



BANCA FINNAT

GRUPPO BANCA FINNAT

CONSOLIDATED INTERIM REPORT ON OPERATIONS AT 31 MARCH 2016





CONSOLIDATED INTERIM  
REPORT ON OPERATIONS  
AT 31 MARCH 2016



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## **BOARD OF DIRECTORS**

**Carlo Carlevaris**  
*Honorary Chairman*

**Giampietro Nattino**  
*Chairman*

**Leonardo Buonvino**  
*Deputy Chairman*

**Arturo Nattino**  
*Chief Executive Officer*

**Ermanno Boffa**  
*Director*

**Roberto Cusmai**  
*Director*

**Flavia Mazzarella**  
*Director*

**Giulia Nattino**  
*Director*

**Maria Sole Nattino**  
*Director*

**Lupo Rattazzi**  
*Director*

**Andreina Scognamiglio**  
*Director*

## **BOARD OF STATUTORY AUDITORS**

**Alberto De Nigro**  
*Chairman*

**Barbara Fasoli Braccini**  
*Permanent Auditor*

**Francesco Minnetti**  
*Permanent Auditor*

**Laura Bellicini**  
*Alternate Auditor*

**Antonio Staffa**  
*Alternate Auditor*

## **MANAGEMENT**

**Arturo Nattino**  
*General Manager*

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

**Alberto Alfiero**  
*Deputy General Manager*

**Giulio Bastia**  
*Deputy General Manager*

## **AUDITING FIRM**

Reconta Ernst & Young S.p.A.

## EXPLANATORY NOTES OF THE INTERIM REPORT ON OPERATIONS

The Interim Report on Operations is prepared consistently with article 154-ter, paragraph 5, of Legislative Decree 58/98 (TUF), introduced by Legislative Decree 195 of 6 November 2007 implementing the Transparency Directive (Directive 2004/109/EC), according to which the listed issuers are required to publish an interim report on operations – within forty-five days from the end of the first and third quarters of the period – comprising:

- a) a general description of the financial situation and performance of the issuer and its subsidiaries for the reference period;
- b) an explanation of any significant events and transactions that took place during the reference period and their impact on the financial situation of the issuer and its subsidiaries.

This Interim Report on Operations features the consolidated Balance Sheet, Profit and Loss Account, Statement of Comprehensive Income and Statement of Changes in Net Equity, all prepared in accordance with the applicable financial reporting schedules, and the key highlights of the Profit and Loss Account and Balance Sheet.

In the Profit and Loss Account and Statement of Comprehensive Income, the figures of the first quarter of 2016 are compared with those of the same period of 2015. The Statement of Comprehensive Income shows the figures relating to the first quarter of the current year compared with the same period last year.

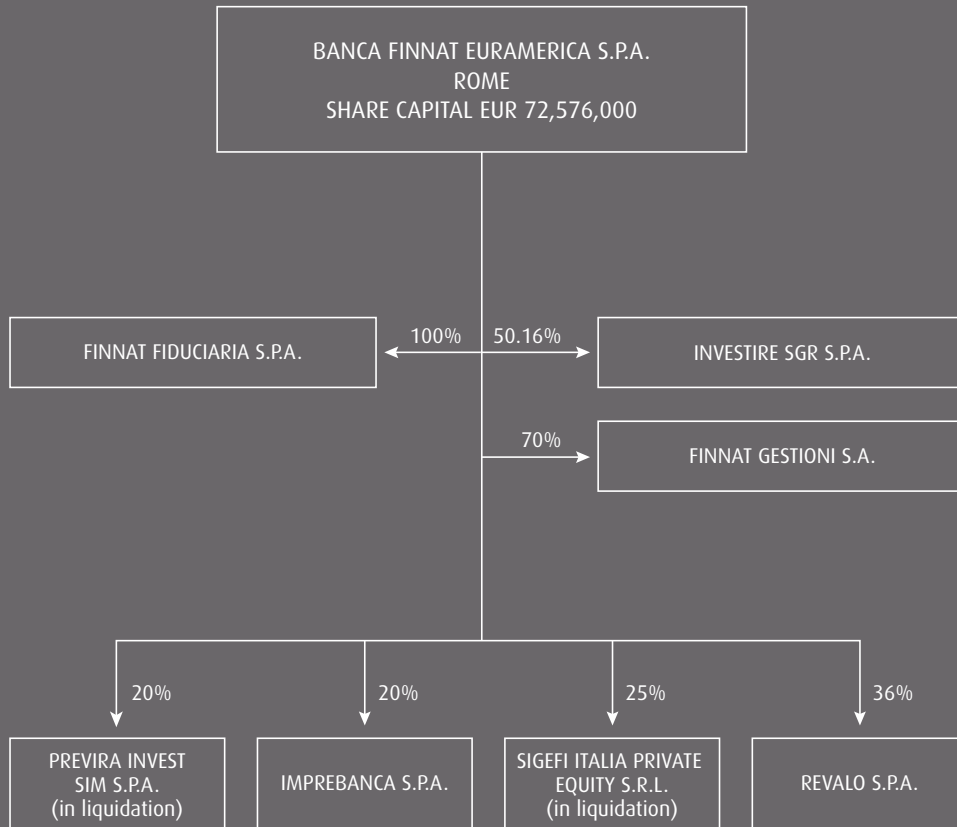
The Balance Sheet shows the values referred to 31 March 2016, compared with those at 31 December 2015, while the Statement of Changes in Net Equity highlights the figures at 31 December 2015 and 31 March 2016 and the changes that took place in the period.

The disclosures relating to transfers between portfolios and the fair value are given in a dedicated paragraph.

This document has not been audited, in accordance with the law.

GROUP STRUCTURE

At 31 March 2016, the Group was structured as shown in the diagram below:





## KEY GROUP HIGHLIGHTS

	31 March 2016	31 December 2015	31 March 2015
CONSOLIDATED GROUP NET EQUITY (in thousands of euros)	218,164	218,549	215,391
GROUP'S HUMAN RESOURCES	328	323	308
CONSOLIDATED PROFIT (LOSS) (in thousands of euros)	1,985	8,320	1,974

## MARKET CAPITALISATION OF BANCA FINNAT EURAMERICA

	Number of shares	Market price 28 April 2016	Capitalisation 28 April 2016 (in thousands of euros)	Consolidated net equity (in thousands of euros)	Share capital (in thousands of euros)
ORDINARY SHARES	362,880,000	0.4079	148,019	218,164	72,576

## Developments in Group funding

(in thousands of euros)

	December 2013	December 2014	December 2015	March 2016
<b>Direct deposits by Parent Company customers</b>	<b>380,810</b>	<b>336,854</b>	<b>417,760</b>	<b>427,009</b>
- Due to customers (current accounts)	284,987	248,080	331,111	341,750
- Time deposits	54,138	40,116	60,527	60,138
- Outstanding securities	41,685	48,658	26,122	25,121
<b>Indirect Parent Company deposits</b>	<b>4,029,489</b>	<b>4,338,207</b>	<b>4,609,152</b>	<b>4,402,214</b>
- Individual portfolio management	396,335	427,690	449,753	443,590
- Management under mandate	214,972	244,252	283,646	279,548
- Deposits under administration (UCIs and securities)	3,398,930	3,451,980	3,603,627	3,393,339
- Deposits administered under consulting arrangements (UCIs and securities)	-	183,688	229,493	234,382
- Third-party insurance products	19,252	30,597	42,633	51,355
<b>Trusteeships</b>	<b>1,581,762</b>	<b>1,471,884</b>	<b>1,408,787</b>	<b>1,384,373</b>
<b>Real estate funds</b>	<b>3,882,512</b>	<b>4,130,632</b>	<b>6,769,365</b>	<b>6,769,365</b>
<b>Total deposits</b>	<b>9,874,573</b>	<b>10,277,577</b>	<b>13,205,064</b>	<b>12,982,961</b>
<b>Luxembourg-based Sicavs (UCIs of which Banca Finnat is the "Promoter": New Millennium, Rinascimento).</b>	<b>612,302</b>	<b>702,614</b>	<b>725,786</b>	<b>712,313</b>

