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**FINECO. THE BANK THAT SIMPLIFIES BANKING.**

**FinecoBank S.p.A.**  
**First Half Financial Report**  
**as at June 30, 2016**

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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	Gianluigi Bertolli Girolamo Ielo Laura Stefania Penna Mariangela Grosoli Marina Natale Pietro Angelo Guindani

### **Board of Statutory Auditors**

Chairman	Gian-Carlo Noris Gaccioli
Standing Auditors	Barbara Aloisi Marziano Viozzi
Alternate Auditors	Federica Bonato Marzio Duilio Rubagotti

### **External Auditors**

Deloitte & Touche S.p.A.

### **Nominated Official in charge of drawing up company accounts**

Lorena Pellicciari

## INTRODUCTION TO THE FIRST HALF FINANCIAL REPORT

This First Half Financial Report as at June 30, 2016 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 to those of 2015: as envisaged by IAS 34, the balance sheet figures have been compared with those as at December 31, 2015, 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 financial statements, the additional information required by Consob and that deemed useful to providing 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 and subsequent amendments.

As of January 1, 2016, within securities lending transactions with cash guarantees, the income component related to the service provided (received) for the provision of the security is recognised under fee and commission income (expense), whereas it was previously recorded in interest income (expense). The corresponding figures for the previous year have been restated to enable like-for-like comparison.



# Interim report on operations

## SUMMARY DATA

FinecoBank is the direct, multi-channel bank of the UniCredit Group, with one of the largest advisory networks in Italy. It is the leading bank in Italy for equity trades in terms of volume of orders and number one online broker in Europe for number of orders executed.

The Bank offers an integrated business model combining direct banking and financial advice, with a single free-of-charge 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.

In the first half 2016 total financial assets (direct and indirect) came to €55,564 million, a slight increase on the €55,327 million at the end of 2015, despite the high volatility that generated an adverse market effect of €2,412 million.

The Bank continued its process of shifting the TFA towards higher value-added products and services, in a situation of continued solid sales. In particular, the Bank recorded total net sales of €2,650 million (-6.4% compared to the same period of 2015), while the net sales through the financial advisors network came to €2,270 million (-12.1%). Sales of guided products & services also strengthened, reaching €1,675 million in the half year, with a consequent increase in their proportion of AuM to 51% compared to 42% for June 2015 and 45% for December 2015.

The net profit for the first half amounted to €117.8 million, an increase of 25.7% over the same period of prior year. The results for 2016 confirm the Bank's solidity and the strength of its highly diversified business model, capable of fully capturing the structural trends in Italian society, such as the growing demand for advisory services and digitisation.

The Bank's offering is split into the following three areas of activity: (i) banking: including current account and deposit services, payment services, and issuing debit, credit and prepaid cards; (ii) brokerage: providing order execution services on behalf of customers, with direct access to major global equity markets and the ability to trade CFDs (on currencies, indices, shares, bonds and commodities), futures, options, bonds, ETFs and certificates; and (iii) investing: including placement and distribution services of over 6,000 products, among which mutual funds and SICAV sub-funds managed by 70 leading Italian and international investment firms, insurance and pension products, as well as investment advisory services.

With effect from April 1, FinecoBank has been listed on the Borsa Italiana FTSE Mib, a fundamental step in the Bank's process of growth and a significant milestone confirming the appreciation of a diversified business model, capable of meeting the increasingly complex needs of modern investors.

The listing on the FTSE Mib also provides greater visibility towards an increasingly vast audience of international investors, to support the Bank's development. This result represents an additional springboard for the Bank's growth.

## Condensed Accounts

**Balance Sheet**

ASSETS	Amounts as at		Changes	
	06.30.2016	12.31.2015	Amount	%
Cash and cash balances	11	6	5	83.3%
Financial assets held for trading	6,879	3,983	2,896	72.7%
Loans and receivables with banks	15,299,291	14,648,904	650,387	4.4%
Loans and receivables with customers	880,232	922,774	(42,542)	-4.6%
Financial investments	2,926,175	2,245,982	680,193	30.3%
Hedging instruments	9,018	10,573	(1,555)	-14.7%
Property, plant and equipment	13,896	12,419	1,477	11.9%
Goodwill	89,602	89,602	-	-
Other intangible assets	7,608	8,212	(604)	-7.4%
Tax assets	5,880	15,424	(9,544)	-61.9%
Other assets	322,264	370,070	(47,806)	-12.9%
<b>Total assets</b>	<b>19,560,856</b>	<b>18,327,949</b>	<b>1,232,907</b>	<b>6.7%</b>

(Amounts in € thousand)

LIABILITIES AND SHAREHOLDERS' EQUITY	Amounts as at		Changes	
	06.30.2016	12.31.2015	Amount	%
Deposits from banks	1,361,666	1,423,459	(61,793)	-4.3%
Deposits from customers	17,133,049	15,822,459	1,310,590	8.3%
Financial liabilities held for trading	6,300	4,100	2,200	53.7%
Hedging instruments	17,657	31,319	(13,662)	-43.6%
Provisions for risks and charges	119,258	120,534	(1,276)	-1.1%
Tax liabilities	23,046	37,445	(14,399)	-38.5%
Other liabilities	296,926	255,835	41,091	16.1%
Shareholders' equity	602,954	632,798	(29,844)	-4.7%
- capital and reserves	471,789	430,119	41,670	9.7%
- revaluation reserves available-for-sale financial assets - actuarial gains (losses) for defined benefits plans	13,383	11,626	1,757	15.1%
- net profit (loss)	117,782	191,053	(73,271)	-38.4%
<b>Total liabilities and shareholders' equity</b>	<b>19,560,856</b>	<b>18,327,949</b>	<b>1,232,907</b>	<b>6.7%</b>

(Amounts in € thousand)

**Balance Sheet - Quarterly data**

<b>ASSETS</b>	<i>Amounts as at</i>				
	<i>06.30.2016</i>	<i>03.31.2016</i>	<i>12.31.2015</i>	<i>09.30.2015</i>	<i>06.30.2015</i>
Cash and cash balances	11	7	6	7	6
Financial assets held for trading	6,879	6,996	3,983	8,613	5,463
Loans and receivables with banks	15,299,291	15,404,458	14,648,904	13,966,287	14,582,941
Loans and receivables with customers	880,232	827,395	922,774	884,508	835,823
Financial investments	2,926,175	2,622,251	2,245,982	2,232,479	2,238,746
Hedging instruments	9,018	6,682	10,573	6,541	39,579
Property, plant and equipment	13,896	13,471	12,419	11,043	11,163
Goodwill	89,602	89,602	89,602	89,602	89,602
Other intangible assets	7,608	7,691	8,212	7,862	8,030
Tax assets	5,880	11,775	15,424	11,569	14,629
Other assets	322,264	274,182	370,070	232,297	225,475
<b>Total assets</b>	<b>19,560,856</b>	<b>19,264,510</b>	<b>18,327,949</b>	<b>17,450,808</b>	<b>18,051,457</b>

(Amounts in € thousand)

<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<i>Amounts as at</i>				
	<i>06.30.2016</i>	<i>03.31.2016</i>	<i>12.31.2015</i>	<i>09.30.2015</i>	<i>06.30.2015</i>
Deposits from banks	1,361,666	1,503,755	1,423,459	1,396,068	1,436,173
Deposits from customers	17,133,049	16,693,126	15,822,459	15,043,178	15,256,498
Debt securities in issue	-	-	-	-	400,000
Financial liabilities held for trading	6,300	4,218	4,100	6,254	5,386
Hedging instruments	17,657	20,441	31,319	26,810	59,668
Provisions for risks and charges	119,258	120,515	120,534	104,800	104,947
Tax liabilities	23,046	62,222	37,445	57,803	30,288
Other liabilities	296,926	167,984	255,835	233,407	227,285
Shareholders' equity	602,954	692,249	632,798	582,488	531,212
- capital and reserves	471,789	624,119	430,119	427,673	437,198
- revaluation reserves available-for-sale financial assets - actuarial gains (losses) for defined benefits plans	13,383	16,908	11,626	5,983	310
- net profit (loss)	117,782	51,222	191,053	148,832	93,704
<b>Total liabilities and shareholders' equity</b>	<b>19,560,856</b>	<b>19,264,510</b>	<b>18,327,949</b>	<b>17,450,808</b>	<b>18,051,457</b>

(Amounts in € thousand)

**Income Statement**

	1 <sup>st</sup> Half		Changes	
	2016	2015	Amount	%
Net interest	123,449	115,744	7,705	6.7%
Net fee and commission income	117,821	126,989	(9,168)	-7.2%
Net trading, hedging and fair value income	46,926	28,073	18,853	67.2%
Net other expenses/income	758	(3,089)	3,847	n.c.
<b>OPERATING INCOME</b>	<b>288,954</b>	<b>267,717</b>	<b>21,237</b>	<b>7.9%</b>
Staff expenses	(37,716)	(37,182)	(534)	1.4%
Other administrative expenses	(117,724)	(120,535)	2,811	-2.3%
Recovery of expenses	42,337	42,388	(51)	-0.1%
Impairments/write-backs on intangible and tangible assets	(4,609)	(4,190)	(419)	10.0%
<b>Operating costs</b>	<b>(117,712)</b>	<b>(119,519)</b>	<b>1,807</b>	<b>-1.5%</b>
<b>OPERATING PROFIT (LOSS)</b>	<b>171,242</b>	<b>148,198</b>	<b>23,044</b>	<b>15.5%</b>
Net write-downs of loans and provisions for guarantees and commitments	(2,801)	(2,694)	(107)	4.0%
<b>NET OPERATING PROFIT (LOSS)</b>	<b>168,441</b>	<b>145,504</b>	<b>22,937</b>	<b>15.8%</b>
Net provisions for risks and charges	(2,553)	(3,929)	1,376	-35.0%
Integration costs	(7)	-	(7)	n.c.
<b>NET PROFIT (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS</b>	<b>165,881</b>	<b>141,575</b>	<b>24,306</b>	<b>17.2%</b>
Income tax for the period	(48,099)	(47,871)	(228)	0.5%
<b>NET PROFIT (LOSS) AFTER TAX FROM CONTINUING OPERATIONS</b>	<b>117,782</b>	<b>93,704</b>	<b>24,078</b>	<b>25.7%</b>
<b>NET PROFIT (LOSS) FOR THE PERIOD</b>	<b>117,782</b>	<b>93,704</b>	<b>24,078</b>	<b>25.7%</b>

(Amounts in € thousand)

**Income statement - Quarterly data**

	2016	
	2 <sup>nd</sup> Quarter	1 <sup>st</sup> Quarter
Net interest	61,200	62,249
Net fee and commission income	59,660	58,161
Net trading, hedging and fair value income	27,281	19,645
Net other expenses/income	669	89
<b>OPERATING INCOME</b>	<b>148,810</b>	<b>140,144</b>
Staff expenses	(19,003)	(18,713)
Other administrative expenses	(57,169)	(60,555)
Recovery of expenses	21,107	21,230
Impairments/write-backs on intangible and tangible assets	(2,436)	(2,173)
<b>Operating costs</b>	<b>(57,501)</b>	<b>(60,211)</b>
<b>OPERATING PROFIT (LOSS)</b>	<b>91,309</b>	<b>79,933</b>
Net write-downs of loans and provisions for guarantees and commitments	(1,361)	(1,440)
<b>NET OPERATING PROFIT (LOSS)</b>	<b>89,948</b>	<b>78,493</b>
Net provisions for risks and charges	(1,114)	(1,439)
Integration costs	(4)	(3)
<b>NET PROFIT (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS</b>	<b>88,830</b>	<b>77,051</b>
Income tax for the period	(22,270)	(25,829)
<b>NET PROFIT (LOSS) AFTER TAX FROM CONTINUING OPERATIONS</b>	<b>66,560</b>	<b>51,222</b>
<b>NET PROFIT (LOSS) FOR THE PERIOD</b>	<b>66,560</b>	<b>51,222</b>

*(Amounts in € thousand)*

	2015			
	Q4	Q3	Q2	Q1
Net interest	62,142	62,876	59,254	56,490
Net fee and commission income	63,591	62,030	64,212	62,777
Net trading, hedging and fair value income	12,587	13,207	11,014	17,059
Net other expenses/income	(1,486)	1,601	(3,447)	358
<b>OPERATING INCOME</b>	<b>136,834</b>	<b>139,714</b>	<b>131,033</b>	<b>136,684</b>
Staff expenses	(18,883)	(18,984)	(18,797)	(18,385)
Other administrative expenses	(59,238)	(53,097)	(60,134)	(60,401)
Recovery of expenses	21,728	20,231	21,376	21,012
Impairments/write-backs on intangible and tangible assets	(2,550)	(2,211)	(2,163)	(2,027)
<b>Operating costs</b>	<b>(58,943)</b>	<b>(54,061)</b>	<b>(59,718)</b>	<b>(59,801)</b>
<b>OPERATING PROFIT (LOSS)</b>	<b>77,891</b>	<b>85,653</b>	<b>71,315</b>	<b>76,883</b>
Net write-downs of loans and provisions for guarantees and commitments	(2,576)	(1,436)	(1,111)	(1,583)
<b>NET OPERATING PROFIT (LOSS)</b>	<b>75,315</b>	<b>84,217</b>	<b>70,204</b>	<b>75,300</b>
Net provisions for risks and charges	(10,474)	(1,311)	(814)	(3,115)
Integration costs	(1,246)	-	-	-
Net income from investments	(1)	-	-	-
<b>NET PROFIT (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS</b>	<b>63,594</b>	<b>82,906</b>	<b>69,390</b>	<b>72,185</b>
Income tax for the period	(21,373)	(27,778)	(23,468)	(24,403)
<b>NET PROFIT (LOSS) AFTER TAX FROM CONTINUING OPERATIONS</b>	<b>42,221</b>	<b>55,128</b>	<b>45,922</b>	<b>47,782</b>
<b>NET PROFIT (LOSS) FOR THE PERIOD</b>	<b>42,221</b>	<b>55,128</b>	<b>45,922</b>	<b>47,782</b>

(Amounts in € thousand)

**Main balance sheet figures**

	Amounts as at		Changes	
	06.30.2016	12.31.2015	Amount	%
Loans (1)	671,778	614,000	57,778	9.4%
Total assets	19,560,856	18,327,949	1,232,907	6.7%
Direct deposits (2)	16,965,267	15,630,645	1,334,622	8.5%
Assets under administration (3)	38,598,881	39,696,024	(1,097,143)	-2.8%
Total financial assets (direct and indirect)	55,564,148	55,326,669	237,479	0.4%
Shareholders' equity	602,954	632,798	(29,844)	-4.7%

(Amounts in € thousand)

(1) Loans refer solely to loans granted to customers (current account overdrafts, credit cards, personal loans 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 sold online or through the sales networks of FinecoBank.

**KEY FIGURES****Operating Structure**

	<i>Figures as at</i>		
	06.30.2016	12.31.2015	06.30.2015
No. Employees	1,060	1,059	1,039
No. Workers <sup>(1)</sup>	1,071	1,067	1,046
No. Personal financial advisors	2,642	2,622	2,593
No. Financial shops <sup>(2)</sup>	349	343	332

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

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

**Profitability, productivity and efficiency ratios**

	<i>Figures as at</i>		
	06.30.2016	12.31.2015	06.30.2015
Net interest/Operating income	42.72%	44.24%	43.23%
Income from brokerage and other income/Operating income	57.28%	55.76%	56.77%
Income from brokerage and other income/Operating costs	140.60%	130.53%	127.15%
Cost/income ratio	40.74%	42.72%	44.64%
Operating costs/TFA	0.42%	0.44%	0.46%
Cost of risk	62bp	83bp	70bp
ROE	42.10%	42.72%	42.63%
Return on assets	1.20%	1.04%	1.04%
EVA	105,196	166,644	82,177
RARORAC	73.19%	56.82%	61.38%
ROAC	81.95%	65.43%	69.99%
Total customer sales/Average employees	51,978	52,970	52,029
Total customer sales/(Average employees + average PFAs)	15,013	15,275	14,956

(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.

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, 2016 and June 30, 2015 were annualised.

Cost of risk: the ratio between net write-downs of loans and provisions for guarantees and commitments to loans and receivables with customers (average between the period-end balance and the balance as at the previous period). The methods of calculation for this indicator have been changed starting from the year 2016 and the relevant indicators from previous periods have been restated for comparative purposes. Net write-downs of loans and provisions for guarantees and commitments as at June 30, 2016 and June 30, 2015 have been annualised.

ROE: the denominator used to calculate this ratio is the average book shareholders' equity for the period (excluding dividends and donations expected to be distributed and the revaluation reserves). The net profit (loss) for the period to June 30, 2016 has been adjusted by removing the profit after tax realised from the sale of the investment in Visa Europe Limited, amounting to €10.3 million, and the increase in current tax following the settlement of several tax disputes, amounting to €6.5 million. The net profit (loss) for the period as at June 30, 2016 and June 30, 2015 was annualised.



Return on assets: ratio of net profit after tax to total assets. The net profit (loss) for the period as at June 30, 2016 and June 30, 2015 was annualised.

EVA (Economic Value Added): shows the company's ability to create value and is calculated as the difference between net operating profit after tax and the notional cost of allocated capital.

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

ROAC (Return on Allocated Capital): ratio of net operating profit to 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, 2016, internal capital is that as at March 31, 2016, the latest available provided by the Parent Company.

### **Balance Sheet indicators**

	<i>Figures as at</i>	
	<i>06.30.2016</i>	<i>12.31.2015</i>
Loans/Total assets	3.43%	3.35%
Loans and receivables with banks/Total assets	78.21%	79.93%
Financial assets/Total assets	14.99%	12.28%
Direct deposits/Total liabilities and shareholders' equity	86.73%	85.28%
Shareholders' equity (including profit)/Total liabilities and shareholders' equity	3.08%	3.45%
Loans/Direct deposits	3.96%	3.93%

<i>Credit quality</i>	<i>Figures as at</i>	
	<i>06.30.2016</i>	<i>12.31.2015</i>
Impaired loans/Loans	0.60%	0.79%
Non-performing loans/Loans	0.42%	0.57%
Coverage <sup>(1)</sup> - Non-performing loans	87.66%	83.96%
Coverage <sup>(1)</sup> - Unlikely to pay	72.99%	63.59%
Coverage <sup>(1)</sup> - Past-due impaired loans	46.01%	51.21%
Coverage <sup>(1)</sup> - Total impaired loans	84.66%	80.64%

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

### **Own funds and capital ratios**

	<i>Figures as at</i>	
	<i>06.30.2016</i>	<i>12.31.2015</i>
Total own funds (€ thousand)	414,132	393,903
Total risk-weighted assets (€ thousand)	1,825,666	1,828,007
Ratio - Common Equity Tier 1 - CET1	22.68%	21.39%
Ratio - Tier 1 Capital	22.68%	21.39%
Ratio - Total Own Funds	22.68%	21.55%

	<i>Figures as at</i>	
	<i>06.30.2016</i>	<i>12.31.2015</i>
Tier 1 Capital (€ thousand)	414,132	390,977
Exposure for leverage (€ thousand)	4,379,782	3,717,157
Transitional leverage ratio	9.46%	10.52%

Own funds and capital ratios were determined applying the current Supervisory Regulations, in line with Basel III standards, including transitional adjustments. The Common Equity Tier 1 includes the profit for the period (for the amount that will not be

distributed calculated based on the distribution rate for the previous year) assuming the conditions established Article 26.2 of the EU Regulation 575/2013 (CRR) are satisfied.

The leverage ratio was 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

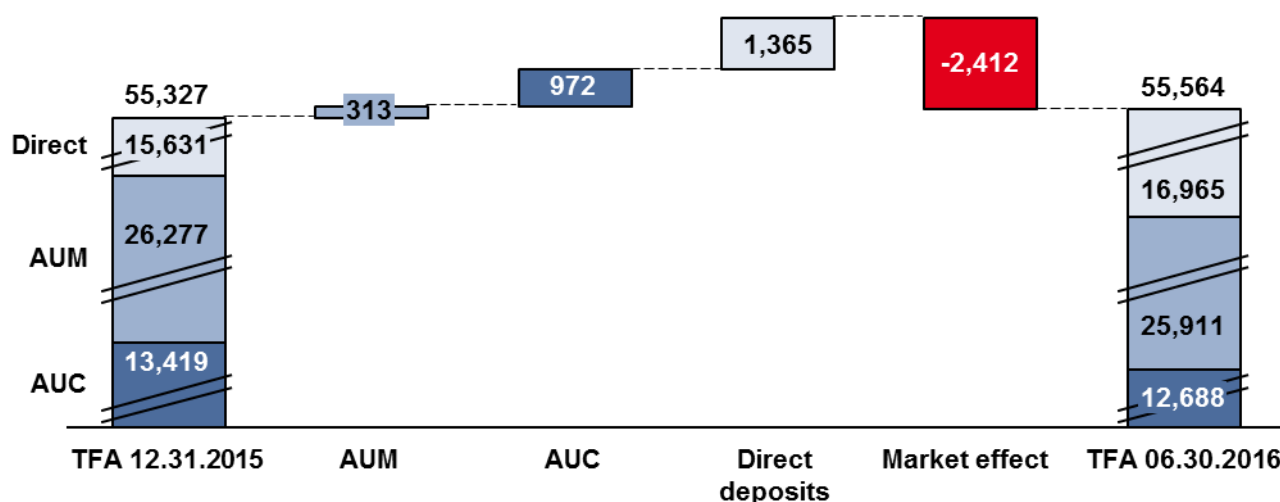
Direct deposits increased by 8.5% compared to the end of the previous year, up to €16,965 million, reflecting the high level of appreciation of the quality of the services.

Indeed, direct deposits mainly consist of 'transactional' deposits that support all customer transactions, whose growth confirms the high and increasing degree of customer loyalty, which in turn contributes to improving the quality and stability of direct deposits.

Assets under administration (Assets under Management-AUM plus Assets under Custody-AUC) stood at €38,599 million, representing a decrease of 2.8% compared to December 31, 2015.

In 2015, total financial assets (direct and indirect) continued to grow, reaching €55,564 million, representing a slight increase of 0.4% compared to the end of December 2015, thanks to net sales of €2,650 million, offset by the adverse impact €2,412 million from the performance of the market.

The steady growth and continued improvement in the quality of sales was reflected in the growth of guided products & services<sup>1</sup>, which continued to increase as a percentage of the TFA, up from 21.4% as at December 31, 2015 to 23.9% as at June 30, 2016, and of Assets under Management, up from 45.01% as at December 31, 2015 to 51.32% as at June 30, 2016.



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

<sup>1</sup> Respectively, the Bank's products and/or services developed by investing in UCITs selected from among those distributed for each *asset class* taking into account customers' different risk profiles and offered to the Bank's customers under the guided open architecture model. At the date of this report, the guided products category included the "Core Series" umbrella fund of funds and the "Core Unit", "Advice Unit" and "Core Multiramio" and "Advice Top Valor" unit-linked policies, while the "Fineco Advice" and "Fineco Stars" advanced advisory services (for investment) fall under the guided service category.

The table below shows the figures for the balance of 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 through the online channel.

### Total financial assets

	<i>Amounts as at</i>		<i>Amounts as at</i>		<i>Changes</i>	
	<i>06.30.2016</i>	<i>%</i>	<i>12.31.2015</i>	<i>%</i>	<i>Amount</i>	<i>%</i>
Current accounts and demand deposits	16,490,511	29.7%	14,985,438	27.1%	1,505,073	10.0%
Time deposits and reverse repos	474,756	0.9%	645,207	1.2%	(170,451)	-26.4%
<b>DIRECT DEPOSITS</b>	<b>16,965,267</b>	<b>30.5%</b>	<b>15,630,645</b>	<b>28.3%</b>	<b>1,334,622</b>	<b>8.5%</b>
Segregated accounts	11,684	0.0%	14,112	0.0%	(2,428)	-17.2%
UCITS and other investment funds	22,394,765	40.3%	23,100,072	41.8%	(705,307)	-3.1%
Insurance products	3,504,564	6.3%	3,163,241	5.7%	341,323	10.8%
<b>ASSETS UNDER MANAGEMENT</b>	<b>25,911,013</b>	<b>46.6%</b>	<b>26,277,425</b>	<b>47.5%</b>	<b>(366,412)</b>	<b>-1.4%</b>
Government securities, bonds and stocks	12,687,868	22.8%	13,418,599	24.3%	(730,731)	-5.4%
<b>ASSETS UNDER CUSTODY</b>	<b>12,687,868</b>	<b>22.8%</b>	<b>13,418,599</b>	<b>24.3%</b>	<b>(730,731)</b>	<b>-5.4%</b>
<b>TOTAL FINANCIAL ASSETS</b>	<b>55,564,148</b>	<b>100.0%</b>	<b>55,326,669</b>	<b>100.0%</b>	<b>237,479</b>	<b>0.4%</b>
of which Guided products & services <i>(Amounts in € thousand)</i>	13,297,916	23.9%	11,828,072	21.4%	1,469,844	12.4%

The table below shows the figures for direct deposits, assets under management and assets under custody solely for the personal financial advisors network. Total financial assets, amounting to €47,391 million, increased by 0.9% compared to December 31, 2015.

### Total financial assets – Personal Financial Advisors Network – Assoreti figures

	<i>Amounts as at</i>		<i>Amounts as at</i>		<i>Changes</i>	
	<i>06.30.2016</i>	<i>%</i>	<i>12.31.2015</i>	<i>%</i>	<i>Amount</i>	<i>%</i>
Current accounts and demand deposits	12,202,016	25.7%	10,898,767	23.2%	1,303,249	12.0%
Time deposits and reverse repos	327,854	0.7%	438,741	0.9%	(110,887)	-25.3%
<b>DIRECT DEPOSITS</b>	<b>12,529,870</b>	<b>26.4%</b>	<b>11,337,508</b>	<b>24.1%</b>	<b>1,192,362</b>	<b>10.5%</b>
Segregated accounts	11,683	0.0%	14,112	0.0%	(2,429)	-17.2%
UCITS and other investment funds	21,999,637	46.4%	22,663,576	48.3%	(663,939)	-2.9%
Insurance products	3,421,360	7.2%	3,070,003	6.5%	351,357	11.4%
<b>ASSETS UNDER MANAGEMENT</b>	<b>25,432,680</b>	<b>53.7%</b>	<b>25,747,691</b>	<b>54.8%</b>	<b>(315,011)</b>	<b>-1.2%</b>
Government securities, bonds and stocks	9,428,346	19.9%	9,866,169	21.0%	(437,823)	-4.4%
<b>ASSETS UNDER CUSTODY</b>	<b>9,428,346</b>	<b>19.9%</b>	<b>9,866,169</b>	<b>21.0%</b>	<b>(437,823)</b>	<b>-4.4%</b>
<b>TOTAL FINANCIAL ASSETS</b>	<b>47,390,896</b>	<b>100.0%</b>	<b>46,951,368</b>	<b>100.0%</b>	<b>439,528</b>	<b>0.9%</b>
of which Guided products & services <i>(Amounts in € thousand)</i>	13,274,357	28.0%	11,805,963	25.1%	1,468,394	12.4%

The table below shows the figures for direct deposits, assets under management and assets under custody for the first half 2016 compared to the prior year, both for customers linked to a personal financial advisor and online-only customers.

Net sales came to €2,650 million, with a strong focus on direct deposits and assets under custody.

## Net sales

	1 <sup>st</sup> Half 2016	%	1 <sup>st</sup> Half 2015	%	Changes	
					Amount	%
Current accounts and demand deposits	1,536,839	58.0%	1,880,417	66.4%	(343,578)	-18.3%
Time deposits and reverse repos	(172,225)	-6.5%	(631,160)	-22.3%	458,935	-72.7%
<b>DIRECT DEPOSITS</b>	<b>1,364,614</b>	<b>51.5%</b>	<b>1,249,257</b>	<b>44.1%</b>	<b>115,357</b>	<b>9.2%</b>
Segregated accounts	(1,950)	-0.1%	(432)	0.0%	(1,518)	351.4%
UCITS and other investment funds	(120,794)	-4.6%	1,347,036	47.6%	(1,467,830)	n.c.
Insurance products	435,905	16.5%	376,564	13.3%	59,341	15.8%
<b>ASSETS UNDER MANAGEMENT</b>	<b>313,161</b>	<b>11.8%</b>	<b>1,723,168</b>	<b>60.9%</b>	<b>(1,410,007)</b>	<b>-81.8%</b>
Government securities, bonds and stocks	971,806	36.7%	(141,832)	-5.0%	1,113,638	n.c.
<b>ASSETS UNDER CUSTODY</b>	<b>971,806</b>	<b>36.7%</b>	<b>(141,832)</b>	<b>-5.0%</b>	<b>1,113,638</b>	<b>n.c.</b>
<b>NET SALES</b>	<b>2,649,581</b>	<b>100.0%</b>	<b>2,830,593</b>	<b>100.0%</b>	<b>(181,012)</b>	<b>-6.4%</b>
of which Guided products & services <i>(Amounts in € thousand)</i>	1,674,904	63.2%	2,273,862	80.3%	(598,958)	-26.3%

The table below shows the figures for direct deposits, assets under management and assets under custody of the personal financial advisors for the first half 2016 compared to the same period of the prior year.

## Net sales – Personal Financial Advisors Network – Assoreti figures

	1 <sup>st</sup> Half 2016	%	1 <sup>st</sup> Half 2015	%	Changes	
					Amount	%
Current accounts and demand deposits	1,303,250	57.4%	1,475,468	57.1%	(172,218)	-11.7%
Time deposits and reverse repos	(114,513)	-5.0%	(472,503)	-18.3%	357,990	-75.8%
<b>DIRECT DEPOSITS</b>	<b>1,188,737</b>	<b>52.4%</b>	<b>1,002,965</b>	<b>38.8%</b>	<b>185,772</b>	<b>18.5%</b>
Segregated accounts	(1,950)	-0.1%	(432)	0.0%	(1,518)	351.5%
UCITS and other investment funds	(105,306)	-4.6%	1,308,907	50.7%	(1,414,213)	n.c.
Insurance products	435,106	19.2%	379,740	14.7%	55,366	14.6%
<b>ASSETS UNDER MANAGEMENT</b>	<b>327,849</b>	<b>14.4%</b>	<b>1,688,215</b>	<b>65.4%</b>	<b>(1,360,366)</b>	<b>-80.6%</b>
Government securities, bonds and stocks	753,466	33.2%	(108,890)	-4.2%	862,356	n.c.
<b>ASSETS UNDER CUSTODY</b>	<b>753,466</b>	<b>33.2%</b>	<b>(108,890)</b>	<b>-4.2%</b>	<b>862,356</b>	<b>n.c.</b>
<b>NET SALES - PERSONAL FINANCIAL ADVISORS NETWORK</b>	<b>2,270,053</b>	<b>100.0%</b>	<b>2,582,290</b>	<b>100.0%</b>	<b>(312,237)</b>	<b>-12.1%</b>
of which Guided products & services <i>(Amounts in € thousand)</i>	1,672,283	73.7%	2,266,833	87.8%	(594,550)	-26.2%

## Performance of income statement aggregates

Net profit (loss) before tax from continuing operations amounted to €165.9 million, up 17.2% compared to the first half of the prior year.

This result reflected an improvement of 7.9% in operating income thanks to the increase in net interest income and net trading, hedging and fair value income, which offset the fall in net fee and commission income.

The increase in net interest, up €7.7 million on the same period of the prior year, was due to the increase in sales volume and the reduction in the cost of sales, which offset the fall in interest income linked to the decline in market interest rates.

Net fee and commission income fell by €9.2 million compared to previous year, mainly as a result of:

- lower securities trading and order collection commissions, as a result of the progressive shift by customers towards over-the-counter products and the higher proportion of internalisation activity. It should be noted that

the first quarter 2015 was characterised by very high volatility, which favoured brokerage activity, resulting in March 2015 recording the best result for the last five years in the Brokerage business;

- lower commissions for collection and payment services, mainly relating to credit and debit card transactions, as a result of the entry into force, on December 9, 2015, of Regulation (EU) 2015/751 of the European Parliament and of the Council, which set a cap on interbank commissions for transactions via debit and credit cards;
- lower commissions from the placement and management of securities and UCITS units due to the adverse performance of the markets.

Net trading, hedging and fair value income benefited from the increase in positive impact from the internalisation of securities, CFDs, and financial instruments used to hedge CFDs, in addition to the gains recognised from the sale of securities in the "Available-for-sale financial assets" portfolio totalling €5 million, realised as part of the measures to mitigate the exposure to interest rate risk and optimise profitability, and the gain of €15.3 million realised from the sale of the investment in Visa Europe Limited, the main aspects of which are described in the section on Financial investments in this Interim report on operations.

Operating costs fell by €1.8 million compared to the same period of the previous year, mainly due to lower costs for incentive plans for the professional financial advisors network.

Net profit (loss) after tax from continuing operations amounted to €117.8 million, up 25.7% compared to the first half of the prior year. It should be noted that Income tax for the period benefited from a positive change in current tax of around €6.5 million referring to provisions for several disputes relating to previous years, which were definitively settled during the first half 2016.

### **Communications and external relations**

"The bank that simplifies banking" is the unique positioning that the Bank has continued to develop also in 2016.

During the year, important advertising flights were conducted using all means of communication (TV, financial press and posters), in addition to the creative "*Risposte semplici a domande complesse*" (simple answers to complex needs) campaign, which has strengthened the notion of a bank capable of providing simple answers to increasingly sophisticated customer needs.

Numerous events were also organised throughout the country for the private banking segment, thanks to partnerships with major brands.

In April a restyling of the Fineco logo was initiated to bring it more into line with the new positioning and to remove the "new bank" wording, used during the launch stage, leaving just FinecoBank.

In the early months of the year, the Global Brands Magazine recognised FinecoBank as the "Most Innovative Financial Brand Italy", "Best Financial Brand Italy" and "Most Innovative Financial Advisory Brand Italy".

### **Incentive plans**

On February 8, 2016, the Board of Directors launched the plans approved by the Shareholders' Meeting on June 5, 2014 and 2015 Incentive Systems approved by the Shareholders' Meeting of April 23, 2015. In particular:

- for the "2014 Key People Plan", considering the positive outcome of the verification of the entry conditions and the individual conditions (compliance in conduct and continued employment) and the favourable opinion of the Remuneration and Appointments Committee, it approved the allocation of the second tranche corresponding to 289,703 free ordinary shares to 79 beneficiaries and, as a consequence, it approved a free share capital increase for a total amount of €95,601.99. The dilution effect resulting from the above free capital increase to service the stock granting plans is calculated as a maximum of 0.05% of the fully diluted capital;
- for the "2014-2017 Multi-year Top Management Plan", considering the positive outcome of the verification of the entry conditions and the individual conditions (compliance in conduct and continued employment) and the favourable opinion of the Remuneration and Appointments Committee, it approved the allocation to 6 beneficiaries for the year 2016 of a total of 335,624 free ordinary shares, a smaller amount than the amount established on April 15, 2014 to ensure that the ratio between the fixed and variable remuneration is kept in line with the applicable regulations;
- for the "2015 Incentive System", considering the positive outcome of the verification of the entry conditions (at Group and level and local level) and the individual conditions (compliance in conduct and continued employment), the individual performances of the beneficiaries and the favourable opinion of the Remuneration and Appointments Committee, it approved the allocation of 210,288 free ordinary shares of FinecoBank;
- for the "2015 PFA Incentive System", considering the positive outcome of the verification of the entry conditions at local level, the due application of the "conformity assessment" and the favourable opinion of the Remuneration and Appointments Committee, it approved the allocation of 45,171 Phantom shares.

