CONSOLIDATED HALF-YEAR REPORT AT JUNE 30, 2018

SERVICING | LENDING | SOLUTIONS

doBank
Servicing | Lending | Solutions

CONSOLIDATED HALF-YEAR REPORT AT JUNE 30, 2018

Registered office: Piazzetta Monte, 1 – 37121 Verona
Share capital €41,280,000.00 fully paid-up
Bank registered in the Register of Banks ABI code no. 10639
Parent Company of the doBank Banking Group registered in the Register of Banking Groups – code no. 10639
Registered in the Company Register of Verona, Tax ID no.00390840239 and VAT registration no. 02659940239
Member of the National Interbank Deposit Guarantee Fund
www.dobank.com

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GOVERNING AND CONTROL BODIES

BOARD OF DIRECTORS

Chairman	Giovanni Castellaneta (2)
CEO	Andrea Mangoni
Directors	Paola Bruno (4)
	Francesco Colasanti (6)
	Emanuela Da Rin
	Giovanni Battista Dagnino (3) (2)
	Nunzio Guglielmino (4) (5)
	Giovanni Lo Storto (1) (6)
	Giuseppe Ranieri

BOARD OF STATUTORY AUDITORS

Chairman	Chiara Molon (7)
Standing Auditors	Francesco Mariano Bonifacio (8)
	Nicola Lorito (8)
Alternate Auditors	Sonia Peron
	Roberta Senni

AUDIT FIRM	**EY S.p.A.**
Financial Reporting Officer	**Mauro Goatin**

At the date this consolidated half-year report at June 30, 2018 was approved

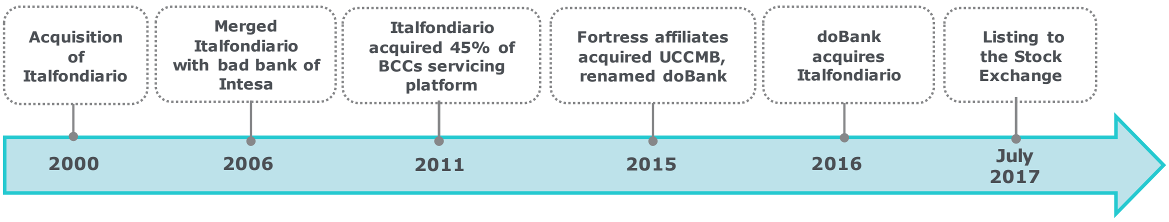
Notes
(1) Chairman Appointments Committee
(2) Member Appointments Committee
(3) Chairman Risk and Operations with Affiliated Persons Committee
(4) Member Risk and Operations with Affiliated Persons Committee
(5) Chairman Remuneration Committee
(6) Member Remuneration Committee
(7) Chairman Supervisory Committee, pursuant to Legislative Decree 231/2001
(8) Member Supervisory Committee, pursuant to Legislative Decree 231/2001

GROUP STRUCTURE

The following chart shows the composition of the doBank Group at June 30, 2018:

doBank was formed in 2015 from the acquisition, under the leadership of Fortress, of Italy's two largest independent servicers.

In 2016, doBank acquired 100% of Italfondiario, one of Italy's leading managers of performing and non-performing receivables on an outsourcing basis: the doBank Group was born, a market leader with more than 18 years of experience in the sector in Italy.



INTERIM DIRECTORS' REPORT ON THE GROUP

INTRODUCTION

The summary results and the performance and financial indicators are based on the accounting data. They are used by management to monitor performance and for management reporting purposes. They are also consistent with measurement metrics commonly adopted in the sector, ensuring the comparability of the figures presented.

THE GROUP'S BUSINESS

The doBank Group is a leader in Italy in the management of primarily non-performing loans for banks, investors and public and private financial institutions (Servicing), with a portfolio under management of about €87 billion (Gross Book Value) at the end of June 2018. The doBank Group also provides ancillary commercial, real estate and legal products and services (Ancillary Products) as well as engaging in other minor banking activities, which mainly regard the management, purchase and sale of non-performing loans.

Within the Group, doBank and its subsidiary Italfondiario perform Special and Master Servicing activities, while Ancillary Products connected with recovery activities are offered through other companies (IBIS and doRealEstate) or internal units (Judicial Management).

Within the Servicing business, the services offered by the doBank Group include, among others:

- "Collection and Recovery": services comprising all loan administration, management and recovery activities, utilising in court and out-of-court recovery processes for and on behalf of third parties with regard to portfolios of performing, unlikely-to-pay (UTP) and non-performing loans (NPL, bad loans);

- "Due Diligence": services including the collection and organisation of information in data room environments as well as the analysis and assessment of loan portfolios for the preparation of business plans for collection and recovery activities;

- "Structuring": services including structuring securitisation transactions under Law 130/1999 as well as performing the role of authorized entity in securitisation transactions;

- "Co-investment": activities of co-investment in loan portfolios in partnership with major financial investors, where such activities are instrumental in obtaining servicing contracts. This business involves taking minority positions in securities issued by securitisation vehicles governed by Law 130/1999.

The Ancillary Products connected with recovery activities include, among others, the collection, processing and provision of commercial, real estate and legal information relating to debtors as well as the provision of legal services. Among the minor activities, the Group also offers selected banking products, primarily linked to its Servicing activities, such as granting mortgage loans, mainly in foreclosure auctions, and managing deposit accounts for selected clients, which together are designated Ancillary Products and Other Minor Activities.

Both doBank and Italfondiario, in their capacity as special servicers, have been rated "RSS1-/CSS1-" by Fitch Ratings, and "Strong" by Standard & Poor's. The Servicer Ratings assigned to doBank and Italfondiario are the highest of those assigned to Italian operators in the sector. In addition, these ratings were assigned to doBank and Italfondiario back in 2008, before any other operator in the industry in Italy. In 2017, doBank was also assigned a Master Servicer rating of "RMS2/CMS2/ABMS2" by Fitch Ratings.

The doBank Group has long been a major partner of leading Italian and foreign financial institutions and institutional investors. The Group's customer base, which has further diversified in 2017, can be divided into two main categories that reflect the type of activity carried out: (i) Banks, for which the Group mainly performs "Collection and Recovery" activities and (ii) Investors, for which doBank also carries out "Due Diligence" and "Structuring" activities as well as "Collection and Recovery". doBank offers both groups of customers the entire range of Ancillary Products connected with Recovery activities.

GROUP HIGHLIGHTS

(€/000)

Key data of the consolidated income statement	First Half 2018	First Half 2017	Change Amount	Change %
Gross Revenues	105,274	105,109	165	0%
Net Revenues	94,395	94,546	(151)	(0)%
Operating expenses	(60,262)	(64,226)	3,964	(6)%
EBITDA	34,133	30,320	3,813	13%
EBITDA Margin	32%	29%	4%	12%
EBT	34,129	29,951	4,178	14%
EBT Margin	32%	28%	4%	14%
Net Profit (Loss) attributable to the Group	21,045	19,658	1,387	7%

(€/000)

Key data of the consolidated balance sheet	6/30/2018	12/31/2017	Change €	Change %
Loans and receivables with banks	80,855	76,303	4,552	6%
Tax assets	87,504	94,187	(6,683)	(7)%
Other assets	111,677	116,822	(5,145)	(4)%
Total assets	289,479	297,500	(8,021)	(3)%
Other liabilities	38,257	37,906	351	1%
Provisions for risks and charges	20,667	26,579	(5,912)	(22)%
Shareholders' equity	199,716	206,697	(6,981)	(3)%

(€/000)

Regulatory Indicators - C.B.A.	6/30/2018	12/31/2017	Change €	Change %	6/30/2018 CRR Group
Own Funds	155,138	141,535	13,603	10%	140,638
RWA	539,691	535,491	4,200	1%	579,268
CET 1 capital ratio	28.75%	26.43%	2.31%	9%	24.28%
Total capital ratio	28.75%	26.43%	2.31%	9%	24.28%

In order to facilitate an understanding of performance and the financial position, a number of alternative performance metrics ("Key Performance Indicators" or "KPIs") have been identified by the Group. They are presented in the following table.

(€/000)

Key performance indicators	6/30/2018	6/30/2017	12/31/2017
Gross Book Value (Eop) - in millions of Euro -	86,819	79,522	76,703
Collections for the period - in millions of Euro -	882	888	1,836
Collections for the Last Twelv e Months (LTM) - in millions of Euro -	1,830	1,978	1,836
LTM Collections/GBV (EoP)	2.1%	2.5%	2.4%
LTM Collections Stock/GBV Stock (EoP)	2.4%	2.5%	2.4%
Staff FTE/Total FTE	37%	33%	37%
LTM Collections/Serv icing FTE	2,479	2,542	2,509
Cost/Income ratio	64%	68%	64%
EBITDA	34,133	30,320	70,102
EBT	34,129	29,951	68,134
EBITDA Margin	32%	29%	33%
EBT Margin	32%	28%	32%
EBITDA – Capex	32,495	28,174	63,545
Net Working Capital	76,561	107,036	78,265
Net Financial Position of cash/(debt)	29,698	(8,108)	38,605

Key

Gross Book Value (EoP): Indicates the book value of the loans under management at the end of the reference period, gross of any potential write-downs due to expected loan losses.

Collections for the period: used to calculate commissions for the purpose of determining revenues from the servicing business, they illustrate the Group's ability to extract value from the portfolio under management.

Collections for last 12 months (LTM): collections in the twelve months prior to the reference date. The aggregate is used in interim periods to enable a like-for-like comparison with the annual figure.

LTM collections/GBV (Gross Book Value): the ratio between total gross LTM collections and the period-end GBV of the total portfolio under management. This indicator represents another metric to analyse collections for the period and LTM in absolute terms, calculated in relation to the effectiveness rate of collections, i.e. the yield of the portfolio under management in terms of annual collections and, consequently, commission income from management activities.

LTM collections Stock/GBV Stock (Gross Book Value): the ratio between total gross LTM collections on the portfolio at the start of the reference year and the end-period GBV of that portfolio. Compared with the previous indicator LTM collections/GBV, this metric represents the effectiveness rate of recoveries normalised for the entry of new portfolios during the reference year.

Staff FTE/Total FTE: the ratio between the number of employees who perform support activities and the total number of full-time employees of the Group. The indicator illustrates the efficiency of the operating structure and the focus on management activities.

LTM collections/Servicing FTE: the ratio between total LTM collections and the number of employees who perform servicing activities. The indicator provides an indication of the collection efficiency rate, i.e. the yield of each individual employee specialised in servicing activities in terms of annual collections on the portfolio under management.

Cost/Income ratio: calculated as the ratio between operating expenses and total operating revenues presented in the reclassified Income Statement. It is one of the main indicators of the Group's operating efficiency: the lower the value of the indicator, the greater the efficiency of the Group.

EBITDA and **EBT:** together with other relative profitability indicators, they highlight changes in operating performance and provide useful information regarding the Group's economic performance.

EBITDA Margin and **EBT Margin**: obtained by dividing EBITDA and EBT by **Gross Revenues**.

EBITDA – Capex: calculated as EBITDA net of investments in fixed capital (including property, plant and equipment and intangible and financial assets) ("Capex"). Together with other relative profitability indicators, it highlights changes in operating performance and provides an indication on the Group's ability to generate cash.

Net Working Capital: this is represented by receivables for fees invoiced and accruing, net of payables to suppliers for invoices accounted for and falling due in the period.

Net Financial Position: this is calculated as the sum of cash, cash equivalents and highly-liquid securities, net of amounts due to banks for loans and due to customers for the current accounts opened with the Group.

GROUP RESULTS AT JUNE 30, 2018

Performance

The following table presents the reclassified consolidated income statement as at June 30, 2018 with comparative figures for same period of the previous year.

(€/000)

Condensed consolidated income statement	First Half		Change	
	2018	2017	Amount	%
Servicing revenues	94,641	95,816	(1,175)	(1)%
o/w Banks	*61,767*	*89,242*	*(27,475)*	*(31)%*
o/w Investors	*32,874*	*6,574*	*26,300*	*n.s.*
Co-investment revenues	475	159	316	n.s.
Ancillary and other revenues	10,158	9,134	1,024	11%
Gross Revenues	**105,274**	**105,109**	**165**	**0%**
Outsourcing fees	(10,879)	(10,563)	(316)	3%
Net revenues	**94,395**	**94,546**	**(151)**	**(0)%**
Staff expenses	(45,070)	(40,543)	(4,527)	11%
Administrative expenses	(15,192)	(23,683)	8,491	(36)%
o/w IT	*(6,324)*	*(12,419)*	*6,095*	*(49)%*
o/w Real Estate	*(4,157)*	*(4,047)*	*(110)*	*3%*
o/w SG&A	*(4,711)*	*(7,217)*	*2,506*	*(35)%*
Operating expenses	**(60,262)**	**(64,226)**	**3,964**	**(6)%**
EBITDA	**34,133**	**30,320**	**3,813**	**13%**
EBITDA Margin	32%	29%	4%	12%
Impairment/Write-backs on property, plant, equipment and intangible assets	(1,188)	(837)	(351)	42%
Net Provisions for risks and charges	(80)	(1,179)	1,099	(93)%
Net Write-downs of loans	388	221	167	76%
Net income (losses) from investments	340	1,494	(1,154)	(77)%
EBIT	**33,593**	**30,019**	**3,574**	**12%**
Net financial interest and commissions	536	(68)	604	n.s.
EBT	**34,129**	**29,951**	**4,178**	**14%**
Income tax for the year	(13,084)	(9,903)	(3,181)	32%
Profit (loss) from group of assets sold and held for sale net of tax	-	(390)	390	(100)%
Net Profit (Loss) for the period	**21,045**	**19,658**	**1,387**	**7%**
Minorities	-	-	-	n.s.
Net Profit (Loss) attributable to the Group before PPA	**21,045**	**19,658**	**1,387**	**7%**
Economic effects of "Purchase Price Allocation"	-	-	-	n.s.
Goodwill impairment	-	-	-	n.s.
Net Profit (Loss) attributable to the Group	**21,045**	**19,658**	**1,387**	**7%**
Earnings per share	**0.27**	**0.25**	**0.02**	**7%**

The formation of EBITDA

EBITDA amounted to €34.1 million in the first half of the year, up 13% compared with the first half of 2017, rising to more than 32% of revenues, an improvement of about 3 percentage points compared with the 29% posted in the first half of 2017.

(€/000)

Net revenues	First Half		Change	
	2018	2017	Amount	%
Servicing revenues	94,641	95,816	(1,175)	(1)%
o/w Banks	*61,767*	*89,242*	*(27,475)*	*(31)%*
o/w Investors	*32,874*	*6,574*	*26,300*	*n.s.*
Co-investment revenues	475	159	316	n.s.
Ancillary and other revenues	10,158	9,134	1,024	11%
Gross Revenues	**105,274**	**105,109**	**165**	**0%**
Outsourcing fees	(10,879)	(10,563)	(316)	3%
Net revenues	**94,395**	**94,546**	**(151)**	**(0)%**

Net revenues in the first half of 2018 amounted to €94.4 million, virtually unchanged on the same period of 2017 (-0.2%). The significant increase in the Investors segment and the contraction in the Banks segment (-31%) reflected the inclusion, beginning the third quarter of 2017, of revenues from the Fino 1 and Fino 2 Securitisation portfolios originated by UniCredit, which had already been managed in part by the Group under an MSA.

Servicing revenues amounted to €94.6 million, a slight decline (-1%) on the first half of 2017, a period in which collections as a percentage of the annual total were greater than their historical trend. The first half of 2017 is also a challenging basis of comparison because of differences in the payment schedule under the position manager incentive system compared with 2018.

More specifically, developments in revenues benefitted from an increase in revenues from base fees connected with the MPS and Berenice portfolios, an increase in revenues from performance fees and a small improvement in the average performance fee. These latter factors were more than offset by a decline in portfolio transfer indemnities, in line with the reduction in the volume of portfolios that have been sold by Group customers.

The volume of recoveries at June 30, 2018 benefitted only partly from the new portfolios acquired during the period, as they had not yet been fully integrated into the management process. Collections as a ratio of end-period gross book value (expressed by the indicator "LTM Collections/GBV (EoP)") in the last 12 months amounted to 2.1%, compared with 2.5% for the first half of 2017, a period that, as noted above, benefitted from an especially large seasonal effect. The decline is associated with the developments noted in the onboarding of new management contracts, which occurred only gradually over the course of the period and is not net fully reflected in collections for the period. Excluding new management contracts, the "LTM Collections/GBV (EoP)" would be 2.4%, in line with December 31, 2017.

The decline in servicing revenues was more than offset by **revenues from co-investment** and revenues from ancillary products and minor activities. The former benefitted from income (€475 thousand) connected with the ABSs of the Romeo SPV and Mercuzio Securitisation securitisations, while **revenues from ancillary products and minor activities**, generated primarily by business information services, due diligence activities and administrative servicing, increased by 11% on the year-earlier period, thanks primarily to the development of new judicial services for leading customers and data management and data remediation activities.

Fee and commission expense rose somewhat compared with 2017 (+3%), leaving net revenues broadly unchanged on the first half of 2017 (-0.2%), in line with developments in gross revenues. The trend in fee and commission expense is especially positive if considered in the light of the fact that fees and commissions paid on ancillary services to the external network (which rose by €1.0 million) have been included in this category since the first half of 2018 (previously they were recognised under operating expenses)

(€/000)

Operating expenses	First Half		Change	
	2018	2017	Amount	%
Staff expenses	(45,070)	(40,543)	*(4,527)*	*11%*
Administrative expenses	(15,192)	(23,683)	8,491	*(36)%*
o/w IT	*(6,324)*	*(12,419)*	*6,095*	*(49)%*
o/w Real Estate	*(4,157)*	*(4,047)*	*(110)*	*3%*
o/w SG&A	*(4,711)*	*(7,217)*	*2,506*	*(35)%*
Operating expenses	**(60,262)**	**(64,226)**	**3,964**	***(6)%***

Operating expenses contracted by 6% compared with the same period of 2017, making a decisive contribution to the improvement in the EBITDA margin.
More specifically, **staff expenses** rose by 11%, reflecting the planned strengthening of top management and the effect of the new incentive mechanism introduced following the listing, which is based on performance targets and has a large variable component.

Offsetting the rise in staff expenses, **administrative costs** amounted to €15.2 million, compared with €23.7 million at June 30, 2017, a contraction of 36%, mainly attributable to a reduction in IT costs, which fell by half from €12.4 million to €6.3 million as a result of the insourcing of a number of previously outsourced processes and of the termination of certain projects under way in the first half del 2017. The period also saw a decrease other overheads (-35%) connected with the digitalisation and automation of certain back-office activities and the one-off impact on 2017 costs of the listing on the Milan stock exchange.

The formation of EBIT and EBT

Group **EBIT** amounted to €33.6 million, compared with €30.0 million at June 30, 2017 (+12%), while **EBT** amounted to €34.1 million, compared with €29.9 million in the same period of 2017 (+14% compared with June 30, 2017), as detailed in the following table.

(€/000)

EBIT and EBT	First Half		Change	
	2018	2017	Amount	%
EBITDA	**34,133**	**30,320**	**3,813**	**13%**
Impairment/Write-backs on property, plant, equipment and intangible assets	(1,188)	(837)	*(351)*	*42%*
Net Provisions for risks and charges	(80)	(1,179)	*1,099*	*(93)%*
Net Write-downs of loans	388	221	*167*	*76%*
Net income (losses) from investments	340	1,494	*(1,154)*	*(77)%*
EBIT	**33,593**	**30,019**	**3,574**	**12%**
Net financial interest and commissions	536	(68)	*604*	*n.s.*
EBT	**34,129**	**29,951**	**4,178**	**14%**

Net impairment/write-backs on property, plant and equipment and intangible assets mainly regarded amortisation of software licences. The aggregate increased by 42% compared with 2017, reflecting the technology investments of the Group as part of the upgrading of the IT platform and the standardisation of the information system at all Group companies.

Net provisions for risks and charges were €80 thousand, compared with €1.2 million in the first half of 2017. The figure at June 30, 2018 benefitted from the reversal of excess provisions following the settlement of a number of positions.

The formation of net profit for the period

(€/000)

Net result for the period	First Half		Change	
	2018	2017	Amount	%
EBT	**34,129**	**29,951**	**4,178**	**14%**
Income tax for the year	(13,084)	(9,903)	*(3,181)*	*32%*
Profit (loss) from group of assets sold and held for sale net of tax	-	(390)	*390*	*(100)%*
Economic effects of "Purchase Price Allocation"	-	-	-	*n.s.*
Net Profit (Loss) attributable to the Group	**21,045**	**19,658**	**1,387**	**7%**
Earnings per share (in Euro)	**0.27**	**0.25**	**0.02**	**7%**

Net profit for the period, which in the absence of profit attributable to non-controlling interests pertains entirely to the shareholders of the Parent Company, amounted to €21.0 million, compared with €19.7 million in the first half of 2017, an increase of 7%. The effective income tax rate was equal to 38% of EBT, and reflected the provision for the period for the DTA fee (€956 thousand), a charge that was not present in 2017 owing to legislation passed that year (Law 15 of February 17, 2017 ratifying the "Bank Rescue" decree).

Segment Reporting

The doBank Group's business model can be analysed in two main dimensions:

- Customers;
- Business Lines.

The doBank Group's customer base can be broken down into two main categories: Banks and Investors. The business lines represent the aggregation of products/services offered by the Group, and fall into two categories: Servicing and Ancillary Products and Minor Activities.

Based on these criteria, the following table reports the revenues and EBITDA of the business segments.

(€/000)

Condensed consolidated income statement	First Half 2018						
	Banks	Investors	Total Servicing	%	Ancillary & other	%	Total
Servicing revenues	61,767	32,874	94,641		-		94,641
o/w Banks	*61,767*	*-*	*61,767*		*-*		*61,767*
o/w Investors	*-*	*32,874*	*32,874*		*-*		*32,874*
Co-investment revenues	-	-	-		475		475
Ancillary and other revenues	-	-	-		10,158		10,158
Gross Revenues	**61,767**	**32,874**	**94,641**	**90%**	**10,633**	**10%**	**105,274**
Outsourcing fees	(6,293)	(2,238)	(8,531)		(2,348)		(10,879)
Net revenues	**55,474**	**30,636**	**86,110**	**91%**	**8,285**	**9%**	**94,395**
Staff expenses	(27,071)	(14,409)	(41,480)		(3,590)		(45,070)
Administrative expenses	(9,040)	(4,812)	(13,852)		(1,340)		(15,192)
o/w IT	*(3,709)*	*(1,974)*	*(5,683)*		*(641)*		*(6,324)*
o/w Real Estate	*(2,432)*	*(1,295)*	*(3,727)*		*(430)*		*(4,157)*
o/w SG&A	*(2,899)*	*(1,543)*	*(4,442)*		*(269)*		*(4,711)*
Operating expenses	**(36,111)**	**(19,221)**	**(55,332)**		**(4,930)**		**(60,262)**
EBITDA	**19,363**	**11,415**	**30,778**	**90%**	**3,355**	**10%**	**34,133**
EBITDA Margin	**31%**	**35%**	**33%**		**32%**		**32%**
EBITDA Contribution	**57%**	**33%**	**90%**		**10%**		**100%**

In the first half of 2018 the gross revenues (€94.6 million) and EBITDA (€30.8 million) of the **Servicing** segment represent about 90% of their respective totals. As from the third quarter of 2017, the FINO portfolio was reclassified from the Banks segment to the Investors segment in conjunction with the change in the majority ownership of the portfolio. As a result of this reclassification and the contribution of the new business of Italfondiario (MPS, Berenice and REV), the revenues of the Investors segment expanded from €7 million last year to €32.9 million this year.
Ancillary products and minor activities posted an EBITDA Margin of 32%, 2 percentage points higher than in the same period of 2017.

Group financial position

(€/000)

Main consolidated balance sheet items	6/30/2018	12/31/2017	Change €	%
Financial assets	80,855	76,303	4,552	6%
at fair value through profit or loss	36,586	22,998	13,588	59%
at fair value through comprehensive income	1,000	1,003	(3)	(0)%
at amortised cost - loans and receivables with banks	40,744	49,449	(8,705)	(18)%
at amortised cost - loans and receivables with customers	2,525	2,853	(328)	(11)%
Tax assets	87,504	94,187	(6,683)	(7)%
Other assets	121,120	127,010	(5,890)	(5)%
Total assets	**289,479**	**297,500**	**(8,021)**	**(3)%**
Financial liabilities	12,226	12,106	120	1%
at amortised cost - due to banks	-	-	-	n.s.
at amortised cost - due to customers	12,226	12,106	120	1%
Employee Termination Benefits and Provision for risks and charges	30,803	36,939	(6,136)	(17)%
Other liabilities	46,734	41,758	4,976	12%
Shareholders' equity	199,716	206,697	(6,981)	(3)%
Total liabilities and shareholders' equity	**289,479**	**297,500**	**(8,021)**	**(3)%**

Financial assets at June 30, 2018 increased by 6% compared with December 31, 2017, rising from €76.3 million to €80.9 million. The component measured at fair value through profit or loss increased by the amount paid for the units subscribed in the Italian Recovery Fund (formerly Atlante II), while the component measured a amortised cost – loans and receivables with banks – which is represented by liquidity held at banks, decreased by €8.7 million as a direct consequence of the distribution of dividends in May, as well as normal developments in the periodic flow of collections of fees and commissions from leading customers and payments to suppliers. Financial assets measured at fair value through other comprehensive income include an investment in Italian government securities (BOTs) in the amount of €1.0 million that is intended to ensure compliance with the Liquidity Coverage Ratio (LCR) requirement for short-term liquidity needs.

Financial assets measured at amortised cost break down as shown in the following table.

(€/000)

Financial assets measured at amortised cost: product breakdown	6/30/2018	12/31/2017	Change €	%
Loans and receivables with banks				
Loans and receivables with Central Banks	5	-	5	n.s.
Current accounts and demand deposits	40,630	49,340	(8,710)	(18)%
Debt securities	109	109	-	n.s.
Total	**40,744**	**49,449**	**(8,705)**	**(18)%**
Loans and receivables with customers				
Current accounts	831	1,338	(507)	(38)%
Mortgages	1,369	1,209	160	13%
Other loans	325	306	19	6%
Total	**2,525**	**2,853**	**(328)**	**(11)%**

(€/000)

Tax assets: breakdown	6/30/2018	12/31/2017	Change €	%
Current tax assets				
Paid in advance	165	165	-	n.s.
Total	**165**	**165**	**-**	**n.s.**
Deferred tax assets				
Write-down on loans	55,442	55,582	(140)	(0)%
Tax losses carried forward in the future	25,432	29,933	(4,501)	(15)%
Other assets / liabilities	169	286	(117)	(41)%
Provisions	6,293	8,218	(1,925)	(23)%
Other items	3	3	-	n.s.
Total	**87,339**	**94,022**	**(6,683)**	**(7)%**
Total tax assets	**87,504**	**94,187**	**(6,683)**	**(7)%**

Deferred tax assets decreased by €6.7 million (-7%), mainly reflecting the reversal of assets on prior-year tax losses against taxable income for the period and the reversal of certain risk provisions.