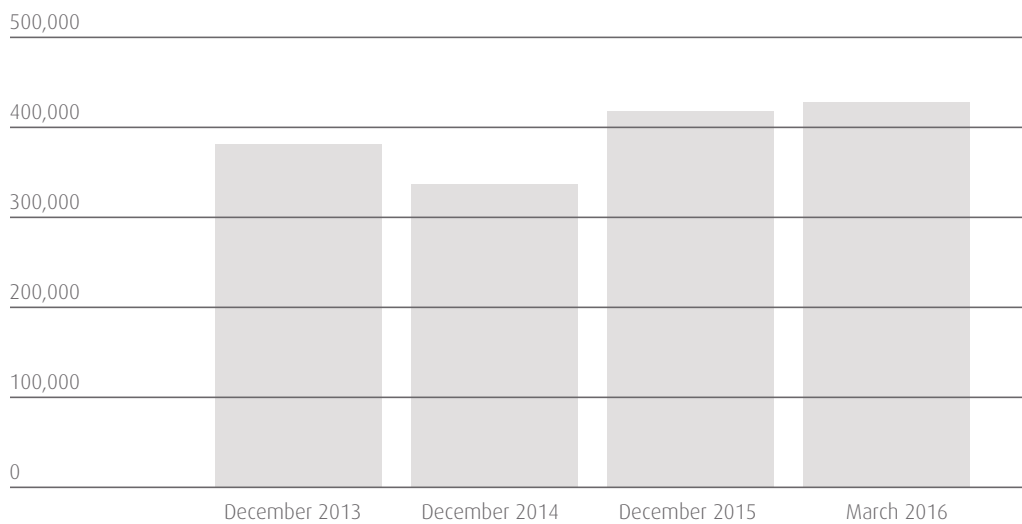
The table above shows the developments in the Group's funding by type. In particular: a) direct and indirect deposits by customers refers to the Bank's activities and does not include repurchase agreements with Cassa di Compensazione e Garanzia; b) funding from trusteeships includes the funds collected by Finnat Gestioni S.A.; c) the funds belonging to the subsidiary InvestiRE SGR S.p.A. are measured at the market value of the total assets under management, net of borrowings (GAV).

All the funds recorded in the table also take into account the amounts invested in them and deriving from the other types shown.

