BANCA FINNAT

GRUPPO BANCA FINNAT

CONSOLIDATED HALF-YEARLY FINANCIAL REPORT AT 30 JUNE 2017

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BOARD OF DIRECTORS

Carlo Carlevaris
Honorary Chairman

Flavia Mazzarella
Chairman

Leonardo Buonvino
Deputy Chairman

Marco Tofanelli
Deputy Chairman

Arturo Nattino
Managing Director

Ermanno Boffa
Director

Roberto Cusmai
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

Giulio Bastia
Joint General Manager
Manager in charge of preparing the accounting documents

Alberto Alfiero
Deputy General Manager

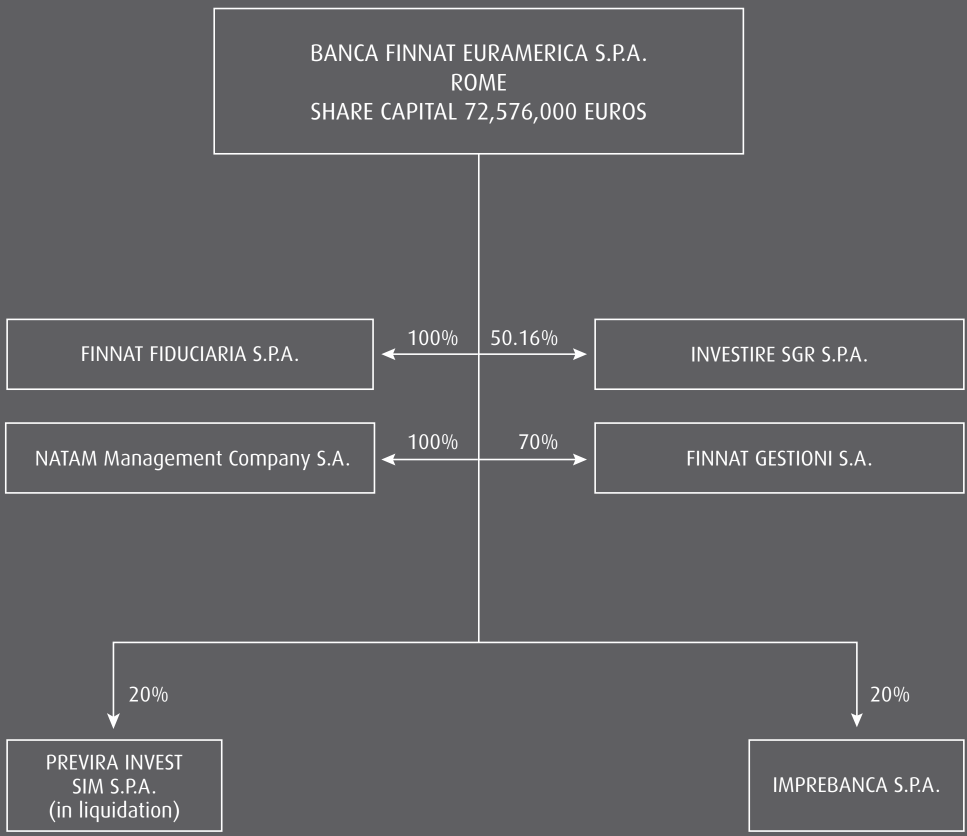
AUDITING FIRM

EY S.p.A.

INTERIM REPORT ON GROUP OPERATIONS

GROUP STRUCTURE

The following diagram shows the Group's structure at 30 June 2017:



KEY FIGURES FOR THE GROUP

	30 June 2016	31 December 2016	30 June 2017
CONSOLIDATED NET EQUITY OF THE GROUP (in thousands of euros)	209,726	217,504	220,608
HUMAN RESOURCES OF THE GROUP	332	336	338
CONSOLIDATED PROFIT (LOSS) (in thousands of euros)	4,020	7,296	11,905

STOCK EXCHANGE CAPITALISATION OF BANCA FINNAT EURAMERICA

	Number of shares	Market price 20 July 2017	Capitalisation 20 July 2017 (in thousands of euros)	Consolitaded net equity (in thousands of euros)	Share capital (in thousands of euros)
ORDINARY SHARES	362,880,000	0.3770	136,806	220,608	72,576

Changes in the Group's deposits

Group deposits amounted to 14,391 million euros and were higher by 999 million euros (+7%) compared with the figures at 31 December 2016 (13,392 million euros). The positive change regarded nearly all services and was mainly due to the increase in Indirect deposits of the parent company by 666 million euros and to the Property Fund Management by 248 million euros.

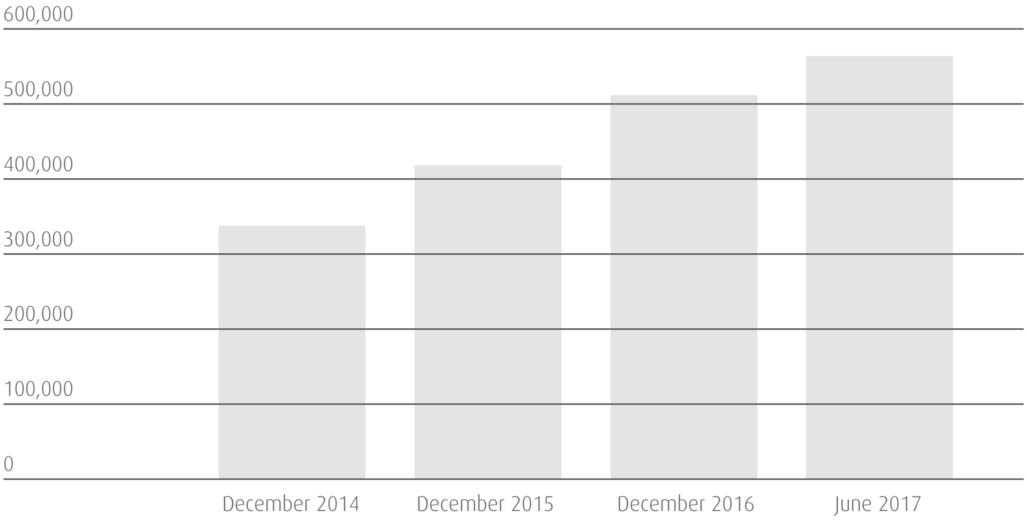
(in thousands of euros)

	December 2014	December 2015	December 2016	June 2017
Direct deposits from customers of the parent company	**336,854**	**417,760**	**510,686**	**562,482**
- Due to customers (current accounts)	248,080	331,111	418,331	444,322
- Fixed-term deposits	40,116	60,527	68,530	94,931
- Outstanding securities	48,658	26,122	23,825	23,229
Indirect deposits of the parent company	**4,338,207**	**4,609,152**	**4,505,144**	**5,171,004**
- Individual management	427,690	449,753	459,775	437,988
- Delegated management	244,252	283,646	251,061	332,495
- Deposits under administration (UCI and securities)	3,451,980	3,603,627	3,471,594	3,853,508
- Deposits under administration under advice (UCI and securities)	183,688	229,493	255,778	460,141
- Third parties' insurance products	30,597	42,633	66,936	86,872
Trusteeship	**1,471,884**	**1,408,787**	**1,374,990**	**1,408,423**
Real Estate Fund Management	**4,130,632**	**6,769,365**	**7,001,357**	**7,248,905**
Total deposits	**10,277,577**	**13,205,064**	**13,392,177**	**14,390,814**
Luxembourg-based Sicav, the "Promoter" of which is Banca Finnat (currently, New Millennium Sicav and New Millennium Sif).	**702,614**	**725,786**	**677,938**	**858,821**

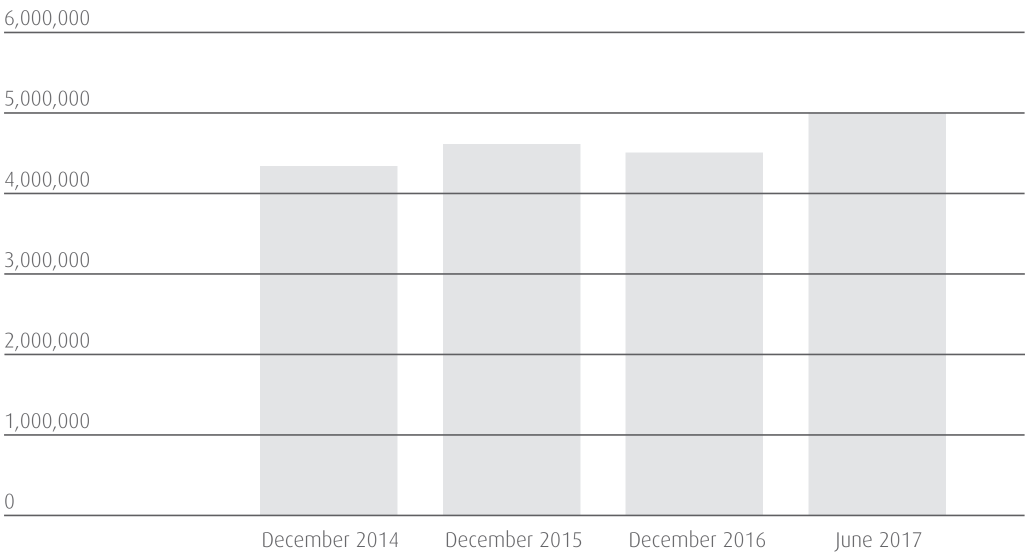
The previous statement shows the changes in the Group's deposits broken down by type. In detail: a) direct and indirect funding from customers refers to the Bank's activity and does not include repos having the Cassa

di Compensazione e Garanzia as the counterparty; b) trusteeship includes 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.

