FINECO
BANK

FIRST HALF FINANCIAL REPORT AS AT JUNE 30, 2017

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FinecoBank S.p.A. - Member of UniCredit

FinecoBank S.p.A.

First Half Financial Report

as at June 30, 2017

Contents

Registered office

20131 Milan - Piazza Durante, 11

"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."
Company controlled by UniCredit S.p.A., Gruppo Bancario UniCredit, Register of Banking Groups no. 2008.1,
Member of the National Guarantee Fund and National Interbank Deposit Guarantee Fund, Italian Banking Association Code 03015,
Tax Code and Milan Company Register no. 01392970404 – R.E.A. (Economic and Administrative Index) no.

1598155, VAT No. 12962340159

Board of Directors, Board of Statutory Auditors and External Auditors

BOARD OF DIRECTORS, BOARD OF STATUTORY AUDITORS AND EXTERNAL AUDITORS

Board of Directors

Chairman	Enrico Cotta Ramusino
Vice Chairman	Francesco Saita
Chief Executive Officer and General Manager	Alessandro Foti
Directors	Elena Biffi
	Gianmarco Montanari
	Manuela D'Onofrio
	Maria Chiara Malaguti
	Maurizio Santacroce
	Patrizia Albano

Board of Statutory Auditors

Chairman	Stefano Fiorini
Standing Auditors	Barbara Aloisi
	Marziano Viozzi
Alternate Auditors	Elena Spagnol
	Federica Bonato

External Auditors

Deloitte & Touche S.p.A.

Nominated Official in charge of drawing up Company Accounts

Lorena Pelliciari

On April 11, 2017, the Shareholders' Meeting, together with the approval of the 2016 Report and Accounts, appointed a new Board of Directors and a new Board of Statutory Auditors because they had completed their term of office.

INTRODUCTION TO THE FIRST HALF FINANCIAL REPORT

This First Half Financial Report as at June 30, 2017 of FinecoBank Banca Fineco S.p.A. (hereinafter, FinecoBank) has been prepared in accordance with art. 154-ter, paragraph 2, of Legislative Decree no. 58 of February 24, 1998; it includes:

- the **condensed half-year 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 financial statements are presented with a comparison with those of 2016: as envisaged by IAS 34, the balance sheet figures have been compared with those as at December 31, 2016, 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;
- 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.

It is accompanied by:

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

Any lack of correspondence between the figures shown in the Interim report on operations and Condensed half-year financial statements is solely due to roundings.

Interim report on operations

SUMMARY DATA

FinecoBank is the direct, multi-channel bank of the UniCredit Group. It has one of the largest advisory networks in Italy and is the leading bank 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. With its fully integrated platform, FinecoBank is the benchmark for modern investors.
FinecoBank is listed on the Milan Stock Exchange, and, since April 1, 2016, it has been included in the Borsa Italiana FTSE MIB equity index. On March 20, 2017 the shares were also included in the STOXX Europe 600 Index.
FinecoBank is included in the Standard Ethics Italian Banks Index© and the Standard Ethics Italian Index (composed of the largest 40 listed companies in the Borsa Italiana FTSE-MIB), which are among the main environmental, social and governance performance and benchmark indicators. In July 2017, Standard Ethics[1] raised the Bank's rating to EE (from EE-), which is considered to be full investment grade by investors who orient their decisions towards sustainable companies with a low reputational risk profile and good long-term prospects.

In the first half 2017, total financial assets amounted to €63,627 million, up 5.7% on €60,195 million at the end of 2016. The Bank recorded net sales of €2,892 million (+9.2% compared to the same period in 2016), while net sales through the PFA network came to €2,643 million (+16.4%). The asset mix also continued to improve: assets under management accounted for 61% of total financial assets, compared to 12% for the first half of the previous year. Sales of Guided Products & Services also increased, by €1,952 million, with a consequent rise in their penetration within total Assets under Management which stood at 60.1% compared to 56.4% at December 31, 2016.
In terms of customer acquisition, 61,756 new customers have been acquired since the beginning of the year (+4% y/y), of which 9,378 in June. At June 30, 2017, the total number of customers was over 1,161,600, up 7% on June 2016.
In the first half 2017, personal loans and mortgages were granted for €376 million and current account credit facilities were approved for €242 million, resulting in an increase in the overall aggregate of loans to customers of 45.6% compared to December 31, 2016. Credit quality remained high, driven by the principle of offering credit solely to existing customers, by leveraging tools designed to analyse the abundant internal information base. The cost of risk, which is structurally low, continued to fall, thanks to the effect of new loans, which are mainly guaranteed and low risk and the one-off write-backs recorded on personal loans in the first quarter 2017, to reflect the constant improvement in the quality of the portfolio.
The net profit for the first half amounted to €104.3 million, down 11.5% on the same period of prior year. Given that the profit as at June 30, 2016 included non-recurring items recorded in the first half of the previous year (totalling €16.8 million)[2], the profit at June 30, 2017 was the best half-year result ever.

The cost/income ratio rose from 40.74% as at June 30, 2016 to 42.86% as at June 30, 2017. If the above-mentioned non-recurring items are excluded, this result was essentially in line with the figure for the first half 2016, confirming the Bank's high operating leverage and the widespread company culture of cost governance.

[1] Standard Ethics, based in London, is an independent rating agency for sustainability, social responsibility and good governance.

[2] Resulting from the sale of the Visa Europe Limited stake and a tax release following a positive settlement for the Bank of several tax disputes.

The results for the first half 2017 confirm the Bank's solidity and the strength of its business model: customers continue to appreciate the transparency of Fineco’s approach, and the high quality and comprehensiveness of its financial services, reflected in the one-stop solution.

The Bank's offering is split into the three integrated areas of activity: (i) banking, which includes current account and deposit services, payment services and the issuing of debit, credit and prepaid cards, mortgages and personal loans; (ii) brokerage, which provides 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, which includes placement and distribution services for over 6,000 products, including mutual funds and SICAV sub-funds managed by 76 leading Italian and international investment firms, insurance and pension products, as well as investment advisory services through a network of 2,642 personal financial advisors.

Condensed Accounts

Balance Sheet

ASSETS	Amounts as at 06.30.2017	Amounts as at 12.31.2016	Changes Amount	Changes %
Cash and cash balances	2,902	5	2,897	57940.0%
Financial assets held for trading	9,791	6,044	3,747	62.0%
Loans and receivables with banks	14,827,089	15,735,540	(908,451)	-5.8%
Loans and receivables with customers	1,503,867	1,016,798	487,069	47.9%
Financial investments	4,760,269	3,757,529	1,002,740	26.7%
Hedging instruments	15,417	9,211	6,206	67.4%
Property, plant and equipment	15,396	14,451	945	6.5%
Goodwill	89,602	89,602	-	-
Other intangible assets	8,025	7,731	294	3.8%
Tax assets	9,276	13,165	(3,889)	-29.5%
Other assets	271,613	336,300	(64,687)	-19.2%
Total assets	**21,513,247**	**20,986,376**	**526,871**	**2.5%**

(Amounts in € thousand)

LIABILITIES AND SHAREHOLDERS' EQUITY	Amounts as at 06.30.2017	Amounts as at 12.31.2016	Changes Amount	Changes %
Deposits from banks	929,859	1,111,106	(181,247)	-16.3%
Deposits from customers	19,440,617	18,801,073	639,544	3.4%
Financial liabilities held for trading	4,113	2,626	1,487	56.6%
Hedging instruments	16,084	11,371	4,713	41.4%
Provisions for risks and charges	102,123	111,756	(9,633)	-8.6%
Tax liabilities	19,525	10,048	9,477	94.3%
Other liabilities	380,059	257,097	122,962	47.8%
Shareholders' Equity	620,867	681,299	(60,432)	-8.9%
- capital and reserves	*522,475*	*476,249*	*46,226*	*9.7%*
- revaluation reserves available-for-sale financial assets and actuarial gains (losses) for defined benefits plans	*(5,875)*	*(6,794)*	*919*	*-13.5%*
- net profit (loss)	*104,267*	*211,844*	*(107,577)*	*-50.8%*
Total liabilities and shareholders' equity	**21,513,247**	**20,986,376**	**526,871**	**2.5%**

(Amounts in € thousand)

Balance Sheet - Quarterly figures

ASSETS	Amounts as at 06.30.2017	03.31.2017	12.31.2016	09.30.2016	06.30.2016
Cash and cash balances	2,902	615	5	8	11
Financial assets held for trading	9,791	5,714	6,044	5,547	6,879
Loans and receivables with banks	14,827,089	15,461,841	15,735,540	14,441,864	15,299,291
Loans and receivables with customers	1,503,867	1,166,180	1,016,798	971,888	880,232
Financial investments	4,760,269	3,906,456	3,757,529	3,586,682	2,926,175
Hedging instruments	15,417	12,410	9,211	7,559	9,018
Property, plant and equipment	15,396	14,379	14,451	14,366	13,896
Goodwill	89,602	89,602	89,602	89,602	89,602
Other intangible assets	8,025	7,702	7,731	7,557	7,608
Tax assets	9,276	14,486	13,165	5,578	5,880
Other assets	271,613	247,202	336,300	321,867	322,264
Total assets	**21,513,247**	**20,926,587**	**20,986,376**	**19,452,518**	**19,560,856**

(Amounts in € thousand)

LIABILITIES AND SHAREHOLDERS' EQUITY	Amounts as at 06.30.2017	03.31.2017	12.31.2016	09.30.2016	06.30.2016
Deposits from banks	929,859	980,245	1,111,106	1,139,241	1,361,666
Deposits from customers	19,440,617	18,883,826	18,801,073	17,249,625	17,133,049
Financial liabilities held for trading	4,113	2,228	2,626	4,822	6,300
Hedging instruments	16,084	16,738	11,371	15,304	17,657
Provisions for risks and charges	102,123	113,060	111,756	117,360	119,258
Tax liabilities	19,525	36,073	10,048	47,409	23,046
Other liabilities	380,059	162,730	257,097	222,813	296,926
Shareholders' Equity	620,867	731,687	681,299	655,944	602,954
- capital and reserves	*522,475*	*690,077*	*476,249*	*474,255*	*471,789*
- revaluation reserves (available-for-sale financial assets and actuarial gains (losses) for defined benefits plans)	*(5,875)*	*(10,084)*	*(6,794)*	*19,316*	*13,383*
- net profit (loss)	*104,267*	*51,694*	*211,844*	*162,373*	*117,782*
Total liabilities and shareholders' equity	**21,513,247**	**20,926,587**	**20,986,376**	**19,452,518**	**19,560,856**

(Amounts in € thousand)

Income Statement

	1st Half		Changes	
	2017	2016	Amount	%
Net interest	127,188	123,449	3,739	3.0%
Dividends and other income from equity investments	12	-	12	n.c.
Net fee and commission income	129,707	117,821	11,886	10.1%
Net trading, hedging and fair value income	25,992	46,926	(20,934)	-44.6%
Net other expenses/income	(233)	758	(991)	-130.7%
OPERATING INCOME	**282,666**	**288,954**	**(6,288)**	**-2.2%**
Staff expenses	(38,924)	(37,716)	(1,208)	3.2%
Other administrative expenses	(123,893)	(117,724)	(6,169)	5.2%
Recovery of expenses	46,492	42,337	4,155	9.8%
Impairment/write-backs on intangible and tangible assets	(4,833)	(4,609)	(224)	4.9%
Operating costs	**(121,158)**	**(117,712)**	**(3,446)**	**2.9%**
OPERATING PROFIT (LOSS)	**161,508**	**171,242**	**(9,734)**	**-5.7%**
Net write-downs of loans and provisions for guarantees and commitments	(1,541)	(2,801)	1,260	-45.0%
NET OPERATING PROFIT (LOSS)	**159,967**	**168,441**	**(8,474)**	**-5.0%**
Net provisions for risks and charges	(3,150)	(2,553)	(597)	23.4%
Integration costs	(13)	(7)	(6)	85.7%
Net income from investments	(353)	-	(353)	n.c.
PROFIT (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS	**156,451**	**165,881**	**(9,430)**	**-5.7%**
Income tax for the period	(52,184)	(48,099)	(4,085)	8.5%
NET PROFIT (LOSS) AFTER TAX FROM CONTINUING OPERATIONS	**104,267**	**117,782**	**(13,515)**	**-11.5%**
NET PROFIT (LOSS) FOR THE PERIOD	**104,267**	**117,782**	**(13,515)**	**-11.5%**

(Amounts in € thousand)

Income statement - Quarterly figures

	2017	
	2nd Quarter	1st Quarter
Net interest	64,282	62,906
Dividends and other income from equity investments	6	6
Net fee and commission income	65,026	64,681
Net trading, hedging and fair value income	12,282	13,710
Net other expenses/income	(764)	531
OPERATING INCOME	**140,832**	**141,834**
Staff expenses	(19,708)	(19,216)
Other administrative expenses	(61,451)	(62,442)
Recovery of expenses	23,215	23,277
Impairment/write-backs on intangible and tangible assets	(2,503)	(2,330)
Operating costs	**(60,447)**	**(60,711)**
OPERATING PROFIT (LOSS)	**80,385**	**81,123**
Net write-downs of loans and provisions for guarantees and commitments	(1,001)	(540)
NET OPERATING PROFIT (LOSS)	**79,384**	**80,583**
Net provisions for risks and charges	(773)	(2,377)
Integration costs	1	(14)
Net income from investments	(361)	8
PROFIT (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS	**78,251**	**78,200**
Income tax for the period	(25,678)	(26,506)
NET PROFIT (LOSS) AFTER TAX FROM CONTINUING OPERATIONS	**52,573**	**51,694**
NET PROFIT (LOSS) FOR THE PERIOD	**52,573**	**51,694**

(Amounts in € thousand)

	2016			
	4th Quarter	*3rd Quarter*	*2nd Quarter*	*1st Quarter*
Net interest	63,412	62,527	61,200	62,249
Dividends and other income from equity investments	6	-	-	-
Net fee and commission income	65,786	59,274	59,660	58,161
Net trading, hedging and fair value income	11,343	10,785	27,281	19,645
Net other expenses/income	(2,176)	(793)	669	89
OPERATING INCOME	**138,371**	**131,793**	**148,810**	**140,144**
Staff expenses	(16,633)	(19,349)	(19,003)	(18,713)
Other administrative expenses	(57,254)	(53,141)	(57,169)	(60,555)
Recovery of expenses	21,311	21,747	21,107	21,230
Impairment/write-backs on intangible and tangible assets	(2,733)	(2,610)	(2,436)	(2,173)
Operating costs	**(55,309)**	**(53,353)**	**(57,501)**	**(60,211)**
OPERATING PROFIT (LOSS)	**83,062**	**78,440**	**91,309**	**79,933**
Net write-downs of loans and provisions for guarantees and commitments	(678)	(720)	(1,361)	(1,440)
NET OPERATING PROFIT (LOSS)	**82,384**	**77,720**	**89,948**	**78,493**
Net provisions for risks and charges	3,914	(11,342)	(1,114)	(1,439)
Integration costs	(5,493)	(3)	(4)	(3)
Net income from investments	(6,724)	-	-	-
PROFIT (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS	**74,081**	**66,375**	**88,830**	**77,051**
Income tax for the period	(24,610)	(21,784)	(22,270)	(25,829)
NET PROFIT (LOSS) AFTER TAX FROM CONTINUING OPERATIONS	**49,471**	**44,591**	**66,560**	**51,222**
NET PROFIT (LOSS) FOR THE PERIOD	**49,471**	**44,591**	**66,560**	**51,222**

(Amounts in € thousand)

Main balance sheet figures

	Amounts as at		*Changes*	
	06.30.2017	*12.31.2016*	*Amount*	*%*
Loans (1)	1,184,470	813,589	370,881	45.6%
Total assets	21,513,247	20,986,376	526,871	2.5%
Direct deposits (2)	19,142,243	18,509,497	632,746	3.4%
Assets under administration (3)	44,484,382	41,685,609	2,798,773	6.7%
Total financial assets (direct and indirect)	63,626,625	60,195,106	3,431,519	5.7%
Shareholders' equity	620,867	681,299	(60,432)	-8.9%

(Amounts in € thousand)

(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, Supersave repos and the Cash Park deposit account;
(3) Assets under administration consist of products placed online or through the sales networks of FinecoBank.

KEY FIGURES

Operating Structure

	Figures as at		
	06.30.2017	*12.31.2016*	*06.30.2016*
No. Employees	1,103	1,086	1,060
No. Workers [1]	1,114	1,096	1,071
No. Personal financial advisors	2,642	2,628	2,642
No. Financial shops [2]	370	358	349

Number of workers: includes permanent employees, atypical employees, Directors and Group employees seconded to FinecoBank, net of FinecoBank employees seconded to the Group.
(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

	Figures as at		
	06.30.2017	*12.31.2016*	*06.30.2016*
Net interest/Operating income	45.00%	44.60%	42.72%
Income from brokerage and other income/Operating income	55.00%	55.40%	57.28%
Income from brokerage and other income/Operating costs	128.32%	136.82%	140.60%
Cost/income ratio	42.86%	41.63%	43.02%
Operating costs/TFA	0.39%	0.39%	0.42%
Cost of risk	24 bp	43 bp	62 bp
ROE	39.33%	43.07%	42.10%
Return on assets	0.97%	1.01%	1.20%
EVA	92,407	194,418	103,954
RARORAC	64.19%	66.33%	65.83%
ROAC	72.43%	72.28%	74.59%
Total customer sales/Average employees	57,581	55,659	51,978
Total customer sales/(Average employees + average PFAs)	17,012	16,240	15,013

(Amounts in € thousand)

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. The cost/income ratio as at June 30, 2016 and December 31, 2016 was calculated by removing the non-recurring items arising during the first half of the previous year, totalling €15.3 million, from 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, 2017 and June 30, 2016 have been annualised.

Cost of risk: ratio of Net write-downs of loans and provisions for guarantees and commitments to Loans and receivables with customers (average of the balance at period end and the balance at December 31 of the previous year). Net write-downs of loans and provisions for guarantees and commitments as at June 30, 2017 and June 30, 2016 have been annualised.

ROE: the denominator used to calculate this ratio is the average book shareholders' equity for the period (excluding dividends and any donations expected to be distributed and the revaluation reserves). The net profit (loss) for the period as at June 30, 2017 and June 30, 2016 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, 2017 and June 30, 2016 has been annualised.

EVA (Economic Value Added): shows the firm’s ability to create value; calculated as the difference between net operating profit and the notional cost of the allocated capital.

RARORAC (Risk adjusted Return on Risk adjusted Capital): this is the ratio between EVA and Allocated/Absorbed Capital and expresses, in percentage, the capacity to create value for unit of risk taken.

ROAC (Return on Allocated Capital): ratio of net operating profit and allocated capital. Allocated capital means the greater of internally calculated capital based on shared UniCredit Group models (Economic Capital) and regulatory capital.

For the calculation of EVA, RARORAC and ROAC indicators as at June 30, 2017, internal capital is that as at March 31, 2017, the latest available provided by the Parent Company.

Balance Sheet indicators

	Figures as at	
	06.30.2017	*12.31.2016*
Loans/Total assets	5.51%	3.88%
Loans and receivables with banks/Total assets	68.92%	74.98%
Financial assets/Total assets	22.17%	17.93%
Direct deposits/Total liabilities and shareholders' equity	88.98%	88.20%
Shareholders' equity (including profit)/Total liabilities and Shareholders' equity	2.89%	3.25%
Loans/Direct deposits	6.19%	4.40%

	Figures as at	
Credit quality	*06.30.2017*	*12.31.2016*
Impaired loans/Loans	0.32%	0.45%
Non-performing loans/Loans	0.23%	0.33%
Coverage (1) - Non-performing loans	86.19%	86.23%
Coverage (1) - Unlikely to pay	78.89%	79.07%
Coverage (1) - Impaired past-due exposures	54.03%	47.08%
Coverage (1) - Total impaired loans	83.68%	83.64%

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

Own funds and capital ratios

	Figures as at 06.30.2017	*12.31.2016*
Total own funds (€ thousand)	461,898	438,121
Total risk-weighted assets (€ thousand)	2,086,729	1,909,713
Ratio - Common Equity Tier 1 Capital	22.14%	22.94%
Ratio - Tier 1 Capital	22.14%	22.94%
Ratio - Total Own Funds	22.14%	22.94%

	Figures as at 06.30.2017	*12.31.2016*
Tier 1 Capital (€ thousand)	461,898	438,121
Exposure for leverage (€ thousand)	6,803,520	5,302,244
Transitional leverage ratio	6.79%	8.26%

Own funds and capital ratios have been determined applying the current Supervisory Regulations, in line with Basel III standards, including transitional adjustments. The figures shown include the share of profit for the first half of 2017 to be allocated to the reserves, assuming the conditions established by Article 26.2 of EU Regulation 575/2013 (CRR) have been satisfied.

The leverage ratio has been calculated in accordance with EU Delegated Regulation 2015/62 of October 10, 2014. As required by Circular No. 285 of the Bank of Italy, Part Two, Chapter 12, Section III Exercise of national discretion, exposures to the UniCredit Group companies based in Italy and weighted at 0% pursuant to Article 113, par. 6 of the CRR have not been included in the calculation of total exposure, in accordance with Article 429 (7) of the CRR amended by the Delegated Regulation (EU) 2015/62.

BUSINESS PERFORMANCE

Performance of total financial assets

Direct deposits rose by 3.4% compared to the end of the previous year, to reach €19,142 million, confirming the high level of customer appreciation of the quality of the services offered by the Bank.

The majority of the direct deposits are in fact "transactional" in nature, in support of overall customer operations. The growth in this component confirms the high and increasing level of customer loyalty, contributing to increasing the persistency of sales.

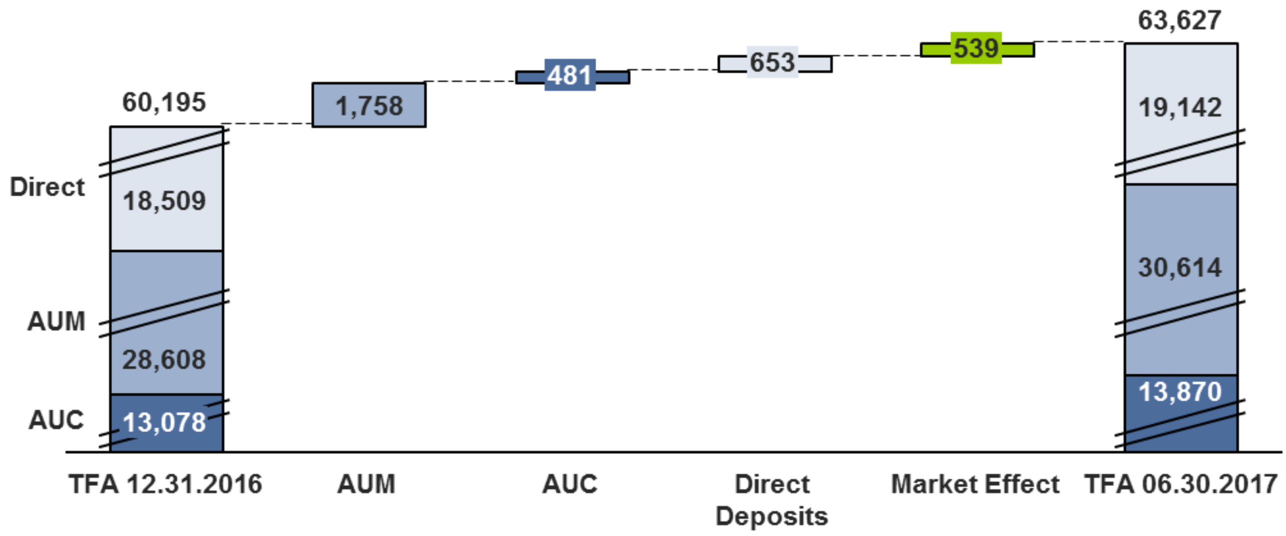
Assets under administration (Assets under Management-AUM plus Assets under Custody-AUC) came to €44,484 million, up 6.7% on December 31, 2016.

Total financial assets reached €63,627 million, up 5.7% on the end of December 2016, thanks to net direct deposits of €2,892 million in the period.

The steady growth and continued improvement in the quality of sales was reflected in the growth of guided products & services[3], which continued to increase as a percentage of the TFA, up from 26.8% as at December 31, 2016 to 28.9%

[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

as at June 30, 2017, and of Assets under Management, up from 56.4% as at December 31, 2016 to 60.1% as at June 30, 2017.



AUC = Assets Under Custody - AUM = Assets Under Management - TFA = Total Financial Assets

The table below shows the figures for direct deposits, assets under management and assets under custody of the Bank's customers, including both those linked to a personal financial advisor and those operating solely through the online channel.

Total financial assets

	Amounts as at		*Amounts as at*		*Changes*	
	06.30.2017	*%*	*12.31.2016*	*%*	*Amount*	*%*
Current accounts and demand deposits	19,104,712	30.0%	18,296,238	30.4%	808,474	4.4%
Time deposits and reverse repos	37,531	0.1%	213,259	0.4%	(175,728)	-82.4%
DIRECT DEPOSITS	**19,142,243**	**30.1%**	**18,509,497**	**30.7%**	**632,746**	**3.4%**
Segregated accounts	8,841	0.0%	10,882	0.0%	(2,041)	-18.8%
UCITS and other investment funds	25,460,638	40.0%	24,257,876	40.3%	1,202,762	5.0%
Insurance products	5,144,677	8.1%	4,339,162	7.2%	805,515	18.6%
ASSETS UNDER MANAGEMENT	**30,614,156**	**48.1%**	**28,607,920**	**47.5%**	**2,006,236**	**7.0%**
Government securities, bonds and stocks	13,870,226	21.8%	13,077,689	21.7%	792,537	6.1%
ASSETS UNDER CUSTODY	**13,870,226**	**21.8%**	**13,077,689**	**21.7%**	**792,537**	**6.1%**
TOTAL FINANCIAL ASSETS	**63,626,625**	**100.0%**	**60,195,106**	**100.0%**	**3,431,519**	**5.7%**
of which Guided products & services	18,398,579	28.9%	16,135,018	26.8%	2,263,561	14.0%

(Amounts in € thousand)

report, the guided products category included the "Core Series" and "Core Funds" umbrella fund of funds, "PIRs" (individual savings plans) and the "Core Unit", "Advice Unit", "Core Multiramo" and "Advice Top Valor" and "Old Mutual", unit-linked policies, whereas the "Fineco Advice" and "Fineco Stars" advanced investment advisory services come under the guided service category.

The table below shows the figures for direct deposits, assets under management and assets under custody solely for the personal financial advisors network. Total assets, amounting to €54,600 million, increased by 6.2% compared to December 31, 2016.

Total financial assets – Personal financial advisors network – Assoreti figures

	Amounts as at 06.30.2017	*%*	*Amounts as at 12.31.2016*	*%*	*Changes Amount*	*%*
Current accounts and demand deposits	14,115,848	25.9%	13,442,242	26.1%	673,606	5.0%
Time deposits and reverse repos	27,295	0.0%	150,773	0.3%	(123,478)	-81.9%
DIRECT DEPOSITS	**14,143,143**	**25.9%**	**13,593,015**	**26.4%**	**550,128**	**4.0%**
Segregated accounts	8,841	0.0%	10,882	0.0%	(2,041)	-18.8%
UCITS and other investment funds	25,035,316	45.9%	23,843,218	46.4%	1,192,098	5.0%
Insurance products	5,060,392	9.3%	4,251,107	8.3%	809,285	19.0%
ASSETS UNDER MANAGEMENT	**30,104,549**	**55.1%**	**28,105,207**	**54.6%**	**1,999,342**	**7.1%**
Government securities, bonds and stocks	10,352,520	19.0%	9,736,101	18.9%	616,419	6.3%
ASSETS UNDER CUSTODY	**10,352,520**	**19.0%**	**9,736,101**	**18.9%**	**616,419**	**6.3%**
TOTAL FINANCIAL ASSETS – PERSONAL FINANCIAL ADVISORS NETWORK	**54,600,212**	**100.0%**	**51,434,323**	**100.0%**	**3,165,889**	**6.2%**
of which Guided products & services	18,370,964	33.6%	16,104,815	31.3%	2,266,149	14.1%

(Amounts in € thousand)

The table below shows the figures of net sales for direct deposits, assets under management and assets under custody for the first half 2017 compared to the previous year, both for customers linked to a personal financial advisor and online-only customers.

Net sales came to €2,892 million, with a strong focus on assets under management.

Net sales

	1st Half 2017	*%*	*1st Half 2016*	*%*	*Changes Amount*	*%*
Current accounts and demand deposits	829,046	28.7%	1,536,839	58.0%	(707,793)	-46.1%
Time deposits and reverse repos	(176,268)	-6.1%	(172,225)	-6.5%	(4,043)	2.3%
DIRECT DEPOSITS	**652,778**	**22.6%**	**1,364,614**	**51.5%**	**(711,836)**	**-52.2%**
Segregated accounts	(1,905)	-0.1%	(1,950)	-0.1%	45	-2.3%
UCITS and other investment funds	992,467	34.3%	(120,794)	-4.6%	1,113,261	n.c.
Insurance products	767,663	26.5%	435,905	16.5%	331,758	76.1%
ASSETS UNDER MANAGEMENT	**1,758,225**	**60.8%**	**313,161**	**11.8%**	**1,445,064**	**461.4%**
Government securities, bonds and stocks	481,481	16.6%	971,806	36.7%	(490,325)	-50.5%
ASSETS UNDER CUSTODY	**481,481**	**16.6%**	**971,806**	**36.7%**	**(490,325)**	**-50.5%**
NET SALES	**2,892,484**	**100.0%**	**2,649,581**	**100.0%**	**242,903**	**9.2%**
of which Guided products & services	1,951,951	67.5%	1,674,904	63.2%	277,047	16.5%

(Amounts in € thousand)

The table below shows the figures of net sales for direct deposits, assets under management and assets under custody of the personal financial advisors network for the first half 2017 compared to the same period of the previous year.

Net sales – Personal Financial Advisors Network – Assoreti figures

	1st Half 2017	%	1st Half 2016	%	Changes Amount	Changes %
Current accounts and demand deposits	694,178	26.3%	1,303,250	57.4%	(609,072)	-46.7%
Time deposits and reverse repos	(124,494)	-4.7%	(114,513)	-5.0%	(9,981)	8.7%
DIRECT DEPOSITS	**569,684**	**21.6%**	**1,188,737**	**52.4%**	**(619,053)**	**-52.1%**
Segregated accounts	(1,905)	-0.1%	(1,950)	-0.1%	45	-2.3%
UCITS and other investment funds	977,000	37.0%	(105,306)	-4.6%	1,082,306	n.c.
Insurance products	770,558	29.2%	435,106	19.2%	335,452	77.1%
ASSETS UNDER MANAGEMENT	**1,745,653**	**66.0%**	**327,850**	**14.4%**	**1,417,803**	**432.5%**
Government securities, bonds and stocks	328,083	12.4%	753,466	33.2%	(425,383)	-56.5%
ASSETS UNDER CUSTODY	**328,083**	**12.4%**	**753,466**	**33.2%**	**(425,383)**	**-56.5%**
NET SALES	**2,643,420**	**100.0%**	**2,270,053**	**100.0%**	**373,367**	**16.4%**
of which Guided products & services	1,954,585	73.9%	1,672,283	73.7%	282,302	16.9%

(Amounts in € thousand)

Assets under management totalled €1,746 million, with €1,955 million going to the CORE Series, CORE Unit, Advice, Advice Top Valor, Advice Unit, Multiramo, Fineco Stars, Old Mutual, PIR and CORE other funds services.
The acquisition of new customers was a significant driver of organic growth, with 48,038 current accounts opened through the personal financial advisors.

Performance of income statement aggregates

Profit (loss) before tax from continuing operations amounted to €156.5 million, down 5.7% compared to the first half of the previous year, but up 3.9% if the non-recurring items recorded in the first half 2016, as described above, are not included in the result at June 30, 2016.

Operating income came to €282.7 million, down 2.2% on €288.9 million recorded for the first half 2016. If the operating income as at June 30, 2016 is considered without including the non-recurring items resulting from the sale of the Visa Europe Limited stake recorded in the first half 2016, it would have increased by 3.3%.
Net interest and Net fee and commission income contributed to the increase in operating income, with a growth of 3% and 10.1%, respectively, while Net trading, hedging and fair value income fell by 44.6% or by 17.7%, if the non-recurring items are excluded from the result at June 30, 2016. It should be noted that the Net trading, hedging and fair value income for the first half 2016 also benefited from the gains realised from the sale of government securities recorded in the "Available-for-sale financial assets" portfolio totalling €5 million, carried out as part of the measures to mitigate the exposure to interest rate risk and optimise profitability.

Net interest rose by around €3.7 million compared to the same period of the previous year, thanks to the increase in deposits and higher lending volumes, which offset the lower interest income attributable to the decline in market interest rates. The average gross margin related to investment was 1.22% in the first six months of 2017 compared to 1.38% for the same period of 2016.

Net fee and commission income was up €11.9 million on the same period of the previous year, thanks to the growth in net fees from asset management products (+€6.9 million), higher investment advisory fees (+€6.6 million), and higher net fees for payment systems (+€1.7 million), partially offset by higher fees and commission expenses for the professional financial advisors (-€3.4 million).

Operating costs increased by €3.4 million compared to the same period of the previous year, due to the continued growth of the operational structure. Staff expenses rose by €1.2 million, mainly due to the growth in the number of staff, and Other administrative expenses, net of Recovery of expenses, also increased by €2 million.

Net profit (loss) after tax from continuing operations amounted to €104.3 million, down 11.5% compared to the same period in the previous year. If the non-recurring items recorded in the first half of 2016 referred to above are excluded from the result at June 30, 2016, the Net profit (loss) after tax from continuing operations would have risen by 3.2%.

Communications and external relations

The year 2017 started with the launch of the new Human Capital communication campaign, which put Human Beings at the centre of the strategic communications projects, and in particular their ability to govern the technology and innovation that FinecoBank is offering to its customers and its network of personal financial advisors. The increasingly central role of the advisor and the financial advisory services in the Bank's offering are an integral part of the communications, which is encapsulated in the new claim “Da sempre investiamo sulla tecnologia più evoluta che esista: l’uomo”. (We have always invested in the most advanced technology that exists: human beings). “La banca che semplifica la banca” (the bank that simplifies banking) still remains at the centre of the, unique, positioning that Fineco intends to continue to communicate and build on.

During the first half, three significant corporate communication flights were scheduled, and another two were conducted in the trading area, involving the use of all media (TV, Radio, digital and posters).
In February an internal event was organised for the launch of the private banking segment, supported by marketing initiatives, including a communication campaign in the financial press that will last the entire year. The claim chosen for the Private Banking communications campaign is “You write private banking, you read Fineco”. Since the beginning of the year, around fifteen events have been organised throughout the country for the Private Banking segment, thanks to partnerships with major brands.

The Fineco UK project was launched in May, with the new site for UK residents and the start of a communications campaign mainly based on social media and the “Introduce a friend” promotion.
A major recruitment communications campaign was launched between May and June, involving several regions and different management structures, with the support of publicity editorials.

Lastly, in this first part of the year FinecoBank, received three new acknowledgements: the Global Brands Awards, the recognition as the with the best CEO in Europe in the Small&Midcap segment, banking industry, and, above all, the result of a KPMG research study that placed Fineco among the top companies for customer experience in Italy (sixth in the general ranking and first in the banks category).

Incentive plans

On February 7, 2017, in view of the positive outcome of the verification of the entry conditions (at Bank level and Group level, where applicable) and the individual conditions (compliance of conduct and continued employment) and the favourable opinion provided by the Remuneration and Appointments Committee in its meeting of February 2, 2017, the Board of Directors approved:

- for the "Group Executive Incentive System - Bonus Pool 2014" plan:
  - the execution of the plan;
  - the allocation of the first share tranche of the plan, awarded in 2014, corresponding to 15,872 free ordinary shares, in line with the maximum amount approved by the Board of Directors on May 15, 2014;
  - a free capital increase, for a total amount of €5,237.76 corresponding to a total of 15,872 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 0.003% of the fully diluted capital.
- for the "2014-2017 Top Management Multi-Year Plan":
  - the allocation of the fourth and final tranche for the year 2017 to 6 beneficiaries of a total of 422,779 free ordinary shares, representing a lower number than the quantity established on April 15, 2014 to ensure compliance of the ratio of fixed to variable remuneration in accordance with the applicable regulations;
  - the allocation of 630,850 free ordinary shares to the beneficiaries of the first share tranche of the plan, awarded in 2014, in line with the maximum amount approved by the Board of Directors on May 15, 2014;
  - a free capital increase, for a total amount of €208,180.50 corresponding to a total of 630,850 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 0.10% of the fully diluted capital.
- for the "2014 Key People Plan":
  - the allocation of the third tranche corresponding to 261,187 free ordinary shares to the 79 beneficiaries, in line with the number of shares established on April 15, 2014, amounting to a maximum of 796,390 ordinary shares to service the entire three-year period;
  - a consequent free capital increase, for a total amount of €86,191.71 corresponding to a total of 261,187 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 0.04% of the fully diluted capital.
- for the "2016 PFA Incentive System" plan:
  - the proposal for determination of the 2016 Bonus Pool for the personal financial advisors;
  - the proposals for the determination of the 2016 bonus for personal financial advisors identified as Key Personnel;
  - the allocation of 57,740 FinecoBank shares, to be given free of charge to the above-mentioned personal financial advisors in accordance with the provisions of the Rules;
  - the purchase of treasury shares, based on the authorisation obtained from the Supervisory Authority, pursuant

to Articles 77-78 EU 575/2013 of June 26, 2013 (CRR), in accordance with the shareholder meeting resolutions.

- for the "Group Executive Incentive System 2016 (Bonus Pool)" plan:
  - the FinecoBank "2016 Bonus Pool";
  - the proposals for the determination of the 2016 bonus for the Chief Executive Officer and General Manager, other Key Management Personnel, and other Key Personnel;
  - the allocation of 152,034 FinecoBank ordinary shares, to be given free of charge to the above-mentioned Personnel in accordance with the provisions of the Rules.

With regard to the 2017 Incentive System for personal financial advisors identified as "Key Personnel", the Shareholders' Meeting of April 11, 2017 authorised the purchase and disposition of a maximum of 346,000 treasury shares, with a nominal value of € 0.33 each, based on the authorization obtained from the Supervisory Authority on March 30, 2017, pursuant to Articles 77-78 of EU Regulation 575/2013 (CRR) of June 26, 2013.
The Shareholders' Meeting of April 11, 2017 also renewed the authorisation for the purchase and disposition of a maximum of 5,520,000 treasury shares, with a nominal value of €0.33 each, for the "2015 – 2017 PFA PLAN", based on the authorisation received from the Supervisory Authority on March 30, 2017, pursuant to Articles 77-78 of EU Regulation 575/2013 (CRR) of June 26, 2013.

FINECOBANK SHARE

Share information

The first half of the year was characterised by a sharp rise for the FinecoBank shares. As at June 30, 2017, the price of the shares was €6.89, with an average value of €6.19 in the half-year, compared to the closing price of €5.33 at the end of 2016 (the average price for the year 2016 was €5.98).
We note the excellent performance with respect to the FTSE MIB index, which increased by +7% in the first half, compared to a jump of +29% for the FinecoBank shares.
The company's market capitalisation amounted to €4,187 million as at June 30, 2017.

	Year 2014	*1st Half 2015*	*Year 2015*	*1st Half 2016*	*Year 2016*	*1st Half 2017*
Official price of ordinary shares (€)						
- maximum	4.750	7.170	7.805	7.400	7.400	7.170
- minimum	3.808	4.438	4.438	5.500	4.622	5.345
- average	4.173	6.058	6.479	6.731	5.980	6.190
- period end	4.668	6.645	7.625	5.850	5.330	6.890
Number of shares (millions)						
- outstanding at period end	606.3	606.5	606.5	606.8	606.8	607.7

RESULTS ACHIEVED IN THE MAIN AREAS OF ACTIVITY

The following pages contain the main indicators and results of the main business areas: Brokerage, Banking and Investing.

Given the Bank's specific business model based on a high level of integration among its different activities, these areas 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.

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.

BROKERAGE

In the first half 2017, the Bank maintained its leadership in the Italian brokerage market, ending the period with very solid results.

Despite going through one of the worst periods of low volatility ever seen, which continued in the early months of the year, the Bank nevertheless achieved excellent performance, especially in January, March, and May, with an average number of 900 thousand orders on shares.

The gradual shift also continued from traditional asset classes to OTCs, including the CFDs on indices, which were the top performers in terms of profits earned. These results offset the slight reduction in orders executed, a demonstration of the fact that the diversified and sustainable business model is able to overcome all the various market phases.

The strategy of innovation and development of the trading offering continued with the introduction of new services and features, in particular:

- the addition of the Tweet center, the most social and dynamic source in the market, directly to the Markets and trading page: market trends, rumours, analysis of major financial publishers, economists and key people in listed companies, can be consulted in real time with the ability to customise the companies and sources customers want to follow;
- the creation of the new Financial Analysis information area where customers can consult news and key analysis reports on listed companies in Italy and Europe, with market views and target prices;
- the new app for iPhone and Android smartphones, with fingerprint access to real-time banking, card, ATM and investment services. Customers have access to a professional platform in which they can personalise the homepage, the watch lists, and where, with the aid of an even more intuitive and complete navigation menu, they can trade in 26 world markets with push and book price quotes at 5 levels;
- to support the relaunch of Private Banking in the Investing area, a direct contact has been created with the Fineco Operations Room, which gives the Private Bankers direct and immediate access to all the OTC market information and the ability to place orders through a dedicated call back;
- Fineco has also extended the offering of its trading services to all residents of the United Kingdom following the "Family and Friends" phase launched in April.

