



B A N K

# 2Q18 Results



**Alessandro Foti, CEO and General Manager**  
**Milan, July 31<sup>st</sup> 2018**

FINECO. THE BANK THAT SIMPLIFIES BANKING.

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## **Fineco Results**

-  Focus on product areas
-  Key messages and Initiatives monitoring

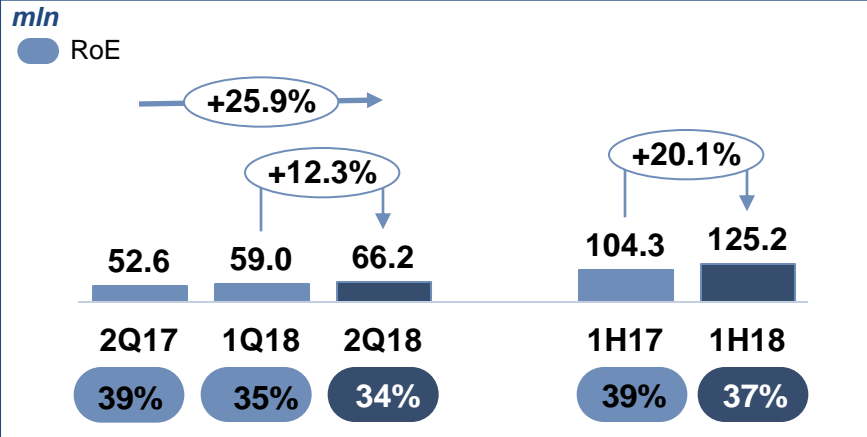
## Executive Summary

- **1H18 net profit at 125.2mln, strongly up y/y (+20.1%)** confirming the sustainability of a business model able to delivery consistent results in every market condition.
- **2Q18 net profit at 66.2mln** (+12.3% q/q, +25.9% y/y)
- **1H18 growing revenues** (+10.3% y/y) with a positive contribution by all the business areas: Investing +9.4% y/y (management fees up 12.2% y/y), Banking +11.7% y/y thanks to high quality volume growth in deposits and lending and Brokerage Core Revenues +5.7% y/y
- **1H18 Operating Costs well under control at 124.6mln** (+2.9% y/y) and **C/I ratio down 2.9p.p. y/y**, confirming operating leverage as a key strength of the bank
- Strong and safe capital position: **CET1 ratio transitional at 20.7%** and **TCR transitional at 29.3%**
- **1H18 confirms a solid and sustainable commercial activity with strong net sales, assets and clients:**
  - ✓ Net sales at 3.6bn (+24.3% y/y)
  - ✓ Total Financial Assets at 69.8bn (+9.7% y/y)
  - ✓ Guided Products & Services penetration rate on AuM stock up to 64% (+5.1 p.p. y/y)
  - ✓ Over 1,240mln clients (+6.8% y/y)

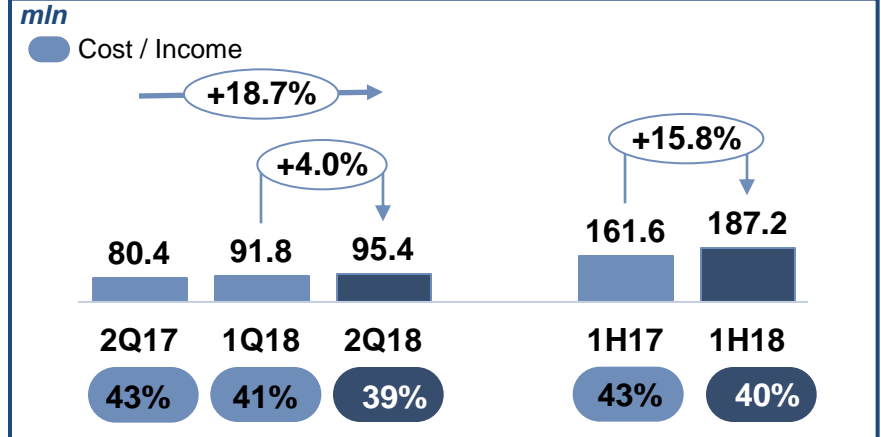
# Results

1H18 net profit above 125mln, +20% y/y boosted by a strong and well diversified revenue growth. C/I ratio at 40%, down ~3 p.p. y/y

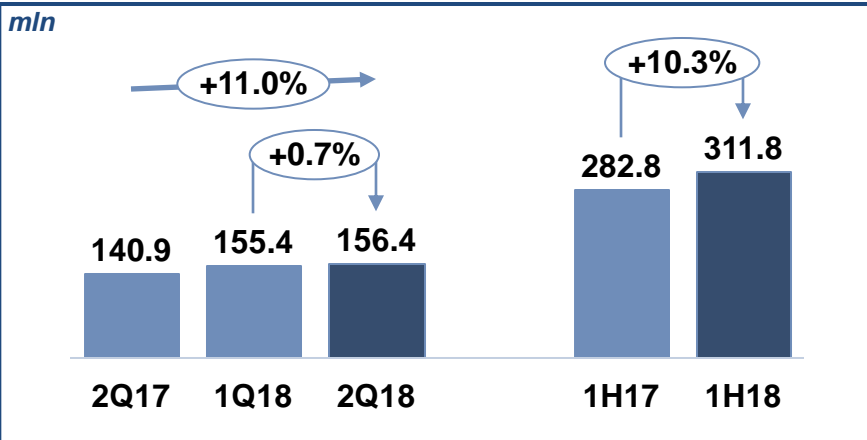
## Net Profit



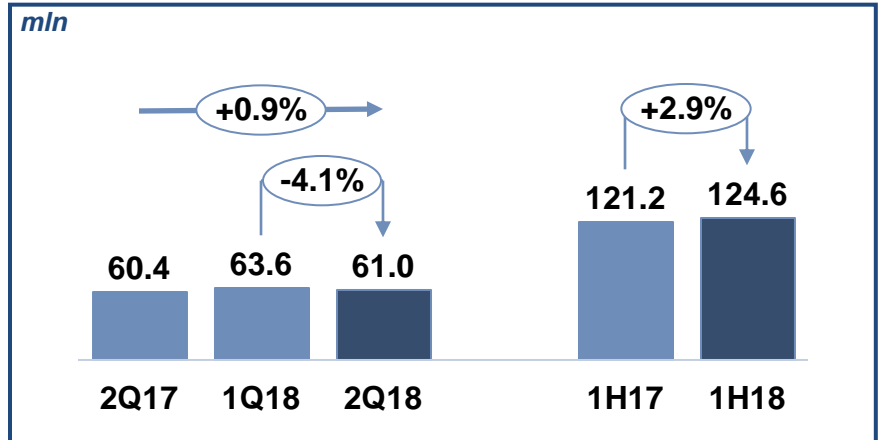
## Gross Operating Profit



## Revenues



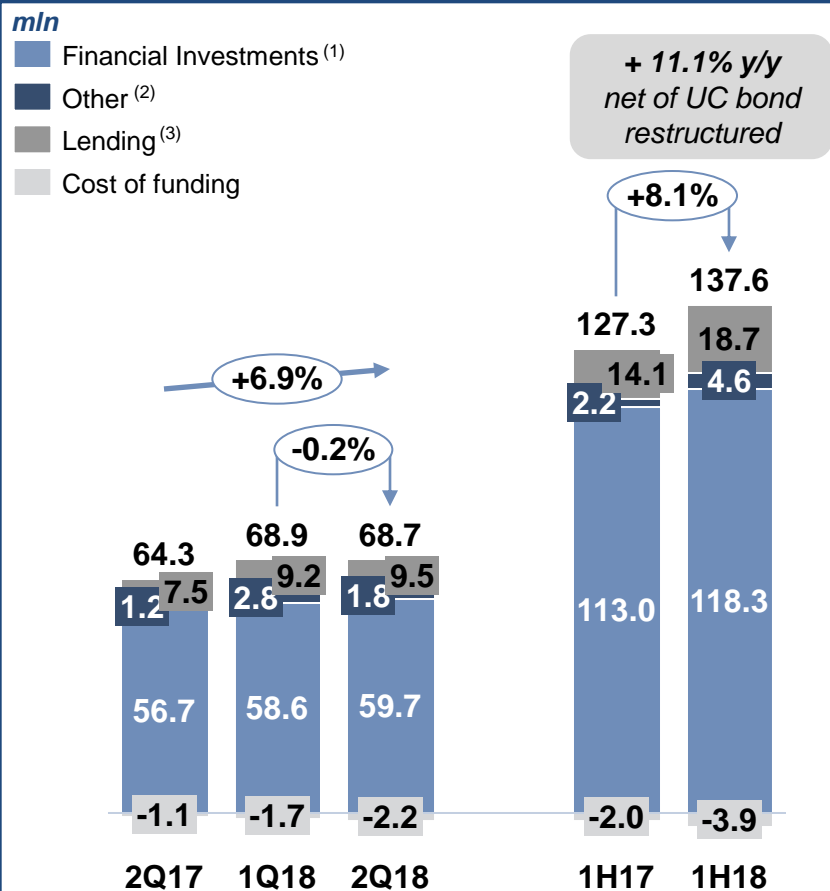
## Operating Costs



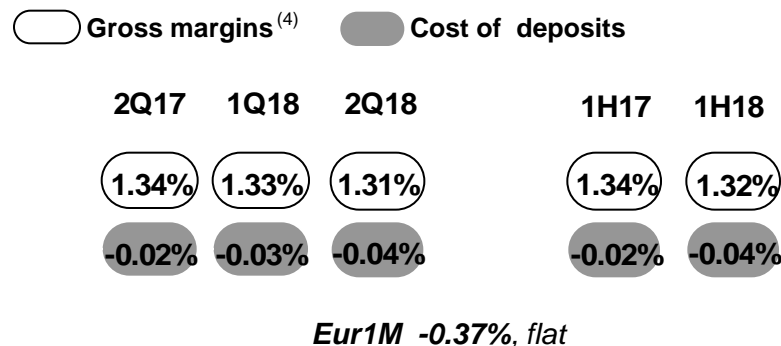
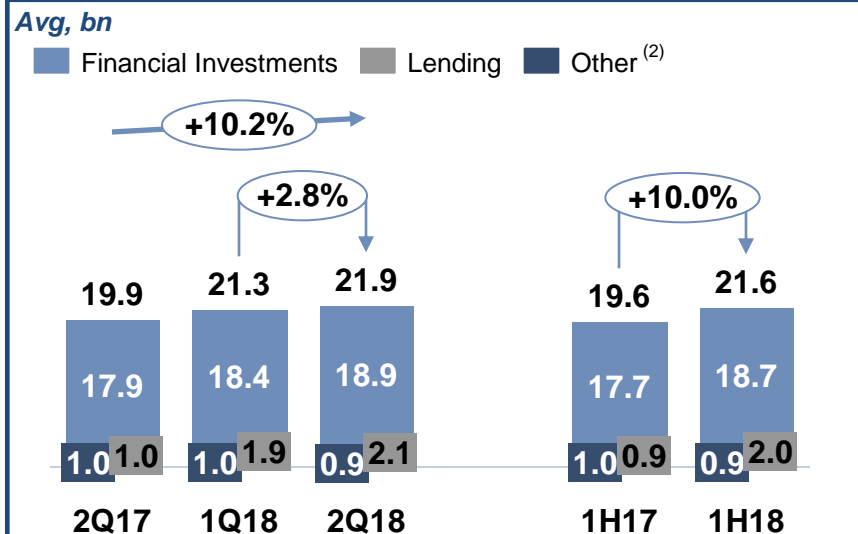
# Net interest income (1/2)

Remarkable net interest income dynamic (+8.1% y/y) in a negative rate environment.  
Relentless increase in the lending activity contribution

## Net Interest Income



## Interest-earning assets



(1) Financial investments include interest income coming from the reinvestments of deposits (both sight and term) in: Government bonds, UC bonds and Other Financial Investments (repos and immediate available liquidity)

(2) Other net interest income includes Security Lending, Leverage and other (mainly marketing costs), other interest-earning assets include Security Lending and Leverage. See page 33 for details.

(3) Lending: only interest income

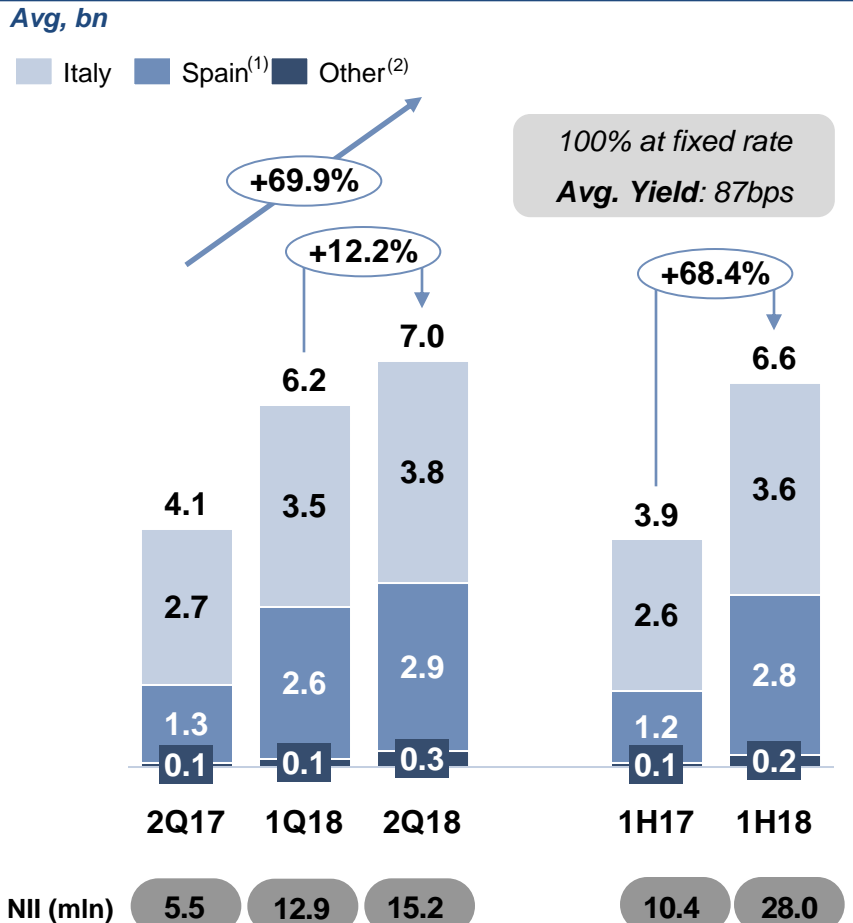
6 (4) Gross margins: interest income related to financial investments, lending, leverage, security lending on interest-earning assets. We refined the calculation of gross margins with managerial data for a better representation

# Net interest income (2/2)

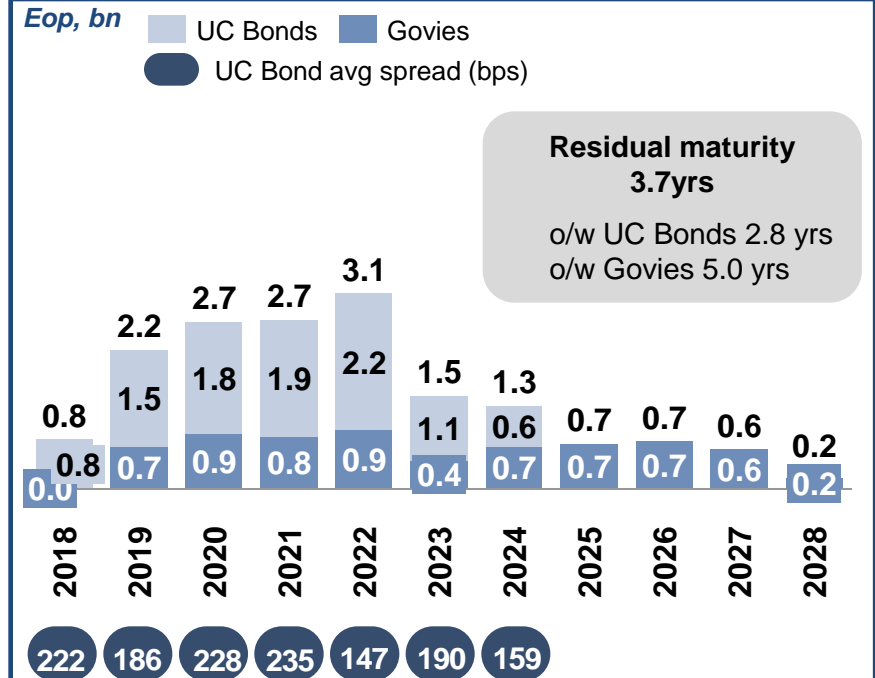
New investment policy with higher diversification confirmed.

