BANCA FINNAT

GRUPPO BANCA FINNAT

CONSOLIDATED HALF-YEARLY FINANCIAL REPORT AT 30 JUNE 2016

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BOARD OF DIRECTORS

Carlo Carlevaris
Honorary Chairman

Giampietro Nattino
Chairman

Leonardo Buonvino
Deputy Chairman

Arturo Nattino
Managing Director

Ermanno Boffa
Director

Roberto Cusmai
Director

Flavia Mazzarella
Director

Giulia Nattino
Director

Maria Sole Nattino
Director

Lupo Rattazzi
Director

Andreina Scognamiglio
Director

BOARD OF STATUTORY AUDITORS

Alberto De Nigro
Chairman

Barbara Fasoli Braccini
Permanent Auditor

Francesco Minnetti
Permanent Auditor

Laura Bellicini
Alternate Auditor

Antonio Staffa
Alternate Auditor

MANAGEMENT

Arturo Nattino
General Manager

Paolo Collettini
Joint General Manager
Manager in charge of preparing the accounting documents

Alberto Alfiero
Deputy General Manager

Giulio Bastia
Deputy General Manager

AUDITING FIRM

EY S.p.A.

EXPLANATORY NOTES TO THE CONSOLIDATED HALF-YEARLY FINANCIAL REPORT

The Consolidated half-yearly financial report was prepared pursuant to article 154-ter, paragraph 2 of Legislative Decree 195 of 6 November 2007, in accordance with the EU Directive 2004/109/EC (the so-called Transparency Directive). This article also established that listed issuers were required to publish a half-yearly financial report within sixty days from the end of the first half of the financial year.

On 18 March 2016, Legislative Decree 25 of 15 February 2016 came into force, for the implementation of directive 2013/50/EU containing amendments to the Transparency Directive. The decree also extended the deadline for the publication of the half-yearly report to three months, from the previous sixty days, specifying that the publication must take place in any event "as soon as is possible".

The Half-yearly financial report to be published together with the audit report, if prepared, includes:

- the Condensed half-yearly financial statements, prepared in accordance with the international accounting standards and in consolidated form, if the listed issuer is required to prepare consolidated financial statements;
- the Interim report on operations, including reference to any relevant events that took place in the first six months of the financial year and their impact on the Condensed consolidated half-yearly financial statements, including a description of the primary risks and uncertainties for the remaining six months of the year, as well as information on any material transactions with related parties;
- a declaration by the manager in charge of preparing the accounting documents.

In compliance with Article 154-ter, paragraph 2, of the Consolidated Financial Act, the present consolidated half-yearly financial report includes:

- an Interim report on operations;
- the Condensed consolidated half-yearly financial statements (in condensed format), pursuant to IAS 34 "Interim Financial Reporting". These financial statements therefore do not contain all the information required to be set out in the annual financial statements and should, therefore, be analysed in conjunction with the financial statements for the year ended on 31 December 2015, prepared consistently with the IFRS international accounting standards issued by the International Accounting Standards Board (IASB) and endorsed by the European Economic Community (see Regulation no. 1606/2002). The Condensed consolidated half-yearly financial statements consist of:
  - the set of statements adopted for the Consolidated yearly financial statements: the consolidated balance sheet, the

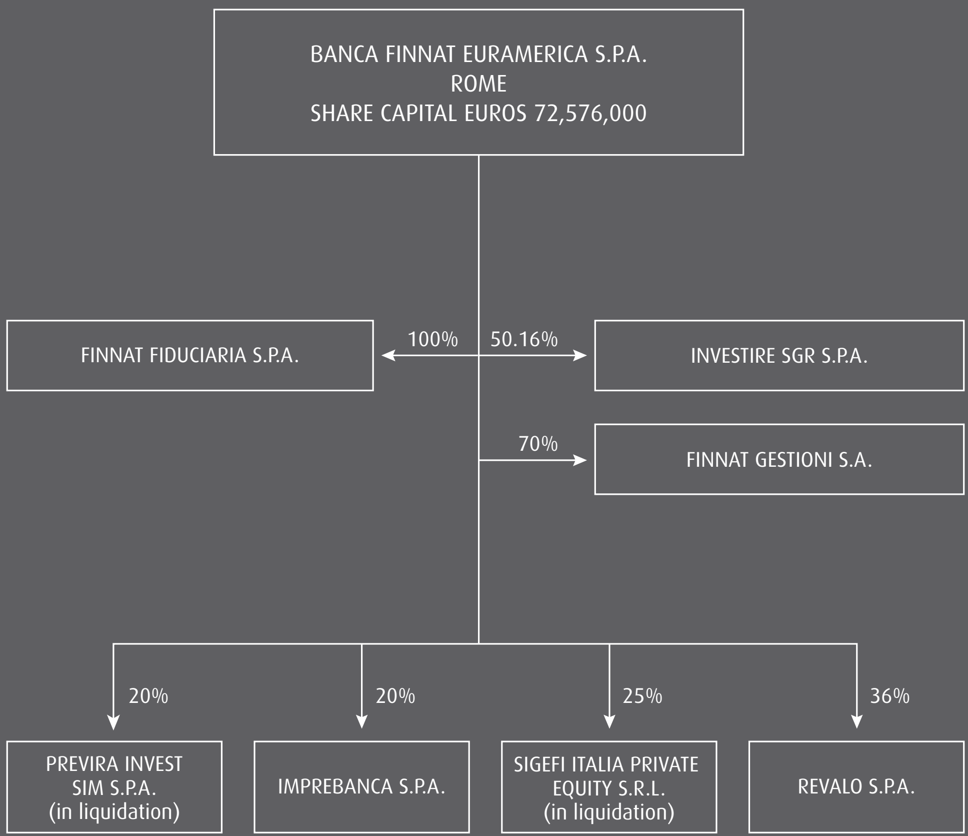
consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in net equity and the consolidated statement of cash flows;
  - condensed explanatory notes which also include sections A.3 and A.4 referring respectively to the information on transfers among portfolios of financial assets and on the fair value;
- a declaration by the manager in charge of preparing the accounting documents.

The Condensed consolidated half-yearly financial statements are subject to a limited audit by EY S.p.A..

INTERIM REPORT ON GROUP OPERATIONS

GROUP STRUCTURE

The following diagram shows the Group's structure at 30 June 2016:



KEY FIGURES FOR THE GROUP

	30 June 2015	31 December 2015	30 June 2016
CONSOLIDATED NET EQUITY OF THE GROUP (in thousands of euros)	210,320	218,549	209,726
HUMAN RESOURCES OF THE GROUP	310	323	332
CONSOLIDATED PROFIT (LOSS) (in thousands of euros)	4,136	8,320	4,020

STOCK EXCHANGE CAPITALISATION OF BANCA FINNAT EURAMERICA

	Number of shares	Market price 21 July 2016	Capitalisation 21 July 2016 (in thousands of euros)	Consolitaded net equity (in thousands of euros)	Share capital (in thousands of euros)
ORDINARY SHARES	362,880,000	0.3239	117,537	209,726	72,576

Changes in the Group's deposits

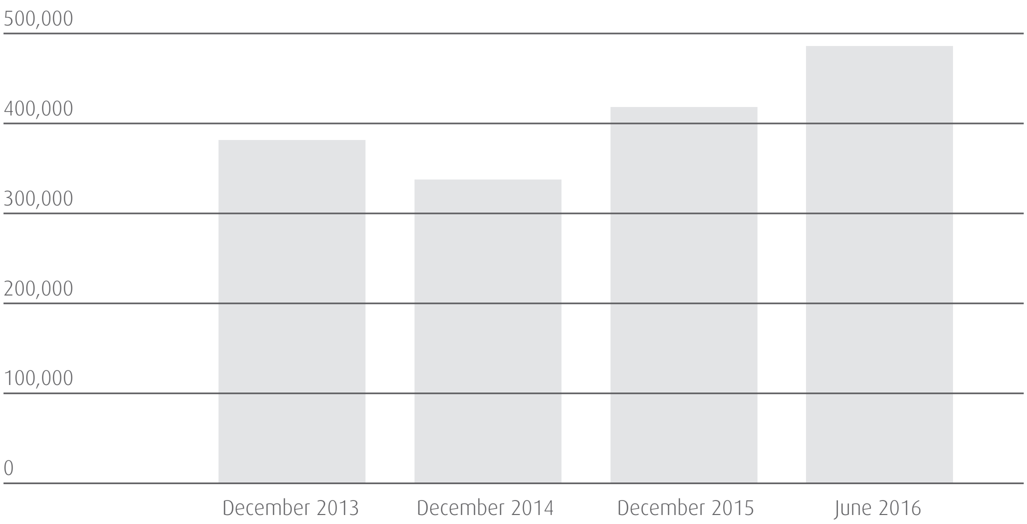
(in thousands of euros)

	December 2013	December 2014	December 2015	June 2016
Direct deposits from customers of the parent company	**380,810**	**336,854**	**417,760**	**485,057**
- Due to customers (current accounts)	284,987	248,080	331,111	396,027
- Fixed-term deposits	54,138	40,116	60,527	64,904
- Outstanding securities	41,685	48,658	26,122	24,126
Indirect deposits of the parent company	**4,029,489**	**4,338,207**	**4,609,152**	**4,192,630**
- Individual management	396,335	427,690	449,753	444,040
- Delegated management	214,972	244,252	283,646	244,097
- Deposits under administration (UCI and securities)	3,398,930	3,451,980	3,603,627	3,215,716
- Deposits under administration under advice (UCI and securities)	–	183,688	229,493	234,312
- Third parties' insurance products	19,252	30,597	42,633	54,465
Trusteeship	**1,581,762**	**1,471,884**	**1,408,787**	**1,429,790**
Real Estate Fund Management	**3,882,512**	**4,130,632**	**6,769,365**	**6,813,935**
Total deposits	**9,874,573**	**10,277,577**	**13,205,064**	**12,921,412**
Luxembourg-based Sicav, (UCI the "Promoter" of which is Banca Finnat: New Millennium Sicav, New Millennium Sif and Rinascimento Sicav).	**612,302**	**702,614**	**725,786**	**693,158**

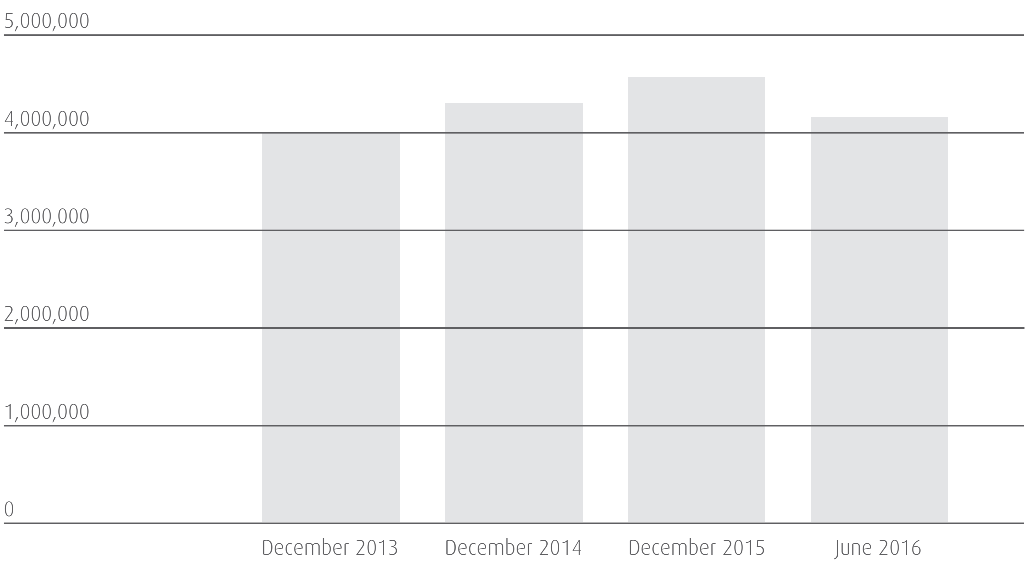
The previous statement shows the changes in the Group's deposits broken down by type. In detail: a) direct and indirect funding from customers refers to the Bank's activity and does not include repos having the Cassa di Compensazione e Garazia as the counterparty; b) trusteeship does not include the funding of Finnat Gestioni S.A.; c) the assets of the subsidiary InvestiRE SGR S.p.A. are measured at the market value of the total managed assets before subtracting debt (GAV).

All assets shown in the statement also take into account the amount invested in them and originating from the other types highlighted.

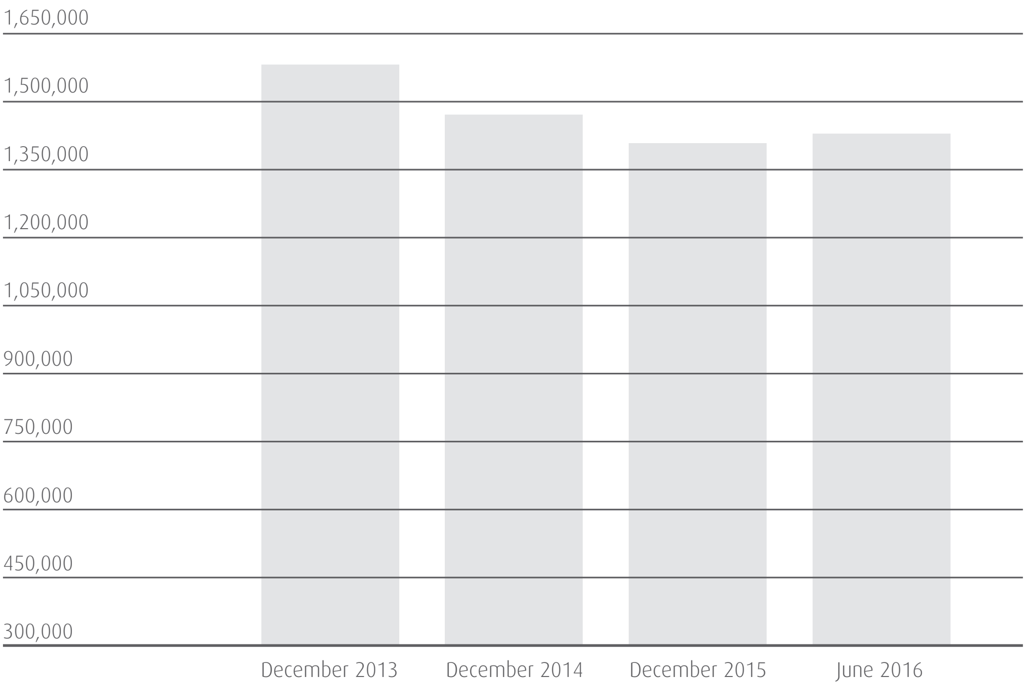
Direct deposits from customers



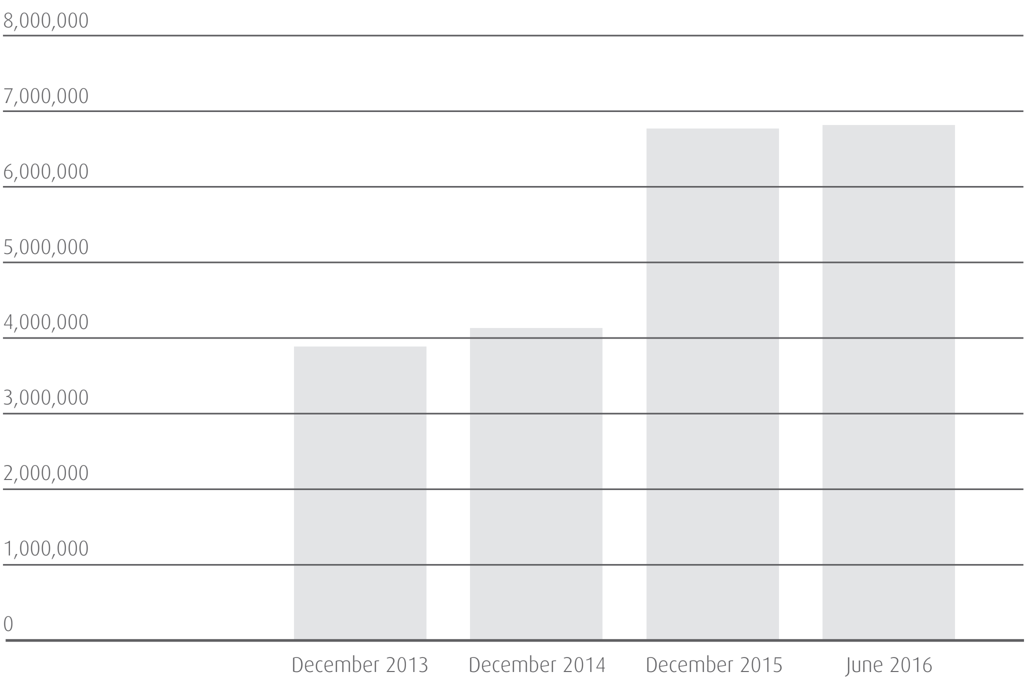
Indirect deposits



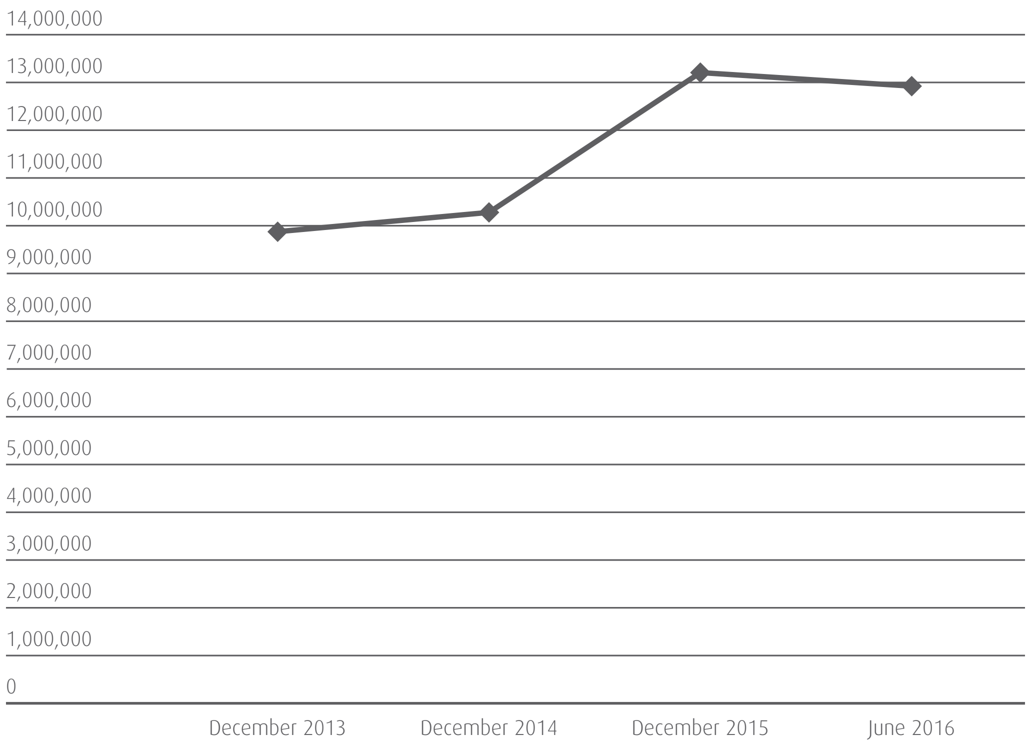
Trusteeship



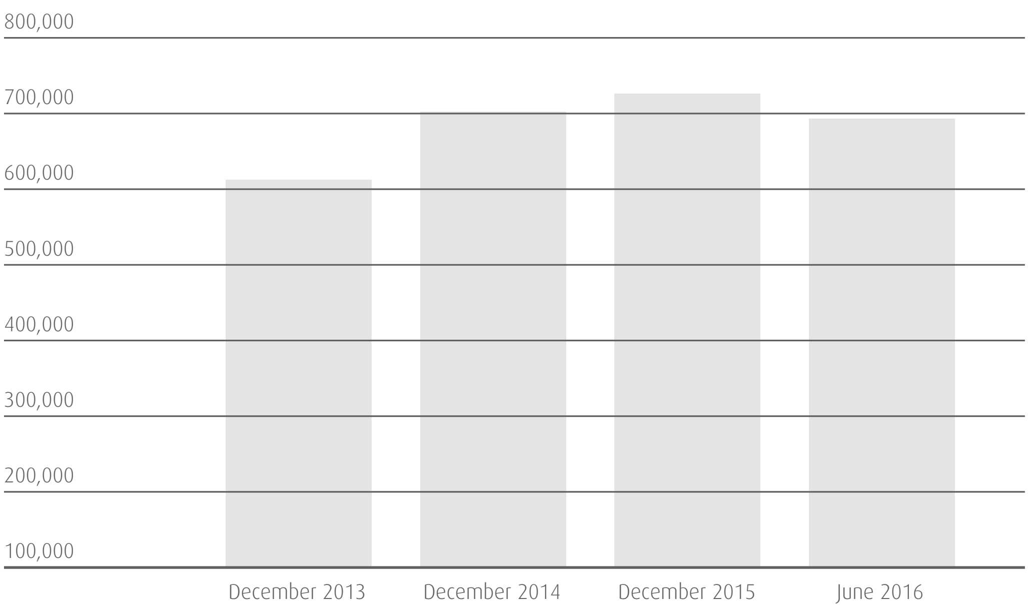
Real Estate Funds



Total deposits of the Group



Luxembourg-based Sicav fund



OWN SHARES AND SHARE PRICE PERFORMANCE

Own shares

At 30 June 2016, the Bank holds 29,492,710 own shares, representing 8.1% of the share capital with a total value of 14,392 thousand euros. At the end of the past year, the Bank held 28,320,718 own shares with a value of 13,949 thousand euros.

During the financial year, the Bank purchased 1,171,992 shares with a total value of 443 thousand euros.

Share price performance

SHARES (in euros)	Market Price as at 21 July 2016	Market Price as at 30 June 2016	Market Price as at 31 March 2016	Market Price as at 31 December 2015	Market Price as at 30 September 2015	Market Price as at 30 June 2015
BFE	0.3239	0.3203	0.3820	0.4322	0.4950	0.4870

BANCA FINNAT SHARE PRICE PERFORMANCE AND COMPARISON WITH ALL STARS INDEX

BUSINESS BACKGROUND

Prior to presenting the Consolidated report on operations relating to the first half of 2016, following is an overview of the domestic and international macroeconomic background.

Domestic and international macroeconomic background

The slowdown of the global economy, already highlighted towards the end of the previous year and of an entity much greater than any of the forecasts, continued also during the first few months of 2016. The downsizing in Chinese growth, almost halved with respect to the annual average of the last decade, the drop in the prices of raw materials, an event which pushed numerous developing countries into recession, as well as the entirely unsatisfactory trend in world trade, which once again dropped, in terms of volumes, in the first quarter of the year, after having disclosed growth under potential for five years running, represented the main factors upsetting global economic dynamics. The outcome of the UK referendum, with regard to the continuing membership of the United Kingdom within the European Union, then contributed towards further worsening the already difficult economic situation. With regard to risks, downwards looking, due to the prospects of the economic activities and for the purpose of contrasting an ever arising stagnation, the monetary policies of the Central Banks continue to remain extremely accommodating in all the advanced economies. With global inflation down further from 2.9% to 2.5%, pushed down by an increasingly more pronounced drop in inflationary expectations, the global interest rates appear to be on the point of remaining at minimum levels for an increasingly longer period of time. Despite the 12 thousand billion dollars of global bonds already with abundantly negative returns, the Central Banks continue to pursue the intention of inducing the system to raise new debt at increasingly contained costs but the new debt risks producing increasingly less growth to the point that, even if the cost is close to zero, very few are led to take out further debt in the presence of a return on the invested capital which is also increasingly lower. The constant need to reduce financial leverage, then, a requirement strongly perceived by all the economic players, continues to limit capital account spending irrespective of the financial conditions offered by the Central Banks. The economy thus continues to fail to fully achieve its potential. The slowdown of the emerging economies continues to condition the global trade flows; in the Euro zone, the first quarter closed with limited economic growth at 0.6%; in the USA, the GDP growth estimate, relating to the first quarter, was reviewed upwards (+0.3% on a final basis compared with the previous +0.2%) without however be able to confirm the cessation of the slowdown also underway in the US market linked, above all else, to the drop in non-residential fixed investments. In this initial part of 2016, further to the risk of deterioration of the global economic situation, the Federal Open Market Committee (the monetary policy arm of the FED) therefore felt that it had to pursue a somewhat more cautious approach in the process for standardisation of its monetary policy, postponing, indefinitely for the moment, any hypothesis of a raise in the interest rates. In the European context, further expansive measures were launched in March. The official policy rate was lowered to zero (from 0.05%); the negative remuneration required of the banking system in the presence of deposits care of the ECB was increased to -0.4%; the commitments for the purchase of securities by the same ECB were extended to 80 billion a month (also making the investment grade corporate bond issues eligible as long as they do not belong to non-financial issuers) and new long-term TLTRO were offered to the banks potentially also with negative rates. On the domestic market, not only did the drop in average returns continue but also the average cost of the issue of the stock of public debt securities in circulation which reached the threshold of 3.1%. The relaxed financial conditions subsequently encouraged a further lengthening of the average life of the issue which at the end of March reached 6.5 years. With the easing of the monetary conditions, the financial situation of the Italian businesses seems to have apparently and finally improved, albeit at moderate rates and the credit disbursed by banks and financial business is clearly stabilising. Minor difficulties were also seen in the repayment of the debits and for the first time after eight years the number of bankruptcies also fell on an annual basis; however, they still remain at levels more than double those reported in 2008.

The fall in consumer prices became more heightened in June, with the index for the entire domestic community down by 0.4% on an annual basis. The weakness in the underlying inflationary trend reflects the emphasis of the fall in inflation during the initial period of formation of the prices. The process for the propagation of the deflationary pressure is still underway, originated by the drop in the listing of raw materials, oil-related and non, accompanied by the related appreciation of the Euro exchange rate in the Spring. The decrease continued in the import prices for consumer goods (-1.7% annual change as at April), along with the deflationary phase for production prices for goods sold on the internal market (-0.7% for consumer goods).

