BANCA FINNAT

GRUPPO BANCA FINNAT

CONSOLIDATED INTERIM REPORT ON OPERATIONS AT 31 MARCH 2018

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Flavia Mazzarella
Chairperson

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Deputy Chairperson

Marco Tofanelli
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Permanent Auditor

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Giulio Bastia
Joint General Manager
General Accounting & Financial Reporting Officer

Alberto Alfiero
Deputy General Manager

AUDITING FIRM

EY S.p.A.

The governance bodies were appointed by the General Meeting and Directors' meeting held on 27 April 2018

EXPLANATORY NOTES OF THE INTERIM REPORT ON OPERATIONS

The interim report on operations is prepared in accordance with the Italian Stock Exchange Regulation (Borsa Italiana) for STAR segment listed companies (article 2.2.3, paragraph 3).
In preparing the report, account has been taken of Notice no. 7587 of 21 April 2016 of the Italian Stock Exchange, which, regarding the content of the report, confirms the application of article 154-ter, paragraph 5, of Legislative Decree 58/98 (TUF), according to which listed issuers are required to publish an interim report on operations – within forty-five days from the end of the first and third quarters of the period – comprising:

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

This Interim Report on Operations features the consolidated Balance Sheet, Profit and Loss Account, Statement of Comprehensive Income and Statement of Changes in Net Equity, as well as the key highlights of the Profit and Loss Account and Balance Sheet.

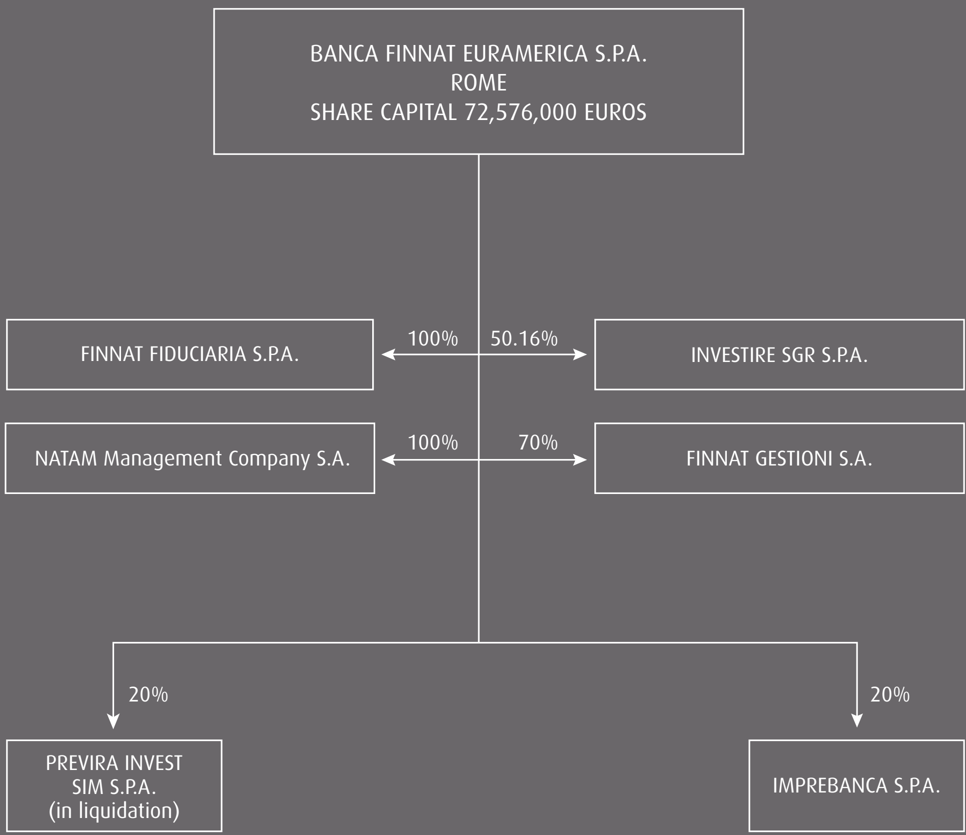
The above schedules and highlights are set out in the Circular Letter issued by the Bank of Italy (no. 262) on "Bank financial statements: layouts and preparation" – 5th update of 22 December 2017.
This latest update incorporates the international accounting standard IFRS 9, which, effective from 1 January 2018, has replaced IAS 39, in respect of the recognition of financial instruments. The key innovations and impact of this new standard – as already illustrated in the 2017 Financial Statements – are analysed in a specific chapter on the "Adoption of IFRS 9".

The application of the new layouts does not necessarily require the restating of the comparative financial statements for 2017, therefore, the results of this quarter have been compared with those of the previous period and restated as follows:
- in the profit and loss account, the figures of the first quarter of 2018 are compared with those of the same period of 2017, suitably reclassified according to the new layout, while the statement of comprehensive income shows the figures relating to the first quarter of the current year compared with the same period last year, also suitably reclassified according to the new layout;
- the balance sheet shows the values referred to 31 March 2018, compared with those at 1 January 2018, after the FTA adjustment, while the statement of changes in net equity highlights the figures at 31 December 2017, at 1 January 2018 and at 31 March 2018, and the changes that took place in the period.

An attachment contains the reconciliation schedules between the data set out in the financial statements at 31 December 2017 and the opening balances at 1 January 2018.
This document has not been audited, in accordance with the law.

GROUP STRUCTURE

At 31 March 2018, the Group was structured as shown in the diagram below:



KEY GROUP HIGHLIGHTS

	31 March 2017	31 December 2017(*)	31 March 2018
CONSOLIDATED GROUP NET EQUITY (in thousands of euros)	219,894	222,108	222,637
GROUP HUMAN RESOURCES	338	341	345
CONSOLIDATED PROFIT (LOSS) (in thousands of euros)	1,573	36,308	1,368

(*) the consolidated net equity of the Group, at 1 January 2018, after the first-time adoption of IFRS 9 amounts to Eur 219.794 thousand.

MARKET CAPITALISATION OF BANCA FINNAT EURAMERICA

	Number of shares	Market price 4 May 2018	Capitalisation 4 May 2018 (in thousands of euros)	Consolidated net equity (in thousands of euros)	Share capital (in thousands of euros)
ORDINARY SHARES	362,880,000	0.4520	164,022	222,637	72,576

Developments in Group funding

(in thousands of euros)

	December 2015	December 2016	December 2017	March 2018
Direct deposits by parent company clients	**417,760**	**510,686**	**472,787**	**596,825**
- Due to customers (current accounts)	331,111	418,331	358,892	439,862
- Time deposits	60,527	68,530	91,301	132,047
- Outstanding securities	26,122	23,825	22,594	24,916
Indirect parent company deposits	**4,609,152**	**4,505,144**	**5,540,931**	**5,592,804**
- Individual portfolio management	449,753	459,775	571,803	501,218
- Management under mandate	283,646	251,061	285,681	291,986
- Deposits under administration (UCIs and securities)	3,603,627	3,471,594	3,924,304	4,031,677
- Deposits administered under consulting arrangements (UCIs and securitiesi)	229,493	255,778	649,060	646,850
- Third-party insurance products	42,633	66,936	110,083	121,073
Trusteeships	**1,408,787**	**1,374,990**	**1,458,411**	**1,361,296**
Real estate funds	**6,769,365**	**7,001,357**	**7,525,912**	**7,525,912**
Administration of Luxembourg-based Sicavs (*)	**–**	**–**	**694,087**	**721,351**
Total deposits	**13,205,064**	**13,392,177**	**15,692,128**	**15,798,188**
Luxembourg-based Sicavs (UCIs of which Banca Finnat is "Promoter": currently New Millennium Sicav and New Millennium Sif).	**725,786**	**677,938**	**–**	**–**

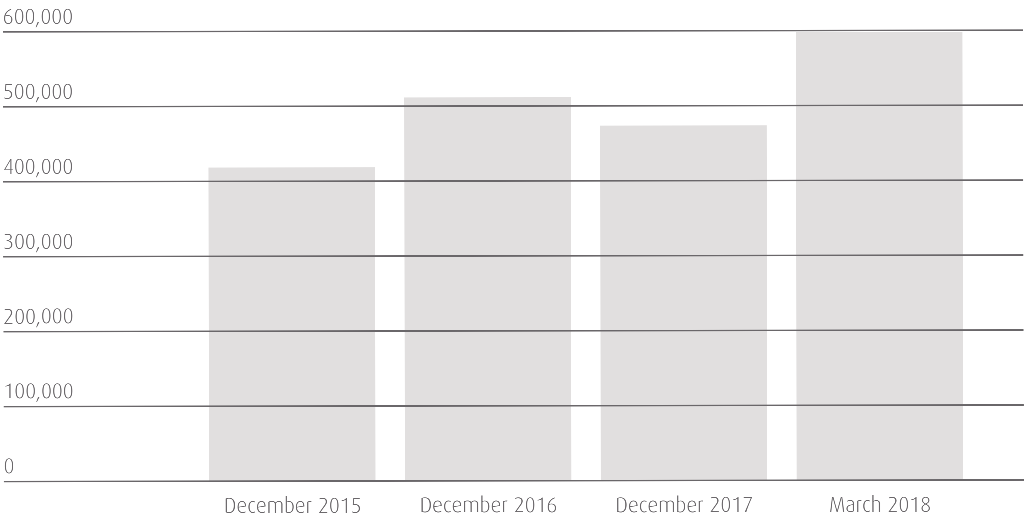
(*) The item concerns the assets administered by the subsidiary NATAM and previously included in the item "Luxembourg-based Sicavs" - recorded net of those managed under mandate and included in the indirect parent company deposits.