In general, the results achieved confirm the strength of a business model aimed at offering very easy to use and innovative services in a comprehensive solution for all target customers.

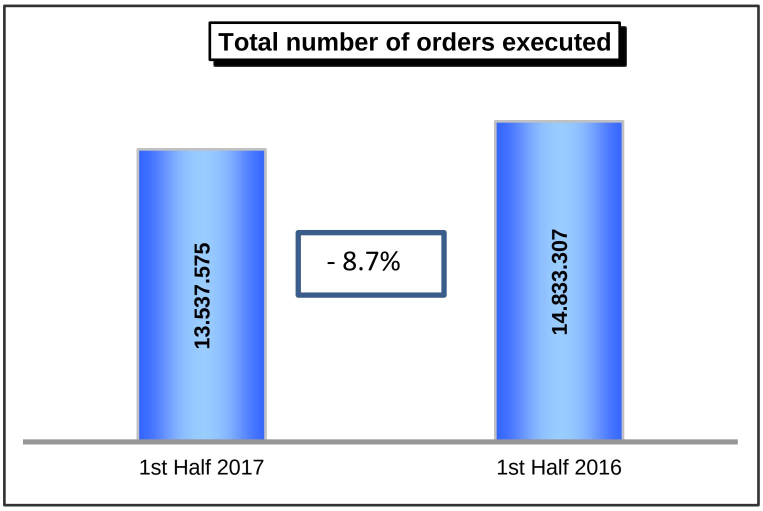
The table below shows the number of orders on financial instruments recorded in the first half 2017 compared to the first half 2016.

	1st Half 2017	*1st Half 2016*	*Changes*	
			Amount	*%*
Orders - Equity Italia (including internalised orders)	3,993,100	4,378,037	(384,937)	-8.8%
Orders - Equity USA (including internalised orders)	450,306	435,597	14,709	3.4%
Orders - Equity other markets (including internalised orders)	265,160	314,335	(49,175)	-15.6%
Total equity orders	*4,708,566*	*5,127,969*	*(419,403)*	*-8.2%*
Orders - Bonds	265,154	258,815	6,339	2.4%
Orders - Derivatives	1,522,231	2,156,368	(634,137)	-29.4%
Orders - Forex	473,759	485,876	(12,117)	-2.5%
Orders - CFDs	1,802,569	2,183,079	(380,510)	-17.4%
Orders - Funds	1,240,470	1,095,444	145,026	13.2%
Orders- Repos	1,720	6,789	(5,069)	-74.7%
TOTAL ORDERS	**10,014,469**	**11,314,340**	**(1,299,871)**	**-11.5%**

The table below shows the volume of trades carried out as a direct counterparty in orders placed by customers, resulting from the internalisation of orders received on shares, CFDs and Logos products, recorded in the first half 2017 compared to the same period of the previous year.

	1st Half 2017	*1st Half 2016*	*Changes*	
			Amount	*%*
Equity (internalisation)	25,533,046	23,975,233	1,557,813	6.5%
Forex	29,292,874	25,404,775	3,888,099	15.3%
CFDs and Logos	25,181,180	30,592,269	(5,411,089)	-17.7%
Total "internalised" volumes	**80,007,100**	**79,972,277**	**34,823**	**0.04%**

(Amounts in € thousand)



The total number of orders executed refers to transactions carried out by retail and institutional customers for the purchase and sale of shares, bonds, derivatives, forex, CFDs, funds and reverse repos.

BANKING

Banking

In the first half 2017, the Fineco Private Banking segment was launched, the Fineco offering aimed at customers with Total Financial Assets of €500,000 or more.

These customers are offered personalised financial conditions and a tailor-made service package, such as Private Account opening, Personalised Home Page, profiled Communications and Services, alongside advisory services for high-profile customers, confirming Fineco's growth and positioning in the Private Banking segment.

In the area of digital innovation processes, in April 2017 the process of issuing of Qualified Certificates for the use of digital signatures was revised. To facilitate the online signing of contracts, the Qualified Certificate required for the use of digital signature is issued at the same time as the customer's application for the first product or service for which the online signing of the contract is possible.

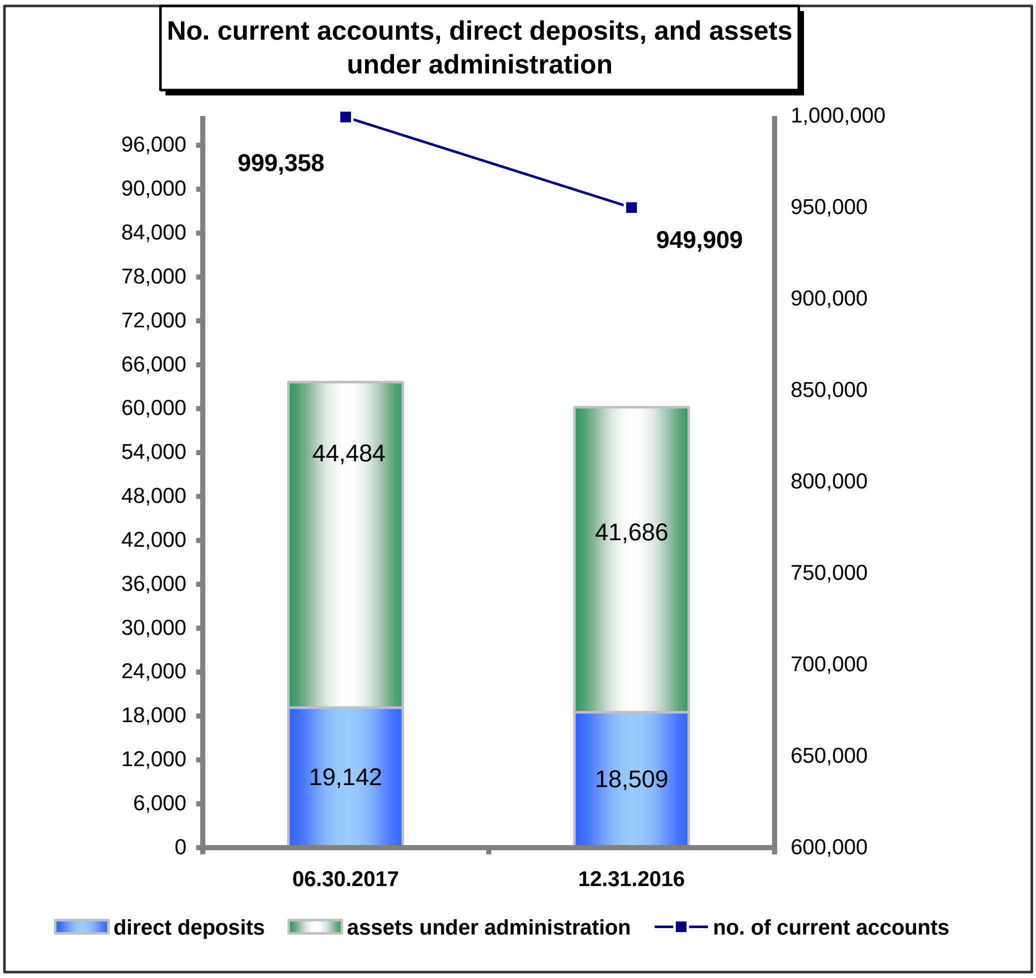
In the first half 2017, the banking product portfolio was further enhanced with the release of the following services:

- Online payment of cash orders. Since January 2017, Fineco customers have been able to directly authorise or refuse the payment of cash orders online. This is a new banking service that has improved the user experience for Fineco's customers;
- Government agency payment (Cbill). The Cbill service has been enhanced to allow customers to also pay bills issued by government agencies directly online, from the private area of their Fineco account;
- Migration of the continuous bank transfers service to the SEPA scheme.

The account movements search has also been optimised by implementing a keyword-based search tool.

In June 2017, the Fineco UK offering was launched, which allows British residents to open an online current account through the dedicated site and access the Fineco services, ranging from banking to brokerage, through multi-channel platforms specially designed for UK market. After only a few months from the launch of the offer, Fineco's one-stop-solution has been highly welcomed in England, with very positive feedback from the first customers.

In the first half 2017, the Bank continued the development and management of marketing campaigns aimed at improving Fineco's brand positioning and its offering through web-based advertising and word-of-mouth initiatives (member gets member) aimed at existing customers.



(Amounts in € thousand)

Payment cards

In the first half 2017, the amount transacted through payment cards (credit cards, debit cards and prepaid cards) increased by around 15% compared to the same period of 2016. This increase was driven by the combination of two key factors: on one hand, the increase in the number of cards and on the other the increase in the spending per individual card.

Breaking down the rise in the number of cards by product type we can see:

- a slight decrease in the number of credit cards, due to the introduction, from February 2016, of a fee of €19.95 on all new cards issued and, gradually upon expiry, on the total number of credit cards in issue;
- a sharp rise in the number of debit cards due to the rapid spread of the Fineco Debit Card product, launched in January 2016, which can operate on the BANCOMAT, PagoBANCOMAT and Visa Debit circuits;
- an increase in the number of prepaid cards driven by the launch of the product also on the VISA circuit, in July 2016, and the subsequent revamping of its graphic layout.

In the first half 2017, the agreement with Apple Inc. was completed and announced, which will enable Fineco cards to use the Apple Pay service by the end of the year. This new service is expected to further increase card transactions and generally improve Fineco's image, as a highly innovative bank that pays close attention to the user experience of its customers.

Lastly, with the launch of the new Fineco UK account, for customers resident in the United Kingdom, two new international Visa debit cards have been introduced, from June 2017. The two new cards, which are based respectively in Sterling and Euro, are aimed at this specific customer segment.

In the credit card segment, the spending figure increased by 9.7% on the same period of the previous year, for a total value of €1.2 billion.

	1st Half 2017		1st Half 2016		Changes			
Credit products	Spending	Carrying amount	Spending	Carrying amount	Spending		Carrying amount	
					Amount	%	Amount	%
Revolving credit cards	24,352	39,953	26,337	39,812	(1,985)	-7.5%	141	0.4%
Credit cards full payment of balance	1,222,032	218,554	1,109,950	228,826	112,082	10.1%	(10,272)	-4.5%
Total	**1,246,384**	**258,507**	**1,136,287**	**268,638**	**110,097**	**9.7%**	**(10,131)**	**-3.8%**

(Amounts in € thousand)

Mortgages, credit facilities and personal loans

The development of the digital lending platform continued in the first half 2017, with the release of the Customer Cluster Analysis (CCA) system for personal loans. This system enables the segmentation of the customer base, to ensure that financial conditions are applied to each client based on their commercial merit class, with priority given to highly loyal customers.

The CCA system also applies to the Personal Loans with Immediate Assessment Service, which enables the loan application to be assessed almost instantly and the amount granted to be credited on the customer's account, also on Saturdays and Sundays.

The Bank also continued to refine the One Stop Solution model, through which all the customer's financial needs are handled through a single account, by broadening the offer of Fineco Mortgages with the addition of the Cash Mortgage. This new Mortgage allows customers to obtain up to €500,000 in their current account, using their home as collateral. The Cash Mortgage has been available since April 2017.

The "Lombard Credit" was launched in May 2017, as part of Fineco's strategy of strengthening the offering for Private Banking customers. This credit facility, up to a maximum amount of €1 million, is secured by a pledge on securities and funds with a revolving clause, which allows the customer to change the instruments provided as security without having to disinvest or give up their investment strategy. The Lombard Credit can only be requested through the Fineco PFA network, through a highly digitised application process built into X- NET, the sophisticated technological platform supporting the work of Fineco's personal financial advisors. The commercial launch of the new service was accompanied by a training campaign for the entire PFA network, also through e-learning platforms.

In support of the advertising campaigns for the Lombard Credit, in June the "Credit Power" indicator, which shows the maximum amount of the Lombard Credit available for request, was added to the reserved area of the Fineco Account.

The increase in loans, in the first half 2017, was therefore achieved thanks to the broadening of the portfolio of lending products, resulting from the ability to anticipate market trends and needs, combined with the astute customisation of the offering thanks to increasing knowledge of the customer, also helped by effective digital communications campaigns.

Credit products	1st Half 2017		1st Half 2016		Changes			
	Disbursements	Carrying amount	Disbursements	Carrying amount	Disbursements		Carrying amount	
					Amount	%	Amount	%
Personal loans and unsecured loans	121,209	306,498	78,887	243,025	42,322	53.6%	63,473	26.1%
Current account credit facilities *	242,406	360,386	90,559	299,372	151,847	167.7%	61,014	20.4%
Mortgages	254,607	256,771	-	884	254,607	n.a.	255,887	28946.5%
Total	**618,222**	**923,655**	**169,446**	**543,281**	**448,776**	**264.8%**	**380,374**	**70.0%**

(Amounts in € thousand)

* For current account Credit facilities, the disbursements column represents the amount approved.

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.

During the first half 2017, the range of asset management products was further enhanced with the addition to the platform of over 220 new ISINs and 6 new Investment Houses available to customers. The following were launched at the end of May 2017: Core Sustainable, a fund that adds to the family of “Specialised” funds, with an investment strategy that combines financial analysis with the analysis of environmental, social and governance aspects, in the assessment of securities; Core Defensive, the first Core fund managed under mandate focused on low volatility Alternative UCITs strategies. Lastly, we note the introduction of the third edition of the Core Target Allocation funds at the end of January 2017, to continue offering a way of gradually entering the equity markets, while reducing the risk associated with volatility.

In the first half 2017, the interest in insurance advisory services continued: in addition to the Core Multiramo of Aviva S.p.A., with total sales of over €350 million, and the updating of the proposal of the Aviva S.p.A.’s Ramo I policy, with the Top Valor One versions, which raised over €400 million, the CORE UNIT and ADVICE UNIT Unit Linked products of Old Mutual Wealth Italy SPA also continued to achieve inflows of over €80 million. Further additions were also made to the insurance offering with the CORE UNIT TARGET and ADVICE UNIT TARGET Unit Linked products, which provide a gradual increase in equity exposure of the portfolio, while reducing the risk associated with market volatility.

Lastly, at the end of June 2017, two new investment solutions were added to the CORE Unit and Advice Unit range: the Fondi Interni Assicurativi - FIA (internal insurance funds), consisting of the portfolio of Funds or ETFs managed automatically through constant monitoring of volatility, which constitute a form of "asset management" within the Units.

Within the advanced Advisory Services (Fineco Advice and STARS) the Bank has improved the usability of the platforms, to make them increasingly easy to deal with. The reporting for internal use has also been revised, to make it more detailed and accompanying it with more monthly information on the macroeconomic situation that has driven the performance of the markets and the portfolios. The reporting available on the “customer site” has been improved, with the addition of new widgets and more detailed information. Within the Private Banking segment, new reports and services have been developed to help the Personal Financial Advisors in the management of the Private Banking customers.

Within the Fineco STARS Advisory Service, the Final Score has been implemented, based on the Advice Ranking, to provide an indicator that shows the average quality of the portfolio.

The Fineco Advisory Seminar was conducted again this year, in the spring. This high-level training course organised by Fineco in partnership with the IESE, University of Navarra, one of the most prestigious international business schools, is at the top of the Financial Times ranking of executive education programs. The Seminar was conducted as part of the exclusive training programme for the best professionals in the Fineco Network who use the Fineco Advice and STARS services on a structural basis.

The objective was to give the advisors the preparation and the instruments needed to provide truly advanced advisory services, which range from identifying the customer's needs, to producing financial planning aimed at achieving the objectives in an adequate and controlled manner over time.

	Amounts as at		*Amounts as at*		*Change*	
	06.30.2017	*%*	*12.31.2016*	*%*	*Amount*	*%*
UCITS and other investment funds	25,460,638	83.2%	24,257,876	84.8%	1,202,762	5.0%
Insurance products	5,144,677	16.8%	4,339,162	15.2%	805,515	18.6%
Segregated accounts	8,841	0.0%	10,882	0.0%	(2,041)	-18.8%
Total assets under management	**30,614,156**	**100.0%**	**28,607,920**	**100.0%**	**2,006,236**	**7.0%**

(Amounts in € thousand)

THE NETWORK OF PERSONAL FINANCIAL ADVISORS

The first half 2017 was characterised by the continuity of results, with steady growth both in terms of net sales and assets under management.

Net sales amounted to €2,643 million, up 16.4% on the same period of the previous year. Net assets under management also posted significant growth, coming to €1,746 million, +432.5% on the first half 2016, with sales of the most advanced Advisory services at €1,954 million, up 16.9%. A total of 48,038 new current accounts were opened during the same period.

The growth was primarily "organic" (i.e. produced by the existing Network, without any particular surges generated by recruitment) and represented around 80% of the total sales.

The official launch of the Private Banking segment, with services specifically aimed at high-end customers, resulted in a strong and clear positioning on this front. The customers of the Private Banking segment continue to represent a significant proportion of the Bank's assets and the segment is enjoying continued and steady growth, confirming Fineco is one of the leading Private Banking providers in Italy. In this regard, events were organised with high-level customers (687 in total) aimed at providing information and raising awareness about key financial matters.

Investment also continued in training to develop the skills of the personal financial advisors, especially with regard to the advanced advisory services.

Net sales – Personal Financial Advisors Network – Assoreti figures

					Changes	
	1st Half 2017	*%*	*1st Half 2016*	*%*	*Amount*	*%*
Current accounts and demand deposits	694,178	26.3%	1,303,250	57.4%	(609,072)	-46.7%
Time deposits and reverse repos	(124,494)	-4.7%	(114,513)	-5.0%	(9,981)	8.7%
DIRECT DEPOSITS	**569,684**	**21.6%**	**1,188,737**	**52.4%**	**(619,053)**	**-52.1%**
Segregated accounts	(1,905)	-0.1%	(1,950)	-0.1%	45	-2.3%
UCITS and other investment funds	977,000	37.0%	(105,306)	-4.6%	1,082,306	n.c.
Insurance products	770,558	29.2%	435,106	19.2%	335,452	77.1%
ASSETS UNDER MANAGEMENT	**1,745,653**	**66.0%**	**327,850**	**14.4%**	**1,417,803**	**432.5%**
Government securities, bonds and stocks	328,083	12.4%	753,466	33.2%	(425,383)	-56.5%
ASSETS UNDER CUSTODY	**328,083**	**12.4%**	**753,466**	**33.2%**	**(425,383)**	**-56.5%**
NET SALES	**2,643,420**	**100.0%**	**2,270,053**	**100.0%**	**373,367**	**16.4%**
of which Guided products & services	1,954,585	73.9%	1,672,283	73.7%	282,302	16.9%

(Amounts in € thousand)

The table below shows the breakdown of sales attributable to the personal financial advisors network as at June 30, 2017. Total financial assets, amounting to €54,600 million, increased by 6.2% compared to December 31, 2016.

Total financial assets – Personal financial advisors network – Assoreti figures

	Amounts as at		Amounts as at		Changes	
	06.30.2017	*%*	*12.31.2016*	*%*	*Amount*	*%*
Current accounts and demand deposits	14,115,848	25.9%	13,442,242	26.1%	673,606	5.0%
Time deposits and reverse repos	27,295	0.0%	150,773	0.3%	(123,478)	-81.9%
DIRECT DEPOSITS	**14,143,143**	**25.9%**	**13,593,015**	**26.4%**	**550,128**	**4.0%**
Segregated accounts	8,841	0.0%	10,882	0.0%	(2,041)	-18.8%
UCITS and other investment funds	25,035,316	45.9%	23,843,218	46.4%	1,192,098	5.0%
Insurance products	5,060,392	9.3%	4,251,107	8.3%	809,285	19.0%
ASSETS UNDER MANAGEMENT	**30,104,549**	**55.1%**	**28,105,207**	**54.6%**	**1,999,342**	**7.1%**
Government securities, bonds and stocks	10,352,520	19.0%	9,736,101	18.9%	616,419	6.3%
ASSETS UNDER CUSTODY	**10,352,520**	**19.0%**	**9,736,101**	**18.9%**	**616,419**	**6.3%**
TOTAL FINANCIAL ASSETS – PERSONAL FINANCIAL ADVISORS NETWORK	**54,600,212**	**100.0%**	**51,434,323**	**100.0%**	**3,165,889**	**6.2%**
of which Guided products & services	18,370,964	33.6%	16,104,815	31.3%	2,266,149	14.1%

(Amounts in € thousand)

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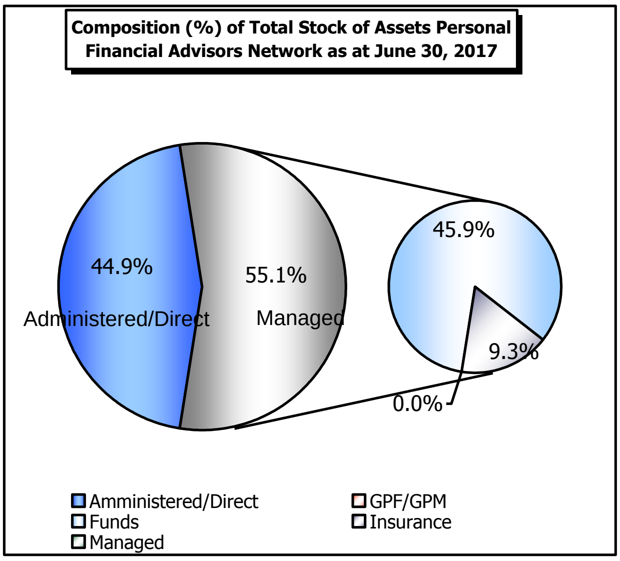
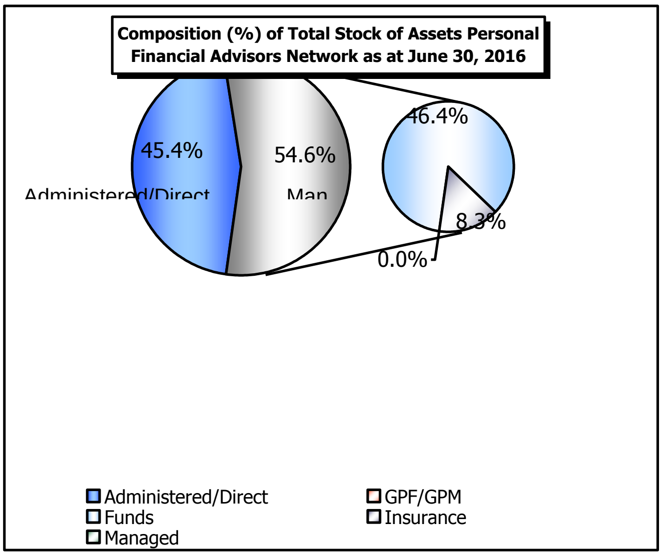




Recruitment was very selective with a strong focus on the quality and standing of the candidates. Since the beginning of the year, 45 new personal financial advisors have been hired, with a background in sales networks and private banking. The "youth programme" also continued to recruit young graduates to the profession (29 “beginners”). As already noted above, the recruitment activities provided a major contribution to net sales, which, however, are still driven primarily by the existing network, reflecting the unique strength of our model which enables healthy and organic growth.

Investment continued, in line with the positioning, in sales facilities of the personal financial advisors, which contribute to enhancing the Bank's image and spreading our presence throughout the country.

As at June 30, 2017, the network was composed of 2,642 personal financial advisors, who operate countrywide through 370 financial shops (Fineco Centers), managed directly by the Company or by the personal financial advisors.

HUMAN RESOURCES

As at June 30, 2017, the Bank's total workforce consisted of 1,114 employees compared to 1,096 as at December 31, 2016. The breakdown was as follows:

Human Resources	**June 30, 2017**	**December 31, 2016**
FinecoBank employees	1,103	1,086
Group employees seconded to FinecoBank (+)	4	3
FinecoBank employees seconded to the Group (-)	(1)	(1)
Total human resources excluding Directors	**1,106**	**1,088**
Directors (+)	8	8
Total human resources	**1,114**	**1,096**

During the first half 2017, the work activities continued on strengthening and optimising the areas dedicated to business development, organisational support and risk control and management. This led to the hiring of 35 workers, of which:

- 1 from other Group Company;
- 34 from the market.

Of the 34 new recruits from the market, the majority 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 business.

During the year, 19 temporary contracts were converted into permanent contracts in the Customer Relationship Management area, thereby not only guaranteeing business continuity, but also capitalising on the skills and expertise already present within the business.

In the first half 2017, there was significant Internal job rotation, involving 20 employees, through which vacant positions within the company were filled, while also ensuring the continued professional development of staff.

In the first half 2017, a total of 18 employees left the bank, of which:

- 8 resignations;
- 6 transfers to Group companies;
- 4 for other reasons.

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

Category	**Men**		**Women**		**Total**	
	06.30.2017	**12.31.2016**	**06.30.2017**	**12.31.2016**	**06.30.2017**	**12.31.2016**
Executives	23	22	4	4	27	26
Managers	229	229	96	98	325	327
Professional Areas	368	364	383	369	751	733
Total	**620**	**615**	**483**	**471**	**1,103**	**1,086**

As at June 30, 2017, part-time staff in the Bank amounted to 98, accounting for 9% of employees, with women employees representing around 44% of the workforce. The average length of service was around 9 years and the average age was around 40.

EMPLOYEE TRAINING

During first half 2017, employee training concentrated both on acquiring and consolidating staff skills based on the company's needs, as well as on the continuous professional development of individual abilities, with specific focus on mandatory, technical, foreign language and conduct-management training.

The breakdown of the training hours by area is provided below:

Training Area	Hours of Training
Mandatory	2,597
Technical	6,001
Foreign Language	6197
Conduct – Management	292
Total	**15,087**

Mandatory training

FinecoBank works continuously to promote and improve its risk and compliance culture, across the organisation, which enables our business to be sustainable over time, as well as profitable. For this reason, the Bank pays significant attention to mandatory training for all employees, who attended the courses during the first half 2017, both in e-learning mode, using the Group My Learning Platform, and through live seminars for specific subjects.
Employee attendance at the courses was continually monitored to ensure that all employees acquired full understanding of the mandatory subjects, thereby protecting the Company against operational, legal and reputational risk.

Technical and conduct training

In the first six months of the year, several colleagues participated in training initiatives aimed at acquiring the technical skills needed to improve business productivity on one hand and the level of specialisation of the employees on the other hand.

A total of 5,498 hours of training courses were held within the Customer Care department for "new recruits" on technical subjects, as well as "ongoing" training courses on technical and conduct-related subjects, with a view to maintaining the high quality service standards and customer focus that distinguish FinecoBank.

Several staff also took part in leadership and conduct training to support their managerial development.

Foreign language training

Foreign language training in the first half 2017 involved 350 employees in English courses (classroom-based or via telephone). Individual Business English courses were provided in specific cases (e.g. for Executives).

Following the plan of expansion of the business in the United Kingdom, an ad hoc course was organised for several Customer Care staff providing assistance to English-speaking customers.

Employees are assigned to participate in foreign language training courses based on requests made by the individual unit managers, according to the specific professional needs of colleagues.

TECHNOLOGY INFRASTRUCTURE

There are essentially six elements to the Bank's information system:

- Banking application software;
- Online Trading system (dedicated applications for the real-time sale/purchase of securities and financial instruments on the main European and American markets);
- A management system for the operations room and for institutional investors, and access to the information/order sections of Italian/foreign markets;
- A management system for investment services such as Funds, SICAVs and Bank Insurance;
- A credit and debit card management system, with the issue of cards for VISA and MasterCard circuits;
- A personal financial advisors network management system, enabling advisors to work with all the Bank's products through a single portal.

In the first half 2017, the ICT Area carried out its usual activities for the technological upgrading, consolidation and development of the Information System in order to provide new and more versatile added value services to customers. Specifically, from an architectural perspective, work continued on optimising infrastructure and applications, as well as the continuous improvement and fine-tuning of the applications security architecture.
In particular, the technological infrastructure components for the provision of trading services have been upgraded.

The main project work completed included:

- Offering of the new Lombard Credit product and PIRs (savings investment plans)
- Adaptation of the systems for the provision of banking and trading services in the UK market;
- Profiling of the site for the new Private Banking customer segment.

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's 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 Regulatory Authorities, 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.

In terms of the methods applied, the Bank's internal control system is based on four 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 Bank 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 Bank's specialised structures, monitoring of compliance risk is assigned to these structures based on the "Indirect Coverage" operating model, also adopted by the Parent Company;
- 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. The purpose of these controls is to check the

functioning of the overall internal control system and information communication technology system (ICT audit) and identify any anomalous trends, or infringements of procedures or regulations. These controls are assigned to the Internal Audit function, which operates at central level, at UniCredit, based on a specific service agreement;

- institutional supervisory controls: these refer to controls by the Bank's 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 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 and Appointments Committee, the Chief Executive Officer and General Manager[4], the Board of Statutory Auditors, the Supervisory Body set up pursuant to Legislative Decree 231/01 and the corporate control functions (Risk Management, Compliance[5], Internal Audit) as well as other company functions with specific internal control duties[6];
- 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;
    - application of the Group coordination model defined as part of the management and coordination activity carried out by the Parent Company;
    - definition of information flows both between corporate bodies and control functions within the Bank, and with the Parent Company, in order to enable the latter to properly carry out its management and coordination activities.

Lastly, 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 published a list on September 4, 2014 (last update published on April 1, 2017), 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 (classified as a "significant supervised group"), is included in the list of "significant supervised entities".

[4] 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.

[5] This function includes the Anti Money Laundering 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 as Head of the Anti-Money Laundering Function.

[6] 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 (Cost 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 under their responsibility.

MAIN RISKS AND UNCERTAINTIES

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

ORGANISATIONAL STRUCTURE

The organisational structure of the Bank is consistent with the Group Organisation Guidelines issued by the Parent Company UniCredit S.p.A.
The Guidelines set out organisational principles and rules designed to ensure their uniform application across all Group Legal Entities, through:

- clear organisational principles and criteria;
- specific organisational documents;
- suitable processes for organisational changes.

In the first half 2017, several changes were made to the organisational structure of the Global Banking Services Department, within the areas of Information & Communication Technology (ICT) and Customer Relationship Management (CRM).
Specifically, with the objective of maintaining the high level of efficiency of the Information System and ensuring that technology is continuously aligned to the corporate strategy, two new coordination units have been created reporting directly to the ICT Department:

- Infrastructure & ICT Operations, responsible for the planning, management and development of all the infrastructure components;
- the Omnichannel Development , responsible for the coordination, planning, implementation and maintenance of the development applications of all the FinecoBank platforms.

An ICT Committee has also been established, responsible within its area for taking decisions on overall strategy, continuously assessing the correct sizing of the workforce, and setting the cost budget.
Lastly, changes were approved to the CRM Department , aimed at improving the service provided to customers in terms of efficiency of contacts handled, by changing the redistribution of several activities.

Organisational Model

The Bank's current organisational model is based on a functional model, which favours economies of scale and facilitates the development of vertical skills and knowledge within each area. The model guarantees the necessary decision-making mechanisms, whilst maintaining the "horizontal link" between the various functions. 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 committees that monitor business lines and the progress of the most important projects, also to guarantee the necessary synergies of distribution channels.
In general terms, the model is structured in organisational rankings (Department, Unit, Team, and "technical" structures), based on their size and the organisational complexity of the operations overseen.
The following units report to the Chief Executive Officer and General Manager: Network PFA Department, Investment Services and Private Banking Services Department, Global Business Department, CFO Department (Chief Financial

Officer), CRO Department (Chief Risk Officer), Network Controls, Monitoring And Services Department, Legal & Corporate Affairs Department, GBS Department (Global Banking Services), Human Resources Unit, Compliance Unit, and the Identity & Communication Team.

The organisational model identifies four main functional lines, which govern:

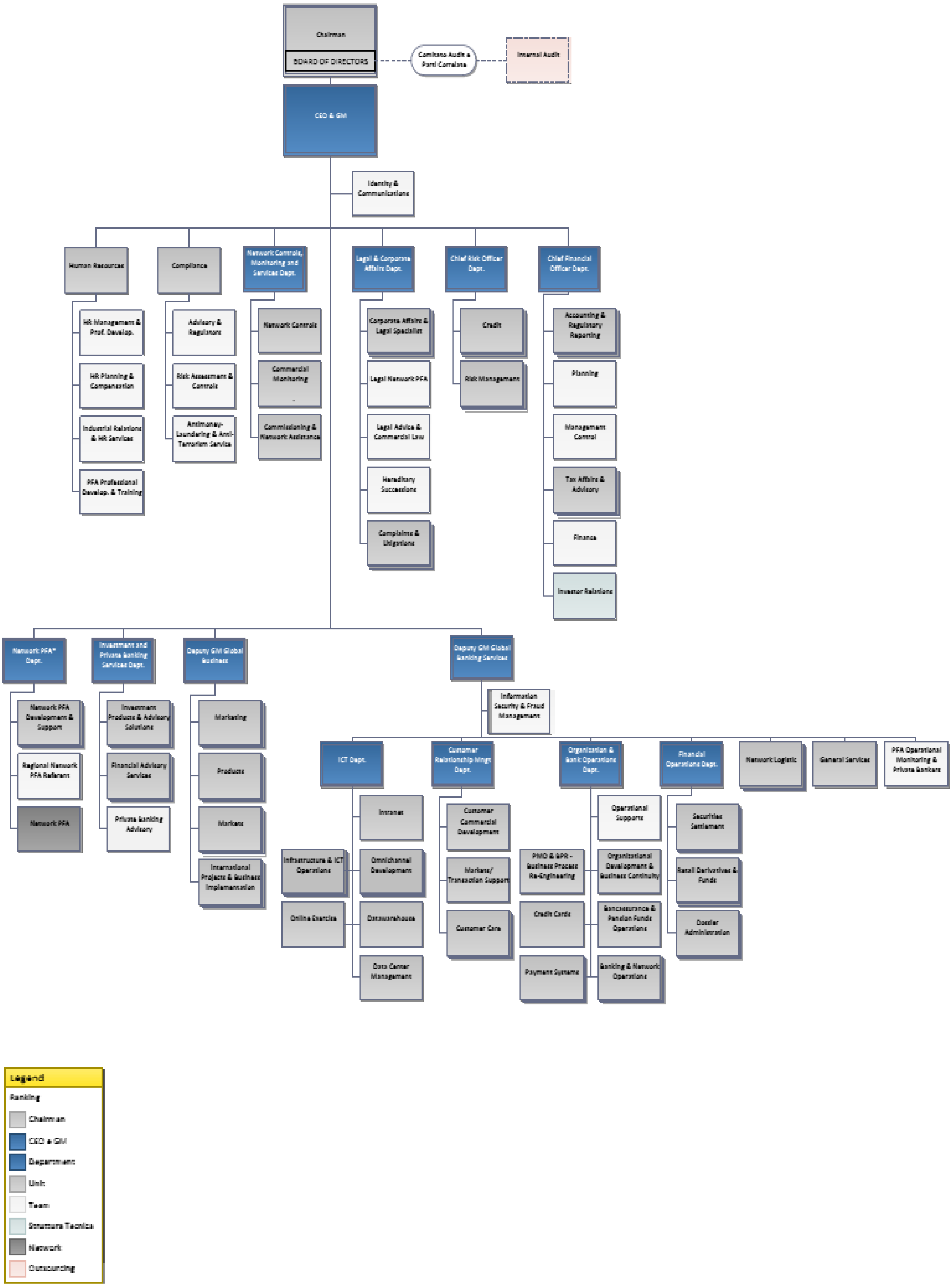
- the sales network (Network PFA Department);
- investment services (Investment Services and Private Banking Services Department);
- Trading, Banking and Credit products and the investment platforms (Global Business Department);
- operational functioning (GBS Department).

In summary:

- The PFA Network Department is responsible for overseeing the management and development of the personal financial advisors network;
- The Investment Services and Private Banking Department is responsible for monitoring the development of products placed by the Bank and the financial advisory services provided to all the Bank's customers;
- the Global Business Department is responsible for overseeing the development of Trading, Banking and Credit products and the platforms for the investment products and for the personal financial advisors network. The Investment and Private Banking Department and the Global Business Department work closely with each other in order to develop a combined and synergistic offering of products and services to customers, in line with the Bank's marketing and business strategies;
- 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: information Security & Fraud Management Team, ICT – Information & Communication Technology Department, CRM – Customer Relationship Management Department, Organisation & Bank Operations Department, Financial Operations Department, Network Services Unit, General Services Unit, and the PFA Operational Monitoring & Private Bankers team.

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

As regards audit activities, the Bank, in line with the instructions of the Parent Company, has adopted an outsourcing model based on a specific service agreement signed with UniCredit S.p.A.. Under the model, the Risk and Related Parties Committee (a board committee) is responsible for liaising with the Bank and the outsourcer, in addition to supporting the Board of Directors – with information, advisory, recommendation and investigation functions – using a risk-oriented approach to identify the guidelines for the entire internal control system and the assessment of its effectiveness and efficiency.


Chairman
BOARD OF DIRECTORS
Internal Audit
CEO & GM
Identity & Communications
Human Resources
Compliance
Network Controls, Monitoring and Services Dept.
Legal & Corporate Affairs Dept.
Chief Risk Officer Dept.
Chief Financial Officer Dept.
HR Management & Prof. Develop.
HR Planning & Compensation
Industrial Relations & HR Services
PFA Professional Develop. & Training
Advisory & Regulations
Risk Assessment & Controls
Antimoney-Laundering & Anti-Terrorism Service
Network Controls
Commercial Monitoring
Commissioning & Network Assistance
Corporate Affairs & Legal Specialist
Legal Network PFA
Legal Advice & Commercial Law
Hereditary Successions
Complaints & Litigations
Credit
Risk Management
Accounting & Regulatory Reporting
Planning
Management Control
Tax Affairs & Advisory
Finance
Investor Relations
Network PFA* Dept.
Investment and Private Banking Services Dept.
Deputy GM Global Business
Deputy GM Global Banking Services
Information Security & Fraud Management
Network PFA Development & Support
Regional Network PFA Referent
Network PFA
Investment Products & Advisory Solutions
Financial Advisory Services
Private Banking Advisory
Marketing
Products
Markets
International Projects & Business Implementation
ICT Dept.
Customer Relationship Mngt Dept.
Organization & Bank Operations Dept.
Financial Operations Dept.
Network Logistic
General Services
PFA Operational Monitoring & Private Bankers
Intranet
Infrastructure & ICT Operations
Omnichannel Development
Online Brokerage
Datawarehouse
Data Center Management
Customer Commercial Development
Markets/ Transaction Support
Customer Care
PMO & BPR - Business Process Re-Engineering
Credit Cards
Payment Systems
Operational Supports
Organizational Development & Business Continuity
Bancassurance & Pension Funds Operations
Banking & Network Operations
Securities Settlement
Retail Derivatives & Funds
Dealer Administration
Legend
Ranking
Chairman
CEO & GM
Department
Unit
Team
Network
Outsourcing

MAIN BALANCE SHEET AGGREGATES

ASSETS	Amounts as at		Changes	
	06.30.2017	12.31.2016	Amount	%
Cash and cash balances	2,902	5	2,897	57940.0%
Financial assets held for trading	9,791	6,044	3,747	62.0%
Loans and receivables with banks	14,827,089	15,735,540	(908,451)	-5.8%
Loans and receivables with customers	1,503,867	1,016,798	487,069	47.9%
Financial investments	4,760,269	3,757,529	1,002,740	26.7%
Hedging instruments	15,417	9,211	6,206	67.4%
Property, plant and equipment	15,396	14,451	945	6.5%
Goodwill	89,602	89,602	-	-
Other intangible assets	8,025	7,731	294	3.8%
Tax assets	9,276	13,165	(3,889)	-29.5%
Other assets	271,613	336,300	(64,687)	-19.2%
Total assets	**21,513,247**	**20,986,376**	**526,871**	**2.5%**

(Amounts in € thousand)

LIABILITIES AND SHAREHOLDERS' EQUITY	Amounts as at		Changes	
	06.30.2017	12.31.2016	Amount	%
Deposits from banks	929,859	1,111,106	(181,247)	-16.3%
Deposits from customers	19,440,617	18,801,073	639,544	3.4%
Financial liabilities held for trading	4,113	2,626	1,487	56.6%
Hedging instruments	16,084	11,371	4,713	41.4%
Provisions for risks and charges	102,123	111,756	(9,633)	-8.6%
Tax liabilities	19,525	10,048	9,477	94.3%
Other liabilities	380,059	257,097	122,962	47.8%
Shareholders' Equity	620,867	681,299	(60,432)	-8.9%
- capital and reserves	*522,475*	*476,249*	*46,226*	*9.7%*
- revaluation reserves available-for-sale financial assets and actuarial gains (losses) for defined benefits plans	*(5,875)*	*(6,794)*	*919*	*-13.5%*
- net profit (loss)	*104,267*	*211,844*	*(107,577)*	*-50.8%*
Total liabilities and shareholders' equity	**21,513,247**	**20,986,376**	**526,871**	**2.5%**

(Amounts in € thousand)

Financial assets held for trading

Financial assets held for trading amounted to €9.8 million as at June 30, 2017 and consisted of:

- bonds, equities, UCIT units and derivatives classified as HFT (held for trading),amounting to €3.4 million, 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 HFT portfolio and currencies to be settled in time frames established by market practices ("regular way") for €2.4 million, which correspond to negative valuations booked under item 40 "Financial liabilities held for trading";
- the positive valuation of CFDs on indices, shares and interest rates and futures on indices and interest rates and of CFDs on Forex for €4 million.

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 covers 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 counterparties to hedge CFD transactions in open currencies with customers' currency.