The financial markets

Volatility held the centre of the stage during the first half of 2016. The increase in the uncertainty with regard to global growth, also fuelled by a drop in the price of oil which at the beginning of the year fell to under 30 dollars a barrel, during the first two months triggered off a generalised fall in share prices which presented one of the most highly negative performances for the start of the year ever. The share prices thus reached all time lows for the year at the beginning of February only to then string together huge recoveries but fall back to those same minimums at the time of the outcome of the UK referendum which confirmed the exit of Great Britain from the European Union. At the end of the half-year, on average the balance was negative for the stock markets, but positive for Government bonds (governmental and USA treasuries of the Euro Zone) and for raw materials. The stock market index representative of the Euro Zone (DJ Eurostoxx 50) lost 13% of its capitalisation in the period; the DAX index of the Frankfurt stock market dropped 10.4%; the CAC of the Paris stock market fell 9.1% while the London stock market (Ftse 100) gained 2.55% in Sterling but lost 8.7% in Euro taking into account the heavy devaluation suffered by the UK currency. As of the half-way point at 30 June 2016, the American market (S&P500) disclosed limited growth of 1.47%; the Japanese Nikkei 225 index reported a loss of 18.2% and the Hang Seng index of the Hong Kong market a decrease of 5.1%. With regard to the Italian market, the domestic stock market index (Ftse Mib) lost a good 25.4% compared with the values at 31 December 2015. Among the individual segments, the worst - in Europe - was without doubt the banking sector, down 31.2% while Italian banks more than halved their capitalisations (-53%). The sector is facing the difficulties of digesting the new Bail in legislation, which shifts the liability for the bank rescues from the Government (Bail out) to private parties (Bail in), as well as the thorny question of the impaired receivables which in Europe amount to around 1,000 billion euros (more than 10% of the GDP).

On the Commodities markets, the average increase in the half year (CRB Index) came to 13%. Brent earned 33.5% (+80% from the January all-time lows); silver 33%; gold 24.1% while among agricultural and colonial raw materials sugar distinguished itself (+32.4%); soya (+29.9%) and coffee (+11.9%). The sharp increase in global funding by contrast penalised wheat (-8.5%).

With regard to the bond markets, Government bonds in the Euro Zone benefited from the strengthening of the QE of the ECB (which in March increased the monthly amounts purchasable to 80 billion and further cut the rates on deposits from -0.3% to -0.4%), but it as the entire global fixed income segment which benefited from the generalised rally in prices and a consequent drop in the returns further to a considerable downsizing of the inflationary expectations due to the sliding negative reviews in the global economic growth. On the USA treasuries market, the 10-year return was scaled back by 83 basis points (from a 2.25% return at the start of the year to 1.42%); the 10-year German Bund return fell by 76 basis points (from a return of 0.63% to a negative return of 0.13%) while the Italian 10-year long-term treasury bond return fell by 35 basis points (from 1.6% to 1.25%) and that of the Spanish bonds by 63 basis points (to 1.15%). With regard to the currency markets, the GBP was the worst currency in this first half of 2016 both compared with the US dollar and the Euro. The devaluation suffered, around 13%, led to the lowest values in the last 31 years. Consistently, among the currencies which appreciated the most, benefiting from the difficult economic context, the Japanese yen emerged managing to revalue itself by around 14% both compared with the US dollar and the Euro. The US dollar and Swiss franc were stable during the period compared with the common European currency.

The property market in the first half of 2016

The Italian property market commenced an inversion of the negative cycle of recent years, ending 2015 with 2.7% overall revenue growth, thanks to the improvement in the economic climate and a slight reduction in unemployment. However, the growth of the Italian market continues to be lower than the average of the competing nations, due to the merely partial effect of the structural reform and the scant vivacity of the investors, whether these are households or professional operators. The prospects disclose an increase of around 3.6% in 2016. The tax burden remains high, even if the cancellation at year end of the IMU (municipal property tax) and the TASI (services tax) on first homes improved the expectations of households. Banks once again started to disburse mortgage loans, creating the conditions for strengthening the markets in 2016. The financial statements of the businesses improved which, also thanks to the Jobs Act, resumed recruitment, with positive effects on the market, both residential and tertiary/offices. Italy attracts the interest of global property investors and the volume of purchases, both direct and via funds, has returned to pre-crisis levels. The interest is focused on high quality properties and on trophy assets, with a strong concentration in Milan and Rome, with a consequent reduction in the available supply. The scant supply and the squeezing of the returns lead to growth in the attention towards second level areas, in line with that taking place in the rest of Europe. The supply of trophy assets is lacking in the secondary positions, while assets to be developed predominate. The pick up is rewarding the innovation of the product and the service, with an increasingly greater concentration of demand on the new element.

The evolution of the Italian market does not only concern the growth in volumes and values, but a new paradigm is confirming itself, centred on the ability of the supply to meet, in terms of quality and availability of the properties, the needs of the demand, which express themselves further to the rapid evolution of the way of living, working and producing. The greatest challenge in the coming years is the ability of the market to meet the new requirements in sectors subject to greatest growth potential, such as co-working, social housing, university accommodation and nursing homes.

The renewal of a market which, with respect to more evolved European countries, has modest dimensions and comprises a high percentage of obsolete properties, is therefore indispensable. The fundamental driving forces in the coming years will be the urban requalification and building replacement processes.

In relation to the residential market, 2015 confirmed the recovery expectations with regard to purchases and sales, disclosing a volume of 445,000 principal units, with an increase of 7.2% on last year. It is an indicator of rediscovered confidence vis-à-vis this market attributable to the improvement in the economic scenario but, above all else, the combined effect of the tax exemption process, albeit still in the initial stage, and the increase in mortgage loans disbursed, almost doubling in the last twelve months. The progressive standardisation of the dealings between the banking system and residential property market is confirmed by the increase in homes purchased with the aid of a mortgage, having increased in the last year from 45 to 55 percent, despite the high percentage of subrogations.

The office market ended 2015 with an increase in revenue of 5%, after a long period of decline. 2016 should consolidate the signs of growth and end with an almost similar increase. The growth is attributable above all else to the increasing activities of international investors, attracted by the higher returns with respect to the majority of the main European markets, despite the recent squeeze. Often the return on the investment is seen with a view to requalification and repositioning of the assets. The dynamism of Italian operators is also increasing, especially those involved with real estate funds and private funds, which shift part of the capital invested in low risk financial products to real estate, the former no longer being able to offer competitive returns. Considerable differences remain between the various geographic areas. The growth of the market almost entirely concerns certain cities: first and foremost Milan, which concentrates almost all the foreign demand, followed by Rome, Turin and Bologna. The improvement marginally affected the intermediate provincial capitals, while small towns are excluded.

* * * * *

SUMMARY OF CONSOLIDATED RESULTS

Consolidated net profit in the first six months of 2016 was 4,020 thousand euros versus 4,136 thousand euros in the same period of the previous year.

The main items that form the 2016 first half results are shown below, compared with the corresponding 2015 figures:

- The **earnings margin** totals 30,007 thousand euros, compared to 30,937 thousand euros in the first half of 2015. The overall decrease may be broken down as follows:

  increases
  - 516 thousand euros for dividends and similar income (2,282 thousand euros at 30 June 2016, compared to 1,766 thousand euros in the corresponding period of 2015);
  - 3,969 thousand euros for Net income from trading activities, which had a positive balance of 1,549 thousand euros at 30 June 2016, compared to a negative balance of 2,420 thousand euros for the same period in 2015. The item in the period under review included 408 thousand euros for positive margins on derivatives representing greenhouse gas emissions allowances;

  decreases
  - 1,212 thousand euros for Interest margin (3,783 thousand euros at 30 June 2016 compared to 4,995 thousand euros in the same period of 2015);
  - 836 thousand euros for Net commissions (20,755 thousand euros at 30 June 2016, compared to 21,591 thousand euros in the same period of the previous year);
  - 3,367 thousand euros for Profit from the sale of available-for-sale securities (1,638 thousand euros in the first half of 2016, compared to 5,005 thousand euros in the same period of 2015 further to fewer sales made).

- **Value adjustments for impairment** amount to 855 thousand euros at 30 June 2016, compared to 1,488 thousand euros in the same period of 2015. In the current period the adjustments relate to receivables (270 thousand euros) and to available-for-sale financial assets (585 thousand euros).

- **Administrative expenses** amount to 24,654 thousand euros, compared to 24,377 thousand euros in the same period of 2015, so they rose by 277 thousand euros overall.
  Staff costs, which total 15,796 thousand euros, are up by 727 thousand euros compared to those referring to the same period in 2015 (15,069 thousand euros);
  Other administrative expenses, which total 8,858 thousand euros, are down by 450 thousand euros compared to those referring to the same period in 2015 (9,308 thousand euros).

- **Other operating income/expenses** at 30 June 2016 show a positive balance of 1,968 thousand euros versus a likewise positive balance of 2,092 thousand euros at 30 June 2015. In the period under review, the item included the negative result of 343 thousand euros referring to the trading of certificates representing greenhouse gas emissions allowances.

- **Income taxes**, at 30 June 2016, amount to 1,121 thousand euros compared to 1,409 thousand euros at 30 June 2015.

* * *

The overall profit for the first half of 2016 which also includes the change to the "Valuation reserve" is shown in the Statement of comprehensive income.

GROUP BUSINESS SEGMENTS

Following is an overview of the Bank and Group activities carried out in the first half of 2016:

Investment Banking

During the first half of 2016, **Trading** remained at levels essentially similar to those, somewhat significant, which had characterised the previous year. The number of transactions was in fact higher than that last year on all the operating segments, with the exception of foreign shares. By contrast, volumes traded were marginally down, disclosing a more contained average transaction: this is linked to the consolidation of a pair of operational relationships with banks which, via interconnection, regularly send our bank a portion of the orders of their end customers.

The analysis of the revenues from commissions is obviously consistent with this scenario: the figures are essentially in line with the average ones for the previous year. There was very significant growth on derivatives (the year-end projection suggests +20%), solidity on the share markets and a slightly more emphasised drop on the bond markets which, also the result of increasingly lower returns, start to lose a bit of appeal for the investors.

The bank maintained focus on the services to listed issuers, in particular within the AIM market. The specialist mandates increased further (also with the acquisition of a customer on the MTA market), securities which are "covered" by our studies office are increasing, the issuers which entrust Banca Finnat with the performance of those administrative services which require specialist expertise continue to rise in number (those services which are marketed with the SEQ initials, Listed Issuers' Support).

And above all else, the bank followed the listing on AIM of two companies which, despite the difficulty of the markets, were placed with institutional investors. Work was carried out with dispatch on a third IPO which we are seeking to finalise in July.

With regard to **Assets under management** and advisory services, growth is reported in funding on the Finnat Advisory service and on the Unit Linked Policy. By contrast, assets have be lost on the New Millennium products and on the Asset management accounts. Funding on third party funds is rising moderately.

The performances were positive on the bond management accounts despite the extraordinarily low returns (when not negative) offered by Government bonds and Bonds with high ratings. Vice versa, evidently, on the lines with a more significant share content given the performance of those markets which was dramatically negative in the first few weeks of the year. What is more recently, when it seemed recovery might come about, the outcome of the UK referendum on the continuing membership of the United Kingdom in the EU, so-called Brexit, further worsened the scenario.

The results of the funds cannot fail to highlight the same phenomenon: the bond-based ones were all positive (and in certain cases higher than the benchmark). By contrast, balanced and share-based funds suffered losses in the period (moreover more contained than those of the reference parameter in the euro equity area).

The afore-mentioned drop in the returns did not change the prudent approach by means of which the bank sees to the management of its **proprietary** portfolio: steps were therefore taken to continue to mainly position on short-term Government bonds, being content with the modest returns offered. Without therefore wishing to undertake significant risks and looking by contrast towards the objective of safeguarding the assets. The Treasury however continues to exploit, when they form, the misalignments between the returns from Repos and those of the securities used as the underlying element (Carry Trade strategy).

The units of the Finance Division have also been highly involved in the support activities for the launch of the Luxembourg Management Company, resolved at the end of last year. The ManCo, which will be named Natam, should be authorised by the Luxembourg authorities in the second half of the year. Its start-up may also generate synergies with the Bank as well as encourage cross selling activities on reciprocal institutional customers.

Advisory & Corporate Finance

The Bank provides corporate finance consulting services and assistance to private and public companies, with a special focus on medium-sized companies, through its Advisory & Corporate Finance department. In the first half of 2016, the team dedicated to this activity continued to develop its operational effectiveness with particular attention paid to the forms of alternative finance such as the capital market or structured debt instruments.

With regard to the Advisory activities, of note is the acquisition of the following mandates during the first half of 2016: an appointment for the financial assistance of an Italian company active in the sector of renewable energy and energy efficiency, aimed at obtaining new resources via the search for potential investors; the assistance for a company active within the sphere of primary assistance and in general in socio-health services for the search for ways of freeing up the receivables for services rendered vis-à-vis a number of Local Health Authorities as well as hospitals. The mandates being continued include: an assignment for financial assistance in the preparation of the business plan of an Italian e-learning company, directed at obtaining new resources through the structuring of financial transactions, as well as assistance in the sale to interested parties; assistance to a company active in the production of citrus juices and derivatives in the renegotiation/remodulation of exposure with banks and/or in obtaining new finance in the form of debt capital; an assignment to provide financial assistance in the finalisation of the business plan of a company that provides multi-channel, interactive communication services in cloud mode, directed at obtaining new resources through the structuring of an issue of convertible debt instruments.

With regard to the sector of listings on the AIM, during the first half of 2016 the following transactions were also successfully finalised: i) the listing of Energica Motor Company S.p.A., within the sphere of which Banca Finnat served as Nomad and Global Coordinator for assistance in the activities directed at organising, managing and executing the reserved placement of shares in support of the listing; ii) the listing of S.M.R.E. S.p.A., for which Banca Finnat served as Nomad and Global Coordinator for assistance in activities directed at organising, managing and executing the reserved placement of shares supporting the listing.

Furthermore, assistance continued for a company active in the development of digital services, applications and broadband solutions, in the AIM Italia listing admission process as well as the activities for development and consolidation of its competitive position via the study and analysis for the acquisition of additional mandates.

In conclusion, in the first half of 2016, the on-going Nomad activities for some companies listed on the AIM continued.

Commercial Division

The first half of the year was characterised by extremely volatile markets especially in January and by negative interest rates extended at period end to a value at global level greater than 11 billion.
The response of our management and advisory approach was therefore aligned with the utmost prudence. The asset allocation continued to be characterised in favour of more conservative or absolute return products. Concerning the advisory activity, our analysts' ability to identify cases and sectors capable of providing de-correlated performance guided customers' savings, considerably mitigating the volatility and reducing the use of more executive instruments. The constant vicinity of the consultants to the customers made it possible to be rapid when seizing the rebounds of the markets and subsequent profit taking thereby rebalancing the portfolios.

Customer growth was particularly high, with a much higher number of new customers than in previous years, thanks also to the introduction of two new professionals in the Via Catone branch.

The rise in the remunerated consulting continued and it showed itself to be greatly appreciated by the customers.

As regards marketing activities, the Bank has carried out a wide range of initiatives: overall, more than two events per month were organised. The issues that were tackled pertained to the markets and financial forecasts, the generational changeover, the possible changes in tax conditions with regard to inheritance, social issues and cultural initiatives.

The Bank was able to meet the demands for credit support coming from our Private customers, supporting different initiatives in a still difficult time for credit. This occurred consistently with our credit policy that is extremely careful of the guarantee programmes.

Our financial planning activities, also through the Group's trust companies, continue to be one of the cornerstones of our offering.
Always central in the dealings with the business world was the joint consulting work between bank and trustees to find the best governance solutions. In particular, there was an acceleration in the escrow activity, which enabled corporate customers to close transactions with the utmost security and with the necessary contractual advice.

Mortgage loans and financing

In the first half of 2016, the Service performed the ordinary activities aimed at granting loans and monitoring existing credit lines, with thorough analyses of credit ratings and assessments of the guarantees provided.

Property Fund Management

InvestiRE SGR S.p.A. is the second largest market operator of Italian real estate asset management schemes, managing assets valued at 7 billion euros over 33 funds (29 reserved funds and 4 listed funds), with over

1,100 properties distributed throughout Italy. The business structure is divided up into three business lines: long term and residential funds intended for institutional investors, listed and specialist funds (retail, distressed assets, healthcare), development and social housing funds.

In the Long Term & Residential business, whose AUM as of 30 June 2016 came to around 3.9 billion euros, the usual management and development activities continued; the FIP fund further analysed commercial negotiations with potential investors for the purpose of finalising the disposal plan in the second half according to the envisaged objectives; the Pegasus fund is assessing new investment opportunities in the office value added segment; the FIEPP Fund continued with the management of the portfolio properties and search for new investment opportunities within the sphere of the risk / return objectives of the unit holder and the disposal of an entire free-standing property in Genoa is envisaged; the Primo fund is assessing the purchase of an entire free-standing property for commercial use in Verona; the FPEP fund focused mainly on the development and requalification of the property portfolio for fractioned sale and on the enhancement of the lease activities; during the half year, 11 main property units were sold on three properties for an equivalent value of around 3.5 million euros, obtaining additional proposals and preliminary agreements for an further approximate 6 million euros; the HELIOS fund continued its fractioned disposal of the residential assets, whilst requalification work recently started on an office building in Rome, in view of a new lease for the entire free-standing building; technical and appraisal activities are also underway for a new inflow of residential properties to be made within the calendar year; for the Apple fund, the portion of leased assets reached 67%, of contracts entered into and/or reservations signed; for the INPGI Fund, two contributions were completed in February, for a value of approximately 300 million euros (Comparto Uno and Comparto Due) and the merger project of the two Segments was launched, with operations starting in the second half of 2016. Again with regard to the IMPGI Fund, upon indication of the unit holder, a sales plan is being drawn up which will lead to the disposal, in five years, of around 700 million euros in assets. In conclusion, a “property showcase” project has been launched so as to make commercial information available on-line (sales and leases) for all the residential assets of the various funds.

The Specialistic Market business line, whose AUM at 30 June 2016 amounted approximately to 1.3 billion euros, continued the disposal and acquisition activities. In detail, marketing activities were intensified on the listed funds aimed at subsequent liquidation, continuing the activities for leasing the asset portfolios and intensifying the sales negotiations with potential investors; among the unlisted funds, the Crono fund acquired a new property for commercial use located in the centre of Genoa and leased to a leading tenant for a market value of 20 million euros; the Melograno fund continued activities for the management and letting out of the portfolio, receiving a show of interest for the purchase of a property and a binding offer for a property unit in Rome; with regard to the Spazio Sanità fund, the subscription of 25 million euros was finalised to continue the investment activities; the Distressed & Non Performing Assets area (Securis, II, III, Sistema BCC) continued its road show and portfolio acquisition activities: in detail, asset disposal activities continued on all the funds (13 properties for an equivalent value of around 11.7 million euros), while the Securis III fund contributed 51 properties for roughly 26 million euros; with regard to this type of portfolio, letting activities also continued, with the use of both traditional (for an amount of around 450 thousand euros in rental fees when fully implemented, for 11 contracts signed) and rent to buy contractual forms (for 7.4 million euros in terms of sales value equivalent to 10 contracts signed in the period).

The Development & Social Housing business line, whose AUM at 30 June 2016 amounted to approximately 0.8 billion euros, continued with its activity of structuring new social housing funds (in June activities were completed which led, during the first few days of July, to the launch of the operations of a new fund by means of the contribution of two properties, located in the capital), further implemented the acquisition and development initiatives (10 million euros in acquisitions completed during the half year for an overall investment of 33.1 million euros, 17.5 million euros in preliminary contracts/binding agreements for a total investment of 66.8 million euros), undertook the subscription of additional equity (+52.7 million euros), positively concluded applications for a further 109.6 million euros and laid the groundwork for the start of additional applications for the raising of new equity (+117.5 million euros), and continued the marketing of leased apartments and those under future sales agreements in the various funds. The marketing was also launched of the property units of the Cascina Merlata complex (first deeds entered into in July), already used - during EXPO 2015 - as guest accommodation for foreign delegations.

Research & Development

In the period in question, the Bank engaged in the following projects.

Organisation Area

- Transformation of the Corso Trieste agency into a branch was completed.
- The project for the adoption of the Advanced Electronic Signature - FEA was completed for the branch accounts, within the sphere of the cash operations of the Branches.
- New IT procedures were adopted to support the calculation of the customers' Capital Gain.
- The electronic storage service offered by the outsourcer CSE for the handling of the "certified data" was extended.
- A new IT procedure was adopted for Sicav placement, which made it possible to achieve streamlining in the relating operating processes

IT and Technologies Area

- Technological and network infrastructure enhancement initiatives were carried out with the installation of a new core switch.
- A technological enhancement measure was carried out for access to the internet service.
- The WatchGuard APT Blocker security service was activated providing protection from threats in real time.
- New fibre optic circuits and accesses were activated.
- The WEB SecetiCBI service was activated.

Corporate governance, organisation, internal control, compliance and Manager in charge of preparing the accounting documents

The corporate governance structure of Banca Finnat Euramerica, originally approved by the Board of Directors at the meeting held on 26 June 2009, in accordance with the provisions of the Bank of Italy issued on 4 March 2008 concerning the corporate governance of Banks, and the subsequent Note dated 19 February 2009, is based on a traditional administration and control system, by virtue of which:

- the Board of Directors alone is responsible for the management of the company;
- the Board of Statutory Auditors is responsible for the supervision of the company and, in this position, it monitors compliance with the articles of association and controls the management;
- the General Meeting expresses the will of the shareholders.

The governance principles of Banca Finnat Euramerica, besides being grounded in the applicable laws and regulations in force in Italy, are also inspired by international best practices on the matter and by the recommendations of the Corporate Governance Code for Listed Companies.
The Board of Directors preventively identified the composition of the Governing Body that is deemed optimal in qualitative and quantitative terms, in view of the proper and most effective performance of the duties of the Board, in accordance with the prescriptions of the Bank of Italy's Instruction of 11 January 2012 on organisation and corporate governance.

The Board of Directors carries out its own self-assessment with yearly periodicity. This self-assessment was updated, after preparing a new questionnaire, on 14 June 2016.

Pursuant to the applicable Supervisory Provisions laid down by the Bank of Italy and in the light of the regulations issued on 30 March 2011, the Bank reported to the Shareholders' Meeting held on 29 April 2016 about the remuneration policies and incentives adopted.

Having regard to the legal obligations set out in the regulation concerning prudential requirements, Banca Finnat Group prepared and delivered the ICAAP report for 2015. The preparation of these documents, regulated by internal procedures and carried out by the Group's corporate bodies and appointed structures, is the last stage in the much broader and ongoing self-assessment process regarding capital adequacy and its compliance with the RAF, the Group's operational features and the environment in which it operates.
Based on the Supervisory provisions, the Bank is constantly monitoring its liquidity risk, according to the method formalised in a dedicated document containing the guidelines on Liquidity Risk Governance and Management, and periodically performs stress tests on the credit, market, concentration and interest rate risk. The results of the analysis are evaluated by the Board of Directors.

The Members of the Board of Directors - including 4 Independent Directors - and of the Board of Statutory Auditors, whose term of office will expire at the approval of the financial statements at 31 December 2017, were elected by the Shareholder's Meeting of 28 April 2015.

The Board of Directors, on 10 February 2016, appointed by co-optation Ms. Flavia Mazzarella until the approval of the financial statements at 31 December 2015, as subsequently appointed by the shareholders' meeting held on 29 April 2016 until approval of the financial statements at 31 December 2017.
Ms. Mazzarella, independent in accordance with the Consolidated Financial Law and the Corporate Governance Code of Borsa Italiana, covers the role of Lead Independent Director, Chairman of the Risk Committee and member of the Appointment Committee.

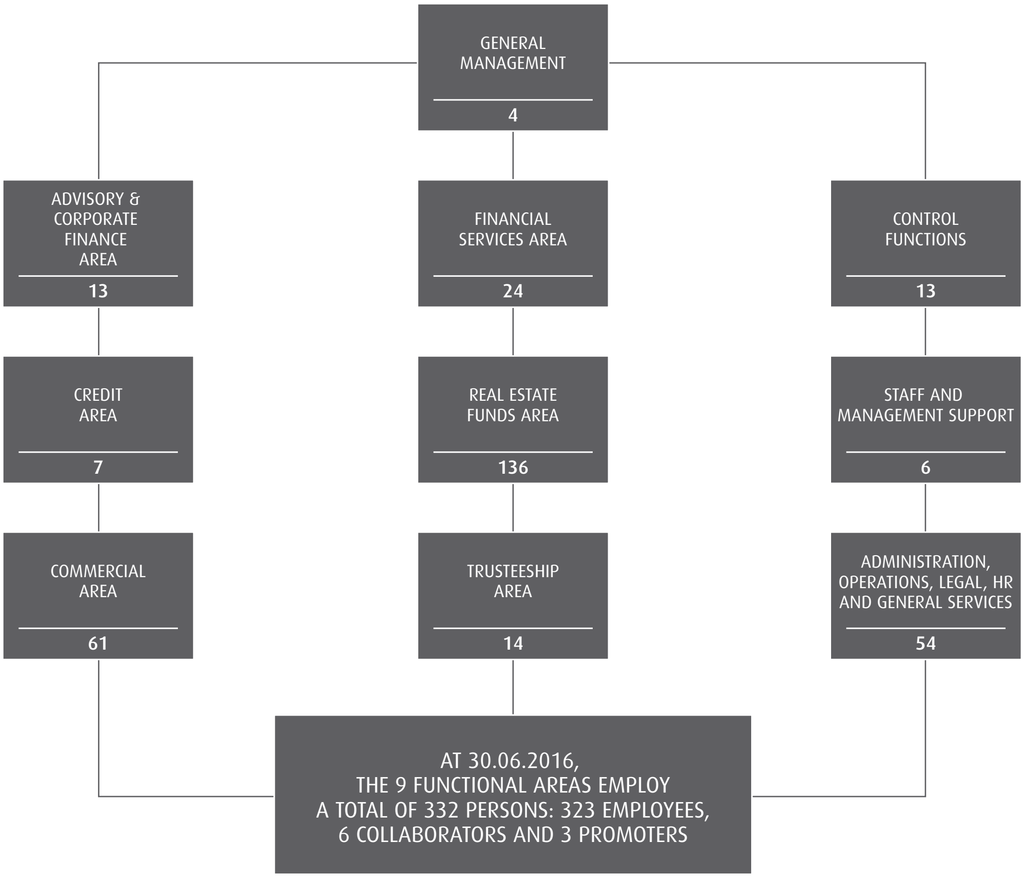
With regard to the provisions of Article 36 of Italian Law Decree no. 201 of 6 December 2011, amended and converted into Italian Law no. 214 of 22 December 2011 laying down "Urgent provisions for the growth, fairness and consolidation of public accounts", and the formalities required by the "Criteria for the enforcement of Article 36 of Italian Law Decree "Salva Italia" (the so-called "interlocking prohibition")", relating to company employees and the members of the BoD and Board of Statutory Auditors appointed at the Shareholders' Meeting of 28 April 2015, we have made the necessary assessments of compliance with the set forth criteria on 17 December 2015.