In relation to the 2016 Incentive System for Personal Financial Advisors identified as "Key personnel", the Shareholders' Meeting of April 12, 2016 authorised the purchase and issuing of order instructions for a maximum of 250,000 own shares, with a par value of €0.33 each, on the understanding that the share buybacks could be carried out subject to obtaining the required authorisation from the Supervisory Authority, pursuant to Articles 77-78 of EU Reg. 575/2013 (CRR) of June 26, 2013. The authorisation for the buyback was granted by the Supervisory Authority on July 8, 2016.

## **FINECOBANK SHARES**

### **Share information**

The performance of the FinecoBank was variable over the first half 2016.

The shares held steady during the first quarter, with a share price of €7.40 at the end of March, in line with the value at the beginning of the year. However, the second quarter was impacted by the difficult macroeconomic environment, exacerbated by the result of the Brexit referendum in the United Kingdom and the uncertainty surrounding the Italian banking industry. This negative scenario affected all market operators, with particularly poor performance for bank shares.

As at June 30, 2016, the share price stood at €5.85, down on the €6.645 recorded at the end of the first half 2015 and the €7.625 recorded at the end of 2015.

However, the average price of the shares during the first half of 2016 was higher than the average of the price calculated in the first half 2015 (€6.73 vs. €6.06).

The share price reached a low from the beginning of the year on June 27 (€5.50), in the wake of the fears of post-Brexit contagion and continued uncertainty about future markets scenarios.

The company's market capitalisation amounted to €3,550 million as at June 30, 2016.

	<i>1<sup>st</sup> Quarter 2015</i>	<i>2<sup>nd</sup> Quarter 2015</i>	<i>1<sup>st</sup> Quarter 2016</i>	<i>2<sup>nd</sup> Quarter 2016</i>	<i>1<sup>st</sup> Half 2015</i>	<i>1<sup>st</sup> Half 2016</i>
<b>Official price of ordinary shares (€)</b>						
- maximum	6.425	7.170	7.400	7.230	7.170	7.400
- minimum	4.438	6.355	6.000	5.500	4.438	5.500
- average	5.356	6.771	6.901	6.569	6.058	6.731
- period end	6.425	6.645	7.400	5.850	6.645	5.850
<b>Number of shares (millions)</b>						
- outstanding at period end	606.5	606.5	606.8	606.8	606.5	606.8

On July 12, 2016, UniCredit announced that it had successfully completed the accelerated bookbuilding for the sale to institutional investors of around 60.7 million ordinary shares held in FinecoBank, corresponding to 10% of the Bank's existing share capital, at a price of €5.40 per share.

Following the conclusion of the offering, UniCredit will continue to maintain a majority holding in FinecoBank, corresponding to 55.4% of the existing share capital.

## **RESULTS ACHIEVED IN THE MAIN AREAS OF ACTIVITY**

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

Given the Bank's specific business model that provides for a high level of integration among its different activities, these segments are interdependent. Indeed, the Bank offers its services (banking and investment services) through a network of 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 2016 the Bank continued to consolidate its leadership in the Italian online trading market.

The early months of the year benefited from the high volatility of the markets mainly due to the introduction of the Bail-in directive and the surprising result of the referendum on the United Kingdom remaining within the European Union.

There was a gradual shift towards from traditional asset classes to OTCs, including the binary options introduced most recently within the family of CFDs and which are already top performers.

The diversification of the Bank's business model also demonstrated its strength in adverse market conditions, making the Bank much more resilient than its competitors in periods of market uncertainty.

The strategy to expand, innovate and develop the offering continued with the introduction of new services and functions, in particular:

- overnight trading on CFDs on US shares;

- a new index bar with a new expandable area to display a selection of core business instruments and provide easier and more direct access to trading in those instruments;
- updating of the features of the Fineco apps, introducing the possibility of trading on LSE, SIX and HEX markets and enabling operations across all devices;
- expansion of the basket of binary options with around 50 new instruments and over 200 tradable maturities.

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 following table shows the number of orders on financial instruments recorded in the first half compared to the same half of 2015.

	1 <sup>st</sup> Half 2016	1 <sup>st</sup> Half 2015	<u>Changes</u>	
			Amount	%
Orders - Equity Italy (including internalised orders)	4,378,037	4,591,281	(213,244)	-4.6%
Orders - Equity USA (including internalised orders)	435,597	574,565	(138,968)	-24.2%
Orders - Equity other markets (including internalised orders)	314,335	296,500	17,835	6.0%
<b>Total equity orders</b>	<b>5,127,969</b>	<b>5,462,346</b>	<b>(334,377)</b>	<b>-6.1%</b>
Orders - Bonds	258,815	363,521	(104,706)	-28.8%
Orders - Derivatives	2,156,368	1,721,657	434,711	25.2%
Orders - Forex	485,876	948,728	(462,852)	-48.8%
Orders - CFDs	2,183,079	832,080	1,350,999	162.4%
Orders - Funds	1,095,444	1,386,279	(290,835)	-21.0%
Orders - Repos	6,789	12,303	(5,514)	-44.8%
<b>TOTAL ORDERS</b>	<b>11,314,340</b>	<b>10,726,914</b>	<b>587,426</b>	<b>5.5%</b>

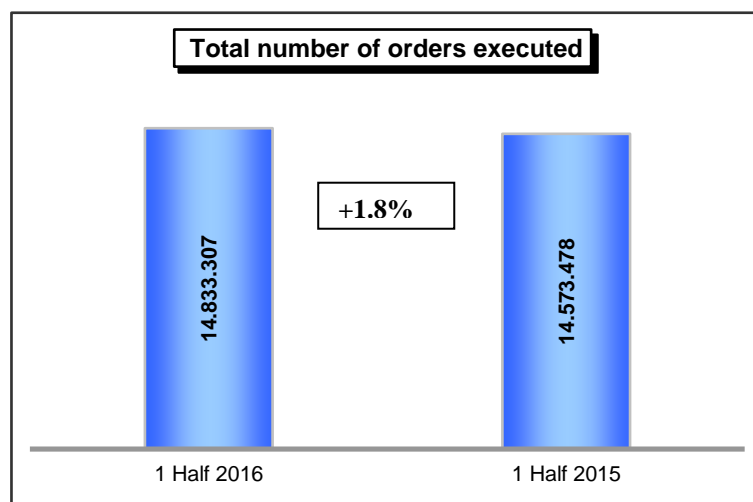
There was a general reduction in orders executed compared to the same period last year, with the exception of the orders on derivatives and CFDs, which increased by 25% and 162% respectively.

The following table shows the volume of trades carried out as 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 2016 compared to the prior year.

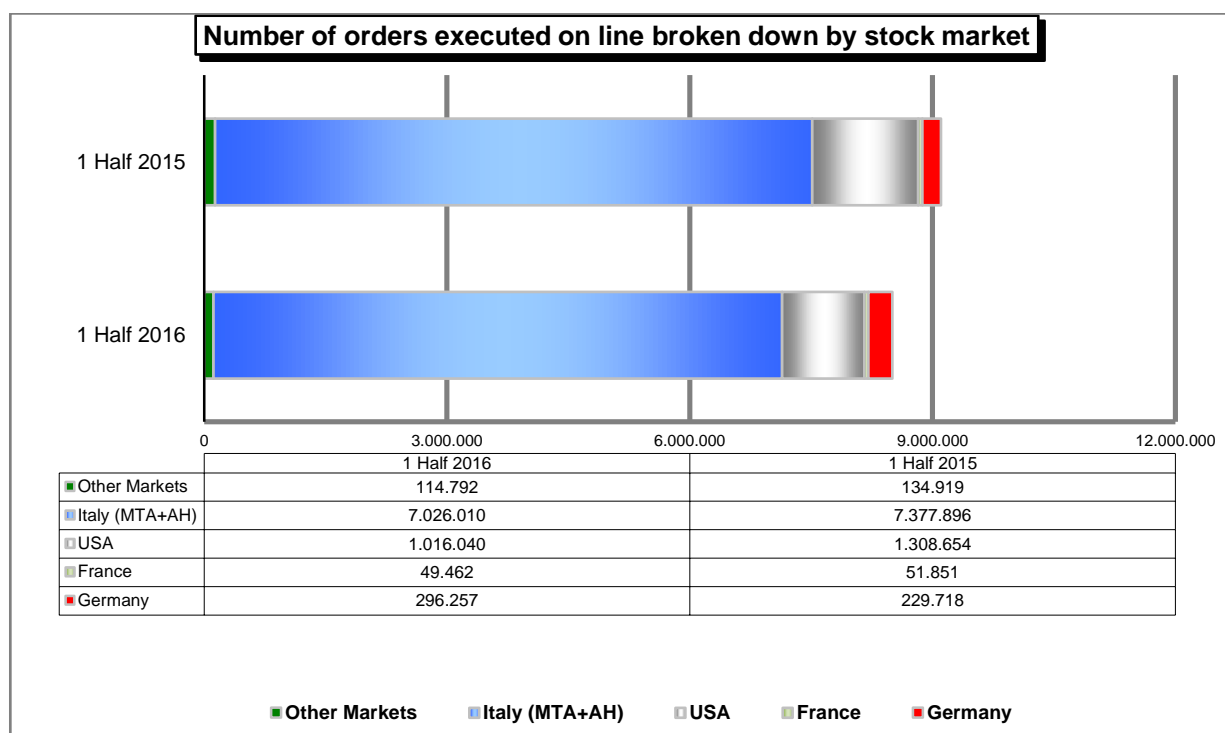
	1 <sup>st</sup> Half 2016	1 <sup>st</sup> Half 2015	<u>Changes</u>	
			Amount	%
Equity (internalisation)	23,975,233	35,500,089	(11,524,856)	-32.5%
Forex	25,404,775	63,515,036	(38,110,261)	-60.0%
CFDs and Logos	30,592,269	28,932,807	1,659,462	5.7%
<b>Total "internalised" Volumes</b>	<b>79,972,277</b>	<b>127,947,932</b>	<b>(47,975,655)</b>	<b>-37.5%</b>

(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

The Bank offers its customers a full range of direct banking services (mainly through online and mobile channels) that are comparable to those offered by traditional banks and competitors in this segment.

During the first half 2016 various actions were taken to digitise processes in order to increase the efficiency and effectiveness of the organisation as a whole.

The main actions included:

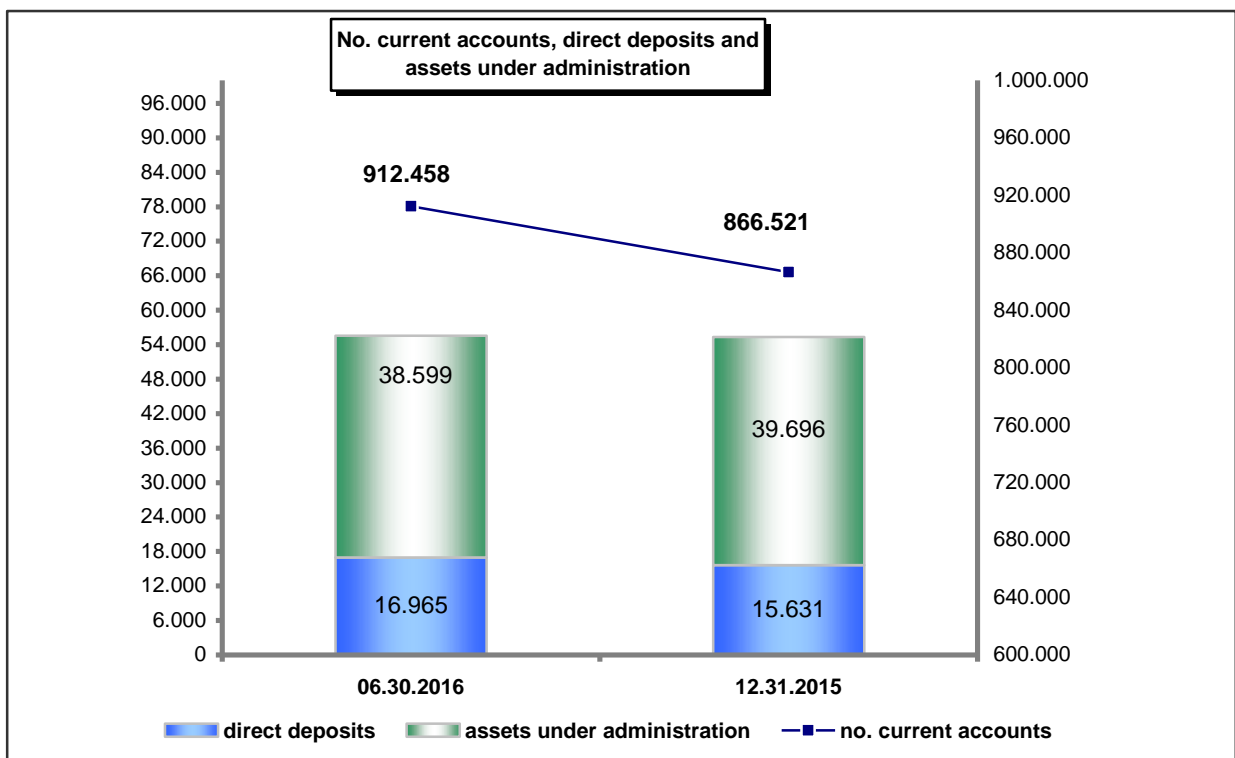
- simplifying the process for unblocking account operations, which involves the digitising, within a reserved area of the site, of the 8 central numbers appearing on the payment card, eliminating the need to send the letter with the security code to all those who request a payment card when opening an account;

- requirement to certify contacts (email address and mobile phone number) when customers first access the current account;
- the new faster and more streamlined activation model for digital signatures, enabling the digital signature to be activated when it is to be used, without the need for the customer to interrupt the operation;
- the possibility for customers to update their identification documents directly online;
- digitising of the process of regeneration of the PIN device used by customers to confirm current account transactions.

The products and services introduced during the first half included:

- new automatic alerts for incoming bank transfers on the current account;
- extension of the current online bank transfer service from accounts in euro to also include bank transfers in currencies other than the euro to over 250 countries and bank transfers in euros to countries banks not belonging or subscribing to the SEPA area/circuit;
- extension of the current bank transfer service from multicurrency accounts (Euro, CHF, GBP) to over 250 countries;
- complete overhaul of the F24 tax return payment service with the introduction of new features such as the taxpayers' address book and predictive searching of tax codes;
- migration of fixed amount direct debits to the SEPA circuit.

This was accompanied by the continued development and management of marketing campaigns aimed at the online target market and word-of-mouth initiatives (member gets member) aimed at existing customers. These are complex initiatives that combine creativity, promotional work, logistics and monitoring.



(Amounts in € thousand)

## Credit

In the first half 2016 there was a 7% increase in holders of convenience credit cards, while the number of customers with revolving credit cards was up 1.4%.

The spending figure, which is still the main driver of profitability, increased by 10.2% compared to the same period of the prior year, for a total value of €1.3 billion. The spending of revolving cards represented 2% of the total.

The cards portfolio consists of 43% of cards operating on the VISA circuit and the remaining 57% of cards operating on the Mastercard circuit, with the related spending equally distributed between the two circuits.

It should be noted that the recent EU Regulation 2015/751 of the European Parliament and of the Council, which entered into force in Italy on December 9, 2015, introduced a cap on interbank commissions for transactions with debit, credit and prepaid cards. The introduction of this Regulation has led the Bank to change its strategy regarding payment cards, with a revision of the pricing for credit cards and the introduction of a new debit card product. In particular, in January 2016 a new Fineco international debit card was introduced, the only one of its kind in Italy that can operate on the Visa Debit, BANCORMAT°, PagoBANCORMAT° and FASTPay circuits. In addition to substituting the previous Vpay card, the new debit card is being offered to new customers as the main free payment card, as an alternative to the classic credit card, for which an annual fee has been introduced that can be removed if the card is used on a revolving basis and for Apex customers.

The Fineco Debit card offers the following services:

- payment by magnetic stripe, chip and pin, and ability to operate through contactless technology and for online purchases;
- *MaxiPrelievo* (maxi withdrawal), for withdrawals of up to €3,000 in the ATMs of the UniCredit group;
- *MaxiAcquisto* (maxi purchase), to make purchases of up to €5,000 without eroding the monthly or daily limits;
- limit management, to adjust the use and spending limits of the card on the Internet and in certain geographical areas;
- maximum limit management, to change the daily and monthly maximum limits for the use of the card on the Visa Debit circuit, both for withdrawals and POS purchases.

Lastly, to encourage the use of payment cards and to increase their security, in May new multifunction credit cards were issued on the VISA circuit enabled for contactless purchases and the migration began of all credit cards, including chip and sign credit cards, to the chip and pin system.

With regard to the other credit products, in the first half 2016 the application processes were reviewed and the area dedicated to those products was restyled, in order to improve the user experience for customers.

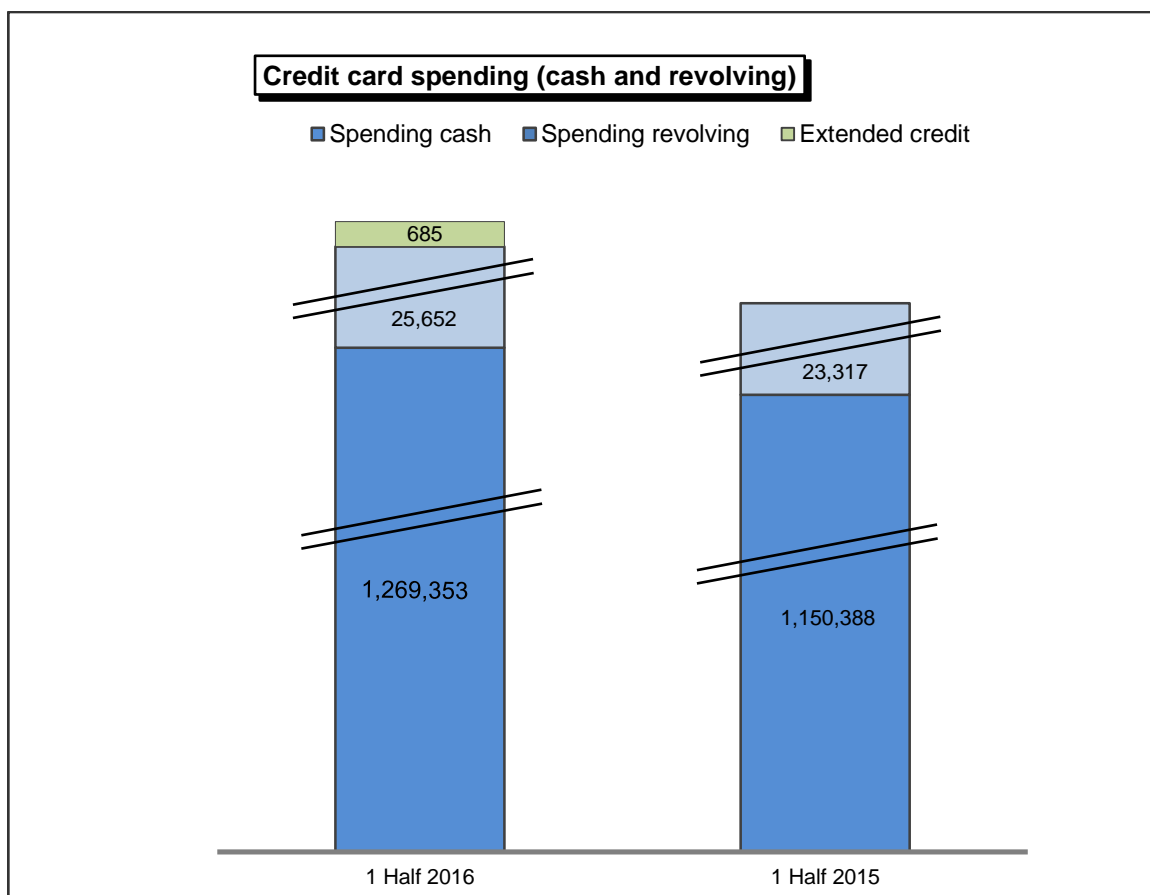
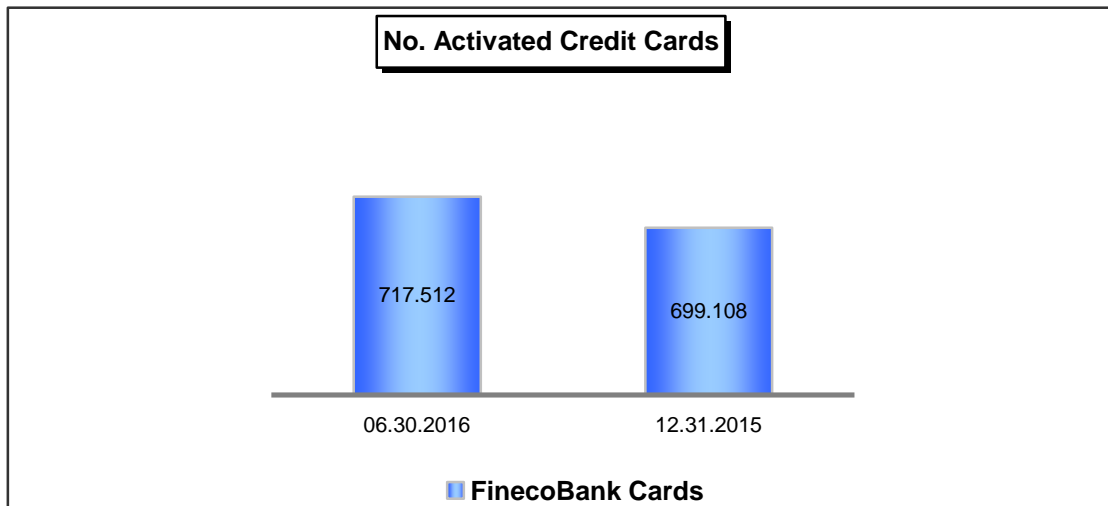
In particular, we note:

- the new "intelligent" simulator for personal loans, which provides simple and immediate information on the financial feasibility of the applications before they are sent, enabling customers to make a rapid and responsible choice for their financial commitments;
- the re-engineering of the digital lending platform with the launch of the innovative service for personal loans with immediate assessment. Thanks to a sophisticated rating system, capable of reassessing the applicant's

credit reliability and income capacity, the application is assessed within moments and the loan is disbursed within just twenty four hours without the need to provide the bank any documentation, not even financial;

- the launch of two new credit facilities for customers of the PFA network and holders of Advice and Stars securities accounts who can obtain more current account funds, by pledging the financial instruments held in their portfolio as a guarantee without losing ownership of those instruments.

The increase in disbursements was also supported by effective digital communication campaigns, which involved the coordinated use of all the web advertising tools and the progressive engagement of customers, also through social networks.



(Amounts in € thousand)

## INVESTING

The Bank uses an 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 2016, the range of asset management products was further enhanced with the addition to the platform of over 200 new ISINs available to customers.

With a view to expanding Diversified Management offering, 4 new CORE SERIES funds were introduced, in addition to the class of CORE INCOME OPPORTUNITY accumulation shares.

In particular, the CORE AGGRESSIVE fund was launched at the beginning of April, which has completed the range of funds with a risk profile capable of meeting the various needs of customers. Later, around mid-April, three CORE TARGET ALLOCATION new funds were introduced, which are completely new with respect to the other CORE SERIES funds, as they allow a gradual increase of the equity exposure of the portfolio while reducing the risk associated with market volatility. The three CORE TARGET ALLOCATION funds have in fact been designed to meet two fundamental needs arising at the beginning of the year: dealing with volatility and managing liquidity.

The CORE SERIES range has achieved €106 million in net sales since the beginning of the year.

In the first half 2016, net sales were also very strong for the "Fee-based" Fineco Advice advisory service, at around €1,786 million, most of which deriving from new customers.

The main actions during the period included the expansion of the range of monitorable products within the service, such as the new "*ramo 1*" policy capable of providing a capital guarantee and greater stability to part of the portfolio. Processes were further improved, with the introduction of the option for applicants to use a digital signature when opening the advisory contract.

The option was also provided for fiduciary mandates to operate in advisory mode, in addition to the introduction of the new dedicated mandate to sell service.

Lastly, work continued on improving the usability of the platform and the transparency of the service, with the elimination of trading costs for ETF, ETC, and ETN transactions.

The Fineco Stars Advisory Services also achieved highly positive results, continuing its growth and development: net sales from the beginning of the year reached €1,567 million, with an increase in the range of selected funds. During the first half 2016 several developments were made to Fineco Stars in order to increasingly tailor the advisory service to customer needs, including: change of the access threshold from €25,000 to €10,000; the possibility of opening Stars securities accounts in the *Apricon* system using a digital signature; and the possibility of activating mandates to sell on Stars securities account in off-line mode (since July 7, 2016 they are being managed online through flows). The release of the multi-objective option, which offers the possibility of opening several Stars securities accounts based on the different objectives of the individual customers.

Lastly, in the first half of 2016, there was continued interest in advisory services in the form of insurance. In addition to the continued success of the unit linked CORE UNIT and ADVICE UNIT products of Old Mutual Wealth Italy SPA – which have achieved sales of more than €90 million since the beginning of the year – the insurance offering was further driven by customer interest in the CORE Multiramo product of Aviva S.p.A., which provides the possibility of

combining the security of the Separate Account with the opportunity to invest in the markets of the unit linked fund. The CORE Multiramo has achieved €315 million in net sales since the beginning of the year.

In addition, in March 2016 the marketing began of the new Aviva traditional revaluable policy, which is based on the GEFIN Separate Account, divided into three types of offering: Standard, Private and Advice.

The table below shows the amount of assets under management of the Bank's customers, including both those linked to a personal financial advisor and those operating exclusively online.

	Amounts as at		Amounts as at		Change	
	06.30.2016	%	12.31.2015	%	Amount	%
UCITS and other investment funds	22,394,765	86.4%	23,100,072	87.9%	(705,307)	-3.1%
Insurance products	3,504,564	13.6%	3,163,241	12.0%	341,323	10.8%
Segregated accounts	11,684	0.0%	14,112	0.1%	(2,428)	-17.2%
<b>Total assets under management</b>	<b>25,911,013</b>	<b>100.0%</b>	<b>26,277,425</b>	<b>100.0%</b>	<b>(366,412)</b>	<b>-1.4%</b>

(Amounts in € thousand)

## THE NETWORK OF PERSONAL FINANCIAL ADVISORS

The first half of the year was marked by high volatility in the financial markets also due to the high uncertainty at international level. Despite an apparent and temporary recovery, the climate of uncertainty affected the entire half year and will continue to do so over the coming period.

Nevertheless, the Bank's business model demonstrated its strength, continuing to achieve significant results in terms of growth of sales, acquisition of new customers and enhancement of the advisory services component.

The Bank's business model, the structured planning approach and the advisory tools and services available, enable FinecoBank to promptly and effectively respond to the growing customer demand for advisory services, particularly in periods of high market volatility. The PFA network showed itself to be active and engaged, further strengthening its leadership with respect to the market and, above all, with customers.

Net sales continued at a steady pace in the first half 2016, albeit with a decline compared to the same period of the previous year, and stood at €2,270 million. Net assets under management totalled €328 million. There were 43,301 new openings during the period.

### Net sales – Personal Financial Advisors Network – Assoreti figures

	1 <sup>st</sup> Half 2016	%	1 <sup>st</sup> Half 2015	%	Changes	
					Amount	%
Current accounts and demand deposits	1,303,250	57.4%	1,475,468	57.1%	(172,218)	-11.7%
Time deposits and reverse repos	(114,513)	-5.0%	(472,503)	-18.3%	357,990	-75.8%
<b>DIRECT DEPOSITS</b>	<b>1,188,737</b>	<b>52.4%</b>	<b>1,002,965</b>	<b>38.8%</b>	<b>185,772</b>	<b>18.5%</b>
Segregated accounts	(1,950)	-0.1%	(432)	0.0%	(1,518)	351.5%
UCITS and other investment funds	(105,306)	-4.6%	1,308,907	50.7%	(1,414,213)	n.c.
Insurance products	435,106	19.2%	379,740	14.7%	55,366	14.6%
<b>ASSETS UNDER MANAGEMENT</b>	<b>327,849</b>	<b>14.4%</b>	<b>1,688,215</b>	<b>65.4%</b>	<b>(1,360,366)</b>	<b>-80.6%</b>
Government securities, bonds and stocks	753,466	33.2%	(108,890)	-4.2%	862,356	n.c.
<b>ASSETS UNDER CUSTODY</b>	<b>753,466</b>	<b>33.2%</b>	<b>(108,890)</b>	<b>-4.2%</b>	<b>862,356</b>	<b>n.c.</b>
<b>NET SALES - PERSONAL FINANCIAL ADVISORS NETWORK</b>	<b>2,270,053</b>	<b>100.0%</b>	<b>2,582,290</b>	<b>100.0%</b>	<b>(312,237)</b>	<b>-12.1%</b>
of which Guided products & services	1,672,283	73.7%	2,266,833	87.8%	(594,550)	-26.2%

(Amounts in € thousand)

In the first half 2016, the importance was again confirmed of the financial advisory services, together with the approach of planning, monitoring and controlling risk, with growing investor awareness of the importance of having detailed and diversified management of their portfolios, as reflected in the shift of net sales towards sophisticated advisory guided products and services, which stood at €1,672 million.

Advisory services are and continue to be the focus for the future, as an approach that is increasingly spreading and particularly appreciated among customers, especially those in the private banking segment. The private banking segment is a significant part of the customer base, as also confirmed by the Bank's recent joining of the Italian private banking association.

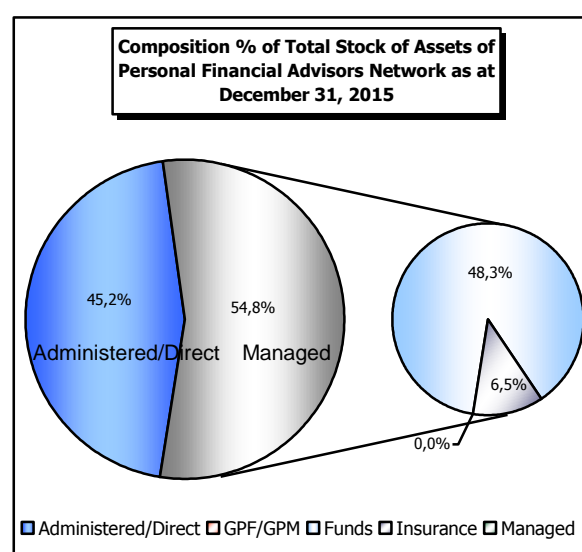
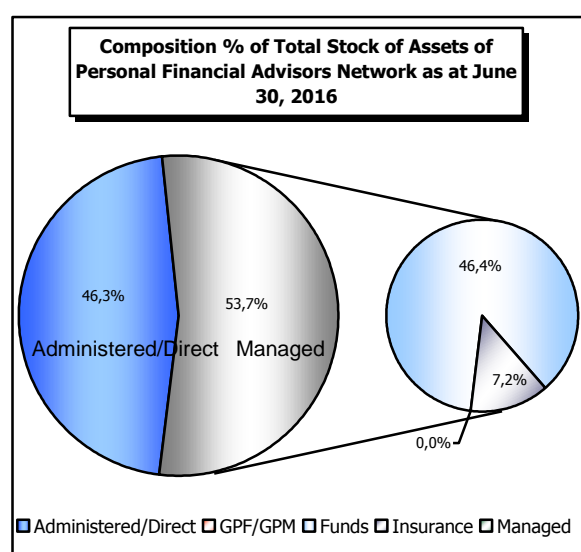
This segment is growing steadily (2% in terms of customers and 37% in terms of assets), confirming FinecoBank's status as one of the top Italian private banking providers.

The table below shows the breakdown of sales attributable to the PFA network as at June 30, 2016. Total financial assets, amounting to €47,391 million, increased by 0.9% compared to December 31, 2015.

### Total financial assets – Personal Financial Advisors Network – Assoreti figures

	Amounts as at		Amounts as at		Changes	
	06.30.2016	%	12.31.2015	%	Amount	%
Current accounts and demand deposits	12,202,016	25.7%	10,898,767	23.2%	1,303,249	12.0%
Time deposits and reverse repos	327,854	0.7%	438,741	0.9%	(110,887)	-25.3%
<b>DIRECT DEPOSITS</b>	<b>12,529,870</b>	<b>26.4%</b>	<b>11,337,508</b>	<b>24.1%</b>	<b>1,192,362</b>	<b>10.5%</b>
Segregated accounts	11,683	0.0%	14,112	0.0%	(2,429)	-17.2%
UCITS and other investment funds	21,999,637	46.4%	22,663,576	48.3%	(663,939)	-2.9%
Insurance products	3,421,360	7.2%	3,070,003	6.5%	351,357	11.4%
<b>ASSETS UNDER MANAGEMENT</b>	<b>25,432,680</b>	<b>53.7%</b>	<b>25,747,691</b>	<b>54.8%</b>	<b>(315,011)</b>	<b>-1.2%</b>
Government securities, bonds and stocks	9,428,346	19.9%	9,866,169	21.0%	(437,823)	-4.4%
<b>ASSETS UNDER CUSTODY</b>	<b>9,428,346</b>	<b>19.9%</b>	<b>9,866,169</b>	<b>21.0%</b>	<b>(437,823)</b>	<b>-4.4%</b>
<b>TOTAL FINANCIAL ASSETS</b>	<b>47,390,896</b>	<b>100.0%</b>	<b>46,951,368</b>	<b>100.0%</b>	<b>439,528</b>	<b>0.9%</b>
of which Guided products & services	13,274,357	28.0%	11,805,963	25.1%	1,468,394	12.4%

(Amounts in € thousand)



Significant focus was given to organising events to inform and educate customers about new regulations, such as the bail-in, on behavioural finance issues and on the correct approach to be used in times of market turbulence. A total of 808 events with customers were organised during the half year, which were attended by 42,472 customers of which 17,023 prospects.

Investment also continued in high-level training to develop the skills of the personal financial advisors, particularly in relation to the advanced advisory guided products and services, with over 1,450 days of classroom training.

Particular attention was given to providing training programs aimed at encouraging performance development, reinforcing positive thinking, and enhancing sense of belonging. The main topics discussed were the role of the consultant, the advisory services scenario and proposition, and customer segmentation, as well as topics focused on the different aspects of communication. The catalogue-based courses, selected for the purpose of professional self-development, involved 77% of the network. For the wealth advisors, focus groups were introduced as a forum for dialogue and examining specific issues related to the development of the business. Lastly, the GM Academy managerial training programme has now reached an engagement level of 80% of the group managers.

Investment also continued in commercial facilities, which contribute to enhancing the Bank's image and spreading our presence throughout the country, reflecting the significant attention to brand awareness.

Recruitment was very selective with a strong focus on the quality and standing of the candidates: since the beginning of the year 50 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 (and 29 "inexperienced" personnel were also added to the programme). This recruitment resulted in a major contribution to total net sales, which, however, are still driven primarily by the existing network, reflecting the unique strength of our model that enables healthy and organic growth.

As at June 30, 2016, the network was made up of 2,642 personal financial advisors, who operate countrywide through 349 financial shops (Fineco Centers), managed directly by the Company or by the personal financial advisors themselves.

