BANCA FINNAT

GRUPPO BANCA FINNAT

# FINANCIAL STATEMENTS AT 31 DECEMBER 2015 - 86TH FINANCIAL YEAR

# FINANCIAL STATEMENTS

## AT 31 DECEMBER 2015

## 86TH FINANCIAL YEAR

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# CORPORATE BODIES

**BOARD OF DIRECTORS**

Carlo Carlevaris
*Honorary Chairman*

Giampietro Nattino
*Chairman*

Leonardo Buonvino
*Deputy Chairman*

Arturo Nattino
*Managing Director*

Ermanno Boffa
*Director*

Roberto Cusmai
*Director*

Flavia Mazzarella
*Director (*)*

Giulia Nattino
*Director*

Maria Sole Nattino
*Director*

Lupo Rattazzi
*Director*

Andreina Scognamiglio
*Director*

**BOARD OF STATUTORY AUDITORS**

Alberto De Nigro
*Chairman*

Barbara Fasoli Braccini
*Permanent Auditor*

Francesco Minnetti
*Permanent Auditor*

Laura Bellicini
*Alternate Auditor*

Antonio Staffa
*Alternate Auditor*

**MANAGEMENT**

Arturo Nattino
*General Manager*

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

Alberto Alfiero
*Deputy General Manager*

Giulio Bastia
*Deputy General Manager*

**AUDITING FIRM**
*Reconta Ernst & Young S.p.A.*

(*) Co-opted by the Board of Directors in the course of the meeting of 10 February 2016 to replace Mr. Marco Tofanelli, who resigned.

# NOTICE OF ORDINARY GENERAL MEETING

The Ordinary General Meeting of Shareholders of Banca Finnat Euramerica S.p.A. will be held at the Bank's registered office in Rome – Palazzo Altieri – Piazza del Gesù 49 – on 29 April 2016, at 10 am, at single call, to transact the business set out in the following

AGENDA

1. Financial statements at 31 December 2015, complete with the relevant reports by the Board of Directors, the Board of Statutory Auditors and the auditing firm in charge of auditing the accounts. Proposal for allocation of the profit. Relevant and ensuing resolutions. Presentation of the consolidated financial statements at 31 December 2015;
2. Integration of the Board of Directors, pursuant to article 2386 of the Civil Code. Relevant and ensuing resolutions;
3. Determination of the remuneration of the members of the Board of Directors and of the Honorary Chairman. Relevant and ensuing resolutions;
4. Authorisation to purchase and/or dispose of treasury shares. Relevant and ensuing resolutions;
5. Disclosure of the remuneration policies regarding the Directors, Employees and freelance Collaborators. Remuneration Report pursuant to article 123-ter of Legislative Decree 58/98. Relevant and ensuing resolutions.

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ATTENDANCE OF THE GENERAL MEETING

Pursuant to article 8 of the articles of association, the General Meeting may be attended by all those who can provide proof of their eligibility and qualifications, in accordance with the applicable law; the right to attend, speak and vote at general meetings shall be attested in a notice sent to the Bank by a qualified intermediary acting on behalf of the person entitled to vote, on the basis of the shareholder information applicable at the end of the accounting day for the seventh day of market trading preceding the date fixed for the general meeting (the "record date"), coinciding with 20 April 2016.
Credit or debit account recordings subsequent to that date shall not be taken into account when determining eligibility to vote at the General Meeting and, therefore, more precisely, any person who becomes an owner of ordinary shares only after the record date shall not be entitled either to attend or vote at this ordinary General Meeting. The notice by the intermediary must be received by the Bank no later than the third day of market trading preceding the date fixed for the general meeting, i.e. 26 April 2016. This shall be without prejudice to entitlement to participate and vote at the Meeting

in the event that the notices are received by the Bank later than that date, provided that this occurs prior to the start of the Meeting's business.
Shareholders holding any shares that are not yet paperless must submit them to an empowered intermediary in advance for inclusion in the centralised book entry management system for paperless shares pursuant to the Joint Consob / Bank of Italy Measure of 22 February 2008 (as amended) and request that the notice referred to above be made.

## VOTING BY PROXY

Any person who has the right to vote may be represented at the General Meeting, in accordance with the law, by means of a proxy issued either in writing or electronically, pursuant to article 21(2) of Legislative Decree 82/2005.
Shareholders may use the "Proxy Form" available at the Registered Office and on the Bank's website www.bancafinnat.it (in the section Investor Relations/Agenda and Documents). The proxy may be transmitted to the Bank by registered letter with proof of receipt to the following address: Banca Finnat Euramerica S.p.A., Piazza del Gesu 49, 00186 Rome, or electronically to the following certified email address: banca.finnat@pec.finnat.it, or online in the specific website (section Investor Relations/Agenda and Documents/29april/Attendance and Voting). In such cases, the Bank must receive the proxy before the time scheduled for the Meeting to commence its business. In the event that the representative provides or sends the Bank a copy of the proxy, he must certify, under his own responsibility, that it is a true copy of the original and the identity of the party appointing the proxy.
In accordance with applicable legislation, shareholders may appoint as a proxy, at no cost, Prof. Francesco Carbonetti, Lawyer, as the representative designated by the Bank pursuant to article 135-undecies of Italian Legislative Decree 58/98 (known as the Consolidation Law on Finance and abbreviated as "TUF"), who may then request Mr. Rocco Santarelli to stand in for him, if he is absent or incapacitated in any way. The appointment must be made by signing the appropriate form available in the section of the Bank's website mentioned above (Investor Relations/Agenda and Documents/29april/Attendance and Voting). The signed form must be delivered to the designated representative – together with a copy of valid ID – by registered letter with proof of receipt to Prof. Francesco Carbonetti at the Carbonetti Law Firm based at Via San Valentino 21, 00197 Rome, or by e-mail to rsantarelli@studiocarbonetti.it before the end of the second day of market trading preceding the date scheduled for the Meeting at first call, i.e. 27 April 2016. The proxy shall have no effect in respect of proposals for which no voting instructions have been issued. If a copy of the proxy is consigned or transmitted to the designated representative, it must be accompanied by a declaration certifying, under his own responsibility, that it fully conforms with the original proxy.
The proxy shall have no validity in respect of any proposals for which no voting instructions have been given.
The proxy and voting instructions are revocable until the second day of market trading preceding the date fixed for the Meeting, i.e. 27 April 2016. The notice to the Bank by the intermediary attesting entitlement to participate in the Meeting must be sent also in the event that the Bank's designated representative is appointed as a proxy; if no such notice is sent, the proxy shall be considered to have no effect.
It shall not be possible to vote by correspondence or electronic means.

## RIGHT TO SUBMIT QUESTIONS

The persons entitled to vote at the Meeting may submit questions, relating to the business to be transacted thereat, by email to ufficiolegale@finnat.it, or by registered letter with proof of receipt to Banca Finnat Euramerica S.p.A. – Legal Office – Piazza del Gesu 49, 00186 Rome, enclosing the documentation proving their entitlement to vote. The entitlement to exercise such rights may alternatively be proven by a notice attesting the entitlement to attend and vote by an intermediary qualified pursuant to article 83-sexies(1) of the TUF, or by presentation of certificates issued by the intermediaries specifying the company-related rights that may be exercised pursuant to article 83-quinquies(3) of the TUF. Pursuant to article 127-ter(1-bis) of the said TUF, the questions must be received before the end of the third day preceding the date scheduled for the Meeting, i.e. 26 April 2016.

Questions received prior to the Meeting will be answered at the latest during the Meeting. The Bank may provide a single response to questions with identical content.

## SUPPLEMENTARY BUSINESS TO BE TRANSACTED AT THE MEETING AND PRESENTATION OF NEW DRAFT RESOLUTIONS

Pursuant to article 126-bis of the TUF, any Shareholders that represent either individually or jointly at least one fortieth of the Bank's capital may request, within 10 days of publication of this notice (i.e. within 8 April 2016), the supplementing of the business to be transacted at the Meeting, specifying any further matters in their request, or may present new draft resolutions with regard to the business already set out in the agenda. Such requests must be made in writing and sent by registered letter with proof of receipt to the Bank's registered office at Piazza del Gesu 49 – 00186 Rome, or by certified email at banca.finnat@pec.finnat.it, and must be accompanied by documentary evidence by the intermediary of the related entitlement of the Shareholders making the proposal. Any parties making such a request must provide to the Board of Directors a report on the supplementary business proposed for transaction, or the reasons relating to the new draft resolutions regarding the business already set out in the agenda, within the same deadline mentioned above and according to the same procedures. It is also noted moreover that no such supplementary business may be proposed in respect of matters on which the Meeting is to resolve, pursuant to law, following a proposal by the directors or on the basis of a project or a report drawn up by them (other than those referred to in article 125-ter(1) of the TUF). Any supplementary business to be transacted, or new draft resolutions regarding the business already set out in the agenda, must be notified in accordance with the same procedures required for the publication of a notice calling a General Meeting, at least fifteen days before the date scheduled for the Meeting. The report drawn up by the parties making the request shall be made available to the public at the same time as publication of the notice of supplementary business, or of the presentation, accompanied by any evaluations by the Bank's management, according to the same procedure laid down for the documentation relating to the Meeting.
The persons entitled to vote at the Meeting may individually present draft resolutions at the General Meeting.

## INTEGRATION OF THE BOARD OF DIRECTORS

Having regard to item 2 on the agenda of the Meeting, the attendees are reminded that, since it involves the simple integration of the Board of Directors, pursuant to article 2386 of the Italian Civil Code and article 12bis of the Bank's articles of association, the General Meeting shall decide with the majority and the Board membership and quorum requirements established by law, without the application of the statutory provisions and the provisions of the articles of association relating to the list voting system.

## DOCUMENTATION RELATING TO THE GENERAL MEETING AND DISCLOSURES TO THE SHAREHOLDERS

The documentation relating to the business transacted at the Meeting shall be made available to the public, within the deadlines and according to the procedures specified in the applicable legislation, at the Bank's Registered Office, at the authorised storage mechanism called "NIS Storage" (at www.emarketstorage.com) and on the Bank's website at www.bancafinnat.it (in the Investor Relations/Agenda and Documents section).
Shareholders are entitled to obtain a copy thereof, at their own expense. In particular, the following documents will be made available:

- the Directors' Report on items 1, 2 and 3 of the agenda, at least 30 days prior to the Meeting;
- the Directors' Report on item 4 of the agenda, the Remuneration Report, made pursuant to article 123ter of the TUF (item 5 on the agenda), and the financial report, the other documents pursuant to article 154-ter of the TUF, the documents referred to in article 77(2-bis) of the Consob Regulation 11971/99 and the report on the management and shareholder structure, made pursuant to article 123-bis of the TUF (item 1 on the agenda) at least 21 days prior to the Meeting.

INFORMATION CONCERNING THE CAPITAL

The capital of Banca Finnat Euramerica S.p.A. amounts to euros 72,576,000.00 (seventy-two million five hundred and seventy-six thousand point 00), divided into 362,880,000 (three hundred and sixty-two million eight hundred and eighty thousand) ordinary shares with a value of euro 0.20 (zero point 20) each, each of which entitles its holder to one vote. No shares or other stocks with restrictions on voting rights have been issued. As at 24 March 2016, the Bank holds n. 29.166.896 treasury shares for which voting rights have been suspended.
The subsidiaries hold no shares of the Bank.
The Bank's Articles of Association are available at the website www.bancafinnat.it (in the section Investor Relations/Corporate Governance).

Rome, 29 March 2016

The Chairman of the Board of Directors
*(dr. Giampietro Nattino)*

# FINANCIAL STATEMENTS OF BANCA FINNAT EURAMERICA S.P.A. AT 31 DECEMBER 2015

# REPORT ON OPERATIONS AND DRAFT RESOLUTIONS TO THE SHAREHOLDERS' MEETING OF BANCA FINNAT EURAMERICA S.P.A.

**Dear Shareholders,**

Prior to presenting the report on operations for 2015, following is an overview of the domestic and international macroeconomic background, on the financial markets and on the real estate market.

## DOMESTIC AND INTERNATIONAL MACROECONOMIC BACKGROUND

The year 2015 was characterised by an unexpected, progressive and marked deterioration in the economy which, in spite of the expectations of an acceleration of the economic cycle, formulated at the start of the year, materialised suddenly as a result of the economic deceleration in China and in the other emerging economies, as well as of world trade performance, never able to break through the threshold of 2% annual growth trend (versus 3.3% in 2014). In the past 50 years, such an unsatisfactory trade performance was recorded only five times and always in concurrence with deep global recessions. In spite of the full implementation of the European quantitative easing, finally defined at the start of the year, of the constantly falling price of oil and of the marked devaluation of the Euro, all factors that should have been the main drivers of sustained economic growth, the Eurozone was never able, in the course of the year, to express growth rates above 0.3/0.4% per quarter; the US economy, in spite of reaching a situation of substantial full employment that in other circumstances could have assured sustained GDP growth rates approaching 4%, ended the year with a growth rate that, from the second quarter's 3.9%, presumably shrank to well below 2%; the Japanese economy, in spite of a monetary policy that still remains strongly expansionary, substantially stood still at zero growth, with unchanged deflationary pressures, while the emerging markets, which in the past two years had contributed two thirds of global growth and which should have provided, in aggregate terms, yearly GDP growth rates approaching 4%, unexpectedly suffered, at first, from the uncertainty deriving from the size of the expected normalisation of the US rates and, later on, from the downward revision of the Chinese economy's growth (from 7.3% growth recorded in 2014 down to 6.9% in 2015), as well as from the ongoing collapse in commodity prices.  and , the latter also by effect of the economic sanctions introduced against it by the European Commission as a result of the geopolitical events that led to its confrontation with , both experienced GDP contractions approaching 4%.

Concerning the Monetary Policies and Conditions implemented by the Central Banks, the expected normalisation of the US rates, which in the end materialised in December with a 25 b.p. raise in the policy rates (brought to 0.5% by the Federal Reserve, with a further raise to 1.375% expected by the end of 2016), was set against a markedly expansionary policy promoted by the ECB. The latter extended to March 2017, from the previous term of September 2016, the current programme of securities acquisition (launched in March 2015), expanded the acquirable portfolio, extending it to issues from local authorities, and it also lowered from -0.2% to -0.3% the rate on funds deposited with it overnight by the banking system.

The extension of the monetary stimuli, decided by the ECB, thus made it possible to maintain the generalised decline in the returns of Government securities throughout the Euro area; it caused a further flattening of the curves and it enabled the Italian Treasury to benefit from the favourable market conditions to proceed not only to prolong the average maturity of the new placements but also to finance itself, for the first time in its history, at zero rates on two-year BTP and at negative rates on six-month BOT and two-year CTZ. The average issue cost, for Italian paper, remained below 1% throughout 2015 (with a record low at 0.4%). The average rate paid was 0.7% versus 1.35% in 2014. The abundant supply of liquidity also facilitated the reduction in the dispersion of the interest rates on Italian money markets and the further compression of the spread between the BTP and the German ten-year Bund (which dipped below 100 points for the first time since 2010).

With regard to inflation, the rise in inflation expectations, which had materialised in the Eurozone at the time of the launch, at the start of the year, of the ECB's quantitative easing programme, faltered in part, as a result of the deteriorated outlook for the worldwide economy and of the persistent marked decline in commodity prices. For now, consumer price inflation remains stabilised at values approaching zero in all major advanced economies (with the core component at 2% in the US and 0.9% in the Euro area), with a worldwide level of 2.3%. In the Italian economy, the financial conditions of companies clearly improved, for the first time since the onset of the crisis in 2008/2009, as did credit access conditions. Concerning bank loans to non-financial companies, in the first ten months of 2015, loans to companies grew by approximately 14% on the corresponding period of the previous year, whilst in terms of issues of new loans for the purchase of property, annual growth was 94.3%. As to the gross non-performing loans of the banking system, in October 2015 they still amounted to 199 billion euros, with a growth rate of 11% which, however, contracted sharply compared to the 21.7% growth rates recorded in October 2014. Gross non-performing loans represent 10.4% of all loans; this value rises to 17.3% for small businesses and to 17.9% for companies, while it stands at 7.2% for households. However, for the first time after ten consecutive quarters, the number of business bankruptcies declined (-6.8% compared to the 2014 peaks) as did non-bankruptcy compositions with creditors (-12.1%). The data show that the improvement was experienced, albeit at different paces, by all macro sectors and all areas of the Country, with a particularly sharp drop in industry, a sector where all monitored procedures declined at two-digit rates, whereas the result was more modest in services, with bankruptcy proceedings declining by 3-4%. The Northwest was the area of the Country where improvement on the front of proceedings (bankruptcies and compositions) was more significant, while in the Centre the bankruptcy figure has not, to date, significantly deviated from the previous year. In terms of voluntary closures, they were reduced everywhere, at rates that came close to 20% in the Centre-South and reached 11% in the North.

# THE FINANCIAL MARKETS

On the financial markets, 2015 ended with modest results for all asset classes. The return on global equities was 2%; bonds lost 2% (US Treasuries yielded a weighted return of 0.7%, down from 6.2% in 2014; the return on Euro area government bonds was 1.6% versus 13% in 2014); cash returned 0.11%; commodities lost 23.4% of their value compared to the prices at the start of the year; emerging Country equities declined by 16%; the stock market indexes of the Euro area were affected, like all markets, by the slowdown of the Chinese economy, the instability of its hyper-inflated stock market and the expected rise of the US rates, all factors that led, from the second half of the year onwards, to generalised declines in stock prices, which curtailed the gratifying gains achieved in the early months of the year. In 2015, the EuroStoxx 50 index, representing the major equities of the Euro area, yielded a limited return of 4.5%, after a positive performance of 17.5% in the first quarter; the German market's DAX index grew by 9.6%, after rising by 22% in the first quarter; the French market's CAC 40 index rose by 9.5% (+17.8% at the end of the first quarter) while the Italian stock index FtseMib grew by 12.7% (+21.8% at the end of the first quarter). Among the other European markets, the British FTSE100 declined by 4.5%, the Spanish IBEX 35 was 6.2% lower, mostly because of the political uncertainty, and the Swiss MKT, despite the sharp appreciation of the Swiss Franc during the year, was able to limit losses to 1.84%. With regard to the other major geographical areas, in the US stock market the S&P 500 index was nearly unchanged (+0.62%) but the index representing the technological sector (NASDAQ) rose by 7.47%; among the Emerging Countries, the Russian stock market gained 26.1%, while the Brazilian market lost 13.3%.

On Asian markets, the bubble that had taken hold of the Chinese stock market deflated and there were attempts by the Japanese monetary authorities, through an extensive quantitative easing programme, to reflate prices and revitalise economic growth in the Country, which has long been experiencing severe stagnation. The deflation of the Chinese bubble affected in particular the Hong Kong stock market (Hang Seng index), down by 7.3%, while the Shanghai stock market index, which in the period between 15 June and 26 August had seen its capitalisation collapse by as much as 45%, was able to end the year, in any case, with an unexpected rise by 10.5%. As to the Japanese Stock Market (Nikkei 225 index), it yielded an annual return of 9.1%.

On the Commodities market, in 2015 the prices of oil and its derivatives fell sharply, but many industrial metals and agricultural products also contracted markedly. The downward revision of growth in China, which by itself accounts for 50% of the worldwide demand for copper, aluminium and steel, absorbs 1/3 of the global rice, soy and cotton crops, 1/5 of wheat and corn, and consumes 11% of the world's oil, opened hitherto inconceivable breaches in the prices of many agricultural and industrial products. WTI crude oil, traded in New York, thus lost 31% of its value during the year; Brent crude, traded in London, dropped by nearly 36%; diesel and heating oil, both traded on the New York NYMEX, lost 13.2% and 40.3% respectively, while natural gas declined by 17.9% on the same market. In the metals sector, gold ended the year with a 10.44% contraction; silver lost 11.72% while the prices of platinum and palladium declined by 27.8% and 30.7% respectively. Aluminium and copper lost 17.14% and 24.9%. Concerning agricultural products, wheat lost 20% of its value; soy declined by 14%; corn, by 9.6%; among imported products, the price of coffee dropped by 26.2% while the price of sugar rose (+4.5%) as did cotton (+6.14%).

With regard to bond markets, the persistent decline in the yields in Europe led to a reduction by nearly 20% in corporate bond issues, while in the United States placements rose by approximately the same amount,

although high yield issues contracted by 22% and investment grade bond issues declined by 15%. On the primary Italian market, the progressive reduction of the yields offered by Government bonds continued. The gross yield of the 3-year BTP declined from 0.61% (at the January 2015 auction) to 0.11% (at the November auction); the gross yield of the 5-year BTP, at the same auctions, declined from 0.89% to 0.37% whilst the yields of the 10-year and 30-year BTP, which had peaked in June, respectively, at 2.35% and 3.36%, ended the year with yields of 1.36% and 2.64%. On the secondary Italian market, ten-year BTP rates decreased by 13%; five-year rates declined by 36.8%, while two-year rates dropped by 99%. The Rendistato, i.e. the figure for the sample of securities with over one year maturity traded on the Italian stock exchange (M.O.T.), reached 1% in November 2015, i.e. 71 basis points below the value in November 2014, while in October the gross yield of CCT on the secondary market was 0.41% (0.95% in October 2014) and the average gross yield of BTP was 1.59% from 2.31% in October 2014.
In November 2015, the average benchmark rate on ten-year maturity was 2.27% in the USA, 0.55% in Germany and 1.58% in Italy (2.28% twelve months earlier).
Regarding currency markets, as a result of the expansionary monetary policy initiatives implemented by the European Central Bank, the Eurozone's common currency depreciated relative to nearly all major currencies. Thus, it declined by 11.4% relative to the US Dollar; by 10.6% relative to the Japanese Yen; by 6.7% relative to the British Pound; by 10% relative to the Swiss Franc and 7.65% relative to the Chinese Yuan. The relative value of the Euro appreciated only with respect to countries that underwent a severe recession, including Russia and Brazil. Thus, relative to the Euro, the Russian Rouble depreciated by nearly 8% while the depreciation of the Brazilian Real amounted to 26.6%. Brazil and Russia also saw their respective currency collapse relative to the US Dollar, with the Real dropping by 34% and recording the worst performance in the world among the sixteen most important currencies, while the Rouble lost 26% of its value. Also negative, with respect to the US Dollar, was the performance of the Turkish Lira (-20%) along with that of the South African Rand (-25%).

## THE PROPERTY MARKET IN 2015

The main European property markets are recovering, thanks to the growing liquidity and the sharp increase in institutional investments. The crisis in China could entail a slowdown of property purchases in Europe by Chinese investors, who in have recently been the main buyers, together with American funds. However, the overall outlook for the upcoming months is positive.

The Italian economic scenario is still complex, although the main indicators are improving. The gross domestic product is growing, but at a slower rate than the average of the five major countries, and exports and saving rates are increasing. The property market is improving in Italy, too, since the forecasts point to an increase in revenues in line with the average of the other four major countries in the next two years. More laborious is the recovery of prices and construction activities, which will not experience a trend reversal before the second half of 2016.

In 2015, the Italian property market reversed the negative cycle of recent years and ended with 3.7% overall revenue growth. However, the sector's recovery is having trouble lifting off. The readily apparent improvement in confidence is labouring to turn into an unambiguous expansion of property sales. The positive factors that facilitate this trend reversal were the removal of the IMU tax on homes, although tax pressure remains high, and the disbursing of mortgage loans issued by banks, in particular in the second half. At the financial level, major real estate companies repositioned themselves during the year, both with respect to the Stock Market (with the Siiq) and with profound organisational and corporate changes. According to initial estimates, the total volume of transactions in 2015 will reach 7 billion euros, up by 26% over 2014 and by 73% over 2013. In the fourth quarter of 2015, the total volume of transactions amounted to approximately 2.7 billion euros, twice as much as in the third quarter and +24% on the same quarter of the previous year. Italian buyers accounted for 36% of the invested volumes, with foreign investors' share above 60% (in particular, US, Middle Eastern and German investors), which means that Italy has returned to being attractive to them. With regard to investment sectors, the greatest volume is represented by offices, at 33%, followed by "other", at 30% (which includes buildings and portfolios for mixed uses), by retail at 14%, by hotels at 10% and by logistics at 5%. In 2014, retail was in first place with 40%, followed by offices at 20%.

Sentiment for 2016 was still positive, considering that 2015 is the third consecutive year of growth, although we are still far from the record high of 11 billion euros recorded in 2007. An element that could facilitate a future increase of investments is the emergence of new segments as an alternative to traditional offices and retail, such as healthcare and student housing. According to the "Emerging Trends in Real Estate Europe 2016" report by the Urban Land Institute (ULI) and PwC, the European real estate sector is influenced by the rapidly evolving needs of tenants and by disruptive forces such as technology and socio-demographic changes. These situations have led investors to focus on cities and assets rather than on countries, as demonstrated by investors' keener interest for the alternative segments that benefited from rapid urbanisation and demographic changes, such as healthcare, hotels, student housing and data processing centres. Interest for these segments climbed to 41%, versus 28% in 2014. According to forecasts, in 2016 the segment of retail commerce and logistics will also have good performance, benefiting from technological innovation and from the improved economic conditions. It should be pointed out that Milan is the 8th most attractive market for European operators.

In Italy, as in the other major countries, the real estate fund sector is anticipating market recovery. In 2015, the net asset value (NAV) of the funds grew by more than 10% relative to the previous year, leaving the crisis behind. Directly held real estate exceeds 53 billion euros (Source: Scenari Immobiliari) and was confirmed as the foremost Italian private "portfolio". The number of active funds rose to 400, but it should be taken into account that many funds (insufficient or "family" type) that ended their lives during the year, and this phenomenon is destined to last two more years. Funds were established with public capital, and others will be established shortly. Foreign investors have also often preferred real estate funds to direct purchases or simple companies. Expected performance levels are slightly improved over last year. The proportion of debt over equity has decreased. Lastly, there were slight changes in asset allocation, with offices growing and development declining.

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**Dear Shareholders,**

We hereby submit the separate Financial statements as of 31 December 2015 for your assessment and approval, showing a net profit of 4,624 thousand euros, up by 291 thousand euros compared with 4,333 thousand euros of the previous year.

The main items that form the 2015 financial year results are shown below and compared with the corresponding 2014 figures:

- **Earnings margin** totals 33,423 thousand euros, compared to 35,489 thousand euros in the previous financial year. The overall decrease of 2,066 thousand euros may be broken down as follows:

  *increases*
  - 1,332 thousand euros for Net commissions (14,045 thousand euros at 31 December 2015, compared to 12,713 thousand euros in the previous year);
  - 835 thousand euros for Profit from the sale of available-for-sale securities (5,587 thousand euros in 2015, compared to 4,752 thousand euros in 2014);

  *decreases*
  - 3,131 thousand euros for Interest margin (9,433 thousand euros at 31 December 2015 compared to 12,564 thousand euros in the previous year);
  - 1,092 thousand euros for Dividends and similar income (6,069 thousand euros at 31 December 2015, compared to 7,161 thousand euros in the previous year);
  - 10 thousand euros for Net income from trading activities, which had a negative balance of 1,711 thousand euros as at 31 December 2015, compared to the negative balance of 1,701 thousand euros of the 2014 financial year.

- **Value adjustments for impairment** amounted to 1,764 thousand euros versus 2,963 thousand euros in 2014. The item includes 1,515 thousand euros of value adjustments on receivables and 249 thousand euros of value adjustments on available-for sale financial assets.

- **Operating costs** amount to 27,660 thousand euros, compared to 27,229 thousand euros in 2014, so they rose by 431 thousand euros overall. They break down as follows:

  - staff costs, which total 17,065 thousand euros, are up by 148 thousand euros compared to 2014 (16,917 thousand euros);

  - other administrative expenses, totalling 13,118 thousand euros, increased by 1,988 thousand euros compared to the previous year (11,130 thousand euros). Of this increase, 1,012 thousand euros refer to the payment of the contribution to the National Resolution Fund established by the Bank of Italy with its measure of 18 November 2015;

- the allocation to provisions for risks and charges, amounting to 1,067 thousand euros, refers to the indemnification obligation resulting from the guarantee provided at the time of the merger of InvestiRE SGR S.p.A. to cover the non-collection of commissions from a managed property fund;

- other operating income/expenses show a positive balance of 4,021 thousand euros versus 1,254 thousand euros in 2014. The item comprises the recoveries of costs from customers, amounting to 3,783 thousand euros (3,616 thousand euros in the previous year). In 2014, the expenses also included the indemnity recognised by the Bank to the subsidiary Investire Immobiliare SGR S.p.A., amounting to 2,489 thousand euros, in view of the guarantee provided by the shareholders of the absorbing company.



- **Income taxes** had a positive balance of 625 thousand euros versus a negative balance of 964 thousand euros in 2014.

The price of the London Stock Exchange Group plc. shares, at 31 December 2015, rose by 23.55% compared to the price at 31 December 2014. This increase - together with the exchange rate effect - entailed a 6,305 thousand euros increase in the “Valuation reserve” referring to 1,016,400 shares owned by the Bank at that date and recorded under “Available-for-sale financial assets”.
The global profit for the year under review, which also takes into account said increase in value, is shown in the “Statement of comprehensive income”.

## DIRECT AND INDIRECT DEPOSITS

The breakdown of the Bank's deposits is as follows:

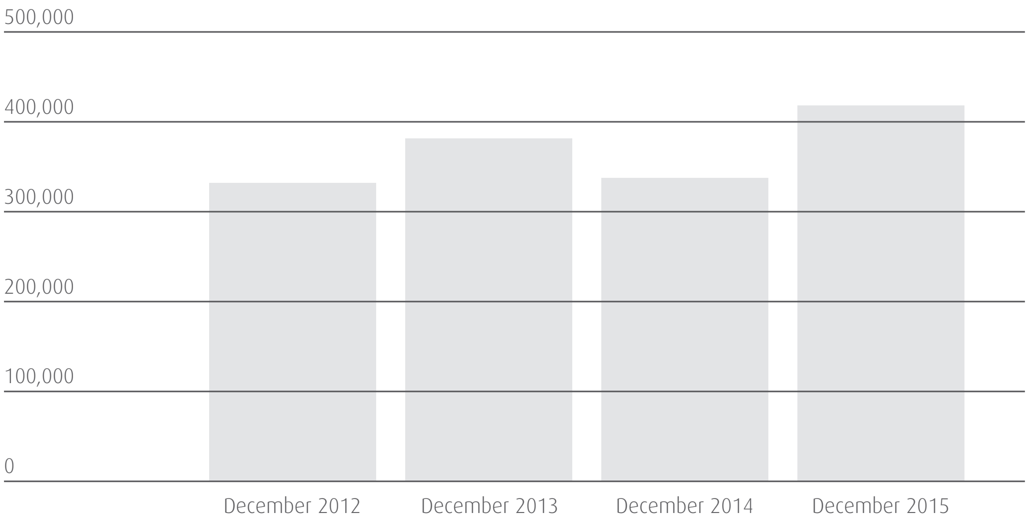
(in thousands of euros)

| | December 2012 | December 2013 | December 2014 | December 2015 |
|---|---|---|---|---|
| **Direct deposits from customers** | **331,542** | **380,810** | **336,854** | **417,760** |
| - Due to customers (current accounts) | 234,185 | 284,987 | 248,080 | 331,111 |
| - Fixed-term deposits | 33,185 | 54,138 | 40,116 | 60,527 |
| - Outstanding securities | 64,172 | 41,685 | 48,658 | 26,122 |
| **Indirect deposits** | **3,374,926** | **4,029,489** | **4,338,207** | **4,609,152** |
| - Individual management | 405,593 | 396,335 | 427,690 | 449,753 |
| - Delegated management | 218,215 | 214,972 | 244,252 | 283,646 |
| - Deposits under administration (UCI and securities) | 2,746,111 | 3,398,930 | 3,451,980 | 3,603,627 |
| - Deposits under administration under advice (UCI and securities) | – | – | 183,688 | 229,493 |
| - Third parties' insurance products | 5,007 | 19,252 | 30,597 | 42,633 |
| **Total deposits** | **3,706,468** | **4,410,299** | **4,675,061** | **5,026,912** |

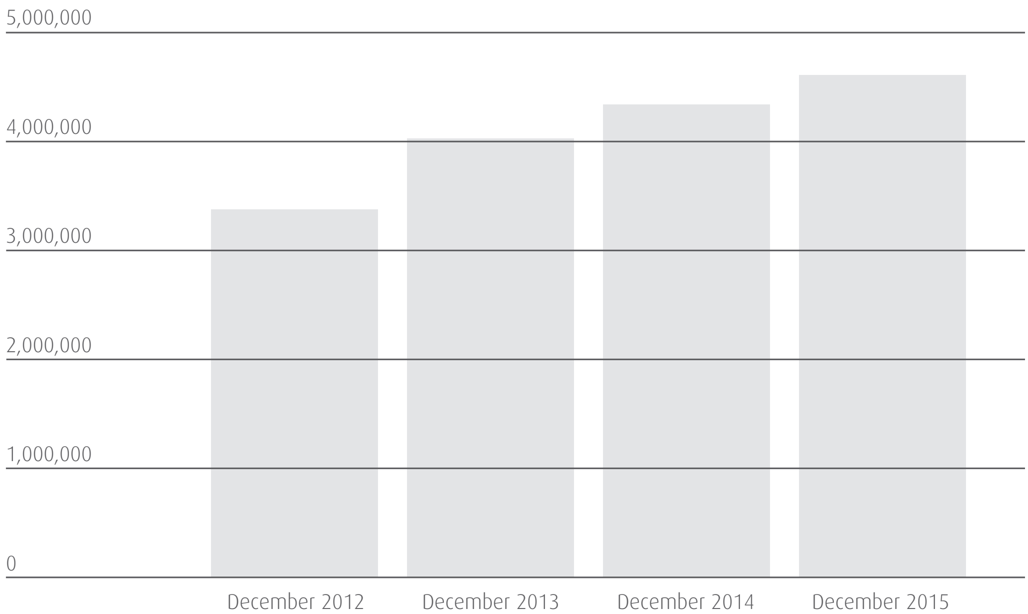
The above statement shows the changes in deposits broken down by type. In particular, direct and indirect funding from customers does not include repos having the Cassa di Compensazione e Garanzia as the counterparty.

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

**Direct deposits from customers**




**Indirect deposits**



## OPERATIVE OFFICES

The Bank has operative branches in Rome, Milan and Novi Ligure.
The central office is at 49 Piazza del Gesù, Rome, where 2 branches in Corso Trieste, 118 and Via Catone, 3 (Piazza Risorgimento) are located.

## BUSINESS SEGMENTS

Following is an overview of the activities carried out by the Bank and Group companies in 2015:

**Investment banking**
Last year was a globally positive one for the Financial and Investment Services provided by the Bank.

In the **Trading** sector, there was a very significant increase in the number of transactions, which returned to the 2011 levels.
Brokerage fees grew by approximately 25% thanks to the stock segment (+25%) and above all to derivatives whose fees, compared to 2014, increased threefold after years of constant contraction. The figure for fees on Bonds, instead, was stable.

Looking at customer types, there was homogenous growth between "captive" customers (who generate approximately 51% of brokerage fees) and "non captive" customers, i.e. Banks, other intermediaries, issuers, large institutional investors lacking deposits with Banca Finnat. The permanence of this type of customers - who obviously habitually operate with multiple intermediaries - is evidence of the quality of the services performed by our Bank and of the our operators' professionalism.

Revenues tied to transactions involving $CO_2$, which in 2014 reached exceptional levels, contracted sharply, in part because of innovations in the reference regulations, which negated many of the opportunities: *inter alia*, adoption of the Mifid 2 was postponed in the part that would have sanctioned that certificates are akin to financial instruments, thus reserving their trading to authorised intermediaries, such as our own Bank.

On the other hand, revenues tied to activities and services performed in favour of listed issuers continue to grow considerably: first of all, the number of specialist mandates on Aim grew (where the bank consolidated its position as market leader); subsequently, an appointment on MTA was obtained and the opportunity deriving from Borsa Italiana's innovative project was taken, leading to the listing of open-ended Funds whilst requiring the mandatory presence of the Appointed Broker. The bank received the mandate not only from the NEW MILLENNIUM SICAV, but also from two other UCIs outside the group, having evidently structured itself to carry out the appointment and proposal on the market in a credible manner.
For the last two years, services for issuers performed on the secondary market have been accompanied, with cross selling logic, by the specialist Back Office services (the SEQ services) and the production of (remunerated) research.

The set of appointments made by listed Issuers - services that, unless ceased, require recurring annual remuneration - generated approximately one million euros in 2015: hence, it is a "niche" that now represents a significant business area.
Extemporaneous appointments should also be considered: those as Global Coordinator, typically on the AIM market, on the occasion of IPOs, which the Finance Department handled this past year, initiating constructive collaboration with the Advisory and Corporate Finance Department, which then serves in the Nomad role. For Italian small and medium enterprises accessing capital markets on the equity side, Banca Finnat thus represents, by now, a certain and confirmed reference point.

With reference to **Assets under Management**, and looking preliminarily at the Deposits data, there was an increase by approximately 47 million euros (+9%) of the AUM on the products managed by the Bank, more or less equally divided between deposits from institutional customers and from private customers. For the latter, deposits on third-party managed Funds (approximately 7 million euros) should also be considered, as they also provide recurring income flows (although lower than the house products).
For the New Millennium SICAV, an important channel for deposits is the aforementioned new segment of Borsa Italiana, dedicated to the listing of open-ended funds. The SICAV collected over 25 million therein, more than the total deposits collected by all the other 17 issuers who have listed their products.
It should be remembered that New Millennium was the first UCI that, last February, was able to be listed, which produced, and continues to produce, very significant image returns.
The SICAV is destined to undergo organisational and governance changes in light of another important project launched by the Bank: the establishment of a Luxembourg-based Management Company, for which the required authorisation procedures have already been started; once it is fully operational, this company will not merely perform its work in favour of the Group's special purpose entities, but has the ambition of serving as an additional instrument to enhance the range of advanced services offered to institutional Customers and to Financial Brokers.

Looking at performance, it is first necessary to state that this past year was far from easy for Asset Management operators. It had, in fact, started out very well but then, after a few months, a series of events and crises occurred that caused subsequent, sudden collapses on the markets: from the intensification of the Greek crisis (which was later resolved) to the Chinese crisis, from tensions in Syria to the return of international terrorism to the fore, from the collapse in oil prices to scandals in the automotive industry, from tensions between Russia and Turkey to a return to doubt on the soundness of the banking system. All these situations were severe challenges for market operators. Actually, the sudden collapses were always followed by more or less partial recoveries, and therefore maintaining the positions (an "easy" choice, ex post, but far from obvious in those dramatic circumstances) turned out to be the best strategy to contain damages. In this environment, the managers of the Banca Finnat team behaved well, achieving positive results on equity or high equity content products, whose performance was positive, and generally exceeded the benchmarks (even markedly so); and limiting losses, which remained at fractional levels, on bond portfolios or funds.

In addition, the same Team also contributed to provide the **Advisory Service**, producing the model portfolios and the selections of securities that enable advisors to formulate their recommendations to customers. The service, started in 2014, and sold to customers through the *Finnat Advisory* account, is not fully operational.

Lastly, with regard to **activities in the bank's own account**, results contracted relative to 2014, but they still remained amply positive. The contraction for a Bank like ours, with pronounced risk aversion in the management of its own securities portfolio, is therefore physiological in an environment where rates are so low - or even negative - as to generate essentially neither interest, nor opportunities for capital gains deriving from further reductions in the rates, whose levels can hardly be compressed any more.
Nevertheless, we continued to seek opportunities for arbitrage between the returns on Repos and on their underlying securities: though margins have eroded with respect to the past, at times opportunities did arise, and were promptly exploited by the Bank's Treasury.

**Advisory & corporate finance**

The Bank provides corporate finance consulting services and assistance to private and public companies, with a special focus on medium-sized companies, through its Advisory & Corporate Finance department. In 2015, the team dedicated to this activity continued to develop its operational effectiveness with particular attention paid to the forms of alternative finance such as the capital market or structured debt instruments.

With regard to the Advisory activities, of note is the acquisition of the following mandates during the year: an assignment for financial assistance in the preparation of the business plan of an Italian e-learning company, directed at obtaining new resources through the structuring of financial transactions, as well as assistance in the sale to interested parties; assistance to a company active in the production of citrus juices and derivatives in the renegotiation/remodulation of exposure with banks and/or in obtaining new finance in the form of debt capital; an assignment to provide financial assistance in the finalisation of the business plan of a company that provides multi-channel, interactive communication services in cloud mode, directed at obtaining new resources through the structuring of an issue of convertible debt instruments; an assignment for renegotiating the repayment schedule and the economic conditions of a mortgage of a company owning a series of properties, mainly located in Rome; an assignment for financial assistance directed at identifying parties interested in acquiring a set of receivables claimed by a Hospitalisation and Treatment Institution with respect to the Public Administration; an assignment for a company active in the credit sector for assistance in issuing debt instruments in the form of bills of exchange.
With regard to listings on the AIM, the Bank continued to consolidate its competitive position, through the development of the following Nomad and Global Coordinator mandates: assistance to the company Energica Motor Company SpA, active in the development, design and marketing of super-sport electric motorcycles, in the process of listing on AIM Italia, successfully completed in January 2016; assistance to a company active in the development, design and marketing of high-tech production machinery and plants, also active in the sector of electrically powered transportation means, in the process of listing on AIM Italia; assistance to a company active in the development of digital services, broadband applications and solutions, in the process of listing on AIM Italia.

In addition, the following transactions were successfully completed in 2015: i) the listing of Mondo Tv Suisse within which Banca Finnat served as Nomad. The transaction was preceded by consulting activity for the feasibility study of the transaction; ii) the listing of Elettra Investimenti S.p.A., for which Banca Finnat served as Global Coordinator for assistance in the activities directed at organising, managing and executing the reserved placement of shares in support of the listing; iii) assistance for a primary Italian SGR for the preparation of the economic and financial plan of a project for university residences and for the independent analysis of the business plan; iv) assistance to the promoter company involved in the construction of a service infrastructure and of tourist attractions (including an aquarium), within the scope of a project development in the city of Rome, directed at negotiation with credit institutions to obtain the financing necessary to complete the project; v) the listing of Bridge Management S.p.A., within which Banca Finnat served as Nominated Advisor and investment dealer, the latter for assistance in activities directed at organising, managing and executing the reserved placement of shares supporting the listing. The transaction was preceded by an advisory activity for its feasibility study; vi) the analysis of the economic and financial plan in the social infrastructure sector, prepared by an Italian real estate company, promoter of a project financing initiative, aimed at the release of a certification letter.



Lastly, in the course of the year, the on-going Nomad activity for some companies listed on the AIM continued.

**Commercial Division**

In spite of the market challenges in the second half, customer portfolio management ended with positive performance both with regard to asset management and advisory services.

The broad range of products offered made it possible, from July onwards, to change asset allocation in favour of more conservative products or absolute return.

Concerning the advisory activity, our analysts' ability to identify cases and sectors capable of providing de-correlated performance and the reduction of the more directional instruments have made it possible to direct customers' savings, substantially attenuating volatility. In the past year, again with the aim of reducing portfolio risk, we expanded the use of first branch insurance policies.

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

The hiring policy which involved 5 new advisors is directed at seeking complementary skills, bring diverse expertise both from the field of private banking and of financial planning.

The implementation of the sophisticated remunerated consultancy mode, which represents the main entry path for our customers, met with wide success both with new customers and with existing ones. The systems for monitoring the portfolios and the services offered to customers were integrated and improved, in order to assure that customer are provided with constant supervision and punctual assistance.

Customisation is the keystone value of Banca Finnat's service model and technological solutions were implemented, through the customisation of the commercial agenda, which strengthen the supervision of each individual customer. The instruments available to consultants are differentiated in the competitive context to be devoid of selling actions and patterned according to aspects directed at improving the quality of the relationship between consultant and customer.

As regards marketing activities, the Bank has carried out a wide range of initiatives: more than two events per month were organised in all. The issues that were tackled pertained to the markets and financial forecasts and the business world, focusing on innovative forms of financing such as minibonds or listing on the AIM, as well as social issues and cultural initiatives.

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

Our financial planning activities, also through the Group's trust companies, continue to be one of the cornerstones of our offering. In particular, collaboration with Finnat Fiduciaria allowed to meet customers' needs within the scope of the initiatives directed at the emergence of capitals ("voluntary disclosure").
Always central in the dealings with the business world was the joint consulting work between bank and trustees to find the best governance solutions. In particular, there was an acceleration in the escrow activity, which enabled corporate customers to close transactions with the utmost security and with the necessary contractual advice.

**Property Fund Management**
Today, InvestiRE SGR S.p.A. is positioned as the second largest market operator, managing assets valued at 5.9 billion euros on 34 funds (30 reserved funds and 4 listed funds), with over 1,100 properties distributed throughout Italy. The corporate structure consists of three business line: long term and residential funds intended for institutional investors, listed and specialist funds (retail, distressed assets, healthcare), development and social housing funds.

In the Long Term & Residential business line, whose AUM at 31 December 2015 was approximately equal to 3.7 billion euros, the usual management and development activities continued. In particular, for the FIP fund in 2015, disposals worth over 520 million euros were completed with primary Italian and foreign investors, bringing the fund's total sales from 2007 to date to over 1.7 billion euros (40% of which in the last two years); the Pegasus fund entered into a new lease agreement for the Turin property used to house a telephone switchboard, providing for an extension in duration and a residual decrease of the rent, and in December a loan agreement was signed, directed at the repayment of the capital invested by the unit holders; the FIEPP Fund continued to manage the properties in the portfolio and to seek new investment opportunities within the scope of the unit holder's risk/return objectives; the FPEP fund focused mainly on the development and requalification of the properrty portfolio for fractioned sale and on the enhancement of the lease activity directed at increasing recurring income and/or at the disposal of properties deemed non strategic; the HELIOS fund continued its fractioned disposal of the residential assets, whilst requalification work recently started on an office building in Rome, in view of a new lease fo the entire free-standing building; for the Apple fund, the portion of leased assets reached 60% and the disposal of a residential unit was completed; for the INPGI Fund, lastly, two contributions were completed in December, for a value of approximately 235 million euros (Comparto Uno and Comparto Due).

The Specialistic Market business line, whose AUM as at 30 December 2015 amounted approximately to 1.2 billion euros, continued the disposal and acquisition activities. In particular on the listed funds, the sale activity directed at the subsequent liquidation was intensified: the Obelisco fund sold a logistical building in Fiumicino for a value of 24 million euros, for the IRS fund an office building was sold in Milan for 34 million euros, for the Securfondo fund properties valued at approximately 11.3 million euros were sold. Among the non-listed funds, the Melograno fund sold a portion of a property for 2.2 million euros, the Crono fund executed a new lease agreement on an office building in Rome for annual rent of 520,000 euros, the Spazio Sanità fund completed the acquisition of an RSA located in Milan for a value of approximately 14 million euros and in December the ENPAM foundation, already a unit holder of the fund, decided to complete a new tranche of subscriptions for a value of 25 million euros; lastly, the IREF fund was liquidated through two sales that involved all real estate assets. The Distressed & Non Performing Assets area (Securis, II, III) continued its road show activities and the acquisition of portfolios from lease companies: in particular, the Securis fund received 25 buildings worth approximately 18.3 million euros, for the Securis II two contributions were completed, involving 58 properties for approximately 42.5 million euros and the Securis III fund contributed 56 properties for approximately 31.5 million euros. Also within the scope of the distressed assets funds, the Sistema BCC fund was launched, which in December acquired a first tranche of property assets and cash subscriptions for upcoming auction participations, amounting to approximately 8 million euros.



The Development & Social Housing business line, whose AUM at 31 December 2015 amounted to approximately 1 billion euro, continued with its activity of structuring new social housing funds (laying the groundwork for the start of 4 additional funds, with respect to the 11 operational ones), further implemented the acquisition and development initiatives (10 acquisitions completed during the year, 7 preliminary/binding agreements), implemented the subscription of additional equity (+210 million euro) and laid the groundwork for the start of additional work for the collection of new equity (+380 million euros), continued the marketing of leased apartments reaching full occupancy (Parma Social House Fund).

**Research & Development**

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

*Organisation Area*

- The revision of the procedures for managing orders to the primary market was completed, with the adoption of a dedicated web interface.
- Company rules were updated and supplemented according to the indications and in compliance with the deadlines imposed by the 15th revision, of July 2013, of Bank of Italy Circular no. 263. The analyses and the annual reporting pertaining to ICT governance were completed.
- The adoption of a new brokerage platform was completed and activity was started on it.
- The activities for the adoption of ATM cards with the new e-commerce enabled chip were adopted.
- The migration on the new derivatives clearer was completed and operations were started.
- New features and valuation processes pertaining to complex products were adopted, in accordance with regulatory requirements.

- A new application was adopted along with features for more effective management of liquidity and rate risks.
- New features were analysed and activated for the interconnected reception of order to markets for institutional customers.

*IT and Technologies Area*

- Technological and net infrastructure enhancement initiatives were carried out.
- The security certificates of the electronic mail service were renewed for the 2015/2017 two year time interval.
- A new mobile telephony contract was signed with the renewal of the telephone equipment.
- Completed the software update for the telephone exchange and all fixed equipment.
- The Wi-Fi connection of the Milan offices was activated.
- Virtualisation of the Bank's technological room was analysed and completed.
- A new backup system was adopted.
- A new electronic mail management system was activated and new certificates were released.
- The corporate Video Conference system was adopted.

**Mortgage loans and financing**

In 2015, the Service performed the ordinary activities aimed at granting loans and monitoring existing credit lines, with thorough analyses of credit ratings and assessments of the guarantees provided.

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

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

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

The governance principles of Banca Finnat Euramerica, besides being grounded in the applicable laws and regulations in force in Italy, are also inspired by international best practices on the matter and by the recommendations of the Corporate Governance Code for Listed Companies.

The Board of Directors preventively identified the composition of the Governing Body that is deemed optimal in qualitative and quantitative terms, in view of the proper and most effective performance of the duties of the Board, in accordance with the prescriptions of the Bank of Italy's Instruction of 11 January 2012 on organisation and corporate governance.

The Board of Directors carries out its own self-assessment with yearly periodicity. This self-assessment was updated, after preparing a new questionnaire, on 28 April 2015.

Pursuant to the applicable Supervisory Provisions laid down by the Bank of Italy and in the light of the regulations issued on 30 March 2011, the Bank reported to the Shareholders' Meeting held on 28 April 2015 about the remuneration policies and incentives adopted.

Having regard to the legal obligations set out in the regulation concerning prudential requirements, Banca Finnat Group prepared and delivered the ICAAP report for 2015. The preparation of these documents, regulated by internal procedures and carried out by the Group's competent bodies and structures, is the last stage in the much broader and ongoing self-assessment process regarding capital adequacy, and its compliance with the Group's operational features and the environment in which it operates. With regard to the calculation of the equity ratios, and the related quantification of the capital absorption, the Bank carried out, with reference to the data as at 30 June 2015, stress tests on the credit risk, concentration risk and interest rate risk. The results of the analysis are evaluated by the Board of Directors.
Based on the Supervisory provisions, the Bank is constantly monitoring its liquidity risk, according to the method formalised in a dedicated document containing the guidelines on Liquidity Risk Governance and Management.

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

On 4 December, Mr. Marco Tofanelli announced - because of a new, different appointment, not compatible with the current one in accordance with current regulations on interlocking - its resignation from the office of non-executive Director of Banca Finnat Euramerica.

Mr. Marco Tofanelli had been drawn from the relative majority list, was independent in accordance with the Consolidated Financial Law and the Corporate Govenance Code of Borsa Italiana and served as Lead Independent Director, Chairman of the Risk Committee and member of the Appointment Committee.

Within the Group, Mr. Marco Tofanelli retains the office of Director of the subsidiary InvestiRE SGR S.p.A.

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

On 28 April 2015, the Shareholders' Meeting authorised a new plan for the purchase, all at once or in multiple instalments, from 29 April 2015 and until 29 April 2016, of up to a revolving number of 5,000,000 ordinary own shares in addition to those already in the portfolio and, otherwise, for a maximum additional value of no more than 2,177,280 euros for a unit price, for each individual transaction, no higher or lower than by 8% with respect to the reference price recorded in the previous Stock Market session. In this regard, it is specified that, in line with the criteria prescribed by Delegated Regulation (EU) no. 241/2014, and in particular by the provisions of Article 29.3 thereof, the purpose of the operations pertaining to the purchase of new shares is to support trading (market making).

With regard to the subsidiary Investire Immobiliare SGR S.p.A., with a deed signed by Notary Misurale on 19 December 2014, the deed of merger by absorption between Investire Immobiliare SGR S.p.A., Beni Stabili Gestioni S.p.A., and Polaris Real Estate SGR S.p.A., with effect from 1 January 2015, was executed.

With a deed signed by the Notary Maurizio Misurale, on 30 November 2015, the merger by absorption of the wholly owned subsidiary Fedra Fiduciaria S.p.A. into Finnat Fiduciaria S.p.A., was formalised. The merger took effect retroactively on 1 January 2015.

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

**Consob Market Regulation – requirements set forth under Article 36**
**(Subsidiaries established and regulated by the Law of non-EU States)**
Banca Finnat Euramerica undertakes that, in accordance with paragraph 2 of Article 36 of Consob Regulation no. 1619/2007 (Market Regulation), the provisions set out by said Article 36 on the conditions for the listing of parent companies, companies set up or governed according to the laws of States not belonging to the European Union and of significant relevance for the purpose of the consolidated financial statements, do not apply to the subsidiary Finnat Gestioni S.A., since the above mentioned subsidiary falls beneath the limits envisaged by the regulation and does not, therefore, hold "significant relevance".

**Market disclosure information**
Regarding market disclosure the Group declares that:

- with reference to the request made by the Bank of Italy, in its Communication of 17 June 2008, the Bank's exposure to financial products perceived by the market as risky comprises the investment in "FIP Funding Class A2-2023" bonds, recorded in the financial statements of the Parent Company as securities held for trading, totalling 1,429 thousand euros (with a nominal value of 2,020 thousand euros). This investment (CMBS Commercial Mortgage-Backed Securities) is the result of the securitisation of the loan to Fondo Immobili Pubblici (managed, as mentioned above, by the subsidiary InvestiRE SGR S.p.A.) and is guaranteed by a special lien on the real estate owned by the Fund, which is almost exclusively leased out to Public Administration entities; consequently, it is an investment that is not exposed to the risk of insolvency.
  At 31 December 2015, the Bank – with the exception of the above mentioned investment – was 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 (Collateralised Debt Obligations) – Other subprime exposures and Alt-A – CMBSs (Commercial Mortgage-Backed Securities) – Leveraged Finance;

- the Board of Directors of Banca Finnat Euramerica S.p.A., pursuant to Consob Resolution no. 18079 of 20 January 2012, decided, on 21 January 2013, to comply with the simplification system set forth in Articles 70 (paragraph 8) and 71 (paragraph 1-bis) of the Regulation adopted by Consob with Resolution no. 11971 of 14 May 1999 as amended and supplemented, by making use of the right, of listed companies, to depart from the obligation to submit the information documents required by Annex 3B of the Consob Regulation relating to future significant extraordinary operations such as mergers, demergers, capital increase by non-cash contributions, acquisitions and sales;
- with reference to the requests contained in joint Document no. 2 dated 6 February 2009 by the Bank of Italy, Consob and Isvap and in their subsequent Document no. 4 dated 4 March 2010 and the provisions of paragraphs 15 and 25 of IAS 1, regarding disclosures to be made with respect to going concern assumptions, please refer to the commentary provided in Part A, Section 2 – General financial reporting principles and Part E – Information on Risks and Related Hedging Policies of the Notes to the Financial Statements;
- the Bank of Italy published Circular 285 "Prudential Supervision Provisions for Banks" illustrating the implementing provisions in force since 1 January 2014. The document also contemplates, in the transitional provisions on "own funds", the right not to include, for the purpose of calculating regulatory capital, unrealised profit and loss referring to exposures towards Central Administrations classified in the category "Available-for-sale financial assets". This right (the so-called sterilisation) is valid until the coming into force of IFRS 9 that will replace IAS 39 on financial instruments. The Bank within the time prescribed exercised the above option.



### Capital adequacy, prudential ratios and risk management disclosure

Information about the Bank's capital adequacy and risk management are illustrated at length in the Notes to the financial statements, respectively in Part F – Information on Net Equity and in Part E – Information on Risks and Related Hedging Policies.

### Own funds and capital ratios

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

Own funds at 31 December 2015 amounted to 180,289 thousand euros (157,378 thousand euros at 31 December 2014), whereas the Total capital ratio stood at 38.4% (31.5% at 31 December 2014).

### Information on stock option plans

As illustrated in the most significant events of the year, the stock option plan is no longer valid because the conditions for exercising the options did not materialise. Therefore the related reserve allocated until 31

December 2014 and amounting to 998 thousand euros is available and it may be transferred to "Extraordinary reserve".



## PERFORMANCE OF SUBSIDIARIES

**Investire Immobiliare SGR S.p.A.**

The company, based in Rome, was incorporated on 4 February 2002 and authorised by the Bank of Italy on 9 May 2002. Its purpose is to establish and manage real estate funds.

On 29 December 2014, with the filing of the merger deed with the competent Registers of Companies, the merger by absorption of Beni Stabili Gestioni SGR S.p.A. and Polaris Real Estate SGR S.p.A. into Investire Immobiliare SGR S.p.A. was completed. The merger, with effect from 1 January 2015 for accounting and fiscal purposes, is described in detail in the paragraph "The main transactions in the year" of this Report.

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

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

At 31 December 2015, the company managed 34 real estate funds, with the GAV of the managed assets totalling 6,769 million euros, compared to 4,131 million euros at 31 December 2014.

The draft financial statements at 31 December 2015 show a profit of 10,797 thousand euros compared to 3,251 thousand euros at 31 December 2014 and a book value of the net equity of 77,558 thousand euros compared to 15,149 thousand euros at 31 December 2014. In 2015, the company recognised a total commission income of 29,030 thousand euros compared to 11,522 thousand euros in 2014.

**Finnat Fiduciaria S.p.A.**

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

On 2 December 2015, with the filing of the merger deed with the Register of Companies of Rome, the merger by absorption of Fedra Fiduciaria S.p.A. into Finnat Fiduciaria S.p.A. was completed. The merger, with effect from 1 January 2015 for accounting and fiscal purposes, is described in detail in the paragraph "The main transactions in the year" of this Report.

At 31 June December, assets under management totalled 1,322 million euros, versus 1,383 million euros at 31 December 2014 (of which 82 million euros with Fedra Fiduciaria S.p.A.).

The draft financial statements at 31 December 2015 show a profit of 62 thousand euros. In the year ended 31 December 2014, the profit of Finnat Fiduciaria S.p.A. and of Fedra Fiduciaria S.p.A. amounted respectively to 163 thousand euros and 11 thousand euros. In 2015, the company realised commission revenues of 1,747 thousand euros. At 31 December 2015, the company had a net equity of 2,604 thousand euros.

**Finnat Gestioni S.A.**

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

The Bank holds a 70% stake in the company's share capital, which amounts to CHF 750,000, while the remaining stake is held by Banca per la Svizzera Italiana. Managed assets at 31 December 2015 totalled CHF 100 million, compared to CHF 107 million at 31 December 2014.

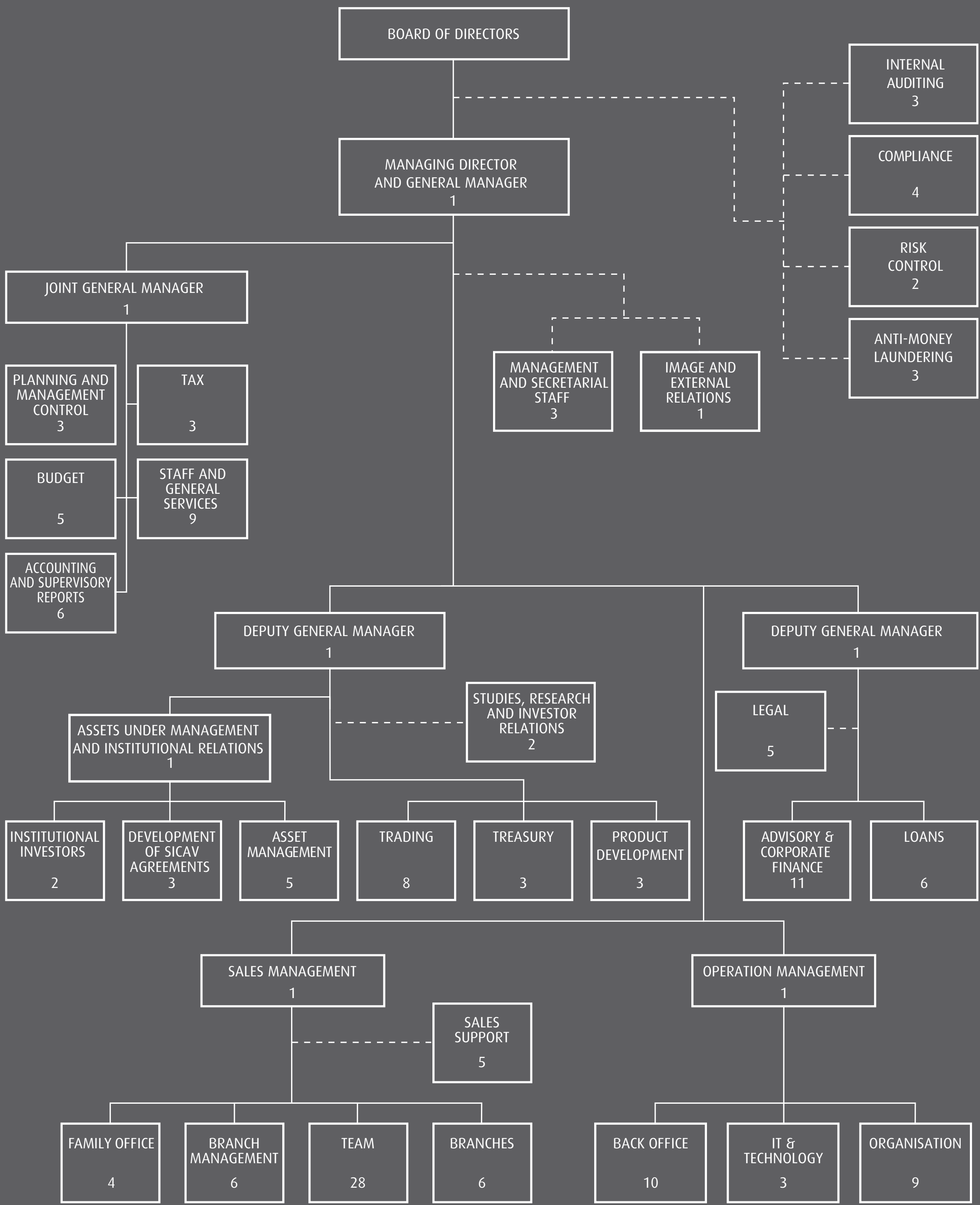
The draft financial statements at 31 December 2015 show a profit of CHF 467 thousand euros compared to CHF 348 thousand euros at 31 December 2014. The book value of net equity at 31 December 2015 amounted to CHF 2,094 thousand, compared to CHF 1,627 thousand at 31 December 2014.

* * *

The Report on Operations of the consolidated financial statements contains the chart illustrating the Group structure and the related shareholdings.

# THE STRUCTURE OF BANCA FINNAT EURAMERICA

The organisation structure of the Bank is as follows:



The total number of personnel in the Bank increased by one person compared to 31 December 2014 as shown in detail below:

| | 31.12.2015 | 31.12.2014 |
|---|---|---|
| **staff** | **168** | **166** |
| – executives | 23 | 23 |
| – managers | 74 | 68 |
| – clerical workers | 71 | 75 |
| contractors | 7 | 8 |
| **promoters** | **3** | **3** |
| **Total** | **178** | **177** |

With regard to changes in the number of employees, during the year 10 persons terminated their employment whilst 12 persons were hired in all (2 with undefined duration employment contracts).
The change was due to ordinary personnel turn-over and to the need to enhance some work areas. No employment contracts were terminated for disciplinary or personnel redundancy reasons.
Moreover, 12 defined duration employment contracts were transformed into undefined duration contracts.
In 2015, a total number of 900 training hours were administered, with a total number of 211 participations.
The training initiatives were mainly oriented to strengthening the skills required by employees' assigned roles, in particular highly specialised ones (in this sense, of note were the training initiatives in favour of Sales Management personnel and those dedicated to the members of the Anti-money laundering function)

## OWN SHARES

At 31 December 2015, the Bank holds 28,320,718 own shares, representing 7.8% of the share capital with a total value of 13,949 thousand euros. At the end of the past year, the Bank held 25,105,632 own shares with a value of 12,410 thousand euros.
During the financial year, the Bank purchased 3,215,086 shares with a total value of 1,539 thousand euros.

**STOCK EXCHANGE CAPITALISATION OF BANCA FINNAT EURAMERICA**

(in thousands of euros)

| | Number of shares | Market Price at 25 February 2015 | Capitalisation at 25 February 2015 | Net equity at 31 December 2015 including net profit (loss) for the year | Share capital |
|---|---|---|---|---|---|
| **Ordinary shares** | 362,880,000 | 0.38200 | 138,620 | 241,949 | 72,576 |

## RELATED PARTY TRANSACTIONS

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

The Bank entered into transactions with subsidiary companies or companies subject to significant influence and ordinary transactions of lesser significance and under market conditions that have not impacted significantly on the financial position or results of operations of the company and moreover, in 2015, it did not carry out any transaction with related parties or subjects other than related parties considered to be of an "atypical or unusual" nature, and which, due to their magnitude/relevance might have cast doubts on the safeguarding of the Bank's assets and the protection of minority shareholders' rights.
Information required under IAS 24 is shown in part H of the notes to the financial statements.

## OPTION FOR THE DOMESTIC CONSOLIDATED TAX SYSTEM

The Bank and its Italian-based subsidiaries have joined the "domestic consolidated tax system", pursuant to Article 117/129 of the TUIR (Consolidated Income Tax Act). The option was renewed in 2013 also for the 2013/2014/2015 period.

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

# COMPARISON OF KEY BALANCE SHEET AND INCOME STATEMENT FIGURES OF THE 2015 AND 2014 FINANCIAL YEARS

The main 2015 financial statement items and comparative items at 31 December 2014 are summarised below.

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

**BALANCE SHEET OF BANCA FINNAT EURAMERICA S.p.A.**

(in thousands of euros)

| | 31.12.2015 | 31.12.2014 | Absolute change |
|---|---:|---:|---:|
| **ASSETS** | | | |
| Cash and cash equivalents | 458 | 661 | (203) |
| Financial assets held for trading | 56,578 | 106,246 | (49,668) |
| Available-for-sale financial assets | 826,028 | 788,096 | 37,932 |
| Financial assets held to maturity | 1,959 | 2,319 | (360) |
| Due from banks | 88,346 | 74,539 | 13,807 |
| Due from customers | 277,287 | 284,098 | (6,811) |
| Hedging derivatives | 215 | – | 215 |
| Equity investments | 80,993 | 73,467 | 7,526 |
| Tangible assets | 5,134 | 5,310 | (176) |
| Intangible assets | 388 | 415 | (27) |
| Tax assets | 5,318 | 4,372 | 946 |
| Other assets | 15,712 | 12,358 | 3,354 |
| **TOTAL ASSETS** | **1,358,416** | **1,351,881** | **6,535** |
| **LIABILITIES AND NET EQUITY** | | | |
| Due to banks | 11,496 | 97,194 | (85,698) |
| Due to customers | 1,053,783 | 945,734 | 108,049 |
| Outstanding securities | 26,122 | 48,658 | (22,536) |
| Financial liabilities held for trading | 9,733 | 2,359 | 7,374 |
| Tax liabilities | 4,403 | 4,391 | 12 |
| Other liabilities | 7,547 | 17,512 | (9,965) |
| Staff severance fund | 2,316 | 2,521 | (205) |
| Provisions for risks and charges | 1,067 | – | 1,067 |
| Net equity | 241,949 | 233,512 | 8,437 |
| **TOTAL LIABILITIES AND NET EQUITY** | **1,358,416** | **1,351,881** | **6,535** |

**INCOME STATEMENT OF BANCA FINNAT EURAMERICA S.p.A.**

(in thousands of euros)

| | FY 2015 | FY 2014 | Change | |
|---|---|---|---|---|
| | | | Absolute | Percentage |
| **Interest margin** | **9,433** | **12,564** | **(3,131)** | **-25%** |
| **Net Commissions** | **14,045** | **12,713** | **1,332** | **10%** |
| Dividends and similar income | 6,069 | 7,161 | (1,092) | |
| Net income from trading activities | (1,711) | (1,701) | (10) | |
| Net income from hedging activities | – | – | – | |
| Profit (loss) from disposal or repurchase: | | | | |
| - available-for-sale financial assets | 5,587 | 4,752 | 835 | |
| **Earnings margin** | **33,423** | **35,489** | **(2,066)** | **-6%** |
| Value adjustment for impairment | (1,764) | (2,963) | 1,199 | |
| **Net income from financial operations** | **31,659** | **32,526** | **(867)** | **-3%** |
| Staff costs | (17,065) | (16,917) | (148) | |
| Other administrative expenses | (13,118) | (11,130) | (1,988) | |
| Net allocations to provisions for risks and charges | (1,067) | – | (1,067) | |
| Value adjustments on tangible and intangible assets | (431) | (436) | 5 | |
| Other operating income/expenses | 4,021 | 1,254 | 2,767 | |
| **Operating costs** | **(27,660)** | **(27,229)** | **(431)** | **2%** |
| **Pre-tax income (loss) from current operations** | **3,999** | **5,297** | **(1,298)** | **-25%** |
| Income tax for the year on current operations | 625 | (964) | 1,589 | |
| **Profit (loss) for the year** | **4,624** | **4,333** | **291** | **7%** |

Following are a series of Bank operating ratios at 31 December 2015 compared with the operating ratios of the previous year.

| | FY 2015 (%) | FY 2014 (%) |
|---|---|---|
| Interest margin/earnings margin | 28.22 | 35.40 |
| Net commissions/earnings margin | 42.02 | 35.82 |
| Cost/income ratio (operating costs/earnings margin) | 82.76 | 76.73 |
| ROE (profit (loss) for the year/net equity) | 1.91 | 1.86 |
| ROA (profit (loss) for the year/total assets) | 0.34 | 0.32 |

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

**The main transactions in the year**

Following is an overview of the main transactions and most significant events in the period:

- with effective date of 1 January 2015 for both accounting and tax purposes, the merger by absorption of Beni Stabili Gestioni SGR S.p.A. and Polaris Real Estate SGR S.p.A. into Investire SGR S.p.A. was completed. Following the execution of the merger, the subsidiary Investire SGR S.p.A. proceeded to:
  - increase its share capital from a nominal amount of 8,600 thousand euros to a nominal 14,770 thousand euros by issuing 6,170 new ordinary shares with the nominal value of 1,000 euros each, assigned, based on the swap values, to the shareholders of the absorbed companies, with 3,524 shares assigned to the shareholders of Beni Stabili Gestioni in the ratio of one new share for every 4.77 old shares held, and 2,646 shares assigned to Polaris shareholders in the ratio of one new share for every 60.70 old shares held;
  - issue equity instruments - called Class A, B, B2 and C warrants - giving their holders particular ownership rights, excluded from the swap values. These instruments were assigned, free of charge, to the pre-merger shareholders of the companies participating in the transaction, in a one-for-one ratio, as follows:
    - 8,600 "Class A Warrants" assigned to the shareholders of Investire Immobiliare;
    - 3,524 "Class B Warrants" and 3,524 "Class B2 Warrants" assigned to the shareholders of Beni Stabili Gestioni;
    - 2,646 "Class C Warrants" assigned to the shareholders of Polaris.

    The ownership rights attributed to the A, B and C Warrants pertain to a percentage of management and/or success commissions realised and referred to determined investments, while the ownership rights attributed to the B2 Warrants pertain to the portion of receivables and UCI recognisable among the assets of Beni Stabili Gestioni SGR S.p.A.

  As a result of this business combination, the absorbing entity is therefore owned by Banca Finnat Euramerica, with 50.16%, by Beni Stabili Siiq, with 17.90%, by Regia S.r.l. (G.Benetton Group) with 11.64%, by Fondazione Cariplo with 8.65%, by Cassa Italiana di Previdenza e Assistenza Geometri with 7.72%, by ICCREA Holding with 2.38% and by Fondazione Cassa dei Risparmi di Forlì with 1.55%.

  Therefore, at 1 January 2015 the Bank held:
  - 7,409 shares of Investire SGR S.p.A. (representing 50.16% of share capital), of which 6,880 shares already held before the merger and 529 shares deriving from the swap of the 2,523 Beni Stabili Gestioni shares held before the merger;
  - 6,880 "Class A Warrants", 529 "Class B Warrants" and 529 "Class B2 Warrants". Warrants are included in the value of the equity investment in Investire SGR S.p.A.;
- on 12 March 2015 the Board of Directors of the Bank verified, according to the Stock Options regulations of the Banca Finnat Group, that the conditions for exercising the options had not been met, inasmuch as the specific target tied to Group EBITDA. Therefore, the Stock Option Plan is void;
- on 20 April 2015 the Board of Directors of the Bank decided - after the successful completion of the due diligence process - to submit a binding bid to Banca Carige for the purchase of the entire share capital of Banca Cesare Ponti. On 30 June 2015 the Board of Directors of Banca Carige decided not to proceed

with the sale of Banca Cesare Ponti, and consequently it decided not to accept the bid submitted by Banca Finnat;

- on 28 April 2015 the Shareholders' Meeting of the subsidiary Investire Immobiliare SGR S.p.A. voted, inter alia, to change its name to "Investire SGR S.p.A.", with effect from 1 June 2015;
- on 28 April 2015, the Shareholders' Meeting of the Bank:
  - approved the financial statements at 31 December 2014 and the distribution, to the Shareholders, of a gross dividend of 0.010 euro per share, due for payment from 20 May 2015 (coupon date: 18 May 2015);
  - appointed the Directors and Statutory Auditors for the 2015-2017 period;
  - repealed in advance the previous resolution for the purchase of own shares, valid until 28 April 2015, and authorised the BoD to vest the requisite powers in one of the directors, or the General Manager, to purchase – in one or more instalments, between 29 April 2015 and 29 April 2016 – up to a revolving maximum of 5,000,000 ordinary own shares, in addition to those already held, and, in any case, for a total additional sum of no more than 2,177,280 euros;
  - approved the Remuneration Report prepared in accordance with Article 123-ter of Italian Legislative Decree no. 58/98;
- on 28 April 2015, the Bank's Board of Directors appointed Mr. Giampietro Nattino as Chairman, Mr. Leonardo Buonvino as Deputy Chairman and Mr. Arturo Nattino as Managing Director. The Board also appointed the members of the Remuneration Committee, of the Risk Committee, of the Appointment Committee and the Supervisory Body, as well as director Marco Tofanelli as Lead Independent Director;
- on 4 May 2015, the resolution of the Extraordinary Shareholders' Meeting of the associated company Sigefi Italia Private Equity S.p.A. of 16 April 2015 was registered in the Register of Companies. The Meeting voted for the voluntary liquidation of the company, after its transformation from joint stock company to limited liability company;
- on 25 May 2015, with the filing in the Register of Companies of the resolution of the Extraordinary Shareholders' Meeting of the company of 21 April 2015, the name of the associated company Beni Stabili Property Service S.p.A. was changed to Revalo S.p.A.
- on 17 June 2015, the Court of Rome held the first hearing pertaining to the dispute involving the complain filed by the subsidiary Investire SGR against the Luxembourg company Fivestars SA and against the sole shareholder Kensington Square Trust SARL for the restitution of the amounts paid to the Revenue Agency as a result of the claims and assessments on the withholding taxes due on the income distributed to the company Fivestars as unit holder of the FIP fund. The judge, after acknowledging the parties' request, adjourned the hearing first to 16 November 2015 and subsequently to 6 April 2016. The amount of the indemnity (2,489 thousand euros) recognised by the Bank to the subsidiary in view of the guarantee provided at the time of the merger shall be repaid by the latter in the amount recognised by the court;
- on 7 September 2015 the Boards of Directors of Finnat Fiduciaria S.p.A. and of Fedra Fiduciaria S.p.A. prepared the draft terms for the merger by absorption of the latter company into the former. The purpose of this business combination is to simplify the corporate structure of the Group within the trusteeship. The merger benefits from the simplified proceeding prescribed by Article 2505 of the Italian Civil Code because both companies are wholly owned by the Bank. The draft terms of merger were approved by the Extraordinary Shareholders' Meetings of the two companies on 24 September 2015.

On 2 December, the Merger Deed of 30 November was transcribed at the Register of Companies of Rome and therefore, by effect of the completed merger, Fedra Fiduciaria S.p.A. ceased to exist for all effects of law and of the articles of association, whilst the accounting and tax effects of the merger shall start from 1 January 2015 onwards;

- on 24 September 2015 the Extraordinary Shareholders' Meeting of the associated company Previra Invest Sim S.p.A. voted to place the company in voluntary liquidation. This resolution was filed with the Register of Companies on 22 October 2015;
- on 4 December 2015, the Member of the Bank's Board of Directors, Mr. Marco Tofanelli - because of a new, different appointment, not compatible with the current one in accordance with current regulations on interlocking - tendered his resignation. Mr. Tofanelli also served as Lead Independent Director;

**Significant events occurring after the end of the financial year**

In the period spanning the end of the 2015 financial year and the date on which these financial statements were prepared, no significant events or factors that could affect the financial position, capital position, or results of operations of the Bank emerged.

However, it should be pointed out that on 10 February 2016 the Board of Directors of the Bank appointed by co-opting - to replace Director Tofanelli who resigned - Ms. Flavia Mazzarella as independent non executive Director. Director Mazzarella was also appointed Lead Independent Director, Chairman of the Risk Committee and member of the Appointment Committee.

**Strategy for 2016 and operating outlook**

Based on the current forecasts formulated on the annual performance of the Bank, the result for the year 2016 is expected to be substantially in line with that of 2015.

* * *

**Dear Shareholders,**

We submit the financial statements for 2015, comprising the balance sheet, income statement, statement of comprehensive income, statement of changes in net equity, cash flow statement and notes to the financial statements, as well as the related attachments and the report on operations, for your approval.
We would also suggest allocating the year's profits as follows:

| | | |
|---|---|---|
| **profit for the year** | **4,624,253** | **euros** |
| • to the legal reserve, for 5% to be set aside in compliance with the law and the articles of association | 231,213 | euros |
| • to the 362,880,000 ordinary shares a gross dividend of 0.010 euros per share corresponding to 5% of the nominal value of the shares | 3,628,800 | euros |
| (in accordance with Article 2357-ter of the Italian Civil Code the profits due to own shares held as of the date on which the dividend registration date will be allocated proportionally to the other shares) | | |
| • to extraordinary reserve | 764,240 | euros |
| **totalling** | **4,624,253** | **euros** |

In accordance with Article 1 of the Italian Ministerial Decree of 2 April 2008, the dividend of this proposal, exclusively for taxation purposes, is assumed to be formed with the profits produced in years prior to 31 December 2007, having verified the presence of adequate reserves formed with the profit generated through the current year at that date.
Additionally, the stated allocation of the year's profits complies with the provisions of Art. 6 of Italian Legislative Decree no. 38/2005.
Following the expiration of the stock option plan, we propose to transfer the related reserve of 998,181 euros to extraordinary reserve.

As a result of the proposed allocations, the item "Reserves" will break down as follows:

| | | |
|---|---|---|
| • legal reserve | 9,167,669 | euros |
| • dividend adjustment reserve | 6,724,772 | euros |
| • reserve for purchases of own shares | 719,219 | euros |
| • reserve for purchased own shares | 13,949,253 | euros |
| • extraordinary reserve | 58,044,034 | euros |
| • profit brought forward from restated Ias 19 | 179,409 | euros |
| • reserve for merger surplus | 524,609 | euros |
| Total profit reserves | 89,308,965 | euros |
| Other reserves (profits from own shares) | 4,336,757 | euros |
| Total reserves | 93,645,722 | euros |

Before moving to the analysis of the various financial statement items, the Board wishes to thank all the Company's staff for the excellent work they have done.

Rome, 14 March 2016

**On behalf of the Board of Directors**
The Chairman
*Mr. Giampietro Nattino*

## BALANCE SHEET OF BANCA FINNAT EURAMERICA S.P.A.

(amounts in euros)

| | Asset items | 31.12.2015 | 31.12.2014 |
|---|---|---|---|
| **10.** | Cash and cash equivalents | 458,013 | 661,166 |
| **20.** | Financial assets held for trading | 56,578,118 | 106,245,716 |
| **40.** | Available-for-sale financial assets | 826,027,625 | 788,095,556 |
| **50.** | Financial assets held to maturity | 1,958,825 | 2,319,366 |
| **60.** | Due from banks | 88,345,504 | 74,539,253 |
| **70.** | Due from customers | 277,287,252 | 284,098,446 |
| **80.** | Hedging derivatives | 215,263 | – |
| **100.** | Equity investments | 80,993,055 | 73,467,144 |
| **110.** | Tangible assets | 5,134,155 | 5,310,425 |
| **120.** | Intangible assets | 387,619 | 414,642 |
| | of which: | | |
| | - goodwill | 300,000 | 300,000 |
| **130.** | Tax assets | 5,318,316 | 4,372,400 |
| | a) current | 2,823,529 | 1,979,774 |
| | b) advance | 2,494,787 | 2,392,626 |
| | of which in Italian Law 214/2011 | 1,951,520 | 2,220,506 |
| **150.** | Other assets | 15,712,480 | 12,356,499 |
| | **Total assets** | **1,358,416,225** | **1,351,880,613** |

| | Liabilities and net equity | 31.12.2015 | 31.12.2014 |
|---|---|---|---|
| **10.** | Due to banks | 11,496,396 | 97,193,746 |
| **20.** | Due to customers | 1,053,783,149 | 945,734,056 |
| **30.** | Outstanding securities | 26,121,670 | 48,658,106 |
| **40.** | Financial liabilities held for trading | 9,732,691 | 2,359,131 |
| **80.** | Tax liabilities | 4,402,966 | 4,391,393 |
| | a) current | 238,654 | 393,835 |
| | b) deferred | 4,164,312 | 3,997,558 |
| **100.** | Other liabilities | 7,547,481 | 17,511,626 |
| **110.** | Staff severance fund | 2,316,050 | 2,520,764 |
| **120.** | Provisions for risks and charges | | |
| | b) other provisions | 1,067,130 | – |
| **130.** | Valuation reserves | 86,047,421 | 77,066,297 |
| **160.** | Reserves | 92,650,271 | 91,946,362 |
| **180.** | Share capital | 72,576,000 | 72,576,000 |
| **190.** | Own shares (-) | (13,949,253) | (12,409,577) |
| **200.** | Profit (Loss) for the year (+/-) | 4,624,253 | 4,332,709 |
| | **Total liabilities and net equity** | **1,358,416,225** | **1,351,880,613** |

## INCOME STATEMENT OF BANCA FINNAT EURAMERICA S.P.A.

(amounts in euros)

| | Items | FY 2015 | FY 2014 |
|---|---|---|---|
| **10.** | Interest income and similar income | 11,003,134 | 16,933,108 |
| **20.** | Interest expense and similar expense | (1,569,886) | (4,369,504) |
| **30.** | **Interest margin** | **9,433,248** | **12,563,604** |
| **40.** | Commission income | 15,046,843 | 13,658,759 |
| **50.** | Commission expense | (1,002,221) | (945,914) |
| **60.** | **Net Commissions** | **14,044,622** | **12,712,845** |
| **70.** | Dividends and similar income | 6,069,306 | 7,160,685 |
| **80.** | Net income from trading activities | (1,710,689) | (1,700,885) |
| **90.** | Net income from hedging activities | – | – |
| **100.** | Profit (loss) from the transfer or the repurchase of: | | |
| | b) available-for-sale financial assets | 5,586,590 | 4,752,153 |
| **120.** | **Earnings margin** | **33,423,077** | **35,488,402** |
| **130.** | Net value adjustments/write-backs for impairment of: | | |
| | a) receivables | (1,514,915) | (1,313,641) |
| | b) available-for-sale financial assets | (249,279) | (1,602,316) |
| | d) other financial transactions | – | (46,858) |
| **140.** | **Net income from financial operations** | **31,658,883** | **32,525,587** |
| **150.** | Administrative expenses: | | |
| | a) staff costs | (17,065,495) | (16,916,847) |
| | b) other administrative expenses | (13,117,724) | (11,130,406) |
| **160.** | Net allocations to provisions for risks and charges | (1,067,130) | – |
| **170.** | Net value adjustments/write-backs on tangible assets | (390,330) | (394,598) |
| **180.** | Net value adjustments /write-backs on intangible assets | (40,475) | (40,993) |
| **190.** | Other operating income/expenses | 4,021,934 | 1,254,295 |
| **200.** | **Operating costs** | **(27,659,220)** | **(27,228,549)** |
| **250.** | **Pre-tax income (loss) from current operations** | **3,999,663** | **5,297,038** |
| **260.** | Income tax for the year on current operations | 624,590 | (964,329) |
| **270.** | **Income (loss) from current operations after tax** | **4,624,253** | **4,332,709** |
| **290.** | **Profit (loss) for the year** | **4,624,253** | **4,332,709** |

## STATEMENT OF COMPREHENSIVE INCOME OF BANCA FINNAT EURAMERICA S.P.A.

(amounts in euros)

| | Items | FY 2015 | FY 2014 |
|---|---|---|---|
| **10.** | **Profit (loss) for the year** | **4,624,253** | **4,332,709** |
| | **Other income items after tax without reallocation to income statement** | | |
| **40.** | Defined-benefit plans | 84,718 | (85,405) |
| | **Other income items after tax with reallocation to income statement** | | |
| **100.** | Available-for-sale financial assets | 8,896,406 | 12,896,628 |
| **130.** | **Total other income items after tax** | **8,981,124** | **12,811,223** |
| **140.** | **Comprehensive income (Item 10+130)** | **13,605,377** | **17,143,932** |

Item 100. includes the change in the fair value of the equity investments in subsidiaries.