For the members of the Board of Directors and of the Board of Statutory Auditors, the requirements prescribed by applicable regulations were verified.

All information required by current regulations is published on the website: www.bancafinnat.it in the Investor Relations, Regulated Information section.

THE STRUCTURE OF BANCA FINNAT AND OF THE COMPANIES OF THE GROUP

The allocation of total human resources within the activities carried out by the Bank and the Group subsidiaries can be represented as follows:



The total number of personnel in the Group increased from 323 at 31 December 2015 to 332 at 30 June 2016 as shown in detail below:

	30.06.2016	31.12.2015
staff	**323**	**313**
– executives	50	46
– managers	131	128
– clerical workers	142	139
contractors	**6**	**7**
promoters	**3**	**3**
Total	332	323

RELATED PARTY TRANSACTIONS

The Bank complies with the Regulations for Related Party Transactions, approved by the Board of Directors on 2 August 2013 to define responsibilities and rules governing the identification, approval and implementation of related party transactions carried out by the Bank or by companies of the Banca Finnat banking group, in accordance with Article 2391-bis of the Italian Civil Code, the Consob Regulation adopted with Resolution no. 17221 of 12 March 2010 and Title V, Chapter 5 of the Bank of Italy Circular no. 263 introducing “New Prudential Supervision Provisions for Banks”, respectively.

The Bank entered into transactions with subsidiary companies or companies subject to significant influence and ordinary transactions of lesser significance and under market conditions that have not impacted significantly on the financial position or results of operations of the company and moreover, in the first half of 2016, it did not carry out any transaction with related parties or subjects other than related parties considered to be of an “atypical or unusual” nature, and which, due to their magnitude/relevance might have cast doubts on the safeguarding of the Bank’s assets and the protection of minority shareholders’ rights.

Information required under IAS 24 is shown in part H (page 110) of the notes to the financial statements.

MARKET DISCLOSURE INFORMATION

Regarding market disclosure the Group declares that:

- with reference to the request made by the Bank of Italy, in its Communication of 17 June 2008, the Group’s exposure to financial products perceived by the market as risky comprises the investment in “FIP Funding Class A2-2023” bonds, recorded in the financial statements as securities held for trading for a total of 2,480 thousand euros. An amount which increased, with respect to 31 December 2015, further to an additional purchase for 1,219 thousand euros in April 2016. The total nominal value, gross of reimbursements for capital, came to 4,000 thousand euros. This investment (CMBS Commercial Mortgage-Backed Securities) is the result of the securitisation of the loan to Fondo Immobili Pubblici (managed, as mentioned above, by the subsidiary Investire Immobiliare SGR S.p.A.) and is guaranteed by a special lien on the real estate owned by the Fund, which is almost exclusively leased out to Government entities; consequently, it is an investment that is not exposed to the risk of insolvency.
  At 30 June 2016, the Bank and the other Group companies – with the exception of the above mentioned investment – were not exposed to and/or did not hold an interest, either directly or through vehicle companies or other non-consolidated entities, in financial instruments or UCIs characterised by high-risk investments, such as:- SPE (Special Purpose Entities) - CDO (Collateralized Debt Obligations) - Other exposures vis-à-vis subprime and Alt-A - CMBS (Commercial Mortgage-Backed Securities) - Leveraged Finance;
- the Board of Directors of Banca Finnat Euramerica S.p.A., pursuant to Consob Resolution No. 18079 of 20 January 2012, decided, on 21 January 2013, to comply with the simplification system set forth in Articles 70 (paragraph 8) and 71 (paragraph 1-bis) of the Regulation adopted by Consob with Resolution

No. 11971 of 14 May 1999 as amended and supplemented, by making use of the right, of listed companies, to depart from the obligation to submit the information documents required by Annex 3B of the Consob Regulation relating to future significant extraordinary operations such as mergers, demergers, capital increase by non-cash contributions, acquisitions and sales;

- with reference to the requests made jointly by the Bank of Italy, Consob and Isvap in their Document No. 2 dated 6 February 2009 and subsequent Document No. 4 dated 4 March 2010 and the provisions of paragraphs 15 and 25 of IAS 1, regarding disclosures to be made of audit considerations in respect of going concern assumptions, reference is made to the commentary provided in the Notes to the 2015 Financial Statements since no change has taken place during the half year under review;
- the Bank of Italy published Circular 285 "Prudential Supervision Provisions for Banks" illustrating the implementing provisions in force since 1 January 2014. The document also envisages in the transitional provisions on "own funds", the right not to include, for the purpose of calculating regulatory capital, unrealised profit and loss referring to exposures towards Central Administrations classified in the category "Available-for-sale financial assets". This right (the so-called sterilisation) is valid until the coming into force of IFRS 9 that will replace IAS 39 on financial instruments. The Bank within the time prescribed exercised the above option.

OPTION FOR THE DOMESTIC CONSOLIDATED TAX SYSTEM

The Bank and its Italian-based subsidiaries have joined the "domestic consolidated tax system", pursuant to Article 117/129 of the TUIR (Consolidated Income Tax Act). The option was renewed in June 2016 also for the 2016/2017/2018 period.

By virtue of this option, the Group companies determine their proportion of the taxes payable and the corresponding fiscal income (taxable income or fiscal loss) is transferred to the Parent Company, relating to which a single taxable income or loss is reported (resulting from the arithmetical sum of its own and its participating subsidiaries' incomes/losses) and, consequently, a single income tax debit/credit determined.

CONSOLIDATED OWN FUNDS AND CAPITAL RATIOS

The Consolidated regulatory capital is determined based on the harmonised regulations for Banks and the Investment companies contained in the Regulation ("CRR") and in the EU Directive ("CRD IV") of 26 June 2013 which transfer to the European Union the standards defined by the Basel Committee on Banking Supervision (the so-called Basel 3).
In order to enact the regulations, the Bank of Italy issued, on 17 December 2013, Circular no. 285 "Prudential Supervision Provisions for Banks".

Own funds at 30 June 2016 amounted to 147,677 thousand euros (148,600 thousand euros at 31 December 2015), whereas the Total capital ratio stood at 28.6% (31.7% at 31 December 2015) versus the 8% minimum requirement set forth in the current regulations for Credit Institutions.

The Total capital ratio, like the CET1 ratio and the Tier1 ratio, widely exceed minimum capital requirements, at the consolidated level, mandated for us by the Bank of Italy at the conclusion of the supervisory review and evaluation process (SREP) established by Directive 2013/36/EU (CRD IV).

PERFORMANCE OF SUBSIDIARIES

InvestiRE SGR S.p.A.

The company, based in Rome and incorporated on 4 February 2002 has the purpose of establishing and managing real estate funds and was authorised by the Bank of Italy on 9 May 2002.

On 29 December 2014, the merger by absorption of Beni Stabili Gestioni SGR S.p.A. and Polaris Real Estate SGR S.p.A. within Investire Immobiliare SGR S.p.A. was finalised, with accounting and tax effects as from 1 January 2015.

As a result of this transaction, the share capital was increased from 8,600,000 euros to 14,770,000 euros and the company is owned by Banca Finnat Euramerica, with 50.16%, by Beni Stabili Siiq, with 17.90%, by Regia S.r.l. (G. Benetton Group) with 11.64%, by Fondazione Cariplo with 8.65%, by Cassa Italiana di Previdenza e Assistenza Geometri with 7.72%, by ICCREA Holding with 2.38% and by Fondazione Cassa dei Risparmi di Forlì with 1.55%.

Since 1 June 2015, the company has also changed its name to InvestiRE SGR S.p.A.

At 30 June 2016, the company managed 33 real estate funds, with the GAV of the managed assets totalling 6,814 million euros, compared to 6,769 million euros at 31 December 2015.

The half year statements at 30 June 2016 show a profit of 2,177 thousand euros versus 2,742 thousand euros at 30 June 2015, and a book value of net equity of 76,304 thousand euros compared to 77,558 thousand euros at 31 December 2015. During the first half of 2016, the company generated revenues for commission income of 13,030 thousand euros compared to 13,872 thousand euros in the first half of 2015.

Finnat Fiduciaria S.p.A.

The company – incorporated in accordance with Italian Law no. 1966 of 23 November 1939 – is based in Rome and operates as an equity and security trust company. It has a share capital of 1,500,000 euros held entirely by Banca Finnat Euramerica S.p.A..

On 2 December 2015, the company absorbed Fedra Fiduciaria S.p.A. with accounting and tax effects as from 1 January 2015.

At 30 June 2016, assets under management totalled 1,350 million euros, versus 1,322 million euros at 31 December 2015.

The half year statements at 30 June 2016 show a profit of 48 thousand euros compared to 39 thousand euros at 30 June 2015. During the first half of 2016, the company generated revenues for commission income of 829 thousand euros. At 30 June 2016, the company had a net equity of 2,328 thousand euros, versus 2,604 thousand euros at 31 December 2015.

Finnat Gestioni S.A.

The company, established on 10 April 2008, is based in Lugano and provides financial management and consulting services including, in particular, asset and portfolio management services.

The Bank holds a 70% stake in the company's share capital, which amounts to CHF 750,000, while the remaining stake is held by Banca per la Svizzera Italiana. Managed assets at 30 June 2016 totalled CHF 87 million, compared to CHF 100 million at 31 December 2015.

The book value of net equity at 30 June 2016 amounted to CHF 1,889 thousand, compared to CHF 2,094 thousand at 31 December 2015.

The half-yearly result at 30 June 2016 shows a profit of CHF 200 thousand, compared to CHF 258 thousand at 30 June 2015.

In the half-year in question, the company generated revenues for commission income of CHF 384 thousand euros.

KEY BALANCE SHEET AND INCOME STATEMENT FIGURES

Following is an overview of the key balance sheet and income statement figures at 30 June 2016, compared with those at 31 December 2015 in the case of the balance sheet, and at 30 June 2015 in the case of the income statement.

The tables reflect the minimum mandatory layout provided for in Circular Letter 262/2005 issued by the Bank of Italy.

CONSOLIDATED BALANCE SHEET

(in thousands of euros)

	30.06.2016	31.12.2015	Absolute change
ASSETS			
Cash and cash equivalents	488	469	19
Financial assets held for trading	32,240	56,578	(24,338)
Available-for-sale financial assets	1,216,070	831,421	384,649
Financial assets held to maturity	1,978	1,959	19
Due from banks	129,655	98,386	31,269
Due from customers	341,432	292,644	48,788
Hedging derivatives	2,504	215	2,289
Equity investments	10,034	10,549	(515)
Tangible assets	5,387	5,501	(114)
Intangible assets	41,944	41,957	(13)
Tax assets	20,184	21,265	(1,081)
Other assets	16,616	18,680	(2,064)
TOTAL ASSETS	**1,818,532**	**1,379,624**	**438,908**
LIABILITIES AND NET EQUITY			
Due to banks	4,942	11,496	(6,554)
Due to customers	1,508,981	1,045,816	463,165
Outstanding securities	24,126	26,122	(1,996)
Financial liabilities held for trading	6,292	9,733	(3,441)
Tax liabilities	3,482	10,228	(6,746)
Other liabilities	16,619	13,177	3,442
Staff severance fund	4,944	4,405	539
Provisions for risks and charges	1,067	1,067	–
Net equity of minority interests	38,353	39,031	(678)
Group net equity	209,726	218,549	(8,823)
TOTAL LIABILITIES AND NET EQUITY	**1,818,532**	**1,379,624**	**438,908**

CONSOLIDATED INCOME STATEMENT

(in thousands of euros)

	1st half 2016	1st half 2015	Absolute change	Percent change
Interest margin	**3,783**	**4,995**	**(1,212)**	**-24%**
Net commissions	**20,755**	**21,591**	**(836)**	**-4%**
Dividends and similar income	2,282	1,766	516	
Net income from trading activities	1,549	(2,420)	3,969	
Net profit (loss) from the transfer or the repurchase of:				
- available-for-sale financial assets	1,638	5,005	(3,367)	
Earnings margin	**30,007**	**30,937**	**(930)**	**-3%**
Value adjustment for impairment	(855)	(1,488)	633	
Net income from financial operations	**29,152**	**29,449**	**(297)**	**-1%**
Staff costs	(15,796)	(15,069)	(727)	
Other administrative expenses	(8,858)	(9,308)	450	
Value adjustments on tangible and intangible assets	(333)	(293)	(40)	
Other operating income/expenses	1,968	2,092	(124)	
Operating costs	**(23,019)**	**(22,578)**	**(441)**	**2%**
Profit (loss) from equity investments	**148**	**91**	**57**	
Profit (loss) from current operations before taxes	**6,281**	**6,962**	**(681)**	**-10%**
Income tax for the period on current operations	(1,121)	(1,409)	288	
Profit (loss) from current operations after taxes	**5,160**	**5,553**	**(393)**	**-7%**
Profit (loss) of minority interests	(1,140)	(1,417)	277	
Net profit (loss) for the period pertaining to the Parent Company	**4,020**	**4,136**	**(116)**	**-3%**

A series of Group operating ratios at 30 June 2016 compared with those for the same period in the previous year are presented below.

	1st half 2016 %	1st half 2015 %
Interest margin/earnings margin	12.61	16.15
Net commissions/earnings margin	69.17	69.79
Cost/income ratio (operating costs/earnings margin)	76.71	72.98
ROE (profit for the year/net equity)	1.92	1.97
ROA (profit for the year/total assets)	0.22	0.29

GROUP NET EQUITY AND RECONCILIATION BETWEEN THE PARENT COMPANY'S AND THE GROUP'S NET EQUITY AND RESULTS

Group net equity

The Group's net equity at 30 June 2016, including the profit for the period, totalled 209,726 thousand euros and changed as follows:

Trend in Group Net Equity

(in thousands of euros)

Net Equity at 31 December 2015	**218,549**
Dividend distribution	(3,629)
Change in valuation reserves	(8,617)
Changes in other reserves	(154)
Changes for purchase of own shares	(443)
Profit (loss) in the period	4,020
Net equity at 30 June 2016	**209,726**

Reconciliation between the Parent Company's and the Group's net equity and results

(in thousands of euros)

	Net equity	of which: Profit (loss) for the period
Balance as per the Parent Company's financial statements at 30 June 2016	**232,679**	**3,281**
Results of subsidiaries as per the statutory financial statements:		
- fully consolidated companies	1,268	1,268
- valued by equity method	(986)	148
Amortisation of positive differences:		
- previous years	(984)	
Surplus over the book value related to:		
- fully consolidated companies	28,649	
Elimination of dividends	(541)	(2,670)
Other consolidation adjustments:	(50,359)	1,993
Balance resulting from the consolidated financial statements of the group as at 30 June 2016	**209,726**	**4,020**

MAIN TRANSACTIONS IN THE HALF-YEAR, SIGNIFICANT SUBSEQUENT EVENTS AND OPERATING OUTLOOK

The main transactions and significant subsequent events in the half-year

Concerning the main transactions and most significant events in the period, it should be pointed out that:

- on 10 February 2016 the Board of Directors of the Bank appointed by co-opting - to replace Director Tofanelli who resigned - Ms. Flavia Mazzarella as independent non-executive Director. Director Mazzarella was also appointed Lead Independent Director, Chairman of the Risk Committee and member of the Appointment Committee.
- on 6 April 2016, the Court of Rome held the hearing pertaining to the dispute involving the complaint filed by the subsidiary InvestiRE SGR against the Luxembourg company Fivestars SA and against the sole shareholder Kensington Square Trust SARL for the restitution of the amounts paid to the Revenue Agency as a result of the claims and assessments on the withholding taxes due on the income distributed to the company Fivestars as unit holder of the FIP fund. The judge adjourned the discussion of the case until the hearing on 9 April 2018. The amount of the indemnity recognised by the Bank to the subsidiary in view of the guarantee provided at the time of the merger shall be repaid by the latter for the amount recognised by the court.

- on 29 April 2016, the Shareholders' Meeting of the Bank:
  - approved the financial statements at 31 December 2015 and resolved the distribution, to the Shareholders, of a gross dividend of 0.01 euro per share, due for payment from 18 May 2016 (coupon date: 16 May 2016);
  - confirmed Ms. Flavia Mazzarella as non-executive and independent director, having already been co-opted during the Board meeting held on 10 February 2016;
  - revoked the resolution of the shareholders' meeting held on 28 April 2015 with regard to the determination of the remuneration of the Board of Directors and defined the new remuneration;
  - revoked the previous resolution for the purchase of own shares, valid until 29 April 2016, and authorised - subordinate to authorisation by the Bank of Italy - the Board of Directors, with the faculty to grant the necessary executive powers to one of the directors, or the General Manager, to purchase – in one or more instalments, between 29 April 2016 and 29 April 2017 – up to a revolving maximum of 5,000,000 ordinary own shares, in addition to those already held, and, in any case, for a total additional sum of no more than 2,177,280 euros for the purpose of supporting trading (market making);
  - approved the Remuneration Policy pursuant to Article 123-ter of Italian Legislative Decree No. 58/98;
- on 14 June 2016, the Board of Directors was informed, in the presence of the Board of Statutory Auditors, of the Inspection Report pertaining to the ordinary inspection carried out by the Bank of Italy care of the Parent company between 25 November 2015 and 14 March 2016. On 12 July 2016, the Board approved - with the favourable opinion of the Board of Statutory Auditors - the document responding to the observations and findings set forth, highlighting the comments of the Bank and the measures already adopted or which it is proposed be adopted.

Significant events occurring after the end of the half-year period

In the period spanning from the end of the first six months, at 30 June 2016, to the date when this report was prepared, no significant events or factors that could affect the financial and equity position, or results of operations of the Group emerged.

Operating outlook

The international economic trend and the forecasts made on the evolution of the corporate situation in the current year suggest that the profit from core operations of the Group companies could improve with respect to the same gross result for 2015.

CONDENSED CONSOLIDATED HALF-YEARLY FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEET

(in thousands of euros)

	Assets	30.06.2016	31.12.2015
10.	Cash and cash equivalents	488	469
20.	Financial assets held for trading	32,240	56,578
40.	Available-for-sale financial assets	1,216,070	831,421
50.	Financial assets held to maturity	1,978	1,959
60.	Due from banks	129,655	98,386
70.	Due from customers	341,432	292,644
80.	Hedging derivatives	2,504	215
100.	Equity investments	10,034	10,549
120.	Tangible assets	5,387	5,501
130.	Intangible assets	41,944	41,957
	of which:		
	- goodwill	37,729	37,729
140.	Tax assets	20,184	21,265
	a) current	1,932	2,992
	b) advance	18,252	18,273
	of which, under Law 214/2011	14,117	14,329
160.	Other assets	16,616	18,680
	Total assets	**1,818,532**	**1,379,624**

	Liabilities and Net Equity	30.06.2016	31.12.2015
10.	Due to banks	4,942	11,496
20.	Due to customers	1,508,981	1,045,816
30.	Outstanding securities	24,126	26,122
40.	Financial liabilities held for trading	6,292	9,733
80.	Tax liabilities	3,482	10,228
	a) current	383	6,302
	b) deferred	3,099	3,926
100.	Other liabilities	16,619	13,177
110.	Staff severance fund	4,944	4,405
120.	Provisions for risks and charges		
	b) other funds	1,067	1,067
140.	Valuation reserves	25,782	34,399
170.	Reserves	121,740	117,203
190.	Share capital	72,576	72,576
200.	Own shares (-)	(14,392)	(13,949)
210.	Net equity of minority interests (+/-)	38,353	39,031
220.	Net profit (loss) for the period (+/-)	4,020	8,320
	Total liabilities and net equity	**1,818,532**	**1,379,624**

CONSOLIDATED INCOME STATEMENT

(in thousands of euros)

	Items	1st half 2016	1st half 2015
10.	Interest income and similar income	3,444	6,101
20.	Interest expense and similar expense	339	(1,106)
30.	**Interest margin**	**3,783**	**4,995**
40.	Commission income	21,879	22,625
50.	Commission expense	(1,124)	(1,034)
60.	**Net commissions**	**20,755**	**21,591**
70.	Dividends and similar income	2,282	1,766
80.	Net income from trading activities	1,549	(2,420)
90.	Net income from hedging activities	–	–
100.	Profit (loss) from the transfer or repurchase of:		
	b) available-for-sale financial assets	1,638	5,005
120.	**Earnings margin**	**30,007**	**30,937**
130.	Net value adjustments/write-backs for the impairment of:		
	a)receivables	(270)	(1,279)
	b)available-for-sale financial assets	(585)	(209)
140.	**Net income from financial operations**	**29,152**	**29,449**
180.	Administrative expenses		
	a) staff costs	(15,796)	(15,069)
	b) other administrative expenses	(8,858)	(9,308)
200.	Net value adjustments/write-backs on tangible assets	(264)	(232)
210.	Net value adjustments/write-backs on intangible assets	(69)	(61)
220.	Other operating income and expenses	1,968	2,092
230.	**Operating costs**	**(23,019)**	**(22,578)**
240.	Profit (loss) from equity investments	148	91
280.	**Profit (loss) from current operations before taxes**	**6,281**	**6,962**
290.	Income tax for the period on current operations	(1,121)	(1,409)
300.	**Profit (loss) from current operations after taxes**	**5,160**	**5,553**
320.	**Profit (loss) for the period**	**5,160**	**5,553**
330.	(Profit) loss for the period of minority interests	(1,140)	(1,417)
340.	**Net profit (loss) for the period pertaining to the parent company**	**4,020**	**4,136**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(in thousands of euros)

	Items	Period 1st half 2016	Period 1st half 2015
10.	**Profit (loss) for the period**	**5,160**	**5,553**
	Other income items after tax without reallocation to income statement		
40.	Defined benefit plans	(299)	167
60.	Share of valuation reserves of equity investments valued by equity method	33	(128)
	Other income items after tax with reallocation to income statement		
100.	Available-for-sale financial assets	(8,506)	(1,552)
130.	**Total other income items after tax**	**(8,772)**	**(1,513)**
140.	**Comprehensive income (Item 10+130)**	**(3,612)**	**4,040**
150.	Consolidated comprehensive income pertaining to minority interests	985	(660)
160.	**Consolidated comprehensive income pertaining to the parent company**	**(4,597)**	**4,700**

STATEMENT OF CHANGES IN CONSOLIDATED NET EQUITY AT 30 JUNE 2016

(in thousands of euros)

	Total net equity at 31.12.2015	Changes in opening balances	Total net equity at 01.01.2016	Allocation of previous FY profit	
				Reserves	Dividends and other allocations
Share capital:	**72,576**		**72,576**	**–**	**–**
a) ordinary shares	72,576		72,576	–	–
b) other shares	–		–	–	–
Share issue premium	**–**		**–**	**–**	**–**
Reserves:	**152,476**	**–**	**152,476**	**9,999**	**–**
a) profit	94,714		94,714	6,304	
b) other	57,762		57,762	3,695	–
Valuation reserves	**32,849**		**32,849**	**–**	**–**
Capital instruments	**–**		**–**	**–**	**–**
Own shares	**(13,949)**		**(13,949)**	**–**	**–**
Net Profit (Loss) for the year	**13,628**		**13,628**	**(9,999)**	**(3,629)**
Total net equity	**257,580**	**–**	**257,580**	**–**	**(3,629)**
of which: Group net equity	**218,549**	**–**	**218,549**	**–**	**(3,629)**
of which: Minority interests	**39,031**	**–**	**39,031**	**–**	**–**

STATEMENT OF CHANGES IN CONSOLIDATED NET EQUITY AT 30 JUNE 2015

(in thousands of euros)

	Total net equity at 31.12.2014	Changes in opening balances	Total net equity at 01.01.2015	Allocation of previous FY profit	
				Reserves	Dividends and other allocations
Share capital:	**72,576**		**72,576**	**–**	**–**
a) ordinary shares	72,576		72,576	–	–
b) other shares	–		–	–	–
Share issue premium	**–**		**–**	**–**	**–**
Reserves:	**101,024**	**–**	**101,024**	**1,355**	**–**
a) profit	89,633		89,633	1,440	
b) other	11,391		11,391	(85)	–
Valuation reserves	**28,347**		**28,347**	**–**	**–**
Capital instruments	**–**		**–**	**–**	**–**
Own shares	**(12,410)**		**(12,410)**	**–**	**–**
Net Profit (Loss) for the year	**4,984**		**4,984**	**(1,355)**	**(3,629)**
Total net equity	**194,521**	**–**	**194,521**	**–**	**(3,629)**
of which: Group net equity	**191,085**	**–**	**191,085**	**–**	**(3,629)**
of which: Minority interests	**3,436**	**–**	**3,436**	**–**	**–**