## **HUMAN RESOURCES**

As at June 30, 2016, the Bank's total workforce consisted of 1,071 employees compared to 1,067 as at December 31, 2015. The breakdown was as follows:

<b>Human Resources</b>	<b>June 30, 2016</b>	<b>December 31, 2015</b>
FinecoBank employees	1,060	1,059
Workers with atypical contracts (+)	-	-
Group employees seconded to FinecoBank (+)	3	2
FinecoBank employees seconded to the Group (-)	-	(2)
<b>Total human resources excluding Directors</b>	<b>1,063</b>	<b>1,059</b>
Directors (+)	8	8
<b>Total human resources</b>	<b>1,071</b>	<b>1,067</b>



During the first half 2016, activities continued to strengthen and optimise the areas dedicated to business development, organisational support and risk control and management. This led to the hiring of 33 people, of which:

- 3 from other Group companies;
- 30 from the market.

Of the 30 new recruits from the market, over half were employed within 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 first half, 15 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 six months of the year, there was significant Internal job rotation, involving 17 employees, through which vacant positions within the company were filled, while also ensuring the continued professional development of staff.

In the first half 2016, a total of 32 employees left the bank, of which:

- 9 through resignations;
- 10 transfers to Group companies;
- 13 for other reasons (e.g. termination of maternity replacement contract).

Overall, the staff turnover was 6%.

The breakdown of the Bank's employees was as follows:

Category	Men		Women		Total	
	06.30.16	12.31.15	06.30.16	12.31.15	06.30.16	12.31.15
Executives	22	22	4	4	26	26
Managers	215	218	92	94	307	312
Professional Areas	358	352	369	369	727	721
<b>Total</b>	<b>595</b>	<b>592</b>	<b>465</b>	<b>467</b>	<b>1,060</b>	<b>1,059</b>

As at June 30, 2016, part-time staff in the Bank amounted to 86, accounting for 8% of employees, with women employees representing around 44% of the workforce. The average length of service was 8 years and the average age was around 39.

## EMPLOYEE TRAINING

During first half 2016, 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, management, technical and foreign language training.

The breakdown is shown below:

<b>Training Area</b>	<b>Hours of Training</b>
Mandatory	2,282
Technical	5,474
Foreign Language	6,984
Conduct - Management	1,607
<b>Total</b>	<b>16,347</b>

#### Mandatory training

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

For this reason, the Bank paid significant attention to mandatory training for all employees, who attended the courses both in e-learning mode, using the Group My Learning Platform, and through live seminars for specific subjects. Staff attendance at the courses was monitored in order to ensure that all employees acquired full understanding of the mandatory subjects, thereby protecting the Bank against operational, legal and reputational risk.

#### Technical and conduct training

In first six months of the year, training sessions were organised for the acquisition of technical skills needed to improve business productivity and the level of employee specialisation.

In the Customer Care area, a total of 3,750 hours of training courses were held for "new recruits" on technical subjects, as well as "ongoing" training courses on technical and conduct-related subjects (with a special focus on Communication and Service), with a view to maintaining high quality service standards and a constant customer focus.

#### Foreign language training

Foreign language training in the first half 2016 involved 351 employees in English courses (classroom-based or via telephone). In some cases (e.g. for Executives), one-to-one training courses in Business English were provided. Employees are assigned to participate in foreign language training courses based on requests made by the individual unit managers, according to the specific professional needs of colleagues.

### **TECHNOLOGY INFRASTRUCTURE**

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

- Banking application software;
- On-line Trading system (dedicated applications for the real-time sale/purchase of securities and financial instruments on the main European and US markets);
- A management system for the operations room and for institutional investors, and access to the information/order sections of numerous Italian/foreign markets;
- A management system for investment services such as Funds, SICAVs and Bank Insurance;
- A credit card management system, with the issue of cards for the 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 2016, 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

## INTERNAL CONTROL SYSTEM

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

Circular no. 285 of December 17, 2013 – 15<sup>th</sup> update of March 8, 2016 – 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's Risk Appetite Framework - "RAF";
- preventing the Bank's involvement, including 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 company processes;
- ensuring the security and reliability of the company 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, in terms of 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 units, monitoring of compliance risk is assigned to these units 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 Audit and Related Parties Committee, the Remuneration and Appointments Committee, the Chief Executive Officer and the General Manager<sup>2</sup>, the Board of Statutory Auditors, the Supervisory Body set up pursuant to Legislative Decree 231/01 and the corporate control functions (Risk Management, Compliance<sup>3</sup>, Internal Audit) as well as other company functions with specific internal control duties<sup>4</sup>;

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<sup>2</sup> 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.

<sup>3</sup>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.

<sup>4</sup>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 Affairs 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

- 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.

Finally, it should be noted that, under Article 49, paragraph 1, of the Regulation (EU) No. 468/2014 of the European Central Bank (ECB/2014/17) (the SSM - single supervisory mechanism - Framework Regulation), on 4 September 2014 the ECB published a list, which was updated on March 31, 2016, 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".

## **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.

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Continuity & Crisis Management, and the Head of Outsourcing Management. 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.

The *Group Organisation Guidelines* set out structured organisational rankings on four levels (Division, Department, Unit and Team) based on their size and the organisational complexity of the operations overseen.

### **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.

The following organisational units report to the Chief Executive Officer and General Manager: Network PFA Department, Investment Services and Wealth Management Department, Direct Bank 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 Wealth Management Department);
- direct banking (Direct Bank 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 Wealth Management 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 Direct Bank Department is responsible for overseeing the development of new products and services in the two components Trading and Banking and the related placement process through direct channels (Internet and telephone). The Investment Services and Wealth Management Department and the Direct Bank 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.

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 Audit and Related Parties Committee (a committee established within the Board of Directors) 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.

The functioning and jurisdiction of the above Committee are defined in the Board of Directors' Rules and Regulations.

Moreover, with regard to the activities of the Investor Relator, who manages relations with investors and intermediaries and represents the Bank vis à vis the national and international financial community, an outsourcing model has been adopted based on a specific service contract with UniCredit S.p.A..

In the first half 2016, several significant changes were made to the organisational structure.

Specifically, the Board of Directors approved the internalisation Bank's Compliance function with effect from April 1, 2016. The approval of the internalisation of Compliance function resulted in the following:

- the change of name from the Compliance Officer unit to the Compliance unit;
- the creation of two teams that report directly to the Compliance unit:
  - Advisory & Regulators, mainly tasked with managing regulatory compliance risk, through proactive and on-demand advice, communication (circulars, internal memos, opinions, etc.), in addition to dealing with the Authorities;
  - Risk Assessment & Controls, mainly responsible for managing second level controls to assess the compliance risks identified, including devising corrective actions and monitoring its actions.

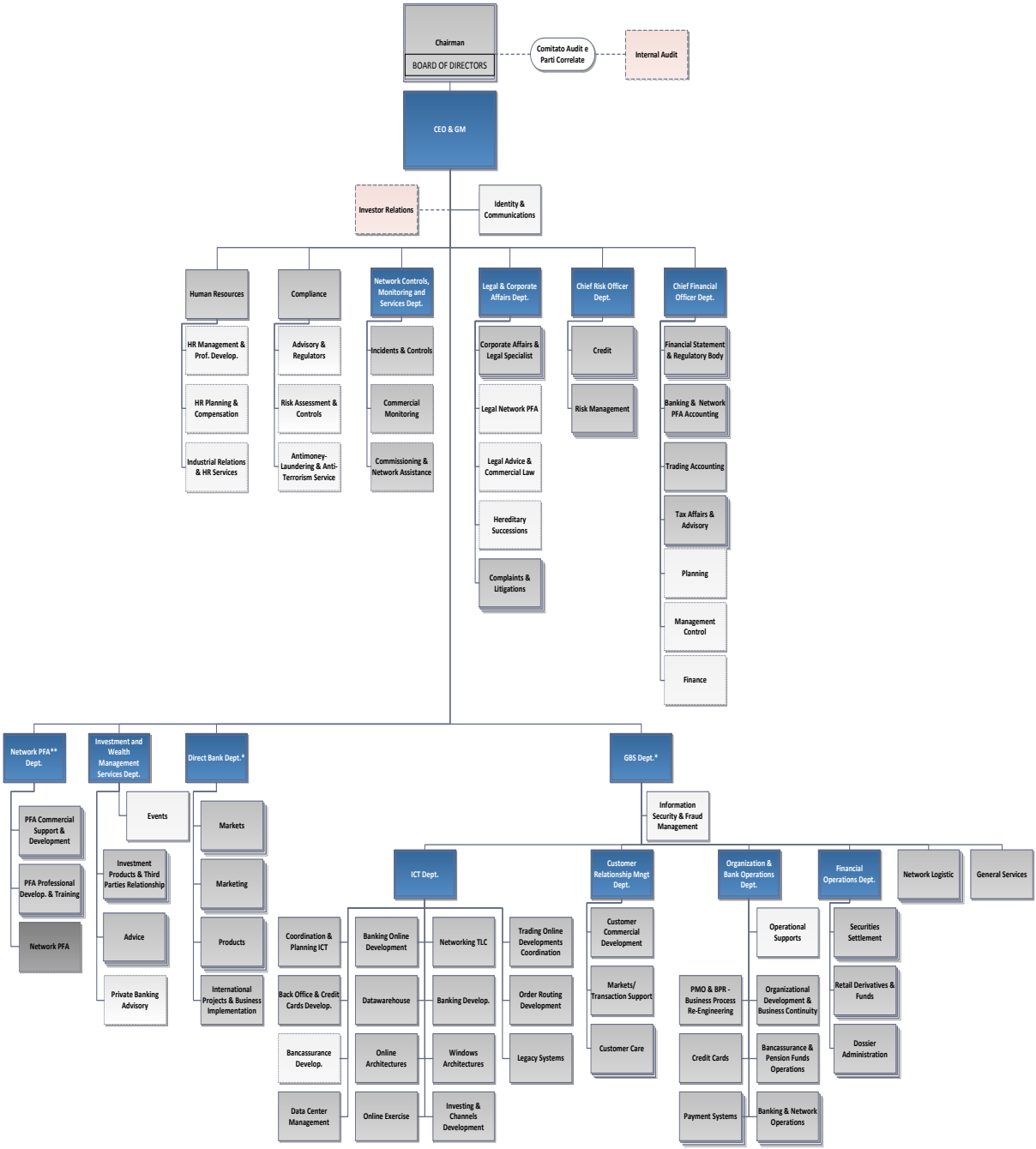
In addition, the Private Banking Advisory team has been created within the Investment and Wealth Management Services Department, in order establish a hub for customer needs in the private banking segment, to support the advisory, planning and asset protection services.

The new team's responsibilities include supporting the Sales Network, and for the wealth advisors in particular:

- verifying the feasibility of requests for personalised private portfolios and private insurance received from private banking customers;
- negotiations with private banking customers and institutional customers;
- typical wealth management operations (succession issues with specific attention to the generational transfer of wealth and protection of assets, tax matters, voluntary disclosures, and activities relating to Fiduciary Companies), also by consulting outside partners (legal and tax advisory firms, consultancy firms) with which the Bank has collaboration agreements.

**Legend**

- Ranking
- Chairman
- CEO e GM
- Department
- Unit
- Team
- Network
- Outsourcing



\* Position covered by Deputy General Manager

\*\*Personal Financial Adviser



**MAIN BALANCE SHEET AGGREGATES**

<b>ASSETS</b>	<i>Amounts as at</i>		<i>Changes</i>	
	<i>06.30.2016</i>	<i>12.31.2015</i>	<i>Amount</i>	<i>%</i>
Cash and cash balances	11	6	5	83.3%
Financial assets held for trading	6,879	3,983	2,896	72.7%
Loans and receivables with banks	15,299,291	14,648,904	650,387	4.4%
Loans and receivables with customers	880,232	922,774	(42,542)	-4.6%
Financial investments	2,926,175	2,245,982	680,193	30.3%
Hedging instruments	9,018	10,573	(1,555)	-14.7%
Property, plant and equipment	13,896	12,419	1,477	11.9%
Goodwill	89,602	89,602	-	-
Other intangible assets	7,608	8,212	(604)	-7.4%
Tax assets	5,880	15,424	(9,544)	-61.9%
Other assets	322,264	370,070	(47,806)	-12.9%
<b>Total assets</b>	<b>19,560,856</b>	<b>18,327,949</b>	<b>1,232,907</b>	<b>6.7%</b>

(Amounts in € thousand)

<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<i>Amounts as at</i>		<i>Changes</i>	
	<i>06.30.2016</i>	<i>12.31.2015</i>	<i>Amount</i>	<i>%</i>
Deposits from banks	1,361,666	1,423,459	(61,793)	-4.3%
Deposits from customers	17,133,049	15,822,459	1,310,590	8.3%
Financial liabilities held for trading	6,300	4,100	2,200	53.7%
Hedging instruments	17,657	31,319	(13,662)	-43.6%
Provisions for risks and charges	119,258	120,534	(1,276)	-1.1%
Tax liabilities	23,046	37,445	(14,399)	-38.5%
Other liabilities	296,926	255,835	41,091	16.1%
Shareholders' equity	602,954	632,798	(29,844)	-4.7%
- capital and reserves	471,789	430,119	41,670	9.7%
- revaluation reserves available-for-sale financial assets - actuarial gains (losses) for defined benefits plans	13,383	11,626	1,757	15.1%
- net profit (loss)	117,782	191,053	(73,271)	-38.4%
<b>Total liabilities and shareholders' equity</b>	<b>19,560,856</b>	<b>18,327,949</b>	<b>1,232,907</b>	<b>6.7%</b>

(Amounts in € thousand)

**Financial assets held for trading**

Financial assets held for trading consist of:

- bonds, equities, and UCIT units classified as HFT (held for trading), amounting to €0.3 million, held in the Bank's portfolio as a result of trading activity or used to hedge positions in CFDs on shares opened 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") of €5 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, futures on indices and interest rates, and of CFDs on Forex of €1.5 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, hedges the imbalance of customer positions, by underwriting futures or the purchase/sale of equities on the underlyings, or through Forex transactions with institutional counterparties to hedge CFD transactions in open currencies with customers' currency.

**Loans and receivables with banks**

	<i>Amounts as at</i>		<i>Changes</i>	
	<i>06.30.2016</i>	<i>12.31.2015</i>	<i>Amount</i>	<i>%</i>
Current accounts and demand deposits	1,547,432	1,251,070	296,362	23.7%
Time deposits	1,680,962	1,914,662	(233,700)	-12.2%
Other loans:				
1 Reverse repos	16,679	1,906	14,773	775.1%
2 Other	15,027	36,917	(21,890)	-59.3%
Debt securities	12,039,191	11,444,349	594,842	5.2%
<b>Total</b>	<b>15,299,291</b>	<b>14,648,904</b>	<b>650,387</b>	<b>4.4%</b>

(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 €1,455.6 million (€1,224.2 million as at December 31, 2015), 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 €166.1 million (€151.5 million as at December 31, 2015), in addition to time deposits held with UniCredit for an amount of €1,514.8 million (€1,763.2 million as at December 31, 2015), opened to invest the liquidity collected through repos and CashPark transactions with retail customers and through repos with credit institutions, with the same maturities.

Within the item Other loans, in addition to the repos with UniCredit totalling €15.8 million, the item "Other" consists of €11 million for the amount of the initial and variance margins placed with credit institutions for derivative transactions (€31.4 million at December 31, 2015), of which €9.3 million with UniCredit Bank AG Munich (21.6 million at December 31, 2015, in addition to €8.2 million with UniCredit), and €4 million for current receivables associated with the provision of financial services (€5.5 million as at December 31, 2015).

The debt securities held in the portfolio and included in the category "Loans and Receivables" mainly consist of debt securities issued by UniCredit for an amount of €12,039.2 million (€11,444.3 million at December 31, 2015). During the

first half 2016, two bonds issued by UniCredit S.p.A. were subscribed for a nominal amount of €600 million and €100 million respectively. The bonds have a term of 7 years and are indexed to the 3 month Euribor rate plus a spread.

### Loans and receivables with customers

	<i>Amounts as at</i>		<i>Changes</i>	
	<i>06.30.2016</i>	<i>12.31.2015</i>	<i>Amount</i>	<i>%</i>
Current accounts	247,899	215,038	32,861	15.3%
Reverse repos	81,247	198,951	(117,704)	-59.2%
Mortgages	46	46	-	0.0%
Credit cards and personal loans	421,163	396,750	24,413	6.2%
Other loans	129,877	111,989	17,888	16.0%
<b>Total</b>	<b>880,232</b>	<b>922,774</b>	<b>(42,542)</b>	<b>-4.6%</b>

(Amounts in € thousand)

Loans and receivables with customers, amounting to €880.2 million, essentially consisted of:

- €671.8 million in loans;
- €81.2 million in reverse repos;
- €42.5 million in collateral deposits and initial and variation margins for derivative contract transactions;
- €84.7 million in current receivables associated with the provision of financial services.

Loans and receivables with customers (Management reclassification)	<i>Amounts as at</i>		<i>Changes</i>	
	<i>06.30.2016</i>	<i>12.31.2015</i>	<i>Amount</i>	<i>%</i>
Current accounts	245,067	211,273	33,794	16.0%
Credit card use	238,416	259,171	(20,755)	-8.0%
Personal loans	181,658	136,550	45,108	33.0%
Other loans	2,611	2,139	472	22.1%
<i>Performing loans</i>	<i>667,752</i>	<i>609,133</i>	<i>58,619</i>	<i>9.6%</i>
Current accounts	2,832	3,765	(933)	-24.8%
Mortgages	46	46	-	0.0%
Credit card use	125	67	58	86.6%
Personal loans	964	962	2	0.2%
Other loans	59	27	32	118.5%
<i>Impaired loans</i>	<i>4,026</i>	<i>4,867</i>	<i>(841)</i>	<i>-17.3%</i>
<b>Loans</b>	<b>671,778</b>	<b>614,000</b>	<b>57,778</b>	<b>9.4%</b>
Reverse repos	81,235	198,941	(117,706)	-59.2%
Reverse repos - impaired	12	10	2	20.0%
Collateral deposits and initial and variation margins	42,455	26,721	15,734	58.9%
Current receivables associated with the provision of financial services	84,752	83,102	1,650	2.0%
<b>Current receivables and other receivables</b>	<b>208,454</b>	<b>308,774</b>	<b>(100,320)</b>	<b>-32.5%</b>
<b>Loans and receivables with customers</b>	<b>880,232</b>	<b>922,774</b>	<b>(42,542)</b>	<b>-4.6%</b>

(Amounts in € thousand)

Reverse repos consist of "Multiday leverage" transactions, and securities lending transactions guaranteed by sums of money readily available to the lender, which are basically the equivalent of repos on securities.

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

The portfolio of loans mainly consists of receivables for personal loans, current accounts and credit card use. Overall, loans increased by 9.4% in the first six months of the year.

### Impaired assets

Category	Gross exposure		Total impairment		Net exposure		Coverage ratio	
	Amounts as at		Amounts as at		Amounts as at		Figures as at	
	06.30.2016	12.31.2015	06.30.2016	12.31.2015	06.30.2016	12.31.2015	06.30.2016	12.31.2015
Non-performing loans	22,978	21,819	(20,142)	(18,319)	2,836	3,500	87.66%	83.96%
Unlikely to pay	2,247	2,181	(1,640)	(1,387)	607	794	72.99%	63.59%
Past-due loans	1,102	1,195	(507)	(612)	595	583	46.01%	51.21%
<b>Total</b>	<b>26,327</b>	<b>25,195</b>	<b>(22,289)</b>	<b>(20,318)</b>	<b>4,038</b>	<b>4,877</b>	<b>84.66%</b>	<b>80.64%</b>

(Amounts in € thousand)

Impaired loans net of impairment losses amounted to €4 million, of which €2.8 million of non-performing loans, €0.6 million unlikely to pay and €0.6 million of past-due loans. Impaired loans mostly related to current account overdrafts, credit card use and personal loans.

### Financial investments

	Amounts as at		Changes	
	06.30.2016	12.31.2015	Amount	%
Available-for-sale financial assets	2,926,175	2,245,982	680,193	30.3%
<b>Total</b>	<b>2,926,175</b>	<b>2,245,982</b>	<b>680,193</b>	<b>30.3%</b>

(Amounts in € thousand)

Available-for-sale financial assets consisted of debt securities issued by governments, in particular Italian government securities, for a book value of €1,708 million (€1,639 million as at December 31, 2015), French government securities, for a book value of €10.3 million (€10.4 million as at December 31, 2015), and Spanish government securities, for a book value of €1,204.7 million (€586.1 million as at December 31, 2015). 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 €130.9 million (€131.4 million as at December 31, 2015).

This item also includes equity investments in companies in which the Bank does not exercise control or have a significant influence, for an amount of €3.2 million primarily consisting of Visa INC class "C" preferred shares.

In this regard, you are reminded that the details of the merger between Visa Inc. and Visa Europe Limited were defined in the final months of 2015, as a result of which the Bank received an offer from Visa Inc. for the purchase of the shares of Visa Europe Limited. This offer included the distribution to the consortium members of Visa Europe Limited of compensation in the form of cash, deferred cash and Visa INC class "C" preferred shares.

The transaction was closed in June 2016 and the Bank received €11.2 million in cash and 4,057 Visa INC class "C" preferred shares, whose fair value was calculated, on the closing date (June 21, 2016), at €3.3 million. In June 2019 (three years after the closing date), the Bank will also have the right to receive a deferred cash amount of around €0.9 million. The Bank has therefore recognised a gain on sale of €15.3 million under the income statement item 100 "Gains (losses) on disposal or repurchase of: b) available-for-sale financial assets", accompanied by the recognition of

the Visa INC Class "C" preferred shares at their fair value, in the amount of €3.3 million, and a receivable from Visa INC for a present value of €0.9 million.

The measurement as at June 30, 2016 generated an unrealised loss of €73 thousand recognised under the Revaluation reserves for Available-for-sale financial assets.

### Hedging instruments

	Amounts as at		Changes	
	06.30.2016	12.31.2015	Amount	%
Asset hedging derivatives - positive valuations	6,233	-	6,233	-
Liability hedging derivatives - positive valuations	3,122	-	3,122	-
Adjustment to the value of assets under portfolio hedge	(337)	10,573	(10,910)	-103.2%
<b>Total assets</b>	<b>9,018</b>	<b>10,573</b>	<b>(1,555)</b>	<b>-14.7%</b>
of which:				
Positive valuations	8,671	-	8,671	-
Accrued interest	684	-	684	-
Adjustments to the value of hedged assets	(337)	10,573	(10,910)	-103.2%
<b>Total assets</b>	<b>9,018</b>	<b>10,573</b>	<b>(1,555)</b>	<b>-14.7%</b>
Asset hedging derivatives - negative valuations	14,615	31,319	(16,704)	-53.3%
Liability hedging derivatives - negative valuations	-	-	-	-
Adjustment to the value of assets under portfolio hedge	3,042	-	3,042	-
<b>Total liabilities</b>	<b>17,657</b>	<b>31,319</b>	<b>(13,662)</b>	<b>-43.6%</b>
of which:				
Negative valuations	11,096	24,240	(13,144)	-54.2%
Accrued interest	3,519	7,079	(3,560)	-50.3%
Adjustments to the value of hedged liabilities	3,042	-	3,042	-
<b>Total liabilities</b>	<b>17,657</b>	<b>31,319</b>	<b>(13,662)</b>	<b>-43.6%</b>

(Amounts in € thousand)

Summary of hedging derivatives valuations as at June 30, 2016	Assets	Liabilities	Difference
Valuation of hedging derivatives for assets and liabilities	8,671	11,096	(2,425)
Change in fair value of hedged assets/liabilities	(337)	3,042	(3,379)
Revaluation reserve before related taxation	-	(5,723)	5,723
<b>Total</b>	<b>8,334</b>	<b>8,415</b>	<b>(81)</b>

(Amounts in € thousand)

Hedged assets consist of receivables for personal loans due from retail customers, 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 consist of direct deposits.

Positive and negative valuations of hedging derivatives related solely to derivative contracts that the Bank has entered into to provide a hedge against interest rate risk inherent in the above-mentioned assets and liabilities, whose income statement effect, net of €4.2 million of accrued interest included in the net interest margin, was a negative amount of €81 thousand.

**Property, plant and equipment**

As in previous financial years, investments in electronic machines were made to guarantee the ongoing update of the hardware used by all the Bank's departments, and in particular by the IT department.

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

<i>Property, plant and equipment</i>	<i>Balance 12.31.2015</i>	<i>Investments 1<sup>st</sup> Half 2016</i>	<i>Other changes and sales 1<sup>st</sup> Half 2016</i>	<i>Depreciation and impairment 1<sup>st</sup> Half 2016</i>	<i>Balance 06.30.2016</i>
Properties	2,509	-	-	(56)	2,453
Electronic machines	7,575	2,896	-	(1,555)	8,916
Office furniture and fittings	1,064	479	-	(280)	1,263
Plant and machinery	1,271	192	-	(199)	1,264
<b>Total</b>	<b>12,419</b>	<b>3,567</b>	<b>-</b>	<b>(2,090)</b>	<b>13,896</b>

*(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 regards the impairment test, at June 30, 2016 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, 2015 and, based on the results of those qualitative analyses, the result of the impairment test as at December 31, 2015 was also confirmed with reference to June 30, 2016.

For all other information on the impairment testing, 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 optimisations,

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

<i>Intangible assets</i>	<i>Balance</i> 12.31.2015	<i>Investments</i> 1 <sup>st</sup> Half 2016	<i>Other changes</i> <i>and sales</i> 1 <sup>st</sup> Half 2016	<i>Amortisation</i> <i>and impairment</i> 1 <sup>st</sup> Half 2016	<i>Balance</i> 06.30.2016
Software	7,157	1,844	-	(2,270)	6,731
Other intangible assets	1,055	71	-	(249)	877
<b>Total</b>	<b>8,212</b>	<b>1,915</b>	<b>-</b>	<b>(2,519)</b>	<b>7,608</b>

(Amounts in € thousand)

### Tax Assets and Other Assets

	<i>Amounts as at</i>		<i>Changes</i>	
	<i>06.30.2016</i>	<i>12.31.2015</i>	<i>Amount</i>	<i>%</i>
<b>Tax assets</b>				
Current assets	1,510	1,733	(223)	-12.9%
Deferred tax assets	33,924	37,063	(3,139)	-8.5%
Deferred tax assets pursuant to Law 214/2011	4,180	4,401	(221)	-5.0%
<i>Total before IAS 12 offset</i>	<i>39,614</i>	<i>43,197</i>	<i>(3,583)</i>	<i>-8.3%</i>
Offset against deferred tax liabilities - IAS 12	(33,734)	(27,773)	(5,961)	21.5%
<b>Total Tax assets</b>	<b>5,880</b>	<b>15,424</b>	<b>(9,544)</b>	<b>-61.9%</b>
<b>Other assets</b>				
Items in processing	19	17	2	11.8%
Items awaiting settlement	17,573	10,021	7,552	75.4%
Definitive items not recognised under other items	40,503	43,039	(2,536)	-5.9%
Current receivables not associated with the provision of financial services	1,131	3,163	(2,032)	-64.2%
Tax items other than those included in the item "Tax assets"	228,941	285,875	(56,934)	-19.9%
Prepayments	26,375	19,950	6,425	32.2%
Improvement and incremental expenses incurred on leasehold assets	7,395	7,849	(454)	-5.8%
Other items	327	156	171	109.6%
<b>Total other assets</b>	<b>322,264</b>	<b>370,070</b>	<b>(47,806)</b>	<b>-12.9%</b>

(Amounts in € thousand)

The decrease in "Tax assets", equal to €9.5 million, was mainly due to:

- the reduction of "Deferred tax assets" by around €3.1 million, due to the use of Provisions for risks and charges;
- the increase in "Deferred tax liabilities" of €6 million, due to the revaluation of debt securities held in the Bank's portfolio.

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

With regard to "Other assets", there was a decrease of €56.9 million in "Tax items other than those included in the item Tax Assets", resulting from the use of advance tax paid, as a withholding agent, for stamp duty, substitute tax on sundry income and tax withholding on interest.

**Deposits from banks**

	Amounts as at		Changes	
	06.30.2016	12.31.2015	Amount	%
<b>Deposits from central banks</b>	-	-	-	-
<b>Deposits from banks</b>				
Current accounts and demand deposits	36,649	68,848	(32,199)	-46.8%
Loans				
Repos	1,289,559	1,313,191	(23,632)	-1.8%
Other liabilities	35,458	41,420	(5,962)	-14.4%
<b>Total</b>	<b>1,361,666</b>	<b>1,423,459</b>	<b>(61,793)</b>	<b>-4.3%</b>

*(Amounts in € thousand)*

The item Current accounts and demand deposits mainly consisted of reciprocal current accounts and loans with UniCredit, amounting to €33.4 million (€58.8 million as at December 31, 2015), as well as reciprocal current accounts and loans with banks outside the Group of €3.2 million.

Repos included €1,140.6 million in transactions carried out with UniCredit (€1,186.3 million as at December 31, 2015) and €25.1 million of transactions carried out with UniCredit Bank AG Munich (€41.7 million as at December 31, 2015).

The item other liabilities also includes margin variations received from UniCredit for trading in repos, with a book value of €32.4 million (€40.6 million as at December 31, 2015).

**Deposits from customers**

Deposits from customers, mainly consisting of current accounts, the Cash Park deposit account and Supersave repos, totalled €17,133 million, up 8.3% compared to December 31, 2015.

	Amounts as at		Changes	
	06.30.2016	12.31.2015	Amount	%
Current accounts and demand deposits	16,508,284	14,985,275	1,523,009	10.2%
Time deposits	398,496	560,114	(161,618)	-28.9%
Loans				
Repos	152,293	199,817	(47,524)	-23.8%
Other liabilities	73,976	77,253	(3,277)	-4.2%
<b>Deposits from customers</b>	<b>17,133,049</b>	<b>15,822,459</b>	<b>1,310,590</b>	<b>8.3%</b>

*(Amounts in € thousand)*

The cash on current accounts increased by €1,523 million, driven by the transfer of the sales of Cash Park time deposits and Supersave repos, which recorded a decrease as a result of the progressive reduction in the remuneration rates.

The item other liabilities comprises current payables associated with the provision of financial services, totalling €25.3 million (€32.5 million as at December 31, 2015), initial and variance margins for derivative transactions, which came to €25.5 million (€24.4 million as at December 31, 2015) and other liabilities for rechargeable credit cards and bankers' drafts, amounting to €23.2 million (€20.4 million at December 31, 2015).

**Financial liabilities held for trading**

Financial liabilities held for trading consist of:

- technical overdrafts classified under as HFT (held for trading) used to cover positions in CFDs on shares opened with customers, for an amount of €0.08 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 €5 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, futures on indices and interest rates, and of CFDs on Forex of €1.3 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, hedges the imbalance of customer positions, by underwriting futures or the purchase/sale of equities on the 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 includes allowances totalling €119.3 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 integration costs for the Bank in relation to the Business Plan of the UniCredit Group recognised in the financial statements for the year ended December 31, 2015. During the first half 2016, as a result of the signature of the agreement of February 5, 2016, these costs were partially reallocated to Other liabilities for the part relating to the subscriptions accepted.

	<i>Amounts as at</i>		<i>Changes</i>	
	<i>06.30.2016</i>	<i>12.31.2015</i>	<i>Amount</i>	<i>%</i>
<b>Legal disputes</b>	<b>39,321</b>	<b>43,458</b>	<b>(4,137)</b>	<b>-9.5%</b>
- Pending proceedings	34,263	35,225	(962)	-2.7%
- Claims	5,058	8,233	(3,175)	-38.6%
<b>Staff expenses</b>	<b>6,373</b>	<b>9,570</b>	<b>(3,197)</b>	<b>-33.4%</b>
<b>Other</b>	<b>73,564</b>	<b>67,506</b>	<b>6,058</b>	<b>9.0%</b>
- Supplementary customer indemnity provision	56,695	51,139	5,556	10.9%
- Contractual payments and payments under non-competition agreements	2,302	2,270	32	1.4%
- Tax disputes	4,741	7,034	(2,293)	-32.6%
- Other Provisions	9,826	7,063	2,763	39.1%
<b>Total provisions for risks and charges - other provisions</b>	<b>119,258</b>	<b>120,534</b>	<b>(1,276)</b>	<b>-1.1%</b>

(Amounts in € thousand)

**Tax liabilities and Other liabilities**

	Amounts as at		Changes	
	06.30.2016	12.31.2015	Amount	%
<b>Tax liabilities</b>				
Current liabilities	23,046	37,445	(14,399)	-38.5%
Deferred tax liabilities	33,734	27,773	5,961	21.5%
<i>Total before IAS 12 offset</i>	<i>56,780</i>	<i>65,218</i>	<i>(8,438)</i>	<i>-12.9%</i>
Offset against deferred tax assets - IAS 12	(33,734)	(27,773)	(5,961)	21.5%
<b>Total Tax liabilities</b>	<b>23,046</b>	<b>37,445</b>	<b>(14,399)</b>	<b>-38.5%</b>
<b>Other liabilities</b>				
Impairment of financial guarantees given	720	1,416	(696)	-49.2%
Items in processing	1,430	2,966	(1,536)	-51.8%
Items awaiting settlement	51,500	46,681	4,819	10.3%
Definitive items not recognised under other items	125,473	39,448	86,025	218.1%
Payables for share-based payments or shares of the Parent Company UniCredit	1,655	2,491	(836)	-33.6%
Payables to employees and other personnel	8,934	6,611	2,323	35.1%
Payables to directors and statutory auditors	173	187	(14)	-7.5%
Current payables not associated with the provision of financial services	21,238	21,804	(566)	-2.6%
Tax items other than those included in the item "Tax liabilities"	61,407	106,060	(44,653)	-42.1%
Social security contributions payable	4,878	5,829	(951)	-16.3%
Illiquid items for portfolio transactions	13,466	16,569	(3,103)	-18.7%
Other items	880	927	(47)	-5.1%
Employee severance pay provision	5,172	4,846	326	6.7%
<b>Total Other Liabilities</b>	<b>296,926</b>	<b>255,835</b>	<b>41,091</b>	<b>16.1%</b>

(Amounts in € thousand)

The decrease of €8.4 million in "Tax liabilities" (before IAS 12 offset), was attributable to the reduction in the item "Current liabilities" due to the decrease in tax for the year and the reduction in tax provisions following the settlement of several disputes.

It is also noted that deferred tax liabilities are shown in the Balance Sheet as offsetting Deferred tax assets where the requirements of IAS 12 are met.

With regard to the "Other liabilities" we note:

- a decrease of €44.7 million in "Tax items other than those included in the item Tax liabilities", as a result of lower payables to the tax authorities due to the payment, net of any tax advances captured in Other Assets, of stamp duty, withholding taxes on interest and substitute tax;
- an increase of €86 million in "Definitive items not recognised under other items", mainly attributable to securities transactions to be settled of €72.2 million and the service of payment of the mandates received from customers in the amount of €12.1 million.

**Shareholders' equity**

As at June 30, 2016, the Bank's share capital came to €200.2 million, divided into 606,805,436 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 million;

- Extraordinary reserve, amounting to €201.7 million;
- Reserve for treasury shares held, amounting to €8.6 million;
- Reserve related to equity-settled plans, amounting to €27.9 million.

Following the Board of Directors' resolution of February 8, 2016, for the execution of the "2014 Key People Plan" approved by the Shareholders' Meeting of June 5, 2014, the share capital was increased through a bonus issue by an amount of €95,601.99, corresponding to 289,703 ordinary shares, with consequent reduction of the available retained earnings.