As shown in the following table, among the most significant other item of assets, **other assets** contracted (-5%), essentially due to the collection of receivables for accrued fees on loan recovery activities and ancillary services associated with those activities.
Equity investments include the value of the associate BCC Gestione Crediti as measured using the equity method, which decreased by €846 thousand compared with December 31, 2017 as a result of the distribution of dividends in the period.

(€/000)

Other assets	6/30/2018	12/31/2017	Change €	%
Cash and cash equivalents	16	21	(5)	(24)%
Equity investments	2,033	2,879	(846)	(29)%
Property, plant and equipment	2,922	2,772	150	5%
Intangible assets	4,462	4,506	(44)	(1)%
Non-current assets and disposal groups held for sale	10	10	-	n.s.
Other assets	111,677	116,822	(5,145)	(4)%
Total	**121,120**	**127,010**	**(5,890)**	**(5)%**

(€/000)

Financial liabilities measured at amortised cost: product breakdown	6/30/2018	12/31/2017	Change €	%
Due to banks	**-**	**-**	**-**	**n.s.**
Due to customers				
Current accounts and demand deposits	11,948	11,759	189	2%
Loans	-	1	(1)	(100)%
Other liabilities	278	346	(68)	(20)%
Total	**12,226**	**12,106**	**120**	**1%**

Amounts **due to customers** are mainly composed of current accounts held by the legal counsel affiliated with the Group for loan recovery activities. The item was broadly unchanged on the first half of 2017 (+1%).

(€/000)

Employee termination benefits and provision for risks	6/30/2018	12/31/2017	Change €	%
Employee termination benefits	**10,136**	**10,360**	**(224)**	**(2)%**
Provisions for risks and charges				
Legal disputes	9,923	10,313	(390)	(4)%
Staff expenses	6,143	8,839	(2,696)	(31)%
Other	4,601	7,427	(2,826)	(38)%
Total	**20,667**	**26,579**	**(5,912)**	**(22)%**
Total ETB and provision for risks	**30,803**	**36,939**	**(6,136)**	**(17)%**

Employee termination indemnities (TFR) did not change significantly compared with December 31, 2017.
Provisions for risks and charges contracted by 22% from their balance at the end of 2017 as a result of the reversal of excess provisions in respect of settled disputes and a reduction in provisions for staff expenses, which include provisions to finance MBO bonuses to be paid in future years on the basis of existing remuneration policies.
The final residual component of provisions for risks includes provisions for disputes for which no litigation is currently under way.

Other liabilities, as shown in the following table, mainly consist of **other liabilities**, which are largely composed of amounts due to suppliers, employees and tax authorities for VAT to be paid.

(€/000)

Other liabilities	6/30/2018	12/31/2017	Change €	%
Tax liabilities	8,477	3,852	4,625	120%
Other liabilities	38,257	37,906	351	1%
Totale	**46,734**	**41,758**	**4,976**	**12%**

At June 30, 2018, **tax liabilities** included mainly current taxes.
Other liabilities were virtually unchanged compared with December 31, 2017 (+1%).

Net Working Capital

The following table shows a breakdown of net working capital as at June 30, 2018, December 31, 2017 and June 30, 2017.

(€/000)

Net working capital	6/30/2018	12/31/2017	6/30/2017
Trade receiv ables	96,427	99,337	132,028
Trade payables	(19,866)	(21,072)	(24,992)
Total	**76,561**	**78,265**	**107,036**

The aggregate amounted to €76.6 million at the end of the period, showing a decreasing trend: -2% compared with December 31, 2017 and -28% compared with the end of the first half of 2017. The improvement was mainly associated with the expansion of the Investors customer portfolio, which has a more favourable working capital cycle.

Net Financial Position

The following table shows a breakdown of the positive net financial position as at June 30, 2018, December 31, 2017 and June 30, 2017.

(€/000)

Net financial position	6/30/2018	12/31/2017	6/30/2017
A Cash	16	21	20
B Current bank accounts	40,630	49,340	14,743
C Liquid securities	1,000	1,003	1,002
D Liquidity (A)+(B)+(C)	**41,646**	**50,364**	**15,765**
E Current bank debts	-	-	(13,115)
F Deposits from customers	(11,948)	(11,759)	(10,758)
G Other current financial debts	-	-	-
H Net current financial position (D)+(E)+(F)+(G)	**29,698**	**38,605**	**(8,108)**
I Non-current bank debts	-	-	-
J Other non-current financial debts	-	-	-
K Net financial position (H)+(I)+(J)	**29,698**	**38,605**	**(8,108)**

Despite the outlay of €30.9 million for the payment of dividends in the second quarter, at June 30, 2018 the Group's net financial position was significantly positive. At the end of the same period of 2017, the balance reflected the presence of external loans, which were subsequently extinguished.

Operating Cash Flow

Cash generating capacity is detailed in the following table, which shows operating cash flow for the period compared with the first half of 2017.

(€/000)

Cash Flow	6/30/2018	6/30/2017
EBITDA	34,133	30,320
Capex	(1,638)	(2,146)
EBITDA-Capex	**32,495**	**28,174**
as % of EBITDA	95%	93%
Adjustment for accrual on share-based incentive system payments	2,763	-
Changes in NWC	1,704	(27,716)
Changes in other assets/liabilities	(2,996)	12,877
Operating Cash Flow	**33,966**	**13,335**
Tax paid (IRES/IRAP)	-	(475)
Free Cash Flow	**33,966**	**12,860**
(Investments)/divestments in financial assets	(11,966)	1,903
Dividend paid	(30,907)	(52,330)
Net Cash Flow of the period	**(8,907)**	**(37,567)**
Net financial Position - Beginning of period	38,605	29,459
Net financial Position - End of period	29,698	(8,108)
Change in Net Financial Position	**(8,907)**	**(37,567)**

The generation of operating cash flow improved significantly in the first half of 2018, exceeding that in the same period of 2017 by about €21 million (€34.0 million compared with €13.3 million). The was made possible by the shift in the customer mix towards the Investors segment noted earlier, as well as the progressive optimisation of finance operations, including payments to suppliers. The increased cash flow was used to finalise the investment in the units of the Italian Recovery Fund (formerly Atlante II). Liquidity in the second quarter of the year is highly influenced by the payment of dividends, which in the first six months of 2018 amounted to €30.9 million, compared with €52.3 million in the first half of 2017.

Shareholders' equity and capital ratios

Consolidated shareholders' equity as at June 30, 2018 amounted to €199.7 million, compared with €206.7 million at December 31, 2017. The composition and change in the aggregate compared with the end of the previous year are presented in the following tables.

(€/000)

Equity breakdown	6/30/2018	12/31/2017	Change €	Change %
Share capital	41,280	41,280	-	n.s.
Valuation reserv es	364	1,350	(986)	(73)%
Reserv es	137,273	119,350	17,923	15%
Treasury shares	(246)	(277)	31	(11)%
Net Profit (loss) for the period	21,045	44,994	(23,949)	(53)%
Shareholders' equity	**199,716**	**206,697**	**(6,981)**	**(3)%**

(€/000)

Changes in consolidated shareholders' equity	
Shareholders' equity as at December, 31 2017	**206,697**
Changes in opening balance (IFRS 9)	**(21)**
Increases:	**23,947**
Net profit for theperiod	21,045
Changes in v aluation reserv es (+)	139
Share payments	2,763
Decreases:	**(30,907)**
Div idends payed	(30,907)
Changes in v aluation reserv es (-)	-
Shareholders' equity as at June, 30 2018	**199,716**

The change for the period in shareholders' equity is attributable in particular to the decrease in reserves as a result of the distribution of dividends authorised by the Shareholders' Meeting of April 19, 2018.

(€/000)

Own Funds and capital adequacy ratios - CRR	6/30/2018	12/31/2017	Change €	Change %
Common equity TIER 1 capital (CET 1)	140,638	169,066	(28,428)	(17)%
Own Funds	**140,638**	**169,066**	**(28,428)**	**(17)%**
Risk Weighted Assets	**579,268**	**566,518**	**12,750**	**2%**
CET 1 capital ratio	24.28%	29.84%	(5.6)%	(19)%
Total capital ratio	**24.28%**	**29.84%**	**(5.6)%**	**(19)%**

The above table reports the value of own funds, risk-weighted assets and consolidated capital ratios as at June 30, 2018 and December 31, 2017, which were calculated on the basis of the regulatory principles set out in Directive 2013/36/EU (CRD IV) and Regulation (EU) 575/2013 (CRR) as transposed in Bank of Italy Circulars no. 285 and no. 286 of December 17, 2013.
Note that as from the first quarter of 2018, with an impact on the figures at December 31, 2017 as well, the scope of consolidation for the purpose of prudential supervision includes the holding company Avio S.à r.l. as the Group parent, which is not consolidated in shareholders' equity under accounting rules.

The application of those regulatory requirements is subject to transitional arrangements under which the new rules are applied – in most cases – in an increasing proportion until 2019, when

full application will begin.
As at June 30, 2018, consolidated own funds amounted to €140.6 million, compared with risk-weighted assets of €579.3 million, most of which (58%) generated by operational risks and, to a lesser extent, credit risk.
As shown in the table, as at June 30, 2018, the doBank Group had a Total Capital Ratio of 24.3%, well above the minimum regulatory requirement for the period of 10.125%. The decrease in CET 1 capital compared with December 31, 2017 (-17%), reflected the consolidation under Avio, in particular the reduction in the computability of non-controlling interests.

For management purposes only and to reconcile the figures with the accounting data given in this report, the following table shows Group own funds and capital ratios as calculated under the provisions of the Consolidated Banking Act (T.U.B.), indicating a slight improvement in the CET1 ratio compared with December 31, 2017.

(€/000)

Own Funds and capital adequacy ratios - C.B.A.	**6/30/2018**	**12/31/2017**	**Change**	
			€	**%**
Common equity TIER 1 capital (CET 1)	155,138	141,535	13,603	10%
Own Funds	**155,138**	**141,535**	**13,603**	**10%**
Risk Weighted Assets	**539,691**	**535,492**	**4,199**	**1%**
CET 1 capital ratio	28.75%	26.43%	2.31%	9%
Total capital ratio	**28.75%**	**26.43%**	**2.31%**	**9%**

SIGNIFICANT EVENTS DURING THE FINANCIAL PERIOD

Presentation of 2018-2020 Business Plan

At an event held in London on June 19, 2018, transmitted via a live webcast on the company's website, doBank's top management presented the 2018-2020 Business Plan (approved by the Board of Directors on the same date) to Group stakeholders, including analysts, investors, journalists, clients and employees.
The main lines of action set out in the Business Plan include strengthening our market leadership in servicing bad loans and UTPs in Italy, expanding NPL servicing activities in Greece and undertaking a major ICT investment plan and cost reduction campaign.
The targets in the Business Plan envisage average growth in Group gross revenues of between 8% and 9% per year from 2017 to 2020 (CAGR), average growth in Group EBITDA of more than 15% per year from 2017 to 2020 (CAGR), faster growth in earnings per share than the growth in EBITDA over the same period, substantial cash generation and a dividend payout of at least 65% of consolidated ordinary net income.
The press release and the presentation of the 2017-2020 Business Plan are available on the Company's website, www.dobank.com in the "Investor Relations" section.

New loan portfolios

During the first half of the year, the doBank Group gradually began the onboarding and management of substantial new loan portfolios, with a value of more than €12 billion, under new servicing contracts signed from October 2017 onwards.
In February doBank took on the portfolios transferred to the Group by REV Gestione Crediti S.p.A., composed of non-performing loans originated by Banca delle Marche, Banca dell'Etruria e del Lazio, Cassa di Risparmio di Ferrara and Cassa di Risparmio di Chieti, and by the Italian Recovery Fund (formerly Atlante II), as part of the Berenice operation, comprising non-performing loans originated by Cassa di Risparmio di Rimini, Cassa di Risparmio di Cesena and Cassa di Risparmio di San Miniato. In March, the Group began the onboarding of a portfolio of non-performing loans originated by the MPS Group and acquired under a management contract with the Italian Recovery Fund. The new contracts, for which operations are at the initial stage, will be progressively reflected in Group collections over the course of the year.

Ordinary Shareholders' Meeting

The Shareholders' Meeting of doBank S.p.A. met in ordinary session on April 19, 2018 and approved all items on the agenda, including the appointment of Company directors, who will remain in office until the approval of the financial statements for the year ending December 31, 2020: Giovanni Castellaneta (Chairman), Andrea Mangoni, Nunzio Guglielmino, Giovanni Lo Storto, Emanuela Da Rin, Paola Bruno, Francesco Colasanti and Giuseppe Ranieri, drawn from the list voted by the majority of the shareholders, and Giovanni Battista Dagnino, drawn from the list voted by the minority. The Meeting also appointed the members of the Board of Auditors for the 2018-2020 term, who will remain in office until the approval of the financial statements for the year ending December 31, 2020: Chiara Molon (Chairman), drawn from the list voted by the minority shareholders, and Francesco Mariano Bonifacio and Nicola Lorito, drawn from the list voted by the majority. Also appointed were the alternate auditors Sara Peron, drawn from the list voted by the minority shareholders, and Roberta Senni, drawn from the list voted by the majority. The Shareholders' Meeting of April 19 was attended, in person or by proxy, by 143 shareholders representing 80.41% of share capital.

Formation of the doBank Hellas branch

Following completion of the passporting of the banking license, in April 2018, doBank Hellas was registered with the Chamber of Commerce of Athens (Greece), the first foreign branch of the doBank Group. The branch is already operating in the local market, one of Europe's largest for the servicing of non-performing loans.

SIGNIFICANT EVENTS AFTER THE END OF THE PERIOD

Servicing contract with the four leading Greek banks

On July 31, 2018 doBank signed an agreement with the four systemic Greek banks, Alpha Bank, National Bank of Greece, Eurobank and Piraeus Bank, under the terms of which the doBank Group will manage a portfolio of non-performing loans with a gross book value of around €1.8 billion.
The agreement, which was obtained following the successful completion of a competitive call for tenders that saw the participation of 30 of the main servicers in Europe, represents the first management contract obtained by the Group in the promising Greek market. It will be managed by our local branch, doBank Hellas.

OUTLOOK FOR OPERATIONS

In line with the objectives of the 2018-2020 Business Plan, in 2018 the Group intends to continue strengthening its leadership in the credit servicing market.
By obtaining new management contracts with a gross book value of between €15 billion and €17 billion and improving operating efficiency, the Group expects to achieve collections of more than €2 billion and, with the contribution of ancillary services as well, post gross revenues of over €230 million. The growth in revenues will be accompanied by an expansion of our operating margin (ordinary EBITDA margin), substantial cash generation and a dividend payout of at least 65% of ordinary consolidated net income.

MAIN RISKS AND UNCERTAINTIES

In consideration of the activities it performs, and the results achieved, the financial position of the doBank Group is adequately scaled to meet its needs.
The financial policy pursued is in fact aimed at fostering the stability of the Group, which in view of its operations does not currently or prospectively intend to engage in speculative investment activity.
The main risks and uncertainties generated by current conditions in the financial markets do not represent any especially critical threats to the financial equilibrium of the Group and, as such, do not generate doubts about its operation as a going concern.

OTHER INFORMATION

Management and coordination by the Parent Company

At June 30, 2018, 50.1% of the shares of the Parent Company doBank are owned by Avio S.à r.l. a company incorporated in Luxembourg, which is jointly owned by the Fortress Group (in December 2017 it was acquired by Softbank Group Corp.) and Eurocastle Investment Limited, which is the majority shareholder.
After listing on the Milan Stock Exchange, 48.0% of the shares were placed on the market and the remaining 1.9% consists of 1,554,353 treasury shares, measured at cost, for a total of €246 thousand held by the Parent Company.
The majority shareholder does not exercise any management or coordination powers over doBank pursuant to Art. 2497 et seq. of the Civil Code, either directly or through the companies belonging to the Fortress Group and Eurocastle Investment.
The Parent Company doBank exercises its management and coordination powers over its direct subsidiaries as provided for in the legislation referred to above.

Transactions in treasury shares

During the first half no shares of the Parent Company doBank were purchased or sold.
At June 30, 2018, doBank held 1,554,353 treasury shares, equal to 1.9% of total share capital. Their carrying amount is €246 thousand and they are presented in the financial statements as a direct reduction of shareholders' equity under Item 200. Treasury shares. Item 190. Reserves includes the associated equity reserve in the same amount.

Research and development

During the first semester the Group has started some technological innovation projects which are deemed to be able to contribute a competitive advantage in the future.

Transactions with related parties

In compliance with the provisions of the "Rules for Transactions with Related Parties" referred to in Consob Resolution no. 17221 of March 12, 2010, as amended by Resolution no. 19974 of April 27, 2017, as well as the provisions on the prudential supervision of banks in Circular no. 263 of December 27, 2006, Title V, Chapter V on "Exposures and conflicts of interest with related parties" issued by the Bank of Italy, any transaction with related parties and connected persons shall be approved in accordance with the procedure approved by the Board of Directors, whose most recent update was approved at the meeting held on May 25, 2017, which entered force in conjunction with the listing on the Milan Stock Exchange on July 14, 2017.
This document is available to the public in the "Governance" section of the company website www.dobank.com .

The universe of related parties of the Group changed near the end of the year following the acquisition of the Fortress Investment Group LLC (NYSE: FIG) ("Fortress") by SoftBank Group Corp. ("SoftBank" or "SBG"). As a result of the transaction, SBG and its subsidiaries gained ownership of the shares of Fortress, which in turn held Avio S.à r.l., doBank's majority shareholder.

Pursuant to the above Consob Regulation, disclosures on transactions with related parties carried out during the year are reported below.

During the course of the first semester 2018, ordinary transactions were approved that mainly involved due diligence activities carried out in relation to entities affiliated with the Fortress Group.

Please see the notes to the Consolidated Half-Year Report for the disclosures provided for by IAS 24 for transactions with related parties.

Rome, August 7, 2018 The Board of Directors

Statement reconciling the condensed consolidated Income Statement and the statutory consolidated Income Statement

(€/000)

Statement reconciling the condensed consolidated income statement and the statutory income statement		First Semester	
		2018	2017
Servicing revenues		**94,641**	**95,816**
40	of which: fee and commission income	94,641	95,709
230	of which: other operating expense and income	-	107
Co-investment revenues		**475**	**159**
10	of which: interest income and similar rev enues	475	159
Ancillary and other revenues		**10,158**	**9,134**
10	of which: interest income and similar rev enues	46	50
20	of which: Interest expense and similar charges	(1)	(24)
40	of which: fee and commission income	320	405
230	of which: other operating expense and income	9,793	8,703
Gross Revenues		**105,274**	**105,109**
Fee and commission expense		**(10,879)**	**(10,563)**
50	of which: fee and commission expense	(8,463)	(9,173)
190b	of which administrativ e costs: b) other administrativ e expense	(2,140)	(1,306)
230	of which: other operating expense and income	(276)	(84)
Net revenues		**94,395**	**94,546**
Staff expenses		**(45,070)**	**(40,543)**
190a	of which administrativ e costs: a) staff expense	(45,070)	(40,543)
Administrative expenses		**(15,192)**	**(23,683)**
50	of which: fee and commission expense	-	(11)
190a	of which administrativ e costs: a) staff expenses	(292)	(143)
190b	of which administrativ e costs: b) other administrativ e expense	(16,228)	(24,172)
230	of which: other operating expense and income	1,328	643
Operating expenses		**(60,262)**	**(64,226)**
EBITDA		**34,133**	**30,320**
Impairment/Write-backs on property, plant, equipment and intangible assets		**(1,188)**	**(837)**
210	impairment / write-backs on property, plant and equipment	(291)	(120)
220	impairment / write-backs on intangible assets	(731)	(633)
230	of which: other operating expense and income	(166)	(84)
Net Provisions for risks and charges		**(80)**	**(1,179)**
190a	of which administrativ e costs: a) staff expenses	(1,053)	-
200	net prov isions for risks and charges	1,087	(1,179)
230	of which: other operating expense and income	(114)	-
Net Write-downs of loans		**388**	**221**
130	net losses / recov eries on credit risk	22	48
230	of which: other operating expense and income	366	173
Net income (losses) from investments		**340**	**1,494**
250	profit (loss) of equity inv estments	340	-
280	gains (losses) on disposal of inv estments	-	1,494
EBIT		**33,593**	**30,019**
Net financial interest and commission		**536**	**(68)**
20	of which: Interest expense and similar charges	(8)	(63)
50	of which: fee and commission expense	(86)	(11)
100	gains (losses) on disposal and repurchase	-	8
110	gains and losses on financial assets/liabilities at fair v alue through profit or loss	630	(2)
EBT		**34,129**	**29,951**
Income tax for the period		**(13,084)**	**(9,903)**
190b	of which administrativ e costs: b) other administrativ e expense	(957)	-
300	income tax expense from continuing operations	(12,127)	(9,903)
Profit (loss) from group of assets sold and held for sale net of tax		**-**	**(390)**
320	profit (loss) after tax from discontinued operations	-	(390)
Net Profit (Loss) for the period		**21,045**	**19,658**
Minorities		**-**	**-**
Net Profit (Loss) attributable to the Group before PPA		**21,045**	**19,658**
Net Profit (Loss) attributable to the Group		**21,045**	**19,658**

HALF-YEAR CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Balance Sheet

(€/000)

Assets		6/30/2018	12/31/2017
10	Cash and cash equivalents	16	21
20	Financial assets measured at fair value through profit or loss	36,586	22,998
	c) Other financial assets mandatorily measured at fair value	36,586	22,998
30	Financial assets measured at fair value through comprehensive income	1,000	1,003
40	Financial assets measured at amortised cost	43,269	52,302
	a) Loans and receivables with banks	40,744	49,449
	b) Loans and receivables with customers	2,525	2,853
70	Equity investments	2,033	2,879
90	Property, plant and equipment	2,922	2,772
100	Intangible assets	4,462	4,506
	of which goodwill	-	-
110	Tax assets	87,504	94,187
	a) Current tax assets	165	165
	b) Deferred tax assets	87,339	94,022
120	Non-current assets and disposal groups held for sale	10	10
130	Other assets	111,677	116,822
	Total assets	**289,479**	**297,500**

Liabilities and shareholders' equity		6/30/2018	12/31/2017
10	Financial liabilities measured at amortised cost	12,226	12,106
	b) Due to customers	12,226	12,106
60	Tax liabilities	8,477	3,852
	a) Current tax liabilities	8,457	3,405
	b) Deferred tax liabilities	20	447
80	Other liabilities	38,257	37,906
90	Employee termination benefits	10,136	10,360
100	Provisions for risks and charges	20,667	26,579
	a) Commitments and guarantees issued	3	-
	b) Other provisions	20,664	26,579
120	Valuation reserves	364	1,350
150	Reserves	137,273	119,350
170	Share capital	41,280	41,280
180	Treasury shares (-)	(246)	(277)
200	Net profit (loss) for the period (+/-)	21,045	44,994
	Total liabilities and shareholders' equity	**289,479**	**297,500**

Consolidated Income Statement

(€/000)

Items		6/30/2018	6/30/2017
10	Interest income and similar rev enues	520	209
	of which: interest income calculated with the effective interest method	-	-
20	Interest expense and similar charges	(9)	(87)
30	**Net interest income**	**511**	**122**
40	Fee and commission income	94,961	96,113
50	Fee and commission expense	(8,548)	(9,196)
60	**Net fee and commission income**	**86,413**	**86,917**
100	Gains (losses) on disposal and repurchase of:	-	8
	b) Financial assets measured at fair v alue through comprehensiv e income	-	8
110	Gains and losses on financial assets/liabilities at fair v alue through profit or loss	630	(2)
	b) Other financial assets mandatorily measured at fair v alue	630	(2)
120	**Gross income**	**87,554**	**87,045**
130	Net losses/recov eries on impairment for credit risk:	22	48
	a) Financial assets measured at amortised cost	22	48
150	**Net profit from financial activities**	**87,576**	**87,093**
180	**Net profit from financial and insurance activities**	**87,576**	**87,093**
190	Administrativ e costs:	(65,740)	(66,164)
	a) Staff expense	(46,415)	(40,686)
	b) Other administrativ e expense	(19,325)	(25,478)
200	Net prov isions for risks and charges	1,087	(1,179)
	b) Other net prov isions	1,087	(1,179)
210	Impairment/write-backs on property, plant and equipment	(291)	(120)
220	Impairment/write-backs on intangible assets	(732)	(632)
230	Other operating expense and income	10,932	9,459
240	**Operating costs**	**(54,744)**	**(58,636)**
250	Profit (Loss) of equity inv estments	340	-
280	Gains (losses) on disposal of inv estments	-	1,494
290	**Profit (loss) before tax from continuing operations**	**33,172**	**29,951**
300	Income tax expense from continuing operations	(12,127)	(9,903)
310	**Profit (loss) after tax from continuing operations**	**21,045**	**20,048**
320	Profit (loss) after tax from discontinued operations	-	(390)
330	**Net profit (loss) for the period**	**21,045**	**19,658**
350	**Profit (loss) for the period attributable to shareholders of the Parent Company**	**21,045**	**19,658**

Consolidated statement of comprehensive income

(€/000)

Items	6/30/2018	6/30/2017
10. Net profit (loss) for the period	**21,045**	**19,658**
Other comprehensive income after tax not recyclable to profit or loss	-	-
20. Equity instruments designated at fair value through comprehensive income	-	-
30. Financial liabilities designated at fair value through profit or loss (changes in own creditworthiness)	-	-
40. Hedges of equity instruments designated at fair value through comprehensive income	-	-
50. Property, plant and equipment	-	-
60. Intangible assets	-	-
70. Defined benefit plans	141	(105)
80. Non-current assets and disposal groups held for sale	-	-
90. Share of valuation reserves of equity accounted investments	-	-
Other comprehensive income after tax recyclable to profit or loss	-	-
100. Hedges of foreign investment	-	-
110. Exchange differences	-	-
120. Cash flow hedges	-	-
130. Hedging instruments (non designated elements)	-	-
140. Financial assets (other than equity instruments) measured at fair value through comprehensive income	(2)	-
150. Non-current assets and disposal groups held for sale	-	-
160. Share of valuation reserves of equity accounted investments	-	-
170. Total other comprehensive income after tax	**139**	**(105)**
180. Comprehensive income (item 10 + 170)	**21,184**	**19,553**
190. Consolidated comprehensive income attributable to non-controlling interests	-	-
200. Consolidated comprehensive income attributable to shareholders of the Parent Company	**21,184**	**19,553**

