FINECO
BANK

CONSOLIDATED FIRST HALF FINANCIAL REPORT AS AT JUNE 30 **2019**

FINECO. SIMPLIFYING BANKING.

FinecoBank S.p.A.
Consolidated First Half Financial Report as at June 30, 2019

Contents

Board of Directors, Board of Statutory Auditors and External Auditors

	Board of Directors
Enrico Cotta Ramusino	Chairman
Francesco Saita	Vice Chairman
Alessandro Foti	Chief Executive Officer and General Manager
Elena Biffi Gianmarco Montanari Maria Chiara Malaguti Maurizio Santacroce Patrizia Albano	Directors
	Board of Statutory Auditors
Elena Spagnol	Chairman
Barbara Aloisi Marziano Viozzi	Standing Auditors
Federica Bonato Gianfranco Consorti	Alternate Auditors
Deloitte & Touche S.p.A.	**External Auditors**
Lorena Pelliciari	**Nominated Official in charge of drawing up Company Accounts**

Ms Manuela D'Onofrio, non executive Director of the Company, resigned with effect as of May 10th, 2019, following the exit of FinecoBank from UniCredit Banking Group.

Registered office

Piazza Durante 11, 20131 Milan, Italy

"FinecoBank Banca Fineco S.p.A."
in abbreviated form "FinecoBank S.p.A.", or "Banca Fineco S.p.A." or "Fineco Banca S.p.A.". FinecoBank is a trademark licensed for use by FinecoBank S.p.A.
Parent Company of the Gruppo Bancario Fineco, Register of Banking Groups no. 3015, Member of the National Guarantee Fund and National Interbank Deposit Guarantee Fund
Tax Code and Milan-Monza-Brianza-Lodi Companies Register no. 01392970404 – R.E.A. (Economic and Administrative Index) no. 1598155, VAT No. 12962340159

Introduction to the Consolidated First Half Financial Report

This Consolidated first half financial report as at June 30, 2019 of FinecoBank Banca Fineco S.p.A. (hereinafter, FinecoBank or Fineco or Bank) has been prepared in accordance with Article 154-ter, paragraph 2 of Legislative Decree No.58 of February 24, 1998; it includes:

- the **Consolidated Accounts of the Condensed Interim Financial Statements,** prepared in accordance with the recognition and measurement criteria set out in the international accounting standards IAS/IFRS issued by the International Accounting Standards Board (IASB) and approved by the European Commission and, in particular, in compliance with the international accounting standard applicable to interim reporting - IAS 34; these consolidated accounts are presented with a comparison with those of 2018: as envisaged by IAS 34, the balance sheet figures have been compared with those as at December 31, 2018, while the income statement, statement of comprehensive income, statement of changes in shareholders' equity and cash flow statement have been compared with the corresponding figures for the first half of the previous year reported in the Consolidated first half financial report as at June 30, 2018;
- the **Notes to the accounts**, which include, in addition to the detailed information required by IAS 34, reported using the same tables as in the annual financial statements, the additional information required by Consob and those that are deemed useful to provide a true representation of the company situation;

and is accompanied by:

- the **Consolidated Interim Report on Operations**, which includes the condensed accounts, comments on the results for the half-year and on significant events, as well as the additional information required by Consob;
- the **Certification of the Consolidated condensed half-year financial statements pursuant to Article 81-ter of Consob Regulation no. 11971 of May 14, 1999 and subsequent amendments**.

Any lack of correspondence between the figures shown in the Consolidated Interim Report on Operations and the Condensed interim consolidated financial statements is solely due to roundings.

It should be noted that the Consolidated Accounts of the Condensed Interim Financial Statements as at June 30, 2019 were prepared by referring to the instructions on the financial statements of the banks pursuant to Circular 262 of 22, December 2005 "Banking financial statements: schedules and rules compilation" and subsequent updates of the Bank of Italy. In particular, reference was made to provisions provided for in the 6th update of November 30, 2018 which incorporates the international accounting standard IFRS 16 "Leasing", as well as the consequent changes introduced in other international accounting standards.

The Bank has applied the provision provided for in paragraph C5 b) of IFRS 16 and paragraphs E1 and E2 of IFRS 1 "First-Time Adoption of International Financial Reporting Standards", according to which - without prejudice to the retrospective application of the new measurement rules and representation required by the standard - there is no obligation to restate the values of previous years (comparative values) in the FTA financial statements. The related methodology and operational choices made during the transition to the new standard and the disclosure regarding the reconciliation between data in the last approved financial statements and the opening balances of the first financial statements drawn up applying the new accounting standard, have set forth in section 5. "Other matters – Transition to IFRS 16 Leasing" of these Notes to the accounts. The tables in the Notes to the accounts have also been modified in accordance with the provisions of the 6th update of Circular 262.

Please note that in the condensed financial statements presented in the Consolidated Interim Report on Operations, for which reference should be made to the " Reconciliation of condensed consolidated accounts to mandatory reporting" reported in the Annexes, in the "Consolidated balance sheet - Quarterly data" scheme, the situation as at January 01, 2019 has been presented following the first application (First Time Adoption) of IFRS 16.

It should be noted that on 7 May 2019 UniCredit S.p.A. and FinecoBank S.p.A. announce that their respective Boards of Directors approved certain actions and procedures to be implemented by UniCredit S.p.A. and FinecoBank, in order to allow FinecoBank to operate as a fully independent entity from a regulatory, liquidity and operational standpoint, also potentially outside the UniCredit Group in the future, considering that at the same date FinecoBank enjoys limited synergies with the rest of the UniCredit Group.

On 8 May 2019 UniCredit S.p.A. announced that it has successfully completed the accelerated bookbuilding procedure for the sale to institutional investors of ca. 103.5 million ordinary shares held in FinecoBank, corresponding to ca. 17 percent of the Bank's existing share capital, whose settlement took place on May 10, 2019. UniCredit S.p.A. it also undertook a commitment not to dispose of the remaining shares of FinecoBank for a period of 120 days from the settlement date of the transaction, consequently may not, during this lock-up period and with certain exceptions in line with market practice, implement any deed of disposal of FinecoBank shares without the prior consent of J.P. Morgan and UBS Investment Bank on behalf of the Joint Bookrunners.

As a result of the aforementioned regulation, holding a minority stake in the Bank (equal to about 18 per cent of the share capital) and having renounced the exercise of the administrative rights provided for in Article 2364 of the Italian Civil Code, UniCredit S.p.A. announced that FinecoBank, and consequently its subsidiary Fineco Asset Management DAC (hereinafter, Fineco AM), was no longer part of the scope of the UniCredit Group starting on the same day.

On 8 July 2019 UniCredit S.p.A. has announced the launch of a placement of the remaining ordinary shares holding in FinecoBank, representing ca. 18.3 per cent of the Bank's share capital at that date, through an accelerated bookbuilding addressed to certain categories of institutional investors.

In relation to the transaction, J.P. Morgan and UBS Investment Bank, after consulting UniCredit Corporate & Investment Banking, as Joint Bookrunners of the offer dated May 8, 2019, waived the lock-up commitment undertaken by UniCredit S.p.A..

On 9 July 2019 UniCredit S.p.A. has announced the successful completion of the accelerated bookbuild offering to institutional investors of approximately 111.6 million existing ordinary shares in FinecoBank S.p.A., at a price of € 9.85 per share, with the settlement scheduled for July 11, 2019.

Finally, it should be noted that starting from the above date, the Bank is required to prepare the report relating to the Own Funds and the supervisory ratios on a consolidated basis as Parent Company of the FinecoBank Banking Group.

Consolidated interim report on operations and Notes to the accounts

Consolidated interim report on operations

Summary data

FinecoBank is a multi-channel direct bank and one of the most important FinTech banks in Europe. It has one of the largest networks of personal financial advisors in Italy and is the leader in Italy for equity trades. The Bank offers an integrated business model combining direct banking and financial advice. With a single account including a full range of banking, credit, trading and investment services, which are also available through applications for smartphone and tablet.

FinecoBank is listed on the Milan Stock Market and has been on Borsa Italiana's FTSE Mib index since April 1, 2016. On March 20, 2017, the stock became part of the STOXX Europe 600 Index. On 4 July 2019 S&P Global Ratings has assigned a long-term rating 'BBB' and a short-term rating 'A-2' to the Bank, both with negative outlook. The negative outlook mirrors the one on the Republic of Italy.

FinecoBank is on the Standard Ethics Italian Banks Index© and the Standard Ethics Italian Index (comprising the largest 40 companies listed on the Borsa Italiana FTSE-MIB), one of the leading performance indexes and a benchmark for environmental, social and governance concerns. In June 2019, Standard Ethics confirmed the Bank's rating, EE, considered a full "investment grade" by who are increasingly attracted to sustainable businesses and companies with a lower reputational risk profile and strong prospects for long-term growth.

In first half 2019, total financial assets (direct and indirect) from customers amounted to €75,892 million, up 9.5% on €69,333 million at the end of 2018. The "Guided products & services" shows an incidence with respect to the assets under management equal to 68.86%, an increase compared to 66.81% at December 31, 2018.

Net sales came to €3,334 million in first half 2019 (-7.3% y/y), despite the complex market situation; the net sales of assets under management came to €1,419 million, assets under custody came to €140 million and direct deposits came to €1,775 million. Net sales of "Guided Products & Services" came to €1,602 million (+13.1% y/y).

In first half 2019, net sales through the network of Personal Financial Advisors totalled €2,910 million (-10.1% y/y). Total financial assets (direct and indirect) as at 30 June 2019 amounted to €65,754 million (+9.8 y/y).

The TFA related to Private Banking clients, i.e. with assets above €500,000, totalled €29,970 million, equals to 39% of total TFA of the Bank.

In first half 2019, €109 million in personal loans and €171 million in mortgages were granted, and €451 million in current account overdrafts was arranged, with an increase in exposures in current account of €150.7 million; this has resulted an overall 9.7%[1] aggregate increase in loans to customers compared to 31 December 2018. Credit quality remains high, with a cost of risk at 13 bp, driven by the principle of offering credit exclusively to existing customers, making use of specialist tools to analyse the bank's vast information base. The cost of risk is structurally contained and fell further thanks also to the effect of new loans, which are mainly secured and low-risk. The ratio between impaired loans and total loans to ordinary customers was 0.11% (0.11% as at December 31, 2018).

The total number of customers as at 30 June 2019 was 1,318,214, up 3.2% compared to 31 December 2018. Customers continue to reward Fineco's transparent approach, high quality and comprehensive range of financial services as represented through the "one-stop solution" concept.

The net profit for the period amounted to €134,1 million, with an increase of 7.1% on the same period of the previous year. The cost/income ratio amounted to 40.1%, in line with June 30, 2018 (39.97%), confirming the operating efficiency of the Bank and the spread of the company culture on controlling costs. The first half 2019 results reflect the Bank's sustainability and the strength of its business model, capable of generating profits in all market conditions. The net profit of the period net of the non-recurring items booked in the first half 2019[2] should be equal to €137,3 million, up 9.7% compared to the first half 2018 net profit.

It should be noted that during the first half of 2019, write-backs of approximately €8.8 million were recognized relating to exposures to the Unicredit S.p.A., mainly represented by debt securities, current accounts and time deposits accounted in "Financial assets at amortized cost". These write-backs, recorded in Net income from investments for €6.5 million and Net impairment losses on loans and provisions for guarantees and commitments for €2.3 million, are due both to the decrease in exposures and to the improvement in the profile of counterparty risk thanks to the financial guarantee issued by the former Parent Company Unicredit S.p.A. in favor of the Bank at the same time as the exit from the scope of consolidation of UniCredit Group (for more details, see "Relevant events during the period"). It should be noted that already in the first half of 2018 the Bank had recorded writebacks on debt securities issued by UniCredit S.p.A. and accounted in "Financial assets at amortized cost" for approximately €5.7 million, in relation to the decrease in exposures and the improvement of their risk profile.

The Bank's offering is split into three integrated areas of activity: (i) banking, including current account and deposit services, payment services, and issuing debit, credit and prepaid cards, mortgages and personal loans; (ii) brokerage, providing order execution services on behalf of customers, with direct access to major global equity markets and the ability to trade CFDs (on currencies, indices, shares, bonds and commodities), futures, options, bonds, ETFs and certificates; (iii) investing, including the asset management activity carried out by the subsidiary Fineco AM, thanks to the vertically integrated business model, placement and distribution services of more than 6,191 products, including mutual funds and SICAV sub-funds managed by 72 leading Italian and international investment firms, insurance and pension products, as well as investment advisory services through a network, as at June 30, 2019, of 2,566 personal financial advisors.

[1] Loans receivable with ordinary customers include solely to loans granted to customers (current account overdrafts, credit cards, personal loans, mortgages and unsecured loans).

[2] Change in fair value of the exposure in equity securities versus the Voluntary Scheme established by the Interbank Fund for the Protection of Deposits for an amount of -€4.8 million (-€3.2 million net of the tax effect).

Relevant events of the period

On 31 January 2019, FinecoBank completed the headquarters acquisition from Immobiliare Stampa S.C.p.A. (controlled by Banca Popolare di Vicenza), the ownership of the building, designated for offices use and related accessories, which establishes the registered office of the Bank located in Milan, Piazza Durante 11, partially rented until that date. The transaction was completed with a price of the deal of €62 million and it represents, in addition to taxes and initial direct costs, the carrying amount of the property booked in the financial statements.

As previously mentioned, on 10 May 2019 UniCredit S.p.A. has announced that it has completed the regulation of the Offer connected with the sale of ca. 103.5 million ordinary shares held in FinecoBank. As a result of the aforementioned regulation, holding UniCredit S.p.A. a minority stake in the Bank (equal to about 18 per cent of the share capital) and having renounced the exercise of the administrative rights provided for in Article 2364 of the Italian Civil Code, UniCredit S.p.A. announced that FinecoBank, and consequently its subsidiary Fineco Asset Management DAC, was no longer part of the scope of the UniCredit Group starting on the same day.

The exit from the UniCredit Group and, therefore, the complete independence of the Bank allows it to fully concentrate on its strategic development and on its own prospects for autonomous growth. This has no implications for its business model or its customers and, moreover, it does not entail any significant impact on its profitability. With regard to impacts on its capital profile, please refer to the paragraph “Own funds and capital ratios”

At the same time as the deconsolidation of FinecoBank from the UniCredit Group took place on 10 May 2019, FinecoBank and UniCredit S.p.A. have entered into a contract (Pledge Agreement) which provides for the granting by UniCredit S.p.A. of financial guarantees in favor of FinecoBank aimed at guaranteeing credit risk exposures represented by UniCredit bonds, until their natural expiry, from current accounts, until the end of 2019, and from the financial guarantees issued by FinecoBank in favor of the Agency of Enter at the request of UniCredit S.p.A., until they are completely extinguished. These guarantees, which at June 30, 2019 are represented by securities issued by sovereign States, mainly Italian government securities, meet the requirements of the applicable legislation to be eligible in the context of credit risk mitigation techniques (CRM), with consequent reduction of risk-weighted assets and exposure for large exposures of the Bank.

Notwithstanding full business, regulatory and operational independence, UniCredit S.p.A. and FinecoBank have also agreed that FinecoBank would, under the existing trademark license agreement, be allowed to carry on the use of certain words and figurative marks containing the term “Fineco” which are owned by UniCredit S.p.A.. The new agreement will continue at the previous conditions – to allow FinecoBank to continue the use of its recognized brand – and will include the option for FinecoBank to buy the brand in the future (at a number of given call option windows up to 2032). UniCredit S.p.A. will also continue to provide, certain services to FinecoBank for a certain amount of time in line with the current operations and terms, for example ATMs and physical branches (extended for 20 years) and administrative services.

On 4 July 2019 the Board of Directors has authorised the issuance, by the end of 2019, of an Additional Tier 1 instrument (“AT1”), denominated in euros and intended for qualified investors, for a maximum nominal amount of €200 million, to be listed on the unregulated market of the Irish Stock Exchange plc trading as Euronext Dublin. On 8 July 2019, in light of favourable market conditions and the expected interest, the Board of Directors has authorised a possible increase in the amount of the AT1 up to a maximum nominal amount of €300 million, compared to what was already announced on 4 July 2019. At the same date S&P Global Ratings has assigned the rating ‘BB-’ to the AT1 whose potential issuance the Bank was evaluating.

On 11 July 2019 FinecoBank successfully completed the placement of the AT1, its first market issue of Additional Tier 1 instruments targeted at qualified investors, for a total amount of €300 million and a fixed coupon of 5.875% for the first 5 years compared to initial price guidance of 6.5%. This tightening compared to the initial price guidance is one of the most significant seen for this type of instrument, as a result of an overall demand equal to 9 times the offer. The issue recorded an order volume of €2.7 billion, demonstrating recognition of FinecoBank also in the fixed-income segment and allowing the Bank to take advantage of favourable market conditions. The transaction is useful in allowing FinecoBank to be instantly compliant with the Leverage ratio requirement that will be mandatory from 28 June 2021, following the entry into force of Regulation (EU) 876/2019 ("CRR II"). Furthermore, this issuance guarantees the maintenance of a buffer with respect to the minimum requirement prescribed by CRR II. The Leverage ratio at June 30, 2019 pro-forma, recalculated considering the issue of the AT1 and the related transaction costs, is ca. 4%. The pro-forma Tier1 capital ratio and the pro-forma Total capital ratio are ca. 33.9%.

Condensed Accounts

Consolidated balance sheet

(Amounts in € thousand)

ASSETS	AMOUNTS AS AT 06.30.2019	AMOUNTS AS AT 12.31.2018	CHANGES AMOUNTS	CHANGES %
Cash and cash balances	1,230,599	6	1,230,593	n.c.
Financial assets held for trading	7,475	6,876	599	8.7%
Loans and receivables with banks	710,347	3,058,882	(2,348,535)	-76.8%
Loans and receivables with customers	3,408,661	2,955,074	453,587	15.3%
Financial investments	19,912,177	18,231,182	1,680,995	9.2%
Hedging instruments	49,365	8,187	41,178	503.0%
Property, plant and equipment	143,801	16,632	127,169	764.6%
Goodwill	89,602	89,602	-	-
Other intangible assets	8,760	8,705	55	0.6%
Tax assets	3,498	6,714	(3,216)	-47.9%
Other assets	270,368	350,770	(80,402)	-22.9%
Total assets	**25,834,653**	**24,732,630**	**1,102,023**	**4.5%**

(Amounts in € thousand)

LIABILITIES AND SHAREHOLDERS' EQUITY	AMOUNTS AS AT 06.30.2019	AMOUNTS AS AT 12.31.2018	CHANGES AMOUNTS	CHANGES %
Deposits from banks	206,643	1,009,774	(803,131)	-79.5%
Deposits from customers	24,139,699	22,273,188	1,866,511	8.4%
Financial liabilities held for trading	2,413	2,221	192	8.6%
Hedging instruments	84,086	7,941	76,145	n.c.
Tax liabilities	64,779	12,390	52,389	422.8%
Other liabilities	409,355	451,435	(42,080)	-9.3%
Shareholders' equity	927,678	975,681	(48,003)	-4.9%
- capital and reserves	*800,766*	*744,256*	*56,510*	*7.6%*
- revaluation reserves	*(7,202)*	*(9,794)*	*2,592*	*-26.5%*
- net profit	*134,114*	*241,219*	*(107,105)*	*-44.4%*
Total liabilities and Shareholders' equity	**25,834,653**	**24,732,630**	**1,102,023**	**4.5%**

Consolidated balance sheet - Quarterly data

(Amounts in € thousand)

ASSETS	AMOUNTS AS AT 06.30.2019	03.31.2019	01.01.2019	12.31.2018	06.30.2018	12.31.2018
Cash and cash balances	1,230,599	755	6	6	532	1,733
Financial assets held for trading	7,475	9,286	6,876	6,876	12,253	10,871
Loans and receivables with banks	710,347	3,807,150	3,058,882	3,058,882	3,397,576	3,224,477
Loans and receivables with customers	3,408,661	3,029,073	2,955,074	2,955,074	2,735,885	2,632,749
Financial investments	19,912,177	19,003,089	18,231,182	18,231,182	17,665,380	17,188,339
Hedging instruments	49,365	29,166	8,187	8,187	313	2,667
Property, plant and equipment	143,801	144,851	81,208	16,632	14,545	15,036
Goodwill	89,602	89,602	89,602	89,602	89,602	89,602
Other intangible assets	8,760	8,799	8,705	8,705	7,898	7,827
Tax assets	3,498	5,209	6,714	6,714	17,758	10,914
Non-current assets and disposal groups classified as held for sale	-	-	-	-	-	91
Other assets	270,368	253,270	350,346	350,770	240,922	241,054
Total assets	**25,834,653**	**26,380,250**	**24,796,782**	**24,732,630**	**24,182,664**	**23,425,360**

(Amounts in € thousand)

LIABILITIES AND SHAREHOLDERS' EQUITY	AMOUNTS AS AT 06.30.2019	03.31.2019	01.01.2019	12.31.2018	06.30.2018	12.31.2018
Deposits from banks	206,643	1,605,018	1,013,791	1,009,774	999,543	907,794
Deposits from customers	24,139,699	23,310,871	22,333,323	22,273,188	21,827,286	21,196,653
Financial liabilities held for trading	2,413	2,831	2,221	2,221	5,512	4,568
Hedging instruments	84,086	31,741	7,941	7,941	(285)	2,374
Tax liabilities	64,779	38,308	12,390	12,390	48,674	22,038
Other liabilities	409,355	351,542	451,435	451,435	397,621	417,933
Shareholders' equity	927,678	1,039,939	975,681	975,681	904,313	874,000
- capital and reserves	*800,766*	*986,928*	*744,256*	*744,256*	*746,340*	*763,818*
- revaluation reserves	*(7,202)*	*(9,261)*	*(9,794)*	*(9,794)*	*(19,760)*	*(14,997)*
- net profit	*134,114*	*62,272*	*241,219*	*241,219*	*177,733*	*125,179*
Total liabilities and Shareholders' equity	**25,834,653**	**26,380,250**	**24,796,782**	**24,732,630**	**24,182,664**	**23,425,360**

Consolidated income statement

(Amounts in € thousand)

	1st HALF		CHANGES	
	2019	2018	AMOUNT	%
Net interest	141,767	137,646	4,121	3.0%
Dividends and other income from equity investments	25	20	5	25.0%
Net fee and commission income	158,643	145,978	12,665	8.7%
Net trading, hedging and fair value income	17,812	27,618	(9,806)	-35.5%
Net other expenses/income	537	583	(46)	-7.9%
OPERATING INCOME	**318,784**	**311,845**	**6,939**	**2.2%**
Staff expenses	(44,097)	(41,499)	(2,598)	6.3%
Other administrative expenses	(123,742)	(126,931)	3,189	-2.5%
Recovery of expenses	50,817	48,623	2,194	4.5%
Impairment/write-backs on intangible and tangible assets	(10,510)	(4,836)	(5,674)	117.3%
Operating costs	**(127,532)**	**(124,643)**	**(2,889)**	**2.3%**
OPERATING PROFIT (LOSS)	**191,252**	**187,202**	**4,050**	**2.2%**
Net impairment losses on loans and provisions for guarantees and commitments	(146)	(1,156)	1,010	-87.4%
NET OPERATING PROFIT (LOSS)	**191,106**	**186,046**	**5,060**	**2.7%**
Other charges and provisions	(3,836)	(3,699)	(137)	3.7%
Integration costs	-	(4)	4	-100.0%
Net income from investments	5,805	5,158	647	12.5%
PROFIT (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS	**193,075**	**187,501**	**5,574**	**3.0%**
Income tax for the period	(58,961)	(62,322)	3,361	-5.4%
NET PROFIT (LOSS) AFTER TAX FROM CONTINUING OPERATIONS	**134,114**	**125,179**	**8,935**	**7.1%**
PROFIT (LOSS) FOR THE PERIOD	**134,114**	**125,179**	**8,935**	**7.1%**
NET PROFIT (LOSS) ATTRIBUTABLE TO THE GROUP	**134,114**	**125,179**	**8,935**	**7.1%**

Consolidated income statement - Quarterly data

(Amounts in € thousand)

	2019	
	2ND QUARTER	1ST QUARTER
Net interest	71,401	70,366
Dividends and other income from equity investments	13	12
Net fee and commission income	81,282	77,361
Net trading, hedging and fair value income	8,013	9,799
Net other expenses/income	341	196
OPERATING INCOME	**161,050**	**157,734**
Staff expenses	(22,444)	(21,653)
Other administrative expenses	(58,669)	(65,073)
Recovery of expenses	24,227	26,590
Impairment/write-backs on intangible and tangible assets	(5,366)	(5,144)
Operating costs	**(62,252)**	**(65,280)**
OPERATING PROFIT (LOSS)	**98,798**	**92,454**
Net impairment losses on loans and provisions for guarantees and commitments	1,124	(1,270)
NET OPERATING PROFIT (LOSS)	**99,922**	**91,184**
Other charges and provisions	(2,856)	(980)
Integration costs	2	(2)
Net income from investments	6,463	(658)
PROFIT (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS	**103,531**	**89,544**
Income tax for the period	(31,689)	(27,272)
NET PROFIT (LOSS) AFTER TAX FROM CONTINUING OPERATIONS	**71,842**	**62,272**
PROFIT (LOSS) FOR THE PERIOD	**71,842**	**62,272**
NET PROFIT (LOSS) ATTRIBUTABLE TO THE GROUP	**71,842**	**62,272**

(Amounts in € thousand)

	2018			
	4TH QUARTER	3RD QUARTER	2ND QUARTER	1ST QUARTER
Net interest	71,073	69,940	68,742	68,904
Dividends and other income from equity investments	12	10	13	7
Net fee and commission income	81,785	72,680	74,516	71,462
Net trading, hedging and fair value income	5,900	10,721	13,080	14,538
Net other expenses/income	1,680	(350)	96	487
OPERATING INCOME	**160,450**	**153,001**	**156,447**	**155,398**
Staff expenses	(21,905)	(23,202)	(20,966)	(20,533)
Other administrative expenses	(59,323)	(59,247)	(61,464)	(65,467)
Recovery of expenses	22,982	25,162	23,922	24,701
Impairment/write-backs on intangible and tangible assets	(3,132)	(2,456)	(2,497)	(2,339)
Operating costs	**(61,378)**	**(59,743)**	**(61,005)**	**(63,638)**
OPERATING PROFIT (LOSS)	**99,072**	**93,258**	**95,442**	**91,760**
Net impairment losses on loans and provisions for guarantees and commitments	(2,333)	(895)	155	(1,311)
NET OPERATING PROFIT (LOSS)	**96,739**	**92,363**	**95,597**	**90,449**
Other charges and provisions	(1,782)	(15,899)	(1,925)	(1,774)
Integration costs	(115)	(2)	(2)	(2)
Net income from investments	(3,150)	(903)	5,157	1
PROFIT (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS	**91,692**	**75,559**	**98,827**	**88,674**
Income tax for the period	(28,206)	(23,005)	(32,613)	(29,709)
NET PROFIT (LOSS) AFTER TAX FROM CONTINUING OPERATIONS	**63,486**	**52,554**	**66,214**	**58,965**
PROFIT (LOSS) FOR THE PERIOD	**63,486**	**52,554**	**66,214**	**58,965**
NET PROFIT (LOSS) ATTRIBUTABLE TO THE GROUP	**63,486**	**52,554**	**66,214**	**58,965**

Key figures of the consolidated financial statements

Main balance sheet figures

(Amounts in € thousand)

	AMOUNTS AS AT		CHANGES	
	06.30.2019	12.31.2018	AMOUNTS	%
Loans receivable with ordinary customers [1]	2,887,919	2,632,270	255,649	9.7%
Total assets	25,834,653	24,732,630	1,102,023	4.5%
Direct deposits [2]	23,844,306	22,068,931	1,775,375	8.0%
Assets under administration [3]	52,047,810	47,263,709	4,784,101	10.1%
Total customers sales (directa and indirect)	75,892,116	69,332,640	6,559,476	9.5%
Shareholders' equity	927,678	975,681	(48,003)	-4.9%

(1) Loans receivables with ordinary customers refer solely to loans granted to customers (current account overdrafts, credit cards, personal loans, mortgages and unsecured loans).
(2) Direct deposits include overdrawn current accounts and the Cash Park deposit account.
(3) Assets under administration consist of products placed online or through FinecoBank personal financial advisors.

Operating Structure

	DATA AS AT		
	06.30.2019	12.31.2018	06.30.2018
No. Employees	1,176	1,170	1,136
No. Personal financial advisors	2,566	2,578	2,621
No. Financial shops [1]	394	390	384

(1) Number of operating financial shops: financial shops managed by the Bank and financial shops managed by personal financial advisors (Fineco Centers).

Profitability, productivity and efficiency ratios

(Amounts in € thousand)

	DATA AS AT		
	06.30.2019	12.31.2018	06.30.2018
Net interest/Operating income	44.47%	44.56%	44.14%
Income from brokerage and other income/Operating income	55.52%	55.43%	55.85%
Income from brokerage and other income/Operating costs	138.78%	141.03%	139.74%
Cost/income ratio	40.01%	39.30%	39.97%
Operating costs/TFA	0.35%	0.36%	0.37%
Cost of risk	14 bp	24 bp	39 bp
CoR (incentive system)	13 bp	24 bp	31 bp
ROE	32.81%	35.61%	36.96%
Return on assets	1.04%	0.98%	1.07%
EVA (calculated on economic capital)	109,196	194,382	104,089
EVA (calculated on accounting capital)	93,734	167,840	88,841
RARORAC (calculated on economic capital)	35.54%	33.56%	39.89%
RARORAC (calculated on accounting capital)	18.83%	18.52%	19.80%
ROAC (calculated on economic capital)	43.65%	41.65%	47.97%
ROAC (calculated on accounting capital)	26.94%	26.62%	27.90%
Total sales to customers/Average employees	64,699	60,579	61,934
Total customer sales/(Average employees average PFAs)	20,265	18,553	18,664

Key
Income from brokerage and other income: Net fee and commission income, Net trading, hedging and fair value income and Net other expenses/income.

Cost/income ratio: Operating Costs divided by Operating Income.

Operating costs/TFA: ratio of operating costs to Total Financial Assets. The TFA used for the ratio is the average for the period, calculated as the average between the period-end balance and the balance as at the previous December 31. Operating costs as at June 30, 2019 and June 30, 2018 have been annualised.

Cost of risk: is the ratio of Net impairment losses of loans with customers in the last 12 months to loans and receivables with customers (average of the averages of the last four quarters, calculated as the average balance at the end of the quarter and the balance at the end of the previous quarter). The scope only includes loans to commercial customers. The method of calculation for this indicator have been changed starting from the 2019 financial year and the indicators for the year 2018 have been restated for comparative purposes.

CoR (incentive system): is the ratio of Net impairment losses of loans with customers in the last 12 months to loans and receivables with customers (average of the balance at period end and the balance at December 31 of the previous year). The scope of the exposures excludes positions deriving from bonds and advances to personal financial advisors.

ROE: ratio between the net profit and the average book shareholders' equity (excluding dividends and any donations expected to be distributed and the revaluation reserves) for the period (average between the amount of the end of period and the amount of the shareholders' equity as at December 31 of previous year). The net profit (loss) for the period as at June 30, 2019 and June 30, 2018 has been annualised.

Return on assets: ratio of net profit after tax to total assets. The net profit (loss) for the period as at June 30, 2019 and June 30, 2018 has been annualised.

EVA (Economic Value Added): shows the firm's ability to create value; calculated as the difference between net profit, excluding extraordinary charges and related tax effects (integration costs and net profits from extraordinary investments), and the figurative cost of the allocated capital; the latter was calculated using either the greater of the regulatory capital and the economic capital absorbed either using the book value of shareholders' equity (average of single end quarters).

RARORAC (Risk adjusted Return on Risk adjusted Capital): the ratio between EVA (as described above) and the average of the quarters of the year of the allocated capital (calculated with the same methods envisaged for the calculation of the EVA) and expresses in percentage terms the capacity to create value per unit of risk taken.

ROAC (Return on Allocated Capital): the ratio of net operating profit to the average of the quarters of the year of the allocated capital (calculated with the same methods envisaged for the calculation of the EVA).

For the calculation of EVA, RARORAC and ROAC indicators as at June 30, 2019, internal capital is maintained equal to that as at March 31, 2019, the latest available.

Balance sheet indicators

	DATA AS AT	
	06.30.2019	12.31.2018
Loans receivable with ordinary customers/Total assets	11.18%	10.64%
Loans and receivables with banks/Total assets	2.75%	12.37%
Financial assets/Total assets	77.08%	73.71%
Direct sales/Total liabilities and Shareholders' equity	92.30%	89.23%
Shareholders' equity (including profit)/Total liabilities and Shareholders' equity	3.59%	3.94%
Ordinary customer loans/Direct deposits	12.11%	11.93%

	DATA AS AT	
CREDIT QUALITY	06.30.2019	12.31.2018
Non-performing loans/Loans receivable with ordinary customers	0.11%	0.11%
Bad loans/Loans receivable with ordinary customers	0.06%	0.06%
Coverage (1) - Bad loans	90.37%	91.65%
Coverage (1) - Unlikely to pay	70.77%	76.80%
Coverage (1) - Impaired past-due exposures	62.76%	64.60%
Coverage (1) - Total Non-performing loans	85.76%	88.23%

(1) Calculated as the ratio between the amount of impairment losses and gross exposure.

Own funds and capital ratios

	DATA AS AT	
	06.30.2019	12.31.2018 (2)
Common Equity Tier 1 Capital (€ thousand)	550,152	502,713
Total Own Funds (€ thousand)	750,152	702,713
Totale risk-weighted assets (€ thousand)	3,084,038	2,376,033
Ratio - Common Equity Tier 1 Capital	17.84%	21.16%
Ratio - Tier 1 Capital	24.32%	29.58%
Ratio - Total Own Funds	24.32%	29.58%

	DATA AS AT	
	06.30.2019	12.31.2018 (2)
Tier 1 Capital (€ thousand)	750,152	702,713
Exposure for leverage (€ thousand)	25,963,207	12,655,188
Transitional leverage ratio	2.89%	5.55%

(2) The figures as at 31 December 2018 were determined on an individual basis, as on that date FinecoBank was not required to prepare the report relating to own funds and supervisory coefficients on a consolidated basis by virtue of belonging to the UniCredit banking group.

The prudential requirements of the Bank at 30 June 2019 were determined on the basis of the harmonized regulation for banks and investment firms contained in Directive 2013/36/EU (CRD IV) and in Regulation (EU) 575/2013 (CRR) of June 26, 2013 and subsequent Directives/Regulations that modify the content, which transpose the standards defined by the Basel Committee for banking supervision (so-called Basel 3 regulatory framework), collected and implemented by the Bank of Italy through the Circular no. 285 of 17 December 2013 "Supervisory provisions for banks" and subsequent updates.

Key figures of the consolidated financial statements

Own funds as at June, 30 2019 include part of the profit of the first half 2019, allocated to increase the value of the reserves, for an amount equal to 33.4 million euros, calculated on the basis of pay-out ratio of the year 2018, assuming that the conditions set by art. 26, paragraph 2, of EU Regulation 575/2013 (CRR).

With regard to Risk Weighted Assets, it should also be noted that, following the deconsolidation of FinecoBank from the UniCredit Group on 10 May 2019, FinecoBank and UniCredit S.p.A. have entered into a contract (Pledge Agreement) which provides for the granting by UniCredit S.p.A. of financial guarantees in favor of FinecoBank aimed at guaranteeing credit risk exposures deriving from UniCredit bonds, until their natural expiry, from current accounts, until the end of 2019, and from the financial guarantees issued by FinecoBank in favor of the Italian Revenue Agency at the request of UniCredit S.p.A., until they are completely extinguished. These financial guarantees, which at June 30, 2019 are represented by securities issued by sovereign governments, mainly Italian government securities, meet the requirements of the applicable legislation to be eligible in the context of credit risk mitigation techniques (CRM), with consequent reduction of Risk-Weighted Assets and Large exposures, without therefore determining significant changes compared to 31 December 2018 (amount on an individual basis) since, on that date, by virtue of belonging to the UniCredit Group, Risk Weighted Assets towards UniCredit Group companies based in Italy were weighted at 0%. It should be noted, in fact, that the increase in Risk Weighted Assets as of June 2019 is mainly related to the business growth and the increase in regulatory capital requirements related to operational risks. With reference to the increase in regulatory capital requirements related to operational risks, it should be noted that following the deconsolidation from the UniCredit Group, FinecoBank started a process to ask the Supervisory Authority to use a less sophisticated method for determining the regulatory requirement related to operational risk and prudentially, as of June 30, 2019, the requirement was calculated by adopting a Margin of Conservativism (MoC). Moreover, the governance, the safeguards and the reporting framework required by the internal method for measuring the capital requirement (AMA), previously adopted and developed, were maintained.

With reference to the Leverage ratio, it should be noted that the overall exposure as at 31 December 2018 (amount on an individual basis) was calculated excluding exposures to UniCredit group companies based in Italy and weighted to 0% pursuant to art. 113, par. 6 of the CRR, by virtue of FinecoBank's membership of the UniCredit banking group on that date. The Leverage ratio, in fact, is calculated in accordance with the Delegated Regulation EU 2015/62 of 10 October 2014 and by exercising the discretions provided for by the Circular no. 285 of the Bank of Italy, Part Two, Chapter 12, Section III Exercise of national discretions, by virtue of which, exposures to belonging group companies based in Italy and weighted to 0% pursuant to art. 113, par. 6 of the CRR have been excluded in the calculation of the overall exposure, pursuant to Article 429 (7) of the CRR amended by the Delegated Regulation (EU) 2015/62.

In the context of the decision of the Governing Council of the European Central Bank (ECB) regarding the prudential requirements of the Pillar II that UniCredit S.p.A. and its subsidiaries must comply (the Bank at that date was part of UniCredit Group), no additional Pillar II requirements have been requested from FinecoBank. The decision is based on the SREP process (Supervisory Review and Evaluation Process), conducted under the guidance of the ECB. Consequently, for FinecoBank the "Total SREP Capital Requirement" (TSCR) corresponds to the minimum Pillar 1 requirement.

As at 30 June 2019, no SREP was conducted on the Bank after the deconsolidation from UniCredit Group.

The following is a summary of the transitional capital requirements and reserves for FinecoBank required as of June 2019.

REQUIREMENTS	**CET1**	**T1**	**TOTAL CAPITAL**
A) Pillar 1 requirements	4.50%	6.00%	8.00%
B) Pillar 2 requirements	0.00%	0.00%	0.00%
C) TSCR (A+B)	**4.50%**	**6.00%**	**8.00%**
D) Combined Buffer requirement, of which:	2.506%	2.506%	2.506%
1. Capital Conservation Buffer (CCB)	2.500%	2.500%	2.500%
2. Institution-specific Countercyclical Capital Buffer (CCyB)	0.006%	0.006%	0.006%
E) Overall Capital Requirement (C+D)	**7.006%**	**8.506%**	**10.506%**

As at 30 June 2019, FinecoBank ratios are compliant with all the above requirements.

For further details, please refer to Part F – Information on consolidated shareholders' equity – Section 2 - Own funds and capital ratios of these Notes to the accounts.

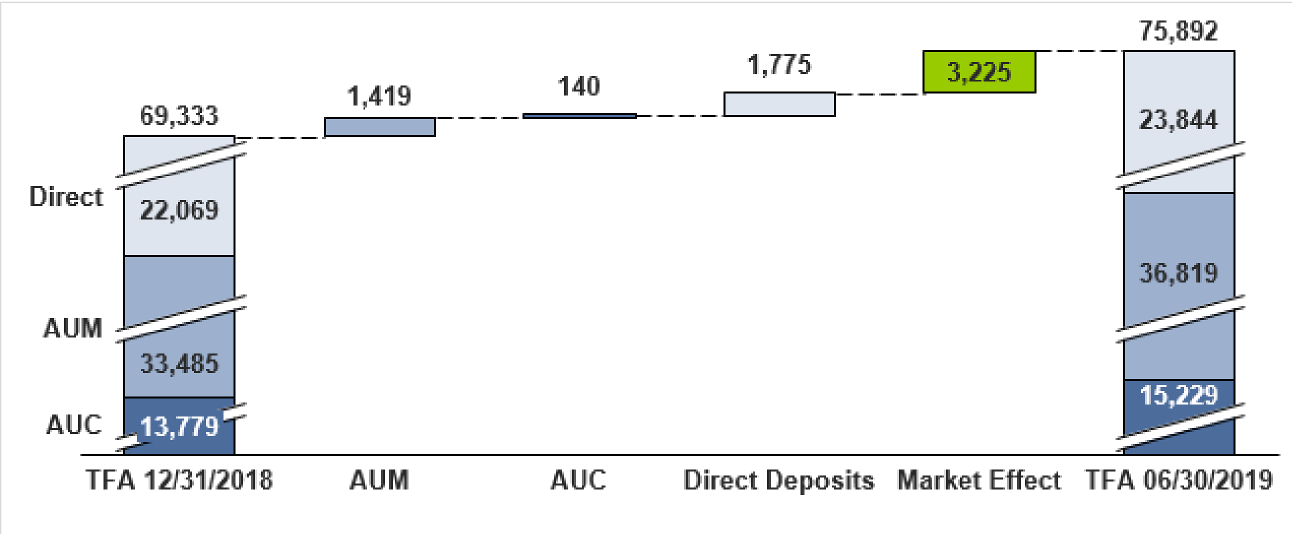
Business performance

Performance of total financial assets

Direct deposits showed growth of 8% compared to the end of the previous year, to reach €23,844 million and confirming the high level of appreciation of the quality of the services offered by the Bank among customers. Indeed, the majority of direct deposits were "transactional", supporting customers' overall operations. The increase in this component of sales confirms the high and increasing degree of customer loyalty, which in turn contributes to improving the stability of direct sales.

Assets under administration (Assets under Management-AUM plus Assets under Custody-AUC) came to €52,048 million increased by 10.1% compared to December 31, 2018, thanks to net sales of €1,559 million recorded in first half 2019 and a positive market effect of €3,225 million (of which €1,916 million relating to AUM and €1,309 million relating to AUC).

Total financial assets (direct and indirect) thus reached €75,892 million, up 9.5% compared to the end of 2018, thanks to a total net sales of €3,334 million recorded in first half 2019. The quality of sales was also confirmed, which shows a percentage impact of "Guided products & services[3] on TFA of 33.4%, up from the 32.3% recorded at 31 December 2018, and on Assets under Management of 68.9%, an improvement compared to 66.8% recorded at the end of 2018, thanks to the continuous refinement of the offer.



AUC = Assets under custody
AUM = Assets under management
TFA = Total Financial Assets

[3] Respectively, the Bank's products and/or services developed by investing in UCITs selected from among those distributed for each asset class taking into account customers' different risk profiles and offered to the Bank's customers under the guided open architecture model. At the date of this report, the guided products category included the "Core Series" umbrella fund of funds, "Core Funds", the Individual Savings Plans ("Piani Individuali di Risparmio" or "PIR") and the "Core Unit", "Advice Unit", "Core Multiramo", "Advice Top Valor", "Old Mutual", "Best in class", "FAM Evolution", "Core Pension", "Private Client Insurance" e "GP Private value" unit-linked policies, while the "Fineco Advice", "Fineco Stars" and "Fineco Plus" advanced advisory services (for investment) fall under the guided service category.

The table below shows the figures for the balance of direct and indirect deposits of the Bank's customers, including both those linked to a personal financial advisor and those operating exclusively through the online channel.

Total financial assets

(Amounts in € thousand)

	AMOUNTS AS AT		AMOUNTS AS AT		CHANGES	
	06.30.2019	COMP %	12.31.2018	COMP %	ABSOLUTE	%
Current accounts and demand deposits	23,842,248	31.4%	22,065,889	31.8%	1,776,359	8.1%
Time deposits and reverse repos	2,058	0.0%	3,042	0.0%	(984)	-32.3%
DIRECT DEPOSITS	**23,844,306**	**31.4%**	**22,068,931**	**31.8%**	**1,775,375**	**8.0%**
Segregated accounts	25,804	0.0%	1,095	0.0%	24,709	2256.5%
UCITS and other investment funds	26,425,954	34.8%	24,853,033	35.8%	1,572,921	6.3%
Insurance products	9,002,356	11.9%	7,618,203	11.0%	1,384,153	18.2%
Asset under custody and Direct deposits under advisory	1,364,732	1.8%	1,012,355	1.5%	352,377	34.8%
ASSETS UNDER MANAGEMENT BALANCE	**36,818,846**	**48.5%**	**33,484,686**	**48.3%**	**3,334,160**	**10.0%**
Government securities, bonds and stocks	15,228,964	20.1%	13,779,023	19.9%	1,449,941	10.5%
ASSETS UNDER CUSTODY	**15,228,964**	**20.1%**	**13,779,023**	**19.9%**	**1,449,941**	**10.5%**
TOTAL FINANCIAL ASSETS	**75,892,116**	**100.0%**	**69,332,640**	**100.0%**	**6,559,476**	**9.5%**
of which Guided products & services	25,354,118	33.4%	22,369,583	32.3%	2,984,535	13.3%

The table below shows the figures for direct and indirect deposits solely for the personal financial advisors network' customers. Total financial assets, amounting to €65,754 million, increased by 9.8% compared to December 31, 2018, thanks to net sales of €2,910 million and a positive market effect.

Total financial assets - Personal Financial Advisors Network

(Amounts in € thousand)

	AMOUNTS AS AT		AMOUNTS AS AT		CHANGES	
	06.30.2019	COMP %	12.31.2018	COMP %	ABSOLUTE	%
Current accounts and demand deposits	17,939,843	27.3%	16,564,769	27.6%	1,375,074	8.3%
Time deposits and reverse repos	1,893	0.0%	2,793	0.0%	(900)	-32.2%
DIRECT DEPOSITS	**17,941,736**	**27.3%**	**16,567,562**	**27.7%**	**1,374,174**	**8.3%**
Segregated accounts	25,804	0.0%	1,095	0.0%	24,709	2256.5%
UCITS and other investment funds	26,037,583	39.6%	24,476,015	40.9%	1,561,568	6.4%
Insurance products	8,924,639	13.6%	7,545,142	12.6%	1,379,497	18.3%
Asset under custody and Direct deposits under advisory	1,364,715	2.1%	1,012,329	1.7%	352,386	34.8%
ASSETS UNDER MANAGEMENT BALANCE	**36,352,741**	**55.3%**	**33,034,581**	**55.1%**	**3,318,160**	**10.0%**
Government securities, bonds and stocks	11,459,841	17.4%	10,307,435	17.2%	1,152,406	11.2%
ASSETS UNDER CUSTODY	**11,459,841**	**17.4%**	**10,307,435**	**17.2%**	**1,152,406**	**11.2%**
TOTAL FINANCIAL ASSETS - PERSONAL FINANCIAL ADVISORS NETWORK	**65,754,318**	**100.0%**	**59,909,578**	**100.0%**	**5,844,740**	**9.8%**
of which Guided products & services	25,327,244	38.5%	22,342,564	37.3%	2,984,680	13.4%

Business performance (Continued)

The table below shows the figures for direct and indirect deposits for first half 2019 compared with the same period of the previous year, for both customers linked to a personal financial advisor and online-only customers.

Net sales came to € 3,334 million, decreased by 7.3% compared with the first half 2018.

Net sales

(Amounts in € thousand)

	1st HALF 2019	COMP %	1st HALF 2018	COMP %	CHANGES ABSOLUTE	CHANGES %
Current accounts and demand deposits	1,776,359	53.3%	1,030,717	28.7%	745,642	72.3%
Time deposits and reverse repos	(998)	0.0%	(3,891)	-0.1%	2,893	-74.4%
DIRECT SALES	**1,775,361**	**53.2%**	**1,026,826**	**28.6%**	**748,535**	**72.9%**
Segregated accounts	24,700	0.7%	(5,598)	-0.2%	30,298	n.c.
Investment funds and other funds	27,069	0.8%	368,788	10.3%	(341,719)	-92.7%
Insurance products	1,091,919	32.7%	1,040,668	28.9%	51,251	4.9%
Asset under custody and Direct deposits under advisory	274,959	8.2%	170,284	4.7%	104,675	61.5%
ASSETS UNDER MANAGEMENT	**1,418,647**	**42.5%**	**1,574,142**	**43.8%**	**(155,495)**	**-9.9%**
Government securities, bonds and stocks	140,483	4.2%	995,139	27.7%	(854,656)	-85.9%
ASSETS UNDER ADMINISTRATION	**140,483**	**4.2%**	**995,139**	**27.7%**	**(854,656)**	**-85.9%**
NET SALES	**3,334,491**	**100.0%**	**3,596,107**	**100.0%**	**(261,616)**	**-7.3%**
of which Guided products & services	1,602,100	48.0%	1,417,083	39.4%	185,017	13.1%

The table below shows the figures for direct indirect deposits solely for the personal financial advisors network' customers for first half 2019 compared to the same period of the previous year.

Net sales - Personal Financial Advisors Network

(Amounts in € thousand)

	1st HALF 2019	COMP %	1st HALF 2018	COMP %	CHANGES ABSOLUTE	CHANGES %
Current accounts and demand deposits	1,375,074	47.3%	956,685	29.6%	418,389	43.7%
Time deposits and reverse repos	(914)	0.0%	(3,373)	-0.1%	2,459	-72.9%
DIRECT SALES	**1,374,160**	**47.2%**	**953,312**	**29.5%**	**420,848**	**44.1%**
Segregated accounts	24,700	0.8%	(5,598)	-0.2%	30,298	n.c.
Investment funds and other funds	34,007	1.2%	368,410	11.4%	(334,403)	-90.8%
Insurance products	1,090,256	37.5%	1,041,548	32.2%	48,708	4.7%
Asset under custody and Direct deposits under advisory	274,959	9.4%	170,284	5.3%	104,675	61.5%
ASSETS UNDER MANAGEMENT	**1,423,922**	**48.9%**	**1,574,644**	**48.6%**	**(150,722)**	**-9.6%**
Government securities, bonds and stocks	111,622	3.8%	708,850	21.9%	(597,228)	-84.3%
ASSETS UNDER ADMINISTRATION	**111,622**	**3.8%**	**708,850**	**21.9%**	**(597,228)**	**-84.3%**
NET SALES	**2,909,704**	**100.0%**	**3,236,806**	**100.0%**	**(327,102)**	**-10.1%**
of which Guided products & services	1,605,111	55.2%	1,418,183	43.8%	186,928	13.2%

Performance of main income statement aggregates

Operating income came to €318.8 million, up 2.2% compared to €311.8 million of the same period of the year 2018.

Net interest and **Net fee and commission income** contributed to the increase in the operating income as they rose, respectively, by 3% and 8.7%, while **Net trading, hedging and fair value income** decreased by 35.5%.

The increase in **Net interest** of €4.1 million compared to the first half of the previous year was due to the increase in transactional liquidity and the higher penetration of lending activity. In this regard it should be noted that the structure of the investments carried out by the Bank contributed to maintaining a significant level of interest income, with the average gross rate on interest-earning assets standing at 1.26% (1.32% as at June 30, 2018).

Net fee and commission income increased of €12.7 million compared to the first half of previous year, mainly thanks to higher net fee and commission income for the placement and management of managed asset products and investment advisory services (+€10.5 million), higher net fee and commission income for other services (+€1.5 million), mainly relating to the annual fee on credit cards, and lower fee expenses to personal financial advisors (+€4.9 million) due to lower commercial incentives, despite a reduction in net commissions for securities trading and order collection (-€ 4.4million), due to the uncertainties on numerous macroeconomic events that led to a contraction in executed orders. It should be noted that in the first half of 2019 the subsidiary Fineco AM generated net commissions for €29.8 million.

Net trading, hedging and fair value income was mainly generated by gains realised from the internalisation of securities, futures, Logos, Daily Option, CFD, financial instruments used for operational hedging of CFDs and the exchange differences on assets and liabilities denominated in currency, decreased by €7.8 million compared to the first half of the previous year. Trading profit also incorporates gains and losses from the financial instruments recognised in "Other assets mandatorily at fair value", including the class "C" preferred shares of Visa INC and the exposure in equity securities versus the Voluntary Scheme established by the Interbank Fund for the Protection of Deposits, whose fair-value measurement in the first half 2019 resulted in a gain of €1.9 million (€1.5 million in the first half 2018) and in a loss of €4.8 million (no impact in the first half of 2018). The item also includes the profits recognised in relation to the sale of (i) government securities recorded in the "Financial assets at fair value through other comprehensive income" for an amount of €0.7 million and (ii) government securities and UniCredit securities in dollar recorded in "Financial assets at amortised cost" for an amount of €2.1 million.

Operating costs remain under control, highlighting an increased by €2.9 million compared to the first half of previous year (+€2.6 million for "Staff expenses", -€5.4 million for "Other administrative expenses net of Recovery of expenses" and +€5.7 million for "Impairment/write-backs on intangible and tangible assets"[4]). The 2.3% increase in operating costs, in fact, is limited compared to the expansion of assets, customers and structure, confirming the strong operational leverage of the Bank and the widespread corporate culture in cost governance theme, certified by a cost/income ratio of 40.01% (39.97% at 30 June 2018).

Net write-downs of loans and provisions for guarantees and commitments in the first half 2019 amounted to -€0.1 million (-€1.2 million in the first half 2018). The lower adjustments recorded in the first half 2019 compared to the same period of the previous year are attributable both to an improvement in the risk profile of the trade receivables with retail customers, and to an increase in value recoveries relating to exposures to the Unicredit counterparty. The latter are due both to the reduction in exposures and to the improvement in the risk profile of the counterparty thanks to the financial guarantee issued by Unicredit S.p.A., as previously described in the "Relevant events of the period".

Other charges and provisions amounted to €3.9 million and there are no significant changes compared to the first half of 2018.

The **Net income from investments** stood at €5.8 million showing an increase of €0.6 million compared to the first half of 2018. The write-backs recorded in the first half of 2019 are due both to the decrease in the exposures in the debt securities issued by UniCredit S.p.A. and to the improvement in the related risk profile thanks to the financial guarantee issued by Unicredit S.p.A., as previously described in the "Relevant events of the period". It should be noted that in the first half of 2018 the Bank had already recorded writebacks on debt securities issued by UniCredit S.p.A. and accounted in "Financial assets at amortized cost" for approximately €5.7 million, in relation to the decrease in exposures and the improvement of their risk profile.

Profit before tax from continuing operations amounted to €193.1 million, up 3% compared to the first-half of previous year. Excluding the non-recurring items of the first-half 2019[5], the Profit before tax from continuing operations should be €197.8 million, up 5.5% compared to the first-half of 2018 net of non-recurring items.

The **Net profit for the period** amounted to €134.1 million, showing an increase of 7.1% compared to €125.2 million of the first-half of the previous year. Excluding the non-recurring items of the first-half 2019 mentioned before, the Net profit for the period should be €137.3 million, up 9.7% compared to the first-half of 2018 net of non-recurring items.

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[4] It should be noted that due to the entry into force of the standard IFRS 16 and its application starting from 1 January 2019 and the purchase, in the same month of January, of the property in Milan, Piazza Durante 11, the "Other expenses administrative expenses net of Recovery of expenses" and "Impairment/write-backs on intangible and tangible asset" items are not fully comparable with the first half of 2018. In particular, as at 30 June 2019 there was a reduction in real estate premises rentals, equal to €5.8 million, the recognition of amortization on the rights of use deriving from leasing contracts for €4.5 million and the recognition of the depreciation of the property owned for €0.6 million.

[5] Change in fair value of the exposure in equity securities versus the Voluntary Scheme established by the Interbank Fund for the Protection of Deposits for an amount of -€4.8 million (-€3.2 million net of the tax effect).

Business performance (CONTINUED)

Performance of main balance sheet aggregates

Cash and cash balances, amounting to €1,230.6 million, mainly consists of the liquidity deposited in the HAM (Home Accounting Model) account at Bank of Italy, which FinecoBank opened in the first half of 2019 to transfer the liquidity previously deposited with UniCredit S.p.A..

Loans and receivables with banks, which as at 31 December 2018 included the liquidity deposited with UniCredit S.p.A., for the most part transferred to the HAM account at Bank of Italy, as well as time deposits with the same UniCredit S.p.A. extinguished during the first half of 2019, consequently they amount to €710.3 million, showing a reduction of 76.8% compared to 31 December 2018.

Loans and receivables with customers came to €3,408.7 million, up 15.3% compared to December 31, 2018, thanks to the increase in lending. During the first-half 2019, €109 million in personal loans and €171 million in mortgages were granted and €451 million in current account overdrafts was arranged, with an increase in exposures in current account of €150.7 million; this has resulted an overall 9.7% aggregate increase in loans to customers compared to December 31, 2018. Impaired loans net of impairment losses totalled €3.3 million (€2.8 million as at December 31, 2018), with a coverage ratio of 85.76%; the ratio between impaired loans and loans to customers was 0.11% (0.11% as at December 31, 2018).

Financial investments came to €19,912.2 million, up 9.2% compared to December 31, 2018. The carrying amount of the debt securities issued by the UniCredit S.p.A. amount to €8,266.8 million, down compared to €9,115.8 million as at December 31, 2018. The purchases made by the Bank during the first half of 2019 mainly concerned securities issued by sovereign States, supranational entities and covered bonds.

Deposits from banks totaled €206.6 million, showing a decrease of 79.5% compared to December 31, 2018, mainly attributable to the non-renewal of repurchase agreements with UniCredit S.p.A..

Deposits from customers came to €24,139.7 million, up 8.4% compared to December 31, 2018, due to the growth in direct deposits from customers.

Shareholders' equity amounted to €927.7 million, showing a reduction of 48 million compared to December 31, 2018. The decrease is mainly due to the payment of dividends on the profit for the year 2018, for an amount of €184.5 million, offset by the profit for the first half of 2019, equal to €134.1 million.

Communications and external relations

The year 2019 opened with the launch of the new Human Factor communication campaign. A campaign that conveyed a message of great value, in continuity with the previous campaign, on the relationship between Man and Technology. "What is technology for?" It is with this question that the TV on air campaign was launched on the main national broadcasters since January 2019. "Technology really serves when our most human side is needed": technological progress therefore makes sense and it is really such only when it is at the service of the good of man. And this is also the FinecoBank model that has always invested and uses technology to help customers and their network of personal financial advisor, in online and investment services.

The campaign immediately received positive comments for the message launched, receiving the "Moige TV Family Friendly Award" as the best spot in June 2019.

During the first half of the year, three major communication flights were planned to support the launch of the new campaign, using all means of communication (TV, radio, financial press, digital media and posters).

“The bank that simplifies banking” was confirmed at the heart of the unique positioning that FinecoBank continues to communicate and develops also in 2019.

The reputational data of the first four months of the year and certified by the Reputation Institute are particularly significant, placing FinecoBank among the banks with the highest reputation.

In March, thanks also to the support and collaboration of Fineco Asset Management DAC, the usual convention dedicated to Private Banking was organized: an important appointment for this increasingly growing and strategic segment for the Bank's business. Numerous events have been organized since the beginning of the year on the territory in favor of the segment and Private customers.

During the first half 2019 FinecoBank received three major awards, in addition to the one already mentioned in the Moige: first place in Italy in the "Technology" and "International Clients" categories of the 2019 edition of the survey conducted by Euromoney; the certification as “Top Employer Italia company "for the attention to the valorisation of resources and the development of skills, favoring a positive and stimulating work environment. FinecoBank was also awarded in the ESG Awards, the event organized by Milano Finanza which recognizes Italian companies with the best sustainability index according to Standard Ethics.

Fineco's marketing and communication activities in the UK intensified in the first half of the year thanks to a model and a unique positioning for that reference market. "The Multi-currency Bank": a multi-channel direct bank that offers banking, trading and investment services in a single multi-currency account.

The offer of investment products, in particular, is growing and the Bank is working towards acquiring new customers by activating digital campaigns and organizing events and workshops that increase opportunities for contact.

Incentive plans

The Board of Directors' meeting of FinecoBank held on January 10, 2019 - in consideration of the favourable opinion of the Remuneration Committee which met on January 9, 2019 - approved the following incentive systems subsequently approved by the Shareholders' Meeting of April 10, 2019:

- 2019 Incentive System for Employees categorised as "Key Personnel";
- 2019 Incentive System for Personal Financial Advisors identified as "Key Personnel".

The Board of Directors of Fineco Asset Management, which met on February 4, 2019, approved the 2019 Incentive System for personnel belonging to the "Key Personnel".

On February 5, 2019, in view of the positive outcome of the verification of the minimum entry conditions (at Bank level and UniCredit Group level, where applicable) and the individual conditions (compliance of conduct and continued employment) and the favourable opinion provided by the Remuneration Committee in its meeting of February 1, 2019, the Board of Directors of FinecoBank approved:

- with reference to the 2014, 2015 and 2016 "Incentive Systems (Bonus Pool)":
  - the execution of the plans;
  - the allocation of the third share tranche of the 2014 plan, awarded in 2015, corresponding to 70,708 free ordinary shares, in line with the maximum amount approved by the Board of Directors on May 15, 2014;
  - the allocation of the second share tranche of the 2015 plan, awarded in 2016, corresponding to 42,057 free ordinary shares, in line with the maximum amount approved by the Board of Directors on January 22, 2015
  - the allocation of the first share tranche of the 2016 plan, awarded in 2017, corresponding to 60,816 free ordinary shares, in line with the maximum amount approved by the Board of Directors on January 12, 2016;
  - a free capital increase, for a total amount of €57,281.73 corresponding to a total of 173,581 FinecoBank ordinary shares with a nominal value of €0.33 each (with the same characteristics as those in circulation and with regular dividend entitlement), impartial exercise of the authority granted to the Board of Directors by the Extraordinary Shareholders' Meeting of June 5, 2014, of April 23, 2015 and April 12 2016, in accordance with Article 2443 of the Italian Civil Code. The dilution effect resulting from the above free capital increase has been quantified as 0.03% of the fully diluted capital.
- with reference to the "2014-2017 Top Management Multi-Year Plan":
  - the execution of the plan;
  - the allocation of n. 335,624 free ordinary shares to the beneficiaries of the third share tranche of the plan, awarded in 2016, in line with the maximum amount approved by the Board of Directors on February 8, 2016;
  - a free capital increase, for a total amount of €110,755.92 corresponding to a total of 335,624 FinecoBank ordinary shares with a nominal value of €0.33 each (with the same characteristics as those in circulation and with regular dividend entitlement), in partial exercise of the authority granted to the Board of Directors by the Extraordinary Shareholders' Meeting of June 5, 2014, in accordance with Article 2443 of the Italian Civil Code. The dilution effect resulting from the above free capital increase has been quantified as 0.06% of the fully diluted capital;
  - changes to the Rules as regards entry conditions.
- with reference to the "2018 Plan PFA":
  - the proposal for determination of the 2018 Bonus Pool for the personal financial advisors;
  - the proposals for the determination of the 2018 and deferments previous years' bonus for personal financial advisors categorised as "Identified Staff;
  - the allocation of FinecoBank shares amounting to €178,220.62 (n. 297,620 ordinary shares) to be granted free of charge to the above-mentioned personal financial advisors in accordance with the provisions of the Rules;
  - the purchase of treasury shares in consideration of the authorization obtained by the Supervisory Authority, pursuant to art. 77-78 EU Reg. No. 575/2013 of 26 June 2013 (CRR), consistently with the Shareholders' resolution.
- with reference to the "2018 Incentive System (Bonus Pool)":
  - the FinecoBank "2018 Bonus Pool";
  - the proposals for the determination of the 2018 bonus for the Chief Executive Officer and General Manager and other Managers with Strategic Responsibilities and other Identified Staff;
  - the allocation of n. 168,897 FinecoBank ordinary shares, to be given free of charge to the above-mentioned Personnel in accordance with the provisions of the Rules.
- with reference to the "2017 Incentive System (Bonus Pool)":
  - the execution of the plan;
  - the allocation of the second tranche in cash of the plan awarded in 2018.

Business performance (Continued)

- with reference to the “2017 PFA Incentive System”:
  - the execution of the plan;
  - allocation of the second tranche in cash of the plan, to be granted to the above-mentioned personal financial advisors “identified Staff”, in accordance with the provisions of the Rules.
- with reference to the “2016 PFA Incentive System” :
  - the execution of the plan;
  - the allocation of the first tranche of the plan, equal to n. 34,644 FinecoBank ordinary shares.
- with reference to the “2015 PFA Incentive System”:
  - the execution of the plan;
  - the allocation of the second tranche of the plan, equal to n. 9,034 phantom shares and the allocation of the second tranche in cash of the plan, amounting to €62,936.83, to be granted to the above-mentioned Personal Financial Advisors “identified Staff”, in accordance with the provisions of the Rules.

FinecoBank shares

Share information

FinecoBank share has registered a strong increase of its value over the first four months of the year, reaching their all-time high at €12.39, while in the following months it has suffered the effects of the sale by UniCredit S.p.A. of a considerable amount of its shareholding. The following and unexpected increase of the share's volumes, although causing an inevitable price correction, has not however interrupted the its growth trend in the first half of the year, which has recorded an increase of +12% as at June 30, 2019 if compared to the last trading day in 2018.

As at June 30, 2019 the price of the share was equal to €9.81, increasing compared to the last closing price recorded at the end of 2018 at €8.78, and it has recorded an average value in the first half of 2019 equal to €10.50. In the first half of 2019 the share recorded its all-time high at €12.39, as mentioned before.

The company's market capitalisation amounted to €5,973 million as at June 30, 2019.

	YEAR 2014	YEAR 2015	YEAR 2016	YEAR 2017	1ST HALF 2018	YEAR 2018	1ST HALF 2019
Official price of ordinary shares (€)							
- maximum	4.750	7.805	7.400	8.735	10.370	11.890	12.385
- minimum	3.808	4.438	4.622	5.345	7.956	7.956	8.646
- average	4.173	6.479	5.980	6.914	9.599	9.823	10.498
- period-end	4.668	7.625	5.330	8.535	6.672	8.778	9.810
Number of shares (million)							
- outstanding at period end	606.3	606.5	606.8	607.7	608.4	608.4	608.9

Results achieved in the main areas of activity

The following pages contain the main indicators and results of the main business segments: Banking, Brokerage and Investing. Investing also includes the asset management activity carried out by the subsidiary Fineco AM thanks to the vertically integrated business model.