Sensitivity analysis +100bps parallel shift: +115 mln

## Focus on Government Bonds



## UC bonds and Govies run-offs



## Interest Rate Sensitivity

+100bps parallel shift (1M Eur):

**+115 mln additional Net Interest Income**

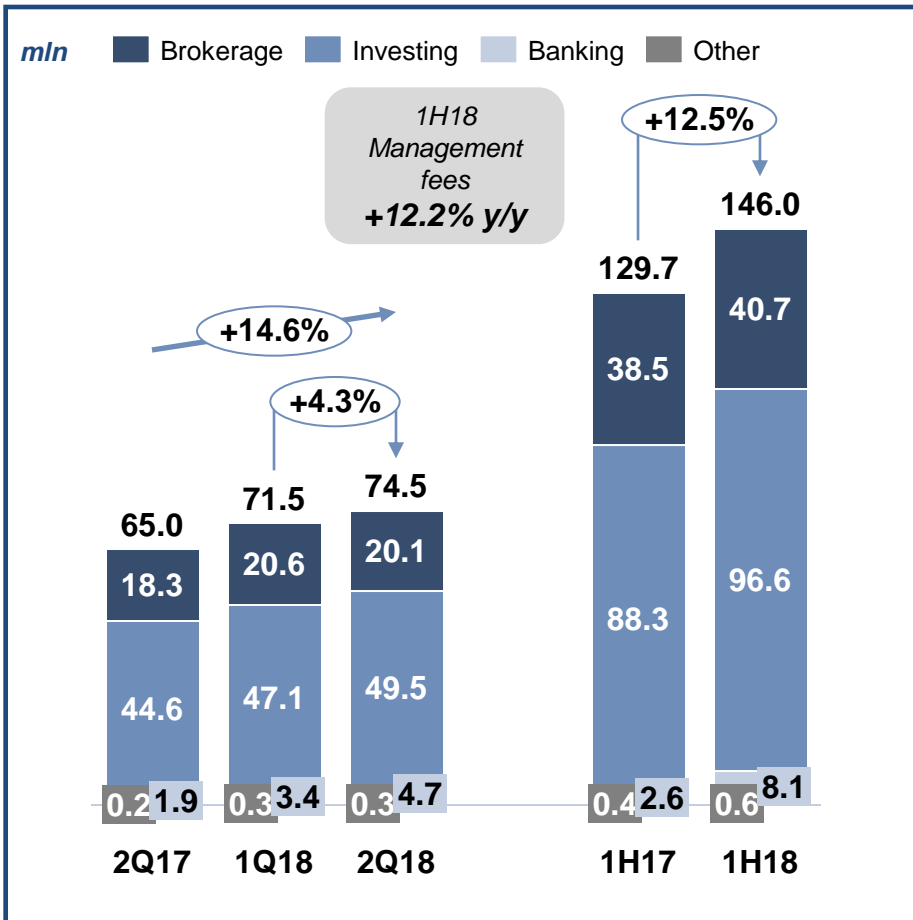
<sup>(1)</sup> includes 99.9mln Instituto de Credito Oficial (ICO)

<sup>(2)</sup> Other includes 35.9mln France, 31.9mln Ireland, 63.2mln USA, 72.5mln Poland

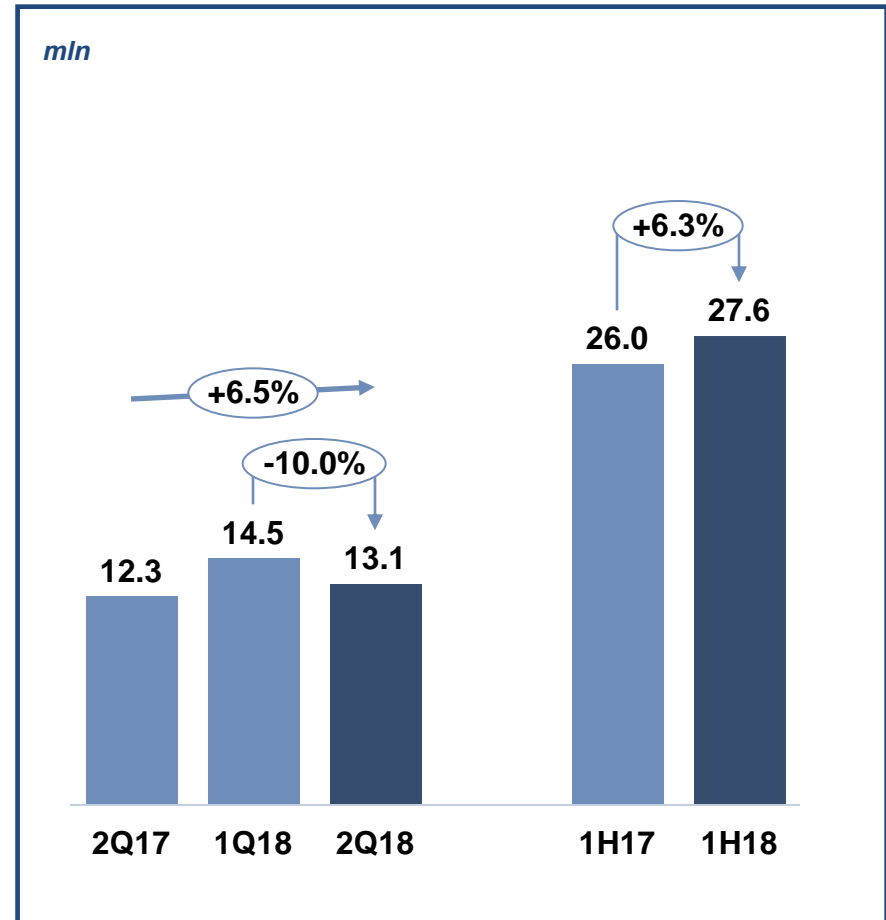
# Commissions and Trading Income

Double digit growth in fees and commissions with Management fees up 12.2% y/y.  
Sound performance of brokerage, both fees and trading income

## Fees and Commissions



## Trading Income

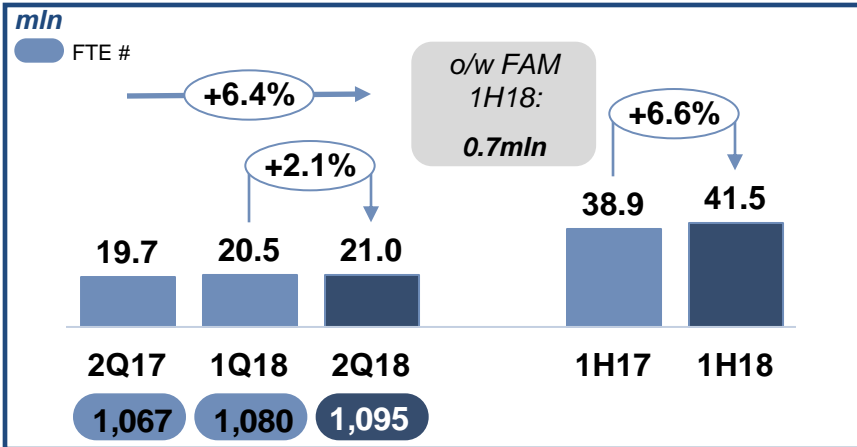




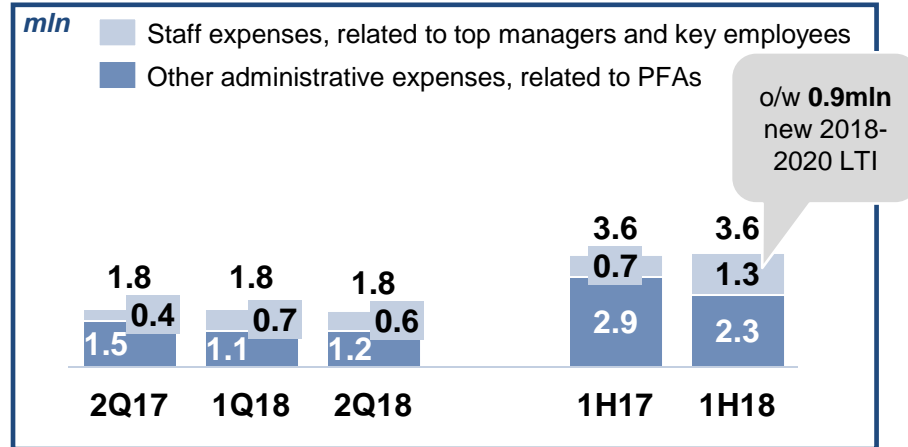
# Costs

Cost efficiency and operating leverage confirmed in our DNA

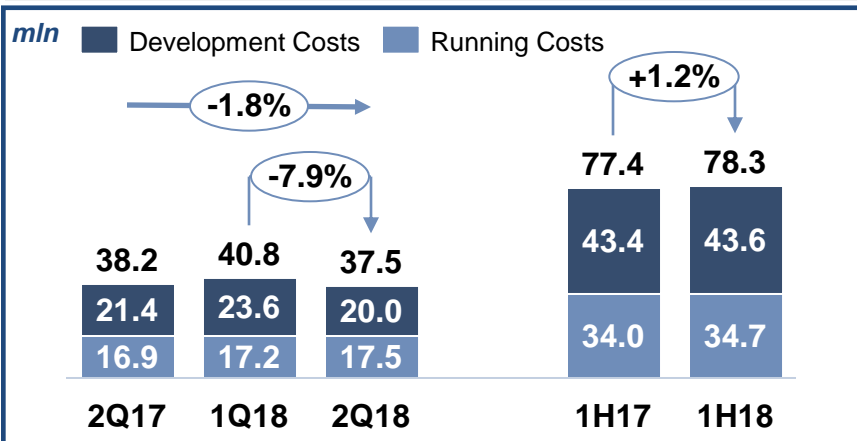
## Staff expenses and FTE



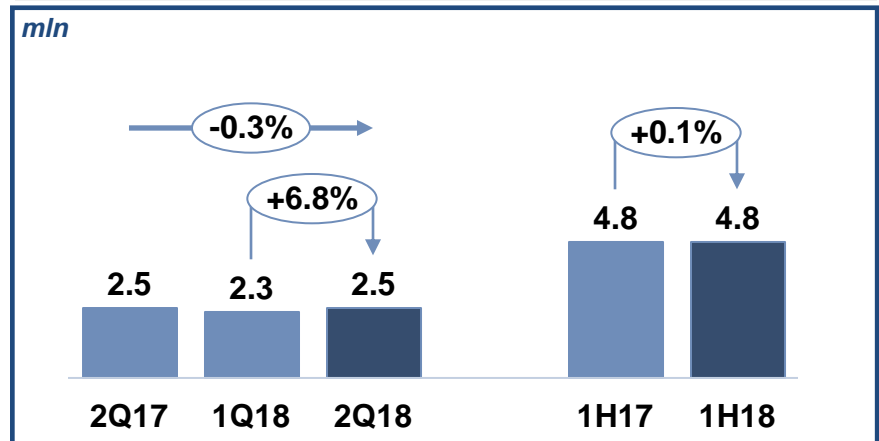
## Long Term Incentive Plans



## Other administrative expenses<sup>(1)</sup>



## Write-down/backups and depreciation

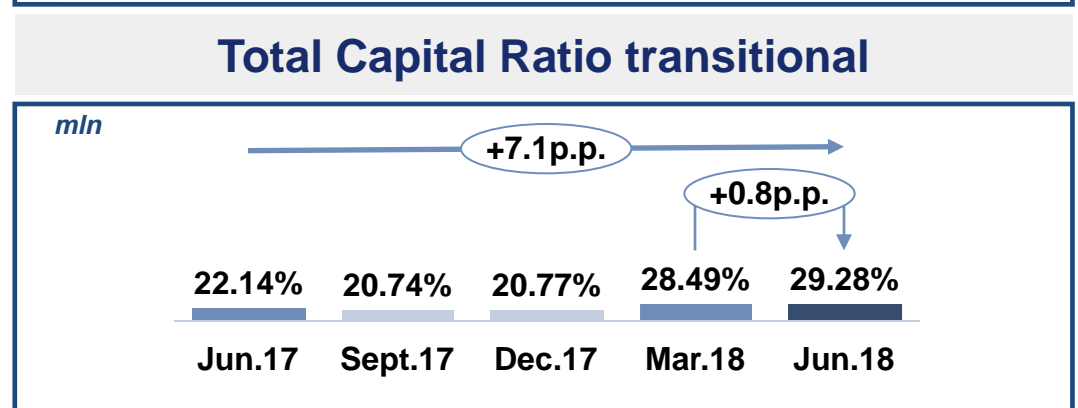
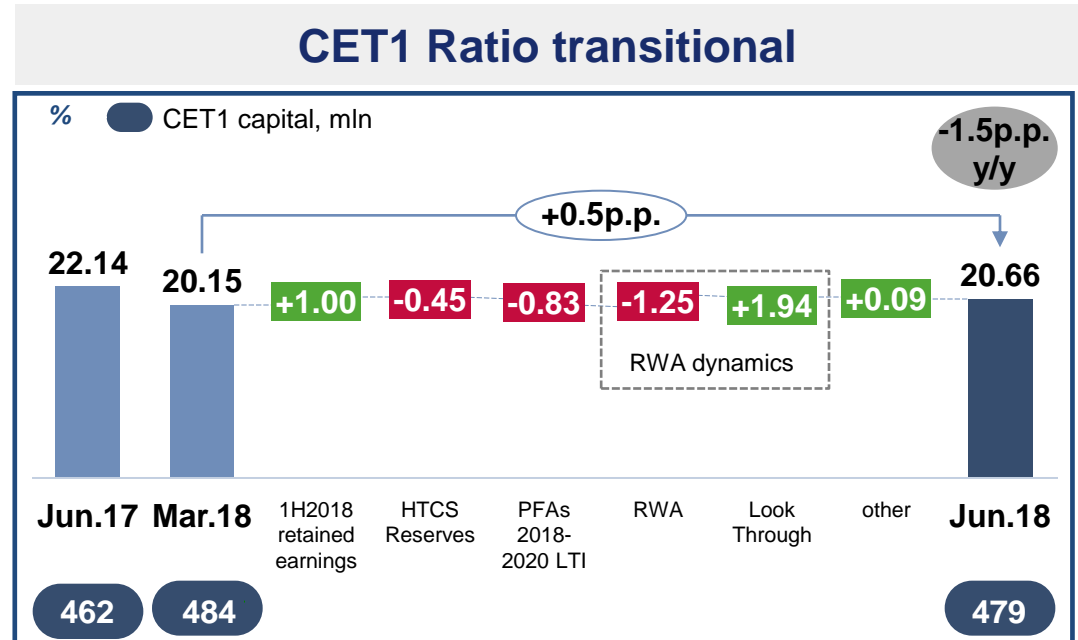
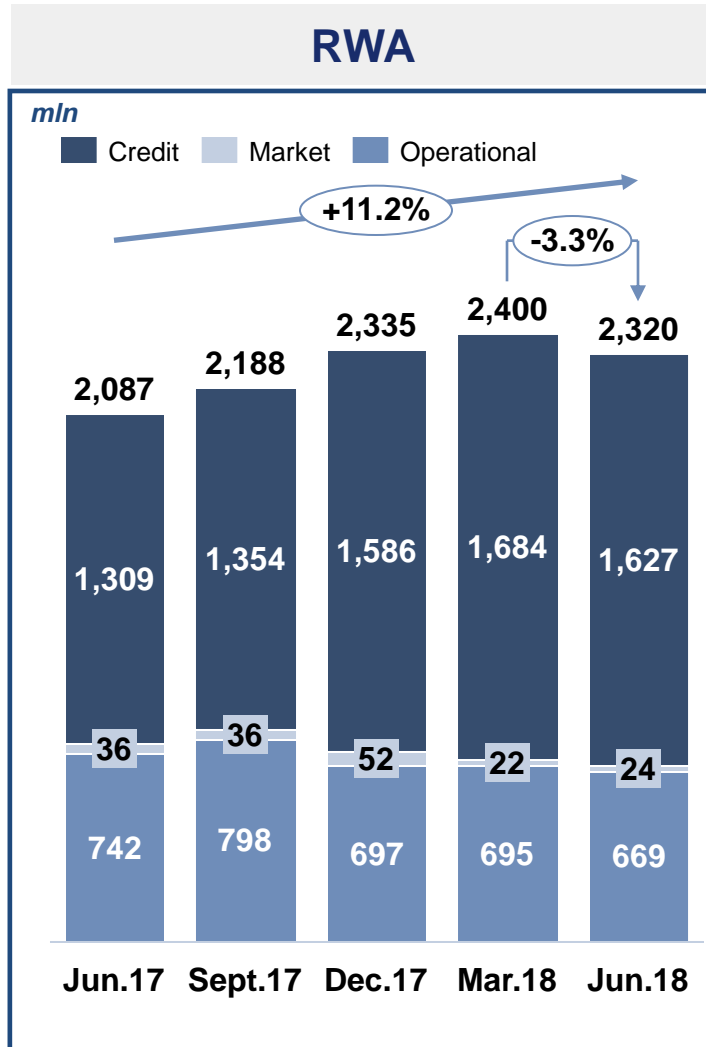


<sup>(1)</sup> Breakdown between development and running costs: managerial data

# Capital Ratios

Best in class capital position and low risk balance sheet.