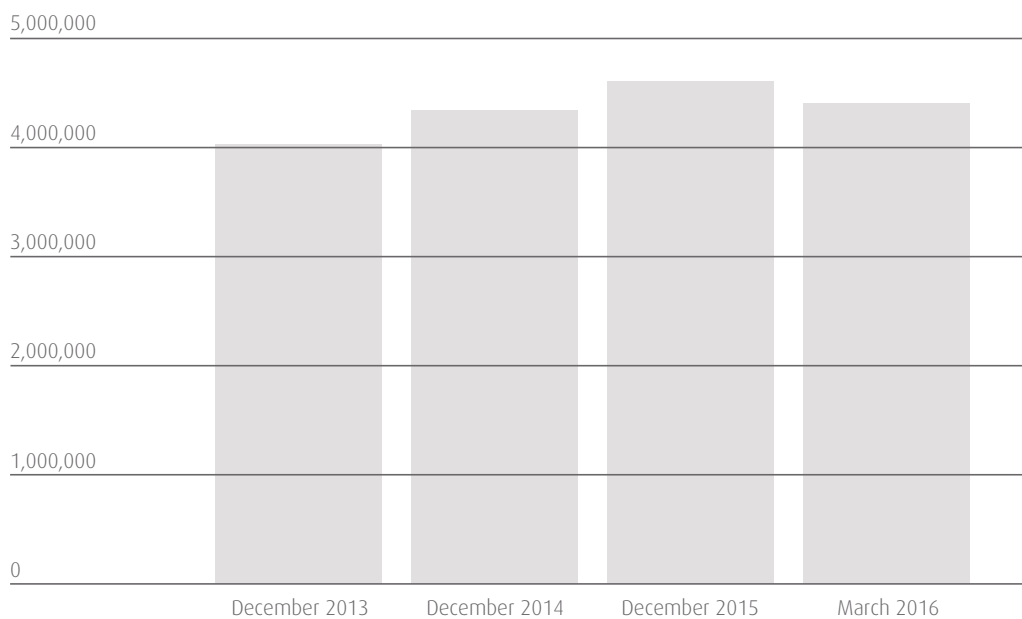




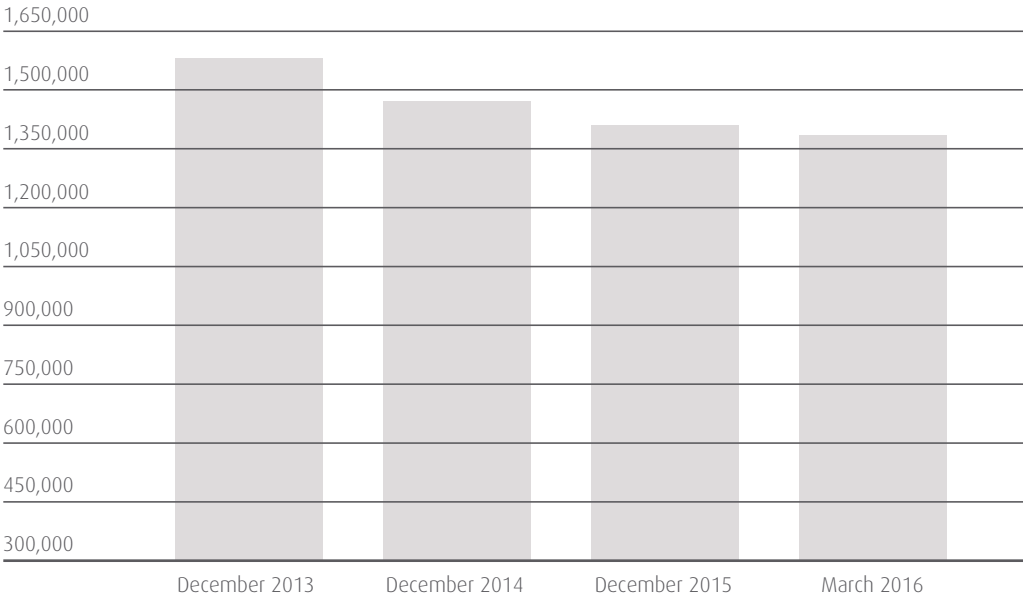
**Direct Deposits by Customers**



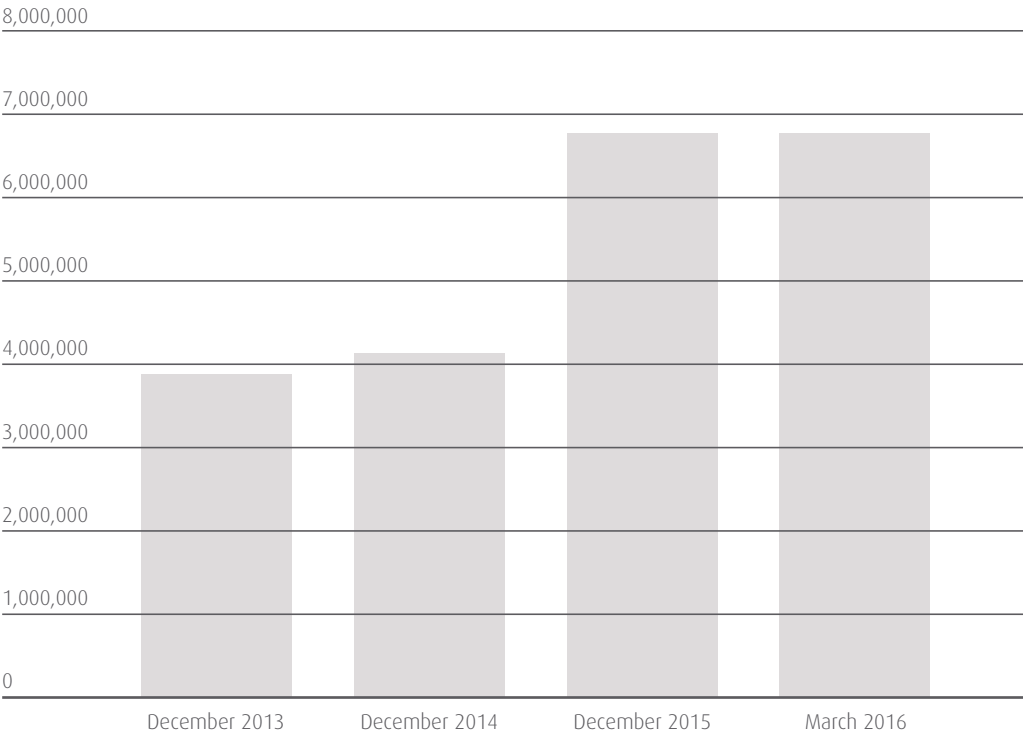
**Indirect Deposits**



**Trusteeships**

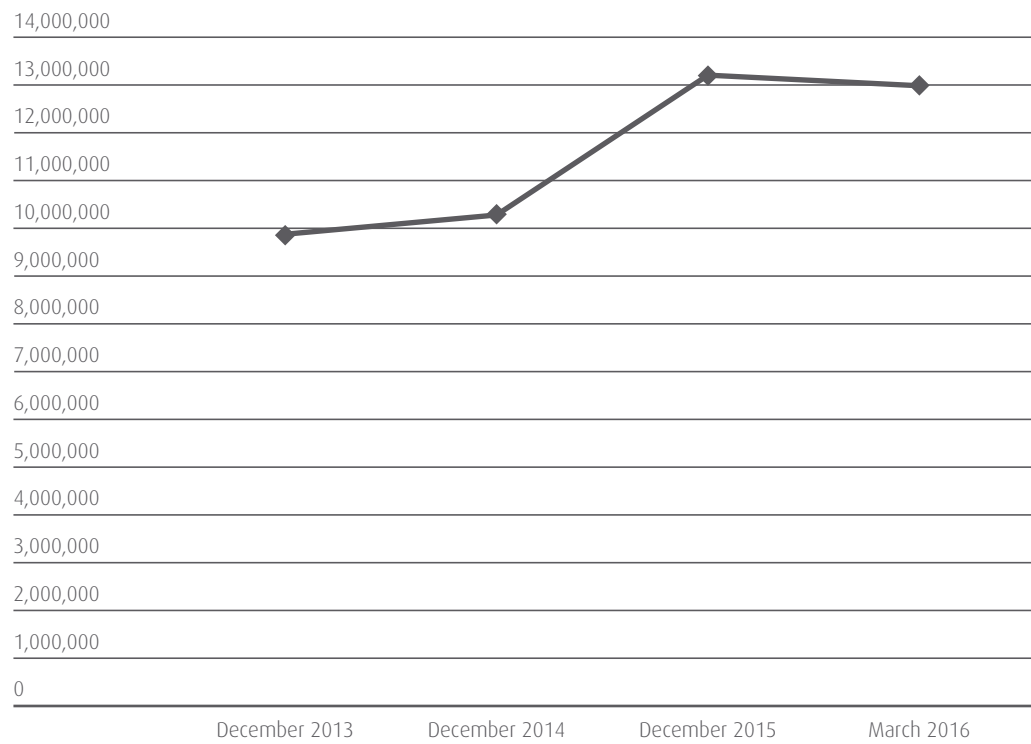


**Real Estate Funds**

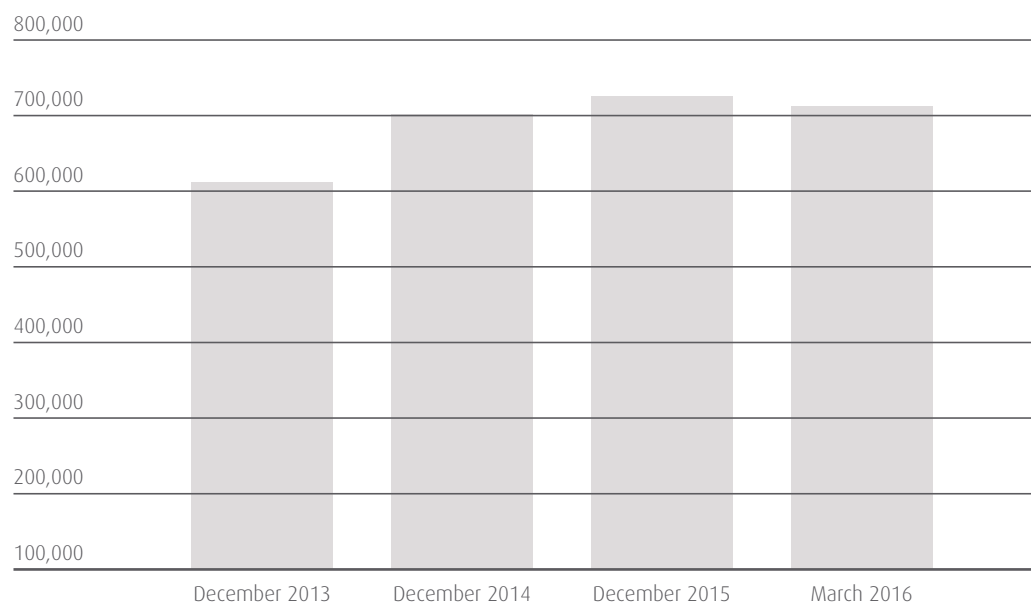




**Total Group Deposits**



**Luxembourg-based Sicavs**

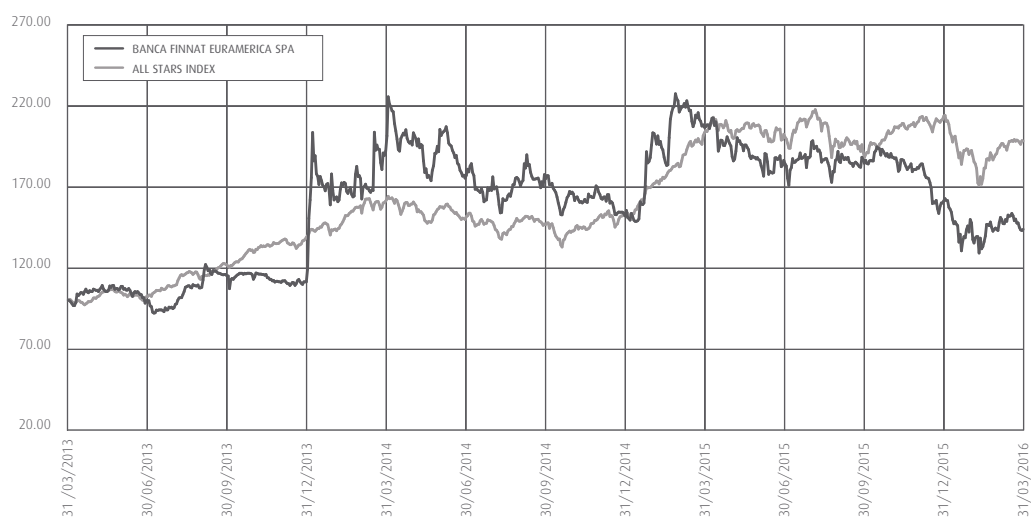


Company stock performance

SHARES (in euros)	Market Price at 28 April 2016	Market Price at 31 March 2016	Market Price at 31 December 2015	Market Price at 30 September 2015	Market Price at 30 June 2015	Market Price at 31 March 2015
BFE	0.4079	0.3820	0.4322	0.4950	0.4870	0.5490



BANCA FINNAT SHARE PRICE TREND AND COMPARISON WITH ALL STARS INDEX





SCHEDULES



**CONSOLIDATED PROFIT AND LOSS ACCOUNT**

(in thousands of euros)