The table above shows the developments in the Group's funding by type. In particular: a) direct and indirect deposits by customers refers to the Bank's activities and does not include repurchase agreements with the *Cassa di Compensazione e Garanzia*; b) funding from trusteeships includes the funds collected by Finnat

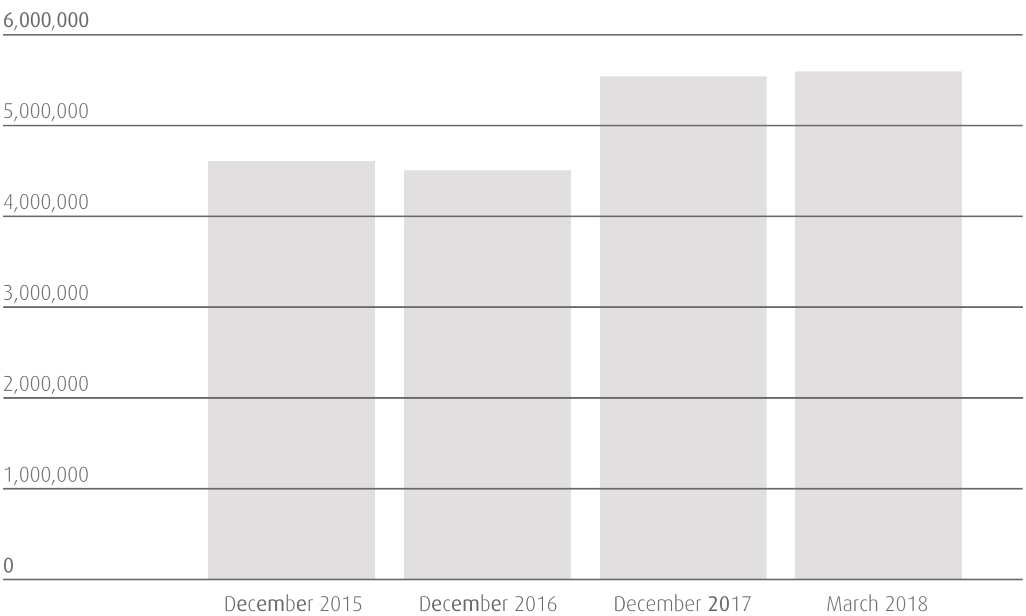
Gestioni S.A.; c) the funds belonging to the subsidiary InvestiRE SGR S.p.A. are measured at the market value of the total assets under management, net of borrowings (GAV).

All the funds recorded in the table also take into account the amounts invested in them and deriving from the other types shown, except for the item "Management of Luxembourg-based Sicav", which does not include the funds under delegated management previously included in the Parent Company's indirect deposits.

