HALF-YEAR REPORT

2017

La tua banca per la vita

COMPANY DETAILS

VAT NO. 04255700652 – REA NO. TO 1228616
Approved, subscribed and paid in share capital Euro 31,397,751.00
Included in the Bank register with no. 5647
ABI Code 05030
Member of the "Interbank Deposit Guarantee Fund"

Registered office
Via San Pio V, 5 - 10125 Turin (TO), Italy

Secondary office
Viale Wagner, 8 - 84131 Salerno (SA), Italy

Contacts
Tel: +39 011 19781000
Fax: +39 011 19781088
E-mail: info@vivibanca.it
Pec: vivibanca@pec.it
Certified e-mail: vivibanca.it

BOARD OF DIRECTORS

Chairman	Giuseppe Mazzarello
Deputy Chairman	Paolo Avondetto
Managing Director and CEO	Germano Turinetto
Directors	Claudio Marcello Girardi Guido Galavotti Ludovico Emiliano Resta Marina Damilano Nicoletta Ughetto Pierluigi Bourlot
Deputy CEO	Antonio Dominici

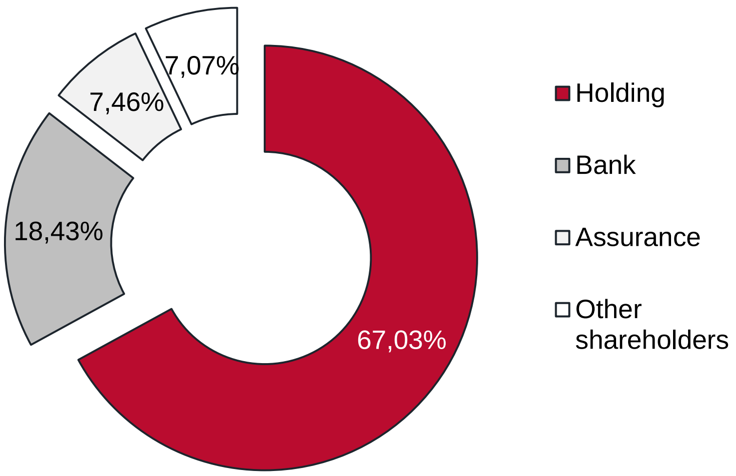
BOARD OF STATUTORY AUDITORS

Chairman	Franco Vernassa
Standing auditors	Francesco Rocchi Donato Carone
Alternate auditors	Daniela Bainotti Giuseppe Desiderato

INDEPENDENT AUDITORS

BDO Italia S.p.A.

SHAREHOLDING STRUCTURE AT 30/06/2017



Shareholder	Share %	No. of shares
Vega Management S.p.A. *	32.49%	10,201,603
Finandrea S.p.A. *	18.17%	5,705,524
Compagnie Financiere Saint Exupery S.A. – Sicav *	16.37%	5,140,871
Banca Popolare di Bari S.c.p.A	9.90%	3,109,877
Banca Alpi Marittime Credito Cooperativo di Carrù S.c.p.A.	8.53%	2,677,041
Gruppo Net Insurance S.p.A.	7.46%	2,342,415
Other	7.07%	2,220,960
Total		**31,397,751**

** Shareholder agreement*

CONTENTS

REPORT ON OPERATIONS

Dear Shareholders

The 2017 half-year report, which we submit to your attention, comprises a statement of financial position, an income statement, a statement of comprehensive income, a statement of changes in shareholders' equity, a statement of cash flows and the notes thereto.

This is the first half-half year report of ViViBanca which was established in April 2017 following the merger of Terfinance into Crediter, as described later on in this Report.

A – The macroeconomic scenario

Overview

In the era of big data and mass connectivity, our knowledge of the world is deeper than ever. Yet, our ability to anticipate the future has never been so poor. According to a recent survey conducted by *UBS Investor Watch*, 82% of European customers of banks believe that we are living in the most unpredictable period of our history.

Indeed, the increased availability of information enables us to better understand our past and our present. However, this deeper understanding rapidly changes our behaviour, makes our knowledge obsolete and, consequently, reduces our understanding of the future.

Furthermore, given the quantity of the parameters known, we can obtain detailed and prompt information about what is happening and make more or less plausible forecasts.

In other words, on the one hand, today, analysing the situations and the trends which affected and continue to affect the global financial performance is easier but, on the other hand, all these forecasts are extremely uncertain.

The prospects of a global recovery are now consolidating, also thanks to the expansionary policies in the main areas. Furthermore, international trade accelerated following the increase in investments in many economies. However, the significant risks posed by the continuing uncertainties surrounding the future direction of the economic policies remain high: in the US, the characteristics of the fiscal stimulus package are yet to be outlined and it cannot be excluded that the trade protection measures envisaged may have a negative impact on international trade.

The financial markets are optimistic about the strengthening of international growth. Stock indices rose in all the major advanced economies, including in the banking sector. Net capital inflows to emerging countries, where, overall, the financial conditions have improved, resumed. However, the indices which measure the uncertainties of the economic policies are extremely high and this may have a negative impact on investors' assessments and the volatility of stock markets, posing risks to economic prospects.

The Euro area

Long-term interest rate increased in the Euro area due to the expected improvement in cyclical conditions and the rise in sovereign risk premiums, which were affected by increased uncertainties.

In the Euro area, growth consolidated. Inflation rose to 1.7% in the average of the first quarter of the year. However, this increase is due to the most volatile components (energy and foodstuffs) and, to date, it does not point to a rise in inflation forecasts beyond the current year given the still weak prospects for wages in many countries. The Governing Council of the European Central Bank (ECB) confirmed that an extremely high level of monetary expansion is necessary to consolidate the increase in inflation in the medium term and that the official rates will remain equal to or below the current ones for a long period, well beyond the end of the net acquisition of assets.

Also from a political standpoint, the outcome of the elections called in several European countries (the Netherlands, France, the United Kingdom and, in part, Italy) showed the consolidation of traditional pro-Europe forces, putting aside, at least for the time being, the most anti-system parties.

Italy

According to the available indicators, in the first quarter of the year, Italy's economy grew constantly by approximately 0.4% on the previous quarter and by 1.2% on the first quarter of 2016, despite some downside risks. Growth in the service sector more than offset the weak performance of the manufacturing sector as confirmed by the industrial production figures for the January-February two-month period and the more recent information about freight transport and electricity consumption. According to Bank of Italy's March survey, companies are more optimistic about the current economic situation. Investment intentions are overall favourable: companies reporting an increase in investment expenditure in 2017 rose by more than 14% on those expecting a reduction therein.

Italy's external trade benefited from the improved global and European situation. Exports rose driven, in particular, by the expansion of EU markets. According to surveys, prospects for export orders are favourable. In 2016, the current account surplus of the balance of payments reached 2.6% of GDP and is contributing considerably to the reabsorption of the country's net financial debt towards foreign countries, which decreased to 14.9% of GDP (from 25.3% at the end of 2013).

Employment is increasing slightly (the unemployment rate is down from 11.8% to 11.1% on an annual basis), including with respect to its most critical bracket, being youth employment (down from 37% to 34%). Furthermore, the estimates of GDP growth were revised upwards in 2017, although only by a few tenths.

The next Stability Law is expected to be "light", i.e., with a focus on stimulating economic growth. Clearly, all this will be carefully analysed and approved by the EU.

Similarly to the Euro area, consumer prices accelerated also in Italy. In the first quarter of the year, inflation rose to an average of 1.3%, marking the highest levels in the past four years. However, price trends, net of the most volatile components, remain modest (approximately 0.5%), showing that there is still plenty of room for unused workforce and production capacity as well as continued wage moderation. According to surveys, households' and companies' inflation expectations were revised upwards, but remain overall modest.

Lending to the private sector continued to grow in the first few months of the year and consolidated for households. However, it still varies largely among business segments and corporate categories. Lending rose in particular in the service sector, remained slightly negative in the manufacturing sector and continued to decrease in the construction sector. According to the information obtained from surveys, lending conditions remain accommodative. Credit quality is gradually improving, in line with the strengthening of the economy. Italian banks' share prices recovered, also thanks to the extremely successful outcome of recapitalisations.

B – Sector performance

The banking market

Lending to the private sector has continued to grow in the first few months of the year and consolidated for households. However, it still varies largely among business segments and corporate categories.

Lending rose in particular in the service sector, remained slightly negative in the manufacturing sector and continued to decrease in the construction sector. Credit quality is gradually improving, in line with the strengthening of the economy.

Generally speaking, the credibility of the entire banking system improved thanks to the successful outcome of the capital increases of the period (specifically Unicredit), and successful banks' bailouts (specifically Monte Paschi Siena as well as the banks of the Veneto region), which, despite some words of criticism, prevented a crisis whose effects might have been devastating for both the Italian banking system and the entire economy of the country, with possible major social repercussions.

The elimination of non-performing loans worth approximately € 200 billion remains an issue. Despite the improvement of the past few months and the many and various sales, they remain an indicator of instability which heavily affects the soundness of Italy's banks.

Credit cards, personal loans and salary-backed loans

With respect to May 2017 figures (the most recent available figures), this segment grew considerably, up by 10.6% on the same period of the previous year (+13.3%, net of cards with instalment facilities). Specifically, the main increases refer to Vehicles and Motorcycles (+21.3%), personal loans (+17.7%) and instalment/revolving credit facilities (+29.9%).

Finally, in May, salary-backed loans topped € 2 billion, growing modestly on the previous year (+1.4%), while transactions amounted to 112,151 (-5.1%), with an increase in the average amount (approximately Euro 18,000 per application). In April and May, the segment's modest performance was negatively affected by the suspension of the agreements with INPS (Italy's Institute of Social security) which resulted in the loss of business from pension-backed loans which represent the main business segment for many companies.

Furthermore, the market players are undergoing dramatic changes following the required registration with the new 106 Single Register set up by the Bank of Italy which envisages very stringent regulatory capital and organisational requirements. Consequently, this prevented many operators from being included in the Register, making them unable to continue operating.

Finally, the introduction of the Assofin (Italy's Association for Consumer Credit and Mortgages) Protocol will have a strong impact on the operations of the agency network, while improving the clarity and transparency of the relationship between operators and their customers.

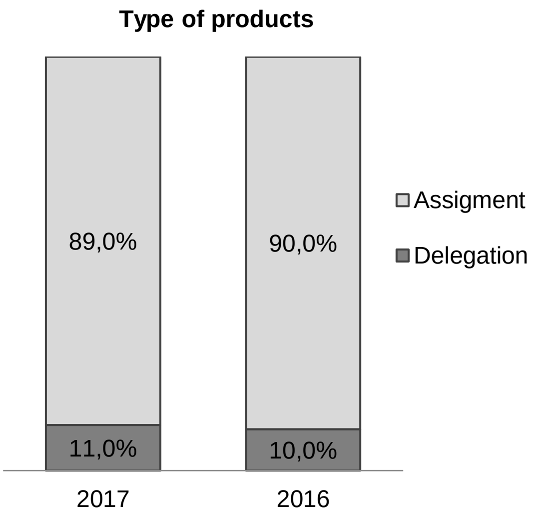
C – The commercial policy

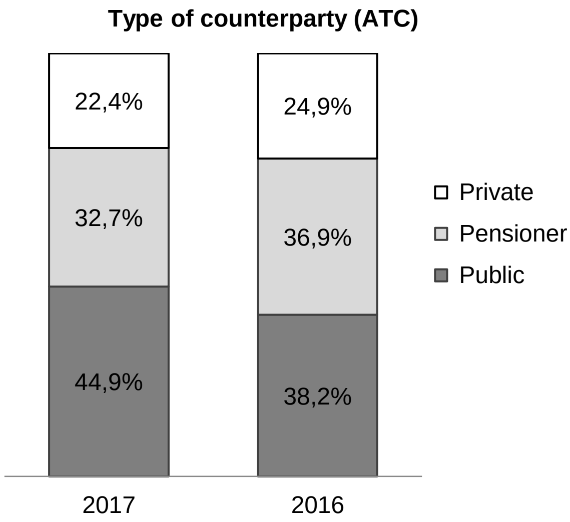
Lending

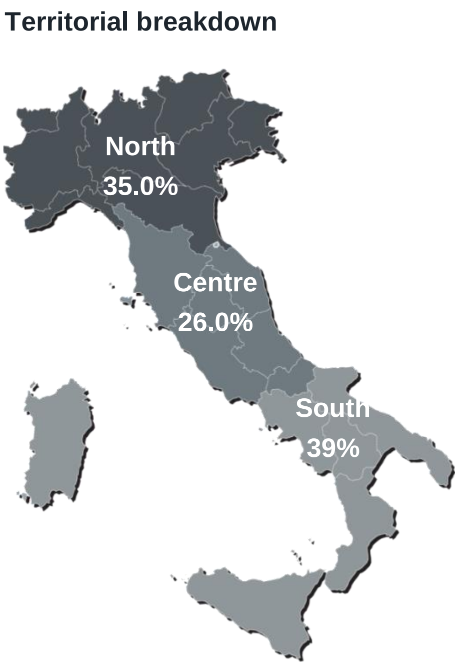
The bank's funding for the first half of 2017 was mainly used to grant loans to customers, specifically salary-backed loans and payment delegation loans. These technical forms involved funds of € 64.2 million, of which € 63.5 million was direct (i.e. in the register), up by 26.4% on the previous year and largely above market performance.

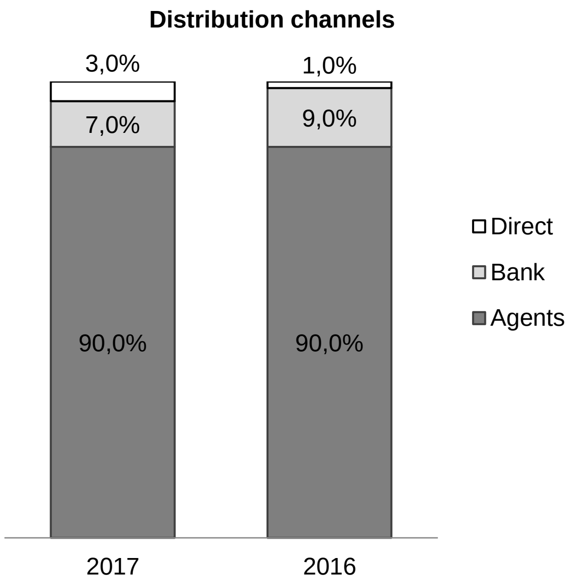
	Funded €/000				No. Contracts			
	2017	**2016**	**Δ**	**Δ%**	**2017**	**2016**	**Δ**	**Δ%**
Salary assignment loans	**64.192**	**57.542**	**6.650**	**11,6%**	**2.816**	**2.664**	**152**	**5,7%**
- of which direct	63.500	50.241	13.259	26,4%	2.779	2.281	498	21,8%
- of which purchase	-	5.584	(5.584)	(100,0%)	-	295	(295)	(100,0%)
- of which intermediate	692	1.717	(1.025)	(59,7%)	37	88	(51)	(58,0%)

These figures might have been even more significant had the agreement with INPS not been temporarily suspended due to new regulations applicable to usury rates identified by the Bank of Italy, which penalised, in particular, pensioners.
The graphs below show the main breakdowns of the half-year direct funding:









The portfolio meets expectations and is very well balanced, except for the decrease in the number of pensioners due to the reasons described earlier related to INPS. However, these figures are recovering and rebalancing rapidly.

