



BANCA FINNAT

GRUPPO BANCA FINNAT

CONSOLIDATED INTERIM REPORT ON OPERATIONS AT 31 MARCH 2017





CONSOLIDATED INTERIM
REPORT ON OPERATIONS
AT 31 MARCH 2017

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BOARD OF DIRECTORS

Carlo Carlevaris
Honorary Chairman

Flavia Mazzarella
Chairman

Leonardo Buonvino
Deputy Chairman

Marco Tofanelli
Deputy Chairman

Arturo Nattino
Chief Executive Officer

Ermanno Boffa
Director

Roberto Cusmai
Director

Giulia Nattino
Director

Maria Sole Nattino
Director

Lupo Rattazzi
Director

Andreina Scognamiglio
Director

BOARD OF STATUTORY AUDITORS

Alberto De Nigro
Chairman

Barbara Fasoli Braccini
Permanent Auditor

Francesco Minnetti
Permanent Auditor

Laura Bellicini
Alternate Auditor

Antonio Staffa
Alternate Auditor

MANAGEMENT

Arturo Nattino
General Manager

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

Alberto Alfiero
Deputy General Manager

AUDITING FIRM

EY S.p.A.

EXPLANATORY NOTES OF THE INTERIM REPORT ON OPERATIONS

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

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

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

In the Profit and Loss Account and Statement of Comprehensive Income, the figures of the first quarter of 2017 are compared with those of the same period of 2016. The Statement of Comprehensive Income shows the figures relating to the first quarter of the current year compared with the same period last year.

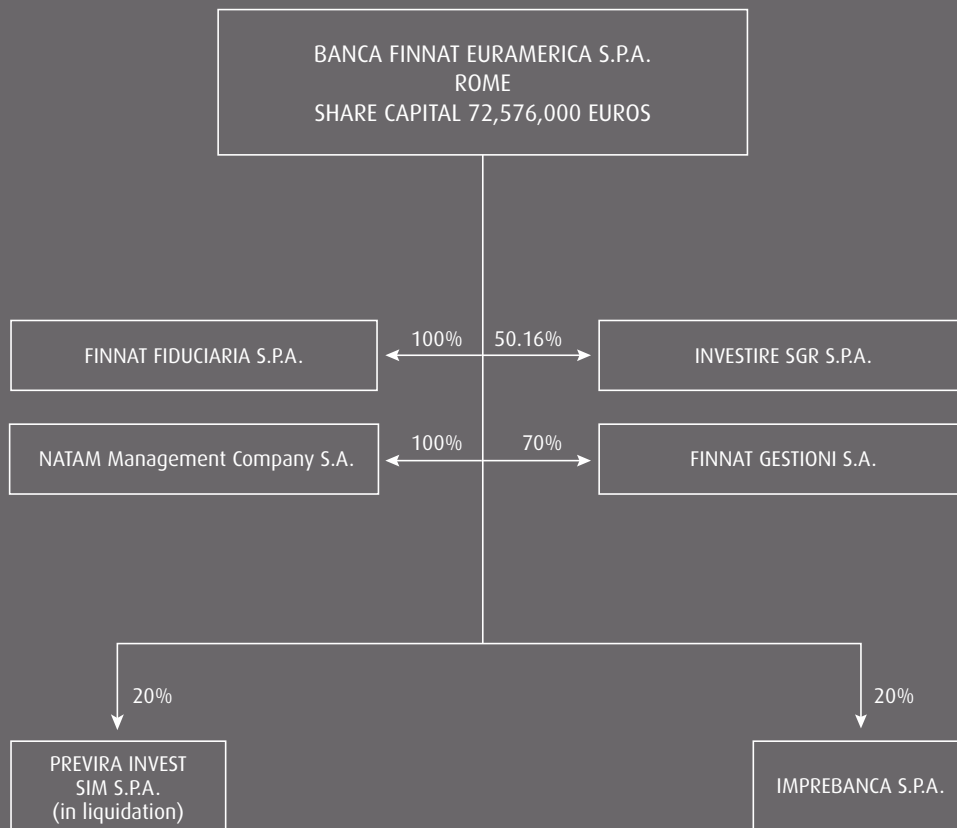
The Balance Sheet shows the values referred to 31 March 2017, compared with those at 31 December 2016, while the Statement of Changes in Net Equity highlights the figures at 31 December 2016 and 31 March 2017 and the changes that took place in the period.

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

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

GROUP STRUCTURE

At 31 March 2017, the Group was structured as shown in the diagram below:



KEY GROUP HIGHLIGHTS

| | 31 March 2016 | 31 December 2016 | 31 March 2017 |
|--|---------------|------------------|---------------|
| CONSOLIDATED GROUP NET EQUITY (in thousands of euros) | 218,164 | 217,504 | 219,894 |
| GROUP HUMAN RESOURCES | 328 | 336 | 338 |
| CONSOLIDATED PROFIT (LOSS) (in thousands of euros) | 1,985 | 7,296 | 1,573 |

MARKET CAPITALISATION OF BANCA FINNAT EURAMERICA

| | Number of shares | Market price 2 May 2017 | Capitalisation 2 May 2017 (in thousands of euros) | Consolidated net equity (in thousands of euros) | Share capital (in thousands of euros) |
|-----------------|------------------|-------------------------|--|--|--|
| ORDINARY SHARES | 362,880,000 | 0.3692 | 133,975 | 219,894 | 72,576 |

Developments in Group funding

(in thousands of euros)

| | December 2014 | December 2015 | December 2016 | March 2017 |
|---|-------------------|-------------------|-------------------|-------------------|
| Direct deposits by Parent Company customers | 336,854 | 417,760 | 510,686 | 512,796 |
| - Due to customers (current accounts) | 248,080 | 331,111 | 418,331 | 405,883 |
| - Time deposits | 40,116 | 60,527 | 68,530 | 83,278 |
| - Outstanding securities | 48,658 | 26,122 | 23,825 | 23,635 |
| Indirect Parent Company deposits | 4,338,207 | 4,609,152 | 4,505,144 | 4,829,095 |
| - Individual portfolio management | 427,690 | 449,753 | 459,775 | 438,746 |
| - Management under mandate | 244,252 | 283,646 | 251,061 | 264,180 |
| - Deposits under administration (UCIs and securities) | 3,451,980 | 3,603,627 | 3,471,594 | 3,761,270 |
| - Deposits administered under consulting arrangements (UCIs and securities) | 183,688 | 229,493 | 255,778 | 289,808 |
| - Third-party insurance products | 30,597 | 42,633 | 66,936 | 75,091 |
| Trusteeships | 1,471,884 | 1,408,787 | 1,374,990 | 1,378,533 |
| Real estate funds | 4,130,632 | 6,769,365 | 7,001,357 | 7,001,357 |
| Total deposits | 10,277,577 | 13,205,064 | 13,392,177 | 13,721,781 |
| Luxembourg-based Sicavs (UCIs of which Banca Finnat is "Promoter": currently New Millennium Sicav and New Millennium Sif). | 702,614 | 725,786 | 677,938 | 722,330 |