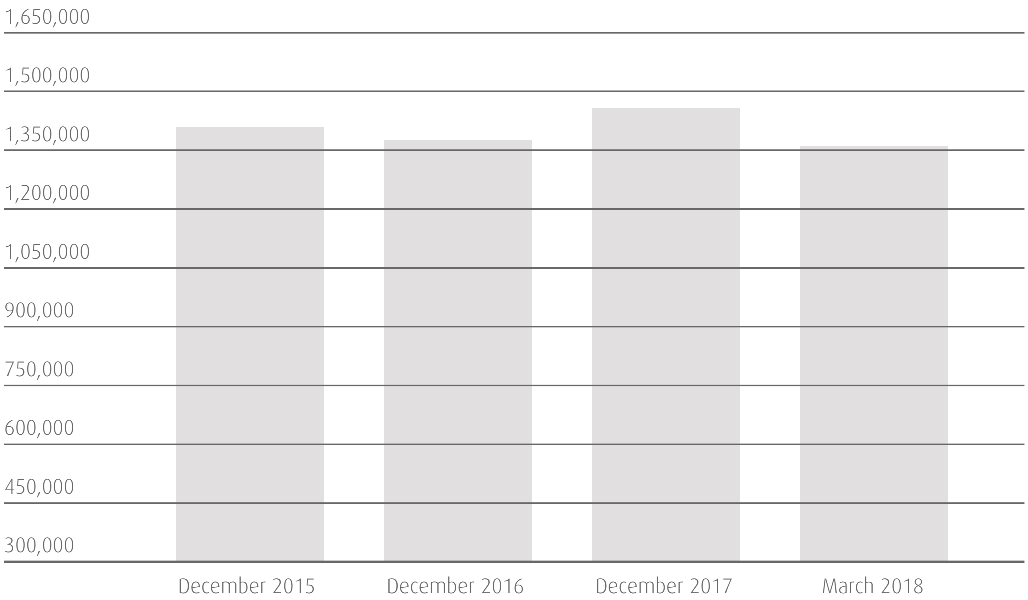
Direct deposits by customers



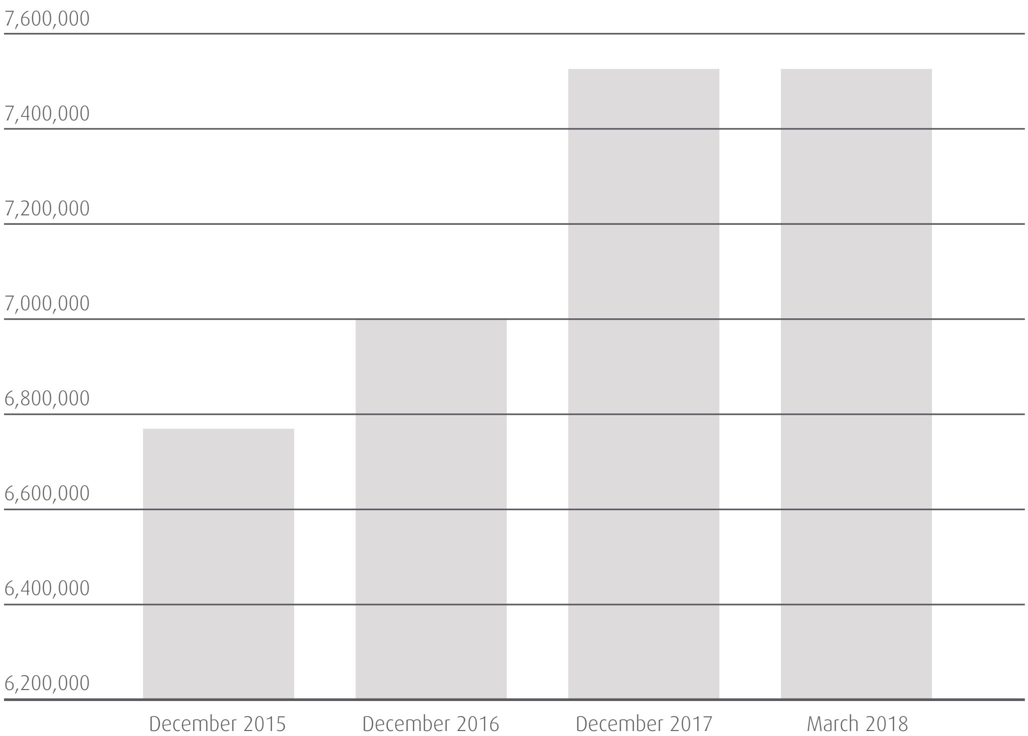
Indirect deposits



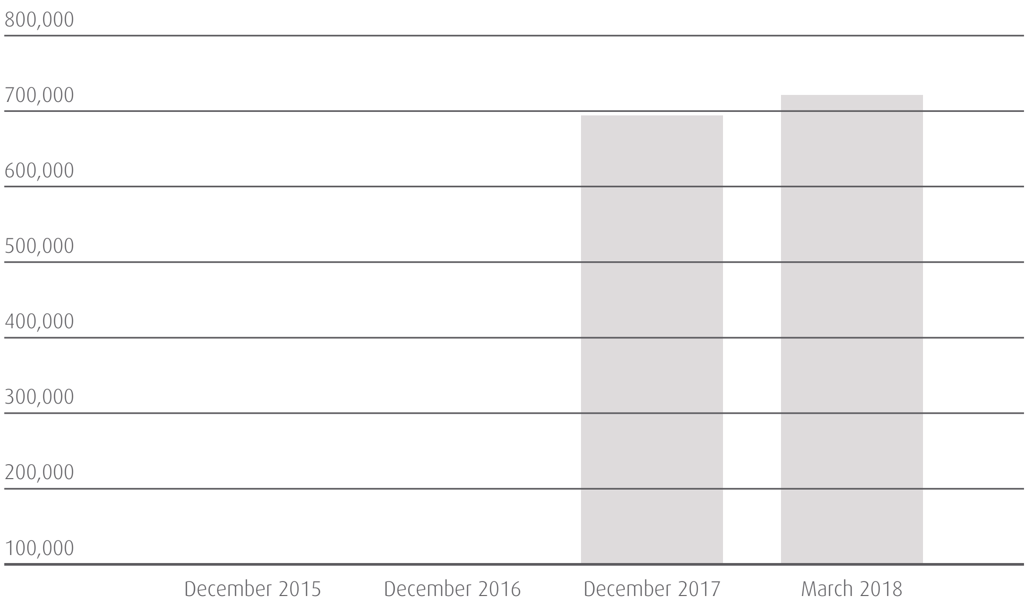
Trusteeships



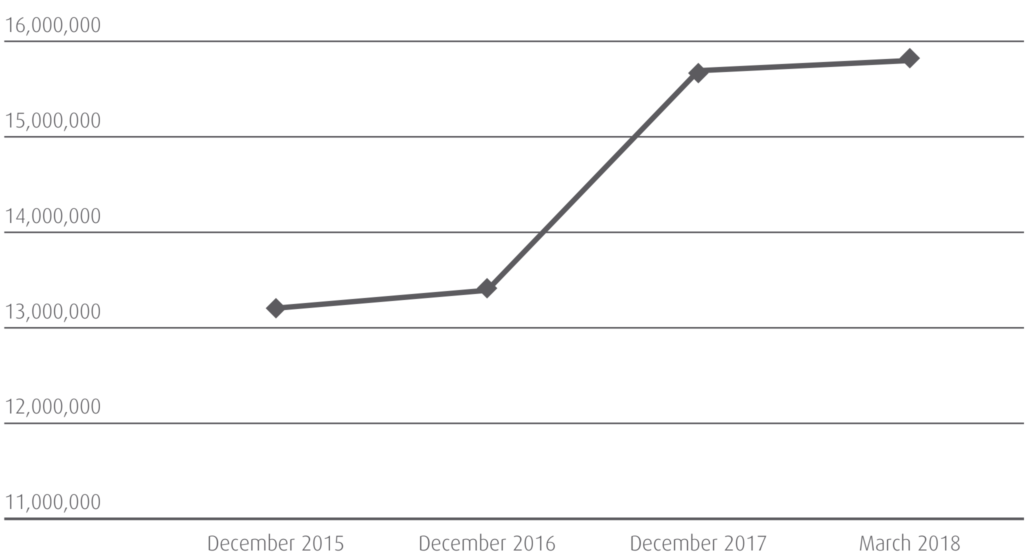
Real estate funds



Management of Luxembourg-based Sicavs



Total Group deposits



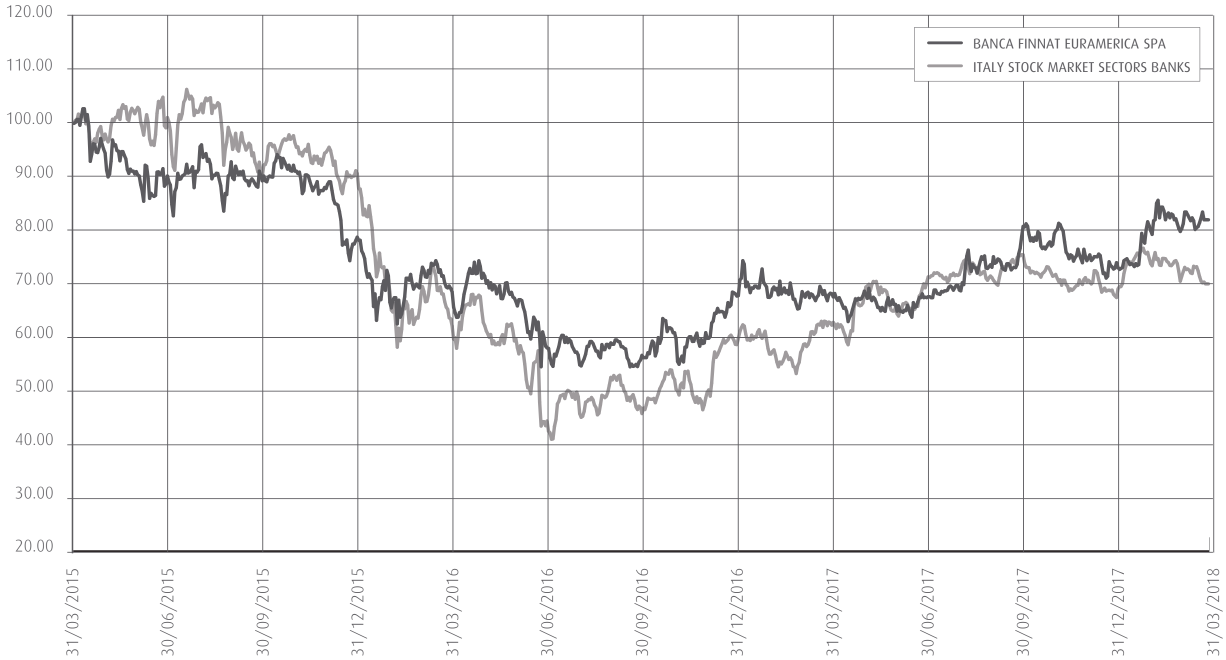
Company stock performance

(in euros)

SECURITY	Market price 4 May 2018	Market price 31 March 2018	Market price 31 December 2017	Market price 30 September 2017	Market price 30 June 2017	Market price 31 March 2017
BFE	0.4520	0.4480	0.3994	0.4207	0.3702	0.3708

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

(source Banca Intesa)



SCHEDULES

CONSOLIDATED PROFIT AND LOSS ACCOUNT

(in thousands of euros)

		Period 1st January 31 March 2018	Period 1st January 31 March 2017 (*)
10.	Interest income and similar income	2,810	1,487
20.	Interest expense and similar expense	(375)	448
30.	Interest margin	2,435	1,935
40.	Commission income	12,957	10,627
50.	Commission expense	(544)	(578)
60.	**Net commissions**	**12,413**	**10,049**
70.	Dividends and similar income	1,634	1,586
80.	Net income from trading activities	11	315
100.	Profit (loss) from the transfer or repurchase of:		
	a) financial assets valued at depreciated cost	21	–
	b) financial assets valued at fair value, with effect on overall profitability	22	1,221
110.	Net result of other financial assets and liabilities valued at fair value and recorded in the profit and loss account		
	b) other financial assets mandatorily valued at fair value	(541)	–
120.	**Earnings margin**	**15,995**	**15,106**
130.	Net value adjustments/write-backs for the impairment of:		
	a) financial assets valued at depreciated cost	(524)	(318)
	b) financial assets valued at fair value, with effect on overall profitability	(186)	(255)
150.	**Net income from financial operations**	**15,285**	**14,533**
190.	Administrative expenses		
	a) staff costs	(8,536)	(8,219)
	b) other administrative expenses	(4,976)	(3,790)
200.	Net allocations to the provisions for risks and charges		
	a) commitments and guarantees granted	7	–
210.	Impairment losses/reversal of impairment losses on tangible assets	(113)	(111)
220.	Impairment losses/reversal of impairment losses on intangible assets	(42)	(39)
230.	Other operating income and expenses	1,837	337
240.	**Operating costs**	**(11,823)**	**(11,822)**
250.	Profit (loss) from equity investments	–	26
290.	**Profit (loss) from current operations before taxes**	**3,462**	**2,737**
300.	Income tax on current operations	(1,260)	(675)
310.	**Profit (loss) from current operations after taxes**	**2,202**	**2,062**
320.	**Profit (loss) from ceased operating activities after taxes**	**2,202**	**2,062**
330.	**Profit (loss) for the period**	**2,202**	**2,062**
340.	Profit (loss) for the period of minority interests	(834)	(489)
350.	**Profit (loss) for the period of parent company**	**1,368**	**1,573**

(*) The figures are restated according to the new layout by the Bank of Italy (5th update).

COMPREHENSIVE CONSOLIDATED STATEMENT OF PERFORMANCE

(in thousands of euros)

Item		Period 1st January 31 March 2018	Period 1st January 31 March 2017 (*)
10.	**Profit (loss) for the period**	**2,202**	**2,062**
	Other income components after tax and without reversal to profit and loss		
20.	Capital securities designated at fair value with effect on overall profitability	28	1,730
70.	Defined benefit plan	(48)	88
90.	Portion of the reserves from evaluation of equity investments assessed with the net equity method	–	(112)
	Other income components after tax and with reversal to profit and loss		
140.	Financial assets (other than capital securities) valued at fair value and with impact on overall profitability	1,492	(931)
170.	**Total other income items after tax**	**1,472**	**775**
180.	**Total earnings (Items 10+170)**	**3,674**	**2,837**
190.	Total consolidated earnings of minority interests	820	452
200.	**Total consolidated earnings of parent company**	**2,854**	**2,385**

(*) The figures are restated according to the new layout by the Bank of Italy (5th update). The changes in the valuation reserves do not include adjustments made in relation to the first application of IFRS 9.

CONSOLIDATED BALANCE SHEET – ASSETS

(in thousands of euros)

		31.03.2018	01.01.2018 (*)
10.	Cash and cash equivalents	555	633
20.	Financial assets valued at fair value with effect on the profit and loss account	67,453	70,306
	a) financial assets held for trading	44,285	45,712
	c) other financial assets mandatorily valued at fair value	23,168	24,594
30.	Financial assets valued at fair value with effect on overall profitability	207,429	202,016
40.	Financial assets valued at depreciated cost	1,236,677	1,447,431
	a) receivables from banks	137,587	88,070
	b) receivables from customers	1,099,090	1,359,361
70.	Equity investments	6,457	6,457
90.	Tangible assets	4,985	5,079
100.	Intangible assets	40,989	41,012
	of which:		
	- goodwill	37,729	37,729
110.	Tax assets	13,323	13,934
	a) current tax assets	686	605
	b) deferred tax assets	12,637	13,329
130.	Other assets	17,693	20,420
	Total assets	**1,595,561**	**1,807,288**

(*) Figures at 31 December 2017 after adjustments pursuant to FTA IFRS9 restated at 1 January 2018 according to the new layout by the Bank of Italy (5th update).

CONSOLIDATED BALANCE SHEET – LIABILITIES

(in thousands of euros)

		31.03.2018	01.01.2018 (*)
10.	Financial liabilities valued at depreciated cost	1,301,406	1,518,615
	a) payables to banks	1,328	1,474
	b) payables to customers	1,275,162	1,494,547
	c) outstanding securities	24,916	22,594
20.	Financial liabilities held for trading	85	143
60.	Tax liabilities	4,658	3,652
	a) current tax liabilities	3,334	2,972
	b) deferred tax liabilities	1,324	680
80.	Other liabilities	22,524	17,986
90.	Severance indemnity fund	4,926	4,970
100.	Provisions for risks and charges	629	635
	a) commitments and guarantees granted	81	87
	c) other provisions for risks and charges	548	548
120.	Valuation reserves	3,048	1,563
150.	Reserves	159,704	123,406
170.	Capital	72,576	72,576
180.	Treasury shares (-)	(14,059)	(14,059)
190.	Net equity of minority interests (+/-)	38,696	41,493
200.	Profit (loss) for the period (+/-)	1,368	36,308
	Total liabilities and net equity	**1,595,561**	**1,807,288**

(*) Figures at 31 December 2017 after adjustments pursuant to FTA IFRS9 restated at 1 January 2018 according to the new layout by the Bank of Italy (5th update).

