

When the assessment of Capital Adequacy leads to the need for an intervention, any corrective intervention programmes are implemented.

Lastly, the imposition of additional capital requirements as per communication received from Bank of Italy on February 13, 2017, at the conclusion of the 2016 Supervisory Review and Evaluation Process (SREP) is confirmed. In this context, Bank of Italy determined the capital that doBank at the individual level (as much as the 2015 ICAAP exercise preceded the creation of the Banking Group, which took place in the second half of 2016) will have to hold in addition to the minimum regulatory capital. In particular, the capital requirements to be applied are illustrated below:

- CET 1 ratio of 6.59% consisting of a binding measure of 5.34% and for the remaining part the capital conservation buffer component;
- Tier 1 ratio of 8.38% consisting of a binding measure of 7.13% and for the remaining part the capital conservation buffer component;
- Total Capital ratio of 10.75% consisting of a binding measure of 9.50% and for the remaining part the capital conservation buffer component.

The Capital Adequacy referred to First Pillar risks is monitored on a quarterly basis and its reporting is an integral part of the reports produced by the Risk Management function within the risk Dashboard; the capital adequacy assessment referred to First and Second Pillar risks is revised every half year and reported to the Corporate Bodies.



Quantitative information

Based on the EBA 2016/11 Guidelines, the OV1 table is provided below, showing the data per the CRR requirements on each row.

EU OV1 - Overview of the risk-weighted exposures

(€/000)

		RWA		Minimum capital requirements
		12/31/2017	12/31/2016 ⁽¹⁾	12/31/2017
	1 Credit risk (excluding CCR)	207,937	146,026	16,635
Article 438, letters c) and d)	2 of which with standardised method	207,937	146,026	16,635
Article 438, letters c) and d)	3 of which with IRB Foundation method	-	-	-
Article 438, letters c) and d)	4 of which with IRB Advanced method	-	-	-
	of which equity instruments with IRB based on the simple weighting method or with the Internal Model			
Article 438, letter d)	5 Approach (IMA)	-	-	-
Article 107, Article 438, letters c) and c)	6 CCR	-	-	-
Article 438, letters c) and d)	7 of which market value method	-	-	-
Article 438, letters c) and d)	8 of which original exposure	-	-	-
	9 of which with standardised method	-	-	-
	10 of which with internal model method (IMM)	-	-	-
	of which amount of risk exposure for the contributions			
Article 438, letters c) and d)	11 to the guarantee fund of a central counterparty (CCP)	-	-	-
Article 438, letters c) and d)	12 of which CVA	-	-	-
Article 438, letter e)	13 Settlement risk	-	-	-
	exposures to the securitisations included in the banking book (taking into account the maximum			
Article 449, letters o) and i)	14 limit)	-	-	-
	15 of which with IRB method	-	-	-
	of which with the IRB Supervisory Formula Approach			
	16 (SFA)	-	-	-
	17 of which with the Internal Assessment Approach (IAA)	-	-	-
	18 of which with standardised method	-	-	-
Article 438, letter e)	19 Market risk	-	-	-
	20 of which with standardised method	-	-	-
	21 of which with IMA	-	-	-
Article 438, letter e)	22 Large exposures	-	-	-
Article 438, letter f)	23 Operational Risk	334,581	373,322	26,766
	24 of which with foundation method	334,581	373,322	26,766
	25 of which with standardised method	-	-	-
	26 of which with advanced method	-	-	-
	amounts below the thresholds for deduction (subject			
Article 437, Paragraph 2; Articles 48 a)	27 to 250% 250% risk weighting factor)	-	-	-
	Adjustments for the application of the minimum			
Article 500	28 thresholds	-	-	6,781
	29 Total	542,518	519,348	50,182

⁽¹⁾ The 2016 data refer to the prudential scope of consolidation per the Consolidated Banking Law (T.U.B.) because the CRR Group scope has been in force since December 31, 2017



5. Credit risk: general information and adjustments (Article 442 CRR)

Qualitative information

According to Bank of Italy rules, defined by Circular no. 272 of July 30, 2008 and subsequent revisions, impaired exposures - which correspond to the Non-Performing Exposures aggregate per the EBA ITS - consist of the following categories:

- non-performing loans - these identify the area of formally impaired loans, consisting of the exposure to clients who are in a condition of insolvency even though it may not have been ascertained judicially or in equivalent situations. As a rule, the assessment takes place line by line or, only in the cases in which impairments were not recognised or cannot be identified individually, on the basis of a collective assessment by homogeneous types of exposures;
- unlikely to pay - these represent cash exposures and off-balance sheet exposures, for which the conditions for the classification of the debtor among non-performing loans are not met and for which there is an assessment of unlikelihood that, in the absence of actions such as the enforcement of the guarantees, the debtor will be able to completely fulfil (in terms of principle and/or interest) its credit obligations. This assessment is carried out independently of the presence of any past due or unpaid amounts (or instalments). Classification as unlikely to pay is not necessarily tied to the explicit presence of anomalies (the failure to repay) but rather is tied to the existence of elements indicating a situation of risk of the borrower's default. Unlikely to pay items are generally assessed line by line or applying percentages determined as flat rates by types of homogeneous exposures;
- past due and/or overdue impaired exposures - these represent the entire exposure to counterparties, other than those classified in the above categories, that at the reference date present past due or overdue exposures. These exposures are assessed as a whole on historical/statistical bases, applying, whenever possible, the risk measured by the appropriate risk factor used for the purposes of Regulation (EU) no. 575/2013 (CRR) on prudential requirements for credit institutions and investment firms (Loss Given Default or LGD).

Article 442, a)

The collective assessments pertain to portfolios of unimpaired assets for which, although no objective loss elements were individually noted, a latent loss can be attributed to them, measurable taking into account also the risk factors used for the purposes of the requirements of the CRR prudential regulation.

Article 442, b)

With respect to the receivable positions, the Group, at least on a quarterly basis, evaluates the risk and allocates corresponding provisions, so that the representation of the net value of the assets is consistent with the assessment made.

With reference to banking products, this activity takes place for performing positions at the reporting dates, applying a series of expert parameters defined by the Risk Management function in consideration of the type of product, of the policies applied upon disbursement of the loan, and of the level of performance of the loan, and they are revised over time also on the basis of the internal experience.

This approach entails the application of two parameters: PD (counterparty's probability of default) and LGD (loss given default). The product of these parameters generates a sort of theoretical expected loss to which corresponds the risk attributed to the position, and consequently, the level of the provision.

For impaired positions, the assessment takes place case by case at the time of the classification, on the basis of concrete, conservative assessments on recovery expectations, or at the time of their revision as a result of the change to the risk profile. The criteria of the policy are to be considered a minimum standard to be waived only in the presence of sound reasons.

Impaired positions are revised at least once a quarter, consistently with current corporate processes.

Group Risk Management verifies the overall correctness and consistency of the provisions, intervening if it observes any deficiencies.



The write-down for impairment losses is recorded as a reduction to the book value of the receivable.

The Parent Company doBank is oriented towards a methodology for the assessment of its own position that follows the line by line approach as a function of the results that emerge from their monitoring process.

When a debtor belongs to an economic group, the need to consider the exposures of the Group's other entities to be impaired as well is assessed, if they are not already considered in default, with the exception of the exposures involved in isolated disputes not related to the solvency of the counterparty itself.

The principle for the determination of the provisions shall apply; such determination shall be carried out periodically and every time there are significant new facts, and in relation to the evolution of the recovery expectations and to the implemented strategies.

The main elements considered for a correct assessment of the loss forecast are the following:

- assets of the client and of any guarantors (net of any encumbrances);
- current and prospective operating results, financial position and cash flows of the principal debtor;
- existence of any recovery plans, duly signed by all guarantors as well, and of their proper implementation;
- size and enforceability of existing accessory guarantees;
- accessory guarantees in the form of collateral (more often) or personal guarantees obtained voluntarily or acquired through judicial activities.

The criteria for determining impairments are based on the obtaining the present value of expected cash flows for principal and interest; for the purposes of determining the present value, the fundamental elements are represented by the identification of the estimated collections, of their due dates and of the discount rate to apply. For the estimate of problem loans, reference is made to the line by line forecasts; with regard to the time component, reference is made to the line by line plans or, in their absence, estimated values are used, if available.



Quantitative information

EU CRB-B Table: Total and average value of net exposures

Article
442, c)

(€/000)	Net value of the exposures at the end of the period	Net average exposures in the period
Exposures to central government or central banks	74,512	79,909
Regional administrations or local authorities	-	-
Exposures to non-profit and public-sector entities	215	372
Multilateral development banks	-	-
International organisations	-	-
Exposures to supervised entities	124,776	127,875
Exposures to corporates and other entities	67,932	34,755
Retail exposures	459	673
Exposures secured by real estate	1,092	1,113
Past-due exposures	265	420
High risk exposures	-	-
Exposures in the form of secured bank exposures	-	-
Short -term exposures to corporates and other parties or authorities	459	711
Exposure to collective investment undertakings	30,216	30,216
Equity exposures	1,688	1,720
Other exposures	9,822	11,001
Total with standardised method	311,436	288,765

The data posted at the end of the period refer to the CRR Group prudential scope. With regard to average exposures, based on the quarterly data of the year, they refer to the CRR Group only for December 31, 2017, while for the previous quarters they refer to the Group in accordance with the Consolidated Banking Act; considering the low relevance of Avio's data on net exposure (13% on the nominal exposure and 3% on the weighted exposure), therefore, the above table is deemed to be representative of the quantitative elements of the credit risk for both the scopes of consolidation, accounting and prudential.