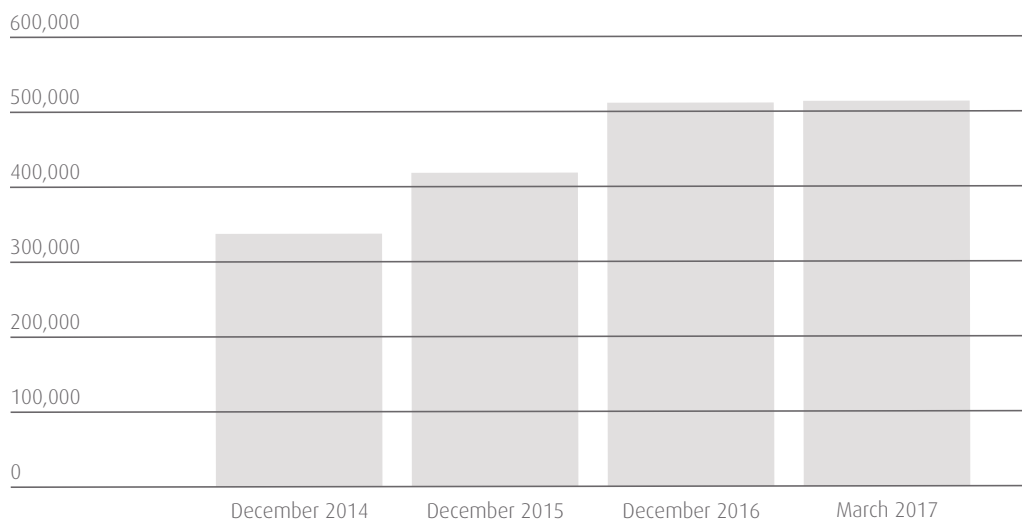
The table above shows the developments in the Group's funding by type. In particular: a) direct and indirect deposits by customers refers to the Bank's activities and does not include repurchase agreements with Cassa di Compensazione e Garanzia; b) funding from trusteeships includes the funds collected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