STATEMENT OF CHANGES IN CONSOLIDATED NET EQUITY AT 31 MARCH 2018

(in thousands of euros)

	Total net equity at 31.12.2017	Changes in opening balance (*)	Total net equity at 01.01.2018	Allocation of profit in the previous financial period	
				Reserves	Dividends and other allocations
Share capital:	**72,576**		**72,576**	**–**	**–**
a) ordinary shares	72,576		72,576	–	–
b) other shares	–		–	–	–
Share premium issue	**–**		**–**	**–**	**–**
Reserves:	**163,950**	**(2,862)**	**161,088**	**40,187**	**–**
a) profit reserves	100,684	(1,684)	99,000	40,152	
b) other reserves	63,266	(1,178)	62,088	35	–
Valuation reserves	**1,592**	**(97)**	**1,495**	**–**	**–**
Capital instruments	**–**		**–**	**–**	**–**
Own shares	**(14,059)**	**–**	**(14,059)**	**–**	**–**
Profit (loss) for the period	**40,187**	**–**	**40,187**	**(40,187)**	**–**
Total net equity	**264,246**	**(2,959)**	**261,287**	**–**	**–**
of which: Group net equity	**222,108**	**(2,314)**	**219,794**	**–**	**–**
of which: Minority interest net equity	**42,138**	**(645)**	**41,493**	**–**	**–**

(*) The changes in the opening balance is the result of the adjustments made at the first-time adoption of IFRS 9.

Changes in the period: Changes in reserves	Changes in the period: Net equity transactions: New share issues	Purchase of own shares	Extra dividend distribution	Changes in capital investments	Derivatives on own shares	Stock options	Changes in equity investments	Comprehensive income in the period 1st January-31 March 2018	Net equity at 31.03.2018 Total	Net equity at 31.03.2018 of the Group	Net equity at 31.03.2018 of Minority interests
–	–	–	–	–	–	–	–	–	72,576	72,576	–
–	–	–	–	–	–	–	–	–	72,576	72,576	–
–	–	–	–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–	–	–	–
(3,628)	–	–	–	–	–	–	–	–	197,647	159,703	37,944
(3,613)	–	–		–	–	–	–	–	135,539	125,426	10,113
(15)	–	–		–	–	–	–	–	62,108	34,277	27,831
–	–	–	–	–	–	–	–	1,472	2,967	3,049	(82)
–	–	–	–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–	(14,059)	(14,059)	–
–	–	–	–	–	–	–	–	2,202	2,202	1,368	834
(3,628)	–	–	–	–	–	–	–	3,674	261,333	–	–
(11)	–	–	–	–	–	–	–	2,854	–	222,637	–
(3,617)	–	–	–	–	–	–	–	820	–	–	38,696

LIST OF EQUITY INVESTMENTS INCLUDED IN THE SCOPE OF CONSOLIDATION

Company	Share capital in euros (1)	Head office	% of direct ownership 31.03.2018	Book value of equity investment (in thousands of euros)	Core business
Parent company:					
Banca Finnat Euramerica S.p.A.	72,576,000.00	Roma			Banking business and parent bank of the Group
Directly controlled subsidiaries:					
Finnat Fiduciaria S.p.A.	1,500,000.00	Roma	100.00		Trust company
Natam Management Company S.A.	750,000.00	Lussemburgo	100.00		Deposit management company
Finnat Gestioni S.A.	750,000.00	Lugano	70.00		Financial management and consulting
InvestiRE SGR S.p.A.	14,770,000.00	Roma	50.16		Promotion and management of closed-end real estate funds
Companies under considerable control					
Prévira Invest Sim S.p.A. in liquidation		Roma	20.00	57	Real estate brokerage company
Imprebanca S.p.A.		Roma	20.00	6,400	Banking
Total				**6,457**	

All the companies belong to the Banca Finnat Euramerica Group.

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

GENERAL COMMENTS

Results of Banca Finnat Euramerica Group

The first quarter of 2018 features a consolidated net profit of euros 1.368 thousand, compared to euros 1.573 thousand at 31 March 2017.

The key elements contributing to this operating result in the first quarter of 2018 – classified according to the new profit and loss account – compared with those relating to the corresponding period of 2017, suitably restated, are shown below:

- The **earnings margin** at 31 March 2018 amounts to euros 15.995 thousand compared to euros 15.106 thousand period over period. The total increase of euros 889 thousand is the result of:
  increases
  - euros 500 thousand for Interest Margin (euros 2.435 thousand at 31 March 2018 compared to euros 1.935 thousand period-over-period);
  - euros 2.364 thousand for Net Commissions (euros 12.413 thousand in the first quarter of 2018 compared to euros 10.049 thousand period-over-period);
  - euros 48 thousand for Dividends and similar revenue (euros 1.634 thousand at 31 March 2018 compared to euros 1.586 thousand period-over-period);

  decreases
  - euros 2.023 thousand from the sum of the items net result of trading operations, profit (loss) from the disposal of assets measured at amortised cost and measured at fair value with impact on overall profitability, net result of the other financial assets mandatorily measured at fair value with impact on the the profit or loss account. The items at 31 March 2018 feature, altogether, a negative balance of euros 487 thousand, compared to a positive balance of the corresponding items of euros 1.536 thousand, period-over-period, which included, for euros 1.221 thousand, gains from the disposal of securities held in the portfolio of "Available-for-sale financial assets".

- **Impairment adjustments** at 31 March 2018 amount to euros 710 thousand and concern the impairment of the financial assets measured at amortised cost totalling euros 524 thousand, and the assets measured at fair value with impact on overall profitability for euros 186 thousand. At 31 March 2017, impairments referred to "Available-for-sale financial assets" for euros 255 thousand and "Receivables" for euros 318 thousand.

- **Administrative expenses** amount to euros 13.512 thousand, in the first quarter of 2018, compared to euros 12.009 thousand period-over-period; the item is up overall by euros 1.503 thousand and is made up as follows:
  - staff costs, totalling euros 8.536 thousand, up by euros 317 thousand period-over-period (euros 8.219 thousand);
  - other administrative expenses, totalling euros 4.976 thousand, up by euros 1.186 thousand period-over-period (euros 3.790 thousand). After recovery, from clients, of certain charges allocated to Other operating income and expenses – equal to euros 1.677 thousand and euros 250 thousand,

respectively – the other administrative expenses are down by euros 241 thousand.

- **Other operating income and expenses** at 31 March 2018 features a positive balance of euros 1.837 thousand compared to euros 337 thousand period-over-period. The item includes costs recovered from clients totalling euros 1.677 thousand (euros 250 in the first quarter of 2017). After recovery from clients, the item is up by euros 73 thousand.

- **Income tax** at 31 March 2018 totals euros 1.260 thousand compared to euros 675 thousand at 31 March 2017.

* * *

The overall result of the first quarter of 2018, which also includes the change to the "Valuation reserve", is highlighted in the "Statement of Comprehensive Income".

DIRECTORS' REPORT ON OPERATIONS

Market disclosure

Regarding market disclosure, the Bank and Group declare that:

- with reference to the request made by the Bank of Italy, in its Communication of 17 June 2008, the Bank and Group companies, at 31 March 2018, were not exposed to and/or held no equity interests, either directly or through special purpose vehicles, or other non-consolidated entities, in financial instruments or collective investment undertakings featuring policies characterised by high risk investments, such as: SPE (Special Purpose Entities) - CDO (Collateralized Debt Obligations) – Other exposures to subprime and Alt-A – CMBS (Commercial Mortgage-Backed Securities) – Leveraged Finance. The only Group exposure to such financial products, perceived by the market as risky, consisted in the investment in "FIP Funding Class A2-2023" bonds, recorded in its 2017 financial statements by the parent company among the securities held for trading and totalling euros 2.151 thousand (nominal value euros 4.000 thousand), and entirely reimbursed in January 2018;
- the BoD of Banca Finnat Euramerica S.p.A., in accordance with Consob Resolution No.18079 of 20 January 2012, decided – on 21 January 2013 – to adopt the "simplification scheme" provided for in articles 70(8) and 71 (1-bis) of the Consob Regulation introduced by Resolution No. 11971 of 14 May 1999, as amended and supplemented, which exempts listed companies from the obligation of presenting the documents referred to in its Schedule 3B of the Consob Regulation, relating to future extraordinary transactions involving mergers, demergers, capital increases, through contributions in kind, acquisitions and disposals;
- regarding the requests in document no. 2 issued jointly by the Bank of Italy, Consob and Isvap on 6 February 2009, the following document no. 4 of 4 March 2010 and paragraphs 15 and 25 of IAS 1, regarding the mandatory disclosures on business continuity, reference should be made to the Supplementary Note in Part A Section 2 – General reporting standards, and Part E – Information on the risks and related hedging policies, respectively;
- 2017 was the last year in which the Bank applied the "own funds" sterilisation policy, as provided by the Bank of Italy Circular 285, contemplating the right not to include, in the calculation of the regulatory capital, any unrealised profits and losses, with regard to dealings with the Central Government departments classified in the category "Available-for-sale financial assets". This option (which has been called "sterilisation") was valid until the entry into force of IFRS 9, which has replaced IAS 39 on financial instruments;
- the Bank has exercised the option to apply the transitional arrangements provided in Regulation (EU) 2017/2395 amending "Regulation (EU) No. 575/2013 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 said transitional arrangements provide for the possibility of including in the Common Equity Tier 1 capital a positive transitional component, calculated in percentage form, of the increased provisions for expected credit losses, as a result of the first-time adoption of IFRS 9. This benefit is recognised for a period of 5 years, according to the decreasing balance method (95% in 2018, 85% in 2019, 70% in 2020, 50% in 2021, 25% in 2022). From 1 January 2023, the impact on the first-time adoption of IFRS 9 will be entirely reflected in the calculation of the own funds. Besides the possibility of extending the impact of the first-time adoption of the new accounting principle, on 1 January 2018, the transitional arrangements provide for the possibility of deferring any impacts of the new impairment model to the first financial periods after the date of first-time adoption of IFRS 9, albeit limitedly to those arising from the valuation of the impaired financial assets.

