BANCA FINNAT

GRUPPO BANCA FINNAT

CONSOLIDATED INTERIM REPORT 30 SEPTEMBER 2018

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Vice Chair

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NOTES ON READING THE INTERIM REPORT

The Interim Report is drawn up in accordance with that laid down in the Borsa Italiana Regulation for companies listed on the STAR segment (article 2.2.3 paragraph 3).

For the purposes of drawing up the report, Borsa Italiana Notice no. 7587 of 21 April 2016 is also taken into account, which, as far as the report's contents are concerned, confirms the application of the pre-existing article 154-ter, paragraph 5 of Leg. Dec. 58/98 (TUF). This article establishes that, within forty-five days of ending the first and third quarters of the reporting period, listed issuers must publish an Interim Report containing the following:

a) a general description of the performance and financial position of the issuer and its subsidiaries in the reference period;
b) an illustration of significant events and operations that occurred in the reference period and their impact on the financial position of the issuer and its subsidiaries.

This Interim Report contains consolidated statement of financial position, income statement, statement of comprehensive income and statement of changes in shareholders equity tables, and some brief information on the income statement and financial position.

The aforesaid tables and brief information comply with that envisaged in the Banca d'Italia Circular no. 262 "Bank financial statement: tables and rules" – 5th update of 22 December 2017.

This latest update introduces International Financial Reporting Standard (IFRS) 9 which replaced, on 1 January 2018, IAS 39 for financial instruments accounting and also takes account of the new IFRS 15 "Revenue from Contracts with Customers". The main changes and impacts arising from the new standards are analysed in two sections, "Transition to IFRS 9" and "Adoption of IFRS 15".

With reference to the means of representing the effects of the first application of IFRS 9, the Group has exerted the right envisaged in section 7.2.15, according to which – without prejudice to the retrospective application of the new measurement and representation rules required by the standard – there is no obligatory re-exposure on a homogeneous basis of the comparable data in the financial statement in which the new standard is first adopted, so the results of the period being examined have been compared to those from the previous period, as follows:

- the income statement structure compares data relating to the third quarter of 2018 with those of the same period of 2017 and economic performance is shown for the first nine months of the current period compared with that of the same period in the previous year, appropriately reclassified according to the new method. The Statement of comprehensive income shows data from the first nine months of the current period compared with those from the same period of the previous year, appropriately reclassified according to the new method;
- the statement of financial position gives values at 30 September 2018 compared with those from 1 January 2018 post FTA adjustment, while the statement of changes in shareholders equity gives values at 31 December 2017, 1 January 2018 and 30 September 2018, as well as changes occurring in the period.

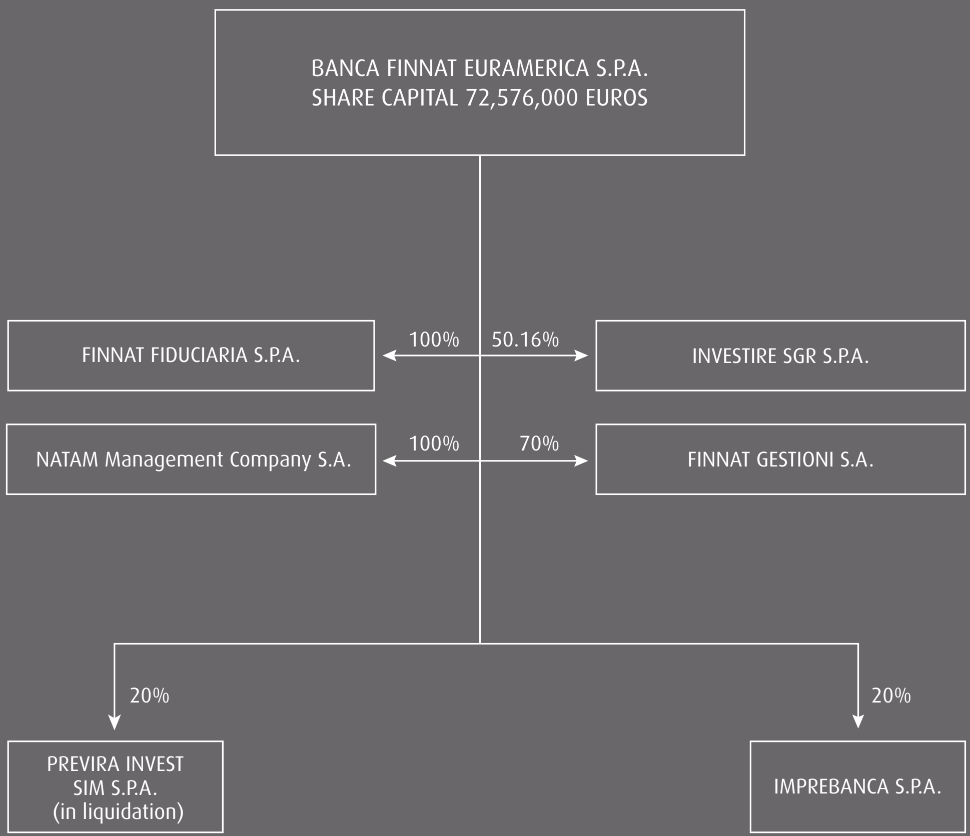
To represent the effects of the first application of IFRS 9, the following statements are attached to this file:

- Reconciliation between published consolidated financial statements and consolidated financial statements as per new circular 262;
- Reconciliation between consolidated financial position data at 31 December 2017 as per new circular 262 and opening balances at 1 January 2018.

As envisaged by law, this document is not subject to audit.

GROUP STRUCTURE

On 30 September 2018 the Group is structured as follows:



GROUP FINANCIAL HIGHLIGHTS

	30 September 2017	31 December 2017 (*)	30 September 2018
GROUP CONSOLIDATED SHAREHOLDERS EQUITY (in thousands of euros)	225,421	222,108	201,831
GROUP HUMAN RESOURCES	337	341	354
CONSOLIDATED PROFIT (LOSS) (in thousands of euros)	27,579	36,308	3,977

(*) The Group's consolidated shareholders equity at 1 January 2018 after adjustments made following the first application of IFRS 9 amounts to euro 219,770 thousand.

BANCA FINNAT EURAMERICA MARKET CAPITALISATION

	Number of shares	Stock market price 26 October 2018	Capitalisation 26 October 2018 (in thousands of euros)	Consolidated shareholders equity (in thousands of euros)	Share capital (in thousands of euros)
ORDINARY SHARES	362,880,000	0.2950	107,050	201,831	72,576

Group's total funding

(in thousands of euros)

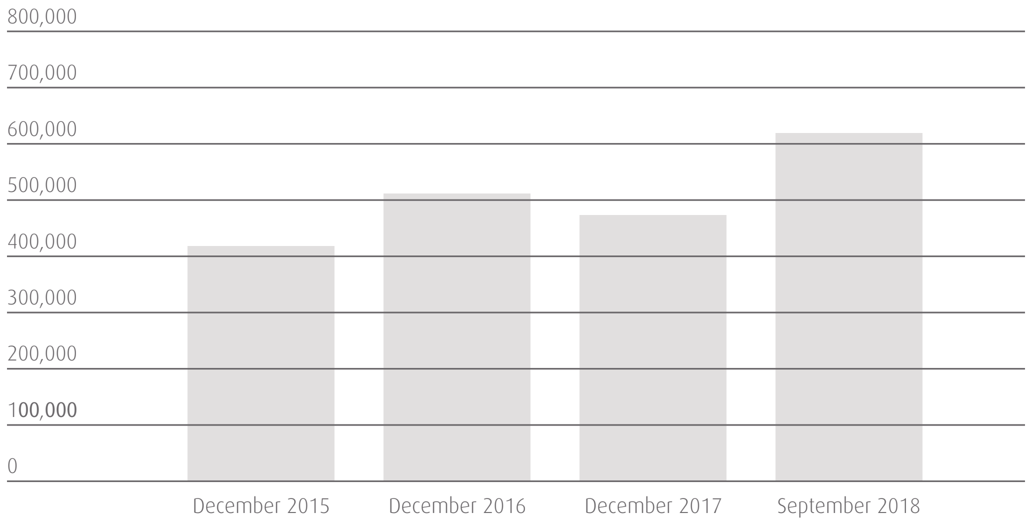
	December 2015	December 2016	December 2017	September 2018
Direct deposits of parent company clients	**417,760**	**510,686**	**472,787**	**618,342**
- Due to customers (current accounts)	331,111	418,331	358,892	443,373
- Time deposits	60,527	68,530	91,301	146,717
- Securities issued	26,122	23,825	22,594	28,252
Indirect deposits of parent company	**4,609,152**	**4,505,144**	**5,540,931**	**6,133,424**
- Individual management	449,753	459,775	571,803	513,621
- Proxy management	283,646	251,061	285,681	298,964
- Administered deposits (UCIS and securities)	3,603,627	3,471,594	3,924,304	4,432,851
- Administered deposits in consultancy services (UCIS and securities)	229,493	255,778	649,060	734,307
- Third-party insurance products	42,633	66,936	110,083	153,681
Fiduciary Assets	**1,408,787**	**1,374,990**	**1,458,411**	**1,473,122**
Real Estate Fund Management	**6,769,365**	**7,001,357**	**7,525,912**	**7,177,331**
Luxembourg law SICAV administration (*)	**–**	**–**	**694,087**	**716,668**
Total deposits	**13,205,064**	**13,392,177**	**15,692,128**	**16,118,887**
Luxembourg law SICAV of which Banca Finnat is "Promoter" (currently New Millennium SICAV and New Millennium SIF).	**725,786**	**677,938**	**–**	**–**

(*) The item concerns the volume of business administered by subsidiary NATAM previously included under item "Luxembourg law SICAV" reported net of proxy management indicated under parent company indirect deposits.

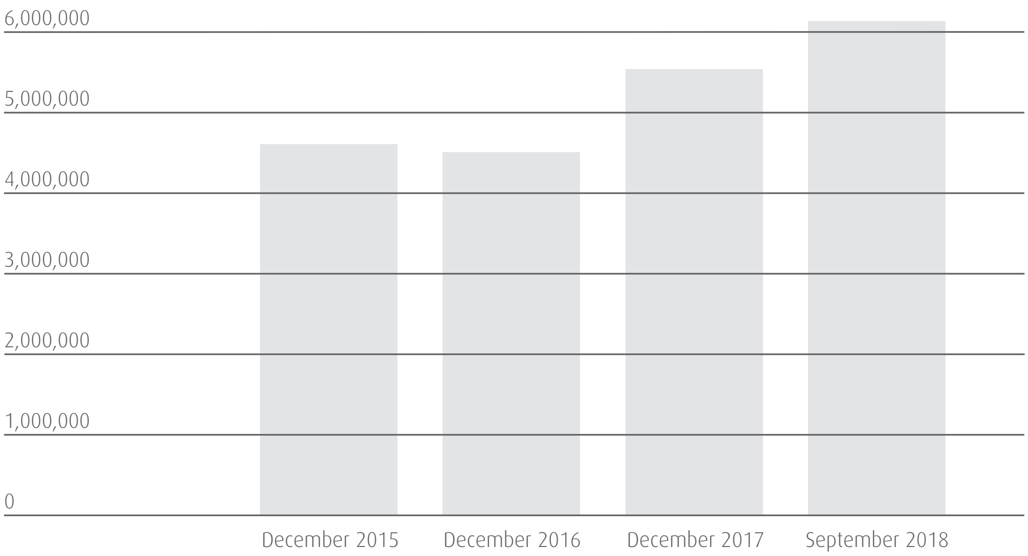
The above table shows the Group's total funding divided by type. In particular: a) direct and indirect deposits from customers refer to the Bank's activity and do not include reverse repurchase agreements, which are a counter party to the Compensation and Guarantee Fund; b) fiduciary assets include Finnat Gestioni S.A.

deposits; c) the volume of business of the subsidiary InvestiRE SGR S.p.A. is valued at the total market value of the assets managed inclusive of debt (GAV).
All figures shown in the table also take account of the amount invested in them and resulting from the other types shown with the exception of "Luxembourg law SICAV administration", which does not include proxy management already included under Indirect deposits of parent company.