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

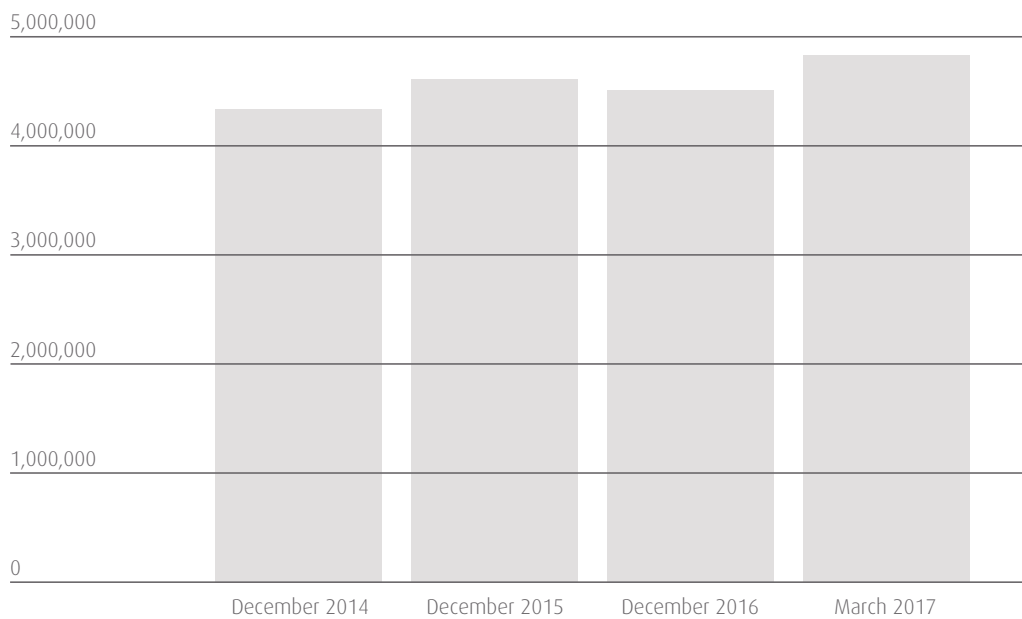




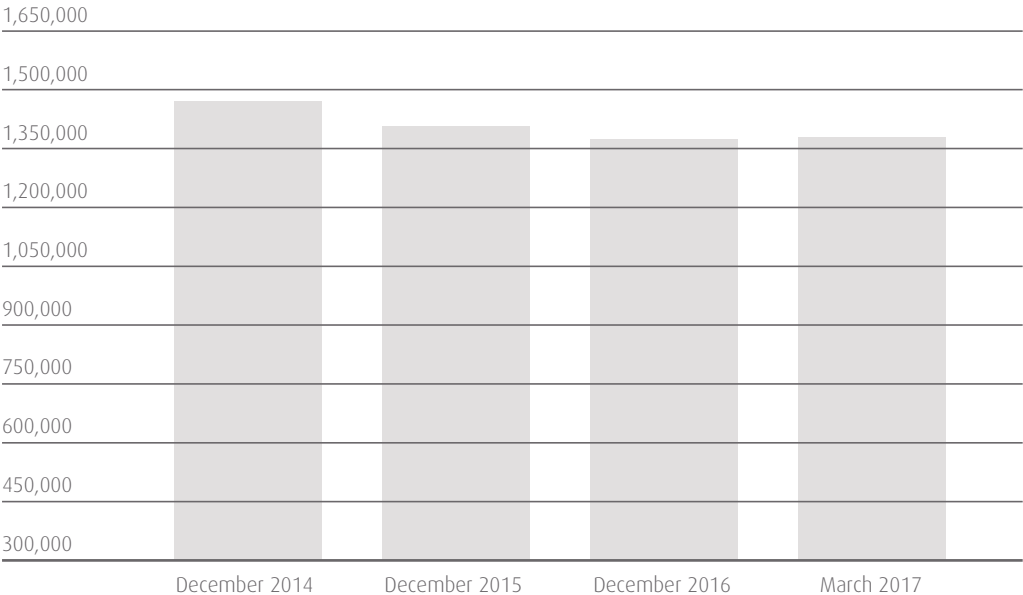
Direct deposits by customers



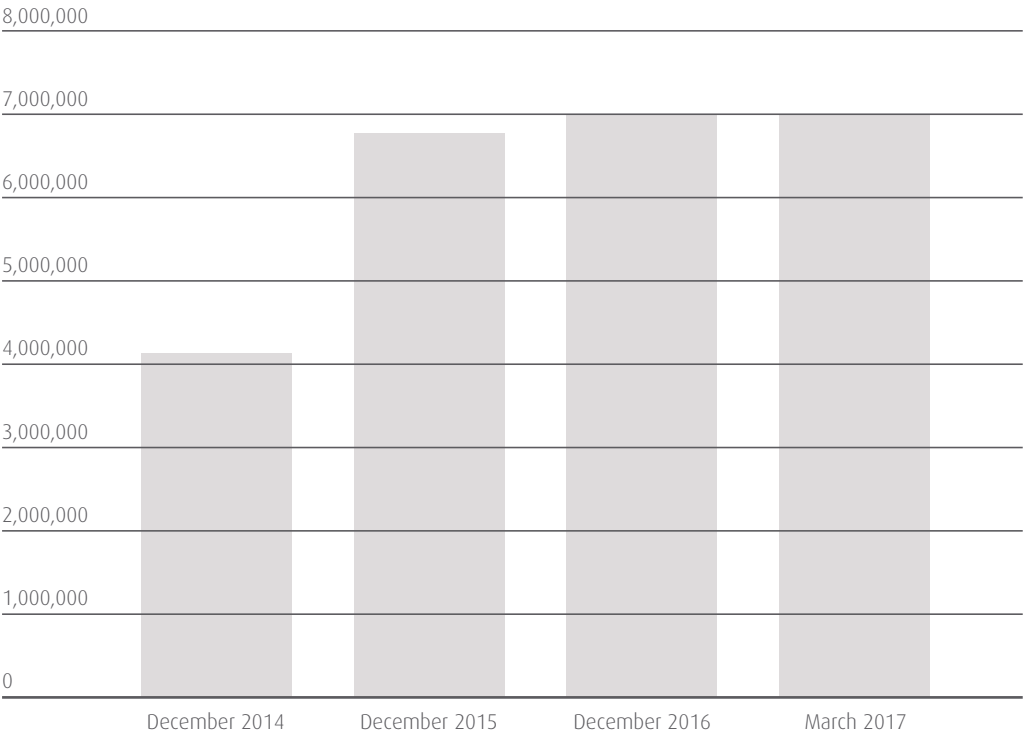
Indirect deposits



Trusteeships

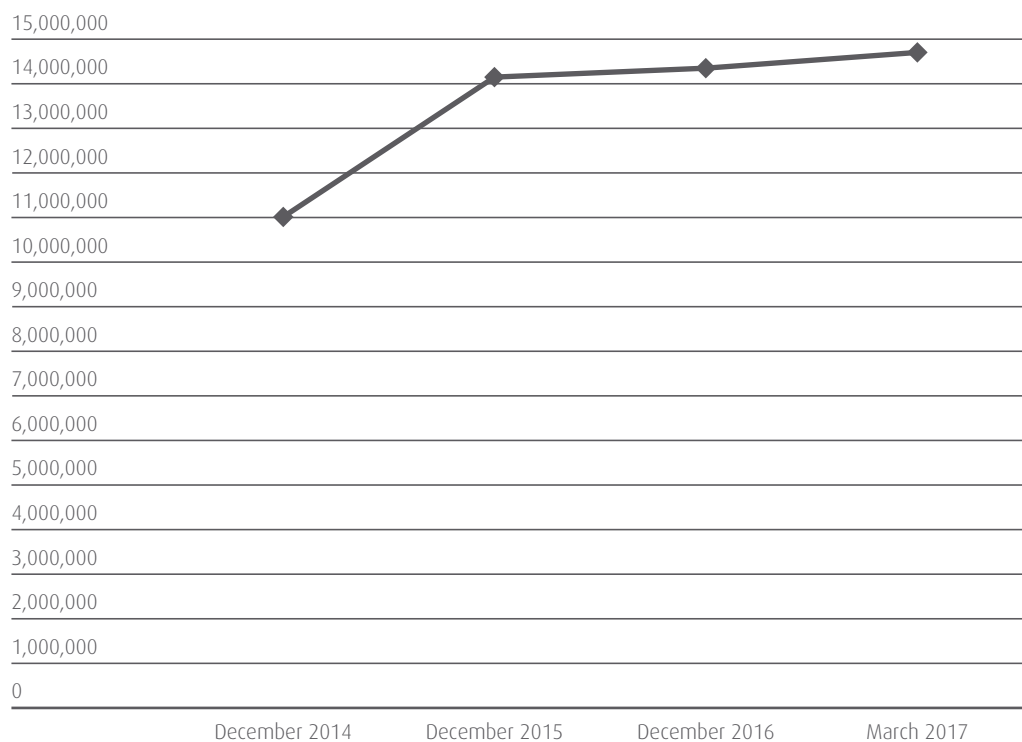


Real estate funds

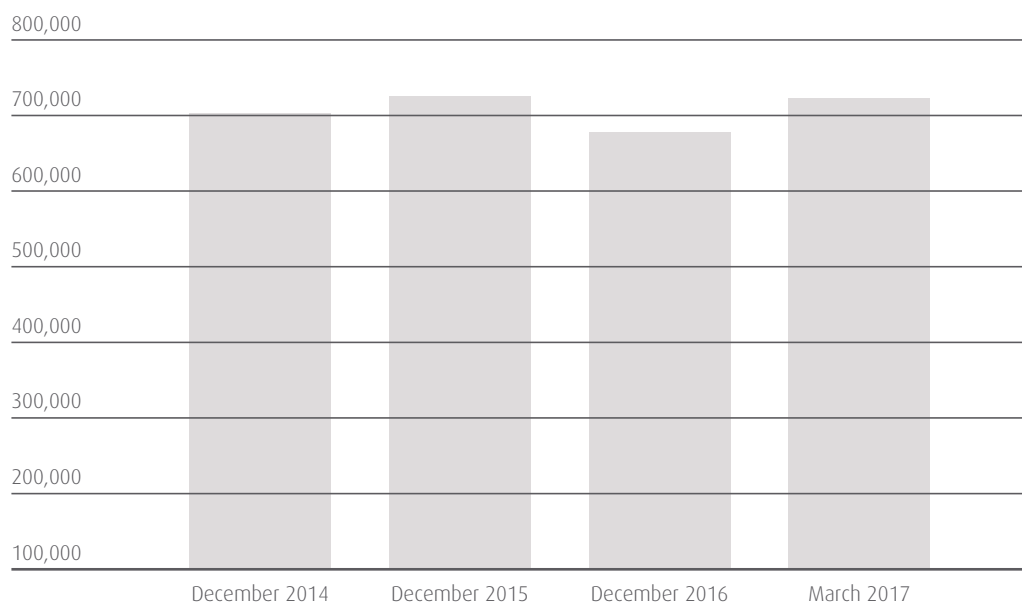




Total Group deposits



Luxembourg-based Sicavs



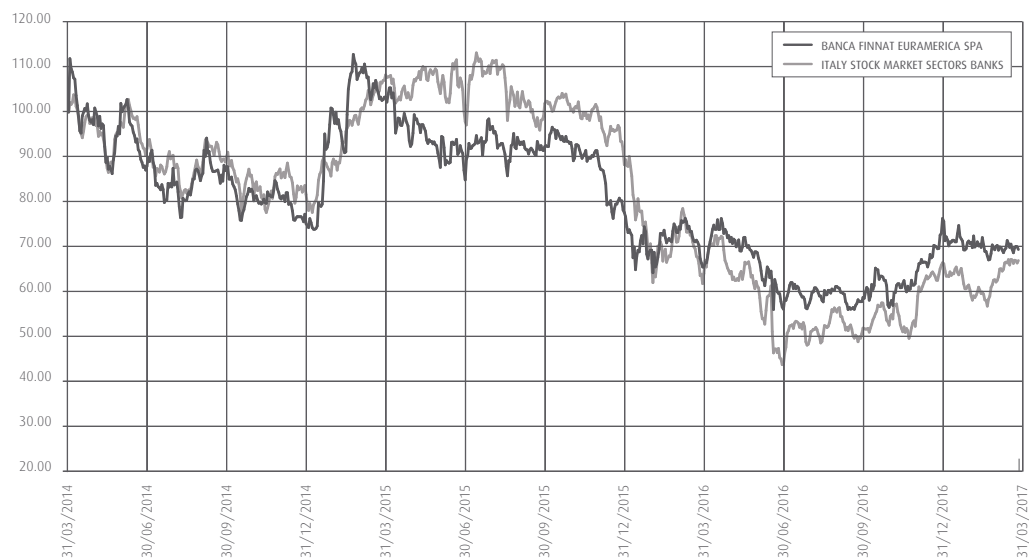
Company stock performance

(in euros)

| SECURITY | Market price 2 May 2017 | Market price 31 March 2017 | Market price 31 December 2016 | Market price 30 September 2016 | Market price 30 June 2016 | Market price 31 March 2016 |
|----------|----------------------------|-------------------------------|----------------------------------|-----------------------------------|------------------------------|-------------------------------|
| BFE | 0.3692 | 0.3708 | 0.3717 | 0.3108 | 0.3203 | 0.3820 |

PERFORMANCE OF BANCA FINNAT SHARES AND COMPARISON WITH THE ITALIAN BANK SECTOR STOCK MARKET INDEX

(Source: Banca Intesa)



