BANCA FINNAT

GRUPPO BANCA FINNAT

FINANCIAL STATEMENTS AT 31 DECEMBER 2017 - 88TH FINANCIAL YEAR

FINANCIAL STATEMENTS

AT 31 DECEMBER 2017

88TH FINANCIAL YEAR

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CORPORATE BODIES

BOARD OF DIRECTORS

Carlo Carlevaris
Honorary Chairman

Flavia Mazzarella
Chairman

Leonardo Buonvino
Deputy Chairman

Marco Tofanelli
Deputy Chairman

Arturo Nattino
Managing Director

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
Manager in charge of preparing the accounting documents

Alberto Alfiero
Deputy General Manager

AUDITING FIRM
EY S.p.A.

EXCERPT FROM THE NOTICE OF CALL OF SHAREHOLDERS' MEETING

(in accordance with Art. 125-bis, Paragraph 1, Italian Legislative Decree no. 58/1998)

Notice is hereby given to the Shareholders of Banca Finnat Euramerica S.p.A., that the General Shareholders' Meeting will be held at the Bank's Registered Office in Rome (Palazzo Altieri - Piazza del Gesù, 49) on 27 April 2018 at 10 am in single call to discuss and resolve on the following:

AGENDA

1. Statutory financial statements for the year ended 31 December 2017 complete with the related reports by the Board of Directors, the Board of Statutory Auditors and the Auditing Firm. Proposed allocation of the year's profit. Inherent and consequent resolutions. Presentation of the consolidated financial statements at 31 December 2017;
2. Appointment of the members of the Board of Directors for the financial years ending as at 31 December 2018, 2019 and 2020, after determining their number; determination of their compensation; resolutions pertaining thereto and resulting therefrom;
3. Appointment of the Honorary Chairman; resolutions pertaining thereto and resulting therefrom;
4. Appointment of the members of the Board of Statutory Auditors and of its Chairman for the financial years ending as at 31 December 2018, 2019 and 2020; determination of their compensation; resolutions pertaining thereto and resulting therefrom;
5. Remuneration Report prepared in accordance with article 123-ter of Italian Legislative Decree no. 58/98, including the disclosure on the remuneration policies for Directors, Employees and outside workers who are not employees. Inherent and consequent resolutions.

* * * * *

Information about:

- attendance at the Meeting (in this regard, it is specified that the "record date" is 18 April 2018);
- vote by proxy and through the Designated Representative;
- exercise of the right to ask questions on the agenda items;
- exercise of the right to supplement the agenda and to submit new draft resolutions;
- the availability of the reports on the agenda items and of the documentation pertaining to the Meeting;
- the additions to the Board of Directors;
- the share capital;

is provided in the full text of the call notice available at the website www.bancafinnat.it ("Investor Relations/Agenda and Documents") and at the authorised storage mechanism called "NIS-Storage" (on the website www.emarketstorage.com).

Rome, 16 March 2018

The Chairman of the Board of Directors

(Ms. Flavia Mazzarella)

FINANCIAL STATEMENTS OF BANCA FINNAT EURAMERICA S.P.A. AT 31 DECEMBER 2017

DIRECTORS' 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 2017, 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

In 2017, for the first time in 10 years, the world's economy returned to synchronous growth, with GDP expansion rates exceeding 3%. All main geographic regions recorded brisk growth rates, driven by an energetic recovery of international trade (+4.3%, markedly higher than the 2016 figure of +1.4%) and of corporate profits. The increase in investments, industrial production (with an average growth rate of 3.4%, versus +1.8% in 2016), the constant improvement in consumer confidence, stimulated by the amply expansionary monetary policies implemented by the Central Banks to support domestic demand, all contributed to support the path to the resumption of global growth. The advanced economies, then, grew by an aggregate figure of 2.3%: the emerging Countries by 4.3%; in China, the gross domestic product grew by 6.9% (from 6.7% in 2016) and during the third quarter of 2017 economic growth reached 6.3% in India, 1.4% in Brazil and 1.8% in Russia. In the USA, in the same time span, the year on year growth rate reached 3.2%. In the Euro area, the sharp improvement in employment (the hiring rate is positioned at the highest values in 17 years), which buoys up income and consumption, as well as leading manufacturing and services indicators, which also reached the highest levels in approximately a decade, were determining factors for the current economic growth. In the Eurozone, the year-on-year growth rate thus reached 2.6% (Q3 2017), while Italy and Japan should have grown, over the entire year, respectively by 1.5% and by 1.6%. Concerning inflation trends, among the more advanced economies inflation is slowly edging up from 0.3% in 2015 to 0.8% in 2016, to 1.7% in 2017, and the currently prevailing consensus envisions a slow, progressive rise of inflation and, consequently, an inevitable, nearly generalised "normalisation" (with the significant exception of Japan) of monetary policies. In the Euro area, consumer prices recorded, in December 2017, annual growth of 1.4%, up from 1.1% in December 2016, and an increase in "core" prices, i.e. excluding the more volatile components like energy and food products, of

0.9%, the same figure recorded for consumer price growth in Italy in December 2017 (for the entire year, consumer prices rose to 1.2%). In the meeting of 26 October 2017, then, the ECB left the policy rates unchanged: the reference rate (refinancing rate) at zero, the rate on deposits at -0.40% and the marginal lending facility at 0.25%. The European Central Bank also confirmed, according to expectation and starting from January 2018, the curtailing of quantitative easing (securities purchases) to 30 billion euro per month, from the previous 60 billion euros, stressing, however, that it could increase this quantity again, or further extend purchases beyond September 2018, if the economic conditions should make it necessary. The Central European Bank then remarked that interest rates are going to remain at their current levels for a prolonged period of time, even well beyond the horizon of its own net purchases of assets, in consideration of the fact that, for core inflation to continue to gather strength and support medium-term economic growth, ample monetary accommodation still seems necessary. Concerning the US economy, consumer prices, as measured in December 2017, exhibited annual growth of 2.1%, the same rising trend as in December 2016, while the core component (net of energy and food components) exhibited annual growth of 1.8%, versus 2.2% yearly growth recorded in December 2016. The stationary condition of wages, albeit in the presence of an unemployment rate that declined from 4.7% in December 2016 to 4.1% in December 2017, currently prevents any particular pressure on aggregate demand.
The US Federal Reserve, in view of the need to "normalise" its own monetary policy rather than the need to contrast inflation, which so far is still moderate, then proceeded, during the year (in March, June and December), to raise interest rates by a quarter of a point (bringing them to 1.5%), signalling also that monetary policy will remain restrictive in 2018, through at least three additional interventions (raises) of equal size (one quarter of a point each). At the end of 2018, interest rates should then be positioned at 2.25% and reach 3% at the end of 2019, while in the Eurozone any rate hike would for now be considered only from the second half of 2019 onwards. In the United Kingdom, the Bank of England, in early November 2017 and for the first time since July 2007, decided to raise interest rates from 0.25% to 0.5% in view of the inflation rate, which reached 3%, thus well above the 2% target indicated by the BoE. In Japan, conversely, with annual inflation at 0.6%, monetary policy seems destined to remain expansionary for a long time to come, with interest rates on ten-year maturities anchored to zero returns.

THE FINANCIAL MARKETS

The synchronous strengthening of economic growth in Europe, USA and Asia translated into a huge boost for stock prices, which recorded a return close to 20% on the MSCI World global index (the biggest increase since 2009 and the fourth best performance since 1993). Emerging and developed markets contributed equally to this performance, which in capitalisation terms added 18 trillion dollars to the value of the global stock market. This positive trend in the world's stock markets emerged in spite of three interest rate rises in the United States and in spite of the express intention, by the major Central Banks with the significant exception of the Bank of Japan, to proceed with a progressive "normalisation" of the monetary policies (i.e., raising the reference interest rates). The weakness of the US Dollar (the worst year in a decade) then amply benefited the stock markets of emerging Countries, from Asia to Eastern Europe to South America. The emerging Stock Markets grew, on average, by 30%, with the Indian index up by 27.9% (in local terms), Poland by 23.2%, Turkey by 47.6%, Hungary by 23%, Argentina by 77.5%, Brazil by 26.9%, Chile by 34%, South Africa by 17.5%. On the US market, the S&P 500 index provided a return of 19.9%% in Dollar terms (sixth best performance of the last two decades), while the technological index Nasdaq gained 28.8%. In the Eurozone market, the Eurostoxx 50 index grew by 6.6% while individual national markets recorded gains of 9.5% for the representative index of the French market CAC40, of 12.5% for the representative index of the German market, DAX30, and of 13.7% for the representative index of the Italian market, FTSEMIib. The British market index FTSE 100 provided, in British Pound terms, a return of 7.6%, while the Swiss MKT index of the Zurich stock market returned 13.9% in Franc terms. On Asia/Pacific markets, the best performance was provided by the Hang Seng index of the Hong Kong stock market, with a gain of 36%, followed by the Seoul stock market, which grew by approximately 22% and by the Nikkei 225 index of the Tokyo stock market, which grew by 19.1%. The Taiwan stock market increased its own capitalisation by 15%, while the increase recorded by the Shanghai stock market index was limited to 6.6%.

With regard to the Italian stock market, the total capitalisation of listed companies has reached 644.3 billion euros, i.e. 37.8% of GDP and up by 22.7% with respect to 2016. Within the Eurozone, the Italian stock market capitalisation accounts for 9% of total, France's is 30.9% and Germany's 27.6%. There are now 339 companies quoted on the Italian market; 241 are on the MTA segment and 95 on the AIM segment. Stocks were traded at a daily average of 2.5 billion euros for 278 thousand contracts. In 2017, a total number of 69.6 million contracts were traded, for a value of 624.6 billion euros. Accompanying an increase of 13.7% of the FTSEMib index, the FTSE All Share index grew by 15.5%, the index representing the STAR segment grew by 35% and the index representing the AIM segment recorded a performance of 22.4%. On this particular segment, trades increased by 530% in 2017 for a daily average of 7.9 million euros (from 1.2 million in 2016) and a daily average number of contracts that ballooned from 500 to over 2200.

The Italian Stock market then ended 2017 as the second European market, after London, in terms of number of operations and capital connected. 39 new companies were listed (19 in 2016) through 32 IPOs (7 on the main MTA segment and 24 on the AIM segment) and 53 companies, including 32 newly listed companies, collected approximately 21 billion euros.

On the Commodities market, energy and industrial metals recorded sharply rising prices, on average, while agricultural and imported products, with the sole exception of cotton, declined on average. The price of Oil grew, during the year, by 11.9% for the WTI contract and by 17.4% for the Brent contract; ICE diesel grew by 20.4%; NYMEX heating oil grew by 21.6% while the price of NYMEX Natural Gas declined by 26.5%. Among industrial metals, Palladium (in view of a perceived lack of demand) grew by 55.4% (the highest value in 17 years); Aluminium grew by 34.9% while Copper gain 31.7%. With the US Federal Reserve committed to raise rates and stocks burgeoning in a record rally, Gold withstood the contrary winds and ended the year with a rise of 13.6% (best performance since 2010). Silver followed on its heels, with its price rising only by 6.7%, while Platinum grew by 3.3%.

Regarding farming derivatives, orange Juice lost 32% of its value and Soy lost 4.7%, while Wheat gained 4.3% and Corn remained substantially stable (-0.4%). Among Imported Products, the price of Sugar contracted by 22.6%, Coffee lost 8.4% and Cocoa lost almost 13%, whilst Cotton gained 11.4%.

With regard to bond markets, in 2017 global market capitalisation grew by six trillion and got close to 50 trillion dollars for the first time. Of particular relevance, during the year, was the 16.54% return offered by global convertible bonds and the average return of approximately 14% obtained by the government bonds of emerging markets expressed in local currency terms (best performance since 2012). The same securities, returned 5.3% in Dollar terms, while high global yield bonds returned 6.3%. With regard to the American

market, it was characterised by a process of marked flattening of the rates curve that drove the 2/10 year spread to its lowest levels in a decade. However, this trend (the ten-year US Bond moved from returns of 2.6% in March 2017 to returns close to 2% in September 2017) did not depend on any sudden expectation of imminent recession so much as on investors' desire, in view of minimal returns in an inflationary environment that is still particularly moderate, to gain carry, positioning themselves on the longer part of the curve. Only from the third quarter onwards, in the wake of a market consensus more prone to discount higher inflationary expectations, did a reverse process of greater stiffening of the same curve start. In the Euro area, the primary and secondary Government Bond market continued to benefit from the extremely favourable conditions guaranteed by the monetary policy of the ECB, with a rates curve with negative returns up to three years on the French, Italian and Spanish markets and up to five years on the Austrian, Belgian, German and Dutch markets. On the Italian market, the average weighted auction cost amounted to 0.75% (14.05% in 1992 and 3.61% in 2011), while the refinancing auction cost of the Italian short-term public debt reached a new historical low, on the half-yearly maturity, with a negative return of 0.457% (well below the ECB deposit rate).
Concerning the Currency Market, the US Dollar distinguished itself as the worst one among G10 currencies, with 9.5% devaluation in Dollar Index terms (worst performance since 2003). Relative to the American currency, the Euro gained 14% (the largest annual rise since 2003) while the British Pound, in spite of Brexit, rose by 9.1%, the value of the Japanese Yen grew by 4% (the largest revaluation since 2011) and the Swiss Franc by 4.2%. The common European currency, on the other hand, was the best among G10 currencies, gaining value overall in relation to all major currencies. Thus, the British Pound was devalued by 5% versus the Euro, the Chinese Yuan lost 6%, the Swiss Franc 9% and the Japanese Yen 10.5%.

THE PROPERTY MARKET IN 2017

2017 can be considered the year of consolidation of the Italian property market, which is now well into its expansionary cycle although its actual scope for the future cannot yet be defined well.

The end of the year confirmed the best expectations for the property market for service enterprises: with total investments of approximately 11.1 billion euros, 2017 is the best year ever (growing by approximately 25% compared to 2016). A contribution to this result was provided by a particularly dynamic fourth quarter with volumes of 4.2 billion euros, the highest quarterly level ever reached. The presence of foreign capital has become a structural feature of the commercial property market: in 2017, once again, approximately 70% of investments were international.

The offices product was again the greatest contributor to total volumes in 2017 with approximately 4 billion euros of investments (35% of the total), in line with the performance of 2016. The retail sector follows, with investments of approximately 2.5 billion euros (22% of the total), one of the highest levels ever recorded thanks to the high street segment, which by itself accounts for more than half of total retail volumes in the year, with significant growth compared to 2016 (approximately +170%). The hotel sector performed very well, with 1.1 billion euros in transactions, corresponding to an increase by over 50% relative to 2016. Equally positive was the logistics sector, with activities totalling 1.2 billion euros (approximately +75%

compared to 2016).

The post-recession stabilisation cleared the way for a recovery of residential transactions, which exceeded 550/560 thousand per year: prices are not rising yet, with a few exceptions in large cities, providing evidence that the pre-recession property boom was affected by external factors, some of which were extraneous to the real value of the properties. Another positive signal observed in 2017 is the reduction in times on the market: if the property is offered at the proper market price, it is sold more quickly. Demand is rising, both on the primary residence segment, and on the investor segment, which is recovering markedly. In 2017, the market of residential leases recorded a recovery in lease payments, demand is buoyant and all types confirmed the positive signal already glimpsed in the three previous half years and due mainly to a contraction in supply, coupled with its better quality. The numbers of regulated lease contracts continue to grow, thus confirming their appeal among owners and lessees.

With regard to the markets of the two main Italian cities, the volumes invested in Milan in 2017 amounted to approximately 3.6 billion euros, up by 17% compared to 2016. Of note is the exponential growth for high street, which in the city reached nearly one billion in investments (out of a total amount of approximately 1.4 billion euros for Italy as a whole). However, the traditional concentration of volumes in the office sector, which in Milan represents approximately 60% of the total invested amount, was confirmed. In Rome, investments amounted to approximately 1.2 billion euros (-22% compared to 2016) and concentrated in the office sector (by approximately 73%) but with a markedly positive evolution for the hotel sector. It should be stressed that leases of office spaces in Rome went through an exceptional year compared to the recent past, with approximately 218,000 square meters absorbed (+60% relative to 2016). A positive signal also came from prime lease payments which, compared to 2016, rose in all the sub-markets of the city (except the suburbs).

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Dear Shareholders,

We hereby submit the separate Financial statements as of 31 December 2017 for your assessment and approval, showing a net profit of 36,274 thousand euros, up by 32,284 thousand euros compared with 3,990 thousand euros of the previous year.

The main items that form the 2017 financial year results are shown below and compared with the corresponding 2016 figures:

- **Earnings margin** totals 72,945 thousand euros, compared to 32,302 thousand euros in the previous financial year. The overall increase of 40,643 thousand euros may be broken down as follows:

  increases
  - 1,321 thousand euros for Interest margin (8,891 thousand euros at 31 December 2017 compared to 7,570 thousand euros in the previous year).
  - 1,929 thousand euros for Net commissions (16,093 thousand euros at 31 December 2017, compared to 14,164 thousand euros in the previous year);
  - 2,377 thousand euros for Dividends and similar income (8,050 thousand euros at 31 December 2017, compared to 5,673 thousand euros in the previous year);
  - 35,186 thousand euros for Profit from the sale of available-for-sale securities (38,185 thousand euros in 2017, compared to 2,999 thousand euros in 2016). In the year in question, the item benefited from the sizeable gain realised as a result of the partial divestment of the interest in London Stock Exchange plc and Anima Holding S.p.A.

  decreases
  - 170 thousand euros for Net income from trading activities showing a positive balance of 1,726 thousand euros as at 31 December 2017 compared to the positive balance of 1,896 thousand euros of the 2016 financial year.

- **Value adjustments for impairment** amounted to 5,989 thousand euros compared to 1,656 thousand euros in 2016. The adjustments of the period relate to “Available-for-sale financial assets” (3,656 thousand euros) and to “Other financial transactions” and “Receivables” respectively amounting to 2 thousand euros and 2,331 thousand euros. The latter were partly offset by collections of late-payment interest (included in the income statement item Interest Income) amounting to 284 thousand euros.

- **Operating costs** amount to 27,680 thousand euros compared to 24,954 thousand euros in 2016, up by 2,726 thousand euros overall; their breakdown is as follows:
  - staff costs, which total 17,923 thousand euros, are up by 1,425 thousand euros compared to 2016 (16,498 thousand euros);
  - other administrative expenses, totalling 13,599 thousand euros, increased by 1,054 thousand euros compared to those of the previous year (12,545 thousand euros);

- provisions for risks and charges increased by 100 thousand euros, whereas last year they were used by 619 thousand euros;
- other operating income/expenses show a positive balance of 4,291 thousand euros versus a likewise positive balance of 3,869 thousand euros of 2016. The item comprises the recoveries of costs from customers, amounting to 3,981 thousand euros (3,639 thousand euros in the past year). The income of 2017 also includes the positive result referred to the trading of certificates representing greenhouse gas emission allowances, amounting to 104 thousand euros, while last year there were costs of 257 thousand euros (entirely offset by gains on CO_2 futures recorded under "80. Net income from trading activities" amounting to 408 thousand euros).

- **Profit (loss) from equity investments**, the item has a negative balance of 1,843 thousand euros (-1,426 thousand euros in 2016) and refers to value adjustments, as a result of impairment, of the equity investments in Imprebanca S.p.A. (1,600 thousand euros) and Previra Invest Sim S.p.A. in liquidation (243 thousand euros). Last year, the item included the cost of 2,000 thousand euros for the write-down of the Imprebanca S.p.A. equity investment and the income of 572 thousand euros corresponding to the gain realised from the sale of "Revalo S.p.A."

- **Income tax** amounted to 1,159 thousand euros versus 276 thousand at 31 December 2016.

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The change in "Valuation reserves" together with the result for the year, are shown in the Statement of Comprehensive Income.

DIRECT AND INDIRECT DEPOSITS

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

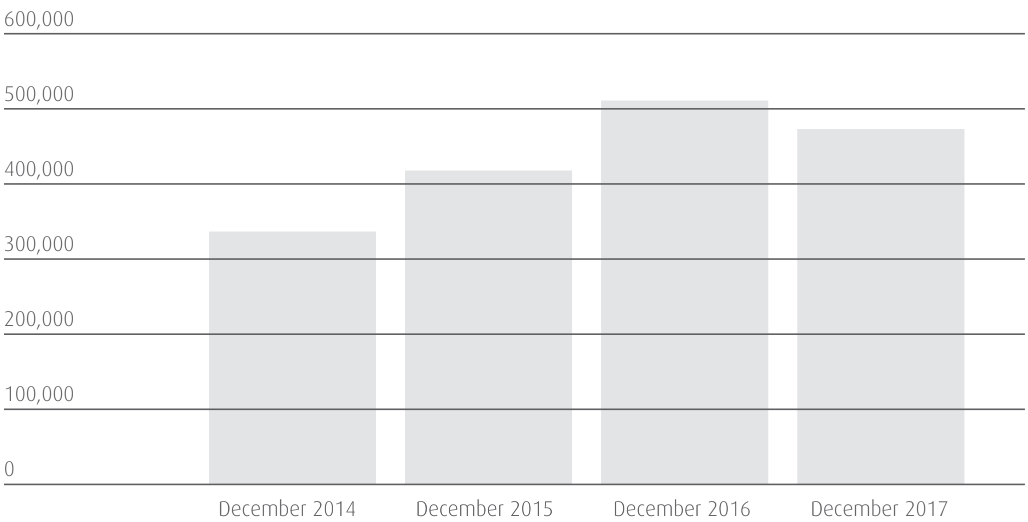
(in thousands of euros)

	December 2014	December 2015	December 2016	December 2017
Direct deposits from customers	**336,854**	**417,760**	**510,686**	**472,787**
- Due to customers (current accounts)	248,080	331,111	418,331	358,892
- Fixed-term deposits	40,116	60,527	68,530	91,301
- Outstanding securities	48,658	26,122	23,825	22,594
Indirect deposits	**4,338,207**	**4,609,152**	**4,505,144**	**5,540,931**
- Individual management	427,690	449,753	459,775	571,803
- Delegated management	244,252	283,646	251,061	285,681
- Deposits under administration (UCI and securities)	3,451,980	3,603,627	3,471,594	3,924,304
- Deposits under administration under advice (UCI and securities)	183,688	229,493	255,778	649,060
- Third parties' insurance products	30,597	42,633	66,936	110,083
Total deposits	**4,675,061**	**5,026,912**	**5,015,830**	**6,013,718**

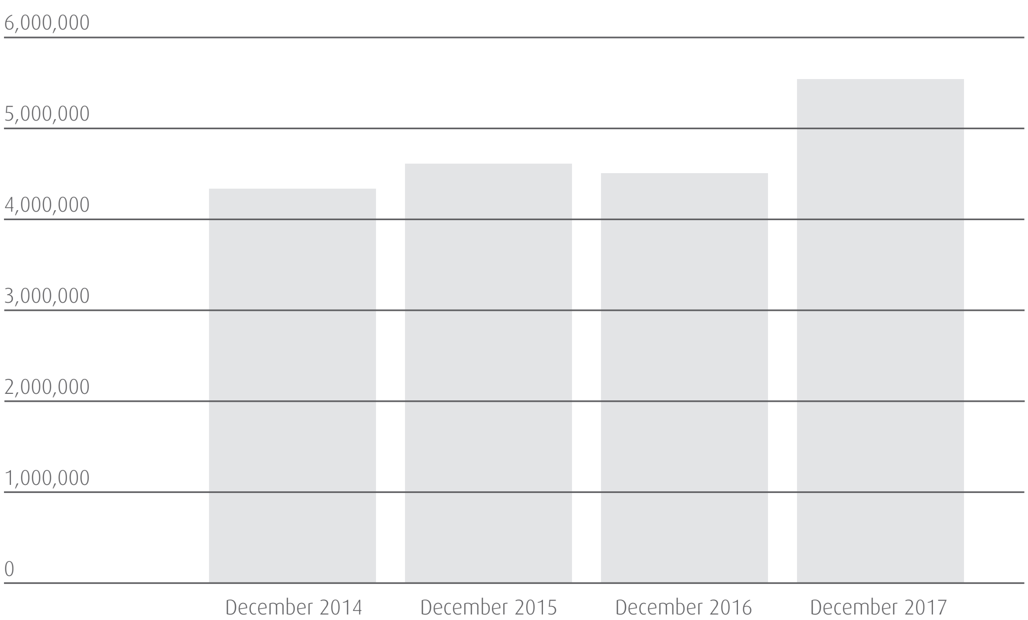
In particular, direct and indirect funding from customers, described above, does not include repo transactions having the Cassa di Compensazione e Garanzia as the counterparty.

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 head office is at 49 Piazza del Gesù, Rome, where 3 branches are also located: in Corso Trieste, 118 at Via Catone, 3 (Piazza Risorgimento) and at Via Piemonte, 127.

BUSINESS SEGMENTS

Following is an overview of the activities carried out by the Bank and Group companies in 2017:

Investment banking
Decidedly positive were the results achieved in Investment Banking activities during 2017, not only in terms of revenue but also of quality of the managed products, of services rendered to customers and of the Bank’s success in the reference market.

In the **asset management** sector, positive performance levels were recorded on all asset management lines. On most of the mandates, with results exceeding the benchmarks, in particular for the lines with higher equity content.
Similar performance was recorded by the New Millennium SICAV sub-funds under delegated management, which obtained generally good results with peaks of excellence on the Global Equity and Euro Equity sub-funds with annual return exceeding 15%.

It should be pointed out that the Luxembourg management company (“ManCo”) NATAM, which by now is fully operational and that ended its first complete year going beyond the breakeven point, carried out - jointly with the Parent Company - innovative initiatives in the funds industry. The first PIR fund authorised in Luxembourg (and listed on the Italian Market) belonged to New Millennium.
In addition, in December, the first fund exclusively dedicated to the AIM market was launched: it is an open SIF, PIR compliant and reserved to professional investors.

Also positive were the deposit data both under management (approximately 25% AUM growth) and within the New Millennium SICAV (+44%) also thank - for the latter - to the development of synergies with other intermediaries, typically managers, which refer to the Finnat Group for the performance of technical roles, for support to their activity and for the connected administrative services.

The bank continues to monitor the **intermediation** activities within which, however, a repositioning process has been ongoing for years on activities and services that are different from the traditional ones that are tied to the mere execution of orders for individual and institutional customers.
In this sense, Corporate Broking activities also deserve mentioning; they are carried out in support of listed issuers, in particular micro and small cap, in which broking is a corollary to specialist activities, to the production of research (there are now 11 companies under “coverage”), to support in investor presentations or in road shows: on the latter aspect, of note is the event called “*Investire nelle Small Cap... si può*”

("Investing in Small Cap companies... it can be done"), organised autonomously from the Bank to the benefit of many Institutional managers to whom were presented, with considerable success, the investment opportunities on some of the "covered" companies.
All these Corporate broking roles are increasingly connotating the Bank that is perceived, not just by the Issuers but also by the institutional investors, as reference broker for the AIM market and for small cap companies. The appointments pertaining to extraordinary transactions then become a natural consequence: looking at 2017, of note were the successful conclusion in particular of three transactions in which Banca Finnat played a leading role: the placement of a rights issue (for Casta Diva Group), the realisation of a significant Accelerated Book building (for Bio On) and the placement of a convertible bond (for Enertronica SPA).
The desk dedicated to trading "CO2 certificates" allowed for good results and it is bringing the Bank to prominence in an additional, different, market niche: therefore, the certificates in the new regulatory context of MIFID II are now considered financial instruments, which should benefit our Bank already from 2018 onwards.
Looking at the statistical figures relating to the execution of orders, of note is a substantially stability with respect to the previous years, both with reference to volumes and to commissions.

Concerning activities in the Bank's **own account**, a markedly positive picture was confirmed: on the AFS portfolio, important write-downs were recorded and the same took place on the HFT portfolio, which has smaller dimensions but an even more direct impact on the income statement, and within which excellent trading transactions were also carried out, always within closely controlled risk levels.

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 2017, 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.

In 2017, the following transactions were successfully completed: i) two transactions relating to financial assistance to Energica Motor Company S.p.A. and to S.M.R.E. S.p.A., both listed on the AIM, for the execution of an investment agreement for the issue of a convertible bond cum warrant; ii) financial assistance to Casta Diva Group, listed on the AIM and active in the digital video content and live event sectors, to obtain financial resources in the form of equity to finance the growth plan; iii) financial assistance to Giorgio Fedon S.p.A. within the process of delisting from the Euronext Paris market in France.

Among currently ongoing mandates, the following are pointed out: an appointment for financial assistance to Giglio Group S.p.A., active in the media & entertainment, broadcasting and e-commerce sectors in the process of translisting from the AIM Italia market to the MTA regulated market, STAR segment, assistance to the promoter company involved in the construction of a service infrastructure and tourist attractions (including an aquarium), within the scope of a project developed in the city of Rome; an appointment for financial assistance to an Italian company active in the health care sector, directed at the search for a partner to obtain the financial resources necessary to support a new development project in the telemedicine sector; the appointment for financial assistance to a company operating in the sector of marketing and selling men's clothing and accessories, directed at a preliminary study and at structuring the group's economic and financial plan, as well as obtaining financial resources for development; financial assistance to a company active in the field of marketing hardware products, directed at obtaining new medium/long term credit facilities, the appointment for assistance to a company active in the supply of professional equipment, in the process of listing on the AIM Italia market.

Lastly, in 2017, the on-going Nomad activities for some companies listed on the AIM continued and 2 additional appointments were acquired for assistance to Casta Diva Group S.p.A. and to Notorious Pictures S.p.A., bringing the number of companies assisted on the AIM Market to 12.

Commercial Division

The year 2017 was particularly important for the Commercial Division of Banca Finnat. On the network development front, there were three significant events: the opening of the via Piemonte branch in Rome, the establishment of a North Italy Area with the hiring of particularly qualified personnel, the strengthening of the Family Office unit.

In particular, the via Piemonte branch is particularly prestigious and at the end of 2017 it already had deposits of more than 250 million euros. The plan calls for strengthening it by adding yet more resources in the first half of 2018. With this new opening, Banca Finnat in Rome has, in addition to its head office, three branches situated in strategic areas for the private banking activity, thus ensuring that it has a comprehensive coverage of the territory of interest.

Building up a North Area is the first step of the policy for growth in Lombardy and Piedmont, which entails hiring approximately ten persons in the next two years, in addition to the four who have joined us this year.

With regard to the Family Office, a service model that is already consistent with Mifid2 has been launched, to serve UHNWI customers who want to keep their assets with third parties. The activity is carried out by a team of five professionals, in close contact with Finnat Fiduciaria, concentrating competencies deriving from different worlds such as financial planning, international private banking, asset management, to be able to meet the most complex needs.

With regard to asset growth, total funding exceeded 500 million euros and focused on assets under management and bankassurance. Within remunerated advisory activities, an entry standard for managed portfolios for three years now, funding exceeded 100 million euros in 2017. The breadth of the platform made 32 asset management firms available to customers.

The performance of assets under management and advisory were satisfactory, both in absolute and in relative terms. The combination of low volatility and positive results satisfied our customers, even in this environment characterised by low interest rates.

Customers were pleased with the initiatives directed at exploiting the tax savings opportunities recently introduced by lawmakers in support of the Italian economy, such as investments in the New Millennium Pir compliant Sicav and the subscription of rights issues by innovative enterprises. This optimisation is a good complement to the use of pension funds and to Class I policies.

As regards marketing activities, the Bank has carried out a wide range of initiatives: overall, several events were organised each month, in part thanks to the new conference centre inaugurated in the Corso Trieste branch. The new year and mid-year scenarios are consolidated events that draw the customers' active participation with the presence of major outside speakers. In the field of marketing, of note were the joint initiatives with the Corporate Finance organisation and professional firms, intended for small and medium enterprises. An additional activity that generated interest was the organisation of sporting competition dedicated exclusively to our customers and their friends to integrate them more closely in their relationship with the bank.

The bank was able to meet credit support requests, sustaining several initiatives, including medium/long term ones directed at strengthening the financial position of the enterprise - ownership combination of our Private customers. This occurred consistently with our credit policy that is extremely careful of the guarantee programmes and repayment procedures, but nimble in the structuring of complex transactions, always in support of private customers and their businesses. Without exercising a price-based credit policy, we have acquired significant transactions thanks to our ability to respond quickly and to propose customised solutions.

Always central in the dealings with the business world was the joint consulting work between the Bank and Finnat Fiduciaria, focused on initiatives intended to trade associations, to support SMEs in raising capital.

Asset Management - Property Fund Management

Investire SGR S.p.A. is the second largest market operator of Italian real estate asset management schemes, managing assets valued at 7.5 billion euros as at 31 December 2017, distributed throughout Italy, mainly to be used for services (offices/logistics/shopping centres) and residential purposes (free market / in social housing). In 2017, the SGR completed acquisitions/contributions amounting to approximately 940 million euros and sales of approximately 660 million euros, as well as approximately 60 million euros of development/improvement activities (capex).

In relation to the more significant activities carried out on the funds currently managed by the SGR, during the year the FIP fund disposed of 27 properties for a value of approximately 295 million euros; in addition, the fund was refinanced, with the goal, shared with investors, of extending its duration, differentiating the residual portfolio in three different clusters according to the type of enhancement path and subsequent disposal; the FIEPP Fund closed the sale of a property for commercial use in Florence, for a value of 50 million euros; the Secondo RE fund started its management activity by contributing all the properties prescribed by the investment plan as well as an additional property, initially not planned, for 8 million euros, which will be the subject of enhancement works worth approximately 9 million euros, and, in December, it completed the acquisition of two properties to be used for services in Rome and Milan, for a total value of approximately 47 million euros. The Pegasus fund acquired a set of 20 properties containing Department of Motor Vehicles offices, for a price of approximately 73 million euros, and sold a property in Milan, used by a car dealership, for 37 million euros; in addition, work is ongoing for the requalification of the services complex located in the Northeastern suburbs of Milan, acquired in the first half of 2017; the FPEP fund completed fractioned sales for over 21 million euros; for the INPGI Fund, fractioned sales continued for a total price of approximately 77 million euros during the period; in addition, two contributions comprising 28 properties were completed, for approximately 126 million euros; the SGR also started, for the same unit holder, the management of the INPGI HINES fund, previously managed by another SGR, resuming fractioned sale activities; the Melograno fund sold two properties in Rome for approximately 15 million euros; the Spazio Sanità fund increased the managed assets, completing the purchase of five RSA for approximately 37 million euros; the Helios fund completed the purchase of a services complex in Milan for a price of over 20 million euros, while continuing with fractioned sales of the residential assets; the Obelisco fund disposed of six properties, for approximately 49 million euros. The Rocket fund sold a property in Turin for 6.2 million euros.

The Distressed & Non Performing Assets area (Securis I, II, III, Sistema BCC) continued its portfolio/ properties acquisition and sale activities: the acquisitions involved the Securis I fund, with contributed, with two distinct deeds, 128 additional properties totalling 64.5 million euros and the BCC System fund that acquired 13 properties for a market value of approximately 5 million euros as at 31 December 2017; asset disposal activities continued (for a total value of over 14 million euros on all funds in 2017); for funds of this type, letting activities continued as well, with the use of both traditional and rent to buy contractual forms.

During the year, the management of five additional new funds was started: Neptune 1 and Neptune 2 (portfolio of 207 properties coming from an insurance company), Omega 3 and Omega 4 (portfolio of 216 properties coming from a primary banking institution), Diamond (portfolio of 5 Telecom switchboards in Milan and Rome) for a total market value of over 334 million euros as at 31 December. The Neptune 1, Neptune 2 and Omega 3 funds also started the disposal activities as provided by the investment/divestment plan: in particular, the Omega 3 fund sold 5 properties for over 95 million euros in December.

The Social Housing funds completed acquisitions of properties and development initiatives for approximately 47 million euros; the development/enhancement activity also yielded 54 million euros of capex value; the apartment marketing activities completed disposals for a total price of over 46 million euros.

Trusteeship

While no new regulations for the trusteeship sector were promulgated in 2017, Finnat Fiduciaria found some spaces in the performance of the activity to meet the demands of the customers of the banking group and of the Trusteeship within the scope of asset planning, considering the family and corporate aspects that uniquely characterise each customer. The Company thus assisted its customers in addressing planning, protection and probate questions, tied to the entrepreneurial activity and to the financial and property assets. The hoped-for extension to 2 October 2017 of the ultimate deadline to initiate the "Voluntary Disclosure" procedure did not produce the desired effects, and participation was particularly subdued (10,000 adherents and values well short of the target revenue, estimated at approximately 2 billion euros). The main activity that maintained a positive trend was the registration of equity interests in companies and of assets held abroad, for which Finnat Fiduciaria serves in the consolidated role of Withholding Agent.
With reference to the regulatory framework, in June 2017 the "Fourth Anti-Money Laundering Directive" entered into force, entailing the introduction of significant changes to the regulations of Italian Decree no. 231/07 directed at strengthening existing rules to contrast money laundering and terrorism financing more effectively and to prevent tax avoidance.
In 2017, the Company identified some areas of intervention with the purpose of further strengthening the corporate controls already adopted for anti-money laundering purposes, implementing, in the IT system, new procedures directed at identifying anomalous transactions by automatically screening the customers' transactions and dynamically attributing the customers' risk profile.
On 31 January 2017 the Company received the Bank of Italy confirmation of registration in the separate

section provided by Article 106 of the Italian Consolidated Law on Banking (Sect. II) of trust companies controlled by banking institutions.

The purpose of Finnat Gestioni, which operates in the sector of asset management of private and institutional customers and trusteeship services, is to manage and provide financial advice to the assets deposited on the custodian bank identified by the customer.

In 2017, the assets under management and the profitability of Finnat Gestioni exhibited encouraging signs of growth compared to the previous year. The activity of opening cross-border trust accounts was the main commercial lever in the 2017 as well. This growing trend is expected to be maintained and increased in 2018 as well.

Research & Development

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

Organisation Area

- Completed the project for the activation of the Digital Signature for executing and filing contractual documents with customers.
- Completed the fitting out and activation of the new Private Centre on Via Piemonte.
- Installed and activated TCR apparatuses for automating the cash transactions of some Private Centres.
- Identified a new broker to foreign markets and complete the migration of operations towards it. Consequent centralisation and efficiency-boosting of settlement and securities deposit activities.
- Completed various projects and procedural revisions connected with the entry into force of the MIFID2 regulations. This area of activity and projects will continue in 2018, consistently with the various regulatory deadlines.

IT and Technologies Area

- Technological and network infrastructure enhancement initiatives were completed on the headquarters and on the branches.
- Hardware and software of the telephone switchboard were upgraded at the Head Office and Private Centres.
- The log management system was upgraded with an analysis module.
- The virtual infrastructure monitoring system was upgraded.

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 Shareholders' 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. In this regard, in the meeting of the Board of Directors of 18 December 2017, the Chairman presented to attendees the annual report of the Italian Corporate Governance Committee.
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 14 June 2017. On this occasion the Board - in accordance with Article 7.P.3 Letter A) (i) of the Governance Code, appointed the Managing Director as the Director in charge of the internal audit and risk management system.

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 27 April 2017 about the remuneration policies and incentives adopted.

With regard to the legal obligations set out in the regulation concerning prudential requirements, in 2017 Banca Finnat Group prepared and delivered the ICAAP report as prescribed by the supervisory provisions. The preparation of these documents, regulated by internal procedures and carried out by the Group's corporate bodies and appointed structures, is the last stage in the much broader and ongoing self-assessment process regarding capital adequacy and its compliance with the RAF, the Group's operational features and the environment in which it operates.
Based on the Supervisory provisions, the Bank monitors its liquidity risk, according to the method formalised in a dedicated document containing the guidelines on Liquidity Risk Governance and Management, and periodically performs stress tests on the credit, market, concentration and interest rate risk. The results of the analysis were evaluated by the Board of Directors.

In compliance with Directive 2014/59/EU - Bank Recovery and Resolution Directive (BRRD), transposed by the Italian Parliament with Legislative Decrees 180 and 181/2015, on 15 June 2017 the Bank prepared and sent the Group Recovery Plan to the Supervisory Authorities after approval by the Board of Directors of the Bank. The document was prepared in compliance with the implementing provisions contained in Title IV, Paragraph 01-I of the Italian Consolidated Law on Banking and with Title IV, Paragraph I-bis of the Italian Consolidated Financial Law (Law pertaining to restructuring plans).

The Members of the Board of Directors - including 5 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 Shareholders' Meeting of 28 April 2015.

On 10 March 2017, the Board of Directors of the Bank, upon acknowledging the resignation of the Chairman

Mr. Giampietro Nattino, appointed Director Ms. Flavia Mazzarella to replace him as the new Chairman of the Bank; she retains her characteristics as independent Director. The Board also co-opted, as independent Director, Mr. Marco Tofanelli, appointed as Deputy Chairman and Lead Independent Director.

On 27 April 2017, the Shareholders' Meeting of the Bank confirmed Mr. Marco Tofanelli as non-executive and independent director, having already been co-opted during the Board meeting held on 10 March 2017. Mr. Tofanelli's term of office will expire, together with that of the entire Board of Directors, with the approval of the Financial Statements for 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 appointed at the Shareholders' Meeting of 28 April 2015, we have made the necessary assessments of compliance with the set forth criteria on 18 December 2017.
For the members of the Board of Directors and of the Board of Statutory Auditors, the requirements prescribed by applicable regulations were verified.

In the course of the meetings of the Board of Directors in 2017, the Board was kept constantly informed on compliance with the new European directives concerning MIFID II and Privacy.

On 9 February 2017, the Board of Directors appointed Mr. Giulio Bastia as the Joint General Manager and Manager in charge of preparing the accounting documents, replacing Mr. Paolo Collettini.

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 as securities held for trading, totalling 2,151 thousand euros (with a

nominal value of 4,000 thousand euros) entirely repaid in January 2018. 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 2017, 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: - SPE (Special Purpose Entities) - CDO (Collateralized Debt Obligations) - Other subprime exposures and Alt-A - CMBS (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 envisages 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. IFRS 9 entered into force on 19 December 2016 (twentieth day following publication on the Official Journal of the European Union) and it shall be adopted starting from 1 January 2018. In light of the indications, the Bank of Italy with its notice of 26 January 2017, prescribed that this option will continue to be applied to "less significant banks" such as Banca Finnat. Therefore the Bank, for the year 2017, the last year of application, exercised the sterilisation described above;
- the Bank, within the prescribed deadline of 1 February 2018, exercised the option for the application of the transitional rules prescribed by the Regulation (EU) 2017/2395, "amending Regulation (EU) No 575/2013 as regards transitional arrangements for mitigating the impact of the introduction of IFRS 9 on own funds and for the large exposures treatment of certain public sector exposures denominated in the domestic currency of any Member State". The aforesaid transitional rules provide the possibility of including in Common Equity Tier 1 capital a transitional positive component, calculated in percentage terms, of the increase undergone by the allocations for expected losses on receivables by effect of the first adoption of IFRS 9. This benefit is recognised for a period of 5 years according to decreasing rates (95% in 2018, 85% in 2019, 70% in 2020, 50% in 2021, 25% in 2022). From 1 January 2023 onwards,

the impact deriving from the first adoption of IFRS 9 will be fully reflected in the calculation of own funds. In addition to the possibility of delaying the impact deriving from the first adoption of the new accounting standard to 1 January 2018, the transitional arrangements provide the possibility of delaying any impacts of the new impairment model also in the first years following the date of first adoption of IFRS 9 although limited to those deriving from the measuring of unimpaired financial assets.

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 2017 amounted to 220,171 thousand euros (191,620 thousand euros at 31 December 2016), whereas the Total capital ratio stood at 44.6% (39.0% at 31 December 2016).

PERFORMANCE OF SUBSIDIARIES

InvestiRE SGR S.p.A.

The company, based in Rome and incorporated on 4 February 2002 has the purpose of establishing and managing real estate funds and was authorised by the Bank of Italy on 9 May 2002.

On 29 December 2014, the merger by absorption of Beni Stabili Gestioni SGR S.p.A. and Polaris Real Estate SGR S.p.A. within Investire Immobiliare SGR S.p.A. was finalised, with accounting and tax effects as from 1 January 2015.

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%.

At 31 December 2017, the company managed 42 real estate funds, with the GAV of the managed assets totalling 7,526 million euros, compared to 7,001 million euros at 31 December 2016.

The draft financial statements at 31 December 2017 show a profit of 8,597 thousand euros compared to 7,163 thousand euros at 31 December 2016 and a book value of the net equity of 84,468 thousand euros compared to 83,488 thousand euros at 31 December 2016. In 2017, the company recognised a total commission income of 32,660 thousand euros compared to 35,717 thousand euros in 2016.

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, the company absorbed Fedra Fiduciaria S.p.A. with accounting and tax effects as from 1 January 2015.

On 31 January 2017 the Company received the Bank of Italy confirmation of registration in the separate section provided by Article 106 of the Italian Consolidated Law on Banking (Sect. II) of trust companies controlled by banking institutions.

At 31 December 2017, assets under management totalled 1,372 million euros, versus 1,299 million euros at 31 December 2016.

The draft financial statements at 31 December 2017 show a loss of 29 thousand euros versus a profit of 358 thousand euros in the previous year. In 2017, the company generated commission revenues of 1,590 thousand euros versus 1,710 thousand euros as at 31 December 2016. At 31 December 2017, the company had a net equity of 1,970 thousand euros, versus 1,931 thousand euros at 31 December 2016.

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 EFG Bank. Managed assets at 31 December 2017 totalled CHF 101.7 million, compared to CHF 81.5 million at 31 December 2016.

The book value of net equity at 31 December 2017 amounted to CHF 2,093 thousand, compared to CHF 2,030 thousand at 31 December 2016.

The draft financial statements for 2017 show a profit of CHF 360 thousand compared to CHF 467 thousand at 31 December 2016.

In 2017, the company generated revenues for commission income of CHF 709 thousand versus CHF 689 thousand as at 31 December 2016.

Natam Management Company S.A.

The company, established on 30 August 2016, has its registered office in Luxembourg and share capital 750,000 euros divided into 750 shares with a face value of 1,000 euros each, entirely subscribed by Banca Finnat.

The purpose of Natam is to perform collective asset management both in favour of harmonised funds and of alternative investment schemes.

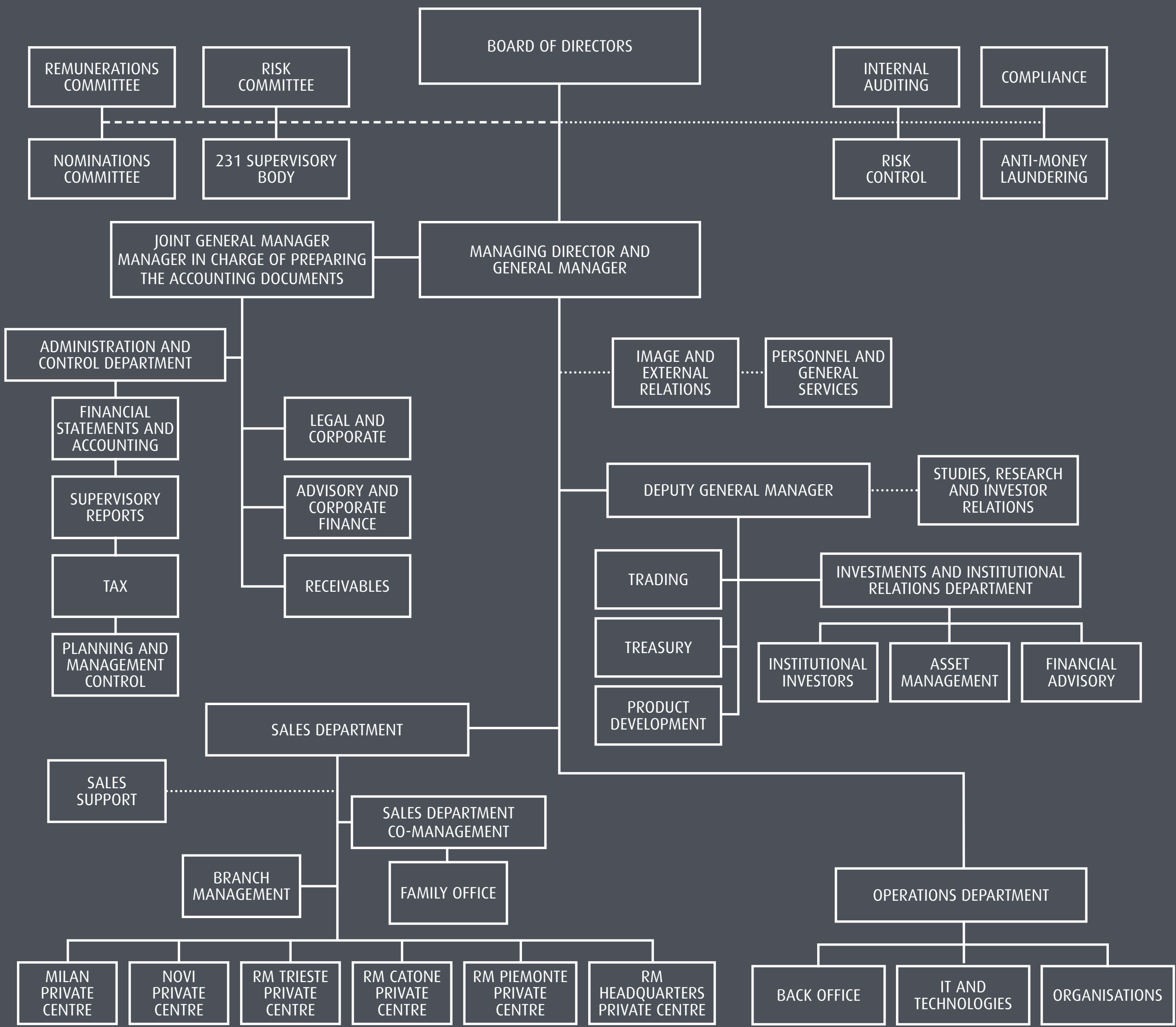
The draft 2017 financial statements show a loss of 72 thousand euros versus a loss of 281 thousand euros as at 31 December 2016.

* * *

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, after the Board of Directors' meeting of 9 February 2018, is as follows:



The total number of personnel in the Bank increased by 2 persons compared to 31 December 2016 as shown in detail below:

	31.12.2017	31.12.2016
staff	**173**	**171**
– executives	26	24
– managers	82	80
– clerical workers	65	67
contractors	**6**	**6**
promoters	**3**	**3**
Total	**182**	**180**

With regard to changes in the number of employees, during the year 15 persons terminated their employment whilst 17 persons were hired in all (7 with undefined duration employment contracts).

The change was due to ordinary personnel turn-over and to the need to enhance some work areas: in particular, of note is the strengthening of the commercial network, which by effect of 8 hires and of 2 terminations had 38 persons as at 31 December 2017, with an increase by 6 compared to the figure at 31 December 2016.

No employment contracts were terminated for disciplinary or personnel redundancy reasons.

In 2017, a total number of more than 1,850 training hours were administered, with a total number of 754 participations (the training initiatives involved 151 employees).

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 numerous training initiatives in favour of Sales Management personnel).

OWN SHARES

At 31 December 2017, the Bank holds 28,810,640 own shares, representing 7.9% of the share capital with a total value of 14,059 thousand euros. At the end of the past year, the Bank held 29,492,710 own shares with a value of 14,392 thousand euros.
During the financial year, the Bank sold 682,070 shares with a total value of 273 thousand euros, realising a loss of 60 thousand euros.

STOCK EXCHANGE CAPITALISATION OF BANCA FINNAT EURAMERICA

(in thousands of euros)

	Number of shares	Market price 12 March 2018	Capitalisation 12 March 2018 (in thousands of euros)	Consolidated net equity (in thousands of euros)	Share capital (in thousands of euros)
Ordinary shares	362,880,000	0.4550	165,110	242,227	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 2017, 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 2016 also for the 2016/2017/2018 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 debit/credit determined.

REVISION IN VIEW OF THE NEW IFRS 9

IFRS 9, endorsed by the European Commission with its Regulation no. 2016/2067 of 22 November 2016 and published on the Official Journal of the EU on 29 November 2016, replaced IAS 39 from 1 January 2018 onwards.
IFRS 9 defines new principles for the classification and measurement of financial instruments, for credit risk assessment (Impairment) and for hedge accounting.

Main changes introduced by IFRS 9

The new accounting standard introduced the following main changes with regard to:

A) Classification and measurement of financial assets/liabilities

For the classification and measurement of receivables and of debt instruments present among financial assets, IFRS 9 prescribes a two-step method:

1. Identifying the business model adopted by the Bank to which is associated the portfolio of financial assets that is homogeneous with respect to the instrument to be classified.
2. Analysing the characteristics of the contractual cash flows of the instrument.

With reference to the first point, the standard includes three business models:

- Held to Collect: the objective of this model is to hold financial assets in order to collect the contractual cash flows.
- Held to Collect & Sell: the objective of this model is attained both by collecting the contractual cash flows and by selling financial assets if the opportunity arises.
- Held to Sell: this model is directed at realising cash flows by selling the instrument.

Concerning instead the second point, the standard prescribes, limited to the first two business models, a test of the characteristics of the contractual cash flows of the loan or of the debt instrument. This test is carried out through an SPPI test, directed at verifying that the contractual cash flows consist only of principal and interest on the residual principal; only in the presence of a positive outcome of the test, which does not uncover other payments than those pertaining to the principal and interest accrued on the residual capital, may the instrument be recognised in the identified business model. If the outcome is not decisive, additional quantitative analyses may be necessary, e.g. the Benchmark Cash Flow Test.

Based on the method described above, therefore, receivables and debt instruments can be recognised:

- at the amortised cost (CA), provided they are held with the intention of collecting future cash flows within the "Held to Collect" business model and they have passed the SPPI test;
- at "fair value though other comprehensive income" (FVOCI), provided they are within the "Held to Collect & Sell" business model and they have passed the SPPI test;
- at fair value through profit or loss (FVTPL) if:
- an instrument cannot be recognised in one of the two categories described above because it does not meet the criteria of the SPPI test;
- the business model adopted is directed at realising cash flows by selling the instrument.

Regarding capital instruments, IFRS 9 prescribes that the recognition in the category of assets measured at "fair value through profit or loss" (FVTPL); however, it also allows to exercise, at the time of initial recognition, the irrevocable option to classify capital instruments not held for trading under the category of "Assets measured at fair value through other comprehensive income" (FVOCI), in compliance with the reference business model. In this case, only dividends are allocated to the income statement, while the measurements and the results deriving from the sale are allocated to shareholders' equity; there are no provisions for impairment.

For all financial instruments, moreover, the “fair value option” may be exercised. At the time of initial recognition, it is possible to designate a financial asset, that would otherwise have been classified at amortised cost or at “fair value through other comprehensive income”, to “Fair value through profit or loss” (FVTPL). This option is allowed if this classification eliminates or considerably reduces a lack of uniformity (in the measurement or in the recognition) which otherwise would result from the measurement of the asset or from the recognition of the related profits and losses on different bases.

For financial liabilities, IFRS 9, with regard to their initial recognition and derecognition, does not provide any changes from IAS 39.

The subsequent measurement of a financial liability is carried out with the amortised cost method, using the criterion of the effective interest rate; the line by line recognition of fair values changes as an offsetting entry of the income statement is provided, for instruments other than derivatives, only for financial liabilities held for trading.

For financial liabilities designated within the fair value option, the change in fair value due to changes in the credit risk of the liability is recognised directly in “comprehensive income” unless doing so creates or increases the accounting mismatching, in which case the entire fair value change is allocated to the income statement. The amount allocated among the other income components is not reversed to the income statement when the liability is settled or extinguished.

B) Impairment

IFRS 9 introduces a new impairment model characterised by a prospective vision which requires, starting from the first recording in the financial statements, the recognition of the expected losses (or ECL) for all financial debt instruments not measured at fair value through profit or loss (FVTPL): debt instruments measured at amortised cost (CA) or at fair value through other comprehensive income (FVOCI), receivables included under “Due from customers” and “Due from banks”, commitments to disburse funds, financial and commercial guarantee agreements.

The purpose of this new approach is to bring forward the recognition of expected losses, replacing the provisions of IAS 39 which prescribes recognition only in case of objective loss events.

Losses on receivables must be estimated on the basis of supportable information, available without unreasonable costs or efforts and including historical, current and prospective data.

The new impairment model prescribes classification in three categories (buckets) of the credit rating by increasing order of deterioration.

The first bucket includes the financial instruments listed above which have not undergone any significant deterioration of the credit rating from the one observed at the time of first recording in the financial statements. The losses expected on the basis of a 12-month time horizon shall be recognised on the exposures included in the first category.

The second bucket includes all exposures presenting a significant increase in the credit risk since initial recognition.

The third bucket includes the financial assets that - in addition to exhibiting significant deterioration in credit quality from the time of initial recognition - also show current evidence of impairment, negatively affecting estimated cash flow.
The losses expected on the basis of the entire lifetime of the financial instrument (lifetime expected losses) shall be recognised on the exposures included in the last two categories.

Financial assets allocated in the first and in the second bucket are classified as "not impaired" in accordance with IAS 39.
The financial assets allocated to bucket 3 correspond to the financial assets classified among deteriorated exposures in accordance with IAS 39 for which the new accounting start provides, however, that the interest income shall be recognised on the basis of the effective interest rate applied to the amortised cost (gross carrying amount minus the recognised impairment).
As a result of the methodological differences described above, for unimpaired financial assets, the first adoption of the ECL method will determine an increase in allocations for losses on financial assets compared to the method prescribed by IAS 39.