Look-through implementation drove +194bps benefit on CET1 ratio



# TFA

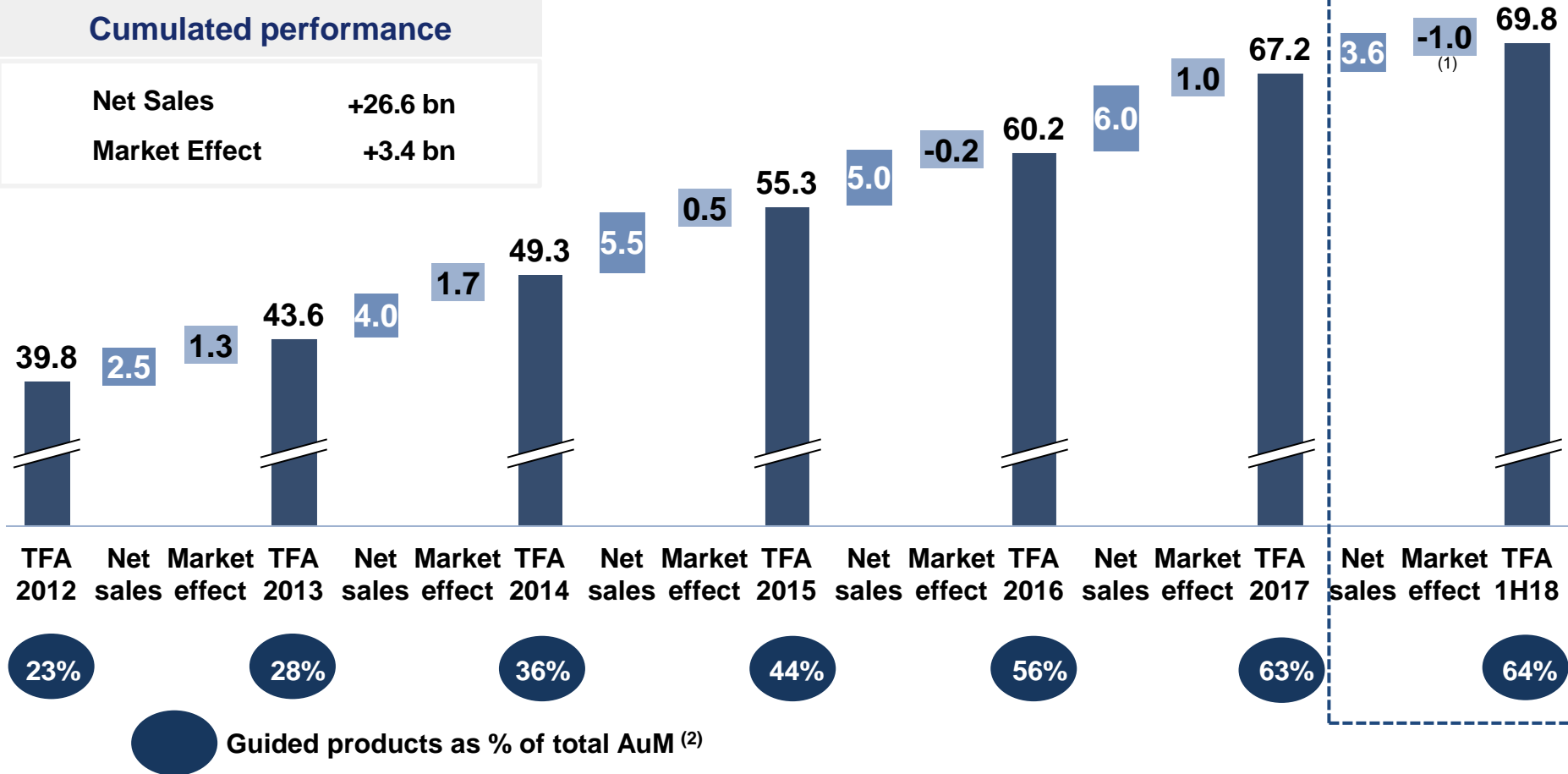
Relentless TFA growth thanks to a healthy expansion in net sales.  
 Guided products & Services increased at 64% of total AuM

## TFA evolution (Dec.12 – Jun.18)

bn

### Cumulated performance

Net Sales	+26.6 bn
Market Effect	+3.4 bn



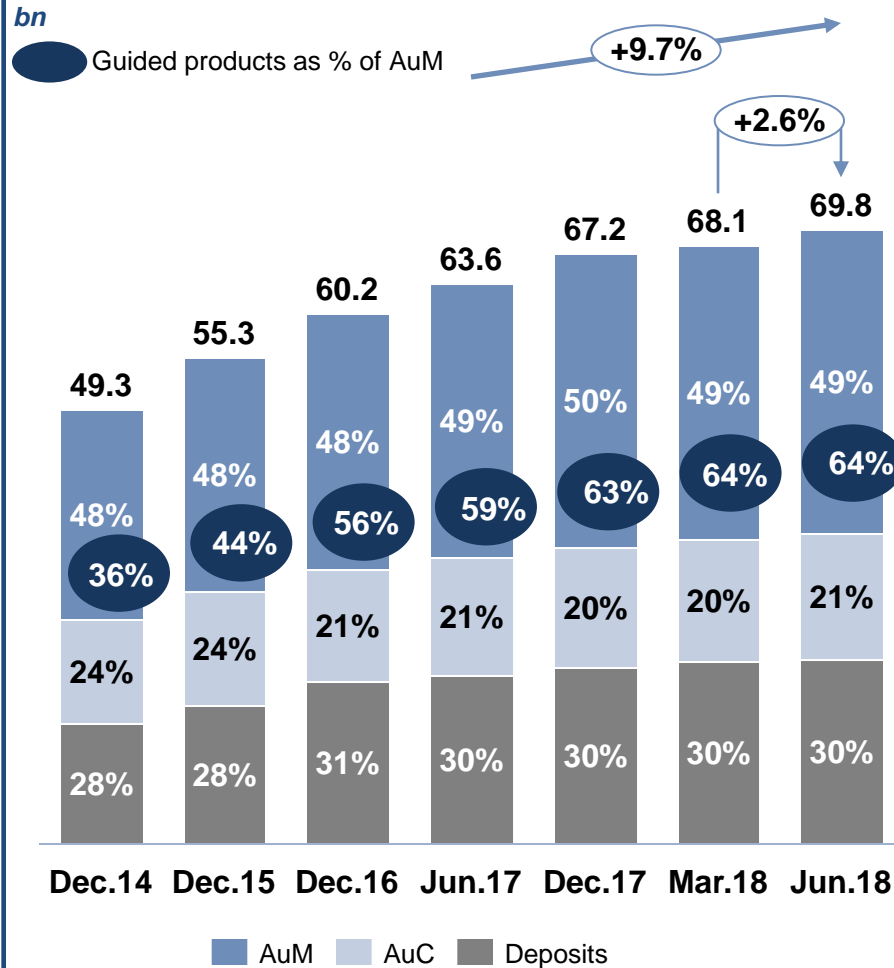
<sup>(1)</sup> 1H18 Market effect: AuM -0.6mln and AUC -0.3mln

<sup>(2)</sup> Calculated as Guided Products end of period divided by Asset under Management end of period

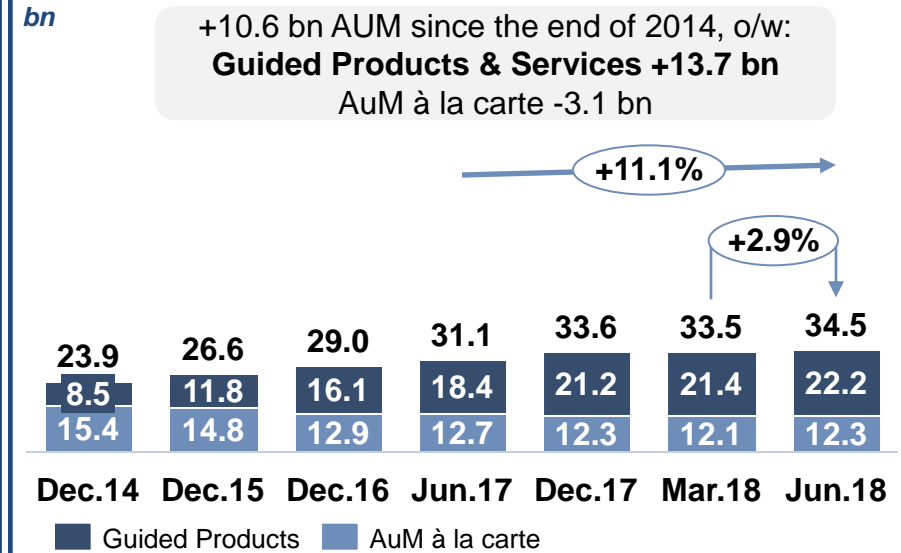
# TFA breakdown

Successful shift towards high added value products thanks to strong productivity of the network

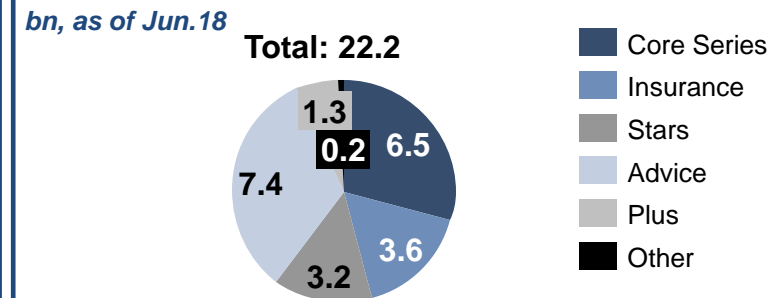
## Breakdown of total TFA



## Focus on AUM



## Guided Products breakdown

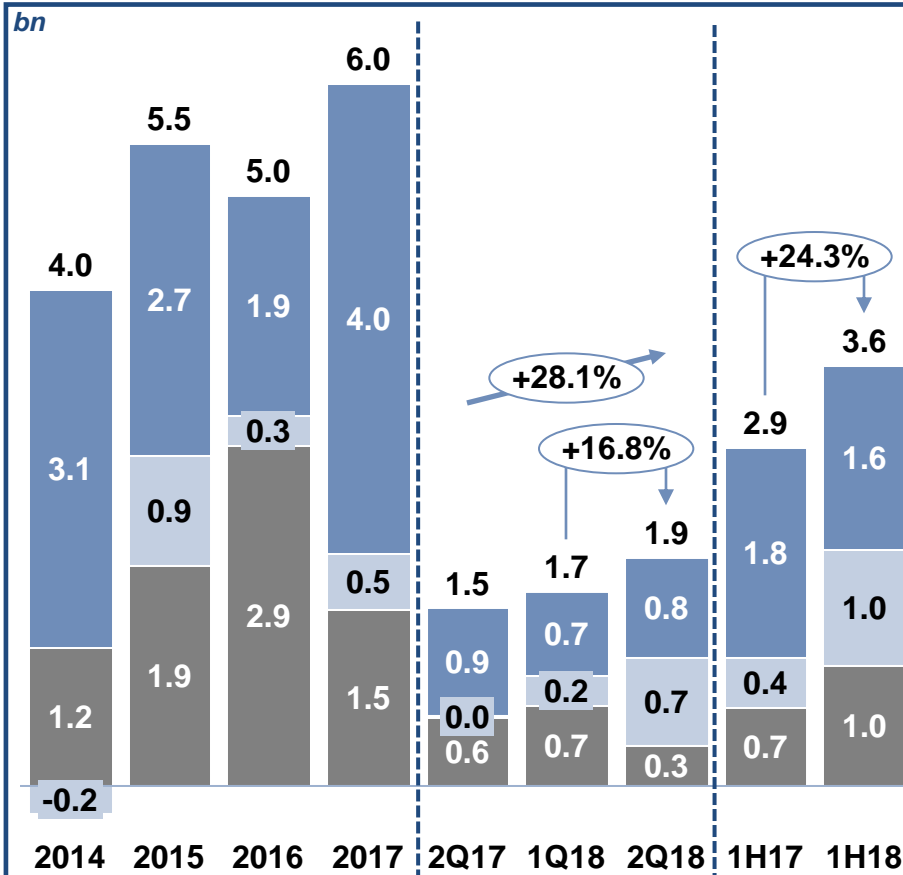


AuC and Deposits under advisory have been reclassified within AuM in order to have a better representation of the advisory nature of Advice and Plus services

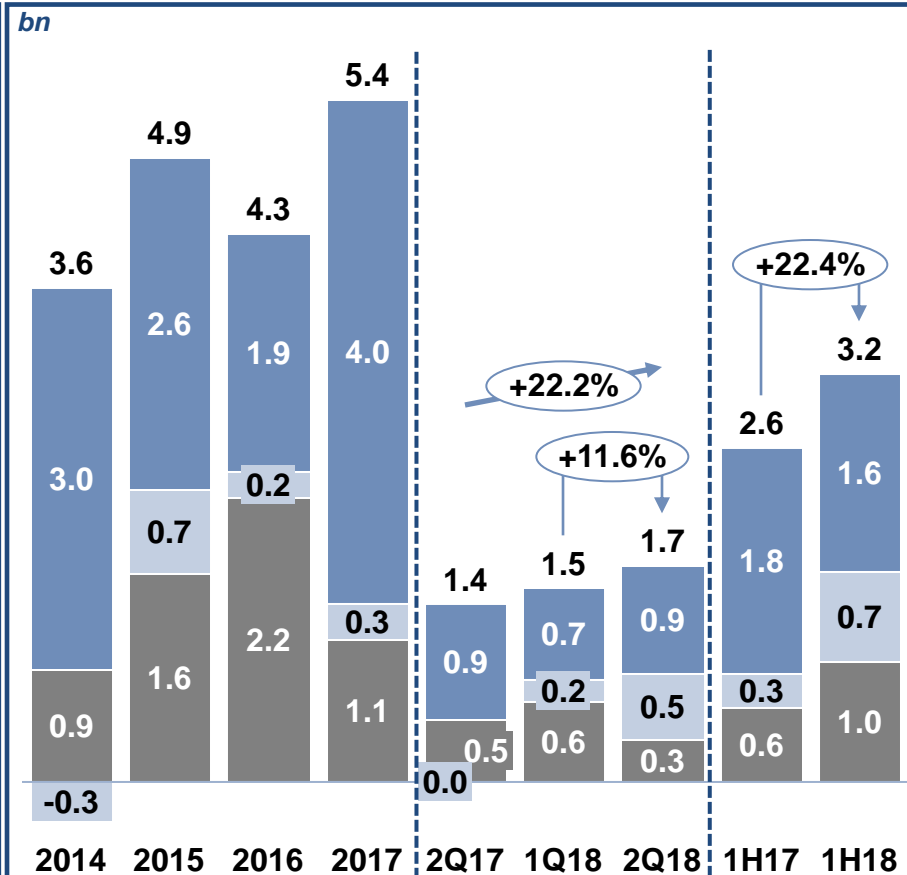
# Net sales breakdown

Solid Net sales growth in 2018 on the wave of structural trends in place: increasing digitalization and request of advisory services by clients

## Breakdown of total Net Sales



## PFA Network – total Net Sales



2,533 2,622 2,628 2,607 2,642 2,613 2,621

■ AuM ■ AuC ■ Deposits

● PFA Network - headcount

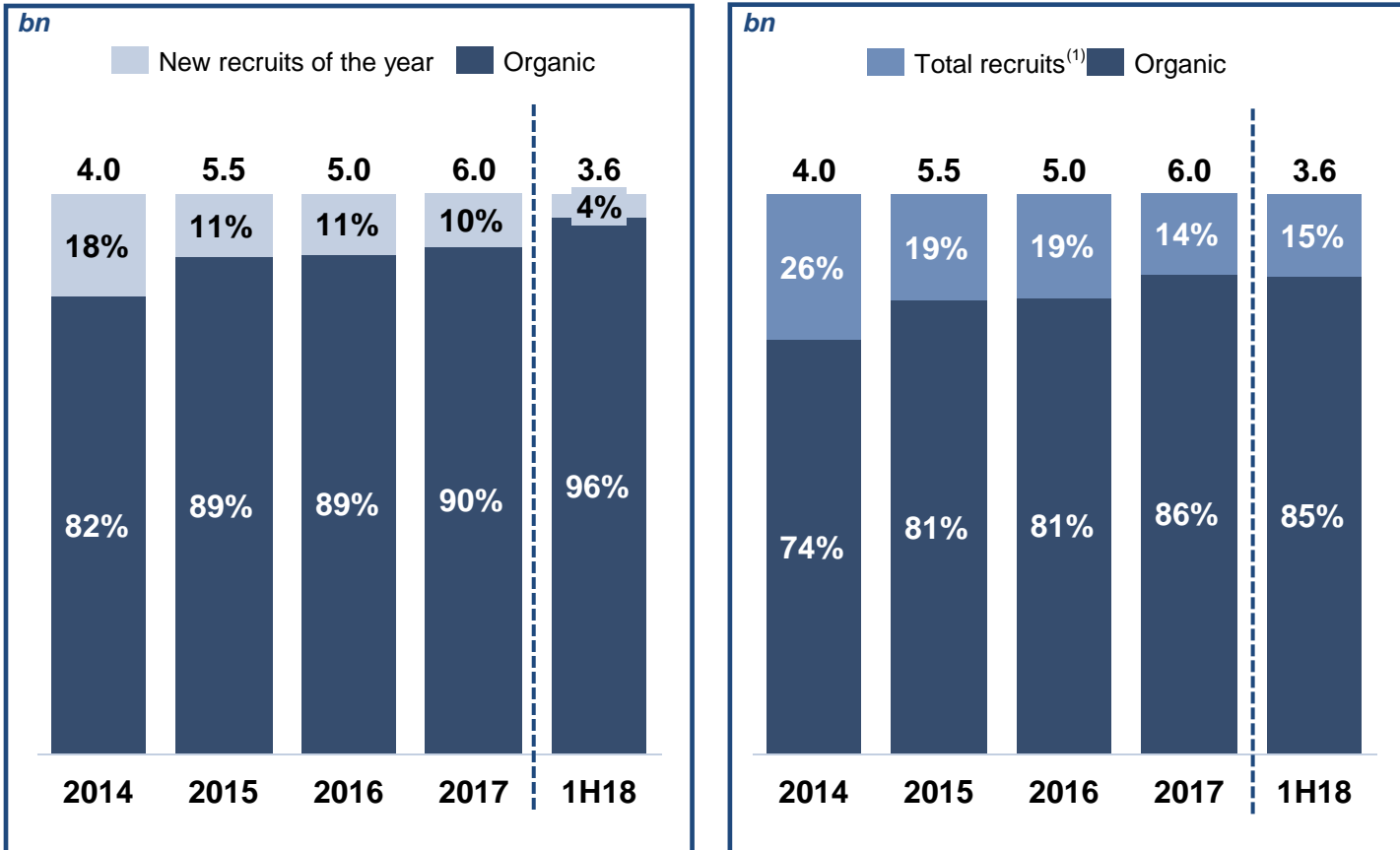


B A N K

# Organic growth

Net sales organically generated confirmed as key in our strategy of growth

## Net Sales – Organic / Recruit (%)



**Recruitment costs**  
(to be amortized)  
**stock 25.4mln**  
as of Jun.'18

125   118   85   98   34

# of PFAs recruited in the period

(1) Total recruits include net inflows related to PFAs recruited over the last 24 months (avg)