Given the Bank's specific business model that provides for a high level of integration among its different activities, these main business segments are interdependent. Indeed, the Bank offers its services (banking and investment services) through a network of personal financial advisors and online and mobile channels that operate in a coordinated and integrated manner. The completeness of the services offered makes it possible to offer as the customer's only point of reference (one stop solution) for banking operations and investment needs. This highly integrated and customer-based strategy has the consequence that the revenues and margins related to the different products/services (investing, banking and brokerage) are, therefore, deeply interdependent.

All the activities were carried out with the aim of obtaining economic results from the "industrial" management of the businesses, to minimise their financial risk. The Bank's financial management approach is to manage risks with a view to protecting the industrial returns on the various businesses while not assuming risk positions on its own account.

Banking

Banking and Payment cards

In the Banking area, activities to expand the offering and optimise digitalisation processes continued in the first half of 2019.

As regards products and services offered, with a view to their increasingly meeting customers' needs, the multicurrency offering was consolidated. This free service available with Fineco accounts enables customers to diversify liquidity and investments and directly operate in the world's leading currencies, without exchange charges, only the spread, and directly in the benchmark currency. Besides transactions in the euro, dollar, pound sterling and Swiss franc, all Fineco customers with the Multicurrency service enabled can also operate in the following currencies, which are now available: the Australian dollar (AUD), the Mexican peso, (MXN), the Russian rouble (RUB), the South African rand (ZAR), the Swedish corona (SEK), the Canadian dollar (CAD), the yen (JPY) and Turkish lira (TRY).

Besides the new currencies offered with the Multicurrency service, in the UK, the SEPA Instant Bank Transfer service is now available for customers to receive instant bank transfers in euro.

In the payment cards sector, the range of products and services continued to be expanded with:

- the launch of the **Google Pay** service, the free payment system to make payments in shops, in-app and online, without an actual credit card, but using Android devices instead, enabled on both the Visa and MasterCard circuits. This service is offered in addition to digital Wallet payment services and Apple Pay;
- the launch of the **PagoBancomat** contactless service, to make contactless payments, also on the PagoBancomat circuit.

With a view to optimising existing processes:

- the request to enable transactions in derivatives was included in the process to open an account via webcam in digital mode;
- a new way to update customer ID by uploading a photo from an APP channel was introduced;
- processes to apply for link credit cards and third-party top-up credit cards (held by persons other than the current account holder) were revised, to make the compilation/updating of the Personal Profile and certification of card holder contacts more efficient.

The table below shows an 8% increase in credit card spending compared to the first half of 2018.

(Amounts in € thousand)

CREDIT PRODUCTS	1ST HALF 2019		YEAR 2018		1ST HALF 2018		CHANGES			
							SPENDING COMPARED TO THE 1ST HALF YEAR 2018		CARRYING AMOUNT COMPARED WITH RESPECT TO END 2018	
	SPENDING	CARRYING AMOUNT	SPENDING	CARRYING AMOUNT	SPENDING	CARRYING AMOUNT	AMOUNT	%	AMOUNT	%
Revolving credit cards	23,817	42,243	51,194	43,201	24,445	41,513	(628)	-2.6%	(958)	-2.2%
Credit cards full payment of balance	1,438,072	246,447	2,851,868	277,241	1,331,369	229,999	106,703	8.0%	(30,794)	-11.1%
Total	**1,461,889**	**288,690**	**2,903,062**	**320,442**	**1,355,814**	**271,512**	**106,075**	**7.8%**	**(31,752)**	**-9.9%**

On a regulatory level, in line with Commission Delegated Regulation 2018/389 of 27 November 2017 supplementing Directive (EU) 2015/2366 (PSD2), the Bank's activity focussed on:

- developing a dedicated interface (Access to account Interface - XS2A Interface) to enable customers to access own accounts through third parties (TTP). This new interfaces provide the following functions:
    - Account Information Service, through which the customer can display information on his/her current account (identifying data, balance, transactions) through third-party interfaces;
    - Payment Information Service, through which the customer can initiate payment transactions through a third-party interface;
    - Funds Confirmation, through which the third party can check whether the actual amount to debit requested for the transaction is available in the current account before starting a card-based payment request.

  In this regard, a dedicated portal (developer portal) has been available in a public area of the finecobank.com site since March 2019, to provide third parties with all technical information to integrate their own services with the Bank;
- the launch of the Mobile Code service, a new Fineco APP function in addition to SMS PIN, enabling customers to confirm transactions ordered online or through a mobile device, in compliance with Strong Customer Authentication standards.

Mortgages, credit facilities and personal loans

As regards the granting of loans, in the first half of 2019, developments in the mortgages portfolio continued, with the introduction of the "Mutuo Green" ("Green mortgage"). This offer guarantees a reduced spread (-0.10%), compared to the standard offer, for mortgages (for first or second home purchases), on property with a class A or B energy rating, and demonstrates Fineco's commitment to introducing loan products that promote environmental sustainability principles.

In addition, Credit Lombard product sales channels were expanded, with the possibility of requesting the product by digital signature from the Private Area of the website. This new application process has made it possible to expand the product sales target to include direct customers, and to support Network operations, with the chance to steer customers towards independent requests, so the Network can concentrate solely on commercial and sales activities.

The design and management of marketing campaigns to improve the brand's positioning and Fineco's offering and consolidate volumes for loan and mortgage products and increase the granting of guaranteed loans continued.

The following table shows the disbursements and the balance sheet of personal and unsecured loans, mortgages and the disbursement of current account credit lines, compared to the previous year.

(Amounts in € thousand)

CREDIT PRODUCTS	1ST HALF 2019		YEAR 2018		1ST HALF 2018		CHANGES			
							DISBURSEMENTS COMPARED TO THE 1ST HALF YEAR 2018		CARRYING AMOUNT COMPARED WITH RESPECT TO END 2018	
	DISBURSEMENTS	CARRYING AMOUNT	DISBURSEMENTS	CARRYING AMOUNT	DISBURSEMENTS	CARRYING AMOUNT	AMOUNT	%	AMOUNT	%
Personal loans and unsecured loans	109,404	450,350	247,995	433,647	130,625	402,060	(21,221)	-16.2%	16,703	3.9%
Current account credit lines*	451,100	1,169,436	945,053	1,018,700	549,590	854,373	(98,490)	-17.9%	150,736	14.8%
Mortgages	170,711	976,693	411,064	856,870	231,060	721,117	(60,349)	-26.1%	119,823	14.0%
Total	**731,215**	**2,596,479**	**1,604,112**	**2,309,217**	**911,275**	**1,977,550**	**(180,060)**	**-19.8%**	**287,262**	**12.4%**

* With regard to Current account credit lines the column Disbursements shows the amounts granted.

Furthermore note that the credit lines guaranteed by securities granted in the first half 2019 totalled €441 million (€428 million related to "Credit Lombard", €11 million related to credit facilities secured by pledged and €2 million related to credit facilities with mandate for sale), equals to 98% of total amount of credit lines granted.

Results achieved in the main areas of activity (CONTINUED)

Brokerage

In the first half of 2019, the Bank consolidated its leadership position on the Italian brokerage market, with its own business model.

Despite a period of growing uncertainty on numerous macro-economic fronts, the Bank maintained a good performance in various asset classes, recording a greater interest over traditional classes. Assosim data for the first half of 2019 reconfirmed Fineco's leading position for exchanged value and number of transactions with market shares of 26.6% and 23.17% respectively. This performance proves that the consolidated, diversified, sustainable business model is capable of tackling each market stage.

In the first half of the year, the offering was further expanded introducing new services and functions, in particular:

- the range of futures on the CME market was enhanced, introducing microfutures with underlying Dow Jones, Nasdaq and S&P500 indices;
- IDEM and Eurex market futures were internalised;
- Daily Options were added to Powerdesk, with underlying CFDs on indices, commodities and currency crosses, whose trading, without commissions, allows for the daily volatility of underlyings to be exploited, with “Quotations” and “Profit&Loss” provided in push mode.

The following table shows the number of orders on financial instruments recorded in the first half of 2019 compared to the same period in the previous year.

(Amounts in € thousand)

	1ST HALF 2019	1ST HALF 2018	CHANGES ABSOLUTE	CHANGES %
Orders - Equity Italia (including internalised orders)	3,511,183	3,963,212	(452,029)	-11.4%
Orders - Equity USA (including internalised orders)	699,139	628,240	70,899	11.3%
Orders - Equity other markets (including internalised orders)	279,799	289,028	(9,229)	-3.2%
Total Equity orders	*4,490,121*	*4,880,480*	*(390,359)*	*-8.0%*
Orders - Bonds	275,167	252,893	22,274	8.8%
Orders - Derivatives (including internalised orders)	1,443,485	1,637,962	(194,477)	-11.9%
Orders - Forex	231,997	430,227	(198,230)	-46.1%
Orders - CFDs	597,657	2,038,862	(1,441,205)	-70.7%
Orders - Funds	1,314,353	1,293,503	20,850	1.6%
TOTAL ORDERS	**8,352,780**	**10,533,927**	**(2,181,147)**	**-20.7%**

The table below shows the volume of trades carried out as direct counterparty in orders placed by customers, resulting from the internalization of orders received on shares, derivatives, CFDs and Logos, recorded in the first half 2019 compared to the same period of the previous year.

(Amounts in € thousand)

	1ST HALF 2019	1ST HALF 2018	CHANGES ABSOLUTE	CHANGES %
Equity (internationalization)	37,195,774	38,125,073	(929,299)	-2.4%
Derivatives (internationalization)	17,257,246	-	17,257,246	-
Forex	11,255,095	27,816,824	(16,561,729)	-59.5%
CFD and Logos	18,038,960	46,227,216	(28,188,256)	-61.0%
Total "internalized" volumes	**83,747,075**	**112,169,113**	**(28,422,038)**	**-25.34%**

Investing

The Bank uses a guided open architecture business model to offer customers an extremely wide range of asset management products - comprising collective asset management products, such as units of UCITS and SICAV shares - from carefully selected Italian and international investment firms, pension and insurance products, as well as investment advisory services.

In the first half of 2019, the range of collective asset management products was further enhanced with the addition to the platform of over 470 new ISINs and 1 new investment house available to customers. Funds from the FAM Evolution range of Fineco Asset Management DAC, were also added to the platform. Besides managing Core Series funds, after the replacement with Amundi Luxembourg S.A., and FAM Series funds - the new range of delegated funds, launched in September 2018, FAM has introduced a new range of funds for simple, customised, asset allocation. This range comprises profile funds, including FAM Advisory, and vertical funds, including FAM Conviction. The former are based on the efficient frontier concept, while the latter have been designed to provide a particular allocation vision.

In March 2019, with particular reference to and a special focus on the Private segment, FinecoBank's offering was supplemented with segregated accounts. For this service, the Bank selected Banor Sim as its partner, a specialist company with a long track record, active in Italy since 1989. The product, exclusively for FinecoBank, offers 4 management lines with an increasing risk profile, called Private Value (Prudente, Bilanciata, Sviluppo ed Azionaria - *Prudent, Balanced, Development and Share-based*) whose portfolios mainly invest in securities (minimum 80%).

As regards pension products, customers are focussing increasingly on the open pension fund Core Pension, an exclusive for the FinecoBank network. Since the beginning of the year, over 3,000 customers have subscribed to the fund, with a total take-up of more than 8,700 subscribers since its launch. During the first half of 2019 the fund doubled 2018-end of year volumes, reaching approximately €125 million as at June 30, 2019, thanks to inflows of around €66 million.

In the insurance advisory sector, the marketing of the Aviva Top Valor range ("One", "Private" and "Advice") was completed, with the maximum limit reached. At the same time, the placement of the new Eurovita life insurance policies, "Focus Gestione" and "Focus Gestione Private" , which use the Segregated Funds "Nuovo Secolo" and "Euroriv" respectively, started. Also in March, Multiramo Target, which uses Aviva's GEFIN separate management, was modified, changing the initial investment in GEFIN from 90% to 80%, in order to improve the mix between Life and investment-linked products. In the Private insurance segment, during the first half of the year subscriptions to the Luxembourg-established unit-linked policy *Lombard Private Client Insurance* began, which reached approximately €8.5 million euro in volumes.

Placement on the primary market (IPO) was carried out through the Cassa Depositi e Prestiti mixed-rate 2019-2026 OPS, in which the Bank participated as distributors on request of UniCredit Bank AG. In addition, although not formally distributors, the Bank assisted primary customers in acquiring NEXI shares placed and listed on the MTA.

As regards advisory services, during the first half of 2019, the Bank continued activities to improve services for customers, expanding the range of instruments available to the network of financial advisors. As regards the Fineco Plus service:

- the tool for prospect customer diagnostics was launched: the service gives personal financial advisors the chance to give potential customers a complete analysis of their portfolio and a preview of the specific aspects of the Plus service;
- the "Plus investment proposal report" was created, which is automatically attached to recommendations sent by personal financial advisors to customers, advising on operations and presenting the final effect on the portfolio in terms of asset allocation, diversification and return risk.

At the same time, the offering of administered funds that can be recommended in the Advice and Plus advisory services was expanded, and now comes to over 3,000 instruments.

The following table shows in detail the composition of the products of assets under management as at 30 June 2019, which shows an increase of 10% compared to 31 December 2018.

(Amounts in € thousand)

	AMOUNTS AS AT		AMOUNTS AS AT		CHANGE	
	06.30.2019	COMP %	12.31.2018	COMP %	ABSOLUTE	%
UCITS and other investment funds	26,425,954	71.8%	24,853,033	74.2%	1,572,921	6.3%
Insurance products	9,002,357	24.4%	7,618,203	22.8%	1,384,154	18.2%
Segregated accounts	25,804	0.1%	1,095	0.0%	24,709	n.c.
Asset under custody and Direct deposits under advisory	1,364,732	3.7%	1,012,355	3.0%	352,377	34.8%
Total assets under management	**36,818,847**	**100.0%**	**33,484,686**	**100.0%**	**3,334,161**	**10.0%**

The network of personal financial advisors

The volatility which returned to the fore in 2018, picking up during the last part of the year in particular, led consumers to adopt a cautious approach to "non-guaranteed" forms of investment. The strong signs of an upturn in markets, recorded in the first few months of 2019, have not yet resulted in consumers entirely regaining confidence, and in general, the entire asset management industry has been affected by this widespread sentiment. Despite this fairly complex scenario, the network of personal financial advisors is a partner of choice for customers' financial planning; thanks to FinecoBank's standout features, such as its advisory model supported by a powerful technological infrastructure, personal financial advisors have been able to dedicate considerable time to advisory services, consolidating and enhancing customer relations, without overseeing activities to develop, increase and acquire new customers.

Total net sales for the first half of 2019 amounted to amounted to €2,910 million, of which €1,424 million of assets under management, with €1,602 million in advisory services (Guided Products) and 42,620 for new current account. Most sales are from the existing network, and to a lesser extent from recruitment; no contributions from tactical sales campaigns for the period are reported.

With reference to the quality of sales, the existing network increased the average portfolio per capita by 10.3% compared to the end of the previous year, with an increase in the incidence of the c.d. Guided Products on managed volumes rose from 37% at the end of 2018 to 39% at the end of June 2019.

As regards the Private segment managed by the network, net sales for the first half of 2019 amounted to approximately €1,326 million euro and overall assets were equal to €27,217 million (representing 41.4% of total assets managed by the network), referred to around 30 thousand customers, equal to 2.3% of total customers, mainly distributed over the €1 - 5 million segment.

During the first half of the year, the Bank continued to finalise and innovate its product range, always with a view to working with an approach based on planning by objectives and monitoring risk. This approach entails a considerable organisation of events countrywide, for customers and prospects, with the aim of getting closer to customers and providing information and training on financial issues. In the first half of the year 621 events had been organised countrywide, from north to south, involving nearly 20,000 customers and prospects.

As already explained in the past, input regarding recruitment selectivity was also consolidated, which must be focussed on raising the average quality of the network. The relevant target comprises profiles with a high potential that have a "customer-centric" vision, operations focussed on advisory services and transparency, with a view to operating in a dynamic, modern context featuring a high technological level.

In the first half of the 2019 28 new senior personal financial advisors had been recruited, selected from networks, traditional banks and the Private Banking sector. As part of the "young advisors project", which aims to recruit recent university graduates, 37 new advisors were taken on.

As at June 30, 2019, the network was made up of 2,566 personal financial advisors, operating countrywide through 394 financial shops (Fineco Centers), managed directly by the Bank or by the personal financial advisors themselves. Investments also continued in sales facilities used by the personal financial advisors, which contribute to enhancing the Bank's image and spreading its presence throughout the country.

Net sales - Personal Financial Advisors Network

The table below shows the breakdown of net sales attributable to the personal financial advisors network in the first half of the year 2019 compared to the same period of the previous year.

(Amounts in € thousand)

					CHANGES	
	1ST HALF 2019	COMP %	1ST HALF 2018	COMP %	ABSOLUTE	%
Current accounts and demand deposits	1,375,074	47.3%	956,685	29.6%	418,389	43.7%
Time deposits and reverse repos	(914)	0.0%	(3,373)	-0.1%	2,459	-72.9%
DIRECT SALES	**1,374,160**	**47.2%**	**953,312**	**29.5%**	**420,848**	**44.1%**
Segregated accounts	24,700	0.8%	(5,598)	-0.2%	30,298	n.c.
Investment funds and other funds	34,007	1.2%	368,410	11.4%	(334,403)	-90.8%
Insurance products	1,090,256	37.5%	1,041,548	32.2%	48,708	4.7%
Asset under custody and Direct deposits under advisory	274,959	9.4%	170,284	5.3%	104,675	61.5%
ASSETS UNDER MANAGEMENT	**1,423,922**	**48.9%**	**1,574,644**	**48.6%**	**(150,722)**	**-9.6%**
Government securities, bonds and stocks	111,622	3.8%	708,850	21.9%	(597,228)	-84.3%
ASSETS UNDER ADMINISTRATION	**111,622**	**3.8%**	**708,850**	**21.9%**	**(597,228)**	**-84.3%**
NET SALES	**2,909,704**	**100.0%**	**3,236,806**	**100.0%**	**(327,102)**	**-10.1%**
of which Guided products & services	1,605,111	55.2%	1,418,183	43.8%	186,928	13.2%

Total financial assets - Personal Financial Advisors Network

The table below shows the breakdown of sales attributable to the PFA network as at June 30, 2019. Total financial assets, amounting to €65,754 million, increased by 9.8% compared to December 31, 2018, thanks to the positive contribution of direct sales generated during the year, equal to €2,910 million.

(Amounts in € thousand)

	AMOUNTS AS AT		AMOUNTS AS AT		CHANGES	
	06.30.2019	COMP %	12.31.2018	COMP %	ABSOLUTE	%
Current accounts and demand deposits	17,939,843	27.3%	16,564,769	27.6%	1,375,074	8.3%
Time deposits and reverse repos	1,893	0.0%	2,793	0.0%	(900)	-32.2%
DIRECT DEPOSITS	**17,941,736**	**27.3%**	**16,567,562**	**27.7%**	**1,374,174**	**8.3%**
Segregated accounts	25,804	0.0%	1,095	0.0%	24,709	n.c.
UCITS and other investment funds	26,037,583	39.6%	24,476,015	40.9%	1,561,568	6.4%
Insurance products	8,924,639	13.6%	7,545,142	12.6%	1,379,497	18.3%
Asset under custody and Direct deposits under advisory	1,364,715	2.1%	1,012,329	1.7%	352,386	34.8%
ASSETS UNDER MANAGEMENT	**36,352,741**	**55.3%**	**33,034,581**	**55.1%**	**3,318,160**	**10.0%**
Government securities, bonds and stocks	11,459,841	17.4%	10,307,435	17.2%	1,152,406	11.2%
ASSETS UNDER CUSTODY	**11,459,841**	**17.4%**	**10,307,435**	**17.2%**	**1,152,406**	**11.2%**
TOTAL FINANCIAL ASSETS - PERSONAL FINANCIAL ADVISORS NETWORK	**65,754,318**	**100.0%**	**59,909,578**	**100.0%**	**5,844,740**	**9.8%**
of which Guided products & services	25,327,244	38.5%	22,342,564	37.3%	2,984,680	13.4%

Human resources

The parent: FinecoBank S.p.A.

As at June 30, 2019, the Bank's employees are 1,167 up compared to 1,154 as at December 31, 2018. The breakdown was as follows:

HUMAN RESOURCES	30 JUNE 2019	31 DECEMBER 2018
FinecoBank employees	1,154	1,157
UniCredit Group employees seconded to FinecoBank (+)	15	-
FinecoBank employees seconded to the UniCredit Group (-)	(2)	(3)
Total human resources	**1,167**	**1,154**

During the fisrt half 2019, activities continued to strengthen and optimise the areas dedicated to business development, organisational support and risk control and management. This led to the hiring of 60 workers.

Out of the 60 new recruits, many were employed in the Customer Relationship Management area, confirming the strong and ongoing focus on young graduates. Customer Relationship Management forms the starting point of a pathway of professional development that can lead to different roles in the Company.

In continuity with the past years, we put our effort in attracting new talents, with particular focus on Millennials, also thanks to employer branding initiatives aimed at meet and recruit new graduates or undergraduates and better understand the of the new generation behavioural matters.

The fisrt half 2019 showed a significant use of internal job rotation that involved 22 resources enabling, on one hand, to cover the vacant positions within the Company, and on the other hand, to guarantee the continuous staff professional development.

During the fisrt half 2019, a total of 43 employees left the Bank, including:

- 19 resignations;
- 24 for other reasons.

The Bank's employees can be broken down as follows:

	MEN		WOMEN		TOTAL	
CATEGORY	06.30.2019	12.31.2018	06.30.2019	12.31.2018	06.30.2019	12.31.2018
Executives	23	22	4	4	27	26
Managers	268	256	103	103	371	359
Professional Areas	365	380	391	392	756	772
Total	**656**	**658**	**498**	**499**	**1,154**	**1,157**

As at June 30, 2019, part-time staff in the Bank amounted to 90, accounting for 8% of employees, with women employees representing around 43% of the workforce. The average length of service was 9 years and the average age was around 40.

Employee training

During the fisrt half 2019, employees training was focused both on the acquisition and consolidation of specific skills required by the company needs, and on the updating of individual knowledge, with specific focus on mandatory, technical, linguistic behavioral-managerial training.

A breakdown of training hours by training area is presented below:

TRAINING AREA	HOURS OF TRAINING
Mandatory	3,945
Technical	6,360
Foreign Language	4,832
Conduct – Management	534
Total	**15,671**

Mandatory training

The Bank is committed to constantly establishing and strengthening a risk and compliance culture, across the organisation, which enables its business to be profitable but also sustainable over time.

For this reason, considerable attention was paid to mandatory training, extended to all FinecoBank employees, who can take part in courses, through the MyLearning Platform, and also attend classroom sessions on specific issues (e.g. Anti-money laundering, Financial Sanctions, etc.). In addition, mandatory training was periodically monitored, to guarantee that all employees receive this training and to protect the Bank from operating, legal and reputational risk related to the non-completion of courses.

To guarantee conformity to new regulatory provisions, in particular concerning consumer mortgages and MIFID, the Bank has ensured that all staff affected receive adequate training, and that their minimum skillsets and knowledge are aligned.

Moreover, during the first half of 2019, FinecoBank undertook to raise an awareness of the importance of a Compliance Culture among employees, which is fundamental for promoting transparency and compliance with rules as the basis for FinecoBank's business.

Technical and behavioral training

In the first six months of the year, training sessions were organised with the assistance of external suppliers and internal resources, for the acquisition of technical skills needed to improve not only company productivity but also the level of employee specialisation.

The MyCampus training catalogue was made available to the Bank's human resources, further extending e-learning dedicated to various topics.

With a view to maintaining a high quality service and customer focus, training courses were held for the Customer Care department, for incoming and existing staff, with a total of 5,300 hours delivered, targeting the acquisition of main technical and specific skills, and the consolidation of relational and communication skills.

During the first half of 2019, some of the Bank's organisational units completed the Leadership Training Program, dedicated to Team leaders and coordinators, with classroom sessions, coaching and on the job training. The aim of this initiative was to strengthen their managerial skills and manage their role in a coherent and effective manner. In view of its success, FinecoBank is committed to gradually extending this initiative to other organisational units.

Foreign language training

Foreign language training in the first half of 2019 involved some 300 employees in English courses (classroom-based or via telephone). In some cases (e.g. for Executives), "one-to-one" training courses in Business English were provided. Employees are assigned to participate in foreign language training courses based on requests made by the individual unit managers, based on the specific professional needs of colleagues.

Moreover, in view of the importance of foreign language training, a platform has been made available to all human resources, with learning tools such as videos, role playing and virtual classrooms.

The subsidiary: Fineco Asset Management Designated Activity Company (Dac)

As at 30 June 2019, the Company’s employees are 22 of whom 7 women and 15 men and the average age is around 38.

The hirings from the market in 2019 are due to the completion of the organizational set up of the company, started in the previous year, staff constitution and the selected resources are dedicated to business, staff and control functions.

Technology infrastructure

The current architecture of the information system adopted by FinecoBank means that the distribution structure, internal operating structure and applications used by customers to access dedicated services can be very closely integrated.

The technology infrastructure hosted by Datacentres basically consists of the following:

- Enterprise department systems dedicated to the provision of core services, such as storage, relational databases, core banking and core trading services, and digital archiving.
- Distributed systems dedicated to the provision of Omnichannel services (website, mobile apps, extranet, telephone banking, etc.) and non-relational databases (NoSQL).
- Middleware systems dedicated to internal technical integration and integration with counterparties (EAI/BPM).

As regards Fineco AM, the company uses a third-party platform to manage investment services.

During the first half of 2019, the ICT & Security Office Department (CIO) carried out its usual activities for the technological upgrading, consolidation and development of the information system, in order to provide innovative, reliable, added value services to customers.

In terms of the architecture, infrastructure and application optimisation continued, constant improvements were made to the architecture application security and tuning carried out, to align with regulations, with the Bank's customary focus on digitalisation issues.

The main project activities completed include, by sector:

- Consolidation of advisory activities based on the cyborg-advisory model
  - Introduction of the digital signature for Eurovita and Aviva projects
  - Enhancement of the Plus advisory service, with the introduction of Commercial Reports and Prospect Diagnostics
- Expansion of products and services offered
  - Activation of the platform to internalise trading orders for the Futures market
  - Extension of the MultiCurrency service to 12 new foreign currencies for Italian and UK customers
  - Release of the API Multiplatform available to make purchases with GooglePay devices, as well as Apple devices
  - Extension of the availability of Daily Options for the PowerDesk professional trading system
- Obligations relative to the payment services directive – PSD2
  - Distribution of the Secure Customer Authentication system based on the “Mobile Code”, prior to alignment with PSD2
  - Availability of a dedicated portal that gives certified third parties an API catalogue and associated documentation to enable the integration of PSD2-regulated services
  - Release of the new Fineco XS2A interface (Access to account interface) to guarantee a secure channel for authentication and communication between ASPSP (Account Servicing Payment Service Providers) and TPP (Third Party Providers)
- Other obligations
  - Start of e-invoicing management
  - Implementation necessary to align information systems to financial reporting and regulatory obligations arising from the entry into force of new accounting standards and/or new provisions issued by the supervisory authorities.

Internal control system

The internal control system is a fundamental part of the overall governance system of banks; it ensures that operations are carried out in line with the Bank strategies and policies and based on principles of sound and prudent management.

Circular no. 285 of December 17, 2013 as amended defines the principles and guidelines to which the internal control system of banks must conform. The circular defines the general principles of organisation, identifies the role and responsibilities of governing bodies, and sets out the characteristics and roles of corporate control functions.

The internal control system must provide protective measures that cover all types of business risk. The primary responsibility for these tasks lies with the bank's bodies, each in accordance with its specific duties. The structure of tasks and lines of responsibility of corporate functions and bodies must be clearly specified.

Banks must apply the provisions according to the proportionality principle, i.e. taking into account the operating scale and organisational complexity, the nature of the activities carried out, and the type of services provided.

As part of the supervisory review and evaluation process, the European Central bank or the Bank of Italy verify the internal control system in terms of completeness, suitability, functionality (in terms of efficiency and effectiveness) and reliability of banks.

In accordance with the provisions laid down by the Supervisory Authority, the Bank's internal control system consists of a set of rules, functions, organisational structures, resources, processes and procedures aimed at ensuring the achievement of the following objectives, in compliance with the principles of sound and prudent management:

- verifying the implementation of the Bank's strategies and policies;
- containing risk within the limits set out in the Bank Risk Appetite Framework - "RAF";
- preventing the Bank's involvement, even if unintentional, in unlawful activities (with specific reference to money laundering, usury and the financing of terrorism);
- protecting the value of assets and preventing losses;
- ensuring the effectiveness and efficiency of corporate processes;
- ensuring the security and reliability of the Bank information and ICT procedures;
- ensuring compliance of transactions with the law and supervisory regulations, as well as internal policies, procedures and regulations issued by the Bank and the FinecoBank Group.

FinecoBank, as the Parent Company, has equipped the Group with a single internal control system that allows effective control both of the strategic choices of the Group as a whole and of the management balance of the individual Group entities.

In terms of the methods applied, the Internal Control System of the Bank and of Fineco AM, the only subsidiary company, is based on three types of controls:

- level one controls ("line controls"): these are controls for individual activities and are carried out according to specific operational procedures based on a specific internal regulation. Monitoring and continuously updating these processes is entrusted to "process supervisors" who are charged with devising controls able to ensure the proper performance of daily activities by the staff concerned, as well as the observance of any delegated powers. The processes subject to control relate to units that have contact with customers, as well as completely internal units;
- level two controls: these are controls related to daily operations connected with the process to measure quantifiable risks and are carried out by units other than operating units, on an ongoing basis. The Risk Management function controls market, credit and operational risks, as regards compliance with limits assigned to operating functions and the consistency of operations of individual production areas with established risk/return objectives; the Compliance unit is responsible for controls on non-compliance risks; for regulatory areas which already have types of control performed by the specialised structures, monitoring of compliance risk is assigned to these structures based on the "Indirect Coverage" operating model;
- level three controls: these controls are typical of internal auditing, based on analysis of information obtained from databases or company reports, as well as on-site controls. This type of control is aimed at identifying violations of procedures and regulations as well as periodically assessing the completeness, adequacy, functionality (in terms of efficiency and effectiveness) and reliability of the internal control system and information system (ICT audit), on a pre-established basis in relation to the nature and intensity of the risks. These controls are assigned to the Internal Audit function which, with effect from 10 May 2019, has been internalized[6]; to verify the compliance of the behavior of the companies belonging to the Group with the guidelines of the Parent Company as well as the effectiveness of the internal control system, the internal audit function of FinecoBank, on a consolidated level, periodically carries out on-site controls on the components of the Group, taking into account the importance of the different types of risk assumed by the entities.

[6] Until that date, the internal audit activity was outsourced to UniCredit S.p.A..

Internal control system

With regard to the subsidiary Fineco Asset Management DAC, formally established at the end of 2017 and operational in July 2018, the organizational structure involves the performance of Compliance, Risk Management and Internal Audit[7] activities by functions within the company.

The Parent Company's 2nd and 3rd level corporate functions submit an annual report to the corporate bodies illustrating the controls carried out, the results emerged, the weaknesses detected with reference, in addition to the Parent Company itself, also to the banking Group as a whole and propose the interventions to be adopted for the removal of the detected deficiencies.

Institutional supervisory controls were also set up at the Parent Company: these refer to controls by the Bank's supervisory bodies, including in particular the Board of Statutory Auditors and the Supervisory Body pursuant to Legislative Decree no. 231 of 8 June 2001.

Considering the functions and units involved, the Bank's Internal Control System is based on:

- control bodies and functions including, according to their respective responsibilities, the Board of Directors, the Risk and Related Parties Committee, the Remuneration Committee, the Appointments and Sustainability Committee the Chief Executive Officer and General Manager[8], the Board of Statutory Auditors, the Supervisory Body set up pursuant to Legislative Decree 231/01 and the corporate control functions (Risk Management, Compliance[9], Internal Audit) as well as other company functions with specific internal control duties[10];
- procedures for the coordination of entities involved in the internal control and risk management system, which provide for:
  - cooperation and coordination among control functions, through specific information flows that are formalised in internal regulations and through managerial committees dedicated to control issues;
  - definition of information flows both between corporate bodies and control functions of the Bank.

Finally, it should be noted that, under Article 49, paragraph 1, of the Regulation (EU) No. 468/2014 of the European Central Bank (ECB/2014/17) (the SSM - Single Supervisory Mechanism - Framework Regulation), the ECB publishes, as of September 4, 2014, a periodically updated list, containing the names of supervised entities and groups that fall under the direct supervision of the ECB ("significant supervised entities" and "significant supervised groups", as defined in Article 2, points 16) and 22) of the SSM Framework Regulation), indicating the specific reason for direct supervision for each of them, and, if classified as significant based on size, the total value of the assets of the entity or group supervised. The Bank, as a "credit institution established in a participating Member State" belonging to the UniCredit group until 10 May 2019 (classified as a "significant supervised group"), is included among the "significant supervised entities"[11].

Main risks and uncertainties

For more details of the risks and uncertainties faced by the Bank in the current market situation and in relation to its operations, see Part E – Information on risks and hedging policies of the Notes to the accounts.

[7] The internal audit activity in the second half of 2018 was outsourced to UniCredit S.p.A.

[8] Also appointed as "Director responsible for the internal control and risk management system" in accordance with principle 7.P.3 of the Corporate Governance Code of listed companies.

[9] This function includes the Anti Money Laundering and Anti Terrorism Service, responsible for managing the correct application of regulations on anti-money laundering and combating the financing of terrorism. The Compliance Officer is also appointed Head of the Anti-Money Laundering Function.

[10] The legislative framework and the codes of conduct assign control tasks to specific functions - other than corporate control functions - whose work should be seen as being a functional part of the Internal Control System. For the Bank in particular, these include the Local Control System for legislation concerning related-party transactions carried out with associated persons in a conflict of interest situation (under the responsibility of the Corporate Secretariat Unit of the Legal & Corporate Affairs Department), the Nominated Official in charge of drawing up company accounts pursuant to Article 154-bis of the Consolidated Finance Act (identified as the Bank's CFO), the Occupational Health and Safety Officer; the Human Resources function, the Head of Business Continuity & Crisis Management, and the Head of Outsourcing Management (Costs Manager Assistant). All corporate functions, other than corporate control functions, also participate in the Internal Control System by carrying out the level-one controls included in the business processes within their responsibility.

[11] The process of classification of the Bank by the Supervisory Authorities following the exit from the Unicredit Group and the subsequent establishment of the FinecoBank Group is in progress.

Organisational structure

In April 2019 some changes were made to the organizational structure of the Global Business Department and the Organization and Bank Operations Department with the creation of new structures, the renaming of existing structures and the redistribution of some activities for a better representation.

In addition, during May 2019, the Internal audit function was internalized, previously outsourced to UniCredit S.p.A., in relation to the exit of FinecoBank from the UniCredit Banking Group and the registration of the FinecoBank Banking Group with Register of Banking Groups.

The Parent Company's Organisational Model

The Parent Company's organisational model is based on a functional model, which favours economies of scale and facilitates the development of vertical skills and knowledge within the area to which it belongs and guarantees the necessary decision-making mechanisms. Although the current arrangement applies the concept of "functional specialisation", a project-based approach is maintained for every phase of definition and release of products and services.

The horizontal links are guaranteed by the work of specific managerial Committees that monitor the progress of the most important projects among other activities, also to guarantee the necessary synergies of distribution channels.

The model sets out the identification of the corporate control functions: i) compliance with the standards (Compliance); ii) risk control (Risk management); iii) internal audit (Internal audit); and further direction and support and / or control functions, including the CFO - Chief Financial Officer, the Legal, Human Resources, Corporate Identity and the control function on the network of personal financial advisor.

Furthermore the model identifies three further functional lines, which govern:

- the sales network (Network PFA & Private Banking Department);
- the business (Global Business Department);
- operational functioning (GBS Department).

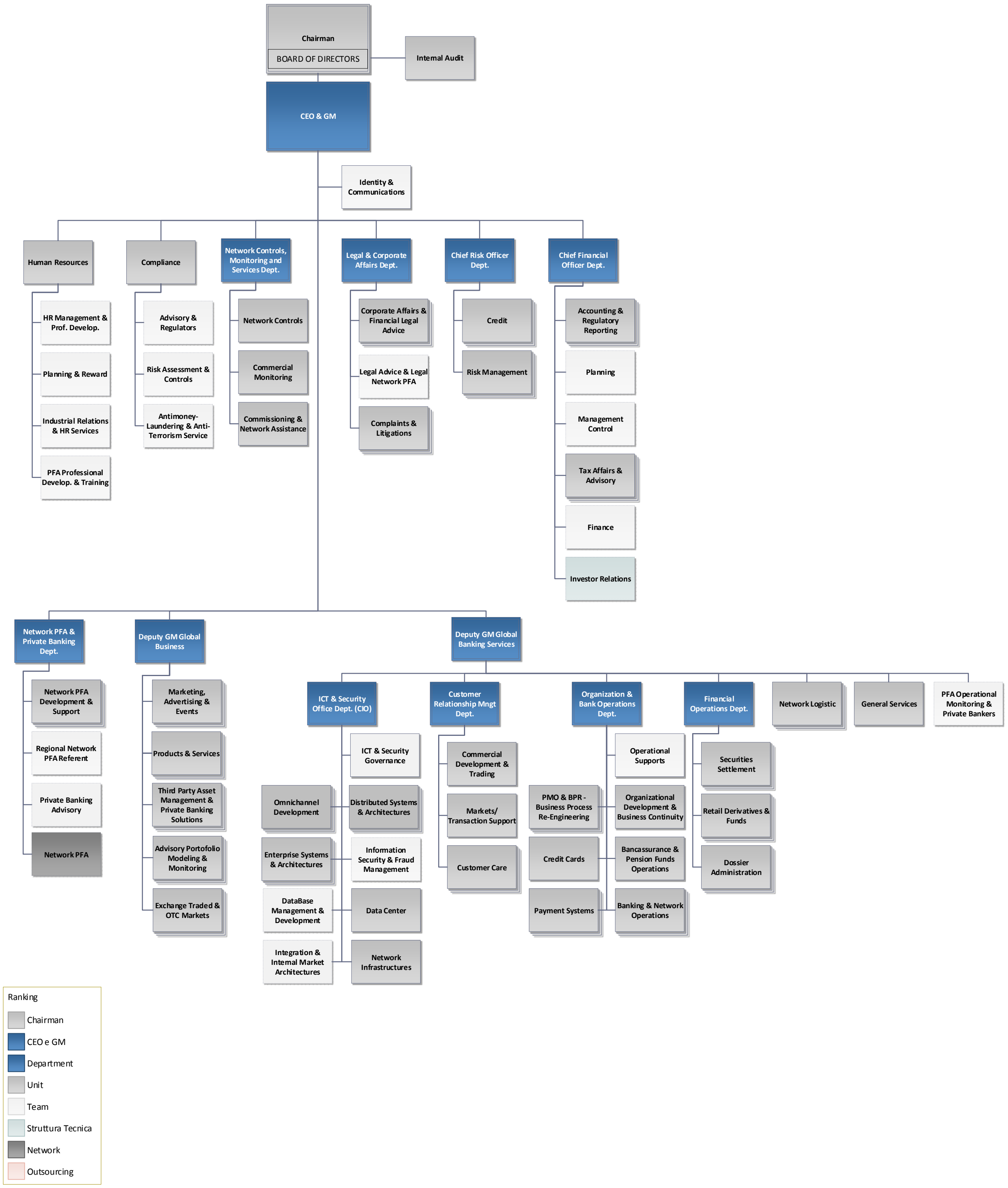
In summary:

- The *PFA Network & private Banking Department* is responsible for overseeing the management and development of the personal financial advisors network enabled for the off-site offering and of guaranteeing the necessary support to the sales network in the management of customers attributable to the Private Banking segment;
- the Global Business Department is responsible for overseeing the development of Trading, Banking, Credit and Investing products and the financial advisory services provided to the Bank' customers;
- The GBS (Global Banking Services) Department coordinates the organisational units in charge of monitoring the organisational/operating processes and the ICT and logistics systems needed to ensure the effective and efficient operation of business support systems. The following organisational units report to the GBS Department: ICT & Security Office Department (CIO), CRM – Customer Relationship Management – Department, Organisation & Bank Operations Department, Financial Operations Department, Network Services Unit, General Services Unit.

The synergies between the distribution channels and the monitoring of decision-making processes that cut across the Departments are ensured by a Management Committee.

The following organisational units report to the Chief Executive Officer and General Manager: Network PFA & Private Banking Department, Global Business Department, CFO (Chief Financial Officer) Department, CRO (Chief Risk Officer) Department, Network Controls, Monitoring And Services Department, Legal & Corporate Affairs Department, GBS (Global Banking Services) Department, Human Resources Unit, Compliance Unit and the Identity & Communication Team.

The Internal Audit reports directly to the Board of Directors, Body with Strategic Supervision Function.


Chairman
BOARD OF DIRECTORS
Internal Audit
CEO & GM
Identity & Communications
Human Resources
HR Management & Prof. Develop.
Planning & Reward
Industrial Relations & HR Services
PFA Professional Develop. & Training
Compliance
Advisory & Regulators
Risk Assessment & Controls
Antimoney-Laundering & Anti-Terrorism Service
Network Controls, Monitoring and Services Dept.
Network Controls
Commercial Monitoring
Commissioning & Network Assistance
Legal & Corporate Affairs Dept.
Corporate Affairs & Financial Legal Advice
Legal Advice & Legal Network PFA
Complaints & Litigations
Chief Risk Officer Dept.
Credit
Risk Management
Chief Financial Officer Dept.
Accounting & Regulatory Reporting
Planning
Management Control
Tax Affairs & Advisory
Finance
Investor Relations
Network PFA & Private Banking Dept.
Network PFA Development & Support
Regional Network PFA Referent
Private Banking Advisory
Network PFA
Deputy GM Global Business
Marketing, Advertising & Events
Products & Services
Third Party Asset Management & Private Banking Solutions
Advisory Portofolio Modeling & Monitoring
Exchange Traded & OTC Markets
Deputy GM Global Banking Services
ICT & Security Office Dept. (CIO)
ICT & Security Governance
Omnichannel Development
Distributed Systems & Architectures
Enterprise Systems & Architectures
Information Security & Fraud Management
DataBase Management & Development
Data Center
Integration & Internal Market Architectures
Network Infrastructures
Customer Relationship Mngt Dept.
Commercial Development & Trading
Markets/ Transaction Support
Customer Care
Organization & Bank Operations Dept.
PMO & BPR - Business Process Re-Engineering
Credit Cards
Payment Systems
Operational Supports
Organizational Development & Business Continuity
Bancassurance & Pension Funds Operations
Banking & Network Operations
Financial Operations Dept.
Securities Settlement
Retail Derivatives & Funds
Dossier Administration
Network Logistic
General Services
PFA Operational Monitoring & Private Bankers
Ranking
Chairman
CEO e GM
Department
Unit
Team
Struttura Tecnica
Network
Outsourcing

Group management system

The Parent Company FinecoBank is responsible for maximizing the long-term value of the Group as a whole, guaranteeing the unitary governance, direction and control of the Group entities (currently the only subsidiary is Fineco AM).

For this purpose, FinecoBank has defined rules for the governance of the FinecoBank Banking Group in order to fully exercise its role in managing and coordinating the Group[12], as well as outlining the Group's managerial/functional management system and disciplined the key processes between the Parent Company and the entities of the group.

The Parent Company ensures the coordination of the entities' activities with a managerial management system based on the concept of the "competence lines", through the strong functional link between the Parent Company structure and the organizational structure of the entities (the entity's homologous function).

The Competence Lines are represented by the structures/functions which, operating transversally between the Parent Company and the entities, have the objective of directing, coordinating and controlling the activities and risks of the Group as a whole and of the entities, through the structures/functions present locally. The Competence Lines operate in the following areas: Investor Relations, Finance and Treasury, Planning and Control, Accounting & Regulatory reporting, Planning and Tax Affairs and Advisory (Chief Financial Officer area); Risk Management and Credit (within the Chief Risk Officer area); Legal/Corporate; Compliance; Internal Audit as well as Human Resources, Identity & Communication, Organization/Business Continuity & Crisis Management/ICT/Security/Purchasing (Global Banking Services).

With the aim of achieving a strong functional and managerial connection at Group level, within the constraints set by applicable local laws and regulations, the Competence Line Managers have a direct role and, in compliance with the responsibilities of the Corporate Bodies of the Entities, specific powers of direction, support and control with reference to the corresponding functions of the entities, always in coordination with the Top Management of the respective entity.

12 In accordance with Article 61 of Legislative Decree n. 385 of 1 September 1993 (the "Italian Banking Law") and the Supervisory Instructions issued by the Bank of Italy.

Main balance sheet aggregates

(Amounts in € thousand)

ASSETS	AMOUNTS AS AT 06.30.2019	AMOUNTS AS AT 12.31.2018	CHANGES AMOUNT	CHANGES %
Cash and cash balances	1,230,599	6	1,230,593	n.c.
Financial assets held for trading	7,475	6,876	599	8.7%
Loans and receivables with banks	710,347	3,058,882	(2,348,535)	-76.8%
Loans and receivables with customers	3,408,661	2,955,074	453,587	15.3%
Financial investments	19,912,177	18,231,182	1,680,995	9.2%
Hedging instruments	49,365	8,187	41,178	503.0%
Property, plant and equipment	143,801	16,632	127,169	764.6%
Goodwill	89,602	89,602	-	-
Other intangible assets	8,760	8,705	55	0.6%
Tax assets	3,498	6,714	(3,216)	-47.9%
Other assets	270,368	350,770	(80,402)	-22.9%
Total assets	**25,834,653**	**24,732,630**	**1,102,023**	**4.5%**

(Amounts in € thousand)

LIABILITIES AND SHAREHOLDERS' EQUITY	AMOUNTS AS AT 06.30.2019	AMOUNTS AS AT 12.31.2018	CHANGES AMOUNT	CHANGES %
Deposits from banks	206,643	1,009,774	(803,131)	-79.5%
Deposits from customers	24,139,699	22,273,188	1,866,511	8.4%
Financial liabilities held for trading	2,413	2,221	192	8.6%
Hedging instruments	84,086	7,941	76,145	n.c.
Tax liabilities	64,779	12,390	52,389	422.8%
Other liabilities	409,355	451,435	(42,080)	-9.3%
Shareholders' equity	927,678	975,681	(48,003)	-4.9%
- capital and reserves	*800,766*	*744,256*	*56,510*	*7.6%*
- revaluation reserves	*(7,202)*	*(9,794)*	*2,592*	*-26.5%*
- net profit	*134,114*	*241,219*	*(107,105)*	*-44.4%*
Total liabilities and Shareholders' equity	**25,834,653**	**24,732,630**	**1,102,023**	**4.5%**

Cash and cash balances

Cash and cash balances, amounting to €1,230.6 million, mainly includes the liquidity deposited in the HAM (Home Accounting Model) account at Bank of Italy, which FinecoBank opened in the first half of 2019 to transfer the liquidity previously deposited with UniCredit S.p.A..

Financial assets held for trading

Financial assets held for trading totaled €7.5 million and include financial instruments that meets the definition of held for trading, in particular:

- bonds, equities and UCIT units, amounting to €3.2 million (€2.1 million as at December 31, 2018), held in the Bank's portfolio as a result of trading activity or used for the operational hedging of CFD positions on shares open with customers and intended to be traded in the short term;
- the positive valuation of spot contracts for securities in the held for trading portfolio and currencies to be settled in time frames established by market practices ("regular way") for €1.9 million (€1.3 million as at December 31, 2018), which correspond to negative valuations booked under "Financial liabilities held for trading";
- the positive valuation of CFDs (indices, shares, interest rates, commodities and forex), traded in counterpart of the customers, and futures and forex, used for the related operational hedging, for €2.3 million (€3.5 million as at December 31, 2018).

CFDs are "Over the counter" derivative contracts that require the payment of a spread generated by the difference between the opening and closing price of the financial instrument. The bank in operational terms hedges the imbalance of customer positions by underwriting futures or the purchase/sale of equity securities on the same underlyings or through forex transactions with institutional.

Loans and receivables with banks

(Amounts in € thousand)

	AMOUNTS AS AT		CHANGES	
	06.30.2019	12.31.2018	AMOUNT	%
Current accounts and demand deposits	399,017	1,922,041	(1,523,024)	-79.2%
Time deposits	248,092	1,127,298	(879,206)	-78.0%
Other loans:	63,238	9,543	53,695	562.7%
1 Reverse repos	2,733	416	2,317	557.0%
2 Others	60,505	9,127	51,378	562.9%
Total	**710,347**	**3,058,882**	**(2,348,535)**	**-76.8%**

Loans and receivables with banks for “Current accounts and demand deposits” mainly consist of accounts held with credit institutions, among which UniCredit S.p.A., for the settlement of transactions on payment circuits, for the settlement of transactions in securities, for the management of the liquidity of UK customers and for the management of the liquidity of Fineco AM. At December 31, 2018 the item included the cash deposited with UniCredit S.p.A., mostly transferred in the first half of 2019 to the HAM (Home Accounting Model) account at Bank of Italy.

“Time deposits” mainly consist of the deposit for compulsory reserves, indirect deposit held by the Bank with UniCredit S.p.A., amounting to €234.1 million. At December 31, 2018 the item included deposits held by the Bank with UniCredit S.p.A. extinguished during the first half of 2019 for a total amount of €1,119.3 million.

The item “Other loans: Others” consists of €55.4 million for the amount of the initial and variations margins and collateral deposits placed with credit institutions for derivative transactions (€5.3 million as at December 31, 2018) and €5.1 million for current receivables associated with the provision of financial services (€3.8 million as at December 31, 2018).

Main balance sheet aggregates (CONTINUED)

Loans and receivables with customers

(Amounts in € thousand)

	AMOUNTS AS AT		CHANGES	
	06.30.2019	12.31.2018	AMOUNT	%
Current accounts	1,169,436	1,018,700	150,736	14.8%
Reverse repos	166,427	148,797	17,630	11.8%
Mortgages	976,693	856,870	119,823	14.0%
Credit cards and personal loans	735,771	750,141	(14,370)	-1.9%
Other loans	360,334	180,566	179,768	99.6%
Total	**3,408,661**	**2,955,074**	**453,587**	**15.3%**

Loans and receivables with customers, amounting to €3,408.7 million, up 15.3% compared to the amount as at December 31, 2018 and can be broken down as follows:

- credit facilities in current accounts of €1,169.4 million, up 14.8%, of which loans with a security collateral (in particular "Credit Lombard") totaled to €1,111.6million;
- €166.4 million in reverse repos, made by:
  - "Multiday leverage" with retail customers and stock lending transactions with transactions institutional customers, securities lending transactions guaranteed by sums of money readily available to the lender and which are basically the equivalent of repos on securities, for an amount of €162.9 million;
  - repos on securities executed on MTS market subject to accounting offsetting, as set out in IAS 32, for an amount of €3.5 million;
- €976.7 million in mortgages, up 14%;
- €735.8 million in credit cards and personal loans, down 1.9%
- €360.3 million in other loans, mainly made by collateral deposits and initial and variation margins for derivative and financial instrument transactions, for an amount of €259.8 million (€85 million as at December 31, 2018), and current receivables associated with the provision of financial services, for an amount of €94.6 million (€88.9 million as at December 31, 2018).

The portfolio of **loan receivables with ordinary customers** amounts to €2,887.9 million and mainly consists of receivables for personal loans, mortgages, current accounts and credit card revolving and use; overall, loans receivable with ordinary customers increased of 9.7% thanks to the disbursement in the first half 2019 of a further €109 million in personal loan and €171 million in mortgages plus new credit facilities in current accounts for an amount of €451 million.

(Amounts in € thousand)

LOANS AND RECEIVABLES WITH CUSTOMERS (MANAGEMENT RECLASSIFICATION)	AMOUNTS AS AT		CHANGES	
	06.30.2019	12.31.2018	AMOUNT	%
Current accounts	1,167,392	1,016,930	150,462	14.8%
Credit card use	288,658	320,379	(31,721)	-9.9%
Mortgages	976,444	856,856	119,588	14.0%
Personal loans	446,315	428,979	17,336	4.0%
Other loans	5,914	6,460	(546)	-8.5%
Performing loans	*2,884,723*	*2,629,604*	*255,119*	*9.7%*
Current accounts	2,044	1,770	274	15.5%
Mortgages	249	14	235	n.c.
Credit card use	32	63	(31)	-49.2%
Personal loans	766	720	46	6.4%
Other loans	105	99	6	6.1%
Impaired loans	*3,196*	*2,666*	*530*	*19.9%*
Loans receivable with ordinary customers	***2,887,919***	***2,632,270***	***255,649***	***9.7%***
Reverse repos	166,425	148,768	17,657	11.9%
Reverse repos - impaired	2	29	(27)	n.c.
Collateral deposits and initial and variation margins	259,751	84,963	174,788	205.7%
Current receivables not related provision of financial services	94,469	88,922	5,547	6.2%
Current receivables associated with the provision of financial services - impaired	95	122	(27)	-22.1%
Current receivables and other receivables	***520,742***	***322,804***	***197,938***	***61.3%***
Loans and receivables with customers	**3,408,661**	**2,955,074**	**453,587**	**15.3%**

Impaired assets

(Amounts in € thousand)

CATEGORY	GROSS AMOUNT		IMPAIRMENT PROVISION		NET AMOUNT		COVERAGE RATIO	
	AMOUNTS AS AT		AMOUNTS AS AT		AMOUNTS AS AT		DATA AS AT	
	06.30.2019	12.31.2018	06.30.2019	12.31.2018	06.30.2019	12.31.2018	06.30.2019	12.31.2018
Bad exposures	18,313	19,714	(16,549)	(18,067)	1,764	1,647	90.37%	91.65%
Unlikely to pay	3,319	2,659	(2,349)	(2,042)	970	617	70.77%	76.80%
Past-due loans	1,501	1,562	(942)	(1,009)	559	553	62.76%	64.60%
Total	**23,133**	**23,935**	**(19,840)**	**(21,118)**	**3,293**	**2,817**	**85.76%**	**88.23%**

The amount of non-performing loans net of impairment losses was €3.3 million, of which €1.8 million in bad exposure, €1 million in unlikely to pay exposures and €0.6 million in past-due loans. The impaired assets are the 0.11% of loan receivables with ordinary customers (the 0.11% as at December 31, 2018) and mostly relate to current account overdrafts and personal loans.

Financial investments

(Amounts in € thousand)

	AMOUNTS AS AT		CHANGES	
	06.30.2019	12.31.2018	AMOUNT	%
Financial assets at fair value through profit or loss c) other financial assets mandatorily at fair value	10,888	13,342	(2,454)	-18.4%
Financial assets at fair value through other comprehensive income	320,613	961,773	(641,160)	-66.7%
Financial assets at amortised cost	19,580,676	17,256,067	2,324,609	13.5%
- financial assets at amortised cost with banks - debt securities	9,137,428	9,382,112	(244,684)	-2.6%
- financial assets at amortised cost with customers - debt securities	10,443,248	7,873,955	2,569,293	32.6%
Total	**19,912,177**	**18,231,182**	**1,680,995**	**9.2%**

“Financial assets at fair value through profit or loss c) other financial assets mandatorily at fair value” primarily consist of the Visa INC class “C” preferred shares, for an amount of €8 million, which saw a positive change in *fair value* in the fisrt half 2019 of €1.9 million and the residual equity exposure to the Voluntary Scheme set up by the Interbank Deposit Guarantee Fund (IDGF), amounting to €2.4 million (of which €1.9 million related to the Carige transaction and €0.5 million related to Carim, Carismi and CariCesena transaction), with a negative impact booked in the first half 2019 income statement of €4.8 million (gross of taxes). For further details on the exposure to the Voluntary Scheme refer to Part A - Accounting Policies – Section 5 – Other matters of the Notes to the accounts.

"Financial assets designated at fair value through other comprehensive income" consist of securities issued by sovereign states and residually of equity interests in companies in which the Bank does not exercise control or significant influence for €5 thousand for which, upon first application of IFRS 9, the "FVTOCI" option was exercised.[13]. The following table shows the debt securities issued by sovereign States:

(Amounts in € thousand)

COUNTERPARTY	AMOUNTS AS AT		CHANGES	
	06.30.2019	12.31.2018	AMOUNTS	%
Italy	172,328	816,900	(644,572)	-78.9%
France	36,994	35,471	1,523	4.3%
USA	69,627	67,585	2,042	3.0%
Ireland	41,658	41,812	(154)	-0.4%
Total	**320,607**	**961,768**	**(641,161)**	**-66.7%**

The debt securities recorded in "Financial assets at amortized cost" issued by banks include covered bonds issued by credit institutions for €255.2 million, in addition to bonds issued by:

- UniCredit S.p.A. for a total amount of €8,266.8 million (€9,115.8 million as at December 31, 2018);
- Istituto de Credito Oficial (ICO) for an amount of €121.5 million (€114.5 million as at December 31, 2018);
- EIB (European Investment Bank) for an amount of €309.2 million (€101.3 million as at December 31, 2018);
- Kreditanstalt für Wiederaufbau (KfW) for an amount of €140.1 million (€50.5 million as at December 31, 2018);

[13] With regard to non-trading equity instruments, IFRS 9 provides for the possibility of measuring them at the fair value recognised through other comprehensive income (so-called FVTOCI – fair value through Other Comprehensive Income).

Main balance sheet aggregates (Continued)

- Council of Europe development Bank (CEB) for an amount of €44.7 million (no exposures as at December 31, 2018).

The debt securities recorded in "Financial assets at amortized cost" issued by customers exclusively refer to bonds consist of securities issued by sovereign States and Supranational agencies. The breakdown by counterparty of securities issued by customers is shown below:

(Amounts in € thousand)

COUNTERPARTY	AMOUNTS AS AT		CHANGES	
	06.30.2019	12.31.2018	AMOUNTS	%
Italy	3,753,899	3,150,186	603,713	19.2%
Spain	3,409,626	3,411,725	(2,099)	-0.1%
Germany	127,328	127,432	(104)	-0.1%
Poland	118,731	79,660	39,071	49.0%
France	610,118	255,743	354,375	138.6%
USA	351,066	-	351,066	-
Austria	397,194	208,562	188,632	90.4%
Ireland	656,422	171,703	484,719	282.3%
Belgium	383,867	181,983	201,884	110.9%
EFSF (European Financial Stability Facility)	331,679	160,493	171,186	106.7%
ESM (European Stability Mechanism)	303,318	126,468	176,850	139.8%
Total	**10,443,248**	**7,873,955**	**2,569,293**	**32.6%**

Hedging instruments

(Amounts in € thousand)

	AMOUNTS AS AT		CHANGES	
	06.30.2019	12.31.2018	AMOUNT	%
Asset hedging derivatives - positive valuations	-	-	-	-
Liability hedging derivatives - positive valuations	17,722	3,314	14,408	n.c.
Adjustment to the value of assets under macro-hedge	31,643	4,873	26,770	549.4%
Total assets	**49,365**	**8,187**	**41,178**	**503.0%**
of which:				
Positive valuations	17,134	2,575	14,559	565.4%
Accrued interest	588	739	(151)	-20.4%
Adjustments to the value of hedged assets	31,643	4,873	26,770	549.4%
Total assets	**49,365**	**8,187**	**41,178**	**503.0%**
Asset hedging derivatives - negative valuations	67,019	5,341	61,678	n.c.
Liability hedging derivatives - negative valuations	-	-	-	-
Adjustment to the value of assets under macro-hedge	17,067	2,600	14,467	556.4%
Total liabilities	**84,086**	**7,941**	**76,145**	**958.9%**
of which:				
Negative valuations	64,763	4,703	60,060	n.c.
Accrued interest	2,256	638	1,618	253.6%
Adjustments to the value of hedged liabilities	17,067	2,600	14,467	556.4%
Total liabilities	**84,086**	**7,941**	**76,145**	**958.9%**

(Amounts in € thousand)

SUMMARY OF HEDGING DERIVATIVE VALUATIONS 06.30.2019	ASSETS	LIABILITIES	DIFFERENCE
Valuation of hedging derivatives for assets and liabilities	17,134	64,763	(47,629)
Change in macro fair value hedged of financial assets/liabilities	31,643	17,067	14,576
Change in micro fair value hedged of financial assets/liabilities	32,817	-	32,817
Total	**81,594**	**81,830**	**(236)**

As at June 30, 2019 the financial assets under macro-hedge consisted of mortgages with customers shown in “Financial assets at amortised cost”, while the financial liabilities under macro-hedge consisted of direct deposits with customers shown in “Financial liabilities at amortised cost”.

The financial assets under micro-hedge are represented by securities issued by sovereign states recorded in "Financial assets at amortized cost".

Positive and negative valuations of hedging derivatives related solely to derivative contracts that the Bank has entered into to hedge against interest rate risk inherent in the above-mentioned assets and liabilities, whose income statement effect, net of €1.7 million of negative accrued interest included in the net interest margin, was a negative amount of €0.2 million.

Property, plant and equipment

Property, plant and equipment are made by properties, electronic equipment, office furniture and fittings, plant and machinery.

On January 1, 2019 as, for the first time adoption of IFRS 16 purposes, the assets representing the right of use of the leased assets have been accounted for in the balance sheet assets, for a total amount of €64,575 thousand, represented by the lease contracts for the properties used by the Group companies and by the financial shops in use to financial advisors and managed directly by the Bank, in addition to leasing contracts for machinery and cars.

On January 31, 2019, FinecoBank completed the headquarters acquisition from Immobiliare Stampa S.C.p.A. (controlled by Banca Popolare di Vicenza), the ownership of the building, designated for offices use and related accessories, which establishes the registered office of the Bank located in Milan, Piazza Durante 11, partially rented until that date. The transaction was completed with a price of the deal of €62 million and it represents, in addition to taxes and initial direct costs, the carrying amount of the property booked in the financial statements. It should be noted that the land and the building were separately accounted for, even if purchased together as required by IAS 16.

Investments in electronic equipment were made to guarantee the ongoing update of the hardware used by all the Group’s departments. Investments in office furniture and fittings and in plant and machinery are intended for use in company offices and in financial stores.

(Amounts in € thousand)

PROPERTY, PLANT AND EQUIPMENT	BALANCE 12.31.2018	ADJUSTMENTS IFRS 16 01.01.2019	INVESTMENTS 1ST HALF 2019	OTHER CHANGES AND SALES 1ST HALF 2019	AMORTISATION AND IMPAIRMENT 1ST HALF 2019	BALANCE 06.30.2019
Land	-	-	23,932	-	-	23,932
Properties	2,088	63,950	43,495	279	(5,045)	104,767
Electronic equipment	10,944	-	1,860	-	(2,077)	10,727
Office furniture and fitting	1,836	-	478	121	(358)	2,077
Plant and machinery	1,764	625	328	(38)	(381)	2,298
Total	**16,632**	**64,575**	**70,093**	**362**	**(7,861)**	**143,801**

Goodwill

The **Goodwill** recognised in the financial statements of the Bank and amounting to of €89.6 million derives from transactions carried out in the years from 2001 to 2008, involving acquisitions and mergers by absorption of business units and businesses engaged in trading operations or the distribution of financial, banking and insurance products through the personal financial advisors (Fineco On Line Sim S.p.A., Trading and Banking business unit of Banca della Rete, personal financial advisors business unit of the former FinecoGroup S.p.A., and UniCredit Xelion Banca S.p.A.).

These activities have been fully integrated with the Bank’s ordinary operations. As a result, it is no longer possible to isolate the contribution of each company/business division from the Bank's overall income; this means that to establish the reasonableness of the value of goodwill recognised in the financial statements it is necessary to take account of the Bank's comprehensive income. The cash generating unit (CGU) is therefore the Bank as a whole, including the contribution from the subsidiary Fineco Asset Management DAC, through a vertically integrated business model.

In fact, in view of the specific business model adopted by the Group, which envisages a high level of integration between personal financial advisors and the trading and banking platform, the allocation of costs/revenues to the macro areas of activity is not considered relevant or meaningful; the personal financial advisors network is an integral part of the overall offer, along with banking, brokerage and investing services.

It should be noted that as at 30 June 2019 there were no impairment indicators of goodwill accounted for in the Financial Statements.

A qualitative analysis was carried out with respect to the main assumptions used in the impairment test carried out with reference to December 31, 2018 and, based on the results of the qualitative analysis carried out, the result of the impairment test at December 31, 2018 is also confirmed with reference to as of June 30, 2019.

Other intangible assets

Other intangible assets mainly include purchases and the implementation of information technology procedures with useful lives of several years, required in order to manage the development and ongoing provision by the Bank of new and more versatile high-added-value services for customers, as well as infrastructure and application optimisations, enhancements to architecture for application security, and the developments needed to meet the new regulatory and financial reporting requirements.

Main balance sheet aggregates (CONTINUED)

(Amounts in € thousand)

INTANGIBLE ASSETS	BALANCE 12.31.2018	INVESTMENTS 1ST HALF 2019	OTHER CHANGES AND SALES 1ST HALF 2019	AMORTISATION AND IMPAIRMENT 1ST HALF 2019	BALANCE 06.30.2019
Software	8,019	2,705	-	(2,502)	8,222
Other intangible assets	686	-	-	(148)	538
Total	**8,705**	**2,705**	**-**	**(2,650)**	**8,760**

Tax Assets and Other Assets

(Amounts in € thousand)

	AMOUNTS AS AT		CHANGES	
	06.30.2019	12.31.2018	AMOUNT	%
Tax assets				
Current assets	198	467	(269)	-57.6%
Deferred tax assets	25,895	28,977	(3,082)	-10.6%
Deferred tax assets pursuant to Law 214/2011	3,300	4,033	(733)	-18.2%
Total before IAS 12 offsetting	*29,393*	*33,477*	*(4,084)*	*-12.2%*
Offsetting with deferred tax liabilities - IAS 12	(25,895)	(26,763)	868	-3.2%
Total Tax assets	**3,498**	**6,714**	**(3,216)**	**-47.9%**
Other assets				
Trade receivables according to IFRS15	3,561	8,489	(4,928)	-58.1%
Current receivables not related with the provision of financial services	1,319	2,170	(851)	-39.2%
Receivables due to disputed items not deriving from lending	119	119	-	0.0%
Improvement and incremental expenses incurred on leasehold assets	5,364	6,928	(1,564)	-22.6%
Items awaiting settlement:				
- notes, cheques and other documents	4,201	4,597	(396)	-8.6%
Items in processing	7	29	(22)	-75.9%
Definitive items not recognised under other items:				
- securities and coupons to be settled	4,161	5,131	(970)	-18.9%
- other transactions	22,345	25,225	(2,880)	-11.4%
Tax items other than those included in the item "Tax assets":				
- tax advances	178,227	262,261	(84,034)	-32.0%
- tax credit	6,880	6,893	(13)	-0.2%
- tax advances on employee severance indemnities	-	35	(35)	-100.0%
Items in transit not allocated to relevant accounts	12	2	10	500.0%
Accrued income and prepaid expenses other than those related to contracts with customers and other than capitalised in related financial assets or liabilities	30,807	24,588	6,219	25.3%
Accrued income and prepaid expenses related to contracts with customers other than capitalised in related financial assets or liabilities	13,365	4,303	9,062	210.6%
Total other assets	**270,368**	**350,770**	**(80,402)**	**-22.9%**

It is also noted that “Deferred tax assets” are shown in the Balance Sheet net of the relevant “Deferred tax liabilities”, where the requirements set out in IAS 12 are met.