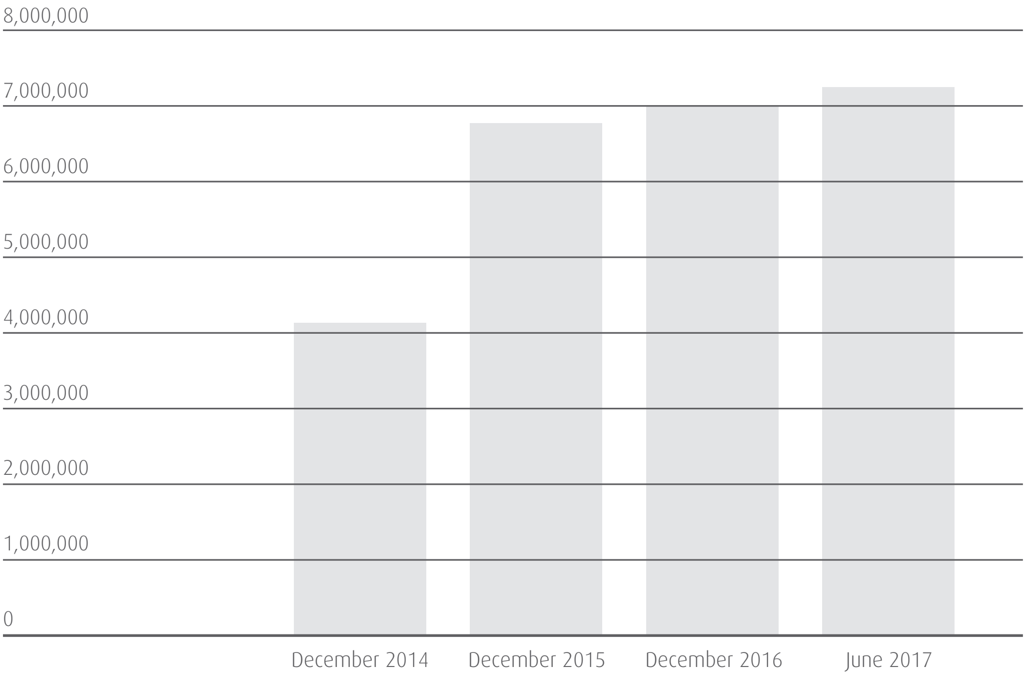
Direct deposits from customers



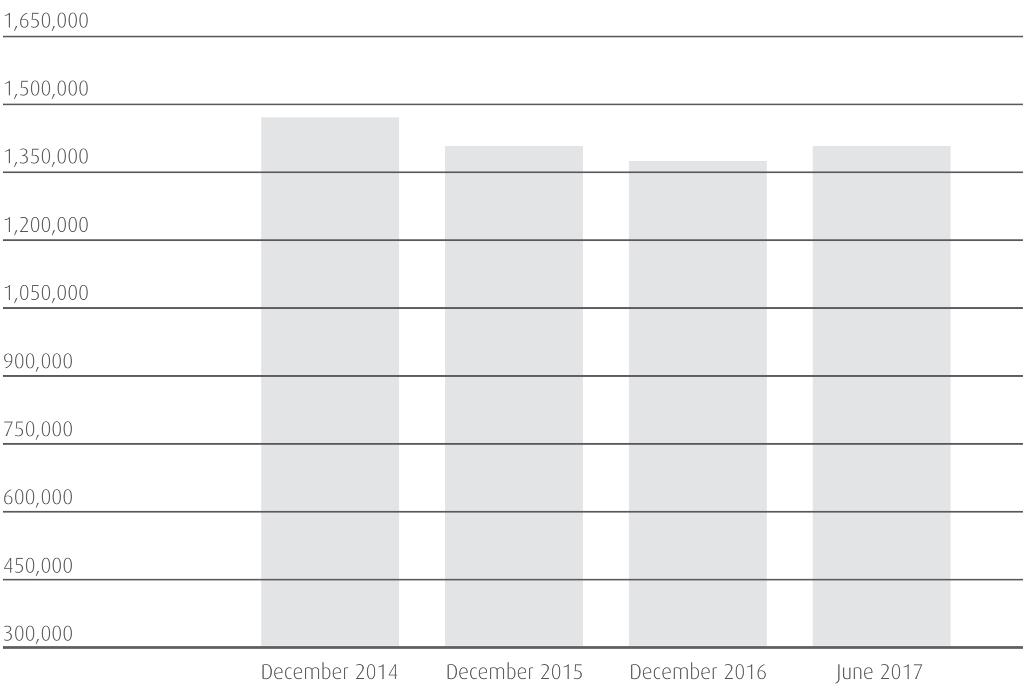
Indirect deposits



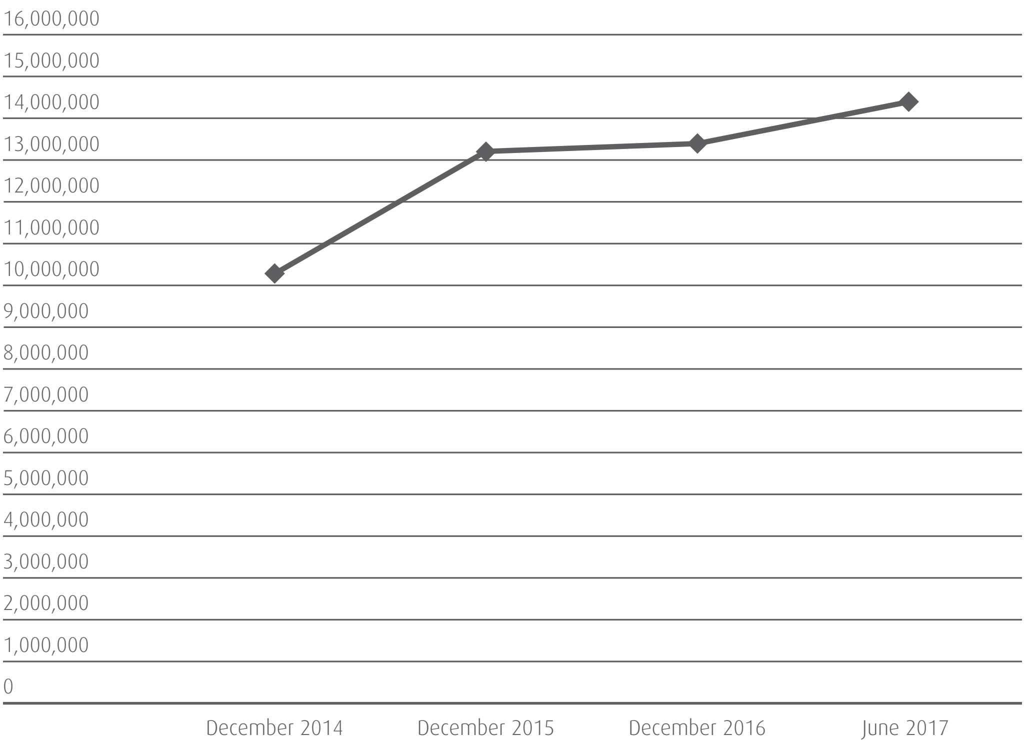
Real Estate Funds



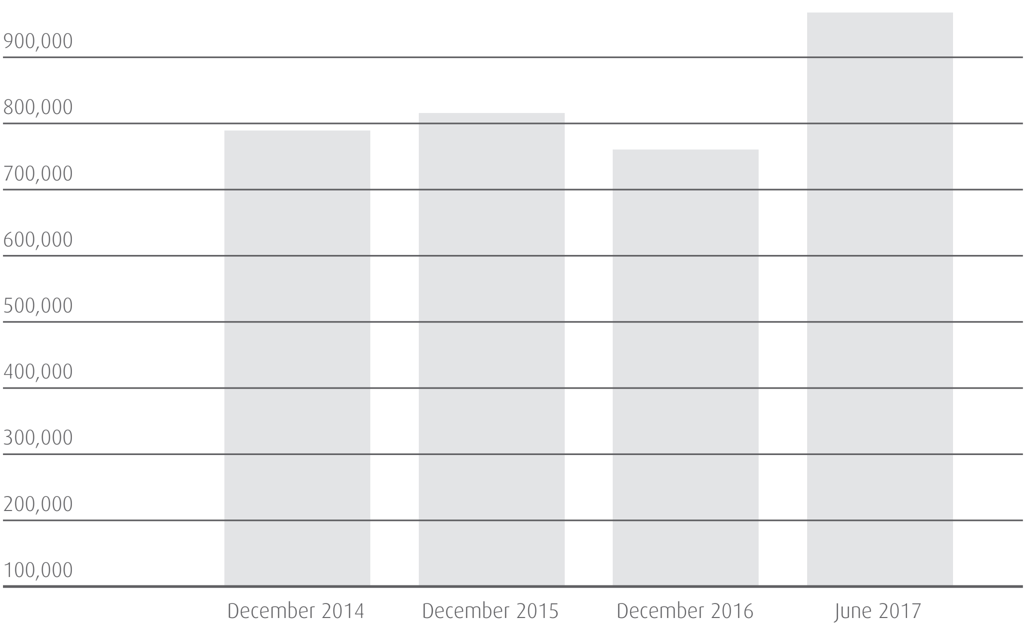
Trusteeship



Total deposits of the Group



Luxembourg-based Sicav fund



OWN SHARES AND SHARE PRICE PERFORMANCE

Own shares

At 30 June 2017, the Bank holds 29,333,710 own shares, representing 8.1% of the share capital with a total value of 14,315 thousand euros. At the end of the past year, the Bank held 29,492,710 own shares with a value of 14,392 thousand euros.

During the period, the Bank sold 159,000 shares, with a total value of 57 thousand euros, with a loss of 20 thousand euros recognised in Net equity.

Share price performance

SHARES (in euros)	Market Price as at 20 July 2017	Market Price as at 30 June 2017	Market Price as at 31 March 2017	Market Price as at 31 December 2016	Market Price as at 30 September 2016	Market Price as at 30 June 2016
BFE	0.3770	0.3702	0.3708	0.3717	0.3108	0.3203

PRICE PERFORMANCE OF THE BANCA FINNAT STOCK AND COMPARISON WITH ITALIAN BANKING SECTOR INDEX (source Banca Intesa)

BUSINESS BACKGROUND

Prior to presenting the Consolidated report on operations relating to the first half of 2017, following is an overview of the domestic and international macroeconomic background.

Domestic and international macroeconomic background

The first half of 2017 was characterised by a marked strengthening of the world's economy, supported by a sharp recovery of the manufacturing sector and of international trade - global imports of goods resumed growth at yearly rates of 2.8% (the highest figure in over ten years) and by financial conditions that still remain particularly favourable in spite of the desire, by many Central Banks, to proceed as soon as possible with a restrictive normalisation of their respective monetary conditions after nearly a decade of ultra-expansionary policy. The core of this sharp economic recovery is - as always - to be found in emerging markets, whose GDP growth rate should reach 4.1% for 2017 as a whole (versus 3.5% in 2016) whilst the advanced economies should grow by 1.9%, versus 1.7% in 2016. In the Euro area, expected to grow by 1.9% overall throughout 2017, the first quarter of the year saw the French economy expand by 1.1%, Germany by 1.7% and Italy by 1.2%. This ongoing expansion is substantially driven by domestic demand, luckily hardly influenced by the erratic energy prices and fed not only by consumer confidence that has already approached the pre-crisis peak reached in 2007, but also by a constant improvement of the labour market, which sustains income and consumer spending. In the USA, where the growth rate throughout 2017 amounted to 2.2%, the first quarter of the year confirmed the peculiarity, already exhibited in previous years, whereby the start of the year is always weak compared to the trends expressed in the final quarters of the previous years. Thus, after a third quarter 2016 characterised by year-on-year growth of 3.5% and a fourth quarter at 2.1%, in the first quarter of 2017 the US economy expressed only 1.4% growth, albeit in the presence of virtual full employment (with an unemployment rate of 4.3% in May). Lastly, concerning the Asian area, while Japan found itself in the condition of having to revise downwards (from the initial 2.2% to the final reading of 1%) its GDP growth rate for the first quarter of 2017, in the wake of disappointing data coming not just from net export but also and above all from domestic demand, in China economic growth unexpectedly reached 6.9%, year on year, versus 6.7% in 2016 as a whole.

Concerting inflation dynamics, expectations declined constantly during the entire half year in the wake of a renewed, unexpected contraction in energy prices (which decreased by 14% on average in the half year). Thus, the estimated 5-year forward inflation rate, over a five-year time horizon, declined, from 2.6% to 2.1% from the start of the year in the Dollar area, and from 1.8% to 1.55% in the Euro area. Inflation expectations reflected the downwards dynamics of consumer prices, which in the US economy slowed from 2.7% in February to 1.9% in May, with core inflation declining from 2.3% to 1.7%, whilst in the Euro area the consumer price growth rate contracted to 1.3% in June, from 2% in February, and to 1.1% net of the energy and food component.

The data recently calculated by the ECB thus confirmed that the cyclical recovery of the economy in the Euro area is becoming ever more robust, with declining risks of deterioration, but this did not prevent the ECB itself to revise the "official" inflation forecasts to 1.5% in 2017, 1.3% in 2018 and 1.6% in 2019 (versus the target value of 2%). In this context, while the ECB in the meeting of 8 June maintained unchanged the policy rates (reference rate at zero, the rate on deposits at -0.4% and the marginal lending facility at 0.25%), confirming its intention to continue, until the end of the year, with the current pace of securities purchasing amounting to 60 billion euros per month, the US Federal Reserve, in mid-June 2017, raised its interest rates by a quarter of a point (to 1.25%), indicating that the monetary policy is set to remain restrictive, reaching at least 1.5% by the end of the year.

The financial markets

In the first half of 2017, almost all stock markets recorded positive results, in the wake of the worldwide economic recovery, although rates of return remained nearly always "single-digit". On the US market, the S&P 500 index provided a return of 8.2% in Dollar terms, while the technological index Nasdaq gained 14.1%. However, taking into account the concurrent devaluation of the US Dollar in the half year (in Dollar index terms, the US currency declined by 7.5%), a European investor who had not "hedged" the currency rate would have respectively lost 0.2% and obtained a return limited to 5.2%. In the Eurozone market, the Eurostoxx 50 index provided a return of 4.6% while individual national markets recorded gains of 5.3% for the representative index of the French market CAC40, of 7.35% for the representative index of the German market, DAX30, and by 7% for the representative index of the Italian market, FTSEMIib. The British market index FTSE 100 provided, in British Pound terms, a return of 2.38%, which became a loss of 0.63% taking into account the devaluation, in the half year, of the British Pound relative to the common European currency.
In May 2017, the stock market capitalisation of the Euro area grew by 23% year on year, and within the Eurozone, the Italian stock market capitalisation accounts for 8.8% of the total, France's is 31% and Germany's 26.5%.
On Asian markets, the representative index of the Japanese market, the Nikkei 225, provided a return, in yen terms, of 5% (whittled down to 0.67% taking into account the revaluation of the Euro relative to the Japanese currency) whilst the Hang Seng index of the Hong Kong market gained 17.2% in local currency terms and by 7.3% if the exchange rate was not sterilised.
On the so-called Brics markets, the representative index of the Chinese market (Shanghai market) returned 2.85% in local currency terms; the Indian index appreciated by 17.2%; the Brazilian market grew only by 4.4%; South Africa gained 1.89% whilst the Russian market index lost 15.82%.
On Commodities market, declining energy and rising industrial metals characterised the half year. The price of Oil (both the WTI and the BRENT contract) slid down by 14%; ICE Diesel lost 11.9%; NYMEX Natural Gas contracted by 20.6%. Among metals, Palladium recorded the most striking positive performance (+24.4%) followed by Aluminium (+13.3%), by Gold (+7.9%), by Silver (+4.3%) and by Platinum (+2.2%). Regarding farming derivatives, Wheat gained 28.4%, Corn rose by 6.5%, whilst Soy lost 3.7%. Among Imported Products, the price of Sugar contracted by as much as 29.2% and Coffee lost 9.5%, whilst Cotton gained 6.6%.
Regarding stock markets, the average benchmark rate on 10-year maturity was 2.32% in the USA at the end of the half year (2.45% at the start of the year), 0.46% in Germany (0.185% at the start of the year) and 2.14% in Italy (1.74% at the start of the year). Hence, on Eurozone markets, the interest rates rose, yet more markedly from the second half of June after the placement at the start of the month, on the primary Italian market, of a twelve-month BOT with a rate of return upon emission of -0.351% (the record low for this category of securities).
As to currency markets, the European common currency appreciated relative to all major currencies. Thus, relative to the Euro, the US Dollar declined by 7.35% in the half year, while the Japanese Yen lost 5%, the British Pound lost 2% and the Swiss Franc lost 2.25%.

The property market in the first half of 2017

The year 2016 ended with a favourable result for the Italian property market. The inklings of a recovery in 2015 were amply confirmed in 2016, with revenues recording a 2.7% increase year on year. In the first months of 2017, the positive trends were confirmed, also in view of more robust prices in the main segments.

Compared to previous years, local and foreign investors were livelier, both in the case of households and professional operators, thanks to the constant decline of interest rates during the year, but also to the development of new opportunities in Italy. The first signals of interest rate rises were recorded in the early months of the current year. The outlook reflects an increase in the dynamicity of property transactions that was even greater than in the previous year, estimated to be approximately 5% for the current year.

The high tax burden remains the main hindrance for household and sector operators, although the tax relief and the incentives expected with the recent Stability law are positive signals for the market, with particular attention to sustainable construction and to young couples. Growth was also recorded by the loans granted by banks, which are constantly updating their range of services offered, making it possible for the market, and especially the residential market, to recover. The lease instrument is becoming more widely used in the field of property, with the creation of dedicated servicers. The financial statements of companies are improving, as they benefit from the returning liveliness of the labour market and of private investments. The services/offices segment drew advantage from that, with the transformation of the same physical work space.

Italy attracts the interest of global property investors, with the volume of purchases, both direct and via funds, returned to pre-crisis levels. The interest is focused on high quality properties and on trophy assets, with the consequent reduction in the available supply, strongly concentrated in Milan and in Rome. The scant supply and the squeezing of the returns are causing more attention to be paid to second level areas, in line with what is taking place in the rest of Europe. The supply of trophy assets remains marginal in the secondary positions, while assets to be developed predominate. The pick-up is rewarding the innovation of the product and the service, with greater concentration of demand on the new element.

In 2017, domestic core investors confirmed their interest; in the first half of 2017 they accounted for approximately 41% of investments, while international investors, positioned at 43%, also continued to show interest. Above all, large international capitals continue to look at our Country with great attention, albeit only in some geographic areas (Milan, Rome, Florence and a few other cities) and in limited sectors, essentially core/core plus properties. Interest remains high for value added and opportunities properties, although in 2017 the proportion of preferences for core investments rose (54% versus 43% in 2016). The greatest obstacle to the further expansion of the investments shall once again be the scarcity of products able to meet this demand.

The compression of returns, which continued throughout 2016, is still ongoing, because still lower yields are found in the other European countries. In terms of asset class, offices and commercial properties are confirmed to be among investors' preferred choices. Interest for shopping centres runs across all major Italian cities. There is also interest for the hotel sector, where 50% of transactions involves trophy assets in large urban areas, but also in tourist areas.

In numerical terms, the volume of investments in the first half of 2017, according to estimates that are not yet definitive (source: Quotidiano Immobiliare) amounts to approximately 4 billion euros, growing by 14% relative to the first half of 2016. Among the confirmed preferences are the office sector, accounting for 59% of the total invested amount, followed by the retail sector, with 22%.

In Italy, a process of growth in transaction volumes and revenues started, although prices are having difficulty rising. In this phase, supply tends to be adapted to the demands for ecosustainability and efficiency-boosting dictated by the sharing economy, influencing all property segments, from residential to office, to logistics and tourism. The lease segment also plays an important role in this field, especially on the fronts of social housing and university residences, driving the property sector as well. The stock of obsolete properties makes a renovation intervention urgent, in particular with regard to earthquake protection and energy efficiency upgrades. Therefore, the fundamental driving forces in the coming years will be the urban requalification and building replacement processes. The main real estate companies are still redefining their strategies; in 2016, they approached the world of non performing loans, with the dual beneficial effect of clearing out a market of significant proportions while regenerating banks' balance sheets. However, compared to other Countries, Italian servicers are still small in size.

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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 established that listed issuers are 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 Law, 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 2016, 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 consists 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..

SUMMARY OF CONSOLIDATED RESULTS

In the first six months of 2017, consolidated net profit amounted to 11,905 thousand euros, up by 7,885 thousand euros (+196%) compared to the same period of 2016, which amounted to 4,020 thousand euros.

The main items that form the 2017 first half results are shown below, compared with the corresponding 2016 figures:

- Earnings margin at 30 June 2017 totals 40,266 thousand euros, compared to 30,007 thousand euros in the corresponding period of the previous year. The overall increase by 10,259 thousand euros benefited from the sizeable gain realised by the Bank as a result of the partial divestment of the interest in London Stock Exchange Group plc. The divestment was a strategic decision by the Bank, in consideration both of the growth in the value of the stock, and of the weight reached by the equity investment on the capital of the company.
  The increase in the earnings margin is broken down as follows:

  increases
  - 486 thousand euros for Interest margin (4,269 thousand euros at 30 June 2017, compared to 3,783 thousand euros in the same period of 2016);
  - 198 thousand euros for Net commissions (20,953 thousand euros at 30 June 2017, compared to 20,755 thousand euros in the same period of 2016);
  - 72 thousand euros for Dividends and similar income (2,354 thousand euros at 30 June 2017, compared to 2,282 thousand euros in the same period of 2016).
  - 10,034 thousand euros for Profit from the sale of available-for-sale securities (11,672 thousand euros at 30 June 2017, compared to 1,638 thousand euros in the same period of 2016);

  decreases
  - 531 thousand euros as net income from trading activities. At 30 June 2017, the item has a positive balance of 1,018 thousand euros, versus 1,549 thousand in the same period of 2016.

