BANCA FINNAT

GRUPPO BANCA FINNAT

FINANCIAL STATEMENTS AT 31 DECEMBER 2018 - 89TH FINANCIAL YEAR

FINANCIAL STATEMENTS

AT 31 DECEMBER 2018

89TH FINANCIAL YEAR

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CORPORATE BODIES

BOARD OF DIRECTORS

Carlo Carlevaris
Honorary Chairman

Flavia Mazzarella
Chairman

Leonardo Buonvino
Deputy Chairman

Marco Tofanelli
Deputy Chairman

Arturo Nattino
Managing Director

Ermanno Boffa
Director

Roberto Cusmai
Director

Giulia Nattino
Director

Maria Sole Nattino
Director

Lupo Rattazzi
Director

Andreina Scognamiglio
Director

BOARD OF STATUTORY AUDITORS

Alberto De Nigro
Chairman

Barbara Fasoli Braccini
Permanent Auditor

Francesco Minnetti
Permanent Auditor

Laura Bellicini
Alternate Auditor

Antonio Staffa
Alternate Auditor

MANAGEMENT

Arturo Nattino
General Manager

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

Alberto Alfiero
Deputy General Manager

AUDITING FIRM
EY S.p.A.

EXCERPT FROM THE NOTICE OF CALL OF THE SHAREHOLDERS' MEETING

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

Notice is hereby given to the Shareholders of Banca Finnat Euramerica S.p.A., that the General Shareholders' Meeting will be held at the Bank's Registered Office in Rome (Palazzo Altieri - Piazza del Gesù, 49) on 24 April 2019 at 10 am in single call to discuss and resolve on the following:

AGENDA

1) Statutory financial statements for the year ended 31 December 2018 complete with the related reports by the Board of Directors, the Board of Statutory Auditors and the Auditing Firm. Proposed allocation of the year's profit. Presentation of the consolidated financial statements at 31 December 2018. Inherent and consequent resolutions.
2) Approval of the Shareholders' Meeting Regulations. Inherent and consequent resolutions.
3) Remuneration Report prepared in accordance with article 123-ter of Italian Legislative Decree no. 58/98, including the disclosure on the remuneration policies in favour of Directors, Employees and outside workers who are not employees. Inherent and consequent resolutions.

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Information about:

- attendance at the Meeting (in this regard, it is specified that the "record date" is 11 April 2019);
- vote by proxy and through the Designated Representative;
- exercise of the right to ask questions on the agenda items;
- exercise of the right to supplement the agenda and to submit new draft resolutions;
- the availability of the reports on the agenda items and of the documentation pertaining to the Meeting;
- the share capital;

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

Rome, 23 March 2019

The Chairman of the Board of Directors

(Ms. Flavia Mazzarella)

FINANCIAL STATEMENTS OF BANCA FINNAT EURAMERICA S.P.A. AT 31 DECEMBER 2018

DIRECTORS' REPORT ON OPERATIONS AND DRAFT RESOLUTIONS TO THE SHAREHOLDERS' MEETING OF BANCA FINNAT EURAMERICA S.P.A.

Dear Shareholders,

Prior to presenting the report on operations for 2018, following is an overview of the domestic and international macroeconomic background, on the financial markets and on the real estate market.

DOMESTIC AND INTERNATIONAL MACROECONOMIC BACKGROUND

At the start of 2018, global economic growth finally appeared lively and above all synchronous (for the first time since 2007), driven by a forceful recovery of international trade (which grew by approximately 5% in 2017 compared to 1.5% in 2016). However, this economic recovery started progressively and unexpectedly to lose momentum, less on the wake of concerns about the possible maturity of the economic cycle than because of the protectionist policies introduced by the US Administration during the year. Tariffs, whether adopted or merely threatened, generating severe uncertainty among economic operators, caused evident negative backlash for the global economy through an inevitable slow-down in international trade. Economic indicators, worldwide, thus started to show progressive weakening, with the global composite purchasing manager indicator, relating to the product, descending to its lowest level in over two years and below the long-term average. This sudden change in the favourable macroeconomic scenario unexpectedly damaged mostly the Eurozone economy, which on this occasion was revealed to be particularly fragile. At the end of the second quarter of 2018, expansion in France had already reached the weakest values of the last 16 months and economic expansion in Germany was at its weakest values of the past 20 months. While the US economy still recorded, in the third quarter, an annual growth rate of 3.4% (versus 4.2% in the previous quarter), the Eurozone economy halved, in a time horizon of a few quarters, its economic growth (0.2% versus the previous 0.4%), with Germany and Italy already experiencing pre-recessionary conditions with contractions of the respective GDP by 0.2% and 0.1% versus respective growth rates of 0.4/0.5% and of 0.2/0.3% recorded in the previous quarters. In terms of annual growth, the Eurozone economy went, in 2018, from year-on-year growth of 2.8% in the fourth quarter of 2017 to a growth of 1.6% in the third quarter 2018; Germany's economy went from a GDP growth rate of 2.9% in the fourth quarter 2017 to 1.1% in the third quarter 2018, while growth in Italy slowed from 1.6% to 0.7% in the same time interval. Among advanced economies, the Eurozone recorded the sharpest slow-down of the business indicators and the severest deterioration of business confidence. Japan, too, in spite of its still extremely favourable monetary policies, unexpectedly experienced, in the third quarter, a quarterly contraction of 0.3% of its gross domestic product while annual economic growth, in the same reference quarter, amounted to 6.5% in China, 7.1% in India, 1.3% in Brazil and 1.5% in Russia. In the longer term, with the product not close to its potential in many advanced economies, the markets, especially in the last quarter of 2018, decided to discount the assumption that the global economy could slow down significantly. The US GDP could then decline from 2.9% recorded in 2018 to 2.3% in 2019, to 1.9% in 2020, while economic growth in the Eurozone could decline from 1.7% in 2018 to 1.3% in 2019, to 0.9% in 2020. These expectations of a shrinking global economic growth then caused, in the course of the last quarter, a marked flattening of the yield curves on bond markets, brought back to negative returns approximately 8.3 trillion dollars of sovereign and corporate bonds and triggered collective negative trends on all major stock markets.

With regard to inflation dynamics, core inflation in advanced Countries remained on the lowest levels of the last seven years while headline inflation may even end up declining, in 2019, because of the sharp drop in petroleum prices in the ending months of 2018. In the US, inflation fluctuated, in 2018, from 2.1% at the start of the year to 2.9% in June, to 1.9% in December (the lowest in the last 17 months), with core inflation at 2.2% (from 1.8% at the start of the year) although the labour market continued to strengthen and economic activity continued to grow at a brisk pace; the sharp drop in energy prices (-25% in 2018) could not bring US inflation to 1.5% in mid 2019 with core inflation stable at 2.2%. In the Eurozone, inflation went from 1.3% at the start of the year to 2% in June, to 1.6% in December, and it could reach 1% in 2019, trending towards 1.5% in 2020. Core inflation, stable at 1% for approximately 5 years, should thus continue to remain well away from the 2% level identified at its target by the ECB on multiple occasions. Concerning monetary Policies and Conditions, the US the Federal Reserve raised the reference rates 4 times during the year (by 25 b.p. on each occasion), thus bringing the Federal Funds rate to 2.5% in December. In the Eurozone, the ECB continues to maintain the reference rate at zero, the one on deposits at -0.4% and the marginal lending facility at 0.25%, with the intent of maintaining the reference rates at the current levels at least until the summer of 2019 and in any case for as long as it is necessary to ensure that inflation can continue stably to converge on levels lower than, but close to 2% in the medium term. As to unconventional monetary policy measures, the Asset Purchase Programme (APP), brought from October to the end of December to the new monthly pace from the previous 30 to 15 billion euros, was definitively declared ended, but the repaid principal on the maturing securities, within the APP, will still continue to be systematically reinvested for a prolonged time interval after the conclusion of the net purchases of assets and in any case for as long as it is necessary to maintain favourable liquidity conditions and an ample degree of monetary accommodation.

THE FINANCIAL MARKETS

The year 2018 was the worst year since 1900 in terms of number of asset classes with negative returns. After a promising start to the year, on the wake of the increase of the MSCI World global index to close to 20% (the highest increase since 2009 and the fourth best performance since 1993) over the whole of 2017, share prices started to suffer from the negative effects of financial conditions that became progressively tenser at international level. From the end of December 2017 to the start of February 2018, 10-year US Treasuries yield rose from 2.42% to 2.97%, with the implicit yields on the reference futures close to 3.6%. The upward pressure exerted by bond yields was followed in early March by the Trump Administration's decision to impose customs duties of 25% on steel imports and 10% on aluminium imports, thus raising further concerns about the sustainability of global economic growth in a context of increasing protectionism. As a result of these tensions, stock markets initially experienced, in the first half of the year, high volatility which progressively evolved, in the third and above all in the fourth quarter, into a fully negative trend that affected all markets concurrently. The progressive economic deterioration, lastly, induced operators to discount the assumption that worldwide economic activity may be destined, in 2019, to slow down significantly with respect to the assumptions applied just a few months ago.

