



BANCA FINNAT

GRUPPO BANCA FINNAT

CONSOLIDATED INTERIM REPORT ON OPERATIONS AT 31 MARCH 2019





CONSOLIDATED INTERIM  
REPORT ON OPERATIONS  
AT 31 MARCH 2019



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**BOARD OF DIRECTORS**

Carlo Carlevaris  
*Honorary Chairman*

Flavia Mazzarella  
*Chairman*

Leonardo Buonvino  
*Deputy Chairman*

Marco Tofanelli  
*Deputy Chairman*

Arturo Nattino  
*Managing Director*

Ermanno Boffa  
*Director*

Roberto Cusmai  
*Director*

Giulia Nattino  
*Director*

Maria Sole Nattino  
*Director*

Lupo Rattazzi  
*Director*

Andreina Scognamiglio  
*Director*

**BOARD OF STATUTORY AUDITORS**

Alberto De Nigro  
*Chairman*

Barbara Fasoli Braccini  
*Permanent Auditor*

Francesco Minnetti  
*Permanent Auditor*

Laura Bellicini  
*Alternate Auditor*

Antonio Staffa  
*Alternate Auditor*

**MANAGEMENT**

Arturo Nattino  
*General Manager*

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

Alberto Alfiero  
*Deputy General Manager*

**AUDITING FIRM**

EY S.p.A.

## NOTES FOR READING THE INTERIM FINANCIAL REPORT

The Interim Financial Report is prepared in accordance with the Regulation of Borsa Italiana for listed companies on the STAR segment (Article 2.2.3 Paragraph 3).

For the purposes of preparing the report, Borsa Italiana Notice no. 7587 of 21 April 2016 was taken into account; with regard to the content of the report, it confirms the application of the existing Article 154-ter, Paragraph 5 of Italian Legislative Decree no. 58/98 (Consolidated Financial Law). This article establishes that no later than forty-five days from the closing date of the first and third quarter of the year, listed issuers shall publish an Interim Financial Report providing:

- a) a general description of the financial situation and of the economic performance of the issuer and of the subsidiaries in the reference period;
- b) an illustration of the significant events and of the transactions that took place in the reference period and their impact on the financial situation of the issuer and of its subsidiaries.

The present Interim Financial Report provides the consolidated Balance Sheet, Income Statement, Statement of Comprehensive Income and the Statement of changes in shareholders' equity and some highlights of the Income Statement and of the Balance Sheet.

The aforesaid statements and the highlights provided are in accordance with the provisions laid down by Bank of Italy Circular no. 262 "Banks' financial statements: layouts and preparation rules" – 6th update of 30 November 2018.

This latest update absorbed the introduction of the international accounting standard IFRS 16 "Leases", with effect from 1 January 2019. The main changes and impacts of the new standard - already illustrated in the 2018 Financial Statements - are analysed in a specific paragraph "Adoption of the international accounting standard IFRS 16".

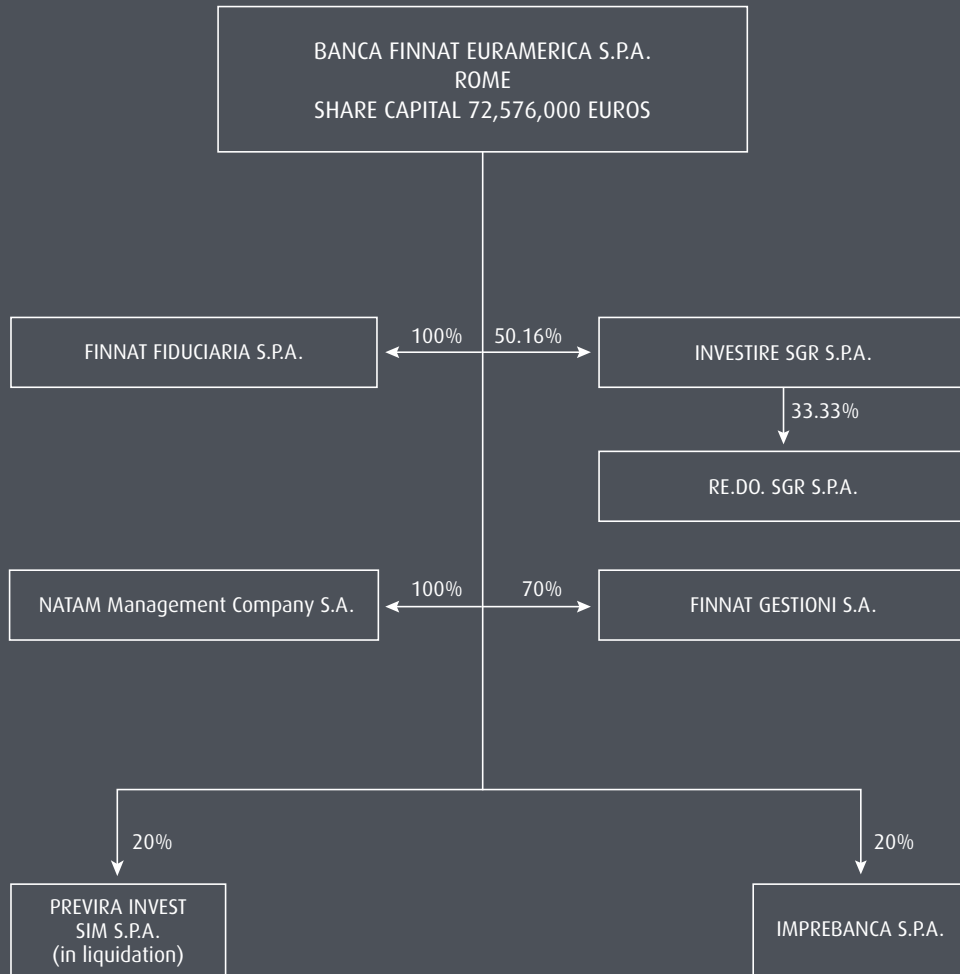
For the application of the new statements there is no obligation to restate the comparative financial statements for the year 2018, therefore the results of the quarter in question were compared with those of the previous period:

- in the Income Statement, the data for the first quarter 2019 are compared with those of the similar period of 2018 while the Statement of comprehensive income provides the data referred to the first three months of the current year, compared with those of the same period of the previous year;
- in the Balance Sheet, the values referred to 31 March 2019 are provided and compared with those of 31 December 2018, while the Statement of changes in shareholders' equity shows the balances at 31 December 2018 and those at 31 March 2019 and the changes that took place in the period.

As provided by law, the present document has not been audited.

## GROUP STRUCTURE

At 31 March 2019, the structure of the Group is as follows:





## KEY FIGURES FOR THE GROUP

|   | 31 March 2018 | 31 December 2018 | 31 March 2019 |
|---|---------------|------------------|---------------|
| CONSOLIDATED SHAREHOLDERS' EQUITY OF THE GROUP<br>(in thousands of euros) | 222,637       | 209,138          | 213,051       |
| HUMAN RESOURCES OF THE GROUP  | 345           | 358              | 362           |
| CONSOLIDATED PROFIT (LOSS)<br>(in thousands of euros)                     | 1,368         | 5,343            | 2,932         |

## STOCK EXCHANGE CAPITALISATION OF BANCA FINNAT EURAMERICA

|                 | Number of shares | Market price 3 May 2019 | Capitalisation 3 May 2019 (in thousands of euros) | Consolidated shareholders' equity (in thousands of euros) | Share capital (in thousands of euros) |
|-----------------|------------------|-------------------------|---|---|---------------------------------------|
| ORDINARY SHARES | 362,880,000      | 0.3410                  | 123,742   | 213,051   | 72,576                                |

## Changes in the Group's deposits

(in thousands of euros)

|  | December 2016     | December 2017     | December 2018     | March 2019        |
|--|-------------------|-------------------|-------------------|-------------------|
| <b>Direct deposits from customers of the parent company</b>  | <b>510,686</b>    | <b>472,787</b>    | <b>677,119</b>    | <b>673,429</b>    |
| - Due to customers (current accounts)  | 418,331           | 358,892           | 439,262           | 418,807           |
| - Time deposits  | 68,530            | 91,301            | 209,607           | 226,370           |
| - Securities issued  | 23,825            | 22,594            | 28,250            | 28,252            |
| <b>Indirect deposits of the parent company</b>   | <b>4,505,144</b>  | <b>5,540,931</b>  | <b>6,152,748</b>  | <b>6,645,566</b>  |
| - Individual management  | 459,775           | 571,803           | 480,921           | 504,014           |
| - Delegated management   | 251,061           | 285,681           | 278,565           | 278,561           |
| - Deposits under administration (UCIs and securities)  | 3,471,594         | 3,924,304         | 4,544,537         | 4,871,134         |
| - Deposits under administration under advice (UCIs and securities)   | 255,778           | 649,060           | 695,044           | 760,722           |
| - Third-party insurance products   | 66,936            | 110,083           | 153,681           | 231,135           |
| <b>Trusteeship</b>   | <b>1,374,990</b>  | <b>1,458,411</b>  | <b>1,570,851</b>  | <b>1,560,744</b>  |
| <b>Real Estate Fund Management</b>   | <b>7,001,357</b>  | <b>7,525,912</b>  | <b>7,321,884</b>  | <b>7,321,884</b>  |
| <b>Luxembourg-based Sicav fund administration (*)</b>  | <b>-</b>          | <b>694,087</b>    | <b>662,936</b>    | <b>688,578</b>    |
| <b>Total deposits</b>  | <b>13,392,177</b> | <b>15,692,128</b> | <b>16,385,538</b> | <b>16,890,201</b> |
| <b>Luxembourg-based Sicav, the "Promoter" of which is Banca Finnat (currently, New Millennium Sicav and New Millennium Sif).</b> | <b>677,938</b>    | <b>-</b>          | <b>-</b>          | <b>-</b>          |

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

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

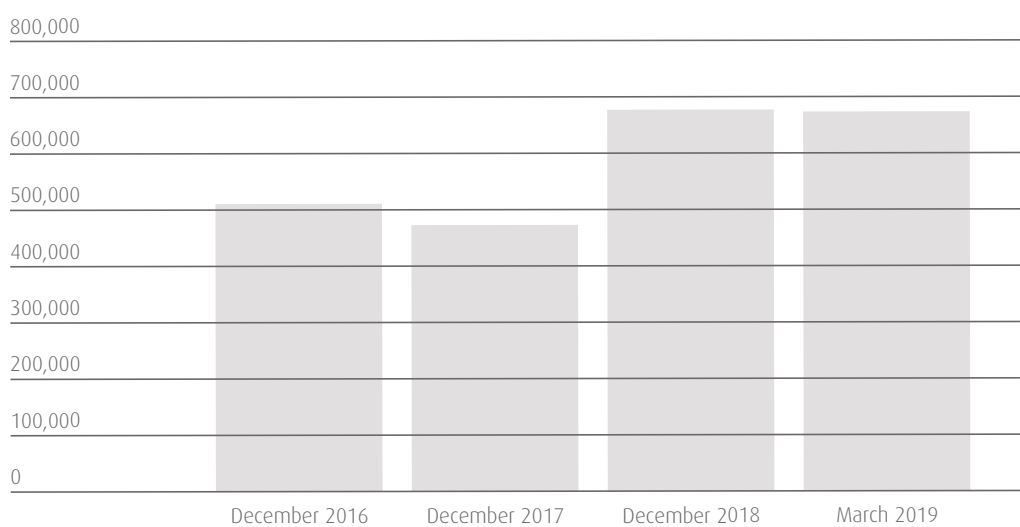


c) the assets of the subsidiary InvestiRE SGR S.p.A. are measured at the market value of the total managed assets before subtracting debt (GAV).