SCHEDULES



CONSOLIDATED PROFIT AND LOSS ACCOUNT

(in thousands of euros)

| | Period 1st January 31 March 2017 | Period 1st January 31 March 2016 |
|--|--|--|
| 10 Interest income and similar income | 1,487 | 1,804 |
| 20 Interest expense and similar expense | 448 | 60 |
| 30 Interest margin | 1,935 | 1,864 |
| 40 Commission income | 10,627 | 10,748 |
| 50 Commission expense | (578) | (560) |
| 60 Net commissions | 10,049 | 10,188 |
| 70 Dividends and similar income | 1,586 | 1,461 |
| 80 Net income from trading activities | 315 | 1,139 |
| 90 Net result of hedging activities | - | - |
| 100 Profit (loss) from the transfer or repurchase of: | | |
| a) receivables | | |
| b) available-for-sale financial assets | 1,221 | 361 |
| 120 Earnings margin | 15,106 | 15,013 |
| 130 Net value adjustments/write-backs for the impairment of: | | |
| a) receivables | (318) | 55 |
| b) available-for-sale financial assets | (255) | (9) |
| d) other financial transactions | - | - |
| 140 Net income from financial operations | 14,533 | 15,059 |
| 180 Administrative expenses | | |
| a) staff costs | (8,219) | (7,766) |
| b) other administrative expenses | (3,790) | (3,592) |
| 200 Impairment losses/reversals of impairment losses on tangible assets | (111) | (133) |
| 210 Impairment losses/reversals of impairment losses on intangible assets | (39) | (35) |
| 220 Other operating income and expenses | 337 | 128 |
| 230 Operating costs | (11,822) | (11,398) |
| 240 Profit (loss) from equity investments | 26 | (13) |
| 280 Profit (loss) from current operations before taxes | 2,737 | 3,648 |
| 290 Income tax on current operations | (675) | (1,028) |
| 300 Profit (loss) from current operations after taxes | 2,062 | 2,620 |
| 320 Profit (loss) for the period | 2,062 | 2,620 |
| 330 (Profit) loss for the period of minority interests | (489) | (635) |
| 340 (Profit) loss for the period of parent company | 1,573 | 1,985 |



CONSOLIDATED STATEMENT OF PERFORMANCE OF BANCA FINNAT GROUP

(in thousands of euros)

| Item | Period 1st January 31 March 2017 | Period 1st January 31 March 2016 |
|---|--|--|
| 10 Profit (loss) for the period | 2,062 | 2,620 |
| Other income components after tax and without reversal to profit and loss | | |
| 40 Defined benefit plan | 88 | (237) |
| 60 Portion of the reserves from evaluation of equity investments assessed with the net equity method | (112) | 19 |
| Other income components after tax and with reversal to profit and loss | | |
| 100 Available-for-sale financial assets | 799 | (1,827) |
| 130 Total other income items after tax | 775 | (2,045) |
| 140 Total earnings (Items 10 + 130) | 2,837 | 575 |
| 150 Total consolidated earnings of minority interests | 452 | 468 |
| 160 Total consolidated earnings of parent company | 2,385 | 107 |



CONSOLIDATED BALANCE SHEET - ASSETS

(in thousands of euros)

| | 31.03.2017 | 31.12.2016 |
|---|-------------------|-------------------|
| 10 Cash and cash equivalents | 451 | 475 |
| 20 Financial assets held for trading | 34,571 | 40,489 |
| 40 Available-for-sale financial assets | 1,160,599 | 1,172,947 |
| 50 Financial assets held to maturity | - | 1,999 |
| 60 Due from banks | 129,177 | 170,728 |
| 70 Due from customers | 349,801 | 335,765 |
| 80 Hedging derivatives | 377 | 391 |
| 100 Equity investments | 8,178 | 8,264 |
| 120 Tangible assets | 5,242 | 5,304 |
| 130 Intangible assets | 41,051 | 41,022 |
| of which: | | |
| - goodwill | 37,729 | 37,729 |
| 140 Tax assets | 16,138 | 16,003 |
| a) current tax assets | 2,012 | 1,802 |
| b) deferred tax assets | 14,126 | 14,201 |
| of which L.214/2011 | 12,208 | 12,594 |
| 160 Other assets | 19,873 | 18,196 |
| Total assets | 1,765,458 | 1,811,583 |



CONSOLIDATED BALANCE SHEET - LIABILITIES

(in thousands of euros)

| | 31.03.2017 | 31.12.2016 |
|---|-------------------|-------------------|
| 10 Due to banks | 1,786 | 1,203 |
| 20 Due to customers | 1,458,013 | 1,496,319 |
| 30 Outstanding securities | 23,635 | 23,825 |
| 40 Financial liabilities held for trading | 905 | 10,772 |
| 80 Tax liabilities | 3,960 | 3,602 |
| a) current tax liabilities | 960 | 565 |
| b) deferred tax liabilities | 3,000 | 3,037 |
| 100 Other liabilities | 10,648 | 12,101 |
| 110 Severance indemnity fund | 4,745 | 4,839 |
| 120 Provisions for risks and charges | | |
| b) other funds | 448 | 448 |
| 140 Valuation reserves | 31,235 | 30,423 |
| 170 Reserves | 128,902 | 121,601 |
| 190 Capital | 72,576 | 72,576 |
| 200 Treasury shares (-) | (14,392) | (14,392) |
| 210 Net equity of minority interests | 41,424 | 40,970 |
| 220 Net profit (loss) for the period (+/-) | 1,573 | 7,296 |
| Total liabilities and net equity | 1,765,458 | 1,811,583 |



STATEMENT OF CHANGES IN CONSOLIDATED NET EQUITY AT 31 MARCH 2017

(in thousands of euros)

| | Total net equity at 31.12.2016 | Changes in opening balance | Total net equity at 01.01.2017 | Allocation of profit in the previous financial period | |
|---|--------------------------------|----------------------------|--------------------------------|---|---------------------------------|
| | | | | Reserves | Dividends and other allocations |
| Share capital: | 72,576 | | 72,576 | - | - |
| a) ordinary shares | 72,576 | | 72,576 | - | - |
| b) other shares | - | | - | - | - |
| Share issue premium | - | | - | - | - |
| Reserves: | 160,526 | - | 160,526 | 9,950 | - |
| a) profit | 100,353 | | 100,353 | 6,644 | |
| b) other | 60,173 | | 60,173 | 3,306 | - |
| Valuation reserves | 29,814 | | 29,814 | - | - |
| Capital instruments | - | | - | - | - |
| Own shares | (14,392) | | (14,392) | - | - |
| Profit (loss) for the period | 9,950 | | 9,950 | (9,950) | - |
| Total net equity | 258,474 | - | 258,474 | - | - |
| of which: Group net equity | 217,504 | - | 217,504 | - | - |
| of which: Minority interest net equity | 40,970 | - | 40,970 | - | - |



| | Changes in the period | | | | | | | | Compre- hensive income in the period 1° January 31 March 2017 | Net equity at 31.03.2017 Total | Net equity at 31.03.2017 of the Group | Net equity at 31.03.2017 of minority interests |
|--|------------------------|----------------------------|------------------------------|-----------------------------------|-------------------------------------|---------------------------------|------------------|-------------------------------------|---|---|---|--|
| | Changes in reserves | Net equity transactions | | | | | | | | | | |
| | | New share issues | Purchase of own shares | Extra dividend distribution | Change in capital investments | Derivatives on own shares | Stock options | Changes in equity investments | | | | |
| | - | - | - | - | - | - | - | - | - | 72,576 | 72,576 | - |
| | - | - | - | - | - | - | - | - | - | 72,576 | 72,576 | - |
| | - | - | - | - | - | - | - | - | - | - | - | - |
| | - | - | - | - | - | - | - | - | - | - | - | - |
| | 7 | - | - | - | - | - | - | - | - | 170,483 | 128,902 | 41,581 |
| | - | - | - | - | - | - | - | - | - | 106,997 | 93,299 | 13,698 |
| | 7 | - | - | - | - | - | - | - | - | 63,486 | 35,603 | 27,883 |
| | - | - | - | - | - | - | - | - | 775 | 30,589 | 31,235 | (646) |
| | - | - | - | - | - | - | - | - | - | - | - | - |
| | - | - | - | - | - | - | - | - | - | (14,392) | (14,392) | - |
| | - | - | - | - | - | - | - | - | 2,062 | 2,062 | 1,573 | 489 |
| | 7 | - | - | - | - | - | - | - | 2,837 | 261,318 | - | - |
| | 5 | - | - | - | - | - | - | - | 2,385 | - | 219,894 | - |
| | 2 | - | - | - | - | - | - | - | 452 | - | - | 41,424 |