The Reserve related to equity-settled plans increased by around €6 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, 2016, the Bank held 1,408,834 treasury shares in its portfolio, for an amount of €8.6 million, purchased in execution of the stock granting plan "2014 PFA Plan" for the Personal Financial Advisors and Network Managers of the Bank, approved by the Board of Directors on May 15, 2014 and by the Shareholders' Meeting on June 5, 2014. The purchases were made starting from September 16, 2015, after receipt of the authorisation from the Regulatory Authority, in accordance with Articles 77-78 of EU Reg. 575/2013 of June 26, 2013 (CRR), and ended on October 12, 2015.

The Shareholders' Meeting of April 12, 2016 approved the allocation of profit for the year 2015, amounting to €191 million, as follows:

- €0.02 million to the **Legal reserve**;
- €35.7 million to the **Extraordinary reserve**;
- €154.4 million, equal to €0.255 per share, to **Shareholders**,
- €1 million to social, charity and cultural causes, pursuant to art. 26, para. 5, of the Articles of Association.

The Revaluation reserve consisted of €21.5 million for the net positive revaluation reserve for the debt securities issued by central governments of EU member countries, held in the "Available-for-sale financial assets" portfolio, €0.07 million for the negative reserve for equity instruments held in the "Available for sale financial assets" portfolio, relating solely to the fair value changes of the Visa INC class "C" preferred shares, and €8.1 million from the negative IAS19 Reserve.

### Shareholders' equity

Items/values	Amounts as at		Changes	
	06.30.2016	12.31.2015	Amount	%
Share capital	200,246	200,150	96	0.0%
Share premium reserve	1,934	1,934	-	-
Reserves				
- Legal reserve	40,049	40,030	19	0.0%
- Extraordinary reserve	201,643	166,081	35,562	21.4%
- Treasury shares reserve	8,555	8,555	-	-
- Other reserves	27,917	21,924	5,993	27.3%
(Treasury shares)	(8,555)	(8,555)	-	-
Revaluation reserves	13,383	11,626	1,757	15.1%
Net Profit (Loss) for the period	117,782	191,053	(73,271)	-38.4%
<b>Total</b>	<b>602,954</b>	<b>632,798</b>	<b>(29,844)</b>	<b>-4.7%</b>

(Amounts in € thousand)

**OWN FUNDS AND PRUDENTIAL REQUIREMENTS**

	<i>Figures as at</i>	
	06.30.2016	12.31.2015
Common Equity Tier 1 - CET1	414,132	390,976
Tier 1 Capital	414,132	390,976
<b>Total Own Funds</b>	<b>414,132</b>	<b>393,903</b>
<b>Total risk-weighted assets</b>	<b>1,825,666</b>	<b>1,828,007</b>
Ratio - Common Equity Tier 1 - CET1	22.68%	21.39%
Ratio - Tier 1 Capital	22.68%	21.39%
Ratio - Total Own Funds	22.68%	21.55%

	<i>Figures as at</i>	
	06.30.2016	12.31.2015
Tier 1 Capital	414,132	390,977
Exposure for leverage ratio	4,379,782	3,717,157
Transitional leverage ratio	9.46%	10.52%

(Amounts in € thousand)

Own funds as at June 30, 2016 amounted to a €414.1 million. Own funds and Capital ratios were determined applying the current Supervisory Regulations, in line with Basel III standards including transitional adjustments.

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

For more details, see Part F - Shareholders' Equity of the Notes to the Accounts.

The leverage ratio was 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**

	<i>1<sup>st</sup> Half</i>		<i>Changes</i>	
	<i>2016</i>	<i>2015</i>	<i>Amount</i>	<i>%</i>
Net interest	123,449	115,744	7,705	6.7%
Net fee and commission income	117,821	126,989	(9,168)	-7.2%
Net trading, hedging and fair value income	46,926	28,073	18,853	67.2%
Net other expenses/income	758	(3,089)	3,847	n.c.
<b>OPERATING INCOME</b>	<b>288,954</b>	<b>267,717</b>	<b>21,237</b>	<b>7.9%</b>
Staff expenses	(37,716)	(37,182)	(534)	1.4%
Other administrative expenses	(117,724)	(120,535)	2,811	-2.3%
Recovery of expenses	42,337	42,388	(51)	-0.1%
Impairments/write-backs on intangible and tangible assets	(4,609)	(4,190)	(419)	10.0%
<b>Operating costs</b>	<b>(117,712)</b>	<b>(119,519)</b>	<b>1,807</b>	<b>-1.5%</b>
<b>OPERATING PROFIT (LOSS)</b>	<b>171,242</b>	<b>148,198</b>	<b>23,044</b>	<b>15.5%</b>
Net write-downs of loans and provisions for guarantees and commitments	(2,801)	(2,694)	(107)	4.0%
<b>NET OPERATING PROFIT (LOSS)</b>	<b>168,441</b>	<b>145,504</b>	<b>22,937</b>	<b>15.8%</b>
Net provisions for risks and charges	(2,553)	(3,929)	1,376	-35.0%
Integration costs	(7)	-	(7)	n.c.
<b>NET PROFIT (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS</b>	<b>165,881</b>	<b>141,575</b>	<b>24,306</b>	<b>17.2%</b>
Income tax for the period	(48,099)	(47,871)	(228)	0.5%
<b>NET PROFIT (LOSS) AFTER TAX FROM CONTINUING OPERATIONS</b>	<b>117,782</b>	<b>93,704</b>	<b>24,078</b>	<b>25.7%</b>
<b>NET PROFIT (LOSS) FOR THE PERIOD</b>	<b>117,782</b>	<b>93,704</b>	<b>24,078</b>	<b>25.7%</b>

*(Amounts in € thousand)***Net interest margin**

The net interest margin for the first half 2016 amounted to €123.5 million, up by 6.7% compared to the same period of the prior year, due to the increase in sales volume and the reduction in the cost of sales that offset the fall in interest income linked to the decline in market interest rates. In this regard we note 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 return for the investment of all deposits (both demand and term) went from 1.53% in the first half 2015 to 1.38% in the first half 2016.

<i>Interest income</i>	<i>1<sup>st</sup> Half</i>		<i>Changes</i>	
	<i>2016</i>	<i>2015</i>	<i>Amount</i>	<i>%</i>
Financial assets held for trading	-	1	(1)	-100.0%
Available-for-sale financial assets	10,839	9,999	840	8.4%
Loans and receivables with banks	99,285	98,342	943	1.0%
Loans and receivables with customers	13,911	14,079	(168)	-1.2%
Hedging derivatives	2,248	3,669	(1,421)	-38.7%
<b>Total interest income</b>	<b>126,283</b>	<b>126,090</b>	<b>193</b>	<b>0.2%</b>

(Amounts in € thousand)

<i>Interest expense</i>	<i>1<sup>st</sup> Half</i>		<i>Changes</i>	
	<i>2016</i>	<i>2015</i>	<i>Amount</i>	<i>%</i>
Deposits from banks	1,368	(248)	1,616	n.c.
Deposits from customers	(4,202)	(9,387)	5,185	-55.2%
Debt securities in issue	-	(711)	711	-100.0%
<b>Total interest expense</b>	<b>(2,834)</b>	<b>(10,346)</b>	<b>7,512</b>	<b>-72.6%</b>

**Net interest**

<b>123,449</b>	<b>115,744</b>	<b>7,705</b>	<b>6.7%</b>
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(Amounts in € thousand)

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

<i>Breakdown of interest income</i>	<i>1<sup>st</sup> Half</i>		<i>Changes</i>	
	<i>2016</i>	<i>2015</i>	<i>Amount</i>	<i>%</i>
<b>Interest income on loans and receivables with banks</b>	<b>99,285</b>	<b>98,342</b>	<b>943</b>	<b>1.0%</b>
- current accounts	1,217	884	333	37.7%
- reverse repos	218	48	170	354.2%
- time deposit for compulsory reserve	16	35	(19)	-54.3%
- time deposits	1,302	6,453	(5,151)	-79.8%
- other loans	(23)	16	(39)	-243.8%
- debt securities	96,555	90,906	5,649	6.2%
<b>Interest income on loans and receivables with customers</b>	<b>13,911</b>	<b>14,079</b>	<b>(168)</b>	<b>-1.2%</b>
- current accounts	2,803	2,778	25	0.9%
- reverse repos	3,370	4,942	(1,572)	-31.8%
- credit cards	2,202	1,829	373	20.4%
- personal loans	5,582	4,468	1,114	24.9%
- other loans	(46)	62	(108)	-174.2%

(Amounts in € thousand)

Interest income on loans and receivables with banks amounted to €99.3 million, essentially unchanged compared to the same period of the previous year. The decrease in interest on time deposits, of €5.2 million, due to the fall in volumes and the trend in market interest rates, which was more than offset by the interest on debt securities, of €5.6 million, due to the increase in volumes.

Interest income on loans and receivables with customers amounted to €13.9 million, in line with the same period of the previous year. The higher interest recorded on personal loans, thanks to the increase in distributions for the first half, and on revolving credit cards, was offset by the decrease in interest on securities lending transactions guaranteed by multi-day leverage cash due to the reduction in volumes, as a result of the performance of the financial markets.

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

<i>Breakdown of interest expense</i>	<i>1<sup>st</sup> Half</i>		<i>Changes</i>	
	<i>2016</i>	<i>2015</i>	<i>Amount</i>	<i>%</i>
<b>Interest expense on deposits from banks</b>	<b>1,368</b>	<b>(248)</b>	<b>1,616</b>	<b>n.c.</b>
- current accounts	(24)	(26)	2	-7.7%
- demand and collateral deposits	32	(12)	44	n.c.
- other loans	(11)	(10)	(1)	10.0%
- reverse repos	1,371	(200)	1,571	n.c.
<b>Interest expense on deposits from customers</b>	<b>(4,202)</b>	<b>(9,387)</b>	<b>5,185</b>	<b>-55.2%</b>
- current accounts	(2,775)	(2,019)	(756)	37.4%
- collateral deposits	(5)	(25)	20	-80.0%
- time deposits	(1,243)	(6,437)	5,194	-80.7%
- reverse repos	(179)	(906)	727	-80.2%

*(Amounts in € thousand)*

Interest expense on deposits from banks showed a positive amount of €1.4 million due to the changes in market rates, resulted in the recording of negative interest expense on reverse repos and, to a lesser extent, on collateral deposits.

Interest expense on deposits from customers stood at €4.2 million, down €5.2 million over the same period of the prior year, as a result of the reduction in volumes and the interest rate for "Cash Park" time deposits. The cost of deposits went from 0.11% for the first half 2015 to 0.03% for the first half 2016.

### Income from brokerage and other income

	<i>1<sup>st</sup> Half</i>		<i>Changes</i>	
	<i>2016</i>	<i>2015</i>	<i>Amount</i>	<i>%</i>
<b>Net interest</b>	<b>123,449</b>	<b>115,744</b>	<b>7,705</b>	<b>6.7%</b>
Net fee and commission income	117,821	126,989	(9,168)	-7.2%
Net trading, hedging and fair value income	46,926	28,073	18,853	67.2%
Net other expenses/income	758	(3,089)	3,847	n.c.
<b>Operating income</b>	<b>288,954</b>	<b>267,717</b>	<b>21,237</b>	<b>7.9%</b>

*(Amounts in € thousand)*

**Net fee and commission income**

<i>Management reclassification</i>	<i>1<sup>st</sup> Half</i>		<i>Changes</i>	
	<i>2016</i>	<i>2015</i>	<i>Amount</i>	<i>%</i>
Management, brokerage and consultancy services:				
1. securities trading and order collection	40,914	46,716	(5,802)	-12.4%
2. currency trading	-	(103)	103	-100.0%
3. custody and administration of securities	(1,748)	(2,149)	401	-18.7%
4. placement of securities, investment fund units and segregated accounts	56,177	64,377	(8,200)	-12.7%
6. investment advisory services	16,072	13,436	2,636	19.6%
7. distribution of insurance products	12,848	10,296	2,552	24.8%
8. distribution of other products	(83)	(93)	10	-10.8%
Collection and payment services	420	5,565	(5,145)	-92.5%
Holding and management of current/deposit accounts	(395)	(1,507)	1,112	-73.8%
Other fee expense personal financial advisors	(9,846)	(13,112)	3,266	-24.9%
Securities lending	677	1,323	(646)	-48.8%
Other services	2,785	2,240	545	24.3%
<b>Total net fee and commission income</b>	<b>117,821</b>	<b>126,989</b>	<b>(9,168)</b>	<b>-7.2%</b>

*(Amounts in € thousand)*

Net fee and commission income amounted to €117.8 million, decreasing by 7.2% compared to previous year, mainly as a result of:

- lower securities trading and order collection commissions, as a result of the progressive shift by customers towards over-the-counter products and the higher proportion of internalisation activity. It should be noted that the first quarter 2015 was characterised by very high volatility, which favoured brokerage activity, resulting in March 2015 recording the best result for the last five years in the Brokerage business;
- lower commissions for collection and payment services, mainly relating to credit and debit card transactions. In this regard, you are reminded that Regulation (EU) 2015/751 of the European Parliament and of the Council, which became effective from December 9, 2015, set a cap on interbank commissions for transactions via debit and credit cards;
- lower commissions from the placement and management of securities and UCITS units due to the adverse performance of the markets.

In contrast, commissions on investment advisory services increased by 19.6% over the same period of 2015, thanks to the continued growth in guided products & services, while commissions from the distribution of insurance products rose by 24.8%. Please note that starting from the year 2016, the item relating to investment advisory services does not include the commissions repaid to customers as a rebate, which have been allocated to the item placement of securities, investment fund units and segregated accounts. As a consequence, the corresponding figures for the previous half year have been restated to enable like-for-like comparison (the commissions repaid to customers as a rebate as at June 30, 2015 amounted to €14 million).

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, CFDs, financial instruments used to hedge CFDs, exchange differences on assets and liabilities



denominated in currency, and gains on the sale of securities recognised in the "Available-for-sale financial assets" portfolio. In the first half 2016, there was an increase, compared to the same period of the previous year, in the positive impact from the internalisation securities, CFDs and financial instruments used to hedge CFDs, amounting to €1.1 million and €1.8 million, respectively, whereas there was a reduction of €4.7 million in the positive exchange differences on assets and liabilities denominated in currency. With regard to the gains recognised from the sale of securities recognised under "Available-for-sale financial assets" we note that the net gain (loss) for the first half 2016 included a gain of €5 million, realised from the sale of government securities, carried out as part of the measures to mitigate the exposure to interest rate risk and optimise profitability, in addition to the gain of €15.3 million realised from the sale of the investment in Visa Europe Limited, described above.

Net other expenses/income showed income of €0.8 million, representing an increase of €3.8 million compared to the same period of the previous year due to lower costs incurred for transactions with customers.

### Operating costs

Breakdown of operating costs	1 <sup>st</sup> Half		Changes	
	2016	2015	Amount	%
Staff expenses	(37,716)	(37,182)	(534)	1.4%
Other administrative expenses	(117,724)	(120,535)	2,811	-2.3%
Recovery of expenses	42,337	42,388	(51)	-0.1%
Impairments/write-backs on intangible and tangible assets	(4,609)	(4,190)	(419)	10.0%
<b>Total operating costs</b>	<b>(117,712)</b>	<b>(119,519)</b>	<b>1,807</b>	<b>-1.5%</b>

(Amounts in € thousand)

Staff expenses	1 <sup>st</sup> Half		Changes	
	2016	2015	Amount	%
<b>1) Employees</b>	<b>(37,267)</b>	<b>(36,661)</b>	<b>(606)</b>	<b>1.7%</b>
- wages and salaries	(24,920)	(23,793)	(1,127)	4.7%
- social security contributions	(6,657)	(6,531)	(126)	1.9%
- provision for employee severance pay	(437)	(489)	52	-10.6%
- allocation to employee severance pay provision	(53)	(51)	(2)	3.9%
- payments to supplementary external pension funds:				
a) defined contribution	(1,441)	(1,466)	25	-1.7%
- costs related to share-based payments*	(1,790)	(2,509)	719	-28.7%
- other employee benefits	(1,969)	(1,822)	(147)	8.1%
<b>2) Other staff</b>	<b>(79)</b>	<b>(71)</b>	<b>(8)</b>	<b>11.3%</b>
<b>3) Directors and statutory auditors</b>	<b>(491)</b>	<b>(500)</b>	<b>9</b>	<b>-1.8%</b>
<b>4) Early retirement costs</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>n.c.</b>
<b>5) Recovery of expenses for employees seconded to other companies</b>	<b>186</b>	<b>99</b>	<b>87</b>	<b>87.9%</b>
<b>6) Recovery of expenses for employees seconded to the company</b>	<b>(65)</b>	<b>(49)</b>	<b>(16)</b>	<b>32.7%</b>
<b>Total staff expenses</b>	<b>(37,716)</b>	<b>(37,182)</b>	<b>(534)</b>	<b>1.4%</b>

(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..

Staff expenses came to €37.7 million, up slightly on the first half 2015 (+1.4%), mainly due to the rise in staff numbers, up from 1,046 as at June 30, 2015 to 1,071 as at June 30, 2016, partially offset by the decrease in costs resulting from share-based payments.

Other administrative expenses and recovery of expenses	1 <sup>st</sup> Half		Changes	
	2016	2015	Amount	%
<b>1) INDIRECT TAXES AND DUTIES</b>	<b>(44,898)</b>	<b>(45,180)</b>	<b>282</b>	<b>-0.6%</b>
<b>2) MISCELLANEOUS COSTS AND EXPENSES</b>				
<b>A) Advertising expenses - Marketing and communication</b>	<b>(12,101)</b>	<b>(12,741)</b>	<b>640</b>	<b>-5.0%</b>
Mass media campaigns	(8,635)	(9,608)	973	-10.1%
Marketing and promotions	(3,305)	(2,989)	(316)	10.6%
Sponsorships	(137)	(125)	(12)	9.6%
Conventions and internal communications	(24)	(19)	(5)	26.3%
<b>B) Expenses related to credit risk</b>	<b>(741)</b>	<b>(803)</b>	<b>62</b>	<b>-7.7%</b>
Credit recovery expenses	(348)	(400)	52	-13.0%
Commercial information and company searches	(393)	(403)	10	-2.5%
<b>C) Expenses related to staff</b>	<b>(13,756)</b>	<b>(17,127)</b>	<b>3,371</b>	<b>-19.7%</b>
Staff training	(136)	(106)	(30)	28.3%
Car rental and other staff expenses	(22)	(21)	(1)	4.8%
Personal financial advisor expenses	(13,249)	(16,722)	3,473	-20.8%
Travel expenses	(312)	(246)	(66)	26.8%
Premises rentals for personnel	(37)	(32)	(5)	15.6%
<b>D) ICT expenses</b>	<b>(14,742)</b>	<b>(14,111)</b>	<b>(631)</b>	<b>4.5%</b>
Lease of ICT equipment and software	(1,347)	(1,645)	298	-18.1%
Software expenses: lease and maintenance	(3,360)	(3,255)	(105)	3.2%
ICT communication systems	(2,047)	(1,600)	(447)	27.9%
ICT services: external personnel	(3,371)	(3,221)	(150)	4.7%
Financial information providers	(4,617)	(4,390)	(227)	5.2%
<b>E) Consulting and professional services</b>	<b>(1,628)</b>	<b>(1,575)</b>	<b>(53)</b>	<b>3.4%</b>
Consultancy for ordinary activities	(696)	(375)	(321)	85.6%
Consultancy for strategy, business development and organisational optimisation	(51)	(150)	99	-66.0%
Legal disputes	(881)	(1,050)	169	-16.1%
<b>F) Real estate expenses</b>	<b>(9,661)</b>	<b>(10,113)</b>	<b>452</b>	<b>-4.5%</b>
Real estate services	(400)	(345)	(55)	15.9%
Repair and maintenance of furniture, machinery, and equipment	(118)	(124)	6	-4.8%
Maintenance of premises	(795)	(550)	(245)	44.5%
Premises rentals	(7,008)	(7,770)	762	-9.8%
Cleaning of premises	(253)	(269)	16	-5.9%
Utilities	(1,087)	(1,055)	(32)	3.0%
<b>G) Other functioning costs</b>	<b>(18,435)</b>	<b>(17,279)</b>	<b>(1,156)</b>	<b>6.7%</b>
Surveillance and security services	(204)	(210)	6	-2.9%
Money counting services and transport	-	(1)	1	-100.0%
Postage and transport of documents	(1,750)	(1,392)	(358)	25.7%
Administrative and logistic services	(7,941)	(7,510)	(431)	5.7%
Insurance	(1,790)	(1,814)	24	-1.3%
Printing and stationery	(267)	(270)	3	-1.1%
Association dues and fees	(5,784)	(5,796)	12	-0.2%
Other administrative expenses	(699)	(286)	(413)	144.4%
<b>H) Adjustments of leasehold improvements</b>	<b>(1,762)</b>	<b>(1,606)</b>	<b>(156)</b>	<b>9.7%</b>
<b>I) Recovery of costs</b>	<b>42,337</b>	<b>42,388</b>	<b>(51)</b>	<b>-0.1%</b>
Recovery of ancillary expenses	229	158	71	44.9%
Recovery of taxes	42,108	42,230	(122)	-0.3%
<b>Total</b>	<b>(75,387)</b>	<b>(78,147)</b>	<b>2,760</b>	<b>-3.5%</b>

(Amounts in € thousand)

Other administrative expenses net of recovery of expenses totalled €75.4 million, down €2.8 million compared to the same period in the previous year. In detail:

- indirect taxes and duties net of recovery of taxes were essentially unchanged compared to the same period of the previous year;
- advertising expenses – marketing and communication fell by €0.6 million, mainly due to lower investments for mass media campaigns, partially offset by higher marketing and promotional expenses;
- Other administrative expenses, other than those mentioned above, showed an increase of €0.6 million in "ICT expenses" and €1.2 million in "Other functioning costs" due to the Bank's continued growth, whereas there was a reduction of €3.4 million in expenses for personal financial advisors mainly due to lower costs from incentive plans.

The cost/income ratio stood at 40.74%, representing a decrease compared to 44.64% as at June 30, 2015, thanks to the continued efficiency improvement of the operational structure and the business support functions.

Impairment losses on intangible assets mainly consist of the amortisation of the costs incurred for computer software with a long-term useful life and did not show any significant change with respect to the previous first half.

Impairment losses on property, plant and equipment refer to the depreciation applied to electronic machines, plant and machinery, furniture and fittings and did not show any major changes compared to the previous first half.

#### **Net profit (loss) before tax from continuing operations**

	<i>1<sup>st</sup> Half</i>		<i>Changes</i>	
	<i>2016</i>	<i>2015</i>	<i>Amount</i>	<i>%</i>
<b>Operating profit (loss)</b>	<b>171,242</b>	<b>148,198</b>	<b>23,044</b>	<b>15.5%</b>
Net write-downs of loans and provisions for guarantees and commitments	(2,801)	(2,694)	(107)	4.0%
<b>Net operating profit (loss)</b>	<b>168,441</b>	<b>145,504</b>	<b>22,937</b>	<b>15.8%</b>
Net provisions for risks and charges	(2,553)	(3,929)	1,376	-35.0%
Integration costs	(7)	-	(7)	n.c.
<b>Net profit before tax from continuing operations</b>	<b>165,881</b>	<b>141,575</b>	<b>24,306</b>	<b>17.2%</b>

*(Amounts in € thousand)*

Net write-downs of loans and provisions for guarantees and commitments amounted to €2.8 million, essentially unchanged compared to the same period of the previous year.

Net provisions for risks and charges banks amounted to €2.6 million, down €3.9 million on the same period of the previous year. In the first half 2016, a write-back of €0.7 million was recognised due to the reduction of the remaining commitment relating to the measure in favour of Banca Tercas, because the Board of the Interbank Deposit Guarantee Fund approved the reduction of the remaining commitment from €65 million to €30 million (portion attributable to the Bank of €0.7 million). It should be noted that the provisions for the first half 2015 included an estimated amount of €3 million for the ex-ante contributions to the Single Resolution Fund.

Integration costs consisted solely of the interest from present value discounting of estimated integration costs for the Bank from the Business Plan of the UniCredit Group, recognised in the financial statements as at December 31, 2015.

Net profit (loss) before tax from continuing operations amounted to a profit of €165.9 million, up 17.2% on the same period of the previous year, due to the positive contribution from Net interest and Net trading, hedging and fair value income referred to above.

### **Income tax for the period**

<i>Breakdown of tax for the period</i>	<i>1<sup>st</sup> Half</i>		<i>Changes</i>	
	<i>2016</i>	<i>2015</i>	<i>Amount</i>	<i>%</i>
Current IRES income tax charges	(42,148)	(33,959)	(8,189)	24.1%
Current IRAP corporate tax charges	(9,739)	(8,735)	(1,004)	11.5%
Adjustment to current tax of prior years	6,518	-	6,518	n.c.
<b>Total current tax</b>	<b>(45,369)</b>	<b>(42,694)</b>	<b>(2,675)</b>	<b>6.3%</b>
Change in deferred tax assets	(2,291)	(4,327)	2,036	-47.1%
Change in deferred tax liabilities	(216)	(627)	411	-65.6%
<b>Total deferred tax liabilities</b>	<b>(2,507)</b>	<b>(4,954)</b>	<b>2,447</b>	<b>-49.4%</b>
Gain from substitute tax exemption	(223)	(223)	-	-
<b>Income tax for the period</b>	<b>(48,099)</b>	<b>(47,871)</b>	<b>(228)</b>	<b>0.5%</b>

(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 Adopter parties.

Current taxes were determined applying an IRES income tax rate of 27.5% and an IRAP corporate tax rate of 5.57%.

The Income tax for the first half 2016 benefited from a positive change in current tax of around €6.5 million referring to provisions for several disputes relating to previous years, which were definitively settled during the first half 2016.

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 amortisation, corresponding to €4 million, was recognised in the accounts. A tenth of this amount will be recognised through profit or loss for each year of the tax deduction of tax-related amortisation of goodwill.

For the three-year period 2016-2018, the Bank, in its capacity as consolidated company, is subject to "national tax consolidation", as established by Legislative Decree no. 344 of December 12, 2003, which is carried out by the Parent Company, UniCredit.

### **Net profit (loss) for the period**

The net profit for the period amounted to €117.8 million, an increase of 25.7% over the same period of the previous year.

## RELATED-PARTY TRANSACTIONS

In order to ensure continued compliance with applicable legal and regulatory provisions on corporate disclosure on transactions with related parties, during the Board of Directors' Meeting of September 22, 2015 and with the prior positive opinion of the Audit and Related Parties Committee and the Board of Statutory Auditors, the Bank approved the adoption of new procedures aimed at regulating transactions with related parties and associated persons ("Procedures for the management of transactions with persons in conflict of interest") which cancel and replace the previous version of those procedures approved by the Board of Directors on May 15, 2014.

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 managing transactions with subjects in conflict of interest" and the relevant "Global Operational Instructions" issued by UniCredit to subsidiaries within the framework of its management and co-ordination activity.

Considering the above, during the first half 2016:

1. with the approval of the Board of Directors meeting of February 8, 2016, upon the favourable opinion of the Audit and Related Parties Committee, an ordinary Significant Transaction at market conditions was conducted with UniCredit S.p.A. and UniCredit Bank AG, consisting of the renewal of the "*Framework Resolution related to the entering into of hedging derivative contracts with the Parent Company or companies in the UniCredit Group*" (which expired on 20 April 2016) valid until February 8, 2017, which enables the Bank to enter into hedging derivatives with the Parent Company or with other companies in the UniCredit Group for commercial assets or liabilities that, for ALM purposes, require interest rate hedging for a maximum amount of €500 million with the Parent Company and €2,500 million with UniCredit Bank AG; it was approved by the Parent Company's Related Parties and Equity Investments Committee with the issue of a favourable, non-binding opinion on the matter;
2. with the approval of the Board of Directors' meeting of May 9, 2016, by way of the favourable opinion of the Audit and Related Parties Committee, an ordinary Significant related-party transaction at market conditions with UniCredit S.p.A., consisting of the renewal of the "*Framework Agreement - Reverse Repos and Term Deposits with the Parent Company*" (expiring May 11, 2016) effective until May 9, 2017, concerning (i) Reverse Repos with the Parent Company for an amount of €7.2 billion, calculated as the sum of the individual transactions in absolute value (whether repos or reverse repos) and (ii) Term deposits with the Parent Company for an amount of €8.7 billion, calculated as the sum of the individual transactions in absolute value.

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 2016, no other transactions were undertaken with related parties that could significantly affect the Bank's asset situation and results, or atypical and/or unusual transactions with those parties.

Intercompany transactions and transactions with related parties in general, both Italian and foreign, were conducted within the ordinary course of business and related financial activities of the Bank, and were carried out under conditions similar to those applied to transactions with unrelated third parties.

You are reminded that for the three-year period 2016-2018, the Bank opted for the "national tax consolidation" – introduced by Legislative Decree no. 344 of December 12, 2003 – with the Consolidating Company UniCredit.

In accordance with the National Tax Consolidation agreement, which was renewed in June for the three-year period 2016-2018, participation in the consolidation cannot result in tax advantages for the participating Consolidated Company with respect to the situation that would have arisen if the company had not participated. The main benefit of participating in the national tax consolidation scheme consists of the possibility of offsetting individual tax losses within the same year of companies participating in the consolidation scheme against the taxable income of other companies participating in the Group taxation, with a consequent financial benefit. There is also another benefit for the companies participating in the consolidation scheme, namely the mitigation of the non-deductibility of interest expense, a benefit that is due to end in 2016 because the full deductibility of interest expense for banks is envisaged from 2017.

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 following table provides a summary of outstanding assets, liabilities, guarantees and commitments as at June 30,

2016 in relation to Group companies.

	<i>Assets</i>	<i>Liabilities</i>	<i>Guarantees and commitments</i>
Transactions with the Parent Company UniCredit S.p.A.	15,201,638	1,187,172	514,672
Transactions with companies controlled by UniCredit S.p.A.	27,575	35,260	-

*(Amounts in € thousand)*

For the three-year period 2016-2018, the Bank, in its capacity as consolidated company, was subject to the "National tax consolidation", as established by Legislative Decree no. 344 of December 12, 2003, which was carried out by the Parent Company, UniCredit S.p.A..

For detailed information on transactions with group companies and other related parties see the comments in this regard in Part H of the Notes to the Accounts.

## **SUBSEQUENT EVENTS AND OUTLOOK**

### **SUBSEQUENT EVENTS**

No significant events have occurred after the end of the period.

### **NUMBER OF TREASURY SHARES OR SHARES OF THE PARENT COMPANY**

As at June 30, 2016, the Bank held 1,408,834 treasury shares in its portfolio, corresponding to 0.23% of the share capital, for an amount of €8.6 million, purchased in execution of the stock granting plan "2014 PFA Plan" for the Personal Financial Advisors and Network Managers of the Bank, approved by the Board of Directors on May 15, 2014 and by the Shareholders' Meeting on June 5, 2014. The purchases were made starting from September 16, 2015, after receipt of the authorisation from the Regulatory Authority, in accordance with Articles 77-78 of EU Reg. 575/2013 of June 26, 2013 (CRR), and ended on October 12, 2015.

The Bank does not hold shares of its Parent Company, even through other companies or third parties.

### **OUTLOOK**

To respond to the main trends that are reshaping Italian society, FinecoBank is continuing to focus on digitising its offering and on advanced financial advisory services. This includes the cyborg advisory model offered by the Bank, aimed at improving the productivity of the Network and increasing the quality of the service provided to customers.

FinecoBank is continuing to develop its Credit area, with a growing focus on personal loans and completing its offering of mortgages for first and second homes.

Lastly, the Bank proceeded with its plan to launch its offering of banking, investing in brokerage operations within the United Kingdom under the freedom to provide services. The project will target retail customers resident in the United Kingdom, building on Fineco's distinctive strong operating efficiency.



# Bank Financial Statements

**BALANCE SHEET**

<b>BALANCE SHEET ASSETS</b>	<b>06.30.2016</b>	<b>12.31.2015</b>
10. Cash and cash balances	11,107	6,285
20. Financial assets held for trading	6,879,333	3,983,184
40. Available-for-sale financial assets	2,926,174,843	2,245,982,088
60. Loans and receivables with banks	15,299,291,127	14,648,904,038
70. Loans and receivables with customers	880,231,796	922,773,794
80. Hedging derivatives	9,355,355	-
90. Changes in fair value of portfolio hedged financial assets (+/-)	(337,239)	10,573,434
110. Property, plant and equipment	13,895,558	12,418,792
120. Intangible assets	97,210,075	97,814,087
of which:		
- goodwill	89,601,768	89,601,768
130. Tax assets	5,880,386	15,423,666
a) current tax assets	1,510,128	1,732,934
b) deferred tax assets pursuant to Law 214/2011	4,370,258	13,690,732
150. Other assets	322,263,812	370,069,607
<b>Total assets</b>	<b>19,560,856,153</b>	<b>18,327,948,975</b>

<b>BALANCE SHEET LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>06.30.2016</b>	<b>12.31.2015</b>
10. Deposits from banks	1,361,665,656	1,423,459,247
20. Deposits from customers	17,133,049,348	15,822,458,746
40. Financial liabilities held for trading	6,299,836	4,099,512
60. Hedging derivatives	14,614,758	31,318,669
70. Changes in fair value of portfolio hedged financial liabilities (+/-)	3,041,546	-
80. Tax liabilities	23,046,389	37,445,058
a) current tax liabilities	23,046,389	37,445,058
100. Other liabilities	291,754,495	250,989,832
110. Provision for employee severance pay	5,171,828	4,846,165
120. Provisions for risks and charges:	119,257,842	120,534,113
b) other provisions	119,257,842	120,534,113
130. Revaluation reserves	13,383,330	11,626,244
160. Reserves	278,164,396	236,589,577
170. Share premium reserve	1,934,113	1,934,113
180. Share capital	200,245,794	200,150,192
190. Treasury shares (-)	(8,555,284)	(8,555,284)
200. Net profit (loss) for the period	117,782,106	191,052,791
<b>Total liabilities and shareholders' equity</b>	<b>19,560,856,153</b>	<b>18,327,948,975</b>

**INCOME STATEMENT**

<b>INCOME STATEMENT</b>	<i>01.01.2016 / 06.30.2016</i>	<i>01.01.2015 / 06.30.2015</i>
10. Interest income and similar revenues	126,283,178	126,090,109
20. Interest expenses and similar charges	(2,833,766)	(10,345,823)
<b>30. Net interest margin</b>	<b>123,449,412</b>	<b>115,744,286</b>
40. Fee and commission income	230,225,974	250,224,259
50. Fee and commission expense	(112,404,927)	(123,235,383)
<b>60. Net fee and commission income</b>	<b>117,821,047</b>	<b>126,988,876</b>
70. Dividend income and similar revenue	9,154	1,675
80. Gains (losses) on financial assets and liabilities held for trading	26,468,860	28,298,756
90. Fair value adjustments in hedge accounting	66,202	(227,125)
100. Gains (losses) on disposal or repurchase of:	20,381,987	-
<i>b) available-for-sale financial assets</i>	<i>20,381,987</i>	<i>-</i>
<b>120. Operating income</b>	<b>288,196,662</b>	<b>270,806,468</b>
130. Impairment losses/write-backs on:	(2,104,841)	(2,693,550)
<i>a) loans and receivables</i>	<i>(2,806,938)</i>	<i>(2,697,722)</i>
<i>d) other financial assets</i>	<i>702,097</i>	<i>4,172</i>
<b>140. Net profit (loss) from financial activities</b>	<b>286,091,821</b>	<b>268,112,918</b>
150. Administrative costs	(153,685,119)	(159,110,901)
<i>a) staff expenses</i>	<i>(37,723,226)</i>	<i>(37,181,624)</i>
<i>b) other administrative expenses</i>	<i>(115,961,893)</i>	<i>(121,929,277)</i>
160. Net provisions for risks and charges	(3,249,517)	(928,725)
170. Net impairment/write-backs on property, plant and equipment	(2,090,237)	(1,736,447)
180. Net impairment/write-backs on intangible assets	(2,518,936)	(2,453,668)
190. Other net operating income	41,332,762	37,692,484
<b>200. Operating costs</b>	<b>(120,211,047)</b>	<b>(126,537,257)</b>
240. Gains (losses) on disposal of investments	15	15
<b>250. Net profit (loss) before tax from continuing operations</b>	<b>165,880,789</b>	<b>141,575,676</b>
260. Tax expense (income) related to profit or loss from continuing operations	(48,098,683)	(47,871,369)
<b>270. Net profit (loss) after tax from continuing operations</b>	<b>117,782,106</b>	<b>93,704,307</b>
<b>290. Net Profit (Loss) for the period</b>	<b>117,782,106</b>	<b>93,704,307</b>

*01.01.2016 / 06.30.2016*                      *01.01.2015 / 06.30.2015*

Earnings per share (€)	0.19	0.15
Diluted earnings per share (€)	0.19	0.15

**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**

01.01.2016 / 06.30.2016

01.01.2015 / 06.30.2015

<b>10. Net Profit (Loss) for the period</b>	<b>117,782,106</b>	<b>93,704,307</b>
<b>Other comprehensive income after tax without reclassification through profit or loss</b>		
40. Defined benefit plans	(2,800,740)	841,760
<b>Other comprehensive income after tax with reclassification through profit or loss</b>		
100. Available-for-sale financial assets	4,557,826	(2,794,283)
<b>130. Total of other comprehensive income after tax</b>	<b>1,757,086</b>	<b>(1,952,523)</b>
<b>140. Comprehensive income (item 10+130)</b>	<b>119,539,192</b>	<b>91,751,784</b>

## STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

## Statement of Changes in Shareholders' Equity as at 06.30.2016

	Balance as at 12.31.2015	Change in opening balance	Balance as at 01.01.2016	Allocation of prior year profit/(loss)		Changes during the period						Shareholders' equity as at 06.30.16	
				Reserves	Dividends and other allocations	Changes in reserves	Shareholders' equity transactions						Comprehensive income as at 06.30.16
							Issues of new shares	Purchase of own shares	Distribution of ordinary dividends	Changes in equity instruments	Own shares derivative		
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 period	191,052,791		191,052,791	(35,676,658)	(155,376,133)								117,782,106
Shareholders' equity	632,797,633		632,797,633		(155,376,133)		95,602						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 FincoBank shares.