	Period 1st January 31 March 2016	Period 1st January 31 March 2015
<b>10</b> Interest income and similar income	1,804	3,300
<b>20</b> Interest expense and similar expense	60	(623)
<b>30 Interest margin</b>	<b>1,864</b>	<b>2,677</b>
<b>40</b> Commission income	10,748	10,990
<b>50</b> Commission expense	(560)	(505)
<b>60 Net commissions</b>	<b>10,188</b>	<b>10,485</b>
<b>70</b> Dividends and similar income	1,461	990
<b>80</b> Net income from trading activities	1,139	(1,532)
<b>90</b> Net result of hedging activities	-	-
<b>100</b> Profit (loss) from the transfer or repurchase of:		
b) available-for-sale financial assets	361	2,528
<b>120 Earnings margin</b>	<b>15,013</b>	<b>15,148</b>
<b>130</b> Net value adjustments/write-backs for the impairment of:		
a) receivables	55	(192)
b) available-for-sale financial assets	(9)	-
<b>140 Net income from financial operations</b>	<b>15,059</b>	<b>14,956</b>
<b>180</b> Administrative expenses		
a) staff costs	(7,766)	(7,326)
b) other administrative expenses	(3,592)	(4,176)
<b>200</b> Net value adjustments/write-backs on tangible assets	(133)	(115)
<b>210</b> Net value adjustments/write-backs on intangible assets	(35)	(41)
<b>220</b> Other operating income and expenses	128	405
<b>230 Operating costs</b>	<b>(11,398)</b>	<b>(11,253)</b>
<b>240</b> Profit (loss) from equity investments	(13)	5
<b>280 Profit (loss) from current operations before taxes</b>	<b>3,648</b>	<b>3,708</b>
<b>290</b> Income tax on current operations	(1,028)	(944)
<b>300 Profit (loss) from current operations after taxes</b>	<b>2,620</b>	<b>2,764</b>
<b>320 Profit (loss) for the period</b>	<b>2,620</b>	<b>2,764</b>
<b>330</b> (Profit) loss for the period of minority interests	(635)	(790)
<b>340 (Profit) loss for the period of parent company</b>	<b>1,985</b>	<b>1,974</b>





**CONSOLIDATED STATEMENT OF PERFORMANCE OF BANCA FINNAT GROUP**

(in thousands of euros)

Item	Period 1st January 31 March 2016	Period 1st January 31 March 2015
<b>10. Profit (loss) for the period</b>	<b>2,620</b>	<b>2,764</b>
<b>Other income components after tax and without reversal to profit and loss</b>		
40. Defined benefit plan	(237)	(240)
60. Portion of the reserves from evaluation of equity investments assessed with the net equity method	19	(129)
<b>Other income components after tax and with reversal to profit and loss</b>		
100. Available-for-sale financial assets	(1,827)	1,962
<b>130. Total other income items after tax</b>	<b>(2,045)</b>	<b>1,593</b>
<b>140. Total earnings (Items 10 + 130)</b>	<b>575</b>	<b>4,357</b>
150. Total consolidated earnings of minority interests	468	(1,354)
<b>160. Total consolidated earnings of parent company</b>	<b>107</b>	<b>5,711</b>



**CONSOLIDATED BALANCE SHEET - ASSETS**

(in thousands of euros)

	<b>31.03.2016</b>	<b>31.12.2015</b>
<b>10</b> Cash and cash equivalents	534	469
<b>20</b> Financial assets held for trading	40,448	56,578
<b>40</b> Available-for-sale financial assets	1,148,971	831,421
<b>50</b> Financial assets held to maturity	1,968	1,959
<b>60</b> Due from banks	129,373	98,386
<b>70</b> Due from customers	293,442	292,644
<b>80</b> Hedging derivatives	1,702	215
<b>100</b> Equity investments	10,399	10,549
<b>120</b> Tangible assets	5,491	5,501
<b>130</b> Intangible assets	41,949	41,957
of which:		
- goodwill	37,729	37,729
<b>140</b> Tax assets	20,565	21,265
a) current tax assets	2,327	2,992
b) deferred tax assets	18,238	18,273
of which L.214/2011	14,224	14,329
<b>160</b> Other assets	13,517	18,680
<b>Total assets</b>	<b>1,708,359</b>	<b>1,379,624</b>



**CONSOLIDATED BALANCE SHEET - LIABILITIES**

(in thousands of euros)

	<b>31.03.2016</b>	<b>31.12.2015</b>
<b>10</b> Due to banks	12,509	11,496
<b>20</b> Due to customers	1,371,142	1,045,816
<b>30</b> Outstanding securities	25,121	26,122
<b>40</b> Financial liabilities held for trading	13,423	9,733
<b>80</b> Tax liabilities	10,095	10,228
a) current tax liabilities	6,522	6,302
b) deferred tax liabilities	3,573	3,926
<b>100</b> Other liabilities	12,545	13,177
<b>110</b> Severance indemnity fund	4,798	4,405
<b>120</b> Provisions for risks and charges		
b) other funds	1,067	1,067
<b>140</b> Valuation reserves	32,520	34,399
<b>170</b> Reserves	125,356	117,203
<b>190</b> Capital	72,576	72,576
<b>200</b> Treasury shares (-)	(14,273)	(13,949)
<b>210</b> Net equity of minority interests	39,495	39,031
<b>220</b> Net profit (loss) for the period (+/-)	1,985	8,320
<b>Total liabilities and net equity</b>	<b>1,708,359</b>	<b>1,379,624</b>



## STATEMENT OF CHANGES IN CONSOLIDATED NET EQUITY AT 31 MARCH 2016

(in thousands of euros)

	Total net equity at 31.12.2015	Changes in opening balance	Total net equity at 01.01.2016	Allocation of profit in the previous financial period	
				Reserves	Dividends and other allocations
<b>Share capital:</b>	<b>72,576</b>		<b>72,576</b>	-	-
a) ordinary shares	72,576		72,576	-	-
b) other shares	-		-	-	-
<b>Share issue premium</b>	<b>-</b>		<b>-</b>	-	-
<b>Reserves:</b>	<b>152,476</b>	<b>-</b>	<b>152,476</b>	<b>13,628</b>	<b>-</b>
a) profit	94,714		94,714	9,933	
b) other	57,762		57,762	3,695	-
<b>Valuation reserves</b>	<b>32,849</b>		<b>32,849</b>	-	-
<b>Capital instruments</b>	<b>-</b>		<b>-</b>	-	-
<b>Own shares</b>	<b>(13,949)</b>		<b>(13,949)</b>	-	-
<b>Profit (loss) for the period</b>	<b>13,628</b>		<b>13,628</b>	<b>(13,628)</b>	
<b>Total net equity</b>	<b>257,580</b>	<b>-</b>	<b>257,580</b>	<b>-</b>	<b>-</b>
<b>of which: Group net equity</b>	<b>218,549</b>	<b>-</b>	<b>218,549</b>	<b>-</b>	<b>-</b>
<b>of which: Minority interest net equity</b>	<b>39,031</b>	<b>-</b>	<b>39,031</b>	<b>-</b>	<b>-</b>



	Changes in the period									Net equity at 31.03.2016 Total	Net equity at 31.03.2016 of the Group	Net equity at 31.03.2016 Minority interests
	Changes in reserves	Net equity transactions							Comprehensive income in 2016			
		New share issues	Purchase of own shares	Extra dividend distribution	Change in capital instruments	Derivatives on own shares	Stock options	Changes in equity investments				
-	-	-	-	-	-	-	-	-	-	72,576	72,576	-
-	-	-	-	-	-	-	-	-	-	72,576	72,576	-
-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-
(172)	-	-	-	-	-	-	-	-	-	165,932	125,356	40,576
-	-	-	-	-	-	-	-	-	-	104,647	91,940	12,707
(172)	-	-	-	-	-	-	-	-	-	61,285	33,416	27,869
-	-	-	-	-	-	-	-	-	(2,045)	30,804	32,520	(1,716)
-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	(324)	-	-	-	-	-	-	-	(14,273)	(14,273)	-
-	-	-	-	-	-	-	-	-	2,621	2,621	1,985	635
(172)	-	(324)	-	-	-	-	-	-	576	257,660	-	-
-168	-	(324)	-	-	-	-	-	-	107	-	218,164	-
(4)	-	-	-	-	-	-	-	-	469	-	-	39,495