Loans and receivables with banks

	Amounts as at		*Changes*	
	06.30.2017	*12.31.2016*	*Amount*	*%*
Current accounts and demand deposits	1,956,347	2,336,579	(380,232)	-16.3%
Time deposits	986,206	1,285,414	(299,208)	-23.3%
Other loans:				
1 Reverse repos	173	53	120	226.4%
2 Others	36,828	58,563	(21,735)	-37.1%
Debt securities	11,847,535	12,054,931	(207,396)	-1.7%
Total	**14,827,089**	**15,735,540**	**(908,451)**	**-5.8%**

(Amounts in € thousand)

Loans and receivables with banks for “Current accounts and demand deposits” mainly consist of accounts held with UniCredit, with a book value of €1,929.5 million (€2,302.7 million as at December 31, 2016), and to a lesser extent, of current accounts held with other banks not belonging to the UniCredit group for transactions in securities.

“Time deposits” consist of the deposit held with UniCredit for compulsory reserves, which stood at €191.4 million (€172.5 million as at December 31, 2016), in addition to time deposits held with UniCredit for an amount of €794.8 million (€1,113 million as at December 31, 2016), opened to invest the liquidity collected through repos with retail customers and credit institutions, with the same maturities.

The item “Other loans: Other” consists of €30.9 million for the amount of the initial and variance margins and collateral deposits placed with credit institutions for derivative transactions and repos (€55.7 million as at December 31, 2016), of which €1.6 million with UniCredit AG Monaco and €11.8 million with UniCredit (€3 million with UniCredit AG Monaco and €48.6 million with UniCredit as at December 31, 2016), and €6 million for current receivables associated with the provision of financial services (€2.9 million as at December 31, 2016).

The “Debt securities” included in the category “Loans and Receivables” consisted entirely of debt securities issued by UniCredit for an amount of €11,847.5 million (€12,054.9 million at December 31, 2016). In the first half 2017, a bond issued by UniCredit S.p.A. was subscribed for a nominal amount of €622.5 million with a term of seven years and indexed to the 3-month Euribor plus a spread.

Loans and receivables with customers

	Amounts as at		*Changes*	
	06.30.2017	*12.31.2016*	*Amount*	*%*
Current accounts	360,386	299,372	61,014	20.4%
Reverse repos	180,442	87,349	93,093	106.6%
Mortgages	256,771	884	255,887	n.c.
Credit cards and personal loans	558,440	504,699	53,741	10.6%
Other loans	147,828	124,494	23,334	18.7%
Total	**1,503,867**	**1,016,798**	**487,069**	**47.9%**

(Amounts in € thousand)

Loans and receivables with customers, amounting to €1,503.9 million, essentially consisted of:

- €1,184.5 million in loans;
- €180.4 million in reverse repos;
- €52.6 million in collateral deposits and initial and variation margins with clearing houses for derivative contract transactions;
- €86.4 million relating to current receivables associated with the provision of financial services.

“Reverse repos” consist of “*Multiday leverage*” with retail customers and stock lending transactions with 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.

“Other loans” mainly consist of collateral deposits and initial and variation margins for derivative contracts, and current receivables associated with the provision of financial services.

Loans and receivables with customers (Management reclassification)	Amounts as at 06.30.2017	12.31.2016	Changes Amount	%
Current accounts	357,845	296,927	60,918	20.5%
Credit card use	258,465	268,497	(10,032)	-3.7%
Mortgages	256,756	860	255,896	n.c.
Personal loans	298,919	235,036	63,883	27.2%
Other loans	8,841	8,612	229	2.7%
Performing loans	*1,180,826*	*809,932*	*370,894*	*45.8%*
Current accounts	2,541	2,445	96	3.9%
Mortgages	15	24	(9)	-37.5%
Credit card use	42	142	(100)	-70.4%
Personal loans	1,014	1,024	(10)	-1.0%
Other loans	32	22	10	45.5%
Impaired loans	*3,644*	*3,657*	*(13)*	*-0.4%*
Loans	***1,184,470***	***813,589***	***370,881***	***45.6%***
Reverse repos	180,367	87,348	93,019	106.5%
Reverse repos - impaired	75	1	74	n.c.
Collateral deposits and initial and variation margins	52,598	34,059	18,539	54.4%
Current receivables associated with the provision of financial services	86,357	81,801	4,556	5.6%
Current receivables and other receivables	***319,397***	***203,209***	***116,188***	***57.2%***
Loans and receivables with customers	**1,503,867**	**1,016,798**	**487,069**	**47.9%**

(Amounts in € thousand)

The portfolio of loans mainly consists of receivables for personal loans, mortgages, current accounts and credit card use. Loans increased overall by 45.6%, thanks to the offering of mortgages for retail customers to finance the purchase of first and second homes and the subrogation launched at the end of November 2016.

Impaired assets

Category	Gross amount		Total impairment		Net exposure		Coverage ratio	
	Amounts as at		*Amounts as at*		*Amounts as at*		*Figures as at*	
	06.30.2017	*12.31.2016*	*06.30.2017*	*12.31.2016*	*06.30.2017*	*12.31.2016*	*06.30.2017*	*12.31.2016*
Non-performing loans	20,122	19,334	(17,344)	(16,672)	2,778	2,662	86.19%	86.23%
Unlikely to pay	2,051	1,906	(1,618)	(1,507)	433	399	78.89%	79.07%
Past-due loans	1,377	1,130	(744)	(532)	633	598	54.03%	47.08%
Total	**23,550**	**22,370**	**(19,706)**	**(18,711)**	**3,844**	**3,659**	**83.68%**	**83.64%**

(Amounts in € thousand)

The amount of impaired loans net of impairment losses was €3.8 million, €2.8 million of which in non-performing loans, €0.4 million in unlikely to pay exposures and €0.6 million in past-due loans. Impaired loans mostly relate to current account overdrafts, credit card use and personal loans.

Financial investments

	Amounts as at		Changes	
	06.30.2017	*12.31.2016*	*Amount*	*%*
Available-for-sale financial assets	1,508,260	1,319,752	188,508	14.3%
Held-to-maturity investments	3,252,009	2,437,777	814,232	33.4%
Total	**4,760,269**	**3,757,529**	**1,002,740**	**26.7%**

(Amounts in € thousand)

"Held-to-maturity investments" consisted of debt securities issued by the Italian Government, for a book value of €1,556.4 million (€1,499.3 million as at December 31, 2016), and issued by the Spanish Government, for a book value of €1,695.6 million (€938.5 million as at December 31, 2016).

"Available-for-sale financial assets" consisted of debt securities issued by governments and equity instruments not listed on an active market.

Investments in debt securities consisted of:

- Italian government securities, with a book value of €1,178 million (982.4 million as at December 31, 2016);
- French government securities, with a book value of €10.1 million (€10.3 million as at December 31, 2016);
- Spanish government securities, with a book value of €247.6 million (€249.9 million as at December 31, 2016);
- US government securities, with a book value of €68.6 million (€73.5 million as at December 31, 2016).

A part of the debt securities classified in the "Available-for-sale financial assets portfolio" is entirely used as collateral for bankers' drafts or guarantees with third parties for a book value of €128 million (€128.9 million as at December 31, 2016).

Equity instruments consisted of equity investments in companies in which the Bank does not exercise control or have a significant influence, for an amount of €3.9 million, primarily consisting of the Visa INC class "C" preferred shares.

As described in the Financial Statements for the year ended December 31, 2016, the exposure in equity instruments recognised under "Available-for-sale financial assets", as a result of the contribution paid in the previous year to the Voluntary Scheme for its measure in favour of Cassa di Risparmio di Cesena was fully written down as at December 31, 2016.

Hedging instruments

	Amounts as at		Changes	
	06.30.2017	12.31.2016	Amount	%
Asset hedging derivatives - positive valuations	-	-	-	-
Liability hedging derivatives - positive valuations	-	552	(552)	-100.0%
Adjustments to the value of assets under portfolio hedge	15,417	8,659	6,758	78.0%
Total assets	**15,417**	**9,211**	**6,206**	**67.4%**
of which:				
Positive valuations	-	452	(452)	-100.0%
Accrued interest	-	100	(100)	-100.0%
Adjustments to the value of hedged assets	15,417	8,659	6,758	78.0%
Total assets	**15,417**	**9,211**	**6,206**	**67.4%**
Asset hedging derivatives - negative valuations	16,162	10,914	5,248	48.1%
Liability hedging derivatives - negative valuations	4,125	-	4,125	-
Adjustments to the value of liabilities under portfolio hedge	(4,203)	457	(4,660)	-1019.7%
Total liabilities	**16,084**	**11,371**	**4,713**	**41.4%**
of which:				
Negative valuations	20,748	11,274	9,474	84.0%
Accrued interest	(461)	(360)	(101)	28.1%
Adjustments to the value of hedged liabilities	(4,203)	457	(4,660)	-1019.7%
Total liabilities	**16,084**	**11,371**	**4,713**	**41.4%**

(Amounts in € thousand)

Summary of hedging derivatives valuations as at June 30, 2017	*Assets*	*Liabilities*	*Difference*
Valuation of hedging derivatives for assets and liabilities	-	20,748	(20,748)
Change in fair value of hedged assets/liabilities	15,417	(4,203)	19,620
Revaluation reserve before related taxation	-	(1,035)	1,035
Total	**15,417**	**15,510**	**(93)**

(Amounts in € thousand)

Hedged assets consist of bonds issued by UniCredit belonging to the “Loans and Receivables” category and securities issued by the Italian Central Government and classified as "Available-for-sale financial assets".

The hedged liabilities consisted of direct deposits.

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 €0.5 million of accrued interest income included in the net interest margin, was a negative amount of €93 thousand.

Property, plant and equipment

As in previous years, investments were made in electronic equipment to guarantee the ongoing update of the hardware used by all the Bank’s departments. In particular, in the first half, the storage in the technology infrastructure of FinecoBank's legacy systems was replaced, which resulted in greater processing capacity, with significantly improved performance, innovative technological features, and lower hardware maintenance costs.

Investments in office furniture and fittings and equipment are primarily intended for use in new financial shops.

Property, plant and equipme	*Balance 12.31.2016*	*Investments 1st Half 2017*	*Other changes and sales 1st Half 2017*	*Depreciation and impairment 1st Half 2017*	*Balance 06.30.2017*
Properties	2,397	20	-	(56)	2,361
Electronic equipment	9,560	2,765	(581)	(1,740)	10,004
Office furniture and fittings	1,131	827	-	(405)	1,553
Plant and machinery	1,363	332	-	(217)	1,478
Total	**14,451**	**3,944**	**(581)**	**(2,418)**	**15,396**

(Amounts in € thousand)

Goodwill

The Goodwill recognised in the financial statements 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.

In fact, in view of the specific business model adopted by the Bank, 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.

As at June 30, 2017 there were no indicators of impairment of the goodwill recognised in the financial statements.

A qualitative analysis was conducted of the main assumptions used in the impairment test carried out with reference to December 31, 2016 and, based on the results of those qualitative analyses, the result of the impairment test as at December 31, 2016 was also confirmed with reference to June 30, 2017.

For all other information on the impairment test, see Part B – Balance Sheet Information in the Notes to the Accounts.

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 optimizations, enhancements to architecture for application security, and the developments needed to meet the new regulatory requirements.

Intangible assets	*Balance 12.31.2016*	*Investments 1st Half 2017*	*Other changes and sales 1st Half 2017*	*Amortisation and impairment 1st Half 2017*	*Balance 06.30.2017*
Software	6,834	2,641	-	(2,228)	7,247
Other intangible assets	897	68	-	(187)	778
Total	**7,731**	**2,709**	**-**	**(2,415)**	**8,025**

(Amounts in € thousand)

Tax Assets and Other Assets

	Amounts as at		Changes	
	06.30.2017	*12.31.2016*	*Amount*	*%*
Tax assets				
Current assets	1,064	1,571	(507)	-32.3%
Deferred tax assets	32,889	36,660	(3,771)	-10.3%
Deferred tax assets pursuant to Law 214/2011	3,828	4,180	(352)	-8.4%
Total before IAS 12 offset	*37,781*	*42,411*	*(4,630)*	*-10.9%*
Offset against deferred tax liabilities - IAS 12	(28,505)	(29,246)	741	-2.5%
Total Tax assets	**9,276**	**13,165**	**(3,889)**	**-29.5%**
Other assets				
Items in processing	15	27	(12)	-44.4%
Items awaiting settlement	16,626	11,558	5,068	43.8%
Definitive items not recognised under other items	46,709	42,213	4,496	10.7%
Current receivables not associated with the provision of financial services	1,608	2,290	(682)	-29.8%
Tax items other than those included in the item "Tax assets"	169,168	250,077	(80,909)	-32.4%
Prepayments	30,728	22,754	7,974	35.0%
Improvement and incremental expenses incurred on leasehold	6,365	7,262	(897)	-12.4%
Other items	394	119	275	231.1%
Total other assets	**271,613**	**336,300**	**(64,687)**	**-19.2%**

(Amounts in € thousand)

The decrease in “Tax assets”, of €3.9 million, was mainly due to the reduction in "Deferred Tax Assets" of €3.8 million, resulting from the use of the provisions for risks and charges.
“Deferred tax assets” are shown in the balance sheet net of the related “Deferred tax liabilities”, when the requirements of IAS 12 are met.

For the item Other assets, there was a decrease of €80.9 million in the "Tax items other than those recorded under the Tax Assets item”, due to lower amount of advance tax paid as substitute for tax on other income, withholding tax on interest and stamp duty.

Deposits from banks

	Amounts as at		Changes	
	06.30.2017	*12.31.2016*	*Amount*	*%*
Deposits from central banks	-	-	-	-
Deposits from banks				
Current accounts and demand deposits	9,685	52,309	(42,624)	-81.5%
Loans				
Repos	913,526	1,058,565	(145,039)	-13.7%
Other liabilities	6,648	232	6,416	n.c.
Total	**929,859**	**1,111,106**	**(181,247)**	**-16.3%**

(Amounts in € thousand)

The item “Current accounts and demand deposits” mainly consisted of reciprocal current accounts and loans with UniCredit, amounting to €5.2 million (€49.4 million as at December 31, 2016), as well as reciprocal current accounts and loans with banks outside the Group of €4.5 million.

“Repos” included €801.7 million in transactions with UniCredit (€977.8 million as at December 31, 2016) and €63.9 million of securities lending transactions guaranteed by cash carried out with UniCredit Bank AG Monaco (€6.6 million as at December 31, 2016).
The item “Other liabilities” included margin variations received for trading in derivatives and repos, of which €5.8 million with UniCredit S.p.A.

Deposits from customers

Deposits from customers, mainly consisting of current accounts, the Cash Park deposit account and repos, totalled €19,441 million, up 3.4% compared to December 31, 2016.

	Amounts as at		*Changes*	
	06.30.2017	*12.31.2016*	*Amount*	*%*
Current accounts and demand deposits	19,138,345	18,319,307	819,038	4.5%
Time deposits	15,516	159,124	(143,608)	-90.2%
Loans				
Repos	181,810	231,376	(49,566)	-21.4%
Other liabilities	104,946	91,266	13,680	15.0%
Deposits from customers	**19,440,617**	**18,801,073**	**639,544**	**3.4%**

(Amounts in € thousand)

There was an increase of €819 million in the cash deposited in current accounts, which was also driven by the transfer of Cash Park time deposits falling due.
The item “Other liabilities” comprises current payables related to the provision of financial services, totalling €29 million (€28.1 million as at December 31, 2016), initial and variance margins for derivative transactions, which came to €44.4 million (€38.5 million as at December 31, 2016) and other liabilities for rechargeable credit cards and bankers’ drafts, amounting to €31.5 million (€24.7 million at December 31, 2016).

Financial liabilities held for trading

Financial liabilities held for trading consist of:

- technical overdrafts classified as HFT used for the operational hedging of CFD positions on shares open with customers, amounting to €0.8 million, and intended to be traded in the short term;
- the negative valuation of spot contracts for securities in the HFT portfolio and currencies to be settled in time frames established by market practices ("regular way") of around €2.2 million, which correspond to positive valuations booked under item 20 "Financial assets held for trading";
- the negative valuation of CFDs on indices, shares and interest rates and futures on indices and interest rates and of CFDs on Forex for €1.1 million.

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 covers 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 counterparties to hedge CFD transactions in open currencies with customers' currency.

Provisions for risks and charges

Provisions for risks and charges include allowances for a total of €102.1 million, for which, given a liability of uncertain amount and expiry, a current obligation was identified as the result of a past event and it was possible to make a reliable estimate of the amount resulting from the fulfilment of said obligation. The disbursements, with estimated maturity exceeding 18 months, were discounted to present value using a rate equal to the time value of money.
"Staff expenses" include the provisions made for the variable remuneration to be paid to employees in subsequent years, which have an uncertain due date and/or amount. This item also includes the estimated remaining integration costs for the Bank in relation to the Business Plan of the UniCredit Group recognised in the financial statements for the previous years. During the first half 2017, as a result of the signature of the agreement of February 4, 2017, these costs were partially reallocated to Other liabilities for the part relating to the subscriptions accepted.

	Amounts as at		*Changes*	
	06.30.2017	*12.31.2016*	*Amount*	*%*
Legal disputes	**30,269**	**33,699**	**(3,430)**	**-10.2%**
- Pending proceedings	24,640	26,673	(2,033)	-7.6%
- Claims	5,629	7,026	(1,397)	-19.9%
Staff expenses	**4,013**	**10,043**	**(6,030)**	**-60.0%**
Other	**67,841**	**68,014**	**(173)**	**-0.3%**
- Supplementary customer indemnity provision	56,464	56,054	410	0.7%
- Contractual payments and payments under non-competition	2,177	2,184	(7)	-0.3%
- Tax disputes	3,966	4,078	(112)	-2.7%
- Other provisions	5,234	5,698	(464)	-8.1%
Total provisions for risks and charges - other provisions	**102,123**	**111,756**	**(9,633)**	**-8.6%**

(Amounts in € thousand)

Tax liabilities and Other liabilities

	Amounts as at		Changes	
	06.30.2017	12.31.2016	Amount	%
Tax liabilities				
Current liabilities	19,525	10,048	9,477	94.3%
Deferred tax liabilities	28,505	29,246	(741)	-2.5%
Total before IAS 12 offset	*48,030*	*39,294*	*8,736*	*22.2%*
Offset against deferred tax assets - IAS 12	(28,505)	(29,246)	741	-2.5%
Total Tax liabilities	**19,525**	**10,048**	**9,477**	**94.3%**
Other liabilities				
Items in processing	928	1,521	(593)	-39.0%
Items awaiting settlement	56,328	59,164	(2,836)	-4.8%
Definitive items not recognised under other items	195,411	34,984	160,427	458.6%
Payables for share-based payments or shares of the Parent Company UniCredit	820	957	(137)	-14.3%
Payables to employees and other personnel	12,741	7,259	5,482	75.5%
Payables to directors and statutory auditors	168	140	28	20.0%
Current payables not associated with the provision of financial services	21,833	18,941	2,892	15.3%
Tax items other than those included in the item "Tax liabilities"	62,214	103,467	(41,253)	-39.9%
Social security contributions payable	5,873	5,944	(71)	-1.2%
Illiquid items for portfolio transactions	14,509	18,486	(3,977)	-21.5%
Other items	4,113	981	3,132	319.3%
Employee severance pay provision	5,121	5,253	(132)	-2.5%
Total Other Liabilities	**380,059**	**257,097**	**122,962**	**47.8%**

(Amounts in € thousand)

The increase of €9.4 million in "Tax liabilities" (before IAS 12 offset), was attributable to the rise in the item "Current liabilities". 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.

With regard to the Other liabilities there was:

- a decrease of €41.3 million in "Tax items other than those included in the item Tax liabilities", as a result of lower payables recognised towards the tax authorities for withholdings on interest and stamp duty;
- an increase of €160.4 million in “Definitive items not recognised under other items” mainly due to the increase in tax payment orders waiting to be paid to the Italian Revenue Agency.

Shareholders' equity

As at June 30, 2017, the Bank's share capital came to €200.5 million, divided into 607,713,345 ordinary shares with a par value of €0.33 each.

The reserves consisted of the:

- Share premium reserve, amounting to €1.9 million;
- Legal reserve, amounting to €40.1 million;
- Extraordinary reserve, amounting to €247.2 million;
- Reserve for treasury shares held, amounting to €4.5 million;
- Reserve related to equity-settled plans, amounting to €32.7 million.

On February 7, 2017, in view of the positive outcome of the verification of the entry conditions (at Bank level and Group level, where applicable) and the individual conditions (compliance of conduct and continued employment) and the favourable opinion provided by the Remuneration and Appointments Committee in its meeting of February 2, 2017, the Board of Directors approved:

- for the “Group Executive Incentive System - Bonus Pool 2014” plan: a free capital increase, for a total amount of €5,237.76 corresponding to a total of 15,872 FinecoBank ordinary shares with a nominal value of €0.33 each;
- for the “2014-2017 Top Management Multi-Year Plan”: a free capital increase, for a total amount of €208,180.50 corresponding to a total of 630,850 FinecoBank ordinary shares with a nominal value of €0.33 each;
- for the “2014 Key People Plan”: a free capital increase, for a total amount of €86,191.71 corresponding to a total of 261,187 FinecoBank ordinary shares with a nominal value of €0.33 each.

The Shareholders' Meeting of April 11, 2017 approved the allocation of profit for the year 2016, amounting to €211.8 million, as follows:

- €0.06 million to the Legal reserve, corresponding to 0.03% of the profit for the year, having reached the limit of a fifth of the share capital;
- €41.6 million to the Extraordinary reserve;
- €170.2 million to Shareholders, corresponding to a dividend of €0.28 for each of the 607,713,345 ordinary shares with a par value of €0.33 euro.

The dividends not distributed in relation to any treasury shares held by the Bank at the record date, amounting to €0.2 million, have been transferred to the Extraordinary reserve.

The “Reserve related to equity-settled plans” increased by around €4.5 million, as a result of the recognition, during the vesting period of the instruments, of the income statement and balance sheet effects of the payment arrangements based on FinecoBank ordinary shares.

As at June 30, 2017, the Bank held 745,844 treasury shares, corresponding to 0.12% of the share capital, for an amount of €4.5 million. You are reminded that a total of 1,408,834 shares were purchased in 2015, under the stock granting "2014 PFA Plan" for Personal Financial Advisors and the Network Managers of the Bank, and in the first quarter 2017 a total of 31,519 shares were purchased, under the "2016 Plan PFA" incentive system for Personal Financial Advisors identified as “Key Personnel”, in accordance with the authorisation by the Ordinary Shareholders' Meeting of the Bank of April 12, 2016. In 2016, 694,509 shares were assigned to the Personal Financial Advisors and the Network Managers of the Bank, in execution of the stock granting "2014 PFA Plan".
The Bank does not hold shares of its Parent Company, even through other companies or third parties.

The Revaluation reserves consisted of:

- €3.6 million from the net positive reserve for debt securities issued by central governments of EU member countries, held in the "Available-for-sale financial assets” portfolio;
- €1.3 million from the net negative reserve for debt securities, other than those mentioned above, held in the "Available-for-sale financial assets” portfolio;

- €0.6 million from the positive reserve for equity instruments held in the "Available-for-sale financial assets" portfolio, relating exclusively to the change in the fair value of the Visa INC class "C" preferred shares;
- €5.4 million to the negative IAS19 Reserve;
- €3.4 million for the net negative reserve for debt securities issued by central governments of EU member countries, transferred from the "Available-for-sale financial assets" portfolio to the "Held-to-maturity investments" portfolio in 2016.

Shareholders' equity

	Amounts as at		*Changes*	
Item/Amount	*06.30.2017*	*12.31.2016*	*Amount*	*%*
Share capital	200,545	200,246	299	0.1%
Share premium reserve	1,934	1,934	-	-
Reserves				
- Legal reserve	40,109	40,049	60	0.1%
- Extraordinary reserve	247,223	205,860	41,363	20.1%
- Treasury shares reserve	4,510	4,338	172	4.0%
- Other reserves	32,664	28,160	4,504	16.0%
(Treasury Shares)	(4,510)	(4,338)	(172)	4.0%
Revaluation reserves	(5,875)	(6,794)	919	-13.5%
Net Profit (Loss) for the period	104,267	211,844	(107,577)	-50.8%
Total	**620,867**	**681,299**	**(60,432)**	**-8.9%**

(Amounts in € thousand)

OWN FUNDS AND PRUDENTIAL REQUIREMENTS

	Figures as at	
	06.30.2017	*12.31.2016*
Common Equity Tier 1 Capital - CET1	461,898	438,121
Tier 1 Capital	461,898	438,121
Total Own Funds	**461,898**	**438,121**
Total risk-weighted assets	**2,086,729**	**1,909,713**
Ratio - Common Equity Tier 1 Capital	22.14%	22.94%
Ratio - Tier 1 Capital	22.14%	22.94%
Ratio - Total Own Funds	22.14%	22.94%

	Figures as at	
	06.30.2017	*12.31.2016*
Tier 1 Capital	461,898	438,121
Exposure for leverage ratio	6,803,520	5,302,244
Transitional leverage ratio	6.79%	8.26%

(Amounts in € thousand)

Own funds as at June 30, 2017 amounted to a €461.9 million. Own funds and Capital ratios were determined applying the current Supervisory Regulations, in line with Basel III standards including transitional adjustments.

The figures shown include the share of profit for the first half 2017 to be allocated to the reserves, for an amount of €20 million, calculated based on the average distribution rate for the last three years, assuming the conditions established by Article 26.2 of EU Regulation 575/2013 (CRR) have been satisfied. For more details, see Part F - Shareholders' Equity of the Notes to the Accounts.

The leverage ratio has been calculated in accordance with EU Delegated Regulation 2015/62 of October 10, 2014. As required by Circular No. 285 of the Bank of Italy, Part Two, Chapter 12, Section III Exercise of national discretion, exposures to the UniCredit Group companies based in Italy and weighted at 0% pursuant to Article 113, par. 6 of the CRR have not been included in the calculation of total exposure, in accordance with Article 429 (7) of the CRR amended by the Delegated Regulation (EU) 2015/62.

INCOME STATEMENT FIGURES

Condensed income statement

	1st Half 2017	1st Half 2016	Changes Amount	Changes %
Net interest	127,188	123,449	3,739	3.0%
Dividends and other income from equity investments	12	-	12	n.c.
Net fee and commission income	129,707	117,821	11,886	10.1%
Net trading, hedging and fair value income	25,992	46,926	(20,934)	-44.6%
Net other expenses/income	(233)	758	(991)	-130.7%
OPERATING INCOME	**282,666**	**288,954**	**(6,288)**	**-2.2%**
Staff expenses	(38,924)	(37,716)	(1,208)	3.2%
Other administrative expenses	(123,893)	(117,724)	(6,169)	5.2%
Recovery of expenses	46,492	42,337	4,155	9.8%
Impairment/write-backs on intangible and tangible assets	(4,833)	(4,609)	(224)	4.9%
Operating costs	**(121,158)**	**(117,712)**	**(3,446)**	**2.9%**
OPERATING PROFIT (LOSS)	**161,508**	**171,242**	**(9,734)**	**-5.7%**
Net write-downs of loans and provisions for guarantees and commitments	(1,541)	(2,801)	1,260	-45.0%
NET OPERATING PROFIT (LOSS)	**159,967**	**168,441**	**(8,474)**	**-5.0%**
Net provisions for risks and charges	(3,150)	(2,553)	(597)	23.4%
Integration costs	(13)	(7)	(6)	85.7%
Net income from investments	(353)	-	(353)	n.c.
NET PROFIT (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS	**156,451**	**165,881**	**(9,430)**	**-5.7%**
Income tax for the period	(52,184)	(48,099)	(4,085)	8.5%
NET PROFIT (LOSS) AFTER TAX FROM CONTINUING OPERA	**104,267**	**117,782**	**(13,515)**	**-11.5%**
PROFIT (LOSS) FOR THE PERIOD	**104,267**	**117,782**	**(13,515)**	**-11.5%**

(Amounts in € thousand)

Net interest margin

Net interest for the first half 2017 amounted to €127.2 million, up 3% on the same period of the previous year, due to the increase in deposits and the higher lending volumes, which offset the fall in interest income attributable to the decline in market interest rates. In this regard it should be noted that the structure of the investments carried out by the Bank contributed to keep a flow of interest income resulting from the investment of deposits, even against a backdrop of significant reduction of credit spreads and market interest rates. The average gross margin on investment was 1.22% in the first six months of 2017 compared to 1.38% for the first half 2016.

Interest income	1st Half 2017	1st Half 2016	Changes Amount	Changes %
Financial assets held for trading	1	-	1	-
Available-for-sale financial assets	4,640	10,839	(6,199)	-57.2%
Held-to-maturity investments	7,572	-	7,572	-
Loans and receivables with banks	95,942	99,285	(3,343)	-3.4%
Loans and receivables with customers	17,948	13,911	4,037	29.0%
Hedging derivatives	4,548	2,248	2,300	102.3%
Other assets	4	-	4	-
Total interest income	**130,655**	**126,283**	**4,372**	**3.5%**

(Amounts in € thousand)

Interest expense	1st Half 2017	1st Half 2016	Changes Amount	Changes %
Deposits from banks	1,524	1,368	156	11.4%
Deposits from customers	(4,991)	(4,202)	(789)	18.8%
Total interest expense	**(3,467)**	**(2,834)**	**(633)**	**22.3%**
Net interest	**127,188**	**123,449**	**3,739**	**3.0%**

(Amounts in € thousand)

The following table provides a breakdown of interest income associated with banks and customers:

Breakdown of interest income	1st Half 2017	1st Half 2016	Changes Amount	Changes %
Interest income on loans and receivables with ba	**95,942**	**99,285**	**(3,343)**	**-3.4%**
- current accounts	1,730	1,217	513	42.2%
- reverse repos	64	218	(154)	-70.6%
- time deposit for compulsory reserves	-	16	(16)	-100.0%
- time deposits	(346)	1,302	(1,648)	-126.6%
- other loans	(76)	(23)	(53)	230.4%
- debt securities	94,570	96,555	(1,985)	-2.1%
Interest income on loans and receivables with cu	**17,948**	**13,911**	**4,037**	**29.0%**
- current accounts	3,433	2,803	630	22.5%
- reverse repos	4,099	3,370	729	21.6%
- mortgages	697	-	697	n.c.
- credit cards	2,279	2,202	77	3.5%
- personal loans	7,506	5,582	1,924	34.5%
- other loans	(66)	(46)	(20)	43.5%

(Amounts in € thousand)

Interest income on loans and receivables with banks amounted to €95.9 million, down 3.4% on the same period of the previous year. The decrease was attributable to lower interest on time deposits of €1.6 million, mainly due to a fall in volumes and the trend in market interest rates, and lower interest on debt securities of €2 million, due to the trend in market interest rates.

Interest income on loans and receivables with customers amounted to €17.9 million, up 29% on the same period of the previous year, thanks to the increase in the lending interest on mortgages, personal loans, current account credit facility uses and "Multiday leverage" transactions.

The following table provides a breakdown of interest expense related to banks and customers:

Breakdown of interest expense	*1st Half 2017*	*2016*	*Changes Amount*	*%*
Interest expense on deposits from banks	**1,524**	**1,368**	**156**	**11.4%**
- current accounts	(259)	(24)	(235)	979.2%
- demand and collateral deposits	5	32	(27)	-84.4%
- other loans	(10)	(11)	1	-9.1%
- reverse repos	1,788	1,371	417	30.4%
Interest expense on deposits from customers	**(4,991)**	**(4,202)**	**(789)**	**18.8%**
- current accounts	(4,909)	(2,775)	(2,134)	76.9%
- collateral deposits	-	(5)	5	-100.0%
- time deposits	(106)	(1,243)	1,137	-91.5%
- reverse repos	24	(179)	203	n.c.

(Amounts in € thousand)

Interest expense on deposits from banks was positive at €1.5 million and did not show any significant changes compared to the same period of the previous year.

Interest expense on deposits from customers came to €5 million, up €0.8 million on the first half 2016, as a result of the growth in direct deposits.

Income from brokerage and other income

	1st Half 2017	*2016*	*Changes Amount*	*%*
Net interest	**127,188**	**123,449**	**3,739**	**3.0%**
Dividends and other income from equity investments	12	-	12	-
Net fee and commission income	129,707	117,821	11,886	10.1%
Net trading, hedging and fair value income	25,992	46,926	(20,934)	-44.6%
Net other expenses/income	(233)	758	(991)	-130.7%
Operating income	**282,666**	**288,954**	**(6,288)**	**-2.2%**

(Amounts in € thousand)

Net fee and commission income

Management reclassification	*1st Half 2017*	*2016*	*Changes Amount*	*%*
Management, brokerage and advisory services:				
1. securities trading and order collection	39,853	40,914	(1,061)	-2.6%
2. currency trading	-	-	-	n.c.
3. custody and administration of securities	(1,820)	(1,748)	(72)	4.1%
4. placement and management of managed asset products	75,940	69,025	6,915	10.0%
5. investment advisory services	22,685	16,072	6,613	41.1%
6. distribution of other products	(143)	(83)	(60)	72.3%
Collection and payment services	2,134	420	1,714	408.1%
Holding and management of current/deposit accounts	(349)	(395)	46	-11.6%
Other fee expense personal financial advisors	(13,272)	(9,846)	(3,426)	34.8%
Securities lending	1,955	677	1,278	188.8%
Other services	2,724	2,785	(61)	-2.2%
Total net fee and commission income	**129,707**	**117,821**	**11,886**	**10.1%**

(Amounts in € thousand)

Net fee and commission income amounted to €129.7 million, up 10.1% on the same period of the previous year mainly due to:

- higher investment advisory fees (+41.1%), thanks to the continued growth in guided product & services, and the increase in commissions for the placement and management of managed asset products (+10%), mainly thanks to the growth in assets under management, partially offset by higher fees and commissions to personal financial advisors (+34.8%);
- higher commissions for collection and payment services, mainly related to transactions with credit and debit cards.

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 and CFDs, financial instruments used for the operational hedging of CFDs, the exchange differences on assets and liabilities denominated in currency. If we consider the non-recurring items represented by the profit recorded in the first half 2016 from the sale of government securities recorded in the "Available-for-sale financial assets" portfolio, totalling €5 million, and the sale of the stake in Visa Europe Limited, for €15.3 million, the *Net trading, hedging and fair value income* would not have shown any significant changes compared to the same period of the previous year.

Net other expenses/income showed expenses of €0.2 million, with a decrease of €1 million compared to the same period of the previous year, due to higher costs for settlement agreements recorded in the first half 2017.

Operating costs

	1st Half		*Changes*	
Breakdown of operating costs	*2017*	*2016*	*Amount*	*%*
Staff expenses	(38,924)	(37,716)	(1,208)	3.2%
Other administrative expenses	(123,893)	(117,724)	(6,169)	5.2%
Recovery of expenses	46,492	42,337	4,155	9.8%
Impairment/write-backs on intangible and tangible assets	(4,833)	(4,609)	(224)	4.9%
Total operating costs	**(121,158)**	**(117,712)**	**(3,446)**	**2.9%**

(Amounts in € thousand)

Staff expenses amounted to €38.9 million, up 3.2% on the first half 2016 mainly due to the increase in the number of staff from 1,071 as at June 30, 2016 to 1,114 as at June 30, 2017.

Staff expenses	*1st Half 2017*	*1st Half 2016*	*Changes Amount*	*Changes %*
1) Employees	**(38,275)**	**(37,267)**	**(1,008)**	**2.7%**
- wages and salaries	(25,575)	(24,920)	(655)	2.6%
- social security contributions	(6,907)	(6,657)	(250)	3.8%
- provision for employee severance pay	(411)	(437)	26	-5.9%
- allocation to employee severance pay provision	(55)	(53)	(2)	3.8%
- payment to supplementary external pension funds:				
a) defined contribution	(1,573)	(1,441)	(132)	9.2%
- costs related to share-based payments*	(1,323)	(1,790)	467	-26.1%
- other employee benefits	(2,431)	(1,969)	(462)	23.5%
2) Other staff	-	(79)	**79**	**-100.0%**
3) Directors and statutory auditors	(611)	(491)	**(120)**	**24.4%**
4) Early retirement costs	-	-	**-**	**n.c.**
5) Recovery of expenses for employees seconded to other companies	120	186	**(66)**	**-35.5%**
6) Recovery of expenses for employees seconded to the company	(158)	(65)	**(93)**	**143.1%**
Total staff expenses	**(38,924)**	**(37,716)**	**(1,208)**	**3.2%**

(Amounts in € thousand)

* 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..

Other administrative expenses and recovery of expenses	1st Half 2017	1st Half 2016	Changes Amount	Changes %
1) INDIRECT TAXES AND DUTIES	**(49,278)**	**(44,898)**	**(4,380)**	**9.8%**
2) MISCELLANEOUS COSTS AND EXPENSES				
A) Advertising expenses - Marketing and communication	**(10,899)**	**(12,101)**	**1,202**	**-9.9%**
Mass media communications	(8,705)	(8,635)	(70)	0.8%
Marketing and promotions	(2,134)	(3,305)	1,171	-35.4%
Sponsorships	(29)	(137)	108	-78.8%
Conventions and internal communications	(31)	(24)	(7)	29.2%
B) Expenses related to credit risk	**(939)**	**(741)**	**(198)**	**26.7%**
Credit recovery expenses	(279)	(348)	69	-19.8%
Commercial information and company searches	(660)	(393)	(267)	67.9%
C) Expenses related to personnel	**(13,636)**	**(13,756)**	**120**	**-0.9%**
Personnel training	(277)	(136)	(141)	103.7%
Car rental and other personnel expenses	(29)	(22)	(7)	31.8%
Personal financial advisor expenses	(13,016)	(13,249)	233	-1.8%
Travel expenses	(279)	(312)	33	-10.6%
Premises rentals for personnel	(35)	(37)	2	-5.4%
D) ICT expenses	**(15,363)**	**(14,742)**	**(621)**	**4.2%**
Lease of ICT equipment and software	(1,263)	(1,347)	84	-6.2%
Software expenses - lease and maintenance	(3,700)	(3,360)	(340)	10.1%
ICT communication systems	(2,584)	(2,047)	(537)	26.2%
ICT services: external personnel	(3,054)	(3,371)	317	-9.4%
Financial information providers	(4,762)	(4,617)	(145)	3.1%
E) Consultancies and professional services	**(2,233)**	**(1,628)**	**(605)**	**37.2%**
Consultancy for ordinary activities	(1,337)	(696)	(641)	92.1%
Consultancy for strategy, business development and organisational optimisation	(168)	(51)	(117)	229.4%
Legal disputes	(728)	(881)	153	-17.4%
F) Real estate expenses	**(10,086)**	**(9,661)**	**(425)**	**4.4%**
Real estate services	(360)	(400)	40	-10.0%
Repair and maintenance of furniture, machinery, and equipment	(187)	(118)	(69)	58.5%
Maintenance of premises	(896)	(795)	(101)	12.7%
Premises rentals	(7,047)	(7,008)	(39)	0.6%
Cleaning of premises	(285)	(253)	(32)	12.6%
Utilities	(1,311)	(1,087)	(224)	20.6%
G) Other functioning costs	**(19,706)**	**(18,435)**	**(1,271)**	**6.9%**
Security and surveillance services	(207)	(204)	(3)	1.5%
Postage and transport of documents	(1,636)	(1,750)	114	-6.5%
Administrative and logistic services	(9,322)	(7,941)	(1,381)	17.4%
Insurance	(1,876)	(1,790)	(86)	4.8%
Printing and stationery	(262)	(267)	5	-1.9%
Association dues and fees	(6,204)	(5,784)	(420)	7.3%
Other administrative expenses	(199)	(699)	500	-71.5%
H) Adjustments of leasehold improvements	**(1,753)**	**(1,762)**	**9**	**-0.5%**
I) Recovery of costs	**46,492**	**42,337**	**4,155**	**9.8%**
Recovery of ancillary expenses	163	229	(66)	-28.8%
Recovery of taxes	46,329	42,108	4,221	10.0%
Total other administrative expenses and recovery of expenses	**(77,401)**	**(75,387)**	**(2,014)**	**2.7%**

(Amounts in € thousand)

Total other administrative expenses net of recovery of expenses came to €77.4 million, up €2 million on the same period of the previous year, mainly driven by higher “ICT expenses”, “Consultancies and professional services” and “Other functioning costs”, and “Administrative and logistic services” in particular, due to the Bank's continued growth and the development of new products and services offered to customers, including mortgage loans.

Advertising expenses – Marketing and communication also fell due to lower marketing and promotional costs.

Impairment/write-backs on intangible and tangible assets increased by €0.2 million, mainly due to the depreciation charged on electronic equipment as a result of higher capital expenditure.

Profit (loss) before tax from continuing operations

	1st Half		Changes	
	2017	2016	Amount	%
Operating profit (loss)	**161,508**	**171,242**	**(9,734)**	**-5.7%**
Net write-downs of loans and provisions for guarantees and commitments	(1,541)	(2,801)	1,260	-45.0%
Net operating profit (loss)	**159,967**	**168,441**	**(8,474)**	**-5.0%**
Net provisions for risks and charges	(3,150)	(2,553)	(597)	23.4%
Integration costs	(13)	(7)	(6)	85.7%
Net income from investments	(353)	-	(353)	n.c.
Profit before tax from continuing operations	**156,451**	**165,881**	**(9,430)**	**-5.7%**

(Amounts in € thousand)

Net write-downs of loans and provisions for guarantees and commitments totalled €1.5 million, down €1.3 million on the same period of the previous year.

Net provisions for risks and charges amounted to €3.2 million, up 23.4% on €2.6 million recorded as at June 30, 2016. The net provisions for risks and charges at June 30, 2016 also included a write-back of €0.7 million due to the reduction in the remaining commitment to the Interbank Deposit Guarantee Fund (IDGF) for the measure in favour of Banca Tercas.

Integration costs consisted of interest from present value discounting for the costs estimated for the Bank for the Business Plan of the UniCredit Group.

Net income from investments mainly related to the losses realised within the plan for the technological renewal of the technological infrastructure of FinecoBank's legacy systems, which involved the replacement and sale of some of the storage acquired in previous years and not fully amortised.