Sector breakdown of exposures (carrying amounts) - Article 442 e) and g) -

(€/000)

	Governments						Other public entities						Financial companies					
	Gross Exposure	Net Exposure	Specific write-downs	Portfolio adjustments	Specific write-downs of the year	Portfolio adjustments of the year	Gross Exposure	Net Exposure	Specific write-downs	Portfolio adjustments	Specific write-downs of the year	Portfolio adjustments of the year	Gross Exposure	Net Exposure	Specific write-downs	Portfolio adjustments	Specific write-downs of the year	Portfolio adjustments of the year
A. On balance sheet exposure																		
A.1 Bad loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- of which: forbome exposures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.2 Unlikely to pay	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- of which: forbome exposures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.3 Non-performing past-due	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- of which: forbome exposures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.4 Performing exposures	1,309	1,297	-	(12)	-	-	-	-	-	-	-	-	7,734	7,734	-	-	-	-
- of which: forbome exposures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total A	1,309	1,297	-	(12)	-	-	-	-	-	-	-	-	7,734	7,734	-	-	-	-
B. Off-balance sheet exposures																		
B.1 Bad loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.2 Unlikely to pay	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.3 Other non-performing exposures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.4 Performing exposures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total B	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total 12/31/2017 (A+B)	1,309	1,297	-	(12)	-	-	-	-	-	-	-	-	7,734	7,734	-	-	-	-
Total 12/31/2016 (A+B)	1,111	1,108	-	(3)	-	-	-	-	-	-	-	-	8,365	8,365	-	-	-	-
	Insurance companies						Non financial companies						Other					
	Gross Exposure	Net Exposure	Specific write-downs	Portfolio adjustments	Specific write-downs of the year	Portfolio adjustments of the year	Gross Exposure	Net Exposure	Specific write-downs	Portfolio adjustments	Specific write-downs of the year	Portfolio adjustments of the year	Gross Exposure	Net Exposure	Specific write-downs	Portfolio adjustments	Specific write-downs of the year	Portfolio adjustments of the year
A. On balance sheet exposure																		
A.1 Bad loans	-	-	-	-	-	-	651	201	(450)	-	(157)	-	74	64	(10)	-	(16)	-
- of which: forbome exposures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.2 Unlikely to pay	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- of which: forbome exposures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.3 Non-performing past-due	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- of which: forbome exposures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.4 Performing exposures	-	-	-	-	-	-	1,201	1,192	-	(9)	-	-	1,104	1,102	-	(2)	-	-
- of which: forbome exposures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total A	-	-	-	-	-	-	1,852	1,393	(450)	(9)	(157)	-	1,178	1,166	(10)	(2)	(16)	-
B. Off-balance sheet exposures																		
B.1 Bad loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.2 Unlikely to pay	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.3 Other non-performing exposures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.4 Performing exposures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total B	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total 12/31/2017 (A+B)	-	-	-	-	-	-	1,852	1,393	(450)	(9)	(157)	-	1,178	1,166	(10)	(2)	(16)	-
Total 12/31/2016 (A+B)	-	-	-	-	-	-	1,479	1,123	(354)	(2)	(1,953)	-	2,902	2,887	(13)	(2)	(548)	-

	Small and Medium-sized enterprises						TOTAL					
	Gross Exposure	Net Exposure	Specific write-downs	Portfolio adjustments	Specific write-downs of the year	Portfolio adjustments of the year	Gross Exposure	Net Exposure	Specific write-downs	Portfolio adjustments	Specific write-downs of the year	Portfolio adjustments of the year
A. On balance sheet exposure												
A.1 Bad loans	-	-	-	-	-	-	725	265	(460)	-	(173)	-
- of which: forborne exposures	-	-	-	-	-	-	-	-	-	-	-	-
A.2 Unlikely to pay	-	-	-	-	-	-	-	-	-	-	-	-
- of which: forborne exposures	-	-	-	-	-	-	-	-	-	-	-	-
A.3 Non-performing past-due	-	-	-	-	-	-	-	-	-	-	-	-
- of which: forborne exposures	-	-	-	-	-	-	-	-	-	-	-	-
A.4 Performing exposures	-	-	-	-	-	-	11,348	11,325	-	(23)	-	-
- of which: forborne exposures	-	-	-	-	-	-	-	-	-	-	-	-
Total A	-	-	-	-	-	-	12,073	11,590	(460)	(23)	(173)	-
B. Off-balance sheet exposures												
B.1 Bad loans	-	-	-	-	-	-	-	-	-	-	-	-
B.2 Unlikely to pay	-	-	-	-	-	-	-	-	-	-	-	-
B.3 Other non-performing exposures	-	-	-	-	-	-	-	-	-	-	-	-
B.4 Performing exposures	-	-	-	-	-	-	-	-	-	-	-	-
Total B	-	-	-	-	-	-	-	-	-	-	-	-
Total 12/31/2017 (A+B)	-	-	-	-	-	-	12,073	11,590	(460)	(23)	(173)	-
Total 12/31/2016 (A+B)	-	-	-	-	-	-	12,073	11,590	(460)	(23)	-	-

Residual maturity breakdown of assets and liabilities (carrying amounts) - Article 442 f) -

(€/000)

	On demand	1 to 7 days	7 to 15 days	15 days to 1 month	1 to 3 months	3 to 6 months	6 months to 1 year	1 to 5 years	More than 5 years	Unspecified term
Balance sheet assets	50,848	-	-	7	27	21	1,045	533	23,892	-
A.1 Government securities	-	-	-	-	-	-	1,003	-	-	-
A.2 Other debt securities	-	-	-	-	-	-	1	57	7,786	-
A.3 Units in collective investment undertakings	-	-	-	-	-	-	-	-	15,221	-
A.4 Loans	50,848	-	-	7	27	21	41	476	885	-
- Banks	49,340	-	-	-	-	-	-	-	-	-
- Customers	1,508	-	-	7	27	21	41	476	885	-
On balance sheet liabilities	11,786	30	-	-	-	30	62	196	-	-
B.1 Deposits and current accounts	11,758	-	-	-	-	-	-	-	-	-
- Banks	-	-	-	-	-	-	-	-	-	-
- Customers	11,758	-	-	-	-	-	-	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	28	30	-	-	-	30	62	196	-	-
Off balance sheet transactions	-	-	-	-	-	-	-	-	-	-
C.1 Financial derivatives with exchange of principal	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.2 Financial derivatives without exchange of principal	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.3 Deposits and loans to be received	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to disburse funds	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	14,706	-	-	-
- Short positions	-	-	-	-	-	-	14,706	-	-	-
C.5 Financial guarantees given	-	-	-	-	-	-	-	-	-	-
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-
C.7 Credit derivatives with exchange of principal	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.8 Credit derivatives without exchange of principal	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-

Non-performing on balance sheet credit exposures to customers: changes in overall impairment - Article 442 i) -

(€/000)

	Bad loans		Unlikely to pay		Non-performing exposures	
	Total	- of which: exposures with forbearance	Total	- of which: exposures with forbearance	Total	- of which: exposures with forbearance
A. Total opening write-downs	367	-	-	-	-	-
- of which: assets sold but not derecognised	-	-	-	-	-	-
B. Increases	173	-	-	-	-	-
B.1. Write-downs	173	-	-	-	-	-
B.2 Losses on disposals	-	-	-	-	-	-
B.3 Transfers from other categories of non-performing exposure	-	-	-	-	-	-
B.4 Other increases	-	-	-	-	-	-
C. Reductions	(80)	-	-	-	-	-
C.1 Write-backs from valuation	(80)	-	-	-	-	-
C.2 Write-backs from collections	-	-	-	-	-	-
C.3 Gains on disposal	-	-	-	-	-	-
C.4 Write-offs	-	-	-	-	-	-
C.5 Transfers to other categories of non-performing exposure	-	-	-	-	-	-
C.6 Other reductions	-	-	-	-	-	-
D. Final gross write-downs	460	-	-	-	-	-
- of which: assets sold but not derecognised	-	-	-	-	-	-



6. Exposure to securitised positions (Article 449 CRR)

Qualitative information

In securitisations, the Group operates both as "Originator" (seller), and as investor according to the definitions provided by Basel 3 and transposed by Circular 285 of the Bank of Italy "Supervisory provisions for banks" of December 17, 2013 and subsequent revisions.

On September 30, 2016, the sale of the non-performing portfolio of the Parent company doBank to the securitisation special purpose vehicle Romeo SPV S.r.l. ("Romeo"), established in accordance with Law 130/1999 was completed. Subsequently, during the second quarter 2017, the unsecured portion of the portfolio was transferred in favour to the Mercuzio Securitisation S.r.l. vehicle ("Mercuzio") and concurrently the issue of the ABS securities was completed by both SPVs with a single tranching of securities.

Article
449, a),
b), d), e),
i)

doBank, as originator, subscribed a nominal portion of notes equal to 5% of the total securities issued, to comply with the provisions of the retention rule under Regulation (EU) No. 575/2013 (CRR).

The securitisations originated by the Group were carried out to pursue funding objectives.

In accordance with the letter by the Bank of Italy received on January 15, 2018 pertaining to some clarifications referred to a specific question posed by doBank on this matter, the aforementioned "Romeo" securitisation can no longer be considered as a "securitisation" for prudential purposes because of the absence of the tranching. Therefore, for the purposes of calculating the capital requirement, the ABS securities held for an amount of approximately €8 million are treated according to the rules prescribed by the standard credit risk method (Article 132 of Regulation (EU) No. 575/2013) and no longer entirely deducted from Own Funds as applied previously.

In view of the above, the qualitative details of the Romeo SPV and Mercuzio Securitisations are not provided below, but reference is made to the 2017 Consolidated Financial Statement.

Third party securitisations

In 2016, the doBank Group sold to third parties all the portfolio securities related to securitisation of third party issuers and recognised as "Available-for-sale assets".

These securities represented a 19.7% portion of the issued securities of the senior tranche (for an initial amount of €1.46 million, already fully repaid) and of the junior tranche (for an initial amount of €0.49 million) of the Aurora SPV S.r.l. - Aurora 1 securitisation for which the Parent company doBank acted as Servicer and Corporate Service Provider until the end of the first half of 2016.

Article
449, o)

Securitisations: accounting policies

The accounting policies applied by the Group for the loan securitisation activity are in line with the provisions of IAS 39 regarding the derecognition of a financial asset or liability.

Article
449, j)

Before assessing the existence of the conditions for the derecognition of financial assets it is necessary, according to IAS 39, to verify whether these conditions should be applied to these assets in their entirety or may refer only to a part thereof. The derecognition rules are applied to a part of the financial assets to be transferred only if at least one of the following requirements is met:

- the portion comprises only the cash flows relating to a financial asset (or to a group asset) which are specifically identified (e.g. only the portion of interest pertaining to the asset);
- the portion comprises the cash flows according to a well identified percentage of



their total (e.g. 90% of all cash flows deriving from the assets);

- the portion comprises a well identified percentage of specifically identified cash flows (e.g. 90% of the cash flows of only the portion of interest pertaining to the asset).

In the absence of the aforementioned requirements, the derecognition rules shall be applied to the financial asset (or group of financial assets) as a whole.

The conditions for the total derecognition of a financial asset are the extinction of the contractual rights, as well as their natural expiration, or the transfer to a counterparty outside the Bank of the rights to collect the cash flows deriving from that asset.

Collection rights are deemed to be transferred even if the contractual rights to receive the cash flows of the asset are maintained, but an obligation to pay those flows to one or more entities is assumed and all three of the following conditions are met (pass-through agreement):

- there is no obligation for the Bank to pay uncollected amounts from the original asset;
- selling or pledging the original asset as collateral is prohibited, except when it guarantees the obligation to pay cash flows;
- there is the obligation to transfer without delay all the cash flows it collects and it does not have any right to invest them, with the exception of investments in cash during the short period between the date of collection and the date of payment, provided that the interest accrued in the period is also recognised.

In addition, the derecognition of a financial cash is subordinated to the verification that all risks and benefits deriving from entitlement to the rights have actually been transferred (true sale). In case of transfer of substantially all risks and benefits, the transferred asset (or group of assets) is derecognised and the rights and obligations relating to the transfer are separately recognised as assets or liabilities.

Vice versa, if risks and benefits are maintained, it is necessary to continue to recognise the sold asset (or group of assets). In this case, it is also necessary to recognise a liability corresponding to the amount received as consideration for the sale and subsequently to record all income accrued on the asset as well as all expenses accrued on the liability.

The main transactions that, based on the aforesaid rules, do not allow to fully derecognise a financial asset are securitisations, repurchase agreements and securities lending transactions.

In the case of securitisations, the financial assets are not derecognised in case of purchase of the equity tranche or of provision of other forms of support to the structure, which determine the maintenance of the credit risk associated with the securitised portfolio.

The Receivables item of the financial statements as at December 31, 2017 does not contain this entry.