The reduction in **Tax assets**, after IAS 12 offsetting, is mainly due to the positive change in the negative valuation reserve of the securities recognized in “Financial assets measured at fair value with impact on comprehensive income” and the use of the provision for risks and charges.

For the item **Other assets**, there was a decrease in the "Tax items other than those recorded under the Tax Assets”, due to lower advance taxes paid for the substitute tax on other income, withholding tax on interest and for stamp duties.

Deposits from banks

(Amounts in € thousand)

	AMOUNTS AS AT		CHANGES	
	06.30.2019	12.31.2018	AMOUNT	%
Deposits from central banks	-	-	-	-
Deposits from banks				
Current accounts and demand deposits	68,464	52,563	15,901	30.3%
Loans	131,551	933,352	(801,801)	-85.9%
- Repos	131,551	933,352	(801,801)	-85.9%
Lease liabilities	3,750	-	3,750	-
Other liabilities	2,878	23,859	(20,981)	-87.9%
Total	**206,643**	**1,009,774**	**(803,131)**	**-79.5%**

Deposits from banks amount to €206.6 million and show a reduction of 79.5% compared to December 31, 2018, mainly due to the non-renewal of repurchase agreements with UniCredit S.p.A..

The item "Current accounts and demand deposits" mainly consisted of current accounts opened by customer banks worth €59.2 million (€33.3 million as at December 31, 2018).

"Repos" are represented by repos and securities lending transactions with credit institutions, securities lending transactions guaranteed by sums of money readily available to the lender and which are basically the equivalent of repos on securities. The item as at December 31, 2018 included €751.8 million in transactions effected with UniCredit S.p.A.

The item "Lease liabilities " represents the financial debt corresponding to the present value of the payments due in the lease agreements stipulated with credit institutions not paid at the reporting date, as required by IFRS 16.

The item "Other liabilities" mainly includes margin variations received for derivative transactions for an amount of €2.8 million (€23.8 million as at December 31, 2018, including margin variations received for repos, of which €22.6 million received by UniCredit S.p.A.).

Deposits from customers

(Amounts in € thousand)

	AMOUNTS AS AT		CHANGES	
	06.30.2019	12.31.2018	AMOUNT	%
Current accounts and demand deposits	23,851,768	22,046,700	1,805,068	8.2%
Time deposits	2,111	3,106	(995)	-32.0%
Loans	116,250	116,299	(49)	0.0%
- Repos	116,250	116,299	(49)	0.0%
Lease liabilities	58,988	-	58,988	-
Other liabilities	110,582	107,083	3,499	3.3%
Deposits from customers	**24,139,699**	**22,273,188**	**1,866,511**	**8.4%**

Deposits from customers totalled €24,139.7 million, up 8.4% compared to December 31, 2018 and mainly consisting of current accounts with customers, increased by €1,805.1 million (+8.2%).

"Repos" consist of:

- "*Short selling*" with retail customers and stock lending transactions with transactions institutional customers, securities lending transactions guaranteed by sums of money readily available to the lender and which are basically the equivalent of repos on securities, for an amount of €116.1 million;
- repos on securities executed on MTS market subject to accounting offsetting as set out in IAS 32, for an amount of €0.2 million.

The item "Lease liabilities " represents the financial debt corresponding to the present value of the payments due in the lease agreements stipulated with parties other than credit institutions not paid at the reporting date, as required by IFRS 16.

The item "Other liabilities" comprises current payables related to the provision of financial services, totalling €38.3 million (€34 million as at December 31, 2018), initial and variations margins for derivative and financial instrument transactions, which came to €38.3 million (€38.9 million as at December 31, 2018) and other liabilities for rechargeable credit cards and bankers' drafts, amounting to €34 million (€34.2 million at December 31, 2018).

Main balance sheet aggregates (CONTINUED)

Financial liabilities held for trading

Financial liabilities held for trading totaled €2.4 million and include financial instruments that meets the definition of held for trading, in particular:

- technical overdrafts, amounting to €0.3 million (€0.3 million as at December 31, 2018), used for the operational hedging of CFD positions on shares open with customers and intended to be traded in the short term;
- the negative valuation of spot contracts for securities in the held for trading portfolio and currencies to be settled in time frames established by market practices ("regular way") for €1.7 million (€1.2 million as at December 31, 2018), which correspond to negative valuations booked under "Financial liabilities held for trading";
- the negative valuation of CFDs (indices, shares, interest rates, commodities and forex), traded in counterpart of the customers, and futures, used for the related management coverage, for €0.4 million (€0.7 million as at December 31, 2018).

CFDs are "Over the counter" derivative contracts that require the payment of a spread generated by the difference between the opening and closing price of the financial instrument. The bank in operational terms hedges the imbalance of customer positions by underwriting futures or the purchase/sale of equity securities on the same underlyings or through forex transactions with institutional.

Tax liabilities and Other liabilities

(Amounts in € thousand)

	AMOUNTS AS AT		CHANGES	
	06.30.2019	12.31.2018	AMOUNT	%
Tax liabilities				
Current liabilities	64,150	12,390	51,760	417.8%
Deferred tax liabilities	26,524	26,763	(239)	-0.9%
Total before IAS 12 offsetting	*90,674*	*39,153*	*51,521*	*131.6%*
Offset against deferred tax liabilities - IAS 12	(25,895)	(26,763)	868	-3.2%
Total Tax liabilities	**64,779**	**12,390**	**52,389**	**422.8%**
Other liabilities				
Payables to employees	15,217	13,018	2,199	16.9%
Payables to Directors and Statutory auditors	174	163	11	6.7%
Social security contributions payable	5,493	6,415	(922)	-14.4%
Current payables not related to the provision of financial services	27,140	24,181	2,959	12.2%
Payables for share-based payments or shares of the UniCredit	269	338	(69)	-20.4%
Definitive items not recognised under other items:				
- securities and coupons to be settled	12,478	12,921	(443)	-3.4%
- payment authorisations	39,198	21,716	17,482	80.5%
- other items	9,932	18,670	(8,738)	-46.8%
Tax items other than those included in the item "Tax liabilities":				
- sums withheld from third parties as withholding agent	25,201	17,805	7,396	41.5%
- other	53,279	98,226	(44,947)	-45.8%
Items awaiting settlement:				
- outgoing bank transfers	69,683	94,545	(24,862)	-26.3%
- POS and ATM cards	13,063	97	12,966	n.c.
Items in processing:				
- incoming bank transfers	400	543	(143)	-26.3%
- other items in processing	105	18	87	483.3%
Illiquid items for portfolio transactions	9,157	22,123	(12,966)	-58.6%
Current payables not related with the provision of financial services	139	157	(18)	-11.5%
Deferred income related to contracts with customers other than those capitalised on the related financial assets or liabilities	5,877	2,800	3,077	109.9%
Sums available to be paid to customers	6,901	3,333	3,568	107.1%
Provisions for employee severance pay	4,661	4,561	100	2.2%
Provisions for risks and charges	110,988	109,805	1,183	1.1%
Total Other liabilities	**409,355**	**451,435**	**(43,363)**	**-9.6%**

It is also noted that, when the requirements of IAS 12 are met, the “Deferred tax liabilities” are offset against “Deferred tax assets” in the balance sheet.

The **Tax liabilities**, after IAS 12 offsetting, show an increase of €52.4 million mainly attributable to the recognition of higher current taxes.

With regard to the **Other liabilities** there was a decrease in “Tax items other than those included in the item "Tax liabilities": other”, mainly due to the decrease in the debt accounted for the stamp duty and for the substitute tax on the administered funds to be paid, and in the “Items awaiting settlement”, due to outgoing bank transfers.

The **Provision for risks and charges** consists of:

- Provisions for credit risk relating to commitments and financial guarantees issued that fall within the scope of application of impairment rules in accordance with IFRS 9, for an amount of €17 thousand;
- Provisions for risks and charges - Other provisions which include allowances for a total of €111 million, for which, given a liability of uncertain amount and expiry date, a current obligation was identified as a result of a past event and the amount arising from fulfilment of said obligation could be estimated reliably. The disbursements, with estimated maturity exceeding 18 months, were discounted to present value using a rate equal to the time value of money.

(Amounts in € thousand)

	AMOUNTS AS AT		CHANGES	
	06.30.2019	12.31.2018	AMOUNT	%
Provision for risks and charges for commitments and financial guarantees given	**17**	**49**	**(32)**	**-65.3%**
Legal and fiscal disputes	**31,227**	**32,290**	**(1,063)**	**-3.3%**
- Pending cases	22,476	23,830	(1,354)	-5.7%
- Complaints	4,885	4,575	310	6.8%
- Tax disputes	3,866	3,885	(19)	-0.5%
Staff expenses	**2,530**	**4,809**	**(2,279)**	**-47.4%**
Other	**77,215**	**72,657**	**4,558**	**6.3%**
- Supplementary customer indemnity provision	69,619	64,139	5,480	8.5%
- Provision for contractual payments and payments under non-competition agreements	2,372	2,266	106	4.7%
- Other provision	5,224	6,252	(1,028)	-16.4%
Provision for risks and charges - Other provision	**110,972**	**109,756**	**1,216**	**1.1%**
Total provision for risks and charges	**110,989**	**109,805**	**1,184**	**1.1%**

The item "Staff expenses", solely includes, the provisions made for the variable remuneration to be paid to employees in subsequent years, which have an uncertain due date and/or amount.

Shareholders' equity

(Amounts in € thousand)

	AMOUNTS AS AT		CHANGES	
	06.30.2019	12.31.2018	AMOUNT	%
Share capital	200,941	200,773	168	0.1%
Share premium reserve	1,934	1,934	-	-
Reserves	411,687	355,509	56,178	15.8%
- Legal reserve	40,188	40,155	33	0.1%
- Extraordinary reserve	312,763	272,454	40,309	14.8%
- Treasury shares reserve	13,796	13,960	(164)	-1.2%
- Other reserves	44,940	28,940	16,000	55.3%
(Treasury shares)	(13,796)	(13,960)	164	-1.2%
Revaluation reserves	(7,202)	(9,794)	2,592	-26.5%
Equity instruments	200,000	200,000	-	-
Net profit (Loss) for the period	134,114	241,219	(107,105)	-44.4%
Total	**927,678**	**975,681**	**(48,003)**	**-4.9%**

As at June 30, 2019, the Bank's share capital came to €200.9 million, divided into 608,913,600 ordinary shares with a par value of €0.33 each. Share premium reserve amounts to €1.9 million.

The reserves consisted of the:

- Legal reserve, amounting to €40.2 million;
- Extraordinary reserve, amounting to €312.8 million;
- Reserve for treasury shares held, amounting to €13.8 million;
- Other reserves:
    - Reserve related to equity-settled plans, amounting to €36.7 million;
    - Negative reserve recognized following the first application of IFRS 9, of €-4.9 million;
    - Reserves from profits of the subsidiary Fineco AM, amounting to €13.1 million.

Main balance sheet aggregates (CONTINUED)

Consolidated Shareholders' equity includes the financial instrument Additional Tier 1 Perp Non Call June 2023 (5.5 years, Non-Cumulative Temporary Write-Down Deeply Subordinated Fixed Rate Resettable Notes) issued on 31 January 2018. The financial instrument is a perpetual private placement[14], issued for a total of €200 million and entirely subscribed by UniCredit S.p.A. The coupon for the first 5.5 years has been fixed at 4.82%. During the first half of 2019 the payment of the related coupon had been accounted for in decrease of the Extraordinary reserve for €3.5 million, net of the related taxation.

On February 5, 2019, in view of the favourable opinion provided by the Remuneration Committee in its meeting of February 1, 2019, the Board of Directors of FinecoBank approved execution of the following incentive/loyalty systems:

- 2014-2017 Top Management Multi-Year Plan for employees. In particular, we approved the allotment of 335,624 free ordinary shares to the beneficiaries of the third tranche of the Plan, assigned in 2016, and consequently a bonus issue for a total amount of €110,755.92 with immediate effect (following registration in the register of companies);
- 2014, 2015 and 2016 incentive systems for employees. In particular, we approved the allotment of a total of 173,581 free ordinary shares to the beneficiaries of the third equity tranche of the 2014 Incentive System, of the second tranche of the 2015 Incentive System and of the first tranche of the 2016 Incentive System, and consequently a free share capital increase for a total amount of €57,281.73 with effect from 29 March 2019.

In view of the above capital increases, the reserves from allocation of profit from previous years were reduced accordingly.

The Shareholders' Meeting of FinecoBank held on April 10, 2019 approved the allocation of profit for the year 2018 of FinecoBank S.p.A., amounting to €227.9 million, as follows:

- €0.03 million to the Legal Reserve, corresponding to 0.015% of the profit for the year, having reached the limit of a fifth of the share capital;
- €43.4 million to the Extraordinary Reserve;
- €184.5 million to shareholders, corresponding to a dividend of €0.303 for each of the 608,913,600 ordinary shares with a par value of €0.33 euro.

The amount pertaining to the dividends not distributed to treasury shares held by the Bank at the record date was diverted to the Extraordinary Reserve, equal to €0.4 million.

The "Reserve related to equity-settled plans" was increased by around €2.7 million, due to the recognition during the period of the income statement and balance sheet effects of the payment plans based on FinecoBank ordinary shares during the vesting period for the instruments, and was used of about €0.3 million, following the allotment to personal financial advisors of the of the first equity tranche of the "2016 PFA Incentive System" corresponding to 34,644 of FinecoBank' free ordinary shares.

As at 30 June 2019, the Bank held 1,383,944 treasury shares, relating to PFA incentive plans, corresponding to 0.23% of the share capital, for an amount of €13.8 million. During the first half of 2019 n. 17,300 shares were purchased in relation to the "2018 PFA Incentive System" for personal financial advisors identified as "Key personnel" and n. 34,644 FinecoBank ordinary shares held in the portfolio were assigned to personal financial advisors in relation to the "2016 PFA Incentive System".

The Revaluation reserves consisted of:

- €1.9 million from the net positive reserve from valuation of debt securities issued by central governments recognized in the "Financial assets designated at fair value through other comprehensive income", which recorded an increased by €5.4 million during the first half 2019, of which €4.7 million relating to the positive change in fair value and €0.7 million relating to the reversal to the income statement for gains on the sale and repayment of the securities;
- -€9.1 million from the IAS19 Negative reserve, which recorded a negative change of €2.8 million during the first half 2019 as a result of the recognition of actuarial losses mainly attributable to the Supplementary customer indemnity provision.

[14] Unrated and unlisted

Reconciliation between Shareholders' equity and net profit/(loss) for the year of FinecoBank and corresponding consolidated figures.

(Amounts in € thousand)

DESCRIPTION	SHAREHOLDERS' EQUITY	OF WHICH: NET PROFIT (LOSS) AS AT 06.30.2019
FinecoBank balances as at June 30, 2019	**904,850**	**124,418**
Effect of consolidation of Fineco AM	35,938	22,806
Dividends from Fineco AM cashed in the period	(13,110)	(13,110)
Shareholders' equity and profit attributable to minorities	-	-
Balances attributable to the Group as at June 30, 2019	**927,678**	**134,114**

Income statement figures

Condensed income statement

(Amounts in € thousand)

	1ST HALF		CHANGES	
	2019	2018	AMOUNT	%
Net interest	141,767	137,646	4,121	3.0%
Dividends and other income from equity investments	25	20	5	25.0%
Net fee and commission	158,643	145,978	12,665	8.7%
Net trading, hedging and fair value income	17,812	27,618	(9,806)	-35.5%
Net other expenses/income	537	583	(46)	-7.9%
OPERATING INCOME	**318,784**	**311,845**	**6,939**	**2.2%**
Staff expenses	(44,097)	(41,499)	(2,598)	6.3%
Other administrative expenses	(123,742)	(126,931)	3,189	-2.5%
Recovery of expenses	50,817	48,623	2,194	4.5%
Impairment/write-backs on intangible and tangible assets	(10,510)	(4,836)	(5,674)	117.3%
Operating costs	**(127,532)**	**(124,643)**	**(2,889)**	**2.3%**
OPERATING PROFIT (LOSS)	**191,252**	**187,202**	**4,050**	**2.2%**
Net impairment losses on loans and provisions for guarantees and commitments	(146)	(1,156)	1,010	-87.4%
NET OPERATING PROFIT (LOSS)	**191,106**	**186,046**	**5,060**	**2.7%**
Other charges and provisions	(3,836)	(3,699)	(137)	3.7%
Integration costs	-	(4)	4	-100.0%
Net income from investments	5,805	5,158	647	12.5%
PROFIT (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS	**193,075**	**187,501**	**5,574**	**3.0%**
Income tax for the year	(58,961)	(62,322)	3,361	-5.4%
NET PROFIT (LOSS) AFTER TAX FROM CONTINUING OPERATIONS	**134,114**	**125,179**	**8,935**	**7.1%**
PROFIT (LOSS) FOR THE PERIOD	**134,114**	**125,179**	**8,935**	**7.1%**
NET PROFIT (LOSS) ATTRIBUTABLE TO THE GROUP	**134,114**	**125,179**	**8,935**	**7.1%**

Net interest

Net interest at the first half 2019 amounted to €141.8 million, up by 3% on the same period of the previous year, thanks to the increase in transactional deposits and the greater penetration of lending activity. In this regard it should be noted that the structure of the investments carried out by the Bank contributed to maintaining a significant level of interest income, with the average gross rate of interest-bearing assets at 1.26% (1.32% as at June 30, 2018).

(Amounts in € thousand)

	1ST HALF		CHANGES	
INTEREST INCOME	2019	2018	AMOUNT	%
Financial Assets held for trading	1	-	1	-
Financial assets at fair value through comprehensive income	1,653	2,211	(558)	-25.2%
Other financial assets mandatorily at fair value	2	1	1	100.0%
Financial assets at amortised cost - Debt securities issued by banks	70,321	82,195	(11,874)	-14.4%
Financial assets at amortised cost - Debt securities issued by customers	42,415	26,631	15,784	59.3%
Financial assets at amortised cost - Loans and receivables with banks	6,405	5,979	426	7.1%
Financial assets at amortised cost - Loans and receivables with customers	30,821	26,358	4,463	16.9%
Hedging derivatives	(3,224)	(500)	(2,724)	544.8%
Other assets	12	7	5	71.4%
Financial liabilities	1,658	2,057	(399)	-19.4%
Total interest income	**150,064**	**144,939**	**5,125**	**3.5%**

(Amounts in € thousand)

	1ST HALF		CHANGES	
INTEREST EXPENSES	2019	2018	AMOUNT	%
Financial liabilities at amortised cost - Deposits from banks	(74)	(350)	276	-78.9%
Financial liabilities at amortised cost - Deposits from customers	(6,704)	(5,436)	(1,268)	23.3%
Financial assets	(1,519)	(1,507)	(12)	0.8%
Total interest expenses	**(8,297)**	**(7,293)**	**(1,004)**	**13.8%**
Net interest	**141,767**	**137,646**	**4,121**	**3.0%**

Interest income on Financial assets measured at amortized cost - Debt securities issued by banks mainly refer to interest accrued on bonds issued by UniCredit S.p.A.. The decrease is mainly due to the reduction in volumes due to the repayment of securities maturing or repurchased by UniCredit S.p.A..

Interest income on Financial assets measured at amortized cost - Debt securities issued by customers refer to interest accrued on government and supranational institution securities. The increase is attributable to the growth in volumes due to purchases made during the period.

The following table provides a breakdown of interest income associated with banks and customers recorded in “Financial assets at amortised cost”:

(Amounts in € thousand)

BREAKDOWN OF INTEREST INCOME	1ST HALF 2019	1ST HALF 2018	CHANGES AMOUNT	CHANGES %
Interest income on loans and receivables with banks	**6,405**	**5,979**	**426**	**7.1%**
- current accounts	5,802	5,750	52	0.9%
- reverse repos	14	1	13	n.c.
- time deposits	548	206	342	166.0%
- other loans	41	22	19	86.4%
Interest income on loans and receivables with customers	**30,821**	**26,358**	**4,463**	**16.9%**
- current accounts	6,077	5,019	1,058	21.1%
- reverse repos	6,060	5,467	593	10.8%
- mortgages	7,125	4,878	2,247	46.1%
- credit cards	2,412	2,370	42	1.8%
- personal loans	9,095	8,561	534	6.2%
- other loans	52	63	(11)	-17.5%

Interest income on loans and receivables with banks amounted to €6.4 million, up 7.1% compared to the first half 2018. The increase was mainly attributable to higher interest on time deposits.

Interest income on loans and receivables with customers amounted to €30.8 million, showing an increase of 16.9% compared to the same period of the previous year, thanks to higher interest on mortgages, personal loans and usage of current account due to the continuous development of the lending activity mentioned above. Also the interest income related to reverse repos up 10.8%, thanks to "Multiday leverage" transactions, due to the increase in volumes and interest rate (change in spread, introduction of floor at 0% in fourth quarter 2018 and increase in Libor USD rate of dollar transactions).

The following table provides a breakdown of interest expenses related to banks and customers recorded in “Financial liabilities at amortised cost”:

(Amounts in € thousand)

BREAKDOWN OF INTERST EXPENSES	1ST HALF 2019	1ST HALF 2018	CHANGES AMOUNT	CHANGES %
Interest expenses on deposits from banks	**(74)**	**(350)**	**276**	**-78.9%**
- current accounts	(35)	(329)	294	-89.4%
- other loans	(11)	(21)	10	-47.6%
- lease liabilities	(28)	-	(28)	n.c.
Interest expenses on deposits from customers	**(6,704)**	**(5,436)**	**(1,268)**	**23.3%**
- current accounts	(6,279)	(5,415)	(864)	16.0%
- time deposits	(9)	(21)	12	-57.1%
- lease liabilities	(416)	-	(416)	n.c.

Interest expenses on deposits from banks amounted to €0.1 million, down 78.9% compared to the same period of the previous year, thanks to lower interest expenses paid on current account.

Interest expenses on deposits from customers came to €6.7 million, up 23.3% compared to the same period of the previous year, mainly due to higher interest expenses on current accounts in dollars, attributable to the growth of the USD Libor rate used to remunerate this current accounts, and interest expenses on lease liabilities accounted for as a consequence of the first application of IFRS 16.

Income statement figures (CONTINUED)

Income from brokerage and other income

(Amounts in € thousand)

	1ST HALF		CHANGES	
	2019	2018	AMOUNT	%
Net interest	**141,767**	**137,646**	**4,121**	**3.0%**
Dividends and other income from equity investments	25	20	5	25.0%
Net fee and commission income	158,643	145,978	12,665	8.7%
Net trading, hedging and fair value income	17,812	27,618	(9,806)	-35.5%
Net other expenses/income	537	583	(46)	-7.9%
Operating income	**318,784**	**311,845**	**6,939**	**2.2%**

Net fee and commission income

(Amounts in € thousand)

	1ST HALF		CHANGES	
MANAGEMENT RECLASSIFICATION	2019	2018	AMOUNT	%
Management, brokerage and consulting services:	154,591	149,052	5,539	3.7%
1. securities trading and order collection	38,262	42,704	(4,442)	-10.4%
2. custody and administration of securities	(2,703)	(2,264)	(439)	19.4%
3. placement and management of managed asset products	90,344	81,250	9,094	11.2%
4. investment advisory services	29,140	27,692	1,448	5.2%
5. distribution of other products	(452)	(330)	(122)	37.0%
Collection and payment services	4,661	4,157	504	12.1%
Holding and management of current/deposit accounts	(194)	(223)	29	-13.0%
Other fee expenses personal financial advisers	(9,871)	(14,768)	4,897	-33.2%
Securities lending	2,092	1,925	167	8.7%
Other services	7,364	5,835	1,529	26.2%
Total net fee and commission income	**158,643**	**145,978**	**12,665**	**8.7%**

Net fee and commission income amounted to €158.7 million, increasing by 8.7% compared to the same period of the previous year mainly due to:

- higher commissions for the placement and management of managed asset products, for a total amount of €10.5 million, thanks to constant redevelopment of the assets, with consequent increasing in Guided products & services. It should be noted that in the first half of 2019 the subsidiary Fineco AM generated net commissions for €29.8 million;
- lower fee and commission expenses paid to personal financial advisors for an amount of €4.9 million, due, in particular, to lower commercial incentives;
- higher commissions for other services for an amount of €1.5 million, relating in particular to the introduction of the annual fee on credit cards.

In addition, there was a reduction in commissions securities trading and order collection, for an amount of €4.4 million, due to the uncertainties on numerous macroeconomic fronts that led to a reduction in orders executed.

The commissions for securities lending include the income component relating to the service provided (received) for the provision of the security both for transactions with guarantee consisting of cash and for transactions with guarantee consisting of other securities. In order to assess the transaction as a whole, the income component recognised within the net interest margin must also be taken into account.

Net trading, hedging and fair value income was mainly generated by gains realised from the internalisation of securities, futures, Logos, Daily Options, CFDs, financial instruments used for operational hedging of CFDs and the exchange differences on assets and liabilities denominated in currency, which show a decrease by €7.8 million compared to the same period of the previous year. Trading profit also incorporates gains and losses from the financial instruments recognised in “Other financial assets mandatorily at fair value”, including, as described above, the class “C” preferred shares of Visa INC and the exposure in equity securities versus the Voluntary Scheme established by the Interbank Fund for the Protection of Deposits, whose fair-value measurement resulted in a gain of €1.9 million (€ 1.5 million in the first half of 2018) and in a loss of €4.8 million (no impact in the first half of 2018), respectively. In the item the profits recognised in relation to the sale of government securities recorded in the “Financial assets at fair value through comprehensive income”, for an amount of €0.7 million, and of government securities and UniCredit securities in dollars accounted for in "Financial assets at amortized cost", for an amount of € 2.1 million.

Net other expenses/income is positive for €0.5 million, in line with the same period of the previous year.

Operating costs

(Amounts in € thousand)

BREAKDOWN OF OPERATING COSTS	1st HALF 2019	1st HALF 2018	CHANGES AMOUNT	CHANGES %
Staff expenses	(44,097)	(41,499)	(2,598)	6.3%
Other administrative expenses	(123,742)	(126,931)	3,189	-2.5%
Recovery of expenses	50,817	48,623	2,194	4.5%
Impairment/write-backs on intangible and tangible assets	(10,510)	(4,836)	(5,674)	117.3%
Total operating costs	**(127,532)**	**(124,643)**	**(2,889)**	**2.3%**

Staff expenses amounted to €44.1 million, of which €2.2 million relating to staff expenses of Fineco AM, increasing by 6.3% compared to the same period of the previous year thanks to continuous growth of the operating structure. In fact, the number of employees rose from 1,136 units as at June 30, 2018 to 1,176 units as at June 30, 2019.

(Amounts in € thousand)

STAFF EXPENSES	1st HALF 2019	1st HALF 2018	CHANGES AMOUNT	CHANGES %
1) Employees	**(43,401)**	**(40,909)**	**(2,492)**	**6.1%**
- wages and salaries	(29,955)	(27,320)	(2,635)	9.6%
- social security contributions	(7,577)	(7,327)	(250)	3.4%
- provision for employee severance pay	(420)	(469)	49	-10.4%
- allocation to employee severance pay provision	(63)	(60)	(3)	5.0%
- payment to supplementary external pension funds:				
a) defined contribution	(1,786)	(1,657)	(129)	7.8%
- costs related to share-based payments*	(1,621)	(1,918)	297	-15.5%
- other employee benefits	(1,979)	(2,158)	179	-8.3%
2) Directors and statutory auditors	**(656)**	**(647)**	**(9)**	**1.4%**
3) Recovery of expenses for employees seconded to other companies	**94**	**120**	**(26)**	**-21.7%**
4) Recovery of expenses for employees seconded to the company	**(134)**	**(63)**	**(71)**	**112.7%**
Total staff expenses	**(44,097)**	**(41,499)**	**(2,598)**	**6.3%**

* Note that item "costs related to share-based payments" includes the costs incurred by the Bank for payments involving financial instruments issued by FinecoBank and financial instruments issued by UniCredit S.p.A..

Income statement figures (Continued)

(Amounts in € thousand)

OTHER ADMINISTRATIVE EXPENSES AND RECOVERY OF EXPENSES	1st HALF 2019	1st HALF 2018	CHANGES AMOUNT	CHANGES %
1) INDIRECT TAXES AND DUTIES	**(52,975)**	**(51,040)**	**(1,935)**	**3.8%**
2) MISCELLANEOUS COSTS AND EXPENSES				
A) Advertising expenses - Marketing and communication	**(12,303)**	**(9,083)**	**(3,220)**	**35.5%**
Mass media communications	(8,842)	(6,368)	(2,474)	38.9%
Marketing and promotions	(2,655)	(2,682)	27	-1.0%
Sponsorships	(37)	(11)	(26)	236.4%
Conventions and internal communications	(769)	(22)	(747)	n.c.
B) Expenses related to credit risk	**(840)**	**(881)**	**41**	**-4.7%**
Credit recovery expenses	(307)	(292)	(15)	5.1%
Commercial information and company searches	(533)	(589)	56	-9.5%
C) Expenses related to personnel	**(11,887)**	**(15,200)**	**3,313**	**-21.8%**
Personnel training	(296)	(246)	(50)	20.3%
Car rental and other staff expenses	(39)	(33)	(6)	18.2%
Personal financial adviser expenses	(11,036)	(14,496)	3,460	-23.9%
Travel expenses	(487)	(362)	(125)	34.5%
Premises rentals for personnel	(29)	(63)	34	-54.0%
D) ICT expenses	**(18,346)**	**(16,599)**	**(1,747)**	**10.5%**
Lease of ICT equipment and software	(1,255)	(1,207)	(48)	4.0%
Software expenses: lease and maintenance	(4,847)	(4,322)	(525)	12.1%
ICT communication systems	(3,385)	(3,111)	(274)	8.8%
ICT services: external personnel/outsourced services	(3,504)	(2,988)	(516)	17.3%
Financial information providers	(5,355)	(4,971)	(384)	7.7%
E) Consultancies and professional services	**(2,154)**	**(2,323)**	**169**	**-7.3%**
Consultancy on ordinary activities	(1,152)	(1,729)	577	-33.4%
Consultancy for one-off regulatory compliance projects	-	(10)	10	-100.0%
Consultancy for strategy, business development and organisational optimisation	(503)	(247)	(256)	103.6%
Legal expenses	(260)	(24)	(236)	n.c.
Legal disputes	(239)	(313)	74	-23.6%
F) Real estate expenses	**(4,247)**	**(10,020)**	**5,773**	**-57.6%**
Real estate services	(250)	(353)	103	-29.2%
Repair and maintenance of furniture, machinery, and equipment	(135)	(232)	97	-41.8%
Maintenance of premises	(992)	(884)	(108)	12.2%
Premises rentals	(1,421)	(7,270)	5,849	-80.5%
Cleaning of premises	(289)	(282)	(7)	2.5%
Utilities	(1,160)	(999)	(161)	16.1%
G) Other functioning costs	**(19,881)**	**(20,661)**	**780**	**-3.8%**
Surveillance and security services	(202)	(202)	-	0.0%
Postage and transport of documents	(1,971)	(1,819)	(152)	8.4%
Administrative and logistic services	(8,737)	(9,734)	997	-10.2%
Insurance	(1,756)	(1,983)	227	-11.4%
Printing and stationery	(181)	(258)	77	-29.8%
Association dues and fees	(6,779)	(6,518)	(261)	4.0%
Other administrative expenses	(255)	(147)	(108)	73.5%
H) Adjustments of leasehold improvements	**(1,109)**	**(1,124)**	**15**	**-1.3%**
I) Recovery of costs	**50,817**	**48,623**	**2,194**	**4.5%**
Recovery of ancillary expenses	82	82	-	0.0%
Recovery of taxes	50,735	48,541	2,194	4.5%
Total other administrative expenses and recovery of expenses	**(72,925)**	**(78,308)**	**5,383**	**-6.9%**

Other administrative expenses net of **Recovery of expenses** came to €72.9 million, of which €1.5 million relating to Fineco AM, with a reduction of €5.4 million compared to the same period of the previous year. It should be noted that as a result of the IFRS 16 application starting from 1 January 2019 and the purchase of the property in Milan, Piazza Durante 11, on 31 January 2019, the amount is not fully comparable with the corresponding amount of the first half year 2018, with particular reference to real estate premises rentals, which recorded a reduction of € 5.8 million (in the first half of 2019 the item includes VAT on lease payments for the period and lease contracts with a contractual duration equal to or less than 12 months, defined as “short term lease”). Net of this effect, the item shows a modest increase compared with the growth of the Group's activities, assets, customers and structure.

In particular, the following main items are highlighted:

- “Advertising expenses - Marketing and communication” for €3.2 million;
- “ICT expenses” for €1.7 million, referred to higher “Software expenses: lease and maintenance” for €0.5 million, “ICT communication systems” for €0.3 million, “ICT services: external personnel/outsourced services” for € 0.5 million and “Financial information providers” for €0.4 million;

while there was a reduction in “Expenses related to personnel”, referred to lower “Personal financial adviser expenses” for €3.5 million, mainly due to lower expenses for loyalty plans.
Finally, there was a reduction in "Indirect taxes and duties" net of the related "Recoveries of taxes" of €0.3 million, thanks to lower taxes paid by the Bank relating to the Tobin Tax for transactions carried out on behalf of own account and third parties.

Impairment/write-backs on intangible and tangible assets show an increase of €5.7 million mainly referred to the depreciation recognized on the rights of use of the lease contracts entered among tangible assets due to the first application of IFRS 16, for an amount of €4.5 million, and the depreciation recorded on the building located in Milan, Piazza Durante 11, purchased on 31 January 2019, for an amount of €0.6 million.

Profit/(loss) before tax from continuing operations

(Amounts in € thousand)

	1st HALF		CHANGES	
	2019	2018	AMOUNT	%
Operating profit (loss)	**191,252**	**187,202**	**4,050**	**2.2%**
Net impairment losses on loans and provision for guarantees and commitments	(146)	(1,156)	1,010	-87.4%
Net operating pofit (loss)	**191,106**	**186,046**	**5,060**	**2.7%**
Other charges and provisions	(3,836)	(3,699)	(137)	3.7%
Integration costs	-	(4)	4	-100.0%
Net income from investments	5,805	5,158	647	12.5%
Profit (loss) before tax from continuing operations	**193,075**	**187,501**	**5,574**	**3.0%**

Net write-downs of loans and provisions for guarantees and commitments in the first half 2019 amounted to -€0.1 million (-€1.2 million in the first half 2018). The lower adjustments recorded in the first half 2019 compared to the same period of the previous year are attributable both to an improvement in the risk profile of the trade receivables with retail customers, and to an increase in value recoveries relating to exposures to the Unicredit counterparty. The latter are due both to the reduction in exposures and to the improvement in the risk profile of the counterparty thanks to the financial guarantee issued by Unicredit S.p.A., as previously described in the “Relevant events of the period”.

Other charges and provisions amounted to €3.9 million and there are no significant changes compared to the first half of 2018.

The **Net income from investments** stood at €5.8 million showing an increase of €0.6 million compared to the first half of 2018. The write-backs recorded in the first half of 2019 are due both to the decrease in the exposures in the debt securities issued by UniCredit S.p.A. and to the improvement in the related risk profile thanks to the financial guarantee issued by Unicredit S.p.A., as previously described in the “Relevant events of the period”. It should be noted that in the first half of 2018 the Bank had already recorded writebacks on debt securities issued by UniCredit S.p.A. and accounted in "Financial assets at amortized cost” for approximately €5.7 million, in relation to the decrease in exposures and the improvement of their risk profile.

Profit before tax from continuing operations amounted to €193.1 million, up 3% compared to the first-half of previous year. The result was achieved mainly thanks to the growth in **Net interest** (+€4.1 million) and **Net fee and commission income** (+€12.7 million), partially offset by lower income from **Net trading, hedging and fair value income** (-€9.8 million) and higher **Operating costs** (-€2.9 million). The result was also due to lower **Net write-downs of loans and provisions for guarantees and commitments** (-€1 million). Excluding the non-recurring items of the first-half 2019 mentioned before, the Profit before tax from continuing operations should be €197.8 million, up 5.5% compared to the first-half of 2018 net of non-recurring items.

Income tax for the period

(Amounts in € thousand)

	1st HALF		CHANGES	
BREAKDOWN OF INCOME TAX FOR THE PERIOD	2019	2018	AMOUNT	%
Currenti IRES income tax charges	(44,404)	(49,405)	5,001	-10.1%
Currenti IRAP income tax charges	(9,910)	(10,754)	844	-7.8%
Current foreign income tax charges	(3,259)	-	(3,259)	n.c.
Total current tax	**(57,573)**	**(60,159)**	**2,586**	**-4.3%**
Change in deferred tax assets	(2,499)	(1,686)	(813)	48.2%
Change in deferred tax liabilities	1,309	(254)	1,563	n.c.
Total deferred tax liabilities	**(1,190)**	**(1,940)**	**750**	**-38.7%**
Gain from subsitute tax exemption	(198)	(223)	25	-11.2%
Income tax for the period	**(58,961)**	**(62,322)**	**3,361**	**-5.4%**

Income statement figures (Continued)

Current income taxes were calculated according to the legal provisions introduced by Legislative Decree no. 38 of February 28, 2005, which incorporated the IAS/IFRS Accounting Standards into Italian legislation, of Decree no. 48 of April 1, 2009 which introduced provisions for the implementation and coordination of tax requirements for IAS Adopter parties and subsequent provisions. In particular, in 2018 the decrees, issued by the Italian Ministry of the Economy and Finance on 10 January 2018 and on 3 August 2018, of coordination between international accounting standards and business income, and the subsequent amendment introduced by the law were implemented 145/2018 on the deductibility of adjustments to customer loans, recognized at the time of application of IFRS9, to be carried out on a straight line basis over 10 tax periods, were implemented. Lastly, the Bank took into account of the recently issued provisions pursuant to Law Decree 30 April 2019, n. 34 converted with amendments by the law of 28 June 2019, n. 58 (so-called Growth Decree).

Current taxes were determined applying an IRES income tax rate of 27.5% (24% ordinary rate and 3.5% additional rate for banks) and an IRAP tax rate of 5.57% in Italy.

As regards Fineco AM, current income taxes were calculated at a rate of 12.5%, according to the currently applicable tax regime.

Law no. 2/2009 introduced the option, through the payment of a substitute tax, to recalculate the tax deductible amounts of goodwill. In 2008 the Bank realigned the goodwill recognised following the merger of UniCredit Xelion Sim into UniCredit Xelion Banca S.p.A.. The redeemed goodwill may be amortised off the books for an amount not exceeding one ninth for 2010 and one tenth from 2011 onwards. In 2008, the tax benefit expected from the future deductibility of off-the-book amortisation, corresponding to €4 million, was recognised in the accounts. A tenth of this amount will be recognised through profit or loss for each year of the tax deduction of tax-related amortisation of goodwill.

Net profit/(loss) for the period and Net profit/(loss) attributable to the Group

The **Net profit for the period** – which is the same as the net profit attributable to the Group as Fineco AM is 100% controlled by the Bank – amounted to €134.1 million, with an increase of 7.1% on the first half of the previous year. Excluding the non-recurring items accounted for in the first half 2019 mentioned before, the Net profit for the period should be €137.3 million, up 9.7% compared to the net profit of the first half 2018.

Results of the parent and the subsidiary

The parent: FinecoBank S.p.A.

The key figures, reclassified Balance sheet and Income statement are shown below in comparison with those of the 2018 financial year - in particular the Balance sheet was compared with the figures as at 31 December 2018 while the Income statement was compared with the corresponding figures for the first half of the previous year - and a report on the results achieved by FinecoBank S.p.A. at individual level is shown as well.

Key figures

Operating Structure

	DATA AS AT		
	06.30.2019	12.31.2018	06.30.2018
No. Employees	1.154	1.154	1.128
No. Personal financial advisors	2.566	2.578	2.621
No. Financial shops[1]	394	390	384

(1) Number of operating financial shops: financial shops managed by the Bank and financial shops managed by personal financial advisors (Fineco Centers).

Main balance sheet figures

(Amounts in € thousand)

	AMOUNTS AS AT		CHANGES	
	06.30.2019	12.31.2018	AMOUNT	%
Loans receivable with ordinary customers [1]	2,887,919	2,632,287	255,632	9.7%
Total assets	25,800,954	24,713,574	1,087,380	4.4%
Direct deposits [2]	23,844,306	22,068,931	1,775,375	8.0%
Assets under administration [3]	52,047,810	47,263,709	4,784,101	10.1%
Total customer sales (direct and indirect)	75,892,116	69,332,640	6,559,476	9.5%
Shareholders' equity	904,850	962,548	(57,698)	-6.0%

(1) Loans refer solely to loans granted to customers (current account overdrafts, credit cards, personal loans, mortgages and unsecured loans);
(2) Direct deposits include overdrawn current accounts and the Cash Park deposit account;
(3) Assets under administration consist of products placed online or through the sales networks of FinecoBank.

Balance Sheet indicators

	DATA AS AT	
	06.30.2019	12.31.2018
Loans receivable with ordinary customers/Total assets	11.19%	10.65%
Loans and receivables with banks/Total assets	2.66%	12.32%
Financial assets/Total assets	77.19%	73.78%
Direct sales/Total liabilities and Shareholders' equity	92.42%	89.30%
Shareholders' equity (including profit)/Total liabilities and Shareholders' equity	3.51%	3.89%
Ordinary customer loans/Direct deposits	12.11%	11.93%

	DATA AS AT	
CREDIT QUALITY	06.30.2019	12.31.2018
Impaired loans/Loans receivable with ordinary customers	0.11%	0.11%
Non-performing loans/Loans receivable with ordinary customers	0.06%	0.16%
Coverage (1) - Non-performing loans	90.37%	91.65%
Coverage (1) - Unlikely to pay	70.77%	76.80%
Coverage (1) - Impaired past-due exposures	62.76%	64.60%
Coverage (1) - Total impaired loans	85.76%	88.23%

(1) Calculated as the ratio between the amount of impairment losses and gross exposure.

Own funds and capital ratios

	DATA AS AT	
	06.30.2019	12.31.2018
Common Equity Tier 1 (€ thousand)	527,562	502,713
Total own funds (€ thousand)	727,562	702,713
Total risk-weighted assets (€ thousand)	3,051,170	2,376,033
Ratio - Common Equity Tier 1 Capital	17.29%	21.16%
Ratio - Tier 1 Capital	23.85%	29.58%
Ratio - Total Own Funds	23.85%	29.58%

	DATA AS AT	
	06.30.2019	12.31.2018
Tier 1 Capital (€ thousand)	727,562	702,713
Exposure for leverage (€ thousand)	25,920,468	12,655,188
Transitional leverage ratio	2.81%	5.55%

The prudential supervisory requirements of the Bank at 30 June 2019 were determined on the basis of the harmonized regulation for banks and investment firms contained in Directive 2013/36/ EU (CRD IV) and in Regulation (EU) 575/2013 (CRR) of June 26, 2013 and subsequent Directives / Regulations that modify the content, which transpose the standards defined by the Basel Committee for banking supervision (so-called Basel 3 framework), collected and implemented by the Bank of Italy through the Circular no. 285 of 17 December 2013 "Supervisory provisions for banks" and subsequent updates.

Own funds as of 30 June 2019 include the portion of profit for first half 2019 that will not be distributed and which will be allocated to increase the value of reserves, for an amount of €23.7 million, calculated on the basis of 2018 payout ratio, assuming the conditions set forth in art. 26, paragraph 2, of the EU Regulation 575/2013 (CRR) have been satisfied.

With regard to Risk Weighted Assets, it should also be noted that, following the deconsolidation of FinecoBank from the UniCredit Group, FinecoBank and UniCredit S.p.A. have entered into a contract (Pledge Agreement) which provides for the granting by UniCredit S.p.A. of financial guarantees in favor of FinecoBank aimed at guaranteeing credit risk exposures deriving from UniCredit bonds, until their natural expiry, from current accounts, until the end of 2019, and from the financial guarantees issued by FinecoBank in favor of the Italian Revenue Agency at the request of UniCredit S.p.A., until they are completely extinguished. These financial guarantees, which at June 30, 2019 are represented by securities issued by sovereign governments, mainly Italian government securities, meet the requirements of the applicable legislation to be eligible in the context of credit risk mitigation techniques (CRM), with consequent reduction of Risk-Weighted Assets and Large exposures, without determining significant changes compared to 31 December 2018 since, on that date, by virtue of belonging to the UniCredit Group, Risk Weighted Assets towards UniCredit Group companies based in Italy were weighted at 0%. It should be noted, in fact, that the increase in risk-weighted assets as of June 2019 is mainly related to the business growth and the increase in regulatory capital requirements related to operational risks. With reference to the increase in regulatory capital requirements related to operational risks, it should be noted that following the deconsolidation from the UniCredit Group, FinecoBank started a process to ask the Supervisory Authority to use a less sophisticated method for determining the regulatory requirement related to operational risk and prudentially, as of June 30, 2019, the requirement was calculated by adopting a Margin of Conservativism (MoC). Moreover, the governance, the safeguards and the reporting framework required by the internal method for measuring the capital requirement (AMA), previously adopted and developed, were maintained.

With reference to the Leverage ratio, it should be noted that the overall exposure as at 31 December 2018 was calculated excluding exposures to UniCredit group companies based in Italy and weighted to 0% pursuant to art. 113, par. 6 of the CRR, by virtue of belonging to the UniCredit banking group on that date. The Leverage ratio, in fact, is calculated in accordance with the Delegated Regulation EU 2015/62 of 10 October 2014 and by exercising the discretions provided for by the Circular no. 285 of the Bank of Italy, Part Two, Chapter 12, Section III Exercise of national discretions, by virtue of which, exposures to group companies based in Italy and weighted to 0% pursuant to art. 113, par. 6 of the CRR have been excluded in the calculation of the overall exposure, pursuant to Article 429 (7) of the CRR amended by the Delegated Regulation (EU) 2015/62.

In the context of the decision of the Governing Council of the European Central Bank (ECB) regarding the prudential requirements of the Pillar II that UniCredit S.p.A. and its subsidiaries must comply (the Bank at that date was part of UniCredit Group), no additional Pillar II requirements have been requested from FinecoBank. The decision is based on the SREP process (Supervisory Review and Evaluation Process), conducted under the guidance of the ECB. Consequently, for FinecoBank the "Total SREP Capital Requirement" (TSCR) corresponds to the minimum Pillar 1 requirement.

The parent: FinecoBank S.p.A. (CONTINUED)

Please, find below a scheme of FinecoBank transitional capital requirements and buffers applicable for June 2019.

REQUIREMENTS	CET1	T1	TOTAL CAPITAL
A) Pillar 1 requirements	4.50%	6.00%	8.00%
B) Pillar 2 requirements	0.00%	0.00%	0.00%
C) TSCR (A+B)	**4.50%**	**6.00%**	**8.00%**
D) Combined Buffer requirement, of which:	2.506%	2.506%	2.506%
1. Capital Conservation Buffer (CCB)	2.500%	2.500%	2.500%
2. Institution-specific Countercyclical Capital Buffer (CCyB)	0.006%	0.006%	0.006%
E) Overall Capital Requirement (C+D)	**7.006%**	**8.506%**	**10.506%**

As at 30 June 2019, FinecoBank ratios are compliant with all the above requirements.

Condensed Accounts

Balance Sheet

(Amounts in € thousand)

ASSETS	AMOUNTS AS AT 06.30.2019	AMOUNTS AS AT 12.31.2018	CHANGES AMOUNT	CHANGES %
Cash and cash balances	1,230,599	6	1,230,593	n.c.
Financial assets held for trading	7,475	6,876	599	8.7%
Loans and receivables with banks	686,998	3,044,974	(2,357,976)	-77.4%
Loans and receivables with customers	3,397,711	2,947,390	450,321	15.3%
Financial investments	19,914,762	18,234,182	1,680,580	9.2%
Hedging instruments	49,365	8,187	41,178	503.0%
Property, plant and equipment	142,607	16,330	126,277	773.3%
Goodwill	89,602	89,602	-	-
Other intangible assets	8,521	8,705	(184)	-2.1%
Tax assets	3,498	6,714	(3,216)	-47.9%
Other assets	269,816	350,608	(80,792)	-23.0%
Total assets	**25,800,954**	**24,713,574**	**1,087,380**	**4.4%**

(Amounts in € thousand)

LIABILITIES AND SHAREHOLDERS' EQUITY	AMOUNTS AS AT 06.30.2019	AMOUNTS AS AT 12.31.2018	CHANGES AMOUNT	CHANGES %
Deposits from banks	206,643	1,009,774	(803,131)	-79.5%
Deposits from customers	24,132,042	22,269,098	1,862,944	8.4%
Financial liabilities held for trading	2,413	2,221	192	8.6%
Hedging instruments	84,086	7,941	76,145	n.c.
Tax liabilities	64,665	12,184	52,481	430.7%
Other liabilities	406,256	449,808	(43,552)	-9.7%
Shareholders' equity	904,849	962,548	(57,699)	-6.0%
- capital and reserves	*787,633*	*744,420*	*43,213*	*5.8%*
- revaluation reserves	*(7,202)*	*(9,794)*	*2,592*	*-26.5%*
- net profit	*124,418*	*227,922*	*(103,504)*	*-45.4%*
Total liabilities and Shareholders' equity	**25,800,954**	**24,713,574**	**1,087,380**	**4.4%**

The parent: FinecoBank S.p.A. (CONTINUED)

Balance Sheet - Quarterly data

(Amounts in € thousand

ASSETS	AMOUNTS AS AT 06.30.2019	03.31.2019	01.01.2019	12.31.2018	09.30.2018	06.30.2018
Cash and cash balances	1,230,599	755	6	6	532	1,733
Financial assets held for trading	7,475	9,286	6,876	6,876	12,253	10,871
Loans and receivables with banks	686,998	3,779,348	3,044,974	3,044,974	3,389,611	3,222,651
Loans and receivables with customers	3,397,711	3,022,180	2,947,390	2,947,390	2,731,630	2,634,016
Financial investments	19,914,762	19,004,048	18,234,182	18,234,182	17,668,380	17,191,339
Hedging instruments	49,365	29,166	8,187	8,187	313	2,667
Property, plant and equipment	142,607	143,653	80,906	16,330	14,226	14,772
Goodwill	89,602	89,602	89,602	89,602	89,602	89,602
Other intangible assets	8,521	8,547	8,705	8,705	7,898	7,827
Tax assets	3,498	5,209	6,714	6,714	17,097	9,742
Non-current assets and disposal groups classified as held for sale	-	-	-	-	-	91
Other assets	269,816	252,901	350,184	350,608	240,813	240,994
Total assets	**25,800,954**	**26,344,695**	**24,777,726**	**24,713,574**	**24,172,355**	**23,426,305**

(Amounts in € thousand)

LIABILITIES AND SHAREHOLDERS' EQUITY	AMOUNTS AS AT 06.30.2019	03.31.2019	01.01.2019	12.31.2018	09.30.2018	06.30.2018
Deposits from banks	206,643	1,605,018	1,013,791	1,009,774	999,543	907,794
Deposits from customers	24,132,042	23,303,535	22,329,233	22,269,098	21,825,892	21,196,653
Financial liabilities held for trading	2,413	2,831	2,221	2,221	5,512	4,568
Hedging instruments	84,086	31,741	7,941	7,941	(285)	2,374
Tax liabilities	64,665	36,673	12,184	12,184	48,674	22,038
Other liabilities	406,256	349,211	449,808	449,808	396,870	417,630
Shareholders' equity	904,849	1,015,686	962,548	962,548	896,149	875,248
- capital and reserves	*787,633*	*973,795*	*744,420*	*744,420*	*746,502*	*763,981*
- revaluation reserves	*(7,202)*	*(9,261)*	*(9,794)*	*(9,794)*	*(19,760)*	*(14,997)*
- net profit	*124,418*	*51,152*	*227,922*	*227,922*	*169,407*	*126,264*
Total liabilities and Shareholders' equity	**25,800,954**	**26,344,695**	**24,777,726**	**24,713,574**	**24,172,355**	**23,426,305**

Cash and cash balances, amounting to €1,230.6 million, mainly consists of the liquidity deposited in the HAM (Home Accounting Model) account at Bank of Italy, which FinecoBank opened in the first half of 2019 to transfer the liquidity previously deposited with UniCredit S.p.A..

Loans and receivables with banks, which as at 31 December 2018 included the liquidity deposited with UniCredit S.p.A., for the most part transferred to the HAM account at Bank of Italy, as well as time deposits with the same UniCredit S.p.A. extinguished during the first half of 2019, consequently they amount to €687 million, showing a reduction of 77.4% compared to 31 December 2018.

Loans and receivables with customers came to €3,397.7 million, up 15.3% compared to December 31, 2018, thanks to the increase in lending. During the first-half 2019, €109 million in personal loans and €171 million in mortgages were granted and €451 million in current account overdrafts was arranged, with an increase in exposures in current account of €150.7 million; this has resulted an overall 9.7% aggregate increase in loans to customers compared to December 31, 2018. Impaired loans net of impairment losses totalled €3.3 million (€2.8 million as at December 31, 2018), with a coverage ratio of 85.76%; the ratio between impaired loans and loans to customers was 0.11% (0.11% as at December 31, 2018).

Financial investments came to €19,914.8 million, up 9.2% compared to December 31, 2018. The carrying amount of the debt securities issued by the UniCredit S.p.A. amount to €8,266.8 million, down compared to €9,115.8 million as at December 31, 2018. The purchases made by the Bank during the first half of 2019 mainly concerned securities issued by sovereign States, supranational entities and covered bonds.

Deposits from banks totaled €206.6 million, showing a decrease of 79.5% compared to December 31, 2018, mainly attributable to the non-renewal of repurchase agreements with UniCredit S.p.A..

Deposits from customers came to €24,132 million, up 8.4% compared to December 31, 2018, due to the growth in direct deposits from customers.

Shareholders' equity amounted to €904.8 million, showing a reduction of €57.7 million compared to December 31, 2018. The decrease is mainly due to the payment of dividends on the profit for the year 2018, for an amount of €184.5 million, offset by the profit for the first half of 2019, equal to €124.4 million.

Income statement

(Amounts in € thousand)

	1st HALF		CHANGES	
	2019	2018	AMOUNT	%
Net interest	141,803	137,657	4,146	3.0%
Dividends and other income from equity investments	13,135	20	13,115	n.c
Net fee and commission income	128,795	145,979	(17,184)	-11.8%
Net trading, hedging and fair value income	17,772	27,618	(9,846)	-35.7%
Net other expenses/income	562	675	(113)	-16.7%
OPERATING INCOME	**302,067**	**311,949**	**(9,882)**	**-3.2%**
Staff expenses	(41,940)	(40,768)	(1,172)	2.9%
Other administrative expenses	(122,258)	(126,540)	4,282	-3.4%
Recovery of expenses	50,817	48,623	2,194	4.5%
Impairment/write-backs on intangible and tangible assets	(10,394)	(4,821)	(5,573)	115.6%
Operating costs	**(123,775)**	**(123,506)**	**(269)**	**0.2%**
OPERATING PROFIT (LOSS)	**178,292**	**188,443**	**(10,151)**	**-5.4%**
Net impairment losses on loans and provisions for guarantees and commitments	(150)	(1,157)	1,007	-87.0%
NET OPERATING PROFIT (LOSS)	**178,142**	**187,286**	**(9,144)**	**-4.9%**
Other charges and provisions	(3,836)	(3,699)	(137)	3.7%
Integration costs	-	(4)	4	-100.0%
Net income from investments	5,805	5,158	647	12.5%
PROFIT (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS	**180,111**	**188,741**	**(8,630)**	**-4.6%**
Income tax for the period	(55,693)	(62,477)	6,784	-10.9%
NET PROFIT (LOSS) AFTER TAX FROM CONTINUING OPERATIONS	**124,418**	**126,264**	**(1,846)**	**-1.5%**
PROFIT (LOSS) FOR THE PERIOD	**124,418**	**126,264**	**(1,846)**	**-1.5%**

Income statement - Quarterly data

(Amounts in € thousand)

	2019	
	2ND QUARTER	1ST QUARTER
Net interest	71,422	70,381
Dividends and other income from equity investments	13,123	12
Net fee and commission income	65,757	63,038
Net trading, hedging and fair value income	8,053	9,719
Net other expenses/income	368	194
OPERATING INCOME	**158,723**	**143,344**
Staff expenses	(21,161)	(20,779)
Other administrative expenses	(57,938)	(64,320)
Recovery of expenses	24,227	26,590
Impairment/write-backs on intangible and tangible assets	(5,308)	(5,086)
Operating costs	**(60,180)**	**(63,595)**
OPERATING PROFIT (LOSS)	**98,543**	**79,749**
Net impairment losses on loans and provisions for guarantees and commitments	1,123	(1,273)
NET OPERATING PROFIT (LOSS)	**99,666**	**78,476**
Other charges and provisions	(2,856)	(980)
Integration costs	2	(2)
Net income from investments	6,463	(658)
PROFIT (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS	**103,275**	**76,836**
Income tax for the period	(30,009)	(25,684)
NET PROFIT (LOSS) AFTER TAX FROM CONTINUING OPERATIONS	**73,266**	**51,152**
PROFIT (LOSS) FOR THE PERIOD	**73,266**	**51,152**

The parent: FinecoBank S.p.A. (CONTINUED)

(Amounts in € thousand)

	2018			
	4TH QUARTER	3RD QUARTER	2ND QUARTER	1ST QUARTER
Net interest	71,095	69,950	68,753	68,904
Dividends and other income from equity investments	8,012	10	13	7
Net fee and commission income	67,059	60,790	74,517	71,462
Net trading, hedging and fair value income	5,900	10,721	13,080	14,538
Net other expenses/income	(30)	(345)	124	551
OPERATING INCOME	**152,036**	**141,126**	**156,487**	**155,462**
Staff expenses	(21,063)	(22,479)	(20,509)	(20,259)
Other administrative expenses	(58,618)	(58,851)	(61,273)	(65,267)
Recovery of expenses	22,982	25,162	23,922	24,701
Impairment/write-backs on intangible and tangible assets	(3,114)	(2,435)	(2,482)	(2,339)
Operating costs	**(59,813)**	**(58,603)**	**(60,342)**	**(63,164)**
OPERATING PROFIT (LOSS)	**92,223**	**82,523**	**96,145**	**92,298**
Net impairment losses on loans and provisions for guarantees and commitments	(2,322)	(913)	154	(1,311)
NET OPERATING PROFIT (LOSS)	**89,901**	**81,610**	**96,299**	**90,987**
Other charges and provisions	(1,782)	(15,899)	(1,925)	(1,774)
Integration costs	(115)	(2)	(2)	(2)
Net income from investments	(3,151)	(902)	5,157	1
PROFIT (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS	**84,853**	**64,807**	**99,529**	**89,212**
Income tax for the period	(26,338)	(21,664)	(32,714)	(29,763)
NET PROFIT (LOSS) AFTER TAX FROM CONTINUING OPERATIONS	**58,515**	**43,143**	**66,815**	**59,449**
PROFIT (LOSS) FOR THE PERIOD	**58,515**	**43,143**	**66,815**	**59,449**

Operating income came to €302.1 million, decrease of 3.2% compared to €311.9 million of the same period of the year 2018.

Net Interest contributed to the increase in the operating income with a 3% growth, **Dividends and other income from equity investments** increased by €13.1 million, while **Net fee and commission income** and **Net trading, hedging and fair value income** show a decrease of 11.8% and 35.7%, respectively.

The increase in **Net interest** of €4.1 million compared to the first half of the previous year was due to the increase in transactional liquidity and the higher penetration of lending activity. In this regard it should be noted that the structure of the investments carried out by the Bank contributed to maintaining a significant level of interest income, with the average gross rate on interest-earning assets standing at 1.26% (1.32% as at June 30, 2018).

Dividends and other income from equity investments include the dividend received from Fineco AM, amounting to €13.1 million, on the profit for the year ended at December 31, 2018 (first financial statements of the subsidiary) net of the interim dividend equal to €8 million collected in the last quarter of the previous year.

Net fee and commission income decreased of €17.2 million compared to the first half of previous year, due to lower net commissions for the placement and management of managed asset products and investment advisory services (-€19.3 million), lower net commissions for securities trading and order collection (-€4.4 million), due to the uncertainties on numerous macroeconomic fronts that led to a contraction in executed orders, partially offset by higher commissions for other services (+ €1.5 million), mainly relating to the annual fee on credit cards, and lower fee expenses to personal financial advisors (+€4.9 million) due to lower commercial incentives.

Net trading, hedging and fair value income was mainly generated by gains realised from the internalisation of securities, futures, Logos, Daily Option, CFD, financial instruments used for operational hedging of CFDs and the exchange differences on assets and liabilities denominated in currency, decreased by €7.8 million compared to the first half of the previous year. Trading profit also incorporates gains and losses from the financial instruments recognised in "Other assets mandatorily at fair value", including the class "C" preferred shares of Visa INC and the exposure in equity securities versus the Voluntary Scheme established by the Interbank Fund for the Protection of Deposits, whose fair-value measurement in the first half 2019 resulted in a gain of €1.9 million (€1.5 million in the first half 2018) and in a loss of €4.8 million (no impact in the first half of 2018). The item also includes the profits recognised in relation to the sale of (i) government securities recorded in the "Financial assets at fair value through other comprehensive income" for an amount of €0.7 million and (ii) government securities and UniCredit securities in dollar recorded in "Financial assets at amortised cost" for an amount of €2.1 million.

Operating costs remain under control, in line with the first half of previous year (+€1.2 million for "Staff expenses", -€6.5 million for "Other administrative expenses net of Recovery of expenses" and +€5.6 million for "Impairment/write-backs on intangible and tangible assets"[15]).

Net write-downs of loans and provisions for guarantees and commitments in the first half 2019 amounted to -€0.1 million (-€1.2 million in the first half 2018). The lower adjustments recorded in the first half 2019 compared to the same period of the previous year are attributable both to an improvement in the risk profile of the trade receivables with retail customers, and to an increase in value recoveries relating to exposures to the Unicredit counterparty. The latter are due both to the reduction in exposures and to the improvement in the risk profile of the counterparty thanks to the financial guarantee issued by Unicredit S.p.A., as previously described in the "Relevant events of the period".

Other charges and provisions amounted to €3.9 million and there are no significant changes compared to the first half of 2018.

The **Net income from investments** stood at €5.8 million showing an increase of €0.6 million compared to the first half of 2018. The write-backs recorded in the first half of 2019 are due both to the decrease in the exposures in the debt securities issued by UniCredit S.p.A. and to the improvement in the related risk profile thanks to the financial guarantee issued by Unicredit S.p.A., as previously described in the "Relevant events of the period". It should be noted that in the first half of 2018 the Bank had already recorded writebacks on debt securities issued by UniCredit S.p.A. and accounted in "Financial assets at amortized cost" for approximately €5.7 million, in relation to the decrease in exposures and the improvement of their risk profile.

Profit before tax from continuing operations amounted to €180.1 million, in reduction of 4.6% compared to the first-half of previous year. Excluding the non-recurring items of the first-half 2019[16], the Profit before tax from continuing operations should be €184.9 million, in reduction of 2% compared to the first-half of 2018.

The **Net profit for the period** amounted to €124.4million, showing a decrease of 1.5% compared to €126.3 million of the first-half of the previous year. Excluding the non-recurring items of the first-half 2019 mentioned before, the Net profit for the period should be €127.7 million, up 1.1% compared to the first-half of 2018.

[15] It should be noted that due to the entry into force of the standard IFRS 16 and its application starting from 1 January 2019 and the purchase, in the same month of January, of the property in Milan, Piazza Durante 11, the "Other expenses administrative expenses net of Recovery of expenses" and "Impairment/write-backs on intangible and tangible asset" items are not fully comparable with the first half of 2018. In particular, as at 30 June 2019 there was a reduction in real estate premises rentals, equal to €5.8 million, the recognition of amortization on the rights of use deriving from leasing contracts for €4.4 million and the recognition of the depreciation of the property owned for €0.6 million.

[16] Change in fair value of the exposure in equity securities versus the Voluntary Scheme established by the Interbank Fund for the Protection of Deposits for an amount of -€4.8 million (-€3.2 million net of the tax effect).

The subsidiary: Fineco Asset Management (DAC)

Fineco AM fully owned by FinecoBank, is a UCITS management company established on 26 October 2017 in the Republic of Ireland with the aim to offer its customers a range of UCITS with a strategy focused on the definition of strategic asset allocation and selection of the best international managers, and therefore, diversify and improve the offer of asset management products and further increase the competitiveness of the Group through a vertically integrated business model. Fineco AM has been authorized in order to become a UCITS Fund Manager by the Central Bank of Ireland on 17 May 2018.

The volumes managed by Fineco AM at June 30, 2019 amounted to €11.9 billion, in particular:

- €6 billion referred to Core Series Umbrella Fund (passporting from Amundi Sa in July 2018);
- €5.5 billion referred to FAM Series UCITS ICAV (launched in August 2018);
- €0.4 billion referred to FAM Evolution ICAV (launched in January 2019).