Statement of Changes in Shareholders' Equity as at 06.30.2015

	Balance as at 12.31.2014	Change in opening balance	Balance as at 01.01.2015	Allocation of prior year profit/(loss)		Changes during the period						Shareholders' equity as at 06.30.15	
				Reserves	Dividends and other allocations	Changes in reserves	Shareholders' equity transactions				Comprehensive income as at 06.30.15		
							Issues of new shares	Purchase of own shares	Distribution of extraordinary dividends	Changes in equity instruments			Own share derivatives
Share capital:													
a) ordinary shares	200,070,431		200,070,431					79,761					200,150,192
b) other shares													
Share premium reserve	1,934,113		1,934,113										1,934,113
Reserves													
a) from profits	190,922,980		190,922,980	28,603,521							(79,761)		219,446,740
b) other	7,157,532		7,157,532								8,509,506		15,667,038
Revaluation reserves	2,261,820		2,261,820								(1,952,523)		309,297
Equity instruments													
Treasury Shares													
Net Profit (Loss) for the period	149,906,668		149,906,668	(28,603,521)	(121,303,147)							93,704,307	93,704,307
Shareholders' equity	552,253,544		552,253,544		(121,303,147)			79,761				8,429,745	531,211,687

The amount of the dividend paid to shareholders in 2015, totalling €121,303,146.60, corresponds to €0.2 per share.

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

**CASH FLOW STATEMENT**

**Indirect method**

	<i>Amount</i>	
	<i>01.01.2016 / 06.30.2016</i>	<i>01.01.2015 / 06.30.2015</i>
<b>A. OPERATING ACTIVITIES</b>		
<b>1. Operations</b>	<b>183,498,265</b>	<b>108,978,817</b>
- profit (loss) for the period (+/-)	117,782,106	93,704,307
- unrealised gains/losses on financial assets/liabilities held for trading and on assets/liabilities at fair value through profit or loss (-/+)	(1,064,394)	(457,487)
- unrealised gains/losses on hedging transactions (-/+)	(66,202)	227,125
- impairment losses/write-backs (+/-)	2,406,932	2,853,603
- impairment losses/write-backs on tangible and intangible assets (+/-)	4,609,173	4,190,115
- provisions for risks and charges and other income/expenses (+/-)	12,309,109	11,813,217
- duties, taxes and tax credits not paid (+/-)	7,841,971	13,211,160
- net impairment losses/write-backs on disposal groups classified as held for sale after tax (+/-)	-	-
- other adjustments (+/-)	39,679,570	(16,563,223)
<b>2. Cash flows from/used by financial assets</b>	<b>(977,029,496)</b>	<b>(1,304,525,698)</b>
- financial assets held for trading	295,807	2,063,461
- financial assets at fair value through profit or loss	-	-
- available-for-sale financial assets	(709,980,286)	(560,777,690)
- loans and receivables with banks: on demand	-	-
- loans and receivables with banks: other loans and receivables	(355,218,741)	(704,359,461)
- loans and receivables with customers	40,067,929	(142,796,395)
- other assets	47,805,795	101,344,387
<b>3. Cash flows from/used by financial liabilities</b>	<b>1,291,885,956</b>	<b>1,285,259,317</b>
- deposits from banks: on demand	-	-
- deposits from banks: other liabilities	(28,986,858)	8,722,042
- deposits from customers	1,310,990,158	1,350,838,398
- debt securities in issue	-	(24,709,661)
- financial assets held for trading	72,799	(1,764,102)
- financial liabilities at fair value through profit and loss	-	-
- other liabilities	9,809,857	(47,827,360)
<b>Net cash flows from/used in operating activities</b>	<b>498,354,725</b>	<b>89,712,436</b>
<b>B. INVESTMENT ACTIVITIES</b>		
<b>1. Cash flows from</b>		
- sales of equity investments	-	-
- collected dividends on equity investments	-	-
- sales of financial assets held to maturity	-	-
- sales of tangible assets	-	15
- sales of intangible assets	-	-
- disposals of businesses	-	-
<b>2. Cash flows used in</b>		
- purchases of equity investments	-	-
- purchases of financial assets held to maturity	-	-
- purchases of tangible assets	(3,567,003)	(2,007,205)
- purchases of intangible assets	(1,914,924)	(2,402,867)
- purchases of businesses	-	-
<b>Net cash flows from/used in investing activities</b>	<b>(5,481,927)</b>	<b>(4,410,057)</b>
<b>C. FINANCING ACTIVITIES</b>		
- issue/purchase of treasury shares	-	-
- issue/purchase of equity instruments	95,602	-
- dividends and other allocations	(155,471,736)	(121,303,147)
<b>Net cash flows from/used in financing activities</b>	<b>(155,376,134)</b>	<b>(121,303,147)</b>
<b>NET LIQUIDITY GENERATED/USED DURING THE PERIOD</b>	<b>337,496,664</b>	<b>(36,000,768)</b>
<b>RECONCILIATION</b>		
<b>Balance Sheet Items</b>		
Cash and cash balances at the beginning of the period	1,182,228,221	1,451,228,954
Net liquidity generated/used during the period	337,496,664	(36,000,768)
Cash and cash balances: effect of changes in exchange rates	(9,063,552)	28,820,845
Cash and cash balances at the end of the period	1,510,661,333	1,444,049,031

**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 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.

The item "Cash and cash balances" at the end of the prior year consisted of:

- Cash recognised under asset item 10 "Cash and cash balances" in the amount of €6 thousand;
- Current accounts and demand deposits recognised under asset item 60 "Loans and receivables with banks" in the amount of €1,237,410 thousand;
- Deposits with an original duration of less than three months recognised under asset item 60 "Loans and receivables with banks" in the amount of €231,000 thousand;
- net of the Current accounts and demand deposits recognised under liability item 10 "Deposits from banks" in the amount of €24,367 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 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, 2016, 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 02/24/1998).

They are an integral part of the Half-Year 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 Half-Year Financial Report comprises the condensed half-year financial statements, the interim report on operations and the Certification provided for in Art. 154-bis, paragraph 5 of the TUF.

Specifically, the condensed half-year financial statements as at June 30, 2016 comply with the international accounting standard applicable to interim financial reports (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 (compiled using the "indirect" method), and these Notes to the Accounts, together with the Directors' Report on Operations.

The condensed half-year financial statements as at June 30, 2016 have been prepared taking into account the instructions on bank financial reports contained in the Bank of Italy Circular 262 of December 22, 2005, by showing the comparison of the half-year entries for the balance sheet with the figures as at December 31, 2015, and for the income statement, the comprehensive income statement, the changes in shareholders equity and the statement of cash flows, with the figures for the corresponding period of the previous year (June 30, 2015).

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 significant information to be disclosed for the reporting period and the previous year, are not provided.

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 recognition and 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, with the exception of the following Section A.2 "The main items of the Accounts" and Section 4- "Other matters", with reference to new standards and interpretations becoming effective.

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, 2016 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 August 1, 2016, which authorised their publication pursuant to IAS 10.

### **Section 4 - Other matters**

In the first half 2016, the following accounting standards, amendments and interpretations have become effective for reporting periods beginning on or after January 1, 2016:

- Improvements to IFRSs (2010-2012) (EU Regulation 28/2015);
- Amendments to IAS 19 - Defined benefit plans: employee contributions (Reg. EU 29/2015);
- Amendments to IAS 16 and IAS 41: Agriculture: Bearer plants (EU Reg. 2113/2015);
- Amendments to IFRS 11: Accounting for Acquisitions of Interests in Joint Operations (EU Regulation 2173/2015);
- Amendments to IAS 16 and IAS 38: Clarification of acceptable methods of depreciation and amortisation (EU Regulation 2231/2015);
- Improvements to IFRSs (2012-2014) (EU Regulation 2343/2015);
- Amendments to IAS 1: *Presentation of financial statements: Disclosure Initiative* (EU Regulation 2406/2015);
- Amendments to IAS 27: *Separate Financial Statements: Equity method in the Separate Financial Statements* (EU Regulation 2441/2015).

Where applicable, these accounting standards, amendments and interpretations had no impact on the financial position and results of the Bank as at June 30, 2016.

The EBA consultation on the definition of default ("Guidelines on the application of the definition of default under Article 178 of Regulation (EU) 575/2013") was completed on January 22, 2016. As a result of the consultation, further changes are expected in the coming periods in the classification criteria of impaired financial assets. The effects of these changes will be clarified once the final guidelines have been published, including the EBA guidelines on the materiality threshold for the measurement of past-due exposures, for which the consultation process was completed on January 31, 2015.

Finally, as at June 30, 2016, 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 9 - Financial Instruments (July 2014);
- IFRS 14 - Rate-regulated activities (January 2014);
- IFRS 15 - Revenue from contracts with customers (May 2014);
- IFRS 16 – Leasing (January 2016);
- Amendments to IAS 10 and IAS 28: Sale or transfer of assets to a joint venture or associate (September 2014);
- Amendments to IFRS 10, IFRS 12 and IAS 28: Application of consolidation exception to investment entities (December 2014;)
- 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).

We note in particular that IFRS 9 - Financial instruments, in replacing IAS 39, will introduce significant changes in relation to classification, measurement, payment and hedge accounting of financial instruments. The main impacts of the adoption of this standard are expected to come from the new model of reduction of the value of loans based on "expected loss", which will result in an increase in provisions for losses on loans and for unimpaired assets. The impacts on FinecoBank's financial position cannot currently be quantified because of the necessary analyses and studies are still underway, including those related to the organisational, operational and disclosure aspects. The mandatory effective date of IFRS 9 will be January 1, 2018, subject to completion of the approval by the European Union currently under way. The changes in the carrying out of the financial instruments due to the transition to the new standard will be recognised through shareholders' equity from January 1, 2018.

For more details, see the Notes to the Accounts, Part A, Section 5 – Other matters – of the financial statements for the year ended December 31, 2015. See the section also for the discussion on IFRS 15 – Revenue from contracts with customers.

Relevant updates will be provided in the future interim annual financial reports.

The condensed half-year financial statements are subject to limited audit by Deloitte & Touche S.p.A. pursuant to the resolution passed by the Shareholders' Meeting of April 16, 2013.

**Risks and uncertainties related to the use of estimates**

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

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, 2016, 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, 2016. Valuation is particularly complex given the uncertainty of the macroeconomic and market situation.

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 further effects on future book values cannot be ruled out.

At the date of preparing these condensed half-year financial statements 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 generally inherent 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 personal financial advisor benefits;
- provisions for risks and charges;
- goodwill;
- deferred tax assets;
- tax liabilities;

this is because the quantification of these items is mainly influenced by the evolution of domestic and international socio-economic conditions and the performance of the financial markets, which affect interest rates, price fluctuations, actuarial assumptions and, more generally, the creditworthiness of borrowers and counterparties, as well as the progress and developments of ongoing or potential litigation.

With specific reference to future cash flow projections used in the valuation of 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.

### **Interbank Deposit Guarantee Fund – Voluntary Scheme**

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

The funding of the Scheme amounts to €700 million (overall commitment for FinecoBank of €16.8 million).

In this regard, the Voluntary Scheme, as a private entity, intervened in April 2016 with a measure for a total amount of €272 million (FinecoBank share of €6 million) to restructure the support measures that the IDGF had implemented in July 2014 in favour of Banca Tercas. In particular, the European Commission concluded that this aid, originally granted by the IDGF in its capacity as the obligatory system for the guarantee of Italian deposits, constituted incompatible state aid, and therefore 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 measure implemented in 2014 and were then immediately debited from the banks participating in the Voluntary Scheme.

The transaction therefore had an essentially neutral impact on the income statement for the half year.

In June 2016, the Voluntary Scheme approved a measure in favour of Cassa di Risparmio di Cesena, in relation to the capital increase approved by the latter on June 8, 2016 for €280 million (commitment for FinecoBank of €6.7 million). As at June 30, 2016, this commitment had not yet resulted in a monetary outlay and did not have any income statement or balance sheet effects, since the execution of the capital increase, and therefore the actual contribution by the banks participating in the Voluntary Scheme, is conditional upon several conditions precedent that have not yet occurred.

## **A.2 THE MAIN ITEMS OF THE ACCOUNTS**

With regard to the classification, recognition and measurement of the main items, please refer to Part A.2 of the Notes to the Accounts for the year ended December 31, 2015.

During the first half of 2016 the Bank entered into derivatives with counterparties from outside the Group used to macro hedge the interest-rate risk on customer fixed-rate deposits.

In addition to the information provided in part A.2 of the Notes to the Accounts for the year ended December 31, 2015, please note that as of January 1, 2016, net fee and commission income includes the income component connected to the service provided (received) for the provision of securities relative to securities lending transactions collateralised by cash, previously recorded in interest income (expense). The corresponding figures for the previous year have been restated to enable like-for-like comparison.

### A.3 DISCLOSURE ON TRANSFERS BETWEEN PORTFOLIOS OF FINANCIAL ASSETS

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

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

#### 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*

In particular, for determining fair values of Level 2 and Level 3 financial instruments that are not actively traded and quoted, the Bank uses well known valuation techniques, which 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.

##### Adjusted NAV

Net asset value is the total value of a fund's assets less liabilities. An increase in net asset value would result in an increase in a fair value measurement.

### **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, among which (but not only) models such as discounted cash flow and internal models. On the basis of the observability of the input used, all financial 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 Parent Company has developed a model to determine the fair value that converts the market price in dollars of the Visa INC class "A" shares into euro and applies a discount factor of 15.83%, determined by estimating the litigation risk (9.83%) and the illiquidity risk (6%). The litigation risk component was extracted from historical series of data provided by Visa INC, whereas the illiquidity risk component was derived from the illiquidity of the shares, which have limitations on their transferability for a particular time period. The Visa INC class "C" preferred shares were assigned a fair value hierarchy of 3.

### Investment Funds

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 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 instruments generally do not trade, 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 at amortised cost, is determined using the discounted cash flow model adjusted for credit risk. Some portfolios are valued using simplified approaches, which however take into account their financial characteristics. 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.

**Quantitative information***A.4.5 Fair value hierarchy**A.4.5.1 Assets and liabilities measured at fair value on a recurring basis: breakdown by level of fair value*

Assets/Liabilities measured at fair value	06.30.2016			12.31.2015		
	L1	L2	L3	L1	L2	L3
1. Financial assets held for trading	5,632	1,237	10	1,908	2,059	16
2. Financial assets at fair value through profit or loss	-	-	-	-	-	-
3. Available-for-sale financial assets	2,922,987	-	3,183	2,235,494	-	10,483
4. Hedging derivatives	-	9,355	-	-	-	-
5. Property, plant and equipment	-	-	-	-	-	-
6. Intangible assets	-	-	-	-	-	-
<b>Total</b>	<b>2,928,619</b>	<b>10,592</b>	<b>3,193</b>	<b>2,237,402</b>	<b>2,059</b>	<b>10,499</b>
1. Financial liabilities held for trading	4,984	1,316	-	1,020	3,080	-
2. Financial liabilities at fair value through profit and loss	-	-	-	-	-	-
3. Hedging derivatives	-	14,615	-	-	31,319	-
<b>Total</b>	<b>4,984</b>	<b>15,931</b>	<b>-</b>	<b>1,020</b>	<b>34,399</b>	<b>-</b>

*(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 at fair value through profit or loss	Available-for-sale financial assets	Hedging derivatives	Property, plant and equipment	Intangible assets
<b>1. Opening balance</b>	<b>16</b>	<b>-</b>	<b>10,483</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>2. Increases</b>						
2.1 Purchases	1,184	-	3,256	-	-	-
2.2 Profits allocated to:						
2.2.1 Income Statement	54	-	4,861	-	-	-
- of which unrealised gains	-	-	-	-	-	-
2.2.2 Shareholders' equity	X	X	-	-	-	-
2.3 Transfers from other levels	-	-	-	-	-	-
2.4 Other increases	-	-	-	-	-	-
<b>3. Decreases</b>						
3.1 Sales	(1,239)	-	(15,344)	-	-	-
3.2 Reimbursements	-	-	-	-	-	-
3.3 Losses allocated to:						
3.3.1 Income Statement	(5)	-	-	-	-	-
- of which unrealised losses	(3)	-	-	-	-	-
3.3.2 Shareholders' equity	X	X	(73)	-	-	-
3.4 Transfers to other levels	-	-	-	-	-	-
3.5 Other decreases	-	-	-	-	-	-
<b>4. Closing balance</b>	<b>10</b>	<b>-</b>	<b>3,183</b>	<b>-</b>	<b>-</b>	<b>-</b>

*(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/write-backs on 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 available-for-sale 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	06.30.2016				12.31.2015			
	BV	L1	L2	L3	BV	L1	L2	L3
1. Held-to-maturity investments	-	-	-	-	-	-	-	-
2. Loans and receivables with banks	15,299,291	-	12,210,948	3,260,100	14,648,904	-	11,786,051	3,204,555
3. Loans and receivables with customers	880,232	-	1	939,434	922,774	-	-	972,334
4. Property, plant and equipment held for investment	2,453	-	-	4,535	2,509	-	-	4,535
5. Non-current assets and disposal groups classified as held for sale	-	-	-	-	-	-	-	-
<b>Total</b>	<b>16,181,976</b>	<b>-</b>	<b>12,210,949</b>	<b>4,204,069</b>	<b>15,574,187</b>	<b>-</b>	<b>11,786,051</b>	<b>4,181,424</b>
1. Deposits from banks	1,361,666	-	-	1,361,666	1,423,459	-	-	1,423,459
2. Deposits from customers	17,133,049	-	34,134	17,099,072	15,822,459	-	49,815	15,772,976
3. Debt securities in issue	-	-	-	-	-	-	-	-
4. Liabilities included in disposal groups classified as held for sale	-	-	-	-	-	-	-	-
<b>Total</b>	<b>18,494,715</b>	<b>-</b>	<b>34,134</b>	<b>18,460,738</b>	<b>17,245,918</b>	<b>-</b>	<b>49,815</b>	<b>17,196,435</b>

(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 carried 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*

	06.30.2016	12.31.2015
(a) Cash	11	6
(b) Demand deposits with central banks	-	-
<b>Total</b>	<b>11</b>	<b>6</b>

*(Amounts in € thousand)***Section 2 - Financial assets held for trading - Item 20***2.1 Financial assets held for trading: product breakdown*

Item/Amount	06.30.2016			12.31.2015		
	Level 2	Level 3	Level 3	Level 2	Level 3	Level 3
<b>A. On-balance sheet assets</b>						
1. Debt securities	45	-	-	15	30	-
1.1 Structured securities	4	-	-	3	-	-
1.2 Other debt securities	41	-	-	12	30	-
2. Equity Instruments	288	-	10	570	-	14
3. UCITS units	-	-	-	-	-	2
4. Loans	-	-	-	-	-	-
4.1 Reverse repos	-	-	-	-	-	-
4.2 Others	-	-	-	-	-	-
<b>Total A</b>	<b>333</b>	<b>-</b>	<b>10</b>	<b>585</b>	<b>30</b>	<b>16</b>
<b>B. Derivatives</b>						
1. Financial derivatives	5,299	1,237	-	1,323	2,029	-
1.1 trading derivatives	5,299	1,237	-	1,323	2,029	-
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	-	-	-	-	-	-
<b>Total B</b>	<b>5,299</b>	<b>1,237</b>	<b>-</b>	<b>1,323</b>	<b>2,029</b>	<b>-</b>
<b>Total (A+B)</b>	<b>5,632</b>	<b>1,237</b>	<b>10</b>	<b>1,908</b>	<b>2,059</b>	<b>16</b>

*(Amounts in € thousand)*

Trading financial derivatives refer to the positive valuation of Forex CFDs and CFDs on indices, shares, interest rates and futures used to hedge CFDs. They amounted to €1,535 thousand (€2,349 thousand as at December 31, 2015).

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 €5,001 thousand (€1,004 thousand as at December 31, 2015).



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

## 4.1 Available-for-sale financial assets: product breakdown

Item/Amount	06.30.2016			12.31.2015		
	Level 2	Level 3	Level 3	Level 2	Level 3	Level 3
1. Debt securities	2,922,987	-	-	2,235,494	-	-
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	2,922,987	-	-	2,235,494	-	-
2. Equity Instruments	-	-	3,188	-	-	10,488
2.1 Carried at fair value	-	-	3,183	-	-	10,483
2.2 Carried at cost	-	-	5	-	-	5
3. UCITS units	-	-	-	-	-	-
4. Loans	-	-	-	-	-	-
<b>Total</b>	<b>2,922,987</b>	<b>-</b>	<b>3,188</b>	<b>2,235,494</b>	<b>-</b>	<b>10,488</b>

(Amounts in € thousand)

The other debt securities are issued by the Italian Government, for a book value of €1,707,997 thousand (€1,639,048 thousand as at December 31, 2015), by the French Government, for a book value of €10,301 thousand (€10,356 thousand as at December 31, 2015) and by the Spanish Government, for a book value of €1,204,689 thousand (€586,090 thousand on December 31, 2015).

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 €130,941 thousand (€131,435 thousand as at December 31, 2015).

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 fair value relate exclusively to the Visa INC class "C" preferred shares received as part of the closing of the merger between Visa Inc. and Visa Europe Limited, as described in the Interim report on operations to which the reader is referred.

## Section 6 - Loans and receivables with banks – Item 60

## 6.1 Loans and receivables with banks: product breakdown

Type of transaction/Amount	06.30.2016				12.31.2015			
	BV	FV			BV	FV		
		Level 2	Level 3	Level 3		Level 2	Level 3	Level 3
<b>A. Loans and receivables with central banks</b>	-	-	-	-	-	-	-	-
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>B. Loans and receivables with banks</b>	<b>15,299,291</b>	-	<b>12,210,948</b>	<b>3,260,100</b>	<b>14,648,904</b>	-	<b>11,786,051</b>	<b>3,204,555</b>
<b>1. Loans</b>	<b>3,260,100</b>	-	-	<b>3,260,100</b>	<b>3,204,555</b>	-	-	<b>3,204,555</b>
1.1 Current accounts and demand deposits	1,547,432	X	X	X	1,251,070	X	X	X
1.2 Time deposits	1,680,962	X	X	X	1,914,662	X	X	X
1.3 Other loans:		X	X	X		X	X	X
- Reverse repos	16,679	X	X	X	1,906	X	X	X
- Finance leases	-	X	X	X	-	X	X	X
- Other	15,027	X	X	X	36,917	X	X	X
<b>2. Debt securities</b>	<b>12,039,191</b>	-	<b>12,210,948</b>	-	<b>11,444,349</b>	-	<b>11,786,051</b>	-
2.1 Structured securities	-	X	X	X	-	X	X	X
2.2 Other debt securities	12,039,191	X	X	X	11,444,349	X	X	X
<b>Total</b>	<b>15,299,291</b>	-	<b>12,210,948</b>	<b>3,260,100</b>	<b>14,648,904</b>	-	<b>11,786,051</b>	<b>3,204,555</b>

(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 €1,455,559 thousand (€1,224,234 thousand as at December 31, 2015), 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 €166,135 thousand (€151,477 thousand as at December 31, 2015), in addition to time deposits held with UniCredit for a carrying amount of €1,514,828 thousand (€1,763,185 thousand as at December 31, 2015), opened to invest the liquidity raised through repos and CashPark transactions with retail customers and through repos with credit institutions, with the same maturities.

The debt securities held in the portfolio and included in the category "Loans and receivables" mainly consist of debt securities issued by UniCredit for an amount of €12,039,188 thousand (€11,444,346 thousand as at December 31, 2015).

In the item Other loans, the item "Other" relates to the amount of the initial and variance margins placed with credit institutions for derivative transactions, of which €9,260 thousand with UniCredit Bank AG Munich (€21,630 thousand as at December 31, 2015, in addition to €8,160 thousand with UniCredit), 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.

## 6.2 Loans and receivables with banks: assets subject to micro-hedging

No data to report.

## 6.3 Finance leases

No data to report.

## Section 7 - Loans and receivables with customers – Item 70

## 7.1 Loans and receivables with customers: product breakdown

Type of transaction/Amount	06.30.2016						12.31.2015					
	Book value			Fair value						Fair value		
	Unimpaired	Impaired		L1	L2	L3	Unimpaired	Impaired		L1	L2	L3
Purchased		Other	Purchased					Other				
<b>Loans</b>	<b>876,194</b>	-	<b>4,038</b>	-	-	<b>939,434</b>	<b>917,897</b>	-	<b>4,877</b>	-	-	<b>972,334</b>
1. Current accounts	245,067	-	2,832	X	X	X	211,273	-	3,765	X	X	X
2. Reverse repos	81,235	-	12	X	X	X	198,941	-	10	X	X	X
3. Mortgages	-	-	46	X	X	X	-	-	46	X	X	X
4. Credit cards, personal loans and wage assignment loans	420,074	-	1,089	X	X	X	395,721	-	1,029	X	X	X
5. Finance leases	-	-	-	X	X	X	-	-	-	X	X	X
6. Factoring	-	-	-	X	X	X	-	-	-	X	X	X
7. Other loans	129,818	-	59	X	X	X	111,962	-	27	X	X	X
<b>Debt securities</b>	-	-	-	-	<b>1</b>	-	-	-	-	-	-	-
8. Structured securities	-	-	-	X	X	X	-	-	-	X	X	X
9. Other debt securities	-	-	-	X	X	X	-	-	-	X	X	X
<b>Total</b>	<b>876,194</b>	-	<b>4,038</b>	-	-	<b>939,434</b>	<b>917,897</b>	-	<b>4,877</b>	-	-	<b>972,334</b>

(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 06.30.2016			NA 06.30.2016	FV 12.31.2015			NA 12.31.2015
	L1	L2	L3		L1	L2	L3	
<b>A. Financial derivatives</b>	-	<b>9,355</b>	-	<b>632,500</b>	-	-	-	-
1) Fair value	-	9,355	-	632,500	-	-	-	-
2) Cash flows	-	-	-	-	-	-	-	-
3) Net investment in foreign subsidiaries	-	-	-	-	-	-	-	-
<b>B. Credit derivatives</b>	-	-	-	-	-	-	-	-
1) Fair value	-	-	-	-	-	-	-	-
2) Cash flows	-	-	-	-	-	-	-	-
<b>Total</b>	-	<b>9,355</b>	-	<b>632,500</b>	-	-	-	-

(Amounts in € thousand)

## Key:

NA = Notional amount

L1 = Level 1

L2 = Level 2

L3 = Level 3

The hedging derivatives as at June 30, 2016 included the positive fair value of derivatives entered into with UniCredit amounting to €6,233 thousand.

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

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

Changes in value of hedged assets/Amount	06.30.2016	12.31.2015
<b>1. Positive changes</b>	<b>5,318</b>	<b>10,573</b>
1.1 of specific portfolios	5,318	10,573
a) loans and receivables	5,318	10,573
b) available-for-sale financial assets	-	-
1.2 overall	-	-
<b>2. Negative changes</b>	<b>(5,655)</b>	-
2.1 of specific portfolios	(5,655)	-
a) loans and receivables	(5,655)	-
b) available-for-sale financial assets	-	-
2.2 overall	-	-
<b>Total</b>	<b>(337)</b>	<b>10,573</b>

(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	06.30.2016	12.31.2015
<b>1. Owned assets</b>	<b>11,443</b>	<b>9,910</b>
a) land	-	-
b) buildings	-	-
c) office furniture and fittings	1,263	1,064
d) electronic systems	8,916	7,575
e) other	1,264	1,271
<b>2. Assets under finance lease</b>	-	-
a) land	-	-
b) buildings	-	-
c) office furniture and fittings	-	-
d) electronic systems	-	-
e) other	-	-
<b>Total</b>	<b>11,443</b>	<b>9,910</b>

(Amounts in € thousand)

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

Asset/Amount	06.30.2016				12.31.2015			
	Book value	Fair value			Book value	Fair value		
		L1	L2	L3		L1	L2	L3
<b>1. Owned assets</b>	<b>2,453</b>	-	-	<b>4,535</b>	<b>2,509</b>	-	-	<b>4,535</b>
a) land	-	-	-	-	-	-	-	-
b) buildings	2,453	-	-	4,535	2,509	-	-	4,535
<b>2. Assets held under finance lease</b>	-	-	-	-	-	-	-	-
a) land	-	-	-	-	-	-	-	-
b) buildings	-	-	-	-	-	-	-	-
<b>Total</b>	<b>2,453</b>	-	-	<b>4,535</b>	<b>2,509</b>	-	-	<b>4,535</b>

(Amounts in € thousand)

## Section 12 - Intangible assets - Item 120

## 12.1 Intangible assets: breakdown by type assets

Asset/Amount	06.30.2016		12.31.2015	
	Finite life	Indefinite life	Finite life	Indefinite life
A.1 Goodwill	X	89,602	X	89,602
A.2 Other intangible assets	7,608		8,212	
A.2.1 Assets carried at cost:				
a) Intangible assets generated internally	-	-	-	-
b) Other assets	7,608	-	8,212	-
A.2.2 Assets carried at fair value:				
a) Intangible assets generated internally	-	-	-	-
b) Other assets	-	-	-	-
<b>Total</b>	<b>7,608</b>	<b>89,602</b>	<b>8,212</b>	<b>89,602</b>

(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.

Other information - Impairment test

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 the 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 FinecoBank, which envisages a high level of integration between personal financial advisors and the trading and banking platform, so that the personal financial advisors network is an integral part of the overall offering of the Bank, which includes banking, brokerage and investing services, an allocation of costs/revenues for business units is not considered relevant or meaningful.

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.

As regards the impairment test, at June 30, 2016 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, 2015 and, based on the results of those qualitative analyses, the result of the impairment test as at December 31, 2015 was also confirmed with reference to June 30, 2016. For any further information on the impairment test, please see the Financial Statements as at December 31, 2015.

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, 2016 amounted to €602,954 thousand compared with shareholders' equity of €3,549,812 thousand.

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

The item "Tax assets" amounting to €5,880 thousand comprises:

- "Current tax assets" of €1,510 thousand;
- "Deferred tax assets" of €4,370 thousand. Deferred tax assets are shown in the balance sheet net of the related deferred tax liabilities; the detail is as follows:
  - o "Deferred tax assets" of €36,018 thousand recognised as a balancing entry in the income statement;
  - o "Deferred tax assets" of €2,086 thousand recognised as a balancing entry of shareholders' equity;
  - o "Deferred tax liabilities" of €23,094 thousand recognised as a balancing entry in the income statement;
  - o "Deferred tax liabilities" of €10,640 thousand recognised as a balancing entry of shareholders' equity.

The item "Tax liabilities" amounting to €23,046 thousand, consists exclusively of "Current tax liabilities".

The calculation of the aforementioned asset and liability items was affected by the impact of the adoption of "national tax consolidation" and the application of IAS/IFRS.

Current Tax Assets and Liabilities

<i>Item/Amount</i>	<i>06.30.2016</i>	<i>12.31.2015</i>
Current tax assets	1,510	1,733
Current tax liabilities	23,046	37,445
<i>(Amounts in € thousand)</i>		

National tax consolidation

For the three-year period 2016-2018, the Bank, in its capacity as consolidated company, was subject to the "National tax consolidation", as established by Legislative Decree no. 344 of December 12, 2003, which was carried out by the Parent Company, UniCredit S.p.A..

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% and an IRAP corporate tax rate of 5.57%.