At the end of the year, all stock markets in advanced economies (but also in all emerging economies) thus recorded particularly negative returns. On the Eurozone markets, the *DJ Eurostoxx 50* index contracted by nearly 15% during the year, as a result of the losses of the German and Italian markets. The representative index of the German market *DAX* recorded, during the year, a decline of more than 18% whereas the Italian index FTSE MIB, which at the end of the first week in May was still recording a rise of over 12% since the start of the year, at the end lost 16% (within the Eurozone, Italy's capitalisation is thus equal to 8.9% of the total, France's is 32.5% and Germany's is 26.4%); the Spanish IBEX 35 contracted by 15% while the French index CAC 40 declined by 12%. Outside the Eurozone, the British market index FTSE 100 also recorded an annual negative performance of 12%, while the Swiss MKT index of the Zurich stock exchange declined by 10%. On the Asia/Pacific markets, while the Nikkei 225 index of the Tokyo stock exchange lost 12%, trade disputes with the USA mainly penalised Chinese Stock Exchange prices, with the Shanghai stock market index falling by 25%-year and the Hong Kong Hang Seng index declining by 15%. Markets in emerging economies were particularly hard hit (-15% on average) by the combined effect of the progressive tightening of the US monetary policy in 2018 and of the generalised appreciation of the US currency; among the most heavily impacted stock markets were Turkey, which lost more than 40% and Argentina (-50%) while the Brazilian market, on the wake of the presidential elections, won by the candidate of the right, was able to close the year with a 14% gain.

With regard to US markets, they reached new historical highs at the end of the third quarter and then, on the wake of the changed market sentiment, they also experienced a rapid reversal that brought the S&P 500 and the Nasdaq to lose, in the fourth quarter, respectively, 14% and 17% of their value (9% for both for the month of December alone, the worst year-end performance since 1931) and up to 18%/22% of the highest values reached at the end of the previous quarter. For 2018 as a whole, the S&P500 those closed with an annual loss slightly greater than 6% while the Nasdaq contracted by approximately 5% (for both indexes, this was the worst annual performance since 2008).

On Commodities markets, energy price trends and expectations of a macroeconomic slowdown drastically lowered inflation estimates and brought the prices of non ferrous industrial metals down by approximately 20% compared to early 2018 prices; aluminium thus recorded, during the year, a price contraction of over 18% while copper lost over 17% of its value; only palladium closed the year with its spot price 19% higher than the start of the year. The performance of precious metals was also negative, with silver declining by 9% and platinum dropping by approximately 15% while gold depreciated by less than 2%. Among farming and imported products, corn grew (+7%) along with wheat (+20%) while soy declined (-8%), as did coffee (-20%), sugar (-20%) and cotton (-8%). Among energy products, the price of WTI oil contracted by 25% while Brent depreciated by nearly 22%; diesel and heating oil, both traded on the NYMEX, lost respectively 27% and 20% of their value, while natural gas prices, by contrast, rose by 23%.

With respect to fixed income Markets, long term bond yields initially rose (in the first nine months of 2018) in the major advanced economies on the wake of expectations of economic growth and inevitable resumption of inflation. The rate of return of the ten-year US Treasury Notes rose from 2.42% to 3.25% in the period. Subsequently, concerns about the maturity of the economic cycles, as well as the signs of a severe economic slow-down, together with the cooling of inflationary tensions resulting from the drop of oil prices in the ending months of 2018, determined a marked, generalised flattening of yield curves (the 2/10 year spread on US Treasuries declined to 10 b.p. from 80 in February), with the rate of return on US Treasury Notes declining from 3.25% to 2.75%.

At the end of 2018 the annual rate of return of High Yield Pan European bonds was negative by nearly 4% while High Yield US corporate bonds lost 2%. On the Italian market, the gross annual returns of newly issued Government bonds rose significantly during the year. At the auctions of the end of December 2017, the recorded returns were negative by 0.02% for the three-year bond and positive by 0.6% for the five-year bond and by 1.83% for the ten-year bond. On the occasion of the auctions of the end of November 2018, the return of the three-year bond had risen to 1.98%, the five-year bond to 2.35% and the ten-year bond to 3.24%, subsequently declining to 2.73% at year end on the secondary market.

Regarding Currency Markets, the euro depreciated during the year with respect to the main currencies with the exception of the British Pound, relative to which it appreciated by 1.7% from the end of December 2017 to the end of December 2018 (based on average monthly prices). On the other hand, the common European currency depreciated by nearly 4% relative to the US Dollar, by nearly 5% relative to the Yen and by 3.4% relative to the Swiss Franc.

THE PROPERTY MARKET IN 2018

In 2018, in Italy, the volume of property investments amounted to 8.8 billion euros, down by 22% from 2017, the record year with investments of over 11 billion euros. In particular, the fourth quarter of 2018 recorded commercial property volumes of approximately 3.5 billion euros: one of the best fourth quarters of the last 5 years and the third best ever. The contraction of invested volumes was affected by the period of political uncertainty that characterised most of last year and that generated a rise in the spread, leading to a slow-down in lending, preventing or delaying some transactions. With the approval of the budget law, with a contraction and a presumable further reduction of the spread, the Italian Real Estate market should not experience significant fluctuation in the future. Transactions continue to be driven by international investors, whose interest in operating in our Country is not waning; on the other hand, the dearth of Italian investors is persisting.

The lack of a quality product, in particular in the office segment, is pushing investors to look at different asset classes such as retail, logistics and healthcare. Interest in logistics and in retail confirms that investors are confident in the performance of Italian household consumption, the good result in the healthcare sector show the intention to diversify in other asset classes with a longer time horizon, well suited for pension fund investors.

In the office segment, on a total invested amount of 3.4 billion euros and a 17% decline from the previous year, Milan remains investors' preferred market, reaching 2.0 billion investments. Rome maintains an excellent level in a market environment that keeps on contracting: the Capital was confirmed to be perfectly in line with 2017, with an invested volume of 1.1 billion. The two cities continue to polarise the Italian market in this sector. Investors continue to prefer core products, which enable them to assure a safe return in the medium-long term. Office returns have been stable for a year now, after reaching their lowest levels in 2017, but their trend could reverse upwards from 2019 onwards. Today, the main driver of the sector is quality: lessees and investors seek products with greater flexibility, requalified, sustainable spaces, environmental certifications.

The performance of the retail segment can be considered positive since, with approximately 2.2 billion euros in 2018, it exhibits a certain continuity of result with respect to recent years. In 2018, deals involving Shopping Centres took front stage, contributing approximately 1.2 billion euros to the total (the second highest value in the past 10 years for this sub-segment). However, of note in the fourth quarter of 2018 was the significant contribution of High Street, which accounted for nearly 60% of total Retail in the period (370 million euros). In 2019, some important transactions on Factory Outlets could be closed; this segment is still rather quiescent in Italy.

With approximately one billion euros each, the logistics sector and the hospitality sector follow in terms of performance in 2018. For logistics, it was the best result ever, achieved thanks to a high number of transactions attesting the specific interest, by now clearly evident, for this type of product. The growth of e-commerce continues to have a positive effect on the performance of the entire sector with a forecast for 2019 in line with the year that just ended. The hotel sector, the target of 1.3 billion euros of investments in 2018 (in line with 2017), will be the most promising asset class in 2019, when strong growth volumes and investments by international investors, including some major hotel chains, are expected.

In 2018, the so-called "Alternative" sector (nursing homes, student housing, data centres, etc.) recorded investments of approximately 800 million euros, with a marked prevalence of nursing homes (approximately 400 million euros).

Lastly, the residential sector: the official statistics of the first half of 2018 (source: Italian Revenue Agency) point to 280,970 transactions, +5% relative to the same period of 2017, in line with the growth recorded in 2017 (+4.9% relative to 2016). This positive change consolidated the volume growth started in 2014, which culminated in 2016 (+18.6% relative to 2015). In this context, the greater liveliness in terms of transactions goes hand in hand with the progressive reduction of average sale prices, which, from the record high recorded in 2013, when transactions also hit their record low, are returning to less than 5 months for major cities.

* * * * *

Dear Shareholders,

We hereby submit the Separate Financial Statements at 31 December 2018 for your assessment and approval; they show a net profit of 6,098 thousand euros, lower by 30,176 thousand euros than the previous year's, which amounted to 36,274 thousand euros and which had been affected - by 36,243 thousand euros before taxes - by the significant capital gain achieved by the Bank as a result of the sale of the London Stock Exchange Group plc shares.