Consolidated statement of changes in shareholders’ equity

At 6/30/2018

(€/000)

	Balance as at 12/31/2017	Changes in opening balance	Balance as at 1/1/2018	Allocation of profit from previous year: Reserves	Allocation of profit from previous year: Dividends and other payouts	Changes during the year: Changes in reserves	Equity transactions: Issue of new shares	Equity transactions: Acquisition of treasury shares	Equity transactions: Distribution of extraordinary dividends	Equity transactions: Change in equity instruments	Equity transactions: Derivatives on own shares	Equity transactions: Stock options	Equity transactions: Changes in equity investments	Comprehensive income at 6/30/2018	Shareholders' equity pertaining to shareholders of Parent Company as at 6/30/2018	Shareholders' equity pertaining to non-controlling interests as at 6/30/2018
Share capital:																
- ordinary shares	41,280	-	41,280	-	-	-	-	-	-	-	-	-	-	-	41,280	-
- other shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share premiums	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reserv es:	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- from profits	10,476	1,140	11,616	-	-	-	(31)	-	-	-	-	2,408	-	-	13,993	-
- other	108,874	(36)	108,838	14,087	-	-	-	-	-	-	-	355	-	-	123,280	-
Valuation reserv es	1,350	(1,125)	225	-	-	-	-	-	-	-	-	-	-	139	364	-
Equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Treasury shares	(277)	-	(277)	-	-	-	31	-	-	-	-	-	-	-	(246)	-
Net profit (loss) for the period	44,994	-	44,994	(14,087)	(30,907)	-	-	-	-	-	-	-	-	21,045	21,045	-
Shareholders' equity attributable to shareholders of Parent Company	206,697	(21)	206,676	-	(30,907)	-	-	-	-	-	-	2,763	-	21,184	199,716	-
Shareholders' equity attributable to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

At 12/31/2017

(€/000)

	Balance as at 12/31/2016	Changes in opening balance	Balance as at 1/1/2017	Allocation of profit from previous year: Reserves	Allocation of profit from previous year: Dividends and other payouts	Changes during the year: Changes in reserves	Equity transactions: Issue of new shares	Equity transactions: Acquisition of treasury shares	Equity transactions: Distribution of extraordinary dividends	Equity transactions: Change in equity instruments	Equity transactions: Derivatives on own shares	Equity transactions: Stock options	Equity transactions: Changes in equity investments	Comprehensive income at 12/31/2017	Shareholders' equity pertaining to shareholders of Parent Company as at 12/31/2017	Shareholders' equity pertaining to non-controlling interests as at 12/31/2017
Share capital:																
- ordinary shares	41,280	-	41,280	-	-	-	-	-	-	-	-	-	-	-	41,280	-
- other shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share premiums	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reserv es:	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- from profits	10,476	-	10,476	52,330	(52,330)	-	-	-	-	-	-	-	-	-	10,476	-
- other	106,679	-	106,679	-	-	-	-	-	-	-	-	2,195	-	-	108,874	-
Valuation reserv es	256	-	256	-	-	-	-	-	-	-	-	-	-	1,094	1,350	-
Equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Treasury shares	(277)	-	(277)	-	-	-	-	-	-	-	-	-	-	-	(277)	-
Net profit (loss) for the year	52,330	-	52,330	(52,330)	-	-	-	-	-	-	-	-	-	44,994	44,994	-
Shareholders' equity attributable to shareholders of Parent Company	210,744	-	210,744	-	(52,330)	-	-	-	-	-	-	2,195	-	46,088	206,697	-
Shareholders' equity attributable to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

At 6/30/2017

(€/000)

	Balance as at 12/31/2016	Changes in opening balance	Balance as at 1/1/2017	Allocation of profit from previous year: Reserves	Allocation of profit from previous year: Dividends and other payouts	Changes during the year: Changes in reserves	Equity transactions: Issue of new shares	Equity transactions: Acquisition of treasury shares	Equity transactions: Distribution of extraordinary dividends	Equity transactions: Change in equity instruments	Equity transactions: Derivatives on own shares	Equity transactions: Stock options	Changes in equity investments	Comprehensive income at 6/30/2017	Shareholders' equity pertaining to shareholders of Parent Company as at 6/30/2017	Shareholders' equity pertaining to non-controlling interests as at 6/30/2017
Share capital:																
- ordinary shares	41,280	-	41,280	-	-	-	-	-	-	-	-	-	-	-	41,280	-
- other shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share premiums	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reserv es:	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- from profits	10,476	-	10,476	52,330	(52,330)	-	-	-	-	-	-	-	-	-	10,476	-
- other	106,679	-	106,679	-	-	-	-	-	-	-	-	-	-	-	106,679	-
Valuation reserv es	256	-	256	-	-	-	-	-	-	-	-	-	-	(105)	151	-
Equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Treasury shares	(277)	-	(277)	-	-	-	-	-	-	-	-	-	-	-	(277)	-
Net profit (loss) for the period	52,330	-	52,330	(52,330)	-	-	-	-	-	-	-	-	-	19,658	19,658	-
Shareholders' equity attributable to shareholders of Parent Company	210,744	-	210,744	-	(52,330)	-	-	-	-	-	-	-	-	19,553	177,967	-
Shareholders' equity attributable to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Consolidated cash flow statement – indirect method-

(€/000)

Consolidated Cash Flow Statement (indirect method)	6/30/2018	6/30/2017 (1)
A. OPERATING ACTIVITIES		
1. Operations:	**36,624**	**28,901**
- Profit (loss) for the period (+/-)	21,045	19,658
- Capital gains/losses on financial assets held for trading and on other assets/liabilities measured at fair v alue through profit or loss (+/-)	(630)	-
- Net losses/recov eries on cerdit risk(+/-)	(22)	(48)
- Net write-offs/write-backs on property, plant and equipment and intangible assets (+/-)	1,189	752
- Prov isions and other income/expenses (+/-)	(1,087)	1,179
- Unpaid taxes and tax credits (+)	11,307	9,877
- Other adjustments (+/-)	4,822	(2,517)
2. Liquidity generated by/used in financial assets:	**1,338**	**33,975**
- Other financial assets mandatorily measured at fair v alue	(12,956)	(6,366)
- Financial assets measured at fair v alue through comprehensiv e income	3	3
- Financial assets measured at amortised cost	9,113	45,748
- Other assets	5,178	(5,410)
3. Liquidity generated by/used in financial liabilities:	**(6,883)**	**(8,398)**
- Financial liabilities measured at amortised cost	112	(165)
- Other liabilities	(6,995)	(8,233)
Net liquidity generated by/used in operating activities - A (+/-)	**31,079**	**54,478**
B. INVESTMENT ACTIVITIES		
1. Liquidity generated by:	**1,462**	**-**
- Div idends collected on equity inv estments	1,186	-
- Sales of property, plant and equipment	276	-
2. Liquidity used in:	**(1,639)**	**(2,146)**
- Purchases of property, plant and equipment	(825)	(996)
- Purchases of intangible assets	(814)	(1,150)
Net liquidity generated by/used in investment activities - B (+/-)	**(177)**	**(2,146)**
C. FUNDING ACTIVITIES		
- Distribution of div idends and other	(30,907)	(52,330)
Net liquidity generated by/used in funding activities - C (+/-)	**(30,907)**	**(52,330)**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS DURING THE PERIOD - D=A+/-B+/-	**(5)**	**2**
RECONCILIATION		
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD - E	**21**	**18**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS DURING THE PERIOD - D	**(5)**	**2**
CASH AND CASH EQUIVALENTS: EFFECT OF EXCHANGE RATE VARIATIONS - F	**-**	**-**
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD - G=E+/-D+/-F	**16**	**20**

(1) In order to facilitate the compasison of the financial aggregates of two periods, the accruals of invoices to be issued and invoices to be received are no longer detected. This new expositional logic allows a better linking of data with thosein the "operating cash flow" included into the Interim Directors' Report of the Group.

NOTES

ACCOUNTING POLICIES

General information

SECTION 1 – STATEMENT OF COMPLIANCE WITH INTERNATIONAL ACCOUNTING STANDARDS

The condensed interim consolidated financial statements at June 30, 2018 have been prepared in compliance with the international accounting standards (IAS/IFRS) issued by the International Accounting Standards Board (IASB) and the associated interpretations of the International Financial Reporting Interpretations Committee (IFRIC) endorsed by the European Commission and in force as at December 31, 2017 and transposed into Italian legislation with Legislative Decree 38/2005, which exercised the option provided for in Regulation (EC) no. 1606 of July 19, 2002 concerning international accounting standards.

They are an integral part of the Consolidated Half-Year Report at June 30, 2018, which includes the interim report on Group operations.
The contents of the condensed interim consolidated financial statements have been condensed in accordance with IAS 34 – Interim Financial Reporting. More specifically, under paragraph 10 of that standard, the Group has opted to prepare the condensed interim consolidated financial statements in condensed format.
The condensed interim consolidated financial statements are accompanied by the certification of the Financial Reporting Officer pursuant to Article 154-bis of Legislative Decree 58/1998 and have been audited by the audit firm EY S.p.A. in accordance with Legislative Decree 39 of January 27, 2010.

SECTION 2 – BASIS OF PREPARATION

The condensed interim consolidated financial statements have been prepared using the euro as the currency of account, in accordance with Article 5, paragraph 2, of Legislative Decree 38/2005, and consist of:

- the **consolidated financial statements,** which include the consolidated balance sheet, the consolidated income statement, the statement of consolidated comprehensive income, the statement of changes in consolidated shareholders' equity and the consolidated statement of cash flows (prepared using the "indirect method");
- the **notes to the financial statements**

and are accompanied by the **interim report on group operations**.

The amounts stated are expressed in thousands of euros unless otherwise specified.

The schedules used and the associated rules of completing those schedules are consistent with the instructions issued in Circular 262 of the Bank of Italy on December 22, 2005 (5th update of December 22, 2017). In addition to data at June 30, 2018, the schedules also present the analogous comparative information at December 31, 2017 for the balance sheet and at June 30, 2017 for the income statement, the statement of cash flows and the statement of comprehensive income. Those comparative figures have been reclassified and represented in accordance with the new schedules introduced with the 5th update of Circular 262 cited above.
Items and sections of the notes to the financial statements that do not apply to the Group have not been reported.

The condensed interim consolidated financial statements have been prepared on a going concern basis in accordance with the provisions of IAS 1, and in compliance with the principles of accrual accounting, the relevance and materiality of accounting information and the prevalence of economic substance over legal form and with a view to fostering consistency with future presentations.

The accounting policies adopted in these condensed interim consolidated financial statements at June 30, 2018 for the recognition, measurement and derecognition of assets and liabilities and the recognition of costs and revenues have been updated from those adopted in the preparation of the consolidated financial statements as at December 31, 2017 following the entry into force as from January 1, 2018, of the new international accounting standards IFRS 9 – "Financial Instruments" and IFRS 15 – "Revenue from Contracts with Customers".

Please see the discussion in the sections "Effects of first-time adoption of IFRS 9" and "Effects of first-time adoption of IFRS 15" below.

SECTION 3 – SCOPE AND METHOD OF CONSOLIDATION

The preparation of the condensed interim consolidated financial statements at June 30, 2018 drew on the accounts at June 30, 2018 of the companies included in the scope of consolidation, which was unchanged compared with the end of the previous year, with the exception of the inclusion of the company New Bank SC S.p.A., formed by the Parent Company, doBank S.p.A. and not yet operational.
The accounts as at June 30, 2018 of the companies included in the scope of consolidation were reclassified and adjusted appropriately to take consolidation requirements into account and, where necessary, align them with the Group accounting policies.

All of the companies in the scope of consolidation use the euro as their currency of account and, accordingly, no translations of foreign currency amounts have been necessary.

The following section discussed the consolidation principles adopted by the Group in preparing the condensed interim consolidated financial statements at June 30, 2018.

Subsidiaries

Entities in which doBank holds direct or indirect control are considered subsidiaries. Control over an entity is identified through the ability of the investor to exercise power in order to influence the variable returns to which the Group is exposed through its relationship with that entity.

In order to ascertain the existence of control, the following factors are considered:

- the purpose and design of the investee in order to identify the entity's objectives, the activities that determine its returns and how these activities are governed;
- power, in order to determine whether the investor has contractual rights that give it the ability to direct the relevant activities; to this end, only substantive rights that give the practical ability to govern are considered;
- the exposure in respect of the investee in order to assess whether the investor has relations with the investee whose returns of which are subject to changes that depend on the investee's performance;
- existence of potential "principal-agent" relationships.

The carrying amount of equity investments in companies consolidated on a line-by-line basis held by the Parent Company is eliminated – with the incorporation of the assets and liabilities of the investees – against the corresponding portion of shareholders' equity attributable to the Group.
Assets and liabilities, off-balance-sheet transactions, income and expense, as well as profits and losses occurring between companies within the scope of consolidation are fully eliminated, in accordance with the consolidation methods adopted.
The costs and revenues of a subsidiary are included in the consolidated figures as from the date control was acquired. The costs and revenues of a transferred subsidiary are included in the consolidated income statement until the date of the disposal, i.e. until the moment in

which control over the investee is lost. The difference between the amount received for the subsidiary and the carrying amount of its net assets as of the same date is recognised in the income statement under item 280 Gains and losses on disposal of investments for companies subject to line-by-line consolidation.
For companies included within the scope of consolidation for the first time, the fair value of the cost incurred to obtain control over the investee, including transactions costs, is measured as of the acquisition date.
If the disposal does not involve a loss of control, the difference between the amount received in the disposal of a portion of a subsidiary and the associated carrying amount of the net assets is recognised in shareholders' equity.

Associates

An associate is an entity over which an investor has significant influence but which is not controlled exclusively or jointly controlled. Significant influence is presumed when the investor:

- holds, directly or indirectly, at least 20% of the share capital of another entity; or
- is able, including through shareholders' agreements, to exercise significant influence through:
  - representation on the governing body of the company;
  - participation in policy-making processes, including participation in decisions about dividends or other distributions;
  - material transactions between the entity and its investee;
  - interchange of managerial personnel;
  - provision of essential technical information.

Note that only companies which are governed through voting rights can be classified as subject to significant influence.
Investments in associates are measured using the equity method. In accordance with IAS 36, the carrying amount of associated companies is tested as a single asset, comparing this with the recoverable amount (defined as the higher of its value in use and its fair value less costs of disposal).

Equity method

Equity investments in companies measured using the equity method include any goodwill (less any impairment loss) paid to purchase them. The investor's share of the profit or loss of the investee after the acquisition date is recognised in the income statement under item 250. Profit (loss) of equity investments. Any dividends distributed reduce the carrying amount of the equity investment.
If the investor's interest in a subsidiary's losses is equal to or greater than its carrying amount, no further losses are recognised, unless the investor has assumed specific obligations to or made payments on behalf of the company.
Gains and losses on transactions with associates or joint arrangements are eliminated in proportion to the percentage interest in the company.
Any changes in the valuation reserves of associates or joint arrangements, which are recorded against the value changes in the associated item, are reported separately in the statement of comprehensive income.
At June 30, 2018, the stake in BCC Gestione Crediti was measured using the equity method.

1 – Investments in subsidiaries

The following table reports the companies included in the scope of consolidation:

	Company name	Headquarters	Registered Office	Type of Relationship (1)	Owner relationship		Voting rights % (2)
					Held by	Holding %	
1.	doBank S.p.A.	Verona	Verona		Holding		
2.	doReal Estate S.p.A.	Verona	Verona	1	doBank S.p.A.	100%	100%
3.	Italfondiario S.p.A.	Rome	Rome	1	doBank S.p.A.	100%	100%
4.	doData S.r.l.	Rome	Rome	1	doBank S.p.A.	100%	100%
5.	doSolutions S.p.A.	Rome	Rome	1	doBank S.p.A.	100%	100%
6.	New Bank SC S.p.A.	n.a.	Milan	1	doBank S.p.A.	100%	100%

Notes to the table

(1) Type of relationship:

1 = majority of voting rights at ordinary shareholders' meeting.

2 = dominant influence at ordinary shareholders' meeting.

3 = agreements with other shareholders.

4 = other types of control.

5 = centralized management pursuant to Article 39, paragraph 1, of Legislative Decree 136/2015.

6 = centralized management pursuant to Article 39, paragraph 1, of Legislative Decree 136/2015.

(2) Voting rights available in general meeting. Voting rights are disclosed only if different from the percentage of ownership

Changes in the scope of consolidation

Consistent with the provisions of the new Group structure and the 2018-2020 Business Plan described in the Report on Operations, a new reorganisation of the Group was begun in the first half of 2018 with the formation of the company New Bank SC S.p.A., which is still not operational as it is awaiting approval of its banking license by the Bank of Italy.

2 - Significant assessments and assumptions for determining the scope of consolidation

The doBank Group determines the existence of control and, as a consequence, the scope of consolidation, by ascertaining compliance with the requirements provided for in IFRS 10 with regard to entities in which it holds exposures:

- the existence of power over the entities' relevant activities;
- exposure to variable returns;
- the ability to affect the returns.

The factors considered for the purpose of this assessment depend on the entity's method of governance, its purpose and its financial structure.
This analysis led to the inclusion of the subsidiaries listed in the previous section within the scope of consolidation at June 30, 2018.

SECTION 4 – SUBSEQUENT EVENTS

In accordance with the provisions of IAS 10, following the closing date of the financial year no significant events occurred that would require an adjustment to the results presented in the condensed interim consolidated financial statements.

Please see the appropriate section of the Group's Interim Report on Operations for a discussion of the most significant events that occurred after the close of the year.

SECTION 5 – OTHER MATTERS

1. Risks and uncertainties associated with the use of estimates

The application of accounting policies sometimes involves the use of estimates and assumptions that affect the amounts recorded in the financial statements and the disclosures regarding contingent assets and liabilities. For the purposes of the assumptions underlying estimates, we consider all information available at the date of preparation of the financial statements and any hypotheses considered reasonable in the light of past experience and current conditions in the financial markets.
More specifically, estimation processes were adopted to support the carrying amount of certain items recognised in the condensed interim consolidated financial statements at June 30, 2018, as required by accounting standards. These processes are essentially based on estimates of future recoverability of the values recognised and were conducted on a going concern basis. The findings of these processes supported the carrying amounts recognised at June 30, 2018. Estimates and assumptions are reviewed regularly.
in view of the presence of uncertainty in the macroeconomic and market environment, the assumptions made, even if reasonable, might not hold in future scenarios in which the Group may operate. Accordingly, future results may differ from the estimates made for the purpose of preparing the financial statements, with the consequent probable need to make adjustments that currently cannot be foreseen or estimated to the carrying amount of the assets and liabilities recognised in the financial statements.
The following sections discuss the key accounting policies for the purposes of providing a true and fair representation of the Group's financial position and performance, both with regard to the materiality of the values in the financial statements and the considerable judgement required in performing the assessments.

Estimation of accruing servicing revenues and the effects of the application of servicing contracts

Sales revenues associated with servicing contracts for the recovery of receivables managed on an agency basis for third parties are recognised on an accruals basis on based on the Group's activities over time, using management IT procedures and complex accounting processes that take account of the different contractual terms of each agency agreement. Servicing agreements contain numerous clauses specifying the rights and duties of doBank in relations with the participating banks, which can generate income on the one hand and contingent liabilities on the other connected with the possibility of non-performance of contractual obligations.
At the date of the preparation of these financial statements, revenues accrued in the period that have not yet been manifestly accepted by the client are recognised. Depending on the terms of contract and the established practice, that acceptance may take the form of the issuance of an invoice or an explicit notice.
At the date of the preparation of these condensed interim consolidated financial statements, the portion of servicing revenues without such manifest acceptance amounted to 65% of total amounts to be invoiced at June 30, 2018 and 41% of item 40. Fee and commission income of the consolidated income statement. In addition, any certain or contingent liabilities must be prudentially determined in order to assess compliance with the obligations set out in the servicing agreement, taking due account of natural differences in interpretation of contractual clauses in the context of actual recovery operations.

Determination of the fair value of financial assets

In the presence of financial instruments not listed on active markets or illiquid and complex instruments, it is necessary to adopt appropriate valuation processes that require the use of a certain degree of judgement concerning the choice of valuation models and the related input parameters, which may sometimes not be observable on the market.
A degree of subjectivity is present in the assessment of the observability of certain parameters and the consequent classification in the hierarchy of inputs used in determining fair value.

With particular reference to valuation methods and the non-observable inputs that may be used in fair value measurements, please see section A.4 - Information on fair value.

Estimation of the recoverability of deferred tax assets

The Group has significant deferred tax assets mainly arising from temporary differences between the date on which certain business costs are recognised in the income statement and the date on which the same those can be deducted. Deferred tax assets are written down to the extent that they are deemed unrecoverable given the outlook for performance and the resulting expected taxable income, taking due account of tax legislation, which allows those assets to be converted into tax credits under certain conditions, regardless of the Group's ability to generate future profits. In Section 11 - Tax assets and tax liabilities under Assets of these explanatory notes, information is provided on the nature and the assessments conducted with regard to the recognition of deferred tax assets.

Estimation of provisions for risks and charges

The complexity of the situations that underlie outstanding disputes, together with the problems of interpretation concerning the applicable legislation, make it difficult to estimate the liabilities that may emerge when pending litigation is settled. The valuation difficulties impact both the amount and the timing of any manifestation of the liability. These are particularly evident if the proceedings are at an early stage and/or the associated preliminary enquiry is in progress.
For more information on the Group's main risk positions in respect of legal disputes (revocatory actions in bankruptcy and pending litigation), please see Section 10 - Provisions for risks and charges in Liabilities of these explanatory notes.

2. New accounting standards

The Group adopted for the first time a number of accounting standards and amendments that entered force for annual reporting periods beginning on or after January 1, 2018. The impact of first-time adoption of these measures is discussed below.

Effects of first-time adoption of IFRS 9 – Financial Instruments

On November 29, 2016, Regulation (EU) no. 2016/2067 was published in the *Official Journal of the European Union*, introducing the new international accounting standard IFRS 9 Financial Instruments. Starting from January 1, 2018, this standard replaces IAS 39, which, for financial statements for the year ending December 31, 2017, governed the classification and measurement of financial instruments.
The new standard introduces a model under which the classification of financial assets is guided, on the one hand, by the contractual characteristics of the cash flows of the instrument itself (SPPI criterion - solely payments of principal and interest) and, on the other hand, by the management intent (business model) with which the instrument is held.
The new provisions on financial assets replace the four classes envisaged under IAS 39 with the following categories determined on the basis of the two drivers indicated above:

- Financial assets measured at fair value through profit or loss;
- Financial assets measured at fair value through other comprehensive income.
- Financial assets measured at amortised cost;

Financial assets can be recognised at amortised cost or at fair value through other comprehensive income only if they pass the test on the contractual characteristics of the instrument's cash flows (SPPI test).
Equity securities are always measured at fair value through profit or loss unless the entity irrevocably elects, at initial recognition, for shares not held for trading to present changes in value in an equity reserve that will never be transferred to profit or loss, even if the financial instrument is transferred (no recycling).
With regard to the provisions on impairment, the criterion of incurred losses has been replaced with that of expected losses, moving forward the recognition of write-downs in profit or loss from the time of impairment to an earlier moment, i.e. the time of a significant increase in the credit

risk and requiring in any case a write-down corresponding to the expected loss at 12 months on the entire performing portfolio without a sign of any significant increase in risk. In particular, IFRS 9 requires the recognition of expected losses according to an impairment method divided into three stages of impairment:

- 12-month expected loss (stage 1): this applies to all exposures in the absence of a significant increase in credit risk;
- lifetime expected loss (stage 2 and stage 3): this applies to performing financial assets when there has been a significant increase in credit risk (stage 2) and to impaired financial assets (stage 3) regardless of whether it is recognised on an individual or collective basis.

In 2017 the Group undertook a specific project with an initial assessment phase to identify the main gaps, a design phase aimed at identifying the steps necessary for the conversion to the new accounting standard and, finally, an implementation phase that was completed in the first quarter of 2018.
The entire project was developed with the direct involvement of the Administration, Finance and Control and Risk Management Functions in the definition of the guidelines and the policies preparatory to the implementation of IFRS 9, which were submitted for approval to the Board of Directors. Considering the pervasive impacts of IFRS 9, other Group units were also involved in the project within the framework of thematic working groups (mainly business units like the Banking Function and organisational and IT units).
The following provides a summary of the effects of the new presentation of the comparative balances at December 31, 2017 for the balance sheet and at June 30, 2017 for the income statement, and the impact of the first-time adoption of IFRS 9 on the consolidated shareholders' equity of the doBank Group at January 1, 2018.

New presentation of comparative figures

In line with the transitional rules for IFRS 9, the Group has not restated the comparative figures as at 31 December 2017 for the balance sheet and at June 30, 2017 for the income statement and therefore all the periodic comparative values are measured in accordance with the accounting standards used for the preparation of the 2017 consolidated financial statements. For the sole purpose of enabling a uniform comparison of data for the period, the balance sheet and income statement layouts have therefore been reclassified and newly presented in items consistent with the composition of those items for 2018 and with the balance sheet and income statement schedules provided for in the 5th update of Bank of Italy Circular 262, as detailed below.

The portfolio of financial assets measured at fair value through other comprehensive income includes debt securities (BOTs) of €1 million, which are characterised by cash flows consisting solely of repayments of principal and interest and are held exclusively for the purpose of compliance with the regulatory Liquidity Coverage Ratio (LCR) requirement. These securities were previously classified as assets available for sale (AFS).

The portfolio of financial assets measured at fair value through profit or loss includes the remaining and more substantial assets previously classified in the AFS portfolio. This includes (i) the units of the Italian Recovery Fund (former Atlante II) in the amount of €15.2 million, whose cash flows generated by the sale of units do not represent solely payments of principal and interest; (ii) ABSs issued in the Romeo SPV and Mercuzio Securitization securitisations in the amount of €7.7 million, which did not pass the SPPI test, and (iii) the equity security represented by the participating financial instrument in Nomisma S.p.A. in the amount of €43 thousand, for which the Group has not exercised the "OCI option".

The portfolio of financial assets measured at amortised cost corresponds to the IFRS 9 portfolio denominated "Hold to collect" (HTC), which is held for long-term investment purposes and consists of all the assets previously classified under loans and receivables with banks (€49.4 million) and loans and receivables with customers (€2.9 million) that are held for long-term investment purposes and have passed the SPPI test.

Statement reconciling the Financial Statements as 2017 Reports and Accounts and IFRS 9 Financial Statements (new Circular 262) as at December 31, 2017 (reclassification of IAS 39 balances).