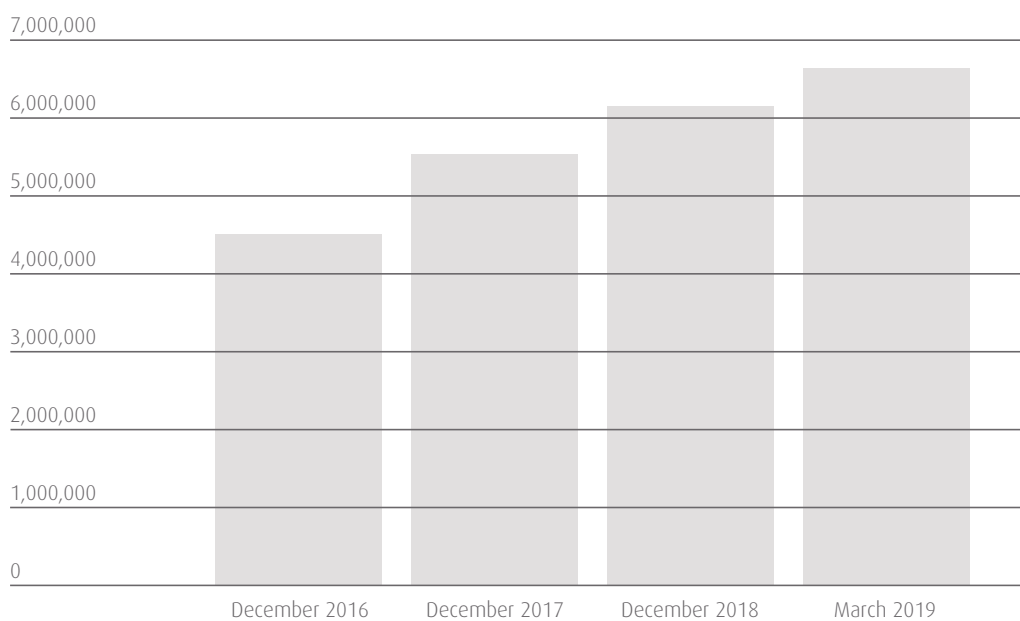
All assets shown in the statement also take into account the amount invested in them and originating from the other types highlighted with the exception of "Luxembourg-based Sicav fund administration" that does not include the delegated managements already included in the indirect deposits of the Parent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