The main items that form the 2018 financial year results are shown below and compared with the corresponding 2017 figures, restated according to the new Circular 262:

- **Net banking income** totals 40,347 thousand euros, compared to 72,946 thousand euros in the previous financial year, down by 32,598 thousand euros. Net of the aforesaid capital gain realised in the previous year, the net banking income increased by 3,645 thousand euros. In the reclassified income statement the figure at 31 December 2017, amounting to 69,994 thousand euros, includes the impairment losses on UCI units of 2,951 thousand euros, reclassified upon FTA from Impairment Losses on Financial assets available for sale under Profits (losses) on other financial assets mandatorily at fair value.

The decrease in the net banking income is broken down as follows:

increases

- 3,562 thousand euros for Interest margin (12,453 thousand euros at 31 December 2018 compared to 8,891 thousand euros in the previous year);
- 3,893 thousand euros for Net fees and commissions (19,986 thousand euros at 31 December 2018, compared to 16,093 thousand euros in the previous year);

decreases

- 866 thousand euros for Dividends and similar income (7,184 thousand euros at 31 December 2018, compared to 8,050 thousand euros in 2017);
- 1,896 thousand euros as Profit (losses) on trading. At 31 December 2018, the item had a negative balance of 170 thousand euros, versus a positive balance of 1,726 thousand euros in 2017;
- 36,887 thousand euros for Profit on disposal of financial assets designated at amortised cost and financial assets designated at fair value through other comprehensive income (positive balance of 1,298 thousand euros at 31 December 2018, versus a positive balance of 38,185 thousand euros in 2017);
- 404 thousand euros for Profits (losses) on other financial assets mandatorily at fair value as a negative balance at 31 December 2018 (there was no such item in 2017).

- **Net losses on credit risk** amounted to 4,140 thousand euros at 31 December 2018, compared to 5,989 thousand euros in 2017. The losses of the period in question concern the impairment of Financial assets designated at amortised cost of 3,408 thousand euros and of Assets designated at fair value through other comprehensive income of 732 thousand euros. At 31 December 2017, the restated figure comprises the impairment losses on Financial assets designated at amortised cost, amounting to 2,331 thousand euros and on Financial assets designated at fair value through other comprehensive income, amounting to 705 thousand euros.

- **Administrative expenses** amounted to 33,541 thousand euros in 2018, versus 31,522 thousand euros in 2017, up by 2,019 thousand euros overall, and can be broken down as follows:
  - personnel expenses of 19,154 thousand euros grew by 1,231 thousand euros compared to last year (17,923 thousand euros);
  - other administrative expenses, totalling 14,387 thousand euros, increased by 788 thousand euros compared to the previous year (13,599 thousand euros).

- **Other operating income/expenses** at 31 December 2018 showed a positive balance of 5,123 thousand euros versus 4,291 thousand euros in 2017. The item comprises the recoveries of costs from customers, amounting to 4,657 thousand euros (3,981 thousand euros in the past year).

- **Profit (loss) from equity investments.** The item has a negative balance of 224 thousand euros and refers to the impairment loss applied to the Imprebanca S.p.A. equity investment. Last year, the item had a negative balance of 1,843 thousand euros, and referred to the write-down of the Imprebanca S.p.A. equity investment (1,600 thousand euros) and of Previra Invest Sim S.p.A. in liquidation (243 thousand euros).

- **Income tax** amounted to 957 thousand euros versus 1,159 thousand at 31 December 2017.

DIRECT AND INDIRECT DEPOSITS

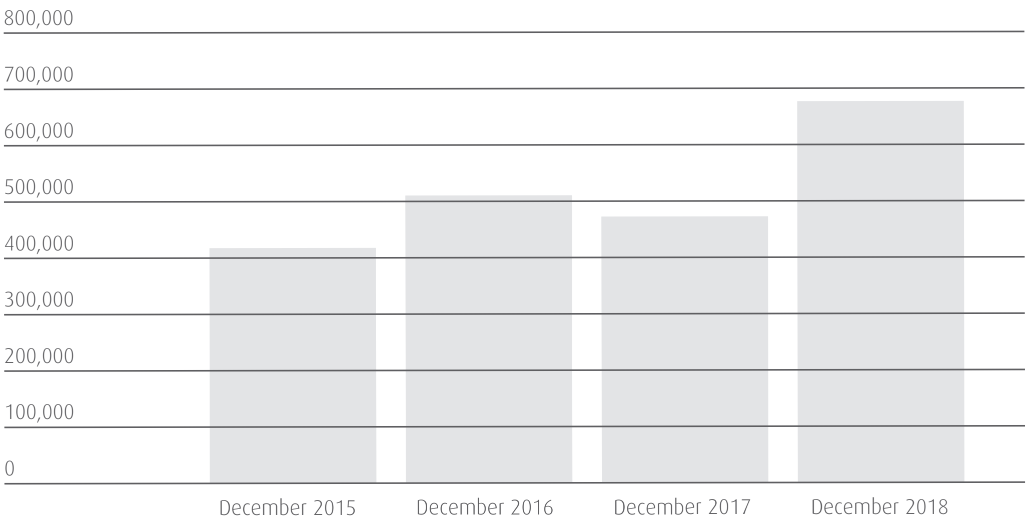
The breakdown of the Bank's deposits is as follows:

(in thousands of euros)

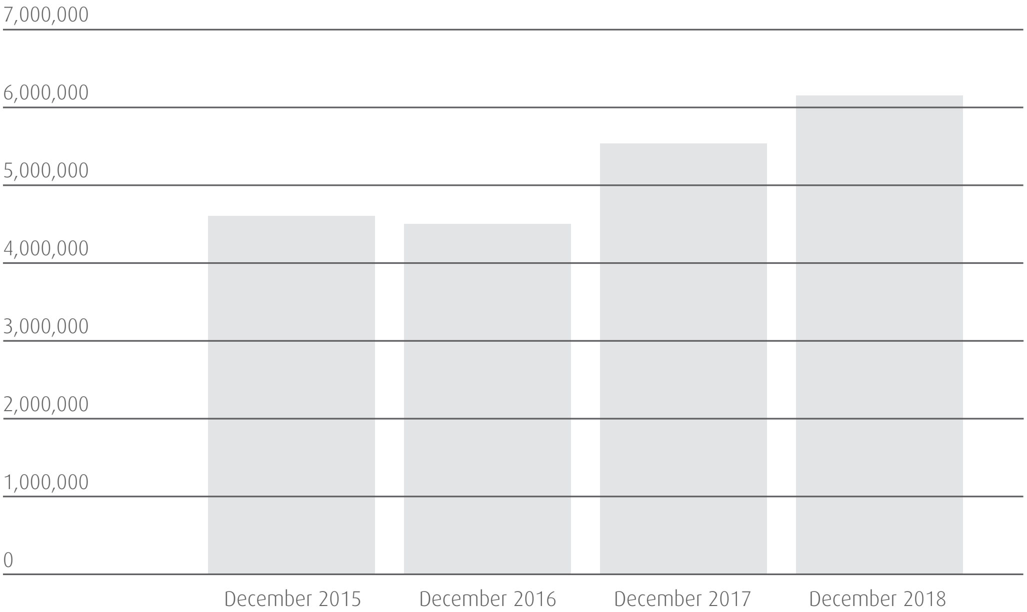
	December 2015	December 2016	December 2017	December 2018
Direct deposits from customers	**417,760**	**510,686**	**472,787**	**677,119**
- Due to customers (current accounts)	331,111	418,331	358,892	439,262
- Time deposits	60,527	68,530	91,301	209,607
- Securities issued	26,122	23,825	22,594	28,250
Indirect deposits	**4,609,152**	**4,505,144**	**5,540,931**	**6,152,748**
- Individual management	449,753	459,775	571,803	480,921
- Delegated management	283,646	251,061	285,681	278,565
- Deposits under administration (UCIs and securities)	3,603,627	3,471,594	3,924,304	4,544,537
- Deposits under administration under advice (UCIs and securities)	229,493	255,778	649,060	695,044
- Third-party insurance products	42,633	66,936	110,083	153,681
Total deposits	**5,026,912**	**5,015,830**	**6,013,718**	**6,829,867**

In particular, direct and indirect funding from customers, described above, does not include repo transactions having the Cassa di Compensazione e Garanzia as the counterparty.
All assets shown in the statement also take into account the amount invested in them and originating from the other types highlighted.

Direct deposits from customers



Indirect deposits



OPERATIVE OFFICES

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

BUSINESS SEGMENTS

Following is an overview of the activities carried out by the Bank and Group companies in 2018:

Investment banking

Yet another year of growth for the Bank's investment banking business, in spite of the particularly delicate environment for all financial markets (and for domestic ones in particular): negative trends had never been recorded before this year in such a high number of asset classes.