Main transactions and events in the period

Regarding the main transactions and events in the period in question, on 26 March 2018 the Board of Directors of the Bank examined and approved the Group's Business Plan for 2018-2020.

Significant events occurring after the end of the quarter

After 31 March 2018 – and until the date hereof – no significant transactions or events occurred, such as to affect the Group's operations, equity or assets.

However:

- on 27 April 2018, the General Meeting of Shareholders of the Bank:
  - approved the Financial Statements at 31 December 2017 and the distribution, to the Shareholders, of a gross dividend of euros 0.03 per share, due for payment on 16 May 2018 (coupon detachment date: 14 May 2018);
  - appointed the members of the Board of Directors and of the Board of Statutory Auditors, for the 2018-2020 term, and the Honorary Chairperson Mr. Carlo Carlevaris;
  - approved the Remuneration Policy prepared pursuant to article 123-ter of Legislative Decree 58/98;
- on 27 April 2018, the Board of Directors of the Bank appointed Ms. Flavia Mazzarella as Chairperson, Mr. Leonardo Buonvino and Mr. Marco Tofanelli as Deputy Chairpersons , Mr. Arturo Nattino as CEO. The Board also appointed the members of the Remunerations, Risks and Appointments Committees and the members of the Supervisory Board, and Mr. Marco Tofanelli as Lead Independent Director.

The new corporate officers are illustrated in page 4.

Foreseeable outlook

Based on the forecasts by the Bank and its subsidiaries, the Management expects this year's net consolidated result to be positive but lower than in 2017, which was significantly impacted by the capital gains from the disposal of stocks included in the Bank's AFS portfolio

REPORTING STANDARDS

General principles

The Interim Report on Operations of Banca Finnat Euramerica Group as at 31 March 2018 was prepared – as illustrated in the paragraph "Notes to accompany the Interim Report on Operations" – in compliance with art. 2.2.3, paragraph 3, of the Italian Stock Exchange Regulation for STAR-segment listed companies, and consistently with the IAS/IFRS international accounting standards. The Report provides some of its quantitative financial information in thousands of euros, using, wherever possible, the schedules indicated by the Bank of Italy in its Circular Letter no. 262 "Bank financial statements: layouts and preparation", 5th update of 22 December 2017.

This latest update implements IFRS 9, which, effective from 1 January 2018, has replaced the IAS 39 standard, in respect of the recognition of financial instruments. The main innovations and impact of the new standard – already illustrated in the 2017 Financial Statements – are described in the following paragraphs. In order to implement the changes resulting from the application of the new accounting standards effective from 1 January 2018: IFRS 9 "Financial Instruments", IFRS 7 "Financial Instruments: Disclosures" and IFRS 15 "Revenue from Contracts with Customers", several of the reporting principles applied in this Report have been changed, compared to those applied for the Financial Statements at 31 December 2017. In particular, the adoption of IFRS 9 has resulted in a significant impact on the Group's accounting processes, while the application of the other two new standards has not entailed any particular problems.

The quarterly statements included in the consolidation process are those of the subsidiaries, approved by their respective governance Bodies as at 31 March 2018, while in the case of associated companies, reference was made to the most recent available financial report. The acquired financial reports are adjusted, where necessary, so that they conform to the Group accounting standards.

More specifically:

- the operating data (consolidated Profit and Loss Account and consolidated Statement of Comprehensive Income) regard the reference quarter and have been compared with the same period of the previous year, suitably restated according to the new layouts;
- the balance sheet data at the closing date of the quarter have been compared with those at 31 December 2017, restated at 1 January 2018, in connection with the application of IFRS9. The reconciliation figures between the financial statements at 31 December 2017 and the opening balances at 1 January 2018 are shown as an attachment to this Report;
- the net equity data are highlighted at 31 December 2017, at 1 January 2018 (implementing the adjustments resulting from the first-time adoption of IFRS 9) and 31 March 2018, with the relevant changes in the period;
- the income for the period is shown after tax, determined based on the applicable rates and the information available at the time of preparation. The Bank and its Italian-based subsidiaries have opted for "national consolidated taxation", pursuant to articles 117/129 of the TUIR (Income Tax Consolidation Act). The option was renewed in 2016 for the 3-year period from 2016 to 2018. By virtue of this option, the Group companies determine their respective taxes and the corresponding tax income (taxable income or tax loss) is transferred to the Parent Company, which features a single reportable taxable

income or tax loss (which is the result of the algebraic sum of its own and the participating subsidiaries' incomes/losses) and, consequently, a single income tax credit/debt.

This report also contains a special paragraph relating to portfolio transfer and fair value disclosures.

In order to ensure compliance with the applicable market disclosure timeframes, the preparation of this Report has entailed the application, in limited cases and for non-significant amounts, of valuation criteria (based on the most recent available data) that refer to both certain balance sheet items and operating effects.

The consolidation area has not changed, compared to the financial statements at 31 December 2017.

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

Adoption of IFRS 9

Effective from 1 January 2018, IFRS 9 has replaced IAS 39 for the classification of financial instruments. The main innovations introduced by the new standard are illustrated in the 2017 Financial Statements.
The effects of the first-time adoption of IFRS 9 – like all the impacts of new IAS/IFRS standards – are recognised in the equity based on the recording of first-time adoption (FTA) provisions.
Following is an overview of the operations by the Bank, and other Group companies, in relation to the implementation of IFRS 9.

A) Classification and measurement of financial assets

Regarding the credit portfolio, the Bank and other Group companies have adopted a single business model for collecting financial flows, as contractually provided (the "Held to Collect" model).
Regarding the proprietary portfolios invested in financial instruments other than investments in associated companies and subsidiaries, the Bank – taking into account the various operational sectors, has adopted all three envisaged business models ("Held to Collect", "Held to Collect & Sell" and "Held to Sell"), associating each model to the uniform portfolios, based on the present underlying asset management procedures identified in the IAS 39 portfolio.
The application of the new accounting standard has had the following effects:

- Equity securities included in the portfolio "Available-for-sale financial assets", with a book value of euros 5.226 thousand, have been reclassified for the same amount at "fair value with an impact on overall profitability" (no recycling) exercising an irrevocable option at initial recognition. This reclassification has not entailed any changes in the Net equity.
  Following the exercise of this option, which enables the reclassification of capital instruments not held for trading in this category (in accordance with the relevant business), only the dividends have been recognised in the profit and loss account, while the disposal measurements and results are recorded in the net equity and are not subject to impairment.
- The UCI units (funds and Sicavs) in the portfolio "Available-for-sale financial assets", with a book value of euros 22.360 thousand, have been classified for the same amount in the "Held to Sell" category and mandatorily measured at "fair value with impact on the profit and loss account" because, although

these instruments are associated with the business model whose investment strategy has the objective of achieving contractual cash flows, both through holding and selling, the characteristics of the contractual cash flows are not consistent with the criteria provided for passing the SPPI test. As a result of this classification, the accumulated capital gains previously recognised in the valuation reserves, totalling euros 606 thousand before tax (euros 406 after tax), has been recorded in the FTA provision. Therefore, this reclassification has produced no changes in the Net equity.

- The Italian government securities included in the portfolio "Available-for-sale financial assets", with a book value of euros 1.160.270 thousand, have been classified in the "Held to collect & Sell" category for euros 166.621 thousand, and in the "Held to collect" category for euros 992.187 thousand (net of the accumulated capital gains at 31 December 2017 in the valuation reserves, amounting to euros 1.462 thousand). As a result of this second classification, these valuation reserves totalling euros 978 thousand, after tax, have been written off the book net equity and adjusted to the fair value of the financial assets at the date of initial recognition, therefore the financial instruments have been classified as if they had always been measured at amortised cost.
- The other bonds included in the portfolio "Available-for-sale financial assets", totalling euros 28.907 thousand, have been classified for the same amount in the "Held to collect & Sell" category.
- The financial instrument called FINRE SPV 25 8% SEN, with a book value of euros 726 thousand, and previously classified in the "Receivables from clients" has been reclassified for the same amount in the "Held to Sell" category and mandatorily measured at "fair value with impact on the profit and loss account", because the characteristics of the contractual cash flows are not consistent with the criteria provided for passing the SPPI test.

The application of this new accounting standard has entailed the following effect on the subsidiary InvestiRE SGR S.p.A.:

- The UCI units (funds and Sicavs) in the portfolio "Available-for-sale financial assets", with a book value of euros 1.508 thousand, have been mandatorily classified at "fair value with impact on the profit and loss account". As a result of this classification, the accumulated capital losses previously recognised at 31 December 2017 in the Valuation reserves, totalling euros 1.378 thousand before tax (euros 1.047 after tax), has been recorded in the FTA provision. Therefore, this reclassification has produced no changes in the Net equity.
- The stock investments totalling one thoudand euros in the portfolio "Available-for-sale financial assets", has been classified at "fair value with impact on overall profitability" (no recycling) exercising the irrevocable option at initial recognition. This reclassification too has entailed no changes in the Net equity.