- **Value adjustments for impairment** amount to 2,300 thousand euros at 30 June 2017, compared to 855 thousand euros in the same period of 2016. The adjustments of the period relate to “Receivables” (1,476 thousand euros) and to “Available-for-sale financial assets” (824 thousand euros). Value adjustments were partly offset by collections of default interest (included in the income statement item Interest Income) amounting to 284 thousand euros.

- **Administrative expenses** amount to 25,710 thousand euros in the first six months of 2017, compared to 24,654 thousand euros in the same period of 2016, up by 1,056 thousand euros overall, and can be broken down as follows:
  - staff costs, which total 16,278 thousand euros, grew by 482 thousand euros compared to the same period of last year (15,796 thousand euros);
  - other administrative expenses, totalling 9,432 thousand euros, increased by 574 thousand euros compared to the same period of the previous year (8,858 thousand euros).

- **Other operating income/expenses** at 30 June 2017 show a positive balance of 2,984 thousand euros versus 1,968 thousand euros in the same period of 2016. The item comprises the recoveries of costs from customers, amounting to 2,012 thousand euros (1,843 thousand euros in the same period of 2016).

- **Income taxes**, at 30 June 2017, amount to 1,654 thousand euros compared to 1,121 thousand euros at 30 June 2016.

* * *

The overall profit for the first half of 2017 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 2017:

Investment Banking

In the first half of the year investment banking structures of the Bank recorded considerable activity and good results.

In the **asset management** sector, performance levels were generally positive both in asset management mandates and in the SICAV funds managed internally. This is true with particular reference to products with higher stock content which - in many cases - recorded markedly higher returns than the benchmarks.
Deposits data were also positive both with regard to assets under management and to assets under advice (almost always remunerated) as well as for the New Millennium SICAV. This is the result not only of a positive activity of promotion to (private and Institutional) customers but also of the development of services offered to other intermediaries, including managers, who, in partnership, call on our bank to perform technical roles, in support of their activity and for the connected administrative services.
In recent months, a topic of interest for the Asset Management industry was that of PIR (Individual Saving Plans), and the Bank and the group were revealed to be highly dynamic on this front as well; a balanced PIR fund was established and, inter alia, it was the first one to be authorised in Luxembourg and to be listed on the Stock market. This product made it possible not only to meet the requirements of our customers who are interested in these instruments, but it also contributed to give a fair level of media visibility to the Bank and to the SICAV. The new Luxembourg-based Man.Co. NATAM is fully operational; it operates in close synergy with the Bank and it seems able to achieve the objective of breaking even in the current year.

Concerning **brokerage**, the volumes and transactions were substantially in line with the average levels of last year. However, commissions increased, not only because of an increase in the activities carried out for more profitable customers to the detriment of retail banking (ever more marginal), but also for the execution of extraordinary transactions, such, in particular, a significant Accelerated Book Building, which the bank was able to structure and implement and which represented one of the most significant transactions ever completed on the AIM market in terms of involvement of institutional investors.
Trading activities on CO2 quotas continue; it is a niche activity, but it continues to be gratifying: the Bank is concretely assessing also direct participation in one of the official markets on which these instruments are traded.
Ever more significant are corporate broking activities, i.e. those carried out for listed issuers (typically small Cap). The Bank continues to lead the market as a specialist in the AIM market, with a significant number of mandates that assure a significant inflow of fees. The recent rise of the AIM market allowed a reduction of the stocks of securities held for that activity (and thus a mitigation of the risks on many positions) achieved while also realising interesting capital gains.
The number of companies to which the studies office and the equity sales desks provide "coverage" increased from 6 to 8; these are companies that are proactively assisted in their interrelation with the community of institutional investors. Some of them, last March, were also major players in the event called "*Investire nelle Small Cap... si può*" (Investing in Small Cap companies... it can be done"), organised

autonomously by the Bank to the benefit of many Institutional managers, to whom the related investment opportunities were presented with considerable success.

Activities **on the Bank's own behalf** are also going very well: both those relating to the AFS portfolio, where important revaluations are being recorded, and those of the HFT portfolio, which have a more direct impact on the income statement. This is due both to the good performance of the markets and to good Treasury operations within the scope of risk levels held under strict control.

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 2017, 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.

In the first half of 2017, two transactions relating to financial assistance to Energica Motor Company S.p.A. and to S.M.R.E. S.p.A., both listed on the AIM, were completed, for the execution of an investment agreement with Atlas Special Opportunities LLC and Atlas Capital Markets for the issue of a convertible bond cum warrant.

Among currently ongoing mandates, the following are pointed out: an appointment for financial assistance to Giglio Group S.p.A., active in the media & entertainment, broadcasting and e-commerce sectors in the process of translisting from the AIM Italia market to the MTA regulated market, STAR segment, assistance to the promoter company involved in the construction of a service infrastructure and tourist attractions (including an aquarium), within the scope of a project developed in the city of Rome, directed at negotiation with banks to obtain the finance necessary for the completion of the project; the appointment for financial assistance to an Italian company active in the health care sector, directed at the search for a partner to obtain the financial resources necessary to support a new development project in the telemedicine sector; an appointment for financial assistance to Casta Diva Group, a company listed on the AIM, active in the sector of digital video content and of live events, directed at obtaining new resources to finance the development plan; an appointment for financial assistance to a company operating in the sector of marketing and selling men's clothing and accessories, directed at a preliminary study and at structuring the group's economic and financial plan, as well as obtaining financial resources for development.

In conclusion, in the first half of 2017, the on-going Nomad activities for some companies listed on the AIM continued. To date, there are 10 companies being followed as Nomad.

Private Banking - Sales Department

The first half of the year ended positively in all respects, growth of assets under management, revenues, the network.

The hiring policy continued both in Milan and in Rome, involving persons of considerable experience. In this way, the Family Office organisation now concentrates competencies deriving from different worlds such as financial planning, international private banking, asset management, to be able to meet the most complex needs of high-range customers.

The development and marketing initiatives made it possible to report sizeable growth in assets under management, amounting to approximately 400 million euros on private customers.

All forms of investment recorded considerable growth rates, in particular advisory services and insurance products. The growth of insurance products was mostly concentrated on class I. The structure of advisory services based on an open, but guided, platform, made it possible to strengthen investments in UCI. Fund selection and dynamic stock picking on the European stock market also had positive repercussions within the scope of the advisory service whose commission returns demonstrate the faster growth trend.

While asset management maintained the prudent nature that characterises our service model, it generated extremely positive returns for all risk profiles. Our good capability of selecting individual stocks even in lateral market phases was demonstrated once again.

As regards marketing activities, the Bank has carried out a wide range of initiatives: overall, several events were organised each month, in part thanks to the new conference centre inaugurated in Rome in the Corso Trieste branch. In this new facility, we launched cultural and leisure initiatives promoted by our customers, such as book presentations, wine tasting, debates. An additional activity that generated interest was the organisation of sporting competition dedicated exclusively to our customers and their friends to integrate them more closely in their relationship with the bank.

The bank was able to meet credit support requests, sustaining several initiatives, including medium/long term ones directed at strengthening the financial position of the enterprise - ownership combination of our Private customers. This occurred consistently with our credit policy that is extremely careful of the guarantee programmes and repayment procedures.

Always central in the dealings with the business world was the joint consulting work between bank and Finnat Fiduciaria and Corporate Finance Advisory which, in the half year, focused on initiatives, promoted together with category associations, to support SMEs in raising capital on the AIM. Our predominant position in the world of listing and in the role of specialist on this market has enabled us to embark on development paths with excellent Italian enterprises that intend to grow by listing.

Asset Management - 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 7.2 billion euros, distributed throughout Italy, mainly to be used for services (offices/logistics/shopping centres) and residential purposes (free market / in social housing). During the half year, the SGR completed acquisitions/contributions amounting to approximately 530 million euros and sales of approximately 190 million euros, as well as approximately 19 million euros of development/improvement activities (capex).

In relation to the more significant activities carried out on the funds currently managed by the SGR, in September the FIP fund disposed of 24 properties for a price of approximately 80 million euros; the FIEPP Fund initiated the sale, completed in July 2017, of a property for commercial use, for a price of 50 million euros; the Pegasus fund acquired a set of 19 properties for a price of approximately 73 million euros, as well as an additional services complex located in the Northeastern outskirts of Milan for a price of approximately 22 million euros at 30 June, for which the requalification activities have been started with the goal of doubling its value; the FPEP fund completed fractioned sales for approximately 10.7 million euros and acquired a property in Rome; for the INPGI Fund, fractioned sale activities were started for a total value of sales closed in the period of approximately 22.5 million euros; an additional contribution of 24 properties for a value of approximately 102 million euros was also completed; the SGR also started, for the same unit holder, the management of the INPGI HINES fund, previously managed by another SGR; the Melograno fund sold a property in Rome for approximately 14 million euros; for the Spazio Sanità fund, the purchase of a property in Rome was completed for approximately 11.5 million euros, while an additional property was purchased early in July; the Helios fund continued fractioned sales of the residential assets, closing sales for approximately 2.4 million euros in the period; Fondo Obelisco sold five properties, for approximately 34 million euros.

The Distressed & Non Performing Assets area (Securis I, II, III, Sistema BCC) continued its road show and portfolio acquisition activities: in detail, asset disposal activities continued on all the funds (in the first half, for an equivalent value of approximately 5 million euros); the acquisitions involved the Securis I fund, which contributed 76 additional properties, for roughly 39 million euros and the Sistema BCC fund which bought four auctioned properties for approximately 1 million euros; with regard to this type of portfolio, letting activities also continued, with the use of both traditional and rent to buy contractual forms.

In the half year, the management of two new funds was started, i.e. Neptune 1 and Neptune 2, whose property portfolio, originating from insurance companies, consists of 196 properties for a value of approximately 123 million euros.

Social Housing funds further implemented the acquisition and development initiatives: in the first half of 2017, the Ferrara Social Housing fund was launched, which provides for the transformation of a former services complex into a residential one; in addition, the acquisitions of development initiatives/properties amounting to approximately 31 million euros were completed; in the period, apartment marketing activities also continued with a total value of 21 million euros. The development/improvement activity generated a further 17 million euros of capex value.

Trusteeship

In the first half of 2017, the goal of the activity of Finnat Fiduciaria was once again to meet the demands of the customers of the banking group and of the Trusteeship within the scope of asset planning, considering the family and corporate aspects that uniquely characterise each customer.

Finnat Fiduciaria thus assisted its customers in addressing planning, protection and probate questions, tied to the entrepreneurial activity and to the financial and property assets.

In addition to its historical duties as a trustee company, administering assets on behalf of third parties, Finnat Fiduciaria in 2017 consolidated the activity of carrying out trustee corporate transactions and its role as a withholding agent on banking relations and foreign equity investments.

In 2017, confirming the previous year's trends, the trustee activity found encountered some elements that slowed down traditional services, but on the other hand there was an opportunity to expand its services

and collect new customer requirements. In addition to the activities involving the return of capital from abroad, for which the "Voluntary Disclosure" was also extended into 2017, of particular interest for the trusteeship sector was the entry into force of Law no. 112/2016, the so-called "after us" law introducing "Provisions pertaining to assistance in favour of persons with severe disability lacking family support", within which the lawmakers were able to fully recognise, in our laws, the "trusteeship agreement" (already defined in legal doctrine), thus transforming it from a socially typical agreement into a veritable legal agreement. This Italian form of trust, while still in its infancy, may represent - hopefully from the end of 2017 onwards - a new fiduciary instrument for asset planning and protection, useful in the case of the protection of disabled persons and also of other family situations.
With reference to the regulatory framework pertaining to the trusteeship sector, on 31 January 2017 the Company received the Bank of Italy authorisation for registration in the separate section provided by Article 106 of the Italian Consolidated Law on Banking (Sect. II) of trust companies controlled by banking institutions. This registration, in this time of deep reform of the trusteeship sector, is a solid element that may be used in commercial strategies in the current year.

The purpose of Finnat Gestioni, which operates in the sector of asset management of private and institutional customers and trusteeship services, is to manage and provide financial advice to the assets deposited on the custodian bank identified by the customer.
The services and the profitability of Finnat Gestioni gave interesting signals in the first half of 2017 as well. The activity of opening cross-border trust accounts was the main commercial lever in the first part of the year as well. This growing trend is expected to be maintained and increased in the second half of 2017 as well.

Research & Development

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

Organisation Area

- The migration on the new derivatives clearer was completed and operations were started.
- The new APP for the mobile banking channel was released.
- Efficiency-boosting interventions were carried out in the Sicav placement processes.
- Advanced reporting was activated for portfolio advisory services.
- Facilities in support of the asset management activity were created.

IT and Technologies Area

- Technological and network infrastructure enhancement initiatives were carried out on the headquarters and on the branches.
- The security certificates of the electronic mail and extranet service were renewed.
- The Wi-Fi connection of the via del Gesù 55 offices was activated.
- Virtualisation of Finnat Fiduciaria's technological room was analysed and completed.
- A new tape library system was adopted.
- A new storage system, dedicated exclusively to system backup, was installed.
- The backup and log management system was upgraded.

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 Shareholders' 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 2017.

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 27 April 2017 about the remuneration policies and incentives adopted.

With regard to the legal obligations set out in the regulation concerning prudential requirements, in 2016 Banca Finnat Group prepared and delivered the ICAAP report as prescribed by the supervisory provisions. 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 monitors 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 were evaluated by the Board of Directors.

In compliance with Directive 2014/59/EU - Bank Recovery and Resolution Directive (BRRD), transposed by the Italian Parliament with Legislative Decrees 180 and 181/2015, on 15 June 2017 the Bank prepared and sent the Group Recovery Plan to the Supervisory Authorities after approval by the Board of Directors of the Bank. The document was prepared in compliance with the implementing provisions contained in Title IV, Paragraph 01-I of the Italian Consolidated Law on Banking and with Title IV, Paragraph I-bis of the Italian

Consolidated Financial Law (*Law pertaining to restructuring plans*).

The Members of the Board of Directors - including 5 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 Shareholders' Meeting of 28 April 2015.

On 10 March 2017, the Board of Directors of the Bank, upon acknowledging the resignation of the Chairman Mr. Giampietro Nattino, appointed Director Ms. Flavia Mazzarella to replace him as the new Chairman of the Bank; she retains her characteristics as independent Director. The Board also co-opted, as independent Director, Mr. Marco Tofanelli, appointed as Deputy Chairman and Lead Independent Director.

On 27 April 2017, the Shareholders' Meeting of the Bank confirmed Mr. Marco Tofanelli as non-executive and independent director, having already been co-opted during the Board meeting held on 10 March 2017. Mr. Tofanelli's term of office will expire, together with that of the entire Board of Directors, with the approval of the Financial Statements for 2017.