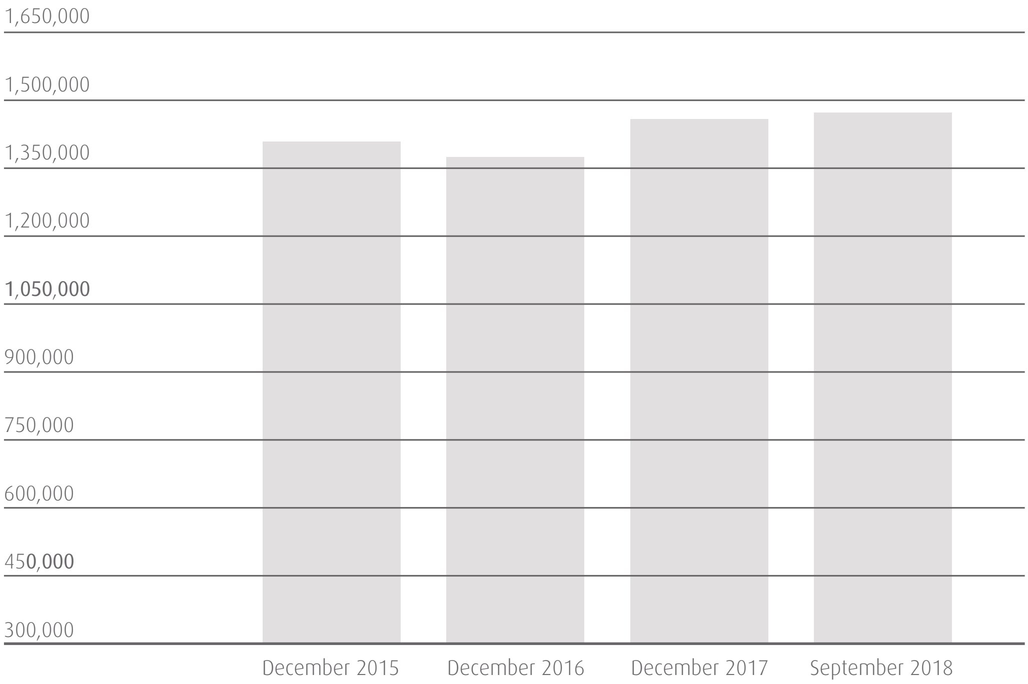
Direct deposits of customers



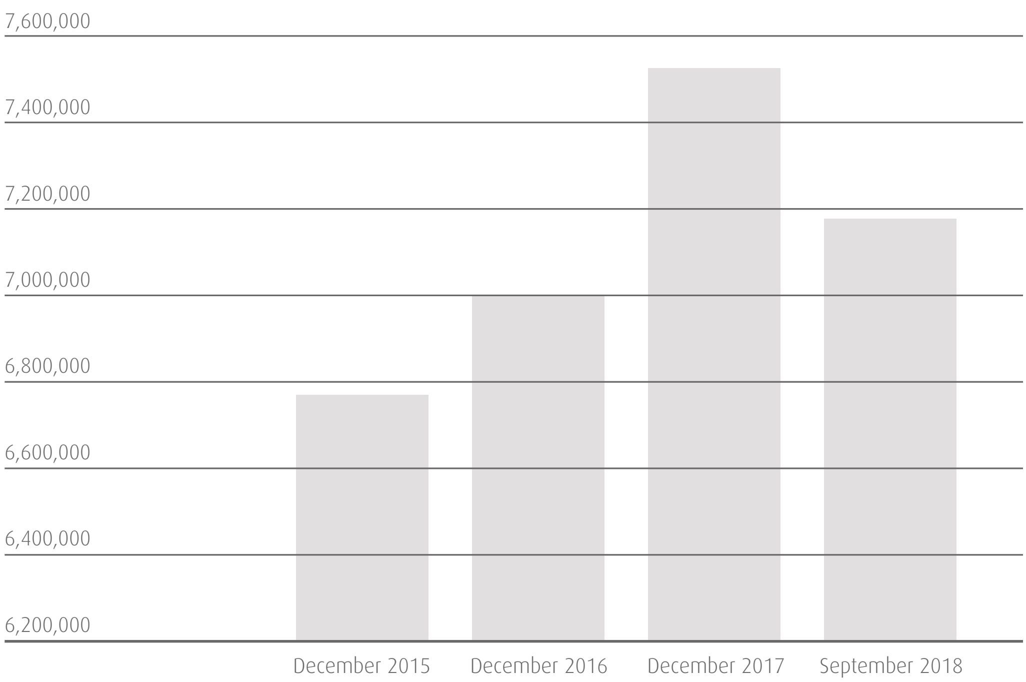
Indirect deposits



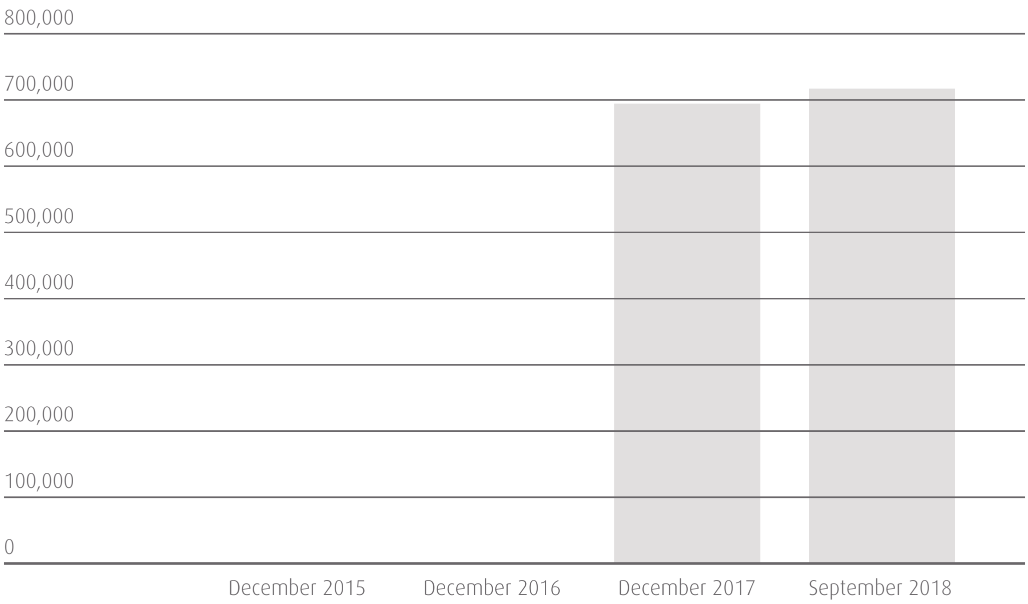
Fiduciary Assets



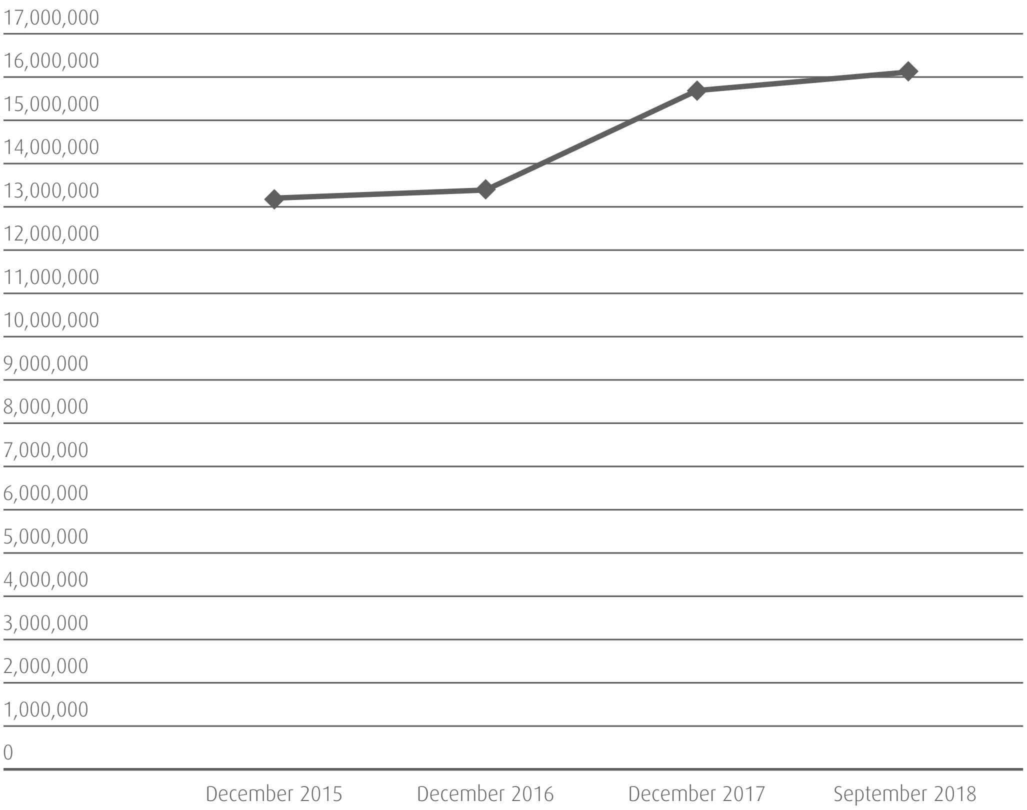
Real Estate Funds



Luxembourg law SICAV administration



Group total deposits



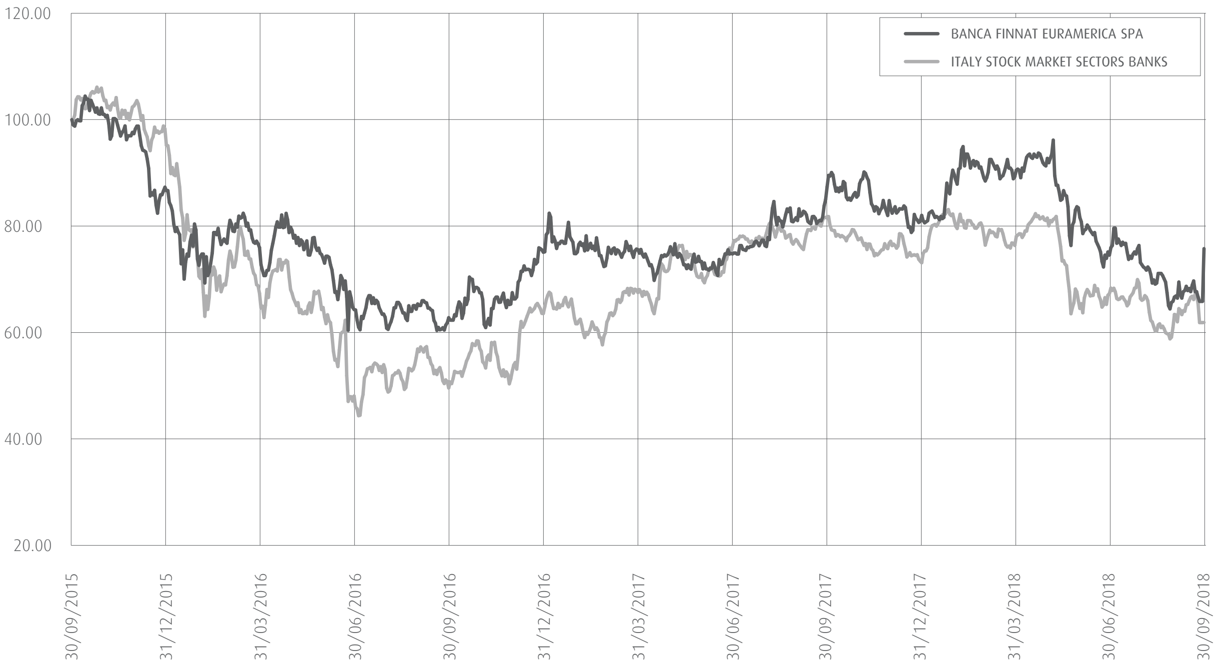
Stock market security performance

(in euros)