LIST OF EQUITY INVESTMENTS INCLUDED IN THE SCOPE OF CONSOLIDATION

| Company | Share capital in euros (1) | Head office | % of direct ownership 31.03.2017 | Book value of equity investment (in thousands of euros) | Core business |
|--|----------------------------|-------------|----------------------------------|---|--|
| Parent company: | | | | | |
| Banca Finnat Euramerica S.p.A. | 72,576,000.00 | Rome | | | Banking activities and Parent Bank of the Group |
| Directly controlled subsidiaries: | | | | | |
| Finnat Fiduciaria S.p.A. | 1,500,000.00 | Rome | 100.00 | | Trust company |
| Natam Management Company S.A. | 750,000.00 | Luxembourg | 100.00 | | Deposit management company |
| Finnat Gestioni S.A. | 750,000.00 | Lugano | 70.00 | | Financial management and consulting |
| InvestiRE SGR S.p.A. | 14,770,000.00 | Rome | 50.16 | | Promotion and management of closed-end real estate funds |
| Companies under considerable control: | | | | | |
| Prévira Invest Sim S.p.A. in liquidation | | Rome | 20.00 | 264 | Real estate brokerage company |
| Imprebanca S.p.A. | | Rome | 20.00 | 7,914 | Banking |
| Total | | | | 8,178 | |

All the companies belong to the Banca Finnat Euramerica Group.

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



GENERAL COMMENTS

Results of Banca Finnat Euramerica Group

The first quarter of 2017 features a consolidated net profit of euros 1.573 thousand compared to euros 1.985 thousand at 31 March 2016.

The key elements contributing to this operating result in the first quarter of 2017, period over period, are shown below:

- The **earnings margin** at 31 March 2017 amounts to euros 15.106 thousand compared to euros 15.013 thousand period over period. The total increase of euros 93 thousand is the result of:
 - increases*
 - euros 71 thousand for Interest Margin (euros 1.935 thousand at 31 March 2017 compared to euros 1.864 thousand period-over-period);
 - euros 125 thousand for Dividends and similar revenue (euros 1.586 thousand at 31 March 2017 compared to euros 1.461 thousand period-over-period);
 - euros 860 thousand for Gains from the transfer of available-for-sale securities (euros 1.221 thousand at 31 March 2017 compared to euros 361 thousand period-over-period);
 - decreases*
 - euros 139 thousand for Net Commissions (euros 10.049 thousand in the first quarter of 2017, compared to euros 10.188 thousand period-over-period);
 - euros 824 thousand as the net result of trading operations. At 31 March 2017, the item features a positive balance of euros 315 thousand, compared to euros 1.139 thousand period-over-period. The drop is due exclusively to the negative result of the forward sale of GBP, in relation to the hedging of the LSEG shares.
- **Impairment adjustments** at 31 March 2017 total euros 573 thousand, while in the same period of 2016 reversals of impairment losses for euros 46 thousand had been recorded. The adjustments in the period are related to the items “Available-for-sale financial assets” for euros 255 thousand, and “Receivables” for euros 318 thousand.
- **Administrative expenses** total euros 12.009 thousand in the first quarter of 2017, compared to euros 11.358 thousand period-over-period. They are up, overall, by euros 651 thousand and are made up as follows:
 - staff costs, totalling euros 8.219 thousand, are up by euros 453 thousand period-over-period (euros 7.766 thousand);
 - other administrative expenses, totalling euros 3.790 thousand, are up by euros 198 thousand period-over-period (euros 3.592 thousand).
- **Other operating income/expenses** at 31 March 2017 feature a positive balance of euros 337 thousand, compared to euros 128 thousand period-over-period.



- **Income tax** at 31 March 2017 totals euros 675 thousand, compared to euros 1.028 thousand at 31 March 2016.

* * *

The overall result for the first quarter of 2017, which also includes the changes in the “Valuation reserve”, is highlighted in the Statement of Comprehensive Income.



DIRECTORS' REPORT ON OPERATIONS

Market disclosure

Regarding market disclosure, the Bank and Group declare that:

- with reference to the request made by the Bank of Italy, in its Communication of 17 June 2008, the Group's exposure to financial products perceived by the market as risky comprises the investment in "FIP Funding Class A2-2023" bonds, recognised in the Parent Company's financial statements as "trading shares", totalling euros 2.430 thousand (with a nominal value of euros 4.000 thousand). This investment (CMBS Commercial Mortgage-Backed Securities) is the result of the securitisation of the loan to Fondo Immobili Pubblici (managed, as mentioned above, by the subsidiary Investire Immobiliare SGR) and is guaranteed by a special lien on the real estate owned by the Fund, which is almost exclusively leased out to Government entities; consequently, it is an investment that is not exposed to the risk of insolvency.

At 31 March 2017, the Bank and the other Group companies – with the exception of the above mentioned investment – were not exposed to and/or did not hold an interest, either directly or through vehicle companies or other non-consolidated entities, in financial instruments or UCIs characterised by high-risk investments, such as: SPEs (Special Purpose Entities) – CDOs (Collateralized Debt Obligations) – Other subprime exposures and Alt-A – CMBSs (Commercial Mortgage-Backed Securities) – Leveraged Finance;

- the BoD of Banca Finnat Euramerica S.p.A., in accordance with Consob Resolution No.18079 of 20 January 2012, decided - on 21 January 2013 - to comply with the "simplification system" provided for in articles 70(8) and 71 (1-bis) of the Regulation adopted by Consob with Resolution No. 11971 of 14 May 1999, as amended and supplemented, which exempts listed companies from the obligation of presenting the documents referred to in its Schedule 3B, relating to future extraordinary transactions involving mergers, demergers, capital increases, through contributions in kind, acquisitions and disposals;
- regarding the requests set out in document no. 2 issued jointly by the Bank of Italy, Consob and Isvap on 6 February 2009, the following document no. 4 of 4 March 2010 and paragraphs 15 and 25 of IAS 1, regarding the mandatory information to be provided, with respect to the basis of business continuity, we confirm here the illustration made in the Notes to the financial statements for 2016;
- the Bank of Italy has published Circular 285 "Provisions for the prudential supervision of banks", which illustrates the implementation of the provisions in force since 1 January 2014. The document provides, inter alia, in the transitional provisions regarding "own funds", the right not to include, in the calculation of the regulatory capital, any unrealised profits and losses, with regard to dealings with the Central Government departments classified in the category "Financial assets available for sale". This option (which has been called "sterilisation") shall be valid until the entry into force of IFRS 9, which is set to replace IAS 39 on financial instruments. The Bank exercised its option within the prescribed period. IFRS 9 entered into effect on 19 December 2016 (twenty days after its publication in the Official Journal of the European Union) and it must be implemented by 1 January 2018 at the latest. Awaiting formal clarifications by the EU authorities, the Bank of Italy communication of 26 January 2017 provides that the option shall continue to apply to so-called "less significant banks", such as Banca Finnat.





Main transactions and events in the period

The main transactions and events in the period are as follows:

- on 9 February 2017, the Board of Directors of the Bank also resolved to appoint the Deputy General Manager Mr. Giulio Bastia to the position of new Joint General Manager and Officer in charge of preparing the accounting documents, replacing Mr. Paolo Colletti;
- on 10 March 2017, the Board of Directors of the Bank accepted the resignation of the Chairperson Mr. Giampietro Nattino and appointed the Director Ms. Flavia Mazzarella in his place, as the new Chairperson of the Bank, who shall maintain the characteristics of Independent Director. The Board also co-opted, as Independent Director, Mr. Marco Tofanelli, appointing him to the position of Deputy Chairperson and Lead Independent Director. The Board also resolved on the new membership of the Risks and Appointments Committees.