Profit (loss) before tax from continuing operations amounted to €156.5 million, down 5.7% compared to the first half of the previous year, but up 3.9% if the Net profit (loss) before tax from continuing operations as at June 30, 2016 is considered net of non-recurring items consisting of the gains realised on the sale of the stake in Visa Europe Limited, totalling €15.3 million. This result was achieved thanks to the rise in Net interest (+3%) and Net fee and commission income (+10.1%), partially offset by higher Operating costs (+2.9%).

Income tax for the period

Breakdown of tax for the year	1st Half 2017	1st Half 2016	Changes Amount	Changes %
Current IRES income tax charges	(39,032)	(42,148)	3,116	-7.4%
Current IRAP corporate tax charges	(9,096)	(9,739)	643	-6.6%
Adjustment to current tax of prior years	-	6,518	(6,518)	-100.0%
Total current tax	**(48,128)**	**(45,369)**	**(2,759)**	**6.1%**
Changes in deferred tax assets	(3,608)	(2,291)	(1,317)	57.5%
Changes in deferred tax liabilities	(225)	(216)	(9)	4.2%
Total deferred tax liabilities	**(3,833)**	**(2,507)**	**(1,326)**	**52.9%**
Gain from substitute tax exemption	(223)	(223)	-	-
Income tax for the period	**(52,184)**	**(48,099)**	**(4,085)**	**8.5%**

(Amounts in € thousand)

Current income taxes were calculated according to the legal provisions introduced by Legislative Decree no. 38 of February 28, 2005, issued following the incorporation of IAS/IFRS into Italian legislation and of Decree no. 48 of April 1, 2009, which established provisions for the implementation and coordination of tax requirements for IAS Adopters.

Current taxes were calculated using an IRES income tax rate of 27.5% (24% ordinary rate and 3.5% additional rate for credit and financial institutions) and an IRAP corporate tax rate of 5.57%.

Law no. 2/2009 introduced the option, through the payment of a substitute tax, to recalculate the tax deductible amounts of goodwill. On the instructions of the Parent Company, 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 amortization, corresponding to €4 million, was recognized in the accounts. A tenth of this amount will be recognized through profit or loss for each year of the tax deduction of tax-related amortization of goodwill.

As stated in the Financial Statements for the year ended December 31, 2016, you are reminded that following the accelerated bookbuilding carried out by UniCredit on October 13, 2016 for the sale to institutional investors of around 121.4 ordinary shares held in FinecoBank, corresponding to 20% of the Bank's outstanding share capital, UniCredit S.p.A.'s equity interest in FinecoBank S.p.A. fell below the threshold set by the combined provisions of Articles 117 and 120 of the Consolidated Income Tax Act for participation in the national consolidated tax mechanism.

As a result, in accordance with Article 124 of the Consolidated Income Tax Act, UniCredit S.p.A. stopped the Group taxation for Fineco – with effect from January 1, 2016 - by sending the relevant electronic notification to the Italian Revenue Agency.

Net profit (loss) for the period

Net profit (loss) for the period amounted to €104.3 million, down 11.5% on the same period in the previous year. If the Net profit (loss) for the period as at June 30, 2016 is considered net of the non-recurring items, resulting from the sale of the stake in Visa Europe Limited and the tax release following the positive settlement of several tax disputes, totalling €16.8 million, the Net profit (loss) for the period as at June 30, 2017 would have increased by 3.2%.

RELATED-PARTY TRANSACTIONS

In order to ensure continued compliance with the applicable legal and regulatory provisions on corporate disclosure on transactions with related parties, during the Board of Directors' Meeting of June 6, 2017 and with the prior positive opinion of the Risk and Related Parties Committee and the Board of Statutory Auditors, the Bank approved the current "*Procedures for the management of transactions with persons in conflict of interest*".

The above-mentioned procedures include the provisions to be complied with when managing:

- Related-Party transactions pursuant to the Consob Regulation adopted by resolution 17221 of March 12, 2010 as amended by resolution 17389 of June 23, 2010;
- 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 263/2006, 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 of September 1, 1993, "*Consolidated Law on Banking*".

Given that the Bank belongs to the UniCredit Group, the aforementioned Procedures are also based on the "*UniCredit Global Policy for the management of transactions with persons in conflict of interest*" and the relevant "*Global Process Regulation*" issued by UniCredit to subsidiaries as part of its management and co-ordination.
Considering the above, the following transactions were approved in the first half 2017:

1. on February 7, 2017 the Board of Directors, upon recommendation by the Audit and Related Parties Committee (now the Risk and Related Parties Committee), approved the renewal of the "*Framework Resolution related to the entering into hedging derivative contracts with the Parent Company or companies in the UniCredit Group*", an ordinary Significant Transaction at market conditions, valid up to February 7, 2018, 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 for a maximum amount of €1,000 million with the Parent Company and €1,300 million with UniCredit Bank AG;

2. on May 9, 2017, the Board of Directors, upon recommendation of the Risk and Related Parties Committee, approved the renewal of the "*Framework Agreement - Repurchase Agreements and Term Deposits with the Parent Company*", an ordinary significant related-party transaction at market conditions effective until May 9, 2018, concerning *(i)* Repos and Reverse Repos with the Parent Company for a maximum amount of €6.2 billion, calculated as the sum of the amounts of the individual transactions (both repos or reverse repos) and *(ii)* Term deposits with the Parent Company for a maximum amount of €8.5 billion, calculated as the sum of the amounts of the individual transactions.

3. On June 6, 2017, the Board of Directors, upon recommendation of the Risk and Related Parties Committee, approved the early renewal of the "*Framework Agreement for transactions on current accounts held with UniCredit*", an ordinary significant related-party transaction at market conditions effective up to June 6, 2018, which enables the Bank to manage its liquidity in euro and in foreign currencies through specific current accounts already held with UniCredit S.p.A. for a maximum amount of €1,000 million considered as a single transaction (single payment and single withdrawal).

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 17221/2010.

In the first half ended June 30, 2017, no other transactions were undertaken with related parties that could significantly affect the Bank's financial position and earnings, or atypical and/or unusual transactions, including intercompany and related-party transactions.

Minor transactions were carried out with the Parent Company, other Group Companies and/or with related parties in general, 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, with indefinite duration (specifically, valid until the Italian Revenue Agency issues a declaration of receipt of the payment by UniCredit at the end of the collection process, in the event of an unfavourable outcome for UniCredit, 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 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, which remain unchanged.

Transactions with Group companies

The Bank is subject to the direction and coordination of UniCredit S.p.A. and, consequently, pursuant to Article 2497 bis paragraph 4 of the Italian Civil Code, the key figures from the last approved financial statements of UniCredit S.p.A. are provided in Part C – Section 20 of the Notes to the Accounts.

The table below provides a summary of assets, liabilities, guarantees and commitments outstanding with Group companies as at June 30, 2017.

	Assets	*Liabilities*	*Guarantees and commitments*
Transactions with Parent Company UniCredit S.p.A.	14,778,947	832,293	1,823,080
Transactions with companies controlled by UniCredit S.p.A.	22,858	65,950	-

(Amounts in € thousand)

For details of the transactions with Group companies and other related parties see the comments in this regard in Part H of the Notes to the Accounts.

Number of treasury shares or shares of the parent company

As at June 30, 2017, the Bank held 745,844 treasury shares, corresponding to 0.12% of the share capital, for an amount of €4.5 million. You are reminded that a total of 1,408,834 shares were purchased in 2015, under the stock granting "2014 PFA Plan" for Personal Financial Advisors and the Network Managers of the Bank, and in the first quarter 2017 a total of 31,519 shares were purchased, under the "2016 Plan PFA" incentive system for Personal Financial Advisors identified as “Key Personnel”, in accordance with the authorisation of the Ordinary Shareholders' Meeting of the Bank of 12 April 2016. In 2016, 694,509 shares were assigned to the Personal Financial Advisors and the Network Managers of the Bank, in execution of the stock granting "2014 PFA Plan". The Bank does not hold shares of its Parent Company, even through other companies or third parties.

SUBSEQUENT EVENTS AND OUTLOOK

SUBSEQUENT EVENTS

The Board of Directors of Fineco, in the meeting held on July 4, 2017, approved the start of the project for the constitution of an Irish Asset Management Company, fully-owned by the Bank. The aim of the project is to further increase the Bank's competitiveness through a vertically integrated business model and by diversifying and improving the offering. The offer will be composed of UCITS, with a strategy focused on strategic asset allocation and on the selection of the best international players. The constitution of the company is subject to receipt of all the approvals and authorisations required by the applicable regulations, including those within its banking group.

OUTLOOK

In response to the main trends that are reshaping models of customer behaviour, the Bank is continuing its focus on providing advanced financial advisory services and digitising its offering. This includes the cyborg advisory model, aimed at improving the productivity of the Network, while also increasing the quality of the service provided to customers.

The development of the Credit area also continued, with an increasing focus on personal loans, first and second home mortgages, and the offering of Lombard Credit.

The Bank will continue to pursue its strategy of further strengthening its competitive positioning in the integrated banking, brokerage and investing services sector through the high quality and comprehensiveness of its financial services, reflected in the one-stop solution.

Lastly, as already stated further above, the Bank is working on the project for the constitution of a new fully owned Irish Asset Management Company.

The aim is to offer its customers a range of UCITS products, with a strategy focused on strategic asset allocation and on the selection of the best international players, thereby diversifying and improving the offer of asset management products and further increasing the Bank's competitiveness through a vertically integrated business model. The constitution of the company is subject to receipt of all the approvals and authorisations required by the applicable regulations, including the internal regulations of its banking group.

Bank

Financial Statements

BALANCE SHEET

BALANCE SHEET - ASSETS		*06.30.2017*	*12.31.2016*
10.	Cash and cash balances	2,902,336	5,077
20.	Financial assets held for trading	9,791,279	6,044,381
40.	Available-for-sale financial assets	1,508,260,033	1,319,752,248
50.	Held-to-maturity investments	3,252,009,465	2,437,777,200
60.	Loans and receivables with banks	14,827,088,539	15,735,539,575
70.	Loans and receivables with customers	1,503,866,941	1,016,798,235
80.	Hedging derivatives	-	552,163
90.	Changes in fair value of		
	portfolio hedged financial assets (+/-)	15,417,346	8,658,970
110.	Property, plant and equipment	15,396,173	14,450,553
120.	Intangible assets	97,627,407	97,333,284
	of which		
	- *goodwill*	*89,601,768*	*89,601,768*
130.	Tax assets	9,276,204	13,165,245
	a) current tax assets	*1,064,517*	*1,570,652*
	b) deferred tax assets	*8,211,687*	*11,594,593*
	pursuant to Law 214/2011	*3,827,709*	*4,179,683*
150.	Other assets	271,610,942	336,298,929
Total assets		**21,513,246,665**	**20,986,375,860**

LIABILITIES AND SHAREHOLDERS' EQUITY ITEMS		*06.30.2017*	*12.31.2016*
10.	Deposits from banks	929,859,286	1,111,106,252
20.	Deposits from customers	19,440,617,472	18,801,073,396
40.	Financial liabilities held for trading	4,112,515	2,625,818
60.	Hedging derivatives	20,286,717	10,913,534
70.	Changes in fair value of		
	portfolio hedged financial liabilities (+/-)	(4,203,117)	457,488
80.	Tax liabilities	19,525,347	10,048,263
	a) current tax liabilities	*19,525,347*	*10,048,263*
100.	Other liabilities	374,937,299	251,843,036
110.	Provisions for employee severance pay	5,121,095	5,253,109
120.	Provisions for risks and charges:	102,123,293	111,755,540
	b) other provisions	*102,123,293*	*111,755,540*
130.	Revaluation reserves	(5,874,614)	(6,794,389)
160.	Reserves	324,504,608	278,407,921
170.	Share premium reserve	1,934,113	1,934,113
180.	Share capital	200,545,404	200,245,794
190.	Treasury Shares (-)	(4,509,588)	(4,337,809)
200.	Net Profit (Loss) for the period	104,266,835	211,843,794
Total liabilities and shareholders' equity		**21,513,246,665**	**20,986,375,860**

INCOME STATEMENT

INCOME STATEMENT ***INCOME STATEMENT***		*01.01.2017 / 06.30.2017*	*01.01.2016 / 06.30.2016*
10.	Interest income and similar revenues	130,655,027	126,283,178
20.	Interest expenses and similar charges	(3,466,969)	(2,833,766)
30.	**Net interest margin**	**127,188,058**	**123,449,412**
40.	Fee and commission income	259,180,777	230,225,974
50.	Fee and commission expense	(129,473,799)	(112,404,927)
60.	**Net fee and commission income**	**129,706,978**	**117,821,047**
70.	Dividend income and similar revenue	20,623	9,154
80.	Gains (losses) on financial assets and liabilities held for trading	25,998,048	26,468,860
90.	Fair value adjustments in hedge accounting	(14,301)	66,202
100.	Gains (losses) on disposal or repurchase of:	115	20,381,987
	a) loans and receivables	*115*	-
	b) available-for-sale financial assets	-	*20,381,987*
120.	**Operating income**	**282,899,521**	**288,196,662**
130.	Impairment losses/write-backs on:	(1,540,960)	(2,104,841)
	a) loans and receivables	*(1,541,605)*	*(2,806,938)*
	d) other financial assets	*645*	*702,097*
140.	**Net profit from financial activities**	**281,358,561**	**286,091,821**
150.	Administrative costs	(161,077,349)	(153,685,119)
	a) staff expenses	*(38,937,018)*	*(37,723,226)*
	b) other administrative expenses	*(122,140,331)*	*(115,961,893)*
160.	Net provisions for risks and charges	(3,149,781)	(3,249,517)
170.	Net impairment/write-backs on property, plant and equipment	(2,417,628)	(2,090,237)
180.	Net impairment/write-backs on intangible assets	(2,415,039)	(2,518,936)
190.	Other net operating income	44,504,796	41,332,762
200.	**Operating costs**	**(124,555,001)**	**(120,211,047)**
240.	Gains (losses) on disposal of investments	(353,082)	15
250.	**Net profit (loss) after tax from continuing operations**	**156,450,478**	**165,880,789**
260.	Tax expense (income) related to profit or loss from continuing operations	(52,183,643)	(48,098,683)
270.	**Net profit (loss) after tax from continuous operations**	**104,266,835**	**117,782,106**
290.	**Net Profit (Loss) for the period**	**104,266,835**	**117,782,106**

	01.01.2017 / 06.30.2017	*01.01.2016 / 06.30.2016*
Earnings per share (€)	0.17	0.19
Diluted earnings per share (€)	0.17	0.19

Note:

For further information on "Earnings per share" and "Diluted earnings per share" please see Notes to the Accounts, Part C - Information on the Income Statement, Section 21.

STATEMENT OF COMPREHENSIVE INCOME

	01.01.2017 / 06.30.2017	*01.01.2016 / 06.30.2016*
10. Net Profit (Loss) for the period	**104,266,835**	**117,782,106**
Other comprehensive income after tax without reclassification through profit or loss		
40. Defined benefit plans	982,396	(2,800,740)
Other comprehensive income after tax with reclassification through profit or loss		
100. Available-for-sale financial assets	(62,621)	4,557,826
130. Total of other comprehensive income after tax	**919,775**	**1,757,086**
140. Comprehensive income (item 10+130)	**105,186,610**	**119,539,192**

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Statement of Changes in Shareholders' Equity 06.30.2017

	Balance as at 12.31.2016	Change in opening balance	Balance as at 01.01.2017	Allocation of prior period profit/(loss)		Change during the year								Shareholders' equity as at 06.30.17
				Reserves	Dividends and other distributions	Changes in reserves	Shareholders' equity transactions						Comprehensive income as at 06.30.17	
							Issues of new shares	Purchase of own shares	ution of extraordinary dividends	Changes in equity instruments	Own share derivatives	Stock options		
Share capital:														
a) ordinary shares	200,245,794		200,245,794				299,610							200,545,404
b) other shares														
Share premium reserve	1,934,113		1,934,113											1,934,113
Reserves:														
a) from profits	250,247,571		250,247,571	41,684,057		208,837						(299,610)		291,840,855
b) other	28,160,350		28,160,350									4,503,403		32,663,753
Revaluation reserves	(6,794,389)		(6,794,389)										919,775	(5,874,614)
Equity instruments														
Treasury Shares	(4,337,809)		(4,337,809)					(171,779)						(4,509,588)
Net Profit (Loss) for the peri	211,843,794		211,843,794	(41,684,057)	(170,159,737)								104,266,835	104,266,835
Shareholders' equity	681,299,424	-	681,299,424	-	(170,159,737)	208,837	299,610	(171,779)	-	-	-	4,203,793	105,186,610	620,866,758

The amount of the dividend paid to shareholders in 2017, totalling €170,159,736.60, corresponds to €0.28 per share.

The column “Stock options” includes the incentives plans serviced by FinecoBank shares.

The column “Changes in reserves” includes 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

Statement of Changes in Shareholders' Equity as at 06.30.2016

	Balance as at 31.12.2015	Change in opening balance	Balance as at 01.01.2016	Allocation of prior period profit/(loss)		Change during the year								Shareholders' equity as at 06.30.16
							Shareholders' equity transactions							
				Reserves	Dividends and other distributions	Changes in reserves	Issues of new shares	Purchase of own shares	ution of extraordinary dividends	Changes in equity instruments	Own share derivatives	Stock options	Comprehensive income as at 06.30.16	
Share capital:														
a) ordinary shares	200,150,192		200,150,192				95,602							200,245,794
b) other shares														
Share premium reserve	1,934,113		1,934,113											1,934,113
Reserves:														
a) from profits	214,666,022		214,666,022	35,676,658								(95,602)		250,247,078
b) other	21,923,555		21,923,555									5,993,763		27,917,318
Revaluation reserves	11,626,244		11,626,244										1,757,086	13,383,330
Equity instruments														
Treasury Shares	(8,555,284)		(8,555,284)											(8,555,284)
Net Profit (Loss) for the peri	191,052,791		191,052,791	(35,676,658)	(155,376,133)								117,782,106	117,782,106
Shareholders' equity	632,797,633	-	632,797,633	-	(155,376,133)	-	95,602	-	-	-	-	5,898,161	119,539,192	602,954,455

The amount of the dividend paid to shareholders in 2016, totalling €154,376,133.61, corresponds to €0.255 per share.

The column “Stock options” includes the incentives plans serviced by FinecoBank shares.

CASH FLOW STATEMENT

Indirect method

1. Operations	**188,765,693**	**183,498,265**
- profit (loss) for the period (+/-)	104,266,835	117,782,106
- unrealised gains/losses on financial assets/liabilities held for trading and on assets/liabilities at fair value through profit or loss (-/+)	(545,506)	(1,064,394)
- unrealised gains/losses on hedging transactions (-/+)	14,301	(66,202)
- impairment losses/write-backs (+/-)	1,904,648	2,406,932
- impairment losses/write-backs on tangible and intangible assets (+/-)	4,832,667	4,609,173
- provisions for risks and charges and other income/expenses (+/-)	11,870,771	12,309,109
- duties, taxes and tax credits not paid (+/-)	9,341,989	7,841,971
- net impairment losses/write-backs on disposal groups classified as held for sale after tax (+/-)	-	-
- other adjustments (+/-)	57,079,988	39,679,570
2. Cash flows from/used by financial assets	**(88,480,333)**	**(977,029,496)**
- financial assets held for trading	(2,267,764)	295,807
- financial assets designated at fair value through profit or loss	-	-
- available-for-sale financial assets	(199,548,863)	(709,980,286)
- loans and receivables with banks: on-demand	-	-
- loans and receivables with banks: other loans and receivables	528,750,142	(355,218,741)
- loans and receivables with customers	(480,738,209)	40,067,929
- other assets	65,324,361	47,805,795
3. Cash flows from/used by financial liabilities	**607,823,256**	**1,291,885,956**
- deposits from banks: on-demand	-	-
- deposits from banks: other liabilities	(138,755,621)	(28,986,858)
- deposits from customers	638,993,122	1,310,990,158
- debt securities in issue	-	-
- financial assets held for trading	553,592	72,799
- financial liabilities designated at fair value through profit and loss	-	-
- other liabilities	107,032,163	9,809,857
Net cash flows from/used in operating activities	**708,108,616**	**498,354,725**
B. INVESTMENT ACTIVITIES		
1. Cash flows from		
- sales of equity investments	-	-
- collected dividends on equity investments	-	-
- sales of financial assets held to maturity	-	-
- sales of tangible assets	228,005	-
- sales of intangible assets	-	-
- disposals of businesses	-	-
2. Cash flows used in		
- purchases of equity investments	-	-
- purchases of financial assets held to maturity	(843,376,650)	-
- purchases of tangible assets	(3,944,298)	(3,567,003)
- purchases of intangible assets	(2,709,161)	(1,914,924)
- purchases of businesses		
Net cash flows from/used in investing activities	**(849,802,104)**	**(5,481,927)**
C. FINANCING ACTIVITIES		
- issue/purchase of treasury shares	(171,779)	-
- issue/purchase of equity instruments	299,610	95,602
- dividends and other distributions	(170,250,510)	(155,471,736)
Net cash flows from/used in financing activities	**(170,122,679)**	**(155,376,134)**
NET CASH FLOWS GENERATED/USED DURING THE PERIOD	**(311,816,167)**	**337,496,664**
RECONCILIATION		
Balance Sheet Items		
Cash and cash balances at the beginning of the year	2,284,274,859	1,182,228,221
Net cash flows generated/used during the period	(311,816,167)	337,496,664
Cash and cash balances: effect of changes in exchange rates	(22,981,160)	(9,063,552)
Cash and cash balances at the end of the period	1,949,477,532	1,510,661,333

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 60 of assets "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 "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 2017 consisted of:

- Cash recognised under asset item 10 "Cash and cash balances" in the amount of €2,902 thousand;
- Current accounts and demand deposits recognised under asset item 60 "Loans and receivables with banks" in the amount of €1,956,267 thousand;
- net of the Current accounts and demand deposits recognised under liability item 10 "Deposits from banks" in the amount of €9,691 thousand.

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

- Cash recognised under asset item 10 "Cash and cash balances" in the amount of €11 thousand;
- Current accounts and demand deposits recognised under asset item 60 "Loans and receivables with banks" in the amount of €1,547,309 thousand;
- net of the Current accounts and demand deposits recognised under liability item 10 "Deposits from banks" in the amount of €36,659 thousand.

Notes to the Accounts

Part A - Accounting Policies

Part B - Balance Sheet

Part C - Income Statement

Part D - Comprehensive Income

Part E - Information on Risks and Hedging Policies

Part F - Shareholders’ Equity

Part G - Business Combinations

Part H - Related-Party Transactions

Part I - Share-Based Payments

Part L - Segment reporting

PART A – ACCOUNTING POLICIES

A.1 GENERAL

Section 1 - Statement of compliance with IFRS

These condensed half-year financial statements as at June 30, 2017 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, 2017, 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).

They are an integral part of the 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 24/2/1998).

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

Specifically, the condensed half-year financial statements as at June 30, 2017 comply with the international accounting standard applicable to interim financial reporting (IAS 34). Based on paragraph 10 of this standard, the half-year financial statements have been prepared in a condensed form.

Section 2 - Preparation criteria

As mentioned above, these condensed half-year financial statements have been prepared in accordance with the IFRS endorsed by the European Commission. 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 Interpretations Committee (IFRIC) 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 half-year financial statements comprise the Balance Sheet, the Income Statement, the Statement of Comprehensive Income, the Statement of Changes in Shareholders' Equity, the Cash Flow Statement (prepared using the "indirect" method), and these Notes to the Accounts, together with the Directors' Report on Operations and the Annexes.

The condensed half-year financial statements as at June 30, 2017 have been prepared taking into account the instructions on bank financial reports contained in the Bank of Italy Circular 262 of December 22, 2005. The balance sheet figures have been compared with those as at December 31, 2016, 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.

The figures in the financial statements are provided in euros, and in thousands of euros in the Notes to the Accounts, unless otherwise indicated. In accordance with the Bank of Italy Circular 262/2005, items in the Balance Sheet, Income Statement and Statement of Comprehensive Income for which there is no amount to be presented either for the half year reported in the condensed half-year financial statements or for the previous year and half year, are not provided.

Any discrepancies between the figures shown in the tables of the notes to the accounts and the figures in the financial statements are solely due to roundings.

With reference to IAS 1, these condensed half-year financial statements have been prepared on a going concern basis, as there are no doubts or uncertainties as to the Bank's ability 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 not changed compared to the previous year. The condensed half-year financial statements have therefore been prepared using the same accounting standards as those used for the preparation of the annual financial statements as at December 31, 2016. In any event, details of the issuance and entry into force of new standards and interpretations are provided in Section A.2 "The main items of the Accounts" and Section 4- "Other matters" below.
The activity of the Bank is not affected by any significant seasonal and/or cyclical factor.

Section 3 - Subsequent events

No significant events occurred after June 30, 2017 that would make it necessary to change any of the information given in the condensed half-year financial statements.

The condensed half-year financial statements were approved by the Board of Directors on July 31, 2017, which authorised their publication pursuant to IAS 10.

Section 4 - Other matters

In the first half 2017, no new standards, amendments and accounting interpretations entered into force that were applicable to financial statements for periods starting from January 1, 2017, nor were any endorsed by the European Commission.

With regard to the accounting standards:

- IFRS 15 - Revenue from contracts with customers (EU Reg. 2016/1905);
- IFRS 9 - Financial Instruments (EU Regulation 2016/2067).

endorsed by the European Commission in 2016, whose application is mandatory for financial statements for annual periods starting from January 1, 2018 and which have not been applied in advance by the Bank, details are provided below.

Finally, as at June 30, 2017, the IASB issued the following accounting standards and interpretations or revisions thereof, whose application is subject to completion of the approval process by the European Union, which is still ongoing:

- IFRS 14 - Rate-regulated activities (January 2014);
- IFRS 16 – Leasing (January 2016);
- IFRS 17 – Insurance contracts (May 2017);
- Amendments to IAS 10 and IAS 28: Sale or transfer of assets to a joint venture or associate (September 2014; application currently suspended by the IASB);
- Amendments to IAS 12: Recognition of deferred tax assets for unrealised losses (January 2016);
- Amendments to IAS 7: Disclosure Initiative (January 2016);
- Clarifications on IFRS 15: Revenue from contracts with customers (April 2016);
- Amendments to IFRS 2: Classification and measurement of share-based payments (June 2016);
- Amendments to IFRS 4: Application of IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (September 2016);
- Annual Improvements to International Financial Reporting Standards, 2014-2016 Cycle (December 2016);
- IFRIC 22 – Interpretation on foreign currency transactions and advance consideration (December 2016);
- Amendments to IAS 40: Transfers of investment property (December 2016);
- IFRIC 23 – Uncertainty over income tax treatments (June 2017).

IFRS 9 Financial Instruments

In July 2014, the IASB issued the new accounting standard IFRS 9 Financial Instruments, endorsed by the European Commission on November 22, 2016 through Regulation (EU) 2016/2067, which is mandatorily applicable for annual periods beginning on or after January 1, 2018, that will replace IAS 39 Financial Instruments: recognition and measurement.

The new standard provides for a revised model for classifying and measuring financial assets, an "expected loss" based impairment model and a reformed approach to hedge accounting.

The introduction of IFRS 9 will have impacts on the Bank's income statement and balance sheet and on aspects of its operations. Accordingly, we are currently conducting analysis, assessment and implementation activities to enable its correct application from January 1, 2018. Once that work is completed we will be able to provide a reasonable estimate of the effects on the amounts and disclosures in the Bank's financial reports.

Classification and measurement of financial assets

The new method of classification and measurement for financial assets established by IFRS 9 is based on the "business model" approach and the cash flow characteristics of the financial instrument (SPPI - Solely Payments of Principal and Interests) that may involve different methods of classification and measurement financial instruments than IAS39.

Based on the entity’s business model, the assets may be classified as:

1. "held to collect contractual cash flows" (HTC, measured at a amortised cost and subject to impairment based on expected losses);
2. "held to collect cash flows and for sale" (HTCS, at fair value through comprehensive income, revaluation reserves, and subject to impairment on the basis of expected losses) or held for trading (at fair value through profit or loss);
3. "held within other business models", for example held for trading (FVTPL, measured at fair value through profit or loss).

   It is also possible upon initial recognition to:

   - irrevocably designate a financial asset as measured at fair value through profit or loss if this eliminates or significantly reduces a mismatch ("accounting mismatch") that would otherwise arise from a different measurement of assets or liabilities or from the recognition of gains and losses on different bases;
   - irrevocably designate particular investments in equity instruments, that would otherwise be measured at fair value through profit or loss, as measured at fair value through other comprehensive income. Upon disposal, the fair value changes recognised in a specific shareholders' equity reserve are not transferred to profit or loss, but to another shareholders' equity reserve.

With regard to the classification and measurement, the Bank has completed the identification of the business model for its financial assets and the analysis of the portfolio of outstanding securities and loans in order to assess whether the contractual cash flow characteristics allow for measurement at amortised cost, where envisaged. The analysis was conducted both on contract by contract basis (securities portfolio) and by identifying specific clusters based on the characteristics of the transactions (loan portfolio).

Impairment

With regard to the credit impairment model based on the "expected loss" ("Expected Credit Loss" or "ECL"), the IASB developed this method in order to ensure early recognition of credit losses compared to IAS 39, which is based on actual evidence that an impairment has occurred, as required by the G20 as a result of the financial crisis.

With regard to impaired assets according to IAS 39, no significant impacts are envisaged for the Bank because there are no significant conceptual differences between the incurred losses method, according to IAS 39, and the ECL method, required by IFRS 9, as the same indicators for recognition of the loss and for classification as non-performing loans required by IAS 39 shall continue to apply.

On the other hand, there will be significant differences in the determination of the ECL for loans classified as Stage 2, for which there has been a significant increase in credit risk; however, given the amount of these exposures in the Bank's financial statements, no significant impacts are envisaged.

With regard to the impairment of financial assets, the Bank has finalised the methods for determining the write-downs according to the new expected loss model and procedures for identifying the significant increase in credit risk for the purposes of transferring the credit exposure from the Stage 1 to Stage 2 (the "transfer logic").

Hedge accounting

With regard to hedge accounting, the Bank has decided to exercise the option established in paragraph 6.1.3 of IFRS 9 and will therefore continue to apply IAS 39 for fair value hedges of interest rate risk on financial assets and liabilities.

No impacts are expected, because the Bank only has macro and micro fair value hedges for interest rate risk on financial assets and liabilities, for which IAS 39 will continue to apply.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 – Revenue from Contracts with Customers (below the “Standard”) was published by the IASB on May 28, 2014 and endorsed by the European Commission on September 22, 2016 through EU Regulation 2016/1905.

This standard replaces IAS 18 - Revenue and IAS 11 - Construction Contracts, and IFRIC 13 - Customer Loyalty Programmes, IFRIC 15 - Agreements for the Construction of Real Estate, IFRIC 18 - Transfers of Assets from Customers and SIC 31 - Revenues-Barter Transactions Involving Advertising Services, for the financial statements for annual periods starting on or after January 1, 2018 (early adoption admitted).

The standard provides for a new revenue recognition model to be applied to all contracts with customers except those that fall under the scope of application of other IAS/IFRS standards such as leases, insurance contracts and financial instruments. The recognition of revenue under the new model envisages the following main steps:

- identification of the contract in place with the customer;
- identification of performance obligations under the contract;
- determination of the price;
- allocation of price to the contract performance obligations;
- the revenue recognition criteria when the entity satisfies each performance obligation.

The standard applies from January 1, 2018, but early adoption is permitted.

In order to assess the impacts of the application of IFRS 15 on the Bank's financial position and performance, an analysis was conducted on the chart of accounts limited to the revenue items that come under the scope of the Standard, identified as Item 40. “Fee and commission income” and Item 190. “Other net operating income” (solely for Other operating income).

Up to now, the analysis has not identified any significant impacts. We will be able to provide a reasonable estimate only once we have completed a more detailed analysis of the contracts with customers.

IFRS 16 – Leasing

IFRS16, applicable from January 1, 2019, subject to completion of the approval process by the European Union, amends the current set of international accounting standards and interpretations on leases and, in particular, IAS 17.

IFRS 16 introduces a new definition for leases and a criterion based on right of use of an asset to distinguish lease agreements from service agreements and removes the current distinction between operating leases and finance leases. With reference to the accounting model to be applied by the lessee, the new standard establishes that an asset should be recognized, which represents the right of use of the leased asset, together with the financial liability related to the lease payments established in the lease agreement.

Upon initial recognition of the asset, the following elements are included in calculating the right of use: the initial amount of the liability provided for in the lease agreement, any lease instalments paid at or before the date on which the leased asset is made available, any direct costs incurred in connection with the lease and the estimated costs necessary to remove the leased asset or to reinstate it in its initial condition at the end and under the terms of the agreement.

The payable to be recorded as contra entry is recognized at the present value of the future lease payments.

Analysis and identification of the impacts and effects resulting from the first-time adoption of the standard by the Bank, which is scheduled for January 1, 2019, together with the activities for the implementation and adaptation of administration and accounting processes that may be required, will be completed in 2018.

These Condensed half-year financial statements have been reviewed by Deloitte & Touche S.p.A. in implementation of the Shareholders' Meeting resolution of April 16, 2013.

Risks and uncertainties related to the use of estimates

In the application of the accounting policies according to IFRS, 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.

Estimated figures have been used for the recognition of some of the largest value-based items in the condensed half-year financial statements as at June 30, 2017, as required by the accounting standards and the applicable regulations described above. These estimates are largely based on calculations of future recoverability of the values recognised in the accounts 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 accounts have been prepared, i.e. without contemplating the possibility of the forced sale of the estimated items.

The processes adopted support the carrying values at June 30, 2017. 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.

The parameters and information used to check the above-mentioned values are therefore significantly affected by such 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 accounts we believe that there are no uncertainties such as to give rise to significant adjustments to the carrying amounts within one year.

The estimates and underlying assumptions are reviewed on an ongoing basis. 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 in general, all other financial assets/liabilities;
- employee severance pay provision (Italy) and other employee and financial advisor benefits;
- provisions for risks and charges (in this regard, in particular for risks arising from legal disputes see Part E – Section 4);
- 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 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, as well as the evolution and developments in existing or potential disputes.

With specific reference to future cash flow projections used in the assessment of the recoverability of the amount recognised as goodwill, 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, see Part B - Balance Sheet - Section 12 - Intangible assets.

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

Interbank Deposit Guarantee Fund – Voluntary Scheme

On June 17, 2016, the General Meeting of the Interbank Deposit Protection Fund strengthened the financial resources of the Voluntary Scheme from €300 million to €700 million (with a commitment for FinecoBank of €16.8 million).

In September 2016, the Voluntary Scheme made a payment for the capital increase of Cassa di Risparmio di Cesena and at the same time debited the amount pertaining to the member. The contribution paid by the Bank to the Voluntary Scheme, amounting to €6.7 million, was recognised under the equity instruments classified in the “Available-for-sale financial assets” portfolio and was fully written down in the financial statements for the year ended December 31, 2016, details of which are provided in those financial statements. The update of the valuation of those instruments as at June 30, 2017 confirm the above-mentioned full write down.

As at June 30, 2017, the Bank recorded a remaining commitment to disburse funds to the Voluntary Scheme of €10.3 million.

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 2017, with regard to the contribution obligations under directive 2014/59/EU (Single Resolution Fund).

A.2 THE MAIN ITEMS OF THE ACCOUNTS

With regard to the classification, recognition and measurement of the main items of the accounts, please refer to Part A.2 of the Notes to the Accounts in the financial statements for the year ended December 31, 2016.

A.3 DISCLOSURE ON TRANSFERS BETWEEN PORTFOLIOS OF FINANCIAL ASSETS

IAS 39 and IFRS 7 allow certain financial assets to be reclassified, after initial recognition, out of the “Financial assets held for trading” and “Available-for-sale financial assets” portfolios.

Specifically, the following may be reclassified:

- the financial assets held for trading or available for sale that would have satisfied the definition established by the international accounting standards for the loan portfolio (if those assets had not been respectively classified as held for training or available for sale on initial recognition) if the entity intends, and is able, to hold them for the foreseeable future or until maturity;
- "only in rare circumstances" the financial assets held for trading that did not satisfy the definition of loans upon initial recognition.

The Bank has not reclassified any financial assets from the "held-for-trading" portfolio to the loan portfolio.

In year ended December 31, 2016 , the Bank reclassified the Available-for-sale financial assets consisting of Italian and Spanish government securities to the Held-to-maturity investments portfolio, for a fair value, at the reclassification date, of €2,121,923 thousand. The reclassification was consistent with the Bank's objective of obtaining stable income flows over the medium/long-term and in line with the business and financial outlooks stated by the Bank in its planning. The tables below show the book value and the fair value as at June 30, 2017 of the assets reclassified in 2016, as well as the profit or loss items relating to those assets, distinguishing between those that would have been recorded if the transfer had not been made and those that were actually recorded in profit or loss or in equity, and the effects on comprehensive income.

The profit or loss items, before tax, are further separated between those arising "from measurement" (including any write-downs) and "other" (including interest and gains/losses on the disposal of the transferred assets).

The net result that would have been recognised through profit or loss for the first half 2017 if these assets had not been reclassified, would have been a gain of €5,654 thousand, whereas the impact actually recognised after the transfer was a gain of €5,665 thousand.

The result of the valuations that would have been recognised in equity in the first half 2017 if these assets had not been reclassified, would have been a gain of €1,435 thousand.

A.3.1 Reclassified financial assets: book value, fair value and effects on comprehensive income

Type of financial instrument (1)	Source portfolio (2)	Target portfolio (3)	Carrying amount as at 06.30.17	Fair value as at 06.30.17	Income items without transfer (before tax)		Income items recorded in the period (before tax)	
					Valuation (6)	Other (7)	Valuation (8)	Other (9)
Debt securities	Available-for-sale financial assets	Held-to-maturity investments	2,111,652	2,128,413	1,435	5,654	-	5,665

(Amounts in € thousand)

A.3.2 Reclassified financial assets: Impact on comprehensive income before transfer

No data to report.

A.3.3 Transfer of financial assets held for trading

No data to report.

A.3.4 Effective interest rate and cash flows expected from reclassified assets

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 Bank 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 Bank should use other valuation techniques, such as:

(i) a market approach (e.g. using quoted prices for similar liabilities or equity instruments held by other parties as assets);

(ii) 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);

(iii) 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 Bank 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 FVA.

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 Bank utilises the valuation techniques widely-used in the market that are described below.

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.

Fair Value Adjustment (FVA)

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. Assets and liabilities subject to fair value measurements are determined using different techniques, including discounted cash flow 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.

According to the Parent Group Market Risk Governance guidelines, 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 of Group companies are independently and centrally tested and validated by the Group Internal Validation functions. 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.

In particular, three levels are considered:

- Level 1: fair value for instruments classified within this level is determined according to the quoted prices on 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 maximizes the use of observable input and minimizes 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 global 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 Bank 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

Fair value of derivatives not traded in an active market is determined using a valuation technique. In such cases, where active markets exist for the components of the derivative, fair value is determined on the basis of the market prices for the individual components. Valuation techniques that are based on significant inputs that are observable are referred to as Level 2 valuations, while those based on techniques that use unobservable inputs are referred to as Level 3 valuations.

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 classified as Level 2 only when trading volume on the market where the instrument is quoted has decreased significantly. For equity instruments measured at cost an impairment is given, if the carrying amount exceeds the recoverable amount significantly and/or over a prolonged period of time.

For the measurement of the Visa INC class "C" preferred shares, the Bank has adopted the model developed by the Parent Company 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 16%, determined by estimating the litigation risk (8%) and the illiquidity risk (8%). The Visa INC class "C" preferred shares were assigned a fair value hierarchy of 3.

As described in the financial statements as at December 31, 2016, for the measurement of the exposure in equity instruments recognised as a result of the contribution made to the Interbank Deposit Guarantee Fund - Voluntary Scheme for the capital increase of Cassa di Risparmio di Cesena (fair value level 3), an internal model was developed based on the Price to Tangible Book Value as the basis for Management's decision to fully write down the exposure in the previous year, in view of the numerous and significant elements of uncertainty.

Investment Funds

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

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

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 judgement required to determine their fair values as defined by IFRS 13.

Loans and receivables with banks and customers

Fair value for performing Loans and Receivables from customers and banks, recorded ad 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. Loans and receivables with banks and customers 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 securities classified in the “Loans and Receivables” portfolio, the fair value has been calculated using the Group's 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.

The assessment of the UniCredit securities by Risk Management is then carried out for the purposes of disclosure and second level control.

Liabilities

Fair value for liabilities, recorded at amortised cost, is determined using the discounted cash flow model adjusted for UniCredit credit risk. The Credit Spread is determined using UCG's subordinated and non-subordinated risk curves.

Deposits from banks and customers 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 Sheets, but they are carried at amounts that approximate fair value, due to their short term nature and generally negligible credit risk.

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

	06.30.2017			*12.31.2016*		
Assets/Liabilities measured at fair value through profit or loss	L1	L2	L3	L1	L2	L3
1. Financial assets held for trading	5,670	4,112	9	2,920	3,114	10
2. Financial assets designated at fair value through profit or loss	-	-	-	-	-	-
3. Available-for-sale financial assets	1,504,349	-	3,911	1,316,221	-	3,531
4. Hedging derivatives	-	-	-	-	552	-
5. Property, plant and equipment	-	-	-	-	-	-
6. Intangible assets	-	-	-	-	-	-
Total	**1,510,019**	**4,112**	**3,920**	**1,319,141**	**3,666**	**3,541**
1. Financial liabilities held for trading	3,019	1,093	-	2,004	622	-
2. Financial liabilities at fair value through profit or loss	-	-	-	-	-	-
3. Hedging derivatives	-	20,287	-	-	10,914	-
Total	**3,019**	**21,380**	**-**	**2,004**	**11,536**	**-**

(Amounts in € thousand)

Key:

L1 = Level 1 - L2 = Level 2 - L3 = Level 3

A.4.5.1.1 Assets and liabilities measured at fair value on a recurring basis: transfers between levels of fair value hierarchy (level 1 and level 2)

No data to report.