SECURITY	Market price on 26 October 2018	Market price on 28 September 2018	Market price on 30 June 2018	Market price on 31 March 2018	Market price on 31 December 2017	Market price on 30 September 2017
BBFE	0.2940	0.3260	0.3690	0.4480	0.3994	0.4207

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

(source Banca Intesa)



TABLES

CONSOLIDATED PROFIT AND LOSS ACCOUNT

(in thousands of euros)

	Items	1st January 30 September 2018	1st January 30 September 2017 (*)	1st July 30 September 2018	1st July 30 September 2017 (*)
10.	Interest receivable and similar income	9,671	4,906	3,799	1,664
20.	Interest payable and similar expenses	(1,090)	1,598	(316)	571
30.	**Interest margin**	**8,581**	**6,504**	**3,483**	**2,235**
40.	Commissions receivable	38,277	35,527	12,242	13,359
50.	Commissions payable	(1,858)	(1,867)	(686)	(652)
60.	**Net commissions**	**36,419**	**33,660**	**11,556**	**12,707**
70.	Dividends and similar revenue	2,350	2,806	357	452
80.	Profit (losses) on trading	504	1,729	(163)	711
100.	Profits (losses) on disposal or repurchase of:	816	25,472	–	13,800
	a) financial assets designated at amortised cost	96	–	–	–
	b) financial assets designated at fair value through other comprehensive income	720	25,472	–	13,800
110.	Profit (losses) on other financial assets and liabilities designated at fair value through profit and loss	(777)	(143)	(84)	16
	b) other financial assets mandatorily at fair value	(777)	(143)	(84)	16
120.	**Earnings margin**	**47,893**	**70,028**	**15,149**	**29,921**
130.	Net losses/recoveries on credit risk relating to:	(1,893)	(1,884)	(452)	257
	a) financial assets designated at amortised cost	(1,477)	(1,190)	(283)	286
	b) financial assets designated at fair value through other comprehensive income	(416)	(694)	(169)	(29)
150.	**Profit (losses) from financial management**	**46,000**	**68,144**	**14,697**	**30,178**
190.	Administrative expenses:	(40,692)	(37,721)	(12,277)	(12,011)
	a) personnel expenses	(25,704)	(24,641)	(8,003)	(8,363)
	b) other administrative costs	(14,988)	(13,080)	(4,274)	(3,648)
200.	Net provisions for risks and charges	(374)	–	(116)	–
	a) commitments and guarantees given	(280)	–	(22)	–
	b) other net provisions	(94)	–	(94)	–
210.	Net impairment losses/value recoveries on tangible assets	(348)	(351)	(119)	(121)
220.	Net impairment losses/value recoveries on intangible assets	(130)	(126)	(45)	(44)
230.	Other operating expenses/income	4,225	3,406	1,002	422
240.	**Operating costs**	**(37,319)**	**(34,792)**	**(11,555)**	**(11,754)**
250.	Profit (losses) from shareholdings	(72)	(80)	–	(47)
290.	**Profit (losses) from current operations before tax**	**8,609**	**33,272**	**3,142**	**18,377**
300.	Income tax on current operations in the year	(2,810)	(3,201)	(947)	(1,547)
310.	**Profit (losses) from current operations after tax**	**5,799**	**30,071**	**2,195**	**16,830**
330.	**Profit (loss) for the year**	**5,799**	**30,071**	**2,195**	**16,830**
340.	(Profit) Losses relating to minority interests	(1,822)	(2,492)	(605)	(1,156)
350.	**Profit (losses) for the year relating to the parent company**	**3,977**	**27,579**	**1,590**	**15,674**

(*) The figures have been restated according to the new formats required by the Bank of Italy (5th updated).

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(in thousands of euros)

	Items	1st January 30 September 2018	1st January 30 September 2017 (*)
10.	**Profit (losses) for the year**	**5,799**	**30,071**
	Other comprehensive income that may not be reclassified to the income statement		
20.	Equity designated at fair value through other comprehensive income	(182)	(15,896)
70.	Defined benefit plans	(239)	(8)
90.	Share of valuation reserves connected with investments carried at equity	72	(98)
	Other comprehensive income, after tax, that may be reclassified to the income statement		
140.	Financial assets (other than equity) designated at fair value through other comprehensive income	(10,823)	(177)
170.	**Total other comprehensive income after tax**	**(11,172)**	**(16,179)**
180.	**Comprehensive return (Item 10+170)**	**(5,373)**	**13,892**
190.	Comprehensive consolidated return relating to minority interests	1,740	2,429
200.	**Comprehensive consolidated return relating to parent company**	**(7,113)**	**11,463**

(*) Figures are restated according to the new formats required by the Bank of Italy (5th update). The changes in the valuation reserves do not include the adjustments at first-time adoption of IFRS 9.

CONSOLIDATED BALANCE SHEET

(in thousands of euros)

	ASSETS	30.09.2018	01.01.2018 (*)
10.	Cash and cash equivalents	482	633
20.	Financial assets designated at fair value through profit and loss	81,779	70,306
	a) financial assets held for sale	58,971	45,712
	c) other financial assets mandatorily at fair value	22,808	24,594
30.	Financial assets designated at fair value through other comprehensive income	238,224	202,016
40.	Financial assets designated at amortised cost	1,688,527	1,447,431
	a) due from banks	144,039	88,070
	b) loans to customers	1,544,488	1,359,361
70.	Equity investments	6,457	6,457
90.	Tangible assets	4,853	5,079
100.	Intangible assets	40,936	41,012
	of which:		
	- goodwill	37,729	37,729
110.	Tax assets	18,707	13,858
	a) current tax assets	1,795	605
	b) deferred tax assets	16,912	13,253
130.	Other assets	10,490	20,420
	Total assets	**2,090,455**	**1,807,212**

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

CONSOLIDATED BALANCE SHEET

(in thousands of euros)

	LIABILITIES	30.09.2018	01.01.2018 (*)
10.	Financial liabilities designated at amortised cost	1,823,051	1,518,615
	a) due to banks	5,454	1,474
	b) due to customers	1,789,345	1,494,547
	c) securities issued	28,252	22,594
20.	Financial liabilities held for trading	696	143
60.	Tax liabilities	1,006	3,652
	a) current tax liabilities	567	2,972
	b) deferred tax liabilities	439	680
80.	Other liabilities	18,041	17,986
90.	Employee severance indemnity fund	5,315	4,970
100.	Provisions for risks and charges:	1,010	635
	a) commitments and guarantees given	368	87
	c) other provisions for risks and charges	642	548
120.	Valuation reserves	(9,527)	1,563
150.	Reserves	148,864	123,382
170.	Share Capital	72,576	72,576
180.	Treasury shares (-)	(14,059)	(14,059)
190.	Minority interests (+/-)	39,505	41,441
200.	Profit (losses) for the year (+/-)	3,977	36,308
	Total liabilities and shareholders' equity	**2,090,455**	**1,807,212**

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

STATEMENT OF CHANGES IN CONSOLIDATED NET EQUITY AT 30 SEPTEMBER 2018

(in thousands of euros)

	Carrying amount Total shareholders equity at 31.12.2017	Change in opening balance (*)	Carrying amount Total shareholders equity at 01.01.2018	Allocation of result of previous period	
				Reserves	Dividends and other allocations
Capital:	**72,576**		**72,576**	**–**	**–**
a) ordinary shares	72,576		72,576	–	–
b) other shares	–		–	–	–
Issue premium	**–**		**–**	**–**	**–**
Reserves:	**163,950**	**(2,938)**	**161,012**	**29,300**	**–**
a) profit	100,684	(1,708)	98,976	29,267	
b) other	63,266	(1,230)	62,036	33	–
Valuation reserves	**1,592**	**(97)**	**1,495**	**–**	**–**
Capital instruments	**–**		**–**	**–**	**–**
Treasury shares	**(14,059)**	**–**	**(14,059)**	**–**	**–**
Profits (losses) of the reporting period	**40,187**	**–**	**40,187**	**(29,300)**	**(10,887)**
Total shareholders equity	**264,246**	**(3,035)**	**261,211**	**–**	**(10,887)**
including: Group shareholders equity	**222,108**	**(2,338)**	**219,770**	**–**	**(10,887)**
including: Minority interest shareholders equity	**42,138**	**(697)**	**41,441**	**–**	**–**

(*) The change in opening balance concerns adjustments made after first adoption of IFRS 9.

Changes in reporting period											
	Operations on shareholders equity										
Changes in the reserves	Issuance of new shares	Purchase of treasury shares	Extra-ordinary distribution of dividends	Change in capital instruments	Treasury share derivatives	Stock options	Changes in equity interests	Comprehensive income in period 1st January – 30 September 2018	Shareholders equity at 30.09.2018 Total	Shareholders equity at 30.09.2018 Group	Shareholders equity at 30.09.2018 Minority interests
–	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**72,576**	**72,576**	**–**
–	–	–	–	–	–	–	–	–	72,576	72,576	–
–	–	–	–	–	–	–	–	–	–	–	–
–	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
(3,615)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**186,697**	**148,864**	**37,833**
(3,698)	–	–		–	–	–	–	–	124,545	114,569	9,976
83	–	–		–	–	–	–	–	62,152	34,295	27,857
–	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(11,172)**	**(9,677)**	**(9,527)**	**(150)**
–	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
–	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(14,059)**	**(14,059)**	**–**
–	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**5,799**	**5,799**	**3,977**	**1,822**
(3,615)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(5,373)**	**241,336**	**–**	**–**
61	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(7,113)**	**–**	**201,831**	**–**
(3,676)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**1,740**	**–**	**–**	**39,505**

LIST OF EQUITY INVESTMENTS INCLUDED IN CONSOLIDATION AREA

Company	Share capital in euros (1)	Location	% direct ownership 30.09.2018	Balance sheet value of equity investment (in thousands of euros)	Activity
Parent company:					
Banca Finnat Euramerica S.p.A.	72,576,000.00	Rome			Banking and banking group parent company
Direct subsidiaries:					
Finnat Fiduciaria S.p.A.	1,500,000.00	Rome	100.00		Fiduciary assets
Natam Management Company S.A.	750,000.00	Luxembourg	100.00		Asset management company
Finnat Gestioni S.A.	750,000.00	Lugano	70.00		Financial management and consultancy
InvestiRE SGR S.p.A.	14,770,000.00	Rome	50.16		Promotion and management of real estate funds of the closed-end type
Companies subject to significant influence					
Prévira Invest Sim S.p.A. in liquidation		Rome	20.00	57	Investment firm
Imprebanca S.p.A.		Rome	20.00	6,400	Banking
Total				**6,457**	

All subsidiaries belong to the Banca Finnat Euramerica banking group.

(1) Finnat Gestoni S.A. capital is expressed in Swiss Francs

GENERAL COMMENTS

Results of the Banca Finnat Euramerica Group

The first nine months of 2018 record a consolidated net income of Euro 3,977 thousand compared to Euro 27,579 thousand at 30 September 2017, which benefited (by Euro 24,765 thousand before tax) from the significant capital gain received by the Bank following the sale of London Stock Exchange Group plc shares which were within the "Financial assets available for sale" portfolio.

The main components that contributed to the formation of the result of the first nine months of 2018, compared with those of the same period of 2017 re-exposed according to the new circular 262, are outlined below:

- The **Dealing margin** at 30 September 2018 is equal to Euro 47,893 thousand compared to Euro 70,028 thousand in the same period of the previous year. After the capital gain realised by the Bank in the previous period from the sale of London Stock Exchange Group plc shares, equal to Euro 24,765 thousand, the dealing margin is Euro 2,630 thousand higher.