Balance sheet

(€/000)

IAS 39 - 4th Circular 262 update		STOCKS			IFRS 9 - 5th Circular 262 update	
Assets		**12/31/2017**	**Impacts of classification**	**12/31/2017 RESTATED**	**Assets**	
10	Cash and cash equiv alents	21	-	21	10	Cash and cash equiv alents
n.a.		-	22,998	22,998	20	Financial assets measured at fair v alue through profit or loss c) Other financial assets mandatorily measured at fair v alue through profit or loss
40	Financial assets held for trading	24,001	(22,998)	1,003	30	Financial assets measured at fair v alue through comprehensiv e income
60	Loans and receiv ables with banks	49,449	-	49,449	40	Financial assets measured at amortised cost a) Loans and receiv ables with banks
70	Loans and receiv ables with customers	2,853	-	2,853	40	Financial assets measured at amortised cost b) Loans and receiv ables with customers
100	Equity inv estments	2,879	-	2,879	70	Equity inv estments
120	Property, plant and equipment	1,819	953	2,772	90	Property, plant and equipment
130	Intangible assets	4,506	-	4,506	100	Intangible assets
140	Tax assets	94,187	-	94,187	110	Tax assets
150	Non-current assets and disposal groups held for sale	10	-	10	120	Non-current assets and disposal groups held for sale
160	Other assets	117,775	(953)	116,822	130	Other assets
	Total assets	**297,500**	**-**	**297,500**		

IAS 39 - 4th Circular 262 update		STOCKS			IFRS 9 - 5th Circular 262 update	
Liabilities and shareholders' equity		**12/31/2017**	**Impacts of classification**	**12/31/2017 RESTATED**	**Liabilities and shareholders' equity**	
20	Due to customers	12,106	-	12,106	10	Financial liabilities measured at amortised cost b) Due to customers
80	Tax liabilities	3,852	-	3,852	60	Tax liabilities
	a) current	3,405	427	3,832		*a) current*
	b) deferred	447	(427)	20		*b) deferred*
100	Other liabilities	37,906	-	37,906	80	Other liabilities
110	Employee termination benefits	10,360	-	10,360	90	Employee termination benefits
120	Prov isions for risks and charges	26,579	-	26,579	100	Prov isions for risks and charges
140	Valuation reserv es	1,350	(1,125)	225	120	Valuation reserv es
170	Reserv es	119,350	1,125	120,475	150	Reserv es
190	Share capital	41,280	-	41,280	170	Share capital
200	Treasury shares (-)	(277)	-	(277)	180	Treasury shares (-)
220	Net profit (loss) for the period (+/-)	44,994	-	44,994	200	Net profit (loss) for the period (+/-)
	Total liabilities and shareholders' equity	**297,500**	**-**	**297,500**		

Income statement

(€/000)

IAS 39 - 4th Circular 262 update		STOCKS			IFRS 9 - 5th Circular 262 update	
		6/30/2017	Impacts of classification	6/30/2017		
10	Interest income and similar revenues	209	-	209	10	Interest income and similar revenues
20	Interest expense and similar charges	(87)	-	(87)	20	Interest expense and similar charges
30	**Net interest income**	**122**	**-**	**122**	**30**	**Net interest income**
40	Fee and commission income	96,113	-	96,113	40	Fee and commission income
50	Fee and commission expense	(9,196)	-	(9,196)	50	Fee and commission expense
60	**Net fee and commission income**	**86,917**	**-**	**86,917**	**60**	**Net fee and commission income**
n.a		-	8	8	100	Gains (losses) on disposal and repurchase of: b) Financial assets measured at fair value through comprehensive income
110	Gains and losses on financial assets/liabilities at fair value through profit or loss	6	(8)	(2)	110	Gains and losses on financial assets/liabilities at fair value through profit or loss: b) Other financial assets mandatorily measured at fair value
120	**Gross income**	**87,045**	**-**	**87,045**	**120**	**Gross income**
130	Net losses/recoveries on impairment: a) Loans	48	-	48	130	Net losses/recoveries on impairment for credit risk: a) Financial assets measured at amortised cost
140	Net profit from financial activities	-	-	-	150	Net profit from financial activities
170	**Net profit from financial and insurance activities**	**87,093**	**-**	**87,093**	**180**	**Net profit from financial and insurance activities**
180	Administrative costs:	(66,164)	-	(66,164)	190	Administrative costs:
	a) Staff expense	(40,686)	-	(40,686)		a) Staff expense
	b) Other administrative expense	(25,478)	-	(25,478)		b) Other administrative expense
190	Net provisions for risks and charges	(1,179)	-	(1,179)	200	Net provisions for risks and charges b) Other net provisions
200	Impairment/write-backs on property, plant and equipment	(120)	-	(120)	210	Impairment/write-backs on property, plant and equipment
210	Impairment/write-backs on intangible assets	(632)	-	(632)	220	Impairment/write-backs on intangible assets
220	Other operating expense and income	9,459	-	9,459	230	Other operating expense and income
230	**Operating costs**	**(58,636)**	**-**	**(58,636)**	**240**	**Operating costs**
240	Profit (Loss) of equity investments	-	-	-	250	Profit (Loss) of equity investments
270	Gains (losses) on disposal of investments	1,494	-	1,494	280	Gains (losses) on disposal of investments
280	**Profit (loss) before tax from continuing operations**	**29,951**	**-**	**29,951**	**290**	**Profit (loss) before tax from continuing operations**
290	Income tax expense from continuing operations	(9,903)	-	(9,903)	300	Income tax expense from continuing operations
300	**Profit (loss) after tax from continuing operations**	**20,048**	**-**	**20,048**	**310**	**Profit (loss) after tax from continuing operations**
310	Profit (loss) after tax from discontinued operations	(390)	-	(390)	320	Profit (loss) after tax from discontinued operations
320	Net profit (loss) for the year	19,658	-	19,658	330	Net profit (loss) for the year
340	**Profit (loss) for the year attributable to shareholders of the Parent Company**	**19,658**	-	**19,658**	**350**	**Profit (loss) for the year attributable to shareholders of the Parent Company**

Effetti di prima applicazione (First Time Adoption – FTA)

The effects of the adoption of IFRS 9 associated with the application of the new impairment criterion and the effects of the measurement of financial assets are shown below as a consequence of the performance of the SPPI test and the identification of the business model. These effects, which impact both the amount and the composition of shareholders' equity, mainly reflect:

- the obligation to recalculate writedowns of the financial assets in the portfolio using the "expected credit losses" approach rather than the previous "incurred credit losses" model. More specifically, with regard to performing exposures, the increase/decrease in writedowns reflected:
  - the classification in Stage 2 of part of a portfolio with a consequent "lifetime" ECL adjustment;
  - the application of writedowns to portfolios previously not subject to impairment (loans and receivables with banks, government securities);
- the need to reclassify certain financial assets in the portfolio based on the combined result of the two classification drivers provided for under the standard, i.e. the business model on the basis of which these instruments are held and the contractual characteristics of the associated cash flows (SPPI test).

The overall effect of the above was a reduction in the Group's consolidated shareholders' equity of €21 thousand.
The most significant tax impact, equal to €427 thousand, is due to the reversal of the taxation on the valuation reserve of ABS securities on the current tax fund, which fair value change from January 1, 2018 is through profit or loss and no longer comprehensive income.

Statements reconciling the Balance Sheet as at December 31, 2017 (ex IAS 39) and the Balance Sheet at January 1, 2018 (IFRS 9)

(€/000)

IFRS 9 - 5th Circular 262 update Assets	AMOUNTS AT 12/31/2017 RESTATED (A)	Impact of transition to IFRS 9 (B)	AMOUNTS AT 01/01/2018 (C) = (A) + (B)
10 Cash and cash equivalents	21	-	21
20 c) Other financial assets mandatorily measured at fair value through profit or loss	22,998	2	23,000
30 Financial assets measured at fair value through comprehensive income	1,003	-	1,003
40 Financial assets measured at amortised cost a) Loans and receivables with banks	49,449	(1)	49,448
40 Financial assets measured at amortised cost a) Loans and receivables with customers	2,853	16	2,869
70 Equity investments	2,879	-	2,879
90 Property, plant and equipment	1,819	953	2,772
100 Intangible assets	4,506	-	4,506
110 Tax assets	94,187	-	94,187
120 Non-current assets and disposal groups held for sale	10	-	10
130 Other assets	117,775	(988)	116,787
Total assets	**297,500**	**(18)**	**297,482**

IFRS 9 - 5th Circular 262 update Liabilities and shareholders' equity	AMOUNTS AT 12/31/2017 RESTATED (A)	Impact of transition to IFRS 9 (B)	AMOUNTS AT 01/01/2018 (C) = (A) + (B)
10 Financial liabilities measured at amortised cost b) Due to customers	12,106	-	12,106
60 Tax liabilities	3,852	-	3,852
a) current	3,405	427	3,832
b) deferred	447	(427)	20
80 Other liabilities	37,906	-	37,906
90 Employee termination benefits	10,360	-	10,360
100 Provisions for risks and charges a) Commitments and guarantees issued	-	3	3
100 Provisions for risks and charges b) Other provisions	26,579	-	26,579
120 Valuation reserves	1,350	(1,125)	225
150 Reserves	119,350	1,104	120,454
170 Share capital	41,280	-	41,280
180 Treasury shares (-)	(277)	-	(277)
200 Net profit (loss) for the period (+/-)	44,994	-	44,994
Total liabilities and shareholders' equity	**297,500**	**(18)**	**297,482**

Statement reconciling IAS 39 shareholders' equity and IFRS 9 shareholders' equity

(€/000)

	01/01/2018 Impact of transition to IFRS 9
Shareholders' equity IAS 39	**206,697**
CLASSIFICATION AND MEASUREMENT	**2**
Adjustment of the carrying amount of financial assets due to change in business model	2
Adjustment to fair value of financial assets due to failure of SPPI test	-
Reclassification from valuation reserves to retained earning:	-
- net change in valuation reserves due to the application of new classification rules and measurement	(1,125)
- net change in retained earnings due to the application of new classification rules and measurement	1,125
IMPAIRMENT	**(23)**
Application of the new impairment model (ECL) to loans and receivables measured at amortised cost	**(19)**
- performing (Stage 1 and stage 2)	(19)
- non-performing (Stage 3)	-
Application of the new impairment model (ECL) to guarantees granted and commitments (irrevocable and revocable) to disburse funds	(3)
Application of the new impairment model (ECL) to debt securities at amortised cost	(1)
Reclassification from valuation reserves to retained earnings:	
- net change in valuation reserves for impairment of financial assets measured at fair value through comprehensive income	-
- net change in retained earnings for impairment of financial assets measured at fair value through	-
Taxation impact	-
Attribution of IFRS 9 transition impact to non-controlling interests	-
Total IFRS 9 transition impact	**(21)**
Shareholder's equity IFRS 9	**206,676**

Effetti della prima applicazione dell'IFRS 15 – Ricavi provenienti da contratti con i clienti

IFRS 15 establishes a new revenue recognition model that applies to all contracts with customers with the exception of those that fall within the scope of application of other IAS/IFRS such as leases, insurance contracts and financial instruments.
The assessment conducted at the Group level found that the application of the new standard had essentially no quantitative impact or process effects.

In order to prepare the condensed interim consolidated financial statements, in addition to IFRS 9 and IFRS 15 the Group adopted for the first time a number of other accounting standards and amendments that entered force for annual reporting periods beginning on or after January 1, 2018, which are listed below. These changes did not have a material impact on the asset, liability and income statement amounts reported in the financial statements:

- *IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration*;
- *Amendments to IAS 40: Transfers of Investment Property*;
- *Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions*;
- *Annual Improvements to IFRS Standards 2014-2016 Cycle*. The annual improvements cycle is intended to clarify certain provisions of the following IFRS:
  - IFRS 1 *First-time Adoption of International Financial Reporting Standards* (in force as from January 1, 2018);
  - IAS 28 *Investments in Associates and Joint Ventures* (in force as from January 1, 2018);

- *Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts;*
- *Clarifications to IFRS 15 Revenue from Contracts with Customer.*

The European Commission also endorsed the following accounting standards that were not applied as of June 30, 2018 as the Group did not opt for early adoption in the cases where this is permitted:

- IFRS 16 *Leases* (in force as from January 1, 2019. Early adoption is not permitted);
- *Amendments to IFRS 9: Prepayment Features with Negative Compensation* (in force as from January 1, 2019).

Finally, at June 30, 2018 the following new standards, amendments and interpretations had been issued by the IASB but had still not been endorsed by the European Union:

- IFRS 17 *Insurance contracts* (in force as from January 1, 2021. Early adoption is permitted);
- *IFRIC 23 Uncertainty over income tax treatment* (in force as from January 1, 2019);
- *Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures* (in force as from January 1, 2019);
- *Annual Improvements to IFRS Standards 2015-2017 Cycle*. The annual improvements cycle is intended to clarify certain provisions of the following IFRS (in force as from January 1, 2019):
  - IFRS 3 *Business Combinations;*
  - IFRS 11 *Joint Arrangements;*
  - IAS 12 *Income Taxes;*
  - IAS 23 *Borrowing Costs.*
- *Amendments to IAS 19: Plan Amendment, Curtailment or Settlement (*in force as from January 1, 2019*);*
- *Amendments to References to the Conceptual Framework in IFRS Standards (*in force as from January 1, 2020*).*

Main items of the Financial Statement

1- Financial assets measured at fair value through profit or loss - Item 20.c) Other financial assets mandatorily measured at fair value

Recognition

Financial assets are initially recognised at the settlement date for debt securities and equities, and at the disbursement date for loans.

Upon initial recognition, financial assets measured at fair value through profit or loss are recorded at fair value, without considering transaction costs or income directly attributable to the instrument itself.

Classification

Financial assets other than those classified under financial assets measured at fair value through other comprehensive income or financial assets measured at amortised cost are classified in this category. More specifically, the item includes financial assets that are mandatorily measured at fair value, which are represented by financial assets that do not meet the requirements for measurement at amortised cost or at fair value through other comprehensive income. These are financial assets whose contractual terms do not provide exclusively for repayments of principal and interest payments on the principal amount to be repaid (failure to pass the "SPPI test") or which are not held as part of a business model whose intent is to hold assets in order to collect contractual cash flows (the "Hold to Collect" business model) or whose intent is achieved through the collection of contractual cash flows or through

the sale of the financial assets (the "Hold to Collect and Sell" business model);
Accordingly, this item reports:
- debt securities and loans held as part of a "Hold to Collect" or "Hold to Collect and Sell" business model, but whose cash flows are not represented solely by payments of principal and interest (in other words, they do not pass the SPPI test);
- units of collective investment undertakings (CIUs);
- equity instruments - which do not represent holdings in a subsidiary, associate or joint arrangement - for which the Group does not apply the permitted option, at the time of initial recognition, to designate the instrument as measured at fair value through other comprehensive income.

Measurement
Following initial recognition, financial assets measured at fair value through profit or loss are measured at fair value. The effects of the application of this measurement approach are recognised in profit or loss.
For the criteria used to determine fair value, please see to Section A.4 Fair value disclosures of Part A of the notes to the 2017 consolidated financial statements, as no significant changes have occurred in this regard following the introduction of IFRS 9.

Derecognition
Financial assets are only derecognised if the sale involves the transfer of substantially all the risks and rewards associated with the assets themselves. If a significant portion of the risks and rewards of holding the financial assets sold has been retained, those assets continue to be recognised, even if ownership of the assets themselves has been effectively transferred.
If it is not possible to ascertain the substantial transfer of the risks and rewards, the financial assets are derecognised if no form of control over them has been retained. Otherwise, retention of even part of such control requires the entity to continue to recognise the assets in an amount equal to the residual continuing involvement, measured by the exposure to changes in the value of the transferred assets and changes in their cash flows.
Finally, the transferred financial assets are derecognised if the contractual rights to receive the related cash flows are retained with the simultaneous assumption of an obligation to pay the cash flows, and only those flows, without material delay to other recipients.

2 – Financial assets measured at fair value through comprehensive income

Recognition
Financial assets measured at fair value through other comprehensive income are initially recognised at the settlement date at fair value, which is normally equal to the consideration transferred in the transaction including transaction costs and revenues directly attributable to the instrument itself.

Classification
A financial asset is classified under financial assets measured at fair value through other comprehensive income if:
• intent of the business model is pursued through both the collection of contractual cash flows and the sale of financial assets ("Hold to Collect and Sell");
• the associated cash flows represent solely payments of principal and interest.

Measurement
Following initial recognition, interest accrued on interest-bearing instruments is recognised through profit or loss in accordance with the amortised cost method.
Gains and losses deriving from changes in fair value are recognised in the statement of comprehensive income and reported under item 120. Valuation reserves.
Such instruments undergo measurement of losses due to long-term reductions in value, as illustrated in the specific section.
These lasting value losses are recognised in profit or loss against the statement of comprehensive income and reported under item 120. Valuation reserves.

Derecognition
Financial assets are only derecognised if the sale involves the transfer of substantially all the risks and rewards associated with the assets themselves. If a significant portion of the risks and rewards of holding the financial assets sold has been retained, those assets continue to be recorded in the financial statements, even if ownership of the assets themselves has been effectively transferred.
If it is not possible to ascertain the substantial transfer of the risks and rewards, the financial assets are derecognised if no form of control over them has been retained. Otherwise, retention of even part of such control requires the entity to continue to recognise the assets in an amount equal to the residual continuing involvement, measured by the exposure to changes in the value of the transferred assets and changes in their cash flows.
Finally, the transferred financial assets are derecognised if the contractual rights to receive the related cash flows are retained with the simultaneous assumption of an obligation to pay the cash flows, and only those flows, without material delay to other recipients.
In the event of a transfer, the accumulated profits and losses are reversed to profit or loss.

3 – Financial assets measured at amortised cost

Recognition
Financial assets measured at amortised cost are initially recognised at the settlement date at fair value, which is normally equal to the consideration transferred in the transaction including transaction costs and revenues directly attributable to the instrument itself.

Classification
A financial asset is classified under financial assets measured at amortised cost if:
• intent of the business model is to hold assets in order collect contractual cash flows ("Hold to Collect");
• the associated cash flows represent solely payments of principal and interest.

More specifically, assets recognised under this item include:
- the various technical forms of loans and receivables with banks that meet the requirements of the previous paragraph;
- the various technical forms of loans and receivables with customers that meet the requirements of the previous paragraph;
- debt securities that meet the requirements of the previous paragraph.

Measurement
Following initial recognition at fair value, these assets are measured at amortised cost, which involves the recognition of interest using the effective interest rate over the term of the loan or receivable
The carrying amount of financial assets measured at amortised cost is adjusted in order to take account of writedowns/writebacks resulting from the assessment process described in more detail in the section "Impairment of financial assets".

Derecognition
Financial assets are only derecognised if the sale involves the transfer of substantially all the risks and rewards associated with the assets themselves. If a significant portion of the risks and rewards of holding the financial assets sold has been retained, those assets continue to be recognised, even if ownership of the assets themselves has been effectively transferred.
If it is not possible to ascertain the substantial transfer of the risks and rewards, the financial assets are derecognised if no form of control over them has been retained. Otherwise, retention of even part of such control requires the entity to continue to recognise the assets in an amount equal to the residual continuing involvement, measured by the exposure to changes in the value of the transferred assets and changes in their cash flows.
Finally, the transferred financial assets are derecognised if the contractual rights to receive the related cash flows are retained with the simultaneous assumption of an obligation to pay the cash flows, and only those flows, without material delay to other recipients.

4 – Equity investments

The criteria for initial recognition and subsequent measurement of equity investments are governed by IFRS 10 - Consolidated Financial Statements, IAS 27 - Separate Financial Statements, IAS 28 - Investments in Associates and Joint Ventures, and IFRS 11 - Joint Arrangements.
These standards are explained in Section 3. Method and scope of consolidation, where disclosure is also provided on the assessments and assumptions made to establish the existence of control or significant influence.
The remaining equity investments - other than subsidiaries, associates and joint ventures, and any reported under Items 120. Non-current assets and disposal groups held for sale and 70. Liabilities associated with non-current assets and disposal groups held for sale - are classified among financial assets depending on the category to which they belong (see sections 1 and 2 above).

5 – Property, plant and equipment

Recognition and classification

This item includes:

- land and buildings
- furniture and fixtures
- plant and machinery
- other machinery and equipment

and breaks down into the following categories:

- assets used in the business;
- investment property.

Assets used in the business have physical substance, are held for use in production or in the provision of goods and services or for administrative purposes and can be used for more than one financial year. Improvements to leasehold assets are improvements and incremental expenses for identifiable and separable items of property, plant and equipment. In this case, the assets are classified in specific sub-items (e.g. plant), depending on the nature of the asset in question. Normally, these investments are incurred in order to render properties leased from third parties suitable for their intended use.
Improvements and incremental expenses for identifiable and non-separable items of property, plant and equipment are recognised under Item 130. Other assets.
The item also report property, plant and equipment classified under IAS 2 – Inventories regarding the property portfolio of the Group's real estate company (doReal Estate), which is held for sale.
Investment property refers to real estate investments pursuant to IAS 40, i.e. properties held (owned outright or held through a finance lease) in order to earn rentals and/or for capital appreciation.
Property, plant and equipment is initially recognised at cost, including all charges directly attributable to the "commissioning" of the asset (transaction costs, professional fees, direct costs to transport the asset to the assigned location, installation costs, dismantling expense).
Expenses incurred subsequently are added to the carrying amount of the asset or recognised as separate assets if it is probable that future economic benefits will be received in excess of those initially estimated and the cost can be reliably determined.
All other expenses incurred subsequently (e.g. ordinary maintenance) are recognised through profit or loss in the period in which they are incurred, under the item:

- 190.b) Other administrative expense, if pertaining to assets used in the business; or
- 230. Other operating expense and income, if pertaining to investment property.

Measurement

Subsequent to initial recognition, property, plant and equipment is recognised at cost net of cumulative depreciation and impairment.
Assets with defined useful lives are depreciated at constant rates over their useful life.
Assets with unlimited useful life are not depreciated.
The useful life of property, plant and equipment is reviewed at the end of each period, taking into account the conditions of use of the asset, the state of maintenance, expected obsolescence, etc. and, if these expectations differ from previous estimates, the depreciation charge for the current period and subsequent periods is adjusted.
If there is objective evidence that an individual asset may have incurred an impairment loss, the carrying amount of the asset is compared with its recoverable amount, which is equal to the higher of an assets fair value less costs to sell and its value in use, understood as the present value of expected future cash flows originated by the asset. Any write-downs are recognised under item 210. Impairment/write-backs on property, plant and equipment in the consolidated income statement.
If the value of a previously written-down asset is written back, the new carrying amount cannot exceed the net carrying amount that it would have had if no impairment loss had been recognised on the asset in previous years.

Derecognition

Property, plant and equipment is derecognised on disposal or when no future economic benefits are expected from its use or disposal. Any difference between the disposal value and the carrying amount is recognised in the income statement under Item 280. Gains and losses on disposal of investments.

6 – Intangible assets

Recognition

Intangible assets are non-monetary assets with multi-year utility, are identifiable, lack physical substance, are controlled by the company and will probably generate future economic benefits.
Intangible assets mainly comprise goodwill, software, brands and patents.
Intangible assets other than goodwill are recognised at the purchase cost, including any direct costs incurred to prepare the asset for use, net of accumulated amortisation and any impairment.
Any expenses incurred subsequent to the acquisition:

- are recognised as an increase in the initial cost if they increase the future economic benefits of the underlying assets (i.e. if they increase their value or productive capacity);
- are recognised entirely through profit or loss for the year in which they are incurred in other cases (i.e., when they do not increase the original value of the assets, but merely conserve the original functionality).

Intangible assets with a finite life are amortised on a straight-line basis over their estimated useful life.
Intangible assets with an indefinite useful life are not amortised.

Measurement

If there is objective evidence that an individual asset may have incurred an impairment loss, the carrying amount of the asset is compared with its recoverable amount, which is equal to the higher of its fair value less costs to sell and its value in use, understood as the present value of expected future cash flows originated by the asset. Any write-downs are recognised under item 220. Impairment/write-backs on intangible assets in the consolidated income statement.
For intangible assets with indefinite life, the carrying amount is compared with the recoverable amount on an annual basis even if no evidence of impairment is found. If the carrying amount

is greater than the recoverable amount, a loss is recognised under Item 220. Impairment/write-backs on intangible assets in the consolidated income statement in an amount equal to the difference between the two values.
If the value of a previously written-down intangible asset other than goodwill is written back the new carrying amount shall not exceed the net carrying amount that it would have had if no impairment loss had been recognised on the asset in previous years.

Derecognition

Intangible assets are derecognised on disposal or when no future economic benefits are expected from their use or disposal. Any difference between the disposal value and the carrying amount is recognised in the income statement under Item 280. Gains and losses on disposal of investments.

7 – Other assets

The other assets essentially include items awaiting settlement and items that are not attributable to other items in the balance sheet, including receivables from the provision of non-financial services, tax items other than those recognised in a separate item (for example, those connected with tax withholding activities), and accrued income other than that that must be capitalised in the related financial assets, including that deriving from contracts with customers pursuant to IFRS 15, paragraphs 116 et seq..

8 – Non-current assets and disposal groups held for sale

These categories include individual non-current assets (property, plant and equipment, intangible assets, and financial assets) or groups of assets held for sale, together with the associated liabilities, as governed by IFRS 5.
The individual assets (or groups of assets held for sale) are recognised respectively under Item 120. Non-current assets and disposal groups held for sale and item 70. Liabilities associated with non-current assets and disposal groups held for sale at the lower of the carrying amount and the fair value net of disposal costs.
The positive or negative balance of income (dividends, interest, etc.) and charges (interest expense, etc.) relating to the groups of assets and liabilities held for sale, net of the associated current and deferred taxes, is recognised under item 320. Profit (Loss) after tax from disposal groups held for sale in the income statement.