It should also be noted that €6.8 billion euro relate to retail classes and €5.1 billion euro relating to institutional classes.

As at June 30, 2019, Fineco AM has a total asset of €43 million, mainly consists of **Loans and receivables with banks**, represented by a time deposit for an amount of €14 million and by the sight deposits with credit institutions for €9.3 million, and **by Loans and receivables with customers**, exclusively represented operating receivables associated with the provision of services, for an amount of €17.1 million.

Fineco AM also holds shares in U.C.I.T.S. for an amount of €0.4 million, recorded under "**Financial assets at fair value through profit or loss c) other financial assets mandatorily at fair value**", in relation to the seeding activity, and **Other assets** for an amount of €0.7 million, relating to prepaid expenses and definitive items not attributable to other items.

Deposits from banks and **Deposits from customers** totaled €13.8 million, are represented exclusively by operating payables connected with the provision of financial services, relating to the placement and management fees of UCITS to be paid back to the placers, including FinecoBank for €6.2 million, and to investment advisors.

The **Other liabilities**, equal to €3.2 million, were mainly recognised in payables to employees and other personnel and in current payables not related with the **provision of financial services.**

Shareholders' equity amounted to €25.8 million and consists of share capital for €3 million and net income for the period of €22.8 million.

During the first half of 2019 Fineco AM generated **Net commissions** for €29.8 million (€76 million in fee and commission income and €46.2 million in fee and commission expense) and the **Profit for the period** amounted to €22.8 million.

As at June 30, 2019, the Company's employees are 22.

Related-party transactions

The Board of Directors, in order to ensure continued compliance with applicable legal and regulatory provisions on corporate disclosure on transactions with related parties and persons in conflict of interest, during the meeting on July 31, 2018 and with the prior favorable opinion of the Risk and Related Parties Committee and the Board of Statutory Auditors, approved the last update "*Procedures for managing transactions with subjects in conflict of interest*" (the **"Procedures**").

The aforementioned Procedures include the provisions to be complied with when managing:

- related parties transactions pursuant to the Consob Regulation adopted by resolution on March 12, 2010, no. 17221 as subsequently amended;
- transactions with associated persons pursuant to the regulations on "*Risk activities and conflicts of interest with Associated Persons*", laid down by Bank of Italy Circular on December 27, 2006, no. 263, Title V, Chapter 5 ("*New regulations for the prudential supervision of banks*", as amended);
- obligations of bank officers pursuant to Article 136 of Legislative Decree 385 on September 1, 1993, showing the "*Consolidated Law on Banking*".

Considering the above, the following Significant Transactions resolved by the Board of Directors the first half of 2019 are recorded:

- on February 5, 2019, with the favorable opinion of the Risks and Related Parties Committee, the Board of Directors approved the renewal of the "*Framework Resolution related to the entering into of hedging derivative contracts with the Parent Company or companies in the UniCredit Group*", an ordinary Significant Transaction at market conditions with validity up until February 5th, 2020, which enables the Bank to enter into hedging derivatives with the Parent Company and with UniCredit Bank AG for commercial assets or liabilities that, for ALM purposes, require interest rate hedging, with a plafond of €1,000 million with UniCredit S.p.A. and €1,300 million with UniCredit Bank AG;
- on May 6, 2019, with the favorable opinion by the Risk and Related Parties Committee, the Board of Directors approved the renewal of the:
  - "*Framework Resolution - Repurchase Agreements and Term Deposits with UniCredit*", an ordinary Significant Transaction at market conditions (expiring May 6, 2020), concerning (i) Repurchase Agreements with UniCredit S.p.A. for an amount of €7.0 billion, calculated as the sum of the individual transactions in absolute value (either repos or reverse repos) and (ii) Term deposits with UniCredit S.p.A. for an amount of €7.4 billion, calculated as the sum of the individual transactions in absolute value;
  - "*Framework Resolution for the transactions on current accounts held with UniCredit*", an ordinary Significant Transaction at market conditions (expiring May 6, 2020), which enables the Bank to manage transaction through specific current accounts with UniCredit S.p.A. for an maximum amount of € 1,000 million understood as a single transaction (single payment and single withdrawal);
- on June 4, 2019, with the favorable opinion of the Risks and Related Parties Committee, the Board of Directors approved the renewal of the "*Framework Resolution – Trading of financial instruments with institutional counterparties and with UniCredit, on their own account and on behalf of third parties, respectively by the Treasury and Markets functions*", an ordinary Significant Transaction at market conditions (expiring June 4, 2020), which enables the Bank to carry out trading in derivatives with related parties institutional counterparties, up to a permitted limit of: (i) €2.7 billion with UniCredit Bank AG, (ii) €1 billion with UniCredit S.p.A.;

In relation to the above transactions, the Bank provided a simplified disclosure to CONSOB pursuant to Art. 13, paragraph 3, letter c) of CONSOB Regulation on March 12, 2010, no. 17221.

Moreover, on May 6, 2019, the Board of Directors, with the favourable opinion of the Risks and Related Parties Committee, approved the conclusion of all the contractual agreements (the "Operation") made between FinecoBank and UniCredit S.p.A. in order to:

- allow the smooth transition of FinecoBank outside of the UniCredit Group ("Smooth Transition") with a view to continuity and in the interests of the shareholders of both banks, with particular reference to the coverage of Fineco's exposures, the use of its brands and other distinctive marks, to the provision by UniCredit to Fineco of other services not formally contractualized, and the continued provision of services already covered by existing contracts; and, ultimately
- allow FinecoBank to operate as an entity that is fully independent from a regulatory, liquidity and operational viewpoint following its exit from the UniCredit Group.

These contractual arrangements, despite being heterogeneous in nature, have been accepted as part of a unitary plan to enable the realisation of the objectives mentioned above. The Operation, considered as a whole and therefore taking into account all of the contractual arrangements as made, is classified as a greater relevance related-party.

For the purpose of fulfilling the disclosure obligations, FinecoBank prepared, in accordance with Article 5 and with the model contained in Annex 4 to the regulation passed by Consob in its decision no. 17221 of 12 March 2010, the Information Document available to the public on May 14, 2019, at the Bank's registered office of FinecoBank S.p.A. (Milan, Piazza Durante n. 11), on FinecoBank website (www.finecobank.com), and on the website of the accredited storage system "eMarketSTORAGE" (www.emarketstorage.com) on May 14, 2019.

During the first half of 2019, no other transactions were undertaken with related parties that could significantly affect the Bank's and the FinecoBank Group's asset situation and results, or atypical and/or unusual transactions, including intercompany and related party transactions.

Minor Transactions were also carried out with related parties (including UniCredit S.p.A. and other UniCredit Group companies), both Italian and foreign, within the ordinary course of business and related financial activities of the Bank, at market or standard conditions.

Lastly, with regard to transactions of significant financial and economic relevance, during 2012, the Bank issued 5 bank guarantees in favour of the Italian Revenue Agency upon (guaranteed) request by UniCredit S.p.A., with indefinite duration (specifically, valid until the Italian Revenue Agency issues a declaration of receipt of the payment by UniCredit S.p.A. at the end of the collection process, in the event of an unfavourable outcome for UniCredit S.p.A., or until a ruling is issued in favour of the Bank by means of final judgement), for a total amount of €256 million, plus interest accrued and accruing until request for payment from the Italian Revenue Agency. The bank guarantees were issued to secure the obligations assumed by UniCredit S.p.A. in relation to five VAT refund suspension orders issued by the Italian Revenue Agency, and entail the assumption by the Bank of an irrevocable payment commitment on demand, within 30 days and without any exceptions. In 2013, following the settlement of an overall assessment notice issued by the Regional Department of Liguria, for €4.5 million, replaced by another assessment notice issued by the same Department up to the amount settled, a guarantee already issued by the Bank was replaced, with amounts unchanged; this transaction did not change the commitments undertaken according to the forms, procedures and risks already assessed during 2012.

In December 2018, following the consolidation of the definition of pending charges related to the aforementioned guarantees, UniCredit S.p.A. has requested the almost total release to the competent office of the Regional Directorate of Liguria. In the first half of 2019, the Revenue Agency has released bank guarantees for a total amount of about €238.9 million, therefore the residual amount is equal to approximately €17.2 million.

Related-party Transactions (Continued)

Transactions with Group companies

FinecoBank is Parent Company of Banking Group FinecoBank.

The following table provides a summary of outstanding assets, liabilities, guarantees and commitments as at June 30, 2019 as well as the costs (-) and revenues (+) recorded in the first half 2019 with Fineco AM, which is the sole wholly-owned and consolidated company.

(Amounts in € thousand)

	ASSETS	LIABILITIES	GUARANTEES AND COMMITMENTS	REVENUES (+)	COSTS (-)
Transactions with the subsidiary Fineco Asset Management DAC	6,278	-	-	36,196	(7)

It should be noted that the assets shown in the table mainly refer to current receivables associated with the provision of financial services to be collected by the subsidiary Fineco AM and recorded in "Financial assets at amortized cost". At the same time, the revenues column includes placement and management fee income accounted for by the Bank during the period.

Number of treasury shares of the parent company

As at June 30, 2019, the Bank held 1,383,944 treasury shares, relating to PFA incentive plans, corresponding to 0.23% of the share capital, for an amount of €13.8 million. During the first half 2019 n. 17,300 shares were purchased in relation to the "2018 PFA Incentive System" for personal financial advisors identified as "Key personnel" and 34,644 FinecoBank ordinary shares held in the portfolio were assigned to personal financial advisors in relation to the "2016 PFA Incentive System ".

Subsequent events and outlook

Subsequent events

As previously described in the "Introduction to the Consolidated first half financial report", on July 8, 2019 UniCredit S.p.A. has announced the launch of a placement of the remaining ordinary shares holding in FinecoBank, representing ca. 18.3 per cent of the Bank's share capital at that date, through an accelerated bookbuilding addressed to certain categories of institutional investors. On July 9, 2019 UniCredit S.p.A. has announced the successful completion of the accelerated bookbuild of approximately 111.6 million existing ordinary shares in FinecoBank S.p.A., at a price of € 9.85 per share, with the settlement for July 11, 2019.

On 4 July 2019 S&P Global Ratings has assigned a long-term rating ‘BBB’ and a short-term rating ‘A-2’ to the Bank, both with negative outlook. The negative outlook mirrors the one on the Republic of Italy.

On 4 July 2019 the Board of Directors has authorised the issuance, by the end of 2019, of an Additional Tier 1 instrument (“AT1”), denominated in euros and intended for qualified investors, for a maximum nominal amount of €200 million, to be listed on the unregulated market of the Irish Stock Exchange plc trading as Euronext Dublin, and gave the widest powers to the Chief Executive Officer and General Manager for any assessment regarding the implementation of the issuance, taking into account relevant market conditions. To this end, FinecoBank has mandated BNP Paribas, UBS Europe SE and UniCredit Bank AG as joint bookrunners and joint lead managers, to organise a roadshow with potential investors in Europe, from 8th July 2019 to 10th July 2019.

On 8 July 2019, in light of favourable market conditions and the expected interest, the Board of Directors has authorised a possible increase in the amount of the aforementioned issue up to a maximum nominal amount of €300 million, compared to what was already resolved on 4 July 2019. The same Board of Directors therefore has conferred all the widest powers to the Chief Executive Officer and General Manager for any assessment regarding the implementation of the issuance, taking into account relevant market conditions.

At the same date S&P Global Ratings has assigned the rating ‘BB-’ to the AT1 whose potential issuance the Bank was evaluating.

On 11 July 2019 FinecoBank successfully completed the placement of the AT1, its first market issue of Additional Tier 1 instruments targeted at qualified investors, for a total amount of €300 million and a fixed coupon of 5.875% for the first 5 years compared to initial price guidance of 6.5%. This tightening compared to the initial price guidance is one of the most significant seen for this type of instrument, as a result of an overall demand equal to 9 times the offer. The issue recorded an order volume of €2.7 billion, demonstrating recognition of FinecoBank also in the fixed-income segment and allowing the Bank to take advantage of favourable market conditions.

The investors who subscribed to the issue are institutional investors, mainly asset managers (around 69% of the total) and banks / private banks (15%). The issue was mainly placed with institutional investors from the United Kingdom/Ireland (35%), Italy (15%), France (13%), Switzerland (12%) and US Offshore (9%).

BNP Paribas, UBS Europe SE and UniCredit Bank AG acted as joint bookrunners and joint lead managers.

The transaction is useful in allowing FinecoBank to be instantly compliant with the Leverage ratio requirement that will be mandatory from 28 June 2021, following the entry into force of Regulation (EU) 876/2019 ("CRR II"). Furthermore, this issuance guarantees the maintenance of a buffer with respect to the minimum requirement prescribed by CRR II. The Leverage ratio at June 30, 2019 pro-forma, recalculated considering the issue of the AT1 and the related transaction costs, is ca. 4%. The pro-forma Tier1 capital ratio and the pro-forma Total capital ratio are ca. 33.9%.

The issue has the following characteristics: perpetual, public placement, intended to trade on Euronext Dublin’s non-regulated market, Global Exchange Market, notes rating of BB- (S&P Global Ratings), fully discretionary and non-cumulative semi-annual fixed rate coupon which is resettable every 5 years. The securities are subject to early redemption at the Issuer’s option, in accordance with the prevailing law, following prior approval of the competent authority, from 3 December 2024 or later, in particular every 6 months on the interest payment dates. In accordance with market standards, the issue provides for a temporary write-down of the notes if the Common Equity Tier 1 Capital Ratio of FinecoBank or of the FinecoBank Group falls below 5.125%.

Outlook

The prospective scenario, despite a context of pressure on margins, sees the Group benefiting from two trends that are transforming Italian society: digitization and demand for advisory services.

In response to the main trends that are redrawing customer behavioural models, the Group confirms its focus on offering advanced financial advisory services and the digitalisation of its offerings, where technology emphasizes the skills of personal financial advisors thanks to the simplification of bureaucratic activities, which allows to offer more time to cultivate the relationship with the client. This includes the cyborg advisory model, aimed at improving the productivity of the Network and at the same time increasing the quality of the service provided to customers.

The Group will continue to pursue its strategy based on organic growth, thanks to the efficiency of the processes and the quality of the services, which allow to combine at the same time the interests of all the stakeholders: shareholders who seek an adequate remuneration for the capital invested; customers who demand services in line with their expectations; the company's employees and personal financial advisors, who aim for stability.

The aim is to further strengthen its competitive positioning in the integrated banking, brokerage and investing services sector through the high quality and completeness of the financial services offered, summarized in the "one stop solution" concept, thanks also to the asset management activities carried out by Fineco AM that will allow the Bank to be even closer to the needs of its customers, more efficient in product selection and more profitable thanks to the vertically integrated business model.

Consolidated interim financial statements

Consolidated balance sheet

(Amounts in € thousand)

BALANCE SHEET - ASSETS	06.30.2019	12.31.2018
10. Cash and cash balances	1,230,599	6
20. Financial assets at fair value through profit and loss	18,363	20,218
a) financial assets held for trading	7,475	6,876
c) other financial assets mandatorily at fair value	10,888	13,342
30. Financial assets at fair value through other comprehensive income	320,613	961,773
40. Financial assets at amortised cost	23,699,684	23,270,023
a) loans and receivables with banks	9,847,775	12,440,994
b) loans and receivables with customers	13,851,909	10,829,029
50. Hedging derivatives	17,722	3,314
60. Changes in fair value of portfolio hedged financial assets (+/-)	31,643	4,873
90. Property, plant and equipment	143,801	16,632
100. Intangible assets	98,362	98,307
of which:		
- goodwill	*89,602*	*89,602*
110. Tax assets	3,498	6,714
a) current tax assets	*198*	*467*
b) deferred tax assets	*3,300*	*6,247*
130. Other assets	270,368	350,770
Total assets	**25,834,653**	**24,732,630**

(Amounts in € thousand)

LIABILITIES AND SHAREHOLDERS' EQUITY	06.30.2019	12.31.2018
10. Financial liabilities at amortised cost	24,346,342	23,282,962
a) deposits from banks	206,643	1,009,774
b) deposits from customers	24,139,699	22,273,188
20. Financial liabilities held for trading	2,413	2,221
40. Hedging derivatives	67,019	5,341
50. Changes in fair value of portfolio hedged financial liabilities (+/-)	17,067	2,600
60. Tax liabilities	64,779	12,390
a) current tax liabilities	64,150	12,390
b) deferred tax liabilities	629	-
80. Other liabilities	293,706	337,069
90. Provisions for employee severance pay	4,661	4,561
100. Provisions for risks and charges:	110,988	109,805
a) commitments and guarantees given	17	49
c) other provisions for risks and charges	110,971	109,756
120. Revaluation reserves	(7,202)	(9,794)
140. Equity instruments	200,000	200,000
150. Reserves	411,687	355,509
160. Share premium reserve	1,934	1,934
170. Share capital	200,941	200,773
180. Treasury shares (-)	(13,796)	(13,960)
200. Net Profit (Loss) for the year	134,114	241,219
Total liabilities and Shareholders' equity	**25,834,653**	**24,732,630**

Consolidated Income statement

(Amounts in € thousand)

INCOME STATEMENT	01.01.2019 - 06.30.2019	01.01.2018 - 06.30.2018
10. Interest income and similar revenues	150,064	144,939
of which: interest income misured	151,615	143,373
20. Interest expenses and similar charges	(8,297)	(7,293)
30. Net interest margin	**141,767**	**137,646**
40. Fee and commission income	301,024	284,488
50. Fee and commission expense	(142,381)	(138,509)
60. Net fee and commission income	**158,643**	**145,979**
70. Dividend income and similar revenue	63	52
80. Gains (losses) on financial assets and liabilities held for trading	18,155	25,979
90. Fair value adjustments in hedge accounting	(381)	70
100. Gains and losses on disposal or repurchase of:	2,784	134
a) financial assets at amortised cost	2,057	-
b) financial assets at fair value through other comprehensive income	727	134
110. Gains (losses) on financial assets and liabilities at fair value through profit or loss	(2,784)	1,402
b) other financial assets mandatorily at fair value	(2,784)	1,402
120. Operating income	**318,247**	**311,262**
130. Impairment losses/writebacks on:	5,627	3,757
a) financial assets at amortised cost	5,666	3,810
b) financial assets at fair value through other comprehensive income	(39)	(53)
150. Net profit from financial activities	**323,874**	**315,019**
180. Net profit from financial and insurance activities	**323,874**	**315,019**
190. Administrative expenses	(166,731)	(167,310)
a) staff expenses	(44,097)	(41,503)
b) other administrative expenses	(122,634)	(125,807)
200. Net provisions for risks and charges	(3,804)	(3,311)
a) provision for credit risk of commitments and financial guarantees given	32	388
b) other net provision	(3,836)	(3,699)
210. Impairment/write-backs on property, plant and equipment	(7,861)	(2,399)
220. Impairment/write-backs on intangible assets	(2,650)	(2,437)
230. Other net operating income	50,247	48,082
240. Operating costs	**(130,799)**	**(127,375)**
280. Gains (losses) on disposal of investments	-	(143)
290. Total profit (loss) before tax from continuing operations	**193,075**	**187,501**
300. Tax expense (income) related to profit or loss from continuing operations	(58,961)	(62,322)
310. Total profit (loss) after tax from continuing operations	**134,114**	**125,179**
330. Net Profit (Loss) for the year	**134,114**	**125,179**
350. Profit (loss) for the year attributable to the Parent Company	**134,114**	**125,179**

	01.01.2019 - 06.30.2019	01.01.2018 - 06.30.2018
Earnings per share (euro)	0.22	0.21
Diluted earnings per share (euro)	0.22	0.21

Note:

For further information on "Earnings per share" and "Diluted earnings per share" please see notes to the accounts, Part C - Information on the Consolidated Income Statement, Section 25.

Consolidated statement of comprehensive income

(Amounts in € thousand)

ITEMS		01.01.2019 / 06.30.2019	01.01.2018 / 06.30.2018
10.	**Net Profit (Loss) for the period**	**134,114**	**125,179**
	Other comprehensive income after tax without reclassification through profit or loss		
70.	Defined benefit plans	(2,766)	255
	Other comprehensive income after tax with reclassification through profit or loss		
140.	Financial assets (other equity securities) designated at fair value through other comprehensive income	5,357	(8,888)
170.	**Total other comprehensive income net tax**	**2,591**	**(8,633)**
180.	**Comprehensive income (voce 10+170)**	**136,705**	**116,546**
200.	**Consolidated comprehensive income attributable to the parent**	**136,705**	**116,546**

Statement of changes in consolidated shareholders’ equity

Statement of changes in consolidated shareholders’ equity at 06.30.2019

(Amounts in € thousand)

				ALLOCATION OF PROFIT FROM PREVIOUS YEAR		CHANGE DURING THE YEAR										
							SHAREHOLDERS' EQUITY TRANSACTIONS									
	BALANCE AS AT 12.31.2018	CHANGE IN OPENING BALANCE	BALANCE AS AT 01.01.2019	RESERVES	DIVIDENDS AND OTHER DISTRIBUTIONS	CHANGES IN RESERVES	ISSUES OF NEW SHARES	PURCHASE OF OWN SHARES	DISTRIBUTIONS OF EXTRAORDINARY DIVIDENDS	CHANGES IN EQUITY INSTRUMENTS	OWN SHARE DERIVATIVES	STOCK OPTIONS	CHANGES IN OWNERSHIP INTERESTS	COMPREHENSIVE INCOME AS AT 06.30.2019	SHAREHOLDERS' EQUITY GROUP AS AT 06.30.2019	SHAREHOLDERS' EQUITY MINORITIES AS AT 06.30.2019
Share capital:																
- ordinary shares	200,773		200,773				168								200,941	-
- other shares																
Share premium reserve	1,934		1,934												1,934	-
Reserves:																
- from profits	321,537		321,537	56,718		(3,074)						(168)			375,013	-
- others	33,972		33,972									2,703			36,675	-
Revaluation reserves	(9,794)		(9,794)											2,591	(7,203)	-
Equity instruments	200,000		200,000							-					200,000	-
Treasury shares	(13,960)		(13,960)				345	(181)							(13,796)	-
Profit (loss) for the year	241,219		241,219	(56,718)	(184,501)									134,114	134,114	-
Shareholders' Equity Group	975,681	-	975,681	-	(184,501)	(3,074)	513	(181)	-	-	-	2,535	-	136,705	927,678	-
Shareholders' Equity Minorities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

The amount of the dividend approved by the Fineco's Ordinary Shareholders' Meeting in 2018, totalling €173,395,252.58, corresponds to €0.285 per share.
The column "Stock options" includes the incentives plans serviced by FinecoBank shares.
The “Changes in reserves” column includes: dividends not distributed in relation to any treasury shares held by the Bank at the record date, transferred to the Extraordinary reserve; coupons paid on equity instruments net of related taxes; transaction costs directly attributable to the issue of Equity instruments net of related taxes.

Statement of changes in consolidated shareholders’ equity at 06.30.2018

(Amounts in € thousand)

				ALLOCATION OF PROFIT FROM PREVIOUS YEAR		CHANGE DURING THE YEAR										
							SHAREHOLDERS' EQUITY TRANSACTIONS									
	BALANCE AS AT 12.31.2017	CHANGE IN OPENING BALANCE	BALANCE AS AT 01.01.2018	RESERVES	DIVIDENDS AND OTHER DISTRIBUTIONS	CHANGES IN RESERVES	ISSUES OF NEW SHARES	PURCHASE OF OWN SHARES	DISTRIBUTIONS OF EXTRAORDINARY DIVIDENDS	CHANGES IN EQUITY INSTRUMENTS	OWN SHARE DERIVATIVES	STOCK OPTIONS	CHANGES IN OWNERSHIP INTERESTS	COMPREHENSIVE INCOME AS AT 06.30.2018	SHAREHOLDERS' EQUITY GROUP AS AT 06.30.2018	SHAREHOLDERS' EQUITY MINORITIES AS AT 06.30.2018
Share capital:																
-) ordinary shares	200,545		200,545				228								200,773	-
-) other shares																
Share premium reserve	1,934		1,934												1,934	-
Reserves:																
-) from profits	291,841	(4,868)	286,973	40,725		(2,265)						(228)			325,205	-
-) others	32,091		32,091									4,438			36,529	-
Revaluation reserves	(8,340)	1976	(6,364)											(8,633)	(14,997)	-
Equity instruments										200,000					200,000	
Treasury shares	(365)		(365)					(258)							(623)	-
Profit (loss) for the year	214,120		214,120	(40,725)	(173,395)									125,179	125,179	-
Shareholders' Equity Group	731,826	(2,892)	728,934	-	(173,395)	(2,265)	228	(258)	-	200,000	-	4,210	-	116,546	874,000	-
Shareholders' Equity Minorities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

The amount of the dividend approved by the Fineco's Ordinary Shareholders' Meeting in 2018, totalling €173,395,252.58, corresponds to €0.285 per share.
The column "Stock options" includes the incentives plans serviced by FinecoBank shares.
The column “Changes in reserves” corresponds to the amount of the dividends not distributed in relation to any treasury shares held by the Bank at the record date and transferred to the Extraordinary reserve; coupons paid on equity instruments net of related taxes; transaction costs directly attributable to the issue of Equity instruments net of related taxes.
The column "Change in opening balances" includes only the effects of the adoption of IFRS 9.

Consolidated statements of cash flows

Indirect method

(Amounts in € thousand)

A. OPERATING ACTIVITIES	AMOUNT 01.01.2019 / 06.30.2019	AMOUNT 01.01.2018 / 06.30.2018
1. Operations	**273,825**	**189,819**
- profit (loss) for the year (+/-)	134,114	125,179
- unrealised gains/losses on financial assets/liabilities held for trading and on other assets/liabilities at fair value through profit or loss (-/+)	3,615	263
- gains (losses) on hedge accounting (-/+)	381	(70)
- net losses/recoveries on impairment (+/-)	(5,169)	(3,344)
- net losses/recoveries on impairment (+/-) (ex IAS 39)		
- net value adjustments/write-backs on property, plant and equipment and intangible assets (+/-)	10,510	4,836
- net provisions for risks and charges and other expenses/income (+/-)	10,255	13,473
- uncollected net premiums (-)	-	-
- other uncollected insurance income/expenses (-/+)	-	-
- unpaid duties, taxes and tax credits (+/-)	54,545	16,566
- impairment/write-backs after tax on discontinued operations (+/-)	-	-
- other adjustments (+/-)	65,574	32,916
2. Cash flows from/used by financial assets	**(1,459,284)**	**(1,000,367)**
- financial assets held for trading	(1,098)	(1,804)
- financial assets designed at fair value	-	-
- other financial assets mandatorily at fair value	(377)	152,006
- financial assets at fair value through other comprehensive income	642,102	(75,602)
- financial assets at amortised cost	(2,115,450)	(1,148,541)
- other assets	15,539	73,574
3. Cash flows from/used by financial liabilities	**988,805**	**877,976**
- financial liabilities measured at amortised cost	1,042,478	926,126
- financial liabilities held for trading	(94)	(12)
- financial liabilities designated at fair value	-	-
- other liabilities	(53,579)	(48,138)
Net cash flows from/used in operating activities	**(196,654)**	**67,428**
B. INVESTMENT ACTIVITIES		
1. Cash flows from		
- sales of equity investments	-	-
- collected dividends on equity investments	-	-
- sales of property, plant and equipment	-	1
- sales of intangible assets	-	-
- sales of subsidiaries and divisions	-	-
2. Cash flows used in		
- purchases of equity investments	-	-
- purchases of property, plant and equipment	(70,093)	(2,466)
- purchases of intangible assets	(2,705)	(2,355)
- purchases of subsidiaries and divisions	-	-
Net cash flows from/used in investing activities	**(72,798)**	**(4,820)**
C. FUNDING ACTIVITIES		
- issue/purchase of treasury shares	332	(258)
- issue/purchase of equity instruments	-	200,000
- dividends and other distributions	(189,414)	(175,660)
- sales/purchases of control	-	
Net cash flows from/used in financing activities	**(189,082)**	**24,082**
NET CASH FLOWS FROM/USED DURING THE PERIOD	**(458,534)**	**86,690**

RECONCILIATION

(Amounts € thousand)

BALANCE SHEET ITEMS	AMOUNT 01.01.2019 / 06.30.2019	AMOUNT 01.01.2018 / 06.30.2018
Cash and cash balances at the beginning of the period	2,019,314	1,950,529
Net cash flows generated/used during the period	(458,534)	86,690
Cash and cash balances: effect of changes in exchange rates	1,619	14,829
Cash and cash balances at the end of the period	1,562,399	2,052,048

Key
(+) generated
(-) used

The term "Cash and cash balances" means cash recorded under item 10 of assets "Cash and cash balances" and the equivalent liquid assets recorded under item 40 of assets "Financial assets at amortised cost: a) loans and receivables with banks" (consisting of current accounts and deposits maturing within 3 months) net of the equivalent liquid liabilities recorded under item 10 of liabilities "Financial liabilities at amortised cost a): deposits from banks" (represented by current accounts and deposits maturing within 3 months).

The item “Cash and cash balances” at the end of the first half 2019 consisted of:

- Cash recognised under asset item 10 “Cash and cash balances” in the amount of €1,230,792 thousand, net of the related accruals;
- Current accounts and demand deposits recognised under asset item 40 “Financial assets at amortised cost: a) loans and receivables with banks” in the amount of €400,025 thousand;
- net of the Current accounts and demand deposits recognised under liability item 10 “Financial liabilities at amortised cost: a) deposits from banks” in the amount of €64,418 thousand.

The item “Cash and cash balances” at the end of the first half of the previous year consisted of:

- Cash recognised under asset item 10 “Cash and cash balances” in the amount of € 1,733 thousand;
- Current accounts and demand deposits recognised under asset item 40 “Financial assets at amortised cost: a) loans and receivables with banks” in the amount of €2,137,070 thousand;
- net of the Current accounts and demand deposits recognised under liability item 10 “Financial liabilities at amortised cost: a) deposits from banks” in the amount of €86,754 thousand.

Notes to the accounts

Part A - Accounting policies

Part A - Accounting policies

A.1 General

Section 1 - Statement of Compliance with IFRS

These Condensed interim consolidated financial statements have been prepared in accordance with the recognition and valuation criteria set out in the International Financial Reporting Standards IAS/IFRS issued by the International Accounting Standards Board (IASB), including the SIC and IFRIC interpretation documents, as endorsed by the European Commission up to June 30, 2019, pursuant to European Union Regulation no. 1606/2002 of July 19, 2012, implemented in Italy through Legislative Decree no. 38 of February 28, 2005 and pursuant to art. 154-ter, paragraph 3, of the Consolidated Finance Act (TUF, Legislative Decree no. 58 of February 24/2/1998), and applicable to financial reports for the periods starting on or after January 1, 2019.

They are an integral part of the Consolidated First Half Financial Report as required by art. 154-ter, paragraph 2 of the Consolidated Finance Act (TUF, Italian Legislative Decree no. 58 of February 24, 1998).

As required by paragraph 2 of the said article of the TUF, the Consolidated First Half Financial Report comprises the Condensed interim consolidated financial statements, the Consolidated report on operations and the Certification of the Consolidated condensed half-year financial statements, required by paragraph 5 of the art. 154-bis of the TUF, in accordance with Art. 81-ter of the Consob Regulation 11971 of May 14, 1999 as amended.

Specifically, the Condensed interim consolidated financial statements as at June 30, 2019 comply with the international accounting standard applicable to interim financial reporting (IAS 34). Based on paragraph 10 of this standard, the consolidated half-year financial statements have been prepared in a condensed form.

Section 2 - Preparation criteria

As mentioned above, these Condensed interim consolidated financial statements have been prepared in accordance with the IFRS endorsed by the European Commission and applicable to financial reports for the periods starting on or after January 1, 2019. The following documents have been used to interpret and support the application of IFRS, even though not all of them have been endorsed by the European Commission:

- The Conceptual Framework for Financial Reporting;
- Implementation Guidance, Basis for Conclusions, IFRICs and any other documents prepared by the IASB or International Financial Reporting Standards Interpretations Committee (IFRS IC) supplementing the IFRS;
- Interpretation documents on the application of IFRS in Italy prepared by the *Organismo Italiano di Contabilità* (Italian Accounting Body);
- ESMA (European Securities and Markets Authority) and Consob documents on the application of specific IFRS provisions;
- the documents prepared by the Italian Banking Association (ABI).

The Condensed interim consolidated financial statements comprise the consolidated Balance Sheet, the consolidated Income Statement, the consolidated Statement of Comprehensive Income, the consolidated Statement of Changes in Shareholders' Equity, the consolidated Cash Flow Statement (compiled using the indirect method), and these Notes to the Consolidated Accounts, together with the Directors' Report on Operations ("Consolidated Report on Operations") and the Annexes.

The figures and the Notes of the Condensed interim consolidated financial statements at June 30, 2019 have been prepared taking into account the instructions on bank financial reports contained in the Bank of Italy Circular 262/2005 as updated. In particular, reference was made to the format envisaged by the 6th update of 30 November 2018 which incorporates the IFRS 16 "Leasing" (and the consequent changes introduced in other international accounting standards).

The Bank has applied the provision provided for in paragraph C5 b) of IFRS 16 and paragraphs E1 and E2 of IFRS 1 "First-Time Adoption of International Financial Reporting Standards", according to which - without prejudice to the retrospective application of the new measurement rules and representation required by the standard - there is no obligation to restate the values of previous years (comparative values) in the FTA financial statements. The disclosure regarding the reconciliation between data in the last approved financial statements and the opening balances of the first financial statements drawn up applying the accounting standard and the operational choices made and the related methodology set forth in the transition to the new principle as well, in section 5. "Other matters - Transition to IFRS 16 Leasing of these Notes to the accounts. The tables presented in the Notes to the accounts with reference to the relevant items for the application of IFRS 16 have been modified in accordance with the provisions in this regard set by the 6th update of Circular 262.

The figures in the Condensed interim consolidated financial statements and the Notes to the accounts are provided in thousands of euros, unless otherwise indicated. In accordance with the Bank of Italy Circular 262/2005, items in the consolidated Balance Sheet, consolidated Income Statement and consolidated Statement of Comprehensive Income for which there is no significant information to be disclosed for the reporting semester and the corresponding period of the previous year, nor in such cases tables of the Notes to the accounts are provided.

The balance sheet figures have been compared with those as at December 31, 2018, while the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in shareholders' equity and consolidated cash flow statement have been compared with the corresponding figures for the first half of the previous year.

Any discrepancies between the figures shown in the consolidated financial statements and the Notes to the accounts is solely due to roundings.

With reference to IAS 1, these Condensed interim consolidated financial statements have been prepared on a going concern basis, as there are no doubts or uncertainties as to the ability of the Bank and the subsidiary Fineco Asset Management DAC (hereinafter FinecoBank Group or Group) to continue its business operations and to continue operating for the foreseeable future (at least for the next 12 months).

The measurement criteria adopted are therefore consistent with this assumption and with the principles of accrual based accounting, the relevance and materiality of accounting information, and the prevalence of economic substance over legal form.

These criteria have changed in part with respect to the previous year exclusively, relating to the introduction of new standards and interpretations, for further details please see the modifications described section 5 " Other matters", and in Part "A.2 – The main items of the accounts".

The activity of the Bank is not affected by any significant seasonal and/or cyclical factor.

Section 3 – Consolidation Procedures and Scope

The following was used in order to prepare the consolidated Accounts at June 30, 2019:

- First-half accounts at June 30, 2019 of FinecoBank S.p.A.;
- First-half accounts at June 30, 2019 of Fineco Asset Management DAC, fully consolidated, prepared in accordance with IAS/IFRS where the items have been appropriately reclassified and adjusted for consolidation requirements.

The fully consolidation involves combining the balance sheets and income statements of the subsidiary on a "Line-by-Line" basis. The accounting value of the investment in the fully-consolidated companies is eliminated - as a result of assuming their assets and liabilities - as a contra-entry to the relevant quota of Shareholders' Equity of the Bank (100%, as the company is fully owned by the Bank). Assets and liabilities, off-balance sheet transactions, revenues and charges, as well as any profits and losses incurred between companies are fully eliminated, in line with the consolidation methods adopted.

1. Interests in fully-owned subsidiaries

COMPANY NAMES	HEADQUARTERS	REGISTERED OFFICE	TYPE OF RELATIONSHIP (1)	OWNERSHIP RELATIONSHIP		VOTING RIGHTS % (2)
				HELD BY	HOLDING %	
1. Fineco Asset Management DAC	Dublin	Dublin	1	FinecoBank	100%	100% effective

Key:

(1) Type of relationship:
1 = majority of voting rights and the ordinary Shareholders' Meeting
2 = dominant influence at the ordinary Shareholders' Meetings
3 = agreements with other shareholders
4 = other types of control
5 = unified management pursuant to Article 26, paragraph 1, of "Italian legislative decree 87/92"
6 = unified management pursuant to Article 26, paragraph 2, of "Italian legislative decree 87/92"

(2) Availability of votes in the ordinary Shareholders' Meeting, with a distinction between actual and potential votes.

2. Valuations and key assumptions to define the scope of consolidation

No data to report.

3. Interests in fully-owned subsidiaries with major minority interests

3.1 Minority interests, availability of minority votes and dividends distributed to minority shareholders

No data to report.

3.2 Significant minority interests: accounting data

No data to report.

4. Significant restrictions

No data to report.

5. Other information

No data to report.

Section 4 - Subsequent events

No significant events have occurred after the balance sheet date that would make it necessary to change any of the information given in the Condensed interim consolidated financial statements as at June 30, 2019.

It should be noted that, on 4 July 2019 the Board of Directors has authorised the issuance, by the end of 2019, of an Additional Tier 1 instrument ("AT1"), denominated in euros and intended for qualified investors, for a maximum nominal amount of €200 million, to be listed on the unregulated market of the Irish Stock Exchange plc trading as Euronext Dublin and gave the widest powers to the Chief Executive Officer and General Manager for any assessment regarding the implementation of the issuance, taking into account relevant market conditions. On 8 July 2019, in light of favourable market conditions and the expected interest, the Board of Directors has authorised a possible increase in the amount of the AT1 up to a maximum nominal amount of €300 million, compared to what was already announced on 4 July 2019. The Board of Directors gave the widest powers to the Chief Executive Officer and General Manager for any assessment regarding the implementation of the issuance, taking into account relevant market conditions. At the same date S&P Global Ratings has assigned the rating 'BB-' to the AT1 whose potential issuance the Bank was evaluating.

On 11 July 2019 FinecoBank successfully completed the placement of the AT1 for a total amount of €300 million and a fixed coupon of 5.875% for the first 5 years. The transaction is useful in allowing FinecoBank to be instantly compliant with the Leverage ratio requirement that will be mandatory from 28 June 2021, following the entry into force of Regulation (EU) 876/2019 ("CRR II"). Furthermore, this issuance guarantees the maintenance of a buffer with respect to the minimum requirement prescribed by CRR II.

The Condensed interim consolidated financial statements at June 30, 2019 were approved by the Board of Directors of August 5, 2019, which authorised their publication also pursuant to IAS10.

Section 5 – Other matters

In the first half 2019, the following accounting standards, amendments and interpretations become effective for reporting periods beginning on or after January 1, 2019:

- IFRS 16 – Leasing (EU Regulation 2017/1986);
- Amendments to IFRS 9 - Prepayment Features with Negative Compensation (EU Regulation 2018/498)
- IFRIC 23 – Uncertainty over Income Tax Treatments (EU Regulation 2018/1595)
- Amendments to IAS 28 - Long-term Interests in Associates and Joint Ventures (EU Regulation 2019/237)
- Amendments to IAS 19: Plan Amendment, Curtailment or Settlement (EU Regulation 2019/402)
- Annual Improvements to International Financial Reporting Standards, 2015-2017 Cycle (EU Regulation 2019/412)

Where applicable, these accounting standards, amendments and interpretations had no impact on the consolidated financial position and results of the Group as at June 30, 2019, except of the accounting standard IFRS 16 which provides for a new accounting method for leasing contracts by the lessee, details of which are described below.

As at June 30, 2019, moreover, the IASB issued the following accounting principles and interpretations or revisions thereof, whose the application is however still subject to completion of the approval process by the competent bodies of the European Union, which is still ongoing:

- IFRS 17 – Insurance contracts (May 2017);
- IFRS 14 - Rate-regulated activities (January 2014);
- Amendments to IFRS 10 and IAS 28: Sale or transfer of assets to a joint venture or associate (September 2014);
- Amendments to IFRS 3: Business combinations (October 2018);
- Amendments to IAS 1 and IAS 8: definition of "material" (October 2018).

The possible effects of the future adoption of these standards, interpretations and amendments, when applicable and relevant for the Group, are reasonably estimated as not significant; the related analyses, also in relation to pending approvals, are still to be completed.

As mentioned before, on November 30, 2018 the 6th update of Circular no. 262 was enacted: "The bank balance sheet: format and drafting rules" which implemented IFRS 16 "Leasing" and the consequent changes introduced in other international accounting standards, including IAS 40 on real estate investments, introduced to guarantee the overall consistency of the reference accounting framework.

Transition to IFRS 16 - Leasing

On November 9, 2017, the Commission Regulation (EU) 2017/1986 of 31 October 2017 was published, which modifies Regulation (EC) no. 1126/2008 which adopts certain international accounting standards in accordance with Regulation (EC) no. 1606/2002 of the European Parliament and of the Council regarding International Financial Reporting Standards 16 (IFRS 16) with mandatory applicability to the financial statements relating to the periods starting on or after 1 January 2019 (with the faculty of early application in 2018, - together with the mandatory application of IFRS 15).

Starting from January 1, 2019 FinecoBank and its subsidiary Fineco Asset Management DAC apply the aforementioned standard.

IFRS 16 replaced the previous set of international accounting principles and interpretations on leasing and, in particular, IAS17, provides a new definition of leasing and introduced a criterion based on the notion of control ("right of use") of an asset to distinguish leasing agreements from service agreements, identifying which discriminant of leases: the identification of the asset, the right to replace it, the right to obtain substantially all the economic benefits deriving from the use of the asset and the right to direct (i.e. control) the use of the asset object of the contract.

The standard confirms the distinction between operating leases and finance leases with reference to the accounting model to be applied by the lessor: a lease is classified as financial if it transfers, substantially, all the risks and benefits connected to the ownership of an underlying asset; a lease is classified as operating if, substantially, it does not transfer all the risks and benefits deriving from the ownership of an underlying asset.

With regard to the accounting model to be applied by the lessee, and therefore to the accounting model relevant to the FinecoBank Group, the new principle provides that, for all type of leases including operating leasing, an asset representing the right to use the leased asset shall be recognised, together with - at the same time - the financial liability for the lease payments set out in the agreement (“Lease liabilities”).

At initial recognition, this asset is valued on the basis of the related lease contract cash flows on the date effective, corresponding to the current value of the payments due for leasing not paid on that date ("lease liability"), including payments made on or before the effective date and the initial direct costs incurred (if any) by the lessee. Payments due for leasing are discounted using the implicit interest rate of the lease, or if the latter cannot be easily determined, the marginal lending rate of the Company, determined on the basis of the cost of funding for liabilities of similar duration and guarantees to those implicit in leasing contracts. After initial recognition, this asset will be valued on the basis of the provisions for tangible and intangible assets under IAS 38, IAS 16 or IAS 40 and, therefore, at cost net of amortization and any reductions in value, at the "redetermined value" or at fair value as applicable. The lease liability has to be restated, after the effective date, if changes are made to the payments due for the lease; the amount of the restatement of the lease liability has to be recognized as an adjustment to the asset consisting of the right of use.

The Bank and its subsidiary Fineco AM are carrying out the activities aimed at ensuring full compliance with the new accounting standard on the transition date, in particular with reference to the calculation and accounting of the right of use and the associated lease liabilities, aspects that represent the main discontinuity with respect to the accounting model envisaged by IAS17. The activities relating to the development and implementation of rules, principles and IT systems to ensure the correct calculation of above mentioned assets and liabilities, their subsequent measurement and the determination of the related effects on the income statement, have been finalized.

The transition to IFRS 16 led to the definition of some accounting policies and the use of assumptions and estimates as illustrated below.

Identification of the scope of application

The Bank and its subsidiary have identified the leasing contracts that fall within the scope of application of the standard, represented by the lease contracts of the buildings used by the companies and the financial shops used by the personal financial advisors and directly managed by the Bank, as well as leases of machinery and cars.

For the purposes of calculating the leasing debt and the associated “right of use”, the Bank and its subsidiary proceed to discount future installments determined in the light of the provisions of the aforementioned lease contracts and calculated net of the VAT component, despite being the same non-deductible for the Bank, by virtue of the fact that the obligation to pay such tax arises at the time of the issuance of the invoice by the lessor and not as of the effective date of the leasing contract.

As envisaged by the standards, which grants exemptions in this regard, “low-value assets” contracts (whose threshold has been identified as €5 thousand), mainly relating to mobile phone rental contracts and all leases with a contractual duration equal to or less than 12 months (“Short term lease”) have been excluded from the scope of application; it was decided not to apply the standard to the leases of intangible assets (mainly represented by software lease payments). For these contracts, the related lease payments are recognized in the income statement on a linear basis for the corresponding duration. It should also be noted that the non-leasing components are separated from the leasing components and recognized in the income statement on an accrual basis in accordance with the applicable accounting standard and that the costs for variable payments due for the lease not included in the evaluation of the lease liabilities.

The lease of the building located in Milan, Piazza Durante 11, where the Bank's registered office is located, leased until 31 January 2019 when the Bank completed the purchase transaction, determining the simultaneous termination of the rental contract has been classified at First Time Adoption of the standard as "Short term lease" and, therefore, excluded from the scope of application of IFRS 16.

Duration of leasing

The Bank and its subsidiary have determinated the duration of leasing for each contract within the scope of application as described above, considering the "non-cancellable" period during which the Bank or its subsidiary have the right to use the underlying asset and taking into consideration all the contractual aspects that could modify such duration, for instance:

- periods covered by a right of resolution (together with any related penalties) or an option to extend the lease in favor of the sole lessee, the sole lessor or in favor of both, even in different periods over the duration of the contract;
- periods covered by an option to purchase the underlying asset.

In general, with reference to contracts that allow the Bank or the subsidiary to tacitly renew the lease at the end of a first contractual period, the duration of the lease has been determined, based on historical experience (in particular for the Bank) and information available at the transition date, considering the period not to be canceled as well as the period object of extension option (first contract renewal period), except for the existence of any business plans for the disposal of the leased asset, as well as clear and documented assessments by the competent Bank departments which lead us to believe that the failure to exercise the option to renew or exercise the resolution option, also taking into account, with particular regard to the financial shops in use to the personal financial advisors, the commercial strategies for the recruitment and territorial organization of the network.

Discount rate

As regards the discount rate to be used for determining the lease liability the nature of the contracts stipulated by the Bank and its subsidiary, which fall within the scope of application of the standard and mainly represented by rental contracts of properties, does not allow to derive the implied rate in each contract, thus the discounting is carried out using the marginal refinancing rate. The latter is determined on the basis of the cost of funding for liabilities of similar duration and similar security of those implicit in the existing lease contracts.

As FinecoBank did not issue own debt instruments at the date of the first application of the standard, the rate applied (the average weighted rate is around 1.48%) for the purposes and for the effects of the First Time Adoption was the senior secured funding rate of UniCredit S.p.A., at that date the parent company of the Bank , applied to finance the companies in the Italy of the UniCredit Group[17].

Accounting effects of the transition

As previously mentioned, the Bank and its subsidiary decided not to recalculate the accounting data relating to previous years (comparative values) while applying the standard retrospectively, as envisaged by the same standard (transition with modified retrospective method).

It should be noted that no effect was recorded in the consolidated shareholders' equity as of January 1, 2019 as, for the First Time Adoption purposes, the amount of the financial liability will be equal to the present value of the future payments remaining at the transition date and the activity consisting of the "right of use" is recognized on the date of the initial application by evaluating it to equal to the amount of the financial liability above mentioned adjusted for the amount of any accruals/prepayments related to the lease, booked in the statement of the situation statement of financial position immediately prior to the date of initial application (i.e these financial statements as at December 31, 2018).

[17] It should be noted that, following the exit from the UniCredit Group, the Bank, solely for the purpose of accounting for leasing contracts after that date, determined its marginal financing rate using the Bloomberg curve relating to bonds as a reference parameter issued by Italian Banks with a BBB rating.

Below are the tables in the Consolidated Balance Sheet (Assets and Liabilities) showing: (i) the balance sheet balances of the consolidated financial statements as at 31 December 2018, (ii) the adjustments of IFRS 16 application to the balance sheet balances and (iii) the opening balance sheet balances at 1 January 2019.

(Amounts in € thousand)

BALANCE SHEET ASSETS	12.31.2018	ADJUSTMENT IFRS 16	01.01.2019 POST APPLICATION IFRS 16
10. Cash and cash balances	6	-	6
20. Financial assets at fair value through profit or loss	20,218	-	20,218
a) financial assets held for trading	6,876	-	6,876
c) other financial assets mandatorily at fair value	13,342	-	13,342
30. Financial assets at fair value through other comprehensive income	961,773	-	961,773
40. Financial assets at amortised cost	23,270,023	-	23,270,023
a) loans and receivables with banks	12,440,994	-	12,440,994
b) loans and receivables with customers	10,829,029	-	10,829,029
50. Hedging derivatives	3,314	-	3,314
60. Changes in fair value of portfolio hedged financial assets (+/-)	4,873	-	4,873
90. Property, plant and equipment	16,632	64,576	81,208
100. Intangible assets	98,307	-	98,307
of which			
- goodwill	89,602	-	89,602
110. Tax assets	6,714	-	6,714
a) current tax assets	467	-	467
b) deferred tax assets	6,247	-	6,247
130. Other assets	350,770	(424)	350,346
Total assets	**24,732,630**	**64,152**	**24,796,782**

(Amounts in € thousand)

BALANCE SHEET LIABILITIES AND SHAREHOLDERS' EQUITY	12.31.2018	ADJUSTMENT IFRS 16	01.01.2019 POST APPLICATION IFRS 16
10. Financial liabilities at amortised cost	23,282,962	64,152	23,347,114
a) deposits from banks	1,009,774	4,017	1,013,791
b) deposits from customers	22,273,188	60,135	22,333,323
20. Financial liabilities held for trading	2,221	-	2,221
40. Hedging derivatives	5,341	-	5,341
50. Changes in fair value of portfolio hedged financial liabilities (+/-)	2,600	-	2,600
60. Tax liabilities	12,390	-	12,390
a) current tax liabilities	12,390	-	12,390
80. Other liabilities	337,069	-	337,069
90. Provisions for employee severance pay	4,561	-	4,561
100. Provisions for risks and charges:	109,805	-	109,805
a) commitments and guarantees given	49	-	49
c) other provisions for risks and charges	109,756	-	109,756
120. Revaluation reserves	(9,794)	-	(9,794)
140. Equity instruments	200,000	-	200,000
150. Reserves	355,509	-	355,509
160. Share premium reserve	1,934	-	1,934
170. Share captital	200,773	-	200,773
180. Treasury shares (-)	(13,960)	-	(13,960)
200. Net Profit (Loss) for the year	241,219	-	241,219
Total liabilities and Shareholders' equity	**24,732,630**	**64,152**	**24,796,782**

It should be noted that the adjustments IFRS16 accounted for into the item 130. Other assets correspond to the amounts of prepayments related to the lease contracts, booked in the statement of the situation statement of financial position immediately prior to the date of initial application (i.e these financial statements as at December 31, 2018).

The following tables show the effects of the First Time Adoption of IFRS 16 in detail.

Property, plant and equipment

(Amounts in € thousand)

ASSETS/AMOUNTS	12.31.2018	ADJUSTMENTS IFRS16	1st JANUARY 2019 POST APPLICATION IFRS16
1. Owned assets	**14,544**	**-**	**14,544**
a) land	-	-	-
b) buildings	-	-	-
c) office furniture and fittings	1,835	-	1,835
d) electronic systems	10,944	-	10,944
e) other	1,765	-	1,765
2. Assets under financial lease	**-**	**64,575**	**64,575**
a) land	-	-	-
b) buildings	-	63,950	63,950
c) office furniture and fittings	-	-	-
d) electronic systems	-	-	-
e) other	-	625	625
Total	**14,544**	**64,575**	**79,119**
of which: obtained through enforcement of the guarantees received	-	-	-

The amount equal to €625 thousand, accounted for as an increase in item “e) other” refers to the rights of use relating to plant, equipment and motor vehicles.

Financial liabilities at amortised cost: dues from banks

(Amounts in € thousand)

TRANSACTIONS TYPE/AMOUNTS	12.31.2018	ADJUSTMENTS IFRS16	1st JANUARY 2019 POST APPLICATION IFRS16
1. Deposits from central banks	-	-	-
2. Deposits from banks	**1,009,774**	**4,017**	**1,013,791**
2.1 Current accounts and demand deposits	52,563	-	52,563
2.2 Time deposits	-	-	-
2.3 Loans	933,352	-	933,352
2.3.1 Repos	933,352	-	933,352
2.3.2 Other	-	-	-
2.4 Liabilities in respect of commitments to repurchase treasury shares	-	-	-
2.5 Lease liabilities	-	4,017	4,017
2.6 Other liabilities	23,859	-	23,859
Total	**1,009,774**	**4,017**	**1,013,791**

Financial liabilities at amortised cost: dues from customers

(Amounts in € thousand)

	12.31.2018	ADJUSTMENTS IFRS16	1st JANUARY 2019 POST APPLICATION IFRS16
1. Current accounts and demand deposits	22,046,700	-	22,046,700
2. Time deposits	3,106	-	3,106
3. Loans	116,299	-	116,299
3.1 Repos	116,299	-	116,299
3.2 Other	-	-	-
4. Liabilities in respect of commitments to repurchase treasury shares	-	-	-
5. Lease liabilities	-	60,135	60,135
6. Other liabilities	107,083	-	107,083
Total	**22,273,188**	**60,135**	**22,333,323**

Reconciliation of financial liabilities at 1 January 2019 with the commitments for operating leases recognized at 31 December 2018

(Amounts in € thousand)

Description	Amounts
Commitments for operating leasing as at December 31, 2018	**5,052**
Future leasing payments	68,571
Future leasing payments intagible assets	(4,999)
Financial lease liability not discounted as at January 1, 2019	**68,624**
Discount effect	(4,472)
Financial lease liability as at January 1, 2019	**64,152**
Present value of financial lease liability as at December 31, 2018	-
Additional financial lease liability due to the transition to IFRS 16 as at January 1, 2019	**64,152**

As at December 31, 2018, no financial leases were in place and the commitments included exclusively operating lease/rental payments that could not be canceled, including lease/rental payments for intangible assets.

The item "Future leasing payments" includes the lease/rental payments that can be canceled, not included in the commitments as at December 31, 2018, net of the contracts that included low-value assets and contracts with a contractual duration equal to or less than 12 months, i.e. "short term lease".

Impacts on regulatory capital deriving from the adoption of IFRS 16

The application of IFRS 16 resulted in an increase in tangible assets recorded in the consolidated balance sheet assets as at 1 January 2019 of ca. €64.6 million (of which ca. €0.9 million referred to Fineco AM) and an increase in the Bank' RWAs whose effect is estimated equal to 55 basis points on the individual CET1 of the Bank as of 31 December 2018. It is note noting that the Bank is not required to prepare the report on the own funds and on the regulatory ratios on a consolidated basis, but exclusively individual, as consequence of belonging to the UniCredit Banking Group.

Interbank Deposit Guarantee Fund - Voluntary Scheme

FinecoBank has subscribed to the "Voluntary Scheme", introduced by the Interbank Deposit Guarantee Fund ("IDGF") in November 2015, through an amendment to its bylaws. The Voluntary Scheme is an instrument for resolving bank crises through support measures in favour of banks subscribing to it, when specific conditions established by the regulations apply. The Voluntary Scheme has its own independent financial resources and the banks subscribing to it have committed to provide funds on request for implementation of the measures.

From 2016 to 2018, the Voluntary Scheme, in a capacity as a private entity, approved initiatives to support some banks, and in particular Cassa di Risparmio di Cesena (CariCesena), Cassa di Risparmio di Rimini (Carim), Cassa di Risparmio di San Miniato (Carismi) and Banca Carige.

For the above initiatives, FinecoBank made cash payments with simultaneous recognition in the financial statements, as indicated in this regard by the Bank of Italy, recognised in the financial statements as equity instruments and classified as "Financial assets available for sale" under the previously existing accounting standard IAS 39 in effect until December 31st, 2017, and subsequently from January 1st, 2018, as "Financial assets measured at fair value" through profit or loss, based on the current accounting standard IFRS 9: c) other financial assets measured at fair value".

As at June 30, 2019, total exposure of equity instruments, arising from grants deriving from the aforementioned contributions paid by the Bank, net of write-downs and cancellations made in previous years and of the effects of the fair value valuation on that date amounted to €2.4 million (of which €1.9 million relative to the intervention in favour of Carige, and €0.5 million relative to the intervention in favour of Carim, Carismi and CariCesena).

In particular, the fair value measurement as at June 30, 2019 of equity instruments subscribed by the Bank as part of the operation approved by the Voluntary Scheme for the initiative taken by Credit Agricole CariParma in support of CariCesena, Cassa di Risparmio di Rimini (Carim) and Cassa di Risparmio di San Miniato (Carismi) resulted in a further negative fair value measurement of €39 thousand being recognised in the income statement in the first half of 2019. The fair value was determined as being equal to the estimate of the fair value of Berenice securitisation instruments (mezzanine and junior instruments issued for the securitisation of NPLs of the three banks acquired under the Voluntary Scheme). The measurement model adopted is based on the Discounted Cash Flow model depending on recovery assumptions.

The fair value measurement as at June 30th, 2019 of equity instruments subscribed by the Bank as part of the initiative supporting Banca Carige S.p.A. showed an impairment which resulted in a further negative fair value measurement of €4.7 million being recognised in the income statement in the first half of 2019. As market or price valuations of comparable instruments were not available nor, in addition, an updated assessment by the IDGF, the fair value of the instrument was determined by the Bank using internal models based on Market Multiples applied to multi-scenario analysis and using the most recent information on the Bank's recovery plan as the reference.

Contributions to guarantee and resolution funds

With regard to the contribution obligations under directive 2014/49/EU (Deposit Guarantee Schemes - DGS), these contributions will be due and recognised, in application of IFRIC 21, in the second half of the year.

No contribution has been requested from the Bank by the Single Resolution Board, for the year 2019, with regard to the contribution obligations under directive 2014/59/EU (Single Resolution Fund).

Risks and uncertainties related to the use of estimates

In the application of the accounting policies, the management is required to make judgements, estimates and assumptions about the carrying amounts of certain assets and liabilities as well as the information regarding potential assets and liabilities. Estimates and related assumptions are based on previous experience and other factors considered reasonable under the circumstances and have been used to estimate the carrying values of assets and liabilities not readily available from other sources.

In particular, estimated figures have been used for the recognition of some of the largest value-based items in the Condensed interim consolidated financial statements as at June 30, 2019, as required by the accounting standards and regulations. These estimates are largely based, as regards assets, on calculations of future recoverability of the values recognised in the accounts and, as regards liabilities, on estimates of the probability of using resources to meet its obligations and the amount of resources necessary to that end, according to the rules laid down in current legislation and standards and have been made on the assumption of a going concern, on which basis these Condensed interim consolidated financial statements have been prepared, i.e. without contemplating the possibility of the forced sale of the estimated items.

The processes adopted, pending the preparation of an interim financial report in accordance with IAS 34, support the carrying values at June 30, 2019. For some of the above items the valuation is particularly complex given the uncertainty of the macroeconomic and market situation, characterised by the significant volatility of financial indicators used in the valuation process and still high levels of credit quality impairment, as well as, more generally, the uncertainty and instability in the banking sector.

For other items, however, the complexity and subjectivity of estimates is influenced by the structure of the underlying assumptions and assumptions, the number and variability of available information and the uncertainties connected with possible future outcomes of proceedings, disputes and litigation.

The parameters and information used to determine the above-mentioned values are therefore significantly affected by multiple factors, which could change rapidly in ways that are currently unforeseeable, which means that consequent future effects on the book values cannot be ruled out.

At the date of preparing these Condensed interim consolidated financial statements we believe that there are no uncertainties such as to give rise to significant adjustments to the carrying amounts within one year.

Estimates and underlying assumptions are regularly reviewed. Any changes resulting from these reviews are recognised in the period in which the review was carried out, provided the change only concerns that period. If the revision concerns both current and future periods it is recognised accordingly in both current and future periods.

Uncertainty affecting estimates is inherent, among other factors, in the determination of:

- fair value of financial instruments not listed in active markets;
- receivables and relating write-offs, and in general, all other financial assets/liabilities;
- employee severance pay provision (Italy) and other employee and financial advisor benefits;
- provisions for risks and charges;
- goodwill;
- deferred tax assets;
- tax liabilities;

this quantification can vary over time, also to a significant extent, according to the evolution of the national and international social and economic environment and the consequent impacts on the Bank's earnings (and to the extent applicable, of the subsidiary) and customer solvency and the credit quality of the counterparties, the performance of the financial markets, which influence the fluctuation in rates, prices and actuarial assumptions used to determine the estimates, the reference legislative and regulatory changes, as well as the evolution and developments in existing or potential disputes.

With specific reference to future cash flow, assumptions and parameters used in the valuation of the recoverability of goodwill recorded in the balance sheet, it should be noted that the parameters and information used are significantly influenced by the macro-economic market situation, which may change unpredictably. For further information please refer to Part B – Consolidated Balance Sheet – Section 10 – Intangible assets of the Notes to the Consolidated Accounts as at December 31, 2018, as well as to Part B - Consolidated balance sheet - Section 10 - Intangible assets of these Notes to the accounts.

With specific reference to valuation techniques, unobservable inputs and parameters used in the fair value measurement and sensitivities to changes in those inputs, please refer to Section A.4. Information on fair value of these Notes to Accounts Part A.

For further details on the models and parameters used in the measurement of IFRS 9 adjustments, please refer to the information in the specific section "18. Other information - Impairment" of Part A "Accounting policies – A.2. The main items of the accounts" of the consolidated Notes to the financial statements for the year ended December 31, 2018.

With particular regard to provisions for risks and charges for risks arising from legal disputes and claims, see "Part E – Information on risks and hedging policies - Section 5 - Operating risk" of these notes to the accounts. It should be noted that due to the exit of FinecoBank from the UniCredit Group, the rate curve used for discounting the provision for risks and charges in the financial statements based on IAS 37 was changed, but this did not have a significant impact on the consolidated economic and financial situation as at June 30, 2019.

Other information

The Condensed interim consolidated financial statements as at June 30, 2019 have been reviewed by Deloitte & Touche S.p.A., appointed, pursuant to Italian Legislative Decree no. 39 of January 27, 2010 and Regulation (UE) 2014/537, as auditor of the Bank's accounts in implementation of the Shareholders' Meeting resolution of April 16, 2013.

The entire document is lodged with the competent offices and entities as required by law.

A.2 The main items of the accounts

Some accounting standards adopted to prepare these Condensed Interim Financial Statements have changed compared to the standards used to prepare the Consolidated financial statements as at December 31st, 2018.

These changes derive from the entry into force of IFRS 16 "Leases" approved with Commission Regulation (EU) 2017/1986 of 31 October 2017, and which applies from January 1st, 2019 replacing the previous set of international accounting standards and interpretations on leasing, and in particular IAS 17.

With reference to the accounting model to be adopted by the lessee, IFRS 16 requires an asset to be recognised, for all types of lease, including operating leases, which represents the right of use of the leased asset, and at the same time, the financial payable relative to lease payments to make, indicated in the contract (lease liabilities).

In compliance with the standard, which grants exceptions, the Bank has chosen not to adopt IFRS 16 for leases that concern low-value assets (with a threshold of €5 thousand), short-term leases of 12 months or less and leases for intangible assets. For these contracts, the relative lease payments are recognised in profit or loss on a line-by-line basis for the corresponding duration.

The lease duration is determined, for each contract covered by the scope of the standard, considering the "no-cancellation" period, when the Bank and its subsidiary have the right to use the underlying asset, and considering all contract aspects that may amend this duration, including, in particular, any:

- periods covered by a termination right (with any penalties), or by an option to extend the lease only in favour of the lessee, or only in favour of the lessor, or in favour of both, also for periods other than the contract duration;
- periods covered by an option to purchase the underlying asset.

In general, with reference to contracts in which the lessee may automatically renew the lease at the end of the first contract period, the lease duration is determined considering not only the non-cancellation period, but also the extension option period, save for any company plans to dispose of the leased asset, as well as clear and documented assessments by competent Bank units that result in a reasonable expectation that the renewal or termination options will not be exercised, also considering, with particular reference to Fineco centers used by the Bank's personal financial advisors, commercial recruitment strategies and local network organisation.

The criteria for classification, recognising and measuring balance sheet items affected by the application of the above mentioned standard and, in particular as indicated in the Bank of Italy Circular no. 262/2005 (6th update of November 30th 2018), are set out below, reporting the relevant changes in this regard:

- Item 90 "Property, plant and equipment - Assets - Statement of financial position: right of use
- Item 10 "Financial liabilities measured at amortised cost" – Liabilities – Statement of financial position: lease liabilities;
- Item 20 "Interest expenses and similar charges - Income statement: interest expense on lease liabilities;
- Item 190 - b) "Other administrative expenses - Income statement: VAT component of the lease payment to make/made, short-term and low-value lease payments, variable lease payments, lease payments of intangible assets;
- Item 210 "Net impairment/write-backs on property, plant and equipment" - Income statement: depreciation, write-downs and write-backs of the right of use.

With regard to the criteria for classification, recognising and measuring of other main accounting items, please refer to Part A.2 of the Notes to the Consolidated Financial Statements of the Bank as at December 31st, 2018.

Property, Plant and Equipment (Tangible Assets)

The item includes:

- lands
- buildings
- furniture and fixtures
- electronic machinery and equipments
- plant and other machinery and equipments
- motor vehicles

and is divided between:

- assets used in the business;
- assets held as investments.

Tangible assets used in the business are held for use in the production or supply of goods or services or for administrative purposes and are expected to be used during more than one period.

Property, plant and equipment include rights of use of tangible assets, as defined by IFRS16, and leasehold improvements relating to assets which can be separately identified. They are classified according to the specific sub-items relating to the asset type (e.g. plants). Leasehold improvements are usually borne in order to make leased premises fit for the expected use. Improvements and additional expenses relating to property, plant and equipment identifiable but not separable are recognised in item 130. "Other assets".