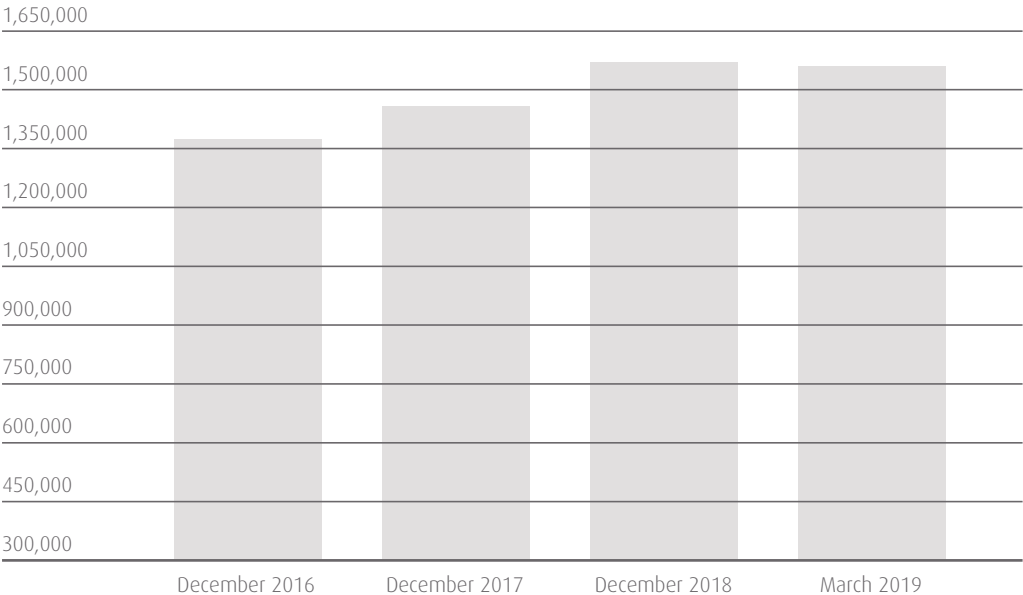
### Direct deposits from customers



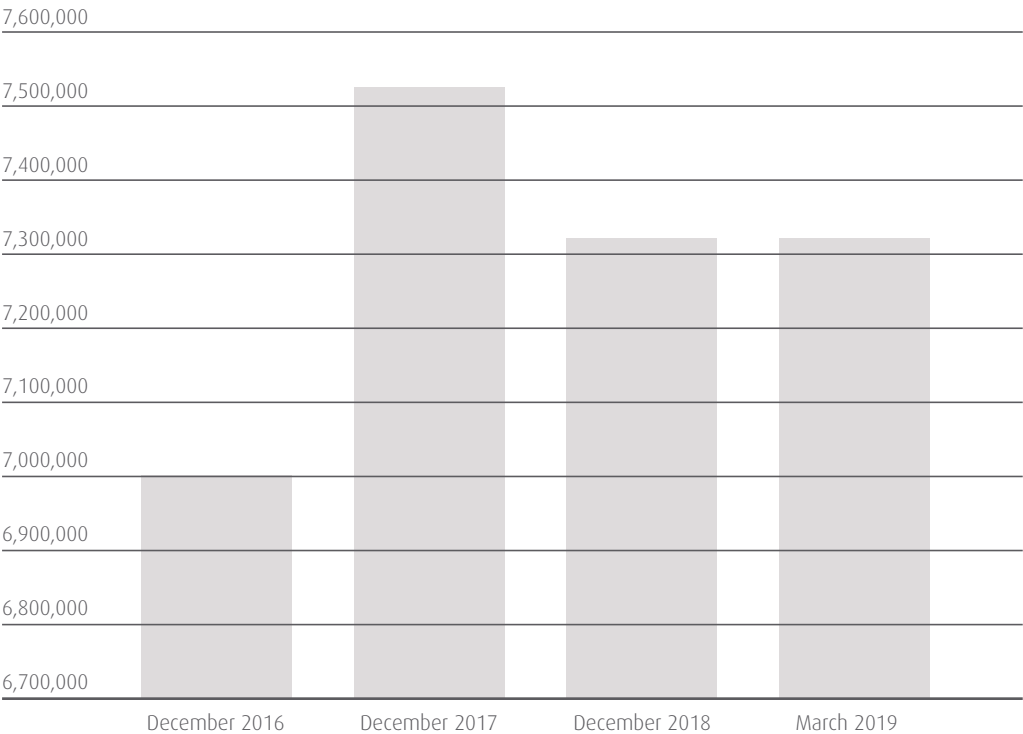
### Indirect deposits



**Trusteeship**

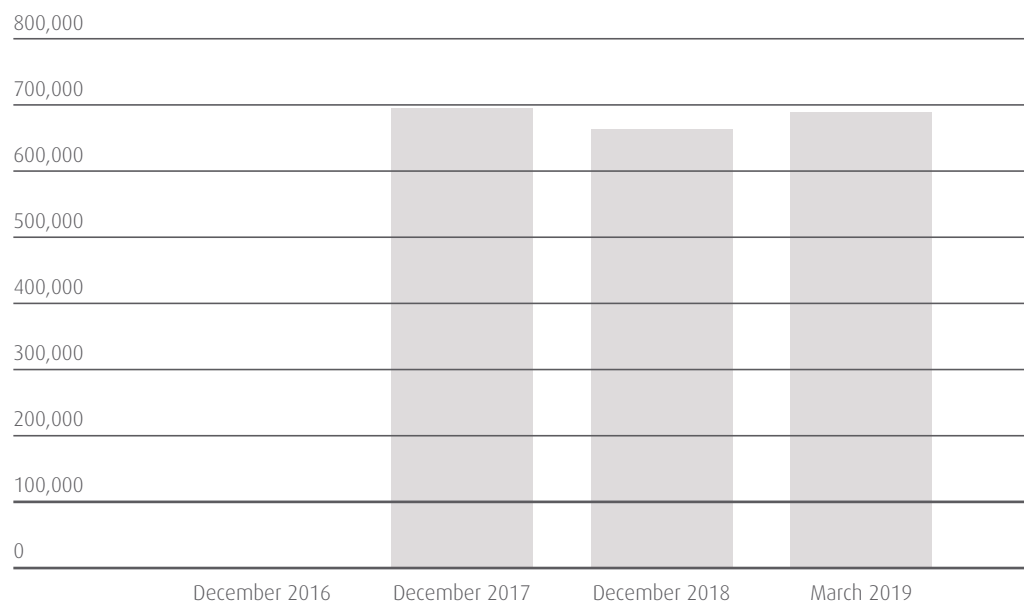


**Real Estate Funds**

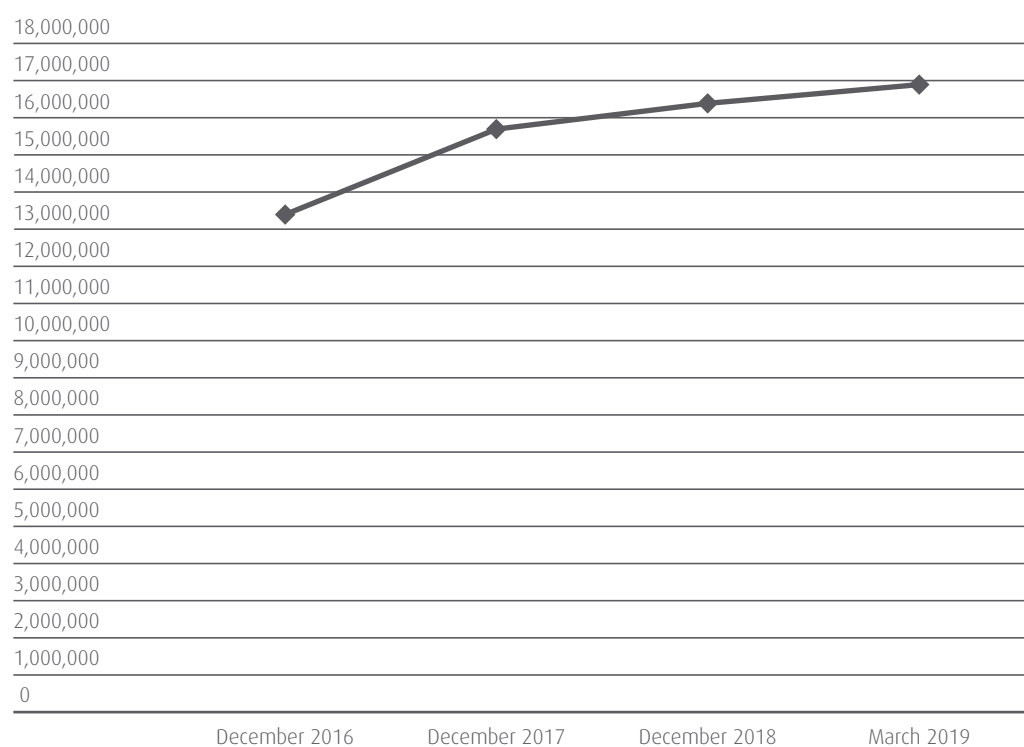




**Luxembourg-based Sicav fund administration**



**Total deposits of the Group**



### Stock prices

(in Euro)

| SECURITY | Market price at 3 May 2019 | Market price at 29 March 2019 | Market price at 31 December 2018 | Market price at 28 September 2018 | Market price at 30 June 2018 | Market price at 31 March 2018 |
|----------|----------------------------|-------------------------------|----------------------------------|-----------------------------------|------------------------------|-------------------------------|
| BFE      | 0.3410                     | 0.3390                        | 0.3180                           | 0.3260                            | 0.3690                       | 0.4480                        |



### BANCA FINNAT STOCK PRICE COMPARED WITH ITALIAN BANKING SECTOR INDEX

(source Banca Intesa)





FINANCIAL STATEMENTS



**CONSOLIDATED PROFIT AND LOSS ACCOUNT**

(in thousands of euros)

| Item   | 01.01/31.03.2019 | 01.01/31.03.2018 |
|--|------------------|------------------|
| 10. Interest income and similar income   | 4,375            | 2,810            |
| 20. Interest expense and similar expense   | (558)            | (375)            |
| <b>30. Interest margin</b>   | <b>3,817</b>     | <b>2,435</b>     |
| 40. Fee and commission income  | 12,428           | 12,957           |
| 50. Fee and commission expense   | (509)            | (544)            |
| <b>60. Net commissions</b>   | <b>11,919</b>    | <b>12,413</b>    |
| 70. Dividend and similar income  | 1,905            | 1,634            |
| 80. Profit (losses) on trading   | 315              | 11               |
| 100. Profits (losses) on disposal or repurchase of:  | 2                | 43               |
| a) financial assets designated at amortised cost   | -                | 21               |
| b) financial assets designated at fair value through other comprehensive income                                  | 2                | 22               |
| 110. Profits (losses) on other financial assets and liabilities designated at fair value through profit and loss | (1,200)          | (541)            |
| b) other financial assets mandatorily designated at fair value   | (1,200)          | (541)            |
| <b>120. Earnings margin</b>  | <b>16,758</b>    | <b>15,995</b>    |
| 130. Net losses/recoveries on credit risk relating to:   |                  |                  |
| a) financial assets designated at amortised cost   | 1,405            | (524)            |
| b) financial assets designated at fair value through other comprehensive income                                  | 254              | (186)            |
| 140. Profit/losses from contract changes without cancellations   | -                | -                |
| <b>150. Net income from financial operations</b>   | <b>18,417</b>    | <b>15,285</b>    |
| 190. Administrative expenses:  | (13,582)         | (13,512)         |
| a) personnel expenses  | (9,361)          | (8,536)          |
| b) other administrative expenses   | (4,221)          | (4,976)          |
| 200. Net provisions for risks and charges  | 191              | 7                |
| a) commitments and guarantees given  | 30               | 7                |
| b) other net appropriations  | 161              | -                |
| 210. Net losses/recoveries on tangible assets  | (802)            | (113)            |
| 220. Net losses/recoveries on intangible assets  | (50)             | (42)             |
| 230. Other operating charges/revenue   | 1,560            | 1,837            |
| <b>240. Operating costs</b>  | <b>(12,683)</b>  | <b>(11,823)</b>  |
| 250. Profits (losses) on equity investments  | (122)            | -                |
| <b>290. Profits (losses) on current operations before taxes</b>  | <b>5,612</b>     | <b>3,462</b>     |
| 300. Income tax on current operations  | (1,984)          | (1,260)          |
| <b>310. Profits (losses) on current operations after taxes</b>   | <b>3,628</b>     | <b>2,202</b>     |
| <b>330. Profits (losses) for the period</b>  | <b>3,628</b>     | <b>2,202</b>     |
| 340. Profits (losses) for the period of minority interests   | (696)            | (834)            |
| <b>350. Profits (losses) for the period of parent company</b>  | <b>2,932</b>     | <b>1,368</b>     |





**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

(in thousands of euros)

| Item  | 01.01/31.03.2019 | 01.01/31.03.2018 |
|---|------------------|------------------|
| <b>10. Profits (losses) for the period</b>  | <b>3,628</b>     | <b>2,202</b>     |
| <b>Other comprehensive income, after taxes, that may not be reclassified to the income statement</b>  |                  |                  |
| 20. Equity designated at fair value through other comprehensive income                                | 25               | 28               |
| 70. Defined-benefit plans   | (138)            | (48)             |
| 90. Share of valuation reserves connected with investments carried at equity                          | 122              | -                |
| <b>Other comprehensive income, after taxes, that may be reclassified to the income statement</b>      |                  |                  |
| 140. Financial assets (other than equity) designated at fair value through other comprehensive income | 903              | 1,492            |
| <b>170. Total other comprehensive income after taxes</b>  | <b>912</b>       | <b>1,472</b>     |
| <b>180. Total earnings (Voce 10+170)</b>  | <b>4,540</b>     | <b>3,674</b>     |
| 190. Total consolidated earnings of minority interests  | 642              | 820              |
| <b>200. Total consolidated earnings of parent company</b>   | <b>3,898</b>     | <b>2,854</b>     |



**CONSOLIDATED BALANCE SHEET**

(in thousands of euros)

| <b>Assets</b>   | <b>31.03.2019</b> | <b>31.12.2018</b> |
|---|-------------------|-------------------|
| <b>10.</b> Cash and cash equivalents  | 606               | 665               |
| <b>20.</b> Financial assets designated at fair value through profit and loss            | 91,118            | 60,170            |
| a) financial assets held for trading  | 69,588            | 37,410            |
| c) other financial assets mandatorily at fair value                                     | 21,530            | 22,760            |
| <b>30.</b> Financial assets designated at fair value through other comprehensive income | 303,939           | 298,665           |
| <b>40.</b> Financial assets designated at amortised cost                                | 1,490,202         | 1,464,034         |
| a) due from banks   | 68,361            | 88,863            |
| b) loans to customers   | 1,421,841         | 1,375,171         |
| <b>70.</b> Equity investments   | 6,400             | 6,400             |
| <b>90.</b> Tangible assets  | 19,597            | 4,781             |
| <b>100.</b> Intangible assets   | 40,932            | 40,974            |
| of which:   |                   |                   |
| - goodwill  | 37,729            | 37,729            |
| <b>110.</b> Tax assets  | 18,226            | 19,266            |
| a) current tax assets   | 1,893             | 2,231             |
| b) deferred tax assets  | 16,333            | 17,035            |
| <b>130.</b> Other assets  | 16,255            | 24,772            |
| <b>Total assets</b>   | <b>1,987,275</b>  | <b>1,919,727</b>  |



**CONSOLIDATED BALANCE SHEET**

(in thousands of euros)

| <b>Liabilities and shareholders' equity</b>                   | <b>31.03.2019</b> | <b>31.12.2018</b> |
|---|-------------------|-------------------|
| <b>10.</b> Financial liabilities designated at amortised cost | 1,705,766         | 1,641,991         |
| a) due to banks   | 101               | 271               |
| b) due to customers   | 1,677,413         | 1,613,470         |
| c) debt securities issued                                     | 28,252            | 28,250            |
| <b>20.</b> Financial liabilities held for trading             | 524               | 323               |
| <b>60.</b> Tax liabilities                                    | 2,283             | 1,117             |
| a) current tax liabilities                                    | 1,696             | 581               |
| b) deferred tax liabilities                                   | 587               | 536               |
| <b>80.</b> Other liabilities                                  | 20,928            | 20,370            |
| <b>90.</b> Staff severance fund                               | 5,504             | 5,317             |
| <b>100.</b> Provisions for risks and charges:                 | 593               | 783               |
| a) commitments and guarantees given                           | 71                | 101               |
| c) other provisions for risks and charges                     | 522               | 682               |
| <b>120.</b> Valuation reserves                                | (2,625)           | (3,592)           |
| <b>150.</b> Reserves  | 154,227           | 148,870           |
| <b>170.</b> Share capital                                     | 72,576            | 72,576            |
| <b>180.</b> Treasury shares (-)                               | (14,059)          | (14,059)          |
| <b>190.</b> Minority interests (+/-)                          | 38,626            | 40,688            |
| <b>200.</b> Net profits (losses) for the period (+/-)         | 2,932             | 5,343             |
| <b>Total liabilities and shareholders' equity</b>             | <b>1,987,275</b>  | <b>1,919,727</b>  |