As at December 31, 2017, no financial assets to be securitised are recognised, nor are there any securitisation for which the Group intervened as the promoter.

Article
449, n)- i)
and iii)

Securitisations: exposure calculation methods

As a consequence of the aforementioned clarification by the Bank of Italy, the Group modified the prudential treatment of the exposures to the Romeo securitisation which at December 31, 2016 entailed the deduction of common equity tier 1 capital, in accordance with Article 36 CRR: the subscribed notes referred to Romeo SPV and Mercuzio Securitisation, in the absence of tranching, shall be excluded from the prudential regulations for securitisations and equated to financial instruments representative of the underlying receivables. Therefore, their carrying amount is subjected to the calculation of the credit risk based on the standardised methodology and applying the "look through approach" referred to the average weighting of the underlying portfolio.

Article
449, m),
h)



Quantitative information

Total amount of the securitised assets underlying the junior titles or to other forms of credit support separately between traditional and synthetic, and, and by quality of underlying asset - Article 449 n), i) and ii)

There were no such cases

Exposures deriving from securitisations distinguished by quality of the underlying assets - Article 449 p)

There were no such cases

Exposures deriving from the main “own” securitisations broken down by type of securitised activities and by type of exposures - Article 449 n), vi)

There were no such cases

Exposures deriving from the main “third party” securitisations broken down by type of securitised activities and by type of exposures, Article 449 n) vi)

There were no such cases

The Group does not hold exposures in ABS in its own trading book.



7. Exposures in equity instruments not included in the trading book (Article 447 CRR)

Qualitative information

Article
447, a)

The exposures in equity instruments included in the banking book are recorded:

- under "available for sale financial assets": this item includes an equity investment of € 42 thousand in the company Nomisma S.p.A: Società di Studi Economici and €379 a share of the Interbank Deposit Guarantee Fund (FITD) for participation in the "Voluntary Scheme";
- under "equity investments": this item includes the interest in the associate BCC Gestione Crediti.

The capital instruments recorded under Item 40 of the balance sheet (AFS - Available for sale financial assets portfolio) are instead held mainly as equity investments that do constitute minority shareholding, not qualifiable as controlling interests, joint control or association.

The equity investment recorded in Item 100 of the balance sheet is held with the intent of maintaining a long term operating relationship with the associated company and therefore it may be considered as a "strategic intervention".

Concerning the adopted accounting criteria:

Available-for-sale financial assets: these are initially recognised at the date of settlement at fair value, which normally matches the consideration of the transaction, including the transaction costs and revenues that are directly attributable to the instrument itself.

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

These assets are subsequently measured at fair value, recording, for interest-bearing instruments, the interest in the income statement according to the amortised cost criterion. Gains and losses deriving from fair value changes are recognised under item 140. "Valuation reserves" of the shareholders' equity - with the exception of impairment losses and of the currency gains and losses on monetary assets (debt securities) that are posted respectively under item 130.b) "Net impairments/write-backs of available for sale financial assets" and under item 80. "Net result of the trading activity" - until the disposal of the financial assets, when the accumulated gains and losses are recorded in the income stated under item 100.b) "Gains (losses) from sale or repurchase of available for sale financial assets".

The fair value changes recognised under item 140. "Valuation reserves" are also shown in the Statement of Comprehensive Income.

Equity instruments (shares) not listed on an active market and whose fair value cannot be determined reliably because of the lack or unreliability of the information useful for fair value measurement are measured at cost, corresponding to the last reliably measured fair value.

If there is any objective evidence that the asset has suffered an impairment, the accumulated loss, which was recognised directly under item shareholders' equity item 140. "Valuation reserves", is transferred to the income statement under item 130.b) "Net impairments/write-backs". For debt instruments, the existence of circumstance indicative of such financial hardships as to compromise the collection of the principle or of the interest constitutes evidence of impairment.

For equity instruments, the existence of impairment is assessed considering, in addition to any difficulties in servicing the debt on the issuer's part, any indicators such as the decline of fair value below cost and adverse changes in the environment where the entity operates.

In particular, if the reduction of fair value before cost exceeds 50% or persists for over 18 months, the loss of value is normally deemed permanent.

If, instead, the decline in the fair value of the instrument below cost is lower than or equal to 50% but above 20% or has persistent for no more than 18 months but no less than 9 months, additional income and market indicators are analysed. If the results of said analysis are such as to raise doubts as to the possibility to recover the originally invested amount, an impairment is recognised.

The amount transferred to the income statement is then equal to the difference between the carrying amount (acquisition cost net of any impairments already recognised in the income



statement previously) and the current fair value.

In the case of instruments measured at cost, the amount of the loss is determined as the difference between their carrying amount and the current value of estimated future cash flows, discounted according to the current market rate of return for similar financial assets (i.e. the recoverable amount).

If, in a subsequent period, the fair value of a debt instrument increases and the increase can objectively be related to an event that took place in a period following the one in which the impairment loss had been recognised in the income statement, the loss is reversed, recognising the corresponding amount in the same income statement item. In any case, the write-back does not determine a higher carrying amount than the one that would result from the application of the amortised cost if the loss had not been recognised.

Impairments of equities, recognised in the income statement, are subsequently restored with effect on the shareholders' equity, if the reasons that led to the recognition of the write-down no longer hold true.

Available-for-sale financial assets are derecognised when the asset in question is sold, substantially transferring all connected risks and benefits or when the contractual rights expire.

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

Equity investments in associates are measured at equity. The carrying amount of associated companies is tested in accordance with IAS 36 as a single asset, comparing it with the recoverable amount (defined as the higher of fair value less costs to sell and value in use).

The equity investment in companies measured at equity includes goodwill (net of any impairment) paid for the acquisition. Participation in the post-acquisition profits and losses of associates is recognised in the Income Statement under item 240. "Gains (Losses) from equity investments". Any distribution of dividends is subtracted from the book value of the equity investment.

If the share of the losses of the investee is equal to or greater than its book value, no additional losses are recognised, unless specific obligations have been incurred in favour of the company, or payments have been made in its favour.

The gains and losses resulting from transactions with associates or joint ventures are eliminated in proportion to the percentage of interest in the company itself.

Changes to the valuation reserves of associates or joint ventures, recorded as a balancing entry of the changes in value of the significant phenomena for this purpose, are shown separately in the Statement of Comprehensive Income.

At December 31, 2017, the equity investment in BCC Gestione Crediti is measured at Equity.



Quantitative information

(€/000)

Type of exposures/values	Amount at 12/31/2017								
	Carrying amount		Fair value		Valore di mercato	Realised gains/losses and		Unrealised capital gains/losses	
	Level 1	Level 2/3	Level 1	Level 2/3	Level 1	Gains	Losses	Plus (+)	Minus (-)
A. Equity investments	x	2,879	x	2,879	x	-	-	x	x
B. Available for sale assets									
B.1 Listed equities	x	x	x	x	x	-	-	-	-
B.2 Unlisted equities	x	42	x	42	x	-	-	-	-

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447, b),
c), d), e)



8. Exposures to interest rate risk on positions not included in the trading book (Article 448 CRR)

Qualitative information

The interest rate risk is due to any time misalignment between the rate reset date (date on which the rate is established: for fixed rate transactions it coincides with the expiry, for variable rate transactions it coincides with the end of the interest period) on assets and the rate reset date on liabilities.

The Group does not operate in trading and does not hold securities trading portfolios.

Quantitative information

The Group has not activated specific management processes or advanced methods for measuring the interest rate risk and the price risk. The interest rate risk, calculated with the standard methodologies by the current supervisory instructions of the Bank of Italy, is monitored periodically.

The Group measures exposure to the Interest Rate Risk with reference to the assets and to the liabilities in the Banking book with the simplified methodology, as prescribed by Bank of Italy Circular no. 285/2013 (Title III, Chapter I, Annex C).



9. Operational risk (Article 446 CRR)

Operational risk is defined as the risk of suffering losses occurring from the inadequacies or from the dysfunction of procedures, human resources and internal systems, or from external events. This category includes, *inter alia*, losses deriving from fraud, human error, interruptions of operations, unavailability of the systems, breaches of contracts, natural catastrophes. Operational risk includes the legal risk, while strategic and reputation risks are not included.

For the purposes of calculating capital in view of operational risk the Group adopts the Basic Indicator Approach (BIA) method, in accordance with the Supervisory provisions on the matter. Within the basic method, the own funds requirement for operational risk is 15% of the three-year average of the relevant economic indicator as established in Article 316 of CRR 575/2013 on the basis of the last three observations on an annual basis carried out at the end of the year.

The doBank Group pays particular attention to the connections existing between the various types of risk, identifying possible consequences in terms of operational risks. In particular, precise adherence to compliance provisions is also relevant for the prevention and containment of operational risks.

In compliance with the elements defined by the Basel Committee for Banking Supervision (document entitled Sound Practices for the Management and Supervision of Operational Risk), "appropriate operational risk management" means: identification, evaluation, monitoring and control/mitigation of said risk.

In order to ensure the Group has a comprehensive set of principles and rules targeted at achieving this appropriate management, the methodology adopted by the Group comprises:

- the identification and assessment of the operational risk inherent in each product, activity, process and system;
- a periodic process of monitoring the Operational Risk profiles and of the exposures to significant losses;
- the appropriate strategies, policies, processes and procedures for controlling and/or mitigating significant operational risks.

With reference to the organisational aspects, the doBank Group has defined the system for the management of operational risks and the set of policies and procedures for the control, measurement and mitigation of operational risks. The operational risk policies are standard principles that establish the role of the company bodies, of the risk control function, as well as the interactions with the other functions involved in the process.

The doBank Group has arranged its risk control structure in observance of the supervisory regulations and the associated activities and levels of responsibility have been defined and formalised appropriately in the Internal Company Regulation and in the company regulations.

The governance structure, regarding operational risks, envisages not only the direct involvement of the Top Management but also the Operational Risks Committee, which was set up to:

- propose interventions on the risks observed or reported by the Risk Management structure or by other structures;
- review the reports on the operational risks of the other Group companies as well;
- propose control procedures and limits on the operational risks and, if established, also for other Group companies;
- monitor the risk mitigation actions of other Group companies as well.

The Operational Risks Committee established both in the parent company doBank and in the supervised subsidiary Italfondario meets quarterly according to a schedule set at the start of the year or at the request of one of the members.

For the control of the operational risks of the doBank Group, the activity is centralised at the appropriate Operational and Reputational Risk Organisational Unit within the wider Risk Management Function.



For the management of operational risks, the doBank Group employs a structured set of processes, functions and resources dedicated to:

- the collection of the internal operational loss data for the entities in the Group;
- the determination and calculation of the risk indicators for the most significant entities of the Group and preparation of company reports;
- the control of risk capital.

With reference to loss data, the doBank Group classifies events in the following reference classes as defined by the new Basel Capital Accord and by the Regulation (EU) No. 575/2013 of the European Parliament and of the Council of June 26, 2013;

- Internal fraud;
- External fraud;
- Contract and workplace safety;
- Customer, products and business practices;
- Damages to tangible assets;
- Failures and faults of the systems;
- Execution, delivery and management of the processes.

The data are reported to the Corporate Bodies on quarterly basis. With reference to December 31, 2017, the recognised operational loss data pertained mostly to the "customer" event type, representing approximately 76% of total operational losses.