C) Hedge Accounting

The purpose of hedge accounting is to represent in the financial statements the effect of the risk management activities carried out through the use of financial instruments (typically derivatives) to manage exposure to a series of risks that can influence the income statement.
The new standard tends to align the accounting representation with the risk management activities and it also introduces elements of simplification and greater flexibility, by eliminating certain restrictions and rigidities present in IAS 39. The most significant changes pertain through the procedures to assess whether the effectiveness requirements of the hedge are met; with reference to the effectiveness test, in particular, it is no longer necessary to conduct the retrospective test to demonstrate that the hedge has remained effective within the 80%-125% range; the new standard instead requires that there be an economic relationship between the hedged element and the hedging instrument, demonstrated through qualitative and quantitative tests to be carried out both prospectively and on an ongoing basis.
Macro hedges on the rate risk are excluded from IFRS 9 and therefore these hedges remain regulated by IAS 39.
Moreover, IFRS 9 expands the application of hedge accounting and strengthens the disclosure of the risk management activities carried out by the entity that prepares the financial statements.

First adoption of the IFRS 9

Adoption of IFRS 9 is retrospective and mandatory starting from 1 January 2018 with the adjustment of the opening data on 1 January 2018 and does not prescribe the obligation to restate the comparative financial statements relating to the year 2017, whilst allowing optional restatement.
The effects of first adoption of the IFRS 9 - like all impacts of new IAS/IFRS accounting standards - are recognised in shareholders' equity through the recognition of first time adoption reserves (FTA Reserves).
In view of the impacts of the changes introduced by IFRS 9, both on the business and in terms of organisation and reporting, in 2017 the Banca Finnat group developed a dedicated project for the

implementation of IFRS 9. The purpose of the project was to delve into the areas of influence of the standard in terms of “Classification and measurement”, “Impairment” and “Hedge Accounting”.

Considering the impact of the new standard on many aspects of corporate operations, a significant portion of the Group’s functions was actively involved: in particular, within the Group the operating offices most heavily involved by the implementation of the new standard were the Administration and Control Department, Risk Control, the Credits Services, the Finance Department and the Organisation.
Together with the operating functions, the internal control functions like Internal Audit and the Board of Statutory Auditors also were participants in the project.

The introduction of IFRS 9 in terms of “Classification and measurement” and of “Impairment” entailed the need for interventions with severe impacts on the Information Technology function, which in the case of the Bank is outsourced to the provider CSE.

The Bank performed the following activity with reference to the main changes introduced by IFRS 9:

A) Classification and measurement of financial assets
The Bank identified, through a dedicated Policy, the management models through which it manages its financial assets, for the purposes of achieving the objectives prescribed by each model, and the classification and measurement of financial assets (Business Model Policy). The shift from the IAS39 portfolios to the new IFRS9 portfolios was carried out by the Bank taking into account the strategic objectives defined by the top management, and by the business models adopted taking into account its own nature as an investment and commercial bank on the basis of the current portfolio management procedures.
With regard to the portfolio of receivables, the Bank has adopted a single business model directed at the collection of the cash flows as prescribed contractually (“Held to Collect” model).
In relation to the Bank’s own portfolios invested in financial instruments other than equity investments connected to and controlled by the Bank, taking into account the different areas of operations, adopted the three prescribed business model (“Held to Collect”, “Held to Collect & Sell”, “Held to Sell”) associating each model to the homogeneous portfolios on the basis of the current procedures for managing the underlying assets identified in the IAS 39 portfolios.
Upon first adoption of the accounting standard, as prescribed by IFRS 9, the assessment of the business model of each portfolio was carried out on the basis of the conditions at the time of first adoption of the standard and not of the conditions at the time of origination.
For the homogeneous portfolios associated with the Held to Collect business model, whose objective is to realise cash flows by holding financial instruments, dedicated analyses were conducted to identify the frequency, value, times, reasons and expectations whereby any sales of the instruments held are deemed compatible with respect to the objective of the model. The Bank, therefore, identified both the criteria for admission to the sale of the financial instruments and the frequency and significance thresholds that define the maximum limits prescribed to consider admissible the sales made in each year for financial instruments classified in the Held to Collect portfolio.
Moreover, the Bank adopted specific Policies (“SPPI Test Policy” and “Benchmark Cash Flow Test Policy”) directed at identifying the guidelines for the analysis of the contractual characteristics of the receivables and

of the securities according to the principles defined by the Standard, prescribed for classification of the activities in the Held to Collect and Held to Collect & Sell categories.

The adoption of the new accounting standard brought about the following effects:

- the Equity Investments belonging to the current Available for Sale portfolio, whose carrying amount is equal to 5 million euros were classified at "fair value through other comprehensive income" (no recycling) exercising the irrevocable option upon initial recognition.
- The UCI units (funds and Sicav) belonging to the current Available for Sale portfolio whose carrying amount is 22 million euros were classified at "fair value through profit or loss" because, although these instruments were associated to the business model whose investment strategy has the objective of realising the contractual cash flows both by holding them and selling them, the characteristics of the contractual cash flows are not consistent with the criteria prescribed to pass the SPPI test. As a consequence of this classification, the accumulated gain recognised previously in the other components of comprehensive income, equal to 0.6 million euros before tax effects, shall be allocated to FTA reserve. Therefore, this reclassification does not entail any changes in net equity.
- The securities issued by the Italian State that belong to the current Available for Sale portfolio, whose carrying amount is 1,160 million euros, were classified in the "Held to collect & Sell" category for a value of 168 million euros and in the "Held to collect" category for a value of 992 million euros. As a consequence of this second classification, the accumulated gain recognised previously in the other components of comprehensive income, equal to 1.5 million euros before tax effects, was eliminated from the book value of shareholders' equity and adjusted in view of the fair value of the financial asset at the date of the initial recognition; financial instruments shall be classified as if they had always measured at amortised cost.
- The other bond securities belonged to the current Available for Sale portfolio equal to 29 million euros were classified in the "Held to collect & Sell" category.
- The financial instrument called FINRE SPV 25 8% SEN belonging to the current Loans and receivables portfolio was classified in the "Held to Sell" category at the value of 726 thousand euros and measured at "fair value through profit or loss" since the characteristics of the contractual cash flows are not consistent with the criteria for passing the SPPI test.

B) Impairment

The Bank changed the methods for calculating the allocations associated with the financial assets adopting a new method for determining the expected losses based on a forward-looking logic. The objective of this new method is the timely recognition of the losses to be calculated and allocated upon occurrence of the significant deterioration of the credit status with respect to the initial recognition of the financial asset.

Upon first adoption, performing financial assets were distinguished between those that can be classified in the first category (Bucket 1) and those that can be classified in the second category (Bucket 2) in accordance with the Staging Allocation Policy adopted by the Bank; impaired financial assets were classified in the third category (Bucket 3). The scope of the new staging allocation rules pertains to:

- financial assets recognised at amortised cost (CA). This category includes receivables (due from customers and from banks) and debt securities;
- financial assets represented by debt securities (receivables or bonds) recorded at fair value through

other comprehensive income (FVOCI);
- trade receivables, i.e. the operating receivables mainly referred to the collection of commissions deriving from banking activity included under "Due from customers";
- receivables for margins from Cassa di Compensazione e Garanzia included under "Due from customers";
- irrevocable commitments to disburse funds (margins of revolving credit facilities such as current account overdrafts);
- unsecured loans of a financial nature or of a commercial nature.

Upon first adoption of the accounting standard, the Bank carried out an itemised analysis of all performing positions, identifying the exposures that at the time of initial adoption of the new accounting standard, recorded a significant increase in credit risk relative to the date of disbursement, adopting the following main simplifications: for exposures due for more than 30 days at the date of first adoption of the new accounting standard, the assumption of a significant increase in credit risk was adopted, so these exposures were classified in Bucket 2; moreover, all positions that at the date of first adoption were associated with prejudicial information were classified in Bucket 2; for the purposes of the recognition of the significant increase in credit risk, the first available recognition was considered as the initial one.

The Staging Allocation Policy adopted by the Bank entails the application of the Low credit risk exemption limited to the securities portfolio, classifying in Bucket 1 the financial instruments that have investment grade rating at the reporting date.

The effect of the adoption of the new impairment rules was recognised in the net equity through changes in dedicated reserves (FTA reserves) in accordance with IFRS 9. The impact of the greater adjustments on performing financial assets amounts to approximately 1.2 million euros.

C) Hedge Accounting

At 1 January 2018 - first time adoption of IFRS 9 - the Bank had no hedge accounting transactions.

* * *

As a result of the aforementioned reductions in the book value of net equity, due both to reclassifications and to impairment, totalling approximately 2.7 million euros before taxes, the Common Equity Tier 1 ratio, at the date of first adoption of IFRS 9, decreased by 52 basis points.

To delay in time the impacts deriving from the a doption of the new accounting standard on own funds, the Bank exercised the option to apply the transitional provisions - illustrated in the Report on Operations in the paragraph "Market disclosure information" which reduce the negative impact to 30 basis points for 2018.

Considering the Bank's current capital levels, adoption of IFRS 9 thus brought about a very low reduction in own funds and capital ratios.

Revision in view of the new IFRS 15

Starting from 18 November 2016, Regulation (EU) no. 2016/1905, adopting IFRS 15 - Revenue from Contracts with Customers.

- IFRS 15 replaces the following Standards: IAS 11 Construction Contracts; IAS 18 Revenue;
- IFRIC 13 Customer Loyalty Programmes; IFRIC 15 Agreements for the Construction of Real Estate;
- IFRIC 18 Transfers of Assets from Customers and SIC-31 Revenue—Barter Transactions Involving Advertising Service.

The companies shall adopt the standard starting from the financial statements of years starting on or after 1 January 2018. Early adoption is permitted.

The fundamental steps for recognising revenue according to the new model are: - identifying the contract with the customer; - identifying the performance obligations of the contract; - determining the price; - allocating the price to the performance obligations of the contract; - the criteria for recognising the revenue when the entity fulfils each performance obligation.

In 2017, the Bank conducted a preliminary assessment and this activity pertained to the applicability of the new principle to the different types of existing contracts, as well as the study of possible managerial and accounting impacts. The Bank mapped the cases that are potentially affected by the standard and analysed selected contracts representing the clusters in which the contract portfolio had been classified previously.

The analyses show that the Private Banking and Advisory and Corporate Finance sectors are potentially affected by the new provisions of the standard. Among the main cases examined, the following stand out: contracts characterised by a plurality of contractual obligations; contracts providing variable prices, such as commissions tied to the attainment of determined objectives; contracts providing the recognition of the revenue at the time of punctual fulfilment of the obligation.

It is noted that the accounting treatment of these cases is basically already in line with the provisions of the new standard and consequently no significant impacts will emerge in accounting terms. The main effects shall be represented mainly by the greater disclosure required; in this regard, the Bank is taking action to be able to provide, in the 2018 financial statements, the additional information details required by the Standard and by the Instruction provided by Bank of Italy Circular no. 262 - 5th revision.

COMPARISON OF KEY BALANCE SHEET AND INCOME STATEMENT FIGURES OF THE 2017 AND 2016 FINANCIAL YEARS

The main 2017 financial statement items and comparative items at 31 December 2016 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)

	31.12.2017	31.12.2016	Absolute change
ASSETS			
Cash and cash equivalents	629	470	159
Financial assets held for trading	45,712	40,489	5,223
Available-for-sale financial assets	1,216,762	1,170,361	46,401
Financial assets held to maturity	–	1,999	(1,999)
Due from banks	76,353	163,339	(86,986)
Due from customers	342,014	310,020	31,994
Hedging derivatives	–	391	(391)
Equity investments	76,157	75,132	1,025
Tangible assets	4,870	5,010	(140)
Intangible assets	374	385	(11)
Tax assets	1,532	3,836	(2,304)
Other assets	20,847	15,899	4,948
TOTAL ASSETS	**1,785,250**	**1,787,331**	**(2,081)**
LIABILITIES AND NET EQUITY			
Due to banks	1,474	1,203	271
Due to customers	1,501,891	1,503,643	(1,752)
Outstanding securities	22,594	23,825	(1,231)
Financial liabilities held for trading	143	10,772	(10,629)
Tax liabilities	4,542	3,666	876
Other liabilities	9,674	6,895	2,779
Staff severance fund	2,157	2,225	(68)
Provisions for risks and charges	548	448	100
Net equity	242,227	234,654	7,573
TOTAL LIABILITIES AND NET EQUITY	**1,785,250**	**1,787,331**	**(2,081)**

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

(in thousands of euros)

	FY 2017	FY 2016	Change	
			Absolute	Percentage
Interest margin	**8,891**	**7,570**	**1,321**	**17%**
Net commissions	**16,093**	**14,164**	**1,929**	**14%**
Dividends and similar income	8,050	5,673	2,377	
Net income from trading activities	1,726	1,896	(170)	
Net income from hedging activities	–	–	–	
Profit (loss) from disposal or repurchase:				
- available-for-sale financial assets	38,185	2,999	35,186	
Earnings margin	**72,945**	**32,302**	**40,643**	**126%**
Value adjustment for impairment	(5,989)	(1,656)	(4,333)	
Net income from financial operations	**66,956**	**30,646**	**36,310**	**118%**
Staff costs	(17,923)	(16,498)	(1,425)	
Other administrative expenses	(13,599)	(12,545)	(1,054)	
Net allocations to provisions for risks and charges	(100)	619	(719)	
Value adjustments on tangible and intangible assets	(349)	(399)	50	
Other operating income/expenses	4,291	3,869	422	
Operating costs	**(27,680)**	**(24,954)**	**(2,726)**	**11%**
Profit (loss) from equity investments	(1,843)	(1,426)	(417)	
Profit (loss) from current operations before taxes	**37,433**	**4,266**	**33,167**	**777%**
Income tax for the period on current operations	(1,159)	(276)	(883)	
Profit (loss) for the year	**36,274**	**3,990**	**32,284**	**809%**

Following are a series of Bank operating ratios at 31 December 2017 compared with the operating ratios of the previous year.

	FY 2017 (%)	FY 2016 (%)
Interest margin/earnings margin	12.19	23.44
Net commissions/earnings margin	22.06	43.85
Cost/income ratio (operating costs/earnings margin)	37.95	77.25
ROE (profit (loss) for the year/net equity)	14.98	1.70
ROA (profit (loss) for the year/total assets)	2.03	0.22

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

The main transactions in the year

Concerning the main transactions and most significant events in the period, it should be pointed out that:

- on 9 February 2017, the Board of Directors of the Bank also resolved to appoint Deputy General Manager Mr. Giulio Bastia as the new Joint General Manager and Manager in charge of preparing the accounting documents replacing Mr. Paolo Collettini;
- on 10 March 2017, the Board of Directors of the Bank, upon acknowledging the resignation of the Chairman Mr. Giampietro Nattino, appointed Director Ms. Flavia Mazzarella to replace him as the new Chairman of the Bank; she retains her characteristics as independent Director. The Board also co-opted, as independent Director, Mr. Marco Tofanelli, appointed as Deputy Chairman and Lead Independent Director. The Board also passed resolutions on the new composition of the Risk Committee and Appointment Committee.
- on 27 April 2017, the Shareholders' Meeting of the Bank:
  - approved the financial statements at 31 December 2016 and resolved the distribution, to the Shareholders, of a gross dividend of 0.01 euro per share, due for payment from 17 May 2017 (coupon date: 15 May 2017);
  - confirmed Mr. Marco Tofanelli as non-executive and independent director, having already been co-opted during the Board meeting held on 10 March 2017. Mr. Tofanelli's term of office will expire, together with that of the entire Board of Directors, with the approval of the Financial Statements for 2017;
  - approved the Remuneration Policy pursuant to Article 123-ter of Italian Legislative Decree No. 58/98.
- on 3 October 2017, the Bank opened a new branch on via Piemonte in Rome, consolidating its presence in the Capital of Italy.

Significant events occurring after the end of the financial year

In the period spanning the end of the 2017 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.

Business outlook

Based on the current forecasts formulated by the Bank's offices, the result for the year 2018 is expected to be positive but lower than that of 2017, which was significantly impacted by the gain realised by the sale of equities present in the AFS portfolio.

* * *

Dear Shareholders,

We submit the financial statements for 2017, 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	**36,274,481**	**euros**
• to the legal reserve, for 5% to be set aside in compliance with the law and the articles of association	1,813,724	euros
• to the 362,880,000 ordinary shares a gross dividend of 0.030 euros per share corresponding to 15% of the nominal value of the shares (in accordance with Article 2357-ter of the Italian Civil Code the profits due to own shares held as of the dividend registration date will be allocated proportionally to the other shares)	10,886,400	euros
• to extraordinary reserve	23,574,357	euros
return	**36,274,481**	**euros**

We further propose to transfer the residual 332,844 euros of the "Reserve for purchases of own shares" as a result of the sales carried out during the year.

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.

* * * *

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

• legal reserve	11,180,898	euros
• dividend adjustment reserve	6,724,772	euros
• reserve for purchased own shares	14,059,346	euros
• extraordinary reserve	82,389,312	euros
• profit brought forward from restated IAS 19	179,409	euros
• reserve for merger surplus	524,609	euros
Total profit reserves	115,058,346	euros
Other reserves (profits from own shares)	4,277,113	euros
Total reserves	**119,335,459**	**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, 16 March 2018

On behalf of the Board of Directors
The Chairman
Ms. Flavia Mazzarella

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

(amounts in euros)

	Asset items	31.12.2017	31.12.2016
10.	Cash and cash equivalents	629,375	469,526
20.	Financial assets held for trading	45,712,094	40,489,180
40.	Available-for-sale financial assets	1,216,762,196	1,170,360,720
50.	Financial assets held to maturity	–	1,998,648
60.	Due from banks	76,352,947	163,339,270
70.	Due from customers	342,014,481	310,020,304
80.	Hedging derivatives	–	390,767
100.	Equity investments	76,156,865	75,131,900
110.	Tangible assets	4,870,448	5,010,372
120.	Intangible assets	374,198	384,934
	of which:		
	- goodwill	300,000	300,000
130.	Tax assets	1,532,490	3,836,117
	a) current	92,476	1,777,491
	b) deferred tax assets	1,440,014	2,058,626
	of which pursuant to Law.214/2011	1,083,021	1,526,506
150.	Other assets	20,844,532	15,899,677
	Total assets	**1,785,249,626**	**1,787,331,415**

	Liabilities and net equity	31.12.2017	31.12.2016
10.	Due to banks	1,473,793	1,203,432
20.	Due to customers	1,501,891,245	1,503,642,843
30.	Outstanding securities	22,594,170	23,824,517
40.	Financial liabilities held for training	142,651	10,771,500
80.	Tax liabilities	4,542,088	3,665,582
	a) current	2,894,202	182,580
	b) deferred tax liabilities	1,647,886	3,483,002
100.	Other liabilities	9,672,643	6,896,145
110.	Staff severance fund	2,157,317	2,225,343
120.	Provisions for risks and charges		
	b) other funds	548,380	448,380
130.	Valuation reserves	53,488,826	78,834,039
160.	Reserves	93,947,378	93,645,724
180.	Capital	72,576,000	72,576,000
190.	Own shares (-)	(14,059,346)	(14,392,190)
200.	Net profit (loss) for the year (+/-)	36,274,481	3,990,100
	Total liabilities and net equity	**1,785,249,626**	**1,787,331,415**

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

(amounts in euros)

	Items	FY 2017	FY 2016
10.	Interest income and similar income	6,700,989	6,328,813
20.	Interest expense and similar expense	2,190,419	1,241,403
30.	**Interest margin**	**8,891,408**	**7,570,216**
40.	Commission income	17,379,477	15,262,660
50.	Commission expense	(1,286,040)	(1,098,674)
60.	**Net commissions**	**16,093,437**	**14,163,986**
70.	Dividends and similar income	8,049,969	5,673,022
80.	Net income from trading activities	1,725,975	1,896,481
90.	Net income from hedging activities	–	–
100.	Net profit (loss) from the transfer or repurchase of:		
	b) available-for-sale financial assets	38,185,401	2,998,891
120.	**Earnings margin**	**72,946,190**	**32,302,596**
130.	Net value adjustments/write-backs for the impairment of:		
	a)receivables	(2,330,649)	(122,506)
	b) available-for-sale financial assets	(3,656,190)	(1,532,893)
	d) other financial transactions	(2,423)	–
140.	**Net income from financial operations**	**66,956,928**	**30,647,197**
150.	Administrative expenses:		
	a) staff costs	(17,923,053)	(16,498,266)
	b) other administrative expenses	(13,598,654)	(12,545,313)
160.	Net appropriations to the provisions for risks and charges	(100,000)	618,750
170.	Net value adjustments/write-backs on tangible assets	(327,350)	(368,533)
180.	Net value adjustments/write-backs on intangible assets	(22,057)	(29,911)
190.	Other operating income/charges	4,290,501	3,867,942
200.	**Operating costs**	**(27,680,613)**	**(24,955,331)**
210	Net profit (loss) of equity investments	(1,842,576)	(1,425,815)
250.	**Profit (loss) from current operations before tax**	**37,433,739**	**4,266,051**
260.	Income tax on current operations	(1,159,258)	(275,951)
270.	**Profit (loss) from current operations after tax**	**36,274,481**	**3,990,100**
290.	**Profit (loss) for the year**	**36,274,481**	**3,990,100**

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

(amounts in euros)

	Items	FY 2017	FY 2016
10.	**Profit (loss) for the year**	**36,274,481**	**3,990,100**
	Other income items after tax without reversal to income statement		
40.	Defined benefit plans	(19,774)	(37,296)
	Other income items after tax with reversal to the income statement		
100.	Available-for-sale financial assets	(25,325,439)	(7,176,086)
130.	**Total other income items after tax**	**(25,345,213)**	**(7,213,382)**
140.	**Comprehensive income (Items 10+130)**	**10,929,268**	**(3,223,282)**

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

STATEMENT OF CHANGES IN NET EQUITY AT 31 DECEMBER 2017

(in euros)

	Balances at 31.12.2016	Changes in opening balances	Balances at 01.01.2017	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:	**93,645,724**	**–**	**93,645,724**	**361,300**	**–**
a) profit	89,308,965		89,308,965	361,300	
b) other	4,336,759		4,336,759	–	–
Valuation reserve	**78,834,039**		**78,834,039**	**–**	**–**
Capital instruments	**–**		**–**		
Own shares	**(14,392,190)**		**(14,392,190)**		
Profit (Loss) for the year	**3,990,100**		**3,990,100**	**(361,300)**	**(3,628,800)**
Net equity	**234,653,673**	**–**	**234,653,673**	**–**	**(3,628,800)**

STATEMENT OF CHANGES IN NET EQUITY AT 31 DECEMBER 2016

(in euros)

	Balances at 31.12.2015	Changes in opening balances	Balances at 01.01.2016	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:	**92,650,271**	**–**	**92,650,271**	**995,453**	**–**
a) profit	87,315,331		87,315,331	995,453	
b) other	5,334,940		5,334,940	–	–
Valuation reserve	**86,047,421**		**86,047,421**	**–**	**–**
Capital instruments	**–**		**–**		
Own shares	**(13,949,253)**		**(13,949,253)**		
Profit (Loss) for the year	**4,624,253**		**4,624,253**	**(995,453)**	**(3,628,800)**
Net equity	**241,948,692**	**–**	**241,948,692**	**–**	**(3,628,800)**

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 2017	Net equity at 31.12.2017
–	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**72,576,000**
–	–	–	–	–	–	–	–	72,576,000
–	–	–	–	–	–	–	–	–
–	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
(59,646)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**93,947,378**
-								89,670,265
(59,646)	–	–	–	–	–	–	–	4,277,113
–	**–**	**–**	**–**	**–**	**–**	**–**	**(25,345,213)**	**53,488,826**
				–				**–**
–		**332,844**						**(14,059,346)**
–	**–**	**–**	**–**	**–**	**–**	**–**	**36,274,481**	**36,274,481**
(59,646)	**–**	**332,844**	**–**	**–**	**–**	**–**	**10,929,268**	**242,227,339**

Changes during the year								
	Net equity transactions							
Changes in reserves	New share issue	Purchase of own shares	Extra dividend distribution	Change in capital instruments	Derivatives on own shares	Stock options	Comprehensive income FY 2016	Net equity at 31.12.2016
–	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**72,576,000**
–	–	–	–	–	–	–	–	72,576,000
–	–	–	–	–	–	–	–	–
–	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
–	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**93,645,724**
998,181								89,308,965
(998,181)	–	–	–	–	–	–	–	4,336,759
–	**–**	**–**	**–**	**–**	**–**	**–**	**(7,213,382)**	**78,834,039**
				–				**–**
–		**(442,937)**						**(14,392,190)**
–	**–**	**–**	**–**	**–**	**–**	**–**	**3,990,100**	**3,990,100**
–	**–**	**(442,937)**	**–**	**–**	**–**	**–**	**(3,223,282)**	**234,653,673**

STATEMENT OF CASH FLOWS (indirect method)

(in euros)

	Amount	
	31.12.2017	**31.12.2016**
A. OPERATING ACTIVITIES		
1. Management	**45,183,872**	**11,244,327**
- net profit (loss) for the year (+/-)	36,274,481	3,990,100
- capital gains/losses on financial assets held for trading and on financial assets/liabilities carried at fair value (-/+)	(903,548)	659,223
- capital gains/losses on hedging assets (-/+)	390,767	(175,504)
- net value adjustments/write-backs for impairment (+/-)	5,989,262	1,655,398
- net value adjustments/write-backs on tangible and intangible fixed assets (+/-)	392,564	452,408
- net allocations to the provisions for risks and charges and other costs/revenues (+/-)	885,179	146,732
- taxes, duties and tax credits not liquidated (+/-)	(1,159,258)	(275,951)
- net value adjustments/write-backs of disposal groups after tax (+/-)	–	–
- other adjustments (+/-)	3,314,425	4,791,921
2. Cash generated by/used in financial assets	**(12,931,682)**	**(442,379,447)**
- financial assets held for trading	(4,319,366)	15,429,715
- financial assets carried at fair value	–	–
- available-for-sale financial assets	(50,057,667)	(345,865,988)
- due from banks: on demand	41,301,729	26,827,563
- due from banks: other receivables	39,458,883	(105,674,018)
- due from customers	(34,324,826)	(32,855,558)
- other assets	(4,990,435)	(241,161)
3. Cash generated by/used in financial liabilities	**(11,417,139)**	**436,800,862**
- due to banks: on demand	940,781	(10,963,384)
- due to banks: other payables	(670,420)	670,420
- due to customers	(1,751,598)	449,859,694
- outstanding securities	(1,230,347)	(2,297,153)
- financial liabilities held for trading	(10,628,849)	1,038,809
- financial liabilities carried at fair value	–	–
- other liabilities	1,923,294	(1,507,524)
Cash generated by/used in operating activities	**20,835,051**	**5,665,742**

	Amount	
	31.12.2017	31.12.2016
B. INVESTING ACTIVITIES		
1. Cash generated by	**8,224,359**	**6,702,609**
- disposals of equity investments	–	2,840,000
- dividends received on equity investments	6,225,711	3,852,689
- disposal of financial assets held to maturity	1,998,648	–
- disposals of tangible assets	–	9,920
- disposals of intangible assets	–	–
- disposals of business units	–	–
2. Cash used in	**(198,747)**	**(1,071,719)**
- purchases of equity investments	–	(750,000)
- purchases of financial assets held to maturity	–	(39,823)
- purchases of tangible assets	(187,425)	(254,670)
- purchases of intangible assets	(11,322)	(27,226)
- purchases of business units	–	–
Cash generated by/used in investing activities	**8,025,612**	**5,630,890**
C. FINANCING ACTIVITIES		
- issues/purchases of own shares	332,844	(442,937)
- issues/purchases of capital instruments	(59,645)	–
- dividend distribution and other purposes	(28,974,013)	(10,842,182)
Cash generated by/used in financing activities	**(28,700,814)**	**(11,285,119)**
CASH GENERATED/USED DURING THE YEAR	**159,849**	**11,513**

Key:
(+) generated
(-) used

RECONCILIATION	**31.12.2017**	**31.12.2016**
ITEMS		
Cash and cash equivalents at the beginning of the year	469,526	458,013
Total net cash generated/used during the year	159,849	11,513
Cash and cash equivalents: effect of exchange rate changes		
Cash and cash equivalents at the end of the year	629,375	469,526

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 2017 of Banca Finnat Euramerica S.p.A. have been prepared applying the international accounting standards (IAS/IFRS) promulgated by the International Accounting Standard Board and the related interpretations of the International Financial Reporting Interpretation Committee, as they were endorsed by the European Commission through 31 December 2017, according to the procedure prescribed by Regulation (EC) no. 1606/02 of 19 July 2002, and to the measures promulgated to implement Article 9 of Italian Legislative Decree no. 38/2005 and Article 43 of Italian Legislative Decree no. 136 of 18 August 2015.

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 portfolio of financial assets, the Directors of the Bank have prepared these financial statements considering appropriate the going concern requirement. Consequently, the assets, liabilities and off-balance sheet transactions are measured according to operating values, because they are meant to last over time.
The separate financial statements of Banca Finnat Euramerica S.p.A. at 31 December 2017 have been

prepared by applying the provisions laid down by Circular 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 euro, 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 EY S.p.A., to whose Report attached hereto specific reference is made.

The European Commission has endorsed the following Regulations that shall apply from 1 January 2017 onwards:

- Regulation No. 1989/2017 – Amendments to IAS 12 Income Taxes.
- Regulation No. 1990/2017 – Amendments to IAS 7 Statement of Cash Flows.

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

Moreover, in 2016/2017 the European Commission endorsed the following Regulations:

- to be effective from 1 January 2018:
  - Regulation no. 2067/2016 - IFRS 9 Financial Instruments;
  - Regulation no. 1905/2016-1987/2017 – IFRS 15 Revenue from Contracts with Customers as subsequently amended.
  - Regulation no. 1988/2017 - IFRS 4 Joint application of IFRS 9 Financial Instruments and of IFRS 4 Insurance Contracts.
- to be effective from 1 January 2019:
  - Regulation no. 1986/2017 – IFRS 16 Leasing.

Among the Regulations that entered into force from 1 January 2018, IFRS 9 and IFRS 15 apply for the Bank. This is because:

- IFRS 9 provides a revised model for the classification and measurement of financial assets, a measurement model for financial assets based on "expected losses" and changes the approach to specific hedge accounting.
- IFRS 15 introduces a new model to be applied to revenue from contracts with customers that provides that they are to be recognised - for an amount that reflects the price to which the entities believe to be entitled - in exchange for the transfer of goods or services to the customer.

A detailed analysis of the aforementioned standards and the related impacts deriving from first-time adoption (FTA) was provided in the Report on Operations in two dedicated paragraphs entitled "Revision in view of the new IFRS 9" and "Revision in view of the new IFRS 15".

Section 3 – Subsequent events

In the period spanning the end of the 2017 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.

The 2017 statutory financial statements will be submitted for the approval of the Shareholders' Meeting convened for 27 April 2018.

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 2017, 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 2017

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 2017, 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 2017 remained unchanged with respect to those adopted in the Financial Statements at 31 December 2016 as concerns classification, meas 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

Subsequently to 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 the 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 ass ets 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 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, on the basis of the matters 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 - 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".
The "forborne" 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 2016 also for the 2016/2017/2018 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 debit/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 Euro, 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.

17 - 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 in 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 so-called "fair value option" envisaged by 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; at 31 December 2017, all the aforesaid securities were repaid at maturity;
- 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.

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 31.12.2017	Fair value at 31.12.2017	Income components without the transfer (pre-tax)		Income components recorded for the year (pre-tax)	
					Items	Other	Items	Other
Debt securities	HFT	HTM	–	–	–	–	–	2
UCI units	HFT	AFS	1,064	1,064	(417)	–	(417)	–

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) on 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 as 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	31.12.2017			31.12.2016		
	L1	L2	L3	L1	L2	L3
1. Financial assets held for trading	32,805	12,902	5	25,356	15,119	14
2. Financial assets carried at fair value	–	–	–	–	–	–
3. Available-for-sale financial assets	1,189,652	20,587	6,523	1,129,007	36,642	4,712
4. Hedging derivatives	–	–	–	–	391	–
5. Tangible assets	–	–	–	–	–	–
6. Intangible assets	–	–	–	–	–	–
Total	**1,222,457**	**33,489**	**6,528**	**1,154,363**	**52,152**	**4,726**
1. Financial liabilities held for trading	–	143	–	–	10,772	–
2. Financial liabilities carried at fair value	–	–	–	–	–	–
3. Hedging derivatives	–	–	–	–	–	–
Total	**–**	**143**	**–**	**–**	**10,772**	**–**

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	**14**	**–**	**4,712**	**–**	**–**	**–**
2. Increases	**–**	**–**	**3,175**	**–**	**–**	**–**
2.1. Purchases	–	–	5	–	–	–
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	–	–	2,468	–	–	–
2.4. Other increases	–	–	702	–	–	–
3. Decreases	**9**	**–**	**1,364**	**–**	**–**	**–**
3.1. Sales –	–	–	–	–	–	
3.2. Repayments	–	–	–	–	–	–
3.3. Losses recorded in:	–	–	1,364	–	–	–
3.3.1. Income Statement	–	–	1,364	–	–	–
- of which capital losses	–	–	1,364	–	–	–
3.3.2. Net equity	X	X	–	–	–	–
3.4. Transfers to other levels	–	–	–	–	–	–
3.5. Other decreases	9	–	–	–	–	–
4. Closing balance	**5**	**–**	**6,523**	**–**	**–**	**–**

Item 3.3.1. Income statement - of which capital losses - of Available-for-sale financial assets - relates to the impairment test carried out on the shares of CSE Consorzio Servizi Bancari S.r.l., amounting to 596 thousand euros, on the Apple Fund amounting to 727 thousand euros and on the Cassa di Risparmio di Cesena S.p.A. shares amounting to 41 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	31.12.2017				31.12.2016			
	BV	L1	L2	L3	BV	L1	L2	L3
1. Financial assets held to maturity	–	–	–	–	1,999	2,001	–	–
2. Due from banks	76,353	–	–	76,353	163,339	–	–	163,339
3. Due from customers	342,014	–	–	344,988	310,020	–	–	311,927
4. Tangible assets held for investment	–	–	–	–	–	–	–	–
5. Non-current assets and groups of assets being disposed	–	–	–	–	–	–	–	–
Total	**418,367**	**–**	**–**	**421,341**	**475,358**	**2,001**	**–**	**475,266**
1. Due to banks	1,474	–	–	1,474	1,203	–	–	1,203
2. Due to customers	1,501,891	–	–	1,501,891	1,503,643	–	–	1,503,643
3. Outstanding securities	22,594	–	–	22,526	23,825	–	–	23,791
4. Liabilities associated to assets being disposed	–	–	–	–	–	–	–	–
Total	**1,525,959**	**–**	**–**	**1,525,891**	**1,528,671**	**–**	**–**	**1,528,637**

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 31.12.2017	Total 31.12.2016
a) Cash	477	322
b) Demand deposits at central banks	152	148
Total	**629**	**470**

Section 2 - Financial assets held for trading - Item 20

2.1 Financial assets held for trading: breakdown by product

Items/Amounts	Total 31.12.2017			Total 31.12.2016		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
A. Cash assets						
1. Debt securities	29,891	3,225	–	20,486	2,494	–
1.1 Structured securities	–	–	–	–	–	–
1.2 Other debt securities	29,891	3,225	–	20,486	2,494	–
2. Equity securities	2,566	–	5	1,821	–	14
3. UCI units	165	9,571	–	2,866	1,739	–
4. Loans	–	–	–	–	–	–
4.1 Outstanding repos	–	–	–	–	–	–
4.2 Other	–	–	–	–	–	–
Total A	**32,622**	**12,796**	**5**	**25,173**	**4,233**	**14**
B. Derivatives						
1. Financial derivatives:	183	106	–	183	10,886	–
1.1 held for trading	183	106	–	183	10,886	–
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	**183**	**106**	**–**	**183**	**10,886**	**–**
Total (A+B)	**32,805**	**12,902**	**5**	**25,356**	**15,119**	**14**

Item A.1. “Debt securities” amounting to 33,116 thousand euros (22,980 thousand euros at 31 December 2016) consists of the following financial instruments:

- Level 1: Government bonds of 15,037 thousand euros and bonds of 14,854 thousand euros;
- Level 2: bonds of 3,225 thousand euros, of which 2,151 thousand euros relate to the “FIP Funding Class A2” and 1,074 thousand euros relate to the CDP 10/1/2019 3.5% bond.

Item A.3. UCI units amounting to 9,736 thousand euros (4,605 thousand euros at 31 December 2016) includes in Level 2: Anthilia Capital Partners fund shares for a total amount of 2,268 thousand euros, New Millennium fund shares for 6,717 thousand euros and 1 share of Alkimis Fund for 586 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 31.12.2017	Total 31.12.2016
A. Cash assets		
1. Debt securities	**33,116**	**22,980**
a) Governments and Central Banks	15,037	19,984
b) Other public authorities	–	–
c) Banks	14,119	–
d) Other issuers	3,960	2,996
2. Equity securities	**2,571**	**1,835**
a) Banks	–	
b) Other issuers:	2,571	1,835
- insurance companies	38	206
- financial companies	–	–
- non-financial companies	2,533	1,629
- other	–	–
3. UCI units	**9,736**	**4,605**
4. Loans	**–**	**–**
a) Governments and Central Banks	–	–
b) Other public authorities	–	–
c) Banks	–	–
d) Other entities	–	–
Total A	**45,423**	**29,420**
B. Derivatives		
a) Banks		
- fair value	48	1,166
b) Customers		
- fair value	241	9,903
Total B	**289**	**11,069**
Total (A + B)	**45,712**	**40,489**

The item “UCI units” includes: 5,748 thousand euros of bond funds, 3,972 thousand euros of equity funds and 16 thousand euros of real estate funds.

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

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

Items/Amounts	Total 31.12.2017			Total 31.12.2016		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Debt securities	1,189,177	–	–	1,094,519	10,898	–
1.1 Structured securities	–	–	–	–	–	–
1.2 Other debt securities	1,189,177	–	–	1,094,519	10,898	–
2. Equity securities	475	–	4,750	34,488	–	4,712
2.1 Carried at fair value	475	–	–	34,488	–	–
2.2 Carried at cost	–	–	4,750	–	–	4,712
3. UCI units	–	20,587	1,773	–	25,744	–
4. Loans	–	–	–	–	–	–
Total	**1,189,652**	**20,587**	**6,523**	**1,129,007**	**36,642**	**4,712**

Item 1. Debt securities - Level 1 - consists of Government Bonds totalling a nominal value of 1,155 million euros (of which 740 million euros with maturity within 2018, 250 million euros with maturity within 2019 and 165 million euros with maturity within 2025) and of bonds totalling a nominal value of 28 million euros, of which 18 million euros with maturity in 2018 and 10 million euros with maturity in 2020.

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

- Level 1: Net Insurance S.p.A. (475 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. (44 thousand euros), CSE Consorzio Servizi Bancari S.r.l. (2,504 thousand euros), Cassa di Risparmio di Cesena S.p.A. (2 thousand euros) and Liphe S.p.A. (5 thousand euros).

Last year, the interest in London Stock Exchange Group plc, amounting to 31,377 thousand euros, were present in the portfolio along with the interest in Anima Holding S.p.A. amounting to 2,432 thousand euros; they were entirely disposed of in 2017.

Item 3 UCI units - Level 2 - includes 239 units of Fondo Immobili Pubblici (FIP) for a total of 16,830 thousand euros, units of the New Millennium Total Return Fund for 2,757 thousand euros, units of the Thema Fund for 995 thousand euros and Fondamenta for 5 thousand euros. Level 3 includes 5 units of the Apple Fund amounting to 1,773 thousand euros.

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

Items/Amounts	Total 31.12.2017	Total 31.12.2016
1. Debt securities	**1,189,177**	**1,105,417**
a) Governments and Central Banks	1,160,270	1,084,391
b) Other public authorities	–	–
c) Banks	28,907	21,026
d) Other issuers	–	–
2. Equity securities	**5,225**	**39,200**
a) Banks	2	43
b) Other issuers:	5,223	39,157
- insurance companies	475	360
- financial companies	1,075	34,884
- non-financial companies	3,668	3,913
- other	5	–
3. UCI units	**22,360**	**25,744**
4. Loans	**–**	**–**
a) Governments and Central Banks	–	–
b) Other public authorities	–	–
c) Banks	–	–
d) Other entities	–	–
Total	**1,216,762**	**1,170,361**

Item “UCI units” includes real estate funds of 18,603 thousand euros and other funds of 3,757 thousand euros.

Section 5 – Financial assets held to maturity – Item 50

5.1 Financial assets held to maturity: breakdown by product

	Total 31.12.2017				Total 31.12.2016			
	BV	FV			BV	FV		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
1. Debt securities	–	–	–	–	1,999	2,001	–	–
- structured								
- other	–	–			1,999	2,001		
2. Loans								
Total	**–**	**–**	**–**	**–**	**1,999**	**2,001**	**–**	**–**

Key

FV= Fair Value

BV= Book Value

The item was reduced to zero following the maturity date (January 2017) of the bond of a nominal amount of 2 million euros transferred in 2008 from Financial assets held for trading (see Section A.3 – Information on transfers between portfolios of financial assets).

5.2 Financial assets held to maturity: debtors/issuers

Type of transactions/Amounts	Total 31.12.2017	Total 31.12.2016
1. Debt securities		
a) Governments and Central Banks	–	–
b) Other public authorities	–	–
c) Banks	–	1,999
d) Other issuers	–	–
2. Loans		
a) Governments and Central Banks	–	–
b) Other public authorities	–	–
c) Banks	–	–
d) Other entities	–	–
Total	**–**	**1,999**
Total Fair value	**–**	**2,001**

Section 6 – Due from banks – Item 60

6.1 Due from banks: breakdown by product

Type of transactions/Amounts	Total 31.12.2017				Total 31.12.2016			
	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	**76,353**			**76,353**	**163,339**			**163,339**
1. Loans								
1.1 Current accounts and demand deposits	52,567	X	X	X	57,641	X	X	X
1.2 Fixed-term deposits	15,305	X	X	X	89,896	X	X	X
1.3 Other loans:	8,481	X	X	X	15,802	X	X	X
Outstanding repos	–	X	X	X	–	X	X	X
Finance lease	–	X	X	X	–	X	X	X
Other	8,481	X	X	X	15,802	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	**76,353**			**76,353**	**163,339**			**163,339**

Key: FV = fair value BV = book value

Item B.1.2. Fixed-term deposits comprises the obligatory reserve deposited at the ICBPI (Istituto Centrale Banche Popolari Italiane) of 5,303 thousand euros and an e-mid deposit amounting to 10,002 thousand euros with maturity on 31 January 2018. At 31 December 2016, the obligatory Reserve amounted to 4,889 thousand euros.

Item 1.3 Other loans relates to guarantee margins on derivatives.

Section 7 – Due from customers – Item 70

7.1 Due from customers: breakdown by product

Type of transactions/Amounts	Total 31.12.2017					
	Book value			Fair value		
	Non impaired	Impaired		L1	L2	L3
		Purchased	Other			
Loans						
1. Current accounts	148,002		1,958	X	X	X
2. Outstanding repos	–		–	X	X	X
3. Mortgages	158,437		1,615	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	29,343		1,933	X	X	X
Debt securities		–	–			
8. Structured securities	–		–	X	X	X
9. Other debt securities	726		–	X	X	X
Total	**336,508**	**–**	**5,506**			**344,988**

The item "Due from customers" totalled 342,014 thousand euros (310,020 thousand euros at 31 December 2016).

At the reporting date of these financial statements, the items relating to current accounts, mortgages and other loans include **impaired assets** totalling 12,125 thousand euros (5,506 thousand euros after the write-downs), comprising:

- **non-performing loans** totalling 8,158 thousand euros (1,917 thousand euros after the write-downs) relating to the following positions:
  - 4,572 thousand euros (921 thousand euros after the write-downs) for the residual amount of a loan resolved on 8 July 2011. The transaction is secured by a first mortgage on property, the value of which – supported by an expert appraisal report revised on 12 January 2018 – covers the entire value of the net exposure. The recoverable amount of the credit is based on the assessed value of the guarantees, taking into account both the time for the collection of credit (in relation to the privileged position of the Bank concerning the real estate collaterals securing the exposure) and the difficulties encountered or which may be encountered in the sale of the properties within the scope of judicial enforcement procedures.
  - 3,586 thousand euros referring to trade receivables of 1,464 thousand euros and to cash loans of 2,122 thousand euros.

    The line-by-line write-downs made totalled 6,241 thousand euros (including 1,447 thousand euros referring to trade receivables).

	Total 31.12.2016					
	Book value			Fair value		
	Non impaired	Impaired		L1	L2	L3
		Purchased	Other			
	113,478		2,230	X	X	X
	20,390		–	X	X	X
	144,084		1,770	X	X	X
	–		–	X	X	X
	–		–	X	X	X
	–		–	X	X	X
	23,026		4,415	X	X	X
		–	–			
	–		–	X	X	X
	627		–	X	X	X
	301,605	**–**	**8,415**			**311,927**

- **likely defaults** totalling 2,220 thousand euros (1,947 thousand euros after the write-downs) comprising:
  - overdraft facilities amounting to 1,785 thousand euros;
  - mortgage positions of 346 thousand euros (23 thousand euros of overdue instalments and 323 thousand euros of principal about to fall due);
  - trade receivables of 89 thousand euros.

  The line-by-line write-downs made totalled 273 thousand euros (including 76 thousand euros referring to trade receivables);
- other positions **expired or past due** for over 90 days totalling 1,747 thousand euros (1,642 thousand euros after the write-downs).

At 31 December 2017, there are 13 "forborne" exposures of which:

- 5 non-performing positions totalling 995 thousand euros (of which 3 positions included among likely defaults for 299 thousand euros and 2 positions included among past due loans for 696 thousand euros).
- 8 not impaired positions, amounting to 2,820 thousand euros;

As usual, at 31 December 2017, 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 1,962 thousand euros, was higher than the allocations made for this purpose through 31 December 2016, which amounted to 1,891 thousand euros.

In 2017, the Bank recorded 2,331 thousand euros in the income statement item "130 Net value adjustments/write-backs for impairment of: a) loans" for value adjustments, of which 301 thousand euros for receivables write-offs, 71 thousand euros for portfolio value adjustments and 1,959 thousand euros for net specific value adjustments (of which 1,159 thousand euros on a non-performing loan resolved on 8 July 2011. The net value adjustments were partly offset by collections of default interest (included in the income statement item Interest Income) amounting to 284 thousand euros.

At 31 December 2017, the allowance for doubtful cash receivables totalled 8,581 thousand euros, of which: 6,619 thousand euros, on an itemised basis and 1,962 thousand euros for collective write-downs.

Item 7. "Other loans" includes Deposits for margins with the Cassa di Compensazione e Garanzia amounting to 26,647 thousand euros.

Item 9. "Other debt securities" refers to Senior Fin.Re SPV bonds with a nominal value of 2,100 thousand euros issued within the securitisation of an unsecured non-performing loan.

7.2 Due from customers: breakdown by debtor/issuer

Type of transactions/Amounts	Total 31.12.2017			Total 31.12.2016		
	Non impaired	Impaired		Non impaired	Impaired	
		Purchased	Other		Purchased	Other
1. Debt securities:	**726**	**–**	**–**	**627**	**–**	**–**
a) Governments	–	–	–	–	–	–
b) Other public authorities	–	–	–	–	–	–
c) Other issuers	726	–	–	627	–	–
- non-financial companies	–	–	–	–	–	–
- financial companies	726	–	–	627	–	–
- insurance companies	–	–	–	–	–	–
- other	–	–	–	–	–	–
2. Loans to:	**335,782**	**–**	**5,506**	**300,978**	**–**	**8,415**
a) Governments	–	–	–	–	–	–
b) Other public authorities	–	–	–	–	–	–
c) Other entities	335,782	–	5,506	300,978	–	8,415
- non-financial companies	172,594	–	1,914	156,633	–	4,560
- financial companies	67,244	–	148	70,566	–	154
- insurance companies		–			–	
- other	95,944	–	3,444	73,779	–	3,701
Total	**336,508**	**–**	**5,506**	**301,605**	**–**	**8,415**

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 31.12.2017			NV 31.12.2017	FV 31.12.2016			NV 31.12.2016
	L1	L2	L3		L1	L2	L3	
A) Financial derivatives								
1) Fair value		–		–		391		17,520
2) Cash flows								
3) Foreign investment								
B. Credit derivatives								
1) Fair value								
2) Cash flows								
Total	**–**	**–**	**–**	**–**	**–**	**391**	**–**	**17,520**

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

The item, present at 31 December 2016, concerned a partial hedge accounting forward sale of GBP 15 million, carried out by the Bank to neutralise the effect of the change in the Euro/GBP exchange rate on a portion of the London Stock Exchange Group plc (LSEG) shares held in the Available-for-sale financial assets portfolio.

As a result of the disposal of the interest in London Stock Exchange Group plc, the Bank, on 21 August 2017, carried out an effectiveness test that highlighted that, starting from that date, the hedge was not effective; the Bank - based on the provisions of Paragraph AG113 of IAS 39 - revoked the hedge designation of the forward sale of GBP 15 million.

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	
4. Natam Management Company S.A.	Luxembourg	Luxembourg	100.00	
B. Jointly controlled companies				
C. Companies under significant influence (*)				
1. Prévira Invest SIM S.p.A. in liquidation	Rome	Rome	20.00	
2. Imprebanca S.p.A.	Rome	Rome	20.00	

(*) 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 31.12.2017	Total 31.12.2016
A. Opening balance	**75,132**	**80,993**
B. Increases	**2,868**	**1,424**
B.1 Purchases	–	750
B.2 Write-backs	–	–
B.3 Revaluations	2,868	100
B.4 Other changes	–	574
C. Decreases	**1,843**	**7,285**
C.1 Sales	–	2,840
C.2 Value adjustments	1,843	4,412
C.3 Other changes	–	33
D. Closing balance	**76,157**	**75,132**
E. Total revaluations	**51,247**	**48,380**
F. Total adjustments	**3,843**	**2,000**

Item B.3 Revaluations consists of the fair value adjustment of the subsidiaries - InvestiRE SGR S.p.A., 2,208 thousand euros, Finnat Fiduciaria S.p.A., 600 thousand euros and Finnat Gestioni S.A., 60 thousand euros.

Item B.4 Other changes of 2016 comprises the gain realised on the sale of the investment in the associate Revalo S.p.A., i.e. 572 thousand euros. The price collected, i.e. 2,840 thousand euros, is shown under item C.1 Sales.

Item C.2 Value adjustments comprises the impairment applied on the associates Imprebanca (1,600 thousand euros) and Previra (243 thousand euros).

Item E. Total revaluations shows the total fair value adjustment of the subsidiaries amounting to 51,247 thousand euros, of which 46,083 thousand euros referred to InvestiRE SGR S.p.A.

Item F. Total adjustments shows the total impairment applied on the associated companies, of which 3,600 thousand euros referred to Imprebanca S.p.A.

The investments in subsidiaries were measured on the basis of the three-year business plan prepared by the subsidiaries applying the methods used in professional practice.

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 31.12.2017	Total 31.12.2016
1 Owned assets	**4,870**	**5,010**
a) land	1,308	1,308
b) buildings	2,465	2,610
c) furniture	693	667
d) electronic equipment	404	425
e) other	–	–
2 Assets acquired under finance lease	**–**	**–**
a) land	–	–
b) buildings	–	–
c) furniture	–	–
d) electronic equipment	–	–
e) other	–	–
Total	**4,870**	**5,010**

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.

11.5 Tangible assets for functional use: annual changes

		Land	Buildings	Furniture	Electronic equipment	Other	Total
A.	Gross opening balance	1,308	5,984	2,178	4,515	–	13,985
A.1	Net total impairment	–	3,374	1,511	4,090	–	8,975
A.2	Net opening balance	1,308	2,610	667	425	–	5,010
B.	Increases:	–	3	61	123	–	187
B.1	Purchases		3	61	123	–	187
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	–	–		–	–	–
C.	Decreases:	–	148	35	144	–	327
C.1	Sales		–	–	–	–	–
C.2	Depreciation		148	35	144	–	327
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	2,465	693	404	–	4,870
D.1	Net total impairment	–	3,522	1,546	4,234	–	9,302
D.2	Gross closing balance	1,308	5,987	2,239	4,638	–	14,172
E.	Valuation at cost						

The above tangible assets were recognised at cost plus any directly chargeable ancillary 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 31.12.2017		Total 31.12.2016	
	Definite life	Indefinite life	Definite life	Indefinite life
A.1 Goodwill	X	300	X	300
A.2 Other intangible assets	26	48	37	48
A.2.1 Assets carried at cost:	26	48	37	48
a) Intangible assets generated internally	–	–	–	–
b) Other assets	26	48	37	48
A.2.2 Assets carried at fair value:	–	–	–	–
a) Intangible assets generated internally	–	–	–	–
b) Other assets	–	–	–	–
Total	**26**	**348**	**37**	**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**	**–**	**–**	**2,621**	**48**	**2,969**
A.1 Net total impairment	–	–	–	2,584	–	2,584
A.2 Net opening balance	**300**	**–**	**–**	**37**	**48**	**385**
B. Increases	**–**	**–**	**–**	**11**	**–**	**11**
B.1 Purchases	–			11	–	11
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	**–**	**–**	**–**	**22**	**–**	**22**
C.1 Sales	–			–		–
C.2 Value adjustments	–	–	–	22	–	22
(-) Amortisation	X			22		22
(-) 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**	**–**	**–**	**26**	**48**	**374**
D.1 Total net value adjustments	–	–	–	2,606	–	2,606
E. Gross closing balance	**300**	**–**	**–**	**2,632**	**48**	**2,980**
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 liabilities totalled 92 thousand euros (1,777 thousand euros at 31 December 2016).

Current tax liabilities totalled 2,894 thousand euros (183 thousand euros at 31 December 2016) and concern: assessments in dispute for 183 thousand euros (of which 178 thousand euros referred to tax year 2003), payables for Ires tax consolidation for 465 thousand euros, Ires surtax payables of 25 thousand euros, Irap payables of 2,043 thousand and payables for VAT to be paid of 178 thousand euros.

13.1 Advance tax assets: breakdown

	Total 31.12.2017	Total 31.12.2016
a) Of which per Italian Law 214/2011	**1,083**	**1,527**
Goodwill	547	942
Write-down of receivables set forth in Article 106 par. 3 of the TUIR	536	585
b) Other	**357**	**532**
Write-down of securities	42	258
Write-down of receivables	94	94
Staff severance fund – IAS change	65	57
Other	156	123
Total	**1,440**	**2,059**

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 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 31.12.2017	Total 31.12.2016
Revaluation of equity investments	705	665
Revaluation of securities	836	2,763
Allocation of merger deficit on securities	40	40
Other	67	15
Total	**1,648**	**3,483**

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 "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 force through 31 December 2013.

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 31.12.2017	Total 31.12.2016
1. Opening balance	**1,744**	**2,361**
2. Increases	**34**	**–**
2.1 Advance taxes recognised in the year	34	–
a) relating to previous years	–	–
b) due to the change in the accounting policies	–	–
c) write-backs	–	–
d) other	34	–
2.2 New taxes or increases in tax rates	–	
2.3 Other increases	–	–
3. Decreases	**444**	**617**
3.1 Advance taxes cancelled during the year	444	617
a) reallocations	444	617
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	**1,334**	**1,744**

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 31.12.2017	Total 31.12.2016
1. Opening balance	**1,527**	**1,952**
2. Increases	–	–
3. Decreases	**444**	**425**
3.1 Reallocations	444	425
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	**1,083**	**1,527**

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

	Total 31.12.2017	Total 31.12.2016
1. Opening balance	**2,062**	**2,498**
2. Increases	**52**	**6**
2.1 Deferred taxes recorded in the year	52	6
a) relating to previous years	–	–
b) due to the change in the accounting policies	–	–
c) other	52	6
2.2 New taxes or increases in tax rates	–	–
2.3 Other increases	–	–
3. Decreases	**2,006**	**442**
3.1 Deferred taxes cancelled during the year	2,006	442
a) reallocations	2,006	442
b) due to the change in the accounting policies	–	–
c) other	–	–
3.2 Reductions in tax rates	–	–
3.3 Other decreases	–	–
4. Closing balance	**108**	**2,062**

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

	Total 31.12.2017	Total 31.12.2016
1. Opening balance	**315**	**134**
2. Increases	**43**	**232**
2.1 Advance taxes recognised in the year	43	232
a) relating to previous years	–	–
b) due to the change in the accounting policies	–	–
c) other	43	232
2.2 New taxes or increases in tax rates	–	–
2.3 Other increases	–	–
3. Decreases	**252**	**51**
3.1 Advance taxes cancelled during the year	252	51
a) reallocations	252	51
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	**106**	**315**

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

	Total 31.12.2017	Total 31.12.2016
1. Opening balance	**1,421**	**1,666**
2. Increases	**577**	**286**
2.1 Deferred taxes recorded in the year	577	286
a) relating to previous years	–	–
b) due to the change in the accounting policies	–	–
c) other	577	286
2.2 New taxes or increases in tax rates	–	–
2.3 Other increases	–	–
3. Decreases	**458**	**531**
3.1 Deferred taxes cancelled during the year	458	531
a) reallocations	458	531
b) due to the change in the accounting policies	–	–
c) other	–	–
3.2 Reductions in tax rates	–	–
3.3 Other decreases	–	–
4. Closing balance	**1,540**	**1,421**

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 net 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 not 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 euros) and related penalties and interest 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 Millenium Advisory S.A. The 2nd level decision, 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 euros) 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 31.12.2017	Total 31.12.2016
Receivables for guarantee deposits	328	305
Payables to group companies for tax consolidation	765	1,324
Due from the Group companies	3,399	1
Deposits with Cassa Compensazione e Garanzia	5,789	8,572
Due from counterparties and brokers	65	35
Tax credits for withholding tax	8,665	1,154
Sundry receivables	1,836	4,508
Total	**20,847**	**15,899**

Receivables from group companies included 3,252 thousand euros of dividends for the warrants A - resolved on 27 April 2017 by the Shareholders' Meeting of the subsidiary InvestiRE SGR - relating to the commissions to be collected on the performance recorded by the subsidiary on the sale of FIP properties. This amount will be paid by the subsidiary only upon payment of the commission by the FIP which will take place, in accordance with the Regulations, after approval of the Financial Statements as at 31 December 2019.