  The decrease in dealing margin is made up as follows:

  Increases
  - Euro 2,077 thousand for Interest margin (Euro 8,581 thousand at 30 September 2018 compared to Euro 6,504 thousand in the same period of 2017);
  - Euro 2,759 thousand for Net commissions (Euro 36,419 thousand in the first nine months of 2018 compared to Euro 33,660 thousand in the same period of 2017);

  Decreases
  - Euro 456 thousand for Dividends and similar income (Euro 2,350 thousand at 30 September 2018 compared to Euro 2,806 thousand in the same period of 2017);
  - Euro 1,225 thousand as the profit (losses) on trading. The item at 30 September presents a positive balance of Euro 504 thousand compared to Euro 1,729 thousand in the same period of 2017;
  - Euro 24,656 thousand for profits on disposal of financial assets designated at amortised cost and financial assets designated at fair value through other comprehensive income (Euro 816 thousand at 30 September 2018 compared to Euro 25,472 thousand in the same period of 2017 re-exposed);
  - Euro 634 thousand for profits (losses) on other financial assets mandatorily at fair value (negative balance of Euro 777 thousand at 30 September 2018 compared to an equally negative balance of Euro 143 thousand in the same period of 2017 re-exposed). The value at 30 September 2017 re-exposed relates to Losses on UCIS securities previously shown under Losses on impairment of Financial assets available for sale.

- **Net losses/recoveries on credit risk** at 30 September 2018 amount to Euro 1,893 thousand and relate to impairment on Financial assets designated at amortised cost for Euro 1,477 thousand and on Assets designated at fair value through other comprehensive income for Euro 416 thousand. At 30 September 2017 the re-exposed value includes impairment losses on "Loans to customers" for Euro 1,190 thousand and on securities under "Assets designated at fair value through other comprehensive income" (previously Financial assets available for sale) for Euro 694 thousand.

- **Administrative expenses** amount to Euro 40,692 thousand in the first nine months of 2018 compared to Euro 37,721 thousand in the same period of 2017 and have increased by a total of Euro 2,971 thousand, and include:
  - personnel expenses, equal to Euro 25,704 thousand, are Euro 1,063 thousand higher than the same period of the previous year (Euro 24,641 thousand);
  - other administrative expenses, equal to Euro 14,988 thousand, are Euro 1,908 thousand higher than the same period of the previous year (Euro 13,080 thousand). After recoveries from customers allocated under Other operating expense/income, the increase is equal to Euro 520 thousand.

- **Other operating expense/income** at 30 September 2018 presents a positive balance of Euro 4,225 thousand compared to Euro 3,406 thousand in the same period of 2017. The item includes cost recoveries from customers for Euro 3,794 thousand (Euro 2,325 in the first nine months of 2017).

- **Taxes on income** at 30 September 2018 amount to Euro 2,810 thousand compared to Euro 3,201 thousand at 30 September 2017.

* * *

The overall result of the first nine months of 2018, which also includes the change in "Valuation reserve", is shown in the Statement of comprehensive income.

BUSINESS PERFORMANCE

Indications on disclosures to the market

The following is declared with regard to direct disclosures to the market:

- with reference to the request formulated by Banca d'Italia on 17 June 2008, the Bank and the other companies in the Group, at 30 September 2018, do not hold any exposure and/or interest, including through special purpose vehicles or other non-consolidated entities, in financial instruments or UCIS the policy of which includes 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 Group's only exposure to those financial products perceived by the market as high risk was represented by the investment in "FIP Funding Class A2-2023" bonds, reported in the parent company's 2017 Balance Sheet among the trading securities for Euro 2,151 thousand (nominal value Euro 4,000 thousand) fully reimbursed on January 2018; We nonetheless signal a financial instrument owned by the Bank entitled Senior Fin–Re SPV (issued as part of a securitisation program of an "unsecured non-performing loan") reported for Euro 706 thousand and reclassified when IFRS 9 was first adopted in the Financial assets mandatorily at fair value through profit and loss;
- the Banca Finnat Euramerica S.p.A. board of directors, pursuant to Consob Resolution no. 18079 of 20 January 2012, decided, on 21 January 2013, to adhere to the simplification regime envisaged in art. 70 (paragraph 8) and 71 (paragraph 1-bis) of the Regulation adopted by Consob with Resolution no. 11971

of 14 May 1999 and subsequent amendments, exercising its right, as a listed company, to waive the obligation to submit the disclosure documents envisaged in Annex 3B of the Consob Resolution related to future significant extraordinary mergers, demergers, capital increases via issue for non-cash consideration, acquisitions and disposals;

- with reference to the requests contained in the joint Banca d'Italia, Consob and Isvap document no. 2 of 6 February 2009, in the subsequent document no. 4 of 4 March 2010 and in sections 15 and 25 of IAS 1, relating to disclosures on valuations with respect to the going concern assumption, see that laid down in the Notes to the Accounts 2017 in Part A Section 2 – General drafting principles and Part E – Information on risks and relative hedging policies;
- the period 2017 was the Bank's last year of applying the sterilisation of "own funds", envisaged by Banca d'Italia with Circular no. 285, which envisaged not including in the regulatory capital calculation the unrealised profits and losses relating to exposures to Central Governments classified under the category "Financial assets available for sale". This option (so-called sterilisation) was valid until the adoption of IFRS 9, which replaced IAS 39 on financial instruments;
- within the envisaged deadline of 1 February 2018, the Bank opted to apply the transitional arrangement envisaged by EU Regulation 2017/2395 which modifies "EU Regulation no. 575/2013 aimed at 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 foregoing transitional arrangement envisages the possibility of including in the Common Equity Tier 1 capital a portion, calculated as a percentage, of the increased expected credit loss provisions due to the effects of the first application of IFRS 9. This benefit is recognised for a period of 5 years in decreasing quotas (95% in 2018, 85% in 2019, 70% in 2020, 50% in 2021, 25% in 2022). From 1 January 2023 the impact from first adopting IFRS 9 will be fully reflected in the own funds calculation. In addition to the possibility of mitigating the impact of first adopting the new financial reporting standard on 1 January 2018, the transitional arrangement also envisages the possibility of mitigating any impact of the new impairment model in the first reporting periods following the date IFRS 9 is first adopted, although this is limited to impact arising from valuation of performing financial assets;
- in reference to Consob notice of 31 October 2018 dealing with "Notification in relation to information to be included in future public announcements on sovereign risk exposures and outcomes of stress tests and SREP", the Group has provided detailed disclosures in a chapter on page 30 of this Report.

The most significant operations and events of the period

The most significant operations and events of the period are as follows:

- on 26 March 2018 the Bank's board of directors reviewed and approved the Group Industrial Plan for 2018-2020;
- on 27 April 2018 the Bank's shareholders' meeting:
  - approved the Balance Sheet at 31 December 2017 and the distribution to shareholders of a gross dividend of Euro 0.03 per share with payment date starting from 16 May 2018 (dividend registered on 14 May 2018);
  - appointed, for the three-year period 2018-2020, members of the board of directors and board of auditors as well as the Honorary Chair, Mr Carlo Carlevaris;
  - approved the Remuneration Policy written pursuant to art. 123-ter of Leg. Dec. 58/98;

- on 27 April 2018 the Bank's board of directors appointed Ms Flavia Mazzarella as Chair, Mr Leonardo Buonvino and Mr Marco Tofanelli as Vice Chairs, and Mr Arturo Nattino as Managing Director. The board also appointed the members of the Remuneration Committee, the Risk Committee, the Appointments Committee and the Supervisory Body, as well as the Lead Independent Director, Mr Marco Tofanelli. The new corporate appointments are illustrated on page 4.

Significant events occurring after the end of the quarter

After the end of the first nine months of 2018 and up to the date on which this Report was written, no significant events occurred that could affect the Group's economic, equity and financial position.

Foreseeable evolution of management

Based on current forecasts formulated by the Bank and its subsidiaries, 2018 is expected to record a positive consolidated result, though lower than that achieved in 2017, which significantly benefited from the capital gain realised by disposing of equity securities in the Bank's AFS portfolio.

DRAFTING CRITERIA

General principles

Banca Finnat Group's Interim Report at 30 September 2018 was drawn up - as outlined in section "Notes on reading the interim report" - pursuant to art. 2.2.3 paragraph 3 of the Borsa Italiana Regulation for companies listed on the STAR segment and referring to the criteria envisaged by IAS/IFRS. The Report provides quantitative equity and economic information expressed in thousands of Euro, where possible using the tables envisaged in the Banca d'Italia Circular no. 262 "Bank financial statements: tables and rules" – 5th update of 22 December 2017.
This latest update introduces IFRS 9, which replaced, on 1 January 2018, IAS 39 for financial instruments accounting. The main changes and impacts arising from the new standard - already outlined in the 2017 Balance Sheet - are outlined in the section below.
To implement the changes arising from adoption of the new reporting standards, which came into force on 1 January 2018: IFRS 9 "*Financial Instruments*" and IFRS 15 "*Revenue from Contracts with Customers*", some drafting criteria for this Report have changed compared to those used for the Balance Sheet of 31 December 2017. In particular, the adoption of IFRS 9 has had a significant impact on the Group's financial reporting, whereas the adoption of the other two new standards has not caused particular issues.

The quarterly accounting positions used in the consolidation process are those set out by the subsidiaries approved by the respective Governing Bodies with reference to 30 September 2018. For associates, on the other hand, the latest accounting position available at the time of writing this report was used. The accounting positions acquired are adjusted, where necessary, to adapt them to the Group's financial reporting principles.
In particular:

- consolidated income statement data were provided both for the reference quarter and for the interim period between the beginning of the reporting period and the end date of 30 September 2018 and were compared with the same periods of the previous year; whereas the Statement of consolidated comprehensive income data were provided for the first nine months of this year and were compared with data from the same period of the previous year;

- financial position data at 30 September 2018 were compared with those from 31 December 2017 re-exposed at 1 January 2018 when IFRS 9 was first adopted. Attached to this report are the reconciliations between the financial position data of 31 December 2017 and the opening balances of 1 January 2018;
- shareholders equity data show values at 31 December 2017, 1 January 2018 (which implements the adjustments made following adoption of IFRS 9) and 30 September 2018, and the changes occurred in the interim period;
- the period result is net of taxes calculated at current rates and of items available on the date of writing. The Bank and its Italian subsidiaries have adhered to the "Italian national tax consolidation" pursuant to art. 117/129 of the Income Tax Act (TUIR). The option was renewed during 2016 for the three-year period 2016/2017/2018. Because of this option, the Group's companies calculate their own tax burden and the corresponding tax income (taxable income or tax loss) is transferred to the parent company, after which a single taxable income or a single tax loss is calculated (resulting from the algebraic sum of its own income/losses and that of participating subsidiaries) and, consequently, a single debt/credit for tax on company income.

This report also includes a section entitled Notice on transfers between portfolios and on fair value.

To guarantee compliance with the schedule to ensure immediate disclosure to the market, when drawing up the Report, estimates have been given (based on the most recent data available) in limited cases and for insignificant values in relation to some balance sheet items and some economic effects.

The consolidation area has not changed compared to the balance sheet closed on 31 December 2017.

In compliance with current regulations, this Interim Report is not subject to audit.

Transition to IFRS 9

IFRS 9 replaced IAS 39 for financial instruments accounting starting from 1 January 2018. The main changes introduced by the new standard were already outlined in the 2017 Balance Sheet, which should be referred to.

The effects of the first adoption of IFRS 9 – like all impacts of the new IAS/IFRS – are recognised in the financial position through the registration of first-time adoption reserves (FTA Reserves).

The activities carried out by the Bank and the other companies in the Group in relation to the newly introduced standard are outlined below.

A) Classification and measurement of financial assets

In relation to the credit portfolio, the Bank and the other companies in the Group have adopted a single business model aimed at collecting contractual cash flows ("*Held to Collect*" model).