Changes during the year									Net equity at 30.06.2016		
	Net equity transactions										
Changes in reserves	New share issue	Purchase of own shares	Extra dividend distribution	Change in capital instruments	Derivatives on own shares	Stock options	Changes in equity investments	Compre-hensive income 1st half 2016	Total	Group	Minority interests
–	–	–	–	–	–	–	–	–	**72,576**	**72,576**	–
–	–	–	–	–	–	–	–	–	72,576	72,576	–
–	–	–	–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–	–	–	–
(1,817)	–	–	–	–	–	–	–	–	**160,658**	**121,740**	**38,918**
(665)	–	–		–	–	–	–	–	100,353	89,309	11,044
(1,152)	–	–	–	–	–	–	–	–	60,305	32,431	27,874
–	–	–	–	–	–	–	–	**(8,772)**	**24,077**	**25,782**	**(1,705)**
–	–	–	–	–	–	–	–	–	–	–	–
–	–	**(443)**	–	–	–	–	–	–	**(14,392)**	**(14,392)**	–
–	–	–	–	–	–	–	–	**5,160**	**5,160**	**4,020**	**1,140**
(1,817)	–	**(443)**	–	–	–	–	–	**(3,612)**	**248,079**	–	–
(154)	–	**(443)**	–	–	–	–	–	**(4,597)**	–	**209,726**	–
(1,663)	–	–	–	–	–	–	–	**985**	–	–	**38,353**

Changes during the year									Net equity at 30.06.2015		
	Net equity transactions										
Changes in reserves	New share issue	Purchase of own shares	Extra dividend distribution	Change in capital instruments	Derivatives on own shares	Stock options	Changes in equity investments	Compre-hensive income 1st half 2015	Total	Group	Minority interests
–	–	–	–	–	–	–	–	–	**72,576**	**72,576**	–
–	–	–	–	–	–	–	–	–	72,576	72,576	–
–	–	–	–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–	–	–	–
50,168	–	–	–	–	–	–	–	–	**152,547**	**117,253**	**35,294**
3,641	–	–		–	–	–	–	–	94,714	87,315	7,399
46,527	–	–	–	–	–	–	–	–	57,833	29,938	27,895
–	–	–	–	–	–	–	–	**(1,513)**	**26,834**	**29,263**	**(2,429)**
–	–	–	–	–	–	–	–	–	–	–	–
–	–	**(498)**	–	–	–	–	–	–	**(12,908)**	**(12,908)**	
–	–	–	–	–	–	–	–	**5,553**	**5,553**	**4,136**	**1,417**
50,168	–	**(498)**	–	–	–	–	–	**4,040**	**244,602**	–	–
18,662	–	**(498)**	–	–	–	–	–	**4,700**	–	**210,320**	–
31,506	–	–	–	–	–	–	–	**(660)**	–	–	**34,282**

CONSOLIDATED STATEMENT OF CASH FLOWS (indirect method)

(in thousands of euros)

	Amount	
	30.06.2016	30.06.2015
A. OPERATING ACTIVITIES		
1. Management	**(2,458)**	**34,168**
- net profit (loss) for the year (+/-)	4,020	4,136
- capital gains/losses on financial assets held for trading and on financial assets/liabilities carried at fair value (-/+)	(667)	(15)
- capital gains/losses on hedging assets (-/+)	(2,289)	–
- net value adjustments/write-backs for impairment (+/-)	855	1,488
- net value adjustments/write-backs on tangible and intangible fixed assets (+/-)	359	406
- net allocations to the provisions for risks and charges and other costs/revenues (+/-)	1,092	369
- net premiums not received (-)	–	–
- other insurance income/expenses not received (-/+)	–	–
- taxes, duties and tax credits not liquidated (+/-)	1,121	1,409
- net value adjustments/write-backs of disposal groups after tax (+/-)	–	–
- other adjustments (+/-)	(6,949)	26,375
2. Cash generated by/used in financial assets	**(439,557)**	**(87,172)**
- financial assets held for trading	25,005	74,696
- financial assets carried at fair value	–	–
- available-for-sale financial assets	(385,234)	(89,446)
- due from banks: on demand	(30,898)	(8,926)
- due from banks: other receivables	(1,410)	3,847
- due from customers	(49,058)	(57,928)
- other assets	2,038	(9,415)
3. Cash generated by/used in financial liabilities	**454,063**	**74,979**
- due to banks: on demand	(9,661)	(19,051)
- due to banks: other payables	3,107	(57,250)
- due to customers	463,165	171,251
- outstanding securities	(1,996)	(19,987)
- financial liabilities held for trading	(3,441)	334
- financial liabilities carried at fair value	–	–
- other liabilities	2,889	(318)
Cash generated by/used in operating activities	**12,048**	**21,975**

	Amount	
	30.06.2016	30.06.2015
B. INVESTING ACTIVITIES		
1. Cash generated by	**1,030**	**1,169**
- disposals of equity investments	–	–
- dividends received on equity investments	1,039	789
- disposal of financial assets held to maturity	(19)	380
- disposals of tangible assets	10	–
- disposals of intangible assets	–	–
- disposals of subsidiaries and business units	–	–
2. Cash used in	**(216)**	**(38,496)**
- purchases of equity investments	–	–
- purchases of financial assets held to maturity	–	–
- purchases of tangible assets	(160)	(417)
- purchases of intangible assets	(56)	(38,079)
- purchases of subsidiaries and business units	–	–
Cash generated by/used in investing activities	**814**	**(37,327)**
C. FINANCING ACTIVITIES		
- issues/purchases of own shares	(443)	(498)
- issues/purchases of capital instruments	–	–
- dividend distribution and other purposes	(12,400)	15,597
Cash generated by/used in financing activities	**(12,843)**	**15,099**
CASH GENERATED/USED DURING THE YEAR	**19**	**(253)**

Key:
(+) generated
(-) used

RECONCILIATION	**30.06.2016**	**30.06.2015**
ITEMS		
Cash and cash equivalents at the beginning of the year	469	665
Total net cash generated/used during the year	19	(253)
Cash and cash equivalents: effect of exchange rate changes	–	–
Cash and cash equivalents at the end of the year	488	412

NOTES TO THE FINANCIAL STATEMENTS

The sections applicable to the Group are shown below.

Part A – Accounting policies

A.1 – General information

Section 1 - Statement of compliance with international accounting standards
Section 2 - General financial reporting principles
Section 3 - Scope and methods of consolidation
Section 4 - Subsequent events
Section 5 - Other information

A.2 – Information on the main financial statement items

A.3 – Information on transfers between portfolios of financial assets

A.4 – Information on fair value

A.5 – Report on the so-called "day one profit/loss"

Part B – Information on the consolidated balance sheet

ASSETS

Section 1 - Cash and cash equivalents – Item 10
Section 2 - Financial assets held for trading – Item 20
Section 4 - Available-for-sale financial assets – Item 40
Section 5 - Financial assets held to maturity – Item 50
Section 6 - Due from banks – Item 60
Section 7 - Due from customers – Item 70
Section 8 - Hedging derivatives – Item 80
Section 10 - Equity investments – Item 100
Section 12 - Tangible assets – Item 120
Section 13 - Intangible assets – Item 130
Section 14 - Tax assets and liabilities – Items 140 (assets) and 80 (liabilities)
Section 16 - Other assets – Item 160

LIABILITIES

Section 1 - Due to banks – Item 10
Section 2 - Due to customers – Item 20
Section 3 - Outstanding securities – Item 30
Section 4 - Financial liabilities held for trading – Item 40
Section 8 - Tax liabilities – Item 80
Section 10 - Other liabilities – Item 100
Section 11 - Staff severance fund – Item 110

Part A – Accounting policies

A.1 – General information

Section 1 – Statement of compliance with international accounting standards

The Condensed consolidated financial statements at 30 June 2016 of Banca Finnat Euramerica Group have been prepared applying the International Accounting Standard (IAS) and the International Financial Reporting Standards (IFRS), as amended by the International Accounting Standards Board (IASB) and approved by the European Commission, in force at 30 June 2016, in accordance with the procedures laid down in EC Regulation No. 1606/02.

The international accounting standards have been applied taking into account, where necessary, the "Framework for the Preparation and Presentation of financial statements" (the Framework).

For further guidance on the application of the new accounting standards, the Company has also referred to the interpretations provided by the International Financial Reporting Interpretations Committee (IFRIC), as well as the documents issued to support the introduction of the IAS/IFRS in Italy by the Organismo Italiano di Contabilità (OIC) – the Italian Accounting Board – and the documents produced by the Italian Bankers' Association (ABI).

If no standard or applicable interpretation applied specifically to a transaction, other event or condition, reference was made to the provisions and guidelines contained in the standards and interpretations dealing with similar and related issues, taking into account the Framework provisions.

Section 2 – General financial reporting principles

In accordance with the requirements jointly issued by the Bank of Italy, Consob and Isvap no. 2 of 6 February 2009 and paragraphs 25 and 26 of IAS 1, the Directors of the Bank have taken into account with the utmost caution and attention – for the purpose of preparing the Condensed consolidated half-yearly financial statements – a series of financial, management and other indicators, in order to identify the existence of any circumstance that may be relevant for assessing the compliance with the going concern requirement.

As a result of the audits carried out in respect of the realisable value of the assets – based on prudent and weighted assessments – and in consideration of the reliability and results of the risk measurement systems, the Directors of the Bank are confident there is no evidence that could cast doubts in respect of the Group's going concern assumption. Given the size of the Group's assets, the substantial financial resources owned and the breakdown, quality and liquidity of the portfolio of financial assets, the Directors of the Bank have prepared these consolidated financial statements in the full conviction that the Group meets the requirements of a going concern in the foreseeable future.

The Group's consolidated half-yearly financial statements at 30 June 2016 have been prepared in the condensed format, consistently with IAS 34 on "Interim Financial Reporting". These financial statements, therefore, do not contain all the information required of the annual financial statements and should be examined jointly with the financial statements at 31 December 2015, also prepared in accordance with the IFRS standards issued by the International Accounting Standards Board (IASB) and approved by the European Commission pursuant to its regulation No. 1606/2002.

These Condensed consolidated half-yearly financial statements have been prepared, in part, by applying the provisions laid down by Circular No. 262 of 22 December 2005 "Banks' financial statements: layout and preparation" – 4th revision of 15 December 2015 – issued by the Bank of Italy in the exercise of the powers established by Article 9 of Italian Legislative Decree No. 38/2005.

These Condensed consolidated half-yearly financial statements comprise:

- Consolidated balance sheet;
- Consolidated income statement;
- Consolidated statement of comprehensive income;
- Consolidated statement of changes in net equity;
- Consolidated statement of cash flow;
- Notes to the Financial Statements.

In accordance with IAS 34, the half-yearly data consolidated at 30 June 2016 have been compared with the corresponding balance sheet and income statement. In particular, while the Balance Sheet has been compared with the figures at 31 December 2015, the Income Statement and the Statement of Comprehensive Income for the first half of 2016 have been compared with the figures for the corresponding period of the previous year.

In the Interim report on operations, in order to facilitate the comparison of figures from different periods, and provide a greater insight into the financial and operating situation, the half-yearly results are shown in a condensed format, which also requires certain items to be grouped together, where practicable.

The information on the profit or loss made in the half-year period by the Group, broken down by sector of activity (Part L – Segment Reporting) is further commented on and investigated in the Interim report on operations.

The Group's Condensed consolidated half-yearly financial statements was partially audited by EY S.p.A.

The accounting principles applied to prepare these Condensed consolidated half-yearly financial statements are the same as those applied to prepare the consolidated financial statements for 2015, and the accounts on which the consolidation process was based are those prepared by the subsidiaries, at 30 June 2016, suitably adjusted, if necessary, to ensure uniformity with the Group's accounting principles and decisions.

These Condensed consolidated half-yearly financial statements have been prepared pursuant to IAS 1 Presentation of financial statements, based on the respect of such concepts as going concern, the accrual basis of accounting and the consistent presentation and classification of the relevant items. The assets and liabilities, income and expenses have not been offset, except where required or allowed by a principle or interpretation. The cost of inventory and of the financial instruments was calculated using the weighted average daily cost method, as required by IAS 2, paragraph 25.

Consistently with Article 5 of Legislative Decree 38 of 28 February 2005, the Condensed consolidated half-yearly financial statements were prepared using the Euro as the presentation currency. Regarding the contents of the tables, all figures are expressed in thousand euros, unless otherwise specified.

As regards disclosures to be provided in the consolidated financial statements, the directors of the Bank have also considered that indicated in the joint document no. 4 of 4 March 2010 issued by Bank of Italy, Consob and Isvap.

The consolidated financial statements for Banca Finnat Euramerica were audited by EY S.p.A., to whose report attached hereto specific reference is made.

Following are the Regulations endorsed by the European Commission which shall apply from 1 January 2016 onwards:

- Regulation No. 28/2015 – IFRS 2010-2012 annual improvements cycle.
- Regulation No. 29/2015 – IAS 19 Defined Benefit Plans: employee contributions;
- Regulation No. 2113/2015 – Amendments to IAS 16 Property, plant and equipment;
- Regulation No. 2173/2015 - Amendments to IFRS 11 Accounting for Acquisitions of Interests in Joint Operations;
- Regulation No. 2231/2015 – Amendments to IAS 16 Property, plant and equipment and to IAS 38 Intangible assets: Clarification of Acceptable Methods of Depreciation and Amortisation;
- Regulation No. 2343/2015 – IFRS 2012-2014 annual improvements cycle;
- Regulation No. 2406/2015 – Amendments to IAS 1 Presentation of Financial Statements: Disclosure Initiative;
- Regulation No. 2441/2015 – Amendments to IAS 27 Separate Financial Statements: Equity Method in Separate Financial Statements.

The adoption of the above-mentioned Regulations did not impact these Condensed consolidated half-yearly financial statements.

Moreover, on 24 July 2014 the IASB issued IFRS 9 Financial instruments, which will regulate the classification and measurement of financial instruments taking the place of the current IAS 39. This standard, which shall enter into force on 1 January 2018, has not yet been endorsed by the European Commission.

Section 3 – Scope and methods of consolidation

Equity investments in exclusively controlled subsidiaries

Company names	Principal place of business	Registered office	Type of relationship (1)	Investment relationship		Voting rights % (2)
				Investor company	% stake	
1. InvestiRE SGR S.p.A.	Rome	Rome	1	Banca Finnat	50.16	50.16
2. Finnat Fiduciaria S.p.A.	Rome	Rome	1	Banca Finnat	100.00	100.00
3. Finnat Gestioni S.A.	Lugano	Lugano	1	Banca Finnat	70.00	70.00

Key:

(1) Type of relationship:
1 = majority voting rights in ordinary shareholders' meetings; 2= considerable influence in ordinary shareholders' meetings; 3= agreements with other shareholders; 4= other forms of control; 5= sole direction as per article 26, paragraph 1 of Italian Legislative Decree no. 87/92; 6= sole direction as per article 26, paragraph 2 of Italian Legislative Decree no. 87/92.

(2) Voting rights in ordinary shareholders' meetings, with a distinction between effective and potential rights.

The percentage of voting rights in the shareholders' meeting is effective.

Significant evaluations and assumptions to determine the scope of consolidation

The scope of consolidation includes:

- the financial statements of the Parent Company Banca Finnat Euramerica S.p.A. and of the subsidiaries, consolidated on a line-by-line basis;
- the financial statements of directly and indirectly associated companies stated at equity, or the last financial report available at the time of preparation of the condensed consolidated financial statements.

The scope of consolidation includes all subsidiary companies, regardless of their legal status, and of whether they are going concerns or being wound up and there are no jointly controlled entities.

The scope of consolidation has not changed compared to the financial statements for the year ended 31 December 2015.

Subsidiaries

Subsidiaries are companies whose financial and operating policies are directly or indirectly determined and controlled by the Group to which they belong and which Group can, therefore, benefit from their activities. When determining control, account should also be taken of the companies in which Banca Finnat directly or indirectly holds more than half of the voting rights. The voting rights also include the so-called “potential” rights, which can be consistently exercised or converted into effective voting rights at any time.
The financial statements of subsidiaries are consolidated from the date on which the parent company obtains control over the company until the date on which that control ceases.

Associated companies

Associated companies are entities whose financial and operating policies are significantly influenced by the Group, but which it does not control, either jointly or separately; they are included in the consolidation according to the net equity method. The profit or losses of the Group are recorded in the consolidated income statement from the date on which the significant influence started and up to the date on which it ceases.

If the loss by the Group exceeds the book value of the equity investment then the value of the equity investment is derecognised and, if the investing company is committed to performing legal or implicit obligations of the investee company, or in any event to hedging its losses, any surplus is recognised in a specific liability fund.

Line-by-line consolidation

All the financial statements of the part-owned companies used to prepare the consolidated financial statements were drawn up on 30 June and, if necessary, adjusted to ensure the uniform application of the same accounting principles applied by the Parent Company.

The assets and liabilities, expenses and income of the companies consolidated according to the line-by-line method are fully recognised in the consolidated financial statements ("line-by-line" recognition of the balance sheet and income statement aggregates of the subsidiaries), after the recording of any minority interests in specific items; the book value of the equity investments is written off for the corresponding fraction of the net equity of the investee companies, recording the single asset and liability items (including the provisions for risks and charges) at their current value on the date of acquisition of control. Any positive difference resulting from the said writing off is recorded as goodwill, under the asset item "Intangible assets", at the date of the first consolidation and, thereafter, among the net equity reserves. Any negative difference is recorded in the Income Statement.

All intra-group balances (assets, liabilities, revenues and costs) and transactions, including any unrealised profit or loss resulting from intra-group transactions, are written off minus their theoretical fiscal effect, if significant. The Group's share of unrealised profit and loss with associated companies is written off.

Unrealised losses are written off only if they represent impairment losses.

The presentation currency of the Group's financial statements is the Euro, which is also the functional currency of all the companies included in the consolidated financial statements.

Non-monetary assets and liabilities in foreign currencies, recorded at historical cost, are translated using the exchange rate at the date on which the transaction was originally recorded.

The financial statements of the consolidated companies expressed in foreign currencies were translated according to the exchange rate at the reporting date for the assets and liabilities; for the income statement items, the average exchange rates in the period were used, and the historical exchange rates for the net equity items. The differences between the values of the net equity items at the historical exchange rates and those descending and resulting from the translation thereof at the current exchange rates are recorded and, indeed, posted at the current exchange rates in the net equity item called "Other reserves".

Net equity consolidation method

This method provides for the initial recording of the investee company at cost. The book value is then periodically adjusted to take into account changes in the investee company's net equity. The pro quota allocation of the net income of the investee company is recorded in a specific item of the consolidated income statement. The net equity of the associated companies is inferred from the latest financial report available at the time of preparation of the consolidated financial statements.

The difference – if any – between the book value and the recovery value of the equity investment, estimated based on the present value of the future cash flows generated by the investment itself, is recorded in the income statement.

Section 4 – Subsequent events

In the period spanning from the end of the first six months, at 30 June 2016, to the date on which these Condensed consolidated half-yearly financial statements were prepared, no significant events or factors that could affect the financial and equity position or results of operations of the Group emerged.

Section 5 – Other information

Information on risks and related hedging policies

Regarding the risks that can affect the management of the Finnat Group, and the monitoring systems put into place, to date, to strengthen the systems aimed at ensuring the full and effective protection of savers and investors, reference should be made to the in-depth exposition on the matter contained in the consolidated financial statements at 31 December 2015.

Risks and uncertainties linked to the use of estimates

In compliance with the IAS/IFRS standards, the Bank and the other Group companies carry out evaluations, estimates and assumptions in support of the application of the accounting standards and for the determination of the amounts of the assets, liabilities, costs and revenues reported in the consolidated financial statements. In respect of the preparation of these Condensed consolidated half-yearly financial statements, the Bank and the other companies of the Group have used estimates (based on the most recent available data), in several limited cases and for immaterial amounts, in respect of both several balance sheet and several income statement items.

A.2 – Information on the main financial statement items

The main accounting standards adopted in preparing the Condensed consolidated half-yearly financial statements at 30 June 2016 remained unchanged with respect to those adopted for the financial statements at 31 December 2015 as concerns classification, measurement and write-off criteria in general, and the recognition criteria for costs and revenues.

1 - Financial assets held for trading

Classification criteria

This category includes debt securities, equities, mutual investment funds and the positive fair value of derivative contracts other than those held for hedging purposes. In addition, the positive fair value of the derivatives entered into by the Group for risk hedging purposes, but which do not pass the effectiveness test, is also recorded.

The classification of a financial instrument in the category of assets or liabilities held for trading should be made at the initial recognition. The reclassification of these types of instruments is permitted only in “rare circumstances” and should in any case be made at the fair value as at the transfer date.

Recognition criteria

Financial instruments are recorded in the category on the settlement date, except for derivatives that are recognised by the subscription date.
They are initially recognised at their fair value, which usually coincides with the purchase price.

Measurement criteria

Subsequent as at initial recognition, financial assets held for trading are carried at their fair value, with the results of any change in value recorded in the income statement. The fair value of assets held in a trading portfolio should be determined on the basis of active market prices or, failing these, on the basis of prices supplied by external operators or, lastly, calculated using the results of internal valuation models that are generally used in financial practice, which are believed to provide reliable estimates of the prices of current market transactions.

Derecognition criteria

Financial assets are derecognised when the contractual rights on the financial flows deriving from the assets are lost, or in the case of a transfer, when it entails the substantial assignment of all the risks and benefits associated with the assets. If it is not possible to determine the transfer of the risks and benefits, the financial assets in the category are derecognised when the control thereof is transferred. Otherwise, the financial assets are maintained on the balance sheet to the extent of the entity’s involvement, measured by the exposure of the assets transferred to value changes.

Recognition criteria of income components

The profit or loss resulting from disposals or repayments, and the unrealised profit or loss resulting from changes in the fair value of any financial asset held for trading, will be recorded under item 80 of the income statement “Net income from trading activities”, together with the result of the valuations of the foreign-currency assets and liabilities.

Interest is recorded on an accrual basis under item 10 "Interest income and similar income", dividends from equities or fund units are recorded under item 70 "Dividends and similar income", as soon as entitlement to them arises.

2 - Available-for-sale financial assets

Classification criteria

The available-for-sale financial assets include investment fund units, debt securities and equity investments in companies that do not qualify as establishing control or joint control over or association with the said companies. Moreover, this group of assets also includes non-derivative financial assets that cannot be included in the other financial trading asset categories or among the receivables or investments held to maturity, according to the criteria envisaged by a specific framework resolution passed by the BoD.

Recognition criteria

Financial instruments are recorded at their settlement date, except for receivables which are booked at the date of the relevant transaction.

Available-for-sale financial assets are initially recognised at fair value, which normally corresponds to the price paid for them. Costs or revenues directly related to the transaction, if specifically identified at the time, are included in the purchase cost.

Measurement criteria

Subsequent to initial recognition, financial assets held for trading are still carried at their fair value, with the recognition in the income statement of the interest according to the amortised cost approach. Gains and losses deriving from the change in fair value are recorded in a specific net equity reserve, net of the tax effect, unless conditions are met for recording value adjustments as a result of a significant or prolonged decrease in value.

Equity investments in other companies that can be classified as strategic investments, but which do not qualify as establishing control or joint control over or association with the company, and which are not listed in an active market, do not feature prices provided by market operators and for which a reliable fair value cannot be established, through the use of the internal valuation models generally used in financial practice, are maintained at purchase cost.

At the end of every accounting period, audits are carried out to verify the existence of objective evidence of impairment of value of the financial instruments included in this group of assets.

Derecognition criteria

Financial assets are derecognised when the contractual rights on the cash flows deriving from the assets are lost, or in the case of a transfer, when it entails the substantial assignment of all the risks and benefits associated with the assets. If it is not possible to determine the transfer of the risks and benefits, the financial assets in the category are derecognised when control thereof is transferred. Otherwise, the financial assets are maintained on the balance sheet to the extent of the entity's involvement, measured by the exposure of the assets transferred to value changes.

Recognition criteria of income components

At the time of the transfer, the after-tax gains or losses previously recorded in the net equity reserve are moved to income statement item 100 “Profit (loss) from the transfer or repurchase of b) available-for-sale financial assets”.

Any long-lasting impairment is assessed in relation to the duration and extent of the impairment itself. Lacking any other negative element (such as any difficulty in the debt service by the issuer, unfavourable changes in the context in which the company operates) the impairment of value is generally deemed to be significant and prolonged in nature:

- in the case of capital instruments and UCI units, if the reduction of fair value below the cost exceeds 50% or lasts for an uninterrupted period longer than 18 months;
- in the case of closed-end UCIs – acquired with contractual commitments (lock-up clauses), or consistently with regulatory provisions that require that they be maintained at least until the expiry of either the relevant contract or the financial instrument – the loss of value is generally deemed to be long-lasting in the cases in which the reduction of fair value below the cost exceeds 80%, or lasts uninterruptedly beyond the expiry of the contractual commitment or of the financial instrument itself, after both are reduced by twelve months for prudential reasons;
- in the case of private equity funds – for which the investment decision is consistent with maintaining the financial instrument in the Group’s portfolio for a medium-to-long-term time horizon, in relation to the expected income-producing potential thereof and the existence of any possible operational and business synergies – the loss of value is normally deemed to be long-lasting in the cases in which the reduction of fair value below the cost exceeds 80% or persists uninterruptedly beyond half the fund’s duration;
- in the case of debt securities in which the reduction of fair value below the cost exceeds 30%, or continues uninterruptedly for a period of more than 18 months.

If an available-for-sale financial asset suffers an impairment loss, the cumulated unrealised loss previously recorded in the net equity is reversed from the net equity and recognised in the income statement under item 130 “Net value adjustments/write-backs for the impairment of: b) available-for-sale financial assets”. If the circumstances that led to the recognition of an impairment loss cease to exist, following an event that is subsequent to the recognition of the impairment of value, a write-back is posted to net equity, in the case of equities, and to the income statement, in the case of debt securities and receivables. The write-back may not exceed the cost (amortised as applicable) that the financial instrument would have had in the absence of the previous adjustment.