LIABILITIES

Section 1 – Due to banks – Item 10

1.1 Due to banks: breakdown by product

Type of transactions/Amounts	Total 31.12.2017	Total 31.12.2016
1. Due to Central Banks	**–**	**–**
2. Due to banks	**1,474**	**1,203**
2.1 Current accounts and demand deposits	1,474	533
2.2 Fixed-term deposits	–	–
2.3 Loans	–	670
2.3.1 Reverse repos	–	–
2.3.2 Other	–	670
2.4 Amounts due under repurchase agreements of own equity instruments	–	–
2.5 Other liabilities	–	–
Total	**1,474**	**1,203**
Fair value - level 1	–	–
Fair value - level 2	–	–
Fair value - level 3	1,474	1,203
Total Fair value	**1,474**	**1,203**

Item 2.3.2 Other loans of 2016 related to guarantee margins on derivatives.

Section 2 – Due to customers – Item 20

2.1 Due to customers: breakdown by product

Type of transactions/Amounts	Total 31.12.2017	Total 31.12.2016
1. Current accounts and demand deposits	430,215	494,693
2. Fixed-term deposits	74,296	68,530
3. Loans	980,102	940,168
3.1 Reverse repos	980,102	940,168
3.2 Other	–	–
4. Amounts due under repurchase agreements of own equity instruments	–	–
5. Other payables	17,278	252
Total	**1,501,891**	**1,503,643**
Fair value - level 1	–	–
Fair value - level 2	–	–
Fair value - level 3	1,501,891	1,503,643
Total Fair value	**1,501,891**	**1,503,643**

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 31.12.2017				Total 31.12.2016			
	Book value	Fair value			Book value	Fair value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
A. Securities	**22,594**	**–**	**–**	**22,526**	**23,825**	**–**	**–**	**23,791**
1. bonds	22,594	–	–	22,526	23,825	–	–	23,791
1.1 structured	–	–	–	–	–	–	–	–
1.2 other	22,594	–	–	22,526	23,825	–	–	23,791
2. other securities	–	–	–	–	–	–	–	–
2.1 structured	–	–	–	–	–	–	–	–
2.2 other	–	–	–	–	–	–	–	–
Total	**22,594**	**–**	**–**	**22,526**	**23,825**	**–**	**–**	**23,791**

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 7,407 thousand euros.

Section 4 – Financial liabilities held for trading – Item 40

4.1 Financial liabilities held for trading: breakdown by product

Type of transactions/Amounts	Total 31.12.2017					Total 31.12.2016				
	NV	FV			FV*	NV	FV			FV*
		L1	L2	L3			L1	L2	L3	
A. Cash liabilities	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
1. Due to banks										
2. Due to customers	–	–	–	–	–	–	–	–	–	–
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	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
B. Derivatives	**–**	**–**	**143**	**–**			**–**	**10,772**	**–**	
1. Financial derivatives		–	143	–			–	10,772	–	
1.1 Held for trading	X	–	143	–	X	X	–	10,772	–	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**	**–**	**143**	**–**	**X**	**X**	**–**	**10,772**	**–**	**X**
Total (A + B)	**X**	**–**	**143**	**–**	**X**	**X**	**–**	**10,772**	**–**	**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 97 thousand euros (10,662 thousand euros as at 31 December 2016) and the fair value measurement of an Interest Rate Swap Amortising of 46 thousand euros. This derivative is a hedging transaction for managing an interest rate risk.

Section 8 – Tax liabilities – Item 80

See Section 13 of the assets.

Section 10 – Other liabilities – Item 100

10.1 Other liabilities: breakdown

	Total 31.12.2017	Total 31.12.2016
Social security and insurance contributions to be paid	1,129	801
Payables to employees and contractors	1,821	829
Emoluments to be paid to the Directors	20	–
Emoluments to be paid to the Board of Statutory Auditors	121	57
Due to suppliers	916	476
Payables to group companies for tax consolidation	–	171
Payables to group companies	107	–
Shareholders for dividends to be paid	1,299	1,189
Payables to brokers and institutional counterparties	123	29
Tax payables for withholding tax	2,366	1,257
Other payables	1,772	2,086
Total	**9,674**	**6,895**

Section 11 – Staff severance fund – Item 110

11.1 Staff severance fund: annual changes

	Total 31.12.2017	Total 31.12.2016
A. Opening balance	**2,225**	**2,316**
B. Increases	**801**	**807**
B.1 Allocation for the year	801	807
B.2 Other changes	–	–
C. Decreases	**869**	**898**
C.1 Severance indemnities paid out	340	275
C.2 Other changes	529	623
D. Closing balance	**2,157**	**2,225**

Item B.1 Allocation for the year, includes the actuarial loss of 27 thousand euros recognised among valuation reserves - net of the tax effect - in accordance with IAS 19. In 2016, an actuarial loss of 51 thousand euros was recorded.

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 0.3122% and 1.7179%, determined on the basis of the rate curve built in view of the effective yield rate of the bonds in Euro of leading companies rated AA or higher;
- annual inflation rate 1.50%.

The staff severance fund at 31 December 2017, calculated in accordance with the provisions of Article no. 2120 of the Italian Civil Code amounted to 2,001 thousand euros.

Section 12 - Provisions for risks and charges - Item 120

12.1 Provisions for risks and charges: breakdown

	Total 31.12.2017	Total 31.12.2016
1. Company pension funds		
2. Other provisions for risks and charges	**548**	**448**
2.1 Legal disputes	–	–
2.2 Staff costs	–	–
2.3 Other	548	448
Total	**548**	**448**

12.2 Provisions for risks and charges: annual changes

	Pension funds	Other provisions	Total
A. Opening balance	**–**	**448**	**448**
B. Increases	**–**	**100**	**100**
B.1 Allocation for the year	–	100	100
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	**–**	**548**	**548**

12.4 Provisions for risks and charges - other provisions

The provisions for risks and charges consists of the residual commitment of an allocation made in 2015 (448 thousand euros) and of an allocation made in the current year (100 thousand) for any compensation to be recognised to an employee of the commercial area.

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

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

At 31 December 2017, 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 eurso each, and the Bank holds 28,810,640 own shares, amounting to 7.9% of the share capital (29,492,710 at 31 December 2016).

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 2017 were used to adjust the equity for an amount of 14,059 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 (-)	(29,492,710)	–
A.2 Outstanding shares: opening balance	**333,387,290**	
B. Increases	**682,070**	**–**
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	682,070	–
B.3 Other changes	–	–
C. Decreases	**–**	**–**
C.1 Cancellation	–	–
C.2 Purchase of own shares	–	–
C.3 Disposal of companies	–	–
C.4 Other changes	–	–
D. Outstanding shares: closing balance	**334,069,360**	**–**
D.1 Own shares (+)	28,810,640	–
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: other information

The "Reserves" item amounts to 93,947 thousand euros (93,646 thousand euros at 31 December 2016) and is broken down as follows:

- retained earnings:
  89,670 thousand euros consisting of the legal reserve of 9,367 thousand euros, extraordinary reserve of 58,482 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, own shares purchased of 14,059 thousand euros and the residual amount of reserve for purchase of own shares of 333 thousand euros;
- other reserves:
  4,277 thousand euros consisting of the reserve for realised gains on own shares.

14.6 Other information

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

Type/description	Amount at 31.12.2017	Possibility of use	Share available	Summary of utilisation during the last three years			
				For loss coverage	For other reasons		
					2014	2015	2016
Share	**72,576**		**–**				
Reserves:	**93,947**		**70,188**				
Legal reserve	9,367	B	–				
Extraordinary reserve	58,482	A B C	58,482				
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	4,277	A B C	4,277				
Reserve for own shares purchased	14,059		–				
Reserve for purchases of own shares	333		–				
Reserve for stock option plan	–	A	–				
Reserve for merger surplus	525	A B C	525				
Valuation reserves:	**53,488**		**1,364**				
Special revaluation regulations	1,364	A B	1,364				
Valuation reserve	52,125	B	–				
Own shares	**(14,059)**		**–**				
TOTAL	**205,953**		**71,552**	–			
Non-distributable share	–		1,364				
Remaining distributable share	**–**		**70,188**				

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

OTHER INFORMATION

1. Guarantees given and commitments

Transactions	Amount 31.12.2017	Amount 31.12.2016
1) Financial guarantees given	6,600	9,680
a) Banks	545	502
b) Customers	6,055	9,178
2) Commercial guarantees given	3,737	3,764
a) Banks	–	–
b) Customers	3,737	3,764
3) Irrevocable commitments to disburse funds	11,787	21,269
a) Banks	157	200
i) for certain use	157	200
ii) for uncertain use	–	–
b) Customers	11,630	21,069
i) for certain use	174	14,166
ii) for uncertain use	11,456	6,903
4) Commitments underlying credit derivatives: sales for protection	–	–
5) Assets pledged as guarantee of the obligations of third parties	–	–
6) Other commitments	16,817	15,908
Total	**38,941**	**50,621**

Item 1) a) Banks shows the commitment towards the Interbank Fund for the Protection of Deposits, amounting to 523 thousand euros.

2. Assets pledged as guarantee of own liabilities and commitments

Portfolios	Amount 31.12.2017	Amount 31.12.2016
1. Financial assets held for trading	–	–
2. Financial assets carried at fair value	–	–
3. Available-for-sale financial assets	983,637	943,762
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	2,425,686
1. settled	2,423,098
2. unsettled	2,588
b) sales	2,321,957
1. settled	2,317,134
2. unsettled	4,823
2. Portfolio management	
a) individual	771,503
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	2,183,631
1. securities issued by the bank preparing the Financial Statements	78,868
2. other securities	2,104,763
c) third-party securities lodged with third parties	2,178,908
d) own securities lodged with third parties	1,277,132
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 2017	Total FY 2016
1. Financial assets held for trading	465	–	–	465	107
2. Available-for-sale financial assets	414	–	–	414	1,084
3. Financial assets held to maturity	2	–	–	2	45
4. Due from banks	–	(125)	–	(125)	(247)
5. Due from customers	36	6,113	–	6,149	5,499
6. Financial assets carried at fair value	–	–	–	–	–
7. Hedging derivatives	X	X	–	–	–
8. Other assets	X	X	(204)	(204)	(159)
Total	**917**	**5,988**	**(204)**	**6,701**	**6,329**

1.4 Interest expense and similar expense: breakdown

Items/Categories	Payables	Securities	Other transactions	Total FY 2017	Total FY 2016
1. Due to Central Banks	–	X		–	–
2. Due to banks	(9)	X	–	(9)	(9)
3. Due to customers	(2,196)	X	–	(2,196)	(1,283)
4. Outstanding securities	X	15	–	15	51
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	**(2,205)**	**15**	**–**	**(2,190)**	**(1,241)**

Interest margin totals 8,891 thousand euros, versus 7,570 thousand euros in the previous financial year, with an increase by 1,321 thousand euros.

Section 2 – Commissions – Items 40 and 50

2.1 Commission income: breakdown

Type of services/Amounts	Total FY 2017	Total FY 2016
a) guarantees given	175	148
b) credit derivatives	–	–
c) administration, brokerage and consultancy services:	15,796	14,032
1. trading in financial instruments	4,194	4,310
2. trading in currencies	–	–
3. portfolio management	5,303	3,939
3.1. individual	5,303	3,939
3.2. collective	–	–
4. custody and administration of securities	349	232
5. custodian bank	–	–
6. securities placement	3,472	4,024
7. acceptance of trading orders	1	–
8. consulting	1,191	1,096
8.1. investments	379	244
8.2. financial structure	812	852
9. distribution of third-party services	1,286	431
9.1. portfolio management	–	–
9.1.1. individual	–	–
9.1.2. collective	–	–
9.2. insurance policies	683	431
9.3. other products	603	–
d) collection and payment services	259	187
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	310	247
j) other services	839	649
Total	**17,379**	**15,263**

The commissions per item 9.3 Distribution of third-party services - other products comprise those pertaining to the activity as the main distributor of the products of the subsidiary Natam for 476 thousand euros.

2.2 Commission income: distribution channels of products and services

Channels/Amounts	Total FY 2017	Total FY 2016
a) own branches:	**6,589**	**4,370**
1. portfolio management	5,303	3,939
2. securities placement	–	–
3. third-party products and services	1,286	431
b) other outlets:	**–**	**–**
1. portfolio management	–	–
2. securities placement	–	–
3. third-party products and services	–	–
c) other distribution channels:	**3,472**	**4,024**
1. portfolio management	–	–
2. securities placement	3,472	4,024
3. third-party products and services	–	–

2.3 Commission expense: breakdown

Services/Amounts	Total FY 2017	Total FY 2016
a) guarantees received	–	–
b) credit derivatives	–	–
c) management and brokerage services:	1,088	942
1. trading in financial instruments	520	423
2. trading in currencies	–	–
3. portfolio management:	290	281
3.1 own portfolio	32	25
3.2 third-party portfolio	258	256
4. custody and administration of securities	272	221
5. placement of financial instruments	6	17
6. sales of financial instruments, products and services through other outlets	–	–
d) collection and payment services	68	59
e) other services	130	98
Total	**1,286**	**1,099**

Section 3 – Dividends and similar income – Item 70

3.1 Dividends and similar income: breakdown

Items/Income	Total FY 2017		Total FY 2016	
	Dividends	Income from UCI units	Dividends	Income from UCI units
A. Financial assets held for trading	2	1	17	–
B. Available-for-sale financial assets	981	1,822	1,183	1,803
C. Financial assets carried at fair value	–	–	–	–
D. Equity investments	5,244	X	2,670	X
Total	**6,227**	**1,823**	**3,870**	**1,803**

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	**901**	**1,027**	**119**	**378**	**1,431**
1.1 Debt securities	237	74	35	312	**(36)**
1.2 Equity securities	497	936	28	57	**1,348**
1.3 UCI units	167	17	56	9	**119**
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**	**82**
4. Derivatives	**186**	**109**	**2**	**89**	**213**
4.1 Financial derivatives:	186	109	2	89	**213**
- On debt securities and interest rates	64	–	–	84	**(20)**
- On equity securities and stock indices	122	109	2	5	**224**
- On currencies and gold	X	X	X	X	**9**
- Other	–	–	–	–	**–**
4.2 Credit derivatives	–	–	–	–	**–**
Total	**1,087**	**1,136**	**121**	**467**	**1,726**

Net income from trading activities features a positive balance of 1,726 thousand euros, compared to 1,896 thousand euros in 2016, and may be broken down as follows:

- Positive difference between unrealised capital gains and losses, in connection with the fair value measurement of the trading portfolio, totalling 902 thousand euros;
- A positive balance between realised profits and losses related to trading on securities and derivatives of 669 thousand euros;
- Positive difference of 155 thousand euros between realised profits and losses and unrealised capital gains and losses in connection with the fair value measurement of currency forwards and of Interest Rate Swap Amortising.

Section 5 - Net income from hedging activities - Item 90

5.1 Net income from hedging activities: breakdown

Income items/Amounts	Total FY 2017	Total FY 2016
A. Income relating to:		
A.1 Fair value hedging derivatives	1,070	2,918
A.2 Hedged financial assets (fair value)	–	–
A.3 Hedged financial liabilities (fair value)	–	–
A.4 Financial derivatives hedging cash flows	–	–
A.5 Assets and liabilities denominated in a foreign currency	–	–
Total income from hedging activities (A)	**1,070**	**2,918**
B. Expense referred to:		
B.1 Fair value hedging derivatives	–	–
B.2 Hedged financial assets (fair value)	1,070	2,918
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)	**1,070**	**2,918**
C. Net income from hedging activities (A - B)	**–**	**–**

The present table shows the income components recorded as a result of both the process of evaluation of the LSEG shares hedged for the exchange rate component, and of the related forward hedging derivative as described in Section 8 - "Hedging derivatives - Item 80" under balance sheet assets. As indicated, the hedge was closed on 21 August 2017 as a result of the divestment of the shares.

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

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 2017			Total FY 2016		
	Profit	Losses	Net income	Profit	Losses	Net income
Financial assets						
1. Due from banks	–	–	–	–	–	–
2. Due from customers	–	–	–	–	–	–
3. Available-for-sale financial assets	38,185	–	38,185	2,999	–	2,999
3.1 Debt securities	12	–	12	516	–	516
3.2 Equity securities	38,173	–	38,173	2,483	–	2,483
3.3 UCI units	–	–	–	–	–	–
3.4 Loans	–	–	–	–	–	–
4. Financial assets held to maturity	–	–	–	–	–	–
Total assets	**38,185**	**–**	**38,185**	**2,999**	**–**	**2,999**
Financial liabilities						
1. Due to banks			–			–
2. Due to customers			–			–
3. Outstanding securities			–			–
Total liabilities	**–**	**–**	**–**	**–**	**–**	**–**

Item 3.2 Equity securities comprises almost exclusively the capital gains realised for the sale of the London Stock Exchange Group plc shares, amounting to 36,243 thousand euros, and of Anima Holding S.p.A. shares, amounting to 1,904 thousand euros.

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 2017 (1) - (2)	Total FY 2016
	Specific		Portfolio	Specific		Portfolio			
	Derecognition	Other		A	B	A	B		
A. Due from banks	–	–	–	–	–	–	–	–	–
- Loans	–	–	–	–	–	–	–	–	–
- Debt securities	–	–	–	–	–	–	–	–	–
B. Due from customers	301	2,394	71	107	328	–	–	2,331	123
Purchased impaired loans	–	–		–	–			–	–
- Loans	–	–	X	–	–	X	X	–	–
- Debt securities	–	–	X	–	–	X	X	–	–
Other receivables	301	2,394	71	107	328	–	–	2,331	123
- Loans	301	2,394	71	107	328	–	–	2,331	123
- Debt securities	–	–	–	–	–	–	–	–	–
C. Total	**301**	**2,394**	**71**	**107**	**328**	**–**	**–**	**2,331**	**123**

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

"Specific adjustments - Derecognition" comprise non-performing loans of 178 thousand euros while "Others" refer to non-performing loans of 2,112 thousand euros, to likely defaults of 187 thousand euros and to past due loans of 95 thousand euros. Specific write-backs total 435 thousand euros and refer to non-performing loans of 359 thousand euros, to likely defaults of 72 thousand and to past due loans of 4 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 2017 (1) – (2)	Total FY 2016
	Specific		Specific			
	Derecognition	Other	A	B		
A. Debt securities	–	–	–	–	–	–
B. Equity securities	–	705	X	X	705	1,522
C. UCI units	–	2,951	X	–	2,951	11
D. Loans to banks	–	–	–	–	–	–
E. Loans to customers	–	–	–	–	–	–
F. Total	**–**	**3,656**	**–**	**–**	**3,656**	**1,533**

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

The impairment adjustment refers to: for equity securities, to CSE S.r.l. shares (596 thousand euros), Net Insurance S.p.A. (68 thousand euros) and Cassa di Risparmio di Cesena S.p.A. (41 thousand euros); for UCI units, to the FIP Fund (2,222 thousand euros), to the Apple Fund (727 thousand euros) and to the New Millennium Sif Fund (2 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 2017 (1) - (2)	Total FY 2016
	Specific		Portfolio	Specific		Portfolio			
	Derecognition	Other		A	B	A	B		
A. Guarantees given								–	–
B. Credit derivatives									
C. Commitments to disburse funds									
D. Other transactions	–	2			–			2	–
E. Total	**–**	**2**	**–**	**–**	**–**	**–**	**–**	**2**	**–**

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

Net value adjustments for impairment of other financial transactions relate to two sureties issued.

Section 9 – Administrative expenses – Item 150

9.1 Staff costs: breakdown

Type of expenses/Amounts	Total FY 2017	Total FY 2016
1) Staff	16,869	15,370
a) wages and salaries	12,427	11,263
b) social security charges	3,152	2,836
c) staff severance fund	599	599
d) welfare charges	–	–
e) allocation for staff severance fund	13	15
f) allocation to pensions and similar commitments:	–	–
- defined contribution	–	–
- defined benefit	–	–
g) allocation to external supplementary retirement benefit plans:	174	152
- defined contribution	174	152
- defined benefit	–	–
h) costs due to payment agreements based on own capital instruments	–	–
i) other benefits in favour of employees	504	505
2) Other active staff	235	159
3) Directors and statutory auditors	832	969
4) Inactive staff	–	–
5) Expenses recovered for employees seconded with other companies	(13)	–
6) Expense reimbursements for third party employees seconded with the company	–	–
Total	**17,923**	**16,498**

Item 1) e) does not include the actuarial loss referred to IAS staff severance fund of 27 thousand euros (actuarial loss of 51 thousand euros in 2016), recognised - net of the tax effect - among Valuation reserves.

9.2 Average number of employees by category

	FY 2017	FY 2016
Staff	**173**	**170**
(a) senior managers	25	24
(b) executives	53	49
(c) rest of staff	95	97
Other staff	**9**	**9**

9.4 Other benefits in favour of employees

Employee benefits amount to 504 thousand euros (versus 505 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 2017	Total FY 2016
Rentals and condominium fees	1,897	1,814
Membership fees	133	113
EDP materials	3	25
Stationery and printing supplies	52	106
Consulting and outsourced professional services	1,700	641
Outsourcing services	1,865	1,730
Auditing company fees	232	141
Maintenance	232	141
Utilities and connections	1,413	1,485
Postal, transport and shipment fees	57	56
Insurance companies	58	59
Advertising, publications and sponsorship	106	255
Office cleaning	169	157
Books, newspapers and magazines	29	34
Entertainment expenses	451	296
Travel expenses and mileage based reimbursements	116	122
Other duties and taxes	4,007	3,592
Security charges	174	160
Contributions to National Resolution Fund and Interbank Fund for the Protection of Deposits	463	1,279
Other	442	339
Total	**13,599**	**12,545**

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 2017 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.

	Party who provided the service	Payment due in 2017 (in thousands of euros)
Auditing services	EY S.p.A.	166
Declaration of compliance services	EY S.p.A.	4
Total		**170**

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), ordinary 770 and single certification form.

Payments do not include VAT, expense repayments and supervisory contribution. The total expense amounts to 232 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 2017	Total FY 2016
Allocations	100	–
Utilisation	–	619
Total	**100**	**(619)**

Please refer to the comment 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	327	–	–	327
A.1 Owned assets	327	–	–	327
- Functional use	327			327
- For investment				–
A.2 Acquired under finance lease	–	–	–	–
- Functional use				–
- For investment				–
Total	**327**	**–**	**–**	**327**

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	22	–	–	22
A.1 Owned assets	22	–	–	22
- Generated internally by the company				–
- Other	22			22
A.2 Acquired under finance lease				–
Total	**22**	**–**	**–**	**22**

Section 13 – Other operating income/expenses – Item 190

13.1 Other operating expense: breakdown

	Total FY 2017	Total FY 2016
Amounts reimbursed to customers	3	7
Amortisation for improvements to third party assets	43	54
Other expense	164	282
Total	**210**	**343**

13.2 Other operating income: breakdown

	Total FY 2017	Total FY 2016
Rental income	128	132
Recovery of stamp duty	3,597	3,164
Recovery of substitute tax	99	156
Recovery of other expenses	285	319
Dividend and prescription waiver	185	158
Other income	207	283
Total	**4,501**	**4,212**

Other operating income and expenses show a positive balance of 4,291 thousand euros versus 3,869 thousand euros of 2016. The item "Other operating income" comprises the recoveries of costs from customers, amounting to 3,981 thousand euros (3,639 thousand euros in the past year).

The other income also includes the positive result referred to the trading of certificates representing greenhouse gas emission allowances, amounting to 104 thousand euros, while last year they were among the Other expenses and amounted to 257 thousand euros (entirely offset by gains on CO2 futures recorded under "80. Net income from trading activities" amounting to 408 thousand euros).

Section 14 – Profit (loss) from equity investments – Item 210

14.1 Profit (loss) from equity investments: breakdown

Income items/Amounts	Total FY 2017	Total FY 2016
A. Income	–	574
1. Revaluations		
2. Profit from disposals	–	572
3. Write-backs		
4. Other income	–	2
B. Expense	1,843	2,000
1. Write-downs	–	–
2. Value adjustments for impairment	1,843	2,000
3. Losses from disposals	–	–
4. Other expense	–	
Net income	**(1,843)**	**(1,426)**

Item B.2 Value adjustments for impairment refers to the impairment applied on the associates Imprebanca S.p.A. (1,600 thousand euros) and Previra Invest Sim S.p.A. (243 thousand euros). The adjustment of 2016 also referred to Imprebanca S.p.A.

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 2017	Total FY 2016
1.	Current taxes (-)	(2,680)	13
2.	Changes in current taxes compared with previous years (+/-)	(23)	(108)
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 (+/-)	(410)	(617)
5.	Change in deferred taxes (+/-)	1,954	436
6.	**Income taxes for the year (-) (-1+/-2+3+3bis+/-4+/-5)**	**(1,159)**	**(276)**

Current taxes refer to Ires from tax consolidation of 174 thousand euros, to the Irap tax of 2,481 thousand euros and to the Ires surtax of 25 thousand euros. The 2016 Stability Law prescribed, for credit and financial institutions, the application of 3.5% surtax, starting from 2017, following the reduction of the IRES rate from 27.5% to 24%, in order to substantially sterilise this reduction.

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 change in advance and deferred taxes equal to 1,544 thousand euros refers to Ires for 9 thousand euros and Irap for 1,535 thousand euros.

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

	FY 2017		
	IRES	IRAP	TOTALE
Pre-tax profit (loss)	37,433	37,433	
Applicable tax rate	24.00	5.57	29.57
THEORETICAL TAX CHARGE	**(8,984)**	**(2,085)**	**(11,069)**
3.5% IRES surtax for credit and financial institutions	(1,310)		(1,310)
THEORETICAL GLOBAL TAX CHARGE	**(10,294)**	**(2,085)**	**(12,379)**
Effect of income that is exempt or taxed with concessional rates	10,550	1,044	11,594
Effect of charges that are fully or partially non-deductible	(843)	(416)	(1,259)
Effect of income/charges that are not included in the IRAP taxable income		(1,099)	(1,099)
Change in deferred taxes	397	1,609	2,006
Changes in current taxes compared with previous years	(22)		(22)
CURRENT TAX CHARGE	**(212)**	**(947)**	**(1,159)**

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 euro) 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 shareholders, 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.

	31.12.2017	31.12.2016
Profit (loss) for the year (in euros)	36,274,481	3,990,100
Weighted average of ordinary shares	333,640,587	333,521,822
Basic earnings (loss) per share	0.108723	0.011964

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

	31.12.2017	31.12.2016
Adjusted profit (loss) for the year (in euros)	36,274,481	3,990,100
Weighted average of ordinary shares with diluted capital	333,640,587	333,521,822
Diluted earnings (loss) per share	0.108723	0.011964

Since the Bank has no transactions under way that might determine changes to the number of outstanding shares and the earnings (loss) of ordinary shareholders, 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**	**36,274**
Other income items without reallocation to income statement			
20. Tangible assets			
30. Intangible assets			
40. Defined-benefit plans	(27)	8	(19)
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:	**(24,991)**	**(335)**	**(25,326)**
a) changes in fair value	2,964	322	3,286
b) reallocation to income statement	(27,955)	(657)	(28,612)
- adjustments from impairment	3,656	(1,016)	2,640
- profits/losses from disposal	(31,611)	359	(31,252)
c) other changes	–	–	–
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	**(25,018)**	**(327)**	**(25,345)**
140. Comprehensive income (Item 10+130)	**(25,018)**	**(327)**	**10,929**

Item 100. includes the positive change in the fair value of the equity investments in subsidiaries for a total gross amount of 2,826 thousand euros.

The negative change of 25,326 thousand euros in Item 100 Available for sale financial assets was due, for:

(-) 28,422 thousand euros, to the London Stock Exchange Group plc shares as a result of the reversal of the positive reserve of the previous year following the sale, during the year, of all shares held;

(-) 1,216 thousand euros, to the Anima Holding S.p.A. shares as a result of the reversal of the positive reserve of the previous year following the sale, during the year, of all shares held;

(+) 633 thousand euros to the CSE S.r.l. shares as a result of the reversal of the negative reserves for impairment;

(+) 171 thousand euros to Net Insurance S.p.A. shares as a result of the reversal of the negative impairment reserve (63 thousand euros) and of the positive change in fair value (107 thousand euros);

(+) 34 thousand euros to Vetrya shares as a result of the reversal of the negative reserves for impairment;

(+) 154 thousand euros to the shares of the FIP Fund resulting from the use of the repayment reserve (14 thousand euros), from the increase in negative reserves as a result of the negative change in fair value (1,347 thousand euros) and of the concurrent reallocation to the income statement for impairment (1,487 thousand);

(+) 21 thousand euros to the shares of the Apple Fund deriving from the increase in negative reserves as a result of the negative change in fair value (465 thousand euros) and of the concurrent reallocation to the income statement for impairment (486 thousand euros);

(+) 15 thousand euros to other shares of funds as a result of the positive change of fair value (13 thousand euros) and to the reallocation to the income statement for impairment (2 thousand euros);

(+) 458 thousand euros to debt securities, as a result of the reversal of the reserve referred to the sold/repaid securities (-591 thousand euros) and of the positive change in fair value of +1,049 thousand euros;

(+) 2,826 thousand euros to changes in the fair value of the equity investments in subsidiaries: InvestiRE SGR S.p.A. by +2,177 thousand euros, Finnat Fiduciaria S.p.A. +592 thousand euros and Finnat Gestioni SA +57 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		
Azioni Net Insurance S.p.A.	171	euros
UCI units	406	euros
Debt securities	1,177	euros
Total A)	**1,754**	**euros**
Equity investments in companies measured at fair value		
InvestiRE SGR S.p.A.	45,449	euros
Finnat Fiduciaria S.p.A.	2,118	euros
Finnat Gestioni S.A.	2,976	euros
Total B)	**50,543**	**euros**
Total (A+B)	**52,297**	**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.

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 1% 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;
- lending activities provide 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 with a nominal value of 2,100 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 5,506 thousand euros, of which 1,917 thousand euros were non-performing loans, 1,947 thousand euros were likely defaults and 1,642 thousand euros were past due exposures.

To this end, it should be stressed that impaired loans at the end of 2017 were equal to 2% 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.

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 mainly 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	Non Impaired exposures	Total
1. Available-for-sale financial assets	–	–	–	–	1,189,177	1,189,177
2. Financial assets held to maturity	–	–	–	–	–	–
3. Due from banks	–	–	–	–	76,353	76,353
4. Due from customers	1,917	1,947	1,642	8,095	328,413	342,014
5. Financial assets carried at fair value	–	–	–	–	–	–
6. Financial assets being disposed	–	–	–	–	–	–
Total 2017	**1,917**	**1,947**	**1,642**	**8,095**	**1,593,943**	**1,607,544**
Total 2016	**4,361**	**657**	**3,397**	**3,151**	**1,569,209**	**1,580,775**

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	–	–	–	1,189,177	–	1,189,177	1,189,177
2. Financial assets held to maturity	–	–	–	–	–	–	–
3. Due from banks	–	–	–	76,353	–	76,353	76,353
4. Due from customers	12,125	6,619	5,506	338,470	1,962	336,508	342,014
5. Financial assets carried at fair value	–	–	–	X	X		–
6. Financial assets being disposed	–	–	–	–	–	–	–
Total 2017	**12,125**	**6,619**	**5,506**	**1,604,000**	**1,962**	**1,602,038**	**1,607,544**
Total 2016	**13,075**	**4,660**	**8,415**	**1,574,251**	**1,891**	**1,572,360**	**1,580,775**

Portfolio/Quality	Assets with evident poor credit quality		Other assets
	Cumulated losses	Net exposure	Net exposure
1. Financial assets held for trading		–	33,405
2. Hedging derivatives			–
Total 2017		**–**	**33,405**
Total 2016		**8**	**34,432**

Gross impaired assets of 12,125 thousand euros consist of non-performing loans (8,158 thousand euros), likely defaults (2,220 thousand euros) and past due receivables (1,747 thousand euros).

At 31 December 2017, there are 13 “forborne” exposures of which:

- 5 non-performing positions totalling 995 thousand euros (of which 3 positions included among likely defaults for 299 thousand euros and 2 positions included among past due loans for 696 thousand euros).
- 8 not impaired positions, amounting to 2,820 thousand euros.

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	119,379	X	–	119,379
- of which: forborne exposures	X	X	X	X	–	X	–	–
TOTAL A	**–**	**–**	**–**	**–**	**119,379**	**–**	**–**	**119,379**
B. OFF-BALANCE SHEET EXPOSURES								
a) Impaired	–	–	–	–	X	–	X	–
b) Not impaired	X	X	X	X	593	X	–	593
TOTAL B	**–**	**–**	**–**	**–**	**593**	**–**	**–**	**593**
TOTAL A + B	**–**	**–**	**–**	**–**	**119,972**	**–**	**–**	**119,972**

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	–	–	–	8,158	X	6,241	X	1,917
- of which: forborne exposures	–	–	–	–	X	–	X	–
b) Likely defaults	230	–	–	1,990	X	273	X	1,947
- of which: forborne exposures	142	–	–	157	X	153	X	146
c) Past due exposures impaired	52	1	131	1,563	X	105	X	1,642
- of which: forborne exposures	–	–	46	650	X	5	X	691
d) Past due exposures not impaired	X	X	X	X	8,148	X	53	8,095
- of which: forborne exposures	X	X	X	X	–	X	–	–
e) Other non impaired exposures	X	X	X	X	1,509,588	X	1,909	1,507,679
- of which: forborne exposures	X	X	X	X	2,820	X	14	2,806
TOTAL A	**282**	**1**	**131**	**11,711**	**1,517,736**	**6,619**	**1,962**	**1,521,280**
B. OFF-BALANCE SHEET EXPOSURES								**–**
a) Impaired	311	–	–	–	X	2	X	309
b) Not impaired	X	X	X	X	37,997	X	–	37,997
TOTAL B	**311**	**–**	**–**	**–**	**37,997**	**2**	**–**	**38,306**
TOTAL A + B	**593**	**1**	**131**	**11,711**	**1,555,733**	**6,621**	**1,962**	**1,559,586**

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	**8,640**	**1,011**	**3,424**
- of which: exposures sold and not derecognised			
B. Increases	**425**	**1,780**	**1,055**
B.1 inflows from performing loans	161	66	378
B.2 transfers from other categories of impaired loans	263	1,651	–
B.3 other increases	1	63	677
C. Decreases	**907**	**571**	**2,732**
C.1 outflows to performing loans	–	267	199
C.2 derecognition	179	6	2
C.3 collection	728	35	590
C.4 gains from disposals	–		
C.5 losses from disposals	–	–	–
C.6 transfers to other categories of impaired loans	–	263	1,651
C.7 other decreases	–	–	290
D. Gross closing balance	**8,158**	**2,220**	**1,747**
- 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	**787**	**2,246**
- of which: exposures sold and not derecognised		
B. Increases	**379**	**1,667**
B.1 inflows from non forborne performing loans	–	1,483
B.2 inflows from forborne performing loans	45	X
B.3 inflows from impaired forborne loans	X	–
B.4 other increases	334	184
C. Decreases	**171**	**1,093**
C.1 outflows to non forborne performing loans	X	999
C.2 outflows to forborne performing loans	–	X
C.3 outflows to impaired forborne loans	X	45
C.4 derecognition	–	–
C.5 collection	28	49
C.6 gains from disposals	–	–
C.7 losses from disposals	–	–
C.8 other decreases	143	–
D. Gross closing balance	**995**	**2,820**
- 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	Total	Of which: forborne exposures
A. Total opening adjustments	**4,279**		**354**	**51**	**27**	**5**
- of which: exposures sold and not derecognised						
B. Increases	**2,331**	**–**	**200**	**104**	**96**	**–**
B.1 value adjustments	2,122	–	187	104	96	
B.2 losses from disposals	–	–	–	–	–	–
B.3 transfers from other categories of impaired loans	209	–	13	–	–	–
B.4 other increases	–	–	–	–	–	–
C. Decreases	**369**	**–**	**281**	**2**	**18**	**–**
C.1 valuation write-backs	170	–	66	2	1	–
C.2 cash write-backs	21	–	–	–	4	–
C.3 profit from disposals	–	–	–	–	–	–
C.4 derecognition	–	–	–	–	–	–
C.5 transfers to other categories of impaired loans	–	–	209	–	13	–
C.6 other decreases	178	–	6	–	–	–
D. Total closing adjustments	**6,241**		**273**	**153**	**105**	**5**
- 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

		Collateral (1)			
	Value of net exposures	Real estate - mortgages	Real estate - finance lease	Securities	Other collateral
1. Guaranteed credit cash exposures:	265,750	122,711	–	50,419	79,352
1.1 fully guaranteed	245,305	121,150	–	47,307	71,775
- of which impaired	3,518	3,535	–	–	–
1.2 partly guaranteed	20,445	1,561	–	3,112	7,577
- of which impaired	1,561	1,561	–	–	–
2. Guaranteed "off balance sheet" credit exposures:	8,752	2,741	–	3,530	2,299
2.1 fully guaranteed	8,295	2,741	–	3,530	1,952
- of which impaired	299	–	–	–	297
2.2 partly guaranteed	457	–	–	–	347
- of which impaired	–	–	–	–	–

	Personal guarantees (2)										
	Credit derivatives					Unsecured loans				Total (1)+(2)
		Other derivatives								
	CLN	Governments and Central Banks	Other public authorities	Banks	Other entities	Governments and Central Banks	Other public authorities	Banks	Other entities	
	–	–	–	–	–	–	–	–	6,790	259,272
	–	–	–	–	–	–	–	–	5,290	245,522
	–	–	–	–	–	–	–	–	201	3,736
	–	–	–	–	–	–	–	–	1,500	13,750
	–	–	–	–	–	–	–	–	–	1,561
	–	–	–	–	–	–	–	–	70	8,640
	–	–	–	–	–	–	–	–	70	8,293
	–	–	–	–	–	–	–	–	–	297
	–	–	–	–	–	–	–	–	–	347
	–	–	–	–	–	–	–	–	–	–

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	1,175,305	X	–	–	X	–
- of which: forborne exposures	–	X	–	–	X	–
TOTAL A	**1,175,305**	**–**	**–**	**–**	**–**	**–**
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 31.12.2017	**1,175,305**	**–**	**–**	**–**	**–**	**–**
TOTAL A+B 31.12.2016	**1,104,374**	**–**	**–**	**–**	**–**	**–**

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
–	–	X	–	–	X	1,430	5,997	X	487	244	X
–	–	X	–	–	X	–	–	X	–	–	X
139	3	X	–	–	X	14	95	X	1,794	175	X
139	3	X	–	–	X	1	19	X	6	131	X
10	–	X	–	–	X	470	4	X	1,162	101	X
–	–	X	–	–	X	–	–	X	691	5	X
71,195	X	248	–	X	–	173,330	X	1,404	95,944	X	310
–	X	–	–	X	–	1,038	X	8	1,768	X	6
71,344	**3**	**248**	**–**	**–**	**–**	**175,244**	**6,096**	**1,404**	**99,387**	**520**	**310**
–	–	X	–	–	X	–	–	X	–	–	X
–	–	X	–	–	X	–	–	X	–	–	X
–	–	X	–	–	X	309	2	X	–	–	X
22,279	X	–	–	X	–	6,098	X	–	9,620	X	–
22,279	**–**	**–**	**–**	**–**	**–**	**6,407**	**2**	**–**	**9,620**	**–**	**–**
93,623	**3**	**248**	**–**	**–**	**–**	**181,651**	**6,098**	**1,404**	**109,007**	**520**	**310**
105,291	**2**	**207**	**–**	**–**	**–**	**169,819**	**4,411**	**1,450**	**83,563**	**247**	**234**

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	1,917	6,241	–	–	–	–	–	–	–	–
A.2 Likely defaults	1,946	255	–	–	1	18	–	–	–	–
A.3 Past due exposures impaired	1,636	105	6	–	–	–	–	–	–	–
A.4 Non impaired exposures	1,508,696	1,939	7,078	23	–	–	–	–	–	–
TOTAL A	**1,514,195**	**8,540**	**7,084**	**23**	**1**	**18**	**–**	**–**	**–**	**–**
B. Off-balance sheet exposures										
B.1 Non-performing loans	–	–	–	–	–	–	–	–	–	–
B.2 Likely defaults	–	–	–	–	–	–	–	–	–	–
B.3 Other impaired assets	309	2	–	–	–	–	–	–	–	–
B.4 Non impaired exposures	37,443	–	554	–	–	–	–	–	–	–
TOTAL B	**37,752**	**2**	**554**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
TOTAL A+B 2017	**1,551,947**	**8,542**	**7,638**	**23**	**1**	**18**	**–**	**–**	**–**	**–**
TOTAL (A+B) 2016	**1,454,439**	**6,529**	**7,590**	**22**	**17**		**1**		**1,000**	

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	111,186	–	8,193	–	–	–	–	–	–	–
TOTAL A	**111,186**	**–**	**8,193**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
B. Off-balance sheet exposures	**–**		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
B.1 Non-performing loans	–	–	–	–	–	–	–	–	–	–
B.2 Likely defaults	–	–	–	–	–	–	–	–	–	–
B.3 Other impaired assets	–	–	–	–	–	–	–	–	–	–
B.4 Non impaired exposures	593	–	–	–	–	–	–	–	–	–
TOTAL B	**593**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
TOTAL (A+B) 2017	**111,779**	**–**	**8,193**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
TOTAL (A+B) 2016	**156,820**	**–**	**29,603**		**1,999**					

B.4 Major exposures

a) Amount (book value) 2,520,131 thousand euros

b) Amount (weighted value) 88,489 thousand euros

c) Number 10

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	–	–	–	–	–	–	**983,637**	–	–
1. Debt securities	–						983,637		
2. Equity securities	–						–		
3. UCI	–						–		
4. Loans	–						–		
B. Derivatives				X	X	X	X	X	X
Total 31.12.2017	–	–	–	–	–	–	**983,637**	–	–
of which impaired									
Total 31.12.2016	–						**943,762**		
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	31.12.2017	31.12.2016
										983,637	**943,762**
										983,637	943,762
	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**		
	–	–	–	–	–	–	–	–	–	**983,637**	**X**
											X
										X	**943,762**
										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	**–**	**–**	**980,102**				**980,102**
a) relating to fully recognised assets	–	–	980,102	–	–	–	980,102
b) relating to partially recognised assets	–	–	–	–	–	–	–
2. Due to banks							
a) relating to fully recognised assets	–	–	–	–	–	–	–
b) relating to partially recognised assets	–	–	–	–	–	–	–
Total 31.12.2017	**–**	**–**	**980,102**	**–**	**–**	**–**	**980,102**
Total 31.12.2016	**–**		**940,168**				**940,168**

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 2017 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	**–**	**10,001**	**5,048**	**1,029**	**16,923**	**2**	**–**	**–**
1.1 Debt securities	–	10,001	5,048	1,029	16,923	2	–	–
- with the option of early redemption	–	–	–	–	3,143	–	–	–
- other	–	10,001	5,048	1,029	13,780	2	–	–
1.2 Other assets	–	–	–	–	–	–	–	–
2. Cash liabilities								
2.1 Reverse repos	–	–	–	–	–	–	–	–
2.2 Other liabilities	–	–	–	–	–	–	–	–
3. Financial derivatives	**–**	**41,570**	**1,827**	**460**	**471**	**–**	**–**	**–**
3.1 With underlying security	–	–	–	–	–	–	–	–
- Options	–	–	–	–	–	–	–	–
+ Long positions	–	–	–	–	–	–	–	–
+ Short positions	–	–	–	–	–	–	–	–
- Other derivatives	–	–	–	–	–	–	–	–
+ Long positions	–	–	–	–	–	–	–	–
+ Short positions	–	–	–	–	–	–	–	–
3.2 Without underlying security	–	41,570	1,827	460	471	–	–	–
- Options	–	–	–	–	–	–	–	–
+ Long positions	–	–	–	–	–	–	–	–
+ Short positions	–	–	–	–	–	–	–	–
- Other derivatives	–	41,570	1,827	460	471	–	–	–
+ Long positions	–	20,979	1,379	–	–	–	–	–
+ Short positions	–	20,591	448	460	471	–	–	–

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	**–**	**41,570**	**–**	**–**	**–**	**–**	**–**	**–**
3.1 With underlying security	–	–	–	–	–	–	–	–
- Options	–	–	–	–	–	–	–	–
+ Long positions	–	–	–	–	–	–	–	–
+ Short positions	–	–	–	–	–	–	–	–
- Other derivatives	–	–	–	–	–	–	–	–
+ Long positions	–	–	–	–	–	–	–	–
+ Short positions	–	–	–	–	–	–	–	–
3.2 Without underlying security	–	41,570	–	–	–	–	–	–
- Options	–	–						
+ Long positions	–	–	–	–	–	–	–	–
+ Short positions	–	–	–	–	–	–	–	–
- Other derivatives	–	41,570	–	–	–	–	–	–
+ Long positions	–	20,591	–	–	–	–	–	–
+ Short positions	–	20,979	–	–	–	–	–	–

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	Germany	Other	
A. Equity securities				
- Long positions	2,484	19	63	5
- Short positions	–	–	–	–
B. Sales not yet settled on equity securities				
- Long positions	45	–	17	–
- Short positions	100	–	3	–
C. Other derivatives on equity securities				
- Long positions	–	–	–	4
- Short positions	–	–	–	–
D. Derivatives on stock indices				
- Long positions	–	–	–	–
- Short positions	–	–	–	–

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 well as hedging derivatives.

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 76 million euros, of which 63 million euros in deposits to banks and current accounts, mainly with floating rate, 5 million euros in compulsory floating rate reserve and 8 million euros in other loans;
  - loans to customers, totalling 342 million euros, mainly consisting of current account credit lines of 150 million euros and loans to customers of 160 million euros, mostly with variable rate;

- available-for-sale securities include (in addition to equity securities and UCI units not exposed to interest rate risk) bonds including Government Bonds totalling a nominal value of 1,155 million euros (740 million euros with maturity on or before 2018, 250 million euros with maturity in 2019 and 165 million with maturity on or before 2025);

- due to banks and due to customers include:
  - loans and deposits to banks, totalling 1 million euros;
  - loans, fixed-term deposits and current accounts with customers, totalling 1,484 million euros, comprising: 74 million euros in fixed-rate fixed-term deposits (of which 44 million euros with maturity in 2018, 15 million euros in 2019, a nominal amount 12 million euros in 2020 and 3 million euros in 2026); 430 million euros in current accounts at floating rate or at revisable fixed rate; 980 million euros in repos on securities listed in regulated markets;

- among outstanding securities totalling 23 million euros are variable-rate bonds (Euribor plus 30 b.p.) with maturity in October 2020.

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	**228,238**	**606,072**	**140,185**	**353,215**	**263,102**	**308**	**58**	
1.1 Debt securities	–	445,079	131,742	352,500	260,582	–	–	–
- with the option of early redemption		7,760	–	–	–	–	–	–
- other	–	437,319	131,742	352,500	260,582	–	–	–
1.2 Loans to banks	46,319	15,303	–	–	–	–	–	–
1.3 Loans to customers	181,919	145,690	8,443	715	2,520	308	58	–
- current accounts	148,325	–	–	–	–	–	–	–
- other loans	33,594	145,690	8,443	715	2,520	308	58	–
- with the option of early redemption	4,236	145,690	8,443	511	824	290	58	
- other	29,358	–	–	204	1,696	18	–	–
2. Cash liabilities	**434,913**	**354,232**	**87,052**	**354,457**	**277,236**	**3,481**	**30**	**–**
2.1 Due to customers	433,516	354,232	64,458	354,457	277,236	3,481	30	–
- current accounts	416,591	14,321	13,474	15,343	27,144	3,481	30	–
- other payables	16,925	339,911	50,984	339,114	250,092	–	–	–
- with the option of early redemption								
- other	16,925	339,911	50,984	339,114	250,092	–	–	–
2.2 Due to banks	1,397	–	–	–	–	–	–	–
- current accounts	1,397	–	–	–	–	–	–	–
- other payables	–	–	–	–	–	–	–	–
2.3 Debt securities	–	–	22,594	–	–	–	–	–
- with the option of early redemption								
- other	–	–	22,594	–	–	–	–	–
2.4 Other liabilities	–	–	–	–	–	–	–	–
- with the option of early redemption								
- other								
3. Financial derivatives	**–**	**1,780**	**–**	**–**	**–**	**–**	**–**	**–**
3.1 With underlying security	–	–	–	–	–	–	–	–
- Options	–	–	–	–	–	–	–	–
+ Long positions								
+ Short positions								
- Other derivatives	–	–	–	–	–	–	–	–
+ Long positions								
+ Short positions								
3.2 Without underlying security	–	1,780	–	–	–	–	–	–
- Options	–	–	–	–	–	–	–	
+ Long positions								
+ Short positions								
- Other derivatives	–	1,780	–	–	–	–	–	–
+ Long positions		1,780		–				
+ Short positions								
4. Other off-balance sheet transactions	**39,729**	**100**	**–**	**–**	**15,072**	**1,545**	**100**	**–**
+ Long positions	11,456	100	–	–	15,072	1,545	100	–
+ Short positions	28,273	–	–	–	–	–	–	–

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	**16,366**	–	–	–	–	–	–	
1.1 Debt securities	–	–	–	–	–	–	–	–
- with the option of early redemption								
- other								
1.2 Loans to banks	14,731							
1.3 Loans to customers	1,635		–	–	–	–	–	–
- current accounts	1,635							
- other loans		–	–	–	–	–	–	–
- with the option of early redemption								
- other								
2. Cash liabilities	**14,558**	–	–	–	–	–	–	–
2.1 Due to customers	14,481	–	–	–	–	–	–	–
- current accounts	14,127							
- other payables	354	–	–	–	–	–	–	–
- with the option of early redemption	–	–	–	–	–	–	–	–
- other	354	–	–	–	–	–	–	–
2.2 Due to banks	77	–	–	–	–	–	–	–
- current accounts	77							
- 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	–	**1,780**	–	–	–	–	–	–
3.1 With underlying security								
- Options								
+ Long positions								
+ Short positions								
- Other derivatives								
+ Long positions								
+ Short positions								
3.2 Without underlying security	–	1,780	–	–	–	–	–	–
- Options		–	–		–	–		
+ Long positions								
+ Short positions								
- Other derivatives		1,780		–				
+ Long positions								
+ Short positions		1,780		–				
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

At 31 December 2017, two hedges for GBP 1,200 thousand and CHF 500 thousand were open for the property.

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	**9,506**	**2,591**	**49**	**32**	**7,075**	**485**
A.1 Debt securities	–	–	–	–	–	–
A.2 Equity securities	–	–	–	–	–	–
A.3 Loans to banks	9,327	1,137	49	32	3,715	484
A.4. Loans to customers	179	1,454	–	–	–	1
A.5 Other financial assets	–	–	–	–	3,360	–
B. Other assets	**14**	**11**	**–**	**–**	**–**	**–**
C. Financial liabilities	**9,667**	**1,150**	**6**	**–**	**3,706**	**29**
C.1 Due to banks	48	–	–	–	–	29
C.2 Due to customers	9,619	1,150	6	–	3,706	–
C.3 Debt securities	–	–	–	–	–	–
C.4 Other financial liabilities	–	–	–	–	–	–
D. Other liabilities	**–**	**–**	**–**	**–**	**–**	**–**
E. Financial derivatives	**32,368**	**1,792**	**2,074**	**–**	**5,042**	**2,074**
– Options	–	–	–	–	–	–
+ Long positions	–	–	–	–	–	–
+ Short positions	–	–	–	–	–	–
– Other derivatives	32,368	1,792	2,074	–	5,042	2,074
+ Long positions	16,046	163	1,037	–	2,307	1,037
+ Short positions	16,322	1,629	1,037	–	2,735	1,037
Total assets	**25,566**	**2,765**	**1,086**	**32**	**9,382**	**1,522**
Total liabilities	**25,989**	**2,779**	**1,043**	**–**	**6,441**	**1,066**
Imbalance (+/-)	**(423)**	**(14)**	**43**	**32**	**2,941**	**456**

2.4 Derivative instruments

A. Financial derivatives

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

Underlying assets/Type of derivatives	Total 31.12.2017		Total 31.12.2016	
	Over the counter	Central counterparties	Over the counter	Central counterparties
1. Debt securities and interest rates	1,379	–	2,242	–
a) Options	–	–		
b) Swaps	1,379	–	2,242	
c) Forwards	–	–		
d) Futures	–	–		–
e) Other	–	–		
2. Share capital securities and stock indices	600	–	944	–
a) Options	600	–	944	–
b) Swaps	–	–	–	–
c) Forwards	–	–	–	–
d) Futures	–	–	–	–
e) Other	–	–	–	–
3. Currencies and gold	38,576	–	504,318	–
a) Options	–	–	–	
b) Swaps	–	–	–	
c) Forwards	38,576	–	504,318	
d) Futures	–	–	–	
e) Other	–	–	–	
4. Goods	–	–		–
5. Other underlying assets	–	–		
Total	**40,555**	**–**	**507,504**	**–**

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

A.2.1 Hedging

Underlying assets/Type of derivatives	31.12.2017		31.12.2016	
	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			17,520	
a) Options	–	–	–	–
b) Swaps	–	–	–	–
c) Forwards	–	–	17,520	–
d) Futures	–	–	–	–
e) Other	–	–	–	–
4. Goods	–	–	–	–
5. Other underlying assets	–	–	–	–
Total	**–**	**–**	**17,520**	**–**

A.2.2 Other derivatives

Underlying assets/Type of derivatives	31.12.2017		31.12.2016	
	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	1,780	–	16,017	–
a) Options	–	–	–	–
b) Swaps	–	–	–	–
c) Forwards	1,780	–	16,017	–
d) Futures	–	–	–	–
e) Other	–	–	–	–
4. Goods	–	–	–	–
5. Other underlying assets	–	–	–	–
Total	**1,780**	**–**	**16,017**	**–**

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

Derivative types/Portfolios	Positive fair value			
	Total 31.12.2017		Total 31.12.2016	
	Over the counter	Central counterparties	Over the counter	Central counterparties
A. Regulatory trading portfolio	280	–	10,846	–
a) Options	183	–	183	–
b) Interest rate swaps	–	–	–	–
c) Cross currency swaps	–	–	–	–
d) Equity swaps	–	–	–	–
e) Forwards	97	–	10,663	–
f) Futures	–	–	–	–
g) Others	–	–	–	–
B. Banking portfolio - hedging	–	–	391	–
a) Options	–	–	–	–
b) Interest rate swaps	–	–	–	–
c) Cross currency swaps	–	–	–	–
d) Equity swaps	–	–	–	–
e) Forwards	–	–	391	–
f) Futures	–	–	–	–
g) Others	–	–	–	–
C. Banking portfolio - other derivatives	9	–	223	–
a) Options	–	–	–	–
b) Interest rate swaps	–	–	–	–
c) Cross currency swaps	–	–	–	–
d) Equity swaps	–	–	–	–
e) Forwards	9	–	223	
f) Futures	–	–	–	–
g) Others	–	–	–	–
Total	**289**	**–**	**11,460**	**–**

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

Derivative types/Portfolios	Negative fair value			
	Total 31.12.2017		Total 31.12.2016	
	Over the counter	Central counterparties	Over the counter	Central counterparties
A. Regulatory trading portfolio	142	–	10,772	–
a) Options	–		–	–
b) Interest rate swaps	45	–	110	–
c) Cross currency swaps	–	–	–	–
d) Equity swaps	–	–	–	–
e) Forwards	97	–	10,662	–
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	**142**	**–**	**10,772**	**–**

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							
- notional value	–	–	1,379	–	–	–	–
- positive fair value	–	–	–	–	–	–	–
- negative fair value	–	–	45	–	–	–	–
- future exposure	–	–	2	–	–	–	–
2) Equity securities and stock indices							
- notional value	–	–	45	65	–	490	–
- positive fair value	–	–	–	2	–	181	–
- negative fair value	–	–	–	–	–	–	–
- future exposure	–	–	4	7	–	37	–
3) Currencies and gold							
- notional value	–	–	19,288	19,288	–	–	–
- positive fair value	–	–	39	58	–	–	–
- negative fair value	–	–	58	39	–	–	–
- future exposure	–	–	193	193	–	–	–
4) Other values	**–**	**–**	**–**	**–**	**–**	**–**	**–**
- notional value	–	–	–	–	–	–	–
- positive fair value	–	–	–	–	–	–	–
- negative fair value	–	–	–	–	–	–	–
- future exposure	–	–	–	–	–	–	–

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							
- notional value	–	–	1,780	–	–	–	–
- positive fair value	–	–	9	–	–	–	–
- negative fair value	–	–	–	–	–	–	–
- future exposure	–	–	18	–	–	–	–
4) Other values							
- notional value	–	–	–	–	–	–	–
- positive fair value	–	–	–	–	–	–	–
- negative fair value	–	–	–	–	–	–	–
- future exposure	–	–	–	–	–	–	–

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	**39,559**	**931**	**65**	**40,555**
A.1 Financial derivatives on debt securities and interest rates	908	471	–	1,379
A.2 Financial derivatives on equity securities and stock indices	75	460	65	600
A.3 Financial derivatives on exchange rates and gold	38,576	–	–	38,576
A.4 Financial derivatives on other values	–	–	–	–
B. Banking portfolio	**1,780**	**–**	**–**	**1,780**
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	1,780	–	–	1,780
B.4 Financial derivatives on other values	–	–	–	–
Total 2017	**41,339**	**931**	**65**	**42,335**
Total 2016	**539,339**	**1,595**	**107**	**541,041**

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 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 (liquidity Coverage ratio) indicator (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 2017 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	**258,923**	**–**	**2,354**	**21,239**	**360,374**	**55,526**	**365,480**	**375,057**	**215,940**	**5,303**
A.1 Treasury Bonds	–	–	128	–	351,142	51,178	341,033	265,218	165,002	–
A.2 Other debt securities	–	–	2,226	10,104	7,069	25	12,874	14,707	675	–
A.3 UCI units	32,097	–	–	–	–	–	–	–	–	–
A.4 Loans	226,826	–	–	11,135	2,163	4,323	11,573	95,132	50,263	5,303
- Banks	46,319	–	–	10,000	–	–	–	–	–	5,303
- Customers	180,507	–	–	1,135	2,163	4,323	11,573	95,132	50,263	–
Cash liabilities	**434,563**	**–**	**204**	**51,440**	**302,596**	**64,512**	**354,522**	**299,829**	**3,511**	**–**
B.1 Deposit and current accounts	417,638	–	204	408	13,716	13,525	15,405	27,144	3,511	–
- Banks	1,397	–	–	–	–	–	–	–	–	–
- Customers	416,241	–	204	408	13,716	13,525	15,405	27,144	3,511	–
B.2 Debt securities	–	–	–	–	–	3	3	22,593	–	–
B.3 Other liabilities	16,925	–	–	51,032	288,880	50,984	339,114	250,092	–	–
Off-balance sheet transactions	**29,815**	**2,994**	**–**	**31,336**	**10,536**	**1,351**	**883**	**25,649**	**4,161**	**–**
C.1 Financial derivatives with exchange of capital	–	2,994	–	30,086	10,270	–	–	–	–	–
- Long positions	–	1,691	–	15,933	5,135	–	–	–	–	–
- Short positions	–	1,303	–	14,153	5,135	–	–	–	–	–
C.2 Financial derivatives without exchange of capital	228	–	–	–	–	–	–	–	–	–
- Long positions	183	–	–	–	–	–	–	–	–	–
- Short positions	45	–	–	–	–	–	–	–	–	–
C.3 Deposits and loans to be received	–	–	–	–	–	–	–	–	–	–
- Long positions	–	–	–	–	–	–	–	–	–	–
- Short positions	–	–	–	–	–	–	–	–	–	–
C.4 Irrevocable commitments to disburse funds	28,540	–	–	1,050	255	83	303	23,901	2,415	–
- Long positions	267	–	–	1,050	255	83	303	23,901	2,415	–
- Short positions	28,273	–	–	–	–	–	–	–	–	–
C.5 Financial guarantees issued*	1,047	–	–	200	11	1,268	580	1,748	1,746	–
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	**16,372**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
A.1 Treasury Bonds	–	–	–	–	–	–	–	–	–	–
A.2 Other debt securities	–	–	–	–	–	–	–	–	–	–
A.3 UCI units	–	–	–	–	–	–	–	–	–	–
A.4 Loans	16,372	–	–	–	–	–	–	–	–	–
- Banks	14,731	–	–	–	–	–	–	–	–	–
- Customers	1,641	–	–	–	–	–	–	–	–	–
Cash liabilities	**14,558**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
B.1 Deposit and current accounts	14,204	–	–	–	–	–	–	–	–	–
- Banks	77	–	–	–	–	–	–	–	–	–
- Customers	14,127	–	–	–	–	–	–	–	–	–
B.2 Debt securities	–	–	–	–	–	–	–	–	–	–
B.3 Other liabilities	354	–	–	–	–	–	–	–	–	–
Off-balance sheet transactions	**–**	**2,994**	**–**	**30,086**	**10,270**	**–**	**–**	**–**	**–**	**–**
C.1 Financial derivatives with exchange of capital	–	2,994	–	30,086	10,270	–	–	–	–	–
- Long positions	–	1,303	–	14,153	5,135	–	–	–	–	–
- Short positions	–	1,691	–	15,933	5,135	–	–	–	–	–
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, carries out an analysis/self-assessment of operating risks. 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".