Significant events occurring after the end of the quarter

After 31 March 2017 – and until the date hereof – no significant transactions or events occurred, such as to affect the Group's operations, equity or assets.

However, on the 27 April 2017, the General Meeting of Shareholders of the Bank:

- approved the Financial Statements at 31 December 2016 and resolved to distribute to the Shareholders a gross dividend of euros 0.01 per share, due for payment on 17 May 2017 (coupon detachment date: 15 May 2017);
- confirmed Mr. Marco Tofanelli – who had already been co-opted to the Board of Directors on 10 March 2017 – to the position of independent non-executive Director. Mr. Tofanelli's term of office shall expire, with that of the entire Board of Directors, at the approval of the Financial Statements for 2017;
- approved the Remuneration Policy, pursuant to art. 123-ter of Legislative Decree 58/98.

Foreseeable outlook

Based on the forecasts by the Bank and its subsidiaries, with regard to the annual performance of the Group, the Management expects this year's net consolidated result to be no lower than the result recorded in 2016, which included considerable revenues from performance commissions by the subsidiary InvestIRE SGR S.p.A.

REPORTING STANDARDS

The Interim Report on Operations of Banca Finnat Euramerica Group as at 31 March 2017 was prepared, as illustrated in the paragraph “Notes to accompany the Interim Report on Operations”, in compliance with the provisions of article 154-ter, paragraph 5 of Legislative Decree 58/98 and consistently with the IAS/IFRS international accounting standards. The Report provides some of its quantitative financial information in thousands of euros, using, wherever possible, the schedules indicated by the Bank of Italy in its Circular Letter no. 262 of 22 December 2005 (as updated). The Report also contains a paragraph dedicated to portfolio transfer and fair value disclosures.

The reporting standards applied for the preparation of this Report are unchanged compared to those adopted for the financial statements as at 31 December 2016.

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

The quarterly statements included in the consolidation process are those of subsidiaries, approved by their respective governance Bodies as at 31 March 2017, while in the case of associated companies, reference was made to the most recent available financial report. The acquired financial reports are adjusted, where necessary, so that they conform to the Group accounting standards.

More specifically:

- the operating data (consolidated Profit and Loss Account and consolidated Statement of Comprehensive Income) regard the reference quarter and have been compared with the same period of the previous year;
- the balance sheet data at the closing date of the quarter have been compared with the data at the closing date of the previous year;
- the net equity data are highlighted at 31 December 2016 and 31 March 2017, with the relevant changes in the period;
- the income for the period is shown after tax, determined based on the applicable rates and the information available at the time of preparation. The Bank and its Italian-based subsidiaries have opted for “national consolidated taxation”, pursuant to articles 117/129 of the TUIR (Income Tax Consolidation Act). The option was renewed in 2016 for the 3-year period from 2016 to 2018. By virtue of this option, the Group companies determine their respective taxes and the corresponding tax income (taxable income or tax loss) is transferred to the Parent Company, which features a single reportable taxable income or tax loss (which is the result of the algebraic sum of its own and the participating subsidiaries’ incomes/losses) and, consequently, a single income tax credit/debt.

The consolidation area has not changed, compared to the financial statements at 31 December 2016.

Pursuant to the applicable laws, this Interim Report on Operations is not subject to external audit.



PORTFOLIO TRANSFER AND FAIR VALUE DISCLOSURES

Transfers between portfolio categories

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

- in 2008, it transferred several bonds from the “Financial assets held for trading” portfolio to the “Financial assets held to maturity” portfolio, for a total nominal value of euros 3600 thousand. At 31 March 2017, all the following bonds had been reimbursed at maturity;
- in 2010, it transferred 3 UCI units (relating to a real estate fund) from the “Financial assets held for trading” portfolio to the “Financial assets available for sale” portfolio.

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

| Type of financial instrument | Source portfolio | Target portfolio | Book value at 31.03.2017 | Fair value at 31.03.2017 | Income components lacking transfer (before-tax) | | Income components recorded in the year (before tax) | |
|------------------------------|------------------|------------------|--------------------------|--------------------------|---|--------|---|--------|
| | | | | | Items | Others | Items | Others |
| Debt securities | HFT | HTM | - | - | - | - | - | - |
| UCI units | HFT | AFS | 1,481 | 1,481 | - | - | - | - |



Fair value hierarchy

The following table shows the balances as at 31 March 2017 and 31 December 2016 of the portfolios of financial instruments carried at fair value, according to a hierarchy that reflects the significance of the inputs utilised in the measurements.

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

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

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

| Financial assets/liabilities measured at fair value | 31.03.2017 | | | 31.12.2016 | | |
|---|------------------|---------------|--------------|------------------|---------------|--------------|
| | L1 | L2 | L3 | L1 | L2 | L3 |
| 1. Financial assets held for trading | 15,827 | 18,739 | 5 | 25,356 | 15,119 | 14 |
| 2. Financial assets measured at fair value | - | - | - | - | - | - |
| 3. Available-for-sale financial assets | 1,114,599 | 41,528 | 4,472 | 1,131,381 | 36,642 | 4,924 |
| 4. Hedging derivatives | - | 377 | - | - | 391 | - |
| 5. Tangible assets | - | - | - | - | - | - |
| 6. Intangible assets | - | - | - | - | - | - |
| Total | 1,130,426 | 60,644 | 4,477 | 1,156,737 | 52,152 | 4,938 |
| 1. Financial liabilities held for trading | - | 905 | - | - | 10,772 | - |
| 2. Financial liabilities measured at fair value | - | - | - | - | - | - |
| 3. Hedging derivatives | - | - | - | - | - | - |
| Total | - | 905 | - | - | 10,772 | - |

Key:

L1 = Level 1

L2 = Level 2

L3 = Level 3



PROFIT AND LOSS ACCOUNT, COMPREHENSIVE INCOME AND BALANCE SHEET DISCLOSURES

PROFIT AND LOSS ACCOUNT

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

INTEREST

| | Period 1st January 31 March 2017 | Period 1st January 31 March 2016 |
|--------------------------------------|--|--|
| Interest income and similar income | 1,487 | 1,804 |
| Interest expense and similar expense | 448 | 60 |
| Interest margin | 1,935 | 1,864 |

The interest margin, almost entirely related to the Bank, increased by euros 71 thousand.

COMMISSIONS

| | Period 1st January 31 March 2017 | Period 1st January 31 March 2016 |
|------------------------|--|--|
| Commissions receivable | 10,627 | 10,748 |
| Commissions payable | (578) | (560) |
| Net commissions | 10,049 | 10,188 |

Net commissions in the period dropped by euros 139 thousand, period over period.

NET INCOME FROM TRADING ACTIVITIES

Net income from trading activities in the first quarter of 2017, connected exclusively with Bank operations, features a positive balance of euros 315 thousand, compared to the equally positive balance of euros 1.139 thousand, period over period, and is made up as follows:

- euros 191 thousand, as a result of the positive balance between realised profits and losses related to trading on securities and derivative instruments;
- euros 136 thousand, as a result of the positive difference between unrealised capital gains and losses, due to the fair value valuation of the trading portfolio;
- euros 12 thousand, as a result of the negative balance of:
 - unrealised net capital losses for euros 222 thousand, due to the fair value measurement of forward contracts for the purchase and sale of currencies and Interest Rate Swap Amortizing;
 - a 210 thousand euro net profit (this figure includes the profit totalling euros 115 thousand on forward sales of Sterling against Euro, to hedge against exposure to exchange rate risk related to the LSEG shares, which does not fulfil the requirements provided under IAS 39 with respect to identification of hedging transactions).



PROFIT (LOSS) FROM THE TRANSFER/REPURCHASE OF: AVAILABLE-FOR-SALE FINANCIAL ASSETS

At 31 March 2017, the item features a positive balance of euros 1.221 thousand compared to euros 361 thousand period over period. The amount consists of the capital gains realised by the Bank, of euros 1,214 thousand from the sale of 42,500 shares of London Stock Exchange Group plc.