Furthermore, with respect to the other technical forms related to customers (current accounts, loans under reserves, loans, leases, personal loans) granted in previous years, the residual contracts continued to be recognised for management purposes only. In other words, no new loans were disbursed, rather they were only renegotiated.

Funding

In the first half of the year, ViViBanca's funding was up by approximately 55.6% compared to 31 December 2016, with a balanced net position. Against this background, time deposits were the preferred technical form with the aim of stabilising the sources of funding (as confirmed by the 296.8% liquidity coverage ratio at the reporting date) and consolidating the cost of funding in proportion to the yields of total lending.

	ViViBanca	Terfinance + Crediter		
	2017	**2016 Proforma**	**Δ**	**Δ %**
Deposits	**(106.566)**	**(68.563)**	**(38.003)**	**55,4%**
Direct:	**(94.804)**	**(63.313)**	**(31.491)**	**49,7%**
Current accounts	(35.795)	(31.584)	(4.211)	13,3%
Demand deposits	(768)	(768)	-	-
Time deposit	(48.570)	(9.353)	(39.217)	419,3%
Securities	(3.778)	(6.867)	3.089	(45,0%)
Bonds	(5.893)	(5.743)	(150)	2,6%
Other debts	-	(8.998)	8.998	(100,0%)
Indirect:	**(11.762)**	**(5.250)**	**(6.512)**	**124,0%**
Managed savings	(413)	(1.307)	894	(68,4%)
Under administration savings	(11.349)	(3.943)	(7.406)	187,8%

The above table clearly shows that the funding targets achieved to date enabled ViviBanca to set:

- an adequate interest rate mix (in line with the annual cost forecast as part of the action plan);
- stable funding, which already meets the year-end target, obtained through the branch as the only channel (the online account platform is being developed);
- a diversified breakdown of time deposits by due date;
- a broad-based composition in terms of the territorial origin of depositing customers (Piedmont/Lombardy/Campania).

D - Significant events of the period

ViViBanca's incorporation

The first half of 2017 was characterised by the successful completion of the acquisition of and reverse merger with the former Credito Salernitano which resulted in a new bank called ViViBanca.

For a better understanding of the transaction, the milestones of this process which began in June 2016 and ended mid-April 2017, are summarised below.

- In early July 2016, after reaching an agreement on the potential business combination, Terfinance and Credito Salernitano signed a memorandum of understanding at the Bank of Italy concerning the combination of the two companies to be carried out through a capital increase by Terfinance and a subsequent reverse merger;

- later on, the requests for the necessary authorisations were sent to the Bank of Italy and the ECB, while, mid-October, in their extraordinary meeting, the shareholders of Credito Salernitano decided to decrease share capital following a loss of € 2 million, to transform the company from a “region-based” type to a “company limited by shares” and to increase share capital by € 8 million, of which € 6 million were reserved to Terfinance and € 2 million to the former shareholders of the bank;
- the Bank of Italy and the ECB issued their authorisations in December and Terfinance was therefore able to subscribe its portion of capital increase (€ 6 million) by the end of 2016;

- the capital increase was completed in January 2017. The portion not subscribed by the bank's shareholders (€ 1.8 million) was covered directly by some shareholders of Terfinance;
- in March 2017, the respective shareholders approved the draft merger and the change of the company name to ViViBanca S.p.A.. The merger deed was signed in April 2017 in tandem with ViViBanca shareholders' approval of the financial statements at 31 December of the two former companies, subsequently appointing the new Board of Directors and Board of Statutory Auditors.

This process ended with the achievement of the objective that Terfinance's shareholders and management pursued for a long time, with courage and determination, which culminated with the incorporation of a new strong bank, with assets worth approximately € 32 million, two branches (one is being opened in Turin and another in Salerno).

The strategic vision was and remains that of creating an independent financial institution, specialised in household loans, which can operate in all Italian territory, offering its customers easy-to-use products, simplified banking services and focused on salary-backed loans throughout the country.

The bank is set to become a reference point for this segment, in a context characterised by the merger of operators and significant regulatory and market changes.

Furthermore, management of the current bank loan portfolio does not envisage new disbursements in order to be able to subsequently operate with the resources at their best in the future core business of the new bank.

Securitisation

The securitisation transaction with the arranger Natixis continued. In June, the loans and receivables transferred to the vehicle Eridano S.P.V. totalled € 135 million. The current ramp-up period will end in November 2017. Meanwhile, the activities to assign a rating to class A notes (Senior Notes), entirely subscribed by Natixis, were completed. Moody’s and DBRS assigned an Aa2 and A (high) rating, respectively. These ratings are particularly good as they both place the bank at the highest levels achieved in Italy in relation to salary-backed loans securitisation, also considering that this is the first transaction for ViViBanca, with average amounts and a ramp-up period of 19 months.

E – Performance of the period

The 2017 half-year financial statements show a loss for the period of € (1,087) thousand.

E.1 – Pro forma financial statements

With respect to business combinations, as this is the case, under the Bank of Italy's Circular no. 262, the prior year comparative figures included in the financial statements shall be those of the acquirer (2016 related to the “former Terfinance”) in accordance with IFRS 3. For the purposes of comparability, this report provides a uniform comparison of financial statements figures (pro forma 2016 obtained as the sum of former Terfinance and former Crediter).

STATEMENT OF FINANCIAL POSITION (€/000)

	Assets	ViViBanca 30/06/2017	Ex-Terfinance 31/12/2016	Proforma 31/12/2016
10.	Cash and cash equivalents	143	3	230
30.	Financial assets at *fair value*	35	-	35
40.	Financial assets available for sale	19.752	131	5.854
60.	Due from banks	26.550	11.656	22.245
70.	Due from customers	113.671	59.202	104.209
100.	Equity investmets	-	6.010	-
110.	Tangible assets	318	174	339
120.	Intangible assets	874	765	964
	on which:			
	- goodwill	198	-	198
130.	Tax assets	5.027	2.330	5.420
	a) current	912	179	1.642
	b) deferred	4.115	2.150	3.778
	of which L.214/2011	2.867	1.638	3.005
140.	Other assets	11.114	9.898	12.104
	Total assets	**177.485**	**90.169**	**151.400**

	Liabilities and shareholders' equity	ViViBanca 30/06/2017	Ex-Terfinance 31/12/2016	Proforma 31/12/2016
10.	Due to banks	26.443	29.392	30.728
20.	Due to customers	85.133	8.998	50.702
30.	Securities issued	9.671	-	12.611
80.	Tax liabilities	-	202	220
	a) current	-	202	202
	b) deferred	-	-	18
100.	Other liabilities	22.886	22.448	24.826
130.	Provision for severance indemnities	1.091	605	1.085
140.	Provisions for risks and charges:	1.649	637	1.450
	b) other provisions	1.649	637	1.450
150.	Valuation reserves	(129)	(47)	(50)
160.	Reserves	430	1.965	8.040
170.	Share premiums	-	3.486	3.486
180.	Capital	31.398	21.277	21.277
200.	Profit (Loss) for the year (+/-)	(1.087)	1.205	(2.975)
	Total liabilities and shareholders' equity	**177.485**	**90.169**	**151.400**

INCOME STATEMENT (€/000)

	Items	ViViBanca 30/06/2017	Ex-Terfinance 30/06/2016	Pro forma 30/06/2016
10.	Interest receivables and similar income	2.454	988	2.804
20.	Interest payable and similar charges	(1.044)	(472)	(1.076)
30.	**Net interest income**	**1.410**	**516**	**1.728**
40.	Fee and commission income	2.495	1.617	1.899
50.	Fee and commission expenses	(2.543)	(1.849)	(1.923)
60.	**Net fees**	**(48)**	**(232)**	**(24)**
80.	Net gains (losses) on trading activities	-	-	(1)
100.	Net gains (losses) on hedging activities:	5.716	5.521	5.499
	a) receivables	5.532	5.521	5.389
	b) financial assets available for sale	184	-	110
	d) financial liabilities	(0)	-	-
120.	**Net banking income**	**7.078**	**5.805**	**7.202**
130.	Net writedowns for impairment of:	(1.715)	(867)	(4.830)
	a) receivables	(1.734)	(900)	(4.817)
	d) other financial transactions	19	33	(13)
140.	**Net financial operating gains (losses)**	**5.363**	**4.938**	**2.372**
150.	Administrative expenses:	(5.982)	(3.465)	(4.879)
	a) personnel expenses	(2.664)	(1.905)	(2.615)
	b) other administrative expenses	(3.318)	(1.560)	(2.264)
160.	Accruals to provisions for risks and charges	(552)	(170)	(152)
170.	Net writedowns on tangible assets	(60)	(18)	(52)
180.	Net writedowns on intangible assets	(129)	(118)	(118)
190.	Other operating expenses/income	(38)	(67)	103
200.	**Operating costs**	**(6.760)**	**(3.837)**	**(5.097)**
240.	Profit (loss) from disposal of investments	-	-	-
250.	**Profit (loss) on continuing operations before tax**	**(1.397)**	**1.101**	**(2.725)**
260.	Income taxes for the period on continuing operations	309	(431)	(473)
270.	**Profit (loss) on continuing operations after tax**	**(1.087)**	**671**	**(3.198)**
290.	**Profit (Loss) for the period**	**(1.087)**	**671**	**(3.198)**

STATEMENT OF COMPREHENSIVE INCOME (€/000)

	Items	ViViBanca 30/06/2017	Ex-Terfinance 30/06/2016	Proforma 30/06/2016
10.	**Profit (Loss) for the period**	**(1.087)**	**671**	**(3.198)**
	Other comprehensive income net of taxes without transfer to income statement	**53**	**-**	**12**
40.	Defined benefit plans	53	-	12
	Other comprehensive income net of taxes with transfer to income statement	**(42)**	**-**	**(71)**
100.	Financial assets available for sale	(42)	-	(71)
130.	**Other comprehensive income, net of tax**	**10**	**-**	**(59)**
140.	**Comprehensive income (Items 10 +130)**	**(1.077)**	**671**	**(3.258)**

E.2 – Summary figures

		ViViBanca 2017	Ex-Terfinance 2016	Proforma 2016
Balance Sheet data (€/000)	Total assets	177.485	90.169	151.400
	Securities, equity shares and funds	28.537	6.207	12.864
	Customer's loans	105.824	55.521	99.014
	Guarantees and commitments (off balance)	13.246	16.410	17.423
	Direct deposits	(94.804)	(8.998)	(63.313)
	Net banking positions	(797)	(25.973)	(17.501)
	Equity	(30.612)	(27.886)	(29.778)
	CET 1	29.282	20.936	28.814
	TIER 2	1.938	-	2.391
	Own fund	31.220	20.936	31.205
	RWA - Credit risk	145.782	92.359	133.316
Income Statement data (€/000)	Net banking income	7.078	5.805	7.202
	Net writedowns for impairment	(1.715)	(867)	(4.830)
	Operating costs	(6.760)	(3.837)	(5.097)
	- on witch personnel expenses	(2.664)	(1.905)	(2.615)
	- on witch other administrative expenses	(3.318)	(1.560)	(2.264)
	Profit (loss) on continuing operations before tax	(1.397)	1.101	(2.725)
	Profit (Loss) for the period	(1.087)	671	(3.198)
	RWA - Operational risk	24.721	14.179	24.721
Structure data (#)	Average employees	78	56	74
	Branches	1	-	2
Revenues indices (% / #)	ROE (Return on Equity = Result for the period/Annual average equity)	(7,4%)	4,7%	(24,1%)
	ROA (Return on Assets = Result for the period/Annual average assets)	(0,6%)	1,5%	(4,2%)
	EM (Equity Multipler = Assets/Annual average equity)	6,0	3,2	5,7
	PM (Profit Margin = Revenues/Result for the period)	6,5	(8,7)	2,3
	Personnel expenses/Net banking income	37,6%	32,8%	36,3%
	Other administrative expenses/Net banking income	46,9%	26,9%	31,4%
	Cost income (Operative expenses/Net banking income)	87,7%	63,2%	68,7%
	Profit (loss) on continuing operations before tax/Net banking income	(19,7%)	19,0%	(37,8%)
Productivity indices (€/000)	Net banking income/Average employees	91	104	97
	Profit (loss) on continuing operations before tax/Average employees	(18)	20	(37)
	Profit (Loss) for the period/Average employees	(14)	12	(43)
Credit risk indices (% / #)	NPL/Customer's loans (Gross)	45,7%	46,2%	48,0%
	NPL/Customer's loans (Net)	31,1%	36,0%	33,8%
	Provision/Customer's loans (Gross)	21,8%	16,5%	22,1%
	NPL Provision /NPL (Gross)	46,8%	34,9%	45,2%
	Net writedowns for impairment/Customer's loans (Gross) - Bps	(1,3)	(1,4)	(3,8)
Capital adequacy indicies (%)	CET1 ratio	17,2%	19,7%	18,2%
	Tier 1 capital ratio	17,2%	19,7%	18,2%
	Total capital ratio	18,3%	19,7%	19,7%
	Texas ratio (Gross NPL/ CET1 & Provision)	105,3%	96,2%	107,1%
	Levarage ratio (CET 1 / Assets + off balance)	24,6%	29,1%	24,7%
	Loan to deposit (Customer's loans without Securites / Direct deposit)	111,6%	617,0%	156,4%

E.3 – Results of operations

Total income

Item/Value	2017	2016	2016 Proforma
Net interest income	1.410	516	1.728
Net fees	(48)	(232)	(24)
Net gains (losses) on trading activities	-	-	(1)
Net gains (losses) on hedging activities	5.716	5.521	5.499
Net banking income	**7.078**	**5.805**	**7.202**

Total income of Euro 7,078 thousand rose by 21.9% and reduced by 1.7% on 2016. These changes are essentially due to net interest income following the increase in the interest-bearing amounts which continued to be recognised and the concurrent rise in gains from sales, mainly attributable to salary-backed loans as part of the securitisation transaction.

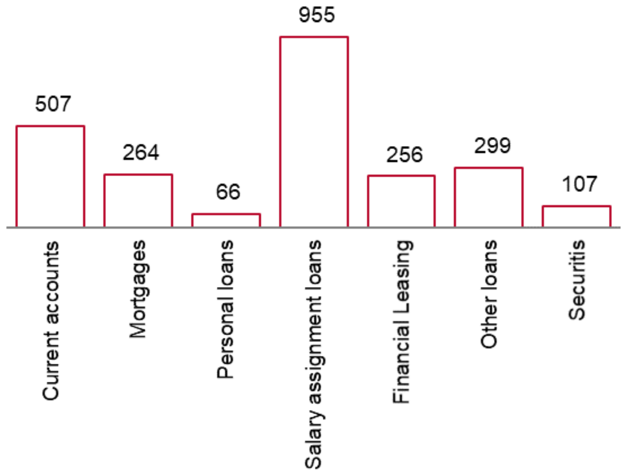
The main captions that led to these results are summarised below.