Regarding the other Group companies, the application of the new accounting standard, regarding the reclassification of the portfolios, has entailed no changes in the Net equity.

B) Impairment

At first-time adoption, performing financial assets have been broken down between those classified in the first category (Bucket 1) and those classified in the second category (Bucket 2), while non-performing financial assets have been classified in the third category (Bucket 3), consistently with the Staging Allocation Policy adopted by the Group.

The perimeter of application of the new staging allocation rules concern:

- the financial assets recorded at amortised cost (AC). This category includes: the receivables due from clients and the receivables due for initial margins from the Cassa di Compensazione e Garanzia), receivables due from banks and debt securities;
- financial assets recognised at fair value with impact on the overall profitability (FVOCI) represented by debt securities (receivables or bonds);
- the irrevocable commitments to provide funds;
- the credit commitments (crediti di firma) of a financial or commercial nature.

At first-time adoption of the standard, the Bank and other Group companies carried out an in-depth analysis of all the performing positions, identifying the exposures that, at the FTA of the new standard, had recorded a significantly increased credit risk, compared to the disbursement date. Therefore, the following simplifications have been adopted:

- regarding the exposures which expired more than 30 days before the date of first-time adoption of the new accounting standard, the assumption has been adopted of a significant increase of the credit risk, as a result of which the exposures have been classified in Bucket 2;
- the so-called "forborne performing" exposures (where concessions, such as a modification or refinancing of loans and debt securities, has been granted as a result of a counterparty's financial difficulty) have been classified in Bucket 2;
- all positions which, at the date of first-time adoption, featured prejudicial information, have been classified in Bucket 2, and, for the purpose of recognising the significant credit risk increase, the first available recognition has been recognised as the initial recognition.

The effect of the application of the new impairment rules has been recognised in the financial statements through movements of the dedicated first-time adoption (FTA) provisions, as required by the new standard. The impact of all the value adjustments on the performing financial assets totals euros 3.102 thousand before tax, and euros 2.220 thousand after tax (amounting to euros 1.575 thousand at Group level). Total adjustments after tax are detailed as follows:

Impairment after tax

(in thousands of euros)

	Banca Finnat	InvestiRE SGR	Other companies	Total
Held to collect				
Due from clients	151	1,287	2	1,440
Due from banks	70	7		77
Securities	378			378
Held to collect and sell				–
Securities	239		1	240
and credit commitments of a financial or commercial nature	**85**			**85**
Total impairment	**923**	**1,294**	**3**	**2,220**

The above mentioned value adjustments have entailed an overall reduction of the net equity of euros

1.980 thousand, because the adjustments of the Held to collect and sell securities are offset by the valuation reserve, which entails no changes in the net equity.

C) Hedge Accounting

At 31 December 2017, the Bank and other Group companies had not performed any hedge accounting operations.

* * * *

In short, in the light of the above, the new accounting standard, at first-time adoption, has entailed a drop in the net equity (after tax) amounting to euros 2.959 thousand (euros 2.314 thousand of which relating to the Group) as follows:

- for the Bank, a drop due to both reclassification and impairment, totalling euros 1.662 thousand;
- for the subsidiary InvestiRE SGR S.p.A., a drop of euros 1.294 thousand (euros 649 thousand of which relating to the Group). The reduction here is exclusively due to credit impairment;
- for all other Group companies, the application of the standard has featured an impact of euros 3 thousand, due to the impairment of receivables and securities.

Following the above mentioned reductions of the consolidated book net equity, the consolidated Common Equity Tier 1 ratio – at the date of first-time adoption of the standard – has dropped by about 160 base points, compared to the Financial Statements at 31 December 2017.

In order to spread, over time, the impacts resulting from the adoption of the new accounting standard on its own funds, the Bank has exercised the option to apply the transitional arrangements – illustrated in the paragraph "Market disclosure guidelines", following the date of first-time adoption of the standard, the consolidated Common Equity Tier 1 ratio has dropped by about 128 based points compared to the Financial Statements at 31 December 2017.

PORTFOLIO TRANSFER AND FAIR VALUE DISCLOSURES

Transfers between portfolio categories

There have been no transfers of financial assets between portfolios as a result of the changes in the business model.

Fair value hierarchy

The following table shows the balances as at 31 March 2018 and 31 December 2017 of the portfolios of financial instruments carried at fair value, according to a hierarchy that reflects the significance of the inputs utilised in the measurements.

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

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

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

Financial assets / liabilities measured at fair value	31.03.2018			01.01.2018		
	L1	L2	L3	L1	L2	L3
1. Financial assets measured at fair value with impact on the profit and loss account	–	–	–			
a) financial assets held for training	36,578	7,702	5	32,805	12,902	5
b) financial assets designated at fair value	–	–	–	–	–	–
c) other financial assets mandatorily measured at fair value	1,289	19,431	2,448	1,508	20,587	2,499
2. Financial assets measured at fair value with impact on overall profitability	202,934	–	4,495	197,529	–	4,487
3. Hedging derivatives	–	–	–	–	–	–
4. Tangible assets	–	–	–	–	–	–
5. Intangible assets	–	–	–	–	–	–
Total	**240,801**	**27,133**	**6,948**	**231,842**	**33,489**	**6,991**
1. Financial liabilties held for trading	–	85	–	–	143	–
2. Financial liabilities designated at fair value	–	–	–	–	–	–
3. Hedging derivatives	–	–	–	–	–	–
Total	**–**	**85**	**–**	**–**	**143**	**–**

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

The figures at 31 December 2017, after the FTA IFRS9 adjustment, have been restated at 1 January 2018 according to the new layouts provided by the Bank of Italy.

PROFIT AND LOSS ACCOUNT, COMPREHENSIVE INCOME AND BALANCE SHEET DISCLOSURES

PROFIT AND LOSS ACCOUNT

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

INTEREST

	Period 01.01 - 31.03.2018	Period 01.01 - 31.03.2017
Interest income and similar income	2,810	1,487
Interest expense and similar expense	(375)	448
Interest margin	**2,435**	**1,935**

The interest margin, almost entirely related to the Bank, increased by euros 500 thousand. Following the 5th update of the Bank of Italy Circular 262, at 31 March 2018, unlike the previous financial recording procedure, the interest has been recorded in the interest income and similar income item, or the interest expense and similar expense item, depending on the positive or negative sign. Furthermore, effective from 31 March 2018, the interest income and similar income item also includes the interest due to the passing of time, determined in connection with the measurement of the impaired financial assets, based on the original effective interest rate, for a total amount of euros 13 thousand. Previously, this item had been recorded among the credit risk adjustments and recoveries.

COMMISSIONS

	Period 01.01 - 31.03.2018	Period 01.01 - 31.03.2017
Commissions receivable	12,957	10,627
Commissions payable	(544)	(578)
Net commissions	**12,413**	**10,049**

Net commissions in the period are up by euros 2.364 thousand, period over period, primarily with regard to the Bank, for euros 1.761 thousand, and the subsidiary InvestiRE SGR, for euros 450 thousand.

NET INCOME FROM TRADING ACTIVITIES

Net income from trading activities in the first quarter of 2018, related exclusively to Bank operations, features a positive balance of euros 11 thousand, compared to the equally positive balance of euros 315 thousand, period over period, and is made up as follows:

- euros 15 thousand, as a result of the negative balance between realised profits and losses related to trading on securities and derivative instruments;
- euros 61 thousand, as a result of the positive difference between unrealised capital gains and losses, due to the fair value valuation of the trading portfolio;
- euros 87 thousand for net exchange gains.

PROFIT (LOSS) FROM THE TRANSFER/REPURCHASE OF:

a) financial assets measured at amortised cost.

At 31 March 2018, the item – relating exclusively to the Bank – features a positive balance of euros 21 thousand, due to the profit from the reimbursement of government securities about to expire.

b) financial assets measured at fair value with impact on overall profitability

In the first quarter of 2018, the item features a positive balance of euros 22 thousand, of which euros 3 thousand relating to the Bank, and euros 19 thousand to the subsidiary Finnat Fiduciaria. In the first quarter of 2017, the item relating to disposal of "Available-for-sale financial assets" featured a positive balance of euros 1.221 thousand.

NET RESULT OF OTHER FINANCIAL ASSETS AND LIABILITIES MEASURED AT FAIR VALUE WITH IMPACT ON THE PROFIT AND LOSS ACCOUNT

b) other financial assets mandatorily measured at fair value

At 31 March 2018, the item features a negative balance of euros 541 thousand as a result of the algebraic sum – relating to the units of UCIs, reclassified at FTA, from the "Available-for-sale financial assets" portfolios – of the net capital losses recorded by the Bank, amounting to euros 796 thousand, and the capital gains recorded by InvestiRE SGR for euros 255 thousand.

CREDIT RISK ADJUSTMENTS AND RECOVERIES RELATING TO:

a) financial assets measured at amortised cost

At 31 March 2018, the item features value adjustments for euros 524 thousand, of which euros 397 thousand relating to the Bank, euros 123 thousand to the subsidiary InvestiRE SGR, and euros 4 thousand relating to the other Group companies.

b) financial assets measured at fair value with impact on overall profitability

In the first quarter of 2018, the item features value adjustments for euros 186 thousand, of which euros 185 thousand relating to the Bank, and euros 1 thousand to the subsidiary Finnat Fiduciaria.

At 31 March 2017, value adjustments of "Receivables" totalled euros 318 thousand and of "Available-for-sale financial assets" euros 255 thousand.

ADMINISTRATIVE EXPENSES

	Period 01.01 - 31.03.2018	Period 01.01 - 31.03.2017
Staff expenses	8,536	8,219
Other administrative expenses	4,976	3,790
Total	**13,512**	**12,009**

Administrative expenses are up, overall, by euros 1.503 thousand overall, period over period.