# Agenda

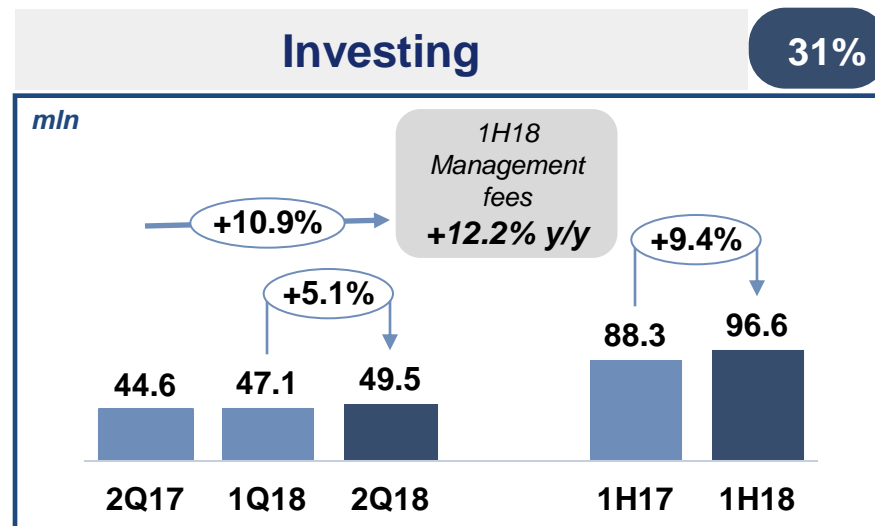
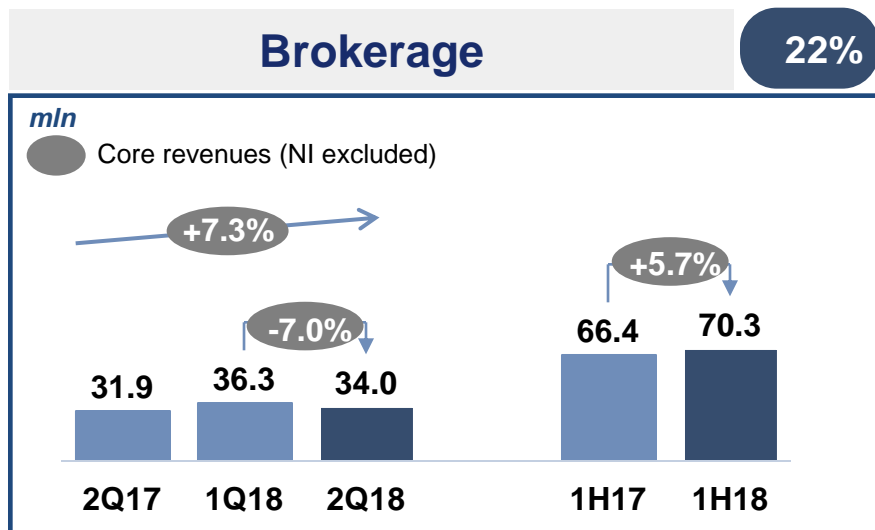
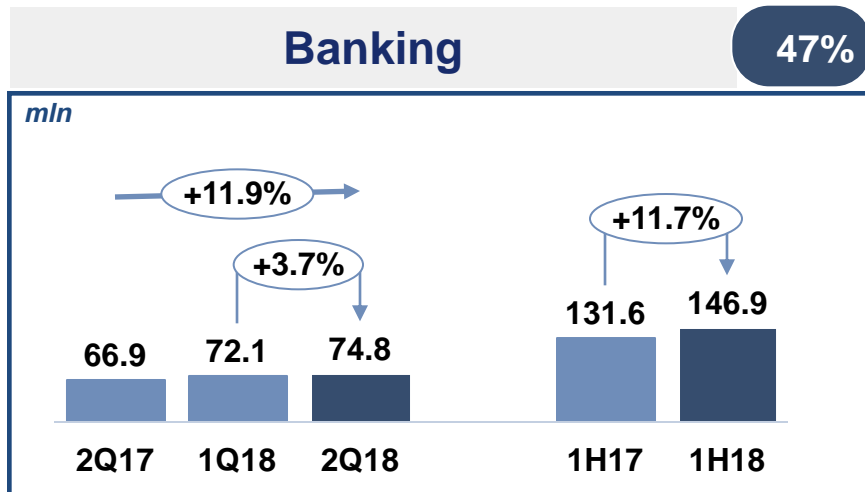
- Fineco Results

- **Focus on product areas**

- Key messages and Initiatives monitoring

# Revenues by Product Area

Well diversified stream of revenues allow the bank to successfully face any market environment



1H18 weight on total revenues for each product area

Managerial Data. Revenues attributable to single each product area, generated by products / services offered to customers according to the link between products and product area. Banking includes revenues generated by direct deposits and credit products. Investing includes revenues generated by asset under management products; Brokerage includes revenues from trading activity.

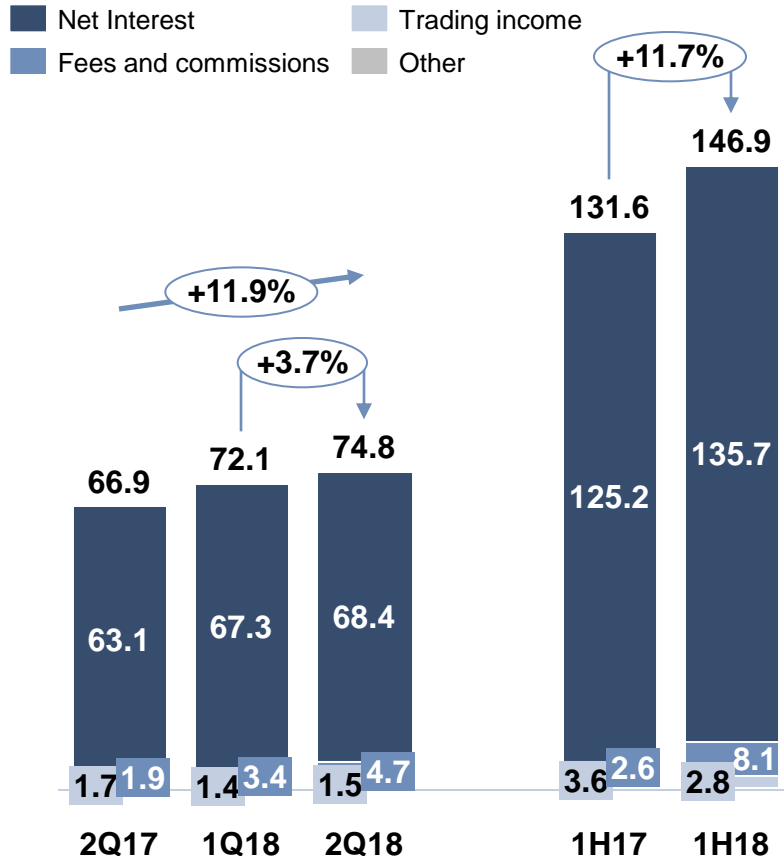


# Banking

Sound performance driven by strong volume growth and relentless customer acquisition, thanks to high quality services and customer satisfaction

## Revenues

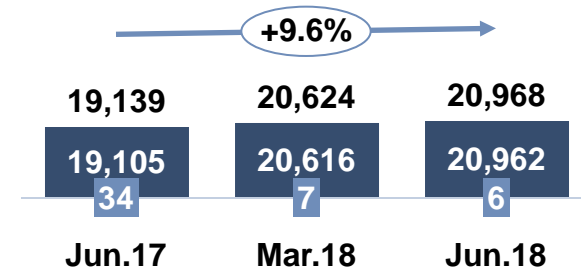
mln



## Direct deposits

Eop, mln

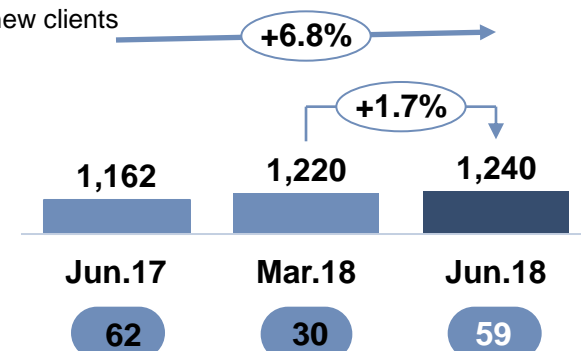
■ Sight Deposits eop ■ Term Deposits eop



## Clients and new clients

thd, #

● # of new clients

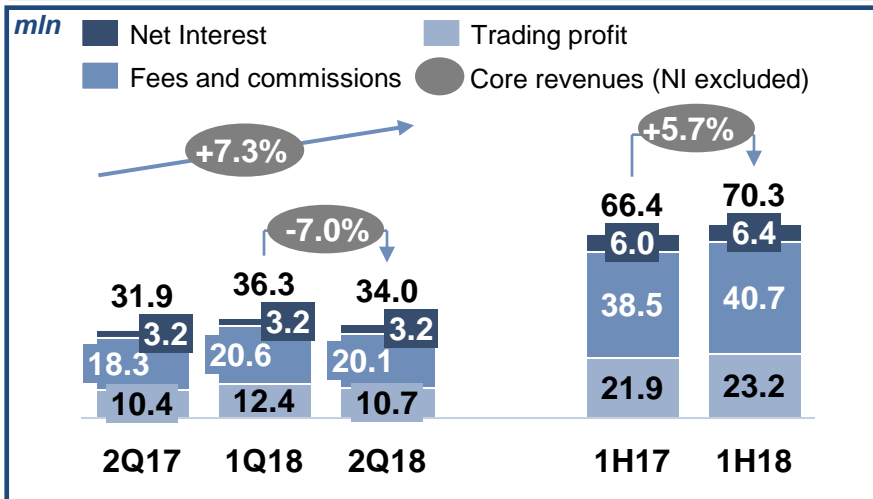


Managerial Data

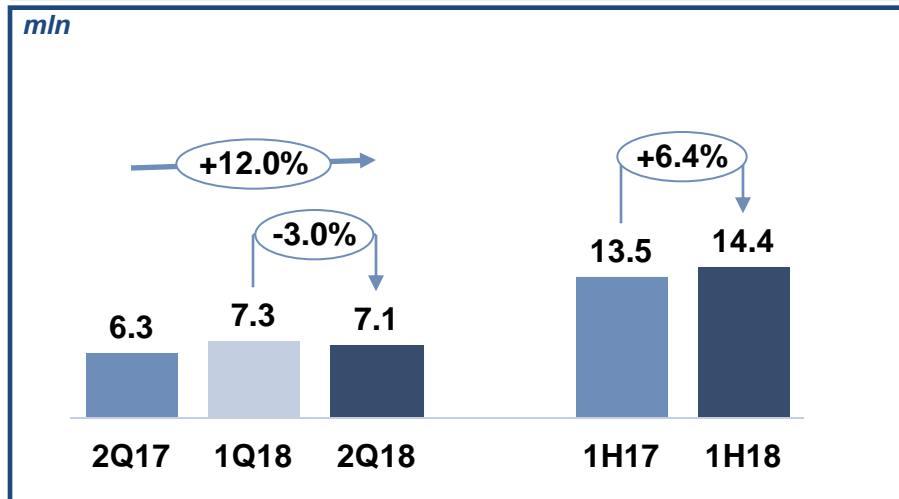
# Brokerage

Outstanding brokerage results confirming the strong potential of this business

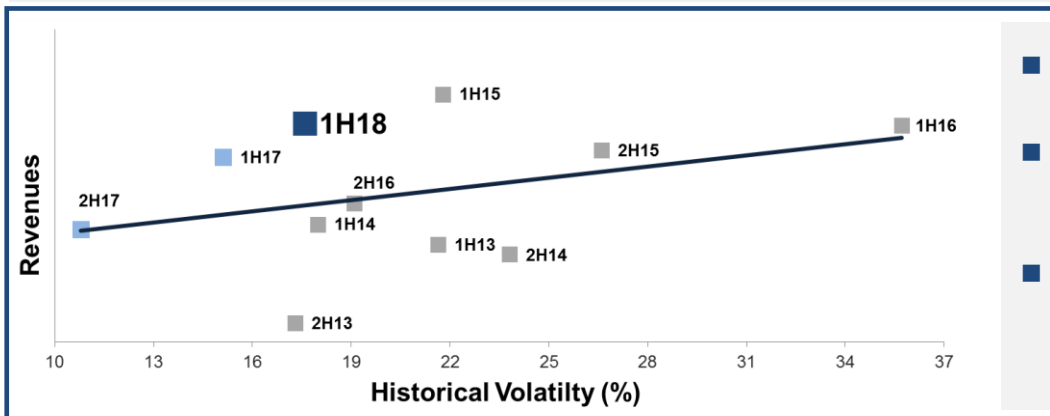
## Revenues



## Executed orders



## Revenues vs volatility<sup>(1)</sup>



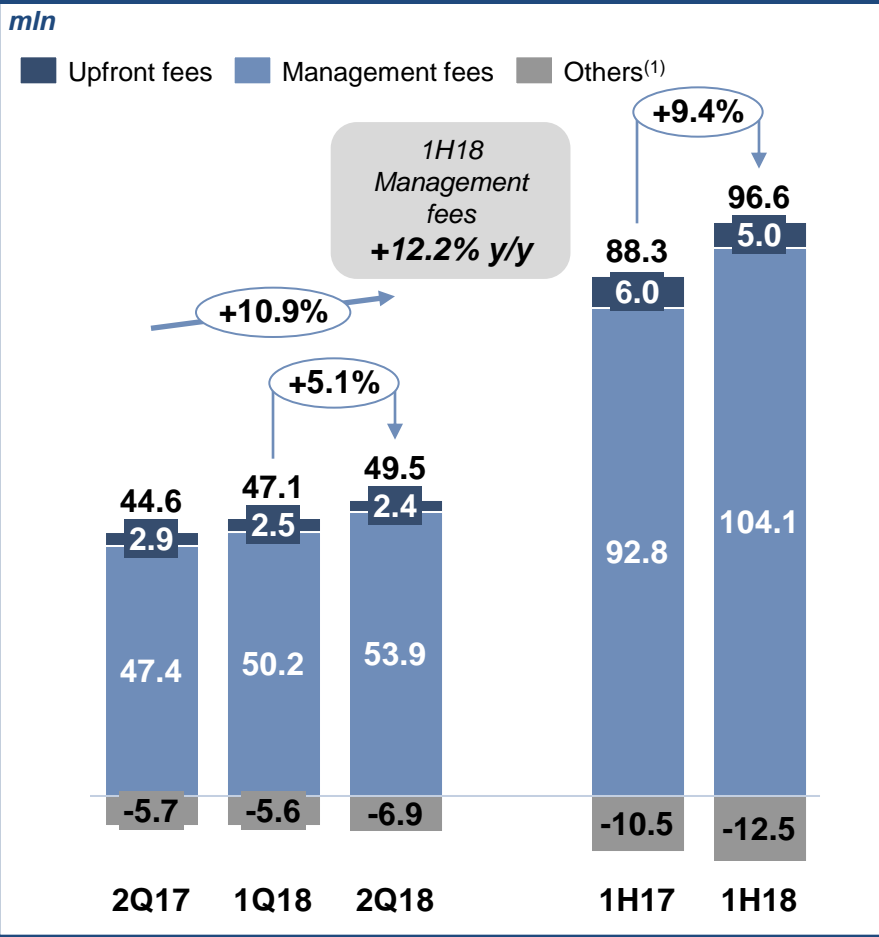
- Revenues ranked as **second best semester since 2013**, the highest considering this level of volatility
- **Structural improvement** thanks to larger base of clients/higher market share and the enlargement of the products offer
- **Continuously increasing market share** (i.e. market share on equity traded volumes in Italy at 24% as of June 2018<sup>(2)</sup>, +4.4p.p. vs Dec.17 confirming Fineco as leader in brokerage)

Managerial Data

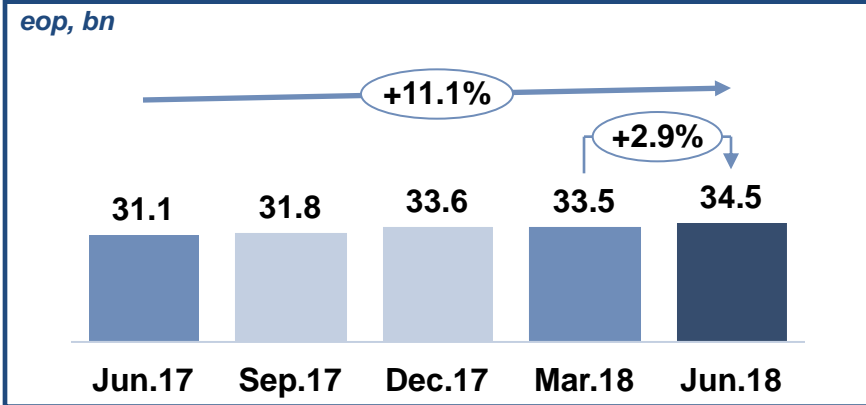
# Investing

Successful strategy on cyborg advisory approach drove a better asset mix and increasing fees y/y

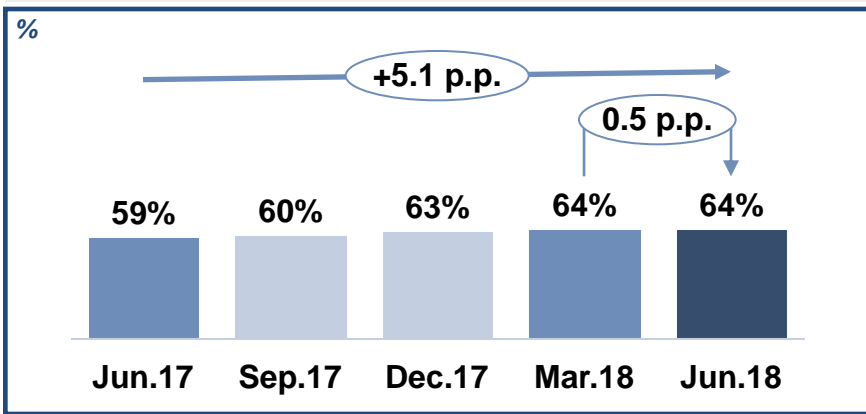
## Revenues (Net Fees)



## Assets under Management



## Guided products on total AuM



Managerial Data

<sup>(1)</sup> Mainly PFAs annual bonus and new 2018-2020 LTI to PFAs starting from 1Q18

# Agenda

- Fineco Results

- Focus on product areas

- **Key messages and Initiatives monitoring**

## 3 Pillars: Efficiency, Innovation and Transparency

The keys of our strategy, still leading our sustainable growth



### EFFICIENCY

Strong focus on IT & Operations,  
more flexibility, less costs



### INNOVATION

Anticipate new needs  
simplifying customers' life



### TRANSPARENCY

Fairness and Respect  
for all our stakeholders

#### We built everything from scratch



**Freedom:** Freedom to start over «from scratch», build a new bank, **the best you can imagine**

**Proprietary back-end:** In-house development and automated processes allow an efficient cost structure and fast time to market

**Excellent offer:** Unique customer user experience, top quality in all services



#### We were true pioneers

Fineco anticipated a main market trend: digitalization

Moving customer's focus from proximity to service and quality



#### We believe in a "Quality" One Stop Solution

Providing all services in a single account is a distinctive feature but it's not enough.