- *Net interest income*

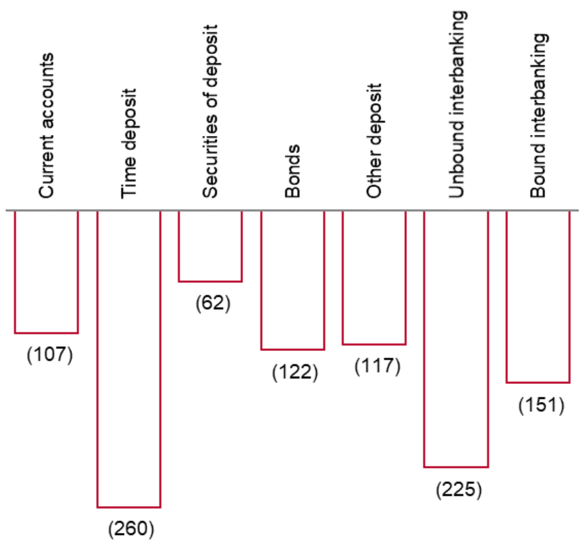
Item/Value	2017	2016	2016 Proforma
Interest receivables and similar income	2.454	988	2.804
Interest payable and similar charges	(1.044)	(472)	(1.076)
Net interest income	**1.410**	**516**	**1.728**

Interest income amounts to € 2,454 thousand and is up on 2016 thanks to the contribution of the merged company's lending and the increased retention applied to salary-backed loans. Interest expense of € 1,044 thousand performed similarly, characterised by an expansionary funding policy also focused on price reduction based on the duration of the time deposits and product diversification.

Breakdown of interest income by product



Breakdown of interest expense by product

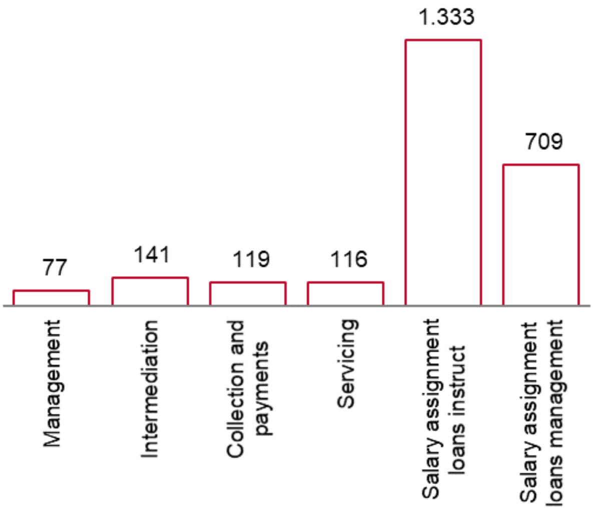


- *Net fee and commission income (expense)*

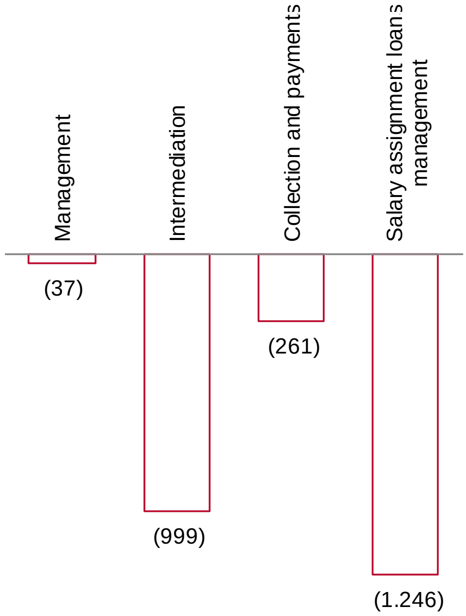
Item/Value	2017	2016	2016 Proforma
Fee and commission income	2.495	1.617	1.899
Fee and commission expenses	(2.543)	(1.849)	(1.923)
Net interest income	**(48)**	**(232)**	**(24)**

Fee and commission income amounts to € 2,495 thousand, up on 2016 thanks to increase in revenue from origination fees, related to salary-backed loans granted during the period, and the rise in management fees related to transferred applications, in relation to which the Bank acts as the agent. The corresponding effect of liability management (i.e., commission rebates on early settlements returned to customers) affected fee and commission expense which amounts to € 2,543 thousand. Furthermore, the costs of the product distribution network rose (specifically, with respect to agents, not included in the product amortised cost and, hence, not charged to customers, but to the company).

Breakdown of fee and commission income by product



Breakdown of fee and commission expense by product



- *Gain (loss) from sales or repurchases*

Item/Value	2017	2016	2016 Proforma
a) receivables	5.532	5.521	5.389
b) financial assets available for sale	184	-	110
Net gains (losses) on hedging activities	**5.716**	**5.521**	**5.499**

Gains on sales amount to € 5,716 thousand and mainly comprise gains on the sale of salary-backed loans (€ 42.4 million to Eridano SPV and € 4.4 million to Banca Alpi Marittime), in terms of both interest rate differential and recurring management fees (net of the related prepayment provision). Furthermore, gains on government bonds were achieved following the changes in the portfolio of financial assets available for sale in order to limit fair value changes triggered by tensions on the markets.

Net financial operating gains (losses)

Item/Value	2017	2016	2016 Proforma
Net banking income	**7.078**	**5.805**	**7.202**
Net writedowns for impairment of:	(1.715)	(867)	(4.830)
a) receivables	(1.734)	(900)	(4.817)
d) other financial transactions	19	33	(13)
Net financial operating gains (losses)	**5.363**	**4.938**	**2.372**

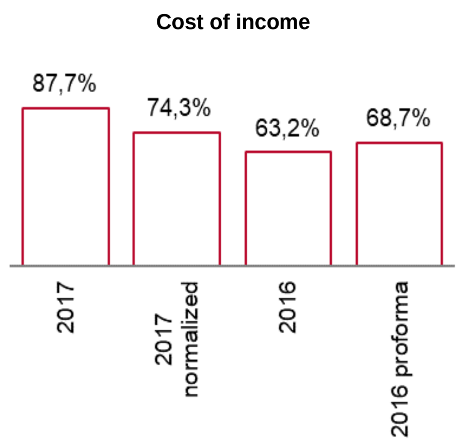
Net writedowns for impairment of receivables rose as a consequence of the revision of recovery forecasts. The increases affected, in particular, the unsecured loans and receivables only under management (i.e., not in the disbursement phase).

Operating costs

Item/Value	2017	2016	2016 Proforma
Administrative expenses:	(5.982)	(3.465)	(4.879)
a) personnel expenses	(2.664)	(1.905)	(2.615)
b) other administrative expenses	(3.318)	(1.560)	(2.264)
Net provisions for risks and charges	(552)	(170)	(152)
Net writedowns on tangible assets	(60)	(18)	(52)
Net writedowns on intangible assets	(129)	(118)	(118)
Other operating expenses/income	(38)	(67)	103
Operating costs	**(6.760)**	**(3.837)**	**(5.097)**

Operating costs of € 6,760 thousand rose by 76% and 33% on 2016 and the pro forma 2016.

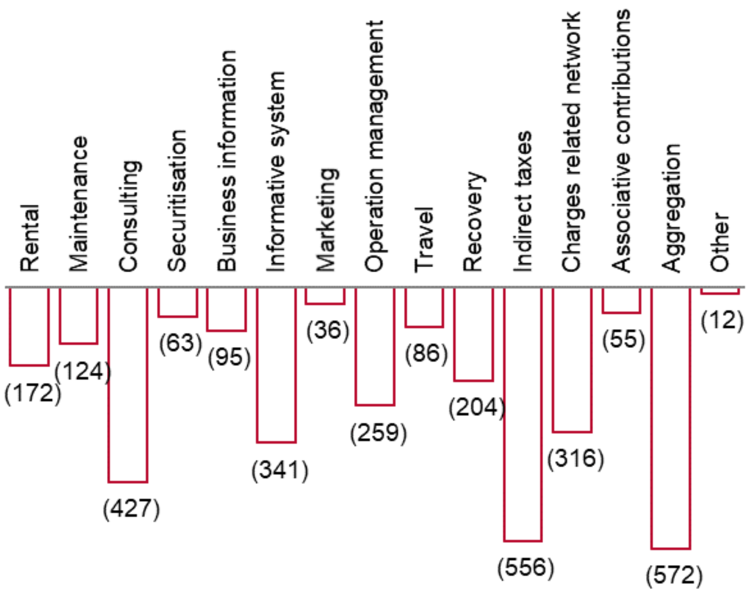
The cost of income, being the ratio of operating costs to total income, rose to 87.7% against non-recurring charges of approximately € 950 thousand incurred during the period. From a strictly analytical point of view, had the (non-recurring) components been normalised, this indicator would have been equal to 74.3%. These figures show the costs already incurred, against a margin which is progressively consolidating over an annual time-horizon.
These changes are essentially due to the increase in administrative expenses following the bank's reorganisation, and may be analysed as follows:



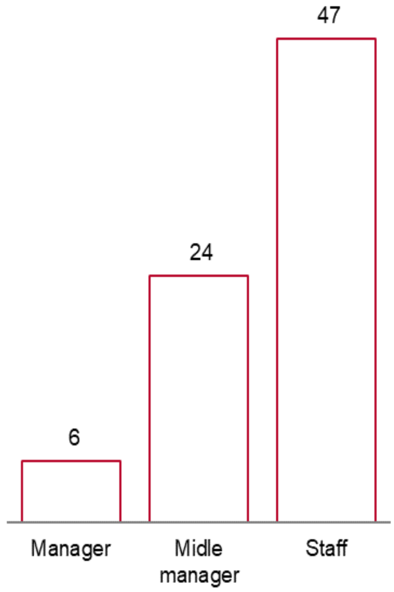
- *Administrative expenses*

This item, which is broken down below, shows unchanged personnel expense compared to the pro forma 2016. Conversely, other administrative expenses rose as a consequence of the measures directly and indirectly related to the merger.

Breakdown of other administrative expenses



Number of employees



- *Accruals to provisions for risks and charges*

Accruals of € 552 thousand rose by 225% and 264% on 2016 and pro forma 2016. They are mainly set aside to cover of the risk of claims related to the calculation of early settlements on contracts prior to the reform. The increase on the previous years is the result of the adjustment of the likelihood percentages, which were prudently revised, based on an increased stratification of the historical series related to events deemed probable.

- *Net impairment losses on tangible and intangible assets*

Depreciation of tangible assets, amounting to € 60 thousand, is substantially unchanged as there were no investments in tangible assets. Conversely, amortisation of intangible assets (€ 129 thousand) rose by 9% on 2016 as a result of investments in software to support core business.

Profit (loss) for the period

Item/Value	2017	2016	2016 Proforma
Profit (loss) on continuing operations before tax	**(1.397)**	**1.101**	**(2.725)**
Income taxes for the period on continuing	309	(431)	(473)
Profit (loss) on continuing operations after tax	**(1.087)**	**671**	**(3.198)**
Profit (Loss) for the period	**(1.087)**	**671**	**(3.198)**

The pre-tax loss for the period was affected by greater operating costs. This resulted in a net loss, in line with expectations, despite a positive tax rate (+22%) due to the recognition of deferred tax assets on losses.

E.3 – Financial position

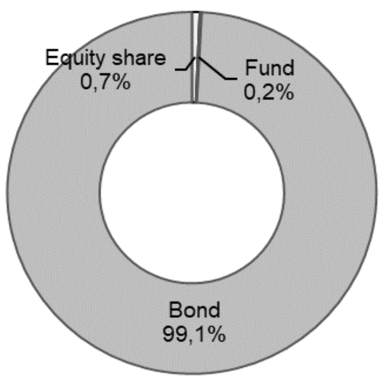
Securities portfolio (including those classified as loans and receivables)

Item/Value	2017	2016	2016 Proforma
Financial assets at fair value	35	-	35
Financial assets available for sale	19.752	130	5.723
Due from banks	904	900	900
Due from customers	7.846	5.177	6.206
Total	**28.537**	**6.207**	**12.864**

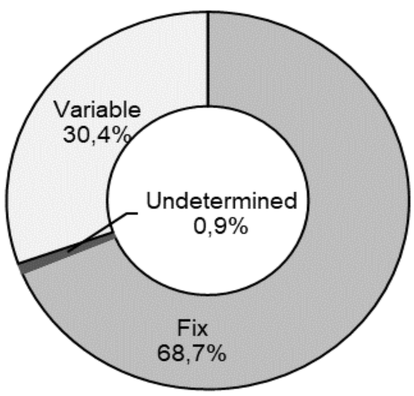
Securities of € 28,537 thousand rose by 360% and 122% on 2016 and the pro forma 2016, respectively. This is mainly due to the acquisition of government bonds in order to maintain adequate levels of liquidity through High Quality Liquid Assets (HQLA). Furthermore, ABSs also increased following the securitisation of performing salary-backed loans completed with Eridano SPV, as a consequence of the retention rules set out in securitisation regulations.

Specifically, the portfolio composition, described below, is focused on bonds with a high fair value level and balanced in terms of both interest rate and counterparty.

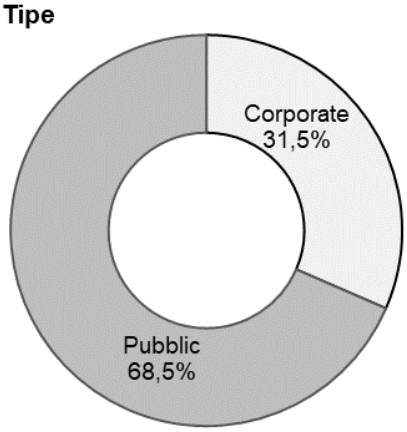
Nature



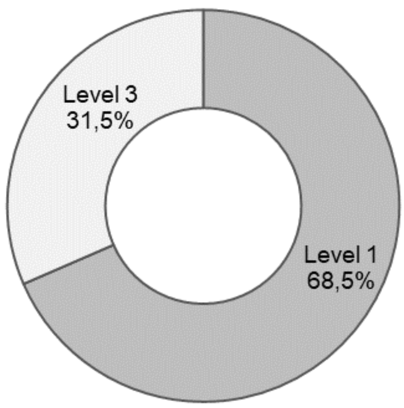
Rate



Tipe



Fair value hierarcy



Due from customers (excluding securities classified as receivables)

Item/Value	2017	2016	2016 Proforma
Performing	72.942	35.536	65.579
Non performing	32.882	19.985	33.435
Total	**105.824**	**55.521**	**99.014**

At 30 June 2017, amounts due from customers amounted to € 106 million. The increase on the pro forma 2016 is due to the recognition of greater salary-backed loans which include disbursements of approximately € 60 million (for additional information, reference should be made to paragraph “C – The commercial policy – Lending” herein) and sales of approximately € 46.7 (for additional information, reference should be made to paragraph “C – Securitisation transactions” and ” E - Sales” of the Notes). Furthermore, on 29 June 2017, additional loans and personal loans of approximately € 3 million were transferred (for additional information, reference should be made to paragraph “E - Sales” of the Notes).