## 13.1 Deferred tax assets: breakdown

Asset/Amount	06.30.2016	12.31.2015
Allocations through profit or loss	31,838	34,623
Allocations through equity	2,086	2,440
Impairment losses on receivables (of which pursuant to Law 214/2011)	4,180	4,401
<b>Total before IAS 12 offset</b>	<b>38,104</b>	<b>41,464</b>
Offset against deferred tax liabilities - IAS 12	(33,734)	(27,773)
<b>Total</b>	<b>4,370</b>	<b>13,691</b>

(Amounts in € thousand)

## 13.2 Deferred tax liabilities: breakdown

Asset/Amount	06.30.2016	12.31.2015
Allocations through profit or loss	23,094	22,878
Allocations through equity	10,640	4,895
<b>Total before IAS 12 offset</b>	<b>33,734</b>	<b>27,773</b>
Offset against deferred tax assets - IAS 12	(33,734)	(27,773)
<b>Total</b>	<b>-</b>	<b>-</b>

(Amounts in € thousand)

## Section 15 - Other assets - Item 150

## 15.1 Other assets: breakdown

	06.30.2016	12.31.2015
Accrued income other than income to be capitalised on the related financial assets	207	-
Items in transit not allocated to relevant accounts	1	37
Items awaiting settlement:		
- notes, cheques and other documents	17,573	10,021
Items in processing:		
- other items in processing	19	17
Current receivables not associated with the provision of financial services	1,131	3,163
Definitive items not recognised under other items:		
- securities and coupons to be settled	2,496	1,496
- fees to be charged to customers	26,080	29,613
- amounts to be settled via clearing houses	-	-
- other transactions	11,927	11,930
Tax items other than those included in item 130:		
- tax advances	219,867	276,372
- tax credits	9,074	9,483
- tax advances on employee severance indemnities	-	20
Receivables due to disputed items not deriving from lending	119	119
Prepayments	26,375	19,950
Improvement and incremental expenses incurred on leasehold assets	7,395	7,849
<b>Total</b>	<b>322,264</b>	<b>370,070</b>

(Amounts in € thousand)

**LIABILITIES****Section 1 - Deposits from banks - Item 10***1.1 Deposits from banks: product breakdown*

<i>Type of transaction/Amount</i>	<i>06.30.2016</i>	<i>12.31.2015</i>
<b>1. Deposits from central banks</b>	-	-
<b>2. Deposits from banks</b>	<b>1,361,666</b>	<b>1,423,459</b>
2.1 Current accounts and demand deposits	36,649	68,848
2.2 Time deposits	-	-
2.3 Loans	1,289,559	1,313,191
2.3.1 Repos	1,289,559	1,313,191
2.3.2 Other	-	-
2.4 Liabilities in respect of commitments to repurchase treasury shares	-	-
2.5 Other liabilities	35,458	41,420
<b>Total</b>	<b>1,361,666</b>	<b>1,423,459</b>
<i>Fair value - level 1</i>	-	-
<i>Fair value - level 2</i>	-	-
<i>Fair value - level 3</i>	<b>1,361,666</b>	<b>1,423,459</b>
<b>Total fair value</b>	<b>1,361,666</b>	<b>1,423,459</b>

*(Amounts in € thousand)***Section 2 - Deposits from customers - Item 20***2.1 Deposits from customers: product breakdown*

<i>Type of transaction/Amount</i>	<i>06.30.2016</i>	<i>12.31.2015</i>
1. Current accounts and demand deposits	16,508,283	14,985,275
2. Time deposits	398,496	560,114
3. Loans	152,293	199,817
3.1 Repos	152,293	199,817
3.2 Other	-	-
4. Liabilities in respect of commitments to repurchase treasury shares	-	-
5. Other liabilities	73,977	77,253
<b>Total</b>	<b>17,133,049</b>	<b>15,822,459</b>
<i>Fair value - level 1</i>	-	-
<i>Fair value - level 2</i>	<b>34,134</b>	<b>49,815</b>
<i>Fair value - level 3</i>	<b>17,099,072</b>	<b>15,772,976</b>
<b>Total fair value</b>	<b>17,133,206</b>	<b>15,822,791</b>

*(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	06.30.2015					12.31.2015				
	NA	FV			FV*	NA	FV			FV*
		L1	L2	L3			L1	L2	L3	
<b>A. On-balance sheet liabilities</b>										
1. Deposits from banks	-	-	-	-	-	-	-	-	-	-
2. Deposits from customers	573	75	-	-	75	576	-	-	-	-
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
<b>Total A</b>	<b>573</b>	<b>75</b>	<b>-</b>	<b>-</b>	<b>75</b>	<b>576</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>B. Derivatives</b>										
1. Financial derivatives	X	4,909	1,316	-	X	X	1,020	3,080	-	X
1.1 Trading derivatives	X	4,909	1,316	-	X	X	1,020	3,080	-	X
1.2 Related to the fair value option	X	-	-	-	X	X	-	-	-	X
1.3 Other	X	-	-	-	X	X	-	-	-	X
2. Credit derivatives	X	-	-	-	X	X	-	-	-	X
2.1 Trading derivatives	X	-	-	-	X	X	-	-	-	X
2.2 Related to the fair value option	X	-	-	-	X	X	-	-	-	X
2.3 Other	X	-	-	-	X	X	-	-	-	X
<b>Total B</b>	<b>X</b>	<b>4,909</b>	<b>1,316</b>	<b>-</b>	<b>X</b>	<b>X</b>	<b>1,020</b>	<b>3,080</b>	<b>-</b>	<b>X</b>
<b>Total (A+B)</b>	<b>X</b>	<b>4,984</b>	<b>1,316</b>	<b>-</b>	<b>X</b>	<b>X</b>	<b>1,020</b>	<b>3,080</b>	<b>-</b>	<b>X</b>

(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

Trading financial derivatives refer to the positive valuation of Forex Contracts for Difference (CFDs), CFDs on indices, CFDs on interest rates and Futures used to hedge CFDs. They amounted to €1,326 thousand (€3,103 thousand as at December 31, 2015).

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 €4,899 thousand (€997 thousand as at December 31, 2015).

**Section 6 - Hedging derivatives - Item 60***6.1 Hedging derivatives: breakdown by type of hedge and by hierarchical level*

Item/Amount	Fair value 06.30.2016			NA 06.30.2016	Fair value 12.31.2015			NA 12.31.2015
	L1	L2	L3		L1	L2	L3	
<b>A. Financial derivatives</b>	-	<b>14,615</b>	-	<b>1,463,840</b>	-	<b>31,319</b>	-	<b>2,430,880</b>
1) Fair value	-	14,615	-	1,463,840	-	31,319	-	2,430,880
2) Cash flows	-	-	-	-	-	-	-	-
3) Net investment in foreign	-	-	-	-	-	-	-	-
<b>B. Credit derivatives</b>	-	-	-	-	-	-	-	-
1) Fair value	-	-	-	-	-	-	-	-
2) Cash flows	-	-	-	-	-	-	-	-
<b>Total</b>	-	<b>14,615</b>	-	<b>1,463,840</b>	-	<b>31,319</b>	-	<b>2,430,880</b>

*(Amounts in € thousand)***Key:**

NA = Notional amount

L1 = Level 1

L2 = Level 2

L3 = Level 3

The hedging derivatives as at June 30, 2016 included the negative fair value of derivatives entered into with UniCredit Bank AG, Munich, for €9,501 thousand, and with UniCredit for €5,114 thousand.

**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	06.30.2016	12.31.2015
1. Positive changes to financial liabilities	3,042	-
2. Negative changes to financial liabilities	-	-
<b>Total</b>	<b>3,042</b>	<b>-</b>

*(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*

	06.30.2016	12.31.2015
Impairment of financial guarantees given	720	1,416
Accrued expenses other than those to be capitalised for the financial liabilities concerned	148	164
Other liabilities relative to employees	8,907	6,610
Other liabilities relative to other personnel	28	1
Other liabilities due to directors and statutory auditors	173	187
Items in transit not allocated to relevant accounts	7	-
Sums available to be paid to customers	168	248
Items in processing:		
- incoming bank transfers	1,371	2,629
- other items in processing	59	211
Items awaiting settlement:		
- outgoing bank transfers	51,384	46,681
- POS and ATM cards	115	126
Current payables not associated with the provision of financial services	21,238	21,804
Definitive items not recognised under other items:		
- securities and coupons to be settled	79,957	7,377
- other items	45,516	32,072
Payables for share-based payments or shares of the Parent Company UniCredit	1,655	2,491
Illiquid items for portfolio transactions	13,466	16,569
Tax items other than those included in item 80:		
- sums withheld from third parties as withholding agent	19,169	21,670
- other	42,237	84,390
Prepayments	558	515
Social security contributions payable	4,878	5,829
<b>Total</b>	<b>291,754</b>	<b>250,990</b>

*(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, 2016 amounted to €5,172 thousand (€4,846 thousand at December 31, 2015).

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

<i>Description of the main actuarial assumptions</i>	06.30.2016	12.31.2015
Discount rate	1.05%	1.75%
Expected inflation rate	0.75%	1.00%

The remeasurement as at June 30, 2016 of the commitment relating to the Provision for employee severance pay resulted in an increasingly negative balance of the revaluation reserves relating to actuarial gains/losses on defined benefit pension plans of €270 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 Annual Report as at December 31, 2015.

## Section 12 - Provisions for risks and charges - Item 120

## 12.1 - Provisions for risks and charges: breakdown

Item/Amount	06.30.2016	12.31.2015
1. Pensions and other post-retirement benefit obligations	-	-
2. Other provisions for risks and charges	119,258	120,534
2.1 legal disputes	39,321	43,458
2.2 staff expenses	6,373	9,570
2.3 other	73,564	67,506
<b>Total</b>	<b>119,258</b>	<b>120,534</b>

(Amounts in € thousand)

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 integration costs for the Bank in relation to the Business Plan of the UniCredit Group recognised in the financial statements for the year ended December 31, 2015. During the first half 2016, as a result of the signature of the agreement of February 5, 2016, these costs were partially reallocated to Other liabilities for the part relating to the subscriptions accepted.

Other provisions for risks and charges under sub-item 2.3 include the supplementary customer indemnity provision amounting to €56,695 thousand compared with €51,139 thousand as at December 31, 2015.

	06.30.2016	12.31.2015
<b>Legal disputes</b>	<b>39,321</b>	<b>43,458</b>
- Pending proceedings	34,263	35,225
- Claims	5,058	8,233
<b>Staff expenses</b>	<b>6,373</b>	<b>9,570</b>
<b>Other</b>	<b>73,564</b>	<b>67,506</b>
- Supplementary customer indemnity provision	56,695	51,139
- Contractual payments and payments under non-competition agreements	2,302	2,270
- Tax disputes	4,741	7,034
- Other Provisions	9,826	7,063
<b>Total provisions for risks and charges - other provisions</b>	<b>119,258</b>	<b>120,534</b>

(Amounts in € thousand)

<i>Provisions for risks and charges</i>	<i>Total</i> <i>12.31.2015</i>	<i>Uses</i>	<i>Transfer s and</i> <i>other changes</i>	<i>Actuarial gains</i> <i>(losses) IAS 19R *</i>	<i>Net</i> <i>provisions **</i>	<i>Total</i> <i>06.30.2016</i>
<b>Legal disputes</b>	<b>43,458</b>	<b>(4,176)</b>	-	-	<b>39</b>	<b>39,321</b>
- Pending proceedings	35,225	(2,024)	911	-	151	34,263
- Claims	8,233	(2,152)	(911)	-	(112)	5,058
<b>Staff expenses</b>	<b>9,570</b>	<b>(5,237)</b>	-	-	<b>2,040</b>	<b>6,373</b>
<b>Other</b>	<b>67,506</b>	<b>(1,886)</b>	-	<b>3,750</b>	<b>4,194</b>	<b>73,564</b>
- Supplementary customer indemnity provision	51,139	(676)	-	3,750	2,482	56,695
- Contractual payments and and payments under non-competition agreements	2,270	-	-	-	32	2,302
- Tax disputes	7,034	(187)	-	-	(2,106)	4,741
- Other Provisions	7,063	(1,023)	-	-	3,786	9,826
<b>Total provisions for risks and charges - other provisions</b>	<b>120,534</b>	<b>(11,299)</b>	-	<b>3,750</b>	<b>6,273</b>	<b>119,258</b>

(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 "Provisions" includes the costs recognised under "Staff expenses" and "Interest expenses and similar charges".

The following table shows the main actuarial assumptions used to remeasure the liability for the Agents' supplementary indemnity provision. The actuarial valuation of the defined benefit plans for the Provision for contractual payments has not been updated, and therefore remains unchanged compared to December 31, 2015.

<b>Description of the main actuarial assumptions</b>	<i>06.30.2016</i>	<i>12.31.2015</i>
Discount rate	1.05%	1.75%
Salary increase rate	2.60%	2.60%

The remeasurement as at June 30, 2016 of the commitment relating to the Supplementary customer indemnity provision resulted in an increasing in the negative balance of the revaluation reserves relating to actuarial gains/losses on defined benefit pension plans of €2,531 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 Annual Report as at December 31, 2015.

The **Provision for legal disputes** includes provisions made to cover disputes for damage to customers arising from the unlawful behaviour of the company's personal financial advisors, provisions relating to pending disputes with personal financial advisors 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 pay due 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 for the part not reallocated to Other liabilities, as described above.

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 client portfolio. As noted above, as at June 30, 2016 no remeasurement was made of the liability for contractual payments.

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 provisions specifically include the provision made for marketing and customer loyalty campaigns and the provision made for the Solidarity Fund created pursuant to the 2016 Stability Law in relation to the losses incurred by the subordinated loan holders of the four banks subject of resolution by Italian Decree 183 of 2015. This Solidarity Fund will be funded by the Interbank Deposit Guarantee Fund (and therefore by the banks subscribing to it) according to terms and conditions yet to be determined pending the ministerial decrees to which the Stability Law made reference to.

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

### *14.1 "Share capital" and "Treasury shares": breakdown*

Share capital amounts to €200,245,793.88 fully paid-up, comprising 606,805,436 ordinary shares with a par value of €0.33.

As at June 30, 2016, the Bank held 1,408,834 treasury shares in its portfolio, for a total amount of €8,555 thousand, purchased in execution of the stock granting plan "2014 PFA Plan" for the Personal Financial Advisors and Network Managers of the Bank, approved by the Board of Directors on May 15, 2014 and by the Shareholders' Meeting on June 5, 2014.

<i>Item/amount</i>	<i>06.30.2016</i>	<i>12.31.2015</i>
1. Share capital	200,246	200,150
2. Share premium reserve	1,934	1,934
3. Reserves	278,164	236,590
- <i>Legal reserve</i>	40,049	40,030
- <i>Extraordinary reserve</i>	201,643	166,081
- <i>Treasury shares reserve</i>	8,555	8,555
- <i>Other reserves</i>	27,917	21,924
4. (Treasury shares)	(8,555)	(8,555)
5. Revaluation reserves	13,383	11,626
6. Equity instruments	-	-
7. Net profit (loss) for the period	117,782	191,053
<b>Total</b>	<b>602,954</b>	<b>632,798</b>

*(Amounts in € thousand)*

On February 8, 2016 the Board of Directors launched the "2014 Key People Plan" and, considering the positive outcome of the verification of the entry conditions and the individual conditions (compliance in conduct and continued employment) and the favourable opinion of the Remuneration and Appointments Committee, it approved the allocation of the second tranche corresponding to 289,703 free ordinary shares to 79 beneficiaries and, as a consequence, it approved a free share capital increase for a total amount of €95,601.99, with accompanying reduction of the available retained earnings.

The Shareholders' Meeting of April 12, 2016 approved the allocation of profit for the year 2015, amounting to €191,052,791.15, as follows:

- €19,120.40 to the **Legal reserve**;
- €35,657,537.24 to the **Extraordinary reserve**;
- €154,376,133.51, equal to €0.255 per share, to **Shareholders**;
- €1,000,000 to social, charity and cultural causes, pursuant to art. 26, para. 5, of the Articles of Association.

## 14.2 Share capital - Number of shares: annual changes

Items/type	Ordinary	Other
<b>A. Shares outstanding at the beginning of the period</b>		
- fully paid	606,515,733	-
- not fully paid	-	-
A.1 Treasury shares (-)	(1,408,834)	-
<b>A.2 Shares outstanding: opening balance</b>	<b>605,106,899</b>	-
<b>B. Increases</b>		
B.1 New issues		
- against payment:		
- business combinations	-	-
- bonds converted	-	-
- warrants exercised	-	-
- other	-	-
- free		
- to employees	289,703	-
- to directors	-	-
- other	-	-
B.2 Sale of treasury shares	-	-
B.3 Other changes	-	-
<b>C. Decreases</b>		
C.1 Cancellation	-	-
C.2 Purchase of treasury shares	-	-
C.3 Business transfers	-	-
C.4 Other decreases	-	-
<b>D. Shares outstanding: closing balance</b>	<b>605,396,602</b>	-
D.1 Treasury shares (+)	1,408,834	-
D.2 Shares outstanding at the end of the period	-	-
- fully paid	606,805,436	-
- 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 €40,049 thousand;
- Extraordinary reserve, amounting to €201,643 thousand;
- Reserve for treasury shares held, amounting to €8,555 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*

<i>Transactions</i>	<i>06.30.2016</i>	<i>12.31.2015</i>
1) Financial guarantees given	273,551	256,615
a) Banks	272,866	256,065
b) Customers	685	550
2) Commercial guarantees given	4	4
a) Banks	4	4
b) Customers	-	-
3) Irrevocable commitments to lend funds	576,735	129,165
a) Banks	260,132	1,974
i) certain to be called on	6,132	1,974
ii) not certain to be called on	254,000	-
b) Customers	316,603	127,191
i) certain to be called on	316,603	127,191
ii) not certain to be called on	-	-
4) Commitments underlying credit derivatives: protection sales	-	-
5) Assets given as collateral for for third-party obligations	-	-
6) Other commitments	-	-
<b>Total</b>	<b>850,290</b>	<b>385,784</b>

*(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, and the commitment to the Interbank Deposit Guarantee Fund for subscription to the Voluntary Scheme, for an amount of €16,800 thousand. Cannot the remaining commitment to the Interbank Deposit Guarantee Fund relating to the measure in favour of Banca Tercas, amounting to €720 thousand, has been fully written down.

Irrevocable commitments to lend funds certain to be called on mainly refer to spot contracts for the purchase and sale of securities to be settled in times established by market practices ("regular way").

The irrevocable commitments to lend funds not certain to be called on refer to the Liquidity Framework Agreement entered into during the first half 2016, 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	06.30.2016	12.31.2015
1. Financial assets held for trading	-	-
2. Financial assets at fair value through profit or loss	-	-
3. Available-for-sale financial assets	-	-
4. Held-to-maturity investments	-	-
5. Loans and receivables with banks	77,650	87,367
6. Loans and receivables with customers	-	-
7. Property, plant and equipment	-	-
<b>Total</b>	<b>77,650</b>	<b>87,367</b>

(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 as collateral for bankers' drafts, as a guarantee for transactions in foreign markets and as a for guarantee transactions in derivatives, we note that the Bank has committed debt securities issued by governments, in particular Italian government securities and French government securities, belonging to the *Available-for-sale financial assets* category, for a carrying amount of €130,941 thousand (€131,435 thousand as at December 31, 2015). 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 €1,294,078 thousand (€1,329,696 thousand as at December 31, 2015). 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:

- €1,986 thousand up to twelve months;
- €2,431 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 €1,021,621 thousand, broken down as follows:

<i>Securities received on loan from:</i>	<i>Type of securities (nominal value at June 30, 2016)</i>		
	<i>Sold</i>	<i>Sold in repos</i>	<i>Other purposes</i>
Banks	-	-	-
Financial companies	-	6,058	-
Insurance companies	-	-	-
Non-financial companies	-	5,114	-
Other entities	576	998,789	84
<b>Total nominal value</b>	<b>576</b>	<b>1,009,961</b>	<b>84</b>

(Amounts in € thousand)

<i>Securities received on loan from:</i>	<i>Type of securities (fair value at June 30, 2016)</i>		
	<i>Sold</i>	<i>Sold in repos</i>	<i>Other purposes</i>
Banks	-	-	-
Financial companies	-	6,322	-
Insurance companies	-	-	-
Non-financial companies	-	5,969	-
Other entities	13	1,331,768	462
<b>Total fair value</b>	<b>13</b>	<b>1,344,059</b>	<b>462</b>

(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	
				06.30.2016	06.30.2015
1. Financial assets held for trading	-	-	-	-	1
2. Available-for-sale financial assets	10,839	-	-	10,839	9,999
3. Held-to-maturity investments	-	-	-	-	-
4. Loans and receivables with banks	96,555	2,730	-	99,285	98,342
5. Loans and receivables with customers	-	13,911	-	13,911	14,079
6. Financial assets at fair value through profit or loss	-	-	-	-	-
7. Hedging derivatives	-	-	2,248	2,248	3,669
8. Other assets	-	-	-	-	-
<b>Total interest income</b>	<b>107,394</b>	<b>16,641</b>	<b>2,248</b>	<b>126,283</b>	<b>126,090</b>

*(Amounts in € thousand)*

Interest accrued on impaired assets, relating exclusively to the item Loans and receivables with customers, amounted to €163 thousand (€313 thousand as at June 30, 2015).

*1.4 Interest expenses and similar charges: breakdown*

Items/Type	Payables	Securities	Other transactions	Total	
				06.30.2016	06.30.2015
1. Deposits from central banks	-	-	-	-	-
2. Deposits from banks	1,368	-	-	1,368	(248)
3. Deposits from customers	(4,202)	-	-	(4,202)	(9,387)
4. Debt securities in issue	-	-	-	-	(711)
5. Financial liabilities held for trading	-	-	-	-	-
6. Financial liabilities at fair value through profit and	-	-	-	-	-
7. Other liabilities and provisions	-	-	-	-	-
8. Hedging derivatives	-	-	-	-	-
<b>Total interest expense</b>	<b>(2,834)</b>	<b>-</b>	<b>-</b>	<b>(2,834)</b>	<b>(10,346)</b>

*(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	06.30.2016	06.30.2015
(a) guarantees given	34	32
(b) credit derivatives	-	-
(c) management, brokerage and advisory services:	213,402	228,953
1. securities trading	39,727	44,550
2. currency trading	-	-
3. portfolio management	-	-
3.1. individual	-	-
3.2. collective	-	-
4. custody and administration of securities	211	134
5. custodian bank	-	-
6. placement of securities	7,073	18,076
7. reception and transmission of orders	5,691	6,997
8. advisory services	15,293	13,223
8.1. related to investments	15,293	13,223
8.2. related to financial structure	-	-
9. distribution of third-party services:	145,407	145,973
9.1. portfolio management	122,484	126,903
9.1.1 individual	30	36
9.1.2 collective	122,454	126,867
<i>of which maintenance commissions for UCIT units</i>	121,331	125,873
9.2. insurance products	22,917	19,061
9.3. other products	6	9
(d) collection and payment services	9,991	13,974
(e) securitisation servicing	-	-
(f) factoring	-	-
(g) tax collection services	-	-
(h) management of multilateral trading systems	-	-
(i) management of current accounts	2,456	2,542
(j) other services	2,778	2,358
(k) securities lending transactions	1,565	2,365
<b>Total</b>	<b>230,226</b>	<b>250,224</b>

*(Amounts in € thousand)*

As noted in Part A - Accounting policies of these Notes to the Accounts, since January 1, 2016, within securities lending transactions with cash guarantees, the income component related to the service provided (received) for the provision of the security has been recognised under fee and commission income (expense), whereas it was previously recorded in interest income (expense). As a consequence, the corresponding figures for the previous half year have been restated to enable like-for-like comparison (fee and commission income of €2,365 thousand and fee and commission expense of €5 thousand as at June 30, 2015).

## 2.3 Fee and commission expense: breakdown

Service/Amount	06.30.2016	06.30.2015
(a) guarantees received	-	-
(b) credit derivatives	-	-
(c) management and brokerage services:	(101,827)	(113,634)
1. securities trading	(4,111)	(4,122)
2. currency trading	-	(103)
3. portfolio management:	-	-
3.1 own	-	-
3.2 delegated to third parties	-	-
4. custody and administration of securities	(1,959)	(2,284)
5. placement of financial instruments	-	-
6. cold-calling to offer securities, products and services	(95,757)	(107,125)
(d) collection and payment services	(9,571)	(8,409)
(e) other services	(119)	(150)
(f) securities lending transactions	(888)	(1,042)
<b>Total</b>	<b>(112,405)</b>	<b>(123,235)</b>

(Amounts in € thousand)

## SECTION 3 – Dividend income and similar revenue – Item 70

## 3.1 Dividend income and similar revenue: breakdown

Item/Income	06.30.2016		06.30.2015	
	Dividends	Income from UCITS units	Dividends	Income from UCITS units
A. Financial assets held for trading	9	-	2	-
B. Available-for-sale financial assets	-	-	-	-
C. Financial assets at fair value through profit or loss	-	-	-	-
D. Equity investments	-	X	-	X
<b>Total</b>	<b>9</b>	<b>-</b>	<b>2</b>	<b>-</b>

(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, 2016

Transaction/Income item	Unrealised gains (A)	Realised gains (B)	Unrealised losses (C)	Realised losses (D)	Net gain (loss) [(A+B)-(C+D)]
<b>1. Financial assets held for trading</b>	<b>13</b>	<b>59,618</b>	<b>(5)</b>	<b>(53,904)</b>	<b>5,722</b>
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	-	-	-	-	-
<b>2. Financial liabilities held for trading</b>	<b>-</b>	<b>115</b>	<b>(2)</b>	<b>(14)</b>	<b>99</b>
2.1 Debt securities	-	-	-	-	-
2.2 Payables	-	-	-	-	-
2.3 Other	-	115	(2)	(14)	99
<b>3. Other financial assets and liabilities: exchange differences</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>1,872</b>
<b>4. Derivatives</b>	<b>7,104</b>	<b>35,258</b>	<b>(6,868)</b>	<b>(21,813)</b>	<b>18,776</b>
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	-	-	-	-	-
<b>Total</b>	<b>7,117</b>	<b>94,991</b>	<b>(6,875)</b>	<b>(75,731)</b>	<b>26,469</b>

(Amounts in € thousand)

As at June 30, 2015

Transaction/Income item	Unrealised gains (A)	Realised gains (B)	Unrealised losses (C)	Realised losses (D)	Net gain (loss) [(A+B)-(C+D)]
<b>1. Financial assets held for trading</b>	<b>1</b>	<b>57,392</b>	<b>(1)</b>	<b>(52,667)</b>	<b>4,725</b>
1.1 Debt securities	-	26	(1)	(21)	4
1.2 Equity instruments	1	57,353	-	(52,646)	4,708
1.3 UCITS units	-	13	-	-	13
1.4 Loans	-	-	-	-	-
1.5 Other	-	-	-	-	-
<b>2. Financial liabilities held for trading</b>	<b>11</b>	<b>-</b>	<b>-</b>	<b>(5)</b>	<b>6</b>
2.1 Debt securities	-	-	-	-	-
2.2 Payables	-	-	-	-	-
2.3 Other	11	-	-	(5)	6
<b>3. Other financial assets and liabilities: exchange differences</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>6,545</b>
<b>4. Derivatives</b>	<b>3,874</b>	<b>22,408</b>	<b>(3,897)</b>	<b>(14,476)</b>	<b>17,023</b>
4.1 Financial derivatives:	3,874	22,408	(3,897)	(14,476)	17,023
- On debt securities and interest rates	14	699	(19)	(444)	250
- On equity securities and share indices	3,860	20,981	(3,878)	(13,717)	7,246
- On currency and gold	X	X	X	X	9,114
- Other	-	728	-	(315)	413
4.2 Credit derivatives	-	-	-	-	-
<b>Total</b>	<b>3,886</b>	<b>79,800</b>	<b>(3,898)</b>	<b>(67,148)</b>	<b>28,299</b>

(Amounts in € thousand)

**SECTION 5 – Fair value adjustments in hedge accounting – Item 90***5.1 Fair value adjustments in hedge accounting: breakdown*

<i>Income item/Amount</i>	<i>06.30.2016</i>	<i>06.30.2015</i>
<b>A. Gains on:</b>		
A.1 Fair value hedging instruments	21,814	7,690
A.2 Hedged asset items (in fair value hedge relationship)	92	22,180
A.3 Hedged liability items (in fair value hedge relationship)	-	211
A.4 Cash-flow hedging derivatives	-	-
A.5 Assets and liabilities denominated in currency	-	-
<b>Total gains on hedging activities (A)</b>	<b>21,906</b>	<b>30,081</b>
<b>B. Losses on:</b>		
B.1 Fair value hedging instruments	(6,093)	(22,625)
B.2 Hedged asset items (in fair value hedge relationship)	(12,705)	(2,619)
B.3 Hedged liability items (in fair value hedge relationship)	(3,042)	(5,064)
B.4 Cash-flow hedging derivatives	-	-
B.5 Assets and liabilities denominated in currency	-	-
<b>Total losses on hedging activities (B)</b>	<b>(21,840)</b>	<b>(30,308)</b>
<b>C. Fair value adjustments in hedge accounting (A-B)</b>	<b>66</b>	<b>(227)</b>

*(Amounts in € thousand)***SECTION 6 – Gains (Losses) on disposals/repurchases – Item 100***6.1 Gains (Losses) on disposals/repurchases: breakdown*

<i>Item/Income item</i>	<i>06.30.2016</i>			<i>06.30.2015</i>		
	<i>Gain</i>	<i>Loss</i>	<i>Net gain (loss)</i>	<i>Gain</i>	<i>Loss</i>	<i>Net gain (loss)</i>
<b>Financial assets</b>						
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	-	-	-	-	-	-
<b>Total assets</b>	<b>20,382</b>	<b>-</b>	<b>20,382</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Financial liabilities</b>						
1. Deposits from banks	-	-	-	-	-	-
2. Deposits from customers	-	-	-	-	-	-
3. Debt securities in issue	-	-	-	-	-	-
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

*(Amounts in € thousand)*

The gains on disposal of debt securities, amounting to €5,038 thousand, relate to the sale of government securities, carried out as part of the mitigation of the exposure to interest-rate risk and the optimising profitability. The gains on disposal of equities, amounting to €15,344 thousand, relate to the sale of the investment in Visa Europe Limited. More details are provided in the Interim Report on Operations.



## SECTION 8 – Impairment losses - Item 130

## 8.1 Impairment losses on loans and receivables: breakdown

Transaction/Income item	Impairments (1)			Write-backs (2)				06.30.16	06.30.15
	Specific		Portfolio	Specific		Portfolio			
	Write-offs	Other		A	B	A	B		
A. Loans and receivables with banks	-	-	-	-	-	-	-	-	-
- Loans	-	-	-	-	-	-	-	-	-
- Debt securities	-	-	-	-	-	-	-	-	-
B. Loans and receivables with customers	(34)	(2,936)	(754)	204	625	-	88	(2,807)	(2,697)
Impaired related to purchase agreements	-	-	-	-	-	-	-	-	-
- Loans	-	-	X	-	-	-	X	-	-
- Debt securities	-	-	X	-	-	-	X	-	-
Other loans	(34)	(2,936)	(754)	204	625	-	88	(2,807)	(2,697)
- Loans	(34)	(2,936)	(754)	204	625	-	88	(2,807)	(2,697)
- Debt securities	-	-	-	-	-	-	-	-	-
<b>C. Total</b>	<b>(34)</b>	<b>(2,936)</b>	<b>(754)</b>	<b>204</b>	<b>625</b>	<b>-</b>	<b>88</b>	<b>(2,807)</b>	<b>(2,697)</b>

(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)				06.30.16	06.30.15
	Specific		Portfolio	Specific		Portfolio			
	Write-offs	Other		A	B	A	B		
A. Guarantees given	-	-	-	-	696	-	-	696	-
B. Credit derivatives	-	-	-	-	-	-	-	-	-
C. Commitments to disburse funds	-	-	-	-	-	-	-	-	-
D. Other transactions	-	-	-	-	6	-	-	6	4
<b>E. Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>702</b>	<b>-</b>	<b>-</b>	<b>702</b>	<b>4</b>

(Amounts in € thousand)

## Key

A = From interest

B = Other write-backs

The write-back on guarantees given, of €696 thousand, was recognised as a result of the reduction of the remaining commitment relating to the measure in favour of Banca Tercas, because the Board of the Interbank Deposit Guarantee Fund approved the reduction of the remaining overall commitment from €65 million to €30 million (portion attributable to the Bank of €720 thousand).

**SECTION 9 – Administrative costs – Item 150***9.1 Staff expenses: breakdown*

<i>Type of expense/Amount</i>	<i>06.30.2016</i>	<i>06.30.2015</i>
1) Employees	<b>(37,274)</b>	<b>(36,661)</b>
a) wages and salaries	(24,920)	(23,793)
b) social security contributions	(6,657)	(6,531)
c) severance pay	(437)	(489)
d) pension costs	-	-
e) allocation to employee severance pay provision	(53)	(51)
f) provision for retirements and similar provisions:		
- defined contribution	-	-
- defined benefit	-	-
g) payments to supplementary external pension funds:		
- defined contribution	(1,441)	(1,466)
- defined benefit	-	-
h) costs related to		
share-based payments	(1,790)	(2,509)
i) other employee benefits	(1,976)	(1,822)
2) Other staff	<b>(79)</b>	<b>(71)</b>
3) Directors and statutory auditors	<b>(491)</b>	<b>(500)</b>
4) Early retirement costs	-	-
5) Recovery of expenses for employees seconded to other companies	<b>186</b>	<b>99</b>
6) Recovery of expenses for employees seconded to the company	<b>(65)</b>	<b>(49)</b>
<b>Total</b>	<b>(37,723)</b>	<b>(37,182)</b>

*(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.

*9.3 Pensions and other post-retirement defined-benefit obligations costs and revenues*

No data to report.

*9.4 Other employee benefits*

<i>Type of expense/Amount</i>	<i>06.30.2016</i>	<i>06.30.2015</i>
Leaving incentives	(21)	(1)
Medical plan	(467)	(490)
Luncheon vouchers	(463)	(449)
Other	(1,025)	(882)
<b>Total</b>	<b>(1,976)</b>	<b>(1,822)</b>

*(Amounts in € thousand)*

## 9.5 Other administrative expenses: breakdown

06.30.2016

06.30.2015

<b>1) INDIRECT TAXES AND DUTIES</b>	<b>(44,898)</b>	<b>(45,180)</b>
<b>2) MISCELLANEOUS COSTS AND EXPENSES</b>		
<b>A) Advertising expenses - Marketing and communication</b>	<b>(12,101)</b>	<b>(12,741)</b>
Mass media campaigns	(8,635)	(9,608)
Marketing and promotions	(3,305)	(2,989)
Sponsorships	(137)	(125)
Conventions and internal communications	(24)	(19)
<b>B) Expenses related to credit risk</b>	<b>(741)</b>	<b>(803)</b>
Credit recovery expenses	(348)	(400)
Commercial information and company searches	(393)	(403)
<b>C) Expenses related to staff</b>	<b>(13,756)</b>	<b>(17,127)</b>
Staff training	(136)	(106)
Car rental and other staff expenses	(22)	(21)
Personal financial advisor expenses	(13,249)	(16,722)
Travel expenses	(312)	(246)
Premises rentals for personnel	(37)	(32)
<b>D) ICT expenses</b>	<b>(14,742)</b>	<b>(14,111)</b>
Lease of ICT equipment and software	(1,347)	(1,645)
Software expenses: lease and maintenance	(3,360)	(3,255)
ICT communication systems	(2,047)	(1,600)
ICT services: external personnel	(3,371)	(3,221)
Financial information providers	(4,617)	(4,390)
<b>E) Consulting and professional services</b>	<b>(1,628)</b>	<b>(1,575)</b>
Consultancy for ordinary activities	(696)	(375)
Consultancy for strategy, business development and organisational optimisation	(51)	(150)
Legal disputes	(881)	(1,050)
<b>F) Real estate expenses</b>	<b>(9,662)</b>	<b>(10,113)</b>
Real estate services	(400)	(345)
Repair and maintenance of furniture, machinery, and equipment	(118)	(124)
Maintenance of premises	(795)	(550)
Premises rentals	(7,008)	(7,770)
Cleaning of premises	(253)	(269)
Utilities	(1,088)	(1,055)
<b>G) Other functioning costs</b>	<b>(18,434)</b>	<b>(17,279)</b>
Surveillance and security services	(204)	(210)
Money counting services and transport	-	(1)
Postage and transport of documents	(1,750)	(1,392)
Administrative and logistic services	(7,941)	(7,510)
Insurance	(1,790)	(1,814)
Printing and stationery	(267)	(270)
Association dues and fees	(5,784)	(5,796)
Other administrative expenses	(698)	(286)
<b>H) Ex-ante contribution to the Single Resolution Fund and Interbank Deposit Guarantee Fund</b>	<b>-</b>	<b>(3,000)</b>
<b>Total</b>	<b>(115,962)</b>	<b>(121,929)</b>

(Amounts in € thousand)

**SECTION 10 – Net provisions for risks and charges – Item 160***10.1 Net provisions for risks and charges: breakdown*

	06.30.2016			06.30.2015		
	Provisions	Reallocations	Total	Provisions	Reallocations	Total
Legal disputes	(3,845)	3,805	(40)	(4,837)	4,840	3
Supplementary customer indemnity provision	(2,482)	-	(2,482)	(2,178)	-	(2,178)
Other provisions for risks and charges	(2,834)	2,106	(728)	(21)	1,267	1,246
<b>Total</b>	<b>(9,161)</b>	<b>5,911</b>	<b>(3,250)</b>	<b>(7,036)</b>	<b>6,107</b>	<b>(929)</b>

*(Amounts in € thousand)***SECTION 11 – Net impairment/write-backs on property, plant and equipment – Item 170***11.1 Net 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) 06.30.2016 (a+b-c)	Net profit (loss) 06.30.2015
A. Property, plant and equipment					
A.1 Owned	(2,089)	(1)	-	(2,090)	(1,736)
- Used in the business	(2,033)	(1)	-	(2,034)	(1,680)
- Held for investment	(56)	-	-	(56)	(56)
A.2 Held under finance lease	-	-	-	-	-
- Used in the business	-	-	-	-	-
- Held for investment	-	-	-	-	-
<b>Total</b>	<b>(2,089)</b>	<b>(1)</b>	<b>-</b>	<b>(2,090)</b>	<b>(1,736)</b>

*(Amounts in € thousand)***SECTION 12 – Net 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 profit (loss) 06.30.2016 (a+b-c)	Net profit (loss) 06.30.2015
A. Intangible assets					
A.1 Owned	(2,519)	-	-	(2,519)	(2,454)
- Generated internally by the Company	-	-	-	-	-
- Other	(2,519)	-	-	(2,519)	(2,454)
A.2 Held under finance lease	-	-	-	-	-
<b>Total</b>	<b>(2,519)</b>	<b>-</b>	<b>-</b>	<b>(2,519)</b>	<b>(2,454)</b>

*(Amounts in € thousand)*

Impairments on intangible assets relate to software, amortised over three years and the costs incurred to create the Fineco website, amortised over 5 years.