In relation to property portfolios invested in financial instruments other than associate and controlling interests, the Bank, taking account of the different areas of operation, has adopted the three envisaged business models ("*Held to Collect*", "*Held to Collect & Sell*" and "*Held to Sell*"), associating each model to homogeneous portfolios on the basis of current methods of underlying asset management identified in IAS 39 portfolios.

The adoption of the new reporting standard has had the following effects for the Bank:

- Equity securities belonging to the "Financial assets available for sale" portfolio, the book value of which was equal to Euro 5,226 thousand, were classified for a par amount at "fair value through other comprehensive income" (*no recycling*), exercising the irrevocable option on first recognition. This reclassification did not change the shareholders equity.
  After taking this option, which enables reclassification of capital instruments not held for trading in this category (in compliance with the reference business) only dividends are recognised in the income statement, whereas valuations and results arising from disposals are recognised in the shareholders equity and no impairment is envisaged.

- The quotas of UCIS (funds and SICAV) belonging to the "Financial assets available for sale" portfolio, the book value of which was equal to Euro 22,360 thousand, were classified for a par amount in the "*Held to Sell*" category and mandatorily measured at "fair value through profit and loss" because, although these instruments are associated with the business model whose investment strategy aims to realise contractual cash flows through both holding and trading, the characteristics of contractual cash flows are not consistent with the criteria envisaged for passing the SPPI test. As a consequence of this classification, the accumulated capital gain previously recognised in the Valuation reserves, equal to Euro 606 thousand before tax (Euro 406 thousand net), was recognised in the FTA reserve. As such, this reclassification also did not change the shareholders equity.

- Securities issued by the Italian government belonging to the "Financial assets available for sale" portfolio, the book value of which was equal to Euro 1,160,270 thousand were classified in the "*Held to collect & Sell*" category for a value of Euro 166,621 thousand and in the "*Held to collect*" category for a value of Euro 992,187 thousand (net of the accumulated capital gain at 31 December 2017 recognised in the Valuation reserves, equal to Euro 1,462 thousand). As a consequence of this classification, these Valuation reserves of Euro 978 thousand after tax were eliminated from the shareholders equity and adjusted to the fair value of the financial assets on the date of initial valuation. As such, the financial instruments were classified as if they had always been designated at amortised cost.

- Other debt obligations belonging to the "Financial assets available for sale" portfolio equal to Euro 28,907 thousand were classified for a par amount in the "*Held to collect & Sell*" category.

- The financial instrument called FINRE SPV 25 8% SEN, the book value of which was equal to Euro 726 thousand previously classified among "Loans to customers" was reclassified for a par amount in the "*Held to Sell*" category and measured at "fair value through profit and loss" because the characteristics of contractual cash flows are not consistent with the criteria envisaged for passing the SPPI test.

The application of the new financial reporting standard had the following effect on the subsidiary InvestiRE SGR S.p.A:

- The quotas of UCIS (funds and SICAV) belonging to the "Financial assets available for sale" portfolio, the book value of which was equal to Euro 1,508 thousand were mandatorily measured at "fair value through profit and loss". As a consequence of this classification, the accumulated capital loss recognised at 31 December 2017 in the Valuation reserves, equal to Euro 1,378 thousand before tax (Euro 1,047 thousand net), was recognised in the FTA reserve. As such, this reclassification did not change the shareholders equity.
- The thousand-Euro stock interest in the "Financial assets available for sale" portfolio, was classified at "fair value through other comprehensive income" (*no recycling*), exercising the irrevocable option on first recognition. This reclassification also did not change the shareholders equity.

For the other companies in the Group, the adoption of the new reporting standard relating to reclassification of portfolios did not change the shareholders equity.

B) Impairment – provision for impairment losses

When the standard was first adopted, performing financial assets were distinct between those classifiable in the first category (Bucket 1) and those classifiable in the second category (Bucket 2), whereas non-performing financial assets were classified in the third category (Bucket 3) consistently with that envisaged in the Staging Allocation Policy adopted by the Group.
The perimeter of application of the new staging allocation rules involves:

- financial assets recorded at amortised cost (AC). This category includes loans to customers (inclusive of commercial credit and credit for margins towards Compensation and Guarantee Fund), and loans to banks and debt securities;
- financial assets recorded at fair value through other comprehensive income (FVOCI) represented by debt securities (credits or bonds);
- irrevocable commitments to lend funds;
- guarantees of a financial or commercial nature.

When the reporting standard was first adopted, the Bank and the other companies in the Group analysed all performing positions to identify exposures that, on first adoption, had recorded a significant increase in credit risk compared to the issue date. The following main simplifications were then adopted:

- for exposures expired by more than 30 days on the date the new financial reporting standard was applied, the significant credit risk rise presumption is adopted and these exposures were classified in Bucket 2;
- forborne exposure against debtor financial difficulty (so-called forborne performing exposure) was classified in Bucket 2;
- all positions that, on the date of first application, presented prejudicial disclosures were classified in Bucket 2 and for the purpose of reporting the significant credit risk rise the first available report was considered as the initial one.

The effect of applying the new impairment rules was recorded in the financial position through FTA reserves as envisaged by the new financial reporting standard. The impact of all impairment losses on performing financial assets was an overall Euro 3,101 thousand before tax and an overall Euro 2,297 thousand after tax (Euro 1,599 thousand pertaining to the Group). Total impairment losses after tax are outlined as follows:

Impairment after tax

(in thousands of euros)

	Banca Finnat	InvestiRE SGR	Other companies	Total
Held to collect				
Loans to customers	151	1,389	2	1,542
Due from banks	70	11		81
Securities	349			349
Held to collect and sell				–
Securities	239		1	240
Irrevocable commitments to lend funds and guarantees of a financial and commercial nature	**85**			**85**
Total impairment	**894**	**1,400**	**3**	**2,297**

The foregoing impairment losses led to a fall in overall shareholders equity of Euro 2,057 thousand, as the losses on *Held to collect and sell* securities are recognised as valuation reserve and do not lead to changes in equity.

C) Hedge Accounting

IFRS 9 contains provisions relating to the so-called "*General Hedge Accounting Model*" aimed at better reflecting the risk management activities adopted by management in the financial statements.

By way of a non-limiting example, the standard broadens the perimeter of risks for which hedge accounting may be applied to non-financial items, it eliminates the obligation of the quantitative effectiveness test, it no longer requires retrospective evaluation of the effectiveness of the hedging and no longer envisages the possibility of voluntarily revoking the application of hedge accounting once it is designated.
Due to the greater level of flexibility introduced, the new standard envisages even greater detail in relation to risk management activities by *Risk Management*.

At 31 December 2017, the Bank and the other companies in the Group had no existing hedging operations designated as hedge accounting operations.

* * * *

In short, in light of the above, when the new financial reporting standard was first applied it led to a reduction in shareholders equity, after tax, of Euro 3,035 thousand (Euro 2,338 thousand pertaining to the Group), which breaks down as follows:

- for the Bank a reduction due both to reclassifications and to impairment for an overall Euro 1,633 thousand;

- for the subsidiary InvestiRE SGR S.p.A. a reduction of Euro 1,399 thousand (including Euro 702 thousand pertaining to the Group). The reduction is due solely to impairment on credit;
- for all other companies in the Group, the application of the standard had an impact of Euro 3 thousand due to impairment on credit and securities.

As a result of the aforementioned reductions in consolidated shareholders equity, the consolidated *Common Equity Tier 1* ratio, on the date the standard was first applied, fell by approximately 160 basis points compared to the financial statement of 31 December 2017.
To mitigate the impact arising from application of the new reporting standard on its own funds, the Bank has opted to adhere to transitional arrangements, illustrated in section "Indications on disclosures to the market". Consequently, on the date the standard was first applied, the consolidated *Common Equity Tier 1* ratio fell by approximately 128 basis points compared to the financial statement of 31 December 2017.

* * *

To represent the effects of the first application of IFRS 9, the following statements are attached to this file:
- Reconciliation between published consolidated financial statements and consolidated financial statements as per new circular 262;
- Reconciliation between consolidated financial position data at 31 December 2017 as per new circular 262 and opening balances at 1 January 2018.

Adoption of IFRS 15

On 18 November 2016, EU Regulation no. 2016/1905 came into effect, which adopts 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 Services.
Companies apply the standard to annual reporting periods beginning on or after 1 January 2018. Earlier application is permitted.
IFRS 15 lays down the rules for reporting revenue deriving from contractual obligations with customers. IFRS 15 is applied solely if the counter party is a customer. The customer is the party that has contracted with an entity to obtain goods or services that are an output of the entity's ordinary activities in exchange for consideration.

The new financial reporting standard provides a single, principles-based five-step model to be applied to revenues, as follows:
1) identify the contracts with a customer: the contract is an agreement between two or more parties that creates enforceable rights and obligations. The contract may be written, oral or derive implicitly from the entity's ordinary business dealings;
2) identify the performance obligations in the contract: a single contract may contain a promise to deliver more than one good or service to the customer. At the inception of the contract, the entity assesses

the goods or services that have been explicitly or implicitly promised in the contract, and identifies as a performance obligation each commitment to transfer a distinct good or service;

3) determine the transaction price: the price is the amount to which an entity expects to be entitled in exchange for the transfer of goods or services to the customer. The envisaged price may be a fixed amount, or may include variable components or non-monetary components. In this case, the standard introduces, with reference to the variable component, potential estimation elements into the determination of the overall transaction price;
4) allocate the transaction price to the performance obligations in the contracts: the allocation occurs where a contract has multiple performance obligations and the price must be allocated to each obligation, based on the relative standalone selling prices of each good or service envisaged in the contract. The standalone selling price is the price at which the entity would separately sell the promised good or service to the customer. The best indication of the selling price is the price of the good or service observable when the entity sells the good or service separately under similar circumstances and to similar customers;
5) recognise revenue when the entity satisfies a performance obligation: revenue is recognised as the customer passes the control of the transferred good or service. The amount of revenue to be recognised is that allocated on the performance obligation, which is met at a point in time or over time. If a performance obligation is met over time, the entity recognises the revenue during that time period, using an adequate method to measure the stages completed compared to fully meeting the obligation.

From the analyses carried out, parties potentially interested in the new provisions of the standard, for Banca Finnat Group, are Private Banking, Corporate Clients, Advisory and Corporate Finance, and property UCIS management. Of the main cases examined, we highlight: contracts with multiple performance obligations; contracts envisaging variable considerations, as commissions associated with reaching determined objectives; contracts envisaging recognition of revenue contingent on meeting an obligation at a point in time or over time. The means for ascertaining revenues arising from contracts with customers are set down in a special policy adopted by Banca Finnat Group.
The application of the new standard at FTA has no impact on shareholders equity.
Financial reporting applied by the Bank to these cases - before the new standard was introduced - was already in line with that envisaged by IFRS 15 and, consequently, there is no significant impact on reporting practices.
The introduction of the new standard does require more information in relation to the aforementioned revenues; therefore, the Bank and the companies in the Group are taking steps to provide as much detail as is required in the 2018 financial statement.

EXPOSURE IN DEBT SECURITIES AND LOANS TO SOVEREIGN STATES

With its “Notice on information to be included in financial reports relating to exposures held by listed companies in sovereign debt securities”, no. DEM/11070007 of 5 August 2011, Consob cites the application of document no. 2011/266 of 28 July 2011 by the *European Securities and Markets Authority* (ESMA) on information relating to sovereign debt to be included in yearly and six-monthly financial reports drawn up by listed companies that adopt IAS/IFRS.

As stated in the ESMA document, “sovereign debt” is understood as being debt obligations issued by central and local governments and by governing bodies, as well as loans issued to them. The tables below give more detail on the exposure in debt securities by accounting portfolio, by maturity date and by fair value hierarchy.