Gaining a competitive edge requires high quality on each single service and product

In 2018 Standard Ethics<sup>(1)</sup> **confirmed our Standard Ethics Rating<sup>(2)</sup> at "EE", a "full investment grade"** given to sustainable companies with low reputational risk profile and strong prospects for long-term growth

<sup>(1)</sup> Standard Ethics is an independent agency which assigns Solicited Sustainability Ratings to companies and sovereign issuers. Fineco is included in the Standard Ethics Italian Banks Index© and in the Standard Ethics Italian Index, among the major environmental, social and governance performance indices and benchmarks.

<sup>(2)</sup> The Standard Ethics Rating is an assessment of sustainability and governance based on the principles and voluntary directions of the United Nations, the Organization for Economic Cooperation and Development (OECD) and the European Union.

# Key messages

## Healthy growth and sustainability at the heart of Fineco's business model

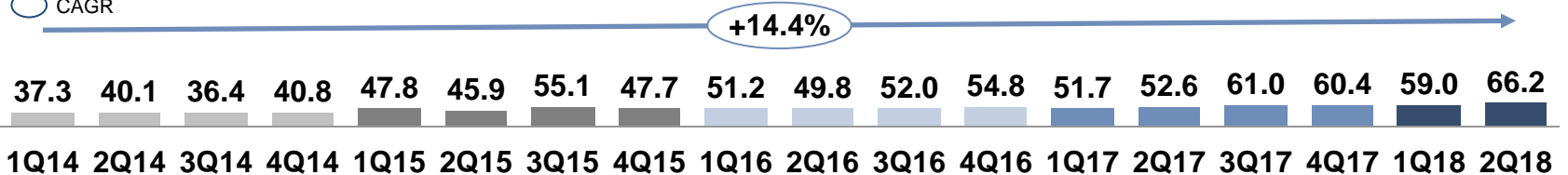
- ✓ **Clients' acquisition leveraging on high quality services.** Cost of funding close to zero
- ✓ **Organic growth** as main engine of growth. Selected recruits to improve the quality and related costs well under control
- ✓ **High quality Lending** with low cost of risk, strong competitive advantage leveraging on **Big Data analytics**

## Delivery of consistent results in every market condition

- ✓ Growing revenues thanks to a **very well diversified business model with smooth quarterly path**
- ✓ **Sound Brokerage results** confirming the potential of this business
- ✓ Costs under control on the wave of a **huge operating leverage, strong IT internal culture**
- ✓ **In case of prolonged market volatility** we expect: a **solid net sales growth** (supported also by structural trends in Italy), a possible **slowdown in the asset mix transformation** (with clients more skewed into liquidity and AuC or into more conservative products) and a **strong Brokerage performance**

Net Profit adjusted (net of DGS)<sup>(1)</sup>, mln

○ CAGR



<sup>(1)</sup> Net Profit adjusted net of Deposit Guarantee Scheme (2015 DGS: -3.1mln net, 2016 DGS : -7.1mln net, 2017 DGS: -7.1 mln net)

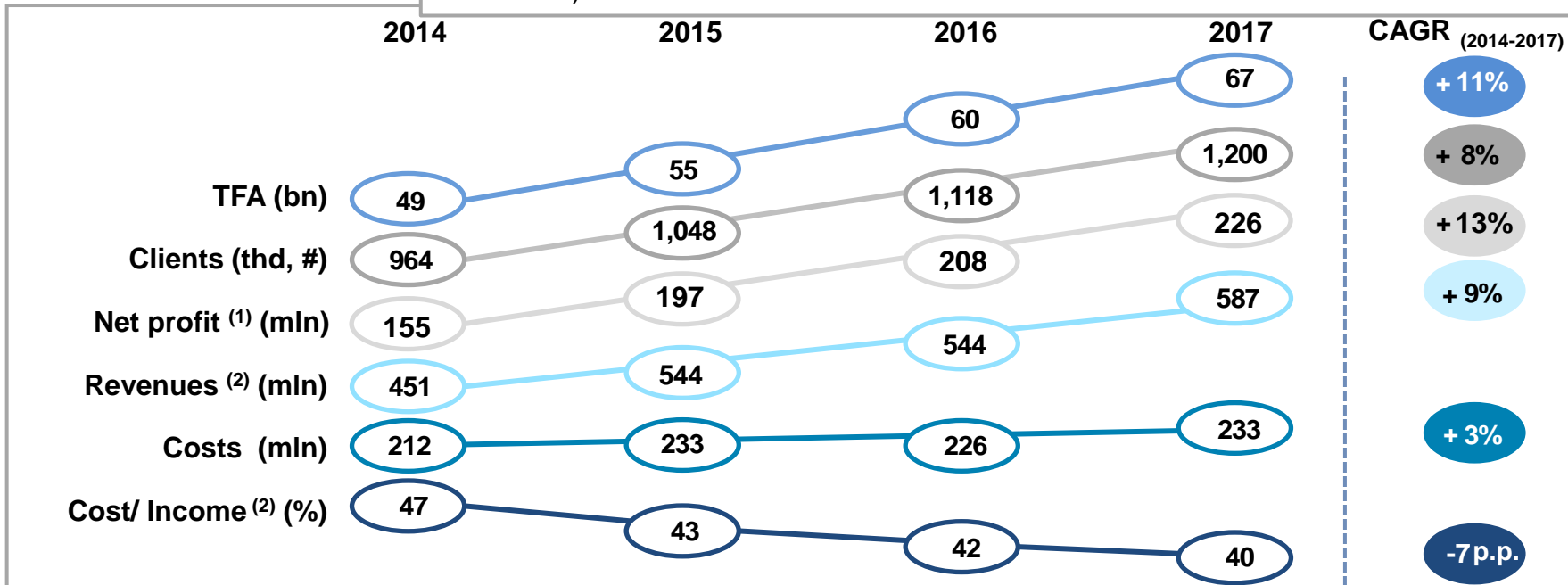
# Operating Leverage

A distinctive competitive advantage of Fineco

**Platform scalability**  
and  
**Operating gearing**

## IT and back office internally managed, deep internal know-how

- ✓ 18% FTEs in IT department, 25% in Back-Office
- ✓ Core system internally managed
- ✓ Internal DWH to fully leverage on Big Data Analytics
- ✓ Very low CAPEX (~10-12mln per year)
- ✓ Continuous innovation (new apps /features, products/services, initiatives) fully in-house developed: higher flexibility, better time to market and lower costs
- ✓ Internal development and implementation of regulatory processes and systems (i.e. Mifid 2) to maintain costs well under control

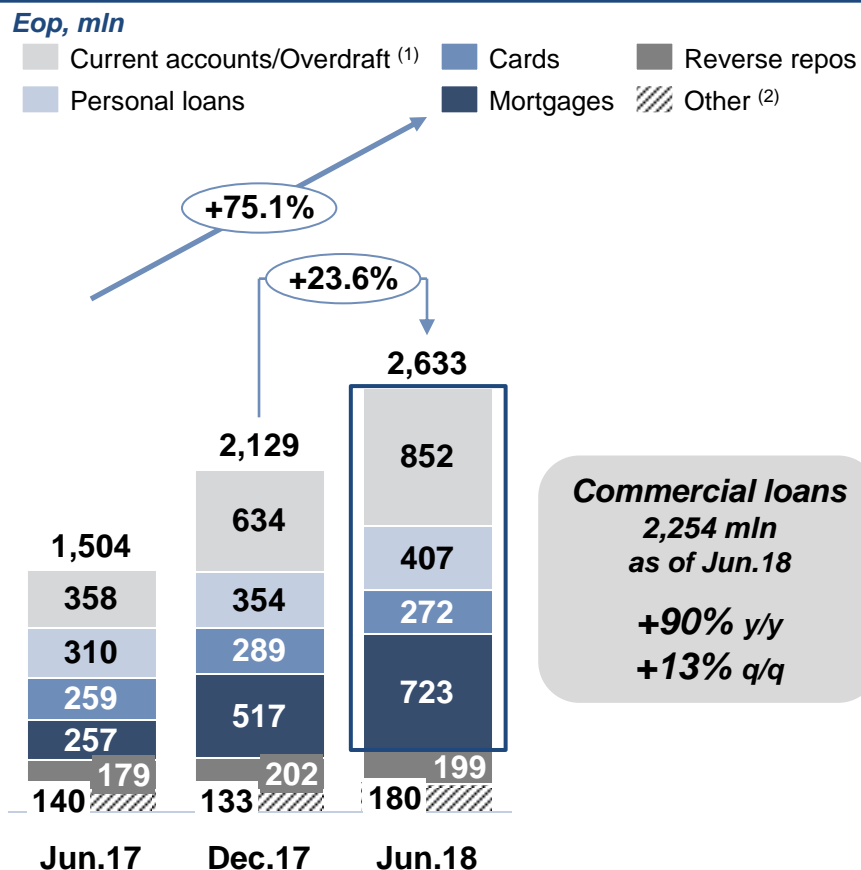


<sup>(1)</sup> Net Profit adjusted (see page 31) net of Deposit Guarantee Scheme (2015: -3.1mln net, 2016: -7.1mln net, 2017: -7.1 mln net)

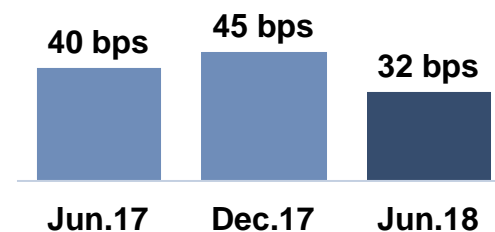
<sup>(2)</sup> Net of gain on Visa sale (2016: +15.3mln gross)

# Boost in high quality lending volume offered exclusively to the existing base of clients, leveraging on our internal Big Data analytics

## Overall Lending portfolio



## Cost of Risk on commercial loans (3)



- **June 2018 Cost of Risk** not fully comparable with previous periods, due to the introduction of new accounting standards (IFRS9)
- **We confirm our strategy aims to build a safe lending portfolio**, offering these products exclusively to our very well known base of clients, leveraging on a deep internal IT culture, powerful data warehouse system and Big Data analytics
- **More details on the quality of our portfolio in the following slide**, with a deep dive on the main products offered

(1) Current accounts/overdraft Include Lombard loans

(2) Other loans include current receivables associated with the provisions of financial services (101mln in Jun.18 vs 85mln in Mar.18 and 85mln in Dec.17), collateral deposits and initial and variation margins (79mln in Jun.18 vs 36mln in Mar.18 and 43mln in Dec.17), bad loans (1.6mln in Jun.18 vs 1.7mln in Mar.18 and 1.6mln in Dec.17), other (-2mln in Jun.18 vs -3mln in Mar.18 and +3mln in Dec.17)

(3) Cost of risk: commercial LLP annualised on avg commercial Loans

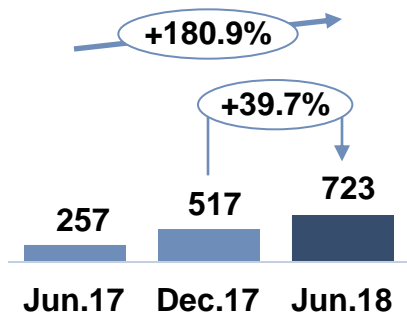


# Initiatives monitoring - Banking Area

Boost in high quality lending volume through mortgages, personal loans and lombard loans

Eop, mln

## Mortgages

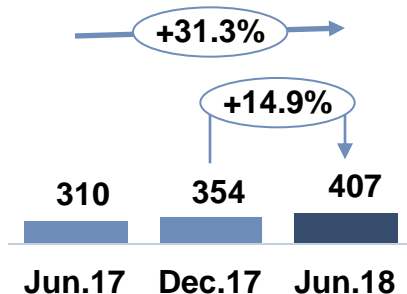


- **6,885 mortgages** granted
- Average customer rate: **187bps. 1H18 Yield<sup>(1)</sup> at 88bps**
- Average Loan to Value **52%** and average maturity **19 yrs**
- **Best ratio quality/price.** Strong focus in offering **products highly sophisticated** to meet clients' needs (i.e. Equity Loan)
- **Very low expected loss** (~23bps)

## Guidance

- yearly new production: **~400mln**
- Expected yield in 2018: **~80-85bps** due to higher hedging costs

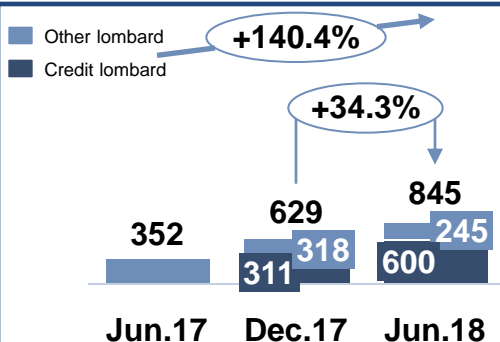
## Personal Loans



- Average ticket €8.800 and average maturity 4.4 years
- **1H18 Yield at 455bps**
- **Efficient and real time process,** instant approval platform for eligible clients' requests thanks to a deep knowledge of clients.
- **Low expected loss** (<~70 bps)

- yearly new production: **~200mln** (~100mln net)
- Expected yield in 2018: **~400-450bps**

## Lombard Loans



### Lombard Loans: 1H18 Yield at 132bps

**o/w Credit Lombard<sup>(2)</sup>:**

- **Attractive pricing:** retail clients 125bps and private clients up to 75bps (on 3M Eur <sup>(3)</sup>)
- **Differentiated margins** according to the riskiness of the pledged assets
- **Very low expected loss** (~10 bps)

- Expected growth: **~500mln** per year
- Expected yield in 2018: **~110/120bps**

<sup>(1)</sup> Yield on mortgages net of amortized and hedging costs

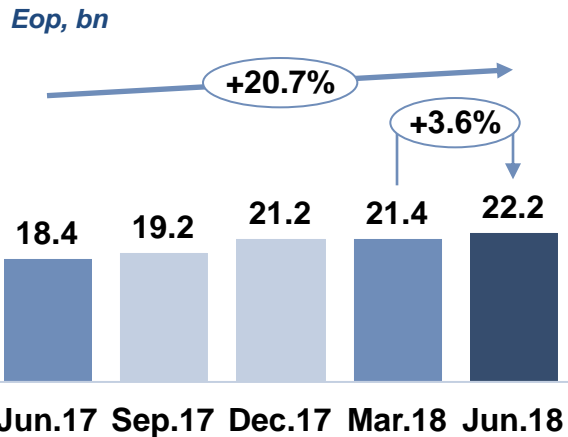
<sup>(2)</sup> Credit Lombard allows to change pledged assets without closing and re-opening the credit line, allowing more flexibility and efficiency

<sup>(3)</sup> with floor at zero

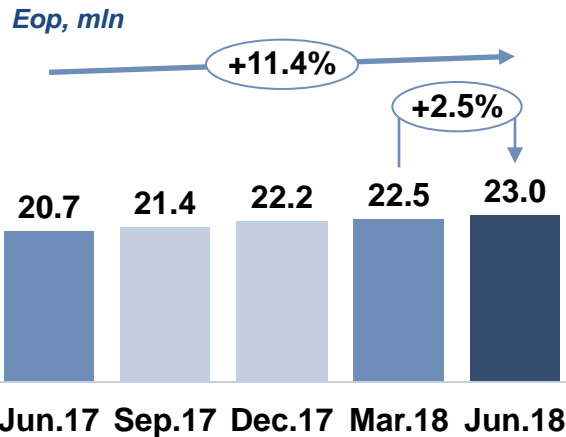
# Initiatives monitoring - Investing Area