Tangible assets held for investment purposes are properties covered by IAS 40, i.e. properties held in order to derive rentals and/or a capital gain.

Property, plant and equipment are initially recognised at cost including all costs directly attributable to bringing the asset into use (transaction costs, professional fees, direct transport costs incurred in bringing the asset to the desired location, installation costs and dismantling costs).

With regard to the Property, plant and equipment for the right of use acquired with lease, at the time of the initial registration this asset is evaluated on the basis of the financial flows associated with the leasing contract, corresponding to the present value of future installments due for unpaid leasing amounts on that date: "lease liability", including installments made on or before the effective date and the initial direct costs incurred by the lessee. Installments due for leasing are determined in light of the provisions of the lease agreement and calculated net of the VAT component, where applicable, by virtue of the fact that the obligation to pay this tax arises at the time the invoice is issued by of the lessor and not as of the effective date of the leasing contract, and are discounted using the marginal loan rate of the Bank, determined on the basis of the cost of funding for liabilities of a duration and guarantees similar to those implicit in the leasing contracts.

After initial recognition, this asset is measured based on the provisions for Property, plant and equipment under IAS 16 or IAS 40 and, therefore, at cost net of amortization and any impairment, at the "redetermined value" or at fair value according to as applicable.

Subsequent costs are added to the carrying amount or recognised as a separate asset only when it is probable that there will be future economic benefits in excess of those initially foreseen and the cost can be reliably measured. Other expenses borne at a later time (e.g. normal maintenance costs) are recognised in the year they are incurred in consolidated profit and loss items:

- 190. “Administrative expenses: b) Other administrative expenses", if they refer to assets used in the business;

or:

- 230. "Other net operating income", if they refer to property held for investment.

After being recognised as an asset, an item of property, plant and equipment is carried at cost less any accumulated depreciation and any cumulative impairment losses.

An item with a finite useful life is subject to straight-line depreciation.

Buildings, if separately quantifiable, are recognised separately, even if acquired together. Land is not depreciated since it usually has an indefinite useful life. Buildings, conversely, have a finite useful life and are therefore subject to depreciation.

Residual useful life is usually assessed as follows:

• Buildings	up to 33,3 years
• Office furniture and fittings	up to 9 years
• Electronic machinery and equipments	up to 5 years
• Plants, other machinery and equipments	up to 14 years
• Motor vehicles	up to 4 years

The estimate of the useful life of an asset is reviewed at least at each accounting period-end on the basis inter alia of the conditions of use of the asset, of maintenance conditions and expected obsolescence, and, if expectations differ from previous estimates, the relative useful life is recalculated and the depreciation amount for the current and subsequent periods is adjusted accordingly.

In particular, it should be noted that the expenses for improvements capitalized on the main asset, in particular on properties, may result in a significant increase in the useful life of the asset, which may not in any case exceed the useful live below starting from the capitalization date of the improvement.

If there is objective evidence that an asset has been impaired, the carrying amount of the asset is compared with its recoverable value, equal to the greater of its fair value less selling cost and its value in use, i.e. the present value of future cash flows expected to originate from the asset. Any impairment loss is recognised in profit and loss item 210. “Net impairment/Write-backs on property, plant and equipment” in the consolidated income statement.

If the value of a previously impaired asset is restored, its increased carrying amount cannot exceed the net carrying amount it would have had if there had been no losses recognised on the prior-year impairment.

A tangible asset is de-recognised from the balance sheet (i) on disposal or (ii) when no future economic benefits are expected from its use or sale; and any difference between sale proceeds or recoverable value and carrying value is recognised in the profit and loss item 280. "Gains (losses) on disposal of investments" or 210. “Net impairment/write-backs on property, plant and equipment".

Financial liabilities at amortised cost

Financial liabilities valued at an amortised cost include financial instruments (other than trading liabilities and those valued at fair value), representing various forms of third-party funding (including deposits, current accounts, loans, lease liability, current payables related to the provision of financial services as defined by the T.U.B. and T.U.F.).

On initial recognition, at settlement date, financial liabilities at amortized cost are measured at fair value, which is normally the consideration received less transaction costs directly attributable to the financial liability; the interest is recognised on the income statement, in net interest margin, on an accrual basis using the effective interest rate method.

After initial recognition, these instruments are measured at amortised cost using the effective interest method.

Financial liabilities at amortized cost include the lease liabilities initially recognized equal to the present value of future installments due for unpaid leasing amounts on that date. Payments due for leasing are discounted using the Bank's marginal financing rate, determined on the basis of the cost of funding for liabilities of a duration and guarantees similar to those implicit in the leasing contracts. The lease liability must be restated, after the effective date, if changes are made to the payments due for the lease; the amount of the restatement of the liability for the lease must be recognized as an adjustment to the corresponding asset by right of use.

Hybrid debt instruments (combined) relating to equity instruments, foreign exchange, credit instruments or indexes, are treated as structured instruments. The embedded derivative is separated from the host contract and recognised as a derivative, provided that separation requirements are met, and recognised at fair value. The embedded derivative is entered at fair value, classified under financial assets or liabilities held for trading, and is then valued at fair value, with the relative profits or losses recognised in the consolidated income statement in item 80 "Gains (losses) on financial assets and liabilities held for trading". The difference between the total amount received and the initial fair value of the embedded derivative is attributed to the host contract.

Instruments convertible into treasury shares imply recognition, at the issuing date, of a financial liability and of the equity part, recognized in item 140. “Equity instruments”, whenever the contractual terms provide for physical delivery. The equity component is initially measured at residual value, i.e., the overall value of the instrument less the separately determined value of a financial liability with no conversion clause and the same cash flow. The financial liability is recognised at amortised cost using the effective interest method.

Securities in issue are recognised net of the repurchased amounts; the difference between the book value of the liability and the amount paid to buy it, is recorded in the consolidated income statement in item 100."Gains (losses) on disposal or repurchase of: c) financial liabilities". Subsequent disposal by the issuer is considered as a new issue which doesn’t generate gains or losses.

The Bank's consolidated debts do not include covenants that would cause default or restructuring events. There are no debt instruments involving convertibility to equity instruments (under IASB IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments).

At the reference date of these Condensed Interim Financial Statements, there were no debt securities in issue, hybrid debt instruments or instruments convertible into treasury shares.

RECOGNITION OF INCOME AND EXPENSES

The main revenues and costs are recorded in the income statement as follows:

- interest is recognized pro rata temporis based on the contractual interest rate or the effective interest rate if the amortized cost method is applied. Interest expenses (or interest income, in case of negative interest) also includes the interest on lease liabilities determinated based on the marginal loan rate. Interest income (or interest expense) also includes the spreads or margins, positive (or negative), accrued up to the reporting date, relating to:
    - derivative financial contracts hedging interest-bearing assets and liabilities;
    - financial derivative contracts classified in the balance sheet as held for trading, but operationally linked to financial assets and / or liabilities designated at fair value (*fair value option*);
    - financial derivative contracts operationally linked to assets and liabilities classified in the balance sheet as held for trading or operationally linked to "other financial assets required to be measured at fair value" and which provide for the settlement of spreads or margins with several maturities ("multi-flow contracts");
- default interest is taken to the income statement on actual collection;
- dividends are recognised in profit or loss in the financial year in which their distribution has been approved;
- fees and commissions from services are recognized, based on the underlying contractual agreements, in relation to the provision of the services from which they originated, as defined by provisions of IFRS 15 (as detailed below). The fees included in amortised cost to calculate the effective interest rate are recognized as interest;
- gains and losses on financial instrument disposal, determined as the difference between the amount paid or collected in the transaction and the fair value of the instrument, are recognized in the income statement upon recognition of the transaction if the fair value can be determined with reference to official prices available on active markets, or for assets and liabilities measured on the basis of valuation techniques using observable market parameters other than the quoted prices of the financial instrument (level 1 and level 2 of the fair

value hierarchy). If the reference parameters used for valuation are not observable on the market (level 3) or the instruments are illiquid, the financial instrument is recorded for an amount equal to the transaction price; the difference with respect to fair value is recognized in the income statement over the term of the transaction;
- gains and losses from securities trading are recognized in the income statement at the time the sale is finalized, based on the difference between the amount paid or collected and the carrying amount of the instruments;
- gains and losses from the sale of non-financial assets are recognized at the time the sale is finalized, or when the performance obligation to the customer is fulfilled;
- the costs are recognized in the income statement according to the accrual principle; the costs recognized for the acquisition of contracts with customers, which the Group would not have incurred had it not obtained the contract, are recognized as assets and systematically amortized in the income statement in line with the recognition of revenues related to the transfer to customers of the goods or services to which the asset refers.

Among costs, administrative expenses also include short-term lease payments, low value lease payments (i.e. contracts whose assets underlying the contract do not exceed, when new, the threshold of €5 thousand), costs for variable payments due for leasing not included in the evaluation of the lease liability, the VAT component of the lease payments to be paid/paid on the leasing contracts recognized in accordance with IFRS 16 and the fees for the leasing of intangible assets.

Fees and commissions income and other operating income are accounted for in the income statement as the entity satisfies the performance obligation embedded in the contract, according to “IFRS15 Revenue from Contracts with Customers” rules. In particular, revenues from commissions from services and other income are recognized in the income statement:

- at a specific moment, when the entity fulfills the obligation to transfer the promised good or service ("point in time") to the customer,

or

- over time, as the entity fulfils its obligation to transfer the promised good or service ("over time") to the customer.

The promised good or service, i.e. the asset, is transferred when the customer has control.

If the timing of cash-in of the contractual amount in is not aligned to the way the performance obligation is satisfied, the Group accounts for a contract asset or a contract liability for the portion of revenue accrued in the period or to defer in the following periods.

The amount of revenues linked to fees and commissions income and other operating income is measured based on contractual provisions.

If the amount contractually foreseen is subject, totally or partially, to variability, a revenue has to be booked based on the most probable amount that the Group expects to receive. Such amount is determined on the basis of all facts and circumstances considered relevant for the evaluation, that depend on the type of service provided and, in particular, on the presumption that it is not highly probable that the revenue recognized will not be significantly reversed.

If a contract regards different goods/services whose performance obligations are not satisfied at the same time, the revenue is allocated among the different obligation proportionally to the stand-alone price of the single item delivered. These amounts will therefore accounted for in P&L through different methods ("over time" or "point in time") on the basis of the timing of satisfaction of each obligation. If the allocation is particularly burdensome and where revenues are not material, revenue is entirely allocated to the main performance obligation.

Where envisaged, the fees to be paid to customers are recorded as a reduction in revenues from the supply of goods or services and consistently with the recognition of said goods or services.

Any revenues that include a significant funding component are adjusted to take into account the effects of the time value of money, to reflect the price that the customer would have paid if the payment had occurred upon (or gradually with) the transfer of the promised goods or services. The Group uses the practical expedient envisaged by paragraph 63 of IFRS 15; for this reason the Bank does not adjust the promised amount to take into account the effects of a funding component when the time interval expected between the transfer of the promised good or service and the related payment is less than one year.

To this end, it is worth noting that the performance of financial services provided over a given period of time (for example, the keeping and management of current accounts, advisory services, etc.) have been considered satisfied over time, regardless of the moment the consideration is paid by the customer, while performances of financial services that require the execution of specific activities (for example, purchase, sale or placement of securities, UCITS or insurance products, execution of money transfers) have been considered fulfilled at a given time ("point in time"), even if the contract requires the service is provided for an indefinite period.

With reference to the main revenue recognized by the Group in application of the IFRS 15 accounting standard, it should be noted that:

- the commissions for trading, order collection and placement of financial instruments are accounted for "point in time", as the service is intended provided when the service is rendered. The consideration is quantified as a fixed or percentage amount, based on the contractual conditions, on the value of the instrument traded/placed;
- advisory, portfolio management and insurance product management commissions are recorded "over time", as the service is intended provided during the term of the contract (input method). For this kind of fees, in fact, it is deemed that the input which are necessary to provide the service incorporated in the performance obligation are evenly distributed during the term of the contract. There are no

performance fees on asset management instruments. With regard to placement of insurance policies, whose return is determined on the basis of the performance of the separate management on the annual recurrence of the policy, it should be noted that there is a variability determined by the performance of the separate management, which may result in a reduction in applicable rate;
- commissions related to payment systems are mainly recognized "point in time", except for some services that are recorded "over time" during the term of the contract (SEPA Electronic Database Alignment). The considerations are quantified as a fixed amount, mainly with reference to transactions carried out on behalf of customers (for example ATM withdrawals of less than €100, Visa debit extra Group withdrawals, foreign money transfers or in other currencies other than euro, postal bills, etc...), or as percentage of the value of the transaction, mainly with reference to revenues received from the circuits and generated by transactions carried out on behalf of customers (credit cards / Visa debit, Pos, etc.);
- recoveries of the stamp duty on financial assets are recorded "over time", according to the provisions in force, as the service is considered provided during the term of the contract.

A.3 Disclosure on transfers between portfolios of financial assets

IFRS 9 and IFRS 7 allow, after initial recognition, the modification of their business model for managing financial assets and, consequently, impose the reclassification of reclassify all affected financial assets.

Such changes are expected to be very infrequent. Such changes are determined by the entity’s senior management as a result of external or internal changes and must be significant to the entity’s operations and demonstrable to external parties. Accordingly, a change in a Group’s business model will occur only when an entity either begins or ceases to perform an activity that is significant to its operations; for example, when the entity has acquired, disposed of or terminated a business line.

Specifically, the following may be reclassified:

- the financial assets out of the amortised cost measurement category and into the fair value through profit or loss measurement category and vice versa;
- the financial assets out of the amortised cost measurement category and into the fair value through other comprehensive income measurement category and vice versa;
- the financial assets out of the fair value through profit or loss measurement category and into the fair value through other comprehensive income measurement category and vice versa.

The following changes in circumstances are not considered reclassifications:

a) an item that was previously a designated and effective hedging instrument in a cash flow hedge or net investment hedge no longer qualifies as such;
b) an item becomes a designated and effective hedging instrument in a cash flow hedge or net investment hedge;
c) changes in measurement.

The following are not changes in business model:

a) a change in intention related to particular financial assets (even in circumstances of significant changes in market conditions);
b) the temporary disappearance of a particular market for financial assets;
c) a transfer of financial assets between parts of the entity with different business models.

During the first half 2019 the Group has not made changes to its business models and, consequently, did not make any changes.

A.3.1 Reclassified financial assets: change of business model, book value and interest income

No data to report.

A.3.2 Reclassified financial assets: change of business model, fair value and impact on comprehensive income

No data to report.

A.3.3 Reclassified financial assets: change of business model and effective interest rate

No data to report.

A.4 Information on fair value

Qualitative information

This section presents a disclosure on fair value hierarchy as required by IFRS 13.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the principal market at the measurement date (i.e. an exit price).

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.

For financial instruments listed in active markets, fair value is determined on the basis of official prices in the principal market (most advantageous) to which the Group has access (Mark to Market).

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from a pricing service, dealer, broker, agency that determines prices or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. If a published price quotation in an active market does not exist for a financial instrument in its entirety, but active markets exist for its component parts, fair value is determined on the basis of the relevant market prices for the component parts.

If market quotations or other observable inputs, such as the quoted price of a similar instrument in an inactive market, are not available, the Group should use other valuation techniques, such as:

- a market approach (e.g. using quoted prices for similar liabilities or equity instruments held by other parties as assets);
- a cost approach (e.g. it reflects the amount that would be required currently to replace the service capacity of an asset, that is the current replacement cost);
- an income approach (e.g. a present value technique that takes into account the future cash flows that a market participant would expect to receive from holding the liability or equity instrument as an asset).

The Group uses valuation models (Mark to Model) in keeping with the methods generally accepted and used by the market. Valuation models include techniques based on the discounting of future cash flows and on volatility estimates, and they are subject to revision both during their development and periodically in order to ensure their consistency with the objectives of the valuation.

These methods use inputs based on prices set in recent transactions for the instrument being valued and/or prices/quotations for instruments having similar characteristics in terms of risk profile.

Indeed, these prices/quotations are relevant for determining significant parameters in terms of the credit risk, liquidity risk and price risk of the instrument being valued. Reference to these "market" parameters makes it possible to limit the discretionary nature of the valuation, and ensures that the resulting fair value can be verified.

If, for one or more risk factors it is not possible to refer to market data, the valuation models employed use estimates based on historical data as inputs.

As a further guarantee of the objectivity of valuations derived from valuation models, the Bank employs:

- independent price verifications (IPVs);
- Fair Value Adjustment or FVAs.

Independent price verification requires that the prices are verified monthly by Risk Management units that are independent from the units that assume the risk exposure. This verification calls for comparing and adjusting the daily price in line with valuations obtained from independent market participants. For instruments not listed in active markets, the above verification process uses prices contributed by infoproviders as a reference, and assigns a greater weighting to those prices that are considered representative of the instrument being valued. This valuation includes: the "executability" of the transaction at the price observed, the number of contributors, the degree of similarity of the financial instruments, the consistency of prices from different sources, and the process followed by the infoprovider to obtain the information.

A.4.1 Fair value levels 2 and 3: valuation techniques and input used

To determine the fair value of Level 2 and Level 3 financial instruments that are not listed and actively traded on the market, the Group utilises the valuation techniques widely-used in the market that are described below.

Description of evaluation techniques

Discounted cash flow

Discounted cash flow valuation techniques generally consist of developing an estimate of future cash flows that are expected to occur over the life of an instrument. The model requires the estimation of the cash flow and the adoption of market's parameters for the discounting: discount rate or discount margin reflects the credit and / or funding spreads required by the market for instruments with similar risk and liquidity profiles to produce a "present value". The fair value of the contract is given by the sum of the present values of future cash flow.

Market Approach

Valuation technique that uses prices generated by market transactions involving identical or comparable assets, liabilities or groups of assets and liabilities.

Fair Value Adjustments (FVAs)

Fair value adjustment is defined as the amount to be added either to the market observed mid-price or to the theoretical price generated by a valuation model with the aim of obtaining a fair value of the position. The FVA thus ensure that fair value reflects the realisation amount from an actual possible market transaction.

A.4.2 - Valuation processes and sensitivity of fair value measurements

The Bank verifies that the value attributed to each trading position reflects the current fair value in an appropriate way. The fair value measurement of assets and liabilities is calculated using various techniques, including discounted cash flow models and internal measurement models. On the basis of the observability of the input used, all instruments are classified as Level 1, Level 2 or Level 3 of the fair value hierarchy. When a position is characterised by one or more significant inputs that are not directly observable, a further price verification procedure is implemented. These procedures include the revision of relevant historical data, the analysis of profits and losses, the individual valuation of each component for structural products and benchmarking. In order to ensure the appropriate level of separation between the functions in charge of development activities and those in charge of validation processes, all valuation models developed by the front offices are independently and centrally. The aim of this independent control structure is to evaluate the model risk deriving from theoretical robustness, calibration techniques where applicable and appropriateness of the model for a specific product in a defined market point of views.

In addition to the daily mark to market or mark to model valuation, the Independent Price Verification (IPV) is applied monthly by the Bank's Market Risk with the aim of guaranteeing an independent fair value.

A.4.3 Fair value hierarchy

The IFRS 13 principle establishes a fair value hierarchy according to the observability of the input used in the valuation techniques adopted.

The fair value hierarchy level associated with assets and liabilities is defined as the minimum level among all significant inputs used. Generally, an input of valuation is not considered significant for the fair value of an instrument if the remaining inputs explain the majority of the variance of the fair value over a period of three months. In some specific cases, the significance of the limit is verified in relation to the fair value of the instrument at the measurement date.

In particular, three levels are considered:

- Level 1: the fair value of instruments classified in this level is determined based on quotation prices observed in active markets;
- Level 2: fair value for instruments classified within this level is determined according to the valuation models which use observable market inputs;
- Level 3: fair value for instruments classified within this level is determined according to valuation models which prevalently use significant inputs not observable on active markets.

A.4.4 Other information

Hereby we provide IFRS 13 disclosure requirements.

Assets and liabilities measured at fair value on recurring basis

Fixed Income Securities

Fixed Income Securities are priced in a two-tier process depending on the liquidity in the respective market. Liquid instruments in active markets are marked to market and consequently positions in these instruments are disclosed in reference to Fair Value Hierarchy under Level 1.

Instruments not traded in active markets are marked to model based on implied credit spread curves derived from the former Level 1 instruments. The model maximises the use of observable input and minimises the use of unobservable inputs. With this respect, depending on the proximity of the credit spread curve applied, the bonds are disclosed as Level 2 or Level 3 respectively; Level 3 is applied in case a significant unobservable credit spread is used.

In the bond Independent Price Verification (IPV) process market prices of Level 1 bonds and pricing models for illiquid bonds are regularly verified for accuracy.

Structured Financial Products

The Group determines the fair value of structured financial products using the appropriate valuation methodology given the nature of the embedded structure. Such instruments are classified as Level 2 or Level 3 depending on the observability of significant inputs to the model.

OTC derivatives

The fair value of derivatives not traded in an active market derives from the application of mark-to-model valuation techniques. When there is an active market for the input parameters to the valuation model of the different components of the derivative, the fair value is determined on the basis of the market prices of these components. Valuation techniques based on observable inputs are classified as Level 2, while those based on significant unobservable inputs are classified as Level 3.

Equity Instruments

Equity Instruments are assigned to Level 1 when a quoted price is available on an active market and to Level 3 when no quotations are available or quotations have been suspended indefinitely. These instruments are classifies as Level 2 only when trading volume on the market where the instrument is quoted has decreased significantly.

For the measurement of the Visa INC class "C" preferred shares, the Bank has adopted the model to determine the fair value that converts the market price in dollars of the Visa INC class "A" shares into euro and applies a discount factor of 6.85%, determined by estimating as at June 30, 2019 the litigation risk (0.85%) and the illiquidity risk (6%). The litigation risk component was extracted from historical series of data provided by Visa INC, whereas the illiquidity risk component was derived from the illiquidity of the shares, which have limitations on their transferability for a particular period. The Visa INC class "C" preferred shares were assigned a fair value hierarchy of 3.

The fair value of the equity instruments recognized with regard to the intervention in favour of CariCesena, Cassa di Risparmio di Rimini (Carim) and Cassa di Risparmio di San Miniato (Carismi) and in relation to the result of the contribution made to the Voluntary Scheme set up by the Interbank Deposit Guarantee Fund, was determined equal to the estimate of fair value of Berenice securitisation’s notes (mezzanine and junior notes issued for the securitization of the NPLs of the three banks purchased by the Voluntary Scheme). The model is based on the Discounted Cash Flow model according to the recovery forecasts.

In absence of market prices or comparable security prices, the fair value of the equity instruments recognized with regard to the intervention in favour of Banca Carige S.p.A. was determined using internal models based on Market Multiples applied in a multi-scenario analisys having as reference the most recent information regarding the plan of reorganization of the Bank.

Both the equities were classed as fair value 3.

Investment Funds

The Group holds investments in investment funds that publish Net Asset Value (NAV) per unit and may include investments in funds managed by the Group.

Funds are generally classified as Level 1 when a quote on an active market is available.

The funds are classified as Level 2 and Level 3 depending on the availability of the NAV, the transparency of the portfolio and possible constraints/limitations.

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

Financial instruments not measured at fair value, credits and debits at amortised cost, are not managed on the basis of fair value. For these financial instruments fair value is calculated for disclosure purposes only and does not impact the balance sheet or the profit or loss. Additionally, since these assets and liabilities are not generally traded, there is significant management judgment required to determine their fair values as defined by IFRS 13.

Financial assets at amortised cost

Fair value for Financial assets at amortised cost, is determined using the discounted cash flow model adjusted for credit risk. Some portfolios are valued using simplified approaches, which however take into account their financial characteristics. Financial assets at amortised cost with a duration of less than 12 months, for which the fair value was estimated to be equal to the book value, have been assigned the level 3 fair value hierarchy.

For the UniCredit S.p.A. securities recorded in “Financial assets at amortised cost”, fair value level 2 has been calculated using the methodology based on discounted cash flow, which consists of producing an estimate of the estimated cash flows over the life of the instrument and discounting at a rate that incorporates the credit spread. The credit spread is calculated based on the credit spread curve of the issuer, constructed by selecting issues, also from the second market, with the same specific characteristics.

Financial liabilities recorded at amortised cost

Fair value for financial liabilities recorded at amortised cost, is determined using the discounted cash flow model adjusted for credit risk. Financial liabilities at amortised cost with a duration of less than 12 months for which the fair value was estimated to be equal to the book value have been assigned the level 3 fair value hierarchy.

Cash and cash balances

Cash and cash balances are not carried at fair value on the Balance Sheet, but they are carried at amounts that approximate fair value, due to their short term nature and generally negligible credit risk.

Quantitative information

A.4.5 Fair value hierarchy

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

(Amounts in € thousand)

ASSETS/LIABILITIES AT FAIR VALUE	06.30.2019			12.31.2018		
	L1	L2	L3	L1	L2	L3
1. Financial assets at fair value through profit or loss	5,533	2,405	10,425	3,390	3,557	13,271
a) financial assets held for trading	5,070	2,405	-	3,354	3,523	-
b) financial assets designed at fair value	-	-	-	-	-	-
c) other financial assets mandatorily at fair value	463	-	10,425	36	34	13,271
2. Financial assets at fair value through other comprehensive income	320,608	-	5	961,767	-	5
3. Hedging derivatives	-	17,722	-	-	3,314	-
4. Property, plant and equipment	-	-	-	-	-	-
5. Intangible assets	-	-	-	-	-	-
Total	**326,141**	**20,127**	**10,430**	**965,157**	**6,871**	**13,276**
1. Financial liabilities held for trading	2,004	409	-	1,552	669	-
2. Financial liabilities designated at fair value	-	-	-	-	-	-
3. Hedging derivatives	-	67,019	-	-	5,341	-
Total	**2,004**	**67,428**	**-**	**1,552**	**6,010**	**-**

Key:
L1 = Level 1
L2 = Level 2
L3 = Level 3

During the first half 2019 there were no transfers between levels of fair value hierarchy (level 1 and level 2). Credit Value Adjustment (CVA) and/or Debit Value Adjustment (DVA) have not been applied in determining the fair value of derivative financial instruments.

A.4.5.4 Assets and liabilities not measured at fair value or measured at fair value on a non-recurring basis: breakdown by level of fair value

(Amounts in € thousand)

ASSETS AND LIABILITIES NOT MEASURED AT FAIR VALUE OR MEASURED AT FAIR VALUE ON A NON-RECURRING BASIS	06.30.2019				12.31.2018			
	VB	L1	L2	L3	VB	L1	L2	L3
1. Financial assets at amortised cost	23,699,684	11,672,096	8,426,017	4,284,542	23,270,024	8,115,915	9,182,023	6,117,326
2. Tangible assets held for investment	2,034	-	-	2,950	2,088	-	-	2,950
3. Non-current assets and disposal groups classified as held for sale	-	-	-	-	-	-	-	-
Total	**23,701,718**	**11,672,096**	**8,426,017**	**4,287,492**	**23,272,112**	**8,115,915**	**9,182,023**	**6,120,276**
1. Financial liabilities at amortised cost	24,346,343	-	2,138	24,344,231	23,282,962	-	3,111	23,279,856
2. Liabilities included in disposal groups classified as held for sale	-	-	-	-	-	-	-	-
Total	**24,346,343**	**-**	**2,138**	**24,344,231**	**23,282,962**	**-**	**3,111**	**23,279,856**

Key:
L1 = Level 1 - L2 = Level 2 - L3 = Level 3 - BV = Book Value

Tangible assets held for investment consist of one property held by the Bank, the fair value of which corresponds to the market value as determined by an appraisal carried out by an external and independent valuation firm.

A.5 Day-one profit/loss

Financial instruments are initially recognised at fair value on the recognition date.

The fair value of financial instruments, other than those measured at fair value through profit or loss, at the recognition date is usually assumed to be equal to the amount collected or paid.

For financial instruments held for trading and financial instruments measured at fair value, any difference from the amount collected or paid is recognised in the appropriate line items of the income statement upon initial measurement of the financial instrument.

The use of prudent valuation models, the review processes of these models and their parameters and value adjustments to reflect model risk ensure that the amount recognised in the income statement is not derived from the use of unobservable valuation parameters. In particular, the quantification of the value adjustments relating to the risk model ensures that the part of the fair value of these instruments that refers to the use of subjective parameters is not recognised through profit or loss, but rather as an adjustment to the equity value of those instruments. Accordingly, this item is only subsequently recognised through profit or loss when there is a predominance of objective parameters and, consequently, when the mentioned adjustments are no longer required.

There are no day-one profits/losses to disclose in accordance with paragraph 28 of IFRS 7.

Part B - Consolidated Balance Sheet

Part B - Consolidated Balance Sheet

Assets

Section 1 - Cash and cash balances - Item 10

1.1 Cash and cash balances: breakdown

(Amounts in € thousand)

	TOTAL 06.30.2019	TOTAL 12.31.2018
(a) Cash	10	6
(b) Demand deposits with central banks	1,230,589	-
Total	**1,230,599**	**6**

The item “(b) Demand deposits with central banks” refers to the liquidity deposited in the HAM (Home Accounting Model) account held with Bank of Italy, that FinecoBank opened in the first half of 2019.

Section 2 - Financial assets at fair value through profit or loss - Item 20

2.1 Financial assets held for trading: product breakdown

(Amounts in € thousand)

ITEMS/AMOUNTS	TOTAL 06.30.2019			TOTAL 12.31.2018		
	L1	L2	L3	L1	L2	L3
A. On-balance sheet assets						
1. Debt securities	26	-	-	5	-	-
1.1 Structured securities	-	-	-	5	-	-
1.2 Other debt securities	26	-	-	-	-	-
2. Equity instruments	3,222	-	-	2,110	-	-
3. Units in investment funds	-	-	-	2	-	-
4. Loans	-	-	-	-	-	-
4.1 Reverse repos	-	-	-	-	-	-
4.2 Others	-	-	-	-	-	-
Total A	**3,248**	**-**	**-**	**2,117**	**-**	**-**
B. Derivatives				-	-	-
1. Financial derivatives	1,822	2,405	-	1,236	3,523	-
1.1 trading derivatives	1,822	2,405	-	1,236	3,523	-
1.2 related to the fair value option	-	-	-	-	-	-
1.3 other	-	-	-	-	-	-
2. Credit derivatives	-	-	-	-	-	-
2.1 trading derivatives	-	-	-	-	-	-
2.2 related to the fair value option	-	-	-	-	-	-
2.3 other	-	-	-	-	-	-
Total B	**1,822**	**2,405**	**-**	**1,236**	**3,523**	**-**
Total (A+B)	**5,070**	**2,405**	**-**	**3,353**	**3,523**	**-**

Key:
L1 = Level 1
L2 = Level 2
L3 = Level 3

Financial derivatives refer to the positive valuation of CFD contracts on forex, indices, shares, interest rates, commodities and futures used for the operational hedging of CFDs on indices, interest rates and commodities. They amounted to €2,332 thousand (€3,509 thousand as at December 31, 2018).

Sub-item B.1.1 “Derivative instruments - Trading financial derivatives” also includes the positive valuations of spot contracts for securities that meets the definition of held for trading and currencies to be settled in times established by market practices ("regular way"). They amounted to €1,895 thousand (€1,250 thousand as at December 31, 2018).

2.5 Other financial assets mandatorily at fair value: product breakdown

(Amounts in € thousand)

ITEMS/ACCOUNTS	TOTAL 06.30.2019			TOTAL 12.31.2018		
	L1	L2	L3	L1	L2	L3
1. Debt securities	**43**	**-**	**-**	**31**	**34**	**-**
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	43	-	-	31	34	-
2. Equity instruments	**6**	**-**	**10,425**	**6**	**-**	**13,271**
3. Units in investment funds	**415**	**-**	**-**	**-**	**-**	**-**
4. Loans	**-**	**-**	**-**	**-**	**-**	**-**
4.1 Reverse repos	-	-	-	-	-	-
4.2 Others	-	-	-	-	-	-
Total	**464**	**-**	**10,425**	**37**	**34**	**13,271**

Key:
L1 = Level 1
L2 = Level 2
L3 = Level 3

The "Other financial assets mandatorily at fair value" primarily consist of the Visa INC class "C" preferred shares, for an amount of €8,002 thousand, which saw a positive change in *fair value* during the first half 2019 of €1,916 thousand and the residual equity exposure following the contribution paid to the Voluntary Scheme set up by the Interbank Deposit Guarantee Fund (IDGF), amounting to €2,414 thousand (of which €1,928 relating to the Banca Carige transaction and €486 thousand relating to Carim, Carismi and CariCesena transaction), with a negative effect recorded in the first half 2019 income statement amounting to €4,762 thousand due to the fair value measurement. For more details on the fair value measurement of financial instruments, please refer to Part A - Accounting Policies - A.4 Information on the fair value of these consolidated Notes to the accounts.

Equity securities of issuers in default were classified by the Bank as non-performing in the financial statements for a total amount of €6 thousand.

Section 3 - Financial assets at fair value through comprehensive income - Item 30

3.1 Financial assets at fair value through comprehensive income: product breakdown

(Amounts in € thousand)

ITEMS/AMOUNTS	TOTAL 06.30.2019			TOTAL 12.31.2018		
	L1	L2	L3	L1	L2	L3
1. Debt securities	**320,608**	**-**	**-**	**961,767**	**-**	**-**
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	320,608	-	-	961,767	-	-
2. Equity instruments	**-**	**-**	**5**	**-**	**-**	**5**
3. Loans	**-**	**-**	**-**			
Total	**320,608**	**-**	**5**	**961,767**	**-**	**5**

Key:
L1 = Level 1
L2 = Level 2
L3 = Level 3

"Financial assets at fair value through other comprehensive income" consist of securities issued by sovereign States and residually of equity interests in companies in which the Bank does not exercise control or significant influence for €5 thousand for which, upon first application of IFRS 9, the "FVTOCI" option was exercised[18]. For more details, see the information on Sovereign exposures set out in Part E of the consolidated Notes to the accounts.

[18] With regard to non-trading equity instruments, IFRS 9 provides for the possibility of measuring them at the fair value recognised through other comprehensive income (so-called FVTOCI – fair value through Other Comprehensive Income).

3.3 Financial assets at fair value through comprehensive income: gross exposure and total impairment

(Amounts in € thousand)

	GROSS AMOUNT				IMPAIRMENT PROVISION			
	FIRST STAGE	OF WHICH: INSTRUMENTS WITH LOW CREDIT RISK	SECOND STAGE	THIRD STAGE	FIRST STAGE	SECOND STAGE	THIRD STAGE	TOTAL PARTIAL WRITE-OFF
Debt securities	320,674	320,674	-	-	(66)	-	-	-
Loans	-	-	-	-	-	-	-	-
Total 30 June 2019	**320,674**	**320,674**	**-**	**-**	**(66)**	**-**	**-**	**-**
Total 31 December 2018	**961,938**	**961,938**	**-**	**-**	**(171)**	**-**	**-**	**-**
of which: financial assets purchased or originated credt impaired	X	X	-	-	X	-	-	-

Section 4 - Financial assets at amortised cost – Item 40

4.1 Financial assets at amortised cost: product breakdown of loans and receivables with banks

(Amounts in € thousand)

	TOTAL 06.30.2019						TOTAL 12.31.2018					
	CARRYING AMOUNT			FAIR VALUE			CARRYING AMOUNT			FAIR VALUE		
TYPE OF TRANSACTIONS/AMOUNTS	FIRST AND SECOND STAGE	THIRD STAGE	WHICH: PURCHASED OR ORIGINATED	L1	L2	L3	FIRST AND SECOND STAGE	THIRD STAGE	PURCHASED OR ORIGINATED CREDIT IMPAIRED	L1	L2	L3
A. Loans and receivables with Central Banks	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1. Time deposits	-	-	-	X	X	X	-	-	-	X	X	X
2. Compulsory reserves	-	-	-	X	X	X	-	-	-	X	X	X
3. Reverse repos	-	-	-	X	X	X	-	-	-	X	X	X
4. Other	-	-	-	X	X	X	-	-	-	X	X	X
B. Loans and receivables with banks	**9,847,775**	**-**	**-**	**901,985**	**8,426,017**	**710,347**	**12,440,994**	**-**	**-**	**267,493**	**9,182,023**	**3,058,882**
1. Loans	710,347	-	-	-	-	710,347	3,058,882	-	-	-	-	3,058,882
1.1 Current accounts and demand deposits	399,017	-	-	X	X	X	1,922,041	-	-	X	X	X
1.2 Time deposits	248,092	-	-	X	X	X	1,127,298	-	-	X	X	X
1.3 Other loans:	63,238	-	-	X	X	X	9,543	-	-	X	X	X
- Reverse repos	2,733	-	-	X	X	X	416	-	-	X	X	X
- Lease loans	-	-	-	X	X	X	-	-	-	X	X	X
- Other	60,505	-	-	X	X	X	9,127	-	-	X	X	X
2. Debt securities	9,137,428	-	-	901,985	8,426,017	-	9,382,112	-	-	267,493	9,182,023	-
2.1 Structured securities	-	-	-	-	-	-	-	-	-	-	-	-
2.2 Other debt securities	9,137,428	-	-	901,985	8,426,017	-	9,382,112	-	-	267,493	9,182,023	-
Total	**9,847,775**	**-**	**-**	**901,985**	**8,426,017**	**710,347**	**12,440,994**	**-**	**-**	**267,493**	**9,182,023**	**3,058,882**

Key:
L1 = Level 1
L2 = Level 2
L3 = Level 3

Loans and receivables with banks for “Current accounts and demand deposits” consist of current accounts held with credit institutions, including UniCredit S.p.A., for the settlement of transactions on payment circuits, for the settlement of securities transactions, for the management of the liquidity of UK customers and for the management of Fineco AM liquidity. As at 31 December 2018 the item included the liquidity deposited with UniCredit S.p.A., for the most part transferred during the first half 2019 to the HAM (Home Accounting Model) account at Bank of Italy.

“Time deposits” mainly consist of the compulsory reserve deposit indirectly held with UniCredit S.p.A. for a total of €234,100 thousand. As at December 31, 2018 the item included the current accounts held with UniCredit S.p.A. for a total amount of €1,119,303 thousand and closed during the first half 2019.

The item “Other loans: Other" refers for €55,441 thousand to the amount of the initial and variation margins and collateral deposits placed with credit institutions for derivative transactions (€5,280 thousand as at December 31, 2018), and €5,065 thousand to current receivables associated with the provision of financial services (€3,847 thousand as at December 31, 2018).

The item “Debt securities” includes €8,266,777 thousand relating to debt securities issued by UniCredit S.p.A. (€9,115,783 thousand as at December 31, 2018).

It should be noted that the item "1.3 Lease loans" replaced the previous item "Other loans - Finance leases" in application of the accounting standard IFRS 16.

4.2 Financial assets at amortised cost: product breakdown of loans and receivables with customers

(Amounts in € thousand)

TYPE OF TRANSACTIONS/AMOUNTS	TOTAL 06.30.2019						TOTAL 12.31.2018					
	CARRYING AMOUNT			FAIR VALUE			CARRYING AMOUNT			FAIR VALUE		
	FIRST AND SECOND STAGE	THIRD STAGE	WHICH: PURCHASED OR ORIGINATED	L1	L2	L3	FIRST AND SECOND STAGE	THIRD STAGE	WHICH: PURCHASED OR ORIGINATED	L1	L2	L3
1. Loans	**3,405,368**	**3,293**	**-**	**-**	**-**	**3,574,195**	**2,952,257**	**2,817**	**-**	**-**	**-**	**3,058,444**
1.1 Current accounts	1,167,392	2,044	-	X	X	X	1,016,930	1,770	-	X	X	X
1.2 Reverse repos	166,425	2	-	X	X	X	148,768	29	-	X	X	X
1.3 Mortgages	976,444	249	-	X	X	X	856,856	14	-	X	X	X
1.4 Credit cards, personal loans and wage assignment loans	734,973	798	-	X	X	X	749,358	783	-	X	X	X
1.5 Lease loans	-	-	-	X	X	X	-	-	-	X	X	X
1.6 Factoring	-	-	-	X	X	X	-	-	-	X	X	X
1.7 Other loans	360,134	200	-	X	X	X	180,345	221	-	X	X	X
2. Debt securities	**10,443,248**	**-**	**-**	**10,770,111**	**-**	**-**	**7,873,955**	**-**	**-**	**7,848,422**	**-**	**-**
2.1 Structured securities	-	-	-	-	-	-	-	-	-	-	-	-
2.2 Other debt securities	10,443,248	-	-	10,770,111	-	-	7,873,955	-	-	7,848,422	-	-
Total	**13,848,616**	**3,293**	**-**	**10,770,111**	**-**	**3,574,195**	**10,826,212**	**2,817**	**-**	**7,848,422**	**-**	**3,058,444**

Key:
L1 = Level 1
L2 = Level 2
L3 = Level 3

Debt securities consist of government securities and securities issued by Supranational entities. For more details, see the information on Sovereign exposures set out in Part E of the Notes to the accounts.

It should be noted that the item "1.5 Lease loans" replaced the previous item "1.5 Finance leases" in application of the accounting standard IFRS 16.

4.5 Financial assets at amortised cost: gross exposure and total impairment

(Amounts in € thousand)

	GROSS AMOUNT				IMPAIRMENT PROVISION			
	FIRST STAGE	OF WHICH: INSTRUMENTS WITH LOW CREDIT RISK	SECOND STAGE	THIRD STAGE	FIRST STAGE	SECOND STAGE	THIRD STAGE	TOTAL PARTIAL WRITE-OFF
Debt securities	19.583.544	19.583.544	-	-	(2.868)	-	-	-
Loans	4.114.617	-	16.034	23.134	(8.454)	(6.481)	(19.841)	-
Total 30 June 2019	**23.698.161**	**19.583.544**	**16.034**	**23.134**	**(11.322)**	**(6.481)**	**(19.841)**	**-**
Total 31 December 2018	**23.277.675**	**17.264.880**	**14.650**	**23.936**	**(19.124)**	**(5.994)**	**(21.118)**	**-**
of which: financial assets purchased or originated credit impaired	X	X	-	-	X	-	-	-

Section 5 – Hedging derivatives – Item 50

5.1 Hedging derivatives: breakdown by type of hedge and by level

(Amounts in € thousand)

	FAIR VALUE 06.30.2019			NA	FAIR VALUE 12.31.2018			NA
	L1	L2	L3	06.30.2019	L1	L2	L3	12.31.2018
A. Financial derivatives	**-**	**17,722**	**-**	**570,000**	**-**	**3,314**	**-**	**570,000**
1) Fair value	-	17,722	-	570,000	-	3,314	-	570,000
2) Cash flows	-	-	-	-	-	-	-	-
3) Net investment in foreign subsidiaries	-	-	-	-	-	-	-	-
B. Credit derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1) Fair value	-	-	-	-	-	-	-	-
2) Cash flows	-	-	-	-	-	-	-	-
Total	**-**	**17,722**	**-**	**570,000**	**-**	**3,314**	**-**	**570,000**

Key:
NA = notional amount
L1 = Level 1
L2 = Level 2
L3 = Level 3

Section 6 – Changes in fair value of portfolio hedged financial assets – Item 60

6.1 Adjustments to the value of hedged assets: breakdown by hedged portfolio

(Amounts in € thousand)

ADJUSTMENTS TO THE VALUE OF HEDGED ASSETS/AMOUNT	TOTAL 06.30.2019	TOTAL 12.31.2018
1. Positive changes	**31,643**	**4,873**
1.1 of specific portfolios	31,643	4,873
a) financial assets at amortised cost	31,643	4,873
b) financial assets at fair value through other comprehensive income	-	-
1.2 overall	-	-
2. Negative changes	**-**	**-**
2.1 of specific portfolios	-	-
a) financial assets at amortised cost	-	-
b) financial assets at fair value through other comprehensive income	-	-
2.2 overall	-	-
Total	**31,643**	**4,873**

Section 7 - Equity investments - Item 70

No data to report.

Section 8 – Technical provisions for re-insurers – Item 80

No data to report.

Section 9 - Property, plant and equipment - Item 90

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

(Amounts in € thousand)

ASSETS/AMOUNTS	TOTAL 06.30.2019	TOTAL 12.31.2018
1. Owned assets	**79,054**	**14,544**
a) land	23,932	-
b) buildings	40,625	-
c) office furniture and fittings	2,077	1,835
d) electronic systems	10,727	10,944
e) other	1,693	1,765
2. Right of use acquired with lease	**62,713**	**-**
a) land	-	-
b) buildings	62,107	-
c) office furniture and fittings	-	-
d) electronic systems	-	-
e) other	606	-
Total	**141,767**	**14,544**
of which: obtained through enforcement of the guarantees received	-	-

With reference to the building where the registered office of the Bank is located (Milan, Piazza Durante 11), purchased on 31 January 2019 with a price of the deal of €62 million, in addition to taxes and initial direct costs, it should be noted that the land was separately accounted for by the building, even if purchased together as required by IAS 16.

It is worth noting that the item "Right of use acquired with lease" replaced the previous item "Assets under financial lease", following the application of IFRS 16 standard.

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

(Amounts in € thousand)

ASSETS/AMOUNTS	TOTAL 06.30.2019				TOTAL 12.31.2018			
	CARRYING VALUE	FAIR VALUE			CARRYING VALUE	FAIR VALUE		
		L1	L2	L3		L1	L2	L3
1. Owned assets	**2,034**	**-**	**-**	**2,950**	**2,088**	**-**	**-**	**2,950**
a) land	-	-	-	-	-	-	-	-
b) buildings	2,034	-	-	2,950	2,088	-	-	2,950
2. Right of use acquired with lease	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
a) land	-	-	-	-	-	-	-	-
b) buildings	-	-	-	-	-	-	-	-
Total	**2,034**	**-**	**-**	**2,950**	**2,088**	**-**	**-**	**2,950**
of which: obtained through enforcement of the guarantees received	-	-	-	-	-	-	-	-

Key:
L1 = Level 1
L2 = Level 2
L3 = Level 3

It is worth noting that the item "Right of use acquired with lease" replaced the previous item "Assets under financial lease", following the application of IFRS 16 standard.

9.3 Property, plant and equipment used in the business: breakdown of revalued assets

No data to report.

9.4 Property, plant and equipment held for investment: breakdown of assets measured at fair value

No data to report.

9.5 Inventories of property, plant and equipment regulated by IAS 2: breakdown

No data to report.

Section 10 - Intangible assets - Item 100

10.1 Intangible assets: breakdown by type assets

(Amounts in € thousand)

ASSETS/AMOUNTS	TOTAL 06.30.2019		TOTAL 12.31.2018	
	FINITE LIFE	INDEFINITE LIFE	FINITE LIFE	INDEFINITE LIFE
A.1 Goodwill	**X**	**89.602**	**X**	**89.602**
A.1.1 attributable to the group	X	89.602	X	**89.602**
A.1.2 attributable to minorities	X	-	X	-
A.2 Other intangible assets	**8.760**		**8.705**	
A.2.1 Assets carried at cost:	8.760	-	8.705	-
a) Intangible assets generated internally	-	-	-	-
b) Other assets	8.760	-	8.705	-
A.2.2 Assets carried at fair value:	-	-	-	-
a) Intangible assets generated internally	-	-	-	-
b) Other assets	-	-	-	-
Total	**8.760**	**89.602**	**8.705**	**89.602**

The asset classes indicated in the table above are valued at cost.

10.3 Other information

We also report that there were no intangible assets acquired through government concession; no intangible assets were used as collateral for own debts; no intangible assets were held under a lease; and there were no revalued intangible assets.

Other information - Impairment test

Under IAS 36, impairment testing of intangible assets with indefinite useful lives must be performed at least annually and, in any case, whenever there is objective evidence of the occurrence of events that may have reduced their value.

Recoverable value is the greater of the value in use (present value of future cash flows generated by the asset being valued) and the associated fair value, net of sales costs.

The recoverable value of the assets subject to impairment testing must be determined for the individual assets, unless both of the following conditions exist:

- the value in use of the asset is not estimated to be close to the fair value net of selling costs;
- the asset does not generate incoming cash flows largely independent of those coming from other assets (or group of assets).

If these conditions exist, the impairment test is conducted at the level of the Cash Generating Unit (CGU) of the asset, as required by the accounting principle.

According to IAS 36, when determining the value in use of assets subject to impairment testing, reference must be made to the cash flows of assets in their current conditions at the testing date and representing the best estimate by the management of the overall economic conditions in place during the residual useful life of the asset.

For the purposes of impairment testing, the value in use of the cash generating unit (CGU) to which the intangible assets have been assigned must be calculated considering the cash flows for all the assets and liabilities included in the CGU and not just those for which goodwill and/or the intangible asset has been recognised upon application of IFRS 3.

Definition of CGU

Estimating the value in use for the purposes of any impairment testing of intangible assets, including goodwill, which do not independently generate cash flows, but only in conjunction with other business assets, requires that these assets first be attributed to operating units that are relatively autonomous in the business context (from the points of view of independent cash flows generated and of internal planning and reporting). These operating units are defined as Cash Generating Units (CGU).

Goodwill recorded in these consolidated first-half financial report, relates to buy-outs of divisions or companies engaged in trading activities or the distribution of financial, banking and insurance products through personal financial advisors. These activities have been fully integrated with FinecoBank's ordinary operations, as a result it is not possible to isolate the contribution of each company/business division from the Bank's overall income; this means that to establish the recoverability of the value of goodwill recognised in the financial statements it is necessary to take account of the Bank's comprehensive income.

The cash generating unit (CGU) to be considered for the impairment test is therefore the Bank as a whole (including the contribution from the subsidiary Fineco Asset Management DAC, an asset management company incorporated under Irish law, thanks a vertically integrated business model). In view of the specific business model adopted by FinecoBank, which envisages a high level of integration between personal financial advisors and the trading and banking platform, so that the personal financial advisors network is an integral part of the overall offering of the Bank, which includes banking, brokerage and investing services, an allocation of costs/revenues per business units is not considered relevant or meaningful.

Impairment test results

With reference to the impairment test, it should be noted that as at 30 June 2019 there were no impairment indicators of goodwill recorded in the financial statements. A qualitative analysis was carried out with respect to the main assumptions used in the impairment test carried out with reference to December 31, 2018 and, based on the results of the qualitative analysis conducted, the result of the impairment test at December 31, 2018 is also confirmed with reference to as of June 30, 2019. For all other information relating to the impairment test, see Part B - Information on the consolidated balance sheet - Section 10 - Intangible assets in the consolidated financial statements for the year ended December 31, 2018. It should also be noted that, in relation to the share prices "FinecoBank", a market capitalization of €5,973 million is shown at June 30, 2019, significantly higher than the consolidated net equity and the result of the model used for the impairment test, which confirms the reasonableness of the criteria applied in calculating the use value.

Section 11 - Tax Assets and Tax Liabilities - Asset item 110 and liability item 60

The item "Tax assets" amounting to €3,498 thousand comprises:

- "Current tax assets" of €198 thousand;
- "Deferred tax assets" of €3,300 thousand.

The item "Tax liabilities" amounting to €64,779 thousand, consists of

- "Current tax liabilities" of €64,150 thousand;
- "Deferred tax liabilities " of €629 thousand.

Deferred tax assets/liabilities are shown in the consolidated balance sheet net of the related deferred tax liabilities/assets; the detail is as follows:

- "Deferred tax assets" of €27,771 thousand recognised as a balancing entry in the income statement;
- "Deferred tax assets" of €1,423 thousand recognised as a balancing entry of shareholders' equity;
- "Deferred tax liabilities" of €25,251 thousand recognised as a balancing entry in the income statement;
- "Deferred tax liabilities" of €1,272 thousand recognised as a balancing entry of shareholders' equity.

Current Tax Assets and Liabilities

(Amounts in € thousand)

ASSETS/AMOUNTS	TOTAL 06.30.2019	TOTAL 12.31.2018
Current tax assets	198	467
Current tax liabilities	64,150	12,390

Prepaid/deferred tax assets/liabilities

In accordance with the law and regulations currently in force:

- the recognition of deferred tax assets for IRES income tax purposes takes into account the expected income figures of the Bank for future years, according to the decisions made by the competent company bodies;

- the recognition of deferred tax assets for IRAP corporate tax purposes takes place on the basis of the Bank's expected income figures for future years, and takes into account changes in the legal context;
- deferred tax liabilities are recognised whenever the relevant requirements are satisfied.

When calculating prepaid/deferred tax assets/liabilities, a 27.5% IRES rate was used (24% standard rate and 3.5% additional rate for banks), as well as IRAP rate of 5.57% for Italy.

With regard to Fineco AM, taxes were calculated using a 12.5% rate and no deferred tax assets or liabilities have been recognized.

11.1 Deferred tax assets: breakdown

(Amounts in € thousand)

ASSETS/AMOUNTS	TOTAL 06.30.2019	TOTAL 12.31.2018
Allocations through profit or loss	24,471	26,237
Allocations through equity	1,423	2,740
Impairment losses on receivables (of which pursuant to Law 214/2011)	3,300	4,033
Total before IAS 12 offset	**29,194**	**33,010**
Offset against deferred tax liabilities - IAS 12	(25,894)	(26,763)
Total	**3,300**	**6,247**

11.2 Deferred tax liabilities: breakdown

(Amounts in € thousand)

LIABILITIES/AMOUNTS	TOTAL 06.30.2019	TOTAL 12.31.2018
Allocations through profit or loss	25,251	26,560
Allocations through equity	1,272	203
Total before IAS 12 offset	**26,523**	**26,763**
Offset against deferred tax liabilities - IAS 12	(25,894)	(26,763)
Total	**629**	**-**

Section 12 - Non-current assets and disposal groups classified as held for sale and associated liabilities - Assets item 120 and liabilities item 70

No information to report.

Section 13 - Other assets - Item 130

13.1 Other assets: breakdown

(Amounts in € thousand)

	TOTAL 06.30.2019	TOTAL 12.31.2018
Trade receivables according to IFRS15	3,561	8,489
Current receivables not related with the provision of financial services	1,319	2,170
Receivables due to disputed items not deriving from lending	119	119
Improvement and incremental expenses incurred on leasehold assets	5,364	6,928
Items awaiting settlement:		
- notes, cheques and other documents	4,201	4,597
Items in processing	7	29
Definitive items not recognised under other items:		
- securities and coupons to be settled	4,161	5,131
- other transactions	22,345	25,225
Tax items other than those included in the item "Tax assets":		
- tax advances	178,227	262,261
- tax credit	6,880	6,893
- tax advances on employee severance indemnities	-	35
Items in transit not allocated to relevant accounts	12	2
Accrued income and prepaid expenses other than those related to contracts with customers and other than capitalised in related financial assets or liabilities	30,807	24,588
Accrued income and prepaid expenses related to contracts with customers other than capitalised in related financial assets or liabilities	13,365	4,303
Total	**270,368**	**350,770**

Liabilities

Section 1 - Financial liabilities at amortised cost - Item 10

1.1 Financial liabilities at amortised cost: product breakdown deposits from banks

(Amounts in € thousand)

TRANSACTIONS TYPE/AMOUNTS	TOTAL 06.30.2019				TOTAL 12.31.2018			
	VB	FAIR VALUE			VB	FAIR VALUE		
		L1	L2	L3		L1	L2	L3
1. Deposits from central banks	-	X	X	X	-	X	X	X
2. Deposits from banks	**206,643**	X	X	X	**1,009,774**	X	X	X
2.1 Current accounts and demand deposits	68,464	X	X	X	52,563	X	X	X
2.2 Time deposits	-	X	X	X	-	X	X	X
2.3 Loans	131,551	X	X	X	933,352	X	X	X
2.3.1 Repos	131,551	X	X	X	933,352	X	X	X
2.3.2 Other	-	X	X	X	-	X	X	X
2.4 Liabilities in respect of commitments to repurchase treasury shares	-	X	X	X	-	X	X	X
2.5 Lease liabilities	3,750	X	X	X				
2.6 Other liabilities	2,878	X	X	X	23,859	X	X	X
Total	**206,643**	**-**	**-**	**206,643**	**1,009,774**	**-**	**-**	**1,009,774**

Key:
VB = Book value
L1 = Level 1
L2 = Level 2
L3 = Level 3

The item "2.5 Lease liabilities" was added to the table above, following the first application of IFRS 16 "Leasing", as required by the 6th update of Circular 262 of 22 December 2005 " Banking financial statements: schedules and rules compilation".

1.2 Financial liabilities at amortised cost: product breakdown deposits from customers

(Amounts in € thousand)

TRANSACTIONS TYPE/AMOUNTS	TOTAL 06.30.2019				TOTAL 12.31.2018			
	VB	FAIR VALUE			VB	FAIR VALUE		
		L1	L2	L3		L1	L2	L3
1. Current accounts and demand deposits	23,851,768	X	X	X	22,046,700	X	X	X
2. Time deposits	2,111	X	X	X	3,106	X	X	X
3. Loans	116,250	X	X	X	116,299	X	X	X
3.1 Repos	116,250	X	X	X	116,299	X	X	X
3.2 Other	-	X	X	X	-	X	X	X
4. Liabilities in respect of commitments to repurchase trea	-	X	X	X	-	X	X	X
5. Lease liabilities	58,988	X	X	X				
6. Other liabilities	110,582	X	X	X	107,083	X	X	X
Total	**24,139,699**	**-**	**2,138**	**24,137,588**	**22,273,188**	**-**	**3,111**	**22,270,081**

Key:
VB = Book value
L1 = Level 1
L2 = Level 2
L3 = Level 3

The item "5. Lease liabilities" was added to the table above, following the first application of IFRS 16 "Leasing", as required by the 6th update of Circular 262 of 22 December 2005 " Banking financial statements: schedules and rules compilation".

1.3 Financial liabilities at amortised cost: product breakdown of debt securities in issue

No data to report.

Section 2 - Financial liabilities held for trading - Item 20

2.1 Financial liabilities held for trading: product breakdown

(Amounts in € thousand)

TRANSACTIONS TYPE/AMOUNTS	TOTAL 06.30.2019					TOTAL 12.31.2018				
	NA	FAIR VALUE			FAIR VALUE*	VN	*FAIR VALUE*			*FAIR VALUE**
		L1	L2	L3			L1	L2	L3	
A. On-balance sheet liabilities										
1. Deposits from banks	-	-	-	-	-	-	-	-	-	-
2. Deposits from customers	577	254	-	-	254	589	346	-	-	346
3. Debt securities	-	-	-	-	X	-	-	-	-	X
3.1 Bonds	-	-	-	-	X	-	-	-	-	X
3.1.1 Structured	-	-	-	-	X	-	-	-	-	X
3.1.2 Other bonds	-	-	-	-	X	-	-	-	-	X
3.2 Other securities	-	-	-	-	X	-	-	-	-	X
3.2.1 Structured	-	-	-	-	X	-	-	-	-	X
3.2.2 Others	-	-	-	-	X	-	-	-	-	X
Total A	**577**	**254**	**-**	**-**	**254**	**589**	**346**	**-**	**-**	**346**
B. Derivatives										
1. Financial derivatives	X	1,750	409	-	X	X	1,206	669	-	X
1.1 Trading derivatives	X	1,750	409	-	X	X	1,206	669	-	X
1.2 Related to the fair value option	X	-	-	-	X	X	-	-	-	X
1.3 Other	X	-	-	-	X	X	-	-	-	X
2. Credit derivatives	X	-	-	-	X	X	-	-	-	X
2.1 Trading derivatives	X	-	-	-	X	X	-	-	-	X
2.2 Related to the fair value option	X	-	-	-	X	X	-	-	-	X
2.3 Other	X	-	-	-	X	X	-	-	-	X
Total B	**X**	**1,750**	**409**	**-**	**X**	**X**	**1,206**	**669**	**-**	**X**
Total (A+B)	**X**	**2,004**	**409**	**-**	**X**	**X**	**1,552**	**669**	**-**	**X**

Key:
NA = notional amount
L1 = Level 1
L2 = Level 2
L3 = Level 3
FV* = Fair value calculated excluding the changes in value due to the change in the issuer's credit rating since the issue date

Financial derivatives refer to the negative valuation of CFD contracts on forex, indices, shares, interest rates, commodities and futures used for the operational hedging of CFDs on indices, interest rates and commodities. They amounted to €452 thousand (€699 thousand as at December 31, 2018).

Sub-item B.1.1 Derivative instruments - Trading financial derivatives includes the negative valuations of spot contracts for securities that meets the definition of held for trading and currencies to be settled in times established by market practices ("regular way"). They amounted to €1,708 thousand (€1,177 thousand as at December 31, 2018).

Section 3 - Financial liabilities designated at fair value - Item 30

No data to report.

Section 4 - Hedging derivatives - Item 40

4.1 Hedging derivatives: breakdown by type of hedge and by level

(Amounts in € thousand)

	NA 06.30.2019	FAIR VALUE 06.30.2019			NA 12.31.2018	FAIR VALUE 12.31.2018		
		L1	L2	L3		L1	L2	L3
A. Financial derivatives	**2,221,730**	**-**	**67,019**	**-**	**576,477**	**-**	**5,341**	**-**
1) Fair value	2,221,730	-	67,019	-	576,477	-	5,341	-
2) Cash flows	-	-	-	-	-	-	-	-
3) Net investment in foreign subsidiaries	-	-	-	-	-	-	-	-
B. Credit derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1) Fair value	-	-	-	-	-	-	-	-
2) Cash flows	-	-	-	-	-	-	-	-
Total	**2,221,730**	**-**	**67,019**	**-**	**576,477**	**-**	**5,341**	**-**

Key:
NA = notional amount
L1 = Level 1
L2 = Level 2
L3 = Level 3

Section 5 – Changes in fair value of portfolio hedged financial liabilities - Item 50

5.1 - Adjustments to the value of hedged financial liabilities: breakdown by hedged portfolio

(Amounts in € thousand)

ADJUSTMENTS TO THE VALUE OF HEDGED LIABILITIES/COMPONENTS OF THE GROUP	TOTAL 06.30.2019	TOTAL 12.31.2018
1. Positive changes to financial liabilities	17,067	2,600
2. Negative changes to financial liabilities	-	-
Total	**17,067**	**2,600**

Section 6 – Tax liabilities – Item 60

See section 11 of assets.

Section 7 – Liabilities included in disposal groups classified as held for sale – Item 70

See section 12 of assets.

Section 8 – Other liabilities – Item 80

8.1 Other liabilities: breakdown

(Amounts in € thousand)

	TOTAL 06.30.2019	TOTAL 12.31.2018
Payables to employees	15,217	13,018
Payables to Directors and Statutory auditors	174	163
Social security contributions payable	5,493	6,415
Current payables not related to the provision of financial services	27,140	24,181
Payables for share-based payments or shares of the UniCredit	269	338
Definitive items not recognised under other items:		
- securities and coupons to be settled	12,478	12,921
- payment authorisations	39,198	21,716
- other items	9,932	18,670
Tax items other than those included in the item "Tax liabilities":		
- sums withheld from third parties as withholding agent	25,201	17,805
- other	53,279	98,226
Items awaiting settlement:		
- outgoing bank transfers	69,683	94,545
- POS and ATM cards	13,063	97
Items in processing:		
- incoming bank transfers	400	543
- other items in processing	105	18
Illiquid items for portfolio transactions	9,157	22,123
Current payables not related with the provision of financial services	139	157
Deferred income related to contracts with customers other than those capitalised on the related financial assets or liabilities	5,877	2,800
Sums available to be paid to customers	6,901	3,333
Total	**293,706**	**337,069**

Section 9 - Provisions for employee severance pay - Item 90

9.1 Provisions for employee severance pay: annual changes

(Amounts in € thousand)

	TOTAL 06.30.2019	TOTAL 12.31.2018
A. Opening balance	**4,561**	**4,999**
B. Increases	**288**	**136**
B.1 Provisions for the year	36	70
B.2 Other increases	252	66
of which adjustments for actuarial losses on Employee Severance Fund (IAS19R)	*211*	-
C. Decreases	**(188)**	**(574)**
C.1 Payments made	(155)	(305)
C.2 Other decreases	(33)	(269)
of which adjustments for actuarial gains on Employee Severance Fund (IAS19R)	-	*(234)*
D. Closing balances	**4,661**	**4,561**
Total	**4,661**	**4,561**

The total amount of Provisions for employee severance pay as at 30 June, 2019 amounts to €4,661 thousand (€4,561 thousand as at 31 December, 2018).

The following table shows the main actuarial assumptions used to remeasure the liability.

DESCRIPTION OF THE MAIN ACTUARIAL ASSUMPTIONS	06.30.2019	12.31.2018
Discount rate	1.05%	1.60%
Expected inflation rate	0.95%	1.20%

As at June 30, 2019, the remeasurement of the liability relating to Provisions for employee severance pay determined a positive change in the valuation reserve relating to actuarial gains/losses on pension plans with defined benefits of €153 thousand, net of related taxes.

For further information and details on the amount, timing and uncertainty of financial flows (sensitivities), please refer to the Financial Statements at December 31, 2018.

Section 10 - Provisions for risks and charges - Item 100

10.1 - Provisions for risks and charges: breakdown

(Amounts in € thousand)

ITEMS/COMPONENTS	TOTAL 06.30.2019	TOTAL 12.31.2018
1. Provisions for credit risk of commitments and financial guarantees given	17	49
2. Provisions for other commitments and other guarantees given	-	-
3. Provisions for retirement payments and similar obligations	-	-
4. Other provisions for risks and charges	110,971	109,756
4.1 legal and tax disputes	31,227	32,290
4.2 staff expenses	2,530	4,809
4.3 other	77,214	72,657
Total	**110,988**	**109,805**

Item 4.1 “legal and tax disputes” mainly includes provisions made to cover complaints and disputes for damage to customers arising from the unlawful behaviour of the Bank's personal financial advisors, provisions relating to pending disputes with personal financial advisors (generally employment-related) and other ongoing court and out-of-court litigation with customers, in relation to normal banking activities, and other parties for €27,361 thousand (€28,045 thousand as at December 31, 2018) and provisions for tax disputes (penalties and interest) for €3,866 thousand (€3,885 thousand as at December 31, 2018). This provision includes the court costs borne by the Group in the event of an adverse conclusion of the dispute plus the estimated expenses to be paid to lawyers, technical advisors and/or experts who assist the Group, to the extent that it is believed that they will not be reimbursed by the counterparties.