## STATEMENT OF CHANGES IN NET EQUITY AT 31 DECEMBER 2015

(in euros)

| | Balances at 31.12.2014 | Changes in opening balances | Balances at 01.01.2015 | Allocation of previous FY profit | |
|---|---|---|---|---|---|
| | | | | Reserves | Dividends and other allocations |
| **Share capital:** | **72,576,000** | | **72,576,000** | **–** | **–** |
| a) ordinary shares | 72,576,000 | | 72,576,000 | – | – |
| b) other shares | | | – | – | – |
| **Share issue premiums** | **–** | | **–** | **–** | **–** |
| **Reserves:** | **91,946,362** | **–** | **91,946,362** | **703,909** | **–** |
| a) profit | 86,611,422 | | 86,611,422 | 703,909 | |
| b) other | 5,334,940 | | 5,334,940 | – | – |
| **Valuation reserve** | **77,066,297** | | **77,066,297** | **–** | **–** |
| **Capital instruments** | **–** | | **–** | | |
| **Own shares** | **(12,409,577)** | | **(12,409,577)** | | |
| **Profit (Loss) for the year** | **4,332,709** | | **4,332,709** | **(703,909)** | **(3,628,800)** |
| **Net equity** | **233,511,791** | **–** | **233,511,791** | **–** | **(3,628,800)** |

## STATEMENT OF CHANGES IN NET EQUITY AT 31 DECEMBER 2014

(in euros)

| | Balances at 31.12.2013 | Changes in opening balances | Balances at 01.01.2014 | Allocation of previous FY profit | |
|---|---|---|---|---|---|
| | | | | Reserves | Dividends and other allocations |
| **Share capital:** | **72,576,000** | | **72,576,000** | **–** | **–** |
| a) ordinary shares | 72,576,000 | | 72,576,000 | – | – |
| b) other shares | | | – | – | – |
| **Share issue premiums** | **–** | | **–** | **–** | **–** |
| **Reserves:** | **90,263,512** | **–** | **90,263,512** | **1,506,393** | **–** |
| a) profit | 85,105,029 | | 85,105,029 | 1,506,393 | |
| b) other | 5,158,483 | | 5,158,483 | – | – |
| **Valuation reserve** | **64,255,074** | | **64,255,074** | **–** | **–** |
| **Capital instruments** | **–** | | **–** | | |
| **Own shares** | **(11,958,838)** | | **(11,958,838)** | | |
| **Profit (Loss) for the year** | **5,135,193** | | **5,135,193** | **(1,506,393)** | **(3,628,800)** |
| **Net equity** | **220,270,941** | **–** | **220,270,941** | **–** | **(3,628,800)** |

The data at 31 December 2013 were restated to assure comparability with those referred to 31 December 2014.

| Changes during the year | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Net equity transactions | | | | | | | |
| Changes in the reserves | New share issue | Purchase of own shares | Extra dividend distribution | Change in capital instruments | Derivatives on own shares | Stock Options | Comprehensive income FY 2015 | Net equity at 31.12.2015 |
| – | – | – | – | – | – | – | – | 72,576,000 |
| – | – | – | – | – | – | – | – | 72,576,000 |
| – | – | – | – | – | – | – | – | – |
| – | – | – | – | – | – | – | – | – |
| - | – | – | – | – | – | – | – | 92,650,271 |
| - | | | | | | | | 87,315,331 |
| - | – | – | – | – | – | – | – | 5,334,940 |
| – | – | – | – | – | – | – | 8,981,124 | 86,047,421 |
| | | | | – | | | | – |
| – | | (1,539,676) | | | | | | (13,949,253) |
| – | – | – | – | – | – | – | 4,624,253 | 4,624,253 |
| - | - | (1,539,676) | – | – | – | – | 13,605,377 | 241,948,692 |

| Changes during the year | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Net equity transactions | | | | | | | |
| Changes in the reserves | New share issue | Purchase of own shares | Extra dividend distribution | Change in capital instruments | Derivatives on own shares | Stock Options | Comprehensive income FY 2014 | Net equity at 31.12.2014 |
| – | – | – | – | – | – | – | – | 72,576,000 |
| – | – | – | – | – | – | – | – | 72,576,000 |
| – | – | – | – | – | – | – | – | – |
| – | – | – | – | – | – | – | – | – |
| 49 | – | – | – | – | – | 176,408 | – | 91,946,362 |
| – | | | | | | | | 86,611,422 |
| 49 | – | – | – | – | – | 176,408 | – | 5,334,940 |
| – | – | – | – | – | – | – | 12,811,223 | 77,066,297 |
| | | | | – | | | | – |
| – | | (450,739) | | | | | | (12,409,577) |
| – | – | – | – | – | – | – | 4,332,709 | 4,332,709 |
| 49 | – | (450,739) | – | – | – | 176,408 | 17,143,932 | 233,511,791 |

## STATEMENT OF CASH FLOWS (indirect method)

(in euros)

| | Amount | |
|---|---|---|
| | **31.12.2015** | **31.12.2014** |
| **A. OPERATING ACTIVITIES** | | |
| **1. Management** | **85,370** | **6,018,372** |
| - net profit (loss) for the year (+/-) | 4,624,253 | 4,332,709 |
| - capital gains/losses on financial assets held for trading and on financial assets/liabilities carried at fair value (-/+) | 8,361 | 16,882 |
| - capital gains/losses on hedging assets (-/+) | (215,263) | – |
| - net value adjustments/write-backs for impairment (+/-) | 1,764,194 | 2,962,815 |
| - net value adjustments/write-backs on tangible and intangible fixed assets (+/-) | 569,752 | 1,953,063 |
| - net allocations to the provisions for risks and charges and other costs/revenues (+/-) | 1,794,329 | 684,241 |
| - taxes, duties and tax credits not liquidated (+/-) | 624,590 | 964,329 |
| - net value adjustments/write-backs of disposal groups after tax (+/-) | – | – |
| - other adjustments (+/-) | (9,084,846) | (4,895,667) |
| **2. Cash generated by/used in financial assets** | **(4,570,209)** | **(187,705,083)** |
| - financial assets held for trading | 49,659,237 | 19,926,894 |
| - financial assets carried at fair value | – | – |
| - available-for-sale financial assets | (38,181,348) | (231,596,215) |
| - due from banks: on demand | (18,341,922) | 670,736 |
| - due from banks: other receivables | 492,472 | 15,347,816 |
| - due from customers | 5,296,280 | 10,090,321 |
| - other assets | (3,494,928) | (2,144,635) |
| **3. Cash generated by/used in financial liabilities** | **(3,707,191)** | **168,716,045** |
| - due to bank: on demand | 9,661,864 | 1,559,200 |
| - due to banks: other payables | (95,359,214) | 152,881 |
| - due to customers | 108,049,093 | 148,019,130 |
| - outstanding securities | (22,536,436) | 6,972,861 |
| - financial liabilities held for trading | 7,373,560 | 1,977,807 |
| - financial liabilities carried at fair value | – | – |
| - other liabilities | (10,896,058) | 10,034,166 |
| **Cash generated by/used in operating activities** | **(8,192,030)** | **(12,970,666)** |

| | Amount | |
|---|---|---|
| | **31.12.2015** | **31.12.2014** |
| **B. INVESTING ACTIVITIES** | | |
| **1. Cash generated by** | **4,448,156** | **5,701,296** |
| - disposals of equity investments | – | – |
| - dividends received on equity investments | 4,043,199 | 5,295,237 |
| - disposal of financial assets held to maturity | 360,541 | 394,091 |
| - disposals of tangible assets | 44,416 | 11,968 |
| - disposals of intangible assets | – | – |
| - disposals of business units | – | – |
| **2. Cash used in** | **(271,927)** | **(1,715,855)** |
| - purchases of equity investments | – | – |
| - purchases of financial assets held to maturity | – | (43,558) |
| - purchases of tangible assets | (258,475) | (1,615,167) |
| - purchases of intangible assets | (13,452) | (57,130) |
| - purchases of business units | – | – |
| **Cash generated by/used in investing activities** | **4,176,229** | **3,985,441** |
| **C. FINANCING ACTIVITIES** | | |
| - issues/purchases of own shares | (1,539,676) | (450,739) |
| - issues/purchases of capital instruments | – | 176,455 |
| - dividend distribution and other purposes | 5,352,324 | 9,182,423 |
| **Cash generated by/used in financing activities** | **3,812,648** | **8,908,139** |
| **CASH GENERATED/USED DURING THE YEAR** | **(203,153)** | **(77,086)** |

Key:
(+) generated
(-) used

| **RECONCILIATION** | **31.12.2015** | **31.12.2014** |
|---|---|---|
| **ITEMS** | | |
| Cash and cash equivalents at the beginning of the period | 661,166 | 738,252 |
| Total net cash generated/used during the year | (203,153) | (77,086) |
| Cash and cash equivalents: effect of exchange rate changes | | |
| Cash and cash equivalents at the end of the year | 458,013 | 661,166 |

# NOTES TO THE FINANCIAL STATEMENTS OF BANCA FINNAT EURAMERICA S.P.A.

Set out below are the sections of the Notes to the Financial Statements applicable to the Bank.

**Part A – Accounting policies**

A.1 – General information

Section 1 – Statement of compliance with international accounting standards

Section 2 – General financial reporting principles

Section 3 – Subsequent events

Section 4 – Other information

A.2 – Information on the main financial statement items

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

A.4 – Information on fair value

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

**Part B – Information on the balance sheet**

ASSETS

Section 1 – Cash and cash equivalents – Item 10

Section 2 – Financial assets held for trading – Item 20

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

Section 5 – Financial assets held to maturity – Item 50

Section 6 – Due from banks – Item 60

Section 7 – Due from customers – Item 70

Section 8 – Hedging derivatives – Item 80

Section 10 – Equity investments – Item 100

Section 11 – Tangible assets – Item 110

Section 12 – Intangible assets – Item 120

Section 13 – Tax assets and liabilities – Items 130 (assets) and 80 (liabilities)

Section 15 – Other assets – Item 150

LIABILITIES

Section 1 – Due to banks – Item 10

Section 2 – Due to customers – Item 20

Section 3 – Outstanding securities – Item 30

Section 4 – Financial liabilities held for trading – Item 40

Section 8 – Tax liabilities – Item 80

Section 10 – Other liabilities – Item 100

Section 11 – Staff severance fund – Item 110

Section 12 – Provisions for risks and charges - Item 120

Section 14 – Net equity – Items 130, 160, 180, 190 and 200

OTHER INFORMATION

## Part A – Accounting policies

### A.1 – General information

### Section 1 – Statement of compliance with international accounting standards

The financial statements at 31 December 2015 of Banca Finnat Euramerica S.p.A. have been prepared applying the International Accounting Standard (IAS) and the International Financial Reporting Standards (IFRS), as amended by the International Accounting Standards Board (IASB) and approved by the European Commission, in force at 31 December 2015, in accordance with the procedures laid down in EC Regulation no. 1606/02.

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

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

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

### Section 2 – General financial reporting principles

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

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

The separate financial statements of Banca Finnat Euramerica S.p.A. as at 31 December 2015 were prepared in accordance with the provisions laid down by Circular Letter no. 262 of 22 December 2005 "Banks' financial statements: Layout and preparation" – 4th revision of 15 December 2015 – issued by the Bank of Italy in the exercise of the powers established by Article 9 of Italian Legislative Decree no. 38/2005.

The separate financial statements consist of: the balance sheet, income statement, statement of changes in net equity, statement of comprehensive income, cash flow statement and these notes to the financial statements. They also comprise the directors' report on the Bank's situation, on operations as a whole and in the various sectors in which it has operated as well as on main risks and uncertainties that it faces.

In addition, the following documents are attached to the separate financial statements as required by specific legal regulations or established practice:

- Statement of changes in equity investments
- Statement of significant equity investments

The Corporate Governance Report is provided in the specific section, drawn up in accordance with Article 123-bis of the Italian Consolidated Financial Law.

The separate notes to the financial statements provide all information required by law and additional information deemed necessary to give a true and fair view of the Bank's situation. If the information required by the international accounting standards and by the provisions of circular letter no. 262 of 22 December 2005 (4th revision of 15 December 2015) issued by the Bank of Italy does not suffice to give a true and fair, reliable, comparable and comprehensible view, the notes to the financial statements provide additional information for said purpose.

The tables of the consolidated balance sheet, income statement and statement of comprehensive income are made up of items, sub-items and by additional information on the items and sub-items. The items, sub-items and related details constitute the financial accounts. All items with nil balances either for the current or for the previous financial year are not shown. Revenues in the income statement and statement of comprehensive income are shown without any sign whilst costs are shown in brackets.

Comparative figures are shown for each account item of the balance sheet, income statement and statement of comprehensive income. If the account items are not comparable with those of the previous financial year, they are adjusted; the lack of comparability, any adjustment made or the inability to make any such adjustment are reported and commented in the notes to the financial statements.

Consistently with Article 5 of Italian Legislative Decree no. 38 of 28 February 2005, the Separated financial statements were prepared using the euro as the presentation currency. The amounts of the statements are expressed in euros, whilst the figures of the Accompanying Notes, unless otherwise specified, are presented in thousands of euros.

The separate financial statements provide a true and fair view of the financial position, the result for the year and cash flows. The financial statements were also prepared, as specified above, on a going concern basis (IAS 1 paragraph 25), on an accrual basis (IAS 1 paragraphs 27 and 28), in compliance with the obligation to make adjustments to reflect the events subsequent to the reference date of the financial statements (IAS 10). The assets and liabilities, income and expenses have not been offset, except where required or allowed by a principle or interpretation (IAS 1 paragraph 32). The cost of inventory and of the financial instruments was calculated using the weighted average daily cost method, (IAS 2, paragraph 25).

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

The separate financial statements for Banca Finnat Euramerica S.p.A. were audited by Reconta Ernst & Young S.p.A., to whose report attached hereto specific reference is made.

Following are the Regulations endorsed by the European Commission which shall apply from 1 January 2015 onwards:

- Regulation no. 634/2014 – IAS 37 Provisions, Contingent Liabilities and Contingent Assets
- Regulation no. 1361/2014 – IFRS 2011-2013 annual improvements cycle.

The adoption of the above-mentioned Regulations did not impact these financial statements.

It should also be noted that the following Regulations were approved and became effective from 1 January 2016:

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

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

**Section 3 – Subsequent events**

In the period spanning the end of the 2015 financial year and the date on which these financial statements were prepared, no significant events or factors that could affect the financial position, capital position, or results of operations of the Bank emerged.

However, it should be pointed out that on 10 February 2016 the Board of Directors of the Bank appointed by co-opting - to replace Director Tofanelli who resigned - Ms. Flavia Mazzarella as independent non executive Director. Director Mazzarella was also appointed Lead Independent Director, Chairman of the Risk Committee and member of the Appointment Committee.

The 2015 statutory financial statements will be submitted for the approval of the Shareholders' Meeting convened for 29 April 2016.

### Section 4 – Other information

#### Risks and uncertainties linked to the use of estimates

In compliance with the IAS/IFRS standards, the Bank carries out evaluations, estimates and assumptions in support of the application of the accounting standards and for the determination of the amounts of the assets, liabilities, costs and revenues reported in the financial statements. In respect of the preparation of the financial statements at 31 December 2015, the Bank used estimates (based on the most recent available data), in several limited cases and for immaterial amounts, in respect of both several balance sheet and several income statement items.

#### Exemption from the preparation of the fourth interim financial report for 2015

With the transposition of the Directive on shareholders' rights (Italian Legislative Decree no. 27 of 27 January 2010), paragraph 1 of Article 154-*ter* ("Financial Reports") of the Italian Consolidated Financial Law (the "TUF") was amended. This amendment establishes that the annual Financial Report, comprising the draft statutory financial statements, the consolidated financial statements, if prepared, the report on operations and the certification of the appointed administrative bodies and the Manager in charge of preparing the accounting documents, must be published within 120 days of the company year end. The obligation to ensure publication within 120 days refers specifically to the "draft financial statements" approved by the administrative body and no longer to the "statutory financial statements" approved by the Shareholders' Meeting. As such, this amendment restores, for listed companies, the option to postpone approval of the financial statements within maximum terms of 180 days as established by Article 2364, paragraph 2 of the Italian Civil Code, which had been abolished by Directive 2004/109/EC (the Transparency Directive). The decree also establishes that, as an exception to Article 2429, paragraph 1 of the Italian Civil Code, the draft financial statements must be disclosed by the directors to the board of auditors and auditing firm at least 15 days prior to publishing the draft.

With reference to companies belonging to the STAR segment, Borsa Italiana has established the publication - in addition to the reports concerning the first and third quarters, as required by paragraph 5 of Article 154-*ter* – also the interim report on operations with reference to the 4th quarter; it has also allowed to omit drafting said report if publication of the draft financial statements is brought forward to 90 days as from the end of the year of reference. The term of 90 days (previously set to 75 days prior to the amendments introduced with the implementation of the Directive as explained above) was established by Borsa Italiana with its notice no. 14924 of 8 October 2010 concerning the "Amendments made to the Market Regulation".

In view of the above, the Bank opted not to publish the 4th interim report on operations, by making the draft separate and consolidated financial statements as of 31 December 2015, complete with the certification by the manager in charge of preparing the accounting documents, the Report by the Board of Statutory Auditors and by the Auditing Firm, available to shareholders and to the market within the term of 90 days from the end of the financial year.



**A.2 – Information on the main financial statement items**

The main accounting standards adopted in preparing the statutory Financial Statements at 31 December 2015 remained unchanged with respect to those adopted in the Financial Statements at 31 December 2014 as concerns classification, measurement and de-recognition criteria in general, and the recognition criteria for costs and revenues.

**1 - Financial assets held for trading**

*Classification criteria*

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

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

*Recognition criteria*

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

*Measurement criteria*

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

*Derecognition criteria*

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

*Recognition criteria of income components*

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

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

**2 - Available-for-sale financial assets**

*Classification criteria*

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

*Recognition criteria*

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

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

*Measurement criteria*

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

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

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

*Derecognition criteria*

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

*Recognition criteria of income components*

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

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

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

If an available-for-sale financial asset suffers an impairment loss, the cumulated unrealised loss previously recorded in net equity is reversed from the net equity and recognised in the income statement under item 130 "Net value adjustments/write-backs for the impairment of: b) available-for-sale financial assets".

If the circumstances that led to the recognition of an impairment loss cease to exist, following an event that is subsequent to the recognition of the impairment of value, a write-back is posted to net equity, in the case of equities, and to the income statement, in the case of debt securities and receivables. The write-back may not exceed the cost (amortised as applicable) that the financial instrument would have had in the absence of the previous adjustment.

**3 - Financial assets held to maturity**

*Classification criteria*

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



*Recognition criteria*

Financial assets are recorded at the settlement date.

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

*Measurement criteria*

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

*Derecognition criteria*

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

*Recognition criteria of income components*

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

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

If there is evidence of impairment of value, the relevant loss is measured as the difference between the book value of the asset and its present value of the estimated cash flows, discounted at the effective

interest rate. The loss is recorded in the income statement under item 130 "Net value adjustments/write-backs for the impairment of c) financial assets held to maturity".
If the circumstances that led to the recognition of an impairment loss cease to exist, following an event that is subsequent to the recognition of the impairment of value, a write-back is posted to the income statement under the same item 130.



### 4 - Receivables

*Classification criteria*

This asset group includes receivables due from customers and banks, with fixed and determinable payments, paid directly or acquired from third parties that are not listed on active markets and that have not been originally classified among the financial assets held for trading, available-for-sale financial assets or carried at fair value. The receivables item also includes operating loans linked to the supply of financial services, repos and unlisted bonds.

*Recognition criteria*

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

*Valuation and recognition criteria of income statement items*

After their initial recognition, receivables are stated at their amortised cost, which is equal to the initial recognition value reduced/increased by capital repayments, by any value adjustment/write-back and by the amortisation calculated on the basis of the effective interest rate, any transaction cost or income known or determinable at the time of provision of the credit.
In the case of short-term receivables, given that the effect of the amortisation is considered negligible, the costs and income directly related to the transactions are posted directly in the income statement.
The amortisation of the transaction costs and income – based on the effective interest rate – is not applied in the case of on-demand receivables and, as a rule, to undated loans. In the case of on-demand loans and, as a rule, undated loans, the relevant value recorded in the financial statements is made equal to the amount paid out, minus any value adjustment.

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

- significant positions are subject to itemised valuation. A similar procedure is followed for non-performing loans that are individually deemed to be of a non-significant amount;
- classification within the anomalous loan classes specified by the current regulations issued by the Bank of Italy: non-performing loans, likely defaults (formerly, impaired loans) and past due receivables, is deemed to be objective impairment test evidence;

- performing loans that are insignificant on an individual basis, and for which there is no objective evidence of impairment are collectively valued by grouping them together on a like-for-like risk profile basis. Their value adjustment is calculated on the basis of the historical trend of decline rates referring to each relevant group that are periodically published by the Bank of Italy. In determining the historical loss series the positions that are subject to itemised valuation are removed from the loan population;
- value adjustments determined on a line-by-line basis or collectively are recorded in the income statement in item 130 “Net value adjustments/write-backs for the impairment of a) receivables”.



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

Impaired exposures - starting on 1 January 2015 in accordance with the new classification established by Bank of Italy Circular no. 272/2008 (7th revision published on 20 January 2015) - are broken down as follows:

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

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

*Derecognition criteria*
Financial assets are derecognised when the contractual rights on the cash flows deriving from the assets are lost, or in the case of a transfer, when it entails the substantial assignment of all the risks and benefits associated with the assets. If it is not possible to determine the transfer of the risks and benefits, the financial assets in the category are derecognised when the control thereof is transferred. Otherwise, the

financial assets are maintained on the balance sheet to the extent of the entity's involvement, measured by the exposure of the assets transferred to value changes.
Gains or losses resulting from the derecognition of the same are recorded in the income statement.

**6- Hedging Transactions**

*Classification criteria*

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

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

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

*Recognition criteria*

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

*Valuation and recognition criteria of income statement items*

Hedging derivatives are carried at fair value. In the case of fair value hedging, the change in fair value of the hedged element is offset with the change in fair value of the hedging instrument. This offset is recognised through the recognition in the income statement - under item 90 "Net income from hedging activities" - of said value changes, referred both to the hedged element (with regard to the changes caused by the underlying risk factor), and to the hedging instrument. Any difference, which represents the partial ineffectiveness of the hedge, consequently constitutes its net economic effect.
The derivative is designated as a hedging derivative if there is a formalised documentation of the relationship between the hedged instrument and the hedging instrument and if it is effective at the time when the hedge starts and, prospectively, throughout the time of its validity.
The effectiveness of the hedge depends on the extent to which the changes in fair value of the hedged instrument are offset by those of the hedging instrument. Therefore, the effectiveness is determined by the comparison between the aforesaid changes, taking into account the intent pursued by the company when the hedge was established.
There is effectiveness when the changes in fair value of the hedging financial instrument neutralise almost entirely, i.e. within the limits set by the 80-125% range, the changes in the hedged instrument, for the risk element to be hedged.
The effectiveness is assessed at the date of each set of financial statements or interim report, using:

- prospective tests, which justify the application of hedge accounting, inasmuch as they demonstrate its expected effectiveness;
- retrospective tests, which highlight the degree of effectiveness of the coverage attained in the period

to which they are referred, i.e. which measure the extent to which the actual results deviated from perfect hedging.

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



**7 - Equity investments**

*Classification criteria*

The item "Equity investments" includes equity investments in subsidiaries, associated companies and joint ventures.

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

*Recognition criteria*

Equity investments are recorded at their settlement date and at purchase - or subscription - cost, including the additional charges.

*Measurement criteria*

Equity investments in subsidiaries are all measured at fair value, while equity investments in associated companies are recorded at cost.

The method for determining the fair value is in line with current market practice and, on the basis of the provisions of IAS 39, AG 80 and 82, letter e), refers to a series of objective parameters.

The model is based on the discounting of cash flows, as they emerge from the updated long-term plan of the subsidiaries. The figure is used (subject to the updating of parameters) in the preparation of financial statements in order to determine any change in fair value, taking into account any further adjustment needed given specific market situations.

*Derecognition criteria*

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

*Recognition criteria of income components*

*– Equity investments in subsidiaries measured at fair value*

Changes in fair value resulting from the differences between the measurements at the end of the current year and those of the previous years are recorded using the same criteria prescribed for "Available-for-sale financial assets", in compliance with IAS 39, paragraphs 67 and 70.

*– Equity investments in companies measured at cost*

If there is evidence that the value of an equity investment may be impaired, the recoverable amount of

said equity investment is estimated considering the present value of future cash flows that the investment could generate, including the final disposal value of the investment.
If the recoverable amount is not temporarily lower than the carrying amount, the difference is recorded in the income statement under item 210 "Profit (loss) from equity investments".
If the reasons for the impairment are removed following an event that occurs after the recognition of the impairment, write-backs are made to the income statement under the same item as above in the measure of the previous adjustment.

**8 - Tangible assets**

*Classification criteria*

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

*Recognition criteria*

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

*Valuation and recognition criteria of income statement items*

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

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

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

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

At the end of each financial year, an impairment test is conducted on the assets. More specifically, a comparison is made between the book value of the asset (purchase cost less accumulated depreciation) and its recoverable amount, equal to the greater of the fair value, minus any sales cost, and the related value of use of the asset, meaning the present value of the future cash flows expected from the asset. Adjustments are recorded in the income statement under item 170 "Net value adjustments/write-backs on tangible assets". If the reasons that led to the recognition of the loss cease to apply, a write-back is recorded that may not exceed the value that the asset would have had minus the depreciation calculated in the absence of previous losses in value.

*Derecognition criteria*

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

## 9 - Intangible assets

*Classification criteria*

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

*Recognition criteria*

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

*Valuation and recognition criteria of income statement items*

Following their initial recognition, intangible assets are recorded at cost, less the accumulated amortisation and any impairment of value. The "at cost" valuation method was deemed more appropriate than the "redetermination of value" method. The cost of intangible assets is amortised, minus the recoverable amount, on the basis of their estimated useful life. For assets acquired during the year, the amortisation is calculated on a daily basis starting on the date on which the asset was first used. In the case of assets transferred and/or disposed of during the year, the amortisation is calculated on a daily basis until the date of transfer and/or disposal.

If the useful life of the fixed asset cannot be established and appears to be indefinite (goodwill), the asset is not amortised, however it is periodically tested for impairment and, in any case, each time objective evidence is found to this effect its initial recognition value may have to be changed. The performance of this test entails the prior allocation of goodwill to a cash-generating unit, whose value can be reliably estimated. Goodwill impairment is calculated as the difference between its book value and the estimated recoverable amount, determined by reference to the cash-generating unit to which the goodwill in question has been allocated. Any impairment calculated as the difference between the book value of the fixed asset and its recoverable amount is recorded in the income statement under item 230 “Goodwill adjustments”. Goodwill impairment may not be reversed in future accounting periods as required by IAS 36.

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

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

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

Since 2004, the Bank and its Italian-based subsidiaries have decided to join the “domestic consolidated tax system”, pursuant to Articles 117/129 of the TUIR (Consolidated Income Tax Act). The option was renewed in 2013 also for the 2013/2014/2015 period.
By virtue of this option, the Group companies determine their proportion of the taxes payable and the corresponding fiscal income (taxable income or fiscal loss) is transferred to the Parent Company, relating to which a single taxable income or loss is reported (resulting from the arithmetical sum of its own and its participating subsidiaries’ incomes/losses) and, consequently, a single income tax debt/credit determined.

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

Deferred taxation is calculated based on the applicable rates, with respect to, (i) the temporary taxable differences, with respect to which there is the likelihood of effectively incurring taxes, and (ii) the temporary deductible differences, with respect to which there is the reasonable certainty of recovering tax money back.
Deferred taxes are calculated taking into account the rates expected when payment falls due.

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

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

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

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

**12 - Provisions for risks and charges**

*Other provisions*

The other provisions for risks and charges include the allocations relating to legal obligations or connected with employment agreements or with disputes, including those of a tax-related nature, originated from a past event for which it is likely that economic resources will be expended to comply with said obligations, provided that a reliable estimate of the related amount can be obtained.
If the time element is significant (expected outlay beyond 12 months), the allocations are discounted to the present with reference to current market rates. The allocation and any subsequent increases in the provisions due to the time factor are recognised in the income statement.
The allocated provisions are subject to periodic reviews and when it becomes unlikely that possible costs may be incurred, the allocations are fully or partly reversed to the benefit of the income statement.

**13 - Payables and outstanding securities**

*Classification criteria*

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

*Recognition criteria*

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

*Valuation and recognition criteria of income statement items*

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

*Derecognition criteria*

Financial liabilities are derecognised when they expire or are extinguished. A financial liability is considered expired when the debt is settled through payment of the creditor in cash, or by means of other financial assets, goods or services, or when the borrower is legally released from the primary responsibility for the liability.
Derecognition takes place in the event of the repurchase of bonds previously issued. The difference between the book value of liabilities and the amount paid to purchase them is posted in the income statement. The replacement on the market of own shares after they have been repurchased is considered tantamount to a new issue, with the entry of the new placement price.

**14 - Financial liabilities held for trading**

*Classification criteria*

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

*Recognition criteria*

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

*Measurement criteria*

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

*Derecognition criteria*

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

*Recognition criteria of income components*

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

**16 - Foreign-currency transactions**

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

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

- in the case of monetary instruments, at the spot exchange rate on the date of preparation of the financial statements, with exchange differences recorded in the income statement under the item “Net income from trading activities”;
- in the case of non-monetary instruments, they are measured at historical cost, at the exchange rate in force at the time of the original transaction;

- in the case of non-monetary instruments carried at fair value, at the spot exchange rate in force at the time of preparation of the financial statements.

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

### 18 - Other information

*1. Own shares*

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

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

*2. Own share-based payments*

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

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

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

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

*3. Staff severance fund*

The staff severance fund is determined as the Bank's present obligation towards its employees, in terms of the related severance indemnity. The amount of this obligation on the date of the financial statements is estimated using actuarial methods and time-discounted using the "projected unit credit method" whereby each period of service is viewed as giving rise to an additional unit of benefit entitlement and each unit is measured separately to build up the final obligation. Once the final obligation is obtained, the Bank needs to calculate its present value, even if part of the obligation falls in the twelve-month period after the date of the financial statements. Actuarial profits/losses deriving from defined-benefit plans are stated in net equity under Valuation reserves. All other components of the allocation to staff severance obligations accrued during the year are posted on the income statement under item 150. Administrative expenses: a) staff costs in "Staff severance fund", for the amounts paid to the INPS Treasury; "payments to defined contribution supplementary external pension funds" for payments made to Supplementary Retirement Plans and "allocation for staff severance fund" for the adjustment of the fund present in the company.

*4. Recognition of revenue and costs*

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

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

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

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

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

*5. Manner of determination of the amortised cost*

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

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

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

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

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

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

*6. Fair value option*

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



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

The Bank has made the following transfers between portfolios, in the presence of "rare circumstances", as permitted by IAS 39:

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

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

At 31 December 2015, debt securities were repaid at maturity for a total nominal value of 1,600 thousand euros recorded, in 2008, in the "Financial assets held to maturity" portfolio.

The information requested by IFRS 7 is provided below.

### A.3.1 Reclassified financial assets: book value, fair value and effects on comprehensive income

| Type of financial instrument | Source portfolio | Target portfolio | Book value at 31.12.2015 | Fair value at 31.12.2015 | Income components without the transfer (pre-tax) | | Income components recorded for the year (pre-tax) | |
|---|---|---|---|---|---|---|---|---|
| | | | | | Items | Other | Items | Other |
| Debt securities | HFT | HTM | 1,959 | 2,006 | 4 | 9 | – | 49 |
| UCI units | HFT | AFS | 1,521 | 1,521 | (94) | – | (94) | – |

### A.3.2 Reclassified financial assets: effects on comprehensive income before reclassification

In the financial year under review, the Bank did not reclassify financial assets.

**A.3.3. Transfers of financial assets held for trading**

For a description of the "rare circumstances" that led to the reclassifications made, please refer to the explanations provided in the 2008 financial statements for debt securities and to the 2010 financial statements for the UCI units.

**A.3.4 Effective interest rate and cash flow forecast from the reclassified assets**

For information on the cash flow forecast from the reclassified debt securities, please refer to that explained in the 2008 financial statements as this was the year during which they were reclassified.

**A.4 – Information on fair value**

**Qualitative information**

**A.4.1 Levels of fair value 2 and 3: valuation techniques and inputs used**

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

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

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

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

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

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

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

- derivatives for which prices are available on an active market (e.g., futures and options).

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

Following is an overview of the valuation techniques used:
- the use of current market prices of other substantially similar instruments, if they are deemed to be highly comparable (based on the country and sector to which they belong, along with their rating, maturity and degree of seniority of the securities), such as to avoid any substantial alteration of the prices or the use of trading prices – with respect to the same financial instrument – concerning market transactions between independent counterparties;
- the use of prices of similar instruments, in terms of their calibration;
- discounted cash flow models;
- option pricing models.

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

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

Financial instruments classified as **Level 3** instruments include:
- unlisted securities. Equity investments held at cost are also conventionally included among the Level 3 instruments;

- funds featuring either an unpublished NAV or a published NAV which, however, is not sufficiently representative of the potential realisation value;
- bonds not listed on active markets, for which there are no comparable instruments, or which require the use of significant assumptions, such as the knowledge of trading prices between independent counterparties;
- OTC derivatives valued using non-market models, or market models based on parameters that cannot be observed on the market.

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

**A.4.3 Fair value hierarchy**

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

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

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

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

IFRS 13 identifies three different input levels:

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

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

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

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

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

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



*Due from customers and banks*

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

  Due from banks are classified in level 3 and the fair value is represented by the value entered in the financial statements of the receivable.
- Due from customers and banks with undefined contractual expiry:
  The fair value of due from customers and banks with undefined contractual expiry, in that they are on demand, is represented by the nominal value of the receivables net of the risk component represented by the calculated probability of default, in accordance with what was previously defined, on the basis of the decline rates present in the Bank of Italy's Public Database.

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

*Outstanding securities*
The item includes bonds issued and entered at amortised cost. The fair value is calculated by using a model that considers the loan indexation parameter and a target spread.

### A.4.4 Other information

The Bank does not use the exception on the compensating valuation of groups of financial assets and liabilities referred to in paragraph 48 of the IFRS 13.

## Quantitative information

### A.4.5 Fair value hierarchy

### A.4.5.1 Assets and liabilities carried at fair value on a recurring basis: breakdown by level of fair value

| Assets/liabilities carried at fair value | 2015 | | | 2014 | | |
|---|---|---|---|---|---|---|
| | L1 | L2 | L3 | L1 | L2 | L3 |
| 1. Financial assets held for trading | 43,707 | 12,836 | 35 | 103,050 | 2,659 | 537 |
| 2. Financial assets carried at fair value | – | – | – | | | |
| 3. Available-for-sale financial assets | 794,684 | 26,321 | 5,023 | 749,872 | 28,376 | 9,848 |
| 4. Hedging derivatives | – | 215 | – | | | |
| 5. Tangible assets | – | – | – | | | |
| 6. Intangible assets | – | – | – | | | |
| **Total** | **838,391** | **39,372** | **5,058** | **852,922** | **31,035** | **10,385** |
| 1. Financial liabilities held for trading | – | 9,733 | – | 3 | 2,356 | |
| 2. Financial liabilities carried at fair value | – | – | – | | | |
| 3. Hedging derivatives | – | – | – | | | |
| **Total** | **–** | **9,733** | **–** | **3** | **2,356** | **–** |

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

**A.4.5.2 Annual changes of assets carried at fair value on a recurring basis (level 3)**

| | | Financial assets held for trading | Financial assets carried at fair value | Available-for-sale financial assets | Hedging derivatives | Tangible assets | Intangible assets |
|---|---|---|---|---|---|---|---|
| **1.** | **Opening balance** | **537** | **–** | **9,848** | **–** | **–** | **–** |
| **2.** | **Increases** | **35** | **–** | **357** | **–** | **–** | **–** |
| 2.1. | Purchases | – | – | 357 | – | – | – |
| 2.2. | Profits recorded in: | – | – | – | – | – | – |
| 2.2.1. | Income Statement | – | – | – | – | – | – |
| | - of which capital gains | – | – | – | – | – | – |
| 2.2.2. | Net equity | X | X | – | – | – | – |
| 2.3. | Transfers from other levels | 35 | – | – | – | – | – |
| 2.4. | Other increases | – | – | – | – | – | – |
| **3.** | **Decreases** | **537** | **–** | **5,182** | **–** | **–** | **–** |
| 3.1. | Sales | – | – | – | – | – | – |
| 3.2. | Repayments | – | – | – | – | – | – |
| 3.3. | Losses recorded in: | – | – | – | – | – | – |
| 3.3.1. | Income Statement | – | – | – | – | – | – |
| | - of which capital losses | – | – | – | – | – | – |
| 3.3.2. | Net equity | X | X | – | – | – | – |
| 3.4. | Transfers to other levels | 537 | – | – | – | – | – |
| 3.5. | Other decreases | – | – | 5,182 | – | – | – |
| **4.** | **Closing balance** | **35** | **–** | **5,023** | **–** | **–** | **–** |

Item 3.5. Other decreases in Available-for-sale financial assets comprises:

- the derecognition of the equity interest in Beni Stabili Gestioni SGR S.p.A., i.e. 4,512 thousand euros as a result of the swap, at the time of the merger, in 529 shares of InvestiRE SGR S.p.A.;
- the negative fair value as a result of the measurement of the shares of CSE Consorzio Servizi Bancari S.r.l., amounting to 670 thousand euros;

**A.4.5.3 Annual changes of financial liabilities carried at fair value on a recurring basis (level 3)**

The table was not prepared because, at the reporting date under review, the item in question has no balances.

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

| Assets/Liabilities not carried at fair value or carried at fair value on a non-recurring basis | 31.12.2015 | | | | 31.12.2014 | | | |
|---|---|---|---|---|---|---|---|---|
| | BV | L1 | L2 | L3 | BV | L1 | L2 | L3 |
| 1. Financial assets held to maturity | 1,959 | 2,006 | – | – | 2,319 | 2,403 | – | – |
| 2. Due from banks | 88,346 | – | – | 88,346 | 74,539 | – | – | 74,539 |
| 3. Due from customers | 277,287 | – | – | 279,039 | 284,098 | – | – | 286,483 |
| 4. Tangible assets held for investment | – | – | – | – | – | – | – | – |
| 5. Non-current assets and groups of assets being disposed | – | – | – | – | – | – | – | – |
| **Total** | **367,592** | **2,006** | **-** | **367,385** | **360,956** | **2,403** | **–** | **361,022** |
| 1. Due to banks | 11,496 | – | – | 11,496 | 97,194 | – | – | 97,194 |
| 2. Due to customers | 1,053,783 | – | – | 1,053,783 | 945,734 | – | – | 945,734 |
| 3. Outstanding securities | 26,122 | – | – | 26,095 | 48,658 | – | – | 48,504 |
| 4. Liabilities associated to assets being disposed | – | – | – | – | – | – | – | |
| **Total** | **1,091,401** | **–** | **–** | **1,091,374** | **1,091,586** | **–** | **–** | **1,091,432** |

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

The Bank has never carried out fair value measurements on a non-recurring basis for assets and liabilities.

### A.5 Disclosure on the so-called "day one profit/loss"

The Bank did not record in the financial year under review any positive/negative item arising from the initial fair value measurement of financial instruments.

## Part B – Information on the balance sheet

### ASSETS

### Section 1 – Cash and cash equivalents – Item 10

#### 1.1 Cash and cash equivalents: breakdown

| | Total 31.12.2015 | Total 31.12.2014 |
|---|---|---|
| a) Cash | 307 | 289 |
| b) Demand deposits at central banks | 151 | 372 |
| **Total** | **458** | **661** |

## Section 2 – Financial assets held for trading – Item 20

### 2.1 Financial assets held for trading: breakdown by product

| Items/Amounts | Total 31.12.2015 | | | Total 31.12.2014 | | |
|---|---|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Level 1 | Level 2 | Level 3 |
| **A. Cash assets** | | | | | | |
| 1. Debt securities | 39,145 | 1,429 | – | 97,787 | 1,827 | – |
| 1.1 Structured securities | – | – | – | – | – | – |
| 1.2 Other debt securities | 39,145 | 1,429 | – | 97,787 | 1,827 | – |
| 2. Equity securities | 1,607 | 34 | 35 | 1,594 | – | – |
| 3. UCI units | 2,704 | 1,794 | – | 3,645 | – | 537 |
| 4. Loans | – | – | – | – | – | – |
| 4.1 Outstanding repos | – | – | – | – | – | – |
| 4.2 Other | – | – | – | – | – | – |
| **Total A** | **43,456** | **3,257** | **35** | **103,026** | **1,827** | **537** |
| **B. Derivatives** | | | | | | |
| 1. Financial derivatives: | 251 | 9,579 | – | 24 | 832 | – |
| 1.1 held for trading | 251 | 9,579 | – | 24 | 832 | – |
| 1.2 related to the fair value option | – | – | – | – | – | – |
| 1.3 other | – | – | – | – | – | – |
| 2. Credit derivatives | – | – | – | – | – | – |
| 2.1 held for trading | – | – | – | – | – | – |
| 2.2 related to the fair value option | – | – | – | – | – | – |
| 2.3 other | – | – | – | – | – | – |
| **Total B** | **251** | **9,579** | **–** | **24** | **832** | **–** |
| **Total (A+B)** | **43,707** | **12,836** | **35** | **103,050** | **2,659** | **537** |

Item A.1. “Debt securities” amounting to 40,574 thousand euros (99,614 thousand euros at 31 December 2014) consists of the following financial instruments:

- Level 1: Government bonds of 39,053 thousand euros and bonds of 92 thousand euros;
- Level 2: bonds of 1,429 thousand euros consisting solely of “FIP Funding Class A2”.

Item A.3. UCI units amounting to 4,498 thousand euros (4,182 thousand euros at 31 December 2014) includes: in Level 1 Anthilia Capital Partners fund units for a total amount of 2,224 thousand euros and other funds for the difference; in Level 2, units of New Millennium total flex Funds for 1,222 thousand euros and units of Alkimis Funds for 572 thousand euros.

Item B.1.1 Financial derivatives held for trading Level 2 pertains exclusively to the positive valuation of currency forwards.

**2.2 Financial assets held for trading: breakdown by debtor/issuer**

| Items/Amounts | Total 31.12.2015 | Total 31.12.2014 |
|---|---|---|
| **A. CASH ASSETS** | | |
| **1. Debt securities** | **40,574** | **99,614** |
| a) Governments and Central Banks | 39,053 | 89,106 |
| b) Other public authorities | – | – |
| c) Banks | – | 8,708 |
| d) Other issuers | 1,521 | 1,800 |
| **2. Equity securities** | **1,676** | **1,594** |
| a) Banks | – | |
| b) Other issuers: | 1,676 | 1,594 |
| - insurance companies | 569 | 552 |
| - financial companies | 31 | – |
| - non-financial companies | 1,062 | 1,021 |
| - other | 14 | 21 |
| **3. UCI units** | **4,498** | **4,182** |
| **4. Loans** | **–** | **–** |
| a) Governments and Central Banks | – | – |
| b) Other public authorities | – | – |
| c) Banks | – | – |
| d) Other entities | – | – |
| **Total A** | **46,748** | **105,390** |
| **B. DERIVATIVES** | | |
| a) Banks | | |
| - fair value | 611 | 68 |
| b) Customers | | |
| - fair value | 9,219 | 788 |
| **Total B** | **9,830** | **856** |
| **Total (A + B)** | **56,578** | **106,246** |

The item “UCI units” includes: 1,565 thousand euros of bond funds, 2,902 thousand euros of equity funds and 31 thousand euros of other funds.

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

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

| Items/Amounts | Total 31.12.2015 | | | Total 31.12.2014 | | |
|---|---|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Level 1 | Level 2 | Level 3 |
| 1. Debt securities | 748,788 | – | – | 709,249 | – | – |
| 1.1 Structured securities | – | – | – | – | – | – |
| 1.2 Other debt securities | 748,788 | – | – | 709,249 | – | – |
| 2. Equity securities | 43,248 | – | 5,023 | 37,987 | – | 9,848 |
| 2.1 Carried at fair value | 43,248 | – | – | 37,987 | – | – |
| 2.2 Carried at cost | – | – | 5,023 | – | – | 9,848 |
| 3. UCI units | 2,648 | 26,321 | – | 2,636 | 28,376 | – |
| 4. Loans | – | – | – | – | – | – |
| **Total** | **794,684** | **26,321** | **5,023** | **749,872** | **28,376** | **9,848** |

Item 1. Debt securities - Level 1 - consists almost exclusively of Government Bonds totalling a nominal value of 740 million euros, of which 355 million euros with maturity within 2016, 365 million euros with maturity within 2017 and 20 million euros with maturity within 2022.

The equity securities correspond to the strategic investments and include the following:

- Level 1: London Stock Exchange Group plc (38,000 thousand euros), Anima Holding S.p.A. (3,780 thousand euros) and Net Insurance S.p.A. (1,468 thousand euros);
- Level 3: Fideuram Investimenti SGR S.p.A. (1,075 thousand euros), SIA S.p.A. (1,120 thousand euros), Calipso S.p.A. (41 thousand euros), CSE Consorzio Servizi Bancari S.r.l. (2,430 thousand euros) and Cassa di Risparmio di Cesena S.p.A. (357 thousand euros).

Item 3 UCI units - Level 2 - includes 223 units of Fondo Immobili Pubblici (FIP) for a total of 22,547 thousand euros, 5 units of the Apple Fund for a total of 2,534 thousand euros, units of the Thema Fund for 953 thousand euros and other units making up the difference.

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

### 4.2 Available-for-sale financial assets: breakdown by debtor/issuer

| Items/Amounts | Total 31.12.2015 | Total 31.12.2014 |
|---|---|---|
| **1. Debt securities** | **748,788** | **709,249** |
| a) Governments and Central Banks | 740,401 | 703,408 |
| b) Other public authorities | – | – |
| c) Banks | 8,387 | 5,841 |
| d) Other issuers | – | – |
| **2. Equity securities** | **48,271** | **47,835** |
| a) Banks | 357 | – |
| b) Other issuers: | 47,914 | 47,835 |
| - insurance companies | 1,468 | 1,502 |
| - financial companies | 42,855 | 42,072 |
| - non-financial companies | 3,591 | 4,261 |
| - other | – | – |
| **3. UCI units** | **28,969** | **31,012** |
| **4. Loans** | **–** | **–** |
| a) Governments and Central Banks | – | – |
| b) Other public authorities | – | – |
| c) Banks | – | – |
| d) Other entities | – | – |
| **Total** | **826,028** | **788,096** |

Item “UCI units” includes real estate funds of 25,249 thousand euros and other funds of 3,720 thousand euros.

## Section 5 – Financial assets held to maturity – Item 50

### 5.1 Financial assets held to maturity: breakdown by product

| | Total 31.12.2015 | | | | Total 31.12.2014 | | | |
|---|---|---|---|---|---|---|---|---|
| | BV | FV | | | BV | FV | | |
| | | Level 1 | Level 2 | Level 3 | | Level 1 | Level 2 | Level 3 |
| 1. Debt securities | 1,959 | 2,006 | – | – | 2,319 | 2,403 | – | – |
| - structured | | | | | | | | |
| - other | 1,959 | 2,006 | | | 2,319 | 2,403 | | |
| 2. Loans | | | | | | | | |
| **Total** | **1,959** | **2,006** | **–** | **–** | **2,319** | **2,403** | **–** | **–** |

Key
FV= Fair Value
BV= Book Value

The item includes some bonds transferred in 2008, as already mentioned in Section A.3 Information on transfers of financial assets between portfolios.

### 5.2 Financial assets held to maturity: debtors/issuers

| Type of transaction/Amount | Total 31.12.2015 | Total 31.12.2014 |
|---|---|---|
| **1. Debt securities** | | |
| a) Governments and Central Banks | – | – |
| b) Other public authorities | – | – |
| c) Banks | 1,959 | 2,319 |
| d) Other issuers | – | – |
| **2. Loans** | | |
| a) Governments and Central Banks | – | – |
| b) Other public authorities | – | – |
| c) Banks | – | – |
| d) Other entities | – | – |
| **Total** | **1,959** | **2,319** |
| **Total fair value** | **2,006** | **2,403** |

## Section 6 – Due from banks – Item 60

### 6.1 Due from banks: breakdown by product

| Type of transaction/Amount | Total 31.12.2015 | | | | Total 31.12.2014 | | | |
|---|---|---|---|---|---|---|---|---|
| | BV | FV | | | BV | FV | | |
| | | Level 1 | Level 2 | Level L3 | | Level 1 | Level 2 | Level 3 |
| **A. Due from central banks** | **–** | | | **–** | **–** | | | **–** |
| 1. Fixed-term deposits | – | X | X | X | – | X | X | X |
| 2. Obligatory reserve | – | X | X | X | – | X | X | X |
| 3. Repos | – | X | X | X | – | X | X | X |
| 4. Other | – | X | X | X | – | X | X | X |
| **B. Due from banks** | **88,346** | | | **88,346** | **74,539** | | | **74,539** |
| 1. Loans | | | | | | | | |
| 1.1 Current accounts and demand deposits | 84,469 | X | X | X | 66,127 | X | X | X |
| 1.2 Fixed-term deposits | 3,877 | X | X | X | 8,412 | X | X | X |
| 1.3 Other loans: | – | X | X | X | – | X | X | X |
| Outstanding repos | – | X | X | X | – | X | X | X |
| Finance lease | – | X | X | X | – | X | X | X |
| Other | – | X | X | X | – | X | X | X |
| 2. Debt securities | – | | | | – | | | |
| 2.1 Structured securities | – | X | X | X | – | X | X | X |
| 2.2 Other debt securities | – | X | X | X | – | X | X | X |
| **Total** | **88,346** | | | **88,346** | **74,539** | | | **74,539** |

**Key:** FV = fair value BV = book value

Item B.1.2. Fixed-term deposits comprises only the obligatory reserve deposited with the ICBPI (Istituto Centrale Banche Popolari Italiane) (3,404 thousand euros at 31 December 2014).

### Section 7 – Due from customers – Item 70

#### 7.1 Due from customers: breakdown by product

| Type of transaction/Amount | Total 31.12.2015 | | | | | |
|---|---|---|---|---|---|---|
| | Book value | | | Fair value | | |
| | Non impaired | Impaired | | L1 | L2 | L3 |
| | | Purchased | Other | | | |
| **Loans** | | | | | | |
| 1. Current accounts | 95,509 | | 356 | X | X | X |
| 2. Outstanding repos | – | | – | X | X | X |
| 3. Mortgages | 150,689 | | 3,022 | X | X | X |
| 4. Credit cards, personal loans and loans on salary | – | | – | X | X | X |
| 5. Finance lease | – | | – | X | X | X |
| 6. Factoring | – | | – | X | X | X |
| 7. Other loans | 22,285 | | 4,863 | X | X | X |
| **Debt securities** | | – | – | | | |
| 8. Structured securities | – | | – | X | X | X |
| 9. Other debt securities | 563 | | – | X | X | X |
| **Total** | **269,046** | **–** | **8,241** | | | **279,039** |

The item “Due from customers” totals 277,287 thousand euros at 31 December 2015, of which 269,046 thousand euros performing (at 31 December 2014, 284,098 thousand euros, of which 276,507 thousand euros performing).

At the reporting date of these financial statements, the items relating to current accounts, mortgages and other loans include impaired assets totalling 13,120 thousand euros (8,241 thousand euros after the write-downs), comprising:

- non-performing loans totalling 9,315 thousand euros (4,797 thousand euros after the write-downs) relating to the following positions:
  - 4,572 thousand euros (2,023 thousand euros after the write-downs) originated by the issue of mortgage for which, on 8 July 2011, the Bank invoked the termination clause contained in the agreement and required the repayment of the related amount. The transaction is secured by a first mortgage on property, the value of which – supported by an expert appraisal report revised on 1 December 2015 – covers the entire value of the net exposure. The company, previously placed in liquidation, filed a petition for admission to composition with creditors with the Court of Rome. The recoverable amount of the credit is based on the assessed value of the guarantees, which takes into account the time for the collection of credit, in relation to the privileged position of the Bank concerning the real estate collaterals securing the exposure;
  - 4,743 thousand euros referring to trade receivables of 1,046 thousand euros and to cash loans of 3,697 thousand euros.

  The line-by-line write-downs made totalled 4,019 thousand euros of principal and 499 thousand euros for discounting the expected repayments.
- likely defaults loans totalling 2,579 thousand euros (2,247 thousand euros after the write-downs) comprising:

| | Total 31.12.2014 | | | | | |
|---|---|---|---|---|---|---|
| | Book value | | | Fair value | | |
| | Non impaired | Impaired | | L1 | L2 | L3 |
| | | Purchased | Other | | | |
| | | | | | | |
| | 98,753 | | 224 | X | X | X |
| | 2,006 | | – | X | X | X |
| | 146,689 | | 2,854 | X | X | X |
| | | | | | | |
| | – | | – | X | X | X |
| | – | | – | X | X | X |
| | – | | – | X | X | X |
| | 29,059 | | 4,513 | X | X | X |
| | **–** | **–** | **–** | | | |
| | – | | – | X | X | X |
| | – | | – | X | X | X |
| | **276,507** | **–** | **7,591** | | | **286,483** |

- overdraft facilities amounting to 229 thousand euros;
- mortgage positions of 2,076 thousand euros (41 thousand euros of overdue instalments and 2,035 thousand euros of principal about to fall due);
- trade receivables of 274 thousand euros.

The item comprises 6 “forborne” exposures totalling 1,822 thousand euros.

The line-by-line write-downs referred to likely defaults totalled 315 thousand euros of principal and 17 thousand euros for discounting the expected repayments;

- other positions expired or past due for over 90 days totalling 1,226 thousand euros (1,197 thousand euros after the write-downs).

At 31 December 2015, there was only one forborne unimpaired exposure, amounting to 954 thousand euros.

As usual, at 31 December 2015, the Bank calculated the collective write-down of cash loans, based on the mean value of the historical series of the default rates of cash loans received from the Risk Centre. This write-down, amounting to 1,809 thousand euros, was lower than the allocations made for this purpose through 31 December 2014, which amounted to 1,862 thousand euros.

In 2015, the Bank recorded in the Income Statement item 130 “Net value adjustments/write-backs for the impairment of a) Receivables” the amount of 1,515 thousand euros of which 1,525 thousand euros for line-by-line write-down (1,009 thousand euros for principal and 516 thousand euros for discounting the expected repayments), 53 thousand euros for write-back on the collective amount and 43 thousand euros for derecognition of receivables.

The overall value adjustments at the end of the period under review totalled 6,688 thousand euros, of which:

- 4,879 thousand euros, on an itemised basis;
- 1,809 thousand euros, for collective write-downs.

Item 7. "Other loans" includes Deposits for margins with the Cassa di Compensazione e Garanzia amounting to 19,606 thousand euros.

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

### 7.2 Due from customers: breakdown by debtor/issuer

| Type of transaction/Amount | Total 31.12.2015 | | | Total 31.12.2014 | | |
|---|---|---|---|---|---|---|
| | Non impaired | Impaired | | Non impaired | Impaired | |
| | | Purchased | Other | | Purchased | Other |
| **1. Debt securities:** | **563** | **–** | **–** | **–** | **–** | **–** |
| a) Governments | – | – | – | – | – | – |
| b) Other public authorities | – | – | – | – | – | – |
| c) Other issuers | 563 | – | – | – | – | – |
| - non-financial companies | – | – | – | – | – | – |
| - financial companies | 563 | – | – | – | – | – |
| - insurance companies | – | – | – | – | – | – |
| - other | – | – | – | – | – | – |
| **2. Loans to:** | **268,483** | **–** | **8,241** | **276,507** | **–** | **7,591** |
| a) Governments | – | – | – | – | – | – |
| b) Other public authorities | – | – | – | – | – | – |
| c) Other entities | 268,483 | – | 8,241 | 276,507 | – | 7,591 |
| - non-financial companies | 138,445 | – | 4,558 | 166,372 | – | 5,197 |
| - financial companies | 57,117 | – | 149 | 25,942 | – | 3 |
| - insurance companies | | – | | | – | – |
| - other | 72,921 | – | 3,534 | 84,193 | – | 2,391 |
| **Total** | **269,046** | **–** | **8,241** | **276,507** | **–** | **7,591** |

A breakdown of "Time distribution of amounts due from customers by residual duration" can be found under Part E Section 3 - Liquidity risk.

## Section 8 – Hedging derivatives – Item 80

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

| Items/Amounts | FV 31.12.2015 | | | NV 31.12.2015 | FV 31.12.2014 | | | NV 31.12.2014 |
|---|---|---|---|---|---|---|---|---|
| | L1 | L2 | L3 | | L1 | L2 | L3 | |
| **A) Financial derivatives** | | | | | | | | |
| 1) Fair value | | 215 | | 20,437 | | | | |
| 2) Cash flows | | | | | | | | |
| 3) Foreign investment | | | | | | | | |
| **B. Credit derivatives** | | | | | | | | |
| 1) Fair value | | | | | | | | |
| 2) Cash flows | | | | | | | | |
| **Total** | **–** | **215** | **–** | **20,437** | **–** | **–** | **–** | **–** |

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

### 8.2 Hedging derivatives: breakdown by hedged portfolios and type of hedge

| Transactions/Type of hedge | Fair value | | | | | | Cash flows | | Foreign investments |
|---|---|---|---|---|---|---|---|---|---|
| | Specific | | | | | Generic | Specific | Generic | |
| | interest rate risk | exchange rate risk | credit risk | price risk | more risk | | | | |
| 1. Available-for-sale financial assets | | 215 | | | | X | | X | X |
| 2. Receivables | | | | X | | X | | X | X |
| 3. Financial assets held to maturity | X | | | X | | X | X | X | X |
| 4. Portfolio | X | X | X | X | X | | | | X |
| 5. Other transactions | | | | | | X | | X | |
| **Total assets** | | **215** | | | | | | | |
| 1. Financial liabilities | | | | X | | X | | X | X |
| 2. Portfolio | X | X | X | X | X | | X | | X |
| **Total liabilities** | | | | | | | | | |
| 1. Expected transactions | X | X | X | X | X | X | | X | X |
| 2. Portfolio of financial assets and liabilities | X | X | X | X | X | | X | | |

In December, Hedge Accounting was carried out to neutralise the impact deriving from the change in the Euro/GBP exchange rate on a significant part of the book value, i.e. 28 million Pounds, of the 1,016,400 London Stock Exchange Group plc (LSEG) shares held by the Bank in the Available-for-sale financial assets portfolio.

This partial hedging was carried out with a forward sale transaction of 15 million Pounds, (maturity 21 December 2016) whose fair value was positive by 215 thousand euros.

In addition to the hedge described above, the Bank also carried out a management hedging of the exchange rate risk, also connected with the LSEG shares, for an additional amount of 10 million Pounds.

Section 5 - Net income from hedging activities - Item 90 of the income statement of these notes to the financial statements shows the income components recorded as a result of the process of evaluation of the hedged LSEG shares and of the related hedging derivative.

## Section 10 – Equity investments – Item 100

### 10.1 Equity investments information on investment relationships

| Company name | Registered office | Principal place of business | % share | Voting rights % |
| --- | --- | --- | --- | --- |
| **A. Wholly-controlled companies** | | | | |
| 1. Finnat Fiduciaria S.p.A. | Rome | Rome | 100.00 | |
| 2. InvestiRE S.G.R. S.p.A. | Rome | Rome | 50.16 | |
| 3. Finnat Gestioni S.A. | Lugano | Lugano | 70.00 | |
| **B. Jointly controlled companies** | | | | |
| **C. Companies under significant influence (*)** | | | | |
| 1. Prévira Invest SIM S.p.A. in liquidation | Rome | Rome | 20.00 | |
| 2. Sigefi Italia Private Equity S.r.l. in liquidation | Milan | Milan | 25.00 | |
| 3. Imprebanca S.p.A. | Rome | Rome | 20.00 | |
| 4. Revalo S.p.A. | Rome | Rome | 36.00 | |

(*) Associated companies

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

### 10.2 Significant equity investments: book value, fair value and dividends received

### 10.3 Significant equity investments: accounting information

### 10.4 Non significant equity investments: accounting information

As indicated in the 4th revision to Circular no. 262 of 22 December 2005, the information about the above items are not provided, inasmuch as the Bank prepares the consolidated financial statements.

### 10.5 Equity investments: annual changes

| | Total 31.12.2015 | Total 31.12.2014 |
|---|---|---|
| **A. Opening balance** | **73,467** | **69,256** |
| **B. Increases** | **7,886** | **4,211** |
| B.1 Purchases | – | – |
| B.2 Write-backs | – | – |
| B.3 Revaluations | 3,014 | 4,195 |
| B.4 Other changes | 4,872 | 16 |
| **C. Decreases** | **360** | **–** |
| C.1 Sales | – | – |
| C.2 Value adjustments | – | – |
| C.3 Other changes | 360 | – |
| **D. Closing balance** | **80,993** | **73,467** |
| **E. Total revaluations** | **50,656** | **47,678** |
| **F. Total adjustments** | **204** | **204** |

Item B.3 Revaluations consists: of the fair value adjustment of InvestiRE SGR S.p.A., 161 thousand euros, of Finnat Fiduciaria S.p.A., 2,108 thousand euros, and of Finnat Gestioni S.A., 745 thousand euros.

Said investments were measured on the basis of the three-year business plan prepared by the subsidiaries applying the methods used in professional practice (property method, mixed property/income method, income method).

Item B.4 Other changes comprises: 4,512 thousand euros pertaining to the acquisition of 529 shares resulting from the swap of 2,523 Beni Stabili Gestioni shares owned by the Bank, as a result of the merger by absorption in InvestiRE SGR S.p.A. and 360 thousand euros pertaining to the recorded cost of the entire shareholding in Fedra Fiduciaria S.p.A. merged by Finnat Fiduciaria S.p.A.

Item C3. Other changes refers to the derecognition of the Fedra Fiduciaria S.p.A. equity investment as a result of the merger.

Item E - Total revaluations shows the total fair value adjustment amounting to 50,656 thousand euros, of which 45,687 thousand euro referred to InvestiRE SGR S.p.A.

Changes in the item Equity investments are shown in detail in the Statement of annual changes in equity investments attached to the financial statements.

## Section 11 – Tangible assets – Item 110

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

| Assets/amounts | Total 31.12.2015 | Total 31.12.2014 |
|---|---|---|
| **1 Owned assets** | **5,134** | **5,310** |
| a) land | 1,308 | 1,308 |
| b) buildings | 2,712 | 2,882 |
| c) furniture | 693 | 723 |
| d) electronic equipment | 421 | 394 |
| e) other | – | 3 |
| **2 Assets acquired under finance lease** | **–** | **–** |
| a) land | – | – |
| b) buildings | – | – |
| c) furniture | – | – |
| d) electronic equipment | – | – |
| e) other | – | – |
| **Total** | **5,134** | **5,310** |

The Bank owns two offices located in Rome - Via Parigi no. 11. In 1974, the property was revalued by 8 thousand euros and further revaluations were made for a total of 1,216 thousand euros in accordance with Italian laws no. 576 of 2 December 1975, no. 72 of 19 March 1983, and no. 413 of 30 December 1991.

Moreover, as a result of the absorption of Finnat Real Estate S.r.l. in 2014, the Bank recorded, with continuity of values, the tangible assets including the free-standing building located in Rome, Corso Trieste, 118. The value of said building was recognised under the item "buildings" for 196 thousand euros (before depreciation) and under "land" for 1,308 thousand euros.

### 11.5 Tangible assets for functional use: annual changes

| | Land | Buildings | Furniture | Electronic equipment | Other | Total |
|---|---|---|---|---|---|---|
| A. Gross opening balance | 1,308 | 5,930 | 2,140 | 4,161 | 41 | 13,580 |
| A.1 Net total impairment | – | 3,048 | 1,417 | 3,767 | 38 | 8,270 |
| A.2 Net opening balance | 1,308 | 2,882 | 723 | 394 | 3 | 5,310 |
| B. Increases: | – | – | 19 | 198 | 41 | 258 |
| B.1 Purchases | | | 19 | 195 | – | 214 |
| B.2 Capitalised improvement expenses | | | | | | – |
| B.3 Write-backs | | | | | | – |
| B.4 Positive changes in fair value allocated to | – | – | – | – | – | – |
| a) net equity | | | | | | – |
| b) income statement | | | | | | – |
| B.5 Positive exchange differences | – | – | – | – | – | – |
| B.6 Transfers from properties held for investment | – | – | – | | – | – |
| B.7 Other changes | – | – | | 3 | 41 | 44 |
| C. Decreases: | – | 170 | 49 | 171 | 44 | 434 |
| C.1 Sales | | – | – | 3 | 41 | 44 |
| C.2 Depreciation | | 170 | 49 | 168 | 3 | 390 |
| C.3 Value adjustments for impairment allocated to | – | – | – | – | – | – |
| a) net equity | | | | | | |
| b) income statement | | | | | | – |
| C.4 Negative changes in fair value allocated to | – | – | – | – | – | – |
| a) net equity | | | | | | – |
| b) income statement | | | | | | – |
| C.5 Negative exchange differences | – | – | – | – | – | – |
| C.6 Transfers to: | – | – | – | – | – | – |
| a) tangible assets held for investment | | | | | | – |
| b) assets being disposed | | | | | | – |
| C.7 Other changes | – | – | | | – | – |
| D. Net closing balances | 1,308 | 2,712 | 693 | 421 | – | 5,134 |
| D.1 Net total impairment | – | 3,218 | 1,466 | 3,932 | – | 8,616 |
| D.2 Gross closing balance | 1,308 | 5,930 | 2,159 | 4,353 | – | 13,750 |
| E. Valuation at cost | | | | | | |

The above tangible assets were reported using the cost model increased by directly chargeable accessory expenses. These have been subjected to systematic depreciation on a straight-line basis, determined according to the useful life of the asset in question and the period of effective use.

The depreciation rates applied, on the basis of the useful life of the assets, are as follows: Property 3%, Furniture and Furnishings (with the exclusion of works of art) 12%, Systems 15%-20%, Office machines and electronic equipment 20%, Vehicles 25%.

## Section 12 – Intangible assets – Item 120

### 12.1 Intangible assets: breakdown by asset

| Assets/Amounts | Total 31.12.2015 | | Total 31.12.2014 | |
|---|---|---|---|---|
| | Definite life | Indefinite life | Definite life | Indefinite life |
| A.1 Goodwill | X | 300 | X | 300 |
| A.2 Other intangible assets | 40 | 48 | 67 | 48 |
| A.2.1 Assets carried at cost: | 40 | 48 | 67 | 48 |
| a) Intangible assets generated internally | – | – | – | – |
| b) Other assets | 40 | 48 | 67 | 48 |
| A.2.2 Assets carried at fair value: | – | – | – | – |
| a) Intangible assets generated internally | – | – | – | – |
| b) Other assets | – | – | – | – |
| **Total** | **40** | **348** | **67** | **348** |

Item A.1 equal to 300 thousand euros regards a part of the goodwill resulting from the merger of Banca Finnat Euramerica S.p.A. into Terme Demaniali di Acqui S.p.A., carried out in 2003. As it regards an intangible asset with indefinite useful life, an impairment test was carried out in accordance with the provisions of IAS 36. This evaluation did not show any loss in value to record in the income statement.

### 12.2 Intangible assets: annual changes

| | Goodwill | Other intangible assets: generated internally | | Other intangible assets: other | | Total |
|---|---|---|---|---|---|---|
| | | DEF | INDEF | DEF | INDEF | |
| **A. Opening balance** | **300** | **–** | **–** | **2,580** | **48** | **2,928** |
| A.1 Net total impairment | – | – | – | 2,513 | – | 2,513 |
| **A.2 Net opening balance** | **300** | **–** | **–** | **67** | **48** | **415** |
| **B. Increases** | **–** | **–** | **–** | **14** | **–** | **14** |
| B.1 Purchases | – | | | 14 | – | 14 |
| B.2 Increases in internal intangible assets | X | | | – | | – |
| B.3 Write-backs | X | | | – | | – |
| B.4 Positive changes in fair value | – | – | – | – | – | – |
| - on net equity | X | | | – | | – |
| - on income statement | X | | | – | | – |
| B.5 Positive exchange rate differences | – | | | – | | – |
| B.6 Other changes | – | | | – | | – |
| **C. Decreases** | **–** | **–** | **–** | **41** | **–** | **41** |
| C.1 Sales | – | | | – | | – |
| C.2 Value adjustments | – | – | – | 41 | – | 41 |
| (-) Amortisation | X | | | 41 | | 41 |
| (-) Write-downs | – | – | – | – | – | – |
| (+) net equity | X | | | – | | – |
| (+) income statement | | | | – | | – |
| C.3 Negative changes in fair value | – | – | – | – | – | – |
| - on net equity | X | | | – | | – |
| - on income statement | X | | | – | | – |
| C.4 Transfers to non-current assets being disposed | – | | | – | | – |
| C.5 Negative exchange differences | – | | | – | | – |
| C.6 Other changes | – | | | – | | – |
| **D. Net closing balances** | **300** | **–** | **–** | **40** | **48** | **388** |
| D.1 Total net value adjustments | – | – | – | 2,554 | – | 2,554 |
| **E. Gross closing balance** | **300** | **–** | **–** | **2,594** | **48** | **2,942** |
| F. Valuation at cost | | | | | | |

Key:
DEF: definite life
INDEF: indefinite life

The above intangible assets with definite life refer to software licenses. The useful life of the above intangible assets has been estimated as three years hence the assets have been subjected to amortisation on a straight-line basis with the application of the rate of 33.33%.

### Section 13 – Tax assets and liabilities – Items 130 (assets) and 80 (liabilities)

Current tax assets total 2,823 thousand euros (1,979 thousand euros at 31 December 2014) and concern tax consolidation credits of 795 thousand euros, Irap credits of 803 thousand euros and tax credits requested for refund of 1,225 thousand euros. This latter amount comprises:

- 1,033 thousand euros (of which 829 thousand euros referred to the Bank and 204 thousand euros referred to the other companies participating in the consolidated tax system) as a result of the request for refund for the recovery of the deduction for Ires purposes, of Irap referred to staff costs, for the years from 2007 to 2011 (Article 2 of Italian Law Decree no. 201/2011 supplemented by Italian Law Decree no. 16/2012);
- 134 thousand euros for taxes paid by the Bank on tax assessment, referred to tax year 2003, for which appeal is pending;
- 56 thousand euros for requests for reimbursement of previous years' IRPEG tax;
- 2 thousand euros for VAT reimbursement request.

Current tax liabilities total 239 thousand euros (394 thousand euros at 31 December 2014) and they consist of:

- 56 thousand euros for VAT for the year 2015;
- 183 thousand euros for assessments for which appeals are pending (of which 178 thousand euros referred to tax year 2003).

#### 13.1 Advance tax assets: breakdown

| | Total 31.12.2015 | Total 31.12.2014 |
|---|---|---|
| **a) Of which per Italian Law 214/2011** | **1,952** | **2,221** |
| Goodwill | 1,336 | 1,731 |
| Write-down of receivables set forth in Article 106 par. 3 of the TUIR | 616 | 490 |
| **b) Other** | **543** | **172** |
| Write-down of securities | 91 | 3 |
| Write-down of receivables | 94 | 94 |
| Staff severance fund – IAS change | 43 | 75 |
| Other | 315 | – |
| **Total** | **2,495** | **2,393** |

Advance tax assets on Goodwill refer to the lower tax burden related to the amortisation that will contribute to the calculation of the taxable income in the forthcoming years (until 2019). Said tax goodwill – originally totalling 21,440 thousand euros – was recorded in 2003, as a result of the merger of Banca Finnat Euramerica S.p.A. and Finnat Corporate S.p.A. with Terme Demaniali di Acqui S.p.A.

### 13.2 Deferred tax liabilities: breakdown

| | Total 31.12.2015 | Total 31.12.2014 |
|---|---|---|
| Revaluation of equity investments | 697 | 656 |
| Revaluation of securities | 3,427 | 3,299 |
| Allocation of merger deficit on securities | 40 | 40 |
| Other | – | 2 |
| **Total** | **4,164** | **3,997** |

Prepaid and deferred taxes have been determined applying the IRES rate and, where applicable, the IRAP rate in force at the date of preparation of these financial statements.

Article 2 of Italian Law Decree 225/2010 (the "*mille proroghe*" or "thousand extensions" decree) subsequently amended by Article 9 of Italian Law Decree 201/2011 (the so-called "Monti" decree) converted by Italian Law no. 214/2011 introduced the possibility of transforming into tax credits the deferred tax assets recorded in the financial statements and related to the value of the goodwill and to the write-down of receivables pursuant to Article 106, paragraph 3, of the TUIR (Consolidated Income Tax Act).

In particular, the transformation into tax receivables can be realised upon the occurrence of some cases identified by the regulation itself and more specifically in case of: a) statutory loss; b) tax loss; c) voluntary liquidation; d) subjecting to bankruptcy proceedings. Advance tax assets calculated pursuant to Italian Law 214/2011, for the recognition in the financial statements, should not be subject to the test in accordance with IAS 12.

### 13.3 Changes in advance taxes (with corresponding item in the income statement)

| | Total 31.12.2015 | Total 31.12.2014 |
|---|---|---|
| **1. Opening balance** | **2,314** | **2,411** |
| **2. Increases** | **441** | **349** |
| 2.1 Advance taxes recognised in the year | 441 | 349 |
| a) relating to previous years | – | – |
| b) due to the change in the accounting policies | – | – |
| c) write-backs | – | – |
| d) other | 441 | 349 |
| 2.2 New taxes or increases in tax rates | – | |
| 2.3 Other increases | – | – |
| **3. Decreases** | **394** | **446** |
| 3.1 Advance taxes cancelled during the year | 394 | 446 |
| a) reallocations | 394 | 446 |
| b) write-downs due to irrevocability | – | – |
| c) change in the accounting policies | – | – |
| d) other | – | – |
| 3.2 Reductions in tax rates | – | – |
| 3.3 Other decreases | – | – |
| a) transformation in tax receivables set forth in Italian Law no. 214/2011 | – | – |
| b) other | – | – |
| **4. Closing balance** | **2,361** | **2,314** |

The figures indicated in table 13.3 comprise the amounts shown in table 13.3.1.

**13.3.1 Changes in advance taxes set forth in Italian Law 214/2011 (with corresponding item in the income statement)**

| | Total 31.12.2015 | Total 31.12.2014 |
|---|---|---|
| **1. Opening balance** | **2,221** | **2,310** |
| **2. Increases** | **125** | **349** |
| **3. Decreases** | **394** | **438** |
| 3.1 Reallocations | 394 | 438 |
| 3.2 Transformation into tax receivables | | |
| a) deriving from losses for the year | | |
| b) deriving from tax losses | | |
| 3.3 Other decreases | | |
| **4. Closing balance** | **1,952** | **2,221** |

The Bank, albeit in the presence of a tax loss, did not recognise the related advance taxes that can be transformed in tax credits in that, joining the domestic consolidated tax system, the loss is fully offset by the taxable income of the Group.

**13.4 Changes in deferred taxes (with corresponding item in the income statement)**

| | Total 31.12.2015 | Total 31.12.2014 |
|---|---|---|
| **1. Opening balance** | **2,140** | **1,634** |
| **2. Increases** | **634** | **679** |
| 2.1 Deferred taxes recorded in the year | 634 | 679 |
| a) relating to previous years | – | – |
| b) due to the change in the accounting policies | – | – |
| c) other | 634 | 679 |
| 2.2 New taxes or increases in tax rates | – | – |
| 2.3 Other increases | – | – |
| **3. Decreases** | **276** | **173** |
| 3.1 Deferred taxes cancelled during the year | 276 | 173 |
| a) reallocations | 276 | 173 |
| b) due to the change in the accounting policies | – | – |
| c) other | – | – |
| 3.2 Reductions in tax rates | – | – |
| 3.3 Other decreases | – | – |
| **4. Closing balance** | **2,498** | **2,140** |

### 13.5 Changes in advance taxes (with corresponding item in the net equity)

| | Total 31.12.2015 | Total 31.12.2014 |
|---|---|---|
| **1. Opening balance** | **79** | **325** |
| **2. Increases** | **87** | **36** |
| 2.1 Advance taxes recognised in the year | 87 | 36 |
| a) relating to previous years | – | – |
| b) due to the change in the accounting policies | – | – |
| c) other | 87 | 36 |
| 2.2 New taxes or increases in tax rates | – | – |
| 2.3 Other increases | – | – |
| **3. Decreases** | **32** | **282** |
| 3.1 Advance taxes cancelled during the year | 32 | 282 |
| a) reallocations | 32 | 282 |
| b) write-downs due to irrevocability | – | – |
| c) due to the change in the accounting policies | – | – |
| d) other | – | – |
| 3.2 Reductions in tax rates | – | – |
| 3.3 Other decreases | – | – |
| **4. Closing balance** | **134** | **79** |

### 13.6 Changes in deferred taxes (with corresponding item in net equity)

| | Total 31.12.2015 | Total 31.12.2014 |
|---|---|---|
| **1. Opening balance** | **1,857** | **2,365** |
| **2. Increases** | **772** | **341** |
| 2.1 Deferred taxes recorded in the year | 772 | 341 |
| a) relating to previous years | – | – |
| b) due to the change in the accounting policies | – | – |
| c) other | 772 | 341 |
| 2.2 New taxes or increases in tax rates | – | – |
| 2.3 Other increases | – | – |
| **3. Decreases** | **963** | **849** |
| 3.1 Deferred taxes cancelled during the year | 963 | 849 |
| a) reallocations | 963 | 849 |
| b) due to the change in the accounting policies | – | – |
| c) other | – | – |
| 3.2 Reductions in tax rates | – | – |
| 3.3 Other decreases | – | – |
| **4. Closing balance** | **1,666** | **1,857** |

For further information on changes to advance and deferred taxes, please see: for those recorded in the income statement, Part C - Section 18 Income taxes for the year and for those recorded in the shareholders' equity Part D – Comprehensive income.

* * *

With regard to tax-related disputes, it should be pointed out that the following appeals are pending before the Supreme Court, without a hearing date yet set for them:

- appeal against unfavourable decision no. 253/07/10 of the Regional Tax Commission of Rome. The dispute pertains to assessment notice no. RCB030302029/2005, whereby the Revenue Agency argued that certain operating costs relating to the year 2002 were non-deductible for IRPEG and IRAP purposes (costs for advisory services and costs pertaining to a lease agreement). The amounts of the higher taxes assessed (55 thousand euro) and related penalties and interests were expensed in the income statement by the Bank in the previous years;
- appeal against partially unfavourable decision no. 150/09/2012 of the Regional Tax Commission of Rome. The dispute pertains to the assessment notice no. RCB030302784/2008, whereby the Revenue Agency argued, in relation to the 2003 tax year, that Article 96-bis of the Consolidated Income Tax Act (taxation of 5% of the value of dividends) did not apply to the dividends distributed by the Luxembourg investee New Millennium Advisory S.A. The 2nd level decision, now being appealed before the Supreme Court, partially allowed the Bank's arguments. In accordance with the 2nd level decision, the amounts of the higher taxes assessed (83 thousand euro) and related penalties and interests were expensed in the income statement by the Bank in the previous years.

### Section 15 – Other assets – Item 150

#### 15.1 Other assets: breakdown

| | Total 31.12.2015 | Total 31.12.2014 |
|---|---|---|
| Receivables for guarantee deposits | 310 | 332 |
| Payables to group companies for tax consolidation | 1,008 | 922 |
| Due from the Group companies | 1 | 1 |
| Deposits with Cassa Compensazione e Garanzia | 6,324 | 3,472 |
| Due from counterparties and brokers | 82 | 1,272 |
| Tax credits for withholding tax | 2,299 | 2,155 |
| Sundry receivables | 5,688 | 4,204 |
| **Total** | **15,712** | **12,358** |

## LIABILITIES

### Section 1 – Due to banks – Item 10

#### 1.1 Due to banks: breakdown by product

| Type of transaction/Amount | Total 31.12.2015 | Total 31.12.2014 |
|---|---|---|
| **1. Due to Central Banks** | **–** | **95,359** |
| **2. Due to banks** | **11,496** | **1,835** |
| 2.1 Current accounts and demand deposits | 11,496 | 1,835 |
| 2.2 Fixed-term deposits | – | – |
| 2.3 Loans | – | – |
| 2.3.1 Reverse repos | – | – |
| 2.3.2 Other | – | – |
| 2.4 Amounts due under repurchase agreements of own equity instruments | – | – |
| 2.5 Other liabilities | – | – |
| **Total** | **11,496** | **97,194** |
| Fair value-level 1 | – | – |
| Fair value-level 2 | – | – |
| Fair value-level 3 | 11,496 | 97,194 |
| **Total Fair value** | **11,496** | **97,194** |

Item 1. Due to central banks, at 31 December 2014, showed the amount of the LTRO transaction launched by the ECB with expiration February 2015.

### Section 2 – Due to customers – Item 20

#### 2.1 Due to customers: breakdown by product

| Type of transactions/Values | Total 31.12.2015 | Total 31.12.2014 |
|---|---|---|
| 1. Current accounts and demand deposits | 365,074 | 304,497 |
| 2. Fixed-term deposits | 60,527 | 40,116 |
| 3. Loans | 627,955 | 600,968 |
| 3.1 Reverse repos | 627,955 | 600,968 |
| 3.2 Other | – | – |
| 4. Amounts due under repurchase agreements of own equity instruments | – | – |
| 5. Other payables | 227 | 153 |
| **Total** | **1,053,783** | **945,734** |
| Fair value-level 1 | – | – |
| Fair value-level 2 | – | – |
| Fair value-level 3 | 1,053,783 | 945,734 |
| **Total Fair value** | **1,053,783** | **945,734** |

Item 3.1 Reverse repos concerns transactions carried out with Cassa di Compensazione e Garanzia.

## Section 3 – Outstanding securities – Item 30

### 3.1 Outstanding securities: breakdown by product

| Type of securities/ Amount | Total 31.12.2015 | | | | Total 31.12.2014 | | | |
|---|---|---|---|---|---|---|---|---|
| | Book value | Fair value | | | Book value | Fair value | | |
| | | Level 1 | Level 2 | Level 3 | | Level 1 | Level 2 | Level 3 |
| **A. Securities** | **26,122** | **–** | **–** | **26,095** | **48,658** | **–** | **–** | **48,504** |
| 1. bonds | 26,122 | – | – | 26,095 | 48,658 | – | – | 48,504 |
| 1.1 structured | – | – | – | – | – | – | – | – |
| 1.2 other | 26,122 | – | – | 26,095 | 48,658 | – | – | 48,504 |
| 2. other securities | – | – | – | – | – | – | – | – |
| 2.1 structured | – | – | – | – | – | – | – | – |
| 2.2 other | – | – | – | – | – | – | – | – |
| **Total** | **26,122** | **–** | **–** | **26,095** | **48,658** | **–** | **–** | **48,504** |

The item represents the bonds issued, including the accrued interest. The amount is shown net of the securities held for trading present in the Bank's portfolio, with a nominal amount of 3,888 thousand euros.

## Section 4 – Financial liabilities held for trading – Item 40

### 4.1 Financial liabilities held for trading: breakdown by product

| Type of transaction/Amount | Total 31.12.2015 | | | | | Total 31.12.2014 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | NV | FV | | | FV* | NV | FV | | | FV* |
| | | L1 | L2 | L3 | | | L1 | L2 | L3 | |
| **A. Cash liabilities** | **–** | **–** | **–** | **–** | **–** | **3** | **3** | **–** | **–** | **3** |
| 1. Due to banks | | | | | | | | | | |
| 2. Due to customers | – | – | – | – | – | 3 | 3 | | | 3 |
| 3. Debt securities | – | – | – | – | | – | – | – | – | |
| 3.1 Bonds | – | – | – | – | | – | – | – | – | |
| 3.1.1 Structured | – | – | – | – | X | – | – | – | – | X |
| 3.1.2 Other bonds | – | – | – | – | X | – | – | – | – | X |
| 3.2 Other securities | – | – | – | – | | – | – | – | – | |
| 3.2.1 Structured | – | – | – | – | X | – | – | – | – | X |
| 3.2.2 Other | – | – | – | – | X | – | – | – | – | X |
| **Total A** | **–** | **–** | **–** | **–** | **–** | **3** | **3** | **–** | **–** | **3** |
| **B. Derivatives** | **–** | **–** | **9,733** | **–** | | | **–** | **2,356** | **–** | |
| 1. Financial derivatives | | – | 9,733 | – | | | – | 2,356 | – | |
| 1.1 Held for trading | X | – | 9,733 | – | X | X | – | 2,356 | – | X |
| 1.2 Related to the fair value option | X | – | – | – | X | X | | | | X |
| 1.3 Other | X | – | – | – | X | X | | | | X |
| 2. Credit derivatives | | – | – | – | | | – | – | – | |
| 2.1 Held for trading | X | – | – | – | X | X | | | | X |
| 2.2 Related to the fair value option | X | – | – | – | X | X | | | | X |
| 2.3 Other | X | – | – | – | X | X | | – | | X |
| **Total B** | **X** | **–** | **9,733** | **–** | **X** | **X** | **–** | **2,356** | **–** | **X** |
| **Total (A + B)** | **X** | **–** | **9,733** | **–** | **X** | **X** | **3** | **2,356** | **–** | **X** |

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

Financial liabilities held for trading B. Derivatives include the negative measurement of currency forwards of 9,467 thousand euros, the measurement of options of 77 euros and the fair value measurement of an Interest Rate Swap Amortising of 189 thousand euros. This derivative is a hedging transaction for managing the interest rate risk associated with the granting of a fixed-rate loan.

### Section 8 – Tax liabilities – Item 80

See Section 13 of the assets.

### Section 10 – Other liabilities – Item 100

#### 10.1 Other liabilities: breakdown

| | Total 31.12.2015 | Total 31.12.2014 |
|---|---|---|
| Social security and insurance contributions to be paid | 924 | 880 |
| Payables to employees and contractors | 1,397 | 1,150 |
| Emoluments to be paid to the Directors | 21 | – |
| Emoluments to be paid to the Board of Statutory Auditors | 139 | 187 |
| Due to suppliers | 660 | 574 |
| Payables to group companies for tax consolidation | 182 | 63 |
| Payables to group companies | – | 2,802 |
| Shareholders for dividends to be paid | 1,052 | 914 |
| Payables to brokers and institutional counterparties | 65 | 6,371 |
| Tax payables for withholding tax | 1,355 | 2,105 |
| Other payables | 1,752 | 2,466 |
| **Total** | **7,547** | **17,512** |

## Section 11 – Staff severance fund – Item 110

### 11.1 Staff severance fund: annual changes

| | Total 31.12.2015 | Total 31.12.2014 |
|---|---|---|
| **A. Opening balance** | **2,521** | **2,466** |
| **B. Increases** | **602** | **802** |
| B.1 Allocation for the year | 602 | 802 |
| B.2 Other changes | – | – |
| **C. Decreases** | **807** | **747** |
| C.1 Severance indemnities paid out | 267 | 189 |
| C.2 Other changes | 540 | 558 |
| **D. Closing balance** | **2,316** | **2,521** |

Item B.1 Allocation for the year, includes the actuarial gain of 117 thousand euros (actuarial loss of 118 thousand euros in 2014) recognised among valuation reserves - net of the tax effect - in accordance with IAS 19.

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

The actuarial assumptions used to calculate the liabilities as at the balance sheet date are set out below:

*Demographic assumption*
As regards the demography data used, life expectancy was assessed using the RG48 demographic table on population activity ratios ("Tavola di permanenza nella posizione di attivo") (processed by the General Accounting Office, by reference to the 1948 generation), "selected, projected and subdivided by gender", supplemented by internal statistics concerning the probability of staff leaving employment.

*Economic-financial assumptions*
Technical evaluations were made on the basis of the following assumptions:
- technical discount rate between 0.39247% and 3.06500%, determined on the basis of the rate curve built on the basis of the effective yield rate of the bonds in Euro of leading companies rated AA or higher;
- annual inflation rate 1.5%.

The staff severance fund at 31 December 2015, calculated in accordance with the provisions of Article no. 2120 of the Italian Civil Code amounted to 2,191 thousand euros.

## Section 12 – Provisions for risks and charges - Item 120

### 12.1 Provisions for risks and charges: breakdown

| | Total 31.12.2015 | Total 31.12.2014 |
|---|---|---|
| 1. Company pension funds | | |
| 2. Other provisions for risks and charges | 1,067 | – |
| 2.1 Legal disputes | – | – |
| 2.2 Staff costs | – | – |
| 2.3 Other | 1,067 | – |
| **Total** | **1,067** | **–** |

### 12.2 Provisions for risks and charges: annual changes

| | Pension funds | Other funds | Total |
|---|---|---|---|
| **A. Opening balance** | **–** | **–** | **–** |
| **B. Increases** | **–** | **1,067** | **1,067** |
| B.1 Allocation for the year | – | 1,067 | 1,067 |
| B2. Changes due to the passing of time | – | – | |
| B.3 Changes due to discount rate variations | – | – | |
| B.4 Other changes | – | – | |
| **C. Decreases** | **–** | **–** | **–** |
| C.1 Use in the year | – | – | – |
| C.2 Changes due to discount rate variations | – | – | |
| C.3 Other changes | – | – | |
| **D. Closing balance** | **–** | **1,067** | **1,067** |

### 12.4 Provisions for risks and charges - other provisions

The amount of 1,067 thousand euros allocated in the year refers to the commitment for the indemnity to be paid to the shareholders of the company resulting from the merger of Beni Stabili Gestioni SGR S.p.A. and Polaris Real Estate SGR S.p.A. in InvestiRE SGR S.p.A. This indemnity, by virtue of the agreement executed at the time of the merger by the Bank - in its capacity as shareholder of the absorbed company Beni Stabili Gestioni SGR S.p.A. - refers to the possible non-collection of commissions of a property Fund calculated for the purposes of determining the swap ratios.

## Section 14 – Net equity – Items 130, 160, 180, 190 and 200

### 14.1 “Share capital” and “Own shares”: Breakdown

At 31 December 2015, the share capital paid up by the Bank was 72,576,000 euros, divided into 362,880,000 ordinary shares with a face value of 0.20 euros each, and the Bank holds 28,320,718 own shares, amounting to 7.8% of the share capital (25,105,632 at 31 December 2014).

In application of IAS 32 and of the provisions contained in the Circular Letter no. 262/2005, the own shares held exclusively at 31 December 2015 were used to adjust the equity for an amount of 13,949 thousand euros, which corresponds to their purchase price.

### 14.2 Share capital - Number of shares: annual changes

| Items/Types | Ordinary | Other |
|---|---|---|
| **A. Number of shares at the beginning of the year** | | |
| – fully paid-up | 362,880,000 | |
| – partly paid-up | – | |
| A.1 Own shares (-) | (25,105,632) | |
| **A.2 Outstanding shares: opening balance** | **337,774,368** | |
| **B. Increases** | **–** | **–** |
| B.1 New issues | | |
| – against payment: | | |
| - business combinations | – | |
| - conversion of bonds | – | |
| - exercise of warrants | – | |
| - other | – | |
| – on a free basis: | | |
| - in favour of staff | – | |
| - in favour of directors | – | |
| - other | – | |
| B.2 Sale of own shares | – | |
| B.3 Other changes | – | |
| **C. Decreases** | **3,215,086** | **–** |
| C.1 Cancellation | – | |
| C.2 Purchase of own shares | 3,215,086 | |
| C.3 Disposal of companies | – | |
| C.4 Other changes | – | |
| **D. Outstanding shares: closing balance** | **334,559,282** | **–** |
| D.1 Own shares (+) | 28,320,718 | |
| D.2 Number of shares at the end of the year | 362,880,000 | |
| – fully paid-up | 362,880,000 | |
| – partly paid-up | | |

### 14.3 Share capital: additional information

During the year, the Bank’s share capital was not subject to change.

### 14.4 Retained earnings: additional information

The "Reserves" item amounts to 92,651 thousand euros (91,946 thousand euros at 31 December 2014) and is broken down as follows:

- retained earnings:
  87,316 thousand euros consisting of the legal reserve of 8,936 thousand euros, extraordinary reserve of 56,282 thousand euros, the dividend adjustment reserve of 6,725 thousand euros, restated Ias 19 retained earnings reserve of 179 thousand euros, the reserve for merger surplus of 525 thousand euros, treasury shares purchased of 13,949 thousand euros and the residual amount of reserve for purchase of treasury shares of 720 thousand euros;
- other reserves:
  5,335 thousand euros consisting of the reserve for the gains on the sale of treasury shares of 4,337 thousand euros and the stock option plan reserve of 998 thousand euros.