3 - Financial assets held to maturity

Classification criteria

This group of assets includes non-derivative financial assets with fixed payments, or payments that can be calculated and with fixed due dates, which, in accordance with IAS 39, are destined to remain in the company’s net equity in the long-term, based on a specific resolution passed by the BoD to this effect. As a result of a change in the Directors’ intention or ability, or if it is no longer possible to hold an investment until its maturity, the investment is reclassified among the available-for-sale financial assets, according to the special procedures set out in the above-mentioned IAS 39.

Recognition criteria

Financial assets are recorded at the settlement date.

Financial assets held to maturity are initially recognised at their fair value, which normally corresponds to the price paid for them. Costs or revenues directly related to the transaction, if specifically identified at the time, are included in the purchase cost. If the recognition in this group of assets occurs after the reclassification of the Assets held for trading or of the Available-for-sale assets, permitted in "rare circumstances" (in accordance with IAS 39 and IFRS 7), the fair value of the assets, at the date of reclassification, is taken as the new amortised cost of the assets themselves.

Measurement criteria

Following their initial recognition, the financial assets held to maturity are adapted to their amortised cost based on the effective interest rate method, and adjusted to take into account the effects of any write-down. The resulting value is recorded in the income statement under item 10 "Interest income and similar income".

Derecognition criteria

Financial assets are derecognised when the contractual rights on the cash flows deriving from the assets are lost, or in the case of a transfer, when it entails the substantial assignment of all the risks and benefits associated with the assets. If it is not possible to determine the transfer of the risks and benefits, the financial assets in the category are derecognised when control thereof is transferred. Otherwise, the financial assets are maintained on the balance sheet to the extent of the entity's involvement, measured by the exposure of the assets transferred to value changes.

Recognition criteria of income components

At the time of their transfer, the gains and losses resulting from the transfer of these assets are recorded in the income statement under item 100 "Profit/loss from the transfer or repurchase of: c) financial assets held to maturity".

At the end of every accounting period, audits are carried out to verify the existence of objective evidence of impairment of value of the financial instruments included in this group of assets.

If there is evidence of impairment of value, the relevant loss is measured as the difference between the book value of the asset and its present value of the estimated cash flows, discounted at the effective interest rate. The loss is recorded in the income statement under item 130 "Net value adjustments/write-backs for the impairment of c) financial assets held to maturity".

If the circumstances that led to the recognition of an impairment loss cease to exist, following an event that is subsequent to the recognition of the impairment of value, a write-back is posted to the income statement under the same item 130.

4 - Receivables

Classification criteria

This asset group includes receivables due from customers and banks, with fixed and determinable payments, paid directly or acquired from third parties that are not listed on active markets and that have not been originally classified among the financial assets held for trading, available-for-sale financial assets or carried at fair value.

The receivables item also includes operating loans linked to the supply of financial services, repos and unlisted bonds.

Recognition criteria

Financial assets included in this group are initially recorded on the date on which they were provided or, in the case of repos, on the settlement date.

Initial recognition is made on the basis of the fair value of the instrument, which, given the nature and characteristics of the transactions, is equal to the amount provided or the purchase cost. The initial recognised value includes any cost or income related to the transaction, and known at the time, and will be spread over the residual life of the instrument, participating in the formation of the effective interest rate of the transaction (amortised cost method). Internal administrative related costs due from customers are not included.

Valuation and recognition criteria of income statement items

After their initial recognition, receivables are stated at their amortised cost, which is equal to the initial recognition value reduced/increased by capital repayments, by any value adjustment/write-back and by the amortisation calculated on the basis of the effective interest rate, any transaction cost or income known or determinable at the time of provision of the credit.

In the case of short-term receivables, given that the effect of the amortisation is considered negligible, the costs and income directly related to the transactions are posted directly in the income statement.

The amortisation of the transaction costs and income – based on the effective interest rate – is not applied in the case of on-demand receivables and, as a rule, to undated loans. In the case of on-demand loans and, as a rule, undated loans, the relevant value recorded in the financial statements is made equal to the amount paid out, minus any value adjustment.

In accordance with the international accounting standards, all receivables are calculated in compliance with the following criteria:

- significant positions are subject to itemised valuation. A similar procedure is followed for non-performing loans that are individually deemed to be of a non-significant amount;
- classification within the anomalous loan classes specified by the current regulations issued by the Bank of Italy: non-performing loans, likely defaults (formerly, impaired loans) and past due receivables, is deemed to be objective impairment test evidence;
- performing loans that are insignificant on an individual basis, and for which there is no objective evidence of impairment are collectively valued by grouping them together on a like-for-like risk profile basis. Their value adjustment is calculated on the basis of the historical trend of decline rates referring to each relevant group that are periodically published by the Bank of Italy. In determining the historical loss series the positions that are subject to itemised valuation are removed from the loan population;
- value adjustments determined on a line-by-line basis or collectively are recorded in the income statement in item 130 "Net value adjustments/write-backs for the impairment of a) receivables".

If the circumstances giving rise to the impairment losses cease to exist, the losses are reversed in full or in part. As a result, any write-back, objectively related to an event occurring after the value adjustment was made, is recognised to the income statement until it reaches the amortised cost that the instrument would have had without the previous adjustments.

Impaired exposures, on the basis of the matters established by Bank of Italy Circular No. 272/2008 (7th revision published on 20 January 2015) - are broken down as follows:

- non-performing loans – this is the area of formally impaired loans, including exposure to insolvent customers, even if they have not yet been legally acknowledged as such, or customers in similar positions;
- likely defaults (formerly, impaired loans) - these define the credit area that covers loan exposures, other than non-performing loans, for which the bank deems unlikely that, without initiating actions like the enforcement of guarantees, the debtor will completely fulfil its obligations (in terms of principle and/or interest);
- past due receivables – are the total exposures to counterparties, other than those classified above, which, at the reference date, feature receivables that have expired or have been past due for over 90 days and exceed a given materiality threshold.

Moreover, the Bank of Italy, with the aforesaid revision, also introduced the category of "forborne exposures".
This classification is applied to credit exposures for which changes to the contractual conditions or total or partial refinancing were allowed, because of the debtor's financial hardship, which may cause a loss for the lender.
These exposures are distinguished in forborne performing and forborne non-performing. The latter are represented as an "of which" sub-set of each of the three categories of impaired exposures and hence they do not constitute a separate category.

Derecognition criteria
Financial assets are derecognised when the contractual rights on the cash flows deriving from the assets are lost, or in the case of a transfer, when it entails the substantial assignment of all the risks and benefits associated with the assets. If it is not possible to determine the transfer of the risks and benefits, the financial assets in the category are derecognised when the control thereof is transferred. Otherwise, the financial assets are maintained on the balance sheet to the extent of the entity's involvement, measured by the exposure of the assets transferred to value changes.
Gains or losses resulting from the derecognition of the same are recorded in the income statement.

6 - Hedging Transactions
Classification criteria
Risk hedging transactions are directed at neutralising potential losses, attributable to a determined risk, and recognisable on a determined element or group of elements, if that specific risk should actually manifest itself.
IAS 39 provides the following types of hedges:

- Fair value hedge, whose purpose is to hedge exposure to the change in the fair value of an item attributable to a specific risk;
- Cash flow hedge, whose purpose is to hedge exposure to changes in future cash flows attributable to specific risks associated with financial statement items;

- hedge of an investment denominated in a foreign currency, whose purpose is to hedge the risks of an investment in a foreign entity, expressed in a foreign currency.

To date, the Bank has only used the Fair value hedge type.

Recognition criteria

Hedging derivatives, like all derivatives, are initially recognised and subsequently measured at fair value.

Valuation and recognition criteria of income statement items

Hedging derivatives are carried at fair value. In the case of fair value hedging, the change in fair value of the hedged element is offset with the change in fair value of the hedging instrument. This offset is recognised through the recognition in the income statement - under item 90 "Net income from hedging activities" - of said value changes, referred both to the hedged element (with regard to the changes caused by the underlying risk factor), and to the hedging instrument. Any difference, which represents the partial ineffectiveness of the hedge, consequently constitutes its net economic effect.

The derivative is designated as a hedging derivative if there is a formalised documentation of the relationship between the hedged instrument and the hedging instrument and if it is effective at the time when the hedge starts and, prospectively, throughout the time of its validity.

The effectiveness of the hedge depends on the extent to which the changes in fair value of the hedged instrument are offset by those of the hedging instrument. Therefore, the effectiveness is determined by the comparison between the aforesaid changes, taking into account the intent pursued by the company when the hedge was established.

There is effectiveness when the changes in fair value of the hedging financial instrument neutralise almost entirely, i.e. within the limits set by the 80-125% range, the changes in the hedged instrument, for the risk element to be hedged.

The effectiveness is assessed at the date of each set of financial statements or interim report, using:

- prospective tests, which justify the application of hedge accounting, inasmuch as they demonstrate its expected effectiveness;
- retrospective tests, which highlight the degree of effectiveness of the coverage attained in the period to which they are referred, i.e. which measure the extent to which the actual results deviated from perfect hedging.

If the tests do not confirm the effectiveness of the hedge, from that moment forward hedge accounting for the transactions, as set out above, is stopped, the hedging derivative is reclassified among trading instruments and the hedged financial instrument reacquires the measurement criteria that matches its classification in the financial statements.

7 - Equity investments

Classification criteria

The item "Equity investments" includes investments in associated companies.

Equity interests in other companies in which the Parent Company does not exercise control or over which it has no significant influence, either directly or through its subsidiaries, but which are acquired as long-term investments and not held for the purpose of trading, are classified as "Available-for-sale financial assets", in accordance with IAS 39.

Recognition criteria

Equity investments are recorded at their settlement date and at purchase – or subscription – cost, including the additional charges and subsequent adjustment, on the basis of the stake held in the investee company.

Valuation and recognition criteria of income statement items

After initial recognition, the book value will be adjusted to reflect changes in the net equity of the investee company. The pro quota share of the net income of the investee company is recorded under item 240 "Profit/loss from equity investments" of the income statement.

Derecognition criteria

Equity investments are derecognised when they are transferred, with the substantial transfer of all related risks and benefits, or when the contractual rights to cash flows deriving from them expire.

8 - Tangible assets

Classification criteria

This item includes the assets for permanent use held to generate income and the property held for investment purposes.
Tangible assets also include advance payments made for the purchase and revamping of assets that are not yet part of the production process and hence not yet subject to depreciation.

Recognition criteria

All classes of property, plant and equipment recognised as assets are initially recorded at cost, insofar as it is representative of their fair value. The cost includes the purchase price, non-recoverable purchase taxes and any cost directly descending from the installation of the asset for its intended use, minus any trade discount.
Financial expenses are recorded according to IAS 23 and, therefore, recognised as a cost in the year in which they were incurred.
Overheads and administrative expenses are not included in the initial cost of the assets in question, unless they are directly descended from the purchase of the asset or its installation.

Valuation and recognition criteria of income statement items

Following their initial recognition, instrumental fixed assets and fixed investments are valued at cost minus the accumulated depreciation and taking into account any value impairment and/or revaluation.
This principle has been adopted because it was deemed more appropriate than the revaluation method provided by the reference accounting standard.

Tangible assets are depreciated each year, at rates calculated by reference to the residual possibility of using the assets, their related useful life and realisable value, except for land (incorporated in the asset value) and works of art, insofar as they have an indefinite life. In the case of land whose value is incorporated in the value of the tangible fixed asset, the relevant separation is made only for free-standing buildings. For assets acquired during the year, the amortisation is calculated on a daily basis starting on the date on which the asset was first used.

Tangible fixed assets featuring an unlimited useful life cannot be depreciated.

Subsequent expenses relating to property, plant and equipment, already recorded, are added to the book value of the asset when it is likely that the future economic benefits exceed the previously established ordinary performance of the asset.

At the end of each financial year, an impairment test is conducted on the assets. More specifically, a comparison is made between the book value of the asset (purchase cost less accumulated depreciation) and its recoverable amount, equal to the greater of the fair value, minus any sales cost, and the related value of use of the asset, meaning the present value of the future cash flows expected from the asset. Adjustments are recorded in the income statement under item 200 "Net value adjustments/write-backs on tangible assets". If the reasons that led to the recognition of the loss cease to apply, a write-back is recorded that may not exceed the value that the asset would have had minus the depreciation calculated in the absence of previous losses in value.

Derecognition criteria
The book value of a tangible asset must be derecognised on its disposal, or when no future economic benefit is expected from its use.

9 - Intangible assets
Classification criteria
Intangible assets include long-term application software. The positive difference between the value of the assets and liabilities acquired following a business combination and the related purchase price of the combined business entity is recorded under the intangible assets as goodwill.

Recognition criteria
Intangible assets are recorded at cost. The purchase cost may be adjusted for ancillary charges. The costs incurred for the purchase of intangible assets are recognised only if they are identifiable, their cost can be measured reliably, they can be controlled and they are able to generate future economic benefits. Otherwise, the cost of the intangible asset is recorded in the income statement in the year in which it was incurred.

Valuation and recognition criteria of income statement items
Following their initial recognition, intangible assets are recorded at cost, less the accumulated amortisation and any impairment of value. The "at cost" valuation method was deemed more appropriate than the "redetermination of value" method. The cost of intangible assets is amortised, minus the recoverable amount, on the basis of their estimated useful life. For assets acquired during the year, the amortisation is calculated on a daily basis starting on the date on which the asset was first used. In the case of assets transferred and/or disposed of during the year, the amortisation is calculated on a daily basis until the date of transfer and/or disposal.
If the useful life of the fixed asset cannot be established and appears to be indefinite (goodwill), the asset is not amortised, however it is periodically tested for impairment and, in any case, each time objective evidence is found to this effect its initial recognition value may have to be changed. The performance of

this test entails the prior allocation of goodwill to a cash-generating unit, whose value can be reliably estimated. Goodwill impairment is calculated as the difference between its book value and the estimated recoverable amount, determined by reference to the cash-generating unit to which the goodwill in question has been allocated. Any impairment calculated as the difference between the book value of the fixed asset and its recoverable amount is recorded in the income statement under item 260 "Goodwill adjustments". Goodwill impairment may not be reversed in future accounting periods as required by IAS 36.

Regarding intangible assets other than goodwill, if there is evidence of impairment, an estimate is made each year of the recoverable amount of the assets. The amount of the loss, recorded in the income statement, is equal to the difference between the book value of the asset and its recoverable amount. If the recoverable amount of a specific intangible asset cannot be determined, then the asset must be assigned to the smallest independent cash-flow-generating unit (CGU), and it is by reference to the latter that the recoverable value is estimated and compared with the book value, to establish the possible impairment loss.

Derecognition criteria
Intangible assets are derecognised when they are sold or when no future economic benefits are expected from their use.

11 - Current and deferred tax
Current and deferred income tax, calculated in accordance with the applicable domestic regulations, is recorded in the income statement, except in the case of items directly charged or credited to net equity. Tax provisions are calculated on a prudential basis and also include the risk provisions set aside in connection with the ongoing disputes.

Since 2004, the Bank and its Italian-based subsidiaries have decided to join the "domestic consolidated tax system", pursuant to Articles 117/129 of the TUIR (Consolidated Income Tax Act). The option was renewed during June 2016 also for the 2016/2017/2018 period.
By virtue of this option, the Group companies determine their proportion of the taxes payable and the corresponding fiscal income (taxable income or fiscal loss) is transferred to the Parent Company, relating to which a single taxable income or loss is reported (resulting from the arithmetical sum of its own and its participating subsidiaries' incomes/losses) and, consequently, a single income tax debit/credit determined.

Deferred tax is calculated based on the fiscal effect of the temporary differences between the book value of the assets and liabilities and their fiscal value, resulting in future taxable amounts or tax deductions. For this purpose, "temporary taxable differences" means those that, in the future, will determine taxable amounts, while "temporary deductible differences" those that, in the future, will determine deductible amounts. Advance taxes are recorded in the financial statements insofar as they are likely to be recovered, based on the capability of the Bank, and of the other Group companies belonging to the "domestic consolidated tax system", to generate taxable income, in the future, on a regular basis.

Deferred taxation is calculated based on the applicable rates, with respect to, (i) the temporary taxable differences, with respect to which there is the likelihood of effectively incurring taxes, and (ii) the temporary

deductible differences, with respect to which there is the reasonable certainty of recovering tax money back.
Deferred taxes are calculated taking into account the rates expected when payment falls due.

If the deferred tax assets and liabilities relate to income statement items, the balancing item is represented by income tax.

When advance and deferred taxes concern transactions recorded in net equity, without affecting the income statement, the directly balancing entry is recorded in net equity, in the specific reserves where provided (valuation reserves).

Current tax assets/liabilities related to income tax for the year are recognised net of any tax paid in advance and any withholding tax incurred.

Advance tax assets and deferred tax liabilities are recorded in the balance sheet, respectively under "Tax assets" and "Tax liabilities".

12 - Provisions for risks and charges

Other provisions

The other provisions for risks and charges include the allocations relating to legal obligations or connected with employment agreements or with disputes, including those of a tax-related nature, originated from a past event for which it is likely that economic resources will be expended to comply with said obligations, provided that a reliable estimate of the related amount can be obtained.

If the time element is significant (expected outlay beyond 12 months), the allocations are discounted to the present with reference to current market rates. The allocation and any subsequent increases in the provisions due to the time factor are recognised in the income statement.
The allocated provisions are subject to periodic reviews and when it becomes unlikely that possible costs may be incurred, the allocations are fully or partly reversed to the benefit of the income statement.

13 - Payables and outstanding securities

Classification criteria

Amounts due to banks, customers and outstanding securities include the various forms of interbank funding and funding from customers, in addition to funding through outstanding bonds, minus any repurchases.

Recognition criteria

On initial recognition, these financial liabilities are recorded upon receipt of the amounts collected at their fair value, which is usually equal to the amount received or the issue price plus/minus any additional cost/income directly attributable to the individual funding or issue transaction, and which has not been reimbursed by/to the creditor.

Valuation and recognition criteria of income statement items

After initial recognition, the above-mentioned financial liabilities are recorded at cost depreciated according to the effective interest rate method, except for short-term liabilities, which remain recorded at their original value, because the effect of time discounting is negligible.

Derecognition criteria

Financial liabilities are derecognised when they expire or are extinguished. A financial liability is considered expired when the debt is settled through payment of the creditor in cash, or by means of other financial assets, goods or services, or when the borrower is legally released from the primary responsibility for the liability.

Derecognition takes place in the event of the repurchase of bonds previously issued. The difference between the book value of liabilities and the amount paid to purchase them is posted in the income statement. The replacement on the market of own shares after they have been repurchased is considered tantamount to a new issue, with the entry of the new placement price.

14 - Financial liabilities held for trading

Classification criteria

This item includes financial liabilities, regardless of their technical form, classified in the trading portfolio. The negative fair value of the derivative contracts concluded by the Bank to manage hedging risks has also been posted, although they do not meet the efficiency test criteria.

Recognition criteria

These liabilities are initially recorded at fair value, which generally corresponds to the amount collected. The initial recognition of financial liabilities occurs at the subscription date.

Measurement criteria

All trading liabilities are carried at their fair value, which is determined in accordance with the procedures shown in the paragraph on “Financial assets held for trading”.

Derecognition criteria

Financial liabilities are removed from the balance sheet when they are extinguished or when the related obligation has been discharged, cancelled or has expired. The resulting difference is recorded in the income statement.

Recognition criteria of income components

Profits and losses arising from changes in the fair value of financial liabilities are recorded under income statement item 80 “Net income from trading activities”.

16 - Foreign-currency transactions

Foreign-currency transactions are recorded in Euros, at their initial recognition, applying the spot exchange rate in force at the date of the transaction.

When preparing the financial statements, items in foreign currencies are recorded as follows:

- in the case of monetary instruments, at the spot exchange rate on the date of preparation of the financial statements, with exchange differences recorded in the income statement under the item “Net income from trading activities”;

- in the case of non-monetary instruments, they are measured at historical cost, at the exchange rate in force at the time of the original transaction;
- in the case of non-monetary instruments carried at fair value, at the spot exchange rate in force at the time of preparation of the financial statements.

Exchange rate differences relating to non-monetary items are recorded applying the accounting standards used for the profits and losses relating to the original instruments.

18 - Other information

1. Own shares

Own shares held are stated in the financial statements at cost, adjusting net equity by a corresponding amount. No profit or loss is recorded in the income statement in connection with the purchase, sale, issue and derecognition of instruments that represent the Bank's capital. The consideration paid or received is recognised directly in net equity.

Any marginal cost incurred for the repurchase of own shares is recorded as a reduction of net equity, as long as it is directly related to the capital transaction that otherwise would not have been incurred.

2. Own share-based payments

Share-based payment plans for employees are recorded in the income statement under the item "Staff costs", in compliance with IFRS 2 and the interpretation document IFRIC 11. A corresponding amount will increase net equity, based on the fair value of the financial instruments at the assignment date, spreading the related charges along the entire duration of the plan.

If stock options are provided, the fair value thereof is calculated using a model that takes into account not only information such as price, duration of the option, current price of the shares, volatility, expected dividends and risk-free interest rate, but also the specific characteristics of the plan. The option and probable realisation of terms according to which the options have been assigned are valued separately in the measurement model.

The combination of both values will result in the fair value of the assigned instrument.

Any reduction in the number of assigned financial instruments is accounted for as a derecognition of a portion thereof.

3. Staff severance fund

The staff severance fund is determined as the Group's present obligation towards its employees, in terms of the related severance indemnity. The amount of this obligation on the date of the financial statements is estimated using actuarial methods and time-discounted using the "projected unit credit method" whereby each period of service is viewed as giving rise to an additional unit of benefit entitlement and each unit is measured separately to build up the final obligation. Once the final obligation is obtained, the Group needs to calculate its present value, even if part of the obligation falls in the twelve-month period after the date of the financial statements. Actuarial profits/losses deriving from defined benefit plans are stated in net equity under Valuation reserves. All other components of the allocation to staff severance obligations accrued during the year are posted in the income statement under item 180. Administrative expenses: a) staff costs in "Staff severance fund", for the amounts paid to the INPS Treasury; "payments to defined contribution supplementary external pension funds" for payments made to Supplementary Retirement Plans and “allocation for staff severance fund” for the adjustment of the fund present in the company.

4. Recognition of revenue and costs

Costs are disclosed in the income statement for the periods in which the related revenue is recorded. Revenues are recognised when received, or if it is likely that future benefits will accrue and such benefits may be reliably measured.

In particular, commission income and other income for services delivered are recorded in the financial statements in the period in which the services were contractually due and provided.

Dividends are recognised in the income statement at the time their distribution is resolved.

Other revenues are recognised in the financial statements in accordance with the accrual principle. In particular:

- interest is recognised on an accrual basis, which considers its effective yield;
- default interest is only recorded when collected;
- regarding the trading of financial instruments, it should be noted that if the consideration received/paid differs significantly from the reliably measured fair value, the difference is recognised in the income statement, in accordance with IAS 39.

5. Manner of determination of the amortised cost

The amortised cost of a financial asset or a financial liability is in general the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction for impairment or uncollectibility.

The effective interest rate is the rate that equalises the present value of future contractual cash payments or receipts until the expiry or the following recalculation date of the price to the net carrying amount of the financial asset or financial liability. In order to calculate the present value, the effective interest rate is applied to the flow of future receipts or payments estimated during the useful life of the financial asset or liability - or a shorter period in the presence of certain conditions (for example, the review of market rates).

If it is not possible to estimate reliably the cash flows or the expected life, the Group uses the expected contractual cash flows for all the period of validity of the contract.

Subsequent to initial recognition, the amortised cost allows to allocate revenues and costs deducted from or summed to the instruments during its expected life through amortisation. The method of determination of the amortised cost depends on whether the valued financial assets/liabilities have a fixed or variable rate.

For fixed-rate instruments, future cash flows are quantified based on the interest rate known during the life of the loan. For variable-rate financial assets/liabilities, whose variability is not known a priori (because, for example, linked to an index), cash flows are determined by maintaining constant the last variable rate recorded. At each date of review of the rate, the redemption plan and the effective interest rate are recalculated over the entire useful life of the instrument, i.e. until the date of expiry. The adjustment is recognised as an expense or income in the income statement.

The valuation at amortised cost is carried out for receivables, financial assets held to maturity, payables and outstanding securities; for debt instruments recorded among the available-for-sale financial assets, the amortised cost is calculated for the sole purpose of booking to the income statement the interests based on the effective interest rate; the difference between the fair value and the amortised cost is recorded in a specific net equity reserve.

6. Fair value option

The Group did not use the so-called "fair value option" envisaged by IAS 39: therefore, items pertaining to this in the balance sheet and income statement are not reported in the statements, inasmuch as they were not measured.

A.3 – Information on transfers between portfolios of financial assets

Transfers between portfolios, in “rare circumstances”, as allowed by IAS 39, were carried out exclusively by the Parent Company as follows:

- in 2008, transferring debt securities from the “Financial assets held for trading” portfolio to the “Assets held to maturity” portfolio, for a total value of 3,600 thousand euros.

- in 2010, transferring 3 UCI units (related to a real estate fund) from the “Financial assets held for trading” portfolio to the “Available-for-sale financial assets” portfolio.

At 30 June 2016, debt securities were repaid at maturity for a total nominal value of 1,600 thousand euros recorded, in 2008, in the “Financial assets held to maturity” portfolio.

The information requested by IFRS 7 is provided below.

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

Type of financial instrument	Source portfolio	Target portfolio	Book value at 30.06.2016	Fair value at 30.06.2016	Income components without the transfer (pre-tax)		Income components recorded for the year (pre-tax)	
					Items	Other	Items	Other
Debt securities	HFT	HTM	1,978	2,003	(3)	2	–	23
UCI units	HFT	AFS	1,496	1,496	(25)	–	(25)	–

A.4 Information on fair value

Levels of fair value 2 and 3: valuation techniques and inputs used

The techniques, valuation processes of the financial instruments and the methods for determining the fair value used by the Group are shown below.