Within the scope of the instruments used by the doBank Group for the identification of operational risks, risk indicators are a prospective component that reflects in a timely manner the improvement or worsening of the risk profile, as a result of the changes that took place in the operating segments, in human, technological and organisational resources and in the system of internal controls.

Appropriate risk indicators have been created that are monitored on a monthly basis for doBank and for the main companies of the Group. The results of the analyses produced are periodically reporting to the Management and to the Corporate Bodies, providing evidence of the main critical issues and of the actions to be taken for their mitigation.

To improve the computerisation of the processes, a multi-company market IT instrument was selected, directed at the management, in a single environment, of risk process analysis and of the activities connected also to the other control functions. In particular, for the purposes of the activities characterising the Parent Company Risk Management Function, the application will allow the execution of a self-assessment of the corporate operational risks as well as the recording, in the same environment, of the operational losses and the determination of the operational risks also for all Group companies.

Lastly, the operational risk also includes the IT risk defined as the risk of incurring financial, reputational and market share losses in relation to the loss of confidentiality, integrity, availability, execution of authorised operations and traceability of information, in line with the indications of the relevant Supervisory provisions, the doBank Group adopts an integrated presentation of the company risks in which IT risk is considered a component of operational and reputational risks.

The IT risks evaluation process aims to identify and assess the IT risks to the business processes and the existing ICT controls that mitigate these risks.

As a result of significant company changes that have occurred over the course of the last year, the parent company doBank saw fit to review the methodology already adopted for the process of evaluation and monitoring of IT risks, in order to make it more in keeping with the new organisational context. In particular, a design activity was launched for the definition of the new framework of the ICT risk management process for the entire doBank Group which is formalised in the document "IT risk management policy". This document defines the roles and responsibilities of the different functions involved and the steps of the assessment process, indicating the data used and the activities necessary to determine the IT risk and the business impacts connected to it.

As part of management and coordination activities, the parent company Risk Management



Function is tasked with performing the analysis and monitoring of IT risk for the subsidiaries. The adopted analysis process entails the assessment of the IT risk as a combination of the level of exposure of the IT resources to determined risk scenarios and of the possible impacts on the business if they do occur. In detail, the potential IT risk is identified, i.e. the risk to which the service is potentially exposed, and the residual IT risk, i.e. the risk to which the service is exposed once the existing safety measures are applied. As a result of the IT risk analysis process, dedicated reports are produced.

The adopted framework, in line with the provisions of Bank of Italy Circular no. 285 of 2013 and subsequent revisions, prescribes performing the risk analysis process with adequate periodicity for the type of ICT resources and risks and in the presence of situations that can change the overall level of IT risk (e.g., Transactions of Major Relevance, projects connected to Relevant Changes, severe incidents).



10. Liquidity risk

Qualitative information

The liquidity risk is defined as the risk for which the Group is not able to meet its own obligations when they mature, because of the inability to obtain funds or of the presence of limits in the disposal of assets. Liquidity is a Bank's ability to finance the growth of its assets and to meet its payment commitments, without incurring unacceptable losses or costs.

By making reference to shared definitions in the international domain, a distinction is made between Funding Liquidity Risk and Market Liquidity Risk.

Funding Liquidity Risk means the risk that the Bank is not able to obtain funds to cover, in an economically efficient way, its own cash outlays, both expected and unexpected, current and future, without compromising the day to day operations of the Bank itself.

Market Liquidity Risk means the risk that the Bank is unable to liquidate a financial asset without incurring capital losses because of the lack of liquidity or because of disruptions in the reference market.

The two forms of liquidity risk are often correlated and may emerge as a result of the same triggering factors.

Considering the current operations of the Group, the processes targeted at controlling and mitigating liquidity risk focus exclusively on the aspect of Funding Liquidity Risk. As part of management and coordination activities, the parent company doBank is responsible for the adoption of a liquidity risk management system at consolidated level that conforms to the regulatory principles of prudential supervision. In this domain, the company bodies of the parent company are responsible for the strategic decisions on the governance and management of liquidity risk, the setting of the tolerance threshold on liquidity risk and the verification of the overall reliability of the liquidity risk management system.

The doBank Group, in consideration of its organisational structure, adopted a unitary and centralised approach to the management of liquidity risk, requiring the Treasury Organisational Unit of the parent company to manage the Group's liquidity and cover all the requirements of the subsidiaries consistently with the internal procedures, while the Risk Management Function is tasked with monitoring the exposure to risk and verifying respect for the limits defined.

The liquidity risk management framework provides suitable strategies and procedures to monitor said risk and aims to ensure, in the short-term, the maintenance of a sufficient amount of liquid instruments suited to fulfilling the Group's commitments, also in the presence of stress scenarios, while in the medium/long-term it is targeted at maintaining an adequate balance in terms of the composition of the assets and liabilities in the Group's financial statements.

This framework comprises the following main phases:

- identification of liquidity risk;
- monitoring of the exposure to risk also under stress conditions;
- definition of the plan of intervention on verification of crisis situations
- reporting and information flows.

The Parent company doBank identifies and monitors liquidity risk from the current and prospective viewpoint. In particular, the prospective assessment takes into account the probable trends of the cash flows connected with the Group's activities.

For the purposes of this assessment, the Risk Management Function carries out a weekly recognition of the certain, estimated and prospective cash flow by setting up the Maturity Ladder (cumulative balances by maturity brackets).

This model makes it possible to monitor the management of operating liquidity and in particular the events that may impact the Group's liquidity position in the short-medium term time horizon with the primary objective of maintaining the capability to meet ordinary and extraordinary payment commitments, minimising costs. Concerning the time horizon beyond one year, monitoring takes place through the measurement of the Net Stable Funding Ratio (NSFR), to verify the medium-long term financial balance of the Group's structure.



In addition to the recognition of expected cash flows, the doBank group monitors the sustainability of the short-term financial balance through a system of early warning indicators, defined consistently with the Group's nature, objectives and operating complexity, whose purpose is to warn of any upcoming state of crisis, to allow the organisational structures to activate adequate managerial measurements to best mitigate risk.

The liquidity risk identification and monitoring method described, in particular the Maturity Ladder, already contemplates stress situations in the adopted prudential values; however, the Group still remains exposed to the risk of extraordinary events, deriving from information/procedural problems (e.g. the incorrect measurement of forecast of cash flow), of a missed payment of a significant cash inflow by a counterparty or of a higher cash outflow. The Risk Management Function, therefore, carries out stress tests to prospectively evaluate the impact of negative events on risk exposure under the quantitative and qualitative profile. The results of the stress tests are used to verify the Group's ability to autonomously confront unforeseen liquidity crises in the first period when they occur and before taking structural initiatives directed at changing the structure of assets/liabilities as well as the consistency of the alert and warning threshold levels of the defined indicators.

This process is formalised within the Liquidity Risk Policy, recently revised and approved by the Board of Directors of the Parent Company in the second half. The document contains the set of the principles, methodologies, standards and processes necessary to prevent the emergence of liquidity crisis situations as well as the rules to be adopted when such crises occur (Contingency Funding and Recovery Plan).

This system is supplemented with the Group's comprehensive risk management framework and it is consistent with the Group's risk appetite, defined by the Risk Appetite Framework.

The Board of Directors of doBank supervises the strategic management of liquidity risk to which the Group is exposed and ensures that crisis management plans are adopted, guaranteeing the effectiveness and efficiency of the solutions to be applied.

The Chief Executive Officer competes the definition of the guidelines of the liquidity risk management process and the implementation of the strategic guidelines, as part of maintaining an effective system for managing and controlling the liquidity risk.

The Board of Statutory Auditors and the Risks Committee have the duty of overseeing the adequacy and compliance of the liquidity risk management system to the requirements set by the regulations.



Quantitative information

Based on the EBA 2016/11 and EBA 2017/01 Guidelines, the LIQ1 table is provided below, showing the data per the requirements of Article 435, Paragraph 1, Letter f) of Regulation (EU) no. 575/2013.

(€/000)

Scope of consolidation Currency and unit €/000 Quarter ended as at	Total non-weighted value (average)				Total weighted value (average)			
	03/31/2017	06/30/2017	09/30/2017	12/31/2017	03/31/2017	06/30/2017	09/30/2017	12/31/2017
Number of data points used to calculate the averages								
HIGH QUALITY LIQUID ASSETS								
1 Total high quality liquid assets (HQLA)	-	-	-	-	1,013	1,011	1,012	1,011
CASH OUTFLOWS								
2 Retail deposits and deposits from small business customers, of which:	7,115	5,533	7,300	10,129	721	553	730	1,013
3 <i>Stable deposits</i>	-	-	-	-	-	-	-	-
4 <i>Less stable deposits</i>	7,115	5,533	7,300	10,129	721	553	730	1,013
5 Unsecured wholesale funding					122	1,147	-	-
6 <i>Operational deposits (all counterparties) and deposits within networks of cooperative banks</i>	-	-	-	-	-	-	-	-
7 <i>Non operational deposits (all counterparties)</i>	354	4,807	-	-	122	1,147	-	-
8 <i>Unsecured debt instruments</i>	-	-	-	-	-	-	-	-
9 Secured wholesale funding	-	-	-	-	-	-	-	-
10 Additional requirements	-	-	-	-	-	-	-	-
11 <i>Outflows for transactions involving derivatives and other obligations concerning collateral</i>	-	-	-	-	-	-	-	-
12 <i>Outflows connected to the loss of loans on debt products</i>	-	-	-	-	-	-	-	-
13 <i>Credit and liquidity facilities</i>	-	-	-	-	-	-	-	-
14 Other contractual loan obligations	-	-	-	3	-	-	-	3
15 Any other loan obligations	-	-	-	-	-	-	-	-
16 TOTAL CASH OUTFLOWS					843	1,700	730	1,016
CASH INFLOWS								
17 Secured loans (e.g. reverse repurchase agreements)	#N/D	#N/D	#N/D	#N/D	#N/D	#N/D	#N/D	#N/D
18 Inflows from fully performing exposures	13,959	8,996	10,957	34,246	13,862	8,827	10,765	34,085
19 Other cash inflows	34,295	29,392	29,428	8,343	6,859	5,878	5,953	1,733
(Difference between total weighted inflows and total weighted outflows deriving from transactions in third party countries where transfer restrictions are in force or that are denominated in non-convertible currencies)					-	-	-	-
EU-19a								
EU-19b (Excess inflows from a connected specialised credit institution)					-	-	-	-
20 TOTAL CASH INFLOWS					20,721	14,706	16,718	35,818
EU-20a Totally exempt inflows	-	-	-	-	-	-	-	-
EU-20b Inflows subject to the maximum limit of 90%	-	-	-	-	-	-	-	-
EU-20c Inflows subject to the maximum limit of 75%	48,254	38,388	13,366	-	20,721	14,706	16,718	35,818
21 LIQUIDITY BUFFER					1,013	1,011	1,012	1,011
22 TOTAL NET CASH OUTFLOWS					211	425	183	254
23 LIQUIDITY COVERAGE RATIO (%)					484.7	357.4	558.6	413.2

It should be specified that the data provided refer to the scope of the doBank banking Group per T.U.B., in line with those reported throughout 2017, considering that the required quantitative information is a monthly average of the data recorded in the individual months of the year. In addition, the calculation of the LCR indicator as at December 31, 2017 made with reference to the CRR Group scope does not point out any difference from the one calculated with reference to the banking Group per the T.U.B.