### 14.6 Additional information

The table below shows the information required by Article 2427, paragraph 7-bis of the Italian Civil Code.

| Type/description | Amount at 31.12.2015 | Possibility of use | Share available | Summary of utilisation during the last three years: For loss coverage | For other reasons: 2012 | 2013 | 2014 |
|---|---|---|---|---|---|---|---|
| **Share capital** | **72,576** | | **–** | | | | |
| **Reserves:** | **92,651** | | **68,048** | | | | |
| Legal reserve | 8,936 | B | – | | | | |
| Extraordinary reserve | 56,282 | A B C | 56,282 | | | | |
| Dividend adjustment reserve | 6,725 | A B C | 6,725 | | | | |
| Profit brought forward from restated Ias 19 | 179 | A B C | 179 | | | | |
| Gains on the sale of own shares | 4,337 | A B C | 4,337 | | | | |
| Reserve for own shares purchased | 13,949 | | – | | | | |
| Reserve for purchases of own shares | 720 | | – | | | | |
| Reserve for stock option plan | 998 | A | – | | | | |
| Reserve for merger surplus | 525 | A B C | 525 | | | | |
| **Valuation reserves:** | **86,047** | | **1,364** | | | | |
| Special revaluation regulations | 1,364 | A B | 1,364 | | | | |
| Valuation reserve | 84,683 | B | – | | | | |
| **Own shares** | **(13,949)** | | **–** | | | | |
| **TOTAL** | **237,325** | | **69,412** | – | | | |
| Non-distributable share | – | | 1,364 | | | | |
| **Remaining distributable share** | **–** | | **68,048** | | | | |

Key:
A for share capital increase
B for loss coverage
C for distribution to shareholders

## OTHER INFORMATION

### 1. Guarantees given and commitments

| Transactions | Amount 31.12.2015 | Amount 31.12.2014 |
|---|---|---|
| 1) Financial guarantees given | 12,325 | 12,531 |
| a) Banks | 420 | 252 |
| b) Customers | 11,905 | 12,279 |
| 2) Commercial guarantees given | 164 | 506 |
| a) Banks | – | – |
| b) Customers | 164 | 506 |
| 3) Irrevocable commitments to disburse funds | 16,539 | 3,464 |
| a) Banks | 2,897 | 532 |
| i) for certain use | 2,897 | 532 |
| ii) for uncertain use | – | – |
| b) Customers | 13,642 | 2,932 |
| i) for certain use | 460 | 1,583 |
| ii) for uncertain use | 13,182 | 1,349 |
| 4) Commitments underlying credit derivatives: sales for protection | – | – |
| 5) Assets pledged as guarantee of the obligations of third parties | – | – |
| 6) Other commitments | 16,336 | 19,636 |
| **Total** | **45,364** | **36,137** |

Item 1) a) Banks shows the commitment towards the Interbank Fund for the Protection of Deposits, updated recently.

### 2. Assets pledged as guarantee of own liabilities and commitments

| Portfolios | Amount 31.12.2015 | Amount 31.12.2014 |
|---|---|---|
| 1. Financial assets held for trading | – | 4,988 |
| 2. Financial assets carried at fair value | – | – |
| 3. Available-for-sale financial assets | 630,233 | 703,407 |
| 4. Financial assets held to maturity | – | – |
| 5. Due from banks | – | – |
| 6. Due from customers | – | – |
| 7. Tangible assets | – | – |



### 4. Management and brokerage on behalf of third parties

| Type of service | Amount |
|---|---|
| **1. Execution of orders on customers' behalf** | |
| a) purchases | 2,603,849 |
| 1. settled | 2,592,673 |
| 2. unsettled | 11,176 |
| b) sales | 2,568,765 |
| 1. settled | 2,557,450 |
| 2. unsettled | 11,315 |
| **2. Portfolio management** | |
| a) individual | 683,423 |
| b) collective | – |
| **3. Custody and administration of securities** | |
| a) third-parties securities on deposit related to depository services (excluding portfolio management) | – |
| 1. securities issued by the bank preparing the Financial Statements | – |
| 2. other securities | – |
| b) third-party securities on deposit (excluding portfolio management): other | 1,749,788 |
| 1. securities issued by the bank preparing the Financial Statements | 82,343 |
| 2. other securities | 1,667,445 |
| c) third-party securities lodged with third parties | 1,695,262 |
| d) own securities lodged with third parties | 860,018 |
| **4. Other transactions** | – |

## Part C – Information on the Income Statement

### Section 1 – Interest – Items 10 and 20

#### 1.1 Interest income and similar income: breakdown

| Items/Categories | Debt securities | Loans | Other transactions | Total FY 2015 | Total FY 2014 |
|---|---|---|---|---|---|
| 1. Financial assets held for trading | 284 | – | – | 284 | 1,959 |
| 2. Available-for-sale financial assets | 4,390 | – | – | 4,390 | 8,064 |
| 3. Financial assets held to maturity | 49 | – | – | 49 | 68 |
| 4. Due from banks | – | 3 | – | 3 | 602 |
| 5. Due from customers | 18 | 6,350 | – | 6,368 | 6,234 |
| 6. Financial assets carried at fair value | – | – | – | – | – |
| 7. Hedging derivatives | X | X | – | – | – |
| 8. Other assets | X | X | (91) | (91) | 6 |
| **Total** | **4,741** | **6,353** | **(91)** | **11,003** | **16,933** |

#### 1.4 Interest expense and similar expense: breakdown

| Items/Categories | Payables | Securities | Other transactions | Total FY 2015 | Total FY 2014 |
|---|---|---|---|---|---|
| 1. Due to Central Banks | 16 | X | | 16 | 153 |
| 2. Due to banks | 13 | X | – | 13 | 9 |
| 3. Due to customers | 1,402 | X | – | 1,402 | 3,882 |
| 4. Outstanding securities | X | 139 | – | 139 | 325 |
| 5. Financial liabilities held for trading | – | – | – | – | – |
| 6. Financial liabilities carried at fair value | – | – | – | – | – |
| 7. Other liabilities and funds | X | X | – | – | – |
| 8. Hedging derivatives | X | X | – | – | – |
| **Total** | **1,431** | **139** | **–** | **1,570** | **4,369** |

Interest margin totals 9,433 thousand euros, versus 12,564 thousand euros in the previous financial year. The decrease by 3,131 thousand euros is mainly due to the reduction in the yields.

## Section 2 – Commissions – Items 40 and 50

### 2.1 Commission income: breakdown

| Type of services/Amounts | Total FY 2015 | Total FY 2014 |
|---|---|---|
| a) guarantees given | 158 | 120 |
| b) credit derivatives | – | – |
| c) administration, brokerage and consultancy services: | 13,860 | 12,719 |
| 1. trading in financial instruments | 4,758 | 3,821 |
| 2. trading in currencies | – | – |
| 3. portfolio management: | 3,980 | 3,957 |
| 3.1. individual | 3,980 | 3,957 |
| 3.2. collective | – | – |
| 4. custody and administration of securities | 216 | 211 |
| 5. custodian bank | – | – |
| 6. securities placement | 3,724 | 3,419 |
| 7. acceptance of trading orders | – | – |
| 8. consulting | 887 | 1,081 |
| 8.1. investments | 153 | 40 |
| 8.2. financial structure | 734 | 1,041 |
| 9. distribution of third-party services | 295 | 230 |
| 9.1. portfolio management | – | – |
| 9.1.1. individual | – | – |
| 9.1.2. collective | – | – |
| 9.2. insurance policies | 295 | 230 |
| 9.3. other products | – | – |
| d) collection and payment services | 192 | 156 |
| e) servicing of securitisation operations | – | – |
| f) factoring services | – | – |
| g) rate and tax collection office services | – | – |
| h) multilateral trading systems management | – | – |
| i) current account keeping and management | 209 | 188 |
| j) other services | 628 | 476 |
| **Total** | **15,047** | **13,659** |

The item increased by 1,388 thousand euros compared to the previous year. The increase was mainly due to the commissions for “administration, brokerage and consultancy services”.

### 2.2 Commission income: distribution channels of products and services

| Channels/Amounts | Total FY 2015 | Total FY 2014 |
|---|---|---|
| **a) own branches:** | **4,275** | **4,187** |
| 1. portfolio management | 3,980 | 3,957 |
| 2. securities placement | – | – |
| 3. third-party products and services | 295 | 230 |
| **b) other outlets:** | **–** | **–** |
| 1. portfolio management | – | – |
| 2. securities placement | – | – |
| 3. third-party products and services | – | – |
| **c) other distribution channels:** | **3,724** | **3,419** |
| 1. portfolio management | – | – |
| 2. securities placement | 3,724 | 3,419 |
| 3. third-party products and services | – | – |

### 2.3 Commission expense: breakdown

| Services/Amounts | Total FY 2015 | Total FY 2014 |
|---|---|---|
| a) guarantees received | – | – |
| b) credit derivatives | – | – |
| c) management and brokerage services: | 846 | 787 |
| 1. trading in financial instruments | 403 | 363 |
| 2. trading in currencies | – | – |
| 3. portfolio management: | 277 | 289 |
| 3.1 own portfolio | 25 | 37 |
| 3.2 third-party portfolio | 252 | 252 |
| 4. custody and administration of securities | 156 | 131 |
| 5. placement of financial instruments | 10 | 4 |
| 6. sales of financial instruments, products and services through other outlets | – | – |
| d) collection and payment services | 52 | 47 |
| e) other services | 104 | 112 |
| **Total** | **1,002** | **946** |

## Section 3 – Dividends and similar income – Item 70

### 3.1 Dividends and similar income: breakdown

| Items/Income | Total FY 2015 | | Total FY 2014 | |
|---|---|---|---|---|
| | Dividends | Income from UCI units | Dividends | Income from UCI units |
| A. Financial assets held for trading | 24 | – | 10 | – |
| B. Available-for-sale financial assets | 1,425 | 2,002 | 1,921 | 1,855 |
| C. Financial assets carried at fair value | – | – | – | – |
| D. Equity investments | 2,618 | X | 3,375 | X |
| **Total** | **4,067** | **2,002** | **5,306** | **1,855** |

## Section 4 – Net income from trading activities – Item 80

### 4.1 Net income from trading activities: breakdown

| Transactions/Income items | Gains (A) | Profit from trading activities (B) | Losses (C) | Losses from trading activities (D) | Net income [(A+B) - (C+D)] |
|---|---|---|---|---|---|
| **1. Financial assets held for trading** | **204** | **534** | **260** | **427** | **51** |
| 1.1 Debt securities | 69 | 78 | 17 | 141 | (11) |
| 1.2 Equity securities | 15 | 447 | 214 | 246 | 2 |
| 1.3 UCI units | 120 | 9 | 29 | 40 | 60 |
| 1.4 Loans | – | – | – | – | – |
| 1.5 Other | – | – | – | – | – |
| **2. Financial liabilities held for trading** | **–** | **–** | **–** | **–** | **–** |
| 2.1 Debt securities | | | | | – |
| 2.2 Payables | | | | | – |
| 2.3 Other | | | | | – |
| **3. Financial assets and liabilities: exchange differences** | **X** | **X** | **X** | **X** | **(2,485)** |
| **4. Derivatives** | **144** | **1,772** | **10** | **1,295** | **723** |
| 4.1 Financial derivatives: | 144 | 1,772 | 10 | 1,295 | 723 |
| - On debt securities and interest rates | 88 | – | – | 107 | (19) |
| - On equity securities and stock indices | 56 | 1,772 | 10 | 1,188 | 630 |
| - On currencies and gold | X | X | X | X | 112 |
| - Other | – | – | – | – | – |
| 4.2 Credit derivatives | – | – | – | – | – |
| **Total** | **348** | **2,306** | **270** | **1,722** | **(1,711)** |

Net income from trading activities features a negative balance of 1,711 thousand euros, compared to an equally negative balance of 1,701 thousand euros of the previous financial year, and may be broken down as follows:

- A positive balance between realised profits and losses related to trading on securities and derivatives of 584 thousand euros;
- A negative balance between profits and losses on exchange transactions totalling 2,485 thousand euros. The balance includes the loss of 2,933 thousand euros on the forward sale of sterling against euros to hedge against exposure to exchange risks, with respect to the LSEG shares, which does not meet the requirements of IAS 39 on hedging transactions.
- A positive difference of 200 thousand euros between unrealised capital gains and losses in connection with the fair value measurement of currency forwards (+112 thousand euros) and of Interest Rate Swap Amortising (+88 thousand euros);
- Negative difference between unrealised capital gains and losses, in connection with the fair value measurement of the trading portfolio, totalling 10 thousand euros.

## Section 5 - Net income from hedging activities - Item 90

### 5.1 Net income from hedging activities: breakdown

| Income items/Amounts | Total FY 2015 | Total FY 2014 |
|---|---|---|
| **A. Income relating to:** | | |
| A.1Fair value hedging derivatives | 215 | – |
| A.2Hedged financial assets (fair value) | – | – |
| A.3Hedged financial liabilities (fair value) | – | – |
| A.4Financial derivatives hedging cash flows | – | – |
| A.5Assets and liabilities denominated in a foreign currency | – | – |
| **Total income from hedging activities (A)** | **215** | **–** |
| **B. Expense referred to:** | | |
| B.1 Fair value hedging derivatives | – | – |
| B.2 Hedged financial assets (fair value) | 215 | – |
| B.3 Hedged financial liabilities (fair value) | – | – |
| B.4. Financial derivatives hedging cash flows | – | – |
| B.5 Assets and liabilities denominated in a foreign currency | – | – |
| **Total costs of hedging activities (B)** | **215** | **–** |
| **C. Net income from hedging activities (A - B)** | **–** | **–** |

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

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

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

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

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

### 6.1 Profit (Loss) from disposal/repurchase: breakdown

| Items/Income items | Total FY 2015 | | | Total FY 2014 | | |
|---|---|---|---|---|---|---|
| | Profit | Losses | Net income | Profit | Losses | Net income |
| **Financial assets** | | | | | | |
| 1. Due from banks | – | – | – | – | – | – |
| 2. Due from customers | – | – | – | – | – | – |
| 3. Available-for-sale financial assets | 5,587 | – | 5,587 | 4,771 | 19 | 4,752 |
| 3.1 Debt securities | 408 | – | 408 | 1,645 | – | 1,645 |
| 3.2 Equity securities | 5,179 | – | 5,179 | 3,126 | – | 3,126 |
| 3.3 UCI units | – | – | – | – | 19 | (19) |
| 3.4 Loans | – | – | – | – | – | – |
| 4. Financial assets held to maturity | – | – | – | – | – | – |
| **Total assets** | **5,587** | **–** | **5,587** | **4,771** | **19** | **4,752** |
| **Financial liabilities** | | | | | | |
| 1. Due to banks | | | – | | | – |
| 2. Due to customers | | | – | | | – |
| 3. Outstanding securities | | | – | | | – |
| **Total liabilities** | **–** | **–** | **–** | **–** | **–** | **–** |

Item 3.1 Debt securities refers to the capital gains realised from the sale of Government Bonds.

Item 3.2 Equity securities relates to the capital gain of 2,754 thousand euros realised from the sale of 133,600 London Stock Exchange Group plc shares and 2,425 thousand euros from the sale of 415,509 Anima Holding S.p.A. shares.



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

### 8.1 Net value adjustments for impairment of loans: breakdown

| Transactions/ Income items | Value adjustments (1) | | | Write-backs(2) | | | | Total FY 2015 (1) - (2) | Total FY 2014 |
|---|---|---|---|---|---|---|---|---|---|
| | Specific | | Portfolio | Specific | | Portfolio | | | |
| | Derecognition | Other | | A | B | A | B | | |
| A. Due from banks | – | – | – | – | – | – | – | – | – |
| - Loans | – | – | – | – | – | – | – | – | – |
| - Debt securities | – | – | – | – | – | – | – | – | – |
| B. Due from customers | 43 | 1,600 | – | – | 75 | – | 53 | 1,515 | 1,314 |
| Purchased impaired loans | – | – | | – | – | | | – | – |
| - Loans | – | – | X | – | – | X | X | – | – |
| - Debt securities | – | – | X | – | – | X | X | – | – |
| Other receivables | 43 | 1,600 | – | – | 75 | – | 53 | 1,515 | 1,314 |
| - Loans | 43 | 1,600 | – | – | 75 | – | 53 | 1,515 | 1,314 |
| - Debt securities | – | – | – | – | – | – | – | – | – |
| **C. Total** | **43** | **1,600** | **–** | **–** | **75** | **–** | **53** | **1,515** | **1,314** |

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

The "Other" specific impairments refer to non-performing loans of 1,399 thousand euros, to likely defaults of 172 thousand and to past due loans of 29 thousand euros. Specific write-backs refer to likely defaults.

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

| Transactions/ Income items | Value adjustments (1) | | Write-backs (2) | | Total FY 2015 (1) – (2) | Total FY 2014 |
|---|---|---|---|---|---|---|
| | Specific | | Specific | | | |
| | Derecognition | Other | A | B | | |
| A. Debt securities | – | – | – | – | – | – |
| B. Equity securities | – | – | X | X | – | 509 |
| C. UCI units | – | 249 | X | – | 249 | 1,093 |
| D. Loans to banks | – | – | – | – | – | – |
| E. Loans to customers | – | – | – | – | – | – |
| **F. Total** | **–** | **249** | **–** | **–** | **249** | **1,602** |

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

The impairment loss, recognised during the year, on UCI units relates to the Fondo Immobili Pubblici (FIP). As prescribed in the standards for the preparation of the financial statements, said loss was recognised because the fair value of the units was found to be lower than the cost for an uninterrupted period of more than 18 months.

### 8.4 Net value adjustments for impairment of other financial transactions: breakdown

| Transactions/ Income items | Value adjustments (1) | | | Write-backs (2) | | | | Total FY 2015 (1) - (2) | Total FY 2014 |
|---|---|---|---|---|---|---|---|---|---|
| | Specific | | Portfolio | Specific | | Portfolio | | | |
| | Derecognition | Other | | A | B | A | B | | |
| A. Guarantees given | | | | | | | | – | 47 |
| B. Credit derivatives | | | | | | | | | |
| C. Commitments to disburse funds | | | | | | | | | |
| D. Other transactions | – | – | | | – | | | – | – |
| **E. Total** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **47** |

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

## Section 9 – Administrative expenses – Item 150

### 9.1 Staff costs: breakdown

| Type of expenses/Amounts | Total FY 2015 | Total FY 2014 |
|---|---|---|
| 1) Staff | 15,691 | 15,240 |
| a) wages and salaries | 11,485 | 10,958 |
| b) social security charges | 2,955 | 2,868 |
| c) staff severance fund | 589 | 558 |
| d) welfare charges | – | – |
| e) allocation for staff severance fund | 7 | 14 |
| f) allocation to pensions and similar commitments: | – | – |
| - defined contribution | – | – |
| - defined benefit | – | – |
| g) allocation to external supplementary retirement benefit plans: | 132 | 120 |
| - defined contribution | 132 | 120 |
| - defined benefit | – | – |
| h) costs due to payment agreements based on own capital instruments | – | 160 |
| i) other benefits in favour of employees | 523 | 562 |
| 2) Other active staff | 370 | 473 |
| 3) Directors and statutory auditors | 1,004 | 1,204 |
| 4) Inactive staff | | |
| 5) Expenses recovered for employees seconded with other companies | – | – |
| 6) Expense reimbursements for third party employees seconded with the company | – | – |
| **Total** | **17,065** | **16,917** |

Item 1) e) does not include the actuarial gain referred to IAS staff severance fund of 117 thousand euros (actuarial loss of 118 thousand euros in 2014), recognised - net of the tax effect - among Valuation reserves.

### 9.2 Average number of employees by category

| | FY 2015 | FY 2014 |
|---|---|---|
| **Staff** | **165** | **169** |
| (a) senior managers | 23 | 23 |
| (b) executives | 45 | 36 |
| (c) rest of staff | 97 | 110 |
| **Other staff** | **8** | **8** |

### 9.4 Other benefits in favour of employees

Employee benefits amount to 523 thousand euros (versus 562 thousand euros last year) and concern luncheon voucher, collective health care policies, professional training, cars and other benefits.

### 9.5 Other administrative expenses: breakdown

| Type of expense/Amounts | Total FY 2015 | Total FY 2014 |
|---|---|---|
| Rentals and condominium fees | 1,825 | 1,703 |
| Membership fees | 105 | 103 |
| EDP materials | 13 | 3 |
| Stationery and printing supplies | 80 | 51 |
| Consulting and outsourced professional services | 978 | 963 |
| Outsourcing services | 1,796 | 1,551 |
| Auditing company fees | 151 | 156 |
| Maintenance | 173 | 212 |
| Utilities and connections | 1,659 | 1,526 |
| Postal, transport and shipment fees | 55 | 53 |
| Insurance companies | 60 | 58 |
| Advertising, publications and sponsorship | 402 | 137 |
| Office cleaning | 157 | 158 |
| Books, newspapers and magazines | 32 | 29 |
| Entertainment expenses | 289 | 286 |
| Travel expenses and mileage based reimbursements | 121 | 82 |
| Other duties and taxes | 3,723 | 3,611 |
| Security charges | 147 | 129 |
| Contributions to National Resolution Fund and Interbank Fund for the Protection of Deposits | 1,045 | – |
| Other | 307 | 319 |
| **Total** | **13,118** | **11,130** |

The other administrative expenses increased by 1,988 thousand euros compared to the previous financial year. Of this increase, 1,012 thousand euros refer to the payment of the contribution to the National Resolution Fund established by the Bank of Italy with its measure of 18 November 2015.

### Auditing company fees

In accordance with the requirements of art. 149-duodecies of Consob Resolution no. 15915 of 3 May 2007, we list the fees paid for 2015 for the various services provided to Banca Finnat Euramerica S.p.A. by the auditing firm. There were no services provided by entities belonging to its network.

(in thousands of euros)

| | Party who provided the service | Payment due in 2015 |
|---|---|---|
| **Auditing services** | RECONTA ERNST & YOUNG S.p.A. | 105 |
| **Declaration of compliance services** | RECONTA ERNST & YOUNG S.p.A. | 4 |
| **Total** | | **109** |

The audit includes the auditing of financial statements, the consolidated financial statements, the consolidated half-yearly report as well as the accounting auditing.

The declaration of compliance services refer to the controls carried out on the Unico tax return form, Irap, CNM (domestic consolidation) and the ordinary and simplified 770 forms.

Payments do not include VAT, expense repayments and supervisory contribution. The total expense amounts to 151 thousand euros.

## Section 10 - Net allocations to provisions for risks and charges - Item 160

### 10.1 Net allocations to provisions for risks and charges: breakdown

| | Total FY 2015 | Total FY 2014 |
|---|---|---|
| Allocations | 1,067 | – |
| Utilisation | – | – |
| **Total** | **1,067** | **–** |

The allocated amount was commented in Section 12 - "Provisions for risks and charges - Item 120" of the liabilities in the Balance Sheet.

## Section 11 – Net value adjustments/write-backs on tangible assets – Item 170

### 11.1 Net value adjustments on tangible assets: breakdown

| Assets/Income items | Depreciation (a) | Value adjustment for impairment (b) | Write-backs (c) | Net income (a+b-c) |
|---|---|---|---|---|
| A. Tangible assets | 390 | – | – | 390 |
| A.1 Owned assets | 390 | – | – | 390 |
| - Functional use | 390 | | | 390 |
| - For investment | | | | – |
| A.2 Acquired under finance lease | – | – | – | – |
| - Functional use | | | | – |
| - For investment | | | | – |
| **Total** | **390** | **–** | **–** | **390** |

### Section 12 – Net value adjustments/write-backs on intangible assets – Item 180

#### 12.1 Net value adjustments on intangible assets: breakdown

| Assets/Income items | Depreciation (a) | Value adjustment for impairment (b) | Write-backs (c) | Net income (a+b-c) |
|---|---|---|---|---|
| A. Intangible assets | 41 | – | – | 41 |
| A.1 Owned assets | 41 | – | – | 41 |
| - Generated internally by the company | | | | – |
| - Other | 41 | | | 41 |
| A.2 Acquired under finance lease | | | | – |
| **Total** | **41** | **–** | **–** | **41** |

### Section 13 – Other operating income/expenses – Item 190

#### 13.1 Other operating expense: breakdown

| | Total FY 2015 | Total FY 2014 |
|---|---|---|
| Amounts reimbursed to customers | 14 | 25 |
| Amortisation for improvements to third party assets | 139 | 78 |
| Other expense | 68 | 2,593 |
| **Total** | **221** | **2,696** |

#### 13.2 Other operating income: breakdown

| | Total FY 2015 | Total FY 2014 |
|---|---|---|
| Rental income | 171 | 183 |
| Recovery of stamp duty | 3,300 | 3,079 |
| Recovery of substitute tax | 75 | 408 |
| Recovery of other expenses | 408 | 129 |
| Dividend and prescription waiver | 115 | 78 |
| Other income | 173 | 73 |
| **Total** | **4,242** | **3,950** |

Other operating income and expenses show a positive balance of 4,021 thousand euros versus 1,254 thousand euros in 2014. The item comprises the recoveries of costs from customers, amounting to 3,783 thousand euros (3,616 thousand euros in the past year). In 2014, the expenses also included the indemnity recognised by the Bank to the subsidiary Investire Immobiliare SGR S.p.A., amounting to 2,489 thousand euros, in view of the guarantee provided by the shareholders of the absorbing company.

### Section 18 – Income tax for the year on current operations – Item 260

#### 18.1 Income tax for the year on current operations: breakdown

| Income items/Amounts | | Total FY 2015 | Total FY 2014 |
|---|---|---|---|
| 1. | Current taxes (-) | 934 | (330) |
| 2. | Changes in current taxes compared with previous years (+/-) | 2 | (31) |
| 3. | Reduction in current taxes (+) | – | – |
| 3.bis | Reduction in current taxes for tax receivables per Italian Law no. 214/2011 (+) | – | – |
| 4. | Change in advance taxes (+/-) | 47 | (97) |
| 5. | Change in deferred taxes (+/-) | (358) | (506) |
| **6.** | **Income taxes for the year (-) (-1+/-2+3+3bis+/-4+/-5)** | **625** | **(964)** |

Current taxes result from the difference between the Ires income from tax consolidation of 1,282 thousand euros and the Irap tax of 348 thousand euros.
The change in advance and deferred taxes is equal to the difference between those calculated on an accrual basis in the current year and those accounted for in previous periods and cancelled during the year. The amount of the negative change in advance and deferred taxes, equal to 311 thousand euros, refers to Ires for +44 thousand euros and Irap for -355 thousand euros.

#### 18.2 Reconciliation of the theoretical tax charge with the actual tax charge

| | FY 2015 | | |
|---|---|---|---|
| | IRES | IRAP | TOTALE |
| Pre-tax profit (loss) | 3,999 | 3,999 | |
| Applicable tax rate | 27.50 | 5.57 | 33.07 |
| **THEORETICAL TAX CHARGE** | **(1,100)** | **(223)** | **(1,323)** |
| Effect of income that is exempt or taxed with concessional rates | 2,607 | 826 | 3,433 |
| Effect of charges that are fully or partially non-deductible | (138) | (245) | (383) |
| Effect of income/charges that are not included in the IRAP taxable income | | (751) | (751) |
| Change in deferred taxes | (43) | (310) | (353) |
| Changes in current taxes compared with previous years | 2 | | 2 |
| **CURRENT TAX CHARGE** | **1,328** | **(703)** | **625** |

### Section 21 – Earnings per share

#### 21.1 Average number of ordinary shares with diluted capital

The basic and diluted earnings (loss) per share are given below, in accordance with IAS 33.

The basic earnings (loss) per share are calculated by dividing the net income (in euros) of the holders of the Bank's ordinary shares (the numerator) by the weighted average of the ordinary shares outstanding during the period (the denominator).

For the purpose of calculating the basic earnings (loss) per share, the weighted average of the ordinary shares outstanding during the period is calculated based on the ordinary shares outstanding at the beginning of the period, adjusted by the amount of ordinary shares purchased or issued or sold during the period multiplied by the number of days that the shares were outstanding, in proportion to the total days in the period. Outstanding shares do not include own shares.

The diluted earnings (loss) per share is calculated by adjusting the earnings (loss) of ordinary share holders, and likewise the weighted average of the outstanding shares, to take account of any impact by circumstances with diluted effects.

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

| | 31.12.2015 | 31.12.2014 |
|---|---|---|
| Profit (loss) for the year | 4,624,253 | 4,332,709 |
| Weighted average of ordinary shares | 336,337,676 | 338,578,935 |
| Basic earnings (loss) per share | 0.013749 | 0.012797 |

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

| | 31.12.2015 | 31.12.2014 |
|---|---|---|
| Adjusted profit (loss) for the year | 4,624,253 | 4,332,709 |
| Weighted average of ordinary shares for diluted capital | 336,337,676 | 338,578,935 |
| Diluted earnings (loss) per share | 0.013749 | 0.012797 |

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

#### 21.2 Other information

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

## Part D – Comprehensive income

### Analytical statement of comprehensive income

| Items | Gross amount | Income tax | Net amount |
|---|---|---|---|
| **10. Profit (loss) for the year** | **X** | **X** | **4,624** |
| **Other income items without reallocation to income statement** | | | |
| **20.** Tangible assets | | | |
| **30.** Intangible assets | | | |
| **40.** Defined-benefit plans | 117 | (32) | 85 |
| **50.** Non-current assets being disposed | | | |
| **60.** Share of valuation reserves of equity investments valued by equity method | | | |
| **Other income items with reallocation to income statement** | | | |
| **70. Foreign investment hedge:** | | | |
| a) changes in fair value | | | |
| b) reallocation to income statement | | | |
| c) other changes | | | |
| **80. Exchange differences:** | | | |
| a) changes in value | | | |
| b) reallocation to income statement | | | |
| c) other changes | | | |
| **90. Cash flow hedge:** | | | |
| a) changes in fair value | | | |
| b) reallocation to income statement | | | |
| c) other changes | | | |
| **100. Available-for-sale financial assets:** | **8,617** | **279** | **8,896** |
| a) changes in fair value | 14,887 | (632) | 14,255 |
| b) reallocation to income statement | (6,266) | 911 | (5,355) |
| - adjustments from impairment | – | – | – |
| - profits/losses from disposal | (6,266) | 911 | (5,355) |
| c) other changes | (4) | – | (4) |
| **110. Non-current assets being disposed:** | | | |
| a) changes in fair value | | | |
| b) reallocation to income statement | | | |
| c) other changes | | | |
| **120. Share of valuation reserves of equity investments valued by equity method:** | | | |
| a) changes in fair value | | | |
| b) reallocation to income statement | | | |
| - adjustments from impairment | | | |
| - profits/losses from disposal | | | |
| c) other changes | | | |
| **130. Total other income items** | **8,734** | **247** | **8,981** |
| **140. Comprehensive income (Item 10+130)** | **8,734** | **247** | **13,605** |

Item 100. includes the change in the fair value of the equity investments in subsidiaries for a total gross amount of 2,973 thousand euros.

The positive change of 8,896 thousand euros in Item 100 Available for sale financial assets was due, for:

(+) 6,305 thousand euros to the London Stock Exchange Group plc shares as a result of the reversal of the positive reserve related to the 133,600 shares sold during the year (-2,928 thousand euros) and to the allocation of 9,233 thousand euros consequent to the increase in prices at the end of 2015 compared to those at 31 December 2014;

(+) 1,004 thousand euros to the Anima Holding S.p.A. shares as a result of the reversal of the positive reserve related to the 415,509 shares sold during the year (-687 thousand euros) and to the allocation of 1,691 thousand euros consequent to the increase in prices at the end of 2015 compared to those at 31 December 2014;

(-) 633 thousand euros to CSE S.r.l. shares, as a result of the negative change in fair value;

(-) 49 thousand euros, to other shares, almost exclusively as a result of the negative change in fair value;

(+) 101 thousand euros to units of funds as a result of the positive change of fair value;

(-) 805 thousand euros to debt securities, as a result of the reversal of the reserve for profits/losses from disposal (-1,740 thousand euros) and of the positive change in fair value of +935 thousand euros;

(+) 2,973 thousand euros to changes in the fair value of the equity investments in subsidiaries: InvestiRE SGR S.p.A. by +159 thousand euro, Finnat Fiduciaria S.p.A. +2,080 thousand euros and Finnat Gestioni SA +734 thousand euros.

After the aforesaid changes, the valuation reserves at the end of the year are as follows, in thousand euros:

| | | |
|---|---|---|
| **Available-for-sale financial assets** | | |
| London Stock Exchange Group plc shares | 31,510 | euros |
| Anima Holding S.p.A. shares | 2,470 | euros |
| CSE S.r.l. shares | (633) | euros |
| Other shares | (45) | euros |
| UCI units | 551 | euros |
| Debt securities | 949 | euros |
| **Total A)** | **34,802** | **euros** |
| **Equity investments in companies measured at fair value** | | |
| InvestiRE SGR S.p.A. | 45,059 | euros |
| Finnat Fiduciaria S.p.A. | 2,118 | euros |
| Finnat Gestioni S.A. | 2,818 | euros |
| **Total B)** | **49,995** | **euros** |
| **Total (A+B)** | **84,797** | **euros** |

## Part E - Information on risks and related hedging policies

### Foreword

The Bank carries out their activities according to criteria of prudence and reduced exposure to risks, applying the principle of sound and prudent management.

Banca Finnat has defined its Risk Appetite identifying a TIER1 to be held in the medium term; consistently with the maintenance of this level, the bank constantly pursues the following objectives:

- the creation of added value for shareholders;
- an accurate assessment of new initiatives and of the connected risks;
- continuous monitoring in relation to the emergence of new types of risk;
- the development of ever more accurate risk monitoring methodologies;
- the active management of corporate risks by the application of hedging and mitigation techniques;
- growing transparency towards the market about exposure to risks and the conditions of capital adequacy;
- capital balance, even in situations of stress, through the definition of financial leverage targets.

The risk management and monitoring strategy is thus founded on an overall vision of the risks by the management of the Bank and by the company's Bodies and all its functions.

Within Banca Finnat, a fundamental role in risk management and monitoring is played by the Corporate Bodies which, each for the part of its competence, assure continuous monitoring, identify the strategic guidelines and the management and risk policies. The Risk Control organisational unit instead has been assigned, among others, the task of supporting the corporate bodies and monitoring the level of risk assumed.

The widespread acceptance of the risk culture within the Bank is assured by keeping the internal regulations constantly updated, having specialised personnel participate in courses and conferences and disseminating documents and information at various levels.

## Section 1 - Credit risk

### Qualitative information

*1. General aspects*

*2. Credit risk mitigation techniques*

2.1 Organisational aspects

The Bank defined the credit risk as the risk to incur losses due to the unexpected worsening of the creditworthiness of a customer, also following contractual default.

Receivables include:

- receivables due from customers and from banks that required fixed or otherwise determinable payments
- trade receivables
- repurchase agreements.

After their initial recognition, which matches the amount recorded at the time of issue, receivables are measured at their amortised cost, which is equal to the initial recognition value reduced/increased by capital repayments, by any value adjustment/write-back and by the amortisation calculated with the effective interest rate method.

In order to mitigate credit risk and avoid situations that would imply losses and write-downs on the loan portfolio, the Bank carries out credit activities that privilege receivables guaranteed by collateral securities or those guaranteed by liens on securities, asset management and property mortgages. Well-known customers are occasionally granted credit lines based on the creditworthiness of the customer in question.

Moreover, the company structure and organisation – which are characterised by the reduced size and accurate formalisation of credit line/loan disbursement procedures – enable to offer customers primary services, granted with rapid appraisal processes.

The operating strategy adopted by the Bank and outlined above ensured that:

- transactions carried out have low-risk exposures;
- the amount of non-performing loans (net of write-downs) represent less than 2% of the total shown in table “A.1.1 Distribution of financial assets by portfolio and credit quality” in the following pages. The non-performing loans consist mainly of receivables secured by ample first mortgages on property;
- operations generated a positive image and prestige feedback for the Bank, with a positive impact on “traditional” activities.

2.2 Management, measurement and control systems

The valuation of credit risk and creditworthiness of customers is carried out by delegated bodies, which operate by means of proper proxies. The delegated bodies receive all information necessary to evaluate the creditworthiness of the customers, so that they can readily express their opinion on credit line transactions.

The Bank's credit process is illustrated below.

**Evaluation of the creditworthiness of credit line applicants**

Creditworthiness evaluation, which is performed according to a specific procedure, is mainly aimed at verifying that credit line applicants have the ability to repay as well as verifying the compatibility of the individual credit line applications and the company's strategies with regard to the chosen size and composition of the credit portfolio. With the exception of Senior Fin.Re SPV bonds, purchased during the year, with a nominal value of 1,700 thousand euros and issued within the securitisation of an unsecured non-performing loan, the Bank did not acquire impaired loans.

The company functions that are involved in the creditworthiness assessment procedure act as follows:

- they accept the loan application of customers;
- they gather the documents required to examine the asset, financial and economic situation of the loan applicant and any guarantor to start filling in all the credit line forms;
- they analyse the qualitative information concerning the new customers and update the information of former customers whose creditworthiness has already been assessed;
- they verify the reliability of the data included in the document and in the information required;
- they formulate, by reference to the files set up, a creditworthiness score of the loan applicant;
- they examine all the various relationships that the Bank has in place with the same loan applicant, both credit and debit ones, and compare loans granted with guarantees offered and guarantees received with proposed guarantors;
- they prepare a summary of the assessments based on the creditworthiness of the customer and formulate an opinion with regard to the amount of the loan that could be granted, the technical use of the loan by the customer, and specify the guarantees to be received based on both qualitative and quantitative information.

**Credit granting**

Credit granting is performed by the Deliberative Body, taking all the reasons supporting the definition of the amount that could be granted and the guarantees requested into due consideration, based on the risk inherent in the transaction.

Once the loan proposal has been positively resolved upon:

- the guarantees are requested and the loan granting process takes place;
- the credit line/loan is granted;
- the transaction is input in the IT system so that it can be regularly verified: instalments due, review of the interest rate, if contractually provided for, and/or of the associated guarantees.

**Management of anomalous loans**

The management of anomalous loans is carried out through a careful and periodic analysis of expired positions by the company functions and with the supervision of the General Management. In particular, the General Management of the Bank receives, at a predetermined frequency, appropriate reports containing the trend of impaired loans, broken down by customer with or without loans.

“Impaired” loans, net of write-downs, amounted in total to 8,241 thousand euros, of which 4,797 thousand euros were non-performing loans, 2,247 thousand euros were likely defaults and 1,197 thousand euros were past due exposures.

To this end, it should be stressed that impaired loans at the end of 2015 were equal to 3% of the total amount of the item due from customers detailed in table A.1.1 Distribution of financial assets by portfolio and credit quality below.

During the year ended 31 December 2015, valuation activities continued to be carried out on the Bank’s loans portfolio by the internal working group which, in accordance with the principle of proportionality and with limited operational complexity, is assessing the implementation of more refined credit evaluation techniques to supplement those traditionally used by the Bank.

**Carrying out stress tests**

The Bank performs stress tests every six months on credit risk in order to quantify the absorption of capital and to determine the related capital ratios. Stress tests are carried out on the basis of decline rates present in the Bank of Italy’s Public Database, assuming as worst case scenario the one present in the last decade. Despite the presence of the stress scenario above, it is clear how the equity strength of the Bank is not significantly affected.

### 2.3 Credit risk mitigation techniques

Credit risk mitigation is carried out by privileging almost exclusively transactions guaranteed by collateral securities. Credit lines and disbursements are granted, by the corporate bodies, only after a careful analysis of the creditworthiness and the validity and consistency of the guarantees given. Preventive analyses are implemented by controls subsequent to disbursement, which are carried out to monitor the change in the creditworthiness of customers. Having taken into account the structure of the controls carried out by the Bank for loan hedging and the empirical evidence, it should be underlined that the Bank’s credit risk can be rated as “modest”.

### 2.4 Impaired financial assets

The monitoring of receivables to customers carried out by the Risk Control Organisation Unit, which, with the support of automated IT instruments, prepares on an established basis appropriate reports for the Senior Management. Subsequent measurement and classification of impaired loans are carried out by special committees set up within the Bank, which assess each time single credit exposures, the customers’ creditworthiness, guarantees and all other relevant factors that may affect the assessment of credit exposures.

* * *

## Quantitative information

## Credit quality

### A.1 Impaired and non impaired exposures: balances, value adjustments, changes, breakdown by type and geographical area

### A.1.1 Distribution of credit exposures by portfolio and credit quality (book values)

| Portfolio/Quality | Non-performing loans | Likely defaults | Past due exposures impaired | Past due exposures not impaired | Not Impaired exposures | Total |
|---|---|---|---|---|---|---|
| 1. Available-for-sale financial assets | – | – | – | – | 748,788 | 748,788 |
| 2. Financial assets held to maturity | – | – | – | – | 1,959 | 1,959 |
| 3. Due from banks | – | – | – | – | 88,346 | 88,346 |
| 4. Due from customers | 4,797 | 2,247 | 1,197 | 12,349 | 256,697 | 277,287 |
| 5. Financial assets carried at fair value | – | – | – | – | – | – |
| 6. Financial assets being disposed | – | – | – | – | – | – |
| **Total 2015** | **4,797** | **2,247** | **1,197** | **12,349** | **1,095,790** | **1,116,380** |
| **Total 2014** | **4,482** | **2,940** | **169** | **14,849** | **1,147,379** | **1,169,819** |

### A.1.2 Distribution of credit exposures by portfolio and credit quality (gross and net amounts)

| Portfolio/Quality | Impaired assets | | | Non impaired assets | | | Total |
|---|---|---|---|---|---|---|---|
| | Gross exposure | Specific adjustments | Net exposure | Gross exposure | Portfolio adjustments | Net exposure | (Net exposure) |
| 1. Available-for-sale financial assets | – | – | – | 748,788 | – | 748,788 | 748,788 |
| 2. Financial assets held to maturity | – | – | – | 1,959 | – | 1,959 | 1,959 |
| 3. Due from banks | – | – | – | 88,346 | – | 88,346 | 88,346 |
| 4. Due from customers | 13,120 | 4,879 | 8,241 | 270,855 | 1,809 | 269,046 | 277,287 |
| 5. Financial assets carried at fair value | – | – | – | X | X | | – |
| 6. Financial assets being disposed | – | – | – | – | – | – | – |
| **Total 2015** | **13,120** | **4,879** | **8,241** | **1,109,948** | **1,809** | **1,108,139** | **1,116,380** |
| **Total 2014** | **10,945** | **3,354** | **7,591** | **1,064,476** | **1,862** | **1,062,614** | **1,070,205** |

| Portfolio/Quality | Assets with evident poor credit quality | | Other assets |
|---|---|---|---|
| | Cumulated losses | Net exposure | Net exposure |
| 1. Financial assets held for trading | | | 50,403 |
| 2. Hedging derivatives | | | 215 |
| **Total 2015** | | | **50,618** |
| **Total 2014** | | | **99,614** |

Gross impaired assets of 13,120 thousand euros consist of non-performing loans (9,315 thousand euros), likely defaults (2,579 thousand euros) and past due receivables (1.226 thousand euros).
The non impaired assets include renegotiated performing loans granted by the Bank to a customers in financial hardship for a total amount of 954 thousand euros while there are no exposures subject to renegotiation within collective agreements.



### A.1.3 Cash and off-balance sheet loan exposures to banks: gross and net amounts and maturity brackets

| Type of exposures/Amounts | Gross exposure | | | | | Specific value adjustments | Portfolio value adjustments | Net exposure |
|---|---|---|---|---|---|---|---|---|
| | Impaired assets | | | | Non impaired assets | | | |
| | Up to 3 months | From over 3 months to 6 months | From over 6 months to 1 year | More than 1 year | | | | |
| **A. CASH EXPOSURES** | | | | | | | | |
| a) Non-performing loans | | – | – | – | X | – | X | – |
| - of which: forborne exposures | – | – | – | – | X | – | X | – |
| b) Likely defaults | – | – | – | – | X | – | X | – |
| - of which: forborne exposures | – | – | – | – | X | – | X | – |
| c) Past due exposures impaired | – | – | – | – | X | – | X | – |
| - of which: forborne exposures | – | – | – | – | X | – | X | – |
| d) Past due exposures not impaired | X | X | X | X | – | X | – | – |
| - of which: forborne exposures | X | X | X | X | – | X | – | – |
| e) Other non impaired exposures | X | X | X | X | 98,692 | X | – | 98,692 |
| - of which: forborne exposures | X | X | X | X | – | X | – | – |
| **TOTAL A** | **–** | **–** | **–** | **–** | **98,692** | **–** | **–** | **98,692** |
| **B. OFF-BALANCE SHEET EXPOSURES** | | | | | | | | |
| a) Impaired | – | – | – | – | X | – | X | – |
| b) Not impaired | X | X | X | X | 1,246 | X | – | 1,246 |
| **TOTAL B** | **–** | **–** | **–** | **–** | **1,246** | **–** | **–** | **1,246** |
| **TOTAL A + B** | **–** | **–** | **–** | **–** | **99,938** | **–** | **–** | **99,938** |

### A.1.6 Cash and off-balance sheet loan exposures to customers: gross and net amounts and maturity brackets

| Type of exposures/Amounts | Gross exposure | | | | | Specific value adjustments | Portfolio value adjustments | Net exposure |
|---|---|---|---|---|---|---|---|---|
| | Impaired assets | | | | Non impaired assets | | | |
| | Up to 3 months | From over 3 months to 6 months | From over 6 months to 1 year | More than 1 year | | | | |
| **A. CASH EXPOSURES** | | | | | | | | |
| a) Non-performing loans | – | – | – | 9,315 | X | 4,518 | X | 4,797 |
| - of which: forborne exposures | – | – | – | – | X | – | X | – |
| b) Likely defaults | 1,974 | – | 155 | 450 | X | 332 | X | 2,247 |
| - of which: forborne exposures | 1,667 | – | 155 | – | X | 74 | X | 1,748 |
| c) Past due exposures impaired | 14 | 53 | 999 | 160 | X | 29 | X | 1,197 |
| - of which: forborne exposures | – | – | – | – | X | – | X | – |
| d) Past due exposures not impaired | X | X | X | X | 12,444 | X | 95 | 12,349 |
| - of which: forborne exposures | X | X | X | X | – | X | – | – |
| e) Other non impaired exposures | X | X | X | X | 1,039,386 | X | 1,714 | 1,037,672 |
| - of which: forborne exposures | X | X | X | X | 954 | X | 9 | 945 |
| **TOTAL A** | **1,988** | **53** | **1,154** | **9,925** | **1,051,830** | **4,879** | **1,809** | **1,058,262** |
| **B. OFF-BALANCE SHEET EXPOSURES** | | | | | | | | – |
| a) Impaired | – | – | – | – | X | – | X | – |
| b) Not impaired | X | X | X | X | 50,807 | X | – | 50,807 |
| **TOTAL B** | **–** | **–** | **–** | **–** | **50,807** | **–** | **–** | **50,807** |
| **TOTAL A + B** | **1,988** | **53** | **1,154** | **9,925** | **1,102,637** | **4,879** | **1,809** | **1,109,069** |

### A.1.7 Credit cash exposures to customers: changes in gross impaired exposures

| Reason/Category | Non-performing loans | Likely defaults | Past due exposures impaired |
|---|---|---|---|
| **A. Gross opening balance** | **7,123** | **3,652** | **170** |
| - of which: exposures sold and not derecognised | | | |
| **B. Increases** | **2,194** | **1,449** | **1,885** |
| B.1 inflows from performing loans | | 1,236 | 1,170 |
| B.2 transfers from other categories of impaired loans | 2,110 | 146 | 2 |
| B.3 other increases | 84 | 67 | 713 |
| **C. Decreases** | **2** | **2,522** | **829** |
| C.1 outflows to performing loans | | 11 | – |
| C.2 derecognition | | 19 | – |
| C.3 collection | 2 | 381 | 682 |
| C.4 gains from disposals | | | |
| C.5 losses from disposals | – | – | – |
| C.6 transfers to other categories of impaired loans | | 2,111 | 147 |
| C.7 other decreases | – | – | – |
| **D. Gross closing balance** | **9,315** | **2,579** | **1,226** |
| - of which: exposures sold and not derecognised | | | |

### A.1.7 bis Credit cash exposures to customers: changes in gross forborne exposures by credit quality

| Reasons/Quality | Impaired forborne exposures | Forborne exposures: not impaired |
|---|---|---|
| **A. Gross opening balance** | **149** | **1,007** |
| - of which: exposures sold and not derecognised | | |
| **B. Increases** | **1,757** | **28** |
| B.1 inflows from non forborne performing loans | 1,019 | – |
| B.2 inflows from forborne performing loans | 81 | X |
| B.3 inflows from impaired forborne loans | X | – |
| B.4 other increases | 657 | 28 |
| **C. Decreases** | **84** | **81** |
| C.1 outflows to non forborne performing loans | X | – |
| C.2 outflows to forborne performing loans | – | X |
| C.3 outflows to impaired forborne loans | X | 81 |
| C.4 derecognition | – | – |
| C.5 collection | 84 | – |
| C.6 gains from disposals | – | – |
| C.7 losses from disposals | – | – |
| C.6 other decreases | – | – |
| **D. Gross closing balance** | **1,822** | **954** |
| - of which: exposures sold and not derecognised | | |

### A.1.8 Credit cash exposures to customers: changes in overall value adjustments

| Reason/Category | Non-performing loans | | Likely defaults | | Past due exposures impaired | |
|---|---|---|---|---|---|---|
| | Total | Of which: forborne exposures | Total | Of which: forborne exposures | Totali | Of which: forborne exposures |
| **A. Total opening adjustments** | **2,641** | | **712** | **1** | **1** | |
| - of which: exposures sold and not derecognised | | | | | | |
| **B. Increases** | **1,877** | **–** | **172** | **73** | **29** | **–** |
| B.1 value adjustments | 1,399 | | 171 | 68 | 29 | |
| B.2 losses from disposals | | | | | | |
| B.3 transfers from other categories of impaired loans | 478 | | 1 | | | |
| B.4 other increases | | | | 5 | | |
| **C. Decreases** | **–** | **–** | **552** | **–** | **1** | **–** |
| C.1 valuation write-backs | | | 26 | – | | |
| C.2 cash write-backs | | | 48 | | | |
| C.3 profit from disposals | | | | | | |
| C.4 derecognition | | | | | | |
| C.5 transfers to other categories of impaired loans | | | 478 | | 1 | |
| C.6 other decreases | | | | | | |
| **D. Total closing adjustments** | **4,518** | | **332** | **74** | **29** | |
| - of which: exposures sold and not derecognised | | | | | | |

### A.2 Classification of exposures based on external and internal ratings

#### A.2.1 Distribution of on- and off-balance sheet exposures by external rating class

Considering the Bank's customer base, there are no ordinary customers that are assessed through "external ratings" with significant credit lines. Conversely, the majority of the exposures towards banks is assessed through "external ratings".

#### A.2.2 Distribution of on- and off-balance sheet exposures by internal rating class

The table in question is not filled out as, to date, also having regard to the specific type of credit lines granted, the Bank does not use credit risk measurement models in a complete and systematic manner, according to which a rating is given to counterparties.

## A.3. Distribution of guaranteed exposures by type of guarantee

### A.3.2 Exposures to guaranteed customers

| | Value of net exposures | Collateral (1) | | | |
|---|---|---|---|---|---|
| | | Real estate - mortgages | Real estate - finance lease | Securities | Other collateral |
| 1. Guaranteed credit cash exposures: | 225,771 | 119,867 | – | 39,508 | 56,549 |
| 1.1 fully guaranteed | 211,260 | 119,867 | – | 34,570 | 54,987 |
| - of which impaired | 7,898 | 7,898 | – | – | – |
| 1.2 partly guaranteed | 14,511 | – | – | 4,938 | 1,562 |
| - of which impaired | 13 | – | – | 12 | – |
| 2. Guaranteed "off balance sheet" credit exposures: | 8,437 | 2,095 | – | 2,081 | 3,578 |
| 2.1 fully guaranteed | 6,387 | 2,095 | – | 1,057 | 3,178 |
| - of which impaired | – | – | – | – | – |
| 2.2 partly guaranteed | 2,050 | – | – | 1,024 | 400 |
| - of which impaired | – | – | – | – | – |

| Personal guarantees (2) | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Credit derivatives | | | | | Unsecured loans | | | | |
| | Other derivatives | | | | | | | | |
| CLN | Governments and Central Banks | Other public authorities | Banks | Other entities | Governments and Central Banks | Other public authorities | Banks | Other entities | Total (1)+(2) |
| – | – | – | – | – | – | – | – | 4,390 | 220,314 |
| – | – | – | – | – | – | – | – | 2,240 | 211,664 |
| – | – | – | – | – | – | – | – | – | 7,898 |
| – | – | – | – | – | – | – | – | 2,150 | 8,650 |
| – | – | – | – | – | – | – | – | – | 12 |
| – | – | – | – | – | – | – | – | 683 | 8,437 |
| – | – | – | – | – | – | – | – | 58 | 6,388 |
| – | – | – | – | – | – | – | – | – | – |
| – | – | – | – | – | – | – | – | 625 | 2,049 |
| – | – | – | – | – | – | – | – | – | – |

## B. Distribution and concentration of credit exposures

### B.1 Segment distribution of cash and "off-balance sheet" credit exposures to customers (book value)

| Exposures/Counterparties | Governments | | | Other public authorities | | |
|---|---|---|---|---|---|---|
| | Net exposure | Specific value adjustments | Portfolio value adjustments | Net exposure | Specific value adjustments | Portfolio value adjustments |
| **A. Cash exposures** | | | | | | |
| A.1 Non-performing loans | – | – | X | – | – | X |
| -of which: forborne exposures | – | – | X | – | – | X |
| A.2 Likely defaults | – | – | X | – | – | X |
| -of which: forborne exposures | – | – | X | – | – | X |
| A.3 Past due exposures impaired | – | – | X | – | – | X |
| -of which: forborne exposures | – | – | X | – | – | X |
| A.4 Non impaired exposures | 779,453 | X | – | – | X | – |
| -of which: forborne exposures | – | X | – | – | X | – |
| **TOTAL A** | **779,453** | **–** | **–** | **–** | **–** | **–** |
| **B. Off-balance sheet exposures** | | | | | | |
| B.1 Non-performing loans | – | – | X | – | – | X |
| B.2 Likely defaults | – | – | X | – | – | X |
| B.3 Other impaired assets | – | – | X | – | – | X |
| B.4 Non impaired exposures | – | X | – | – | X | – |
| **TOTAL B** | **–** | **–** | **–** | **–** | **–** | **–** |
| **TOTAL (A+B) 31.12.2015** | **779,453** | **–** | **–** | **–** | **–** | **–** |
| **TOTAL (A+B) 31.12.2014** | **89,105** | **–** | **94** | **8** | **–** | **–** |

| | Financial companies | | | Insurance company | | | Non-financial companies | | | Other entities | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Net exposure | Specific value adjustments | Portfolio value adjustments | Net exposure | Specific value adjustments | Portfolio value adjustments | Net exposure | Specific value adjustments | Portfolio value adjustments | Net exposure | Specific value adjustments | Portfolio value adjustments |
| | | | | | | | | | | | | |
| | – | – | X | – | – | X | 3,715 | 4,186 | X | 1,082 | 332 | X |
| | – | – | X | – | – | X | – | – | X | – | – | X |
| | – | – | X | – | – | X | 67 | 237 | X | 2,180 | 95 | X |
| | – | – | X | – | – | X | – | 30 | X | 1,748 | 44 | X |
| | 149 | 1 | X | – | – | X | 776 | 7 | X | 272 | 22 | X |
| | – | – | X | – | – | X | – | – | X | – | – | X |
| | 59,109 | X | 248 | – | X | – | 138,537 | X | 1,351 | 72,922 | X | 210 |
| | – | X | – | – | X | – | 945 | X | 9 | – | X | – |
| | **59,258** | **1** | **248** | **–** | **–** | **–** | **143,095** | **4,430** | **1,351** | **76,456** | **449** | **210** |
| | | | | | | | | | | | | |
| | – | – | X | – | – | X | – | – | X | – | – | X |
| | – | – | X | – | – | X | – | – | X | – | – | X |
| | – | – | X | – | – | X | – | – | X | – | – | X |
| | 29,345 | X | – | – | X | – | 16,796 | X | – | 4,666 | X | – |
| | **29,345** | **–** | **–** | **–** | **–** | **–** | **16,796** | **–** | **–** | **4,666** | **–** | **–** |
| | **88,603** | **1** | **248** | **–** | **–** | **–** | **159,891** | **4,430** | **1,351** | **81,122** | **449** | **210** |
| | **51,834** | **183** | **(163)** | **–** | **–** | **–** | **882,754** | **3,171** | **1,641** | **90,827** | **–** | **150** |

### B.2 Geographical distribution of cash and "off-balance sheet" credit exposures to customers (book value)

| Exposures/Geographic area | ITALY | | OTHER EUROPEAN COUNTRIES | | AMERICA | | ASIA | | REST OF THE WORLD | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Net exposure | Total value adjustments | Net exposure | Total value adjustments | Net exposure | Total value adjustments | Net exposure | Total value adjustments | Net exposure | Total value adjustments |
| **A. Cash exposures** | | | | | | | | | | |
| A.1 Non-performing loans | 4,797 | 4,518 | – | – | – | – | – | – | – | – |
| A.2 Likely defaults | 2,232 | 331 | – | – | 15 | 1 | – | – | – | – |
| A.3 Past due exposures impaired | 1,167 | 29 | 30 | – | – | – | – | – | – | – |
| A.4 Non impaired exposures | 1,038,766 | 1,761 | 11,255 | 48 | – | – | – | – | – | – |
| **TOTAL A** | **1,046,962** | **6,639** | **11,285** | **48** | **15** | **1** | **–** | **–** | **–** | **–** |
| **B. Off-balance sheet exposures** | | | | | | | | | | |
| B.1 Non-performing loans | – | – | – | – | – | – | – | – | – | – |
| B.2 Likely defaults | – | – | – | – | – | – | – | – | – | – |
| B.3 Other impaired assets | – | – | – | – | – | – | – | – | – | – |
| B.4 Non impaired exposures | 50,331 | – | 476 | – | – | – | – | – | – | – |
| **TOTAL B** | **50,331** | **–** | **476** | **–** | **–** | **–** | **–** | **–** | **–** | **–** |
| **TOTAL (A+B) 2015** | **1,097,293** | **6,639** | **11,761** | **48** | **15** | **1** | **–** | **–** | **–** | **–** |
| **TOTAL (A+B) 2014** | **1,102,746** | **5,145** | **11,782** | | | | | | | |

### B.3 Geographical distribution of cash and "off-balance sheet" loan exposures to banks (book value)

| Exposures/Geographic area | ITALY | | OTHER EUROPEAN COUNTRIES | | AMERICA | | ASIA | | REST OF THE WORLD | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Net exposure | Total value adjustments | Net exposure | Total value adjustments | Net exposure | Total value adjustments | Net exposure | Total value adjustments | Net exposure | Total value adjustments |
| **A. Cash exposures** | | | | | | | | | | |
| A.1 Non-performing loans | – | – | – | – | – | – | – | – | – | – |
| A.2 Likely defaults | – | – | – | – | – | – | – | – | – | – |
| A.3 Past due exposures impaired | – | – | – | – | – | – | – | – | – | – |
| A.4 Non impaired exposures | 86,247 | – | 10,441 | – | 2,004 | – | – | – | – | – |
| **TOTAL A** | **86,247** | **–** | **10,441** | **–** | **2,004** | **–** | **–** | **–** | **–** | **–** |
| **B. Off-balance sheet exposures** | **–** | | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** |
| B.1 Non-performing loans | – | – | – | – | – | – | – | – | – | – |
| B.2 Likely defaults | – | – | – | – | – | – | – | – | – | – |
| B.3 Other impaired assets | – | – | – | – | – | – | – | – | – | – |
| B.4 Non impaired exposures | 1,118 | – | 128 | – | – | – | – | – | – | – |
| **TOTAL B** | **1,118** | **–** | **128** | **–** | **–** | **–** | **–** | **–** | **–** | **–** |
| **TOTAL (A+B) 2015** | **87,365** | **–** | **10,569** | **–** | **2,004** | **–** | **–** | **–** | **–** | **–** |
| **TOTAL (A+B) 2014** | **86,444** | **26** | **5,840** | | | | | | | |

**B.4 Major exposures**

a) Amount (book value) 1,813,016 thousand euros

b) Amount (weighted value) 80,424 thousand euros

c) Number 12

The provisions contained in Regulation (EU) no. 575/2013 establish that a major exposure is the exposure of an entity towards a customer or a group of connected customers whose value is equal to or greater than 10% of the entity's admissible capital.

The same provisions that the amount of the exposure of an entity towards an individual customer or a group of connected customers may not exceed 25% of the entity's admissible capital. Obviously, the amount of 25% takes into account credit risk attenuation techniques, the type of guarantee acquired and the debtor counterparty.

The corporate control functions, at a predetermined frequency, audit the total exposure of the customers or groups of connected customers that fall under the category of major exposures and provide adequate information to the Corporate Bodies.

**C. Securitisation**

The Bank has not carried out any securitisation transaction. At the reporting date, no such transactions, issued by the Bank, were in place.

**E. Disposal of companies**

**A. Financial assets sold and not derecognised in full**

**Qualitative information**

Financial assets sold and not derecognised in full refer Government Bonds used in repos carried out exclusively with Cassa di Compensazione e Garanzia.

## Quantitative information

### E.1 Financial assets sold and not derecognised: book value and full value

| Categories/Portfolio | Financial assets held for trading | | | Financial assets carried at fair value | | | Available-for-sale financial assets | | |
|---|---|---|---|---|---|---|---|---|---|
| | A | B | C | A | B | C | A | B | C |
| **A. Cash assets** | – | – | – | – | – | – | **630,233** | – | – |
| 1. Debt securities | – | | | | | | 630,233 | | |
| 2. Equity securities | – | | | | | | – | | |
| 3. UCI | – | | | | | | – | | |
| 4. Loans | – | | | | | | – | | |
| **B. Derivatives** | | | | X | X | X | X | X | X |
| **Total 31.12.2015** | – | – | – | – | – | – | **630,233** | – | – |
| of which impaired | | | | | | | | | |
| **Total 31.12.2014** | – | | | | | | **602,540** | | |
| of which impaired | | | | | | | | | |

Key:
A = financial assets sold recognised in full (book value)
B = financial assets sold recognised in part (book value)
C = financial assets sold recognised in part (full value)

| | Financial assets held to maturity | | | Due from banks | | | Due from customers | | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | A | B | C | A | B | C | A | B | C | 31.12.2015 | 31.12.2014 |
| | | | | | | | | | | **630,233** | **386,706** |
| | | | | | | | | | | 630,233 | 386,706 |
| | X | X | X | X | X | X | X | X | X | | |
| | X | X | X | X | X | X | X | X | X | | |
| | | | | | | | | | | | |
| | **X** | **X** | **X** | **X** | **X** | **X** | **X** | **X** | **X** | | |
| | – | – | – | – | – | – | – | – | – | 630,233 | X |
| | | | | | | | | | | | X |
| | | | | | | | | | | X | 602,540 |
| | | | | | | | | | | X | |

### E.2 Financial liabilities for assets sold and not derecognised: book value

| Liabilities/ Asset portfolio | Financial assets held for trading | Financial assets carried at fair value | Available-for-sale financial assets | Financial assets held to maturity | Due from banks | Due from customers | Total |
|---|---|---|---|---|---|---|---|
| **1. Due to customers** | **–** | **–** | **627,955** | | | | **627,955** |
| a) relating to fully recognised assets | – | – | 627,955 | – | – | – | 627,955 |
| b) relating to partially recognised assets | – | – | – | – | – | – | – |
| **2. Due to banks** | | | | | | | |
| a) relating to fully recognised assets | – | – | – | – | – | – | – |
| b) relating to partially recognised assets | – | – | – | – | – | – | – |
| **Total 31.12.2015** | **–** | **–** | **627,955** | **–** | **–** | **–** | **627,955** |
| **Total 31.12.2014** | **–** | | **600,968** | | | | **600,968** |

### F. Credit risk measurement models

In order to assess the Credit Risk, the Bank uses a standardised method for the quantification of (current and perspective) internal capital in compliance with the guidelines set out in the budgeting and multi-year planning process.

In compliance with the supervisory provisions, the method adopted by the Bank to quantify internal capital enables to use collateral (pledge and mortgage) and personal guarantees as a form of credit risk mitigation. The bank prefers the acquisition of collateral characterised by high liquidity (listed financial instruments) and low price volatility (Sovereign debt Securities).

With a view to verifying the suitability of the internal capital, also in the event of adverse outlooks linked to the negative trend of loans, the Bank carries out stress testing during ICAAP reporting on the credit risk. To carry out these tests, reference is made to the statistics given in the public information of the Bank of Italy, in view of the limited historical series in the Bank's possession, which has only made investments in this area for the last few years.

### Section 2 - Market risk

### 2.1 Interest rate risk and price risk – Regulatory trading portfolio

### Qualitative information

### A. General aspects

The Bank defined the market risk as the risk of an unfavourable change in the value of a position in financial instruments – included in the trading portfolio for regulatory purposes – due to the adverse performance of interest, exchange and inflation rates, volatility, share prices, credit spreads, price of goods (generic risk) and creditworthiness of the issuer (specific risk).

### B. Management processes and measurement methods for the interest rate risk and the price risk

Interest rate risk

The "trading portfolio" – as defined in the supervisory regulations – includes all financial instruments subject to capital requirements for market risks.

The trading portfolio includes:

- debt securities;
- shares;
- UCI units;
- derivatives held for trading.

Most of the debt securities in the portfolio at 31 December 2015 consist of government bonds whose overall duration is short. Share investments mainly refer to securities listed on the Italian Stock Exchange, with high liquidity. The portfolio instruments are denominated in euro.

The Managing Director and the General Management of the Bank provide strategic guidelines on market risk acceptance with regard to the purchase and dealing in trading securities.

With regard to the interest rate risk, the Bank monitors the changes in market rates and prepares a proper report that is sent to the Management.

Price risk

Price risk is the risk of capital losses on listed financial assets or assets that are similar to listed instruments due to fluctuations in the price of securities or to factors attributable to the peculiar situation of the issuer. The Bank adopted special internal regulations that govern and limit the risk assumption with regard to some types of financial instruments and allow the continuous monitoring of the main risk indicators (VAR – Expected Shortfall – Volatility etc.)

In addition, limits were identified and prescribed in stress conditions, considering simultaneous shocks on the credit risk - spread increases and stock price contraction.

The method adopted to calculate VaR is historical; the bank uses a holding period of 2 years, a confidence interval of 99% and a daily time horizon for the quantification of the expected risk.

The trading portfolio is mainly represented by Government debt securities. As a result, price risk is associated with the specific situation of the issuer.
With regard to the share capital securities portfolio, it should be underlined that it almost exclusively includes listed shares with a high degree of liquidity.



Lastly, with reference to market risk management, it should be specified that transactions with similar characteristics in terms complexity, type of issuer or risk are screened by the Managing Director and by the General Management, which performs a specific evaluation also with regard to the risk profiles associated with them.

**Quantitative information**

**1. Regulatory trading portfolio: distribution of financial assets and liabilities for cash and financial derivatives by residual duration (repricing date)**

Currency: Euro

| Type/Residual duration | On demand | Up to 3 months | From over 3 months to 6 months | From over 6 months to 1 year | From over 1 year to 5 years | From over 5 years to 10 years | More than 10 years | Undated |
|---|---|---|---|---|---|---|---|---|
| **1. Cash assets** | **–** | **22,430** | **8,038** | **93** | **10,005** | **2** | **1** | **–** |
| 1.1 Debt securities | – | 22,430 | 8,038 | 93 | 10,005 | 2 | 1 | – |
| - with the option of early redemption | – | 1,427 | – | – | – | – | – | – |
| - other | – | 21,003 | 8,038 | 93 | 10,005 | 2 | 1 | – |
| 1.2 Other assets | – | – | – | – | – | – | – | – |
| **2. Cash liabilities** | | | | | | | | |
| 2.1 Reverse repos | – | – | – | – | – | – | – | – |
| 2.2 Other liabilities | – | – | – | – | – | – | – | – |
| **3. Financial derivatives** | **–** | **578,721** | **9,222** | **416** | **2,302** | **840** | **–** | **–** |
| 3.1 With underlying security | – | 6,652 | 5,754 | – | 60 | 840 | – | – |
| - Options | – | – | – | – | – | – | – | – |
| + Long positions | – | – | – | – | – | – | – | – |
| + Short positions | – | – | – | – | – | – | – | – |
| - Other derivatives | – | 6,652 | 5,754 | – | 60 | 840 | – | – |
| + Long positions | – | 3,326 | 2,877 | – | 30 | 420 | – | – |
| + Short positions | – | 3,326 | 2,877 | – | 30 | 420 | – | – |
| 3.2 Without underlying security | – | 572,069 | 3,468 | 416 | 2,242 | – | – | – |
| - Options | – | – | – | – | – | – | – | – |
| + Long positions | – | – | – | – | – | – | – | – |
| + Short positions | – | – | – | – | – | – | – | – |
| - Other derivatives | – | 572,069 | 3,468 | 416 | 2,242 | – | – | – |
| + Long positions | – | 292,875 | 3,063 | – | – | – | – | – |
| + Short positions | – | 279,194 | 405 | 416 | 2,242 | – | – | – |



**1. Regulatory trading portfolio: distribution of financial assets and liabilities for cash and financial derivatives by residual duration (repricing date)**

Currency: Other currencies

| Type/Residual duration | On demand | Up to 3 months | From over 3 months to 6 months | From over 6 months to 1 year | From over 1 year to 5 years | From over 5 years to 10 years | More than 10 years | Undated |
|---|---|---|---|---|---|---|---|---|
| **1. Cash assets** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** |
| 1.1 Debt securities | – | – | – | – | – | – | – | – |
| - with the option of early redemption | – | – | – | – | – | – | – | – |
| - other | – | – | – | – | – | – | – | – |
| 1.2 Other assets | – | – | – | – | – | – | – | – |
| **2. Cash liabilities** | | | | | | | | |
| 2.1 Reverse repos | – | – | – | – | – | – | – | – |
| 2.2 Other liabilities | – | – | – | – | – | – | – | – |
| **3. Financial derivatives** | **–** | **572,161** | **–** | **–** | **–** | **–** | **–** | **–** |
| 3.1 With underlying security | – | – | – | – | – | – | – | – |
| - Options | – | – | – | – | – | – | – | – |
| + Long positions | – | – | – | – | – | – | – | – |
| + Short positions | – | – | – | – | – | – | – | – |
| - Other derivatives | – | – | – | – | – | – | – | – |
| + Long positions | – | – | – | – | – | – | – | – |
| + Short positions | – | – | – | – | – | – | – | – |
| 3.2 Without underlying security | – | 572,161 | – | – | – | – | – | – |
| - Options | – | – | | | | | | |
| + Long positions | – | – | – | – | – | – | – | – |
| + Short positions | – | – | – | – | – | – | – | – |
| - Other derivatives | – | 572,161 | – | – | – | – | – | – |
| + Long positions | – | 279,240 | – | – | – | – | – | – |
| + Short positions | – | 292,921 | – | – | – | – | – | – |

**2. Regulatory trading portfolio: distribution of exposures in equity securities and stock indices in the main countries of the market.**

| Transaction type/Listing index | Listed | | | | | | Unlisted |
|---|---|---|---|---|---|---|---|
| | Italy | United States of America | United Kingdom | Japan | Germany | Other | |
| **A. Equity securities** | | | | | | | |
| - Long positions | 1,553 | – | – | – | – | 103 | 20 |
| - Short positions | – | – | – | – | – | – | – |
| **B. Sales not yet settled on equity securities** | | | | | | | |
| - Long positions | 21 | – | – | – | – | – | – |
| - Short positions | 38 | – | – | – | – | 1 | – |
| **C. Other derivatives on equity securities** | | | | | | | |
| - Long positions | – | – | – | – | – | – | 2 |
| - Short positions | – | – | – | – | – | – | – |
| **D. Derivatives on stock indices** | | | | | | | |
| - Long positions | – | – | – | – | – | – | 1 |
| - Short positions | – | – | – | – | – | – | 1 |

## 2.2 Interest rate risk and price risk – Banking portfolio

### Qualitative information

### A. General aspects, management processes and measurement methods for interest rate risk and price risk

Interest rate risk

The interest rate risk for the banking book is defined as the current and prospective risk of profit/capital volatility due to unfavourable fluctuations in interest rates. From the definition of the interest rate risk, it is readily apparent that said risk is generated by the imbalances deriving from core business activities as a consequence of the difference in maturity and in the periods of redefinition of the interest rate conditions of assets and liabilities. The Bank's policy for managing the interest rate risk on the banking book is directed at stabilising the interest margin on the banking book.

The internal structures of the Bank monitor on a regular basis and provide adequate reporting of the interest rate risk on the banking book to the Senior Management and to the Board of Directors of the Bank. Stress tests are also carried out on a regular basis on the interest rate risk of the Repricing Gap and Duration Gap banking book. The operating limits to risk assumption were defined by the Board of Directors of the Bank and are reviewed by it on a regular basis.

The banking book comprises financial instruments (assets and liabilities) that are not in the trading portfolio. It is mainly made up of due to/from banks and customers.

As regards the banking book, attention is drawn to the following aspects concerning interest rate risk:

- due from banks and due from customers include:
  - loans to banks, totalling 88 million euros, of which 84 million euros in deposits to banks, mainly with variable rate and 4 million euros in compulsory variable rate reserve;
  - loans to customers, totalling 277 million euros, mainly consisting of current account credit lines of 96 million euros and loans to customers of 154 million euros, mostly with variable rate. On a fixed rate loan amounting to 7.5 million euros in 2009, a management hedge had concurrently been carried out by means of an Interest Rate swap.

- available-for-sale securities include only (in addition to equity securities and UCI units not exposed to interest rate risk) bonds including Government Bonds totalling a nominal value of 740 million euros (355 million euros with maturity within 2016);

- securities held to maturity (which were reclassified in 2008 from the HFT category) only include variable-rate bonds listed in regulated markets, for a total face value of 2 million euros;

- due to banks and due to customers include:
  - loans and deposits to banks, totalling 11 million euros;

- loans, fixed-term deposits and current accounts with customers, totalling 1,054 million euros, comprising: 60 million euros in fixed-rate loans (of which 45 million euros with maturity in 2016, 6 million euros in 2017 and 9 million euros in 2018); 366 million euros in current accounts at floating rate or at revisable fixed rate; 628 million euros in repos on securities listed in regulated markets;



- among outstanding securities totalling 26 million euros are variable-rate debenture loans (Euribor plus 30 b.p.) with maturity in April 2016 and November 2017.

Given the above, it may be concluded that the interest rate risk is low.

Price risk

Price risk is the risk of capital losses on listed financial assets or assets that are similar to listed instruments due to fluctuations in the price of securities or to factors attributable to the peculiar situation of the issuer.

The Bank adopted special internal regulations that govern and limit the risk assumption with regard to some types of financial instruments and allow the continuous monitoring of the main risk indicators (VAR – Expected Shortfall – Volatility etc.).

## Quantitative information

### 1. Banking portfolio: distribution of financial assets and liabilities by residual duration (repricing date)

Currency: Euro

| Type/Residual duration | On demand | Up to 3 months | From over 3 months to 6 months | From over 6 months to 1 year | From over 1 year to 5 years | From over 5 years to 10 years | More than 10 years | Undated |
|---|---|---|---|---|---|---|---|---|
| **1. Cash assets** | **335,557** | **62,655** | **220,783** | **104,749** | **371,289** | **432** | **150** | |
| 1.1 Debt securities | – | 58,742 | 220,244 | 104,163 | 368,161 | – | – | – |
| - with the option of early redemption | | 2,522 | – | – | 3,040 | | | |
| - other | | 56,220 | 220,244 | 104,163 | 365,121 | | | |
| 1.2 Loans to banks | 64,387 | 3,877 | | | | | | |
| 1.3 Loans to customers | 271,170 | 36 | 539 | 586 | 3,128 | 432 | 150 | – |
| - current accounts | 95,180 | | | | | 2 | | |
| - other loans | 175,990 | 36 | 539 | 586 | 3,128 | 430 | 150 | – |
| - with the option of early redemption | 148,861 | 36 | 539 | 586 | 3,128 | 410 | 150 | |
| - other | 27,129 | | | | | 20 | | |
| **2. Cash liabilities** | **360,052** | **10,839** | **213,378** | **126,039** | **363,905** | **–** | **–** | **–** |
| 2.1 Due to customers | 348,609 | 10,839 | 187,256 | 126,039 | 363,905 | – | – | – |
| - current accounts | 348,295 | 10,839 | 7,865 | 26,540 | 14,927 | | | |
| - other payables | 314 | – | 179,391 | 99,499 | 348,978 | – | – | – |
| - with the option of early redemption | | | | | | | | |
| - other | 314 | | 179,391 | 99,499 | 348,978 | | | |
| 2.2 Due to banks | 11,443 | – | – | – | – | – | – | – |
| - current accounts | 1,443 | | | | | | | |
| - other payables | 10,000 | | | | | | | |
| 2.3 Debt securities | – | – | 26,122 | – | – | – | – | – |
| - with the option of early redemption | | | | | | | | |
| - other | | | 26,122 | | | | | |
| 2.4 Other liabilities | – | – | – | – | – | – | – | – |
| - with the option of early redemption | | | | | | | | |
| - other | | | | | | | | |
| **3. Financial derivatives** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** |
| 3.1 With underlying security | – | – | – | – | – | – | – | – |
| - Options | – | – | – | – | – | – | – | – |
| + Long positions | | | | | | | | |
| + Short positions | | | | | | | | |
| - Other | – | – | – | – | – | – | – | – |
| + Long positions | | | | | | | | |
| + Short positions | | | | | | | | |
| 3.2 Without underlying security | – | – | – | – | – | – | – | – |
| - Options | – | – | – | – | – | – | – | |
| + Long positions | | | | | | | | |
| + Short positions | | | | | | | | |
| - Other | – | – | – | – | – | – | – | – |
| + Long positions | | – | | – | | | | |
| + Short positions | | | | | | | | |
| **4. Other off-balance sheet transactions** | **42,700** | **15,011** | **–** | **–** | **1,325** | **–** | **–** | **–** |
| + Long positions | 13,182 | 15,011 | | | 1,325 | | | |
| + Short positions | 29,518 | | | | | | | |

## 1. Banking portfolio: distribution of financial assets and liabilities by residual duration (repricing date)

Currency: Other currency

| Type/Residual duration | On demand | Up to 3 months | From over 3 months to 6 months | From over 6 months to 1 year | From over 1 year to 5 years | From over 5 years to 10 years | More than 10 years | Undated |
|---|---|---|---|---|---|---|---|---|
| **1. Cash assets** | **20,765** | **–** | **–** | **–** | **–** | **–** | **–** | |
| 1.1 Debt securities | – | – | – | – | – | – | – | – |
| - with the option of early redemption | | | | | | | | |
| - other | | | | | | | | |
| 1.2 Loans to banks | 20,082 | | | | | | | |
| 1.3 Loans to customers | 683 | | – | – | – | – | – | – |
| - current accounts | 683 | | | | | | | |
| - other loans | | – | – | – | – | – | – | – |
| - with the option of early redemption | | | | | | | | |
| - other | | | | | | | | |
| **2. Cash liabilities** | **17,188** | **–** | **–** | **–** | **–** | **–** | **–** | **–** |
| 2.1 Due to customers | 17,135 | – | – | – | – | – | – | – |
| - current accounts | 17,135 | | | | | | | |
| - other payables | | | – | – | – | | | |
| - with the option of early redemption | | | | | | | | |
| - other | | | | | | | | |
| 2.2 Due to banks | 53 | – | – | – | – | – | – | – |
| - current accounts | 53 | | | | | | | |
| - other payables | | | | | | | | |
| 2.3 Debt securities | – | – | – | – | – | – | – | – |
| - with the option of early redemption | | | | | | | | |
| - other | | | | | | | | |
| 2.4 Other liabilities | – | – | – | – | – | – | – | – |
| - with the option of early redemption | | | | | | | | |
| - other | | | | | | | | |
| **3. Financial derivatives** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** |
| 3.1 With underlying security | | | | | | | | |
| - Options | | | | | | | | |
| + Long positions | | | | | | | | |
| + Short positions | | | | | | | | |
| - Other | | | | | | | | |
| + Long positions | | | | | | | | |
| + Short positions | | | | | | | | |
| 3.2 Without underlying security | – | – | – | – | – | – | – | – |
| - Options | | – | – | | – | – | | |
| + Long positions | | | | | | | | |
| + Short positions | | | | | | | | |
| - Other | | – | | – | | | | |
| + Long positions | | | | | | | | |
| + Short positions | | – | | – | | | | |
| **4. Other off-balance sheet transactions** | **–** | **–** | | | **–** | | | |
| + Long positions | | | | | | | | |
| + Short positions | | | | | | | | |

## 2.3 Exchange rate risk

### Qualitative information

**A. General aspects, management processes and measurement methods for exchange rate risk**
Exchange rate risk management is the responsibility of the General Management and the Finance Department carries out trading, hedging and brokering activities within specific operating limits (amounts) with regard to both financial assets and liabilities denominated in foreign currencies in its own account or on behalf of customers.

Generally, the exposure to exchange rate risk is quite low and limited to temporary misalignments in opposite sign positions; The Bank keeps this risk to a minimum by monitoring the treasury exposure due to the time mismatching between asset and liability items.

**B. Exchange rate risk hedging activity**
In December, Hedge Accounting was carried out to neutralise the impact deriving from the change in the Euro/GBP exchange rate on a significant part of the book value, i.e. 28 million Pounds, of the 1,016,400 London Stock Exchange Group plc shares held by the Bank in the Available-for-sale financial assets portfolio. The partial hedging was carried out with a forward sale transaction of 15 million Pounds, corresponding to 20,437 thousand euros (maturity 21 December 2016) whose fair value at 31 December 2015 was positive by 215 thousand euros.

In addition to the hedge described above, the Bank also carried out a management hedging of the exchange rate risk, also connected with the LSEG shares, for additional 10 million Pounds, to eliminate almost all of the exchange rate risk on this equity investment.

## Quantitative information

### 1. Distribution by currency of assets, liabilities and derivatives

| Items | Currencies | | | | | |
|---|---|---|---|---|---|---|
| | US Dollars | Pound sterling | Yen | Canadian dollars | Swiss francs | Other currencies |
| **A. Financial assets** | **15,809** | **40,949** | **162** | **60** | **765** | **1,085** |
| A.1 Debt securities | – | – | – | – | – | – |
| A.2 Equity securities | – | 38,000 | – | – | 65 | – |
| A.3 Loans to banks | 15,650 | 2,427 | 162 | 60 | 700 | 1,084 |
| A.4 Loans to customers | 159 | 522 | – | – | – | 1 |
| A.5 Other financial assets | – | – | – | – | – | – |
| **B. Other assets** | **12** | **22** | **–** | **–** | **–** | **–** |
| **C. Financial liabilities** | **15,120** | **1,988** | **9** | **15** | **18** | **39** |
| C.1 Due to banks | 38 | – | – | 15 | – | – |
| C.2 Due to customers | 15,082 | 1,988 | 9 | – | 18 | 39 |
| C.3 Debt securities | – | – | – | – | – | – |
| C.4 Other financial liabilities | – | – | – | – | – | – |
| **D. Other liabilities** | **–** | **–** | **–** | **–** | **–** | **–** |
| **E. Financial derivatives** | **401,684** | **182,709** | **4,578** | **–** | **3,600** | **–** |
| - Options | – | – | – | – | – | – |
| + Long positions | – | – | – | – | – | – |
| + Short positions | – | – | – | – | – | – |
| - Other | 401,684 | 182,709 | 4,578 | – | 3,600 | 27 |
| + Long positions | 200,810 | 74,323 | 2,289 | – | 1,800 | 17 |
| + Short positions | 200,874 | 108,386 | 2,289 | – | 1,800 | 10 |
| **Total assets** | **216,631** | **115,294** | **2,451** | **60** | **2,565** | **1,102** |
| **Total liabilities** | **215,994** | **110,374** | **2,298** | **15** | **1,818** | **49** |
| **Imbalance (+/-)** | **637** | **4,920** | **153** | **45** | **747** | **1,053** |

## 2.4 Derivative instruments

### Financial derivatives

### A.1 Regulatory trading portfolio: end-of-period notional and average values

| Underlying assets/Type of derivatives | Total 31.12.2015 | | Total 31.12.2014 | |
|---|---|---|---|---|
| | Over the counter | Central counterparties | Over the counter | Central counterparties |
| **1. Debt securities and interest rates** | **3,063** | **–** | **3,844** | **–** |
| a) Options | – | – | | |
| b) Swaps | 3,063 | – | 3,844 | |
| c) Forwards | – | – | | |
| d) Futures | – | – | | – |
| e) Other | – | – | | |
| **2. Share capital securities and stock indices** | **–** | **3,507** | **4,966** | **317** |
| a) Options | – | 3,505 | 4,966 | 317 |
| b) Swaps | – | – | | |
| c) Forwards | – | – | | |
| d) Futures | – | 2 | | |
| e) Other | – | – | | |
| **3. Currencies and gold** | **571,929** | **–** | **112,552** | **–** |
| a) Options | – | – | | |
| b) Swaps | – | – | | |
| c) Forwards | 571,929 | – | 112,552 | |
| d) Futures | – | – | | |
| e) Other | – | – | | |
| **4. Goods** | **–** | **200** | | |
| **5. Other underlying assets** | **–** | **–** | | |
| **Total** | **574,992** | **3,707** | **121,362** | **317** |

### A.2 Banking portfolio: end-of-period notional values

#### A.2.1 Hedging

| Underlying assets/Type of derivatives | 31.12.2015 | | 31.12.2014 | |
|---|---|---|---|---|
| | Over the counter | Central counterparties | Over the counter | Central counterparties |
| 1. Debt securities and interest rates | | | | |
| a) Options | | | | |
| b) Swaps | | | | |
| c) Forwards | | | | |
| d) Futures | | | | |
| e) Other | | | | |
| 2. Share capital securities and stock indices | | | | |
| a) Options | | | | |
| b) Swaps | | | | |
| c) Forwards | | | | |
| d) Futures | | | | |
| e) Other | | | | |
| 3. Currencies and gold | 20,437 | | | |
| a) Options | | | | |
| b) Swaps | | | | |
| c) Forwards | 20,437 | | | |
| d) Futures | | | | |
| e) Other | | | | |
| 4. Goods | | | | |
| 5. Other underlying assets | | | | |
| **Total** | **20,437** | | | |

### A.3 Financial derivatives: gross positive fair value - breakdown by product

| Derivative types/Portfolios | Positive fair value | | | |
|---|---|---|---|---|
| | Total 31.12.2015 | | Total 31.12.2014 | |
| | Over the counter | Central counterparties | Over the counter | Central counterparties |
| A. Regulatory trading portfolio | 9,579 | 251 | 833 | 24 |
| a) Options | – | 251 | 1 | 24 |
| b) Interest rate swaps | – | – | – | – |
| c) Cross currency swaps | – | – | – | – |
| d) Equity swaps | – | – | – | – |
| e) Forwards | 9,579 | – | 832 | – |
| f) Futures | – | – | – | – |
| g) Others | – | – | – | – |
| B. Banking portfolio - hedging | 215 | – | – | – |
| a) Options | – | – | – | – |
| b) Interest rate swaps | – | – | – | – |
| c) Cross currency swaps | – | – | – | – |
| d) Equity swaps | – | – | – | – |
| e) Forwards | 215 | – | – | – |
| f) Futures | – | – | – | – |
| g) Others | – | – | – | – |
| C. Banking portfolio - other derivatives | – | – | – | – |
| a) Options | – | – | – | – |
| b) Interest rate swaps | – | – | – | – |
| c) Cross currency swaps | – | – | – | – |
| d) Equity swaps | – | – | – | – |
| e) Forwards | – | – | – | – |
| f) Futures | – | – | – | – |
| g) Others | – | – | – | – |
| **Total** | **9,794** | **251** | **833** | **24** |

### A.4 Financial derivatives: gross negative fair value - breakdown by product

| Derivative types/Portfolios | Negative fair value | | | |
|---|---|---|---|---|
| | Total 31.12.2015 | | Total 31.12.2014 | |
| | Over the counter | Central counterparties | Over the counter | Central counterparties |
| A. Regulatory trading portfolio | 9,656 | 77 | 2,357 | – |
| a) Options | | 77 | 514 | |
| b) Interest rate swaps | 189 | | 277 | |
| c) Cross currency swaps | | | | |
| d) Equity swaps | | | | |
| e) Forwards | 9,467 | | 1,566 | |
| f) Futures | | | | |
| g) Others | | | | |
| B. Banking portfolio - hedging | – | – | – | – |
| a) Options | | | | |
| b) Interest rate swaps | | | | |
| c) Cross currency swaps | | | | |
| d) Equity swaps | | | | |
| e) Forwards | | | | |
| f) Futures | | | | |
| g) Others | | | | |
| C. Banking portfolio - other derivatives | – | – | – | – |
| a) Options | | | | |
| b) Interest rate swaps | | | | |
| c) Cross currency swaps | | | | |
| d) Equity swaps | | | | |
| e) Forwards | | | | |
| f) Futures | | | | |
| g) Others | | | | |
| **Total** | **9,656** | **77** | **2,357** | **–** |

### A.5 OTC financial derivatives - regulatory trading portfolio: notional values, gross positive and negative fair values for counterparties - contracts not covered by offset agreements

| Contracts not covered by offset agreements | Governments and Central Banks | Other public authorities | Banks | Financial companies | Insurance companies | Non-financial companies | Other entities |
|---|---|---|---|---|---|---|---|
| **1) Debt securities and interest rates** | **–** | **–** | **3,263** | **–** | **–** | **–** | **–** |
| - notional value | – | – | 3,063 | – | – | – | – |
| - positive fair value | – | – | – | – | – | – | – |
| - negative fair value | – | – | 189 | – | – | – | – |
| - future exposure | – | – | 11 | – | – | – | – |
| **2) Equity securities and stock indices** | **–** | **–** | **–** | **–** | **–** | **–** | **–** |
| - notional value | – | – | – | – | – | – | – |
| - positive fair value | – | – | – | – | – | – | – |
| - negative fair value | – | – | – | – | – | – | – |
| - future exposure | – | – | – | – | – | – | – |
| **3) Currencies and gold** | **–** | **–** | **305,164** | **291,395** | **–** | **–** | **–** |
| - notional value | – | – | 292,777 | 279,152 | – | – | – |
| - positive fair value | – | – | 611 | 8,968 | – | – | – |
| - negative fair value | – | – | 8,984 | 483 | – | – | – |
| - future exposure | – | – | 2,792 | 2,792 | – | – | – |
| **4) Other values** | **–** | **–** | **–** | **–** | **–** | **–** | **–** |
| - notional value | – | – | – | – | – | – | – |
| - positive fair value | – | – | – | – | – | – | – |
| - negative fair value | – | – | – | – | – | – | – |
| - future exposure | – | – | – | – | – | – | – |
| **Total 2015** | | | **308,427** | **291,395** | | | |
| **Total 2014** | **–** | **–** | **84,050** | **41,127** | **–** | **–** | **–** |

**A.7 OTC financial derivatives - banking portfolio: notional values, gross positive and negative fair values for counterparties - contracts not covered by offset agreements**

| Contracts not covered by offset agreements | Governments and Central Banks | Other public authorities | Banks | Financial companies | Insurance companies | Non-financial companies | Other entities |
|---|---|---|---|---|---|---|---|
| **1) Debt securities and interest rates** | **–** | **–** | **–** | **–** | **–** | **–** | **–** |
| - notional value | – | – | – | – | – | – | – |
| - positive fair value | – | – | – | – | – | – | – |
| - negative fair value | – | – | – | – | – | – | – |
| - future exposure | – | – | – | – | – | – | – |
| **2) Equity securities and stock indices** | **–** | **–** | **–** | **–** | **–** | **–** | **–** |
| - notional value | – | – | – | – | – | – | – |
| - positive fair value | – | – | – | – | – | – | – |
| - negative fair value | – | – | – | – | – | – | – |
| - future exposure | – | – | – | – | – | – | – |
| **3) Currencies and gold** | **–** | **–** | **20,856** | **–** | **–** | **–** | **–** |
| - notional value | – | – | 20,437 | – | – | – | – |
| - positive fair value | – | – | 215 | – | – | – | – |
| - negative fair value | – | – | – | – | – | – | – |
| - future exposure | – | – | 204 | – | – | – | – |
| **4) Other values** | **–** | **–** | **–** | **–** | **–** | **–** | **–** |
| - notional value | – | – | – | – | – | – | – |
| - positive fair value | – | – | – | – | – | – | – |
| - negative fair value | – | – | – | – | – | – | – |
| - future exposure | – | – | – | – | – | – | – |
| **Total 2015** | **–** | **–** | **20,856** | **–** | **–** | **–** | **–** |

**A.9 Residual life of OTC financial derivatives: notional values**

| Underlying/Residual life | Up to 1 year | From over 1 year to 5 years | More than 5 years | Total |
|---|---|---|---|---|
| **A. Regulatory trading portfolio** | **572,750** | **2,242** | **–** | **574,992** |
| A.1 Financial derivatives on debt securities and interest rates | 821 | 2,242 | – | 3,063 |
| A.2 Financial derivatives on equity securities and stock indices | – | – | – | – |
| A.3 Financial derivatives on exchange rates and gold | 571,929 | – | – | 571,929 |
| A.4 Financial derivatives on other values | – | – | – | – |
| **B. Banking portfolio** | **20,437** | **–** | **–** | **20,437** |
| B.1 Financial derivatives on debt securities and interest rates | – | – | – | – |
| B.2 Financial derivatives on equity securities and stock indices | – | – | – | – |
| B.3 Financial derivatives on exchange rates and gold | 20,437 | – | – | 20,437 |
| B.4 Financial derivatives on other values | – | – | – | – |
| **Total 2015** | **593,187** | **2,242** | **–** | **595,429** |
| **Total 2014** | **118,299** | **3,063** | **–** | **121,362** |

## Section 3 – Liquidity risk

### Qualitative information

### A. General aspects, management processes and measurement methods for the liquidity risk

The Bank defined the liquidity risk as the inability to meet own payment commitments. This risk is linked to the inability to raise funds (funding liquidity risk) or to the existence of limits for the disinvestment of assets (market liquidity risk).
Funding liquidity risk means the risk according to which the Bank is not able to meet its own payment commitments and obligations efficiently (compared to the “desired” risk profile and/or “fair” economic conditions) due to the inability to raise funds without compromising its core business activities and/or financial situation.
Market liquidity risk means the risk according to which the Bank is able to dispose of an asset only by incurring capital losses due to the low liquidity of the reference market and/or due to the timing with which the transaction will be carried out.