## STATEMENT OF CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY AT 31 MARCH 2019

(in thousands of euros)

|   | Total shareholders' equity at 31.12.2018 | Changes in opening balances | Total shareholders' equity at 01.01.2019 | Allocation of previous FY profit |                                 |
|---|--|-----------------------------|--|----------------------------------|---------------------------------|
|   |  |                             |  | Reserves                         | Dividends and other allocations |
| <b>Share capital:</b>                                       | <b>72,576</b>                            |                             | <b>72,576</b>                            | -                                | -                               |
| a) ordinary shares  | 72,576                                   |                             | 72,576                                   | -                                | -                               |
| b) other shares   | -  |                             | -  | -                                | -                               |
| <b>Share issue premium</b>                                  | <b>-</b>                                 |                             | <b>-</b>                                 | -                                | -                               |
| <b>Reserves:</b>  | <b>186,707</b>                           | <b>-</b>                    | <b>186,707</b>                           | <b>8,313</b>                     | <b>-</b>                        |
| a) profit   | 124,545                                  | -                           | 124,545                                  | 9,068                            |                                 |
| b) other  | 62,162                                   | -                           | 62,162                                   | (755)                            | -                               |
| <b>Valuation reserves</b>                                   | <b>(3,711)</b>                           | <b>-</b>                    | <b>(3,711)</b>                           | -                                | -                               |
| <b>Capital instruments</b>                                  | <b>-</b>                                 |                             | <b>-</b>                                 | -                                | -                               |
| Treasury shares   | (14,059)                                 | -                           | (14,059)                                 | -                                | -                               |
| <b>Net Profit (Loss) for the period</b>                     | <b>8,313</b>                             | <b>-</b>                    | <b>8,313</b>                             | <b>(8,313)</b>                   | <b>-</b>                        |
| <b>Total shareholders' equity</b>                           | <b>249,826</b>                           | <b>-</b>                    | <b>249,826</b>                           | <b>-</b>                         | <b>-</b>                        |
| <b>of which: Group shareholders' equity</b>                 | <b>209,138</b>                           | <b>-</b>                    | <b>209,138</b>                           | <b>-</b>                         | <b>-</b>                        |
| <b>of which: Shareholders' equity of minority interests</b> | <b>40,688</b>                            | <b>-</b>                    | <b>40,688</b>                            | <b>-</b>                         | <b>-</b>                        |



|         | Changes during the period |                                      |                                   |                                   |                                      |                                      |                  |                                     | Compre-<br>hensive<br>income of<br>the period<br>1st January-<br>31 March<br>2019 | Share-<br>holders'<br>equity at<br>31.03.2019<br>Total | Share-<br>holders'<br>equity at<br>31.03.2019<br>Group | Share-<br>holders'<br>equity at<br>31.03.2019<br>Minority<br>interests |
|---------|---------------------------|--------------------------------------|-----------------------------------|-----------------------------------|--------------------------------------|--------------------------------------|------------------|-------------------------------------|---|--|--|--|
|         | Changes<br>in reserves    | Shareholders' equity<br>transactions |                                   |                                   |                                      |                                      |                  |                                     |   |  |  |  |
|         |                           | New<br>share<br>issues               | Purchase<br>of treasury<br>shares | Extra<br>dividend<br>distribution | Changes<br>in capital<br>investments | Derivatives<br>on treasury<br>shares | Stock<br>options | Changes<br>in equity<br>investments |   |  |  |  |
| -       | -                         | -                                    | -                                 | -                                 | -                                    | -                                    | -                | -                                   | -   | 72,576   | 72,576   | -  |
| -       | -                         | -                                    | -                                 | -                                 | -                                    | -                                    | -                | -                                   | -   | 72,576   | 72,576   | -  |
| -       | -                         | -                                    | -                                 | -                                 | -                                    | -                                    | -                | -                                   | -   | -  | -  | -  |
| -       | -                         | -                                    | -                                 | -                                 | -                                    | -                                    | -                | -                                   | -   | -  | -  | -  |
| (2,689) | -                         | -                                    | -                                 | -                                 | -                                    | -                                    | -                | -                                   | -   | 192,331  | 154,227  | 38,104   |
| (2,707) | -                         | -                                    | -                                 | -                                 | -                                    | -                                    | -                | -                                   | -   | 130,906  | 120,667  | 10,239   |
| 18      | -                         | -                                    | -                                 | -                                 | -                                    | -                                    | -                | -                                   | -   | 61,425   | 33,560   | 27,865   |
| -       | -                         | -                                    | -                                 | -                                 | -                                    | -                                    | -                | -                                   | 912   | (2,799)  | (2,625)  | (174)  |
| -       | -                         | -                                    | -                                 | -                                 | -                                    | -                                    | -                | -                                   | -   | -  | -  | -  |
| -       | -                         | -                                    | -                                 | -                                 | -                                    | -                                    | -                | -                                   | -   | (14,059)   | (14,059)   | -  |
| -       | -                         | -                                    | -                                 | -                                 | -                                    | -                                    | -                | -                                   | 3,628   | 3,628  | 2,932  | 696  |
| (2,689) | -                         | -                                    | -                                 | -                                 | -                                    | -                                    | -                | -                                   | 4,540   | 251,677  | -  | -  |
| 15      | -                         | -                                    | -                                 | -                                 | -                                    | -                                    | -                | -                                   | 3,898   | -  | 213,051  | -  |
| (2,704) | -                         | -                                    | -                                 | -                                 | -                                    | -                                    | -                | -                                   | 642   | -  | -  | 38,626   |





## LIST OF EQUITY INVESTMENTS INCLUDED IN THE SCOPE OF CONSOLIDATION

| Company   | Share capital<br>in euros<br>(1) | Registered<br>office | %<br>directly<br>owned<br>31.03.2019 | %<br>indirectly<br>owned<br>31.03.2019 | Book value<br>of the equity<br>investment<br>(in thousands<br>of euros) | Assets   |
|---|----------------------------------|----------------------|--------------------------------------|--|---|--|
| <b>Parent Company:</b>                            |                                  |                      |                                      |  |   |  |
| Banca Finnat Euramerica S.p.A.                    | 72,576,000.00                    | Rome                 |                                      |  |   | Banking activity and banking group Parent Company          |
| <b>Direct subsidiaries:</b>                       |                                  |                      |                                      |  |   |  |
| Finnat Fiduciaria S.p.A.                          | 1,500,000.00                     | Rome                 | 100.00                               |  |   | Trusteeship  |
| 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 services              |
| InvestiRE SGR S.p.A.                              | 14,770,000.00                    | Rome                 | 50.16                                |  |   | Promotion and management of closed-ended real estate funds |
| <b>Companies subject to significant influence</b> |                                  |                      |                                      |  |   |  |
| Prévira Invest SIM S.p.A.<br>in liquidation       |                                  | Rome                 | 20.00                                |  | 57  | Investment broker  |
| Imprebanca S.p.A.                                 |                                  | Rome                 | 20.00                                |  | 6,176   | Banking activity   |
| RE.DO. SGR S.p.A. (2)                             |                                  | Milan                |                                      | 33.33                                  | 167   |  |
| <b>Total</b>                                      |                                  |                      |                                      |  | <b>6,400</b>  |  |

All subsidiaries belong to the Banca Finnat Euramerica banking group.

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

(2) RE.DO. SGR S.p.A. is held by the subsidiary InvestIRE SGR S.p.A.

## GENERAL COMMENTS

### The results of the Banca Finnat Euramerica Group

The first three months of 2019 recorded a consolidated net profit of 2,932 thousand euros versus 1,368 thousand euros at 31 March 2018.

The main items that form the results of the first three months of 2019, compared with those of the corresponding period of 2018, are illustrated below:

- The **Net banking income** at 31 March 2019 amounted to 16,758 thousand euros versus 15,995 thousand euros of the corresponding period of the previous year. The total increase by 763 thousand euros consists of the following:

#### *increases*

- 1,382 thousand euros for Interest margin (3,817 thousand euros at 31 March 2019 compared with 2,435 thousand euros in the same period of 2018);
- 271 thousand euros for Dividends and similar income (1,905 thousand euros at 31 March 2019, compared to 1,634 thousand euros in the same period of 2018);
- 304 thousand euros as Profit (losses) on trading. At 31 March 2019, the item had a positive balance of 315 thousand euros, versus a positive balance of 11 thousand euros in the same period of 2018;

#### *decreases*

- 494 thousand euros for Net Fees and Commissions (11,919 thousand euros in the first three months of 2019 versus 12,413 thousand euros in the same period of 2018);
- 41 thousand euros for Profit from the sale of financial assets designated at amortised cost and financial assets designated at fair value through other comprehensive income (2 thousand euros at 31 March 2019 versus 43 thousand euros in the same period of 2018);
- 659 thousand euros for Profits (losses) from other financial assets mandatorily at fair value (negative balance of 1,200 thousand euros at 31 March 2019 versus a negative balance of 541 thousand euros in the same period of 2018).

- **Net losses/recoveries on credit risk.** At 31 March 2019, this item showed **value recoveries** totalling 1,659 thousand euros relating to Financial assets designated at amortised cost (1,405 thousand euros) and to Assets designated at fair value through other comprehensive income (254 thousand euros). At 31 March 2018, **impairment losses** had instead been made on the Financial assets designated at amortised cost and on Assets designated at fair value through other comprehensive income respectively of 524 thousand euros and 186 thousand euros.