**SECTION 13 – Other net operating income – Item 190***13.1 Other operating expenses: breakdown*

Type/Amount	06.30.2016	06.30.2015
Refunds and allowances	(96)	(46)
Penalties, fines and unfavourable rulings	(355)	(3,719)
Improvements and incremental expenses incurred on leasehold properties	(1,753)	(1,606)
Improvements and incremental expenses incurred on group properties	(9)	(1)
Exceptional write-downs of assets	(367)	(416)
Other operating expense	(6,007)	(67)
<b>Total</b>	<b>(8,587)</b>	<b>(5,855)</b>

*(Amounts in € thousand)*

Exceptional write-downs of assets include costs incurred for credit card fraud of €348 thousand (€407 thousand as at June 30, 2015).

Other operating expense included in the cost incurred for the measure in favour of Banca Tercas, amounting to €5,950 thousand. As noted in Part A - Accounting Policies of these Notes to the Accounts, to which the reader is referred for more details, 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 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	06.30.2016	06.30.2015
Recovery of expenses:	42,337	42,388
- recovery of ancillary expenses - other	229	158
- recovery of taxes	42,108	42,230
Rental income from real estate investments	116	116
Other income from current year	7,467	1,043
<b>Total</b>	<b>49,920</b>	<b>43,547</b>

(Amounts in € thousand)

Other income for the current period included the repayment of the measure in favour of Banca Tercas made in 2014, amounting to €5,925 thousand, described above.

## 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	06.30.2016	06.30.2015
1. Current tax (-)	(52,110)	(42,917)
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 (+/-)	(2,291)	(4,327)
5. Changes in deferred tax liabilities (+/-)	(216)	(627)
6. Tax expense for the period (-) (-1+/-2+3+/-4+/-5)	(48,099)	(47,871)

(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, 2015

<b>ASSETS</b>	<b>12.31.2015</b>
Cash and cash balances	2,460
Financial assets held for trading	13,721
Loans and receivables with banks	22,062
Loans and receivables with customers	215,175
Financial investments	112,362
Hedging instruments	8,714
Property, plant and equipment	2,405
Goodwill	-
Other intangible assets	6
Tax assets	12,554
Non-current assets and disposal groups classified as held for sale	238
Other assets	4,675
<b>Total assets</b>	<b>394,372</b>

(Amounts in € million)

<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>	12.31.2015
Deposits from banks	37,466
Deposits from customers and debt securities in issue	278,885
Financial liabilities held for trading	10,672
Financial liabilities at fair value through profit and loss	-
Hedging instruments	9,669
Provisions for risks and charges	2,601
Tax liabilities	152
Liabilities included in disposal groups classified as held for sale	-
Other liabilities	8,402
Shareholders' equity	46,525
- capital and reserves	47,151
- revaluation reserves for available-for-sale financial assets - cash flow hedges - from defined benefit plans	815
- net profit (loss)	(1,441)
<b>Total liabilities and shareholders' equity</b>	<b>394,372</b>

(Amounts in € million)

UniCredit S.p.A. – Condensed Income Statement 2015

12.31.2015

Net interest	4,035
Dividends and other income from equity investments	1,476
Net fee and commission income	3,868
Net trading, hedging and fair value income	446
Net other expenses/income	(86)
<b>OPERATING INCOME</b>	<b>9,739</b>
Staff expenses	(3,273)
Other administrative expenses	(2,817)
Recovery of expenses	598
Impairments/write-backs on intangible and tangible assets	(128)
<b>Operating costs</b>	<b>(5,620)</b>
<b>GROSS OPERATING PROFIT (LOSS)</b>	<b>4,119</b>
Net write-downs of loans and provisions for guarantees and commitments	(2,667)
<b>NET OPERATING PROFIT (LOSS)</b>	<b>1,452</b>
Net provisions for risks and charges	(622)
Integration costs	(537)
Net income from investments	(2,008)
<b>NET PROFIT (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS</b>	<b>(1,715)</b>
Income tax for the year	274
Goodwill impairment	-
<b>NET PROFIT</b>	<b>(1,441)</b>

(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 of 2016.

	<i>01.01.2016 / 06.30.2016</i>	<i>01.01.2015 / 06.30.2015</i>
Net profit for the period (€ thousands)	117,782	93,704
Average number of outstanding shares	605,329,747	606,475,450
Average number of outstanding shares (including potential ordinary shares with dilution effect)	608,564,622	610,224,010
<b>Basic earnings per share</b>	<b>0.19</b>	<b>0.15</b>
<b>Diluted earnings per share</b>	<b>0.19</b>	<b>0.15</b>

*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 names the CRO Italy of the Parent Company as a specific reference point for Italy. The CRO Italy is responsible for credit, operational and reputational risks relating to the Italian consolidation, and for managerial coordination of Risk Management functions at the Italian Legal Entities, including FinecoBank.

FinecoBank 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.

As an aid to the reader, an explanatory glossary of terms used is provided at the end of this section.

**Organisational structure**

The Board of Directors of FinecoBank ("Board") 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 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 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, Audit and Related Parties Committee and Risk Committee). In relation to the Basel Pillar 2 instructions, reputational and business risk and, in collaboration with the CFO, liquidity risk are also monitored and reported.

The CRO and the CFO are responsible for proposing 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 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 an Audit 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 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.

Lending is expanded through the development of new products, or modification of existing ones, as well as through the protection of market share achieved. The factors that generate credit risk are determined by acceptance and creditworthiness policies, 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 of 2016, lending activity continued to focus on granting credit lines, mostly backed by assets, issuing credit cards with full payment of the balance at term to current account holders, and granting personal loans.

During the first half, loans to ordinary customers grew due to an increased number of credit lines approved for the "Fido con Mandato a Vendere su Amministrato e Sicav" and "Fido con Pegno" (credit lines backed by assets under management and SICAVs): 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 increased as a result of high disbursements of personal loans driven by the greater visibility of the product on the website, the promotional campaigns, and the new instant loan approval process.

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 and the purchase of government securities. As at June 30, 2016 the bank's portfolio of government securities consisted of €1,000 million of nominal amounts of Spanish government securities, €1,643 million of nominal amounts of Italian government securities, and €10 million of nominal amounts of French government securities.

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 FinecoBank's banking book. In accordance with the policy, the Bank's Risk Management 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). 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 of 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 Regulatory Authority, receivables are classified on the basis of the level of impairment, which may be established on the basis of qualitative or quantitative criteria.

The management of impaired loans entails taking all action necessary to restore them to normality or to recover the credits in situations where the relationship cannot be continued. All of these measures are established by specific processes based on the type and amount of the past-due loan and the past-due period as well as taking into account any financial assets of the customer, which may be offered as collateral. Credit collection is performed through payment reminders directly carried out by FinecoBank 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 FinecoBank 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 granting and disbursement of credit, FinecoBank 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 transactions that provide leverage to buy or sell equities (margining). These transactions, also when there are automatic stop losses performed within the margins, can generate credit risk if the underlying security lacks liquidity (for example, in the case of disruption events that affect the normal functioning of markets) and/or the margin is insufficient. Scenario analyses are conducted periodically to anticipate such events.

FinecoBank 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 FinecoBank 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 FinecoBank. 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 (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.

## *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. Liens on shares, bonds or investment funds, insurance contracts and government bonds are used to guarantee current account overdraft facilities, whilst the registration of first mortgages is quite rare.

## *2.4 Impaired loans*

Loans are classified as past due, unlikely to pay 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)*

<i>Portfolio/quality</i>	<i>Non-performing loans</i>	<i>Unlikely to pay</i>	<i>Past due impaired exposures</i>	<i>Past due unimpaired exposures</i>	<i>Other unimpaired exposures</i>	<i>Total</i>
1. Available-for-sale financial assets	-	-	-	-	2,922,987	2,922,987
2. Held-to-maturity investments	-	-	-	-	-	-
3. Loans and receivables with banks	-	-	-	-	15,299,291	15,299,291
4. Loans and receivables with customers	2,836	607	595	8,773	867,421	880,232
5. Financial assets at fair value through profit or loss	-	-	-	-	-	-
6. Financial instruments classified as held for sale	-	-	-	-	-	-
<b>Total June 30, 2016</b>	<b>2,836</b>	<b>607</b>	<b>595</b>	<b>8,773</b>	<b>19,089,699</b>	<b>19,102,510</b>
<b>Total December 31, 2015</b>	<b>3,500</b>	<b>794</b>	<b>583</b>	<b>25,575</b>	<b>17,776,720</b>	<b>17,807,172</b>

*(Amounts in € thousand)*

As at June 30, 2016 there were no impaired purchased loans.

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

<i>Portfolio/quality</i>	<i>Impaired assets</i>			<i>Unimpaired assets</i>			<i>Total (net exposure)</i>
	<i>Gross exposure</i>	<i>Specific impairment</i>	<i>Net exposure</i>	<i>Gross exposure</i>	<i>Portfolio impairment</i>	<i>Net exposure</i>	
1. Available-for-sale financial assets	-	-	-	2,922,987	-	2,922,987	2,922,987
2. Held-to-maturity investments	-	-	-	-	-	-	-
3. Loans and receivables with banks	-	-	-	15,299,291	-	15,299,291	15,299,291
4. Loans and receivables with customers	26,327	(22,289)	4,038	885,353	(9,159)	876,194	880,232
5. Financial assets at fair value through profit or loss	-	-	-	X	X	-	-
6. Financial instruments classified as held for sale	-	-	-	-	-	-	-
<b>Total June 30, 2016</b>	<b>26,327</b>	<b>(22,289)</b>	<b>4,038</b>	<b>19,107,631</b>	<b>(9,159)</b>	<b>19,098,472</b>	<b>19,102,510</b>
<b>Total December 31, 2015</b>	<b>25,195</b>	<b>(20,318)</b>	<b>4,877</b>	<b>17,810,792</b>	<b>(8,497)</b>	<b>17,802,295</b>	<b>17,807,172</b>

*(Amounts in € thousand)*

<i>Portfolio/quality</i>	<i>Assets of clearly poor credit quality</i>		<i>Other assets</i>
	<i>Accumulated unrealised losses</i>	<i>Net exposure</i>	<i>Net exposure</i>
1. Financial assets held for trading	-	-	1
2. Hedging derivatives	-	-	9,355
<b>Total June 30, 2016</b>	-	-	<b>1</b>
<b>Total December 31, 2015</b>	-	-	<b>3,397</b>

*(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				Unimpaired assets	Specific impairments	Portfolio impairments	Net exposure
	Impaired assets							
	Up to 3 months	Between 3 and 6 months	Between 6 months and 1 year	Over 1 year				
<b>A. On-balance sheet exposures</b>								
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	15,299,330	X	-	15,299,330
- of which: forborne exposures	X	X	X	X	-	X	-	-
<b>Total A</b>	-	-	-	-	<b>15,299,330</b>	-	-	<b>15,299,330</b>
<b>B. Off-balance sheet exposures</b>								
a) Impaired	-	-	-	-	X	-	X	-
b) Unimpaired	X	X	X	X	648,409	X	(720)	647,689
<b>Total B</b>	-	-	-	-	<b>648,409</b>	-	<b>(720)</b>	<b>647,689</b>
<b>Total A+B</b>	-	-	-	-	<b>15,947,739</b>	-	<b>(720)</b>	<b>15,947,019</b>

(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 €111,732 thousand, and the commitment to disburse funds not certain to be called on with reference to the Liquidity Framework Agreement entered into during the first half 2016 with the Parent Company, amounting to €254,000 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.1.5 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					Unimpaired assets	Specific impairments	Portfolio impairments	Net exposure
	Impaired assets								
	Up to 3 months	Between 3 and 6 months	Between 6 months and 1 year	Over 1 year					
<b>A. On-balance sheet exposures</b>									
a) Non-performing loans	7	54	970	21,946	X	(20,142)	X	2,836	
- of which: forborne exposures	-	2	14	91	X	(89)	X	17	
b) Unlikely to pay	131	312	701	1,103	X	(1,640)	X	607	
- of which: forborne exposures	104	25	19	24	X	(122)	X	51	
c) Past-due impaired loans	214	562	218	109	X	(507)	X	595	
- of which: forborne exposures	-	4	19	-	X	(10)	X	13	
d) Unimpaired past-due loans	X	X	X	X	8,972	X	(199)	8,773	
- of which: forborne exposures	X	X	X	X	8	X	-	7	
e) Other unimpaired exposures	X	X	X	X	3,799,374	X	(8,960)	3,790,414	
- of which: forborne exposures	X	X	X	X	93	X	(1)	92	
<b>Total A</b>	<b>352</b>	<b>928</b>	<b>1,889</b>	<b>23,158</b>	<b>3,808,346</b>	<b>(22,289)</b>	<b>(9,159)</b>	<b>3,803,225</b>	
<b>B. Off-balance sheet exposures</b>									
a) Impaired	18	-	-	-	X	-	X	18	
b) Unimpaired	X	X	X	X	423,580	X	-	423,580	
<b>Total B</b>	<b>18</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>423,580</b>	<b>-</b>	<b>-</b>	<b>423,598</b>	
<b>Total A+B</b>	<b>370</b>	<b>928</b>	<b>1,889</b>	<b>23,158</b>	<b>4,231,926</b>	<b>(22,289)</b>	<b>(9,159)</b>	<b>4,226,823</b>	

(Amounts in € thousand)

As at June 30, 2016, 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 €8,972 thousand (€25,800 thousand as at December 31, 2015), is as follows:

- past due between 1 day and 90 days of €8,567 thousand (€25,780 thousand as at December 31, 2015);
- past due between 90 days and 180 days of €383 thousand (€5 thousand as at December 31, 2015);
- past due between 180 days and 1 year of €21 thousand (€15 thousand as at December 31, 2015);
- past due exposures over 1 year of €1 thousand (none as at December 31, 2015).

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 €371,513 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
<b>A. Opening balance gross exposure</b>	<b>21,819</b>	<b>2,181</b>	<b>1,195</b>
of which: assets sold but not derecognised	-	-	-
<b>B. Increases</b>	<b>1,646</b>	<b>2,136</b>	<b>3,225</b>
B.1 transfers from performing exposures	62	101	2,842
B.2 transfers from other categories of impaired exposures	1,386	1,879	-
B.3 other increases	198	156	383
<b>C. Decreases</b>	<b>(487)</b>	<b>(2,070)</b>	<b>(3,318)</b>
C.1 transfers to performing exposures	-	(101)	(460)
C.2 de-recognitions	(153)	(21)	-
C.3 collections	(334)	(564)	(958)
C.4 proceeds from disposals	-	-	-
C.5 losses on disposal	-	-	-
C.6 transfers to other categories of impaired exposures	-	(1,382)	(1,882)
C.7 other decreases	-	(2)	(18)
<b>D. Gross exposure closing balance</b>	<b>22,978</b>	<b>2,247</b>	<b>1,102</b>
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
<b>A. Total opening impairment</b>	<b>(18,319)</b>	<b>(1,387)</b>	<b>(612)</b>
of which: assets sold but not derecognised	-	-	-
<b>B. Increases</b>	<b>(2,363)</b>	<b>(1,006)</b>	<b>(422)</b>
B.1 impairment losses	(1,610)	(939)	(422)
B.2 losses on disposal	-	-	-
B.3 transfers from other categories of impaired exposures	(746)	(67)	-
B.4 other increases	(7)	-	-
<b>C. Decreases</b>	<b>540</b>	<b>753</b>	<b>527</b>
C.1 write-backs from assessments	213	168	118
C.2 write-backs from recoveries	174	63	96
C.3 gains on disposal	-	-	-
C.4 de-recognitions	153	21	-
C.5 transfers to other categories of impaired exposures	-	501	313
C.6 other decreases	-	-	-
<b>D. Final overall impairment</b>	<b>(20,142)</b>	<b>(1,640)</b>	<b>(507)</b>
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 in a significant amount in securities issued by the Italian, Spanish and French governments. The following table shows the face value, the book value and the fair value of these sovereign exposures as at June 30, 2016.

	<i>Nominal value as at 06.30.2016</i>	<i>Book value as at 06.30.2016</i>	<i>Fair value as at 06.30.2016</i>	<i>% of financial statement item</i>
<b>Exposures to the Italian government</b>	<b>1,643,004</b>	<b>1,708,002</b>	<b>1,708,002</b>	
Financial assets held for trading	4	5	5	0.07%
Available-for-sale financial assets	1,643,000	1,707,997	1,707,997	58.37%
<b>Exposures to the Spanish government</b>	<b>1,000,000</b>	<b>1,204,689</b>	<b>1,204,689</b>	
Available-for-sale financial assets	1,000,000	1,204,689	1,204,689	41.17%
<b>Exposures to the German government</b>	<b>1</b>	<b>1</b>	<b>1</b>	
Financial assets held for trading	1	1	1	0.01%
<b>Exposures to the French government</b>	<b>10,000</b>	<b>10,301</b>	<b>10,301</b>	
Available-for-sale financial assets	10,000	10,301	10,301	0.35%
<b>Exposures to the Italian government</b>	<b>1</b>	<b>1</b>	<b>1</b>	
Financial assets held for trading	1	1	1	0.01%
<b>Total Sovereign exposures</b>	<b>2,653,006</b>	<b>2,922,994</b>	<b>2,922,994</b>	<b>14.94%</b>

(Amounts in € thousand)

The following table shows the sovereign ratings as at June 30, 2016 for countries to which the Bank is exposed, provided by Fitch Ratings, Moody's and Standard & Poor's.

	<i>Italy</i>	<i>Spain</i>	<i>Germany</i>	<i>France</i>	<i>Brazil</i>
MOODY'S	Baa2	Baa2	Aaa	Aa2	Ba2
FITCH RATINGS	BBB+	BBB+	AAA	(A)	BB
STANDARD & POOR'S	BBB-	BBB+	AAA	(A)	BB

As at June 30, 2016, investments in debt securities issued by sovereign states accounted for 14.94% 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 above government debt securities of the governments listed above; tensions or volatility in the government bond market could negatively impact on the Bank's financial position and performance.

## 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 FinecoBank, 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:

- Overall measurements 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 Overall Limits; in order to control more effectively and more specifically different risk types, desks and products, these limits are generally granular sensitivity or stress-related limits. The levels set for granular limits aim at limiting the concentration in individual risk factors and the excessive exposure in risk factors which are not sufficiently covered under VaR.

### **Structure and Organisation**

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 the Bank, 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 overall 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, the sensitivity to Economic Value and the Value at Risk.

The management of interest rate risk focuses on stabilising this second type of risk. The banking book interest rate risk measure covers 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 1bp 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 Bank's Risk Management. 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 daily by front-office dealers, verification of market prices and model inputs is performed at least monthly.

## **Risk measures**

### VaR

The VaR calculated within the measurement of the market risk of the banking and trading book uses a historical simulation approach. The choice of model 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 sale 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, 2016, the daily VaR of the trading book amounted to €120 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 of the Bank 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* in this section.

*B. Fair value hedging activities*

Hedging strategies aimed at complying with interest rate risk limits for the banking book 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*

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.

In 2015, 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.

<b>Currency</b>	<b>Value analysis (Shift + 1 bp)</b>	<b>Value analysis (Shift -200 bp)</b>	<b>Value analysis (Shift +200 bp)</b>	<b>IRVaR*</b>
EUR	161	-32,694	31,597	614.50
USD	5	-1,119	1,095	10.5
Other currencies	1			
<b>Total</b>	<b>167</b>	<b>-33,813</b>	<b>32,692</b>	<b>616.5</b>

*(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 in the interest rate curve of + 1 basis points, showed an overall impact of €167 thousand.

The interest rate VaR figure for FinecoBank came to approximately €616.5 thousand.

Total VaR, including the Credit Spread Risk component arising from Italian government securities held as investment of liquidity, amounted to €10,539.4 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

#### 1. Internal models and other methods of sensitivity analysis

As at June 30, 2016, the daily Forex VaR of the overall portfolio (banking and trading books) was approximately €298.25 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 risk managed by the Bank are as follows:

- funding risk, the Bank may not be able to effectively address any expected or unexpected cash outflows due to the unavailability of funding sources;
- market risk, in liquidating a considerable amount of assets, the Bank may be facing a considerable (and unfavourable) change in price generated by internal or external factors;
- risk of mismatch, the risk generated by a mismatch between the amounts and/or the maturities of cash inflows and outflows;



- contingency risk, future unexpected commitments (credit facilities being drawn down, deposit withdrawals, increase of collateral) may require a higher amount of liquidity compared to that used by the Bank in ordinary operations.

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.

At the reporting date, there were no "Contingent liquidity and funding needs", such as, for example, accelerated repayment clauses or the issue of additional guarantees relating to a downgrade of the bank.

### **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 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 Management 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 an unlikely event with a potentially strong impact and, accordingly, 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 exposures for the first 12 months.

The Operational Maturity Ladder transactions consist of contractual cash in/outflows that impact the liquidity position.

The Operational Maturity Ladder consists of:

- Primary Gap, the net refinancing requirement in the various time buckets;
- Counterbalancing Capacity, the amount of uncommitted securities accepted as guarantee by the Central Bank. The amount of the Counterbalancing Capacity consists of the so-called Liquidity value (difference between the market value and the haircut);
- Cumulative Gap, the sum of the above components;
- Reservation for Unexpected Flows, representing the liquidity adjustments of the Operational Maturity Ladder, which can be used to refinance unexpected outflows that affect the position. This reserve considers the volatility of the financial needs of the portfolio of commercial assets, the volatility of the sources of commercial financing, and the variation in the value of the Counterbalancing Capacity due to changes in market prices.

### **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**

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.

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 Planning, Finance and Administration function of the Parent Company and validated by the Risk Management function of the Parent Company and the Bank.

### **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 the "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.

The Bank's "Contingency Plan on liquidity risk" has the objective of ensuring effective interventions starting from the very outset of the liquidity crisis, through the clear identification of individuals, powers, responsibilities, communication, and reporting criteria, with a view to increasing significantly the probability of successfully overcoming the state of emergency. This is achieved through:

- activation of extraordinary liquidity governance and operating model;
- consistent communication both internally and to the Group;
- a set of available mitigating liquidity actions;
- a set of early warning indicators that may point towards a developing crisis.

### **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 "Policy for monitoring and controlling Operational and Reputational Risk" 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 the Bank 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 measurement 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 the Bank 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 Internal Validation (GIV). For 2015, when the most recent validation was completed, 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 48 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, 2016, amounted to €56,727 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 customers' complaints that have not yet resulted in legal proceedings, as at June 30, 2016, the Bank had a provision in place for risks and charges of €39,321 thousand (€43,458 thousand as at December 31, 2015).

### **Risks arising from tax disputes and audits**

Given that during the first half 2016 the risks arising from tax disputes for the years 2007, 2008, 2009, 2010 and 2011 were eliminated, due to the settlement reached with the Italian Revenue Agency, the risks from tax disputes and audits as at June 30, 2016 mainly related to the following situation:

- notice of assessment for the year 2003 containing an objection to the use of tax credits, 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, 2016 the Bank had in place provisions that adequately reflect the specific circumstances and are in line with international accounting standards; specifically, to tax liabilities of around €9 million, for higher tax, and to provisions for risks and charges of around €5 million, for penalties and interest.

### **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, 2016, the operational losses recognised in the accounts had a positive value of around €2 million, mainly due to the changes in the risk provisions which recorded write-backs higher than allocations. 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:

- 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, as amended, 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:

- defining the scope and identifying the risks;
- assessing the risk profile;
- risk appetite setting and capital allocation;
- monitoring and reporting.

Capital adequacy is assessed by considering the balance between assumed risks, both Pillar I and Pillar II, and the available capital. With respect to Pillar II, the relevant metric is the Risk Taking Capacity, which is the ratio of available capital (Available Financial Resources - AFR) to Internal Capital.

### **Risk Appetite**

The main elements of the internal process for determining capital adequacy include the setting and monitoring of the risk appetite. The risk appetite is defined as the level of risk that the 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 of the Bank, in accordance with the applicable national and international regulations;
- Supporting discussions on future policy options with regard to the risk profile;
- Guiding the vision of internal and external stakeholders towards a risk profile consistent with the strategic plan;
- Providing qualitative descriptions for risks that are difficult to quantify (e.g. strategic, reputational, compliance) to strategically guide the review of processes and the internal control system.

The Risk appetite is defined consistently with the 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:

- Risk ownership and positioning, to explicitly specify the main activities of the Bank and the Group and their overall risk positioning;
- Regulatory requirements, to include the KPIs required by the Regulatory Authority (e.g., capital requirements, including the Risk Taking Capacity);
- Profitability and risk, to ensure alignment with the budget;
- Control over specific types of risk, to ensure control of all major risks (such as credit, market, operational, liquidity and interest rate risks).

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 of the Bank, 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.

## Glossary

<b>Available financial resources (AFR)</b>	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.
<b>Economic capital</b>	Capital level that is required 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.
<b>Internal Capital</b>	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.
<b>Cost of Risk</b>	The ratio between net write-downs of loans 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.
<b>Credit Quality – EL</b>	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.
<b>Funding</b>	Provision, in various forms, of the funds necessary to finance business activities or particular financial transactions.
<b>Key Risk Indicators</b>	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.
<b>Model Risk Category</b>	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.
<b>Banking book</b>	The set of positions other than those included in the regulatory trading book are recorded in the banking book.
<b>Trading Book</b>	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.
<b>Risk Taking Capacity</b>	Ratio between Available Financial Resources and Internal Capital. Includes a prudential buffer (cushion).
<b>Sensitivity</b>	The greater or lesser degree of sensitivity with which certain assets or liabilities react to changes in rates or other reference parameters.
<b>Sensitivity Analysis</b>	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).

<b>Value at Risk</b>	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.
<b>RWA - Risk-Weighted Assets</b>	These are on-balance-sheet and off-balance-sheet assets (derivatives and guarantees) classified and weighted based on different coefficients related to the risks, in accordance with the banking regulations issued by the regulatory authorities for the calculation of the solvency ratios.

**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 CFO Department prepares the financial plan, monitors capital ratios 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*

	06.30.2016	12.31.2015
1. Share capital	200,246	200,150
2. Share premium reserve	1,934	1,934
3. Reserves	278,164	236,590
- from profits	250,247	214,666
a) legal	40,049	40,030
b) statutory	-	-
c) treasury shares	8,555	8,555
d) other	201,643	166,081
- other	27,917	21,924
4. Equity instruments	-	-
5. (Treasury shares)	(8,555)	(8,555)
6. Revaluation reserves	13,383	11,626
- Available-for-sale financial assets	21,461	16,904
- 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 benefits plans	(8,078)	(5,278)
- Revaluation reserves for associates carried at equity	-	-
- Special revaluation laws	-	-
7. Net profit (loss) for the period	117,782	191,053
<b>Total</b>	<b>602,954</b>	<b>632,798</b>

(Amounts in € thousand)

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

Asset/Amount	06.30.2016		12.31.2015	
	Positive reserve	Negative reserve	Positive reserve	Negative reserve
1. Debt securities	21,534	-	8,434	(1,285)
2. Equity Instruments	-	(73)	9,755	-
3. UCITS units	-	-	-	-
4. Loans	-	-	-	-
<b>Total</b>	<b>21,534</b>	<b>(73)</b>	<b>18,189</b>	<b>(1,285)</b>

(Amounts in € thousand)

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

	Debt securities	Equity Instruments	UCITS units	Loans
<b>1. Opening balance</b>	<b>7,149</b>	<b>9,755</b>	-	-
<b>2. Increases</b>	<b>20,241</b>	-	-	-
2.1 Fair value increases	20,241	-	-	-
2.2 Reclassification through profit or loss of negative reserves	-	-	-	-
- from impairment	-	-	-	-
- from disposal	-	-	-	-
2.3 Other increases	-	-	-	-
<b>3. Decreases</b>	<b>(5,856)</b>	<b>(9,828)</b>	-	-
3.1 Fair value reductions	(1,687)	(73)	-	-
3.2 Impairment losses	-	-	-	-
3.3 Reclassification through profit or loss of positive reserves	(4,169)	(9,755)	-	-
- from disposal	(4,169)	(9,755)	-	-
3.4 Other decreases	-	-	-	-
<b>4. Closing balance</b>	<b>21,534</b>	<b>(73)</b>	-	-

(Amounts in € thousand)

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

	Actuarial gains (losses) on defined benefits plans
<b>1. Opening balance</b>	<b>(5,278)</b>
<b>2. Increases</b>	-
2.1 Fair value increases	-
2.2 Other Changes	-
<b>3. Decreases</b>	<b>(2,800)</b>
3.1 Fair value reductions	(2,800)
3.2 Other changes	-
<b>4. Closing balance</b>	<b>(8,078)</b>

(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 Parent Company's Board of Directors.

Own Funds at June 30, 2016 amounted to €414,132 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 distribution rate for the previous year) assuming the conditions established Article 26.2 of the EU Regulation 575/2013 (CRR) are satisfied.

	06.30.2016	12.31.2015
Common Equity Tier 1 - CET1	414,132	390,977
Additional Tier 1 – AT1	-	-
TIER 2 – T2	-	2,926
<b>Total Own Funds</b>	<b>414,132</b>	<b>393,903</b>

(Amounts in € thousand)

### 1. Common Equity Tier 1 - CET1

The financial instruments in the Common Equity Tier 1 CET1 consist of 606,805,436 ordinary shares with a par value of €0.33 euro, amounting to €200,246 thousand, net of 1,408,834 treasury shares, amounting to €8,555 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, 2016 there were no Additional Tier 1 items.

### 3. TIER 2 – T2

As at June 30, 2016 there were no Tier 2 items.

### B. Quantitative information

	06.30.2016	12.31.2015
<b>A. Common Equity Tier 1 - CET1 first time application of prudential filters</b>	<b>505,381</b>	<b>477,420</b>
of which CET1 instruments subject to transitional provisions	-	-
B. CET1 prudential filters (+/-)	(540)	(54)
<b>C. CET1 before items to be deducted and the effects of the transitional arrangements (A +/- B)</b>	<b>504,841</b>	<b>477,366</b>
<b>D. Items to be deducted from CET1</b>	<b>74,166</b>	<b>75,003</b>
<b>E. Transitional arrangements - Impact on CET1 (+/-)</b>	<b>(16,543)</b>	<b>(11,386)</b>
<b>F. Total Common Equity Tier 1 Capital - CET1 (C - D +/- E)</b>	<b>414,132</b>	<b>390,977</b>
<b>G. Additional Tier 1 - AT1 before items to be deducted and the effects of the transitional arrangements</b>	-	-
of which AT1 instruments subject to transitional provisions	-	-
<b>H. Items to be deducted from AT1</b>	-	-
<b>I. Transitional arrangements - Impact on AT1 (+/-)</b>	-	-
<b>L. Total Additional Tier 1 - AT1 (G - H +/- I)</b>	-	-
<b>M. Tier 2 before items to be deducted and the effects of the transitional arrangements</b>	-	-
of which T2 instruments subject to transitional provisions	-	-
<b>No. Items to be deducted from T2</b>	-	-
<b>O. Transitional arrangements - Impact on T2 (+/-)</b>	-	2,926
<b>P. Total Tier 2 (Tier 2 - T2) (M - N +/- O)</b>	-	2,926
<b>Q. Total own funds (F + L + P)</b>	<b>414,132</b>	<b>393,903</b>

(Amounts in € thousand)

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

The item includes:

- share capital, made up of 606,805,436 ordinary shares of a par value of €0.33 each, for an amount of €200,246 thousand;
- the share premium reserve of €1,934 thousand;
- the legal reserve, the extraordinary reserve and other reserves of €278,164 thousand;
- accumulated other comprehensive income (OCI), which consists of the €21,534 thousand from the 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, €73 thousand from the net negative reserve for equity instruments held in the "Available for sale financial assets" portfolio and €8,078 thousand from the negative IAS19 Reserve;
- the share of profit for the first half of 2016 to be allocated to the reserves, amounting to €21,994 thousand, 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, 2016, 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 €8,555 thousand;
- synthetic exposures in own CET1 equity instruments UCITS held in the Bank's regulatory trading book, amounting to €36 thousand;
- CET1 equity instruments for which the Bank has received the buyback authorisation from the Supervisory Authority, pursuant to articles 77-78 of EU Regulation 575/2013 of 26 June 2013 (CRR), amounting to €1,750 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 €540 thousand.

**D. Items to be deducted from CET1**

This item includes:

- goodwill, net of deferred taxes, amounting to €66,558 thousand;
- other intangible assets, amounting to €7,608 thousand.

**E. Transitional arrangements – Impact on CET1**

The item includes the effects of applying the transitional provisions on own funds established in the Bank of Italy Circular 285/2013; specifically:

- 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, were neutralised for an amount of €21,534 thousand,

- a 60% positive prudential filter, amounting to €4,992 thousand, was applied on the amount of the IAS19 reserve.