This circumstance made it extremely difficult, for the entire Asset Management industry, to provide satisfactory returns for investors. Our own Bank's **Asset Management** products could not be exceptions: thanks to the traditionally prudent approach of our managers, excessive losses were certainly avoided; the effectiveness of this approach, however, was a little less effective than in the past, because it is implemented in particular in two strategies that were not rewarding this year: high diversification (but, as

we mentioned, in 2018 there was no decorrelation between the asset classes but a generalised downwards convergence) and exposure to Government Bonds, in particular with floating rate (which, because of the known widening of the spreads, did not perform their portfolio risk mitigation function, but in fact accentuated it).
Performance levels were thus negative over all individual management lines and on delegated management of Sicav funds even though the comparative analyses that are always carried out with respect to the similar products on the market pointed out that these results were better (i.e., less negative) than those of most competitors.
And in fact it is perhaps no accident that deposits on the asset management products handled by our asset management team - between asset management, Sicav and unit linked plans - have held up very well: volumes were substantially stable compared to 2017 in spite of the decline deriving from the "market effect". Thus, net deposits rose slightly, with a net improvement in margins.
In terms of product innovation, of note is the launch of a new line entailing significant exposure to absolute return strategies and products, as well as consolidation of the management process of the AIM fund, a one of a kind product, that in 12 months achieved a far better result than the index of the market on which it invests: the hope is that deposits will benefit from it, both because of these positive results, and of the interest on the micro caps which should increase thanks to the announced changes to PIR regulations.

The market scenarios described above obviously also had impacts on the **activities in the bank's own account** of the Bank, mostly consisting of allocation on Government Bonds. They - as a result of the political uncertainties - recorded significant declines, which also involved floating rates and short maturities, which have always been preferred by the Bank. The consequences on the income statement were nevertheless mitigated or offset by the good profitability of the carry trade transactions carried out by the Treasury and by significant capital gains achieved on some (selected) stock positions in the trading portfolio.

With regard to **brokerage** activities, a distinction should be made between traditional ones, tied to the execution of orders on the markets on behalf of customers, from those on which the Bank has long been focused: activities tied to corporate broking and, more in general, to the AIM market and to the companies listed thereon.
Concerning the former, the data, on the various operating segments, are stable both in terms of volumes and of commissions (the latter, in fact, expanded slightly, in particular thanks to listed derivatives).
With reference instead to activities in support of listed Issuers, the primacy on the AIM market, in which the Bank operates with several roles, was further strengthened. In 2018, Banca Finnat managed as many as 6 IPOs, 5 of which as global coordinator and one as lead manager. On these operations, it also collected 40 million euros. Moreover, last July it managed an Accelerated Book Building, allocating shares of an additional listed company on AIM for more than 10% of capital (over 12 million euros) on a few selected investors. In addition, the number of Specialist mandates increased by 9 (and two more mandates have also been signed by companies whose IPO is expected in 2019): on this mandate, the bank is largely the leader in the AIM market with a share of more than 35 percent. It is also the second one in terms of number of NOMAD mandates (15 to date) and of number of companies "covered" by our analysts and sales (there are

now 12 on AIM, plus 3 listed on MTA). Lastly, specialist back services dedicated to small issuers are ever more appreciated (and widespread). Obviously, all these operations and these engagement provide an important contribution to the income statement which, for a significant component, is recurring over time, as these are multi-year engagements.

Advisory & corporate finance

The Bank provides corporate finance consultancy services and assistance to private and public companies, with a special focus on medium-sized companies, through its Advisory & Corporate Finance department.

The year 2018 was a very important year for the activity of Banca Finnat in the AIM Italia, an unregulated market dedicated to small and medium enterprises, confirming the bank's historical vocation in assisting Italian entrepreneurs with their characteristic flair in development and growth projects.

Specifically, in 2018 the Bank had a leadership position, accompanying, in different roles, 5 entities in the listing process on the 19 total operations (6 issuers out of 26 total including the SPACs, characterised by specific dynamics and purposes). In terms of number operations, it represented approximately 26% of the market, while in terms of collection, with approximately 35 million euros out of a total of 168 million euros for the 19 operations excluding the SPACs, represented 21% of the total market.

The following transactions were successfully concluded in 2018: i) an appointment for financial assistance to Giglio Group S.p.A., active in the media & entertainment, broadcasting and e-commerce sectors in the process of translisting from the AIM Italia market to the MTA regulated market, STAR segment in which Banca Finnat acted as Sponsor of the issuer; ii) the listing on AIM Italia market of Fervi S.p.A., Grifal S.p.A., Askoll EVA S.p.A., SOS Travel.com S.p.A. and Powersoft S.p.A., in which Banca Finnat acted as Nomad and Global Coordinator for support in the activities aimed at the organisation, management and carrying-out of private placement of shares to support the price; iii) the listing of Archimede S.p.A., for which Banca Finnat acted as Nomad and Co-Lead Manager. Moreover, the following were completed: i) an appointment for financial assistance to a company operating in the sector of marketing and selling men's clothing and accessories, directed at a preliminary study and at structuring the group's economic and financial plan and ii) an appointment for financial assistance to a group operating in the sector of environmental chambers, of renewable energy and of medical-scientific devices, directed are remodulating/renegotiating some credit facilities and to obtaining additional financial resources, in the form of equity or debt; iii) assistance for the development of a strategic and financial plan directed at the consolidation and growth of an international group active in the sector of major events, meetings and conferences.

Among currently ongoing mandates, the following are pointed out: i) financial assistance to the promoter company involved in the construction of a service infrastructure and of tourist attractions (including an aquarium), within the scope of a project development in the city of Rome; ii) financial assistance to a company active in the field of marketing tools and hardware, directed at obtaining new medium/long term credit facilities; iii) the appointment for assistance to a company active in the mobile marketing sector in the process of listing on the AIM Italia market; iv) financial assistance for the development of the business plan and in obtaining financial resources for its financing of a company operating in the ship construction and steel component sector; v) financial assistance to a company active in the hotel sector, directed at structuring a financial transaction for the remodulation of a portion of the current debt exposure and obtainment of new finance for development; vi) two appointments for assistance in structuring an operation that, in accordance with Article 2.10.1 of the Regulation for Markets organised and managed by Borsa, are “Reverse Merger” and Sponsorship operations, within the same operation, for the release of declarations according to Article 2.3.4, Paragraph 2, Letters c) and d) of the same Regulation. In conclusion, in 2018, the on-going Nomad activities for some companies listed on the AIM continued. At 31 December 2018, there were 17 companies assisted on the AIM Market.

Commercial Division

In spite of severely negative financial markets for all asset classes and the strong organisational impact of the introduction of the Mifid II and GDPR regulations, 2018 was a positive year for the Commercial Division. Total funding exceeded 700 million euros with mainly organic growth, resulting from Banca Finnat’s ability to attract new customers and, to a lesser extent, thanks to the entry of new private bankers both in Rome and in the North Area.

Growth in loans to private customers was significant; net issues amounted to over 50 million euros for total loans exceeding 350 million euros. The increase in issues, even on technically complex operations, took place in compliance with the extremely prudent credit policy, as demonstrated by the high level of Tier 1 which, at the Group level, remained in line with the previous year, slightly below 30%.

From the organisational viewpoint, particular significance was given to the introduction of Mifid2 for which the bank had long been prepared. For years, customers had exclusively used remunerated consultancy or, alternatively, contracts for trading without consultancy on the electronic channel or with access to the operating room for order collection. Also significant was the definition of the new Mifid interviews on competence, financial knowledge and investment targets as well as the consequent process of meeting customers to explain the changes and reasons, with significant effort in terms of training of our private bankers.

Allocation of net funding on advanced consultancy, asset management, time deposits and insurance products with guarantee capital - for which the new agreement for the distribution of Amissima Vita policy is of note - allowed to reduce performance volatility in a particularly challenging year for financial markets. To better manage this period of market uncertainty, and the consequent high volatility, which in our opinion will persist at least until interest rate return positive, at the start of the summer an Absolute Return asset management line was structure, which allowed to direct investments to a non-directional product with low risk profile. It was also possible to contain performance volatility also be increasing customers’ liquidity, absorbing the related cost caused by the negative euribor on our income statement. Thanks to the set of strategies pointed out above, in spite of both the highly penalising market performance, and the increase in liquidity, the Commercial Division exceeded the set targets. The constant growth of customers and volumes confirms, at the end of the year, the correct set-up of our overall asset allocation.

In our business model, the synergy between private world and entrepreneurial world is also important; in addition to the assistance to entrepreneurs in lending operations, 2018 saw us particularly active in the IPOs of SMEs on the AIM market. Collaboration with Corporate Finance allowed to propose, to a selected number of investors, to participate in IPOs of some of the mid-sized companies, more interesting and technologically innovative that have approached the capital market, to the mutual satisfaction of issuers and subscribers. To celebrate the company's 120-year history, a two-evening event was organised at the Rome Auditorium, during which approximately two thousand Banca Finnat customers and friends met to see the Universal Judgement show by Marco Balich.