## LIST OF EQUITY INVESTMENTS INCLUDED IN THE CONSOLIDATION AREA

Company	Share capital in euros (1)	Head office	% of direct ownership 31.03.2016	Book value of equity investment (in thousands of euros)	Core business
<b>Parent company:</b>					
Banca Finnat Euramerica S.p.A.	72,576,000.00	Rome			Banking activities and Parent Bank of the Group
<b>Directly controlled companies:</b>					
Finnat Fiduciaria S.p.A.	1,500,000.00	Rome	100.00		Trust company
Finnat Gestioni S.A.	750,000.00	Lugano	70.00		Financial management and consulting
InvestiRE SGR S.p.A.	14,770,000.00	Rome	50.16		Promotion and management of closed-end real estate funds
<b>Companies under considerable control:</b>					
Prévira Invest Sim S.p.A. in liquidation		Rome	20.00	263	Real estate brokerage company
Sigefi Italia Private Equity S.r.l. in liquidation		Milan	25.00	36	Financial consulting
Imprebanca S.p.A.		Rome	20.00	8,082	Banking
Revalo S.p.A.		Rome	36.00	2,018	Services and consulting
<b>Total</b>				<b>10,399</b>	

All the companies belong to the Banca Finnat Euramerica Group.

(1) The share capital of Finnat Gestioni S.A. is shown in Swiss Francs



## GENERAL COMMENTS

### Results of Banca Finnat Euramerica Group

The first quarter of 2016 features a consolidated net profit of euros 1.985 thousand compared to euros 1.974 thousand at 31 March 2015.

The key elements contributing to this operating result in the first quarter of 2016, period over period, are shown below:

- The **earnings margin** at 31 March 2016 amounts to euros 15.013 thousand compared to euros 15.148 thousand period over period. The total decrease of euros 135 thousand is the result of:
  - increases*
    - euros 471 thousand for Dividends and similar revenue (euros 1.461 thousand at 31 March 2016 compared to euros 990 thousand at the end of the first quarter of 2015);
    - euros 2.671 thousand as the net result of trading operations. At 31 March 2016, the item featured a positive balance of euros 1.139 thousand, compared to a negative balance euros 1.532 thousand at the end of the first quarter of 2015.
  - decreases*
    - euros 813 thousand for interest margin (euros 1.864 thousand at 31 March 2016, compared to euros 2.677 thousand at the end of the first quarter of 2015);
    - euros 297 thousand for net commissions (euros 10.188 thousand in the first quarter of 2016 compared to euros 10.485 thousand at the end of the first quarter of 2015);
    - euros 2.167 thousand for gains from the transfer of available-for-sale securities (euros 361 thousand at 31 March 2016 compared to euros 2.528 thousand at the end of the first quarter of 2015);
- **Administrative expenses** amount to euros 11.358 thousand in the first quarter of 2016, compared to euros 11.502 thousand at the end of the first quarter of 2015, and are down overall by euros 144 thousand. They are made up as follows:
  - staff costs, totalling euros 7.766 thousand, are up by euros 440 thousand period over period (euros 7.326 thousand);
  - other administrative expenses, totalling euros 3.592 thousand, are down by euros 584 thousand period over period (euros 4.176 thousand).
- **Other operating income and expenses** at 31 March 2016 feature a positive balance of euros 128 thousand compared to an equally positive balance of euros 405 thousand period over period.
- **Income tax** at 31 March 2016 amounts to euros 1.028 thousand, compared to euros 944 thousand at 31 March 2015.
- The **Cost income ratio** (operating cost/earnings margin) at 31 March 2016 totals 75.9% (74.3% at 31 March 2015), while at 31 December 2015 the ratio totalled 78.2%.

\* \* \*

The overall result for the first quarter of 2016, which also includes the changes in the “Valuation reserve”, is highlighted in the Statement of Comprehensive Income.



## DIRECTORS' REPORT ON OPERATIONS

### Market disclosure

Regarding market disclosure, the Bank and Group declare that:

- with reference to the request made by the Bank of Italy, in its Communication of 17 June 2008, the Group's exposure to financial products perceived by the market as risky comprises the investment in "FIP Funding Class A2-2023" bonds, recognised in the Parent Company's financial statements as "trading shares", totalling euros 1.244 thousand (with a nominal value of euros 2.020 thousand). This investment (CMBS Commercial Mortgage-Backed Securities) is the result of the securitisation of the loan to Fondo Immobili Pubblici (managed, as mentioned above, by the subsidiary Investire Immobiliare SGR) and is guaranteed by a special lien on the real estate owned by the Fund, which is almost exclusively leased out to Government entities; consequently, it is an investment that is not exposed to the risk of insolvency.

At 31 March 2016, the Bank and Group – with the exception of the above mentioned investment – were not exposed to and/or did not hold an interest, either directly or through vehicle companies or other non-consolidated entities, in financial instruments or UCIs characterised by high-risk investments, such as: SPEs (Special Purpose Entities) – CDOs (Collateralized Debt Obligations) – Other subprime exposures and Alt-A – CMBSs (Commercial Mortgage-Backed Securities) – Leveraged Finance;

- the BoD of Banca Finnat Euramerica S.p.A., in accordance with Consob Resolution No.18079 of 20 January 2012, decided - on 21 January 2013 - to comply with the "simplification system" provided for in articles 70(8) and 71 (1-bis) of the Regulation adopted by Consob with Resolution No. 11971 of 14 May 1999, as amended and supplemented, which exempts listed companies from the obligation of presenting the documents referred to in its Schedule 3B, relating to future extraordinary transactions involving mergers, demergers, capital increases, through contributions in kind, acquisitions and disposals;
- regarding the requests set out in document no. 2 issued jointly by the Bank of Italy, Consob and Isvap on 6 February 2009, the following document no. 4 of 4 March 2010 and paragraphs 15 and 25 of IAS 1, regarding the mandatory information to be provided, with respect to the basis of business continuity, we confirm here the illustration made in the Notes to the financial statements for 2015;
- the Bank of Italy has published Circular 285 "Provisions for the prudential supervision of banks", which illustrates the implementation of the provisions in force since 1 January 2014. The document provides, inter alia, in the transitional provisions regarding "own funds", the right not to include, in the calculation of the regulatory capital, any unrealised profits and losses, with regard to dealings with the Central Government departments classified in the category "Financial assets available for sale". This option (which has been called "sterilisation") shall be valid until the entry into force of IFRS 9, which is set to replace IAS 39 on financial instruments. The Bank exercised its option within the prescribed period.

### Stock option plan disclosure

As illustrated in the main transactions in the period section of the Company financial statements for 2015, the stock option plan defaulted as a result of the failure to meet the conditions for exercising the options. Therefore, the relevant reserve of euros 998 thousand, apportioned until 31 December 2014, is now available and may be transferred to the "Extraordinary reserve" as resolved at the Bank's Shareholders' Meeting held on 29 April 2016.





### Main transactions in the period

Regarding the main transactions in the period in question, on 10 February 2016 the Board of Directors of the Bank co-opted Ms. Flavia Mazzarella as non-executive independent Director, in the place of the outgoing director Mr. Tofanelli, who resigned. Ms. Mazzarella was also appointed Lead Independent Director, Chair of the Risks Committee and member of the Appointments Committee.

### Significant events occurring after the end of the quarter

After 31 March 2016 – and until the date hereof – no significant transactions or events occurred, such as to affect the Group's operations, equity or assets.