9 – Current and deferred tax

Recognition

Tax assets and tax liabilities are recognised respectively under Item 110. Tax assets in assets and Item 60. Tax liabilities in liabilities.
In application of the "balance sheet method", items for current and deferred taxes include:

- current tax assets, i.e. excess payment of tax liabilities on the basis of current tax laws governing corporate income;
- current tax liabilities, i.e. tax liabilities to be settled on the basis of current tax laws governing corporate income;
- deferred tax assets, i.e. amounts of income taxes recoverable in future periods as a consequence of:
    - temporary deductible differences (represented mainly by costs deductible in future periods on the basis of current tax laws governing corporate income);
    - unutilised tax losses carried forward;
    - unutilised tax credits carried forward;
- deferred tax liabilities, i.e. income tax liabilities to be settled in future periods as a consequence of temporary taxable differences (mainly represented by the deferral of taxation of revenues or the advance deduction of charges on the basis of current

tax laws governing corporate income).
Current tax assets and liabilities are recognised by applying current tax rates and are recognised as charges (income) using the same accrual criteria adopted for the costs and revenues which generated them. In particular, current IRES (corporate income tax) and IRAP were calculated using the tax rates established in current tax law, using the new rate of 24% for IRES and, for doBank and Italfondiario, the surtax of 3.5 percentage points applicable to credit and financial institutions (Law 208 of December 28, 2015).
In general, deferred tax assets and liabilities arise in the cases in which the deductibility or taxability of a cost or revenue is deferred with respect to their recognition for accounting purposes.
Current tax items include payments on account (current assets) and liabilities to settle (current liabilities) for income tax for the period. Current tax liabilities and the associated receivables for payments on account still outstanding at the end of the year are recognised as a net amount in a single item.
Deferred tax assets and liabilities are recognised in the balance sheet in their full amount without offsetting.

Measurement

Deferred tax assets and liabilities are recognised on the basis of the tax rates which, as of the reporting date, are expected to be applicable in the period in which the asset will be realised or the liability will be eliminated, in accordance with current tax legislation. They are periodically reviewed in order to take account of any regulatory changes.
Deferred tax assets are only recognised if their recovery through expected future taxable income is probable, measured on the basis of the Group's ability to produce taxable income in future financial years. Deferred tax liabilities are always recognised. A requirement for the recognition of deferred tax assets is that it is considered reasonably certain in view of corporate developments that taxable income will be generated against which the temporary deductible differences will be used. In accordance with the provisions of IAS 12, the probability that future taxable income will be sufficient to utilise the deferred tax assets is subject to periodic review. If that review suggests that future taxable income will be insufficient, the deferred tax assets are reduced in a corresponding amount.
Current and deferred taxes are recognised in the consolidated income statement under item 300. Income tax expense from continuing operations, with the exception of taxes which refer to items which are credited or debited, in the same or another financial year, directly in equity, such as, for example, those in respect of profits or losses on available-for-sale financial assets, whose changes in value are recognised directly in valuation reserves in the statement of comprehensive income.

Derecognition

Deferred tax assets and liabilities are derecognised at the time they are recovered/realised.

10 – Provisions for risks and charges

Recognition

Provisions for risks and charges consist of liabilities recognised when:

- the company has a present obligation (legal or constructive) as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation;
- a reliable estimate can be made of the amount of the obligation.

If these conditions are not met, no liability is recognised.

The sub-item of the provisions for risks and charges in question includes provisions for credit risk recognised in respect of commitments to disburse funds and guarantees issued that fall within the scope of application of the rules on impairment in accordance with IFRS 9. For these cases, the same procedures, in principle, are adopted for the allocation among the three stages (credit risk stages) and for calculating the reported expected loss with reference to financial assets measured at amortised cost or at fair value through other comprehensive income.

Measurement

The amounts allocated to provisions are determined so that they represent the best estimate of the expense required to settle the obligation. In making this estimate, the risks and uncertainties pertaining to the facts and circumstances involved are taken into account.
Specifically, when the effect of deferring the charge in time is significant, the amount of the provision is determined as the present value of the best estimate of the cost assumed necessary to extinguish the obligation. In this case, the discount rate used reflects current market assessments.
Provisions are periodically reviewed and adjusted if necessary to reflect the current best estimate. When, following a review, it is found that the charge is unlikely to be incurred, the provision is reversed.

Derecognition

A provision is used only against the charges for which it was initially recognised.
Provisions for the year, recognised under item 200.Net provisions for risks and charges in the income statement, include increases in provisions due to the passage of time and are reported net of any reversals.

11 – Financial liabilities measured at amortised cost

Recognition and classification

Financial liabilities measured at amortised cost represented by amounts due to banks, amounts due to customers and securities issued include financial instruments (other than liabilities held for trading and those designated as at fair value) representing the various forms of funding from third parties.
Liabilities recognised by the entity as a lessee in finance lease transactions are also included.
These financial liabilities are recognised at the settlement date and initially recognised at fair value, which normally corresponds to the consideration received, net of transaction costs directly attributable to the financial liability.

Measurement

Following initial recognition, financial liabilities are measured at amortised cost using the effective interest rate method.
Exception is made for short-term liabilities, for which the time factor is negligible, which continue to be carried at the amount received.

Derecognition

Financial liabilities are derecognised when they have expired or are discharged. The difference between the carrying amount of a liability and the consideration paid to purchase it is recognised in profit or loss.

12 – Other information

Treasury shares

Changes in treasury shares in the portfolio are recognised directly in equity, i.e. reducing the latter by the value of purchases and increasing it by the value of sales.
This means that in the case of a subsequent transfer the difference between the sales price of the treasury shares and the associated repurchase cost, net of any tax effects, is fully recognised in shareholders' equity.

Accruals and deferrals

Accruals and deferrals, which comprises charges and income pertaining to the period accrued on assets and liabilities, are recognised as an adjustment to the assets and liabilities to which they refer.

Expenditure for leasehold improvements

Property renovation costs for properties of which the entity is not the owner are capitalised in view of the fact that over the term of the lease the entity has control of the asset and future economic benefits will flow to the entity. These costs, which are classified under other assets as provided for in the instructions of the Bank of Italy, are amortised over a period that does not exceed the term of the lease contract.

Employee termination benefits (*Trattamento di fine rapporto* or *TFR*)

The provision for TFR for Italy-based employee benefits is treated as a post-employment defined benefit scheme. Its recognition in the financial statements therefore requires the estimation, carried out using actuarial techniques, of the amount of benefits accrued by employees and the discounting of those benefits.

The determination of these benefits was conducted by an external actuary, using the "projected unit credit method". This method uniformly distributes the cost of the benefit over the working life of the employee. Obligations are determined as the discounted value of average future benefit payments, proportioned on the basis of the ratio between years of service accrued and total seniority achieved at the time the benefit is disbursed.

Following the reform of the supplementary pension system with Legislative Decree 252 of December 5, 2005, the termination benefits accrued up to December 12, 2006 (or up to a date selected by the employee between January 1, 2007 and June 30, 2007 in the event the employee elected to transfer accrued TFR to a supplementary pension scheme) remained with the company and continue to be considered "defined-benefit post-employment benefits" and are therefore subject to actuarial measurement, although using simplified actuarial assumptions that no longer take account of forecasts of future wage increases.

TFR accruing after January 1, 2007 (or after the date of election between January 1 and June 30, 2007 by the employee to transfer TFR to (i) a supplementary pension scheme or (ii) leave the TFR with the company, which in turn deposits those contributions with the Treasury Fund operated by the National Social Security Institute (INPS) is considered to be a "defined contribution" plan.

Actuarial gains and losses, defined as the difference between the carrying amount of the liabilities and the present value of the obligation at the end of the period, are recognised in equity under Item 120. Valuation reserves in accordance with the provisions of the IAS 19 Revised.

Share-based payments

Share-based payments are payments made to employees or comparable persons as payment for work or other services/assets received, based on shares representing capital, which consist in the grant of rights to receive shares upon meeting quantitative/qualitative objectives.

The fair value of payments settled the issue of shares is based on their stock market price and is recognised as a cost in the income statement under Item 190.a) Staff expense and in the balance sheet under Item 150. Reserves in equity, on an accruals basis in proportion to the period in which the service is rendered.

Valuation of property owned by the subsidiaries

The properties of subsidiaries considered as inventories in their individual financial statements are classified under "Property, plant and equipment" as provided for in the instructions of the Bank of Italy. These inventories mainly comprise properties that are to be renovated and/or undergoing renovation and trading properties.

Properties undergoing renovation are measured at the lower of cost, increased by expenses increasing of their value and the capitalisable financial expense, and the corresponding estimated realisable value, less the direct costs to sell.

Trading properties are measured at the lower of cost and estimated realisable value, which is generally represented by the market value as determined from similar property transactions in terms of location and type. The estimated realisable value and the market value are determined on the basis of independent appraisals or any lower value at which management is prepared to sell based on urban/land registry circumstances that do not correspond to the effective state of the property and legal issues (such as the illegal occupation of the properties).
Any write-downs based on the above appraisal are charged to the appropriate item in the income statement.
If the reasons prompting the write-down of the inventories' write-down should no longer obtain, write-downs recognised in previous periods are reversed through profit or loss up to the lower of cost and estimated realisable value.

RECOGNITION OF REVENUES AND COSTS
Revenues can be recognised:
- at a point in time, when the entity satisfies the performance obligation by transferring the promised asset or service to the customer;
or
- over time, as the entity satisfies the performance obligation by transferring the promised asset or service.

An asset is transferred when, or in the period in which, the customer obtains control of the asset.

Servicing fees and revenues from ancillary products
These revenues are measured at the fair value of the consideration received or due and are recognised when they can be estimated reliably. Revenues for services provided are recognised in conjunction with the completion of the services. They are recognised only when it is probable that the economic benefits of the transaction will flow to the company. Nevertheless, when the recoverability of an amount already recognised under revenues is affected by uncertainty, the revenues originally recognised are adjusted by the unrecoverable amount or the amount whose recovery is no longer certain.

Dividends
Dividends are recognised in profit or loss in the period in which their distribution is authorised.

Costs
Costs are recognised when they are incurred, on an accruals basis.
Impairment losses are recognised through profit or loss in the period in which they are ascertained.

RELEVANT IAS/IFRS DEFINITIONS

The following presents a number of concepts relevant for the purposes of the IAS/IFRS international accounting standards are outlined, in addition to those already addressed in the previous sections.

Amortised cost

The amortised cost of a financial asset or liability is the amount at which it is measured at initial recognition minus the 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 adjusted for any write-down or unrecoverability (impairment).
The effective interest rate method is a method for allocating interest income or expense over the life of a financial asset or liability. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the life of the financial instrument to the net carrying amount of the financial asset or liability. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the

effective interest rate, transaction costs, and all other premiums or discounts.
Fees and commissions that are considered an integral part of the effective interest rate include initial fees received for the disbursement or acquisition of a financial asset not classified as measured at fair value, such as, for example, those received as compensation for the assessment of the debtor's financial condition, the evaluation and registration of guarantees and, more generally, the completion of the transaction.
Transaction costs, in turn, include fees and commissions paid to agents (including employees filling the role of commercial agents), consultants, mediators and other operators, contributions levied by regulatory bodies and securities markets, and taxes and charges on the transfer. Transaction costs do not include lending costs or internal administrative or management costs.

Impairment of financial assets
Pursuant to IFRS 9, at each reporting date financial assets other than those measured at fair value through profit or loss undergo an assessment to determine whether there is evidence that the carrying amount of the assets cannot be fully recovered. An analogous analysis is conducted for commitments to disburse funds and for guarantees issued that fall within the scope of the impairment provisions of IFRS 9.
If evidence of impairment is found, the financial assets in question - consistently, where present, with all other assets pertaining to the same counterparty - are considered impaired and are classified in stage 3. Such exposures, represented by financial assets classified - pursuant to the provisions of Circular 262/2005 of the Bank of Italy - in the categories of non-performing loans, exposures unlikely to pay and exposures past due by more than ninety days, shall be written down in an amount equal to the expected losses over the entire residual life of the assets.

Financial assets for which there is no evidence of impairment (unimpaired financial instruments) shall be evaluated to determine whether there is evidence that the credit risk of the individual transaction has increased significantly since initial recognition. Following the assessment, the assets shall be classified (or, more properly, staged) as follows:
- where such evidence is found, the financial asset shall be classified in stage 2. Such valuation, consistent with the provisions of the international accounting standards and even in the absence of manifest impairment, requires for the recognition of write-downs equal to the expected losses over the residual life of the financial instrument;
- where such evidence is not found, the financial asset shall be classified in stage 1. Such valuation, consistent with the provisions of the international accounting standards and even in the absence of manifest impairment, requires the recognition of expected losses, for the specific financial instrument, over the following twelve months.

The Group impairment process is applied to financial assets measured at amortised cost or at fair value through other comprehensive income, which include: loans, trade receivables, contract assets, debt securities, financial guarantees, and irrevocable commitments to disburse funds.
For trade receivables, in consideration of the provisions of IFRS 9 (paragraphs 5.5.15-16) and the immateriality of the financing component of such receivables, the Group has opted for the "simplified approach" which essentially provides for the calculation of total lifetime expected losses for the financial asset. Given that the residual life of trade receivables is generally less than one year, the 12-month and lifetime expected losses are the same.

Fair value disclosures

Qualitative disclosures

For qualitative information on fair value, see the discussion in Part A.4 of the notes to the 2017 consolidated financial statements.

Quantitative disclosures

Fair value hierarchy

The following tables report the breakdown of the portfolio of (i) financial assets and liabilities measured at fair value and (ii) assets and liabilities not measured at fair value or measured at fair value on a non-recurring basis, on the basis of the levels discussed earlier.

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

Level 1 includes, among financial assets measured at fair value through other comprehensive income, government securities (BOTs) acquired during the year in order to ensure compliance with the European regulatory requirement concerning short-term liquidity, namely the Liquidity Coverage Ratio (LCR).

Level 3 for financial assets measured at fair value through profit or loss mainly includes (i) the residual value of the notes issued by the Romeo and Mercuzio Securitisation SPVs, equal to 5% of the total value of the notes, in the amount of €7.6 million, and (ii) €28.9 million in respect of the amount paid in 2017 and June 2018 for the subscription of 30 units of the restricted closed-end alternative securities investment fund denominated Italian Recovery Fund (formerly Atlante II).

(€/000)

	6/30/2018			12/31/2017		
	Level 1	**Level 2**	**Level 3**	**Level 1**	**Level 2**	**Level 3**
1. Financial assets measured at fair value through P&L	-	-	36,346	-	-	22,998
a) Financial assets held for trading	-	-	-	-	-	-
b) Financial assets designated at fair value	-	-	-	-	-	-
c) Other financial assets mandatorily measured at fair value	-	-	36,346	-	-	22,998
2. Financial assets measured at fair value through comprehensive income	1,000	-	-	1,003	-	-
3. Hedging derivatives	-	-	-	-	-	-
4. Property, plant and equipment	-	-	-	-	-	-
5. Intangible assets	-	-	-	-	-	-
Total	**1,000**	**-**	**36,346**	**1,003**	**-**	**22,998**
1. Financial liabilities held for trading	-	-	-	-	-	-
2. Financial liabilities measured at fair value	-	-	-	-	-	-
3. Hedging derivatives	-	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**-**	**-**

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

(€/000)

	6/30/2018				12/31/2017			
	Carrying amount	Level 1	Level 2	Level 3	Carrying amount	Level 1	Level 2	Level 3
1. Financial assets measured at amortised cost	43,269	-	-	43,269	52,302	-	-	52,302
2. Investment property	-	-	-	-	-	-	-	-
3. Non-current assets and diposal groups held for sale	10	-	-	10	10	-	-	10
Total	**43,279**	**-**	**-**	**43,279**	**52,312**	**-**	**-**	**52,312**
1. Financial liabilities measured at amortised cost	12,226	-	-	12,226	12,106	-	-	12,106
2. Liabilities associated with non-current assets and disposal groups held for sale	-	-	-	-	-	-	-	-
Total	**12,226**	**-**	**-**	**12,226**	**12,106**	**-**	**-**	**12,106**

CONSOLIDATED BALANCE SHEET

ASSETS

SECTION 1 – CASH AND CASH EQUIVALENTS – ITEM 10

1.1 – Cash and cash equivalents: breakdown

(€/000)

	6/30/2018	12/31/2017
a) Cash	16	21
b) Demand deposits with Central banks	-	-
Total	**16**	**21**

SECTION 2 – FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS – ITEM 20

2.5 – Other financial assets mandatorily measured at fair value: breakdown by product

(€/000)

	6/30/2018			12/31/2017		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Debt securities	-	-	7,631	-	-	7,734
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	-	-	7,631	-	-	7,734
2. Equity instruments	-	-	47	-	-	42
3. Units in collective investment undertakings	-	-	28,908	-	-	15,222
4. Loans	-	-	-	-	-	-
4.1 Repurchase agreements	-	-	-	-	-	-
4.2 Other	-	-	-	-	-	-
Total	**-**	**-**	**36,586**	**-**	**-**	**22,998**

Debt securities are represented by the residual amount of ABSs from the Romeo SPV and Mercuzio Securitisation securitisations. The amount subscribed by the doBank corresponds to 5% of the total notes issued by the two vehicles.
Equity instruments consist of non-controlling interests for which the Group has not exercised the option available under IFRS 9 to measure these instruments at fair value through other comprehensive income. They regard the investment in Nomisma S.p.A and a residual amount of less than €1 thousand representing the dues for participation in the Interbank Deposit Guarantee Fund.
Units in collective investment undertakings regard the amount paid in late 2017 and in June this year for the subscription of 30 units of the restricted closed-end alternative securities investment fund denominated Italian Recovery Fund (formerly Atlante II). Following the two payments, at June 30, 2018, a minimal amount of €1.5 million remained recognised under commitments.

2.6 – Financial assets mandatorily measured at fair value: breakdown by issuer/borrower

(€/000)

	6/30/2018	12/31/2017
1. Equity instruments	**47**	**42**
of which: banks	-	-
of which: other financial companies	-	-
of which: non-financial companies	*47*	*42*
2. Debt securities	**7,631**	**7,734**
a) Central banks	-	-
b) Government entities	-	-
c) Banks	-	-
d) Other financial companies	7,631	7,734
of which: insurance companies	-	-
e) Non-financial companies	-	-
3. Units in collective investment undertakings	**28,908**	**15,222**
4. Loans	**-**	**-**
a) Central banks	-	-
b) Government entities	-	-
c) Banks	-	-
d) Other financial companies	-	-
of which: insurance companies	-	-
e) Non-financial companies	-	-
f) Households	-	-
Total	**36,586**	**22,998**

SECTION 3 – FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH COMPREHENSIVE INCOME – ITEM 30

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

(€/000)

	6/30/2018			12/31/2017		
	Level 1	**Level 2**	**Level 3**	**Level 1**	**Level 2**	**Level 3**
1. Debt securities	1,000	-	-	1,003	-	-
1.1 Structured securities	**-**	**-**	**-**	**-**	**-**	**-**
1.2 Other	1,000	-	-	1,003	-	-
2. Equity instruments	-	-	-	-	-	-
3. Loans	-	-	-	-	-	-
Total	**1,000**	**-**	**-**	**1,003**	**-**	**-**

The item is entirely composed of Italian Treasury bills (BOTs) purchased in order to meet European regulatory requirements for liquidity (the Liquidity Coverage Ratio or LCR).

3.2 – Financial assets measured at fair value through comprehensive income: breakdown by issuer/borrower

(€/000)

	6/30/2018	12/31/2017
1. Debt securities	**1,000**	**1,003**
a) Central banks	-	-
b) Government entities	1,000	1,003
c) Banks	-	-
d) Other financial companies	-	-
of which: insurance companies	-	-
e) Non-financial companies	-	-
2. Equity instruments	**-**	**-**
a) Banks	-	-
b) Other issuer:	-	-
- other financial companies	-	-
of which: insurance companies	-	-
- non-financial companies	-	-
- other	-	-
3. Loans	**-**	**-**
a) Central banks	-	-
b) Government entities	-	-
c) Banks	-	-
d) Other financial companies	-	-
of which: insurance companies	-	-
e) Non-financial companies	-	-
f) Households	-	-
Total	**1,000**	**1,003**

3.3 – Financial assets measured at fair value through comprehensive income: gross value and total write-offs

(€/000)

	Gross amount				Total write-offs			
	First stage	*of which: instruments with low credit risk*	Second stage	Third stage	First stage	Second stage	Third stage	Total partial write-offs*
Debt securities	1,000	-	-	-	-	-	-	-
Loans	-	-	-	-	-	-	-	-
Total 6/30/2018	**1,000**	-	-	-	-	-	-	-
Total 12/31/2017	**1,003**	-	-	-	-	-	-	-
of which: impaired financial assets acquired or originated	X	X	-	-	X	-	-	-

* *Value to be showed for information purposes*

SECTION 4 – FINANCIAL ASSETS MEASURED AT AMORTISED COST – ITEM 40

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

(€/000)

	6/30/2018						12/31/2017					
	Carrying amount			Fair value			Carrying amount			Fair value		
	First and second stage	Third stage	of which: impaired acquired or originated	Level 1	Level 2	Level 3	First and second stage	Third stage	of which: impaired acquired or originated	Level 1	Level 2	Level 3
A. Claims on Central banks	5	-	-	-	-	5	-	-	-	-	-	-
1. Term deposits	-	-	-	X	X	X	-	-	-	X	X	X
2. Compulsory reserv es	5	-	-	X	X	X	-	-	-	X	X	X
3. Repurchase agreements	-	-	-	X	X	X	-	-	-	X	X	X
4. Other	-	-	-	X	X	X	-	-	-	X	X	X
B. Loans to banks	**40,739**	-	-	-	-	**40,739**	**49,449**	-	-	-	-	**49,449**
1. Loans	40,630	-	-	-	-	**40,630**	49,340	-	-	-	-	49,340
1.1 Current accounts and demand deposits	40,630	-	-	X	X	X	49,340	-	-	X	X	X
1.2 Term deposits	-	-	-	X	X	X	-	-	-	X	X	X
1.3 Other loans	-	-	-	X	X	X	-	-	-	X	X	X
- Repurchase agreements	-	-	-	X	X	X	-	-	-	X	X	X
- Finance leases	-	-	-	X	X	X	-	-	-	X	X	X
- Other	-	-	-	X	X	X	-	-	-	X	X	X
2. Debt securities	109	-	-	-	-	**109**	109	-	-	-	-	109
2.1 Structured	-	-	-	-	-	-	-	-	-	-	-	-
2.2 Other	109	-	-	-	-	**109**	109	-	-	-	-	109
Total	**40,744**	-	-	-	-	**40,744**	**49,449**	-	-	-	-	**49,449**

Loans and receivables with banks totalling €40.7 million mainly regard cash available on current accounts.

Changes in the period were mainly represented by the payment of dividends in the amount of €30.9 million and the periodic flow of collections of fees and commission from our main customers and payments of suppliers.

In view of the short-term maturity of the exposures, and the floating rate paid on balances, it is reasonable to conclude that the fair value of the items corresponds to their carrying amount.

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

(€/000)

	6/30/2018						12/31/2017					
	Carrying amount			Fair value			Carrying amount			Fair value		
	First and second stage	Third stage	*of which: impaired acquired or originated*	Level 1	Level 2	Level 3	First and second stage	Third stage	*of which: impaired acquired or originated*	Level 1	Level 2	Level 3
1. Loans	**2,264**	**261**	***261***	-	-	-	**2,588**	**265**	***265***	-	-	-
1. Current accounts	703	128	*128*	X	X	X	1,204	134	*134*	X	X	X
2. Repurchase agreements	-	-	-	X	X	X	-	-	-	X	X	X
3. Mortgage loans	1,251	118	*118*	X	X	X	1,092	117	*117*	X	X	X
4. Credit cards and personal loans, including wage assignment loans	-	-	-	X	X	X	-	-	-	X	X	X
5. Finance leases	-	-	-	X	X	X	-	-	-	X	X	X
6. Factoring	-	-	-	X	X	X	-	-	-	X	X	X
7. Other loans	310	15	*15*	X	X	X	292	14	*14*	X	X	X
2. Debt securities	-	-	-	-	-	-	-	-	-	-	-	-
2.1. Structured securities	-	-	-	-	-	-	-	-	-	-	-	-
2.2. Other debt securities	-	-	-	-	-	-	-	-	-	-	-	-
Total	**2,264**	**261**	***261***	-	-	-	**2,588**	**265**	***265***	-	-	-

At June 30, 2018, the item includes current accounts and mortgage loans to customers mainly classified in stage 1 and stage 2. Acquired impaired assets classified in stage 3 are represented by the remainder of the non-performing portfolio assigned by doBank in 2016.

4.4 – Financial assets measured at amortised cost: breakdown by issuer/borrower of loans and receivables with banks

(€/000)

	6/30/2018			12/31/2017		
	First and second stage	Third stage	*of which: impaired acquired or originated*	First and second stage	Third stage	*of which: impaired acquired or originated*
1. Debt securities	**-**	**-**	**-**	**-**	**-**	**-**
a) Government entities	-	-	-	-	-	-
b) Other financial companies	-	-	-	-	-	-
of which: insurance companies	-	-	-	-	-	-
c) Non-financial companies	-	-	-	-	-	-
2. Loans to	**2,264**	**261**	***261***	**2,588**	**265**	***265***
a) Government entities	311	-	-	293	-	-
b) Other financial companies	-	-	-	-	-	-
of which: insurance companies	-	-	-	-	-	-
c) Non-financial companies	195	194	*194*	1,202	201	*201*
d) Households	*1,758*	*67*	*67*	1,093	64	*64*
Total	**2,264**	**261**	***261***	**2,588**	**265**	***265***

4.5 – Financial assets measured at amortised cost: gross amount and overall impairments

(€/000)

	Gross amount				Write-offs			Total partial write-offs *
	First stage	*of which: instruments with low credit risk*	Second stage	Third stage	First stage	Second stage	Third stage	
Debt securities	109	-	-	-	-	-	-	-
Loans	42,916	-	-	722	(22)	-	(461)	-
Total 6/30/2018	**43,025**	**-**	**-**	**722**	**(22)**	**-**	**(461)**	**-**
Total 12/31/2017	**52,044**	***32,012***	**15**	**725**	**(15)**	**(7)**	**(460)**	**-**
of which: impaired financial assets acquired or originated	*X*	*X*	*15*	*725*	*X*	*(7)*	*(460)*	**-**

* *Value to be showed for information purposes*

SECTION 7 – EQUITY INVESTMENTS – ITEM 70

7.1 – Equity investments: information on ownership

Name	Registered Office	Headquarters	Type of relationship	Owner Relationship		Voting Rights %
				Held by	Holding %	
A. Companies under joint control						
B. Companies subject to significant influence						
1. BCC Gestione Crediti S.p.A.	Rome	Rome	Associates	Italfondiario S.p.A.	45.00%	45.00%

7.2 - Significant shareholdings: book value, fair value and dividends received

(€/000)

Name	Carrying amount	Fair value	Dividends Received
A. Companies under joint control	-	-	-
B. Companies subject to significant influence			
1. BCC Gestione Crediti S.p.A.	2,033	2,033	1,186
Total	**2,033**	**2,033**	**1,186**

SECTION 9 – PROPERTY, PLANT AND EQUIPMENT – ITEM 90

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

(€/000)

	Total 6/30/2018	Total 12/31/2017
1. Owned assets	**1,838**	**1,354**
a) Land	-	-
b) Buildings	-	-
c) Furniture	803	727
d) Electronic systems	1,019	605
e) Other	16	22
2. Assets held under finance lease	**407**	**465**
a) Land	-	-
b) Buildings	-	-
c) Furniture	-	-
d) Electronic systems	407	465
e) Other	-	-
Total	**2,245**	**1,819**
of which: acquired through the enforcement of guarantees received	-	-

9.5 – Inventories of property, plant and equipments regulated in IAS 2: breakdown

(€/000)

	Total 6/30/2018	Total 12/31/2017
1. Inventories of property, plant and equipment through the enforcement of guarantees	**-**	-
a) Land	-	-
b) Buildings	-	-
c) Furniture	-	-
d) Electronic systems	-	-
e) Other	-	-
2. Other inventories of property, plant and equipment	**677**	**953**
Total	**677**	**953**
of which: measured at fair value net of disposal costs	**-**	**-**

The item includes 21 properties held by doRealEstate. During the period, 4 properties were sold, reducing the stock at December 31, 2017 by €276 thousand.