The analysis of operational risks and the identification of processes with major impact are periodically carried out by the Risk Control Organisational Unit to detect in a timely manner the business areas and the processes with higher operational risk in order to take the necessary corrective actions.

In particular, the analysis focuses 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 242,227 thousand euros. It is detailed in the table below.

B.1 Equity: breakdown

Items/Amounts	Amount 31.12.2017	Amount 31.12.2016
1. Share	72,576	72,576
2. Share issue premiums	–	–
3. Reserves	93,947	93,646
- retained earnings	89,670	89,309
a) legal reserve	9,367	9,168
b) statutory reserve	–	–
c) own shares	14,392	16,569
d) other	65,911	63,572
- other	4,277	4,337
4. Capital instruments	–	–
5. (Own shares)	(14,059)	(14,392)
6. Valuation reserves:	53,489	78,834
- Available-for-sale financial assets	52,297	77,621
- 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	(172)	(151)
- 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	36,274	3,990
Total	**242,227**	**234,654**

Item 6. Valuation reserves, totalling 53,489 thousand euros, comprises the sub-items:

- Available-for-sale financial assets: in addition to the measurement at fair value of the securities in the portfolio (1,754 thousand euros), the measurement at fair value of the investments in the subsidiaries: InvestiRE SGR S.p.A., 45,449 thousand euros, Finnat Fiduciaria S.p.A., 2,118 thousand euros and Finnat Gestioni S.A., 2,976 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 -172 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 31.12.2017		Total 31.12.2016	
	Positive reserve	Negative reserve	Positive reserve	Negative reserve
1. Debt securities	1,262	85	956	237
2. Equity securities	50,714	–	77,352	666
3. UCI units	406	–	392	176
4. Loans	–	–	–	–
Total	**52,382**	**85**	**78,700**	**1,079**

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 50,543 thousand euros.

B.3 Valuation reserves of available-for-sale financial assets: annual changes

	Debt securities	Equity securities	UCI units	Loans
1. Opening balance	**719**	**76,686**	**216**	**–**
2. Positive changes	**1,245**	**4,740**	**2,013**	**–**
2.1 Increases in fair value	1,245	4,075	23	
2.2 Reallocation of negative reserve to income statement	–	665	1,990	–
- from impairment	–	665	1,975	
- from disposal	–	–	15	
2.3 Other changes	–	–	–	
3. Negative changes	**787**	**30,712**	**1,823**	**–**
3.1 Decreases in fair value	196	38	1,823	
3.2 Adjustments from impairment				
3.3 Reallocation to income statement from positive reserves: from disposal	591	30,674	–	–
3.4 Other changes		–	–	
4. Closing balance	**1,177**	**50,714**	**406**	**–**

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 172 thousand euros and increased by 21 thousand euros compared to 2016 (negative by the amount of 151 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 2017 amounted to 220,171 thousand euros (191,620 thousand euros at 31 December 2016), whereas the Total capital ratio stands at 44.6% versus 39.0% at 31 December 2016 (as opposed to 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")	215,049	euros
Additional Tier 1 ("Additional Tier 1" or "AT1")	-	euros
Tier 2 ("Tier 2" or "T2")	5,122	euros

B. Quantitative information

		Total 31.12.2017	Total 31.12.2016
A.	Common Equity Tier 1 (“Common Equity Tier 1” - “CET1”) before the application of prudential filters	245,400	245,417
	- 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)	245,400	245,417
D.	Deductions from CET1	19,029	37,636
E.	Transitional regulations - Impact on CET 1 (+/-)	(11,322)	(28,921)
F.	Total Common Equity Tier 1 (Common Equity Tier 1 - CET1) (C - D+/-E)	215,049	178,860
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 (+/-)	5,122	12,760
P.	Total Tier 2 (Tier 2 - T2) (M-N +/-O)	5,122	12,760
Q.	Total own funds (F+L+P)	220,171	191,620

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. IFRS 9 entered into force on 19 December 2016 (twentieth day following publication on the Official Journal of the European Union) and it shall be adopted starting from 1 January 2018. In light of the indications, the Bank of Italy with its notice of 26 January 2017, prescribed that this option will continue to be applied, for the year 2017 as well, to “less significant banks” such as Banca Finnat.

The impact of this sterilisation on Own Funds at 31 December 2017 was positive by 846 thousand euros and Own Funds would have amounted to 221,017 thousand euros.
At 31 December 2016, said impact was positive by 605 thousand euros and own funds would have amounted to 192,225 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 43.5%, whilst its Total Capital Ratio is 44.6%. 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	
	31.12.2017	31.12.2016	31.12.2017	31.12.2016
A. RISK ASSETS				
A.1 Credit and counterparty risk				
1. Standard methodology	2,727,111	2,666,964	385,376	393,705
2. Methodology based on internal ratings				
2.1 Basic				
2.2 Advanced				
3. Securitisation	726	627	9,075	7,836
B. CAPITAL REQUIREMENTS FOR SUPERVISORY PURPOSES				
B.1 Credit and counterparty risk			31,556	32,123
B.2 Risk of adjustment of the credit measurement			8	3
B.3 Settlement risk				
B.4 Market risks			2,704	2,214
1. Standard methodology			2,704	2,214
2. Internal models				
3. Concentration risk				
B.5 Operating risk			5,243	5,014
1. Basic method			5,243	5,014
2. Standardised method			–	–
3. Advanced method				
B.6 Other calculation elements				
B.7 Total prudential requirements			39,511	39,354
C. RISK ASSETS AND ADEQUACY RATIOS				
C.1 Risk-weighted assets			4,983,879	491,920
C.2 Common Equity Tier 1 /Weighted risk assets (CET1 capital ratio)			43.5%	36.4%
C.3 Tier 1 capital/Weighted risk assets (Tier 1 capital ratio)			43.5%	36.4%
C.4 Total own funds/Weighted risk assets (Total capital ratio)			44.6%	39.0%

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 2017 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 2017 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
Subsidiaries					
Finnat Gestioni SA					
InvestiRE SGR S.p.A.	(6,509)	760	3,176	5,428	14,572
Finnat Fiduciaria S.p.A.	(1,050)	5	–		
Natam Management Company SA	–	–	147		
Associated Companies					
Imprebanca S.p.A.	418		–	23	
Management with strategic responsibilities and Company representatives	**(1,596)**				
Other related parties	**(1,489)**		**3**	**–**	

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.	(85)	(107)	5,053	66
Finnat Fiduciaria S.p.A.	7	–	–	25
Finnat Gestioni SA	–	–	191	–
Natam Management Company SA	–	–	–	559
Associated Companies				
Imprebanca S.p.A.		(1)	–	–

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 2017, 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 2017, 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 2017 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)

	31.12.2016		Purchases and subscriptions	
	No. of shares or units	Value	No. of shares or units	Value
Subsidiaries				
Finnat Fiduciaria S.p.A.	300,000	5,600,000	–	–
InvestiRE SGR S.p.A.	7,409	57,181,900	–	–
Finnat Gestioni S.A.	525	3,300,000	–	–
Natam Management Company S.A.	750	750,000	–	–
Total Subsidiaries (A)		**66,831,900**		**–**
Companies under significant control				
Revalo S.p.A.	–	–	–	–
Prèvira Invest SIM S.p.A. in liquidation	30,000	300,000	–	–
Sigefi Italia Private Equity S.r.l. (liquidated)	–	–	–	–
Imprebanca S.p.A.	10,000,000	8,000,000	–	–
Total Companies under significant control (B)		**8,300,000**	**–**	**–**
Total (A + B)		**75,131,900**		**–**

	Sales and liquidations		Profit (Loss)	Changes in fair value/ impairment	31.12.2017	
	No. of shares or units	Value			No. of shares or units	Value
	–	–	–	600,000	300,000	6,200,000
	–	–	–	2,207,541	7,409	59,389,441
	–	–	–	60,000	525	3,360,000
					750	750,000
		–	**–**	**2,867,541**		**69,699,441**
	–	–	–	–	–	–
	–	–	–	(242,576)	30,000	57,424
	–	–	–	–	–	–
	–	–	–	(1,600,000)	10,000,000	6,400,000
		–	**–**	**(1,842,576)**		**6,457,424**
		–	**–**	**1,024,965**		**76,156,865**

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 2017

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. Piazza del Gesù, 49 - 00186 ROME Taxpayer ID No. 07585500585 - Rome REA 620697 Nominal value per share 5 euros	300,000	100.00	300,000	100.00	Ownership				
INVESTIRE SGR S.p.A. Via Po, 16/A - 00198 ROME Taxpayer ID No. 06931761008 - Rome REA 998178 Nominal value per share 1,000 euros	7,409	50.16	7,409	50.16	Ownership				
FINNAT GESTIONI S.A. Via Pietro Peri, 21 - 6900 LUGANO Nominal value per share 1,000 CHF	525	70.00	525	70.00	Ownership				
NATAM MANAGEMENT COMPANY S.A. 32-36, Bd D'Avranches L-1160 Luxembourg Nominal value per share 1,000 euros	750	100.00	750	100.00	Ownership				
IMPREBANCA S.p.A. Via Cola di Rienzo, 240 - 00192 ROME Taxpayer ID No. 09994611003 - Rome REA 1202384 Nominal value per share 1 euros	10,000,000	20.00	10,000,000	20.00	Ownership				
PREVIRA INVEST SIM S.p.A. in liquidation Piazza San Bernardo, 106 - 00187 ROME Taxpayer ID No. 06073551001 - Rome REA 945999 Nominal value per share 10 euros	30,000	20.00	30,000	20.00	Ownership				

Relazione del Collegio sindacale all'Assemblea degli Azionisti di Banca Finnat Euramerica SpA Art. 153 D.Lgs. 24 febbraio 1998 n. 58
Esercizio chiuso il 31 dicembre 2017

Signori Azionisti,

il Collegio Sindacale di Banca Finnat Euramerica S.p.A., ai sensi dell'art. 153 del D.Lgs. n. 58 del 1998 è chiamato a riferire all'Assemblea degli Azionisti, convocata per l'approvazione del bilancio, sull'attività di vigilanza svolta nel corso dell'esercizio nell'adempimento dei propri doveri, sulle omissioni e sui fatti censurabili eventualmente rilevati e sui risultati dell'esercizio sociale. Il Collegio è altresì chiamato ad avanzare eventuali proposte in ordine al bilancio e alla sua approvazione.

La presente relazione riferisce sull'attività svolta dal Collegio della Società nell'esercizio chiuso al 31 dicembre 2017.

Il Collegio 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).

Nel corso dell'esercizio chiuso il 31 dicembre 2017, il Collegio ha svolto l'attività di vigilanza prevista dalla legge (e, in particolare, dall'art. 149 del TUF e dall'art. 19 del D.Lgs. n. 39 del 2010), tenuto conto dei principi di comportamento del Collegio Sindacale di società quotate raccomandati dal Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili, e delle disposizioni Consob in materia di controlli societari.

La revisione legale dei conti spetta, invece, alla società E&Y S.p.A. alla quale, in data 29 Aprile 2011, è stata affidata per un novennio detta attività.

Attività di vigilanza sull'osservanza della legge e dello statuto

Il Collegio ha acquisito le informazioni strumentali allo svolgimento dei compiti di vigilanza a esso attribuiti mediante la partecipazione alle riunioni del Consiglio di Amministrazione, le audizioni del Management della Società e del Gruppo, gli incontri con la Società di Revisione, l'analisi dei flussi informativi acquisiti dalle competenti strutture aziendali (in particolare Compliance, Antiriciclaggio, Internal Auditing e Controllo Rischi), nonché ulteriori attività di controllo.

L'attività di vigilanza sopra descritta è stata svolta nel corso di 20 riunioni del Collegio, nonché assistendo a tutte le riunioni del Consiglio di Amministrazione, che sono state tenute in numero complessivo di 12. Inoltre il Collegio ha partecipato alle 9 riunioni del Comitato Controllo, Rischi e alle 6 riunioni del Comitato Remunerazioni e nonché alla Assemblea del 27 aprile 2017.

Si fa presente che il Consiglio di Amministrazione ha istituito anche il Comitato per le Nomine e che il Comitato si è riunito n. 4 volte nel corso dell'anno.

Si precisa, inoltre, che nel corso dell'attività di vigilanza svolta e sulla base delle informazioni ottenute dalla Società di Revisione, non sono state rilevate omissioni, fatti *censurabili o irregolarità o comunque fatti significativi, tali da richiederne la segnalazione agli organi di controllo.*

Inoltre, il Collegio:

- *ai sensi dell'art. 150, commi 1 e 3 del TUF:*

(i) ha ottenuto dagli Amministratori, adeguate informazioni sull'attività svolta e sulle operazioni di maggior rilievo economico, finanziario e patrimoniale effettuate dalla Società e dalle società controllate, assicurandosi che le azioni deliberate e poste in essere fossero conformi alla legge e allo statuto sociale, non fossero in potenziale conflitto di interessi o in contrasto con le delibere assunte dall'Assemblea, non fossero manifestamente imprudenti o azzardate o tali da compromettere l'integrità del patrimonio aziendale.

In particolare, si segnalano le seguenti operazioni ed eventi di particolare rilevanza nel 2017:

a. un rilevante ammontare degli utili da cessione "di attività finanziarie disponibili per la vendita "che incide in maniera significativa sull'utile d'esercizio, che pertanto si attesta su valori molto più elevati rispetto agli esercizi passati;

b. in data 9 febbraio 2017 il Consiglio di Amministrazione della Banca ha deliberato la nomina del Vice Direttore Generale Dott. Giulio Bastia a nuovo Condirettore Generale e Dirigente preposto in sostituzione del Dott. Paolo Collettini;

c. in data 10 marzo 2017 il Consiglio di Amministrazione della Banca ha nominato quale nuovo Presidente della Banca, il Consigliere indipendente Dott.ssa Flavia Mazzarella ed ha cooptato, quale Consigliere d'Amministrazione indipendente, il Dott. Marco Tofanelli al quale ha conferito l'incarico di Vice Presidente e Lead Independent Director. Il Consiglio inoltre ha deliberato in merito alla nuova composizione dei Comitati Rischi e Nomine;

d. nella seduta del 14 giugno 2017 il Consiglio ha individuato nell'Amministratore delegato l'Amministratore incaricato del sistema di controllo interno e di gestione dei rischi;

e. in data 3 ottobre 2017 la Banca ha inaugurato una nuova filiale a Roma in via Piemonte.

(ii) ha tenuto riunioni con gli esponenti della Società di Revisione e non sono emersi dati e/o informazioni rilevanti che debbano essere evidenziati nella presente relazione;

sulla base delle informazioni acquisite, ha rilevato l'osservanza degli obblighi informativi in materia di informazioni regolamentate, privilegiate ovvero richieste dalle autorità di vigilanza, a quest'ultimo riguardo precisando che le attestazioni e le comunicazioni della Società risultano conformi agli schemi e contenuti previsti dalla Consob.

Attività di vigilanza sul rispetto dei principi di corretta amministrazione e sull'adeguatezza dell'assetto organizzativo

Il Collegio:

- *ha acquisito conoscenza e vigilato, per quanto di propria competenza, sull'adeguatezza della struttura organizzativa della Società e sul rispetto dei principi di corretta amministrazione, tramite osservazioni dirette, raccolta di informazioni dai responsabili delle funzioni aziendali e incontri con la Società di Revisione ai fini del reciproco scambio di dati e informazioni rilevanti e a tale riguardo non ha osservazioni particolari da riferire;*

- *ha valutato e vigilato sull'adeguatezza del sistema amministrativo-contabile, nonché sull'affidabilità di quest'ultimo a rappresentare correttamente i fatti di gestione, mediante l'ottenimento di informazioni dai responsabili delle rispettive funzioni, l'esame di documenti aziendali e l'analisi dei risultati del lavoro svolto dalla Società di Revisione e a tale riguardo non ha osservazioni particolari da riferire.*

Sulla base delle informazioni acquisite, il Collegio dà atto che le scelte gestionali sono ispirate al principio di corretta informazione e di ragionevolezza e che gli Amministratori sono consapevoli della rischiosità e degli effetti delle operazioni compiute.

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.

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.

Si rileva inoltre che l'Amministratore Delegato rende periodicamente conto al Consiglio di Amministrazione delle attività svolte nell'esercizio delle deleghe.

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.

Il Collegio non ha rilevato nel corso dell'esercizio chiuso al 31 dicembre 2017 l'esistenza di operazioni atipiche e/o inusuali con società del Gruppo, con terzi o con parti correlate.

Come precisato dagli Amministratori nelle Nota integrativa al bilancio consolidato e al bilancio d'esercizio, le operazioni poste in essere con società del Gruppo o con parti correlate sono regolate a valori normali e correnti condizioni di mercato.

In riferimento a tali operazioni, il Collegio ritiene adeguate le informazioni rese nel progetto di bilancio della Società cui la presente relazione si riferisce.

Il Collegio ha verificato l'esistenza di un corretto flusso di informazioni con le società controllate e/o partecipate, ricevendo conferma circa la sussistenza di disposizioni impartite dalla Società ai sensi dell'art. 114, comma 2 del TUF.

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.

* * * * *

Con specifico riferimento alle attività previste dal Testo Unico sulla Revisione Legale, si segnala quanto segue.

Attività di vigilanza sul processo di informativa finanziaria.

Il Collegio ha verificato l'esistenza di norme e procedure a presidio del processo di formazione e diffusione delle informazioni finanziarie.

A tale proposito, la Relazione annuale sul governo societario e gli assetti proprietari definisce le linee guida di riferimento per l'istituzione e la gestione del sistema delle procedure amministrative e contabili. Il Collegio ha esaminato, con l'assistenza del Dirigente Preposto alla redazione dei documenti contabili e societari, Dott. Giulio Bastia, le procedure relative all'attività di formazione del bilancio della Società e del bilancio consolidato, oltre che degli altri documenti contabili periodici.

Si evidenzia che il Dirigente preposto è stato nominato dal Consiglio di Amministrazione della Società in data 9 febbraio 2017, con parere favorevole del Collegio, in quanto giudicato in possesso di un'adeguata esperienza in materia di amministrazione, finanza e controllo e, quindi, di tutti i requisiti di professionalità previsti dalla legge e dallo statuto.
Il Collegio Sindacale ha, inoltre, avuto evidenza del processo che consente al Dirigente preposto e all'Amministratore a ciò delegato di rilasciare le attestazioni previste dall'art. 154-bis del TUF.

Il Collegio Sindacale è stato informato che le procedure amministrative e contabili per la formazione del bilancio e di ogni altra comunicazione finanziaria sono predisposte sotto la responsabilità del Dirigente preposto, il quale, congiuntamente all'Amministratore a ciò delegato, ne attesta l'adeguatezza ed effettiva applicazione in occasione del bilancio di esercizio, di quello consolidato e della relazione finanziaria semestrale.

In data 16 marzo 2018, sono state rilasciate da parte dell'Amministratore a ciò delegato e del Dirigente preposto le attestazioni del bilancio consolidato e del bilancio d'esercizio ai sensi dell'art. 81-ter del Regolamento Consob del 14 maggio 1999 e successive modifiche e integrazioni.

Da segnalare l'attività svolta dagli uffici amministrativi circa l'applicazione delle regole di transizione al principio IFRS 9 Financial Instruments – che dal 1 gennaio 2018 sostituisce il principio IAS 39 Financial Instruments: Recognition and Measurement nell'ambito del riconoscimento, della valutazione e della contabilizzazione delle attività finanziarie (compresi gli strumenti finanziari di copertura) e del calcolo degli accantonamenti (impairments) – le quali prescrivono che l'assessment del Business Model di un portafoglio o di un sub-portfolio avvenga sulla base delle condizioni esistenti al momento della sua first *time adoption.*

Il Collegio Sindacale esprime, pertanto, una valutazione di adeguatezza del processo di formazione dell'informativa finanziaria e ritiene non sussistano rilievi da sottoporre all'Assemblea.

Attività di vigilanza sull'efficacia dei sistemi di controllo interno, di revisione interna e di gestione del rischio e sulla revisione legale dei conti annuali e dei conti consolidati.

Il Collegio ha valutato e vigilato sull'adeguatezza del sistema di controllo interno e sull'efficacia dei sistemi di controllo interno e di gestione del rischio.

Inoltre, come detto, il Consiglio di Amministrazione ha individuato al proprio interno un amministratore – l'Amministratore delegato - esecutivo incaricato di sovrintendere alla funzionalità del sistema di controllo interno.

In particolare, il Collegio, nell'ambito degli incontri periodici avuti con Responsabile dell'Internal Audit, è stato compiutamente informato in merito agli interventi di Internal Audit finalizzati a verificare l'adeguatezza e l'operatività del sistema di controllo interno e il rispetto della normativa interna ed esterna, nonché sull'attività di gestione del rischio.

In data 16 marzo 2018, il Responsabile dell'Internal Audit ha rilasciato la propria relazione per l'esercizio 2017 ove viene rappresentato che il sistema di controllo interno adottato dalla società ha raggiunto un buon livello di efficacia nell'assicurare il corretto svolgimento delle operazioni sia sotto il profilo operativo e di business, che di rischio e normativo.

Ulteriormente, Il Collegio Sindacale, a seguito della attribuzione a due dei suoi membri anche delle funzioni spettanti all'Organismo di Vigilanza di cui all'articolo 6, comma 4bis del D.Lgs. 231/2001 sulla responsabilità amministrativa degli enti, ha preso visione e ottenuto informazioni sull'attività di carattere organizzativo e procedurale posta in essere dalla Banca ai sensi del citato Decreto.

L'Organismo di Vigilanza ha relazionato sulle attività svolte nel corso dell'esercizio 2017 senza segnalare profili di criticità degni di menzione, evidenziando una situazione nel complesso soddisfacente e di sostanziale allineamento a quanto previsto dal Modello di Organizzazione, Gestione e Controllo.

Infine, si rappresenta che:

- *la contabilità è stata sottoposta ai controlli previsti dalla normativa da parte della Società di Revisione E&Y S.p.A., alla quale, come detto, l'Assemblea degli Azionisti del 29 Aprile 2011 ha conferito l'incarico di revisore legale dei conti per gli esercizi 2011/2019. Nel corso degli incontri periodici avuti con il Collegio, la Società di Revisione non ha evidenziato rilievi a riguardo;*

- *Il Collegio rappresenta che la Società di Revisione E&Y S.p.A. ha rilasciato in data 29 marzo 2018 la relazione aggiuntiva ex art. 11 del Regolamento europeo, che rappresenta i risultati della revisione legale dei conti effettuata e include la dichiarazione relativa all'indipendenza di cui all'art. 6, paragrafo 2, lettera a), del*

Regolamento Europeo 537/2014, oltre che le informative richieste dall'art. 11 del medesimo Regolamento, senza individuare carenze significative.

Il Collegio Sindacale provvederà ad informare il Consiglio di Amministrazione della Società in merito agli esiti della revisione legale, trasmettendo a tal fine la relazione aggiuntiva, corredata da eventuali osservazioni, ai sensi dell'art. 19 del D.Lgs. 39/2010.

- *in relazione a quanto previsto dall'art. 19 del D.Lgs. n. 39 del 2010, il Collegio ha vigilato sulla revisione dei conti annuali e dei conti consolidati, approfondendo, nel corso delle riunioni tenute con la Società di Revisione, il piano di revisione, le aree rilevanti sul bilancio e il potenziale effetto di rischi significativi che potrebbero essere evidenziati in bilancio;*

- *nel corso dell'anno il Collegio Sindacale ha periodicamente incontrato, come riportato in precedenza, il Dirigente preposto e l'Amministratore preposto al controllo interno.*

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 29 marzo 2018 le relazioni ai sensi dell'art. 14 del d.lgs. n. 39 del 27 gennaio 2010 e dell'art. 10 del Regolamento (UE) n. 537/2014, nelle quali si attesta che il bilancio dell'esercizio e il bilancio consolidato al 31 dicembre 2017 rappresentano in modo veritiero e corretto la situazione patrimoniale e finanziaria, il risultato economico, ed i flussi di cassa della Banca e del Gruppo e che la relazione sulla gestione e alcune informazioni contenute nella relazione sul governo societario e gli assetti proprietari sono coerenti con il bilancio.

Indipendenza della Società di Revisione

La Società di revisione ha confermato la propria indipendenza ai sensi dell'art. 6 paragrafo 2) lett. a) del Regolamento Europeo 537/2014 e ai sensi del paragrafo 17 dell'ISA Italia 260.

Alla Società di revisione sono stati pagati i seguenti compensi:
Revisione contabile € 219.000,00
Servizi di attestazione € 9.000,00.

La revisione contabile riguarda la revisione dei bilanci d'esercizio, i controlli contabili del Gruppo nonché il bilancio consolidato e la relazione semestrale consolidata della Capogruppo.

I servizi di attestazione si riferiscono alle verifiche dei modelli Unico, Irap, CNM (consolidato nazionale), 770 ordinario e certificazione unica.

I corrispettivi indicati non sono comprensivi dell'IVA, dei rimborsi spese e del contributo di vigilanza.

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 sopra indicati - compatibile con la revisione legale. Non sono quindi emersi aspetti critici in materia di indipendenza della Società di Revisione.

Attività di vigilanza sui rapporti con società controllate e controllanti e sulle operazioni con parti correlate

Come già anticipato, il Collegio ha verificato le operazioni con parti correlate e/o infragruppo di natura ordinaria o ricorrente, in merito alle quali riferisce quanto segue.

Le operazioni infragruppo, di natura sia commerciale sia finanziaria, riguardanti le società controllate e la società controllante, sono regolate su basi equivalenti a quelle prevalenti in transazioni tra parti indipendenti.

Esse trovano adeguata descrizione nell'ambito del bilancio. In particolare, nella parte H della Nota Integrativa al bilancio consolidato, sono riportati i saldi economici e patrimoniali derivanti dai rapporti, di natura commerciale e finanziaria rilevanti, derivanti dai rapporti della Società con parti correlate.

Si precisa che le transazioni con parti correlate non includono operazioni atipiche o inusuali, ossia estranee alla normale gestione d'impresa.

Omissioni o fatti censurabili, altri pareri resi, azioni intraprese

Il Collegio dà atto che:

nel corso dell'esercizio ha rilasciato i seguenti pareri:

- *rilasciato parere favorevole alla attribuzione al Dott. Giulio Bastia della funzione di Dirigente Preposto;*

- *rilasciato parere favorevole alla cooptazione in Consiglio di Amministrazione della dott. Marco Tofanelli;*

- *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;*

- *non sono state presentate denunce di cui all'art. 2408 cod. civ., così come non sono stati presentati esposti di alcun genere;*
- *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.*

Bilancio d'esercizio, bilancio consolidato e relazione sulla gestione

Con specifico riguardo all'esame del bilancio d'esercizio chiuso al 31 dicembre 2017, del bilancio consolidato (redatti in base ai principi contabili internazionali IAS/IFRS emessi dall'International Accounting Standards Board (IASB) adottati dall'Unione Europea, nonché conformemente ai provvedimenti emanati in attuazione dell'art. 9, comma 3 del D.Lgs. n. 38 del 2005 e dell'art. 43 del D.Lgs. n. 136 del 2015) e della Relazione sulla gestione, il Collegio riferisce quanto segue:

- *il fascicolo di bilancio è stato consegnato al Collegio in tempo utile affinché sia depositato presso la sede della Società corredato dalla presente relazione;*
- *ha verificato che il bilancio della Società e il bilancio consolidato risultano redatti secondo la struttura e gli schemi imposti dalle norme vigenti e sono accompagnati dai documenti previsti dal codice civile e dal TUF;*
- *ha verificato la razionalità dei procedimenti valutativi applicati e la loro rispondenza alle logiche dei principi contabili internazionali;*
- *ha verificato la rispondenza del bilancio ai fatti e alle informazioni di cui si è avuta conoscenza a seguito dell'espletamento dei doveri che gli competono; non si hanno, quindi, osservazioni al riguardo;*
- *per quanto a conoscenza del Collegio, gli Amministratori, nella redazione del bilancio, non hanno derogato alle norme di legge ai sensi dell'art. 2423, comma 4, cod. civ.;*
- *ha verificato l'osservanza delle norme di legge inerenti la predisposizione della relazione sulla gestione e a tale riguardo non si hanno osservazioni da riferire;*

La Società di Revisione, in data 29 marzo 2018 ha emesso la propria relazione contenente il giudizio sulla conformità del bilancio d'esercizio e del bilancio consolidato agli International Financial Reporting Standards adottati dall'Unione Europea nonché ai provvedimenti emanati in attuazione dell'art. 9 del D.Lgs. n. 38 del 2005 e dell'art. 43 del D.Lgs. n. 136 del 2015, nonché il giudizio di coerenza della Relazione sulla gestione e delle informazioni della relazione sul governo societario e gli assetti proprietari con il bilancio; detta relazione non contiene rilievi né richiami di informativa.

Infine, si informa che, a norma dell'art.6, comma 1 del D.Lgs. n. 254 del 2016, La Società non ha provveduto alla redazione della Dichiarazione consolidata di carattere non finanziaria, non ricorrendone i presupposti di legge.

* * * * *

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 2017 e le proposte di delibera formulate dal Consiglio di Amministrazione.

Con l'approvazione del bilancio al 31 dicembre 2017 scade il mandato del Collegio Sindacale nominato dall'assemblea del 28 aprile 2015. Siete pertanto chiamati a nominare ai sensi di legge e dello statuto il nuovo Collegio Sindacale.

Roma, 29 marzo 2018

IL COLLEGIO SINDACALE

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Relazione della società di revisione indipendente ai sensi dell'art. 14 del D. Lgs. 27 gennaio 2010, n. 39 e dell'art. 10 del Regolamento (UE) n. 537/2014

Agli Azionisti della
Banca Finnat Euramerica S.p.A.

Relazione sulla revisione contabile del bilancio d'esercizio

Giudizio

Abbiamo svolto la revisione contabile del bilancio d'esercizio della Banca Finnat Euramerica S.p.A. (la "Società" o la "Banca"), costituito dallo stato patrimoniale al 31 dicembre 2017, 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 nota integrativa.

A nostro giudizio, il bilancio d'esercizio fornisce una rappresentazione veritiera e corretta della situazione patrimoniale e finanziaria della Società al 31 dicembre 2017, 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'9 del D. Lgs. 28 febbraio 2005, n.38 e dell'art. 43 del D. Lgs. 18 agosto 2015, n. 136.

Elementi alla base del giudizio

Abbiamo svolto la revisione contabile in conformità ai principi di revisione internazionali (ISA Italia). Le nostre responsabilità ai sensi di tali principi sono ulteriormente descritte nella sezione *Responsabilità della società di revisione per la revisione contabile del bilancio d'esercizio* della presente relazione. Siamo indipendenti rispetto alla Società in conformità alle norme e ai principi in materia di etica e di indipendenza applicabili nell'ordinamento italiano alla revisione contabile del bilancio. Riteniamo di aver acquisito elementi probativi sufficienti ed appropriati su cui basare il nostro giudizio.

Aspetti chiave della revisione contabile

Gli aspetti chiave della revisione contabile sono quegli aspetti che, secondo il nostro giudizio professionale, sono stati maggiormente significativi nell'ambito della revisione contabile del bilancio dell'esercizio in esame. Tali aspetti sono stati da noi affrontati nell'ambito della revisione contabile e nella formazione del nostro giudizio sul bilancio d'esercizio nel suo complesso; pertanto su tali aspetti non esprimiamo un giudizio separato.

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Abbiamo identificato il seguente aspetto chiave della revisione contabile:

Aspetti chiave	Risposte di revisione
Valutazione Partecipazioni Le partecipazioni in società controllate al 31 dicembre 2017 ammontano a 70 milioni di Euro e fanno riferimento alle seguenti imprese controllate in via esclusiva: Finnat Fiduciaria S.p.A., InvestiRE S.G.R. S.p.A., Finnat Gestioni S.A. e Natam Management Company S.A.. La Direzione della Società valuta almeno annualmente la presenza di indicatori di riduzione del valore ("impairment") di ciascuna partecipazione, coerentemente con la propria strategia di gestione delle entità legali all'interno del gruppo e, qualora si manifestino, assoggetta al procedimento di verifica del valore recuperabile ("impairment test") tali attività. I processi e le modalità di valutazione e determinazione del valore recuperabile di ciascuna partecipazione sono basati su assunzioni che richiedono agli amministratori l'esercizio di una significativa discrezionalità nella scelta di metodologie, assunzioni e parametri (quali il Weighted Average Cost of Capital, il costo del capitale proprio "Ke" ed il tasso di crescita "g"), in quanto si tratta di variabili che possono risultare sensibili anche agli andamenti futuri dei mercati e degli scenari economici. In considerazione del giudizio richiesto e della complessità delle assunzioni utilizzate nella stima del valore recuperabile delle partecipazioni abbiamo ritenuto che tale tematica rappresenti un aspetto chiave della revisione. L'informativa sulla Valutazione delle partecipazioni è riportata dagli amministratori nella "Parte A - Politiche contabili" e nella Sezione 10 "Le Partecipazioni" della Parte B della nota integrativa.	Le nostre procedure di revisione in risposta all'aspetto chiave hanno incluso, tra l'altro: - l'analisi della procedura e dei controlli chiave posti in essere dalla Società in merito alla valutazione delle partecipazioni, tenuto conto della procedura di impairment test approvata dal Consiglio di Amministrazione del 9 febbraio 2018; - l'analisi della relazione dell'esperto della direzione che ha assistito la società nella determinazione del fair value delle singole partecipate effettuata in sede di impairment test annuale, nonché la valutazione della sua competenza, capacità e obiettività; - la discussione delle evidenze emerse dal confronto effettuato dalla Direzione tra i risultati consuntivati nell'esercizio 2017 e i dati previsionali delle controllate; - la verifica della determinazione dei tassi di crescita di lungo periodo e dei tassi di attualizzazione; - la verifica della correttezza matematica dei calcoli dell'impairment test effettuato dalla Società. Nelle nostre verifiche ci siamo anche avvalsi dell'ausilio di nostri esperti in tecniche di valutazione, i quali hanno eseguito un ricalcolo indipendente ed effettuato analisi di sensitività sulle assunzioni chiave, al fine di determinare i cambiamenti delle assunzioni che potrebbero impattare significativamente la valutazione del valore recuperabile. Infine, abbiamo esaminato l'adeguatezza dell'informativa resa in nota integrativa.

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Responsabilità degli amministratori e del collegio sindacale 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 e ai provvedimenti emanati in attuazione dell'9 del D. Lgs. 28 febbraio 2005, n.38 e dell'art. 43 del D. Lgs. 18 agosto 2015, n. 136, nei termini previsti dalla legge, per quella parte del controllo interno dagli stessi ritenuta necessaria per consentire la redazione di un bilancio che non contenga errori significativi dovuti a frodi o a comportamenti o eventi non intenzionali.

Gli amministratori sono responsabili per la valutazione della capacità della Società di continuare ad operare come un'entità in funzionamento e, nella redazione del bilancio d'esercizio, per l'appropriatezza dell'utilizzo del presupposto della continuità aziendale, nonché per una adeguata informativa in materia. Gli amministratori utilizzano il presupposto della continuità aziendale nella redazione del bilancio d'esercizio a meno che abbiano valutato che sussistono le condizioni per la liquidazione della Società o per l'interruzione dell'attività o non abbiano alternative realistiche a tali scelte.

Il collegio sindacale ha la responsabilità della vigilanza, nei termini previsti dalla legge, sul processo di predisposizione dell'informativa finanziaria della Società.

Responsabilità della società di revisione per la revisione contabile del bilancio d'esercizio

I nostri obiettivi sono l'acquisizione di una ragionevole sicurezza che il bilancio d'esercizio nel suo complesso non contenga errori significativi, dovuti a frodi o a comportamenti o eventi non intenzionali, e l'emissione di una relazione di revisione che includa il nostro giudizio. Per ragionevole sicurezza si intende un livello elevato di sicurezza che, tuttavia, non fornisce la garanzia che una revisione contabile svolta in conformità ai principi di revisione internazionali (ISA Italia) individui sempre un errore significativo, qualora esistente. Gli errori possono derivare da frodi o da comportamenti o eventi non intenzionali e sono considerati significativi qualora ci si possa ragionevolmente attendere che essi, singolarmente o nel loro insieme, siano in grado di influenzare le decisioni economiche degli utilizzatori prese sulla base del bilancio d'esercizio.

Nell'ambito della revisione contabile svolta in conformità ai principi di revisione internazionali (ISA Italia), abbiamo esercitato il giudizio professionale e abbiamo mantenuto lo scetticismo professionale per tutta la durata della revisione contabile. Inoltre:

- abbiamo identificato e valutato i rischi di errori significativi nel bilancio d'esercizio, dovuti a frodi o a comportamenti o eventi non intenzionali; abbiamo definito e svolto procedure di revisione in risposta a tali rischi; abbiamo acquisito elementi probativi sufficienti ed appropriati su cui basare il nostro giudizio. Il rischio di non individuare un errore significativo dovuto a frodi è più elevato rispetto al rischio di non individuare un errore significativo derivante da comportamenti od eventi non intenzionali, poiché la frode può implicare l'esistenza di collusioni, falsificazioni, omissioni intenzionali, rappresentazioni fuorvianti o forzature del controllo interno;
- abbiamo acquisito una comprensione del controllo interno rilevante ai fini della revisione contabile allo scopo di definire procedure di revisione appropriate nelle circostanze e non per esprimere un giudizio sull'efficacia del controllo interno della Società;
- abbiamo valutato l'appropriatezza dei principi contabili utilizzati nonché la ragionevolezza

delle stime contabili effettuate dagli amministratori e della relativa informativa;

- siamo giunti ad una conclusione sull'appropriatezza dell'utilizzo da parte degli amministratori del presupposto della continuità aziendale e, in base agli elementi probativi acquisiti, sull'eventuale esistenza di una incertezza significativa riguardo a eventi o circostanze che possono far sorgere dubbi significativi sulla capacità della Società di continuare ad operare come un'entità in funzionamento. In presenza di un'incertezza significativa, siamo tenuti a richiamare l'attenzione nella relazione di revisione sulla relativa informativa di bilancio ovvero, qualora tale informativa sia inadeguata, a riflettere tale circostanza nella formulazione del nostro giudizio. Le nostre conclusioni sono basate sugli elementi probativi acquisiti fino alla data della presente relazione. Tuttavia, eventi o circostanze successivi possono comportare che la Società cessi di operare come un'entità in funzionamento;
- abbiamo valutato la presentazione, la struttura e il contenuto del bilancio d'esercizio nel suo complesso, inclusa l'informativa, e se il bilancio d'esercizio rappresenti le operazioni e gli eventi sottostanti in modo da fornire una corretta rappresentazione.

Abbiamo comunicato ai responsabili delle attività di *governance*, identificati ad un livello appropriato come richiesto dagli ISA Italia, tra gli altri aspetti, la portata e la tempistica pianificate per la revisione contabile e i risultati significativi emersi, incluse le eventuali carenze significative nel controllo interno identificate nel corso della revisione contabile.

Abbiamo fornito ai responsabili delle attività di *governance* anche una dichiarazione sul fatto che abbiamo rispettato le norme e i principi in materia di etica e di indipendenza applicabili nell'ordinamento italiano e abbiamo comunicato loro ogni situazione che possa ragionevolmente avere un effetto sulla nostra indipendenza e, ove applicabile, le relative misure di salvaguardia.

Tra gli aspetti comunicati ai responsabili delle attività di *governance*, abbiamo identificato quelli che sono stati più rilevanti nell'ambito della revisione contabile del bilancio dell'esercizio in esame, che hanno costituito quindi gli aspetti chiave della revisione. Abbiamo descritto tali aspetti nella relazione di revisione.

Altre informazioni comunicate ai sensi dell'art. 10 del Regolamento (UE) n. 537/2014

L'assemblea degli azionisti della Banca Finnat Euramerica S.p.A. ci ha conferito in data 29 Aprile 2011 l'incarico di revisione legale del bilancio d'esercizio e consolidato della Società per gli esercizi con chiusura dal 31 dicembre 2011 al 31 dicembre 2019.

Dichiariamo che non sono stati prestati servizi diversi dalla revisione contabile vietati ai sensi dell'art. 5, par. 1, del Regolamento (UE) n. 537/2014 e che siamo rimasti indipendenti rispetto alla Società nell'esecuzione della revisione legale.

Confermiamo che il giudizio sul bilancio d'esercizio espresso nella presente relazione è in linea con quanto indicato nella relazione aggiuntiva destinata al collegio sindacale, nella sua funzione di comitato per il controllo interno e la revisione contabile, predisposta ai sensi dell'art. 11 del citato Regolamento.

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Relazione su altre disposizioni di legge e regolamentari

Giudizio ai sensi dell'art. 14, comma 2, lettera e), del D. Lgs. 27 gennaio 2010, n. 39 e dell'art. 123-bis, comma 4, del D. Lgs. 24 febbraio 1998, n. 58

Gli amministratori della Banca Finnat Euramerica S.p.A. sono responsabili per la predisposizione della relazione sulla gestione e della relazione sul governo societario e gli assetti proprietari della Banca Finnat Euramerica S.p.A. al 31 dicembre 2017, incluse la loro coerenza con il relativo bilancio d'esercizio e la loro conformità alle norme di legge.
Abbiamo svolto le procedure indicate nel principio di revisione (SA Italia) n. 720B al fine di esprimere un giudizio sulla coerenza della relazione sulla gestione e di alcune specifiche informazioni contenute nella relazione sul governo societario e gli assetti proprietari indicate nell'art. 123-bis, comma 4, del D. Lgs. 24 febbraio 1998, n. 58, con il bilancio d'esercizio della Banca Finnat Euramerica S.p.A. al 31 dicembre 2017 e sulla conformità delle stesse alle norme di legge, nonché di rilasciare una dichiarazione su eventuali errori significativi.
A nostro giudizio, la relazione sulla gestione e alcune specifiche informazioni contenute nella 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 2017 e sono redatte in conformità alle norme di legge.
Con riferimento alla dichiarazione di cui all'art. 14, c. 2, lettera e), del D. Lgs. 27 gennaio 2010, n. 39, rilasciata sulla base delle conoscenze e della comprensione dell'impresa e del relativo contesto acquisite nel corso dell'attività di revisione, non abbiamo nulla da riportare.

Roma, 29 marzo 2018

EY S.p.A.

Wassim Abou Said
(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

ATTESTAZIONE DEL BILANCIO D'ESERCIZIO AI SENSI DELL'ART. 81-TER DEL REGOLAMENTO CONSOB N. 11971 DEL 14 MAGGIO 1999 E SUCCESSIVE MODIFICHE E INTEGRAZIONI

1. I sottoscritti Arturo Nattino in qualità di Amministratore Delegato e Giulio Bastia in qualità di Dirigente preposto alla redazione dei documenti contabili societari di Banca Finnat Euramerica S.p.A. attestano, tenuto anche conto di quanto previsto dall'art. 154-bis, commi 3 e 4, del decreto legislativo 24 febbraio 1998, n. 58:
   - l'adeguatezza in relazione alle caratteristiche dell'impresa e
   - l'effettiva applicazione

   delle procedure amministrative e contabili per la formazione del Bilancio di esercizio al 31 dicembre 2017.

2. Al riguardo non sono emersi aspetti di rilievo.

3. Si attesta, inoltre, che:

   3.1. il Bilancio d'esercizio:

   a. è redatto in conformità ai principi contabili internazionali applicabili riconosciuti nella Comunità europea ai sensi del regolamento (CE) n. 1606/2002 del Parlamento europeo e del Consiglio, del 19 luglio 2002;

   b. corrisponde alle risultanze dei libri e delle scritture contabili;

   c. è idoneo a fornire una rappresentazione veritiera e corretta della situazione patrimoniale, economica e finanziaria dell'emittente.

   3.2 La Relazione sulla gestione comprende un'analisi attendibile dell'andamento e del risultato della gestione, nonché della situazione dell'emittente, unitamente alla descrizione dei principali rischi e incertezze cui sono esposti.

Roma, 16 marzo 2018

L'Amministratore Delegato	**Il Dirigente preposto alla redazione dei documenti contabili societari**
(Arturo Nattino)	(Giulio Bastia)

2017 REPORT ON CORPORATE GOVERNANCE AND SHAREHOLDERS[1] (PREPARED IN ACCORDANCE WITH ARTICLE 123-BIS OF THE ITALIAN CONSOLIDATED FINANCIAL LAW)

APPROVED BY THE BOARD OF DIRECTORS ON 16 MARCH 2018

TRADITIONAL ADMINISTRATION AND CONTROL MODEL

CONTENTS

(1) The Report is published on the Website of the Bank, www.bancafinnat.it under *Investor Relations - Corporate Governance*

GLOSSARY

Code/Governance Code: the Governance Code of listed companies approved in July 2015 by the Corporate Governance Committee and promoted by Borsa Italiana S.p.A., ABI, Ania, Assogestioni, Assonime and Confindustria.
Board of Directors: the Board of Directors of the Issuer.
Civil Code/C.C.: the Italian Civil Code.
Board: the Board of Directors of the Issuer.
Issuer: the issuer of the securities to which the Report refers.
Year: the 2017 financial year to which the Report refers.
Consob Issuers Regulation: the Regulation issued by the Consob with its resolution no. 11971 of 1999 (as amended) for issuers.
Consob Markets Regulation: the Regulation issued by the Consob with its resolution no. 20249 of 2017 for markets.
Consob Related Parties Regulation: the Regulation issued by the Consob with its resolution no. 17221 of 12 March 2010 (as amended) for related party transactions.
Report: the report on corporate governance and shareholder structure, which companies are obligated to prepare in accordance with Article 123-bis of the Italian Consolidated Financial Law.
TUF: Italian Legislative Decree no. 58 of 24 February 1998 (Consolidated Financial Law).

REPORT ON CORPORATE GOVERNANCE AND SHAREHOLDERS

The present Report intends to provide an exhaustive representation on the corporate governance system adopted by Banca Finnat Euramerica S.p.A. and it contains information about the shareholders and on adoption of the Codes of conduct.
The Report is made available at the website of Banca Finnat Euramerica S.p.A. in the Investor Relations - Corporate Governance section.
The information contained herein refers to the year ended 31 December 2017 and, with regard to specific issues, it was updated as at 16 March 2016, on which date the Board of Directors approved it, together with the draft Annual Report for 2017, to be submitted to the Shareholders' Meeting, called for 27 April 2018.

The Report takes into account the "2017 Annual Report - 5th report on the application of the Governance Code" sent to all the Chairman of Italian listed Companies, with information copies to the Managing Director and to the Chairman of the Board of Statutory Auditors, by the Corporate Governance Committee of Borsa Italiana.

1.0 ISSUER PROFILE

Banca Finnat Euramerica S.p.A., with more than a century of banking tradition, coupled with independence, dependability and confidentiality, administers and manages the assets of Italy's wealthy investors.

Listed on the STAR segment of Borsa Italiana, it is specialised in performing investment and advisory services for private and institutional customers.
Its high specialisation and professionalism distinguish it in the Italian banking landscape: directly and with other Group companies, it offers a broad range of services and financial products, from Private Banking to Advisory services, from Trusteeship Activities to Family Office, from Real Estate and management of Real Estate Funds to Advisory & Corporate Finance and to Services for Institutional Investors.
To complete the Investment services, which have a central role within the Bank's activities, traditional Banking Services are also performed.

The Bank has adopted the traditional administration and control model, comprising two bodies appointed by the Shareholders' Meeting: the Board of Directors (with 11 Members), central body in the corporate governance system, exclusively in charge of managing and providing strategic supervision for the Bank and the Group, and the Board of Statutory Auditors with oversight functions over the administration and over compliance with the law and with the Articles of Association.
The Board of Directors, also in accordance with the recommendations of the Governance Code, established three Committees within the Board (Risk, Appointments and Remunerations Committees), consisting of independent Directors and providing proposals, advice and preliminary studies for the Board itself.
The account auditing activity is entrusted to a specialised company (EY S.p.A.) enrolled in the dedicated Register, appointed by the Shareholders' Meeting for the nine years from 2011 to 2019, upon the justified proposal of the Board of Statutory Auditors.
The Supervisory Body under Legislative Decree no. 231/2001 is appointed by the Board of Directors

The Code of Ethics

The Code of Ethics defines the values and the ethical principles that guide the activity of Banca Finnat and of its Subsidiaries.
Banca Finnat and its Subsidiaries adopt and promote a Code of Ethics, to be followed by the Corporate Bodies and their members, the Top Management, employees, consultants and contractors, suppliers, financial promoters, attorneys and any other party who may act on behalf of the Bank and of its subsidiaries.
The Boards of Directors of the Bank and of its Subsidiaries undertake to enforce the principles contained in the present Code of Ethics, enhancing trust, cohesion and group spirit. For this purpose, the Board of Directors of the Bank and of its subsidiaries are guided, also when setting corporate goals, by the values expressed in this Code of Ethics.
All Code of Ethics recipients shall know it and comply with its provisions, actively contributing to its widespread adoption and enforcement, throughout the time in which they work for the Bank and for its Subsidiaries. All recipients shall also safeguard, by their conduct, the respectability and image of Banca Finnat and of its subsidiaries and to preserve the solidity of the corporate assets.
The principles contained in the Code of Ethics also supplement the rules of behaviour that personnel shall follow, by virtue of current regulations, of employment agreements, of internal procedures, and of the codes of conduct which the Group has adopted or promulgated internally.
The principles that Banca Finnat and its Subsidiaries intend to apply and the values they intend to pursue are: lawfulness, integrity, dignity and equality, quality, business ethics, professionalism and collaboration.

2.0 INFORMATION ON SHAREHOLDERS AT 31 DECEMBER 2017

a) Share capital structure

The share capital of Banca Finnat Euramerica S.p.A. as at 31 December 2017 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 listed in the STAR segment of Borsa Italiana.
At the date of the present Report, there are no ongoing programmes for the purchase and/or sale of own shares. At 31 December 2017, Banca Finnat Euramerica S.p.A. held 28,810,640 own shares, representing 7.94% of the share capital with a total value of 14,059,346 thousand euros.

b) Restriction to the transfer of securities

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 Bank shares.

c) Major equity investments

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 received pursuant to Article 120 of the Italian Consolidated Financial Law are indicated in Table 1 hereto.

d) Securities granting special rights

No securities have been issued granting special control rights.

e) Shares held by employees: mechanism for exercising voting rights

There are no share participation schemes for employees.

f) Restriction to voting rights

There are no restrictions to voting rights.

g) Shareholder agreements

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 and provisions established by the Articles of Association on takeover bids

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

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.

l) Management and coordination

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 9.0 (Remuneration of directors) of this Report.

3.0 COMPLIANCE

Banca Finnat adheres to the Governance Code of Borsa Italiana S.p.A. in the version of July 2015.

The Governance Code is accessible to the public on the website of the Corporate Governance Committee[2] and it can be viewed on the Bank's website[3] in the Investor Relations/Corporate Governance section.

A revised audit of compliance with the Governance Code was carried out in January 2018 on the occasion of the review by the Board of Directors of the 2017 Annual Report - 5th report on the application of the Governance Code sent to all the Chairmen of Italian listed Companies, with information copies to the Managing Director and to the Chairman of the Board of Statutory Auditors, by the Corporate Governance Committee of Borsa Italiana.

The present Report was prepared according to the format of Borsa Italiana S.p.A. for the Corporate Governance Report, 7th Edition, of January 2018.

The Corporate Governance structure of Banca Finnat and of its subsidiaries is not affected by provisions of any non-Italian law.

4.0 BOARD OF DIRECTORS

4.1 Appointment and replacement

In accordance 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, who remain in office for three years and whose term of office expires at the date of the shareholders' meeting called for approval of the financial statements of their final year in office.

The composition of the Board of Directors must comply with the gender balance regulations in force.

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 (Article 12-*bis* of the Articles of Association). Lists must

(2) http://www.borsaitaliana.it/comitato-corporate-governance/codice/2015clean.pdf

(3) http://www.bancafinnat.it

be presented to the Bank on or before the twenty-fifth day prior to the date set for the first calling of the Meeting and be made available to the public at the registered offices and published on the Bank's website without delay and, in any case no less than twenty-one days prior to the date set for the first calling of the Meeting.

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, the following must be filed: (i) information about the identity of the shareholders who presented the lists, with the indication of their total shareholding; (ii) the statements whereby individual candidates 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 laws and regulations; (iii) a *curriculum vitae* providing comprehensive information about the personal and professional characteristics of each candidate, and (iv) additional information required by provisions of law and regulations.

Lists presenting at least three candidates shall present a number of candidates belonging to the less represented gender that assures gender balance compliance at least to the minimum extent required by current laws 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 are 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 by relative majority, 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 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 is to allow the Bank 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 concern, in addition to some mere details of style, the provision of the right to appoint an Honorary Chairman, should the bodies of the Bank wish to recognise this title to individuals who distinguished themselves due to their contribution in time in favour of the Bank.
- Art. 12-*bis* - The amendments concern, among other things, the process for presenting the lists for the appointment of the administrative body. In the light of the indications contained in the Issuers' Regulation, the list of documents that must be produced by those entitled when presenting the lists was specified in more detail. 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, including with regard to gender balance. Lastly, the case of replacement of Directors is 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.
  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 Bank 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 interest 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).

On 3 April 2013, the Board of Directors approved the document that describes the optimal qualitative and quantitative composition of the Board of Directors.

Succession Plans

In view of the shareholder structure and dimensions of the Bank, the Board of Directors at present has no specific succession plans for executive Directors.

Nonetheless, in its meeting of 9 February 2018, the Board, with regard to recent guidelines on this matter, tasked the Appointments Committee to thoroughly evaluate, taking into account the market data and the approaches already applied by Banks that are comparable in terms of size and type of business, whether it would be advisable and cost-effective to adopt succession plans and Contingency Plans for the executive Directors.

4.2 Breakdown

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 the only list of candidates presented by the relative majority shareholder, Arturo Nattino.