Credit quality

	Item/Value	Gross exposure	Provision	Net exposure	Gross Incidence %	Net Incidence %	Coverage
2017	Performing	73.444	(502)	72.942	54,3	68,9	0,7
	Non performing	61.859	(28.977)	32.882	45,7	31,1	46,8
	- bad loan	41.995	(25.216)	16.779	31,0	15,9	60,0
	- unlikely to pay	13.664	(3.370)	10.293	10,1	9,7	24,7
	- past due	6.200	(390)	5.810	4,6	5,5	6,3
	Total	**135.303**	**(29.479)**	**105.824**	**100,0**	**100,0**	**21,8**
2016	Performing	35.781	(245)	35.536	53,8	64,0	0,7
	Non performing	30.683	(10.698)	19.985	46,2	36,0	34,9
	- bad loan	22.625	(10.092)	12.533	34,0	22,6	44,6
	- unlikely to pay	6.121	(528)	5.593	9,2	10,1	8,6
	- past due	1.937	(78)	1.859	2,9	3,3	4,0
	Total	**66.464**	**(10.943)**	**55.521**	**100,0**	**100,0**	**16,5**
2016 proforma	Performing	66.134	(555)	65.579	52,0	66,2	0,8
	Non performing	60.969	(27.534)	33.435	48,0	33,8	45,2
	- bad loan	42.640	(24.135)	18.505	33,5	18,7	56,6
	- unlikely to pay	13.464	(3.026)	10.438	10,6	10,5	22,5
	- past due	4.865	(373)	4.492	3,8	4,5	7,7
	Total	**127.103**	**(28.089)**	**99.014**	**100,0**	**100,0**	**22,1**

The impact of impaired loans remains high on a gross basis. However, it is considerably lower on a net basis. The bank is considering the best ways and time to improve this indicator in order to bring it into line with adequate thresholds in a reasonable period of time, compared to market conditions. Meanwhile, the portfolio's total coverage is in line with sector averages.

Portfolio runoff recovery

The collection of problem loans is centralised with the Collection & Litigation Department which maximises portfolio management efficiency by applying strategies that set collection priorities based on customers' risk levels and measures applied to individual positions.

In the first half of 2017, collection activities focused on managing the runoff banking portfolios, assisted by the Bank's Collection & Litigation Department and the Loans Department, specifically on the unsecured portfolio and careful calculation of the guarantees related to the contracts in place in order to minimise the expected risk through direct and indirect collection measures and out-of-court settlements.

Furthermore, the Company implemented adequate procedures to monitor and manage past due but unimpaired loans in order to limit and prevent their impairment.

Furthermore, the Collection & Litigation Department, assisted by the methodological support of the Risk Management Department, regularly controls and monitors portfolio large exposures in order to ensure full and timely control of all positions, regularly reporting on the results of said activities to Management and the Board of Directors, in addition to periodic discussions with the Credit Committee. The benchmark analysis is also discussed.

Core portfolio recovery (salary-backed loans)

With respect to the company's core product - the salary-backed loan portfolio, the related Department focuses on full management of insurance claims supporting loans (ensuring timely coordination with insurance companies) and management of the recovery, if any, of post-employment benefits. With respect to management of bankruptcy proceedings, the Department is assisted by external lawyers who supervise all the measures taken. This portfolio's risk indicators must be considered together with the without-recourse sale/securitisation transactions mentioned above involving commercial loans. However, at the reporting date, salary-backed loans amounted to approximately € 36.5 million, of which € 118 thousand (0.3%) were doubtful loans. The residual portion of impaired loans and receivables related to said product refers to claims and technical past due amounts, mainly related to loans and receivables previously acquired by Crediter from third-party operators. Finally, the collection of insurance claim-related amounts is close to 100% despite time latencies due to the complex nature of operations.

Investments in tangible and intangible assets

Item/Value	2017	2016	2016 Proforma
Tangible assets	318	174	339
Intangible assets	874	765	964
- with definite useful life	676	765	766
- goodwill	198	-	198
Total	**1.192**	**939**	**1.303**

Non-current assets are substantially unchanged, except for the recognition of goodwill arising from the merger in accordance with the partial goodwill method as set out in IFRS 3 (for additional information, reference should be made to part G of the Notes).

Taxation

Item/Value	2017	2016	2016 Proforma
Tax assets	**5.027**	**2.329**	**5.241**
a) current	**912**	**179**	**1.463**
- IRAP: advances	89	179	64
- IRES: credit	823	-	1.399
b) deferred	**4.115**	**2.150**	**3.778**
- IRAP: L.214/2011	222	92	230
- IRES: L.214/2011	2.645	1.546	2.775
- IRES: Tax losses	502	107	107
- IRES: ACE	68	68	68
- IRES: other	678	337	598
Tax liabilities	**-**	**(202)**	**(18)**
a) current	**-**	**(202)**	**-**
- IRAP: tax fund	-	(202)	
b) deferred	**-**	**-**	**(18)**
- IRES: other	-		(18)

Tax assets refer to the transfer of deferred tax assets pursuant to Law no. 214/2011 (on prior impairment losses on loans and receivables) to profit or loss and the recognition of deferred tax assets on the loss for the period. Conversely, tax liabilities refer to the payment of current IRAP (regional production tax).

Other assets

Item/Value	2017	2016	2016 Proforma
Other assets	**11.114**	**9.898**	**12.118**
Processing accounts	2.652	936	2.228
Advance on portfolios sold	4.241	6.665	6.665
Advances to suppliers, brokers and agents	1.835	1.329	1.338
Indirect tax receivables	954	401	847
Commercial receivables	746	291	468
Guarantee deposits	19	13	18
Improvements on third party assets	207	7	237
Other accruals and deferrals	335	197	258
Other	125	59	59

Other assets of € 11,114 thousand are down on the pro forma balance and are mainly affected by:
- processing accounts: in line with current trends, they substantially comprise items related to branch operations, SEPA transfers received on the last working day and claims being allocated to salary-backed loans applications;
- advances on portfolios sold: these are down by approximately € 2.4 million on December 2016. However, the decrease is deemed normal given the size of the portfolios managed by ViViBanca as agent and servicer;
- advances to suppliers, brokers and agents: these are up by € 506 thousand against commitments to the commercial network in view of the further development of business.

Net position with banks (excluding securities classified as loans and receivables)

Item/Value	2017	2016	2016 Proforma
Due from banks	**25.646**	**10.892**	**21.481**
Unbound interbanking	21.708	7.619	17.863
Bound interbanking	3.938	3.273	3.618
Due to banks	**(26.443)**	**(36.865)**	**(38.982)**
Unbound interbanking	(3.066)	(29.381)	(31.498)
Bound interbanking	(17.047)	-	-
Financing	(6.330)	(7.484)	(7.484)
Net position	**(797)**	**(25.973)**	**(17.501)**

The net position with banks is € (797) thousand and is down on 2016 and the pro forma 2016. The decreases are mainly due to the change in funding policies which mainly focused on customer funding.

Due to customers and securities issued

Item/Value	2017	2016	2016 Proforma
Due to customers	**(85.133)**	**(8.998)**	**(50.703)**
Current accounts	(35.795)	-	(31.584)
Demand deposits	(768)	-	(768)
Time deposit	(48.570)	-	(9.353)
Other debts	-	(8.998)	(8.998)
Securities issued	**(9.671)**	**-**	**(12.610)**
Securities of deposit	(3.778)	-	(6.867)
Bonds	(5.893)	-	(5.743)

Net of the decrease in certificates of deposit of approximately € 3 million, time deposits and current accounts rose considerably by roughly € 39 million and € 4 million, respectively. Time deposits are the prime product and offer significant advantages in terms of stability and ease of management compared to free funding. “Other debts”, comprised of loans to shareholders, were entirely repaid in the first quarter of 2017.

Provisions

Voci/Valori	2017	2016	2016 Proforma
Provision for severance indemnities	**(1.091)**	**(605)**	**(1.085)**
Provisions for risks and charges:	**(1.649)**	**(637)**	**(1.450)**
Legal causes	(13)	-	(13)
Escussion on collateral	(800)	-	(800)
Claim	(836)	(637)	(637)

Post-employment benefits are in line with the pro forma trends as the Bank's workforce is substantially unchanged. The provisions for risks accrued in prior years are unchanged, except for the accruals to the provision for claims which rose by approximately € 200 thousand, against an increasingly detailed historical statistic which entailed the adjustment of the company's forecasts.

Other liabilities

Item/Value	2017	2016	2016 Proforma
Other liabilities	**(22.886)**	**(22.448)**	**(24.825)**
Processing accounts	(9.185)	(3.793)	(5.651)
Collection to be reversed on portfolios sold	(4.966)	(10.924)	(10.924)
Indirect tax debts	(354)	(197)	(276)
Payables to staff	(395)	(77)	(220)
Debts to social security institutions	(262)	(293)	(293)
Debts to insurance	(828)	(410)	(410)
Debt to suppliers, brokers and agents	(4.029)	(3.396)	(3.683)
Other accruals and deferrals	(2.667)	(3.131)	(3.131)
Provision for risks on guarantees issued	(60)	(69)	(79)
Other	(140)	(158)	(158)

Other liabilities of € 22,886 thousand are down on the pro forma balance and are mainly affected by:

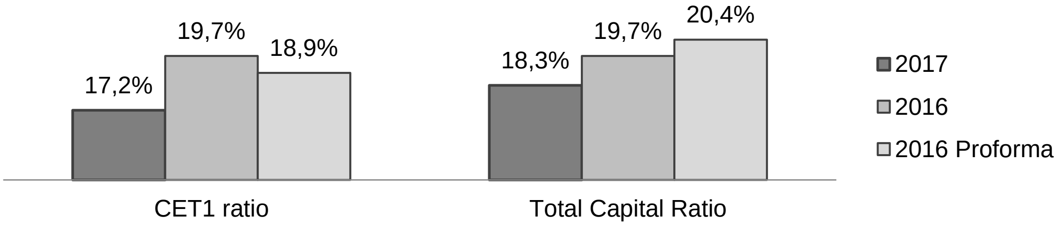
- processing accounts, up by approximately € 3.5 million, which essentially comprise SEPA transfers and disbursements related to salary-backed loans being debited, as well as collection management items (this is normal given the size of the portfolios managed by ViViBanca as agent and servicer) of roughly € 340 million);

- collections to be reversed on portfolios sold, down by approximately € 6 million, against payment of the fees received from transferred customers;
- advances to suppliers, brokers and agents, up by € 346 thousand and mainly related to the commitments to the commercial network in view of the further development of business;
- accrued expenses and deferred income not attributable to specific items, down by € 464 thousand. These mainly comprise deferred revenue related to early settlements of salary-backed loans.

Equity

Voci/Valori	2017	2016	2016 Proforma
Capital	(31.398)	(21.277)	(21.277)
Share premiums	-	(3.486)	(3.486)
Reserves	(430)	(1.965)	(8.040)
Valuation reserves	129	47	50
- Financial assets available for sale	34	47	86
- Actuarial profits (losses) on provisio for several indemnities	95	-	(36)
Profit (Loss) for the year (+/-)	1.087	(1.205)	2.975
Total	**(30.612)**	**(27.886)**	**(29.778)**

Equity is strengthened by the merger (for additional information, reference should be made to part G of the notes) and meets the existing regulatory obligations as shown by the graphs below.



F - Treasury shares

The company does not hold treasury shares or shares of its parents, including directly or through fiduciary companies.

G - Transactions with subsidiaries, associates, parents and companies under common control of parents

Reference should be made to Part H – Related party transactions of the Notes.

H - Research and development

Pursuant to article 2428 of the Italian Civil Code, it is noted that, during the period, the company did not carry out research or development activities.

I – Additional information on financial risks

In the first half of 2017, the company planned activities to implement adequate risk controls. The most significant projects include: the ICAAP (internal capital adequacy assessment process), the first Risk Appetite Framework, preparation of the Capital Recovery Plan, liquidity risk controls and updates to internal regulations.

ICAAP: a single report was submitted to the Regulator which includes the figures of Terfinance and Credito Salernitano at the reporting date (31 December 2016) as well as 2017 forward-looking figures, showing the expectations of the newco ViViBanca, assessing and measuring the risks of the new bank, in line with the strategic plan prepared as part of the proposed merger and estimating the absorption of forecast risks at 31 December 2017 for ICAAP purposes.

Capital Recovery Plan: it sets out the internal strategic, organisational and operating guidelines in order to react to a potential crisis, based on the relevant analyses/assumptions. The content of the Recovery Plan is in line with the requirements of the Supervisory Authority and is comprised as follows: Summary of the main elements, Managing the recovery plan in the bank's operating and risk models, Strategic analysis and identification of the indicators selected in the recovery plan with a description of stress scenarios, Communication plan and Preliminary actions.

Risk Appetite Framework: the company identified the areas most at risk in accordance with the principle of proportionality, with a framework adequate to risk coverage and the characteristics, operating, size and organisational issues. The explanation and the structure of the Risk Appetite Framework identify, within possible indicators, a limited number of variables which are particularly significant to support risk assumption and management and check the actual implementation of the defined strategic measures. The indicators and related adjustments are and should be considered as based on the following: mandatory ratio (Regulatory capital and SREP (*Supervisory Review and Evaluation Process)*), Financial planning (Activities and related subsequent revised budgets), comparative figures (mainly RSF **-** Required Stable Funding), portfolio Mix (corporate, retail, real estate, etc.).

Liquidity: the Company is strengthening its general liquidity in terms of management with funding mix measures, active management of collection due dates, definition of suitable technical forms, in addition to the feedback of typical control indicators (LCR – *Liquidity Coverage Ratio*, NSFR – *Net Stable Funding Ratio*). Furthermore, the rating application for the securitisation of salary-backed loans is now completed.

Policy: all risk policies are currently being updated. Specifically, the Finance and Credit regulations were updated during the period.

J - Events after the reporting date

As of 1 July, the branch in Salerno, Corso Vittorio Emanuele, was closed and relocated to Turin.

K - Outlook

Despite the costs related to the non-recurring transactions underway, profitability will be supported by the expected economies of scale and the decrease in the cost of funding which will consolidate by the end of the year.

The growth-in-size programme will be characterised and facilitated by the soundness of the company's capital base which intends to achieve a *Total Capital Ratio* close to 21% by the end of 2017**.**

*****

We would like to sincerely thank all those who collaborated with the Company: the Shareholders, the Supervisory Authority, the Board of Statutory Auditors, the Independent Auditors, the Trade Associations (ABI, Assofin, UFI and Assilea) and all external collaborators. As usual, our thanks also extend to the Company's Employees for their commitment, professionalism and loyalty.