Increase network's productivity and Private Banking

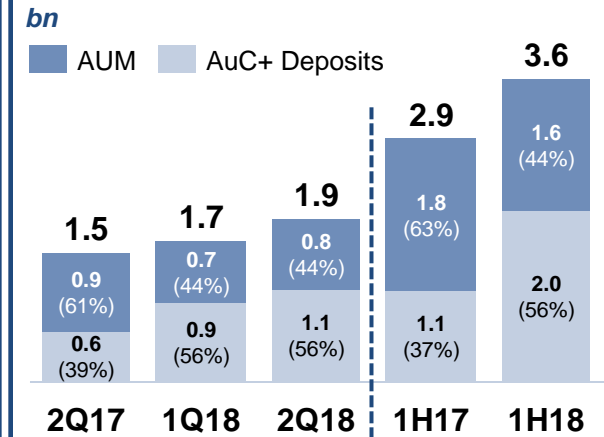
## Guided Products



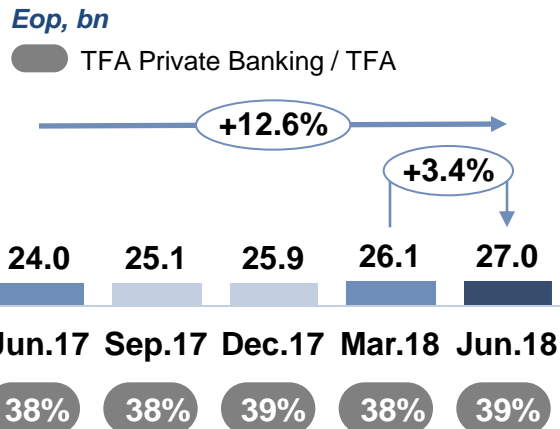
## Average PFAs' portfolio



## Net Sales Mix



## Private Banking Total Financial Assets



- Private Banking area is experiencing a huge growth both in terms of assets and clients. Through Private Banking we want to create a **deeper relationship with the client, combining advanced technology with the unique professional skills of our advisors** to achieve client's life goals
- **Tailor-made solutions, portfolio analysis and monitoring, investment advisory, fund research and selection**



Private Banking: clients with more than € 500k TFA with the Bank

# Fineco Asset Management (1/2)



## Core Series: 6.7bn

(6.55bn Retail + 0.14bn Institutional)

- ✓ **Innovative and modern approach to build portfolios**, thus improving the relationship with clients
- ✓ **Maximum level of diversification and efficiency**
- ✓ **Global oriented**
- ✓ **Daily monitoring of strategies and constant dialogue** with portfolio manager



## Sub-advised funds

- ✓ **First 31 prospectus**, under approval by Central Bank of Ireland, will be released in two phases: first wave during this week and second wave October 2018
- ✓ **Same strategy of original funds**
- ✓ **Full visibility of underlying assets**
- ✓ **Improved risk monitoring**



## New Core Series

- ✓ **First 9 Funds of funds** will be released by year end
- ✓ Funds of funds complementary to existing Core Series, but more focused on single asset class, market or risk profile, **already built with a modern approach combined with both active and passive strategies**
- ✓ **Efficient, rational and tailor made**



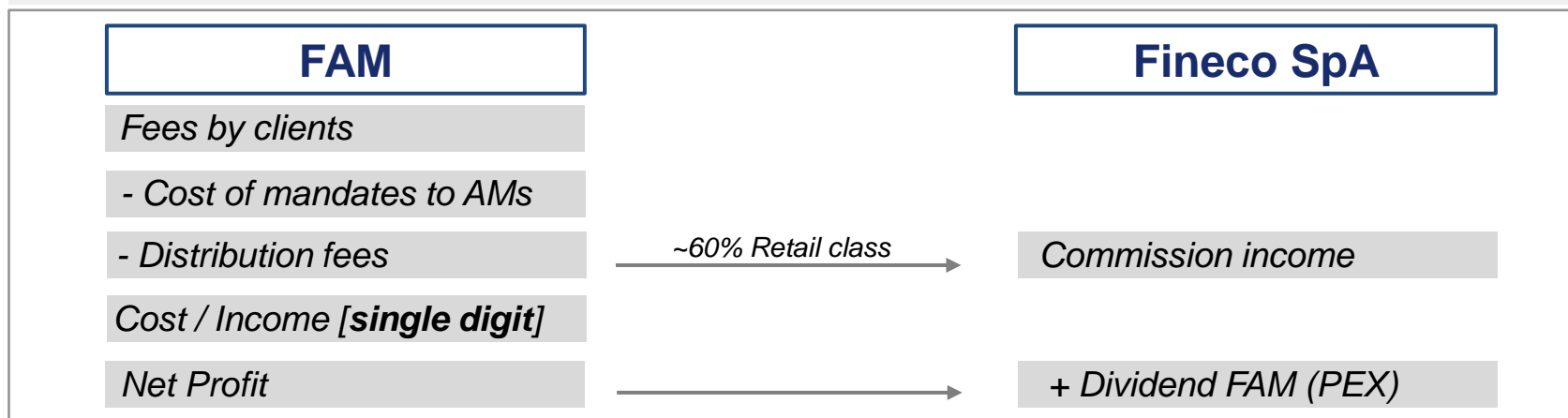
## EFFICIENCIES

- ✓ **Savings** from Core Series internalization
- ✓ **Lower cost of mandate** for sub-advised funds compared with current distribution fees
- ✓ Ireland main hub for asset management allowing us to **outsource some operational activities** in a very efficient way
- ✓ **Additional efficiencies** (establishment costs, marketing costs, fund administration costs)

## Fineco Asset Management (2/2)

- ✓ **FAM will be able to generate several efficiencies** leveraging on a vertically integrated business model combined with the strong operating efficiency which is in Fineco's DNA
- ✓ **Win-win solution for the clients and the Bank:** lower TER for clients, higher margins
- ✓ For this reason, **the potential in terms of volumes is huge** thanks both to new inflows and existing stock transformation. We will leverage on:
  - ✓ a progressive improvement in the asset mix
  - ✓ several initiatives to channel a relevant portion of AUM in FAM (i.e. all innovative solutions will be manufactured in Ireland)

### Simplified interactions



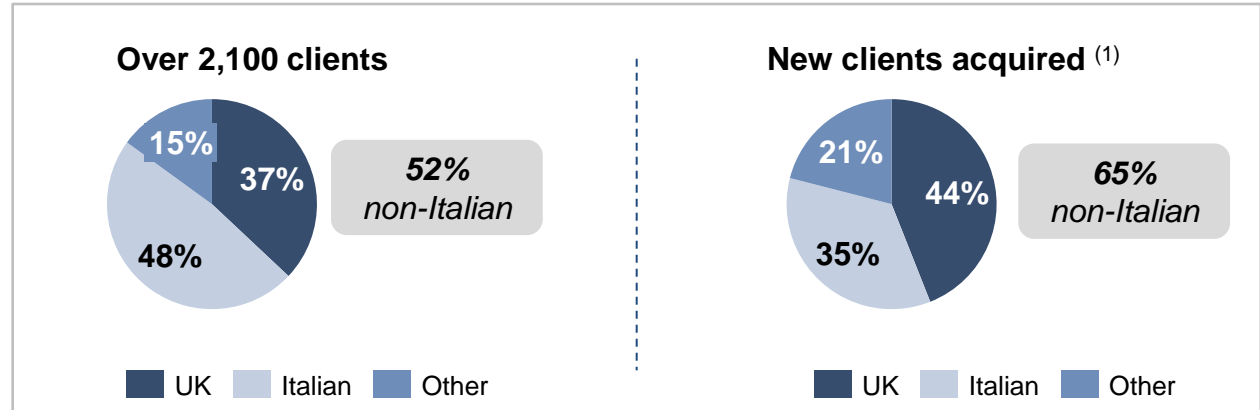
#### UNDERLYING ASSUMPTIONS:

- **Revenue split:** 60% Italy, 40% FAM (Ireland) only Retail class (this assumption will be confirmed by bilateral tax ruling between Italy and Ireland). Institutional Class 100% Ireland

# Further opportunities

## Fineco UK

### Clients: geographical split



- ✓ **Unique positioning** in a highly fragmented market, leveraging on our **one-stop solution**. Among the most competitive players on Multicurrency account, securities and CFDs
- ✓ **Dedicated marketing activities** on the territory (value proposition / selling points and education on brokerage)

## Patent Box

- ✓ We applied in 2015 for **intellectual properties** (our platforms internally created and developed) and trademark
- ✓ We are currently **in talks with Italian Fiscal Authority**, which is quantifying the relevant income
- ✓ **Fiscal benefits are for 5 years**: 2015, 2016, 2017, 2018 and 2019 as the regime is characterized by a five year lock-in period. **Intellectual properties are renewable** according to international guidelines

(1) New clients acquired starting from May 1<sup>st</sup>, 2018



# P&L

<i>mln</i>	1Q17	2Q17	3Q17	4Q17	FY17	1Q18	2Q18	1H17	1H18
Net interest income	63.0	64.3	67.4	70.1	264.8	68.9	68.7	127.3	137.6
Net commissions	64.7	65.0	69.7	70.7	270.1	71.5	74.5	129.7	146.0
Trading profit	13.7	12.3	11.1	11.1	48.2	14.5	13.1	26.0	27.6
Other expenses/income	0.5	-0.8	0.1	3.9	3.8	0.5	0.1	-0.2	0.6
<b>Total revenues</b>	<b>141.9</b>	<b>140.9</b>	<b>148.3</b>	<b>155.8</b>	<b>586.9</b>	<b>155.4</b>	<b>156.4</b>	<b>282.8</b>	<b>311.8</b>
Staff expenses	-19.2	-19.7	-19.8	-20.6	-79.3	-20.5	-21.0	-38.9	-41.5
Other admin.exp. net of recoveries	-39.2	-38.2	-31.1	-35.0	-143.6	-40.8	-37.5	-77.4	-78.3
D&A	-2.3	-2.5	-2.6	-2.9	-10.4	-2.3	-2.5	-4.8	-4.8
<b>Operating expenses</b>	<b>-60.7</b>	<b>-60.4</b>	<b>-53.5</b>	<b>-58.6</b>	<b>-233.2</b>	<b>-63.6</b>	<b>-61.0</b>	<b>-121.2</b>	<b>-124.6</b>
<b>Gross operating profit</b>	<b>81.2</b>	<b>80.4</b>	<b>94.8</b>	<b>97.3</b>	<b>353.6</b>	<b>91.8</b>	<b>95.4</b>	<b>161.6</b>	<b>187.2</b>
Provisions	-2.4	-0.8	-21.0	5.2	-19.0	-1.8	-1.9	-3.1	-3.7
LLP	-0.6	-1.1	-1.6	-2.1	-5.4	-1.3	0.2	-1.7	-1.2
Integration costs	0.0	0.0	0.0	0.4	0.4	0.0	0.0	0.0	0.0
Profit from investments	0.0	-0.4	-1.4	-11.6	-13.4	0.0	5.2	-0.4	5.2
<b>Profit before taxes</b>	<b>78.2</b>	<b>78.2</b>	<b>70.7</b>	<b>89.1</b>	<b>316.3</b>	<b>88.7</b>	<b>98.8</b>	<b>156.5</b>	<b>187.5</b>
Income taxes	-26.5	-25.7	-23.9	-26.0	-102.1	-29.7	-32.6	-52.2	-62.3
<b>Net profit for the period</b>	<b>51.7</b>	<b>52.6</b>	<b>46.8</b>	<b>63.1</b>	<b>214.1</b>	<b>59.0</b>	<b>66.2</b>	<b>104.3</b>	<b>125.2</b>
<b>Normalised Net Income<sup>(1)</sup></b>	<b>51.7</b>	<b>52.6</b>	<b>52.7</b>	<b>61.6</b>	<b>218.5</b>	<b>59.0</b>	<b>66.2</b>	<b>104.3</b>	<b>125.2</b>

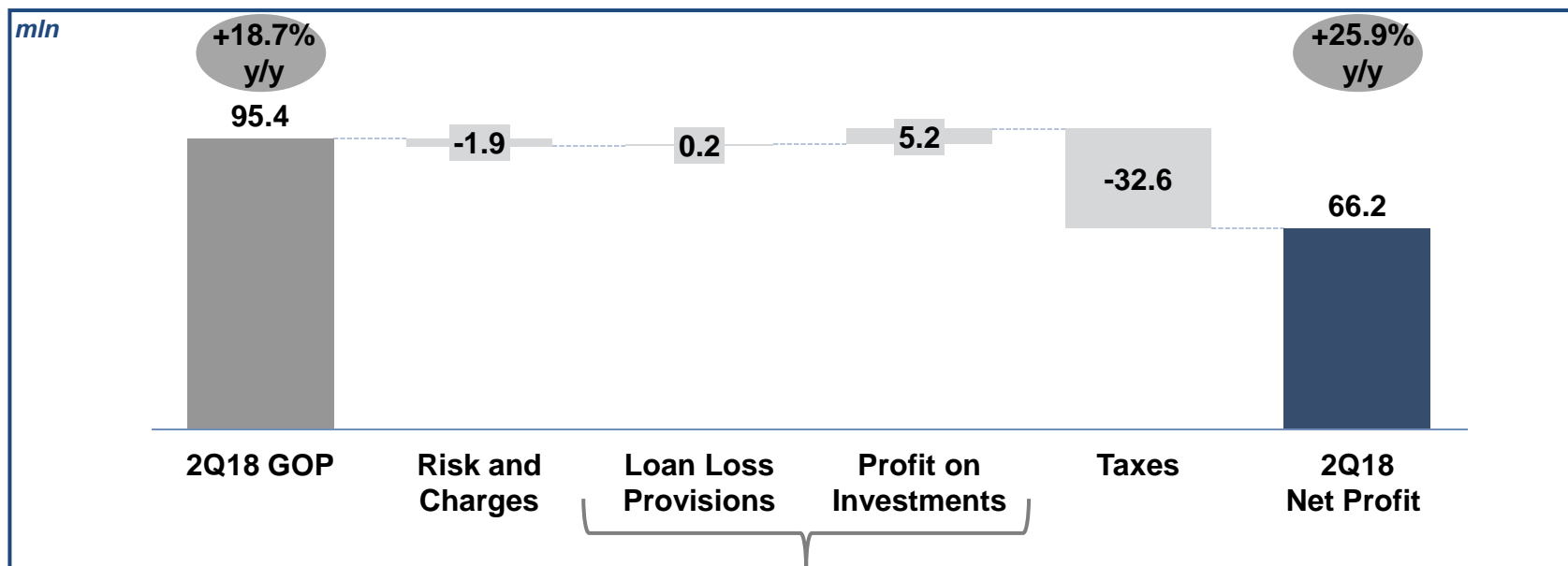
<b>Non recurring items (mln, gross)</b>	1Q17	2Q17	3Q17	4Q17	FY17	1Q18	2Q18	1H17	1H18
<i>Extraord systemic charges (Provisions)<sup>(2)</sup></i>			-7.4	7.4	0.0				
<i>Extraord systemic charges (Profit from investm)<sup>(3)</sup></i>			-1.4	-11.5	-12.9				
<i>Integration costs</i>				0.4	0.4				
<i>Release of taxes</i>				3.9	3.9				
<b>Total</b>	<b>0.0</b>	<b>0.0</b>	<b>-8.8</b>	<b>0.3</b>	<b>-8.5</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

<sup>(1)</sup> Net of non recurring items

<sup>(2)</sup> 3Q17 write-down related to the residual commitment to the Voluntary Scheme moved to Profit from Investment in 4Q17 following the payment.

<sup>(3)</sup> 2017: Voluntary Scheme contribution.

## 2Q18 Gross Operating Profit – Net profit: walk



Following the introduction of IFRS 9, new specific models which draw on the PD, LGD and EAD criteria, as well as the effective interest rate, to calculate the expected loss have been implemented. In this regard, forward-looking information has also been included with the elaboration of specific scenarios. These models are used for calculating value adjustments of all the institutional counterparties, including financial institutions, banks and sovereign counterparties.