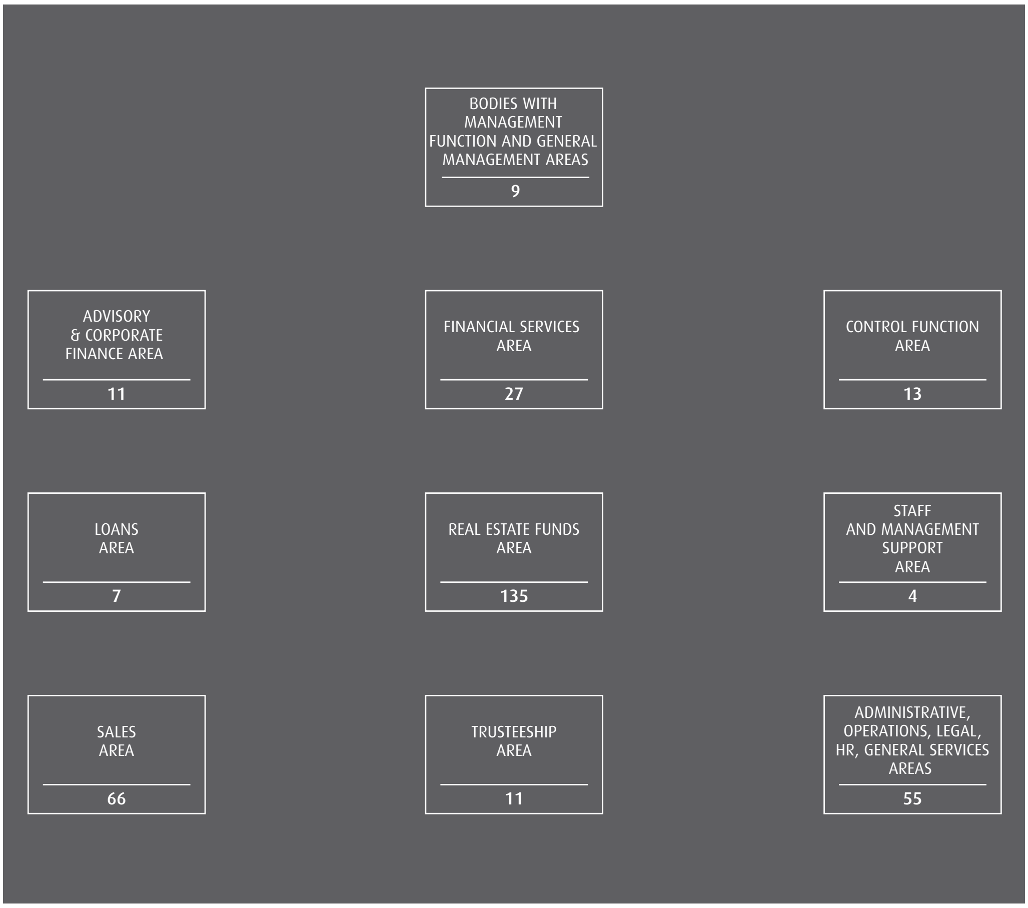
With regard to the provisions of Article 36 of Italian Law Decree no. 201 of 6 December 2011, amended and converted into Italian Law no. 214 of 22 December 2011 laying down "Urgent provisions for the growth, fairness and consolidation of public accounts", and the formalities required by the Criteria 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 19 December 2016.
For the members of the Board of Directors and of the Board of Statutory Auditors, the requirements prescribed by applicable regulations were verified.

On 9 February 2017, the Board of Directors appointed Mr. Giulio Bastia as the Joint General Manager and Manager in charge of preparing the accounting documents, replacing Mr. Paolo Collettini.

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 336 at 31 December 2016 to 338 at 30 June 2017 as shown in detail below:

	30.06.2017	31.12.2016
staff	**329**	**327**
– executives	51	52
– managers	138	138
– clerical workers	140	137
contractors	**6**	**6**
promoters	**3**	**3**
Total	**338**	**336**

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 2017, 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 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 of the Parent Company as securities held for trading, totalling 2,435 thousand euros (with a nominal value of 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 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 Public Administration entities; consequently, it is an investment that is not exposed to the risk of insolvency.

  At 30 June 2017, 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, the commentary provided in the Notes to the 2016 Financial Statements is confirmed;
- 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. IFRS 9 entered into force on 19 December 2016 (twentieth day following publication on the Official Journal of the European Union) and it shall be adopted no later than 1 January 2018. In light of the indications, the Bank of Italy with its notice of 26 January 2017, prescribed that this option will continue to be applied to "less significant banks" such as Banca Finnat.

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 2017 amounted to 160,427 thousand euros (154,634 thousand euros at 31 December 2016), whereas the Total capital ratio stood at 28.9% (30.1% at 31 December 2016) 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).

REVISION IN VIEW OF THE NEW IFRS 9

The Bank launched the IFRS 9 project for the implementation of the new standard, which from 1 January 2018 shall replace the current IAS 39. The new standard will impact the procedure for classifying and measuring financial assets, the logic and the procedures for calculating value adjustments and the hedge accounting model.
A specific working Group was established which, with the assistance and support of a leading audit firm, is carrying out the process for the revision of the management, organisational, administrative and accounting systems, directed at the adoption of the new accounting standard.
Taking into account the current capital levels, it is deemed that the impact of adopting IFRS 9, in particular with regard to the exposure impairment rules, will in no case be critical.

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%.
At 30 June 2017, the company managed 39 real estate funds, with the GAV of the managed assets totalling 7,249 million euros, compared to 7,001 million euros at 31 December 2016.
The half year statements at 30 June 2017 show a profit of 2,604 thousand euros versus 2,177 thousand euros at 30 June 2016, and a book value of net equity of 78,325 thousand euros compared to 83,488 thousand euros at 31 December 2016.
During the first half of 2017, the company generated revenues for commission income of 12,814 thousand euros compared to 13,030 thousand euros in the same period of 2016.

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..

At 30 June 2017, assets under management totalled 1,330 million euros, versus 1,299 million euros at 31 December 2016.
The half year statements at 30 June 2017 show a profit of one thousand euros compared to 48 thousand euros at 30 June 2016 and net equity of 1,941 thousand euros at 30 June 2017, compared to 1,931 thousand euros at 31 December 2016.
During the first half of 2017, the company generated revenues for commission income of 761 thousand euros compared to 829 thousand euros in the same period of 2016.

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, absorbed by EFG Bank Ltd. At 30 June 2017, assets amounted to CHF 85.4 million, versus CHF 81.5 million at 31 December 2016.
The half year statements at 30 June 2017 show a profit of CHF 135 thousand compared to CHF 200 thousand at 30 June 2016 and net equity of CHF 1,868 thousand at 30 June 2017, compared to CHF 2,030 thousand at 31 December 2016.
During the first half of 2017, the company generated revenues for commission income of CHF 327 thousand compared to 384 thousand euros in the same period of 2016.

Natam Management Company S.A.

The company, established on 30 August 2016, has its registered office in Luxembourg and share capital 750,000 euros divided into 750 shares with a face value of 1,000 euros each, entirely subscribed by Banca Finnat.
The purpose of Natam is to perform collective asset management both in favour of harmonised funds and of alternative investment schemes.
The half year statements at 30 June 2017 show a profit of 23 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 2017, compared with those at 31 December 2016 in the case of the balance sheet, and at 30 June 2016 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)

	30.06.2017	31.12.2016	Absolute change
ASSETS			
Cash and cash equivalents	401	475	(74)
Financial assets held for trading	45,597	40,489	5,108
Available-for-sale financial assets	1,163,631	1,172,947	(9,316)
Financial assets held to maturity	–	1,999	(1,999)
Due from banks	133,509	170,728	(37,219)
Due from customers	385,425	335,765	49,660
Hedging derivatives	852	391	461
Equity investments	8,119	8,264	(145)
Tangible assets	5,199	5,304	(105)
Intangible assets	41,080	41,022	58
Tax assets	16,231	16,003	228
Other assets	23,585	18,196	5,389
TOTAL ASSETS	**1,823,629**	**1,811,583**	**12,046**
LIABILITIES AND NET EQUITY			
Due to banks	2,741	1,203	1,538
Due to customers	1,500,755	1,496,319	4,436
Outstanding securities	23,229	23,825	(596)
Financial liabilities held for trading	954	10,772	(9,818)
Tax liabilities	3,575	3,602	(27)
Other liabilities	26,970	12,101	14,869
Staff severance fund	4,794	4,839	(45)
Provisions for risks and charges	448	448	–
Net equity of minority interests	39,555	40,970	(1,415)
Group net equity	220,608	217,504	3,104
TOTAL LIABILITIES AND NET EQUITY	**1,823,629**	**1,811,583**	**12,046**

CONSOLIDATED INCOME STATEMENT

(in thousands of euros)

	1st half 2017	1st half 2016	Absolute change	Percent change
Interest margin	**4,269**	**3,783**	**486**	**13%**
Net commissions	**20,953**	**20,755**	**198**	**1%**
Dividends and similar income	2,354	2,282	72	
Net income from trading activities	1,018	1,549	(531)	
Net income from hedging activities	–	–	–	
Net profit (loss) from the transfer or the repurchase of:				
- available-for-sale financial assets	11,672	1,638	10,034	
Earnings margin	**40,266**	**30,007**	**10,259**	**34%**
Value adjustment for impairment	(2,300)	(855)	(1,445)	
Net income from financial operations	**37,966**	**29,152**	**8,814**	**30%**
Staff costs	(16,278)	(15,796)	(482)	
Other administrative expenses	(9,432)	(8,858)	(574)	
Net allocations to provisions for risks and charges	–	–	–	
Value adjustments on tangible and intangible assets	(312)	(333)	21	
Other operating income/expenses	2,984	1,968	1,016	
Operating costs	**(23,038)**	**(23,019)**	**(19)**	**0%**
Profit (loss) from equity investments	**(33)**	**148**	**(181)**	**-122%**
Profit (loss) from current operations before taxes	**14,895**	**6,281**	**8,614**	**137%**
Income tax for the period on current operations	(1,654)	(1,121)	(533)	
Profit (loss) from current operations after taxes	**13,241**	**5,160**	**8,081**	**157%**
Profit (loss) of minority interests	(1,336)	(1,140)	(196)	
Net profit (loss) for the period pertaining to the Parent Company	**11,905**	**4,020**	**7,885**	**196%**

A series of Group operating ratios at 30 June 2017 compared with those for the same period in the previous year are presented below.

	1st half 2017 %	1st half 2016 %
Interest margin/earnings margin	10.60	12.61
Net commissions/earnings margin	52.04	69.17
Cost/income ratio (operating costs/earnings margin)	57.21	76.71
ROE (profit for the year/net equity)	5.40	1.92
ROA (profit for the year/total assets)	0.65	0.22

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 2017, including the profit for the period, totalled 220,608 thousand euros and changed as follows:

Trend in Group Net Equity

(in thousands of euros)

Net Equity at 31 December 2016	**217,504**
Dividend distribution	(3,629)
Change in valuation reserves	(5,206)
Changes in other reserves	(43)
Changes for sale of own shares	77
Profit (loss) in the period	11,905
Net equity at 30 June 2017	**220,608**

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 2017	**241,743**	**15,763**
Results of subsidiaries as per the statutory financial statements:		
- fully consolidated companies	1,419	1,419
- valued by equity method	(181)	(33)
Amortisation of positive differences:		
- previous years	(984)	
Surplus over the book value related to:		
- fully consolidated companies	27,591	
Elimination of dividends	–	(5,244)
Other consolidation adjustments:	(48,980)	–
Balance resulting from the consolidated financial statements of the group at 30 June 2017	**220,608**	**11,905**

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 9 February 2017, the Board of Directors of the Bank also resolved to appoint Deputy General Manager Mr. Giulio Bastia as the new Joint General Manager and Manager in charge of preparing the accounting documents replacing Mr. Paolo Collettini;
- on 10 March 2017, the Board of Directors of the Bank, upon acknowledging the resignation of the Chairman Mr. Giampietro Nattino, appointed Director Ms. Flavia Mazzarella to replace him as the new Chairman of the Bank; she retains her characteristics as independent Director. The Board also co-opted, as independent Director, Mr. Marco Tofanelli, appointed as Deputy Chairman and Lead Independent Director. The Board also passed resolutions on the new composition of the Risk Committee and Appointment Committee.
- on 27 April 2017, the Shareholders' Meeting of the Bank:
  - approved the financial statements at 31 December 2016 and resolved the distribution, to the Shareholders, of a gross dividend of 0.01 euro per share, due for payment from 17 May 2017 (coupon date: 15 May 2017);
  - confirmed Mr. Marco Tofanelli as non-executive and independent director, having already been co-opted during the Board meeting held on 10 March 2017. Mr. Tofanelli's term of office will expire, together with that of the entire Board of Directors, with the approval of the Financial Statements for 2017;
  - approved the Remuneration Policy pursuant to Article 123-ter of Italian Legislative Decree No. 58/98;

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 2017, 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

Upon analysing the economic performance and the evolution of the expected activity of the current year, the forecast consolidated net profit for 2017 is expected to be markedly higher than in 2016, partly by effect of the disposal, by the Bank, of securities present in the "Available-for-sale financial assets" portfolio.

CONDENSED CONSOLIDATED HALF-YEARLY FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEET

(in thousands of euros)

	Assets	30.06.2017	31.12.2016
10.	Cash and cash equivalents	401	475
20.	Financial assets held for trading	45,597	40,489
40.	Available-for-sale financial assets	1,163,631	1,172,947
50.	Financial assets held to maturity	–	1,999
60.	Due from banks	133,509	170,728
70.	Due from customers	385,425	335,765
80.	Hedging derivatives	852	391
100.	Equity investments	8,119	8,264
120.	Tangible assets	5,199	5,304
130.	Intangible assets	41,080	41,022
	of which:		
	- goodwill	37,729	37,729
140.	Tax assets	16,231	16,003
	a) current tax assets	2,093	1,802
	b) deferred tax assets	14,138	14,201
	of which, under Law 214/2011	11,821	12,594
160.	Other assets	23,585	18,196
	Total assets	**1,823,629**	**1,811,583**

	Liabilities and Net Equity	30.06.2017	31.12.2016
10.	Due to banks	2,741	1,203
20.	Due to customers	1,500,755	1,496,319
30.	Outstanding securities	23,229	23,825
40.	Financial liabilities held for trading	954	10,772
80.	Tax liabilities	3,575	3,602
	a) current tax liabilities	876	565
	b) deferred tax liabilities	2,699	3,037
100.	Other liabilities	26,970	12,101
110.	Staff severance fund	4,794	4,839
120.	Provisions for risks and charges		
	b) other funds	448	448
140.	Valuation reserves	25,218	30,423
170.	Reserves	125,224	121,601
190.	Share capital	72,576	72,576
200.	Treasury shares (-)	(14,315)	(14,392)
210.	Net equity of minority interests (+/-)	39,555	40,970
220.	Net profit (loss) for the period (+/-)	11,905	7,296
	Total liabilities and net equity	**1,823,629**	**1,811,583**

CONSOLIDATED PROFIT AND LOSS ACCOUNT

(in thousands of euros)