The analysis of the Bank’s financial instruments (assets and liabilities) highlights that, overall, liquidity risk is quite low. In fact, the loans portfolio is mostly made up of short-term funding sources both on the interbank market and with regard to customers (as it comprises mainly on-demand loans that are directly connected with the private banking activity). Most of the securities trading portfolio is made up of highly liquid debt securities issued by countries of the Eurozone.
Concerning the sources of funding, they comprise current accounts, fixed-term deposits, repos and the issue of floating rate bonds. The concentration of the funding sources, present on primary and consolidated customers, is the consequence of the business model adopted by the Bank that entails issuing loans and providing services to highly selected customers.

The Bank’s overall exposure to liquidity risk is therefore maintained at modest levels thanks to the structure of the financial portfolio described above.

The ability to meet commitments promptly and economically is guaranteed by carefully monitoring the position through the use of information systems that ensure the ongoing monitoring of the liquidity requirements that are managed, where necessary, by resorting to the interbank deposits and, alternatively, to the repos market.

On the basis of the supervisory provisions, the Bank has defined the guidelines on the governance and management of liquidity risk and the methods of stress tests to be carried out. More specifically, the roles and responsibilities have been defined by the company bodies involved, the calculation methods of the LCR (Liquidity Coverage Ratio) and NSFR (Net Stable Funding Ratio) and the criteria to be applied in carrying out stress testing.
The short-term liquidity management policy, monitoring using the LCR indicator, includes all limits and alert thresholds that allow, both in normal market conditions and in stressful periods, for the measurement of the liquidity risk to which it is exposed. The liquidity needed to cope with any structural imbalance in the

breakdown of assets and liabilities along a one-year timeframe, instead, is monitored through the NSFR indicator.

Within the liquidity risk management process, the Bank's Risk Control organisational unit:

- periodically carries out the stress tests identified by the Bank for risk measurement, performing the measurements necessary to determine the value of the LCR: (aimed at assuring that the Bank holds an amount of high quality liquid assets that enables it to withstand stress situations on the funding market for a time horizon of 30 days) and the NSFR (Net Stable Funding Ratio) (aimed at assuring a structural balance of the financial statements of the bank);
- prepare the reports to be sent to the Senior Management, illustrated the exposure to liquidity risk, also determined on the basis of the stress tests.

The analyses carried out at 31 December 2015 show that the potential outgoing cash flows are entirely covered by the inflows and by the liquidity buffer held by the Bank, and therefore no risk situations are noted.

## Quantitative information

### 1. Time distribution of financial assets and liabilities by residual duration

Currency: Euro

| Item/Time frame | On demand | From over 1 day to 7 days | From over 7 days to 15 days | From over 15 days to 1 month | From over 1 month to 3 months | From over 3 months to 6 months | From over 6 months to 1 year | From over 1 year to 5 years | More than 5 years | Undated |
|---|---|---|---|---|---|---|---|---|---|---|
| **Cash assets** | **182,908** | **–** | **55,116** | **21,003** | **25,520** | **251,879** | **131,291** | **480,641** | **64,151** | **3,877** |
| A.1 Treasury Bonds | 2 | – | 55,010 | 20,004 | – | 245,613 | 100,868 | 374,340 | 25,002 | – |
| A.2 Other debt securities | – | – | 106 | 129 | 1,237 | 52 | 4,376 | 5,784 | 1,035 | – |
| A.3 UCI units | 33,467 | – | – | – | – | – | – | – | – | – |
| A.4 Loans | 149,439 | – | – | 870 | 24,283 | 6,214 | 26,047 | 100,517 | 38,114 | 3,877 |
| - Banks | 64,387 | – | – | – | – | – | – | – | – | 3,877 |
| - Customers | 85,052 | – | – | 870 | 24,283 | 6,214 | 26,047 | 100,517 | 38,114 | – |
| **Cash liabilities** | **359,562** | **650** | **306** | **380** | **9,635** | **191,727** | **126,218** | **385,781** | **–** | **–** |
| B.1 Deposit and current accounts | 359,248 | 650 | 306 | 380 | 9,635 | 8,059 | 26,686 | 14,928 | – | – |
| - Banks | 11,443 | – | – | – | – | – | – | – | – | – |
| - Customers | 347,805 | 650 | 306 | 380 | 9,635 | 8,059 | 26,686 | 14,928 | – | – |
| B.2 Debt securities | – | – | – | – | – | 4,277 | 33 | 21,875 | – | – |
| B.3 Other liabilities | 314 | – | – | – | – | 179,391 | 99,499 | 348,978 | – | – |
| **Off-balance sheet transactions** | **30,002** | **6,794** | **520,304** | **50,155** | **16,940** | **17,131** | **21,003** | **2,109** | **810** | **–** |
| C.1 Financial derivatives with exchange of capital | – | 6,794 | 519,994 | 50,089 | 1,846 | 5,752 | 20,437 | 60 | 810 | – |
| - Long positions | – | 3,425 | 259,997 | 31,857 | 923 | 2,876 | 20,437 | 30 | 405 | – |
| - Short positions | – | 3,369 | 259,997 | 18,232 | 923 | 2,876 | – | 30 | 405 | – |
| C.2 Financial derivatives without exchange of capital | 517 | – | – | – | – | – | – | – | – | – |
| - Long positions | 251 | – | – | – | – | – | – | – | – | – |
| - Short positions | 266 | – | – | – | – | – | – | – | – | – |
| C.3 Deposits and loans to be received | – | – | – | – | – | – | – | – | – | – |
| - Long positions | – | – | – | – | – | – | – | – | – | – |
| - Short positions | – | – | – | – | – | – | – | – | – | – |
| C.4 Irrevocable commitments to disburse funds | 29,485 | – | 310 | 66 | 15,094 | 11,379 | 566 | 2,049 | – | – |
| - Long positions | 10 | – | 310 | 66 | 15,094 | 11,379 | 566 | 2,049 | – | – |
| - Short positions | 29,475 | – | – | – | – | – | – | – | – | – |
| C.5 Financial guarantees issued* | – | – | – | – | – | – | – | – | – | – |
| C.6 Financial guarantees received | – | – | – | – | – | – | – | – | – | – |
| C.7 Credit derivatives with exchange of capital | – | – | – | – | – | – | – | – | – | – |
| - Long positions | – | – | – | – | – | – | – | – | – | – |
| - Short positions | – | – | – | – | – | – | – | – | – | – |
| C.8 Credit derivatives without exchange of capital | – | – | – | – | – | – | – | – | – | – |
| - Long positions | – | – | – | – | – | – | – | – | – | – |
| - Short positions | – | – | – | – | – | – | – | – | – | – |

Bank "Undated Loans" refer to the deposit in the Obligatory reserve.

Item C.1 includes the value of the purchases and sales of securities not yet settled.

### 1. Time distribution of financial assets and liabilities by residual duration

Currency: Other currencies

| Item/Time frame | On demand | From over 1 day to 7 days | From over 7 days to 15 days | From over 15 days to 1 month | From over 1 month to 3 months | From over 3 months to 6 months | From over 6 months to 1 year | From over 1 year to 5 years | More than 5 years | Undated |
|---|---|---|---|---|---|---|---|---|---|---|
| **Cash assets** | **20,768** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** |
| A.1 Treasury Bonds | – | – | – | – | – | – | – | – | – | – |
| A.2 Other debt securities | – | – | – | – | – | – | – | – | – | – |
| A.3 UCI units | – | – | – | – | – | – | – | – | – | – |
| A.4 Loans | 20,768 | – | – | – | – | – | – | – | – | – |
| - Banks | 20,082 | – | – | – | – | – | – | – | – | – |
| - Customers | 686 | – | – | – | – | – | – | – | – | – |
| **Cash liabilities** | **17,188** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** |
| B.1 Deposit and current accounts | 17,188 | – | – | – | – | – | – | – | – | – |
| - Banks | 53 | – | – | – | – | – | – | – | – | – |
| - Customers | 17,135 | – | – | – | – | – | – | – | – | – |
| B.2 Debt securities | – | – | – | – | – | – | – | – | – | – |
| B.3 Other liabilities | – | – | – | – | – | – | – | – | – | – |
| **Off-balance sheet transactions** | **–** | **232** | **519,994** | **50,089** | **1,846** | **–** | **20,437** | **–** | **–** | **–** |
| C.1 Financial derivatives with exchange of capital | – | 232 | 519,994 | 50,089 | 1,846 | – | 20,437 | – | – | – |
| - Long positions | – | 88 | 259,997 | 18,232 | 923 | – | – | – | – | – |
| - Short positions | – | 144 | 259,997 | 31,857 | 923 | – | 20,437 | – | – | – |
| C.2 Financial derivatives without exchange of capital | – | – | – | – | – | – | – | – | – | – |
| - Long positions | – | – | – | – | – | – | – | – | – | – |
| - Short positions | – | – | – | – | – | – | – | – | – | – |
| C.3 Deposits and loans to be received | – | – | – | – | – | – | – | – | – | – |
| - Long positions | – | – | – | – | – | – | – | – | – | – |
| - Short positions | – | – | – | – | – | – | – | – | – | – |
| C.4 Irrevocable commitments to disburse funds | – | – | – | – | – | – | – | – | – | – |
| - Long positions | – | – | – | – | – | – | – | – | – | – |
| - Short positions | – | – | – | – | – | – | – | – | – | – |
| C.5 Financial guarantees issued* | – | – | – | – | – | – | – | – | – | – |
| C.6 Financial guarantees received | – | – | – | – | – | – | – | – | – | – |
| C.7 Credit derivatives with exchange of capital | – | – | – | – | – | – | – | – | – | – |
| - Long positions | – | – | – | – | – | – | – | – | – | – |
| - Short positions | – | – | – | – | – | – | – | – | – | – |
| C.8 Credit derivatives without exchange of capital | – | – | – | – | – | – | – | – | – | – |
| - Long positions | – | – | – | – | – | – | – | – | – | – |
| - Short positions | – | – | – | – | – | – | – | – | – | – |

## Section 4 – Operating risk

### Qualitative and quantitative information

**A. General aspects, management processes and measurement methods for operating risk**

Operating risk is defined as the risk to incur losses arising from the inadequacy or weakness in procedures, human resources and internal systems, or from external events. These include losses arising from frauds, human errors, interruptions in business activities, unavailability of systems, contractual default, natural and/or geopolitical disasters. The operating risk includes the legal risk, while it does not include strategic and reputational risks.

The Bank, albeit adopting a standardised calculation method of the operating risks, carried out an analysis/assessment of operating risks on the "core" procedures. In order to standardise the quantification process of operating risks, the Bank has also formalised the adopted method in the document called "Management of operating risks in Banca Finnat". At 31 December 2015, the organisational unit tasked with monitoring operating risks started the activities necessary for their revision according to the method identified by the corporate Bodies of the Bank.
In particular, the analysis focused on the identification, within the above-mentioned operating procedures, of the activities that may generate operating risks for the Bank and of the related controls to mitigate the risks themselves.

With regards to the quantification of internal capital supporting the operating risk, as previously mentioned, the Bank uses the basic approach under the scope of determining prudential equity requirements, as prescribed by the provisions per Regulation EU 575/2013.

In this context, the internal control function verifies that said procedures, and any revisions thereof, are correctly implemented and are observed, as well as ensuring that they comply with regulations in force.

## Part F – Information on net equity

### Section 1 – Net equity

**Qualitative and quantitative information**

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

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

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

The net equity of the Bank totals 241,949 thousand euros. It is detailed in the table below.

### B.1 Net Equity: breakdown

| Items/Amounts | Amount 31.12.2015 | Amount 31.12.2014 |
|---|---|---|
| 1. Share capital | 72,576 | 72,576 |
| 2. Share issue premiums | – | – |
| 3. Reserves | 92,651 | 91,946 |
| - retained earnings | 87,316 | 86,611 |
| a) legal reserve | 8,936 | 8,720 |
| b) statutory reserve | – | – |
| c) own shares | 14,668 | 14,141 |
| d) other | 63,712 | 63,750 |
| - other | 5,335 | 5,335 |
| 4. Capital instruments | – | – |
| 5. (Own shares) | (13,949) | (12,409) |
| 6. Valuation reserves: | 86,047 | 77,066 |
| - Available-for-sale financial assets | 84,797 | 75,901 |
| - Tangible assets | | |
| - Intangible assets | | |
| - Foreign investment hedge | | |
| - Cash flow hedge | | |
| - Exchange differences | | |
| - Non-current assets being disposed | | |
| - Actuarial profit (loss) on defined benefit social security plans | (114) | (199) |
| - Share of valuation reserves related to investee companies valued by equity method | | |
| - Special revaluation regulations | 1,364 | 1,364 |
| 7. Profit (loss) for the year | 4,624 | 4,333 |
| **Total** | **241,949** | **233,512** |

Item 6. Valuation reserves includes the following in the stated sub-items:

- Available-for-sale financial assets: in addition to the measurement at fair value of the securities in the portfolio (34,802 thousand euros), the measurement at fair value of the investments in the subsidiaries: InvestiRE SGR S.p.A., 45,059 thousand euro, Finnat Fiduciaria S.p.A., 2,118 thousand euros and Finnat Gestioni S.A., 2,818 thousand euros.
- Actuarial profit (loss) relating to defined benefit pension plans: the portion of the IAS staff severance fund that, in accordance with IAS 19, is recognised in valuation reserves in the amount of -114 thousand euros.
- Special revaluations regulations: revaluations made on owned property in accordance with the provisions of Italian Laws no. 576 of 2 December 1975, no. 72 of 19 March 1983, no. 413 of 30 December 1991 for a total of 1,356 thousand euros and a further revaluation of 8 thousand euros performed in FY 1974.

### B.2 Valuation reserves of available-for-sale financial assets: breakdown

| Assets/amounts | Total 31.12.2015 | | Total 31.12.2014 | |
|---|---|---|---|---|
| | Positive reserve | Negative reserve | Positive reserve | Negative reserve |
| 1. Debt securities | 1,033 | 84 | 1,759 | 4 |
| 2. Equity securities | 83,974 | 677 | 73,731 | 35 |
| 3. UCI units | 556 | 5 | 452 | 2 |
| 4. Loans | – | – | – | – |
| **Total** | **85,563** | **766** | **75,942** | **41** |

The reserve of item 1. Debt securities mainly concerns the fair value adjustment, after taxes, on total Government Bonds.

The reserve of item 2. Equity securities also includes the adjustment to fair value, net of taxes, of equity investments in subsidiaries by 49,995 thousand euros.

### B.3 Valuation reserves of available-for-sale financial assets: annual changes

| | Debt securities | Equity securities | UCI units | Loans |
|---|---|---|---|---|
| **1. Opening balance** | **1,755** | **73,696** | **450** | **–** |
| **2. Positive changes** | **944** | **13,897** | **209** | **–** |
| 2.1 Increases in fair value | 944 | 13,897 | 209 | |
| 2.2 Reallocation of negative reserve to income statement | – | – | – | – |
| - from impairment | – | – | – | |
| - from disposal | – | – | – | |
| 2.3 Other changes | – | – | – | |
| **3. Negative changes** | **1,750** | **4,296** | **108** | **–** |
| 3.1 Decreases in fair value | 10 | 677 | 108 | |
| 3.2 Adjustments from impairment | | | | |
| 3.3 Reallocation to income statement from positive reserves: from disposal | 1,740 | 3,615 | – | – |
| 3.4 Other changes | | 4 | – | |
| **4. Closing balance** | **949** | **83,297** | **551** | **–** |

The comment to the changes is illustrated in part D – Comprehensive Income.

### B.4 Valuation reserves related to defined benefit plans: annual changes

Negative Reserves related to defined benefit plans amount to 114 thousand euros and decreased by 85 thousand euros compared to 2014 (negative by the amount of 199 thousand euros).

## Section 2 – Own funds and capital ratios

### 2.1 Own funds

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

Own funds at 31 December 2015 amounted to 180,289 thousand euros (157,378 thousand euros at 31 December 2014), whereas the Total capital ratio stands at 38.4% (31.5% at 31 December 2014) versus the 8% minimum requirement set forth in the current regulations for Credit Institutions.

### A. Qualitative information

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

| | | |
|---|---|---|
| Common Equity Tier 1 ("Common Equity Tier 1" or "CET1") | 161,795 | euros |
| Additional Tier 1 ("Additional Tier 1" or "AT1") | – | euro |
| Tier 2 ("Tier 2" or "T2") | 18,494 | euros |

## B. Quantitative information

| | | Total 31.12.2015 | Total 31.12.2014 |
|---|---|---|---|
| **A.** | **Common Equity Tier 1 ("Common Equity Tier 1" - "CET1") before the application of prudential filters** | **252,269** | **242,293** |
| | - of which CET 1 instruments subject to transitional provisions | – | – |
| B. | Prudential filters for CET 1 (+/-) | – | – |
| **C.** | **CET 1 including deductions and the effects of the transitional regulations (A+/-B)** | **252,269** | **242,293** |
| **D.** | **Deductions from CET1** | **(45,951)** | **(39,044)** |
| **E.** | **Transitional regulations - Impact on CET 1 (+/-)** | **(44,523)** | **(68,321)** |
| **F.** | **Total Common Equity Tier 1 (Common Equity Tier 1 - AT1 - CET1) (C - D+/-E)** | **161,795** | **134,928** |
| **G.** | **Additional Tier 1 (Additional Tier 1 - AT1) including deductions and the effects of the transitional regulations** | **–** | **–** |
| | - of which AT 1 instruments subject to transitional provisions | – | – |
| **H.** | **Deductions from AT1** | **–** | **–** |
| **I.** | **Transitional regulations - Impact on AT 1 (+/-)** | **–** | **–** |
| **L.** | **Total Additional Tier 1 (Additional Tier 1 - AT1) (G-H +/-I)** | **–** | **–** |
| **M.** | **Tier 2 (Tier 2 - T2) including deductions and the effects of the transitional regulations** | **–** | **–** |
| | - of which T2 instruments subject to transitional provisions | – | – |
| **N.** | **Deductions from T2** | **–** | **–** |
| **O.** | **Transitional regulations - Impact on T2 (+/-)** | **18,494** | **22,450** |
| **P.** | **Total Tier 2 (Tier 2 - T2) (M-N +/-O)** | **18,494** | **22,450** |
| **Q.** | **Total own funds (F+L+P)** | **180,289** | **157,378** |

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

The impact of this sterilisation on Own Funds at 31 December 2015 was positive by 721 thousand euros and Own Funds would have amounted to 181,010 thousand euros.
At 31 December 2014, said impact was positive by 702 thousand euros and own funds would have amounted to 158,080 thousand euros.

## 2.2 Capital adequacy

### A. Qualitative information

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

As shown in the table on the breakdown of risk assets and on the capital ratios, the Bank's CET 1 Capital Ratio and Tier 1 Capital Ratio are both equal to 34.5%, whilst its Total Capital Ratio is 38.4%.

### B. Quantitative information

| Categories/Amounts | Non-weighted amounts | | Weighted amounts/ Requirements | |
|---|---|---|---|---|
| | 31.12.2015 | 31.12.2014 | 31.12.2015 | 31.12.2014 |
| **A. RISK ASSETS** | | | | |
| A.1. Credit and counterparty risk | | | | |
| 1. Standard methodology | 1,917,456 | 1,840,142 | 372,134 | 375,184 |
| 2. Methodology based on internal ratings | | | | |
| 2.1 Basic | | | | |
| 2.2 Advanced | | | | |
| 3. Securitisation | 563 | | 7,042 | |
| **B. CAPITAL REQUIREMENTS FOR SUPERVISORY PURPOSES** | | | | |
| B.1. Credit and counterparty risk | | | 30,334 | 30,014 |
| B.2. Risk of adjustment of the credit measurement | | | 1 | 1 |
| B.3. Settlement risk | | | | |
| B.4. Market risks | | | 2,268 | 4,487 |
| 1. Standard methodology | | | 2,268 | 4,487 |
| 2. Internal models | | | | |
| 3. Concentration risk | | | | |
| B.5. Operating risk | | | 4,944 | 5,407 |
| 1. Basic method | | | 4,944 | 5,407 |
| 2. Standardised method | | | - | - |
| 3. Advanced method | | | | |
| B.6. Other calculation elements | | | | |
| B.7. Total prudential requirements | | | 37,547 | 39,909 |
| **C. RISK ASSETS AND ADEQUACY RATIOS** | | | | |
| C.1. Risk-weighted assets | | | 469,343 | 498,867 |
| C.2. Common Equity Tier 1 /Weighted risk assets (CET1 capital ratio) | | | 34.5% | 27.0% |
| C.3. Tier 1 capital/Weighted risk assets (Tier 1 capital ratio) | | | 34.5% | 27.0% |
| C.4. Total own funds/Weighted risk assets (Total capital ratio) | | | 38.4% | 31.5% |

## Part G - Business combinations pertaining to entities or business units

### Section 1 - Combinations completed during the year

No business combinations were completed during the year, as regulated by IFRS 3, which would have entailed the acquisition of control over businesses or legal entities.

### Section 2 - Combinations completed after the end of the year

In the period spanning the end of the 2015 financial year and the date on which these financial statements were prepared, no business combinations regulated by IFRS 3 were carried out.

## Part H – Related party transactions

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

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

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

### 1. Information on remuneration of key executives.

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

### 2. Information on transactions with related parties

The following table shows the assets, liabilities, guarantees and commitments at 31 December 2015 separately for different types of related parties under IAS 24.

| BALANCE SHEET | Financial receivables (Payables) | Receivables (Payables) for the domestic consolidated tax system | Other Receivables (Payables) | Sureties issued | Available margin on sureties granted | Irrevocable credit lines granted |
|---|---|---|---|---|---|---|
| **Subsidiaries** | | | | | | |
| InvestiRE SGR S.p.A. | (6,023) | 1,008 | (107) | 4,984 | 15,011 | |
| Finnat Fiduciaria S.p.A. | (1,929) | – | (48) | | | |
| **Associated companies** | | | | | | |
| Prévira Invest Sim S.p.A. in liquidation | (34) | | 2 | | | |
| Imprebanca S.p.A. | (26) | | – | | | |
| **Management with strategic responsibilities and auditing bodies** | **(1,364)** | | | | | |
| **Other related parties** | **(1,247)** | | **212** | **37** | | **10** |

Receivables (Payables) for domestic consolidated tax system and Other Receivables (Payables) are included in the financial statement items "Other assets" and "Other liabilities".

With regard to subsidiaries and associated companies, the breakdown of main income statement items is also shown.

| INCOME STATEMENT | Other operating income (Other administrative expenses) | Interest income (Expense) | Dividends | Commission income (Expense) |
|---|---|---|---|---|
| **Subsidiaries** | | | | |
| InvestiRE SGR S.p.A. | – | (64) | 1,505 | 55 |
| Finnat Fiduciaria S.p.A. | 10 | (5) | 700 | 32 |
| **Associated companies** | | | | |
| Prévira Invest Sim S.p.A. in liquidation | – | – | – | 5 |
| Imprebanca S.p.A. | | 1 | – | – |
| Revalo S.p.A. | | | 413 | |

## Part I - Payment agreements based on own capital instruments

### A. Qualitative information

#### Description of the payment agreements based on own capital instruments

As illustrated in the most significant events of the year, the stock option plan is no longer valid because the conditions for exercising the options did not materialise. Therefore the related reserve allocated until 31 December 2014 and amounting to 998 thousand euros is available and it may be transferred to "Extraordinary reserve".

### B. Quantitative information

#### 1. Annual changes

| Items/Number of shares and exercise price | 31.12.2015 | | | 31.12.2014 | | |
|---|---|---|---|---|---|---|
| | Number of options | Average exercise prices | Average maturity term | Number of options | Average exercise prices | Average maturity term |
| **A. Opening balance** | **17,000,000** | **0.4702** | **2015** | **17,000,000** | **0.4702** | **2015** |
| **B. Increases** | **–** | | **X** | **–** | | **X** |
| B.1 New issues | – | – | – | – | – | – |
| B.2 Other changes | – | | X | – | | X |
| **C. Decreases** | **17,000,000** | **–** | **X** | **–** | **–** | **X** |
| C.1 Cancelled | 17,000,000 | – | X | – | – | X |
| C.2 Exercised | – | | X | – | | X |
| C.3 Expired | – | | X | – | | X |
| C.4 Other changes | – | | X | – | | X |
| **D. Closing balance** | **–** | **–** | **–** | **17,000,000** | **0.4702** | **2015** |
| **E. Exercisable options at the end of the year** | **–** | **–** | **X** | **–** | **–** | **X** |

## Part L – Segment Reporting

The Bank draws up the segment reporting in part L of the notes to the consolidated financial statements, exercising the option granted by the Circular Letter of the Bank of Italy no. 262 of 22 December 2005 and subsequent amendments.

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

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

- in 2015, no non-recurring events occurred or were carried out, meaning events or operations that do not usually take place, in connection with ordinary business operations;
- no atypical and/or unusual transactions took place during 2015, either within the Group or with related or third parties. Atypical and/or unusual transactions are those operations which, due to their magnitude/importance, to the nature of the counterparty, to the subject matter of the transaction and to the method for determining the transfer price and time frame (whether close to the year-end or not), may give rise to doubts as to: the accuracy/completeness of the information set out in the financial statements, any conflict of interest, the safeguarding of the company's net worth and the protection of minority interests.

The most significant Group transactions in the 2015 financial year are commented on in a special section of the Report on Operations.

# ATTACHMENTS TO THE FINANCIAL STATEMENTS

STATEMENT OF CHANGES
IN EQUITY INVESTMENTS

LIST OF MAIN EQUITY INVESTMENTS
IN UNLISTED COMPANIES
DIRECTLY AND INDIRECTLY HELD

## Statement of changes in equity investments

(amounts in euros)

| | 31.12.2014 | | Purchases | |
|---|---|---|---|---|
| | No. of shares or units | Value | No. of shares or units | Value |
| **Subsidiaries** | | | | |
| Finnat Fiduciaria S.p.A. | 300,000 | 3,767,691 | – | – |
| Fedra Fiduciaria S.p.A. | 24,000 | 324,514 | – | – |
| InvestiRE SGR S.p.A. | 6,880 | 54,320,000 | – | – |
| Finnat Gestioni S.A. | 525 | 2,455,437 | – | – |
| **Total Subsidiaries (A)** | | **60,867,642** | **–** | **–** |
| **Companies under significant control** | | | | |
| Revalo S.p.A. | 648,000 | 2,268,000 | – | – |
| Prèvira Invest SIM S.p.A. in liquidation | 30,000 | 300,000 | – | – |
| Sigefi Italia Private Equity S.r.l. in liquidation | 30,000 | 31,502 | – | – |
| Imprebanca S.p.A. | 10,000,000 | 10,000,000 | – | – |
| **Total Companies under significant control (B)** | | **12,599,502** | **–** | **–** |
| **Total (A + B)** | | **73,467,144** | **–** | **-** |

Changes for extraordinary transactions refer to:
- the merger by absorption of Fedra Fiduciaria S.p.A. into Finnat Fiduciaria S.p.A.
- the swap of 2,523 shares of Beni Stabili Gestioni SGR S.p.A. with 529 shares of InvestiRE SGR S.p.A. carried out with the merger.

| Sales | | Change for extraordinary transactions | | Profit (Loss) | Changes in fair value | 31.12.2015 | |
|---|---|---|---|---|---|---|---|
| No. of shares or units | Value | No. of shares or units | Value | | | No. of shares or units | Value |
| | | | | | | | |
| – | – | – | 360,000 | – | 2,072,309 | 300,000 | 6,200,000 |
| – | – | (24,000) | (360,000) | – | 35,486 | – | – |
| – | – | 529 | 4,512,370 | – | 161,183 | 7,409 | 58,993,553 |
| – | – | – | – | – | 744,563 | 525 | 3,200,000 |
| **–** | **–** | | **4,512,370** | **–** | **3,013,541** | | **68,393,553** |
| | | | | | | | |
| – | – | – | – | – | – | 648,000 | 2,268,000 |
| – | – | – | – | – | – | 30,000 | 300,000 |
| – | – | – | – | – | – | 30,000 | 31,502 |
| – | – | – | – | – | – | 10,000,000 | 10,000,000 |
| **–** | **–** | **–** | **–** | **–** | **–** | | **12,599,502** |
| **–** | **–** | | **4,512,370** | **–** | **3,013,541** | | **80,993,055** |

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

### List of main equity investments in unlisted companies directly or indirectly held at 31 December 2015

| INVESTEE COMPANY | Shares or membership interests directly and indirectly held | | Shares or membership interests directly held | | | Shares or membership interests indirectly held | | | |
|---|---|---|---|---|---|---|---|---|---|
| | No. of shares | % stake | No. of shares | % stake | Type of ownership | Investee Companies | No. of shares | % stake | Type of ownership |
| **FINNAT FIDUCIARIA S.p.A.**<br>Piazza del Gesù, 49 - 00186 ROME<br>Taxpayer ID No. 07585500585 - Rome REA 620697<br>Nominal value per share Euro 5 | 300,000 | 100.000 | 300,000 | 100.000 | Ownership | | | | |
| **INVESTIRE SGR S.p.A.**<br>Via Po, 16/A - 00198 ROME<br>Taxpayer ID No. 06931761008 - Rome REA 998178<br>Nominal value per share Euro 1,000 | 7,409 | 50.160 | 7,409 | 50.160 | Ownership | | | | |
| **FINNAT GESTIONI S.A.**<br>Via Pietro Peri, 21 - 6900 LUGANO<br>Nominal value per share CHF 1,000 | 525 | 70.000 | 525 | 70.000 | Ownership | | | | |
| **REVALO S.p.A.**<br>Via Piemonte, 38 - 00187 Rome<br>TAXPAYER ID No. 08280551006 - Rome REA 1085663<br>Nominal value per share Euro 1 | 648,000 | 36.000 | 648,000 | 36.000 | Ownership | | | | |
| **SIGEFI ITALIA PRIVATE EQUITY S.r.l.** in liquidation<br>Via Gonzaga Maurizio, 7 - 20123 MILAN<br>Taxpayer ID No. 04033360969 - Milan REA 1720651<br>Nominal value per share Euro 1 | 30,000 | 25.000 | 30,000 | 25.000 | Ownership | | | | |
| **IMPREBANCA S.p.A.**<br>Via Cola di Rienzo, 240 - 00192 ROME<br>Taxpayer ID No. 09994611003 - Rome REA 1202384<br>Nominal value per share Euro 1 | 10,000,000 | 20.000 | 10,000,000 | 20.000 | Ownership | | | | |
| **PREVIRA INVEST SIM S.p.A.** in liquidation<br>Piazza San Bernardo, 106 - 00187 ROME<br>Taxpayer ID No. 06073551001 - Rome REA 945999<br>Nominal value per share Euro 10 | 30,000 | 20.000 | 30,000 | 20.000 | Ownership | | | | |

**Relazione del Collegio sindacale all'Assemblea degli Azionisti di Banca Finnat Euramerica SpA Art. 153 D.Lgs. 24 febbraio 1998 n. 58 e Art. 2429 co. 3 C.C. Esercizio chiuso il 31 dicembre 2015**

*Signori Azionisti,*

*nel corso dell'esercizio chiuso al 31 dicembre 2015, abbiamo svolto l'attività di vigilanza prevista dalla legge, tenendo anche conto dei Principi di comportamento del Collegio sindacale raccomandati dal Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili.*

*Il Collegio Sindacale in carica alla data della presente relazione è stato nominato dall'Assemblea degli Azionisti del 28 aprile 2015 ed è composto da Alberto De Nigro (Presidente), Barbara Fasoli Braccini (Sindaco effettivo) e Francesco Minnetti (Sindaco effettivo). Sono Sindaci supplenti Laura Bellicini e Antonio Staffa.*

*Il Consiglio di Amministrazione del 28 aprile 2015 ha nominato quali componenti dell'Organismo di Vigilanza ex art 6 D.lgs. 231/2001 i sindaci Alberto De Nigro e Barbara Fasoli Braccini oltre a Alessandro de' Micheli.*

*In particolare, durante l'esercizio 2015, ci siamo riuniti in 15 sedute ed abbiamo svolto autonomi controlli sul sistema amministrativo–contabile, sulla struttura organizzativa e sul sistema di controllo interno. Inoltre, abbiamo mantenuto periodiche consultazioni con la Reconta Ernst & Young - alla quale, come noto, sono demandate ai sensi dell'art. 14 del D.lgs. 39/2010 le verifiche relative alla regolare tenuta della contabilità sociale, alla corretta rilevazione dei fatti di gestione nelle scritture contabili, alla corrispondenza del bilancio di esercizio alle risultanze delle scritture contabili, nonché alla conformità del bilancio di esercizio alle norme che lo disciplinano - raccogliendo informazioni sui risultati delle verifiche da loro effettuate. Nel corso delle consultazioni con la società di revisione non sono emersi aspetti rilevanti per i quali si è reso necessario procedere a specifici aggiornamenti.*

*L'attività di vigilanza del Collegio Sindacale è stata inoltre espletata, per quanto riguarda l'analisi delle politiche aziendali e degli atti e delibere conseguenti, mediante la partecipazione a tutte le 12 riunioni del Consiglio di Amministrazione, nonché – per il tramite del Presidente o di altro componente del Collegio – alle n. 9 riunioni del Comitato Controllo e Rischi e, per quanto attiene agli aspetti operativi, anche attraverso riunioni con i responsabili delle diverse funzioni aziendali. Siamo stati aggiornati dai Vostri Amministratori sull'attività svolta dalla Banca e dalle sue controllate, con la periodicità dovuta in conformità alla legge e all'art.15 dello Statuto.*

*Abbiamo preso conoscenza e vigilato, sempre per quanto di nostra competenza, sull'osservanza della legge e dell'atto costitutivo, nonché sul rispetto dei principi di corretta amministrazione, tramite: osservazioni dirette; raccolta di informazioni dai responsabili delle funzioni aziendali e dal Dirigente Preposto alla redazione dei documenti contabili* *societari; incontri con la Società di Revisione legale ai fini del reciproco scambio di dati ed informazioni rilevanti, ai sensi dell'art.150, comma 3, del D.Lgs. 58/1998.*

*Siamo stati informati sulle operazioni di maggior rilievo economico, finanziario e patrimoniale ed anche su quelle con società controllate e parti correlate, delle quali è stata data corretta informativa nella Relazione sulla Gestione e nella Nota Integrativa, che sono regolate a condizioni di mercato e sono state effettuate nel rispetto della normativa. Tra le operazioni di maggior rilievo si segnalano:*

- *la fusione per incorporazione di Beni Stabili Gestioni SGR S.p.A. e Polaris Real Estate SGR S.p.A. in Investire SGR S.p.A.;*
- *la presentazione di un'offerta vincolante a Banca Carige per l'acquisto dell'intero capitale sociale della Banca Cesare Ponti. Offerta poi non andata a buon fine a seguito della decisione del Consiglio di Amministrazione di Banca Carige di non procedere alla vendita dell'Istituto ;*
- *la fusione per incorporazione di Fedra Fiduciaria S.p.A. in Finnat Fiduciaria S.p.A..*

*La Banca non ha effettuato, né con parti correlate né con soggetti diversi dalle parti correlate, operazioni "di natura atipica o inusuale" che per significatività/rilevanza possano aver dato luogo a dubbi in ordine alla salvaguardia del patrimonio aziendale e alla tutela degli azionisti di minoranza. In generale, le operazioni effettuate dalla Società non sono risultate imprudenti o azzardate, né in potenziale conflitto di interessi né in contrasto con le delibere assunte dall'assemblea o tali da compromettere l'integrità del patrimonio aziendale.*

*Abbiamo valutato positivamente la rispondenza all'interesse sociale per tutte le operazioni esaminate.*

*La Società di Revisione legale ci ha informato che, nel corso della sua attività di riscontro e di verifica dei dati per il bilancio e nel corso delle verifiche trimestrali, non è venuta a conoscenza di atti o fatti ritenuti censurabili o degni di segnalazione. Essa ha rilasciato in data 24 marzo 2016 le relazioni ai sensi dell'art. 14 del d.lgs. n. 39 del 27 gennaio 2010, nelle quali si attesta che il bilancio dell'esercizio e il bilancio consolidato al 31 dicembre 2015 rappresentano in modo veritiero e corretto la situazione patrimoniale e finanziaria, il risultato economico, ed i flussi finanziari della Banca e del Gruppo e che la relazione sulla gestione è coerente con il bilancio.*

*Non abbiamo rilevato ulteriori incarichi conferiti alla Società di Revisione legale, né a soggetti legati alla medesima da rapporti continuativi, salvo l'incarico attribuito per i c.d. servizi di attestazione (sottoscrizione dei modelli fiscali IRAP, Unico, CNM e 770 semplificato e ordinario) compatibile con la revisione legale. Non sono emersi aspetti critici in materia di indipendenza della Società di Revisione come risulta anche dalla specifica conferma annuale di indipendenza ai sensi dell'art. 17 comma 9 lett. a) del D.lgs. 39/2010, rilasciata dalla Reconta Ernst & Young in data 24 marzo 2016.*

*Non abbiamo ricevuto denunce ex art. 2408 c.c. né sono stati ricevuti esposti.*

*societari; incontri con la Società di Revisione legale ai fini del reciproco scambio di dati ed informazioni rilevanti, ai sensi dell'art.150, comma 3, del D.Lgs. 58/1998.*

*Siamo stati informati sulle operazioni di maggior rilievo economico, finanziario e patrimoniale ed anche su quelle con società controllate e parti correlate, delle quali è stata data corretta informativa nella Relazione sulla Gestione e nella Nota Integrativa, che sono regolate a condizioni di mercato e sono state effettuate nel rispetto della normativa. Tra le operazioni di maggior rilievo si segnalano:*

- *la fusione per incorporazione di Beni Stabili Gestioni SGR S.p.A. e Polaris Real Estate SGR S.p.A. in Investire SGR S.p.A.;*
- *la presentazione di un'offerta vincolante a Banca Carige per l'acquisto dell'intero capitale sociale della Banca Cesare Ponti. Offerta poi non andata a buon fine a seguito della decisione del Consiglio di Amministrazione di Banca Carige di non procedere alla vendita dell'Istituto ;*
- *la fusione per incorporazione di Fedra Fiduciaria S.p.A. in Finnat Fiduciaria S.p.A..*

*La Banca non ha effettuato, né con parti correlate né con soggetti diversi dalle parti correlate, operazioni "di natura atipica o inusuale" che per significatività/rilevanza possano aver dato luogo a dubbi in ordine alla salvaguardia del patrimonio aziendale e alla tutela degli azionisti di minoranza. In generale, le operazioni effettuate dalla Società non sono risultate imprudenti o azzardate, né in potenziale conflitto di interessi né in contrasto con le delibere assunte dall'assemblea o tali da compromettere l'integrità del patrimonio aziendale.*

*Abbiamo valutato positivamente la rispondenza all'interesse sociale per tutte le operazioni esaminate.*

*La Società di Revisione legale ci ha informato che, nel corso della sua attività di riscontro e di verifica dei dati per il bilancio e nel corso delle verifiche trimestrali, non è venuta a conoscenza di atti o fatti ritenuti censurabili o degni di segnalazione. Essa ha rilasciato in data 24 marzo 2015 le relazioni ai sensi dell'art. 14 del d.lgs. n. 39 del 27 gennaio 2010, nelle quali si attesta che il bilancio dell'esercizio e il bilancio consolidato al 31 dicembre 2015 rappresentano in modo veritiero e corretto la situazione patrimoniale e finanziaria, il risultato economico, ed i flussi finanziari della Banca e del Gruppo e che la relazione sulla gestione è coerente con il bilancio.*

*Non abbiamo rilevato ulteriori incarichi conferiti alla Società di Revisione legale, né a soggetti legati alla medesima da rapporti continuativi, salvo l'incarico attribuito per i c.d. servizi di attestazione (sottoscrizione dei modelli fiscali IRAP, Unico, CNM e 770 semplificato e ordinario) compatibile con la revisione legale. Non sono emersi aspetti critici in materia di indipendenza della Società di Revisione come risulta anche dalla specifica conferma annuale di indipendenza ai sensi dell'art. 17 comma 9 lett. a) del D.lgs. 39/2010, rilasciata dalla Reconta Ernst & Young in data 24 marzo 2016.*

*Non abbiamo ricevuto denunce ex art. 2408 c.c. né sono stati ricevuti esposti.*

*Abbiamo avuto dal Consiglio di Amministrazione assicurazioni circa il rispetto degli obblighi di comunicazione con le società controllate, previsti dall'art. 114, comma 2, del D.Lgs. 58/1998, per consentire una completa e corretta informativa. Ed in tale ambito abbiamo proceduto allo scambio di informazioni con i Collegi Sindacali delle società controllate anche mediante riunione collegiale. Nei contatti intercorsi con tali organi di controllo non sono emersi aspetti di particolare rilievo.*

*Per quanto di nostra competenza, abbiamo verificato l'adeguatezza della struttura organizzativa della Banca e del suo funzionamento.*

*Abbiamo vigilato sul sistema di controllo interno della Banca valutandone l'adeguatezza utilizzando anche a questi fini le riunioni con il Comitato Controllo e Rischi, gli incontri con i responsabili delle funzioni di Compliance, Antiriciclaggio, Internal Auditing e Controllo Rischi ed avvalendoci, inoltre, delle loro relazioni annuali e periodiche.*

*Dall'analisi compiuta emerge altresì la correttezza dell'impostazione del sistema amministrativo-contabile che consideriamo idoneo a soddisfare le esigenze relative sia al monitoraggio dei fatti di gestione che alla formazione e rappresentazione dei dati dell'esercizio; dati che vengono presentati nel rispetto della circolare della Banca d'Italia n. 262 del 22 dicembre 2005 e con l'adozione dei principi contabili IAS/IFRS descritti nella nota integrativa. A tal proposito abbiamo preso atto delle attestazioni rilasciate dall'Amministratore Delegato e dal Dirigente Preposto alla redazione dei documenti contabili della Banca in merito all'adeguatezza – in relazione alle caratteristiche dell'impresa – e all'effettiva applicazione nel corso del 2015 delle procedure amministrative e contabili per la formazione del bilancio separato e consolidato.*

*In particolare, ai sensi dell'art. 2426 del Codice Civile concordiamo con l'iscrizione nel bilancio consolidato dell'avviamento nelle attività di stato patrimoniale.*

*Nel corso dell'attività di verifica, come sopra descritta, non sono emersi fatti significativi tali da richiedere la segnalazione agli Organi di Vigilanza o la menzione nella presente relazione ad eccezione di una comunicazione ex art. 149 comma 3 del D.Lgs. n. 58 del 1998 (attivata dal Collegio Sindacale anche a seguito di notizie di stampa) relativa a profili (risalenti al periodo 2000-2011) di potenziale mancato adempimento agli obblighi di cui all'art. 114, comma 7, D.Lgs. n. 58 del 1998.*

*Non è stato necessario presentare all'Assemblea le proposte così come previsto dall'art. 153, comma 2 del D.lgs. 58/98, né il Collegio si è avvalso dei poteri di convocazione dell'assemblea o del Consiglio di Amministrazione.*

*Abbiamo preso atto che, in ottemperanza all'art. 123-bis del D.Lgs. 58/1998, la Banca – aderente al Codice di Autodisciplina del Comitato per la Corporate Governance delle Società quotate – ha elaborato la Relazione sul Governo Societario.*

*Si fa presente che il Consiglio di Amministrazione ha istituito il Comitato per le Nomine e che il Comitato si è riunito n.3 volte nel corso dell'anno.*

*Allo stesso modo si fa presente che è stato istituito il Comitato per le Remunerazioni, riunitosi n.7 volte nel corso dell'anno.*

*Il Consiglio di Amministrazione vigila sul generale andamento della gestione, con particolare attenzione alle situazioni di conflitto di interessi, tenendo in considerazione, in particolare, le informazioni ricevute dall'Amministratore Delegato, dal Comitato Controllo e Rischi, nonché confrontando periodicamente i risultati conseguiti con quelli programmati. Allo stesso tempo il Consiglio di Amministrazione, come in precedenza rilevato, esamina e approva le operazioni aventi un significativo rilievo economico, patrimoniale e finanziario, con particolare riferimento alle operazioni con parti correlate.*

*Rileviamo che nel Consiglio di Amministrazione sono presenti quattro amministratori indipendenti e riteniamo che il numero di consiglieri indipendenti sia adeguato rispetto alla composizione dell'intero Consiglio. In data 4 dicembre 2015 ha dato le dimissioni il Consigliere indipendente Marco Tofanelli ed in data 10 febbraio 2016 il Consiglio di Amministrazione ha nominato per cooptazione Flavia Mazzarella quale Amministratore indipendente non esecutivo.*

*Si rileva inoltre che l'Amministratore Delegato rende periodicamente conto al Consiglio di Amministrazione delle attività svolte nell'esercizio delle deleghe.*

*Abbiamo, nel corso dell'esercizio 2015, inoltre:*

- *rilasciato parere favorevole in ordine alla determinazione dei compensi degli Amministratori con particolari cariche deliberata dal Consiglio di Amministrazione, per i quali anche il Comitato per la Remunerazione ha espresso parere favorevole;*
- *espresso voto favorevole, ai sensi art. 136 D. Lgs n. 385/1993 e successive modifiche, su operazioni creditizie;*
- *accertato che i requisiti di indipendenza dei componenti il Collegio già sussistenti all'atto di nomina permangono;*
- *seguito il processo di formazione e approvazione del resoconto ICAAP.*

*Tenuto conto di tutto quanto precede, sotto i profili di nostra competenza e valutata positivamente la proposta di distribuzione dei dividendi, non rileviamo motivi ostativi circa l'approvazione del bilancio al 31 dicembre 2015 e le proposte di delibera formulate dal Consiglio di Amministrazione.*

*Roma, 24 marzo 2016*

*IL COLLEGIO SINDACALE*

*Alberto De Nigro*

*Barbara Fasoli Braccini*

*Francesco Minnetti*

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**RELAZIONE DELLA SOCIETA' DI REVISIONE INDIPENDENTE AI SENSI DEGLI ARTT. 14 E 16 DEL D.LGS. 27 GENNAIO 2010, N. 39**

Agli Azionisti della
Banca Finnat Euramerica S.p.A.

**Relazione sul bilancio d'esercizio**

Abbiamo svolto la revisione contabile dell'allegato bilancio d'esercizio della Banca Finnat Euramerica S.p.A., costituito dallo stato patrimoniale al 31 dicembre 2015, dal conto economico, dal prospetto della redditività complessiva, dal prospetto delle variazioni del patrimonio netto, dal rendiconto finanziario per l'esercizio chiuso a tale data e dalla relativa nota integrativa.

*Responsabilità degli amministratori per il bilancio d'esercizio*

Gli amministratori sono responsabili per la redazione del bilancio d'esercizio che fornisca una rappresentazione veritiera e corretta in conformità agli International Financial Reporting Standards adottati dall'Unione Europea nonché ai provvedimenti emanati in attuazione dell'art. 9 del D.Lgs. del 28 febbraio 2005, n. 38.

*Responsabilità della società di revisione*

É nostra la responsabilità di esprimere un giudizio sul bilancio d'esercizio sulla base della revisione contabile. Abbiamo svolto la revisione contabile in conformità ai principi di revisione internazionali (ISA Italia) elaborati ai sensi dell'art. 11, comma 3, del D.Lgs. 39/10. Tali principi richiedono il rispetto di principi etici, nonché la pianificazione e lo svolgimento della revisione contabile al fine di acquisire una ragionevole sicurezza che il bilancio d'esercizio non contenga errori significativi.

La revisione contabile comporta lo svolgimento di procedure volte ad acquisire elementi probativi a supporto degli importi e delle informazioni contenuti nel bilancio d'esercizio. Le procedure scelte dipendono dal giudizio professionale del revisore, inclusa la valutazione dei rischi di errori significativi nel bilancio d'esercizio dovuti a frodi o a comportamenti o eventi non intenzionali. Nell'effettuare tali valutazioni del rischio, il revisore considera il controllo interno relativo alla redazione del bilancio d'esercizio dell'impresa che fornisca una rappresentazione veritiera e corretta al fine di definire procedure di revisione appropriate alle circostanze, e non per esprimere un giudizio sull'efficacia del controllo interno dell'impresa. La revisione contabile comprende altresì la valutazione dell'appropriatezza dei principi contabili adottati, della ragionevolezza delle stime contabili effettuate dagli amministratori, nonché la valutazione della presentazione del bilancio d'esercizio nel suo complesso.

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Riteniamo di aver acquisito elementi probativi sufficienti ed appropriati su cui basare il nostro giudizio.

*Giudizio*

A nostro giudizio, il bilancio d'esercizio fornisce una rappresentazione veritiera e corretta della situazione patrimoniale e finanziaria della Banca Finnat Euramerica S.p.A. al 31 dicembre 2015, del risultato economico e dei flussi di cassa per l'esercizio chiuso a tale data, in conformità agli International Financial Reporting Standards adottati dall'Unione Europea nonché ai provvedimenti emanati in attuazione dell'art. 9 del D.Lgs. 38/05.

**Relazione su altre disposizioni di legge e regolamentari**

*Giudizio sulla coerenza della relazione sulla gestione e di alcune informazioni contenute nella relazione sul governo societario e gli assetti proprietari con il bilancio d'esercizio*

Abbiamo svolto le procedure indicate nel principio di revisione (SA Italia) n. 720B al fine di esprimere, come richiesto dalle norme di legge, un giudizio sulla coerenza della relazione sulla gestione e delle informazioni della relazione sul governo societario e gli assetti proprietari indicate nell'art. 123-bis, comma 4, del D.Lgs. 58/98, la cui responsabilità compete agli amministratori della Banca Finnat Euramerica S.p.A., con il bilancio d'esercizio della Banca Finnat Euramerica S.p.A. al 31 dicembre 2015. A nostro giudizio la relazione sulla gestione e le informazioni della relazione sul governo societario e gli assetti proprietari sopra richiamate sono coerenti con il bilancio d'esercizio della Banca Finnat Euramerica S.p.A. al 31 dicembre 2015.

Roma, 24 marzo 2016

Reconta Ernst & Young S.p.A.

Alberto M. Pisani
(Socio)

BANCA FINNAT GRUPPO BANCA FINNAT



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

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

   of the administrative and accounting procedures, in respect of the formation of the financial statements at 31 December 2015.

2. No significant matters emerged, with respect thereto.

3. The undersigned also certify that:

   3.1 the statutory financial statements:

   a. have been prepared in accordance with the applicable international accounting standards approved by the European Union, pursuant to Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of 19 July 2002;
   b. correspond to the entries in the accounting books and records;
   c. provide a true and fair account of the equity, performance and financial situation of the issuing company.

   3.2 The report on operations includes a reliable analysis of the performance and operating income, as well as of the situation of the issuer, together with the description of the main risks and uncertainties to which they are exposed.

Rome, 14 March 2016

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

# CORPORATE GOVERNANCE REPORT DRAWN UP IN ACCORDANCE WITH ARTICLE 123-BIS OF THE ITALIAN CONSOLIDATED FINANCIAL LAW (YEAR ENDED 31 DECEMBER 2015)



## CONTENTS

## 1 ISSUER PROFILE

Following an in-depth self-assessment, Banca Finnat Euramerica S.p.A. has held the corporate governance and organisation model based on the 'traditional' system to be fully valid. With this report, the Bank therefore supplies the annual disclosure on the Corporate Governance model currently adopted by the Bank. At the meeting held on 9 February 2012, the Board of Directors acknowledged the content of the document issued by the Bank of Italy on 11 January 2012, relating to the "Application of the supervisory provisions on the subject of the organisation and corporate governance of banks", which confirms and further details the provisions already in force; having regard to the fulfilments set out in the process of self-assessment by the BoD, in view of which the Directors are invited to fill in a specific Questionnaire, a specific Report was prepared summarising, inter alia, the key results that have emerged; the document was then approved by the Board of Directors and sent to the Bank of Italy on 30 March 2012.

The Board of Directors, at the meeting held on 2 August 2013, revised and supplemented the "Regulation for Related Party Transactions and for the assumption of risk assets with regard to Related Parties", with the purpose of defining tasks and responsibilities and identifying the rules governing the approval and implementation of related party transactions carried out by Banca Finnat directly, or through subsidiaries, with a view to ensuring the transparency and correctness, both in substantive and procedural terms, of said transactions.

As a result of the Communication of 30 October 2012 of the Bank of Italy, the Shareholders' Meeting of 24 April 2013 resolved in favour of amendments to the articles of association with regard to the obligation for the listed companies to adjust the composition of their company bodies in order to ensure gender balance.

The Shareholders' Meeting held on 28 April 2015 elected the members of the BoD and of the Board of Statutory Auditors, whose term of office will expire at the approval of the financial statements at 31 December 2017.

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

With the deed of 30 November 2015 signed by Notary Misurale, Doc. no. 199024 File no. 72583 the Group's subsidiary, Finnat Fiduciaria S.p.A., absorbed Fedra Fiduciaria S.p.A., itself a wholly owned subsidiary of the Bank.

## 2 INFORMATION ON SHAREHOLDERS (ARTICLE 123-BIS, PARAGRAPH 1, ITALIAN CONSOLIDATED FINANCIAL LAW) (AT 31 DECEMBER 2014)

**a) share capital structure (Article 123-bis, paragraph 1/a), Italian Consolidated Financial Law)**

The share capital of Banca Finnat Euramerica S.p.A. amounts to 72,576,000.00 euros, fully paid-in, consisting of 362,880,000 ordinary shares, all with a nominal value of 0.20 euros. Shares in Banca Finnat Euramerica S.p.A. are all listed in the STAR segment of the Borsa Italiana.

With regard to the Stock Option Plan with the reference period of the years 2011-2016, throughout the period of application of the plan, the requirements for its activation in favour of the management of the Company and of its subsidiaries were never satisfied.

On 28 April 2015, the Shareholders' Meeting authorised a new plan for the purchase, from 29 April 2015 and until 29 April 2016, of up to a revolving number of 5,000,000 ordinary treasury shares in addition to those already in the portfolio and, otherwise, for a maximum additional value of no more than 2,177,280 euros for a unit price, for each individual transaction, no higher or lower than by 8% with respect to the reference price recorded in the previous Stock Market session, and, in any case, limited to 2,177,280 euros, with 12 months of validity, to be carried out in accordance with the criteria prescribed by Delegated Regulation (EU) no. 241/2014, and in particular with the provisions of Article 29.3 thereof, with the purpose of supporting trades (market making).

At 31 December 2015, Banca Finnat Euramerica held 28,320,718 treasury shares for a book value of 13,949 thousand euros.

**b) Restriction to the transfer of securities (Article 123-bis, paragraph 1/b), Italian Consolidated Financial Law).**
In addition to the provisions of current legislation concerning the investment in the share capital of a bank, there are no other restrictions to the transfer of Company shares.

**c) Major shareholders (Article 123-bis, paragraph 1/c), Italian Consolidated Financial Law)**
The Bank's shares are placed in the central management system for uncertified securities with Monte Titoli S.p.A.

The main equity investments as shown in the communications pursuant to Article 120 of the Italian Consolidated Financial Law are those indicated in Table 1 hereto.

**d) Securities granting special rights (Article 123-bis, paragraph 1/d), Italian Consolidated Financial Law).**
No securities have been issued granting special control rights.

**e) Shares held by employees: mechanism for exercising voting rights (Article 123-bis, paragraph 1/e) Italian Consolidated Financial Law)**
At 31 December 2015, there are no share participation schemes for employees.

**f) Restriction to voting rights (Article 123-bis, paragraph 1/f), Italian Consolidated Financial Law).**
No restrictions to voting rights are envisaged.

**g) Shareholder agreements (Article 123-bis, paragraph 1/g), Italian Consolidated Financial Law)**
The Directors are not aware of the existence of any significant shareholder agreement in accordance with Article 122 of the Italian Consolidated Financial Law.

**h) Change of control clauses (Article 123-bis, paragraph 1/h) Italian Consolidated Financial Law) and provisions established by the Articles of Association on takeover bids (pursuant to Articles 104, paragraph 1-ter and 104-bis, paragraph 1, Italian Consolidated Financial Law)**

No significant agreements were executed that become effective, are amended, or are extinguished in case of change of control of the contracting company.

The Articles of Association of Banca Finnat do not make exceptions to the passivity rules established by Article 104, paragraphs 1 and 2, of the Italian Consolidated Financial Law nor to the application of the neutralisation rules laid down by Article 104-bis, paragraphs 2 and 3, of the Italian Consolidated Financial Law.

**i) Delegations to increase the share capital and authorisations to purchase own shares (Article 123-bis, paragraph 1/m) Italian Consolidated Financial Law)**

No powers were delegated for capital increases, nor are Directors granted the power to issue investment financial instruments.

The Bank of Italy with measure no. 1039475/11 of 19 December 2011 issued the authorisation to purchase own shares accounting for more than 5% of the share capital, within the maximum limit of 10 million euros.

On 28 April 2015, the Shareholders' Meeting authorised a new plan for the purchase, from 29 April 2015 and until 29 April 2016, of up to a revolving number of 5,000,000 ordinary treasury shares in addition to those already in the portfolio and, otherwise, for a maximum additional value of no more than 2,177,280 euros for a unit price, for each individual transaction, no higher or lower than by 8% with respect to the reference price recorded in the previous Stock Market session, and, in any case, limited to 2,177,280 euros, with 12 months of validity, to be carried out in accordance with the criteria prescribed by Delegated Regulation (EU) no. 241/2014, and in particular with the provisions of Article 29.3 thereof, with the purpose of supporting trades (market making).

**l) Management and coordination (pursuant to Article 2497 et seq. of the Italian Civil Code)**

The Bank is not subject to Management and Coordination pursuant to Article 2497 et seq. of the Italian Civil Code.

The information required by Article 123 bis, paragraph 1 letter i) and letter l) of the Italian Consolidated Financial Law) is respectively explained in paragraph 4.1 (Board of Directors - appointment and replacement) and in paragraph 9 (Remuneration of directors) of this Report.

## 3 COMPLIANCE (ARTICLE 123-BIS, PARAGRAPH 2/A) ITALIAN CONSOLIDATED FINANCIAL LAW)

In accordance with the provisions of Article 123-bis, paragraph 2, letter a) of the Italian Consolidated Financial Law, we should specify that Banca Finnat adheres to the Governance Code of Borsa Italiana S.p.A. in the version of July 2015.

The Governance Code is published on the website www.borsaitaliana.it in the /Rules/Corporate Governance section and can also be viewed on the bank's website www.bancafinnat.it in the Investor Relations/Corporate Governance section.

The Corporate Governance structure of Banca Finnat is not affected by provisions of any non-Italian law.

# 4 BOARD OF DIRECTORS

**4.1 Appointment and replacement (Article 123-bis, paragraph 1/l) Italian Consolidated Financial Law)**

In accordance with the provisions of Article 12 of the Articles of Association, according to the resolution taken by the Shareholders' Meeting, the Board of Directors consists of a minimum of five and a maximum of eleven members. There must always be an odd number. The directors stand in office for three years. Their office expires on the data of the Shareholders' Meeting called to approve the financial statements pertaining to the last year of their office. Should the majority of the directors elected by the Shareholders' Meeting cease their office due to standing down, death or other causes, the entire Board is considered as having stood down and any director remaining in office must call the Shareholders' Meeting urgently to reconstitute the Board.

The entire Board of Directors is appointed on the basis of lists presented by the Shareholders, in which candidates must be listed with a progressive number. Lists must be presented to the Company at least fifteen days prior to the date established for the first calling of the Meeting. The lists must be made available to the public at the registered offices and published on the Company's website without delay and, in any case at least ten days prior to the date established for the first calling of the Meeting.
The composition of the Board of Directors must comply with the gender balance regulations in force, as prescribed by Article 12-bis of the Articles of Association .
Each Shareholder or party adhering to a significant shareholders' agreement in accordance with Article 122 of Italian Legislative Decree no. 58 dated 24 February 1998, the respective controlling parties, the subsidiaries and joint control parties in accordance with Article 93 of Italian Legislative Decree no. 58 dated 24 February 1998, may only present, or participate in the presentation of a single list. They may not present or participate in the presentation of more than one list, directly or through a third party or trustee company. Subscriptions and votes cast in breach of this prohibition will not be assigned to any list. Only Shareholders who alone or jointly with other shareholders hold a total of 2.5% of the share capital with voting rights in the Company's Ordinary Shareholders' Meetings may present lists. Alternative measures may be established by fundamental provisions of law or regulations that will be stated, if applicable, in the notice calling the Meeting. In order to prove ownership of the number of shares necessary to present lists, at the same time Shareholders must provide the Company with the specific certificate issued by a broker qualified in accordance with the law. Together with each list, within the terms of its publication and filing with the registered offices, declarations must also be filed and published by which the individual candidates: (i) accept their candidature and certify, under their own liability, that there is no reason for which they should not be elected or are incompatible with the office, and that they meet the requirements of professionalism and honour and, where applicable, independence, required by current legislation; (ii) supply full information on their personal and professional characteristics; and (iii) supply the further information required by provisions of law and regulations. Lists presented that do not comply with the above provisions shall be considered as not presented. Should there be more than seven members of the Board of Directors, each list must contain at least two candidates in possession of the requirements of independence established for auditors by current legislation. Should, on the other hand, there be fewer than seven members of the Board of Directors, each list must contain at least one candidate in possession of the requirements of independence established for auditors by current

legislation. One of the candidates in possession of these requirements of independence must be included in the first place of each list. Where more than one list is voted, members of the Board of Directors will be elected as follows:

a) where the relevant Meeting resolution determines a Board of Directors comprising eleven members, six directors shall be elected in the progressive order in which they are listed, from the list that has obtained the greatest number of votes. Where the relevant Meeting resolution determines a Board of Directors comprising nine members, five directors shall be elected in this way, or four where the Board of Directors shall consist of seven members, or three where the Board of Directors shall consist of five members, and
b) where the relevant Meeting resolution determines a Board of Directors comprising eleven members, five directors shall be elected in the progressive order in which they are listed, from the minority list that has obtained the greatest number of votes. Where the relevant Meeting resolution determines a Board of Directors comprising nine members, four directors shall be elected in this fashion, or three where the Board of Directors shall consist of seven members, or two where the Board of Directors shall consist of five members.

Each share gives the right to one vote. Should only one list be presented, or should no lists be presented, the Meeting shall resolve with the majorities prescribed by the law, without applying the above procedure. Should one or more Directors cease their office during the year, as long as the majority of the Board continues to comprise Directors appointed by the Meeting, the following shall take place in accordance with Art. 2386 of the Italian Civil Code: i) the Board of Directors shall appoint replacements from candidates pertaining to the same list to which the Directors who have ceased their office pertained, in progressive order starting from the first who had not been elected. This is without prejudice to the fact that where the replacement must meet the independence requirements, the first independent candidate from the same list who had not been elected, shall be appointed; ii) should no candidates (or independent candidates) remain on the list who had not previously been elected, the Board of Directors shall replace the Directors who have ceased their office without applying the provisions of point i). With regards to the members of the BoD, the Issuer shall, in addition to the provisions of the Italian Consolidated Financial Law, be subject to the provisions of the Governance Code of listed companies.

With the approval of Italian Law no. 120 of 12 July 2011, effective as from 12 August 2011, laying down "amendments to the consolidated law of provisions on financial intermediation, set forth in Italian legislative decree no. 58 of 24 February 1998, concerning the equal access to the members of the governing and supervisory bodies of the companies listed on regulated markets", it was necessary to change some clauses of the Articles of Association and the new text was proposed and approved by the Shareholders' meeting of 24 April 2013.

In particular, the Shareholders' Meeting approved the following amendments to the Articles of Association:

Art. 9 – the provision concerning the electronic methods for notifying the proxy was amended. The purpose of the amendment was to allow the Company to use every possible form of electronic notification required by applicable provisions, upon indication of it in the notice calling the meeting.

Art. 12 - The amendments of Article 12 concern, in addition to some mere details of style, the provision of the right to appoint a Honorary Chairman, should the bodies of the Company wish to recognise this title to individuals who distinguished themselves due to their contribution in time in favour of the Company.

Art. 12-bis – The amendments to Article 12-bis concern, among other things, the process for presenting the lists for the appointment of the administrative body. In this regard, in the light of the indications contained in the Issuers' Regulation, it seems appropriate to specify in more detail the list of documents that must be produced by those entitled when presenting the lists. For the same purposes of clarity, the number of independent candidates that must be indicated in each list is specified.
A further amendment concerns the methods of distribution of the directors to be elected among the majority and the minority list, always in compliance with the principles of the Italian Consolidated Financial Law concerning the appointment of the company bodies and, more in particular, minority representation.
Finally, the cases of replacement of directors are regulated more in detail in accordance with the applicable principles and the current practice.
Art. 20 – In line with the provisions of Italian ministerial decree no. 162 of 30 March 2000, it is specified in more detail the list of documents that must be produced by those entitled when presenting the lists.
Finally, the attendance threshold required for presenting the list of candidates for the appointment of the board of statutory auditors is fixed at 2% - compared to the previous 1%. This change is justified in the light of the current level of capitalisation of the Company that decreased significantly over the last few years. Moreover, we would mention that pursuant to Article 144-sexies of the Issuers' Regulation, if, on the deadline for the presentation of the lists, only one list has been presented or only lists presented by shareholders significantly related to one another, lists may be presented for a further three days and the attendance thresholds required by the Articles of Association are reduced by half. This provision was originally entered in the Issuers' Regulations with Consob resolution no. 15915 of 3 May 2007, when the Articles of Association of the Company already fixed the threshold under review at 1%. Therefore, should the conditions of application of the said provision occur, the shareholders who - alone or jointly with others - hold an interests of at least 1%, would be allowed to present their list of candidates to the office of auditor. Finally, we note that the proposed threshold of 2% is still less than the maximum allowed, equal to 2.5% of the share capital (see Consob resolution no. 18083 of 25 January 2012).

The Board of Directors approved the document that describes the optimal qualitative and quantitative composition of the Board of Directors.

Considering its size and current structure, the Bank has not considered it necessary to set up specific director succession plans. The continuity and certainty of management is, however, guaranteed by the timely replacement of directors in accordance with the provisions of the articles of association.

**4.2 Members (Article 123-bis, paragraph 2/d), Italian Consolidated Financial Law)**
The Board of Directors was appointed by the Shareholders' Meeting of 28 April 2015 and will remain in office until approval of the financial statements at 31 December 2017. All Directors were appointed from among the only list of candidates presented by the relative majority shareholder, Mr. Arturo Nattino.

At 31 December 2015, the members of the Board of Directors were as follows:

1. **Ermanno Boffa**, born in Pederobba (Treviso) on 19 August 1966 – Italian national – taxpayer ID Number BFF RNN 66M19 G408H. He has carried out auditing work as Member of the Board of Statutory Auditors:

of Nordica S.p.A; of FIBI S.p.A since 21 June 2004, of Biasuzzi S.p.A from 21 June 2004 to the present day. Length of office from the first appointment: 6 years.

2. **Leonardo Buonvino**, born in Bari on 12 March 1937 – Italian national – taxpayer ID Number BNV LRD 37C12 A662S. He carried out administration and auditing work from 1979 to 2001 for COFIRI S.p.A. as Managing Director. Length of office from the first appointment: 9 years;
3. **Carlo Carlevaris**, born in Naples on 5 August 1931 – Italian national – taxpayer ID Number CRL CRL 31M05 F839E. He carried out administration and auditing work from 1979 to 2003 for Terme Demaniali di Acqui S.p.A. as Chairman of the Board of Directors. Length of office from the first appointment: 12 years;
4. **Roberto Cusmai**, born in Rome on 28 November 1943 – Italian national – taxpayer ID Number CSM RRT 43S28 H501U. He served as Deputy General Manager in Fideuram S.p.A. from 1986 to 1992, in Banca Fideuram S.p.A. from 1992 to 1997 and in Istituto Nazionale delle Assicurazioni (National Insurance Institute) from 1997 to 2001. From 2004 to 2007, he was Sole Director of Consorzio Agenzia Generale of Rome Ina - Assitalia (Generali Group). Length of office from the first appointment: 3 year.
5. **Arturo Nattino**, born in Rome on 28 January 1964 – Italian national - taxpayer ID Number NTT RTR 64A28 H501G. He was involved in administrative and auditing activities as General Manager for Banca Finnat Euramerica S.p.A. and Member of the Board of Directors for Terme Demaniali di Acqui S.p.A. Length of office from the first appointment: 6 years.
6. **Giampietro Nattino**, born in Rome on 9 June 1935 – Italian national – taxpayer ID Number NTT GPT 35H09 H501V. He carried out administration and auditing work from 1998 to 14 May 2009 for Banca Finnat Euramerica S.p.A as Managing Director. Length of office from the first appointment: 12 years;
7. **Giulia Nattino**, born in Rome on 13 September 1974, – Italian national – taxpayer ID Number NTT GLI 74P53 H501X. She was a member of the Board of Directors for Finnat Fiduciaria S.p.A. from 21 April 2006 and sole director of Finnat Immobiliare Srl from 15 December 2005. Length of office from the first appointment: 2 year;
8. **Maria Sole Nattino**, born in Rome on 24 November 1976 – Italian national – taxpayer ID Number NTTMSL76S64H501C has carried out administration and auditing work as a Member of the Board of Directors of Finnat Fiduciaria S.p.A. since 13 March 2012. Length of office since April 2015.
9. *__Marco Tofanelli__, born in Rome on 22 August 1962 – Italian national – taxpayer ID Number TFN MRC 62M22 H501 T. He has served as the General Secretary of Assoreti (National Association of the Banks and SIMs – brokerage companies – that provide investment services) from 1995 to the present day; as Member of the National Guarantee Fund Management Committee from 1998 to the present day. He has served as Managing Director of Assoreti Formazioni Studi e Ricerche S.r.l. from 2006 to the present day. Length of office from the first appointment: 5 years.
10. **Lupo Rattazzi**, born in Lausanne (Switzerland) on 25 January 1953 – Italian national - taxpayer ID Number RTT LPU 53A25 Z133M. He has carried out administration and auditing work from 2003 to the present day for the company I.F.I. Istituto Finanziario Industriale S.p.A as member of the Board of Directors and from 1988 to 2000 for the company Air Europe as Chairman of the Board of Directors. Length of office from the first appointment: 7 years.
11. **Andreina Scognamiglio**, born in Naples on 17 March 1959 – Italian national – taxpayer ID NumberSCG NRN59 C57F 839E. She has served as a Member of the committee for the "innovation and management of public resources" Doctorate coordinated by the University of Molise from 2009 to the present, as director of the Specialisation School of legal professions of the Law Department of the University of

Molise from 2013 to the present; Professor of Administrative Law at the Law Department of the University of Molise from 2005 to the present. Length of office: since April 2015.

* Mr. Marco Tofanelli tendered his resignation on 2 December 2015 and the Board of Directors, on 10 February 2016, appointed by co-optation Ms. **Flavia Mazzarella**, who shall remain in office until the approval of the financial statements as at 31 December 2015.

On the date of approval of this Report, the members of the Board of Directors were as follows:

| Director | Position | Qualification |
|---|---|---|
| **Carlo Carlevaris** | Honorary Chairman | Non-executive, non-independent |
| **Giampietro Nattino** | Chairman | Non-executive, non-independent |
| **Leonardo Buonvino** | Deputy Chairman | Executive, non-independent |
| **Arturo Nattino** | Managing Director | Executive, non-independent |
| | General Manager | |
| **Ermanno Boffa** | Board Director | Non-executive, independent* |
| **Roberto Cusmai** | Board Director | Non-executive, independent* |
| **Flavia Mazzarella** | Board Director | Non-executive, independent* |
| | | Lead Independent Director |
| **Giulia Nattino** | Board Director | Non-executive, non-independent |
| **Maria Sole Nattino** | Board Director | Non-executive, non-independent |
| **Lupo Rattazzi** | Board Director | Non-executive, non-independent |
| **Andreina Scognamiglio** | Board Director | Non-executive, independent* |

* Independent according to the criteria of Article 148 of the Italian Consolidated Financial Law and of the Governance Code.

In relation to the express provisions of Point 1.C of the Governance Code, the Board decided to express its guidance with regards to the maximum number of offices of director or auditor held by its members, in order that such be considered compatible for the efficient performance of the task assigned them with the Bank.

As such, the Board set to 15 (excluding group companies) as the maximum number of offices that may be held in financial, banking, insurance or significant size companies.
The above in compliance with the regulations set forth in Article 36 of Italian Law Decree “Salva Italia” (the so-called “interlocking prohibition”).
The current composition of the Board of Directors complies with the above indications.

The members of the Board of Directors on the date of this Report also hold the following offices in the administrative bodies of other companies listed on regulated markets in Italy and abroad, in financial, banking, insurance or significant size companies.

| Nominativo | Carica | Società | Gruppo BFE | Altri incarichi |
|---|---|---|---|---|
| **Ermanno Boffa** | Director | InvestiRE SGR S.p.A. | X | |
| | Director | Revalo S.p.A. | X | |
| | Permanent Auditor | Friulia Veneto Sviluppo SGR Spa | | X |
| | Permanent Auditor | FINBI S.p.A. | | X |
| **Leonardo Buonvino** | Director | Edindustria S.p.A. | | X |
| | Director | InvestiRE SGR S.p.A. | X | |
| **Carlo Carlevaris** | Deputy Chairman | Cementir Holding S.p.A. | | X |
| | Director | ICAL S.p.A. | | X |
| | Director | Vianini Lavori S.p.A | | X |
| | Director | Vianini Industria S.p.A. | | X |
| | Director | Il Messaggero S.p.A. | | X |
| **Roberto Cusmai** | - | - | | |
| **Flavia Mazzarella** | Director | Saipem S.p.A. | | X |
| **Arturo Nattino** | Director | InvestiRE SGR S.p.A. | X | |
| | Chairman | Revalo S.p.A. | X | |
| | Director | Finnat Fiduciaria SpA | X | |
| | Director | Finnat Gestioni SA | X | |
| **Giampietro Nattino** | Chairman | Finnat Gestioni S.A. | X | |
| | Director | Caltagirone Editore S.p.A. | | X |
| **Giulia Nattino** | Director | Finnat Fiduciaria SpA | X | |
| **Maria Sole Nattino** | Director | Finnat Fiduciaria S.p.A. | X | |
| **Lupo Rattazzi** | Director | EXOR SPA | | X |
| | Director | GL Investimenti Srl | | X |
| | Chairman | Neos S.p.A. | | X |

Non-executive directors are, in terms of number and authority, sufficient to guarantee that their opinion is of a suitable weight in taking board resolutions. Non-executive Directors bring their general and specific competences to board discussions, helping take resolutions that comply both with the company's interests and the principles of healthy and prudent management.

**Induction program**

During the 2015 financial year, the members of the Board of Directors were invited by the Chairman to attend, on a regular basis, economic, legal and financial initiatives affecting the Company operations. In particular, they were invited to attend meetings with the Bank's Risk Manager to discuss issues such as: RAF, Credit Quality, Liquidity Risk, Own Funds.

The Chairman also invited the Board Members to attend the following conventions: ABI convention on directors' duties and responsibilities, half-year meetings on the economic scenario, and the conventions entitled "Trust and generational change" and "Voluntary disclosure".

**4.3 Role of the board of directors (Article 123-bis, paragraph 2/d), Italian Consolidated Financial Law)**

In 2015, 12 meetings of the Board of Directors were held, all of an average duration of 1.30 hours. During 2016, 2 meetings have already been held and a further 4 are scheduled.

Meetings are called by providing at least 5 days notice, in accordance with the Articles of Association, via registered letter or e-mail. In compliance with the recommendations of the Governance Code, the Board meetings are held by dedicating to the items on the agenda the time required for allowing a constructive debate and the contribution of the Directors.
As a rule, the Joint General Manager is invited to attend the Board meetings; the heads of the audit functions and the key executives are invited to attend as well, depending on the items in the agenda.
The Bank established an IT platform to which every member of the Board of Directors or of the Board of Statutory Auditors can access with his/her own credentials to consult the documents produced by the meetings of the Board of Directors; alternatively, said documentation may be sent to the Directors via email as well.
The documents are published on the platform 5 days before the date of the meeting.

The Articles of Association grant the Board of Directors the broadest powers of Bank ordinary and extraordinary administration. More specifically, they grant the faculty to carry out all acts and deeds it may hold appropriate for the implementation and attainment of the corporate purpose, only excluding any act that the law reserves to the Shareholders' Meeting.

More specifically, the Board of Directors:
i) assessed, on the basis of information acquired from the appointed bodies (Managing Director, General Manager, Joint General Manager, Manager in charge of preparing the accounting documents), the suitability of the administrative and accounting organisation, with a special reference to the internal control and risk management system. To this end, the Board of Directors shall verify the corporate structure and, consequently, the efficiency of the internal audit system;
ii) examined the organisational structure of the subsidiaries;
iii) examined and approved the Bank's financial and industrial strategic plans and approved the quarterly, half-yearly and annual balance sheet and income statements of the Bank and its subsidiaries, as well as periodic monitoring of their implementation;
iv) assessed the proposals presented by the Remunerations Committee, having heard the opinion of the Board of Statutory Auditors, for the remuneration of the directors holding specific offices;
v) assessed the general trend of operations, with a specific focus on situations of conflict of interest, periodically comparing the actual results achieved with those planned, considering, in particular, the information received from the Managing Director;
vi) identified and monitored major risks;
vii) assessed and approved the Bank's operations in advance and, in compliance with that specified by the Group Regulations, preventively approves operations of significant strategic, economic, equity and financial importance involving its subsidiaries;
viii) verified the existence of the requirements of current applicable legislation in relation to criteria of professionalism, integrity and independence with regards to the parties comprising it. On 28 April 2015, having noted that the Board consists of 11 members, which is the maximum number allowed by the Articles of Association, of which 3 are executive, non-independent directors, 4 non-executive, independent directors, 5 non-executive, non-independent directors, the Board of Directors expressed its favourable opinion, deeming its operation and size adequate for the Bank's business; the assessment was made analysing dedicated questionnaires prepared with the aid of an outside advisor (Studio

Galante) and submitted to the directors. The results of the questionnaire were examined by the Appointment Committee and by the Board of Directors.

ix) positively ascertained the independence of Directors Ermanno Boffa, Roberto Cusmai, Marco Tofanelli and Andreina Scognamiglio;

x) did not authorise any exception to the general prohibition to competition pursuant to Article 2390 of the Italian Civil Code;

xi) within the scope of the assessments of the Manager in charge of preparing the accounting documents, the adequacy of the organisational, administrative and accounting structure of subsidiaries with strategic relevance were evaluated.

### 4.4 Appointed bodies

The Managing Director and General Manager Arturo Nattino, who can be qualified as the person having principal responsibility for managing the company (chief executive officer) received managerial appointments. The interlocking directorate situation prescribed by application Criterion 2.C.5. is not applicable.

The Deputy Chairman of the Board of Directors, Mr. Leonardo Buonvino is appointed, in accordance with the Articles of Association, to replace the Chairman in all his tasks and powers, taking his place in the event of his absence or impediment.

The Managing Director, without prejudice to the powers of the Board of Directors in accordance with the law and the articles of association, is granted all powers necessary for the Bank's administration, with the broadest powers in this respect. Within the scope of the tasks assigned, the Managing Director shall represent and sign on the Bank's behalf.

The Managing Director reports back to the Board of Directors on a quarterly basis with regard to the exercise of his appointments.

Without the following intended as any limit to the above delegation, the tasks, powers, faculties and appointments specified hereto by way of example, are conferred to the Managing Director.

a) Statutory and representation powers

1. To exercise, also on behalf of the Chairman with powers, in case of their absence or impediment, legal representation of the Company, before third parties and in judgement, and the corporate signature, in accordance with Article 19 of the Bank's Articles of Association;
2. to exercise the powers necessary for the administration of the Bank; by way of non-comprehensive example, the Managing Director is vested with the following powers.

b) Management

1. To prepare the Bank's Business Plan and submit it to the resolution of the Board of Directors;
2. to submit to the Board of Directors the draft consolidated financial statements, the interim reports and the draft annual budget, prepared with the support of the Joint General Manager;
3. to assure to the Board of Directors, or to the bodies delegated by it, full knowledge and governability of the company's business, defining effective procedures and information flows;
4. to implement the strategic indications and resolutions of the Board of Directors, supervising their implementation and ensuring that they are carried out in compliance with the set guidelines;

5. in case of particular urgency, to make decisions for which the authority rests with the Board of Directors and the Executive Committee, if one is provided, with the input of the Chairman of the Board of Directors. The decisions thus made are brought to the attention of the competent Body during the first meeting in accordance with Article 17 of the Bank's Articles of Association;
6. to monitor the adequacy of the company's capital and financial means as prescribed by pertinent regulations;
7. to represent the Bank in the shareholders' meetings of other companies or entities, also issuing proxies for participation in such meetings, and to exercise all related rights;
8. to exercise any and all other power attributed continuously or from time to time by the Board of Directors;
9. to stipulate deeds and agreements of any type and nature, provided they are consistent with the purpose of the company and fall within the scope of ordinary administration, within the powers delegated to him and in compliance with the regulations promulgated by the Supervisory Authority;
10. to propose to the Board of Directors resolutions with regards to the purchase, sale, granting of mortgage and rent of properties for more than nine years;
11. to propose to the Board of Directors resolutions with regards to the purchase, sale and rent of businesses or business units;
12. to propose to the Board of Directors resolutions with regard to the acquisition and disposal of majority shares and operations on the capital of subsidiaries;
13. to propose to the Board of Directors resolutions with regard to subsidiary management strategies;
14. to propose to the Board of Directors resolutions with regard to the taking and disposal of majority shares and operations on the capital of subsidiaries;
15. to give instructions in relations with investee companies;
16. to represent the Bank before the judicial authorities, in any type of Court and appoint legal counsel and attorneys.

c. Organisation

1. To assure the consistency of the organisational structure with respect to the Bank's goals and strategies;
2. to propose to the Board of Directors the establishment, transfer and closing of branches;
3. periodically to report to the Board of Directors about t n case of deficiencies or anomalies brought to light by the control functions.

d. Disposal of assets

1. To dispose or sell tangible and intangible assets, with a value of over 100,000 euros and up to 1,000,000 euros net of amortisation/depreciation;
2. after the verification by the Manager in charge of preparing the accounting documents and with the favourable opinion of the Credits Committee, to assign credits without recourse, at a value of no less than 90% of the net value recorded in the financial statements;
3. after the verification by the Manager in charge of preparing the accounting documents, and with the favourable opinion of the credits committee, to sell credits with recourse, for net amounts below 500,000 euros recorded in the financial statements.

e. Communication

1. To entertain relations with the media and with analysts;

2. to prepare the market disclosures about price sensitive and non price sensitive information, upon proposal of the Studies, Research and Investor Relations unit and jointly with the manager in charge of preparing the accounting documents if the disclosure contains accounting information (Article 114 of Italian Legislative Decree 58/98);
3. to approve the content of any advertising or promotional message.

f. Relations with the authorities, public administration and with agencies

1. To represent the Bank before the CONSOB and the Bank of Italy and the other Supervisory Authorities, with the express power to sign and present communications, reports and notices;
2. to challenge tax assessments before the tax commissions and administrative offices of every kind and level;
3. to adhere to bankruptcy proceedings in general, to intervene and bid in court-ordered public auctions. To participate in tenders and auctions for public and private bidding called by state administrations, state-controlled bodies, public agencies in general and private entities; to submit bids also with rises, to accept and sign the provisional and definitive awards, and the related Agreements;
4. to entertain relations with the Italian Revenue Agency in response to financial investigations and for the notification of open financial relations;
5. to sign agreements with the Bank of Italy for any reason and cause, including, for example, the agreements for participation in centralised payment systems.



g. Financial activities and investment services

1. To provide for the purchases and sales of own shares according to the plans approved by the Shareholders' Meeting and according to the procedures approved by the Board of Directors;
2. to guide the policies for managing trading and available for share portfolios based on the resolutions of the Board of Directors, supervising compliance with the connected risk limits set out in the Regulations for financial activities.