Item 4.2 "staff expenses" includes, mainly, the provisions made for the variable remuneration to be paid to employees in subsequent years, which have an uncertain due date and/or amount.

Item 4.3 “Other” includes the Supplementary customer indemnity provision, of €69,619 thousand (€64,139 thousand as at December 31, 2018), the Provision for contractual payments, of €2,371 thousand (€2,266 thousand as at December 31, 2018) and other provisions made for risks related to the Group's business and operations, of €5,224 thousand (€6,252 thousand as at December 31, 2018).

10.3 Provisions for risks and charges for commitments and financial guarantees given

(Amounts in € thousand)

	PROVISIONS FOR RISKS AND CHARGES FOR COMMITMENTS AND GUARANTEES GIVEN			
	FIRST STAGE	SECOND STAGE	THIRD STAGE	TOTAL
Commitments	15	-	-	15
Financial guarantees given	2	-	-	2
Total	**17**	**-**	**-**	**17**

10.4 Provisions for other commitments and other guarantees given

No data to report.

10.5 Pensions and other post-retirement defined-benefit obligations

No data to report.

10.6 Provisions for risks and charges - other provisions

(Amounts in € thousand)

	TOTAL 06.30.2019	TOTAL 12.31.2018
Legal and fiscal disputes	**31,227**	**32,290**
- Pending cases	22,476	23,830
- Complaints	4,885	4,575
- Tax disputes	3,866	3,885
Staff expenses	**2,530**	**4,809**
Other	**77,214**	**72,657**
- Supplementary customer indemnity provision	69,619	64,139
- Provision for contractual payments and payments under non-competition agreements	2,371	2,266
- Other provisions	5,224	6,252
Total provisions for risks and charges	**110,971**	**109,756**

(Amounts in € thousand)

PROVISION FOR RISKS AND CHARGES	TOTAL 12.31.2018	USES	TRANSFERS AND OTHER CHANGES	ACTUARIAL GAINS (LOSSES) IAS 19R *	NET PROVISIONS**	TOTAL 06.30.2019
Legal and fiscal disputes	**32,290**	**(1,614)**	**-**	**-**	**551**	**31,227**
- Pending cases	23,830	(1,342)	175	-	(187)	22,476
- Complaints	4,575	(253)	(175)	-	738	4,885
- Tax disputes	3,885	(19)	-	-	-	3,866
Staff expenses	**4,809**	**(4,545)**	**-**	**-**	**2,266**	**2,530**
Other	**72,657**	**(3,703)**	**-**	**3,871**	**4,389**	**77,214**
- Supplementary customer indemnity provision	64,139	(1,090)	-	3,793	2,777	69,619
- Contractual payments and payments under non-competition agreements	2,266	-	-	78	27	2,371
- Other provisions	6,252	(2,613)	-	-	1,585	5,224
Total provisions for risks and charges	**109,756**	**(9,862)**	**-**	**3,871**	**7,206**	**110,971**

* The item “ IAS 19R actuarial gains (losses)” includes the actuarial gains (losses) recognised in the item “Revaluation reserves” in application of IAS 19R.
** The item “Net provisions” includes the costs recognised in their own income statement item to better reflect their nature (e.g. “Staff expenses”, “Administrative costs” and “Interest expenses and similar charges”).

The following table shows the main actuarial assumptions used to measure the liability for the supplementary customer indemnity provision and the provision for contractual payments.

DESCRIPTION OF THE MAIN ACTUARIAL ASSUMPTIONS	06.30.2019	12.31.2018
Discount rate	1.05%	1.60%
Salary increase rate	1.00%	1.00%

As at June 30, 2019, the remeasurement of the liability relating to the Supplementary customer indemnity and Contractual indemnity fund resulted in a negative change in the valuation reserve of €2,613 thousand, net of related taxes.

For further information and details on the amount, timing and uncertainty of financial flows (sensitivities), please refer to the Financial Statements at December 31, 2018.

It should be noted that due to the exit of FinecoBank from the UniCredit Group, the rate curve used for discounting the provision for risks and charges in the financial statements based on IAS 37 was changed, but this did not have a significant impact on the economic situation and consolidated balance sheet.

The **Provision for legal disputes** includes provisions made to cover complaints and disputes for damage to customers arising from the unlawful behaviour of the Bank's personal financial advisors, provisions relating to pending disputes with personal financial advisors (generally employment-related) and other ongoing court and out-of-court litigation with customers, in relation to normal banking activities, and other parties. This provision includes the costs of proceedings borne by the Bank in the event of an adverse conclusion of the dispute plus the estimated expenses to be paid to lawyers, technical advisors and/or experts who assist the Bank, to the extent that it is believed that they will not be reimbursed by the counterparties.

The **Supplementary customer indemnity provision** is accrued to cover the amount of severance indemnity to be paid to the PFA network pursuant to art. 1751 of the Italian Civil Code, in the event of termination of the contract for reasons not attributable to the advisor, such as, for example, when reaching retirement age.

The amount of the obligation at the end of the period was assessed with the aid of an independent actuary.

The **Provision for staff expenses** includes provisions made in relation to the variable remuneration to be paid to employees in subsequent years which have an uncertain due date and amount.

The **Provision for contractual payments and payments under non-competition agreements** is related to a limited number of personal financial advisors; these payments are contractually provided. More specifically, the non-competition agreement is an extension of the loyalty obligation at the end of the employment contract which protects the Bank from competition from former personal financial advisors; contractual payments are a special indemnity that the Bank agrees to pay to personal financial advisors, who opted to transfer the rights and obligations arising from their contract with the Bank to third parties, where these advisors continue to keep an ethical and professional conduct with the Bank after termination of employment, with specific regard to the customer portfolio. The amount of the obligation at the end of the period relating to contractual payments was assessed with the aid of an independent actuary.

The **Provision for tax disputes** is allocated to cover tax demands received from the Italian Revenue Agency following tax audits carried out on the Bank over the years, in relation to which the Bank considers it has calculated the tax correctly and legitimately and has therefore submitted an appeal at various levels of proceedings.

The above provisions for risks and charges include the allocations for fines and interest for the additional tax being contested and requested by the Tax Authorities through tax bills or payment notices paid and for the estimated amount of legal expenses to be incurred in the various proceedings.

For more details, see Part E – Information on risks and hedging policies – Section 1.5 – Operational risk – paragraph "Risks arising from tax disputes and audits" of these Notes to the accounts.

The **Other Provisions** are mainly allocated to cover the risks related to the business and operations of the Bank. The provision specifically includes provisions for marketing and customer loyalty campaigns, incentive plans for the personal financial advisors and the provision for training events for the personal financial advisors.

Section 11 – Technical provisions – Item 110

No data to report.

Section 12 - Redeemable shares - Item 130

No data to report.

Section 13 - Group Shareholders' equity - Items 120, 130, 140, 150, 160, 170 and 180

13.1 "Share capital" and "Treasury shares": breakdown

As at June 30, 2019, share capital came to €200,941 thousand, comprising 608,913,600 ordinary shares with a par value of €0.33 each.

As at June 30, 2019, the Bank held 1,383,944 treasury shares, relating to PFA incentive plans, corresponding to 0.23% of the share capital, for an amount of €13,796 thousand. During the fisrt half 2019 n. 17,300 shares were purchased in relation to the "2018 PFA Incentive System" for personal financial advisors identified as "Key personnel" and n. 34,644 FinecoBank ordinary shares held in the portfolio were assigned to personal financial advisors in relation to the "2016 PFA Incentive System ".

On February 5, 2019, in view of the favourable opinion provided by the Remuneration Committee in its meeting of February 1, 2019, the Board of Directors of FinecoBank approved execution of the following incentive/loyalty systems:

- 2014-2017 Top Management Multi-Year Plan for employees. In particular, we approved the allotment of 335,624 free ordinary shares to the beneficiaries of the third tranche of the Plan, assigned in 2016, and consequently an increase in Share capital for a total amount of €110,755.92 with immediate effect (following registration in the Companies Register);
- 2014, 2015 and 2016 Incentive systems for employees. In particular, we approved the allotment of 173,581 free ordinary shares to the beneficiaries of the third equity tranche of the 2014 Incentive System, of the second tranche of the 2015 Incentive System and of the first tranche of the 2016 Incentive System, and consequently an increase in Share capital for a total amount of €57,281.73 with effect from 29 March 2019.

In view of the above capital increases, the reserves from allocation of profit from previous years were reduced accordingly.

(Amounts in € thousand)

	TOTAL 06.30.2019	TOTAL 12.31.2018
Share capital	200,941	200,773
Share premium reserve	1,934	1,934
Reserves	411,687	355,509
- Legal reserve	40,188	40,155
- Extraordinary reserve	312,763	272,454
- Treasury shares reserve	13,796	13,960
- Other reserves	44,940	28,940
(Treasury shares)	(13,796)	(13,960)
Revaluation reserves	(7,202)	(9,794)
Equity instruments	200,000	200,000
Net Profit (Loss) for the period	134,114	241,219
Total	**927,678**	**975,681**

13.2 Share capital - Number of shares of the Parent Company: annual changes

ITEMS/TYPE	ORDINARY	OTHER
A. Shares outstanding at the beginning of the year		
- fully paid	608,404,395	-
- not fully paid	-	-
A.1 Treasury shares (-)	(1,401,288)	-
A.2 Shares outstanding: opening balance	**607,003,107**	**-**
B. Increases		
B.1 New issues		
- against payment:		
- business combinations	-	-
- bonds converted	-	-
- warrants exercised	-	-
- other	-	-
- free		
- to employees	509,205	-
- to directors	-	-
- other	-	-
B.2 Sale of treasury shares	-	-
B.3 Other changes	34,644	-
C. Decreases		
C.1 Cancellation	-	-
C.2 Purchase of treasury shares	(17,300)	-
C.3 Business transfers	-	-
C.4 Other changes	-	-
D. Shares outstanding: closing balance	**607,529,656**	**-**
D.1 Treasury shares (+)	1,383,944	-
D.2 Shares outstanding at the end of the year		
- fully paid	608,913,600	-
- not fully paid	-	-

The item B.3 “Other changes” reports the shares allocated to the personal financial advisors under the stock granting plan ("2016 PFA Plan") for FinecoBank’s Personal Financial Advisors and Network Managers.

13.3 Share capital: other information

The shares are not subject to any right, privilege or constraint; there are no shares reserved for issue under option and sales contracts.

13.4 Reserves from allocation of profit from previous years: other information

The reserves from profits consist of the:

- Legal reserve, amounting to €40,188 thousand;
- Extraordinary reserve, amounting to €312,763 thousand;
- Reserve for treasury shares held, amounting to €13,796 thousand;
- Negative reserve recognized following the introduction of IFRS 9, amounting to €-4,868 thousand;
- Consolidation reserve, amounting to €13,133 thousand.

As previously mentioned in para. 13.1 "Share capital and Treasury shares: breakdown”, the Board of Directors of FinecoBank held on February 5, 2019, approved execution of the incentive/loyalty systems “2014-2017 Top Management Multi-Year Plan” and “2014, 2015 and 2016 Incentive systems with a consequent increase in share capital, against with the reserves from profits have been reduced for an amount of €168 thousand.

The FinecoBank Shareholders' Meeting of April 10, 2019 approved the allocation of profit for the year 2018, amounting to €227,922 thousand, as follows:

- €34 thousand to the Legal reserve, corresponding to 0.015% of the profit for the year, having reached the limit of a fifth of the share capital;
- €43,388 thousand to the extraordinary reserve;
- to the 608,913,600 ordinary shares with a par value of €0.33, a unit dividend of €0.303 for a total amount of €184,501 thousand.

The share of dividends not distributed to treasury shares held by the Bank on the record date, equal to €419 thousand, was allocated to the Extraordinary Reserve.

As previously mentioned in para. 13.1 "Share capital and Treasury shares: breakdown", during the first half 2019 a total of n. 17,300 shares were purchased in relation to the "2018 PFA Incentive System", for a total amount of €181 thousand. During the same period, 34,644 FinecoBank ordinary shares held in the portfolio were assigned to personal financial advisors in relation to the "2016 PFA Incentive System". Consequentely the Reserve for treasury shares held has been increased by €345 thousand with a simultaneous reduction in the Extraordinary reserve.

In addition, during the first half 2019 the Extraordinary Reserve was used for an amount of €3,495 thousand, net of taxes, to pay the coupon of the financial instrument Additional Tier 1 Perp Non Call June 2023.

13.5 Equity instruments: breakdown and annual changes

On January 31, 2018, FinecoBank issued an Additional Tier 1 Perp Non Call June 2023 notes issue (5.5 years, Non-Cumulative Temporary Write-Down Deeply Subordinated Fixed Rate Resettable Notes). The financial instrument is a perpetual private placement[19], issued for a total of €200,000 thousand and entirely subscribed by UniCredit S.p.A.. The coupon for the first 5.5 years has been fixed at 4.82%.

During the first half 2019 no additional equity instruments were issued

13.6 Other information

No data to report.

Section 14 – Minority interests – Item 190

14.1 Breakdown of Item 190 "Minority interests"

No data to report.

14.2 Equity instruments: breakdown and annual changes

No data to report.

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[19] Unrated and unlisted

OTHER INFORMATION

1. Commitments and financial guarantees given

(Amounts in € thousand)

	NOMINAL VALUE OF COMMITMENTS AND FINANCIAL GUARANTEES GIVEN			TOTAL 06.30.2019	TOTAL 12.31.2018
	FIRST STAGE	SECOND STAGE	THIRD STAGE		
1. Commitments	**20,674**	**331**	**4**	**21,009**	**10,021**
a) Central Banks	-	-	-	-	-
b) Governments	-	-	-	-	-
c) Banks	-	-	-	-	-
d) Other financial companies	1	-	-	1	-
e) Non-financial companies	306	-	-	306	-
f) Households	20,367	331	4	20,702	10,021
2. Financial guarantees given	**17,972**	**-**	**-**	**17,972**	**256,827**
a) Central Banks	-	-	-	-	-
b) Governments	-	-	-	-	-
c) Banks	17,170	-	-	17,170	256,070
d) Other financial companies	-	-	-	-	-
e) Non-financial companies	-	-	-	-	-
f) Households	802	-	-	802	757

The commitments to disburse funds mainly include the commitments to disburse reverse repos.

Financial guarantees given to banks include banks include the guarantees issued in 2012 to the Italian Revenue Agency on request of UniCredit S.p.A., with indefinite duration, for a total amount of €17,166 thousand (€256,065 thousand as at December 31, 2018). It worth noting that in the first half of 2019, the Revenue Agency has released bank guarantees for a total amount of about €238,899 thousand. With regard to the residual amount, UniCredit S.p.A. has also renewed the request for release for the consolidation of pending charges to the competent office of the Regional Directorate of Liguria and the Bank is awaiting the related response.

2. Other commitments and other guarantees given

(Amounts in € thousand)

	NOMINAL AMOUNT	
	TOTAL 06.30.2019	TOTAL 12.31.2018
1. Other guarantees given	**-**	**-**
of which: impaired credit exposure	-	-
a) Central Banks	-	-
b) Governments	-	-
c) Banks	-	-
d) Other financial companies	-	-
e) Non-financial companies	-	-
f) Households	-	-
2. Other commitments	**1,457,000**	**1,180,475**
of which: impaired credit exposure	63	154
a) Central Banks	-	-
b) Governments	-	-
c) Banks	46,282	97
d) Other financial companies	24,624	19,533
e) Non-financial companies	147	184
f) Households	1,385,947	1,160,661

Other commitments refer to the margins available on revocable credit lines granted to customers and spot sales of securities to be settled in times established by market practices ("regular way").

3. Assets given as collateral for own liabilities and commitments

(Amounts in € thousand)

Portfolios	AMOUNT 06.30.2019	AMOUNT 12.31.2018
1. Financial assets at fair value through profit and loss	-	-
2. Financial assets at fair value through other comprehensive income	122,336	529,725
3. Financial assets at amortised cost	1,828,005	2,487,813
4. Property, plant and equipment	-	-
of which: Property, plant and equipment material assets that constitute inventories	-	-

Assets given as collateral for own liabilities and commitments shown in the above table refer to:

- government securities used to enter into repos with the obligation for the buyer to resell the assets covered by the transaction upon expiration of said transaction. The securities are given as collateral for the entire duration of the transaction;
- government securities given as collateral for bankers' drafts, as guarantee for transactions in foreign markets and/or as guarantee for transactions in derivatives. Securities are used as collateral until the Bank decides to stop the transactions for which the collateral or guarantees are granted;
- debt securities issued by UniCredit S.p.A. given as collateral in securities lending transactions carried out with customers. The securities are given as collateral for the entire duration of the transaction.

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

No data to report.

7. Securities lending transactions

The Bank conducts securities lending transactions on a continuous and systematic basis, with the objective of optimising the returns of customer portfolios, satisfying the requests of institutional counterparties and obtaining a profit for the Bank. The Bank operates as the borrower, borrowing the securities of its customers and using them in repos and securities lending transactions guaranteed by cash amounts with retail and institutional customers interested in the temporary ownership of the securities.

Against securities lending transactions guaranteed by other securities, the Bank issued as collateral UniCredit S.p.A. bonds, recorded in"Financial asset at amortised cost", held in a dedicated dossier at the custodian bank for an amount higher than that of the securities borrowed by the customers, with the aim of providing a collective guarantee.

The face value of the underlying securities not recognised as assets in the accounts totalled €367,091 thousand, while their fair value was €238,233 thousand, broken down as follows:

(Amounts in € thousand))

	TYPE OF SECURITIES (NOMINAL VALUE 30 JUNE 2019)		
SECURITIES RECEIVED ON LOAN FROM:	SOLD	SOLD IN REPOS	OTHER PURPOSES
Banks	-	-	-
Financial companies	-	6	1
Insurance companies	-	-	-
Non-financial companies	-	1,686	23
Other entities	578	361,153	3,644
Total nominal value	**578**	**362,845**	**3,668**

(Amounts in € thousand))

	TYPE OF SECURITIES (FAIRVALUE 30 JUNE 2019)		
SECURITIES RECEIVED ON LOAN FROM:	SOLD	SOLD IN REPOS	OTHER PURPOSES
Banks	-	-	-
Financial companies	-	111	3
Insurance companies	-	-	-
Non-financial companies	-	2,127	193
Other entities	264	226,707	8,818
Total nominal value	**264**	**228,945**	**9,014**

9. Disclosure on joint control activities

No data to report.

Part C - Consolidated Income Statement

Part C - Consolidated Income Statement

Section 1 - Interest - Items 10 and 20

1.1 Interest income and similar revenues: breakdown

(Amounts in € thousand)

ITEMS/TYPE	DEBT SECURITIES	LOANS	OTHER TRANSACTIONS	TOTAL 06.30.2019	TOTAL 06.30.2018
1. Financial assets at fair value through profit and loss	**3**	**-**	**-**	**3**	**1**
1.1 Financial assets held for trading	1	-	-	1	-
1.2 Financial assets designated at fair value	-	-	-	-	-
1.3 Other financial assets mandatorily at fair value	2	-	-	2	1
2. Financial assets at fair value through other comprehensive income	**1,653**	**-**	**X**	**1,653**	**2,211**
3. Financial assets at amortised cost	**112,736**	**37,226**	**-**	**149,962**	**141,163**
3.1 loans and receivables with banks	70,321	6,405	X	76,726	88,174
3.2 loans and receivables with customers	42,415	30,821	X	73,236	52,989
4. Hedging derivatives	**X**	**X**	**(3,224)**	**(3,224)**	**(500)**
5. Other assets	**X**	**X**	**12**	**12**	**7**
6. Financial liabilities	**X**	**X**	**X**	**1,658**	**2,057**
Total	**114,392**	**37,226**	**(3,212)**	**150,064**	**144,939**
of which: interest income on impaired financial assetes	-	104	-	104	99
of which: interest income on financial leasing	-	-	-	-	-

1.3 Interest expenses and similar charges: breakdown

(Amounts in € thousand)

ITEMS/TYPE	PAYABLES	DEBT SECURITIES IN ISSUE	OTHER TRANSACTIONS	TOTAL 06.30.2019	TOTAL 06.30.2018
1. Financial liabilities at amortised cost	(6,778)	-	-	(6,778)	(5,786)
1.1 Deposits from central banks	-	X	X	-	-
1.2 Deposits from banks	(74)	X	X	(74)	(350)
1.3 Deposits from customers	(6,704)	X	X	(6,704)	(5,436)
1.4 Debt securities in issue	X	-	X	-	-
2. Financial liabilities held for trading	-	-	-	-	-
3. Financial liabilities designated at fair value	-	-	-	-	-
4. Other liabilities and provisions	X	X	-	-	-
5. Hedging derivatives	X	X	-	-	-
6. Financial assets	X	X	X	(1,519)	(1,507)
Total	**(6,778)**	**-**	**-**	**(8,297)**	**(7,293)**
of which: interest expense related to leasing liabilities	(443)	-	-	(443)	-

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

2.1 Fee and commission income: breakdown

(Amounts in € thousand)

TYPE OF SERVICES/AMOUNTS	TOTAL 06.30.2019	TOTAL 06.30.2018
(a) guarantees given	31	34
(b) credit derivatives	-	-
(c) management, brokerage and consulting services:	271,805	258,880
1. securities trading	35,254	39,703
2. currency trading	-	-
3. segregated accounts	73,762	-
3.1. individual	-	-
3.2. collective	73,762	-
4. custody and administration of securities	181	175
5. custodian bank	-	-
6. placement of securities	6,283	5,836
7. reception and transmission of orders	6,726	6,894
8. advisory services	29,815	24,785
8.1. related to investments	29,815	24,785
8.2. related to financial structure	-	-
9. distribution of third-party services:	119,784	181,487
9.1. segregated accounts	86,082	145,638
9.1.1 individual	64	7
9.1.2 collective	86,018	145,631
of which maintenance commissions for UCIT units	84,184	143,982
9.2. insurance products	33,702	35,849
9.3. other products	-	-
(d) collection and payment services	16,305	14,445
(e) securitisation servicing	-	-
(f) factoring	-	-
(g) tax collection services	-	-
(h) management of multilateral trading systems	-	-
(i) management of current accounts	2,284	2,331
(j) other services	7,454	5,898
(k) securities lending transactions	3,145	2,900
Total	**301,024**	**284,488**

Part C - Consolidated Income Statement (CONTINUED)

2.2 Fee and commission expense: breakdown

(Amounts in € thousand)

SERVICES/AMOUNTS	TOTAL 06.30.2019	TOTAL 06.30.2018
(a) guarantees received	-	-
(b) credit derivatives	-	-
(c) management and brokerage services:	(129,561)	(127,057)
1. securities trading	(3,634)	(3,808)
2. currency trading	-	-
3. segregated accounts:	(10,027)	-
3.1 own	-	-
3.2 delegated to third parties	(10,027)	-
4. custody and administration of securities	(2,884)	(2,439)
5. placement of financial instruments	-	-
6. cold-calling to offer securities, products and services	(113,016)	(120,810)
(d) collection and payment services	(11,644)	(10,288)
(e) other services	(123)	(189)
(f) securities lending transactions	(1,053)	(975)
Total	**(142,381)**	**(138,509)**

Item “c) management and brokerage services: 6. cold-calling to offer securities, products and services”, includes costs incurred in relation to Equity Settled and Cash Settled plans assigned to personal financial advisors, that are respectively recorded against the item 150. “Reserves” of the net equity for an amount of €125 thousand (€195thousand as at June 30, 2018) and the item 80. “Other liabilities” for an amount of €24 thousand (€60 thousand as at June 30, 2018).

Section 3 – Dividend income and similar revenue – Item 70

3.1 Dividend income and similar revenue: breakdown

(Amounts in € thousand)

ITEMS/INCOME	TOTAL 06.30.2019		TOTAL 06.30.2018	
	DIVIDENDS	INCOME FROM UCITS UNITS	DIVIDENDS	INCOME FROM UCITS UNITS
A. Financial assets held for trading	38	-	32	
B. Other financial assets mandatorily at fair value	25	-	20	
C. Financial assets at fair value through other comprehensive income	-	-		
D. Equity investments	-	X	-	X
Total	**63**	**-**	**52**	**-**

Section 4 – Gains (losses) on financial assets and liabilities held for trading – Item 80

4.1 Gains (losses) on financial assets and liabilities held for trading: breakdown

As at June 30, 2019

(Amounts in € thousand)

TRANSACTIONS/INCOME ITEMS	UNREALISED GAINS (A)	REALIZED GAINS (B)	UNREALISED LOSSES (C)	REALIZED LOSSES (D)	NET PROFIT (LOSS) [(A+B)-(C+D)]
1. Financial assets held for trading	**51**	**60,689**	**(12)**	**(55,788)**	**4,940**
1.1 Debt securities	1	2,032	-	(1,770)	263
1.2 Equity instruments	50	58,313	(12)	(53,680)	4,671
1.3 UCITS units	-	344	-	(338)	6
1.4 Loans	-	-	-	-	-
1.5 Other	-	-	-	-	-
2. Financial liabilities held for trading	**1**	**304**	**(3)**	**(248)**	**54**
2.1 Debt securities	-	-	-	-	-
2.2 Payables	-	-	-	-	-
2.3 Other	1	304	(3)	(248)	54
Financial assets and liabilities: exchange differences	X	X	X	X	**5,785**
3. Derivatives	**4,962**	**26,095**	**(4,741)**	**(21,635)**	**7,376**
3.1 Financial derivatives:	4,962	26,095	(4,741)	(21,635)	7,376
- On debt securities and interest rates	72	535	(64)	(506)	37
- On equity securities and share indices	4,861	23,808	(4,614)	(19,923)	4,132
- On currencies and gold	X	X	X	X	2,695
- Other	29	1,752	(63)	(1,206)	512
3.2 Credit derivatives	-	-	-	-	-
of which: natural hedge related to the fair value option	X	X	X	X	-
Total	**5,014**	**87,088**	**(4,756)**	**(77,671)**	**18,155**

As at June 30, 2018

(Amounts in € thousand)

TRANSACTIONS/INCOME ITEMS	UNREALISED GAINS (A)	REALIZED GAINS (B)	UNREALISED LOSSES (C)	REALIZED LOSSES (D)	NET PROFIT (LOSS) [(A+B)-(C+D)]
1. Financial assets held for trading	**11**	**64,226**	**(110)**	**(58,923)**	**5,204**
1.1 Debt securities	-	1,446	(1)	(1,281)	164
1.2 Equity instruments	11	61,660	(107)	(56,656)	4,908
1.3 UCITS units	-	1,120	(2)	(986)	132
1.4 Loans	-	-	-	-	-
1.5 Other	-	-	-	-	-
2. Financial liabilities held for trading	**3**	**461**	**-**	**(525)**	**(61)**
2.1 Debt securities	-	-	-	-	-
2.2 Payables	-	-	-	-	-
2.3 Other	3	461	-	(525)	(61)
Financial assets and liabilities: exchange differences	X	X	X	X	**2,711**
3. Derivatives	**6,926**	**38,599**	**(7,478)**	**(26,296)**	**18,125**
3.1 Financial derivatives:	6,926	38,599	(7,478)	(26,296)	18,125
- On debt securities and interest rates	232	1,026	(227)	(846)	185
- On equity securities and share indices	6,599	35,553	(7,249)	(24,374)	10,529
- On currencies and gold	X	X	X	X	6,374
- Other	95	2,020	(2)	(1,076)	1,037
3.2 Credit derivatives	-	-	-	-	-
of which: natural hedge related to the fair value option	X	X	X	X	-
Total	**6,940**	**103,286**	**(7,588)**	**(85,744)**	**25,979**

Part C - Consolidated Income Statement (Continued)

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

5.1 Fair value adjustments in hedge accounting: breakdown

(Amounts in € thousand)

INCOME ITEMS/AMOUNTS	TOTAL 06.30.2019	TOTAL 06.30.2018
A. Gains on:		
A.1 Fair value hedging instruments	14,559	2,746
A.2 Hedged asset items (in fair value hedge relationship)	59,587	2,067
A.3 Hedged liability items (in fair value hedge relationship)	-	-
A.4 Cash-flow hedging derivatives	-	-
A.5 Assets and liabilities denominated in currency	-	-
Total gains on hedging activities (A)	**74,146**	**4,813**
B. Losses on:		
B.1 Fair value hedging instruments	(60,059)	(2,000)
B.2 Hedged asset items (in fair value hedge relationship)	-	-
B.3 Hedged liability items (in fair value hedge relationship)	(14,468)	(2,743)
B.4 Cash-flow hedging derivatives	-	-
B.5 Assets and liabilities denominated in currency	-	-
Total losses on hedging activities (B)	**(74,527)**	**(4,743)**
C. Fair value adjustments in hedge accounting (A-B)	**(381)**	**70**
of which: net profit (loss) on net position	-	-

Section 6 – Gains (Losses) on disposals/repurchases – Item 100

6.1 Gains (Losses) on disposals/repurchases: breakdown

(Amounts in € thousand)

ITEMS/INCOME ITEMS	TOTAL 06.30.2019			TOTAL 06.30.2018		
	GAINS	LOSSES	NET PROFIT (LOSS)	GAINS	LOSSES	NET PROFIT (LOSS)
Financial assets						
1. Financial assets at amortised cost	2,057	-	2,057	-	-	-
1.1 Loans and receivables with banks	1,831	-	1,831	-	-	-
1.2 Loans and receivables with customers	226	-	226	-	-	-
2. Financial assets at fair value through other comprehensive income	984	(257)	727	134	-	134
2.1 Debt securities	984	(257)	727	134	-	134
2.2 Loans	-	-	-	-	-	-
Total assets (A)	**3,041**	**(257)**	**2,784**	**134**	**-**	**134**
Financial liabilities at amortised cost						
1. Deposits from banks	-	-	-	-	-	-
2. Deposits from customers	-	-	-	-	-	-
3. Debt securities in issue	-	-	-	-	-	-
Total liabilities (B)	**-**	**-**	**-**	**-**	**-**	**-**

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

7.1 Gain (losses) on financial assets and liabilities measured at fair value through profit and loss: breakdown of financial assets and liabilities designated at fair value

No data to report.

7.2 Gain (losses) on financial assets and liabilities measured at fair value through profit and loss: breakdown of other financial assets mandatorily at fair value

As at June 30, 2019

(Amounts in € thousand)

TRANSACTIONS/INCOME ITEMS	UNREALISED GAINS (A)	REALISED GAINS (B)	UNREALISED LOSSES (C)	REALISED LOSSES (D)	NET PROFIT (LOSS) [(A+B)-(C+D)]
1. Financial assets	**1,895**	**46**	**(4,763)**	**-**	**(2,822)**
1.1 Debt securities	1	4	-	-	5
1.2 Equity instruments	1,879	4	(4,763)	-	(2,880)
1.3 UCITS units	15	38	-	-	53
1.4 Loans	-	-	-	-	-
2. Financial assets in currency: exchange differences	X	X	X	X	**38**
Total	**1,895**	**46**	**(4,763)**	**-**	**(2,784)**

As at June 30, 2018

(Amounts in € thousand)

TRANSACTIONS/INCOME ITEMS	UNREALISED GAINS (A)	REALISED GAINS (B)	UNREALISED LOSSES (C)	REALISED LOSSES (D)	NET PROFIT (LOSS) [(A+B)-(C+D)]
1. Financial assets	**1,333**	**6**	**(2)**	**(65)**	**1,272**
1.1 Debt securities	-	2	(1)	-	1
1.2 Equity instruments	1,333	4	(1)	-	1,336
1.3 UCITS units	-	-	-	(65)	(65)
1.4 Loans	-	-	-	-	-
2. Financial assets in currency: exchange differences	X	X	X	X	**130**
Total	**1,333**	**6**	**(2)**	**(65)**	**1,402**

Section 8 – Impairment losses - Item 130

8.1 Impairment losses on financial assets at amortised cost: breakdown

(Amounts in € thousand)

TRANSACTIONS/INCOME ITEMS	IMPAIRMENT			WRITE-BACKS (2)		TOTAL 06.30.2019	TOTAL 06.30.2018
	FIRST AND SECOND STAGE	THIRD STAGE		FIRST AND SECOND STAGE	THIRD STAGE		
		WRITE-OFF	OTHER				
A. Loans and receivables with banks	**(204)**	**-**	**-**	**8,780**	**-**	**8,576**	**7,266**
- Loans	(171)	-	-	2,253	-	2,082	1,597
- Debt securities	(33)	-	-	6,527	-	6,494	5,669
of which: financial assetes purchased or originated credit impaired	-	-	-	-	-	-	-
B. Loans and receivables with customers	**(4,196)**	**(55)**	**(2,597)**	**2,833**	**1,105**	**(2,910)**	**(3,456)**
- Loans	(3,502)	(55)	(2,597)	2,789	1,105	(2,260)	(3,142)
- Debt securities	(694)	-	-	44	-	(650)	(314)
of which: financial assetes purchased or originated credit impaired	-	-	-	-	-	-	-
Total	**(4,400)**	**(55)**	**(2,597)**	**11,613**	**1,105**	**5,666**	**3,810**

Part C - Consolidated Income Statement (CONTINUED)

8.2 Impairment losses on financial assets at fair value through comprehensive income: breakdown

(Amounts in € thousand)

TRANSACTIONS/INCOME ITEMS	IMPAIRMENT (1) FIRST AND SECOND STAGE	IMPAIRMENT (1) THIRD STAGE WRITE-OFF	IMPAIRMENT (1) THIRD STAGE OTHER	WRITE-BACKS (2) FIRST AND SECOND STAGE	WRITE-BACKS (2) THIRD STAGE	TOTAL 06.30.2019	TOTAL 06.30.2018
A. Debt securities	(39)	-	-	-	-	(39)	(53)
B. Loans and receivables	-	-	-	-	-	-	-
- With customers	-	-	-	-	-	-	-
- With banks	-	-	-	-	-	-	-
of which: financial assetes purchased or originated credit impaired	-	-	-	-	-	-	-
Total	**(39)**	**-**	**-**	**-**	**-**	**(39)**	**(53)**

Section 9 – Profit/loss from contract changes without cancellation – Item 140

No data to report.

Section 10 – Net premiums – Item 160

No data to report.

Section 11 – Balance of other net operating income and charges from insurance management – Item 170

No data to report.

Section 12 – Administrative expenses – Item 190

12.1 Staff expenses: breakdown

(Amounts in € thousand)

TYPE OF EXPENSES/SECTORS	TOTAL 06.30.2019	TOTAL 06.30.2018
1) Employees	(43,307)	(40,793)
a) wages and salaries	(29,955)	(27,320)
b) social security contributions	(7,577)	(7,327)
c) pension costs	(420)	(469)
d) severance pay	-	-
e) allocation to employee severance pay provision	(63)	(60)
f) provision for retirements and similar provisions:		
- defined contribution	-	-
- defined benefit	-	-
g) payments to external pension funds:		
- defined contribution	(1,786)	(1,657)
- defined benefit	-	-
h) costs related to share-based payments	(1,621)	(1,918)
i) other employee benefits	(1,979)	(2,162)
l) recovery of expenses for employees seconded	94	120
2) Other staff	(134)	(63)
3) Directors and statutory auditors	(656)	(647)
4) Early retirement costs	-	-
Total	**(44,097)**	**(41,503)**

Item 1 “h) Employees: costs related to share-based payments” includes costs incurred in relation to payment agreements based on financial instruments issued by the Bank, that are recorded against the item 150. “Reserves” of the net equity for an amount of €1,620 thousand (€1,898 thousand as at June 30, 2018), and on financial instruments issued by UniCredit S.p.A., that are recorded against the item 80. “Other liabilities” for an amount of €1 thousand (€20 thousand as at June 30, 2018).

12.4 Other employee benefits

(Amounts in € thousand)

TYPE OF EXPENSES/AMOUNTS	TOTAL 06.30.2019	TOTAL 06.30.2018
Leaving incentives	(5)	(4)
Medical plan	(536)	(516)
Luncheon vouchers	(483)	(474)
Other	(955)	(1,168)
Total	**(1,979)**	**(2,162)**

12.5 Other administrative expenses: breakdown

(Amounts in € thousand)

	TOTAL 06.30.2019	TOTAL 06.30.2018
1) INDIRECT TAXES AND DUTIES	**(52,975)**	**(51,040)**
2) MISCELLANEOUS COSTS AND EXPENSES		
A) Advertising expenses - Marketing and communication	**(12,303)**	**(9,083)**
Mass media communications	(8,842)	(6,368)
Marketing and promotions	(2,655)	(2,682)
Sponsorships	(37)	(11)
Conventions and internal communications	(769)	(22)
B) Expenses related to credit risk	**(840)**	**(881)**
Credit recovery expenses	(307)	(292)
Commercial information and company searches	(533)	(589)
C) Expenses related to personnel	**(11,887)**	**(15,200)**
Personnel training	(296)	(246)
Car rental and other staff expenses	(39)	(33)
Personal financial advisor expenses	(11,036)	(14,496)
Travel expenses	(487)	(362)
Premises rentals for personnel	(29)	(63)
D) ICT expenses	**(18,346)**	**(16,599)**
Lease of ICT equipment and software	(1,255)	(1,207)
Software expenses: lease and maintenance	(4,847)	(4,322)
ICT communication systems	(3,385)	(3,111)
ICT services: external personnel/outsourced services	(3,504)	(2,988)
Financial information providers	(5,355)	(4,971)
E) Consultancies and professional services	**(2,154)**	**(2,323)**
Consultancy on ordinary activities	(1,152)	(1,729)
Consultancy for one-off regulatory compliance projects	-	(10)
Consultancy for strategy, business development and organisational optimisation	(503)	(247)
Legal expenses	(260)	(24)
Legal disputes	(239)	(313)
F) Real estate expenses	**(4,247)**	**(10,020)**
Real estate services	(250)	(353)
Repair and maintenance of furniture, machinery, and equipment	(135)	(232)
Maintenance of premises	(992)	(884)
Premises rentals	(1,421)	(7,270)
Cleaning of premises	(289)	(282)
Utilities	(1,160)	(999)
G) Other functioning costs	**(19,882)**	**(20,661)**
Surveillance and security services	(202)	(202)
Postage and transport of documents	(1,971)	(1,819)
Administrative and logistic services	(8,737)	(9,734)
Insurance	(1,756)	(1,983)
Printing and stationery	(181)	(258)
Association dues and fees	(6,779)	(6,518)
Other administrative expenses	(256)	(147)
Total	**(122,634)**	**(125,807)**

Item “C) Expenses related to personnel - Personal financial advisor expenses“, includes costs, incurred by the Bank in relation to the plan “PFA 2015-2017” assigned to personal financial advisors, that are recorded against the item 150. “Reserves” of the net equity for an amount of €1,300 thousand (€2,281 thousand June 30, 2018).

Part C - Consolidated Income Statement (CONTINUED)

Section 13 – Net provisions for risks and charges – Item 200

13.1 Net provisions for credit risk of commitments and financial guarantees given: breakdown

(Amounts in € thousand)

TRANSACTIONS/INCOME ITEMS	IMPAIRMENT		WRITE-BACKS		TOTAL 06.30.2019	TOTAL 06.30.2018
	FIRST AND SECOND STAGE	THIRD STAGE	FIRST AND SECOND STAGE	THIRD STAGE		
1. Commitments	(14)	-	9	-	(5)	388
2. Financial guarantees given	(1)	-	38	-	37	-
Total	**(15)**	**-**	**47**	**-**	**32**	**388**

13.2 Net provisions for risks and charges relating to other commitments and other guarantees given: breakdown

No data to report.

13.3 Net provisions for risks and charges: breakdown

(Amounts in € thousand)

	TOTAL 06.30.2019			TOTAL 06.30.2018		
	PROVISIONS	REALLOCATIONS	TOTAL	PROVISIONS	REALLOCATIONS	TOTAL
Legal and fiscal disputes	(3,827)	3,276	(551)	(1,657)	1,021	(636)
Supplementary customer indemnity provision	(2,777)	-	(2,777)	(2,812)	-	(2,812)
Other provisions for risks and charges	(768)	260	(508)	(251)	-	(251)
Total	**(7,372)**	**3,536**	**(3,836)**	**(4,720)**	**1,021**	**(3,699)**

Section 14 – Net impairment/write-backs on property, plant and equipment – Item 210

14.1 Impairment/write-backs on property, plant and equipment: breakdown

(Amounts in € thousand)

ASSETS/INCOME ITEMS	DEPRECIATION (A)	WRITE-DOWNS (B)	WRITE-BACKS (C)	NET PROFIT (LOSS) 06.30.2019 (A+B-C)	NET PROFIT (LOSS) 06.30.2018
A. Property, plant and equipment					
1. Used in the business	(7,773)	(34)	-	**(7,807)**	**(2,344)**
- Owned	(3,282)	(34)	-	**(3,316)**	**(2,344)**
- Right of use purchased with lease	(4,491)	-	-	**(4,491)**	**-**
2. Held for investment	(54)	-	-	**(54)**	**(55)**
- Owned	(54)	-	-	**(54)**	**(55)**
- Right of use purchased with lease	-	-	-	**-**	-
3. Closing balances	X	-	-	**-**	**-**
Total	**(7,827)**	**(34)**	**-**	**(7,861)**	**(2,399)**

Write-downs were recognised in the period for insignificant amounts and mainly in relation to office furniture and fittings for which a zero value in use was determined.

A description of the methods used to calculate depreciation is provided in Part A – Accounting Policies of the Notes to the accounts.

Section 15 – Net impairment/write-backs on intangible assets – Item 220

15.1 Impairment on intangible assets: breakdown

(Amounts in € thousand)

ASSETS/INCOME ITEMS	DEPRECIATION (A)	WRITE-DOWNS (B)	WRITE-BACKS (C)	NET PROFIT (LOSS) 06.30.2019 (A+B-C)	NET PROFIT (LOSS) 06.30.2018
A. Intangible assets					
A.1 Owned	(2,650)	-	-	**(2,650)**	**(2,437)**
- Generated internally by the company	-	-	-	**-**	**-**
- Other	(2,650)	-	-	**(2,650)**	**(2,437)**
A.2 Right of use purchased with lease	-	-	-	-	-
Total	**(2,650)**	**-**	**-**	**(2,650)**	**(2,437)**

A description of the methods used to calculate depreciation is provided in Part A – Accounting Policies of the Notes to the accounts.

For the disclosures required by IAS 36 paragraph 134, d), e), f) and 135, c), d), e), see Part B paragraph 13.3 Other information.

Section 16 – Other net operating income – Item 230

16.1 Other operating expenses: breakdown

(Amounts in € thousand)

	TOTAL 06.30.2019	TOTAL 06.30.2018
Refunds and allowances	(87)	(83)
Penalties, fines and unfavourable rulings	(372)	(201)
Improvements and incremental expenses incurred on leasehold properties	(1,104)	(1,112)
Improvements and incremental expenses incurred on group properties	(5)	(13)
Exceptional write-downs of assets	(118)	(71)
Other operating expense	(110)	(42)
Total	**(1,796)**	**(1,522)**

16.2 Other operating income: breakdown

(Amounts in € thousand)

	TOTAL 06.30.2019	TOTAL 06.30.2018
Recovery of expenses:	50,817	48,624
- recovery of ancillary expenses - other	82	82
- recovery of taxes	50,735	48,542
Rental income from real estate investments	399	-
Other income from current year	825	980
Total	**52,041**	**49,604**

Section 17 – Profit (loss) of associates – Item 250

No data to report.

Section 18 – Gains (losses) on tangible and intangible assets measured at fair value – Item 260

No data to report.

Part C - Consolidated Income Statement (CONTINUED)

Section 19 – Impairment of goodwill – Item 270

No data to report.

Section 20 – Gains (losses) on disposal of investments – Item 280

20.1 Gains (losses) on disposal of investments: breakdown

(Amounts in € thousand)

INCOME ITEMS/SECTORS	TOTAL 06.30.2019	TOTAL 06.30.2018
A. Properties		
- Gains on disposal	-	-
- Losses on disposal	-	-
B. Other assets		
- Gains on disposal	-	-
- Losses on disposal	-	(143)
Net profit (loss)	**-**	**(143)**

Section 21 – Tax expense (income) related to profit or loss from continuing operations – Item 300

21.1 Tax expense (income) related to profit or loss from continuing operations: breakdown

(Amounts in € thousand)

INCOME ITEMS/SECTORS	TOTAL 06.30.2019	TOTAL 06.30.2018
1. Current tax (-)	(57,771)	(60,382)
2. Adjustment to current tax of prior years (+/-)	-	-
3. Reduction of current tax for the year (+)	-	-
3.bis Reduction of current tax for the year due to tax receivables pursuant to Law 214/2011 (+)	-	-
4. Changes in deferred tax assets (+/-)	(2,499)	(1,686)
5. Changes in deferred tax liabilities (+/-)	1,309	(254)
6. Tax expense for the year (-) (-1+/-2+3+ 3 bis +/-4+/-5)	(58,961)	(62,322)

Section 22 – Profit (Loss) after tax from discontinued operations – Item 320

No data to report.

Section 23 – Minority interests – Item 340

No data to report.

Section 24 – Other information

No data to report.

Section 25 - Earnings per share

25.1 Average number of diluted ordinary shares

Basic earnings per share are calculated by dividing the net profit of the first half 2019 by the average number of ordinary shares outstanding during the first half 2019.

	06.30.2019	06.30.2018
Net profit for the year (€ thousands)	134,114	125,179
Average number of outstanding shares	607,364,136	608,111,697
Average number of outstanding shares (including potential ordinary shares with dilution effect)	608,821,074	609,512,881
Basic earnings per share	0.22	0.21
Diluted Earnings Per Share	0.22	0.21

25.2 Other information

No data to report.

Part E - Information on Risks and relating hedging policies

Introduction

In order to ensure lean and efficient management of risks, the risk management process is structured in accordance with the organisational choices made by the Group and the provisions of the Supervisory Instructions for Banks pertaining to the internal control system.

Risk management and control is performed by the Risk Management function of the Group. The organisational model provides for a specific contact person, the Chief Risk Officer (hereinafter, "CRO") of the Parent Company, who is responsible for credit risk, market risk, operating risk and reputational risk.

The Parent Company is responsible for first and second-level monitoring, especially for verifying that the risk level of individual companies is compatible with the guidelines set by the Board of Directors, individual company equity, and prudential supervisory rules.

Organisational structure

The Board of Directors of FinecoBank is tasked with setting the strategic policies and the guidelines for the organisational and operational structures, overseeing and monitoring their timely execution within the risk profiles of assigned. The Board of Directors is responsible for establishing and approving the methods through which risks are detected and assessed and for approving the risk management strategic direction and policies. The Board of Directors also verifies that the internal control structure is consistent with the risk tolerance established and approves policies for the management of risks.

The Chief Executive Officer and General Manager has been assigned specific powers by the Board of Directors in all the Group's areas of activity. These powers are to be exercised in accordance with the applicable regulations and within the limits of the Parent Company directives and the policies, instructions, limits, risk assumption procedures and using the operational methods governed by the applicable information notices. The Chief Executive Officer and General Manager puts in place the necessary measures to ensure the establishment and maintenance of an efficient and effective internal control system.

The CRO Department, is responsible for credit operations and risk management. The disclosure, at various levels, is provided by the various Bodies (Chief Executive Officer and General Manager, Board of Directors, Risk and Related Parties Committee). In relation to the Basel Pillar 2 instructions, reputational and business risk and, in collaboration with the CFO, liquidity risk are also monitored and reported.

The CRO and the CFO are responsible for proposing the Group Risk Appetite Framework and setting risk management strategies and policies, in line with the Bank's strategies and objectives, coordinating and monitoring their implementation by the units responsible, also in the various company areas.

The CRO Department ensures the control of the Group's overall risk profile by monitoring the various types of risk exposure, in accordance with the methods established by the Board of Directors.

The Risk Management Unit prevents and monitors different components of the Group risks. The function specifically controls credit, market and operational risks to which the Group is exposed. The Risk Management function also monitors business, reputational and liquidity risk. The Risk Management Unit supports the CRO, in the area of responsibility of the Department, in monitoring and reporting to the Strategic Supervision and Management Bodies.

Given the complexity of the Group's activities and the significant risks involved, the Board of Directors decided to establish an Risk and Related Parties Committee to carry out internal control tasks; the committee is made up of non-executive members of the same Board and its task is to carry out adequate investigations to support the Board of Directors in its assessments and decisions on the internal control system and risk management.

Lastly, the participation by the Chief Risk Officer and Head of Risk Management in the Products Committee ensures oversight of the operational risk associated with the new business activities, as well as creating and disseminating a risk culture in the various functional areas of the Group.

Risk culture

As indicated in the Risk Appetite Framework, the Group adopts a strategic approach to using a robust business model with a low risk appetite in order to create the foundations for sustainable profit and a return on the cost of capital, guaranteeing continuity in generating revenues. The Group's ambition is to achieve this result with the support of an optimal Internal Control System, with procedures that are effective and efficient at managing every risk.

To internalise these principles and values, and adopt a risk culture in day-to-day activities, numerous initiatives have been adopted, and in particular:

- Managerial Committees have been set up to ensure a risk awareness disseminated at all levels of the organisation, with the involvement of both business and control structures (so-called "tone from the top");
- incentive mechanisms have been adopted that consider a weighting for risks related to the annual performance of a subset of RAF indicators (so called "CRO Dashboard");
- ongoing relations are maintained with the Chief Risk Officers of Group Companies, to share information on the risk profile and on development plans, to improve their evolution and risk management;
- induction activities are held regularly with the Board of Directors and issues concerning risks are investigated in-depth with the Risks and Related Parties Committee;

- employees are given the chance to take part in the Risk Academy, in association with competence centres for learning and training, in order to develop and standardise an understanding and knowledge of risk.

Section 1 – Consolidated financial statements risks

This section provides information referring to FinecoBank and Fineco AM, companies included in the consolidated financial statements risks.

As regards Fineco AM, risk management and control are ensured by the Risk Management function of the company, entrusted to the Chief Risk Officer, hierarchically dependent on the CEO and functionally dependent on the CRO of FinecoBank S.p.A.. FinecoBank's internal control system is structured according to the regulatory indications provided by the current legislation. The methods of control, monitoring and reporting already in place in FinecoBank have been extended to Fineco AM modifying, where necessary, the methods of analysis and controls adapting them to the size, nature and complexity of the business.

Specifically, there are two main risk management activities carried out: the traditional activity of controlling the adherence of the risk/return profile of each fund (Fund Risk Management) and the activity of overseeing operational risks (Operational Risk Management); however provided for in Irish legislation.

Quantitative information

A. Credit quality

A.1 Impaired and unimpaired exposure: amounts, impairment, changes, distribution by business activity

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

(Amounts in € thousand)

PORTFOLIO/QUALITY	BAD EXPOSURES	UNLIKELY TO PAY	PAST DUE IMPAIRED EXPOSURES	PAST DUE UNIMPAIRED EXPOSURES	OTHER UNIMPAIRED EXPOSURES	TOTAL
1. Financial assest at amortised cost	1,764	970	559	38,526	23,657,866	**23,699,685**
2. Financial assets at fair value through other comprehensive income	-	-	-	-	320,608	**320,608**
3. Financial assets designated at fair value	-	-	-	-	-	**-**
4. Other financial assets mandatorily at fair value	-	-	-	-	43	**43**
5. Financial instruments classified as held for sale	-	-	-	-	-	**-**
Total 30 June 2019	**1,764**	**970**	**559**	**38,526**	**23,978,517**	**24,020,336**
Total 31 December 2018	**1,647**	**617**	**553**	**11,605**	**24,217,435**	**24,231,857**

As at June 30, 2019 there were no impaired purchased loans.

A.1.2 Breakdown of financial assets by portfolio and credit quality (gross and net values)

(Amounts in € thousand)

PORTFOLIO/QUALITY	IMPAIRED GROSS EXPOSURE	IMPAIRED TOTAL IMPAIRMENT PROVISION	IMPAIRED NET EXPOSURE	IMPAIRED TOTAL PARTIAL WRITE-OFFS	UNIMPAIRED GROSS EXPOSURE	UNIMPAIRED TOTAL IMPAIRMENT PROVISION	UNIMPAIRED NET EXPOSURE	TOTAL (NET EXPOSURE)
1. Financial assest at amortised cost	23,134	(19,841)	3,293	-	23,714,195	(17,804)	23,696,391	23,699,684
2. Financial assets at fair value through other comprehensive income	-	-	-	-	320,674	(66)	320,608	320,608
3. Financial assets designated at fair value	-	-	-	-	X	X	-	-
4. Other financial assets mandatorily at fair value	-	-	-	-	X	X	43	43
5. Financial instruments classified as held for sale	-	-	-	-	-	-	-	-
Total 30 June 2019	**23,134**	**(19,841)**	**3,293**	**-**	**24,034,869**	**(17,870)**	**24,017,042**	**24,020,335**
Total 31 December 2018	**23,936**	**(21,118)**	**2,818**	**-**	**24,254,263**	**(25,290)**	**24,229,039**	**24,231,857**

(Amounts in € thousand)

PORTFOLIO/QUALITY	ASSETS WITH OF CLEARLY POOR CREDIT QUALITY: ACCUMULATED UNREALISED LOSSES	ASSETS WITH OF CLEARLY POOR CREDIT QUALITY: NET EXPOSURE	OTHER ASSETS: NET EXPOSURE
1. Financial assets held for trading	-	-	4,253
2. Hedging derivatives	-	-	17,722
Total 30 June 2019	**-**	**-**	**21,975**
Total 31 December 2018	**-**	**-**	**8,078**

B. Disclosure on structured entities (other than securitisation companies)

B.1 Consolidated structured entities

No data to report.

B.2 Non-consolidated structured entities

B.2.1 Consolidated structured entities for supervisory purposes

No data to report

B.2.2 Other structured entities

Qualitative information

The Group has exposures towards unconsolidated structured entities as a result of investments in units issued by investment funds (UCITS) that qualify as structured entities according to IFRS 12.

Quantitative information

The table below shows the assets, liabilities and off-balance sheet exposure to structured entities represented by unconsolidated UCITS units.

(Amounts in € thousand)

BALANCE SHEET ITEMS/TYPE OF STRUCTURED ENTITY	ACCOUNTING PORTFOLIOS OF ASSETS	TOTAL ASSETS (A)	ACCOUNTING PORTFOLIOS OF LIABILITIES	TOTAL LIABILITIES (B)	NET CARRYING AMOUNT (C=A-B)	MAXIMUM EXPOSURE TO LOSS (D)	DIFFERENCE BETWEEN EXPOSURE TO THE RISK OF LOSS AND THE CARRYING AMOUNT (E=D-C)
1.U.C.I.TS.	MFV	415		-	415	415	-
	AC	8		-	8	8	-
TOTAL		423		-	423	423	-

Key
MFV = Financial assets mandatorily at fair value
AC = Financial assets at amortised cost

Section 2 – Prudential consolidated risks

Qualitative information

1. General Matters

The Group's objective is to provide an adequate range of products able to satisfy and encourage loyalty among customers, through a competitive and complete offer. The development of the products and of the product line must also seek to maintain portfolio quality and, in any event, adequate processes to monitor profitability.

The factors that generate credit risk are determined by acceptance and creditworthiness polices, which are always adequately correlated to the risk/return ratio and in line with the Risk Appetite defined by the Board of Directors.

The quality of the loan portfolio, which is constantly monitored and supported by risk mitigation instruments, is protected by scoring models that contribute to evaluation during the approval process, ensuring that it is consistent and controlled. In addition to adequate coverage of the risk levels, monitoring of the portfolio and its segmentation by product and seniority allow a better understanding of the best loan issue strategies. The identification of any high-risk areas permits intervention on the automated measurement systems as well as on disbursement standards, with the possibility to take measures to limit credit risk in advance.

The credit product offer has evolved over the years, especially through the offer of mortgages loans, launched in 2016, and the granting of current account credit facilities guaranteed by a pledge on securities and investment funds with the rotational clause (Credit Lombard). Credit Lombard is the solution of FinecoBank suitable for net worth clients who wish to obtain additional liquidity from their investments.

The mortgage offering mainly involves mortgages for the purchase of first and second homes (including subrogation), in addition to home-secured loans and, to a limited extent, non-residential mortgages. As at June 30, 2019, the carrying amount of mortgage loans amounted to €977 million.

The Group, moreover, continued to develop products already included in its catalogue by issuing convenience credit cards to current account holders and granting personal loans. The latter can also be assessed using the "Instant approval", a service that allows the request to be assessed in a few moments and to provide the loan in real time to selected customers.

Choices concerning the investment of the Bank's liquidity are governed by a prudential approach aimed at containing credit risk and mainly involve the subscription of Eurozone government bonds to diversify the exposure in bond instruments issued by UniCredit S.p.A. which will be carried to maturity. In order to optimise its portfolio by diversifying counterparty risk, in the first half 2019 the Group also increased its exposure to Italian government securities (for more details, see the Information on Sovereign Exposures).

2. Credit Risk Management Policy

2.1 Organisational aspects

The credit process can be broken down into the following stages:

- assessment of creditworthiness;
- granting/disbursement of credit;
- credit monitoring;
- management of impaired loans;
- risk measurement and control.

The assessment of creditworthiness entails ascertaining the ability of the borrower to repay. It is performed by specific centralised and specialist operating units in the various product lines disbursed to customers (personal loans, credit cards, credit lines, and mortgages). On receipt of the request, the offices in question assess the reliability of documentation, evaluate the equity and income situation, and gather information, also by consulting public records, private banks and system data such as the information contained in the Bank of Italy's risk centre.

In addition to an assessment of creditworthiness by the dedicated functions, credit approval also requires that they assess the compatibility of the request with the customer's overall situation, considering the amount requested and agreeing on a different amount with the Customer, where necessary, evaluate and finalise guarantees, if any, linking them to credit facilities and filing them according to specific processes. Lastly, the decision-making parties approve or reject the application on the basis of their powers or send the application to a higher decision-making body.

Credit monitoring is carried out on credit lines to check that the economic situation of the customer and the guarantor that resulted in the approval has not changed. This check may entail collecting updated system data and information, as well as information from private banks. Checks are carried out according to established processes at set intervals, and may vary according to the amount of the credit line granted.

With regard to products with amortization schedule and in particular for mortgages, specific measurements of outstanding amounts are made for movement between statuses. This method is also accompanied by the collection of information on the debtor customer already used when granting credit lines.

In line with the general principles laid down by the Regulatory Authority, receivables are classified on the basis of the level of impairment, which may be established on the basis of qualitative or quantitative criteria.

The management of impaired loans entails taking all action necessary to restore them to normality or to recover the credits in situations where the relationship cannot be continued. All of these measures are established by specific processes based on the type and amount of the past-due loan and the past-due period as well as taking into account any financial assets of the customer, which may be offered as collateral. Credit collection is performed through payment reminders directly carried out by the Group as well as through reminders and debt recovery carried out by specialised, authorised external companies.

Lastly, management also entails forecasting losses on an individual basis, which is continuously updated based on the progress of recovery actions for the amounts due or based on information collected during the recovery actions.

The measurement and control of credit risk takes place at the assessment stage with the support of scoring tools that analyse the customers' socio-demographic profiles, making an assessment of individual counterparties on a statistical basis and supplementing the assessment, on one hand, with the support of credit bureaus for better knowledge of public and private data and on the other hand, with information contained in the Bank of Italy's risk centre.

Credit risk control is also performed through the systematic assessment of the performance of loan portfolios in order to estimate expected losses and intervene on disbursement policies where necessary.

2.1.1 Factors that generate Credit Risk

In the course of its credit business activities the Group is exposed to the risk that its loans may, due to the deterioration of the debtor's financial condition, not be repaid at maturity, and thus result in a partial or full write-down. This risk is always inherent in traditional lending operations regardless of the form of the credit facility. The main reasons for default lie in the borrower's lack of autonomous ability to ensure the repayment of the debt.

The main causes of default are attributable to the loss of the borrower's autonomous capacity to ensure repayment of the debt, as well as to the emergence of macro-economic and political circumstances that are reflected in the financial conditions of the debtor.

In addition to the risk associated with the granting and disbursement of credit, the Group is also exposed to counterparty risk. Counterparty risk is defined as the risk that a counterparty to one of the transactions is in default prior to the final settlement of the cash flows involved in the transaction.

Other banking activities, in addition to traditional loans and deposits, may expose the Group to additional credit risks. Counterparty risk may, for example, derive from:

- entering into derivative contracts;
- purchasing and selling securities, futures, or currencies;
- holding third-party securities.

The counterparties to these transactions or the issuers of securities held by Group companies could be in default due to insolvency, political and economic events, lack of liquidity, operational weakness or other reasons. Failure to comply with a large number of transactions or one or more transactions of a significant amount would have a materially negative effect on the Group's activity, financial condition and operating results.

In addition, "Non-Traditional Credit Risk" is generated by leverage/short transactions conducted through securities lending. Leverage/short transactions conducted through securities lending, also when there are automatic stop losses performed within the margins, can generate credit risk if the security lacks liquidity (for example, in the case of dramatic events that affect the normal functioning of markets) and/or the margin is insufficient. To anticipate such events, scenario analyses are conducted periodically to assess the impacts and implement appropriate mitigation policies.

The Group therefore controls and manages the specific risk of each counterparty as well as the overall risk of the loan portfolio through processes, structures and rules aimed at directing, controlling and standardizing the assessment and management of this risk, in line with the principles and Group best practice.

2.2 Management, measurement and control system

The credit risk, associated with the potential loss arising from customer/issuer default or from a decrease in the market value of a financial obligation due to the deterioration of its credit rating, is measured at the level of each counterparty/transaction and for the entire portfolio.

The measurement of credit risk during the issue process is supported by automated assessment systems (so-called credit scoring systems). These systems also incorporate all available information and facts: public data and private data from Credit Bureaus, flows from the Central Credit register or requests for initial information to the Bank of Italy and other information on customer performance logged by the Group. During the loan application process, attention is always focused on the possibility of optimising all information concerning customers that has been provided by the Bank and the System.

The collection of any guarantees, their assessment and the margins between the fair value of the guarantee and the amount of the loan granted are a simple kind of support to credit risk mitigation, but there is no relevant positive correlation between the value of the financial guarantee and the applicant's creditworthiness.

The purpose of the second level monitoring process, overseen by Risk Management, is to analyse the credit quality and dynamics of exposure to risk, calculating synthetic risk indicators and representing their evolution over time in order to prepare action plans necessary to mitigate or avoid risk factors. In particular, Risk Management prepares:

- the Quarterly Report on risk exposure, for the Board of Directors. This report presents the limits and parameters defined in the RAF and developments in the loans and receivables portfolio, divided by product type and classification;
- the Credit Dashboard, for Management: this instrument provides for a global assessment of portfolio risks, in order to identify asset sustainability and remuneration margins;
- specific reports produced to monitor the trend of loans and receivables by product type make it possible to identify potentially anomalous portfolio behaviour (deterioration rates) in the various dimensions analysed (customer segment, geographic area, etc.).

The counterparty risk assessment is conducted within the risk limits assigned to the counterparty's Economic Group, i.e. considering the Group's exposure towards all the parties legally and economically linked to the counterparty. At the end of the assessment, these limits are monitored by both first and second level functions.

Each year, the Board of Directors approves the "Investments Plan", i.e. general guidelines based on which the Group's strategic investments are made. The Group, in the context of the Treasury Committee, sets out these guidelines in operating plans, identifying specific risk limits for each FIBS (“Financial institutions, Banks and Sovereign) counterparty with whom the Bank will have a credit exposure, in compliance with the regulatory limits of Large Exposures, where applicable.

The Group also issued and approved the policy "Issuer risk in bonds - Contingency Plan" in 2017, aimed at defining principles and rules to efficiently and comprehensively evaluate, control and limit the issuer's risk associated with bonds in the banking book. In accordance with the policy, the Risk Management function monitors a series of indicators to analyse the exposure of the Group's portfolio to issuer risk; by analysing these indicators, it is possible to identify the onset of anomalous situations and assess the need to take corrective actions, to deal with a deterioration in the portfolio position. Credit risk is monitored as part of trading book management activities, with a breakdown by rating class and sector of issuers that determine the level of risk implicit in contracts.

FinecoBank has adopted the accounting standard IFRS 9: Financial Instruments, since January 1st, 2018. The project, developed with the involvement of the Group's reference functions, and more recently, the Board of Directors, introduced a new model for recognising impairments for credit exposures based on (i) an “expected losses” approach instead of the previous model, which is based on the recognition of “incurred losses” and (ii) on the concept of the expected lifetime loss. For more details, see section 2.3. Methods for measuring expected losses.

2.3 Measurement methods for expected losses

In accordance with IFRS 9, financial assets at amortized cost, financial assets at fair value through comprehensive income and relevant off-balance sheet exposures are subject to impairment.

These instruments are classified in stage 1, stage 2 or stage 3 depending on their absolute or relative credit rating, compared to the initial disbursement. In particular:

- Stage 1: this includes newly originated or acquired credit exposures and exposures that have not suffered a significant deterioration in credit risk compared to the date of first recognition;
- Stage 2: this includes credit exposures that are performing but which have suffered a significant deterioration in credit risk compared to the date of first recognition;
- Stage 3: this includes impaired credit exposures.

For Stage 1 exposures, the impairment is equal to the expected loss calculated on a time frame of up to one year.

For Stage 2 and 3 exposures, the impairment is equal to the expected loss calculated on a timeframe equivalent to the residual duration of the related exposure.

In order to meet the standard, the Group has developed specific models to calculate the expected loss. These models draw on the PD, LGD and EAD estimated in conservatively manner, to which specific directions are made to ensure full cohesion with the accounting standard. In this regard, forward-looking information has also been included with the elaboration of specific scenarios.

Expected loss is calculated for the institutional counterparties, using the credit parameters provided by UniCredit S.p.A., in accordance with a specific Master Service Agreement entered into between FinecoBank and UniCredit S.p.A..

As the retail counterparties do not have internal rating systems at their disposal, they use proxies. Segmentation by product type is carried out and the PD is replaced by the average decay rate observed by the transition matrixes defining the change to non performing. This approach is based on the assumption that when there are no changes in the criteria adopted to assess the creditworthiness of the individual counterparties, the quality of the future credit will be consistent with the quality of the credit found in the time series available. To implement the requirements of the IFRS9 rule, the proxies of the parameters are corrected using forward looking information.