The fair value of financial instruments is determined based on the prices acquired by the financial markets, in the case of instruments listed on active markets (**Level 1**), or on internal valuation models, in the case of all other financial instruments.

If the instrument is not listed on an active market, or if there is no regularly functioning market, i.e. the market does not feature a sufficient and ongoing number of transactions, bid-ask spread and a volatility that is not sufficiently curbed, the fair value of the financial instruments is generally determined based on the use of valuation methods the purpose of which is to establish the price of a hypothetical independent transaction, motivated by normal market consideration, at the date of valuation.

Regarding the valuation techniques, the following are taken into account:

- if available, the prices of recent transactions involving similar instruments, suitably adjusted to reflect the changed market conditions and the technical differences between the valued instrument and the instrument selected as similar in nature (comparable approach);
- valuation models widely used by the financial community, which have proved over the years capable of producing reliable estimates of prices, with respect to the current market conditions (Mark-to-Model).

Financial instruments classified as **Level 1** instruments include:

- stocks and bonds listed on regulated markets. The principal 'price source' of securities listed on regulated markets is the relevant stock exchange, and generally corresponds to the price published by the regulated market on which the security is negotiated. For financial instruments listed on the Italian Stock Exchange, the value is determined using the posted price;
- collective investments schemes, SICAVs and ETFs if available a NAV (Net Asset Value) calculated on a daily basis;
- foreign exchange spot transactions;
- derivatives for which prices are available on an active market (e.g., futures and options).

Lacking prices on an active market, the fair value of financial instruments is calculated according to the so-called "comparable approach" (**Level 2**), based on the use of valuation models making use of parameters that can be directly observed on the market. In this case, the valuation is not based on the prices of the actual financial instruments being valued, but on prices or credit spreads taken from the official listings of substantially similar instruments, in terms of risk-yield factors, using a certain calculation method (pricing model). This approach translates into the search for transactions on the active markets involving instruments that, in terms of their risk factors, are comparable with the valued instrument.

Following is an overview of the valuation techniques used:

- the use of current market prices of other substantially similar instruments, if they are deemed to be highly comparable (based on the country and sector to which they belong, along with their rating, maturity and degree of seniority of the securities), such as to avoid any substantial alteration of the

prices or the use of trading prices – with respect to the same financial instrument – concerning market transactions between independent counterparties;
- the use of prices of similar instruments, in terms of their calibration;
- discounted cash flow models;
- option pricing models.

Financial instruments classified as **Level 2** instruments include:
- UCI funds, with published NAV, and relating to which the NAV is reasonably representative of the value;
- bonds that are not traded on an active market, but which can be priced based on the prices of comparable securities, as inputs for a valuation model. The fair value of bonds without official prices expressed by an active market is calculated by using an appropriate credit spread, determined based on liquid financial instruments with similar features. Moreover, in the case of market transactions – concerning the same financial instrument – between independent counterparties account will be taken of the known trading price;
- OTC derivatives valued based on observable parameters and market models. Interest rate, exchange, share, inflation and commodity derivatives – if they are not traded on regulated markets – are known as Over The Counter (OTC) instruments, i.e. instruments that are bilaterally negotiated with market counterparties, and their valuation is conducted based on specific pricing models, fed by inputs (such as rate, exchange and volatility curves) observed on the market.

Lastly, the determination of the fair value of certain types of financial instruments is based on valuation models that require the use of parameters that cannot be directly observed on the market and which, therefore, require estimates and assumptions by the valuer (**Level 3**).

Financial instruments classified as **Level 3** instruments include:
- unlisted securities. Equity investments held at cost are also conventionally included among the Level 3 instruments;
- funds featuring either an unpublished NAV or a published NAV which, however, is not sufficiently representative of the potential realisation value;
- bonds not listed on active markets, for which there are no comparable instruments, or which require the use of significant assumptions, such as the knowledge of trading prices between independent counterparties;
- OTC derivatives valued using non-market models, or market models based on parameters that cannot be observed on the market.

Level 3 instruments also include financial instruments priced by the Group based on internal valuation models using inputs that cannot be observed on the market and personal assumptions made by the valuer.

Fair value hierarchy

With the introduction of IFRS 13, the rules for measuring the fair value previously included in different accounting principles were set out in a single document.

The fair value is defined as the price that is received for the sale of an asset or that would be paid for the transfer of a liability in an orderly transaction between market participants at the measurement date.

When measuring the fair value of a financial instrument, IFRS 13 refers to the concept of hierarchy of the measurement criteria used, which was at the time introduced by an amendment to IFRS 7 that required the company to classify the measurements based on a hierarchy of levels that reflects the significance of the inputs used in the measurement of financial instruments.

This classification aims to establish a hierarchy in terms of reliability of fair value depending on the degree of discretion applied by enterprises, giving priority to the use of parameters observable on the market reflecting the assumptions that market participants would use when pricing the asset/liability.

IFRS 13 identifies three different input levels:

- Level 1: inputs represented by quoted prices (without adjustment) on active markets - as defined by IFRS 13 - for assets and liabilities subject to measurement;
- Level 2: inputs other than quoted market prices set forth above, which are observable for the asset or liability, either directly (prices) or indirectly (derived from prices);
- Level 3: inputs that are unobservable inputs for the asset or liability subject to measurement.

The choice between these types is not optional but must be done in a hierarchical order since priority is given to official prices on active markets (level 1); in the absence of such inputs, we use valuation techniques based on parameters that cannot be observed on the market (level 2); with a lower and more discretionary priority, the fair value of assets and liabilities calculated with valuation techniques based on parameters that cannot be observed on the market (level 3).

The valuation method and as a result transfers among the levels of the fair value hierarchy of a financial instrument are altered only if there are significant changes in the market or subjective conditions of the issuer of the financial instrument.

IFRS 13 contemplates that, as already indicated by IFRS 7, the instruments measured at amortised cost are provided with fair value disclosure.

Within the Group, the following approaches were identified for calculating the fair value:

Financial assets held to maturity

They are entered at amortised cost and are represented by bonds listed on an active market.
The classification criteria in the levels and the method for calculating the fair value of these bonds reflect those of bonds measured at fair value on a recurring basis.

Due from customers and banks

Due from customers and banks with defined contractual expiry:

- Due from Customers are classified in level 3 and the fair value is measured by means of a Discounted Cash Flow model whose discount rate includes the following risk components:
  - cost of funding: equal to the swap rate with the same maturity of the loan instalment plus 100 bps;
  - cost of the credit risk: equal to the average rate of probability of default applied by the bank to the customers determined on the basis of the decline rates present in the Bank of Italy's Public Database.

Due from banks are classified in level 3 and the fair value is represented by the value entered in the financial statements of the receivable.

- Due from customers and banks with undefined contractual expiry:
  - The fair value of due from customers and banks with undefined contractual expiry, in that they are on demand, is represented by the nominal value of the receivables net of the risk component represented by the calculated probability of default, in accordance with what was previously defined, on the basis of the decline rates present in the Bank of Italy's Public Database.

Due to banks and customers

They are entered at their nominal value that is usually equal to the amount received initially by the Bank. This value can be reasonably approximated to the fair value in that the Bank can meet its payables thanks to high capital instruments.

Outstanding securities

The item pertains to bonds issued by the Bank and entered at amortised cost. The fair value is calculated by using a model that considers the loan indexation parameter and a target spread.

Assets and liabilities carried at fair value on a recurring basis: breakdown by level of fair value

Assets/liabilities carried at fair value	30.06.2016			31.12.2015		
	L1	L2	L3	L1	L2	L3
1. Financial assets held for trading	20,763	11,442	35	43,707	12,836	35
2. Financial assets carried at fair value	–	–	–	–	–	–
3. Available-for-sale financial assets	1,181,360	29,939	4,771	799,777	26,321	5,323
4. Hedging derivatives	–	2,504	–	–	215	–
5. Tangible assets	–	–	–	–	–	–
6. Intangible assets	–	–	–	–	–	–
Total	**1,202,123**	**43,885**	**4,806**	**843,484**	**39,372**	**5,358**
1. Financial liabilities held for trading	–	6,292	–	–	9,733	–
2. Financial liabilities carried at fair value	–	–	–	–	–	–
3. Hedging derivatives	–	–	–	–	–	–
Total	**–**	**6,292**	**–**	**–**	**9,733**	**–**

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

Assets and liabilities not carried at fair value or carried at fair value on a non-recurring basis: breakdown by level of fair value

Assets/Liabilities not carried at fair value or carried at fair value on a non-recurring basis	30.06.2016				31.12.2015			
	BV	L1	L2	L3	BV	L1	L2	L3
1. Financial assets held to maturity	1,978	2,003	–	–	1,959	2,006	–	–
2. Due from banks	129,655	–	–	129,655	98,386	–	–	98,386
3. Due from customers	341,432	–	–	343,625	292,644	–	–	294,396
4. Tangible assets held for investment	–	–	–	–	–	–	–	–
5. Non-current assets and groups of assets being disposed	– –	– –	– –	– –	– –	– –	– –	– –
Total	**473,065**	**2,003**	**–**	**473,280**	**392,989**	**2,006**	**–**	**392,782**
1. Due to banks	4,942	–	–	4,942	11,496	–	–	11,496
2. Due to customers	1,508,981	–	–	1,508,981	1,045,816	–	–	1,045,816
3. Outstanding securities	24,126	–	–	24,093	26,122	–	–	26,095
4. Liabilities associated to assets being disposed	–	–	–	–	–	–	–	–
Total	**1,538,049**	**–**	**–**	**1,538,016**	**1,083,434**	**–**	**–**	**1,083,407**

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

Part B – Information on the consolidated balance sheet

ASSETS

Section 1 – Cash and cash equivalents - Item 10

1.1 Cash and cash equivalents: breakdown

	Total 30.06.2016	Total 31.12.2015
a) Cash	338	318
b) Demand deposits at central banks	150	151
Total	**488**	**469**

Section 2 – Financial assets held for trading - Item 20

2.1 Financial assets held for trading: breakdown by product

Items/Amounts	Total 30.06.2016			Total 31.12.2015		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
A. Cash assets						
1. Debt securities	16,136	2,482	–	39,145	1,429	–
1.1 Structured securities	–	–	–	–	–	–
1.2 Other debt securities	16,136	2,482	–	39,145	1,429	–
2. Equity securities	1,839	232	35	1,607	34	35
3. UCI units	2,683	1,762	–	2,704	1,794	–
4. Loans	–	–	–	–	–	–
4.1 Outstanding repos	–	–	–	–	–	–
4.2 Other	–	–	–	–	–	–
Total A	**20,658**	**4,476**	**35**	**43,456**	**3,257**	**35**
B. Derivatives						
1. Financial derivatives:	105	6,966	–	251	9,579	–
1.1 held for trading	105	6,966	–	251	9,579	–
1.2 related to the fair value option	–	–	–	–	–	–
1.3 other	–	–	–	–	–	–
2. Credit derivatives	–	–	–	–	–	–
2.1 held for trading	–	–	–	–	–	–
2.2 related to the fair value option	–	–	–	–	–	–
2.3 other	–	–	–	–	–	–
Total B	**105**	**6,966**	**–**	**251**	**9,579**	**–**
Total (A+B)	**20,763**	**11,442**	**35**	**43,707**	**12,836**	**35**

The financial assets held for trading, amounting to 32,240 thousand euros, refer exclusively to the Bank. Item “A.1. Debt securities” amounting to 18,618 thousand euros (40,574 thousand euros at 31 December 2015) consists of the following financial instruments:

- Level 1: government bonds of 16,045 thousand euros and bonds of 91 thousand euros;

- Level 2: bonds of 2,482 thousand euros consisting almost entirely of “FIP Funding Class A2”;

Item “A.3. UCI units” amounting to 4,445 thousand euros (4,498 thousand euros at 31 December 2015) includes: in Level 1 Anthilia Capital Partners Fund units for a total amount of 2,169 thousand euros and other funds for the difference; in Level 2, units of New Millennium total flex Funds for 1,207 thousand euros and units of Alkimis Funds for 555 thousand euros.

Item “B.1. Financial derivatives - Level 2” pertains almost exclusively to the positive valuation of currency forwards.

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

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

Items/Amounts	Total 30.06.2016			Total 31.12.2015		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Debt securities	1,145,459	3,104	–	749,609	–	–
1.1 Structured securities	–	–	–	–	–	–
1.2 Other debt securities	1,145,459	3,104	–	749,609	–	–
2. Equity securities	32,110	–	4,413	43,248	–	4,759
2.1 Carried at fair value	32,110	–	–	43,248	–	–
2.2 Carried at cost	–	–	4,413	–	–	4,759
3. UCI units	3,791	26,835	358	6,920	26,321	564
4. Loans	–	–	–	–	–	–
Total	**1,181,360**	**29,939**	**4,771**	**799,777**	**26,321**	**5,323**

Available-for-sale financial assets amount in total to 1,216,070 thousand.

The item 1 Debt securities - Level 1 - comprises government bonds for 1,127,854 thousand euros and other bonds for 17,605 thousand euros; The Government bonds are almost entirely held by the Bank.
The equity securities include the following strategic investments of the Bank:

- Level 1: London Stock Exchange Group plc, Anima Holding S.p.A. and Net Insurance S.p.A.;
- Level 3: Fideuram Investimenti SGR S.p.A., Cassa di Risparmio di Cesena S.p.A., SIA S.p.A., Calipso S.p.A. and CSE Consorzio Servizi Bancari S.r.l.

Item 3 UCI units - Level 2 - refers exclusively to the Bank and includes the following funds: 223 units of Fondo Immobili Pubblici (FIP) amounting to 20,516 thousand euros, 5 units of the Apple Fund for 2,493 thousand euros, New Millennium Total Return units for 2,629 thousand euros, units of the Thema Fund for 906 thousand and other units making up the difference.

In the case of property UCIs, for which no quoted prices are available, directly or indirectly observable in active markets, fair value is measured on the basis of periodic NAV made available by the management company, believed to represent the fair value at which transfer operations between independent operators are assumed to be completed.

Section 5 – Financial assets held to maturity - Item 50

5.1 Financial assets held to maturity: breakdown by product

	Total 30.06.2016				Total 31.12.2015			
	BV	FV			BV	FV		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
1. Debt securities	1,978	2,003	–	–	1,959	2,006	–	–
- structured								
- other	1,978	2,003			1,959	2,006		
2. Loans								
Total	**1,978**	**2,003**	**–**	**–**	**1,959**	**2,006**	**–**	**–**

Key: FV = fair value - BV = book value

The item includes some bonds issued by the Bank and transferred in 2008, as already mentioned in Section A.3 Information on transfers among financial asset portfolios.

Section 6 – Due from banks - Item 60

6.1 Due from banks: breakdown by product

Type of transaction/Amount	Total 30.06.2016				Total 31.12.2015			
	BV	FV			BV	FV		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
A. Due from central banks	**–**				**–**			
1. Fixed-term deposits	–	X	X	X	–	X	X	X
2. Obligatory reserve	–	X	X	X	–	X	X	X
3. Outstanding repos	–	X	X	X	–	X	X	X
4. Other	–	X	X	X	–	X	X	X
B. Due from banks	**129,655**				**98,386**			
1. Loans								
1.1 Current accounts and demand deposits	125,407	X	X	X	94,509	X	X	X
1.2 Fixed-term deposits	4,248	X	X	X	3,877	X	X	X
1.3 Other loans:	–	X	X	X	–	X	X	X
- Outstanding repos	–	X	X	X	–	X	X	X
- Finance lease	–	X	X	X		X	X	X
- Other	–	X	X	X		X	X	X
2. Debt securities	–				–			
2.1 Structured securities	–	X	X	X	–	X	X	X
2.2 Other debt securities	–	X	X	X	–	X	X	X
Total	**129,655**			**129,655**	**98,386**			**98,386**

Key: FV = fair value - BV = book value

Item B.1.2. Fixed-term deposits concerns the obligatory reserve deposited by the Parent company with the ICBPI (Istituto Centrale Banche Popolari Italiane).

Section 7 – Due from customers - Item 70

7.1 Due from customers: breakdown by product

Type of transaction/Amount	Total 30.06.2016						Total 31.12.2015					
	Book value			Fair value			Book value			Fair value		
	Non impaired	impaired		L1	L2	L3	Non impaired	impaired		L1	L2	L3
		Purchased	Other					Purchased	Other			
Loans												
1. Current accounts	111,696	–	2,014	X	X	X	95,509	–	356	X	X	X
2. Outstanding repos	12,997	–	–	X	X	X	–	–	–	X	X	X
3. Mortgages	137,486	–	1,232	X	X	X	150,689	–	3,022	X	X	X
4. Credit cards, personal loans and loans on salary	–	–	–	X	X	X	–	–	–	X	X	X
5. Finance lease	–	–	–	X	X	X	–	–	–	X	X	X
6. Factoring	–	–	–	X	X	X	–	–	–	X	X	X
7. Other loans	70,256	–	5,188	X	X	X	37,470	–	5,035	X	X	X
Debt securities		–	–					–	–			
8. Structured securities	–	–	–	X	X	X	–	–	–	X	X	X
9. Other debt securities	563	–	–	X	X	X	563	–	–	X	X	X
Total	**332,998**	**–**	**8,434**			**343,625**	**284,231**	**–**	**8,413**			**294,396**

The item "Due from customers" totalled 341,432 thousand euros (292,644 thousand euros at 31 December 2015).

At the reporting date of this half-yearly report, the items relating to current accounts, mortgages and other loans include **impaired assets** relating to the Parent Company totalling 12,837 thousand euros (8,194 thousand euros after the write-downs), comprising:

- **non-performing loans** totalling 9,134 thousand euros (4,881 thousand euros after the write-downs) relating to the following positions:
  - 4,572 thousand euros (2,052 thousand euros after the write-downs) originated by the issue of mortgage for which, on 8 July 2011, the Bank invoked the termination clause contained in the agreement and required the repayment of the related amount. The transaction is secured by a first mortgage on property, the value of which – supported by an expert appraisal report revised on 1 December 2015 – covers the entire value of the net exposure. The company, previously placed in liquidation, filed a petition for admission to composition with creditors with the Court of Rome. The recoverable amount of the credit is based on the assessed value of the guarantees, which takes into account the time for the collection of credit, in relation to the privileged position of the Bank concerning the real estate collaterals securing the exposure;
  - 4,562 thousand euros referring to trade receivables of 1,047 thousand euros and to cash loans of 3,515 thousand euros.

  The line-by-line write-downs made totalled 4,253 thousand euros (including 1,027 thousand euros referring to trade receivables).
- **likely defaults** totalling 1,076 thousand euros (730 thousand euros after the write-downs) comprising:
  - overdraft facilities amounting to 233 thousand euros;

- mortgage positions of 570 thousand euros (48 thousand euros of overdue instalments and 522 thousand euros of principal about to fall due);
- trade receivables of 273 thousand euros.

The item comprises 3 impaired "foreborne" exposures totalling 159 thousand euros.

The line-by-line write-downs referring to likely defaults amount in total to 346 thousand euros;

- other **positions expired or past due** for over 90 days totalling 2,627 thousand euros (2,583 thousand euros after the write-downs).

At 30 June 2016, there are 6 unimpaired "foreborne" exposures totalling 2,615 thousand euros.

As usual, at 30 June 2016, the Bank calculated the collective write-down of cash loans, based on the mean value of the historical series of the default rates of cash loans received from the Risk Centre, whose balance came to 2,070 thousand euros.

In the first half of 2016, the Bank recorded 232 thousand euros in the income statement item "130 Net value adjustments/write-backs for impairment of : a) loans" for value adjustments net of the write-backs.

Overall, the allowance for doubtful receivables totalled 6,713 thousand euros, of which: 4,643 thousand euros, on an itemised basis and 2,070 thousand euros for collective writedowns.

As regards the other Group companies, the subsidiary Finnat Fiduciaria S.p.A. recorded net value adjustments in the period for 38 thousand euros.

* * *

Item 7. "Other loans" includes Deposits for margins with the Cassa di Compensazione e Garanzia amounting to 26,476 thousand euros.

* * *

Item 9. "Other debt securities" refers to Senior Fin.Re SPV bonds, purchased by the Bank during the previous year, with a nominal value of 1,700 thousand euros and issued within the securitisation of an unsecured non-performing loan.

Section 8 – Hedging derivatives - Item 80

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

Items/Amounts	30.06.2016				31.12.2015			
	FV			NV	FV			NV
	L1	L2	L3		L1	L2	L3	
A) Financial derivatives								
1) Fair value		2,504		18,149		215		20,437
2) Cash flows								
3) Foreign investment								
B. Credit derivatives								
1) Fair value								
2) Cash flows								
Total	**–**	**2,504**	**–**	**18,149**	**–**	**215**	**–**	**20,437**

Key:
FV = fair value
NV = face or notional value
L1 = Level 1
L2 = Level 2
L3 = Level 3

The item concerns a hedge carried out by the Bank in December 2015, to neutralise the effect of the change in the Euro/GBP exchange rate on a portion of the London Stock Exchange Group plc (LSEG) shares held in the Available-for-sale financial assets portfolio, which at 30 June 2016 amounted to 953,900 for an equivalent value of GBP 24 million.
This partial hedging was carried out with a forward sale transaction of GBP 15 million (maturity 21 December 2016), the positive differential of which at 30 June 2016 amounted to 2,504 thousand euros.

Section 10 – Equity investments - Item 100

10.1 Equity investments information on investment relationships

Company name	Registered office	Principal place of business	Type of relationship	Investment relationship		Voting rights %
				Investor company	Ownership %	
A. Jointly controlled companies						
B. Companies subject to significant influence						
1. Prévira Invest SIM S.p.A. in liquidation	Rome	Rome	Significant influence	Banca Finnat	20.00	
2. Sigefi Italia Private Equity S.r.l. in liquidation	Milan	Milan	Significant influence	Banca Finnat	25.00	
3. Imprebanca S.p.A.	Rome	Rome	Significant influence	Banca Finnat	20.00	
4. Revalo S.p.A.	Rome	Rome	Significant influence	Banca Finnat	36.00	

The share ownership also represents the percentage of voting rights at the shareholders' meetings.

The item at 30 June 2016 amounted to 10,034 thousand euros, versus 10,549 thousand euros at 31 December 2015.

Section 12 – Tangible assets - Item 120

12.1 Tangible assets for functional use: breakdown of the assets carried at cost

Assets/amounts	Total 30.06.2016	Total 31.12.2015
1. Owned assets	**5,387**	**5,501**
a) land	1,308	1,308
b) buildings	2,462	2,544
c) furniture	958	970
d) electronic equipment	544	553
e) other	115	126
2. Assets acquired under finance lease	**–**	**–**
a) land	–	
b) buildings	–	
c) furniture	–	
d) electronic equipment	–	
e) other	–	
Total	**5,387**	**5,501**

Section 13 – Intangible assets - Item 130

13.1 Intangible assets: breakdown by asset

Assets/Amounts	Total 30.06.2016		Total 31.12.2015	
	Definite life	Indefinite life	Definite life	Indefinite life
A.1 Goodwill:	**X**	**37,729**	**X**	**37,729**
A.1.1 pertaining to the Group	X	19,074	X	19,074
A.1.2 pertaining to minority interests	X	18,655	X	18,655
A.2 Other intangible assets	**451**	**3,764**	**464**	**3,764**
A.2.1 Assets carried at cost:	451	3,764	464	3,764
a) Intangible assets generated internally	–	–	–	–
b) Other assets	451	3,764	464	3,764
A.2.2 Assets carried at fair value:	–	–	–	–
a) Intangible assets generated internally	–	–	–	–
b) Other assets	–	–	–	–
Total	**451**	**41,493**	**464**	**41,493**

Item A.1 Goodwill amounting to 37,729 thousand euros comprises:

- 300 thousand euros referring to a part of the goodwill resulting from the merger in 2003 of Banca Finnat Euramerica S.p.A. into Terme Demaniali di Acqui S.p.A.
- 37,429 thousand euros referring to the goodwill recognised, last year, by the subsidiary InvestiRE SGR S.p.A. as a result of the known merger;

Item A.2 Other intangible assets - Indefinite life consists of the positive consolidation differences of the following companies:

- Finnat Fiduciaria S.p.A., 984 thousand euros;
- InvestiRE SGR S.p.A., 1,693 thousand euros;
- Revalo S.p.A., 1,038 thousand euros.

Section 14 – Tax assets and liabilities – Items 140 (assets) and 80 (liabilities)

Current tax assets total 1,932 thousand euros (2,992 thousand euros at 31 December 2015) and concern IRAP credits for 576 thousand euros, IRES tax credits for the domestic consolidated tax system for 169 thousand euros and receivables for requested tax refunds of 1,187 thousand euros. This latter balance includes 1,033 thousand euros (of which 829 thousand euros referring to the Bank and 204 thousand euros referring to the other companies participating in the consolidated tax system) as a result of the request for refund for the recovery of the deduction from Ires, of Irap referring to staff costs, for the years from 2007 to 2011 (Article 2 of Italian Law Decree No. 201/2011 supplemented by Italian Law Decree No. 16/2012).

Current tax liabilities total 383 thousand euros (6,302 thousand euros at 31 December 2015) and concern Irap payables for 200 thousand euros and payables for assessments challenged by the Bank for 183 thousand euros.

14.1 Advance tax assets: breakdown

	Total 30.06.2016	Total 31.12.2015
a) Of which per Italian Law 214/2011	**14,117**	**14,329**
Goodwill	13,517	13,713
Write-down of receivables set forth in Article 106 par. 3 of the TUIR	600	616
b) Other	**4,135**	**3,944**
Write-down of securities	3,200	3,071
Write-down of receivables	225	233
Staff severance fund – IAS change	173	128
Other	537	512
Total	**18,252**	**18,273**

Advance taxes refer primarily to a lower tax burden in perspective, related to the amortisation of goodwill in the forthcoming years. They relate to:

- the goodwill – totalling 1,139 thousand euros – recorded in 2003 by the Parent company, as a result of the merger of Banca Finnat Euramerica S.p.A. and Finnat Corporate S.p.A. within Terme Demaniali di Acqui S.p.A.
- 12,378 thousand euros referring to the goodwill recognised last year by the subsidiary InvestiRE SGR as a result of the merger by absorption of Beni Stabili Gestioni SGR S.p.A. and Polaris RE SGR S.p.A.