Turin, 5 September 2017

The Chairman
On behalf of the Board of Directors

FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL POSITION

	Assets	30/06/2017	31/12/2016
10.	Cash and cash equivalents	143.367	3.076
30.	Financial assets at *fair value*	35.438	-
40.	Financial assets available for sale	19.751.641	130.920
60.	Due from banks	26.550.257	11.656.359
70.	Due from customers	113.670.821	59.202.043
100.	Equity investmets	-	6.009.856
110.	Tangible assets	318.016	174.125
120.	Intangible assets	874.093	764.826
	on which:		
	- goodwill	197.856	-
130.	Tax assets	5.027.110	2.329.629
	a) current	911.935	179.201
	b) deferred	4.115.175	2.150.428
	of which L.214/2011	2.866.920	1.638.001
140.	Other assets	11.114.013	9.897.904
	Total assets	**177.484.756**	**90.168.738**

	Liabilities and shareholders' equity	30/06/2017	31/12/2016
10.	Due to banks	26.443.030	29.391.707
20.	Due to customers	85.133.296	8.998.295
30.	Securities issued	9.670.891	-
80.	Tax liabilities	-	201.951
	a) current	-	201.951
	b) deferred	-	-
100.	Other liabilities	22.886.166	22.448.463
130.	Provision for severance indemnities	1.091.097	604.538
140.	Provisions for risks and charges:	1.648.585	637.415
	b) other provisions	1.648.585	637.415
150.	Valuation reserves	(128.578)	(46.552)
160.	Reserves	430.055	1.965.174
170.	Share premiums	-	3.485.893
180.	Capital	31.397.751	21.276.685
200.	Profit (Loss) for the year (+/-)	(1.087.535)	1.205.169
	Total liabilities and shareholders' equity	**177.484.756**	**90.168.738**

With respect to business combinations, as this is the case, under Bank of Italy's Circular no. 262, the prior year comparative figures included in the financial statements shall be those of the acquirer (2016 related to the "former Terfinance") in accordance with IFRS 3. For the purposes of comparability, the Report on Operations provides a uniform comparison of financial statements figures (pro forma 2016 obtained as the sum of former Terfinance and former Crediter).

INCOME STATEMENT

Items	30/06/2017	30/06/2016
Interest receivables and similar income	2.454.262	988.133
Interest payable and similar charges	(1.044.106)	(471.949)
Net interest income	**1.410.156**	**516.184**
Fee and commission income	2.494.663	1.616.924
Fee and commission expenses	(2.542.557)	(1.848.799)
Net fees	**(47.894)**	**(231.875)**
Net gains (losses) on trading activities	(110)	-
Net gains (losses) on hedging activities:	5.715.992	5.520.763
a) receivables	5.532.130	5.520.763
b) financial assets available for sale	183.863	-
d) financial liabilities	(0)	-
Net banking income	**7.078.144**	**5.805.072**
Net writedowns for impairment of:	(1.715.115)	(866.586)
a) receivables	(1.733.789)	(899.605)
d) other financial transactions	18.675	33.019
Net financial operating gains (losses)	**5.363.029**	**4.938.486**
Administrative expenses:	(5.982.429)	(3.465.299)
a) personnel expenses	(2.663.982)	(1.905.286)
b) other administrative expenses	(3.318.447)	(1.560.013)
Accruals to provisions for risks and charges	(551.617)	(169.670)
Net writedowns on tangible assets	(59.779)	(17.747)
Net writedowns on intangible assets	(128.526)	(117.614)
Other operating expenses/income	(37.606)	(66.748)
Operating costs	**(6.759.957)**	**(3.837.078)**
Profit (loss) from disposal of investments	-	-
Profit (loss) on continuing operations before tax	**(1.396.928)**	**1.101.408**
Income taxes for the period on continuing operations	309.392	(430.690)
Profit (loss) on continuing operations after tax	**(1.087.535)**	**670.718**
Profit (Loss) for the period	**(1.087.535)**	**670.718**

STATEMENT OF COMPREHENSIVE INCOME

Items	30/06/2017	30/06/2016
Profit (Loss) for the period	**(1.087.535)**	**670.718**
Other comprehensive income net of taxes without transfer to income statement	**52.566**	**-**
Defined benefit plans	52.566	
Other comprehensive income net of taxes with transfer to income statement	**(42.084)**	**-**
Financial assets available for sale	(42.084)	
Other comprehensive income, net of tax	**10.482**	**-**
Comprehensive income (Items 10 +130)	**(1.077.054)**	**670.718**

With respect to business combinations, as this is the case, under Bank of Italy's Circular no. 262, the prior year comparative figures included in the financial statements shall be those of the acquirer (2016 related to the “former Terfinance”) in accordance with IFRS 3. For the purposes of comparability, the Report on Operations provides a uniform comparison of financial statements figures (pro forma 2016 obtained as the sum of former Terfinance and former Crediter).

STATEMENT OF CHANGES IN EQUITY

2017

	Balances at 31/12/2016	Change to opening balances	Balances at 01/01/2017	Allocation of previous year's profit		Changes for the year						Comprehensive income 2017	Shareholders'equity at 31/12/2017
							Operations on shareholders' equity						
				Reserves	Dividends and other allocations	Changes in reserves	Issue of new shares	Purchase of treasury shares	Distribution of extraordinary dividends	Change in equity instruments	Other change		
Share capital	21.276.685		21.276.685				1.999.970				8.121.096		31.397.751
Share premiums	3.485.893		3.485.893								(3.485.893)		-
Reserves: a) from profits b) other	1.965.174		1.965.174	1.205.169							(2.740.289)		430.054
Valuation reserves	(46.552)		(46.552)								(92.508)	10.482	(128.578)
Equity instruments													
Treasury shares													
Profit (Loss) for the period	1.205.169		1.205.169	(1.205.169)								(1.087.535)	(1.087.535)
Shareholders' Equity	**27.886.369**		**27.886.369**	**-**	**-**		**1.999.970**				**1.802.407**	**(1.077.054)**	**30.611.692**

2016

	Balances at 31/12/2015	Change to opening balances	Balances at 01/01/2016	Allocation of previous year's profit		Changes for the year						Comprehensive income 2016	Shareholders'equity at 31/12/2016
							Operations on shareholders' equity						
				Reserves	Dividends and other allocations	Changes in reserves	Issue of new shares	Purchase of treasury shares	Distribution of extraordinary dividends	Change in equity instruments	Other change		
Share capital	21.276.685		21.276.685										21.276.685
Share premiums	3.485.893		3.485.893										3.485.893
Reserves: a) from profits b) other	1.571.167		1.571.167	394.007									1.965.174
Valuation reserves	(18.018)		(18.018)									(28.534)	(46.552)
Equity instruments													
Treasury shares													
Profit (Loss) for the period	1.096.138		1.096.138	(394.007)	(702.131)							1.205.169	1.205.169
Shareholders' Equity	**27.411.865**		**27.411.865**	**-**	**(702.131)**							**1.176.635**	**27.886.369**

STATEMENT OF CASH FLOWS

Direct method

A. OPERATING ACTIVITIES	Amount	
	30/06/2017	**30/06/2016**
1. Operations	***2.244.564***	***1.722.290***
- Interest income collected (+)	1.946.075	988.134
- Interest expense paid (-)	- 691.564	- 471.949
- Dividends and similar income		
- Net fees (+/-)	56.528	- 181.647
- Personnel expenses	- 2.793.072	- 1.905.286
- Other costs (-)	- 2.198.267	- 2.077.502
- Other revenues (+)	5.924.864	5.801.230
- Taxes and duties (-)	0	- 430.690
- Costs/revenues for asset groups held for sale and net of the tax effect (+/-)		
2. Cash generated (absorbed) by financial assets	***- 67.337.412***	***- 40.185.917***
- Financial assets held for trading		
- Financial assets held at *fair value*	- 35.438	
- Financial assets available for sale	- 19.620.721	- 75.929
- Due from banks	11.581.078	505.888
- Due from customers	- 55.694.381	- 41.432.069
- Other assets	- 3.567.951	816.193
3. Cash generated (absorbed) by financial liabilities	***81.708.456***	***45.298.043***
- Due to banks	- 3.198.959	17.544.509
- Due to customers	76.056.459	- 12.951
- Securities issued	9.647.173	
- Financial liabilities held for trading		
- Other liabilities	- 796.217	27.766.485
Net cash generated (used) by operating activities	***16.615.608***	***6.834.416***
B. INVESTMENT ACTIVITIES		
1. Cash generated by:	**-**	**-**
- Sales of equity investments		
- Dividends collected on equity investments		
- Sales/redemptions of financial assets held to maturity		
- Sales of tangible assets		
- Sales of intangible assets		
- Sales of subsidiaries and business units		
2. Cash (absorbed) by:	***- 76.398***	***- 101.028***
- Purchases of equity investments		
- Purchases of financial assets held to maturity		
- Purchases of tangible assets	- 37.931	- 22.336
- Purchases of intangible assets	- 38.467	- 78.692
- Sales of subsidiaries and business units		
Net cash generated (used) by investing activities	***- 76.398***	***- 101.028***
C. FUNDING ACTIVITIES		
- Issue/purchase of treasury shares	1.999.970	
- Issue/purchase of equity instruments		
- Distribution of dividends and other purposes		- 702.131
Net cash flow generated (used) by financing activities	***1.999.970***	***- 702.131***
NET CASH GENERATED (USED) IN THE PERIOD D=A+/-B+/-C	**18.539.180**	**6.031.257**

Reconciliation

	Amount	
	30/06/2017	**30/06/2016**
Cash and cash equivalents at start of year	3.312.819	3.752.847
Total net cash generated (used) in the period	18.539.180	6.031.257
Cash and cash equivalents at end of period	21.851.999	9.784.104

"Cash and cash equivalents" is the sum of the statement of financial position items "10. Cash and cash equivalents "and" 60. Loans and receivables with banks "(for only free current accounts).

NOTES TO THE FINANCIAL STATEMENTS

Part A – ACCOUNTING POLICIES

A.1 GENERAL PART

Section 1 – Statement of compliance with International Financial Reporting Standards

Pursuant to Legislative decree no. 38 of 28 February 2005, the half-year financial statements have been prepared in compliance with the IFRS issued by the *International Accounting Standards Board* (IASB) and related interpretations of the *International Financial Reporting Interpretations Committee* (IFRIC), endorsed by the European Commission with EC Regulation no. 1606 of 19 July 2002. The instructions issued by the Bank of Italy in its Circular no. 262 of 22 December 2015 (up to the 4th update dated 15 December 2015) have also been considered.

These financial statements also comply with the IFRS in force at the reporting date (including the SIC and IFRIC interpretations), as endorsed by the European Commission.

Section 2 - Basis of preparation

The financial statements comprise a Statement of Financial Position, an Income Statement, a Statement of Comprehensive Income, a Statement of Changes in Equity, a Statement of Cash Flows, prepared using the direct method, and these Notes. They are accompanied by a Report on Operations.

The general guidelines for presentation of financial statements (IAS 1) were applied without exceptions. They are as follows:
- accruals basis of accounting;
- going concern;
- understandability;
- materiality and aggregation;
- reliability of information (faithful representation, substance over form, prudence, neutrality and completeness);
- comparability.

The figures disclosed in the financial statements are consistent with the accounting records. The financial statements are prepared in Euros and the Notes and the Report on Operations in thousands of Euros (unless otherwise stated).

The accounting policies applied are consistent with those applied to the preparation of the previous financial statements, with corresponding figures. Furthermore, additional information is provided in order to supplement financial statements figures, even when not specifically required by regulations.

Comparability of figures with respect to the reverse merger

With respect to the above-mentioned merger of the acquirer Terfinance S.p.A., the reverse merger took place using different carrying amounts with retroactive application of the accounting and tax effects at 1 January 2017 to the merging company. Consequently, the financial statements effects of the transactions carried out by the merged company have been allocated as of this date, including the 2017 balances of the financial statements of the merged company in the accounting records of the merging company.

The integration and consolidation process took place as follows:
- the accounts of the merging companies were summed in order to obtain the first reference aggregate;
- in accordance with the principle of legal “confusion” between the merging company and the merged company, the statement of financial position and income statement infragroup balances at the date of the merger were eliminated;
- the merged company's shareholders’ equity items were eliminated against the issue of new shares (€ 27,380 thousand) based on the accounts at 30 June 2016 sworn by the independent appraiser appointed by the Salerno Court when determining the fairness of the exchange ratio;
- the merging company's shareholders' equity items were offset against the carrying amount of the merged company's equity investment, recognised at cost (€ 6,010 thousand).

- The profit (loss) for the period ended 30 June 2016 and on the date the merger became effective for accounting purposes of both the merging company and the merged company was allocated to a specific merger reserve.

With respect to business combinations, as this is the case, under Bank of Italy's Circular no. 262, the prior year comparative figures included in the financial statements shall be those of the acquirer (2016 related to the "former Terfinance") in accordance with IFRS 3. For the purposes of comparability, the Report on Operations provides a uniform comparison of financial statements figures (pro forma 2016 obtained as the sum of former Terfinance and former Crediter).

Financial statements

Statement of financial position and income statement
The statement of financial position and the income statement comprise items, sub-items and additional information. In the income statement, revenue is shown with no sign, while costs are shown in brackets.

Statement of comprehensive income
The statement of comprehensive income has been prepared in accordance with the Bank of Italy's instructions, based on the specific disclosures required by IAS 1.
The "profit (loss) for the period" shows the same amount reported in the same item of the income statement.
"Other comprehensive income, net of taxes" comprises changes in the assets recognised during the period against the valuation reserves (net of taxes).

Statement of changes in shareholders' equity
The statement of changes in shareholders' equity has been prepared in accordance with the Bank of Italy's instructions. It gives a breakdown of and changes in shareholders' equity items during the period/year, showing share capital, equity-related and income-related reserves and the profit (loss) for the period/year.

Statement of cash flows
The statement of cash flows for the current and prior period has been prepared using the indirect method, whereby cash flows from operations reflect the profit (loss) for the period adjusted of the effects of non-monetary transactions.
Cash flows are broken down into those from operating activities, investing activities and funding activities.
The cash inflows of the period are presented with no sign, while the cash outflows are preceded by the minus sign.

Notes to the financial statements
The notes to the financial statements comprise the information required by the Bank of Italy's Circular no. 262/2005 and the additional information required by IFRS.
In order to supplement Bank of Italy's financial statements formats, the headlines of the sections related to financial statements items with a nil balance for the period and the corresponding one are also provided.

Section 3 - Events after the reporting date

No events took place In the period between the reporting date and the date of approval of the financial statements by the Board of Directors on 28 July 2017 that would require modifications to be made to the financial statements or whose impact would require supplementing financial statements disclosure.

Going concern

In accordance with the information provided in document no. 4 of 3 March 2010, jointly issued by the Bank of Italy, Consob (the Italian Commission for Listed Companies and the Stock Exchange) and ISVAP (Italy's Institute for the Supervision of Insurance) on "Financial disclosure about impairment tests on the contractual clauses of financial liabilities, debt restructuring and fair value hierarchy", which makes reference to document no. 2, again jointly issued by the above three bodies, the company reasonable expects to continue operating as a going concern. Consequently, it prepared these financial statements on a going concern basis.

Additional disclosures about the main issues and variables affecting the market are provided in the Report on Operations.

Section 4 - Other aspects

Use of estimates and assumptions

In preparing these financial statements, management has made estimates and assumptions that may have significant effects on the reported amounts of assets, liabilities, income and expenses as well as the disclosures about contingent assets and liabilities. The preparation of estimates requires using the information available and the adoption of subjective valuations, also based on historical experience applied to formulate reasonable assumptions for the recognition of operations. Because of their nature, the estimates and assumptions used may change between periods. Consequently, it cannot be excluded that, in future periods, actual results may differ, also considerably, from these estimates following the change in the subjective valuations used.