	Items	1st half - 2017	1st half - 2016
10.	Interest income and similar income	3,242	3,444
20.	Interest expense and similar expense	1,027	339
30.	**Interest margin**	**4,269**	**3,783**
40.	Commission income	22,168	21,879
50.	Commission expense	(1,215)	(1,124)
60.	**Net commissions**	**20,953**	**20,755**
70.	Dividends and similar income	2,354	2,282
80.	Net income from trading activities	1,018	1,549
90.	Net income from hedging	–	–
100.	Profit (loss) from the transfer or repurchase of:		
	b) available-for-sale financial assets	11,672	1,638
120.	**Earnings margin**	**40,266**	**30,007**
130.	Net value adjustments/write-backs for the impairment of:		
	a) receivables	(1,476)	(270)
	b) available-for-sale financial assets	(824)	(585)
140.	**Net income from financial operations**	**37,966**	**29,152**
180.	Administrative expenses		
	a) staff costs	(16,278)	(15,796)
	b) other administrative expenses	(9,432)	(8,858)
200.	Net value adjustments/write-backs on tangible assets	(230)	(264)
210.	Net value adjustments/write-backs on intangible assets	(82)	(69)
220.	Other operating income and expenses	2,984	1,968
230.	**Operating costs**	**(23,038)**	**(23,019)**
240.	Profit (loss) from equity investments	(33)	148
280.	**Profit (loss) from current operations before taxes**	**14,895**	**6,281**
290.	Income tax on current operations	(1,654)	(1,121)
300.	**Profit (loss) from current operations after taxes**	**13,241**	**5,160**
320.	**Profit (loss) for the period**	**13,241**	**5,160**
330.	(Profit) loss for the period of minority interests	(1,336)	(1,140)
340.	**Profit (loss) for the period of parent company**	**11,905**	**4,020**

CONSOLIDATED STATEMENT OF PERFORMANCE

(in thousands of euros)

	Items	1st half 2017	1st half 2016
10.	**Profit (loss) for the period**	**13,241**	**5,160**
	Other income items after tax, without reversal to income statement		
40.	Defined benefit plans	41	(299)
60.	Portion of the valuation reserves from equity investments recorded under the shareholders' equity	(112)	33
	Other income items after tax, with reversal to income statement		
100.	Available-for-sale financial assets	(5,191)	(8,506)
130.	**Total other income items after tax**	**(5,262)**	**(8,772)**
140.	**Total earnings (Item 10+130)**	**7,979**	**(3,612)**
150.	Total consolidated earnings of minority interests	1,280	985
160.	**Total consolidated earnings of parent company**	**6,699**	**(4,597)**

STATEMENT OF CHANGES IN CONSOLIDATED NET EQUITY AT 30 JUNE 2017

(in thousands of euros)

	Total net equity at 31.12.2016	Changes in opening balances	Total net equity at 01.01.2017	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:	**160,526**	**–**	**160,526**	**6,321**	**–**
a) profit	100,353		100,353	3,015	
b) other	60,173		60,173	3,306	–
Valuation reserves	**29,814**		**29,814**	**–**	**–**
Capital instruments	**–**		**–**	**–**	**–**
Own shares	**(14,392)**		**(14,392)**	**–**	**–**
Net Profit (Loss) for the year	**9,950**		**9,950**	**(6,321)**	**(3,629)**
Total net equity	**258,474**	**–**	**258,474**	**–**	**(3,629)**
of which: Group net equity	**217,504**	**–**	**217,504**	**–**	**(3,629)**
of which: Net equity of minority interests	**40,970**	**–**	**40,970**	**–**	**–**

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: Net equity of minority interests	**39,031**	**–**	**39,031**	**–**	**–**

Changes during the year									Net equity at 30.06.2017		
	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 of the first half 2017	Total	Group	Minority interests
–	–	–	–	–	–	–	–	–	72,576	72,576	–
–	–	–	–	–	–	–	–	–	72,576	72,576	–
–	–	–	–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–	–	–	–
(2,738)	–	–	–	–	–	–	–	–	164,109	125,224	38,885
(2,684)	–	–		–	–	–	–	–	100,684	89,669	11,015
(54)	–	–	–	–	–	–	–	–	63,425	35,555	27,870
–	–	–	–	–	–	–	–	(5,262)	24,552	25,218	(666)
–	–	–	–	–	–	–	–	–	–	–	–
–	–	77	–	–	–	–	–	–	(14,315)	(14,315)	–
–	–	–	–	–	–	–	–	13,241	13,241	11,905	1,336
(2,738)	–	77	–	–	–	–	–	7,979	260,163	–	–
(43)	–	77	–	–	–	–	–	6,699	–	220,608	–
(2,695)	–	–	–	–	–	–	–	1,280	–	–	39,555

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 of the first 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

CONSOLIDATED STATEMENT OF CASH FLOWS (indirect method)

(in thousands of euros)

	Amount	
	30.06.2017	30.06.2016
A. OPERATING ACTIVITIES		
1. Management	**12,724**	**(2,458)**
- net profit (loss) for the year (+/-)	11,905	4,020
- capital gains/losses on financial assets held for trading and on financial assets/ liabilities carried at fair value (-/+)	(462)	(667)
- capital gains/losses on hedging assets (-/+)	(461)	(2,289)
- net value adjustments/write-backs for impairment (+/-)	2,300	855
- net value adjustments/write-backs on tangible and intangible fixed assets (+/-)	337	359
- net allocations to the provisions for risks and charges and other costs/ revenues (+/-)	630	1,092
- net premiums not received (-)	–	–
- other insurance income/expenses not received (-/+)	–	–
- taxes, duties and tax credits not liquidated (+/-)	(1,654)	1,121
- net value adjustments/write-backs of disposal groups after tax (+/-)	–	–
- other adjustments (+/-)	129	(6,949)
2. Cash generated by/used in financial assets	**(16,408)**	**(439,557)**
- financial assets held for trading	(4,646)	25,005
- financial assets carried at fair value	–	–
- available-for-sale financial assets	8,492	(385,234)
- due from banks: on demand	(42,776)	(30,898)
- due from banks: other receivables	79,072	(1,410)
- due from customers	(51,136)	(49,058)
- other assets	(5,414)	2,038
3. Cash generated by/used in financial liabilities	**9,754**	**454,063**
- due to banks: on demand	(451)	(9,661)
- due to banks: other payables	1,989	3,107
- due to customers	4,436	463,165
- outstanding securities	(596)	(1,996)
- financial liabilities held for trading	(9,818)	(3,441)
- financial liabilities carried at fair value	–	–
- other liabilities	14,194	2,889
Cash generated by/used in operating activities	**6,070**	**12,048**

	Amount	
	30.06.2017	30.06.2016
B. INVESTING ACTIVITIES		
1. Cash generated by	**2,922**	**1,030**
- disposals of equity investments	–	–
- dividends received on equity investments	923	1,039
- disposal of financial assets held to maturity	1,999	(19)
- disposals of tangible assets	–	10
- disposals of intangible assets	–	–
- disposals of subsidiaries and business units	–	–
2. Cash used in	**(266)**	**(216)**
- purchases of equity investments	–	–
- purchases of financial assets held to maturity	–	–
- purchases of tangible assets	(126)	(160)
- purchases of intangible assets	(140)	(56)
- purchases of subsidiaries and business units	–	–
Cash generated by/used in investing activities	**2,656**	**814**
C. FINANCING ACTIVITIES		
- issues/purchases of own shares	77	(443)
- issues/purchases of capital instruments	–	–
- dividend distribution and other purposes	(8,877)	(12,400)
Cash generated by/used in financing activities	**(8,800)**	**(12,843)**
CASH GENERATED/USED DURING THE YEAR	**(74)**	**19**

Legenda:
(+) generata
(-) assorbita

RECONCILIATION	30.06.2017	30.06.2016
ITEMS		
Cash and cash equivalents at the beginning of the year	475	469
Total net cash generated/used during the year	(74)	19
Cash and cash equivalents: effect of exchange rate changes	–	–
Cash and cash equivalents at the end of the year	401	488

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

Section 12 - Provisions for risks and charges - Item 120

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 2017 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 2017, 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 2017 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 2016, also prepared in accordance with the

IFRS standards issued by the International Accounting Standards Board (IASB) and endorsed 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 2017 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 2016, the Income Statement and the Statement of Comprehensive Income for the first half of 2017 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 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 2016, and the accounts on which the consolidation process was based are those prepared by the subsidiaries, at 30 June 2017, 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.

In accordance 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 subjected to a limited audit by EY S.p.A., to whose report attached hereto specific reference is made.

The European Commission has not endorsed Regulations that shall apply from 1 January 2017 onwards.

In 2016, the European Commission endorsed the following Regulations, which shall be effective from 1 January 2018:

- Regulation no. 2067/2016 - IFRS 9 Financial Instruments;
- Regulation no. 1905/2016 – IFRS 15 Revenue from Contracts with Customers.

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
4. Natam Management Company S.A.	Luxembourg	Luxembourg	1	Banca Finnat	100.00	100.00

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 2016.

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 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".

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 condensed consolidated half-yearly 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 2017, 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 2016.

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 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 2017 remained unchanged with respect to those adopted for the financial statements at 31 December 2016 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

Subsequently to 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 valueturoe dirigente prepostoioneti SGR S.p.A.r impairment effettuata .

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 are broken down as follows, based on the Bank of Italy's Circular Letter no. 272/2008:

- 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".
The "forborne" 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.

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 depreciation 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. At 30 June 2017, all the aforesaid securities were repaid at maturity;

- 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.

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 30.06.2017	Fair value at 30.06.2017	Income components without the transfer (pre-tax)		Income components recorded for the year (pre-tax)	
					Items	Other	Items	Other
Debt securities	HFT	HTM	–	–	–	–	–	2
UCI units	HFT	AFS	1,224	1,224	(257)	–	(257)	–

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 active 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;
- UCI with official prices expressed by an active market; open-ended UCI (including ETF) for which a price listed on an active market is available at the measurement date;
- 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 for which prices recorded in an inactive market whose values are deemed to be representative of fair value are available. If these prices are based on the NAV, this value, if available at the measurement date, may be taken into consideration for fair value purposes;
- 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;
- UCI lacking prices expressed by a market (active and inactive) and similar listed securities. This category includes the open-end UCI whose last measured NAV is not reported near the measurement date and the closed-end UCI whose fair value is derived exclusively on the basis of the NAV. For these UCI, the NAV used for measurement must prudentially be rectified to take into account any risk of not being able to carry out a transaction unless it is at prices that are significantly lower than the value of the assets represented by the NAV;
- 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 as the loan instalment plus 100 bps;
  - cost of the credit risk: equal to the average rate of probability of default 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	30.06.2017			31.12.2016		
	L1	L2	L3	L1	L2	L3
1. Financial assets held for trading	34,840	10,752	5	25,356	15,119	14
2. Financial assets carried at fair value	–	–	–	–	–	–
3. Available-for-sale financial assets	1,134,521	22,531	6,579	1,131,381	36,642	4,924
4. Hedging derivatives	–	852	–	–	391	–
5. Tangible assets	–	–	–	–	–	–
6. Intangible assets	–	–	–	–	–	–
Total	**1,169,361**	**34,135**	**6,584**	**1,156,737**	**52,152**	**4,938**
1. Financial liabilities held for trading	–	954	–	–	10,772	–
2. Financial liabilities carried at fair value	–	–	–	–	–	–
3. Hedging derivatives	–	–	–	–	–	–
Total	**–**	**954**	**–**	**–**	**10,772**	**–**

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	30.06.2017				31.12.2016			
	BV	L1	L2	L3	BV	L1	L2	L3
1. Financial assets held to maturity	–	–	–	–	1,999	2,001	–	–
2. Due from banks	133,509	–	–	133,509	170,728	–	–	170,728
3. Due from customers	385,425	–	–	387,423	335,765	–	–	337,672
4. Tangible assets held for investment	–	–	–	–	–	–	–	–
5. Non-current assets and groups of assets being disposed	–	–	–	–	–	–	–	–
Total	**518,934**	**–**	**–**	**520,932**	**508,492**	**2,001**	**–**	**508,400**
1. Due to banks	2,741	–	–	2,741	1,203	–	–	1,203
2. Due to customers	1,500,755	–	–	1,500,755	1,496,319	–	–	1,496,319
3. Outstanding securities	23,229	–	–	23,204	23,825	–	–	23,791
4. Liabilities associated to assets being disposed	–	–	–	–	–	–	–	–
Total	**1,526,725**	**–**	**–**	**1,526,700**	**1,521,347**	**–**	**–**	**1,521,313**

Key :
VB = 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 30.06.2017	Total 31.12.2016
a) Cash	247	328
b) Demand deposits at central banks	154	147
Total	**401**	**475**

Section 2 - Financial assets held for trading - Item 20

2.1 Financial assets held for trading: breakdown by product

Items/Amounts	Total 30.06.2017			Total 31.12.2016		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
A. Cash assets						
1. Debt securities	29,700	3,498	–	20,486	2,494	–
1.1 Structured securities	–	–	–	–	–	–
1.2 Other debt securities	29,700	3,498	–	20,486	2,494	–
2. Equity securities	2,445	–	5	1,821	–	14
3. UCI units	2,500	6,195	–	2,866	1,739	–
4. Loans	–	–	–	–	–	–
4.1 Outstanding repos	–	–	–	–	–	–
4.2 Other	–	–	–	–	–	–
Total A	**34,645**	**9,693**	**5**	**25,173**	**4,233**	**14**
B. Derivatives						
1. Financial derivatives:	195	1,059	–	183	10,886	–
1.1 held for trading	195	1,059	–	183	10,886	–
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	**195**	**1,059**	**–**	**183**	**10,886**	**–**
Total (A+B)	**34,840**	**10,752**	**5**	**25,356**	**15,119**	**14**

The financial assets held for trading, amounting to 45,597 thousand euros (40,489 thousand euros at 31 December 2016), refer exclusively to the Bank.

The item “A.1. Debt securities” amounting to 33,198 thousand euros (22,980 thousand euros at 31 December 2016) consists of the following financial instruments:

- Level 1: government bonds of 14,887 thousand euros and bonds of 14,813 thousand euros;
- Level 2: bonds of 3,498 thousand euros comprising 2,435 thousand euros of the security "FIP Funding Class A2" and 1,063 thousand euros of the security "CDP 10.1.2019 3.5%".

The item "A.3. UCI units" amounting to 8,695 thousand euros (4,605 thousand euros at 31 December 2016) includes: in Level 1 Anthilia Capital Partners Fund units for a total amount of 2,266 thousand euros and New Millennium Funds amounting to 27 thousand euros; in Level 2, units of New Millennium Funds for 5,624 thousand euros and units of Alkimis Funds for 571 thousand euros.

The item "B.1. Financial derivatives - Level 2" pertains 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 30.06.2017			Total 31.12.2016		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Debt securities	1,106,511	–	–	1,094,522	10,898	–
1.1 Structured securities	–	–	–	–	–	–
1.2 Other debt securities	1,106,511	–	–	1,094,522	10,898	–
2. Equity securities	26,785	–	4,522	34,488	–	4,448
2.1 Carried at fair value	26,785	–	–	34,488	–	–
2.2 Carried at cost	–	–	4,522	–	–	4,448
3. UCI units	1,225	22,531	2,057	2,371	25,744	476
4. Loans	–	–	–	–	–	–
Total	**1,134,521**	**22,531**	**6,579**	**1,131,381**	**36,642**	**4,924**

Available-for-sale financial assets amount in total to 1,163,631 thousand.

Item 1 Debt securities - Level 1 - consists mainly of Government Bonds held by the Bank.