In a new notice of 31 October 2018, Consob drew the attention of directors of listed bank issuers to the need to provide, if significant, updates on the information in the ESMA document in the financial notice of 30 September 2018.

The table below shows the book value of exposure to sovereign credit risk, by individual country.

(in thousands of euros)

Breakdown of sovereign debt securities portfolio - by issuing country	**30.09.2018**
EU countries	
- Italy	1,309,582

Breakdown of sovereign debt securities portfolio - by portfolio and by maturity

(in thousands of euros)

	maturity by end of 2018
Financial assets designated at fair value through profit and loss:	
a) Financial assets held for trading	
- Italy	20,009
Financial assets designated at fair value through other comprehensive income	
- Italy	–
Financial assets designated at amortised cost	
- Italy	389,872
Total	**409,881**

With reference to the Italian government bonds in its portfolio, the Bank runs periodical stress tests to test the effects of a rise in credit spread.

The test revealed no significant impact on the Group's strength. The CET1 Ratio indicator was found to be significantly higher than the limits set by the *SREP decision* for the reporting period 2018.

maturity in 2019	maturity in 2020	maturity in 2022	maturity in 2023	maturity in 2024	maturity in 2025	maturity after 2025	Total	Level 1
9,978	1	1	1	–	–	1	29,991	29,991
4,965	9,840	–	–	93,511	73,469	–	181,785	181,785
350,022	357,912	–	–	–	–	–	1,097,806	1,097,806
364,965	**367,753**	**1**	**1**	**93,511**	**73,469**	**1**	**1,309,582**	**1,309,582**

NOTICE ON TRANSFERS BETWEEN PORTFOLIOS AND ON FAIR VALUE HIERARCHY

Transfers between financial asset portfolios

No transfers between financial asset portfolios were made due to the change in business model.

Fair value hierarchy

Below are shown the balances at 30 September 2018 and at 1 January 2018 post FTA adjustment IFRS9 re-exposed according to new Banca d'Italia tables, financial instrument portfolios designated at fair value divided into a hierarchy of levels that reflects the significance of the inputs used in the valuations.

The hierarchy is calculated according to the following three levels identified in IFRS 13:

- Level 1: quoted prices (without adjustments) in active markets for the asset or liability;
- 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 (derived from prices);
- Level 3: inputs not based on observable market data for the asset or liability.

Assets and liabilities measured at fair value on recurring basis: breakdown by fair value level

Financial assets/liabilities designated at fair value	30.09.2018			01.01.2018		
	L1	L2	L3	L1	L2	L3
1. Financial assets designated at fair value through profit and loss	51,958	27,419	2,402	34,313	33,489	2,504
a) financial assets held for trading	50,903	8,058	10	32,805	12,902	5
b) financial assets designated at fair value	–	–	–	–	–	–
c) other financial assets mandatorily at fair value	1,055	19,361	2,392	1,508	20,587	2,499
2. Financial assets designated at fair value through other comprehensive income	233,792	–	4,432	197,529	–	4,487
3. Hedging derivatives	–	–	–	–	–	–
4. Property and equipment	–	–	–	–	–	–
5. Intangible assets	–	–	–	–	–	–
Total	**285,750**	**27,419**	**6,834**	**231,842**	**33,489**	**6,991**
1. Financial liabilities held for trading	212	484	–	–	143	–
2. Financial liabilities designated at fair value	–	–	–	–	–	–
3. Hedging derivatives	–	–	–	–	–	–
Total	**212**	**484**	**–**	**–**	**143**	**–**

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

INFORMATION ON INCOME STATEMENT, COMPREHENSIVE INCOME AND STATEMENT OF FINANCIAL POSITION

INCOME STATEMENT

The most significant comprehensive income is shown below in thousands of Euro:

INTERESTS

	Period 01.01.2018 - 30.09.2018	Period 01.01.2017 - 30.09.2017
Interest received and similar income	9,671	4,906
Interest paid and similar charges	(1,090)	1,598
Interest margin	**8,581**	**6,504**

The interest margin, pertaining almost exclusively to the Bank, reports an increase of Euro 2,077 thousand. Following the 5th update to the Banca d'Italia Circular no. 262 on 30 September 2018 data, unlike what occurred in previous reporting periods, interest was included under Interest received and similar income or under Interest paid and similar charges, depending on the relative algebraic sign. Furthermore, starting from 1 January 2018, interest received and similar income also includes interest due over time, calculated as part of the impaired financial asset valuation on the basis of the original interest rate for an overall equivalent of Euro 40 thousand. This item was previously recognised under net losses/recoveries on credit risk.

The interest margin for the third quarter of 2018 amounts to Euro 3,483 thousand compared to Euro 2,235 thousand in the same period of 2017.

COMMISSIONS

	Period 01.01.2018 - 30.09.2018	Period 01.01.2017 - 30.09.2017
Fee and commission income	38,277	35,527
Fee and commission expense	(1,858)	(1,867)
Net commissions	**36,419**	**33,660**

Net commissions for the first nine months of 2018 increase by Euro 2,759 thousand compared to the same period of the previous year. The increase results from the algebraic sum of the increase in commissions recorded by the Bank and other companies in the Group for Euro 4,341 thousand and Euro 300 thousand, respectively, and the decrease recorded by subsidiary InvestiRE SGR of Euro 1,882 thousand.

Net commissions for the third quarter of 2018 amount to Euro 11,556 thousand compared to Euro 12,707 thousand in the same period of 2017.

PROFIT (LOSSES) ON TRADING

Profit (losses) on trading, pertaining exclusively to the Bank, in the first nine months of 2018 recorded a positive balance of Euro 504 thousand compared to an equally positive Euro 1,729 thousand in the same period of the previous year, and is made up as follows:

- Euro 35 thousand for negative balance of profit and losses on trading in securities and derivatives;
- Euro 343 thousand for the positive difference between unrealised capital gains and capital losses for fair value adjustment of the trading portfolio;
- Euro 196 thousand for net profit on foreign exchanges.

The result of trading, for the third quarter of 2018, is negative by Euro 163 thousand compared to the positive Euro 711 thousand from the same period of the previous year.

PROFITS (LOSSES) ON DISPOSAL OR REPURCHASE OF:

a) financial assets designated at amortised cost
   This item, on 30 September 2018, pertaining exclusively to the Bank, recorded a positive balance of Euro 96 thousand.
b) financial assets designated at fair value through other comprehensive income
   For the first nine months of 2018, the item recorded a positive balance of Euro 720 thousand, Euro 701 thousand of which pertaining to the Bank and Euro 19 thousand to subsidiary Finnat Fiduciaria. In the first nine months of 2017, the item relating to disposals of "Financial assets available for sale" recorded a positive balance of Euro 25,472 thousand, which included the capital gain of Euro 24,765 thousand realised by the Bank following the sale of LSEG shares.

In the third quarter of 2018 neither item moved, whereas a profit of Euro 13,800 thousand was recorded in the same period of the previous year.

PROFITS (LOSSES) ON OTHER FINANCIAL ASSETS AND LIABILITIES DESIGNATED AT FAIR VALUE THROUGH PROFIT AND LOSS

b) other financial assets mandatorily at fair value
   The item at 30 September 2018 presents a negative balance of Euro 777 thousand arising from the algebraic sum of the net capital losses of the Bank of Euro 926 thousand and the net capital gain of InvestiRE SGR of Euro 149 thousand, both recorded on UCIS shares reclassified at FTA in the "Financial assets available for sale" portfolios. At 30 September 2017 the item, post reclassifications, presented a negative balance of Euro 143 thousand.
   The result, for the third quarter of 2018, is negative by Euro 84 thousand compared to the positive Euro 16 thousand from the same period of the previous year re-exposed.

NET LOSSES/RECOVERIES ON CREDIT RISK RELATING TO:

a) financial assets designated at amortised cost
   This item, on 30 September 2018, presents net impairment losses of Euro 1,477 thousand, of which Euro 1,336 thousand pertaining to the Bank, Euro 111 thousand to the subsidiary InvestiRE SGR and Euro 30 thousand to other companies in the Group.
b) financial assets designated at fair value through other comprehensive income
   For the first nine months of 2018, the item recorded net impairment losses of Euro 416 thousand,

Euro 377 thousand of which pertaining to the Bank and Euro 39 thousand to subsidiary Finnat Fiduciaria.

At 30 September 2017 impairment losses on "Credits" were made for Euro 1,190 thousand and on "Financial assets available for sale" for Euro 694 thousand.

In the third quarter of 2018, impairment losses of Euro 452 thousand were recorded compared to recoveries of Euro 257 thousand in the same period of the previous year re-exposed.

ADMINISTRATIVE EXPENSES

	Period 01.01.2018 - 30.09.2018	Period 01.01.2017 - 30.09.2017
Personnel expenses	25,704	24,641
Other administrative expenses	14,988	13,080
Total	**40,692**	**37,721**

Administrative expenses overall are Euro 2,971 thousand higher than the first nine months of 2017.
Personnel expenses are Euro 1,063 thousand higher than the same period of the previous year. This increase affects the Bank by Euro 1,080 thousand (following the increase in total staff), the subsidiary Natam S.A. by Euro 110 thousand, whereas the other companies in the Group saw an overall decrease of Euro 127 thousand.
Personnel expenses for the third quarter of 2018 amount to Euro 8,003 thousand compared to Euro 8,363 thousand in the same period of 2017.

Other administrative expenses increase by Euro 1,908 thousand compared to the first nine months of 2017.
The increase is attributable to the Bank for Euro 2,033 thousand, whereas the other companies in the Group saw an overall decrease of 125 thousand.
After recoveries from customers allocated under Other operating expense/income, the increase is equal to Euro 520 thousand.

Other administrative expenses for the third quarter of 2018 amount to Euro 4,274 thousand compared to Euro 3,648 thousand in the same period of 2017.

OTHER OPERATING EXPENSE/INCOME

Other operating expense/income presents a positive balance of Euro 4,225 thousand compared to Euro 3,406 thousand at 30 September 2017. The item includes expense recoveries for Euro 3,794 thousand (Euro 2,325 thousand in the first nine months of 2017).

In the third quarter of 2018, the item presents a positive balance of Euro 1,002 thousand compared to an equally positive balance of Euro 422 thousand in the same period of the previous year.

TAXES ON INCOME

The item, in the first nine months of the current reporting period, presents a balance of Euro 2,810 thousand

compared to Euro 3,201 thousand in the same period of the previous year.
Taxes on income were calculated on the basis of current tax rates.

In the third quarter of 2018, the item presents a balance of Euro 947 thousand compared to Euro 1,547 thousand in the same period of the previous year.

COMPREHENSIVE INCOME

Below are shown the changes in valuation reserves relating to the financial assets shown in the statement of comprehensive income:

Changes in "Other comprehensive income after tax that may not be reclassified to the income statement"

The change in valuation reserves recorded under item "20. Equity designated at fair value through other comprehensive income" is negative by Euro 182 thousand and pertains solely to the parent company.

Changes in "Other comprehensive income after tax that may be reclassified to the income statement"

The change in valuation reserves recorded under item "140. Financial assets (other than equity) designated at fair value through other comprehensive income" is negative by Euro 10,823 thousand and concerns debt securities. The change refers entirely to the Group and relates to the Bank for Euro 10,817 thousand and to Finnat Fiduciaria for Euro 6 thousand.