The central nature of this event did not interrupt the custom of the new year and mid-year "economic scenarios", consolidated events that draw the customers' active participation with the presence of major outside speakers. The North Area operations were given more momentum, in particular, with the edition of an economic scenario of major relevance, hosted in the Borsa Italiana building on Piazza Affari in Milan. In the field of marketing, of note were the joint initiatives with the Corporate Finance organisation and professional firms, intended for small and medium enterprises. An additional activity that generated interest was the organisation of sporting competition dedicated exclusively to our customers and their friends to integrate them more closely in their relationship with the bank.

Asset Management - Property Fund Management

InvestiRE SGR is positioned in the market as a primary operator, specialised in the development of property portfolios in different market segments, aimed at national and international investors. InvestiRE is the second SGR in Italy and at 31 December 2018 it managed approximately 7,322 million euros of assets through 44 funds (41 reserved fund and 3 retail funds) and it represents over 250 national and international institutional investors, including insurance companies, pension, private equity, real estate funds and banks. As a whole, in 2018 the managed assets underwent a net decrease of approximately 3% compared to 31 December 2017. In particular, the main marketing activities are described below, and they involved:

- the listed funds in the final liquidation phase. Of note is the completion of the sale of the residual portfolio of the Obelisco fund before the ending date of the grace period (31 December 2018), closing the liquidation, at the end of the ongoing administrative-accounting operations, prescribed with the approval of the final liquidation report at 31 December 2018;
- the FIP Fund and the Pegasus Fund, which completed the sales respectively of 16 and 2 properties totalling 188 million euros and 98 million euros;
- the funds comprising mainly residential properties (FPEP, HELIOS and INPGI) which continued the factional sale activities. The INPGI fund completed sales totalling approximately 145 million euros, including a complex of two buildings to be used for services located in the centre of Rome for a total amount of 60 million euros. The Helios fund and the FPEP Fund completed sales in the residential fractional business, respectively amounting 25 million euros and 17 million euros, in addition to the sale, by the FPEP Fund, of a free-standing building for office use in the centre of Rome for approximately 9 million euros.
- the social housing Funds, which continued the apartment marketing activities (lease, future sale agreement, sale); in particular, the Cà Granda Fund and the Cascina Merlata Fund completed sales respectively for 43 million euros and 17 million euros;
- the Funds with short-term disinvestment plant, whose activity is focused on real estate trading (Omega, Neptune and Rocket Funds) that completed sales totalling 122 million euros;
- the Distressed & Non Performing Assets areas (Securis I, II, III, Sistema BCC, BCC Roma) continued its

property portfolio disposal activities: over 50 deeds were signed, totalling approximately 28 million euros.

The establishment of new Funds, the new property acquisitions and the activities for the development of the existing portfolio partially offset the reduction of the managed assets deriving from the marketing activity described above.

In 2018, the SGR established two new funds (a fund with prevalent retail destination, which acquired 3 income-generating shopping centres located in the Milan hinterland and a fund for services, which acquired an office complex in Milan, to be requalified and newly leased) for a total acquisition value of approximately 227 million euros. Among the investment activities of the funds under management, of note is an interest of the market for the health care segment in which the SGR is active through the management of the Spazio Sanità Fund which led, in 2018, to the reopening of the subscription period with the collection of new capital amounting to 25 million euros, in addition to new investments in six health care facilities for an acquisition value of approximately 33 million euros.

The activities for the enhancement of the existing portfolio pertained mainly to the Social Housing Funds with development initiatives amounting to over 100 million euros. In relation to these activities, also of note is the start, by the Immobilium Fund and by the Rocket Fund, of requalification work respectively on a property for services in Milan and of a property located in Rome, with planned developments, on the basis of executed lease agreements, for more than 30 million euros.

Trusteeship

In 2018, Finnat Fiduciaria, taking into account the regulatory framework for the trusteeship sector, found interesting spaces for the development of its business to meet the demands of the customers of the banking group and of the Trusteeship within the scope of asset planning.

The Company continued to assist its customers in addressing planning, protection and probate questions, related to business activities and to financial and property assets.

Through the initiatives carried out in previous periods, the Company continued its credit collection activities, which allowed to consolidate the results achieved in previous years, collecting approximately 86% of the fees issued in 2018.

The total amount of the "funding for trusteeship appointments received", both for the fiduciary registration of financial assets (securities, liquidity, policies, shareholdings in companies, etc.) and for agency engagements (administration and custody, escrow agreements, etc.), amounted to 1,529 million euros versus 1,442 million euros of 31 December 2017, with an increase of 87 million euros. The above figures reflect the application of the new accounting principles, which were applied also to the 2017 funding to make its figure homogeneous and comparable with that of 2018.

Finnat Gestioni, a Swiss company that operates in the sector of asset management of private and institutional customers and trusteeship services, is to manage and provide financial consultancy to the assets deposited on the foreign depository bank identified by the customer, considering the uncertainty of global markets and the political-economic crisis of Europe, led to a growing demand in 2018 for diversification in the deposit of savings and in asset allocation.

In 2018, the assets under management and the profitability of Finnat Gestioni exhibited encouraging signs of growth. The activity of opening cross-border trust accounts was the main commercial lever in the 2018 as well. This growing trend and the related positive results are expected to be maintained and increased in 2019 as well.

Research & Development

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

Organisation Area

- Activated new analysis tools in support of the family office activity.
- Completed various projects and procedural revisions related to the coming into force of the MIFID2, GDPR and IDD regulations.
- Completed additional functionalities pertaining to the use of digital signatures for operations on financial instruments.

IT and Technologies Area:

- Completed technological and net infrastructure enhancement initiatives pertaining to the Bank's network devices were carried out.
- Completed technological enhancement initiatives on the DR site.
- Introduced a new web collaboration and instant messaging system.
- Activated a new traffic balancing system for the management of e-mail.

Corporate governance, organisation, internal control, compliance and Manager in charge of preparing the accounting documents

The corporate governance structure of Banca Finnat Euramerica, originally approved by the Board of Directors at the meeting held on 26 June 2009, in accordance with the provisions of the Bank of Italy issued on 4 March 2008 concerning the corporate governance of Banks, and the subsequent Note dated 19 February 2009, is based on a traditional administration and control system, by virtue of which:

- the Board of Directors alone is responsible for the management of the company;
- the Board of Statutory Auditors is responsible for the supervision of the company and, in this position, it monitors compliance with the Articles of Association and controls the management;
- the Shareholders' Meeting expresses the will of the shareholders.

The governance principles of Banca Finnat Euramerica, besides being grounded in the applicable laws and regulations in force in Italy, are also inspired by international best practices on the matter and by the recommendations of the Corporate Governance Code for Listed Companies.

The Board of Directors preventively identified the composition of the Governing Body that is deemed optimal in qualitative and quantitative terms, in view of the proper and most effective performance of the duties of the Board, in accordance with the prescriptions of the Bank of Italy's Instruction of 11 January 2012 on organisation and corporate governance.

The Board of Directors carries out its own self-assessment with yearly periodicity. This self-assessment was updated, after preparing a new questionnaire, on 16 March 2018.

Pursuant to the applicable Supervisory Provisions laid down by the Bank of Italy and in the light of the regulations issued on 30 March 2011, the Bank reported to the Shareholders' Meeting held on 27 April 2018 about the remuneration policies and incentives adopted.

With regard to the legal obligations set out in the regulation concerning prudential requirements, in April 2018, the Bank of Italy published a consultation document updating Circular 285 "Supervisory Provisions for banks", on the "Prudential control process" (Part one, Title III, Chapter 1, of Circular no. 285/2013) making significant changes to the provisions previously issued. In this regard, in 2018 the Banca Finnat Group drafted and sent the ICAAP/ILAAP report prepared by the Banca Finnat Group in accordance with the EBA/GL/2016/10 guidelines of the European Banking Authority, as implemented by the measure on which the consultation of the Bank of Italy is concerned.
The Bank adapted to the changes introduced by current legislation by formalising new processes or updating existing processes.

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

In compliance with Directive 2014/59/EU - Bank Recovery and Resolution Directive (BRRD), transposed by the Italian Parliament with Legislative Decrees 180 and 181/2015, on 15 June 2017 the Bank prepared and sent the Group Recovery Plan to the Supervisory Authorities after approval by the Board of Directors of the Bank. The document was prepared in compliance with the implementing provisions contained in Title IV, Paragraph 01-I of the Italian Consolidated Law on Banking and with Title IV, Paragraph I-bis of the Italian Consolidated Financial Law (Law pertaining to restructuring plans).
In this regard, in a letter dated 23 January 2018, the Bank of Italy informed the Bank that the Plan was prepared in accordance with the criteria of completeness, quality and credibility indicated in the provisions of the European Union, identifying areas for improvement that were not considered significant for the purposes of implementing the Plan. Therefore, the Plan will be amended by the deadline set by the Bank of Italy to 30 April 2019.