On 10 March 2017, the Chairman of the Board of Directors Mr. Giampietro Nattino, tendered his resignation. Consequently, on 10 March 2017 the Board of Directors:

- appointed Mr. **Marco Tofanelli** as non-executive independent Director to replace the resigning Director and Chairman Mr. Giampietro Nattino in accordance with Art. 2386 of the Italian Civil Code; Mr. Tofanelli was also appointed Deputy Chairman and Lead Independent Director. Mr. Tofanelli was confirmed in the office of independent Director by the Shareholders' Meeting of 27 April 2017.
- appointed Ms. **Flavia Mazzarella** as the new Chairman of the Board of Directors.

At 31 December 2017, the members of the Board of Directors were as follows:

1. **Carlo Carlevaris**, Honorary Chairman (non-independent, non-executive); time in office since first appointment: 14 years.

2. **Flavia Mazzarella**, Chairman (independent, non-executive); time in office since first appointment: 2 years.
3. **Arturo Nattino**, Managing Director and General Manager (non-independent, executive); time in office since first appointment: 8 years.
4. **Leonardo Buonvino**, Deputy Chairman (non-independent, executive); time in office since first appointment: 12 years.
5. **Marco Tofanelli**, Deputy Chairman (independent, non-executive); time in office since first appointment: April 2017.
6. **Ermanno Boffa**, Director (independent, non-executive); time in office since first appointment: 9 years.
7. **Roberto Cusmai**, Director (independent, non-executive); time in office since first appointment: 4 years.
8. **Giulia Nattino**, Director (non-independent, non-executive); time in office since first appointment: 4 years.
9. **Maria Sole Nattino**, Director (non-independent, non-executive); time in office since first appointment: 3 years
10. **Lupo Rattazzi**, Director (non-independent, non-executive); time in office since first appointment: 9 years.
11. **Andreina Scognamiglio**, Director (independent, non-executive); time in office since first appointment: 3 years.

The CV with the personal and professional characteristics of the Directors is available on the Website of the Bank, www.bancafinnat.it in the section "*About Us - Directors and Officers*".

Diversity Policies

The Bank, with the resolution of the Board of Directors of 3 April 2013, identified its optimal qualitative and quantitative composition and the profile of the candidates to the office of Director. In particular, it expressed its views on the number of executive, non-executive and independent directors, as well as on their optimal professional skills and competencies. The document is available on the Bank's website in the section "*Investor Relations - Corporate Governance*".

In accordance with Article 12-*bis* of the Articles of Association, the lists of candidates to the Board of Directors, presenting at least three candidates shall present a number of candidates belonging to the less represented gender that assures gender balance compliance at least to the minimum extent required by current laws and regulations.

The current composition of the Board of Directors complies with gender quota regulations.

Maximum accumulation of the offices held in other companies

In relation to the express provisions of Points 1.C.2, 1.C.3 and 2.C.5 of the Governance Code, the Board decided to express its guidance with regards to the maximum number of offices that may be accumulated, to ensure that Directors can dedicate the time necessary for the effective performance of the task assigned them with the Bank.

The Board, on the indication of the Appointments Committee, in the course of its meeting of 9 February 2018 expressed its guidance with regard to the maximum limit to the accumulation of the offices held by the Directors, establishing the following:

1. an executive Director should not hold:

   i. the office of executive Director in another listed company, whether Italian or foreign, or in a financial[4], banking or insurance company or with shareholders' equity above 1 billion euros and
   ii. the office of non-executive Director or Auditor (or member of another audit body) in more than two of the aforesaid companies;
   iii. the office of non-executive Director of another issuer of which a Director of Banca Finnat Euramerica S.p.A. is an executive Director;
2. a non-executive Director, in addition to the office held in the Bank, should not hold:
   i. the office of executive Director in more than one of the aforesaid companies and the office of non-executive Director or of Auditor (or member of another audit body) in more than three of the aforesaid companies, or
   ii. the office of non-executive Director or Auditor (or member of another audit body) in more than five of the aforesaid companies;
   iii. the office of executive Director of another issuer of which an executive Director of Banca Finnat Euramerica S.p.A. is a non-executive Director.

Offices held in companies of the Banca Finnat Euramerica S.p.A. Group are excluded from the accumulation limit.

The above in compliance with the regulations set forth in Article 36 of Italian Law Decree "Salva Italia" (the so-called "interlocking prohibition").

Based on the communications received, the offices of Director or Auditor held by the Directors of the Bank in other companies, including Group companies, are indicated below.

Carlo Carlevaris

Deputy Chairman of Cementir Holding S.p.A. and Member of the Board of Directors of ICAL S.p.A., Vianini Lavori S.p.A. and Il Messaggero S.p.A.

Flavia Mazzarella

Member of the Board of Directors of Saipem S.p.A. (listed company) and member of the Control and Risk Committee.

Arturo Nattino

Chairman of InvestiRE SGR S.p.A., Director of Finnat Fiduciaria S.p.A. and Finnat Gestioni SA.

Leonardo Buonvino

Director of Edindustria S.p.A. and InvestiRE SGR S.p.A.

Marco Tofanelli

Director of InvestiRE SGR S.p.A. and member of the appointments and remuneration Committee; Director of Armonia SGR.

Ermanno Boffa

Director of InvestiRE SGR S.p.A. and member of the appointments and remuneration Committee; Director of Tecnica Group S.p.A.; Permanent Auditor of Finbi S.p.A., Coefi S.p.A. and Willis S.p.A.

Giulia Nattino

Director of Finnat Immobiliare S.p.A.

(4) For cumulation purposes, financial companies are considered to be the financial brokers per Article 106 of Italian Legislative Decree no. 385 of 1993 (Consolidated Banking Law - TUB) and the enterprises that perform activities and services of investment or collective asset management in accordance with Italian Legislative Decree no. 58 of 1998 (Consolidated Financial Law - TUF).

Maria Sole Nattino
Director of Finnat Fiduciaria S.p.A.
LUPO RATTAZZI
Director of GL Investimenti s.r.l. and Director of Vianini S.p.A.

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

In 2017, the members of the Board of Directors periodically participated in initiatives on economic, legal and financial matters with particular relevance in relation to the operations of the Bank.
In particular, the meetings pertained to matters like: governance of the controls, MAR Directive and personal transactions, MIFID II, IFRS 8 and IFRS 9, the Management Control Report.

4.3 Role of the Board of Directors

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.
In 2017, 12 meetings of the Board of Directors were held; their average duration was 2 hours. During 2018, 3 meetings have already been held and a further 8 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 obtain 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 of the subsidiaries as well.
The Bank established an IT platform to which every member of the Board of Directors and 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.
The documents are published on the platform as a rule 5 days before the date of the meeting.
In addition to the powers exclusively attributed by Article 2381 of the Italian Civil Code, also taking into account the indications of the Governance Code of listed companies, in 2017 the Board of Directors of the Bank, in particular:

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), and with the control Function, the suitability of the administrative and accounting organisation, with a special reference to the internal control and risk management system; the Board of Directors continuously verified the corporate structure and consequently the efficiency of the internal control system;

ii) examined the organisational, administrative and accounting structure of the subsidiaries;
iii) examined and approved the Bank's financial and industrial strategic plans and approved the quarterly, half-yearly and annual and consolidated balance sheet and income statements of the Bank and its subsidiaries, and periodically monitored their implementation;
iv) assessed the proposals of 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, taking into account also 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, approved operations of significant strategic, economic, equity and financial importance involving its subsidiaries;
viii) verified the existence of the requirements of current regulations pertaining to the requirements of professionalism, integrity and independence for Directors and Auditors.
ix) positively ascertain the independence of 5 Directors;
x) did not authorise any exception to the general prohibition to competition pursuant to Article 2390 of the Italian Civil Code;
xi) taking into account also the assessments of the Manager in charge of preparing the accounting documents, it evaluated the adequacy of the organisational, administrative and accounting structure of subsidiaries with strategic relevance.

Self-assessment

In accordance with the Governance Code and with Bank of Italy Circular no. 285 of 17 December 2013, the Board of Directors of the Bank, for year 2017 as well, carried out the self-assessment of the size, composition and operation of the Board itself and of the Committees within the Board.
In consideration of the expiration of the term of office of the Board with the approval of the financial statements as at 31 December 2017, the self-assessment also focused on the Directors' assessments of the qualitative and quantitative composition of the new Board of Directors.
The Bank decided not to rely on an external consulting firm.
The self-assessment process comprised the following steps:
a) definition of a questionnaire, referred to the year 2017, structure in 6 sections, which was transmitted to the members of the Board of Directors in office during the time of execution of the self-assessment process;
b) collection of the results emerged from the completed questionnaires;
c) processing of the results in anonymous, aggregate form;
d) identifying the indications that emerged;
e) drafting the "Disclosure on the results of the 2017 self-assessment" submitted for the review of the Appointments Committee on 13 March 2018 and approved by the Board of Directors on 16 March 2018.

The sections comprising the questionnaire are: i) Structure and composition; ii) Professionalism; iii) Operation; iv) Duties; v) Remuneration and vi) General assessment.
From the analysis of the results of the process, the following considerations are summarised:

f) the current composition of the Board is considered adequate in terms of number, professionalism and experience and balance between executive and non-executive directors and ensures an effective operation of the Board itself;
g) on the matter of "diversity" of the Directors with respect to issues such as gender balance, age and seniority in office, the assessment is positive and consistent with the purposes of the current regulations;
h) with regard to the operation of the Board, the Directors expressed a positive judgement, while recommending yet better compliance with the prescribed times for the transmission of the pre-board documentation and the development of a more comprehensive debate within the Board above all on the matters of business management, extraordinary transactions and strategy;
i) the Directors' assessment of last year's operation of the three Committees within the board is positive overall;
j) the need to strengthen the induction programme emerges. On this point, it is pointed out, starting from 15 March 2018, a structured programme was initiated to further delve, on the basis of a predefined schedule, into some topics pertaining to the business and its operation, characterised by complexity and particularly high technical levels;
k) with regard to the new Board of the Bank, the Directors deem it advisable to confirm most of the current members with a view to leveraging on the experience acquired thus far.

4.4 APPOINTED BODIES

In accordance with the best international practices and based on the recommendations of the Governance Code, the Bank delegated management powers to the Managing Director and General Manager, Mr. Arturo Nattino, who qualifies as the Chief Executive Officer of the Bank. The interlocking directorate situation prescribed by application Criterion 2.C.5. is not applicable.

The Chairman's duties are to organise the work of the Board and to provide liaison between executive and non-executive Directors.

The Deputy Chairman of the Board of Directors is appointed, in accordance with the Articles of Association, to replace the Chairman in all his tasks and powers, taking his/her place in the event of his/her 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 every six months with regard to the exercise of his/her 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 his/her 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.
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, and 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 Bank's capital and financial means as prescribed by pertinent regulations.
7. To give instructions in relations with investee companies.
8. 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.
9. To exercise any and all other powers attributed continuously or from time to time by the Board of Directors.
10. 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.
11. To propose to the Board of Directors resolutions with regards to the purchase, sale, granting of mortgage and ultra-nine-year rent of properties.
12. To propose to the Board of Directors resolutions with regards to the purchase, sale and rent of the business or business units.
13. 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.
14. To propose to the Board of Directors resolutions with regard to subsidiary management strategies.
15. To propose to the Board of Directors resolutions with regard to the taking and disposal of non-majority shares and operations on the capital of non-subsidiaries.
16. To stipulate lease agreements with duration of no more than nine years, insurance and service agreements for services to be received and rendered.
17. To represent the Bank before the judicial authorities, in any type of Court and before arbitrators and appoint legal counsel, attorneys and arbitrators.

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 setting up, transfer and closing of branches.
3. Periodically to report to the Board of Directors about the corrective measures adopted in 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 sell 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 and administrative authorities, including independent ones, 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 file oppositions and challenges, to promote, intervene and concur in enforcement procedures, also filing assignment petitions. To participate in tenders 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

As General Manager, Mr. Arturo Nattino is vested with the following powers:

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 secure 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.
8. To grant customers rebates and discounts connected with the Bank's products and services.

b. Personnel
1. 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 oversee 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 represent the Bank with respect to all social security, insurance and labour Institutions, complying with current labour provisions, specifically concerning insurance, indemnities, taxes, and to represent the Bank with respect to workers' unions and employers' trade associations.
12. 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.
13. 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, 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, securities and deposits 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 inter-bank deposit protection Fund.
   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 and to make garnishee's statements.
   7. To file criminal complaints with the competent Judicial Authority within legal initiatives involving the Bank, and to accept the withdrawal of the complaint.

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.

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, endorsement, authentication and transfer.
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, endorsement, authentication and transfer.
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. granting credit lines / loans with "class A risk" as defined by the credit Regulations, up to a maximum amount of 1,500,000 euros;
      v. granting 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 renounce - 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 matters other than credit-related, to act judicially, also through precautionary or executive measures and also by interventions, in every venue and degree also before arbitrators 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, attorneys and arbitrators for this purpose. All for credits whose amount, for each position, do not exceed 1,000,000 euros; to request preventive remedies, to enforce recovery actions, on public registries.
9. 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 euro for unforeseen events, 5,000 euro 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. Dispute and complaints
    1. At the proposal of the head of the Compliance function, decisively address each individual complaint.
    2. To appoint and revoke legal counsel, attorneys and arbitrators.

3. To accept and stipulate settlements with the opposing parties in judgement, up to 250,000 euros of amount for the transaction.
4. To represent the Bank in court and to confer powers of attorney, also for settlements and for depositions, including formal ones.
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.

Chairman of the Board of Directors

The Chairman of the Board of Directors has the powers prescribed by the law and by the Articles of Association.

The Chairman of the Board of Directors has not received managerial appointments, does not hold a specific role in the preparation of business strategies, and is not the main party responsible for management nor the majority shareholder in the Bank.

Disclosure to the Board

The Managing Director reports to the Board of Directors, on a half-yearly basis, on the work carried out under the scope of his powers.

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

In addition to the Managing Director/General Manager (executive, non-independent), the Deputy Chairman, **Leonardo Buonvino** is an executive, non-independent Director).

4.6 INDEPENDENT DIRECTORS

The Board of Directors appointed on 28 April 2015 and in office until approval of the 2017 financial statements, was formed in accordance with the criteria specified in the Governance Code and with the rules promulgated by the Bank of Italy and by Consob. It consists of 11 Directors, 5 of whom are independent.

Each independent Director filed his/her professional CV and released the statement of independent and undertook to notify the Board of Directors of any changes that may occur during his/her dime in office as Director.

Each director's independence was 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 annually assessed the fulfilment of independence requirements, specifying the assessment criteria actually applied, and disclosed the outcome of its assessments with a press release disseminated to the market.

By specifically investigating, the Board of Statutory Auditors ascertained the correct application of the criteria

adopted by the Board to assess the independence of its Directors.
With reference to 2017, the independent Directors met once without the other Directors.

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 its conditions did not apply, to be consistent with the best market practices.
The role of Lead Independent Director is currently covered by Mr. Marco Tofanelli, appointed by co-optation in the Board of Directors on 10 March 2017, and confirmed by the Shareholders' Meeting on 27 April 2017.
The Lead Independent Director is assigned the duties prescribed by the Governance Code.

5.0 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, providing the criteria suitable for identifying documents and information concerning the Bank and the subsidiaries, not in the 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.
https://www.bancafinnat.it/it/pages/index/2/19/0/19/Info-regolamentate-Sito-Istituzionale
In compliance with the provisions of Article 115-*bis* of Italian Legislative Decree no. 58/98, and of Regulation (EU) no. 596/2014 the Bank has set up the "Register of Persons with access to privileged information" (Insider Register). 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 https://www.bancafinnat.it/it/pages/index/2/19/0/19/Info-regolamentate-Sito-Istituzionale.

6.0 INTERNAL BOARD COMMITTEES

To perform its duties more effectively, the Board has appointed from within it the Appointments Committee, the Remuneration Committee and the Risk Committee, consisting exclusively of non-executive independent Directors. The members of the three Committees are experienced in accounting, financial and risk management matters.

No other Committees have been established within the Board of Directors.
The functions of the Committees have been attributed as prescribed by the Governance Code.
None of the functions of any Committee are reserved to the Board.

7.0 APPOINTMENT COMMITTEE

The Committee comprises the following non-executive Directors, all of whom are independent: **Andreina Scognamiglio** serving as Chairman, **Lupo Rattazzi** and **Marco Tofanelli**.
The Appointment Committee provides advice and formulates proposals and recommendations for the Board of Directors, in order to identify professionals who can contribute to the optimal qualitative and quantitative 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) in case of co-optation, when independent Directors need to be replaced, it proposes candidates to the Board of Directors, pursuing the goal of assuring 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) provide its opinion to the Board of Directors with regard to the identification of candidates for the office of Director in the companies of the Banca Finnat Euramerica S.p.A. Group;
d) it carries out the preliminary phase, if the Board of Directors decides to adopt a plan for the succession of the executive directors;
e) 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 (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 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.
The duties of the Committee are set by resolution of the Board of Directors who established and they can be supplemented or changed by subsequent resolution of the Board of Directors.
The Chairman of the Committee, during each meeting of the Board of Directors, provides information about the activity carried out and the content of the meetings.
During 2017, the Appointment Committee met 4 times; during the current year, the Committee met once.

The Heads of the Functions involved in relation to the items in the Agenda were invited to attend. The Chairman of the Board of Statutory Auditors or a permanent Auditor attended all meetings, for which minutes were duly kept.

In 2017, the Appointment Committee expressed its opinion about:

1. the appointment of the Joint General Manager and of the Manager in charge of preparing the accounting documents. Resolutions per Article 2386 Par. 1 of the Italian Civil Code;
2. the appointment of the Chairman of the Board of Directors;
3. the appointment of a Deputy Chairman of the Board of Directors;
4. the appointment of the Lead Independent Director;
5. the composition of the Risk Committee and of the Remunerations Committee;
6. the appointment of Directors in the investee Imprebanca S.p.A. and in the Swiss company Finnat Gestioni SA;
7. the results of the self-assessment by the Board of Directors;
8. the determination of the maximum number of offices as Director or Statutory Auditor held by the members of the Board of Directors in accordance with Article 1.C.2, 1.C.3 and 2.C.5 of the Governance Code.

8.0 REMUNERATIONS COMMITTEE

The Committee comprises the following non-executive Directors, all of whom are independent: **Roberto Cusmai**, serving as Chairman, **Ermanno Boffa** and **Andreina Scognamiglio**.

The meetings of the Committee are attended by the Chairman of the Board of Statutory Auditors or by another Statutory Auditor designated by him/her.

The Remunerations Committee provides advice and submits proposals to the Board of Directors concerning the remuneration of corporate officers and heads of the corporate audit functions and the determination of personnel remuneration criteria; in particular:

1. it 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;
2. it oversees the preparation of the documentation to be submitted to the Board of Directors for the related decisions;
3. it collaborates with the other Committees within the Board of Directors, in particular with the Risk Committee;
4. it assures the involvement of the competent corporate functions in the definition and control of remuneration policies and practices;
5. 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;
6. it provides adequate feedback on the activity it carries out to the corporate bodies, including the Shareholders' Meeting;
7. 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;

8. 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;
9. 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;
10. it submits to the Board of Directors proposals for the remuneration of the Managing Director and of the other Directors holding special offices, monitoring the enforcement of the decisions adopted by the Board;
11. 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;
12. 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.

In the performance of its duties, the Committee:

- coordinates with the Board of Statutory Auditors, which in expressing the opinion per Art. 2389 Paragraph 3 of the Italian Civil Code, verifies the consistency of the proposals formulated by the Committee to the Board of Directors with the remuneration policy;
- 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.

The duties of the Committee are set by resolution of the Board of Directors who established and they can be supplemented or changed by subsequent resolution of the Board of Directors.
In 2017, the Committee did not deem it necessary to rely on outside consultants.

During 2017, 6 meetings of the Remunerations Committee were held, with an average duration of 1 hour and 20 minutes; during the current year, 2 meetings were held.
Specific minutes were drawn up for the Committee 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.

During 2017, the Committee, on the basis of the documentation received from the Bank and retained in the records of the Board of Directors' secretarial office:

- On 9 February 2017:
  - it decided with regard to the compensation of the Manager in charge of preparing the accounting documents;
  - it decided with regard to increases to the compensation of the Heads of the Planning and Control Operating Unit, and of the Sales Manager;
  - it decided to pay out a bonus for the Risk Manager of the Bank, also taking into account the work performed with the subsidiary Investire SGR SpA.
- on 9 March 2017:
  - it approved the report on the activity carried out in 2016;

- it examined the Remuneration Report on the remuneration paid out in 2016, 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, and it expressed its favourable opinion at the first useful meeting of the Board of Directors;

- on 10 March 2017:
  - it decided to propose to the first useful Shareholders' Meeting the revocation of the Meeting Resolution of 29 April 2016 with reference to the third item in the agenda, relating to the determination of the Deputy Chairman's gross compensation to 85,000 euros per year, without prejudice to the gross compensation of 10,000 euros due pro rata temporis as Director;
  - it decided to propose to the first useful Shareholders' Meeting the revocation of the Meeting Resolution of 29 April 2016 with reference to the third item in the agenda, relating to the determination of the Chairman's gross compensation to 230,000 euros per year;
  - it decided to propose to the first useful Shareholders' Meeting to set the gross annual compensation due pro rata temporis to the Chairman of the Board of Directors at 50,000.00 euros, in addition to the gross compensation of 10,000.00 euros per year due pro rata temporis as a Director;
  - it decided to confirm, insofar as it may be necessary, the remaining resolution of the ordinary shareholders' meeting of 29 April 2016 with reference to the third item in the agenda.
- On 21 April 2017:
  - it expressed favourable opinion with regard to (i) vesting Director Mr. Leonardo Buonvino with particular powers - under article 2389 Par. 3 of the Italian Civil Code - to serve in a role of promotion and presence on the financial markets in the interest of the Bank and (ii) to determine the related gross compensation of the Director Mr. Leonardo Buonvino at 85,000 euros per year, in addition to the emoluments set by the Shareholders' Meeting for members of the Board of Directors, from the date of approval of the 2016 financial statements until the Shareholders' Meeting that will be called for the approval of the financial statements as at 31 December 2017.
- On 11 July 2017:
  - it examined the incentive Plan for personnel and the remuneration and incentive Policies of the subsidiary InvestiRE SGR, stressing the advisability of continuing with ever-closer coordination between the Bank and its subsidiaries.
- On 8 November 2017:
  - it examined the proposed measures involving personnel, verifying their consistency with the incentive system, and consequently:
    - is acknowledged the incentive paid to the Private Banker Advisors who achieved the objectives;
    - it acknowledged the interventions on fixed remuneration;
  - it agreed as to the advisability of proposing to the Board of Directors a pay raise for the Head of the Compliance operating unit, and a "one-off bonus" in favour of the Head of the Risk Control operating unit (both included among the Bank's significant personnel);
  - it expressed its favourable opinion on the raise for the Head of the Product Development operating unit of the Finance Department (included among the Bank's "significant" personnel);
  - accepted the proposal of the subsidiary Natam SpA to exceptionally have an available maximum amount in 2017 to incentivise the Bank's own personnel, no higher than 60,000 euros, in any case

not exceeding the gross profit for 2017 - after confirmation of the expected results and with the authorisation of the Luxembourg Supervisory Body.

For the correct performance of its functions, the Remunerations Committee had the opportunity to access all information and company functions necessary for the performance of its duties.

9.0 DIRECTORS' REMUNERATION

On 27 April 2017, the Shareholders' Meeting of Banca Finnat approved the policy for the remuneration of Directors, employees and contractors not employed directly by the Bank.
In accordance with Article 114, paragraph 5 of the Italian Consolidated Financial Law, it is declared that on 31 December 2017, 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 2017, to be published on the Website www.bancafinnat.it in the Corporate Governance section within the terms prescribed by law.

10.0 RISK COMMITTEE

The Committee comprises the following non-executive Directors, all of whom are independent: **Marco Tofanelli**, serving as Chairman, **Ermanno Boffa** and **Roberto Cusmai**.
The Board of Statutory Auditors attends the Committee's meetings.
To enable the Board of Directors to make its own decisions with better knowledge, contributing to ensure that they are the result of adequate preparation and evaluation, the Committee, in relation to the internal auditing and risk management System and to the approval of the periodic financial report, performs preparatory, advisory and proposal-making functions, by formulating proposals, recommendations and opinions.

Opinions to the Board of Directors

In particular, the Committee release its preventive opinion to the Board of Directors with reference:

a) to 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, determining the criteria for the compatibility of such risks with a management of the enterprise that is consistent with the identified strategic objectives;
b) to 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 body with management functions;

c) to the assessment, with at least yearly periodicity, of the adequacy of the internal auditing and risk management system with respect to the characteristics of the company and the assumed risk profile, as well as its effectiveness;
d) to the description in the corporate governance report of the main characteristics of the internal audit and risk management system, and of the coordinating procedures between the parties involved therein, expressing its assessment of the systems' adequacy;
e) to the approval - at least on an annual basis - of the work plan prepared by the internal audit function, and of any changes thereto in the course of the year;
f) to the assessment 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;
g) to the appointment and revocation of the head of the internal audit functions, to the adequacy of the resources assigned to him/her to perform his/her duties, and to the definition of his/her remuneration, consistently with company policies;
h) to the definition of the corporate policy for outsourcing corporate audit functions;
i) to the Bank's interest in the completion of Related Party Transactions, and to 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.

Assistance to the Board of Directors

In assisting the Board of Directors, the Committee:

In relation to accounting:

a) assesses the correct utilisation of the accounting standards and their consistency for the purposes of the preparation of the separate and consolidated financial statements and of the consolidated half-yearly financial report, 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;
b) verifies actual compliance with the administrative and accounting procedures set by the Manager in charge of preparing the accounting documents.

In relation to the Internal Audit Function:

c) monitors the autonomy, adequacy, effectiveness and efficiency of the internal audit function;
d) may ask the internal audit function to perform audits on specific operating areas, concurrently notifying the Chairman of the Board of Statutory Auditors;
e) reviews the periodic and the particularly relevant reports prepared by the Internal Audit function.

In relation to the internal control Functions:

f) identifies and proposes, relying on the Appointment Committee, the heads of the corporate control functions to be appointed;
g) preventively examines the activity plans and the annual reports of the corporate audit functions addressed to the Board of Directors;
h) verifies that the corporate audit functions correctly comply with the indications and guidelines of the Board of Directors and it assists it in preparing the coordination document prescribed by Bank of Italy Circular no. 263, Title V, Chapter 7, Section II)1;

i) reviews the periodic quarterly and annual reports, and the particularly relevant reports prepared by the control function.

In relation to Risk Management and Control:

j) 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;
k) supports, with adequate preliminary activities, the evaluations and decisions of the Board of Directors relating to the management of the risks deriving from prejudicial events of which the Board of Directors had become aware;
l) supports the Board 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;
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) supports the Board in the verification and correct application of the strategies, of the risk control policies and of the RAF;
o) supports the Board 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;
p) meets, at least once per year, the Supervisory Board in accordance with Legislative Decree no. 231/2001, and examines its annual report.

In the performance of its duties, the Committee:

q) identifies all information flows that must be addressed to it with respect to risks;
r) 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;
s) exchanges all information of mutual interest with the audit body and, if appropriate, it coordinate with it for the performance of their respective tasks;
t) 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 correctness.

During the year 2017, the Committee met 9 times for an average duration of 2 hours; during the current year, 2 meetings have been held.
The Heads of the Functions involved in relation to the items in the agenda were invited to attend.

During the meetings held between 1 January and 31 December 2017 and until the date of the present Report (15 March 2018) the Committee carried out the following activities:

a. In ensuring compliance with Bank of Italy provisions and with the Governance Code:
   - it regularly informed the Board of Directors through its Chairman, reporting in the first available Board meeting about the activity carried out and the contents of the Committee meetings held in the periods between the meetings of the Board of Directors, as established by Article 4.C.1.d) of the Governance Code, July 2015 edition;
   - it prepared and shared its Reports (half-yearly and yearly) with the Board of Directors of Banca Finnat on the activity carried out as well as on the adequacy and effectiveness of the internal control and risk management system (respectively meetings of 2 August 2017 and 15 March 2018).

b. In relation to risk management:
   - in the course of the meetings with the Risk Management Function, the Committee: i) examined the ICAAP reports (9 February and 21 April 2017) and the connected ICAAP report of the Internal Audit Functions (21 April 2017); ii) analysed the Risk Appetite Framework (21 April 2017); iii) analysed the quarterly Dashboard of the risk control Office (9 February, 8 May, 2 August, 8 November 2017 and 8 February 2018); iv) studied in depth the "Methodological document for the identification of the market conditions to be applied to related party transactions" (2 August 2017); v) analysed the annual Report and the plan of activities for 2017 and 2018 (9 March 2017 and 15 March 2018): vi) analysed the operational risks (21 April 2017);
   - in the course of the meetings with the Compliance Department, the Committee: i) analysed the quarterly Dashboard (9 February, 8 May, 2 August, 8 November 2017 and 8 February 2018); ii) analysed the quarterly Report on related party transactions (9 February, 8 May, 2 August, 8 November 2017 and 8 February 2018); iii) analysed the annual Report on complaints (9 March 2017 and 15 March 2018); v) examined the 2017 and 2018 plan of activities (9 March 2017 and 15 March 2018); vi) received the illustration of the changes made to the framework resolution for trades in financial instruments with related parties (27 September 2017); analysed the annual report on Whistleblowing (12 June 2017);
   - in the course of the meetings with the Anti-money Laundering Department, the Committee i) analysed the quarterly reports (9 February, 8 May, 2 August, 8 November 2017 and 8 February 2018); ii) examined the annual Report and the results of the self-assessment process (8 May 2017); (iii) examined the report on the assessment of the anti-money laundering profile as at 31 December 2017;
   - in the course of the meetings with the Planning and Control Department, the Committee received information about the Fair Value Policy (12 June 2017);
   - reviewed and approved a related party transaction (27 September 2017);
   - the Committee received the illustration of the report on the activity carried out in the first and in the second half of 2017 by the Supervisory Body (9 March and 2 August 2017);

c. In relation to the Internal Audit process
   - In the course of the meetings with the Internal Audit Function, the Committee examined: i) the quarterly Dashboard (9 February, 8 May, 2 August and 8 November 2017 and 8 February 2018); ii) the Report on the audits performed on the major operating functions outsourced outside the Group (21 April 2017); iii) the annual Report on the audits of 2016 and 2017 (9 March 2017 and 15 March

2018); iv) the audit plan for 2017 and 2018 (9 March 2017 and 15 March 2018); v) examined the Report on the subsidiary Finnat Gestioni SA (12 June 2017).

d. In relation to accounting:
   - examined the information provided by the Manager in charge of preparing the accounting documents with regard to the consolidated half-yearly Report at 30 June 2017 (2 August 2017), to the preliminary results of the group at 31 December 2017 (9 February 2018), and to the draft separate and consolidated financial statements as at 31 December 2017 (15 March 2018);
   - it assessed 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, as well as actual compliance with administrative and accounting procedures (Article 154-bis of the Consolidated Financial Law) in the meetings of 9 March 2017 and 15 March 2018;
   - approved the revision of the Fair Value Policy (12 June 2017);
   - received the information about the Impairment test at 31 December 2016 (9 March 2017) and at 31 December 2017 (18 January and 8 February 2018).

e) Specific events
   The Committee:
   - received the notice on the appointment of Mr. Giulio Bastia as Joint General Manager and Manager in charge of preparing the accounting documents (9 February 2017);
   - received notice from the Joint General Manager (9 March 2017) about the letter from Bank of Italy received on 17 February 2017 Doc. no. 0213179/17 in relation to the promulgation of the implementing provisions of Title IV, Par. 01-I of the Italian Consolidated Law on Banking and of Title IV, Par. I-bis of the Italian Consolidated Financial Law which prescribed the obligation for banks and parent companies of banking groups to adopt restructuring plans capable of rebalancing the capital and financial situation of the broker and of the group in case of a significant impairment thereof, and it followed the performance of the work for the preparation of the restructuring Plan (21 April 2017) and lastly approved it (12 June 2017);
   - analysed the report on the planned initiatives as a result of the inspection of the Bank of Italy (10 May 2017).

11.0 INTERNAL AUDITING AND RISK MANAGEMENT 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 Bank 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., defined by the Board of Directors of the Company and subject to periodic monitoring, consists of:

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 Bank'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 Bank's consequent regulations;
e. *internal audit activity*: carried out by the Internal Auditing Function to check the regularity of the Bank'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.

Whistleblowing was activated.

On 17 December 2015, the Board of Directors approved a policy for the internal violation reporting systems ("whistleblowing"), to enable the bank's personnel to report actions and facts that can violate regulations governing banking and financial activities. The term "system" means the set of controls through which the Bank manages the whistleblowing information flow.

In the Policy, the Bank outlined the concrete scope of the regulation, through a non-comprehensive exemplifying list of cases of reportable violations.

Conducts that constitute violations of the rules for banking activities and investment services (Italian Consolidated Law on Banking and Italian Consolidated Financial Law) are subject to reporting.

The Internal Audit System of the Bank also extends to the Subsidiaries.

The Bank has defined the guidelines and fundamental values on which its own Internal Audit System is based. The keystone principles are:

- the corporate activity shall comply with applicable internal and external rules and it shall be traceable and documentable;

- the assignment and exercise of powers within a decision-making process shall be to the positions of responsibility and to the relevance and/or critical nature of the underlying 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: iii) ensure 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 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 Bank 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 Bank 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 Bank'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) approval of the work plans prepared by the Heads of the company auditing departments.

For 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; 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;
b) 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 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;

c) 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) promotes 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.

Internal auditing system in relation to the financial disclosure process

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, where these terms mean:

- 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:

a) 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 abbreviated half-yearly financial statements;
b) verification that the documents are prepared in accordance with applicable international accounting standards;
c) verification that documents match the accounting books and entries;
d) 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;
e) verification, for the statutory 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 and in particular:

a) of the Internal Auditing department, which provides the Manager in Charge with elements and information in relation to the critical areas observed within the Group in the course of its activity, providing its own opinions on the adequacy of the different entities of the Group and the necessary improvement actions;
b) of the Organisation Service, which provides the necessary support for the formalisation of the processes, risks and sensitive controls;
c) of the Companies of the Group that co-operate with the Manager in Charge, providing the necessary data and information to carry out their duties and reporting any anomaly and weakness 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 2017 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 Bank.
The following is a brief description of the main auditing devices adopted by the Bank.

The Compliance Department

The Compliance Department, which reports to the Board of Directors of the Bank, oversees, in accordance with the most recent regulations of the Bank of Italy, according to a risk-based approach, the management of non-compliance risk with regard to business activities, verifying *inter alia* that the internal procedures are adequate to prevent this 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.
The Compliance Department is responsible i) for the management of non-compliance risk for the most relevant regulations, 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; ii) for compliance with 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:
a) for the definition of the methods for assessing the non-compliance risk and the identification of the related procedures: it verifies the adequacy of such procedures to prevent the non-compliance risk;
b) for the performance, for the Group's Trust Companies, of the outsourced activities prescribed for the Compliance department, when applicable; the activity is regulated by a dedicated contract;
c) for guiding, coordinating and controlling the activities carried out by the Compliance department of the investee Investire ImmobiliaRE SGR.

The Department shall carry out the following tasks:
a) 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;
b) it identifies the procedures appropriate to ensure an adequate supervision of non-compliance risks;
c) 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;

d) 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;
e) it assesses the suitability and efficiency of the measures taken to remedy any deficiency in complying with obligations laid down by the relevant legislation;
f) it informs the competent Organisational Units on the obligations included in the relevant legislation, if procedural or contractual actions are required;
g) it provides advice 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;
h) 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;
i) it performs second level controls concerning compliance with internal and external ICT regulations (ICT Compliance);
j) 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;
k) it verifies the consistency of remuneration and company incentive policies and practices;
l) it verifies the compliance of the audit procedures of ICAAP with the external and internal regulations;
m) 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;
n) it carries out, also with the collaboration of special departments, periodic checks and specific audits on business procedures to evaluate their effectiveness and adequacy in relation to the objective of preventing non-compliance risk;
o) 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 SGR;
p) it coordinates and exchanges information flows, with the other corporate control functions and towards the Supervisory Body for matters under its competence;
q) 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): a) it receives any reports, it checks their truthfulness and it notices the competent corporate bodies for the consequent appropriate assessments; b) it checks 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;
r) it manages the customer complaints log;
s) 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.
t) 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 to the Board of Directors of the Bank.

The 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 improve the effectiveness of control processes.

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 takes into account the risks involved in different areas in view of the strategic objectives and of information obtained from the results of the audits and of the consequent priorities, it prepares an Action plan - on the basis of which it will operate - which is screened by the Risk Committee, and subsequently approved by the Board of Directors.

The Internal Audit Function carries out the aforesaid activity for Banca Finnat as well as for the investee Finnat Fiduciaria S.p.A. on the basis of a dedicated outsourcing agreements that regulates the services rendered. It also performs guidance and coordination activities on the subsidiary Investire SGR S.p.A. and it carries out control activities on the investees Finnat Gestioni SA and Natam Management Company.

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 carried out subsequently.

The Internal Audit Function was assigned the task of overseeing the regular performance of operations of the Bank 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.

The main activities of the Function:

a) 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;
b) assessing the completeness, adequacy, functionality and 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;
c) 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;
d) 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.

The Internal Audit Function reports every quarter to the corporate bodies on the results of the activities carried out and it prepares and submits to the aforesaid bodies the report on the set of activities it carried out during the year.

Risk Control Department

The Risk Control Organisational Unit, which reports to the Board of Directors of the Bank, is an important safeguard for the management of the risks connected with the different corporate activities. The Functions collaborates in the definition and implementation of the Risk Appetite Framework (RAF) and of the related risk governance policies and in the definition, preparation and revision of the Recovery Plan framework.

Among the main activities of the Function:

a) 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;
b) 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;
c) verify the adequacy of the RAF and, continuously, the adequacy of the management process of risks and operating limits;
d) draw up on a regular basis the map of risks and prepare the ICAAP Report in line with the RAF;
e) develop, validate and maintain the risk measurement and control systems ensuring their compliance with the requirements of the specific legislation;
f) 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;
g) assist the company bodies in the assessment of the strategic risk by monitoring the significant variables;
h) analyse the risks of new products and services and those deriving from the entry in new operating and market segments;
i) monitor the actual risk assumed by the Bank and its consistency with the risk objectives;
j) monitor trends on individual credit exposures and prepare and adequate reporting for the company functions involved;
k) prepare the Restructuring Plan;
l) continuously monitor the risk profile with respect to the threshold levels associated with the recovery indicators;
m) activate and carry out disclosure and escalation actions if the threshold levels of the recovery indicators are exceeded/overrun;
n) monitor the activation and execution of the recovery options.

The anti-money laundering department

The Anti-Money Laundering Department reports to the Board of Directors of the Bank 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 the activities contemplated by current anti-money laundering regulations both for the Bank and, in outsourcing mode, for Finnat Fiduciaria S.p.A., as well as for guiding, coordinating and controlling the activities carried out by the Anti-Money Laundering Department of the investee InvestiRE SGR.

The head of the 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). Among the main activities of the Function:

a) 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;
b) 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;
c) 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;
d) 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 File;
e) provide 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;
f) report on the staff training activity also with reference to the Group's Trust Companies and to InvestiRE SGR;
g) 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 paragraphs 13.0 and 14.0 of this Report.

11.1 DIRECTOR IN CHARGE OF THE INTERNAL AUDITING AND RISK MANAGEMENT SYSTEM

The Board of Directors has a central role with respect to internal auditing, and it is assisted by the Risk Committee which assesses, on a yearly basis, the adequacy, effectiveness and actual operation of the system as a whole in relation to the characteristics of the Bank.

In the meeting of 14 June 2017, the Board identified the Managing Director as the Director in charge of the internal auditing and risk management system.

The Director in charge of the internal auditing System:

i. manages the identification of the main corporate risks, taking into account the activities carried out by the Bank;
ii. causes the execution of the guidelines defined by the Board, handling the design, implementation and management of the internal audit and risk management system and constantly verifying its adequacy and effectiveness;
iii. handles the adaptation of this system to the dynamics of the operating conditions and of the legal and regulatory landscape;

iv. may ask the Internal Audit Function to carry out audits on specific operating areas and on compliance with rules and internal procedures in the execution of corporate operations, concurrently informing the Chairman of the Board of Directors, the Chairman of the Risk Committee and the Chairman of the Board of Statutory Auditors and promptly reports to the Board of Directors about problems and critical issues emerged in the performance of his/her activity or of which (s)he was otherwise informed, so the Board can take the appropriate initiatives.

11.2 HEAD OF THE INTERNAL AUDITING DEPARTMENT

Within Banca Finnat, the Internal Auditing Department was established in 2003.

The Head of the Department, who is the Internal Auditing Manager, is Ms. Enrica Macciò, who is not hierarchically subordinate to any operational area and through the years has always had direct access to all useful information for the performance of her duties.

The Function as a whole was not outsourced.

The Internal Auditing Manager, in accordance with international standards, prepares the three-year Plan of audits, which it submits to the approval of the Board of Directors; the Plan 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 (dashboard), a summary report on her activities, which is submitted to the Board of Directors, after it is analysed by the Risk Committee and by the Board of Statutory Auditors.

If particularly important situations occur, the Head of the Department informs immediately the competent Company Bodies and Departments.

During 2017, the Internal Auditing Department carried out the auditing in accordance with the working program submitted to the Board of Directors and approved by it on 10 March 2017. The areas of intervention pertained to:

a) anti-money laundering and anti-terrorism;
b) the credit disbursement process and the management of the corporate treasury;
c) the activities of the head office and of the branches;
d) the outsources operating functions;
e) IT security;
f) the liquidity risk;
g) the performance of some investment services.

In addition to these activities carried out with reference to the Parent Company, the Internal Auditing carried out audits on the activities of the subsidiaries Finnat Fiduciaria and Finnat Gestioni and it performed guidance and coordination activities for the subsidiary InvestiRE SGR.

The Internal Auditing Function also verified, within the audit plan, the reliability of the IT systems, including the accounting systems.
In relation to the activities carried out in 2017, the 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 no. 231/01, introduced by the 2012 Stability Law; 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, leaving an outgoing Permanent Auditor (Mr. de' Micheli) to maintain the competencies developed, also within the same Body, with regard to the prevention of the money-laundering offences.
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 no. 121/2011).

The Board approved the revised Model on 24 September 2015.

11.4 AUDITING FIRM

Auditing of the accounts is entrusted, in accordance with the law, to an audit firm enrolled in the special Consob register, engaged by the Shareholders' Meeting.
The auditing firm is EY S.p.A., engaged by the Shareholders' Meeting on 29 April 2011 for the nine-year

period between 2011 and 2019 to audit the separate and consolidated financial statement the half-yearly report.
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.
The audit firm has free access to the data, to the documentation and to the information useful for the performance of its own activities.
For each year, the company 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 AND OTHER CORPORATE ROLES AND FUNCTIONS

The Shareholders' Meeting held on 30 April 2007 adapted the Bank's articles of association, introducing, at Article 13, the role of the Manager in charge of preparing the accounting documents, chosen from amongst employees who have 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, or, alternatively, have exercised the profession of 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, unless revoked, in both cases, by the Board of Directors.
This task was carried out by Mr. Paolo Collettini, Joint General Manager of the Bank until 10 February 2017, on which date he tendered his resignation. Therefore, in accordance with Article 154-bis of the Italian Consolidated Financial Law, on 9 February 2017 the Board of Directors, with the favourable opinion of the Board of Statutory Auditors - with the inputs of the Appointment, Remunerations and Risk Committees - appointed Mr. Giulio Bastia, as the new Joint General Manager and Manager in charge of preparing the accounting documents, and ascertained the requirements of professionalism and honour subject to annual verification.
The Board of Directors shall exercise oversight to ensure that the Manager in charge of preparing the accounting documents has adequate means and powers available to carry out his/her assigned duties 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 Bank and of 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 human resources according to their 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 the Department, appointed by the Board of Directors, is Mr. Antonio Mancaniello (for his duties, please refer to point 11.0).

Anti-money Laundering Department

The Anti-Money Laundering Department reports hierarchically to the Board of Directors.
Currently, the Head of the Department, appointed by the Board of Directors, is Mr. Mauro Ceccarelli (for his duties, please refer to point 11.0).

Compliance Department

The Compliance department reports hierarchically to the Board of Directors.
Currently, the Head of the Department, appointed by the Board of Directors, is Mr. Pierluigi Angelini (for his duties, please refer to point 11.0).

Internal Audit Function

The Internal Audit function reports hierarchically to the Board of Directors.
Currently, the Head of the Function, appointed by the Board of Directors, is Ms. Enrica Macciò (for her duties, please refer to point 11.0).

11.6 COORDINATION BETWEEN THE PARTIES INVOLVED IN THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

The Board of Directors of the Bank assess at least on a half-yearly basis the adequacy and effectiveness of the Internal Auditing and Risk Management System with respect to the characteristics of the Bank and to the assumed risk profile.
All flows supporting the assessments of the Internal Auditing and Risk Management System by the Board of the Bank are preliminarily examined by the Risk Committee which reports the outcomes of its preliminary activity directly to the Board, with periodic Reports and/or by releasing opinions.
In the meeting of 16 March 2018, the following were presented to the Board:
a) the Risk Committee's Report on the activity carried out in 2017;
b) the Remunerations Committee's Report on the activity carried out in 2017;
c) the Supervisory Body's Report on the activity carried out in 2017;

d) the annual Report of the Internal Auditing Department on the 2017 audits and the 2018 Plan; the Report of the Internal Auditing Department on the audits carried out in 2017 on investment services;
e) the Compliance Department's Report on the activity carried out in 2017 and the Report on customer complaints for 2017; the annual Audit Plan for 2018;
f) the Risk Control Department's Report on the activity carried out in 2017;
g) the annual Report of the Anti-Money Laundering Department (2017);
h) the Report by the Manager in charge of preparing the accounting documents;
i) the Remuneration Report per Article 123-*ter* of the Italian Consolidated Financial Law.

The Board of Directors, taking also into account the contents of the aforesaid Reports and the information acquired from the appointed Bodies, assessed the Bank's organisational, administrative and accounting structure as adequate as at the date of the Board meeting.

12.0 DIRECTORS' INTERESTS AND TRANSACTIONS WITH RELATED PARTIES

On 2 August 2013, 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 Bank also adopted specific software for the assessment of the Related Parties and for the management of Related Party Transactions.

13.0 APPOINTMENT OF AUDITORS

In accordance with Article 20 of 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 Bank 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 Bank'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 Bank's Ordinary Shareholders' Meetings may present lists. Alternatively, lesser measures may be established by fundamental provisions of law or regulations to 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 Bank 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.

14.0 COMPOSITION AND OPERATION OF THE BOARD OF STATUTORY AUDITORS

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 members of the Board of Statutory Auditors are: **Alberto De Nigro** (Chairman), **Barbara Fasoli Braccini** (Permanent auditor), **Francesco Minnetti** (Permanent auditor), **Antonio Staffa** (Alternate auditor) and **Laura Bellicini** (Alternate auditor).

The CV with the personal and professional characteristics of the Auditors is available on the Website of the Bank, www.finnat.it in the section "Governance".

During 2017, the Board of Statutory Auditors met 20 times. Average meeting duration was approximately 2 hours. This year, 1 meeting has already been held. The Board members' attendance of the meetings of the Board of Statutory Auditors was 85%.

The Board of Statutory Auditors attends the meetings of the Risk Committee and of the Remunerations Committee.

The Board of Statutory Auditors positively assessed the existence of the requirements of independence of its members for 2017.

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 770 tax return and single certification forms.

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 2017 financial year, the members of the Board of Statutory Auditor periodically participated in initiatives on economic, legal and financial matters affecting the Bank's operations.

In particular, they attended meetings pertaining to matters like: governance of the controls, MAR Directive and personal transactions, MIFID II, IFRS 8 and IFRS 9, the Management Control Report.

With respect to the accumulation of the appointments to serve as members of the administration and control bodies in other companies, the limits set by Consob with Article 144-*terdecies* of the Issuers Regulation shall apply.
Based on the communications received, the offices of Director or Auditor held by each Auditor in other companies are indicated below:

Alberto De Nigro (Chairman)
Vianini SpA – Chairman of the Board of Statutory Auditor, Autostrade per l'Italia – Permanent Auditor, F2i – Permanent Auditor, Atlantia SpA – Permanent Auditor.

Francesco Minnetti (Permanent Auditor)
InvestiRE SGR SpA – Chairman of the Board of Statutory Auditors, EP Produzione Centrale Livorno Ferraris SpA – Permanent Auditor, Fiume Santo SpA – Permanent Auditor, Italiana Costruzioni SpA – Director.

Diversity Policies
The Bank has not adopted specific diversity policies in relation to the composition of the auditing bodies other than compliance with gender quota regulations.

15.0 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 (the make-up of the company bodies, group set-up, etc.), as well as press releases, 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, with 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 Relations Manager of Banca Finnat is Mr. Gianfranco Traverso Guicciardi (tel. +39 06/699331 e-mail: g.traverso@finnat.it).

16.0 SHAREHOLDERS' MEETINGS

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.
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 of the 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 Bank, 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. 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.
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.
Five Directors attended the Shareholders' Meeting of 27 April 2017.
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.
In the course of the Shareholders' Meeting, the Chairman of the Board of Directors informs shareholders of the remuneration and incentive policies in favour of the members of the Board of Directors, of the employees and of the contractors of the group for the reference year in compliance with current internal and EU regulations, as well as about the Remuneration Report in accordance with Article 123 *ter* of the Italian Consolidated Financial Law.
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.

17.0 FURTHER CORPORATE GOVERNANCE PRACTICES

Credits Committee

The Board of Directors, with its resolution of 16 February 2004, established the Credits Committee as an advisory instrument in the decision to grant credit facilities and subsequently, in the meeting of 12 November 2010, resolved also to attribute decision-making functions to the Committee, within the limits set by the Board itself.
The Committee, appointed by the Board of Directors, comprises six members of the Senior Management: Arturo Nattino (Chairman) and the following Members: Giulio Bastia, Leonardo Buonvino, Paolo Collettini, Tommaso Gozzetti and Carlo Pittatore.
Participation in the Committee's meetings, depending on the items up for discussion, may be extended to contractors or third parties.

Functions of the committee

The Credits 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 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 generally meets once a week and, in any case, each time it may be necessary.
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 shall periodically report to the Board of Directors on the activity it carries out.

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 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 2016.
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.

Management Committee

The Management Committee supports the Managing Director/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/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.
Currently, the Committee comprises the Managing Director/General Manager (Chairman) and, as members, the Deputy General Manager, the Sales Manager, the Head of Asset Management, the Studies, Research

and Investor Relations Manager, the Family Office Manager, the Institutional Investor Manager, the Joint General Manager and the Treasury OU Manager.

Functions of the committee

The Committee meets once a month:

- 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 agree the interventions;
- to provide indications, as a result 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/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:

Currently, the Committee comprises the Managing Director/General Manager (Chairman) and, as members, the Joint General Manager, the Deputy General Manager, the Internal Auditing Manager, the Head of Risk Management, the Anti-money laundering Manager, the Compliance Manager and the Operations Department Manager.

Functions of the committee

The Committee meets every 3 months:

- to analyse 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/General Manager.

18.0 CHANGES SINCE THE YEAR END OF REFERENCE

19.0 CONSIDERATIONS ON THE LETTER OF 13 DECEMBER 2017 OF THE CHAIRMAN OF THE CORPORATE GOVERNANCE COMMITTEE.

During the meeting of 18 December 2017, the Chairman of the Board of Directors informed the Directors of having received a letter dated 13 December 2017 of the Chairman of the Corporate Governance

Committee, Ms. Patrizia Grieco as well as the enclosed Annual Report - 5th Report on the application of the Governance Code for 2017, the seventh year of activity of the Committee.

The letter directs the attention of the Board on the recommendations it contains "*expressing the hope that they will be brought to the attention of the Board and of the competent Committees, and that they will be considered, also upon self-assessment, to identify possible evolutions of the governance or to fill any gaps in the application or in the explanations provided*".

The Board of Directors of the Bank, in the meeting of 9 February 2018, analysed in detail the contents of the letter and of the enclosed Report and concluded deeming the Bank to be in compliance of the recommendations formulated.

* * * * *

TABLE 1: INFORMATION ON SHAREHOLDERS

SHARE CAPITAL STRUCTURE as at 31 December 2017

	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 (savings shares)	N.A.	N.A.	N.A.	N.A.
Shares without voting right	N.A.	N.A.	N.A.	N.A.

OTHER FINANCIAL INSTRUMENTS (assigning the right to subscribe newly-issued shares)

	Listed/ unlisted	No. of instruments in issue	Categories 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 as at 31 December 2017*

Declarant	Direct shareholder	% share of ordinary capital	% share of voting capital
Celeste Buitoni	Celeste Buitoni	–	7.4863%
Arturo Nattino	Arturo Nattino	21.675%	21.675%
Andrea Nattino	Andrea Nattino	16.8881%	10.8537%
Giampietro Nattino	Giampietro Nattino	–	4.5826%
Giulia Nattino	Giulia Nattino	12.00%	12.00%
Paola Nattino	Paola Nattino	12.00%	12.00%

* Based on the communications pursuant to Article 120 of the Italian Consolidated Financial Law on 31 December 2017.

* * * *

TABLE 2: COMPOSITION OF THE BOARD OF DIRECTORS AND COMMITTEES AT 31 DECEMBER 2017

						Board of Directors				
Office	Members	Date of birth	Date of first appoint. *	In office since	In office until	List **	Exec.	Non exec.	Indep. Code	Indep. TUF
Chairman	Mazzarella Flavia	1958	29.04.16	10.03.17	Appr. 2017 Fin. Stat.	M		X	X	X
Honorary Chairman	Carlevaris Carlo	1931	31.07.03	28.04.15	Appr. 2017 Fin. Stat.	M		X		
Deputy Chairman	Buonvino Leonardo	1937	28.04.06	28.04.15	Appr. 2017 Fin. Stat.	M	X			
○ Deputy Chairman	Tofanelli Marco	1962	10.03.17	27.04.17	Appr. 2017 Fin. Stat.	M		X	X	X
◊ • Managing Director & General Manager	Nattino Arturo	1964	14.05.09	28.04.15	Appr. 2017 Fin. Stat.	M	X			
Director	Boffa Ermanno	1966	29.04.09	28.04.15	Appr. 2017 Fin. Stat.	M		X	X	X
Director	Cusmai Roberto	1943	26.04.12	28.04.15	Appr. 2017 Fin. Stat.	M		X	X	X
Director	Nattino Giulia	1974	24.04.13	28.04.15	Appr. 2017 Fin. Stat.	M		X		
Director	Nattino Maria Sole	1976	28.04.15	28.04.15	Appr. 2017 Fin. Stat.	M		X		
Director	Rattazzi Lupo	1953	28.10.08	28.04.15	Appr. 2017 Fin. Stat.	M		X		
Director	Scognamiglio Andreina	1959	28.04.15	28.04.15	Appr. 2017 Fin. Stat.	M		X	X	X
DIRECTORS WHO LEFT OFFICE DURING THE REFERENCE YEAR										
Chairman	Nattino Giampietro	1935	31.07.03	28.04.15	10.03.17	M		X		
○ Director	Mazzarella Flavia	1958	29.04.16	29.04.16	10.03.17	M			X	X
No. of meetings held during the reference year: 12				Risk Committee: 9			Remun. Committee: 6			
Indicate the require quorum for presentation of the lists by minorities for the election of one or more members (per TUF Art. 147-ter): 2.5%										

Notes:

Place the following symbols in the “Office” column:

- • This symbol indicates the director in charge of the internal audit and risk management system
- ◊ This symbol indicates the Chief Executive Officer or CEO.
- ○ This symbol indicates the Lead Independent Director (LID).
- * The date of first appointment of each director is the date on which the director was appointed for the first time (in absolute terms) to the BoD of the issuer.
- ** This column shows the list from which each director was drawn (“M”:majority list; “m” minority list; “BoD”: list presented by the BoD).

		Risk Committee		Remun. Committee		Appointment Committee		Executive Committee (if any)	
No. other offices ***	(*)	(*)	(**)	(*)	(**)	(*)	(**)	(*)	(**)
1	12/12							N.A.	
4	07/12							N.A.	
1	12/12							N.A.	
2	10/12	7/9	P			2/4	M	N.A.	
3	12/12							N.A.	
5	08/12	9/9	M	6/6	M			N.A.	
0	10/12	9/9	M	6/6	P			N.A.	
0	12/12							N.A.	
1	10/12							N.A.	
2	11/12					4/4	M	N.A.	
0	11/12			6/6	M	4/4	P	N.A.	
0	0/12							N.A.	
1	02/12	2/9	P			2/4	M		
Appointments Committee: 4		Executive Committee: NA							

*** This column shows the number of offices as director or statutory auditor held by the involved party in other companies listed on regulated markets, including foreign ones, in financial, banking, insurance or significantly sized compa the Report on Corporate Governance, the offices are indicated in extended form.

(*) This column shows the directors' attendance at the meetings respectively of the BoD and of the committees (indicate the number of meetings attended with respect to the total number of the meetings (s)he could have attended: e 8/8 etc.)

(**) This column shows the qualification of the director within the Committee: "P": Chairman; "M": member.

TABLE 3: COMPOSITION OF THE BOARD OF STATUTORY AUDITORS

Office	Members	Year of Birth	Date of first appointment *
Chairman	Alberto De Nigro	1958	26/04/2012
Permanent Auditor	Barba Fasoli Braccini	1969	28/04/2015
Permanent Auditor	Francesco Minnetti	1964	21/06/2003
Permanent Auditor	Laura Bellicini	1964	28/04/2015
Permanent Auditor	Antonio Staffa	1943	26/04/2015
NO STATUTORY AUDITORS LEFT OFFICE DURING THE REFERENCE YEAR			
No. of meetings held during the reference year: 20			
Indicate the require quorum for presentation of the lists by minorities for the election of one or more members (per TUF Art. 148): 2 %			

Note:

* The date of first appointment of each statutory auditor is the date on which the auditor was appointed for the first time (in absolute terms) to the Board of Statutory Auditors of the issuer.