- **Administrative expenses** amounted, in the first three months of 2019, to 13,582 thousand euros versus 13,512 thousand euros in the same period of 2018.

Application of the new accounting standard IFRS 16 entails the recognition of the lease fees, instead of in the items in question, among the costs for amortisation of the utilisation right amounting to 696 thousand euros (48 thousand euros referred to personnel expenses and 648 thousand euros referred to administrative expenses) and among interest expenses on payables amounting to 59 thousand euros.





The breakdown of administrative expenses is as follows:

- personnel expenses of 9,361 thousand euros grew by 825 thousand euros compared to the corresponding period of the previous year (8,536 thousand euros);
- other administrative expenses, totalling 4,221 thousand euros, decreased by 755 thousand euros compared to the corresponding period of the previous year (4,976 thousand euros). This decrease is almost entirely due to the different accounting of the lease fees. The other administrative expenses include recoveries from customers of some costs allocated under Other operating income/expenses.

- **Net losses/recoveries on property and equipment.** The item includes impairment losses of 802 thousand euros (113 thousand euros of 31 March 2018) and it comprises the depreciation of the right to use assets acquired under leases, amounting to 696 thousand euros.
- **Other operating income/expenses** at 31 March 2019 showed a positive balance of 1,560 thousand euros versus 1,837 thousand euros in the corresponding period of 2018. The item comprises the recoveries of costs from customers, amounting to 1,502 thousand euros (1,677 thousand euros in the first three months of 2018).
- **Income tax** at 31 March 2019 amounted to 1,984 thousand euros versus 1,260 thousand at 31 March 2018.

\* \* \*

The comprehensive income of the first quarter of 2019 that also includes the change in the “Valuation reserve” is reported in the Statement of Comprehensive Income.



## INFORMATION ON OPERATING PERFORMANCE

### Market disclosure information

Regarding market disclosure, the Group declares that:

- with reference to the request formulated by Bank of Italy with its communication of 17 June 2008, the Bank, at 31 March 2019, was not exposed to and/or did not hold an interest, either directly or through vehicle companies or other non-consolidated entities, in financial instruments or UCIs characterised by high-risk investments, such as: - SPE (Special Purpose Entities) - CDO (Collateralized Debt Obligations) - Other exposures vis-à-vis subprime and Alt-A - CMBS (Commercial Mortgage-Backed Securities) - Leveraged Finance.
- the Board of Directors of Banca Finnat Euramerica S.p.A., pursuant to Consob Resolution No. 18079 of 20 January 2012, decided, on 21 January 2013, to comply with the simplification system set forth in Articles 70 (paragraph 8) and 71 (paragraph 1-bis) of the Regulation adopted by Consob with Resolution No. 11971 of 14 May 1999 as amended and supplemented, by making use of the right, of listed companies, to depart from the obligation to submit the information documents required by Annex 3B of the Consob Regulation relating to future significant extraordinary operations such as mergers, demergers, capital increase by non-cash contributions, acquisitions and sales;
- with reference to the requests contained in joint Document no. 2 dated 6 February 2009 by the Bank of Italy, Consob and Isvap and in their subsequent Document no. 4 dated 4 March 2010 and the provisions of paragraphs 15 and 25 of IAS 1, regarding disclosures to be made with respect to going concern assumptions, please refer to the commentary provided respectively in Part A, Section 2 – General financial reporting principles and Part E – Information on Risks and Related Hedging Policies of the Notes to the 2018 Financial Statements;
- the Bank, within the prescribed deadline of 1 February 2018, exercised the option for the application of the transitional rules prescribed by the Regulation (EU) 2017/2395, “amending Regulation (EU) No 575/2013 as regards transitional arrangements for mitigating the impact of the introduction of IFRS 9 on own funds and for the large exposures treatment of certain public sector exposures denominated in the domestic currency of any Member State”. The aforesaid transitional rules provide the possibility of including in Common Equity Tier 1 capital a transitional positive component, calculated in percentage terms, of the increase undergone by the allocations for expected losses on receivables by effect of the first adoption of IFRS 9. This benefit is recognised for a period of 5 years according to decreasing rates (95% in 2018, 85% in 2019, 70% in 2020, 50% in 2021, 25% in 2022). From 1 January 2023 onwards, the impact deriving from the first-time adoption of IFRS 9 will be fully reflected in the calculation of own funds. In addition to the possibility of delaying the impact deriving from the first-time adoption of the new accounting standard to 1 January 2018, the transitional arrangements provide the possibility of delaying any impacts of the new impairment model also in the first years following the date of first-time adoption of IFRS 9 albeit limited to those deriving from the measuring of performing financial assets.

### The transactions and the most significant events in the period

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

- in line with the Report on operations of the 2018 Financial statements, preparatory activities continued for the implementation of the social housing project, carried out in partnership with Fondazione Cariplo,





directed in the long term at the establishment of a multi-sector Sicaf under own management. For this purpose, on 17 December 2018 RE.DO. SGR S.p.A. was established, with a share capital of 500,000 euros, of which 33.33% is subscribed by the subsidiary InvestiRE SGR S.p.A. and 66.66% by Fondazione Cariplo.

On 22 January 2019, RE.DO. SGR S.p.A. filed formal request with the Bank of Italy for authorisation to operate as an asset management company. Once the necessary authorisation is obtained from the Bank of Italy, the operation calls for transferring from InvestiRE SGR S.p.A. to the new SGR the management of the two sub-funds of the FIL fund (FIL 1 and FIL 2), (after the shareholders' meeting of the Fund unit holders passes the resolution with the favourable vote of at least 90% of the units issued), also through the transfer of the business unit, including the resources (17 at 31 December 2018), dedicated to management of the FIL.

In March 2019, the Board of Directors of Banca Finnat initiated the decision-making process relating to related party and significant transactions. In the meeting of 3 April 2019, taking into account the well-reasoned and binding opinion of the Risk Committee which relied on the fairness opinion with regard to the price of the transaction (i.e. 11.5 million euros) issued by an independent expert, the Board of Directors of the Bank decided in favour of the transfer of the business unit and on the same date the Board of Directors of the subsidiary InvestiRE SGR S.p.A. approved the transfer. On 10 April 2019, in accordance with Article 5 of Consob Regulation no. 17221/2010, the information document pertaining to the transfer of a business unit by the subsidiary InvestiRE SGR S.p.A. to RE.DO. SGR S.p.A. was published on the authorised storage mechanism SDIR-NIS/NIS-Storage and on the Website of the Bank.

- Within the strategic lines directed at the development of the Private Banking activities, to be carried out through the expansion of the customer base and the strengthening of the Northern Italy area, as prescribed by the Business Plan, the Bank launched the planned transfer of the Milan branch which will be located in the prestigious Palazzo Gallarati Scotti; the new branch will be made operational within the summer.

#### **Significant events occurring after the end of the quarter**

After the end at 31 March 2019 and until the date on which these Financial Statements were prepared, no significant events or factors that can affect the financial position, capital position, or results of operations of the Group emerged.

However, on 24 April 2019, the Shareholders' Meeting of the Bank:

- approved the Financial Statements at 31 December 2018 and the distribution to the Shareholders of a gross dividend of 0.01 euro per share, due for payment from 14 May 2019 (coupon date: 13 May 2019);
- approved the Remuneration Policy prepared in pursuance of Article 123-ter of Italian Legislative Decree 58/98.

#### **Operating outlook**

Based on the current forecasts formulated by the offices of the Bank and by the subsidiaries, an ameliorative result is expected to be achieved for 2019 compared with the previous year.

## PREPARATION CRITERIA

### General principles

The Interim Financial Report of the Banca Finnat Group at 31 March 2019 was prepared - as illustrated under "Notes for reading the Interim Financial Report" - as prescribed by Article 2.2.3 Paragraph 3 of the Regulation of Borsa Italiana for listed companies on the STAR segment and referencing the criteria prescribed by the IAS/IFRS international accounting standards. The Report provides quantitative balance sheet and income statement information posted in thousands of euros using, when possible, the layouts prescribed by Bank of Italy Circular no. 262 "Banks' financial statements: layouts and preparation rules" 6th update of 30 November 2018.

This latest update absorbed the introduction of the international accounting standard IFRS 16 which replaced, with effect from 1 January 2019, IAS 17 for the recognition of lease transactions. The main changes and impacts of the new standard - already illustrated in the 2018 Financial Statements - are set out in the following paragraph.

Therefore with the entry into force of the new accounting standard, from 1 January 2019, some preparation criteria of the present Report changed with respect to those adopted for the Financial Statements at 31 December 2018.

The quarterly financial reports taken as the basis of the consolidation process are those prepared by the subsidiaries approved by the respective Governing Bodies with reference to 31 March 2019. For the associated companies, instead, reference was made to the last financial statement available at the time of the preparation of the present report. The financial statements acquired are adjusted, when necessary, to make them compliant with the Group's accounting standards.

In particular:

- income data (Consolidated income statement and Statement of consolidated comprehensive income) were provided with regard to the reference quarter and they were compared with the data of the same period of the previous year;
- the balance sheet data referred to the date of 31 March 2019 were compared with those at 31 December 2018;
- the shareholders' equity data show the balances at 31 December 2018 and those at 31 March 2019 and the changes that took place in the period;
- the profit for the period is after the taxes determined on the basis of the current rates and of the elements available at the date of preparation. The Bank and its Italian-based subsidiaries have decided to join the "domestic consolidated tax system", pursuant to Articles 117/129 of the TUIR. By virtue of this option, the Group companies determine their proportion of the taxes payable and the corresponding tax income (taxable income or tax loss) is transferred to the Parent Company, relating to which a single taxable income or loss is reported (resulting from the arithmetical sum of its own and its participating subsidiaries' incomes/losses) and, consequently, a single income tax debit/credit determined.

The present report also contains a dedicated paragraph about the Disclosure on transfers between portfolios and on fair value.





In order to assure compliance with the times necessary to ensure immediate disclosure to the market, for the preparation of the Report, use was made, in some limited cases and for non-significant values, of estimation criteria (based on the most recent available data) with reference both to some balance sheet items, and to some income effects.

The scope of consolidation has not changed compared to the financial statements for the year ended 31 December 2018.