A.4.5.2 Annual changes in assets measured at fair value on a recurring basis (level 3)

	Financial assets held for trading	Financial assets designated at fair value through profit or loss	Available-for-sale financial assets	Hedging derivatives	Property, plant and equipment	Intangible assets
1. Opening balance	**10**	**-**	**3,531**	**-**	**-**	**-**
2. Increases						
2.1 Purchases	2,504	-	-	-	-	-
2.2 Profits allocated to:						
2.2.1 Income Statement	5	-	-	-	-	-
- of which capital gains	-	-	-	-	-	-
2.2.2 Shareholders' equity	X	X	380	-	-	-
2.3 Transfers from other levels	-	-	-	-	-	-
2.4 Other increases	-	-	-	-	-	-
3. Decreases						
3.1 Sales	(2,507)	-	-	-	-	-
3.2 Reimbursements	-	-	-	-	-	-
3.3 Losses allocated to:						
3.3.1 Income Statement	(3)	-	-	-	-	-
- of which capital losses	(1)	-	-	-	-	-
3.3.2 Shareholders' equity	X	X	-	-	-	-
3.4 Transfers to other levels	-	-	-	-	-	-
3.5 Other decreases	-	-	-	-	-	-
4. Closing balance	**9**	**-**	**3,911**	**-**	**-**	**-**

(Amounts in € thousand)

The sub-items 2.2.1 Profits through profit and loss and 3.3.1 Losses through profit and loss are included, where present, in Profit and Loss in the following items:

- Item 80: Gains and losses on financial assets and liabilities held for trading;

- Item 110: Gains and losses on financial assets/liabilities at fair value through profit or loss;
- Item 90: Fair value adjustments in hedge accounting.

The sub-items 2.2.2 Profits recognised in equity and 3.3.2 Losses recognised in equity arising from changes in fair value of Available-for-sale financial assets are recognised, if any, in equity item 130. "Revaluation reserves" - except losses due to impairment and exchange rate gains or losses on monetary items (debt instruments) which are recognised under item 130. b) "Impairment losses on AfS available for sale financial assets" and item 80. "Gains (losses) on financial assets and liabilities held for trading" of the income statement, respectively - until the financial asset is sold, at which time cumulative gains and losses are recognised in profit or loss in item 100.b) "Gains (losses) on disposal or repurchase of AfS financial assets".

A.4.5.3 Annual changes in financial liabilities at fair value level 3

No data to report.

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

Asset/Liabilities not measured at fair value or measured at fair value on a non-recurring basis	*06.30.2017*				*12.31.2016*			
	BV	L1	L2	L3	BV	L1	L2	L3
1. Held-to-maturity investments	3,252,009	3,265,657	-	-	2,437,777	2,454,979	-	-
2. Loans and receivables with banks	14,827,089	-	12,328,215	2,979,553	15,735,540	-	12,330,314	3,680,608
3. Loans and receivables with customers	1,503,867	-	-	1,555,755	1,016,798	-	-	1,044,613
4. Property, plant and equipment held for investment	2,361	-	-	4,476	2,397	-	-	4,535
5. Non-current assets and disposal groups classified as held for sale	-	-	-	-	-	-	-	-
Total	**19,585,326**	**3,265,657**	**12,328,215**	**4,539,784**	**19,192,512**	**2,454,979**	**12,330,314**	**4,729,756**
1. Deposits from banks	929,859	-	-	929,859	1,111,106	-	-	1,111,106
2. Deposits from customers	19,440,617	-	14,318	19,426,388	18,801,073	-	21,894	18,779,261
3. Debt securities in issue	-	-	-	-	-	-	-	-
4. Liabilities included in disposal groups classified as held for sale	-	-	-	-	-	-	-	-
Total	**20,370,476**	**-**	**14,318**	**20,356,247**	**19,912,179**	**-**	**21,894**	**19,890,367**

(Amounts in € thousand)

Key:

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

Property, plant and equipment held for investment consist of two properties 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 recognized 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 - BALANCE SHEET

ASSETS

Section 1 - Cash and cash balances - Item 10

1.1 Cash and cash balances: breakdown

	06.30.2017	*12.31.2016*
(a) Cash	2,902	5
b) Demand deposits with Central Banks	-	-
Total	**2,902**	**5**

(Amounts in € thousand)

Cash on hand as at June 30, 2017 included €2,895 thousand for bankers' drafts for the granting of mortgages to customers.

Section 2 - Financial assets held for trading - Item 20

2.1 Financial assets held for trading: product breakdown

Item/Amount	*06.30.2017*			*12.31.2016*		
	Level 1	*Level 2*	*Level 3*	*Level 1*	*Level 2*	*Level 3*
A. On-balance sheet assets						
1. Debt securities	12	30	-	44	-	-
1.1 Structured securities	3	-	-	4	-	-
1.2 Other debt securities	9	30	-	40	-	-
2. Equity Instruments	1,302	-	9	1,125	-	10
3. UCITS units	1,952	-	-	1	-	-
4. Loans	-	-	-	-	-	-
4.1 Reverse repos	-	-	-	-	-	-
4.2 Others	-	-	-	-	-	-
Total A	**3,266**	**30**	**9**	**1,170**	**-**	**10**
B. Derivatives						
1. Financial derivatives	2,404	4,082	-	1,750	3,114	-
1.1 trading derivatives	2,404	4,082	-	1,750	3,114	-
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	**2,404**	**4,082**	**-**	**1,750**	**3,114**	**-**
Total (A+B)	**5,670**	**4,112**	**9**	**2,920**	**3,114**	**10**

(Amounts in € thousand)

Financial derivatives refer to the positive valuation of CFD contracts on Forex, indices, shares and interest rates and Futures used for the operational hedging of CFDs on indices and interest rates. They amounted to €4,034 thousand (€3,009 thousand as at December 31, 2016).

Sub-item B.1.1 Derivative instruments - Trading financial derivatives includes the positive valuations of spot contracts for securities classified in the HFT portfolio and currencies to be settled in times established by market practices ("regular way"). They amounted to €2,385 thousand (€1,855 thousand as at December 31, 2016).

Section 4 - Available-for-sale financial assets - Item 40

4.1 Available-for-sale financial assets: product breakdown

Item/Amount	*06.30.2017*			*12.31.2016*		
	Level 1	*Level 2*	*Level 3*	*Level 1*	*Level 2*	*Level 3*
1. Debt securities	1,504,349	-	-	1,316,221	-	-
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	1,504,349	-	-	1,316,221	-	-
2. Equity Instruments		-	3,911		-	3,531
2.1 Carried at fair value	-	-	3,906	-	-	3,526
2.2 Carried at cost	-	-	5	-	-	5
3. UCITS units	-	-	-	-	-	-
4. Loans	-	-	-	-	-	-
Total	**1,504,349**	**-**	**3,911**	**1,316,221**	**-**	**3,531**

(Amounts in € thousand)

“Available-for-sale financial assets” consisted of debt securities issued by governments and equity instruments not listed on an active market.

Investments in debt securities consisted of:

- Italian government securities, with a book value of €1,177,999 thousand (€982,434 thousand as at December 31, 2016);
- French government securities, with a book value of €10,148 thousand (€10,296 thousand as at December 31, 2016);
- Spanish government securities, with a book value of €247,619 thousand (€249,940 thousand as at December 31, 2016);
- US government securities, with a book value of €68,583 thousand (€73,549 thousand as at December 31, 2016).

A portion of debt securities classified in the *Available-for-sale financial assets* portfolio are entirely used as collateral for bankers' drafts or guarantees with third parties for a book value of €127,957 thousand (€128,882 thousand as at December 31, 2016).

Equity instruments carried at cost refer to equity investments in companies in which the Bank does not exercise control or have a significant influence, for an amount equal to €5 thousand. These instruments are not listed, therefore the fair value may not be reliably determined.

Equity instruments carried at fair value relate exclusively to the Visa INC class "C" preferred shares.

As described in the Financial Statements for the year ended December 31, 2016, the exposure in equity instruments recognised under “Available-for-sale financial assets”, resulting from the contribution paid in the previous year to the Voluntary Scheme for its measure in favour of Cassa di Risparmio di Cesena was fully written down as at December 31, 2016.

Section 5 - Held-to-maturity investments – Item 50

5.1 Held-to-maturity investments: product breakdown

	06.30.2017				12.31.2016			
	Carrying amount	Fair value			Carrying amount	Fair value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
1. Debt securities	3,252,009	3,265,657	-	-	2,437,777	2,454,979	-	-
1.1 Structured	-	-	-	-	-	-	-	-
1.2 Other	3,252,009	3,265,657	-	-	2,437,777	2,454,979	-	-
2. Loans	-	-	-	-	-	-	-	-
Total	**3,252,009**	**3,265,657**	**-**	**-**	**2,437,777**	**2,454,979**	**-**	**-**

(Amounts in € thousand)

"Held-to-maturity investments" consisted of debt securities issued by the Italian Government, with a book value of €1,556,450 thousand (€1,499,270 thousand as at December 31, 2016), and issued by the Spanish Government, with a book value of €1,695,559 thousand (€938,507 thousand as at December 31, 2016).

Section 6 - Loans and receivables with banks – Item 60

6.1 Loans and receivables with banks: product breakdown

Type of transaction/Amount	06.30.2017				12.31.2016			
	BV	FV			BV	FV		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
A. Loans and receivables with Centra	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
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	**14,827,089**	**-**	**12,328,215**	**2,979,553**	**15,735,540**	**-**	**12,330,314**	**3,680,608**
1. Loans	**2,979,554**	**-**	**-**	**2,979,553**	**3,680,609**	**-**	**-**	**3,680,608**
1.1 Current accounts and demand depo:	1,956,347	X	X	X	2,336,579	X	X	X
1.2 Time deposits	986,206	X	X	X	1,285,414	X	X	X
1.3 Other loans:		X	X	X		X	X	X
- Reverse repos	173	X	X	X	53	X	X	X
- Finance leases	-	X	X	X	-	X	X	X
- Other	36,828	X	X	X	58,563	X	X	X
2. Debt securities	**11,847,535**	**-**	**12,328,215**	**-**	**12,054,931**	**-**	**12,330,314**	**-**
2.1 Structured securities	-	X	X	X	-	X	X	X
2.2 Other debt securities	11,847,535	X	X	X	12,054,931	X	X	X
Total	**14,827,089**	**-**	**12,328,215**	**2,979,553**	**15,735,540**	**-**	**12,330,314**	**3,680,608**

(Amounts in € thousand)

Key

FV = fair value
BV = book value

Loans and receivables with banks for current accounts and demand deposits mainly consist of accounts held with UniCredit, with a book value of €1,929,471 thousand (€2,302,659 thousand as at December 31, 2016), and to a lesser extent, of current accounts held with other banks not belonging to UniCredit group for transactions in securities.

Time deposits consist of the deposit held with UniCredit for compulsory reserves, totalling €191,364 thousand (€172,461 thousand as at December 31, 2016), in addition to time deposits held with UniCredit for a book value of €794,842 thousand (€1,112,953 thousand as at December 31, 2016), opened to invest the liquidity raised through repos with retail customers and credit institutions, with the same maturities.

The debt securities held in the portfolio included in the category "Loans and receivables" consisted entirely of debt securities issued by UniCredit S.p.A., for an amount of €11,847,535 thousand (€12,054,929 thousand as at December 31, 2016).
“Other loans: Other" relates to the amount of the initial and variance margins and collateral deposits placed with credit institutions for derivative transactions and repos, of which €11,840 thousand with UniCredit and €1,560 thousand with UniCredit Bank AG Monaco (€48,567 thousand with UniCredit and €3,060 thousand with UniCredit Bank AG Monaco as at December 31, 2016), as well as current receivables associated with the provision of financial services.
At the reporting date there were no impaired assets with respect to banks.

Section 7 - Loans and receivables with customers – Item 70

7.1 Loans and receivables with customers: product breakdown

Type of transaction/amount	*06.30.2017*						*12.31.2016*					
	Book value			*Fair value*						*Fair value*		
	Unimpaired	*Impaired*		L1	L2	L3	*Unimpaired*	*Impaired*		L1	L2	L3
		Purchased	*Other*					*Purchased*	*Other*			
Loans	**1,500,023**	**-**	**3,844**	**-**	**-**	**1,555,755**	**1,013,140**	**-**	**3,658**	**-**	**-**	**1,044,613**
1. Current accounts	357,845	-	2,541	X	X	X	296,927	-	2,445	X	X	X
2. Reverse repos	180,367	-	75	X	X	X	87,348	-	1	X	X	X
3. Mortgages	256,756	-	15	X	X	X	860	-	24	X	X	X
4. Credit cards, personal loans and wage assignment loans	557,384	-	1,056	X	X	X	503,533	-	1,166	X	X	X
5. Finance leases	-	-	-	X	X	X	-	-	-	X	X	X
6. Factoring	-	-	-	X	X	X	-	-	-	X	X	X
7. Other loans	147,671	-	157	X	X	X	124,472	-	22	X	X	X
Debt securities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
8. Structured securities	-	-	-	X	X	X	-	-	-	X	X	X
9. Other debt securities	-	-	-	X	X	X	-	-	-	X	X	X
Total	**1,500,023**	**-**	**3,844**	**-**	**-**	**1,555,755**	**1,013,140**	**-**	**3,658**	**-**	**-**	**1,044,613**

(Amounts in € thousand)

Section 8 – Hedging derivatives – Item 80

8.1 Hedging derivatives: breakdown by type of hedge and by hierarchical level

Item/Amount	*FV 06.30.2017*			*NA*	*FV 12.31.2016*			*NA*
	L1	*L2*	*L3*	*30-Jun-17*	*L1*	*L2*	*L3*	*31-Dec-16*
A. Financial derivatives	**-**	**-**	**-**	**-**	**-**	**552**	**-**	**250,000**
1) Fair value	-	-	-	-	-	552	-	250,000
2) Cash flows	-	-	-	-	-	-	-	-
3) Net investment in foreigr	-	-	-	-	-	-	-	-
B. Credit derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1) Fair value	-	-	-	-	-	-	-	-
2) Cash flows	-	-	-	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**-**	**552**	**-**	**250,000**

(Amounts in € thousand)

Key:

NA = Notional amount

L1 = Level 1

L2 = Level 2

L3 = Level 3

Section 9 – Changes in fair value of portfolio hedged financial assets – Item 90

9.1 Changes in fair value of portfolio hedged financial assets: breakdown by hedged portfolio

Changes in value of hedged assets/Amount	*06.30.2017*	*12.31.2016*
1. Positive changes	**15,417**	**8,659**
1.1 of specific portfolios	15,417	8,659
a) loans and receivables	*15,417*	*8,659*
b) available-for-sale financial assets	-	-
1.2 overall	-	-
2. Negative changes	**-**	**-**
2.1 of specific portfolios	-	-
a) loans and receivables	-	-
b) available-for-sale financial assets	-	-
2.2 overall	-	-
Total	**15,417**	**8,659**

(Amounts in € thousand)

Section 11 - Property, plant and equipment - Item 110

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

Asset/Amount	*06.30.2017*	*12.31.2016*
1. Owned assets	**13,035**	**12,054**
a) land	-	-
b) buildings	-	-
c) office furniture and fittings	1,553	1,131
d) electronic systems	10,004	9,560
e) other	1,478	1,363
2. Assets under financial lease	**-**	**-**
a) land	-	-
b) buildings	-	-
c) office furniture and fittings	-	-
d) electronic systems	-	-
e) other	-	-
Total	**13,035**	**12,054**

(Amounts in € thousand)

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

Asset/Amount	*06.30.2017*				*12.31.2016*			
	Book value	*Fair value*			*Book value*	*Fair value*		
		L1	L2	L3		L1	L2	L3
1. Owned assets	**2,361**	**-**	**-**	**4,476**	**2,397**	**-**	**-**	**4,535**
a) land	-	-	-	-	-	-	-	-
b) buildings	2,361	-	-	4,476	2,397	-	-	4,535
2. Assets under finance lease	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
a) land	-	-	-	-	-	-	-	-
b) buildings	-	-	-	-	-	-	-	-
Total	**2,361**	**-**	**-**	**4,476**	**2,397**	**-**	**-**	**4,535**

(Amounts in € thousand)

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

No data to report.

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

No data to report.

11.7 Commitments to purchase property, plant and equipment

As at June 30, 2017 the Bank had contractual commitments to purchase property, plant and equipment amounting to €294 thousand.

We also report that there are no restrictions on the ownership of property, plant and equipment and there is no property, plant and equipment pledged as security for liabilities.

Section 12 - Intangible assets - Item 120

12.1 Intangible assets: breakdown by type assets

Asset/Amount	*06.30.2017*		*12.31.2016*	
	Finite life	*Indefinite life*	*Finite life*	*Indefinite life*
A.1 Goodwill	X	89,602	X	89,602
A.2 Other intangible assets	8,025		7,731	
A.2.1 Assets carried at cost:				
a) Intangible assets generated internally	-	-	-	-
b) Other assets	8,025	-	7,731	-
A.2.2 Assets carried at fair value:				
a) Intangible assets generated internally	-	-	-	-
b) Other assets	-	-	-	-
Total	**8,025**	**89,602**	**7,731**	**89,602**

(Amounts in € thousand)

The useful life of software, considered for the calculation of amortisation, is 3 years, while the useful life of other intangible assets with finite life is 5 years.

12.3 Other information

As at June 30, 2017 the Bank had contractual commitments to intangible assets amounting to €215 thousand.

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 finance 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 of an asset 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) which the asset belong to, 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.

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 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 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) to be considered for the impairment test is therefore the Bank as a whole. In view of the specific business model adopted by the Bank, 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 for business units is not considered relevant or meaningful.

As regards the impairment test, at June 30, 2017 there were no indicators of impairment of the goodwill recognised in the financial statements. A qualitative analysis was conducted of the main assumptions used in the impairment test carried out with reference to December 31, 2016 and, based on the results of those qualitative analyses, the result of the impairment test as at December 31, 2016 was also confirmed with reference to June 30, 2017. For any further information on the impairment test, please see the Financial Statements as at December 31, 2016.

We also note that the share price of "FinecoBank" results in a market capitalisation significantly higher than the Bank shareholders' equity: the market value of the Bank as at June 30, 2017 amounted to €620,867 thousand compared with shareholders' equity of €4,187,145 thousand.

Section 13 - Tax Assets and Tax Liabilities - Asset item 130 and liability item 80

The item "Tax assets" amounting to €9,276 thousand comprises:

- "Current tax assets" of €1,064 thousand;
- "Deferred tax assets" of €8,212 thousand. Deferred tax assets are shown in the balance sheet net of the related deferred tax liabilities; the detail is as follows:
  - "Deferred tax assets" of €30,020 thousand recognised through profit or loss;
  - "Deferred tax assets" of €6,697 thousand recognised through equity;
  - "Deferred tax liabilities" of €23,511 thousand recognised through profit or loss;
  - "Deferred tax liabilities" of €4,994 thousand recognised through equity.

The item "Tax liabilities" amounting to €19,525 thousand, consists exclusively of "Current tax liabilities".

Current Tax Assets and Liabilities

Asset/Amount	*06.30.2017*	*12.31.2016*
Current tax assets	1,064	1,571
Current tax liabilities	19,525	10,048

(Amounts in € thousand)

Prepaid/deferred tax assets/liabilities

In accordance with the law and regulations currently in force:

- the valuation of deferred tax assets for IRES income tax purposes takes into account the expected income figures for future years, according to the decisions made by the competent company bodies;
- the valuation of deferred tax assets for IRAP corporate tax purposes takes place on the basis of the Company'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.

Deferred tax assets and liabilities were determined assuming an IRES income tax rate of 27.5% (24% ordinary rate and 3.5% additional rate for credit and financial institutions) and an IRAP corporate tax rate of 5.57%.

13.1 Deferred tax assets: breakdown

Asset/Amount	*06.30.2017*	*12.31.2016*
Allocations through profit or loss	26,192	29,043
Allocations through equity	6,697	7,617
Impairment losses on receivables (of which pursuant to Law 214/2011	3,828	4,180
Total before IAS 12 offset	**36,717**	**40,840**
Offset against deferred tax liabilities - IAS 12	(28,505)	(29,246)
Total	**8,212**	**11,594**

(Amounts in € thousand)

13.2 Deferred tax liabilities: breakdown

Asset/Amount	*06.30.2017*	*12.31.2016*
Allocations through profit or loss	23,511	23,278
Allocations through equity	4,994	5,968
Total before IAS 12 offset	**28,505**	**29,246**
Offset against deferred tax assets - IAS 12	(28,505)	(29,246)
Total	**-**	**-**

(Amounts in € thousand)

Section 15 - Other assets - Item 150

15.1 Other assets: breakdown

	06.30.2017	*12.31.2016*
Accrued income other the income to be capitalised on the related financial assets	234	-
Items in transit not allocated to relevant accounts	40	-
Items awaiting settlement:		
- notes, cheques and other documents	16,626	11,558
Items in processing:		
- other items in processing	15	27
Current receivables not associated with the provision of financial services	1,608	2,290
Definitive items not recognised under other items:		
- securities and coupons to be settled	2,279	321
- fees to be charged to customers	30,759	30,426
- other transactions	13,670	11,465
Tax items other than those included in item 130:		
- tax advances	160,036	240,923
- tax credits	9,132	9,132
- tax advances on employee severance indemnities	-	22
Receivables due to disputed items not deriving from lending	119	119
Prepayments	30,728	22,754
Improvement and incremental expenses incurred on leasehold assets	6,365	7,262
Total	**271,611**	**336,299**

(Amounts in € thousand)

LIABILITIES

Section 1 - Deposits from banks - Item 10

1.1 Deposits from banks: product breakdown

Type of transaction/Amount	*06.30.2017*	*12.31.2016*
1. Deposits from central banks	-	-
2. Deposits from banks	**929,859**	**1,111,106**
2.1 Current accounts and demand deposits	9,685	52,309
2.2 Time deposits	-	-
2.3 Loans	913,526	1,058,565
2.3.1 Repos	913,526	1,058,565
2.3.2 Other	-	-
2.4 Liabilities in respect of commitments to repurchase treasury shares	-	-
2.5 Other liabilities	6,648	232
Total	**929,859**	**1,111,106**
Fair value - level 1	***-***	***-***
Fair value - level 2	***-***	***-***
Fair value - level 3	***929,859***	***1,111,106***
Total fair value	**929,859**	**1,111,106**

(Amounts in € thousand)

Section 2 - Deposits from customers - Item 20

2.1 Deposits from customers: product breakdown

Type of transaction/Amount	*06.30.2017*	*12.31.2016*
1. Current accounts and demand deposits	19,138,345	18,319,307
2. Time deposits	15,516	159,124
3. Loans	181,810	231,376
3.1 Repos	181,810	231,376
3.2 Other	-	-
4. Liabilities in respect of commitments to repurchase treasury shares	-	-
5. Other liabilities	104,946	91,266
Total	**19,440,617**	**18,801,073**
Fair value - level 1	***-***	***-***
Fair value - level 2	***14,318***	***21,894***
Fair value - level 3	***19,426,388***	***18,779,261***
Total fair value	**19,440,706**	**18,801,155**

(Amounts in € thousand)

Section 4 - Financial liabilities held for trading - Item 40

4.1 Financial liabilities held for trading: product breakdown

Type of transaction/Amount	06.30.2017					12.31.2016				
	NA	FV			FV*	NA	FV			FV*
		L1	L2	L3			L1	L2	L3	
A. On-balance sheet liabilities										
1. Deposits from banks	-	-	-	-	-	-	-	-	-	-
2. Deposits from customers	637	765	-	-	765	687	239	-	-	239
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	**637**	**765**	**-**	**-**	**765**	**687**	**239**	**-**	**-**	**239**
B. Derivatives										
1. Financial derivatives	X	2,254	1,093	-	X	X	1,765	622	-	X
1.1 Trading derivatives	X	2,254	1,093	-	X	X	1,765	622	-	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 Others	X	-	-	-	X	X	-	-	-	X
Total B	**X**	**2,254**	**1,093**	**-**	**X**	**X**	**1,765**	**622**	**-**	**X**
Total (A+B)	**X**	**3,019**	**1,093**	**-**	**X**	**X**	**2,004**	**622**	**-**	**X**

(Amounts in € thousand)

Key

FV = fair value

FV* = Fair value calculated excluding the changes in value due to the change in the issuer's credit rating since the issue date

NA = Nominal or Notional amount

L1 = Level 1

L2 = Level 2

L3 = Level 3

Financial derivatives refer to the negative valuation of CFD contracts on Forex, indices, shares and interest rates and Futures used for the operational hedging of CFDs on indices and interest rates. They amounted to €1,128 thousand (€590 thousand as at December 31, 2016).

Sub-item B.1.1 Derivative instruments - Trading financial derivatives includes the negative valuations of spot contracts for securities classified in the HFT portfolio and currencies to be settled in times established by market practices ("regular way"). They amounted to €2,219 thousand (€1,797 thousand as at December 31, 2016).

Section 6 - Hedging derivatives - Item 60

6.1 Hedging derivatives: breakdown by type of hedge and by hierarchical level

Item/Amount	*Fair value 06.30.2017*			*NA*	*Fair value 12.31.2016*			*NA*
	L1	*L2*	*L3*	*30-giu-17*	*L1*	*L2*	*L3*	*31-dic-16*
A. Financial derivatives	**-**	**20.287**	**-**	**1.550.127**	**-**	**10.914**	**-**	**1.107.368**
1) Fair value	-	20.287	-	1.550.127	-	10.914	-	1.107.368
2) Cash flows	-	-	-	-	-	-	-	-
3) Net investment in foreign subsidiaries	-	-	-	-	-	-	-	-
B. Credit derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1) Fair value	-	-	-	-	-	-	-	-
2) Cash flows	-	-	-	-	-	-	-	-
Total	**-**	**20.287**	**-**	**1.550.127**	**-**	**10.914**	**-**	**1.107.368**

(Amounts in € thousand)

Key:

NA = Notional amount

L1 = Level 1

L2 = Level 2

L3 = Level 3

The hedging derivatives included the negative fair value of derivatives entered into with UniCredit, for €14,604 thousand, and with UniCredit Bank AG Milan for €1,558 thousand (€7,849 thousand with UniCredit and €3,065 thousand with UniCredit Bank AG Milan as at December 31, 2016).

Section 7 – Changes in fair value of portfolio hedged financial liabilities - Item 70

7.1 Changes to macro-hedged financial liabilities

Changes to macro-hedged financial liabilities/Amounts	*06.30.2017*	*12.31.2016*
1. Positive changes to financial liabilities	-	457
2. Negative changes to financial liabilities	(4,203)	-
Total	**(4,203)**	**457**

(Amounts in € thousand)

Section 8 – Tax liabilities – Item 80

See section 13 of assets.

Section 10 – Other liabilities – Item 100

10.1 Other liabilities: breakdown

	06.30.2017	*12.31.2016*
Accrued expenses other than those to be capitalised for the financial liabilities concerned	170	141
Other liabilities relative to employees	12,741	7,259
Other liabilities due to directors and statutory auditors	168	140
Items in transit not allocated to relevant accounts	5	-
Sums available to be paid to customers	2,667	242
Items in processing:		
- incoming bank transfers	877	1,487
- other items in processing	51	34
Items awaiting settlement:		
- outgoing bank transfers	56,219	52,009
- POS and ATM cards	109	7,155
Current payables not associated with the provision of financial services	21,833	18,941
Definitive items not recognised under other items:		
- securities and coupons to be settled	7,309	4,069
- other items	188,103	30,915
Payables for share-based payments or shares of the Parent Company UniCredit	820	957
Illiquid items for portfolio transactions	14,509	18,486
Tax items other than those included in item 80:		
- sums withheld from third parties as withholding agent	15,841	18,398
- other	46,373	85,066
Prepayments	1,269	600
Social security contributions payable	5,873	5,944
Total	**374,937**	**251,843**

(Amounts in € thousand)

Section 11 - Provision for employee severance pay - Item 110

The balance of the item "Provision for employee severance pay" at June 30, 2017 amounted to €5,121 thousand (€5,253 thousand at December 31, 2016).

The following table shows the main actuarial assumptions used to remeasure the liability.

Description of the main actuarial assumptions	*06.30.2017*	*12.31.2016*
Discount rate	1.45%	1.25%
Expected inflation rate	1.10%	1.10%

The remeasurement as at June 30, 2017 of the commitment relating to the Provision for employee severance pay resulted in a reduction in the negative balance of the revaluation reserves relating to actuarial gains/losses on defined benefit pension plans of €101 thousand after related tax.

For more information and details on the sensitivities in terms of amount, timing and uncertainty of the cash flows see the Financial Statements as at December 31, 2016.

Section 12 - Provisions for risks and charges - Item 120

12.1 - Provisions for risks and charges: breakdown

Item/Amount	*06.30.2017*	*12.31.2016*
1. Pensions and other post-retirement benefit obligations	-	-
2. Other provisions for risks and charges	102,123	111,756
2.1 legal disputes	30,269	33,699
2.2 staff expenses	4,013	10,043
2.3 other	67,841	68,014
Total	**102,123**	**111,756**

(Amounts in € thousand)

Item 2.1 “legal disputes” includes provisions made to cover 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 and other parties.

Item 2.2 "staff expenses" 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. This item also includes the estimated remaining integration costs for the Bank in relation to the Business Plan of the UniCredit Group recognised in the financial statements for the previous years. During the first half 2017, as a result of the signature of the agreement of February 4, 2017, these costs were partially reallocated to Other liabilities for the part relating to the subscriptions accepted.

The item 2.3 “Other” includes the Supplementary customer indemnity provision, of €56,464 thousand (€56,054 thousand as at December 31, 2016), the Provision for tax disputes (penalties and interest), of €3,966 thousand (€4,078 thousand as at December 31, 2016), the Provision for contractual payments and payments under non competition agreements, of €2,177 thousand (€2,184 thousand as at December 31, 2016) and other provisions made for risks related to the Bank's business and operations, of €5,234 thousand (€5,698 thousand as at December 31, 2016).

12.4 Provisions for risks and charges - other provisions

	06.30.2017	*12.31.2016*
Legal disputes	**30,269**	**33,699**
- Pending proceedings	24,640	26,673
- Claims	5,629	7,026
Staff expenses	**4,013**	**10,043**
Other	**67,841**	**68,014**
- Supplementary customer indemnity provision	56,464	56,054
- Contractual payments and payments under non-competition agree	2,177	2,184
- Tax disputes	3,966	4,078
- Other provisions	5,234	5,698
Total provisions for risks and charges - other provisions	**102,123**	**111,756**

(Amounts in € thousand)

Provisions for risks and charges	*Total 12.31.2016*	*Uses*	*Transfers and other changes*	*Actuarial gains (losses) IAS 19R **	*Net provisions ***	*Total 06.30.2017*
Legal disputes	**33,699**	**(4,059)**	**-**	**-**	**629**	**30,269**
- Pending proceedings	26,673	(2,188)	205	-	(50)	24,640
- Claims	7,026	(1,871)	(205)	-	679	5,629
Staff expenses	**10,043**	**(3,770)**	**(4,405)**	**-**	**2,145**	**4,013**
Other	**68,014**	**(3,429)**	**-**	**(1,306)**	**4,562**	**67,841**
- Supplementary customer indemnity provisi	56,054	(820)	-	(1,274)	2,504	56,464
- Contractual payments and payments under non-competition agree	2,184	-	-	(32)	25	2,177
- Tax disputes	4,078	(112)	-	-	-	3,966
- Other provisions	5,698	(2,497)	-	-	2,033	5,234
Total provisions for risks and charges - o	**111,756**	**(11,258)**	**(4,405)**	**(1,306)**	**7,336**	**102,123**

(Amounts in € thousand)

* 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	*06.30.2017*	*12.31.2016*
Discount rate	1.45%	1.25%
Salary increase rate	2.60%	2.60%

The remeasurement as at June 30, 2017 of the commitment relating to the Supplementary customer indemnity provision and the Provision for contractual payments, which resulted in a reduction in the negative balance of the revaluation reserves relating to actuarial gains/losses on defined benefit pension plans of €881 thousand after related tax.

For more information and details on the sensitivities in terms of amount, timing and uncertainty of the cash flows see the Financial Statements as at December 31, 2016.

The **Provision for legal disputes** includes provisions made to cover 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 and other parties.

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. This provision includes the estimated integration costs in relation to the Business Plan of the UniCredit Group.

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 4 – 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 and the provision for training events for the personal financial advisors.

Section 13 - Redeemable shares - Item 140

13.1 Redeemable shares: breakdown
No data to report.

Section 14 - Bank's shareholders' equity - Items 130, 150, 160, 170, 180, 190 and 200

14.1 "Share capital" and "Treasury shares": breakdown
As at June 30, 2017 the Bank held 745,844 treasury shares, corresponding to 0.12% of the share capital, for an amount of €4,510 thousand. You are reminded that a total of 1,408,834 shares were purchased in 2015, under the stock granting "2014 PFA Plan" for Personal Financial Advisors and the Network Managers of the Bank, and in the first quarter 2017 a total of 31,519 shares were purchased, under the "2016 Plan PFA" incentive system for Personal Financial Advisors identified as “Key Personnel”, in accordance with the authorisation by the Ordinary Shareholders'

Meeting of the Bank of April 12, 2016. In 2016, 694,509 shares were assigned to the Personal Financial Advisors and the Network Managers of the Bank, in execution of the stock granting "2014 PFA Plan".
The Bank does not hold shares of its Parent Company, even through other companies or third parties.

Item/Amount	*06.30.2017*	*12.31.2016*
1. Share capital	200,545	200,246
2. Share premium reserve	1,934	1,934
3. Reserves	324,506	278,407
- Legal reserve	*40,109*	*40,049*
- Extraordinary reserve	*247,223*	*205,860*
- Treasury shares reserve	*4,510*	*4,338*
- Other reserves	*32,664*	*28,160*
4. (Treasury Shares)	(4,510)	(4,338)
5. Revaluation reserves	(5,875)	(6,794)
6. Equity instruments	-	-
7. Net Profit (Loss) for the period	104,267	211,844
Total	**620,867**	**681,299**

(Amounts in € thousand)

On February 7, 2017, in view of the positive outcome of the verification of the entry conditions (at Bank level and Group level, where applicable) and the individual conditions (compliance of conduct and continued employment) and the favourable opinion provided by the Remuneration and Appointments Committee in its meeting of February 2, 2017, the Board of Directors approved:

- for the “Group Executive Incentive System - Bonus Pool 2014” plan: a free capital increase, for a total amount of €5,237.76 corresponding to a total of 15,872 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 0.003% of the fully diluted capital;
- for the “2014-2017 Top Management Multi-Year Plan”: a free capital increase, for a total amount of €208,180.50 corresponding to a total of 630,850 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 0.10% of the fully diluted capital;
- for the “2014 Key People Plan”: a free capital increase, for a total amount of €86,191.71 corresponding to a total of 261,187 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 0.04% of the fully diluted capital.

The Shareholders' Meeting of April 11, 2017 approved the allocation of profit for the year 2016, amounting to €211,844 thousand, as follows:

- €60 thousand to the Legal reserve, corresponding to 0.03% of the profit for the year, having reached the limit of a fifth of the share capital;
- €41,624 thousand to the extraordinary reserve;
- €170,160 thousand to Shareholders, corresponding to a dividend of €0.28 for each of the 607,713,345 ordinary shares with a par value of €0.33 euro.

The dividends not distributed in relation to any treasury shares held by the Bank at the record date, amounting to €209 thousand, have been transferred to the Extraordinary reserve.

14.2 Share capital - Number of shares: annual changes

Items/type	*Ordinary*	*Other*
A. Shares outstanding at the beginning of the period		
- fully paid	606,805,436	-
- not fully paid	-	-
A.1 Treasury shares (-)	(714,325)	-
A.2 Shares outstanding: opening balance	**606,091,111**	**-**
B. Increases		
B.1 New issues		
- against payment:		
- business combinations	-	-
- bonds converted	-	-
- warrants exercised	-	-
- other	-	-
- free		
- to employees	907,909	-
- to directors	-	-
- other	-	-
B.2 Sale of treasury shares	-	-
B.3 Other changes	-	-
C. Decreases		
C.1 Cancellation	-	-
C.2 Purchase of treasury shares	(31,519)	-
C.3 Business transfers	-	-
C.4 Other decreases	-	-
D. Shares outstanding: closing balance	**606,967,501**	**-**
D.1 Treasury Shares (+)	745,844	-
D.2 Shares outstanding at the end of the period	-	-
- fully paid	607,713,345	-
- not fully paid	-	-

14.3 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.

14.4 Reserves from allocation of profit from previous years: other information

The reserves from profits consist of the:

- Legal reserve, amounting to €40,109 thousand;

- Extraordinary reserve, amounting to €247,222 thousand;

- Reserve for treasury shares held, amounting to €4,510 thousand.

14.5 Equity instruments: breakdown and annual changes

No data to report.

14.6 Other information

No data to report.

Section 15 - Other information

1 Guarantees issued and commitments

Transactions	*06.30.2017*	*12.31.2016*
1) Financial guarantees given	256,709	256,752
a) Banks	256,065	256,065
b) Customers	644	687
2) Commercial guarantees given	4	4
a) Banks	4	4
b) Customers	-	-
3) Irrevocable commitments to lend funds	1,907,606	1,241,574
a) Banks	1,567,522	1,018,155
i) certain to be called on	522	155
ii) not certain to be called on	1,567,000	1,018,000
b) Customers	340,084	223,419
i) certain to be called on	329,832	223,419
ii) not certain to be called on	10,252	-
4) Commitments underlying credit derivatives: protection sales	-	-
5) Assets given as collateral for third-party obligations	-	-
6) Other commitments	-	-
Total	**2,164,319**	**1,498,330**

(Amounts in € thousand)

Financial guarantees given to banks include 5 guarantees issued in 2012 on request of UniCredit, with indefinite duration, for a total amount of €256,065 thousand.

Irrevocable commitments to lend funds certain to be called on mainly consisted of spot contracts for the purchase and sale of securities to be settled in times established by market practices ("regular way"), for an amount of €263,129 thousand, repurchase agreements to be disbursed, for an amount of €66,981 thousand, and commitments towards the Interbank Deposit Guarantee Fund – Voluntary Scheme, for an amount of €10,252 thousand.

The irrevocable commitments with Banks to lend funds not certain to be called on refer to the Liquidity Framework Agreement entered into during in 2016 and renewed in the first half 2017, under which the Bank has made a commitment to provide UniCredit a certain amount of eligible securities for the period of one month; the securities may be requested by UniCredit through repos with a maximum duration of three months. The Bank is also committed to investing the liquidity, received through the repos, in term deposits with the Parent Company with the same expiry date.

2. Assets given as collateral for own liabilities and commitments

Portfolios	*06.30.2017*	*12.31.2016*
1. Financial assets held for trading	-	-
2. Financial assets designated at fair value through profit or loss	-	-
3. Available-for-sale financial assets	-	-
4. Held-to-maturity investments	-	-
5. Loans and receivables with banks	22,142	54,909
6. Loans and receivables with customers	-	-
7. Property, plant and equipment	-	-
Total	**22,142**	**54,909**

(Amounts in € thousand)

Assets given as collateral for own liabilities and commitments shown in item "Loans and receivables with banks" refer to bonds issued by UniCredit, classified in the *"*Loans and Receivables*"* category, subscribed by the Bank in order to conduct repos with the obligation for the buyer to resell the assets covered by the transaction upon expiration of said transaction; bonds are given as collateral for the entire duration of the repos.

The Bank has also committed securities owned by it as collateral for bankers' drafts, as a guarantee for transactions in foreign markets, as a guarantee for transactions in derivatives, and as a guarantee for securities lending transactions.
With regard to the securities used as collateral for banker's drafts, as guarantee with third parties in relation to transactions on foreign markets: more specifically, the Bank used bonds issued by the Italian, French and Spanish governments, classified as Available-for-sale assets, for a book value of €127,957 thousand (€128,882 thousand as at December 31, 2016). Securities are used as collateral until the Bank decides to stop the transactions for which the collateral or guarantees are granted.
With regard to the securities lending transactions with customers, UniCredit securities have been committed, belonging to the *"*Loans and receivables" category*"*, for a carrying amount of €930,213 thousand (€1,042,126 thousand as at December 31, 2016). For more details, see section 4. Securities lending transactions.

3. Information on operating leases

With regard to outstanding non-cancellable leases, the future payments amount to:

- €1,941 thousand up to twelve months;
- €966 thousand from one to five years.

There are no sub-leases in place.

4. 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. In the case of securities lending transactions guaranteed by other securities, which are not recognised as liabilities or commitments in the accounts, the Bank has used bond issues of UniCredit, classified as *"*Loans and Receivables*"*, as guarantees; these are deposited in a securities account held at the custodian bank for an amount higher than that of the securities borrowed from customers, in order to provide a collective guarantee.