SECTION 10 – INTANGIBLE ASSETS – ITEM 100

10.1 – Intangible assets: breakdown by type of asset

(€/000)

	6/30/2018		12/31/2017	
	Finite Life	Indefinite Life	Finite Life	Indefinite Life
A.1 Goodwill	X	-	X	-
A.1.1 Attributable to shareholders of the Parent Company	X	-	X	-
A.1.2 Attributable to non-controlling interests	X	-	X	-
A.2 Other intangible assets	4,462	-	4,506	-
A.2.1 Assets carried at cost:	4,462	-	4,506	-
a) Intangible assets generated internally	-	-	-	-
b) Other assets	4,462	-	4,506	-
A.2.2 Assets v alued at fair v alue:	-	-	-	-
a) Intangible assets generated internally	-	-	-	-
b) Other assets	-	-	-	-
Total	**4,462**	**-**	**4,506**	**-**

The item mainly regards application software.

SECTION 11 – TAX ASSETS AND LIABILITIES – ITEM 110 OF ASSETS AND ITEM 60 OF LIABILITIES

11.1 - Deferred tax assets: breakdown

(€/000)

	6/30/2018			12/31/2017		
	IRES	IRAP	Total	IRES	IRAP	Total
Provisions recognized in income statement - administrative expenses	237	-	**237**	308	-	308
Provisions recognized in income statement - Risks and charges	5,654	8	**5,662**	7,450	13	7,463
Provisions recognized in equity	394	-	**394**	447	-	447
Write-down on loans	47,782	7,660	**55,442**	47,922	7,660	55,582
Other assets/liabilities	141	28	**169**	238	48	286
Tax losses carried forward	25,432	-	**25,432**	29,933	-	29,933
Other items	1	2	**3**	1	2	3
Total	**79,641**	**7,698**	**87,339**	**86,299**	**7,723**	**94,022**

The item reports deferred tax assets by deductible temporary difference.

Deferred tax assets include amounts in respect of loan writedowns and deferred tax assets determined specifically on the basis of the stocks of the components to which they refer le (litigation, provisions for employees).

In this regard, the Parent Company exercised the option to retain the possibility of converting deferred tax assets into tax credits pursuant to Art. 11 of Legislative Decree 59 of May 3, 2016, ratified with Law 119 of June 30, 2016. This measures introduced the optional regime in order to eliminate issues that emerged at the Community level regarding the incompatibility of the DTA transformation legislation with the rules governing state aid, ensuring that the convertibility of qualifying DTAs into tax credits is only allowed following payment of a specific fee based on the amount of those DTAs.

The law ratifying the "Bank Rescue" Decree no. 15 of February 17, 2017 changed the effective date of the fee, postponing it from 2015 to 2016 with the consequent extension of the commitment to pay an annual instalment up to the year 2030. The exercise of the option makes it possible to maintain both the possibility of transforming these qualifying DTAs (in this case DTAs deriving from writedowns of loans) into tax credits, proportional to the possible loss under accounting rules as reported in the approved financial statements, and the possibility of not deducting these amounts from own funds for prudential purposes, as the requirements of Art. 39 of the CRR (Regulation (EU) 575/2013), which provides for application of a weighting of 100% in the calculation of credit risk, are met.

With regard to deferred tax assets referred to in Law 214/2011, as a result of the express provision of Art. 56 of Decree Law 225 of 29/12/2010, the negative components corresponding to the deferred tax assets transformed into tax credits are not deductible, first offsetting on a priority basis decreases at the nearest maturity in an amount corresponding to a tax equal to the transformed DTAs. As a result of this provision, changes in the amount of deferred tax assets recognized will on begin as from 2021.

With regard to the provisions of IAS 12, deferred tax assets are subject to probability testing, taking account of forecast profits in future years and verifying that future taxable income will be available against which the deferred tax assets can be used.
In particular, for the figures at June 30, 2018, the test performed, which took account of the 2018-2020 Business Plan presented on June 19, 2018, found that taxable income would be sufficient to use the deferred tax assets recognised by the bank.

The criteria used for the recognition of deferred tax assets can be summarised as follows:

- deferred tax assets correspond to the amounts of income tax that can be recovered in

future years regarding temporary differences;
- the prerequisite for recognising deferred tax assets is the that it is reasonable to expect that taxable income will be earned against which the deductible temporary differences can be used.

IRES and IRAP were calculated by applying the tax rates established under current law, using the new 24% tax rate for IRES purposes and, for doBank and Italfondiario, applying the 3.5 percentage-point surtax envisaged for credit and financial institutions (Law 208 of December 28, 2015).

11.2 - Deferred tax liabilities: breakdown

(€/000)

	6/30/2018			12/31/2017		
	IRES	IRAP	Total	IRES	IRAP	Total
Deferred tax liabilities referred to:						
Other financial instruments/ assets / liabilities	-	-	-	427	-	427
Other items	20	-	20	20	-	20
Total	**20**	**-**	**20**	**447**	**-**	**447**

In 2018 the aggregate no longer includes the deferred tax liabilities in respect of the valuation reserve for ABSs since with effect from January 1, 2018 it was reversed to current taxes as a result of the classification of those securities under financial assets measured at fair value through profit or loss, in accordance with the provisions of the new IFRS 9.

11.8 – Other information

Current tax assets: breakdown

(€/000)

	6/30/2018			12/31/2017		
	IRES	IRAP	Total	IRES	IRAP	Total
Payments on account	84	81	165	84	81	165
Total	**84**	**81**	**165**	**84**	**81**	**165**

Current tax liabilities: breakdown

(€/000)

	6/30/2018			12/31/2017		
	IRES	IRAP	Total	IRES	IRAP	Total
Taxes for the period	7,106	3,517	10,623	11,086	4,146	15,232
Net payments on account	(1,476)	(690)	(2,166)	(7,820)	(4,007)	(11,827)
Total	**5,630**	**2,827**	**8,457**	**3,266**	**139**	**3,405**

SECTION 12 – NON-CURRENT ASSETS AND DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE - ITEM 120 OF ASSETS AND ITEM 70 OF LIABILITIES

12.1 – Non-current assets and disposal groups classified as held for sale: breakdown by asset type

(€/000)

	6/30/2018	12/31/2017
A. Assets held for disposal	**-**	**-**
A.1 Financial assets	10	10
A.2 Equity investments	-	-
A.3 Property, plant and equipment	-	-
of which: acquired through the enforcement of guarantees received	-	-
A.4 Intangible assets	-	-
A.5 Other non-current assets	-	-
Total A	**10**	**10**
of which carried at cost	-	-
of which designated at fair value, Level 1	-	-
of which designated at fair value, Level 2	-	-
of which designated at fair value, Level 3	*10*	*10*
B. Asset groups (discontinued operations)	-	-
B.1 Financial assets measured at fair value through profit or loss	-	-
- financial assets held for trading	-	-
- financial assets designated at fair value	-	-
- other financial assets mandatorily measured at fair value	-	-
B.2 Financial assets at fair value through comprehensive income	-	-
B.3 Financial assets measured at amortised cost	-	-
B.4 Equity investments	-	-
B.5 Property, plant and equipment	-	-
of which: acquired through the enforcement of guarantees received	-	-
B.6 Intangible assets	-	-
B.7 Other assets	-	-
Total B	**-**	**-**
of which carried at cost	**-**	**-**
of which designated at fair value, Level 1	**-**	**-**
of which designated at fair value, Level 2	**-**	**-**
of which designated at fair value, Level 3	-	-
C. Liabilities associated to assets held for trading	**-**	**-**
C.1 Deposits	-	-
C.2 Securities	-	-
C.3 Other liabilities	-	-
Total C	**-**	**-**
of which carried at cost	**-**	**-**
of which designated at fair value, Level 1	**-**	**-**
of which designated at fair value, Level 2	**-**	**-**
of which designated at fair value, Level 3	**-**	**-**
D. Liabilities associated with discontinued operations	**-**	**-**
D.1 Financial liabilites measured at amortised cost	-	-
D.2 Financial liabilites held for trading	-	-
D.3 Financial liabilites designated at fair value	-	-
D.4 Provisions	-	-
D.5 Other liabilities	-	-
Total D	**-**	**-**
of which carried at cost	**-**	**-**
of which designated at fair value, Level 1	**-**	**-**
of which designated at fair value, Level 2	**-**	**-**
of which designated at fair value, Level 3	-	-

SECTION 13 – OTHER ASSETS – ITEM 130

13.1 – Other assets: breakdown

(€/000)

	6/30/2018	12/31/2017
Other assets to detail		
Accrued income other than income capitalized in associated finanical assets	14	-
Prepaid expenses	2,948	1,686
Items in processing	230	17
Items deemed definitiv e but not-attributable to other items:	100,883	103,773
- Receiv ables maturing during the period in respect of credit management and recov ery activ ities (inv oices to be issued)	60,971	65,815
- Receiv ables for inv oices issued not collected yet, for credit management and recorev y	32,321	31,068
- Receiv ables for inv oices issued not collected yet, except for credit management and recorery	3,135	2,455
- Adv ances paid to suppliers	25	85
- Other residual	4,431	4,350
Tax items other than those included in item 140	5,822	9,754
Other items	1,780	1,592
- Improv ements on goods of third party (assets not div isible)	1,602	1,534
- Other items - Other	178	58
Total	**111,677**	**116,822**

Items deemed definitive but not attributable to other items and **Other items – Receivables maturing during the period not yet collected** report receivables in respect of core loan recovery activities with UniCredit, Banca Intesa and other customers and other servicing activities.

These services are not considered to fall within the definition of "financial services" as indicated in Circular no. 262/2005 of the Bank of Italy and are therefore not classified under Items 40. Financial assets measured at amortised cost.

LIABILITIES

SECTION 1 – FINANCIAL LIABILITIES MEASURED AT AMORTISED COST - ITEM 10

1.2 – Financial liabilities measured at amortised cost: breakdown by product of due to customers

(€/000)

	6/30/2018				12/31/2017			
		Fair value				Fair value		
	Carrying amount	Level 1	Level 2	Level 3	Carrying amount	Level 1	Level 2	Level 3
1. Current accounts and demand deposits	11,948	X	X	X	11,759	X	X	X
2. Term deposits	-	X	X	X	-	X	X	X
3. Loans	-	X	X	X	1	X	X	X
3.1 Repos	-	X	X	X	-	X	X	X
3.2 Other	-	X	X	X	1	X	X	X
4. Liabilities for commitments to repurchase own equity instruments	-	X	X	X	-	X	X	X
5. Other liabilities	278	X	X	X	346	X	X	X
Total	**12,226**	**-**	**-**	**12,226**	**12,106**	**-**	**-**	**-**

Current accounts and demand deposits in respect of ordinary customers mainly consist of accounts held with legal counsel affiliated with the Group.

SECTION 6 – TAX LIABILITIES – ITEM 60

See Section 11 of Assets.

SECTION 7 – LIABILITIES ASSOCIATED WITH NON-CURRENT ASSETS AND DISPOSAL GROUPS HELD FOR SALE – ITEM 70

See Section 12 of Assets.

SECTION 8 – OTHER LIABILITIES– ITEM 80

8.1 – Other liabilities: breakdown

(€/000)

	6/30/2018	12/31/2017
Items deemed definitiv e but not attributable to other accounts:	28,735	28,475
- account payable - suppliers	19,865	21,072
- withholding taxes	534	852
- payables to third parties for personnel costs	2,288	3,271
- other items	6,048	3,280
Av ailable amounts to be paid to others	123	923
Items in processing	815	1,241
Tax items different from those included in item 60	2,039	2,252
Other liabilities due to employees	6,128	4,452
Other liabilities due to the Board of Directors	257	257
Other liabilities due to other personnel	57	256
Accrued expense other than that capitalized in the associated financial liabilities	103	50
Total	**38,257**	**37,906**

Other liabilities lightly increased (+1%) compared with December 31, 2017.
Items deemed definitive but not attributable to other accounts – accounts payable – suppliers essentially reports liabilities due to suppliers in respect of invoices to be received and supplies to be settled. **Items deemed definitive but not attributable to other accounts – other items** include

liabilities to the National Social Security Institute (INPS) for employee contributions and other debtor items pending definitive allocation.
Other liabilities due to employees includes provisions for unused holiday entitlement and performance bonuses, as well as liabilities for termination incentives.

Tax items different from those included in item 60 mainly regard the VAT liability to be settled with tax authorities. At June 30, 2018 the item also included the pro-rated fee for 2018 (€956 thousand) in respect of the exercise by the Parent Company doBank of the option to retain the possibility of transforming deferred tax assets into tax credits pursuant to Art. 11 of Legislative Decree 59 of May 3, 2016, ratified with Law 119 of June 30, 2016.

SECTION 9 – EMPLOYEE TERMINATION BENEFITS – ITEM 90

9.1 – Employee termination benefits: annual change

(€/000)

	6/30/2018	12/31/2017
A. Opening balances	**10,360**	**10,240**
B. Increases	**197**	**455**
B.1 Provision for the period	197	130
B.2 Other increases	-	325
C. Decreases	**(421)**	**(335)**
C.1 Severance payments	(220)	(300)
C.2 Other decreases	(201)	(35)
D. Closing balances	**10,136**	**10,360**
Total	**10,136**	**10,360**

SECTION 10 – PROVISIONS FOR RISKS AND CHARGES – ITEM 100

10.1 – Provisions for risks and charges: breakdown

(€/000)

	6/30/2018	12/31/2017
1. Provisions for credit risk related to commitments and financial guarantees issued	3	-
2. Provisions on other commitmets and guarantees issued	-	-
3. Pensions and other post-employment benefit obligations	-	-
4. Other provisions for risks and charges	20,664	26,579
4.1 Legal disputes	9,923	10,313
4.2 Staff expenses	6,143	8,839
4.3 Other	4,598	7,427
Total	**20,667**	**26,579**

The item **legal disputes** primarily reports provisions in respect of the risks of litigation brought against the Group concerning its core activities.
The item **Staff expenses** reports provisions to finance any bonuses not governed by existing agreements or determinable quantification mechanisms and MBO bonuses. The amount of this component at June 30, 2018 also reflects the new remuneration policies, which for certain categories of manager envisage changes in the structure of variable remuneration, which provides for deferred amounts and the grant of equity instruments.

Item 2.3 **Other** mainly reports provisions for risks for which no litigation has currently been undertaken.

Risks connected with outstanding litigation

The Group operates in a legal and legislative context that exposes it to a vast range of possible litigation connected with the core business of servicing, loan recovery, potential administrative irregularities and labour litigation.
The associated risks are assessed periodically in order to quantify a specific allocation to the "Provision for risks and charges" whenever an outlay is considered probable or possible on the basis of the information that becomes available, as provided for in the specific internal policies.

At the date of these condensed consolidated half-year financial statements, the specific interpretation of a number of contractual clauses is in dispute. The clauses regard reciprocal communication and sharing obligations within the scope of servicing agreements. While the debate does raise the possibility of incomplete compliance with the contractual provisions, the arguments presented and under assessment in the discussions suggest that that this risk is not probable. This conclusion is also supported by specific legal advice on the issue.

SECTION 13 – GROUP SHAREHOLDERS' EQUITY – ITEMS 120, 150, 170, 180 AND 200

13.1 – "Share capital" and "Treasury shares": breakdown

	6/30/2018	12/31/2017
Item 170. Share Capital (euro thousand)	41,280	41,280
Number of ordinary shares	80,000,000	80,000,000
Nominal v alue of ordinary shares	0.516	0.516
Item 180. Treasury Shares (euro thousand)	246	277
Number of treasury shares	1,554,353	1,750,000

13.4 – Profit reserves: other information

(€/000)

Reserves from allocation of profits or tax-suspended reserves	6/30/2018	12/31/2017
Legal reserv e	8,256	8,256
Reserv e art. 7 Law 218/90	2,305	2,305
Tax-suspended reserv e from business combination (UniCredit Credit Management Serv ice S.p..	3	3
Reserv e from FTA IAS art. 7 par. 7 Lgs. Decree 38/2005	8,780	8,780
Reserv e from FTA IAS IFRS 9	1,140	-
Reserv e from retained earnings - Share Based Payments	2,408	-
Reserv e established in by laws for purchase of treasury shares	246	277
Reserv e from retained earnings IAS art. 6 par. 2 Lgs. Decree 38/2005	(9,145)	(9,145)
Total	**13,993**	**10,476**

Other reserves	6/30/2018	12/31/2017
Extraordinary reserv e	95,860	92,837
Reserv e, Lgs. Decree 153/99	6,103	6,103
Legal reserv e for distributed earnings	44	44
Reserv e art. 7 Law 218/90	4,179	4,179
Reserv e from business combination (UniCredit Credit Management Serv ice S.p.A.)	4	4
Share Based Payments Reserv e	2,763	2,195
Consolidation reserv e	14,327	3,512
Total	**123,280**	**108,874**

Profit reserves increased during the period as a result of the impact of the first-time adoption of IFRS 9, which is discussed in detail in the section on accounting policies (€1.1 million) and the amount of the share-based payment awarded following the calculation of payments under the 2017 remuneration policy (€2.4 million) at December 31, 2017 included in the specific **Share-Based Payments Reserve** under Other Reserves. There was a concomitant reduction of €31 thousand in the Reserve established in the bylaws for purchase of treasury shares.

Among **Other reserves,** the **Extraordinary reserve** increased by €3 million as a result of the allocation of part of 2017 net income as authorised by the Shareholders' Meeting.

In addition, the **Share-Based Payments Reserve** was adjusted by €2.8 million for the period's share of share-based payments accounted for in accordance with IFRS 2.

CONSOLIDATED INCOME STATEMENT

SECTION 1 – INTEREST – ITEMS 10 AND 20

1.1 – Interest income and similar revenues: breakdown

(€/000)

	Debt securities	Loans	Other transactions	6/30/2018	6/30/2017
1. Financial assets measured at fair value through profit or loss:	475	-	-	475	160
1.1 Financial assets held for trading	-	-	-	-	-
1.2 Financial assets designated as at fair value	-	-	-	-	-
1.3 Other financial assets mandatorily measured at fair value	475	-	-	475	160
2. Financial assets measured at fair value through comprehensive income	-	-	X	-	-
3. Financial assets measured at amortised cost:	1	44	X	45	49
3.1. Loans and receivables with banks	1	19	X	20	21
3.2. Loans and receivables with customers	-	25	X	25	28
4. Hedging derivatives	X	X	-	-	-
5. Other assets	X	X	-	-	-
5. Financial liabilities	X	X	X	-	-
Total	**476**	**44**	**-**	**520**	**209**
of which: interest income on impaired financial assets	-	-	-	**-**	-

Item 1.3, **Other financial assets mandatorily measured a fair value,** reports interest on the ABSs of the Romeo SPV S.r.l. and Mercuzio Securitisation securitisation vehicles established under the provisions of Law 130/1999 (the “Securitisation Act”), of which the Group holds 5% of total notes issued.

1.3 – Interest expense and similar charges: breakdown

(€/000)

	Payables	Securities	Other transactions	6/30/2018	6/30/2017
1. Financial liabilities measured at amortised cost	(9)	-	-	(9)	(64)
1.1 Due to central banks	-	X	X	-	-
1.2. Due to banks	-	X	X	-	(63)
1.3. Due to customers	(9)	X	X	(9)	(1)
1.4. Debt securities in issue	X	-	X	-	-
2. Financial liabilities held for trading	-	-	-	-	-
3. Financial liabilities designated as at fair value	-	-	-	-	-
4. Other liabilities and provisions	X	X	-	-	(23)
5. Hedging derivatives	X	X	-	-	-
6. Financial assets	X	X	X	-	-
Total	**(9)**	**-**	**-**	**(9)**	**(87)**

SECTION 2 – FEE AND COMMISSION INCOME AND EXPENSE – ITEMS 40 AND 50

2.1 – Fee and commission income: breakdown

(€/000)

	6/30/2018	6/30/2017
a) Guarantees issued	-	-
b) Credit deriv ativ es	-	-
c) Management, brokerage and consulting serv ices:	-	-
1. Financial instrument trading	-	-
2. Currency trading	-	-
3. Portfolio management	-	-
3.1. Indiv idual	-	-
3.2 Collectiv e	-	-
4. Custody and administration of securities	-	-
5. Custodian bank	-	-
6. Placement of securities	-	-
7. Order reception and transmission	-	-
8. Adv isory serv ices	-	-
8.1 Related to inv estments	-	-
8.2 Related to financial structure	-	-
9. Distribution of third-party serv ices	-	-
9.1. Portfolio management	-	-
9.1.1. Indiv idual	-	-
9.1.2. Collectiv e	-	-
9.2. Insurance products	-	-
9.3. Other products	-	-
d) Collection and payment serv ices	25	23
e) Securitization serv icing	35,895	15,613
f) Factoring	-	-
g) Tax collection serv ices	-	-
h) Management of multilateral trading facilities	-	-
i) Management of current accounts	18	17
j) Other serv ices: serv icing mandates	59,023	80,460
Total	**94,961**	**96,113**

Fee and commission income edged down by 1% compared with the first half of 2017, mainly reflecting a decline in portfolio transfer indemnities and in performance fees, which was almost entirely offset by an increase in fixed commissions as a result of the rise in gross book value due to new portfolios acquired.

The composition of fee and commission income changed compared with 2017, due mainly to the Fino 1 and Fino 2 contracts acquired in 2017, with a consequent increase in **servicing services for securitisations**, largely offset by the contraction in **other services – servicing mandates,** which reports fee and commission income from the management and recovery of unsecuritised loans on behalf of other customers.

2.2 – Fee and commission expense: breakdown

(€/000)

	6/30/2018	6/30/2017
a) Guarantees received	-	(23)
b) Credit derivatives	-	-
c) Management, brokerage and consultancy services:	-	(6)
1. Financial instrument trading	-	-
2. Currency trading	-	-
3. Portfolio management:	-	-
3.1 Own portfolio	-	-
3.2 Third party portfolio	-	-
4. Custody and administration of securities	-	(6)
5. Placement of financial instruments	-	-
6. Off-site distribution of financial instruments, products and services	-	-
d) Collection and payment services	(140)	(8)
e) Other services: servicing mandates and sundry intermediation	(8,408)	(9,159)
Total	**(8,548)**	**(9,196)**

Item e) **Other services – servicing mandates and sundry intermediation,** which reports fee and commission expense payable to the debt collection network, decreased by 7%, mainly due to a reduction in the portfolio assigned on an outsourcing basis.

SECTION 6 – GAIN (LOSSES) ON DISPOSAL/REPURCHASE – ITEM 100

6.1 – Gains (Losses) on disposal/repurchase: breakdown

(€/000)

	6/30/2018			6/30/2017		
	Gains	Losses	Net Result	Gains	Losses	Net Result
Financial assets						
1. Financial assets measured at amortised cost	-	-	-	-	-	-
1.1 Loans and receivables with banks	-	-	-	-	-	-
1.2 Loans and receivables with customers	-	-	-	-	-	-
2. Financial assets measured at fair value through comprehensive income	-	-	-	8	-	8
2.1 Debt securities	-	-	-	8	-	8
2.2 Loans	-	-	-	-	-	-
Total assets	**-**	**-**	**-**	**8**	**-**	**8**
Financial liabilities measured at amortised cost	-	-	-	-	-	-
1. Due to banks	-	-	-	-	-	-
2. Due to customers	-	-	-	-	-	-
3. Debt securities in issue	-	-	-	-	-	-
Total liabilities	**-**	**-**	**-**	-	-	**-**

SECTION 7 – GAINS/LOSSES ON FINANCIAL ASSETS/LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS – ITEM 110

7.2 – Net change of other financial assets and liabilities measured at fair value through profit or loss: breakdown of finacial assets mandatorily measured at fair value

(€/000)

	Unrealized profits (A)	Realized profit (B)	Unrealized losses (C)	Realized losses (D)	Net result 6/30/2018 [(A+B) -(C+D)]
1. Financial assets	**630**	**-**	**-**	**-**	**630**
1.1 Debt securities	111	-	-	-	111
1.2 Equity instruments	2	-	-	-	2
1.3 Units in collective investment undertakings	517	-	-	-	517
1.4 Loans	-	-	-	-	-
2. Financial assets and liabilities in currency: exchange differences	**X**	**X**	**X**	**X**	**-**
Total	**630**	**-**	**-**	**-**	**630**

The measurement at fair value at June 30, 2018 of financial assets classified in this item was positive for each category.

In particular, the valuation of the ABSs of the Romeo SPV and Mercuzio Securitisation securitisations showed an increase of €111 thousand in fair value, as did the adjustment to the NAV for the period of the units of the Italian Recovery Fund, which showed a fair value gain of €517 thousand.

SECTION 8 – NET LOSSES/RECOVERIES ON IMPAIRMENT – ITEM 130

8.1 – Net losses for credit risk in respect of financial assets measured at amortised cost: breakdown

(€/000)

	Write-downs (1)			Write-backs (2)		Total 6/30/2018 (1) + (2)	Total 6/30/2017
	First and second stage	Third stage		First and second stage	Third stage		
		Write-offs	Other				
A. Loans and receivables with banks	**-**	**-**	**-**	**-**	**-**	**-**	-
- Loans	-	-	-	-	-	-	-
- Debt securities	-	-	-	-	-	-	-
of which: acquired or originated financial assets	-	-	-	-	-	-	-
B. Loans and receivables with customers	-	-	(12)	-	34	**22**	**48**
- Loans	-	-	(12)	-	34	22	48
- Debt securities	-	-	-	-	-	-	-
of which: acquired or originated financial assets	-	-	-	-	34	34	-
Total	**-**	**-**	**(12)**	**-**	**34**	**22**	**48**

The item reports net write-backs mainly attributable to collections on previously written-off positions in our own portfolio.