The Shareholders' Meeting held on 27 April 2018 confirmed the members of the Board of Directors, consisting of 11 Directors of which 5 are Independent Directors, and of the Board of Statutory Auditors, whose term of office will expire at the approval of the financial statements at 31 December 2020.

With regard to the provisions of Article 36 of Italian Law Decree no. 201 of 6 December 2011, amended and converted into Italian Law no. 214 of 22 December 2011 laying down "Urgent provisions for the growth, fairness and consolidation of public accounts", and the formalities required by the Criteria for the enforcement of Article 36 of Italian Law Decree "Salva Italia" (known as "Interlocking prohibition"), relating

to company employees and the appointed members of the Board of Directors and Board of Statutory Auditors, on 18 April 2018 the Board of Directors made the necessary assessments of compliance with envisaged criteria.
With a view to revising the internal governance of the Bank and to align to best practices for corporate governance, the Board of Directors:

a) on 26 October 2018, approved the Regulation for the corporate body self-assessment process;
b) on 18 December 2018, resolved to submit the regulation for Shareholders' Meetings to the next Shareholders' Meeting for approval;
c) on 18 December 2018, approved its own Regulation and the Regulation and policy for operations with connected and associated parties;
d) approved the revision to the Regulation of Board committees.

In the course of the meetings of the Board of Directors in 2018, the Board was kept constantly informed on compliance with the new European directives concerning MIFID II and Privacy, in particular with regard to the new GDPR.

All information required by current regulations is published on the website: www.bancafinnat.it in the Investor Relations, Regulated Information section.

Consob Market Regulation – requirements set forth under Article 36 (Subsidiaries established and regulated by the Law of non-EU States)

Banca Finnat Euramerica undertakes that, in accordance with paragraph 2 of Article 36 of Consob Regulation no. 1619/2007 (Market Regulation), the provisions set out by said Article 36 on the conditions for the listing of parent companies, companies set up or governed according to the laws of States not belonging to the European Union and of significant relevance for the purpose of the consolidated financial statements, do not apply to the subsidiary Finnat Gestioni S.A., since the above mentioned subsidiary falls beneath the limits envisaged by the regulation and does not, therefore, hold "significant relevance".

Market disclosure information

Regarding market disclosure, the Group declares that:

- with reference to the request formulated by Bank of Italy with its communication of 17 June 2008, the Bank, at 31 December 2018, 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 only exposure of the Bank to financial products perceived by the market as risky comprises the investment in "FIP Funding Class A2-2023" bonds, recorded in the 2017 financial statements as securities held for trading, totalling 2,151 thousand euros (with a nominal value of 4,000 thousand euros) fully repaid in January 2018. However, the financial instrument called Senior Fin-Re SPV (issued as part of a securitisation program of an "unsecured non-performing loan") recorded in the amount of 726 thousand euros and reclassified on the first-time adoption of IFRS 9 in the portfolio of financial assets mandatorily at fair value through profit or loss was entirely disposed of in the course of the second half of 2018;

- the Board of Directors of Banca Finnat Euramerica S.p.A., pursuant to Consob Resolution No. 18079 of 20 January 2012, decided, on 21 January 2013, to comply with the simplification system set forth in Articles 70 (paragraph 8) and 71 (paragraph 1-bis) of the Regulation adopted by Consob with Resolution No. 11971 of 14 May 1999 as amended and supplemented, by making use of the right, of listed companies, to depart from the obligation to submit the information documents required by Annex 3B of the Consob Regulation relating to future significant extraordinary operations such as mergers, demergers, capital increase by non-cash contributions, acquisitions and sales;
- with reference to the requests contained in joint Document no. 2 dated 6 February 2009 by the Bank of Italy, Consob and Isvap and in their subsequent Document no. 4 dated 4 March 2010 and the provisions of paragraphs 15 and 25 of IAS 1, regarding disclosures to be made with respect to going concern assumptions, please refer to the commentary provided in Part A, Section 2 – General financial reporting principles and Part E – Information on Risks and Related Hedging Policies of the Notes to the Financial Statements;
- the Bank's 2017 financial year was the last year of application of the sterilisation of "own funds", as envisaged by Bank of Italy Circular 285, which envisaged the right not to include, for the purpose of calculating regulatory capital, unrealised profit and loss referring to exposures towards Central Administrations classified in the category "Financial assets available for sale". This right (known as sterilisation) was valid until 31 December 2017, the date of entry into force of IFRS 9 that replaced IAS 39 on financial instruments;
- 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.

Capital adequacy, prudential ratios and risk management disclosure

Information about the Bank's capital adequacy and risk management are illustrated at length in the Notes to the financial statements, respectively in Part F – Information on Shareholders' Equity and in Part E – Information on Risks and Related Hedging Policies.

Own funds and capital ratios

The Regulatory Capital is determined based on the harmonised regulations for Banks and the Investment companies contained in the Regulation ("CRR") and in the EU Directive ("CRD IV") of 26 June 2013 which transfer to the European Union the standards defined by the Basel Committee on Banking Supervision (the so-called Basel 3).

In order to enact the regulations, the Bank of Italy issued, on 17 December 2013, Circular no. 285 "Prudential Supervision Provisions for Banks".

Own funds at 31 December 2018 amounted to 224,661 thousand euros (220,171 thousand euros at 31 December 2017), whereas the Total capital ratio, CET1 capital ratio and Tier1 ratio stood at 43.6%. At 31 December 2017, the Total capital ratio, was 44.6% while CET1 capital ratio and Tier1 ratio stood at 43.5%. 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 221,829 thousand euros, while the Total capital ratio, the CET1 capital ratio and Tier1 ratio would have been equal to 43.3%.

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).

Exposure in debt securities and loans to Sovereign States

The details required by the Consob with its communication of 31 October 2018 about the "Communication on information to be provided in financial report with regard to exposures held by listed companies in sovereign debt securities" are provided in the Directors' Report to the consolidated financial statements.

Adoption of the new accounting standards: IFRS 9 and IFRS 15

Please refer to the Notes to the Financial Statements, Part A - Accounting policies Section 2 - General financial reporting principles, which illustrates the main changes and the impacts of the adoption of the two new accounting standards that came into force on 1 January 2018.

PERFORMANCE OF SUBSIDIARIES

InvestiRE SGR S.p.A.

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

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

As a result of this transaction, the share capital was increased from 8,600,000 euros to 14,770,000 euros and the company is owned by Banca Finnat Euramerica, with 50.16%, by Beni Stabili Siiq, with 17.90%, by Regia S.r.l. (G. Benetton Group) with 11.64%, by Fondazione Cariplo with 8.65%, by Cassa Italiana di Previdenza e Assistenza Geometri with 7.72%, by ICCREA Holding with 2.38% and by Fondazione Cassa dei Risparmi di Forlì with 1.55%.

On 17 December 2018 the company subscribed 1,666,667 shares for a value of 166,666.70 euros (equal to 33.3%) of “REDO SGR S.p.A. Società Benefit”. The subscription of the equity investment is illustrated in detail in the paragraph Main transactions in the year.

At 31 December 2018, the company managed 44 real estate funds, with the GAV of the managed assets totalling 7,322 million euros, compared to 7,526 million euros at 31 December 2017.

The draft financial statements at 31 December 2018 show a profit of 6,487 thousand euros compared to 8,597 thousand euros at 31 December 2017 and a book value of the shareholders’ equity of 81,197 thousand euros compared to 84,468 thousand euros at 31 December 2017. In 2017, the company recognised a total fee and commission income of 29,746 thousand euros compared to 32,660 thousand euros in 2017.

Finnat Fiduciaria S.p.A.

The company – incorporated in accordance with Italian Law no. 1966 of 23 November 1939 – is based in Rome and operates as an equity and security trust company. It has a share capital of 1,500,000 euros held entirely by Banca Finnat Euramerica S.p.A.

At 31 December 2018, assets under management totalled 1,470 million euros, versus 1,372 million euros at 31 December 2017.

The draft financial statements at 31 December 2018 show a profit of 88 thousand euros versus 29 thousand euros in the previous year. In 2018, the company generated fee and commission income of 1,615 thousand euros versus 1,590 thousand euros at 31 December 2017. At 31 December 2018, the company had a shareholders’ equity of 2,032 thousand euros, versus 1,970 thousand euros at 31 December 2017.

Finnat Gestioni S.A.

The company, established on 10 April 2008, is based in Lugano and provides financial management and consultancy services including, in particular, asset and portfolio management services.

The Bank holds a 70% stake in the company’s share capital, which amounts to CHF 750,000, while the

remaining stake is held by EFG Bank. Managed assets at 31 December 2017 totalled CHF 113.7 million, compared to CHF 101.7 million at 31 December 2017.
The book value of shareholders' equity at 31 December 2018 amounted to CHF 2,289 thousand, compared to CHF 2,093 thousand at 31 December 2017.
The draft 2018 financial statements show a profit of CHF 509 thousand euros compared to CHF 360 thousand euros at 31 December 2017.
In 2018, the company generated revenues for fee and commission income of CHF 900 thousand versus CHF 709 thousand at 31 December 2017.