In accordance to present regulations, the present Interim Financial Report has not been audited.

### **Adoption of the new IFRS 16**

#### **Regulatory provisions**

IFRS 16 "Leases" promulgated by the IASB on 13 January 2016 and endorsed by the European Commission with Regulation no. 1986/2017, replaced, starting from 1 January 2019, IAS 17 and the related interpretations (IFRIC 4, SIC 15 and SIC 27).

IFRS 16 defines a lease as a contract the performance of which depends on the use of an identified asset and which gives the right to control the use of that asset for a period of time in exchange for consideration. The new standard applies to all transactions involving a right to use the asset for a certain period of time in exchange for a certain consideration, regardless of the contractual form; therefore, the scope of the new standard also includes rental, hiring, lease or loan agreements.

IFRS 16 introduces, in the financial statements of the lessee, significant changes for the accounting of leases and defines a single accounting model, without distinction between operating lease and financial lease; according to this model, the right to use the asset of the lease agreement is recognised (after VAT) among Balance Sheet Assets and the present value of the payable for lease fees still to be paid to the lessor is recognised among Balance Sheet Liabilities.

The income statement - contrary to IAS 17 where lease fees were recorded under "Other administrative expenses" - contains instead the recognition of the impairment losses deriving from the amortisation of the right to use calculated according to the duration of the agreement or for the useful life of the asset (recognised among "Operating costs") and the interest expense accrued on the payable (recognised in the "interest margin").

Hence, the effects on the financial statements of the lessee, as a result of the application of IFRS 16 from 1 January 2019, are identifiable in: a) an increase in assets (leased assets); b) an increase in liabilities (payable with respect to the leased assets); c) a reduction in administrative expenses (lease fees) with respect to an increase in interest expense (remuneration of the payable to the lessor) and in amortisation costs (relating to the right of use).

The economic impact of each lease agreement, with reference to the set of financial years involved by the duration of the agreement (determined taking into account also the estimate pertaining to the year of any options of early withdrawal or of extension), remains unchanged both applying the previous IAS 17 and applying the new IFRS 16, however this impact manifests itself with a different time allocation.

Concerning the financial statements of the lessor IFRS 16 does not introduce substantial changes with respect to IAS 17: the models envisaged by IAS 17 continue to be applied, differentiated according to whether it is a financial or operating lease; however, a more ample disclosure is required with regard to the definition of leases and new accounting provisions are introduced with regard to sale & lease back and sub lease agreements.

### Choices of the Banca Finnat Group

The Bank and the other Group companies have adopted a group policy to regulate the procedures for identifying, measuring and recognising lease agreements. In 2018, an impact assessment activity was also carried out with the purpose of defining the guidelines for the compliance of the accounting policies and of the disclosure model, identifying the impacts and interventions for non-accounting areas in view of the adoption of the principle. As a result of the impact assessment activity, the Banca Finnat Group identified the lease agreements on the basis of the definition contained in IFRS 16 with respect to the set of agreements extant at the date of analysis, verifying the presence exclusively of operating lease agreements referred to property leases and rentals of motor vehicles and capital goods; the Banca Finnat Group also decided:

- not to apply (IFRS 16.5-8, B3-B8) the provisions contained in IFRS 16 pertaining to the recognition, the initial measurement, the subsequent measurement and the exposure in the financial statements to:
  - short-term lease agreements with up to 12 months duration for which no purchase option is provided unless the year of any renewal option is reasonably certain.
  - leases in which each underlying asset has modest value, with the term “modest value” meaning the amount of 5,000 euros; this amount refers to the value of the individual leased assets that can be purchased new at the initial validity date of the agreement.
- not to apply the provisions contained in IFRS 16 to lease agreements of intangible assets (IFRS 16.4) and to lease agreements whose residual duration at the date of first adoption is shorter than 12 months (IFRS 16.C10\_c);
- to determine the discounting rate, for all agreements stipulated by Group companies as lessees, using marginal lending rates equal to the interest rate which Banca Finnat should pay for a loan, with similar duration and guarantees, necessary to obtain an asset whose value is similar to the asset consisting of the right to use it in a similar economic environment.

The Banca Finnat Group chose to carry out the First Time Adoption (FTA) with the modified retrospective approach (option B) which provides for the option, prescribed by IFRS 16, to recognise the cumulative effect of the adoption of the Standard at the date of first adoption and not to restate the comparative data of the financial statement of first time adoption of IFRS 16. Therefore the data for the year 2019 will not be comparable with reference to the valuation of the utilisation rights and of the corresponding lease payable.

Upon FTA, the new provisions were applied to the lease agreements identified retroactively by accounting for the cumulative effect of the initial adoption of the Standard at 1 January 2019 in accordance with the paragraphs from C7 to C13 of IFRS 16. The adoption of this solution determined a value of the lease liabilities equal to the present value of the residual payments due for each lease agreement, increased by the present value of the estimated payments at the end of the lease and a value of the lease assets equal to the lease



liabilities (increased or decreased by the amount of the payments advanced/accrued at the date of first application).

### Impact in the FTA phase

The impact (before tax effects) of updating the opening financial statements at 1 January 2019 as a result of the adoption of IFRS 16 using the modified retrospective approach (option B) determined, at the Group level, an increase in the assets as a result of the recording of the utilisation right equal to 15,571 thousand euros with an increase in net financial liabilities (payable to lessors net of receivables from sub-lessees) by the same amount. Therefore, no impacts on shareholders' equity have emerged because, having adopted the modified approach (option B), upon first time adoption the two values, assets and liabilities, coincide.

The opening balances upon FTA are provided in detail - by company and by type of assets acquired by leasing:

### Balances at 1 January 2019

(in thousands of euros)

|                        | Utilisation<br>rights acquired<br>with leases | Lease<br>payables | Lease<br>receivables<br>(* ) |
|------------------------|---|-------------------|------------------------------|
| <b>Banca Finnat</b>    | <b>7,772</b>                                  | <b>7,851</b>      | <b>79</b>                    |
| Buildings              | 7,437   | 7,516             | 79                           |
| Other assets           | 335   | 335               | -                            |
| <b>InvestiRE SGR</b>   | <b>7,401</b>                                  | <b>7,401</b>      | -                            |
| Buildings              | 7,272   | 7,272             | -                            |
| Other assets           | 129   | 129               | -                            |
| <b>Other companies</b> | <b>398</b>                                    | <b>398</b>        | -                            |
| Buildings              | 389   | 389               | -                            |
| Other assets           | 9   | 9                 | -                            |
| <b>Total Group</b>     | <b>15,571</b>                                 | <b>15,650</b>     | <b>79</b>                    |

(\* ) Lease receivables refer to a sub-lease of a portion of a property.

The different procedures for recognising the expenses connected with lease agreements entailed for the Group a negative impact on the income statement of 2019 - with respect to the expenses that would have been incurred if the previous regulatory provisions had remained in force - equal to 37 thousand euros corresponding to 0.3% of administrative expenses, which impact will be progressively reabsorbed, as stated, in the following years until the expiration of the lease agreements.

The increase in the RWA consequent to the recording of total utilisation rights entailed, upon FTA, a negative effect of approximately -81 bps on the CET 1.



## INFORMATION ON TRANSFERS BETWEEN PORTFOLIOS AND ON THE FAIR VALUE HIERARCHY

### Transfers between portfolios of financial assets

No transfers were made between portfolios of financial assets during the year due to a change in the business model.

### Fair value hierarchy

Following are the balances at 31 March 2019 and at 31 December 2018 of the financial instrument portfolios, measured at fair value, broken down based on a hierarchy that reflects the importance of the inputs used in the valuations.

The hierarchy is determined according to the following three levels as identified by IFRS 13:

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

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

| Financial assets/liabilities designated at fair value                           | 31.03.2019     |               |              | 31.12.2018     |               |              |
|---|----------------|---------------|--------------|----------------|---------------|--------------|
|   | L1             | L2            | L3           | L1             | L2            | L3           |
| 1. Financial assets designated at fair value through profit or loss             | 65,396         | 24,512        | 1,210        | 30,992         | 27,680        | 1,498        |
| a) financial assets held for trading  | 64,434         | 5,145         | 9            | 30,070         | 7,330         | 10           |
| b) financial assets designated at fair value                                    | -              | -             | -            | -              | -             | -            |
| c) other financial assets mandatorily at fair value                             | 962            | 19,367        | 1,201        | 922            | 20,350        | 1,488        |
| 2. Financial assets designated at fair value through other comprehensive income | 295,617        | -             | 8,322        | 290,343        | -             | 8,322        |
| 3. Hedging derivatives  | -              | -             | -            | -              | -             | -            |
| 4. Property and equipment   | -              | -             | -            | -              | -             | -            |
| 5. Intangible assets  | -              | -             | -            | -              | -             | -            |
| <b>Total</b>  | <b>361,013</b> | <b>24,512</b> | <b>9,532</b> | <b>321,335</b> | <b>27,680</b> | <b>9,820</b> |
| 1. Financial liabilities held for trading                                       | 140            | 384           | -            | 243            | 80            | -            |
| 2. Financial liabilities designated at fair value                               | -              | -             | -            | -              | -             | -            |
| 3. Hedging derivatives  | -              | -             | -            | -              | -             | -            |
| <b>Total</b>  | <b>140</b>     | <b>384</b>    | <b>-</b>     | <b>243</b>     | <b>80</b>     | <b>-</b>     |

Key:

L1 = Level 1

L2 = Level 2

L3 = Level 3



## INFORMATION ON THE INCOME STATEMENT, ON COMPREHENSIVE INCOME AND ON THE BALANCE SHEET

### INCOME STATEMENT

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

#### INTEREST

|                                      | Period<br>01.01 - 31.03.2019 | Period<br>01.01 - 31.03.2018 |
|--------------------------------------|------------------------------|------------------------------|
| Interest income and similar income   | 4,375                        | 2,810                        |
| Interest expense and similar expense | (558)                        | (375)                        |
| <b>Interest margin</b>               | <b>3,817</b>                 | <b>2,435</b>                 |

Interest margin, almost exclusively pertaining to the Bank, increased by 1,382 thousand euros.