SECTION 12 – ADMINISTRATIVE COSTS – ITEM190

12.1 - Staff expense: breakdown

(€/000)

	6/30/2018	6/30/2017
1) Employees	(42,509)	(40,036)
a) Wages and salaries	(29,263)	(28,801)
b) Social contributions	(7,969)	(7,071)
c) Employee termination benefits	(7)	(283)
d) Pension costs	-	-
e) Allocation to employee termination benefits provision	31	(103)
f) Allocation to provision for post-employment benefits and similar:	-	-
– defined contribution	-	-
- defined benefit	-	-
g) Payments to external supplementary pension funds:	(2,588)	(2,054)
– defined contribution	(2,588)	(2,054)
- defined benefit	-	-
h) Costs related to share-based payments	(441)	-
i) Other employee benefits	(2,272)	(1,724)
2) Other staff	(606)	245
3) Directors and statutory auditors	(3,300)	(895)
4) Retired personnel	-	-
Total	**(46,415)**	**(40,686)**

Staff expense increased by 14% compared with June 30, 2017, reflecting the increase in average costs due to the strengthening of top management and the new post-IPO remuneration policies.

12.2 - Average number of employees by category

	6/30/2018	6/30/2017
Payroll employees	1,172	1,175
a) Executives	31	29
b) Managers	473	469
c) Other employees	668	677
Other staff	12	11
Total	**1,183**	**1,186**

12.5 – Other administrative expense: breakdown

(€/000)

	6/30/2018	6/30/2017
1) Indirect taxes and duties	**(1,211)**	**(86)**
Settled	(255)	(86)
Unsettled	(956)	-
2) Miscellaneous costs and expenses	**(18,114)**	**(25,392)**
Adv ertising marketing and communication	**(154)**	**(230)**
- Adv ertising costs - mass media communication	(11)	(86)
- Marketing and promotions	(85)	(148)
- Sponsorship	(56)	6
- Conv entions and internal communication	(2)	(2)
Expenses related to credit risk	**(241)**	**(549)**
- Credit recov ery expenses	(37)	(55)
'- Commercial information and company reports	(204)	(494)
Indirect expenses related to personnel	**(654)**	**(665)**
- Staff training	(11)	(17)
- Car rental and other personnel expenses and PFA	(221)	(224)
- Trav el expenses	(361)	(344)
- Rentals and property leases for personal use	(61)	(80)
Information & communication technology expenses	**(7,459)**	**(9,033)**
Consulting and professional serv ices	**(3,452)**	**(7,093)**
- Consulting on ordinary activ ities (no projects)	(2,470)	(2,846)
- Consulting for one-off projects - legislativ e compliance	(23)	(389)
- Strategy, business ev olution and organizational optimization consulting	(81)	(3,175)
- Legal expenses	(878)	(683)
Real estate expenses	**(3,714)**	**(4,053)**
- Real estate serv icing	(48)	(111)
- Furniture, machinery and equipment maintenance	-	(7)
- Office maintenance	(192)	(301)
- Rental of real estate	(2,633)	(2,696)
- Office cleaning	(250)	(385)
- Utilities	(591)	(553)
Other operating costs	**(2,440)**	**(3,769)**
- Surv eillance and security serv ices	(226)	(203)
- Postage and document transport	(634)	(255)
- Administrativ e and logistical serv ices	(880)	(2,135)
- Insurance	(567)	(698)
- Printing and stationery	(43)	(255)
- Association dues, fees and contributions to trade associations - Guarante	(67)	(136)
- Other administrativ e expenses - Other	(23)	(87)
Total	**(19,325)**	**(25,478)**

The breakdown shows that **Indirect taxes and duties** reports the DTA fee of €956 thousand for 2018 only. The law ratifying the "Bank Rescue" Decree 15 of February 17, 2017, modified the entry into force of the DTA fee, postponing it from 2015 to 2016, with the consequence that the amount provisioned in 2016 and paid in the first half of 2017 settled the amount due for 2017 without impacting profit or loss.

Miscellaneous costs and expenses posted a substantial decrease (-29%) connected with one-off costs recognised in 2017, such as IT expenses for the migration of information systems and costs connected with the listing on the Milan stock exchange, as well actions to contain costs, such as the insourcing of certain back-office activities and the renegotiation of a number of supply contracts.

SECTION 13 – NET PROVISIONS FOR RISKS AND CHARGES – ITEM 200

13.3 – Net provisions for other risk charges: breakdown

(€/000)

	6/30/2018			6/30/2017		
	Provisions	Reallocation of excess	Total	Provisions	Reallocation of excess	Total
Other net provisions						
1.1 Legal disputes	(2,080)	352	(1,728)	(2,935)	1,670	(1,265)
- Revocatory actions in bankruptcy	-	-	-	-	-	-
- Current disputes	(2,003)	338	(1,665)	(2,773)	1,647	(1,126)
- Disputes regarding employees	(77)	14	(63)	(162)	23	(139)
- Disputes for financial instruments and derivative contracts	-	-	-	-	-	-
- Other	-	-	-	-	-	-
1.2 Staff costs	-	-	-	(52)	-	(52)
1.3 Other	(297)	3,112	2,815	(385)	523	138
Total	**(2,377)**	**3,464**	**1,087**	**(3,372)**	**2,193**	**(1,179)**

The item had a positive balance of €1.1 million, compared with a negative balance in the first half of 2017. The improvement reflected the reversal of excess provisions for a number of disputes that did not go to court, classified under item 1.3 Other, only partly offset by new provisions for litigation.

SECTION 14 – IMPAIRMENT/WRITE-BACKS ON PROPERTY, PLANT AND EQUIPMENT – ITEM 210

14.1 – Impairment on property, plant and equipment: breakdown

(€/000)

	Depreciation (a)	Impairment losses (b)	Write-backs (c)	Net impairment/write-back 6/30/2018 (a + b - c)
A. Property, plant and equipment	-	-	-	-
A.1 Owned	(232)	-	-	(232)
- Used in the business	(232)	-	-	(232)
- Held for investment	-	-	-	-
- Inventories	X	-	-	-
A.2 Held under finance lease	(59)	-	-	(59)
- Used in the business	(59)	-	-	(59)
- Held for investment	-	-	-	-
Total	**(291)**	**-**	**-**	**(291)**

Depreciation charges were determined on an accruals basis in relation to the estimated useful life of the assets.

SECTION 15 – IMPAIRMENT/WRITE-BACKS ON INTANGIBLE ASSETS – ITEM 220

15.1 – Impairment on intangible assets: breakdown

(€/000)

	Depreciation and amortisation (a)	Write-downs for impairment (b)	Write-backs (c)	Net impairment/ write-back 6/30/2018 (a + b - c)
A. Intangible assets	(732)	-	-	(732)
A.1 Owned	(732)	-	-	(732)
- Generated internally by the company	-	-	-	-
- Other	(732)	-	-	(732)
A.2 Held under finance lease	-	-	-	-
Total	**(732)**	**-**	**-**	**(732)**

Amortisation charges were determined on an accruals basis in relation to the estimated useful life of the assets.

SECTION 16 – OTHER OPERATING EXPENSE AND INCOME – ITEM 230

16.1 - Other operating expense: breakdown

(€/000)

	6/30/2018	6/30/2017
Write-downs on leasehold improvemets (non-separable assets)	(165)	(84)
Outlays for miscellaneous charges from previous financial years	(154)	(47)
Other operating expenses from current period	(285)	(421)
Total	**(604)**	**(552)**

16.2 – Other operating income: breakdown

(€/000)

	6/30/2018	6/30/2017
Recovery of expenses	3,650	342
Revenues from contractual and repetitive administrative services	6,991	8,752
Various reimbursement of charges paid in previous financial years	604	31
Indemnities	-	-
Reductions in liabilities	-	41
Other operating income from current period	291	845
Total	**11,536**	**10,011**

Other operating income increased by 15% compared with June 30, 2017.

More specifically, the improvement was registered in **Recovery of expenses** as a result of the increase in recoveries for information and commercial services from customers, as well as the recovery of costs connected with the set-up of the new Greek branch.

Revenues from contractual and repetitive administrative services mainly include revenues for administrative servicing and corporate services provider activities.

SECTION 17 – PROFIT (LOSS) OF EQUITY INVESTMENTS – ITEM 250

17.1 – Profit (loss) of equity investments: breakdown

(€/000)

	6/30/2018	6/30/2017
1) Jointly owned companies		
A. Income	-	-
1. Revaluations	-	-
2. Gains on disposal	-	-
3. Write-backs	-	-
4. Other Gains	-	-
B. Expense	-	-
1. Write-downs	-	-
2. Impairment loss	-	-
3. Losses on disposal	-	-
4. Other expenses	-	-
Net profit (loss)	**-**	**-**
2) Companies subject to significant influence		
A. Income	340	-
1. Revaluations	340	-
2. Gains on disposal	-	-
3. Write-backs	-	-
4. Other Income	-	-
B. Expense	-	-
1. Write-downs	-	-
2. Impairment loss	-	-
3. Losses on disposal	-	-
4. Other expenses	-	-
Net profit (loss)	**340**	**-**
Total	**340**	**-**

Revaluations, related to companies subject to significant influence, reports the outcome of the measurement of the investment in BCC Gestione Crediti S.p.A. using the equity method.

SECTION 20 – GAINS (LOSSES) ON DISPOSAL OF INVESTMENTS – ITEM 280

20.1 – Gains (losses) on disposal of investments: breakdown

(€/000)

	6/30/2018	6/30/2017
A. Property	-	-
- Gains on disposal	-	-
- Losses on disposal	-	-
B. Other assets	-	1,494
- Gains on disposal	-	1,494
- Losses on disposal	-	-
Net Profit	**-**	**1,494**

The item amounted to zero at the end of the period, while at June 30, 2017 it reported the profit on the sale of the investment in Gextra S.r.l..

SECTION 21 – INCOME TAX EXPENSE FROM CONTINUING OPERATIONS – ITEM 300

21.1 – Income tax expense from continuing operations: breakdown

(€/000)

	6/30/2018	6/30/2017
1. Current taxes (-)	(5,497)	(4,248)
2. Adjustment to current tax of prior years (+/-)	-	40
3. Reduction of current taxes for the year (+)	-	-
3.*bis* Reduction in current tax for the year due tax credits under L. 214/2011 (+)	-	-
4. Changes in deferred tax assets (+/-)	(6,630)	(5,696)
5. Changes in deferred tax liabilities (+/-)	-	1
6. Tax expense for the period (-) (-1+/-2+3+3bis+/-4+/-5)	(12,127)	(9,903)

SECTION 22 – PROFIT (LOSS) AFTER TAX FROM DISCONTINUED OPERATIONS – ITEM 320

22.1 - Profit (loss) after tax from discontinued operations: breakdown

(€/000)

	6/30/2018	6/30/2017
1. Income	-	796
2. Expense	-	(1,149)
3. Valuation of disposal groups and related liabilities	-	-
4. Profit (loss) on disposal	-	-
5. Tax	-	(37)
Profit (Loss)	**-**	**(390)**

At June 30, 2017 the item reported the revenue and expenses of the investment in Gextra S.r.l., which was sold.

INFORMATION ON RISKS AND RISK MANAGEMENT POLICIES

Introduction

The Internal Control and Risk Management System consists of the set of rules, procedures and organisational structures designed to identify, measure and monitor the main risks. Consistent with the provisions of Circular no. 285 of December 17, 2013 as updated, the doBank Banking Group assigns strategic importance to the Internal Control System, considering it not only a key element in ensuring effective risk management and the alignment of the company's strategies and policies with the principles of sound and prudent management, but also as a prerequisite for the creation of long-term value, for preserving the quality of the assets and for the appropriate allocation of capital.

The doBank Group has structured the Internal Control System so as to ensure a high level of integration and coordination among the actors within the system, in compliance with the principles of proportionality. The guidelines for the system have been set out in specific internal regulations. The detailed operating instructions and information regarding the controls carried out at the various levels of the company processes are contained in specific policies Regulations and internal procedures.

In line with the risk-based approach, the doBank Group controls and manages the risks to which it is exposed using methods and processes that are monitored and controlled by the Risk Management department, in compliance with prudential supervisory regulations. This department is permanent and independent and performs second level controls.

As regards the structure of the Risk Management department, an organisational model has been adopted which provides for its centralisation with the Parent Company, doBank, as is the case for the other control units. This decision was prompted by the need to implement strong and incisive overall strategic coordination, in particular of the Group's Internal Control System, ensuring overall operational rationalisation and greater efficiency of the system. In any event, the operational features of the Group companies were incorporated in the model, adopting a proportionality principle that took account of characteristics of their activities and the size of the company involved.

With regard to risk governance, in line with supervisory requirements, the doBank Group reviews at least annually the strategic guidelines of the "Risk Appetite Framework", which are subject to approval by the Parent Company's Board of Directors, and of the risk management policies.

An integral part of the broader risk management system is the prudential control process that the doBank Group performs independently in its self-assessment of capital adequacy (ICAAP) and the system for the governance and management of liquidity risk (ILAAP), consistent with regulatory requirements and formalised in a specific annual document (the ICAAP/ILAAP Report).

Credit risk

General aspects

During the first half of 2018 the Parent Company, doBank, continued its credit activity, albeit with limited volumes. After routine processing, proposal and authorisation activities performed in compliance with the principle of assessing creditworthiness, and in accordance with the instructions of the supervisory authorities, the Bank continue the granting and reviewing of loans, in the form of both revocable unsecured credit facilities and long-term mortgage loans for the purpose of acquiring properties in foreclosure auctions organised by Italian courts.

Credit risk management policies

Organisational aspects

Credit risk is defined as the risk for the creditor that a borrower will not discharge a financial obligation at maturity or subsequently. Against this risk, the Parent Company doBank has adopted appropriate internal management processes (risk measurement, application processing, disbursement, control and monitoring of developments in exposures, review of credit lines, classification of exposures, intervention in the event of anomalies, criteria for the classification, measurement and management of impaired exposures) that have been defined considering the principle of proportionality and undergo periodic review.
Credit operations arising from the performance of banking activities can expose the Group to the risk of default, i.e. the risk of incurring losses due to the failure of a counterparty to perform its contractual obligations or to a reduction in the quality of the credit granted to the counterparty. This type of risk is therefore a function both of the intrinsic solvency of the debtor and of the economic conditions of the market in which the debtor operates.
The doBank Group is also exposed to the credit risk generated by servicing agreements under which Group companies accrue trade receivables in respect of counterparties, who may default due to insolvency, political and economic events, liquidity shortages, operational deficiencies or other reasons.
The Parent Company has organisational units devoted to the management and control of credit risk. The Credit Assessment unit within the Risk Management department plays a key role in assessing the creditworthiness of counterparties, actively participating in the phases of the lending process with the issue of non-binding opinions that accompany proposals for the granting and/or modification/revision of a loan before it is submitted to the competent decision-making body of the Bank for approval. The unit also participates in the position monitoring phase and, above all, if the credit standing of a counterparty should deteriorate with concomitant reclassification to a lower level stage/status, delineating the overall situation of the customer and coordinating with the commercial unit in charge of managing the customer relationship. In turn, Risk Management, within the scope of its activities, ensures that the necessary second-level controls are performed to ensure the monitoring of credit exposures, the classification of those exposures and the measurement of the related provisions as determined in accordance with the "Financial Asset Impairment Policy", which incorporates the provisions of the new IFRS 9 concerning impairment.
Credit risk is also addressed within the Group Risk Appetite Statement with the definition of a system of threshold values (Target, Trigger and Tolerance) that Risk Management monitors to ensure compliance.

Management, measurement and control systems

For the purposes of determining the prudential capital requirement for credit risk, the doBank Group adopts the standardized approach in accordance with prudential regulations (Regulation (EU) No. 575/2013 of the European Parliament and of the Council of June 26, 2013 - the CRR), dividing its exposures into portfolios and applying differentiated prudential treatments to each, consistent with the relevant supervisory regulations.
The new IFRS 9 *Financial Instruments*, which entered force as from January 1, 2018, in replacement of IAS 39, has had an impact on the methods used to classify and measure financial instruments and on the rationale and calculation methods for impairment losses.
IFRS9 introduced a model in which the classification of financial assets is guided on the one hand by the contractual cash flows of the instruments and, on the other, by the management

intent with which the instruments are held (the Group's business model).
Following analysis to identify the main areas of impact, the doBank Group implemented appropriate applicative and organisational arrangements to ensure the consistent, comprehensive and effective adoption of the provisions of the new standard.
One of the initiatives undertaken in this area was the updating of internal rules with the formalisation of the Group business model and the definition of the impairment criteria set out in the Financial Asset Impairment Policy.
With regard to the new impairment model, in order to allocated performing exposures to stage 1 or stage 2 correctly, trigger events have been identified for determining a significant deterioration in counterparty credit risk.
In this area, in order to determine impairment, performing exposures are assessed using a standard approach, applying the risk parameters defined by Risk Management and set out in a specific policy.
With regard to individual non-performing positions allocated to stage 3 (which are marginal in number and in carrying amount), the procedures and tools supporting the activity of the workout units always enable position managers to prepare accurate forecasts of the amounts and timing of expected recoveries on the individual relationships in accordance with the state of progress in the recovery management process. These analytical evaluations take account of all the elements objectively connected with the counterparty and are in any case conducted by the position managers in compliance with the principle of sound and prudent management.
With regard to the granting of loans - a minor activity compared with the core business of the Bank and the Group, which is focused mainly on servicing activities - the Parent Company performed control activities for the entire relatively small portfolio. This approach makes it possible to promptly detect any possible deterioration in counterparty creditworthiness, thereby enabling implementation of all the activities deemed appropriate or necessary to ensure compliance with the principle of sound and prudent management of banking assets.

Credit risk mitigation techniques

Medium/long-term loans, aimed primarily at consumer households for the purchase of assets in foreclosure auctions, are all secured by suitable collateral in the form of voluntary first mortgages on those assets, which can all be classified as residential buildings.
These guarantees are acquired on the basis of expert appraisals consistent with the model adopted and in compliance with the supervisory regulations in this area.
The Parent Company doBank has adjusted its policies for granting loans secured by mortgages on properties to the applicable regulatory provisions, ensuring that the acquisition and management of mortgages takes place in a manner that ensures both their effectiveness in respect of third parties and their reasonably prompt enforceability.
In order to guarantee the eligibility of mortgage guarantees on residential and non-residential properties, in compliance with supervisory regulations, the Bank verifies the absence of any correlation between the value of the property and the creditworthiness of the borrower, thus ascertaining that the borrower's capacity to repay the loan does not depend to a significant extent on the cash flows generated by the building pledged as collateral, but rather on the borrower's ability to repay the debt by drawing on other documented sources.
In order to ensure an appraisal consistent with the actual risk inherent in the secured asset, the Bank monitors the value of the mortgaged property at least once a year in the case of non-residential properties and once every three years for residential" properties, unless more frequent checks would be warranted by market conditions subject to significant changes, revising the valuation of the property pledged as collateral when the available information indicates that its value could be significantly reduced in relation to the general price level in the reference market.

The individual initiatives taken in this area include the preparation during the year of a credit procedure for the "Assignment of Appraisers and Real Estate Appraisal and Monitoring", which contains the guidelines to be adopted in this area for mortgage loans for foreclosure auctions offered to doBank customers.

Non-performing financial assets

Monitoring positions and proposing reclassification to a higher risk category is the responsibility of the units in charge of managing the position, while the Risk Management department is responsible for verifying the appropriateness and consistency of the classifications and the suitability of provisions determined in accordance with the Financial Asset Impairment Policy, which incorporates the provisions of IFRS 9 concerning impairment. In this context, the Parent Company doBank is equipped with IT units and procedures for the management, classification and control of loans in relation to the nature and composition of its loan portfolio.

The Parent Company doBank assesses its positions classified in stage 3 in accordance with the provisions of IFRS 9, which uses the so-called analytical approach based on the findings of its position monitoring process.

When a debtor belongs to an economic group, an assessment is conducted of the need to consider the exposures of other Group entities as impaired as well if those positions are not already considered in default, with the exception of exposures involved in isolated disputes that are not correlated with the solvency of the counterparty.

The principles for the determination of provisions remain unaffected, with those provisions being assessed periodically and any time significant new information is acquired, as well as in relation to the evolution of the outlook for recovery and the strategies implemented.

The main elements considered in an accurate assessment of expected loss on stage 3 positions are the following:

- assets of the customer and any guarantors (net of any encumbrances);
- the current and prospective performance and financial position of the principal obligor;
- the existence of any repayment plans, duly agreed by all guarantors, and their regular performance;
- the value and enforceability of existing guarantees;
- collateral (most often) or unsecured guarantees obtained voluntarily or acquired through a court order.

The criteria for determining impairment losses are based on the discounting of expected cash flows in respect of principal and interest over the lifetime of the position (lifetime expected loss). For the purpose of determining the present value, the key elements are represented by the identification of the estimated collections, the dates on which they fall due and the discount rate to be applied. To estimate collections on problem loans, analytical forecasts are used. As regards the time component, reference is made to detailed payment plans or, in their absence, estimated values, if available.

Credit quality

Non-performing and performing loans: amounts, write-downs, changes, distribution by business activity

Breakdown of financial assets by portfolio and credit quality (carrying value)

(€/000)

	Bad loans	Unlikely to pay	Non-performing past-due	Other non-performing	Performing exposures	Total
1. Financial assets measured at amortised cost	258	3	-	22	42,986	43,269
2. Financial assets measured at fair value through comprehensive income	-	-	-	-	1,000	1,000
3. Financial assets designated as at fair value	-	-	-	-	-	-
4. Financial assets mandatorily measured at fair value	-	-	-	-	7,631	7,631
5. Financial instruments classified as held for sale	-	-	-	-	10	10
Total 6/30/2018	**258**	**3**	**-**	**22**	**51,627**	**51,910**
Total 12/31/2017	**265**	**-**	**-**	**55**	**60,729**	**61,049**

Breakdown of financial assets by portfolio and credit quality (gross and net values)

(€/000)

	Non-performing				Performing			
	Gross exposure	Total value adjustments	Net exposure	Partial overall write-offs*	Gross exposure	Total value adjustments	Net exposure	Total (net exposure)
1. Financial assets measured at amortised cost	722	460	262	5	43,029	22	43,007	43,269
2. Financial assets measured at fair value through comprehensive income	-	-	-	-	1,000	-	1,000	1,000
3. Financial assets designated at fair value	-	-	-	-	X	X	-	-
4. Other financial assets mandatorily at fair value through profit or loss	-	-	-	-	X	X	7,631	7,631
5. Financial assets disposal underway	-	-	-	-	10	-	10	10
Total 6/30/2018	**722**	**460**	**262**	**5**	**44,039**	**22**	**51,648**	**51,910**
Total 12/31/2017	**725**	**460**	**265**	**-**	**53,072**	**22**	**60,784**	**61,049**

(€/000)

	Lower-quality assets		Other assets
	Accumulated losses	Net exposure	Net exposure
1. Financial assets held for trading	-	-	-
2. Hedging	-	-	-
Total 6/30/2018	**-**	**-**	**-**
Total 12/31/2017	**-**	**-**	**-**

** Value to be showed for information purposes*

Operational risks

General aspects, management and measurement of operational risks

Operational risk is the risk of incurring losses due to the inadequacy or the failure of procedures, human resources and internal systems, or to external events. This includes, among other things, losses from fraud, human error, the interruption of operations, system unavailability, contractual breaches and natural disasters. Operational risks includes legal risk, while strategic and reputational risks are not included.
The doBank Group pays close to the links between the various types of risk, identifying possible repercussions in terms of operational risks. In particular, full compliance with regulatory and contractual provisions is also relevant for the prevention and containment of operational risks.
In accordance with the recommendations of the Basel Committee on Banking Supervision ("Sound Practices for the Management and Supervision of Operational Risk"), the appropriate management of operational risk means: identification, assessment, monitoring and control/mitigation of risk.
In order to equip the Group with a comprehensive set of principles and rules to ensure appropriate management, the method adopted by the Group envisages:

- the identification and assessment of the operational risk inherent in every product, activity, process and system;
- the periodic monitoring of operational risk profiles and exposures to significant losses;
- specific strategies, policies, processes and procedures to control and/or mitigate significant operational risks.

With regard to organisational aspects, the doBank Group has defined the operational risk management system as the set of policies and procedures for the control, measurement and mitigation of operational risks. Operational risk policies are common principles that establish the role of corporate bodies, the risk control function and interactions with other units in the process.
The doBank Group has set up its own risk control structure in compliance with supervisory regulations and the related activities and levels of responsibility have been defined and formalised appropriately in the Company's internal rules and regulations.
The governance structure for operational risks envisages not only the direct involvement of senior management but also an Operational Risks Committee, which was set up to:

- propose action to address risks detected or reported by the Risk Management department or by other units;
- review the operational risk reports of other Group companies;
- propose control procedures and limits on operational risks;
- monitor risk mitigation actions.

The Operational Risks Committee established both at the Parent Company, doBank, and at the supervised subsidiary Italfondiario meets quarterly on the basis of a calendar set at the beginning of the year or at the request of one of the Committee members.
To control the operational risks of the doBank Group, activities are centralised with the Operational and Reputational Risks unit within the broader Risk Management department of the Parent Company.
Finally, with regard to IT risk, defined as the risk of incurring financial losses, reputational harm or loss of market share as a result of breaches of confidentiality, integrity, availability, execution of unauthorized transactions or the non-traceability of information, in accordance with the applicable supervisory provisions, the doBank Group adopts an integrated representation of business risks in which IT risk is considered as a component of operational risks.
The IT risk assessment process is aimed at identifying and assessing IT risks in business processes and existing ICT controls that mitigate these risks.
Following the significant changes in the company that have occurred over time, the Parent Company doBank decided it was appropriate to revise the method previously adopted for assessing and monitoring IT risks to ensure it was suitable for the new organisational context. In particular, a new framework for the ICT risk management process for the entire doBank Group was developed, which has been formalised in the document "IT Risk Management Policy", approved by the Board of Directors of doBank on December 19, 2017. This document specifies

the roles and responsibilities of the various units involved and the phases of the assessment process, with an indication of the data used and the activities necessary to determine the IT risk exposure and the associated business impacts.

As part of management and coordination activity, the Risk Management department of the Parent Company is responsible for analysing and monitoring IT risks for the subsidiaries.

The analysis process provides for the assessment of IT risk as a combination of the level of exposure of IT resources to certain risk scenarios and the impacts that the materialisation of such risks could have on the business. Potential IT risk, i.e. the risk to which the service is potentially exposed, and residual IT risk, i.e. the risk to which the service is exposed once the security measures have been applied, are identified in detail. Specific reports are produced as the output of the IT risk analysis process.

The framework adopted, in line with the provisions of Circular no. 285/2013 of the Bank of Italy as updated, provides for the risk analysis process to be performed with the frequency appropriate to the type of ICT resources and risks present and in response to situations that could change the overall level of IT risk (for example, transactions of greater importance, projects related to major changes, serious incidents).