Item 2 Equity securities include the following strategic investments of the Bank:

- Level 1: London Stock Exchange Group plc (23,423 thousand euros), Anima Holding S.p.A. (2,957 thousand euros), Net Insurance S.p.A. (355 thousand euros) and Vetrya S.p.A. (50 thousand euros);
- Level 3: Fideuram Investimenti SGR S.p.A. (1,075 thousand euros), SIA S.p.A. (1,120 thousand euros), Calipso S.p.A. (44 thousand euros), Cassa di Risparmio di Cesena S.p.A. (43 thousand euros) and CSE Consorzio Servizi Bancari S.r.l. (2,504 thousand euros) on the latter security, an impairment adjustment of 596 thousand euros was applied at 30 June 2017.

Item 3 UCI units - Level 2 - refers exclusively to the Bank and includes the following funds: 234 units of Fondo Immobili Pubblici (FIP) amounting to 18,709 thousand euros, New Millennium Total Return units of 2,650 thousand euros, units of the Thema Fund for 1,010 thousand and other units making up the difference. 5 units of the Apple Fund amounting to 2,040 thousand euros were classified in level 3.

Section 5 – Financial assets held to maturity – Item 50

5.1 Financial assets held to maturity: breakdown by product

	Total 30.06.2017				Total 31.12.2016			
	BV	FV			BV	FV		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
1. Debt securities	–	–	–	–	1,999	2,001	–	–
- structured								
- other	–	–			1,999	2,001		
2. Loans								
Total	**–**	**–**	**–**	**–**	**1,999**	**2,001**	**–**	**–**

Key: FV = fair value - BV = book value

The item, pertaining exclusively to the Bank, was reduced to zero following the maturity date (January 2017) of the bond of a nominal amount of 2 million euros transferred in 2008 from Financial assets held for trading (see Section A.3 – Information on transfers between portfolios of financial assets).

Section 6 – Due from banks – Item 60

6.1 Due from banks: breakdown by product

Type of transactions/Amounts	Total 30.06.2017				Total 31.12.2016			
	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	**133,509**				**170,728**			
1. Loans								
1.1 Current accounts and demand deposits	107,808	X	X	X	65,030	X	X	X
1.2 Fixed-term deposits	20,249	X	X	X	89,896	X	X	X
1.3 Other loans:	5,452	X	X	X	15,802	X	X	X
- Outstanding repos	–	X	X	X	–	X	X	X
- Finance lease	–	X	X	X		X	X	X
- Other	5,452	X	X	X	15,802	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	**133,509**			**133,509**	**170,728**			**170,728**

Key: FV = fair value - BV = book value

The item B.1.2. Fixed-term deposits comprises the obligatory reserve deposited by the Parent company with the ICBPI (Istituto Centrale Banche Popolari Italiane), amounting to 5,249 thousand euros.

Section 7 – Due from customers – Item 70

7.1 Due from customers: breakdown by product

Type of transactions/Amounts	Total 30.06.2017						Total 31.12.2016					
	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	117,473	–	2,105	X	X	X	113,478	–	2,230	X	X	X
2. Outstanding repos	12,254	–	–	X	X	X	20,390	–	–	X	X	X
3. Mortgages	145,618	–	1,692	X	X	X	144,084	–	1,770	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	102,383	–	3,201	X	X	X	48,589	–	4,597	X	X	X
Debt securities		–	–					–	–			
8. Structured securities	–	–	–	X	X	X	–	–	–	X	X	X
9. Other debt securities	699	–	–	X	X	X	627	–	–	X	X	X
Total	**378,427**	**–**	**6,998**			**387,423**	**327,168**	**–**	**8,597**			**337,672**

The item "Due from customers" totalled 385,425 thousand euros (335,765 thousand euros at 31 December 2016).

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 12,486 thousand euros (6,676 thousand euros after the write-downs), versus a gross amount of 13,075 thousand euros at 31 December 2016 and they comprise:

- **non-performing loans** totalling 8,149 thousand euros (2,825 thousand euros after the write-downs) relating to the following positions:
  - 4,572 thousand euros (1,576 thousand euros after the write-downs) for the residual amount of a loan resolved on 8 July 2011. The transaction is secured by a first mortgage on property, the value of which – supported by an expert appraisal report revised on 1 December 2016 – covers the entire value of the net exposure. The recoverable amount of the credit is based on the assessed value of the guarantees, taking into account both the time for the collection of credit (in relation to the privileged position of the Bank concerning the real estate collaterals securing the exposure) and the difficulties encountered or which may be encountered in the sale of the properties within the scope of judicial enforcement procedures;
  - 3,577 thousand euros referring to trade receivables of 1,173 thousand euros and to cash loans of 2,404 thousand euros.

  The line-by-line write-downs made totalled 5,324 thousand euros (including 1,120 thousand euros referring to trade receivables).
- **likely defaults** totalling 1,236 thousand euros (774 thousand euros after the write-downs) comprising:
  - overdraft facilities amounting to 343 thousand euros;

- mortgage positions of 614 thousand euros (86 thousand euros of overdue instalments and 528 thousand euros of principal about to fall due);
- trade receivables of 279 thousand euros.

The line-by-line write-downs made totalled 462 thousand euros (including 225 thousand euros referring to trade receivables);

- other positions **expired or past due** for over 90 days totalling 3,101 thousand euros (3,077 thousand euros after the write-downs).

At 30 June 2017, there are 13 "**foreborne**" exposures of which:

- 5 non-performing positions totalling 974 thousand euros (of which 3 positions included among likely defaults for 284 thousand euros and 2 position included among past due loans for 690 thousand euros).
- 8 not impaired positions, amounting to 2,796 thousand euros;

As usual, at 30 June 2017, the Bank calculated the write-down of the portfolio, based on the mean value of the historical series of the default rates of cash loans received from the Risk Centre. This write-down, amounting to 2,209 thousand euros, was higher than the allocations made for this purpose through 31 December 2016, which amounted to 1,891 thousand euros.

In the first half of 2017, the Bank recorded 1,488 thousand euros in the income statement item "130 Net value adjustments/write-backs for impairment of: a) loans" for value adjustments of which 19 thousand euros for receivables write-offs, 318 thousand euros for specific portfolio value adjustments and 1,151 thousand euros for net specific value adjustments. The latter write-downs were partly offset by collections of default interest (included in the income statement item Interest Income) amounting to 284 thousand euros.

At 30 June 2017, the allowance for doubtful receivables totalled 8,019 thousand euros, of which: 5,810 thousand euros on an itemised basis and 2,209 thousand euros for portfolio writedowns.

As regards the other Group companies, the subsidiary Finnat Fiduciaria S.p.A. recorded net write-backs in the period for 12 thousand euros. The allowance for doubtful receivables at 30 June 2017 amounted to 836 thousand euros, while gross impaired loans were 1,157 thousand euros.

Item 7. "Other loans" refers to the Parent Company (82,717 thousand euros) (of which Deposits for margins with the Cassa di Compensazione e Garanzia amounting to 32,510 thousand euros and Hot Money transactions of 44,647 thousand euros), to InvestiRE SGR S.p.A., (21,961 thousand euros), and the difference refers to the other companies of the group.

Item 9. "Other debt securities" refers to Senior Fin.Re SPV bonds, owned by the Bank, with a nominal value of 2,100 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	30.06.2017				31.12.2016			
	FV			NV	FV			NV
	L1	L2	L3		L1	L2	L3	
A. Financial derivatives								
1) Fair value		852		17,058		391		17,520
2) Cash flows								
3) Foreign investment								
B. Credit derivatives								
1) Fair value								
2) Cash flows								
Total	**–**	**852**	**–**	**17,058**	**–**	**391**	**–**	**17,520**

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

The item concerns a partial hedge accounting, a forward sale transaction of 15 million Pounds, carried out by the Bank in December 2015 (expired on 21 December 2016 and renewed for an equal amount with expiration on 21 December 2017). The transaction was carried out 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 2017 amounted to 564,900 for an equivalent value of GBP 21 million.
At 30 June 2017, this forward sale had a positive fair value of 852 thousand euros.

The income components (Item 90 “Net income from hedging activities”) are recognised for the same amount of 461 thousand euros and pertain to the change in fair value of both the forward hedging derivative and of the portion of the 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.

In addition to the hedge described above, the Bank also carried out a management hedging of the exchange rate risk, also connected with the LSEG shares, for an additional amount of 6.5 million Pounds whose fair value at 30 June 2017 is included in the trading portfolio.

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. Imprebanca S.p.A.	Rome	Rome	Significant influence	Banca Finnat	20.00	

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

The item at 30 June 2017 amounted to 8,119 thousand euros, versus 8,264 thousand euros at 31 December 2016.

Section 12 – Tangible assets – Item 120

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

Assets/amounts	Total 30.06.2017	Total 31.12.2016
1. Owned assets	**5,199**	**5,304**
a) land	1,308	1,308
b) buildings	2,371	2,441
c) furniture	902	924
d) electronic equipment	534	540
e) other	84	91
2 Assets acquired under finance lease	**–**	**–**
a) land	–	–
b) buildings	–	–
c) furniture	–	–
d) electronic equipment	–	–
e) other	–	–
Total	**5,199**	**5,304**

Section 13 – Intangible assets – Item 130

13.1 Intangible assets: breakdown by asset

Assets/Amounts	Total 30.06.2017		Total 31.12.2016	
	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	**625**	**2,726**	**567**	**2,726**
A.2.1 Assets carried at cost:	625	2,726	567	2,726
a) Intangible assets generated internally	–	–	–	–
b) Other assets	625	2,726	567	2,726
A.2.2 Assets carried at fair value:	–	–	–	–
a) Intangible assets generated internally	–	–	–	–
b) Other assets	–	–	–	–
Total	**625**	**40,455**	**567**	**40,455**

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

- 300 thousand euros 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, in 2015, by the subsidiary InvestiRE SGR S.p.A.

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.

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

Current tax assets total 2,093 thousand euros (1,802 thousand euros at 31 December 2016) and comprise IRAP credits for 235 thousand euros, IRES tax credits for the domestic consolidated tax system for 654 thousand euros and receivables for requested tax refunds of 1,172 thousand euros. This latter balance includes 1,033 thousand euros 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), submitted by the Bank for all Group companies participating in the tax consolidation.

Current tax liabilities total 876 thousand euros (565 thousand euros at 31 December 2016) and concern Irap tax payables of 405 thousand euros, VAT payables of 288 thousand euros and payables for assessments challenged by the Bank of 183 thousand euros.

14.1 Advance tax assets: breakdown

	Total 30.06.2017	Total 31.12.2016
a) Of which per Italian Law 214/2011	**11,821**	**12,594**
Goodwill	11,261	12,009
Write-down of receivables set forth in Article 106 par. 3 of the TUIR	560	585
b) Other	**2,317**	**1,607**
Write-down of securities	1,725	1,056
Write-down of receivables	194	195
Staff severance fund – IAS change	160	160
Other	238	196
Total	**14,138**	**14,201**

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

- the goodwill – totalling 746 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.
- 10,515 thousand euros referred to the goodwill recognised in 2015 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 30.06.2017	Total 31.12.2016
Revaluation of securities	2,437	2,763
Allocation of merger deficit on securities	40	40
Placement commissions	151	215
Other	71	19
Total	**2,699**	**3,037**

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 2016 Financial Statements.

Section 16 – Other assets – Item 160

16.1 Other assets: breakdown

	Total 30.06.2017	Total 31.12.2016
Receivables for guarantee deposits	504	475
Deposits with Cassa Compensazione e Garanzia	3,084	8,572
Due from counterparties and brokers	646	35
Tax credits as withholding tax	9,581	2,427
Sundry receivables	9,770	6,687
Total	**23,585**	**18,196**

LIABILITIES

Section 1 – Due to banks – Item 10

1.1 Due to banks: breakdown by product

Type of transactions/Group components	Total 30.06.2017	Total 31.12.2016
1. Due to Central Banks	**–**	**–**
2. Due to banks	**2,741**	**1,203**
2.1 Current accounts and demand deposits	984	533
2.2 Fixed-term deposits	–	–
2.3 Loans	–	670
2.3.1 reverse repos	–	–
2.3.2 other	–	670
2.4 Amounts due under repurchase agreements of own equity instruments	–	–
2.5 Other liabilities	1,757	–
Total	**2,741**	**1,203**
Fair value - level 1	–	
Fair value - level 2	–	
Fair value - level 3	2,741	1,203
Total Fair value	**2,741**	**1,203**

Section 2 – Due to customers – Item 20

2.1 Due to customers: breakdown by product

Type of transactions/Group components	Total 30.06.2017	Total 31.12.2016
1. Current accounts and demand deposits	499,297	491,938
2. Fixed-term deposits	89,267	62,905
3. Loans	892,091	940,168
3.1 reverse repos	892,091	940,168
3.2 Other	–	–
4. Amounts due under repurchase agreements of own equity instruments	–	–
5. Other payables	20,100	1,308
Total	**1,500,755**	**1,496,319**
Fair value-level 1		
Fair value-level 2		
Fair value - level 3	1,500,755	1,496,319
Total Fair value	**1,500,755**	**1,496,319**

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 30.06.2017				Total 31.12.2016			
	Book value	Fair value			Book value	Fair value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
A. Securities	**23,229**	**–**	**–**	**23,204**	**23,825**	**–**	**–**	**23,791**
1. bonds	23,229	–	–	23,204	23,825	–	–	23,791
1.1 structured	–			–				
1.2 other	23,229			23,204	23,825			23,791
2. other securities	–	–	–	–	–	–	–	–
2.1 structured	–			–				
2.2 Other	–			–				
Total	**23,229**	**–**	**–**	**23,204**	**23,825**	**–**	**–**	**23,791**

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 1,772 thousand euros.

Section 4 – Financial liabilities held for trading – Item 40

4.1 Financial liabilities held for trading: breakdown by product

Type of transactions/Amounts	Total 30.06.2017					Total 31.12.2016				
	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	**–**	**–**	**954**	**–**			**–**	**10,772**	**–**	
1. Financial derivatives		–	954	–			–	10,772	–	
1.1 Held for trading	X	–	954	–	X	X	–	10,772	–	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**	**–**	**954**	**–**	**X**	**X**	**–**	**10,772**	**–**	**X**
Total (A + B)	**X**	**–**	**954**	**–**	**X**	**X**	**–**	**10,772**	**–**	**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 includes the measurement of currency forwards of 879 thousand euros and the fair value measurement of an Interest Rate Swap Amortising of 75 thousand euros. This derivative is a hedging transaction for managing 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 30.06.2017	Total 31.12.2016
Social security and insurance contributions to be paid	1,011	1,359
Payables to employees and contractors	2,994	1,786
Emoluments to be paid to the Directors	349	83
Emoluments to be paid to the Board of Statutory Auditors	142	124
Due to suppliers	920	881
Shareholders for dividends to be paid	1,299	1,189
Payables to brokers and institutional counterparties	3,377	29
Tax payables as withholding tax	2,631	2,093
Other payables	14,247	4,557
Total	**26,970**	**12,101**

Section 11 – Staff severance fund – Item 110

11.1 Staff severance fund: annual changes

	Total 30.06.2017	Total 31.12.2016
A. Opening balance	**4,839**	**4,405**
B. Increases	**630**	**1,704**
B.1 Allocation for the year	630	1,704
B.2 Other changes	–	–
- of which Business combinations	–	–
C. Decreases	**675**	**1,270**
C.1 Severance indemnities paid out	389	362
C.2 Other changes	286	908
D. Closing balance	**4,794**	**4,839**

Item B.1 Allocation for the year, includes the actuarial gain of 55 thousand euros (actuarial loss of 252 thousand euros in 2016) 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 30.06.2017	Total 31.12.2016
1. Company pension funds	–	–
2. Other provisions for risks and charges	448	448
2.1 Legal disputes	–	–
2.2 Staff costs	–	–
2.3 Other	448	448
Total	**448**	**448**

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

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

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 euro 0.20 each.