Staff costs are up by euros 317 thousand, period over period. This result primarily concerns the Bank, for euros 225 thousand, the subsidiary InvestiRE SGR S.p.A. for euros 130 thousand, Natam S.A. for euros 33 thousand and the other Group companies for a total of euros 71 thousand.

Other administrative expenses increased by euros 1.186 thousand, period over period, of which euros 1.383 relating to the Bank, while the other Group companies have recorded a drop of euros 197 thousand.

Other administrative expenses, net of the amounts recovered from clients, in respect of certain expenses allocated to the item Other operating income/expenses – equal to euros 1.677 thousand and euros 250 thousand, respectively – are down by euros 241 thousand.

OTHER OPERATING INCOME AND EXPENSES

This item features a positive balance of euros 1.837 thousand, compared to euros 337 thousand period over period. The item includes cost recoveries from clients for euros 1.677 thousand (euros 250 thousand at 31 March 2017). Net of recoveries from clients, the item is up by euros 73 thousand.

INCOME TAX

Income tax in the period features a balance of euros 1.260 thousand, compared to euros 675 thousand period over period.
Income tax has been calculated based on the applicable tax rates.

ANALYSIS OF COMPREHENSIVE INCOME

Following is a description of the changes in the valuation reserves for the financial assets:

Changes in the "Other income components, after tax, without reversal to the profit and loss account"

The change in the valuation reserves – recorded in the statement of comprehensive income as item "20. Equity securities designated as at fair value with impact on overall profitability" – is positive for euros 28 thousand and refers exclusively to the parent company.

Changes in the "Other income components, after tax, with reversal to the profit and loss account"

The change in the valuation reserves – recorded in the statement of comprehensive income as item "140. Financial assets (other than equity securities) measured at fair value with impact on overall profitability" – concerns debt securities for euros 1.492 thousand. The change is entirely related to the Group, and is positive for the Bank for euros 1.509 thousand, and negative for Finnat Fiduciaria for euros 17 thousand. The change in the reserves also includes the recognition, in respect of the said securities, of the amounts offsetting the value adjustments for credit risk (after tax) totalling euros 121 thousand, and relating exclusively to the Bank.

The Group reserves may be broken down as follows:

(in thousands of euros)

Parent Company	
Non-recyclable reserve	
Net Insurance shares	191
Cassa di Risparmio di Cesena shares	8
	199
Recyclable reserve	
Government bonds and other debt securities	
(from impairment euros 361 thousand)	1.946
	2.145
Other Group companies	
Recyclable reserve	
Government bonds and other debt securities	
(from impairment euros 1 thousand)	(2)
	2.143

BALANCE SHEET

The most significant balance sheet items at 31 March 2018 are presented below, in thousands of euros:

FINANCIAL ASSETS MEASURED AT FAIR VALUE WITH IMPACT ON THE PROFIT AND LOSS ACCOUNT

a) financial assets held for trading

The financial assets held for trading, which refer exclusively to the Bank, total euros 44.285 thousand. The item includes debt securities for euros 32.772 thousand, UCI units for euros 6.772 thousand, equity securities and warrants for euros 4.687 thousand. The item also includes the positive measurement of forward contracts relating to the purchase and sale of currencies for euros 54 thousand.

b) other financial assets mandatorily measured at fair value

At 31 March 2018, the item featured a balance of euros 23.168 thousand and is related to UCI units reclassified in relation to the FTA from the portfolios "Available-for-sale financial assets" of the Bank, for euros 21.153 thousand, and of InvestiRE SGR, for euros 1.289 thousand. The item also includes the FINRE SPV 25 8% SEN securities owned by the Bank, for euros 706 thousand, previously classified among the "Receivables from clients".

FINANCIAL ASSETS MEASURED AT FAIR VALUE WITH IMPACT ON OVERALL PROFITABILITY

This item amounts to euros 207.429 thousand and refers to the financial instruments included in the portfolios of the following companies:

The portfolio of the parent company includes the following, amounting to euros 205.890 thousand:

- debt securities totalling euros 200.899 thousand;
- equity securities totalling euros 4.991 thousand, constituting the following strategic investments:
  - listed shares: Net Insurance S.p.A.;
  - non-listed shares: Fideuram Investimenti SGR S.p.A., SIA S.p.A., Calipso S.p.A., CSE Consorzio Servizi Bancari S.r.l., Cassa di Risparmio di Cesena S.p.A. and Liphe S.p.A.

The portfolio of the other Group companies include debt securities owned by Finnat Fiduciaria for euros 1.538 thousand and equity investments for one thousand euros owned by InvestiRE SGR.

For the inclusion in this portfolio of equity securities an irrevocable option was exercised, at the initial recognition.

The value adjustments at 31 March 2018 regarding the debt securities included in this item are related to the Bank, for euros 539 thousand, and to Finnat Fiduciaria, for euros 1 thousand.

The total amount of euros 540 thousand has been recorded in item 120. Valuation reserves (after tax) and not as an impairment loss.

FINANCIAL ASSETS MEASURED AT AMORTISED COST

a) due from banks

Receivables from banks total euros 137.587 thousand, net of the global value adjustments totalling euros 136 thousand (of which 130 thousand relating to the Bank). The amount due to the Bank totals euros 129.628 thousand. The item does not include debt securities.

b) due from clients

This item amounts to euros 1.099.090 thousand and refers to receivables for euros 408.360 thousand (of which, the Deposits for margins at the *Cassa di Compensazione e Garanzia* total euros 26.205 thousand) and debt securities, relating exclusively to the Bank, for euros 690.730 thousand. The amounts are shown net of the global value adjustments at 31 March 2018, equal to euros 14.372 thousand, of which euros 13.946 thousand are on receivables and euros 426 thousand) on securities.

As at the date of this Report, current accounts, loans and other receivables include the following **impaired assets** (**Bucket 3**) relating to the parent company, amount to euros 12.272 thousand (euros 5.507 thousand minus write-downs), while at 31 December 2017 they totalled euros 12.125 (euros 5.506 thousand minus write-downs), broken down as follows:

- **non-performing loans** totalling euros 8.321 thousand (euros 1.967 thousand minus write-downs), with regard to the following positions:
  - a gross credit exposure of euros 4.572 thousand (euros 927 thousand minus write-downs) relating to the residual amount of a mortgage contract terminated by the Bank on 8 July 2011. The mortgage is backed by real estate, the appraisal of which – supported by a specific report updated to 12 January 2018 – entirely covers the value of the net exposure. The recoverable amount of the debt has been determined based on the expert appraisal of the value of the security provided, adjusted in order to take into account both the recovery time (also considering the Bank's privileged position, with respect to the real estate collateral backing the exposure9 and the difficulties encountered in relation to the disposal of the real estate, within the framework of the judicial enforcement procedures;
  - euros 3.749 thousand, relating to trade receivables for euros 1.627 and to cash flow loans for euros 2.122.

  The itemised impairments total euros 6.354 thousand (of which euros 1.572 thousand are trade receivables).
- **"unlikely to pay"** items totalling euros 2.393 thousand (euros 2.009 thousand minus write-downs), made up of:
  - current account credit lines for euros 1.800 thousand;
  - loans for euros 514 thousand (euros 54 thousand expired instalments and euros 460 thousand of maturing capital);
  - trade receivables for euros 79 thousand.

  The itemised impairment of the "unlikely to pay" items totals euros 384 thousand (of which euros 66 thousand are trade receivables);
- other positions **beyond the maturity date and over-run** for more than 90 days, total euros 1.558 thousand (euros 1.531 thousand minus write-downs).

At 31 March 2018, there were 13 performing forbearance items, of which:

- 5 impaired positions totalling euros 990 thousand (of which, 3 included among the likely failures to pay for euros 291 thousand and 2 positions beyond the maturity date for euros 699 thousand).
- 8 non-impaired positions for euros 2.762 thousand;

  At 31 March 2018, the Bank calculated the portfolio impairment regarding performing loans present in the **Bucket 1** and **Bucket 2** categories, in relation to cash flow loans. This impairment, totalling euros 2.461 thousand, was found to be higher than the FTA provisions at 1 January 2018 (totalling euros 2.188 thousand).
  Instead, the impairment of the government bond portfolio included in this item totals euros 426 thousand, compared to the euros 522 thousand of the FTA provisions at 1 January 2018.

In the first quarter of 2018, the Bank recognised in item 130 of the Profit and Loss Account "Impairment losses/Reversals of value adjustments on credit risk relating to: a) financial assets measured at amortised cost", relating solely to the value adjustments of clients totalling euros 337 thousand, of which euros 273 thousand for value adjustments on receivables from clients portfolio, euros 97 for reversals of value adjustments on government bond portfolios, 1 thousand euros for losses as a result of receivables from clients being struck off and euros 160 thousand for specific value adjustments on receivables from clients (*Bucket 3*).

At 31 March 2018, the bad debts fund (from clients), except for securities, had reached the amount of euros 9.226 thousand, of which: euros 6.765 thousand for itemised impairments and euros 2.461 thousand for portfolio impairments.

Regarding the other Group companies, the itemised bad debts fund (**Bucket 3**) at 31 March 2018 totalled, for Finnat Fiduciaria S.p.A. euros 776 thousand, for gross impaired loans totalling euros 1.027 thousand, and for InvestiRE SGR S.p.A., euros 1.980 thousand relating to gross impaired loans for an equal amount.
While the portfolio adjustments (**Bucket 1** and **Bucket 2**) at 31 March 2018 amounted for Finnat Fiduciaria S.p.A. to euros 6 thousand and for InvestiRE SGR S.p.A. euros 1.955 thousand. The other Group companies, at 31 March 2018, featured value adjustments in relation to the portfolio totalling euros 3 thousand.