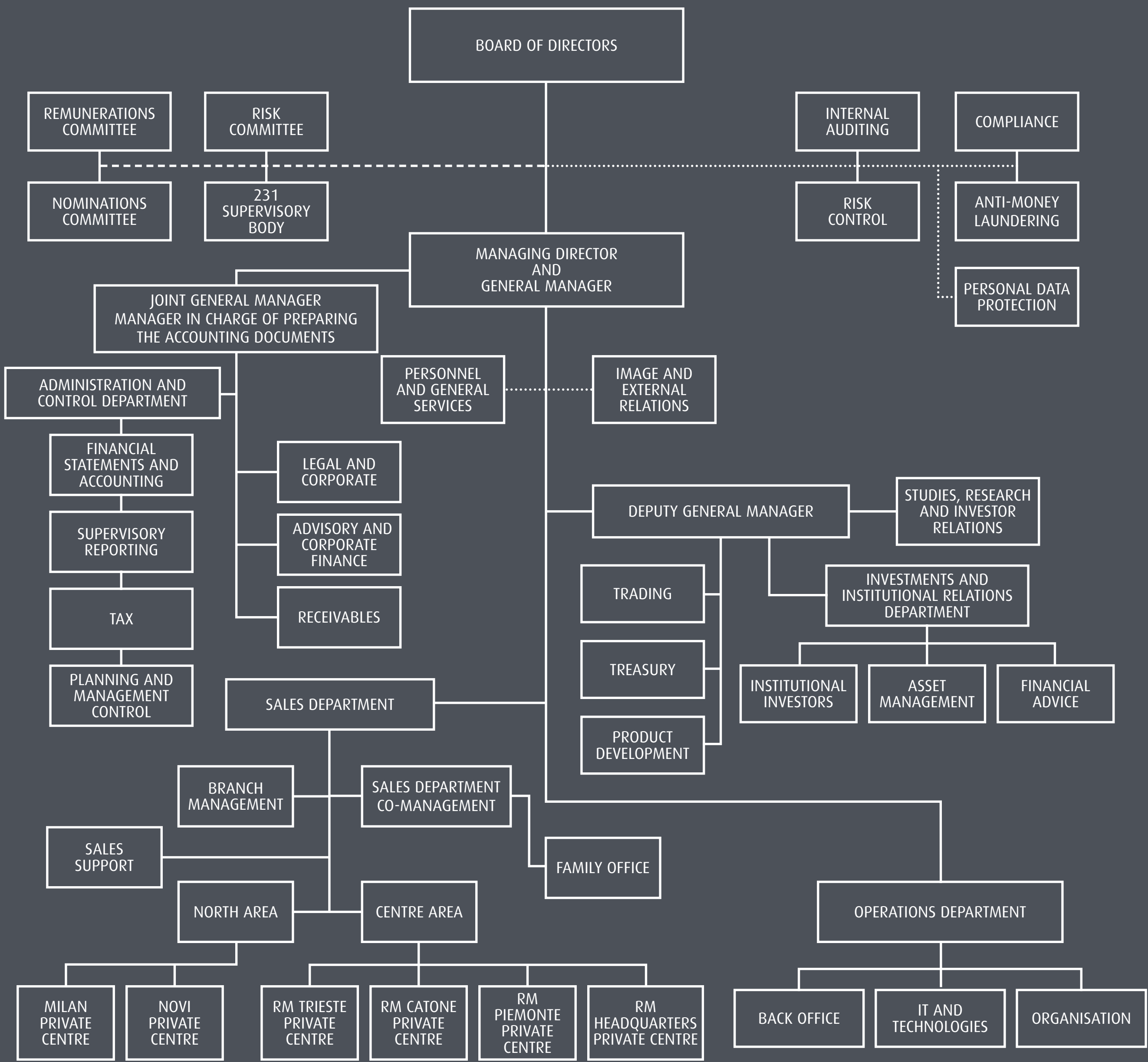
Natam Management Company S.A.
The company, established on 30 August 2016, has its registered office in Luxembourg and share capital 750,000 euros divided into 750 shares with a face value of 1,000 euros each, entirely subscribed by Banca Finnat.
The purpose of Natam is to perform collective asset management both in favour of harmonised funds and of alternative investment schemes.
The draft 2018 financial statements show a profit of 116 thousand euros versus 72 thousand euros at 31 December 2017.

* * *

The Report on Operations of the consolidated financial statements contains the chart illustrating the Group structure and the related shareholdings.

THE STRUCTURE OF BANCA FINNAT EURAMERICA

The organisation structure of the Bank is as follows:



The total number of personnel in the Bank increased by 9 persons compared to 31 December 2017 as shown in detail below:

	31.12.2018	31.12.2017
personnel employed	**180**	**173**
- executives	29	26
- managers	84	82
- clerical workers	67	65
contractors	**7**	**6**
promoters	**4**	**3**
Total	**191**	**182**

With regard to changes in the number of employees, during the year 8 persons terminated their employment whilst 15 persons were hired in all (9 with undefined duration employment contracts).

The change is referred both to ordinary personnel turn-over and to the need to enhance some work areas, such as, in particular, the commercial network, strengthened with 2 workers compared to the situation at 31 December 2017 (40 current workers, versus the previous 38), by effect of 4 hires and of 2 terminations.

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

In 2018, a total number of more than 1,930 training hours were administered, with a total number of 778 participations (the training initiatives involved 112 employees).
The initiatives in 2018 involved in particular:

- consolidation and updating of the knowledge with high specialist content of the commercial network;
- upgrade of knowledge in the field of privacy (training on the GDPR);
- new individual coaching courses for some consultants of the Sales Department;
- enhancement of managerial skills through an intensive workshop on the theme of innovation in the company.

TREASURY SHARES

At 31 December 2018, the Bank holds 28,810,640 treasury shares, representing 7.9% of the share capital with a total value of 14,059 thousand euros. In 2018, the Bank did not carry out any transactions on treasury shares.

STOCK EXCHANGE CAPITALISATION OF BANCA FINNAT EURAMERICA

	Number of shares	Market price 21.02.2019	Capitalisation 21.02.2019 (in thousands of euros)	Shareholders' equity (in thousands of euros)	Share capital (in thousands of euros)
ORDINARY SHARES	362,880,000	0.3430	124,468	227,240	72,576

RELATED PARTY TRANSACTIONS

The Bank complies with the Regulations for Related Party Transactions, approved by the Board of Directors on 2 August 2013 to define responsibilities and rules governing the identification, approval and implementation of related party transactions carried out by the Bank or by companies of the Banca Finnat banking group, in accordance with Article 2391-bis of the Italian Civil Code, the Consob Regulation adopted with Resolution no. 17221 of 12 March 2010 and Title V, Chapter 5 of the Bank of Italy Circular no. 263 introducing “New Prudential Supervision Provisions for Banks”, respectively.

The Bank entered into transactions with subsidiary companies or companies subject to significant influence and ordinary transactions of lesser significance and under market conditions that have not impacted significantly on the financial position or results of operations of the company and moreover, in 2018, it did not carry out any transaction with related parties or subjects other than related parties considered to be of an “atypical or unusual” nature, and which, due to their magnitude/relevance might have cast doubts on the safeguarding of the Bank’s assets and the protection of minority shareholders’ rights.
Information required under IAS 24 is shown in part H of the notes to the financial statements.

OPTION FOR THE DOMESTIC CONSOLIDATED TAX SYSTEM

The Bank and its Italian-based subsidiaries have joined the “domestic consolidated tax system”, pursuant to Article 117/129 of the TUIR (Consolidated Income Tax Act).

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.

COMPARISON OF KEY BALANCE SHEET AND INCOME STATEMENT FIGURES OF THE 2018 AND 2017 FINANCIAL YEARS

Following is an overview of the key financial statement figures at 31 December 2018 compared for the Balance Sheet with the corresponding figures at 1 January 2018 after FTA reclassifications and adjustments, for the Income Statement with the corresponding figures of June 2017 duly restated, thus allowing a uniform comparison.

The tables reflect the minimum mandatory layout provided for in Circular Letter 262/2005 issued by the Bank of Italy (update 5).