A key aspect of the new accounting model required to calculate the expected loss is the Stage Allocation model, the aim of which is to transfer exposures between Stage 1 and Stage 2 (as Stage 3 is equivalent to that of impaired exposures), where Stage 1 mainly includes (i) newly disbursed exposures, (ii) exposures that have no significant impairment of credit risk compared to initial recognition, and (iii) exposures with a low credit risk (low credit risk exemption) on the reporting date.

The Stage Allocation valuation model is based on a combination of relative and absolute elements: The main elements were:

- the comparison at transaction level between the PD value at the time of disbursement and the value on the reporting date, both qualified according to internal models at fixed thresholds to take into account all the key variables of each transaction that may influence the Group's expectations about ongoing changes in PD (e.g. age, maturity, level of PD at the time of disbursement);
- absolute elements such as the backstops provided for by the regulation (e.g. 30 day Expired);
- other internal findings (forborne classification).

With reference to debt instruments, the Group has opted to apply the low credit risk exemption on investment grade securities, in full accordance with the provisions of the accounting standard.

The criteria for determining the write-downs of receivables are based on the discounting of expected cash flows of principal and interest. In line with the business model, these can also refer to market operations; for determining the present value of cash flows, the basic requirement is the identification of estimated collections, the timing of payments and the discounting rate used.

The amount of the loss on impaired exposures classified as bad loans, unlikely to pay and past due and/or overdrawn impaired exposures according to the categories specified below, is the difference between the carrying value and the present value of estimated cash flows discounted at the original interest rate of the financial asset.

For all fixed-rate positions, the interest rate determined in this manner is also held constant in future years, while for floating rate positions the interest rate is updated according to contractual terms.

If the original interest rate is not directly available, or if finding it would be excessively onerous, the interest rate that best approximates the original one is applied, including through practical expedients that do not affect the substance and ensure consistency with international accounting standards.

Recovery times are estimated on the basis of business plans or forecasts based on historical recovery experience observed for similar classes of loans, taking into account the customer segment, type of loan, type of guarantee and any other factors deemed relevant or, if the conditions exist, of expected market transactions.

Parameters and definitions of risk level used in the calculation of value adjustments

As mentioned above, the models for the calculate of the expected loss are based on the PD, LGD and EAD criteria, as well as the effective interest rate. These models are used for calculating value adjustments of all the institutional counterparties, for the most part made up of FIBS (Financial Institutions, Banks and Sovereigns) counterparties.

Specifically:

- PD (Probability of Default) expresses the percentage of estimated loss, and hence the expected recovery rate whenever a credit position default event occurs;
- LGD (Loss Given Default) expresses the percentage of estimated loss, and hence the expected recovery rate is the complement to the unit (of the LGD) whenever a credit position default event occurs;
- EAD (Exposure at Default) expresses the measurement of the exposure at the time of the credit position default event;
- Effective Interest Rate is the discount rate expressing the time value of the money.

These parameters are calculated on the basis of identical parameters used for regulatory purposes, with specific adjustments made to ensure full cohesion, net of the various regulatory requirements, between the accounting treatment and the regulatory treatment.

The main adjustments are made in order to:

- remove the required conservatism only for regulatory purposes;
- introduce point-in-time adjustments to replace the through-the-cycle adjustments required for regulatory purposes;
- include forward-looking information;
- extend the credit risk parameters to a multi-year perspective.

With regard to the lifetime PD, the through-the-cycle PD curves obtained by adapting the cumulative non-compliance rates are adjusted to reflect point-in-time provisions and forward-looking provisions with regard to the portfolio non-compliance rates.

The rate of recovery incorporated in the through-the-cycle LGD was adapted in order to remove the conservatism margin and to reflect the latest trends in recovery rates, and expectations about future trends discounted to the actual interest rate or its best approximation.

For Stage 3, this includes the corresponding impaired exposures which, in accordance with the Bank of Italy rules defined in Circular 272 of 30 July 2008 as updated, correspond to the aggregate Non-Performing Exposures referred to in ITS EBA (EBA/ITS /2013/03/rev1 24/7/2014).

Specifically, the EBA has identified Non-Performing exposures as those that satisfy either or both of the following criteria:

- material exposures which are more than 90 days past due;
- exposures for which the Group has assessed that the debtor is unlikely to pay its credit obligations, without the enforcement and realization of collateral, regardless of the existence of any past due and/or overdrawn impaired exposures or of the number of days past due.

The aforementioned Circular 272 establishes that the impaired assets aggregate is divided into the following categories:

- Bad exposure i.e., the on-balance-sheet and off-balance-sheet exposures to insolvent borrowers, even if the insolvency has not been recognized in a court of law. They are measured individually (including by verifying statistically defined coverage levels for some loan portfolios below a predefined threshold) or, for individually insignificant amounts, on a flat basis by type of homogeneous exposure.
- Unlikely to pay - on- and off-balance sheet exposures which do not meet the borrower's condition for classification as non-performing loans and for which, in the absence of actions such as the enforcement of collateral, the debtor's ability to fully meet its credit obligations (principal and/or interest) is assessed as unlikely. This assessment is made independently of any past due and unpaid amount (or instalment). The classification of an exposure as unlikely to pay is not necessarily tied to evident issues (non-repayment), but is rather linked to indicators of a potential default of the borrower. The "unlikely to pay" exposures are measured in the accounts individually (including by verifying statistically defined coverage levels for some loan portfolios below a predefined threshold) or by applying a percentage on a flat basis by type of homogeneous exposures. Exposures classified as unlikely to pay and identified as forborne, may only be reclassified to unimpaired loans after at least one year has passed from the time of the forbearance and the conditions established in paragraph 157 of the EBA Implementing and Technical Standards have been met. With regard to their measurement, they are generally measured on an individual basis and the resulting allowance may include the discounted cost due to renegotiation of the interest rate at a rate lower than the original contractual rate.
- Past due and/or overdrawn impaired exposures - on-balance sheet exposures, other than those classified as non-performing or unlikely Po pay that are past due or overdrawn at the reporting date. The past due and/or overdrawn impaired exposures in FinecoBank are determined with respect to the individual debtor. Specifically, they represent the total exposure to any borrower not included in the unlikely to pay and non-performing loans categories, who at the reporting date has expired facilities or unauthorized overdrafts that are more than 90 days past due and meet the requirements set out by local supervisory regulations for their classification under the "past due exposures". Past-due and/or overdrawn impaired exposures are valued at a flat rate on a historical/stochastic basis by applying where available the risk rating referred to Loss Given Default (LGD) under Regulation (EU) No. 575/2013 (CRR) on prudential requirements for credit institutions and investment firms.

Forward-looking information used in calculating value adjustments

The credit loss expected from the parameters described in the forgoing paragraph considers macroeconomic forecasts by applying multiple scenarios to the forward looking components.

The process defined to include macroeconomic scenarios is also fully consistent with the macroeconomic forecasting processes used by the Group for further risk management purposes (such as the processes used to translate macroeconomic forecasts into expected credit losses based on the EBA Stress Test and the ICAAP Framework) and was also drawn from the independent work of UniCredit Research, in accordance with the Master Service Agreement signed.

The forecasts in terms of change in Default rate and change in Recovery Rate provided by the Stress Test function are incorporated within the PD and LGD parameters during calibration. The credit parameters are usually calibrated over a through-the-cycle (TTC) horizon, so their point-in time (PIT) and forward-looking (FL calibration become necessary in so far as it reflects the current situation and the expectations on the future evolution of the economic cycle in these credit parameters.

2.4 Credit risk mitigation techniques

In order to mitigate risk when granting the different types of credit facilities, various types of collateral are obtained. Mortgages on property loans, pledge on shares, bonds or investment funds, insurance contracts and government bonds are used to guarantee current account overdraft facilities.

The presence of collateral does not, however, relieve the Group from the requirement to carry out on overall assessment of the credit risk, primarily centred on the customer's income capacity regardless of the additional guarantee provided. The valuation of the lien collateral is based on its actual value, i.e. the market value for the financial instruments listed in a regulated market. The resulting value is subject to percentage haircuts, differentiated based on the financial instruments used as security and the concentration of the instrument in the customer's portfolio provided as security.

For real estate collateral, the principles and rules are described in the policy on the granting of residential mortgages with property collateral to current account holders of FinecoBank S.p.A.. The valuation of the assets is performed by external technical experts included in the Register of Engineers, Architects and Surveyors or industrial experts who are not therefore susceptible to conflict of interest.

Valuations, moreover, are subject to periodic reviews.

3. Impaired credit exposures

3.1 Management strategies and policies

Loans are classified as past due, unlikely to pay or bad exposure in accordance with the criteria set forth by the Bank of Italy. The classification as bad exposure, linked to the customer's insolvency, is always individual and defined on the basis of the progress of debt recovery actions. The loss estimate for positions classified as past due and unlikely to pay is also individual.

The classification criterion used for overdrawn accounts is related to the performance of debt recovery activity or the forced sale of securities to cover debts.

The reclassification of loans to a category of lower risk exposure is only authorised if the amount past due has been paid in full in observance of the original payment schedule, or if considerable payments have been made leading the Bank to believe the debt exposure is very likely to be repaid.

The procedure for the management of irregularly performing loans involves, based on the seniority of the expiration, specific actions for the recovery of the credit.

3.2 Write-off

The Group will enter a write-off by reducing the gross exposure of a financial asset if there are no reasonable expectations of recovering all or part of that asset.

As a result, the Group will recognise a write-off in the following cases:

- there is no longer any reasonable expectation of recovering all or part of the asset despite the presence of the legal rights to recover the accrued capital and interest;
- waiver of the legal right to recover the accrued capital and interest;
- cessation of the legal right to recover capital and interest due to completion of the attempts at recovery.

3.3 Purchased or originated financial assets impaired

The current business model of the Group and company policies approved by the Board of Directors do not provide for purchased of impaired loans or the provision of "new finance" in any form (personal loans, mortgages, current account credit facilities, etc.) to already non-performing customers.

4. Renegotiations

Renegotiations of financial instruments that lead to a change in the contractual terms are recognized on the basis of the substantiality of those contractual changes.

For renegotiations considered not to be substantial, the gross value is redetermined by calculating the present value of cash flows resulting from the renegotiation, at the original rate of the exposure. The difference between the gross value of the financial instrument prior to and after the renegotiation of the contractual terms, adjusted to consider the associated changes to the cumulative value adjustments, is recognized as a profit or loss from contractual amendments without cancellations, on the income statement.

In this regard, renegotiations achieved both by amending the original contract or by closing a new one, are considered substantial when they determine the expiry of the right to receive cash flows accordingly to the original contract. In particular, rights to receive cash flows are considered as expired in case of renegotiations that introduce contractual clauses which determine a change in the financial instrument classification, which determine a change in the currency or which are carried out at market conditions therefore without causing credit concession.

Quantitative information

A. Credit quality

A.1 Impaired and unimpaired credit exposures: amounts, impairment, changes, distribution by business activity

A.1.1 Breakdown of financial assets by past due bands (carrying value)

(Amounts in € thousand)

PORTFOLIOS/STAGES	FIRST STAGE			SECOND STAGE			THIRD STAGE		
	FROM 1 TO 30 DAYS	BETWEEN 30 DAYS AND 90 DAYS	OVER 90 DAYS	FROM 1 TO 30 DAYS	BETWEEN 30 DAYS AND 90 DAYS	OVER 90 DAYS	FROM 1 TO 30 DAYS	BETWEEN 30 DAYS AND 90 DAYS	OVER 90 DAYS
1. Financial assets at amortised cost	36,199	42	1	42	1,786	456	16	11	3,058
2. Financial assets at fair value through other comprehensive income	-	-	-	-	-	-	-	-	-
Total 30 June 2019	**36,199**	**42**	**1**	**42**	**1,786**	**456**	**16**	**11**	**3,058**
Total 31 December 2018	**9,573**	**28**	**1**	**65**	**1,634**	**304**	**12**	**12**	**2,557**

A.1.4 On-balance sheet and off-balance-sheet credit exposures to banks: gross and net values

(Amounts in € thousand)

TYPE OF EXPOSURES/AMOUNTS	GROSS EXPOSURE		TOTAL IMPAIRMENT	NET EXPOSURE	TOTAL PARTIAL WRITE-OFF
	IMPAIRED	UNIMPAIRED			
A. On-balance sheet credit exposures					
a) Bad exposure	-	X	-	-	-
- of which: forborne exposures	-	X	-	-	-
b) Unlikely to pay	-	X	-	-	-
- of which: forborne exposures	-	X	-	-	-
c) Past-due impaired loans	-	X	-	-	-
- of which: forborne exposures	-	X	-	-	-
d) Past due non-impaired exposures	X	-	-	-	-
- of which: forborne exposures	X	-	-	-	-
e) Other unimpaired exposures	X	9,848,596	(819)	9,847,777	-
- of which: forborne exposures	X	-	-	-	-
Total (A)	**-**	**9,848,596**	**(819)**	**9,847,777**	**-**
B. Off-balance sheet exposures					
a) Impaired	-	X	-	-	-
b) Unimpaired	X	85,070	-	85,070	-
Total (B)	**-**	**85,070**	**-**	**85,070**	**-**
Total (A+B)	**-**	**9,933,666**	**(819)**	**9,932,847**	**-**

In the above table, item B. "Off-balance sheet exposures" includes the counterparty risk related to repos that can be classified as "Securities Financing Transactions" (SFT) defined in prudential regulations, amounting to €32,619 thousand.

There were no securities lending transactions collateralised by other securities or without a cash guarantee with banks.

A.1.5 On-balance sheet and off-balance-sheet credit exposures to customers: gross and net values

(Amounts in € thousand)

TYPE OF EXPOSURES/AMOUNTS	GROSS EXPOSURE IMPAIRED	GROSS EXPOSURE UNIMPAIRED	TOTAL IMPAIRMENT	NET EXPOSURE	TOTAL PARTIAL WRITE-OFF
A. On-balance sheet credit exposures					
a) Bad exposure	18,313	X	(16,549)	1,764	-
- of which: forborne exposures	195	X	(169)	26	-
b) Unlikely to pay	3,319	X	(2,349)	970	-
- of which: forborne exposures	471	X	(314)	157	-
c) Past-due impaired loans	1,501	X	(942)	559	-
- of which: forborne exposures	-	X	-	-	-
d) Past due non-impaired exposures	X	39,186	(660)	38,526	-
- of which: forborne exposures	X	2	-	2	-
e) Other unimpaired exposures	X	14,147,157	(16,391)	14,130,766	-
- of which: forborne exposures	X	72	-	72	-
Total (A)	**23,133**	**14,186,343**	**(36,891)**	**14,172,585**	**-**
B. Off-balance sheet exposures					
a) Impaired	67	X	-	67	-
b) Unimpaired	X	1,219,537	(17)	1,219,520	-
Total (B)	**67**	**1,219,537**	**(17)**	**1,219,587**	**-**
Total (A+B)	**23,200**	**15,405,880**	**(36,908)**	**15,392,172**	**-**

In the above table, item B. "Off-balance sheet exposures" includes the counterparty risk related to securities lending transactions collateralised by other securities and to repos that can be classified as "Securities Financing Transactions" (SFT) defined in prudential regulations, amounting to €16,762 thousand.

There were no securities lending transactions without a cash guarantee or not collateralised by other securities with customers.

B.4 Large exposures

At June 30, 2019 the following "risk positions" constituted "large exposures" pursuant to the provisions of the Implementing Regulation (EU) no. 680/2014 of the Commission of 16 April 2014 which establishes technical implementation rules with regard to the reporting of entities for supervisory purposes in accordance with Regulation (EU) no. 575/2013 of the European Parliament and of the Council, and subsequent Regulations that modify its content, are the following:

a) book value: €22,134,406 thousand, excluding the reverse repo transactions;
b) non-weighted value: €22,137,746 thousand;
c) weighted value: €566,343 thousand;
d) number of "risk positions": 22.

It should be noted that, in compliance with the EBA Guidelines on connected customers pursuant to Article 4, paragraph 1, point 39) of Regulation (EU) no. 575/2013, the large exposures also include counterparties that have links with central administrations and that, although they do not exceed the threshold of 10% of the eligible capital for large exposures individually, exceed this limit considering also the exposure to the sovereign state to which they are connected with a control bond.

As described above, following the deconsolidation of FinecoBank from the UniCredit Group took place, FinecoBank and UniCredit S.p.A. have entered into a contract (Pledge Agreement) which provides for the granting by UniCredit S.p.A. of financial guarantees in favor of FinecoBank aimed at guaranteeing credit risk exposures represented by UniCredit bonds, until their natural expiry, from current accounts, until the end of 2019, and from the financial guarantees issued by FinecoBank in favor of the Agency of Enter at the request of UniCredit SpA, until they are completely extinguished. These guarantees, which at June 30, 2019 are represented by securities issued by sovereign States, mainly Italian government securities, meet the requirements of the applicable legislation to be eligible in the context of credit risk mitigation techniques (CRM), with consequent reduction of risk-weighted assets and exposure for large exposures of the Bank.

Finally, please note that deferred tax assets within the exposure towards the Italian Central Government have been exempted and, therefore, their weighted value is null.

Information on Sovereign Exposures

The Group is exposed to the sovereign debt of some countries, having invested a portion of its assets in debt securities issued by governments and recognised in “Financial assets designated at fair value through other comprehensive income” and in “Financial assets measured at amortised cost”. The following table shows the face value, the book value and the fair value of these exposures as at June 30, 2019. The Group is exposed to debt securities issued by sovereign entities which are classified under "Other financial assets mandatorily at fair value" for €41 thousand.

In addition, the Group invested in debt securities issued by Supranational institutions and Agencies accounted for in "Financial assets at amortized cost” (for further details, see the Consolidated Interim Report on Operations).

(Amounts in € thousand)

	NOMINAL VALUE AS AT 06.30.2019	CARRYING AMOUNT AS AT 06.30.2019	FAIR VALUE AS AT 06.30.2019	% FINANCIAL STATEMENTS ITEM
Italy	**3,738,000**	**3,926,227**	**3,959,803**	**15.20%**
Financial assets at fair value through other comprensive income	160,000	172,328	172,328	53.75%
Financial assets at amortised cost	3,578,000	3,753,899	3,787,475	15.84%
Spain	**3,040,000**	**3,409,626**	**3,557,083**	**13.20%**
Financial assets at amortised cost	3,040,000	3,409,626	3,557,083	14.39%
Germany	**125,000**	**127,328**	**135,478**	**0.49%**
Financial assets at amortised cost	125,000	127,328	135,478	0.54%
Poland	**113,000**	**118,731**	**126,867**	**0.46%**
Financial assets at amortised cost	113,000	118,731	126,867	0.50%
France	**630,500**	**647,112**	**677,514**	**2.50%**
Financial assets at fair value through other comprensive income	35,000	36,994	36,994	11.54%
Financial assets at amortised cost	595,500	610,118	640,520	2.57%
USA	**421,793**	**420,693**	**423,007**	**1.63%**
Financial assets at fair value through other comprensive income	70,299	69,627	69,627	21.72%
Attività finanziarie valutate al costo ammortizzato	351,494	351,066	353,380	1.48%
Austria	**387,500**	**397,194**	**417,940**	**1.54%**
Financial assets at amortised cost	387,500	397,194	417,940	1.68%
Ireland	**651,500**	**698,079**	**725,522**	**2.70%**
Financial assets at fair value through other comprensive income	35,000	41,658	41,658	12.99%
Financial assets at amortised cost	616,500	656,421	683,864	2.77%
Belgium	**375,000**	**383,866**	**403,489**	**1.49%**
Financial assets at amortised cost	375,000	383,866	403,489	1.62%
Total Sovereing exposures	**9,482,293**	**10,128,856**	**10,426,703**	**39.21%**

The % reported in line of the individual Sovereign states and in the item "Total Sovereign exposures" were determined on the total assets of the Group, while the % reported in line with the balance sheet items were determined on the total of the individual items of the financial statements.

Please note that securities in currencies other than the euro have been converted into euro at the spot exchange rate at the balance sheet date.

As at June 30, 2019, investments in debt securities issued by Sovereign states accounted for 39.21% of the Bank's total assets. There were no structured debt securities among the sovereign debt securities held by the Group. The Group is therefore exposed to fluctuations in the price of the public debt securities of the countries listed above. Tensions or volatility in the government bond market could negatively impact on the Group's financial position and performance.

The following table shows the sovereign ratings as at June 30, 2019 for countries to which the Group is exposed, provided by Fitch Ratings, Moody's and Standard & Poor's.

	MOODY’S	FITCH RATINGS	STANDARD & POOR’S
Italy	Baa3	BBB	BBB
Spain	Baa1	A-	A-
Germany	Aaa	AAA	AAA
Poland	A2	A-	A-
France	Aa2	AA	AA
USA	Aaa	AAA	AA+
Austria	Aa1	AA+	AA+
Ireland	A2	A+	A+
Belgium	Aa3	AA-	AA

1.2 - Market risk

Market risk derives from the effect that changes in market variables (interest rates, securities prices, exchange rates, etc.) can cause to the economic value of the Group's portfolio, if it includes the assets held in the trading book (assets held for trading) as well as those in the banking book, i.e. the transactions connected to strategic investment choices.

Risk Management Strategies and Processes

The Board of Directors of FinecoBank sets the strategic guidelines for the assumption of market risks, approves a general framework for market risk and any significant changes, relating to the organisational structure, strategies, and methodologies and defines maximum risk appetite level.

The strategic approach of the Group is to maintain the minimum level of market risk compatibly with the business needs and the established limits of the Risk Appetite Framework approved by the Board of Directors.

Market risk in FinecoBank is defined through two sets of limits:

- Overall measures of market risk (e.g. VaR): which are meant to establish a boundary to the economic capital absorption and to the economic loss accepted in trading activities; these limits must be consistent with assigned revenue targets and the defined risk taking capacity;
- Granular measures of market risk (Sensitivity limits, Stress scenario limits, Nominal limits): which exist independently of, but act in concert with the overall limits; in order to control more effectively and more specifically different risk types, desks and products, these limits are generally granular sensitivity or stress-related limits. The levels set for granular limits aim at limiting the concentration in individual risk factors and the excessive exposure in risk factors which are not sufficiently covered under VaR.

Structure and Organisation

The Market Risk function, within the Risk Management Unit, in full compliance with local legal and regulatory obligations is tasked primarily – but not exclusively – with:

- define, implement and refine adequate metrics at a global level to measure exposure to market risk;
- propose, based on the defined metrics, the risk limits consistent with the risk appetite approved by the Board of Directors;
- calculating the risk measurements for the global and granular measures for the Bank's portfolios;
- checking that the measurements are compatible with the approved limits;
- initiating the escalation process when limits are exceeded, engaging the Group’s Top Management;
- discussing and approving new products with innovative and complex market risk profiles.

Risk measurement and reporting systems

Trading Book

The main tool used by the Group to measure the market risk of trading positions is Value at Risk (VaR), calculated using the historic simulation approach.

The historic simulation method involves the daily revaluation of positions on the basis of market price trends over an appropriate observation period. The resulting distribution of gains and losses is analysed to determine the effect of extreme market fluctuations on portfolios. The percentile value of the distribution corresponding to the set confidence level represents the VaR. The following parameters are used to calculate VaR: confidence level 99%; time horizon of 1 day; daily update of the time series; observation period of 500 days.

Banking Book

The primary responsibility for monitoring and controlling Market Risk management in the banking book lies with the Group's competent Bodies. The Risk Management of the Group is responsible for monitoring market risk on the banking book by defining the structure, the relevant data and the frequency for adequate reporting.

Market risk in the banking book mainly consists of credit spread risk, interest rate risk and exchange rate risk.
Credit spread risk mainly arises from investments in debt securities held for liquidity purposes. Market risk associated with the bond portfolio is monitored and subject to limits on the notional amount, the sensitivity to Economic Value and the Value at Risk.

The management of interest rate risk focuses on stabilising this second type of risk. The banking book interest rate risk measure covers the dual aspect of the value and the net interest income/expense of the Gorup. More precisely, the different, and complementary, perspectives involve:

- Economic value perspective: variation in interest rates can affect the economic value of assets and liabilities. The economic value of the Group can be viewed as the present value of the expected net cash flows, defined as the expected cash flows on assets minus the expected cash flows on liabilities. A relevant risk measure from this perspective is the economic value sensitivity per time bucket for a 1 basis point rate shock. This measure is reported to the relevant committees to assess the economic value impact of various changes in the yield curve. The economic value sensitivity is also calculated for a 200bp parallel shock. A monitoring variable from this perspective is the value at risk resulting from interest rate risk exposure;
- Income perspective: the focus of analysis is the impact of changes of interest rates on accrual or reported Net Interest Income that is the difference between revenues generated by interest sensitive assets and the cost related to interest sensitive liabilities. An example of a measure of risks used is Net Interest Income sensitivity for a 100bp parallel shock in rates. This measure provides an indication of the impact that such a shock would have on the net interest margin over the next 12 months.

The third type of risk is exchange rate risk. This exposure mainly derives from a mismatching of assets and liabilities in USD. Exchange rate risk is hedged through the matching of assets and liabilities denominated in currency or through spot transactions in foreign currencies.

Procedures and methodologies for valuation of Trading Book positions

The Group ensures that the value applied to each trading book position appropriately reflects the current fair (market) value, i.e. the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. The fair value of each financial instrument is based on, or derived from, observable market prices or inputs. The availability of observable prices or inputs differs by product and market, and might change over time.

If observable prices or parameters are readily and regularly available (i.e. satisfying adequate liquidity requirements), they are directly employed in the determination of fair value (mark-to-market).

In non-active markets or for certain instruments, for which observable prices or inputs are not available, fair value is calculated using valuation techniques that are appropriate for the specific instrument (mark-to-model). This approach involves estimation and judgement and, therefore, might require valuation adjustments which take into account bid-ask spreads, liquidity and counterparty risk, besides the employed pricing model. In addition, each pricing model used for *fair value* calculation is validated by a dedicated function independent from business units.

In order to ensure the adequate separation between functions in charge of development activities and functions in charge of validation, all valuation models developed need to be centrally tested and validated by independent functions with respect to the functions that have proceeded to development. Model validation is also carried out centrally for any novel system or analysis framework whose utilisation has a potential impact on the Group's economic results.

In addition to daily marking to market or marking to model, Independent Price Verification (IPV) shall be performed by the Risk Management function. This is the process by which market prices or model inputs are regularly verified for accuracy and independence. While daily marking to market or marking to model may be performed by front-office dealers, verification of market prices and model inputs is performed at least monthly.

Risk measures

VaR

The VaR calculated within the measurement of the market risk of the banking and trading book uses a historical simulation approach. The choice of model has a series of advantages:

- easy to understand and communicate;
- does not require any explicit assumptions about the particular functional form of the distribution of yields of the risk factors;
- does not require estimation of the variance-covariance matrix of the market factors that may affect the value of the portfolio.
- captures the correlation structure reflected in the simultaneous changes in market factors, implicitly assuming that it will remain constant in the future.

On the other hand VaR models based on historical simulations do not provide any information on the amount of the loss exceeding the VaR. This why the framework established by the Parent Company uses additional instruments such as stress tests.

2.1 Interest rate risk and price risk – regulatory trading book

Qualitative information

A. General Matters

The trading book is used to hold debt securities (ordinary and subordinated, structured and plain vanilla), equity instruments, and certificates – listed and non-listed – related to brokerage activities with retail customers.

The Group does not perform proprietary trading and does not assume speculative positions in its books. Entries in the Group's trading book are recorded against brokerage activities with retail customers particularly during the trading of OTC instruments. Other entries in the trading book are made for the internalisation of various financial instruments when the Group is a counterparty to the Customer. This activity is performed as a result of the options introduced by the MiFID which allow the execution of orders for financial instruments in a number of execution venues including internal execution.

B. Processes for managing and methods for measuring interest rate risk and price risk

For both a description of internal processes for monitoring and managing risk and an illustration of the approaches used to analyse exposure, please refer to the introduction.

Quantitative information

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

The Group monitors the VaR of the Trading Book on a weekly basis.

As at June 30, 2019, the daily VaR of the trading book amounted to €126 thousand.

2.2 Interest rate risk and price risk – banking book

Qualitative information

B. General aspects, management processes and measurement methods for interest rate risk and price risk

Interest rate risk consists of changes in interest rates that are reflected in:

- net interest margin sources, and thus, the Group’s earnings;
- the net present value of assets and liabilities, due to their impact on the present value of future cash flows.

The Group measures and monitors interest rate risk daily, within the methodological framework and the corresponding limits or thresholds approved by the Board of Director. These relate to the sensitivity of the net interest margin and the economic value.

Interest rate risk has an impact on all owned positions resulting from strategic investment decisions (banking book).

The main sources of interest rate risk can be classified as follows:

- *gap risk*: this derives from the term structure of the banking book and describes the risk arising from the times of changes in interest rates on the instrument. The gap risk also includes the repricing risk, arising from time mismatches in terms of the repricing of the Group's assets and liabilities. These mismatches result in a risk associated with the rate curve. This risk relates to the Group's exposure to changes in the slope and shape of the interest rate curve.
- *basis risk* : this can be divided into two types of risk:

  - tenor risk, arising from the mismatch between instrument expiry and the change in interest rates;

  - currency risk, defined as the risk of a potential offsetting between sensitivities to the interest rate arising from exposure to the interest rate risk in various currencies;
- *option risk* – risk resulting from implicit or explicit options in the Group’s banking book positions.

Within the organisational framework described above, the Board of Directors approves the limits on interest rate. These limits are set in terms of VaR (calculated using the methodology described above in relation to the trading book). The Bank is responsible for managing the exposure to interest rate risk within the limits assigned.

To assess effects of the change in the interest rate curve on the banking book, scenario analyses are conducted that involve the parallel shifts in the rate curve of +/- 100 bps and +/- 200 bps at weekly intervals. For more details see section *2. Banking book: internal models and other methods of sensitivity analysis*

Quantitative information

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

The following table provides the results of the analyses conducted.

To measure the interest rate risk contained in the Group's financial statements it is necessary to measure the sensibility of the loans and deposits to changes in the interest rate curve. FinecoBank has developed specific behavioural models aimed at estimating the maturity profile of asset and liability items that do not have a contractual maturity; indeed, what is perceived to be sight maturing in reality shows some stickiness.

The following table provides the results of the analyses conducted in all currencies.

(Amounts in € thousand)

	VALUE ANALYSIS (SHIFT + 200 BP)	VALUE ANALYSIS (SHIFT - 200 BP)	VALUE ANALYSIS (SHIFT +1 BP)	IRVAR*	INTEREST RATE ANALYSIS (+100bp)	INTEREST RATE ANALYSIS (-30bp)
06.30.2019	-59,333	279,876	-517	2,318	116,487	-29,897

*1 day holding period, 99% confidence level%.

The sensitivity analysis on the value of shareholders' equity, which was conducted assuming a shift of + 200 basis points on the euro interest rate curve, showed a positive impact of € -59,333 thousand. A shift of -200 basis points showed a positive impact of € +279,876 thousand.

The sensitivity analysis on the value of shareholders' equity, which was conducted assuming a shift of + 1 basis point, showed a negative impact of €-517.21 thousand.

The interest rate VaR figure for the Bank came to approximately €2,318 thousand.

Total VaR, including the Credit Spread Risk component arising mainly from Italian and Spanish government securities held as investment of liquidity, amounted to €62,191 thousand. Total VaR, including the Credit Spread Risk component deriving from UniCredit instruments, amounts to € 68,014 thousand.

The sensitivity analysis on the value of shareholders' equity, which was conducted assuming a shift of +100 basis points on the euro interest rate curve, showed a positive impact of €116,487 thousand. A shift of -30 basis points would have a negative impact of €-29,897 thousand on the interest rate over the next 12 months.

2.3 Exchange Rate Risk

Qualitative information

A. General aspects, management processes and measurement methods for exchange rate risk

As part of its treasury activities, the Group collects funds in foreign currencies, mainly US dollars, through customer current accounts, subsequently investing these funds in bonds, current accounts and time deposits, in the same currency, with leading credit institutions. The impact on the value of balance sheet items is estimated using the Forex VaR indicator.

The VaR of the Group's positions is not used for the calculation of the Pillar 1 capital requirement because the traditional standardised approach is used. The VaR is only used for management and risk monitoring purposes.

B. Exchange rate risk hedging

Exchange rate risk is hedged through the matching of assets and liabilities denominated in currency or through spot transactions in foreign currencies.

The component of exchange rate risk that contributes to the formation of the overall VaR is usually tied to the temporal mismatch between assets and liabilities in US dollars.

Quantitative information

2. Internal models and other methods of sensitivity analysis

As at June 30, 2019, the daily Forex VaR of the overall portfolio (banking and trading books) was approximately € 36.7 thousand.

1.4 - Liquidity Risk

Qualitative information

A. General aspects, management processes and measurement methods for liquidity risk

Liquidity risk can be succinctly defined as the risk that the Group, also due to unexpected future events, is unable to meet its payment obligations or to efficiently match expected cash inflows and outflows.

The different types of liquidity risk managed by the Group are as follows:

- the short-term liquidity risk refers to the risk of non-compliance between the amounts and / or deadlines of incoming and outgoing cash flows in the short term (less than one year);
- the risk of market liquidity is the risk that the Group can face a significant and adverse price change, generated by exogenous and endogenous factors that result in losses, in the sale of assets considered liquid. In the worst case, the bank may not be able to liquidate these positions;
- the structural liquidity risk is defined as the Group's inability to procure, in a stable and sustainable manner, the necessary funds to maintain an adequate ratio between medium / long-term assets and liabilities (over one year) to a reasonable price without impacting the daily operations or the financial situation of the Group;
- the risk of stress or contingency is linked to future and unexpected obligations (for example withdrawals from deposits) and may require the bank to have a greater amount of liquidity than is considered necessary to manage the ordinary business;
- financing risk, the Group may not be able to deal effectively with any planned cash outflows.

To address its exposure to liquidity risk, the Group invests the portion of liquidity that according to its internal analyses is less stable ("non-core liquidity") in liquid assets or assets readily convertible into cash, such as, for example, demand deposits, short-term loans or government bonds that can be used as a source of short-term financing with the central bank.

At the reporting date, there were no "Contingent liquidity and funding needs", such as, for example, accelerated repayment clauses or the issue of additional guarantees relating to a downgrade of the Group.

The key principles

"Fineco Liquidity Policy" approved by the Board of Directors of the Bank establishes the managerial autonomy of the Bank’s Treasury department and sets forth the principles and rules that the Bank applies to both normal and emergency liquidity management.

Roles and responsibilities

The "Fineco Liquidity Policy" establishes the principles adopted in terms of internal governance, which envisage the involvement of the Treasury and Risk Management departments.

The operational management of liquidity is carried out by the Treasury department, which ensures effective and efficient management of liquidity in the short and medium/long term, monitoring of liquidity exposure and first-level controls on the management process.

The Risk Control function is responsible for monitoring compliance with limits and implementing the rules on liquidity risk, the implementation of selected risk metrics and the assessment of selected methods.

To this end, "Fineco Liquidity Policy" explicitly refers to the first and second level monitoring, both from a regulatory and management standpoint:

- Short-term liquidity risk management (operational liquidity), which considers the events that may impact upon the Group's liquidity position from one day up to one year. The primary objective is to maintain the Group's capacity to fulfil its ordinary and extraordinary payment obligations while minimising the relevant costs;
- Structural liquidity risk management (structural risk), which considers the events that may impact upon the Group's liquidity position over one year. The primary objective is to maintain an adequate ratio between medium/long term liabilities and medium to long-term assets, with a view to avoiding pressures on short-term funding sources (both current and future);

- Stress tests: Liquidity risk is a low probability, high impact event. Therefore stress testing is a tool to reveal potential vulnerabilities. The Bank uses several scenarios ranging from general market crisis to idiosyncratic crisis, and combinations hereof.

In this context, the Group takes into account all of the assets, liabilities, off-balance sheet positions and present and future events that generate certain or potential cash flows, thereby protecting the Group from risks related to the transformation of maturity.

Short term liquidity management

Short-term liquidity management aims at ensuring that the Group remains in a position to fulfil its cash payment obligations always, whether expected or unexpected, focused on the exposure for the first twelve months.

On a daily basis, the Group calculates the Operative Maturity Ladder, which measures the cash inflows and outflows affecting the monetary base, with details of the main temporal buckets.

The Group's objective is to provide sufficient short-term liquidity to deal with the particularly adverse liquidity crises for at least three months.

Structural liquidity management

The objective of the Group's structural liquidity management is to maintain an adequate ratio between medium/long term assets and liabilities (generally over one year), with a view to avoiding pressures on short-term funding sources, both current and future. To this end, the Group adopts a prudent approach to its investments of liquidity, taking into account funding maturities. The indicators used and monitored as part of the wider Risk Appetite Framework (NSFR- and NSFR-adjusted) ensure that assets and liabilities have a sustainable maturity structure.

Liquidity Stress Test

Stress testing is a risk management technique used to evaluate the potential effects of a specific event on an entity's financial position. As a forward looking tool, liquidity stress testing diagnostics the institution's liquidity risk.

Periodically, the Group uses scenario analysis to evaluate the impact of simultaneous changes in various risk factors, defining a hypothetical and consistent stress event whose assumptions are mainly consist of outflows of demand deposits and a decrease in the value of Government securities (Counterbalancing Capacity).

Behavioural modelling of Liabilities

FinecoBank has developed specific behavioural models aimed at estimating the maturity profile of liability items that do not have a contractual maturity; indeed, what is perceived to be sight maturing in reality shows some stickiness.

More specifically, modelling of liabilities aims to construct a replication profile that best reflects the behavioural characteristics of the items. An example is on demand items: estimates of the maturity profile reflect the perceived stickiness. These behavioural models are developed by FinecoBank's Risk Management function and are validated by Group's Internal Validation Unit.

FinecoBank Contingency Liquidity Policy

FinecoBank "Contingency Plan on liquidity risk" has the objective of ensuring effective timely implementation also during the initial stage of a liquidity crisis, through the clear identification of individuals, powers, responsibilities, communication, and reporting criteria, with a view of increasing significantly the probability of successfully overcoming the state of emergency. This is achieved through:

- activation of extraordinary liquidity governance and operating model;
- consistent communication both internal and external;
- a set of available mitigating liquidity actions;
- a set of early warning indicators that may point towards a developing crisis.

1.5 - Operating risk

Qualitative information

A. General aspects, operational processes and methods for measuring operational risk

Operational risk definition

Operational risk is defined as the risk of losses due to errors, violations, interruptions, or damage caused by internal processes, personnel, financial advisors, systems or by external events. This definition includes legal and compliance risks, but excludes strategic and reputational risk.

For example, losses arising from the following can be defined as operational: internal or external fraud, employment practices and workplace safety, customer claims, product distribution, fines and penalties for regulatory breaches, damage to the Company's physical assets, business disruption and system failures, and management of processes.

Operational risk framework

The Board of Director has approved the policies and procedures for controlling, measuring and mitigating operational risk in FinecoBank and its Subsidiaries. Operational risk policies are common principles that define the roles of company bodies and of the risk management function as well as the interactions with other functions involved in the process. These principles and provisions have been set out in the Group Framework for the management of operational risk and adopted in FinecoBank's Operational Risk Manual.

Organisational structure

The Board of Directors is responsible for approving all aspects relating to the operational risk framework and verifying the adequacy of the measurement and control system and is regularly updated on changes to the risk profile and operational risk exposure.

The reports produced by Risk Management for the Board of Directors ensure that management and the control bodies are constantly updated on the trend in operational risk within the Group and can actively intervene in the management and mitigation of the risks. The Chief Risk Officer's participation in the Products Committee also ensures oversight of the operational risk associated with the Group's new business activities.

The Operational Risk Management (ORM) team is part of the broader Risk Management office which reports to the Chief Risk Officer of FinecoBank who in turn reports directly to the Chief Executive Officer and General Manager.

The main activities carried out by the Risk Management office in terms of operational risk are:

- recognition, classification, validation and reporting of operating losses with consequent identification of problem areas;
- assessment of potential risks through scenario analyses and risk indicators (Key Risk Indicator-KRI);
- monitoring and optimisation of the internal control system;
- policies to mitigate and transfer risk through insurance cover;
- development of an operational risk culture within the Group;
- generating reports for the Board of Directors and Senior Management on risk trends.

Operational risk management

Operational risk management consists of the review of processes to reduce the risks found and the management of the related insurance policies, with the identification of the suitable deductibles and limits.

From September 2011, a Permanent Work Group (PWG) has been established, which includes the CRO, the Risk Manager as well as Information Security & Fraud Manager and Organisation, to allow them to share their respective expertise in relation to the projects planned or in under way, new processes and products, or changes to them, and anything else that may affect the Group's risk profile; the PWG's ultimate objective is to identify and then develop new mitigation measures.

As part of the prevention of operational risk and to control sales channels remotely, the Risk Management office has focused on fraud prevention measures.

The development of remote monitoring to prevent fraud has led to the creation of a system called System of Fraud Identification and Analysis (SoFIA). This system enables a larger amount of data and information on individual indicators to be analysed at the same time and enables possible irregularities to be detected on a daily basis through an alert system.

In this way, all of the names put forward to be checked are assessed at the same time with regard to all remote indicators (22 indicators).

On the basis of qualitative and quantitative assessments of these indicators, the assigned staff select any cases that need to be reported to the Network Controls Department, Monitoring and Network Services Department – reporting directly to the Chief Executive Officer – for subsequent examination.

Moreover, the Operational Risk team is updated annually on the results of the tests conducted in accordance with the Business Continuity and Disaster Recovery plans.

Risk measurement system

Following the deconsolidation from the UniCredit Group, FinecoBank initiated a process to ask the Supervisory Authority to use a less sophisticated method for determining the regulatory requirement and as at 30 June 2019, prudently, the requirement was calculated by adopting a Margin of Conservativism (MoC). Moreover, the governance, the safeguards and the reporting framework required by the internal method for measuring the capital requirement (AMA), previously adopted and developed, have been maintained.

The Operational and Reputational Risk function of Finecobank carried out collection and classification of loss data, external loss data, scenario loss data and risk indicators.

The collection and classification of operating losses is carried out for internal prevention and improvement purposes.

In terms of risk indicators, there are currently 62 key risk indicators split into control areas (Credit Cards, Compliance,HR, Legal, Operations securities, Payment Systems, Claims, Risk Management, IT systems, Security, Administration and Audit), with which the Group uses to measure its exposure to operational risk. If an indicator shows an irregular value, this may be related to changes in the exposure to operational risk.

Scenario analyses enable the Group's exposure to operational risk, characterised by low frequency but high potential impact, to be estimated. The scenarios are identified by analysing internal losses, external events, risk indicator trends, critical processes, products and risk classes.

Risk capital for operational risk used for regulatory purposes as at June 30, 2019, amounted to €92,900 thousand.

Risks arising from significant legal disputes

The Bank is involved in individually insignificant legal proceedings over which there is considerable uncertainty regarding the outcome and the amount of possible charges, which the Bank could be forced to incur. Where it is possible to reliably estimate the amount of possible charges and the charges are considered likely, provisions have been made in an appropriate amount based on the circumstances and consistent with international accounting standards, by making the best possible estimate of the amount that the Group will reasonably be expected to incur in discharging its obligations. Specifically, as a precaution against these obligations and customer claims that have not yet resulted in legal proceedings, as at June 30, 2019, the Group had a provision in place for risks and charges of €27,361 thousand. This provision includes the costs of proceedings borne by the Group in the event of an adverse conclusion of the dispute plus the estimated expenses to be paid to lawyers, any technical advisors and/or experts who assist the Group, to the extent that it is believed that they will not be reimbursed by the counterparties. This estimate was determined by the Group, in relation to the current dispute, mainly based on the analysis of the historical trend of legal expenses incurred, by type of litigation and degree of judgment.

Risks arising from tax disputes and audits

Risks arising from tax disputes and audits as at June 30, 2019 mainly relate to a notice of assessment for the year 2003 containing an objection to the use of tax credits for €2.3 million, in relation to which the bank has appealed to the Supreme Court as it considers its position to be well-founded. The bank has already paid the additional taxes and interest due.

With regard to disputes, the higher taxes, interests and penalties have already been recognised in the income statement with a contra entry, respectively, in tax liabilities and the provision for risks and charges.

Moreover, tax receivables for the amounts paid have been recognised.

In light of the foregoing, as at June 30, 2019 the Bank had in place provisions that adequately reflect the specific circumstances and are in line with international accounting standards; specifically, to tax liabilities of for a total of €5.6 million, for higher tax, and to provisions for risks and charges of €3.9 million, for penalties and interest.

The assessment of ICT operational risk

The prudential regulations require Banks to conduct an analysis, at least annually, of the Group's ICT risk and to submit the results of the assessment made to the Board of Directors.

In particular, the regulations have introduced standards and specific requirements for managing and assessing ICT risk that require Banks to assess the exposure to these risks, not only by gathering and analysing economic losses, but also by considering additional information, such as ICT incidents occurring and information related to the riskiness of the Group's assets (hardware and software).

FinecoBank has established adopted a framework for the assessment of ICT risk: the results of the analysis, conducted in collaboration with the Group's Business, ICT and Organisation departments, were reported to the Board of Directors during 2018.

Quantitative information

Loss analyses enable the ORM team to make assessments on the Group's exposure to operational risk and to identify any critical areas. As at June 30, 2019, operating losses recorded in the accounts amounted to approximately €1.14 million.

The main sources of operating losses are shown below by "event type", i.e. by type of event that generated them according to the Basel II Accord:

- Internal fraud: losses due to unauthorised activities, fraud, embezzlement or infringement of laws, regulations or company directives that involve at least one internal staff member of the Group or a resource hired under an agency contract (PFA);
- External fraud: losses owing to fraud, embezzlement or violation of laws by subjects external to the Group;
- Employment practices and workplace safety: losses due to actions not compliant with the law or to agreements regarding employment, health and safety, to the payment of compensation for bodily harm, or to cases of discrimination or non-application of equality conditions;
- Customers, products and professional practices: losses arising from non-fulfilment of professional obligations towards customers or from the nature or characteristics of the products or services provided;
- Damage from external events: losses arising from external events, including natural disasters, acts of terrorism and vandalism;
- Business disruption and system failures: losses owing to business disruption and system failures or interruptions;
- Process management, execution and delivery: losses due to deficiencies in the completion of transactions or management of processes, as well as losses due to relations with commercial counterparties, vendors and suppliers.

1.6 - Other risks

Although the types of risk described above represent the main categories, there are other types that the Group considers important. In accordance with the provisions of Basel II Pillar 2, the Group has identified other types of risk in addition to the credit, market, operational and liquidity risks described above:

- **Business risk** is defined as the distance between the Group's expected net result and any unforeseen and adverse variances. First of all, it may be caused by a significant deterioration of market conditions, changes to competition or the Group's cost structure;
- **Strategic risk** is the risk of suffering potential losses due to decisions or radical changes in the business environment, improper implementation of decisions, lack of responsiveness to changes in the business environment, which result in negative impacts to the risk profile, capital and earnings as well as the overall direction and scope of a bank over the long run;
- **Reputational risk**, which represents the current or future risk of a fall in profits resulting from a negative perception of the Group's image by Customers, counterparties, shareholders, investors or Supervisory Authoritie;
- **Real Estate Risk,** which represents the potential loss resulting from fluctuations in the market values of the real estate portfolio. It does not consider the properties held as collateral, which are included within the credit risk**.**

Following the identification of the significant risks, is established the best way to analyse them in qualitative and quantitative terms. The quantitative measurement is carried out through the calculation of Internal Capital.

Credit, market, operational,business and real estate risks are measured quantitatively, using:

- economic capital, calculation of the benefit of diversification (with other risks) and aggregation as a component of internal capital (including prudential cushion for model risk and variability of the economic cycle);
- stress tests.

Internal Capital is the capital set aside as a buffer against the potential losses inherent in the Group's business activities and it takes into consideration all risk types that the Group has identified as measurable in terms of Economic Capital in line with Pillar II requirements.

For control purposes, Internal Capital is calculated quarterly based on the periodic data collected.

The multi-dimensional nature of risk makes it necessary to supplement the measurement of economic capital with stress testing, not only in order to estimate losses in certain scenarios, but also to ascertain the impact of their determinants.

The stress test is one of the instruments used control significant risks in order to assess the Group's vulnerability to "exceptional but plausible" events, providing additional information to the monitoring activities.

Stress testing, in accordance with regulatory requirements, is conducted on the basis of a set of internally defined stress scenarios.

ICAAP - Internal Capital Adequacy Assessment Process

Measuring the risk profile is a fundamental element of the Internal Capital Adequacy Assessment Process under Pillar 2 (ICAAP).

The approach to ICAAP relies on the definition of the "Risk Governance", as a preliminary requirement, while the process consists of following phases:

- defining the scope and identifying the risks;
- assessing the risk profile;
- risk appetite setting and capital allocation;
- monitoring and reporting.

Capital adequacy is assessed by considering the balance between assumed risks, both Pillar I and Pillar II, and the available capital. With respect to Pillar II, the relevant metric is the Risk Taking Capacity, which is the ratio of available capital (Available Financial Resources - AFR) to Internal Capital.

Risk Appetite

The main elements of the internal process for determining capital adequacy include the setting and monitoring of the risk appetite. The risk appetite is defined as the level of risk that the Group is willing to accept for the pursuit of its strategic objectives and business plan, taking into account the interests of its customers and shareholders, capital requirements and other requirements.

The main objectives of the risk appetite are:

- explicitly assessing the risks, and their interconnections at local and Group level, that the Group decides to assume (or avoid) in a long-term perspective;
- specifying the types of risk that the Group intends to assume, setting targets, triggers and limits under both normal operating and stress conditions;
- ensuring a risk-return profile "ex-ante" consistent with sustainable long-term growth, as defined by the return forecasts of the strategic plan/budget;
- ensuring that the business developed within the limits of risk tolerance established by the Board of Directors, in accordance with the applicable national and international regulations;
- supporting discussions on future policy options with regard to the risk profile;
- guiding the vision of internal and external stakeholders towards a risk profile consistent with the strategic plan;
- providing qualitative descriptions for risks that are difficult to quantify (e.g. strategic, reputational, compliance) to strategically guide the review of processes and the internal control system.

The Risk appetite is defined consistently with the Group’s business model; for this reason, the Risk Appetite is incorporated in the budget and multi year plan process.

The risk appetite includes a statement and a set of KPIs. The Statement sets out the Group's positioning in terms of strategic objectives and associated risk profiles, while the KPIs are designed to quantitatively measure the Group's in the following categories:

- Pillar 1 KPI: regulatory requirements, to include the KPIs required by the Supervisory Authority (e.g., capital and liquidity requirements such as LCR and NSFR);
- Managerial KPI: to ensure alignment with the budget in terms of return on capital and credit quality;
- Specific Risk KPI: to ensure control of all major risks (such as Pillar 2 capital adequacy, market risk, interest rate risk and operating risk).

For each of the above mentioned factors, one or more KPIs are identified, in order to quantitatively measure the Group’s positioning under several respects: absolute values, ratio between comparable measures, sensitivity analysis on defined parameters.

The Targets represent the amount of risk (overall and by type) that the Group is willing to take for the pursuit of its strategic objectives. The triggers define the maximum deviation from the permitted risk appetite; the tolerance threshold is set so as to ensure sufficient margins for the bank to operate, even under stress conditions, within the maximum risk that can be taken.

Limits are the maximum level of risk that the Group is technically able to assume without violating the regulatory requirements or other constraints imposed by the shareholders or the supervisory authority.

The setting of the thresholds is evaluated on a case by case basis, also through managerial decisions by the Board of Directors, in compliance with the regulatory requirements and of the supervisory bodies.

The metrics are the subject of regular monitoring and reporting, at least quarterly. The monitoring is respectively carried out by the CRO Department and the CFO Department.

Section 3 – Insurance companies risk

No information to report.

Section 4 – Other companies' risk

No information to report.

Part F - Consolidated shareholders' equity

Part F - Consolidated shareholders’ equity

Section 1 - Consolidated Shareholders' equity

A. Qualitative information

The control of capital adequacy at individual and consolidated level is performed by the capital management activity where the size and optimal combination among the various capitalization instruments are defined, in compliance with regulatory constraints and in line with the risk profile assumed by the Group

The Group assigns a priority role to the activities aimed at the management and allocation of capital according to the risks assumed, for the purpose of developing its operations with a view to creating value. The activities are articulated in the different phases of the planning and control process and, in particular, in the plan and budget processes and in the monitoring processes (analysis of expected and achieved performance, analysis and control of limits, analysis and trend monitoring of capital ratios). In the dynamic management of capital, therefore, the Bank draws up the financial plan and monitors the regulatory capital requirements, anticipating the appropriate interventions necessary to achieve the objectives. The monitoring relates on the one hand to both shareholders' equity and the composition of Own funds and, on the other hand, to the planning and performance of risk weighted assets (RWA) and exposure for the purpose of determining the Leverage ratio.

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

The consolidated shareholders’ equity includes an Additional Tier 1 Perp Non Call June 2023 notes issue (5.5 years, Non-Cumulative Temporary Write-Down Deeply Subordinated Fixed Rate Resettable Notes) issued by FinecoBank on January 31, 2018. The financial instrument is a perpetual private placement[20], issued for a total of €200,000 thousand and entirely subscribed by UniCredit S.p.A. The coupon for the first 5.5 years has been fixed at 4.82%.

[20] Unrated and unlisted

B. Quantitative information

B.1 Consolidated Shareholders' equity: breakdown by company type

(Amounts in € thousand)

SHAREHOLDERS' ITEMS	PRUDENTIAL CONSOLIDATED	INSURANCE COMPANIES	OTHER COMPANIES	ELIMINATIONS AND ADJUSTMENTS FROM CONSOLIDATION	TOTAL
1. Share capital	200,941	-	-	-	200,941
2. Share premium reserve	1,934	-	-	-	1,934
3. Reserves	398,554	-	-	13,133	411,687
4. Equity instruments	200,000	-	-	-	200,000
5. (Treasury shares)	(13,796)	-	-	-	(13,796)
6. Revaluation reserves	(7,202)	-	-	-	(7,202)
- Equity securities designated at fair value through other comprehensive income	-	-	-	-	-
- Hedging of equity securities designated at fair value through other comprehensive income	-	-	-	-	-
- Financial assets (other equity securities) designated at fair value through other comprehensive income	1,947	-	-	-	1,947
- Property, plant and equipment	-	-	-	-	-
- Intangible assets	-	-	-	-	-
- Hedging instruments of foreign investments	-	-	-	-	-
- Cash flow hedges	-	-	-	-	-
- Hedge instruments (non-designated elements)	-				-
- Exchange differences	-	-	-	-	-
- Non-current assets classified as held for sale	-				-
- Financial liabilities designated at fair value through profit and loss (changes in own creditworthiness)	-	-	-	-	-
- Actuarial gains (losses) on defined benefit plans	(9,149)	-	-	-	(9,149)
- Revaluation reserves for associates carried at equity	-	-	-	-	-
- Special revaluation laws	-	-	-	-	-
7. Net profit (loss) for the year (+/-) of group and minorities	124,418	-	-	9,696	134,114
Total	**904,849**	**-**	**-**	**22,829**	**927,678**

B.2 Revaluation reserves for financial assets at fair value through comprehensive income: breakdown

(Amounts in € thousand)

ASSETS/AMOUNTS	PRUDENTIAL CONSOLIDATED		INSURANCE COMPANIES		OTHER COMPANIES		ELIMINATIONS AND ADJUSTMENTS FROM CONSOLIDATION		TOTAL	
	POSITIVE RESERVE	NEGATIVE RESERVE	POSITIVE RESERVE	NEGATIVE RESERVE	POSITIVE RESERVE	NEGATIVE RESERVE	POSITIVE RESERVE	NEGATIVE RESERVE	POSITIVE RESERVE	NEGATIVE RESERVE
1. Debt securities	2,575	(628)	-	-	-	-	-	-	**2,575**	**(628)**
2. Equity instruments	-	-	-	-	-	-	-	-	**-**	**-**
3. Loans	-	-	-	-	-	-	-	-	**-**	**-**
Total 06.30.2019	**2,575**	**(628)**	**-**	**-**	**-**	**-**	**-**	**-**	**2,575**	**(628)**
Total 12.31.2018	**410**	**(3,820)**	**-**	**-**	**-**	**-**	**-**	**-**	**410**	**(3,820)**

B.4 Revaluation reserves on defined benefit obligations: annual changes

(Amounts in € thousand)

	ACTUARIAL GAINS (LOSSES) ON DEFINED BENEFITS PLANS
1. Opening balance	**(6,384)**
2. Increases	**-**
2.1 Fair value increases	-
2.2 Other Changes	-
3. Decreases	**(2,765)**
3.1 Fair value reductions	(2,765)
3.2 Other Changes	-
4. Closing balances	**(9,149)**

Section 2 - Own funds and banking regulatory ratios

It should be noted that in this section the data related to 31 December 2018 were determined on an individual basis, as on that date FinecoBank was not required to prepare the reporting on own funds and supervisory ratios on a consolidated basis by virtue of belonging to the UniCredit Banking Group. The figures for 30 June 2019 were determined on a consolidated basis.

2.1 Own funds

A. Qualitative information

Own Funds as of 30 June 2019 amounted to €750,152 thousand and were determined on the basis of the harmonized rules for banks and investment companies contained in Directive 2013/36 / EU (CRD IV) and in Regulation (EU) 575 / 2013 (CRR) of 26 June 2013 and subsequent Directives / Regulations that modify the content, which transpose the standards defined by the Basel Committee for banking supervision (so-called Basel 3 framework), collected and implemented by the Bank of Italy through Circular no. 285 of 17 December 2013 "Supervisory provisions for banks" and subsequent updates.

The Common Equity Tier 1 includes the profit for the period (for the amount that will not be distributed) assuming the conditions established Article 26.2 of the EU Regulation 575/2013 (CRR) are satisfied.

(Amounts in € thousand)

	TOTAL 06.30.2019	TOTAL 12.31.2018
Common Equity Tier 1 - CET1	550,152	502,713
Additional Tier 1 – AT1	200,000	200,000
TIER 2 – T2	-	-
Own Funds	**750,152**	**702,713**

1. Common Equity Tier 1 – CET 1

The financial instruments included in the Common Equity Tier 1 consist of 608,913,600 ordinary shares with a par value of €0.33 euro, amounting to €200,941 thousand, net of 1,383,944 treasury shares, amounting to €13,796 thousand, and own CET1 instruments held by customers that simultaneously used a line of credit, even if not granted for this purpose, for an amount equal to €1,761 thousand.

For information on the other items of Common Equity Tier 1 see the details provided at the bottom of the table presented in the Quantitative information.

2. Additional Tier 1 – AT1

Additional Tier 1 consists of a financial instrument Additional Tier 1 Perp Non Call June 2023 notes issue (5.5 years, Non-Cumulative Temporary Write-Down Deeply Subordinated Fixed Rate Resettable Notes) issued by FinecoBank on January 31, 2018. The financial instrument is a perpetual private placement, issued for a total of €200,000 thousand and entirely subscribed by UniCredit S.p.A.. The coupon for the first 5.5 years has been fixed at 4.82%.

3. Tier 2 – T2

As at June 30, 2019 there were no Tier 2 capital items.

B. Quantitative information

(Amounts in € thousand)

	TOTAL 06.30.2019	TOTAL 12.31.2018[1]
A. Common Equity Tier 1 - CET1 first time application of prudential filters	**625,167**	**576,642**
of which CET1 instruments subject to transitional provisions	-	-
B. Prudential filters for cet1 (+/-)	(475)	(219)
C. CET1 before items to be deducted and the effects of the transitional arrangements (A +/- B)	**624,692**	**576,423**
D. Items to be deducted from CET1	**74,540**	**74,754**
E. Transitional arrangements – Impact on CET1 (+/-)	**-**	**1,044**
F. Total Common Equity Tier 1 Capital - CET1 (C - D +/- E)	**550,152**	**502,713**
G. Additional Tier 1 - AT1 before items to be deducted and the effects of the transitional arrangements	**200,000**	**200,000**
of which AT1 instruments subject to transitional provisions	-	-
H. Items to be deducted from AT1	**-**	**-**
I. Transitional arrangements – Impact on AT1 (+/-)	**-**	**-**
L. Total Additional Tier 1 - AT1 (G - H +/- I)	**200,000**	**200,000**
M. Tier 2 before items to be deducted and the effects of the transitional arrangements	**-**	**-**
of which T2 instruments subject to transitional provisions	-	-
N. Items to be deducted from T2	**-**	**-**
O. Transitional arrangements – Impact on T2 (+/-)	**-**	**-**
P. Total Tier 2 (Tier 2 - T2) (M - N +/- O)	**-**	**-**
Q. Total own funds (F + L + P)	**750,152**	**702,713**

(1) The figures as at 31 December 2018 were determined on individual basis, as on that date FinecoBank was not required to calculate own funds and supervisory ratios on a consolidated basis by virtue of belonging to the UniCredit banking group.

A. Common Equity Tier 1 – CET 1 first time application of prudential filters

The item includes:

- the share capital, made of 608,913,600 ordinary with a par value of 0.33 euro, totaling € 200,941 thousand;
- the share premium reserve, totaling € 1,934 thousand;
- the legal reserve, the extraordinary reserve and the other reserves, for an amount equal to € 411,687 thousand, including the negative reserve recognized following the introduction of IFRS 9, equal to € -4,868 thousand;
- accumulated other comprehensive income (OCI) which are related to the net positive reserve for debt securities issued by central governments, recognized in the “Financial assets at fair value through other comprehensive income”, for an amount of € 1,947 thousand, and to the negative reserve of Defined Benefit Obligations for an amount of € -9.149 thousand;
- the portion of the first half of 2019 net profit intended to increase the value of the reserves, for an amount equal to € 33,399 thousand, calculated on the basis of the pay-out ratio of the previous year, in line with the conditions set by art. 26, paragraph 2, of EU Regulation 575/2013 (CRR). To this purpose, in the absence of a formalized dividend policy, for the sole purpose of calculating the Own Funds as at 30 June 2019, the retained profits included in the CET1 1 capital have been estimated by taking as the reference the greater of the dividend calculated on the based on the pay-out ratio of the previous year and the dividend calculated on the basis of the average of the pau-out ratios of the last three years, as required by the EU Decision n. 2015/656 of the European Central Bank.

From the item have been deducted:

- treasury shares directly held for an amount equal to € 13,796 thousand;
- own CET1 instruments held by customers that simultaneously used a line of credit, even if not granted for this purpose, for an amount equal to €1,761 thousand;
- own CET1 instruments held synthetically in the trading portfolio for an amount equal to € 36 thousand.

B. CET1 Prudential filters

The item includes the filter relating to the additional valuation adjustments (AVA) calculated on assets and liabilities measured at fair value, amounting to €-475 thousand.

D. Items to be deducted from CET1

The item includes:

- goodwill, net of deferred taxes, amounting to €65,294 thousand;
- other intangible assets amounting to € 8,760 thousand;
- equity exposure to the Voluntary Scheme set up by the Interbank Deposit Guarantee Fund (IDGF), amounting to € 486 thousand.

E. Transitional arrangements - Impact on CET1

For the year 2019, no transitional adjustments is in force.

With regard to the amount of transitional adjustments as at December 31, 2018, it should be noted that this amount incorporates the provisions introduced by the Regulation (EU) 2016/445 on the exercise of the options and discretion is available in Union law issued by the European Central Bank. In particular, the transitional adjustment in force was the one related to the actuarial losses calculated in accordance with article 473 of the CRR which had been excluded at 20% from own funds.

Regulation (EU) 2017/2395 published on 27 December 2017 amended Regulation (EU) No 575/2013 as regards transitional arrangements for mitigating the impact of the introduction of IFRS 9 on own funds and for the large exposures treatment of certain public sector exposures denominated in the domestic currency of any Member State. In particular, the Regulation introduced the article 473a which provides, as an option, for the possibility of financial institutions adopting transitional rules in order to reintegrate within CET1 the adjustments resulting from the adopting of the impairment model according to the new accounting standard, using a phase-in period of 5 years starting in 2018.

The Bank has not adopted the transition regime; therefore Own Funds, Risk Weighted Assets, Capital Ratios and Leverage Ratio already reflect the full impact of IFRS9 application.

G. Additional Tier 1 - AT1 before items to be deducted and the effects of the transitional arrangements

Additional Tier 1 capital includes the bond Additional Tier 1 Perp Non Call June 2023 (5.5 years) (Non-Cumulative Temporary Write-Down Deeply Subordinated Fixed Rate Resettable Notes) issued by FinecoBank on January, 31st 2018, as previously described.

Reconciliation of Own funds with Carrying amounts

(Amounts in € thousand)

	ACCOUNTING FIGURES*	AMOUNTS RELEVANT FOR OWN FUNDS PURPOSES**
ASSET ITEMS		
100. Intangible assets, of which:	**98,362**	**(98,362)**
Goodwill	*89,602*	*(89,602)*
Other intangible assets	*8,760*	*(8,760)*
110. Tax assets, of which:	**3,498**	**24,308**
current tax assets	*198*	*-*
deferred tax assets that do not rely on future profitability	*3,300*	*-*
deferred tax assets that rely on future profitability	*25,895*	*25,895*
deferred tax liabilities	*(25,895)*	*(1,587)*
LIABILITY ITEMS		
120. Revaluation reserves, of which:	**(7,202)**	**(7,202)**
Revaluation reserves for financial assets valued at fair value with impact on other comprehensive income	*1,947*	*1,947*
Revaluation reserves for net actuarial gains (losses)	*(9,149)*	*(9,149)*
140. Capital instruments	**200,000**	**200,000**
150. Reserves	**411,687**	**411,687**
160. Share premium reserve	**1,934**	**1,934**
170. Share capital	**200,941**	**200,941**
180. Treasury shares	**(13,796)**	**(13,796)**
200. Net Profit (Loss) for the period	**134,114**	**33,399**
OTHER ELEMENTS OF OWN FUNDS		
Total other elements, of which:		**(2,757)**
Own CET1 instruments held by customers who simultaneously used a line of credit		(1,761)
Transitional adjustments related to IAS19		-
Prudential filters (-) fair value adjustments		(475)
Prudential filters (-) deduction of the exposure in equity instruments to the Voluntary Scheme		(485)
Deductions of holdings of own Common Equity Tier 1 capital instruments synthetically held		(36)
OWN FUNDS		**750,152**

* The figures for the accounting consolidation and the regulatory consolidation are the same, hence they are shown in a single column.