#### FEE AND COMMISSION

|                                 | Period<br>01.01 - 31.03.2019 | Period<br>01.01 - 31.03.2018 |
|---------------------------------|------------------------------|------------------------------|
| Fee and commission income       | 12,428                       | 12,957                       |
| Fee and commission expense      | (509)                        | (544)                        |
| <b>Net fees and commissions</b> | <b>11,919</b>                | <b>12,413</b>                |

The net fees and commissions of the first three months of 2019 decreased by 494 thousand euros compared to the same period of the previous year. The reduction pertains mainly to the bank, i.e. 432 thousand euros, and the subsidiary InvestiRE SGR S.p.A., i.e. 55 thousand euros.

#### PROFIT (LOSSES) ON TRADING

Profit (Losses) on trading, referring exclusively to the Bank, features a positive balance of 315 thousand euros in the first three months of 2019, compared to the positive balance of 11 thousand euros in the corresponding period of the previous year, and may be broken down as follows:

- A positive balance between realised profits and losses related to trading on securities and derivatives of 200 thousand euros;
- 48 thousand euros for the positive difference between unrealised capital gains and losses, in connection with the fair value measurement of the trading portfolio;
- 67 thousand euros for net profits on foreign exchange rates.

#### PROFIT (LOSS) ON DISPOSAL OR REPURCHASE OF:

##### a) financial assets designated at amortised cost

The item was not included at 31 March 2019 while in the first quarter of 2018 it had a positive balance of 21 thousand euros as a result of the profit realised on reimbursement of maturing Government Bonds.





**b) financial assets designated at fair value through other comprehensive income**

In the first three months of 2019, the item had a positive balance of 2 thousand euros versus a positive balance of euro 22 thousand of the first three months of 2018.

**PROFITS (LOSSES) ON OTHER FINANCIAL ASSETS AND LIABILITIES DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS****b) other financial assets mandatorily at fair value**

At 31 March 2019, the item had a negative balance of 1,200 thousand euros deriving from the algebraic sum between the net capital losses recorded by the Bank, 1,270 thousand euros and the capital gain recorded by InvestiRE SGR S.p.A., 70 thousand euros. In the first quarter 2018 the item had a negative balance of 541 thousand euros.

**NET LOSSES/RECOVERIES ON CREDIT RISK RELATING TO:****a) financial assets designated at amortised cost**

At 31 March 2019, the item had net value recoveries of 1,405 thousand euros deriving from the algebraic sum of the value recoveries carried out by the Bank of 1,425 thousand euros, by Finnati Fiduciaria S.p.A. of 6 thousand euros and impairment losses of 26 thousand euros carried out by the subsidiary InvestiRE SGR S.p.A. In the first quarter of 2018, impairment losses totalling 524 thousand euros had been carried out.

**b) financial assets designated at fair value through other comprehensive income**

In the first three months of 2019 had net value recoveries of 254 thousand euros deriving from value recoveries carried out by the Bank of 255 thousand euros and from impairment losses carried out by Finnati Fiduciaria S.p.A. of 1 thousand euros.

At 31 March 2018, impairment losses of 186 thousand euros had been carried out.

**ADMINISTRATIVE EXPENSES**

|                               | Period<br>01.01 - 31.03.2019 | Period<br>01.01 - 31.03.2018 |
|-------------------------------|------------------------------|------------------------------|
| Personnel expenses            | 9,361                        | 8,536                        |
| Other administrative expenses | 4,221                        | 4,976                        |
| <b>Total</b>                  | <b>13,582</b>                | <b>13,512</b>                |

The administrative expenses increased by 70 thousand euros in total, compared to the first three months of 2018.

Application of the new accounting standard IFRS 16 entails the recognition of the lease fees, instead of in the items in question, among the costs for amortisation of the utilisation right amounting to 696 thousand euros (48 thousand euros relating to personnel expenses and 648 thousand euros referred to administrative expenses) and among interest expenses on payables amounting to 59 thousand euros.

Personnel expenses grew by 825 thousand euros compared to the same period last year in part by effect of the expansion of the work force. The increase pertains to the Bank, i.e. 619 thousand euros, the subsidiary





InvestiRE SGR S.p.A., i.e. 178 thousand euros, Natam S.A., i.e. 21 thousand Euros, and the other Group companies totalling 7 thousand euros.

The other administrative expenses decreased by 755 thousand euros compared to the first three months of 2018. This decrease is almost entirely due to the different accounting of the lease fees.

The other administrative expenses include recoveries from customers of some costs allocated under Other operating income/expenses.

#### **NET LOSSES/RECOVERIES ON PROPERTY AND EQUIPMENT**

The item includes impairment losses of 802 thousand euros (113 thousand euros of 31 March 2018) and it comprises the depreciation of the right to use assets acquired under leases, amounting to 696 thousand euros.

#### **OTHER OPERATING INCOME/EXPENSES**

Other operating income and expenses show a positive balance of 1,560 thousand euros versus 1,837 thousand euros at 31 March 2018. The item comprises the recoveries of costs from customers, amounting to 1,502 thousand euros (1,677 thousand euros in the first three months of 2018). Net of the recoveries from customers, the item decreased by 101 thousand euros.

#### **INCOME TAXES**

In the first three months of the current year, the item had a balance of 1,984 thousand euros versus 1,260 thousand euros in the same period of the previous year.

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

#### **COMPREHENSIVE INCOME**

The details of the changes in the valuation reserves referred to financial assets are provided below:

#### **Changes in "Other comprehensive income after taxes that may not be reclassified to the income statement"**

The change in valuation reserves - shown in the Statement of Comprehensive Income under item "20. Equity designated at fair value through other comprehensive income" is positive by 25 thousand euros and it pertains exclusively to the Parent Company.

The change in valuation reserves - shown in the Statement of Comprehensive Income under item "90. Share of valuation reserves connected with investments carried at equity" is positive by 122 thousand euros and it pertains exclusively to the Parent Company.

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

The change in valuation reserves - shown in the Statement of Comprehensive Income under item "140. Financial assets (other than equity) designated at fair value through other comprehensive income" is positive by 903 thousand euros and it pertains to debt securities. The change is entirely referred to the Group and it is positive both for the Bank, by 895 thousand euros, and for Finnat Fiduciaria S.p.A., by 8 thousand euros.

At 31 March 2019, the valuation reserves of the Group (after taxes) are as follows:

### Financial assets designated at fair value through other comprehensive income

(in euros)

| <b>Parent Company</b>  |               |
|--|---------------|
| SIA S.p.A. Shares  | 3,238         |
| CSE S.r.l. Shares  | -63           |
| Net Insurance S.p.A. Shares  | 74            |
| Debt Securities  | -6,844        |
|  | <b>-3,595</b> |
| <b>Other Group Companies</b>   |               |
| Debt Securities  | 10            |
|  | <b>10</b>     |
| <b>Total A)</b>  | <b>-3,585</b> |
| <b>Defined benefit plans B)</b>  | <b>-463</b>   |
| <b>Share of valuation reserves connected with investments carried at equity C)</b> | <b>59</b>     |
| <b>Valuation reserves D)</b>   | <b>1,364</b>  |
| <b>Total (A+B+C+D)</b>   | <b>-2,625</b> |

Item D) Valuation reserves (Law no. 576/75, Law no. 72/83 and Law no. 413/91) refer to the parent company.



## BALANCE SHEET

The most significant balance sheet components are presented below, expressed in thousands of euros, referred to the date of 31 March 2019:

### FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS

#### a) financial assets held for trading

The financial assets held for trading, referred exclusively to the Bank, amounted to 69,588 thousand euros. The item comprises debt securities of 60,423 thousand euros, UCI units of 5,239 thousand euros, equity securities and warranties of 3,713 thousand euros and options of 140 thousand euros. The item further comprises the positive valuation on forward contracts relating to sales and purchases of currencies of 73 thousand euros.

#### c) other financial assets mandatorily at fair value

At 31 March 2019, the item had a balance of 21,530 thousand euros and it refers to the UCI units of the Bank of 20,568 thousand euros, and of InvestiRE SGR S.p.A. of 962 thousand euros.

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

The item amounts to 303,939 thousand euros and it refers to financial instruments present in the portfolios of the following companies:

The portfolio of the Parent Company for a total amount of 302,425 thousand euros, comprises:

- debt securities totalling 293,733 thousand euros;
- equity securities totalling 8,692 thousand euros constituting strategic investments, broken down as follows;
  - Level 1: Net Insurance S.p.A. (371 thousand euros including the positive valuation reserve equal to 80 thousand euros);
  - Level 3: Fideuram Investimenti SGR S.p.A. (810 thousand euros), SIA S.p.A. (4,600 thousand euros including the positive valuation reserve equal to 3,480 thousand euros), Calipso S.p.A. (44 thousand euros), CSE Consorzio Servizi Bancari S.r.l. (2,437 thousand euros including the negative valuation reserve equal to 67 thousand euros), SIT S.p.A. (15 thousand euros), Real Estate Roma Olgiata (410 thousand euros) and Liphe S.p.A. (5 thousand euros).

The portfolio of the other Group companies comprise debt securities owned by Finnat Fiduciaria S.p.A. of 1,513 thousand euros and an equity interest of one thousand euros owned by InvestiRE SGR S.p.A.

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

The write-downs carried out through 31 March 2019 on the debt securities present in this item relate to the Bank for 534 thousand euros and to Finnat Fiduciaria S.p.A. for 44 thousand euros.

The total amount of 578 thousand euros was recorded under item 120. Valuation reserves instead of as an adjustment to this item.



**FINANCIAL ASSETS DESIGNATED AT AMORTISED COST****a) due from banks**

Receivables due from banks amounted to 68,361 thousand euros (of which 59,997 thousand euros pertaining to the Bank) net of global impairment losses of 26 thousand euros (of which 23 thousand euros pertaining to the Bank). This item does not include debt securities.

**b) loans to customers**

Loans to customers total 1,421,841 thousand euros and they relate to loans of 429,762 thousand euros and to debt securities, exclusively owned by the Bank, of 992,079 thousand euros. The amounts are shown net of global impairment losses through 31 March 2019 equal to 14,100 thousand euros of which 13,452 thousand euros on receivables and 648 thousand euros on securities.