EQUITY INVESTMENTS

Equity investments total euros 6.457 thousand and are itemised in the table shown on page 20.

TANGIBLE AND INTANGIBLE ASSETS

Tangible assets amount to euros 4.985 thousand, euros 4.632 thousand of which refer to the parent company.

Intangible assets amount to euros 40.989 thousand and include the goodwill recorded in 2003 by the Bank for euros 300 thousand and the goodwill recorded in 2015 by the subsidiary InvestiRE SGR S.p.A. for euros 37.429 thousand.

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

TAX ASSETS

Tax assets, totalling euros 13.323 thousand, include credits for current tax assets for euros 686 thousand and deferred tax assets for euros 12.637 thousand. The latter refer to the tax depreciation of the goodwill over the forthcoming years amounting to euros 10.134 thousand (euros 9.684 thousand of which refers to the subsidiary InvestiRE SGR S.p.A. and euros 450 thousand to the Bank).

OTHER ASSETS

The item features a balance of euros 17.693 thousand and primarily includes receivables from the Cassa Compensazione e Garanzia totalling euros 2.687 thousand, receivables from the Internal Revenue Service as withholding agent for euros 4.837 thousand and receivables from Counterparties and Brokers for euros 4.266 thousand.

FINANCIAL LIABILITIES MEASURED AT AMORTISED COST

a) due to banks

The item, relating exclusively to the Bank, amounts to euros 1.328 thousand.

b) due to clients

The item, almost exclusively relating to the Bank, amounts to euros 1.275.162 thousand, of which euros 689.818 thousand are the result of repurchase agreements with the Cassa di Compensazione e Garanzia.

c) outstanding securities

This item, exclusively relating to the Bank, totals euros 24.916 thousand, and refers to debenture loans, issued by the Bank, inclusive of the accrued coupon. The amount is net of the value of securities held by the Bank for trading, with a nominal value of euros 5.087 thousand.

FINANCIAL LIABILITIES HELD FOR TRADING

The item, exclusively relating to the Bank, totals euros 85 thousand and comprises: euros 39 thousand relating to the negative valuation of forward contracts for the purchase and sale of foreign currencies, and euros 46 thousand relating to the fair value measurement of an amortising interest rate swap, which represents a hedging transaction for managing the interest rate risk.

TAX LIABILITIES

"Tax liabilities" total euros 4.658 thousand and include liabilities for current income tax of euros 3.334 thousand and deferred tax liabilities for euros 1.324 thousand.

OTHER LIABILITIES

"Other liabilities" total euros 22.524 thousand, primarily consisting of amounts due for social security and insurance contributions for euros 1.203 thousand, amounts due to counterparties and brokers for euros 4.103 thousand, payables to the Internal Revenue Service, as tax withholding agent, for euros 800 thousand, payables due to suppliers for euros 999 thousand, and payables to staff totalling euros 5.300 thousand.

PROVISIONS FOR RISKS AND CHARGES

a) commitments and guarantees granted

The item, which refers exclusively to the Bank, totals euros 81 thousand and is related to the value adjustments at 31 March 2018. Recoveries totalling euros 7 thousand were made in the quarter.

b) other provisions for risks and charges

The item totals euros 548 thousand, of which: euros 448 thousand for the residual amount of the provisions set aside by the Bank to hedge any claims made in connection with the failed collection of commissions accrued in respect of a real estate fund; and euros 100 thousand for the provisions set aside, in the previous period, for any compensation payable to a sales department employee.

NET EQUITY

The Group's consolidated net equity amounts to euros 222.637 thousand. At 31 December 2017 the net equity of the Group totalled euros 222.108 thousand, and after the adjustments made on 1 January 2018, as a result of the first-time adoption of the IFRS 9 standard (totalling euros 2.314 thousand) the net equity dropped to euros 219.794 thousand. The movements over the period in total net equity, and that of the Group and minority interests, have been reported in the related table.

The consolidated Regulatory Capital (own funds) at 31 March 2018 totals euros 170.691 thousand (euros 172.493 thousand at 31 December 2017), while the Total Capital ratio, the CET 1 Capital ratio and the Tier 1 ratio total **32.1%** (32.6% at 31 December 2017). The Bank has exercised the option for adopting the transitional arrangements for the spreading over time of the impacts resulting from the application of the new accounting standard on its own funds – illustrated in the paragraph on "Market disclosure guidelines". Without this application, the own funds would have totalled euros 168.049 thousand, while the Total Capital ratio, the CET 1 Capital ratio and the Tier 1 ratio would have amounted to 31.8%.

The above ratios are significantly higher than the minimum capital requirements, at the consolidated level, required by the Bank of Italy, at the conclusion of the Supervisory review and evaluation process (SREP), pursuant to Directive 2013/36/EU (CRD IV).

At 31 March 2018, the own shares in portfolio, held exclusively by the parent company, amounted to 28.810.640. These shares, amounting to euros 14.059 thousand, are equivalent to 7.9% of the share capital of the Bank, and pursuant to IAS 32, were carried as an adjustment to the net equity. During the period in question, the Bank did not purchase or sell any own shares.

Rome, 14 May 2018

CONSOLIDATED BALANCE SHEET RECONCILIATION BEFORE AND AFTER THE APPLICATION OF IFRS 9 ON 1st JANUARY 2018

(in thousands of euros)

After IFRS 9 / Before IFRS 9	10. Cash and cash equivalents	20. Financial assets measured at fair value with impact on the profit and loss account: a) Financial assets held for trading	20. Financial assets measured at fair value with impact on the profit and loss account: c) Financial assets mandatorily measured at fair value	30. Financial assets measured at fair value with impact on overall profitability
10. Cash and cash equivalents	633			
20. Financial assets held for trading		45,712		
40. Available-for-sale financial assets			23,868	202,016
60. Due from banks				
70. Due from clients			726	
100. Equity investments				
110. Tangible assets				
120. Intangible assets				
130. a) Current tax assets				
130. b) Deferred tax assets				
Other assets				
Changes due to IFRS 9 in the Assets section of the Balance Sheet				-
IAS Assets after IFRS 9	**633**	**45,712**	**24,594**	**202,016**

	40. Financial assets measured at amortised cost		70. Equity investments	90. Tangible assets	100. Intangible assets	110. Tax assets		130. Other assets	TOTAL
	a) due from banks	b) due from clients				a) current tax assets	b) deferred tax assets		
									633
									45,712
		993,649							1,219,533
	88,150								88,150
		369,752							370,478
			6,457						6,457
				5,079					5,079
					41,012				41,012
						605			605
							12,448		12,448
								20,420	20,420
	(80)	(4,040)					881		
	88,070	1,359,361	6,457	5,079	41,012	605	13,329	20,420	1,810,527 1,807,288

CONSOLIDATED BALANCE SHEET RECONCILIATION (LIABILITIES) BEFORE AND AFTER THE FIRST-TIME ADOPTION OF IFRS 9 AT 1st JANUARY 2018

(in thousands of euros)

After IFRS 9 / Before IFRS 9	10. Financial liabilities measured at amortised cost			20. Financial assets held for trading	60. Tax liabilities		80. Other liabilities
	a) due to banks	b) due to clients	c) outstanding securities		a) current tax liabilities	b) deferred tax liabilities	
10. Due to banks	1,474						
20. Due to clients		1,494,547					
30. Outstanding securities			22,594				
40. Financial liabilities held for trading				143			
80. a) Current tax liabilities					2,972		
80. b) Deferred tax liabilities						1,045	
100. Other liabilities							17,986
110. Severance indemnity fund							
120. Provisions for risks and charges b) other provisions							
130. Valuation reserves							
160. Reserves							
180. Capital							
190. Treasury shares (-)							
210. Equity of minority interests (+/-)							
200. Profit (loss) for the period (+/-)							
Changes due to IFRS 9 in the Liabilities & Net equity section of the Balance Sheet						(365)	
PIAS Liabilities after IFRS 9	**1,474**	**1,494,547**	**22,594**	**143**	**2,972**	**680**	**17,986**

	90. Severance indemnity fund	100. Provisions for risks and charges		120. Valuation reserves	150. Reserves	170. Capital	180. Treasury shares (-)	190. Minority interest equity (+/-)	200. Profit (loss) for the period (+/-)	TOTAL
		a) commit-ments and guarantees granted	c) other provisions for risks and charges							
										1,474
										1,494,547
										22,594
										143
										2,972
										1,045
		2								17,988
	4,970									4,970
			548							548
				2,182						2,182
					125,101					125,101
						72,576				72,576
							(14,059)			(14,059)
								42,138		42,138
									36,308	36,308
		85		(619)	(1,695)			(645)		
										1.810.527
	4,970	**87**	**548**	**1,563**	**123,406**	**72,576**	**(14,059)**	**41,493**	**36,308**	**1,807,288**

BANCA FINNAT GRUPPO BANCA FINNAT

STATEMENT BY THE GENERAL ACCOUNTING & FINANCIAL REPORTING OFFICER

DICHIARAZIONE DEL DIRIGENTE PREPOSTO ALLA REDAZIONE DEI DOCUMENTI CONTABILI SOCIETARI

Il sottoscritto dott. Giulio Bastia, Dirigente preposto alla redazione dei documenti contabili societari di Banca Finnat Euramerica S.p.A., ai sensi dell'art. 154-bis, comma secondo, del decreto legislativo 24 febbraio 1998 n. 58,

attesta

che il Resoconto intermedio di gestione consolidato al 31 marzo 2018 corrisponde alle risultanze documentali, ai libri ed alle scritture contabili.

Roma, 14 maggio 2018

Il Dirigente preposto alla redazione dei documenti contabili societari

(Giulio Bastia)

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

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

www.bancafinnat.it