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 60% of the impact of these amendments.

a) Value of liabilities for defined benefits - old IAS 19	(51,585)
b) Value of liabilities for defined benefits - new IAS 19	(63,810)
c) Amount subject to "prudential filter"	(8,078)

(Amounts in € thousand)

With regard to the indications provided in the Bank of Italy Supervisory Bulletin of December 12, 2013 on transitional own funds provisions, relating to the treatment of unrealised gains and losses from exposures to Central Governments classified as "Available-for-sale Financial Assets (AFS) pursuant to IAS 39, the Bank exercised the right, provided in Part Two, Chapter 14, Section II, par. 2, last sentence of Circular no. 285 setting out "Supervisory regulations for banks", to fully neutralise the related unrealised gains and losses recognised after December 31, 2009, limited to the debt securities issued by Central Governments of European Union countries. As at June 30, 2016 the net balance of neutralised capital gains and losses amounted to €21,534 thousand.

#### O. Transitional arrangements – Impact on T2

No data to report.

#### Reconciliation of Own funds with Carrying amounts

	06.30.2016	12.31.2015
Share capital, issue-premium reserves and other reserves	480,344	438,674
Accumulated other comprehensive income (OCI)	13,383	11,626
Profit allocated to reserves	21,994	35,677
Own CET 1 instruments	(8,591)	(8,557)
Commitments to purchase own CET1 instruments	(1,750)	-
Intangible assets - Goodwill	(66,558)	(66,791)
Intangible assets - Other non-current intangible assets	(7,608)	(8,212)
Regulatory impairment adjustments (AVA)	(540)	(54)
Other transitional adjustments to Common Equity Tier 1 Capital	(16,542)	(11,386)
<b>Common Equity Tier 1 - CET1</b>	<b>414,132</b>	<b>390,977</b>
<b>Additional Tier 1 – AT1</b>	-	-
<b>Tier 1 Capital (T1= CET1 + AT1)</b>	-	-
Other transitional adjustments to Tier 2	-	2,926
<b>TIER 2 – T2</b>	-	<b>2,926</b>
<b>Total Own Funds</b>	<b>414,132</b>	<b>393,903</b>

(Amounts in € thousand)



## Changes in Own Funds

01.01.16 / 06.30.16

01.01.15 / 12.31.15

<b>Common Equity Tier 1 - CET1</b>		
<b>Beginning of period</b>	<b>390,977</b>	<b>353,133</b>
<b>Instruments and Reserves</b>		
Share capital, issue-premium reserves and other reserves	5,994	9,985
Own CET1 instruments	(34)	(8,555)
Commitments to purchase own CET1 instruments	(1,750)	-
Accumulated other comprehensive income (OCI)	1,757	9,364
Profit allocated to reserves	21,994	35,677
<b>Regulatory adjustments</b>		
Intangible assets - Goodwill	233	951
Intangible assets - Other intangible assets	604	(71)
Regulatory impairment adjustments (AVA)	(486)	(54)
Other transitional adjustments to Common Equity Tier 1 Capital	(5,157)	(9,453)
<b>End of period</b>	<b>414,132</b>	<b>390,977</b>
<b>Additional Tier 1 – AT1</b>		
<b>Beginning of period</b>	-	-
<b>End of period</b>	-	-
<b>TIER 2 – T2</b>		
<b>Beginning of period</b>	<b>2,926</b>	-
Other transitional adjustments to Tier 2	(2,926)	2,926
<b>End of period</b>	-	<b>2,926</b>
<b>Total Own Funds</b>	<b>414,132</b>	<b>393,903</b>

(Amounts in € thousand)

## 2.2 Capital adequacy

## A. Qualitative information

The Bank's supervisory prudential requirements at June 30, 2016 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.

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, 2016, the Bank's capital requirements according to Basel I amounted to €331,253 thousand; accordingly, 80% of such amount was €265,002 thousand.

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 of 2.5% of the bank's overall risk exposure. With reference to the information in the Supervisory Bulletin of the Bank of Italy no. 12 of December 2013 concerning the transitional and final provisions applicable to capital reserves, for the year 2016 the Bank, as a bank that is part of a banking group, is required to apply a 0.625% capital buffer coefficient; as a result, the Bank's minimum capital requirements for the year 2016 amounted to:

- Common Equity Tier 1 5.125%;
- Tier 1 capital 6.625%;
- Total capital 8.625%.

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 of the banks), which contain specific rules on the CCyB. Italian 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, 2016 was 0.00003%.

Following the outcome of the Supervisory Review and Evaluation Process (SREP) conducted by the ECB during 2015, 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 of the Notes to the Accounts.

## B. Quantitative information

Category/Amount	Non-weighted assets		Weighted assets	
	06.30.2016	12.31.2015	06.30.2016	12.31.2015
<b>A. RISK ASSETS</b>				
<b>A.1 Credit and counterparty risk</b>	<b>20,141,077</b>	<b>18,795,201</b>	<b>1,087,422</b>	<b>1,064,260</b>
1. Traditional standardised approach	20,141,077	18,795,201	1,087,422	1,064,260
2. Internal rating method	-	-	-	-
2.1 Basic	-	-	-	-
2.2 Advanced	-	-	-	-
3. Securitisations	-	-	-	-
<b>B. REGULATORY CAPITAL REQUIREMENTS</b>				
<b>B.1 Credit and counterparty risk</b>			<b>86,994</b>	<b>85,141</b>
<b>B.2 Risk of adjustment of valuation of credit</b>			<b>180</b>	<b>160</b>
<b>B.3 Regulatory risk</b>			<b>45</b>	<b>1</b>
<b>B.4 Market risk</b>			<b>2,107</b>	<b>771</b>
1. Traditional standardised approach			2,107	771
2. Internal models			-	-
3. Concentration risk			-	-
<b>B.5 Operational risk</b>			<b>56,727</b>	<b>60,168</b>
1. Basic method			-	-
2. Traditional standardised approach			-	-
3. Advanced measurement approach			56,727	60,168
<b>B.6 Other calculation elements</b>			<b>-</b>	<b>-</b>
<b>B.7 Total prudential requirements</b>			<b>146,053</b>	<b>146,241</b>
<b>C. RISK ASSETS AND CAPITAL RATIOS</b>				
C.1 Risk-weighted assets			1,825,666	1,828,007
C.2 Common equity Tier 1 capital/Risk-weighted assets (CET1 capital ratio)			22.68%	21.39%
C.3 Tier 1 capital/Risk-weighted assets (Tier 1 capital ratio)			22.68%	21.39%
C.3 Own funds/Risk-weighted assets (Total capital ratio)			22.68%	21.55%

(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	06.30.2016		12.31.2015	
	Exposure to credit and counterparty risk	Risk-weighted assets	Exposure to credit and counterparty risk	Risk-weighted assets
<b>Exposures subject to the IRB approach</b>				
<b>Total – IRB approach</b>	-	-	-	-
<b>Exposures subject to the standardised approach</b>				
Exposures to or guaranteed by central governments and central banks	3,180,852	62,267	2,559,604	84,653
Exposures to or guaranteed by public entities	15,736,862	39,984	15,059,974	29,198
Exposures to or guaranteed by multilateral development banks	3	-	3	-
Exposures to or guaranteed by companies and other entities	159,804	158,482	137,933	136,406
Retail exposures	948,941	711,706	921,226	690,919
Exposures secured by real estate property	148	65	211	96
Exposures in default	4,048	4,133	4,875	4,903
Exposures in equity instruments	3,188	3,188	4,198	10,488
Other exposures	107,231	107,219	107,177	107,171
<b>Total - traditional standardised approach</b>	<b>20,141,077</b>	<b>1,087,044</b>	<b>18,795,201</b>	<b>1,063,834</b>
<b>Risk assets - credit and counterparty risk</b>	<b>20,141,077</b>	<b>1,087,044</b>	<b>18,795,201</b>	<b>1,063,834</b>
<b>Exposures to central counterparties in the form of pre-financed contributions to the Guarantee Fund</b>		<b>378</b>		<b>426</b>
<b>Capital requirement - credit and counterparty risk</b>		<b>86,994</b>		<b>85,141</b>

(Amounts in € thousand)

## Capital requirement per type of risk and approach used

Type of risk	Approach used	Capital requirements	
		06.30.2016	12.31.2015
1. On-balance-sheet risk assets	Traditional standardised approach	61,539	59,406
2. Guarantees issued and commitments to disburse funds	Traditional standardised approach	1,442	221
3. Derivative contracts	Current value approach	111	132
4. Securities financing transactions	CRM - Comprehensive method with regulatory adjustments for volatility	23,872	25,348
<b>Capital requirements credit and counterparty risk</b>		<b>86,964</b>	<b>85,107</b>

<b>Capital requirements exposures to central counterparties in the form of pre-financed contributions to the Guarantee Fund</b>	<b>30</b>	<b>34</b>
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<b>Market risk</b>			
1. Currency exchange rate risk	Traditional standardised approach	1,337	-
2. Risk position debt securities	Traditional standardised approach	566	514
3. Risk position equity instruments	Traditional standardised approach	204	257
4. Position risk commodities	Traditional standardised approach	-	-
<b>Capital requirements - market risk</b>		<b>2,107</b>	<b>771</b>

1. Concentration risk	Traditional standardised approach	-	-
<b>Capital requirements - concentration risk</b>		<b>-</b>	<b>-</b>

1. Risk of adjustment of valuation of credit	Traditional standardised approach	180	160
<b>Capital requirements - risk of adjustment of valuation of credit</b>		<b>180</b>	<b>160</b>

1. Regulatory risk	Traditional standardised approach	45	1
<b>Capital requirements - regulatory risk</b>		<b>45</b>	<b>1</b>

1. Advanced measurement approach	Advanced measurement approach	56,727	60,168
<b>Capital requirements - operational risk</b>		<b>56,727</b>	<b>60,168</b>

<b>Total capital requirements</b>		<b>146,053</b>	<b>146,241</b>
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(Amounts in € thousand)

## 2.3 Minimum ratios established by the Bank

Capital adequacy indicators	06.30.2016	Target 2016	Trigger 2016	Limit 2016
Common Equity Tier 1 ratio	22.68%	10.00%	8.00%	7.25%
Total capital ratio	22.68%	13.50%	11.500%	10.75%

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 November 10, 2015.

**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.

	06.30.2016	06.30.2015
Fees paid to "key management personnel", directors and the Board of Statutory Auditors		
a) short-term benefits	2,725	2,728
b) post-employment benefits	110	143
of which: under defined benefit plans	-	-
of which: under defined contribution plans	110	143
c) other long-term employee benefits	-	-
d) termination benefits	-	-
e) share-based payments	1,600	1,721
<b>TOTAL</b>	<b>4,435</b>	<b>4,592</b>

(Amounts in € thousand)

## 2. Related-Party transactions

In order to ensure continued compliance with applicable legal and regulatory provisions on corporate disclosure on transactions with related parties, during the Board of Directors' Meeting of September 22, 2015 and with the prior positive opinion of the Audit and Related Parties Committee and the Board of Statutory Auditors, the Bank approved the adoption of new procedures aimed at regulating transactions with related parties and associated persons ("Procedures for the management of transactions with persons in conflict of interest") which cancel and replace the previous version of those procedures approved by the Board of Directors on May 15, 2014.

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 managing transactions with subjects in conflict of interest" and the relevant "Global Operational Instructions" issued by UniCredit S.p.A. to subsidiaries within the framework of its management and co-ordination activity.

Considering the above, during the first half 2016:

1. with the approval of the Board of Directors meeting of February 8, 2016, upon the favourable opinion of the Audit and Related Parties Committee, an ordinary Significant Transaction at market conditions was conducted with UniCredit S.p.A. and UniCredit Bank AG, consisting of the renewal of the "*Framework Resolution related to the entering into of hedging derivative contracts with the Parent Company or companies in the UniCredit Group*" (which expired on 20 April 2016) valid until February 8, 2017, which enables the Bank to enter into hedging derivatives with the Parent Company or with other companies in the UniCredit Group for commercial assets or liabilities that, for ALM purposes, require interest rate hedging for a maximum amount of €500 million with the Parent Company and €2,500 million with UniCredit Bank AG; it was approved by the Parent Company's Related Parties and Equity Investments Committee with the issue of a favourable, non-binding opinion on the matter;
2. with the approval of the Board of Directors' meeting of May 9, 2016, by way of the favourable opinion of the Audit and Related Parties Committee, an ordinary Significant related-party transaction at market conditions with UniCredit S.p.A., consisting of the renewal of the "*Framework Agreement - Reverse Repos and Term Deposits with the Parent Company*" (expiring May 11, 2016) effective until May 9, 2017, concerning (i) Reverse Repos with the Parent Company for an amount of €7.2 billion, calculated as the sum of the individual transactions in absolute value (whether repos or reverse repos) and (ii) Term deposits with the Parent Company for an amount of €8.7 billion, calculated as the sum of the individual transactions in absolute value.

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 2016, no other transactions were undertaken with related parties that could significantly affect the Bank's asset situation and results, or atypical and/or unusual transactions with those parties.

Intercompany transactions and transactions with related parties in general, both Italian and foreign, were conducted within the ordinary course of business and related financial activities of the Bank, and were carried out under conditions similar to those applied to transactions with unrelated third parties.

You are reminded that for the three-year period 2016–2018, the Bank opted for the "national tax consolidation" – introduced by Legislative Decree no. 344 of December 12, 2003 – with the Consolidating Company UniCredit.

In accordance with the National Tax Consolidation agreement, participation in the consolidation cannot result in tax advantages for the participating Consolidated Company with respect to the situation that would have arisen if the company had not participated. The consolidation results in the following tax advantages: (i) consolidation adjustment relating to deductible interest expense, considering that the amount of interest expense accrued by entities participating in the national consolidation is fully deductible on the basis of the relationship between the total interest expense (intercompany and outside the group) recognised in the financial statements by the individual subsidiary and the overall interest expense recognised in the financial statements by all the subsidiaries pursuant to Article 96.5 bis of the Income Tax Code, (ii) tax credits, and withholdings as advances and deductions, are recognised by the Controlling Company and the Controlled Company as a reduction in the IRES income tax amount due when then the latter has a tax loss, and (iii) any tax losses are paid by the Control Company at the IRES income tax rate applicable for the tax period in which the tax losses are realised.

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, 2016 for each group of related parties according to IAS 24:

	Amounts as at June 30, 2016			
	Directors, Board of Statutory Auditors and Key Management Personnel	Other related parties	Total	% of carrying amount
Financial assets held for trading	-	29	29	0.42%
Loans and receivables with customers	12	5,717	5,729	0.65%
Other assets	-	1,879	1,879	0.58%
<b>Total assets</b>	<b>12</b>	<b>7,625</b>	<b>7,637</b>	<b>0.04%</b>
Deposits from customers	1,826	18,163	19,989	0.12%
Other liabilities	150	64	214	0.07%
<b>Total liabilities</b>	<b>1,976</b>	<b>18,227</b>	<b>20,203</b>	<b>0.10%</b>
<b>Guarantees issued and commitments</b>	-	-	-	-

(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 1 <sup>st</sup> Half 2016			
	Directors, Board of Statutory Auditors and Key Management Personnel	Other related parties	Total	% of carrying amount
Interest income and similar revenues	-	5	5	0.00%
Interest expenses and similar charges	(1)	-	(1)	0.04%
Fee and commission income	2	14,283	14,285	6.20%
Fee and commission expense	(1)	(203)	(204)	0.18%
Gains (losses) on financial assets and liabilities held for trading	-	(18)	(18)	-0.07%
Other administrative expenses	-	(1,772)	(1,772)	1.53%
Other net operating income	10	3	13	0.03%
<b>Total Income Statement</b>	<b>10</b>	<b>12,298</b>	<b>12,308</b>	

(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 and insurance premiums.

Amounts as at June 30, 2016 and the income components accrued in the first half of 2016 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	06.30.2016	% of carrying amount
<b>Assets</b>	<b>15,229,213</b>	<b>77.86%</b>
Loans and receivables with banks	15,201,009	99.36%
Loans and receivables with customers	18,023	2.05%
Hedging derivative assets	6,233	66.63%
Other assets	3,948	1.23%
<b>Liabilities</b>	<b>1,222,432</b>	<b>6.25%</b>
Deposits from banks	1,231,475	90.44%
Hedging derivative liabilities	14,615	100.00%
Tax liabilities	(30,399)	n.c.
Other liabilities	6,741	2.31%
<b>Guarantees and commitments</b>	<b>514,672</b>	<b>60.53%</b>
Guarantees issued and commitments	514,672	60.53%
<b>Income Statement</b>	<b>158,973</b>	
Interest income and similar revenues	101,202	80.14%
Interest expenses and similar charges	1,380	-48.69%
Fee and commission income	53,960	23.44%
Fee and commission expense	(3,109)	2.77%
Fair value adjustments in hedge accounting	12,673	n.c.
Administrative costs	(7,258)	4.72%
Other net operating income	125	0.30%

*(Amounts in € thousand)*

The following table summarises transactions with UniCredit group companies as at June 30, 2016:

Company	Assets	Liabilities	Guarantees and commitments	Income Statement
UniCredit S.p.A.	15,201,638	1,187,172	505,467	113,249
Unicredit Bank AG	9,552	25,146	-	220
Unicredit Bank AG Milan	-	9,501	-	(2,179)
Unicredit Leasing S.p.A.	1	-	-	-
Unicredit Luxemburg Finance SA	-	-	-	82
Unicredit Business Integrated Solutions S.C.p.A.	-	595	-	(5,539)
Pioneer Investment Management SGR p.A.	1,284	-	-	4,531
Cordusio Società Fiduciaria per Azioni	37	18	-	(3)
Pioneer Asset Management SA Luxemburg	16,701	-	-	48,612
<b>Total</b>	<b>15,229,213</b>	<b>1,222,432</b>	<b>505,467</b>	<b>158,973</b>

*(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.

06.30.2016

<b>Assets</b>	<b>15,201,638</b>
Loans and receivables with banks	15,191,563
Hedging derivative assets	6,233
Other assets	3,842
<b>Liabilities</b>	<b>1,187,172</b>
Deposits from banks	1,206,329
Hedging derivative liabilities	5,114
Tax liabilities	(30,399)
Other liabilities	6,128
<b>Guarantees and commitments</b>	<b>514,672</b>
Guarantees issued and commitments	514,672
<b>Income Statement</b>	<b>113,249</b>
Interest income and similar revenues	105,149
Interest expenses and similar charges	1,380
Fee and commission income	491
Fee and commission expense	(3,090)
Fair value adjustments in hedge accounting	10,910
Administrative costs	(1,601)
Other net operating income	10

*(Amounts in € thousand)**Transactions with companies controlled by UniCredit S.p.A.*

Transactions with UniCredit Bank AG

06.30.2016

<b>Assets</b>	<b>9,552</b>
Loans and receivables with banks	9,446
Other assets	106
<b>Liabilities</b>	<b>25,146</b>
Deposits from banks	25,146
<b>Income Statement</b>	<b>220</b>
Interest income and similar revenues	40
Fee and commission income	185
Fee and commission expense	(5)

*(Amounts in € thousand)*

Transactions with UniCredit Bank AG, Milan

06.30.2016

<b>Liabilities</b>	<b>9,501</b>
Hedging derivative liabilities	9,501
<b>Income Statement</b>	<b>(2,179)</b>
Interest income and similar revenues	(3,987)
Fee and commission income	45
Fair value adjustments in hedge accounting	1,763

*(Amounts in € thousand)*

Transactions with UniCredit Leasing S.p.A. 06.30.2016

<b>Assets</b>	<b>1</b>
Loans and receivables with customers	1

(Amounts in € thousand)

Transactions with UniCredit Luxembourg Finance SA 06.30.2016

<b>Income Statement</b>	<b>82</b>
Fee and commission income	82

(Amounts in € thousand)

Transactions with UniCredit Business Integrated Solutions S.C.p.A. 06.30.2016

<b>Liabilities</b>	<b>595</b>
Other liabilities	595
<b>Income Statement</b>	<b>(5,539)</b>
Administrative costs	(5,655)
Other net operating income	116

(Amounts in € thousand)

Transactions with Pioneer Investment Management SGR p.A. 06.30.2016

<b>Assets</b>	<b>1,284</b>
Loans and receivables with customers	1,284
<b>Income Statement</b>	<b>4,531</b>
Fee and commission income	4,531

(Amounts in € thousand)

Transactions with Cordusio Società Fiduciaria per Azioni 06.30.2016

<b>Assets</b>	<b>37</b>
Loans and receivables with customers	37
<b>Liabilities</b>	<b>18</b>
Other liabilities	18
<b>Income Statement</b>	<b>(3)</b>
Fee and commission income	14
Fee and commission expense	(15)
Administrative costs	(2)

(Amounts in € thousand)

Transactions with Pioneer Asset Management SA Luxembourg 06.30.2016

<b>Assets</b>	<b>16,701</b>
Loans and receivables with customers	16,701
<b>Income Statement</b>	<b>48,612</b>
Fee and commission income	48,612

(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 personal 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 Company UniCredit S.p.A and of the Bank;
- Cash Settled Share Based Payments that involve payments made in cash<sup>5</sup>.

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 System** 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 relevant 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 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 the allowing 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 (other than market conditions) stated in the Plan Rules;
- **Stock granting for employees** offering the allocation of free shares of FinecoBank to beneficiaries belonging to Top Management ("2014-2017 Multi-year Plan Top Management") and to executives and employees of the Bank (other than Top Management) who, in the Bank's opinion, can significantly contribute to the Bank's profitability and sustainability due to their role, skills and potential ("2014 Key People Plan"). The shares shall be allocated to

<sup>5</sup> Commensurate to the economic value of the equity instruments of FinecoBank S.p.A. or UniCredit S.p.A..

the beneficiaries in four annual instalments under the "2014-2017 Multi-year Top Management Plan" as of 2017, and three annual instalments under the "2014 Key People Plan" as of 2015. The plans are subject to entry conditions (profitability and capital thresholds) and clawback clauses (as legally applicable) in accordance with the plan rules;

- **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 respective 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 access 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);
- **System 2016 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, in cash and ordinary shares of FinecoBank, over a maximum 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).

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 personal 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 Regulatory Authority.

## 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 2016.

### 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 Economic and Equity effects will be allocated on a basis of instrument vesting period.

#### 1.2.2.1 Group Executive Incentive System "Bonus Pool 2014" – Shares

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 plan was allocated in 2014 and the income statement and balance sheet effects will be recognised during the vesting period of the instruments.

#### 1.2.2.2 Group Executive Incentive System "Bonus Pool 2015" – Shares

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.

	UniCredit Shares granted			
	Group Executive Incentive System - 2015 Bonus Pool			
	2018 Instalment	2019 Instalment	2020 Instalment	2021 Instalment
Bonus Opportunity Economic Value Grant Date	01.21.2015	01.21.2015	01.21.2015	01.21.2015
Number of Shares - Date of Board resolution	03.15.2016	03.15.2016	03.15.2016	03.15.2016
Vesting Period Start Date	01.01.2015	01.01.2015	01.01.2015	01.01.2015
Vesting Period End Date	12.31.2015	12.31.2017	12.31.2018	12.31.2019
UniCredit shares market price [€]	3.411	3.411	3.411	3.411
Economic value of vesting conditions [€]	-0.261	-0.492	-0.814	-1.175
Performance Shares value per share at Grant Date [€]	3.15	2.919	2.597	2.236

	FinecoBank shares granted			
	Group Executive Incentive System - 2015 Bonus Pool			
	2018 Instalment	2019 Instalment	2020 Instalment	2021 Instalment
Bonus Opportunity Economic Value Grant Date	01.22.2015	01.22.2015	01.22.2015	01.22.2015
Number of Shares - Date of Board resolution	02.08.2016	02.08.2016	02.08.2016	02.08.2016
Vesting Period Start Date	01.01.2015	01.01.2015	01.01.2015	01.01.2015
Vesting Period End Date	12.31.2015	12.31.2017	12.31.2018	12.31.2019
FinecoBank shares market price [€]	6.966	6.966	6.966	6.966
Economic value of vesting conditions [€]	-0.506	-0.797	-1.134	-1.727
Performance Shares value per share at Grant Date [€]	6.46	6.169	5.832	5.239

The plan was allocated in 2015 and the income statement and balance sheet effects will be recognised during the vesting period of the instruments.

### 1.2.2.3 Group Executive Incentive System 2016 (Bonus Pool)

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 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 (Piano Let's Share 2016)

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 2015.

#### Measurement of Free Shares ESOP 2016

	Free Shares
Grante Date for Free Shares to employees	07.29.2016
Vesting Period Start Date	07.29.2016
Vesting Period End Date	07.29.2017
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 2016 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 (from inside or outside the UniCredit Group) 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 Top Management. 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	To be defined
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	To be defined
Economic value of vesting conditions [€]	-0.269	-0.590	-0.797	To be defined
Performance Shares value per share at Grant Date [€]	3.431	4.135	6.169	To be defined

The plan was allocated in 2014 and the income statement and balance sheet effects will be recognised during the vesting period of the instruments.

#### 1.2.4.2 2014 Key people Plan

The plan offers the allocation of free shares of FinecoBank to executives and employees of the Bank (other than Top Management) who, in the Bank's opinion, can significantly contribute to the Bank's profitability and sustainability due to their role, skills and potential. The shares will be allocated to the respective beneficiaries, once the vesting period has elapsed and satisfaction of the conditions has been verified, in 3 annual tranches, starting in 2015.

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 personal financial advisors

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.

In this regard, it is noted that the Board of Directors' meeting of July 9, 2015 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.

##### 1.2.5.2 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

In line with Regulatory requirements, the 2015 Incentive System for personal financial advisors envisages:

- the system's sustainability, by linking it directly to business results;
- the allocation of bonuses to beneficiaries identified as key personnel on the basis of criteria laid down in the Regulation of the European Banking Authority (EBA);
- a structure of payments spread over a period of 3 years and consisting of a mix of cash and phantom shares, aligned with the latest regulatory requirements providing for the instruments to be unavailable during certain periods.

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 is measured considering the market price of the FinecoBank shares.

The plan was assigned during the previous financial year and the income statement and balance sheet effects will be recognised during the vesting period of the instruments.

	Phantom FinecoBank shares granted		
	Group PFA Incentive System 2015		
	2018 Instalment	2019 Instalment	2020 Instalment
Bonus Opportunity Economic Value Grant Date	03.10.2015	03.10.2015	03.10.2015
Number of Shares - Date of Board resolution	02.08.2016	02.08.2016	02.08.2016
Vesting Period Start Date	01.01.2015	01.01.2015	01.01.2015
Vesting Period End Date	12.31.2015	12.31.2017	12.31.2018
FinecoBank shares market price [€]	5.85	5.85	5.85

\* The market price of the FinecoBank shares is updated at each reporting date until the allocation date.

### 1.2.7 2016 PFA 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, identified 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 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	06.30.2016			06.30.2015		
	Number of options	Average exercise price	Average maturity	Number of options	Average exercise price	Average maturity
<b>A. Opening balance</b>	3,346,584	-	mar-17	1,427,240	-	giu-16
B. Increases	591,083	-	-	764,221	-	-
B.1 New issues	591,083	-	-	764,221	-	-
B.2 Other increases	-	-	-	-	-	-
<b>C. Decreases</b>	(289,703)	-	-	(241,700)	-	-
C.1 Cancelled	-	-	-	-	-	-
C.2 Exercised	(289,703)	-	-	(241,700)	-	-
C.3 Expired	-	-	-	-	-	-
C.4 Other decreases	-	-	-	-	-	-
<b>D. Closing balance</b>	<b>3,647,964</b>	-	<b>ago-17</b>	<b>1,949,761</b>	-	<b>mag-17</b>
<b>E. Vested options at end of the period</b>	<b>700,953</b>	-	-	-	-	-

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 plans 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 Fineco and of the Parent Company UniCredit

	06.30.2016		06.30.2015	
	Total	Vested Plans	Total	Vested Plans
Expenses	6,034		8,890	
- connected to Equity Settled Plans	6,080		8,781	
- connected to Cash Settled Plans	(46)		109	
Sums paid to UniCredit S.p.A. for vested plans		876		-
Payable due to UniCredit S.p.A.	1,452		2,296	
Payable due to personal financial advisors for Cash Settled plans	203		109	

(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 expense 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 expense.

**PART L - SEGMENT REPORTING**

The Bank does not provide segment reporting information as its business model provides for 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 has also inspired top management in setting company targets and identifying the means to achieve them.

As regards information on revenues from customers by product/service, in view of the above, reference should be made to information in Part C - Information on the income statement of these Notes to the Accounts.

FinecoBank mainly targets retail customers in Italy; information concerning geographic segments 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.

**RECONCILIATION OF CONDENSED ACCOUNTS TO MANDATORY REPORTING SCHEDULE**

<b>ASSETS</b>	<i>Amounts as at</i>	
	06.30.2016	12.31.2015
Cash and cash balances = <i>item 10</i>	11	6
Dividend income and similar revenue = <i>item 20</i>	6,879	3,983
Loans and receivables with banks = <i>item 60</i>	15,299,291	14,648,904
Loans and receivables with customers = <i>item 70</i>	880,232	922,774
Financial investments	2,926,175	2,245,982
40. Available-for-sale financial assets	2,926,175	2,245,982
Hedging instruments	9,018	10,573
80. Hedging derivatives	9,355	-
90. Changes in fair value of portfolio hedged financial assets	(337)	10,573
Property, plant and equipment = <i>item 110</i>	13,896	12,419
Goodwill = <i>item 120. Intangible assets of which: goodwill</i>	89,602	89,602
Other intangible assets = <i>item 120 net of goodwill</i>	7,608	8,212
Tax assets = <i>item 130</i>	5,880	15,424
Other assets = <i>item 150</i>	322,264	370,070
<b>Total assets</b>	<b>19,560,856</b>	<b>18,327,949</b>

<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<i>Amounts as at</i>	
	06.30.2016	12.31.2015
Deposits from banks = <i>item 10</i>	1,361,666	1,423,459
Deposits from customers	17,133,049	15,822,459
20. Deposits from customers	17,133,049	15,822,459
Financial liabilities held for trading = <i>item 40</i>	6,300	4,100
Hedging instruments	17,657	31,319
60. Hedging derivatives	14,615	31,319
70. Changes in fair value of portfolio hedged financial assets	3,042	-
Provisions for risks and charges = <i>item 120</i>	119,258	120,534
Tax liabilities = <i>item 80</i>	23,046	37,445
Other liabilities	296,926	255,835
100. Other liabilities	291,754	250,989
110. Employee severance pay provision	5,172	4,846
Shareholders' equity	602,954	632,798
- capital and reserves	471,789	430,119
160. Reserves	278,164	236,590
170. Share premium reserve	1,934	1,934
180. Share capital	200,246	200,150
190. Treasury Shares	(8,555)	(8,555)
- revaluation reserves	13,383	11,626
130. Revaluation reserves of which: Available-for-sale financial assets	21,461	16,904
130. Revaluation reserves for actuarial net gains (losses) for defined benefit plans	(8,078)	(5,278)
- net profit = <i>item 200</i>	117,782	191,053
<b>Total liabilities and shareholders' equity</b>	<b>19,560,856</b>	<b>18,327,949</b>

(Amounts in € thousand)

## Reconciliation of condensed accounts to mandatory reporting schedule

INCOME STATEMENT	1 <sup>st</sup> Half	
	2016	2015
Net interest	123,449	115,744
30. Net interest margin	123,449	115,744
Dividends and other income from equity investments	-	-
70. Dividend income and similar revenue	9	2
less: dividends from held-for-trading equity instruments included in item 70	(9)	(2)
Net fee and commission income = item 60	117,821	126,989
60. Net fee and commission income	117,821	126,989
Net trading, hedging and fair value income	46,926	28,073
80. Gains (losses) on financial assets and liabilities held for trading	26,469	28,298
+ dividends from held-for-trading equity instruments (from item 70)	9	2
90. Fair value adjustments in hedge accounting	66	(227)
100. Gains (losses) on disposal or repurchase of: b) available-for-sale financial assets	20,382	-
Net other expenses/income	758	(3,089)
190. Other net operating income	41,333	37,693
less: other operating income - of which: recovery of expenses	(42,337)	(42,388)
less: adjustments of leasehold improvements	1,762	1,606
<b>OPERATING INCOME</b>	<b>288,954</b>	<b>267,717</b>
Staff expenses	(37,716)	(37,182)
150. Administrative costs - a) staff expenses	(37,723)	(37,182)
less: integration costs	7	-
Other administrative expenses	(117,724)	(120,535)
150. Administrative costs - b) other administrative expenses	(115,962)	(121,929)
+ adjustments of leasehold improvements	(1,762)	(1,606)
- ex-ante contributions to the Single Resolution Fund (SRF) Deposit Guarantee Systems (DGS)	-	3,000
Recovery of expenses	42,337	42,388
190. Other net operating income - of which: recovery of expenses	42,337	42,388
Impairments/write-backs on intangible and tangible assets	(4,609)	(4,190)
170. Impairments/write-backs on property, plant and equipment	(2,090)	(1,737)
180. Impairments/write-backs on intangible assets	(2,519)	(2,454)
<b>Operating costs</b>	<b>(117,712)</b>	<b>(119,519)</b>
<b>OPERATING PROFIT (LOSS)</b>	<b>171,242</b>	<b>148,198</b>
Net impairment losses on loans and provisions for guarantees and commitments	(2,801)	(2,694)
130. Impairment losses/write-backs on: a) loans and receivables	(2,807)	(2,698)
130. Impairment losses/write-backs on: d) other financial assets	702	4
less: net value adjustments for the impairment of other financial assets - contribution to the National Interbank Deposit Guarantee Fund	(696)	-
<b>NET OPERATING PROFIT (LOSS)</b>	<b>168,441</b>	<b>145,504</b>
Net provisions for risks and charges	(2,553)	(3,929)
160. Net provisions for risks and charges	(3,249)	(929)
+ ex-ante contributions to the Single Resolution Fund (SRF) Deposit Guarantee Systems (DGS)	-	(3,000)
+ net value adjustments for the impairment of other financial assets - contribution to the National Interbank Deposit Guarantee Fund	696	-
Integration costs	(7)	-
<b>NET PROFIT (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS</b>	<b>165,881</b>	<b>141,575</b>
Income tax for the period	(48,099)	(47,871)
260. Income tax for the period	(48,099)	(47,871)
<b>NET PROFIT (LOSS) AFTER TAX FROM CONTINUING OPERATIONS</b>	<b>117,782</b>	<b>93,704</b>
<b>NET PROFIT (LOSS) FOR THE PERIOD</b>	<b>117,782</b>	<b>93,704</b>

(Amounts in € thousand)

1. The undersigned, Alessandro Foti, as Chief Executive Officer and General Manager of FinecoBank S.p.A., and Lorena Pellicciari, as Nominated Official in charge of drawing up the 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

in the first half of 2016 of the administrative and accounting procedures for preparing the condensed half-year financial statements.

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;

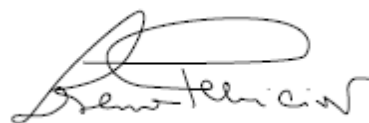
3.2 the Interim Report on Operations includes a reliable analysis of the most significant events in the first six months of the financial year and their impact on the condensed half-year financial statements, together with a description of the main risks and uncertainties concerning the remaining six months of the year. The Interim Report on Operations also contains a reliable analysis of information on significant related-party transactions.

Milan, August 1, 2016

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 Pellicciari



# 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, 2016, 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.p.A. 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, 2016 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, 2016

*This report has been translated into the English language solely for the convenience of international readers.*

Ancona Bari Bergamo Bologna Brescia Cagliari Firenze Genova Milano Napoli Padova Palermo Parma Roma Torino Treviso Verona

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