At the reporting date of this Report, the items relating to current accounts, mortgages and other loans include **non-performing assets (Bucket 3)** relating to the Parent Company totalling 14,183 thousand euros (6,667 thousand euros after the write-downs), comprising:

- **bad loans** totalling 8,438 thousand euros (1,651 thousand euros after the write-downs) relating to the following positions:
  - 4,572 thousand euros (953 thousand euros after the write-down) for the residual amount of a mortgage terminated on 8 July 2011. The transaction is secured by a first mortgage on property, the value of which – supported by an expert appraisal report revised on 12 January 2018 – covers the entire value of the net exposure. The recoverable amount of the credit is based on the assessed value of the guarantees, taking into account both the time for the collection of credit (in relation to the privileged position of the Bank concerning the real estate collaterals securing the exposure) and the difficulties encountered or which may be encountered in the sale of the properties within the scope of judicial enforcement procedures;
  - 3,866 thousand euros referring to trade receivables of 1,705 thousand euros and to cash loans of 2,161 thousand euros.

The line-by-line write-downs made totalled 6,787 thousand euros (including 1,650 thousand euros referring to trade receivables).

- **unlikely to pay** totalling 2,068 thousand euros (1,615 thousand euros after the write-downs) comprising:
  - overdraft facilities amounting to 1,685 thousand euros;
  - mortgage positions of 272 thousand euros (10 thousand euros of overdue instalments and 262 thousand euros of principal about to fall due);
  - trade receivables of 111 thousand euros.

The line-by-line write-downs made totalled 453 thousand euros (including 90 thousand euros referring to trade receivables);

- **other positions expired or past due** for over 90 days totalling 3,677 thousand euros (3,401 thousand euros after the write-downs).

At 31 March 2019, the Bank has 19 “forborne” exposures of which:

- 5 non-performing positions totalling 883 thousand euros (of which 1 position included among bad loans for 141 thousand euros, 3 positions included among unlikely to pay for 113 thousand



euros and 1 position included among past due loans for 629 thousand euros);

- 14 performing positions, amounting to 11,829 thousand euros.

At 31 March 2019, the Bank calculated the write-down of the portfolio for performing loans to customers in **Bucket 1** and **Bucket 2** relating to cash loans. This write-down amounted to 2,779 thousand euros, was lower than the allocations made for this purpose at 31 December 2018 (equal to 3,499 thousand euros). Starting from the current year, the methodological framework underlying the calculation of impairment losses on loans, adopted starting from last year with the entry into force of IFRS 9, was refined to stabilise the impact of anomalous events in the measurements of the statistical databases used to determine the expected losses. The value recovery highlighted above is partly due to the improvement of the credit rating of existing positions and partly to said refinement.

In the first three months of 2019, the Bank recorded in the Income Statement 829 thousand euros for portfolio value recoveries on government bonds; this value recovery was determined by the decrease of the probability of default associated with the Italian public debt, calculated from the consortium impairment model adopted by the Bank, as a result of the attenuation of the tensions that had characterised the market of Italian government bonds in the second half of the previous year.

The Bank also recorded, in the first three months of the current year, 576 thousand euros for net value recoveries on loans to customers broken down as follows: 720 thousand euros for portfolio value recoveries, 116 thousand euros for specific value recoveries, 241 thousand euros for specific impairment losses (Bucket 3), 22 thousand euros for cancellation losses and 3 thousand euros for recoveries of receivables cancelled in previous financial years.

At 31 March 2019, the allowance for doubtful loans to customers, excluding securities, totalled 10,294 thousand euros of which 7,515 thousand euros on an itemised basis and 2,779 thousand euros for portfolio impairment losses.

With regard to other Group companies, the itemised allowance for doubtful accounts (**Bucket 3**) at 31 March 2019 amounted to 771 thousand euros against gross non-performing receivables of 1,086 thousand euros for Finnat Fiduciaria S.p.A. and to 2,256 thousand euros against gross impaired receivables of 3,341 thousand euros for InvestiRE SGR S.p.A.

Whereas portfolio impairment losses relating only to loans to customers (**Bucket 1** and **Bucket 2**) at 31 March 2019 amounted to 192 thousand euros for InvestiRE SGR S.p.A. and to a total of 8 thousand euros for the other companies of the Group.

#### EQUITY INVESTMENTS

Equity investments amount to 6,400 thousand euros and they are distinctly indicated in the table on page 20.

#### PROPERTY AND EQUIPMENT AND INTANGIBLE ASSETS

Property and equipment amount to 19,597 thousand euros, of which 11,956 thousand euros to the Parent Company.

Property and equipment referred to Utilisation rights acquired by leasing - introduced, starting from the



current year, by the international accounting standard IFRS 16 - amounted to 14,919 thousand euros at 31 March 2019.

Intangible assets amounted to 40,932 thousand euros. The item comprises the goodwill recorded in 2003 by the Bank, i.e. 300 thousand euros, and the goodwill recorded in 2015 by the subsidiary InvestiRE SGR S.p.A., i.e. 37,429 thousand euros.

Intangible assets also comprise 2,677 thousand euros of positive consolidation differences referred to Finnat Fiduciaria S.p.A. and InvestiRE SGR S.p.A.

#### **TAX ASSETS**

At 18,226 thousand euros, tax assets consist of receivables for current assets of 1,893 thousand euros, and deferred tax assets of 16,333 thousand euros. Deferred tax assets refer mainly to the tax amortisation of goodwill to be applied in upcoming years, i.e. 10,363 thousand euros, of which 9,823 thousand euros referred to the subsidiary InvestiRE SGR S.p.A. and 540 thousand euros referred to the Bank.

#### **OTHER ASSETS**

The item has a balance of 16,255 thousand euros and comprises mainly receivables from Cassa Compensazione e Garanzia of 3,629 thousand euros, receivables from Tax Authorities as withholding agent, amounting to 7,188 thousand euros, and receivables from Counterparties and Brokers of 403 thousand euros.

#### **FINANCIAL ASSETS DESIGNATED AT AMORTISED COST**

##### **a) due to banks**

The item, pertaining exclusively to the Bank, amounts to 101 thousand euros.

##### **b) due to customers**

The item amounts to 1,677,413 thousand euros and comprises 987,779 thousand of repurchase agreement transactions carried out with Cassa di Compensazione e Garanzia. The item also comprises, starting from the current year, lease payables of 15,036 thousand euros.

##### **c) Securities issued**

The item, pertaining exclusively to the Bank, amounts to 28,252 thousand euros and refers to the bond, issued by the Bank, including the accrued coupon. The amount is shown net of the value of securities held for trading present in the portfolio of the Bank, with a nominal amount of 1,752 thousand euros.

#### **FINANCIAL LIABILITIES HELD FOR TRADING**

The item, pertaining exclusively to the Bank, amounts to 524 thousand euros and it refers to call options for 140 thousand euros, to the negative measurement on forward contracts for sales and purchases of currencies for 377 thousand euros, and to the fair value measurement of an Interest Rate Swap Amortizing for 7 thousand euros.

#### **TAX LIABILITIES**

At 2,283 thousand euros, tax liabilities consist of payables for current taxes of 1,696 thousand euros, and deferred tax liabilities of 587 thousand euros.





### OTHER LIABILITIES

Other liabilities, amounting to 20,928 thousand euros comprise mainly payables for pension and insurance contributions of 1,320 thousand euros, payables to Brokers and Counterparties of 1,018 thousand euros, payables to Tax Authorities connected with the role as withholding agent of 1,071 thousand euros, payables to suppliers of 1,548 thousand euros and payables to personnel of 5,733 thousand euros.

### PROVISIONS FOR RISKS AND CHARGES

#### a) commitments and guarantees given

The item, pertaining exclusively to the Bank and amounting to 71 thousand euros, refers to the impairment losses recorded through 31 March 2019. In the quarter, value recoveries amounting to 30 thousand euros were carried out.

#### b) other provisions for risks and charges

The item, of 522 thousand euros, includes 448 thousand euros of the residual amount of the provision made by the Bank to cover any indemnity to be paid in the event of failure to collect the commissions accrued for a real estate fund.

### SHAREHOLDERS' EQUITY

The consolidated shareholders' equity of the Group amounts to 213,057 thousand euros. At 31 December 2018, the Group's shareholders' equity amounted to 209,138 thousand euros. The change in the total Shareholders' equity, of the Group and of Minority Interests that took place in the period in question is shown in the dedicated table.

Own funds at 31 March 2019 amounted to 166,347 thousand euros (166,300 thousand euros at 31 December 2018), whereas the Total capital ratio, CET1 capital ratio and Tier1 ratio stood at 29.2% (29.8% at 31 December 2018). The Bank exercised the option to apply the transitional provisions for the deferment over time of the impacts of the application of the new accounting standard on own funds - illustrated in the section "Market disclosure information". Without this application, own funds would have been equal to 164,294 thousand euros, while the Total capital ratio, the CET1 capital ratio and Tier1 ratio would have been equal to 29.0%.

These indices widely exceed minimum capital requirements at consolidated level mandated for us by the Bank of Italy at the conclusion of the supervisory review and evaluation process (SREP) established by Directive 2013/36/EU (CRD IV).

At 31 March 2019, 28,810,640 treasury shares were held exclusively by the Parent Company. These shares totalling 14,059 thousand euros, equal to 7.9% of the share capital of the Bank, in application of IAS 32, were used to adjust the shareholders' equity. In the period in question, the Bank did not buy or sell any treasury shares.

Rome, 14 May 2019





**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 2019 corrisponde alle risultanze documentali, ai libri ed alle scritture contabili.

Roma, 14 maggio 2019

**Il Dirigente preposto alla redazione  
dei documenti contabili societari**

  
(Giulio Bastia)



|                        |  |                    |  |
|------------------------|--|--------------------|--|
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| REA Reg. No.           | 444286   | Web-site           | <a href="http://www.bancafinnat.it">www.bancafinnat.it</a>                 |
| Tax Identification No. | 00168220069  | E-mail             | <a href="mailto:banca@finnat.it">banca@finnat.it</a>                       |
| VAT Registration No.   | 00856091004  | Investor Relations | <a href="mailto:investor.relator@finnat.it">investor.relator@finnat.it</a> |
| Codice Univoco (SDI)   | IOPVBGU  |                    |  |

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