The face value of the underlying securities not recognised as assets in the accounts totalled €789,198 thousand, while their fair value was €995,088 thousand, broken down as follows:

	Type of securities (nominal value at June 30, 2017)		
Securities received on loan from:	*Sold*	*Sold in repos*	*Other purposes*
Banks	-	-	-
Financial companies	1	1,207	-
Insurance	-	-	-
Non-financial companies	-	3,160	-
Other entities	636	784,163	31
Total nominal value	**637**	**788,530**	**31**

(Amounts in € thousand)

	Type of securities (fair value at June 30, 2017)		
Securities received on loan from:	*Sold*	*Sold in repos*	*Other purposes*
Banks	-	-	-
Financial companies	-	1,392	-
Insurance	-	-	-
Non-financial companies	-	4,539	-
Other entities	765	987,853	539
Total fair value	**765**	**993,784**	**539**

(Amounts in € thousand)

PART C – INCOME STATEMENT

SECTION 1 - INTEREST INCOME AND EXPENSE - Items 10 and 20

1.1 Interest income and similar revenues: breakdown

Items/Type	*Debt securities*	*Loans*	*Other transactions*	*Total 06.30.2017*	*Total 06.30.2016*
1. Financial assets held for trading	1	-	-	1	-
2. Available-for-sale financial assets	4,640	-	-	4,640	10,839
3. Held-to-maturity investments	7,572	-	-	7,572	-
4. Loans and receivables with banks	94,570	1,372	-	95,942	99,285
5. Loans and receivables with customers	-	17,948	-	17,948	13,911
6. Financial assets designated at fair value through pro	-	-	-	-	-
7. Hedging derivatives	-	-	4,548	4,548	2,248
8. Other assets	-	-	4	4	-
Total interest income	**106,783**	**19,320**	**4,552**	**130,655**	**126,283**

(Amounts in € thousand)

Interest accrued on impaired assets, relating exclusively to the item Loans and receivables with customers, amounted to €148 thousand (€163 thousand as at June 30, 2016).

1.4 Interest expenses and similar charges: breakdown

Items/Type	*Payables*	*Securities*	*Other transactions*	*Total 06.30.2017*	*Total 06.30.2016*
1. Deposits from central banks	-	-	-	-	-
2. Deposits from banks	1,524	-	-	1,524	1,368
3. Deposits from customers	(4,991)	-	-	(4,991)	(4,202)
4. Debt securities in issue	-	-	-	-	-
5. Financial liabilities held for trading	-	-	-	-	-
6. Financial liabilities at fair value through profit or loss	-	-	-	-	-
7. Other liabilities and provisions	-	-	-	-	-
8. Hedging derivatives	-	-	-	-	-
Total interest expense	**(3,467)**	**-**	**-**	**(3,467)**	**(2,834)**

(Amounts in € thousand)

SECTION 2 - FEE AND COMMISSION INCOME AND EXPENSE - Items 40 and 50

2.1 Fee and commission income: breakdown

Type of service/Amount	*06.30.2017*	*06.30.2016*
(a) guarantees given	34	34
(b) credit derivatives	-	-
(c) management, brokerage and consulting services:	238,582	213,402
1. securities trading	37,773	39,727
2. currency trading	-	-
3. portfolio management	-	-
3.1. individual	-	-
3.2. collective	-	-
4. custody and administration of securities	403	211
5. custodian bank	-	-
6. placement of securities	7,793	7,073
7. reception and transmission of orders	6,011	5,691
8. advisory services	20,558	15,293
8.1. related to investments	20,558	15,293
8.2. related to financial structure	-	-
9. distribution of third-party services:	166,044	145,407
9.1. portfolio management	136,033	122,484
9.1.1 individual	14	30
9.1.2 collective	136,019	122,454
of which maintenance commissions for UCIT units	*134,652*	*121,331*
9.2. insurance products	30,010	22,917
9.3. other products	1	6
(d) collection and payment services	12,671	9,991
(e) securitisation servicing	-	-
(f) factoring	-	-
(g) tax collection services	-	-
(h) management of multilateral trading systems	-	-
(i) management of current accounts	2,313	2,456
(j) other services	2,716	2,778
(k) securities lending transactions	2,865	1,565
Total	**259,181**	**230,226**

(Amounts in € thousand)

2.3 Fee and commission expense: breakdown

Service/Amount	*06.30.2017*	*06.30.2016*
(a) guarantees received	-	-
(b) credit derivatives	-	-
(c) management and brokerage services:	(117,911)	(101,827)
1. securities trading	(3,830)	(4,111)
2. currency trading	-	-
3. portfolio management:	-	-
3.1 own	-	-
3.2 delegated to third parties	-	-
4. custody and administration of securities	(2,223)	(1,959)
5. placement of financial instruments	-	-
6. cold-calling to offer securities, products and services	(111,858)	(95,757)
(d) collection and payment services	(10,537)	(9,571)
(e) other services	(116)	(119)
f) securities lending transactions	(910)	(888)
Total	**(129,474)**	**(112,405)**

(Amounts in € thousand)

SECTION 3 – Dividend income and similar revenue – Item 70

3.1 Dividend income and similar revenue: breakdown

Item/Income	*06.30.2017*		*06.30.2016*	
	Dividends	*Income from UCITS units*	*Dividends*	*Income from UCITS units*
A. Financial assets held for trading	9	-	9	-
B. Available-for-sale financial assets	12	-	-	-
C. Financial assets designated at fair value through prof	-	-	-	-
D. Equity investments	-	X	-	X
Total	**21**	**-**	**9**	**-**

(Amounts in € thousand)

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, 2017

Transaction/Income item	*Unrealised gains (A)*	*Realised gains (B)*	*Unrealised losses (C)*	*Realised losses (D)*	*Net gain (loss) [(A+B)-(C+D)]*
1. Financial assets held for trading	**2**	**45,623**	**(79)**	**(41,113)**	**4,433**
1.1 Debt securities	-	1,854	-	(1,473)	381
1.2 Equity Instruments	2	43,088	(30)	(39,092)	3,968
1.3 UCITS units	-	681	(49)	(548)	84
1.4 Loans	-	-	-	-	-
1.5 Other	-	-	-	-	-
2. Financial liabilities held for trading	**30**	**-**	**(3)**	**-**	**27**
2.1 Debt securities	-	-	-	-	-
2.2 Payables	-	-	-	-	-
2.3 Other	30	-	(3)	-	27
3. Other financial assets and liabilities: exchange differences	X	X	X	X	**3,646**
4. Derivatives	**6,264**	**28,860**	**(5,812)**	**(18,741)**	**17,892**
4.1 Financial derivatives:	6,264	28,860	(5,812)	(18,741)	17,892
- On debt securities and interest rates	125	837	(132)	(635)	195
- On equity securities and share indices	6,139	25,325	(5,680)	(16,881)	8,903
- On currency and gold	X	X	X	X	7,321
- Other	-	2,698	-	(1,225)	1,473
4.2 Credit derivatives	-	-	-	-	-
Total	**6,296**	**74,483**	**(5,894)**	**(59,854)**	**25,998**

(Amounts in € thousand)

As at June 30, 2016

Transaction/Income item	*Unrealised gains (A)*	*Realised gains (B)*	*Unrealised losses (C)*	*Realised losses (D)*	*Net gain (loss) [(A+B)-(C+D)]*
1. Financial assets held for trading	**13**	**59,618**	**(5)**	**(53,904)**	**5,722**
1.1 Debt securities	-	21	-	(4)	17
1.2 Equity Instruments	13	58,080	(5)	(52,573)	5,515
1.3 UCITS units	-	1,517	-	(1,327)	190
1.4 Loans	-	-	-	-	-
1.5 Other	-	-	-	-	-
2. Financial liabilities held for trading	**-**	**115**	**(2)**	**(14)**	**99**
2.1 Debt securities	-	-	-	-	-
2.2 Payables	-	-	-	-	-
2.3 Other	-	115	(2)	(14)	99
3. Other financial assets and liabilities: exchange differences	X	X	X	X	**1,872**
4. Derivatives	**7,104**	**35,258**	**(6,868)**	**(21,813)**	**18,776**
4.1 Financial derivatives:	7,104	35,258	(6,868)	(21,813)	18,776
- On debt securities and interest rates	177	767	(171)	(479)	294
- On equity securities and share indices	6,927	31,996	(6,697)	(20,258)	11,968
- On currency and gold	X	X	X	X	5,095
- Other	-	2,495	-	(1,076)	1,419
4.2 Credit derivatives	-	-	-	-	-
Total	**7,117**	**94,991**	**(6,875)**	**(75,731)**	**26,469**

(Amounts in € thousand)

SECTION 5 – Fair value adjustments in hedge accounting – Item 90

5.1 Fair value adjustments in hedge accounting: breakdown

Income item/Amount	*06.30.2017*	*06.30.2016*
A. Gains on:		
A.1 Fair value hedging instruments	1,612	21,814
A.2 Hedged asset items (in fair value hedge relationship)	6,859	92
A.3 Hedged liability items (in fair value hedge relationship)	4,661	-
A.4 Cash-flow hedging derivatives	-	-
A.5 Assets and liabilities denominated in currency	-	-
Total gains on hedging activities (A)	**13,132**	**21,906**
B. Losses on:		
B.1 Fair value hedging instruments	(11,538)	(6,093)
B.2 Hedged asset items (in fair value hedge relationship)	(1,608)	(12,705)
B.3 Hedged liability items (in fair value hedge relationship)	-	(3,042)
B.4 Cash-flow hedging derivatives	-	-
B.5 Assets and liabilities denominated in currency	-	-
Total losses on hedging activities (B)	**(13,146)**	**(21,840)**
C. Fair value adjustments in hedge accounting (A-B)	**(14)**	**66**

(Amounts in € thousand)

SECTION 6 – Gains (Losses) on disposals/repurchases – Item 100

6.1 Gains (Losses) on disposals/repurchases: breakdown

Item/Income item	*06.30.2017*			*06.30.2016*		
	Gain	*Loss*	*Net gain (loss)*	*Gain*	*Loss*	*Net gain (loss)*
Available-for-sale						
1. Loans and receivables with banks	-	-	-	-	-	-
2. Loans and receivables with customers	-	-	-	-	-	-
3. Available-for-sale financial assets	-	-	-	20,382	-	20,382
3.1 Debt securities	-	-	-	5,038	-	5,038
3.2 Equity Instruments	-	-	-	15,344	-	15,344
3.3 UCITS units	-	-	-	-	-	-
3.4 Loans	-	-	-	-	-	-
4. Held-to-maturity investments	-	-	-	-	-	-
Total assets	**-**	**-**	**-**	**20,382**	**-**	**20,382**
Financial liabilities						
1. Deposits from banks	-	-	-	-	-	-
2. Deposits from customers	-	-	-	-	-	-
3. Debt securities in issue	-	-	-	-	-	-
Total liabilities	**-**	**-**	**-**	**-**	**-**	**-**

(Amounts in € thousand)

SECTION 8 – Impairment losses - Item 130

8.1 Impairment losses on loans and receivables: breakdown

Transaction/Income item	*Impairments (1)*			*Write-backs (2)*				*06.30.17*	*06.30.16*
	Specific			*Specific*		*Portfolio*			
	Write-offs	*Other*	*Portfolio*	*A*	*B*	*A*	*B*		
A. Loans and receivables with banks	-	-	-	-	-	-	-	-	-
- Loans	-	-	-	-	-	-	-	-	-
- Debt securities	-	-	-	-	-	-	-	-	-
B. Loans and receivables with custome	(76)	(2,053)	(804)	109	627	-	655	(1,542)	(2,807)
Impaired related to purchase agree	-	-		-	-	-		-	-
- Loans	-	-	X	-	-	-	X	-	-
- Debt securities	-	-	X	-	-	-	X	-	-
Other loans	(76)	(2,053)	(804)	109	627	-	655	(1,542)	(2,807)
- Loans	(76)	(2,053)	(804)	109	627	-	655	(1,542)	(2,807)
- Debt securities	-	-	-	-	-	-	-	-	-
C. Total	**(76)**	**(2,053)**	**(804)**	**109**	**627**	**-**	**655**	**(1,542)**	**(2,807)**

(Amounts in € thousand)

Key

A = From interest B = Other write-backs

8.2 Impairment losses on available-for-sale financial assets: breakdown

No data to report.

8.3 Impairment losses on held-to-maturity investments: breakdown

No data to report.

8.4 Net value adjustments for the impairment of other financial assets: breakdown

Transaction/Income item	*Impairments (1)*			*Write-backs (2)*				*06.30.17*	*06.30.16*
	Specific			*Specific*		*Portfolio*			
	Write-offs	*Other*	*Portfolio*	*A*	*B*	*A*	*B*		
A. Guarantees given	-	-	-	-	-	-	-	-	696
B. Credit derivatives	-	-	-	-	-	-	-	-	-
C. Commitments to disburse funds	-	-	-	-	-	-	-	-	-
D. Other transactions	-	-	-	-	*1*	-	-	1	6
E. Total	**-**	**-**	**-**	**-**	**1**	**-**	**-**	**1**	**702**

(Amounts in € thousand)

Key

A = From interest B = Other write-backs

SECTION 9 – Administrative costs – Item 150

9.1 Staff expenses: breakdown

Type of expense/Amount	*06.30.2017*	*06.30.2016*
1) Employees	**(38,288)**	**(37,274)**
a) wages and salaries	(25,575)	(24,920)
b) social security contributions	(6,907)	(6,657)
c) provision for employee severance pay	(411)	(437)
d) pension costs	-	-
e) allocation to employee severance pay provision	(55)	(53)
f) provision for retirements and similar provisions:		
- defined contribution	-	-
- defined benefit	-	-
g) payments to external pension funds:		
- defined contribution	(1,573)	(1,441)
- defined benefit	-	-
h) costs related to share-based payments	(1,323)	(1,790)
i) other employee benefits	(2,444)	(1,976)
2) Other staff	**-**	**(79)**
3) Directors and statutory auditors	**(611)**	**(491)**
4) Early retirement costs	**-**	**-**
5) Recovery of expenses for employees seconded to other companies	**120**	**186**
6) Recovery of expenses for employees seconded to the Company	**(158)**	**(65)**
Total	**(38,937)**	**(37,723)**

(Amounts in € thousand)

Item 1 h) Employees: costs related to share-based payments, includes costs incurred by the Bank in relation to payment agreements based on financial instruments issued by the Bank and on financial instruments issued by UniCredit to employees.

9.4 Other employee benefits

Type of expense/Amount	*06.30.2017*	*06.30.2016*
Leaving incentives	(13)	(21)
Medical plan	(990)	(467)
Luncheon vouchers	(465)	(463)
Other	(976)	(1,025)
Total	**(2,444)**	**(1,976)**

(Amounts in € thousand)

9.5 Other administrative expenses: breakdown

	06.30.2017	*06.30.2016*
1) INDIRECT TAXES AND DUTIES	**(49,278)**	**(44,898)**
2) MISCELLANEOUS COSTS AND EXPENSES		
A) Advertising expenses - Marketing and communication	**(10,899)**	**(12,101)**
Mass media communications	(8,705)	(8,635)
Marketing and promotions	(2,134)	(3,305)
Sponsorships	(29)	(137)
Conventions and internal communications	(31)	(24)
B) Expenses related to credit risk	**(939)**	**(741)**
Credit recovery expenses	(279)	(348)
Commercial information and company searches	(660)	(393)
C) Expenses related to personnel	**(13,636)**	**(13,756)**
Personnel training	(277)	(136)
Car rental and other personnel expenses	(29)	(22)
Personal financial advisor expenses	(13,016)	(13,249)
Travel expenses	(279)	(312)
Premises rentals for personnel	(35)	(37)
D) ICT expenses	**(15,363)**	**(14,742)**
Lease of ICT equipment and software	(1,263)	(1,347)
Software expenses - lease and maintenance	(3,700)	(3,360)
ICT communication systems	(2,584)	(2,047)
ICT services: external personnel	(3,054)	(3,371)
Financial information providers	(4,762)	(4,617)
E) Consultancies and professional services	**(2,233)**	**(1,628)**
Consultancy for ordinary activities	(1,337)	(696)
Consultancy for strategy, business development and organisational optimisation	(168)	(51)
Legal disputes	(728)	(881)
F) Real estate expenses	**(10,086)**	**(9,662)**
Real estate services	(360)	(400)
Repair and maintenance of furniture, machinery, and equipment	(187)	(118)
Maintenance of premises	(896)	(795)
Premises rentals	(7,047)	(7,008)
Cleaning of premises	(285)	(253)
Utilities	(1,311)	(1,088)
G) Other functioning costs	**(19,706)**	**(18,434)**
Security and surveillance services	(207)	(204)
Postage and transport of documents	(1,636)	(1,750)
Administrative and logistic services	(9,322)	(7,941)
Insurance	(1,876)	(1,790)
Printing and stationery	(262)	(267)
Association dues and fees	(6,204)	(5,784)
Other administrative expenses	(199)	(698)
Total	**(122,140)**	**(115,962)**

(Amounts in € thousand)

SECTION 10 – Net provisions for risks and charges – Item 160

10.1 Net provisions for risks and charges: breakdown

	06.30.2017			*06.30.2016*		
	Provisions	*Reallocations*	*Total*	*Provisions*	*Reallocations*	*Total*
Legal disputes	(3,167)	2,538	(629)	(3,845)	3,805	(40)
Supplementary customer indemnity prov	(2,504)	-	(2,504)	(2,482)	-	(2,482)
Other provisions for risks and charges	(25)	8	(17)	(2,834)	2,106	(728)
Total	**(5,696)**	**2,546**	**(3,150)**	**(9,161)**	**5,911**	**(3,250)**

(Amounts in € thousand)

SECTION 11 – Impairment/write-backs on property, plant and equipment – Item 170

11.1 Impairment/write-backs on property, plant and equipment: breakdown

Asset/Income item	*Depreciation (a)*	*Write-downs for impairment (b)*	*Write-backs (c)*	*Net profit (loss) 06.30.2017 (a+b-c)*	*Net profit (loss) 06.30.2016*
A. Property, plant and equipment					
A.1 Owned	(2,415)	(3)	-	(2,418)	(2,090)
- Used in the business	(2,359)	(3)	-	(2,362)	(2,034)
- Held for investment	(56)	-	-	(56)	(56)
A.2 Held under finance lease	-	-	-	-	-
- Used in the business	-	-	-	-	-
- Held for investment	-	-	-	-	-
Total	**(2,415)**	**(3)**	**-**	**(2,418)**	**(2,090)**

(Amounts in € thousand)

SECTION 12 – Impairment/write-backs on intangible assets – Item 180

12.1 Impairment on intangible assets: breakdown

Asset/Income item	*Amortisation (a)*	*Write-downs for impairment (b)*	*Write-backs (c)*	*Net gain (loss) 06.30.2017 (a+b-c)*	*Net gain (loss) 06.30.2016*
A. Intangible assets					
A.1 Owned	(2,415)	-	-	(2,415)	(2,519)
- Generated internally by the company	-	-	-	-	-
- Other	(2,415)	-	-	(2,415)	(2,519)
A.2 Held under finance lease					
Total	**(2,415)**	**-**	**-**	**(2,415)**	**(2,519)**

(Amounts in € thousand)

SECTION 13 – Other net operating expenses and income – Item 190

13.1 Other operating expenses: breakdown

Type/Amount	*06.30.2017*	*06.30.2016*
Refunds and allowances	(81)	(96)
Penalties, fines and unfavourable rulings	(1,909)	(355)
Improvements and incremental expenses incurred on leasehold properties	(1,741)	(1,753)
Improvements and incremental expenses incurred on group properties	(12)	(9)
Exceptional write-downs of assets	(120)	(367)
Other operating expense	(107)	(6,007)
Total	**(3,970)**	**(8,587)**

(Amounts in € thousand)

Exceptional write-downs of assets include costs incurred for credit card fraud of €103 thousand (€348 thousand as at June 30, 2016).

"Other operating expense" as at June 30, 2016 included the cost incurred for the measure in favour of Banca Tercas, amounting to €5,950 thousand. During the first half 2016 Banca Tercas repaid the grant that it had originally received from the IDGF. These amounts were then credited to the banks participating in the IDGF as a repayment of the contribution made for the measure implemented in 2014 and recognised under Other operating income and were then immediately debited from the banks participating in the Voluntary Scheme and recognised under Other operating expense.

13.2 Other operating income: breakdown

Type/Amount	*06.30.2017*	*06.30.2016*
Recovery of expenses:	46,492	42,337
- recovery of ancillary expenses - other	163	229
- recovery of taxes	46,329	42,108
Rental income from real estate investments	116	116
Other income for the current period	1,867	7,467
Total	**48,475**	**49,920**

(Amounts in € thousand)

"Other income for the current period" as at June 30, 2016 included the repayment of the contribution made for the measure in favour of Banca Tercas implemented by the IDGF in 2014, amounting to €5,925 thousand, described above.

SECTION 14 – Profit (loss) of associates – Item 210

14.1 Profit (Loss) of associates: breakdown

No data to report.

SECTION 15 – Gains (losses) on tangible and intangible assets measured at fair value – Item 220

15.1 Net gains (losses) on property, plant and equipment and intangible assets measured at fair value: breakdown

No data to report.

SECTION 16 – Impairment of goodwill – Item 230

16.1 Impairment of goodwill: breakdown

No data to report.

SECTION 17 – Gains (losses) on disposal of investments – Item 240

17.1 Gains (losses) on disposal of investments: breakdown

Income item/Amount	*06.30.2017*	*06.30.2016*
A. Properties		
- Gains on disposal	-	-
- Losses on disposal	-	-
B. Other assets		
- Gains on disposal	8	-
- Losses on disposal	(361)	-
Net gain (loss)	**(353)**	**-**

(Amounts in € thousand)

SECTION 18 – Tax expense (income) related to profit or loss from continuing operations – Item 260

18.1 Tax expense (income) related to profit or loss from continuing operations: breakdown

Income item/Amount	*06.30.2017*	*06.30.2016*
1. Current tax (-)	(48,351)	(52,110)
2. Adjustment to current tax of prior years (+/-)	-	6,518
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 (+/-)	(3,608)	(2,291)
5. Changes in deferred tax liabilities (+/-)	(225)	(216)
6. Tax expense for the period (-) (-1+/-2+3+/-4+/-5)	(52,184)	(48,099)

(Amounts in € thousand)

SECTION 20 – Other information

1.1 Designation of Parent Company

UniCredit S.p.A.

Rome Register of Companies

Registered in the Register of Banking Groups and Parent Company of the UniCredit Banking Group with code 2008.1

1.2 Registered Office of Parent Company

Registered Office: Rome, Via A. Specchi, 16 -

Head Office: Milan, Piazza Gae Aulenti

1.3 Key figures for the Parent Company (income statement, balance sheet, structure)

The Bank is subject to management and coordination of UniCredit S.p.A.; therefore, in accordance with Article 2497 bis, paragraph 4 of the Italian Civil Code the key figures of the last approved financial statements of the parent company are provided below:

UniCredit S.p.A. – Reclassified balance sheet as at December 31, 2016

ASSETS	*12.31.2016*
Cash and cash balances	1,852
Financial assets held for trading	14,026
Loans and receivables with banks	22,349
Loans and receivables with customers	213,237
Financial investments	108,374
Hedging instruments	8,160
Property, plant and equipment	2,341
Goodwill	-
Other intangible assets	5
Tax assets	12,005
Non-current assets and disposal groups classified as held for sale	7,439
Other assets	4,400
Total assets	**394,188**

(Amounts in € million)

LIABILITIES AND SHAREHOLDERS' EQUITY	*12.31.2016*
Deposits from banks	44,381
Deposits from customers and debt securities in issue	279,648
Financial liabilities held for trading	14,557
Financial liabilities at fair value through profit or loss	2,103
Hedging instruments	8,920
Provisions for risks and charges	3,407
Tax liabilities	162
Liabilities included in disposal groups classified as held for sale	3
Other liabilities	8,310
Shareholders' Equity	32,697
- capital and reserves	*43,718*
- revaluation reserves for available-for-sale financial assets - cash flow hedges - from defined benefit plans	*439*
- net profit (loss)	*(11,460)*
Total liabilities and shareholders' equity	**394,188**

(Amounts in € million)

UniCredit S.p.A. – Condensed Income Statement 2016

	12.31.2016
Net interest	3,693
Dividends and other income from equity investments	1,173
Net fee and commission income	3,574
Net trading, hedging and fair value income	360
Net other expenses/income	110
OPERATING INCOME	**8,910**
Staff expenses	(3,298)
Other administrative expenses	(2,839)
Recovery of expenses	586
Impairment/write-backs on intangible and tangible assets	(134)
Operating costs	**(5,685)**
OPERATING PROFIT (LOSS)	**3,225**
Net write-downs of loans and provisions for guarantees and commitments	(10,379)
NET OPERATING PROFIT (LOSS)	**(7,154)**
Net provisions for risks and charges	(1,501)
Integration costs	(1,163)
Net income from investments	(1,444)
NET PROFIT (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS	**(11,262)**
Income tax for the period	(198)
Goodwill impairment	-
NET PROFIT	**(11,460)**

(Amounts in € million)

SECTION 21 - Earnings per share

21.1 Average number of diluted ordinary shares

Basic earnings per share are calculated by dividing the net profit by the average number of ordinary shares outstanding during the first half.

	06.30.2017	*06.30.2016*
Net profit for the period (€ thousands)	104,267	117,782
Average number of outstanding shares	606,769,353	605,329,747
Average number of outstanding shares (including potential ordinary shares with dilution effect))	609,347,306	608,564,622
Basic Earnings Per Share	0.17	0.19
Diluted Earnings Per Share	0.17	0.19

21.2 Other information

No data to report.

PART E - INFORMATION ON RISKS AND 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 Bank in collaboration with the same function of the Parent Company, which performs its role of guidance, coordination and control of risks at Group level. The organisational model considers a specific point of reference for Italy through the Chief Risk Officer function (CRO) of the Parent Company, to which has been assigned the responsibilities related to credit risks, operational risks and reputational risks of the Italian perimeter, as well as the managerial coordination of Risk Management functions in the Italian Legal Entities - among which FinecoBank - have been assigned.

The Bank 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 Parent Company, 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 promoting a company culture that empowers controls, in compliance with the indications and principles contained in the Supervisory Instructions, setting and approving strategies for identifying and evaluating risk, and approving the strategic guidelines and risk management 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 Bank'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, in line with the instructions and the guidelines of the Parent Company, is responsible for credit operations and risk management. The disclosure, at various levels, is provided by the Strategic Bodies and Officers (Chief Executive Officer and General Manager, Board of Directors, Risk and Related Parties Committee, and Risk Committee). In relation to the Basel II 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 and adapting the Group Risk Appetite Framework to FinecoBank 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 Bank’s overall risk profile by monitoring the various types of risk exposure, in accordance with the methods established by the Parent Company.

The Risk Management Unit prevents and monitors different components of Bank risks. The function specifically controls credit, market and operational risks to which the Bank 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 Bodies and Officers.

Given the complexity of the Bank’s activities and the significant risks involved, the Board of Directors of the Bank decided to establish a 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.

The corporate governance structure for operational risk involves the establishment of the management Risks Committee, which defines the strategies for the mitigation and assessment of all types of risk, within the directives issued by the Parent Company, and approves and validates the internal procedures and operating manuals for operational risk.

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 Bank's new business activities, as well as creating and disseminating a risk culture in the various functional areas.

Section 1 – Credit Risk

Qualitative information

1. General Matters

The Bank’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.

In the first half 2017, the lending was mainly characterised by higher disbursement of Personal Loans, the increase in the use of credit lines and the introduction of the new Mortgage product introduced at the end of November 2016.

From May 2016, in order to facilitate the provision of loans up to €15,000, the bank has set up an automatic instant approval procedure that automatically approves loans under certain conditions.
During the year, loans to ordinary customers grew due to an increased number of credit lines granted for the product "Fido con Mandato a Vendere su Amministrato e Sicav" (Credit line backed by assets under management and SICAVs, with mandate for selling): with this product, customers can obtain a credit line in proportion to the amount of securities they hold. The offering is designed to meet the liquidity needs of affluent customers to avoid divestitures. The stock of loans also rose as a result of the increase in the granting of personal loans.
The provision of mortgages is currently reserved to the purchase of first and second homes (including subrogation) and does not include any types of riskier mortgages (high loan to value, interest only, etc.).

Choices concerning the investment of the Bank's liquidity are governed by a prudential approach aimed at containing credit risk and mainly involve deposits with UniCredit S.p.A. and the subscription of bonds issued by the latter. In order to optimise its portfolio, by diversifying counterparty risk, in the first half 2017 the Bank also increased its exposure to Spanish government securities by €700 million and to Italian government securities by €257 million.

The Bank also issued and approved the policy "Issuer risk in bonds - Contingency Plan" 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 Bank's portfolio to issuer risk; through this analysis it is possible to identify the emergence of abnormal situations and assess the need for corrective actions to avoid deterioration of the portfolio position.

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 and in the Group archives.

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.
In line with the general principles laid down by the Supervisory 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 Bank 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 Bank 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.

In addition to the risk associated with the granting and disbursement of credit, the Bank is also exposed to counterparty risk for all clearing and pre-clearing operations with the institutional and banking counterparties necessary to conduct the Bank’s business. 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. The counterparties in these transactions could default as a result of insolvency, political and economic events, lack of liquidity, operating problems or other reasons.

Other transactions involving counterparty risk are:

- entering into derivative contracts;
- purchasing and selling securities, futures, or currencies;
- holding third-party securities.

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 Bank monitors and manages the specific risk of each counterparty and the overall risk of loan portfolios through procedures, structures and rules that steer, govern and standardise the assessment and management of credit risk, in line with the Group principles and best practice, and which are capable of extending their effectiveness to all phases of the economic cycle.

The Bank reports all information to the Parent Company that can help it in its assessment of each FIBS counterparty ("Financial Institutions, Banks and Sovereigns") that the Bank intends to have dealings with and with respect to whom a risk limit (ceiling) is to be set within which the Group intends to operate.
The 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, the Parent Company assigns the Bank a risk limit that has to be monitored.

2.2 Management, measurement and control system

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 and private data provided by Credit rating bureaus, Risk Center data flows or information requests submitted to the Bank of Italy, Group archives with data relating to positions shared with other Group banks and other performance information on customers, stored by the Bank. 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, the Group 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 collective write-downs of the "performing" loan portfolio are determined using migration rates, through transition matrices, both from performing loans to non-performing loans and for each classification status (impaired past-due, unlikely to pay, non-performing) by combining the default rates with the expected recovery rates individually calculated for non-performing loans and taking account of any supporting guarantees.

The global assessment of portfolio risks, in order to identify the sustainability of the asset and the remuneration margins, is made both with the assistance of a tool shared with the Parent Company (Credit Tableau de Bord), which contains all the main risk indicators and the largest receivables of those listed, and with the support of specific product reports which identify the trend of default rates, broken down by disbursement period and default level.

The monitoring of credit risk as part of the management of the trading book is conducted by breaking it down into rating class and issuer sector, which determine the implicit risk of contracts.

2.3 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, liens 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 Bank from the requirement to carry out on overall assessment of the credit risk, primarily centred around 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.

2.4 Impaired loans

Loans are classified as unlikely to pay, impaired past-due or non-performing in accordance with the criteria set forth by the Bank of Italy and the thresholds established by the Parent Company. The classification as non-performing, 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 classified positions 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 actions that may be taken to recover debts by ranking them by seniority of expiration.

Quantitative information

A. Credit quality

A.1 Impaired and unimpaired loans: amounts, write-downs, changes, distribution by business activity/region

A.1.1 Breakdown of credit exposures by portfolio and credit quality (book value)

Portfolio/quality	Non-performing loans	Unlikely to pay	Past-due impaired loans	Past-due unimpaired loans	Other unimpaired exposures	Total
1. Available-for-sale financial assets	-	-	-	-	1,504,349	1,504,349
2. Held-to-maturity investments	-	-	-	-	3,252,009	3,252,009
3. Loans and receivables with banks	-	-	-	-	14,827,089	14,827,089
4. Loans and receivables with customers	2,778	433	633	11,885	1,488,138	1,503,867
5. Financial assets designated at fair value through p	-	-	-	-	-	-
6. Financial instruments classified as held for sale	-	-	-	-	-	-
Total June 30, 2017	**2,778**	**433**	**633**	**11,885**	**21,071,585**	**21,087,314**
Total December 31, 2016	**2,662**	**399**	**598**	**9,732**	**20,492,946**	**20,506,337**

(Amounts in € thousand)

As at June 30, 2017 there were no impaired purchased loans.

A.1.2 Breakdown of credit exposures by portfolio and credit quality (gross and net values)

Portfolio/quality	Impaired assets			Unimpaired assets			Total (net exposure)
	Gross exposure	Specific impairment	Net exposure	Gross exposure	Portfolio impairment	Net exposure	
1. Available-for-sale financial assets	-	-	-	1.504.349	-	1.504.349	1.504.349
2. Held-to-maturity investments	-	-	-	3.252.009	-	3.252.009	3.252.009
3. Loans and receivables with banks	-	-	-	14.827.089	-	14.827.089	14.827.089
4. Loans and receivables with customers	23.550	(19.706)	3.844	1.509.669	(9.646)	1.500.023	1.503.867
5. Financial assets designated at fair value through p	-	-	-	X	X	-	-
6. Financial instruments classified as held for sale	-	-	-	-	-	-	-
Total June 30, 2017	**23.550**	**(19.706)**	**3.844**	**21.093.116**	**(9.646)**	**21.083.470**	**21.087.314**
Total December 31, 2016	**22.370**	**(18.711)**	**3.659**	**20.512.175**	**(9.497)**	**20.502.678**	**20.506.337**

(Amounts in € thousand)

Portfolio/quality	Assets with of clearly poor credit quality		Other assets
	Accumulated unrealised loss	Net exposure	Net exposure
1. Financial assets held for trading	-	-	6,528
2. Hedging derivatives	-	-	-
Total June 30, 2017	**-**	**-**	**6,528**
Total December 31, 2016	**-**	**-**	**5,460**

(Amounts in € thousand)

A.1.3 On-balance sheet and off-balance-sheet credit exposures to banks: gross values, net values and past due bands

Type of exposure/Amount	Gross exposure					Specific impairments	Portfolio impairments	Net exposure
	Impaired assets				Unimpaired assets			
	Up to 3 months	Between 3 months and 6 months	Between 6 months and 1 year	Over 1 year				
A. On-balance sheet exposures								
a) Non-performing loans	-	-	-	-	X	-	X	-
- of which: forborne exposures	-	-	-	-	X	-	X	-
b) Unlikely to pay	-	-	-	-	X	-	X	-
- of which: forborne exposures	-	-	-	-	X	-	X	-
c) Past-due impaired loans	-	-	-	-	X	-	X	-
- of which: forborne exposures	-	-	-	-	X	-	X	-
d) Unimpaired past-due loans	X	X	X	X	-	X	-	-
- of which: forborne exposures	X	X	X	X	-	X	-	-
e) Other unimpaired exposures	X	X	X	X	14,827,126	X	-	14,827,126
- of which: forborne exposures	X	X	X	X	-	X	-	-
Total A	**-**	**-**	**-**	**-**	**14,827,126**	**-**	**-**	**14,827,126**
B. Off-balance sheet exposures								
a) Impaired	-	-	-	-	X	-	X	-
b) Unimpaired	X	X	X	X	1,884,073	X	-	1,884,073
Total B	**-**	**-**	**-**	**-**	**1,884,073**	**-**	**-**	**1,884,073**
Total A+B	**-**	**-**	**-**	**-**	**16,711,199**	**-**	**-**	**16,711,199**

(Amounts in € thousand)

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 €60,889 thousand, and the commitment to pay funds not certain to be called on relating to the Liquidity Framework Agreement signed in 2016 with the Parent Company and renewed in 2017, amounting to €1,567,000 thousand.
There were no securities lending transactions collateralised by other securities or without a cash guarantee with banks.

A.1.4 Impaired on-balance sheet credit exposures to banks: gross change in impaired exposures

No data to report.

A.1.4bis On-balance sheet credit exposures to banks: breakdown of gross forborne exposures by credit quality

No data to report.

A.1.5 On-balance sheet credit exposures to banks: trend in total write-downs

No data to report.

A.1.6 On-balance sheet and off-balance-sheet credit exposures to customers: gross values, net values and past due bands

Type of exposure/Amount	*Gross exposure*					*Specific impairments*	*Portfolio impairments*	*Net exposure*
	Impaired assets				*Unimpaired assets*			
	Up to 3 months	*Between 3 months and 6 months*	*Between 6 months and 1 year*	*Over 1 year*				
A. On-balance sheet exposures								
a) Non-performing loans	17	35	1,068	19,002	X	(17,344)	X	2,778
- of which: forborne exposures	-	3	4	102	X	(92)	X	17
b) Unlikely to pay	158	282	599	1,012	X	(1,618)	X	433
- of which: forborne exposures	99	17	17	16	X	(103)	X	46
c) Past-due impaired loans	440	657	185	94	X	(744)	X	633
- of which: forborne exposures	-	6	12	-	X	(7)	X	11
d) Unimpaired past-due loans	X	X	X	X	12,077	X	(192)	11,885
- of which: forborne exposures	X	X	X	X	48	X	(3)	44
e) Other unimpaired exposures	X	X	X	X	6,253,955	X	(9,454)	6,244,501
- of which: forborne exposures	X	X	X	X	126	X	(1)	125
Total A	**615**	**974**	**1,852**	**20,108**	**6,266,032**	**(19,706)**	**(9,646)**	**6,260,230**
B. Off-balance sheet exposures								
a) Impaired	55	-	-	-	X	-	X	55
b) Unimpaired	X	X	X	X	345,655	X	-	345,655
Total B	**55**	**-**	**-**	**-**	**345,655**	**-**	**-**	**345,710**
Total A+B	**670**	**974**	**1,852**	**20,108**	**6,611,687**	**(19,706)**	**(9,646)**	**6,605,940**

(Amounts in € thousand)

As at June 30, 2017, there were no unimpaired loans to customers renegotiated under collective agreements and no impaired purchased loans.

Breakdown by maturity of unimpaired past-due loans, amounting to €12,077 thousand (€9,980 thousand as at December 31, 2016), is as follows:

- past due between 1 day and 90 days of €11,631 thousand (€9,919 thousand as at December 31, 2016);
- past due between 90 days and 180 days of €378 thousand (€58 thousand as at December 31, 2016);
- past due between 180 days and 1 year of €68 thousand (€3 thousand as at December 31, 2016).

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 €257,472 thousand.

There were no securities lending transactions without a cash guarantee or not collateralised by other securities with customers.

A.1.7 On-balance sheet credit exposures to customers: gross change in impaired exposures

Source/Categories	*Non-performing loans*	*Unlikely to pay*	*Past-due impaired loans*
A. Opening balance gross exposure	**19,334**	**1,906**	**1,130**
of which: assets sold but not derecognised	-	-	-
B. Increases	**1,639**	**2,018**	**3,164**
B.1 transfers from performing exposures	38	164	2,809
B.2 transfers from other categories of impaired exposures	1,490	1,639	-
B.3 other increases	111	215	355
C. Decreases	**(851)**	**(1,873)**	**(2,917)**
C.1 transfers to performing exposures	-	(82)	(442)
C.2 derecognitions	(388)	(23)	-
C.3 collections	(463)	(241)	(758)
C.4 proceeds from disposals	-	-	-
C.5 losses on disposal	-	-	-
C.6 transfers to other categories of impaired exposures	-	(1,490)	(1,639)
C.7 other decreases	-	(37)	(78)
D. Gross exposure closing balance	**20,122**	**2,051**	**1,377**
of which: assets sold but not derecognised	-	-	-

(Amounts in € thousand)

A.1.7bis On-balance sheet credit exposures to customers: breakdown of gross forborne exposures by credit quality

Source/Category	*Forborne exposures: impaired*	*Forborne exposures: unimpaired*
A. Opening balance gross exposure	**258**	**164**
of which: assets sold but not derecognised	-	-
B. Increases	**278**	**114**
B.1 transfers from performing exposures not forborne	58	82
B.2 transfers from performing forborne exposures	42	X
B.3 transfers from impaired forborne exposures	X	17
B.4 other increases	178	15
C. Decreases	**(260)**	**(105)**
C.1 transfers to performing exposures not forborne	X	-
B.2 transfers to performing forborne exposures	(107)	X
C.3 transfers to impaired forborne exposures	X	(37)
C.4 derecognitions	(7)	-
C.5 collections	(70)	(68)
C.6 proceeds from disposals	-	-
C.7 losses on disposal	-	-
C.8 other decreases	(76)	-
D. Gross exposure closing balance	**276**	**173**
of which: assets sold but not derecognised	-	-

(Amounts in € thousand)

A.1.8 Impaired on-balance sheet credit exposures to customers: trend in total write-downs

Source/Categories	*Non-performing loans*		*Unlikely to pay*		*Past-due impaired loans*	
	Total	*Of which: forborne exposures*	*Total*	*Of which: forborne exposures*	*Total*	*Of which: forborne exposures*
A. Total opening impairment	**(16,672)**	**(103)**	**(1,507)**	**(88)**	**(533)**	**(4)**
of which: assets sold but not derecognised	-	-	-	-	-	-
B. Increases	**(1,557)**	**(6)**	**(737)**	**(46)**	**(662)**	**(7)**
B.1 impairment losses	(804)	(5)	(663)	(33)	(662)	(7)
B.2 losses on disposal	-	-	-	-	-	-
B.3 transfers from other categories of impaired exposures	(736)	(1)	(61)	-	-	-
B.4 other increases	(17)	-	(13)	(13)	-	-
C. Decreases	**885**	**17**	**626**	**31**	**451**	**4**
C.1 write-backs from assessments	177	2	26	16	95	-
C.2 write-backs from recoveries	320	9	40	13	83	4
C.3 gains on disposal	-	-	-	-	-	-
C.4 derecognitions	388	6	23	-	-	-
C.5 transfers to other categories of impaired exposures	-	-	524	2	273	-
C.6 other decreases	-	-	13	-	-	-
D. Final overall impairment	**(17,344)**	**(92)**	**(1,618)**	**(103)**	**(744)**	**(7)**
of which: assets sold but not derecognised	-	-	-	-	-	-

(Amounts in € thousand)

Information on Sovereign Exposures

The Bank is exposed to the sovereign debt of some countries, having invested a portion of its assets in debt securities issued by governments and, specifically, in securities issued by the Italian, Spanish, French and US governments. The following table shows the nominal value, the book value and the fair value of these exposures as at June 30, 2017.