Valuation reserves relating to the Group's financial assets are made up as follows:

(in thousands of euros)

Parent company	
Non-recyclable reserve	
Net Insurance Shares	52
CSE Shares	(63)
	(11)
Recyclable reserve	
Government bonds and other debt securities (positive arising from *impairment* Euro 458 thousand)	(10,380)
	(10,391)
Other companies in the Group	
Recyclable reserve	
Government bonds and other debt securities (positive arising from *impairment* Euro 30 thousand)	9
	(10,382)

STATEMENT OF FINANCIAL POSITION

The most significant financial position data, expressed in thousands of Euro, at 30 September 2018 are analysed below:

FINANCIAL ASSETS DESIGNATED AT *FAIR VALUE* THROUGH PROFIT AND LOSS

a) financial assets held for trading

Financial assets held for trading, pertaining solely to the Bank, amount to Euro 58,971 thousand. The item includes debt securities for Euro 47,201 thousand, UCIS shares for Euro 6,795 thousand, equity and warrants for Euro 4,387 thousand, and options for Euro 211 thousand. The item also includes the positive valuation on forward contracts relating to currency dealing for Euro 377 thousand.

c) other financial assets mandatorily at fair value

The item at 30 September 2018 presents a balance of Euro 22,808 thousand and relates to UCIS shares of the Bank for Euro 21,046 thousand and of InvestiRE SGR for Euro 1,056 thousand (reclassified at FTA in the “Financial assets available for sale” portfolios) and to the FINRE SPV 25 8% SEN security owned by the Bank for Euro 706 thousand previously classified under “Loans to customers”.

FINANCIAL ASSETS DESIGNATED AT *FAIR VALUE* THROUGH OTHER COMPREHENSIVE INCOME

The item amounts to Euro 238,224 thousand and refers to financial instruments present in the portfolios of the following companies:

The parent company’s portfolio of Euro 236,700 thousand includes:

- debt securities for an overall equivalent of Euro 231,921 thousand;
- equity for an equivalent of Euro 4,779 thousand made up of strategic investments as follows:
  - listed securities: Net Insurance S.p.A.;
  - unlisted securities: Fideuram Investimenti SGR S.p.A., SIA S.p.A., Calipso S.p.A., CSE Consorzio Servizi Bancari S.r.l., Liphe S.p.A. and SIT S.p.A.

The portfolio of the other companies in the Group includes debt securities owned by Finnat Fiduciaria for Euro 1,523 thousand and a thousand-Euro stock interest owned by InvestiRE SGR.

To enter equity in this portfolio, we exercised the irrevocable option on first recognition (non-recyclable reserve).

The impairment losses made up to and including 30 September 2018 on debt securities under this item related to the Bank for Euro 685 thousand and to Finnat Fiduciaria for Euro 39 thousand.
The overall amount of Euro 724 thousand was reported under item 120. Valuation reserves (after tax) instead of under the losses of the item in question.

FINANCIAL ASSETS DESIGNATED AT AMORTISED COST

a) due from banks

Loans to banks amount to Euro 144,039 thousand net of global impairment losses equal to Euro 140 thousand (including 130 thousand made by the Bank). Loans pertaining to the Bank amount to Euro 133,999 thousand. There are no debt securities under this item.

b) loans to customers

Loans to customers amount to an overall Euro 1,544,488 thousand and relate to loans for Euro 447,909 thousand (including Deposits made for margins at the Compensation and Guarantee Fund Euro 41,858 thousand) and debt securities, solely owned by the Bank, for Euro 1,096,579 thousand. Amounts are reported net of global impairment losses up to and including 30 September 2018 equal to Euro 15,223 thousand, including Euro 13,995 thousand on loans and Euro 1,228 thousand on securities.

On the date of reference of this Report, **non-performing assets (Bucket 3)** due to the parent company reported under current accounts, mortgages and other loans amount to an overall Euro 12,308 thousand (Euro 5,474 thousand after write-offs), whereas at 31 December 2017 they were equal to Euro 12,125 thousand (Euro 5,506 thousand after write-offs). Non-performing assets at 30 September 2018 are as follows:

- **bad loans** for an overall Euro 8,543 thousand (Euro 2,040 thousand after write-offs), referable to the positions outlined below:
  - Euro 4,572 thousand (Euro 940 thousand after write-offs) for the remainder of a mortgage settled on 8 July 2011. The operation is a first charge mortgage loan on property the valuation of which – backed by appraisal updated on 12 January 2018 – entirely covers the net exposure value. The amount of recoverable loans is calculated on the basis of the appraisal value of the mortgage loans, taking account of both recovery time (in relation to the Bank's preferential position in property mortgage loans that back the exposure) and verified and verifiable difficulties in disposing of property as part of legal enforcement procedures;
  - Euro 3,971 thousand of which Euro 1,627 thousand refers to commercial credit and Euro 2,344 thousand to cash loans.

  Analytical write-offs made are equal to Euro 6,503 thousand (including Euro 1,572 thousand for commercial credit).
- **unlikely to pay** for an overall Euro 2,207 thousand (Euro 1,903 thousand after write-offs), made up of:
  - opening of current account credit facilities of Euro 1,710 thousand;
  - mortgages of Euro 421 thousand (Euro 45 thousand past due instalments and Euro 376 thousand capital to fall due);
  - commercial credit of Euro 76 thousand.

  Analytical write-offs are equal to Euro 304 thousand (including Euro 63 thousand for commercial credit);
- other **past due loans** by over 90 days for Euro 1,558 thousand (Euro 1,531 thousand after write-offs).

At 30 September 2018, there were 18 forborne exposures, including:

- 5 non-performing positions for an overall Euro 927 thousand (including 1 position re-included in bad loans for Euro 141 thousand, 2 positions re-included in unlikely to pay for Euro 81 thousand and 2 positions re-included in past due for Euro 705 thousand);
- 13 performing positions for an overall Euro 8,196 thousand.

At 30 September 2018 the Bank calculated the portfolio write-offs on the performing loans in **Bucket 1** and **Bucket 2** related to cash loans. This write-off of Euro 2,436 thousand was higher than the provisions made under this item at FTA on 1 January 2018 (equal to Euro 2,188 thousand).
The portfolio write-off for government bonds re-included under this item amounts to Euro 1,228 thousand compared to Euro 522 thousand made under this item at FTA on 1 January 2018.

In the first nine months of 2018, the Bank recorded in its income statement Euro 780 thousand for portfolio impairment losses on government bonds and Euro 495 thousand for net losses on loans to customers, made up as follows: Euro 247 thousand for portfolio impairment losses, Euro 35 thousand for individual value recoveries (*Bucket 3*), Euro 290 thousand for individual impairment losses (*Bucket 3*), Euro 5 thousand for losses from write-offs and Euro 12 thousand for recovery of debt written off in previous reporting periods.

At 30 September 2018 the provision for loss in value of loans to customers, excluding securities, reached Euro 9,269 thousand, including: Euro 6,833 thousand analytical and Euro 2,436 thousand for portfolio write-offs.

For the other companies in the Group, the analytical provision for loss in value of loans (**Bucket 3**) at 30 September 2018 amounts for Finnat Fiduciaria S.p.A. to Euro 804 thousand for non-performing gross loans of Euro 1,187 thousand, and for InvestiRE SGR S.p.A. to Euro 1,980 thousand for non-performing gross loans of a par amount.
Whereas portfolio losses relating to loans to customers alone up to and including 30 September 2018 amount to Euro 1,941 thousand for the subsidiary InvestiRE SGR S.p.A. and Euro 1 thousand for the other companies in the Group.

EQUITY INVESTMENTS

Equity investments amount to Euro 6,457 thousand and are indicated separately in the statement reported on page 18.

TANGIBLE AND INTANGIBLE ASSETS

Property and equipment amount to Euro 4,853 thousand, Euro 4,712 thousand of which relates to the parent company.

Intangible assets amount to Euro 40,936 thousand. The item includes goodwill recorded in 2003 by the Bank for Euro 300 thousand and that recorded in 2015 by the subsidiary InvestiRE SGR S.p.A. for Euro 37,429 thousand.
Intangible assets also include Euro 2,677 thousand positive consolidation differences for Finnat Fiduciaria S.p.A. and InvestiRE SGR S.p.A.

TAX ASSETS

Tax assets equal to Euro 18,707 thousand are made up of Euro 1,795 thousand current tax credits and Euro 16,912 thousand deferred tax credits. Deferred tax assets include a goodwill fiscal depreciation recognisable in the next reporting periods of Euro 9,393 thousand, Euro 9,141 thousand of which relates to the subsidiary InvestiRE SGR S.p.A. and Euro 252 thousand to the Bank.

OTHER ASSETS

The item presents a balance of Euro 10,490 thousand and includes loans to Compensation and Guarantee Fund for Euro 428 thousand, loans to Erario as a withholding agent for Euro 4,479 thousand and loans for compensating balances for Euro 505 thousand.

FINANCIAL LIABILITIES DESIGNATED AT AMORTISED COST

a) due to banks

The item, pertaining solely to the Bank, amounts to Euro 5,454 thousand.

b) due to customers

The item, pertaining almost exclusively to the Bank, amounts to Euro 1,789,345 thousand and includes Euro 1,161,259 thousand of reverse repurchase agreements collected with the Compensation and Guarantee Fund.

c) Securities issued

The item, pertaining solely to the Bank, amounts to Euro 28,252 thousand and refers to the debenture loan, issued by the Bank, inclusive of matured income accrual. The amount is shown net of the value of securities in the Bank's portfolio, intended for trading, for a nominal value of Euro 1,752 thousand.

FINANCIAL LIABILITIES FOR TRADING

The item, pertaining solely to the Bank, amounts to Euro 696 thousand and includes Euro 461 thousand of negative valuation on forward contracts for currency dealing, Euro 212 thousand of negative valuation on options and Euro 23 thousand of fair value adjustment of an Interest Rate Swap Amortising, which represents a hedging operation for managing interest rate risk.

TAX LIABILITIES

Tax liabilities equal to Euro 1,006 thousand are made up of Euro 567 thousand current tax arrears and Euro 439 thousand deferred tax arrears.

OTHER LIABILITIES

Other liabilities equal to Euro 18,041 thousand include Euro 1,191 thousand debt for social and insurance contributions, Euro 1,219 due to Erario in its role as withholding agent, Euro 1,011 thousand due to suppliers and Euro 4,324 thousand due to personnel.

PROVISIONS FOR RISKS AND CHARGES

a) commitments and guarantees given

The item, pertaining solely to the Bank, equal to Euro 368 thousand, relates to collective impairment losses made up to and including 30 September 2018. The first nine months of 2018 saw impairment losses of Euro 280 thousand.

b) other provisions for risks and charges

The item equal to Euro 642 thousand includes Euro 448 thousand of residual provision made at the time by the Bank to cover any indemnity to be recognised in the event of accrued but unpaid commission for a real estate fund, Euro 100 thousand provision made in the last reporting period for considerations to be recognised to an employee in the commercial area, and Euro 94 thousand provision made in the reporting period for taxes assessed in the Formal Notice of Assessment of 26 July 2018 in reference to taxes on income for the 2014 tax year (extended during the assessment for specific activities to the tax years 2013 to 2017).

SHAREHOLDERS EQUITY

The Group's consolidated shareholders equity amounts to Euro 201,831 thousand. At 31 December 2017, Group shareholders equity was equal to Euro 222,108 thousand and, after adjustments made on 1 January 2018 following the first adoption of IFRS 9 (equal to Euro 2,338 thousand), the shareholders equity was equal to Euro 219,770 thousand. The movement of total shareholders equity, of the Group and minority interests, that occurred in the reporting period in question is shown in the appropriate statement.

The consolidated regulatory capital (own funds) at 30 September 2018 amounts to Euro 160,669 thousand (Euro 172,493 thousand at 31 December 2017), whereas the *Total capital ratio*, the *CET1 capital ratio* and the *Tier1 ratio* are equal to **28.6%** (32.6% at 31 December 2017). To mitigate the impact arising from application of the new reporting standard on its funds, the bank opted to adhere to the transitional arrangements illustrated in section "Indications on disclosures to the market". Without this application, own funds would have been equal to Euro 157,015 thousand, whereas T*otal capital ratio*, *CET1 capital ratio* and *Tier1 ratio* would have been equal to 28.1%.

These indices are much higher than the minimum capital requirements, at consolidated level, required of us for 2018 by Banca d'Italia to conclude the supervisory review process (SREP) laid down in Directive 2013/36/EU (CRD IV) and equal to 7.225% for *CET1 capital ratio*, 9.025% for *Tier1 ratio* and 11.425% for *Total capital ratio*.