In this regard, during the year an IT risk assessment was conducted, leading to the definition of a series of corrective measures to mitigate the risks identified.

Quantitative disclosures

In order to manage operational risks, the doBank Group has implemented a structured set of processes, functions and resources dedicated to:

- the collection of internal loss data for the entities belonging to the Group;

- the determination and calculation of risk indicators for the Group's most significant entities, preparing corporate reporting;

- the control of capital at risk.

During 2017, the Parent Company doBank selected a multi-company market IT tool to manage, in a single environment, risk process analysis and activities related to other control functions. In particular, for the purposes of the key activities of the Parent Company's Risk Management department, the application will enable the registration in the same environment of operational losses and the identification of operational risks for all Group companies. Activities to implement these functions are currently under way.

With regard to loss data, the Parent Company's Operational and Reputational Risks unit performs an annual analysis of the chart of accounts in order to identify and update a list of accounts that could potentially include operational losses. The analysis of movements on these accounts is conducted quarterly and leads to the determination of operational losses to be recorded in a specific database for each company of the Group.

The doBank Group classifies the events in the following categories, in accordance with the New Basel Capital Accord and Regulation (EU) no. 575/2013:

- Internal fraud;

- External fraud;

- Employment practices and workplace safety;

- Customers, products and business practices;

- Damage to physical assets;

- Business disruption and system failures;

- Execution, delivery and process management.

On a quarterly basis, a monitoring report is prepared for the corporate bodies – the Board of Directors and Board of Auditors - containing an analysis of operational losses and operational capital at risk.

Among the tools used by the doBank Group for the identification of operational risks, risk indicators are a forward-looking component that promptly reflects improvements or deteriorations in the risk profile as a result of changes in operating segments, in human resources, technological and organisational resources as well as in the internal control system.

Specific risk indicators have been created which are monitored on a monthly basis for doBank and for the main Group companies. These include:

- about 60 indicators grouped into different risk areas for the Parent Company doBank;

- about 20 indicators grouped into different risk areas for the doSolutions subsidiary;

- about 25 indicators for the Italfondiario subsidiary.

The data from the risk indicators are analysed on a monthly basis and compared with the previous month to justify any positive or negative changes in order to highlight any risks in corporate processes. Specific analysis reports are then produced for each company. A specific report is prepared on a quarterly basis for the Risks and Related Party Transactions Committee in addition to the Operational Risks Committee.

For the Parent Company doBank, an action plan is prepared on at least a quarterly basis for indicators that do not fall within the range established by the Operational Risks Committee. For the subsidiaries, with particular regard to Italfondiario and doSolutions, indicators that exceed the tolerance thresholds are shared with the related process owners in order to understand the underlying phenomena and initiate any corrective activities.

Finally, the Parent Company doBank has set up a reporting system that ensures timely reporting on operational risks to the corporate bodies and to the managers of the organizational units involved. The frequency and content of reporting is consistent with the level of risk and varies depending on the recipient and the intended use of the information.

For the purpose of calculating the own funds requirement for operational risks, the Group uses the Basic Indicator Approach (BIA), in compliance with the relevant supervisory provisions. Under the Basic Indicator Approach, the own funds requirement for operational risks is equal to 15% of the three-year average of the relevant indicator as established in Article 316 of Regulation 575/2013 based on the last three annual observations at the end of the financial year.

At June 30, 2018, the own funds requirement for the doBank Group calculated using the BIA amounted to €26.8 million.

CONSOLIDATED SHAREHOLDERS' EQUITY

CONSOLIDATED SHAREHOLDERS' EQUITY

Group shareholders' equity consists of the sum of the balances of the following consolidated balance sheet items:

- Capital net of treasury shares;
- Share premiums;
- Reserves;
- Valuation reserves;
- Capital instruments;
- Result for the period.

The amount of capital is the result of policies and decisions aimed at ensuring that capital is consistent with the activities and risks to which the Group is exposed, in compliance with the prudential supervisory regulations and the risk propensity defined by the Risk Appetite Framework (RAF).

The RAF is the reference framework that identifies the Group's appetite for risk, setting ex ante the risk/return objectives that the Group intends to achieve and the consequent operating limits, taking account of the interconnections between the companies belonging to the Group, both in normal operating conditions and in possible adverse scenarios.

For regulatory purposes, the relevant balance sheet aggregate for this purpose is determined on the basis of the current instructions of the Bank of Italy as well as the "Basel III" framework contained in Directive (EU) 2013/36 (CRD IV) and in Regulation (EU) no. 575/2013 (CRR).

The monitoring of compliance with regulatory capital adequacy rules and minimum supervisory requirements, as well as the limits established by the RAF, is performed on a constant basis by the designated control units and periodically reported to the Board of Directors.

Further analysis and preventive verification of the Group's capital adequacy takes place in the assessment of "transactions of greater importance", i.e. transactions whose individual size, type or complexity could have a significant impact on the Group's operations and its financial stability, in terms of the prospective value of assets and potential losses.

Consolidated shareholders' equity at June 30, 2018 amounted to €199.7 million, compared with €206.7 million at December 31, 2017.

Transactions in treasury shares
As of June 30, 2018 doBank held 1,554,353 treasury shares worth €246 thousand equal to their par value.
Compared to the number of shares held at the end of 2017, note that a decrease of no. 195,647 treasury shares following the payment in shares done for the IPO and MBO Bonuses with reference to the 2017 remuneration policies processing.

OWN FUNDS AND CAPITAL RATIOS

Regulatory framework

Bank of Italy Circular no. 285 of December 17, 2013, as updated, transposing the regulatory principles contained in Directive 2013/36/ EU (CRD IV) and Regulation (EU) no. 575/2013 (CRR), establishes that the elements of the prudential consolidation of assets and liabilities shall be calculated on the basis of the consolidation methods envisaged in the regulations governing the financial statements (Bank of Italy Circular no. 262).
From the point of view of prudential supervisory reporting, the European regulations noted above have been transposed into Italian law with Bank of Italy Circular no. 286 of December 17, 2013, as updated.

In general, the scope of prudential consolidation is defined in accordance with the prudential regulations and differs from the scope of consolidation of the consolidated financial statements, which is determined under the rules of the IAS/IFRS.
Following clarifications received from the Bank of Italy on February 23, 2018, the scope of consolidation for the sole purpose of prudential supervision ("CRR Group") puts Avio S.à r.l., a Luxembourg-registered financial company and majority shareholder of doBank S.p.A. at the top of the Group. It is not consolidated in shareholders' equity under accounting rules.

The regulatory provisions concerning own funds provide for the introduction of the new regulatory framework gradually over a transitional period, generally until 2017, during which certain elements that will be computable or fully deductible under the permanent rules will have only a percentage impact.

Own funds

Pursuant to the CRR and Circular no. 285, the amount of own funds is divided between the following components:
- Tier 1 Capital, consisting in turn of:
  - Common Equity Tier 1 - CET1 and
  - Additional Tier 1 - AT1;
- Tier 2 Capital;

The sum of Tier 1 and Tier 2 capital makes up total own funds (Total Capital).

The minimum capital requirements applicable as of June 30, 2018 are given in the following table and take account of the notice issued on July 11, 2018, by the Bank of Italy concerning the outcome of the supervisory review process (Supervisory Review and Evaluation Process - SREP) carried out by the Bank of Italy with regard to the minimum capital requirements of the doBank Group.

Capital adequacy ratios	Minimum regulatory requirements (art. 92 CRR)	Capital conservation buffer for 2018	Minimum requirements including capital conservation buffer	SREP Requirements	Minimum requiremts including SREP and the capital conservation buffer	Countercyclical capital buffer	Total minimum requirements
Common Equity Tier 1 Ratio	4.50%	1.875%	6.38%	0.14%	6.52%	0.00%	**6.52%**
Tier 1 Capital Ratio	6.00%	1.875%	7.88%	0.19%	8.06%	0.00%	**8.06%**
Total Capital Ratio	8.00%	1.875%	9.88%	0.25%	10.13%	0.00%	**10.13%**

Common Equity Tier 1 - CET1
Common Equity Tier 1 capital consists predominantly of the following elements: share capital, share premium accounts, treasury shares, retained earnings, other reserves, other comprehensive income ("OCI") and minority interests in the qualifying amount under the provisions of the CRR.
The calculation of CET1 also includes prudential filters and regulatory deductions, which mainly include the following aggregates:
- goodwill and other intangible assets;

- deferred tax assets that rely on future profitability and do not arise from temporary differences: this includes the remaining deferred tax assets in respect of the negative taxable income recognised in previous years, mainly in the financial statements of the Parent Company.

With regard to deferred tax assets, note that the exercise of the option of retaining the possibility of converting deferred tax assets to tax credits pursuant to Art. 11 of Decree Law 59 of May 3, 2016 ratified with Law 119 of June 30, 2016 and amended by Law 15 of February 17, 2017, entailed the continuation of the exclusion from the calculation of the deductions from own funds of the residual value of the DTAs deriving from impairment losses on loans for which the requirements under Art. 39 of Regulation 575/2013 are met. This provision requires them to be subject to the calculation of credit risk with a weighting of 100% (for a total of €55.4 million). The entire tax credit was used.

Additional Tier 1 – AT1
AT1 is primarily made up of innovative and non-innovative capital instruments net of regulatory deductions.
At June 30, 2018 the Bank had no AT1 capital.
Tier 2 – T2
Tier 2 is primarily made up of subordinated liabilities in the percentage permitted under the applicable regulations, net of regulatory deductions.
At June 30, 2018 the Bank had no T2 capital.

The information at June 30, 2018 reported below regards the prudential scope of consolidation (CRR Group), which includes Avio S.à r.l. as the ultimate parent in its capacity as majority shareholder.

(€/000)

		6/30/2018	12/31/2017
A.	**Common Equity Tier 1 (CET1) before prudential filters**	**238,397**	**279,758**
	of which grandfathered CET1 instruments	-	-
B.	CET1 prudential filters (+/-)	-	-
C.	CET1 gross of deductions and transitional adjustments (A+/-B)	238,397	279,758
D.	Items to be deducted from CET1	(97,759)	(110,774)
E.	Transitional adjustment - Effect on CET1 (+/-), including minority interests subject to transitional adjustments	-	82
F.	**Common Equity Tier 1 - CET1 (C - D+/-E)**	**140,638**	**169,066**
G.	**Additional Tier 1 (AT1) gross of deductions and transitional adjustments**	**-**	**-**
	of which grandfathered AT1 instruments	-	-
H.	Items to be deducted from AT1	-	-
I.	Transitional adjustments - Effect on AT1 (+/-), including qualifying instruments issued by	-	
	subsidiaries and computable in AT1 due to transitional provisions	-	-
L.	**Additional Tier 1 Capital - AT1 (G-H+/-I)**	**-**	**-**
M.	**Tier 2 (T2) Capital gross of deductions and transitional adjustments**	-	-
	of which grandfathered T2 instruments	-	**-**
N.	Items to be deducted from T2	-	-
O.	Transitional adjustments - Effect on T2 (+/-), including qualifying instruments issued by	-	-
	subsidiaries and computable in T2 due to transitional provisions	-	-
P.	**Tier 2 Capital (M - N +/- O)**	**-**	**-**
Q.	**Total Own Funds (F + L + P)**	**140,638**	**169,066**

A. Common Equity Tier 1 – CET1
This item includes:
- paid-in share capital of €176.5 million;
- other reserves of €30.7 million;
- minority interests of €31.2 million.

D. Elements to deduct from CET1
This item includes:
- consolidation difference (goodwill) arising from setting the equity investment of Avio S.à r.l.

in doBank S.p.A. against the associated shareholders' equity in the amount of €67.9 million;

- deferred tax assets recognised on the negative taxable income in previous years €25.4 million;
- other intangible assets €4.5 million.

Recalculating the capital ratios of the doBank Banking Group only (under the provisions of the Consolidated Banking Act) solely for information purposes, they would have the values reported in the following table.

(€/000)

		6/30/2018	12/31/2017
A.	**Common Equity Tier 1 (CET1) before prudential filters**	**184,984**	**175,891**
	of which grandfathered CET1 instruments	-	-
B.	CET1 prudential filters (+/-)	-	-
C.	CET1 gross of deductions and transitional adjustments (A+/-B)	184,984	175,891
D.	Items to be deducted from CET1	(29,859)	(34,438)
E.	Transitional adjustment - Effect on CET1 (+/-), including minority interests subject to transitional adjustments	13	82
F.	**Common Equity Tier 1 - CET1 (C - D+/-E)**	**155,138**	**141,535**
G.	**Additional Tier 1 (AT1) gross of deductions and transitional adjustments**	**-**	**-**
	of which grandfathered AT1 instruments	-	-
H.	Items to be deducted from AT1	-	-
I.	Transitional adjustments - Effect on AT1 (+/-), including qualifying instruments issued by subsidiaries and computable in AT1 due to transitional provisions	-	-
L.	**Additional Tier 1 Capital - AT1 (G-H+/-I)**	**-**	**-**
M.	**Tier 2 (T2) Capital gross of deductions and transitional adjustments**	-	-
	of which grandfathered T2 instruments	-	-
N.	Items to be deducted from T2	-	-
O.	Transitional adjustments - Effect on T2 (+/-), including qualifying instruments issued by	-	-
	subsidiaries and computable in T2 due to transitional provisions	-	-
P.	**Tier 2 Capital (M - N +/- O)**	**-**	**-**
Q.	**Total Own Funds (F + L + P)**	**155,138**	**141,535**

Capital Adequacy

Consolidated own funds amount to €140.6 million while weighted assets came to €579.3 million, mainly in respect of operational risks (58%) and, to a lesser extent, credit risk.

(€/000)

	Unweighted amounts		Weighted amounts / requirements	
	6/30/2018	12/31/2017	6/30/2018	12/31/2017
A. Exposures				
A.1 Credit and counterparty risk	**308,834**	**311,436**	**244,687**	**231,937**
1. Standardized approach	308,834	311,436	244,687	231,937
2. IRB approaches	-	-	-	-
2.1 Foundation	-	-	-	-
2.2 Advanced	-	-	-	-
3. Securitizations	-	-	-	-
B. Capital requirements (1)			-	
B.1 Credit and counterparty risk			**19,575**	**18,555**
B.2 Credit valuation adjustment risk			-	-
B.3 Settlement risk			-	-
B.4 Market risk			-	-
1. Standard approach			-	-
2. Internal models			-	-
3. Concentration risk			-	-
B.5 Operational risk			**26,766**	**26,766**
1. Basic indicator approach			26,766	26,766
2. Traditional standardized approach			-	-
3. Advanced measurement approach			-	-
B.6 Other calculation elements			-	-
B.7 Total capital requirements			**46,341**	**45,321**
C. Exposures and capital ratios				
C.1 Risk-weighted assets (2)			**579,268**	**566,518**
C.2 Common Equity Tier 1/Risk weighted assets (CET1 capital ratio)			24%	30%
C.3 Tier 1 Capital/Risk weighted assets (Tier1 capital ratio)			24%	30%
C.4 Total own funds/Risk-weighted assets (Total capital ratio)			24%	30%
Capital conservation buffer 1.875% (starting from 1/1/2018) (3)			**10,861**	**7,081**
Total capital requirement			**57,202**	**52,402**

Notes:

(1) The capital requirements are equal to 8% of the associated risk.

(2) In items C.2, C.3 and C.4 the amount of risk-weighted assets (C.1) is determined for all banks, regardless of whether they belong to a banking group, as the product of total capital requirements (B.7) and 12.5 (the inverse of the minimum requirement of 8%).

(3) The capital conservation buffer for 2017 was 1.250%

As indicated in the above table, as at June 30, 2018, the doBank Group had a Total Capital Ratio of 24%, compared with 30% at December 31, 2017. The decrease compared with 2017 mainly reflects the decline in the consolidation reserve as a result of changes in the balance-sheet components considered in the two periods. These were influence in particular by differences in the amount of dividends distributed by doBank to Avio in the two periods. The decline in the ratio is also attributable to the decrease in the contribution of non-controlling interests in reflection of the phase-in (Art. 480 of Regulation (EU) no. 575/2013). Despite the reduction in the period, the ration is well above the minimum regulatory requirement for the period of 10.13%.

For information purposes only, the capital ratios of the doBank Banking Group only (under the provisions of the Consolidated Banking Act) are reported in the following table.

(€/000)

	Unweighted amounts		Weighted amounts/requirements	
	6/30/2018	12/31/2017	6/30/2018	12/31/2017
A. Exposures				
A.1 Credit and counterparty risk	**261,148**	**276,693**	**205,169**	**200,969**
1. Standardized approach	261,148	276,693	205,169	200,969
2. IRB approaches	-	-	-	-
2.1 Foundation	-	-	-	-
2.2 Advanced	-	-	-	-
3. Securitizations	-	-	-	-
B. Capital requirements (1)				
B.1 Credit and counterparty risk			**16,414**	**16,078**
B.2 Credit valuation adjustment risk			-	-
B.3 Settlement risk			-	-
B.4 Market risk			-	-
1. Standard approach			-	-
2. Internal models			-	-
3. Concentration risk			-	-
B.5 Operational risk			**26,762**	**26,762**
1. Basic indicator approach			26,762	26,762
2. Traditional standardized approach			-	-
3. Advanced measurement approach			-	-
B.6 Other calculation elements			-	-
B.7 Total capital requirements			**43,176**	**42,840**
C. Exposures and capital ratios				
C.1 Risk-weighted assets (2)			**539,691**	**535,492**
C.2 Common Equity Tier 1/Risk weighted assets (CET1 capital ratio)			**29%**	**26%**
C.3 Tier 1 Capital/Risk weighted assets (Tier1 capital ratio)			**29%**	**26%**
C.4 Total own funds/Risk-weighted assets (Total capital ratio)			**29%**	**26%**
Capital conservation buffer 1.875% (starting from 1/1/2018) (3)			**10,119**	**6,694**
Total capital requirement			**53,295**	**49,534**

Notes:

(1) The capital requirements are equal to 8% of the associated risk.

(2) In items C.2, C.3 and C.4 the amount of risk-weighted assets (C.1) is determined for all banks, regardless of whether they belong to a banking group, as the product of total capital requirements (B.7) and 12.5 (the inverse of the minimum requirement of 8%).

(3) The capital conservation buffer for 2017 was 1.250%

BUSINESS COMBINATIONS

BUSINESS COMBINATIONS COMPLETED IN THE PERIOD

This section provides detailed information on business combinations involving companies or business units undertaken with counterparties outside the Group, which are accounted for using the purchase method as provided for under IFRS 3 "Business combinations".

Business combinations involving companies or business units already controlled directly or indirectly by doBank as part of the Group's internal reorganisations are also reported here. These transactions, which do not have economic substance, are accounted for in the financial statements of the seller and the buyer on a predecessor value basis.

External and internal business combinations

In the first half of 2018, no business combinations were carried out inside or with companies outside the Group.

BUSINESS COMBINATIONS COMPLETED AFTER THE END OF PERIOD

The doBank Group did not carry out any business combinations in the period between the close of the first half of the year and the drafting of this condensed consolidated half-year report.

RETROSPECTIVE ADJUSTMENTS

No retrospective adjustments to business combinations carried out in previous years were made in the first half of 2018.

RELATED-PARTY TRANSACTIONS

INTRODUCTION

The provisions of IAS 24 apply for the purposes of disclosures on related parties. That standard defines the concept of related party and identifies the relationship between related parties and the entity preparing the financial statements.

Pursuant to IAS 24, significant related parties for the doBank Group include:

- the Parent Company;
- associates, joint ventures and their subsidiaries;
- key management personnel;
- close family members of key management personnel and companies controlled, including jointly, by key management personnel or their close family.

For the purposes of managing transactions with related parties, reference is made to the Bank of Italy instructions in Circular no. 263/2006 (Title V, Chapter 5) as well as the provisions of Art. 136 of Legislative Decree 385/1993, under which company officers may assume obligations in respect of the bank that they administer, manage or control only under an unanimous decision of the bank's administrative body.
In compliance with the above regulations and with Consob Resolution no. 17221 of March 12, 2010, doBank has adopted the "doBank Group procedure for the management of transactions with connected persons and related parties and transactions conducted in situations of conflict of interest", published on the corporate website of doBank (www.dobank.com), which defines the principles and rules for managing the risk associated with situations of possible conflict of interest engendered by the proximity of certain parties to decision-making centres.
To manage transactions with related parties, doBank has established a Risks and Related Party Transactions Committee – composed of three independent directors and a non-executive director – which is charged with the task of issuing reasoned opinions reasoned opinions to the Board of Directors regarding transactions with related parties in the cases governed by the procedure.

Information on remuneration of key management personnel

The following table provides information on the remuneration of key management personnel in the first semester 2018. The definition of key management personnel under IAS 24, includes those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly. This category includes the members of the Board of Directors, including the Chief Executive Officer and the Statutory Auditors of the Parent Company and all the subsidiaries, as well as the other key management personnel designated as "Relevant Personnel" pursuant to Bank of Italy Circular no. 285.

(€/000)

	6/30/2018
Short term benefits	6,237
Post-employment benefits	95
Other long term benefits	-
Sev erance indemnity	369
Share-based payments	-
Total	**6,701**

Related-party transactions

The following reports information on transactions with related parties pursuant to IAS 24.

During the period, low-value transactions with related parties of an ordinary nature and lesser importance were carried out, mainly attributable to contracts for the provision of services.
All transactions with related parties carried out in the first semester of 2018 were concluded in the interest of the Group and on market or standard conditions.

The following table shows the assets, liabilities and guarantees and commitments outstanding at June 30, 2018, with separate indication for the various types of related parties pursuant to IAS 24.

(€/000)

	6/30/2018						
	Parent Company	Unconsolidated subsidiaries	Associates	Joint ventures	Key management personnel	Other related parties	Total
Financial assets	-	-	-	-	-	-	-
Other assets	-	82	1,122	-	-	1,760	2,964
Total assets	**-**	**82**	**1,122**	**-**	**-**	**1,760**	**2,964**
Other liabilities	-	-	-	-	-	2	2
Total Liabilities	**-**	**-**	**-**	**-**	**-**	**2**	**2**

(€/000)

	6/30/2018						
	Parent Company	Unconsolidated Subsidiaries	Associates	Joint Ventures	Key management personnel	Other related parties	Total
Fee and commission income /(expense)	-	-	-	-	-	107	107
Other income /(expense)	-	-	1,631	-	-	(1,058)	573
Total	**-**	**-**	**1,631**	**-**	**-**	**(951)**	**680**

Starting from November 1, 2015, the **ultimate parent company** is Avio S.à r.l., a company incorporated under Luxembourg law that is jointly owned by the Fortress Group (since December 2017 acquired by Softbank Group Corp.) and Eurocastle Investment. After listing on the Milan Stock Exchange, 48.0% of the shares have been placed on the market and the remaining 1.9% consists of 1,554,353 treasury shares, carried at cost, for a total of €246 thousand held by the Parent Company.

The majority shareholder, Avio S.à r.l., does not exercise management and coordination activities in respect of doBank as defined in Articles 2497 et seqq. of the Italian Civil Code.

Relationships with **associated companies** refer to transactions with BCC Gestione Crediti S.p.A. connected with the provision of services and the secondment of personnel to that company.

The main relationships with **other related parties** regard:

- Torre SGR S.p.A.: the company rents the Group of a number of properties for one of the main local offices in Rome for a fee of €1.5 million at June 30, 2018, which is included under other expense.

- FIG LLC: for due diligence revenues of €1.1 million included under other income and other assets.

CERTIFICATIONS ON THE CONSOLIDATED HALF-YEAR REPORT AT JUNE 30, 2018

CERTIFICATION OF THE DESIGNATED MANAGER RESPONSIBLE FOR DRAFTING THE COMPANY ACCOUNTING DOCUMENTS

Individual/Consolidated Half-Yearly Financial Statements Certification pursuant to art.81-ter of Consob Regulation No.11971/99, as amended

1. The undersigned
   - Andrea Mangoni, in his capacity as Chief Executive Officer (CEO)
   - Mauro Goatin, as the Manager Charged with preparing the financial reports of also in compliance with Art.154-bis, (paragraphs 3 and 4) of Italian Legislative Decree No.58 of 24 February 1998, do hereby certify:
     - the adequacy in relation to the Legal Entity's features and
     - the actual application of the administrative and accounting procedures employed to draw up the 2018 Individual/Consolidated Half-Yearly Financial Statements.
2. The adequacy of administrative and accounting procedures employed to draw up the 2018 Individual/Consolidated Half-Yearly Financial Statements has been evaluated by applying a model developed by doBank SpA, in line with the reference standard for the internal control system and for financial reporting in particular, generally accepted internationally.
3. The undersigned also certify that:
   3.1. the 2018 Individual/Consolidated Half-yearly Financial Statements:
   a) were prepared in compliance with applicable international accounting standards recognised by the European Community pursuant to European Parliament and Council Regulation No.1606/2002 of 19 July 2002;
   b) correspond to the results of the accounting books and records;
   c) are suitable to provide a fair and correct representation of the economic and financial situation of the issuer and of the group of companies included in the scope of consolidation;
   3.2. the interim management report contains at least references to the important events that occurred in the first six months of the year and their impact on the condensed half-yearly financial statements, together with a description of the main risks and uncertainties for the remaining six months of the year. For issuers of listed shares with Italy as the home Member State, the interim management report also contains information on significant transactions with related parties.

Rome, 07 August 2018

Chief Executive Officer

Andrea Mangoni

Manager Charged

Mauro Goatin

EY S.p.A.
Via Isonzo, 11
37126 Verona

Tel: +39 045 8312511
Fax: +39 045 8312550
ey.com

Review report on the interim condensed consolidated financial statements

(Translation from the original Italian text)

To the Shareholders of
doBank S.p.A.

Introduction

We have reviewed the interim condensed consolidated financial statements, comprising the balance sheet as of June 30, 2018, the income statement, the statement of comprehensive income, the statement of changes in shareholders' equity and cash flows for the period then ended and the related explanatory notes, of doBank S.p.A. and its subsidiaries (the "doBank Group"). The Directors of doBank S.p.A. are responsible for the preparation of the interim condensed consolidated financial statements in conformity with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of Review

We conducted our review in accordance with review standards recommended by Consob (the Italian Stock Exchange Regulatory Agency) in its Resolution no. 10867 of July 31, 1997. A review of interim condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (ISA Italia) and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the interim condensed consolidated financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim condensed consolidated financial statements of doBank Group as of June 30, 2018 are not prepared, in all material respects, in conformity with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34) as adopted by the European Union.

Verona, August 7, 2018

EY S.p.A.
Signed by: Marco Bozzola, Partner

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

EY S.p.A.
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