VALUE ADJUSTMENTS / RE-ADJUSTMENTS FOR THE IMPAIRMENT OF:

- Receivables
At 31 March 2017, the item features net value adjustments for euros 318 thousand, compared to the net re-adjustments for euros 55 thousand period over period.
- Available-for-sale financial assets
At 31 March 2017, the item features value adjustments for euros 255 thousand, compared to euros 9 thousand period-over-period.

In the period in question, the Bank made value adjustments for euros 68 thousand, with regard to the Net Insurance shares, and for a thousand euros, with regard to UCI units held, while the subsidiary InvestiRE SGR S.p.A. made value adjustments for euros 186 thousand, with regard to UCI units held.

ADMINISTRATIVE EXPENSES

| | Period 1st January 31 March 2017 | Period 1st January 31 March 2016 |
|-------------------------------|--|--|
| Staff costs | 8,219 | 7,766 |
| Other administrative expenses | 3,790 | 3,592 |
| Total | 12,009 | 11,358 |

Administrative expenses are up, overall, by euros 651 thousand overall, period over period.

Staff costs are up by euros 453 thousand, period over period. This result primarily concerns the Bank, for euros 203 thousand, InvestiRE SGR S.p.A. for euros 143 thousand, the newly-incorporated company Natam S.A. for euros 76 thousand and the other Group companies for a total of euros 31 thousand.

Other administrative expenses increased by euros 198 thousand, period over period, of which euros 179 thousand due to InvestiRE SGR S.p.A., euros 64 thousand for Natam S.A., while the Bank and the other Group companies have recorded a drop of euros 41 thousand and euros 4 thousand, respectively.

OTHER OPERATING INCOME AND EXPENSES

This item features a positive balance of euros 337 thousand, compared to euros 128 thousand period over period. The item includes cost recoveries from clients for euros 250 thousand (euros 372 thousand at 31 March 2016). In the first quarter of 2017, the item included the positive result - amounting to euros 15 thousand - of the trading of CO2 emission certificates (CO2 quotas) by the Bank.

INCOME TAX

Income tax in the period features a balance of euros 675 thousand, compared to euros 1.028 thousand period over period.



Income tax has been calculated based on the applicable tax rates.

ANALYSIS OF COMPREHENSIVE INCOME

The positive change in the valuation reserves for euros 799 thousand - of which euros 873 thousand relating to the Group - shown in item "100. Financial assets available for sale" of the Statement of comprehensive income, is the result of the following investments:

by the Parent Company

- euros 1.485 thousand in London Stock Exchange Group plc shares;
- euros 193 thousand in Anima Holding S.p.A. shares;
- euros 52 thousand in other Vetrya S.p.A. shares;
- euros 18 thousand in UCI units;
- euros (799) thousand in Italian sovereign bonds and other debt securities;

by the other Group companies

- euros (75) thousand in UCI units;
- euros (1) thousand in Italian sovereign bonds and other debt securities.

After the changes above, the Group valuation reserves relating to "Financial assets available for sale", at 31 March 2017, feature a positive balance of euros 30.235 thousand, while those relating to minority interests show a negative balance of euros 616 thousand and are related to the subsidiary InvestiRE SGR S.p.A..

The Group reserves may be broken down as follows:

(in thousands of euros)

| Parent Company | | |
|---|--------------|---------------|
| London Stock Exchange Group plc shares | euros | 29,907 |
| Anima Holding shares | euros | 1,409 |
| CSE quotas | euros | (633) |
| Vetrya shares | euros | 18 |
| UCI units | euros | 234 |
| Italian sovereign bonds and other debt securities | euros | (80) |
| | euros | 30,855 |
| Other Group companies | | |
| UCI units | euros | (619) |
| Italian sovereign bonds and other debt securities | euros | (1) |
| | euros | 30,235 |



BALANCE SHEET

The most significant balance sheet items at 31 March 2017 are presented below, in thousands of euros:

FINANCIAL ASSETS HELD FOR TRADING

Financial assets held for trading, exclusively by the Bank, amount to euros 34.571 thousand.

The item includes debt securities amounting to euros 27.140 thousand, UCI units totalling euros 5.611 thousand, equities and warrants totalling euros 1.317 thousand. The item also features the positive measurement of forward contracts for the purchase and sale of currency for euros 503 thousand.

FINANCIAL ASSETS AVAILABLE FOR SALE

This item amounts to euros 1.160.599 thousand and includes the financial instruments held in the portfolios of the following companies:

- Banca Finnat Euramerica S.p.A.: euros 1.157.874 thousand,
- InvestiRE SGR S.p.A.: euros 1.221 thousand,
- Finnat Fiduciaria S.p.A.: euros 1.504 thousand,

The parent company holds the following securities:

- Italian sovereign bonds totalling euros 1.065 million, of which euros 395 million maturing in 2017, euros 590 million maturing in 2018 ad euros 80 million maturing in 2024;
- other debt securities for a nominal value of euros 22 million;
- equities amounting to euros 40 million, representing strategic investments, as follows:
 - listed securities: London Stock Exchange Group plc., Anima Holding S.p.A., Net Insurance S.p.A. and Vetrya S.p.A.;
 - unlisted securities: Fideuram Investimenti SGR S.p.A., SIA S.p.A., Calipso S.p.A., CSE Consorzio Servizi Bancari S.r.l. and Cassa di Risparmio di Cesena S.p.A.
- UCI units amounting to euros 26 million, which primarily include 223 units of the Fondo Immobili Pubblici (FIP) Fund.

FINANCIAL ASSETS HELD TO MATURITY

This item, exclusively regarding the Bank, has been zeroed at the expiry (in January 2017) of the euros 2 million bond transferred, in 2008, from the “Financial assets held for trading”.

DUE FROM BANKS

The item “Due from banks” amounts to euros 129.177 thousand and the amount due to the Bank is euros 115.353 thousand. The item does not include debt securities.

DUE FROM CUSTOMERS

The item “Due from customers”, at 31 March 2017, amounts to euros 349.801 thousand.

As at the date of this Report, current accounts, loans and other receivables include the following **deteriorated**





assets relating to the Parent Company, amount to euros 12.985 thousand (euros 8.240 thousand minus write-downs), broken down as follows:

- **non-performing loans** totalling euros 8.641 thousand (euros 4.260 thousand minus write-downs), with regard to the following positions:
 - a gross credit exposure of euros 4.572 thousand (euros 2.094 thousand minus write-downs) relating to a mortgage contract terminated by the Bank on 8 July 2011. The mortgage is backed by real estate, the valuation of which – supported by a specific report updated to 1 December 2016 – entirely covers the value of the net exposure. The company, previously wound up, has filed an application with the Court of Rome for admission to arrangement with creditors. The recoverable amount of the debt has been determined based on the expert appraisal of the value of the security provided, adjusted in order to take into account the above mentioned uncertainty and the debt recovery time, also considering the Bank's privileged position, with respect to the real estate collateral backing the exposure;
 - euros 4.069 thousand, as follows: euros 1.105 thousand are trade receivables and euros 2.964 thousand are financial receivables.

The itemised impairments total euros 4.381 thousand (of which euros 1.086 thousand are trade receivables).

- **“unlikely to pay”** items totalling euros 1.631 thousand (euros 1.288 thousand minus write-downs), made up of:
 - current account credit lines for euros 259 thousand;
 - loans for euros 1.093 thousand (euros 170 thousand expired instalments and euros 923 thousand of maturing capital);
 - trade receivables for euros 279 thousand.

The itemised impairment of the “unlikely to pay” items totals euros 343 thousand (of which euros 225 thousand are trade receivables);

- other positions **beyond the maturity date and over-run** for more than 90 days, total euros 2.713 thousand (euros 2.692 thousand minus write-downs).