General Manager

a. Management and organisation

1. To sign the correspondence of the Bank and the documents related to the exercise of the assigned powers, with promise of ratification and approval and under the legal obligations;
2. to assure the operational management of the Bank, according to the approved organisation model, imparting operating directives and informing the organisation about the goals and policies to be pursued;
3. to assure the preparation and revision of internal regulations and the formalisation of the corporate processes, in order to assure efficiency and correctness in the operational management of the Bank, consistently with the duties and responsibilities of the organisational units tasked with executing the activities, as they are defined in the corporate organisational chart;
4. to assure the functionality of the internal audit system and the adoption of suitable and timely corrective measures in case of deficiencies or anomalies reported by the competent corporate functions;
5. to assure, in compliance with the indications and directives of the Board of Directors, the adoption and full availability of an effective, complete and reliable information system, adequate for the Bank's functional and operational needs;

6. to implement effective communication channels, in order to assure that the personnel of the Bank's Organisational Unit are aware of the policies and procedures pertaining to their duties and responsibilities and, within that scope, to identify and minimise areas of potential conflict of interest;
7. to inform the Board of Directors, at least once every six months, about the most significant decisions made for the management of the company within the scope of his/her powers.

b. Personnel

1. With the support of the Joint General Manager, to direct and supervise all matters related to human resources and to issue specific regulations for organisational purposes;
2. to propose to the Board of Directors the approval of the annual budget for personnel expenses and the related remuneration policies, consistently with the strategies approved in the industrial plan, subsequently executing them - after approval - also by exercising the power set out below;
3. to oversee negotiations for the drawing up of any supplementary corporate employment contracts;
4. to propose to the Board of Directors the hiring, promotion, termination of the Bank's "significant personnel" as defined in the document pertaining to personnel remuneration policies, approved by the Bank's Shareholder's Meeting, and prepared in compliance with supervisory provisions;
5. to hire, promote, terminate the remain personnel under defined and undefined duration employment contracts, setting their level, functions, compensation and improvements. Within the limits prescribed by the annual budget for personnel expenses and remuneration policies;
6. to supervise the entire process of any disciplinary charges and adopt and notify disciplinary penalties;
7. to decide with regard to the execution of continuous collaboration contracts for personnel not directly employed by the Bank;
8. to stipulate insurance coverage in favour of staff;
9. to grant advance payments, at employees' request, from the accrued staff severance fund;
10. to make decisions with regards to the appointment and revocation of those responsible for departments, organisational units and branches. With the exclusion of the organisations referred to the Bank's "significant personnel", which remain under the authority of the Board of Directors:
11. to authorise travels and attendance at training courses, according to the powers defined in the Regulations on personnel management and administration. In detail, the following powers are granted:
    i) based on the estimated total cost of the travel, to authorise the expense of up to 50,000 euros. Limit for each individual travel and subject to the provisions of the annual expense budget;
    ii) based on the registration cost for each individual person in a training course, to authorise the expense;
12. to assume expense commitments, also through the use of corporate credit cards, for entertainment expenses up to 20,000 euros for each individual event.

c. Communication

1. To sign account statements and notices to customers of a general nature, including those required by bank disclosure regulations;

d. Relations with the authorities, public administration and with agencies

1. To carry out all actions pertaining to transactions on accounts in Euro and securities held with the Bank of Italy;

2. to represent the Bank before inland revenue offices, registry offices, revenue technical offices, the Revenue Service, the value added tax offices, service centres, the tax register, municipal offices, including those for local taxes, and before the general record of equities, preparing, signing and filing petitions, appeals, complaints, declarations, returns and forms for third party income subject to withholding tax, the monthly and annual VAT returns, making payments or collecting reimbursements;
3. to manage relations with the Interbank Fund for the Protection of Deposits;
4. to entertain relations with judicial authorities;
5. to sign any document necessary to deposit trademarks, patents and distinguishing marks with competent administrative bodies;
6. to file reports and/or complaints implementing Board of Directors resolutions, to make garnishee's statements.

e. Banking Services

1. To issue, endorse, accept and protest bank cheques, bills of exchange, promissory notes, deposit warrants and other bills also for collection, subject to prescribed limits to credit and settlement powers;
2. to discount and defer bills;
3. to negotiate, acquire, sell, also on the bank's own behalf, bank bills and commercial paper;
4. to open current accounts and deposit accounts with any bank and postal current accounts and to operate thereon, carrying out all transactions necessary for their operation;
5. to stipulate guaranteed loan agreements with the Bank of Italy and other banks;
6. to authorise bank and intra-bank transfers in Italy or abroad on behalf of private customers and of institutional customers with direct relations, subject to the bank's official counter-signature and certification of funds availability, without limits to their amounts. Powers without amount limits shall nonetheless remain within the supervisory limits for risk concentration (25% of regulatory capital);
7. to authorise bank and intra-bank transfers on behalf of the Bank (suppliers, commissions, etc.), subject to the authorisation already provided according to the assigned expense powers;
8. to authorise the issue of bank drafts on customer's behalf;
9. to receive amounts, make payments and issue receipt;
10. to authorise the general conditions and the interest rates by type of service/transaction (bank service price list);
11. to grant waivers with respect to the price list, by relationship, up to a complete zeroing of the value of all commission items;
12. to grant customers rebates and discounts connected with the Bank's products and services.

f. Financial activities and investment services

1. To request membership in regulated market management companies and multilateral trading facilities, signing the related conventions and restricting the required deposits and to activate conventions with intermediaries/brokers;
2. to guide the policies for managing company liquidity and the "banking book", supervising compliance with the connected risk limits set out in the Regulations for financial activities;
3. to order or authorise, within the scope of the specific guidelines of the Board of Directors, transactions on the bank's own behalf or on behalf of third parties on financial instruments, also not listed on Italian

or foreign regulated markets and on currencies and transactions on the money market. In detail, the following powers are granted:

i) to purchase and sell financial instruments and currencies (own behalf) and to carry out transactions on the money market on Banca Finnat accounts within the limit of 200,000,000 euros for each individual transaction;

ii) to purchase or sell financial instruments and currencies on behalf of the Bank's customers (on behalf of third parties), without amount limits ;

iii) to intervene on the Bank's behalf in all transactions concerning the transfer of securities, signing for deposits, receipts, transfers, authentication and similar;

4. at the proposal of the Deputy General Manager - Finance Area, to execute framework agreements for over the counter operations and financial guarantee contracts;
5. to authorise settlement of transactions on financial instruments and currencies, and payment orders on the accounts pertaining to transactions in the finance area;
6. to intervene on the Bank's behalf in all transactions concerning the transfer of securities, signing for deposits, receipts, transfers, authentication and similar;
7. to authorise the general mandate conditions (investment service price list);
8. to grant waivers on commissions and expenses (with respect to the price list) by relationship, up to a complete zeroing of the value of all commission items;
9. to authorise transactions with single counterparty entailing temporary loans beyond the limits prescribed for that counterparty;
10. to sign bid documents, information prospectuses, information documents pertaining to financial instruments and products issued or offered by the Bank;
11. to promote, organise and participate directly, with or without providing guarantees with respect to the issuer, in syndicates for the placement and guarantee of financial instruments, also long term, in euro or in foreign currencies, signing the related agreements with guaranteed and sub-guaranteed issuers with all broadest powers to define the remuneration and procedures of the transactions in question, within the scope of the granted powers, within the limit of 20,000,000 euros for each individual transaction; and to organise, without assumption of share, loans and financing, also medium and long term, in euro and foreign currencies, upon specific appointment by the beneficiary;
12. to carry out repo transactions up to amount of 200,000,000 euros for each individual transaction.

g. Credit, settlements, mortgages and property seizures

1. To approve and authorise settlements and concessions / renewals / changes to credit lines, within the scope of his powers, by technical form, as described in detail below:

i) to authorise current account overdrafts beyond the agreed limit, up to 2,000,000 euros per individual overdraft;

ii) to authorise current account overdrafts, up to 2,000,000 euros per individual overdraft;

iii) to issue credit cards to customers, or to increase the maximum monthly utilisation limit of 50,000 euros (black card);

iv) to grant credit lines / loans with "class A risk" as defined by the credit Regulations, up to a maximum amount of 1,500,000 euros;

v) to grant credit lines / loans with "class B risk" as defined by the credit Regulations, up to a maximum amount of 2,000,000 euros;

vi) to grant credit lines / loans with "class C risk" as defined by the credit Regulations, up to a maximum amount of 3,500,000 euros;
vii) to grant current account overdraft credit lines, up to a maximum amount of 2,500,000 euros;
viii) to authorise the purchase of securities with temporary current account overdraft, up to a maximum amount of 2,500,000 euros;
ix) to authorise "reserved entry unlocking", without amount limits;
x) to authorise the use of the error accounts for purchase / sale of securities on third parties' behalf, with a limit of 500,000 euros for each individual event (income statement impact generated by the activation of the errors account, regardless of the sign);
xi) to grant credit lines for customers' "forward transactions", up to a maximum amount of 3,500,000 euros; For forward transactions hedging positions in securities with duration up to 6 months, a "utilisation" of the line equal to 20% of the forward, equal to 50% with durations above 6 months is generated. For speculative transactions, the "utilisation" is 100% of the forward;
xii) to authorise Euro current account overdrafts for foreign transactions, without amount limits;
xiii) to authorise foreign currency current account overdrafts for foreign transactions, without amount limits;
xiv) to authorise temporary overdrafts (up to 3 days) for transactions on financial instruments, up to a maximum amount of 5,000,000 Euros;
xv) to grant credit lines for transactions entailing risk "of delivery" or "of a commercial nature" (max deferral 6 business days) in relation to the collection of the price, up to a maximum amount of 4,000,000 euros;

2. to provide sureties and guarantees in the interest of the Bank and of third parties, within the limits of the powers assigned under point 1.;
3. subject to the decision by the competent level in terms of amount, in accordance with the then-current credit regulations, to constitute, in the bank's favour, guarantees of any nature in particular with regard to the granting of loans; to allow inscriptions, transcriptions, cancellations, postponements, reductions, annotations, subrogations, fractionings; to request preventive remedies, to enforce recovery actions, on public registries;
4. to request, negotiate and stipulate with banks and financial intermediaries credit transactions in the Bank's favour for up to 10 million euros;
5. to settle disputes - out-of-court or judicially - in relation to credits, with impacts not amounting to more than 250,000 euros. To waive credits of an amount no greater than this same limit. With the preventive opinion of the Credits Committee;
6. to take resolutions - with effect also towards third parties and the competent Property Registrars - with regards to the restriction, reduction, division, subordination, renovation, cancellation (fully or partially) or mortgages and the release of mortgaged property, with a declaration exonerating the Keeper of the records from all relevant liability; all this, furthermore, with reference to cases of total or partial credit recovery, restructuring (see above), settlement (see above) or renunciation of credit (see above) and with the limits set out therein; with reference to the cases of payment or reimbursement - total or partial - of the amount due, with no limit of amounts;
7. to waive - with the same effects and limits as per the previous point - property repossessions and to request the cancellation of transcriptions of property seizures and/or any notes;
8. with reference to credit matters, to act judicially, also through precautionary or executive measures and also by interventions, in every venue and degree and to lodge appeals for declarations of bankruptcy

and insolvency, proposing the related petitions for admission, including late ones, intervening and proposing petitions of any nature in insolvency proceedings and objections to total debt statements. To appoint legal counsel and attorneys for this purpose. All for credits whose amount, for each position, do not exceed 1,000,000 euros;

9. to request preventive remedies, to enforce recovery actions, on public registries;
10. to give execution to the resolutions of the Credits Committee.



h. Expenses

1. To undertake and authorise spending commitments according to the procedures and in accordance with the powers set out in the Regulations for general expenses and investments. In detail, the following powers are granted:
   i) to assume spending commitments for costs connected with the operation of the Bank, not regulated by specific conventions or administration agreements. If provided in the related annual expense budget and with the limit of 150,000 euros for each individual expense;
   ii) to assume commitments for investments included in the annual budget for the set-up of organisations that assure the operation of the Bank. With a maximum limit of 1,000,000 euros for each individual investment;
   iii) to assume "extra budget" expense commitments, in cases of proven urgency and severity. With limit of 25,000 euros for operation, 10,000 euros for unforeseen events, 5,000 euros for consulting services, 5,000 euros for promotion, 5,000 euros for supplies; informing the Board of Directors at the earliest possible meeting if it was not possible to find amounts in the budget from other annual expense items.

i. Disputes and complaints

1. At the proposal of the head of the Compliance function, definitively address each individual complaint;
2. to appoint and revoke legal counsel and attorneys;
3. to accept and promote settlements with the opposing parties in judgement, up to 250,000 euros of amount for the transaction;
4. to represent the Bank in judgement;
5. to respond definitively to each individual complaint for amounts equal to or greater than 50,000 euros and up to 300,000 euros;
6. to decide reimbursement and returns; waivers to revenues and settlements in the pre-dispute phase (with the exception of cases of restructuring of problem credits and/or of increased credit risk); payments not in accordance with the contractual terms for amounts up to 500,000 euros on an annual basis;
7. to accept out of court settlements for amounts up to 250,000 euros;
8. file criminal complaints with the competent Judicial Authorities.

**Chairman of the Board of Directors**

The Chairman of the Board of Directors who has not received managerial appointments nor holds a specific role in the preparation of business strategies, is not the main party responsible for management nor the majority shareholder in the Bank, but does cover a promotional role, providing a continuous presence on the financial market in the bank's interest, having relations of an extremely high economic and institutional level, and promoting meetings with the management of major national and international operators.

All in view of the particular prestige and professional appreciation enjoyed by Mr. Giampietro Nattino in the economic-financial community.
Therefore, the Board of Directors deemed it appropriate to formalise the specific professional commitment for the stated activities of external relations and promotion for the year 2015.

**Disclosure to the Board**

The Managing Director reports, on a half-yearly basis, on the work carried out under the scope of his appointments at each useful meeting.

During Board meetings, the Chairman of the Board of Directors informs the Directors in a timely manner of all updates to first and second level regulations linked to the Bank and Group's activities.

### 4.5 Other executive directors

| Director | Position | Qualification |
|---|---|---|
| **Leonardo Buonvino** | Deputy Chairman – holds office in the Issuer | executive, non-independent |
| **Arturo Nattino** | Managing Director - | executive, non-independent |
| | serves as the issuer's General Manager | |

### 4.6 Independent directors

The Board of Directors appointed on 28 April 2015 remains in office until approval of the 2017 financial statements. It has been formed in accordance with the criteria specified in the Governance Code and the rules promulgated by the Bank of Italy and by Consob and includes 4 Independent Directors. All Independent Directors have filed professional curricula and issued declarations attesting their Independence. The level of each director's independence has been assessed on the first useful opportunity following his/her appointment, with regard to the requirements laid down by the law, the Governance Code and by Article 20 of the Articles of Association; subsequently, the Board shall annually assess the fulfilment of independence requirements.
After assessing the independence requirements for each of the non-executive Directors, the Board of Directors specifies the valuation criteria applied in practice and it has disclosed the results of its assessments with a notice released to the market.
By specifically investigating, the Board of Statutory Auditors has ascertained the correct application of the criteria adopted by the Board to assess the independence of its members.

In 2015, the independent directors met without the other directors during the meetings of the Risk Committee and of the Remunerations Committee (see points no. 8) and 10).

### 4.7 Lead independent director

During the meeting of 28 April 2015, the Board of Directors established the role of Lead Independent Director prescribed in the Governance Code, although the conditions indicated by the Code did not apply. During the same meeting, the Board appointed Marco Tofanelli as Lead Independent Director.
Following Mr. Tofanelli's resignation, Ms. Mazzarella, appointed by co-optation, became the Lead Independent Director.
The Lead Independent Director is assigned the duties prescribed by the Governance Code.

## 5 PROCESSING OF COMPANY DATA

The Bank has set up the internal procedure "Management of public disclosures of significant events and circumstances", with the aim of allowing the fulfilment of informative commitments pursuant to Article 114 of Italian Legislative Decree no. 58 dated 24 February 1998, supplying the criteria suitable for identifying documents and information concerning the Bank and Companies subsidiary to the Bank, not of public domain, and of such a level that, if made public, able to significantly affect the price of the financial instruments issued by the Bank (price sensitive issues), in addition to other significant events and circumstances, and to govern the methods by which such are disclosed to the public.

Communication obligations are met, on the Bank Managing Director's behalf and on his instruction, by the Investor Relator.
Communications are made immediately available to the public in compliance with the law.
The Investor Relator publishes the disclosure on the Bank's website in both Italian and English, by the time of opening of the market on the day after the date on which said news is disclosed.
The disclosure remains available on the website for at least five years as from the date of publication.

In compliance with the provisions of Article 115-bis of Italian Legislative Decree no. 58/98, the Bank has set up the "Register of Persons with access to privileged information" (Insider Register). This Register states all those who by virtue of their professional and working activities, or given their tasks within the bank, have access to privileged information.
The Legal Department appointed to hold the "Insider Register".
The Bank has also adopted a specific internal procedure, the "Internal Dealing Code", which is binding for all Board members and aims to govern the disclosure to be made to the market, in the event of company representatives trading in Bank shares.

## 6 INTERNAL BOARD COMMITTEES

In order to encourage an efficient system of information and consulting, which allows the Board to better assess some of the matters of its competence, the Appointment Committee, Remunerations Committee and the Risk Committee have been set up.
No other Committees have been established within the Board of Directors, in addition to those indicated below (under points 7, 8, and 9).
The functions of the Committees have been distributed as prescribed by the Code.
None of the functions of any Committee are reserved to the Board.

## 7 APPOINTMENT COMMITTEE

During the meeting of 15 May 2012, the Board of Directors, in line with the recommendations of the Governance Code (principle 5.P.1), set up an Appointment Committee, composed mostly of independent directors. The task of this committee is to identify the optimum qualitative and quantitative composition of

the Board of Directors, by indicating the professional figures whose presence can benefit its proper and efficient operation. The Appointment Committee comprises the following Directors:
At 31 December 2015, the members of the Committee were as follows:

| Director | Position |
|---|---|
| ***Arturo Nattino** | Chairman - executive, non-independent |
| **Andreina Scognamiglio** | Member - non-executive, independent |
| ***Marco Tofanelli** | Member - non-executive, independent |

* Following the resignation of Mr. Tofanelli, the committee was re-established on 10 February 2016, appointing Ms. **Flavia Mazzarella** as Committee member and appointing Prof. **Andreina Scognamiglio** as Chairman of the Appointment Committee.

In 2015, the Committee met three times and specific minutes were drawn up for the meetings. The Committee has met once during the current year.
The Heads of the Functions involved in relation to the items in the Agenda were invited to attend.

The Appointment Committee provides advice and formulates proposals and recommendations in order to identify professionals who can contribute to the optimal composition of the Board.
In particular the Committee shall carry out the following tasks:

a) provide opinions to the Board of Directors concerning its size and composition and express recommendations concerning the professionals whose presence in the Board is deemed advisable and about the topics per Articles 1.C.3. and 1.C.4. of the Governance Code;
b) propose to the Board of Directors candidates for the office of director in case of co-optation, when independent directors need to be replaced, fulfilling the requirement to assure an adequate level of diversification in the collective membership of the Board. In this regard, the Committee shall set a target quota for the less represented gender and shall prepare a plan to raise said quota up to the set target;
c) if the Board of Directors decides to adopt a plan for the succession of the executive directors, its preparatory phase shall be carried out by the Appointment Committee;
d) it shall support the Board of Directors in the nomination of candidates for the office of director if one or more directors leave office during the year (see Article 2386, First Paragraph, of the Italian Civil Code), assuring that the minimum number of independent directors is reached.

The Committee shall also provide support to the bodies with strategic supervision and management functions in the following processes:

- self-assessment of the Board, in accordance with Bank of Italy Circular no. 285;
- verification of the conditions prescribed by Article 26 of the Italian Consolidated Law on Banking;
- definition of succession plans for top executive positions, prescribed by Section IV of Bank of Italy Circular no. 285.

  In the performance of its duties, the Committee shall take into account to the objective of preventing the Board's decision making processes from being dominated by a single person or groups of persons who can cause prejudice to the Bank.

  In the performance of its duties, the Committee may access the information and the corporate functions necessary to carry out its tasks and to rely on outside consultants, within the terms set by the Board of Directors.

The Bank shall make financial resources available to the Committee, when necessary for the performance of its duties, within the limits of the specific budget approved by the Board of Directors. In 2015, the use of financial resources was not requested.

In 2015, the Appointment Committee:
- analysed the results of the self-assessment by the Board of Directors;
- assessed the composition and operation of the Board;
- ascertained the fulfilment of the directors' Independence requirements;
- expressed its opinion on the appointment of the Manager in charge of preparing the corporate accounting documents.

## 8 REMUNERATIONS COMMITTEE

The Bank has established a Remunerations Committee (principle 6.P.3. of the Code), and for any stock option plan or share assignment, consisting of 3 non-executive and independent Directors, one of whom has specific knowledge and experience in compensation policy matters.
This committee makes proposals to the Board, in the absence of the parties directly concerned, for the remuneration of the Managing Director and those holding special offices, in addition to, upon indication by the Managing Director, determine the criteria by which the Company's senior management should be remunerated.

The committee currently consists of:

| Member | Position |
|---|---|
| **Roberto Cusmai** | Chairman - non-executive, independent; expert |
| **Ermanno Boffa** | Member - non-executive, independent |
| **Andreina Scognamiglio** | Member - non-executive, independent |

During 2015, 7 meetings of the Committee were held, all of an average duration of approximately 45 minutes. Specific minutes were drawn up for the Committee meetings. This year, 2 meetings have been held.
The Committee invites the Board of Statutory Auditors and the Personnel interested in the issues under review to attend its meetings.
No director concerned took part in the meetings of the Remunerations Committee during which proposals were made with regard to his remuneration.
The Heads of the Functions involved in relation to the items in the Agenda were invited to attend.

The Remunerations Committee has the following tasks:
- it provides advice and submits proposals concerning the remuneration of corporate officers1 and heads of the corporate audit functions and the determination of personnel remuneration criteria, and it supports the Board of Directors with its advice and proposals, in particular:
- it directly oversees the correct enforcement of the rules for the remuneration of the heads of the

corporate audit functions, in close cooperation with the audit body;
- it oversees the preparation of the documentation to be submitted to the Board of Directors for the related decisions;
- it collaborates with the other Committees within the Board of Directors, in particular with the Risk Committee;
- it assures the involvement of the competent corporate functions in the definition and control of remuneration policies and practices;
- it expresses its views, relying also on the information received from the competent corporate functions, on the attainment of performance targets, to which the incentive plans are tied, and on the ascertainment of the other conditions set for payment of the compensation;
- it provides adequate feedback on the activity it carries out to the corporate bodies, including the Shareholders' Meeting;
- it has the authority to access the information and the corporate functions necessary to carry out its tasks with the support of the corporate functions involved according to their areas of responsibility;
- it has the authority to rely on the services of a consultant in order to obtain information about the market practices pertaining to compensation policies, preventively verifying that said consultant is not in situations that may compromise his/her independent judgement;
- it reports to Shareholders with regard to the way it carries out its duties; for this purpose, at least the Chairman or another member of the Committee shall attend the annual Shareholders' Meeting;
- it submits to the Board of Directors proposals for the remuneration of the Managing Director and of the other Directors holding special offices; it periodically assesses the criteria adopted for the remuneration of key managers, it oversees their enforcement on the basis of the information provided by the Managing Director and it formulates general recommendations on the matter to the Board of Directors;
- it proposes to the Board of Directors the incentive systems deemed most appropriate (including stock option plans and share retention plans) and it monitors the evolution and implementation, over time, of the plans approved by the Shareholders' Meeting at the proposal of the Board;
- it may rely on outside consultants, within the terms set by the Board of Directors. The Bank shall make financial resources available to the Committee, when necessary for the performance of its duties, within the limits of the specific budget approved by the Board of Directors.

In 2015, the Committee did not deem it necessary to rely on outside consultants.

The Remunerations Committee, taking into account the opinion of the Board of Statutory Auditors:

a) prepared the report on the activity carried out in 2014;
b) examined the Incentive Plan for 2015;
c) examined the Remuneration Report prepared pursuant to Article 123-ter of Italian Legislative Decree 24 February 1998, no. 58 ("TUF" Italian Consolidated Financial Law) and of Article 84-quater of Consob Regulation no. 11971 ("RE"), as well as in compliance with the Prudential Supervisory Provisions of the Bank of Italy;
d) expressed its own opinion on the proposals for the remuneration of some Directors holding special offices;
e) It expressed its opinion on the application of the 2014 Incentive System and on the distribution of the fees to the most important personnel.

f) It expressed its opinion on the Incentive System of the subsidiary InvestiRE SGR S.p.A., having ascertained the consistency of the plan, as submitted, with the general Policies and Principles approved by the Parent Company.

For the correct performance of its f unctions, the Remunerations Committee had the opportunity to access all information and company functions necessary for the performance of its duties.



## 9 DIRECTORS' REMUNERATION

On 28 April 2015, the Shareholders' Meeting of Banca Finnat approved the policy for the remuneration of Directors, Employees and Collaborators not linked by contractual relationships.
In accordance with Article 114, paragraph 5 of the Italian Consolidated Financial Law, it is declared that on 31 December 2015, there are no agreements in place concerning indemnity to be paid to directors in the event of early termination of their office.
For all information about the policies for the remuneration of directors adopted by the Bank, please refer to the "Remuneration Report" prepared in accordance with Article 123-ter of the Italian Consolidated Financial Law referred to the year 2015, to be published on the Website www.bancafinnat.it in the Corporate Governance section within the terms prescribed by law.

## 10 RISK COMMITTEE

The Risk Committee provides consulting and makes proposals. It consists of 3 non-executive independent directors, one of whom has knowledge and experience in accounting, financial and risk management matters. The Board of Statutory Auditors participates in the Committee's work. Specific minutes are drawn up for the meetings.
At 31 December 2015, the members of the Risk Committee were as follows:

| Member | Position |
|---|---|
| ***Marco Tofanelli** | Chairman - non-executive, independent |
| **Ermanno Boffa** | Member - non-executive, independent |
| **Roberto Cusmai** | Member - non-executive, independent |

* Following the resignation of Mr. Tofanelli, the committee was re-established on 10 February 2016, appointing Ms. **Flavia Mazzarella** as Committee Chairman.
During the year 2015, the Committee met 9 times for an average duration of 1 hour and 30 minutes.
In the current year, one meeting was held.
The Heads of the Functions involved in relation to the items in the Agenda were invited to attend.

The Audit and Risk Committee has the following tasks:

a) it supports, with adequate preliminary activities, the assessments and decisions of the Board of Directors with regard to (i) the internal audit and risk management system, (ii) the approval of the periodic financial reports, (iii) actual compliance with administrative and accounting procedures (Article 154-bis of the Italian Consolidated Financial Law), (iv) to the dealings between the Bank and the audit firm engaged to audit the statutory and consolidated financial statements;

b) it assesses the correct utilisation of the accounting standards and their consistency for the purposes of the preparation of the consolidated financial statements, together with the Manager in charge of preparing the accounting documents and with the inputs of the independent audit firm and the Board of Statutory Auditors;
c) it expresses opinions on specific aspects pertaining to the identification of the main corporate risks;
d) it expresses evaluations and formulates opinions to the Board of Directors on compliance with the principles to which the internal audit system and the corporate organisation must be aligned and with the requirements that must be fulfilled by the corporate audit functions, bringing to the attention of the Board of Directors any weaknesses and the consequent corrective actions to be promoted; for this purpose it also assesses the proposals of the Board of Directors with management functions;
e) it verifies that the corporate audit functions correctly comply with the indications and guidelines of the body and it assists it in preparing the coordination document prescribed by Bank of Italy Circular no. 263, Title V, Chapter 7, Section II);
f) it preventively examines the activity plans (including the audit plan) and the annual reports of the corporate audit functions addressed to the Board of Directors;
g) it expresses its preventive opinion to the Board of Directors with regard to the approval - at least on an annual basis - of the work plan prepared by the internal audit function;
h) it monitors the autonomy, adequacy, effectiveness and efficiency of the internal audit function;
i) it may ask the internal audit function to perform audits on specific operating areas, concurrently notifying the Chairman of the Board of Statutory Auditors;
j) it contributes, through assessments and opinions, to the definition of the corporate policy for outsourcing corporate audit functions;
k) it identifies and proposes to the Board of Directors, relying on the Appointment Committee, the heads of the corporate audit functions;
l) it expresses its preventive opinion to the Board of Directors, on the appointment and revocation of the head of the internal audit function;
m) it ascertains that the incentives underlying the remuneration and incentivising system of the bank are consistent with the RAF ("Risk Appetite Framework"), without prejudice to the responsibilities and authority of the Remunerations Committee;
n) it reports to the Board of Directors, at least once every six months, at the time of approving the financial statements and the half-yearly report, on the work performed and the adequacy of the internal auditing and risk management system;
o) it expresses to the Board of Directors its preventive opinion on the adequacy of the main features of the internal audit and risk management system described in the corporate governance report:
p) it expresses to the Board of Directors its preventive opinion on the assessment, with the input of the Board of Statutory Auditors, of the results illustrated by the independent audit firm in the letter of recommendations and in the report on the fundamental questions emerged from the audit;
q) it adopts measures directed at assuring that the transactions in which a director is the bearer of an interest on its own or on third parties' behalf are carried out transparently and complying with criteria of substantial and procedural correctness (see Article 2391 of the Italian Civil Code);

r) it expresses its preventive, well reasoned opinion on the Bank's interest in the completion of Related Party Transactions, and on the advisability and substantial correctness of their conditions. In this regard, for matters not expressly established herein, reference is made to the "Regulation for Related Party Transactions and for the assumption of risk assets with regard to Related Parties" of Banca Finnat of 19 September 2013;
s) it expresses to the Board of Directors its preventive opinion on the definition of the guidelines of the internal audit and risk management system defined by the Board itself, so that the main risks of Banca Finnat S.p.A. and of its subsidiaries are correctly identified and adequately measured, managed and monitored, and it also expresses its preventive opinion on the determination of the criteria for the compatibility of such risks with a sound and correct management of the enterprise.

With regard to the risk management and control duties, the Committee also performs supporting functions for the Board of Directors, and in particular:

- in the definition and approval of the risk control strategy and policies. Within the RAF, the Committee performs the necessary assessment and propulsive activity to enable the Board of Directors to define and approve the risk targets and the tolerance thresholds, by virtue of Circular no. 263, Title V, Chapter 7;
- in the verification and correct application of the strategies, of the risk control policies and of the RAF;
- in the definition of the policies and processes for the assessment of corporate activities, including the verification that the price and conditions of transactions with customers are consistent with the business model and with the risk strategies.

The Committee and the Board of Statutory Auditors exchange all information of mutual interest and, if appropriate, they coordinate for the performance of their respective tasks.

In the performance of its duties, the Committee identifies all the information flows that must be addressed to it with regard to risks and therefore it may access the information and the corporate functions necessary to carry out their tasks and to rely on outside consultants, within the terms set by the Board of Directors. The Bank shall make financial resources available to the Committee, when necessary for the performance of its duties, within the limits of the specific budget approved by the Board of Directors.

In 2015, the Committee did not deem it necessary to rely on outside consultants.

In the course of its meetings, the Committee discussed and approved, inter alia, the following topics:

a) on 29 January 2015, it assessed the correct application of the accounting standards and their consistency for the purposes of the preparation of the consolidated financial statements;
b) on 28 April 2015, it self-assessed its size and composition with the more general self-assessment of the Board of Directors carried out by filling in a special questionnaire;
c) on 6 March 2015 it examined the Reports for the year 2014 prepared by the Functions tasked with internal audit, risk management and anti-money laundering and their respective activity plans for the year 2015. In addition, the Report on complaints was also analysed, highlighting that no complaints were received in 2014.
d) on 17 April 2015 it approved the 2014 ICAAP (Internal Capital Adequacy Assessment Process);
e) in terms of related party transactions: it examined the quarterly Compliance reports on related party transactions; it approved the methodological document for lending transactions with related parties; it examined and expressed its own opinion on the related party transactions under its competence; it

expressed its own opinion on the framework resolutions for related party transactions;

f) during the year 2015, it examined and gave its favourable opinion to the quarterly reports of the Internal Audit, Compliance, Risk Management functions;

g) it examined and approved the internal Regulation of the Committee, revised in light of the new provisions promulgated by the Bank of Italy on the matter of governance and internal audit system.

To explain particular matters at the Committee meetings, the managers of specific business departments intervened.



## 11 INTERNAL AUDITING SYSTEM

The Bank, in accordance with current regulations and with the indications of the Governance Code, established an internal auditing system in order continuously to monitor the typical risks of the corporate activities.

Thus, the internal auditing system is the comprehensive set of organisational controls, procedures and rules of conduct directed at enabling, through an adequate process of identification, measurement, management and monitoring of the main risks, a sound and proper management of the company, consistent with pre-set objectives. This system is an integral part of operations and it involves all sectors and corporate structure, each called, for matters under its competence, to assure constant, continuous monitoring of the risks.

The Internal Auditing System therefore meets the need to assure sound and prudent management of the activities of the Company and of the group, reconciling, at the same time, the attainment of the company objectives, the correct and punctual monitoring of risks and operations guided by correctness criteria; this system also meets the prescription of Article 7 of the Governance Code.

The Internal Auditing System of Banca Finnat S.p.A. was defined by the Board of Directors of the Company and it is subject to periodic revisions.

The Internal Auditing System comprises:

a) line audits: audits - of a systematic or periodic nature on a sample of data - carried out by the heads of the individual operating units, directed at assuring the correct performance of the transactions carried out by the same productive structures or included in the procedures or carried out within the scope of back office activities;

b) risk management audits: audits carried out by the heads of the individual operating units and by the Risk Management Organisational Unit, connected with the process of definition of risk measurement methods, pertaining to the verification of compliance with the limits assigned to the various operating units and the check of consistency of the operations of the individual productive areas compared to the risk/return targets assigned for the individual types of risks (credit, market, operational);

c) compliance audits: audits carried out by the Compliance Organisational Unit on the operations' compliance with the law, with the instructions of the supervisory authorities and with the Company's own regulations;

d) anti-money laundering audits: audits carried out by the Anti-Money Laundering Organisational Unit on the operations' compliance with the law and with the instructions of the supervisory authorities to contract money laundering and terrorism financing, and with the Company's consequent regulations;

e) internal audit activity: carried out by the Internal Auditing Function to check the regularity of the Company's operations and risk trends, to assess the functionality of the comprehensive internal audit system and to identify any anomalies and violations of procedures and regulations.

The Internal Audit System of Banca Finnat Euramerica also extends to the Subsidiaries.



Banca Finnat has defined the guidelines and fundamental values on which its own Internal Audit System is based. The keystone principles are: the company's activity must comply with applicable internal and external rules, it must be traceable and documentable, the assignment and exercise of powers within a decision-making process must be tied to the positions of responsibility and to the relevance and/or critical nature of the underlying economic transactions, there must be no subjective identity between those who make or implement the decisions, those who must provide accounting evidence of the transactions that were decided and those who must audit them as prescribed by law and by internal procedures, confidentiality and compliance with privacy regulations must be guaranteed.

Responsibility for the Internal Audit System rests, in accordance with current regulations, with the Board of Directors, which shall: (i) set its guidelines, strategic directions and risk management policies, (ii) approve the organisational structure of the bank, ensuring that duties and responsibilities are clearly and appropriately assigned and periodically verify their adequacy and actual operation, ensuring that the main corporate risks are identified and managed properly and that the audit functions have an appropriate level of independence within the structure and are provided with adequate resources for correct operation.
Moreover, the Board of Directors with the support of the Risk Committee periodically assesses the functionality, effectiveness and efficiency of the internal control system, promptly adopting any corrective measures as deficiencies and/or anomalies emerge in the performance of the audits.
As indicated above, the Board of Directors, to implement the provisions of the Code with respect to internal audits and to comply with the provisions of the current supervisory regulations, has established the Audit and Risk Committee within the Board itself; inter alia, the Committee carries out the preparatory activity, directed at enabling the Board to perform its functions the best possible way with regard to the competencies in question.

To implement the provisions of the Code with respect to internal audits, the Board:
a) defined the guidelines of the internal audit and risk management system, so that the main risks the Company and of its subsidiaries are correctly identified and adequately measured, managed and monitored, further determining, by approving the Risk Appetite Framework, the degree of compatibility of such risks with a management of the enterprise that is consistent with the identified strategic objectives, both in an annual and multi-annual perspective;
b) periodically assesses the adequacy of the internal audit and risk management system with respect to the Company's characteristics and to the assumed risk profile, as well as its effectiveness; this assessment takes place mainly through (i) the review, carried out with the support of the Risk Committee and with quarterly periodicity, of the results of the reports prepared by the heads of the auditing departments and with annual periodicity, of the results of the annual Reports, also prepared by the heads of the auditing departments (ii) approves the work plans prepared by the Heads of the company auditing departments.

Within the management and coordination of the group it heads, the bank also exercises:

a) strategic control over the evolution of the different areas of activity in which the group operates and of the risks bearing on the property portfolio. It is a check both on the expansion of the activities carried out by the group's companies and on the acquisition and disposal policies implemented by the group's companies;
b) strategic coordination is performed mainly through the presence, in the Board of Directors of each subsidiary, of a certain number of representatives designated by the Board of Directors of the Bank;
c) management control directed at assuring that the conditions of economic, financial and capital balance of both the group's individual companies and the group as a whole are maintained. These control needs are met preferably through the preparation of plans, schedules and budgets (company and group), and through the analysis of periodic statements, interim reports, yearly financial statements, at the individual company and consolidated level with reference to the entire group. Management coordination is provided through the intervention of the Planning and Management Control Organisational Unit that manages relations with the bodies/functions of the subsidiaries;
d) technical-operational control directed at assessing the various risk profiles provided to the group by the individual subsidiaries.

The Managing Director oversees the implementation of the strategies, of the RAF and of the risk governance policies defined by the Board of Directors.
Briefly, this Body:

a) promote the development and widespread adoption, at all levels, of an integrated risk culture in relation to the different types of risks and extended to the entire bank;
b) oversees the implementation of the strategies, of the Risk Appetite Framework - "RAF" (risk objective system) and of the risk governance policies defined by the Board of Directors;
c) defines and oversees the implementation of the risk management process, assuring its consistency with the risk appetite framework and the risk governance policies and sets operational limits to the assumption of the various types of risk, consistent with the risk appetite framework;
d) establishes the responsibilities of the corporate structures and departments involved in the risk management process, in order to prevent potential conflicts of interest; it also assures that the relevant activities are directed by qualified personnel, with an adequate level of independence and with adequate experience and knowledge for the duties they must perform;
e) defines the internal information flows directed at ensuring that the corporate Bodies and the corporate auditing Functions are fully aware and capable of governing the risk factors and of verifying compliance with the RAF;
f) carries out the initiatives and interventions necessary to continuously assure the completeness, adequacy, functionality and reliability of the internal audit system and informs the Board of Directors of the results of the checks carried out;
g) assures a correct, timely and secure management of the information for accounting, managerial and reporting purposes.

The internal auditing system in relation to the financial disclosure process is considered an integral part of the risk management system.

The purpose of the System is to assure the reliability, accuracy, trustworthiness and timeliness of the financial disclosure published periodically by the Bank.
In particular:
- Reliability: disclosure having the characteristics of correctness and compliance with generally accepted accounting principles and having the requirements prescribed by the applied laws and regulations.
- Accuracy: disclosure having the characteristics of neutrality and precision. The disclosure is considered neutral if it lacks preconceived distortions aimed at influencing its users' decision-making process in order to obtain a predetermined result.
- Trustworthiness: disclosure having the characteristics of clarity and completeness, such as to lead to informed investment decisions by investors. The disclosure is deemed clear if it facilitates the understanding of complex aspects of the company, but without becoming excessive and redundant.
- Timeliness: disclosure complying with the prescribed deadlines for its publication.

With reference to the measures adopted by the Bank to assure the characteristics of reliability, accuracy, trustworthiness and timeliness of the financial disclosure, reference is made to the activities carried out with respect to the definition of the Governance and Control Model of the Manager in charge, prepared in accordance with Article 154-Bis of the Italian Consolidated Financial Law, which constitute a necessary prerequisite to assure a constant and complete view of the corporate areas that are actually relevant for the purposes of the preparation of the statutory and consolidated corporate accounting documents.
The definition of the Governance and Control Model of the Manager in charge of the Banca Finnat Group was guided:
- by the preliminary identification of a recognised, widely employed comparison model;
- by comparison with reference practices defined or referenced by institutional bodies;
- by comparison with domestic and international best practices adopted by businesses comparable with the Banca Finnat Group.

The model used as a reference by the Bank, which constitutes an internationally recognised method for analysing and evaluating the Internal Auditing System is the one established by the CoSO Report – "Internal Control Integrated Framework" – developed by the "Committee of Sponsoring Organisation of the Treadway Commission".

Within the scope of the activities carried out, the roles and responsibilities were punctually identified of the corporate Functions involved in the existing risk control and management system in relation to the financial disclosure process of the Bank and of the Group.
The correct operation of the existing risk control and management system in relation to the financial disclosure process is a prerequisite and it cannot be independent from the punctual identification of the roles and responsibilities of the involved corporate functions.
In this regard, the Bank formalised its internal information flows and adopted a synoptic picture of the relationships between the Manager in Charge and the other corporate functions.
The bank adopted (in compliance with the provisions of Article 154-bis of the Italian Consolidated Financial Law) the office of the Manager in charge of preparing the accounting documents, who performs the following duties:
- verification of the adequacy and actual application of administrative and accounting procedures for the preparation of the statutory and consolidated financial statements and of the condensed half-yearly financial statements;

- verification that the documents are prepared in accordance with applicable international accounting standards;
- verification that documents match the accounting books and entries;
- verification of the documents' ability to give a true and fair representation of the economic, financial and equity situation of the bank and of the set of companies included in the consolidation;
- verification, for the separate and consolidated financial statements, that the report on operations includes a reliable analysis of the management performance and results, as well as the situation of the Bank and the group of companies included in the consolidation, along with a discussion of the primary risks and uncertainties to which they are exposed.

To exercise the activities and to implement the necessary controls, the Manager in charge employs the control functions and the other Organisational Units of the Bank and of the Group. In particular, among the other significant roles we mention the Internal Auditing function, which provides the Manager in Charge with elements and information that may lead to the identification of the critical areas observed within the Group in the course of its activity, providing their own opinions on the adequacy of the different entities of the Group and the necessary improvement actions; the role of the Organisation Service which provides the necessary support for the formalisation of the processes, risks and sensitive controls; the role of the other corporate functions and the Companies of the Group which co-operate with the Manager in Charge, providing the necessary data and information to carry out their duties and reporting any anomaly and dysfunction of procedures noted within the scope of their activity, which may cause significant impacts on the financial situation of the company or of the Group.
During the 2014 financial year, the Board of Directors approved the work Plan prepared by the Internal Audit Function with the input of the Board of Statutory Auditors and assessed the Internal Auditing and risk management system of the Company, considering it appropriate to the features of the business carried on by the Company.

The following is a brief description of the main auditing devices adopted by the Company.

***The compliance department***

The Banca Finnat Euramerica S.p.A. Compliance function was delegated to the Board of Directors of the Bank. On the basis of the most recent regulations of the Bank of Italy, it oversees - according to a risk-based approach - the management of non-compliance risk with regard to business activities, verifying that internal procedures are adequate to prevent that risk.
In general terms, the Compliance action concerns the regulatory areas in respect of which forms of specialised supervision are not already provided for within the Bank.

In particular, it is responsible for the management of non-compliance risk for the most relevant rules, such as those pertaining to the exercise of banking and intermediation activities, management of conflicts of interest, transparency with regards to customers and, more generally, regulations established to protect the consumer, verifying that internal procedures are adequate for the prevention of said risk.
For compliance with the internal and external regulations pertaining to the information system.
For the other regulations for which specialised supervision already exists, it is responsible, together with the special departments in charge, for the definition of the methods for assessing the non-compliance risk and the identification of the related procedures and it also verifies the adequacy of such procedures to prevent the non-compliance risk.

For the performance, for the Group's Trust Companies, of the outsourced activities prescribed for the Compliance department, when applicable. Activity regulated by a dedicated agreement.
For guiding, coordinating and controlling the activities carried out by the Compliance department of the investee Investire Immobiliare Sgr.

Bearing in mind the role assigned to it, Compliance performs the following duties:

- it assists the risk manager in defining the direct method for identifying the non-compliance risks and, assesses and controls also the reputational risk based on the methods established by it;
- it identifies the procedures appropriate to ensure an adequate supervision of non-compliance risks;
- it identifies continuously the applicable laws and regulations, measures and assesses their impact on business processes and procedures and proposes organisational and regulatory measures that are necessary in order to comply with the relevant legislation;
- it assesses ex ante compliance with applicable regulations of all innovative projects, including operations in new products or services or entry in new markets, with the objective of preventing and managing conflicts of interest both among the different activities carried out by the bank and with reference to employees and to company employees;
- it assesses the suitability and efficiency of the measures taken to remedy any deficiency in complying with obligations laid down by the relevant legislation;
- it informs the competent Organisational Units on the obligations included in the relevant legislation, if procedural or contractual actions are required;
- it provides consultancy and support with regard to company bodies in areas in which non-compliance risk is significant, and it collaborates in the staff training activity on the provisions applicable to the activities carried out;
- it continuously verifies compliance with the contractual limits prescribed for the individual asset management lines, and it prepares information reports for the involved corporate functions;
- it performs second level controls concerning compliance with internal and external ICT regulations (ICT Compliance);
- it analyses the Bank's ICT risk, in concert with the Operations Department and the Risk Control OU, and it verifies the disclosure provided in this area by the IT outsourcer. It consequently provides an adequate periodic flow of information about the analyses and assessments made to the Managing Director;
- it verifies the consistency of remuneration and company incentive policies and practices;
- it verifies the compliance of the audit procedures of ICAAP with the external and internal regulations;
- it monitors trading carried out on its own behalf and on behalf of third parties on financial instruments, for the purpose of complying with Market Abuse regulations;
- it carries out, also with the collaboration of special departments, specific tests as well as regular controls on business procedures to evaluate their effectiveness and adequacy in relation to the objective of preventing non-compliance risk;
- it provides company bodies with adequate information flows on the results of the activities carried out, the initiatives implemented on identified problems and the corrective actions to be taken, also with reference to the Group's Trust Companies and to Investire Immobiliare SGR;
- it coordinates, and exchanges information flows, with the other corporate control functions and towards the Supervisory Body for matters under its competence.

- it manages the internal violation reporting system (whistleblowing). In accordance with the new provisions by the Bank of Italy (Circular no. 285, Title IV, Chapter 3, Section VIII): it receives any reports, it checks their truthfulness and it notices the competent corporate bodies for the consequent appropriate assessments; it controls the operations carried out for itself by the staff and by company representatives, the operations carried out by the manager in conflict of interests, the number of non-adequate transactions in financial instruments;
- it manages the customer complaints log;
- it prepares: regular reports in relation to the business carried on by the Bank, assessments and findings, the measures taken to remedy any deficiency reported and actions planned.
- It guides, coordinates and controls, as the Parent Company, the activities carried out by the Compliance department of the InvestiRE Sgr investee.

***Internal auditing***

The internal auditing activities were entrusted to the Internal Auditing Organisational Unit that reports directly to the Board of Directors of the Bank.

The Internal Auditing function is provided with the required autonomy and independence from the operating structures and has adequate resources and means to carry out its task, works with personnel with appropriate knowledge and professional skills and has no access restrictions to company data and files.

Internal Auditing is responsible for ensuring a constant and independent supervisory action on the regular course of the operations and processes of the Bank in order to prevent or report the occurrence of anomalous and risky behaviours or situations, evaluating the effectiveness of the overall internal auditing system and its suitability to ensure the effectiveness and efficiency of corporate processes, safeguard the value of assets and protect against losses, ensure the reliability and integrity of accounting and management information, the compliance of the operations both with the policies established by the company governance bodies and by internal and external laws and regulations. It also provides consultancy to the business functions also by taking part in projects, in order to create added value and improve the effectiveness of control processes, risk management and organisation.

The tasks and activities of the Function, in addition to being defined in the company Function Diagram, are defined in the special Regulations issued by the Board of Directors of the Bank.

In carrying out its tasks, the Internal Auditing analyses in advance the risks involved in different areas in view of the strategic objectives and on the basis of information obtained from the results of previous audits and of the consequent priorities, it prepares an Action plan - on the basis of which it will operate - which is screened on an annual basis by the Risk Committee, and subsequently approved by the Board of Directors.

The Internal Audit Function carried out the aforesaid activity for Banca Finnat as well as for the investee Finnat Fiduciaria S.p.A. within a dedicated outsourcing agreements that regulates the performance of the audit function and carries out guidance and coordination activities for the investee InvestiRE SGR S.p.A. The weaknesses found during the audits are systematically reported to the Organisational Units involved for a prompt action of improvement in respect of which a follow-up is subsequently carried out.

The evaluations of the internal auditing system deriving from the inspections carried out are reported on a quarterly and annually to the Risk Committee and to the Board of Directors.

The Internal Audit Function was assigned the task of overseeing the regular performance of operations and the evolution of risks and to assess the completeness, adequacy, functionality and reliability of the components of the internal audit system, suggesting possible improvements to the Risk Appetite Framework ("RAF"), to the risk management process and to the instruments for measuring and controlling risks, formulating, on the basis of the results of its own audits, recommendations to corporate bodies. Its main activities include the following:

- checking, also with on-site inspections, the regularity of the different corporate activities and compliance, in the different operating sectors, with the limits prescribed by the authorising mechanisms, as well as full and correct use of the available information in the different activities;
- assessing the completeness, adequacy, functionality, reliability of the other components of the internal audit system including second level control corporate functions, of the risk management process and of the other corporate processes;
- verifying the effectiveness of the RAF definition process, the internal consistency with the overall set-up and the conformity of corporate operations with the RAF;
- verifying the adequacy and correct operation of the corporate processes, including outsourced ones, and of the methods for assessing corporate activities with particular regard to financial instruments;

***Risk control department***

The Risk Control Organisational Unit in Banca Finnat Euramerica S.p.A. has been delegated to the Board of Directors and its task is to set up an adequate supervision for the management of the risks related to the different business activities and collaborate to the definition and implementation of the Risk Appetite Framework ("RAF") and of the related risk controlling policies.

Its main activities include the following:

- assist the governing bodies and the senior management in defining the RAF, risk controlling policies and the different phases that form their management process as well as fixing the operating limits to the assumption of various types of risk;
- propose the quantity and quality parameters required for defining the RAF, which also refer to stress scenarios and, in case of amendments to the internal and external operating contexts, the adjustment to such parameters;
- verify the adequacy of the RAF and, continuously, the adequacy of the management process of risks and operating limits;
- draw up on a regular basis the map of risks and prepare the ICAAP Report in line with the RAF;
- develop, validate and maintain the risk measurement and control systems ensuring their compliance with the requirements of the specific legislation;
- define common metrics for assessing the operating risks in compliance with the RAF, coordinating with the Compliance Department and with the Operation Management in the IT area and define methods of assessment and control of reputational risks, coordinating with the Compliance Department and the most exposed corporate functions;
- assist the company bodies in the assessment of the strategic risk by monitoring the significant variables;
- analyse the risks of new products and services and those deriving from the entry in new operating and market segments;
- monitor the actual risk assumed by the bank and its consistency with the risk objectives;
- carry out the performance management on single credit exposures and prepare and adequate reporting for the company functions involved;

*The anti-money laundering department*

The anti-money laundering department in Banca Finnat Euramerica S.p.A. is a staff that reports to the Board of Directors and its task is to supervise the commitment of prevention and management of the risk of money laundering and terrorist financing.

The Department is responsible for carrying out, for the bank, the activities contemplated by the current regulations for the anti-money laundering department; for outsourcing, for the Group's Trust Companies, the activities contemplated by the current regulations for the anti-money laundering department; for guiding, coordinating and controlling the activities carried out by the anti-money laundering department of the investee InvestiRE Sgr.

The head of the anti-money laundering Department performs the functions of "Person in charge under Article 41 of Italian Legislative Decree no. 231/2007" (person in charge of reporting suspicious transactions). Its main activities include the following:

- identify applicable laws and regulations and measure their impact on processes and internal procedures and collaborate in the identification of the internal auditing system and procedures to prevent and counter money laundering risks;
- verify whether the internal auditing system and the procedures adopted are suitable and propose necessary or appropriate organisational and procedural changes in order to ensure adequate control over money laundering risks;
- provide advice and support to the company bodies and to the senior management; if new products, services and activities are offered by carrying out preventively the pertaining assessments;
- verify the reliability of the supply information system of the Single Electronic File and ensure on a monthly basis the transmission to the FIU of the aggregated data concerning the recording in the Single Electronic File;
- ensure company bodies appropriate information flows on the results of the activities carried out, the actions taken on identified problems and on the corrective actions to be taken and report on the staff training activity also with reference to the Group's Trust Companies and to InvestiRE Sgr;
- evaluate the reports of suspicious transactions received and transmit the reports deemed credible to the Financial Information Unit.

*The board of statutory auditors*

For information on the Board of Statutory Auditors, please refer to that described in paragraphs 13 and 14 of this report.

### 11.1 Director in charge of the internal auditing and risk management system

The Board of Directors in the presence of the Committee has not identified a director from amongst its members appointed to the internal auditing and risk management system. The results of the audits performed by the Internal Auditing department on the validity of management, risk trends and the function of the audits system as a whole are presented directly to the Board of Directors, the Audit and Risk Committee, the Board of Statutory Auditors and Senior Management (Managing Director).

### 11.2 Head of the internal auditing department

As from 30 June 2003, in relation to the completion of the merger of Banca Finnat Euramerica S.p.A. and Finnat Corporate S.p.A. into Terme Demaniali di Acqui S.p.A., the Board of Directors approved the company organisation chart, which specifically envisages the Internal Auditing Department.

The Head of the Internal Auditing Department, also referred to as the Internal Auditing Manager, is Enrica Macciò. The Head of the Internal Auditing Department is not hierarchically subordinate to any operational area and has free access to all useful information for the performance of her task.
The Internal Auditing function as a whole was not outsourced.

The Head of the Internal Auditing Department prepares - in compliance with international standards - the three-year Audit Plan and submits it to the approval of the Board of Directors. The working program includes the continuous operations required by the regulations (fixed part) and audits of areas and processes deemed most significant also in correlation with relevant risks (variable part).

The objectives of the planned activities are defined for each area of intervention and aim, in short, to ensure proper operation, the adequacy and effectiveness of the risk management system, the accounting system and the overall internal auditing system.

At the end of each audit, the Head of the department draws up a report, which describes in detail the activities carried out, their results and the suggestions made to remove any anomaly reported or to improve the auditing system within the analysed processes. The reports of the audits are delivered to the Senior Management, to the Heads of the Organisational Units involved in the auditing process and to the members of the Board of Statutory Auditors.

Moreover, the Head of Internal Auditing also prepares, once a quarter and once a year, a summary report on her activities, which is submitted to the Risk Committee, to the Board of Statutory Auditors and to the Board of Directors.
If particularly important situations occur, the Head of the Department informs immediately the competent Company Bodies and departments.

During 2015, the Internal Auditing Department carried out the auditing in accordance with the working program submitted to the Board of Directors of 12 March 2015. The main intervention areas concerned anti-money laundering and anti-terrorism, supervisory reporting, Back Office processes, outsourced operational functions, IT security, the liquidity risk and the performance of some investment services. In addition to these activities carried out on the Parent Company, the Internal Auditing carried out audits on the activities of the subsidiary Finnat Fiduciaria and it performed guidance and coordination activities for the subsidiary InvestiRE Sgr.
The Internal Auditing Function verified, within the audit plan, the reliability of the IT systems, including the accounting systems.
In relation to the activities carried out in 2015, the Internal Audit function had access to all useful information for the performance of the assigned duties.

### 11.3 Organisational model pursuant to italian legislative decree no. 231/2001

In 2004, the Bank equipped itself with an Organisation, management and auditing model in accordance with Italian Legislative Decree no. 231/2001.
On 15 May 2012, the Board of Directors resolved to assign to the Board of Statutory Auditors the function of Supervisory Body in accordance with the provisions of Article 6, paragraph 4-bis of Italian

Legislative Decree 231/01, introduced by the 2012 Stability Law, however on 28 April 2015 the Board of Directors decided to waive the match between the composition of the Supervisory Body and the Board of Statutory Auditors, thus giving continuity tot he Supervisory Body, with particular regard to the competencies developed by Mr. de' Micheli (outgoing Permanent Auditor) concerning the prevention of money laundering offences also with regard to the activity carried out within the same bodies.

The Organisation, management and auditing model consists of a 'general part', summarising the main contents of Italian Legislative Decree no. 231/2001, and a 'special part', which identifies the various activities of the Bank presenting a potential risk of committing the different types of crimes considered by Italian Legislative Decree no. 231/2001, the structures and/or departments of the Bank where these crimes can easily be committed, and the procedures and/or internal rules aimed at preventing the commitment of the following crimes:

i) Crimes in matters concerning relations with the Public Administration;
ii) Crimes involving counterfeit coins, public credit papers and stamp values;
iii) Corporate crimes;
iv) Crimes committed for terrorist purposes or to avert the democratic order;
v) Crimes in relation to the mutilation of female genitals;
vi) Crimes against individual personality;
vii) Market abuse;
viii) Crimes committed in breach of health and safety regulations and the protection of health and safety at work;
ix) Money laundering and self-laundering offences;
x) Transnational crimes;
xi) Computer crimes and unlawful processing of data;
xii) Organised crime offences;
xiii) Crimes relating to violation of copyright;
xiv) Incitement to withhold statements from or issue false statements to the judicial authority;
xv) Employment of third-country nationals with unlawful residence permit;
xvi) Environmental offences (Italian Legislative Decree 121/2011);

The Board approved the revised Model on 24 September 2015.

**11.4 Auditing firm**

The Shareholders' Meeting held on 29 April 2011, entrusted the task of auditing the statutory and consolidated financial statements and the half-yearly report for the nine-year period 2011/2019 to the auditing firm Reconta Ernst & Young S.p.A.

The auditing firm has the task of ascertaining that the company's books are kept correctly, management events reported correctly in the accounts and that the statutory accounts comply with the results of the accounts and checks performed and with the regulations governing such.

Reconta Ernst & Young S.p.A. also issues a report on the Bank's financial statements each year, giving its opinion on the compliance of the statutory financial statements with the regulations governing them.

### 11.5 Manager in charge of preparing the accounting documents

The Shareholders' Meeting held on 30 April 2007 adapted the Bank's articles of association, introducing the figure of the Manager in charge of preparing the accounting documents at Article 13.

This task is currently entrusted to Mr. Paolo Collettini, Joint General Manager of the Bank.

The Articles of Association of the Bank establish that, having heard the compulsory, but non-binding opinion of the Board of Statutory Auditors, the Board of Directors appoints a 'Manager in charge of preparing the accounting documents".

The Manager in charge of preparing the accounting documents is chosen from amongst employed staff that has performed - in the Bank or other companies - managerial roles for at least three years in matters of accounts and/or auditing and/or internal auditing.

Alternatively, the Manager in charge of preparing the accounting documents must have worked professionally as a chartered accountant for at least five consecutive years.

In any case, the Manager in charge of preparing the accounting documents must meet the requirements of honour envisaged by the provisions of law applicable to the appointment of the members of the auditing bodies of listed companies.

The task is conferred on an open-ended basis or until an expiry date that may be established at the time of appointment. In both cases, this is without prejudice to revocation by the Board of Directors.

*Powers and means*

The Manager in charge of preparing the accounting documents carries out the tasks entrusted him with the help of all necessary human and material resources pertaining to the bank, and independently exercising his spending power up to the limit of the budget annually authorised by the Board of Directors on the basis of a specific proposal presented by the Manager in charge of preparing the accounting documents and first submitted to the Board of Statutory Auditors. More specifically, in order to carry out the tasks assigned, the Manager in charge of preparing the accounting documents is granted all powers necessary so that he may independently:

1. formulate and sign all accounting communications to be sent to the market on the Bank's behalf;
2. sign correspondence and communications of an accounting nature that are binding for the Bank;
3. prepare and sign reports to the annual and consolidated financial statements;
4. prepare and approve business procedures impacting the individual and consolidated financial statements and documents subject to certification;
5. freely access all information held to be significant, both within the company and the group companies, obtaining appropriate flows of information and/or documents;
6. communicate with all and/or operative and auditing managers of the Bank;
7. have free access to all the Bank's IT systems;
8. have spending power up to the limits of the budget authorised annually by the Board of Directors;
9. organise the business structure using internal resources and, where necessary, may also outsource activities;
10. organise the business structure, organising human resources according to the number and professionalism;
11. organise his office, hiring and organising all human resources and technical means held to be necessary;
12. use Internal Auditing, Organisation and Compliance for the mapping and analysis of the processes of competence and in implementing any specific controls held to be necessary.

***Risk Control department***

The Risk Control department reports hierarchically to the Board of Directors.
Currently, the Head of Risk Control, appointed by the Board of Directors, is Mr. Antonio Mancaniello (for his duties, please refer to point 11).

***Anti-money laundering department***

The anti-money laundering department reports hierarchically to the Board of Directors.
Currently, the Head of the Anti-money laundering department, appointed by the Board of Directors, is Mr. Mauro Ceccarelli (for his duties, please refer to point 11).

***The Compliance department***

The Compliance department reports hierarchically to the Board of Directors.
Currently, the Head of the Compliance department, appointed by the Board of Directors, is Mr. Pierluigi Angelini (for his duties, please refer to point 11).

**11.6 Coordination between the parties involved in the internal control and risk management system**

The Company adopted a Risk Committee, consisting of a sufficient number of company employees belonging to the structures involved in the internal auditing and risk management system.
Joint meetings were periodically held by the Board of Statutory Auditors, the Risk Committee, the Heads of the control Functions, the Manager in charge of preparing the accounting documents and the Auditing Firm.

## 12 DIRECTORS' INTERESTS AND TRANSACTIONS WITH RELATED PARTIES

The Board of Directors adopted a "Regulation for Related Party Transactions and for the assumption of risk assets with regard to Related Parties" pursuant to Article 2391-bis of the Italian Civil Code, of Consob Regulation no. 17221/2010 and of Title V, Chapter 5 of the New prudential supervisory provisions for banks set forth in Circular Letter no. 263 of the Bank of Italy. The aforementioned Regulation is available on the Company website (www.bancafinnat.it), in Investor Relations/Corporate Governance.

The Company also adopted specific software for the assessment of the Related Parties and for the management of Related Party Transactions.

## 13 APPOINTMENT OF AUDITORS

In accordance with the Articles of Association, the Shareholders' Meeting elects the Board of Statutory Auditors, comprising three Standing Auditors and two Alternate Auditors.

The entire Board of Statutory Auditors is appointed on the basis of lists presented by the Shareholders, wherein candidates must be listed and progressively numbered with regard to candidates to the office of Standing Auditor, and assigned progressive letters with regards to Alternate Auditors.

The entire Board of Statutory Auditors is appointed in compliance with gender balance regulations in force.

Lists must be presented to the Company at least fifteen days prior to the date established for the first calling of the Meeting. The lists must be made available to the public at the registered offices and published on the Company's website without delay and, in any case at least ten days prior to the date established for the first calling of the Meeting. This is without prejudice to the terms that are fundamentally envisaged by applicable legislation.

Each Shareholder or party adhering to a significant shareholders' agreement in accordance with Article 122 of Italian Legislative Decree no. 58 dated 24 February 1998, the respective controlling parties, the subsidiaries and joint control parties in accordance with Article 93 of Italian Legislative Decree no. 58 dated 24 February 1998, may only present, or participate in the presentation of a single list. They may not present or participate in the presentation of more than one list, directly or through a third party or trustee company. They may not vote for different lists directly or through a third party or trustee company. Candidates may only be presented on a single list, at risk of ineligibility. Subscriptions and votes cast in breach of this prohibition will not be assigned to any list.

Only Shareholders who alone or jointly with other shareholders hold a total of 2% of the shares with voting rights in the Company's Ordinary Shareholders' Meetings may present lists. Alternatively, lesser measures may be established by fundamental provisions of law or regulations that will be stated, if applicable, in the notice calling the Meeting. In order to prove ownership of the number of shares necessary to present lists, at the same time Shareholders must provide the Company with the specific certificate issued by a broker qualified in accordance with the law. Together with each list, within the terms of its filing with the registered offices, declarations must also be filed and published by which the individual candidates: (i) accept their candidature and certify, under their own liability, that there is no reason for which they should not be elected or are incompatible with the office, and that they meet the requirements of current legislation (including limits to the number of offices that can be held); (ii) supply full information on their personal and professional characteristics; and (iii) supply the further information required by provisions of law and regulations.

Lists presented that do not comply with the above provisions shall be considered as not presented.

Should there be more than one list, the members of the Board of Statutory Auditors are elected as follows:

a) two Permanent auditors and one Alternate auditor are elected from the list that has obtained the greatest number of Shareholder votes, in the progressive order in which they are listed;
b) the Chairman of the Board of Statutory Auditors (the "Minority Auditor") and an Alternate Auditor are elected from the list that has obtained the second greatest number of votes, in the progressive order in which they are listed.

Should equal votes be cast between two or more lists, the candidates of the list whose first candidate for the office of Standing Auditor is most senior in terms of age will be elected.

Should it become necessary to replace an Auditor, the Alternate Auditor pertaining to the same list as that to which the Auditor to be replaced originally pertained shall be appointed. Should this not be the case, the subsequent candidate in progressive order on this list will be appointed, or, where the Auditor standing down is the Minority Auditor, the first candidate of the second minority list in terms of number of votes, shall be appointed.

Where it is not possible to replace the Minority Auditor according to the mechanisms above, the Shareholders' Meeting called to re-form the Board in accordance with the law shall allow for the appointment of this Auditor in compliance with the principles of the regulations adopted by Consob with resolution no. 11971/1999.
Where only one list has been presented, the first three candidates shall be appointed Standing Auditors elected by majority, and the fourth and fifth candidate shall be the Alternate Auditors.
The Board of Statutory Auditors, or at least two Auditors, can call the Shareholders' Meeting by notifying the Chairman of the Board of Directors to this effect.
The Board of Statutory Auditors, or at least one Auditor, may call the meeting of the Board of Directors and/or the Executive Committee, by notifying the Chairman of the Board of Directors to this effect.
With Communication of 30 October 2012, the Bank of Italy informed that the Assessment Measure no. 0910107/12 of 30 October 2012 was issued with regard to the request to amend the articles of association, which include, among other things, the adjustments of some statutory provisions concerning the composition of their company bodies in order to ensure gender balance set forth in Italian Law no. 120 of 12 July 2011 (which introduced the new Articles 147-ter, paragraph 1 and 148, paragraph 1-bis, of the Italian Consolidated Financial Law). These amendments to the Articles of Association will be submitted to the approval of the Shareholders' Extraordinary meeting convened on 24 and 26 April 2013. When approved, the new provisions of the articles of association aimed at ensuring the observance of the regulation on gender balance will apply as from the first renewal of the Board of Directors and of the Board of Statutory Auditors, respectively, subsequent to 12 August 2012 and for three subsequent mandates, reserving to the least represented gender, for the first mandate in application of the regulations, a share of at least one-fifth of the directors and permanent auditors elected and for the subsequent two mandates, at least one-third the directors and permanent auditors elected (rounding up, if necessary, to the higher integer).
The Shareholders' Meeting of 24 April 2013 approved the amendment to the Articles of Association that required the fixing at 2% - compared to the previous 1% - the attendance threshold required for presenting the list of candidates for the appointment of the board of statutory auditors.

## 14 AUDITORS (ARTICLE 123-BIS, PARAGRAPH 2/D) ITALIAN CONSOLIDATED FINANCIAL LAW)

In accordance with Article 20 of the Articles of Association, the Board of Statutory Auditors consists of three standing auditors and two alternate auditors appointed by the Ordinary Shareholders' Meeting. All must be auditors registered with the official roll held by the Ministry of Justice.
Auditors remain in office for three years and may stand for re-election. The Shareholders' Meeting that appoints the Auditors and the Chairman of the Board of Statutory Auditors also determines their fees. The Auditors shall be reimbursed all costs sustained by virtue of their office.
During the year, there has been a constant exchange of information between the Board of Statutory Auditors and the Bank's auditing departments.

The Board of Statutory Auditors currently in office was appointed by the Shareholders' Meeting of 28 April 2015 and will remain in office until approval of the financial statements at 31 December 2017.

The members of the Board of Statutory Auditors were appointed from among the only list of candidates presented by the relative majority shareholder, Arturo Nattino. Since no minority list was presented, Alberto De Nigro was elected Chairman of the Board of Statutory Auditors at the proposal of the majority shareholder. The Shareholders' Meeting approved the appointment of Board of Statutory Auditors with the favourable vote of 99.99% of the voting share capital (accounting for 74.24% of the share capital).

The Board of Statutory Auditors consists of:

| Auditor | Position |
|---|---|
| **Alberto De Nigro** | Chairman |
| **Barbara Fasoli Braccini** | Permanent Auditor |
| **Francesco Minnetti** | Permanent Auditor |
| **Antonio Staffa** | Alternate Auditor |
| **Laura Bellicini** | Alternate Auditor |

**Alberto De Nigro**: born in Rome on 1 July 1958, works professionally as a Chartered Accountant in the field of accounting and tax, specifically dealing with extraordinary corporate finance transactions.
**Barbara Fasoli Braccini**: born in Rome on 25 August 1969, works professionally as a Chartered Accountant in the field of accounting and tax, enrolled in the register of chartered Auditors.
**Francesco Minnetti**: born in Rome on 24 January 1964, Chartered Accountant and Auditor. Worked academically since 1996, first in the office of University Researcher and since 2003 in the role of Associate Professor of Economics for Financial Brokers at the Cassino University - Department of Economics.

During 2015, the Board of Statutory Auditors met 14 times. Average meeting duration was approximately 4 hours. This year, two meetings have already been held.
The Board of Statutory Auditors positively assessed the existence of the requirements of independence of its members.

The Board also monitored the independence of the Auditing Firm, specifically checking the nature and scope of further tasks performed by such and, in particular, the signing of the IRAP, Unico, CNM and ordinary and simplified 770 tax return forms.

The Chairman of the Board of Statutory Auditors attends the meetings of the Risk Committee and of the Remunerations Committee.

An auditor who, on his own or on third parties' behalf, has an interest in a given transaction of the Issuer, shall promptly and thoroughly inform the other auditors and the Chairman of the Board of Statutory Auditors with regard to the nature, terms, origin and scope of his/her interest.

In relation to coordination between the parties involved in the internal control and risk management system, please refer to paragraph 11.6 above.

During the 2015 financial year, the members of the Board of Statutory Auditors were invited by the Chairman to attend, on a regular basis, economic, legal and financial initiatives affecting the Company operations.

In particular, they were invited to attend meetings with the Bank's Risk Manager to discuss issues such as: RAF, Credit Quality, Liquidity Risk, Own Funds.
The Chairman also invited the Statutory Auditors to attend the following conventions: ABI convention on directors' duties and responsibilities, half-year meetings on the economic scenario, and the conventions entitled "Trust and generational change" and "Voluntary disclosure".



## 15 RELATIONS WITH SHAREHOLDERS

The Bank has kept investor relations unchanged in order to manage relations with shareholders and the financial community (institutional investors, managers, analysts) in a transparent manner, organising regular meetings.
In the specific Investor Relations section of the Bank's website (www.bancafinnat.it), information of both an accounting and financial nature is available (financial statements, half-yearly reports and quarterly reports, trend of the market value of financial instruments issued by the Bank and traded on regulated markets), in addition to information of interest to most shareholders (e.g. in relation to the make-up of the company bodies, group set-up, etc.), as well as press releases issued, copy of documents presented during the regular meetings with the financial community, explanations of extraordinary operations and other significant and price-sensitive information.
The website also includes the Calendar of Corporate Events, stating the dates of the Shareholders' Meetings and the meetings of the Board of Directors called to approve the draft statutory financial statements, the consolidated financial statements, the half-yearly report and the interim management reports, in addition to those of a more strictly financial nature.

The Investor Relation Manager of Banca Finnat S.p.A is Mr. Gianfranco Traverso Guicciardi (tel. +39 06/699331 fax: +39 06/69922420 e-mail: g.traverso@finnat.it).

## 16 SHAREHOLDERS' MEETINGS (ART. 123-BIS, PARAGRAPH 1/C) ITALIAN CONSOLIDATED FINANCIAL LAW)

The Shareholders' Meeting, duly constituted, represents all shareholders. Its resolutions, when taken in compliance with the law, oblige them even if not having attended or in disagreement. The ordinary or extraordinary meeting meets in accordance with the law and the provisions of the Articles of Association. In accordance with the provisions of the Articles of Association, Shareholders may take part in the Shareholders' Meeting provided that they demonstrate that they are entitled to attend according to current legislation; the company must receive any notices from intermediaries at least two days prior to the Meeting. All Shareholders may order their representation in Shareholders' Meeting, granting their representative due power of attorney. For all that is not specified herein, the provisions of Article 2372 of the Italian Civil Code and Articles from 136 to 144 of Italian Legislative Decree no. 58 dated 24 February 1998, shall apply.

The Board of Directors must call the Shareholders' Meeting to approve the financial statements at least once a year, within one hundred and twenty days of year end. Ordinary and extraordinary meetings can be held

in either the registered offices or elsewhere, in a place to be specified in the notice of calling, as long as within the territory of the Italian State. For the methods by which the Shareholders' Meetings may be called, their constitution and the validity of the resolutions passed are in accordance with the provisions of law.
The Chairman of the Shareholders' Meeting ensures that the meeting has been regularly called, ascertaining the identity and legitimate presence of those in attendance, governs its proceedings and the results of votes cast. Said results must be noted in the minutes.

There are no provisions for: shares with multiple votes, loyalty shares, or particular rules pertaining to the percentages set for exercising the shares and the prerogatives safeguarding minorities.

The Shareholders' Meeting is chaired by the Chairman, or by the Deputy Chairman of the Board of Directors in his absence, or in the absence of both by the person appointed by the Shareholders present.
The Chairman appoints a secretary, who need not necessarily be a shareholder, and may choose two scrutinisers from amongst those in attendance.
Resolutions are taken in compliance with provisions of law and these Articles of Associations. They are binding for all Shareholders even if not in attendance or in disagreement.

In accordance with Article 8 of the articles of association, all those able to prove their legitimate presence in accordance with the methods established by current legislation may attend the shareholders' meeting. The right to attend and exercise voting rights is certified by a communication to the Company, made through a qualified intermediary in the favour of the party with voting rights, on the basis of the evidence relating to the terms of the accounting date of the seventh trading day prior to the date established for the shareholders' meeting at its first call (record date). Those recorded as holders of shares only subsequent to the above-stated record date shall not have, therefore, the right to attend and vote in the shareholders' meeting.

The notice by the intermediary must reach the Bank no later than on the third trading day prior to the date established for the shareholders' meeting at its first calling. This is without prejudice to the legitimate right to attend the shareholders' meeting and vote should notices reach the Bank beyond said terms, provided it is prior to the start of the meeting.
Shareholders may be represented in the Shareholders' Meeting, providing the representative appointed by the Bank with a written proxy without expense on their part, or a proxy transmitted electronically as provided by applicable regulations. In this case, the electronic notification of the proxy may be carried out using the appropriate section of the Company's Website, according to the procedures indicated in the notice of call.

Shareholders have the right to ask questions about the items on the agenda by e-mailing said queries to ufficiolegale@finnat.it, or by posting them addressed to Banca Finnat S.p.A. – Ufficio Legale – Piazza del Gesù 49, 00186 Rome, attaching the documents proving the legitimate right to vote.

Shareholders who individually or jointly represent at least one fortieth of the share capital, may ask, within 10 days of the publication of the notice of call, for the supplement of the items on the agenda, specifying the further items proposed in the request. The request must be presented in writing to the registered office, upon demonstration of the relative legitimate presence of the Shareholders' proposing it. Within the above terms and in the same ways, any proponent must also provide the Board of Directors with a report on the items whose discussion is proposed.

Shareholders attending the meeting may speak by raising their hands.

Seven directors attended the Shareholders' Meeting of 28 April 2015.
The Board of Directors reported on the operations it carried out.

All documents about the Shareholders' Meeting are made available in a timely manner on the Bank's Website and at its registered office.

The minutes of the Meeting, when not drawn up by a notary, must be signed by the Chairman and Secretary. Considering the current dimensions of the attendance by shareholders at the Bank's Shareholders' Meetings, the Board of Directors has not currently held it necessary to adopt meeting regulations.

During the year, no significant changes occurred in the market capitalisation of the Bank's shares or in its shareholders.

## 17 FURTHER CORPORATE GOVERNANCE PRACTICES

**Credits Committee**

With a specific resolution taken on 16 February 2004, the Directors considered it appropriate to set up a Credits Committee as a consulting tool during the resolution on whether or not to grant credit lines. Subsequently, during the meeting of 12 November 2010, the Board established to assign the decision-making function to the Credits Committee up to the limits established by the Board.

It comprises, upon appointment by the Board of Directors, six members of the Bank's Senior Management:

| | |
|---|---|
| Leonardo Buonvino | Deputy Chairman of the Board of Directors |
| Arturo Nattino | Managing Director/General Manager |
| Tommaso Gozzetti | Chairman of the Board of Directors of the associated company Imprebanca Spa |
| Paolo Collettini | Joint General Manager |
| Giulio Bastia | Deputy General Manager – Credit and Advisory Area |
| Carlo Pittatore | Sales Manager |

Depending on the items up for discussion, other professionals or third parties may be invited to attend the meetings.

**Functions of the committee**

- To support senior management and the Board of Directors in formulating credit policies in order to ensure the quality and the efficient and effective development of credit activities;

- to propose improvements to make to the credit Regulations, to the procedures and systems supporting the lending activity;
- to examine, for consultation purposes and upon proposal and opinions formally expressed by the competent functions, proposals to assume the credit risk for all types of credit within the risk limit predetermined or set by the Board of Directors and the status shift for the position under its competence;
- to decide, within the limits of its authority, on proposals to assume the credit risk for all types of credit within the risk limit predetermined or set by the Board of Directors and the status shift for the position under its competence;
- to perform periodic checks on credit exposures in terms of performance by type of loan and to decide on overdrafts and impaired loans and relating to the loan positions on the basis of reports prepared by the Credits Organisational Unit;
- to formulate the credit policy contents to be submitted to the Board of Directors.

**Functioning and periodicity of meetings**

The Credits Committee elects a Chairman from amongst its members in the person of Arturo Nattino.
The Head of the Legal Department serves as Committee Secretary, preparing the meeting minutes.
The minutes, approved at the end of the meeting, are signed by the Chairman and by the Secretary and the related documentation is retained by the Legal Department.
The Committee generally meets once a week and, in any case, each time it may be necessary.

**Resolutions – Confidentiality obligations**

The Committee passes its resolutions by majority vote of those in attendance, expressed by raising their hands. Any contrary votes or abstentions are mentioned in the minutes.
Committee members shall keep strict confidentiality and refrain from divulging any information whereof they become aware in the performance of their duties and they act with utmost diligence to prevent the external disclosure of confidential information.

Limits to decision-making authority: the Credits Committee resolves on the following matters and up to the following amounts:

- 2,500,000.00 euros for first category risks (Class A);
- 3,000,000.00 euros for second category risks (Class B);
- 5,000,000.00 euros for third category risks (Class C);
- 5,000,000.00 euros for customers' "forward transactions";
- 5,000,000.00 euros for transactions entailing risk "of delivery" or "of a commercial nature";
- (max deferral 6 business days) in relation to the collection of the price.

These limits were updated by the Board of Directors' resolution of 14 March 2014.

The Committee also expresses an opinion with regards to the granting of credit lines for signing and cash and loans in general in relation to financial transactions of all natures and types, even where exceeding the short-term, for cash or other, on the basis of proposals prepared by the competent departments, for proposals under the competence of higher bodies.

These limits were revised by the Board of Directors' resolution of 14 November 2014. The Committee also expresses an opinion with regards to the granting of credit lines for signing and cash and loans in general in relation to financial transactions of all natures and types, even where exceeding the short-term, for cash or other, on the basis of proposals prepared by the competent departments, for proposals under the competence of higher bodies.

**Reporting**

The Committee shall periodically report to the Board of Directors on the activity it carries out.

* * * * *

**Management Committee**

The Management Committee supports the Managing Director and General Manager and the head of the Asset Management organisational unit for asset management guidance and investment strategy.

It also provides support to the Managing Director and General Manager with regard to the investment policies of the Bank pertaining to the property portfolios, within the session of the Committee specifically dedicated to company treasury.

The Management Committee currently consists of:

| |
|---|
| Managing Director and General Manager (chairman), |
| Deputy General Manager Finance, |
| Sales Manager, |
| Asset Management department Manager, |
| Studies, research and investor relations Manager, |
| Family office Manager, |
| Institutional Investor Manager, |
| Joint General Manager (session dedicated to company treasury), |
| Deputy General Manager Loans and Advisory, (session dedicated to company treasury), |
| Treasury OU Manager (session dedicated to company treasury). |

The Committee is chaired by the Managing Director/General Manager.

**Functions of the committee:**

- to formulate proposals, within the investment policies, assessing whether to maintain and/or make any changes to the composition of the managed portfolio;
- to provide operational guidance in relation to the practical implementation of the initiatives and lastly to agree the respective interventions;
- to provide indications, as a results of the assessments made, with regard to the lines of action to be undertaken in terms of investment strategy;
- to analyse, in collaboration with the office of the Deputy General Manager Finance and in particular with the Asset Management organisational unit, the managed customers' portfolio, thereby assessing the performance and general strategies on the investments carried out by the bank;
- to monitor and evaluate current market performance, in order to reach opinions on future performance.

**Internal Risk and Audit Committee**

The Internal Risk and Audit Committee provides support to the Managing Director and General Manager in formulating proposals pertaining to the identification, measurement, management and monitoring of the group's risks and of the RAF and in analysis the risks and their level of control, assured by the corporate audit functions and by the operational processes:

The Committee currently consists of:

| |
|---|
| Managing Director and General Manager (chairman), Joint General Manager, |
| Deputy General Managers, |
| Head of Internal Auditing, |
| Head of Risk Control, |
| Head of Anti-Money Laundering, |
| Head of Compliance, |
| Head of Operations |

**Functions of the committee:**

- to analyse, on a quarterly basis, the group's level of risk exposure in relation to the different classes of risks, with the support of the units tasked with risk management and control;
- to analyse and propose upgrades to the group's internal audit system;
- to provide periodic information on the analyses performed and the conclusions reached to be submitted to the Board of Directors through the Managing Director and General Manager.

## 18 CHANGES SINCE THE YEAR END OF REFERENCE

On 10 February 2016, the Board of Directors appointed by co-optation Ms. Flavia Mazzarella as a Member of the Board of Director in accordance with Article 2386 of the Italian Civil Code; she shall remain in office until the next shareholders' meeting.

* * * * *

## TABLE 1: INFORMATION ON SHAREHOLDERS

**SHARE CAPITAL STRUCTURE**

| | No. of shares | % of share capital | Listed/ unlisted | Rights and obligations |
|---|---|---|---|---|
| Ordinary shares | 362,880,000 | 100% | STAR | N.A. |
| Shares with limited voting right | N.A. | N.A. | N.A. | N.A. |
| Shares without voting right | N.A. | N.A. | N.A. | N.A. |

**OTHER FINANCIAL INSTRUMENTS**
**(assignors of the right to subscribe newly-issued shares)**

| | Listed/ unlisted | No. of instruments in issue | Category of shares under conversion/ exercise | No. of shares under conversion/ exercise |
|---|---|---|---|---|
| Convertible bonds | N.A. | N.A. | N.A. | N.A. |
| Warrants | N.A. | N.A. | N.A. | N.A. |

**MAJOR EQUITY INVESTMENTS***

| Declarant | Direct shareholder | % share of ordinary capital | % share of voting capital |
|---|---|---|---|
| Celeste Buitoni | Celeste Buitoni | - | 7.4896% |
| Arturo Nattino | Arturo Nattino | 21.67% | 21.67% |
| Andrea Nattino | Andrea Nattino | 14.5968% | 10.85% |
| Giulia Nattino | Giulia Nattino | 12.00% | 12.00% |
| Paola Nattino | Paola Nattino | 12.00% | 12.00% |
| Giampietro Nattino | Giampietro Nattino | 4.5826% | 4.5826% |
| GL Investimenti Srl | GL Investimenti Srl | 2.013% | 2.013% |

* Based on the communications pursuant Article 120 of the Italian Consolidated Financial Law on 31 December 2013.

Note:
N.A. = Not Applicable

## TABLE 2: COMPOSITION OF THE BOARD OF DIRECTORS AND COMMITTEES

| Board of Directors | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Office | Members | In office since | In office until | List (M/m) * | Exec. | Non exec. | Indep. per the Code | Indep. per Cons. Fin. Law | (%) ** | Number of other offices held *** |
| Chairman | Nattino Giampietro | 28.04.15 | Appr. of 2017 Fin. St. | N.A. | | X | | | 100 | 2 |
| Deputy Chairman | Buonvino Leonardo | 28.04.15 | Appr. of 2017 Fin. St. | N.A. | X | | | | 100 | 2 |
| Managing Director | Nattino Arturo | 28.04.15 | Appr. of 2017 Fin. St. | N.A. | X | | | | 100 | 4 |
| Director | Boffa Ermanno | 28.04.15 | Appr. of 2017 Fin. St. | N.A. | | X | X | X | 75 | 3 |
| Director | Carlevaris Carlo | 28.04.15 | Appr. of 2017 Fin. St. | N.A. | | X | | | 85 | 5 |
| Director | Cusmai Roberto | 28.04.15 | Appr. of 2017 Fin. St. | N.A. | | X | X | X | 100 | 0 |
| Director | Nattino Giulia | 28.04.15 | Appr. of 2017 Fin. St. | N.A. | | X | | | 90 | 1 |
| Director | Nattino Maria Sole | 28.04.15 | Appr. of 2017 Fin. St. | N.A. | | X | | | 100 | 1 |
| Director | Rattazzi Lupo | 28.04.15 | Appr. of 2017 Fin. St. | N.A. | | X | | | 100 | 3 |
| Director | Scognamiglio Andreina | 28.04.15 | Appr. of 2017 Fin. St. | N.A. | | X | X | X | 90 | 0 |
| **DIRECTORS WHO LEFT OFFICE DURING THE YEAR** | | | | | | | | | | |
| Director | Tofanelli Marco | 28.04.15 | 2.12.15 | N.A. | | X | X | X | 90 | 3 |
| Director | Caltagirone Francesco | 26.04.12 | 28.04.15 | N.A. | | X | | | 25 | |
| Director | Rizzuti Saverio | 25.09.14 | 28.04.15 | N.A. | X | | | | 100 | |
| **Quorum required for the presentation of lists on the occasion of the latest appointment: 2.5%** | | | | | | | | | | |
| No . of meetings held during the year | BoD 12 | CRC 9 | RC 7 | AC 3 | EC N.A. | | | | | |

Notes:

* This column contains the indication M/m depending on whether the member was elected from the list voted by the majority (M) or by a minority (m).

** This column shows the auditors' percentage of attendance at the meetings respectively of the Board of Directors and of the committees (no. of meetings attended/no. of meetings held during the individual's actual period in office).

*** This column shows the number of positions as director or auditor held by the individual in other entities listed on regulated markets, including foreign ones, in financial, banking, insurance or significantly sized entities. Attach to the Report the list of such entities with reference to each directors, specifying whether the company where the office is held is in the Group of which the Issuer is a part or is the Parent Company.

**** In this column, an "X" indicates that the member of the Board of Directors is a member of the related committee.

N.A. = Not Applicable

| | Control and risk Committee | | Remuneration Committee | | Appointment Committee | | Executive Committee (if any) | |
|---|---|---|---|---|---|---|---|---|
| | **** | ** | **** | ** | **** | ** | **** | ** |
| | | | | | | | N.A. | N.A. |
| | | | | | | | N.A. | N.A. |
| | | | | | X | 100% | N.A. | N.A. |
| | X | 90% | X | 100% | X | 100% | N.A. | N.A. |
| | | | | | | | N.A. | N.A. |
| | X | 100 | X | 100 | | | N.A. | N.A. |
| | | | | | | | | |
| | | | | | | | N.A. | N.A. |
| | | | | | | | N.A. | N.A. |
| | | | X | 100% | X | 100% | N.A. | N.A. |
| | | | | | | | | |
| | X | 100 | | | X | 100 | N.A. | N.A. |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |

## TABLE 3: COMPOSITION OF THE BOARD OF STATUTORY AUDITORS

| Board of Statutory Auditors | | | | | | | |
|---|---|---|---|---|---|---|---|
| Position | Members | In office since | In office until | List (M/m) * | Independence per the Code | (%) ** | Number of other offices held *** |
| **Chairman** | Alberto De Nigro | 28.04.15 | Appr. Fin. St. 2017 | M | X | 100 | 9 |
| **Permanent Auditor** | Barbara Fasoli Braccini | 28.04.15 | Appr. Fin. St. 2017 | M | X | 100 | 0 |
| **Permanent Auditor** | Francesco Minnetti | 28.04.15 | Appr. Fin. St. 2017 | M | X | 100 | 5 |
| **Alternate Auditor** | Antonio Staffa | 28.04.15 | Appr. Fin. St. 2017 | M | X | - | 13 |
| **Alternate Auditor** | Laura Bellicini | 28.04.15 | Appr. Fin. St. 2017 | M | X | - | 0 |
| **AUDITORS WHO LEFT OFFICE DURING THE YEAR** | | | | | | | |
| **Permanent Auditor** | Alessandro de' Micheli | 26.04.12 | Appr. of Fin. St. 2014 | M | X | 100 | N.A. |
| **Indicate the quorum required for the presentation of lists on the occasion of the latest appointment: 1%** | | | | | | | |
| **Number of meetings held during the year: 14** | | | | | | | |

Notes:

* This column contains the indication M/m depending on whether the member was elected from the list voted by the majority (M) or by a minority (m).

** This column shows the auditors' percentage of attendance at Board meetings (no. of meetings attended/no. of meeting held during the individual's actual period in office).

*** This column shows the number of positions as director or auditor held by the individual, of relevance pursuant to Article 148-bis of the Italian Consolidated Financial Law. The comprehensive list of appointments is enclosed, in accordance with Article 144-quinquiesdecies of the Consob Issuers' Regulations, to the report on the supervisory activity, prepared by the statutory auditors in accordance with Article 153, Paragraph 1 of the Italian Consolidated Financial Law.

N.A. = Not Applicable

# FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015
# OF BANCA FINNAT GROUP

# DIRECTORS' REPORT ON GROUP OPERATIONS

**Dear Shareholders,**

The consolidated financial statements of Banca Finnat Group for the year ended 31 December 2015 show a net profit of 8,320 thousand euros, up by 4,072 thousand euros compared to the previous year's 4,248 thousand euros.

The net profit of the year in question benefited from the revenues contributed by the companies absorbed by the subsidiary InvestiRE SGR S.p.A. (Beni Stabili Gestioni SGR S.p.A. and Polaris RE SGR S.p.A.) and from a positive tax component amounting to 3,205 thousand euros deriving from the release of the goodwill recognised by said absorbing company as a result of the merger.

The main items that form the 2014 financial year results are shown below and compared with the corresponding 2013 figures:

- **Earnings margin** totals 61,369 thousand euros, compared to 45,264 thousand euros in the previous financial year. The overall increase of 16,105 thousand euros may be broken down as follows:

  increases
  - 18,674 thousand euros for Net commissions (44,444 thousand euros at 31 December 2015, compared to 25,770 thousand euros in the previous year); The net commissions produced by the subsidiary InvestiRE SGR S.p.A. changed from 11,119 thousand euros at 31 December 2014 to 27,960 thousand at 31 December 2015)
  - 769 thousand euros for Profit from the sale of available-for-sale securities (5,581 thousand euros in 2015, compared to 4,812 thousand euros in the previous year);

  decreases
  - 2,994 thousand euros for Interest margin (9,603 thousand euros at 31 December 2015 compared to 12,597 thousand euros in the previous year);
  - 334 thousand euros for Dividends and similar income (3,452 thousand euros at 31 December 2015, compared to 3,786 thousand euros in the previous year);
  - 10 thousand euros for Net income from trading activities, which had a negative balance of 1,711 thousand euros as at 31 December 2015, compared to the negative balance of 1,701 thousand euros of the 2014 financial year;

- **Value adjustments for impairment** amounted to 4,314 thousand euros versus 3,041 thousand euros in 2014. The item includes 1,816 thousand euros of value adjustments on receivables and 2,498 thousand euros of value adjustments on available-for sale financial assets.