	Nominal value as at 06.30.2017	*Book value as at 06.30.2017*	*Fair value as at 06.30.2017*	*% of financial statement item*
Exposures to the Italian government	**2,580,002**	**2,734,453**	**2,743,162**	
Financial assets held for trading	2	3	3	0.03%
Available-for-sale financial assets	1,144,000	1,177,999	1,177,999	78.10%
Held-to-maturity investments	1,436,000	1,556,451	1,565,160	47.86%
Exposures to the Spanish government	**1,700,000**	**1,943,178**	**1,948,116**	
Available-for-sale financial assets	225,000	247,619	247,619	16.42%
Held-to-maturity investments	1,475,000	1,695,559	1,700,497	52.14%
Exposures to the German government	**1**	**1**	**1**	
Financial assets held for trading	1	1	1	0.01%
Exposures to the French government	**10,000**	**10,148**	**10,148**	
Available-for-sale financial assets	10,000	10,148	10,148	0.67%
Exposures to the US government	**70,102**	**68,583**	**68,583**	
Available-for-sale financial assets	70,102	68,583	68,583	4.55%
Exposures to the Greek government	**117**	**-**	**-**	
Available-for-sale financial assets	117	-	-	0.00%
Exposures to the Brazilian government	**1**	**1**	**1**	
Financial assets held for trading	1	1	1	0.01%
Total Sovereign exposures	**4,360,223**	**4,756,364**	**4,770,011**	**22.11%**

(Amounts in € thousand)

As at June 30, 2017, investments in debt securities issued by sovereign states accounted for 22.11% of the Bank's total assets. There were no structured debt securities among the sovereign debt securities held by the Bank. The Bank 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 Bank's financial position and performance.

The following table shows the sovereign ratings as at June 30, 2017 for countries to which the Bank is exposed as at June 30, 2017, provided by Fitch Ratings, Moody's and Standard & Poor's.

	Italy	*Spain*	*Germany*	*France*	*USA*
MOODY'S	Baa2	Baa2	Aaa	Aa2	Aaa
FITCH RATINGS	BBB-	BBB+	AAA	AA	AAA
STANDARD & POOR'S	BBB-	BBB+	AAA	AA	AA+

Section 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 Bank'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 Parent Company's Board of Directors lays down strategic guidelines for taking on market risks by calculating capital allocation for the Parent company and its subsidiaries, depending on risk appetite and value creation objectives in proportion to risks assumed.

The Board of Directors of Bank, in line with the Group's approach, approves a general framework of reference for market risk and any significant changes, relating to the organisational structure, strategies, and methods.

The Bank's strategy is to keep the minimum level of market risk in line with business needs and the limits set by the Parent Company.

Market risk in FinecoBank is defined through two sets of limits:

• Global 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 measurements of market risk (Sensitivity limits, Stress scenario limits, Nominal limits): which exist independently of, but act in concert with the global 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

In order to ensure the effective implementation of operations and the consistency of policies, methods and practices related to market risk in the Group legal entities, the Group model for activities related to market risk is based on the definition of specific responsibilities.

In its relations with FinecoBank, the Parent Company is mainly responsible for:

- establishing, implementing and refining appropriate measures at global level for measuring exposure to market risk;
- setting risk limits, based on measurements identified, in line with the risk appetite approved by the Group.

The Market Risk function of the Bank, within the Risk Management Unit, in full compliance with local legal and regulatory obligations, works together with the Italy Financial Risk Function of the Parent Company and is tasked primarily – but not exclusively – with:

- 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 Italy Financial Risk function of the Parent Company;
- discussing and approving new products with innovative and complex market risk profiles, providing the Financial Risk Italy function of the Parent Company with adequate information in order for the said function to issue a non-binding opinion on the matter.

Risk measurement and reporting systems

Trading Book

The main tool used by the Bank 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 Bank's competent Bodies. The Parent Company is responsible for monitoring market risk in the banking book at consolidated level, while sharing this responsibility with the relevant functions of the Legal Entities at local level.

The Parent Company, defines structure, data and frequency of the necessary Group and local level 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 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 both the value and net interest margin risk aspects. 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 Bank 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 Bank 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.

According to the Group Market Risk Governance Guidelines, which define principles and rules for managing and controlling activities potentially involving a market risk, in order to ensure the adequate separation between functions in charge of development activities and functions in charge of validation, all valuation models developed by the front-office functions of Group companies need to be centrally and independently tested and validated by the Market Risk functions of the Parent Company. Model validation is also carried out centrally for any novel system or analysis framework whose utilisation has a potential impact on the Bank'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

<u>VaR</u>

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 adopted by the Parent Company 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 Bank does not perform proprietary trading and does not assume speculative positions in its books. Entries in the Bank'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 Bank 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

1. Regulatory trading book: internal models and other methods of sensitivity analysis

The Bank monitors the VaR of the Trading Book on a weekly basis.

As at June 30, 2017, the daily VaR of the trading book amounted to €149 thousand.

2.2 Interest rate risk and price risk – banking book

Qualitative information

A. 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 Bank’s earnings (cash flow risk);
- the net present value of assets and liabilities, due to their impact on the present value of future cash flows (fair value risk).

In line with the Group approach, the Bank measures and monitors interest rate risk daily, within the methodological framework and the corresponding limits or thresholds set by the Parent Company. 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:

- repricing risk: the risk resulting from timing mismatches in terms of the repricing of the bank's assets and liabilities. These mismatches result in a risk associated with the rate curve. This risk relates to the Bank's exposure to changes in the slope and shape of the interest rate curve. An associated risk is the basis risk. This risk derives from the imperfect correlation in lending and borrowing interest rate changes for different instruments that may also show similar repricing characteristics;
- optionality 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 risk previously agreed with the Parent Company. 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*.

B. Fair value hedging activities

Hedging strategies aimed at complying with interest rate risk limits for the banking portfolio are carried out with unlisted derivative contracts. These derivatives, which are usually interest rate swaps, are the type of contracts most used. Macro-hedging is generally used, meaning hedges related to the amounts of cash contained in asset or liability portfolios.

C. Cash flow hedging activity

There are currently no cash flow hedges generated by the Bank business operations.

D. Hedges of foreign investments

There are currently no hedges of foreign investments within the Bank's business operations.

Quantitative information

1. 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 Bank's financial statements it is necessary to measure the sensibility of the loans and deposits to changes in the interest rate curve. The Group 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 availability of historic data made it possible to completely align the representation of the interest rate risk profile to the profile used by the Group and that representation provided the breakdowns below.

The following table provides the results of the analyses conducted.

Currency	Value analysis (Shift + 200 bp)	Value analysis (Shift - 200 bp)	Value analysis (Shift + 1 bp)	IRVaR*
EUR	40,961.6	(56,173.3)	240.4	3,463.8
USD	(4,292.6)	44,824.3	(22.7)	314.2
Other currencies	258.1	(-263.9)	1.3	
Total	**+36,927.1**	**(51,612.9)**	**219.0**	**3,206.0**

(Amounts in € thousand)

*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 an impact of €37 million. A shift of -200 basis points showed a negative impact of -€51 million.

The sensitivity analysis on the value of shareholders' equity, which was conducted assuming a shift of + 1 basis point, showed an overall positive impact of €219 thousand.

The interest rate VaR figure for the Bank came to approximately €3,464 thousand.

Total VaR, including the Credit Spread Risk component arising from Italian and Spanish government securities held as investment of liquidity, amounted to €18,662 thousand.

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 Bank collects funds in foreign currencies, mainly US dollars, through customer current accounts and repos, subsequently investing these funds in bonds, current accounts and time deposits, in the same currency, with the Parent Company. The impact on the value of balance sheet items is estimated using the Forex VaR indicator.

The VaR of the Bank'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 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

Internal models and other methods of sensitivity analysis

As at June 30, 2017, the daily Forex VaR of the overall portfolio (banking and trading books) was approximately €110 thousand.

Section 3 – 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 Bank, 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 managed by the Bank are:

- short-term liquidity risk, namely the risk of non-conformity between the amounts and/or the maturities of cash inflows and cash outflows in the short term (less than one year)
- market liquidity risk, the risk that the bank may face a considerable (and unfavourable) price change generated by external or internal factors that result in losses from the sale of assets considered to be liquid. At worst, the bank might not be able to liquidate those positions;
- Structural Liquidity Risk, defined as the bank’s inability to raise the necessary funds, in a stable and sustainable manner, needed to maintain an adequate ratio between medium to long-term (over one year) assets and liabilities at a reasonable pricing level, without affecting the Bank’s daily operations or financial position.
- stress or contingency risk is related to future and unexpected obligations (for example deposit withdrawals) and may require a greater amount of liquidity from bank compared to that considered necessary for running the ordinary business;
- intragroup liquidity risk originates from excessive exposure or dependence towards/from a counterparty of the Group.

To address its exposure to liquidity risk, the Bank 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.

The liquidity risk is also included in the Risk Appetite Framework through a series of specific indicators.

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 in line with the Group liquidity risk management.

Roles and responsibilities

The "Fineco Liquidity Policy" establishes the principles adopted in terms of internal governance, which envisage the involvement of the Finance, Treasury and Risk Management departments, in line with the Group's approach.

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 implementing the rules on liquidity risk, the application of selected risk metrics and methodologies and the approval and compliance with risk limits.

To this end, "Fineco Liquidity Policy" explicitly refers to Group rules regarding the implementation of first and second level monitoring, both from a regulatory and management standpoint:

1. Short-term liquidity risk management (operational liquidity), which considers the events that will impact upon the Bank's liquidity position from one day up to one year. The primary objective is to maintain the Bank's capacity to fulfil its ordinary and extraordinary payment obligations while minimising the relevant costs.
2. Structural liquidity risk management (structural risk), which considers the events that will impact upon the Bank'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).
3. Stress tests: Liquidity risk is a low probability, high impact event. Therefore stress testing is a tool to reveal potential vulnerabilities in the Balance Sheet. The Bank uses several scenarios ranging from general market crisis to idiosyncratic crisis, and combinations hereof.

In this context, the Bank 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 Bank from risks related to the transformation of maturity.

Short term liquidity management

Short-term liquidity management aims at ensuring that the Bank 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 Bank calculates the Operative Maturity Ladder, which measures the cash inflows and outflows affecting the monetary base, with details of the main temporal buckets.

The Bank’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 Bank'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 Bank adopts a prudent approach to its investments of liquidity, taking into account funding maturities.

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 Bank uses scenario analysis to evaluate the impact of simultaneous changes in various risk factors, defining a hypothetical and consistent stress event whose assumptions and size are shared and agreed with the Parent Company’s functions.

Behavioural modelling of Assets and Liabilities

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.

More specifically, modelling of assets and 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 the CFO Department of FinecoBank in collaboration with the Planning, Finance and Administration function of the Parent Company and validated by the Risk Management function of the Parent Company and FinecoBank.

FinecoBank Contingency Liquidity Policy

A liquidity crisis is a high impact, low probability event. Therefore, a crisis-mode operating model, that can be activated effectively in case of crisis according to an approved procedure, has been defined in FinecoBank "Contingency Plan for liquidity risk".

The ability to act in time is essential to minimise the potentially disruptive consequences of a liquidity crisis. The analytics of the Stress tests form a valuable tool to identify the expected consequences and to define up front the most suitable actions in a certain crisis scenario. In combination with Early Warning Indicators (EWI) the Bank may be able to reduce the liquidity effects in the initial stages of a crisis.

FinecoBank "Contingency Plan on liquidity risk" has the objective of ensuring effective interventions 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:

- a series of early warning indicators that can help identify a potential emerging liquidity crisis;
- activation of extraordinary liquidity governance and operating model;
- a set of available mitigating liquidity actions;
- coherent internal and external communications.

Early Warning Indicators

In accordance with the Group approach, FinecoBank has a system of Early Morning Indicators. This system is used to continuously monitored situations of stress, which may be originated by the market, the industry sector or idiosyncratic events. These indicators are based on microeconomic market variables that reflect the monetary policy approach of the Central Banks, or, also, on specific internal metrics. The system of Early Morning Indicators helps to identify emerging vulnerabilities in the Group's liquidity risk position or potential funding needs, triggering a series of decisions taken by the senior management. A "traffic light approach” has been adopted for each indicator to provide sufficient time to inform the senior management and to set up the corrective actions aimed at restoring the liquidity to ordinary levels.

Section 4 - Operational 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, 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.

Group operational risk framework

In the UniCredit Group the operational risk management framework is a combination of policies and procedures for controlling, measuring and mitigating operational risk within the Group and the subsidiaries. Operational risk policies, applicable to all Group entities, 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 approved by the Board of Directors.

The methods for classifying data and verifying its completeness, scenario analysis, risk indicators and risk capital reporting and measurement are set by the Group Operational & Reputational Risks department of the Parent Company and applied by FinecoBank in its capacity as a Group Legal Entity. A pivot element of the risk control framework is the operational risk management application, allowing the collection of the data required for operational risk control and capital measurement.

The compliance of the operational risk control and measurement system with external regulations and Group standards is assessed through an internal validation process, under the responsibility of the Group Internal Validation department of the Parent Company, which is independent from the Group Operational & Reputational Risks department.

The Bank has obtained the approval of the Bank of Italy for the use of advanced approaches (AMA) to calculate its capital requirement for operational risk with effect from June 30, 2010.

Organisational structure

The Strategic Direction Body is responsible for approving all aspects relating to the Group 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, with support from the appropriate risk committees if required.

In addition to the Strategic Direction Body, the corporate governance structure for operational risk consists of the **Risks Committee** – introduced from June 24, 2009 – which examines all risk issues submitted to it, and approves and validates the internal procedures and operating manuals for operational risk.

The reports produced by Risk Management for the Risks Committee and for the Board of Directors ensure that management and the control bodies are constantly updated on the trend in operational risk within the Bank and can actively intervene in the management and mitigation of the risks. The Chief Risk Officer's participation in the **Products Committee** ensures oversight of the operational risk associated with the Bank'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 Bank;
- generating reports for Senior Management on risk trends.

Internal validation process

In compliance with external regulations, the operational risk control and measurement system is subject to an internal validation process established by the Parent Company, in order to verify its compliance with minimum requirements and Group standards. This process is owned by the Operational and Pillar II Risk Validation Unit, within the Group Internal Validation department.

The use of the Advanced Measurement Approach (AMA) to calculate regulatory capital requires the preparation of an annual report on the management and control system for operational risk by the Operational Risk team. This Annual Report contains a self-assessment of the system and a detailed examination of the governance structure, the process for collecting data on losses, the scenario analyses and internal control system, as well as the operational use of the measurement system.

The Report is submitted to the approval of the Board of Directors and is validated by the Internal Audit department and Group GIV (Group Internal Validation). For 2016, the Internal Audit department and Group GIV confirmed that adequate protection measures are in place for operating risk as well as the adequacy of the existing management and control system.

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.

The Risks Committee and the Product Committee, from September 2011, have been joined by a Permanent Work Group (PWG), whose members include the CRO, the Risk Manager, Information Security & Fraud Management and the Organisation function aimed at sharing their respective expertise in relation to the projects planned or under way,

new processes and products, or changes to them, and anything else that may affect the Bank'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 (30 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 capital measurement and allocation mechanism

UniCredit developed an internal model for measuring the capital requirement. The capital requirement is calculated on the basis of internal loss data, external loss data, scenario loss data and risk indicators.

The collection and classification of operating losses is managed by a Group system called Application for Risk Gauging On line (ARGO). In addition to being used for internal prevention and improvement purposes, the information gathered is also used to calculate Pillar 1 and 2 capital requirements.

In terms of risk indicators, there are currently 41 key risk indicators split into eight control areas (Legal, Claims, Credit Cards, Back Office, PFA, IT systems, Payment Systems, Compliance) that contribute to the calculation of the regulatory capital, which the Bank 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 Bank’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.
The inclusion of the data generated through the analyses of the scenario and of the trend of risk indicators are a forward-looking element of the risk capital calculation model.
Data collection and control is managed at local level, while the management and maintenance of the model to calculate regulatory capital is centralised for all Legal Entities of the Group at the Parent Company.
Risk capital for operational risk used for regulatory purposes as at June 30, 2017, amounted to €59,344 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. 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. Specifically, as a precaution against these obligations and customer claims that have not yet resulted in legal proceedings, as at June 30, 2017, the Bank had a provision in place for risks and charges of €30,269 thousand.

Risks arising from tax disputes and audits

Risks arising from tax disputes and inspections as at June 30, 2017 mainly related 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, penalties and interest due. With regard to this dispute, the higher taxes and the penalties have already been recognised in the income statement with a contra entry, respectively, in tax liabilities and the provision for risks and charges. Furthermore, a tax credit for the amount paid has been recognised.

In light of the foregoing, as at June 30, 2017 the Bank had in place provisions that adequately reflect the specific circumstances and are in line with international accounting standards; specifically, to tax liabilities for a total of €5.6 million, for higher tax, and to provisions for risks and charges of €4.1 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 Bank'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 Bank’s assets (hardware and software).

The Parent Company, in performing its role of direction, coordination and control, has established a common framework for the entire Group for the assessment of ICT risk and FinecoBank Risk Management function has adopted that framework[7].

The results of the analysis, conducted in collaboration with the Bank’s Business, ICT and Organisation departments, were reported to the Bank’s Board of Directors during 2016.

Quantitative information

Internal operating loss data is the main component used to calculate capital requirements against operational risk. Loss analyses enable the ORM team to make assessments on the Bank's exposure to operational risk and to identify any critical areas. As at June 30, 2017, operating losses recorded in the accounts amounted to approximately €2.16 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 New Basel II Accord:

[7] (*) For the business processes analysed the assessment involved the quantitatively assessing the risk through scenario analysis. Upon completion of the work, Risk Management submitted the results of the analysis to the attention of the Risk Takers who, in view of the volumes of business, accepted the remaining risk without the need to identify additional mitigation measures.

- 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 bank or a resource hired under an agency contract;
- External fraud: losses owing to fraud, embezzlement or violation of laws by subjects external to the bank;
- 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.

Section 5 - Other Risks and information

Although the types of risk described above represent the main categories, there are, other types that the Bank considers important. In accordance with the provisions of Basel II Pillar 2, the Bank – with the support of the Parent Company – has identified other types of risk in addition to the credit, market, operational and liquidity risks described above:

- **Business risk** is defined as adverse, unexpected changes in business volume and/or margins that are not due to credit, market and operational risks. Business risk can result, above all, from a serious deterioration in the market environment, changes in the competitive situation or customer behaviour, as well as changes in the legal framework;
- **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 Bank's image by Customers, counterparties, shareholders, investors or Supervisory Authorities.

The Bank has not included Real Estate Risk within the Bank's scope of risk, because it does not hold significant positions in real estate, nor does it include Financial Investment Risk, as it does not possess large non-speculative financial investments.

Following the identification of the significant risks, the Parent Company establishes the best way to analyse them in qualitative and quantitative terms. The quantitative measurement is carried out by the Parent Company using data sent by the Bank and is used to calculate the Internal Capital.

Credit, market, operational and business risks are measured quantitatively by the Parent Company, using:

- economic capital, calculation of the benefit of diversification 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 by the Parent Company based on the periodic figures sent by the Bank.

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 Bank'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 and is periodically performed by specific Parent Company functions.

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 Group's approach to ICAAP relies on the definition of the "Risk Governance", as a preliminary requirement, while the process consists of following phases:

- setting the scope, and identifying and mapping the risks;
- measuring the risk profile and stress testing;
- 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 Bank 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 Bank decides to assume (or avoid) in a long-term perspective;
- specifying the types of risk that the Bank 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 cannot be quantified (e.g. strategic, reputational, compliance) to strategically guide the relevant processes and the internal control system.

The Risk appetite is defined consistently with the Bank's business model and local and Group ICAAP. For this reason, the Risk Appetite is incorporated in the budget process.
The risk appetite includes a statement and a set of KPIs. The Statement sets out the Bank's positioning in terms of strategic objectives and associated risk profiles, while the KPIs are designed to quantitatively measure the Bank'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 Bank's positioning under several respects: absolute values, ratio between comparable measures, sensitivity analysis on defined parameters.

The Targets represent the amount of risk that the Bank is willing to take in normal operating conditions in line with its Ambitions. The Targets should be considered as reference thresholds for business development. Triggers are the maximum acceptable deviation from the targets; they are defined to ensure operations under stress within the maximum acceptable level of risk.

Limits are the maximum level of risk that the Bank accepts to assume.

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 and considering the consistency with the Group risk appetite.
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.

PART F - SHAREHOLDERS' EQUITY

Section 1 - Bank's shareholders' equity

A. Qualitative information

The Bank has made a priority of capital management and allocation on the basis of the risk assumed in order to expand its operations and create value. These activities involve the various planning and control stages and, specifically, the planning, budgeting and monitoring processes (analysis of expected and actual performance, analysis and monitoring of limits, performance analysis and monitoring of capital ratios).

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.

Capital is managed dynamically: the Bank prepares the financial plan, monitors capital requirements for regulatory purposes and anticipates the appropriate steps required to achieve goals.

Monitoring refers, on 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).

B. Quantitative information

B.1 Bank's shareholders' equity: breakdown

	06.30.2017	*12.31.2016*
1. Share capital	200,545	200,246
2. Share premium reserve	1,934	1,934
3. Reserves	324,506	278,407
- from profits	291,842	250,247
a) legal	40,109	40,049
b) statutory	-	-
c) treasury shares	4,510	4,338
d) other	247,223	205,860
- other	32,664	28,160
4. Equity instruments	-	-
5. (Treasury Shares)	(4,510)	(4,338)
6. Revaluation reserves	(5,875)	(6,794)
- available-for-sale financial assets	(518)	(455)
- Property, plant and equipment	-	-
- Intangible assets	-	-
- Hedging instruments of foreign investments	-	-
- Cash flow hedges	-	-
- Exchange differences	-	-
- Non-current assets classified as held for sale	-	-
- Actuarial gains (losses) on defined benefit plans	(5,357)	(6,339)
- Revaluation reserves for associates carried at equity	-	-
- Special revaluation laws	-	-
7. Net Profit (Loss) for the year	104,267	211,844
Total	**620,867**	**681,299**

(Amounts in € thousand)

B.2 Revaluation reserves for available-for-sale financial assets: breakdown

Asset/Amount	*06.30.2017*		*12.31.2016*	
	Positive reserve	*Negative reserve*	*Positive reserve*	*Negative reserve*
1. Debt securities	10,016	(11,139)	12,040	(12,747)
2. Equity Instruments	605	-	252	-
3. UCITS units	-	-	-	-
4. Loans	-	-	-	-
Total	**10,621**	**(11,139)**	**12,292**	**(12,747)**

(Amounts in € thousand)

B.3 Revaluation reserves for available-for-sale financial assets: annual changes

	Debt securities	*Equity Instruments*	*UCITS units*	*Loans*
1. Opening balance	**(707)**	**252**	**-**	**-**
2. Increases	**2,256**	**353**	**-**	**-**
2.1 Fair value increases	1,115	353	-	-
2.2 Reclassification through profit or loss of negative reserv	-	-	-	-
- from impairment	-	-	-	-
- from disposal	-	-	-	-
2.3 Other increases	1,141	-	-	-
3. Decreases	**(2,672)**	**-**	**-**	**-**
3.1 Fair value reductions	(1,828)	-	-	-
3.2 Impairment losses	-	-	-	-
3.3 Reclassification through profit or loss of positive reserves:				
from disposal	-	-	-	-
3.4 Other decreases	(844)	-	-	-
4. Closing balance	**(1,123)**	**605**	**-**	**-**

(Amounts in € thousand)

B.4 Revaluation reserves on defined benefit obligations: annual changes

	Actuarial gains (losses) on defined benefits plans
1. Opening balance	**(6,339)**
2. Increases	**459**
2.1 Fair value increases	459
2.2 Other changes	-
3. Decreases	**-**
3.1 Fair value reductions	-
3.2 Other changes	-
4. Closing balance	**(5,880)**

(Amounts in € thousand)

Section 2 - Own funds and regulatory ratios

1.1 Own funds

A. Qualitative information

Own funds are measured on a quarterly basis in accordance with regulatory provisions. The results are reported to the Board of Directors and to the Parent Company.

Own Funds at June 30, 2017 amounted to €461,898 thousand and were calculated by applying the supervisory regulations in force according to the Basel III regulatory framework including transitional adjustments.

The Common Equity Tier 1 includes the profit for the first half (for the amount that will not be distributed calculated based on the average distribution rates for the last three years) assuming the conditions established Article 26.2 of the EU Regulation 575/2013 (CRR) are satisfied.

	06.30.2017	*12.31.2016*
Common Equity Tier 1 Capital - CET1	461,898	438,121
Additional Tier 1 – AT1	-	-
TIER 2 – T2	-	-
Total Own Funds	**461,898**	**438,121**

(Amounts in € thousand)

1. Common Equity Tier 1 - CET1

The financial instruments included in the Common Equity Tier 1 consist of 607,713,345 ordinary shares with a par value of €0.33 euro, amounting to €200,545 thousand, net of 745,844 treasury shares, amounting to €4,510 thousand. For information on the other items that make up the Common Equity Tier 1 see the details provided at the foot of the table presented in the Quantitative information.

2. Additional Tier 1 – AT1

As at June 30, 2017 there were no Additional Tier 1 items.

3. TIER 2 – T2

As at June 30, 2017 there were no Tier 2 items.

B. Quantitative information

	06.30.2017	*12.31.2016*
A. Common Equity Tier 1 - CET1 before application of prudential filters	**534,569**	**509,325**
of which CET1 instruments subject to transitional provisions	-	-
B. CET1 prudential filters (+/-)	(640)	(577)
C. CET1 before items to be deducted and the effects of the transitional arrangements (A +/- B)	**533,929**	**508,748**
D. Items to be deducted from CET1	**74,116**	**74,056**
E. Transitional arrangements – Impact on CET1 (+/-)	**2,085**	**3,429**
F. Total Common Equity Tier 1 Capital - CET1 (C - D +/- E)	**461,898**	**438,121**
G. Additional Tier 1 - AT 1 before items to be deducted and the effects of the transitional arrangements	**-**	**-**
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 - AT 1 (G - H +/- I)	**-**	**-**
M. Tier 2 (T2) 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)	**461,898**	**438,121**

(Amounts in € thousand)

A. Common Equity Tier 1 - CET1 first time application of prudential filters

The item includes:

- share capital, made up of 607,713,345 ordinary shares of a par value of €0.33 each, for an amount of €200,545 thousand;
- the share premium reserve of €1,934 thousand;
- the legal reserve, the extraordinary reserve and other reserves of €324,505 thousand;
- accumulated other comprehensive income (OCI), which consists of €74 thousand from the net positive reserve of debt securities issued by central governments of EU member countries, held in the "available-for-sale financial assets" portfolio after December 31, 2009, €592 thousand from the net negative reserve for equity instruments and debt securities other than those mentioned above held in the “Available for sale financial assets” portfolio and €5,357 thousand from the negative IAS19 Reserve;
- the share of profit for the first half 2017 to be allocated to reserves, for an amount of €19,961 thousand, calculated based on the average distribution rate for the last three years, assuming the conditions established by Article 26.2 of EU Regulation 575/2013 (CRR) have been satisfied. To this end, in the absence of a formal dividend policy, solely for the purpose of calculating own funds at June 30, 2017, retained earnings included in Common Equity Tier 1 were estimated by taking as reference the higher of the dividend calculated on the basis of the distribution rate of the previous year and the dividend calculated on the basis of the average distribution rate of the last three years, as required by Decision (EU) No. 2015/656 of the European Central Bank.

The following were deducted from this item:

- treasury shares, amounting to €4,510 thousand;
- Common Equity Tier 1 held indirectly of €1,952 thousand;
- synthetic exposures in own CET1 equity instruments held in the Bank's regulatory trading book, amounting to €39 thousand;

B. CET1 Prudential filters

This item includes the filter for additional valuation adjustments (AVA) calculated on the assets and liabilities measured at fair value, amounting to €640 thousand.

D. Items to be deducted from CET1

This item includes:

- goodwill, net of deferred taxes, amounting to €66,091 thousand;
- other intangible assets, amounting to €8,025 thousand.

E. Transitional arrangements – Impact on CET1

The item includes the effects of applying the transitional provisions on own funds, specifically:

- a negative prudential filter of 20% has been applied to the net positive revaluation reserves related to debt securities issued by central governments of EU member countries, held in the "available-for-sale financial assets" portfolio after December 31, 2009, for an amount of €15 thousand;
- a positive prudential filter of 20% has been applied to the net negative revaluation reserves related to equities and debt securities other than those mentioned above, held in the "Available-for-sale financial assets", for an amount of €118 thousand. At the same time a negative national filter of 20% has been applied to the same reserves, for amount of €118 thousand, which eliminated the positive prudential filter;
- a 40% negative prudential filter, amounting to €2,100 thousand, has been applied on the amount of the IAS19 reserve.

Regulation (EU) 575/2013 (CRR) also requires banks, as a general rule, to respectively include within and deduct from their own funds the unrealised gains and losses on assets measure that fair value classified in the "Available-for-sale financial assets" portfolio. For a transitional period, the CRR allows the partial inclusion/deduction of those gains and losses from the Common Equity Tier 1, on a gradually increasing basis, to reach their full inclusion/deduction by January 1, 2018. As an exemption to these transitional arrangements, solely for gains and losses resulting from exposures towards central governments recognised in the "Available-for-sale financial assets" portfolio, the CRR has given the competent authorities the option to allow banks not to include or deduct the unrealised gains or losses for any item of own funds if this treatment was applied before the CRR entered into force (January 1, 2014). By specific provision in the regulations, the neutralisation of the gains and losses can be applied until the Commission has adopted a regulation based on Regulation (EC) 1606/2002 that approves IFRS 9 as a replacement to IAS 39. Upon first-time adoption of the CRR in Italy, this option was exercised by the Bank of Italy and the banks had the possibility opting for the total neutralisation of the gains and losses.

In this regard, in March 2016, the European Central Bank issued Regulation (EU) 2016/445 on the exercise of options and discretions available in Union law ("ECB Regulation"), which entered into force on October 1, 2016, which allowed the application of the ordinary transitional regime also for exposures to central governments for the banks subject to direct supervision by the ECB ("significant banks"). In addition, on November 29, 2016, Regulation (EU) 2016/2067 was published in the Official Journal of the European Union, through which the European Commission endorsed IFRS 9.

As a result of the above, from October 2016, FinecoBank as a significant bank must respectively include within or deduct from CET 1 the unrealised gains and losses resulting from exposures to central governments classified in the "Available-for-sale financial assets" portfolio, according to the following percentages: 60% for 2016, and 80% for 2017. The amounts remaining from the application of these percentages (20% for 2017) do not need to be included for the calculation of own funds, as they continue to be neutralised, based on the national regime in force as at December 31, 2013.

As reported in point E. "Transitional arrangements – Impact on CET1", as at June 30, 2017 the unrealised gains from exposures to central governments classified in the "Available-for-sale financial assets" portfolio amounted to €74 thousand, to which a negative prudential filter of 20% has been applied, amounting to €15 thousand.

With regard to defined benefit plans under IAS 19, the entry into force on January 1, 2013 of the amendments (IAS 19R) that prescribe the elimination of the corridor method – with the resulting recognition of the present value of the defined benefit obligation – had an impact on the Bank's shareholders' equity due to the recognition of net actuarial gains/losses in revaluation reserves, which were not previously recognised, in application of the said method. From a regulatory point of view, the supervisory authority ordered the implementation of a prudential filter designed to neutralise 40% of the impact of these amendments.

a) Value of liabilities for defined benefits - old IAS 19	(55,712)
a) Value of liabilities for defined benefits - new IAS 19	(63,568)
c) Amount subject to "prudential filter"	(5,357)

(Amounts in € thousand)

O. Transitional arrangements – Impact on T2

No data to report.

Reconciliation of Own funds with Carrying amounts

	06.30.2017	*12.31.2016*
Share capital, issue-premium reserves and other reserves	526,984	480,587
Accumulated other comprehensive income (OCI)	(5,875)	(6,794)
Profit allocated to reserves	19,961	41,684
Own CET 1 instruments	(6,501)	(4,403)
Commitments to purchase own CET1 instruments	-	(1,750)
Intangible assets – Goodwill	(66,091)	(66,324)
Intangible assets - Other intangible assets	(8,025)	(7,731)
Regulatory impairment adjustments (AVA)	(640)	(577)
Other transitional adjustments to Common Equity Tier 1 Capital	2,085	3,429
Common Equity Tier 1 Capital - CET1	**461,898**	**438,121**
Additional Tier 1 – AT1	-	**-**
Tier 1 Capital (T1= CET1 + AT 1)	-	**-**
Other transitional adjustments to Tier 2	-	-
TIER 2 – T2	**-**	**-**
Total Own Funds	**461,898**	**438,121**

(Amounts in € thousand)

Changes in Own Funds

	01.01.2017 / 06.30.2017	01.01.2016 / 12.31.2016
Common Equity Tier 1 Capital - CET1		
Beginning of period	**438,121**	**390,977**
Instruments and Reserves		
Share capital, issue-premium reserves and other reserves	4,712	6,237
Own CET1 instruments	(2,099)	4,154
Commitments to purchase own CET1 instruments	1,750	(1,750)
Accumulated other comprehensive income (OCI)	920	(18,421)
Profit allocated to reserves	19,961	41,684
Regulatory adjustments		
Intangible assets – Goodwill	233	467
Intangible assets - Other intangible assets	(294)	481
Regulatory impairment adjustments (AVA)	(62)	(523)
Other transitional adjustments to Common Equity Tier 1 Capital	(1,344)	14,815
End of period	**461,898**	**438,121**
Additional Tier 1 – AT1		
Beginning of period	**-**	**-**
End of period	**-**	**-**
TIER 2 – T2		
Beginning of period	**-**	**2,926**
Other transitional adjustments to Tier 2	-	(2,926)
End of period	**-**	**-**
Total Own Funds	**461,898**	**438,121**

(Amounts in € thousand)

2.2 Capital adequacy

A. Qualitative information

The Bank's supervisory prudential requirements at June 30, 2017 have been calculated by applying the current Basel III supervisory provisions, standardised approach, with the exception of operational risk capital requirements, calculated using the advanced approaches.

On the basis of the EU regulations set out in Directive 2013/36/EU and Regulation No 575/2013/EU, collated and implemented by the Bank of Italy through Circular No. 285 of December 17, 2013 “Supervisory Regulations for Banks”, the Bank must satisfy the following own funds requirements established 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 capital 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 the Common Equity Tier 1 necessary to meet own funds requirements under Article 92 of the CRR, banks are required to hold a capital buffer, for 2017, of 1.25% of the bank’s overall risk exposure (1.875% for 2018 and 2.5% from 2019).

Article 136 of the directive EU/2013/36 (Capital Requirements Directive, CRD4) establishes the requirement for the designated national authorities to set up an operational framework for establishing the countercyclical capital buffer (CCyB) with effect from January 1, 2016. The buffer is reviewed on a quarterly basis. The European legislation was implemented in Italy through the Bank of Italy Circular 285/2013 (Supervisory regulations for banks), which contain specific rules on the CCyB. Legislative Decree 72 of May 12, 2015 identified the Bank of Italy as the authority designated to adopt the macro prudential measures in the banking sector, including the CCyB. The rules apply at individual and consolidated level to banks and investment firms. Accordingly, with effect from January 1, 2016, institutions are required to maintain an institution-specific countercyclical capital buffer, equivalent to their total risk exposure amount, calculated in accordance with Article 92(3) of Regulation (EU) No 575/2013 multiplied by the weighted average of the buffer rates. The introduction of the countercyclical buffer includes a phase-in period between January 1, 2016 and the end of 2018, and will become fully effective from January 1, 2019 (in 2016 the countercyclical buffer cannot be higher than 0.625%). The Bank's specific countercyclical capital buffer as at June 30, 2017 was 0.00002%, corresponding to around €500.

Lastly, according to Basel III supervisory regulations, entities that use internal ratings-based approaches for calculating capital requirements for credit risk and Advanced Measurement Approaches for calculating own funds requirements for operational risk must hold, until December 31, 2017, own funds that are at all times equal to or greater than 80% of the Basel I requirements (CRR 575/2013 art. 500). As at June 30, 2017, the Bank's capital requirements according to Basel I amounted to €357,274 thousand; accordingly, 80% of such amount was €285,819 thousand.

Following the outcome of the Supervisory Review and Evaluation Process (SREP) conducted by the ECB during 2016, the competent authorities established that no decision in application of the national legislation implementing Article 104 (1) (a) of the Directive 2013/36/EU or article 16 of Regulation (EU) No. 1024/2013 was required for the Bank.
As for the qualitative information on the methods used by the Bank for assessing its own funds adequacy to support current and future operations, please refer to Section 1 - Shareholders' Equity of this Part F.

B. Quantitative information

Category/Amount	Non-weighted assets		Weighted assets	
	06.30.2017	12.31.2016	06.30.2017	12.31.2016
A. RISK ASSETS				
A.1 Credit and counterparty risk	**22,095,448**	**21,591,003**	**1,307,388**	**1,134,213**
1. Traditional standardised approach	22,095,448	21,591,003	1,307,388	1,134,213
2. Internal rating method	-	-	-	-
2.1 Basic	-	-	-	-
2.2 Advanced	-	-	-	-
3. Securitisations	-	-	-	-
B. REGULATORY CAPITAL REQUIREMENTS				
B.1 Credit and counterparty risk			**104,591**	**90,737**
B.2 Risk of adjustment of valuation of credit			**119**	**127**
B.3 Regulatory risk			**-**	**-**
B.4 Market risk			**2,884**	**2,433**
1. Traditional standardised approach			2,884	2,433
2. Internal models			-	**-**
3. Concentration risk			-	-
B.5 Operational risk			**59,344**	**59,480**
1. Basic indicator approach			-	-
2. Traditional standardised approach			-	-
3. Advanced measurement approach			59,344	59,480
B.6 Other calculation elements			**-**	**-**
B.7 Total prudential requirements			**166,938**	**152,777**
C. C. RISK ASSETS AND CAPITAL RATIOS				
C.1 Risk-weighted assets			2,086,729	1,909,713
C.2 Common Equity Tier 1 Capital/Risk-weighted assets (CET1 capital ratio)			22.14%	22.94%
C.3 Tier 1 capital/Risk-weighted assets (Tier 1 capital ratio)			22.14%	22.94%
C.3 Own funds/Risk-weighted assets (Total capital ratio)			22.14%	22.94%

(Amounts in € thousand)

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%).

Exposure to credit and counterparty risk: breakdown by type of portfolio

Portfolio	*06.30.2017*		*12.31.2016*	
	Exposure to credit and counterparty risk	*Risk-weighted assets*	*Exposure to credit and counterparty risk*	*Risk-weighted assets*
Exposures subject to the IRB approach				
Total – IRB approach	-	-	-	-
Exposures subject to the standardised approach				
Exposures to or guaranteed by central governments and central banks	4,958,316	73,565	4,040,518	80,911
Exposures to or guaranteed by public entities	15,494,893	33,533	16,259,880	22,784
Exposures to or guaranteed by multilateral development banks	-	-	3	-
Exposures to or guaranteed by companies and other entities	146,754	145,447	138,486	137,209
Retail exposures	1,097,654	823,241	1,034,666	776,000
Exposures secured by real estate property	256,783	89,985	917	329
Exposures in default	3,829	3,901	3,664	3,736
Exposures in equity instruments	3,911	3,911	3,532	3,532
Other exposures	133,264	133,257	109,337	109,331
Total - traditional standardised approach	**22,095,404**	**1,306,840**	**21,591,003**	**1,133,832**
Risk assets - Credit and counterparty risk	**22,095,404**	**1,306,840**	**21,591,003**	**1,133,832**
Exposures to central counterparties in the form of pre-financed contributions to the Guarantee Fund		**548**		**381**
Capital requirements - Credit and counterparty risk		**104,591**		**90,737**

(Amounts in € thousand)

Capital requirement per type of risk and approach used

Type of risk	*Approach used*	*Capital requirements 06.30.2017*	*Capital requirements 12.31.2016*
1. On-balance-sheet risk assets	Traditional standardised approach	86,791	70,514
2. Guarantees issued and commitments to disburse funds	Traditional standardised approach	1,041	882
3. Derivative contracts	Current value approach	118	130
4. Securities financing transactions	CRM - Comprehensive method with regulatory adjustments for volatility	16,597	19,181
Capital requirements credit and counterparty risk		**104,547**	**90,707**
Capital requirements exposures to central counterparties in the form of pre-financed contributions to the Guarantee Fund		**44**	**30**
Market risk			
1. Exchange rate risk	Traditional standardised approach	-	827
2. Risk position debt securities	Traditional standardised approach	1,569	1,113
3. Risk position equity instruments	Traditional standardised approach	677	493
4. Position risk commodities	Traditional standardised approach	-	-
5. Position risk CIUs	Traditional standardised approach	638	-
Capital requirements - market risk		**2,884**	**2,433**
1. Concentration risk	Traditional standardised approach	-	-
Capital requirements - concentration risk		**-**	**-**
1. Risk of adjustment of valuation of credit	Traditional standardised approach	119	127
Capital requirements - risk of adjustment of valuation of credit		**119**	**127**
1. Regulatory risk	Traditional standardised approach	-	-
Capital requirements - regulatory risk		**-**	**-**
1. Advanced measurement approach	Advanced measurement approach	59,344	59,480
Capital requirements - operational risk		**59,344**	**59,480**
Total capital requirements		**166,938**	**152,777**

(Amounts in € thousand)

2.3 Minimum ratios established by the Bank

Capital adequacy indicators	*06.30.2017*	*Target 2017*	*Trigger 2017*	*Limit 2017*
Common Equity Tier 1 ratio	22.14%	12.00%	8.25%	7.00%
Total capital ratio	22.14%	15.50%	11.80%	10.50%

The Common Equity Tier 1 and the Total Capital Ratio comply with the limits provided in the Risk Appetite Framework approved by the Board of Directors on January 9, 2017.