** This column shows the list from which each statutory auditor was drawn ("M": majority list; "m": minority list).

*** This column shows the auditors' attendance at the meetings of the Board of Statutory Auditors (indicate the number of meetings attended with respect to the total number of the meetings (s)he could have attended: e.g. 6/8; 8/8 etc.).

**** This column shows the number of offices as director or statutory auditor held by the involved party in accordance with TUF Article 148-bis and with the implementing provisions in the Consob Issuers Regulations. The full list of the offices is published by Consob on its Website in accordance with Article 144-quinquies of the Consob Issuers Regulations.

In office since	In office until	List **	Indep. Code	Board meetings attended ***	No. of other offices ****
28/04/2015	Appr. 2017 Fin. Stat.	M	X	18/20	4
28/04/2015	Appr. 2017 Fin. Stat.	M	X	16/20	0
28/04/2015	Appr. 2017 Fin. Stat.	M	X	18/20	4
28/04/2015	Appr. 2017 Fin. Stat.	M	X	***	1
28/04/2015	Appr. 2017 Fin. Stat.	M	X	***	8

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017 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 2017 show a net profit of 36,308 thousand euros, up by 29,012 thousand euros compared to the previous year's 7,296 thousand euros.

The main items that form the 2017 financial year results are shown below and compared with the corresponding 2016 figures:

- **Earnings margin** totals 102,324 thousand euros, compared to 66,532 thousand euros in the previous financial year. The overall increase of 35,792 thousand euros may be broken down as follows:

increases

- 1,294 thousand euros for Interest margin (9,034 thousand euros at 31 December 2017 compared to 7,740 thousand euros in the previous year).
- 35,390 thousand euros for Profit from the sale of available-for-sale securities (38,178 thousand euros in 2017, compared to 2,788 thousand euros in 2016. In the year in question, the item benefited from the sizeable gain realised by the Parent Company as a result of the partial divestment of the interest in London Stock Exchange Group plc.

decreases

- 525 thousand euros for Net commissions (50,580 thousand euros at 31 December 2017, compared to 51,105 thousand euros in the previous year);
- 197 thousand euros for Dividends and similar income (2,806 thousand euros at 31 December 2017, compared to 3,003 thousand euros in the previous year);
- 170 thousand euros for Net income from trading activities showing a positive balance of 1,726 thousand euros as at 31 December 2017 compared to the positive balance of 1,896 thousand euros of the 2016 financial year.

- **Value adjustments** for impairment amounted to 6,119 thousand euros compared to 5,842 thousand euros in 2016. The adjustments of the period relate to "Available-for-sale financial assets" (3,777 thousand euros) and to "Receivables" and "Other financial transactions" respectively amounting to 2,340 thousand euros and 2 thousand euros.

- **Operating costs** amount to 49,295 thousand euros compared to 45,700 thousand euros in 2016, up by 3,595 thousand euros overall; their breakdown is as follows:
  - staff costs, which total 34,698 thousand euros, are up by 3,602 thousand euros compared to 2016 (31,096 thousand euros);
  - other administrative expenses, totalling 19,364 thousand euros, increased by 1,046 thousand euros compared to those of the previous year (18,318 thousand euros);
  - provisions for risks and charges increased by 100 thousand euros. Last year, instead, they were utilised by 619 thousand euros;
  - other operating income/expenses show a positive balance of 5,510 thousand euros versus a likewise positive balance of 3,748 thousand euros of 2016. The item comprises the recoveries of costs from customers, amounting to 4,265 thousand euros (3,882 thousand euros in the past year). The income of 2017 also includes the positive result referred to the trading, by the Bank only, of certificates representing greenhouse gas emission allowances, amounting to 104 thousand euros, while last year there were costs of 257 thousand euros (entirely offset by gains on CO2 futures recorded under "80. Net income from trading activities" amounting to 408 thousand euros).

- **Profit (loss) from equity investments**, the item has a negative balance of 1,708 thousand euros (+375 thousand euros in 2016) and refers to value adjustments, as a result of impairment, of the associated companies Imprebanca S.p.A. (1,502 thousand euros) and Previra Invest Sim S.p.A. in liquidation (206 thousand euros).

- **Income tax** amounted to 5,015 thousand euros versus 5,415 thousand at 31 December 2016.

* * *

The change in "Valuation reserves" together with the result for the year, are shown in the 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:

BODIES WITH MANAGEMENT FUNCTION AND GENERAL MANAGEMENT AREAS
9

ADVISORY & CORPORATE FINANCE AREA
11

FINANCIAL SERVICES AREA
25

CONTROL FUNCTION AREA
12

LOANS AREA
7

REAL ESTATE FUNDS AREA
139

STAFF AND MANAGEMENT SUPPORT AREA
4

SALES AREA
69

TRUSTEESHIP AREA
10

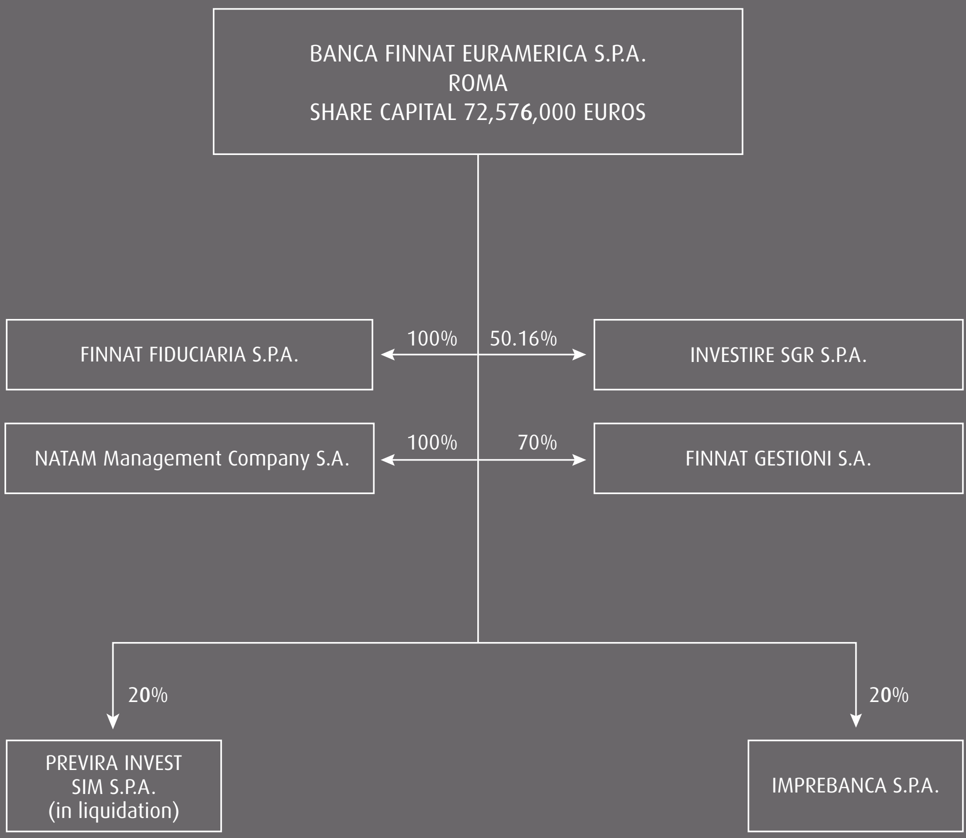
ADMINISTRATIVE, OPERATIONS, LEGAL, HR, GENERAL SERVICES AREAS
55

The total number of personnel in the Group increased from 336 at 31 December 2016 to 341 at 31 December 2017 as shown in detail below:

	31.12.2017	31.12.2016
staff	**332**	**327**
executives	49	52
managers	141	138
clerical workers	142	137
contractors	**6**	**6**
promoters	**3**	**3**
Total	**341**	**336**

THE GROUP'S COMPANIES

At 31 December 2017, the Group's structure was as follows:



Changes in the Group's deposits

(in thousand of euros)

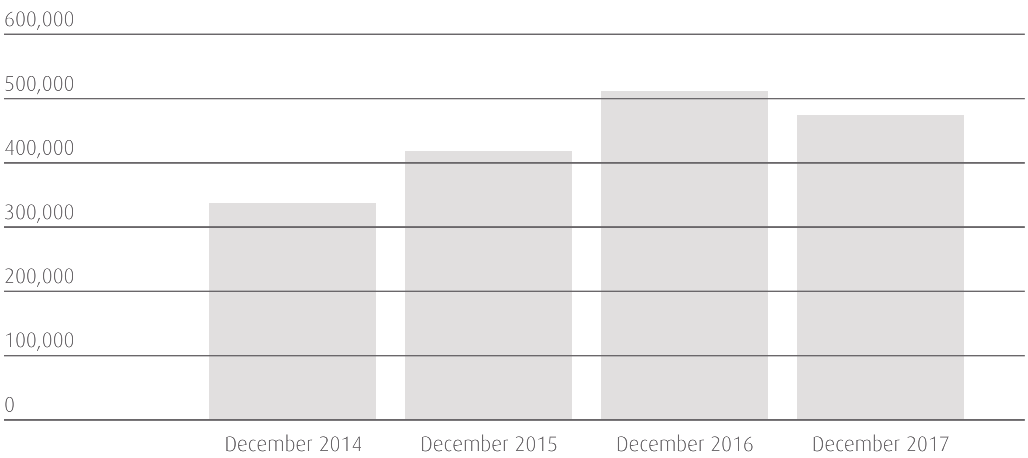
	December 2014	December 2015	December 2016	December 2017
Direct deposits from customers of the parent company	**336,854**	**417,760**	**510,686**	**472,787**
- Due to customers (current accounts)	248,080	331,111	418,331	358,892
- Fixed-term deposits	40,116	60,527	68,530	91,301
- Outstanding securities	48,658	26,122	23,825	22,594
Indirect deposits of the parent company	**4,338,207**	**4,609,152**	**4,505,144**	**5,540,931**
- Individual management	427,690	449,753	459,775	571,803
- Delegated management	244,252	283,646	251,061	285,681
- Deposits under administration (UCI and securities)	3,451,980	3,603,627	3,471,594	3,924,304
- Deposits under administration under advice (UCI and securities)	183,688	229,493	255,778	649,060
- Third parties' insurance products	30,597	42,633	66,936	110,083
Trusteeship	**1,471,884**	**1,408,787**	**1,374,990**	**1,458,411**
Real Estate Fund Management	**4,130,632**	**6,769,365**	**7,001,357**	**7,525,912**
Luxembourg-based Sicav fund (*)	**-**	**-**	**-**	**694,087**
Total deposits	**10,277,577**	**13,205,064**	**13,392,177**	**15,692,128**
Luxembourg-based Sicav, the "Promoter" of which is Banca Finnat (currently, New Millennium Sicav and New Millennium Sif).	**702,614**	**725,786**	**677,938**	**-**

(*) The item concerns the assets under the management of the subsidiary NATAM, previously included under "Luxembourg-based Sicav fund" - posted net of those under delegated management indicated in the indirect deposits of the parent company.

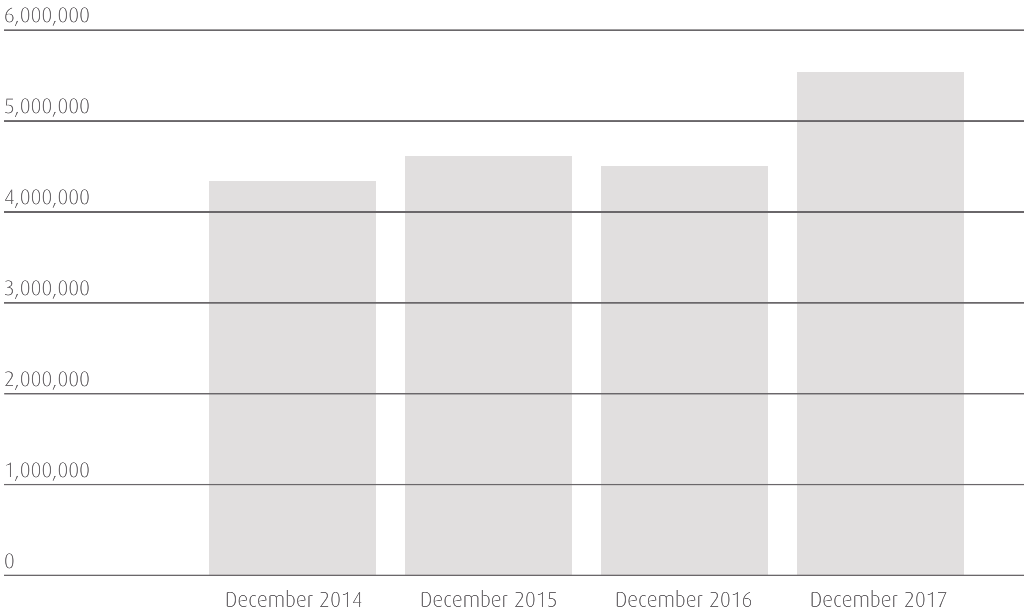
The above statement shows the changes in the Group's deposits broken down by type. In detail: a) direct and indirect funding from customers refers to the Bank's activity and does not include repos having the Cassa di Compensazione e Garanzia as the counterparty; b) trusteeship does not include the funding 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).

All assets shown in the statement also take into account the amount invested in them and originating from the other types highlighted with the exception of "Luxembourg-based Sicav fund administration" which does not include the delegated managements already included in the indirect deposits of the Parent Company.

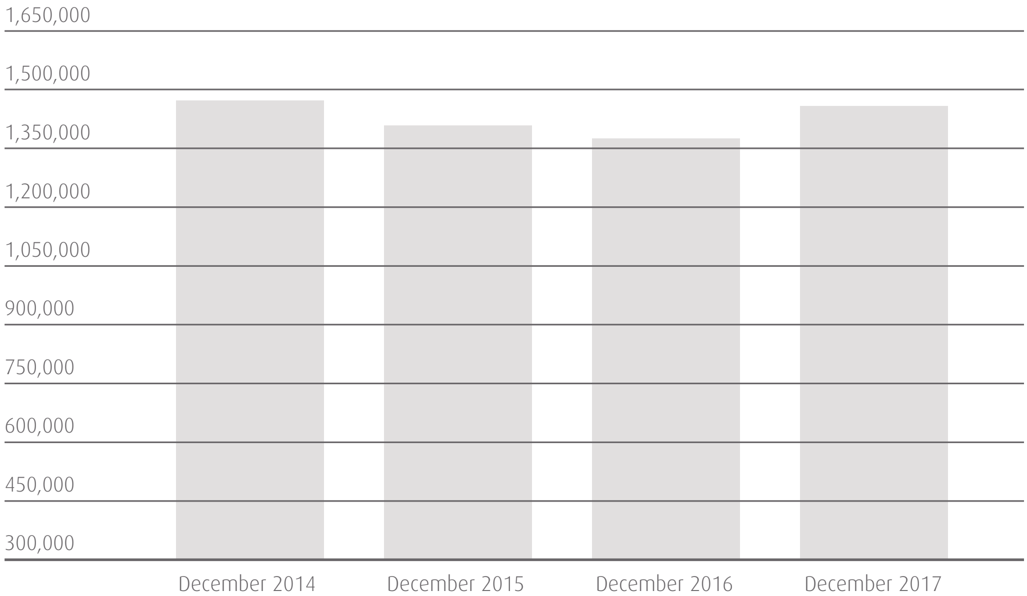
Direct deposits from customers



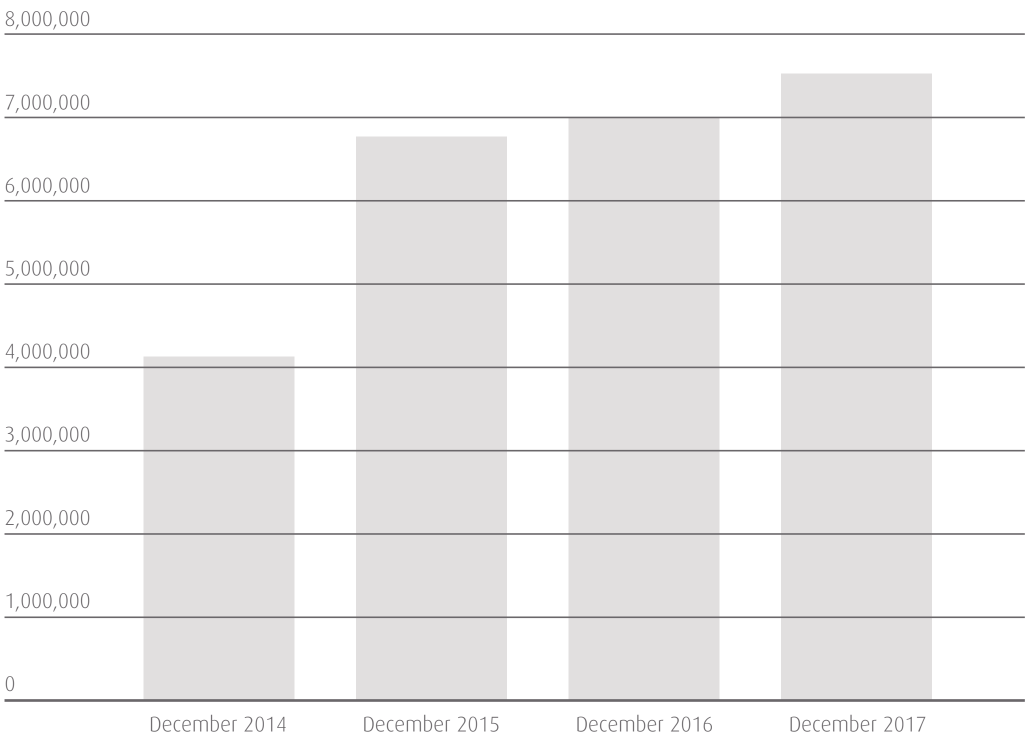
Indirect deposits



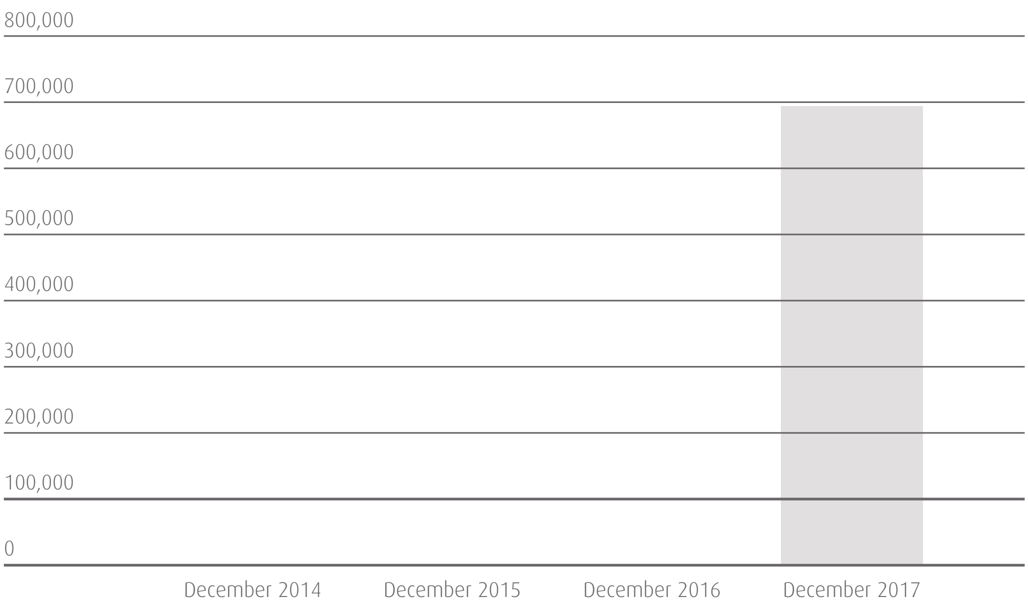
Trusteeship



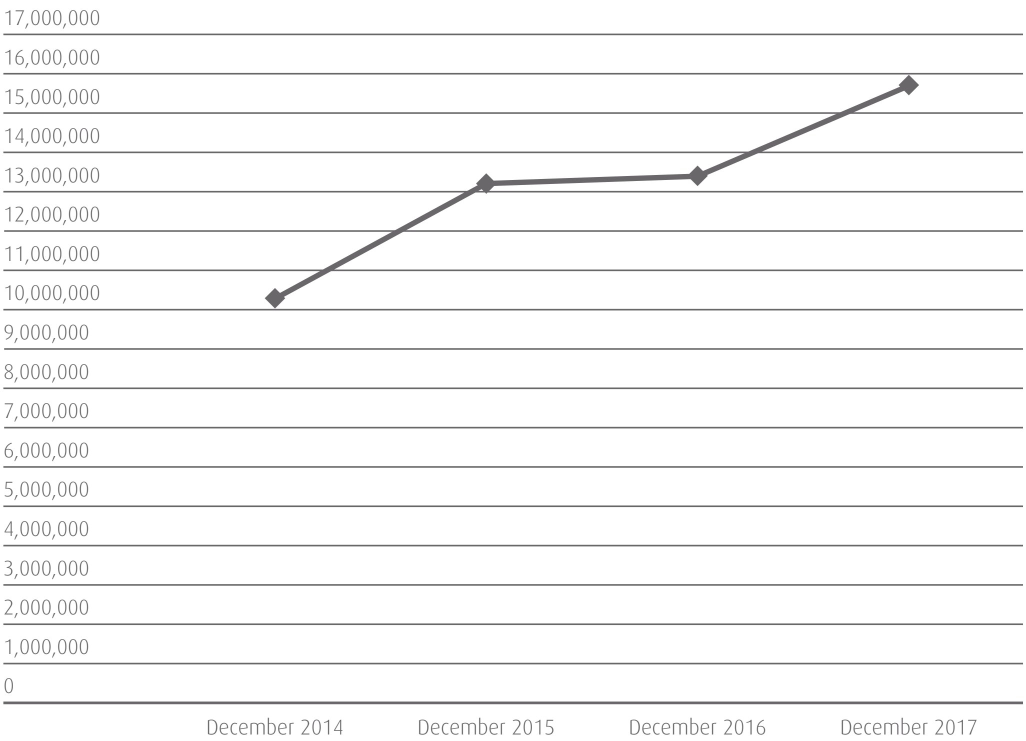
Real Estate Funds



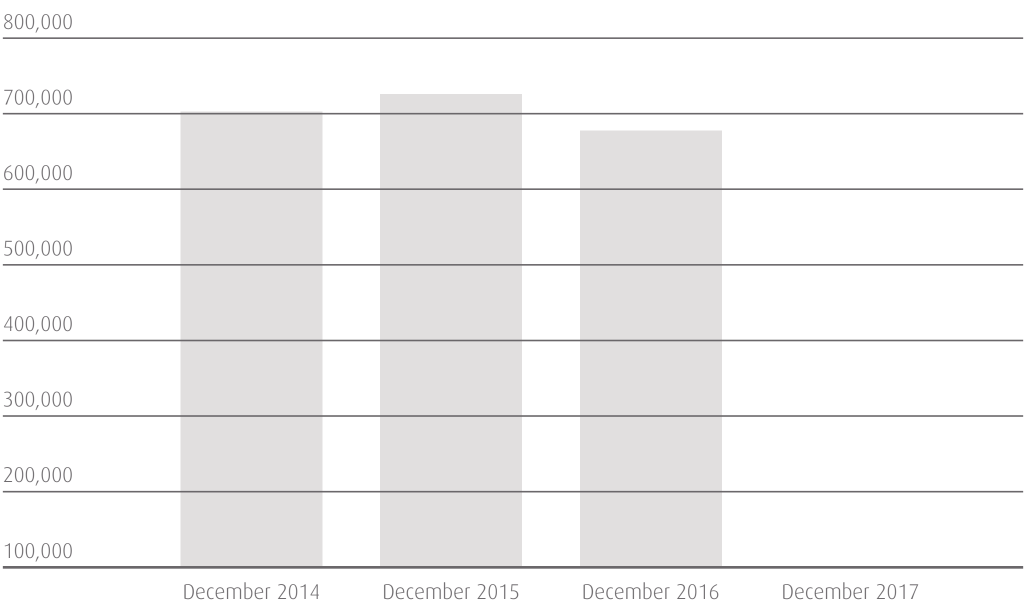
Luxembourg-based Sicav fund administration



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.

REVISION IN VIEW OF THE NEW IFRS 9

The separate Financial Statements of the Bank illustrate the main changes introduced by IFRS 9 and the effects of the first application in the paragraph "Revision in view of the new IFRS 9". The new accounting standard entailed, upon first adoption, the following reductions before taxes:

for the Bank, a reduction of the book value of net equity due both to reclassifications and to impairment amounting to approximately 2.7 million euros;

with regard to the subsidiary InvestiRE SGR S.p.A., a reduction of net equity by approximately 1.8 million euros (of which 0.9 million pertaining to the Group) due solely to impairment on trade receivables;

for all the other Group Company, the adoption of the standard had irrelevant impacts.

As a result of the aforementioned reductions in the book value of consolidated net equity, the consolidated Common Equity Tier 1 ratio, at the date of first adoption of the principle, decreased by 56 basis points.

To delay in time the impacts deriving from the adoption of the new accounting standards on own funds, the Bank exercised the option to apply the transitional provisions - illustrated in the Report on Operations in the paragraph "Market disclosure information" which reduce the negative impact to 11 basis points for 2018.

REVISION IN VIEW OF THE NEW IFRS 15

For the main changes introduced by IFRS 15, please refer to the chapter "Revision in view of the new IFRS 15" of the separate financial statements.

From the analyses carried out at Group level it is noted that the accounting treatment of the contracts currently in the portfolio is basically already in line with the provisions of the new standard and consequently no significant impacts will emerge in accounting terms.

COMPARISON OF KEY BALANCE SHEET AND INCOME STATEMENT FIGURES OF THE 2017 AND 2016 FINANCIAL YEARS

The main 2017 financial statement items and comparative items at 31 December 2016 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)

	31.12.2017	31.12.2016	Absolute change
ASSETS			
Cash and cash equivalents	633	475	158
Financial assets held for trading	45,712	40,489	5,223
Available-for-sale financial assets	1,219,533	1,172,947	46,586
Financial assets held to maturity	–	1,999	(1,999)
Due from banks	88,150	170,728	(82,578)
Due from customers	370,478	335,765	34,713
Hedging derivatives	–	391	(391)
Equity investments	6,457	8,264	(1,807)
Tangible assets	5,079	5,304	(225)
Intangible assets	41,012	41,022	(10)
Tax assets	13,053	16,003	(2,950)
Other assets	20,420	18,196	2,224
TOTAL ASSETS	**1,810,527**	**1,811,583**	**(1,056)**
LIABILITIES AND NET EQUITY			
Due to banks	1,474	1,203	271
Due to customers	1,494,547	1,496,319	(1,772)
Outstanding securities	22,594	23,825	(1,231)
Financial liabilities held for trading	143	10,772	(10,629)
Tax liabilities	4,017	3,602	415
Other liabilities	17,988	12,101	5,887
Staff severance fund	4,970	4,839	131
Provisions for risks and charges	548	448	100
Equity of minority interests	42,138	40,970	1,168
Group shareholders’ equity	222,108	217,504	4,604
TOTAL LIABILITIES AND NET EQUITY	**1,810,527**	**1,811,583**	**(1,056)**

CONSOLIDATED INCOME STATEMENT

(in thousand of euros)

	FY 2017	FY 2016	Absolute change	Percent change
Interest margin	**9,034**	**7,740**	**1,294**	**17%**
Net commissions	**50,580**	**51,105**	**(525)**	**-1%**
Dividends and similar income	2,806	3,003	(197)	
Net income from trading activities	1,726	1,896	(170)	
Net income from hedging activities	–	–	–	
Net profit (loss) from the transfer or the repurchase of:				
- available-for-sale financial assets	38,178	2,788	35,390	
Earnings margin	**102,324**	**66,532**	**35,792**	**54%**
Value adjustment for impairment	(6,119)	(5,842)	(277)	
Net income from financial operations	**96,205**	**60,690**	**35,515**	**59%**
Staff costs	(34,698)	(31,096)	(3,602)	
Other administrative expenses	(19,364)	(18,318)	(1,046)	
Net allocations to provisions for risks and charges	(100)	619	(719)	
Value adjustments on tangible and intangible assets	(643)	(653)	10	
Other operating income/expenses	5,510	3,748	1,762	
Operating costs	**(49,295)**	**(45,700)**	**(3,595)**	**8%**
Profit (loss) from equity investments	**(1,708)**	**375**	**(2,083)**	**-555%**
Profit (loss) from current operations before taxes	**45,202**	**15,365**	**29,837**	**194%**
Income tax for the period on current operations	(5,015)	(5,415)	400	
Profit (loss) from current operations after taxes	**40,187**	**9,950**	**30,237**	**304%**
Profit (loss) of minority interests	(3,879)	(2,654)	(1,225)	
Net profit (loss) for the period pertaining to the Parent Company	**36,308**	**7,296**	**29,012**	**398%**

Following are a series of Group operating ratios at 31 December 2017 compared with the operating ratios of the previous year.

	FY 2017 %	FY 2016 %
Interest margin/earnings margin	8.83	11.63
Net commissions/earnings margin	49.43	76.81
Cost/income ratio (operating costs/earnings margin)	48.18	68.69
ROE (profit for the year/net equity)	16.35	3.35
ROA (profit for the year/total assets)	2.01	0.40

SIGNIFICANT EVENTS OCCURRING AFTER THE END OF THE FINANCIAL YEAR

In the period spanning the end of the 2017 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 Group emerged.

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 2017, 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 2016 also for the 2016/2017/2018 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 debit/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 2,151 thousand euros (with a nominal value of 4,000 thousand euros) entirely repaid in January 2018. 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 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:- SPE (Special Purpose Entities) - CDO (Collateralized Debt Obligations) - Other exposures vis-à-vis subprime and Alt-A - CMBS (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 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 envisages 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. IFRS 9 entered into force on 19 December 2016 (twentieth day following publication on the Official Journal of the European Union) and it shall be adopted starting from 1 January 2018. In light of the indications, the Bank of Italy with its notice of 26 January 2017, prescribed that this option will continue to be applied to "less significant banks" such as Banca Finnat. Therefore the Bank, for the year 2017, the last year of application, exercised the sterilisation described above;
- the Bank, within the prescribed deadline of 1 February 2018, exercised the option for the application of the transitional rules prescribed by the Regulation (EU) 2017/2395, "amending Regulation (EU) No 575/2013 as regards transitional arrangements for mitigating the impact of the introduction of

IFRS 9 on own funds and for the large exposures treatment of certain public sector exposures denominated in the domestic currency of any Member State". The aforesaid transitional rules provide the possibility of including in Common Equity Tier 1 capital a transitional positive component, calculated in percentage terms, of the increase undergone by the allocations for expected losses on receivables by effect of the first adoption of IFRS 9. This benefit is recognised for a period of 5 years according to decreasing rates (95% in 2018, 85% in 2019, 70% in 2020, 50% in 2021, 25% in 2022). From 1 January 2023 onwards, the impact deriving from the first adoption of IFRS 9 will be fully reflected in the calculation of own funds. In addition to the possibility of delaying the impact deriving from the first adoption of the new accounting standard to 1 January 2018, the transitional arrangements provide the possibility of delaying any impacts of the new impairment model also in the first years following the date of first adoption of IFRS 9 although limited to those deriving from the measuring of unimpaired financial assets.

PUBLIC DISCLOSURE BY STATE

Figures at 31 December 2017

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	72,945	173	37,433	(1,159)
Direct subsidiaries						
Finnat Fiduciaria S.p.A.	Italy	Trusteeship	1,597	11	61	(32)
InvestiRE SGR S.P.A.	Italy	Promotion and management of closed-ended real estate funds	31,795	140	12,332	(3,735)
Natam Management Company S.A.	Luxembourg	Collective asset management	677	3	75	(3)
Finnat Gestioni SA	Switzerland	Financial management and advice	643	1	410	(86)

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 2017 amounted to 172,493 thousand euros (154,634 thousand euros at 31 December 2016), whereas the Total capital ratio stood at 32.6% (30.1% at 31 December 2016) 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.

BUSINESS OUTLOOK

Based on the current forecasts formulated by the Bank's offices, the consolidated result for the year 2018 is expected to be positive but lower than that of 2017, which was significantly impacted by the gain realised by the sale of equities present in the Bank's AFS portfolio.

CONSOLIDATED NET EQUITY OF THE GROUP

The Group's net equity at 31 December 2017, including the profit for the period, totalled 222,108 thousand euros and changed as follows:

Trend in Group Equity

(in thousands of euros)

Net Equity as at 31 December 2016	**217,504**
Dividend distribution	(3,629)
Change in valuation reserves	(28,241)
Changes in other reserves	(167)
Changes for sale of own shares	333
Profit (loss) in the period	36,308
Net Equity as at 31 December 2017	**222,108**

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 2017	**242,227**	**36,274**
Results of subsidiaries as per the statutory financial statements:		
- fully consolidated companies	4,639	4,639
- valued by equity method	–	134
Amortisation of positive differences:		
- previous years	(984)	
Surplus over the book value related to:		
- fully consolidated companies	27,627	
Elimination of dividends	–	(5,244)
Other consolidation adjustments:	(51,401)	505
Balance resulting from the consolidated financial statements of the Group as at 31 December 2017	**222,108**	**36,308**
from reclassified/normal financial statements		
from reclassified consolidated Financial Statements	**222,108**	**36,308**

OWN SHARES

At 31 December 2017, the Bank holds 28,810,640 own shares, representing 7.9% of the share capital with a total value of 14,059 thousand euros. At the end of the past year, the Bank held 29,492,710 own shares with a value of 14,392 thousand euros.

During the financial year, the Bank sold 682,070 shares with a total value of 273 thousand euros, realising a loss of 60 thousand euros.

Rome, 16 March 2018

CONSOLIDATED BALANCE SHEET

(in thousands of euros)

	Asset	31.12.2017	31.12.2016
10.	Cash and cash equivalents	633	475
20.	Financial assets held for trading	45,712	40,489
40.	Available-for-sale financial assets	1,219,533	1,172,947
50.	Financial assets held to maturity	–	1,999
60.	Due from banks	88,150	170,728
70.	Due from customers	370,478	335,765
80.	Hedging derivatives	–	391
100.	Equity investments	6,457	8,264
120.	Tangible assets	5,079	5,304
130.	Intangible assets	41,012	41,022
	of which:		
	- goodwill	37,729	37,729
140.	Tax assets	13,053	16,003
	a) current	605	1,802
	b) deferred tax assets	12,448	14,201
	of which pursuant to Law.214/2011	11,044	12,594
160.	Other assets	20,420	18,196
	Total assets	**1,810,527**	**1,811,583**

CONSOLIDATED BALANCE SHEET

(in thousands of euros)

	Liabilities and net equity	31.12.2017	31.12.2016
10.	Due to banks	1,474	1,203
20.	Due to customers	1,494,547	1,496,319
30.	Outstanding securities	22,594	23,825
40.	Financial liabilities held for training	143	10,772
80.	Tax liabilities	4,017	3,602
	a) current	2,972	565
	b) deferred tax liabilities	1,045	3,037
100.	Other liabilities	17,988	12,101
110.	Staff severance fund	4,970	4,839
120.	Provisions for risks and charges		
	b) other funds	548	448
140.	Valuation reserves	2,182	30,423
170.	Reserves	125,101	121,601
190.	Capital	72,576	72,576
200.	Own shares (-)	(14,059)	(14,392)
210.	Minority equity share (+/-)	42,138	40,970
220.	Net profit (loss) for the year (+/-)	36,308	7,296
	Total liabilities and net equity	**1,810,527**	**1,811,583**

CONSOLIDATED INCOME STATEMENT

(in thousands of euros)

	Items	Period 2017	Period 2016
10.	Interest income and similar income	6,737	6,394
20.	Interest expense and similar expense	2,297	1,346
30.	**Interest margin**	**9,034**	**7,740**
40.	Commission income	53,116	53,252
50.	Commission expense	(2,536)	(2,147)
60.	**Net commissions**	**50,580**	**51,105**
70.	Dividends and similar income	2,806	3,003
80.	Net income from trading activities	1,726	1,896
90.	Net income from hedging activities	–	–
100.	Net profit (loss) from the transfer or repurchase of:		
	b) available-for-sale financial assets	38,178	2,788
120.	Earnings margin	102,324	66,532
130.	Net value adjustments/write-backs for the impairment of:		
	a) receivables	(2,340)	(185)
	b) available-for-sale financial assets	(3,777)	(5,657)
	d) other financial transactions	(2)	–
140.	**Net income from financial operations**	**96,205**	**60,690**
180.	Administrative expenses:		
	a) staff costs	(34,698)	(31,096)
	b) other administrative expenses	(19,364)	(18,318)
190.	Net appropriations to the provisions for risks and charges	(100)	619
200.	Net value adjustments/write-backs on tangible assets	(475)	(499)
210.	Net value adjustments/write-backs on intangible assets	(168)	(154)
220.	Other operating income/charges	5,510	3,748
230.	**Operating costs**	**(49,295)**	**(45,700)**
240.	Net profit (loss) of equity investments	(1,708)	375
280.	**Profit (loss) from current operations before tax**	**45,202**	**15,365**
290.	Income tax on current operations	(5,015)	(5,415)
300.	**Profit (loss) from current operations after tax**	**40,187**	**9,950**
320.	**Profit (loss) for the year**	**40,187**	**9,950**
330.	(Profit) loss for the year for minority interests	(3,879)	(2,654)
340.	**Profit (loss) for the year for parent company**	**36,308**	**7,296**

STATEMENT OF CONSOLIDATED COMPREHENSIVE INCOME

(in thousands of euros)

	Items	Period 2017	Period 2016
10.	**Profit (loss) for the year**	**40,187**	**9,950**
	Other income items after tax without reversal to income statement		
40.	Defined benefit plans	(23)	(191)
60.	Portion of the valuation reserves of the equity investments valued according to the net equity method	(98)	27
	Other income items after tax with reversal to the income statement		
100.	Available-for-sale financial assets	(28,101)	(2,871)
130.	**Total other income items after tax**	**(28,222)**	**(3,035)**
140.	**Comprehensive income (Items 10+130)**	**11,965**	**6,915**
150.	Consolidated comprehensive income of minority interests	3,898	3,595
160.	**Consolidated comprehensive income of parent company**	**8,067**	**3,320**

STATEMENT OF CHANGES IN CONSOLIDATED NET EQUITY AT 31 DECEMBER 2017

(in thousands of euros)

	Total net equity at 31.12.2016	Changes in opening balances	Total net equity at 01.01.2017	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:	**160,526**	**–**	**160,526**	**6,321**	**–**
a) profit	100,353		100,353	3,015	
b) other	60,173		60,173	3,306	–
Valuation reserves	**29,814**		**29,814**	**–**	**–**
Capital instruments	**–**		**–**	**–**	**–**
Own shares	**(14,392)**		**(14,392)**	**–**	**–**
Net Profit (Loss) for the year	**9,950**		**9,950**	**(6,321)**	**(3,629)**
Total net equity	**258,474**	**–**	**258,474**	**–**	**(3,629)**
of which: Group net equity	**217,504**	**–**	**217,504**	**–**	**(3,629)**
of which: net equity of minority interests	**40,970**	**–**	**40,970**	**–**	**–**

STATEMENT OF CHANGES IN CONSOLIDATED NET EQUITY AT 31 DECEMBER 2016

(in thousands of euros)

	Total net equity at 31.12.2015	Changes in opening balances	Total net equity at 01.01.2016	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:	**152,476**	**–**	**152,476**	**9,999**	**–**
a) profit	94,714		94,714	6,304	
b) other	57,762		57,762	3,695	–
Valuation reserves	**32,849**		**32,849**	**–**	**–**
Capital instruments	**–**		**–**	**–**	**–**
Own shares	**(13,949)**		**(13,949)**	**–**	**–**
Net Profit (Loss) for the year	**13,628**		**13,628**	**(9,999)**	**(3,629)**
Total net equity	**257,580**	**–**	**257,580**	**–**	**(3,629)**
of which: Group net equity	**218,549**	**–**	**218,549**	**–**	**(3,629)**
of which: net equity of minority interests	**39,031**	**–**	**39,031**	**–**	**–**

Changes during the year									Net equity at 31.12.2017 Total	Net equity at 31.12.2017 Group	Net equity at 31.12.2017 Minority interests
	Net Equity transactions										
Changes in 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	Comprehensive income FY 2017			
–	–	–	–	–	–	–	–	–	72,576	72,576	–
–	–	–	–	–	–	–	–	–	72,576	72,576	–
–	–	–	–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–	–	–	–
(2,897)	–	–	–	–	–	–	–	–	163,950	125,101	38,849
(2,684)	–	–		–	–	–	–	–	100,684	89,670	11,014
(213)	–	–	–	–	–	–	–	–	63,266	35,431	27,835
–	–	–	–	–	–	–	–	(28,222)	1,592	2,182	(590)
–	–	–	–	–	–	–	–	–	–	–	–
–	–	333	–	–	–	–	–	–	(14,059)	(14,059)	–
–	–	–	–	–	–	–	–	40,187	40,187	36,308	3,879
(2,897)	–	333	–	–	–	–	–	11,965	264,246	–	–
(167)	–	333	–	–	–	–	–	8,067	–	222,108	–
(2,730)	–	–	–	–	–	–	–	3,898	–	–	42,138

Changes during the year									Net equity at 31.12.2016 Total	Net equity at 31.12.2016 Group	Net equity at 31.12.2016 Minority interests
	Net Equity transactions										
Changes in 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	Comprehensive income FY 2016			
–	–	–	–	–	–	–	–	–	72,576	72,576	–
–	–	–	–	–	–	–	–	–	72,576	72,576	–
–	–	–	–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–	–	–	–
(1,949)	–	–	–	–	–	–	–	–	160,526	121,601	38,925
(665)	–	–		–	–	–	–	–	100,353	89,309	11,044
(1,284)	–	–	–	–	–	–	–	–	60,173	32,292	27,881
–	–	–	–	–	–	–	–	(3,035)	29,814	30,423	(609)
–	–	–	–	–	–	–	–	–	–	–	–
–	–	(443)	–	–	–	–	–	–	(14,392)	(14,392)	–
–	–	–	–	–	–	–	–	9,950	9,950	7,296	2,654
(1,949)	–	(443)	–	–	–	–	–	6,915	258,474	–	–
(293)	–	(443)	–	–	–	–	–	3,320	–	217,504	–
(1,656)	–	–	–	–	–	–	–	3,595	–	–	40,970

CONSOLIDATED STATEMENT OF CASH FLOWS (indirect method)

(in thousands of euros)

	Amount	
	31.12.2017	**31.12.2016**
A. OPERATING ACTIVITIES		
1. Management	**50,539**	**18,273**
- net profit (loss) for the year (+/-)	36,308	7,296
- capital gains/losses on financial assets held for trading and on financial assets/liabilities carried at fair value (-/+)	(904)	659
- capital gains/losses on hedging assets (-/+)	391	(176)
- net value adjustments/write-backs for impairment (+/-)	6,119	5,842
- net value adjustments/write-backs on tangible and intangible fixed assets (+/-)	686	707
- net allocations to the provisions for risks and charges and other costs/revenues (+/-)	1,599	1,085
- net premiums not received (-)	–	–
- other insurance income/expenses not received (-/+)	–	–
- taxes, duties and tax credits not liquidated (+/-)	(5,015)	(5,415)
- net value adjustments/write-backs of disposal groups after tax (+/-)	–	–
- other adjustments (+/-)	11,355	8,275
2. Cash generated by/used in financial assets	**(12,409)**	**(448,171)**
- financial assets held for trading	(4,319)	15,430
- financial assets carried at fair value	–	–
- available-for-sale financial assets	(50,363)	(347,183)
- due from banks: on demand	668	29,479
- due from banks: other receivables	80,927	(103,021)
- due from customers	(37,053)	(43,306)
- other assets	(2,269)	430
3. Cash generated by/used in financial liabilities	**(8,842)**	**436,606**
- due to banks: on demand	941	10,963
- due to banks: other payables	(670)	(21,256)
- due to customers	(1,772)	450,503
- outstanding securities	(1,231)	(2,297)
- financial liabilities held for trading	(10,629)	1,039
- financial liabilities carried at fair value	–	–
- other liabilities	4,519	(2,346)
Cash generated by/used in operating activities	**29,288**	**6,708**

	Amount	
	31.12.2017	**31.12.2016**
B. INVESTING ACTIVITIES		
1. Cash generated by	**2,982**	**2,259**
- disposals of equity investments	–	–
- dividends received on equity investments	983	1,200
- disposal of financial assets held to maturity	1,999	–
- disposals of tangible assets	–	21
- disposals of intangible assets	–	1,038
- disposals of subsidiaries and business units	–	–
2. Cash used in	**(408)**	**(620)**
- purchases of equity investments	–	–
- purchases of financial assets held to maturity	–	(40)
- purchases of tangible assets	(250)	(323)
- purchases of intangible assets	(158)	(257)
- purchases of subsidiaries and business units	–	–
Cash generated by/used in investing activities	**2,574**	**1,639**
C. FINANCING ACTIVITIES		
- issues/purchases of own shares	273	(443)
- issues/purchases of capital instruments	60	–
- dividend distribution and other purposes	(32,037)	(7,898)
Cash generated by/used in financing activities	**(31,704)**	**(8,341)**
CASH GENERATED/USED DURING THE YEAR	**158**	**6**

Key:
(+) generated
(-) used

RECONCILIATION	**31.12.2017**	**31.12.2016**
ITEMS		
Cash and cash equivalents at the beginning of the year	475	469
Total net cash generated/used during the year	158	6
Cash and cash equivalents: effect of exchange rate changes	–	–
Cash and cash equivalents at the end of the year	633	475

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 2017 of Banca Finnat Euramerica Group have been prepared applying the international accounting standards (IAS/IFRS) promulgated by the International Accounting Standard Board and the related interpretations of the International Financial Reporting Interpretation Committee, as they were endorsed by the European Commission through 31 December 2017, according to the procedure prescribed by Regulation (EC) no. 1606/02 of 19 July 2002, and to the measures promulgated to implement Article 9 of Italian Legislative Decree no. 38/2005 and Article 43 of Italian Legislative Decree no. 136 of 18 August 2015.

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 considering appropriate the going concern requirement. Consequently, the assets, liabilities and off-balance sheet transactions are measured according to operating values, because they are meant to last over time.

The consolidated financial statements at 31 December 2017 have been prepared by applying the provisions laid down by Circular 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 EY S.p.A., to whose report attached hereto specific reference is made.

The European Commission has endorsed the following Regulations that shall apply from 1 January 2017 onwards:

- Regulation No. 1989/2017 – Amendments to IAS 12 Income Taxes.
- Regulation No. 1990/2017 – Amendments to IAS 7 Statement of Cash Flows.

The adoption of the above-mentioned Regulations did not impact these financial statements.
Moreover, in 2016/2017 the European Commission endorsed the following Regulations:

- to be effective from 1 January 2018:
  - Regulation no. 2067/2016 - IFRS 9 Financial Instruments;
  - Regulation no. 1905/2016-1987/2017 – IFRS 15 Revenue from Contracts with Customers as subsequently amended.
  - Regulation no. 1988/2017 - IFRS 4 Joint application of IFRS 9 Financial Instruments and of IFRS 4 Insurance Contracts.
- to be effective from 1 January 2019:
  - Regulation no. 1986/2017 – IFRS 16 Leasing.

Among the Regulations that entered into force from 1 January 2018, IFRS 9 and IFRS 15 apply for the Group. This is because:

- IFRS 9 provides a revised model for the classification and measurement of financial assets, a measurement model for financial assets based on "expected losses" and changes the approach to specific hedge accounting.
- IFRS 15 introduces a new model to be applied to revenue from contracts with customers that provides that they are to be recognised - for an amount that reflects the price to which the entities believe to be entitled - in exchange for the transfer of goods or services to the customer.

A detailed analysis of the aforementioned standards and the related impacts deriving from first-time adoption (FTA) is provided in the Report on Operations in two dedicated paragraphs entitled "Revision in view of the new IFRS 9" and "Revision in view of the new IFRS 15".

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
4. Natam Management Company S.A.	Luxembourg	Luxembourg	1	Banca Finnat	100.00	100.00

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 2016.

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 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.

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".

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 2017 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 Group emerged.

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 2017, 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 2017

With the implementation of the Directive on shareholders' rights (Italian Legislative Decree no. 27 of 27 January 2010), paragraph 1 of Article 154-ter was amended ("Financial Reports") of the Italian Consolidated Financial Law (the "TUF"). 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 2017, 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 2017 remained unchanged with respect to those adopted in the financial statements as at 31 December 2016 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

Subsequently to 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 the 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 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 - 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".
The "forborne" 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 Articles 117/129 of the TUIR (Consolidated Income Tax Act). The option was renewed in 2016 also for the 2016/2017/2018 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 debit/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 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 in 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" envisaged by 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 nominal value of 3,600 thousand euros; at 31 December 2017, all the aforesaid securities were repaid at maturity;
- 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.

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 31.12.2017	Fair value at 31.12.2017	Income components without the transfer (pre-tax)		Income components recorded for the year (pre-tax)	
					Items	Other	Items	Other
Debt securities	HFT	HTM	–	–	–	–	–	2
UCI units	HFT	AFS	1,064	1,064	(417)	–	(417)	–

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) on 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 as 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	31.12.2017			31.12.2016		
	L1	L2	L3	L1	L2	L3
1. Financial assets held for trading	32,805	12,902	5	25,356	15,119	14
2. Financial assets carried at fair value	–	–	–	–	–	–
3. Available-for-sale financial assets	1,192,686	20,587	6,260	1,131,381	36,642	4,924
4. Hedging derivatives	–	–	–	–	391	–
5. Tangible assets	–	–	–	–	–	–
6. Intangible assets	–	–	–	–	–	–
Total	**1,225,491**	**33,489**	**6,265**	**1,156,737**	**52,152**	**4,938**
1. Financial liabilities held for trading	–	143	–	–	10,772	–
2. Financial liabilities carried at fair value	–	–	–	–	–	–
3. Hedging derivatives	–	–	–	–	–	–
Total	**–**	**143**	**–**	**–**	**10,772**	**–**

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	**14**	**–**	**4,924**	**–**	**–**	**–**
2. Increases	**–**	**–**	**3,175**	**–**	**–**	**–**
2.1. Purchases	–	–	5	–	–	–
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	–	–	2,468	–	–	–
2.4. Other increases	–	–	702	–	–	–
3. Decreases	**9**	**–**	**1,839**	**–**	**–**	**–**
3.1. Sales –	–	–	–	–	–	
3.2. Repayments	–	–	469	–	–	–
3.3. Losses recorded in:	–	–	1,370	–	–	–
3.3.1 Income Statement	–	–	1,370	–	–	–
- of which capital losses	–	–	1,364	–	–	–
3.3.2 Net equity	X	X	–	–	–	–
3.4. Transfers to other levels	–	–	–	–	–	–
3.5. Other decreases	9	–	–	–	–	–
4. Closing balance	**5**	**–**	**6,260**	**–**	**–**	**–**

Item 3.3.1. Income statement - of which capital losses - of Available-for-sale financial assets - relates to the impairment test carried out by the Bank on the shares of CSE Consorzio Servizi Bancari S.r.l., amounting to 596 thousand euros, on the Apple Fund amounting to 727 thousand euros and on the Cassa di Risparmio di Cesena S.p.A. shares amounting to 41 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	31.12.2017				31.12.2016			
	BV	L1	L2	L3	BV	L1	L2	L3
1. Financial assets held to maturity	–	–	–	–	1,999	2,001	–	–
2. Due from banks	88,150	–	–	88,150	170,728	–	–	170,728
3. Due from customers	370,478	–	–	373,451	335,765	–	–	337,672
4. Tangible assets held for investment	–	–	–	–	–	–	–	–
5. Non-current assets and groups of assets being disposed	–	–	–	–	–	–	–	–
Total	**458,628**	**–**	**–**	**461,601**	**508,492**	**2,001**	**–**	**508,400**
1. Due to banks	1,474	–	–	1,474	1,203	–	–	1,203
2. Due to customers	1,494,547	–	–	1,494,547	1,496,319	–	–	1,496,319
3. Outstanding securities	22,594	–	–	22,526	23,825	–	–	23,791
4. Liabilities associated to assets being disposed	–	–	–	–	–	–	–	–
Total	**1,518,615**	**–**	**–**	**1,518,547**	**1,521,347**	**–**	**–**	**1,521,313**

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 31.12.2017	Total 31.12.2016
a) Cash	481	328
b) Demand deposits at central banks	152	147
Total	**633**	**475**

Section 2 - Financial assets held for trading - Item 20

2.1 Financial assets held for trading: breakdown by product

Items/Amounts	Total 31.12.2017			Total 31.12.2016		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
A. Cash assets						
1. Debt securities	29,891	3,225	–	20,486	2,494	–
1.1 Structured securities	–	–	–	–	–	–
1.2 Other debt securities	29,891	3,225	–	20,486	2,494	–
2. Equity securities	2,566	–	5	1,821	–	14
3. UCI units	165	9,571	–	2,866	1,739	–
4. Loans	–	–	–	–	–	–
4.1 Outstanding repos	–	–	–	–	–	–
4.2 Other	–	–	–	–	–	–
Total A	**32,622**	**12,796**	**5**	**25,173**	**4,233**	**14**
B. Derivatives						
1. Financial derivatives:	183	106	–	183	10,886	–
1.1 held for trading	183	106	–	183	10,886	–
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	**183**	**106**	**–**	**183**	**10,886**	**–**
Total (A+B)	**32,805**	**12,902**	**5**	**25,356**	**15,119**	**14**

The financial assets held for trading refer exclusively to the Bank.

Item A.1. "Debt securities" amounting to 33,116 thousand euros (22,980 thousand euros at 31 December 2016) consists of the following financial instruments:

- Level 1: Government bonds of 15,036 thousand euros and bonds of 14,855 thousand euros;
- Level 2: bonds of 3,225 thousand euros, of which 2,151 thousand euros relate to the "FIP Funding Class A2" and 1,074 thousand euros relate to the CDP 10/1/2019 3.5% bond.

Item A.3. UCI units amounting to 9,736 thousand euros (4,605 thousand euros at 31 December 2016) includes in Level 2: Anthilia Capital Partners fund shares for a total amount of 2,268 thousand euros, New Millennium fund shares for 6,717 thousand euros and 1 share of Alkimis Fund for 586 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 31.12.2017	Total 31.12.2016
A. Cash assets		
1. Debt securities	**33,116**	**22,980**
a) Governments and Central Banks	15,037	19,984
b) Other public authorities	–	–
c) Banks	14,119	–
d) Other issuers	3,960	2,996
2. Equity securities	**2,571**	**1,835**
a) Banks	–	
b) Other issuers:	2,571	1,835
- insurance companies	38	206
- financial companies	–	–
- non-financial companies	2,533	1,629
- other	–	–
3. UCI units	**9,736**	**4,605**
4. Loans	**–**	**–**
a) Governments and Central Banks	–	–
b) Other public authorities	–	–
c) Banks	–	–
d) Other entities	–	–
Total A	**45,423**	**29,420**
B. Derivatives		
a) Banks		
- fair value	48	1,166
b) Customers		
- fair value	241	9,903
Total B	**289**	**11,069**
Total (A + B)	**45,712**	**40,489**

The item "UCI units" includes: 5,748 thousand euros of bond funds, 3,972 thousand euros of equity funds and 16 thousand euros of real estate funds.

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

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

Items/Amounts	Total 31.12.2017			Total 31.12.2016		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Debt securities	1,190,703	–	–	1,094,522	10,898	–
1.1 Structured securities	–	–	–	–	–	–
1.2 Other debt securities	1,190,703	–	–	1,094,522	10,898	–
2. Equity securities	475	–	4,487	34,488	–	4,448
2.1 Carried at fair value	475	–	–	34,488	–	–
2.2 Carried at cost	–	–	4,487	–	–	4,448
3. UCI units	1,508	20,587	1,773	2,371	25,744	476
4. Loans	–	–	–	–	–	–
Total	**1,192,686**	**20,587**	**6,260**	**1,131,381**	**36,642**	**4,924**

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: Net Insurance S.p.A. (475 thousand euros);
- Level 3: Fideuram Investimenti SGR S.p.A. (812 thousand euros), SIA S.p.A. (1,120 thousand euros), Calipso S.p.A. (44 thousand euros), CSE Consorzio Servizi Bancari S.r.l. (2,504 thousand euros), Cassa di Risparmio di Cesena S.p.A. (2 thousand euros) and Liphe S.p.A. (5 thousand euros).

Last year, the interest in London Stock Exchange Group plc, amounting to 31,377 thousand euros, were present in the portfolio along with the interest in Anima Holding S.p.A. amounting to 2,432 thousand euro; they were entirely disposed of in 2017.

Item 3 UCIT units Level 1 refers exclusively to the subsidiary InvestiRE SGR S.p.A. and comprises 1,395 units of Obelisco Fund, amounting to 183 thousand euros, 1,200 units of Securfondo Fund, amounting to 342 thousand euros and 520 units of the Immobilium 2001 Fund, amounting to 983 thousand euros; Levels 2 and 3 refer exclusively to the Bank and include, in Level 2, 239 units of the Immobili Pubblici Fund (FIP) totalling 16,830 thousand euros, units of the New Millennium Total Return Fund of 2,757 thousand euros, units of the Thema Fund amounting to 995 thousand euros and Fondamenta of 5 thousand euros and, in Level 3, 5 units of the Apple Fund.