However, the following is nevertheless reported:

- on 6 April 2016, a hearing was held in the proceedings brought by the subsidiary Investire SGR against the Luxembourg-based company Fivestars SA and its single member (Kensington Square Trust SARL), for the return of the sums paid to the Internal Revenue Service, in connection with the claim for the withholding tax applicable to the income distributed to the said company as a unit holder of the FIP fund. The magistrate postponed his decision regarding the witness evidence given by the defendants;
- on 29 April 2016, the Shareholders' Meeting of the Bank also resolved, inter alia:
  - to approve the Financial Statements at 31 December 2015 and to distribute to the Shareholders a gross dividend of euros 0.01 per share, due for payment on 18 May 2016 (coupon detachment date: 16 May 2016);
  - to confirm the appointment by co-option, on 10 February 2016, of Ms. Flavia Mazzarella, to the position of independent non-executive Director;
  - to revoke the previous resolution regarding the purchase of treasury shares, valid until 29 April 2016, and authorised the BoD – subject to authorisation by the Bank of Italy and with the power to delegate its executive powers to one or more of its members, or to the General Manager - to purchase, in one or more instalments, from 29 April 2016 to 29 April 2017, up to a revolving limit of 5,000,000 additional ordinary treasury shares, on top of those already held, and, in any case, for an extra value of no more than 2,177,280 euros, for market making purposes;
  - to approve the Remuneration Policy, pursuant to art. 123-ter of Legislative Decree 58/98.

### Foreseeable outlook

On the basis of the economic performance and current outlook of the Company, the Management believes that the profit from ordinary Group operations, may be better than the gross result recorded at the end of 2015.





## REPORTING STANDARDS

The Interim Report on Operations of Banca Finnat Euramerica Group as at 31 March 2016 was prepared, as illustrated in the paragraph “Notes to accompany the Interim Report on Operations”, in compliance with the provisions of article 154-ter, paragraph 5 of Legislative Decree 58/98 and consistently with the IAS/IFRS international accounting standards. The Report provides some of its quantitative financial information in thousands of euros, using, wherever possible, the schedules indicated by the Bank of Italy in its Circular Letter no. 262 of 22 December 2005 (as updated). The Report also contains a paragraph dedicated to the fair value disclosures.

The reporting standards applied for the preparation of this Report are unchanged compared to those adopted for the financial statements as at 31 December 2015.

It should be noted that estimation criteria were used in preparing this Interim Report – based on the most recent available data – albeit only in a few limited cases and for values of negligible importance, in order to provide timely information to the market, with respect to certain balance sheet items and operating effects.

The quarterly statements included in the consolidation process are those of subsidiaries, approved by their respective governance Bodies as at 31 March 2016, while in the case of associated companies, reference was made to the most recent available financial report. The acquired financial reports are adjusted, where necessary, so that they conform to the Group accounting standards.

More specifically:

- the operating data (consolidated Profit and Loss Account and consolidated Statement of Comprehensive Income) regard the reference quarter and have been compared with the same period of the previous year;
- the balance sheet data at the closing date of the quarter have been compared with the data at the closing date of the previous year;
- the net equity data are highlighted at 31 December 2015 and 31 March 2016, with the relevant changes in the period;
- the income for the period is shown after tax, determined based on the applicable rates and the information available at the time of preparation. Since 2004, the Bank and its Italian-based subsidiaries have opted for “national consolidated taxation”, pursuant to articles 117/129 of the TUIR (Income Tax Consolidation Act). By virtue of this option, the Group companies determine their respective taxes and the corresponding tax income (taxable income or tax loss) is transferred to the Parent Company, which features a single reportable taxable income or tax loss (which is the result of the algebraical sum of its own and the participating subsidiaries’ incomes/losses) and, consequently, a single income tax credit/debt.

The consolidation area has not changed, compared to the financial statements at 31 December 2015. Pursuant to the applicable laws, this Interim Report on Operations is not subject to external audit.

## PORTFOLIO TRANSFER AND FAIR VALUE DISCLOSURES

### Transfers between portfolio categories

The transfers between portfolio categories, allowed only in “rare circumstances”, in accordance with IAS 39, were carried out exclusively by the Parent Company, as follows:

- in 2008, it transferred several bonds from the “Financial assets held for trading” portfolio to the “Financial assets held to maturity” portfolio, for a total nominal value of euros 3600 thousand;
- in 2010, it transferred 3 UCI units (relating to a real estate fund) from the “Financial assets held for trading” portfolio to the “Financial assets available for sale” portfolio.

At 31 March 2016, bonds were reimbursed at maturity for a total nominal value of euros 1.600 thousand, recognised in 2008 in the item “Financial assets held to maturity”.

### Reclassified financial assets: balance sheet value, fair value and effects on overall profitability

Type of financial instrument	Source portfolio	Target portfolio	Book value at 31.03.2016	Fair value at 31.03.2016	Income components lacking transfer (before-tax)		Income components recorded in the year (before tax)	
					Items	Others	Items	Others
Debt securities	HFT	HTM	1,968	2,004	3	1	-	12
UCI units	HFT	AFS	1,521	1,521	-	-	-	-





### Fair value hierarchy

The following table shows the balances as at 31 March 2016 and 31 December 2015 of the portfolios of financial instruments carried at fair value, according to a hierarchy that reflects the significance of the inputs utilised in the measurements.

The hierarchy is determined according to the following three levels, as defined in IFRS 13:

- Level 1: inputs represented by quoted prices (without adjustments) in active markets - as defined in IFRS 13 - for identical assets or liabilities;
- Level 2: inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly (prices) or indirectly (deriving from the prices);
- Level 3: inputs that are unobservable inputs for the assets or liabilities that are being measured.

### Assets and liabilities valued at their fair value on a recurrent basis: distribution by level of fair value

Financial assets/ Liabilities carried at fair value	31.03.2016			31.12.2015		
	L1	L2	L3	L1	L2	L3
1. Financial assets held for trading	24,112	16,300	36	43,707	12,836	35
2. Financial assets measured at fair value	-	-	-	-	-	-
3. Available-for-sale financial assets	1,115,315	28,333	5,323	799,777	26,321	5,323
4. Hedging derivatives	-	1,702	-	-	215	-
5. Tangible assets	-	-	-	-	-	-
6. Intangible assets	-	-	-	-	-	-
<b>Total</b>	<b>1,139,427</b>	<b>46,335</b>	<b>5,359</b>	<b>843,484</b>	<b>39,372</b>	<b>5,358</b>
1. Financial liabilities held for trading	-	13,423	-	-	9,733	-
2. Financial liabilities measured at fair value	-	-	-	-	-	-
3. Hedging derivatives	-	-	-	-	-	-
<b>Total</b>	<b>-</b>	<b>13,423</b>	<b>-</b>	<b>-</b>	<b>9,733</b>	<b>-</b>

Key:

L1 = Level 1

L2 = Level 2

L3 = Level 3

## PROFIT AND LOSS ACCOUNT, COMPREHENSIVE INCOME AND BALANCE SHEET DISCLOSURES

### PROFIT AND LOSS ACCOUNT

The most significant income components are presented below, in thousands of euros:

#### INTERESTS

	Period 1st January 31 March 2016	Period 1st January 31 March 2015
Interest income and similar income	1,804	3,300
Interest expense and similar expense	60	(623)
<b>Interest margin</b>	<b>1,864</b>	<b>2,677</b>

The interest margin, almost entirely related to the Bank, dropped by euros 813 thousand primarily as a result of the lower returns on investments.

#### COMMISSIONS

	Period 1st January 31 March 2016	Period 1st January 31 March 2015
Commissions receivable	10,748	10,990
Commissions payable	(560)	(505)
<b>Net commissions</b>	<b>10,188</b>	<b>10,485</b>

Net commissions in the period dropped by euros 297 thousand, period over period, primarily due to the euros 449 thousand decrease posted by the subsidiary Investire Immobiliare SGR S.p.A. and the increase posted by the Bank and other Group companies, amounting to euros 145 thousand and euros 7 thousand, respectively.