14.2 Deferred tax liabilities: breakdown

	Total 30.06.2016	Total 31.12.2015
Revaluation of securities	2,698	3,427
Allocation of merger deficit on securities	40	40
Placement commissions	307	374
Other	54	85
Total	**3,099**	**3,926**

Advance and deferred taxes have been determined applying the Ires and, where applicable, Irap rates in force at the date of preparation of this Consolidated half-yearly financial report.

* * *

With regard to tax disputes, no changes were recorded from those illustrated in the 2015 Financial Statements.

Section 16 – Other assets - Item 160

16.1 Other assets: breakdown

	Total 30.06.2016	Total 31.12.2015
Receivables for guarantee deposits	470	474
Deposits with Cassa Compensazione e Garanzia	4,254	6,324
Due from counterparties and brokers	50	82
Tax credits as withholding tax	2,524	3,315
Sundry receivables	9,318	8,485
Total	**16,616**	**18,680**

LIABILITIES

Section 1 – Due to banks - Item 10

1.1 Due to banks: breakdown by product

Transaction type/Group components	Total 30.06.2016	Total 31.12.2015
1. Due to Central Banks	**–**	**–**
2. Due to banks	**4,942**	**11,496**
2.1 Current accounts and demand deposits	2,423	11,496
2.2 Fixed-term deposits	–	–
2.3 Loans	2,501	–
2.3.1 reverse repos	–	–
2.3.2 other	2,501	–
2.4 Amounts due under repurchase agreements of own equity instruments	–	–
2.5 Other liabilities	18	–
Total	**4,942**	**11,496**
Fair value-level 1	**–**	
Fair value-level 2	**–**	
Fair value-level 3	**4,942**	**11,496**
Total Fair value	**4,942**	**11,496**

Section 2 – Due to customers - Item 20

2.1 Due to customers: breakdown by product

Type of transactions/Group components	Total 30.06.2016	Total 31.12.2015
1. Current accounts and demand deposits	441,937	362,724
2. Fixed-term deposits	59,689	54,911
3. Loans	1,007,150	627,955
3.1 reverse repos	1,007,150	627,955
3.2 other	–	–
4. Amounts due under repurchase agreements of own equity instruments	–	–
5. Other payables	205	226
Total	**1,508,981**	**1,045,816**
Fair value-level 1		
Fair value-level 2		
Fair value -level 3	**1,508,981**	**1,045,816**
Total Fair value	**1,508,981**	**1,045,816**

Item 3.1 Reverse repos concerns exclusively the transactions carried out by the Bank with Cassa di Compensazione e Garanzia.

Section 3 – Outstanding securities - Item 30

3.1 Outstanding securities: breakdown by product

Type of securities/ Amount	Total 30.06.2016				Total 31.12.2015			
	Book value	Fair value			Book value	Fair value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
A. Securities	**24,126**	**–**	**–**	**24,093**	**26,122**	**–**	**–**	**26,095**
1. bonds	24,126	–	–	24,093	26,122	–	–	26,095
1.1 structured	–			–				
1.2 other	24,126			24,093	26,122			26,095
2. other securities	–	–	–	–	–	–	–	–
2.1 structured	–			–				
2.2 other	–			–				
Total	**24,126**	**–**	**–**	**24,093**	**26,122**	**–**	**–**	**26,095**

The item represents the bonds issued by the Bank, including the accrued coupon. The amount is shown net of the securities held for trading present in its portfolio, with a nominal amount of 877 thousand euros.

Section 4 – Financial liabilities held for trading - Item 40

4.1 Financial liabilities held for trading: breakdown by product

Type of transaction/Amount	Total 30.06.2016					Total 31.12.2015				
	NV	FV			FV*	NV	FV			FV*
		L1	L2	L3			L1	L2	L3	
A. Cash liabilities	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
1. Due to banks										
2. Due to customers	–	–	–	–	–	–	–	–	–	–
3. Debt securities	–	–	–	–		–	–	–	–	
3.1 Bonds	–	–	–	–		–	–	–	–	
3.1.1 Structured	–	–	–	–	X	–	–	–	–	X
3.1.2 Other bonds	–	–	–	–	X	–	–	–	–	X
3.2 Other securities	–	–	–	–		–	–	–	–	
3.2.1 Structured	–	–	–	–	X	–	–	–	–	X
3.2.2 Other	–	–	–	–	X	–	–	–	–	X
Total A	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
B. Derivatives	**–**	**–**	**6,292**	**–**			**–**	**9,733**	**–**	
1. Financial derivatives		–	6,292	–			–	9,733	–	
1.1 Held for trading	X	–	6,292	–	X	X	–	9,733	–	X
1.2 Related to the fair value option	X	–	–	–	X	X	–	–	–	X
1.3 Other	X	–	–	–	X	X	–	–	–	X
2. Credit derivatives		–	–	–			–	–	–	
2.1 Held for trading	X	–	–	–	X	X	–	–	–	X
2.2 Related to the fair value option	X	–	–	–	X	X	–	–	–	X
2.3 Other	X	–	–	–	X	X	–	–	–	X
Total B	**X**	**–**	**6,292**	**–**	**X**	**X**	**–**	**9,733**	**–**	**X**
Total (A + B)	**X**	**–**	**6,292**	**–**	**X**	**X**	**–**	**9,733**	**–**	**X**

Key:
FV = fair value
FV* = fair value calculated excluding the changes in value due to the change in the credit rating of the issuer with respect to the issue date
NV = face or notional value
L1 = Level 1
L2 = Level 2
L3 = Level 3

Financial liabilities are exclusively ascribable to the Bank.

Item B. Derivatives mainly comprises 6,131 thousand euros for the negative valuation of the forward contracts for currency purchases/sales and 153 thousand euros for the fair value measurement of an Interest Rate Swap Amortising that represents a hedge of the interest rate risk.

Section 8 – Tax liabilities - Item 80

See Section 14 of the assets.

Section 10 – Other liabilities - Item 100

10.1 Other liabilities: breakdown

	Total 30.06.2016	Total 31.12.2015
Social security and insurance contributions to be paid	1,181	1,509
Payables to employees and contractors	3,450	2,943
Emoluments to be paid to the Directors	286	37
Emoluments to be paid to the Board of Statutory Auditors	132	139
Due to suppliers	914	1,248
Shareholders for dividends to be paid	1,189	1,052
Payables to brokers and institutional counterparties	3,678	65
Tax payables as withholding tax	1,831	2,323
Other payables	3,958	3,861
Total	**16,619**	**13,177**

Section 11 – Staff severance fund - Item 110

11.1 Staff severance fund: annual changes

	Total 30.06.2016	Total 31.12.2015
A. Opening balance	**4,405**	**3,993**
B. Increases	**1,092**	**1,692**
B.1 Allocation for the year	1,092	995
B.2 Other changes	–	697
- of which Business combinations	–	697
C. Decreases	**553**	**1,280**
C.1 Severance indemnities paid out	84	478
C.2 Other changes	469	802
D. Closing balance	**4,944**	**4,405**

Item B.1 Allocation for the year, includes the actuarial loss of 412 thousand euros (actuarial gain of 236 thousand euros in 2015) recognised among valuation reserves - net of the tax effect - in accordance with IAS 19.

Item C.2 Other changes includes payments made to supplementary Social Security Institutes and the INPS Treasury – net of disbursements carried out – as established by Italian Law no. 296/06.

Section 12 – Provisions for risks and charges - Item 120

12.1 Provisions for risks and charges: breakdown

Items/Components	Total 30.06.2016	Total 31.12.2015
1. Company pension funds	–	–
2. Other provisions for risks and charges	1,067	1,067
2.1 Legal disputes	–	–
2.2 Staff costs	–	–
2.3 Other	1,067	1,067
Total	**1,067**	**1,067**

Section 15 – Group net equity - Items 140, 170, 190, 200 and 220

15.1 "Share capital" and "Own shares": Breakdown

At 30 June 2016, the share capital paid up by the Bank was 72,576,000 euros, divided into 362,880,000 ordinary shares with a face value of 0.20 euros each, and the Bank holds 29,492,710 own shares, amounting to 8.1% of the share capital (28,320,718 at 31 December 2015).

In application of IAS 32 and of the provisions contained in Circular No. 262/2005, the own shares held by the Bank at 30 June 2016 were used to adjust the net equity by an amount of 14,392 thousand euros, which corresponds to their purchase price.

15.2 Capital - Number of shares of the parent company: annual changes

Items/Types	Ordinary	Other
A. Number of shares at the beginning of the year	**362,880,000**	
– fully paid-up	362,880,000	
– partly paid-up		
A.1 Own shares (-)	(28,320,718)	
A.2 Outstanding shares: opening balance	**334,559,282**	
B. Increases	**–**	
B.1 New issues		
– against payment:		
- business combinations		
- conversion of bonds		
- exercise of warrants		
- other		
– on a free basis:		
- in favour of staff		
- in favour of directors		
- other		
B.2 Sale of own shares	–	
B.3 Other changes		
C. Decreases	**1,171,992**	
C.1 Cancellation		
C.2 Purchase of own shares	1,171,992	
C.3 Disposal of companies		
C.4 Other changes		
D. Outstanding shares: closing balance	**333,387,290**	
D.1 Own shares (+)	29,492,710	
D.2 Number of shares at the end of the year	362,880,000	
– fully paid-up	362,880,000	
– partly paid-up		

15.4 Retained earnings: other information

The “Reserves” item amounts to 121,740 thousand euros (117,203 thousand euros at 31 December 2015) and is broken down as follows:

- retained earnings of the Bank:
  89,309 thousand euros consisting of the legal reserve of 9,168 thousand euros, extraordinary reserve of 56,143 thousand euros (which includes the amount of 998 euros for the stock option reserve transferred as per the shareholders resolution dated 29 April 2016), the dividend adjustment reserve of 6,725 thousand euros, restated IAS 19 retained earnings reserve of 179 thousand euros, the reserve for merger surplus of 525 thousand euros, reserve for own shares purchased of 14,392 thousand euros and the residual amount of the reserve for purchase of own shares of 2,177 thousand euros;
- other reserves:
  32,431 thousand euros consisting of the reserve for the gains on the sale of own shares for 4,337 thousand euros and the consolidation reserve for the difference.

Section 16 – Equity of minority interests - Item 210

16.1 Breakdown of Item 210 “Net equity of minority interests”

Company names	Total 30.06.2016	Total 31.12.2015
Equity investments in consolidated companies with significant interests in third parties		
1. InvestiRE SGR S.p.A.	37,831	38,451
Other equity investments	522	580
Total	**38,353**	**39,031**

Part C – Information on the consolidated income statement

Section 1 – Interest - Items 10 and 20

1.1 Interest income and similar income: breakdown

Items/Categories	Debt securities	Loans	Other transactions	Total 1st half 2016	Total 1st half 2015
1. Financial assets held for trading	52	–	–	52	202
2. Financial assets carried at fair value	–	–	–	–	–
3. Available-for-sale financial assets	764	–	–	764	2,647
4. Financial assets held to maturity	23	–	–	23	25
5. Due from banks	–	(69)	–	(69)	74
6. Due from customers	–	2,737	–	2,737	3,172
7. Hedging derivatives	X	X	–	–	–
8. Other assets	X	X	(63)	(63)	(19)
Total	**839**	**2,668**	**(63)**	**3,444**	**6,101**

1.4 Interest expense and similar expense: breakdown

Items/Categories	Payables	Securities	Other transactions	Total 1st half 2016	Total 1st half 2015
1. Due to Central Banks	–	X	–	–	16
2. Due to banks	13	X	–	13	17
3. Due to customers	(385)	X	–	(385)	981
4. Outstanding securities	X	33	–	33	92
5. Financial liabilities held for trading	–	–	–	–	–
6. Financial liabilities carried at fair value	–	–	–	–	–
7. Other liabilities and funds	X	X	–	–	–
8. Hedging derivatives	X	X	–	–	–
Total	**(372)**	**33**	**–**	**(339)**	**1,106**

The interest margin, referring almost exclusively to the Bank, amounts to 3,783 thousand euros versus 4,995 thousand euros for the same period of 2015. The decrease of 1,212 thousand euros is essentially due to the reduction in the yields.

Section 2 – Commissions - Items 40 and 50

2.1 Commission income: breakdown

Type of services/Amounts	Total 1st half 2016	Total 1st half 2015
a) guarantees given	47	62
b) credit derivatives	–	–
c) administration, brokerage and consultancy services:	21,343	22,033
1. trading in financial instruments	2,405	2,851
2. trading in currencies	–	–
3. portfolio management	14,959	15,482
3.1. individual	2,155	1,886
3.2. collective	12,804	13,596
4. custody and administration of securities	943	981
5. custodian bank	–	–
6. securities placement	2,102	1,897
7. acceptance of trading orders	–	–
8. consulting	741	694
8.1. investments	343	339
8.2. financial structure	398	355
9. distribution of third-party services	193	128
9.1. portfolio management	–	–
9.1.1. individual	–	–
9.1.2. collective	–	–
9.2. insurance policies	193	128
9.3. other products	–	–
d) collection and payment services	104	106
e) servicing of securitisation operations	–	–
f) factoring services	–	–
g) rate and tax collection office services	–	–
h) multilateral trading systems management	–	–
i) current account keeping and management	116	100
j) other services	269	324
Total	**21,879**	**22,625**

2.2 Commission expense: breakdown

Services/Amounts	Total 1st half 2016	Total 1st half 2015
a) guarantees received	–	–
b) credit derivatives	–	–
c) management and brokerage services:	714	611
1. trading in financial instruments	243	194
2. trading in currencies	–	–
3. portfolio management:	144	132
3.1 own portfolio	13	13
3.2 third-party portfolio	131	119
4. custody and administration of securities	110	78
5. placement of financial instruments	217	207
6. sales of financial instruments, products and services through other outlets	–	–
d) collection and payment services	38	34
e) other services	372	389
Total	**1,124**	**1,034**

Net commissions amounts to 20,755 thousand euros versus 21,591 thousand euros in the previous half year period. The decrease of 836 thousand euros is primarily attributable to the subsidiary InvestiRE SGR S.p.A.

Section 3 – Dividends and similar income - Item 70

3.1 Dividends and similar income: breakdown

Items/Income	Total 1st half 2016		Total 1st half 2015	
	Dividends	Income from UCI units	Dividends	Income from UCI units
A. Financial assets held for trading	7	–	14	–
B. Available-for-sale financial assets	1,032	1,243	775	977
C. Financial assets carried at fair value	–	–	–	–
D. Equity investments	–	X	–	X
Total	**1,039**	**1,243**	**789**	**977**

Section 4 – Net income from trading activities - Item 80

4.1 Net income from trading activities: breakdown

Transactions/Income items	Gains (A)	Profit from trading activities (B)	Losses (C)	Losses from trading activities (D)	Net income [(A+B) - (C+D)]
1. Financial assets held for trading	**13**	**453**	**539**	**268**	**(341)**
1.1 Debt securities	2	42	18	14	12
1.2 Equity securities	3	409	431	251	(270)
1.3 UCI units	8	2	90	3	(83)
1.4 Loans	–	–	–	–	–
1.5 Other	–	–	–	–	–
2. Financial liabilities held for trading	**–**	**–**	**–**	**–**	**–**
2.1 Debt securities	–	–	–	–	–
2.2 Payables	–	–	–	–	–
2.3 Other	–	–	–	–	–
3. Financial assets and liabilities: exchange differences	**X**	**X**	**X**	**X**	**655**
4. Derivatives	**100**	**1,725**	**105**	**1,337**	**1,235**
4.1 Financial derivatives:	100	1,725	105	1,337	1,235
- On debt securities and interest rates	36	–	–	47	(11)
- On equity securities and stock indices	64	1,725	105	1,290	394
- On currencies and gold	X	X	X	X	852
- Other	–	–	–	–	–
4.2 Credit derivatives	–	–	–	–	–
Total	**113**	**2,178**	**644**	**1,605**	**1,549**

In the first six months of 2016, net income from trading activities, referring exclusively to the Bank, features a positive balance of 1,549 thousand euros, compared to a negative balance of 2,420 thousand euros in the same period of 2015, and may be broken down as follows:

- negative difference between unrealised capital gains and losses, in connection with the fair value measurement of the trading portfolio, totalling 567 thousand euros (of which capital losses classified in level 3 for 6 thousand euros);
- 573 thousand euros for the positive balance between gains and losses realised relating to trading activities on securities and derivatives (of which 408 thousand euros for positive margins on derivatives representing greenhouse gas emissions allowances);
- positive difference of 888 thousand euros between unrealised capital gains and losses in connection with the fair value measurement of currency forwards and of Interest Rate Swap Amortising;
- a positive balance between profits and losses on exchange transactions totalling 655 thousand euros. The balance includes the loss of 529 thousand euros on the forward sale of sterling against euros for the coverage of the exposure to exchange risks, with respect to the LSEG shares, which does not meet the requirements of IAS 39 on hedging transactions.

Section 5 – Net income from hedging activities - Item 90

5.1 Net income from hedging activities: breakdown

Income items/Amounts	Total 1st half 2016	Total 1st half 2015
A. Income relating to:		
A.1 Fair value hedging derivatives	2,289	–
A.2 Hedged financial assets (fair value)	–	–
A.3 Hedged financial liabilities (fair value)	–	–
A.4 Financial derivatives hedging cash flows	–	–
A.5 Assets and liabilities denominated in a foreign currency	–	–
Total income from hedging activities (A)	**2,289**	**–**
B. Expense referred to:		
B.1 Fair value hedging derivatives	–	–
B.2 Hedged financial assets (fair value)	2,289	–
B.3 Hedged financial liabilities (fair value)	–	–
B.4 Financial derivatives hedging cash flows	–	–
B.5 Assets and liabilities denominated in a foreign currency	–	–
Total costs of hedging activities (B)	**2,289**	**–**
C. Net income from hedging activities (A - B)	**–**	**–**

The present table shows the income components recorded as a result of both the process of evaluation of the LSEG shares hedged for the exchange rate component, and of the related forward hedging derivative discussed in Section 8 - "Hedging derivatives - Item 80" under balance sheet assets.

Item A.1 Fair value hedging derivatives indicates the positive value of the forward sale of GBP 15 million.

Item B.2 Hedged financial assets (fair value) shows the change in value, referred to the portion of the negative reserve of the LSEG shares generated by the exchange rate component.

The hedge was perfectly effective because, upon measuring the forward sale of Pounds, it entails the separation of the spot component from the forward component using only the former for hedging purposes.

Section 6 – Profit (loss) from disposal/repurchase - Item 100

6.1 Profit (Loss) from disposal/repurchase: breakdown

Items/Income items	Total 1st half 2016			Total 1st half 2015		
	Profit	Losses	Net income	Profit	Losses	Net income
Financial assets						
1. Due from banks	–	–	–	–	–	–
2. Due from customers	–	–	–	–	–	–
3. Available-for-sale financial assets	1,650	12	1,638	5,014	9	5,005
3.1 Debt securities	7	12	(5)	400	9	391
3.2 Equity securities	1,643	–	1,643	4,614	–	4,614
3.3 UCI units	–	–	–	–	–	–
3.4 Loans	–	–	–	–	–	–
4. Financial assets held to maturity	–	–	–	–	–	–
Total assets	**1,650**	**12**	**1,638**	**5,014**	**9**	**5,005**
Financial liabilities						
1. Due to banks	–	–	–	–	–	–
2. Due to customers	–	–	–	–	–	–
3. Outstanding securities	–	–	–	–	–	–
Total liabilities	**–**	**–**	**–**	**–**	**–**	**–**

Item 3.2 Equity securities in the period under review relates to the capital gain realised by the Bank from the sale of London Stock Exchange Group plc shares.

Section 8 – Net value adjustments/write-backs for impairment - Item 130

8.1 Net value adjustments for impairment of loans: breakdown

Transactions/Income items	Value adjustments (1)			Write-backs (2)				Total 1st half 2016	Total 1st half 2015
	Specific		Portfolio	Specific		Portfolio			
	Derecognition	Other		A	B	A	B	(1) - (2)	
A. Due from banks	–	–	–	–	–	–	–	–	–
- Loans	–	–	–	–	–	–	–	–	–
- Debt securities	–	–	–	–	–	–	–	–	–
B. Due from customers	282	117	261	65	325	–	–	270	1,279
Purchased impaired loans	–	–	–	–	–	–	–	–	–
- Loans	–	–	X	–	–	–	X	–	–
- Debt securities	–	–	X	–	–	–	X	–	–
Other receivables	282	117	261	65	325	–	–	270	1,279
- Loans	282	117	261	65	325	–	–	270	1,279
- Debt securities	–	–	–	–	–	–	–	–	–
C. Total	**282**	**117**	**261**	**65**	**325**	**–**	**–**	**270**	**1,279**

Key:
A = from interest
B = other write-backs

The net value adjustments pertain to the Bank (232 thousand euros) and to Finnat Fiduciaria (38 thousand euros).

8.2 Net value adjustments for impairment of available-for-sale financial assets: breakdown

Transactions/Income items	Value adjustments (1)		Write-backs (2)		Total 1st half 2016	Total 1st half 2015
	Specific		Specific			
	Derecognition	Other	A	B	(1) - (2)	
A. Debt securities	–	–	–	–	–	–
B. Equity securities	–	369	X	X	369	–
C. UCI units	–	216	X	–	216	209
D. Loans to banks	–	–	–	–	–	–
E. Loans to customers	–	–	–	–	–	–
F. Total	**–**	**585**	**–**	**–**	**585**	**209**

Key:
A = from interest
B = other write-backs

The value adjustments on equity securities amounting to 369 thousand euros concern the impairment made, further to the well-known events, on Cassa di Risparmio di Cesena shares (classified in level 3) present in the Bank’s portfolio; while those on UCI units refer to the subsidiary InvestiRE SGR S.p.A. for 207 thousand euros (classified in level 3) and to the Bank for 9 thousand euros (classified in level 2).

Section 11 – Administrative expenses - Item 180

11.1 Staff costs: breakdown

Type of expense/Segments	Total 1st half 2016	Total 1st half 2015
1) Staff	14,809	13,917
a) wages and salaries	10,629	9,952
b) social security charges	2,804	2,685
c) staff severance fund	284	284
d) welfare charges	–	–
e) allocation for staff severance fund	193	69
f) allocation to pensions and similar commitments:	–	–
- defined contribution	–	–
- defined benefit	–	–
g) allocation to external supplementary retirement benefit plans:	207	197
- defined contribution	207	197
- defined benefit	–	–
h) costs due to payment agreements based on own capital instruments	–	–
i) other benefits in favour of employees	692	730
2) Other active staff	201	249
3) Directors and statutory auditors	786	903
4) Inactive staff	–	–
Total	**15,796**	**15,069**

Staff costs grew by 727 thousand euros compared to the same period of last year. The change mainly comprises the increase reported by InvestiRE SGR S.p.A..

Item 1) e) includes the amount of IAS staff severance fund, net of actuarial gains recognised among Valuation reserves following the changes made to IAS 19.

11.5 Other administrative expenses: breakdown

Type of expense/Segments	Total 1st half 2016	Total 1st half 2015
Rentals and condominium fees	1,442	1,746
Membership fees	84	78
EDP materials	57	91
Stationery and printing supplies	91	67
Consulting and outsourced professional services	796	1,587
Outsourcing services	1,159	1,445
Auditing company fees	118	121
Maintenance	423	246
Utilities and connections	834	925
Postal, transport and shipment fees	41	60
Insurance companies	118	43
Public relations and advertising expenses	186	268
Office cleaning	155	130
Books, newspapers and magazines	39	28
Entertainment expenses	69	75
Travel expenses and mileage based reimbursements	271	251
Other duties and taxes	1,709	1,747
Security charges	78	68
Contributions to single resolution fund/FITD	401	–
Other	787	332
TOTAL	**8,858**	**9,308**

The other administrative expenses fell by 450 thousand euros compared to the first half of 2015. The decrease is primarily attributable to the subsidiary InvestiRE SGR S.p.A.

Section 13 – Net value adjustments/write-backs on tangible assets - Item 200

13.1 Net value adjustments on tangible assets: breakdown

Assets/Income items	Depreciation (a)	Value adjustment for impairment (b)	Write-backs (c)	Net income (a+b-c)
A. Tangible assets				
A.1 Owned assets	264	–	–	264
- Functional use	264	–	–	264
- For investment	–	–	–	–
A.2 Acquired under finance lease	–	–	–	–
- Functional use	–	–	–	–
- For investment	–	–	–	–
Total	**264**	**–**	**–**	**264**

Section 14 – Net value adjustments/write-backs on intangible assets - Item 210

14.1 Net value adjustments on intangible assets: breakdown

Assets/Income items	Amortisation (a)	Value adjustment for impairment (b)	Write-backs (c)	Net income (a+b-c)
A. Intangible assets				
A.1 Owned assets	69	–	–	69
- Generated internally by the company	–	–	–	–
- Other	69	–	–	69
A.2 Acquired under finance lease	–	–	–	–
Total	**69**	**–**	**–**	**69**

Section 15 – Other operating income/expenses - Item 220

15.1 Other operating expense: breakdown

	Total 1st half 2016	Total 1st half 2015
Amounts reimbursed to customers	1	14
Amortisation for improvements to third party assets	26	113
Other expense	386	351
Total	**413**	**478**

15.2 Other operating income: breakdown

	Total 1st half 2016	Total 1st half 2015
Rental income	66	92
Recovery of stamp duty	1,472	1,530
Recovery of substitute tax	87	28
Recovery of other expenses	284	248
Dividend and prescription waiver	158	115
Other income	314	557
Total	**2,381**	**2,570**

Other operating income/expenses show a positive balance of 1,968 thousand euros versus 2,092 thousand euros at 30 June 2015. The item comprises the recoveries of costs from customers, amounting to 1,843 thousand euros (1,806 thousand euros at 30 June 2015). The expenses during the first six months of 2016 included the negative result of 343 thousand euros referring to the trading of certificates representing greenhouse gas emissions allowances.