- **Administrative expenses** amount to 50,305 thousand euros versus 35,530 thousand euros in the previous year, up by a total amount of 14,775 thousand euros, mainly to be attributed to the costs referred to the subsidiary InvestiRE SGR S.p.A. as a result of the merger. The breakdown of administrative expenses is as follows:
  - staff costs, which totalled 30,984 thousand euros, rose by 9,124 thousand euros compared to 2014 (21,860 thousand euros). The increase pertained almost exclusively to the subsidiary InvestiRE SGR S.p.A.;
  - other administrative expenses totalling 19,321 thousand euros increased by 5,651 thousand euros compared to the previous year (13,670 thousand euros). The increase referred (3,603 thousand euros) to the subsidiary InvestiRE SGR S.p.A. and (1,987 thousand euros) to the Parent Company. The item includes the contribution paid by the Bank to the National Resolution Fund, i.e. 1,012 thousand euros.

- **Other operating income/expenses** show a positive balance of 3,937 thousand euros versus 2,191 thousand euros in 2014. The item comprises the recoveries of costs from customers, amounting to 4,018 thousand euros (3,822 thousand euros in the past year). In 2014, the expenses also included the indemnity recognised by the Bank to the subsidiary InvestiRE SGR S.p.A., amounting to 2,489 thousand euros, in view of the guarantee provided by the shareholders of the absorbing company.

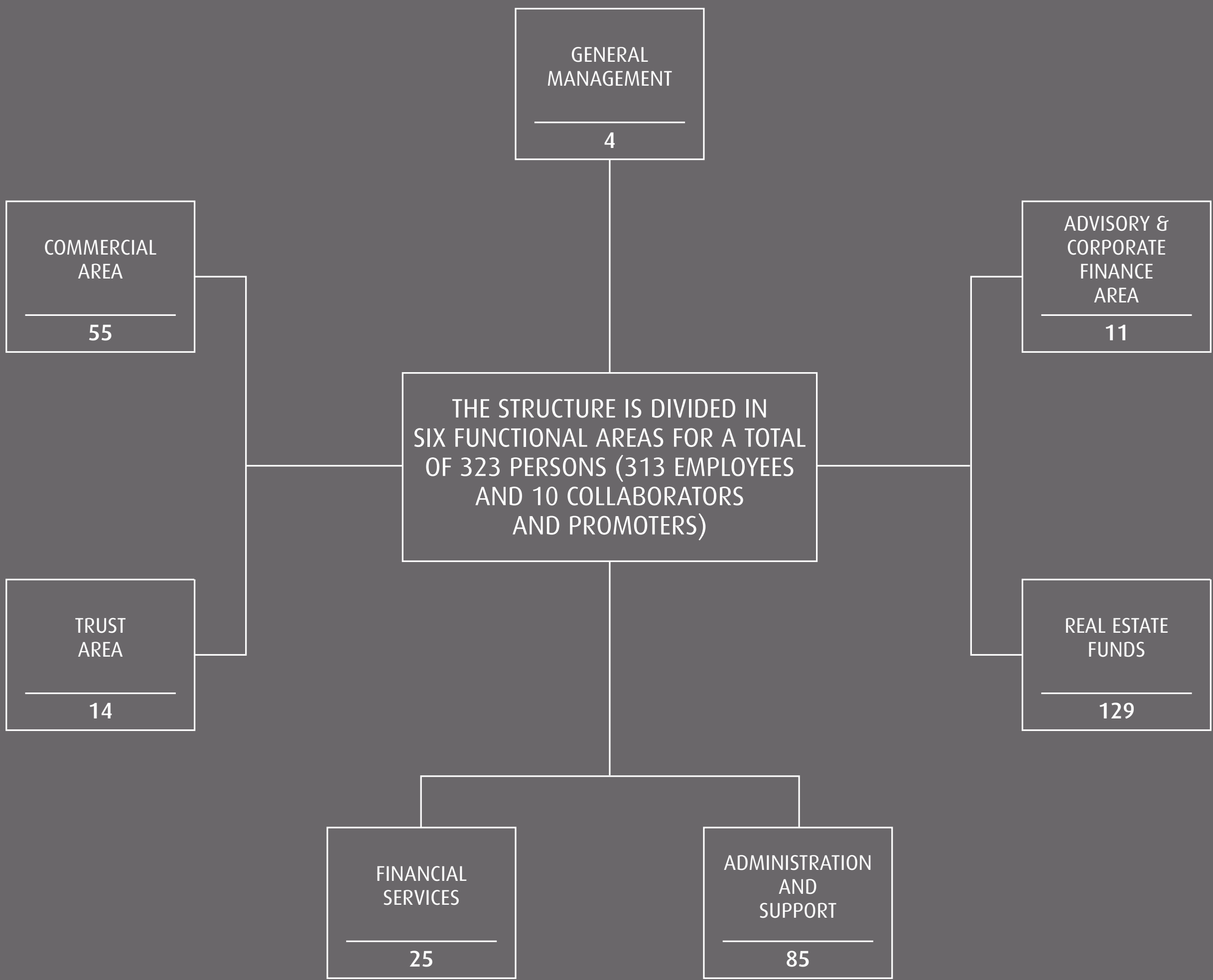
- **Income tax** benefited from the release of a total amount of 6,389 thousand euros (3,205 thousand euros pertaining to the Group) of the goodwill recognised by the subsidiary InvestiRE SGR S.p.A. as a result of the extraordinary transaction carried out. Taxes therefore were positive in the amount of 4,227 thousand euros, whereas they were negative by 3,704 thousand euros last year.

* * *

The price of the London Stock Exchange Group plc. shares, at 31 December 2015, rose by 23.55% compared to the price at 31 December 2014. This increase - together with the exchange rate effect - entailed a 6,305 thousand euros increase in the "Valuation reserve" referring to 1,016,400 shares owned by the Bank at that date and recorded under "Available-for-sale financial assets".
The global profit for the year under review, which also takes into account said increase in value, is shown in the "Consolidated Statement of Comprehensive Income".

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

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



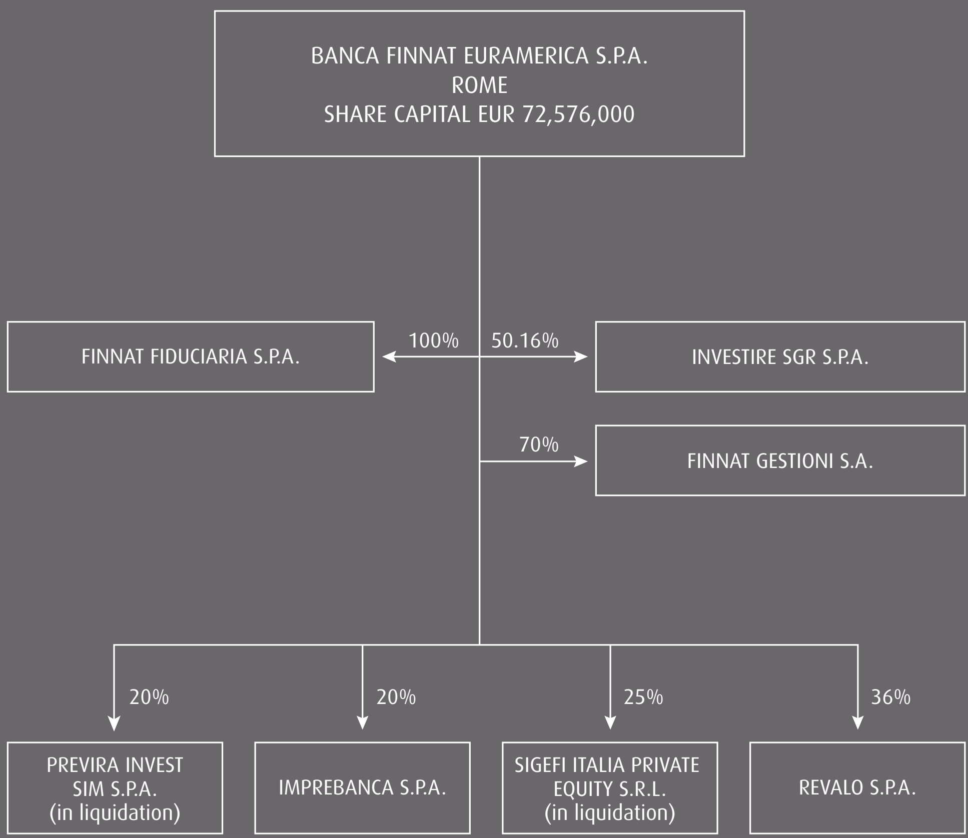

The total number of personnel in the Group increased from 229 at 31 December 2014 to 323 at 31 December 2015 as shown in detail below:

| | 31.12.2015 | 31.12.2014 |
|---|---|---|
| **staff** | **313** | **218** |
| executives | 46 | 32 |
| managers | 128 | 87 |
| clerical workers | 139 | 99 |
| **contractors** | **7** | **8** |
| **promoters** | **3** | **3** |
| **Total** | **323** | **229** |

The change consists almost exclusively of the increase in the workforce of InvestiRE SGR S.p.A. as a result of the merger..

## THE GROUP'S COMPANIES

At 31 December 2015, the Group's structure was as follows:




The merger by absorption of Beni Stabili Gestioni SGR S.p.A. and Polaris Real Estate SGR S.p.A. into Investire Immobiliare SGR S.p.A. had its initial date of legal validity on 29 December 2014, while for the purposes of its accounting and tax effects, the initial date of validity was 1 January 2015. As a result of this transaction, the Bank's shareholding in Investire Immobiliare SGR S.p.A., in percentage terms, decreased from 80% to 50.16%.

On 28 April 2015 the Extraordinary Shareholders' Meeting of the subsidiary Investire Immobiliare SGR S.p.A. changed its name to InvestiRE SGR S.p.A., with effect from 1 June 2015.

On 4 May 2015, the resolution of the Extraordinary Shareholders' Meeting of the associated company Sigefi Italia Private Equity S.p.A. of 16 April 2015 was registered in the Register of Companies. The Meeting voted for the voluntary liquidation of the company, after its transformation from joint stock company to limited liability company.

On 25 May 2015 the associated company Beni Stabili Property Service S.p.A. changed its name to Revalo S.p.A.

On 24 September 2015 the Extraordinary Shareholders' Meeting of the associated company Previra Invest Sim S.p.A. voted to place the company in voluntary liquidation. The registration in the Register of Company took place on 22 October 2015.

On 2 December 2015, with the registration of the deed of merger with the Register of Companies of Rome, the merger of Fedra Fiduciaria S.p.A. into Finnat Fiduciaria S.p.A. took legal effect, whereas the accounting and tax effects were backdated to 1 January 2015.

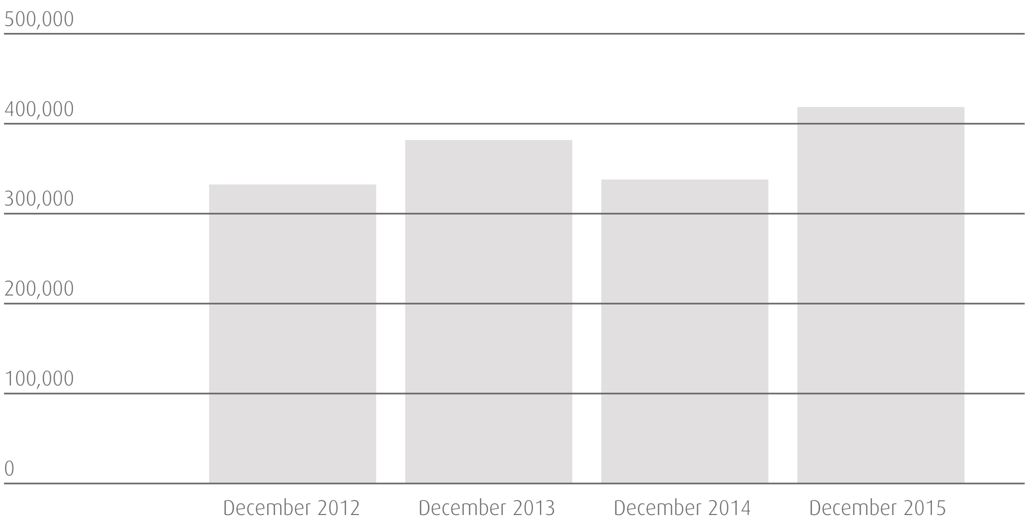
## CHANGES IN THE GROUP'S DEPOSITS

(in thousand of euros)

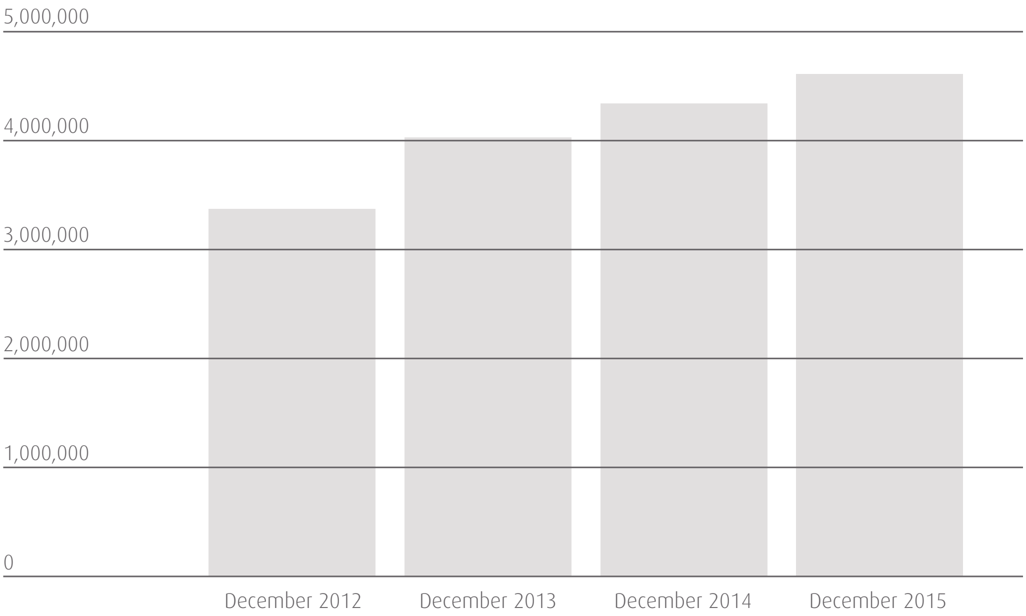
| | December 2012 | December 2013 | December 2014 | December 2015 |
|---|---|---|---|---|
| **Direct deposits from customers of the parent company** | **331,542** | **380,810** | **336,854** | **417,760** |
| - Due to customers (current accounts) | 234,185 | 284,987 | 248,080 | 331,111 |
| - Fixed-term deposits | 33,185 | 54,138 | 40,116 | 60,527 |
| - Outstanding securities | 64,172 | 41,685 | 48,658 | 26,122 |
| **Indirect deposits of the parent company** | **3,374,926** | **4,029,489** | **4,338,207** | **4,609,152** |
| - Individual management | 405,593 | 396,335 | 427,690 | 449,753 |
| - Delegated management | 218,215 | 214,972 | 244,252 | 283,646 |
| - Deposits under administration (UCI and securities) | 2,746,111 | 3,398,930 | 3,451,980 | 3,603,627 |
| - Deposits under administration under advice (UCI and securities) | – | – | 183,688 | 229,493 |
| - Third parties' insurance products | 5,007 | 19,252 | 30,597 | 42,633 |
| **Trusteeship** | **1,543,662** | **1,581,762** | **1,471,884** | **1,408,787** |
| **Real Estate Fund Management** | **3,840,700** | **3,882,512** | **4,130,632** | **6,769,365** |
| **Total deposits** | **9,090,830** | **9,874,573** | **10,277,577** | **13,205,064** |
| **Luxembourg-based Sicav, (UCI the "Promoter" of which is Banca Finnat: New Millennium, Rinascimento).** | **599,984** | **612,302** | **702,614** | **725,786** |

The above statement shows the changes in the Group's deposits broken down by type. In particular: a) direct and indirect funding from customers refer to the Bank's activity and does not include repos having the Cassa di Compensazione e Garazia as the counterparty; b) trusteeship does not include the funding of Finnat Gestioni S.A.; c) the assets of the subsidiary InvestiRE SGR S.p.A. are measured at the market value of the total managed assets before subtracting debt (GAV). The increase, compared to 31 December 2014, also derives from the contribution of Beni Stabili Gestioni SGR S.p.A. and Polaris RE SGR S.p.A., absorbed with effect on 1 January 2015. All assets shown in the statement also take into account the amount invested in them and originating from the other types highlighted.

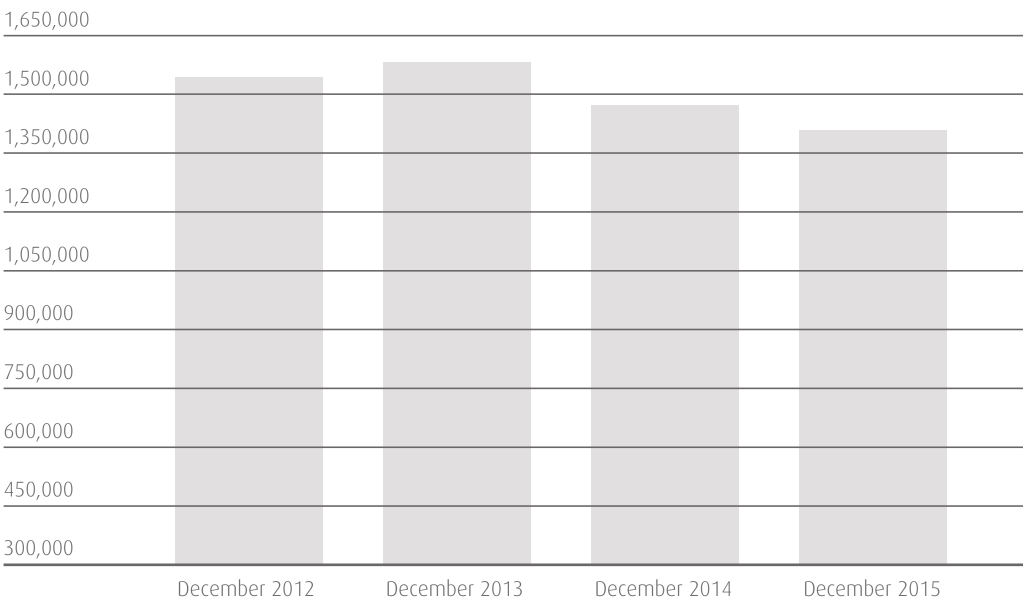
**Direct deposits from customers**



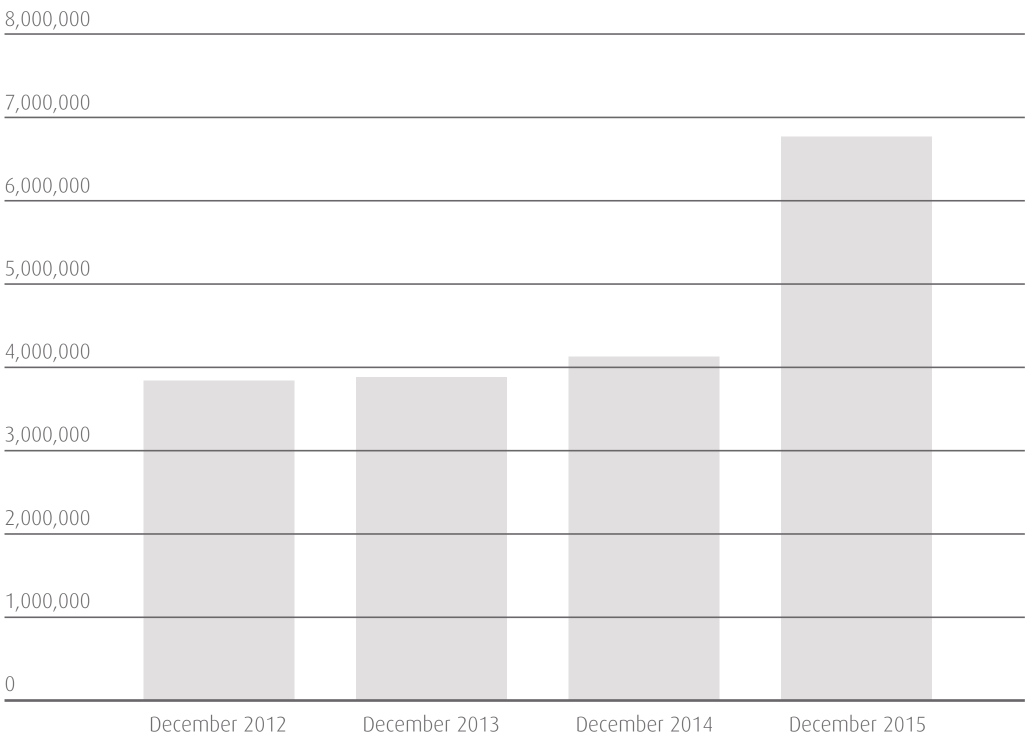
## Indirect deposits



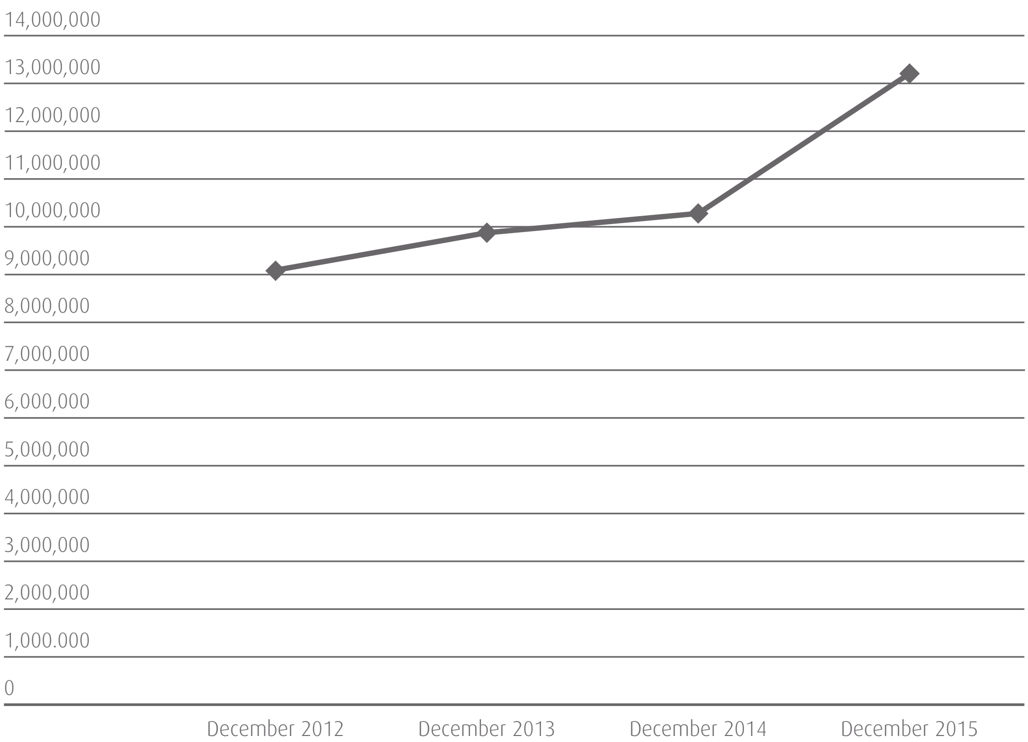

## Trusteeship



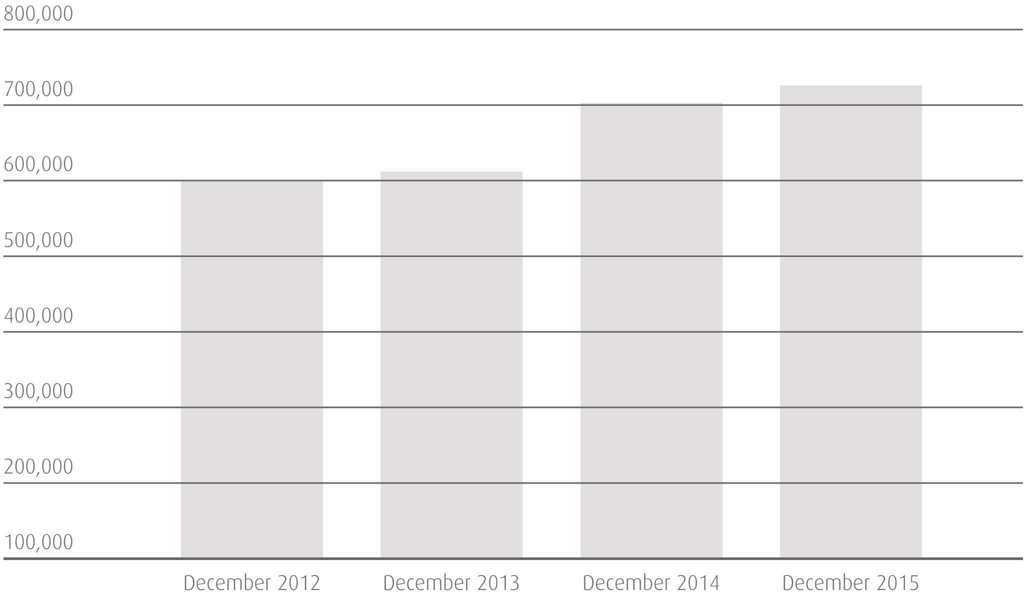
**Real Estate Funds**




**Total deposits of the Group**



**Luxembourg-based Sicav fund**




## GROUP OPERATIONS

For comments on the performance of investee company operations, readers are invited to refer to the report on operations in the financial statements of Banca Finnat Euramerica S.p.A., which is included in this report.

Pursuant to Consob communication no. 98084143 of 27 October 1998, it should be noted that the Group principally operates in Italy and in any event does not have operations in locations that are considered to be risk areas.

Transactions regarding securities and equity investments are illustrated and examined in detail in the Notes to the Financial Statements.

# COMPARISON OF KEY BALANCE SHEET AND INCOME STATEMENT FIGURES OF THE 2015 AND 2014 FINANCIAL YEARS

The main 2015 financial statement items and comparative items at 31 December 2014 are summarised below.

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

**CONSOLIDATED BALANCE SHEET**

(in thousand of euros)

| | 31.12.2015 | 31.12.2014 | Absolute change |
|---|---|---|---|
| **ASSETS** | | | |
| Cash and cash equivalents | 469 | 665 | (196) |
| Financial assets held for trading | 56,578 | 106,246 | (49,668) |
| Available-for-sale financial assets | 831,421 | 790,205 | 41,216 |
| Financial assets held to maturity | 1,959 | 2,319 | (360) |
| Due from banks | 98,386 | 76,020 | 22,366 |
| Due from customers | 292,644 | 289,483 | 3,161 |
| Hedging derivatives | 215 | – | 215 |
| Equity investments | 10,549 | 10,822 | (273) |
| Tangible assets | 5,501 | 5,207 | 294 |
| Intangible assets | 41,957 | 4,190 | 37,767 |
| Tax assets | 21,265 | 5,492 | 15,773 |
| Other assets | 18,680 | 14,486 | 4,194 |
| **TOTAL ASSETS** | **1,379,624** | **1,305,135** | **74,489** |
| **LIABILITIES AND NET EQUITY** | | | |
| Due to banks | 11,496 | 97,204 | (85,708) |
| Due to customers | 1,045,816 | 937,095 | 108,721 |
| Outstanding securities | 26,122 | 46,958 | (20,836) |
| Financial liabilities held for trading | 9,733 | 2,359 | 7,374 |
| Tax liabilities | 10,228 | 4,303 | 5,925 |
| Other liabilities | 13,177 | 18,702 | (5,525) |
| Staff severance fund | 4,405 | 3,993 | 412 |
| Provisions for risks and charges | 1,067 | – | 1,067 |
| Net equity of minority interests | 39,031 | 3,436 | 35,595 |
| Group net equity | 218,549 | 191,085 | 27,464 |
| **TOTAL LIABILITIES AND NET EQUITY** | **1,379,624** | **1,305,135** | **74,489** |

### CONSOLIDATED INCOME STATEMENT

(in thousand of euros)

| | FY 2015 | FY 2014 | Absolute change | Percent change |
|---|---|---|---|---|
| **Interest margin** | **9,603** | **12,597** | **(2,994)** | **-24%** |
| **Net Commissions** | **44,444** | **25,770** | **18,674** | **72%** |
| Dividends and similar income | 3,452 | 3,786 | (334) | |
| Net income from trading activities | (1,711) | (1,701) | (10) | |
| Net profit (loss) from the transfer or the repurchase of: | | | | |
| - available-for-sale financial assets | 5,581 | 4,812 | 769 | |
| **Earnings margin** | **61,369** | **45,264** | **16,105** | **36%** |
| Value adjustment for impairment | (4,314) | (3,041) | (1,273) | |
| **Net income from financial operations** | **57,055** | **42,223** | **14,832** | **35%** |
| Staff costs | (30,984) | (21,860) | (9,124) | |
| Other administrative expenses | (19,321) | (13,670) | (5,651) | |
| Net allocations to provisions for risks and charges | (686) | - | (686) | |
| Value adjustments on tangible and intangible assets | (925) | (511) | (414) | |
| Other operating income/expenses | 3,937 | 2,191 | 1,746 | |
| **Operating costs** | **(47,979)** | **(33,850)** | **(14,129)** | **42%** |
| **Profit (loss) from equity investments** | **325** | **315** | **10** | |
| **Pre-tax income (loss) from current operations** | **9,401** | **8,688** | **713** | **8%** |
| Income tax for the year on current operations | 4,227 | (3,704) | 7,931 | |
| **Income (loss) from current operations after tax** | **13,628** | **4,984** | **8,644** | **173%** |
| Profit (loss) of minority interests | (5,308) | (736) | (4,572) | |
| **Net profit (loss) for the year pertaining to the Parent Company** | **8,320** | **4,248** | **4,072** | **96%** |

Following are a series of Group operating ratios at 31 December 2015 compared with the operating ratios of the previous year.

| | FY 2015 % | FY 2014 % |
|---|---|---|
| Interest margin/earnings margin | 15.65 | 27.83 |
| Net commissions/earnings margin | 72.42 | 56.93 |
| Cost/income ratio (operating costs/earnings margin) | 78.18 | 74.78 |
| ROE (profit for the year/net equity) | 3.81 | 2.22 |
| ROA (profit for the year/total assets) | 0.60 | 0.33 |

## SIGNIFICANT EVENTS OCCURRING AFTER THE END OF THE FINANCIAL YEAR

In the period spanning the end of the 2015 financial year and the date on which these consolidated financial statements were prepared, no significant events or factors that could affect the financial position, capital position, or results of operations of the Group emerged.
However, it should be pointed out that on 10 February 2016 the Board of Directors of the Bank appointed by co-opting - to replace Director Tofanelli who resigned - Ms. Flavia Mazzarella as independent non executive Director. Director Mazzarella was also appointed Lead Independent Director, Chairman of the Risk Committee and member of the Appointment Committee.

## RELATED PARTY TRANSACTIONS

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

The Bank entered into transactions with subsidiary companies or companies subject to significant influence and ordinary transactions of lesser significance and under market conditions that have not impacted significantly on the financial position or results of operations of the company and moreover, in 2015, it did not carry out any transaction with related parties or subjects other than related parties considered to be of an “atypical or unusual” nature, and which, due to their magnitude/relevance might have cast doubts on the safeguarding of the Bank’s assets and the protection of minority shareholders’ rights.

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

## OPTION FOR THE DOMESTIC CONSOLIDATED TAX SYSTEM

The Bank and its Italian-based subsidiaries have joined the “domestic consolidated tax system”, pursuant to Article 117/129 of the TUIR (Consolidated Income Tax Act). The option was renewed in 2013 also for the 2013/2014/2015 period.

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

# MARKET DISCLOSURE INFORMATION

Regarding market disclosure the Group declares that:

- with reference to the request made by the Bank of Italy, in its Communication of 17 June 2008, the Group's exposure to financial products perceived by the market as risky comprises the investment in "FIP Funding Class A2-2023" bonds, recorded in the financial statements of the Bank as securities held for trading, totalling 1,429 thousand euros (with a nominal value of 2,020 thousand euros). This investment (CMBS Commercial Mortgage-Backed Securities) is the result of the securitisation of the loan to Fondo Immobili Pubblici (managed, as mentioned above, by the subsidiary InvestiRE SGR S.p.A.) and is guaranteed by a special lien on the real estate owned by the Fund, which is almost exclusively leased out to Government entities; consequently, it is an investment that is not exposed to the risk of insolvency.

  At 31 December 2015, the Bank and the other Group companies – with the exception of the above mentioned investment – were not exposed to and/or did not hold an interest, either directly or through vehicle companies or other non-consolidated entities, in financial instruments or UCIs characterised by high-risk investments, such as: - SPEs (Special Purpose Entities) - CDOs (Collateralised Debt Obligations) – Other subprime exposures and Alt-A – CMBSs (Commercial Mortgage-Backed Securities) – Leveraged Finance;
- the Board of Directors of Banca Finnat Euramerica S.p.A., pursuant to Consob Resolution no. 18079 of 20 January 2012, decided, on 21 January 2013, to comply with the simplification system set forth in Articles 70 (paragraph 8) and 71 (paragraph 1-bis) of the Regulations adopted by Consob with Resolution no. 11971 of 14 May 1999 as amended and supplemented, by making use of the right, of listed companies, to depart from the obligation to submit the information documents required by Annex 3B of the Consob Regulation relating to future significant extraordinary operations such as mergers, demergers, capital increase by non-cash contributions, acquisitions and sales;
- with reference to the requests contained in joint Document no. 2 dated 6 February 2009 by the Bank of Italy, Consob and Isvap and in their subsequent Document no. 4 dated 4 March 2010 and the provisions of paragraphs 15 and 25 of IAS 1, regarding disclosures to be made with respect to going concern assumptions, please refer to the commentary provided in Part A, Section 2 – General financial reporting principles and Part E – Information about Risks and Related Hedging Policies of the Notes to the Financial Statements;
- the Bank of Italy published Circular 285 "Prudential Supervision Provisions for Banks" illustrating the implementing provisions in force since 1 January 2014. The document also contemplates, in the transitional provisions on "own funds", the right not to include, for the purpose of calculating regulatory capital, unrealised profit and loss referring to exposures towards Central Administrations classified in the category "Available-for-sale financial assets". This right (the so-called sterilisation) is valid until the coming into force of IFRS 9 that will replace IAS 39 on financial instruments. The Bank within the time prescribed exercised the above option.

# PUBLIC DISCLOSURE BY STATE

**Figures at 31 December 2015**

in accordance with Art. 89 of Directive 2013/36/EU of the European Parliament and of the Council (CRD IV)

| Name | Geographic location | Nature of the activity | Revenues (in thousands of euros) | Average number of employees | Pre-tax profit/Loss (in thousands of euros) | Taxes on income or loss (in thousands of euros) |
|---|---|---|---|---|---|---|
| **Parent company** | | | | | | |
| Banca Finnat Euramerica S.p.A. | Italy | Banking | 33,423 | 165 | 3,999 | 625 |
| **Direct subsidiaries** | | | | | | |
| Finnat Fiduciaria S.p.A. | Italy | Trusteeship | 1,774 | 14 | 108 | (46) |
| InvestiRE SGR S.p.A. | Italy | Promotion and management of closed-ended real estate funds | 28,088 | 129 | 7,034 | 3,763 |
| Finnat Gestioni SA | Switzerland | Financial management and advice | 789 | 2 | 551 | (114) |

The taxes of the Parent Company and of InvestiRE SGR S.p.A. were positive.

# CAPITAL ADEQUACY, PRUDENTIAL RATIOS AND RISK MANAGEMENT DISCLOSURE

Information about the Group's capital adequacy and risk management are illustrated at length in the Notes to the financial statements, respectively in Part F – Information on Consolidated Net Equity and in Part E – Risk Information and Related Hedging Policies.

## CONSOLIDATED OWN FUNDS AND CAPITAL RATIOS

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

Own funds at 31 December 2015 amounted to 148,600 thousand euros (137,087 thousand euros at 31 December 2014), whereas the Total capital ratio stood at 31.7% (29.8% at 31 December 2014) versus the 8% minimum requirement set forth in the current regulations for Credit Institutions.

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

## RESEARCH & DEVELOPMENT

For research and development activities, readers should refer to the comments contained in the report on operations attached to the separate financial statements of the Parent Company.

## STRATEGY FOR 2016 AND OPERATING OUTLOOK

Based on the current forecasts formulated on the annual performance of the Group, the consolidated result from current operations, before taxes, for the year 2016 is expected to exceed that of 2015.

# CONSOLIDATED NET EQUITY OF THE GROUP

The Group's net equity at 31 December 2015, including the profit for the period, totalled 218,549 thousand euros and changed as follows:

### Trend in Group Net Equity

(in thousands of euros)

| | |
|---|---|
| **Net Equity at 31 December 2014** | **191,085** |
| Dividend distribution | (3,629) |
| Change in valuation reserves | 5,700 |
| Changes in other reserves | 18,612 |
| Changes for purchase of own shares | (1,539) |
| Profit (loss) in the period | 8,320 |
| **Net Equity at 31 December 2015** | **218,549** |

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

(in thousands of euros)

| | Net equity | of which: Profit (loss) for the period |
|---|---|---|
| **Balance as per the Parent Company's financial statements at 31 December 2015** | **241,949** | **4,624** |
| Results of subsidiaries as per the statutory financial statements: | | |
| - fully consolidated companies | 5,784 | 5,784 |
| - valued by equity method | (599) | 325 |
| Amortisation of positive differences: | | |
| - previous years | (984) | |
| Surplus over the book value related to: | | |
| - fully consolidated companies | 24,798 | |
| Elimination of dividends | (413) | (2,618) |
| Other consolidation adjustments: | (51,986) | 205 |
| **Balance resulting from the consolidated financial statements of the group at 31 December 2015** | **218,549** | **8,320** |

**Information on stock option plans**

As illustrated in the most significant events of the year in the Report on Operations of the separate Financial Statements included herewith, the stock option plan is no longer valid because the conditions for exercising the options did not materialise.

**Own shares**

At 31 December 2015, the Bank holds 28,320,718 own shares, representing 7.8% of the share capital with a total value of 13,949 thousand euros. At the end of the past year, the Bank held 25,105,632 own shares with a value of 12,410 thousand euros.

During the financial year, the Bank purchased 3,215,086 shares with a total value of 1,539 thousand euros.

Rome, 14 March 2016

## CONSOLIDATED BALANCE SHEET

(in thousands of euros)

| | Asset items | 31.12.2015 | 31.12.2014 |
|---|---|---|---|
| **10.** | Cash and cash equivalents | 469 | 665 |
| **20.** | Financial assets held for trading | 56,578 | 106,246 |
| **40.** | Available-for-sale financial assets | 831,421 | 790,205 |
| **50.** | Financial assets held to maturity | 1,959 | 2,319 |
| **60.** | Due from banks | 98,386 | 76,020 |
| **70.** | Due from customers | 292,644 | 289,483 |
| **80.** | Hedging derivatives | 215 | – |
| **100.** | Equity investments | 10,549 | 10,822 |
| **120.** | Tangible assets | 5,501 | 5,207 |
| **130.** | Intangible assets | 41,957 | 4,190 |
| | of which: | | |
| | - goodwill | 37,729 | 300 |
| **140.** | Tax assets | 21,265 | 5,492 |
| | a) current | 2,992 | 2,115 |
| | b) advance | 18,273 | 3,377 |
| | of which in Italian Law 214/2011 | 14,329 | 2,221 |
| **160.** | Other assets | 18,680 | 14,486 |
| | **Total assets** | **1,379,624** | **1,305,135** |

| | Liabilities and net equity | 31.12.2015 | 31.12.2014 |
|---|---|---|---|
| **10.** | Due to banks | 11,496 | 97,204 |
| **20.** | Due to customers | 1,045,816 | 937,095 |
| **30.** | Outstanding securities | 26,122 | 46,958 |
| **40.** | Financial liabilities held for trading | 9,733 | 2,359 |
| **80.** | Tax liabilities | 10,228 | 4,303 |
| | a) current | 6,302 | 452 |
| | b) deferred | 3,926 | 3,851 |
| **100.** | Other liabilities | 13,177 | 18,702 |
| **110.** | Staff severance fund | 4,405 | 3,993 |
| **120.** | Provisions for risks and charges | | |
| | b) other provisions | 1,067 | – |
| **140.** | Valuation reserves | 34,399 | 28,699 |
| **170.** | Reserves | 117,203 | 97,972 |
| **190.** | Share capital | 72,576 | 72,576 |
| **200.** | Own shares (-) | (13,949) | (12,410) |
| **210.** | Net equity of minority interests (+/-) | 39,031 | 3,436 |
| **220.** | Profit (Loss) for the year (+/-) | 8,320 | 4,248 |
| | **Total liabilities and net equity** | **1,379,624** | **1,305,135** |

## CONSOLIDATED INCOME STATEMENT

(in thousands of euros)

| | Items | FY 2015 | FY 2014 |
|---|---|---|---|
| **10.** | Interest income and similar income | 11,110 | 16,950 |
| **20.** | Interest expense and similar expense | (1,507) | (4,353) |
| **30.** | **Interest margin** | **9,603** | **12,597** |
| **40.** | Commission income | 46,525 | 27,121 |
| **50.** | Commission expense | (2,081) | (1,351) |
| **60.** | **Net Commissions** | **44,444** | **25,770** |
| **70.** | Dividends and similar income | 3,452 | 3,786 |
| **80.** | Net income from trading activities | (1,711) | (1,701) |
| **90.** | Net income from hedging activities | – | – |
| **100.** | Profit (loss) from the transfer or the repurchase of: | | |
| | b) available-for-sale financial assets | 5,581 | 4,812 |
| **120.** | **Earnings margin** | **61,369** | **45,264** |
| **130.** | Net value adjustments/write-backs for impairment of: | | |
| | a) receivables | (1,816) | (1,392) |
| | b) available-for-sale financial assets | (2,498) | (1,602) |
| | d) other financial transactions | – | (47) |
| **140.** | **Net income from financial operations** | **57,055** | **42,223** |
| **180.** | Administrative expenses: | | |
| | a) staff costs | (30,984) | (21,860) |
| | b) other administrative expenses | (19,321) | (13,670) |
| **190.** | Net allocations to provisions for risks and charges | (686) | – |
| **200.** | Net value adjustments/write-backs on tangible assets | (492) | (436) |
| **210.** | Net value adjustments/write-backs on intangible assets | (433) | (75) |
| **220.** | Other operating income/expenses | 3,937 | 2,191 |
| **230.** | **Operating costs** | **(47,979)** | **(33,850)** |
| **240.** | Profit (loss) from equity investments | 325 | 315 |
| **280.** | **Pre-tax income (loss) from current operations** | **9,401** | **8,688** |
| **290.** | Income tax for the year on current operations | 4,227 | (3,704) |
| **300.** | **Income (loss) from current operations after tax** | **13,628** | **4,984** |
| **320.** | **Profit (loss) for the year** | **13,628** | **4,984** |
| **330.** | Profit (loss) for the year for minority interests | (5,308) | (736) |
| **340.** | **Net profit (loss) for the year pertaining to the Parent Company** | **8,320** | **4,248** |

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(in thousands of euros)

| | Items | Period FY 2015 | Period FY 2014 |
|---|---|---|---|
| **10.** | **Profit (loss) for the year** | **13,628** | **4,984** |
| | **Other income items after tax without reallocation to income statement** | | |
| **40.** | Defined-benefit plans | 210 | (229) |
| **60.** | Share of valuation reserves of equity investments valued by equity method | (184) | 96 |
| | **Other income items after tax with reallocation to income statement** | | |
| **100.** | Available-for-sale financial assets | 4,476 | 8,673 |
| **130.** | **Total other income items after tax** | **4,502** | **8,540** |
| **140.** | **Comprehensive income (Item 10+130)** | **18,130** | **13,524** |
| **150.** | Consolidated comprehensive income pertaining to minority interests | 4,110 | 699 |
| **160.** | **Consolidated comprehensive income pertaining to the Parent Company** | **14,020** | **12,825** |

## STATEMENT OF CHANGES IN CONSOLIDATED NET EQUITY AT 31 DECEMBER 2015

(in thousands of euros)

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

## STATEMENT OF CHANGES IN CONSOLIDATED NET EQUITY AT 31 DECEMBER 2014

(in thousands of euros)

| | Total net equity at 31.12.2013 | Changes in opening balances | Total net equity at 01.01.2014 | Allocation of previous FY profit | |
|---|---|---|---|---|---|
| | | | | Reserves | Dividends and other allocations |
| **Share capital:** | **72,576** | | **72,576** | **–** | **–** |
| a) ordinary shares | 72,576 | | 72,576 | – | – |
| b) other shares | – | | – | – | – |
| **Share issue premium** | **–** | | **–** | **–** | **–** |
| **Reserves:** | **99,618** | **–** | **99,618** | **1,943** | **–** |
| a) profit | 87,588 | | 87,588 | 2,267 | |
| b) other | 12,030 | | 12,030 | (324) | – |
| **Valuation reserves** | **19,807** | | **19,807** | **–** | **–** |
| **Capital instruments** | **–** | | **–** | **–** | **–** |
| **Own shares** | **(11,959)** | | **(11,959)** | **–** | **–** |
| **Net Profit (Loss) for the year** | **5,572** | | **5,572** | **(1,943)** | **(3,629)** |
| **Total net equity** | **185,614** | **–** | **185,614** | **–** | **(3,629)** |
| **of which: Group net equity** | **182,140** | **–** | **182,140** | **–** | **(3,629)** |
| **of which: Minority interests** | **3,474** | **–** | **3,474** | **–** | **–** |

| Changes during the year | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Net Equity transactions | | | | | | | | | | |
| Changes in the reserves | New share issue | Purchase of own shares | Extra dividend distribution | Change in capital instruments | Derivatives on own shares | Stock Options | Changes in equity investments | Compre-hensive income FY 2015 | Net equity at 31.12.2015 Total | Net equity at 31.12.2015 Group | Net equity at 31.12.2015 Minority interests |
| – | – | – | – | – | – | – | – | – | 72,576 | 72,576 | – |
| – | – | – | – | – | – | – | – | – | 72,576 | 72,576 | – |
| – | – | – | – | – | – | – | – | – | – | – | – |
| – | – | – | – | – | – | – | – | – | – | – | – |
| 50,097 | – | – | – | – | – | – | – | – | 152,476 | 117,203 | 35,273 |
| 3,641 | – | – | | – | – | – | – | – | 94,714 | 87,316 | 7,398 |
| 46,456 | – | – | – | – | – | – | – | – | 57,762 | 29,887 | 27,875 |
| – | – | – | – | – | – | – | – | 4,502 | 32,849 | 34,399 | (1,550) |
| – | – | – | – | – | – | – | – | – | – | – | – |
| – | – | (1,539) | – | – | – | – | – | – | (13,949) | (13,949) | |
| – | – | – | – | – | – | – | – | 13,628 | 13,628 | 8,320 | 5,308 |
| 50,097 | – | (1,539) | – | – | – | – | – | 18,130 | 257,580 | – | – |
| 18,612 | – | (1,539) | – | – | – | – | – | 14,020 | – | 218,549 | – |
| 31,485 | – | – | – | – | – | – | – | 4,110 | – | – | 39,031 |

| Changes during the year | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Net Equity transactions | | | | | | | | | | |
| Changes in the reserves | New share issue | Purchase of own shares | Extra dividend distribution | Change in capital instruments | Derivatives on own shares | Stock Options | Changes in equity investments | Compre-hensive income FY 2014 | Net equity at 31.12.2014 Total | Net equity at 31.12.2014 Group | Net equity at 31.12.2014 Minority interests |
| – | – | – | – | – | – | – | – | – | 72,576 | 72,576 | – |
| – | – | – | – | – | – | – | – | – | 72,576 | 72,576 | – |
| – | – | – | – | – | – | – | – | – | – | – | – |
| – | – | – | – | – | – | – | – | – | – | – | – |
| (713) | – | – | – | – | – | 176 | – | – | 101,024 | 97,972 | 3,052 |
| (222) | – | – | | – | – | – | – | – | 89,633 | 86,611 | 3,022 |
| (491) | – | – | – | – | – | 176 | – | – | 11,391 | 11,361 | 30 |
| – | – | – | – | – | – | – | – | 8,540 | 28,347 | 28,699 | (352) |
| – | – | – | – | – | – | – | – | – | – | – | – |
| – | – | (451) | – | – | – | – | – | – | (12,410) | (12,410) | |
| – | – | – | – | – | – | – | – | 4,984 | 4,984 | 4,248 | 736 |
| (713) | – | (451) | – | – | – | 176 | – | 13,524 | 194,521 | – | – |
| 24 | – | (451) | – | – | – | 176 | – | 12,825 | – | 191,085 | – |
| (737) | – | – | – | – | – | – | – | 699 | – | – | 3,436 |

## CONSOLIDATED STATEMENT OF CASH FLOWS (indirect method)

(in thousands of euros)

| | Amount | |
|---|---|---|
| | 31.12.2015 | 31.12.2014 |
| **A. OPERATING ACTIVITIES** | | |
| **1. Management** | **41,277** | **8,582** |
| - net profit (loss) for the year (+/-) | 8,320 | 4,248 |
| - capital gains/losses on financial assets held for trading and on financial assets/liabilities carried at fair value (-/+) | 8 | 17 |
| - capital gains/losses on hedging assets (-/+) | (215) | – |
| - net value adjustments/write-backs for impairment (+/-) | 4,314 | 3,041 |
| - net value adjustments/write-backs on tangible and intangible fixed assets (+/-) | 768 | 589 |
| - net allocations to the provisions for risks and charges and other costs/revenues (+/-) | 2,062 | 1,181 |
| - net premiums not received (-) | – | – |
| - other insurance income/expenses not received (-/+) | – | – |
| - taxes, duties and tax credits not liquidated (+/-) | (4,227) | 3,704 |
| - net value adjustments/write-backs of groups of assets being disposed after tax (+/-) | – | – |
| - other adjustments (+/-) | 30,247 | (4,198) |
| **2. Cash generated by/used in financial assets** | **(27,180)** | **(176,203)** |
| - financial assets held for trading | 49,660 | 19,926 |
| - financial assets carried at fair value | – | – |
| - available-for-sale financial assets | (43,714) | (232,817) |
| - due from banks: on demand | (26,901) | 387 |
| - due from banks: other receivables | 3,085 | 18,712 |
| - due from customers | (4,977) | 20,027 |
| - other assets | (4,333) | (2,438) |
| **3. Cash generated by/used in financial liabilities** | **3,443** | **160,807** |
| - due to banks: on demand | (9,661) | (1,559) |
| - due to banks: other payables | (76,047) | 3,278 |
| - due to customers | 108,721 | 144,302 |
| - outstanding securities | (20,836) | 5,273 |
| - financial liabilities held for trading | 7,374 | 1,978 |
| - financial liabilities carried at fair value | – | – |
| - other liabilities | (6,108) | 7,535 |
| **Cash generated by/used in operating activities** | **17,540** | **(6,814)** |

| | Amount | |
|---|---|---|
| | 31.12.2015 | 31.12.2014 |
| **B. INVESTING ACTIVITIES** | | |
| **1. Cash generated by** | **2,691** | **2,016** |
| - disposals of equity investments | – | – |
| - dividends received on equity investments | 1,450 | 1,931 |
| - disposal of financial assets held to maturity | 360 | – |
| - disposals of tangible assets | 329 | 85 |
| - disposals of intangible assets | 552 | – |
| - disposals of subsidiaries and business units | – | – |
| **2. Cash used in** | **(39,571)** | **26** |
| - purchases of equity investments | – | – |
| - purchases of financial assets held to maturity | – | 351 |
| - purchases of tangible assets | (1,115) | (253) |
| - purchases of intangible assets | (38,456) | (72) |
| - purchases of subsidiaries and business units | – | – |
| **Cash generated by/used in investing activities** | **(36,880)** | **2,042** |
| **C. FINANCING ACTIVITIES** | | |
| - issues/purchases of own shares | (1,539) | (451) |
| - issues/purchases of capital instruments | – | 176 |
| - dividend distribution and other purposes | 20,683 | 4,973 |
| **Cash generated by/used in financing activities** | **19,144** | **4,698** |
| **CASH GENERATED/USED DURING THE YEAR** | **(196)** | **(74)** |

Key:
(+) generated
(-) used

| RECONCILIATION | 31.12.2015 | 31.12.2014 |
|---|---|---|
| **ITEMS** | | |
| Cash and cash equivalents at the beginning of the period | 665 | 739 |
| Total net cash generated/used during the year | (196) | (74) |
| Cash and cash equivalents: effect of exchange rate changes | – | – |
| Cash and cash equivalents at the end of the year | 469 | 665 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF BANCA FINNAT EURAMERICA GROUP

The sections of the notes to the financial statements applicable to the Group are shown below.

## Part A – Accounting policies

### A.1 – General information

#### Section 1 – Statement of compliance with international accounting standards

The financial statements at 31 December 2015 of Banca Finnat Euramerica Group have been prepared applying the International Accounting Standard (IAS) and the International Financial Reporting Standards (IFRS), as amended by the International Accounting Standards Board (IASB) and approved by the European Commission, in force at 31 December 2015, in accordance with the procedures laid down in Regulation (EC) No. 1606/2002.

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

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

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

#### Section 2 – General financial reporting principles

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

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

The Consolidated financial statements as at 31 December 2015 were prepared in accordance with the provisions of Circular Letter no. 262 of 22 December 2005 "Banks' financial statements: layout and preparation" – 4th revision of 15 December 2015 – issued by the Bank of Italy in the exercise of the powers established by Article 9 of Italian Legislative Decree no. 38/2005.

The Consolidated financial statements consist of: consolidated balance sheet, consolidated income statement, consolidated statement of comprehensive income, statement of changes in consolidated net equity and consolidated cash flow statement and these notes to the consolidated financial statements. They also comprise the directors' report on operations and situation of the Group.

The Notes to the Consolidated Financial Statements provide all information required by law as well as additional information deemed necessary to give a true and fair representation of the Group's situation. If the information required by the international accounting standards and by the provisions of circular letter no. 262 of 22 December 2005 (4th revision of 15 December 2015) issued by the Bank of Italy does not suffice to give a true and fair, reliable, comparable and comprehensible view, the notes to the financial statements provide additional information for said purpose.

The tables of the Consolidated Balance Sheet, Income Statement and Statement of Comprehensive income comprise items, sub-items and additional information on the items and sub-items. The items, sub-items and related details constitute the financial accounts. All items with nil balances either for the current or for the previous financial year are not shown. Revenues in the income statement and statement of comprehensive income are shown without any sign whilst costs are shown in brackets.

Comparative figures are shown for each account item of the consolidated balance sheet, income statement and statement of comprehensive income. If the account items are not comparable with those of the previous financial year, they are adjusted; the lack of comparability, any adjustment made or the inability to make any such adjustment are reported and commented in the notes to the financial statements.

Consistently with article 5 of Italian Legislative Decree no. 38 of 28 February 2005, the consolidated financial statements were prepared using the euro as the presentation currency. Regarding the contents of the tables, all figures are expressed in thousands of euro, unless otherwise specified.

The consolidated financial statements provide a true and fair view of the financial position, the result for the year and cash flows. The financial statements were also prepared, as specified above, on a going concern basis (IAS 1 paragraph 25), on an accrual basis (IAS 1 paragraphs 27 and 28), in compliance with the obligation to make adjustments to reflect the events subsequent to the reference date of the financial statements (IAS 10). The assets and liabilities, income and expenses have not been offset, except where required or allowed by a principle or interpretation (IAS 1 paragraph 32). The cost of inventory and of the financial instruments was calculated using the weighted average daily cost method, (IAS 2, paragraph 25).

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

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

Following are the Regulations endorsed by the European Commission which shall apply from 1 January 2015 onwards:

- Regulation no. 634/2014 – IAS 37 Provisions, Contingent Liabilities and Contingent Assets
- Regulation no. 1361/2014 – IFRS 2011-2013 annual improvements cycle.

The adoption of the above-mentioned Regulations did not impact these financial statements.

It should also be noted that the following Regulations were approved and became effective from 1 January 2016:

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

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

## Section 3 – Scope and methods of consolidation

1. Equity investments in exclusively controlled subsidiaries

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

Key:

(1) Type of relationship:

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

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

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

### 2. Significant evaluations and assumptions to determine the scope of consolidation

The scope of consolidation includes:

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

The scope of consolidation includes all subsidiary companies, regardless of their legal status, and of whether they are going concerns or being wound up.

The scope of consolidation has not changed compared to the financial statements for the year ended 31 December 2014. Nevertheless, the following should be taken into account:

- with effective date of 1 January 2015 for both accounting and tax purposes, the subsidiary InvestiRE SGR S.p.A. absorbed Beni Stabili Gestioni SGR S.p.A. and Polaris Real Estate SGR S.p.A. The Bank's shareholding in InvestiRE SGR S.p.A., in percentage terms, decreased from 80% to 50.16%;
- on 2 December 2015, the merger by absorption of Fedra Fiduciaria S.p.A. into Finnat Fiduciaria S.p.A., both wholly owned subsidiaries of the Bank, took effect for legal purposes (the initial date of validity for the purposes of its accounting and tax effects was 1 January 2015).

*Subsidiaries*

Subsidiaries are companies whose financial and operating policies are directly or indirectly determined and controlled by the Group to which they belong and which Group can, therefore, benefit from their activities.

When determining control, account should also be taken of the companies in which Banca Finnat directly or indirectly holds more than half of the voting rights. The voting rights also include the so-called "potential" rights, which can be consistently exercised or converted into effective voting rights at any time.

The financial statements of subsidiaries are consolidated from the date on which the parent company obtains control over the company until the date on which that control ceases.

*Associated companies*

Associated companies are entities whose financial and operating policies are significantly influenced by the Group, but which it does not control, either jointly or separately; they are included in the consolidation according to the net equity method. The profit or losses of the Group are recorded in the consolidated income statement from the date on which the significant influence started and up to the date on which it ceases.
If the loss by the Group exceeds the book value of the equity investment then the value of the equity investment is derecognised and, if the investing company is committed to performing legal or implicit obligations of the investee company, or in any event to hedging its losses, any surplus is recognised in a specific liability fund.

*Line-by-line consolidation*

All the financial statements of the investee companies used to prepare the consolidated financial statements were drawn up on 31 December and, if necessary, adjusted to ensure the uniform application of the same accounting principles applied by the Parent Company.
The assets and liabilities, expenses and income of the companies consolidated according to the line-by-line method are fully recognised in the consolidated financial statements ("line-by-line" recognition of the balance sheet and income statement aggregates of the subsidiaries), after the recording of any minority interests in specific items; the book value of the equity investments is written off for the corresponding fraction of the net equity of the investee companies, recording the single asset and liability items (including the provisions for risks and charges) at their current value on the date of acquisition of control. Any positive difference resulting from the said writing off is recorded as goodwill, under the asset item "Intangible assets", at the date of the first consolidation and, thereafter, among the net equity reserves. Any negative difference is recorded in the Income Statement.
All intra-group balances (assets, liabilities, revenues and costs) and transactions, including any unrealised profit or loss resulting from intra-group transactions, are written off minus their theoretical fiscal effect, if significant. The Group's share of unrealised profit and loss with associated companies is written off.

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

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

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

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

*Net equity consolidation method*

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

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

## Section 4 – Subsequent events

In the period spanning the end of the 2015 financial year and the date on which these consolidated financial statements were prepared, no significant events or factors that could affect the financial position, capital position, or results of operations of the Group emerged.

However, it should be pointed out that on 10 February 2016 the Board of Directors of the Bank appointed by co-opting - to replace Director Tofanelli who resigned - Ms. Flavia Mazzarella as independent non executive Director. Director Mazzarella was also appointed Lead Independent Director, Chairman of the Risk Committee and member of the Appointment Committee.

## Section 5 – Other information

### Risks and uncertainties linked to the use of estimates

In compliance with the IAS/IFRS standards, the Bank and the other Group companies carry out evaluations, estimates and assumptions in support of the application of the accounting standards and for the determination of the amounts of the assets, liabilities, costs and revenues reported in the consolidated financial statements. In respect of the preparation of the financial statements at 31 December 2015, the Bank and the other Group companies have used estimates (based on the most recent available data), in several limited cases and for immaterial amounts, in respect of both several balance sheet and several income statement items.

### Exemption from the preparation of the fourth interim financial report for 2015

With the implementation of the Directive on shareholders' rights (Italian Legislative Decree no. 27 of 27 January 2010), paragraph 1 of Article 154-ter ("Financial Reports") of the Italian Consolidated Financial Law (the "TUF") was amended. This amendment establishes that the annual Financial Report, comprising the draft statutory financial statements, the consolidated financial statements, if prepared, the report on operations and the certification of the appointed administrative bodies and the Manager in charge of preparing the accounting documents, must be published within 120 days of the company year end. The obligation to ensure publication within 120 days refers specifically to the "draft financial statements" approved by the administrative body and no longer to the "statutory financial statements" approved by the Shareholders' Meeting. As such, this amendment restores, for listed companies, the option to postpone approval of the financial statements within maximum terms of 180 days as established by Article 2364, paragraph 2 of the Italian Civil Code, which had been abolished by Directive 2004/109/EC (the Transparency Directive). The decree also establishes that, as an exception to art. 2429, paragraph 1 of the Italian Civil Code, the draft financial statements must be disclosed by the directors to the board of auditors and independent auditing firm at least 15 days prior to publishing the draft.

With reference to companies belonging to the STAR segment, Borsa Italiana has established the publication - in addition to the reports concerning the first and third quarters, as required by paragraph 5 of Article 154-ter – also the interim report on operations with reference to the 4th quarter; it has also allowed to omit drafting said report if publication of the draft financial statements is brought forward to 90 days as from the end of the year of reference. The term of 90 days (previously set to 75 days prior to the amendments introduced with the implementation of the Directive as explained above) was established by Borsa Italiana with its notice no. 14924 of 8 October 2010 concerning the "Amendments made to the Market Regulation".

In view of the above, the Bank opted not to publish the 4th interim report on operations, by making the draft separate and consolidated financial statements as of 31 December 2015, complete with the certification by the manager in charge of preparing the accounting documents, that of the board of statutory auditors and the auditing firm, available to shareholders and to the market within the term of 90 days from the end of the financial year.

### A.2 – Information on the main financial statement items

The main accounting standards adopted in preparing the consolidated Financial Statements as at 31 December 2015 remained unchanged with respect to those adopted in the financial statements as at 31 December 2014 as concerns classification, measurement and de-recognition criteria in general, and the recognition criteria for costs and revenues.

#### 1 - Financial assets held for trading

*Classification criteria*

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

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

*Recognition criteria*

Financial instruments are recorded in the category on the settlement date, except for derivatives that are recognised by the subscription date.

They are initially recognised at their fair value, which usually coincides with the purchase price.

*Measurement criteria*

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

*Derecognition criteria*

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

*Recognition criteria of income components*

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

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



**2 - Available-for-sale financial assets**

*Classification criteria*

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

*Recognition criteria*

Financial instruments are recorded at their settlement date, except for receivables which are booked at the date of the relevant transaction.
Available-for-sale financial assets are initially recognised at fair value, which normally corresponds to the price paid for them. Costs or revenues directly related to the transaction, if specifically identified at the time, are included in the purchase cost.

*Measurement criteria*

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

Equity investments in other companies that can be classified as strategic investments, but which do not qualify as establishing control or joint control over or association with the company, and which are not listed in an active market, do not feature prices provided by market operators and for which a reliable fair value cannot be established, through the use of the internal valuation models generally used in financial practice, are maintained at purchase cost.
At the end of every accounting period, audits are carried out to verify the existence of objective evidence of impairment of value of the financial instruments included in this group of assets.

*Derecognition criteria*

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

*Recognition criteria of income components*

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

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

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

If an available-for-sale financial asset suffers an impairment loss, the cumulated unrealised loss previously recorded in net equity is reversed from the net equity and recognised in the income statement under item 130 "Net value adjustments/write-backs for the impairment of: b) available-for-sale financial assets".

If the circumstances that led to the recognition of an impairment loss cease to exist, following an event that is subsequent to the recognition of the impairment of value, a write-back is posted to net equity, in the case of equities, and to the income statement, in the case of debt securities and receivables. The write-back may not exceed the cost (amortised as applicable) that the financial instrument would have had in the absence of the previous adjustment.

**3 - Financial assets held to maturity**

*Classification criteria*

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

*Recognition criteria*

Financial assets are recorded at the settlement date.

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

*Measurement criteria*

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

*Derecognition criteria*

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

*Recognition criteria of income components*

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

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

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

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

**4 - Receivables**

*Classification criteria*

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

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

*Recognition criteria*

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

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

*Valuation and recognition criteria of income statement items*

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

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

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

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

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

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

Impaired exposures - starting on 1 January 2015 in accordance with the new classification established by Bank of Italy Circular no. 272/2008 (7th revision published on 20 January 2015) - are broken down as follows:

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

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

*Derecognition criteria*

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

**6 - Hedging Transactions**

*Classification criteria*

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

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

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

*Recognition criteria*

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

*Valuation and recognition criteria of income statement items*

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

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

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

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

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

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

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

**7 - Equity investments**

*Classification criteria*

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

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

*Recognition criteria*

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

*Valuation and recognition criteria of income statement items*

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

*Derecognition criteria*

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

**8 - Tangible assets**

*Classification criteria*

This item includes the assets for permanent use held to generate income and the property held for investment purposes.

Tangible assets also include advance payments made for the purchase and revamping of assets that are not yet part of the production process and hence not yet subject to depreciation.

*Recognition criteria*

All classes of property, plant and equipment recognised as assets are initially recorded at cost, insofar as it is representative of their fair value. The cost includes the purchase price, non-recoverable purchase taxes and any cost directly descending from the installation of the asset for its intended use, minus any trade discount.

Financial expenses are recorded according to IAS 23 and, therefore, recognised as a cost in the year in which they were incurred.

Overheads and administrative expenses are not included in the initial cost of the assets in question, unless they are directly descended from the purchase of the asset or its installation.

*Valuation and recognition criteria of income statement items*

Following their initial recognition, instrumental fixed assets and fixed investments are valued at cost minus the accumulated depreciation and taking into account any value impairment and/or revaluation.

This principle has been adopted because it was deemed more appropriate than the revaluation method provided by the reference accounting standard.

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

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

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

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

*Derecognition criteria*

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

**9 - Intangible assets**

*Classification criteria*

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

*Recognition criteria*

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

*Valuation and recognition criteria of income statement items*

Following their initial recognition, intangible assets are recorded at cost, less the accumulated amortisation and any impairment of value. The "at cost" valuation method was deemed more appropriate than the "redetermination of value" method. The cost of intangible assets is amortised, minus the recoverable amount, on the basis of their estimated useful life. For assets acquired during the year, the amortisation is calculated on a daily basis starting on the date on which the asset was first used. In the case of assets transferred and/or disposed of during the year, the amortisation is calculated on a daily basis until the date of transfer and/or disposal.

If the useful life of the fixed asset cannot be established and appears to be indefinite (goodwill), the asset is not amortised, however it is periodically tested for impairment and, in any case, each time objective evidence is found to this effect its initial recognition value may have to be changed. The performance of this test entails the prior allocation of goodwill to a cash-generating unit, whose value can be reliably estimated. Goodwill impairment is calculated as the difference between its book value and the estimated recoverable amount, determined by reference to the cash-generating unit to which the goodwill in question has been allocated. Any impairment calculated as the difference between the book value of the fixed asset and its recoverable amount is recorded in the income statement under item 260 "Goodwill adjustments". Goodwill impairment may not be reversed in future accounting periods as required by IAS 36.

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

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

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

Since 2004, the Bank and its Italian-based subsidiaries have decided to join the "domestic consolidated tax system", pursuant to Article 117/129 of the TUIR (Consolidated Income Tax Act). The option was renewed in 2013 also for the 2013/2014/2015 period.
By virtue of this option, the Group companies determine their proportion of the taxes payable and the corresponding fiscal income (taxable income or fiscal loss) is transferred to the Parent Company, relating to which a single taxable income or loss is reported (resulting from the arithmetical sum of its own and its participating subsidiaries' incomes/losses) and, consequently, a single income tax debt/credit determined.

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

Deferred taxation is calculated based on the applicable rates, with respect to, (i) the temporary taxable differences, with respect to which there is the likelihood of effectively incurring taxes, and (ii) the temporary deductible differences, with respect to which there is the reasonable certainty of recovering tax money back.
Deferred taxes are calculated taking into account the rates expected when payment falls due.

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

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

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



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

**12 - Provisions for risks and charges**

*Other provisions*

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

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

**13 - Payables and outstanding securities**

*Classification criteria*

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

*Recognition criteria*

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

*Valuation and recognition criteria of income statement items*

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

*Derecognition criteria*

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

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

**14 - Financial liabilities held for trading**

*Classification criteria*

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

*Recognition criteria*

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

*Measurement criteria*

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

*Derecognition criteria*

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

*Recognition criteria of income components*

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

**16 - Foreign-currency transactions**

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

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

- in the case of monetary instruments, at the spot exchange rate on the date of preparation of the financial statements, with exchange differences recorded in the income statement under the item "Net income from trading activities";
- in the case of non-monetary instruments, they are measured at historical cost, at the exchange rate in force at the time of the original transaction;
- in the case of non-monetary instruments carried at fair value, at the spot exchange rate in force at the time of preparation of the financial statements.

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

### 18 - Other information

*1. Own shares*

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

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

*2. Own share-based payments*

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

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

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

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

*3. Staff severance fund*

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

*4. Recognition of revenue and costs*

Costs are disclosed in the income statement for the periods in which the related revenue is recorded.

Revenues are recognised when received, or if it is likely that future benefits will accrue and such benefits may be reliably measured.
In particular, commission income and other income for services delivered are recorded in the financial statements in the period in which the services were contractually due and provided.
Dividends are recognised in the income statement at the time their distribution is resolved.
Other revenues are recognised in the financial statements in accordance with the accrual principle. In particular:

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

*5. Manner of determination of the amortised cost*

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

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

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

Subsequent to initial recognition, the amortised cost allows to allocate revenues and costs deducted from or summed to the instruments during its expected life through amortisation. The method of determination of the amortised cost depends on whether the valued financial assets/liabilities have a fixed or variable rate.
For fixed-rate instruments, future cash flows are quantified based on the interest rate known during the life of the loan. For variable-rate financial assets/liabilities, whose variability is not known a priori (because, for example, linked to an index), cash flows are determined by maintaining constant the last variable rate recorded. At each date of review of the rate, the redemption plan and the effective interest rate are recalculated over the entire useful life of the instrument, i.e. until the date of expiry. The adjustment is recognised as an expense or income in the income statement.

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

*6. Fair value option*

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



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

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

- in 2008, transferring debt securities from the "Financial assets held for trading" portfolio to the "Assets held to maturity" portfolio, for a total value of 3,600 thousand euros;
- in 2010, transferring 3 UCI units (related to a real estate fund) from the "Financial assets held for trading" portfolio to the "Available-for-sale financial assets" portfolio.

At 31 December 2015, debt securities were repaid at maturity for a total nominal value of 1,600 thousand euros recorded, in 2008, in the "Financial assets held to maturity" portfolio.

The information requested by IFRS 7 is provided below.

### A.3.1 Reclassified financial assets: book value, fair value and effects on comprehensive income

| Type of financial instrument | Source portfolio | Target portfolio | Book value at 31.12.2015 | Fair value at 31.12.2015 | Income components without the transfer (pre-tax) | | Income components recorded for the year (pre-tax) | |
|---|---|---|---|---|---|---|---|---|
| | | | | | Items | Other | Items | Other |
| Debt securities | HFT | HTM | 1,959 | 2,006 | 4 | 9 | – | 49 |
| UCI units | HFT | AFS | 1,521 | 1,521 | (94) | – | (94) | – |

### A.3.2 Reclassified financial assets: effects on comprehensive income before reclassification

In the financial year under review, the Group did not reclassify financial assets.

#### A.3.3. Transfers of financial assets held for trading

For a description of the "rare circumstances" that led to the reclassification made by the Parent Company, please refer to the explanations provided in the 2008 financial statements for debt securities and to the 2010 financial statements for the UCI units.

#### A.3.4 Effective interest rate and cash flow forecast from the reclassified assets

For information on the expected cash flows for debt securities reclassified by the Parent Company, please refer to that explained in the 2008 financial statements as this was the year during which they were reclassified.

### A.4 – Information on fair value

#### Qualitative information

#### A.4.1 Levels of fair value 2 and 3: valuation techniques and inputs used

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

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

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

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

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

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

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

- derivatives for which prices are available on an active market (e.g., futures and options).

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

Following is an overview of the valuation techniques used:
- the use of current market prices of other substantially similar instruments, if they are deemed to be highly comparable (based on the country and sector to which they belong, along with their rating, maturity and degree of seniority of the securities), such as to avoid any substantial alteration of the prices or the use of trading prices – with respect to the same financial instrument – concerning market transactions between independent counterparties;
- the use of prices of similar instruments, in terms of their calibration;
- discounted cash flow models;
- option pricing models.

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

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

Financial instruments classified as **Level 3** instruments include:
- unlisted securities. Equity investments held at cost are also conventionally included among the Level 3 instruments;
- funds featuring either an unpublished NAV or a published NAV which, however, is not sufficiently representative of the potential realisation value;

- bonds not listed on active markets, for which there are no comparable instruments, or which require the use of significant assumptions, such as the knowledge of trading prices between independent counterparties;
- OTC derivatives valued using non-market models, or market models based on parameters that cannot be observed on the market.

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



**A.4.3 Fair value hierarchy**

With the introduction of IFRS 13, the rules for measuring the fair value previously included in different accounting principles were set out in a single document.
The fair value is defined as the price that is received for the sale of an asset or that would be paid for the transfer of a liability in an orderly transaction between market participants at the measurement date.

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

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

IFRS 13 identifies three different input levels:

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

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

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

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

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

*Financial assets held to maturity*

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

*Due from customers and banks*

Due from customers and banks with defined contractual expiry:

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

  Due from banks are classified in level 3 and the fair value is represented by the value entered in the financial statements of the receivable.
- Due from customers and banks with undefined contractual expiry:
  - The fair value of due from customers and banks with undefined contractual expiry, in that they are on demand, is represented by the nominal value of the receivables net of the risk component represented by the calculated probability of default, in accordance with what was previously defined, on the basis of the decline rates present in the Bank of Italy's Public Database.

*Due to banks and customers*

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

*Outstanding securities*

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

### A.4.4 Other information

The Group does not use the exception on the compensating valuation of groups of financial assets and liabilities referred to in paragraph 48 of the IFRS 13.

### Quantitative information

### A.4.5 Fair value hierarchy

#### A.4.5.1 Assets and liabilities carried at fair value on a recurring basis: breakdown by level of fair value

| Assets/liabilities carried at fair value | 31.12.2015 | | | 31.12.2014 | | |
|---|---|---|---|---|---|---|
| | L1 | L2 | L3 | L1 | L2 | L3 |
| 1. Financial assets held for trading | 43,707 | 12,836 | 35 | 103,050 | 2,659 | 537 |
| 2. Financial assets carried at fair value | – | – | – | | | |
| 3. Available-for-sale financial assets | 799,777 | 26,321 | 5,323 | 751,646 | 28,376 | 10,183 |
| 4. Hedging derivatives | – | 215 | – | | | |
| 5. Tangible assets | – | – | – | | | |
| 6. Intangible assets | – | – | – | | | |
| **Total** | **843,484** | **39,372** | **5,358** | **854,696** | **31,035** | **10,720** |
| 1. Financial liabilities held for trading | – | 9,733 | – | 3 | 2,356 | – |
| 2. Financial liabilities carried at fair value | – | – | – | | | |
| 3. Hedging derivatives | – | – | – | | | |
| **Total** | **-** | **9,733** | **–** | **3** | **2,356** | **–** |

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

**A.4.5.2 Annual changes of assets carried at fair value on a recurring basis (level 3)**

| | Financial assets Held for trading | Financial assets carried at fairvalue | Available-for-sale financial assets | Hedging derivatives | Tangible assets | Intangible assets |
|---|---|---|---|---|---|---|
| **1. Opening balance** | **537** | **–** | **10,183** | **-** | **–** | **–** |
| **2. Increases** | **35** | **–** | **2,462** | **–** | **–** | **–** |
| 2.1 Purchases | – | – | 357 | – | – | – |
| 2.2 Profits recorded in: | – | – | – | – | – | – |
| 2.2.1. Income Statement | – | – | – | – | – | – |
| - of which capital gains | – | – | – | – | – | – |
| 2.2.2. Equity | X | X | – | – | – | – |
| 2.3 Transfers from other levels | 35 | – | – | – | – | – |
| 2.4 Other increases | – | – | 2,105 | – | – | – |
| **3. Decreases** | **537** | **–** | **7,322** | **–** | **–** | **–** |
| 3.1. Sales | – | – | – | – | – | – |
| 3.2. Repayments | – | – | 377 | – | – | – |
| 3.3. Losses recorded in: | – | – | 1,163 | – | – | – |
| 3.3.1. Income Statement | – | – | 1,163 | – | – | – |
| - of which capital losses | – | – | 1,163 | – | – | – |
| 3.3.2 Net equity | X | X | – | – | – | – |
| 3.4. Transfers to other levels | 537 | – | – | – | – | – |
| 3.5. Other decreases | – | – | 5,782 | – | – | – |
| **4. Closing balance** | **35** | **–** | **5,323** | **–** | **–** | **–** |

Item 2.4. Other increases in available-for-sale financial assets relates to the units of funds of the subsidiary InvestiRE SGR S.p.A. contributed by the absorbed companies as a result of the merger.

Item 3.5. Other decreases in Available-for-sale financial assets comprises:

- the derecognition of the Bank's equity interest in Beni Stabili Gestioni SGR S.p.A., i.e. 4,512 thousand euros as a result of the swap, at the time of the merger, in 529 shares of InvestiRE SGR S.p.A.;
- the negative fair value as a result of the measurement of the shares of CSE Consorzio Servizi Bancari S.r.l., present in the Bank's portfolio and amounting to 670 thousand euros;
- the derecognition, at the time of the merger, of the equity investment, held by the subsidiary InvestiRE SGR S.p.A. in Polaris RE SGR S.p.A., amounting to 600 thousand euros.

**A.4.5.3 Annual changes of financial liabilities carried at fair value on a recurring basis (level 3)**

The table was not prepared because, at the reporting date under review, the item in question has no balances.

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

| Assets/Liabilities not carried at fair value or carried at fair value on a non-recurring basis | 31.12.2015 | | | | 31.12.2014 | | | |
|---|---|---|---|---|---|---|---|---|
| | BV | L1 | L2 | L3 | BV | L1 | L2 | L3 |
| 1. Financial assets held to maturity | 1,959 | 2,006 | – | – | 2,319 | 2,403 | – | – |
| 2. Due from banks | 98,386 | – | – | 98,386 | 76,020 | – | – | 76,020 |
| 3. Due from customers | 292,644 | – | – | 294,396 | 289,483 | – | – | 291,868 |
| 4. Tangible assets held for investment | – | – | – | – | – | – | – | – |
| 5. Non-current assets and groups of assets being disposed | –<br>– | –<br>– | –<br>– | –<br>– | –<br>– | –<br>– | –<br>– | –<br>– |
| **Total** | **392,989** | **2,006** | **–** | **392,782** | **367,822** | **2,403** | **–** | **367,888** |
| 1. Due to banks | 11,496 | – | – | 11,496 | 97,204 | – | – | 97,204 |
| 2. Due to customers | 1,045,816 | – | – | 1,045,816 | 937,095 | – | – | 937,095 |
| 3. Outstanding securities | 26,122 | – | – | 26,095 | 46,958 | – | – | 46,811 |
| 4. Liabilities associated to assets being disposed | – | – | – | – | – | – | – | |
| **Total** | **1,083,434** | **–** | **–** | **1,083,407** | **1,081,257** | **–** | **–** | **1,081,110** |

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

The Bank and the other Group Companies have never carried out fair value measurements on a non-recurring basis for assets and liabilities.

### A.5 Disclosure on the so-called "day one profit/loss"

The Bank and other Group companies have not recorded in the financial year under review any positive/negative items arising from the initial fair value measurement of financial instruments.

## Part B – Information on the consolidated balance sheet

## ASSETS

### Section 1 – Cash and cash equivalents – Item 10

#### 1.1 Cash and cash equivalents: breakdown

| | Total 31.12.2015 | Total 31.12.2014 |
|---|---|---|
| a) Cash | 318 | 293 |
| b) Demand deposits at central banks | 151 | 372 |
| **Total** | **469** | **665** |

### Section 2 – Financial assets held for trading – Item 20

#### 2.1 Financial assets held for trading: breakdown by product

| Items/Amounts | Total 31.12.2015 | | | Total 31.12.2014 | | |
|---|---|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Level 1 | Level 2 | Level 3 |
| **A. Cash assets** | | | | | | |
| 1. Debt securities | 39,145 | 1,429 | – | 97,787 | 1,827 | – |
| 1.1 Structured securities | – | – | – | – | – | – |
| 1.2 Other debt securities | 39,145 | 1,429 | – | 97,787 | 1,827 | – |
| 2. Equity securities | 1,607 | 34 | 35 | 1,594 | – | – |
| 3. UCI units | 2,704 | 1,794 | – | 3,645 | – | 537 |
| 4. Loans | – | – | – | – | – | – |
| 4.1 Outstanding repos | – | – | – | – | – | – |
| 4.2 Other | – | – | – | – | – | – |
| **Total A** | **43,456** | **3,257** | **35** | **103,026** | **1,827** | **537** |
| **B. Derivatives** | | | | | | |
| 1. Financial derivatives: | 251 | 9,579 | – | 24 | 832 | – |
| 1.1 held for trading | 251 | 9,579 | – | 24 | 832 | – |
| 1.2 related to the fair value option | – | – | – | – | – | – |
| 1.3 other | – | – | – | – | – | – |
| 2. Credit derivatives | – | – | – | – | – | – |
| 2.1 held for trading | – | – | – | – | – | – |
| 2.2 related to the fair value option | – | – | – | – | – | – |
| 2.3 other | – | – | – | – | – | – |
| **Total B** | **251** | **9,579** | **–** | **24** | **832** | **–** |
| **Total (A+B)** | **43,707** | **12,836** | **35** | **103,050** | **2,659** | **537** |

The financial assets held for trading refer exclusively to the Bank.

Item A.1. “Debt securities” amounting to 40,574 thousand euros (99,614 thousand euros at 31 December 2014) consists of the following financial instruments:

- Level 1: Government bonds of 39,053 thousand euros and bonds of 92 thousand euros;
- Level 2: bonds of 1,429 thousand euros consisting solely of “FIP Funding Class A2”.



Item A.3. UCI units amounting to 4,498 thousand euros (4,182 thousand euros at 31 December 2014) includes: in Level 1 Anthilia Capital Partners fund units for a total amount of 2,224 thousand euros and other funds for the difference; in Level 2, units of New Millennium total flex Funds for 1,222 thousand euros and units of Alkimis Funds for 572 thousand euros.

Item B.1.1 Financial derivatives held for trading Level 2 pertains exclusively to the positive valuation of currency forwards.

**2.2 Financial assets held for trading: breakdown by debtor/issuer**

| Items/Amounts | Total 31.12.2015 | Total 31.12.2014 |
|---|---|---|
| **A. Cash assets** | | |
| **1. Debt securities** | **40,574** | **99,614** |
| a) Governments and Central Banks | 39,053 | 89,106 |
| b) Other public authorities | – | – |
| c) Banks | – | 8,708 |
| d) Other issuers | 1,521 | 1,800 |
| **2. Equity securities** | **1,676** | **1,594** |
| a) Banks | – | |
| b) Other issuers: | 1,676 | 1,594 |
| - insurance companies | 569 | 552 |
| - financial companies | 31 | – |
| - non-financial companies | 1,062 | 1,021 |
| - other | 14 | 21 |
| **3. UCI units** | **4,498** | **4,182** |
| **4. Loans** | **–** | **–** |
| a) Governments and Central Banks | – | – |
| b) Other public authorities | – | – |
| c) Banks | – | – |
| d) Other entities | – | – |
| **Total A** | **46,748** | **105,390** |
| **B. Derivatives** | | |
| a) Banks | | |
| - fair value | 611 | 68 |
| b) Customers | | |
| - fair value | 9,219 | 788 |
| **Total B** | **9,830** | **856** |
| **Total (A + B)** | **56,578** | **106,246** |

The item “UCI units” includes: 1,565 thousand euros of bond funds, 2,902 thousand euros of equity funds and 31 thousand euros of other funds.

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

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

| Items/Amounts | Total 31.12.2015 | | | Total 31.12.2014 | | |
|---|---|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Level 1 | Level 2 | Level 3 |
| 1. Debt securities | 749,609 | – | – | 710,277 | – | – |
| 1.1 Structured securities | – | – | – | – | – | – |
| 1.2 Other debt securities | 749,609 | – | – | 710,277 | – | – |
| 2. Equity securities | 43,248 | – | 4,759 | 37,987 | – | 10,183 |
| 2.1 Carried at fair value | 43,248 | – | – | 37,987 | – | – |
| 2.2 Carried at cost | – | – | 4,759 | – | – | 10,183 |
| 3. UCI units | 6,920 | 26,321 | 564 | 3,382 | 28,376 | – |
| 4. Loans | – | – | – | – | – | – |
| **Total** | **799,777** | **26,321** | **5,323** | **751,646** | **28,376** | **10,183** |

Item 1 Debt securities - Level 1 - consists almost exclusively of Government Bonds held by the Bank.
The equity securities include the following strategic investments of the Bank:

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

Item 3 UCI units - Level 2 - refers exclusively to the Bank and includes the following funds: 223 units of Fondo Immobili Pubblici (FIP) amounting to 22,547 thousand euros, 5 units of the Apple Fund for 2,534 thousand euros, units of the Thema Fund for 953 thousand and other units making up the difference.

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

### 4.2 Available-for-sale financial assets: breakdown by debtor/issuer

| Items/Amounts | Total 31.12.2015 | Total 31.12.2014 |
|---|---|---|
| **1. Debt securities** | **749,609** | **710,277** |
| a) Governments and Central Banks | 740,404 | 703,410 |
| b) Other public authorities | – | – |
| c) Banks | 9,205 | 6,867 |
| d) Other issuers | – | – |
| **2. Equity securities** | **48,007** | **48,170** |
| a) Banks | 358 | – |
| b) Other issuers: | 47,649 | 48,170 |
| - insurance companies | 1,468 | 1,502 |
| - financial companies | 42,590 | 42,407 |
| - non-financial companies | 3,591 | 4,261 |
| - other | – | – |
| **3. UCI units** | **33,805** | **31,758** |
| **4. Loans** | **–** | **–** |
| a) Governments and Central Banks | – | |
| b) Other public authorities | – | |
| c) Banks | – | |
| d) Other entities | – | |
| **Total** | **831,421** | **790,205** |

Item “UCI units” includes real estate funds of 30,085 thousand euros and other funds of 3,720 thousand euros.

## Section 5 – Financial assets held to maturity – Item 50

### 5.1 Financial assets held to maturity: breakdown by product

| | Total 31.12.2015 | | | | Total 31.12.2014 | | | |
|---|---|---|---|---|---|---|---|---|
| | BV | FV | | | BV | FV | | |
| | | Level 1 | Level 2 | Level 3 | | Level 1 | Level 2 | Level 3 |
| 1. Debt securities | 1,959 | 2,006 | – | – | 2,319 | 2,403 | – | – |
| - structured | | | | | | | | |
| - other | 1,959 | 2,006 | | | 2,319 | 2,403 | | |
| 2. Loans | | | | | | | | |
| **Total** | **1,959** | **2,006** | **–** | **–** | **2,319** | **2,403** | **–** | **–** |

Key:
FV = *fair value*
BV = book value

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

### 5.2 Financial assets held to maturity: debtors/issuers

| Type of transaction/Amount | Total 31.12.2015 | Total 31.12.2014 |
|---|---|---|
| **1. Debt securities** | | |
| a) Governments and Central Banks | – | – |
| b) Other public authorities | – | – |
| c) Banks | 1,959 | 2,319 |
| d) Other issuers | – | – |
| **2. Loans** | | |
| a) Governments and Central Banks | – | – |
| b) Other public authorities | – | – |
| c) Banks | – | – |
| d) Other entities | – | – |
| **Total** | **1,959** | **2,319** |
| **Total fair value** | **2,006** | **2,403** |

## Section 6 – Due from banks – Item 60

### 6.1 Due from banks: breakdown by product

| Type of transaction/Amount | Total 31.12.2015 | | | | Total 31.12.2014 | | | |
|---|---|---|---|---|---|---|---|---|
| | BV | FV | | | BV | FV | | |
| | | Level 1 | Level 2 | Level 3 | | Level 1 | Level 2 | Level 3 |
| **A. Due from central banks** | **–** | | | | **–** | | | |
| 1. Fixed-term deposits | – | X | X | X | – | X | X | X |
| 2. Obligatory reserve | – | X | X | X | – | X | X | X |
| 3. Outstanding repos | – | X | X | X | – | X | X | X |
| 4. Other | – | X | X | X | – | X | X | X |
| **B. Due from banks** | **98,386** | | | | **76,020** | | | |
| 1. Loans | | | | | | | | |
| 1.1 Current accounts and demand deposits | 94,509 | X | X | X | 67,608 | X | X | X |
| 1.2 Fixed-term deposits | 3,877 | X | X | X | 8,412 | X | X | X |
| 1.3 Other loans: | – | X | X | X | – | X | X | X |
| - Outstanding repos | – | X | X | X | – | X | X | X |
| - Finance lease | – | X | X | X | | X | X | X |
| - Other | – | X | X | X | | X | X | X |
| 2. Debt securities | – | | | | – | | | |
| 2.1 Structured securities | – | X | X | X | – | X | X | X |
| 2.2 Other debt securities | – | X | X | X | – | X | X | X |
| **Total** | **98,386** | | | **98,386** | **76,020** | | | **76,020** |

Key:
FV = fair value
BV = book value

Item B.1.2. Fixed-term deposits referring exclusively to the Parent Company comprises only the obligatory reserve deposited with the ICBPI (*Istituto Centrale Banche Popolari Italiane*) (3,404 thousand euros at 31 December 2014).