Therefore, the above table is deemed to be representative of the quantitative elements for the LCR indicator for both scopes of consolidation, i.e. accounting and prudential.

11. Remuneration policy (Article 450 CRR and Bankit Circular no. 285 Part I, Title IV, Chapter 2, Sect. VI)

Qualitative information

1.1 Significant events in 2017

The 2017 remuneration and incentive Policies of the doBank Group (hereafter "The Policy") were approved on April 10, 2017 by the Board of Directors and by the Parent Company and by the Shareholders' Assembly.

Subsequently, after listing on regulated markets (MTA), which took place on July 14, 2017, with a view to compliance with regulatory requirements and to increase transparency to investors, on June 21, doBank S.p.A. revised the remuneration and incentive policies.

Moreover, on July 14, the Remuneration Committee was established, distinctly from the Nominations Committee, with composition and duties aligned to the regulatory provisions.

In 2017, the Remuneration Committee comprised:

REMUNERATION COMMITTEE	
CHAIRMAN	NUNZIO GUGLIELMINO
MEMBER	GIOVANNI LO STORTO
MEMBER	FRANCESCO COLASANTI

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450 Par. 1
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c)

In 2017, the Committee held 10 meetings with reference to Remuneration (until July 14, 2017, in the "Nominations and Remuneration Committee" configuration). The details of the meetings and of the topics discussed during the aforesaid meetings are provided below:

Meetings and topics discussed in relation to remuneration in the sessions of the Remuneration Committee

Session	Discussed topics
March 17, 2017 Nominations and Remuneration Committee	<ul style="list-style-type: none"> - Final accounting report of the 2016 incentive system applied to the doBank management structures and 2016 entry bonus - Disclosure on results of the 2016 incentive system applied in Italfondario SpA
April 10, 2017 Nominations and Remuneration Committee	<ul style="list-style-type: none"> - Final accounting of the doBank 2016 Incentive System: Relevant Staff Members and Bonus Pool - Revision of the 2017 Remuneration and Incentive Policy of the doBank Banking Group and Relevant Staff Members - Succession Plans - Method for calculating the EBITDA Adjustment for MBO purposes - Officer - Revision of the structure of the Incentive System - increase of



	the limit of the ratio of variable to fixed remuneration to a maximum of 2:1
May 8, 2017 Nominations and Remuneration Committee	- Annual reporting of the Nominations and Remuneration Committee to the Board of Directors
May 25, 2017 Nominations and Remuneration Committee	- Structure of compensation to the Chief Executive Officer - Remuneration and Incentive Policies of the doBank Banking: changes after Stock Market listing
June 9, 2017 Nominations and Remuneration Committee	- Approval of the regulation for the assignment of shares of the bank ("IPO bonus Plan") applying the Group's remuneration and incentive Policies after listing on the Stock Market - Structure of compensation to the Chief Executive Officer
June 27, 2017 Nominations and Remuneration Committee	- Relevant Staff Members MBO target cards
September 21, 2017 Remuneration Committee	- Criteria for the final reporting of the MBO system for relevant staff members - Procedure for identifying relevant staff members
October 17, 2017 Remuneration Committee	- Hiring of the Group ICT Governance & Innovation Officer - Remuneration Criteria; - Revision of the scope of Relevant Staff Members, their compensation and incentive system;
November 8, 2017 Remuneration Committee	- Outstanding award for "Fino" activity
December 18, 2017 Remuneration Committee	- Procedure for accounting of CEO remuneration Post Listing

1.2 Main features of the 2017 Policy

With a view to improvement, also in light of the best practices and market trends, taking into account the regulatory changes on these matters and the corporate changes of the Group, certain innovations were introduced for 2017 and they are described below.

In particular, with regard to the incentive plans based on financial instruments, additional detailed information is provided by reference to the information contained in the "Regulations for compensation plans based on financial instruments" (in accordance with Article 114-bis of the TUF and Article 84-bis of the Consob Issuers Regulation).

A) Express description of the variable remuneration instruments:

- **"Management by Objectives" incentive system ("MBO" Bonus):** a structured incentive system employing "individual" target sheets consistent with strategic and operational plans and with the organisational position of the recipient personnel. The system is intended for the Group's most significant Personnel - excluding the members of the Corporate Boards other than the top office holders of the managing Body - and for other Personnel identified by internal regulations, through a process of definition of the incentives and of the objectives, structured in such a way as to personalise the sheets in relation to the role and to the expectations of the individual employee. The



objectives are defined through a combination of the following types of macro objectives: Business Development, Economic-Financial, Risk, Project and Function Management.

The vesting of the MBO bonus was subordinated to the achievement of the Group Gates (see the paragraph entitled "**Minimum access thresholds for the variable component**") and of a minimum level of attainment of the assigned objectives (70% out of 100%).

The MBO incentive System had approximately 40 beneficiaries, 14 of whom are among the most Relevant Staff Members of the Group.

The maximum limit of the variable component paid out on the basis of the MBO was set to a maximum of 100% of fixed remuneration.

- **incentive system tied to stock performance ("IPO Bonus"):**

The IPO Bonus is tied to stock performance and the possible recognition subordinated to the attainment of the Group Gates (see dedicated paragraph) and to a determined level of attainment of the objectives relating to the MBO incentive system.

Any IPO Bonus due is equal to 100% of the fixed component of remuneration.

This incentive system has been dedicated to a restricted number of individuals (recipients of 2:1) included among the Relevant Staff Members. Shareholders' Meeting resolution of June 21, 2017 defined the individuals who would receive a maximum variable of 200% with respect to the fixed remuneration.

- **incentive system for the Managers:**

a structured incentive system for the Group's Managers on the basis of predefined period objectives (period of four-months, maximum six months), both individual and for the structure, both quantitative and qualitative, differentiated according to the specificity and to the type of portfolio that is managed.

The amounts accrued for each period are paid out if the predefined "individual and team targets" are exceeded.

The incentive system for the Group's Managers involved approximately 630 persons.

- **corporate productivity bonus ("Value Added Per capita" or "VAP"):**

variable component paid to employees to recognise productivity/effort in the reference period, as defined by the National Collective Employment Agreement whose conditions and criteria can be established annually within the supplementary corporate negotiations;

- **merit bonus:**

variable component paid according to the performance and to the merits of the employees, recognised by their supervisor. This variable component may be paid up to a predefined maximum limit per employee - in compliance with the limits of the Bonus Pool - and it is subject to attainment of the gates (see dedicated parameters).

Taking into account the characteristics of the bonus and its non-significant amount, it is liquidated in monetary form, not deferred in time;

- **outstanding bonus:**

variable component of exceptional nature directed at rewarding the attainment of particularly deserving performance levels which may be recognised to employees, at the exclusion of the most relevant Staff Members, even if Group gates have not been attained. Taking into account the characteristics of the bonus and its non-significant amount, it is liquidated in monetary form, not deferred in time.

In accordance with the Supervisory Provisions and with the 2017 Group Policy, in no case did the sum of the different incentive component determine a total bonus exceeding 200% of fixed remuneration for the most relevant Staff Members and 100% of fixed remuneration for the remaining personnel. All bonuses relating to the different variable forms described above are recognised subject to the keeping of behaviours that comply with internal and external regulations.

B) Variable component payment procedures

➤ Payment of the variable component to the most relevant Staff Members

To align the incentives with the Group's long-term interests, to assure long-term sustainability of the remuneration and incentive systems, and to take into account the trends of the risks assumed by the Group over time, for the most relevant Staff Members stricter rules have



been prescribed in the payment procedures for any variable component that may have been recognised, in accordance with current regulations.

In particular, for the most relevant Staff Members not included among the 2:1 Recipients, any variable component that may have accrued shall be liquidated as follows:

- an up-front portion of 60% is recognised after the approval, by the Shareholders' Meeting, of the financial statements referred to the accrual period and no later than the month of July;
- a 40% portion is deferred for one year and is recognised no later than the month of July of the year following the attribution year.

For the 2:1 Recipients other than the Chief Executive Officer, considering that the variable component paid to them may represent a high amount with respect to the remaining most relevant Staff Members, the following payment rules shall apply:

- an up-front portion of 60% is recognised after the approval, by the Shareholders' Meeting, of the financial statements referred to the accrual period and no later than the month of July;
- a 40% portion is deferred pro-rata in the three years following the year of attribution of the variable part paid out up-front and recognised no later than the month of July of each year;
- the variable component deriving from the MBO incentive system is paid out in cash, while the variable component tied to stock performance is paid in doBank stock. For shares allocated up-front, a two-year retention period is prescribed, while for the remaining deferred portions a year of retention is prescribed, to elapse from the time of their vesting.

To assure, over time, capital stability, liquidity and the ability to generate correct profitability for the risk, consistently with the Group's long term strategic objectives, the deferred portions are paid out at the condition that the gates pertaining to financial soundness and liquidity, described above, are attained, measured with reference to the year before their vesting period.

The procedures for paying the variable component described so far shall apply if the individually accrued variable amount is above €40,000 ("significance threshold").

➤ **Payment of the variable component to the remaining Personnel**

Any variable component recognised to the remaining Personnel is paid in cash all at once, no later than the month of July of the year following the accrual year.

C) Ex post and claw back correction mechanisms

A definition was provided of the conditions under which any variable remuneration component recognised for exceeding Group gates, and the concurrent achievement of individual objectives or of a positive evaluation by the respective hierarchic supervisor, may not be paid, in part or in full. In addition, the application of these adjustments, as well as the activation of the claw back clause, is decided by the competent Corporate Bodies.

D) Minimum access thresholds for the variable component

The Group incentive system, as defined in the 2017 Group Remuneration Policy, provides that access to the variable component, with the sole exclusion of the outstanding bonus, shall be subject to the preliminary and joint fulfilment of conditions that also assure compliance with the capital stability and liquidity indicators defined in the Group's risk appetite assessment procedures.

In particular, the indicators identified for the purposes of determining the minimum access thresholds for the variable component ("Group Gates") were:

- 1) consolidated EBITDA at least equal to 90% of the value defined in the (strategic and operational) planning stage or €64 million, whichever is lower;
- 2) CET 1 Ratio tolerance at least equal to the value defined within the risk appetite framework;
- 3) LCR Ratio tolerance at least equal to the value defined within the risk appetite framework.



The following exceptions are noted:

- for Personnel in the Corporate Control Functions, considering that the variable component has to be independent from the results achieved by the areas subject to the attainment of the Group Gates per points 2) and 3) described above;
- for the Group Managers, access to the portion of the variable component that is paid at the end of the year is subject solely to the attainment of the Group Gates per points 2) and 3) described above;
- for the Chief Executive Officer, payment of the variable remuneration relating to the IPO Bonus, as defined below, shall be subject to the attainment of the Group Gates per points 2) and 3).