At 30 June 2017, the Bank holds 29,333,710 own shares, representing 8.1% of the share capital with a total value of 14,315 thousand euros. At the end of the past year, the Bank held 29,492,710 own shares with a value of 14,392 thousand euros.
During the period, the Bank sold 159,000 shares, with a total value of 57 thousand euros, with a loss of 20 thousand euros recognised in Net equity.

In application of IAS 32 and of the provisions contained in Circular No. 262/2005, the own shares held by the Bank were used to adjust the net equity.

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 (-)	(29,492,710)	
A.2 Outstanding shares: opening balance	**333,387,290**	
B. Increases	**159,000**	
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	159,000	
B.3 Other changes		
C. Decreases	**–**	
C.1 Cancellation		
C.2 Purchase of own shares	–	
C.3 Disposal of companies		
C.4 Other changes		
D. Outstanding shares: closing balance	**333,546,290**	
D.1 Own shares (+)	29,333,710	
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 125,224 thousand euros (121,601 thousand euros at 31 December 2016) and is broken down as follows:

- retained earnings of the Bank:
  89,669 thousand euros consisting of the legal reserve of 9,367 thousand euros, extraordinary reserve of 58,481 thousand euros, 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 14,315 thousand euros and the residual amount of reserve for purchase of own shares of 77 thousand euros;
- other reserves:
  35,555 thousand euros consisting of the reserve for the gains on the sale of own shares for 4,317 thousand euros and the consolidation reserve for the difference.

Section 16 – Net equity of minority interests – Item 210

16.1 Breakdown of Item 210 "Net equity of minority interests"

Company names	Total 30.06.2017	Total 31.12.2016
Equity investments in consolidated companies with significant interests in third parties		
1. InvestiRE SGR S.p.A.	39,042	40,403
Other equity investments	513	567
Total	**39,555**	**40,970**

The item Other equity investments refers exclusively to Finnat Gestioni S.A.

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 2017	Total 1st half 2016
1. Financial assets held for trading	92	–	–	92	52
2. Financial assets carried at fair value	–	–	–	–	–
3. Available-for-sale financial assets	261	–	–	261	764
4. Financial assets held to maturity	2	–	–	2	23
5. Due from banks	–	(88)	–	(88)	(69)
6. Due from customers	9	3,058	–	3,067	2,737
7. Hedging derivatives	X	X	–	–	–
8. Other assets	X	X	(92)	(92)	(63)
Total	**364**	**2,970**	**(92)**	**3,242**	**3,444**

1.4 Interest expense and similar expense: breakdown

Items/Categories	Payables	Securities	Other transactions	Total 1st half 2017	Total 1st half 2016
1. Due to Central Banks	–	X	–	–	-
2. Due to banks	(4)	X	–	(4)	13
3. Due to customers	(1,034)	X	–	(1,034)	(385)
4. Outstanding securities	X	11	–	11	33
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	**(1,038)**	**11**	**–**	**(1,027)**	**(339)**

The interest margin, referring almost exclusively to the Bank, amounts to 4,269 thousand euros versus 3,783 thousand euros for the same period of 2016.

Section 2 – Commissions – Items 40 and 50

2.1 Commission income: breakdown

Type of services/Amounts	Total 1st half 2017	Total 1st half 2016
a) guarantees given	50	47
b) credit derivatives	–	–
c) administration, brokerage and consultancy services:	21,179	21,343
1. trading in financial instruments	2,440	2,405
2. trading in currencies	–	–
3. portfolio management	15,034	14,959
3.1. individual	2,247	2,155
3.2. collective	12,787	12,804
4. custody and administration of securities	903	943
5. custodian bank	–	–
6. securities placement	1,464	2,102
7. acceptance of trading orders	–	–
8. consulting	687	741
8.1. investments	188	343
8.2. financial structure	499	398
9. distribution of third-party services	651	193
9.1. portfolio management	–	–
9.1.1. individual	–	–
9.1.2. collective	–	–
9.2. insurance policies	297	193
9.3. other products	354	–
d) collection and payment services	122	104
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	146	116
j) other services	671	269
Total	**22,168**	**21,879**

2.2 Commission expense: breakdown

Services/Amounts	Total 1st half 2017	Total 1st half 2016
a) guarantees received	–	–
b) credit derivatives	–	–
c) management and brokerage services:	740	714
1. trading in financial instruments	288	243
2. trading in currencies	–	–
3. portfolio management:	106	144
3.1 own portfolio	15	13
3.2 third-party portfolio	91	131
4. custody and administration of securities	140	110
5. placement of financial instruments	206	217
6. sales of financial instruments, products and services through other outlets	–	–
d) collection and payment services	34	38
e) other services	441	372
Total	**1,215**	**1,124**

Net commissions amount to 20,953 thousand euros versus 20,755 thousand euros in the previous half year period.

Section 3 – Dividends and similar income – Item 70

3.1 Dividends and similar income: breakdown

Items/Income	Total 1st half 2017		Total 1st half 2016	
	Dividends	Income from UCI units	Dividends	Income from UCI units
A. Financial assets held for trading	–	1	7	–
B. Available-for-sale financial assets	923	1,430	1,032	1,243
C. Financial assets carried at fair value	–	–	–	–
D. Equity investments	–	X	–	X
Total	**923**	**1,431**	**1,039**	**1,243**

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	**506**	**381**	**159**	**64**	**664**
1.1 Debt securities	80	49	81	10	38
1.2 Equity securities	349	321	26	43	601
1.3 UCI units	77	11	52	11	25
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**	**(36)**
4. Derivatives	**151**	**38**	**1**	**48**	**390**
4.1 Financial derivatives:	151	38	1	48	390
- On debt securities and interest rates	35	–	–	45	(10)
- On equity securities and stock indices	116	38	1	3	150
- On currencies and gold	X	X	X	X	250
- Other	–	–	–	–	–
4.2 Credit derivatives	–	–	–	–	–
Total	**657**	**419**	**160**	**112**	**1,018**

In the first six months of 2017, net income from trading activities, referring exclusively to the Bank, features a positive balance of 1,018 thousand euros, compared to 1,549 thousand euros in the same period of 2016, and may be broken down as follows:

- Positive difference between unrealised capital gains and losses, in connection with the fair value measurement of the trading portfolio, totalling 462 thousand euros (in the first half year of 2016, negative difference of 567 thousand euros);
- A positive balance between realised profits and losses related to trading on securities and derivatives of 307 thousand euros (in the first half year of 2016, a positive balance of 573 thousand euros);
- Positive difference of 285 thousand euros between unrealised capital gains and losses in connection with the fair value measurement of currency forwards and of Interest Rate Swap Amortising (in the first half year of 2016, a positive balance of 888 thousand euros);
- A negative balance of 36 thousand euros between realised foreign exchange gains and losses (in the first half year of 2016, a positive balance of 655 thousand euros). The balance of 2017 includes the loss of 129 thousand euros (profit of 529 thousand euros in the first half year of 2016) realised on the forward sale of Pound sterling against euros to hedge against 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 2017	Total 1st half 2016
A. Income relating to:		
A.1 Fair value hedging derivatives	461	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)	**461**	**2,289**
B. Expense referred to:		
B.1 Fair value hedging derivatives	–	–
B.2 Hedged financial assets (fair value)	461	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)	**461**	**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 2017			Total 1st half 2016		
	Profit	Losses	Net income	Profit	Losses	Net income
Financial assets						
1. Due from banks	–	–	–	–	–	–
2. Due from customers	–	–	–	–	–	–
3. Available-for-sale financial assets	11,672	–	11,672	1,650	12	1,638
3.1 Debt securities	2	–	2	7	12	(5)
3.2 Equity securities	11,670	–	11,670	1,643	–	1,643
3.3 UCI units	–	–	–	–	–	–
3.4 Loans	–	–	–	–	–	–
4. Financial assets held to maturity	–	–	–	–	–	–
Total assets	**11,672**	**–**	**11,672**	**1,650**	**12**	**1,638**
Financial liabilities						
1. Due to banks	–	–	–	–	–	–
2. Due to customers	–	–	–	–	–	–
3. Outstanding securities	–	–	–	–	–	–
Total liabilities	**–**	**–**	**–**	**–**	**–**	**–**

Item 3.2 Equity securities relates to the capital gain realised by the Bank from the sale of 357,000 London Stock Exchange Group plc shares for 11,649 thousand euros.

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 2017	Total 1st half 2016
	Specific		Portfolio	Specific		Portfolio			
	Derecognition	Other		A	B	A	B	(1) - (2)	
A. Due from banks	–	–	–	–	–	–	–	–	–
- Loans	–	–	–	–	–	–	–	–	–
- Debt securities	–	–	–	–	–	–	–	–	–
B. Due from customers	27	1,327	318	59	137	–	–	1,476	270
Purchased impaired loans	–	–	–	–	–	–	–	–	–
- Loans	–	–	X	–	–	X	X	–	–
- Debt securities	–	–	X	–	–	X	X	–	–
Other receivables	27	1,327	318	59	137	–	–	1,476	270
- Loans	27	1,327	318	59	137	–	–	1,476	270
- Debt securities	–	–	–	–	–	–	–	–	–
C. Total	**27**	**1,327**	**318**	**59**	**137**	**–**	**–**	**1,476**	**270**

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

The net value adjustments pertain to the Bank (1,488 thousand euros) while Finnat Fiduciaria has net write-backs of 12 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 2017	Total 1st half 2016
	Specific		Specific			
	Derecognition	Other	A	B	(1) - (2)	
A. Debt securities	–	–	–	–	–	–
B. Equity securities	–	664	X	X	664	369
C. UCI units	–	160	X	–	160	216
D. Loans to banks	–	–	–	–	–	–
E. Loans to customers	–	–	–	–	–	–
F. Total	**–**	**824**	**–**	**–**	**824**	**585**

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

The value adjustments on equity securities amounting to 664 thousand euros concern the impairment made by the Bank on the CSE S.r.l. shares, amounting to 596 thousand euros, and on the Net Insurance S.p.A. shares, amounting to 68 thousand euros; those on UCI units, on the other hand, refer almost entirely to the subsidiary InvestiRE SGR S.p.A.

Section 11 – Administrative expenses – Item 180

11.1 Staff costs: breakdown

Type of expense/Segments	Total 1st half 2017	Total 1st half 2016
1) Staff	15,319	14,809
a) wages and salaries	11,072	10,629
b) social security charges	2,864	2,804
c) staff severance fund	289	284
d) welfare charges	–	–
e) allocation for staff severance fund	209	193
f) allocation to pensions and similar commitments:	–	–
- defined contribution	–	–
- defined benefit	–	–
g) allocation to external supplementary retirement benefit plans:	192	207
- defined contribution	192	207
- defined benefit	–	–
h) costs due to payment agreements based on own capital instruments	–	–
i) other benefits in favour of employees	693	692
2) Other active staff	154	201
3) Directors and statutory auditors	805	786
4) Inactive staff	–	–
Total	**16,278**	**15,796**

Staff costs grew by 482 thousand euros compared to the same period of last year. The change consists of the increase recorded by InvestiRE SGR S.p.A. (174 thousand euros), by the newly established Natam S.A. (152 thousand euros), by the Bank (103 thousand euros) and the difference was recorded by the other subsidiaries.

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 2017	Total 1st half 2016
Rentals and condominium fees	1,498	1,442
Membership fees	99	84
EDP materials	40	57
Stationery and printing supplies	33	91
Consulting and outsourced professional services	1,418	796
Outsourcing services	1,121	1,159
Auditing company fees	155	118
Maintenance	585	423
Utilities and connections	827	834
Postal, transport and shipment fees	44	41
Insurance companies	121	118
Public relations and advertising expenses	69	186
Office cleaning	166	155
Books, newspapers and magazines	35	39
Entertainment expenses	80	69
Travel expenses and mileage based reimbursements	272	271
Other duties and taxes	1,863	1,709
Security charges	90	78
Contributions to National Resolution Fund and Interbank Fund for the Protection of Deposits	396	401
Other	520	787
Total	**9,432**	**8,858**

The other administrative expenses increased by 574 thousand euros compared to the first half of 2016. The increase is mainly due to the Bank (423 thousand euros) and to the newly established Natam S.A. (135 thousand euros).

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	230	–	–	230
- Functional use	230	–	–	230
- For investment	–	–	–	–
A.2 Acquired under finance lease	–	–	–	–
- Functional use	–	–	–	–
- For investment	–	–	–	–
Total	**230**	**–**	**–**	**230**

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	82	–	–	82
- Generated internally by the company	–	–	–	–
- Other	82	–	–	82
A.2 Acquired under finance lease	–	–	–	–
Total	**82**	**–**	**–**	**82**

Section 15 – Other operating income/expenses – Item 220

15.1 Other operating expense: breakdown

	Total 1st half 2017	Total 1st half 2016
Amounts reimbursed to customers	2	1
Amortisation for improvements to third party assets	25	26
Other expense	18	386
Total	**45**	**413**

15.2 Other operating income: breakdown

	Total 1st half 2017	Total 1st half 2016
Rental income	66	66
Recovery of stamp duty	1,657	1,472
Recovery of substitute tax	28	87
Recovery of other expenses	327	284
Dividend and prescription waiver	185	158
Other income	766	314
Total	**3,029**	**2,381**

Other operating income/expenses show a positive balance of 2,984 thousand euros versus 1,968 thousand euros at 30 June 2016.

The item comprises the recoveries of costs from customers, amounting to 2,012 thousand euros (1,843 thousand euros at 30 June 2016).

Among the other income of the 1st half of 2017 is the indemnity of 607 thousand euros (net of consolidation adjustments) recorded by the subsidiary InvestiRE SGR - by virtue of the agreement signed concurrently with the merger - due by the shareholders of the absorbed company Beni Stabili Gestioni for costs incurred by the subsidiary relating to disputes with the financial Administration.

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

16.1 Profit (loss) from equity investments: breakdown

Income items/Segments	Total 1st half 2017	Total 1st half 2016
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
1. Revaluations	–	253
2. Profit from disposals	–	–
3. Write-backs	–	–
4.Other income	–	–
B. Expense	33	105
1. Write-downs	33	105
2. Value adjustments for impairment	–	–
3. Losses from disposals	–	–
4. Other expense	–	–
Net income	**(33)**	**148**
Total	**(33)**	**148**

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 2017	Total 1st half 2016
1.	Current taxes (-)	(1,436)	(1,586)
2.	Changes in current taxes compared with previous years (+/-)	–	(25)
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 (+/-)	(712)	(213)
5.	Change in deferred taxes (+/-)	494	703
6.	**Income taxes for the year (-) (-1+/-2+3+3bis+/-4+/-5)**	**(1,654)**	**(1,121)**

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 2017	FY 1st half 2016
Consolidated equity investments with significant interests in third parties		
1. InvestiRE SGR S.p.A.	1,298	1,085
Other equity investments	38	55
Total	**1,336**	**1,140**

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.

	30.06.2017	**31.12.2016**
Profit (loss) for the year (in Euro)	11,905,334	7,295,788
Weighted average of ordinary shares	333,423,406	333,521,822
Basic earnings (loss) per share	0.035706	0.021875

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

	30.06.2017	**31.12.2016**
Adjusted profit (loss) for the year (in Euro)	11,905,334	7,295,788
Weighted average of ordinary shares for diluted capital	333,423,406	333,521,822
Diluted earnings (loss) per share	0.035706	0.021875

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 260,163 thousand euros, of which the Group net equity is 220,608 thousand euros and the net equity of minority interests is 39,555 thousand euros.