## Section 7 – Due from customers – Item 70

### 7.1 Due from customers: breakdown by product

| Type of transaction/Amount | Total 31.12.2015 | | | | | | Total 31.12.2014 | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Book value | | | Fair value | | | Book value | | | Fair value | | |
| | Non impaired | Impaired | | L1 | L2 | L3 | Non impaired | Impaired | | L1 | L2 | L3 |
| | | Purchased | Other | | | | | Purchased | Other | | | |
| **Loans** | | | | | | | | | | | | |
| 1. Current accounts | 95,509 | – | 356 | X | X | X | 98,753 | | 224 | X | X | X |
| 2. Outstanding repos | – | – | – | X | X | X | 2,006 | | – | X | X | X |
| 3. Mortgages | 150,689 | – | 3,022 | X | X | X | 146,689 | | 2,854 | X | X | X |
| 4. Credit cards, personal loans and loans on salary | – | – | – | X | X | X | – | | – | X | X | X |
| 5. Finance lease | – | – | – | X | X | X | – | | – | X | X | X |
| 6. Factoring | – | – | – | X | X | X | – | | – | X | X | X |
| 7. Other loans | 37,470 | – | 5,035 | X | X | X | 34,271 | | 4,686 | X | X | X |
| **Debt securities** | | – | – | | | | – | – | – | | | |
| 8. Structured securities | – | – | – | X | X | X | – | | – | X | X | X |
| 9. Other debt securities | 563 | – | – | X | X | X | – | | – | X | X | X |
| **Total** | **284,231** | **–** | **8,413** | | | **294,396** | **281,719** | **–** | **7,764** | | | **291,868** |

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

The item "Due from customers" totalled 292,644 thousand euros at 31 December 2015, including 284,231 thousand euros not impaired. At 31 December 2014 the item amounted to 289,483 thousand euros, including 281,719 thousand euros not impaired.

At the reporting date of these financial statements, the items relating to current accounts, mortgages and other loans include impaired assets relating to the Parent Company totalling 13,120 thousand euros (8,241 thousand euros after the write-downs), comprising:

- non-performing loans totalling 9,315 thousand euros (4,797 thousand euros after the write-downs) relating to the following positions:
  - 4,572 thousand euros (2,023 thousand euros after the write-downs) originated by the issue of mortgage for which, on 8 July 2011, the Bank invoked the termination clause contained in the agreement and required the repayment of the related amount. The transaction is secured by a first mortgage on property, the value of which – supported by an expert appraisal report revised on 1 December 2015 – covers the entire value of the net exposure. The company, previously placed in liquidation, filed a petition for admission to composition with creditors with the Court of Rome. The recoverable amount of the credit is based on the assessed value of the guarantees, which takes into account the time for the collection of credit, in relation to the privileged position of the Bank concerning the real estate collaterals securing the exposure;
  - 4,743 thousand euros referring to trade receivables of 1.046 thousand euros and to cash loans of 3,697 thousand euros.

  The line-by-line write-downs made totalled 4,019 thousand euros of principal and 499 thousand euros for discounting the expected repayments.

- likely defaults loans totalling 2,579 thousand euros (2,247 thousand euros after the write-downs) comprising:
  - overdraft facilities amounting to 229 thousand euros;
  - mortgage positions of 2,076 thousand euros (41 thousand euros of overdue instalments and 2,035 thousand euros of principal about to fall due);
  - trade receivables of 274 thousand euros.

  The item comprises 6 "foreborne" exposures totalling 1,822 thousand euros.

  The line-by-line write-downs referred to likely defaults totalled 315 thousand euros of principal and 17 thousand euros for discounting the expected repayments;
- other positions expired or past due for over 90 days totalling 1,226 thousand euros (1,197 thousand euros after the write-downs).

At 31 December 2015, there was only one foreborne unimpaired exposure, amounting to 954 thousand euros.

As usual, at 31 December 2015, the Bank calculated the collective write-down of cash loans, based on the mean value of the historical series of the default rates of cash loans received from the Risk Centre. This write-down, amounting to 1,809 thousand euros, was lower than the allocations made for this purpose through 31 December 2014, which amounted to 1,862 thousand euros.

In 2015, the Bank recorded in the Income Statement item 130 "Net value adjustments/write-backs for the impairment of a) Receivables" the amount of 1,515 thousand euros of which 1,525 thousand euros for line-by-line write-down (1,009 thousand euros for principal and 516 thousand euros for discounting the expected repayments), 53 thousand euros for write-back on the collective amount and 43 thousand euros for derecognition of receivables.

The overall value adjustments at the end of the period under review totalled 6,688 thousand euros, of which:

- 4,879 thousand euros, on an itemised basis;
- 1,809 thousand euros, for collective write-downs.

As regards the other Group companies, the Finnat Fiduciaria S.p.A. and InvestiRE SGR S.p.A. subsidiaries recorded net value adjustments over the year of 52 thousand euros and 248 thousand euros, respectively, net of write-backs.

Item 7. "Other loans" includes Deposits for margins with the Cassa di Compensazione e Garanzia amounting to 19,606 thousand euros.

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

### 7.2 Due from customers: breakdown by debtor/issuer

| Type of transaction/Amount | Total 31.12.2015 | | | Total 31.12.2014 | | |
|---|---|---|---|---|---|---|
| | Non impaired | Impaired | | Non impaired | Impaired | |
| | | Purchased | Other | | Purchased | Other |
| **1. Debt securities:** | **563** | **–** | **–** | **–** | **–** | **–** |
| a) Governments | – | – | – | | | |
| b) Other public authorities | – | – | – | | | |
| c) Other issuers | 563 | – | – | – | – | – |
| - non-financial companies | – | – | – | | | |
| - financial companies | 563 | – | – | | | |
| - insurance companies | – | – | – | | | |
| - other | – | – | – | | | |
| **2. Loans to:** | **283,668** | **–** | **8,413** | **281,719** | **–** | **7,764** |
| a) Governments | – | – | – | – | | |
| b) Other public authorities | – | – | – | – | | |
| c) Other entities | 283,668 | – | 8,413 | 281,719 | – | 7,764 |
| - non-financial companies | 138,445 | – | 4,562 | 166,372 | | 5,201 |
| - financial companies | 71,836 | – | 150 | 30,497 | | 3 |
| - insurance companies | – | – | – | – | | – |
| - other | 73,387 | – | 3,701 | 84,850 | | 2,560 |
| **Total** | **284,231** | **–** | **8,413** | **281,719** | **–** | **7,764** |

A breakdown of time distribution of amounts due from customers by residual duration can be found under Part E Section 1.3 - Banking group - liquidity risk.

## Section 8 – Hedging derivatives – Item 80

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

| Items/Amounts | FV 31.12.2015 | | | NV 31.12.2015 | FV 31.12.2014 | | | NV 31.12.2014 |
|---|---|---|---|---|---|---|---|---|
| | L1 | L2 | L3 | | L1 | L2 | L3 | |
| **A. Financial derivatives** | | | | | | | | |
| 1) Fair value | | 215 | | 20,437 | | | | |
| 2) Cash flows | | | | | | | | |
| 3) Foreign investments | | | | | | | | |
| **B. Credit derivatives** | | | | | | | | |
| 1) Fair value | | | | | | | | |
| 2) Cash flows | | | | | | | | |
| **Total** | **–** | **215** | **–** | **20,437** | **–** | **–** | **–** | **–** |

Legenda:
FV = fair value
NV = face value
L1 = Level 1
L2 = Level 2
L3 = Level 3

### 8.2 Hedging derivatives: breakdown by hedged portfolios and type of hedge

| Transactions/Type of hedge | Fair value | | | | | | Cash flows | | Foreign investments |
|---|---|---|---|---|---|---|---|---|---|
| | Specific | | | | | Generic | Specific | Generic | |
| | interest rate risk | exchange rate risk | credit risk | price risk | more risks | | | | |
| 1. Available-for-sale financial assets | | 215 | | | | X | | X | X |
| 2. Receivables | | | | X | | X | | X | X |
| 3. Financial assets held to maturity | X | | | X | | X | X | X | X |
| 4. Portfolio | X | X | X | X | X | | | | X |
| 5. Other transactions | | | | | | X | | X | |
| **Total assets** | | **215** | | | | | | | |
| 1. Financial liabilities | | | | X | | X | | X | X |
| 2. Portfolio | X | X | X | X | X | | X | | X |
| **Total liabilities** | | | | | | | | | |
| 1. Expected transactions | X | X | X | X | X | X | | X | X |
| 2. Portfolio of financial assets and liabilities | X | X | X | X | X | | X | | |

The item, referring exclusively to the Bank, was commented in the corresponding Section of the separate financial statements.

## Section 10 – Equity investments – Item 100

### 10.1 Equity investments information on investment relationships

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

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

### 10.2 Significant equity investments: book value, fair value and dividends received

### 10.3 Significant equity investments: accounting information

At 31 December 2015, the Group did not hold significant equity investments in associated companies.

### 10.4 Non significant equity investments: accounting information

| Company name | Book value of the equity investments | Total assets | Total liabilities | Total revenues | Income (loss) from current operations after tax | Income (loss) from groups of assets being disposed after tax | Profit (loss) for the year (1) | Other income items after tax (2) | Compre-hensive income (3) = (1)+(2) |
|---|---|---|---|---|---|---|---|---|---|
| **Jointly controlled companies** | | | | | | | | | |
| **Companies under considerable control** | 10,549 | 45,370 | 424,981 | 3,028,433 | 474 | – | 474 | (11) | 463 |

Data referred to the latest available situations.

The posted data are shown cumulatively and referred to the shareholding percentage held by the Group.

### 10.5 Equity investments: annual changes

| | Total 31.12.2015 | Total 31.12.2014 |
|---|---|---|
| **A. Opening balance** | **10,822** | **10,800** |
| **B. Increases** | **143** | **134** |
| B.1 Purchases | – | – |
| B.2 Write-backs | – | – |
| B.3 Revaluations | 143 | 134 |
| B.4 Other changes | – | – |
| **C. Decreases** | **416** | **112** |
| C.1 Sales | – | – |
| C.2 Value adjustments | 416 | 112 |
| C.3 Other changes | – | – |
| **D. Closing balance** | **10,549** | **10,822** |
| **E. Total revaluations** | **143** | **134** |
| **F. Total adjustments** | **416** | **112** |

## Section 12 – Tangible assets – Item 120

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

| Assets/Amounts | Total 31.12.2015 | Total 31.12.2014 |
|---|---|---|
| **1. Owned assets** | **5,501** | **5,207** |
| a) land | 1,308 | 1,308 |
| b) buildings | 2,544 | 2,714 |
| c) furniture | 970 | 743 |
| d) electronic equipment | 553 | 402 |
| e) other | 126 | 40 |
| **2 Assets acquired under finance lease** | **–** | **–** |
| a) land | – | |
| b) buildings | – | |
| c) furniture | – | |
| d) electronic equipment | – | |
| e) other | – | |
| **Total** | **5,501** | **5,207** |

### 12.5 Tangible assets for functional use: annual changes

| | Land | Buildings | Furniture | Electronic equipment | Other | Total |
|---|---|---|---|---|---|---|
| **A. Gross opening balance** | **1,308** | **5,761** | **2,316** | **4,238** | **248** | **13,871** |
| A.1 Net total impairment | – | 3,047 | 1,573 | 3,836 | 208 | 8,664 |
| **A.2 Net opening balance** | **1,308** | **2,714** | **743** | **402** | **40** | **5,207** |
| **B. Increases:** | **–** | **–** | **484** | **344** | **368** | **1,196** |
| B.1 Purchases | – | – | 484 | 341 | 290 | 1,115 |
| - of which business combinations | | | 240 | | 199 | 439 |
| B.2 Capitalised improvement expenses | – | – | – | – | – | – |
| B.3 Write-backs | – | – | – | – | – | – |
| B.4 Positive changes in fair value allocated to | – | – | – | – | – | – |
| a) net equity | – | – | – | – | – | – |
| b) income statement | – | – | – | – | – | – |
| B.5 Positive exchange differences | – | – | – | – | – | – |
| B.6 Transfers from properties held for investment | – | – | – | – | – | – |
| B.7 Other changes | – | – | – | 3 | 78 | 81 |
| **C. Decreases:** | **–** | **170** | **257** | **193** | **282** | **902** |
| C.1 Sales | – | – | – | 3 | 78 | 81 |
| C.2 Depreciation | – | 170 | 83 | 190 | 49 | 492 |
| C.3 Value adjustments for impairment allocated to | – | – | – | – | – | – |
| a) net equity | – | – | – | – | – | – |
| b) income statement | – | – | – | – | – | – |
| C.4 Negative changes in fair value allocated to | – | – | – | – | – | – |
| a) net equity | – | – | – | – | – | – |
| b) income statement | – | – | – | – | – | – |
| C.5 Negative exchange differences | – | – | – | – | – | – |
| C.6 Transfers to: | – | – | – | – | – | – |
| a) tangible assets held for investment | – | – | – | – | – | – |
| b) assets being disposed | – | – | – | – | – | – |
| C.7 Other changes | – | – | 174 | – | 155 | 329 |
| **D. Net closing balances** | **1,308** | **2,544** | **970** | **553** | **126** | **5,501** |
| D.1 Net total impairment | – | 3,217 | 1,830 | 4,023 | 334 | 9,404 |
| **D.2 Gross closing balance** | **1,308** | **5,761** | **2,800** | **4,576** | **460** | **14,905** |
| E. Valuation at cost | | | | | | |

## Section 13 – Intangible assets – Item 130

### 13.1 Intangible assets: breakdown by asset

| Assets/Amounts | Total 31.12.2015 | | Total 31.12.2014 | |
|---|---|---|---|---|
| | Definite life | Indefinite life | Definite life | Indefinite life |
| **A.1 Goodwill:** | **X** | **37,729** | **X** | **300** |
| A.1.1 pertaining to the Group | X | 19,074 | X | 300 |
| A.1.2 pertaining to minority interests | X | 18,655 | X | – |
| **A.2 Other intangible assets** | **464** | **3,764** | **126** | **3,764** |
| A.2.1 Assets carried at cost: | 464 | 3,764 | 126 | 3,764 |
| a) Intangible assets generated internally | – | – | – | – |
| b) Other assets | 464 | 3,764 | 126 | 3,764 |
| A.2.2 Assets carried at fair value: | – | – | – | – |
| a) Intangible assets generated internally | – | – | – | – |
| b) Other assets | – | – | – | – |
| **Total** | **464** | **41,493** | **126** | **4,064** |

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

- 300 thousand euros referred to a part of the goodwill resulting from the merger in 2003 of Banca Finnat Euramerica S.p.A. into Terme Demaniali di Acqui S.p.A.
- 37,429 thousand euros referred to the goodwill recognised by the subsidiary InvestiRE SGR S.p.A. in the year in question as a result of the merger by absorption of Beni Stabili Gestioni SGR S.p.A. and Polaris RE SGR S.p.A.

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

- Finnat Fiduciaria S.p.A., 984 thousand euros;
- Investire SGR S.p.A., 1,693 thousand euros;
- Beni Stabili Property Service S.p.A., 1,038 thousand euros.

As it regards an intangible asset whose useful life cannot be defined, an impairment test was carried out in accordance with the provisions of IAS 36. This evaluation did not show any loss in value to record in the income statement.

### 13.2 Intangible assets: annual changes

| | Goodwill | Other intangible assets: generated internally | | Other intangible assets: other | | Total |
|---|---|---|---|---|---|---|
| | | DEF | INDEF | DEF | INDEF | |
| **A. Opening balance** | **300** | **–** | **–** | **2,903** | **4,748** | **7,951** |
| A.1 Net total impairment | – | – | – | 2,777 | 984 | 3,761 |
| A.2 Net opening balance | 300 | – | – | 126 | 3,764 | 4,190 |
| **B. Increases** | **37,429** | **–** | **–** | **1,027** | **–** | **38,456** |
| B.1 Purchases | 37,429 | – | – | 1,027 | – | 38,456 |
| - of which business combinations | – | – | – | 591 | – | 591 |
| B.2 Increases in internal intangible assets | X | – | – | – | – | – |
| B.3 Write-backs | X | – | – | – | – | – |
| B.4 Positive changes in fair value | – | – | – | – | – | – |
| - on net equity | X | – | – | – | – | – |
| - on income statement | X | – | – | – | – | – |
| B.5 Positive exchange rate differences | – | – | – | – | – | – |
| B.6 Other changes | – | – | – | – | – | – |
| **C. Decreases** | **–** | **–** | **–** | **689** | **–** | **689** |
| C.1 Sales | – | – | – | – | – | – |
| C.2 Value adjustments | – | – | – | 433 | – | 433 |
| (-) Amortisation | X | – | – | 137 | – | 137 |
| (-) Write-downs | – | – | – | 296 | – | 296 |
| (+) net equity | X | – | – | – | – | – |
| (+) income statement | – | – | – | 296 | – | 296 |
| C.3 Negative changes in fair value | – | – | – | – | – | – |
| - on net equity | X | – | – | – | – | – |
| - on income statement | X | – | – | – | – | – |
| C.4 Transfers to non-current assets being disposed | – | – | – | – | – | – |
| C.5 Negative exchange differences | – | – | – | – | – | – |
| C.6 Other changes | – | – | – | 256 | – | 256 |
| **D. Net closing balances** | **37,729** | **–** | **–** | **464** | **3,764** | **41,957** |
| D.1 Total net value adjustments | – | – | – | 3,466 | 984 | 4,450 |
| **E. Gross closing balance** | **37,729** | **–** | **–** | **3,930** | **4,748** | **46,407** |
| F. Valuation at cost | – | – | – | – | – | |

Key:
DEF: definite life
UNDEF: undefinite life

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

Current tax assets total 2,992 thousand euros (2,115 thousand euros at 31 December 2014) and mainly concern Ires tax credits for the domestic consolidated tax system of 795 thousand euros, Irap tax credits of 945 thousand euros and receivables for requested tax refunds of 1,231 thousand euros. This latter amount comprises:

- 1,033 thousand euros (of which 829 thousand euros referred to the Bank and 204 thousand euros referred to the other companies participating in the consolidated tax system) as a result of the request for refund for the recovery of the deduction for Ires purposes, of Irap referred to staff costs, for the years from 2007 to 2011 (Article 2 of Italian Law Decree no. 201/2011 supplemented by Italian Law Decree no. 16/2012);
- 134 thousand euros for taxes paid by the Bank on tax assessment, referred to tax year 2003, for which appeal is pending;
- 56 thousand euros for requests for reimbursement of previous years' IRPEG tax of the Bank;
- 2 thousand euros for VAT reimbursement request by the Bank.
- 6 thousand euros for taxes pertaining to Finnat Gestioni S.A.

Current tax liabilities totalled 6,302 thousand euros (452 thousand euros at 31 December 2014) and concerned:

- 59 thousand euros for VAT for the year 2015 (of which 56 thousand euros pertain to the Bank);
- 183 thousand euros for assessments pertaining to the Bank, for which appeal is pending (of which 178 thousand euros referred to tax year 2003);
- 5,989 thousand euros for the substitute tax allocated by the subsidiary InvestiRE SGR S.p.A. as a result of the redemption of the goodwill (see comment at the bottom of Table 14.1 below;
- 71 thousand euros for taxes pertaining to Finnat Gestioni S.A.

**14.1 Advance tax assets: breakdown**

| | Total 31.12.2015 | Total 31.12.2014 |
|---|---|---|
| **a) Of which per Italian Law 214/2011** | **14,329** | **2,221** |
| Goodwill | 13,713 | 1,731 |
| Write-down of receivables set forth in Article 106 par. 3 of the TUIR | 616 | 490 |
| **b) Other** | **3,944** | **1,156** |
| Write-down of securities | 3,071 | 5 |
| Write-down of receivables | 233 | 258 |
| Staff severance fund – IAS change | 128 | 162 |
| Administrative expenses | 324 | 18 |
| Other | 188 | 713 |
| **Total** | **18,273** | **3,377** |

Advance taxes refer primarily to a lower tax burden in perspective, related to the amortisation of goodwill in the forthcoming years. Of these, 1,336 thousand euros pertain to the Bank for the goodwill recognised in 2003 on the occasion of the merger by absorption of Banca Finnat Euramerica S.p.A. and of Finnat Corporate S.p.A. into Terme Demaniali di Acqui S.p.A., and 12,378 thousand euros referred to the subsidiary InvestiRE SGR.

The subsidiary InvestiRE SGR S.p.A., as a result of the merger that took effect on 1 January 2015, recognised goodwill amounting to 37,429 thousand.
The company applied the rules per Article 15 Paragraph 10 of Italian Law Decree no. 185 of 29 November 2008 for the fiscal redemption of the aforesaid item and proceed with the amortisation for tax purposes.

As a result of the aforementioned transaction, in the year in question the subsidiary recorded:
- the related substitute tax of 5,989 thousand euros (i.e. 16% of the amount to be redeemed) which it shall pay in a single instalment on or before 16 June 2016;
- the prepaid taxes of 12,378 thousand euros corresponding to IRES and IRAP on the deduction of the amount of the goodwill; starting from 2017, the tax effect of the amortisation of the goodwill will start to be recognised for the following 10 years on a straight line basis.

The recognition of the aforesaid events, by InvestiRE SGR S.p.A., led to the emergence of a tax benefit of 6,389 thousand euros deriving from the difference between the deferred tax assets and the substitute taxes.

### 14.2 Deferred tax liabilities: breakdown

| | Total 31.12.2015 | Total 31.12.2014 |
|---|---|---|
| Revaluation of securities | 3,427 | 3,300 |
| Allocation of merger deficit on securities | 40 | 40 |
| Placement commissions | 374 | 503 |
| Other | 85 | 8 |
| **Total** | **3,926** | **3,851** |

Prepaid and deferred taxes have been determined applying the IRES rate and, where applicable, the IRAP rate in force at the date of preparation of these financial statements.
Article 2 of Italian Law Decree 225/2010 (the "*mille proroghe*" or "thousand extensions" decree) subsequently amended by Article 9 of Italian Law Decree 201/2011 (the so-called "Monti" decree) converted by Italian Law no. 214/2011 introduced the possibility of transforming into tax credits the deferred tax assets recorded in the financial statements and related to the value of the goodwill and to the write-down of receivables pursuant to Article 106, paragraph 3, of the TUIR (Consolidated Income Tax Act).

In particular, the transformation into tax receivables can be realised upon the occurrence of some cases identified by the regulation itself and more specifically in case of: a) statutory loss; b) tax loss; c) voluntary liquidation; d) subjecting to bankruptcy proceedings. Advance tax assets calculated pursuant to Italian Law 214/2011, for the recognition in the financial statements, should not be subject to the test in accordance with IAS 12.

### 14.3 Changes in advance taxes (with corresponding item in the income statement)

| | Total 31.12.2015 | Total 31.12.2014 |
|---|---|---|
| **1. Opening balance** | **2,570** | **2,897** |
| **2. Increases** | **15,009** | **445** |
| 2.1 Advance taxes recognised in the year | 12,927 | 445 |
| a) relating to previous years | – | 1 |
| b) due to the change in the accounting policies | – | – |
| c) write-backs | – | – |
| d) other | 12,927 | 444 |
| 2.2 New taxes or increases in tax rates | – | – |
| 2.3 Other increases | 2,082 | – |
| - of which business combinations | 2,082 | – |
| **3. Decreases** | **707** | **772** |
| 3.1 Advance taxes cancelled during the year | 707 | 764 |
| a) reallocations | 707 | 617 |
| b) write-downs due to irrevocability | – | – |
| c) change in the accounting policies | – | – |
| d) other | – | 147 |
| 3.2 Reductions in tax rates | – | – |
| 3.3 Other decreases | – | 8 |
| a) transformation into tax receivables set forth in Italian Law no. 214/2011 | – | |
| b) other | – | 8 |
| **4. Closing balance** | **16,872** | **2,570** |

The figures indicated in table 14.3 comprise the amounts shown in table 14.3.1.

### 14.3.1 Changes in advance taxes set forth in Italian Law 214/2011 (with corresponding item in the income statement)

| | Total 31.12.2015 | Total 31.12.2014 |
|---|---|---|
| **1. Opening balance** | **2,221** | **2,310** |
| **2. Increases** | **12,503** | **349** |
| **3. Decreases** | **395** | **438** |
| 3.1 Reallocations | 395 | 438 |
| 3.2 Transformation into tax receivables | – | – |
| a) deriving from losses for the year | – | – |
| b) deriving from tax losses | – | – |
| 3.3 Other decreases | – | – |
| **4. Closing balance** | **14,329** | **2,221** |

### 14.4 Changes in deferred taxes (with corresponding item in the income statement)

| | Total 31.12.2015 | Total 31.12.2014 |
|---|---|---|
| **1. Opening balance** | **2,646** | **2,284** |
| **2. Increases** | **799** | **679** |
| 2.1 Deferred taxes recorded in the year | 634 | 679 |
| a) relating to previous years | – | – |
| b) due to the change in the accounting policies | – | – |
| c) other | 634 | 679 |
| 2.2 New taxes or increases in tax rates | – | – |
| 2.3 Other increases | 165 | |
| - of which business combinations | 165 | – |
| **3. Decreases** | **492** | **317** |
| 3.1 Deferred taxes cancelled during the year | 492 | 306 |
| a) reallocations | 492 | 306 |
| b) due to the change in the accounting policies | – | |
| c) other | – | – |
| 3.2 Reductions in tax rates | – | – |
| 3.3 Other decreases | – | 11 |
| **4. Closing balance** | **2,953** | **2,646** |

### 14.5 Changes in advance taxes (with corresponding item in the equity)

| | Total 31.12.2015 | Total 31.12.2014 |
|---|---|---|
| **1. Opening balance** | **807** | **969** |
| **2. Increases** | **1,261** | **121** |
| 2.1 Advance taxes recognised in the year | 92 | 119 |
| a) relating to previous years | – | – |
| b) due to the change in the accounting policies | – | – |
| c) other | 92 | 119 |
| 2.2 New taxes or increases in tax rates | – | – |
| 2.3 Other increases | 1,169 | 2 |
| - of which business combinations | 1,169 | – |
| **3. Decreases** | **667** | **283** |
| 3.1 Advance taxes cancelled during the year | 667 | 283 |
| a) reallocations | 667 | 283 |
| b) write-downs due to irrevocability | – | – |
| c) due to the change in the accounting policies | – | – |
| d) other | – | – |
| 3.2 Reductions in tax rates | – | – |
| 3.3 Other decreases | – | – |
| - of which business combinations | – | – |
| **4. Closing balance** | **1,401** | **807** |

**14.6 Changes in deferred taxes (with corresponding item in equity)**

| | Total 31.12.2015 | Total 31.12.2014 |
|---|---|---|
| **1. Opening balance** | **1,205** | **1,764** |
| **2. Increases** | **731** | **289** |
| 2.1 Deferred taxes recorded in the year | 731 | 289 |
| a) relating to previous years | – | – |
| b) due to the change in the accounting policies | – | – |
| c) other | 731 | 289 |
| 2.2 New taxes or increases in tax rates | – | – |
| 2.3 Other increases | – | – |
| **3. Decreases** | **963** | **848** |
| 3.1 Deferred taxes cancelled during the year | 963 | 848 |
| a) reallocations | 963 | 848 |
| b) due to the change in the accounting policies | – | – |
| c) other | – | – |
| 3.2 Reductions in tax rates | – | – |
| 3.3 Other decreases | – | – |
| **4. Closing balance** | **973** | **1,205** |

For further information on changes to prepaid and deferred taxes, please see: for those recorded in the income statement, Part C - Section 20 Income taxes for the year and for those recorded in the shareholders' equity Part D – Comprehensive income.

* * *

With regard to tax-related disputes, it should be pointed out that, for the Bank, the following appeals are pending before the Supreme Court, without a hearing date yet set for them:

- appeal against unfavourable decision no. 253/07/10 of the Regional Tax Commission of Rome. The dispute pertains to assessment notice no. RCB030302029/2005, whereby the Revenue Agency argued that certain operating costs relating to the year 2002 were non-deductible for IRPEG and IRAP purposes (costs for advisory services and costs pertaining to a lease agreement). The amounts of the higher taxes assessed (55 thousand euro) and related penalties and interests were expensed in the income statement by the Bank in the previous years;
- appeal against partially unfavourable decision no. 150/09/2012 of the Regional Tax Commission of Rome. The dispute pertains to assessment notice no. RCB030302784/2008, whereby the Revenue Agency argued, in relation to the 2003 tax year, that Article 96-bis of the Consolidated Income Tax Act (taxation of 5% of the value of dividends) did not apply to the dividends distributed by the Luxembourg investee New Millenium Advisory S.A. The 2nd level decision, now being appealed before the Supreme Court, partially allowed the Bank's arguments. In accordance with the 2nd level decision, the amounts of the higher taxes assessed (83 thousand euro) and related penalties and interests were expensed in the income statement by the Bank in the previous years.

## Section 16 – Other assets – Item 160

### 16.1 Other assets: breakdown

| | Total 31.12.2015 | Total 31.12.2014 |
|---|---|---|
| Receivables for guarantee deposits | 474 | 392 |
| Deposits with Cassa Compensazione e Garanzia | 6,324 | 3,472 |
| Due from counterparties and brokers | 82 | 1,272 |
| Tax credits as withholding tax | 3,315 | 2,203 |
| Sundry receivables | 8,485 | 7,147 |
| **Total** | **18,680** | **14,486** |

## LIABILITIES

### Section 1 – Due to banks – Item 10

#### 1.1 Due to banks: breakdown by product

| Type of transactions/Group components | Total 31.12.2015 | Total 31.12.2014 |
|---|---|---|
| **1. Due to Central Banks** | **–** | **95,359** |
| **2. Due to banks** | **11,496** | **1,845** |
| 2.1 Current accounts and demand deposits | 11,496 | 1,835 |
| 2.2 Fixed-term deposits | – | – |
| 2.3 Loans | – | – |
| 2.3.1 reverse repos | – | – |
| 2.3.2 other | – | – |
| 2.4 Amounts due under repurchase agreements of own equity instruments | – | – |
| 2.5 Other liabilities | – | 10 |
| **Total** | **11,496** | **97,204** |
| Fair value-level 1 | – | |
| Fair value-level 2 | – | |
| Fair value-level 3 | 11,496 | 97,204 |
| **Total Fair value** | **11,496** | **97,204** |

Item 1. Due to central banks, at 31 December 2014, showed the amount of the LTRO transaction launched by the ECB with expiration February 2015.

### Section 2 – Due to customers – Item 20

#### 2.1 Due to customers: breakdown by product

| Type of transactions/Group components | Total 31.12.2015 | Total 31.12.2014 |
|---|---|---|
| 1. Current accounts and demand deposits | 362,724 | 295,858 |
| 2. Fixed-term deposits | 54,911 | 40,116 |
| 3. Loans | 627,955 | 600,968 |
| 3.1 reverse repos | 627,955 | 600,968 |
| 3.2 other | – | – |
| 4. Amounts due under repurchase agreements of own equity instruments | – | – |
| 5. Other payables | 226 | 153 |
| **Total** | **1,045,816** | **937,095** |
| Fair value-level 1 | | |
| Fair value-level 2 | | |
| Fair value-level 3 | 1,045,816 | 937,095 |
| **Total Fair value** | **1,045,816** | **937,095** |

Item 3.1 Reverse repos concerns the transactions between the Bank and Cassa di Compensazione e Garanzia.

## Section 3 – Outstanding securities – Item 30

### 3.1 Outstanding securities: breakdown by product

| Type of securities/ Amount | Total 31.12.2015 | | | | Total 31.12.2014 | | | |
|---|---|---|---|---|---|---|---|---|
| | Book value | Fair value | | | Book value | Fair value | | |
| | | Level 1 | Level 2 | Level 3 | | Level 1 | Level 2 | Level 3 |
| **A. Securities** | **26,122** | **–** | **–** | **26,095** | **46,958** | **–** | **–** | **46,811** |
| 1. bonds | 26,122 | – | – | 26,095 | 46,958 | – | – | 46,811 |
| 1.1 structured | – | | | – | | | | |
| 1.2 other | 26,122 | | | 26,095 | 46,958 | | | 46,811 |
| 2. other securities | – | – | – | – | – | – | – | – |
| 2.1 structured | – | | | – | | | | |
| 2.2 other | – | | | – | | | | |
| **Total** | **26,122** | **–** | **–** | **26,095** | **46,958** | **–** | **–** | **46,811** |

The item represents the bonds issued by the Bank, including the accrued coupon. The amount is shown net of the securities held for trading present in its portfolio, with a nominal amount of 3,888 thousand euros.

## Section 4 – Financial liabilities held for trading – Item 40

### 4.1 Financial liabilities held for trading: breakdown by product

| Type of transaction/ Amount | Total 31.12.2015 | | | | | Total 31.12.2014 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | NV | FV | | | FV* | NV | FV | | | FV* |
| | | L1 | L2 | L3 | | | L1 | L2 | L3 | |
| **A. Cash liabilities** | **–** | **–** | **–** | **–** | **–** | **3** | **3** | **–** | **–** | **3** |
| 1. Due to banks | | | | | | | | | | |
| 2. Due to customers | – | – | – | – | – | 3 | 3 | | | 3 |
| 3. Debt securities | – | – | – | – | | – | – | – | – | |
| 3.1 Bonds | – | – | – | – | | – | – | – | – | |
| 3.1.1 Structured | – | – | – | – | X | – | – | – | – | X |
| 3.1.2 Other bonds | – | – | – | – | X | – | – | – | – | X |
| 3.2 Other securities | – | – | – | – | | – | – | – | – | |
| 3.2.1 Structured | – | – | – | – | X | – | – | – | – | X |
| 3.2.2 Other | – | – | – | – | X | – | – | – | – | X |
| **Total A** | **–** | **–** | **–** | **–** | **–** | **3** | **3** | **–** | **–** | **3** |
| **B. Derivatives** | **–** | **–** | **9,733** | **–** | | | **–** | **2,356** | **–** | |
| 1. Financial derivatives | | – | 9,733 | – | | | – | 2,356 | – | |
| 1.1 Held for trading | X | – | 9,733 | – | X | X | – | 2,356 | – | X |
| 1.2 Related to the fair value option | X | – | – | – | X | X | | | | X |
| 1.3 Other | X | – | – | – | X | X | | | | X |
| 2. Credit derivatives | | – | – | – | | | – | – | – | |
| 2.1 Held for trading | X | – | – | – | X | X | | | | X |
| 2.2 Related to the fair value option | X | – | – | – | X | X | | | | X |
| 2.3 Other | X | – | – | – | X | X | | – | | X |
| **Total B** | **X** | **–** | **9,733** | **–** | **X** | **X** | **–** | **2,356** | **–** | **X** |
| **Total (A + B)** | **X** | **–** | **9,733** | **–** | **X** | **X** | **3** | **2,356** | **–** | **X** |

Key:
FV = fair value
FV* = fair value calculated excluding the changes in value due to the change in the credit rating of the issuer with respect to the issue date
NV = face or notional value

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

Financial liabilities are exclusively ascribable to the Bank.
Item B. Derivatives includes the negative measurement of currency forwards, amounting to 9,467 thousand euros, the measurement of options amounting to 77 euros, and the fair value measurement of an Interest Rate Swap Amortising, i.e. 189 thousand euros. This derivative is a hedging transaction for managing the interest rate risk associated with the granting of a fixed-rate loan.

**Section 8 – Tax liabilities – Item 80**

See Section 14 of the assets.

**Section 10 – Other liabilities – Item 100**

**10.1 Other liabilities: breakdown**

| | Total 31.12.2015 | Total 31.12.2014 |
|---|---|---|
| Social security and insurance contributions to be paid | 1,509 | 1,081 |
| Payables to employees and contractors | 2,943 | 1,464 |
| Emoluments to be paid to the Directors | 37 | 66 |
| Emoluments to be paid to the Board of Statutory Auditors | 139 | 302 |
| Due to suppliers | 1,248 | 869 |
| Shareholders for dividends to be paid | 1,052 | 914 |
| Payables to brokers and institutional counterparties | 65 | 6,371 |
| Tax payables as withholding tax | 2,323 | 2,925 |
| Other payables | 3,861 | 4,710 |
| **Total** | **13,177** | **18,702** |

**Section 11 – Staff severance fund – Item 110**

**11.1 Staff severance fund: annual changes**

| | Total 31.12.2015 | Total 31.12.2014 |
|---|---|---|
| **A. Opening balance** | **3,993** | **3,580** |
| **B. Increases** | **1,692** | **1,181** |
| B.1 Allocation for the year | 995 | 1,181 |
| B.2 Other changes | 697 | – |
| - of which Business combinations | 697 | – |
| **C. Decreases** | **1,280** | **768** |
| C.1 Severance indemnities paid out | 478 | 210 |
| C.2 Other changes | 802 | 558 |
| **D. Closing balance** | **4,405** | **3,993** |

Item B.1 Allocation for the year, includes the actuarial gain of 236 thousand euros (actuarial loss of 316 thousand euros in 2014) recognised among valuation reserves - net of the tax effect - in accordance with IAS 19.

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

The actuarial assumptions used to calculate the liabilities as at the balance sheet date are set out below:

*Demographic assumption*

As regards the demography data used, life expectancy was assessed using the RG48 demographic table on population activity ratios ("*Tavola di permanenza nella posizione di attivo*") (processed by the General Accounting Office, by reference to the 1948 generation), "selected, projected and subdivided by gender", supplemented by internal statistics concerning the probability of staff leaving employment.

*Economic-financial assumptions*

Technical evaluations were made on the basis of the following assumptions:

- technical discount rate between 0.39247% and 3.06500%, determined on the basis of the rate curve built on the basis of the effective yield rate of the bonds in Euro of leading companies rated AA or higher;
- annual inflation rate 1.5%.

## Section 12 - Provisions for risks and charges - Item 120

### 12.1 Provisions for risks and charges: breakdown

| Items/Components | Total 31.12.2015 | Total 31.12.2014 |
|---|---|---|
| 1. Company pension funds | – | – |
| 2. Other provisions for risks and charges | 1,067 | – |
| 2.1 Legal disputes | – | – |
| 2.2 Staff costs | – | – |
| 2.3 Other | 1,067 | – |
| **Total** | **1,067** | **–** |

### 12.2 Provisions for risks and charges: annual changes

| Items/Components | Pension funds | Other funds | Total |
|---|---|---|---|
| **A. Opening balance** | | **–** | **–** |
| **B. Increases** | | **1,448** | **1,448** |
| B.1 Allocation for the year | – | 1,067 | 1,067 |
| B2. Changes due to the passing of time | – | – | – |
| B.3 Changes due to discount rate variations | – | – | – |
| B.4 Other changes | – | 381 | 381 |
| - of which Business combinations | – | 381 | 381 |
| **C. Decreases** | | **381** | **381** |
| C.1 Use in the year | – | 381 | 381 |
| C.2 Changes due to discount rate variations | – | – | – |
| C.3 Other changes | – | – | – |
| **D. Closing balance** | **–** | **1,067** | **1,067** |

**12.4 Provisions for risks and charges - other provisions**

The amount of 1,067 thousand euros allocated by the Bank in the year refers to the commitment for the indemnity to be paid to the shareholders of the company resulting from the merger of Beni Stabili Gestioni SGR S.p.A. and Polaris Real Estate SGR S.p.A. in InvestiRE SGR S.p.A. This indemnity, by virtue of the agreement executed at the time of the merger by the Bank - in its capacity as shareholder of the absorbed company Beni Stabili Gestioni SGR S.p.A. - refers to the possible non-collection of commissions of a property fund calculated for the purposes of determining the swap ratios.

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

**15.1 “Share capital” and “Own shares”: Breakdown**

At 31 December 2015, the share capital paid up by the Bank was 72,576,000 euros, divided into 362,880,000 ordinary shares with a face value of 0.20 euros each, and the Bank holds 28,320,718 own shares, amounting to 7.8% of the share capital (25,105,632 at 31 December 2014).

In application of IAS 32 and of the provisions contained in the Circular Letter no. 262/2005, the own shares held exclusively at 31 December 2015 were used to adjust the equity for an amount of 13,949 thousand euros, which corresponds to their purchase price.

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

| Items/Types | Ordinary | Other |
|---|---|---|
| **A. Number of shares at the beginning of the year** | **362,880,000** | |
| – fully paid-up | 362,880,000 | |
| – partly paid-up | | |
| A.1 Own shares (-) | (25,105,632) | |
| **A.2 Outstanding shares: opening balance** | **337,774,368** | |
| **B. Increases** | **–** | |
| B.1 New issues | | |
| – against payment: | | |
| - business combinations | | |
| - conversion of bonds | | |
| - exercise of warrants | | |
| - other | | |
| – on a free basis: | | |
| - in favour of staff | | |
| - in favour of directors | | |
| - other | | |
| B.2 Sale of own shares | – | |
| B.3 Other changes | | |
| **C. Decreases** | **3,215,086** | |
| C.1 Cancellation | | |
| C.2 Purchase of own shares | 3,215,086 | |
| C.3 Disposal of companies | | |
| C.4 Other changes | | |
| **D. Outstanding shares: closing balance** | **334,559,282** | |
| D.1 Own shares (+) | 28,320,718 | |
| D.2 Number of shares at the end of the year | 362,880,000 | |
| – fully paid-up | 362,880,000 | |
| – partly paid-up | | |

### 15.3 Share capital: additional information

During the year, the Bank's share capital was not subject to change.

### 15.4 Retained earnings: additional information

The "Reserves" item amounts to 117,203 thousand euros (97,972 thousand euros at 31 December 2014) and is broken down as follows:

- Retained earnings of the Bank of 87,316 thousand euros consisting of the legal reserve of 8,936 thousand euros, extraordinary reserve of 56,282 thousand euros, the dividend adjustment reserve of 6,725 thousand euros, restated Ias 19 retained earnings reserve of 179 thousand euros, the reserve for merger surplus of 525 thousand euros, treasury shares purchased of 13,949 thousand euros and the residual amount of reserve for purchase of treasury shares of 720 thousand euros;
- other reserves of 29,887 thousand euros consisting of the reserve for the gains on the sale of treasury shares of 4,337 thousand euros, the stock option plan reserve of 998 thousand euros and the consolidation reserves for the difference.

## Section 16 – Equity of minority interests – Item 210

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

| Company names | Total 31.12.2015 | Total 31.12.2014 |
|---|---|---|
| Equity investments in consolidated companies with significant interests in third parties | | |
| 1. InvestiRE SGR S.p.A. | 38,451 | – |
| Other equity investments | 580 | 3,436 |
| **Total** | **39,031** | **3,436** |

## OTHER INFORMATION

### 1. Guarantees given and commitments

| Transactions | Amount 31.12.2015 | Amount 31.12.2014 |
|---|---|---|
| 1) Financial guarantees given | 7,341 | 12,531 |
| a) Banks | 420 | 252 |
| b) Customers | 6,921 | 12,279 |
| 2) Commercial guarantees given | 164 | 506 |
| a) Banks | – | – |
| b) Customers | 164 | 506 |
| 3) Irrevocable commitments to disburse funds | 16,539 | 3,464 |
| a) Banks | 2,897 | 532 |
| i) for certain use | 2,897 | 532 |
| ii) for uncertain use | – | – |
| b) Customers | 13,642 | 2,932 |
| i) for certain use | 460 | 1,583 |
| ii) for uncertain use | 13,182 | 1,349 |
| 4) Commitments underlying credit derivatives: sales for protection | – | – |
| 5) Assets pledged as guarantee of the obligations of third parties | – | – |
| 6) Other commitments | 1,327 | 19,638 |
| **Total** | **25,371** | **36,139** |

Item 1) a) Banks shows the Bank's commitment towards the Interbank Fund for the Protection of Deposits, updated recently.

### 2. Assets pledged as guarantee of own liabilities and commitments

| Portfolios | Amount 31.12.2015 | Amount 31.12.2014 |
|---|---|---|
| 1. Financial assets held for trading | – | 4,988 |
| 2. Financial assets carried at fair value | – | – |
| 3. Available-for-sale financial assets | 630,233 | 703,407 |
| 4. Financial assets held to maturity | – | – |
| 5. Due from banks | – | – |
| 6. Due from customers | – | – |
| 7. Tangible assets | – | – |

### 5. Management and brokerage on behalf of third parties

| Type of service | Amount |
|---|---|
| **1. Execution of orders on customers' behalf** | |
| a) purchases | 2,603,849 |
| 1. settled | 2,592,673 |
| 2. unsettled | 11,176 |
| b) sales | 2,568,765 |
| 1. settled | 2,557,450 |
| 2. unsettled | 11,315 |
| **2. Portfolio management** | |
| a) individual | 683,423 |
| b) collective | 5,073,098 |
| **3. Custody and administration of securities** | |
| a) third-parties securities on deposit related to depository services (excluding portfolio management) | – |
| 1. securities issued by companies included in the consolidation | – |
| 2. other securities | – |
| b) third-party securities on deposit (excluding portfolio management): other | 1,749,788 |
| 1. securities issued by companies included in the consolidation | 82,343 |
| 2. other securities | 1,667,445 |
| c) third-party securities lodged with third parties | 1,695,262 |
| d) own securities lodged with third parties | 860,018 |
| **4. Other transactions** | **1,408,787** |

Item 2 Portfolio management - b) collective refers to the NAV of the assets managed by InvestiRE SGR.

## Part C – Information on the consolidated income statement

### Section 1 – Interest – Items 10 and 20

#### 1.1 Interest income and similar income: breakdown

| Items/Categories | Debt securities | Loans | Other transactions | Total FY 2015 | Total FY 2014 |
|---|---|---|---|---|---|
| 1. Financial assets held for trading | 284 | – | – | 284 | 1,959 |
| 2. Financial assets carried at fair value | – | – | – | – | – |
| 3. Available-for-sale financial assets | 4,419 | – | – | 4,419 | 8,089 |
| 4. Financial assets held to maturity | 49 | – | – | 49 | 68 |
| 5. Due from banks | – | (66) | 147 | 81 | 607 |
| 6. Due from customers | 18 | 6,349 | – | 6,367 | 6,220 |
| 7. Hedging derivatives | X | X | – | – | – |
| 8. Other assets | X | X | (90) | (90) | 7 |
| **Total** | **4,770** | **6,283** | **57** | **11,110** | **16,950** |

#### 1.4 Interest expense and similar expense: breakdown

| Items/Categories | Payables | Securities | Other transactions | Total FY 2015 | Total FY 2014 |
|---|---|---|---|---|---|
| 1. Due to Central Banks | 16 | X | – | 16 | 153 |
| 2. Due to banks | 13 | X | 8 | 21 | 14 |
| 3. Due to customers | 1,330 | X | – | 1,330 | 3,861 |
| 4. Outstanding securities | X | 140 | – | 140 | 325 |
| 5. Financial liabilities held for trading | – | – | – | – | – |
| 6. Financial liabilities carried at fair value | – | – | – | – | – |
| 7. Other liabilities and funds | X | X | – | – | – |
| 8. Hedging derivatives | X | X | – | – | – |
| **Total** | **1,359** | **140** | **8** | **1,507** | **4,353** |

Interest margin totals 9,603 thousand euros, versus 12,597 thousand euros in the previous financial year. The decrease by 2,994 thousand euros is mainly due to the reduction in the yields.

## Section 2 – Commissions – Items 40 and 50

### 2.1 Commission income: breakdown

| Type of services/Amounts | Total FY 2015 | Total FY 2014 |
|---|---|---|
| a) guarantees given | 115 | 118 |
| b) credit derivatives | – | – |
| c) administration, brokerage and consultancy services: | 45,426 | 26,218 |
| 1. trading in financial instruments | 4,758 | 4,439 |
| 2. trading in currencies | – | – |
| 3. portfolio management: | 33,527 | 15,243 |
| 3.1. individual | 4,769 | 3,957 |
| 3.2. collective | 28,758 | 11,286 |
| 4. custody and administration of securities | 1,963 | 2,069 |
| 5. custodian bank | – | – |
| 6. securities placement | 3,724 | 3,419 |
| 7. acceptance of trading orders | – | – |
| 8. consulting | 1,159 | 818 |
| 8.1. investments | 425 | 277 |
| 8.2. financial structure | 734 | 541 |
| 9. distribution of third-party services | 295 | 230 |
| 9.1. portfolio management | – | – |
| 9.1.1. individual | – | – |
| 9.1.2. collective | – | – |
| 9.2. insurance policies | 295 | 230 |
| 9.3. other products | – | – |
| d) collection and payment services | 192 | 156 |
| e) servicing of securitisation operations | – | – |
| f) factoring services | – | – |
| g) rate and tax collection office services | – | – |
| h) multilateral trading systems management | – | |
| i) current account keeping and management | 208 | 187 |
| j) other services | 584 | 442 |
| **Total** | **46,525** | **27,121** |

### 2.2 Commission expense: breakdown

| Services/Amounts | Total FY 2015 | Total FY 2014 |
|---|---|---|
| a) guarantees received | – | – |
| b) credit derivatives | – | – |
| c) management and brokerage services: | 1,253 | 1,191 |
| 1. trading in financial instruments | 403 | 363 |
| 2. trading in currencies | – | – |
| 3. portfolio management: | 277 | 289 |
| 3.1 own portfolio | 25 | 37 |
| 3.2 third-party portfolio | 252 | 252 |
| 4. custody and administration of securities | 159 | 132 |
| 5. placement of financial instruments | 414 | 407 |
| 6. sales of financial instruments, products and services through other outlets | – | – |
| d) collection and payment services | 52 | 47 |
| e) other services | 776 | 113 |
| **Total** | **2,081** | **1,351** |

Net commissions amount to 44,444 thousand euros versus 25,770 thousand euros in the previous financial year. The increase of 18,674 thousand is attributed:

- 1,781 thousand euros to the Bank;
- 16,842 thousand euros to the subsidiary InvestiRE SGR S.p.A. deriving mainly from the funds managed by the two absorbed entities (Beni Stabili Gestioni SGR S.p.A. and Polaris RE S.p.A.);
- 51 thousand to the other group companies.

## Section 3 – Dividends and similar income – Item 70

### 3.1 Dividends and similar income: breakdown

| Items/Income | Total FY 2015 | | Total FY 2014 | |
|---|---|---|---|---|
| | Dividends | Income from UCI units | Dividends | Income from UCI units |
| A. Financial assets held for trading | 24 | – | 10 | |
| B. Available-for-sale financial assets | 1,426 | 2,002 | 1,921 | 1,855 |
| C. Financial assets carried at fair value | – | – | – | – |
| D. Equity investments | – | X | – | X |
| **Total** | **1,450** | **2,002** | **1,931** | **1,855** |

## Section 4 – Net income from trading activities – Item 80

### 4.1 Net income from trading activities: breakdown

| Transactions/Income items | Gains (A) | Profit from trading activities (B) | Losses (C) | Losses from trading activities (D) | Net income [(A+B) - (C+D)] |
|---|---|---|---|---|---|
| **1. Financial assets held for trading** | **204** | **534** | **260** | **427** | **51** |
| 1.1 Debt securities | 69 | 78 | 17 | 141 | (11) |
| 1.2 Equity securities | 15 | 447 | 214 | 246 | 2 |
| 1.3 UCI units | 120 | 9 | 29 | 40 | 60 |
| 1.4 Loans | – | – | – | – | – |
| 1.5 Other | – | – | – | – | – |
| **2. Financial liabilities held for trading** | **–** | **–** | **–** | **–** | **–** |
| 2.1 Debt securities | – | – | – | – | – |
| 2.2 Payables | – | – | – | – | – |
| 2.3 Other | – | – | – | – | – |
| **3. Financial assets and liabilities: exchange differences** | **X** | **X** | **X** | **X** | **(2,485)** |
| **4. Derivatives** | **144** | **1,772** | **10** | **1,295** | **723** |
| 4.1 Financial derivatives: | 144 | 1,772 | 10 | 1,295 | 723 |
| - On debt securities and interest rates | 88 | – | – | 107 | (19) |
| - On equity securities and stock indices | 56 | 1,772 | 10 | 1,188 | 630 |
| - On currencies and gold | X | X | X | X | 112 |
| - Other | – | – | – | – | – |
| 4.2 Credit derivatives | – | – | – | – | – |
| **Total** | **348** | **2,306** | **270** | **1,722** | **(1,711)** |

Net income from trading activities, referring exclusively to the Bank, features a negative balance of 1,711 thousand euros, compared to an equally negative balance of 1,701 thousand euros of the previous financial year, and may be broken down as follows:

- A positive balance between realised profits and losses related to trading on securities and derivatives of 584 thousand euros;
- A negative balance between profits and losses on exchange transactions totalling 2,485 thousand euros. The balance includes the loss of 2,933 thousand euros on the forward sale of sterling against euros to hedge against exposure to exchange risks, with respect to the LSEG shares, which does not meet the requirements of IAS 39 on hedging transactions.
- A positive difference of 200 thousand euros between unrealised capital gains and losses in connection with the fair value measurement of currency forwards (+112 thousand euros) and of Interest Rate Swap Amortising (+88 thousand euros);
- Negative difference between unrealised capital gains and losses, in connection with the fair value measurement of the trading portfolio, totalling 10 thousand euros.

## Section 5 - Net income from hedging activities - Item 90

### 5.1 Net income from hedging activities: breakdown

| Income items/Amounts | Total FY 2015 | Total FY 2014 |
|---|---|---|
| **A. Income relating to:** | | |
| A.1 Fair value hedging derivatives | 215 | – |
| A.2 Hedged financial assets (fair value) | – | – |
| A.3 Hedged financial liabilities (fair value) | – | – |
| A.4 Financial derivatives hedging cash flows | – | – |
| A.5 Foreign-currency assets and liabilities | – | – |
| **Total income from hedging activities (A)** | **215** | **–** |
| **B. Expense referred to:** | | |
| B.1 Fair value hedging derivatives | – | – |
| B.2 Hedged financial assets (fair value) | 215 | – |
| B.3 Hedged financial liabilities (fair value) | – | – |
| B.4. Financial derivatives hedging cash flows | – | – |
| B.5 Foreign-currency assets and liabilities | – | – |
| **Total costs of hedging activities (B)** | **215** | **–** |
| **C. Net income from hedging activities (A - B)** | **–** | **–** |

The item, referring exclusively to the Bank, was commented in the corresponding Section of the separate financial statements, referenced herein.

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

### 6.1 Profit (Loss) from disposal/repurchase: breakdown

| Items/Income items | Total FY 2015 | | | Total FY 2014 | | |
|---|---|---|---|---|---|---|
| | Profit | Losses | Net income | Profit | Losses | Net income |
| **Financial assets** | | | | | | |
| 1. Due from banks | – | – | – | – | – | – |
| 2. Due from customers | – | – | - | – | – | - |
| 3. Available-for-sale financial assets | 5,590 | 9 | 5,581 | 4,831 | 19 | 4,812 |
| 3.1 Debt securities | 411 | 9 | 402 | 1,705 | | 1,705 |
| 3.2 Equity securities | 5,179 | – | 5,179 | 3,126 | – | 3,126 |
| 3.3 UCI units | – | – | – | – | 19 | (19) |
| 3.4 Loans | – | – | – | – | – | – |
| 4. Financial assets held to maturity | – | – | – | – | – | – |
| **Total assets** | **5,590** | **9** | **5,581** | **4,831** | **19** | **4,812** |
| **Financial liabilities** | | | | | | |
| 1. Due to banks | – | – | – | – | – | – |
| 2. Due to customers | – | – | – | – | – | – |
| 3. Outstanding securities | – | – | – | – | – | – |
| **Total liabilities** | **–** | **–** | **–** | **–** | **–** | **–** |

Item 3.1 Debt securities includes the capital gains realised by the Bank on Government Bonds of 408 thousand euros.

Item 3.2 Equity securities relates to the capital gain of 2,754 thousand euros made by the Bank from the sale of 133,600 London Stock Exchange Group plc shares and 2,425 thousand euros from the sale of 415,509 Anima Holding S.p.A. shares.



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

#### 8.1 Net value adjustments for impairment of loans: breakdown

| Transactions/ Income items | Value adjustments (1) | | | Write-backs (2) | | | | Total FY 2015 | Total FY 2014 |
|---|---|---|---|---|---|---|---|---|---|
| | Specific | | Portfolio | Specific | | Portfolio | | (1) - (2) | |
| | Derecognition | Other | | A | B | A | B | | |
| A. Due from banks | – | – | – | – | – | – | – | – | – |
| - Loans | – | – | – | – | – | – | – | – | |
| - Debt securities | – | – | – | – | – | – | – | – | |
| B. Due from customers | 297 | 1,974 | – | – | 402 | – | 53 | 1,816 | 1,392 |
| Purchased impaired loans | – | – | | – | – | – | | – | – |
| - Loans | – | – | X | – | – | – | X | – | |
| - Debt securities | – | – | X | – | – | – | X | – | |
| Other receivables | 297 | 1,974 | – | – | 402 | – | 53 | 1,816 | 1,392 |
| - Loans | 297 | 1,974 | – | – | 402 | – | 53 | 1,816 | 1,392 |
| - Debt securities | – | – | – | – | – | – | – | – | |
| **C. Total** | **297** | **1,974** | **–** | **–** | **402** | **–** | **53** | **1,816** | **1,392** |

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

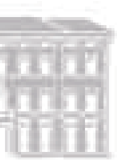
The specific adjustments – Other pertain to the Bank (1,600 thousand euros), to Finnat Fiduciaria (126 thousand euros) and InvestiRE SGR S.p.A. (248 thousand euros).

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

| Transactions/Income items | Value adjustments (1) | | Write-backs (2) | | Total FY 2015 | Total FY 2014 |
|---|---|---|---|---|---|---|
| | Specific | | Specific | | | |
| | Derecognition | Other | A | B | (1) - (2) | |
| A. Debt securities | – | – | – | – | – | – |
| B. Equity securities | – | – | X | X | – | 509 |
| C. UCI units | – | 2,498 | X | – | 2,498 | 1,093 |
| D. Loans to banks | – | – | – | – | – | – |
| E. Loans to customers | – | – | – | – | – | – |
| **F. Total** | **–** | **2,498** | **–** | **–** | **2,498** | **1,602** |

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

The adjustments on UCI refer to the Bank (249 thousand euros) and to the subsidiary InvestiRE SGR S.p.A. (2,249 thousand euros).



### 8.4 Net value adjustments for impairment of other financial transactions: breakdown

| Transactions/ Income items | Value adjustments (1) | | | Write-backs (2) | | | | Total FY 2015 (1) - (2) | Total FY 2014 |
|---|---|---|---|---|---|---|---|---|---|
| | Specific | | Portfolio | Specific | | Portfolio | | | |
| | Derecognition | Other | | A | B | A | B | | |
| A. Guarantees given | – | – | – | – | – | – | – | – | 47 |
| B. Credit derivatives | – | – | – | – | – | – | – | – | – |
| C. Commitments to disburse funds | – | – | – | – | – | – | – | – | – |
| D. Other transactions | – | – | – | – | – | – | – | – | – |
| **E. Total** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **47** |

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

## Section 11 - Administrative expenses – Item 180

### 11.1 Staff costs: breakdown

| Type of expense/Segments | Total FY 2015 | Total FY 2014 |
|---|---|---|
| 1) Staff | 28,971 | 19,818 |
| a) wages and salaries | 20,788 | 14,088 |
| b) social security charges | 5,409 | 3,774 |
| c) staff severance fund | 589 | 559 |
| d) welfare charges | – | – |
| e) allocation for staff severance fund | 261 | 194 |
| f) allocation to pensions and similar commitments: | – | – |
| - defined contribution | – | – |
| - defined benefit | – | – |
| g) allocation to external supplementary retirement benefit plans: | 390 | 120 |
| - defined contribution | 390 | 120 |
| - defined benefit | – | – |
| h) costs due to payment agreements based on own capital instruments | – | 176 |
| i) other benefits in favour of employees | 1,534 | 907 |
| 2) Other active staff | 370 | 475 |
| 3) Directors and statutory auditors | 1,643 | 1,567 |
| 4) Inactive staff | – | – |
| **Total** | **30,984** | **21,860** |

The item increased by 9,124 thousand euros compared to the previous year. The change comprises mainly the increase by 8,946 thousand euros referred to InvestiRE SGR S.p.A. as a result of the increase of its workforce by 93 employees compared to 31 December 2014 (from 36 to 129 employees).
Item 1) e) does not include the actuarial component referred to IAS staff severance fund, recognised among Valuation reserves - net of the tax effect.

### 11.2 Average number of employees by category

| | Total FY 2015 | Total FY 2014 |
|---|---|---|
| **Staff** | **310** | **218** |
| (a) senior managers | 46 | 31 |
| (b) executives | 98 | 54 |
| (c) rest of staff | 166 | 133 |
| **Other staff** | **8** | **8** |

### 11.4 Other benefits in favour of employees

Employee benefits amount to 1,534 thousand euros (versus 907 thousand euros last year) and concern luncheon voucher, collective health care policies, professional training, cars and other benefits.

### 11.5 Other administrative expenses: breakdown

| Type of expense/Segments | Total FY 2015 | Total FY 2014 |
|---|---|---|
| Rentals and condominium fees | 3,155 | 2,294 |
| Membership fees | 171 | 156 |
| EDP materials | 154 | 23 |
| Stationery and printing supplies | 119 | 68 |
| Consulting and outsourced professional services | 2,790 | 1,920 |
| Outsourcing services | 2,718 | 1,727 |
| Auditing company fees | 219 | 213 |
| Maintenance | 529 | 317 |
| Utilities and connections | 1,951 | 1,616 |
| Postal, transport and shipment fees | 113 | 68 |
| Insurance companies | 157 | 70 |
| Public relations and advertising expenses | 450 | 155 |
| Office cleaning | 287 | 199 |
| Books, newspapers and magazines | 54 | 42 |
| Entertainment expenses | 325 | 310 |
| Travel expenses and mileage based reimbursements | 547 | 197 |
| Other duties and taxes | 3,779 | 3,629 |
| Security charges | 147 | 140 |
| Contributions to single resolution fund/FITD | 1,045 | – |
| Other | 611 | 526 |
| **Total** | **19,321** | **13,670** |

The other administrative expenses increased by 5,651 thousand euros compared to the previous financial year. The increase refers:

- to InvestiRE SGR S.p.A., 3,603 thousand euros;
- to the Bank, 1,987 thousand euros, of which 1,012 thousand euros relating to the payment of the contribution to the National Resolution Fund established by the Bank of Italy with its measure of 18 November 2015;
- 61 thousand to the other group companies.

### Auditing company fees

In accordance with the requirements of art. 149-duodecies of Consob Resolution no. 15915 of 3 May 2007, we list the fees paid for 2015 for the various services provided to the Group by the auditing firm.
There were no services provided by entities belonging to its network.

| (in thousands of euros) | Party who provided the service | Payments due in 2015 |
|---|---|---|
| **Auditing services** | RECONTA ERNST & YOUNG S.p.A. | 155 |
| **Auditing services** | Dreieck Fiduciaria SA | 3 |
| **Declaration of compliance services** | RECONTA ERNST & YOUNG S.p.A. | 6 |
| **Other services** | Dreieck Fiduciaria SA | 1 |
| **Total** | | **165** |

The auditing activities include the auditing of financial statements, the accounting auditing of the Group as well as the consolidated financial statements and the consolidated half-yearly report of the Parent Company. The declaration of compliance services refer to the controls carried out on the Unico tax return form, Irap, CNM (domestic consolidation) and the ordinary and simplified 770 forms. Payments do not include VAT, expense repayments and supervisory contribution. The total expense amounts to 219 thousand euros.

### Section 12 - Net allocations to provisions for risks and charges - Item 190

#### 12.1 Net allocations to provisions for risks and charges: breakdown

| | Total 31.12.2015 | Total 31.12.2014 |
|---|---|---|
| Allocations | 1,067 | – |
| Utilisation | 381 | – |
| **Total** | **686** | **–** |

The allocated amount refers to the Bank (commented in Section Section 12 - "Provisions for risks and charges - Item 120" of the liabilities in the Balance Sheet) whereas the utilisation pertains to the subsidiary InvestiRE SGR S.p.A.

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

#### 13.1 Net value adjustments on tangible assets: breakdown

| Assets/Income items | Depreciation (a) | Value adjustment for impairment (b) | Write-backs (c) | Net income (a+b-c) |
|---|---|---|---|---|
| A. Tangible assets | | | | |
| A.1 Owned assets | 492 | – | – | 492 |
| - Functional use | 492 | – | – | 492 |
| - For investment | – | – | – | – |
| A.2 Acquired under finance lease | – | – | – | – |
| - Functional use | – | – | – | – |
| - For investment | – | – | – | – |
| **Total** | **492** | **–** | **–** | **492** |

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

### 14.1 Net value adjustments on intangible assets: breakdown

| Assets/Income items | Amortisation (a) | Value adjustment for impairment (b) | Write-backs (c) | Net income (a+b-c) |
|---|---|---|---|---|
| A. Intangible assets | | | | |
| A.1 Owned assets | 137 | 296 | – | 433 |
| - Generated internally by the company | – | – | – | – |
| - Other | 137 | 296 | – | 433 |
| A.2 Acquired under finance lease | – | – | – | – |
| **Total** | **137** | **296** | **–** | **433** |

## Section 15 – Other operating income/expenses – Item 220

### 15.1 Other operating expense: breakdown

| | Total FY 2015 | Total FY 2014 |
|---|---|---|
| Amounts reimbursed to customers | 14 | 25 |
| Amortisation for improvements to third party assets | 139 | 78 |
| Other expense | 775 | 3,423 |
| **Total** | **928** | **3,526** |

### 15.2 Other operating income: breakdown

| | Total FY 2015 | Total FY 2014 |
|---|---|---|
| Rental income | 171 | 183 |
| Recovery of stamp duty | 3,300 | 3,079 |
| Recovery of substitute tax | 75 | 408 |
| Recovery of other expenses | 643 | 335 |
| Dividend and prescription waiver | 115 | 78 |
| Other income | 561 | 1,634 |
| **Total** | **4,865** | **5,717** |

Other operating income and expenses show a positive balance of 3,937 thousand euros versus 2,191 thousand euros in 2014. The item comprises the recoveries of costs from customers, amounting to 4,018 thousand euros (3,822 thousand euros in the past year). In 2014, the expenses also included the indemnity recognised by the Bank to the subsidiary InvestiRE SGR S.p.A., amounting to 2,489 thousand euros, in view of the guarantee provided by the shareholders of the absorbing company.

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

### 16.1 Profit (loss) from equity investments: breakdown

| Income items/Segments | Total FY 2015 | Total FY 2014 |
|---|---|---|
| **1) Jointly controlled companies** | | |
| A. Income | – | – |
| 1. Revaluations | | – |
| 2. Profit from disposals | | – |
| 3. Write-backs | | – |
| 4. Other income | | – |
| B. Expense | – | – |
| 1. Write-downs | | – |
| 2. Value adjustments for impairment | | – |
| 3. Losses from disposals | | – |
| 4. Other expense | | – |
| **Net income** | **–** | **–** |
| **2) Companies under significant control** | | |
| A. Income | 556 | 473 |
| 1. Revaluations | 556 | 473 |
| 2. Profit from disposals | | – |
| 3. Write-backs | | – |
| 4.Other income | | – |
| B. Expense | 231 | 158 |
| 1. Write-downs | 231 | 158 |
| 2. Value adjustments for impairment | | – |
| 3. Losses from disposals | | – |
| 4. Other expense | | – |
| **Net income** | **325** | **315** |
| **Total** | **325** | **315** |

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

### 20.1 Income tax for the year on current operations: breakdown

| Income items/Segments | Total FY 2015 | Total FY 2014 |
|---|---|---|
| 1. Current taxes (-) | (7,853) | (3,126) |
| 2. Changes in current taxes compared with previous years (+/-) | 2 | 116 |
| 3. Reduction in current taxes (+) | – | – |
| 3.bis Reduction in current taxes for tax receivables set forth in Italian Law no. 214/2011 | | |
| 4. Change in advance taxes (+/-) | 12,220 | (321) |
| 5. Change in deferred taxes (+/-) | (142) | (373) |
| **6. Income taxes for the year (-) (-1+/-2+3+3bis+/-4+/-5)** | **4,227** | **(3,704)** |

Following the redemption of the goodwill, carried out by the subsidiary InvestiRE SGR S.p.A. in the current year (this transaction is described in detail at the bottom of table 14.1 Change in advance taxes) the following were allocated:

- under item 1. the substitute tax of 5,989 thousand euros;
- under item 4. the advance taxes of 12,378 thousand euros.

Therefore, the redemption of the goodwill caused the emergence of a tax benefit of 6,389 thousand euros.

### 20.2 Reconciliation of the theoretical tax charge with the actual tax charge

| | FY 2015 | | |
|---|---|---|---|
| | IRES | IRAP | TOTAL |
| Pre-tax profit (loss) | 9,401 | 9,401 | |
| Applicable tax rate | 27.50 | 5.57 | 33.07 |
| **THEORETICAL TAX CHARGE** | **(2,585)** | **(523)** | **(3,108)** |
| Effect of income that is exempt or taxed with concessional rates | 2,747 | 831 | 3,578 |
| Effect of charges that are fully or partially non-deductible | (1,157) | (554) | (1,711) |
| Effect of income/charges that are not included in the IRAP taxable income | – | (857) | (857) |
| Change in deferred taxes | 10,515 | 1,797 | 12,312 |
| Changes in current taxes compared with previous years | 2 | – | 2 |
| Substitute tax per Art. 15 of Italian Law Decree no. 185/2008 | (5,989) | | (5,989) |
| **CURRENT TAX CHARGE** | **3,533** | **694** | **4,227** |

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

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

| Company names | FY 2015 | FY 2014 |
|---|---|---|
| Consolidated equity investments with significant interests in third parties | | |
| 1. InvestiRE SGR S.p.A. | 5,177 | – |
| Other equity investments | 131 | 736 |
| **Total** | **5,308** | **736** |

## Section 24 – Earnings per share

### 24.1 Average number of ordinary shares with diluted capital

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

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

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

| | 31.12.2015 | 31.12.2014 |
|---|---|---|
| Profit (loss) for the year | 8,319,557 | 4,248,137 |
| Weighted average of ordinary shares | 336,337,676 | 338,578,935 |
| Basic earnings (loss) per share | 0.024736 | 0.012547 |

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

| | 31.12.2015 | 31.12.2014 |
|---|---|---|
| Adjusted profit (loss) for the year | 8,319,557 | 4,248,137 |
| Weighted average of ordinary shares with diluted capital | 336,337,676 | 338,578,935 |
| Diluted earnings (loss) per share | 0.024736 | 0.012547 |

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

### 24.2 Other information

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

## Part D – Consolidated statement of comprehensive income

### ANALYTICAL CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| Items | Gross amount | Income tax | Net amount |
|---|---|---|---|
| **10. Profit (loss) for the year** | **X** | **X** | **13,628** |
| **Other income items without reallocation to income statement** | | | |
| **20. Tangible assets** | | | |
| **30. Intangible assets** | | | |
| **40. Defined-benefit plans** | **275** | **(65)** | **210** |
| **50. Non-current assets being disposed** | | | |
| **60. Share of valuation reserves of equity investments valued by equity method** | **(184)** | **-** | **(184)** |
| **Other income items with reallocation to income statement** | | | |
| **70. Foreign investment hedge:** | | | |
| a) changes in fair value | | | |
| b) reallocation to income statement | | | |
| c) other changes | | | |
| **80. Exchange differences:** | | | |
| a) changes in value | | | |
| b) reallocation to income statement | | | |
| c) other changes | | | |
| **90. Cash flow hedge:** | | | |
| a) changes in fair value | | | |
| b) reallocation to income statement | | | |
| c) other changes | | | |
| **100. Available-for-sale financial assets:** | **3,607** | **869** | **4,476** |
| a) changes in fair value | 12,248 | (695) | 11,553 |
| b) reallocation to income statement | | | |
| - adjustments from impairment | 1,870 | (514) | 1,356 |
| - profits/losses from disposal | (6,255) | 908 | (5,347) |
| c) other changes | (4,256) | 1,170 | (3,086) |
| **110. Non-current assets being disposed:** | | | |
| a) changes in fair value | | | |
| b) reallocation to income statement | | | |
| c) other changes | | | |
| **120. Share of valuation reserves of equity investments valued by equity method:** | | | |
| a) changes in fair value | | | |
| b) reallocation to income statement | | | |
| - adjustments from impairment | | | |
| - profits/losses from disposal | | | |
| c) other changes | | | |
| **130. Total other income items** | **3,698** | **804** | **4,502** |
| **140. Comprehensive income (Item 10+130)** | **3,698** | **804** | **18,130** |
| **150. Consolidated comprehensive income pertaining to minority interests** | | | **4,110** |
| **160. Consolidated comprehensive income pertaining to the Parent Company** | | | **14,020** |

The positive change of 4,476 thousand euros in Item 100 Available for sale financial assets was caused by the following investments:

of the Parent Company

(+) 6,305 thousand euros to the London Stock Exchange Group plc shares as a result of the reversal of the positive reserve related to the 133,600 shares sold during the year (-2,928 thousand euros) and to the allocation of 9,233 thousand euros consequent to the increase in prices at the end of 2015 compared to those at 31 December 2014;

(+) 1,004 thousand euros to the Anima Holding S.p.A. shares as a result of the reversal of the positive reserve related to the 415,509 shares sold during the year (-687 thousand euros) and to the allocation of 1,691 thousand euros consequent to the increase in prices at the end of 2015 compared to those at 31 December 2014;

(-) 633 thousand euros to CSE S.r.l. shares, as a result of the negative change in fair value;

(-) 49 thousand euros, to other shares, almost exclusively as a result of the negative change in fair value;

(+) 101 thousand euros to units of funds as a result of the positive change of fair value;

(-) 805 thousand euros to debt securities, as a result of the reversal of the reserve for profits/losses from disposal (-1,740 thousand euros) and of the positive change in fair value of +935 thousand euros;

of the other Companies in the Group

(-) 1,447 thousand euros to units of funds owned by InvestiRE SGR S.p.A.

The valuation reserves of the Group relating to "Available-for-sale financial assets" at 31 December 2015 show a positive balance of 33,239 thousand euros whereas third-party valuation reserves show a negative balance of 1,548 thousand euros.

The reserves of the Group are broken down as follows:

| | | |
|---|---|---|
| Parent company | | |
| London Stock Exchange Group plc shares | 31,510 | euros |
| Anima Holding S.p.A. shares | 2,470 | euros |
| CSE S.r.l. units | (633) | euros |
| Other shares | (45) | euros |
| UCI units | 551 | euros |
| Debt securities | 949 | euros |
| | 34,802 | euros |
| Other Group Companies | | |
| Fund units (InvestiRE SGR S.p.A.) | (1,557) | euros |
| Debt securities (Finnat Fiduciaria S.p.A.) | (6) | euros |
| | 33,239 | euros |

## Part E - Information on risks and related hedging policies

### Foreword

The Parent Company Banca Finnat and the companies that are included in the consolidation carry out their activities according to criteria of prudence and reduced exposure to risks, applying the principle of sound and prudent management.

Banca Finnat has defined the Group's Risk Appetite identifying a TIER1 to be held in the medium term; consistently with the maintenance of this level, the bank constantly pursues the following objectives:

- the creation of added value for shareholders;
- an accurate assessment of new initiatives and of the connected risks;
- continuous monitoring in relation to the emergence of new types of risk;
- the development of ever more accurate risk monitoring methodologies;
- the active management of corporate risks by the application of hedging and mitigation techniques;
- growing transparency towards the market about exposure to risks and the conditions of capital adequacy;
- capital balance, even in situations of stress, through the definition of financial leverage targets.

The risk management and monitoring strategy is thus founded on an overall vision of the risks by the management of the Bank and by the company's Bodies and all its functions.

Within Banca Finnat, a fundamental role in risk management and monitoring is played by the Corporate Bodies which, each for the part of its competence, assure continuous monitoring, identify the strategic guidelines and the management and risk policies. The Risk Control organisational unit instead has been assigned, among others, the task of supporting the corporate bodies and monitoring the level of risk assumed.

The widespread acceptance of the risk culture within the Bank is assured by keeping the internal regulations constantly updated, having specialised personnel participate in courses and conferences and disseminating documents and information at various levels.

## Section 1 - Banking group risks

### 1.1 – Banking group - credit risk

**Qualitative information**

*General aspects*

*Credit risk mitigation techniques*

- *Organisational aspects*

The Group defined the credit risk as the risk to incur losses due to the unexpected worsening of the creditworthiness of a customer, also following contractual default.

Receivables include:

- receivables due from customers and from banks that required fixed or otherwise determinable payments
- trade receivables
- repurchase agreements.

After their initial recognition, which matches the amount recorded at the time of issue, receivables are measured at their amortised cost, which is equal to the initial recognition value reduced/increased by capital repayments, by any value adjustment/write-back and by the amortisation calculated with the effective interest rate method.

In order to mitigate credit risk and avoid situations that would imply losses and write-downs on the loan portfolio, the Bank carries out credit activities that privilege receivables guaranteed by collateral securities or those guaranteed by liens on securities, asset management and property mortgages. Well-known customers are occasionally granted credit lines based on the creditworthiness of the customer in question.

Moreover, the company structure and organisation – which are characterised by the reduced size and accurate formalisation of credit line/loan disbursement procedures – enable to offer customers primary services, granted with rapid appraisal processes.

The adopted operating strategy ensured that:

- transactions carried out have low-risk exposures;
- the amount of non-performing loans (net of write-downs) represent 2% of the total shown in table "A.1.1 Distribution of financial assets by portfolio and credit quality" in the following pages. The non-performing loans are mainly made up by receivables secured by ample first mortgages on property;
- lending activities provided positive image and prestige feedback for the Bank and the Group, with a positive impact on "traditional" activities.

- *Management, measurement and control systems*

The valuation of credit risk and creditworthiness of customers is carried out by delegated bodies, which operate by means of proper proxies. The delegated bodies receive all information necessary to evaluate the creditworthiness of the customers, so that they can readily express their opinion on credit line transactions.

The Bank's credit process is illustrated below.

***Evaluation of the creditworthiness of credit line applicants***

Creditworthiness evaluation, which is performed according to a specific procedure, is mainly aimed at verifying that credit line applicants have the ability to repay as well as verifying the compatibility of the individual credit line applications and the company's strategies with regard to the chosen size and composition of the credit portfolio. With the exception of Senior Fin.Re SPV bonds, purchased during the year, with a nominal value of 1,700 thousand euros and issued within the securitisation of an unsecured non-performing loan, the Bank did not acquire impaired loans.

The company functions that are involved in the creditworthiness assessment procedure act as follows:

- they accept the loan application of customers;
- they gather the documents required to examine the asset, financial and economic situation of the loan applicant and any guarantor to start filling in all the credit line forms;
- they analyse the qualitative information concerning the new customers and update the information of former customers whose creditworthiness has already been assessed;
- they verify the reliability of the data included in the document and in the information required;
- they formulate, by reference to the files set up, a creditworthiness score of the loan applicant;
- they examine all the various relationships that the Bank has in place with the same loan applicant, both credit and debit ones, and compare loans granted with guarantees offered and guarantees received with proposed guarantors;
- they prepare a summary of the assessments based on the creditworthiness of the customer and formulate an opinion with regard to the amount of the loan that could be granted, the technical use of the loan by the customer, and specify the guarantees to be received based on both qualitative and quantitative information.

***Credit granting***

Credit granting is performed by the Deliberative Body, taking all the reasons supporting the definition of the amount that could be granted and the guarantees requested into due consideration, based on the risk inherent in the transaction.

Once the loan proposal has been positively resolved upon:

- the guarantees are requested and the loan granting process takes place;
- the credit line/loan is granted;
- the transaction is input in the IT system so that it can be regularly verified: instalments due, review of the interest rate, if contractually provided for, and/or of the associated guarantees.

***Management of anomalous loans***

The management of anomalous loans is carried out through a careful and periodic analysis of expired positions by the company functions and with the supervision of the General Management. In particular, the General Management of the Bank receives, at a predetermined frequency, appropriate reports containing the trend of impaired loans, broken down by customer with or without loans.

"Impaired" loans of the Bank and of the other companies of the Group, the latter being exclusively trade receivables, net of write-downs, totalled 8,413 thousand euros, of which 4,916 thousand euros were non-performing loans, 2,298 thousand euros were likely defaults and 1,199 thousand euros were past due exposures.

To this end, it should be stressed that impaired loans at the end of 2015 were equal to 2.9% of the total amount of the item due from customers detailed in table A.1.1 Distribution of financial assets by portfolio and credit quality below.

During the year ended 31 December 2015, valuation activities continued to be carried out on the Bank's loans portfolio by the internal working group which, in accordance with the principle of proportionality and with limited operational complexity, is assessing the implementation of more refined credit evaluation techniques to supplement those traditionally used by the Bank.

***Carrying out stress tests***

The Bank performs stress tests every six months on credit risk in order to quantify the absorption of capital and to determine the related capital ratios. Stress tests are carried out on the basis of decline rates present in the Bank of Italy's Public Database, assuming as worst case scenario the one present in the last decade. Despite the presence of the stress scenario above, it is clear how the equity strength of the Bank is not significantly affected.

- *Credit risk mitigation techniques*

Credit risk mitigation is carried out by privileging almost exclusively transactions guaranteed by collateral securities. Credit lines and disbursements are granted, by the corporate bodies, only after a careful analysis of the creditworthiness and the validity and consistency of the guarantees given. Preventive analyses are implemented by controls subsequent to disbursement, which are carried out to monitor the change in the creditworthiness of customers. Having taken into account the structure of the controls carried out by the Bank for loan hedging and the empirical evidence, it should be underlined that the Bank's credit risk can be rated as “modest”.

- *Impaired financial assets*

The monitoring of receivables to customers carried out by the Risk Control Organisational Unit, which, with the support of automated IT instruments, prepares on an established basis appropriate reports for the Senior Management. Subsequent measurement and classification of impaired loans are carried out by special committees set up within the Bank, which assess each time single credit exposures, the customers' creditworthiness, guarantees and all other relevant factors that may affect the assessment of credit exposures.
With reference to impaired financial assets of the trust companies controlled by the Bank, the Risk Control Organisational Unit of the Parent Company analyses on a regular basis the maturity of past due receivables and prepares an adequate reporting for the Senior Management of the Bank and of the Subsidiary.

* * *

## Quantitative information

## Credit quality

### A.1 Impaired and non impaired exposures: balances, value adjustments, changes, breakdown by type and geographical area

#### A.1.1 Distribution of financial assets by portfolio and credit quality (book values)

| Portfolio/Quality | Non-performing loans | Likely defaults | Past due exposures impaired | Past due exposures not impaired | Non impaired exposures | Total |
|---|---|---|---|---|---|---|
| 1. Available-for-sale financial assets | – | – | – | – | 749,609 | 749,609 |
| 2. Financial assets held to maturity | – | – | – | – | 1,959 | 1,959 |
| 3. Due from banks | – | – | – | – | 98,386 | 98,386 |
| 4. Due from customers | 4,916 | 2,298 | 1,199 | 12,376 | 271,855 | 292,644 |
| 5. Financial assets carried at fair value | – | – | – | – | – | – |
| 6. Financial assets being disposed | – | – | – | – | – | – |
| **Total 2015** | **4,916** | **2,298** | **1,199** | **12,376** | **1,121,809** | **1,142,598** |
| **Total 2014** | **4,482** | **3,113** | **169** | **14,849** | **1,155,100** | **1,177,713** |

#### A.1.2 Distribution of credit exposures by portfolio and credit quality (gross and net amounts)

| Portfolio/Quality | Impaired assets | | | Non impaired assets | | | Total |
|---|---|---|---|---|---|---|---|
| | Gross exposure | Specific adjustments | Net exposure | Gross exposure | Portfolio adjustments | Net exposure | (Net exposure) |
| 1. Available-for-sale financial assets | – | – | – | 749,609 | – | 749,609 | 749,609 |
| 2. Financial assets held to maturity | – | – | – | 1,959 | – | 1,959 | 1,959 |
| 3. Due from banks | – | – | – | 98,386 | – | 98,386 | 98,386 |
| 4. Due from customers | 16,282 | 7,869 | 8,413 | 286,040 | 1,809 | 284,231 | 292,644 |
| 5. Financial assets carried at fair value | – | – | – | X | X | | – |
| 6. Financial assets being disposed | – | – | – | – | – | – | – |
| **Total 2015** | **16,282** | **7,869** | **8,413** | **1,135,994** | **1,809** | **1,134,185** | **1,142,598** |
| **Total 2014** | **12,329** | **4,565** | **7,764** | **1,072,197** | **1,862** | **1,169,949** | **1,177,713** |

| Portfolio/Quality | Assets with evident poor credit quality | | Other assets |
|---|---|---|---|
| | Cumulated losses | Net exposure | Net exposure |
| 1. Financial assets held for trading | – | – | 50,403 |
| 2. Hedging derivatives | – | – | 215 |
| **Total 2015** | **–** | **–** | **50,618** |
| **Total 2014** | **–** | **–** | **99,614** |

Gross impaired assets of 16,282 thousand euros consist of non-performing loans (10,415 thousand euros), likely defaults (4,639 thousand euros) and past due receivables (1.228 thousand euros).

The non impaired assets include renegotiated performing loans granted by the Bank to a customers in financial hardship for a total amount of 954 thousand euros while there are no exposures subject to renegotiation within collective agreements.