E) Self-assessment process for the identification of the most relevant staff members

The self-assessment process for the identification of the Most Relevant Staff Members ("Self-assessment Process") took into account the governance, organisational and operating model of the Group and it was carried out at least once a year at the consolidated level and following changes in the scope of the Relevant Staff Members, in compliance with the indications provided by the Supervisory Provisions. In particular, the scope of the Most Relevant Staff Members was revised according to qualitative and quantitative criteria under the Commission Delegated Regulation (EU) no. 604/2014 which defines:

- qualitative criteria tied, *inter alia*, to the role, the position and the level of autonomy of the Staff Members;
- quantitative criteria based on the assessment of total remuneration attributed to the Staff Members in the previous financial year.

The description of the self-assessment process carried out from one year to the next, of the main roles involved and of the results of the assessments was formalised in a dedicated document by the Human Resources Function which, once it was shared with the board committees, subjected it to the analyses under its competence and submitted for the doBank Board of Directors for approval.

Within the self-assessment, the proportionality criterion was applied, taking into consideration the Group's organisational characteristics and the direction and coordination role performed by doBank with respect to the Subsidiaries. In particular, through the recognition and assessment of the individual positions (e.g., responsibilities, hierarchical levels, activities carried out, delegated operational authority, etc.), the positions that have a possible substantial impact on the Group's risk profile were identified.

For 2017, 22 positions were identified in the category of the most relevant Staff Members at Group level, as illustrated below:

- 13 members of the Corporate Bodies;
- 5 Managers of the Company Control Functions;
- 4 of the remaining Staff Members of the Group who individually or collectively assume risks in a significant manner.

In addition, as a result of the termination of the employment of one of the Relevant Staff Members because he served in two positions, both included in the aforesaid criteria, two other persons were identified, who replaced him in each of the two positions.

1.3 2017 main results

➤ Economic results and alignment with the Risk Appetite Framework

With reference to the performance of doBank S.p.A. in 2017, the comparison between the "gate" values of the performance indicators to which the activation of the "Bonus Pool" is related and the values achieved at December 31, 2017, it is pointed out that the access conditions were exceeded and, hence, the related incentive systems were activated.



INDICATOR	GATE VALUE	RECORDED VALUE	RESULT
EBITDA	64 m/€	70.1 m/€	✓ € 70,100,000
CET 1 RATIO	12.5%	26.4%	✓ Y 26.4%
LCR	85%	344%	✓ Y 344%

The conditions for the 2017 IPO Bonus are met:

1) doBank Stock Performance

Target: Average price recorded on the Borsa Italiana MTA in the period between October 1 and December 31, 2017 must not be lower than the price at the date of the Listing (July 14, 2017) equal to €9.

Result: €13,227 is the average value of the closing prices (last price) of the days from October 1 to December 31, 2017.

2) Tier Capital 1 Ratio

Target: no lower than 23% (estimated value for ICAAP purposes);

Result: 26.4%

3) The accrual of the variable component tied to the MBO must be > zero

All participants reached an MBO score > 0.

The total Bonus Pool accrued amounts to €11,873,740, corresponding to 12% of the EBITDA pre-bonus pool. The amount indicated does not compromise the capital and liquidity requirements, amply conservative with respect to the risk tolerance thresholds specified in the RAF.

➤ **Main evidence of the ex post facto reporting by type of variable and/or of category of Personnel.**

“Management by Objectives” (“MBO”) incentive system

In relation to the measurement of the MBO objectives, the process was completed and the total portion of the incentive system to be paid out amounts to €1,584,155.31, of which €1,092,233.75 pertaining to the Relevant Staff Members, with an average level of 84%.

“IPO Bonus” incentive system

The process for measuring this objective assigned to the Most Relevant Staff Members, excluding the Chief Executive Officer, tied to the performance of the stock was completed and the total portion of bonuses to be paid out amounts to €930,000, since the prescribed gates were attained.

Management incentive system

In 2017, at the end of each incentive period, the bonuses due subject to attainment of the prescribed targets were liquidated. The comprehensive final accounting of the variable portion of the Management incentive system was completed and the total bonuses amount to €2,875,145 (approximately 550 Rewarded Resources).

Corporate productivity bonus (“Value Added Per capita” or “VAP”)

The corporate productivity bonus (“Value Added Per capita” or “VAP”) will be paid out to the entitled employees (approximately 650 Individuals), at the conditions and terms prescribed by the National Collective Agreement for the Credit industry and by second level negotiations with the Trade Unions, by allocation of a bonus within the corporate Welfare System or in monetary form, according to the employee's choice.

Merit Bonus

In view of the attainment of the Group gates and after the conclusion of the process involving the supervisors on the evaluation of the Resources to be rewarded, the bonuses total €1,957,720 (for approximately 420 Persons out of 600).

Outstanding Bonus

In 2017, the decision was made to recognise bonuses to Management Personnel who distinguished themselves for exceptional and extraordinary activities directed at achieving the strategic objectives for the Group's Business. The total bonus amounts to €160,500 (for approximately 70 employees out of approximately 700).



Hiring bonus and severance indemnity

In 2017, hiring bonuses were paid - limited to the first year and in compliance with Supervisory Provisions for remuneration and incentives - a total amount of € 144,000 of which € 20,000 for a hired Employee included among the Relevant Staff.

In 2017, the employment of one Staff Member, included among Relevant Compensation Staff Members, was terminated early; in accordance with the 2017 remuneration policy and applicable Supervisory Provisions, an amount of € 215,000 was paid out, corresponding to the up-front portion of the total agreed incentive. In addition, € 716,841 were paid out by way of severance indemnity to 11 persons included among other Staff Members.

➤ Compensation Paid to the Corporate Bodies

The amount of expenses incurred for the directors is equal to € 617,500, while for the statutory auditors and members of the Supervisory Body it amounts to € 99,000, for a total cost item of € 716,500.

Specifically, consistently with the 2017 policy approved by the Shareholders' Meeting held on November 7, 2016, details of the compensation relating to the positions held in the Board of Directors are provided below:

- for the Chairman of the Board of Directors, a special remuneration for the office is provided; it includes the director compensation, amounting to € 350,000;
- for each member of the Board of Directors, compensation of € 10,000 is provided.

No compensation shall be paid by way of attendance fee.

The compensation deriving from participation in board committees are included in the compensation deriving as a member of the Board of Directors, totalling € 65,000.

In accordance with what was defined during the Shareholders' Meeting held on July 15, 2016, the agreed compensation for the members of the Board of Statutory Auditors and of the Supervisory Body for the year 2017 is set out below:

- for the Chairman of the Board of Statutory Auditors, a special remuneration for the office is provided; it includes the director compensation, amounting to € 25,000;
- for each member of the Board of Statutory Auditors, a compensation of € 20,000 is provided.

1.4 Focus on the compensation package for the Chief Executive Officer

The Chief Executive Officer was paid fixed compensation of € 1,687,500 for the year, negotiated individually, plus € 10,000 by way of Director compensation, in accordance with the 2017 policy approved by the Shareholders' Meeting held on November 7, 2016, per the resolution of November 7, 2016.

The 2017 fixed remuneration is paid out as follows:

€ 687,500 in the form of stock and € 1,000,000 in cash.

With regard instead to the variable component, considered that if the Chief Executive Officer it can represent a particularly significant amount, the following payment rules shall apply:

- an up-front portion of 40% is recognised after the approval, by the Shareholders' Meeting, of the financial statements referred to the accrual period and no later than the month of July;
- a 60% portion is deferred pro-rata in the five years after the year of allocation of the variable part paid up-front and recognised no later than the month of July of each year;
- both the up-front portion and the deferred portions are paid in the form of doBank stock. For shares allocated up-front, a two-year retention period is prescribed, while for the remaining deferred portions a year of retention is prescribed, to elapse from the time of their vesting.

With reference to the performance levels achieved:



OBJECTIVE	% ACHIEVED
Adjusted EBITDA	66%
GBV	85%
EXECUTED AGREEMENTS	100%
STRATEGIC TARGETS	100%
STOCK PERFORMANCE	100%

The total variable remuneration that can be allocated amounts to € 2,907,060, comprising the following:

€ 882,060, as the bonus deriving from the attainment of the MBO objectives (MBO bonus); € 2,025,000, as the bonus deriving from stock performance (IPO Bonus).

The individual employment agreement that ties the Chief Executive Officer to doBank S.p.A. also regulates the eventualities related to resignation, termination / revocation or early cessation of the employment, providing compensation in case of early cessation from office or failure to renew, within the limits and taking into account the regulatory provisions on the matter, regulated in the post-employment policy.

1.5 Focus on the remuneration paid to Key Managers and to the other risk takers

In consideration of the results achieved, the variable remuneration accrued for Key Managers, included among 2:1 Recipients (MBO bonus and IPO bonus) amounts to € 1,706,675, of which € 776,675 as MBO bonus and € 930,000 as IPO bonus. This amount includes the variable for the Group CFO, although the latter serves as doBank Director.

With reference to the other Key Managers, with the exclusion of the Heads of the Corporate Control Functions and of the other figures for whom the maximum limit was set to 33%, total variable remuneration was: € 72,943.75.

With reference to the Heads of the Corporate Control Functions and the other equated positions for the purposes of the remuneration policies, variable remuneration amounts to € 242,715.

Quantitative information

With regard to quantitative Information, identifiable with the letters from g) to j) of the first paragraph of Article 450 CRR, data referred to the entire year 2017 are provided, which refer to the scope of Most Relevant Staff Members identified in accordance with Delegated Regulation (EU) No. 640/2014:

- members of the Strategic Supervision Bodies (Board of Directors);
- members of the Management Bodies (Chief Executive Officer);
- members of the Control Bodies (Board of Statutory Auditors);
- Financial Reporting Officer;
- Managers in charge of the main business lines, corporate functions, manager in charge of legal affairs and managers in charge, respectively, of IT, human resources and the remuneration policy and lastly for the economic analysis, as well as those who directly report to the bodies with strategic supervision, management and control function;
- Manager in Charge of the Risk Management Function;
- Compliance and Anti-Money Laundering Management;
- Internal Audit Management.