PART H - RELATED-PARTY TRANSACTIONS

Information on the fees paid to key management personnel and on related-party transactions, according to IAS 24, are 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 Bank's 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 Manager, the Deputy General Manager/Direct Bank Manager and the Investment & Wealth Management Services Manager.

	06.30.2017	*06.30.2016*
Fees paid to "Key Management Personnel", Directors and the Board of Statutory Auditors		
a) short-term benefits	2,712	2,725
b) post-employment benefits	107	110
of which: under defined benefit plans	-	-
of which: under defined contribution plans	*107*	*110*
c) other long-term employee benefits	-	-
d) termination benefits	-	-
e) share-based payments	1,196	1,600
TOTAL	**4,015**	**4,435**

(Amounts in € thousand)

2. Related-Party transactions

In order to ensure continued compliance with the applicable legal and regulatory provisions on corporate disclosure on transactions with related parties, during the Board of Directors' Meeting of June 6, 2017 and with the prior positive opinion of the Risk and Related Parties Committee and the Board of Statutory Auditors, the Bank approved the current "*Procedures for the management of transactions with persons in conflict of interest*".

The above-mentioned procedures include the provisions to be complied with when managing:

- Related-Party transactions pursuant to the Consob Regulation adopted by resolution 17221 of March 12, 2010 as amended by resolution 17389 of June 23, 2010;
- 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 263/2006, 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 of September 1, 1993, "*Consolidated Law on Banking*".

Given that the Bank belongs to the UniCredit Group, the aforementioned Procedures are also based on the "*UniCredit Global Policy for the management of transactions with persons in conflict of interest*" and the relevant "*Global Process Regulation*" issued by UniCredit to subsidiaries as part of its management and co-ordination.

Considering the above, the following transactions were approved in the first half 2017:

4. on February 7, 2017 the Board of Directors, upon recommendation by the Audit and Related Parties Committee (now the Risk and Related Parties Committee), approved the renewal of the "*Framework Resolution related to the entering into hedging derivative contracts with the Parent Company or companies in the UniCredit Group*", an ordinary Significant Transaction at market conditions, valid up to February 7, 2018, 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 for a maximum amount of €1,000 million with the Parent Company and €1,300 million with UniCredit Bank AG;

5. on May 9, 2017, the Board of Directors, upon recommendation of the Risk and Related Parties Committee, approved the renewal of the "*Framework Agreement - Repurchase Agreements and Term Deposits with the Parent Company*", an ordinary significant related-party transaction at market conditions effective until May 9, 2018, concerning *(i)* Repos and Reverse Repos with the Parent Company for a maximum amount of €6.2 billion, calculated as the sum of the amounts of the individual transactions (both repos or reverse repos) and *(ii)* Term deposits with the Parent Company for a maximum amount of €8.5 billion, calculated as the sum of the amounts of the individual transactions.

6. On June 6, 2017, the Board of Directors, upon recommendation of the Risk and Related Parties Committee, approved the early renewal of the "*Framework Agreement for transactions on current accounts held with UniCredit*", an ordinary significant related-party transaction at market conditions effective up to June 6, 2018, which enables the Bank to manage its liquidity in euro and in foreign currencies through specific current accounts already held with UniCredit S.p.A. for a maximum amount of €1,000 million considered as a single transaction (single payment and single withdrawal).

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 17221/2010.

In the first half ended June 30, 2017, no other transactions were undertaken with related parties that could significantly affect the Bank's financial position and earnings, or atypical and/or unusual transactions, including intercompany and related-party transactions.
Minor transactions were carried out with the Parent Company, other Group Companies and/or with related parties in general, 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, with indefinite duration (specifically, valid until the Italian Revenue Agency issues a declaration of receipt of the payment by UniCredit at the end of the collection process, in the event of an unfavourable outcome for UniCredit, or until a ruling is issued in favour of the Bank by means of final judgement), for a total amount of €256,065 thousand, 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 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 assessment notice issued by the Regional Department of Liguria, for €4,505 thousand, 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, which remain unchanged.

The following statement shows the outstanding assets, liabilities, guarantees and commitments as at June 30, 2017 for each group of related parties according to IAS 24:

	Amounts as at June 30, 2017			
	Directors, Board of Statutory Auditors and Key Management Personnel	Other related parties	Total	% of carrying amount
Financial assets held for trading	-	30	30	0.31%
Loans and receivables with banks	-	3	3	0.00%
Loans and receivables with customers	15	6,763	6,778	0.45%
Other assets	-	-	-	0.00%
Total assets	**15**	**6,796**	**6,811**	**0.03%**
Deposits from banks	-	1,706	1,706	0.18%
Deposits from customers	3,307	29,374	32,681	0.17%
Other liabilities	146	19	165	0.04%
Total liabilities	**3,453**	**31,099**	**34,552**	**0.16%**
Guarantees issued and commitments	-	-	-	-

(Amounts in € thousand)

The following table sets out the impact of the above transactions with related parties on the main Income Statement items, for each group of related parties.

	Income statement as at June 30, 2017			
	Directors, Board of Statutory Auditors and Key Management Personnel	Other related parties	Total	% of carrying amount
Interest income and similar revenues	-	11	11	0.01%
Fee and commission income	2	17,341	17,343	6.69%
Fee and commission expense	-	(155)	(155)	0.12%
Gains (losses) on financial assets and liabilities held for tı	-	(6)	(6)	-0.02%
Other administrative expenses	-	(75)	(75)	0.06%
Other net operating income	7	2	9	0.02%
Total income statement	**9**	**17,118**	**17,127**	

(Amounts in € thousand)

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 with the Bank (excluding their fees, which are discussed in point 1. *Details of compensation for key management personnel*) and the Parent Company UniCredit, mainly concerning assets for credit card use, liabilities for funds held by them with the Bank and costs and revenues generated from the aforesaid assets and liabilities.

The "Other related parties" category 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;
- associates, and their subsidiaries, of the Parent Company UniCredit;
- shareholders, and their subsidiaries, of the Parent Company UniCredit.

Transactions with "Other related parties", mainly refer to:

- assets for credit card use and liabilities for funds held with the Bank or securities lending transactions guaranteed by sums of money;
- assets for current receivables associated with the provision of financial services, mainly referring to fees for the placement of asset management and insurance products;
- costs and revenues generated from the above assets and liabilities, mainly referring to subscription and management fee and commission income related to the placement of asset management and insurance products.

Amounts as at June 30, 2017 and the income item accrued in the first half 2017 relating to the Parent Company UniCredit and the UniCredit Group companies are not included, as they are presented further below.

TRANSACTIONS WITH THE PARENT COMPANY AND OTHER UniCredit GROUP COMPANIES

Total Transactions with UniCredit group companies	*06.30.2017*	*% of carrying amount*
Assets	**14,801,805**	**68.80%**
Loans and receivables with banks	14,776,730	99.66%
Loans and receivables with customers	20,276	1.35%
Other assets	4,799	1.77%
Liabilities	**898,243**	**4.18%**
Deposits from banks	876,654	94.28%
Hedging derivative liabilities	16,162	79.67%
Other liabilities	5,427	1.45%
Guarantees and commitments	**1,823,080**	**84.23%**
Guarantees issued and commitments	1,823,080	84.23%
Income Statement	**147,877**	
Interest income and similar revenues	100,051	76.58%
Interest expenses and similar charges	1,419	-40.93%
Fee and commission income	62,086	23.95%
Fee and commission expense	(3,243)	2.50%
Fair value adjustments in hedge accounting	(5,228)	n.c.
Administrative costs	(7,333)	4.55%
Other net operating income	125	0.28%

(Amounts in € thousand)

The following table summarises transactions with UniCredit Group companies as at June 30, 2017:

Company	Assets	Liabilities	Guarantees and commitments	Income Statement
UniCredit S.p.A.	14,778,947	832,293	1,823,080	91,547
UniCredit Bank AG	1,685	63,925	-	232
UniCredit Bank AG, Milan	15	1,558	-	(1)
UniCredit Leasing S.p.A.	1	-	-	-
UniCredit Luxemburg Finance SA	-	-	-	14
UniCredit Business Integrated Solutions S.C.p.A.	882	447	-	(5,562)
Pioneer Investment Management SGR p.A.	1,287	-	-	4,480
Cordusio Società Fiduciaria per Azioni	18	20	-	1
Pioneer Asset Management SA Luxemburg	18,970	-	-	57,166
Total	**14,801,805**	**898,243**	**1,823,080**	**147,877**

(Amounts in € thousand)

The following tables contain a breakdown of the items relating to Assets, Liabilities, Guarantees and Commitments, Costs and Revenue for each individual Group company.

Transactions with parent companies

Transactions with UniCredit S.p.A.	*06.30.2017*
Assets	**14,778,947**
Loans and receivables with banks	14,775,051
Other assets	3,896
Liabilities	**832,293**
Deposits from banks	812,729
Hedging derivative liabilities	14,604
Other liabilities	4,960
Guarantees	**256,070**
Guarantees given	256,070
Commitments	**1,567,010**
Guarantees given	1,567,010
Income Statement	**91,547**
Interest income and similar revenues	101,558
Interest expenses and similar charges	1,419
Fee and commission income	167
Fee and commission expense	(3,217)
Fair value adjustments in hedge accounting	(6,735)
Administrative costs	(1,654)
Other net operating income	9

(Amounts in € thousand)

Transactions with companies controlled by UniCredit S.p.A.

Transactions with UniCredit Bank AG	*06.30.2017*
Assets	**1,685**
Loans and receivables with banks	1,679
Other assets	6
Liabilities	**63,925**
Deposits from banks	63,925
Income Statement	**232**
Interest income and similar revenues	58
Fee and commission income	184
Fee and commission expense	(10)

(Amounts in € thousand)

Transactions with UniCredit Bank AG, Milan	*06.30.2017*
Assets	**15**
Other assets	15
Liabilities	**1,558**
Hedging derivative liabilities	1,558
Income Statement	**(1)**
Interest income and similar revenues	(1,565)
Fee and commission income	57
Fair value adjustments in hedge accounting	1,507

(Amounts in € thousand)

Transactions with UniCredit Leasing S.p.A.	*06.30.2017*
Assets	**1**
Loans and receivables with customers	1

(Amounts in € thousand)

Transactions with UniCredit Luxembourg Finance SA	*06.30.2017*
Income Statement	**14**
Fee and commission income	14

(Amounts in € thousand)

Transactions with UniCredit Business Integrated Solutions S.C.p.A.	*06.30.2017*
Assets	**882**
Other assets	882
Liabilities	**447**
Other liabilities	447
Income Statement	**(5,562)**
Administrative costs	(5,678)
Other net operating income	116

(Amounts in € thousand)

Transactions with Pioneer Investment Management SGR p.A.	*06.30.2017*
Assets	**1,287**
Loans and receivables with customers	1,287
Income Statement	**4,480**
Fee and commission income	4,480

(Amounts in € thousand)

Transactions with Cordusio Società Fiduciaria per Azioni	*06.30.2017*
Assets	**18**
Loans and receivables with customers	18
Liabilities	**20**
Other liabilities	20
Income Statement	**1**
Fee and commission income	18
Fee and commission expense	(16)
Administrative costs	(1)

(Amounts in € thousand)

Transactions with Pioneer Asset Management SA Luxembourg	*06.30.2017*
Assets	**18,970**
Loans and receivables with customers	18,970
Income Statement	**57,166**
Fee and commission income	57,166

(Amounts in € thousand)

PART I - SHARE-BASED PAYMENTS

A. Qualitative information

1. *Description of share-based payments*

1.1 Outstanding instruments

The Medium & Long Term Incentive Plans for employees and financial advisors of the Bank include the following types of instruments:

- Equity-Settled Share Based Payments that involve payments settled with shares of the parent UniCredit S.p.A and of the Bank;
- Cash Settled Share Based Payments that involve payments made in cash[8].

The above categories refer to the allocation of the following instruments:

- **Stock Options** allocated to selected Top & Senior Managers and Key Talents and consisting of rights to subscribe UniCredit shares;
- **Group Executive Incentive Systems** that offers eligible Group Executives a variable remuneration for which payment will be made within a maximum of five years. The beneficiaries receive a payment in cash and/or UniCredit shares, in relation to the achievement of performance conditions (other than marked conditions) stated in the Plan Rules;
- **Group Executive Incentive System (Bonus Pool),** offering selected Executives and key personnel identified on the basis of regulatory requirements, a bonus structure consisting of immediate payments (following performance evaluation) and deferred payments in cash and ordinary UniCredit or FinecoBank shares, over a maximum period of 6 years. This payment structure ensures that bonuses are aligned to shareholders' interests and is subject to malus clauses (which apply in the event that specific profitability, liquidity and capital thresholds are not met at Group and/or at Country/Division level) and clawback clauses (to the extent they are legally applicable) in accordance with the plan rules (both represent vesting conditions other than market conditions);
- Employee Share Ownership Plan (ESOP - Let's Share), which offers eligible Bank employees the possibility to buy UniCredit ordinary shares with the advantage of involving the granting of free ordinary shares ("Free Shares" or rights to receive them) measured on the basis of the shares purchased by each Participant ("Investment Share") during the "Enrolment Period". The granting of free ordinary shares is subordinated to vesting conditions set in the Plan Rules;
- **Stock granting for employees offering** the allocation of free shares of FinecoBank to beneficiaries in the Key management personnel category ("2014-2017 Top Management Multi-Year Plan"). The shares are allocated to the beneficiaries in 4 annual instalments from 2017. The plan is subject to entry conditions (profitability and capital thresholds) and clawback clauses (as legally applicable) in accordance with the plan's rules;

[8] Commensurate to the economic value of FinecoBank S.p.A.'s equity instruments.

- **Stock granting for personal financial advisors** offering the allocation of free shares of FinecoBank to the network's personal financial advisors, subject to the achievement by the Bank's entire PFA network of a set net sales target for the year 2014 *("2014 PFA Plan")* and for the three-year period 2015-2017 (*"2015-2017 PFA Plan").* The shares will be allocated to the beneficiaries in three annual instalments from 2015, under the *"2014 PFA Plan"* and from 2018 under the *"2015-2017 PFA Plan"*. The plans are subject to entry conditions (profitability and capital thresholds) and clawback clauses (as legally applicable) in accordance with the plan rules.
- **Group Incentive System 2015 PFA**, offering selected personal financial advisors, identified as key personnel in accordance with regulatory requirements, an incentive system consisting of immediate cash payments (following performance evaluation) and deferred payments and the allocation of Phantom Shares, over a period of 5 years. This payment structure ensures that bonuses are aligned to shareholders' interests and is subject to malus clauses (which apply in the event that specific profitability, liquidity and capital thresholds are not met at Group and/or at Country/Division level) and clawback clauses (to the extent they are legally applicable) in accordance with the plan rules (both vesting conditions other than market conditions);
- **PFA Incentive System**, offering selected personal financial advisors, identified as key personnel in accordance with regulatory requirements, incentive systems consisting of immediate cash payments (following performance evaluation) and deferred payments, in cash and FinecoBank ordinary shares, over a period of 5 years. This payment structure ensures that bonuses are aligned to shareholders' interests and is subject to malus clauses (which apply in the event that specific profitability, liquidity and capital thresholds are not met at Group and/or at FinecoBank level) and clawback clauses (to the extent they are legally applicable) in accordance with the plan rules (both vesting conditions other than market conditions).

Shares for employee incentive plans envisaging the allocation of FinecoBank shares will be issued through free capital increases in accordance with Article 2349 of the Italian Civil Code.
The financial instruments for incentive plans for the Bank's financial advisors involving the allocation of FinecoBank shares will be obtained through market purchases in implementation of the authorisation of the Bank Shareholders' Meeting pursuant to Article 2357 of the Italian Civil Code and of the Supervisory Authority.

It should also be noted that, consistent with the provisions contained in the VII update of Circular 285 of the Bank of Italy of November 19, 2014 (Remuneration and Incentive Policies and Practices), the payment of a portion of golden parachutes for key personnel should be made using Equity Settled Share-Based Payments represented by deferred payments in FinecoBank ordinary shares not subject to vesting conditions.

1.2 Measurement model

1.2.1 Stock Options

The Hull and White Evaluation Model has been adopted to measure the economic value of Stock Options.
This model is based on a trinomial tree price distribution using the Boyle's algorithm and estimates the early exercise probability on the basis of a deterministic model connected to:

- reaching a Market Share Value equal to an exercise price-multiple (M);
- probability of beneficiaries' early exit (E) after the end of the Vesting Period.

The income statement and balance sheet effects are recognised during the vesting period of the instruments.

No new Stock Option Plans were granted in 2017.

1.2.2 Group Executive Incentive System

The amount of the incentive is determined on the basis of the achievement of quantitative and qualitative goals stated by the plan. In particular, the overall evaluation is expressed as a percentage, from a minimum of 0% to a maximum of 150% (non-market vesting conditions). This percentage, adjusted by the application of a risk/opportunity factor – Group Gate – at first payment and multiplied by the incentive, determines the actual amount that will be paid to the beneficiary.

The balance-sheet and income statement effects will be spread over the term of the Plans.

1.2.2.1 *Group Executive Incentive System (Bonus Pool)*

The economic value of the shares granted is measured considering the share market price at the grant date less the present value of future dividends during the vesting period.

The plan is divided into clusters, each of which may include two to three deferred share-based payment instalments according to the period defined by the plan rules.

The income statement and balance sheet effects are recognised during the vesting period of the instruments.

1.2.2.2 *Group Executive Incentive System 2016 (Bonus Pool)*

The economic value of the shares granted is measured considering the share market price at the grant date less the present value of future dividends during the vesting period.

The plan is divided into three deferred share-based payment instalments according to the period defined by the plan rules.

	FinecoBank Shares Granted			
	2016 Group Executive Incentive System (Bonus Pool)			
	2019 Instalment	2020 Instalment	2021 Instalment	2022 Instalment
Bonus Opportunity Economic Value Grant Date	01.12.2016	01.12.2016	01.12.2016	01.12.2016
Number of Shares - Date of Board resolution	02.07.2017	02.07.2017	02.07.2017	02.07.2017
Vesting Period Start Date	01.01.2016	01.01.2016	01.01.2016	01.01.2016
Vesting Period End Date	12.31.2016	12.31.2018	12.31.2019	12.31.2020
FinecoBank shares market price [€]	5.53	5.53	5.53	5.53
Economic value of vesting conditions [€]	-0.539	-0.819	-1.116	-1.692
Performance Shares value per share at Grant Date [€]	4.991	4.711	4.414	3.838

The plan was allocated in 2016 and the income statement and balance sheet effects will be recognised during the vesting period of the instruments.

1.2.2.3 *Group Executive Incentive System 2017 (Bonus Pool)*

The new 2017 incentive system is based on a bonus pool approach, in line with regulatory requirements and market practices; this approach sets out:

- the system's sustainability, by linking it directly to business results and aligning it to relevant risk categories through specific indicators that reflect the risk appetite framework;
- the link between the bonus and the organisational structure, the bonus pool being defined at Bank level and further reviewed at Group level;
- the allocation of bonuses to beneficiaries identified as Executives and other key personnel on the basis of criteria laid down in the Regulation of the European Banking Authority (EBA), and to other specific roles, based on local regulatory requirements;
- a structure of payments spread over a period of up to 6 years and consisting of a mix of cash and shares, aligned with the latest regulatory requirements as set out in Directive 2013/36/EU (CRD IV).

The plan was assigned during the current year and the income statement and balance sheet effects will be recognised during the vesting period of the instruments.

1.2.3 Employee Share Ownership Plan (Let's Share Plan 2017)

The following table shows the parameters used in relation to free shares (or rights to receive them) connected to the "Employee Share Ownership Plan" approved in 2016.

Measurement of Free Shares ESOP 2017

	Free Shares
Grant Date for Free Shares to employees	07.31.2017
Vesting Period Start Date	07.31.2017
Vesting Period End Date	07.31.2018
Fair Value per share of the Free Shares [€]	To be defined

All income statement and balance sheet effects related to free shares will be booked during the vesting period (except adjustments, according to Plan Rules, that will be booked during the next closing after vesting period).
Let's Share for 2017 is a plan involving the use of the shares to be procured on the market. To that end the Participants grant a mandate to an intermediary to purchase the shares to be deposited in an account in their name.

1.2.4 Stock granting for employees

The economic value of the shares granted is measured considering the share market price at the grant date less the present value of future dividends during the vesting period.

1.2.4.1 2014 - 2017 Multi-year – Top management Plan

The plan offers the allocation of free shares of FinecoBank to beneficiaries belonging to the key management personnel category. The shares will be allocated to the respective beneficiaries, once the vesting period has elapsed and satisfaction of the conditions has been verified, in 4 annual tranches, starting in 2017.

	Shares Granted			
	Top Management			
	First Instalment 2017	Second Instalment 2018	Third Instalment 2019	Fourth Instalment 2020
Bonus Opportunity Economic Value - (Grant Date)	07.02.2014	07.02.2014	07.02.2014	07.02.2014
Number of Shares - Date of Board resolution	07.15.2014	02.09.2015	02.08.2016	02.07.2017
Vesting Period Start Date	07.02.2014	07.02.2014	07.02.2014	07.02.2014
Vesting Period End Date	12.31.2016	12.31.2017	12.31.2018	12.31.2019
FinecoBank shares market price [€]	3.700	4.725	6.966	5.53
Economic value of vesting conditions [€]	-0.269	-0.590	-0.797	-0.826
Performance Shares value per share at Grant Date [€]	3.431	4.135	6.169	4.704

The plan was allocated in 2014 and the income statement and balance sheet effects will be recognised during the vesting period of the instruments.

1.2.5 Stock granting for PFAs

The economic value of the shares granted is measured considering the share market price at the grant date less the present value of future dividends during the vesting period

1.2.5.1 2014 PFA Plan

The amount of the incentive was determined on the basis of the achievement of the goals stated by the plan, subject to the Bank’s entire PFA network meeting their net sales targets in 2014.
The plan helps align the interests of beneficiaries, shareholders and other stakeholders and implement effective remuneration practices, in accordance with the applicable legislative and regulatory framework. The plan is subject to verification that the conditions established by the plan rules are satisfied. The plan was allocated in 2014 and the income statement and balance sheet effects will be recognised during the vesting period of the instruments.
On July 9, 2015, the Board of Directors resolved to settle the PFAs rights to the first tranche of the bonus in cash, instead of the allocation of FinecoBank ordinary shares, with a payment in cash corresponding to a third of the bonus consideration, made on July, 2015.

1.2.5.1 2015 - 2017 PFA Plan

The amount of the incentive will be determined on the basis of the achievement of the goals stated by the plan, subject to the Bank’s entire PFA network meeting their cumulative net sales targets for the three-year period 2015-2017.
The plan helps align the interests of beneficiaries, shareholders and other stakeholders and implement effective remuneration practices, in accordance with the applicable legislative and regulatory framework. The plan is subject to verification that the conditions established by the plan rules are satisfied.
The plan was allocated in 2014 and the income statement and balance sheet effects will be recognised during the vesting period of the instruments.

1.2.6 Group Incentive System 2015 PFA

The amount of the incentive is determined on the basis of the achievement of the goals stated by the plan.

The balance-sheet and income statement effects are spread across the term of the Plan.

The economic value of the phantom shares allocated corresponds to the market price of the FinecoBank shares.

The plan was allocated in 2015 and the income statement and balance sheet effects will be recognised during the vesting period of the instruments.

1.2.7 *2016 PFA Incentive System*

The new 2016 incentive system is based on a bonus pool approach, in line with regulatory requirements and market practices; this approach sets out:

- the system's sustainability, by linking it directly to business results and aligning it to relevant risk categories through specific indicators that reflect the risk appetite framework;
- the link between the bonus and the organisational structure, the bonus pool being defined at Bank level and further reviewed at Group level;
- the allocation of bonuses to beneficiaries identified as key personnel based on criteria laid down in the Regulation of the European Banking Authority (EBA), and to other specific roles, based on local regulatory requirements;
- a structure of payments spread over a period of up to 5 years and consisting of a mix of cash and shares, aligned with the latest regulatory requirements as set out in Directive 2013/36/EU (CRD IV).

The plan was assigned during the previous year and the income statement and balance sheet effects will be recognised during the vesting period of the instruments.

	Shares Granted		
	2016 PFA Incentive System		
	2019 Instalment	2020 Instalment	2021 Instalment
Bonus Opportunity Economic Value Grant Date	01.12.2016	01.12.2016	01.12.2016
Number of Shares - Date of Board resolution	02.07.2017	02.07.2017	02.07.2017
Vesting Period Start Date	01.01.2016	01.01.2016	01.01.2016
Vesting Period End Date	12.31.2016	12.31.2018	12.31.2019
FinecoBank shares market price [€]	5.53	5.53	5.53
Economic value of vesting conditions [€]	-0.539	-0.819	-1.116
Performance Shares value per share at Grant Date [€]	4.991	4.711	4.414

1.2.8 *2017 PFA Incentive System*

The new 2017 incentive system is based on a bonus pool approach, in line with regulatory requirements and market practices; this approach sets out:

- the system's sustainability, by linking it directly to business results and aligning it to relevant risk categories through specific indicators that reflect the risk appetite framework;
- the link between the bonus and the organisational structure, the bonus pool being defined at Bank level and further reviewed at Group level;
- the allocation of bonuses to beneficiaries identified as key personnel based on criteria laid down in the Regulation of the European Banking Authority (EBA), and to other specific roles, based on local regulatory requirements;
- a structure of payments spread over a period of up to 5 years and consisting of a mix of cash and shares, aligned

with the latest regulatory requirements as set out in Directive 2013/36/EU (CRD IV).

The plan was assigned during the current year and the income statement and balance sheet effects will be recognised during the vesting period of the instruments.

B. Quantitative information

1. Annual changes

Items/Number of options and exercise price	*06.30.2017*			*06.30.2016*		
	Number of options	*Average exercise price*	*Average maturity*	*Number of options*	*Average exercise price*	*Average maturity*
A. Opening balance	2,937,685	-	nov-17	3,346,584	-	mar-17
B. Increases	632,553	-		591,083	-	
B.1 New issues	632,553	-		591,083	-	
B.2 Other increases	-	-		-	-	
C. Decreases	(910,149)	-		(289,703)	-	
C.1 Cancelled	(2,240)	-		-	-	
C.2 Exercised	(907,909)	-		(289,703)	-	
C.3 Expired	-	-		-	-	
C.4 Other decreases	-	-		-	-	
D. Closing balance	**2,660,089**	**-**	**ago-18**	**3,647,964**	**-**	**ago-17**
E. Vesting options at the end of the period	**688,104**	**-**		**700,953**	**-**	

The number of shares specified in the above table only refers to plans for which the number of shares allotted to individual beneficiaries has already been defined. The average prices for the year have not been stated because only freely allocated shares were involved.

2. Other information

Effects on Profit and Loss

The income statement and balance-sheet effects of the incentive systems based on FinecoBank and UniCredit shares are shown below, except for the balance of the reserve related to equity-settled plans.

The income statement impact is determined each year based on the vesting period of the instruments.

Financial statement presentation related to payments based on shares of FinecoBank and of the Parent Company UniCredit

	06.30.2017		*06.30.2016*	
	Total	*Vested Plans*	*Total*	*Vested Plans*
Costs	4,586		6,034	
- connected to Equity Settled Plans	*4,509*		*6,080*	
- connected to Cash Settled Plans	*77*		*(46)*	
Sums paid to UniCredit S.p.A. for vested plans		231		876
Payable due to UniCredit S.p.A.	544		1,452	
Payable due to personal financial advisors for Cash Settled plans	276		203	

(Amounts in € thousand)

Please note that the charges relating to Equity Settled Plans were recognised as Administrative costs – Staff expenses with respect to the plans granted to employees and as Administrative costs or Fee and commission expenses with regard to plans granted to personal financial advisors. Charges relating to Cash Settled Plans granted to personal financial advisors have been recognised as Fee and commission expenses.

PART L - SEGMENT REPORTING

The Bank does not provide segment reporting information as its business model envisages a high level of integration among its different activities. 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 fully-comprehensive nature of the services offered allows the Bank 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 also inspires 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 income statement of these Notes to the Accounts.

FinecoBank mainly targets retail customers in Italy; information concerning geographic areas and 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.

Annexes

ANNEX 1 - RECONCILIATION OF CONDENSED ACCOUNTS TO MANDATORY REPORTING SCHEDULE

ASSETS	Amounts as at 06.30.2017	12.31.2016
Cash and cash balances = *item 10*	2,902	5
Financial assets held for trading = *item 20*	9,791	6,044
Loans and receivables with banks = *item 60*	14,827,089	15,735,540
Loans and receivables with customers = *item 70*	1,503,867	1,016,798
Financial investments	4,760,269	3,757,529
40. Available-for-sale financial assets	*1,508,260*	*1,319,752*
50. Held-to-maturity investments	*3,252,009*	*2,437,777*
Hedging instruments	15,417	9,211
80. Hedging derivatives	*-*	*552*
90. Changes in fair value of portfolio hedged financial assets	*15,417*	*8,659*
Property, plant and equipment = *item 110*	15,396	14,451
Goodwill = *item 120. Intangible assets of which: goodwill*	89,602	89,602
Other intangible assets = *item 120 net of goodwill*	8,025	7,731
Tax assets = *item 130*	9,276	13,165
Other assets = *item 150*	271,613	336,300
Total assets	**21,513,247**	**20,986,376**

(Amounts in € thousand)

LIABILITIES AND SHAREHOLDERS' EQUITY	Amounts as at 06.30.2017	12.31.2016
Deposits from banks = *item 10*	929,859	1,111,106
Deposits from customers	19,440,617	18,801,073
20. Deposits from customers	*19,440,617*	*18,801,073*
Financial liabilities held for trading = *item 40*	4,113	2,626
Hedging instruments	16,084	11,371
60. Hedging derivatives	*20,287*	*10,914*
70. Changes in fair value of portfolio hedged financial liabilities	*(4,203)*	*457*
Provisions for risks and charges = *item 120*	102,123	111,756
Tax liabilities = *item 80*	19,525	10,048
Other liabilities	380,059	257,097
100. Other liabilities	*374,938*	*251,844*
110. Employee severance pay provision	*5,121*	*5,253*
Shareholders' Equity	620,867	681,299
- capital and reserves	522,475	476,249
160. Reserves	*324,506*	*278,407*
170. Share premium reserve	*1,934*	*1,934*
180. Share capital	*200,545*	*200,246*
190. Treasury Shares	*(4,510)*	*(4,338)*
- revaluation reserves	(5,875)	(6,794)
130. Revaluation reserves of which: Available-for-sale financial assets	*(518)*	*(455)*
130. Revaluation reserves for actuarial net gains (losses) for defined benefit plans	*(5,357)*	*(6,339)*
- net profit = *item 200*	104,267	211,844
Total liabilities and shareholders' equity	**21,513,247**	**20,986,376**

(Amounts in € thousand)

INCOME STATEMENT	1st Half 2017	1st Half 2016
Net interest	127,188	123,449
30. Net interest margin	*127,188*	*123,449*
Dividends and other income from equity investments	12	-
70. Dividend income and similar revenue	*20*	*9*
less: dividends from held-for-trading equity instruments included in item 70	*(8)*	*(9)*
Net fee and commission income = *item 60*	129,707	117,821
60. Net fee and commission income	*129,707*	*117,821*
Net trading, hedging and fair value income	25,992	46,926
80. Gains (losses) on financial assets and liabilities held for trading	*25,998*	*26,469*
+ dividends from held-for-trading equity instruments (from item 70)	*8*	*9*
90. Fair value adjustments in hedge accounting	*(14)*	*66*
100. Gains (losses) on disposal or repurchase of: b) available-for-sale financial assets	-	*20,382*
Net other expenses/income	(233)	758
190. Other net operating income	*44,506*	*41,333*
less: other operating income - of which: recovery of expenses	*(46,492)*	*(42,337)*
less: adjustments of leasehold improvements	*1,753*	*1,762*
OPERATING INCOME	**282,666**	**288,954**
Staff expenses	(38,924)	(37,716)
150. Administrative costs - a) staff expenses	*(38,937)*	*(37,723)*
less: integration costs	*13*	*7*
Other administrative expenses	(123,893)	(117,724)
150. Administrative costs - b) other administrative expenses	*(122,140)*	*(115,962)*
+ adjustments of leasehold improvements	*(1,753)*	*(1,762)*
Recovery of expenses	46,492	42,337
190. Other net operating income - of which: recovery of expenses	*46,492*	*42,337*
Impairment/write-backs on intangible and tangible assets	(4,833)	(4,609)
170. Impairment/write-backs on property, plant and equipment	*(2,418)*	*(2,090)*
180. Impairment/write-backs on intangible assets	*(2,415)*	*(2,519)*
Operating costs	**(121,158)**	**(117,712)**
OPERATING PROFIT (LOSS)	**161,508**	**171,242**
Net write-downs of loans and provisions for guarantees and commitments	(1,541)	(2,801)
130. Impairment losses/write-backs on: a) loans and receivables	*(1,542)*	*(2,807)*
130. Impairment losses/write-backs on: d) other financial assets	*1*	*702*
less: net value adjustments for the impairment of other financial assets - contribution to the Interbank Fund for the Protection of Deposits	-	*(696)*
NET OPERATING PROFIT (LOSS)	**159,967**	**168,441**
Net provisions for risks and charges	(3,150)	(2,553)
160. Net provisions for risks and charges	*(3,150)*	*(3,249)*
+ net value adjustments for the impairment of other financial assets - contribution to the Interbank Fund for the Protection of Deposits	-	*696*
Integration costs	(13)	(7)
Net income from investments	(353)	-
240. Gains (losses) on disposal of investments	*(353)*	-
NET PROFIT (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS	**156,451**	**165,881**
Income tax for the period	(52,184)	(48,099)
260. Income tax for the period	*(52,184)*	*(48,099)*
NET PROFIT (LOSS) AFTER TAX FROM CONTINUING OPERATIONS	**104,267**	**117,782**
NET PROFIT (LOSS) FOR THE PERIOD	**104,267**	**117,782**

(Amounts in € thousand)

ANNEX 2 – GLOSSARY OF TECHNICAL TERMINOLOGY AND ACRONYMS USED

Accelerated bookbuilding 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.

Risk-weighted assets

See the item "RWA - Risk-Weighted Assets".

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).

Assets under management

Investment funds, segregated accounts and insurance products.

Assets Under Custody

Government securities, bonds and shares.

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.

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 established for measuring the typical risks associated with banking and financial activities (credit risk, counterparty risk, market risk and operational risk) which provides for alternative calculation methods characterised by different levels of complexity, with the ability to use internally developed models subject to prior authorization by the Supervisory Authority;
- Pillar 2: requires banks to have processes and tools for determining the adequate level of total internal capital (Internal Capital Adequacy Assessment Process - ICAAP) for covering all types of risk, including risks other than those covered by the overall capital requirement (Pillar I), within the framework of an evaluation of current and future exposure that takes account of strategies and of changes in the reference context. It is the 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”.

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.

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%.

Budget

Statement forecasting the future costs and revenues of a business.

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.

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.

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 (both during the transitional period and fully loaded).

Tier 1 Capital

The most reliable and liquid part of a bank's capital, as defined by the regulatory rules.

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.

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.

Credit quality step

A Step, based on external ratings, which is used to assign risk weights under the standardised approach for credit risk.

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 between loan loss provisions and loans and receivables with customers. It is one of the indicators of the bank assets' level of risk: the lower the ratio, the less risky the bank assets.

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.).

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%.

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.

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.

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.).

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.

Default

A party's declared inability to honour its debts and/or the payment of the associated interest.

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.

Expected Losses

the losses recorded on average over a one year period on each exposure (or pool of exposures).

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).

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:

(i) material exposures which are more than 90 days past due;

(ii) 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.

Past-due and/or overdrawn impaired exposures

I.e. on-balance sheet exposures, other than those classified as non-performing or unlikely to pay that are past due or overdrawn at the reporting date. The past due and/or overdrawn impaired exposures may be determined, alternatively, with respect to the individual debtor or the individual transaction. 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 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).

EVA (Economic Value Added)

EVA is an indicator of the value created by a company. It expresses the ability to create value in monetary terms, as it is equal to the difference between net operating profit and the cost of invested capital.

Fair value

The price at which an asset can be traded or a liability settled in a free-market transaction between independent parties at arm’s length.

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.

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/AUM

The ratio of Guided Products & Services (q.v.) to Assets under Management (q.v.).

Significant 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; (iii) the eligible capital is equal to the Own Funds of the Issuer.

Guided Products & Services/TFA

The ratio of Guided Products & Services to Total Financial Assets.

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” and “Core Funds” umbrella fund of funds, “PIRs” (individual savings plans) and the "Core Unit”, "Advice Unit”, “Core Multiramo” and “Advice Top Valor” and “Old Mutual”, unit-linked policies, while the "Fineco Advice" and "Fineco Stars" advanced advisory services (for investment) fall under the guided service category.

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 harmonization 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 harmonize 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.

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 unlikelihood (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 (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.

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 authorization from the Bank of Italy.

IRS – Interest Rate Swap

See “Swaps".

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.

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.

LCP

Loss Confirmation Period.

Leasing

Contract whereby one party (the lessor) grants to another party (the lessee) for a given period of time the enjoyment of an asset purchased or built by the lessor at the discretion and according to the instructions of the lessee, with the latter having the option of acquiring ownership of the asset under predetermined conditions at the end of the leasing contract.

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.).

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.

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.

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.

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).

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 standardized 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.

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.

SME

Small and medium enterprises.

Private banking

Financial services aimed at "high-end" private customers for the global management of financial needs.

Direct deposits

Current accounts, repos and time deposits.

Tier 1 Capital Ratio

The percentage of a bank's Tier 1 Capital to its risk weighted assets "RWA – Risk Weighted Assets" (q.v.).

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.

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.

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).

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.

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.

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%.

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, when fully loaded, 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.

Risk Taking Capacity

Ratio between Available Financial Resources and Internal Capital.

ROAC – Return on Allocated Capital

An indicator calculated as ratio of net profit to the average allocated/absorbed capital. It shows the earning capacity in percentage terms for allocated/absorbed capital units.

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).

Non-performing loans

Exposures to borrowers in a state of insolvency (even when not recognized 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).

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. The 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.

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.

(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.

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.

Certification

CERTIFICATION OF THE CONDENSED HALF-YEAR FINANCIAL STATEMENTS PURSUANT TO ARTICLE 81-TER OF CONSOB REGULATION NO. 11971 OF MAY 14, 1999 AS AMENDED

1. The undersigned, Alessandro Foti, as Chief Executive Officer 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 to prepare the condensed half-year financial statements, in the first half 2017.

2. The adequacy of the administrative and accounting procedures used to prepare the condensed half-year financial statements has been evaluated by applying a model defined by UniCredit Group, in accordance with the "Internal Controls - Integrated Framework (CoSo)" and the "Control Objective for IT and Related Technologies (Cobit)", which are internationally accepted standards for the internal control system and for financial reporting.

3. The undersigned also certify that:

3.1 The condensed half-year 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 an accurate representation of the financial position and performance of the issuer;

3.2 the 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 half-year financial statements, together with a description of the main risks and uncertainties concerning the remaining six months of the year. The Interim Report on Operations also contains a reliable analysis of information on significant related-party transactions.

Milan, July 31st, 2017

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

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REPORT ON REVIEW OF THE HALF-YEARLY CONDENSED FINANCIAL STATEMENTS

To the Shareholders of
FINECOBANK BANCA FINECO S.p.A.

Introduction

We have reviewed the accompanying half-yearly condensed financial statements of FinecoBank Banca Fineco S.p.A., which comprise the balance sheet as of June 30, 2017, and the income statement, the statement of comprehensive income, the statement of changes in equity and the cash flow statement for the six-months period then ended, and the related explanatory notes. The Directors of FinecoBank Banca Fineco S.pA. are responsible for the preparation of the half-yearly condensed 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 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 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

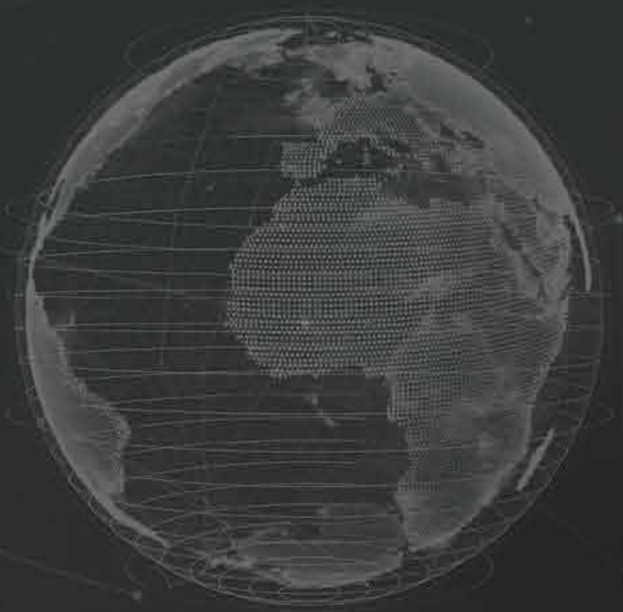
Based on our review, nothing has come to our attention that causes us to believe that the accompanying half-yearly condensed financial statements of FinecoBank Banca Fineco S.p.A. as of June 30, 2017 and for the six-months period then ended are not prepared, in all material respects, in accordance with 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 4, 2017

This report has been translated into the English language solely for the convenience of international readers.



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