The main aspects which require application of management's subjective valuations are:

- the calculation of impairment losses on receivables and, in general, other financial assets;
- the use of valuation models to recognise the fair value of financial instruments not listed on active markets;
- the calculation of provisions for risks and charges;
- estimates and assumptions about the recoverability of deferred tax assets.

Reclassifications

For the purposes of a presentation consistent with Circular no. 262, some financial statements items were reclassified. In order to comply with the principle of comparability, these changes led to the reclassification of the prior year financial statements balances, as shown below:

	Balance sheet	**31/12/2016 ante reclassification**	**Reclassification**	**31/12/2016 post reclassification**
	Assets			
60.	Due from banks	11.808.041	(151.682)	11.656.359,23
70.	Due from customers	60.331.390	(1.129.347)	59.202.042,90
130.	Tax assets a) current	488.974	(309.773)	179.201,21
140.	Other assets	8.307.102	1.590.802	9.897.903,66
	Liabilities			
10.	Due to banks	36.420.969	(7.029.262)	29.391.707
20.	Due to customers	13.060.726	(4.062.431)	8.998.295
80.	Tax laiabilities a) current	398.887	(196.936)	201.951
100.	Other liabilities	11.159.834	11.288.629	22.448.463

Statement of financial position items changed as follows:
- postal accounts: from “due from banks” to “due from customers”;
- trade receivables/payables not attributable to any specific technical form, since they are being processed: from “due from/to banks and due from/to customers” to “other assets/liabilities”;
- taxes other than IRES/IRAP: from “tax assets/liabilities *a)* current” to “other assets/liabilities”;

	Income statement	31/12/2016 ante reclassification	Reclassification	31/12/2016 post reclassification
30.	Fee and commission income	984.573	632.351	1.616.924
40.	Fee and commission expenses	(1.166.220)	(682.579)	(1.848.799)
130.	Net writedowns for impairment of: d) other financial transactions	-	33.019	33.019
150.	Administrative expenses: b) other administrative expenses	(1.755.795)	195.782	(1.560.013)
160.	Accruals to provisions for risks and charges	(16.605)	(153.065)	(169.670)
190.	Other operating expenses/income	(41.240)	(25.508)	(66.748)

Income statement items changed as follows:

- fee and commission income and expense related to the early settlement of salary-backed loans: in line with the financial statements at 31 December 2016 and in accordance with IAS 39, the company decided to match the presentation of revenue/expense from this event through specific reclassifications based on the balance of the above two items and through the transfer of some items from "Other operating income" to "Fee and commission income";
- collection fees: from "Administrative expenses b) other administrative expenses" to "Fee and commission expense";
- use of the provision for claims: from "Net accruals to provisions for risks and charges" to "Other operating expense" in order to match the item to the cost incurred during the year as recognised in the 2016 financial statements.

A.2 ACCOUNTING POLICIES

The main accounting policies applied to the preparation of these half-year financial statements are described below. They are described in terms of classification, recognition, measurement and derecognition of asset and liability items, as well as the recognition of revenue and expense.

1 – Financial assets held for trading

Not present.

2 - Financial assets available for sale

Classification

This category includes financial assets that are not classified as Held for trading, Held to maturity, Financial assets at fair value nor Loans and receivables. Specifically, this item includes debt instruments not held for trading and that are not classified as Financial assets held to maturity or Financial assets at fair value or Loans and receivables.

Recognition

Financial assets available for sale are initially recognised at the settlement date of the instruments (both debt and equity instruments) or at the disbursement (other financial assets not classified as loans and receivables). They are initially recognised at fair value, which equals cost, including transaction costs or revenue. Where allowed by the IFRS, if the recognition follows the reclassification from financial assets held to maturity, the carrying amount would be equal to the fair value upon transfer.

Measurement

Financial assets available for sale are subsequently measured at fair value, taking the corresponding amount at amortised cost in profit or loss. Conversely, fair value gains (losses) are recognised in a specific equity reserve until the financial asset is derecognised or impaired. Upon partial or total derecognition or when an impairment loss is recognised, cumulative gains or losses are reversed through profit or loss.
Fair value is calculated using valuation estimates and models, based on market data.
Financial assets available for sale are tested for impairment whenever there are objective indications that their carrying amount has decreased. When this evidence exists, the amount of the loss is measured as the difference between the carrying amount and fair value of the asset.
When the reasons for the impairment loss cease to exist following an event which occurred after the impairment loss was recognised, the reversal of the impairment loss is taken to profit or loss. However, the reversal of the impairment loss shall never exceed the amortised cost that the asset would have had had no impairment loss been recognised.

Derecognition

These financial assets are derecognised only when substantially all the risks and rewards of ownership of the asset are transferred. Conversely, if a significant portion of the risks and rewards associated with the asset sold is retained, the asset continues to be recognised even though legal title has been transferred.
When it is not possible to verify the substantial transfer of the risks and rewards, the assets are derecognised when no control thereover is retained. If even a portion of control is retained, the asset continues to be recognised in line with the company's continuing involvement, measured by exposure to changes in the value of the assets transferred and to changes in the related cash flows.
Finally, financial assets transferred are derecognised when the company retains the contractual rights to receive the related cash flows, with the concurrent obligation to pay them to a third party.

3 – Financial assets held to maturity

Classification

This category includes debt instruments with fixed or determinable payments and fixed maturities that the company has the ability and intention to hold to maturity.

Recognition

Financial assets held to maturity are initially recognised at the settlement date. They are initially recognised at fair value, including any direct costs or revenue.

Measurement

After initial recognition, financial assets held to maturity are measured at amortised cost using the effective interest method.
Gains or losses on financial assets held to maturity are recognised in profit or loss when the assets are derecognised or impaired as well as through the amortisation of the difference between the carrying amount and the amount repayable at maturity. They are tested for impairment to determine whether there is objective evidence that their carrying amount has decreased. When this evidence exists, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the asset's original effective interest rate. Impairment losses are recognised in profit or loss. When the reasons for the impairment loss cease to exist following an event which occurred after the impairment loss was recognised, the reversal of the impairment loss is taken to profit or loss. However, the reversal of the impairment loss shall never exceed the amortised cost that the asset would have had had no impairment loss been recognised.

Derecognition

These financial assets are derecognised only when substantially all the risks and rewards of ownership of the asset are transferred. Conversely, if a significant portion of the risks and rewards associated with the asset sold is retained, the asset continues to be recognised even though legal title has been transferred. When it is not possible to verify the substantial transfer of the risks and rewards, the assets are derecognised when no control thereover is retained. If even a portion of control is retained, the asset continues to be recognised in line with the company's continuing involvement, measured by the exposure to changes in the value of the assets transferred and to changes in the related cash flows. Finally, financial assets transferred are derecognised when the company retains the contractual rights to receive the related cash flows, with the concurrent obligation to pay them to a third party.

4 - Receivables

Classification

Receivables include amounts due from banks and customers, both disbursed directly and acquired from third parties, with fixed or determinable payments that are not listed on an active market and are not initially recognised as Financial assets available for sale. This category includes trade receivables, loans, lease receivables, salary-backed loans and payment delegation loans.

Recognition

Receivables are initially recognised at the disbursement date based on the financial instrument's fair value which equals
the amount disbursed, including transaction costs or revenue attributable to the individual receivable and determinable from the transaction start date, even when they are disbursed subsequently.

Measurement

After initial recognition, receivables are recognised at amortised cost, that is, they are measured at initial recognition minus/plus principal repayments, impairment losses/reversals of impairment losses and amortisation – calculated using the effective interest method – of the difference between the amount disbursed and the amount at maturity, usually related to costs or revenue directly attributable to the individual receivable. The effective interest rate is the rate that exactly discounts estimated future payments (principal and interest) to the amount disbursed, including directly attributable transaction costs or revenue. Under this accounting policy, which is based on a financial logic, the economic effect of costs/revenue is allocated over the expected residual life of the receivable.
Loans and receivables are tested for impairment at each annual or interim reporting date to determine whether there is objective evidence of impairment due to events subsequent to initial recognition. This includes the receivables which are classified as "impaired" under the Bank of Italy's regulations. Impaired receivables are tested for impairment individually and the amount of the impairment loss is equal to the difference between their carrying amount at the measurement date (amortised cost) and the present value of the estimated future cash flows, calculated using the original effective interest rate. Impairment losses are recognised in profit or loss. Impairment losses are reversed in subsequent years when the reasons for the impairment cease to exist, provided that this is objectively related to an event which took place after the impairment loss was recognised. Reversals of impairment losses are recognised in profit or loss. Where no objective indicators of impairment are identified for receivables on a single basis, i.e. performing loans, are tested for impairment and impairment losses are recognised where necessary. They are tested collectively by similar credit risk characteristics and the loss rates are estimated based on historical series, considering elements observable at the measurement date, which estimate the impairment loss of each category of receivables. Collectively-determined impairment losses are recognised in profit or loss.
After initial recognition, receivables are recognised at amortised cost, that is, they are measured at initial recognition minus/plus principal repayments, impairment losses/reversals of impairment losses and amortisation – calculated using the effective interest method – of the difference between the amount disbursed and the amount at maturity, usually related to costs or revenue directly attributable to the individual receivable. The effective interest rate is the rate that exactly discounts estimated future payments (principal and interest) to the amount disbursed, including directly attributable transaction costs or revenue. Under this accounting

policy, which is based on a financial logic, the economic effect of costs/revenue is allocated over the expected residual life of the receivable.

Derecognition

Receivables are derecognised when their impairment losses lead to the zeroing of the corresponding fair value and if, and only if, substantially all the risks and rewards of ownership of the assets are transferred. This is the case of without-recourse transfers of impaired positions whose economic effects are recognised in the income statement item gains (losses) from the sale or repurchase of receivables. Conversely, if the risks and rewards associated with the transferred assets are retained, the receivable continues to be recognised, even though legal title has been transferred. Derecognition takes place also upon expiry of the contractual rights or when the receivable is deemed definitively irrecoverable.

5 – Financial assets at fair value through profit or loss

Classification

Under the IFRS endorsed by the European Commission, any financial assets designated as such upon acquisition can be classified under this category in accordance with the provisions of applicable regulations.

Recognition

Financial assets are initially measured at fair value, net of transaction revenue/costs.

Measurement

They are subsequently measured at fair value. The effects of the application of this accounting policy are taken to profit or loss.

Derecognition

These financial assets are derecognised only when substantially all the risks and rewards of ownership of the asset are transferred. Conversely, if a significant portion of the risks and rewards associated with the asset sold is retained, the asset continues to be recognised even though legal title has been transferred. When it is not possible to verify the substantial transfer of the risks and rewards, the assets are derecognised when no control thereover is retained. If even a portion of control is retained, the asset continues to be recognised in line with the company's continuing involvement, measured by the exposure to changes in the value of the assets transferred and to changes in the related cash flows. Finally, financial assets transferred are derecognised when the company retains the contractual rights to receive the related cash flows, with the concurrent obligation to pay them to a third party.

6 - Hedging

Not present.

7 - Equity investments

Not present.

8 - Tangible assets

Classification

Tangible assets comprise owned vehicles, furnitures and fittings and any type of equipment. These assets are held for use in production or to supply goods and services or for administrative purposes which will be used over more than one period.
Recognition

They are initially recognised at cost, including directly related charges and the costs incurred to bring the asset to working conditions.

Measurement

Tangible assets are measured at cost, net of accumulated depreciation and any impairment losses. They are depreciated systematically over their useful lives, based on the date they are put into operation. Impairment losses are recognised in profit or loss.

Derecognition

An asset is derecognised when divested or when it is no longer used and its disposal is not expected to generate future benefits.

9 - Intangible assets

Classification

Intangible assets comprise identifiable non-monetary assets without physical substance which can be used over several years (mainly software). They are recognised as such when they are identifiable and arise from contractual or legal rights.

Recognition

Intangible assets are recognised at cost, including directly related charges only when it is probable that the future economic benefits of the asset will materialise and its cost can be determined reliably. Otherwise, the cost of the asset is recognised in profit or loss when incurred.

Measurement
Intangible assets (classified as assets with finite lives) are amortised on a straight-line basis over their useful lives.
At the each annual or interim reporting date, when there is evidence of impairment, the asset's recoverable amount is estimated along with any impairment loss (equal to the difference between the carrying amount of the asset and its recoverable amount). Impairment losses/reversals of impairment losses are recognised under Assets with a balancing entry in profit or loss.

Derecognition

Intangible assets are derecognised upon their disposal or when no future benefits are expected therefrom.

10 - Non-current assets classified as held for sale

Not present.

11 - Current and deferred taxes

Classification

Current and deferred taxes are broken down according to a time-based criterion.

Recognition

Current and deferred taxes are recognised in the year the items that generated them are allocated, regardless of the year in which they will have a financial impact. Current tax assets and liabilities include those tax assets and liabilities which, in accordance with the law, pertain to events which occurred during the year. When they pertain to facts or elements which will have a financial effect in subsequent years, they are recognised under deferred tax assets or deferred tax liabilities. The impact of current and deferred taxes is recognised using tax rates currently in force. Income taxes are provided for based on a prudent estimate of the current and deferred tax charge. Specifically, deferred tax assets and liabilities are calculated considering the temporary differences (without time limits) between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets related to deductible temporary differences or future tax benefits from the carry-forward of tax losses are recognised to the extent that their recovery is probable.

Measurement

Deferred tax assets and liabilities are measured systematically to reflect any changes in legislation or tax rates.

Derecognition

Current tax assets and liabilities are derecognised when the tax obligation to which they refer has been met. Deferred tax assets and liabilities are derecognised in the year the elements to which they refer form part of the tax base.

12 - Provisions for risks and charges

Classification

Provisions for risks and charges comprise accruals related to present obligations as a result of a past event and for which it is probable that an outflow of resources embodying economic benefits will be required to settle the obligations, provided that a reliable estimate of the amount can be made.

Recognition

Provisions are recognised whenever the above conditions are met.

Measurement

The obligation is estimated by the company by calculating the amount due based on contractual obligations, past behaviour and the most likely outcome of any disputes and, where necessary, based on estimates, including actuarial ones. Where the time factor is significant, provisions are discounted using current market rates.

Derecognition

Provisions for risks and charges are derecognised when the relevant obligation is met in whole or in part and when the obligation cease to exist.

13 – Payables and securities issued

Classification

Due to banks, due to customers and securities issued include the characteristic types of interbank and customer funding.

Recognition

These financial liabilities are initially recognised when the amounts are received or the debt instruments are issued. They are initially recognised at fair value, which is normally equal to the consideration received or the issue price, plus any additional costs or revenue directly attributable to the individual transaction and not reimbursed by the creditor.

Measurement

Subsequent to initial recognition, financial liabilities are measured at amortised cost using the effective interest method. Conversely, current financial liabilities continue to be measured at the consideration received as the effect of the time factor would be negligible.

Derecognition

Financial liabilities are derecognised when they expire or are extinguished. They are also derecognised when previously issued securities are repurchased.

14 - Financial liabilities held for trading

Not present.

15 - Financial liabilities at fair value through profit or loss

Not present.

16. Foreign currency transactions

Classification

Foreign currency transactions comprise all assets and liabilities expressed in currencies other than the Euro.