#### Net income from trading activities

Net income from trading activities in the first quarter of 2016, connected exclusively with Bank operations, features a negative balance of euros 1.139 thousand, compared to the negative balance of euros 1.532 thousand, period over period, and is made up as follows:

- euros 397 thousand, as a result of the positive balance between realised profits and losses related to trading on securities and derivative instruments (of which euros 408 thousand revenue for earnings on derivatives representative of greenhouse gas emission quotas);
- euros 734 thousand, as a result of the positive balance between realised gains and losses on exchange rate transactions. This amount includes a 762 thousand euro profit on forward sales of Sterling against Euro, to hedge against exposure to exchange rate risk related to the LSEG shares, which does not fulfil the requirements provided under IAS 39 with respect to identification of hedging transactions;
- euros 173 thousand, as a result of the positive difference between unrealised capital gains and losses, due to the fair value valuation of forward contracts for the purchase and sale of currencies and Interest Rate Swap Amortizing;





- euros 165 thousand, as a result of the positive difference between unrealised capital gains and losses, due to the fair value valuation of the trading portfolio.

#### **Profit (loss) from the transfer/repurchase of: available-for-sale financial assets**

At 31 March 2016, the item features a positive balance of euros 361 thousand compared to euros 2.528 thousand period over period. The amount consists of the capital gains realised by the Bank, relating to euros 372 thousand from the sale of 12,500 shares of London Stock Exchange Group plc (in the first quarter of 2015 the Bank had recorded capital gains amounting to euros 2.521 thousand, from the sale of 126,100 shares).

#### **Value adjustments/write-backs for the impairment of:**

- Receivables  
At 31 March 2016, the item features a recovery of value of euros 55 thousand, compared to an adjustment of value of euros 192 thousand period over period.
- Financial assets available for sale  
At 31 March 2016, the item features a balance of euros 9 thousand, relating to the value adjustment of UCI units held by the Bank.

#### **ADMINISTRATIVE EXPENSES**

	Period 1st January 31 March 2016	Period 1st January 31 March 2015
Staff costs	7,766	7,326
Other administrative expenses	3,592	4,176
<b>Total</b>	<b>11,358</b>	<b>11,502</b>

Administrative expenses are down by euros 144 thousand overall, period over period.

Staff costs are up by euros 440 thousand, period over period, primarily as a result of the euros 439 thousand increase relating to InvestiRE SGR S.p.A..

Other administrative expenses decreased by euros 584 thousand, period over period, of which euros 427 thousand due to InvestiRE SGR S.p.A., euros 146 thousand to the Bank and euros 11 thousand to the other Group companies.

#### **Other operating income and expenses**

This item features a positive balance of euros 128 thousand (compared to euros 405 thousand period over period). In the first quarter of 2016, the item included the negative result - amounting to euros 369 thousand - of the trading of CO2 emission certificates (CO2 quotas) by the Bank.

#### **Income tax**

Income tax in the period amounts to euros 1.028 thousand, up by euros 84 thousand period over period (euros 944 thousand) and has been calculated based on the applicable tax rates.

### Analysis of comprehensive income

The negative change in the valuation reserves for euros 1.827 thousand - of which euros 1.746 thousand relating to the Group - shown in item "100. Financial assets available for sale" of the Statement of comprehensive income, is the result of the following investments:

#### by the Parent Company

- euros (665) thousand in London Stock Exchange Group plc shares;
- euros (697) thousand in Anima Holding S.p.A. shares;
- euros (60) thousand in other shares;
- euros (64) thousand in UCI units;
- euros (185) thousand in Italian sovereign bonds and other debt securities;

#### by the other Group companies

- euros (81) thousand in UCI units;
- euros 6 thousand in Italian sovereign bonds and other debt securities.

After the changes above, the Group valuation reserves relating to "Financial assets available for sale", at 31 March 2016, feature a positive balance of euros 31.493 thousand, while those relating to minority interests show a negative balance of euros 1.629 thousand and are related to the subsidiary InvestiRE SGR S.p.A..

The Group reserves may be broken down as follows:

(in thousands of euros)

<b>Parent company</b>	
London Stock Exchange Group plc shares	30,845
Anima Holding shares	1,773
CSE S.r.l. quotas	(633)
Other shares	(105)
UCI units	487
Italian sovereign bonds and other debt securities	765
	<b>33,132</b>
<b>Other Group companies</b>	
UCI units (InvestiRE SGR S.p.A.)	(1,638)
Italian sovereign bonds and other debt securities	(1)
	<b>31,493</b>



## BALANCE SHEET

The most significant balance sheet items at 31 March 2016 are presented below, in thousands of euros:

### Financial assets held for trading

Financial assets held for trading, exclusively by the Bank, amount to euros 40.448 thousand.

The item includes debt securities amounting to euros 20.401 thousand and the positive valuation of forward contracts for the purchase and sale of currency for euros 13.251 thousand.

### Financial assets available for sale

This item amounts to euros 1.148.971 thousand and includes the financial instruments held in the portfolios of the following companies:

- Banca Finnat Euramerica S.p.A.: euros 1.143.645 thousand,
- InvestiRE SGR S.p.A.: euros 4.275 thousand,
- Finnat Fiduciaria S.p.A.: euros 1.051 thousand,

The parent company holds the following securities:

- Italian sovereign bonds totalling euros 1.050 million, of which euros 450 million maturing in 2016 and euros 570 million maturing in 2017;
- other debt securities for a nominal value of euros 17 million;
- equities amounting to euros 45 million, representing strategic investments, as follows:
  - listed securities: London Stock Exchange Group plc., Anima Holding S.p.A. and Net Insurance S.p.A.;
  - unlisted securities: Fideuram Investimenti SGR S.p.A., SIA S.p.A., Calipso S.p.A., CSE Consorzio Servizi Bancari S.r.l. and Cassa di Risparmio di Cesena S.p.A.
- UCI units amounting to euros 27 million, which primarily include 223 units of the Fondo Immobili Pubblici (FIP) Fund.

### Financial assets held to maturity

This item, exclusively regarding the Bank, amounts to euros 1.968 thousand and includes the transfer, in 2008, of several bonds from "Financial assets held for trading". The effects of those transfers are described in the dedicated paragraph regarding fair value disclosures.

### Due from banks

The item "Due from banks" amounts to euros 129.373 thousand and the amount due to the Bank is euros 117.113 thousand. The item does not include debt securities.

### Due from customers

The item "Due from customers", at 31 March 2016, amounts to euros 293.442 thousand, of which 284.598 thousand are performing loans. At 31 December 2015, the total amount was euros 292.644 thousand, of which euros 284.231 thousand were performing loans.





As at the date of this Report, current accounts, loans and other receivables include the following impaired assets relating to the Parent Company, amount to euros 13.287 thousand (euros 8.646 thousand minus write-downs), broken down as follows:

- non-performing loans totalling euros 9.111 thousand (euros 4.830 thousand minus write-downs), with regard to the following positions:
  - a gross credit exposure of euros 4.572 thousand (euros 2.037 thousand minus write-downs) relating to a mortgage contract terminated by the Bank on 8 July 2011, after which the Bank requested the immediate repayment of the entire amount. The mortgage is backed by real estate, the valuation of which – supported by a specific report updated to 1 December 2015 – entirely covers the value of the net exposure. The company, previously wound up, has filed an application with the Court of Rome for admission to arrangement with creditors. The recoverable amount of the debt has been determined based on the expert appraisal of the value of the security provided, adjusted in order to take into account the above mentioned uncertainty and the debt recovery time, also considering the Bank's privileged position, with respect to the real estate collateral backing the exposure;
  - euros 4.539 thousand, as follows: euros 1.047 thousand are trade receivables and euros 3.492 thousand are financial receivables.

The itemised impairments total euros 4.280 thousand.

- “unlikely to pay” items totalling euros 2.664 thousand (euros 2.335 thousand minus write-downs), made up of:
  - current account credit lines for euros 190 thousand;
  - loans for euros 2.201 thousand (euros 45 thousand expired instalments and euros 2.156 thousand of maturing capital);
  - trade receivables for euros 273 thousand.