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

Items/Amounts	Total 31.12.2017	Total 31.12.2016
1. Debt securities	**1,190,703**	**1,105,420**
a) Governments and Central Banks	1,160,272	1,084,394
b) Other public authorities	–	–
c) Banks	30,431	21,026
d) Other issuers	–	–
2. Equity securities	**4,962**	**38,936**
a) Banks	4	44
b) Other issuers:	4,958	38,892
- insurance companies	475	360
- financial companies	810	34,619
- non-financial companies	3,668	3,913
- other	5	–
3. UCI units	**23,868**	**28,591**
4. Loans	**–**	**–**
a) Governments and Central Banks	–	
b) Other public authorities	–	
c) Banks	–	
d) Other entities	–	
Total	**1,219,533**	**1,172,947**

Item "UCI units" includes real estate funds of 20,111 thousand euros and other funds of 3,757 thousand euros.

Section 5 – Financial assets held to maturity – Item 50

5.1 Financial assets held to maturity: breakdown by product

	Total 31.12.2017				Total 31.12.2016			
	BV	FV			BV	FV		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
1. Debt securities	–	–	–	–	1,999	2,001	–	–
- structured								
- other	–	–			1,999	2,001		
2. Loans								
Total	**–**	**–**	**–**	**–**	**1,999**	**2,001**	**–**	**–**

Key:
FV = fair value
BV = book value

The item, pertaining exclusively to the Bank, was reduced to zero following the maturity date (January 2017) of the bond of a nominal amount of 2 million euros transferred in 2008 from Financial assets held for trading (see Section A.3 – Information on transfers between portfolios of financial assets).

5.2 Financial assets held to maturity: debtors/issuers

Type of transactions/Amounts	Total 31.12.2017	Total 31.12.2016
1. Debt securities		
a) Governments and Central Banks	–	–
b) Other public authorities	–	–
c) Banks	–	1,999
d) Other issuers	–	–
2. Loans		
a) Governments and Central Banks	–	–
b) Other public authorities	–	–
c) Banks	–	–
d) Other entities	–	–
Total	**–**	**1,999**
Total Fair value	**–**	**2,001**

Section 6 – Due from banks – Item 60

6.1 Due from banks: breakdown by product

Type of transactions/Amounts	Total 31.12.2017				Total 31.12.2016			
	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	**88,150**				**170,728**			
1. Loans								
1.1 Current accounts and demand deposits	64,364	X	X	X	65,030	X	X	X
1.2 Fixed-term deposits	15,305	X	X	X	89,896	X	X	X
1.3 Other loans:	8,481	X	X	X	15,802	X	X	X
- Outstanding repos	–	X	X	X	–	X	X	X
- Finance lease	–	X	X	X		X	X	X
- Other	8,481	X	X	X	15,802	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	**88,150**			**88,150**	**170,728**			**170,728**

Key:
FV = fair value
BV = book value

Item B.1.2. Fixed-term deposits referring exclusively to the Parent Company comprises the obligatory reserve deposited at the ICBPI (Istituto Centrale Banche Popolari Italiane) of 5,303 thousand euros and an e-mid deposit amounting to 10,002 thousand euros with maturity on 31 January 2018. At 31 December 2016, the obligatory Reserve amounted to 4,889 thousand euros.

Item 1.3 Other loans relates to guarantee margins on derivatives referred to the Bank.

Section 7 – Due from customers – Item 70

7.1 Due from customers: breakdown by product

Type of transactions/Amounts	Total 31.12.2017						Total 31.12.2016					
	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	148,002	–	1,958	X	X	X	113,478	–	2,230	X	X	X
2. Outstanding repos	–	–	–	X	X	X	20,390	–	–	X	X	X
3. Mortgages	158,437	–	1,615	X	X	X	144,084	–	1,770	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	57,596	–	2,144	X	X	X	48,589	–	4,597	X	X	X
Debt securities		–	–					–	–			
8. Structured securities	–	–	–	X	X	X	–	–	–	X	X	X
9Other debt securities	726	–	–	X	X	X	627	–	–	X	X	X
Total	**364,761**	**–**	**5,717**			**373,451**	**327,168**	**–**	**8,597**			**337,672**

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

The item “Due from customers” totalled 370,478 thousand euros (335,765 thousand euros at 31 December 2016).

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 12,125 thousand euros (5,506 thousand euros after the write-downs), comprising:

- **non-performing loans** totalling 8,158 thousand euros (1,917 thousand euros after the write-downs) relating to the following positions:
  - 4,572 thousand euros (921 thousand euros after the write-downs) for the residual amount of a loan resolved on 8 July 2011. The transaction is secured by a first mortgage on property, the value of which – supported by an expert appraisal report revised on 12 January 2018 – covers the entire value of the net exposure. The recoverable amount of the credit is based on the assessed value of the guarantees, taking into account both the time for the collection of credit (in relation to the privileged position of the Bank concerning the real estate collaterals securing the exposure) and the difficulties encountered or which may be encountered in the sale of the properties within the scope of judicial enforcement procedures.
  - 3,586 thousand euros referring to trade receivables of 1,464 thousand euros and to cash loans of 2,122 thousand euros.

  The line-by-line write-downs made totalled 6,241 thousand euros (including 1,447 thousand euros referring to trade receivables).

- **likely defaults** totalling 2,220 thousand euros (1,947 thousand euros after the write-downs) comprising:
  - overdraft facilities amounting to 1,785 thousand euros;
  - mortgage positions of 346 thousand euros (23 thousand euros of overdue instalments and 323 thousand euros of principal about to fall due);
  - trade receivables of 89 thousand euros.

  The line-by-line write-downs made totalled 273 thousand euros (including 76 thousand euros referring to trade receivables);
- other positions **expired or past due** for over 90 days totalling 1,747 thousand euros (1,642 thousand euros after the write-downs).

At 31 December 2017, there are 13 “forborne” exposures of which:

- 5 non-performing positions totalling 995 thousand euros (of which 3 positions included among likely defaults for 299 thousand euros and 2 positions included among past due loans for 696 thousand euros).
- 8 not impaired positions, amounting to 2,820 thousand euros;

As usual, at 31 December 2017, 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 1,962 thousand euros, was higher than the allocations made for this purpose through 31 December 2016, which amounted to 1,891 thousand euros.

In 2017, the Bank recorded 2,331 thousand euros in the income statement item “130 Net value adjustments/write-backs for impairment of: a) loans” for value adjustments, of which 301 thousand euros for receivables write-offs, 71 thousand euros for portfolio value adjustments and 1,959 thousand euros for net specific value adjustments (of which 1,159 thousand euros on a non-performing loan resolved on 8 July 2011. The net value adjustments were partly offset by collections of default interest (included in the income statement item Interest Income) amounting to 284 thousand euros.

At 31 December 2017, the allowance for doubtful receivables totalled 8,581 thousand euros, of which: 6,619 thousand euros, on an itemised basis and 1,962 thousand euros for collective write-downs.

As regards the other Group companies, the subsidiary Finnat Fiduciaria S.p.A. recorded net value adjustments in the period for 9 thousand euros, therefore the allowance for doubtful receivables at 31 December 2017 amounted to 778 thousand euros, while gross impaired loans of 989 thousand euros. The subsidiary InvestiRE SGR S.p.A. had gross impaired loans amounting to 1,980 thousand euros, fully written off in previous years.

Item 7. “Other loans” includes mainly Deposits for margins with the Cassa di Compensazione e Garanzia pertaining to the Bank amounting to 26,647 thousand euros and trade receivables of InvestiRE SGR S.p.A. amounting to 27,273 thousand euros.

Item 9. “Other debt securities” refers to Senior Fin.Re SPV bonds with a nominal value of 2,100 thousand euros held by the Bank and issued within the securitisation of an unsecured non-performing loan.

7.2 Due from customers: breakdown by debtor/issuer

Type of transactions/Amounts	Total 31.12.2017			Total 31.12.2016		
	Non impaired	Impaired		Non impaired	Impaired	
		Purchased	Other		Purchased	Other
1. Debt securities:	**726**	**–**	**–**	**627**	**–**	**–**
a) Governments	–	–	–	–	–	–
b) Other public authorities	–	–	–	–	–	–
c) Other issuers	726	–	–	627	–	–
- non-financial companies	–	–	–	–	–	–
- financial companies	726	–	–	627	–	–
- insurance companies	–	–	–	–	–	–
- other	–	–	–	–	–	–
2. Loans to:	**364,035**	**–**	**5,717**	**326,541**	**–**	**8,597**
a) Governments	–	–	–	–	–	–
b) Other public authorities	–	–	–	–	–	–
c) Other entities	364,035	–	5,717	326,541	–	8,597
- non-financial companies	172,595	–	1,918	156,634	–	4,574
- financial companies	94,656	–	148	95,799	–	162
- insurance companies	–	–	–	–	–	–
- other	96,784	–	3,651	74,108	–	3,861
Total	**364,761**	**–**	**5,717**	**327,168**	**–**	**8,597**

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 31.12.2017			NV 31.12.2017	FV 31.12.2016			NV 31.12.2016
	L1	L2	L3		L1	L2	L3	
A. Financial derivatives								
1) Fair value		–		–		391		17,520
2) Cash flows								
3) Foreign investment								
B. Credit derivatives								
1) Fair value								
2) Cash flows								
Total	**–**	**–**	**–**	**–**	**–**	**391**	**–**	**17,520**

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

The item, referring exclusively to the Bank, present as at 31 December 2016, 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 significant influence						
1. Prévira Invest SIM S.p.A. in liquidation	Rome	Rome	Significant influence	Banca Finnat	20.00	
2. Imprebanca S.p.A.	Rome	Rome	Significant influence	Banca Finnat	20.00	

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 2017, 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	Profit (loss) from current operations after taxes	Income (loss) from groups of assets being disposed after taxes	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	6,457	45,446	45,446	868	(203)	–	(203)	(98)	(301)

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 31.12.2017	Total 31.12.2016
A. Opening balance	**8,264**	**10,549**
B. Increases	**–**	**787**
B.1 Purchases	–	–
B.2 Write-backs	–	–
B.3 Revaluations	–	–
B.4 Other changes	–	787
C. Decreases	**1,807**	**3,072**
C.1 Sales	–	2,840
C.2 Value adjustments	1,708	199
C.3 Other changes	99	33
D. Closing balance	**6,457**	**8,264**
E. Total revaluations	**–**	**–**
F. Total adjustments	**1,708**	**199**

Item C.2 Value adjustments comprises the associate Imprebanca S.p.A. (1,502 thousand euros) and the associate Previra S.p.A. (206 thousand euros).

Section 12 – Tangible assets – Item 120

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

Assets/Amounts	Total 31.12.2017	Total 31.12.2016
1. Owned assets	**5,079**	**5,304**
a) land	1,308	1,308
b) buildings	2,297	2,441
c) furniture	913	924
d) electronic equipment	506	540
e) other	55	91
2 Assets acquired under finance lease	**–**	**–**
a) land	–	–
b) buildings	–	–
c) furniture	–	–
d) electronic equipment	–	–
e) other	–	–
Total	**5,079**	**5,304**

12.5 Tangible assets for functional use: annual changes

		Land	Buildings	Furniture	Electronic equipment	Other	Total
A.	**Gross opening balance**	**1,308**	**5,814**	**2,849**	**4,747**	**468**	**15,186**
A.1	Net total impairment	–	3,373	1,925	4,207	377	9,882
A.2	**Net opening balance**	**1,308**	**2,441**	**924**	**540**	**91**	**5,304**
B.	**Increases:**	**–**	**4**	**74**	**147**	**25**	**250**
B.1	Purchases	–	4	74	147	25	250
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	–	–	–	–	–	–
C.	**Decreases:**	**–**	**148**	**85**	**181**	**61**	**475**
C.1	Sales	–	–	–	–	–	–
C.2	Depreciation	–	148	85	181	61	475
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**	**2,297**	**913**	**506**	**55**	**5,079**
D.1	Net total impairment	–	3,521	2,010	4,388	438	10,357
D.2	Gross closing balance	1,308	5,818	2,923	4,894	493	15,436
E.	Valuation at cost						

Section 13 – Intangible assets – Item 130

13.1 Intangible assets: breakdown by asset

Assets/Amounts	Total 31.12.2017		Total 31.12.2016	
	Definite life	Indefinite life	Definite life	Indefinite life
A.1 Goodwill:	**X**	**37,729**	**X**	**37,729**
A.1.1 pertaining to the Group	X	19,074	X	19,074
A.1.2 pertaining to minority interests	X	18,655	X	18,655
A.2 Other intangible assets	**557**	**2,726**	**567**	**2,726**
A.2.1 Assets carried at cost:	557	2,726	567	2,726
a) Intangible assets generated internally	–	–	–	–
b) Other assets	557	2,726	567	2,726
A.2.2 Assets carried at fair value:	–	–	–	–
a) Intangible assets generated internally	–	–	–	–
b) Other assets	–	–	–	–
Total	**557**	**40,455**	**567**	**40,455**

Item A.1 Goodwill amounting to 37,729 thousand euros refers:

- 300 thousand euros 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, to the goodwill recognised by the subsidiary InvestiRE SGR S.p.A. as a result of the merger by absorption, in 2015, of Beni Stabili Gestioni SGR S.p.A. and Polaris RE SGR S.p.A. The adequacy assessment was based on the estimate of the projected cash flows to be discounted according to the Discounted Free Cash Flow to the Firm method, adopted taking into account both the characteristics of the business and the current and prospective situation of the company. For the purposes of discounting the cash flows and the terminal value, a rate representing the weighted average cost of the capital invested in the Company (WACC) which, in this specific case, matches the cost of capital Ke, inasmuch as InvestiRE SGR S.p.A. is characterised by the current and expected absence of financial payables. The financial parameters used to calculate the WACC were defined on the basis of average market values, measured also by sample testing comparable entities.

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.

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	**37,729**	**–**	**–**	**4,187**	**3,710**	**45,626**
A.1 Net total impairment	–	–	–	3,620	984	4,604
A.2 Net opening balance	37,729	–	–	567	2,726	41,022
B. Increases	**–**	**–**	**–**	**158**	**–**	**158**
B.1 Purchases	–	–	–	158	–	158
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	**–**	**–**	**–**	**168**	**–**	**168**
C.1 Sales	–	–	–	–	–	–
C.2 Value adjustments	–	–	–	168	–	168
(-) Amortisation	X	–	–	168	–	168
(-) 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	**37,729**	**–**	**–**	**557**	**2,726**	**41,012**
D.1 Total net value adjustments	–	–	–	3,788	984	4,772
E. Gross closing balance	**37,729**	**–**	**–**	**4,345**	**3,710**	**45,784**
F. Valuation at cost	–	–	–	–	–	

Key:
DEF = Definite life
INDEF = Indefinite life

Section 14 – Tax assets and liabilities – Items 140 (assets) and 80 (liabilities)

Current tax liabilities totalled 605 thousand euros (1,802 thousand euros at 31 December 2016) and concerned mainly Irap receivables of the subsidiary InvestiRE SGR S.p.A. of 484 thousand euros.

Current tax liabilities total 2,972 thousand euros (565 thousand euros at 31 December 2016) and mainly concern current Irap tax payables of the Bank, amounting to 2,043 thousand euros and for the domestic consolidated tax system amounting to 465 thousand euros, payables for Ires surtax due by the Bank amounting to 25 thousand euros and VAT payables of 214 thousand euros.

14.1 Advance tax assets: breakdown

	Total 31.12.2017	Total 31.12.2016
a) Of which per Italian Law 214/2011	**11,044**	**12,594**
Goodwill	10,508	12,009
Write-down of receivables set forth in Article 106 par. 3 of the TUIR	536	585
b) Other	**1,404**	**1,607**
Write-down of securities	833	1,056
Write-down of receivables	179	195
Staff severance fund – IAS change	169	160
Other	223	196
Total	**12,448**	**14,201**

Advance taxes refer primarily to a lower tax burden in perspective, related to the amortisation of goodwill in the forthcoming years. Of these, 547 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 9,961 thousand euros referred to the subsidiary InvestiRE SGR. for the goodwill recognised in 2015 as a result of the merger by absorption of Beni Stabili Gestioni SGR S.p.A. and Polaris RE SGR S.p.A.

14.2 Deferred tax liabilities: breakdown

	Total 31.12.2017	Total 31.12.2016
Revaluation of securities	841	2,763
Allocation of merger deficit on securities	40	40
Placement commissions	92	215
Other	72	19
Total	**1,045**	**3,037**

Prepaid and deferred taxes have been determined applying the IRES rate, any IRES surtax and, where applicable, the IRAP rate in force at the date of preparation of these consolidated 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 force through 31 December 2013.

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 31.12.2017	Total 31.12.2016
1. Opening balance	**13,493**	**16,872**
2. Increases	**48**	**21**
2.1 Advance taxes recognised in the year	48	21
a) relating to previous years	–	–
b) due to the change in the accounting policies	–	–
c) write-backs	–	–
d) other	48	21
2.2 New taxes or increases in tax rates	–	–
2.3 Other increases	–	–
- of which business combinations	–	–
3. Decreases	**1,578**	**3,400**
3.1 Advance taxes cancelled during the year	1,578	2,044
a) reallocations	1,578	2,044
b) write-downs due to irrevocability	–	–
c) change in the accounting policies	–	–
d) other	–	–
3.2 Reductions in tax rates	–	1,356
3.3 Other decreases	–	–
a) transformation into tax receivables set forth in Italian Law no. 214/2011	–	–
b) other	–	–
4. Closing balance	**11,963**	**13,493**

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 31.12.2017	Total 31.12.2016
1. Opening balance	**12,594**	**14,329**
2. Increases	**–**	**–**
3. Decreases	**1,550**	**1,735**
3.1 Reallocations	1,550	1,735
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	**11,044**	**12,594**

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

	Total 31.12.2017	Total 31.12.2016
1. Opening balance	**2,277**	**2,953**
2. Increases	**53**	**8**
2.1 Deferred taxes recorded in the year	53	8
a) relating to previous years	–	–
b) due to the change in the accounting policies	–	–
c) other	53	8
2.2 New taxes or increases in tax rates	–	–
2.3 Other increases	–	–
- of which business combinations	–	–
3. Decreases	**2,125**	**684**
3.1 Deferred taxes cancelled during the year	2,125	658
a) reallocations	2,125	658
b) due to the change in the accounting policies	–	
c) other	–	–
3.2 Reductions in tax rates	–	26
3.3 Other decreases	–	–
4. Closing balance	**205**	**2,277**

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

	Total 31.12.2017	Total 31.12.2016
1. Opening balance	**708**	**1,401**
2. Increases	**44**	**265**
2.1 Advance taxes recognised in the year	44	239
a) relating to previous years	–	–
b) due to the change in the accounting policies	–	–
c) other	44	239
2.2 New taxes or increases in tax rates	–	–
2.3 Other increases	–	26
- of which business combinations	–	–
3. Decreases	**267**	**958**
3.1 Advance taxes cancelled during the year	267	54
a) reallocations	267	54
b) write-downs due to irrevocability	–	–
c) due to the change in the accounting policies	–	–
d) other	–	–
3.2 Reductions in tax rates	–	54
3.3 Other decreases	–	850
- of which business combinations	–	–
4. Closing balance	**485**	**708**

14.6 Changes in deferred taxes (with corresponding item in net equity)

	Total 31.12.2017	Total 31.12.2016
1. Opening balance	**760**	**973**
2. Increases	**542**	**318**
2.1 Deferred taxes recorded in the year	542	318
a) relating to previous years	–	–
b) due to the change in the accounting policies	–	–
c) other	542	318
2.2 New taxes or increases in tax rates	–	–
2.3 Other increases	–	–
3. Decreases	**462**	**531**
3.1 Deferred taxes cancelled during the year	462	531
a) reallocations	462	531
b) due to the change in the accounting policies	–	–
c) other	–	–
3.2 Reductions in tax rates	–	–
3.3 Other decreases	–	–
4. Closing balance	**840**	**760**

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 net 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 interest 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 Millenium Advisory S.A. The 2nd level decision, 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 31.12.2017	Total 31.12.2016
Receivables for guarantee deposits	503	475
Deposits with Cassa Compensazione e Garanzia	5,789	8,572
Due from counterparties and brokers	65	35
Tax credits as withholding tax	9,885	2,427
Sundry receivables	4,178	6,687
Total	**20,420**	**18,196**

LIABILITIES

Section 1 – Due to banks – Item 10

1.1 Due to banks: breakdown by product

Type of transactions/Group components	Total 31.12.2017	Total 31.12.2016
1. Due to Central Banks	**–**	**–**
2. Due to banks	**1,474**	**1,203**
2.1 Current accounts and demand deposits	1,474	533
2.2 Fixed-term deposits	–	–
2.3 Loans	–	670
2.3.1 reverse repos	–	–
2.3.2 other	–	670
2.4 Amounts due under repurchase agreements of own equity instruments	–	–
2.5 Other liabilities	–	–
Total	**1,474**	**1,203**
Fair value-level 1	–	
Fair value-level 2		
Fair value-level 3	1,474	1,203
Total Fair value	**1,474**	**1,203**

Payables due to banks refer only to the Parent Company.

Item 2.3.2 Other loans of 2016 related to guarantee margins on derivatives.

Section 2 – Due to customers – Item 20

2.1 Due to customers: breakdown by product

Type of transactions/Group components	Total 31.12.2017	Total 31.12.2016
1. Current accounts and demand deposits	428,360	491,938
2. Fixed-term deposits	68,592	62,905
3. Loans	980,102	940,168
3.1 reverse repos	980,102	940,168
3.2 Other	–	–
4. Amounts due under repurchase agreements of own equity instruments	–	–
5. Other payables	17,493	1,308
Total	**1,494,547**	**1,496,319**
Fair value-level 1		
Fair value-level 2		
Fair value-level 3	1,494,547	1,496,319
Total Fair value	**1,494,547**	**1,496,319**

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 31.12.2017				Total 31.12.2016			
	Book value	Fair value			Book value	Fair value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
A. Securities	**22,594**	**–**	**–**	**22,526**	**23,825**	**–**	**–**	**23,791**
1. bonds	22,594	–	–	22,526	23,825	–	–	23,791
1.1 structured	–			–				
1.2 other	22,594			22,526	23,825			23,791
2. other securities	–	–	–	–	–	–	–	–
2.1 structured	–			–				
2.2 other	–			–				
Total	**22,594**	**–**	**–**	**22,526**	**23,825**	**–**	**–**	**23,791**

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 7,407 thousand euros.

Section 4 – Financial liabilities held for trading – Item 40

4.1 Financial liabilities held for trading: breakdown by product

Type of transactions/ Amounts	Total 31.12.2017					Total 31.12.2016				
	NV	FV			FV*	NV	FV			FV*
		L1	L2	L3			L1	L2	L3	
A. Cash liabilities	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
1. Due to banks										
2. Due to customers	–	–	–	–	–	–	–	–	–	–
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	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
B. Derivatives	**–**	**–**	**143**	**–**			**–**	**10,772**	**–**	
1. Financial derivatives		–	143	–			–	10,772	–	
1.1 Held for trading	X	–	143	–	X	X	–	10,772	–	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**	**–**	**143**	**–**	**X**	**X**	**–**	**10,772**	**–**	**X**
Total (A + B)	**X**	**–**	**143**	**–**	**X**	**X**	**–**	**10,772**	**–**	**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 of 97 thousand euros (10,662 thousand euros as at 31 December 2016) and the fair value measurement of an Interest Rate Swap Amortising of 46 thousand euros. This derivative is a hedging transaction for managing an interest rate risk.

Section 8 – Tax liabilities – Item 80

See Section 14 of the assets.

Section 10 – Other liabilities – Item 100

10.1 Other liabilities: breakdown

	Total 31.12.2017	Total 31.12.2016
Social security and insurance contributions to be paid	1,682	1,359
Payables to employees and contractors	4,522	1,786
Emoluments to be paid to the Directors	92	83
Emoluments to be paid to the Board of Statutory Auditors	177	124
Due to suppliers	1,479	881
Shareholders for dividends to be paid	1,299	1,189
Payables to brokers and institutional counterparties	123	29
Tax payables as withholding tax	3,229	2,093
Other payables	5,385	4,557
Total	**17,988**	**12,101**

Section 11 – Staff severance fund – Item 110

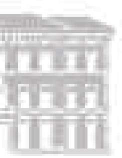
11.1 Staff severance fund: annual changes

	Total 31.12.2017	Total 31.12.2016
A. Opening balance	**4,839**	**4,405**
B. Increases	**1,519**	**1,704**
B.1 Allocation for the year	1,519	1,704
B.2 Other changes	–	–
- of which Business combinations	–	–
C. Decreases	**1,388**	**1,270**
C.1 Severance indemnities paid out	605	362
C.2 Other changes	783	908
D. Closing balance	**4,970**	**4,839**

Item B.1 Allocation for the year, includes the actuarial loss of 31 thousand euros recognised among valuation reserves - net of the tax effect - in accordance with IAS 19. In 2016, an actuarial loss of 252 thousand euros was recorded.

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 0.3122% and 1.7179%, determined on the basis of the rate curve built in view of the effective yield rate of the bonds in Euro of leading companies rated AA or higher;
- annual inflation rate 1.50%

Section 12 - Provisions for risks and charges - Item 120

12.1 Provisions for risks and charges: breakdown

Items/Components	Total 31.12.2017	Total 31.12.2016
1. Company pension funds	–	–
2. Other provisions for risks and charges	548	448
2.1 Legal disputes	–	–
2.2 Staff costs	–	–
2.3 Other	548	448
Total	**548**	**448**

12.2 Provisions for risks and charges: annual changes

Items/Components	Pension funds	Other provisions	Total
A. Opening balance		**448**	**448**
B. Increases		**100**	**100**
B.1 Allocation for the year	–	100	100
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	**–**	**548**	**548**

12.4 Provisions for risks and charges - other provisions

The item, referring exclusively to the Bank, was commented in the corresponding Section of the separate financial statements.

Section 15 – Group equity – Items 140, 170, 190, 200 and 220

15.1 “Share capital” and “Own shares”: Breakdown

At 31 December 2017, 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 28,810,640 own shares, amounting to 7.94% of the share capital (29,492,710 at 31 December 2016).

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 2017 were used to adjust the equity for an amount of 14,059 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 (-)	(29,492,710)	
A.2 Outstanding shares: opening balance	333,387,290	
B. Increases	**682,070**	
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	682,070	
B.3 Other changes		
C. Decreases	**–**	
C.1 Cancellation		
C.2 Purchase of own shares	–	
C.3 Disposal of companies		
C.4 Other changes		
D. Outstanding shares: closing balance	**334,069,360**	
D.1 Own shares (+)	28,810,640	
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: other information

The "Reserves" item amounts to 125,101 thousand euros (121,601 thousand euros at 31 December 2016) and is broken down as follows:

- Retained earnings of the Bank of 89,670 thousand euros consisting of the legal reserve of 9,367 thousand euros, extraordinary reserve of 58,482 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, own shares purchased of 14,059 thousand euros and the residual amount of reserve for purchase of own shares of 333 thousand euros;
- other reserves of 35,431 thousand euros consisting of the reserve for the realised gain on own shares for 4,277 thousand euros and the consolidation reserve 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 31.12.2017	Total 31.12.2016
Equity investments in consolidated companies with significant interests in third parties		
1. Investire SGR S.p.A.	41,601	40,403
Other equity investments	537	567
Total	**42,138**	**40,970**

The item Other equity investments refers exclusively to Finnat Gestioni S.A.

OTHER INFORMATION

1. Guarantees given and commitments

Transactions	Amount 31.12.2017	Amount 31.12.2016
1) Financial guarantees given	4,772	8,126
a) Banks	545	502
b) Customers	4,227	7,624
2) Commercial guarantees given	137	164
a) Banks	–	–
b) Customers	137	164
3) Irrevocable commitments to disburse funds	11,787	21,269
a) Banks	157	200
i) for certain use	157	200
ii) for uncertain use	–	–
b) Customers	11,630	21,069
i) for certain use	174	14,166
ii) for uncertain use	11,456	6,903
4) Commitments underlying credit derivatives: sales for protection	–	–
5) Assets pledged as guarantee of the obligations of third parties	–	–
6) Other commitments	2,247	1,064
Total	**18,943**	**30,623**

Item 1) a) Banks shows the Bank's commitment towards the Interbank Fund for the Protection of Deposits, amounting to 523 thousand euros.

2. Assets pledged as guarantee of own liabilities and commitments

Portfolios	Amount 31.12.2017	Amount 31.12.2016
1. Financial assets held for trading	–	–
2. Financial assets carried at fair value	–	–
3. Available-for-sale financial assets	983,637	943,762
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	2,425,686
1. settled	2,423,098
2. unsettled	2,588
b) sales	2,321,957
1. settled	2,317,134
2. unsettled	4,823
2. Portfolio management	
a) individual	771,503
b) collective	6,506,541
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	2,183,631
1. securities issued by companies included in the consolidation	78,868
2. other securities	2,104,763
c) third-party securities lodged with third parties	2,177,406
d) own securities lodged with third parties	1,277,132
4. Other transactions	**1,458,411**

Item 2 Portfolio management - b) collective refers to the NAV of the assets managed by Investire SGR and of the assets managed by Natam.

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 2017	Total FY 2016
1. Financial assets held for trading	465	–	–	465	107
2. Financial assets carried at fair value	–	–	–	–	–
3. Available-for-sale financial assets	423	–	–	423	1,114
4. Financial assets held to maturity	2	–	–	2	45
5. Due from banks	–	(101)	–	(101)	(212)
6. Due from customers	36	6,113	–	6,149	5,498
7. Hedging derivatives	X	X	–	–	–
8. Other assets	X	X	(201)	(201)	(158)
Total	**926**	**6,012**	**(201)**	**6,737**	**6,394**

1.4 Interest expense and similar expense: breakdown

Items/Categories	Payables	Securities	Other transactions	Total FY 2017	Total FY 2016
1. Due to Central Banks	–	X	–	–	–
2. Due to banks	(9)	X	–	(9)	(8)
3. Due to customers	(2,303)	X	–	(2,303)	(1,389)
4. Outstanding securities	X	15	–	15	51
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	**(2,312)**	**15**	**–**	**(2,297)**	**(1,346)**

Interest margin totals 9,034 thousand euros, versus 7,740 thousand euros in the previous financial year, with an increase by 1,294 thousand euros.

Section 2 – Commissions – Items 40 and 50

2.1 Commission income: breakdown

Type of services/Amounts	Total FY 2017	Total FY 2016
a) guarantees given	110	104
b) credit derivatives	–	–
c) administration, brokerage and consultancy services:	51,706	52,091
1. trading in financial instruments	4,194	4,310
2. trading in currencies	–	–
3. portfolio management	5,941	40,032
3.1. individual	5,941	4,571
3.2. collective	–	35,461
4. custody and administration of securities	1,939	1,942
5. custodian bank	–	–
6. securities placement	3,472	4,024
7. acceptance of trading orders	1	–
8. consulting	1,231	1,352
8.1 investments	419	500
8.2 financial structure	812	852
9. distribution of third-party services	34,928	431
9.1. portfolio management	34,118	–
9.1.1 individual	–	–
9.1.2 collective	34,118	–
9.2. insurance policies	683	431
9.3. other products	127	–
d) collection and payment services	258	187
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	309	247
j) other services	733	623
Total	**53,116**	**53,252**

2.2 Commission expense: breakdown

Services/Amounts	Total FY 2017	Total FY 2016
a) guarantees received	–	–
b) credit derivatives	–	–
c) management and brokerage services:	1,998	1,352
1. trading in financial instruments	520	423
2. trading in currencies	–	–
3. portfolio management:	290	281
3.1 own portfolio	32	25
3.2 third-party portfolio	258	256
4. custody and administration of securities	278	227
5. placement of financial instruments	910	421
6. sales of financial instruments, products and services through other outlets	–	–
d) collection and payment services	68	59
e) other services	470	736
Total	**2,536**	**2,147**

Net commissions amount to 50,580 thousand euros versus 51,105 thousand euros in the previous financial year.

Section 3 – Dividends and similar income – Item 70

3.1 Dividends and similar income: breakdown

Items/Income	Total FY 2017		Total FY 2016	
	Dividends	Income from UCI units	Dividends	Income from UCI units
A. Financial assets held for trading	2	1	17	–
B. Available-for-sale financial assets	981	1,822	1,183	1,803
C. Financial assets carried at fair value	–	–	–	–
D. Equity investments	–	X	–	X
Total	**983**	**1,823**	**1,200**	**1,803**

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	**901**	**1,027**	**119**	**378**	**1,431**
1.1 Debt securities	237	74	35	312	(36)
1.2 Equity securities	497	936	28	57	1,348
1.3 UCI units	167	17	56	9	119
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**	**82**
4. Derivatives	**186**	**109**	**2**	**89**	**213**
4.1 Financial derivatives:	186	109	2	89	213
- On debt securities and interest rates	64	–	–	84	(20)
- On equity securities and stock indices	122	109	2	5	224
- On currencies and gold	X	X	X	X	9
- Other	–	–	–	–	–
4.2 Credit derivatives	–	–	–	–	–
Total	**1,087**	**1,136**	**121**	**467**	**1,726**

Net income from trading activities, referring exclusively to the Bank, features a positive balance of 1,726 thousand euros, compared to 1,896 thousand euros in 2016, and may be broken down as follows:

- Positive difference between unrealised capital gains and losses, in connection with the fair value measurement of the trading portfolio, totalling 902 thousand euros;
- A positive balance between realised profits and losses related to trading on securities and derivatives of 669 thousand euros;
- Positive difference of 155 thousand euros between realised profits and losses and unrealised capital gains and losses in connection with the fair value measurement of currency forwards and of Interest Rate Swap Amortising.

Section 5 - Net income from hedging activities - Item 90

5.1 Net income from hedging activities: breakdown

Income items/Amounts	Total FY 2017	Total FY 2016
A. Income relating to:		
A.1 Fair value hedging derivatives	1,070	2,918
A.2 Hedged financial assets (fair value)	–	–
A.3 Hedged financial liabilities (fair value)	–	–
A.4 Financial derivatives hedging cash flows	–	–
A.5 Assets and liabilities denominated in a foreign currency	–	–
Total income from hedging activities (A)	**1,070**	**2,918**
B. Expense referred to:		
B.1 Fair value hedging derivatives	–	–
B.2 Hedged financial assets (fair value)	1,070	2,918
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)	**1,070**	**2,918**
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 2017			Total FY 2016		
	Profit	Losses	Net income	Profit	Losses	Net income
Financial assets						
1. Due from banks	–	–	–	–	–	–
2. Due from customers	–	–	–	–	–	–
3. Available-for-sale financial assets	38,185	7	38,178	2,999	211	2,788
3.1 Debt securities	12	–	12	516	36	480
3.2 Equity securities	38,173	–	38,173	2,483	–	2,483
3.3 UCI units	–	7	(7)	–	175	(175)
3.4 Loans	–	–	–	–	–	–
4. Financial assets held to maturity	–	–	–	–	–	–
Total assets	**38,185**	**7**	**38,178**	**2,999**	**211**	**2,788**
Financial liabilities						
1. Due to banks	–	–	–	–	–	–
2. Due to customers	–	–	–	–	–	–
3. Outstanding securities	–	–	–	–	–	–
Total liabilities	**–**	**–**	**–**	**–**	**–**	**–**

Item 3.2 Equity securities relates to the capital gains realised by the Bank for the sale of the London Stock Exchange Group plc shares, amounting to 36,243 thousand euros, and of Anima Holding S.p.A. shares, amounting to 1,904 thousand.

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 2017 (1) - (2)	Total FY FY 2016
	Specific		Portfolio	Specific		Portfolio			
	Derecognition	Other		A	B	A	B		
A. Due from banks	–	–	–	–	–	–	–	–	–
- Loans	–	–	–	–	–	–	–	–	–
- Debt securities	–	–	–	–	–	–	–	–	–
B. Due from customers	386	2,444	71	107	454	–	–	2,340	185
Purchased impaired loans	–	–	–	–	–	–	–	–	–
- Loans	–	–	X	–	–	X	X	–	–
- Debt securities	–	–	X	–	–	X	X	–	–
Other receivables	386	2,444	71	107	454	–	–	2,340	185
- Loans	386	2,444	71	107	454	–	–	2,340	185
- Debt securities	–	–	–	–	–	–	–	–	–
C. Total	**386**	**2,444**	**71**	**107**	**454**	**–**	**–**	**2,340**	**185**

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

The net value adjustments for impairment, amounting to 2,340 thousand euros, refer to the Bank (2,331 thousand euros) and to Finnat Fiduciaria (9 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 2017 (1) - (2)	Total FY 2016
	Specific		Specific			
	Derecognition	Other	A	B		
A. Debt securities	–	–	–	–	–	–
B. Equity securities	–	705	X	X	705	1,522
C. UCI units	–	3,072	X	–	3,072	4,135
D. Loans to banks	–	–	–	–	–	–
E. Loans to customers	–	–	–	–	–	–
F. Total	**–**	**3,777**	**–**	**–**	**3,777**	**5,657**

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

The adjustments on equity securities held by the Bank refer to CSE S.r.l. shares amounting to 596 thousand euros, to Net Insurance S.p.A. shares amounting to 68 thousand euros and Cassa di Risparmio di Cesena S.p.A. amounting to 41 thousand euros. The adjustments on UCI units refer to the Bank for 2,951 thousand euros (FIP for 2,222 thousand euros, Apple for 727 thousand euros and New Millennium Sif for 2 thousand euros and to the subsidiary InvestiRE SGR S.p.A. for 121 thousand euros (Obelisco for 120 thousand euros and Securfondo for 1 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 2017 (1) - (2)	Total FY FY 2016
	Specific		Portfolio	Specific		Portfolio			
	Derecognition	Other		A	B	A	B		
A. Guarantees given	–	–	–	–	–	–	–	–	–
B. Credit derivatives	–	–	–	–	–	–	–	–	–
C. Commitments to disburse funds	–	–	–	–	–	–	–	–	–
D. Other transactions	–	2	–	–	–	–	–	2	–
E. Total	**–**	**2**	**–**	**–**	**–**	**–**	**–**	**2**	**–**

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

Net value adjustments for impairment of other financial transactions relate to two sureties issued by the Bank.

Section 11 – Administrative expenses – Item 180

11.1 Staff costs: breakdown

Type of expense/Segments	Total FY 2017	Total FY 2016
1) Staff	32,643	29,059
a) wages and salaries	23,673	20,916
b) social security charges	6,125	5,354
c) staff severance fund	626	615
d) welfare charges	–	–
e) allocation for staff severance fund	447	427
f) allocation to pensions and similar commitments:	–	–
- defined contribution	–	–
- defined benefit	–	–
g) allocation to external supplementary retirement benefit plans:	426	421
- defined contribution	426	421
- defined benefit	–	–
h) costs due to payment agreements based on own capital instruments	–	–
i) other benefits in favour of employees	1,346	1,326
2) Other active staff	533	384
3) Directors and statutory auditors	1,522	1,653
4) Inactive staff	–	–
Total	**34,698**	**31,096**

The item increased by 3,602 thousand euros compared to the previous year. The change consists of the increase by 1,940 thousand euros referred to InvestiRE SGR S.p.A., by 1,438 thousand euros referred to the Bank, of 188 thousand euros referred to Natam and by 36 thousand euros referred to the other subsidiaries. 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 2017	Total FY 2016
Staff	**328**	**321**
(a) senior managers	49	51
(b) executives	109	104
(c) rest of staff	170	166
Other staff	**9**	**9**

11.4 Other benefits in favour of employees

Employee benefits amount to 1,346 thousand euros (versus 1,326 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 2017	Total FY 2016
Rentals and condominium fees	3,039	2,885
Membership fees	191	206
EDP materials	71	98
Stationery and printing supplies	78	134
Consulting and outsourced professional services	3,087	1,740
Outsourcing services	1,942	1,833
Auditing company fees	340	216
Maintenance	1,068	886
Utilities and connections	1,673	1,789
Postal, transport and shipment fees	82	84
Insurance companies	244	229
Public relations and advertising expenses	174	312
Office cleaning	329	308
Books, newspapers and magazines	69	80
Entertainment expenses	478	331
Travel expenses and mileage based reimbursements	542	510
Other duties and taxes	4,049	3,628
Security charges	178	164
Contributions to National Resolution Fund and Interbank Fund for the Protection of Deposits	463	1,279
Other	1,267	1,606
Total	**19,364**	**18,318**

The other administrative expenses increased by 1,046 thousand euros compared to the previous financial year. The increase refers to the Bank (1,055 thousand euros) and to Natam (131 thousand euros) while InvestiRE SGR S.p.A. and the other companies of the group experienced a decrease respectively of 137 thousand euros and of 3 thousand euros.

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 2017 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 2017
Auditing services	EY S.p.A.	228
Auditing services	Dreieck Fiduciaria SA	4
Auditing services	PwC	16
Declaration of compliance services	EY S.p.A.	9
Other services	Dreieck Fiduciaria SA	2
Total		**259**

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), ordinary 770 and single certification form.
Payments do not include VAT, expense repayments and supervisory contribution. The total expense amounts to 340 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 FY 2017	Total FY 2016
Allocations	100	–
Utilisation	–	619
Total	**100**	**(619)**

The item, referring exclusively to the Bank, was commented in Section 12 - "Provisions for risks and charges - Item 120" of the liabilities in the separate Financial Statements.

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	475	–	–	475
- Functional use	475	–	–	475
- For investment	–	–	–	–
A.2 Acquired under finance lease	–	–	–	–
- Functional use	–	–	–	–
- For investment	–	–	–	–
Total	**475**	**–**	**–**	**475**

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	168	–	–	168
- Generated internally by the company	–	–	–	–
- Other	168	–	–	168
A.2 Acquired under finance lease	–	–	–	–
Total	**168**	**–**	**–**	**168**

Section15 – Other operating income/expenses – Item 220

15.1 Other operating expense: breakdown

	Total FY 2017	Total FY 2016
Amounts reimbursed to customers	3	7
Amortisation for improvements to third party assets	43	54
Other expense	114	764
Total	**160**	**825**

15.2 Other operating income: breakdown

	Total FY 2017	Total FY 2016
Rental income	128	132
Recovery of stamp duty	3,597	3,164
Recovery of substitute tax	99	156
Recovery of other expenses	569	562
Dividend and prescription waiver	185	158
Other income	1,092	401
Total	**5,670**	**4,573**

Other operating income and expenses show a positive balance of 5,510 thousand euros versus 3,748 thousand euros of 2016. The item "Other operating income" comprises the recoveries of costs from customers, amounting to 4,265 thousand euros (3,882 thousand euros in the past year).

The other income also includes the positive result referred to the trading, by the Bank, of certificates representing greenhouse gas emission allowances, amounting to 104 thousand euros, while last year they were among the Other expenses and amounted to 257 thousand euros (entirely offset by gains on CO2 futures recorded under "80. Net income from trading activities" amounting to 408 thousand euros).

Section 16 – Profit (loss) from equity investments – Item 240

16.1 Profit (loss) from equity investments: breakdown

Income items/Segments	Total FY 2017	Total FY 2016
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 subject to significant influence		
A. Income	–	574
1. Revaluations	–	–
2. Profit from disposals		572
3. Write-backs	–	–
4.Other income	–	2
B. Expense	1,708	199
1. Write-downs	–	199
2. Value adjustments for impairment	1,708	–
3. Losses from disposals	–	–
4. Other expense	–	–
Net income	**(1,708)**	**375**
Total	**(1,708)**	**375**

Item B.2 Value adjustments for impairment comprises the associate Imprebanca S.p.A. (1,502 thousand euros) and the associate Previra S.p.A. (206 thousand euros).

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 2017	Total FY 2016
1.	Current taxes (-)	(5,499)	(3,401)
2.	Changes in current taxes compared with previous years (+/-)	(58)	689
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 (+/-)	(1,530)	(3,379)
5.	Change in deferred taxes (+/-)	2,072	676
6.	**Income taxes for the year (-) (-1+/-2+3+3bis+/-4+/-5)**	**(5,015)**	**(5,415)**

Current taxes refer to the Bank (2,680 thousand euros), to InvestiRE SGR S.p.A., (2,706 thousand euros), to the other companies of the group for the difference.

The change in advanced taxes refers mainly to InvestiRE SGR S.p.A. (1,113 thousand euros) while the change in deferred taxes refers mainly to the Bank (1,954 thousand euros).

20.2 Reconciliation of the theoretical tax charge with the actual tax charge

	FY 2017		
	IRES	IRAP	TOTAL
Pre-tax profit (loss)	45,202	45,202	
Applicable tax rate	24.00	5.57	29.57
THEORETICAL TAX CHARGE	**(10,848)**	**(2,518)**	**(13,366)**
3.5% IRES surtax for credit and financial institutions	(1,310)		(1,310)
THEORETICAL GLOBAL TAX CHARGE	**(12,158)**	**(2,518)**	**(14,676)**
Effect of income that is exempt or taxed with concessional rates	9,351	810	10,161
Effect of charges that are fully or partially non-deductible	(887)	(478)	(1,365)
Effect of income/charges that are not included in the IRAP taxable income	–	(1,129)	(1,129)
Change in deferred taxes	442	1,609	2,051
Changes in current taxes compared with previous years	(57)		(57)
Rate change on advance/ deferred taxes	–		–
CURRENT TAX CHARGE	**(3,309)**	**(1,706)**	**(5,015)**

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	Total FY 2017	Total FY 2016
Consolidated equity investments with significant interests in third parties		
1. InvestiRE SGR S.p.A.	3,782	2,561
Other equity investments	97	93
Total	**3,879**	**2,654**

The item Other equity investments refers exclusively to Finnat Gestioni S.A.

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 shareholders, 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.

	31.12.2017	**31.12.2016**
Profit (loss) for the year (in euros)	36,307,587	7,295,788
Weighted average of ordinary shares	333,640,587	333,521,822
Basic earnings (loss) per share	0.108822	0.021875

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

	31.12.2017	**31.12.2016**
Adjusted profit (loss) for the year (in euros)	36,307,587	7,295,788
Weighted average of ordinary shares with diluted capital	333,640,587	333,521,822
Diluted earnings (loss) per share	0.108822	0.021875

Since the Bank has no transactions under way that might determine changes to the number of outstanding shares and the earnings (loss) of ordinary shareholders, 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**	**40,187**
Other income items without reallocation to income statement			
20. Tangible assets			
30. Intangible assets			
40. Defined-benefit plans	**(31)**	**8**	**(23)**
50. Non-current assets being disposed			
60. Share of valuation reserves of equity investments valued by equity method	**(98)**	**–**	**(98)**
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:	**(27,789)**	**(312)**	**(28,101)**
a) changes in fair value	166	345	511
b) reallocation to income statement	(27,955)	(657)	(28,612)
- adjustments from impairment	3,656	(1,016)	2,640
- profits/losses from disposal	(31,611)	359	(31,252)
c) other changes	–	–	–
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	**(27,918)**	**(304)**	**(28,222)**
140. Comprehensive income (Item 10+130)	**(27,918)**	**(304)**	**11,965**
150. Consolidated comprehensive income pertaining to minority interests			**3,898**
160. Consolidated comprehensive income pertaining to the Parent Company			**8,067**

The positive change of 28,101 thousand euros in Item 100 Available for sale financial assets was caused by the following investments:

of the Parent Company

(-) 28,422 thousand euros, to the London Stock Exchange Group plc shares as a result of the reversal of the positive reserve of the previous year following the sale, during the year, of all shares held;

(-) 1,216 thousand euros, to the Anima Holding S.p.A. shares as a result of the reversal of the positive reserve of the previous year following the sale, during the year, of all shares held;

(+) 633 thousand euros to the CSE S.r.l. shares as a result of the reversal of the negative reserves for impairment;

(+) 171 thousand euros to Net Insurance S.p.A. shares as a result of the positive change of fair value;

(+) 34 thousand euros to Vetrya shares as a result of the reversal of the negative reserves for impairment;

(+) 154 thousand euros to the shares of the FIP Fund resulting from the use of the repayment reserve (14 thousand euros), from the increase in negative reserves as a result of the negative change in fair value (1,347 thousand euros) and of the concurrent reallocation to the income statement for impairment (1,487 thousand);

(+) 21 thousand euros to the shares of the Apple Fund deriving from the increase in negative reserves as a result of the negative change in fair value (465 thousand euros) and of the concurrent reallocation to the income statement for impairment (486 thousand);

(+) 15 thousand euros to other shares of funds as a result of the positive change of fair value (13 thousand euros) and to the reallocation to the income statement for impairment (2 thousand);

(-) 458 thousand euros to debt securities, as a result of the reversal of the reserve referred to the sold/repaid securities (-591 thousand euros) and of the positive change in fair value of +1,049 thousand euros;

of the other Companies in the Group

(+) 37 thousand euros to units of funds owned by InvestiRE SGR S.p.A.

(+) 14 thousand euros for debt securities owned by Finnat Fiduciaria S.p.A.

The valuation reserves of the Group relating to "Available-for-sale financial assets" at 31 December 2017 show a positive balance of 1,243 thousand euros whereas third-party valuation reserves show a negative balance of 524 thousand euros.

The reserves of the Group are broken down as follows:

Parent Company		
Azioni Net Insurance S.p.A.	171	euros
UCI units	406	euros
Debt securities	1,177	euros
	1,754	euros
Other Group Companies		
Fund units (InvestiRE SGR S.p.A.)	(525)	euros
Debt securities (Finnat Fiduciaria S.p.A.)	14	euros
	1,243	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.

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 less than 1% 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;
- lending activities provide 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 2,100 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 5,717 thousand euros, of which 2,013 thousand euros were non-performing loans, 2,047 thousand euros were likely defaults and 1,657 thousand euros were past due exposures.

To this end, it should be stressed that impaired loans at the end of 2017 were less than 2% 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.

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 mainly 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 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.
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

A. 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	–	–	–	–	1,190,703	1,190,703
2. Financial assets held to maturity	–	–	–	–	–	–
3. Due from banks	–	–	–	–	88,150	88,150
4. Due from customers	2,013	2,047	1,657	8,104	356,657	370,478
5. Financial assets carried at fair value	–	–	–	–	–	–
6. Financial assets being disposed	–	–	–	–	–	–
Total 2017	**2,013**	**2,047**	**1,657**	**8,104**	**1,635,510**	**1,649,331**
Total 2016	**4,444**	**752**	**3,401**	**3,185**	**1,602,130**	**1,613,912**

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	–	–	–	1,190,703	–	1,190,703	1,190,703
2. Financial assets held to maturity	–	–	–	–	–	–	–
3. Due from banks	–	–	–	88,150	–	88,150	88,150
4. Due from customers	15,094	9,377	5,717	366,723	1,962	364,761	370,478
5. Financial assets carried at fair value	–	–	–	X	X		–
6. Financial assets being disposed	–	–	–	–	–	–	–
Total 2017	**15,094**	**9,377**	**5,717**	**1,645,576**	**1,962**	**1,643,614**	**1,649,331**
Total 2016	**16,092**	**7,495**	**8,597**	**1,607,206**	**1,891**	**1,605,315**	**1,613,912**

Portfolio/Quality	Assets with evident poor credit quality		Other assets
	Cumulated losses	Net exposure	Net exposure
1. Financial assets held for trading	–	–	33,405
2. Hedging derivatives	–	–	–
Total 2017	**–**	**–**	**33,405**
Total 2016	**–**	**8**	**34,432**

Gross impaired assets of 15,095 thousand euros consist of non-performing loans (9,006 thousand euros), likely defaults (4,322 thousand euros) and past due receivables (1,767 thousand euros).

At 31 December 2017, there are 13 “forborne” exposures of the Bank of which:

- 5 non-performing positions totalling 995 thousand euros (of which 3 positions included among likely defaults for 299 thousand euros and 2 positions included among past due loans for 696 thousand euros).
- 8 not impaired positions, amounting to 2,820 thousand euros.

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	132,700	X	–	132,700
- of which: forborne exposures	X	X	X	X	–	X	–	–
TOTAL A	**–**	**–**	**–**	**–**	**132,700**	**–**	**–**	**132,700**
B. OFF-BALANCE SHEET EXPOSURES								
a) Impaired	–	–	–	–	X		X	
b) Not impaired	X	X	X	X	593	X	–	593
TOTAL B	**–**				**593**	**–**	**–**	**593**
TOTAL A + B	**–**	**–**	**–**	**–**	**133,293**	**–**	**–**	**133,293**

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	–	–	–	9,006	X	6,993	X	2,013
- of which: forborne exposures	–	–	–	–	X	–	X	–
b) Likely defaults	230	–	70	4,022	X	2,275	X	2,047
- of which: forborne exposures	142	–	–	157	X	153	X	146
c) Past due exposures impaired	52	14	137	1,564	X	110	X	1,657
- of which: forborne exposures	–	–	46	650	X	5	X	691
d) Past due exposures not impaired	X	X	X	X	8,157	X	53	8,104
- of which: forborne exposures	X	X	X	X	–	X	–	–
e) Other non impaired exposures	X	X	X	X	1,537,835	X	1,909	1,535,926
- of which: forborne exposures	X	X	X	X	2,820	X	14	2,806
TOTAL A	**282**	**14**	**207**	**14,592**	**1,545,992**	**9,378**	**1,962**	**1,549,747**
B. OFF-BALANCE SHEET EXPOSURES								–
a) Impaired	311	–	–	–	X	2	X	309
b) Not impaired	X	X	X	X	17,997	X	–	17,997
TOTAL B	**311**	**–**	**–**	**–**	**17,997**	**2**	**–**	**18,306**
TOTAL A + B	**593**	**14**	**207**	**14,592**	**1,563,989**	**9,380**	**1,962**	**1,568,053**

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	**9,553**	**3,111**	**3,428**
- of which: exposures sold and not derecognised	–	–	–
B. Increases	**477**	**1,915**	**1,370**
B.1 inflows from performing loans	161	66	558
B.2 transfers from other categories of impaired loans	310	1,749	15
B.3 other increases	6	100	797
C. Decreases	**1,024**	**704**	**3,031**
C.1 outflows to performing loans	–	267	199
C.2 derecognition	264	7	2
C.3 collection	747	105	804
C.4 gains from disposals	–	–	–
C.5 losses from disposals	–	–	–
C.6 transfers to other categories of impaired loans	13	325	1,736
C.7 other decreases	–	–	290
D. Gross closing balance	**9,006**	**4,322**	**1,767**
- 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	**787**	**2,246**
- of which: exposures sold and not derecognised	–	–
B. Increases	**379**	**1,667**
B.1 inflows from non forborne performing loans	–	1,483
B.2 inflows from forborne performing loans	45	X
B.3 inflows from impaired forborne loans	X	–
B.4 other increases	334	184
C. Decreases	**171**	**1,093**
C.1 outflows to non forborne performing loans	X	999
C.2 outflows to forborne performing loans	–	X
C.3 outflows to impaired forborne loans	X	45
C.4 derecognition	–	–
C.5 collection	28	49
C.6 gains from disposals	–	–
C.7 losses from disposals	–	–
C.8 other decreases	143	–
D. Gross closing balance	**995**	**2,820**
- 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	**5,109**	**–**	**2,359**	**51**	**27**	**5**
- of which: exposures sold and not derecognised	–	–	–	–	–	–
B. Increases	**2,355**	**–**	**222**	**104**	**98**	**–**
B.1 value adjustments	2,147	–	209	104	98	–
B.2 losses from disposals	–	–	–	–	–	–
B.3 transfers from other categories of impaired loans	208	–	13	–	–	–
B.4 other increases	–	–	–	–	–	–
C. Decreases	**471**	**–**	**306**	**2**	**15**	**–**
C.1 valuation write-backs	170	–	91	2	2	–
C.2 cash write-backs	40	–	–	–	–	–
C.3 profit from disposals	–	–	–	–	–	–
C.4 derecognition	82	–	1	–	–	–
C.5 transfers to other categories of impaired loans	1	–	208	–	13	–
C.6 other decreases	178	–	6	–	–	–
D. Total closing adjustments	**6,993**	**–**	**2,275**	**153**	**110**	**5**
- 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

The data shown are exclusively ascribable to the Bank.