Aggregate quantitative information on remuneration, broken down by lines of activity - Article 450 Paragraph 1, g) and broken down by senior management and members of staff whose actions have a material impact on the risk profile of the Bank - Article 450 Paragraph 1, h)

(€/000)

Categories	Number of beneficiaries	Fixed	Voluntary resignation incentives	Corporate bodies				Previous years variable cash	Shares		
				Other bonuses	2017 Variable		Deferred		TOTAL SHARES	Up front	Deferred
					TOTAL CASH	Up front					
Board of Directors ⁽¹⁾	9	2,104	-	-	91	54	36	225	3,056	1,263	1,794
Relevant Staff Members ⁽²⁾	-	-	-	-	-	-	-	-	-	-	-
High level managers	-	-	-	-	-	-	-	-	-	-	-
Total	9	2,104	-	-	91	54	36	225	3,056	1,263	1,794

(€/000)

Categories	Number of beneficiaries	Fixed	Voluntary resignation incentives	Asset Management and Recovery, Banking, Commercial Development				Previous years variable cash	Shares		
				Other bonuses	2017 Variable		Deferred		TOTAL SHARES	Up front	Deferred
					TOTAL CASH	Up front					
Board of Directors	-	-	-	-	-	-	-	-	-	-	-
Staff Members	-	-	-	-	-	-	-	-	-	-	-
High level managers	2	414	-	-	216	130	87	-	250	150	100
Total	2	414	-	-	216	130	87	-	250	150	100

(€/000)

Categories	Number of beneficiaries	Fixed	Voluntary resignation incentives	Corporate control functions				Previous years variable cash	Shares		
				Other bonuses	2017 Variable		Deferred		TOTAL SHARES	Up front	Deferred
					TOTAL CASH	Up front					
Board of Directors	-	-	-	-	-	-	-	-	-	-	-
Staff Members	4	417	-	10	136	101	35	13	-	-	-
High level managers	2	360	-	-	106	64	43	17	-	-	-
Total	6	777	-	10	243	165	78	30	-	-	-

(€/000)

Categories	Number of beneficiaries	Fixed	Voluntary resignation incentives	Others				Previous years variable cash	Shares		
				Other bonuses	2017 Variable		Deferred		TOTAL SHARES	Up front	Deferred
					TOTAL CASH	Up front					
Board of Directors	-	-	-	-	-	-	-	-	-	-	-
Staff Members	1	115	-	-	24	24	-	7	-	-	-
High level managers	6	691	251	20	519	331	188	15	480	288	192
Total	7	806	251	20	543	355	188	23	480	288	192

Note:

1) The Board of Directors also includes the CFO of the doBank Group, Mr. Fabio Balbinot, as he is also a doBank Director. The reported remuneration relates to the CFO position, because he does not receive any compensation as a Director.
Moreover, the fixed compensation shown in the table also includes that of the 4 non-independent directors, who waived the compensation (€10,000 for each doBank Director and €10,000 for being committee members).

2) The most significant Staff Members included among High Level Managers have been included in the latter category.

Number of individuals being remunerated EUR 1 million or more per financial year, for remuneration between EUR 1 million and EUR 5 million broken down into pay bands of EUR 500 000 and for remuneration of EUR 5 million and above broken down into pay bands of EUR - Article 450 Paragraph 1, i);

For the year 2017, the Chief Executive Officer of doBank received remuneration above € 1 million.



Information about the total remuneration of the body with strategic supervision function and of each member of the body with management function, of the general manager, of the co-general managers and of the deputy general managers - Bank of Italy Circular no. 285 Title IV Chapter 2 Section VI

(€/000)

Given Name and Surname	Office	Start of the period for which the position was held	Expiry of the Office	Fixed compensation	Compensation for committee membership	Non-equity Variable Compensation		Non-monetary Benefits	Other compensation	Total	Fair Value of equity compensation	Office expiry or employment termination indemnity
						Bonuses and other incentives	Profit sharing					
Giovanni Castellaneta	doBank Chairman	Oct-15 2018 Shareholders' Meeting		350	-	-	-	-	-	350	-	-
(I) Compensation in the company that prepares the financial statements				350	-	-	-	-	-	350	-	-
(II) Compensation from subsidiaries and associates	IIF Chairman	Jan-17	Feb-17	13	-	-	-	-	-	13	-	-
(III) Total				363	-	-	-	-	-	363	-	-
Andrea Mnagoni *	CEO	Apr-16 2018 Shareholders' Meeting		1,688	-	578	-	-	-	2,265	-	-
(I) Compensation in the company that prepares the financial statements	doBank Director	Mar-16 2018 Shareholders' Meeting		10	-	-	-	-	-	10	-	-
(II) Compensation from subsidiaries and associates	IIF Chairman	Feb-17 2019 Shareholders' Meeting		-	-	578	-	-	-	2,275	-	-
(III) Total				1,698	-	578	-	-	-	2,275	-	-
Giovanni Lo Storto	Independent Director	Oct-15 2018 Shareholders' Meeting		75	-	-	-	-	-	75	-	-
	Nominations Committee Chairman	Oct-17 2018 Shareholders' Meeting		-	-	-	-	-	-	-	-	-
	Remuneration Committee Member	Oct-17 2018 Shareholders' Meeting		-	-	-	-	-	-	-	-	-
	Member Risks and Related Party Transactions Committee	Mar-17 2018 Shareholders' Meeting		-	-	-	-	-	-	-	-	-
(I) Compensation in the company that prepares the financial statements				75	-	-	-	-	-	75	-	-
(II) Compensation from subsidiaries and associates				-	-	-	-	-	-	-	-	-
(III) Total				75	-	-	-	-	-	75	-	-
Nunzio Guglielmino	Independent Director	Oct-15 2018 Shareholders' Meeting		75	-	-	-	-	-	75	-	-
	Remuneration Committee Chairman	Oct-17 2018 Shareholders' Meeting		-	-	-	-	-	-	-	-	-
	Risks and Related Party Transactions Committee Member	Mar-16 2018 Shareholders' Meeting		-	-	-	-	-	-	-	-	-
(I) Compensation in the company that prepares the financial statements				75	-	-	-	-	-	75	-	-
(II) Compensation from subsidiaries and associates				-	-	-	-	-	-	-	-	-
(III) Total				75	-	-	-	-	-	75	-	-
Edovige Calitti	Independent Director	Jun-16 2018 Shareholders' Meeting		75	-	-	-	-	-	75	-	-
	Nominations Committee Chairman	Oct-17 2018 Shareholders' Meeting		-	-	-	-	-	-	-	-	-
	Risks and Related Party Transactions Committee Chairman	Mar-17 2018 Shareholders' Meeting		-	-	-	-	-	-	-	-	-
(I) Compensation in the company that prepares the financial statements				75	-	-	-	-	-	75	-	-
(II) Compensation from subsidiaries and associates				-	-	-	-	-	-	-	-	-
(III) Total				75	-	-	-	-	-	75	-	-
Charles Robert Spetka	Non-Independent Director	Oct-15 2018 Shareholders' Meeting		10	-	-	-	-	-	10	-	-
(I) Compensation in the company that prepares the financial statements				10	-	-	-	-	-	10	-	-
(II) Compensation from subsidiaries and associates				-	-	-	-	-	-	-	-	-
(III) Total				10	-	-	-	-	-	10	-	-

(€/000)

Given Name and Surname	Office	Start of the period for which the position was held	Expiry of the Office	Fixed compensation	Compensation for committee membership	Non-equity Variable Compensation		Non-monetary Benefits	Other compensation	Total	Fair Value of equity compensation	Office expiry or employment termination indemnity
						Bonuses and other incentives	Profit sharing					
Giuseppe Ranieri	Non-Independent Director Member Risks and Operations with Affiliated Persons Committee	Jul-16 2018 Shareholders' Meeting	Feb-17 2018 Shareholders' Meeting	10	-	-	-	-	-	10	-	-
(I) Compensation in the company that prepares the financial statements				10	-	-	-	-	-	10	-	-
(II) Compensation from subsidiaries and associates				20	-	-	-	-	-	20	-	-
(III) Total				20	-	-	-	-	-	20	-	-
Francesco Colasanti**	Non-Independent Director Nominations Committee Chairman Remuneration Committee Member	Oct-15 2018 Shareholders' Meeting	Jul-17 2018 Shareholders' Meeting	10	-	-	-	-	-	10	-	-
(I) Compensation in the company that prepares the financial statements				10	-	-	-	-	-	10	-	-
(II) Compensation from subsidiaries and associates				20	-	-	-	-	-	20	-	-
(III) Total				3	-	-	-	-	-	3	-	-
Fabio Balbinot***	CFO Non-Independent Director	May-17	Oct-15 2018 Shareholders' Meeting	126	-	50	-	2	-	178	-	-
(I) Compensation in the company that prepares the financial statements				126	-	50	-	2	-	178	-	-
(II) Compensation from subsidiaries and associates				3	-	-	-	-	-	3	-	-
(III) Total				3	-	-	-	-	-	3	-	-
Eleonora Ambrosetti****	General Manager doReal Director	Jan-17	Feb-17	30	-	-	-	-	-	30	-	-
(I) Compensation in the company that prepares the financial statements				30	-	-	-	-	-	30	-	-
(II) Compensation from subsidiaries and associates				-	-	-	-	-	-	-	-	-
(III) Total				-	-	-	-	-	-	-	-	-
# 15 Dirigenti con Responsabilità statutaria *****		Jan-17	Dec-17	1,951	-	698	-	37	62	2,747	-	251
(I) Compensation in the company that prepares the financial statements				1,951	-	698	-	37	62	2,747	-	251
(II) Compensation from subsidiaries and associates				-	-	-	-	-	-	-	-	-
(III) Total				1,951	-	698	-	37	62	2,747	-	251

Notes:

*Of the compensation equal to €1,687,500; €687,500 paid out in shares;

**Mr. Colasanti has waived compensation both as director and as a Member of board Committees (the amount indicated for the Remuneration Committee includes membership in the Nominations Committee);

*** The compensation referred to Mr. Fabio Balbinot pertain to the amounts due for the office of doBank CFO (which entails gross annual remuneration of €200,000), as he receives no compensation as Director;

**** The compensation referred to Ms. E. Ambrosetti includes only the period of the office held from January 2017 to February 2017; in addition, she was included among Key Managers only for the period of the office held as Chief Credit Manager from March 2017 to December 2017;

***** Mr. Fabio Balbinot is not included among Key Managers because he is already included among directors; in addition, the calculation indicates, pro-rata, the compensation referred to Ms. Ambrosetti per the period following cessation from the office of General Manager of doBank (March 2017 - December 2017).

1) The 4 non-independent directors shown in the table have waived the compensation (€10,000 for each doBank Director and €10,000 for being committee members).

The stock price is recorded on the Borsa Italiana MTA in the 3 months preceding the date of allocation, i.e. € 12.068, and it shall be recalculated on the date of the Board of Directors meeting of March 3, 2018.

12. Leverage (Article 451 CRR)

Qualitative information

The Basel 3 prudential regulations introduced the obligation to calculate, report and publish a financial Leverage Ratio that will be an additional regulatory requirement with respect to risk-based indicators starting from January 1, 2018, subject to the approval by the European Council and Parliament of a specific bill based on a report to be presented by the European Commission.

The Leverage Ratio, which banks have been obligated to disclose since January 1, 2015, pursues the following objectives:

- to contain financial leverage accumulation in the Banking industry;
- strengthen the capital requirements with a simple supplementary measurement that is not risk-based.

Timelines

- The innovations introduced by the Basel Committee (1st framework of December 2010) were transposed by the 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 at March 31, 2014.
- In January 2014, the Basel Committee published the 2nd framework, where the calculation methods, the timelines and the Disclosure obligations were refined.
- On October 10, 2014, the European Commission amended, by Delegated Regulation (2015/62), Article 429 of Regulation (EU) no. 575/2013.
- Starting from January 1, 2015, disclosure by institutions is prescribed, in accordance with Article 451 of the CRR.
- On January 17, 2015, the Delegated Regulation was published on the Official Journal of the European Union and consequently it entered into force on the following day. Therefore, starting from January 18, 2015 the Disclosure by Institutions is provided according to the rules set out in the Delegated Regulation.
- On June 15, 2015 the EBA published the final version of the new Implementing Technical Standards (ITS) on disclosure which transpose the changes introduced by the Delegated Act (2015/62), that will enter into force six months after the adoption by the European Commission, and otherwise no earlier than December 31, 2015. Therefore, until the entry into force of the new ITS, the indicator for reporting purposes will continue to be calculated according to the rules prior to the entry into force of the Delegated Act.
- On February 16, 2016 the European Commission, with Implementing Regulation (EU) 2016/200, adopted the "ITS on Disclosure" which establish the technical implementing rules for the tables prescribed for the disclosure by Institutions on the financial leverage ratio.
- The definitive calibration, and any additional modifications to the definition of the ratio, shall be completed by 2017, with the goal of transforming the ratio into a minimum requirement within the first pillar, starting from January 1, 2018. During the transitory period the Basel Committee will test a minimum requirement of 3%.