In 2Q18 Loan Loss Provisions and Profit on Investments benefitted from model recalibration for loans to banks and in particular from the improvement of UniCredit risk profile (PD). This generated:

- +2.4mln Loan Loss Provisions mainly related to current account with UC
- +5.3mln Profit on Investments, o/w +5.5mln related to UC bond portfolio



# Details on Net Interest Income

<i>mln</i>	1Q17	Volumes & Margins	2Q17	Volumes & Margins	3Q17	Volumes & Margins	4Q17	Volumes & Margins	FY17	Volumes & Margins	1Q18	Volumes & Margins	2Q18	Volumes & Margins	1H17	Volumes & Margins	1H18	Volumes & Margins
Financial Investments	55.4	17,530	55.6	17,864	57.2	18,086	58.2	18,127	226.5	17,902	56.9	18,449	57.5	18,887	111.0	17,697	114.4	18,668
<i>Net Margin</i>		1.28%		1.25%		1.26%		1.27%		1.26%		1.25%		1.22%		1.26%		1.24%
<i>Gross margin</i>	56.3	1.30%	56.7	1.27%	58.5	1.28%	59.6	1.30%	231.1	1.29%	58.6	1.29%	59.7	1.27%	113.0	1.29%	118.3	1.28%
Security Lending	0.7	938	0.6	831	0.5	764	0.3	804	2.0	834	0.2	804	0.2	726	1.3	884.3	0.4	764.5
<i>Net Margin</i>		0.30%		0.30%		0.24%		0.13%		0.24%		0.11%		0.10%		0.30%		0.11%
Leverage - Long	1.9	130	2.2	152	2.6	173	3.0	201	9.6	164	2.7	182	2.7	181	4.0	140.9	5.5	181.9
<i>Net Margin</i>		5.79%		5.76%		5.91%		5.94%		5.87%		6.06%		6.03%		5.77%		6.05%
Lendings	6.6	794	7.5	1,010	8.1	1,261	8.7	1,546	30.9	1,153	9.2	1,854	9.5	2,080	14.1	902.3	18.7	1,966.8
<i>Net Margin</i>		3.36%		2.99%		2.54%		2.24%		2.68%		2.01%		1.84%		3.15%		1.92%
o/w Current accounts	1.7	312	1.8	340	1.9	410	2.2	546	7.7	402	2.4	684	2.6	788	3.5	325.9	5.0	736.1
<i>Net Margin</i>		2.20%		2.13%		1.89%		1.63%		1.92%		1.43%		1.33%		2.17%		1.38%
o/w Cards	1.1	207	1.1	216	1.2	232	1.2	227	4.7	221	1.2	240	1.2	232	2.3	211.8	2.4	236.0
<i>Net Margin</i>		2.22%		2.12%		2.04%		2.13%		2.13%		2.00%		2.05%		2.17%		2.02%
o/w Personal loans	3.7	257	3.9	297	4.0	317	4.1	340	15.8	303	4.3	370	4.4	394	7.6	276.8	8.6	381.6
<i>Net Margin</i>		5.81%		5.34%		5.05%		4.81%		5.22%		4.67%		4.45%		5.56%		4.55%
o/w Mortgages	0.1	18	0.6	158	0.9	301	1.1	432	2.7	227	1.3	560	1.4	666	0.7	87.8	2.7	613.0
<i>Net Margin</i>		1.61%		1.59%		1.15%		1.04%		1.19%		0.96%		0.81%		1.60%		0.88%
Other <sup>(1)</sup>	-1.5		-1.6		-0.9		-0.1		-4.2		-0.1		-1.1		-3.2		-1.3	
<b>Total</b>	<b>63.0</b>		<b>64.3</b>		<b>67.4</b>		<b>70.1</b>		<b>264.8</b>		<b>68.9</b>		<b>68.7</b>		<b>127.3</b>		<b>137.6</b>	
<b>Gross Margin</b>		<b>1.35%</b>		<b>1.34%</b>		<b>1.35%</b>		<b>1.36%</b>		<b>1.35%</b>		<b>1.33%</b>		<b>1.31%</b>		<b>1.34%</b>		<b>1.32%</b>
<b>Cost of Deposits</b>		<b>-0.02%</b>		<b>-0.02%</b>		<b>-0.03%</b>		<b>-0.03%</b>		<b>-0.02%</b>		<b>-0.03%</b>		<b>-0.04%</b>		<b>-0.02%</b>		<b>-0.04%</b>

Volumes and margins: average of the period  
Net margin calculated on real interest income and expenses

(1) Other includes mainly marketing costs

## UniCredit bonds underwritten

	ISIN	Currency	Amount (€ m)	Maturity	Indexation	Spread
1	IT0005010290	Euro	382.5	23-Jul-18	Euribor 1m	2.19%
3	IT0005010357	Euro	382.5	19-Oct-18	Euribor 1m	2.24%
4	IT0005010373	Euro	382.5	18-Jan-19	Euribor 1m	2.29%
5	IT0005010613	Euro	382.5	1-Apr-19	Euribor 1m	0.38%
6	IT0005010282	Euro	382.5	15-Jul-19	Euribor 1m	2.37%
7	IT0005010399	Euro	382.5	14-Oct-19	Euribor 1m	2.40%
8	IT0005010324	Euro	382.5	13-Jan-20	Euribor 1m	2.44%
9	IT0005010365	Euro	382.5	10-Apr-20	Euribor 1m	2.47%
10	IT0005010308	Euro	382.5	9-Jul-20	Euribor 1m	2.49%
11	IT0005010381	Euro	382.5	7-Oct-20	Euribor 1m	2.52%
12	IT0005010332	Euro	382.5	6-Jan-21	Euribor 1m	2.54%
13	IT0005010316	Euro	382.5	6-Apr-21	Euribor 1m	2.56%
14	IT0005010340	Euro	382.5	5-Jul-21	Euribor 1m	2.58%
15	IT0005010225	Euro	382.5	18-Oct-21	Euribor 1m	2.60%
17	IT0005010860	USD <sup>1</sup>	42.9	7-Apr-20	USD Libor 1m	2.66%
18	IT0005158503	USD <sup>1</sup>	42.9	23-Dec-22	USD Libor 1m	1.93%
19	IT0005040099	Euro	100.0	24-Jan-22	Euribor 1m	1.46%
20	IT0005057994	Euro	200.0	11-Apr-22	Euribor 1m	1.43%
21	IT0005083743	Euro	300.0	28-Jan-22	Euribor 1m	1.25%
22	IT0005106189	Euro	230.0	20-Apr-20	Euribor 1m	0.90%
23	IT0005114688	Euro	180.0	19-May-22	Euribor 1m	1.19%
24	IT0005120347	Euro	700.0	27-Jun-22	Euribor 1m	1.58%
25	IT0005144065	Euro	450.0	14-Nov-22	Euribor 3m <sup>2</sup>	1.40%
26	IT0005144073	Euro	350.0	15-Nov-21	Euribor 3m <sup>2</sup>	1.29%
27	IT0005158412	Euro	250.0	23-Dec-22	Euribor 3m <sup>2</sup>	1.47%
28	IT0005163180	Euro	600.0	11-Feb-23	Euribor 3m <sup>2</sup>	1.97%
29	IT0005175135	Euro	100.0	24-Mar-23	Euribor 3m <sup>2</sup>	1.58%
30	IT0005217606	Euro	350.0	11-Oct-23	Euribor 3m <sup>2</sup>	1.65%
31	IT0005241317	Euro	622.5	2-Feb-24	Euribor 3m <sup>2</sup>	1.52%
<b>Total</b>		<b>Euro</b>	<b>9,787.5</b>		<b>Euribor 1m</b>	<b>1.95%</b>
		<b>USD<sup>1</sup></b>	<b>85.8</b>		<b>USD Libor 1m</b>	<b>2.30%</b>
<b>Totale Eur e USD</b>			<b>9,873.3</b>			<b>1.96%</b>

<sup>1</sup> Amounts expressed at EUR/USD 1.1658 exchange rate (as of June 29<sup>th</sup>, 2018)

<sup>2</sup> In order to calculate an average spread on Eur1m, a basis swap of 0.07% is considered

## Details on Net Commissions

<i>mIn</i>	1Q17	2Q17	3Q17	4Q17	FY17	1Q18	2Q18	1H17	1H18
<b>Brokerage</b>	<b>20.3</b>	<b>18.3</b>	<b>16.8</b>	<b>18.0</b>	<b>73.3</b>	<b>20.6</b>	<b>20.1</b>	<b>38.5</b>	<b>40.7</b>
<i>o/w</i>									
Equity	16.7	15.2	13.5	15.2	60.6	17.5	16.4	31.9	33.9
Bond	1.0	0.9	0.7	0.9	3.6	0.8	1.2	1.9	2.0
Derivatives	2.4	2.0	1.9	1.9	8.2	2.5	2.7	4.4	5.1
Other commissions <sup>(1)</sup>	0.1	0.2	0.6	0.0	0.9	-0.1	-0.2	0.3	-0.4
<b>Investing</b>	<b>43.7</b>	<b>44.6</b>	<b>47.1</b>	<b>48.3</b>	<b>183.7</b>	<b>47.1</b>	<b>49.5</b>	<b>88.3</b>	<b>96.6</b>
<i>o/w</i>									
Placement fees	3.1	2.9	2.3	3.2	11.5	2.5	2.4	6.0	5.0
Management fees	45.3	47.4	48.5	50.7	192.0	50.2	53.9	92.8	104.1
to PFA's: incentives	-4.7	-5.7	-3.7	-5.7	-19.9	-4.8	-5.8	-10.5	-10.6
to PFA's: LTI	0.0	0.0	0.0	0.0	0.0	-0.9	-1.1	0.0	-1.9
<b>Banking</b>	<b>0.6</b>	<b>1.9</b>	<b>5.7</b>	<b>4.2</b>	<b>12.4</b>	<b>3.4</b>	<b>4.7</b>	<b>2.6</b>	<b>8.1</b>
<b>Other</b>	<b>0.1</b>	<b>0.2</b>	<b>0.2</b>	<b>0.2</b>	<b>0.7</b>	<b>0.3</b>	<b>0.3</b>	<b>0.4</b>	<b>0.6</b>
<b>Total</b>	<b>64.7</b>	<b>65.0</b>	<b>69.7</b>	<b>70.7</b>	<b>270.1</b>	<b>71.5</b>	<b>74.5</b>	<b>129.7</b>	<b>146.0</b>

Starting from 2018, incentives to PFAs and 2018-2020 LTI to PFAs have been restated among product areas with an even higher incidence to Investing to better reflect the focus of incentives in the asset mix improvement. 1Q18 has been restated accordingly.

<sup>(1)</sup> Other commissions include security lending and other PFA commissions related to AuC

## Revenue breakdown by Product Area

<i>mln</i>	1Q17	2Q17	3Q17	4Q17	FY17	1Q18	2Q18	1H17	1H18
Net interest income	62.0	63.1	65.5	67.3	258.0	67.3	68.4	125.2	135.7
Net commissions	0.6	1.9	5.7	4.2	12.4	3.4	4.7	2.6	8.1
Trading profit	1.9	1.7	1.2	1.3	6.2	1.4	1.5	3.6	2.8
Other	0.1	0.1	0.1	0.0	0.3	0.1	0.2	0.2	0.3
<b>Total Banking</b>	<b>64.7</b>	<b>66.9</b>	<b>72.5</b>	<b>72.9</b>	<b>277.0</b>	<b>72.1</b>	<b>74.8</b>	<b>131.6</b>	<b>146.9</b>
Net interest income	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net commissions	43.7	44.6	47.1	48.3	183.7	47.1	49.5	88.3	96.6
Trading profit	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Total Investing</b>	<b>43.7</b>	<b>44.6</b>	<b>47.1</b>	<b>48.3</b>	<b>183.7</b>	<b>47.1</b>	<b>49.5</b>	<b>88.3</b>	<b>96.6</b>
Net interest income	2.8	3.2	3.4	3.7	13.1	3.2	3.2	6.0	6.4
Net commissions	20.3	18.3	16.8	18.0	73.3	20.6	20.1	38.5	40.7
Trading profit	11.5	10.4	9.7	8.8	40.4	12.4	10.7	21.9	23.2
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Total Brokerage</b>	<b>34.6</b>	<b>31.9</b>	<b>29.9</b>	<b>30.4</b>	<b>126.8</b>	<b>36.3</b>	<b>34.0</b>	<b>66.4</b>	<b>70.3</b>

## Breakdown Total Financial Assets

<i>mln</i>	Mar.17	Jun.17	Sep.17	Dec.17	Mar.18	Jun.18
<b>AUM</b>	<b>30,182</b>	<b>31,059</b>	<b>31,797</b>	<b>33,563</b>	<b>33,536</b>	<b>34,496</b>
o/w Funds and Sicav	24,984	25,461	25,901	26,999	26,666	26,809
o/w Insurance	4,749	5,145	5,431	6,075	6,395	7,043
o/w GPM	9	9	7	7	1	1
o/w AuC + deposits under advisory	440	444	458	483	475	643
<i>o/w in Advice</i>	440	444	458	483	475	477
<i>o/w in Plus</i>	0	0	0	0	0	166
<b>AUC</b>	<b>13,461</b>	<b>13,429</b>	<b>13,884</b>	<b>13,681</b>	<b>13,890</b>	<b>14,366</b>
o/w Equity	7,698	7,817	8,221	8,378	8,573	8,736
o/w Bond	5,695	5,552	5,616	5,284	5,298	5,613
o/w Other	68	60	47	20	20	18
<b>Direct Deposits</b>	<b>18,559</b>	<b>19,139</b>	<b>19,674</b>	<b>19,941</b>	<b>20,624</b>	<b>20,968</b>
o/w Sight	18,504	19,105	19,659	19,931	20,616	20,962
o/w Term	55	34	14	10	7	6
<b>Total</b>	<b>62,202</b>	<b>63,627</b>	<b>65,355</b>	<b>67,185</b>	<b>68,050</b>	<b>69,830</b>
<i>o/w Guided Products &amp; Services</i>	<b>17,470</b>	<b>18,399</b>	<b>19,190</b>	<b>21,227</b>	<b>21,425</b>	<b>22,199</b>
<i>o/w TFA Private Banking</i>	<b>23,255</b>	<b>23,978</b>	<b>25,053</b>	<b>25,886</b>	<b>26,109</b>	<b>26,992</b>

AuC and Deposits under advisory have been reclassified within AuM in order to have a better representation of the advisory nature of Advice and Plus services

## Balance Sheet

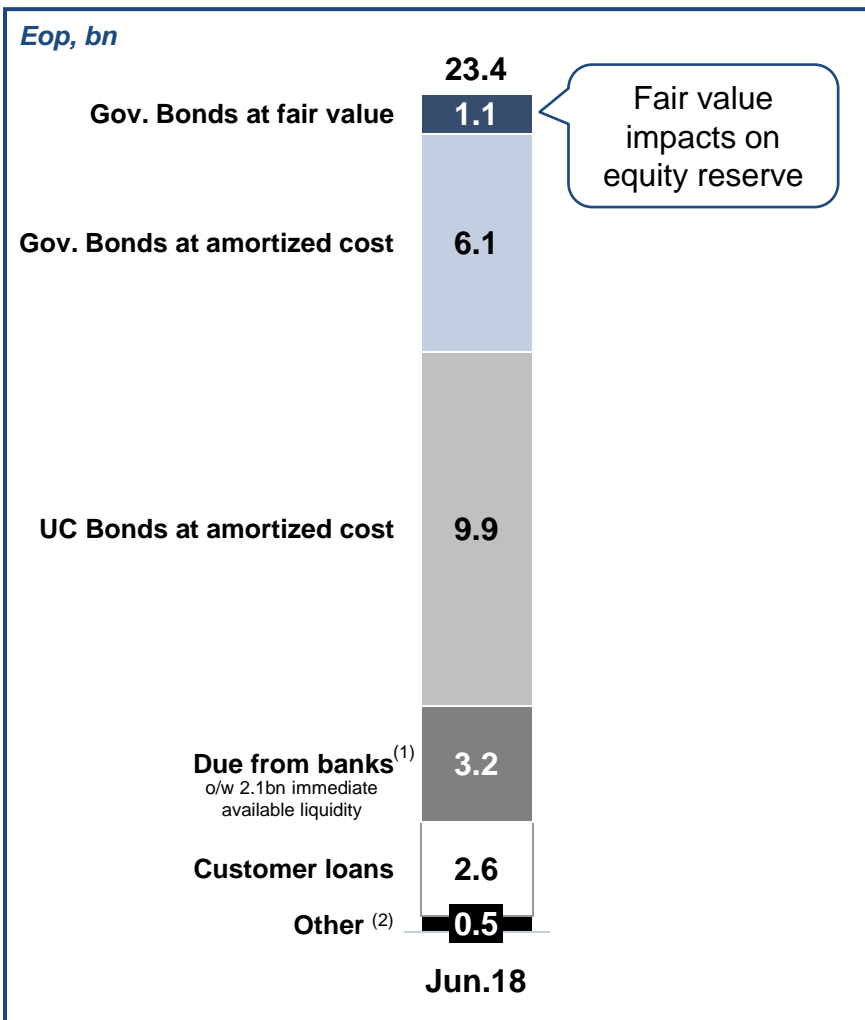
<i>mIn</i>	Mar.17	Jun.17	Sep.17	Dec.17	1st Jan.18	Mar.18	Jun.18
Due from Banks	15,462	14,827	14,293	13,878	3,036	3,488	3,224
Customer Loans	1,166	1,504	1,716	2,129	2,129	2,318	2,633
Financial Assets	3,912	4,770	5,429	5,885	16,733	17,106	17,199
Tangible and Intangible Assets	112	113	113	113	113	112	112
Derivatives	12	15	16	10	0	0	3
Other Assets	262	284	249	326	325	211	254
<b>Total Assets</b>	<b>20,927</b>	<b>21,513</b>	<b>21,815</b>	<b>22,340</b>	<b>22,335</b>	<b>23,235</b>	<b>23,425</b>
Customer Deposits	18,884	19,441	20,008	20,205	20,205	20,916	21,197
Due to Banks	980	930	697	926	926	960	908
Derivatives	17	16	19	9	0	0	2
Funds and other Liabilities	314	506	421	468	476	367	445
Equity	732	621	672	732	729	992	874
<b>Total Liabilities and Equity</b>	<b>20,927</b>	<b>21,513</b>	<b>21,815</b>	<b>22,340</b>	<b>22,335</b>	<b>23,235</b>	<b>23,425</b>

IFRS9: the Bank decided to not disclose comparative data from previous periods, as allowed by new accounting standards.