At 30 September 2018, treasury shares in the portfolio, held solely by the parent company, numbered 28,810,640. These shares, for an overall Euro 14,059 thousand, equal to 7.9% of the Bank's share capital, were used to adjust the shareholders equity following the application of IAS 32. During the reporting period in question, the Bank neither purchased nor sold any of its treasury shares.

Rome, 9 November 2018

RECONCILIATION BETWEEN PUBLISHED CONSOLIDATED FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS AS PER NEW CIRCULAR 262

Reconciliation of published consolidated statement of financial position for assets at 31 December 2017 and that according to new Banca d'Italia Circular no. 262 post reclassification

(in thousands of euros)

31 December 2017 new 262 / 31 December 2017 published	10. Cash and cash equivalents	20. Financial assets designated at fair value through profit or loss		30. Financial assets designated at fair value through other comprehensive income
		a) financial assets held for trading	c) other financial assets mandatorily at fair value	
10. Cash and cash equivalents	633			
20. Financial assets held for trading		45,712		
40. Financial assets available for sale			23,868	202,016
60. Due from banks				
70. Loans to customers			726	
100. Equity investments				
120. Property and equipment				
130. Intangible assets				
140. Tax assets				
a) current				
a) advance				
160. Other assets				
TOTAL ASSETS	**633**	**45,712**	**24,594**	**202,016**

	40. Financial assets designated at amortised cost		70. Equity investments	90. Property and equipment	100. Intangible assets	110. Tax assets		130. Other assets	TOTAL ASSETS
	a) due from banks	b) loans to customers				a) current	b) deferred		
									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**
									1,810,527
	88,150	**1,363,401**	**6,457**	**5,079**	**41,012**	**605**	**12,448**	**20,420**	**1,810,527**

Reconciliation of published consolidated statement of financial position for liabilities at 31 December 2017 and that according to new Banca d'Italia Circular no. 262 post reclassification

(in thousands of euros)

31 December 2017 new 262 / 31 December 2017 published	10. Financial liabilities designated at amortised cost			20. Financial liabilities for trading	60. Tax liabilities	
	a) due to banks	b) due to customers	c) debt securities issued		a) current	b) deferred
10. Due to banks	1,474					
20. Due to customers		1,494,547				
30. Securities issued			22,594			
40. Financial liabilities for trading				143		
80. Tax liabilities						
a) current					2,972	
b) deferred						1,045
100. Other liabilities						
110. Personnel termination indemnities						
120. Provision for risks and charges b) other provisions						
140. Valuation reserves						
170. Reserves						
190. Capital						
200. Treasury shares (-)						
210. Minority interests (+/-)						
220. Profits (losses) of the reporting period (+/-)						
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	**1,474**	**1,494,547**	**22,594**	**143**	**2,972**	**1,045**

	80. Other liabilities	90. Personnel termination indemnities	100. Provisions for risks and charges		120. Valuation reserves	150. Reserves	170. Capital	180. Treasury shares (-)	190. Minority interests (+/-)	200. Profits (Losses) of the reporting period (+/-)	TOTAL LIABILITIES AND SHAREHOLDERS EQUITY
			a) commitments and guarantees given	c) other provisions for risks and charges							
											1,474
											1,494,547
											22,594
											143
											2,972
											1,045
	17,986		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
											1,810,527
	17,986	**4,970**	**2**	**548**	**2,182**	**125,101**	**72,576**	**(14,059)**	**42,138**	**36,308**	**1,810,527**

Reconciliation of published consolidated income statement at 30 September 2017 and that according to new Banca d'Italia Circular no. 262 post reclassification - Statement 1 of 2

(in thousands of euros)

30 September 2017 new 262 / 30 September 2017 published	10. Interest received and similar income	20. Interest paid and similar charges	**30. Interest margin**	40. Fee and commission income	50. Fee and commission expense	**60. Net commissions**	70. Dividends and similar income
10. Interest received and similar income	4,906						
20. Interest paid and similar charges		1,598					
30. Interest margin							
40. Fee and commission income				35,527			
50. Fee and commission expense					(1,867)		
60. Net commissions							
70. Dividends and similar income							2,806
80. Profit (losses) on trading							
100. Profits (losses) on disposal or repurchase of:							
b) financial assets available for sale							
120. Dealing margin							
130. Net losses/recoveries on impairment of:							
a) credit							
b) financial assets available for sale							
140. Profit (losses) on financial management							
	4,906	1,598	**6,504**	35,527	(1,867)	**33,660**	2,806

	80. Profit (Losses) on trading	100. Profits (losses) on disposal or repurchase of:		110. Profits (losses) on other financial assets and liabilities designated at fair value through profit and loss	**120. Dealing margin**	130. Net losses/recoveries on credit risk relating to:		**150. Profit (losses) on financial management**	
		a) financial assets designated at amortised cost	b) financial assets designated at fair value through other comprehensive income	b) other financial assets mandatorily at fair value		a) financial assets designated at amortised cost	b) financial assets designated at fair value through other comprehensive income		
									4,906
									1,598
									6,504
									35,527
									(1,867)
									33,660
									2,806
	1,729								1,729
			25,472						25,472
									70,171
						(1,190)			(1,190)
				(143)			(694)		(837)
									68,144
	1,729	-	25,472	(143)	**70,028**	(1,190)	(694)	**68,144**	

Reconciliation of published consolidated income statement at 30 September 2017 and that according to new Banca d'Italia Circular no. 262 - Statement 2 of 2

(in thousands of euros)

30 September 2017 new 262 / 30 September 2017 published	190. Administrative expenses: a) personnel expenses	190. Administrative expenses: b) other administrative expenses	210. Net losses/ recoveries on property and equipment	220. Net losses/ recoveries on intangible assets	230. Other operating expense/ income
180. Administrative expenses:					
a) personnel expenses	(24,641)				
b) other administrative expenses		(13,080)			
200. Net losses/recoveries on property and equipment			(351)		
210. Net losses/recoveries on intangible assets				(126)	
220. Other operating expense/income					3,406
230. Operating costs					
240. Profits (losses) on equity investments					
280. Profits (losses) on continuing operations before tax					
290. Taxes on income from continuing operations					
300. Profits (losses) on continuing operations after tax					
320. Profits (losses) of the reporting period					
330. (Profits) Losses of the reporting period attributable to minority interests					
340. Profits (losses) of the reporting period attributable to the parent company					
	(24,641)	(13,080)	(351)	(126)	3,406

	240. Operating costs	250. Profits (losses) on equity investments	**290. Profits (losses) on continuing operations before tax**	300. Taxes on income from continuing operations	**310. Profits (losses) on continuing operations after tax**	**330. Profits (losses) of the reporting period**	340. Profits (losses) of the reporting period attributable to minority interests	**350. Profits (losses) of the reporting period attributable to the parent company**	
									(24,641)
									(13,080)
									(351)
									(126)
									3,406
									(34,792)
		(80)							(80)
									33,272
				(3,201)					(3,201)
									30,071
									30,071
							(2,492)		(2,492)
									27,579
	(34,792)	(80)	**33,272**	(3,201)	**30,071**	**30,071**	(2,492)	**27,579**	

RECONCILIATION BETWEEN CONSOLIDATED FINANCIAL POSITION DATA AT 31 DECEMBER 2017 AS PER NEW CIRCULAR 262 AND OPENING BALANCES AT 1 JANUARY 2018

Reconciliation of consolidated statement of financial position at 31 December 2017 according to new Banca d'Italia Circular no. 262 and statement of financial position at 1 January 2018 IFRS 9.

(in thousands of euros)

	Asset items	TOTAL ASSETS 31.12.2017 post reclassifications to new items Circ. 262
10.	Cash and cash equivalents	633
20.	Financial assets designated at fair value through profit and loss	45,712
	a) financial assets held for trading	45,712
	c) other financial assets mandatorily at fair value	
30.	Financial assets designated at fair value through other comprehensive income	1,219,533
40.	Financial assets designated at amortised cost	458,628
	a) due from banks	88,150
	b) loans to customers	370,478
70.	Equity investments	6,457
90.	Property and equipment	5,079
100.	Intangible assets	41,012
110.	Tax assets	13,053
	a) current	605
	b) deferred	12,448
130.	Other assets	20,420
	Total assets	**1,810,527**

Reclassifications of financial instruments from transition to IFRS 9		TOTAL ASSETS 31.12.2017 post reclassifications FTA IFRS 9	Carrying amount adjustments for transition to IFRS 9		TOTAL ASSETS 01.01.2018
40. Financial assets available for sale	70. Loans to customers		Change to measurement bases	Impairment	
		633			633
23,868	726	70,306			70,306
		45,712			45,712
23,868	726	24,594			24,594
(1,017,517)		202,016			202,016
993,649	(726)	1,451,551	(1,462)	(2,658)	1,447,431
		88,150		(80)	88,070
993,649	(726)	1,363,401	(1,462)	(2,578)	1,359,361
		6,457			6,457
		5,079			5,079
		41,012			41,012
		13,053		805	13,858
		605			605
		12,448		805	13,253
		20,420			20,420
–	**–**	**1,810,527**	**(1,462)**	**(1,853)**	**1,807,212**

Reconciliation of consolidated statement of financial position at 31 December 2017 according to new Banca d'Italia Circular no. 262 and statement of financial position at 1 January 2018 IFRS 9

(in thousands of euros)

	Liabilities and shareholders equity items	TOTAL LIABILITIES AND SHAREHOLDERS EQUITY 31.12.2017 post reclassifications to new items Circ. 262
10.	Financial liabilities designated at amortised cost	1,518,615
	a) due to banks	1,474
	b) due to customers	1,494,547
	c) debt securities issued	22,594
20.	Financial liabilities for trading	143
30.	Financial liabilities designated at fair value	
40.	Hedging derivatives7	
50.	Adjustment of value of financial liabilities subject to macro hedging (+/-)	
60.	Tax liabilities	4,017
	a) current	2,972
	b) deferred	1,045
70.	Liabilities associated with discontinued operations	
80.	Other liabilities	17,988
90.	Personnel termination indemnities	4,970
100.	Provisions for risks and charges	548
	a) commitments and guarantees given	
	c) other provisions for risks and charges	548
120.	Valuation reserves	2,182
150.	Reserves	125,101
170.	Capital	72,576
180.	Treasury shares (-)	(14,059)
190.	Minority interests (+/-)	42,138
200.	Profits (losses) of the reporting period (+/-)	36,308
	Total liabilities and shareholders equity	**1,810,527**

Reclassifications of financial instruments from transition to IFRS 9	TOTAL LIABILITIES AND SHAREHOLDERS EQUITY 31.12.2017 post reclassifications FTA IFRS 9	Effect of transition to IFRS 9	TOTAL LIABILITIES AND SHAREHOLDERS EQUITY 01.01.2018
80. Other liabilities			
	1,518,615		1,518,615
	1,474		1,474
	1,494,547		1,494,547
	22,594		22,594
	143		143
	4,017	(365)	3,652
	2,972		2,972
	1,045	(365)	680
(2)	17,986		17,986
	4,970		4,970
2	550	85	635
2	2	85	87
	548		548
	2,182	(619)	1,563
	125,101	(1,719)	123,382
	72,576		72,576
	(14,059)		(14,059)
	42,138	(697)	41,441
	36,308		36,308
–	**1,810,527**	**(3,315)**	**1,807,212**

BANCA FINNAT

GRUPPO BANCA FINNAT

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 30 settembre 2018 corrisponde alle risultanze documentali, ai libri ed alle scritture contabili.

Roma, 9 novembre 2018

Il Dirigente preposto alla redazione dei documenti contabili societari

(Giulio Bastia)

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Company listed on the official market with shares are admitted to trading on STAR segment.
The above data relate to the parent company Banca Finnat Euramerica S.p.A.

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