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:	265,750	122,711	–	50,419	79,352
1.1 fully guaranteed	245,305	121,150	–	47,307	71,775
- of which impaired	3,518	3,535	–	–	–
1.2 partly guaranteed	20,445	1,561	–	3,112	7,577
- of which impaired	1,561	1,561	–	–	–
2. Guaranteed “off balance sheet” credit exposures:	8,752	2,741	–	3,530	2,299
2.1 fully guaranteed	8,295	2,741	–	3,530	1,952
- of which impaired	299	–	–	–	297
2.2 partly guaranteed	457	–	–	–	347
- of which impaired	–	–	–	–	–

Personal guarantees (2)									Total (1)+(2)
Credit derivatives					Unsecured loans				
CLN	Other derivatives				Governments and Central Banks	Other public authorities	Banks	Other entities	
	Governments and Central Banks	Other public authorities	Banks	Other entities					
–	–	–	–	–	–	–	–	6,790	259,272
–	–	–	–	–	–	–	–	5,290	245,522
–	–	–	–	–	–	–	–	201	3,736
–	–	–	–	–	–	–	–	1,500	13,750
–	–	–	–	–	–	–	–	–	1,561
–	–	–	–	–	–	–	–	70	8,640
–	–	–	–	–	–	–	–	70	8,293
–	–	–	–	–	–	–	–	–	297
–	–	–	–	–	–	–	–	–	347
–	–	–	–	–	–	–	–	–	–

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	–	–	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	1,175,285	X	–	–	X	–
- of which: forborne exposures	–	X	–	–	X	–
TOTAL A	**1,175,285**	**–**	**–**	**–**	**–**	**–**
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) 2017	**1,175,285**	**–**	**–**	**–**	**–**	**–**
TOTAL (A + B) 2016	**1,104,376**	**–**	**–**	**–**	**–**	**–**

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	1,430	6,010	X	583	960	X
–	–	X	–	–	X	–	–	X	–	–	X
140	3	X	–	–	X	18	95	X	1,889	2,177	X
139	3	X	–	–	X	1	19	X	6	134	X
10	–	X	–	–	X	470	4	X	1,177	106	X
–	–	X	–	–	X	–	–	X	691	5	X
71,333	X	249	–	X	–	173,331	X	1,403	124,081	X	310
–	X	–	–	X	–	1,038	X	8	1,768	X	6
71,483	**26**	**249**	**–**	**–**	**–**	**175,249**	**6,109**	**1,403**	**127,730**	**3,243**	**310**
–	–	X	–	–	X	–	–	X	–	–	X
–	–	X	–	–	X	–	–	X	–	–	X
–	–	X	–	–	X	309	2	X	–	–	X
2,279	X	–	–	X	–	6,098	X	–	9,620	X	3
2,279	**–**	**–**	**–**	**–**	**–**	**6,407**	**2**	**–**	**9,620**	**–**	**3**
73,762	**26**	**249**	**–**	**–**	**–**	**181,656**	**6,111**	**1,403**	**137,350**	**3,243**	**313**
85,436	**3**	**207**	**–**	**–**	**–**	**169,834**	**4,415**	**1,450**	**109,149**	**3,077**	**237**

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	2,013	6,971	–	22	–	–	–	–	–	–
A.2 Likely defaults	2,045	2,257	1	–	1	18	–	–	–	–
A.3 Past due exposures impaired	1,651	110	6	–	–	–	–	–	–	–
A.4 Non impaired exposures	1,536,951	1,939	7,079	23	–	–	–	–	–	–
TOTAL A	**1,542,660**	**11,277**	**7,086**	**45**	**1**	**18**	**–**	**–**	**–**	**–**
B. Off-balance sheet exposures										
B.1 Non-performing loans	–	–	–	–	–	–	–	–	–	–
B.2 Likely defaults	–	–	–	–	–	–	–	–	–	–
B.3 Other impaired assets	309	2	–	–	–	–	–	–	–	–
B.4 Non impaired exposures	17,443	–	554	–	–	–	–	–	–	–
TOTAL B	**17,752**	**2**	**554**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
TOTAL A+B 2017	**1,560,412**	**11,279**	**7,640**	**45**	**1**	**18**	**–**	**–**	**–**	**–**
TOTAL (A+B) 2016	**1,460,186**	**9,341**	**7,590**	**45**	**17**	**–**	**2**	**–**	**1,000**	**–**

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	124,507	–	8,193	–	–	–	–	–	–	–
TOTAL A	**124,507**	**–**	**8,193**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
B. Off-balance sheet exposures										
B.1 Non-performing loans	–	–	–	–	–	–	–	–	–	–
B.2 Likely defaults	–	–	–	–	–	–	–	–	–	–
B.3 Other impaired assets	–	–	–	–	–	–	–	–	–	–
B.4 Non impaired exposures	593	–	–	–	–	–	–	–	–	–
TOTAL B	**593**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
TOTAL A+B 2017	**125,100**	**–**	**8,193**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
TOTAL A+B 2016	**164,209**	**–**	**29,603**	**–**	**1,999**		**–**	**–**	**–**	**–**

B.4 Major exposures

a) Amount (book value) 2,462,919 thousand euros

b) Amount (weighted value) 108,724 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 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

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 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 31.12.2017	**–**	**–**	**–**	**–**	**–**	**–**
- of which impaired						
Total 31.12.2016						
- 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	31.12.2017	31.12.2016
983,637	**–**	**–**										**983,637**	**943,762**
983,637	–	–	–	–	–	–	–	–	–	–	–	983,637	943,762
–	–	–	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**	**–**	
983,637	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**983,637**	**X**
													X
943,762												**X**	**943,762**
												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	**–**	**–**	**980,102**	**–**	**–**	**–**	**980,102**
a) relating to fully recognised assets	–	–	980,102	–	–	–	980,102
b) relating to partially recognised assets	–	–	–	–	–	–	–
2. Due to banks	**–**	**–**	**–**	**–**	**–**	**–**	**–**
a) relating to fully recognised assets	–	–	–	–	–	–	–
b) relating to partially recognised assets	–	–	–	–	–	–	–
Total 31.12.2017	**–**	**–**	**980,102**	**–**	**–**	**–**	**980,102**
Total 31.12.2016	**–**		**940,168**				**940,168**

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 2017 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	**–**	**10,001**	**5,048**	**1,029**	**16,923**	**2**	**–**	**–**
1.1 Debt securities	–	10,001	5,048	1,029	16,923	2	–	–
- with the option of early redemption	–	–	–	–	3,143	–	–	–
- other	–	10,001	5,048	1,029	13,780	2	–	–
1.2 Other assets	–	–	–	–	–	–	–	–
2. Cash liabilities	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
2.1 Reverse repos	–	–	–	–	–	–	–	–
2.2 Other liabilities	–	–	–	–	–	–	–	–
3. Financial derivatives	**–**	**41,570**	**1,827**	**460**	**471**	**–**	**–**	**–**
3.1 With underlying security	–	–	–	–	–	–	–	–
- Options	–	–	–	–	–	–	–	–
+ Long positions	–	–	–	–	–	–	–	–
+ Short positions	–	–	–	–	–	–	–	–
- Other derivatives	–	–	–	–	–	–	–	–
+ Long positions	–	–	–	–	–	–	–	–
+ Short positions	–	–	–	–	–	–	–	–
3.2 Without underlying security	–	41,570	1,827	460	471	–	–	–
- Options	–	–	–	–	–	–	–	–
+ Long positions	–	–	–	–	–	–	–	–
+ Short positions	–	–	–	–	–	–	–	–
- Other derivatives	–	41,570	1,827	460	471	–	–	–
+ Long positions	–	20,979	1,379	–	–	–	–	–
+ Short positions	–	20,591	448	460	471	–	–	–

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	**–**	**41,570**	**–**	**–**	**–**	**–**	**–**	**–**
3.1 With underlying security	–	–	–	–	–	–	–	–
- Options	–	–	–	–	–	–	–	–
+ Long positions	–	–	–	–	–	–	–	–
+ Short positions	–	–	–	–	–	–	–	–
- Other derivatives	–	–	–	–	–	–	–	–
+ Long positions	–	–	–	–	–	–	–	–
+ Short positions	–	–	–	–	–	–	–	–
3.2 Without underlying security	–	41,570	–	–	–	–	–	–
- Options	–	–	–	–	–	–	–	–
+ Long positions	–	–	–	–	–	–	–	–
+ Short positions	–	–	–	–	–	–	–	–
- Other derivatives	–	41,570	–	–	–	–	–	–
+ Long positions	–	20,591	–	–	–	–	–	–
+ Short positions	–	20,979	–	–	–	–	–	–

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	Germany	Other	
A. Equity securities				
- Long positions	2,484	19	63	5
- Short positions	–	–	–	–
B. Sales not yet settled on equity securities				
- Long positions	45	–	17	–
- Short positions	100	–	3	–
C. Other derivatives on equity securities				
- Long positions	–	–	–	4
- Short positions	–	–	–	–
D. Derivatives on stock indices				
- Long positions	–	–	–	–
- Short positions	–	–	–	–

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. 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 well as hedging derivatives.
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 75 million euros in deposits to banks and current accounts, mainly with floating rate, 5 million euros in compulsory floating rate reserve and 8 million euros in other loans;
  - loans to customers, totalling 342 million euros, mainly consisting of current account credit lines of 150 million euros and loans to customers of 160 million euros, mostly with variable rate;
- available-for-sale securities include (in addition to equity securities and UCI units not exposed to interest rate risk) bonds including Government Bonds totalling a nominal value of 1,156 million euros (740 million euros with maturity on or before 2018, 250 million euros with maturity in 2019 and 166 million with maturity on or before 2029);
- due to banks and due to customers include:
  - loans and deposits to banks, totalling 1 million euros;
  - loans, fixed-term deposits and current accounts with customers, totalling 1,477 million euros, comprising: 69 million euros in fixed-rate fixed-term deposits (of which 39 million euros with maturity in 2018, 15 million euros in 2019, a nominal amount 12 million euros in 2020 and 3 million euros in 2026); 428 million euros in current accounts at floating rate or at revisable fixed rate; 980 million euros in repos on securities listed in regulated markets;
- among outstanding securities totalling 23 million euros are variable-rate bonds (Euribor plus 30 b.p.) with maturity in October 2020.

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	**239,421**	**609,074**	**140,185**	**353,295**	**288,816**	**308**	**62**	**–**
1.1 Debt securities	–	445,078	131,742	352,500	262,106	–	3	
- with the option of early redemption	–	7,760	–	–	–	–	–	–
- other	–	437,318	131,742	352,500	262,106	–	3	–
1.2 Loans to banks	56,449	15,303	–	–	–	–	–	–
1.3 Loans to customers	182,972	148,693	8,443	795	26,710	308	59	–
- current accounts	148,326	–	–	–	–	–	–	–
- other loans	34,646	148,693	8,443	795	26,710	308	59	–
with the option of early redemption	4,236	145,690	8,443	511	824	290	59	–
other	30,410	3,003	–	284	25,886	18	–	–
2. Cash liabilities	**433,060**	**354,232**	**81,562**	**354,457**	**277,236**	**3,481**	**30**	**–**
2.1 Due to customers	431,663	354,232	58,968	354,457	277,236	3,481	30	–
- current accounts	414,737	14,321	7,770	15,343	27,144	3,481	30	–
- other payables	16,926	339,911	51,198	339,114	250,092	–	–	–
with the option of early redemption	–	–	–	–	–	–	–	–
other	16,926	339,911	51,198	339,114	250,092	–	–	–
2.2 Due to banks	1,397	–	–	–	–	–	–	–
- current accounts	1,397	–	–	–	–	–	–	–
- other payables	–	–	–	–	–	–	–	–
2.3 Debt securities	–	–	22,594	–	–	–	–	–
- with the option of early redemption	–	–	–	–	–	–	–	–
- other	–	–	22,594	–	–	–	–	–
2.4 Other liabilities	–	–	–	–	–	–	–	–
- with the option of early redemption	–	–	–	–	–	–	–	–
- other	–	–	–	–	–	–	–	–
3. Financial derivatives	**–**	**1,780**	**–**	**–**	**–**	**–**	**–**	**–**
3.1 With underlying security	–	–	–	–	–	–	–	–
- Options	–	–	–	–	–	–	–	–
+ Long positions	–	–	–	–	–	–	–	–
+ Short positions	–	–	–	–	–	–	–	–
- Other derivatives	–	–	–	–	–	–	–	–
+ Long positions	–	–	–	–	–	–	–	–
+ Short positions	–	–	–	–	–	–	–	–
3.2 Without underlying security	–	1,780	–	–	–	–	–	–
- Options	–	–	–	–	–	–	–	–
+ Long positions	–	–	–	–	–	–	–	–
+ Short positions	–	–	–	–	–	–	–	–
- Other derivatives	–	1,780	–	–	–	–	–	–
+ Long positions	–	1,780	–	–	–	–	–	–
+ Short positions	–	–	–	–	–	–	–	–
4. Other off-balance sheet transactions	**25,157**	**100**	**–**	**–**	**500**	**1,545**	**100**	**–**
+ Long positions	11,456	100	–	–	500	1,545	100	–
+ Short positions	13,701	–	–	–	–	–	–	–

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	**18,171**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
1.1 Debt securities	–	–	–	–	–	–	–	
- with the option of early redemption								
- other								
1.2 Loans to banks	16,398							
1.3 Loans to customers	1,773	–	–	–	–	–	–	–
- current accounts	1,635							
- other loans	138							
with the option of early redemption								
other	138							
2. Cash liabilities	**14,558**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
2.1 Due to customers	14,481							
- current accounts	14,127							
- other payables	354							
with the option of early redemption								
other	354							
2.2 Due to banks	77							
- current accounts	77	–	–	–	–	–	–	–
- 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	**–**	**1,780**	**–**	**–**	**–**	**–**	**–**	**–**
3.1 With underlying security								
- Options	–	–	–	–	–	–	–	–
+ Long positions	–	–	–	–	–	–	–	–
+ Short positions	–	–	–	–	–	–	–	–
- Other derivatives								
+ Long positions	–	–	–	–	–	–	–	–
+ Short positions	–	–	–	–	–	–	–	–
3.2 Without underlying security	–	1,780	–	–	–	–	–	–
- Options								
+ Long positions	–	–	–	–	–	–	–	–
+ Short positions	–	–	–	–	–	–	–	–
- Other derivatives	–	1,780	–	–	–	–	–	–
+ Long positions	–	–	–	–	–	–	–	–
+ Short positions	–	1,780	–	–	–	–	–	–
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
At 31 December 2017, two hedges for GBP 1,200 thousand and CHF 500 thousand were open for the Bank.

Quantitative information

1. Distribution by currency of assets, liabilities and derivatives

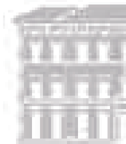
Items	Currencies					
	US Dollars	Pound sterling	Yen	Canadian dollars	Swiss Franc	Other currencies
A. Financial assets	**9,506**	**2,591**	**49**	**32**	**8,880**	**485**
A.1 Debt securities	–	–	–	–	–	–
A.2 Equity securities	–	–	–	–	–	–
A.3 Loans to banks	9,327	1,137	49	32	5,382	484
A.4. Loans to customers	179	1,454	–	–	138	1
A.5 Other financial assets	–	–	–	–	3,360	–
B. Other assets	**14**	**11**	**–**	**–**	**1**	**–**
C. Financial liabilities	**9,667**	**1,150**	**6**	**–**	**3,706**	**29**
C.1 Due to banks	48	–	–	–	–	29
C.2 Due to customers	9,619	1,150	6	–	3,706	–
C.3 Debt securities	–	–	–	–	–	–
C.4 Other financial liabilities	–	–	–	–	–	–
D. Other liabilities	**–**	**–**	**–**	**–**	**–**	**–**
E. Financial derivatives	**32,368**	**1,792**	**2,074**	**–**	**5,042**	**2,074**
- Options	–	–	–	–	–	–
+ Long positions	–	–	–	–	–	–
+ Short positions	–	–	–	–	–	–
- Other derivatives	32,368	1,792	2,074	–	5,042	2,074
+ Long positions	16,046	163	1,037	–	2,307	1,037
+ Short positions	16,322	1,629	1,037	–	2,735	1,037
Total assets	**25,566**	**2,765**	**1,086**	**32**	**11,188**	**1,522**
Total liabilities	**25,989**	**2,779**	**1,043**	**–**	**6,441**	**1,066**
Imbalance (+/-)	**(423)**	**(14)**	**43**	**32**	**4,747**	**456**

1.2.4 Derivative instruments

A. Financial derivatives

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

Underlying assets/Type of derivatives	Total 31.12.2017		Total 31.12.2016	
	Over the counter	Central counterparties	Over the counter	Central counterparties
1. Debt securities and interest rates	**1,379**	**–**	**2,242**	**–**
a) Options	–	–		
b) Swaps	1,379	–	2,242	
c) Forwards	–	–		
d) Futures	–	–		–
e) Other	–	–		
2. Share capital securities and stock indices	**600**	**–**	**944**	**–**
a) Options	600	–	944	–
b) Swaps	–	–	–	–
c) Forwards	–	–	–	–
d) Futures	–	–	–	–
e) Other	–	–	–	–
3. Currencies and gold	**38,576**	**–**	**504,318**	**–**
a) Options	–	–	–	
b) Swaps	–	–	–	
c) Forwards	38,576	–	504,318	
d) Futures	–	–	–	
e) Other	–	–	–	
4. Goods	**–**	**–**		**–**
5. Other underlying assets	**–**	**–**		
Total	40,555	–	507,504	–



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

A.2.1 Hedging

Underlying assets/Type of derivatives	31.12.2017		31.12.2016	
	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			**17,520**	
a) Options	–	–	–	–
b) Swaps	–	–	–	–
c) Forwards	–	–	17,520	–
d) Futures	–	–	–	–
e) Other	–	–	–	–
4. Goods	**–**	**–**	**–**	**–**
5. Other underlying assets	**–**	**–**	**–**	**–**
Total	–	–	**17,520**	–

A.2.2 Other derivatives

Underlying assets/Type of derivatives	31.12.2017		31.12.2016	
	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	**1,780**	**–**	**16,017**	**–**
a) Options	–	–	–	–
b) Swaps	–	–	–	–
c) Forwards	1,780	–	16,017	–
d) Futures	–	–	–	–
e) Other	–	–	–	–
4. Goods	**–**	**–**	**–**	**–**
5. Other underlying assets	**–**	**–**	**–**	**–**
Total	**1,780**	**–**	**16,017**	**–**

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

Derivative types/Portfolios	Positive fair value			
	Total 31.12.2017		Total 31.12.2016	
	Over the counter	Central counterparties	Over the counter	Central counterparties
A. Regulatory trading portfolio	**280**	**–**	**10,846**	**–**
a) Options	183	–	183	–
b) Interest rate swaps	–	–	–	–
c) Cross currency swaps	–	–	–	–
d) Equity swaps	–	–	–	–
e) Forwards	97	–	10,663	–
f) Futures	–	–	–	–
g) Others	–	–	–	–
B. Banking portfolio - hedging	**–**	**–**	**391**	**–**
a) Options	–	–	–	–
b) Interest rate swaps	–	–	–	–
c) Cross currency swaps	–	–	–	–
d) Equity swaps	–	–	–	–
e) Forwards	–	–	391	–
f) Futures	–	–	–	–
g) Others	–	–	–	–
C. Banking portfolio - other derivatives	**9**	**–**	**223**	**–**
a) Options	–	–	–	–
b) Interest rate swaps	–	–	–	–
c) Cross currency swaps	–	–	–	–
d) Equity swaps	–	–	–	–
e) Forwards	9	–	223	
f) Futures	–	–	–	–
g) Others	–	–	–	–
Total	**289**	**–**	**11,460**	**–**

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

Derivative types/Portfolios	Negative fair value			
	Total 31.12.2017		Total 31.12.2016	
	Over the counter	Central counterparties	Over the counter	Central counterparties
A. Regulatory trading portfolio	**142**	**–**	**10,772**	**–**
a) Options	–		–	–
b) Interest rate swaps	45	–	110	–
c) Cross currency swaps	–	–	–	–
d) Equity swaps	–	–	–	–
e) Forwards	97	–	10,662	–
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	**142**	**–**	**10,772**	**–**

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							
- notional value	–	–	1,379	–	–	–	–
- positive fair value	–	–	–	–	–	–	–
- negative fair value	–	–	45	–	–	–	–
- future exposure	–	–	2	–	–	–	–
2) Equity securities and stock indices							
- notional value	–	–	45	65	–	490	–
- positive fair value	–	–	–	2	–	181	–
- negative fair value	–	–	–	–	–	–	–
- future exposure	–	–	4	7	–	37	–
3) Currencies and gold							
- notional value	–	–	19,288	19,288	–	–	–
- positive fair value	–	–	39	58	–	–	–
- negative fair value	–	–	58	39	–	–	–
- future exposure	–	–	193	193	–	–	–
4) Other values	**–**	**–**	**–**	**–**	**–**	**–**	**–**
- notional value	–	–	–	–	–	–	–
- positive fair value	–	–	–	–	–	–	–
- negative fair value	–	–	–	–	–	–	–
- future exposure	–	–	–	–	–	–	–

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							
- notional value	–	–	1,780	–	–	–	–
- positive fair value	–	–	9	–	–	–	–
- negative fair value	–	–	–	–	–	–	–
- future exposure	–	–	18	–	–	–	–
4) Other values							
- notional value	–	–	–	–	–	–	–
- positive fair value	–	–	–	–	–	–	–
- negative fair value	–	–	–	–	–	–	–
- future exposure	–	–	–	–	–	–	–

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	**39,559**	**931**	**65**	**40,555**
A.1 Financial derivatives on debt securities and interest rates	908	471	–	1,379
A.2 Financial derivatives on equity securities and stock indices	75	460	65	600
A.3 Financial derivatives on exchange rates and gold	38,576	–	–	38,576
A.4 Financial derivatives on other values	–	–	–	–
B. Banking portfolio	**1,780**	**–**	**–**	**1,780**
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	1,780	–	–	1,780
B.4 Financial derivatives on other values	–	–	–	–
Total 2017	**41,339**	**931**	**65**	**42,335**
Total 2016	**539,339**	**1,595**	**107**	**541,041**

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 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) indicator (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 2017 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	**271,612**	**–**	**2,354**	**21,480**	**363,136**	**55,526**	**365,560**	**400,771**	**215,942**	**5,303**
A.1 Treasury Bonds	–	–	128	–	351,142	51,178	341,033	265,218	165,004	–
A.2 Other debt securities	–	–	2,226	10,104	7,069	25	12,874	16,231	675	–
A.3 UCI units	33,604	–	–	–	–	–	–	–	–	–
A.4 Loans	238,008	–	–	11,376	4,925	4,323	11,653	119,322	50,263	5,303
- Banks	56,449	–	–	10,000	–	–	–	–	–	5,303
- Customers	181,559	–	–	1,376	4,925	4,323	11,653	119,322	50,263	–
Cash liabilities	**432,708**	**–**	**204**	**51,440**	**302,810**	**58,977**	**354,522**	**299,829**	**3,511**	**–**
B.1 Deposit and current accounts	415,783	–	204	408	13,716	7,990	15,405	27,144	3,511	–
- Banks	1,397	–	–	–	–	–	–	–	–	–
- Customers	414,386	–	204	408	13,716	7,990	15,405	27,144	3,511	–
B.2 Debt securities	–	–	–	–	–	3	3	22,593	–	–
B.3 Other liabilities	16,925	–	–	51,032	289,094	50,984	339,114	250,092	–	–
Off-balance sheet transactions	**15,243**	**2,994**	**–**	**31,336**	**10,536**	**1,351**	**883**	**11,077**	**4,161**	**–**
C.1 Financial derivatives with exchange of capital	–	2,994	–	30,086	10,270	–	–	–	–	–
- Long positions	–	1,691	–	15,933	5,135	–	–	–	–	–
- Short positions	–	1,303	–	14,153	5,135	–	–	–	–	–
C.2 Financial derivatives without exchange of capital	228	–	–	–	–	–	–	–	–	–
- Long positions	183	–	–	–	–	–	–	–	–	–
- Short positions	45	–	–	–	–	–	–	–	–	–
C.3 Deposits and loans to be received	–	–	–	–	–	–	–	–	–	–
- Long positions	–	–	–	–	–	–	–	–	–	–
- Short positions	–	–	–	–	–	–	–	–	–	–
C.4 Irrevocable commitments to disburse funds	13,968	–	–	1,050	255	83	303	9,329	2,415	–
- Long positions	267	–	–	1,050	255	83	303	9,329	2,415	–
- Short positions	13,701	–	–	–	–	–	–	–	–	–
C.5 Financial guarantees issued	1,047	–	–	200	11	1,268	580	1,748	1,746	–
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	**18,177**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
A.1 Treasury Bonds	–	–	–	–	–	–	–	–	–	–
A.2 Other debt securities	–	–	–	–	–	–	–	–	–	–
A.3 UCI units	–	–	–	–	–	–	–	–	–	–
A.4 Loans	18,177	–	–	–	–	–	–	–	–	–
- Banks	16,398	–	–	–	–	–	–	–	–	–
- Customers	1,779	–	–	–	–	–	–	–	–	–
Cash liabilities	**14,558**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
B.1 Deposit and current accounts	14,204	–	–	–	–	–	–	–	–	–
- Banks	77	–	–	–	–	–	–	–	–	–
- Customers	14,127	–	–	–	–	–	–	–	–	–
B.2 Debt securities	–	–	–	–	–	–	–	–	–	–
B.3 Other liabilities	354	–	–	–	–	–	–	–	–	–
Off-balance sheet transactions	**–**	**2,994**	**–**	**30,086**	**10,270**	**–**	**–**	**–**	**–**	**–**
C.1 Financial derivatives with exchange of capital	–	2,994	–	30,086	10,270	–	–	–	–	–
- Long positions	–	1,303	–	14,153	5,135	–	–	–	–	–
- Short positions	–	1,691	–	15,933	5,135	–	–	–	–	–
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, periodically carries out an analysis/self-assessment of operating risks. 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".
The analysis of operational risks and the identification of processes with major impact are periodically carried out by the Risk Control Organisational Unit to detect in a timely manner the business areas and the processes with higher operational risk in order to take the necessary corrective actions.
In particular, the analysis focuses 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 2017, periodic meetings continued to be held between the Parent Company and the subsidiaries InvestiRE SGR S.p.A. and 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 2017, 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 net equity

Section 1 – Consolidated net equity

Qualitative and quantitative information

The Group 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 capital ratio of 8%, calculated by reference to credit and market prices.

The consolidated net equity totals 264,246 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	163,950	–	–	–	163,950
Capital instruments	–	–	–	–	–
(Own shares)	(14,059)	–	–	–	(14,059)
Valuation reserves:	1,592	–	–	–	1,592
- Available-for-sale financial assets	721	–	–	–	721
- 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	(357)	–	–	–	(357)
- Share of valuation reserves of equity investments valued by equity method	(136)	–	–	–	(136)
- Special revaluation regulations	1,364	–	–	–	1,364
Profit (loss) for the year (+/-) of the Group and third parties	40,187	–	–	–	40,187
Net equity	**264,246**	**–**	**–**	**–**	**264,246**

B.2 Valuation reserves of available-for-sale financial assets: breakdown

Assets/Amounts	Banking group		Insurance companies		Other companies		Consolidation cancellations and adjustments		Total 31.12.2017	
	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve
1. Debt securities	1,276	85	–	–	–	–	–	–	1,276	85
2. Equity securities	171	–	–	–	–	–	–	–	171	–
3. UCI units	406	525	–	–	–	–	–	–	406	525
4. Loans	–	–	–	–	–	–	–	–	–	–
Total 31.12.2017	**1,853**	**610**	**–**	**–**	**–**	**–**			**1,853**	**610**
Total 31.12.2016	**30,986**	**1,624**	**–**	**–**	**–**	**–**	**–**	**–**	**30,986**	**1,624**

The breakdown of the valuation reserves refers to the Group. Third-party valuation reserve is negative by the amount of 522 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 comprises the adjustment to fair value, net of taxes, of units held by the Bank, amounting to +406 thousand euros and units held by the subsidiary InvestiRE SGR S.p.A., amounting to -525 thousand euros.

B.3 Valuation reserves of available-for-sale financial assets: annual changes

	Debt securities	Equity securities	UCI units	Loans
1. Opening balance	**719**	**28,971**	**(328)**	**–**
2. Positive changes	**1,259**	**1,912**	**2,044**	**–**
2.1 Increases in fair value	1,259	1,247	73	–
2.2 Reallocation of negative reserve to income statement	–	665	1,971	–
- from impairment	–	665	1,957	–
- from disposal	–	–	14	–
2.3 Other changes	–	–	–	–
3. Negative changes	**787**	**30,712**	**1,835**	**–**
3.1 Decreases in fair value	196	38	1,823	–
3.2 Adjustments from impairment	–	–	–	–
3.3 Reallocation to income statement from positive reserves: from disposal	591	30,674	–	–
3.4 Other changes	–	–	12	–
4. Closing balance	**1,191**	**171**	**(119)**	**–**

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 357 thousand euros (of which the Group's amounted to 289 thousand euros and third parties' reserves amounted to 68 thousand euros).

At 31 December 2016, these Reserves were negative by 334 thousand euros (of which the Group's reserves were negative by 265 thousand euros and third parties' reserves were negative by 69 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 2017 amounted to 172,493 thousand euros (154,634 thousand euros at 31 December 2016), whereas the Total capital ratio stands at 32.6% versus 30.1% at 31 December 2016 (as opposed to 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")	172,424	euros
Additional Tier 1 ("Additional Tier 1" or "AT1")	-	euros
Tier 2 ("Tier 2" or "T2")	69	euros

B. Quantitative information

		Total 31.12.2017	Total 31.12.2016
A.	**Common Equity Tier 1 ("Common Equity Tier 1" - "CET1") before the application of prudential filters**	**225,280**	**228,267**
	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)**	**225,280**	**228,267**
D.	**Deductions from CET1**	**60,185**	**83,717**
E.	**Transitional regulations - Impact on CET 1 (+/-)**	**7,329**	**7,933**
F.	**Total Common Equity Tier 1 (Common Equity Tier 1 - CET1) (C - D+/-E)**	**172,424**	**152,483**
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 (+/-)**	**69**	**2,151**
P.	**Total Tier 2 (Tier 2 - T2) (M-N +/-O)**	**69**	**2,151**
Q.	**Total own funds (F+L+P)**	**172,493**	**154,634**

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.

IFRS 9 entered into force on 19 December 2016 (twentieth day following publication on the Official Journal of the European Union) and it shall be adopted starting from 1 January 2018. In light of the indications, the Bank of Italy with its notice of 26 January 2017, prescribed that this option will continue to be applied, for the year 2017 as well, to "less significant banks" such as Banca Finnat.

The impact of this sterilisation on Own Funds at 31 December 2017 was positive by 846 thousand euros and Own Funds would have amounted to 173,339 thousand euros.

At 31 December 2016, said impact was positive by 605 thousand euros and own funds would have amounted to 155,239 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 6% 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, Tier 1 Capital Ratio and Total Capital Ratio are all equal to 32.6%. 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	
	31.12.2017	31.12.2016	31.12.2017	31.12.2016
A. RISK ASSETS				
A.1 Credit and counterparty risk				
1. Standard methodology	2,793,151	2,634,144	361,104	368,985
2. Methodology based on internal ratings				
2.1 Basic				
2.2 Advanced				
3. Securitisation	726	627	9,075	7,836
B. CAPITAL REQUIREMENTS FOR SUPERVISORY PURPOSES				
B.1 Credit and counterparty risk			29,614	30,146
B.2 Risk of adjustment of the credit measurement			8	2
B.3 Settlement risk				
B.4 Market risks			2,704	2,214
1. Standard methodology			2,704	2,214
2. Internal models				
3. Concentration risk				
B.5 Operating risk			9,939	8,757
1. Basic method			9,939	8,757
2. Standardised method			-	-
3. Advanced method				
B.6 Other calculation elements				
B7. Total prudential requirements			42,265	41,119
C. RISK ASSETS AND ADEQUACY RATIOS				
C.1 Risk-weighted assets			528,314	513,985
C.2 Common Equity Tier 1 /Weighted risk assets (CET1 capital ratio)			32.6%	29.7%
C.3 Tier 1 capital/Weighted risk assets (Tier 1 capital ratio)			32.6%	29.7%
C.4 Total own funds/Weighted risk assets (Total capital ratio)			32.6%	30.1%

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 2017 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 2017 separately for different types of related parties under IAS 24.

BALANCE SHEET	Financial receivables (Payables)	Other receivables (Payables)	Sureties issued
ASSOCIATED COMPANIES			
Imprebanca S.p.A.	418	–	23
MANAGEMENT WITH STRATEGIC RESPONSIBILITIES AND COMPANY REPRESENTATIVES	**(1,618)**	**–**	**10**
OTHER RELATED PARTIES	**(1,489)**	**148**	**–**

Other Receivables (Payables) refer to the financial statement items "Other assets" and "Other liabilities".

With regard to associated companies, the income statement items include only interest income from Imprebanca S.p.A. and amount approximately a thousand euros.

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.

For IAS segment reporting purposes, the Group has adopted the "management 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. In addition to reflecting the operational responsibilities specified by the Group's organisational assets, the sectors of activity consist of the aggregation of business units that have similar characteristics with reference to the type of products and services sold.

The internal reports used by the Corporate Management was revised in 2017, and consequently the sectors of activity discussed in this segment reporting disclosure were changed; in accordance with IAS requirements, segment reporting for the 2017 financial statements is provided both on the basis of the previous and of the new sector subdivision.

The segments identified for providing an operation-based description of the Group results are:

- Private Banking (comprises the offer of investment services and of typical banking services to the Bank's private customers).
- Investment Banking (comprises the services offered to the Bank's institutional customers and by the company of the Natam SA Group, the treasury activity and the management and development of trading activities on the Bank's own behalf and on behalf of third parties).
- Advisory and Corporate Finance (comprises the advisory activities in the sector of corporate finance and assistance in extraordinary finance transactions directed at corporate customers).
- Trusteeship activity (comprises the trusteeship services offered to customers through the companies of the Finnat Fiduciaria Group and Finnat Gestioni SA).
- Asset Management - Property Fund Management (comprises the management of real estate funds carried out by the company of the Investire Sgr Group).
- Financial Holding and Governance Centre (comprises the strategic investments held by the Bank and the activities of supervision of the Group direction, coordination and control functions; overhead costs and intercompany cancellations are in this sector).

Income statement calculation criteria by business segment

The calculation of before-tax profit by business segment is based on the following criteria:

- Interest margin: The Bank's interest margin, allocated in the Private Banking, Investment Banking and Financial Holding sectors, is calculated by contribution on the basis of the "Internal Transfer Rates" differentiated by products and due dates; as regards the other Group entities, the various differences between interest income and similar income and interest expense and similar expense were allocated to the relevant Business Area.

- Net commissions: these were identified through the direct allocation of the revenue components to the various business segments.
- Net profit from trading activities: it was attributed to the business segments that actually generated that profit.
- Dividends, Profit (loss) from sale or repurchase of available-for-sale financial assets: they are reclassified line by line on the individual pertinent sectors.
- Operating costs: the aggregate includes personnel expenses, other administrative expenses (net of recovered costs), net value adjustments on tangible and intangible assets, the allocations to provisions for risks and charges and the other operating expenses and income. The operating costs of the subsidiaries go directly into the business segment in which they are included; concerning Banca Finnat, the allocation among the different business segments takes place by the application of a "cost allocation" model (in relation to specific criteria, referred to the activity carried out) for all costs for which attribution to the business centres on the basis of the unique functional position of the resources is not possible.
- Net value adjustments/write-backs for impairment of receivables, of available-for-sale financial assets and of the other financial transactions: they are allocated line by line on the individual sectors.

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 due from customers are the assets directly employed in the operating activities of the segment and directly attributable thereto.
- Payables due to customers and outstanding securities are the liabilities that result from the operating activities of each sector that are directly attributable to that segment.

Assets/liabilities that cannot be reasonably attributed were allocated to the "Financial holding and governance centre" segment.

The activities carried out, in 2017, by the individual segments are commented in the Report on operations.

Aggregati consolidati di conto economico dell'esercizio 2017 per settori di attività (nuova suddivisione settoriale)

Business segments	Private Banking	Investment Banking (*)	Advisory and Corporate Finance	Trusteeship	Asset Management Real Estate Funds	Financial Holding and Governance Centre (**)	TOTAL
Interest margin	2,627	6,088		17	125	177	9,034
Net commissions	10,876	4,972	899	2,223	31,677	(67)	50,580
Dividends	192	70				2,544	2,806
Net income from trading activities	33	1,961				(268)	1,726
Profit (loss) from AFS acquisition		12			(7)	38,173	38,178
EARNINGS MARGIN	**13,728**	**13,103**	**899**	**2,240**	**31,795**	**40,559**	**102,324**
Operating costs	(11,550)	(3,986)	(1,101)	(1,773)	(19,532)	(11,353)	(49,295)
Profit (loss) from the transfer or the repurchase of:							
- receivables							
Net value adjustments for impairment of:							
- receivables	(184)	5	(272)	(10)		(1,879)	(2,340)
- available-for-sale financial assets					(121)	(3,656)	(3,777)
- other financial transactions	(2)						(2)
Profit (Loss) from equity investments						(1,708)	(1,708)
PRE-TAX PROFIT	**1,992**	**9,122**	**(474)**	**457**	**12,142**	**21,963**	**45,202**

(*) The data pertaining to the "Investment Banking" sector include the activity of the Luxembourg-based Management Company Natam.

(**) Data pertaining to "Financial Holding and Governance Centre" include overhead costs.

Consolidated aggregate balance sheet values at 31 December 2017 by business segment (new segment subdivision)

Business segments	Private Banking	Investment Banking (*)	Advisory and Corporate Finance	Trusteeship	Asset Management Real Estate Funds	Financial Holding and Governance Centre (**)	TOTAL
Asset items							
Financial assets held for trading		45,712					45,712
Available-for-sale financial assets		1,189,176		1,527	1,509	27,321	1,219,533
Financial assets held to maturity							
Due from banks		76,727		2,717	16,264	(7,558)	88,150
Due from customers	305,257	15,712	482	789	27,273	20,965	370,478
Hedging derivatives							
Equity investments						6,457	6,457
Liability items							
Due to banks		1,474					1,474
Due to customers	422,580	1,074,875			214	(3,122)	1,494,547
Outstanding securities	21,734	860					22,594
Financial liabilities held for trading		45				98	143

(*) The data pertaining to the "Investment Banking" sector include the activity of the Luxembourg-based Management Company Natam.

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 mainly in Italy.

Consolidated aggregate Income Statement values for 2017, by business segment (previous segment subdivision)

Business segments	Assets under management	Assets under administration	Trusteeship	Banking services Holding and other	Total
Interest margin	24	–	12	8,998	9,034
Net commissions	38,932	6,895	1,585	3,168	50,580
Dividends	–	–	–	2,806	2,806
Net income from trading activities	(17)	–	–	1,743	1,726
Profit (loss) from AFS acquisition	(7)	–	–	38,185	38,178
EARNINGS MARGIN	**38,932**	**6,895**	**1,597**	**54,900**	**102,324**
Operating costs	(26,015)	(4,374)	(1,924)	(16,982)	(49,295)
Net value adjustments for impairment of:					
- receivables	–	–	(10)	(2,330)	(2,340)
- available-for-sale financial assets	(121)	–	–	(3,656)	(3,777)
- other financial transactions				(2)	(2)
Profit from equity investments	–	–	–	(1,708)	(1,708)
PRE-TAX PROFIT	**12,796**	**2,521**	**(337)**	**30,222**	**45,202**

Consolidated aggregate balance sheet values at 31 December 2017 by business segment (previous segment subdivision)

Business segments	Assets under management	Assets under administration	Trusteeship	Banking services Holding and other	Total
Financial assets	**1,509**	–	**1,527**	**1,262,209**	**1,265,245**
Due from customers	**27,836**	–	**651**	**341,991**	**370,478**
Due from banks	**11,797**	–	–	**76,353**	**88,150**
Due to customers	**71,536**	–	–	**1,423,011**	**1,494,547**
Due to banks	–	–	–	**1,474**	**1,474**
Outstanding securities	–	–	–	**22,594**	**22,594**
Financial liabilities	–	–	–	**143**	**143**

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 2017, 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 2017, 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 2017 financial year are commented on in a special section of the Report on Operations.

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Relazione della società di revisione indipendente ai sensi dell'art. 14 del D. Lgs. 27 gennaio 2010, n. 39 e dell'art. 10 del Regolamento (UE) n. 537/2014

Agli Azionisti della
Banca Finnat Euramerica S.p.A.

Relazione sulla revisione contabile del bilancio consolidato

Giudizio

Abbiamo svolto la revisione contabile del bilancio consolidato del Gruppo Banca Finnat Euramerica (il "Gruppo"), costituito dallo stato patrimoniale al 31 dicembre 2017, 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 nota integrativa.

A nostro giudizio, il bilancio consolidato fornisce una rappresentazione veritiera e corretta della situazione patrimoniale e finanziaria del Gruppo al 31 dicembre 2017, 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. 28 febbraio 2005, n. 38 e dell'art. 43 del D. Lgs. 18 agosto 2015, n. 136.

Elementi alla base del giudizio

Abbiamo svolto la revisione contabile in conformità ai principi di revisione internazionali (ISA Italia). Le nostre responsabilità ai sensi di tali principi sono ulteriormente descritte nella sezione *Responsabilità della società di revisione per la revisione contabile del bilancio consolidato* della presente relazione. Siamo indipendenti rispetto alla Banca Finnat Euramerica S.p.A. in conformità alle norme e ai principi in materia di etica e di indipendenza applicabili nell'ordinamento italiano alla revisione contabile del bilancio. Riteniamo di aver acquisito elementi probativi sufficienti ed appropriati su cui basare il nostro giudizio.

Aspetti chiave della revisione contabile

Gli aspetti chiave della revisione contabile sono quegli aspetti che, secondo il nostro giudizio professionale, sono stati maggiormente significativi nell'ambito della revisione contabile del bilancio consolidato dell'esercizio in esame. Tali aspetti sono stati da noi affrontati nell'ambito della revisione contabile e nella formazione del nostro giudizio sul bilancio consolidato nel suo complesso; pertanto su tali aspetti non esprimiamo un giudizio separato.

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Iscritta alla S O del Registro delle Imprese presso la C C I A A di Roma
Codice fiscale e numero di iscrizione 00434000584 - numero R E A 250904
P IVA 00891231003
Iscritta al Registro Revisori Legali al n 70945 Pubblicato sulla G U Suppl 13 - IV Serie Speciale del 17/2/1998
Iscritta all'Albo Speciale delle società di revisione
Consob al progressivo n 2 delibera n 10831 del 16/7/1997

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Abbiamo identificato il seguente aspetto chiave della revisione contabile:

Aspetti chiave	Risposte di revisione
Avviamento La voce 130 dell'attivo consolidato espone l'avviamento pari a 37 milioni di Euro iscritto dalla controllata InvestiRE SGR S.p.A. a seguito della fusione per incorporazione nell'esercizio 2015, di Beni Stabili Gestioni SGR S.p.A. e Polaris RE SGR S.p.A.. Come previsto dal principio contabile internazionale IAS 36 "Riduzione di valore delle attività", la Società sottopone annualmente l'avviamento al procedimento di verifica del valore recuperabile ("impairment test"). L'avviamento è rilevante per la revisione contabile sia perché è significativo per il bilancio nel suo complesso, sia perché il suddetto procedimento di verifica si basa su assunzioni che richiedono agli amministratori l'esercizio di una significativa discrezionalità nella scelta di metodologie, assunzioni e parametri (quali il Weighted Average Cost of Capital, "WACC", il costo del capitale proprio, "Ke", il tasso di crescita g), in quanto si tratta di variabili che possono risultare sensibili anche agli andamenti futuri dei mercati e degli scenari economici. L'informativa di bilancio relativa all'avviamento è riportata nella Sezione 13 "Attività Immateriali" della Parte B della nota integrativa.	Le nostre procedure di revisione in risposta all'aspetto chiave hanno incluso, tra l'altro: - l'analisi della procedura e dei controlli chiave posti in essere dalla Società in merito alla valutazione dell'avviamento, tenuto conto della procedura di *impairment test* approvata dal Consiglio di Amministrazione del 9 febbraio 2018; - l'analisi della relazione dell'esperto della direzione che ha assistito la società nell'*impariment test*, nonché la valutazione della sua competenza, capacità e obiettività; - la discussione delle evidenze emerse dal confronto effettuato dalla Direzione tra i risultati consuntivati nell'esercizio 2017 e i dati previsionali della controllata InvestiRE SGR S.p.A.; - la verifica della determinazione dei tassi di crescita di lungo periodo e dei tassi di attualizzazione; - la verifica della correttezza matematica dei calcoli dell'*impairment test* effettuato dalla Società. Nelle nostre verifiche ci siamo anche avvalsi dell'ausilio di nostri esperti in tecniche di valutazione aziendale, i quali hanno eseguito un ricalcolo indipendente ed effettuato analisi di sensitività sulle assunzioni chiave, al fine di determinare i cambiamenti delle assunzioni che potrebbero impattare significativamente la valutazione del valore recuperabile dell'avviamento. Infine, abbiamo esaminato l'adeguatezza dell'informativa resa in nota integrativa.

Responsabilità degli amministratori e del collegio sindacale 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. 28 febbraio 2005, n. 38 e dell'art. 43 del D. Lgs. 18 agosto 2015, n. 136 e, nei termini previsti dalla legge, per quella parte del controllo interno dagli stessi ritenuta necessaria per consentire la redazione di un bilancio che non contenga errori significativi dovuti a frodi o a comportamenti o eventi non intenzionali.

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Gli amministratori sono responsabili per la valutazione della capacità del Gruppo di continuare ad operare come un'entità in funzionamento e, nella redazione del bilancio consolidato, per l'appropriatezza dell'utilizzo del presupposto della continuità aziendale, nonché per una adeguata informativa in materia. Gli amministratori utilizzano il presupposto della continuità aziendale nella redazione del bilancio consolidato a meno che abbiano valutato che sussistono le condizioni per la liquidazione della capogruppo Banca Finnat Euramerica S.p.A. o per l'interruzione dell'attività o non abbiano alternative realistiche a tali scelte.
Il collegio sindacale ha la responsabilità della vigilanza, nei termini previsti dalla legge, sul processo di predisposizione dell'informativa finanziaria del Gruppo.

Responsabilità della società di revisione per la revisione contabile del bilancio consolidato

I nostri obiettivi sono l'acquisizione di una ragionevole sicurezza che il bilancio consolidato nel suo complesso non contenga errori significativi, dovuti a frodi o a comportamenti o eventi non intenzionali, e l'emissione di una relazione di revisione che includa il nostro giudizio. Per ragionevole sicurezza si intende un livello elevato di sicurezza che, tuttavia, non fornisce la garanzia che una revisione contabile svolta in conformità ai principi di revisione internazionali (ISA Italia) individui sempre un errore significativo, qualora esistente. Gli errori possono derivare da frodi o da comportamenti o eventi non intenzionali e sono considerati significativi qualora ci si possa ragionevolmente attendere che essi, singolarmente o nel loro insieme, siano in grado di influenzare le decisioni economiche degli utilizzatori prese sulla base del bilancio d'esercizio [consolidato].

Nell'ambito della revisione contabile svolta in conformità ai principi di revisione internazionali (ISA Italia), abbiamo esercitato il giudizio professionale e abbiamo mantenuto lo scetticismo professionale per tutta la durata della revisione contabile. Inoltre:

- abbiamo identificato e valutato i rischi di errori significativi nel bilancio d'esercizio [consolidato], dovuti a frodi o a comportamenti o eventi non intenzionali; abbiamo definito e svolto procedure di revisione in risposta a tali rischi; abbiamo acquisito elementi probativi sufficienti ed appropriati su cui basare il nostro giudizio. Il rischio di non individuare un errore significativo dovuto a frodi è più elevato rispetto al rischio di non individuare un errore significativo derivante da comportamenti od eventi non intenzionali, poiché la frode può implicare l'esistenza di collusioni, falsificazioni, omissioni intenzionali, rappresentazioni fuorvianti o forzature del controllo interno;
- abbiamo acquisito una comprensione del controllo interno rilevante ai fini della revisione contabile allo scopo di definire procedure di revisione appropriate nelle circostanze, e non per esprimere un giudizio sull'efficacia del controllo interno del Gruppo;
- abbiamo valutato l'appropriatezza dei principi contabili utilizzati nonché la ragionevolezza delle stime contabili effettuate dagli amministratori e della relativa informativa;
- siamo giunti ad una conclusione sull'appropriatezza dell'utilizzo da parte degli amministratori del presupposto della continuità aziendale e, in base agli elementi probativi acquisiti, sull'eventuale esistenza di una incertezza significativa riguardo a eventi o circostanze che possono far sorgere dubbi significativi sulla capacità del Gruppo di continuare ad operare come un'entità in funzionamento. In presenza di un'incertezza significativa, siamo tenuti a richiamare l'attenzione nella relazione di revisione sulla relativa informativa di bilancio ovvero, qualora tale informativa sia inadeguata, a riflettere tale circostanza nella formulazione del nostro giudizio. Le nostre conclusioni sono basate sugli elementi probativi acquisiti fino alla data della presente relazione. Tuttavia, eventi o circostanze successivi possono comportare che il Gruppo cessi di operare come un'entità in funzionamento;

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- abbiamo valutato la presentazione, la struttura e il contenuto del bilancio consolidato nel suo complesso, inclusa l'informativa, e se il bilancio consolidato rappresenti le operazioni e gli eventi sottostanti in modo da fornire una corretta rappresentazione.
- abbiamo acquisito elementi probativi sufficienti e appropriati sulle informazioni finanziarie delle imprese o delle differenti attività economiche svolte all'interno del Gruppo per esprimere un giudizio sul bilancio consolidato. Siamo responsabili della direzione, della supervisione e dello svolgimento dell'incarico di revisione contabile del Gruppo. Siamo gli unici responsabili del giudizio di revisione sul bilancio consolidato.

Abbiamo comunicato ai responsabili delle attività di governance, identificati ad un livello appropriato come richiesto dagli ISA Italia, tra gli altri aspetti, la portata e la tempistica pianificate per la revisione contabile e i risultati significativi emersi, incluse le eventuali carenze significative nel controllo interno identificate nel corso della revisione contabile.

Abbiamo fornito ai responsabili delle attività di governance anche una dichiarazione sul fatto che abbiamo rispettato le norme e i principi in materia di etica e di indipendenza applicabili nell'ordinamento italiano e abbiamo comunicato loro ogni situazione che possa ragionevolmente avere un effetto sulla nostra indipendenza e, ove applicabile, le relative misure di salvaguardia.

Tra gli aspetti comunicati ai responsabili delle attività di governance, abbiamo identificato quelli che sono stati più rilevanti nell'ambito della revisione contabile del bilancio dell'esercizio in esame, che hanno costituito quindi gli aspetti chiave della revisione. Abbiamo descritto tali aspetti nella relazione di revisione.

Altre informazioni comunicate ai sensi dell'art. 10 del Regolamento (UE) n. 537/2014

L'assemblea degli azionisti della Banca Finnat Euramerica S.p.A. ci ha conferito in data 29 Aprile 2011 l'incarico di revisione legale del bilancio d'esercizio e consolidato della Società per gli esercizi con chiusura dal 31 dicembre 2011 al 31 dicembre 2019.

Dichiariamo che non sono stati prestati servizi diversi dalla revisione contabile vietati ai sensi dell'art. 5, par. 1, del Regolamento (UE) n. 537/2014 e che siamo rimasti indipendenti rispetto alla Società nell'esecuzione della revisione legale.

Confermiamo che il giudizio sul bilancio consolidato espresso nella presente relazione è in linea con quanto indicato nella relazione aggiuntiva destinata al collegio sindacale, nella sua funzione di comitato per il controllo interno e la revisione contabile, predisposta ai sensi dell'art. 11 del citato Regolamento.

Relazione su altre disposizioni di legge e regolamentari

Giudizio ai sensi dell'art. 14, comma 2, lettera e), del D. Lgs. 27 gennaio 2010, n. 39 e dell'art. 123-bis, comma 4, del D. Lgs. 24 febbraio 1998, n. 58

Gli amministratori della Banca Finnat Euramerica S.p.A. sono responsabili per la predisposizione della relazione sulla gestione e della relazione sul governo societario e gli assetti proprietari del Gruppo Banca Finnat Euramerica al 31 dicembre 2017, incluse la loro coerenza con il relativo bilancio consolidato e la loro conformità alle norme di legge.

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Abbiamo svolto le procedure indicate nel principio di revisione (SA Italia) n. 720B al fine di esprimere un giudizio sulla coerenza della relazione sulla gestione e di alcune specifiche informazioni contenute nella relazione sul governo societario e gli assetti proprietari indicate nell'art. 123-bis, comma 4, del D. Lgs. 24 febbraio 1998, n. 58 con il bilancio consolidato del gruppo Banca Finnat Euramerica al31 dicembre 2017 e sulla conformità delle stesse alle norme di legge, nonché di rilasciare una dichiarazione su eventuali errori significativi.
A nostro giudizio, la relazione sulla gestione e alcune specifiche informazioni contenute nella relazione sul governo societario e gli assetti proprietari sopra richiamate sono coerenti con il bilancio consolidato del gruppo Banca Finnat Euramerica al 31 dicembre 2017 e sono redatte in conformità alle norme di legge.

Con riferimento alla dichiarazione di cui all'art. 14, c. 2, lettera e), del D. Lgs. 27 gennaio 2010, n. 39, rilasciata sulla base delle conoscenze e della comprensione dell'impresa e del relativo contesto acquisite nel corso dell'attività di revisione, non abbiamo nulla da riportare.

Roma, 29 marzo 2018

EY S.p.A.

Wassim Abou Said
(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

ATTESTAZIONE DEL BILANCIO CONSOLIDATO AI SENSI DELL'ART. 81-TER DEL REGOLAMENTO CONSOB N. 11971 DEL 14 MAGGIO 1999 E SUCCESSIVE MODIFICHE E INTEGRAZIONI

1. I sottoscritti Arturo Nattino in qualità di Amministratore Delegato e Giulio Bastia in qualità di Dirigente preposto alla redazione dei documenti contabili societari di Banca Finnat Euramerica S.p.A. attestano, tenuto anche conto di quanto previsto dall'art. 154-bis, commi 3 e 4, del decreto legislativo 24 febbraio 1998, n. 58:
   - l'adeguatezza in relazione alle caratteristiche dell'impresa e
   - l'effettiva applicazione

   delle procedure amministrative e contabili per la formazione del Bilancio consolidato al 31 dicembre 2017.

2. Al riguardo non sono emersi aspetti di rilievo.

3. Si attesta, inoltre, che:
   - 3.1. il Bilancio consolidato:
     - a. è redatto in conformità ai principi contabili internazionali applicabili riconosciuti nella Comunità europea ai sensi del regolamento (CE) n. 1606/2002 del Parlamento europeo e del Consiglio, del 19 luglio 2002;
     - b. corrisponde alle risultanze dei libri e delle scritture contabili;
     - c. è idoneo a fornire una rappresentazione veritiera e corretta della situazione patrimoniale, economica e finanziaria dell'emittente e dell'insieme delle imprese incluse nel consolidamento.
   - 3.2 La Relazione sulla gestione comprende un'analisi attendibile dell'andamento e del risultato della gestione, nonché della situazione dell'emittente e delle imprese incluse nel consolidamento, unitamente alla descrizione dei principali rischi e incertezze cui sono esposti.

Roma, 16 marzo 2018

L'Amministratore Delegato

(Arturo Nattino)

Il Dirigente preposto alla redazione dei documenti contabili societari

(Giulio Bastia)

ABSTRACT OF SHAREHOLDERS' GENERAL MEETING RESOLUTIONS

On 27 April 2018, the ordinary General Meeting of the shareholders of Banca Finnat Euramerica S.p.A.,

with reference to item one on the agenda of the Meeting, 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 2017 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;
- the allocation of the operating profit as follows:

operating profit	**36,274,481**	**euros**
– 5% to the legal reserve, appropriated in accordance with the law and the articles of association	1,813,724	euros
– to the 362,880,000 ordinary shares, a gross dividend of 0,030 euro per share equal to 15% of the nominal value of the shares	10,886,400	euros
(pursuant to art. 2357 ter of the Civil Code, the profit due to the treasury shares held at the date of payment of the dividend shall be proportionally assigned to the other shares)		
– to the extraordinary reserve	23,574,357	euros
Total	**36,274,481**	**euros**

The Meeting also proposed to transfer the residual amount of the "Reserve for purchasing treasury shares" totalling 332,844 euros to the "Extraordinary reserve", following the sales in the year.
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.
The Shareholders are informed that the dividend shall be paid from next Wednesday, 16 May 2018 (coupon detachment date, Monday 14 May 2018), coupon no. 34.

With reference to item two on the agenda, approved:

(i) the membership of the Board of Directors, as composed of 11 (eleven) members;

(ii) the appointment, for the 3-year term from 2018 to 2020, of the candidates included in the list deposited by the relative majority shareholder Arturo Nattino, who holds 21.6% of the share capital, comprising the following persons:

Ermanno Boffa;
Leonardo Buonvino;
Carlo Carlevaris;
Roberto Cusmai – independent;
Flavia Mazzarella – independent;
Arturo Nattino;

Giulia Nattino;
Maria Sole Nattino;
Lupo Rattazzi;
Andreina Scognamiglio – independent
Marco Tofanelli – independent.

(iii) the remuneration as follows: 1) a gross annual remuneration of 10,000 euros pro rata temporis to each Director; 2) a gross annual remuneration of 80,000 euros pro rata temporis to the Chairperson of the Board of Directors, in addition to the remuneration as Director; 3) the apportionment between the members of the Board sub-committees and the Lead Independent Director of the remuneration of 55,000 euros, on the basis of the resolution adopted by the Board of Directors. The Board of Directors shall continue to have the authority to determine the remuneration of the Chief Executive Officer, pursuant to article 2389 (3) of the Civil Code.

With reference to item three on the agenda, approved:

(i) the confirmation of the appointment of Mr. Carlo Carlevaris as Honorary Chairman for the same term as the newly appointed members of the Board of Directors, i.e. the financial years 2018, 2019 and 2020, until the approval of the financial statements at 31 December 2020;

(ii) the decision to grant the Honorary Chairman a gross annual remuneration of 10,000 euros pro rata temporis, in addition to the director's remuneration already approved by the General Meeting.

With reference to item four on the agenda, approved:

(i) the appointment as members of the Board of Statutory Auditors the persons included in the list deposited by the majority shareholder Arturo Nattino, who holds 21.6% of the share capital, as follows:
Alberto De Nigro;
Barbara Fasoli Braccini;
Francesco Minnetti;
Antonio Staffa;
Laura Bellicini.

(ii) the appointment of Mr. **Alberto De Nigro** to the chair of the Board of Statutory Auditors;

(iii) the remuneration as follows: (i) a gross annual remuneration of 55,000 euros and 45,000 euros pro rata temporis, to the Chairman of the Board of Statutory Auditors and each of the Permanent Auditors, respectively, and (ii) a further gross annual remuneration of 5,000 euros pro rata temporis to each appointed Auditor, if also appointed to sit on the Supervisory Board, pursuant to article 6 of Legislative Decree 231/2001.

With reference to item five on the agenda, approved:

(i) the above remuneration policy of Banca Finnat Euramerica S.p.A.;

(ii) the decision to grant the Board of Directors the authority to implement the said remuneration policy, also taking into account any requests received from the Supervisory Board on the matter, which Board of Directors may also sub delegate the said authority to the Chief Executive Officer."

Rome, 27 April 2018

DESIGN BY

Ape Communication Srl

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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