The Group valuation reserves of Available-for-sale financial assets amount to a positive 24,248 thousand euros and can be detailed as follows:

	Valuation reserves at 30.06.2017			Valuation reserves at 31.12.2016			Changes in Reserves
	Positive	Negative	Balance (a)	Positive	Negative	Balance (b)	(a-b)
PARENT COMPANY							
London Stock Exchange Group plc shares	23,286	–	23,286	28,422	–	28,422	(5,136)
Anima Holding shares	1,705	–	1,705	1,216	–	1,216	489
CSE S.r.l. shares	–	–	–	–	633	(633)	633
Net Insurance shares	59	–	59	–	–	–	59
Vetrya shares	1	–	1	–	34	(34)	35
UCI units	423	1,419	(996)	392	176	216	(1,212)
Italian Government securities and bonds	1,160	352	808	956	237	719	89
TOTAL PARENT COMPANY	**26,634**	**1,771**	**24,863**	**30,986**	**1,080**	**29,906**	**(5,043)**
OTHER GROUP COMPANIES							
UCI units of Investire SGR S.p.A.	–	621	(621)	–	544	(544)	(77)
Italian government securities and bonds of Finnat Fiduciaria S.p.A	6	–	6	–	–	–	6
TOTAL OTHER GROUP COMPANIES	**6**	**621**	**(615)**	**–**	**544**	**(544)**	**(71)**
TOTAL GROUP	**26,640**	**2,392**	**24,248**	**30,986**	**1,624**	**29,362**	**(5,114)**

The valuation reserve of Available-for-sale financial assets pertaining to minority interests amounts to a negative 619 thousand euros, an increase of 77 thousand euros compared with the same figure at 31 December 2016 (negative by Euro 542 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 2017 amounted to 160,427 thousand euros (154,634 thousand euros at 31 December 2016), whereas the Total capital ratio stands at 28.9% versus 30.1% at 31 December 2016 (as opposed to 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")	159,012	euros
Additional Tier 1 (Additional Tier 1 or AT1)	–	euros
Tier 2 ("Tier 2" or "T2")	1,415	euros

B. Quantitative information

		Total 30.06.2017	Total 31.12.2016
A.	Common Equity Tier 1 (“Common Equity Tier 1” - “CET1”) before the application of prudential filters	227,829	228,267
	- 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)	227,829	228,267
D.	Deductions from CET1	(72,154)	(83,717)
E.	Transitional regulations - Impact on CET 1 (+/-)	3,337	7,933
F.	Total Common Equity Tier 1 (Common Equity Tier 1 - CET1) (C - D+/-E)	159,012	152,483
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 (+/-)	1,415	2,151
P.	Total Tier 2 (Tier 2 - T2) (M-N +/-O)	1,415	2,151
Q.	Total own funds (F+L+P)	160,427	154,634

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.

IFRS 9 entered into force on 19 December 2016 (twentieth day following publication on the Official Journal of the European Union) and it shall be adopted no later than 1 January 2018. In light of the indications, the Bank of Italy with its notice of 26 January 2017, prescribed that this option will continue to be applied to “less significant banks” such as Banca Finnat.

The impact of this sterilisation on Own Funds at 30 June 2017 was positive by 584 thousand euros and Own Funds would have amounted to 161,011 thousand euros.

At 31 December 2016, said impact was positive by 605 thousand euros and own funds would have amounted to 155,239 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 28.7%, whilst its Total Capital Ratio is 28.9%. 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	
	30.06.2017	31.12.2016	30.06.2017	31.12.2016
A. RISK ASSETS				
A.1 Credit and counterparty risk				
1. Standard methodology	2,592,394	2,634,144	404,890	368,985
2. Methodology based on internal ratings				
2.1 Basic				
2.2 Advanced				
3. Securitisation	699	627	8,737	7,836
B. CAPITAL REQUIREMENTS FOR SUPERVISORY PURPOSES				
B.1 Credit and counterparty risk			33,090	30,146
B.2 Risk of adjustment of the credit measurement			11	2
B.3 Settlement risk				
B.4 Market risks			2,476	2,214
1. Standard methodology			2,476	2,214
2. Internal models				
3. Concentration risk				
B.5 Operating risk			8,757	8,757
1. Basic method			8,757	8,757
2. Standardised method			-	-
3. Advanced method				
B.6 Other calculation elements				
B7. Total prudential requirements			44,334	41,119
C. RISK ASSETS AND ADEQUACY RATIOS				
C.1 Risk-weighted assets			554,175	513,985
C.2 Common Equity Tier 1 /Weighted risk assets (CET1 capital ratio)			28.7%	29.7%
C.3 Tier 1 capital/Weighted risk assets (Tier 1 capital ratio)			28.7%	29.7%
C.4 Total own funds/Weighted risk assets (Total capital ratio)			28.9%	30.1%

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, the liabilities and the guarantees and commitments at 30 June 2017 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				
Imprebanca S.p.A.	(31)	–	10	840
MANAGEMENT WITH STRATEGIC RESPONSIBILITIES AND COMPANY REPRESENTATIVES	(1,803)	–	10	–
OTHER RELATED PARTIES	(3,562)	149	–	–

Other Receivables (Payables) refer to the financial statement items "Other assets" and "Other liabilities".

With regard to associated companies, there are no income statement items above one thousand euros.

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.

For IAS segment reporting purposes, the Group has adopted the "management 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. In addition to reflecting the operational responsibilities specified by the Group's organisational assets, the sectors of activity consist of the aggregation of business units that have similar characteristics with reference to the type of products and services sold.

The internal reports used by the Corporate Management was revised in 2017, and consequently the sectors of activity discussed in this segment reporting disclosure were changed; in accordance with IAS requirements, segment reporting for the current half is provided both on the basis of the previous and of the new sector subdivision.

The segments identified for providing an operation-based description of the Group results are:

- Private Banking (comprises the offer of investment services and of typical banking services to the Bank's private customers).
- Investment Banking (comprises the services offered to the Bank's institutional customers and by the company of the Natam SA Group, the treasury activity and the management and development of trading activities on the Bank's own behalf and on behalf of third parties).
- Advisory and Corporate Finance (comprises the advisory activities in the sector of corporate finance and assistance in extraordinary finance transactions directed at corporate customers).
- Trusteeship activity (comprises the trusteeship services offered to customers through the companies of the Finnat Fiduciaria Group and Finnat Gestioni SA).
- Asset Management - Property Fund Management (comprises the management of real estate funds carried out by the company of the InvestiRE SGR Group).
- Financial Holding and Governance Centre (comprises the strategic investments held by the Bank and the activities of supervision of the Group direction, coordination and control functions; overhead costs and intercompany cancellations are in this sector).

Income statement calculation criteria by business segment

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

- Interest margin: The Bank's interest margin, allocated in the Private Banking, Investment Banking and Financial Holding sectors, is calculated by contribution on the basis of the "Internal Transfer Rates" differentiated by products and due dates; as regards the other Group entities, the various differences between interest income and similar income and interest expense and similar expense were allocated to the relevant Business Area.

- Net commissions: these were identified through the direct allocation of the revenue components to the various business segments.
- Net profit from trading activities: it was attributed to the business segments that actually generated that profit.
- Dividends, Profit (loss) from sale or repurchase of available-for-sale financial assets: they are reclassified line by line on the individual pertinent sectors.
- Operating costs: the aggregate includes personnel expenses, other administrative expenses (net of recovered costs), net value adjustments on tangible and intangible assets, the allocations to provisions for risks and charges and the other operating expenses and income. The operating costs of the subsidiaries go directly into the business segment in which they are included; concerning Banca Finnat, the allocation among the different business segments takes place by the application of a "cost allocation" model (in relation to specific criteria, referred to the activity carried out) for all costs for which attribution to the business centres on the basis of the unique functional position of the resources is not possible.
- Net value adjustments/write-backs for impairment of receivables, of available-for-sale financial assets and of the other financial transactions: they are allocated line by line on the individual sectors.

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 due from customers are the assets directly employed in the operating activities of the segment and directly attributable thereto.
- Payables due to customers and outstanding securities are the liabilities that result from the operating activities of each sector that are directly attributable to that segment.

Assets/liabilities that cannot be reasonably attributed were allocated to the "Financial holding and governance centre" segment.

The activities carried out, in the first six months of the current year, by the individual segments are commented in the Interim report on operations.

Consolidated aggregate income statement values for the 1st half of 2017, by business segment (new segment subdivision)

Business segments	Private Banking	Investment Banking (*)	Advisory and Corporate Finance	Trusteeship	Asset Management Real Estate Funds	Financial Holding and Governance Centre (**)	TOTAL
Interest margin	1,100	2,873		10	63	223	4,269
Net commissions	4,678	2,390	499	1,062	12,325	(1)	20,953
Dividends	181	80				2,093	2,354
Net income from trading activities	33	885				100	1,018
Profit (loss) from AFS acquisition						11,672	11,672
EARNINGS MARGIN	**5,992**	**6,228**	**499**	**1,072**	**12,388**	**14,087**	**40,266**
Operating costs	(5,360)	(2,255)	(560)	(947)	(8,470)	(5,446)	(23,038)
Net value adjustments for impairment of:							
- receivables	(211)	(223)	(93)	12		(961)	(1,476)
- available-for-sale financial assets					(159)	(665)	(824)
- other financial transactions							
Profit (Loss) from equity investments						(33)	(33)
PRE-TAX PROFIT	**421**	**3,750**	**(154)**	**137**	**3,759**	**6,982**	**14,895**

(*) The data pertaining to the "Investment Banking" sector include the activity of the Luxembourg-based Management Company Natam.
(**) Data pertaining to "Financial Holding and Governance Centre" include overhead costs.

Consolidated aggregate balance sheet values at 30 June 2017 by business segment (new segment subdivision)

Business segments	Private Banking	Investment Banking (*)	Advisory and Corporate Finance	Trusteeship	Asset Management Real Estate Funds	Financial Holding and Governance Centre	TOTAL
Asset items							
Financial assets held for trading		45,597					45,597
Available-for-sale financial assets		1,104,995		1,516	1,243	55,877	1,163,631
Financial assets held to maturity							
Due from banks		125,919		3,187	11,793	(7,390)	133,509
Due from customers	281,442	54,192	669	565	21,961	26,596	385,425
Hedging derivatives						852	852
Equity investments						8,119	8,119
Liability items							
Due to banks		2,741					2,741
Due to customers	515,077	991,791			521	(6,634)	1,500,755
Outstanding securities	22,369	860					23,229
Financial liabilities held for trading		74				880	954

(*) The data pertaining to the "Investment Banking" sector include the activity of the Luxembourg-based Management Company Natam.

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.

Consolidated aggregate income statement values for the 1st half of 2017, by business segment (previous segment subdivision)

Business segments	Assets under management	Assets under administration	Trusteeship	Banking services holding and other	Total
Interest margin	15	–	4	4,250	4,269
Net commissions	15,289	3,530	758	1,376	20,953
Dividends	–	–	–	2,354	2,354
Net income from trading activities	34	–	–	984	1,018
Profit (loss) from AFS acquisition	–	–	–	11,672	11,672
EARNINGS MARGIN	**15,338**	**3,530**	**762**	**20,636**	**40,266**
Operating costs	(11,413)	(2,100)	(932)	(8,593)	(23,038)
Net value adjustments for impairment of:					
- receivables	–	–	12	(1,488)	(1,476)
- available-for-sale financial assets	(159)	–	–	(665)	(824)
Profit from equity investments	–	–	–	(33)	(33)
PRE-TAX PROFIT	**3,766**	**1,430**	**(158)**	**9,857**	**14,895**

Consolidated aggregate balance sheet values at 30 June 2017 by business segment (previous segment subdivision)

Business segments	Assets under management	Assets under administration	Trusteeship	Banking services holding and other	Total
Financial assets	1,243	–	1,516	1,206,469	1,209,228
Due from customers	22,468	–	399	362,558	385,425
Due from banks	7,925	–	–	125,584	133,509
Due to customers	76,402	–	–	1,424,353	1,500,755
Due to banks	–	–	–	2,741	2,741
Outstanding securities	–	–	–	23,229	23,229
Financial liabilities	–	–	–	954	954

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 2017, 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 2017 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 2017.

List of main equity investments in unlisted companies directly or indirectly held at 30 june 2017

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 5 euros	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 1,000 euros	7,409	50.16	7,409	50.16	Ownership				
FINNAT GESTIONI S.A. Via Pietro Peri, 21 - 6900 LUGANO Nominal value per share 1,000 CHF	525	70.00	525	70.00	Ownership				
NATAM MANAGEMENT COMPANY S.A. 32-36, Bd D'Avranches L-1160 Luxembourg Nominal value per share 1,000 euros	750	100.00	750	100.00	Ownership				
IMPREBANCA S.p.A. Via Cola di Rienzo, 240 - 00192 ROME Taxpayer ID No. 09994611003 - Rome REA 1202384 Nominal value per share 1 euros	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 10 euros	30,000	20.00	30,000	20.00	Ownership				

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

1. The undersigned Arturo Nattino, acting in the capacity of Managing Director, and Giulio Bastia, 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, as regards the characteristics of the company, and
   - the effective application,

   of the administrative and accounting procedures for preparing the condensed consolidated half-yearly financial statements at 30 June 2017.

2. No significant matters emerged, with respect thereto.

3. The undersigned also certify that:

   3.1. the condensed consolidated half-yearly financial statements:
      a. has 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. corresponds to the entries in the accounting books and records;
      c. provides a true and fair account of the equity, performance and financial situation of the issuer and of the set of companies included in the consolidation.

   3.2. The interim Report on operations includes a reliable analysis of the references to the important events that have occurred in the first six months of the year and to their effect on the condensed consolidated half-yearly financial statements, together with the description of the main risks and uncertainties for the six remaining months of the year. The interim Report on operations also comprises a reliable analysis of the information about significant related party transactions.

Rome, 3 August 2017

The Managing Director	The Manager in charge of preparing the accounting documents
(Arturo Nattino)	(Giulio Bastia)

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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, the income statement, the statement of comprehensive income, the statement of changes in net equity, the cash flow statement and the related explanatory notes of Banca Finnat Euramerica S.p.A. and its subsidiaries (Banca Finnat Euramerica Group) at 30 June 2017. The Directors are responsible for the preparation of the condensed consolidated half-yearly financial statements in accordance with the applicable international accounting standard for interim financial reporting (IAS 34) adopted by the European Union. Our responsibility is to express a conclusion on the condensed consolidated half-yearly financial statements on the basis of the limited audit we carried out.

Scope of the limited audit

Our work was carried out in accordance with 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 conducting interviews, mostly with the company personnel who are responsible for financial and accounting aspects, account analyses and other limited audit procedures. The scope of a limited audit is substantially smaller than that of a full audit carried out in accordance with international audit standards (ISA Italy) and, consequently, it does not enable us to be certain that we have become aware of all significant facts that could be identified by performing a full audit. Therefore, we do not hereby express a judgement on the condensed consolidated half-yearly financial statements.

Conclusions

Based on the limited audit we carried out, no elements have come to our attention that would lead to deem that the condensed consolidated half-yearly financial statements of the Banca Finnat Euramerica Group at 30 June 2017 was not prepared, in all significant aspects, in accordance with the applicable international accounting standard for interim financial reporting (IAS 34) adopted by the European Union.
Rome, 3 August 2017

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