Recognition

They are initially recognised in the functional currency, applying the exchange rate ruling at the date of the transaction.
At each annual or interim reporting date, foreign currency items are translated as follows:
- monetary items are translated using the closing rates;
- non-monetary items measured at historical cost are translated using the transaction date exchange rates;
- non-monetary items measured at fair value are translated using the closing rates.

Exchange rate differences arising from the settlement of monetary items or from the translation of monetary items at exchange rates other than at the initial recognition translation rate or the prior closing rate are recognised in profit or loss.

Derecognition

Derecognition follows the policies described in respect of the corresponding financial statements captions, using the exchange rate at the settlement date.

17 - Other information

Leasehold improvements

The costs incurred to restructure buildings not owned by the company are capitalised since, throughout the term of the lease, the company controls the assets and may derive benefits therefrom. These costs are classified under other assets and amortised over not more than the lease term.

Prepayments and accrued income, accrued expenses and deferred income

These items comprise income and expense pertaining to the period and accrued on assets and liabilities. They are recognised as an adjustment to the assets and liabilities to which they refer.

Treasury shares

The company has no treasury shares to be recognised against shareholders' equity.

Severance indemnities

Severance indemnities are recognised at their actuarial value. This value is determined using the projected unit credit method, whereby future payments are projected using historical series analyses and demographical trends and discounted using a market rate. The contributions paid each year are considered as individual units and are recognised and measured separately in order to calculate the final obligation.

Severance indemnities comprise interest costs (i.e., the change in the present value based on the actuarial estimate at the previous reporting date when approaching the estimated repayment date) and service costs (which comprise greater costs mainly due to the increase in wages and salaries and in workforce). They are recognised in profit or loss under “Personnel expense”, except for actuarial gains (losses) (equal to the difference in the present value due to changed macro-economic scenarios or estimated interest rates) which are taken directly to shareholders' equity.

Accruals for guarantees given and commitments

Analytical and collective accruals related to the estimated possible outflows related to the credit risk inherent in guarantees and commitments and calculated using the same policies described in respect of loans and receivables, are recognised under Other liabilities, in accordance with Bank of Italy's instructions.

Additional information about the recognition of costs and revenue

Costs and revenue are recognised when paid/received or when it is probable that fairly determinable future risks/rewards will be received. The effects of transactions and other events are recognised when these take place, instead of when the related amount is received or paid. They are reported in the accounting ledgers and recognised in the financial statements of the years to which they refer on an accruals basis.

Amortised cost calculation

The amortised cost of a financial asset or a financial liability is the amount at which the asset was measured at initial recognition, net of principal repayments, plus or minus total amortisation – calculated using the effective interest method – of the difference between the amount disbursed and the amount at maturity, net of impairment losses.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts to the amount disbursed until maturity or the subsequent price recalculation date. The present value is calculated by applying the effective interest rate to future cash payments or receipts over the entire useful life of the financial asset or liability - or for a shorter period of time under some circumstances (e.g., the revision of market rates).

Subsequent to initial recognition, the amortised cost allocates recurring income and expense (excluding preliminary investigation fees or stamp duties) as a decrease or increase in the instrument over its entire estimated useful life using the amortisation process.

A.3 TRANSFERS BETWEEN FINANCIAL ASSET PORTFOLIOS

A.3.1 Reclassified financial assets: carrying amount, fair value and effect on comprehensive income

No financial assets were reclassified out of one portfolio into another during the period.

A.3.2 Reclassified financial assets: effect on comprehensive income prior to the transfer

No financial assets were reclassified out of one portfolio into another during the period.

A.3.3 Transfer of financial assets held for trading

No financial assets were reclassified out of one portfolio into another during the period.

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

No financial assets were reclassified out of one portfolio into another during the period.

A.4 FAIR VALUE DISCLOSURE

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In accordance with IFRS 13, fair value calculation was adjusted to each asset or liability category. Consequently, fair value measurement considers the characteristics of assets and liabilities. These include, inter alia, the asset's conditions and position and any restrictions on its use or sale. Fair value measurement assumes that the sale and/or transfer of assets/liabilities takes place in the principal market of the asset/liability or, when no market exists, the most advantageous market.

Qualitative disclosure

A.4.1 Fair value levels 2 and 3: valuation techniques and inputs used

The valuation techniques used were adjusted to the specific characteristics of the assets and liabilities measured. Inputs were selected with a view to maximising the use of those directly observable on the market, minimising the use of internal estimates. The Company used the following methods:

- market approach: the company uses prices and other relevant information generated by market transactions involving identical or comparable assets.
- income approach: the company converts future amounts (cash flows or income and expenses) into a single current (discounted) amount, reflecting current market expectations about those future amounts. This method includes the so-called Net present value calculation methodologies. With respect to the impact of Credit Value Adjustment on fair value calculation, the counterparty risk of the due-from-customers portfolio is included in the portfolio impairment.

A.4.2 Valuation processes and sensitivity

The method used to calculate the fair value of individual financial statements items is as follows.

With respect to statement of financial position assets:

- Due from banks:
    - Free: fair value is equal to the carrying amount;
    - Tied: fair value is calculated by discounting estimated cash flows using the risk-free curve.
- Banking book: fair value is calculated based on the measurement of financial instruments on the active market or, when no active market exists, that of similar activities. When comparability is not possible, the fair value of equity instruments measured at cost is deemed equal to the carrying amount;

- Due from customers:
    - other than real estate (performing): fair value is calculated by discounting expected cash flows, net of impairment losses, using the risk-free curve. Unlike the salary-backed loan portfolio and payment delegation loans (currently focused on continuous transfers in a relatively short period of time), the market's value exceeds the carrying amount. Consequently, it was used as the reference rate which best represents the average transfer differential of the last quarter.
    - other than real estate (non-performing): fair value is calculated using market estimates based on an active market being defined for the frequent transfer of NPLs. According to the company, compared to the "cost approach", the exposure of these amounts using the “market approach” is more consistent and transparent, also considering the potential sale of these items.
    - real estate: the fair vale of real estate receivables (leases and mortgage loans) is based on the sale price determined by independent experts during the annual revision of collateral (covering the entire real estate portfolio)

With respect to statement of financial position liabilities:

- Due to banks
    - Free: fair value is equal to the carrying amount;
    - Tied: fair value is calculated by discounting estimated cash flows using the risk-free curve.
- Securities issued: fair value is calculated by discounting estimated cash flows using the risk-free curve, increased by a spread of internal counterparty risk.
- Due to customers:
    - Free: fair value is equal to the carrying amount;
    - Tied: fair value is calculated by discounting estimated cash flows using the risk-free curve.

A.4.3 Fair value hierarchy

With a view to increasing the consistency and comparability of fair value determination, IFRS 13 establishes a fair value hierarchy depending on the valuation technique inputs used. The hierarchy privileges the use of prices listed on active markets related to identical assets and/or liabilities rather than the use of inputs which cannot be observed directly on the market. Specifically:

- Level 1: fair value can be observed directly on the active markets to which the entity can access on the date the fair value of identical or comparable assets or liabilities can be determined.
- Level 2: fair value is calculated internally based on directly observable inputs.
- Level 3: fair value is calculated internally based on indirectly observable inputs.

A.4.4 Other disclosures

No additional disclosure is to be provided pursuant to IFRS 13.51-93.i) and 96.

Quantitative disclosure

A.4.5 Fair value hierarchy

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

	30/06/2017			31/12/2016		
Assets / liabilities measured at *fair value*	**L1**	**L2**	**L3**	**L1**	**L2**	**L3**
1. Financial assets held for trading						
2. Financial assets at *fair value*			35			
3. Financial assets available for sale	19.542		210			130
4. Hedging derivatives						
5. Tangible assets						
6. Intangible assets						
Total	**19.542**		**245**			**130**
1. Financial liabilities held for trading						
2. Financial liabilities at *fair value*						
3. Hedging derivatives						
Total						

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

At the reporting date, no assets and liabilities were transferred out of/to different fair value levels.

A.4.5.4 Assets and liabilities not measured at FV or measured at fair value on a non-recurring basis: breakdown by fair value level

Assets/liabilities not measured at *fair value* or measured at *fair value* on a non recurring basis	30/06/2017				31/12/2016			
	BV	**L1**	**L2**	**L3**	**BV**	**L1**	**L2**	**L3**
1. Financial assets held to maturity								
2. Due from banks	26.550			26.550	11.656			11.618
3. Due from customers	113.671			108.207	59.202			55.513
3. Tangible assets held for investment								
4. Non-current assets and asset groups held for sale								
Total	**140.221**			**134.757**	**70.858**			**67.131**
1. Due to banks	26.443			26.338	29.392			29.376
2. Due to customers	85.133			83.961	8.998			8.998
3. Securities issued	9.671			9.428				
4. Liabilities associated with assets held for sale								
Total	**121.247**			**119.726**	**38.390**			**38.374**

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

At the reporting date, no assets and liabilities were transferred out of/to different fair value levels.

A.5 "DAY ONE PROFIT/LOSS" DISCLOSURE

The company has no financial instruments which meet the provisions of IFRS 7.28.

Part E – INFORMATION ON RISKS AND RELATED HEDGING POLICIES

SECTION 1 – CREDIT RISK

C. Securitisations

ERIDANO SPV (Operation Code 1091)

Qualitative disclosure

In May 2016, the company completed the securitisation of its performing salary- and pension-backed loans (all secured by collateral). The transaction was structured and coordinated by Banque Natixis as the arranger and ViViBanca (formerly Terfinance) as the originator, which monthly transfers against consideration the loans and receivables portfolio under specific eligibility requirements up to a maximum transferable outstanding amount of Euro 250 million, over a ramp-up period of 19 months (up to November 2017).

Transfers are made to Eridano SPV (a vehicle set up pursuant to Law no. 130/99 on securitisation), with registered office in Milan, Via Alessandro Pestalozza 12/14. In order to finance the purchase of loans and receivables transferred by Terfinance, Eridano SPV issues partly-paid asset-backed securities (*ABS*) broken down into two classes:

- *Senior notes* (Class A *ABS*), equal to 87% of the outstanding amount transferred, at an indexed fixed rate (parameter: Eur1m with -10 bps + 125 bps floor), nominal amount € 200 million, subscribed by Banque Natixis to the extent of the portion in excess of the vertical slice*;*
- *Junior notes* (Class J *ABS*), equal to 13% of the outstanding amount transferred, plus technical reserves, at floating rate, nominal amount € 65 million, initially fully subscribed by ViViBanca (formerly Terfinance) and, as of 30 June 2016, by part of third-party investors to the extent of the portion in excess of the vertical slice.

The parties

Originator	ViViBanca S.p.A., formerly Terfinance S.p.A.
Arranger	Banque Natixis S.A.
Servicer	ViViBanca S.p.A., formerly Terfinance S.p.A.
Corporate Servicer	Zenith Service S.p.A.
Structuring Advisor	Zenith Service S.p.A.
Back Up Servicer	Zenith Service S.p.A.
Representative of the Noteholders	Zenith Service S.p.A.
Calculation Agent	Zenith Service S.p.A.
Account Bank	BNP Securities Services S.A.
Paying Agent	BNP Securities Services S.A.

Value of the receivables

Gross securitised receivables amount to € 126 million at 30 June 2017.

The transfers of the year took place on the following dates:

Counterpart	Number of contracts	Oustanding Principal	Date
Eridano SPV	951	21.050	12/05/2016
Eridano SPV	940	21.366	14/06/2016
Total	**1.891**	**42.416**	

At 30 June 2017, the performing portfolio transferred does not include impaired receivables. From a qualitative point of view, given the nature of the underlying, the portfolio shows:

- high granularity:

Range (Euro)	Number of contracts	Oustanding Principal	Average Oustanding Principal
< 15.000	1.436	15.983	11,1
15.000 - 25.000	2.662	54.375	20,4
25.000 - 35.000	1.526	43.983	28,8
35.000 - 45.000	200	7.627	38,1
> 45000	67	3.589	53,6
Total	**5.891**	**125.557**	**21,3**

- an overall exposure to households only (salary-backed loans/payment delegation loans)

- an overall exposure to Italian residents' only.

Conuntry	Number of contracts	Oustanding Principal	Average Oustanding Principal
Abruzzo	354	6.860	19,4
Basilicata	21	501	23,9
Calabria	137	3.097	22,6
Campania	432	9.665	22,4
Emilia Romagna	274	5.971	21,8
Friuli Venezia Giulia	30	669	22,3
Lazio	902	20.980	23,3
Liguria	37	794	21,5
Lombardia	947	19.835	20,9
Marche	126	2.701	21,4
Molise	17	404	23,7
Piemonte	717	13.978	19,5
Puglia	678	14.161	20,9
Sardegna	90	1.938	21,5
Sicilia	704	14.916	21,2
Toscana	167	3.499	21,0
Trentino Alto Adige	22	530	24,1
Umbria	74	1.545	20,9
Valle d'Aosta	14	305	21,8
Veneto	148	3.207	21,7
Total	**5.891**	**125.557**	**21,3**

Risks and rewards

On 30 June 2016, ViViBanca (formerly Terfinance) transferred all its junior notes, in excess of the vertical slice, i.e., an amount equal to 5% of each class of securities defined in accordance with the retention rule established by CRR legislation, by derecognising the receivables transferred to the vehicle. The transfer of the significant risks and rewards arising from the transaction was sworn as per the specific technical report approved by the Board of Directors and supported by the report of a specialised company (KPMG).

Quantitative disclosure

Securities

Class	ISIN	Nominal value	Book Value	Rating	Issue date	Expire date
A	IT0005188427	104.016	104.016	Aa2 Moody's / A (High) DBRS	31/05/2016	31/12/2032
J	IT0005188682	30.523	30.523	NO	31/05/2016	31/12/2032

ViViBanca holds a net interest in the transaction equal to 5.051% in accordance with the above-mentioned retention rule.

The activities to assign a rating to class A notes (Senior Notes), entirely subscribed by Natixis, were completed, except for the retention rule. Moody's and DBRS assigned an Aa2 and A (high) rating, respectively. These ratings are particularly good as they both place the ratings of both companies at the highest levels achieved in Italy in relation to salary-backed loans securitisation, also considering that this is the first transaction for ViViBanca, with average amounts and a ramp-up period of 19 months.

Interests in the SVP

The company has no interests in the vehicle.

Servicing

Fee and commission income accrued in respect of this service amounts to € 124 thousand.

As part of the transaction, the originator, in its role as the servicer, manages the collection and recovery of the receivables transferred in the name and on behalf of the SPV, in addition to periodically providing the SPV with information about the portfolio, necessary to enable the parties to the transaction to carry out monitoring activities.

This enables ViViBanca to carry out direct relationships with its customers, transferring the collection of interest and principal to the accounts held in the name of the SPV with the custodian bank (*BNP Paribas*).

E. Transfers

Quantitative disclosure

In 2017, the company transferred without recourse performing loans above par (to Banca Alpi Marittime) and at par (to Battipaglia BCC), based on the underlying transferred.