At 31 March 2017, there were 14 performing **forbearance** items, of which:

- 5 deteriorated positions totalling euros 978 thousand (of which, 2 included among the likely failures to pay for euros 151 thousand and 3 positions beyond the maturity date for euros 827 thousand).
- 9 non-deteriorated positions for euros 3.779 thousand;

As usual, at 31 March 2017, the Bank calculated the portfolio impairments relating to cash flow loans, based on the average historic series for default rates of cash flow loans, provided by the Risk Centre. The impairment, totalling euros 2.111 thousand, is higher than the appropriations made for this purpose at 31 December 2016, which totalled euros 1.891 thousand.

In the first quarter of 2017, the Bank recognised in item 130 of the Profit and Loss Account “Net value adjustments/re-adjustments for the impairment of: a) loans”, featuring adjustments for euros 324 thousand, of which euros 19 thousand for loans written off, euros 85 thousand for specific net adjustments, and euros 220 thousand for portfolio adjustments.

At 31 March 2017, the bad debts fund had reached the amount of euros 6.856 thousand, of which: euros 4.745 thousand for itemised impairments and euros 2.111 thousand for portfolio impairments.

Regarding the other Group companies, the subsidiary Finnat Fiduciaria S.p.A. recognised net re-adjustments for euros 6 thousand. The bad debts fund at 31 March 2017 totals euros 848 thousand, compared to gross deteriorated loans for euros 1.039 thousand.

“Due from customers” also includes the “Deposits for margins” at the Cassa di Compensazione e Garanzia for euros 21.235 thousand and Senior Fin.Re SPV bonds, purchased by the Bank for euros 685 thousand (for a nominal value of euros 2.100 thousand) and issued within the framework of a securitisation programme for “unsecured non-performing loans”.

HEDGING DERIVATIVES

The item concerns the hedge accounting – with regard to the forward sale of 15 million GBP, effected by the Bank in December 2015 (expiring on 21 December 2016 and renewed, for the same amount, with expiry date 21 December 2017). The aim of this transaction was to neutralise the impact of the euros/GBP exchange rate changes on a part of the shares of London Stock Exchange Group plc (LSEG) held in the “Financial assets available for sale” portfolio, which, at 31 March 2017, totalled 879,400 shares for a value of GBP 27.9 million.

At 31 March 2017, the positive fair value of this forward sale amounted to euros 377 thousand.

The income components (Item 90 “Net result of hedging transactions”) are recognised for an equal amount (euros 13 thousand) and concern the positive fair value of the forward hedging derivative and a portion of the negative reserve of the LSEG shares generated by the exchange component.

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

Besides the hedge described above, the Bank also hedged the exchange risk also relating to the LSEG shares for a further GBP 13.3 million, the fair value of which – at 31 March 2017 – is included in the trading portfolio.

EQUITY INVESTMENTS

Equity investments total euros 8.178 thousand and are itemised in the table shown on page 17.

TANGIBLE AND INTANGIBLE ASSETS

Tangible assets amount to euros 5.242 thousand, euros 4.784 thousand of which refer to the Parent Company.

Intangible assets amount to euros 41.051 thousand and include the goodwill recorded in 2003 by the Bank for euros 300 thousand and the goodwill recorded in 2015 by the subsidiary InvestiRE SGR S.p.A. for euros 37.429 thousand.



The intangible assets also include euros 2.677 thousand in positive consolidation differences relating to Finnat Fiduciaria S.p.A. and InvestiRE SGR S.p.A..

TAX ASSETS

Tax assets, totalling euros 16.138 thousand, include credits for current tax assets for euros 2.012 thousand and deferred tax assets for euros 14.126 thousand. The latter refer to the tax depreciation of the goodwill over the forthcoming years amounting to euros 11.635 thousand (euros 10.791 thousand of which refers to the subsidiary InvestiRE SGR S.p.A. and euros 844 thousand to the Bank).

OTHER ASSETS

The item features a balance of euros 19.873 thousand and includes receivables from the Cassa Compensazione e Garanzia totalling euros 6.944 thousand, receivables from the Internal Revenue Service as withholding agent for euros 5.189 thousand and receivables from Counterparties and Brokers for euros 365 thousand.

DUE TO BANKS

The item, exclusively relating to the Bank's operations, totals euros 1.786 thousand.

DUE TO CUSTOMERS

This item, relating exclusively to the Bank, amounts to euros 1.458.013 thousand, of which euros 891.804 thousand are the result of repurchase agreements with the Cassa di Compensazione e Garanzia.

OUTSTANDING SECURITIES

This item, exclusively relating to the Bank, totals euros 23.635 thousand, and refers to debenture loans, issued by the Bank, inclusive of the accrued coupon. The amount is net of the value of securities held by the Bank for trading, with a nominal value of euros 1.372 thousand.

FINANCIAL LIABILITIES HELD FOR TRADING

The item, exclusively relating to the Bank, totals euros 905 thousand and comprises: euros 795 thousand relating to the negative valuation of forward contracts for the purchase and sale of foreign currencies, and euros 110 thousand relating to the fair value measurement of an amortising interest rate swap, which represents a hedging transaction for managing the interest rate risk.

TAX LIABILITIES

"Tax liabilities" total euros 3.960 thousand and include liabilities for current income tax of euros 960 thousand and deferred tax liabilities for euros 3.000 thousand.

OTHER LIABILITIES

"Other liabilities" total euros 10.648 thousand, primarily consisting of amounts due for social security and insurance contributions for euros 923 thousand, amounts due to counterparties and brokers for euros 237 thousand, payables to the Internal Revenue Service, as tax withholding agent, for euros 863 thousand, payables due to suppliers for euros 829 thousand, and payables to staff totalling euros 2.560 thousand.



PROVISIONS FOR RISKS AND CHARGES – OTHER FUNDS

The amount of euros 448 thousand is the appropriation made by the Bank to hedge the compensation that would possibly have to be paid out in the event of the failed collection of the commissions accrued on a real estate fund.

NET EQUITY

The Group's consolidated net equity amounts to euros 219.894 thousand (euros 217.504 thousand at 31 December 2016) and the movements over the period in total net equity, and that of the Group and minority interests, have been reported in the related table.

The consolidated Regulatory Capital (own funds) at 31 March 2017 totals euros 148.719 thousand (euros 154.634 thousand at 31 December 2016), while the *Total Capital ratio* amounts to 28% (30.1% at 31 December 2016) and the *CET1 ratio* and *Tier1 ratio* total 27.8% (29.7% at 31 December 2016). The drop in the above values is primarily the result of the application of the transitional provisions of the applicable regulations,

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

At 31 March 2017, the own shares in portfolio, held exclusively by the Parent Company, amounted to 29,492,710. These shares, amounting to euros 14.392 thousand, are equivalent to 8.13% of the share capital of the Bank, and pursuant to IAS 32, were carried as an adjustment to the net equity. During the period in question, the Bank did not purchase or sell any own shares.

Rome, 10 May 2017



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

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

declares

that the Consolidated Interim Report on Operations at 31 March 2017 is consistent with the company's accounting records, books and entries.

Rome, 10 May 2017

The Officer in charge of preparing corporate
reports and accounting documents
(Giulio Bastia)



| | | | |
|------------------------|--|--------------------|--|
| SHARE CAPITAL | 72,576,000 euros (fully paid-up) | Telephone | +39 06 69933.1 |
| Headquarters | 00186 Rome - Palazzo Altieri - Piazza del Gesù, 49 | Fax | +39 06 6791984 |
| REA Reg. No. | 444286 | Website | www.bancafinnat.it |
| Tax Identification No. | 00168220069 | Email | banca@finnat.it |
| VAT Registration No. | 00856091004 | Investor Relations | investor.relator@finnat.it |

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

www.bancafinnat.it