**A.1.3 Banking group - Cash and off-balance sheet loan exposures to banks: gross and net amounts and maturity brackets**

| Type of exposures/Amounts | Gross exposure | | | | | Specific value adjustments | Portfolio value adjustments | Net exposure |
|---|---|---|---|---|---|---|---|---|
| | Impaired assets | | | | Non impaired assets | | | |
| | Up to 3 months | From over 3 months to 6 months | From over 6 months to 1 year | More than 1 year | | | | |
| **A. CASH EXPOSURES** | | | | | | | | |
| a) Non-performing loans | – | – | – | – | X | – | X | – |
| - of which: forborne exposures | – | – | – | – | X | – | X | – |
| b) Likely defaults | – | – | – | – | X | – | X | – |
| - of which: forborne exposures | – | – | – | – | X | – | X | – |
| c) Past due exposures impaired | – | – | – | – | X | – | X | – |
| - of which: forborne exposures | – | – | – | – | X | – | X | – |
| d) Past due exposures not impaired | X | X | X | X | – | X | – | – |
| - of which: forborne exposures | X | X | X | X | – | X | – | – |
| e) Other non impaired exposures | X | X | X | X | 109,550 | X | – | 109,550 |
| - of which: forborne exposures | X | X | X | X | – | X | – | – |
| **TOTAL A** | **–** | **–** | **–** | **–** | **109,550** | **–** | **–** | **109,550** |
| **B. OFF-BALANCE SHEET EXPOSURES** | | | | | | | | |
| a) Impaired | – | – | – | – | X | | X | |
| b) Not impaired | X | X | X | X | 1,246 | X | – | 1,246 |
| **TOTAL B** | **–** | | | | **1,246** | **–** | **–** | **1,246** |
| **TOTAL A + B** | **–** | **–** | **–** | **–** | **110,796** | **–** | **–** | **110,796** |

### A.1.6 Banking group - Cash and off-balance sheet loan exposures to customers: gross and net amounts and maturity brackets

| Type of exposures/Amounts | Gross exposure | | | | | Specific value adjustments | Portfolio value adjustments | Net exposure |
|---|---|---|---|---|---|---|---|---|
| | Impaired assets | | | | Non impaired assets | | | |
| | Up to 3 months | From over 3 months to 6 months | From over 6 months to 1 year | More than 1 year | | | | |
| **A. CASH EXPOSURES** | | | | | | | | |
| a) Non-performing loans | – | – | – | 10,415 | X | 5,499 | X | 4,916 |
| - of which: forborne exposures | – | – | – | – | X | – | X | – |
| b) Likely defaults | 1,974 | – | 452 | 2,213 | X | 2,341 | X | 2,298 |
| - of which: forborne exposures | 1,667 | – | 155 | – | X | 74 | X | 1,748 |
| c) Past due exposures impaired | 14 | 55 | 999 | 160 | X | 29 | X | 1,199 |
| - of which: forborne exposures | – | – | – | – | X | – | X | – |
| d) Past due exposures not impaired | X | X | X | X | 12,471 | X | 95 | 12,376 |
| - of which: forborne exposures | X | X | X | X | – | X | – | – |
| e) Other non impaired exposures | X | X | X | X | 1,054,545 | X | 1,714 | 1,052,831 |
| - of which: forborne exposures | X | X | X | X | 954 | X | 9 | 945 |
| **TOTAL A** | **1,988** | **55** | **1,451** | **12,788** | **1,067,016** | **7,869** | **1,809** | **1,073,620** |
| **B. OFF-BALANCE SHEET EXPOSURES** | | | | | | | | **–** |
| a) Impaired | – | – | – | – | X | – | X | – |
| b) Not impaired | X | X | X | X | 35,796 | X | – | 35,796 |
| **TOTAL B** | **–** | **–** | **–** | **–** | **35,796** | **–** | **–** | **35,796** |
| **TOTAL A + B** | **1,988** | **55** | **1,451** | **12,788** | **1,102,812** | **7,869** | **1,809** | **1,109,416** |

### A.1.7 Banking group - Credit cash exposures to customers: changes in gross impaired exposures

| Reason/Category | Non-performing loans | Likely defaults | Past due exposures impaired |
|---|---|---|---|
| **A. Gross opening balance** | **7,123** | **5,036** | **170** |
| - of which: exposures sold and not derecognised | – | – | – |
| **B. Increases** | **3,575** | **3,549** | **1,995** |
| B.1 inflows from performing loans | – | 1,485 | 1,280 |
| B.2 transfers from other categories of impaired loans | 3,398 | 203 | 2 |
| B.3 other increases | 177 | 1,861 | 713 |
| **C. Decreases** | **283** | **3,946** | **937** |
| C.1 outflows to performing loans | – | 11 | – |
| C.2 derecognition | 247 | 26 | – |
| C.3 collection | 36 | 509 | 734 |
| C.4 gains from disposals | – | – | – |
| C.5 losses from disposals | – | – | – |
| C.6 transfers to other categories of impaired loans | – | 3,400 | 203 |
| C.7 other decreases | – | – | – |
| **D. Gross closing balance** | **10,415** | **4,639** | **1,228** |
| - of which: exposures sold and not derecognised | | | |

### A.1.7 bis Banking group - Credit cash exposures to customers: changes in gross forborne exposures by credit quality

| Reasons/Quality | Forborne exposures: impaired | Forborne exposures: not impaired |
|---|---|---|
| **A. Gross opening balance** | **149** | **1,007** |
| - of which: exposures sold and not derecognised | – | – |
| **B. Increases** | **1,757** | **28** |
| B.1 inflows from non forborne performing loans | 1,019 | – |
| B.2 inflows from forborne performing loans | 81 | X |
| B.3 inflows from impaired forborne loans | X | |
| B.4 other increases | 657 | 28 |
| **C. Decreases** | **84** | **81** |
| C.1 outflows to non forborne performing loans | X | – |
| C.2 outflows to forborne performing loans | – | X |
| C.3 outflows to impaired forborne loans | X | 81 |
| C.4 derecognition | – | – |
| C.5 collection | 84 | – |
| C.6 gains from disposals | – | – |
| C.7 losses from disposals | – | – |
| C.8 other decreases | – | – |
| **D. Gross closing balance** | **1,822** | **954** |
| - of which: exposures sold and not derecognised | – | – |

### A.1.8 Banking group - Credit cash exposures to customers: changes in overall value adjustments

| Reason/Category | Non-performing loans | | Likely defaults | | Past due exposures impaired | |
|---|---|---|---|---|---|---|
| | Total | Of which: forborne exposures | Total | Of which: forborne exposures | Total | Of which: forborne exposures |
| **A. Total opening adjustments** | **2,641** | **–** | **1,923** | **1** | **1** | **–** |
| - of which: exposures sold and not derecognised | – | – | – | – | – | – |
| **B. Increases** | **3,114** | **–** | **2,181** | **73** | **29** | **–** |
| B.1 value adjustments | 1,496 | – | 200 | 68 | 29 | – |
| B.2 losses from disposals | – | – | – | – | – | – |
| B.3 transfers from other categories of impaired loans | 1,618 | – | 1 | – | – | – |
| B.4 other increases | – | – | 1,980 | 5 | – | – |
| **C. Decreases** | **256** | **–** | **1,763** | **–** | **1** | **–** |
| C.1 valuation write-backs | – | – | 26 | – | – | – |
| C. 2 cash write-backs | 33 | – | 87 | – | – | – |
| C.3 profit from disposals | – | – | – | – | – | – |
| C.4 derecognition | 223 | – | 4 | – | – | – |
| C.5 transfers to other categories of impaired loans | – | – | 1,618 | – | 1 | – |
| C.6 other decreases | – | – | 28 | – | – | – |
| **D. Total closing adjustments** | **5,499** | **–** | **2,341** | **74** | **29** | **–** |
| - of which: exposures sold and not derecognised | – | – | – | – | – | – |

### A.2 Classification of exposures based on external and internal ratings

#### A.2.1 Banking group - Distribution of on- and off-balance sheet exposures by external rating class

Considering the Bank's customer base, there are no ordinary customers that are assessed through "external ratings" with significant credit lines. Conversely, the majority of the exposures towards banks is assessed through "external ratings".

#### A.2.2 Banking group - Distribution of on- and off-balance sheet exposures by internal rating class

The table in question is not filled out as, to date, also having regard to the specific type of credit lines granted, the Bank does not use credit risk measurement models in a complete and systematic manner, according to which a rating is given to counterparties.

### A.3. Distribution of guaranteed exposures by type of guarantee

#### A.3.2. Banking group - Exposures to guaranteed customers

| | Value of net exposures | Collateral (1) | | | |
|---|---|---|---|---|---|
| | | Real estate - mortgages | Real estate - finance lease | Securities | Other collateral |
| 1. Guaranteed credit cash exposures: | 225,771 | 119,867 | – | 39,508 | 56,549 |
| 1.1 fully guaranteed | 211,260 | 119,867 | – | 34,570 | 54,987 |
| - of which impaired | 7,898 | 7,898 | – | – | – |
| 1.2 partly guaranteed | 14,511 | – | – | 4,938 | 1,562 |
| - of which impaired | 13 | – | – | 12 | – |
| 2. Guaranteed “off balance sheet” credit exposures: | 8,437 | 2,095 | – | 2,081 | 3,578 |
| 2.1 fully guaranteed | 6,387 | 2,095 | – | 1,057 | 3,178 |
| - of which impaired | – | – | – | – | – |
| 2.2 partly guaranteed | 2,050 | – | – | 1,024 | 400 |
| - of which impaired | – | – | – | – | – |

The data shown are exclusively ascribable to the Bank.

| Personal guarantees (2) | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Credit derivatives | | | | Unsecured loans | | | | |
| | Other derivatives | | | | | | | | |
| CLN | Governments and Central Banks | Other public authorities | Banks | Other entities | Governments and Central Banks | Other public authorities | Banks | Other entities | Total (1)+(2) |
| – | – | – | – | – | – | – | – | 4,390 | 220,314 |
| – | – | – | – | – | – | – | – | 2,240 | 211,664 |
| – | – | – | – | – | – | – | – | – | 7,898 |
| – | – | – | – | – | – | – | – | 2,150 | 8,650 |
| – | – | – | – | – | – | – | – | – | 12 |
| – | – | – | – | – | – | – | – | 683 | 8,437 |
| – | – | – | – | – | – | – | – | 58 | 6,388 |
| – | – | – | – | – | – | – | – | – | – |
| – | – | – | – | – | – | – | – | 625 | 2,049 |
| – | – | – | – | – | – | – | – | – | – |

## B. Distribution and concentration of credit exposures

### B.1 Banking Group - Segment distribution of cash and "off-balance sheet" loan exposures to customers (book value)

| Exposures/Counterparties | Governments | | | Other public authorities | | |
|---|---|---|---|---|---|---|
| | Net exposure | Specific value adjustments | Portfolio value adjustments | Net exposure | Specific value adjustments | Portfolio value adjustments |
| **A. Cash exposures** | | | | | | |
| A.1 Non-performing loans | – | – | X | – | – | X |
| - of which: forborne exposures | – | – | – | – | – | – |
| A.2 Likely defaults | – | – | X | – | – | X |
| - of which: forborne exposures | – | – | – | – | – | – |
| A.3 Past due exposures impaired | – | – | X | – | – | X |
| - of which: forborne exposures | – | – | – | – | – | – |
| A.4 Non impaired exposures | 779,453 | – | X | – | – | X |
| - of which: forborne exposures | – | X | – | – | X | – |
| **TOTAL A** | **779,453** | **–** | **–** | **–** | **–** | **–** |
| **B. Off-balance sheet exposures** | | | | | | |
| B.1 Non-performing loans | – | – | X | – | – | X |
| B.2 Likely defaults | – | – | X | – | – | X |
| B.3 Other impaired assets | – | – | X | – | – | X |
| B.4 Non impaired exposures | – | X | – | – | X | – |
| **TOTAL B** | **–** | **–** | **–** | **–** | **–** | **–** |
| **TOTAL (A + B) 2015** | **779,453** | **–** | **–** | **–** | **–** | **–** |
| **TOTAL (A + B) 2014** | **89,106** | **–** | **94** | **–** | **–** | **–** |

| | Financial companies | | | Insurance companies | | | Non-financial companies | | | Other entities | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Net exposure | Specific value adjustments | Portfolio value adjustments | Net exposure | Specific value adjustments | Portfolio value adjustments | Net exposure | Specific value adjustments | Portfolio value adjustments | Net exposure | Specific value adjustments | Portfolio value adjustments |
| | | | | | | | | | | | | |
| | – | 23 | X | – | – | X | 3,715 | 4,229 | X | 1,201 | 1,247 | X |
| | – | – | – | – | – | – | – | – | – | – | – | – |
| | 1 | – | X | – | – | X | 71 | 238 | X | 2,226 | 2,103 | X |
| | – | – | – | – | – | – | – | 30 | – | 1,748 | 44 | – |
| | 149 | 1 | X | – | – | X | 776 | 7 | X | 274 | 21 | X |
| | – | – | – | – | – | – | – | – | – | – | – | – |
| | 59,263 | – | 248 | – | – | X | 138,537 | – | 1,351 | 87,954 | – | 210 |
| | – | X | – | – | X | – | 945 | X | 9 | – | X | (153) |
| | **59,413** | **24** | **248** | **–** | **–** | **–** | **143,099** | **4,474** | **1,351** | **91,655** | **3,371** | **210** |
| | | | | | | | | | | | | |
| | – | – | X | – | – | X | – | – | X | – | – | X |
| | – | – | X | – | – | X | – | – | X | – | – | X |
| | – | – | X | – | – | X | – | – | X | – | – | X |
| | 14,334 | X | – | – | X | – | 16,796 | X | – | 4,666 | X | 3 |
| | **14,334** | **–** | **–** | **–** | **–** | **–** | **16,796** | **–** | **–** | **4,666** | **–** | **3** |
| | **73,747** | **24** | **248** | **–** | **–** | **–** | **159,895** | **4,474** | **1,351** | **96,321** | **3,371** | **213** |
| | **50,251** | **183** | **163** | **–** | **–** | **–** | **882,927** | **4,382** | **1,641** | **96,048** | **–** | **150** |

### B.2 Banking group - Geographical distribution of cash and "off-balance sheet" loan exposures to customers (book value)

| Exposures/Geographic area | ITALY | | OTHER EUROPEAN COUNTRIES | | AMERICA | | ASIA | | REST OF THE WORLD | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Net exposure | Total value adjustments | Net exposure | Total value adjustments | Net exposure | Total value adjustments | Net exposure | Total value adjustments | Net exposure | Total value adjustments |
| **A. Cash exposures** | | | | | | | | | | |
| A.1 Non-performing loans | 4,916 | 5,444 | – | 55 | – | – | – | – | – | – |
| A.2 Likely defaults | 2,282 | 2,340 | 1 | – | 15 | 1 | – | – | – | – |
| A.3 Past due exposures impaired | 1,169 | 29 | 30 | – | – | – | – | – | – | – |
| A.4 Non impaired exposures | 1,053,951 | 1,761 | 11,256 | 48 | – | – | – | – | – | – |
| **TOTAL A** | **1,062,318** | **9,574** | **11,287** | **103** | **15** | **1** | **–** | **–** | **–** | **–** |
| **B. Off-balance sheet exposures** | | | | | | | | | | |
| B.1 Non-performing loans | – | – | – | – | – | – | – | – | – | – |
| B.2 Likely defaults | – | – | – | – | – | – | – | – | – | – |
| B.3 Other impaired assets | – | – | – | – | – | – | – | – | – | – |
| B.4 Non impaired exposures | 35,320 | – | 476 | – | – | – | – | – | – | – |
| **TOTAL B** | **35,320** | **–** | **476** | **–** | **–** | **–** | **–** | **–** | **–** | **–** |
| **TOTAL A+B 2015** | **1,097,638** | **9,574** | **11,763** | **103** | **15** | **1** | **–** | **–** | **–** | **–** |
| **TOTAL A+B2014** | **1,106,550** | **6,356** | **11,782** | **–** | **–** | **–** | **–** | **–** | **–** | **–** |

### B.3 Banking group - Geographical distribution of cash and "off-balance sheet" loan exposures to banks (book value)

| Exposures/Geographic area | ITALY | | OTHER EUROPEAN COUNTRIES | | AMERICA | | ASIA | | REST OF THE WORLD | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Net exposure | Total value adjustments | Net exposure | Total value adjustments | Net exposure | Total value adjustments | Net exposure | Total value adjustments | Net exposure | Total value adjustments |
| **A. Cash exposures** | | | | | | | | | | |
| A.1 Non-performing loans | – | – | – | – | – | – | – | – | – | – |
| A.2 Likely defaults | – | – | – | – | – | – | – | – | – | – |
| A.3 Past due exposures impaired | – | – | – | – | – | – | – | – | – | – |
| A.4 Non impaired exposures | 97,105 | – | 10,441 | – | 2,004 | – | – | – | – | – |
| **TOTAL A** | **97,105** | **–** | **10,441** | **–** | **2,004** | **–** | **–** | **–** | **–** | **–** |
| **B. Off-balance sheet exposures** | | | | | | | | | | |
| B.1 Non-performing loans | – | – | – | – | – | – | – | – | – | – |
| B.2 Likely defaults | – | – | – | – | – | – | – | – | – | – |
| B.3 Other impaired assets | – | – | – | – | – | – | – | – | – | – |
| B.4 Non impaired exposures | 1,118 | – | 128 | – | – | – | – | – | – | – |
| **TOTAL B** | **1,118** | **–** | **128** | **–** | **–** | **–** | **–** | **–** | **–** | **–** |
| **TOTAL A+B 2015** | **98,223** | **–** | **10,569** | **–** | **2,004** | **–** | **–** | **–** | **–** | **–** |
| **TOTAL A+B 2014** | **88,951** | **26** | **5,840** | **–** | **–** | | **–** | **–** | **–** | **–** |

**B.4 Major exposures**

| | |
|---|---|
| a) Amount (book value) | 1,749,107 thousand euros |
| b) Amount (weighted value) | 96,908 thousand euros |
| c) Number | 14 |

The provisions contained in Regulation (EU) no. 575/2013 establish that a major exposure is the exposure of an entity towards a customer or a group of connected customers whose value is equal to or greater than 10% of the entity's admissible capital.

The same provisions that the amount of the exposure of an entity towards an individual customer or a group of connected customers may not exceed 25% of the entity's admissible capital. Obviously, the amount of 25% takes into account credit risk attenuation techniques, the type of guarantee acquired and the debtor counterparty.

The corporate control functions, at a predetermined frequency, audit the total exposure of the customers or groups of connected customers that fall under the category of major exposures and provide adequate information to the Corporate Bodies.

**C. Securitisation**

The Group has not carried out any securitisation transaction. At the reporting date, no such transactions, issued by the Group, were in place.

**E. Disposal of companies**

Financial assets sold and not derecognised in full

**Qualitative information**

Financial assets sold and not derecognised in full refer Government Bonds used in repos carried out exclusively with Cassa di Compensazione e Garanzia.

## Quantitative information

### E.1 Banking group - Financial assets sold and not derecognised: book value and full value

| Categories/Portfolio | Financial assets held for trading | | | Financial assets carried at fair value | | |
|---|---|---|---|---|---|---|
| | A | B | C | A | B | C |
| **A. Cash assets** | – | – | – | – | – | – |
| 1. Debt securities | – | – | – | – | – | – |
| 2. Equity securities | – | – | – | – | – | – |
| 3. UCI | – | – | – | – | – | – |
| 4. Loans | – | – | – | – | – | – |
| **B. Derivatives** | – | – | – | X | X | X |
| **Total 31.12.2015** | – | – | – | – | – | – |
| - of which impaired | | | | | | |
| **Total 31.12.2014** | | | | | | |
| - of which impaired | | | | | | |

Key:

A = financial assets sold recognised in full (book value)

B = financial assets sold recognised in part (book value)

C = financial assets sold recognised in part (full value)

| | Available-for-sale financial assets | | | Financial assets held to maturity | | | Due from banks | | | Due from customers | | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | A | B | C | A | B | C | A | B | C | A | B | C | 31.12.2015 | 31.12.2014 |
| | **630,233** | **–** | **–** | | | | | | | | | | **630,233** | **602,540** |
| | 630,233 | – | – | – | – | – | – | – | – | – | – | – | 630,233 | 602,540 |
| | – | – | – | X | X | X | X | X | X | X | X | X | – | |
| | – | – | – | X | X | X | X | X | X | X | X | X | – | |
| | – | – | – | – | – | – | – | – | – | – | – | – | – | |
| | **X** | **X** | **X** | **X** | **X** | **X** | **X** | **X** | **X** | **X** | **X** | **X** | **–** | |
| | **630,233** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **630,233** | **X** |
| | | | | | | | | | | | | | | X |
| | **602,540** | | | | | | | | | | | | **X** | **602,540** |
| | | | | | | | | | | | | | X | |

### E.2 Banking group - Financial liabilities for assets sold and not derecognised: book value

| Liabilities/ Asset portfolio | Financial assets held for trading | Financial assets carried at fair value | Available-for-sale financial assets | Financial assets held to maturity | Due from banks | Due from customers | Total |
|---|---|---|---|---|---|---|---|
| **1. Due to customers** | **–** | **–** | **627,955** | **–** | **–** | **–** | **627,955** |
| a) relating to fully recognised assets | – | – | 627,955 | – | – | – | 627,955 |
| b) relating to partially recognised assets | – | – | – | – | – | – | – |
| **2. Due to banks** | **–** | **–** | **–** | **–** | **–** | **–** | **–** |
| a) relating to fully recognised assets | – | – | – | – | – | – | – |
| b) relating to partially recognised assets | – | – | – | – | – | – | – |
| **Total 31.12.2015** | **–** | **–** | **627,955** | **–** | **–** | **–** | **627,955** |
| **Total 31.12.2014** | **–** | | **600,968** | | | | **600,968** |

### F. Banking group - Credit risk measurement models

In order to assess the Credit Risk, the Bank uses a standardised method for the quantification of (current and perspective) internal capital in compliance with the guidelines set out in the budgeting and multi-year planning process.

In compliance with the supervisory provisions, the method adopted by the Bank to quantify internal capital enables to use collateral (pledge and mortgage) and personal guarantees as a form of credit risk mitigation. The bank prefers the acquisition of collateral characterised by high liquidity (listed financial instruments) and low price volatility (Sovereign debt Securities).

With a view to verifying the suitability of the internal capital, also in the event of adverse outlooks linked to the negative trend of loans, the Bank carries out stress testing during ICAAP reporting on the credit risk. To carry out these tests, reference is made to the statistics given in the public information of the Bank of Italy, in view of the limited historical series in the Bank's possession, which has only made investments in this area for the last few years.

### 1.2 – Banking group - market risk

#### 1.2.1 Interest rate risk and price risk – Regulatory trading portfolio

##### Qualitative information

##### General aspects

The Bank defined the market risk as the risk of an unfavourable change in the value of a position in financial instruments – included in the trading portfolio for regulatory purposes – due to the adverse performance of interest, exchange and inflation rates, volatility, share prices, credit spreads, price of goods (generic risk) and creditworthiness of the issuer (specific risk).

*Management processes and measurement methods for the interest rate risk and the price risk*

Interest rate risk

The "trading portfolio" – as defined in the supervisory regulations – includes all financial instruments subject to capital requirements for market risks.

The trading portfolio includes:

- debt securities;
- shares;
- UCI units;
- derivatives held for trading.

Most of the debt securities in the portfolio at 31 December 2015 consist of government bonds whose overall duration is short. Share investments mainly refer to securities listed on the Italian Stock Exchange, with high liquidity. The portfolio instruments are denominated in euro.

The Managing Director and the General Management of the Bank provide strategic guidelines on market risk acceptance with regard to the purchase and dealing in trading securities.

With regard to the interest rate risk, the Bank monitors the changes in market rates and prepares a proper report that is sent to the Management.

Price risk

Price risk is the risk of capital losses on listed financial assets or assets that are similar to listed instruments due to fluctuations in the price of securities or to factors attributable to the peculiar situation of the issuer. The Bank adopted special internal regulations that govern and limit the risk assumption with regard to some types of financial instruments and allow the continuous monitoring of the main risk indicators (VAR – Expected Shortfall – Volatility etc.)

In addition, limits were identified and prescribed in stress conditions, considering simultaneous shocks on the credit risk - spread increases and stock price contraction.

The method adopted to calculate VaR is historical; the bank uses a holding period of 2 years, a confidence interval of 99% and a daily time horizon for the quantification of the expected risk.

The trading portfolio is mainly represented by Government debt securities. As a result, price risk is associated with the specific situation of the issuer.
With regard to the share capital securities portfolio, it should be underlined that it almost exclusively includes listed shares with a high degree of liquidity.

Lastly, with reference to market risk management, it should be specified that transactions with similar characteristics in terms complexity, type of issuer or risk are screened by the Managing Director and by the General Management, which performs a specific evaluation also with regard to the risk profiles associated with them.

**Quantitative information**

**1. Regulatory trading portfolio: distribution of financial assets and liabilities for cash and financial derivatives by residual duration (repricing date)**

Currency: Euro

| Type/Residual duration | On demand | Up to 3 months | From over 3 months to 6 months | From over 6 months to 1 year | From over 1 year to 5 years | From over 5 years to 10 years | More than 10 years | Undated |
|---|---|---|---|---|---|---|---|---|
| **1. Cash assets** | **–** | **22,430** | **8,038** | **93** | **10,005** | **2** | **1** | **–** |
| 1.1 Debt securities | – | 22,430 | 8,038 | 93 | 10,005 | 2 | 1 | – |
| - with the option of early redemption | – | 1,427 | – | – | – | – | – | – |
| - other | – | 21,003 | 8,038 | 93 | 10,005 | 2 | 1 | – |
| 1.2 Other assets | – | – | – | – | – | – | – | – |
| **2. Cash liabilities** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** |
| 2.1 Reverse repos | – | – | – | – | – | – | – | – |
| 2.2 Other liabilities | – | – | – | – | – | – | – | – |
| **3. Financial derivatives** | **–** | **578,721** | **9,222** | **416** | **2,302** | **840** | **–** | **–** |
| 3.1 With underlying security | – | 6,652 | 5,754 | – | 60 | 840 | – | – |
| - Options | – | – | – | – | – | – | – | – |
| + Long positions | – | – | – | – | – | – | – | – |
| + Short positions | – | – | – | – | – | – | – | – |
| - Other derivatives | – | 6,652 | 5,754 | – | 60 | 840 | – | – |
| + Long positions | – | 3,326 | 2,877 | – | 30 | 420 | – | – |
| + Short positions | – | 3,326 | 2,877 | – | 30 | 420 | – | – |
| 3.2 Without underlying security | – | 572,069 | 3,468 | 416 | 2,242 | – | – | – |
| - Options | – | – | – | – | – | – | – | – |
| + Long positions | – | – | – | – | – | – | – | – |
| + Short positions | – | – | – | – | – | – | – | – |
| - Other derivatives | – | 572,069 | 3,468 | 416 | 2,242 | – | – | – |
| + Long positions | – | 292,875 | 3,063 | – | – | – | – | – |
| + Short positions | – | 279,194 | 405 | 416 | 2,242 | – | – | – |

**1. Regulatory trading portfolio: distribution of financial assets and liabilities for cash and financial derivatives by residual duration (repricing date)**

Currency: Other currencies

| Type/Residual duration | On demand | Up to 3 months | From over 3 months to 6 months | From over 6 months to 1 year | From over 1 year to 5 years | From over 5 years to 10 years | More than 10 years | Undated |
|---|---|---|---|---|---|---|---|---|
| **1. Cash assets** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** |
| 1.1 Debt securities | – | – | – | – | – | – | – | – |
| - with the option of early redemption | – | – | – | – | – | – | – | – |
| - other | – | – | – | – | – | – | – | – |
| 1.2 Other assets | – | – | – | – | – | – | – | – |
| **2. Cash liabilities** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** |
| 2.1 Reverse repos | – | – | – | – | – | – | – | – |
| 2.2 Other liabilities | – | – | – | – | – | – | – | – |
| **3. Financial derivatives** | **–** | **572,161** | **–** | **–** | **–** | **–** | **–** | **–** |
| 3.1 With underlying security | – | – | – | – | – | – | – | – |
| - Options | – | – | – | – | – | – | – | – |
| + Long positions | – | – | – | – | – | – | – | – |
| + Short positions | – | – | – | – | – | – | – | – |
| - Other derivatives | – | – | – | – | – | – | – | – |
| + Long positions | – | – | – | – | – | – | – | – |
| + Short positions | – | – | – | – | – | – | – | – |
| 3.2 Without underlying security | – | 572,161 | – | – | – | – | – | – |
| - Options | – | – | – | – | – | – | – | – |
| + Long positions | – | – | – | – | – | – | – | – |
| + Short positions | – | – | – | – | – | – | – | – |
| - Other derivatives | – | 572,161 | – | – | – | – | – | – |
| + Long positions | – | 279,240 | – | – | – | – | – | – |
| + Short positions | – | 292,921 | – | – | – | – | – | – |

**2. Regulatory trading portfolio: distribution of exposures in equity securities and stock indices in the main countries of the market.**

| Transaction type/Listing index | Listed | | | | | | Unlisted |
|---|---|---|---|---|---|---|---|
| | Italy | United States of America | United Kingdom | Japan | Germany | Other | |
| **A. Equity securities** | | | | | | | |
| - Long positions | 1,553 | – | – | – | – | 103 | 20 |
| - Short positions | – | – | – | – | – | – | – |
| **B. Sales not yet settled on equity securities** | | | | | | | |
| - Long positions | 21 | – | – | – | – | – | – |
| - Short positions | 38 | – | – | – | – | 1 | – |
| **C. Other derivatives on equity securities** | | | | | | | |
| - Long positions | – | – | – | – | – | – | 2 |
| - Short positions | – | – | – | – | – | – | – |
| **D. Derivatives on stock indices** | | | | | | | |
| - Long positions | – | – | – | – | – | – | 1 |
| - Short positions | – | – | – | – | – | – | 1 |

### 1.2.2 Interest rate risk and price risk – Banking book

#### Qualitative information

#### A. General aspects, management processes and measurement methods for interest rate risk and price risk

Interest rate risk

The interest rate risk for the banking book is defined as the current and prospective risk of profit/capital volatility due to unfavourable fluctuations in interest rates. From the definition of the interest rate risk, it is readily apparent that said risk is generated by the imbalances deriving from core business activities as a consequence of the difference in maturity and in the periods of redefinition of the interest rate conditions of assets and liabilities. The Bank's policy for managing the interest rate risk on the banking book is directed at stabilising the interest margin on the banking book.

The internal structures of the Bank monitor on a regular basis and provide adequate reporting of the interest rate risk on the banking book to the Senior Management and to the Board of Directors of the Bank. Stress tests are also carried out on a regular basis on the interest rate risk of the Repricing Gap and Duration Gap banking book portfolio. The operating limits to risk assumption were defined by the Board of Directors of the Bank and are reviewed by it on a regular basis.

The banking book comprises financial instruments (assets and liabilities) that are not in the trading portfolio. It is mainly made up of due to/from banks and customers.

As regards the banking book, attention is drawn to the following aspects concerning interest rate risk:

- due from banks and due from customers include:
  - loans to banks, totalling 98 million euros, of which 94 million euros in deposits to banks, mainly with variable rate and 4 million euros in compulsory variable rate reserve;
  - loans to customers, totalling 293 million euros, mainly consisting of current account credit lines of 96 million euros and loans to customers of 154 million euros, mostly with variable rate. On a fixed rate loan amounting to 7.5 million euros in 2009, a management hedge had concurrently been carried out by means of an Interest Rate swap.
- available-for-sale securities include only (in addition to equity securities and UCI units not exposed to interest rate risk) bonds including Government Bonds totalling a nominal value of 740 million euros (355 million euros with maturity within 2016);
- securities held to maturity (which were reclassified in 2008 from the HFT category) only include variable-rate bonds listed in regulated markets, for a total face value of 2 million euros;
- due to banks and due to customers include:
  - loans and deposits to banks, totalling 11 million euros;
  - loans, fixed-term deposits and current accounts with customers, totalling 1,046 million euros, comprising: 55 million euros in fixed-rate loans (of which 45 million euros with maturity in 2016, 6 million euros in 2017 and 4 million euros in 2018); 363 million euros in current accounts at variable rate or at revisable fixed rate; 628 million euros in repos on securities listed in regulated markets;

- among outstanding securities totalling 26 million euros are variable-rate debenture loans (Euribor plus 30 b.p.) with maturity in April 2016 and November 2017.

Given the above, it may be concluded that the interest rate risk is low.

Price risk

Price risk is the risk of capital losses on listed financial assets or assets that are similar to listed instruments due to fluctuations in the price of securities or to factors attributable to the peculiar situation of the issuer.

The Bank adopted special internal regulations that govern and limit the risk assumption with regard to some types of financial instruments and allow the continuous monitoring of the main risk indicators (VAR – Expected Shortfall – Volatility etc.).

## Quantitative information

### 1. Banking portfolio: distribution of financial assets and liabilities by residual duration (repricing date)

Currency: Euro

| Type/Residual duration | On demand | Up to 3 months | From over 3 months to 6 months | From over 6 months to 1 year | From over 1 year to 5 years | From over 5 years to 10 years | More than 10 years | Undated |
|---|---|---|---|---|---|---|---|---|
| **1. Cash assets** | **350,561** | **63,473** | **221,236** | **104,749** | **381,228** | **431** | **155** | **–** |
| 1.1 Debt securities | – | 59,560 | 220,244 | 104,163 | 368,161 | – | 3 | |
| - with the option of early redemption | – | 2,522 | – | – | 3,040 | – | – | – |
| - other | – | 57,038 | 220,244 | 104,163 | 365,121 | – | 3 | – |
| 1.2 Loans to banks | 68,811 | 3,877 | 453 | – | 5,163 | – | – | – |
| 1.3 Loans to customers | 281,750 | 36 | 539 | 586 | 7,904 | 431 | 152 | – |
| - current accounts | 95,180 | – | – | – | – | 1 | – | – |
| - other loans | 186,570 | 36 | 539 | 586 | 7,904 | 430 | 152 | – |
| with the option of early redemption | 148,861 | 36 | 539 | 586 | 3,128 | 410 | 152 | – |
| other | 37,709 | – | – | – | 4,776 | 20 | – | – |
| **2. Cash liabilities** | **352,084** | **10,839** | **213,378** | **126,039** | **363,906** | **–** | **–** | **–** |
| 2.1 Due to customers | 340,641 | 10,839 | 187,256 | 126,039 | 363,906 | – | – | – |
| - current accounts | 340,328 | 10,839 | 7,865 | 26,540 | 14,928 | – | – | – |
| - other payables | 313 | – | 179,391 | 99,499 | 348,978 | – | – | – |
| with the option of early redemption | – | – | – | – | – | – | – | – |
| other | 313 | – | 179,391 | 99,499 | 348,978 | – | – | – |
| 2.2 Due to banks | 11,443 | – | – | – | – | – | – | – |
| - current accounts | 1,443 | – | – | – | – | – | – | – |
| - other payables | 10,000 | – | – | – | – | – | – | – |
| 2.3 Debt securities | – | – | 26,122 | – | – | – | – | – |
| - with the option of early redemption | – | – | – | – | – | – | – | – |
| - other | – | – | 26,122 | – | – | – | – | – |
| 2.4 Other liabilities | – | – | – | – | – | – | – | – |
| - with the option of early redemption | – | – | – | – | – | – | – | – |
| - other | – | – | – | – | – | – | – | – |
| **3. Financial derivatives** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** |
| 3.1 With underlying security | – | – | – | – | – | – | – | – |
| - Options | – | – | – | – | – | – | – | – |
| + Long positions | – | – | – | – | – | – | – | – |
| + Short positions | – | – | – | – | – | – | – | – |
| - Other | – | – | – | – | – | – | – | – |
| + Long positions | – | – | – | – | – | – | – | – |
| + Short positions | – | – | – | – | – | – | – | – |
| 3.2 Without underlying security | – | – | – | – | – | – | – | – |
| - Options | – | – | – | – | – | – | – | – |
| + Long positions | – | – | – | – | – | – | – | – |
| + Short positions | – | – | – | – | – | – | – | – |
| - Other | – | – | – | – | – | – | – | – |
| + Long positions | – | – | – | – | – | – | – | – |
| + Short positions | – | – | – | – | – | – | – | – |
| **4. Other off-balance sheet transactions** | **27,689** | **–** | **–** | **–** | **1,325** | **–** | **–** | **–** |
| + Long positions | 13,182 | – | – | – | 1,325 | – | – | – |
| + Short positions | 14,507 | – | – | – | – | – | – | – |

## 1. Banking portfolio: distribution of financial assets and liabilities by residual duration (repricing date)

Currency: Other currencies

| Type/Residual duration | On demand | Up to 3 months | From over 3 months to 6 months | From over 6 months to 1 year | From over 1 year to 5 years | From over 5 years to 10 years | More than 10 years | Undated |
|---|---|---|---|---|---|---|---|---|
| **1. Cash assets** | **20,765** | – | – | – | – | – | – | – |
| 1.1 Debt securities | – | – | – | – | – | – | – | |
| - with the option of early redemption | | | | | | | | |
| - other | | | | | | | | |
| 1.2 Loans to banks | 20,082 | | | | | | | |
| 1.3 Loans to customers | 683 | – | – | – | – | – | – | – |
| - current accounts | 683 | | | | | | | |
| - other loans | – | | | | | | | |
| with the option of early redemption | | | | | | | | |
| other | | | | | | | | |
| **2. Cash liabilities** | **17,188** | – | – | – | – | – | – | – |
| 2.1 Due to customers | 17,135 | | | | | | | |
| - current accounts | 17,135 | | | | | | | |
| - other payables | – | | | | | | | |
| with the option of early redemption | | | | | | | | |
| other | – | | | | | | | |
| 2.2 Due to banks | 53 | | | | | | | |
| - current accounts | 53 | | | | | | | |
| - other payables | – | | | | | | | |
| 2.3 Debt securities | | | | | | | | |
| - with the option of early redemption | | | | | | | | |
| - other | | | | | | | | |
| 2.4 Other liabilities | | | | | | | | |
| - with the option of early redemption | | | | | | | | |
| - other | | | | | | | | |
| **3. Financial derivatives** | | | | | | | | |
| 3.1 With underlying security | | | | | | | | |
| - Options | | | | | | | | |
| + Long positions | | | | | | | | |
| + Short positions | | | | | | | | |
| - Other | | | | | | | | |
| + Long positions | | | | | | | | |
| + Short positions | | | | | | | | |
| 3.2 Without underlying security | | | | | | | | |
| - Options | | | | | | | | |
| + Long positions | | | | | | | | |
| + Short positions | | | | | | | | |
| - Other | | | | | | | | |
| + Long positions | | | | | | | | |
| + Short positions | | | | | | | | |
| **4. Other off-balance sheet transactions** | | | | | | | | |
| + Long positions | | | | | | | | |
| + Short positions | | | | | | | | |

### 1.2.3 Exchange rate risk

#### Qualitative information

*A. General aspects, management processes and measurement methods for exchange rate risk*

Exchange rate risk management is the responsibility of the General Management and the Finance Department carries out trading, hedging and brokering activities within specific operating limits (amounts) with regard to both financial assets and liabilities denominated in foreign currencies in its own account or on behalf of customers.

Generally, the exposure to exchange rate risk is quite low and limited to temporary misalignments in opposite sign positions. The Bank keeps this risk to a minimum by monitoring the treasury exposure due to the time mismatching between asset and liability items.

*B. Exchange rate risk hedging activity*

In December, the Bank carried out Hedge Accounting to neutralise the impact deriving from the change in the Euro/GBP exchange rate on a significant part of the book value, i.e. 28 million Pounds, of the 1,016,400 London Stock Exchange Group plc shares held in the Available-for-sale financial assets portfolio.

The partial hedging was carried out with a forward sale transaction of 15 million Pounds, corresponding to 20,437 thousand euros (maturity 21 December 2016) whose fair value at 31 December 2015 was positive by 215 thousand euros.

In addition to the hedge described above, the Bank also carried out a management hedging of the exchange rate risk, also connected with the LSEG shares, for additional 10 million Pounds, to eliminate almost all of the exchange rate risk on this equity investment.

## Quantitative information

### 1. Distribution by currency of assets, liabilities and derivatives

| Items | Currencies | | | | | |
|---|---|---|---|---|---|---|
| | US Dollars | Pound sterling | Yen | Canadian dollars | Swiss Franc | Other currencies |
| **A. Financial assets** | **15,809** | **40,949** | **162** | **60** | **765** | **1,085** |
| A.1 Debt securities | – | – | – | – | – | – |
| A.2 Equity securities | – | 38,000 | – | – | 65 | – |
| A.3 Loans to banks | 15,650 | 2,427 | 162 | 60 | 700 | 1,084 |
| A.4 Loans to customers | 159 | 522 | – | – | – | 1 |
| A.5 Other financial assets | – | – | – | – | – | – |
| **B. Other assets** | **12** | **22** | **–** | **–** | **–** | **–** |
| **C. Financial liabilities** | **15,120** | **1,988** | **9** | **15** | **18** | **39** |
| C.1 Due to banks | 38 | – | – | 15 | – | – |
| C.2 Due to customers | 15,082 | 1,988 | 9 | – | 18 | 39 |
| C.3 Debt securities | – | – | – | – | – | – |
| C.4 Other financial liabilities | – | – | – | – | – | – |
| **D. Other liabilities** | **–** | **–** | **–** | **–** | **–** | **–** |
| **E. Financial derivatives** | **401,684** | **182,709** | **4,578** | **–** | **3,600** | **27** |
| - Options | – | – | – | – | – | – |
| + Long positions | – | – | – | – | – | – |
| + Short positions | – | – | – | – | – | – |
| - Other derivatives | 401,684 | 182,709 | 4,578 | – | 3,600 | 27 |
| + Long positions | 200,810 | 74,323 | 2,289 | – | 1,800 | 17 |
| + Short positions | 200,874 | 108,386 | 2,289 | – | 1,800 | 10 |
| **Total assets** | **216,631** | **115,294** | **2,451** | **60** | **2,565** | **1,102** |
| **Total liabilities** | **215,994** | **110,374** | **2,298** | **15** | **1,818** | **49** |
| **Imbalance (+/-)** | **637** | **4,920** | **153** | **45** | **747** | **1,053** |

## 1.2.4 Derivative instruments

### Financial derivatives

### A.1 Regulatory trading portfolio: end-of-period notional values

| Underlying assets/Type of derivatives | Total 31.12.2015 | | Total 31.12.2014 | |
|---|---|---|---|---|
| | Over the counter | Central counterparties | Over the counter | Central counterparties |
| **1. Debt securities and interest rates** | **3,063** | **–** | **3,844** | **–** |
| a) Options | – | – | | |
| b) Swaps | 3,063 | – | 3,844 | |
| c) Forwards | – | – | | |
| d) Futures | – | – | | – |
| e) Other | – | – | | |
| **2. Share capital securities and stock indices** | **–** | **3,507** | **4,966** | **317** |
| a) Options | – | 3,505 | 4,966 | 317 |
| b) Swaps | – | – | | |
| c) Forwards | – | – | | |
| d) Futures | – | 2 | | |
| e) Other | – | – | | |
| **3. Currencies and gold** | **571,929** | **–** | **112,552** | **–** |
| a) Options | – | – | | |
| b) Swaps | – | – | | |
| c) Forwards | 571,929 | – | 112,552 | |
| d) Futures | – | – | | |
| e) Other | – | – | | |
| **4. Goods** | **–** | **200** | | |
| **5. Other underlying assets** | **–** | **–** | | |
| **Total** | **574,992** | **3,707** | **121,362** | **317** |

### A.2 Banking portfolio: end-of-period notional values

#### A.2.1 Hedging

| Underlying assets/Type of derivatives | 31.12.2015 | | 31.12.2014 | |
|---|---|---|---|---|
| | Over the counter | Central counterparties | Over the counter | Central counterparties |
| **1. Debt securities and interest rates** | | | | |
| a) Options | | | | |
| b) Swaps | | | | |
| c) Forwards | | | | |
| d) Futures | | | | |
| e) Other | | | | |
| **2. Share capital securities and stock indices** | | | | |
| a) Options | | | | |
| b) Swaps | | | | |
| c) Forwards | | | | |
| d) Futures | | | | |
| e) Other | | | | |
| **3. Currencies and gold** | **20,437** | | | |
| a) Options | | | | |
| b) Swaps | | | | |
| c) Forwards | 20,437 | | | |
| d) Futures | | | | |
| e) Other | | | | |
| **4. Goods** | | | | |
| **5. Other underlying assets** | | | | |
| **Total** | **20,437** | | | |

### A.3 Financial derivatives: gross positive fair value - breakdown by product

| Derivative types/Portfolios | Positive fair value | | | |
|---|---|---|---|---|
| | Total 31.12.2015 | | Total 31.12.2014 | |
| | Over the counter | Central counterparties | Over the counter | Central counterparties |
| A. Regulatory trading portfolio | 9,579 | 251 | 833 | 24 |
| a) Options | – | 251 | 1 | 24 |
| b) Interest rate swaps | – | – | | |
| c) Cross currency swaps | – | – | | |
| d) Equity swaps | – | – | | |
| e) Forwards | 9,579 | – | 832 | |
| f) Futures | – | – | | |
| g) Others | – | – | | |
| B. Banking portfolio - hedging | 215 | – | – | – |
| a) Options | – | – | | |
| b) Interest rate swaps | – | – | | |
| c) Cross currency swaps | – | – | | |
| d) Equity swaps | – | – | | |
| e) Forwards | 215 | – | | |
| f) Futures | – | – | | |
| g) Others | – | – | | |
| C. Banking portfolio - other derivatives | – | – | – | – |
| a) Options | – | – | | |
| b) Interest rate swaps | – | – | | |
| c) Cross currency swaps | – | – | | |
| d) Equity swaps | – | – | | |
| e) Forwards | – | – | | |
| f) Futures | – | – | | |
| g) Others | – | – | | |
| **Total** | **9,794** | **251** | **833** | **24** |

### A.4 Financial derivatives: gross negative fair value - breakdown by product

| Derivative types/Portfolios | Negative fair value | | | |
|---|---|---|---|---|
| | Total 31.12.2015 | | Total 31.12.2014 | |
| | Over the counter | Central counterparties | Over the counter | Central counterparties |
| A. Regulatory trading portfolio | 9,656 | 77 | 2,357 | – |
| a) Options | – | 77 | 514 | – |
| b) Interest rate swaps | 189 | – | 277 | – |
| c) Cross currency swaps | – | – | – | – |
| d) Equity swaps | – | – | – | – |
| e) Forwards | 9,467 | – | 1,566 | – |
| f) Futures | – | – | – | – |
| g) Others | – | – | – | – |
| B. Banking portfolio - hedging | – | – | – | – |
| a) Options | – | – | – | – |
| b) Interest rate swaps | – | – | – | – |
| c) Cross currency swaps | – | – | – | – |
| d) Equity swaps | – | – | – | – |
| e) Forwards | – | – | – | – |
| f) Futures | – | – | – | – |
| g) Others | – | – | – | – |
| C. Banking portfolio - other derivatives | – | – | – | – |
| a) Options | – | – | – | – |
| b) Interest rate swaps | – | – | – | – |
| c) Cross currency swaps | – | – | – | – |
| d) Equity swaps | – | – | – | – |
| e) Forwards | – | – | – | – |
| f) Futures | – | – | – | – |
| g) Others | – | – | – | – |
| **Total** | **9,656** | **77** | **2,357** | **–** |

**A.5 OTC financial derivatives - regulatory trading portfolio: notional values, gross positive and negative fair values for counterparties - contracts not covered by offset agreements**

| Contracts not covered by offset agreements | Governments and Central Banks | Other public authorities | Banks | Financial companies | Insurance companies | Non-financial companies | Other entities |
|---|---|---|---|---|---|---|---|
| **1) Debt securities and interest rates** | **–** | **–** | **3,263** | **–** | **–** | **–** | **–** |
| - notional value | – | – | 3,063 | – | – | – | – |
| - positive fair value | – | – | – | – | – | – | – |
| - negative fair value | – | – | 189 | – | – | – | – |
| - future exposure | – | – | 11 | – | – | – | – |
| **2) Equity securities and stock indices** | **–** | **–** | **–** | **–** | **–** | **–** | **–** |
| - notional value | – | – | – | – | – | – | – |
| - positive fair value | – | – | – | – | – | – | – |
| - negative fair value | – | – | – | – | – | – | – |
| - future exposure | – | – | – | – | – | – | – |
| **3) Currencies and gold** | **–** | **–** | **305,164** | **291,395** | **–** | **–** | **–** |
| - notional value | – | – | 292,777 | 279,152 | – | – | – |
| - positive fair value | – | – | 611 | 8,968 | – | – | – |
| - negative fair value | – | – | 8,984 | 483 | – | – | – |
| - future exposure | – | – | 2,792 | 2,792 | – | – | – |
| **4) Other values** | **–** | **–** | **–** | **–** | **–** | **–** | **–** |
| - notional value | – | – | – | – | – | – | – |
| - positive fair value | – | – | – | – | – | – | – |
| - negative fair value | – | – | – | – | – | – | – |
| - future exposure | – | – | – | – | – | – | – |
| **Total 2015** | | | **308,427** | **291,395** | | | |
| **Total 2014** | | | **84,050** | **41,127** | | | |

**A.7 OTC financial derivatives - banking portfolio: notional values, gross positive and negative fair values for counterparties - contracts not covered by offset agreements**

| Contracts not covered by offset agreements | Governments and Central Banks | Other public authorities | Banks | Financial companies | Insurance companies | Non-financial companies | Other entities |
|---|---|---|---|---|---|---|---|
| **1) Debt securities and interest rates** | **–** | **–** | **–** | **–** | **–** | **–** | **–** |
| - notional value | – | – | – | – | – | – | – |
| - positive fair value | – | – | – | – | – | – | – |
| - negative fair value | – | – | – | – | – | – | – |
| - future exposure | – | – | – | – | – | – | – |
| **2) Equity securities and stock indices** | **–** | **–** | **–** | **–** | **–** | **–** | **–** |
| - notional value | – | – | – | – | – | – | – |
| - positive fair value | – | – | – | – | – | – | – |
| - negative fair value | – | – | – | – | – | – | – |
| - future exposure | – | – | – | – | – | – | – |
| **3) Currencies and gold** | **–** | **–** | **20,856** | **–** | **–** | **–** | **–** |
| - notional value | – | – | 20,437 | – | – | – | – |
| - positive fair value | – | – | 215 | – | – | – | – |
| - negative fair value | – | – | – | – | – | – | – |
| - future exposure | – | – | 204 | – | – | – | – |
| **4) Other values** | **–** | **–** | **–** | **–** | **–** | **–** | **–** |
| - notional value | – | – | – | – | – | – | – |
| - positive fair value | – | – | – | – | – | – | – |
| - negative fair value | – | – | – | – | – | – | – |
| - future exposure | – | – | – | – | – | – | – |
| **Total 2015** | **–** | **–** | **20,856** | **–** | **–** | **–** | **–** |

**A.9 Residual life of OTC financial derivatives: notional values**

| Underlying/Residual life | Up to 1 year | From over 1 year to 5 years | More than 5 years | Total |
|---|---|---|---|---|
| **A. Regulatory trading portfolio** | **572,750** | **2,242** | **–** | **574,992** |
| A.1 Financial derivatives on debt securities and interest rates | 821 | 2,242 | – | 3,063 |
| A.2 Financial derivatives on equity securities and stock indices | – | – | – | – |
| A.3 Financial derivatives on exchange rates and gold | 571,929 | – | – | 571,929 |
| A.4 Financial derivatives on other values | – | – | – | – |
| **B. Banking portfolio** | **20,437** | **–** | **–** | **20,437** |
| B.1 Financial derivatives on debt securities and interest rates | – | – | – | – |
| B.2 Financial derivatives on equity securities and stock indices | – | – | – | – |
| B.3 Financial derivatives on exchange rates and gold | 20,437 | – | – | 20,437 |
| B.4 Financial derivatives on other values | – | – | – | – |
| **Total 2015** | **593,187** | **2,242** | **–** | **595,429** |
| **Total 2014** | **118,299** | **3,063** | **–** | **121,362** |

## 1.3 Banking group - Liquidity risk

### Qualitative information

*A. General aspects, management processes and measurement methods for the liquidity risk*

The Group defined the liquidity risk as the inability to meet own payment commitments. This risk is linked to the inability to raise funds (funding liquidity risk) or to the existence of limits for the disinvestment of assets (market liquidity risk).

Funding liquidity risk means the risk according to which the Bank and the companies of the Group are not able to meet their own payment commitments and obligations efficiently (compared to the "desired" risk profile and/or "fair" economic conditions) due to the inability to raise funds without compromising their core business activities and/or financial situation.

Market liquidity risk means the risk according to which the Group is able to dispose of an asset only by incurring capital losses due to the low liquidity of the reference market and/or due to the timing with which the transaction will be carried out.

The analysis of the Group's financial instruments (assets and liabilities) highlights that, overall, liquidity risk is quite low. In fact, the loans portfolio is mostly made up of short-term funding sources both on the interbank market and with regard to customers (as it comprises mainly on-demand loans that are directly connected with the private banking activity). Most of the securities trading portfolio is made up of highly liquid debt securities issued by countries of the Eurozone.

Concerning the sources of funding, they comprise current accounts, fixed-term deposits, repos and the issue of floating rate bonds. The concentration of the funding sources, present on primary and consolidated customers, is the consequence of the business model adopted by the Bank that entails issuing loans and providing services to highly selected customers.

The Group's overall exposure to liquidity risk is therefore maintained at modest levels thanks to the structure of the financial portfolio described above.

The ability to meet commitments promptly and economically is guaranteed by carefully monitoring the position through the use of information systems that ensure the ongoing monitoring of the liquidity requirements that are managed, where necessary, by resorting to the interbank deposits and, alternatively, to the repos market.

On the basis of the supervisory provisions, the Bank has defined the guidelines on the governance and management of liquidity risk and the methods of stress tests to be carried out. More specifically, the roles and responsibilities have been defined by the company bodies involved, the calculation methods of the LCR (Liquidity Coverage Ratio) and NSFR (Net Stable Funding Ratio) and the criteria to be applied in carrying out stress testing.

The short-term liquidity management policy, monitoring using the LCR indicator, includes all limits and alert thresholds that allow, both in normal market conditions and in stressful periods, for the measurement of the liquidity risk to which it is exposed. The liquidity needed to cope with any structural imbalance in the breakdown of assets and liabilities along a one-year timeframe, instead, is monitored through the NSFR indicator.

Within the liquidity risk management process, the Bank's Risk Control organisational unit:

- periodically carries out the stress tests identified by the Bank for risk measurement, performing the measurements necessary to determine the value of the LCR: Liquidity Coverage Ratio (aimed at assuring that the Bank holds an amount of high quality liquid assets that enables it to withstand stress situations on the funding market for a time horizon of 30 days) and the NSFR: (Net Stable Funding Ratio) (aimed at assuring a structural balance of the financial statements of the bank);
- prepare the reports to be sent to the Senior Management, illustrated the exposure to liquidity risk, also determined on the basis of the stress tests.

The analyses carried out at 31 December 2015 show that the potential outgoing cash flows are entirely covered by the inflows and by the liquidity buffer held by the Bank, and therefore no risk situations are noted.

## Quantitative information

### 1. Time distribution of financial assets and liabilities by residual duration

Currency: Euro

| Item/Time frame | On demand | From over 1 day to 7 days | From over 7 days to 15 days | From over 15 days to 1 month | From over 1 month to 3 months | From over 3 months to 6 months | From over 6 months to 1 year | From over 1 year to 5 years | More than 5 years | Undated |
|---|---|---|---|---|---|---|---|---|---|---|
| **Cash assets** | **208,363** | **–** | **55,116** | **21,203** | **26,120** | **251,879** | **131,291** | **485,418** | **64,153** | **3,877** |
| A.1 Treasury Bonds | 2 | – | 55,010 | 20,004 | – | 245,613 | 100,868 | 374,340 | 25,004 | – |
| A.2 Other debt securities | – | – | 106 | 329 | 1,837 | 52 | 4,376 | 5,784 | 1,035 | – |
| A.3 UCI units | 38,303 | – | – | – | – | – | – | – | – | – |
| A.4 Loans | 170,058 | – | – | 870 | 24,283 | 6,214 | 26,047 | 105,294 | 38,114 | 3,877 |
| - Banks | 74,427 | – | – | – | – | – | – | – | – | 3,877 |
| - Customers | 95,631 | – | – | 870 | 24,283 | 6,214 | 26,047 | 105,294 | 38,114 | – |
| **Cash liabilities** | **359,562** | **650** | **306** | **380** | **9,635** | **191,727** | **126,218** | **385,780** | **–** | **–** |
| B.1 Deposits and current accounts | 359,248 | 650 | 306 | 380 | 9,635 | 8,059 | 26,686 | 14,928 | – | – |
| - Banks | 11,443 | – | – | – | – | – | – | – | – | – |
| - Customers | 347,805 | 650 | 306 | 380 | 9,635 | 8,059 | 26,686 | 14,928 | – | – |
| B.2 Debt securities | – | – | – | – | – | 4,277 | 33 | 21,875 | – | – |
| B.3 Other liabilities | 314 | – | – | – | – | 179,391 | 99,499 | 348,977 | – | – |
| **Off-balance sheet transactions** | **14,991** | **6,794** | **520,304** | **50,155** | **1,929** | **17,131** | **21,003** | **2,109** | **810** | **–** |
| C.1 Financial derivatives with exchange of capital | – | 6,794 | 519,994 | 50,089 | 1,846 | 5,752 | 20,437 | 60 | 810 | – |
| - Long positions | – | 3,425 | 259,997 | 31,857 | 923 | 2,876 | 20,437 | 30 | 405 | – |
| - Short positions | – | 3,369 | 259,997 | 18,232 | 923 | 2,876 | – | 30 | 405 | – |
| C.2 Financial derivatives without exchange of capital | 517 | – | – | – | – | – | – | – | – | – |
| - Long positions | 251 | – | – | – | – | – | – | – | – | – |
| - Short positions | 266 | – | – | – | – | – | – | – | – | – |
| C.3 Deposits and loans to be received | – | – | – | – | – | – | – | – | – | – |
| - Long positions | – | – | – | – | – | – | – | – | – | – |
| - Short positions | – | – | – | – | – | – | – | – | – | – |
| C.4 Irrevocable commitments to disburse funds | 14,474 | – | 310 | 66 | 83 | 11,379 | 566 | 2,049 | – | – |
| - Long positions | 10 | – | 310 | 66 | 83 | 11,379 | 566 | 2,049 | – | – |
| - Short positions | 14,464 | – | – | – | – | – | – | – | – | – |
| C.5 Financial guarantees issued | – | – | – | – | – | – | – | – | – | – |
| C.6 Financial guarantees received | – | – | – | – | – | – | – | – | – | – |
| C.7 Credit derivatives with exchange of capital | – | – | – | – | – | – | – | – | – | – |
| - Long positions | – | – | – | – | – | – | – | – | – | – |
| - Short positions | – | – | – | – | – | – | – | – | – | – |
| C.8 Credit derivatives without exchange of capital | – | – | – | – | – | – | – | – | – | – |
| - Long positions | – | – | – | – | – | – | – | – | – | – |
| - Short positions | – | – | – | – | – | – | – | – | – | – |

Bank "Undated Loans" refer to the deposit in the Obligatory reserve.

Item C.1 includes the value of the purchases and sales of securities not yet settled.

## 1. Time distribution of financial assets and liabilities by residual duration

Currency: Other currencies

| Item/Time frame | On demand | From over 1 day to 7 days | From over 7 days to 15 days | From over 15 days to 1 month | From over 1 month to 3 months | From over 3 months to 6 months | From over 6 months to 1 year | From over 1 year to 5 years | More than 5 years | Undated |
|---|---|---|---|---|---|---|---|---|---|---|
| **Cash assets** | **20,768** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** |
| A.1 Treasury Bonds | – | – | – | – | – | – | – | – | – | – |
| A.2 Other debt securities | – | – | – | – | – | – | – | – | – | – |
| A.3 UCI units | – | – | – | – | – | – | – | – | – | – |
| A.4 Loans | 20,768 | – | – | – | – | – | – | – | – | – |
| - Banks | 20,082 | – | – | – | – | – | – | – | – | – |
| - Customers | 686 | – | – | – | – | – | – | – | – | – |
| **Cash liabilities** | **17,188** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** |
| B.1 Deposits and current accounts | 17,188 | – | – | – | – | – | – | – | – | – |
| - Banks | 53 | – | – | – | – | – | – | – | – | – |
| - Customers | 17,135 | – | – | – | – | – | – | – | – | – |
| B.2 Debt securities | – | – | – | – | – | – | – | – | – | – |
| B.3 Other liabilities | – | – | – | – | – | – | – | – | – | – |
| **Off-balance sheet transactions** | **–** | **232** | **519,994** | **50,089** | **1,846** | **–** | **20,437** | **–** | **–** | **–** |
| C.1 Financial derivatives with exchange of capital | – | 232 | 519,994 | 50,089 | 1,846 | – | 20,437 | – | – | – |
| - Long positions | – | 88 | 259,997 | 18,232 | 923 | – | – | – | – | – |
| - Short positions | – | 144 | 259,997 | 31,857 | 923 | – | 20,437 | – | – | – |
| C.2 Financial derivatives without exchange of capital | – | – | – | – | – | – | – | – | – | – |
| - Long positions | – | – | – | – | – | – | – | – | – | – |
| - Short positions | – | – | – | – | – | – | – | – | – | – |
| C.3 Deposits and loans to be received | – | – | – | – | – | – | – | – | – | – |
| - Long positions | – | – | – | – | – | – | – | – | – | – |
| - Short positions | – | – | – | – | – | – | – | – | – | – |
| C.4 Irrevocable commitments to disburse funds | – | – | – | – | – | – | – | – | – | – |
| - Long positions | – | – | – | – | – | – | – | – | – | – |
| - Short positions | – | – | – | – | – | – | – | – | – | – |
| C.5 Financial guarantees issued | – | – | – | – | – | – | – | – | – | – |
| C.6 Financial guarantees received | – | – | – | – | – | – | – | – | – | – |
| C.7 Credit derivatives with exchange of capital | – | – | – | – | – | – | – | – | – | – |
| - Long positions | – | – | – | – | – | – | – | – | – | – |
| - Short positions | – | – | – | – | – | – | – | – | – | – |
| C.8 Credit derivatives without exchange of capital | – | – | – | – | – | – | – | – | – | – |
| - Long positions | – | – | – | – | – | – | – | – | – | – |
| - Short positions | – | – | – | – | – | – | – | – | – | – |

### 1.4 – Banking group - Operating risk

### Qualitative and quantitative information

*A. General aspects, management processes and measurement methods for operating risk*

Operating risk is defined as the risk to incur losses arising from the inadequacy or weakness in procedures, human resources and internal systems, or from external events. These include losses arising from frauds, human errors, interruptions in business activities, unavailability of systems, contractual default, natural and/or geopolitical disasters. The operating risk includes the legal risk, while it does not include strategic and reputational risks.

The Bank, albeit adopting a standardised calculation method of the operating risks, carried out an analysis/assessment of operating risks on the "core" procedures. In order to standardise the quantification process of operating risks, the Bank has also formalised the adopted method in the document called "Management of operating risks in Banca Finnat". At 31 December 2015, the organisational unit tasked with monitoring operating risks started the activities necessary for their revision according to the method identified by the corporate Bodies of the Bank.
In particular, the analysis focused on the identification, within the above-mentioned operating procedures, of the activities that may generate operating risks for the Bank and of the related controls to mitigate the risks themselves.

During the year ended 31 December 2015, periodic meetings continued to be held between the Parent Company and the subsidiaries InvestiRE SGR S.p.A., Finnat Fiduciaria S.p.A.; during the meetings the controls applied by the subsidiaries were analysed without observing any anomalies.
With regards to the quantification of internal capital supporting the operating risk, as previously indicated, the Bank uses the basic approach under the scope of determining prudential equity requirements, as envisaged by the supervisory provisions per Regulation 575/2013.

In this context, the internal control function verifies that said procedures, and any revisions thereof, are correctly implemented and are observed, as well as ensuring that they comply with regulations in force.

### Section 3 - Risks of other companies

As at 31 December 2015, all the subsidiaries of the Parent Company belong to the Group; therefore, there are no risks of other companies.

## Part F – Information on the consolidated equity

### Section 1 – Consolidated equity

**Qualitative and quantitative information**

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

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

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

The consolidated net equity totals 257,580 thousand euros. It is detailed in the table below.

**B.1 Consolidated equity: breakdown by company type**

| Net equity items | Banking group | Insurance companies | Other companies | Consolidation cancellations and adjustments | Total |
|---|---|---|---|---|---|
| Share capital | 72,576 | – | – | – | 72,576 |
| Share issue premiums | – | – | – | – | – |
| Reserves | 152,476 | – | – | – | 152,476 |
| Capital instruments | – | – | – | – | – |
| (Own shares) | (13,949) | – | – | – | (13,949) |
| Valuation reserves: | 32,849 | – | – | – | 32,849 |
| - Available-for-sale financial assets | 31,691 | – | – | – | 31,691 |
| - Tangible assets | – | – | – | – | – |
| - Intangible assets | – | – | – | – | – |
| - Foreign investment hedge | – | – | – | – | – |
| - Cash flow hedge | – | – | – | – | – |
| - Exchange differences | – | – | – | – | – |
| - Non-current assets being disposed | – | – | – | – | – |
| - Actuarial profit (loss) on defined benefit social security plans | (142) | – | – | – | (142) |
| - Share of valuation reserves of equity investments valued by equity method | (64) | – | – | – | (64) |
| - Special revaluation regulations | 1,364 | – | – | – | 1,364 |
| Profit (loss) for the year (+/-) of the Group and third parties | 13,628 | – | – | – | 13,628 |
| **Net equity** | **257,580** | **–** | **–** | **–** | **257,580** |

**B.2 Valuation reserves of available-for-sale financial assets: breakdown**

| Assets/Amounts | Banking group | | Insurance companies | | Other companies | | Consolidation cancellations and adjustments | | Total 31.12.2015 | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Positive reserve | Negative reserve | Positive reserve | Negative reserve | Positive reserve | Negative reserve | Positive reserve | Negative reserve | Positive reserve | Negative reserve |
| 1. Debt securities | 1,033 | 90 | – | – | – | – | – | – | 1,033 | 90 |
| 2. Equity securities | 33,979 | 677 | – | – | – | – | – | – | 33,979 | 677 |
| 3. UCI units | 556 | 1,562 | – | – | – | – | – | – | 556 | 1,562 |
| 4. Loans | – | – | – | – | – | – | – | – | – | – |
| **Total 31.12.2015** | **35,568** | **2,329** | **–** | **–** | **–** | **–** | | | **35,568** | **2,329** |
| **Total 31.12.2014** | **28,885** | **1,337** | | | | | | | **28,885** | **1,337** |

The breakdown of the valuation reserves refers to the Group. Third-party valuation reserve is negative by the amount of 1,548 thousand euros.

The reserve of item 1. Debt securities concerns almost exclusively the fair value adjustment, after taxes, of the securities held by the Bank.

The reserve of item 2. Equity securities concerns the fair value adjustment, after taxes, of the securities held by the Bank.

The reserve of item 3. UCI units concerns the adjustment to fair value, net of taxes, of units held by the Bank, amounting to +551 thousand euros and units held by the subsidiary InvestiRE SGR S.p.A., amounting to -1,557 thousand euros.

**B.3 Valuation reserves of available-for-sale financial assets: annual changes**

| | Debt securities | Equity securities | UCI units | Loans |
|---|---|---|---|---|
| **1. Opening balance** | **1,750** | **26,674** | **(876)** | **–** |
| **2. Positive changes** | **954** | **10,924** | **1,844** | **–** |
| 2.1 Increases in fair value | 946 | 10,924 | 489 | – |
| 2.2 Reallocation of negative reserve to income statement | 8 | – | 1,355 | – |
| - from impairment | – | – | 1,355 | – |
| - from disposal | 8 | – | – | – |
| 2.3 Other changes | – | – | – | – |
| **3. Negative changes** | **1,761** | **4,296** | **1,974** | **–** |
| 3.1 Decreases in fair value | 19 | 678 | 108 | – |
| 3.2 Adjustments from impairment | – | – | – | – |
| 3.3 Reallocation to income statement from positive reserves: from disposal | 1,740 | 3,615 | – | – |
| 3.4 Other changes | 2 | 3 | 1,866 | – |
| of which business combinations | – | – | 1,868 | – |
| **4. Closing balance** | **943** | **33,302** | **(1,006)** | **–** |

The comment to the changes is illustrated in part D – Consolidated comprehensive Income.

**B.4 Valuation reserves related to defined benefit plans: annual changes**

Negative Reserves related to defined benefit plans totalled 142 thousand euros (of which the Group's amounted to 140 thousand euros and third parties' reserves amounted to 2 thousand euros).
At 31 December 2014, these Reserves were negative by 354 thousand euros (of which the Group's reserves were negative by 333 thousand euros and third parties' reserves were negative by 21 thousand euros).

## Section 2 – Own funds and capital ratios

### 2.1 Scope of the regulations

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

### 2.2 Banks' own funds

Own funds at 31 December 2015 amounted to 148,600 thousand euros (137,087 thousand euros at 31 December 2014), whereas the Total capital ratio stands at 31.7% (29.8% at 31 December 2014) versus the 8% minimum requirement set forth in the current regulations for Credit Institutions.
The Total capital ratio, like the CET1 ratio and the Tier1 ratio, widely exceed minimum capital requirements mandated for us by the Bank of Italy at the conclusion of the supervisory review and evaluation process (SREP) established by Directive 2013/36/EU (CRD IV).

### A. Qualitative information

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

| | | |
|---|---|---|
| Common Equity Tier 1 ("Common Equity Tier 1" or "CET1") | 146,923 | euros |
| Additional Tier 1 ("Additional Tier 1" or "AT1") | – | euros |
| Tier 2 ("Tier 2" or "T2") | 1,677 | euros |

## B. Quantitative information

| | | Total 31.12.2015 | Total 31.12.2014 |
|---|---|---|---|
| **A.** | **Common Equity Tier 1 ("Common Equity Tier 1" - "CET1") before the application of prudential filters** | **228,869** | **199,866** |
| | of which CET 1 instruments subject to transitional provisions | – | – |
| B. | Prudential filters for CET 1 (+/-) | – | – |
| **C.** | **CET 1 including deductions and the effects of the transitional regulations (A+/-B)** | **228,869** | **199,866** |
| **D.** | **Deductions from CET1** | **(93,685)** | **(48,028)** |
| **E.** | **Transitional regulations - Impact on CET 1 (+/-)** | **11,739** | **(16,413)** |
| **F.** | **Total Common Equity Tier 1 (Common Equity Tier 1 - AT1 - CET1) (C - D+/-E)** | **146,923** | **135,425** |
| **G.** | **Additional Tier 1 (Additional Tier 1 - AT1) including deductions and the effects of the transitional regulations** | **–** | **–** |
| | of which AT 1 instruments subject to transitional provisions | – | – |
| **H.** | **Deductions from AT1** | **–** | **–** |
| **I.** | **Transitional regulations - Impact on AT 1 (+/-)** | **–** | **–** |
| **L.** | **Total Additional Tier 1 (Additional Tier 1 - AT1) (G-H +/-I)** | **–** | **–** |
| **M.** | **Tier 2 (Tier 2 - T2) including deductions and the effects of the transitional regulations** | **–** | **–** |
| | of which T2 instruments subject to transitional provisions | – | – |
| **N.** | **Deductions from T2** | **–** | **–** |
| **O.** | **Transitional regulations - Impact on T2 (+/-)** | **1,677** | **1,662** |
| **P.** | **Total Tier 2 (Tier 2 - T2) (M-N +/-O)** | **1,677** | **1,662** |
| **Q.** | **Total own funds (F+L+P)** | **148,600** | **137,087** |

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

The impact of this sterilisation on Own Funds at 31 December 2015 was positive by 721 thousand euros and Own Funds would have amounted to 149,321 thousand euros.
At 31 December 2014, said impact was positive by 702 thousand euros and own funds would have amounted to 137,789 thousand euros.

## 2.3 Capital adequacy

### A. Qualitative information

Italian banks must maintain a minimum CET 1 ratio of 4.5%, Tier 1 ratio of 5.5% (6% from 2015) and Total Capital Ratio of 8%.

As shown in the table on the breakdown of risk assets and on the capital ratios, the Group's CET 1 Capital Ratio and Tier 1 Capital Ratio are both equal to 31.4%, whilst its Total Capital Ratio is 31.7%. These parameters widely exceed minimum capital requirements mandated for us by the Bank of Italy at the conclusion of the supervisory review and evaluation process (SREP) established by Directive 2013/36/EU (CRD IV).

### B. Quantitative information

| Categories/Amounts | Non-weighted amounts | | Weighted amounts/ Requirements | |
|---|---|---|---|---|
| | 31.12.2015 | 31.12.2014 | 31.12.2015 | 31.12.2014 |
| **A. RISK ASSETS** | | | | |
| A.1. Credit and counterparty risk | | | | |
| 1. Standard methodology | 1,891,113 | 1,784,777 | 339,629 | 317,331 |
| 2. Methodology based on internal ratings | | | | |
| 2.1 Basic | | | | |
| 2.2 Advanced | | | | |
| 3. Securitisation | 563 | | 7,042 | |
| **B. CAPITAL REQUIREMENTS FOR SUPERVISORY PURPOSES** | | | | |
| B.1. Credit and counterparty risk | | | 27,734 | 25,386 |
| B.2. Risk of adjustment of the credit measurement | | | 1 | 1 |
| B.3. Settlement risk | | | | |
| B.4. Market risks | | | 2,268 | 4,487 |
| 1. Standard methodology | | | 2,268 | 4,487 |
| 2. Internal models | | | | |
| 3. Concentration risk | | | | |
| B.5. Operating risk | | | 7,467 | 6,912 |
| 1. Basic method | | | 7,467 | 6,912 |
| 2. Standardised method | | | – | – |
| 3. Advanced method | | | | |
| B.6. Other calculation elements | | | | |
| B7. Total prudential requirements | | | 37,470 | 36,786 |
| **C. RISK ASSETS AND ADEQUACY RATIOS** | | | | |
| C.1. Weighted risk assets | | | 468,375 | 459,825 |
| C.2. Common Equity Tier 1 /Weighted risk assets (CET1 capital ratio) | | | 31.4% | 29.5% |
| C.3. Tier 1 capital/Weighted risk assets (Tier 1 capital ratio) | | | 31.4% | 29.5% |
| C.4. Total own funds/Weighted risk assets (Total capital ratio) | | | 31.7% | 29.8% |

## Part G - Business combinations pertaining to entities or business units

### Section 1 - Combinations completed during the year

With effective date of 1 January 2015 for both accounting and tax purposes, a business combination regulated by IFRS 3 was completed (executed on 29 December 2014); it was the merger by absorption of Beni Stabili Gestioni SGR S.p.A. and Polaris Real Estate SGR S.p.A. into InvestiRE SGR S.p.A.
This combination is illustrated in detail in the paragraph “The main transactions in the year” of the Report on Operations for the separate financial statements, to which reference is made herein.

In December, as is comprehensively described in the separate financial statements, the extraordinary transaction under common control was also carried out, involving the merger of Fedra Fiduciaria S.p.A. into Finnat Fiduciaria S.p.A.
This transaction, excluded from the scope of IFRS 3 was recognised by the absorbing entity with continuity of values and therefore without effects on the consolidated financial statements.
The merger was a part of the reorganisation process internal to the Group, whose goal is to simplify the corporate structure within the trusteeship activity.

### Section 2 - Combinations completed after the end of the year

In the period spanning the end of the 2015 financial year and the date on which these financial statements were prepared, no business combinations regulated by IFRS 3 were carried out.

## Part H – Related party transactions

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

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

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

### 1. Information on remuneration of key executives.

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

### 2. Information on transactions with related parties

The following table shows the assets, liabilities and guarantees and commitments at 31 December 2015 separately for different types of related parties under IAS 24.

| BALANCE SHEET | Financial receivables (Payables) | Other receivables (Payables) | Securities available for sale | Sureties issued | Irrevocable credit granted and not used |
|---|---|---|---|---|---|
| **ASSOCIATED COMPANIES** | | | | | |
| Prévira Invest Sim S.p.A. in liquidation | (34) | 2 | – | – | – |
| Imprebanca S.p.A. | (26) | – | – | – | – |
| **MANAGEMENT WITH STRATEGIC RESPONSIBILITIES AND AUDITING BODIES** | **(1,364)** | **–** | **–** | **–** | **–** |
| **OTHER RELATED PARTIES** | **(1,247)** | **212** | **–** | **37** | **10** |

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

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

| INCOME STATEMENT | Interest income (expense) | Commission income |
|---|---|---|
| **ASSOCIATED COMPANIES** | | |
| Prévira Invest Sim S.p.A. in liquidation | – | 5 |
| Imprebanca S.p.A. | 1 | – |

## Part I - Payment agreements based on own capital instruments

### A. Qualitative information

### 1. Description of the payment agreements based on own capital instruments

As illustrated in the most significant events of the year, the stock option plan is no longer valid because the conditions for exercising the options did not materialise.

## B. Quantitative information

### 1. Annual changes

| Items/Number of shares and exercise price | Banking group | | | |
|---|---|---|---|---|
| | Number of options | Average prices | Average maturity term | |
| **A. Opening balance** | **17,000,000** | **0.4702** | **2015** | |
| **B. Increases** | **-** | **-** | **X** | |
| B.1 New issues | - | - | - | |
| B.2 Other changes | - | - | X | |
| **C. Decreases** | **17,000,000** | **-** | **X** | |
| C.1 Cancelled | 17,000,000 | | X | |
| C.2 Exercised | - | - | X | |
| C.3 Expired | - | - | X | |
| C.4 Other changes | - | - | X | |
| **D. Closing balance** | **-** | **-** | | |
| **E. Exercisable options at the end of the year** | **-** | **-** | **X** | |

| | Insurance companies | | | Other companies | | | 31.12.2015 | | | 31.12.2014 | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Number of options | Average prices | Average maturity term | Number of options | Average prices | Average maturity term | Number of options | Average prices | Average maturity term | Number of options | Average prices | Average maturity term |
| | – | – | – | – | – | – | 17,000,000 | 0.4702 | 2015 | 17,000,000 | 0.4702 | 2015 |
| | – | – | X | – | – | X | – | – | X | – | – | X |
| | – | – | – | – | – | – | – | – | – | – | – | – |
| | – | – | X | – | – | X | – | – | X | – | – | X |
| | – | – | X | – | – | X | 17,000,000 | – | X | – | – | X |
| | – | – | X | – | – | X | 17,000,000 | – | X | – | – | X |
| | – | – | X | – | – | X | – | – | X | – | – | X |
| | – | – | X | – | – | X | – | – | X | – | – | X |
| | – | – | X | – | – | X | – | – | X | – | – | X |
| | – | – | – | – | – | – | – | – | | 17,000,000 | 0.4702 | 2015 |
| | – | – | X | – | – | X | – | – | X | – | – | X |

## Part L – Segment Reporting

### A – Primary reporting

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

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

For IAS segment reporting purposes, the Group has adopted the "business approach", selecting as the primary representative base, for the breakdown of its balance sheet and income statement figures, the main business sectors through which it carries out its consolidated activities and which constitute the internal reporting segments used by the Management for allocating resources and analysing the related performances.
The segments identified for providing an operation-based description of the Group results, also defined on the basis of business representativeness/prevalence criteria, are:

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

### Income statement calculation criteria by business segment

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

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

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

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

### Criteria for calculating the balance sheet aggregates by business segment

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

In particular:

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

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

### Transactions between business segments

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

### Consolidated aggregate income statement values by business segment

| BUSINESS SEGMENTS | ASSETS UNDER MANAGEMENT | ASSET UNDER ADMINISTRATION | TRUSTEESHIP | BANKING SERVICES HOLDING AND OTHER | TOTAL |
|---|---|---|---|---|---|
| Interest margin | 70 | – | 30 | 9,503 | 9,603 |
| Net Commissions | 33,528 | 6,379 | 1,743 | 2,794 | 44,444 |
| Dividends | – | – | – | 3,452 | 3,452 |
| Net income from trading activities | 30 | – | – | (1,741) | (1,711) |
| Profit (loss) from AFS acquisition | – | – | (6) | 5,587 | 5,581 |
| **EARNINGS MARGIN** | **33,628** | **6,379** | **1,767** | **19,595** | **61,369** |
| Operating costs | (27,221) | (4,695) | (2,028) | (14,035) | (47,979) |
| Net value adjustments for impairment of: | | | | | |
| - receivables | (248) | – | (52) | (1,516) | (1,816) |
| - available-for-sale financial assets | (2,249) | – | – | (249) | (2,498) |
| Profit from equity investments | – | – | – | 325 | 325 |
| **PRE-TAX PROFIT** | **3,910** | **1,684** | **(313)** | **4,120** | **9,401** |

### Consolidated aggregate balance sheet values by business segment

| BUSINESS SEGMENTS | ASSETS UNDER MANAGEMENT | ASSET UNDER ADMINISTRATION | TRUSTEESHIP | BANKING SERVICES HOLDING AND OTHER | TOTAL |
|---|---|---|---|---|---|
| Financial assets | **4,837** | **–** | **821** | **884,300** | **889,958** |
| Due from customers | **14,719** | **–** | **637** | **277,288** | **292,644** |
| Due from banks | **10,039** | **–** | **–** | **88,347** | **98,386** |
| | | | | | |
| Due to customers | **46,789** | **–** | **–** | **999,027** | **1,045,816** |
| Due to banks | **–** | **–** | **–** | **11,496** | **11,496** |
| Outstanding securities | **–** | **–** | **–** | **26,122** | **26,122** |
| Financial liabilities | **–** | **–** | **–** | **9,733** | **9,733** |

### B – Secondary reporting

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

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

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

- in 2015, no non-recurring events occurred or were carried out, meaning events or operations that do not usually take place, in connection with ordinary business operations;
- no atypical and/or unusual transactions took place during 2015, either within the Group or with related or third parties. Atypical and/or unusual transactions are those operations which, due to their magnitude/importance, to the nature of the counterparty, to the subject matter of the transaction and to the method for determining the transfer price and time frame (whether close to the year-end or not), may give rise to doubts as to: the accuracy/completeness of the information set out in the financial statements, any conflict of interest, the safeguarding of the company's net worth and the protection of minority interests.

The most significant Group transactions in the 2015 financial year are commented on in a special section of the Report on Operations.

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**RELAZIONE DELLA SOCIETA' DI REVISIONE INDIPENDENTE AI SENSI DEGLI ARTT. 14 E 16 DEL D.LGS. 27 GENNAIO 2010, N. 39**

Agli Azionisti
del Gruppo Banca Finnat Euramerica S.p.A.

**Relazione sul bilancio consolidato**

Abbiamo svolto la revisione contabile dell'allegato bilancio consolidato del gruppo Banca Finnat Euramerica S.p.A., costituito dallo stato patrimoniale al 31 dicembre 2015, dal conto economico, dal prospetto della redditività complessiva, dal prospetto delle variazioni del patrimonio netto, dal rendiconto finanziario per l'esercizio chiuso a tale data e dalla relativa nota integrativa.

*Responsabilità degli amministratori per il bilancio consolidato*

Gli amministratori sono responsabili per la redazione del bilancio consolidato che fornisca una rappresentazione veritiera e corretta in conformità agli International Financial Reporting Standards adottati dall'Unione Europea nonché ai provvedimenti emanati in attuazione dell'art. 9 del D.Lgs. del 28 febbraio 2005, n. 38.

*Responsabilità della società di revisione*

É nostra la responsabilità di esprimere un giudizio sul bilancio consolidato sulla base della revisione contabile. Abbiamo svolto la revisione contabile in conformità ai principi di revisione internazionali (ISA Italia) elaborati ai sensi dell'art. 11, comma 3, del D.Lgs. 39/10. Tali principi richiedono il rispetto di principi etici, nonché la pianificazione e lo svolgimento della revisione contabile al fine di acquisire una ragionevole sicurezza che il bilancio consolidato non contenga errori significativi.

La revisione contabile comporta lo svolgimento di procedure volte ad acquisire elementi probativi a supporto degli importi e delle informazioni contenuti nel bilancio consolidato. Le procedure scelte dipendono dal giudizio professionale del revisore, inclusa la valutazione dei rischi di errori significativi nel bilancio consolidato dovuti a frodi o a comportamenti o eventi non intenzionali. Nell'effettuare tali valutazioni del rischio, il revisore considera il controllo interno relativo alla redazione del bilancio consolidato dell'impresa che fornisca una rappresentazione veritiera e corretta al fine di definire procedure di revisione appropriate alle circostanze, e non per esprimere un giudizio sull'efficacia del controllo interno dell'impresa. La revisione contabile comprende altresì la valutazione dell'appropriatezza dei principi contabili adottati, della ragionevolezza delle stime contabili effettuate dagli amministratori, nonché la valutazione della presentazione del bilancio consolidato nel suo complesso.

EY
Building a better working world

Riteniamo di aver acquisito elementi probativi sufficienti ed appropriati su cui basare il nostro giudizio.

*Giudizio*

A nostro giudizio, il bilancio d'esercizio fornisce una rappresentazione veritiera e corretta della situazione patrimoniale e finanziaria della Banca Finnat Euramerica S.p.A. al 31 dicembre 2015, del risultato economico e dei flussi di cassa per l'esercizio chiuso a tale data, in conformità agli International Financial Reporting Standards adottati dall'Unione Europea nonché ai provvedimenti emanati in attuazione dell'art. 9 del D.Lgs. 38/05.

**Relazione su altre disposizioni di legge e regolamentari**

*Giudizio sulla coerenza della relazione sulla gestione e di alcune informazioni contenute nella relazione sul governo societario e gli assetti proprietari con il bilancio d'esercizio*

Abbiamo svolto le procedure indicate nel principio di revisione (SA Italia) n. 720B al fine di esprimere, come richiesto dalle norme di legge, un giudizio sulla coerenza della relazione sulla gestione e delle informazioni della relazione sul governo societario e gli assetti proprietari indicate nell'art. 123-bis, comma 4, del D.Lgs. 58/98, la cui responsabilità compete agli amministratori della Banca Finnat Euramerica S.p.A., con il bilancio d'esercizio della Banca Finnat Euramerica S.p.A. al 31 dicembre 2015. A nostro giudizio la relazione sulla gestione e le informazioni della relazione sul governo societario e gli assetti proprietari sopra richiamate sono coerenti con il bilancio d'esercizio della Banca Finnat Euramerica S.p.A. al 31 dicembre 2015.

Roma, 24 marzo 2016

Reconta Ernst & Young S.p.A.

Alberto M. Pisani
(Socio)

BANCA FINNAT    GRUPPO BANCA FINNAT

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

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

   of the administrative and accounting procedures, in respect of the formation of the Consolidated financial statements at 31 December 2015.

2. No significant matters emerged, with respect thereto.

3. The undersigned also certify that:
   3.1. the consolidated financial statements:
      a. have been prepared in accordance with the applicable international accounting standards approved by the European Community, pursuant to Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of 19 July 2002;
      b. correspond to the entries in the accounting books and records;
      c. provide a true and fair account of the equity, performance and financial situation of the issuing company.

   3.2. The report on operations includes a reliable analysis of the performance and operating income, as well as of the situation of the issuer, together with the description of the main risks and uncertainties to which they are exposed.

Rome, 14 March 2016

**The Managing Director**

(Arturo Nattino)

**The Manager in charge of preparing the accounting documents**

(Paolo Collettini)

# ABSTRACT OF SHAREHOLDERS' GENERAL MEETING RESOLUTIONS

On 29 April 2016, the ordinary General Meeting of the shareholders of Banca Finnat Euramerica S.p.A.,

**With reference to item one on the agenda, has approved:**

- the Directors' Report on the situation of the Group and the management's performance;
- the Balance Sheet, Income Statement and Notes to the financial statements at 31 December 2015 and related attachments of Banca Finnat Euramerica S.p.A., as presented by the Board of Directors, as a whole and based on the make-up of the single items;
- to allocate the operating profit as follows:

| | | |
|---|---|---|
| **operating profit** | **4,624,253** | **euro** |
| – 5% to the legal reserve, appropriated in accordance with the law and the articles of association, | 231,213 | euro |
| – to the 362,880,000 ordinary shares a gross dividend of euro 0.010 per share equal to 5% of the nominal value of the shares | 3,628,800 | euro |
| (pursuant to art. 2357 ter of the Civil Code the profit due to the treasury shares held at the date of paymentof the dividend shall be proportionally assigned to the other shares) | | |
| – to the extraordinary reserve | 764,240 | euro |
| **Total** | **4,624,253** | **euro** |

Pursuant to art. 1 of D.M. 2 April 2008, the dividend referred to in this proposal, and exclusively for tax measurement purposes, is assumed to be made up of the profit produced in the financial periods prior to 31 December 2007, having determined the existence of adequate reserves formed with the profit generated produced up until the financial period under way at that date.

Furthermore, the above mentioned appropriation of the operating profit conforms to article 6 of Legislative Decree 38/2005.

Following the revocation of the stock option plan, we propose to transfer the relevant reserve of euros 998,181 to the extraordinary reserve.

The dividend shall be paid from Wednesday, 18 May 2016 (coupon 32), with coupon detachment date Monday, 16 May 2016.

**With reference to item two on the agenda, has approved:**

the appointment of Ms. Flavia Mazzarella to the position of non-executive – independent Director, her term of office expiring at the approval of the financial statements at 31.12.2017.

**With reference to item three on the agenda, has resolved:**

i. to revoke the resolution passed by the ordinary general meeting on 28 April 2015, with regard to the determination of the remuneration of the members of the Board of Directors;

ii. to establish the annual gross remuneration – *pro rata temporis* – of euros 10,000.00 to each Director;

iii. to assign a further payment of euros 65,000.00 to be distributed among the Directors, based on the decisions taken by the Board of Directors; the said amount of euros 65,000.00 shall be allocated for the members of the internal Board Committees and to the Lead Independent Director;
iv. to allocate the sum of euros 230,000.00 for the annual gross remuneration payable – *pro rata temporis* – of the Chair of the Board of Directors, in addition to the euros 10,000.00 allowance referred to in paragraph 2) above;
v. to allocate the sum of euros 85,000.00 for the annual gross remuneration payable – *pro rata temporis* – to the Deputy Chair, in addition to the euros 10,000.00 allowance referred to in paragraph 2) above;
vi. to confirm the sum of euros 10,000.00 as the annual gross remuneration payable – *pro rata temporis* – to the Honorary Chairperson Mr. Carlo Carlevaris, in addition to the euros 10,000.00 allowance referred to in paragraph 2);
vii. to grant to all the Directors and to the Honorary Chairperson the reimbursement of all the vouched out-of-pocket expenses incurred by them, in connection with the performance of their duties.

**With reference to item four on the agenda, has resolved:**

Subordinately to authorisation by the Bank of Italy,

i. to the extent that it is deemed necessary, to revoke the prior resolution relating to the purchase of treasury shares for the revolving amount of no more than 5,000,0000 ordinary treasury shares, in addition to those already held by the Bank, and, in any case, for the additional amount of no more than euros 2,177,280, valid until 29 April 2016;
ii. to vest the Board of Directors with the authority to grant the requisite executive powers to one of its members, or to the General Manager, to purchase on the regulated markets, in one or more tranches, between 29 April 2016 and 29 April 2017, a revolving amount of no more than 5,000,000 ordinary treasury shares, in addition to those already held, and, in any case, for the additional amount of no more than euros 2,177,280, for a unit consideration, per transaction, of no more or no less than 8% of the reference price recorded in the preceding stock exchange trading period, following the transfer to the "Extraordinary reserve" of the remaining amount of the "Treasury share purchase fund" reserve, due to the expiry of the plans, to date, and the establishment of a new "Treasury share purchase fund" reserve for euros 2,177,280, by withdrawing the amount from the Extraordinary reserve; the purchase transactions shall, in any case, be effected in accordance with the following provisions: art. 2357 et seq. of the Civil Code, art. 132 of Legislative Decree 58/1998, art. 144-bis of the Consob Regulation, adopted under resolution no. 11971 of 14 May 1999, as amended, and any other applicable provision; therefore, it should be highlighted that, consistently with the requirements set out in the Delegated Regulation (EU) 241/2014, and, in particular, with art. 29.3 thereof, the purchase of new shares has purely market making purposes;
iii. to vest the Board of Directors with the authority to grant the necessary executive powers to one of its members, or to the General Manager, to dispose of the treasury shares held by the Bank in its portfolio, from time to time, at the conditions as follows:
    a) the relevant authorisation is granted with no fixed term;
    b) the disposal of the treasury shares may also take place before the quantity of purchases provided for herein has been exhausted, in one or more tranches, without time limits and in the manner deemed the most expedient, in the Bank's interests and in accordance with the applicable regulations, by trading in the stock exchange or in any other permitted by the applicable provisions,

at a price that shall not be 8% lower than the reference price recorded in the preceding stock exchange trading period and, in any case, in accordance with the applicable regulations.

**With reference to item five on the agenda, has resolved:**

i. to approve the remuneration policy of Banca Finnat Euramerica S.p.A., as illustrated;

ii. to vest the Board of Directors with the authority to sub-delegate the CEO to implement the said policy, also by taking into account any requests made by the Supervisory Authority on the matter."



Rome, 29 April 2016

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| VAT Registration No. | 00856091004 | Investor Relations | investor.relator@finnat.it |

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

www.bancafinnat.it