There are also 5 forbearance items totalling euros 1.782 thousand.

The itemised impairment of the “unlikely to pay” items totals euros 329 thousand;

- other positions beyond the maturity date and over-run for more than 90 days, total euros 1.512 thousand (euros 1.481 thousand minus write-downs).

At 31 March 2016, there were 3 performing forbearance items totalling euros 1.017 thousand.

As usual, at 31 March 2016, the Bank collectively wrote down “in bonis” (high-rated) receivables, relating to cash flow loans, based on the average historic series for default rates of cash flow loans, provided by the Risk Centre. The writedown, totalling euros 1.794 thousand, is lower than the appropriations made for this purpose at 31 December 2015, which totalled euros 1.809 thousand.

In the first quarter of 2016, the Bank recognised in item 130 of the Profit and Loss Account “Net value adjustments/write-backs for impairment of: a) loans”, featuring write-backs for euros 48 thousand, of which euros 239 thousand for analytical write-backs, euros 15 thousand for collective write-backs and euros 206 thousand for loans written off in previous years.

The amount of the adjustments under review at the end of the period reached a total amount of euros 6.434 thousand including:



- euros 4.640 thousand, for itemised impairment;
- euros 1.794 thousand, for collective impairment.

Regarding the other Group companies, the subsidiary Finnat Fiduciaria S.p.A. recognised net write-backs for euros 7 thousand.

Due from customers also includes the “Deposits for margins” at the Cassa di Compensazione e Garanzia for euros 18.483 thousand and Senior Fin.Re SPV bonds, purchased by the bank for euros 563 thousand (for a nominal value of euros 1.700 thousand) and issued within the framework of a securitisation programme for “unsecured non-performing loans”.

### Hedging derivatives

The item concerns the hedge accounting operated by the Bank in December 2015, to neutralise the impact of the euros/GBP exchange rate changes on a considerable part of the carrying value, amounting at 31 March 2016 to GBP 28 million, of the 1,003,900 shares of London Stock Exchange Group plc (LSEG ) held in the “Financial assets available for sale” portfolio.

This partial hedging was effected by means of a forward sale transaction of 15 million GBP (expiring on 21 December 2016), the positive fair value of which, at 31 March 2016, amounted to euros 1.702 thousand.

The income components (Item 90 “Net result of hedging transactions” ) are recognised for an equal amount and concern the positive fair value of the forward hedging derivative and a portion of the negative reserve of the LSEG shares generated by the exchange component.

The perfect effectiveness of the hedging transaction is achieved because it provides for the separation of the spot and forward components, in connection with the forward sale of GBP, using only the former for hedging purposes.

### Equity investments

Equity investments total euros 10.399 thousand and are itemised in the table shown on page 17.

### Tangible and intangible assets

Tangible assets amount to euros 5.491 thousand, euros 5.142 thousand of which refer to the Parent Company.

Intangible assets amount to euros 41.949 thousand and include the goodwill recorded in 2003 by the Bank for euros 300 thousand and the goodwill recorded last year by the subsidiary InvestiRE SGR S.p.A. for euros 37.429 thousand.

The intangible assets also include euros 3.715 thousand in positive consolidation differences relating to Finnat Fiduciaria S.p.A., InvestiRE SGR S.p.A. and Revalo S.p.A.

### Tax assets

Tax assets, totalling euros 20.565 thousand, include credits for current tax assets for euros 2.327 thousand and deferred tax assets for euros 18.238 thousand. The latter refer to the tax depreciation of the goodwill



over the forthcoming years amounting to euros 13.616 thousand (euros 12.378 thousand of which refers to InvestiRE SGR S.p.A.).

#### **Other assets**

The item features a balance of euros 13.517 thousand and includes receivables from the Cassa Compensazione e Garanzia totalling euros 1.130 thousand, receivables from the Internal Revenue Service as withholding agent for euros 3.192 thousand and receivables from Counterparties and Brokers for euros 1.070 thousand.

#### **Due to banks**

The item, exclusively relating to the Bank's operations, totals euros 12.509 thousand.

#### **Due to customers**

This item, relating exclusively to the Bank, amounts to euros 1.371.142 thousand, of which euros 930.949 thousand are the result of repurchase agreements with the Cassa di Compensazione e Garanzia.

#### **Outstanding securities**

This item, exclusively relating to the Bank, totals euros 25.121 thousand, and refers to debenture loans, issued by the Bank, inclusive of the accrued coupon. The amount is net of the value of securities held by the Bank for trading, with a nominal value of euros 4.908 thousand.

#### **Financial liabilities held for trading**

The item, exclusively relating to the Bank, totals euros 13.423 thousand and comprises: euros 13.070 thousand relating to the negative valuation of forward contracts for the purchase and sale of foreign currencies, and euros 197 thousand relating to the fair value measurement of an amortising interest rate swap, which represents a hedging transaction for managing the interest rate risk.

#### **Provisions for risks and charges – other funds**

The amount of euros 1.067 thousand is the appropriation made by the Bank, last year, to hedge the compensation that would possibly have to be paid out in the event of the failed collection of the commissions accrued on a real estate fund managed by the subsidiary InvestiRE SGR.

#### **Tax liabilities**

"Tax liabilities" total euros 10.095 thousand and include liabilities for current income tax of euros 6.522 thousand and deferred tax liabilities for euros 3.573 thousand.

#### **Other liabilities**

"Other liabilities" total euros 12.545 thousand, primarily consisting of amounts due for social security and insurance contributions for euros 1.033 thousand, amounts due to counterparties and brokers for euros 968 thousand, payables to the Internal Revenue Service, as tax withholding agent, for euros 1.082 thousand and payables due to suppliers for euros 3.417 thousand.





### Net equity

The Group's consolidated net equity amounts to euros 218.164 thousand (euros 218.549 thousand at 31 December 2015) and the movements over the period in total net equity, and that of the Group and minority interests, have been reported in the related table.

The consolidated regulatory capital (own funds) at 31 March 2016 totals euros 144.764 thousand (euros 148.600 thousand at 31 December 2015), while the total capital ratio amounts to 29.8% (31.7% at 31 December 2015). The drop in the regulatory capital and, consequently, in the total capital ratio, is primarily the result of the application of the transitional provisions of the applicable regulations, relating to the treatment of minority interests.

The total capital ratio, as well as the *CET1 ratio* and *Tier1 ratio*, are significantly higher than the minimum capital requirements, at the consolidated level, of the Bank of Italy, at the conclusion of the Supervisory review and evaluation process (SREP), pursuant to Directive 2013/36/EU (CRD IV).

At 31 March 2016, the own shares in portfolio, held exclusively by the Parent Company, amounted to 29,171,862 (28,320,718 at 31 December 2015). These shares, amounting to euros 14.273 thousand, are equivalent to 8.04% of the share capital of the Bank, and pursuant to IAS 32, were carried as an adjustment to the net equity.

During the period in question, the Bank purchased 851,144 own shares, for a total countervalue of euros 324 thousand.

Rome, 10 May 2016

## STATEMENT BY THE MANAGER IN CHARGE OF PREPARING CORPORATE REPORTS AND ACCOUNTING DOCUMENTS

The undersigned, Paolo Colletti, as Manager in charge of preparing corporate reports and accounting documents of Banca Finnat Euramerica S.p.A., pursuant to art. 154-bis, paragraph two, of Italian Legislative Decree 58/1998, hereby

declares

that the Consolidated Interim Report on Operations at 31 March 2016 is consistent with the company's accounting records, books and entries.

Rome, 10 May 2016

The Manager in charge of preparing corporate  
reports and accounting documents  
(Paolo Colletti)





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VAT Registration No.	00856091004	Investor Relations	<a href="mailto:investor.relator@finnat.it">investor.relator@finnat.it</a>

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

[www.bancafinnat.it](http://www.bancafinnat.it)