Therefore, in line with the aforesaid regulatory framework, the present disclosure is provided applying the rules for calculating the Leverage Ratio prescribed by Delegate Regulation 2015/62. The templates used to provide the aforesaid disclosure are those prescribed by the



Disclosure Regulation reference above, in force since February 16, 2016.

Contents

The financial Leverage Ratio is calculated, in accordance with Article 429 of the CRR, as the ratio, expressed in percentage terms, between:

- the measure of tier 1 capital (numerator) and
- the measure of total exposure (denominator).

Total exposure comprises cash exposures, after any deductions of components made on tier 1 capital, and off-balance sheet exposures, such as off-balance sheet guarantees, derivatives, securities financing transactions (SFT) and long-term settlement transactions.

Processes used to manage the risk of excessive leverage

The Risk of Excessive Leverage is the possibility that a level of indebtedness which is particularly high with respect to the equity held, makes the Group vulnerable, determining the adoption of corrective measures in its business plan, including the sale of assets with the accounting of losses which could also involve value adjustments to the remaining assets.

The relevance of this risk is given by the financial structure of doBank which provides for the use of external sources of financing.

In order to prevent said risk, the bank, as indicated in Regulation EU 575/2013 (CRR) and Circular 285/2013 of the Bank of Italy, calculates the Leverage Ratio according to the methodology defined in said Regulation. There is no standard methodological approach for assessing this risk under stress conditions. The Leverage Ratio is monitored periodically within the Risk Appetite Framework and its reporting is an integral part of the reports produced by the Risk Management function within the risk Dashboard.

Article
451 Par.
1, d)



Quantitative information

LRSum Table: Summary of the reconciliation between accounting assets and exposures for the purposes of the Leverage Ratio

The following table provides the reconciliation between the total exposure (denominator of the ratio) and the values in the financial statements, as provided by Article 451 Paragraph 1, letter b) of the CRR.

(€/000)		12/31/2017
1	Total assets per the published financial statements	297,500
2	Adjustment for parties consolidated for accounting purposes but excluded from the regulatory scope of consolidation	34,743
3	Adjustment for fiduciary assets accounted for in the financial statements according to the applicable accounting rules but excluded from the measurement of total exposure of the leverage ratio in accordance with Article 429, Paragraph 13, of Regulation (EU) no. 575/2013	-
4	Adjustment for derivative financial instruments	-
5	Adjustment for "Security Financing Transactions" (SFT)	-
6	Adjustment for off-balance sheet assets (conversion of the exposure off-balance sheet into equivalent receivable amounts)	14,967
UE-6a	Adjustment for intercompany exposures excluded from the total exposure of the Leverage Ratio in accordance with Article 429, Paragraph 14, of Regulation (EU) No. 575/2013	-
UE-6b	Adjustment for exposures excluded from the measurement of the total exposure of the Leverage Ratio in accordance with Article 429, Paragraph 14, of Regulation (EU) No. 575/2013	-
7	Other adjustments	(111,941)
8	Measurement of the total exposure of the Leverage Ratio	235,269

Item 7. "Other adjustments" includes the deductions from Tier 1 Capital relating to assets (transitional provisions).



LRCom Table: Harmonised disclosure on the leverage ratio

The following table shows the leverage ratio as at December 31, 2017 and the opening of total exposure in the main categories, as provided by Articles 451, Par. 1 a), b) and c).

		12/31/2017
Exposures in the financial statements (excluding derivatives and SFT)		
1	Elements in the financial statements (excluding derivatives, SFT and fiduciary assets, but including collateral)	330,994
2	(Amounts of the assets deducted in the determination of tier 1 capital)	(110,692)
3	Total exposures in the financial statements (excluding derivatives, SFT and fiduciary assets) (sum of lines 1 and 2)	220,302
Exposures on derivatives		
4	Replacement cost associated with all transactions on derivatives (net of the allowable cash variation margin)	-
5	Addition for future credit exposure associated with all transactions involving derivatives (according to the market value approach)	-
UE-5a	Exposure determined according to the original exposure approach	-
6	Grossing the collateral provided on derivatives if deducted from the assets in the financial statements according to the applicable accounting standards	-
7	(Deduction for receivables for cash variation margins paid as part of transactions involving derivatives)	-
8	(CCP component exempted from the trading exposures offset on behalf of the customer)	-
9	Adjusted effective notional amount of derivatives on sold receivables	-
10	(Adjusted effective notional offsets and deduction of the additions for derivatives on sold receivables)	-
11	Total exposure in derivatives (sum of lines from 4 to 10)	-
Exposures on securities financing transactions		
12	Gross SFT assets (without recognition of the offset) after adjustment for transactions recorded as sales	-
13	(Compensate amounts resulting from cash payables and receivables of gross SFT assets)	-
14	Exposure to counterparty risk for SFT transactions	-
UE-14a	Derogation for SFT: exposure to the counterparty risk in accordance with Article 429ter, Paragraph 4, and of Article 222 of Regulation (EU) no. 575/2013	-
15	Exposures on transactions carried out as agent	-
UE-15a	(CCP component exempted from exposures on SFT offset on behalf of the customer)	-
16	Total Exposures on securities financing transactions (sum of the lines from 12 to 15a)	-
Other off-balance sheet exposures		
17	Gross notional amount of off-balance sheet exposures	24,070
18	(Adjustment for conversion into equivalent receivable amounts)	(9,103)
19	Total Other Off-Balance Sheet Exposures (sum of lines from 17 to 18)	14,967
(Exempted exposures in accordance with Article 429, Paragraphs 7 and 14, of Regulation (EU) no. 575/2013 (in and off-balance sheet))		
UE-19a	(Intercompany exposures (on an individual basis) exempted in accordance with Article 429, Paragraph 7, of Regulation (EU) no. 575/2013 (in and off-balance sheet))	-
UE-19b	(Exempted exposures in accordance with Article 429, Paragraph 14, of Regulation (EU) no. 575/2013 (in and off-balance sheet))	-
Capital and Total Exposure		
20	Tier 1 capital	169,066
21	Measure of total exposure of the leverage ratio (sum of lines 3, 11, 16, 19, UE-19a and UE-19b)	235,269
Leverage Ratio		
22	Leverage Ratio	71.861%
Choice of transitional provisions and amount of fiduciary eliminated elements		
UE-23	Choice on transitional provisions for the definition of the capital measure	Transitional
UE-24	Amount of the eliminated fiduciary elements in accordance with Article 429, Paragraph 11, of Regulation (EU) No. 575/2013	-



LRSpI Table: Breakdown of exposures in the financial statements (excluding Derivatives, SFT and exempt assets)

The following table provides, for the exposures other than Derivatives and SFT, the breakdown by counterparty class, in accordance with Article 451 Par. 1, b) of the CRR.

(€/000)		Exposures of the Leverage Ratio (CRR)
UE-1	Total exposures in the financial statements (excluding derivatives, SFT and exempted exposures), of which:	330,994
UE-2	Exposures in the trading book	-
UE-3	Exposures in the banking book, of which:	330,994
UE-4	secured bonds	-
UE-5	exposures treated as sovereign issuers	74,512
UE-6	exposures to regional administrations, multilateral development banks, international organisations and public sector bodies not treated as sovereign issuers	215
UE-7	institutions	124,600
UE-8	secured by mortgages on property	1,092
UE-9	retail exposures	459
UE-10	businesses	67,932
UE-11	exposures in default	265
UE-12	other exposures (e.g. in equity instruments, securitisations and other assets other than receivables)	61,919



13. Unencumbered assets (Article 443 CRR)

Qualitative information

In accordance with Article 443 of Regulation (EU) No. 575/2013, an encumbered asset is any asset that was pledged or that is the subject of an agreement to provide guarantees (security or collateral) or credit support to transactions recorded in the financial statements or off the financial statements from which the asset cannot be freely withdrawn.

The pledged assets whose withdrawal is subject to any type of restriction, e.g. a prior approval before they are withdrawn or replaced by other assets, are deemed to be encumbered.

In general, the following types of agreements are deemed encumbered:

- a) secured loans, including sales agreements and arrangements with repurchase compact, securities lending and other secured loan forms of;
- b) guarantee agreements, e.g. collateral offered to guarantee the market value of derivative transactions;
- c) financial guarantees that are collateralised;
- d) collateral pledged in compensation systems, with central counterparties and with other parties who serve as infrastructure as a condition for access to the service, including guarantee funds and initial margins;
- e) access to central banks facilities; the pre-positioned assets should be deemed to be unencumbered solely when the central banks allow the assets pledged as collateral to be withdrawn without prior approval;
- f) assets underlying securities, when the financial assets have not been eliminated from the financial assets of the institutions; the assets underlying entirely withheld securities are not deemed encumbered, unless these securities are not pledged or used as collateral for a transaction;
- g) assets included in cover pools used to issue secured bonds; assets underlying secured bonds are deemed encumbered, with the exception of determined situations in which the institution holds the corresponding secured bonds as per Article 33 of the CRR.

The doBank Group has no encumbered assets as defined in its own financial statements as at December 31, 2017.

Quantitative information

The information about encumbered and unencumbered assets are provided below according to the template prescribed by Guidelines EBA/GL/2014/03, with reference to the CRR Group prudential scope.

(€/000)

Form A-Assets	Carrying amount of encumbered assets	Fair value of encumbered assets	Carrying amount of non-encumbered assets	Fair value of non-encumbered assets
Assets of the reporting entity				
Equity instruments	-	-	15,264	0
Debt instruments	-	-	8,847	8,858
Other assets	-	-	384,467	-



(€/000)

Form B-Received collateral	Fair value of the encumbered collateral received or of own debt instruments issued	Fair value of the collateral received or of potentially encumberable own debt instruments issued
Collateral received by the reporting institution		
Equity instruments	-	-
Debt instruments	-	-
Other collateral received	-	-
Own debt instruments issued other than own secured bonds or ABS	-	-

(€/000)

Form C-Encumbered assets/collateral received and associated liabilities	Corresponding liabilities, potential liabilities or loaned securities	Assets, collateral received and own debt instruments issued other than secured bonds or encumbered ABS
Carrying amount of the selected financial assets	-	-



Certification pursuant article 154 *BIS*, Section 2, of the Uniform Financial Code

Pursuant to Article 154 *bis*, Section 2, of the Uniform Financial Code, the Corporate Accounting Documents Officer, Mr Mauro Goatin, declares that the accounting information contained in this document is consistent with the data in the supporting documents and the Group's books of accounts and other accounting records.

Rome, March 13, 2018

Mauro Goatin

Corporate Accounting
Documents Officer

A handwritten signature in black ink, appearing to read 'Mauro Goatin', is written over the typed name and title.