Section 16 – Profit (loss) from equity investments - Item 240

16.1 Profit (loss) from equity investments: breakdown

Income items/Segments	Total 1st half 2016	Total 1st half 2015
1) Jointly controlled companies		
A. Income	–	–
1. Revaluations	–	–
2. Profit from disposals	–	–
3. Write-backs	–	–
4. Other income	–	–
B. Expense	–	–
1. Write-downs	–	–
2. Value adjustments for impairment	–	–
3. Losses from disposals	–	–
4. Other expense	–	–
Net income	**–**	**–**
2) Companies subject to significant influence		
A. Income	253	245
1. Revaluations	253	245
2. Profit from disposals	–	–
3. Write-backs	–	–
4. Other income	–	–
B. Expense	105	154
1. Write-downs	105	154
2. Value adjustments for impairment	–	–
3. Losses from disposals	–	–
4. Other expense	–	–
Net income	**148**	**91**
Total	**148**	**91**

Section 20 – Income tax for the year on current operations - Item 290

20.1 Income tax for the year on current operations: breakdown

Income items/Segments	Total 1st half 2016	Total 1st half 2015
1. Current taxes (-)	(1,586)	(1,242)
2. Changes in current taxes compared with previous years (+/-)	(25)	2
3. Reduction in current taxes (+)	–	–
3.bis Reduction in current taxes for tax receivables		
set forth in Italian Law No. 214/2011		
4. Change in advance taxes (+/-)	(213)	(158)
5. Change in deferred taxes (+/-)	703	(11)
6. Income taxes for the year (-) (-1+/-2+3+3bis+/-4+/-5)	**(1,121)**	**(1,409)**

Income tax has been calculated based on the applicable tax rates.

Section 22 – Profit (loss) for the year for minority interests - Item 330

22.1 Breakdown of Item 330 "Profit (loss) for the year for minority interests”

Company names	FY 1st half 2016	FY 1st half 2015
Consolidated equity investments with significant interests in third parties		
1. InvestiRE SGR S.p.A.	1,085	1,344
Other equity investments	55	73
Total	**1,140**	**1,417**

Section 24 – Earnings per share

24.1 Average number of ordinary shares with diluted capital

The basic and diluted earnings (loss) per share, at consolidated level, are given below, in accordance with IAS 33. As no Group company holds any Parent Company shares, the consolidated figures coincide with those relating to the Bank.

The basic earnings (loss) per share are calculated by dividing the consolidated net income (in euros) of the holders of the Bank's ordinary shares (the numerator) by the weighted average of the ordinary shares outstanding during the period (the denominator).
For the purpose of calculating the basic earnings (loss) per share, the weighted average of the ordinary shares outstanding during the period is calculated based on the ordinary shares outstanding at the beginning of the period, adjusted by the amount of ordinary shares purchased or issued or sold during the period multiplied by the number of days that the shares were outstanding, in proportion to the total days in the period. Outstanding shares do not include own shares.
The diluted earnings (loss) per share is calculated by adjusting the consolidated earnings (loss) of ordinary shareholders, and likewise the weighted average of the outstanding shares, to take account of any impact by circumstances with diluted effects.

The following table shows the basic earnings (loss) per share.

	30.06.2016	**31.12.2015**
Profit (loss) for the year	4,019,577	8,319,557
Weighted average of ordinary shares	333,657,833	336,337,676
Basic earnings (loss) per share	0.012047	0.024736

The following table shows the diluted earnings (loss) per share.

	30.06.2016	**31.12.2015**
Adjusted profit (loss) for the year	4,019,577	8,319,557
Weighted average of ordinary shares for diluted capital	333,657,833	336,337,676
Diluted earnings (loss) per share	0.012047	0.024736

Since the Bank has no transactions under way that might determine changes to the number of outstanding shares and the earnings (loss) of ordinary shareholders, the diluted earnings (loss) per share coincides with the basic earnings per share and it is unnecessary to perform the reconciliation provided for by paragraph 70 of IAS 33.

24.2 Other information

At the date of the financial statements, no financial instruments had been issued that could lead to the dilution of the basic earnings (loss) per share.

Part F – Information on the consolidated net equity

Section 1 – Consolidated net equity

The Group net equity comprises the Capital, Reserves, Own Shares, Valuation Reserves and Profit for the year. All financial instruments that are not classified as financial assets or liabilities according to the IAS/IFRS are considered part of the equity.

For supervisory purposes, the relevant aggregate equity is calculated based on the applicable regulations laid down by the Bank of Italy and constitutes the reference control data of the prudential supervisory regulations.

Pursuant to the above-mentioned regulations, the Bank is required to comply with a minimum capital ratio of 8%, calculated by reference to credit and market prices.

The consolidated net equity totals 248,079 thousand euros, of which the Group net equity is 209,726 thousand euros and the net equity of minority interests is 38,353 thousand euros.

The Group valuation reserves of Available-for-sale financial assets amount to a positive 24,784 thousand euros and can be detailed as follows:

	Valuation reserves at 30.06.2016			Valuation reserves at 31.12.2015			Changes in Reserves
	Positive	Negative	Balance (a)	Positive	Negative	Balance (b)	(a-b)
PARENT COMPANY							
London Stock Exchange Group plc shares	25,416	–	25,416	31,510	–	31,510	(6,094)
Anima Holding shares	799	–	799	2,470	–	2,470	(1,671)
CSE S.r.l. shares	–	633	(633)	–	633	(633)	–
Net Insurance shares	–	552	(552)	–	29	(29)	(523)
Cr Cesena shares	–	–	–	–	16	(16)	16
UCI units	344	162	182	556	5	551	(369)
Italian Government securities and bonds	1,251	61	1,190	1,034	84	950	240
TOTAL PARENT COMPANY	**27,810**	**1,408**	**26,402**	**35,570**	**767**	**34,803**	**(8,401)**
OTHER GROUP COMPANIES							
UCI units of InvestiRE SGR S.p.A.	–	1,608	(1,608)	–	1,557	(1,557)	(51)
Italian government securities and bonds of Finnat Fiduciaria S.p.A	–	10	(10)	–	7	(7)	(3)
TOTAL OTHER GROUP COMPANIES	**–**	**1,618**	**- 1,618**	**–**	**1,564**	**(1,564)**	**(54)**
TOTAL GROUP	**27,810**	**3,026**	**24,784**	**35,570**	**2,331**	**33,239**	**(8,455)**

The valuation reserve of Available-for-sale financial assets pertaining to minority interests amounts to a negative 1,599 thousand euros, an increase of 51 thousand euros compared with the same figure at 31 December 2015 (negative by Euro 1,548 thousand).

Section 2 – Own funds and capital ratios

2.1 Scope of the regulations

The Regulatory Capital is determined based on the harmonised regulations for Banks and the Investment companies contained in the Regulation ("CRR") and in the EU Directive ("CRD IV") of 26 June 2013 which transfer to the European Union the standards defined by the Basel Committee on Banking Supervision (the so-called Basel 3).

In order to enact the regulations, the Bank of Italy issued, on 17 December 2013, Circular no. 285 "Prudential Supervision Provisions for Banks".

2.2 Banks' own funds

Own funds at 30 June 2016 amounted to 147,677 thousand euros (148,600 thousand euros at 31 December 2015), whereas the Total capital ratio stands at 28.6% (31.7% at 31 December 2015) versus the 8% minimum requirement set forth in the current regulations for Credit Institutions.

The Total capital ratio, like the CET1 ratio and the Tier1 ratio, widely exceed minimum capital requirements mandated for us by the Bank of Italy at the conclusion of the supervisory review and evaluation process (SREP) established by Directive 2013/36/EU (CRD IV).

A. Qualitative information

The own funds represent the first safeguard against the risks associated with overall bank activities and the main reference parameter for an assessment of the solidity of the bank.

They comprise the sum of:

Common Equity Tier 1 ("Common Equity Tier 1" or "CET1")	145,962	euros
Additional Tier 1 ("Additional Tier 1" or "AT1")	-	euros
Tier 2 ("Tier 2" or "T2")	1,715	euros

B. Quantitative information

		Total 30.06.2016	Total 31.12.2015
A.	**Common Equity Tier 1 ("Common Equity Tier 1" - "CET1") before the application of prudential filters**	**221,606**	**228,869**
	- of which CET 1 instruments subject to transitional provisions	–	–
B.	**Prudential filters for CET 1 (+/-)**	**–**	**–**
C.	**CET 1 including deductions and the effects of the transitional regulations (A+/-B)**	**221,606**	**228,869**
D.	**Deductions from CET1**	**(83,535)**	**(93,685)**
E.	**Transitional regulations - Impact on CET 1 (+/-)**	**7,891**	**11,739**
F.	**Total Common Equity Tier 1 (Common Equity Tier 1 - AT1 - CET1) (C - D+/-E)**	**145,962**	**146,923**
G.	**Additional Tier 1 (Additional Tier 1 - AT1) including deductions and the effects of the transitional regulations**	**–**	**–**
	- of which AT 1 instruments subject to transitional provisions	–	–
H.	**Deductions from AT1**	**–**	**–**
I.	**Transitional regulations - Impact on AT 1 (+/-)**	**–**	**–**
L.	**Total Additional Tier 1 (Additional Tier 1 - AT1) (G-H +/-I)**	**–**	**–**
M.	**Tier 2 (Tier 2 - T2) including deductions and the effects of the transitional regulations**	**–**	**–**
	- of which T2 instruments subject to transitional provisions	–	–
N.	**Deductions from T2**	**–**	**–**
O.	**Transitional regulations - Impact on T2 (+/-)**	**1,715**	**1,677**
P.	**Total Tier 2 (Tier 2 - T2) (M-N +/-O)**	**1,715**	**1,677**
Q.	**Total own funds (F+L+P)**	**147,677**	**148,600**

With reference to the transitional provisions applied to own funds, as set forth in Circular no. 285 issued by the Bank of Italy, the Group has adopted, starting on 1 January 2014 and until the full entry into force of the new accounting standard IFRS 9, the option of excluding from own funds the unrealised gains and losses pertaining to exposures to Central Administrations, classified among Financial assets available for sale.

The impact of this sterilisation on Own Funds at 30 June 2016 was positive by 993 thousand euros and Own Funds would have amounted to 148,670 thousand euros.
At 31 December 2015, said impact was positive by 721 thousand euros and own funds would have amounted to 149,321 thousand euros.

2.3 Capital adequacy

A. Qualitative information

Italian banks must maintain a minimum CET 1 ratio of 4.5%, Tier 1 ratio of 6% and Total Capital Ratio of 8%.

As shown in the table on the breakdown of risk assets and on the capital ratios, the Group's CET 1 Capital Ratio and Tier 1 Capital Ratio are both equal to 28.3%, whilst its Total Capital Ratio is 28.6%. These parameters widely exceed minimum capital requirements mandated for us by the Bank of Italy at the conclusion of the supervisory review and evaluation process (SREP) established by Directive 2013/36/EU (CRD IV).

B. Quantitative information

Categories/Amounts	Non-weighted amounts		Weighted amounts/Requirements	
	30.06.2016	31.12.2015	30.06.2016	31.12.2015
A. RISK ASSETS				
A.1. Credit and counterparty risk				
1. Standard methodology	2,724,986	1,891,113	385,393	339,629
2. Methodology based on internal ratings				
2.1 Basic				
2.2 Advanced				
3. Securitisation	563	563	7,042	7,042
B. CAPITAL REQUIREMENTS FOR SUPERVISORY PURPOSES				
B.1. Credit and counterparty risk			31,395	27,734
B.2. Risk of adjustment of the credit measurement			4	1
B.3. Settlement risk				
B.4. Market risks			2,455	2,268
1. Standard methodology			2,455	2,268
2. Internal models				
3. Concentration risk				
B.5. Operating risk			7,467	7,467
1. Basic method			7,467	7,467
2. Standardised method			–	–
3. Advanced method				
B.6. Other calculation elements				
B.7. Total prudential requirements			41,321	37,470
C. RISK ASSETS AND ADEQUACY RATIOS				
C.1. Risk-weighted assets			516,512	468,375
C.2. Common Equity Tier 1 /Weighted risk assets (CET1 capital ratio)			28.3%	31.4%
C.3. Tier 1 capital/Weighted risk assets (Tier 1 capital ratio)			28.3%	31.4%
C.4. Total own funds/Weighted risk assets (Total capital ratio)			28.6%	31.7%

Part H – Related party transactions

In terms of related party transactions, the Bank has complied with the Regulations for related party transactions, approved by the Board of Directors on 2 August 2013.

For further information on related party transactions carried out during the financial year, please refer to the paragraph in the Report on Operations.

As required by IAS 24, information on related party transactions is provided below.

1- Information on remuneration of key executives.

As a result of the latest amendments made by Consob to its resolution no. 11971 of 14 May 1999 for the aforesaid information, please refer to the "Report on Remuneration" prepared in accordance with Article 123-ter of the Italian Consolidated Financial Law and according to form 7-bis of Annexe 3A of the Issuers' Regulation.

2. Information on transactions with related parties

The following table shows the assets, liabilities and guarantees and commitments at 30 June 2016 separately for different types of related parties under IAS 24.

BALANCE SHEET	Financial receivables (Payables)	Other Receivables (Payables)	Sureties issued	Irrevocable credit lines granted and not used
ASSOCIATED COMPANIES				
Revalo S.p.A.	(1,096)			
Imprebanca S.p.A.	(10)	–	–	–
MANAGEMENT WITH STRATEGIC RESPONSIBILITIES AND AUDITING BODIES	**(1,900)**	**–**	**–**	**–**
OTHER RELATED PARTIES	**(2,330)**	**342**	**37**	**–**

Other Receivables (Payables) are included in the financial statement items "Other assets" and "Other liabilities".

With regard to associated companies, the income statement items are also shown.

INCOME STATEMENT	Interest income (expense)	Commission income
ASSOCIATED COMPANIES		
Revalo S.p.A.	(1)	

Part L – Segment Reporting

A – Primary reporting

For the purpose of identifying operating segments and establishing the figures to be allocated, the segment reporting of the Banca Finnat Group is based on its organisation and management structure, along with the internal auditing system used to support the management's operating decisions.

The Banca Finnat Group operates primarily in Italy, where it carries out conventional credit brokerage activities and provides asset management and administration services.

For IAS segment reporting purposes, the Group has adopted the "business approach", selecting as the primary representative base, for the breakdown of its balance sheet and income statement figures, the main business sectors through which it carries out its consolidated activities and which constitute the internal reporting segments used by the Management for allocating resources and analysing the related performances.

The segments identified for providing an operation-based description of the Group results, also defined on the basis of business representativeness/prevalence criteria, are:

- assets under management
- assets under administration
- trusteeship
- banking services holding and other.

Income statement calculation criteria by business segment

The calculation of before-tax profit by business segment is based on the following criteria:

- The Bank's interest margin also takes into account the figurative performance of the owned capital and has been reclassified in the "Banking Services Holding and Other" segment, while, as regards the other Group entities, the various differences between interest income and similar income and interest expense and similar expense have been allocated to the relevant Business Area, minus the consolidation adjustments.
- Net commissions have been identified through the direct allocation of the commission components to the various business segments.
- The dividends received by the Bank, minus the consolidation adjustments, have been reclassified in the "Banking Services Holding and Other"; while those received by the other Group companies were assigned on the basis of the type of business activities performed.
- The net income from trading activities generated by the Bank has been attributed to the business segment that generated effectively the profit; while the profit generated by the other Group entities has been allocated directly on the basis of the business activities performed.
- The Operating costs item represents an aggregate and includes Administrative expenses, Other operating income and expenses and Provisions for risks and charges. The expenses incurred by the Bank were apportioned according to a model that envisages the direct or indirect allocation of the costs to organisational services and, subsequently, their allocation through specific drivers to the business segments. The expenses incurred by subsidiaries, minus the intra-group entries, were

directly allocated to the segments on the basis of the business activities performed. Costs that cannot be reasonably allocated and residual costs were allocated to the "Banking Services Holding and Other" segment.

- The aggregate figure for value adjustments includes Value adjustments for impairment and Value adjustments on tangible and intangible assets due to the amortisation process. Items regarding non-divisionalised entities (single segment) were directly allocated based on the relevant business segment, while the Bank's divisionalised ones were indirectly allocated through suitable drivers.

Criteria for calculating the balance sheet aggregates by business segment

Balance sheet aggregates were calculated according to the matching concept, with costs/revenues allocated to the single segments.

In particular:

- Receivables from customers are the assets directly employed in the operating activities of the segment and directly attributable thereto.
- Payables to managed customers were reclassified in the "Assets under management" segment, the remaining payables were allocated to the "Banking Services Holding and Other" segment.

Assets/liabilities that cannot be reasonably attributed were allocated to the "Banking Services Holding and Other" segment.

Transactions between business segments

In each business segment, the revenues, costs, assets and liabilities are calculated before the intra-group balances and intra-group transactions are eliminated within the consolidation process. When intra-group transactions take place between entities belonging to the same business segment, the relevant balances are eliminated within the segment in question.

Consolidated aggregate income statement values for the 1st half of 2016, by business segment

Business segments	Assets under management	Assets under administration	Trusteeship	Banking services holding and other	Total
Interest margin	24	–	20	3,739	3,783
Net commissions	15,104	3,319	826	1,506	20,755
Dividends	–	–	–	2,282	2,282
Net income from trading activities	21	–	–	1,528	1,549
Profit (loss) from AFS acquisition	–	–	(12)	1,650	1,638
EARNINGS MARGIN	**15,149**	**3,319**	**834**	**10,705**	**30,007**
Operating costs	(12,132)	(2,695)	(940)	(7,252)	(23,019)
Net value adjustments for impairment of:					
- receivables	–	–	(38)	(232)	(270)
- available-for-sale financial assets	(207)	–	–	(378)	(585)
Profit from equity investments	–	–	–	148	148
PRE-TAX PROFIT	**2,810**	**624**	**(144)**	**2,991**	**6,281**

Consolidated aggregate balance sheet values at 30 June 2016 by business segment

Business segments	Assets under management	Assets under administration	Trusteeship	Banking services holding and other	Total
Financial assets	4,149	–	1,050	1,245,089	1,250,288
Due from customers	10,416	–	558	330,458	341,432
Due from banks	4,131	–	–	125,524	129,655
Due to customers	49,988	–	–	1,458,993	1,508,981
Due to banks	2,519	–	–	2,423	4,942
Outstanding securities	–	–	–	24,126	24,126
Financial liabilities	–	–	–	6,292	6,292

B – Secondary reporting

The distribution of balance sheet and income statement figures by geographical area is not shown, due to the fact that the Group operates almost exclusively in Italy.

Significant non-recurring operations and positions or transactions descending from atypical and/or unusual operations

Pursuant to the Consob Communication DEM/6064293 of 28 July 2006, it should be noted that:

- in the first half-year of 2016, no non-recurring events occurred or were carried out, meaning events or operations that do not usually take place, in connection with ordinary business operations;
- no atypical and/or unusual transactions took place during the half-year period, either within the Group or with related or third parties. Atypical and/or unusual transactions are those operations which, due to their magnitude/importance, to the nature of the counterparty, to the subject matter of the transaction and to the method for determining the transfer price and time frame (whether close to the year-end or not), may give rise to doubts as to: the accuracy/completeness of the information set out in the financial statements, any conflict of interest, the safeguarding of the company's net worth and the protection of minority interests.

The most significant transactions in the first half of 2016 are commented on in a special section of the Interim report on operations.

The following table lists all equity investments – directly or indirectly owned by Banca Finnat Euramerica S.p.A. – that exceed a stake of 10% of the capital, made up of shares with voting rights in unlisted public limited companies or membership interests in private limited companies, at 30 June 2016.

LIST OF MAIN EQUITY INVESTMENTS IN UNLISTED COMPANIES DIRECTLY OR INDIRECTLY HELD AT 31 DECEMBER 2015

INVESTEE COMPANY	Shares or membership interests directly and indirectly held		Shares or membership interests directly held			Shares or membership interests indirectly held			
	No. of shares	% stake	No. of shares	% stake	Type of ownership	Investee Companies	No. of shares	% stake	Type of ownership
FINNAT FIDUCIARIA S.p.A. Piazza del Gesù, 49 - 00186 ROME Taxpayer ID No. 07585500585 - Rome REA 620697 Nominal value per share Euro 5	300,000	100.00	300,000	100.00	Ownership				
INVESTIRE SGR S.p.A. Via Po, 16/A - 00198 ROME Taxpayer ID No. 06931761008 - Rome REA 998178 Nominal value per share Euro 1,000	7,409	50.16	7,409	50.16	Ownership				
FINNAT GESTIONI S.A. Via Pietro Peri, 21 - 6900 LUGANO Nominal value per share CHF 1,000	525	70.00	525	70.00	Ownership				
REVALO S.p.A. Via di Santa Teresa, 35 - 00198 ROME Taxpayer ID No. 08280551006 - Rome REA 1085663 Nominal value per share Euro 1	648,000	36.00	648,000	36.00	Ownership				
SIGEFI ITALIA PRIVATE EQUITY S.p.A. in liquidation Via Gonzaga Maurizio, 7 - 20123 MILAN Taxpayer ID No. 04033360969 - Milan REA 1720651 Nominal value per share Euro 1	30,000	25.00	30,000	25.00	Ownership				
IMPREBANCA S.p.A. Via Cola di Rienzo, 240 - 00192 ROME Taxpayer ID No. 09994611003 - Rome REA 1202384 Nominal value per share Euro 1	10,000,000	20.00	10,000,000	20.00	Ownership				
PREVIRA INVEST SIM S.p.A. in liquidation Piazza San Bernardo, 106 - 00187 ROME Taxpayer ID No. 06073551001 - Rome REA 945999 Nominal value per share Euro 10	30,000	20.00	30,000	20.00	Ownership				

CERTIFICATION OF THE CONDENSED CONSOLIDATED HALF-YEARLY FINANCIAL STATEMENTS PURSUANT TO ART. 81-TER OF THE CONSOB REGULATION NO. 11971 OF 14 MAY 1999 AS AMENDED AND SUPPLEMENTED

1. The undersigned Arturo Nattino, acting in the capacity of Managing Director, and Paolo Collettini, acting in the capacity of Manager in charge of preparing the accounting documents of Banca Finnat Euramerica S.p.A., hereby certify, also with regard to the provisions of Article 154-bis, paragraphs 3 and 4, of Italian Legislative Decree No. 58 of 24 February 1998:
   - the adequacy, with regard to the characteristics of the company, and
   - the effective application

   of the administrative and accounting procedures, in respect to the formation of the Condensed consolidated half-yearly financial statements at 30 June 2016.

2. No significant matters emerged, with respect thereto.

3. The undersigned also certify that:

   3.1 the Condensed consolidated half-yearly financial statements:
      a. have been prepared in accordance with the applicable international accounting standards approved by the European Community, pursuant to Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of 19 July 2002;
      b. correspond to the entries in the accounting books and records;
      c. provide a true and fair account of the equity, performance and financial situation of the issuing company and of the set of companies included in the consolidation.

   3.2 The interim report on operations includes a reliable analysis of the reference to the important events occurring in the first six months of the year and how they affected the Condensed consolidated half-yearly financial statements, along with a description of the principal risks and uncertainties for the remaining six months of the year. The interim report on operations also includes a reliable analysis of the information on the significant transactions with related parties.

Rome, 3 August 2016

The Managing Director	The Manager in charge of preparing the accounting documents
(Arturo Nattino)	(Paolo Collettini)

LIMITED AUDIT REPORT ON THE CONDENSED CONSOLIDATED HALF-YEARLY FINANCIAL STATEMENTS

To the Shareholders of
Banca Finnat Euramerica S.p.A.

Introduction

We have carried out the limited audit of the condensed consolidated half-yearly financial statements, consisting of the balance sheet at 30 June 2016, the income statement, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the period ended as at that date and the related explanatory notes of Banca Finnat Euramerica S.p.A. and subsidiaries (Banca Finnat Euramerica Group). The Directors are responsible for preparing the condensed consolidated half-yearly financial statements in accordance with the international accounting standard applicable for interim financial reporting (IAS 34) adopted by the European Union. We are responsible for expressing our conclusion on the condensed half-yearly financial statements on the basis of the limited audit we carried out.

Scope of the limited audit

Our work was carried out according to the criteria for limited audits recommended by Consob with its Resolution No. 10867 of 31 July 1997. The limited audit of the condensed consolidated half-yearly financial statements consists of carrying out interviews, mainly with the company personnel responsible for financial and accounting aspects, financial statements analyses and other limited audit procedures. The scope of a limited audit is substantially smaller than that of a complete audit carried out in accordance with international audit standards (ISA Italy) and, consequently, it does not enable us to be certain that we became aware of all the significant facts that could be identified with the performance of a complete audit. Therefore, we hereby express no judgement on the condensed consolidated half-yearly financial statements.

Conclusions

On the basis of the limited audit we carried out, we did not become aware of any elements that would lead us to deem that the condensed consolidated half-yearly financial statements of the Banca Finnat Euramerica Group at 30 June 2016 were not prepared, in all the significant aspects, in accordance with the international accounting standard applicable for interim financial reporting (IAS 34), adopted by the European Union.

Rome, 4 August 2016

EY S.p.A.
Wassim Abou Said
(Partner)

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R.E.A. Reg. No.	444286	Web-site	www.bancafinnat.it
Tax Identification No.	00168220069	E-mail	banca@finnat.it
VAT Registration No.	00856091004	Investor Relations	investor.relator@finnat.it

The Company is listed on the official market and its shares are admitted to trading on the STAR segment
The above data refer to the Parent Company Banca Finnat Euramerica S.p.A.

www.bancafinnat.it