Counterpart	Number of contracts	Oustanding Principal	Date	Tipe of loans
Banca Alpi Marittime	187	4.385	19/05/2017	Cessione del quinto
BCC di Battipglia	38	2.959	29/06/2017	Mutui e Prestiti Personali
Total	**225**	**7.344**		

F. Credit risk measurement models

In accordance with IFRS, the company periodically measures the expected losses through adequate measurement of its assets. Specifically, with respect to the due from customers portfolio, it carries out analytical assessments of non-performing positions (considering also any eligible guarantees, focused, in particular, on real estate collateral, with the related appraisal being updated annually by an independent expert) and collectively analyses performing positions.

Furthermore, the supervisory capital requirement vis-à-vis the credit risk is calculated using the standard method.

Assets are broken down below based on the legislation applied:

	Non-weighted amounts	Weighted amounts	Requirements (8%)
Central governments and central banks	25.556	4.444	355
Regional administrations or local authorities	6	1	0
Public sector bodies	1	0	0
Banks	26.671	5.205	416
Companies	10.618	10.491	839
Retail	64.690	42.224	3.378
Exposures secured by real estate	17.782	5.987	479
Default	33.670	37.198	2.976
Funds instruments	51	51	4
Equity instruments	196	196	16
Securitisation	6.796	23.820	1.906
Other exposures	23.501	16.166	1.293
Total	**209.537**	**145.782**	**11.663**

SECTION 4 – OPERATIONAL RISK

Quantitative disclosure

The supervisory capital requirement vis-à-vis the operational risk is calculated using the Basic Indicator Approach (BIA), whereby the regulatory weighting factor is applied to the relevant indicator, calculated as the three-year average of the volume of the company operations.

Due to the above merger, the company avoided biased estimates of the requirement by modifying the calculation, thereby adding the indicators of the companies involved (merging company and merged company) year after year, in order to reflect said circumstances.

Year	Relevant indicator	Average	Weighting factor	Requirements
T	14.441			
T-1	13.290	13.184	15%	1.978
T-2	11.822			

Part F – INFORMATION ON EQUITY

Section 1 – Equity

A. Qualitative disclosure

Equity management is aimed at identifying and maintaining the correct size of shareholders' equity, as well as the optimal combination of the various alternative capitalisation tools, in order to ensure full compliance with the prudential requirements and consistency with the selected risk profiles.

Specifically, equity-related strategic objectives include adequate expected profitability (both in absolute and equity ratio terms), in addition to maintaining capitalisation levels in line with current regulations.

The company ensures adequate capitalisation levels by means of valuation and monitoring activities based on the following tools:

- *Capital Planning* is the process which measures the availability of regulatory capital over the reference and the subsequent periods based on the expected development, in order to meet the levels of minimum mandatory requirements and anticipate any corrective measures. *Capital Planning* identifies regulatory capital, the corresponding RWAs and the relevant indicators (*CET 1 ratio, Tier 1 ratio and Total Capital Ratio*);
- ”*ICAAP” – “Internal Capital Adequacy Assessment Process*” is the process which measures capital adequacy vis-à-vis the significant risks inherent in the company's operations and the reference markets. The Second Pillar, i.e., the control process over supervised banks' overall exposure to risks, adds the so-called Internal Capital Adequacy Assessment Process or ICAAP to the quantitative rules of the First Pillar applicable to prudential capital requirements. Through an appropriate self-assessment, this process, considers the peculiarities and the specific risk profiles of the individual entity and assesses the related effect.

In 2016, the supervisory authority notified the entity of the specific minimum capital requirements, equal to 11.3% of *Common Equity Tier 1* and 15.6% of *Total Capital*. These requirements were confirmed also for 2017.

B. Quantitative disclosure

B.1 Equity: breakdown

Item/Value	Total 30/06/2017	Total 31/12/2016
1. Capital	31.398	21.277
2. Share premiums		3.486
3. Reserves	430	1.965
- of profits	430	1.965
a) legal		2.428
b) statutory		
c) treasury shares		
d) other	430	(463)
-other		
4. Equity instruments		
5. (Treasury shares)		
6. Valuation reserves	(129)	(47)
- Financial assets available for sale	(95)	
- Actuarial profits (losses) in relation to defined benefit pension plans	(34)	(47)
7. Profit (Loss) for the period	(1.087)	1.205
Totale	**30.612**	**27.886**

Section 2 - Own funds and capital ratios

Own funds and capital ratios are calculated in accordance with the Bank of Italy's current regulations (Circular nos. 286 and 154) following the implementation of directive 2013/36/EU (CRD IV) and (EU) regulation no. 575/2013 (CRR) which transpose the standards of the Basel Committee for prudential regulatory purposes into the European Union.

The scope of application of the regulations on own funds and capital ratios is the same as that of financial statements regulations.

2.1 Own funds

A. Qualitative disclosure

1. Common Equity Tier 1 - CET

Tier 1 capital comprises paid-in capital, reserves and the profit (loss) for the period, net of:
– intangible assets of € 874 thousand;
– deferred tax assets on temporary differences related to future profitability which cannot be absorbed in time (tax losses that can be carried forward and ACE (aid to economic growth)) of € 456 thousand;

2. Additional Tier 1 – AT1

The company has no instruments which can be classified in this item.

3. Tier 2 – T1

Tier 2 capital comprises subordinated bonds which meet the contractual conditions of applicable regulations, including the subordination to redemption compared to other creditors in the case of termination, the non-conversion into equity instruments or other liabilities and a minimum duration of five years, excluding any early redemption during such period. Consequently, the above instruments are amortised over the residual days, as shown below:

Subordinated bond LOW TIER II	ISIN	Issue date	Expire date	Duration (days)	Residual Duration (days)	Nominal Value	T2 Computable
Fixed rate 4,25%	IT0005010589	10/04/2014	10/04/2019	1.826	649	2.585	919
Fixed rate 4,00%	IT0005054835	15/10/2014	15/10/2019	1.826	837	1.000	458
Fixed rate 3,25%	IT0005106510	30/04/2015	30/04/2020	1.827	1.035	990	561
					Total	**4.575**	**1.938**

B. Quantitative disclosure

	Total 30/06/2017	Total 31/12/2016
A. Common Equity Tier 1 - CET1 before application of prudential filters	**30.612**	**27.886**
of which CET1 instruments subject to transitional provisions		
B. CET1 prudential filters (+/-)		
C. CET1 gross of elements to be deducted and the effects of the transitional regime	**30.612**	**27.886**
D. Elements to be deducted from CET1	**(1.330)**	**(6.950)**
E. Transitional regime - Impact on CET1 (+/-)		
F. Total Common Equity Tier 1 (Common Equity Tier 1 - CET1) (C - D +/- E)	**29.282**	**20.936**
G. Additional Tier 1 - AT 1, gross of elements to be deducted and the effects of the transitional regime		
of which AT1 instruments subject to transitional provisions		
H. Elements to be deducted from AT1		
I. Transitional regime - Impact on AT1 (+/-)		
L. Total Additional Tier 1 (Additional Tier 1 - AT1) (G - H +/- I)	**-**	**-**
M. Tier 2 - AT 2, gross of elements to be deducted and the effects of the transitional regime	**1.938**	
of which T2 instruments subject to transitional provisions		
N. Elements to be deducted from T2		
O. Transitional regime - Impact on T2 (+/-)		
P. Total Tier 2 - T2 (M - N +/- O)	**1.938**	**-**
Q. Total own funds (F + L + P)	**31.220**	**20.936**

2.2 Capital adequacy

A. Qualitative disclosure

The company is subject to the capital adequacy requirements set by the Basel Committee and reflected in the Bank of Italy's current regulations. Under these regulations, the capital to risk-weighted assets ratio must be equal to at least 8%.

Checking compliance with capital requirements takes place from a two-fold perspective.

From a prospective point of view, as part of the definition of the annual Action Plan and the Budget, the main impact elements are identified (usually, the lending expected growth and the calculation of the main risk components). The performance of the main capital ratios is recorded during the year in order to monitor and, if necessary, identify specific actions necessary to ensure compliance with the relevant requirements.

In the case of non-recurring transactions, such as acquisitions or start-ups, a specific plan is prepared which forms part of the general Business Plan.

B. Quantitative disclosure

Categories/Amounts	Non-weighted amounts		Weighted amounts / requirements	
	30/06/2017	31/12/2016	30/06/2017	31/12/2016
A. RISK ASSETS				
A.1 Credit and Counterparty Risk	209.537	99.601	145.782	92.359
1. Standardised method	202.741	95.036	121.962	76.859
2. Internal rating-based methodology				
2.1 Basic				
2.2 Advanced				
3. Securitisations	6.796	4.565	23.820	15.500
B. REGULATORY CAPITAL REQUIREMENTS				
B.1 Credit and counterparty risk			11.663	7.389
B.2 Credit evaluation adjustment risk				
B.3 Regulatory Risk				
B.4 Market risks				
1. Standardised method				
2. Internal models				
3. Concentration risk				
B.5 Operating risk			1.978	1.134
1. Basic method			1.978	1.134
2. Standardised method				
3. Advanced method				
B.6 Other requirements				
B.7 Other calculation elements				
B.8 Total prudential requirements			13.640	8.523
C. RISK ASSETS AND CAPITAL RATIOS				
C.1 Risk-weighted assets			170.503	106.538
C.2 CET 1 capital/Risk-weighted assets (CET 1 capital ratio)			17,17%	19,65%
C.3 Tier 1 capital/Risk-weighted assets (Tier 1 capital ratio)			17,17%	19,65%
C.3 Total own funds//Risk-weighted assets (Total capital ratio)			18,31%	19,65%

Part G – BUSINESS COMBINATIONS INVOLVING COMPANIES OR BUSINESS UNITS

Section 1 - Operations carried out during the year

The first half of 2017 was characterised by the completion of the acquisition and reverse merger of the former Credito Salernitano which resulted in a new bank called ViViBanca.

The acquisition was recognised in accordance with IFRS 3.

The acquirer, Terfinance, subscribed 75% of the Crediter's capital increase. The acquisition date was deemed to be 1 January 2017, i.e., the closest date to Crediter's capital increase and the subsequent registration with the company registrar. As of this date, Terfinance can dispose of the rights acquired and can exercise control over Crediter.
Also after acquiring control from an accounting point of view, Terfinance did not manage or coordinate Crediter S.p.A. pursuant to article 2497 of the Italian Civil Code and subsequent articles.

The combination with Crediter was initially recognised only provisionally. The complexity of the company prevents the completion of all the fair value measurements required by IFRS 3.
These uncertainties will be resolved in accordance with the terms set out in IFRS 3 (twelve months from the acquisition date and, consequently, by January 2018).
Based on the above, also goodwill arising from the combination was calculated provisionally. Furthermore, in accordance with IAS 36, goodwill will be allocated to the cash generating units under the company's new structure by January 2018.

Crediter's acquired net assets and the related goodwill may be analysed as follows:

	Ammount
Fair value of net assets of Crediter acquired at acquisition date	5.812
Goodwill	198
Cost of the operation	**6.010**

The reverse merger of Terfinance into Crediter, which follows the above business combination and resulted in the incorporation of ViVibanca S.p.A., was therefore considered as a business combination under common control. This led to the recognition of goodwill arising from the merger of Euro 552 thousand, which substantially reflects the difference between the valuation conducted as part of the appraisal to determine the share exchange ratio and the financial statements for merger purposes of the merged company at 1 January 2017.

Section 2 – Operations completed after the reporting date

No business combinations governed by IFRS 3 were carried out after the reporting date.

Section 3 – Retrospective adjustments

No adjustments were recognised in respect of prior year business combinations.

Part H – RELATED PARTY TRANSACTIONS

In accordance with Commission regulation (EC) no. 632/2010 of 19 July 2010, IAS 24 defines the concept of related parties and identifies a relationship between these and the reporting entity.

Pursuant to IAS 24, the related parties of ViViBanca S.p.A. are:
- the majority shareholders and their subsidiaries, also jointly, and their associates;
- key management personnel;
- the close relatives of key management personnel and the companies controlled by (also jointly) such personnel or their close relatives.

For the purposes of related party transaction management, reference should be made to CONSOB (the Italian Commission for Listed Companies and the Stock Exchange) regulation no. 17221/2010 (derived from the provision of article 2391-bis of the Italian Civil Code) and that introduced in 2011 by Title V, Chapter 5 of Bank of Italy's Circular no. 263/2006, as well as the provisions of article 136 of Legislative decree no. 385/1993, whereby company representatives may take on obligations vis-à-vis the bank only subject to the unanimous resolution of the bank's management body.

ViViBanca, in its role of issuer (of financial instruments that are widely held among the public pursuant to article 116 of the Consolidated law on finance)) and supervised by the Bank of Italy, adopted the "Regulation for related party transactions" which governs transactions with parties in conflict of interest, in order to regulate related party transactions and, while considering the peculiarities which characterise the above provisions, set the procedures necessary to comply with the disclosure requirements to company bodies and the market.

1 - Key managers' remuneration

As required by IAS 24.16, the remuneration of key managers, i.e., those persons having authority and responsibility for planning, directing and controlling the activities of the entity, is given below.

	Board of directos	Board of statutory auditors	Manager	Total
Short-term employee benefits	196	34	424	**654**
Post-employment benefits			21	**21**
Other long-term benefits				
Severance indemnities				
Share-based payments				
Total	**196**	**34**	**445**	**675**

2 - Related party transactions

All transactions carried out with related parties during the year were carried out on an arm's length basis. They may be analysed as follows:

Statement of financial position

Items/Related partes	Shareholders (*)	Managers with strategic responsibility	Other Related Parts	Total	% on item's balance
Financial assets available for sale	40			40	0,2%
Due from banks	8.550			8.550	32,2%
Total assets	**8.590**	**-**		**8.590**	**4,8%**
Due to customers	(10.000)			(10.000)	(37,8%)
Due from customers	(26.077)			(26.077)	(30,6%)
Other liabilities	(65)	(78)		(143)	(0,6%)
Total laiabilities	**(36.142)**	**(78)**		**(36.220)**	**(20,4%)**
Guarantees and commitments				**-**	**-**

Income statement

Items/Related partes	Shareholders (*)	Managers with strategic responsibility	Other Related Parts	Total	% on item's balance
Net gains (losses) on hedging activities: a) receivables	239			239	9,7%
Total revenues	**239**	**-**		**239**	**2,2%**
Interest payable and similar charges	(237)			(237)	22,7%
Fee and commission expenses	18			18	-0,7%
Administrative expenses	-	(675)		(675)	25,3%
Total costs	**(219)**	**(675)**		**(894)**	**7,4%**

Key:
(*) = Shareholders and related company groups holding an interest of more than 5% in ViViBanca's share capital represented by shares with voting rights.

"Other related parties" show the figures related to key managers' close relatives (i.e., those family members who may be expected to influence, or be influenced by, the key manager).

"Shareholders" comprise the following significant transactions:
- interbank relations, distribution of salary-backed loan products and direct management of loans and receivables transferred without recourse with Banca Popolare di Bari S.c.p.A. and Banca Alpi Marittime Credito Cooperativo di Carrù S.c.p.A.;
- insurance agreements on salary-backed loan products with Gruppo Net Insurance S.p.A.;
- deposits by shareholders who participate in the shareholder agreement and companies connected therewith.