** The plus/minus sign (+/-) represents the (positive/negative) contribution to Own Funds.

Changes in Own Funds

(Amounts in € thousand)

	01.01.2019/ 06.30.2019	01.01.2018/06.30.2018
Common Equity Tier 1 Capital - CET1		
Start of period	**502,713**	**484,960**
Instruments and Reserves		
Share capital and issue-premium reserve	(229)	(1,135)
of which: own CET1 instruments held by customers who simoultaneously used a line of credit	*(397)*	*(1,363)*
Retained earnings	9,890	(11,029)
Accumulated other comprehensive income and other reserves	5,294	427
Net profit of the period	33,399	43,422
Regulatory adjustments		
Additional regulatory adjustments	(256)	319
Intangible assets net of related liabilities	175	(462)
Transitional adjustments related to IAS19	*(1,044)*	(2,763)
Direct, indirect and synthetic holdings by an institution of own CET1 instruments	*171*	(11,589)
Exposure amount of the following items which qualify for a RW of 1250%, where the institution opts for the deduction alternative: securitisation positions	*39*	193
Regulatory adjustments relating to unrealised gains and losses pursuant to Article 467 and 468	-	295
Regulatory adjustments applied to Common Equity Tier 1 in respect of amount subject to pre-CRR treatment	-	75
End of period	**550,152**	**502,713**
Additional Tier 1 – AT1		
Start of period	**200,000**	**-**
Additional Tier 1 issued in the period	-	200,000
End of period	**200,000**	**200,000**
TIER 2 – T2		
Start of period	**-**	**-**
End of period	**-**	**-**
OWN FUNDS	**750,152**	**702,713**

2.2 Capital adequacy

A. Qualitative information

The prudential supervisory requirements of the Group as of 30 June 2019 were determined on the basis of the harmonized regulation for banks and investment firms contained in Directive 2013/36 / EU (CRD IV) and in Regulation (EU) 575/2013 (CRR) of June 26, 2013 and subsequent Directives/Regulations that modify the content, which transpose the standards defined by the Basel Committee for Banking Supervision (so-called Basel 3 framework), collected and implemented by the Bank of Italy through the Circular n. 285 of 17 December 2013 "Supervisory provisions for banks" and subsequent updates.

On the basis of these provisions, the Group must meet the following requirements regarding Own Funds provided for in Article 92 of the CRR, expressed as a percentage of the total risk exposure amount (RWA - Risk Weighted Assets):

- a Common Equity Tier 1 ratio of at least 4.5%;
- a Tier 1 capital ratio of at least 6%;
- a Total capital ratio of at least 8%.

Furthermore, in addition to these minimum requirements, banks are required to meet the combined buffer requirement, according to the article 128(6) of EU Directive 2013/36/UE. Failure to comply with such combined buffer requirement triggers restrictions on distributions, requiring to apply the calculation of the Maximum Distributable Amount (MDA), and the need to adopt a capital conservation plan.

The combined buffer requirement applicable to FinecoBank includes the following buffers:

- Capital Conservation Buffer (CCB) according to the article 129 of CRDIV, equal to 2.5% of risk weighted assets of the Bank;
- Institution specific Countercyclical Capital Buffer (CCyB) to be applied in period of excessive credit growth, coherently with the article 130 of CRDIV (paragraphs 1 to 4) which for the Bank is equal to 0.006% as of 30 June 2019. Article 136 of the Directive EU / 2013/36 (Capital Requirements Directive, CRD4) establishes the obligation for the designated national authorities to activate an operational framework for the definition of the countercyclical capital buffer ratio (CCyB) starting from 1 January 2016. The ratio is subject to a

quarterly review. The European legislation was implemented in Italy with the Circular n. 285/2013 of the Bank of Italy (Supervisory Provisions for Banks), which contains specific rules on CCyB. The legislative decree 12 May 2015, n. 72 identified the Bank of Italy as the authority designated to adopt macro-prudential measures in the banking sector, including the CCyB. From this date, therefore, institutions have the obligation to hold their own specific countercyclical capital reserve equivalent to the total amount of their risk exposure, calculated in accordance with Article 92, paragraph 3, of Regulation (EU) n . 575/2013, multiplied by the weighted average of the countercyclical coefficients.

Within the decision of the Governing Council of the European Central Bank (ECB) on Pillar 2 prudential requirements that UniCredit S.p.A. and its subsidiaries have to meet (the Bank at that date was part of UniCredit Group), no Pillar 2 buffer has been required to FinecoBank. The decision is based on the SREP (*Supervisory Review and Evaluation Process*), performed by the ECB. Consequently, the "*Total SREP Capital Requirement*" (TSCR) applicable for FinecoBank corresponds to the minimum requirement of Pillar 1.

As at 30 June 2019, no SREP was conducted on the Bank after its deconsolidation from UniCredit Group.

Please, find below a scheme of FinecoBank capital requirements and buffers applicable as of June 2019.

REQUIREMENTS	CET1	T1	TOTAL CAPITAL
A) Pillar 1 requirements	4.50%	6.00%	8.00%
A) Pillar 2 requirements	0.00%	0.00%	0.00%
C) TSCR (A+B)	**4.50%**	**6.00%**	**8.00%**
D) Combined Buffer requirement, of which:	2.506%	2.506%	2.506%
1. Capital Conservation Buffer (CCB)	2.500%	2.500%	2.500%
2. Institution-specific Countercyclical Cap	0.006%	0.006%	0.006%
E) Overall Capital Requirement (C+D)	**7.006%**	**8.506%**	**10.506%**

As at 30 June 2019 the FinecoBank ratios are compliant with the requirements above.

With regard to qualitative information about the methods used by the Bank to assess the capital adequacy of Own Funds in support of current and future assets, please refer to Section 1 - Company assets of this Part F.

B. Quantitative information

(Amounts in € thousand)

CATEGORY/AMOUNT	NON-WEIGHTED AMOUNTS		WEIGHTED/REQUIRED AMOUNTS	
	06.30.2019	12.31.2018	06.30.2019	12.31.2018
A. RISK ASSETS				
A.1 Credit and counterparty risk	**15,989,408**	**24,472,374**	**1,896,676**	**1,752,337**
1. Standardised approach	15,989,408	24,472,374	1,896,676	1,752,337
2. Internal rating method	-	-	-	-
2.1 Basic	-	-	-	-
2.2 Advanced	-	-	-	-
3. Securitisations	-	-	-	-
B. REGULATORY CAPITAL REQUIREMENTS				
B.1 Credit and counterparty risk			**151,734**	**140,187**
B.2 Risk of adjustment of valuation of credit			**102**	**68**
B.3 Settlement risk			**3**	**11**
B.4 Market risk			**1,983**	**1,525**
1. Standardised approach			1,983	1,525
2. Internal models			-	-
3. Concentration risk			-	-
B.5 Operational risk			**48,292**	**48,292**
1. Basic Indicator Approach			-	-
2. Standardised approach			-	-
3. Advanced measurement approach			48,292	48,292
B.6 Other calculation elements			**44,608**	**-**
B.7 Total prudential requirements			**246,722**	**190,083**
C. RISK ASSETS AND CAPITAL RATIOS				
C.1 Risk-weighted assets			3,084,038	2,376,033
C.2 Common Equity Tier 1 Capital/Risk-weighted assets (CET1 capital ratio)			17.84%	21.16%
C.3 Tier 1 capital/Risk-weighted assets (Tier 1 capital ratio)			24.32%	29.58%
C.4 Own funds/Risk-weighted assets (Total capital ratio)			24.32%	29.58%

Risk-weighted assets have been calculated by multiplying the total of prudential requirements by 12.5 (the inverse of the minimum compulsory coefficient of 8%).

As described in the Consolidated Report on Operations, despite the deconsolidation of FinecoBank from the UniCredit Group on May 10, 2019, the risk-weighted assets related to credit and counterparty risk did not show significant changes compared to 31 December 2018 (amount on an individual basis), thanks to the signing of a contract (Pledge Agreement) between UniCredit S.p.A. and FinecoBank which provides for the granting by UniCredit S.p.A. of financial guarantees in favor of FinecoBank aimed at guaranteeing credit risk exposures to UniCredit S.p.A. (at December 31, 2018, by virtue of belonging to the UniCredit Group, the risk weighted assets towards UniCredit Group companies based in Italy were weighted at 0%).

It should be noted, in fact, that the increase in Risk Weighted Assets as of June 2019 is mainly related to the business growth and the increase in regulatory capital requirements related to operational risks. With reference to the increase in regulatory capital requirements related to operational risks, it should be noted that following the deconsolidation from the UniCredit Group, FinecoBank started a process to ask the Supervisory Authority to use a less sophisticated method for determining the regulatory requirement related to operational risk and prudentially, as of June 30, 2019, the requirement was calculated by adopting a Margin of Conservativism (MoC), reported in point B.6 Other calculation elements. Moreover, the governance, the safeguards and the reporting framework required by the internal method for measuring the capital requirement (AMA), previously adopted and developed, were maintained.

Exposure to credit and counterparty risk: breakdown by type of portfolio

(Amounts in € thousand)

PORTFOLIO	06.30.2019			12.31.2018		
	EXPOSURE TO CREDIT AND COUNTERPARTY RISK	RISK-WEIGHTED ASSETS	CAPITAL REQUIREMENT	EXPOSURE TO CREDIT AND COUNTERPARTY RISK	RISK-WEIGHTED ASSETS	CAPITAL REQUIREMENT
Total IRB approach	-	-	-	-	-	-
Central governments or central banks	11,572,400	75,943	6,075	8,848,779	72,949	5,836
Regional governments or local authorities	-	-	-	-	-	-
Public-sectors entities	261,562	-	-	165,058	-	-
Multilateral development banks	353,842	-	-	101,271	-	-
International organisations	634,997	-	-	286,961	-	-
Institutions	383,481	93,735	7,499	12,525,106	29,851	2,388
Corporates	189,626	189,626	15,170	176,112	176,112	14,089
Retail	1,120,223	840,167	67,214	1,391,004	1,043,253	83,460
Secured by mortgages on immovable property	976,355	342,084	27,367	856,848	300,295	24,024
Exposures in default	3,215	3,225	258	2,788	2,812	225
Items associated with particularly high risk	1,928	2,892	231	6,652	9,978	798
Covered bonds	222,629	76,993	6,159	-	-	-
Claims on institutions and corporates with a short-term credit assessment	-	-	-	-	-	-
Collective investment undertakings (UCITS)	417	417	33	-	-	-
Equity instruments	8,016	8,016	641	9,100	13,599	1,088
Other exposures	260,717	260,706	20,857	102,627	102,621	8,210
Total standardised approach	**15,989,408**	**1,893,804**	**151,504**	**24,472,306**	**1,751,470**	**140,118**
Exposures to central counterparties in the form of pre-financed contributions to the default fund		**2,872**	**230**		**867**	**69**
Risk assets - Credit and counterparty risk	**15,989,408**	**1,896,676**	**151,734**	**24,472,306**	**1,752,337**	**140,187**

Capital requirement per type of risk and approach used

(Amounts in € thousand)

TYPE OF RISK	APPROACH USED	CAPITAL REQUIREMENTS 06.30.2019	CAPITAL REQUIREMENTS 12.31.2018
1. On-balance-sheet risk assets	Standardised approach	145,131	123,287
2. Guarantees issued and commitments to disburse funds	Standardised approach	3,681	54
3. Derivative contracts	Current value approach	178	115
4. Securities financing transactions	CRM - Comprehensive method with regulatory adjustments for volatility	2,515	16,662
Capital requirements credit and counterparty risk		**151,504**	**140,118**
Capital requirements for exposures to central counterparties in the form of pre-funded contributions to the default fund		**230**	**69**
Market risk			
1. Foreign-exchange risk	Standardised approach	102	-
2. Debt securities position risk	Standardised approach	1,039	763
3. Equity securities position risk	Standardised approach	806	663
4. Position risk on commodities	Standardised approach	33	97
5. CIU position risk	Standardised approach	3	2
Capital requirements for market risk		**1,983**	**1,525**
1. Concentration risk	Standardised approach	-	-
Capital requirements for concentration risk		**-**	**-**
1. Risk of credit valuation adjustment	Standardised approach	102	68
Capital requirements for risk of credit valuation adjustment		**102**	**68**
1. Settlement risk	Standardised approach	3	11
Capital requirements for settlement risk		**3**	**11**
1. Operational risk (including MOC (Art. 3 CRR)	Advanced measurement approach	92,900	48,292
Capital requirements for operational risk (including MOC (Art. 3 CRR)		**92,900**	**48,292**
Total capital requirements		**246,722**	**190,083**

Part H - Related-party transactions

Part H – Related-party transactions

Information on the fees paid to key management personnel and on related-party transactions, pursuant to IAS 24 is shown below.

1. Details of compensation for key management personnel

Key management personnel are persons having authority and responsibility for planning, directing, and controlling the Companies' activities, directly or indirectly. This category includes Board members and members of the Board of Statutory Auditors, pursuant to requirements of the Bank of Italy Circular no. 262 of December 22, 2005 as amended and updated, as well as the Chief Executive Officer and General Manager, the Deputy General Manager/GBS Manager, the Chief Financial Officer, the PFA Network Commercial and Private Banking Manager, the Deputy General Manager/Global business Manager.

(Amounts in € thousand)

ITEMS/SECTORS	TOTAL 1st HALF 2019	TOTAL 1st HALF 2018
Remuneration paid to "Key Management Personnel", Directors and the Board of Statutory Auditors		
a) short-term benefits	2,730	2,952
b) post-employment benefits	100	109
of which under defined benefit plans	-	-
of which under defined contribution plans	*100*	*109*
c) other long-term employee benefits	-	-
d) termination benefits	-	-
e) share-based payments	1,186	1,429
Total	**4,016**	**4,490**

2. Related-party transactions

The Board of Directors, in order to ensure continued compliance with applicable legal and regulatory provisions on corporate disclosure on transactions with related parties and persons in conflict of interest, during the meeting on July 31, 2018 and with the prior favorable opinion of the Risk and Related Parties Committee and the Board of Statutory Auditors approved last update of "*Procedures for managing transactions with subjects in conflict of interest*" (the "Procedures").

The aforementioned Procedures include the provisions to be complied with when managing:

- related parties transactions pursuant to the Consob Regulation adopted by resolution on March 12, 2010, no. 17221 as subsequently amended;
- transactions with associated persons pursuant to the regulations on "*Risk activities and conflicts of interest with Associated Persons*", laid down by Bank of Italy Circular on December 27, 2006, no. 263, Title V, Chapter 5 ("*New regulations for the prudential supervision of banks*", as amended);
- obligations of bank officers pursuant to Article 136 of Legislative Decree 385 on September 1, 1993, showing the "*Consolidated Law on Banking*".

Considering the above, the following Significant Transactions resolved by the Board of Directors during 2018 are recorded:

- on February 5, 2019, with the favorable opinion of the Risks and Related Parties Committee, the Board of Directors approved the renewal of the "*Framework Resolution related to the entering into of hedging derivative contracts with the Parent Company or companies in the UniCredit Group*", an ordinary Significant Transaction at market conditions with validity up until February 5th, 2020, which enables the Bank to enter into hedging derivatives with UniCredit S.p.A. and with UniCredit Bank AG for commercial assets or liabilities that, for ALM purposes, require interest rate hedging, with a plafond of €1,000 million with UniCredit S.p.A. and €1,300 million with UniCredit Bank AG;
- on May 6, 2019, with the favorable opinion by the Risk and Related Parties Committee, the Board of Directors approved the renewal of the:
  - "*Framework Resolution - Repurchase Agreements and Term Deposits with UniCredit*", an ordinary Significant Transaction at market conditions (expiring May 6, 2020), concerning *(i)* Repurchase Agreements with UniCredit S.p.A. for an amount of €7.0 billion, calculated as the sum of the individual transactions in absolute value (either repos or reverse repos) and *(ii)* Term deposits with UniCredit S.p.A. for an amount of €7.4 billion, calculated as the sum of the individual transactions in absolute value;
  - "*Framework Resolution for the transactions on current accounts held with UniCredit*", an ordinary Significant Transaction at market conditions (expiring May 6, 2020), which enables the Bank to manage transaction through specific current accounts with UniCredit S.p.A. for an maximum amount of € 1,000 million understood as a single transaction (single payment and single withdrawal);
- on June 4, 2019, with the favorable opinion of the Risks and Related Parties Committee, the Board of Directors approved the renewal of the "Framework Resolution – Trading of financial instruments with institutional counterparties and with UniCredit, on their own account and on behalf of third parties, respectively by the Treasury and Markets functions", an ordinary Significant Transaction at market conditions (expiring June 4, 2020), which enables the Bank to carry out trading in derivatives with related parties institutional counterparties, up to a permitted limit of: (i) €2.7 billion with UniCredit Bank AG, (ii) €1 billion with UniCredit S.p.A..

In relation to the above transactions, the Bank provided a simplified disclosure to CONSOB pursuant to Art. 13, paragraph 3, letter c) of CONSOB Regulation on March 12, 2010, no. 17221.

Moreover, on May 6, 2019, the Board of Directors, with the favourable opinion of the Risks and Related Parties Committee, approved the conclusion of all the contractual agreements (the "Operation") made between Fineco and UniCredit S.p.A. in order to:

- allow the smooth transition of FinecoBank outside of the UniCredit Group ("Smooth Transition") with a view to continuity and in the interests of the shareholders of both banks, with particular reference to the coverage of Fineco's exposures, the use of its brands and other distinctive marks, to the provision by UniCredit to Fineco of other services not formally contractualized, and the continued provision of services already covered by existing contracts; and, ultimately
- allow Fineco to operate as an entity that is fully independent from a regulatory, liquidity and operational viewpoint following its exit from the UniCredit Group.

These contractual arrangements, despite being heterogeneous in nature, have been accepted as part of a unitary plan to enable the realisation of the objectives mentioned above. The Operation, considered as a whole and therefore taking into account all of the contractual arrangements as made, is classified as a greater relevance related-party.

For the purpose of fulfilling the disclosure obligations, Fineco prepared, in accordance with Article 5 and with the model contained in Annex 4 to the regulation passed by Consob in its decision no. 17221 of 12 March 2010, the Information Document available to the public on May 14, 2019, at the Bank's registered office of FinecoBank S.p.A. (Milan, Piazza Durante n. 11), on FinecoBank website (www.finecobank.com), and on the website of the accredited storage system "eMarketSTORAGE" (www.emarketstorage.com) on May 14, 2019.

During the first half of 2019, no other transactions were undertaken with related parties that could significantly affect the Bank's and FinecoBank Group's asset situation and results, or atypical and/or unusual transactions, including intercompany and related party transactions.

Minor Transactions were also carried out with related parties (including UniCredit S.p.A. and other UniCredit Group companies), both Italian and foreign, within the ordinary course of business and related financial activities of the Bank, at market or standard conditions.

Lastly, with regard to transactions of significant financial and economic relevance, during 2012, the Bank issued 5 bank guarantees in favour of the Italian Revenue Agency upon (guaranteed) request by UniCredit S.p.A., with indefinite duration (specifically, valid until the Italian Revenue Agency issues a declaration of receipt of the payment by UniCredit S.p.A. at the end of the collection process, in the event of an unfavourable outcome for UniCredit S.p.A., or until a ruling is issued in favour of the Bank by means of final judgement), for a total amount of €256 million, plus interest accrued and accruing until request for payment from the Italian Revenue Agency. The bank guarantees were issued to secure the obligations assumed by UniCredit S.p.A. in relation to five VAT refund suspension orders issued by the Italian Revenue Agency, and entail the assumption by the Bank of an irrevocable payment commitment on demand, within 30 days and without any exceptions. In 2013, following the settlement of an overall assessment notice issued by the Regional Department of Liguria, for €4.5 million, replaced by another assessment notice issued by the same Department up to the amount settled, a guarantee already issued by the Bank was replaced, with amounts unchanged; this transaction did not change the commitments undertaken according to the forms, procedures and risks already assessed during 2012.

In December 2018, following the consolidation of the definition of pending charges related to the aforementioned guarantees, UniCredit S.p.A. has requested the almost total release to the competent office of the Regional Directorate of Liguria. In the first half of 2019, the Revenue Agency has released bank guarantees for a total amount of about € 238.9 million, therefore the residual amount is equal to approximately €17.2 million.

Part H – Related-party transactions (CONTINUED)

The following statement shows the outstanding assets, liabilities, guarantees and commitments as at June 30, 2019, for each group of related parties pursuant to IAS 24:

(Amounts in € thousand)

	AMOUNTS AS AT JUNE 30, 2019					
	DIRECTORS, BOARD OF STATUTORY AUDITORS AND KEY MANAGEMENT PERSONNEL	OTHER RELATED PARTIES	TOTAL	% OF CARRYING AMOUNT	SHAREHOLDERS	% OF CARRYING AMOUNT
Financial assets at amortised cost a) loans and receivable with banks	-	-	-	0.00%	8,762,256	88.98%
Financial assets at amortised cost b) loans and receivable with customers	1,001	17	1,018	0.01%	4,417	0.03%
Other assets	-	-	-	0.00%	4,226	1.56%
Total assets	**1,001**	**17**	**1,018**	**0.00%**	**8,770,899**	**33.95%**
Financial liabilities at amortised cost a) deposits from banks	-	-	-	0.00%	49,335	23.87%
Financial liabilities at amortised cost b) deposits from customers	2,282	728	3,010	0.01%	475	0.00%
Passività finanziarie di negoziazione	-	-	-	0.00%	-	0.00%
Passività fiscali	-	-	-	0.00%	-	0.00%
Fondo rischi garanzie e impegni - garanzie finanziarie rilasciate	-	-	-	0.00%	-	0.00%
Other liabilities	146	-	146	0.05%	6,232	2.12%
Equity instruments	-	-	-	0.00%	200,000	100.00%
Total liabilities	**2,428**	**728**	**3,156**	**0.01%**	**256,042**	**0.99%**
Guarantees given and commitments	**86**	**-**	**86**	**0.01%**	**17,170**	**1.15%**

The following table sets out the impact of transactions with related parties on the main Consolidated Income Statement items, for each group of related parties.

(Amounts in € thousand)

	INCOME STATEMENT AT JUNE 30, 2019					
	DIRECTORS, BOARD OF STATUTORY AUDITORS AND KEY MANAGEMENT PERSONNEL	OTHER RELATED PARTIES	TOTAL	% OF CARRYING AMOUNT	SHAREHOLDERS	% OF CARRYING AMOUNT
Interest income and similar revenues	8	5	13	0.01%	76,489	50.97%
Interest expenses and similar charges	(1)	(2)	(3)	0.04%	(717)	8.64%
Fee and commission income	5	14,116	14,121	4.69%	9,787	3.25%
Fee and commission expenses	-	(102)	(102)	0.07%	(4,147)	2.91%
Gains and losses on disposal or repurchase of: a) financial assets at amortised cost	-	-		0.00%	1,831	89.01%
Impairment losses/writebacks on: a) financial assets at amortised cost	-	6	6	0.11%	8,776	n.c.
Administrative expenses a) staff expenses	-	-	-	0.00%	(138)	0.31%
Administrative expenses b) other administrative expenses	-	(18)	(18)	0.01%	(4,407)	3.59%
Other net operating income	22	4	26	0.05%	249	0.50%
Total income statement	**34**	**14,009**	**14,043**		**87,723**	

With regard to the category "Directors, Board of Statutory Auditors and Key Management Personnel", in application of the special regulations laid down in Article 136 of Legislative Decree 385/93 (Consolidated Law on Banking), the obligations established for persons that perform administrative, management and control functions pursuant to those regulations were unanimously approved by a resolution of the Board of Directors with the favourable vote of all members of the Board of Statutory Auditors, in accordance with Article 136 of said Consolidated Law on Banking.

The category "Directors, Board of Statutory Auditors and Key Management Personnel" includes their dealings (excluding their remuneration, which are discussed in point 1. *Details of compensation for key management personnel*) and dealings with the Head of Internal Audit of FinecoBank, mainly concerning assets for credit card use, mortgages and liabilities for funds held by them with the Bank. The income statement for the first half of 2019 refers to the costs and revenues generated from the aforesaid assets and liabilities.

The "Other related parties" category, where present, includes:

- close family members of key management personnel (i.e., relatives who could be expected to influence, or be influenced by the party involved);
- companies controlled (or jointly controlled) by, or associated with, "key management personnel" or their close family members;
- Group employee post-employment benefit plans.

- Transactions with "Other related parties", mainly refer to assets for credit card use and liabilities for funds held with the Bank. The income statement for the first half of 2019 refers to the costs and revenues generated from the aforesaid assets and liabilities.

The "Shareholders" category includes the shareholders and their subsidiaries holding which at June 30, 2019 held an investment higher than 3% of the share capital represented by shares with voting rights

Transactions mainly refer to:

- current accounts and deposit for compulsory reserves with UniCredit S.p.A., amounting to €493,514 thousand;
- debts for currents account with UniCredit S.p.A., amounting to €9,236 thousand;
- debt securities issued by UniCredit S.p.A., amounting to €8,266,777 thousand;
- loans receivables connected with the provision of financial services referring to the commissions to be cashed for the placement and management of asset management products;
- securities lending transactions.

The income statement for the first half of 2019 refers to the costs and revenues generated from the aforesaid assets and liabilities and the revenues related to the placement and management of asset management products.

It should be noted that the above table also shows - in the category "Other related parties" – also the income statement results accrued with regards to related parties of UniCredit S.p.A. up to the date of exit of FinecoBank from the scope of consolidation of the UniCredit Group.

Part L - Segment reporting

Segment reporting information is not provided as the Fineco's particular business model provides for a high level of integration among its different activities including the activity carried-out by the Irish subsidiary Fineco Asset Management DAC thanks to the vertically integrated business model; thus it is not significant to identify distinct operating sectors.

The banking and investment services are offered by FinecoBank through a network of personal financial advisors and online and mobile channels, that operate in a coordinated and integrated manner. The fully-comprehensive nature of the services offered allows to act as a one-stop solution for customers' banking and investment requirements. This strategy, which is strongly anchored to the customer, means that revenues and margins relative to various products/services (investing, banking and brokerage) are highly interdependent on each other. This integration approach has also inspired top management in setting company targets and identifying the means to achieve them.

As regards information on revenues from customers by product/service, in view of the above, reference should be made to information in Part C - Information on the consolidated income statement of these Notes to the accounts.

It is note worthing that FinecoBank mainly targets retail customers in Italy, given the non-significant contribution from operations to UK customers. The subsidiary Fineco Asset Management DAC carries out asset management activities in Ireland, towards the Italian retail customers and towards institutional customers, mainly resident in Luxembourg.

Information concerning the degree of dependency on main customers is therefore considered by top management as not being of material importance for information purposes, and is not therefore disclosed.

Part M - Leasing

Section 1 - Lessee

Qualitative information

The leasing contracts that fall within the scope of application of the standard IFRS16 are represented by the lease contracts of the properties used by the Group and by the financial shops used by financial advisors and managed directly by the Bank, in addition to lease contracts for machinery and cars.

The Group is potentially exposed to outgoing financial flows, for variable payments due for leasing (in particular referring to the ISTAT revaluation), not included in the valuation of the lease liability.

The Group has determined the duration of the lease, for each individual contract, considering the "non-cancelable" period during which it has the right to use the underlying asset and taking into account all the contractual aspects that can change this duration, including, in particular, the possible presence of:

- periods covered by a right of resolution (with related penalties) or an option to extend the lease to the lessee, the lessor alone, or to both, even at different periods over the duration of the contract;
- periods covered by an option to purchase the underlying asset.

In general, with regard to contracts that provide the option right for the Bank or the subsidiary to automatically renew the lease at the end of an initial contractual period, the duration of lease has determined based on historical experience (in particular for the Bank) and the information available at the date, considering in addition to the non-cancellable period also the period subject to the extension option (first contract renewal period), except for the existence of business plans to dispose of the leased asset as well as clear and documented assessments by the competent Group structures that lead to consider reasonable the failure to exercise the option to renew or exercise the termination option, also taking into account, with particular regard to the financial shops in use by the financial advisors of the Bank, the commercial strategies of recruitment and territorial organization of the network.

The Group has not provided guarantees on the residual value of the leased asset and has no commitments for the stipulation of lease contracts not included in the value of the lease liability recognized in the financial statements.

In accordance with the rules set by the standard, which grants exemptions in this regard, contracts underlying the so-called "Low-value assets" (for which the threshold was set at €5 thousand) mainly consisting of mobile phone rental contracts, all leasing contracts with a contractual duration of 12 months or less (so-called "short term lease") it was decided not to apply the principle to the leasing of intangible assets (mainly represented by software leasing). For these contracts, the related fees are recognized in the income statement on accrual basis for the corresponding duration.

Quantitative information

With regard to the information on the rights of use acquired with the lease, please refer to Part B - Assets - Section 9 - Tangible assets - Item 90 of these Notes to the accounts.

With regard to the information on the lease liabilities, please refer to Part B - Liabilities - Section 1 - Financial liabilities at amortized cost - Item 10 of these Notes to the accounts.

Furthermore, with regard to the information on:

- interest expenses on leasing liabilities, please refer to Part C - Section 1 - Item 20;
- the other charges connected with the rights of use acquired with the lease, please refer to Part C - Section 14 - Net impairments / write-backs on property, plant and equipment - Item 210.
  In this regard, it should be noted that the impairments recognized on the rights of uses of third-party buildings amount to €4,372 thousand; while the impairments recognized on the rights of use of machinery and cars amounted to €119 thousand.

It should be noted that no gains and losses deriving from sale and leaseback transactions have been recorded, as well as income deriving from sub-lease transactions.

Section 2 - Lessor

Qualitative information

The Group has leasing operations, in its capacity as lessor, represented by lease contracts for part of the property owned, located in Milan Piazza Durante, 11, classified as operating leases in the financial statements.

Quantitative information

Payments due for operating leases have been recognized in the consolidated income statement as income. For more details, please refer to Part C - Section 16 - Other operating income and charges - Item 230.

Annexes

Reconciliation of condensed consolidated accounts to mandatory reporting

(Amounts in € thousand)

ASSETS	AMOUNT AS AT 06.30.2019	12.31.2018
Cash and cash balances = *item 10*	1,230,599	6
Financial assets held for trading	7,475	6,876
20. Financial assets at fair value through profit or loss a) financial assets held for trading	*7,475*	*6,876*
Loans and receivables with banks	710,347	3,058,882
40. Financial assets at amortised cost a) loans and receivables with banks	*9,847,775*	*12,440,994*
less: Financial assets at amortised cost a) loans and receivables with banks - Debt securities	*(9,137,428)*	*(9,382,112)*
Loans and receivables with customers	3,408,661	2,955,074
40. Financial assets at amortised cost b) loans and receivables with customers	*13,851,909*	*10,829,029*
less: Financial assets at amortised cost b) loans and receivables with customers - Debt securities	*(10,443,248)*	*(7,873,955)*
Financial investments	19,912,177	18,231,182
20. Financial assets at fair value through profit or loss c) other financial assets mandatorily at fair value	*10,888*	*13,342*
30. Financial asset at fair value through on other comprehensive income	*320,613*	*961,773*
Financial assets at amortised cost a) loans and receivables with banks - Debt securities	*9,137,428*	*9,382,112*
Financial assets at Amortised cost b) loans and receivables with customers - Debt securities	*10,443,248*	*7,873,955*
Hedging instruments	49,365	8,187
50. Hedging derivatives	*17,722*	*3,314*
60. Changes in fair value of portfolio hedged financial assets (+/-)	*31,643*	*4,873*
Property, plant and equipment = item 90	143,801	16,632
Goodwill = item 100. Intangible assets of which: goodwill	89,602	89,602
Other intangible assets = *item 100 net of goodwill*	8,760	8,705
Tax assets = *item 110*	3,498	6,714
Other assets = *item 130*	270,368	350,770
Total assets	**25,834,653**	**24,732,630**

(Amounts in € thousand)

LIABILITIES AND SHAREHOLDERS' EQUITY	AMOUNT AS AT 06.30.2019	12.31.2018
Deposits from banks	206,643	1,009,774
10. Financial liabilities at amortised cost a) deposits from banks	*206,643*	*1,009,774*
Deposits from customers	24,139,699	22,273,188
10. Financial liabilities at amortised cost b) deposits from customers	*24,139,699*	*22,273,188*
Financial liabilities held for trading = *item 20*	2,413	2,221
Hedging instruments	84,086	7,941
40. Hedging derivatives	*67,019*	*5,341*
50. Changes in fair value of portfolio hedged financial liabilities (+/-)	*17,067*	*2,600*
Tax liabilities = *item 60*	64,779	12,390
Other liabilities	409,355	451,435
80. Other liabilities	*293,706*	*337,069*
90. Provisions for employee severance pay	*4,661*	*4,561*
100. Provisions for risks and charges	*110,988*	*109,805*
Shareholders' Equity	927,678	975,681
- capital and reserves	800,766	744,256
140. Equity instruments	*200,000*	*200,000*
150. Reserves	*411,687*	*355,509*
160. Share premium reserve	*1,934*	*1,934*
170. Share capital	*200,941*	*200,773*
180. Treasury shares (-)	*(13,796)*	*(13,960)*
- revaluation reserves	(7,202)	(9,794)
120. Revaluation reserves of which: financial assets at fair value through other comprehensive income	*1,947*	*(3,410)*
120. Revaluation reserves for actuarial net gains (losses) for defined benefit plans	*(9,149)*	*(6,384)*
- net profit = *item 200*	134,114	241,219
Total liabilities and shareholders' equity	**25,834,653**	**24,732,630**

(Amounts in € thousand)

INCOME STATEMENT	1st HALF 2019	1st HALF 2018
Net interest	141,767	137,646
30. Net interest margin	*141,767*	*137,646*
Dividends and other income from equity investments	25	20
70. Dividend income and similar revenue	*63*	*52*
less: dividends from held-for-trading equity instruments included in item 70	*(38)*	*(32)*
Net fee and commission income = *item 60*	158,643	145,978
60. Net fee and commission income	*158,643*	*145,978*
Net trading, hedging and fair value income	17,812	27,618
80. Gains (losses) on financial assets and liabilities held for trading	*18,155*	*25,980*
90. Fair value adjustments in hedge accounting	*(381)*	*70*
110. Gains (losses) on financial assets and liabilities at fair value through profit or loss	*(2,784)*	*1,402*
100. Gains (losses) on disposal or repurchase of: b) financial asset at fair value through other comprehensive income	*727*	*134*
+ dividends from held-for-trading equity instruments included in item 70	*38*	*32*
+ gains (losses) on disposal or repurchase of: a) financial assets at amortised cost - debt securities (unimpaired)	*2,057*	*-*
Net other expenses/income	537	583
230. Other net operating income	*50,246*	*48,082*
less: other net operating income - of which: recovery of expenses	*(50,817)*	*(48,623)*
less: adjustments of leasehold improvements	*1,108*	*1,124*
100. Gains (losses) on disposal or repurchase of: a) financial assets at amortised cost (unimpaired)	*2,057*	*-*
less: gains (losses) on disposal or repurchase of: a) financial assets at amortised cost - debt securities (unimpaired)	*(2,057)*	*-*
OPERATING INCOME	**318,784**	**311,845**
Staff expenses	(44,097)	(41,499)
190. Administrative expenses - a) staff expenses	*(44,097)*	*(41,503)*
less: integration cost	*-*	*4*
Other administrative expenses	(123,742)	(126,931)
190. Administrative expenses - b) other administrative expenses	*(122,634)*	*(125,807)*
+ adjustments of leasehold improvements	*(1,108)*	*(1,124)*
Recovery of expenses	50,817	48,623
230. Other net operating income- of which: recovery of expenses	*50,817*	*48,623*
Impairment/write-backs on intangible and tangible assets	(10,510)	(4,836)
210. Impairment/write-backs on property, plant and equipment	*(7,860)*	*(2,399)*
220. Impairment/write-backs on intangible assets	*(2,650)*	*(2,437)*
Operating costs	**(127,532)**	**(124,643)**
OPERATING PROFIT (LOSS)	**191,252**	**187,202**
Net impairment losses on loans and provisions for guaranteed and commitments	(146)	(1,156)
130. Impairment losses/writebacks on: a) financial assets at amortised cost	*5,666*	*3,810*
less: impairment losses/writebacks on: a) financial assets at amortised cost - debt securities	*(5,844)*	*(5,354)*
130. Impairment losses/writebacks on: b) financial assets at fair value through other comprehensive income	*(39)*	*(53)*
less: impairment losses/writebacks on: b) financial assets at fair value through other comprehensive income - debt securities	*39*	*53*
200. Net provisions for risks and charges a) provision for credit risk of commitments and financial guarantees given	*32*	*388*
NET OPERATING PROFIT (LOSS)	**191,106**	**186,046**
Other charges and provisions	(3,836)	(3,699)
200. Net provisions for risks and charges b) other net provision	*(3,836)*	*(3,699)*
Integration costs	-	(4)
Net income from investments	5,805	5,158
+ impairment losses/writebacks on: a) financial assets at amortised cost - debt securities	*5,844*	*5,354*
+ impairment losses/writebacks on: b) financial assets at fair value through other comprehensive income - debt securities	*(39)*	*(53)*
280. Gains (losses) on disposal of investments	*-*	*(143)*
PROFIT (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS	**193,075**	**187,501**
Income tax for the year = *item 300*	(58,961)	(62,322)
NET PROFIT (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS	**134,114**	**125,179**
PROFIT (LOSS) FOR THE PERIOD	**134,114**	**125,179**
NET PROFIT (LOSS) ATTRIBUTABLE TO THE GROUP	**134,114**	**125,179**

Certification of consolidated annual Financial Statements pursuant to article 81-ter of Consob regulation no. 11971 of May 14, 1999 and subsequent amendments

1. The undersigned, Alessandro Foti, as Managing Director and General Manager of FinecoBank S.p.A., and Lorena Pelliciari, as Nominated Official in charge of drawing up company accounts of FinecoBank S.p.A, taking into account the provisions of Article 154-bis, par. 3 and 4 of Legislative Decree 58 of February 24, 1998, do hereby certify:

- the adequacy in relation to the Company's features and
- the actual application

of the administrative and accounting procedures used in the preparation of the 2019 Condensed Interim Consolidated Financial Statements.

2. The adequacy of the administrative and accounting procedures employed to draw up the Condensed Interim Consolidated Financial Statements has been evaluated in accordance with the "Internal Control - Integrated Framework (CoSO)" and the "Control Objective for IT and Related Technologies (Cobit)", which are international commonly accepted standards for the internal control system and for financial reporting.

3. The undersigned also certify that:

3.1 The Condensed Interim Consolidated Financial Statements:

a) were prepared in compliance with applicable international accounting standards recognised by the European Community pursuant to European Parliament and Council Regulation 1606/2002 of July 19, 2002;
b) correspond to the results of the books and accounting records;
c) are suitable to provide a fair and correct representation of the financial position and performance of the issuer and the group of companies included in the scope of consolidation;

3.2. The Consolidated interim report on operations includes a reliable analysis of the most significant events in the first six months of the financial year and their impact on the Condensed interim consolidated financial statements, together with a description of the main risks and uncertainties concerning the remaining six months of the year. The Consolidated first half financial report also contains a reliable analysis of information on significant related party transactions.

Milan, August 5, 2019

FinecoBank S.p.A.
The Chief Executive Officer and
General Manager
Alessandro Foti

FinecoBank S.p.A.
The Manager Responsible for Preparing
the Company's Financial Reports
Lorena Pelliciari

Report of the External Auditors

Deloitte.

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REPORT ON REVIEW OF THE HALF-YEARLY CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders of
FINECOBANK BANCA FINECO S.p.A.

Introduction

We have reviewed the accompanying half-yearly condensed consolidated financial statements of FinecoBank Banca Fineco S.p.A. and its subsidiary, which comprise the consolidated balance sheet as of June 30, 2019, and the consolidated income statement, the statement of consolidated comprehensive income, the statement of changes in consolidated equity and the consolidated statement of cash flow for the six-month period then ended, and the related explanatory notes. The Directors of FinecoBank Banca Fineco S.p.A. are responsible for the preparation of these half-yearly condensed consolidated financial statements in accordance with the International Accounting Standard applicable to the interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to express a conclusion on the half-yearly condensed consolidated financial statements based on our review.

Scope of review

We conducted our review in accordance with the criteria recommended by the Italian Regulatory Commission for Companies and the Stock Exchange (Consob) for the review of the half-yearly financial statements under Resolution n. 10867 of July 31, 1997. A review of half-yearly condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (ISA Italia) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying half-yearly condensed consolidated financial statements of FinecoBank Banca Fineco S.p.A. and its subsidiary as of June 30, 2019 are not prepared, in all material respects, in accordance with the International Accounting Standard applicable to the interim financial reporting (IAS 34) as adopted by the European Union.

DELOITTE & TOUCHE S.p.A.

Signed by
Paolo Gibello Ribatto
Partner

Milan, Italy
August 6, 2019

This report has been translated into the English language solely for the convenience of international readers.

Glossary

Additional Tier 1

Equity instruments in line with the provisions of Regulation (EU) No.575/2013 (CRR) on prudential requirements for credit institutions and investment firms, which have the following characteristics:
- full discretion of the issuer in coupon payments and redemptions, also advanced, of the principal outstanding;
- the instrument is perpetual or has a maturity equal to duration of the entity;
- it maintains within the full discretion of the issuer the possibility to perform a write-up of the nominal value after the occurrence of a capital event that has determined a write-down;
- no provisions that force the issuer to provide for payments (must-pay clauses) following genuine events under the direct control of the parties.

Accelerated book building offering

Procedure through which particularly large shareholdings are sold to institutional investors. This type of transaction is used by majority shareholders to sell share packages or by the company to rapidly obtain capital (for acquisitions or to refinance debt).

AMA (Advanced Measurement Approach)

Applying this methodology, operational risk requirement is obtained using calculation models based on operational loss data and other evaluation elements collected and processed by the Bank. Admittance threshold and specific suitability requirements have been established for the use of the standard and advanced approaches. For the AMA approach the requirements regard the measurement system, as well as the management system.

Assets under management

Investment funds, segregated accounts and insurance products.

Assets Under Custody

Government securities, bonds and shares.

Audit

Audit Process of controlling a company's activities and accounting, carried out either by an internal body (internal audit) or by an external firm of auditors (external audit).

Available financial resources (AFR)

AFR are the resources that can be used to safeguard the bank from insolvency. The AFR are an economic measure that consider the potential reserves, hybrid debt instruments, IFRS reserves, goodwill and other intangible assets, treasury shares held and the expected profits.

Bad exposure

Exposures to borrowers in a state of insolvency (even when not recognised in a court of law) or in an essentially similar situation, regardless of any loss forecasts made by the bank (i.e. irrespective of whether there are any – secured or personal – guarantees covering the exposures).

Banking book

Used in relation to financial instruments, particularly securities, this term identifies the portion of those portfolios intended for "proprietary" activities.

Bail-in

Resolution measures adopted by the competent authorities that can involve the conversion of debt instruments into shares or the reduction in the value of liabilities, imposing losses on certain categories of creditors in accordance with the BRRD.

Basel 2

International agreement on the capital requirements of banks in relation to the risks assumed by them. This agreement has been adopted, at national level, by the respective competent supervisory authorities, including the Bank of Italy. The new prudential regulations, which came into force in Italy in 2008, are based on three pillars.

- Pillar 1: while the objective of a level of capitalisation equivalent to 8% of the risk-weighted exposures remains unchanged, a new set of rules has been defined for measuring the typical risks associated with banking and financial activities (credit risk, counterparty risk, market risk and operational risk) which provides for alternative calculation methods characterised by different levels of complexity, with the ability to use internally developed models subject to prior authorisation by the Regulatory Authority;
- Pillar 2: requires banks to have processes and tools for determining the adequate level of total internal capital (Internal Capital Adequacy Assessment Process - ICAAP) for covering all types of risk, including risks other than those covered by the overall capital requirement (Pillar I), within the framework of an evaluation of current and future exposure that takes account of strategies and of changes in the reference context. It

Glossary (CONTINUED)

is the Supervisory Authority's task to examine the ICAAP process, formulate an overall judgement and, where necessary, apply the appropriate corrective measures;

- Pillar III: introduces obligations to publish information concerning capital adequacy, exposure to risks, and the general characteristics of the systems used for identifying, measuring and managing those risks.

Basel 3

International agreement amending Basel 2 adopted in December 2010, containing amendments to the prudential rules on the capital and liquidity of banks, with the gradual entry into force of the new capital requirements from January 1, 2014 until December 31, 2019. These rules have been implemented at European level through the CRD IV "Package".

Bank Recovery and Resolution Directive or BRRD

Refers to the Directive approved by the European Parliament and the Council, respectively. On April 15 and May 6, 2014, regarding the establishment of a recovery and resolution framework for the crisis affecting credit institutions and investment firms.

Basis point

The bp or basis point represents 0.01% of a particular amount, or one hundredth of a percentage point. 100 basis points are equivalent to 1%.

Best practice

Behaviour commensurate with the most significant experience and/or the best level of knowledge achieved in relation to a given technical or professional field.

Budget

Statement forecasting the future costs and revenues of a business.

Capital conservation buffer

According to the definition contained in Article 128 of the CRD IV, this is a capital reserve whose establishment is required by the regulations – as also specified in the Supervisory Provisions – aimed at providing banks of a high quality capital buffer to be used in periods of market strain to prevent malfunctions of the banking system and avoid disruptions in the credit granting process, amounting to 2.5% of risk-weighted assets, calculated in accordance with Article 92, sub-section 3, of the CRR on an individual and consolidated basis.

CDS – Credit Default Swap

A derivative in which a seller of protection engages, for a fee, to pay the buyer of protection a fixed amount if a certain event indicating a deterioration of the creditworthiness of a reference entity occurs.

CFO

Chief Financial Officer.

CGU – Cash Generating Unit

A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

Common Equity Tier 1 or CET 1

The Common Equity Tier 1 under Basel 3, mainly consisting of ordinary paid-up capital, the related share premium, operating profit, reserves and other regulatory adjustments, as provided for by the CRR regulation and the Supervisory Regulations.

Clawback clause

Action of repayment of the bonus received when, after its disbursement, intentional or negligent conduct of the employee emerges that, if it had been known at the time of disbursement, would have been sufficient not to satisfy the assessment of compliance, or that disbursement has been made in breach of legal or regulatory provisions.

Corporate

Customer segment consisting of medium to large businesses.

Cost/income ratio

The ratio of operating expenses to operating income. It is one of the main key performance indicators of the bank's efficiency: the lower the ratio, the more efficient the bank.

Cost of Risk

The ratio of Net impairment losses of loans with customers in the last 12 months to loans and receivables with customers (average of the averages of the last four quarters, calculated as the average balance at the end of the quarter and the balance at the end of the previous quarter). The scope only includes loans to commercial customers. It is one of the risk indicators of bank assets: the lower the ratio, the less risky the bank assets.

CoR (incentive system)

The ratio of Net impairment losses of loans with customers in the last 12 months to loans and receivables with customers (average of the balance at period end and the balance at December 31 of the previous year). The scope of the exposures excludes positions deriving from bonds and advances to personal financial advisors.

Countercyclical capital buffer

The countercyclical capital buffer consisting of Common Equity Tier 1 pursuant to Supervisory Regulations, according to the concept contained in Articles 128 and 130 of the CRD IV, equal to the risk weighted assets, calculated in accordance with Article 92, paragraph 3, of the CRR by the Company's countercyclical capital buffer, determined according to the criteria established by the Supervisory Regulations at an amount ranging from 0% to 2.5%.

Covenant

A loan agreement clause whereby the lender is entitled to restructure or call in the loan upon occurrence of the events specified in the clause, which ties changes in the borrower’s earnings and financial performance to default events/events modifying the contractual terms and conditions (maturity, interest rates, etc.).

Covered bond

A bond which, in addition to being guaranteed by the issuing bank, may also be covered by a portfolio of mortgages or other high-quality loans transferred, for that purpose, to a specific SPV – Special Purpose Vehicle (q.v.).

Credit Quality – EL

EL%= EL/EAD

Represents the expected loss as a percentage of the exposure in the event of default (EAD) of the performing portfolio.

The perimeter is the customers of the performing portfolio.

Credit quality step

A Step, based on external ratings, which is used to assign risk weights under the standardised approach for credit risk.

CRD (Capital Requirements Directives)

EU Directives 2006/48 and 2006/49, adopted by Bank of Italy circular 263/2006 of December 27, 2006 as amended. The CRD IV “Package” has replaced the two aforementioned Directives and consists of the EU Directive 2013/36 on the taking up of the business of credit institutions and prudential supervision and the EU Regulation 575/2013 on prudential requirements, adopted by the Bank of Italy circular 285 of December 17, 2013 as amended.

Credit risk

The risk that an unexpected change in the credit rating of a counterparty, the value of the collateral they have provided, or of the amount used in the event of insolvency generates an unexpected change in the lending position of the Bank.

Credit counterparty risk

The risk that the counterparty in a transaction in financial instruments may enter default before settling all the agreed cash flows.

CRM - Credit Risk Mitigation

Credit Risk Mitigation is a set of techniques, ancillary contracts to the loan or other instruments (e.g. securities, guarantees), which reduces credit risk capital requirements.

CRO

Chief Risk Officer.

Glossary (Continued)

Default

A party's declared inability to honour its debts and/or the payment of the associated interest.

Direct deposits

Current accounts, repos and time deposits.

EAD – Exposure At Default

Relating to the on-balance and off-balance sheet positions, EAD is defined as the estimation of the future value of an exposure at the time of the debtor's default. Only banks that meet the requirements for adopting the "IRB – Internal Rating Based" advanced approach are allowed to estimate EAD (q.v.). Other banks are required to refer to regulatory estimations.

EBA European Banking Authority

The European Banking Authority is an independent EU Authority which works to ensure effective and consistent prudential regulation and supervision across the European banking sector.

ECA

Export Credit Agency.

ECAI

External Credit Assessment Institution.

ECB

European Central Bank. The ECB is the central bank for Europe's single currency, the euro.

Economic capital

Capital level that is required by a bank to cover the losses that may occur with at a time horizon of one year and a certain probability or confidence level. Economic Capital is a measure of the variability of the Expected Loss of the portfolio and depends on the degree of diversification of the portfolio itself.

EPS – Earnings Per Shares

An indicator of a company's profitability calculated by dividing the net profit by the average total outstanding shares (excluding treasury shares).

EPS – Diluted Earnings Per Shares

An indicator of a company's profitability calculated by dividing the net profit by the average total diluted outstanding shares (excluding treasury shares).

EVA (Economic Value Added)

EVA is an indicator of the value created by a company. It shows the firm's ability to create value; calculated as the difference between net profit excluding extraordinary charges and related tax effects (integration costs and net profits from extraordinary investments), and the figurative cost of the allocated capital; the latter was calculated using either the greater of the regulatory capital and the economic capital absorbed either using the book value of shareholders' equity (average of single end quarters).

Expected Losses

The losses recorded on average over a one year period on each exposure (or pool of exposures).

Fair value

The price at which an asset can be traded or a liability settled in a free-market transaction between independent parties at arm's length.

Forbearance/Forborne exposures

According to the EBA Implementing Technical Standard, forborne exposures are exposures in respect of which forbearance measures have been extended, consisting of concessions towards a debtor facing or about to face difficulties in meeting its financial commitments ("financial difficulties").

Funding

Provision, in various forms, of the funds necessary to finance business activities or particular financial transactions.

Futures

Standardised contracts through which parties undertake to exchange money, transferable securities or goods at a set price at a future date. These contracts are traded on regulated markets, where their execution is guaranteed.

Goodwill

The additional sum paid for the acquisition of an equity interest, equal to the difference between the cost and the corresponding share of net assets, for the portion not attributable to the identifiable assets of the acquired company.

Guided products & services

The Bank's products and/or services developed by investing in UCITs selected from among those distributed for each asset class taking into account customers' different risk profiles and offered to the Bank's customers under the guided open architecture model. At the date of this report, the guided products category included the "Core Series" umbrella fund of funds, "Core Funds", the Individual Savings Plans ("Piani Individuali di Risparmio" or "PIR") and the "Core Unit", "Advice Unit", "Core Multiramo", "Advice Top Valor", "Old Mutual", "Best in class", "FAM Evolution", "Core Pension", "Private Client Insurance" e "GP Private value" unit-linked policies, while the "Fineco Advice", "Fineco Stars" and "Fineco Plus" advanced advisory services (for investment) fall under the guided service category.

Guided Products & Services/AUM

The ratio of Guided Products & Services (q.v.) to Assets under Management (q.v.).

Guided Products & Services/TFA

The ratio of Guided Products & Services to Total Financial Assets.

HNWI

High Net Worth Individual, i.e. Private customers with TFA of over one million euros.

IAS/IFRS

International accounting standards issued by the International Accounting Standard Board (IASB), a private international body established in April 2001, involving representatives of the accounting professions of the principal countries and, as observers, the European Union, IOSCO (International Organization of Securities Commissions) and the Basel Committee. This body is the successor of the International Accounting Standards Committee (IASC), set up in 1973 to promote harmonisation of the rules for the preparation of company accounts. When the IASC became the IASB, it was decided, among other things, to name the new accounting principles "International Financial Reporting Standards" (IFRS). At international level, work is currently underway to harmonise the IAS/IFRS with the US GAAP – United States Generally Accepted Accounting Principles (q.v.).

ICAAP – Internal Capital Adequacy Assessment Process

See "Basel 2 – Pillar 2".

Impairment

Within the framework of the IAS/IFRS (q.v.), this refers to the loss of value of a balance sheet asset, recorded when the book value is greater than the recoverable value, i.e. the sum that can be obtained by selling or using the asset.

Impaired loans

Loans and receivables are reviewed periodically in order to identify those that, following events occurring after initial recognition (at market value, which is, usually, equal to the amount paid including transaction costs and income directly attributable to the disbursement of the credit) show objective evidence of possible impairment. These include a loans to which the status of non-performing, unlikely to pay and past due has been assigned, according to the Bank of Italy rules in line with the IAS/IFRS (q.v.).

Internal Capital

Represents the amount of capital required to cover potential losses and is required to support the business activities and positions held. Internal Capital is the sum of the aggregated Economic Capital and a cushion that considers the effects of the cycle and model risk.

(Internal) validation

Expert unit, internal but sufficiently independent, that verifies the adequacy of internal models for internal and regulatory purposes and issues a formal opinion about their usefulness and effectiveness. Usually a prerequisite for the validation process carried out by the authorities.

Glossary (Continued)

Index linked

Policies whose performance at maturity depends on a benchmark parameter that may be a share index, a basket of securities or another indicator.

IRB – Internal Rating Based

Method for determining the capital needed to cover credit risk within the framework of Pillar 1 of Basel 2 (q.v). The rules are applied to the exposures of the banking book. Furthermore, in the IRB methods the risk weightings of the assets are determined on the basis of the bank's own internal evaluations of the debtors (or, in some cases, of the transactions). Using systems based on internal ratings, the banks determine the weighted risk exposure. The IRB methods consist of a basic method and an advanced method, which differ in terms of the risk parameters that the bank must estimate: in the basic method, the banks use their own estimates for "PD – Probability of Default" and the regulatory values for the other risk parameters; in the advanced method, the banks use their own estimates for "PD – Probability of Default ", "LGD – Loss Given Default", "CCF – Credit Conversion Factors" and, where provided for, "M - Maturity" (q.v.). The use of IRB methods for the calculation of capital requirements is subject to authorisation from the Bank of Italy.

IRS – Interest Rate Swap

See "Swap".

Joint venture

Agreement between two or more companies for the conduct of a given economic activity, usually through the constitution of a joint stock company.

Ke

The cost of equity is the minimum return on investment required by the shareholder. It is the sum of a risk-free rate and an additional spread remunerating the shareholder for the credit risk and the volatility of the share price. The cost of capital is based on medium-long term averages of market parameters.

KPI - "Key Performance Indicators"

Set of indicators used to evaluate the success of a particular activity or process.

Key Risk Indicators

The risk indicators are quantitative metrics that reflect exposure to Operational Risks of specific processes or products: the value expressed by an indicator should be related to changes in risk levels.

Large exposures

The sum of all the exposures towards a counterparty that are equal to or more than 10% of the eligible capital of the Issuer, when: (i) the exposures are the sum of the on-balance-sheet risk assets and the off-balance-sheet operations with a counterparty, as defined by the regulations on credit risk, without applying the weighting factors established therein (these exposures do not include the risk assets deducted in the determination of the Own Funds); (ii) a counterparty is a customer or a group of connected customers.

LCP

Loss Confirmation Period.

LCR - Liquidity Coverage Ratio

The Liquidity Coverage Ratio (LCR) is structured in such a way as to ensure that an institution maintains an adequate level of high quality non-restricted liquid assets that can be converted into cash to meet its liquidity needs over a period of 30 calendar days in a particularly acute liquidity stress scenario specified by the supervisory authorities. The LCR is defined as the ratio between the stock of high quality liquid assets and the total cash outflows in the next 30 calendar days.

Leasing

Contract whereby one party (the lessor) conveys the right to use an asset to another party (the lessee) for a given period of time and in exchange for consideration.

LGD – Loss Given Default

Expected value (which may be conditional upon adverse scenarios) of the ratio, expressed as a percentage, between the loss giving rise to the default and the amount of exposure at the time of the default ("EAD - Exposure At Default", q.v.).

Liquidity risk

The risk of the company being unable to meet its payment commitments due to the inability to liquidate assets or obtain sufficient funding from the market (funding liquidity risk) or due to the difficulty/inability to easily liquidate positions in financial assets without significantly and unfavourably affecting the price because of insufficient depth or temporary malfunction of the financial market (market liquidity risk).

Long and Short Margining

Margining is a trading method that allows investors to buy (long leverage) or sell (short selling) by investing only a part of the liquidity required.

Market risk

Consists of the effect that changes in market variables (interest rates, securities prices, exchange rates, etc.) can cause to the economic value of the portfolio, when it includes assets held in the trading book, as well as those posted in the banking book, both on the operations characteristically involved in commercial banking and in the choice of strategic investments.

Master servicing agreement

Type of contract under which two or more parties regulate the key terms of subsequent transactions and/or further agreements to be implemented between them in the future.

Maturity Ladder

Instrument for managing and monitoring short-term liquidity (operational liquidity), which, by offsetting assets and liabilities whose maturity falls within each individual time band, enables the identification of mismatches (periodic and cumulative) between incoming and outgoing cash flows and, therefore, to calculate the net financial requirement (or surplus) over the period of the year.

Model Risk Category

The MRCs have been introduced at the group level in order to characterise the types of operational loss in more detail. They are obtained from the combination of the seven event types established by Basel II with one or more of products offered to customers.

Non-performing exposures

According to the EBA Implementing Technical Standards, non-performing exposures are all on-balance-sheet and off-balance-sheet exposures that satisfy either or both of the following criteria:

- material exposures which are more than 90 days past due/overdrawn;
- exposures for which the debtor is assessed as unlikely to pay its credit obligations in full without realisation of collateral, regardless of the existence of any past-due amount or of the number of days past due.

NSFR - Net Stable Funding Ratio

The Net Stable Funding Ratio (NSFR) is structured to ensure that long-term assets are financed with at least a minimum amount of stable liabilities in relation to their respective liquidity risk profiles. The NSFR is aimed at limiting the excessive use of short-term wholesale deposits in periods of abundant market liquidity and encouraging a better assessment of liquidity risk based on all balance sheet and off-balance sheet items. The NSFR is defined as the ratio between the total available stable funding and the total required stable funding.

NSFR *Adjusted*

The NSFR Adjusted ratio is based on the regulatory ratio NSFR (Net Stable Funding Ratio) but is adjusted by maturity (i.e. by bucket) considering maturities of more than 3 and 5 years respectively. The NSFR Adjusted is therefore used to monitor and control the structural liquidity situation on maturities over the year. The NSFR is defined as the ratio between the cumulative liabilities over the year and the cumulative assets over the year.

Operational risk

The risk of losses due to errors, violations, interruptions, or damage caused by internal processes, personnel, systems or by external events. This definition includes legal and compliance risks, but excludes strategic and reputational risk. For example, losses arising from the following can be defined as operational: internal or external fraud, employment practices and workplace safety, customer claims, product distribution, fines and penalties for regulatory breaches, damage to the Company's physical assets, business disruption and system failures, and management of processes.

Option

The right, but not the commitment, acquired by the payment of a premium, to buy (call option) or sell (put option) a financial instrument at a given price (strike price) by or at a determined future date (American option/European option).

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OTC – Over The Counter

Over-the-counter (OTC) trading consists of the exchange of financial instruments such as shares, bonds, derivatives or goods directly between two counterparties. The OTC markets do not have standardised contracts or buying/selling procedures and are not associated with a set of rules (admissions, controls, obligations of information, etc.) like those that govern the official markets.

Own funds or Total Capital

The own funds of a bank consist of a series of regulatory defined items (excluding the negative items to be deducted), classified based on capital quality and loss absorbing capacity. From January 1, 2014, after the CRR came into force, Own Funds consists of the sum of Tier 1 capital and Tier 2 capital.

Past-due and/or overdrawn impaired exposures

On-balance sheet exposures, other than those classified as bad loans or unlikely to pay that are past due or overdrawn at the reporting date. They represent the total exposure to any borrower not included in the unlikely to pay and bad loans categories, who at the reporting date has expired facilities or unauthorised overdrafts that are more than 90 days past due and meet the requirements set out by local supervisory regulations for their classification under the "past due exposures" category (TSA banks) or "defaulted exposures" (IRB banks).

Payout ratio

The percentage of net income that is distributed to shareholders. The percentage paid out is determined mainly on the basis of the company's self-financing needs and the return expected by shareholders.

PD – Probability of Default

Default Probability of a counterparty entering into a situation of "default" (q.v.) within a period of one year.

Private banking

Financial services aimed at "high-end" private customers for the global management of financial needs.

RARORAC - Risk adjusted Return on Risk adjusted Capital

An indicator calculated as the ratio between EVA (as described above) and the average of the quarters of the year of the allocated capital (calculated with the same methods envisaged for the calculation of the EVA) and expresses in percentage terms the capacity to create value per unit of risk taken.

Rating

Evaluation of the quality of a company or its issues of debt securities on the basis of the company's financial soundness and prospects. This evaluation is made either by specialist agencies or by the bank on the basis of internal models.

Retail

Customer segment consisting principally of private individuals, self-employed professionals, traders and artisans.

Risk Taking Capacity

Ratio between Available Financial Resources and Internal Capital.

Risk-weighted assets

See the item "RWA - Risk-Weighted Assets".

ROAC – Return on Allocated Capital

An indicator calculated as ratio of net operating profit to the average of the quarters of the year of the allocated capital (calculated with the same methods envisaged for the calculation of the EVA).

ROE

Ratio between net profit and the average shareholders' equity for the period (excluding dividends and any donations expected to be distributed and the revaluation reserves), calculated as the average of the balance at the end of the period and that of the previous December 31st.

RWA - Risk-Weighted Assets

It is the value of on-balance sheet and off-balance sheet risk-weighted assets on the basis of different weighting factors according to the class in which the exposure is classified and its credit quality, in accordance with the banking regulations issued by the regulatory authorities for the calculation of the solvency ratios.

Sensitivity

The greater or lesser degree of sensitivity with which certain assets or liabilities react to changes in rates or other reference parameters.

Sensitivity Analysis

Sensitivity analysis quantifies the change in value of a financial portfolio resulting from an unfavourable change in major risk factors (interest rate, exchange rate, equity).

SME

Small and medium enterprises.

SPV –Special Purpose Vehicle

An entity – partnership, limited company or trust – set up to pursue specific objectives, such as isolating financial risk or obtaining special regulatory or tax treatment for specific portfolios of financial assets. SPV's operations are accordingly limited by a set of rules designed for this purpose. In general the SPVs' sponsors (q.v.) do not hold equity in them. The equity is held by other entities in order to ensure that there is no shareholder relationship with the Sponsor (q.v.). SPVs are usually bankruptcy-remote, in that their assets cannot be claimed by the creditors of the sponsor, even if the latter becomes insolvent.

Swap

A transaction that generally consists of the exchange of financial streams between operators according to different contractual arrangements. In the case of an interest rate swap (IRS), the counterparties exchange payment streams that may or may not be linked to interest rates, calculated on a notional principal amount (for example, counterparty pays a stream on the basis of a fixed rate, while the other does so on the basis of a variable rate). In the case of a currency swap, the counterparties exchange specific amounts in two different currencies, with these amounts being exchanged back in due course according to predefined arrangements that may concern both the capital (notional) and the streams of interest payments.

Tier 1 Capital

The most reliable and liquid part of a bank's capital, as defined by the regulatory rules.

Tier 1 Capital Ratio

The percentage of a bank's Tier 1 Capital to its risk weighted assets "RWA – Risk Weighted Assets" (q.v.).

Total Financial Assets - TFA

Assets Under Management (q.v.), Assets Under Custody (q.v.) and Direct Deposits (q.v.).

Trading Book

Positions held for trading are those held intentionally for a subsequent sale in the near term and/or assumed with the intention of benefiting, in the short term, from the differences between buying and selling prices, or other price or interest rate interest variations.

UCI – Undertakings for Collective Investment

This term includes "UCITS – Undertakings for Collective Investment in Transferable Securities" (q.v.) and collective investment funds (real estate collective investment funds, closed-end investment funds).

UCITS – Undertakings for Collective Investment in Transferable Securities

This term covers open-end real estate investment funds, both Italian and foreign, and investment companies with variable capital. The latter are joint stock companies that have the sole purpose of collective investment of the assets gathered through a public offer of their own shares.

Unlikely to pay

On-balance and off-balance sheet exposures that meet the definition of unlikely to pay, which do not meet the conditions to be classified as bad loans. The classification as "unlikely to pay" derives from the assessment of the debtor's unlikeliness (without actions such as realisation of collateral) to repay fully his credit obligation (principal and/or interest). This assessment is made independently of any past due and unpaid amount

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(or instalment). The classification of an exposure as unlikely to pay is not necessarily tied to evident issues (non-repayment), but is rather linked to indicators of a potential default of the borrower.

VaR – Value at Risk

A method used for quantifying risk. It measures potential future losses which will not be exceeded within a specified period and with a specified probability.

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