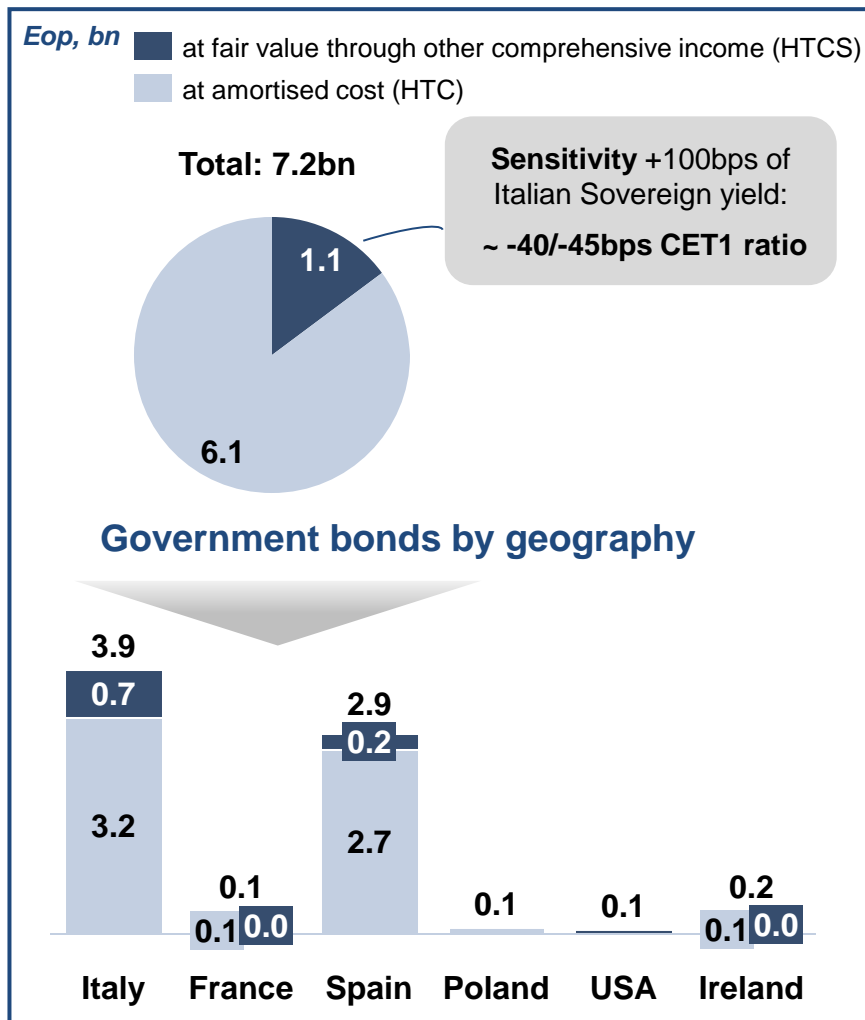
# Total assets: 95% not exposed to volatility

Out of 23.4bn, only 1bn of Assets valued at fair value with limited impacts on Equity reserve

## Total Assets



## o/w Government bonds

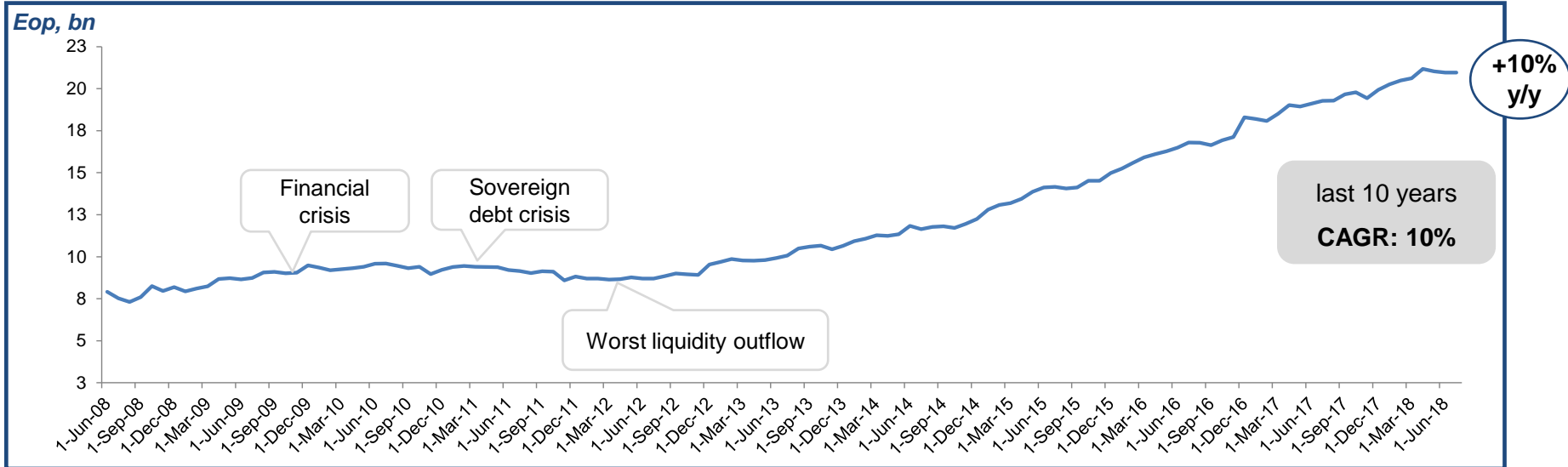


<sup>(1)</sup> Due from banks include 2.1bn current accounts (immediate available liquidity), 1.0bn term deposits, 0.1bn other

<sup>(2)</sup> Other refers to tangible and intangible assets, derivatives and other assets

# High-value deposit base confirms strong resilience over time

## Sight deposits growth



- ✓ **Double-digit deposit growth** throughout the last 10 years (+10% CAGR), with no impacts from 2008 financial crisis and 2011 sovereign debt crisis
- ✓ **Strong resilience during periods of stress/crisis:** 912mln worst liquidity outflow on April 10<sup>th</sup>, 2012
- ✓ **High-value deposit base:** most of our deposits is transactional liquidity. Customer rate: zero; cost of funding: 3bps
- ✓ **79% of total sight deposits: core liquidity<sup>(1)</sup> in a stressed scenario** according to clients' behavioral model
- ✓ **Structural trends** in place in Italy combined with **best in class banking platform and high-quality services** will continue to support our deposit growth



# Additional Tier 1

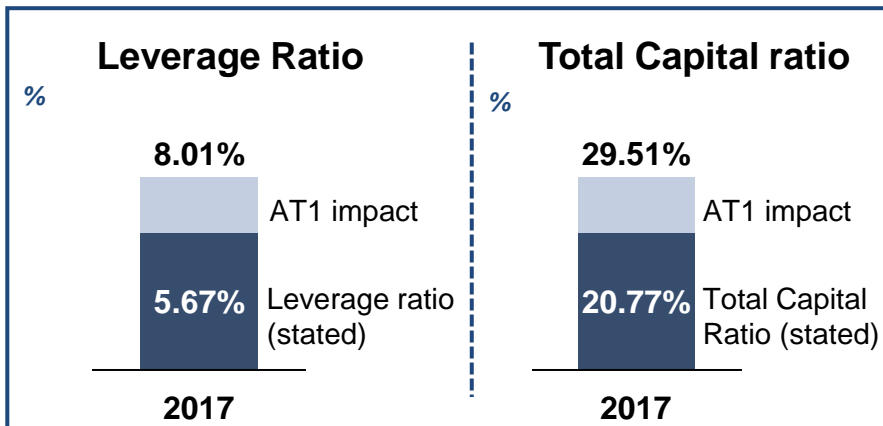
## Details

- Given current favorable market conditions and spread levels, on 23rd January, 2018 the Bank issued a **€200mIn** perpetual AT1
- Coupon fixed at **4.82%** for the initial **5.5 years**
- **Intra-group private placement**, fully subscribed by UniCredit SpA
- **Semi-annual coupon**. First Interest Payment Date on June 3<sup>rd</sup>, 2018 (short first coupon): 2.1mIn net of taxes
- Net coupon will impact directly Equity reserves (~6.5mIn net of taxes per year)

## Benefits

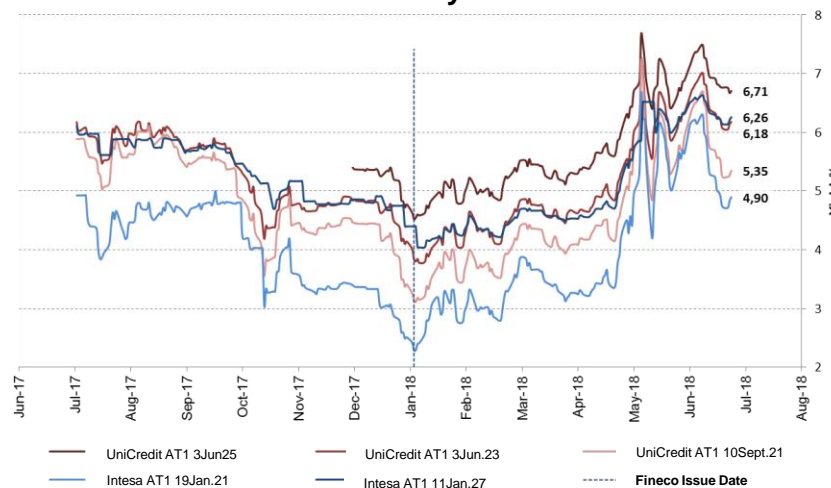
- **Sustain a more diversified investment strategy** through the non-renewal of UC Bonds run-offs and the progressive increase of European Govies
- **Leverage Ratio evolution in a comfortable zone**, even by further diversifying the investment portfolio
- **Several benefits** came from intra-group private placement, both in terms of effective costs savings and faster issuance process, allowing the Bank to maximize the benefits of the deal

## Key ratios pro-forma<sup>(1)</sup> with AT1 issue



<sup>(1)</sup> Ratios transitional. Total Capital ratio assuming 2017 dividend of 28.5 € cents per share.

## UniCredit and Intesa AT1 yield at first call date



# Main Financial Ratios

	Mar.17	Jun.17	Sep.17	Dec.17	Mar.18	Jun.18
<b>PFA TFA/ PFA (mln) <sup>(1)</sup></b>	<b>20.2</b>	<b>20.7</b>	<b>21.4</b>	<b>22.2</b>	<b>22.5</b>	<b>23.0</b>
<b>Guided Products / TFA <sup>(2)</sup></b>	<b>28%</b>	<b>29%</b>	<b>29%</b>	<b>32%</b>	<b>31%</b>	<b>32%</b>
<b>Cost / income Ratio <sup>(3)</sup></b>	<b>42.8%</b>	<b>42.8%</b>	<b>40.5%</b>	<b>39.7%</b>	<b>41.0%</b>	<b>40.0%</b>
<b>CET 1 Ratio</b>	<b>22.2%</b>	<b>22.1%</b>	<b>20.7%</b>	<b>20.8%</b>	<b>20.2%</b>	<b>20.7%</b>
<b>Adjusted RoE <sup>(4)</sup></b>	<b>39.5%</b>	<b>39.3%</b>	<b>39.0%</b>	<b>40.3%</b>	<b>35.1%</b>	<b>36.9%</b>
<b>Leverage Ratio <sup>(5)</sup></b>	<b>7.89%</b>	<b>6.79%</b>	<b>5.95%</b>	<b>5.67%</b>	<b>7.15%</b>	<b>6.51%</b>

<sup>(1)</sup> PFA TFA/PFA: calculated as end of period Total Financial Assets related to the network divided by number of PFAs eop

<sup>(2)</sup> Calculated as Guided Products eop divided by Total Financial Assets eop

<sup>(3)</sup> C/I ratio net of non recurring items (see page 31) calculated as Operating Costs divided by Revenues net of non recurring items

<sup>(4)</sup> Adjusted RoE: annualized Net Profit, net of non recurring items (see page 31) divided by the average book shareholders' equity for the period (excluding dividends expected to be distributed and the revaluation reserves)

<sup>(5)</sup> Leverage ratio based on CRR definition, according to the EC Delegated Act 2015/62 regarding the exclusion of intra-group exposure

# Fineco Asset Management - FAM (1/2)

## FAM products and expected efficiencies

Products	Destination
<b>1 NEW FAM FUNDS OF FUNDS:</b>	
<b>BUILDING BLOCKS</b> (Institutional class)	<b>insurance wrappers</b> (Core Unit, Advice Unit, etc.)
<b>BUILDING BLOCKS</b> (Retail class)	<b>à la carte or in portfolio solutions</b> (Advice, Stars)
<b>2 SUB-ADVISED FUNDS WITH PREFERRED PARTNERS:</b>	
<b>SINGLE FUNDS</b> (Institutional class)	<b>New FAM funds of funds + Core Series</b>
<b>SINGLE FUNDS</b> (Retail class)	<b>à la carte, portfolio solutions</b> (Advice, Stars)
<b>3 CORE SERIES</b>	

### Efficiency on margins

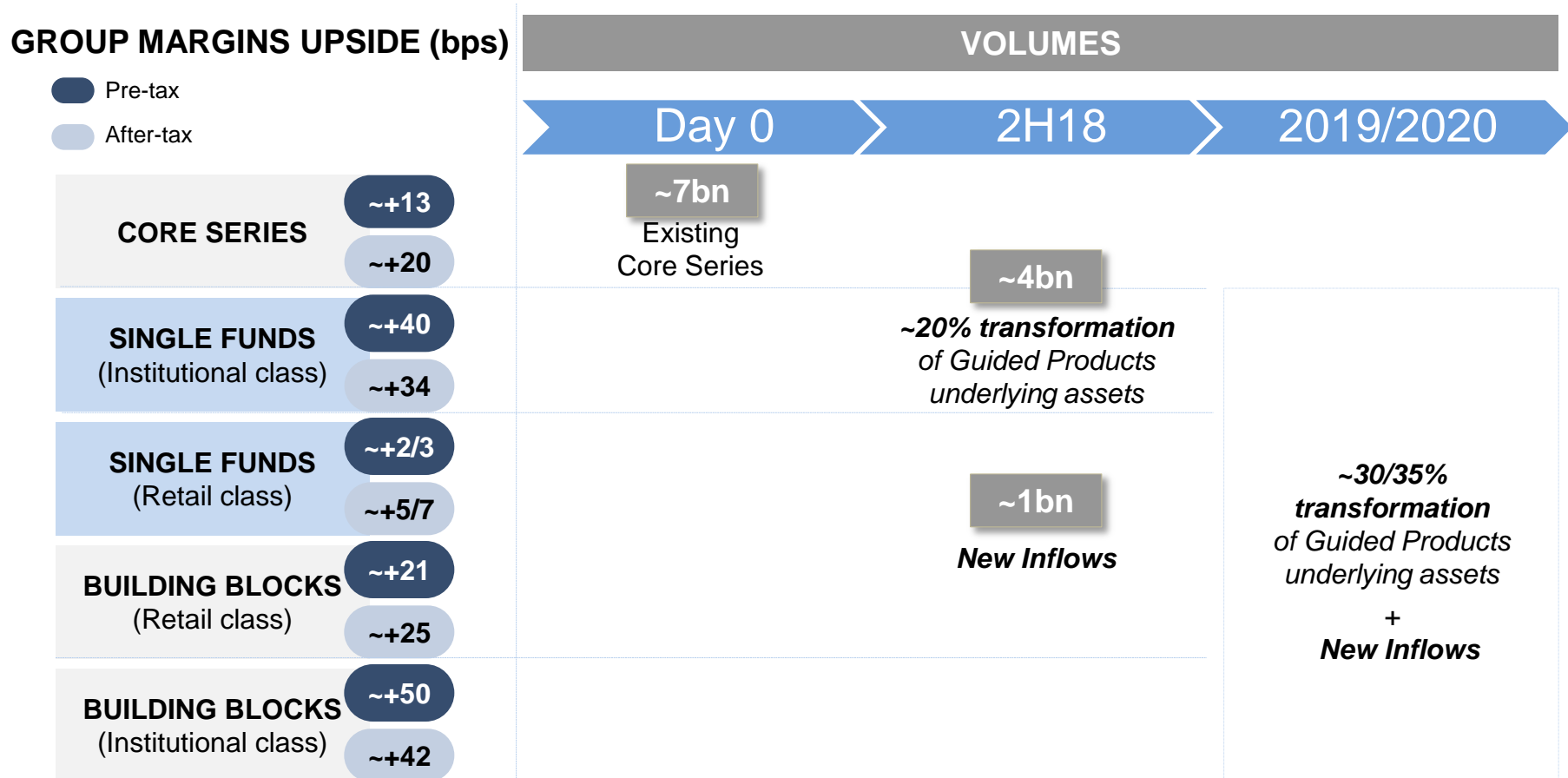
- **Savings** coming from Core Series internalization
- **Lower cost of mandate** (sub-advised funds) compared with current distribution fees

### Operational efficiency

- Ireland main hub for asset management allowing us to **outsource some operational activities** in a very efficient way
- **Additional efficiencies** (establishment costs, marketing costs, fund administration costs)
- Expected **annual Operating Costs: ~5mIn**

# Fineco Asset Management - FAM (2/2)

Potential Upside: relevant and recurring improvement in our profitability



**UNDERLYING ASSUMPTIONS:**

- Revenue split: 60% Italy, 40% FAM (Ireland) only Retail class. Institutional Class 100% Ireland
- Dividend payout FAM to Fineco SpA: 100%

# Cooperative Compliance Scheme:

FinecoBank admitted in the Cooperative Compliance Scheme with the Revenue Agency



In July 2017, **FinecoBank** has been admitted to the **Cooperative Compliance Scheme**<sup>(1)</sup>, which allows the Bank to take part to a register of taxpayers (published on the Revenue Agency's official website) **operating in full transparency with the Italian tax Authorities**. This is a fundamental milestone for our Bank

Until now, **only 5 companies** have been admitted in Italy: Fineco, UniCredit, Leonardo, Ferrero, Prada and BPER (Banca Popolare dell'Emilia Romagna)

## Key requirements to be admitted:

- ✓ **subjective and objective requirements** (resident legal entities with specific sizing thresholds)
- ✓ **effective system in place for identifying, measuring, managing and controlling tax risk** in line with the "essential" requirements of the *Tax Control Framework* envisaged by law, Revenue Agency ordinances and by the OECD documents published on the subject

## Several advantages:

- ✓ closer relationship of **trust and cooperation** with the Revenue Agency
- ✓ **Increase of the level of certainty on significant tax issues** under conditions of full transparency
- ✓ **agreed and preventive risk assessment** of situations likely to generate tax risks
- ✓ **fast track ruling**