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

(in thousands of euros)

	31.12.2018	01.01.2018 (*)	Absolute change
ASSETS			
Cash and cash equivalents	659	629	30
Financial assets designated at fair value through profit or loss:	59,248	68,798	(9,550)
a) financial assets held for trading	37,410	45,712	(8,302)
c) other financial assets mandatorily at fair value	21,838	23,086	(1,248)
Financial assets designated at fair value through other comprehensive income	297,413	200,753	96,660
Financial assets designated at amortised cost	1,423,634	1,409,011	14,623
a) due from banks	78,405	76,283	2,122
b) loans to customers	1,345,229	1,332,728	12,501
Equity investments	72,463	76,157	(3,694)
Property and equipment	4,669	4,870	(201)
Intangible assets	475	374	101
Tax assets	8,118	1,898	6,220
Other assets	26,315	20,845	5,470
TOTAL ASSETS	**1,892,994**	**1,783,335**	**109,659**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Financial liabilities designated at amortised cost	1,649,542	1,525,959	123,583
a) due to banks	271	1,474	(1,203)
b) due to customers	1,621,021	1,501,891	119,130
c) debt securities issued	28,250	22,594	5,656
Financial liabilities held for trading	323	143	180
Tax liabilities	1,596	4,177	(2,581)
Other liabilities	11,496	9,670	1,826
Provisions for termination indemnities	2,014	2,157	(143)
Provisions for risks and charges	783	635	148
a) commitments and guarantees given	101	87	14
c) other provisions for risks and charges	682	548	134
Shareholders' equity	227,240	240,594	(13,354)
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**1,892,994**	**1,783,335**	**109,659**

(*) Figures at 31 December 2017 after IFRS 9 FTA adjustments restated at 1 January 2018 according to the new set of statements of the Bank of Italy (5th update).

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

(in thousands of euros)

	FY 2018	FY 2017 (*)	Change	
			Absolute	Percentage
Interest margin	**12,453**	**8,891**	**3,562**	**40%**
Net fees and commissions	**19,987**	**16,093**	**3,894**	
Dividend and similar income	7,184	8,050	(866)	-11%
Profits (Losses) on trading	(170)	1,726	(1,896)	
Profit (Loss) on disposal or repurchase of:	1,298	38,185	(36,887)	
a) financial assets designated at amortised cost	377	–	377	
b) financial assets designated at fair value through other comprehensive income	921	38,185	(37,264)	
Profits (losses) on other financial assets and liabilities designated at fair value through profit or loss:	(404)	(2,951)	2,547	
b) other financial assets mandatorily at fair value	(404)	(2,951)	2,547	
Net banking income	**40,348**	**69,994**	**(29,646)**	**-42%**
Net losses/recoveries on credit risk of:	(4,140)	(3,036)	(1,104)	
a) financial assets designated at amortised cost	(3,408)	(2,331)	(1,077)	
b) financial assets designated at fair value through other comprehensive income	(732)	(705)	(27)	
Net income from financial operations	**36,208**	**66,958**	**(30,750)**	**-46%**
Personnel expenses	(19,154)	(17,923)	(1,231)	
Other administrative expenses	(14,387)	(13,599)	(788)	
Net provisions for risks and charges	(148)	(102)	(46)	
Net losses on property and equipment and intangible assets	(363)	(349)	(14)	
Other operating income/expenses	5,123	4,291	832	
Operating costs	**(28,929)**	**(27,682)**	**(1,247)**	**5%**
Profit (loss) from equity investments	(224)	(1,843)	1,619	
Profit (loss) from continuing operations before taxes	**7,055**	**37,433**	**(30,378)**	**-81%**
Taxes on income from continuing operations	(957)	(1,159)	202	
Profit (loss) for the year	**6,098**	**36,274**	**(30,176)**	**-83%**

(*) Figures restated according to the new set of statements of the Bank of Italy (5th update).

Following are a series of Bank operating ratios at 31 December 2018 compared with the operating ratios of the previous year, restated according to the new Bank of Italy layouts (5th update).

	FY 2018 (%)	FY 2017 (*) (%)
Interest margin/net banking income	30.86	12.70
Net fees and commissions/net banking income	49.54	22.99
Cost/income ratio (operating costs/net banking income)	71.70	39.55
ROE (profit (loss) for the year/shareholders' equity)	2.68	15.08
ROA (profit (loss) for the year/total assets)	0.32	2.03

(*) Figures restated according to the new set of statements of the Bank of Italy (5th update).

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

The main transactions in the year

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

- on 26 March 2018, the Board of Directors of the Bank examined and approved the Group's 2018-2020 Business Plan;
- on 27 April 2018, the Shareholders' Meeting of the Bank:
  - approved the financial statements at 31 December 2017 and the distribution, to the Shareholders, of a gross dividend of 0.03 euro per share, due for payment from 16 May 2018 (coupon date: 14 May 2018);
  - appointed the Directors and Statutory Auditors for the 2018-2020 period as well as the Honorary Chairman in the person of Carlo Carlevaris;
  - approved the Remuneration Policy prepared in pursuance of Article 123-ter of Italian Legislative Decree 58/98;
- on 27 April 2018, the Bank's Board of Directors appointed Mrs. Flavia Mazzarella as Chairman, Mr. Leonardo Buonvino and Mr. Marco Tofanelli as Deputy Chairmen and Mr. Arturo Nattino as Managing Director. The Board also appointed the members of the Remuneration Committee, of the Risk Committee, of the Appointment Committee and the Supervisory Body, as well as director Mr. Marco Tofanelli as Lead Independent Director. The new company positions are illustrated on page 4.
- on 12 December 2018, the Board of Directors of InvestiRE SGR S.p.A., as a result of a proposal from Fondazione Cariplo to promote in Lombardy, with the contribution of CDP Investimenti SGR, an entity specialised in the structuring and development of social housing projects, university buildings and urban regeneration with social impact, comprehensively approved an operation whose ambition, in the long term, is the establishment of a multi-sector Sicaf under own management. The project, subjected to a series of authorisation conditions by various involved parties, entails in a short time the inception of a new SGR, an investee of InvestiRE SGR, which manages UCIs in the form of Sicafs under others' management and its Articles of Association will reconcile the normal corporate objectives with social impact objectives (Benefit Company).For this purpose, on 17 December 2018 REDO SGR S.p.A. - Benefit Company (hereafter, "REDO") was established, with share capital of 500,000 euros, of which 33.33% was subscribed by Investire and 66.66% by Fondazione Cariplo. On 22 January 2019, REDO 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 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.

Significant events occurring after the end of the financial year

In the period spanning the end of the 2018 financial year and the date on which these financial statements were prepared, no significant events or factors that could affect the financial position, capital position, or results of operations of the Bank emerged.

Business outlook

Based on the current forecasts contained in the Budget prepared with the involvement of the different areas of activity of the Bank, a net income substantially in line with that of the year that has just ended is expected in 2019.

* * *

Dear Shareholders,

We submit the financial statements for 2018, comprising the Balance Sheet, Income Statement, Statement of Comprehensive Income, Statement of changes in Shareholders' Equity, Cash Flow Statement and Notes to the Financial Statements, as well as the related attachments and the Report on Operations, for your approval.

We would also suggest allocating the year's profits as follows:

profit for the year	**6,097,641**	**euros**
• to the legal reserve, for 5% to be set aside in compliance with the law and the articles of association	304,882	euros
• to the 362,880,000 ordinary shares a gross dividend of 0.010 euros per share (corresponding to 5% of the nominal value of the shares)	3,628,800	euros
(in accordance with Article 2357-ter of the Italian Civil Code the profits due to own shares held as of the dividend registration date will be allocated proportionally to the other shares)		
• to extraordinary reserve	2,163,959	euros
totalling	**6,097,641**	**euros**

In accordance with Article 1 of the Italian Ministerial Decree of 2 April 2008, the dividend of this proposal, exclusively for taxation purposes, is assumed to be formed with the profits produced in years prior to 31 December 2007, having verified the presence of adequate reserves formed with the profit generated through the current year at that date.

Additionally, the stated allocation of the year's profits complies with the provisions of Art. 6 of Italian Legislative Decree no. 38/2005.

* * * *

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

• legal reserve	11,485,780	euros
• dividend adjustment reserve	6,724,772	euros
• reserve for purchased own shares	14,059,346	euros
• to extraordinary reserve	84,553,273	euros
• profit brought forward from restated IAS 19	179,409	euros
• IFRS 9 FTA reserve	(488,407)	euros
• reserve for merger surplus	524,609	euros
Total profit reserves	117,038,782	euros
Other reserves		
• profits on treasury shares	4,277,111	euros
• gains on HTCS shares	8,693	euros
Total reserves	**121,324,586**	**euros**

Before moving to the analysis of the various financial statement items, the Board wishes to thank all the Company’s staff for the excellent work they have done.

Rome, 22 March 2019

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

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

(amounts in euros)

New Item No. 262 (Item No. 31.12.2017)	Asset items	31.12.2018	31.12.2017
10. (10.)	Cash and cash equivalents	658,718	629,375
(20.)	Financial assets held for trading	–	45,712,094
(40.)	Financial assets available for sale	–	1,216,762,196
(60.)	Due from banks	–	76,352,947
(70.)	Loans to customers	–	342,014,481
20.	Financial assets designated at fair value through profit or loss	59,247,913	–
	a) financial assets held for trading	37,410,303	–
	c) other financial assets mandatorily at fair value	21,837,610	–
30.	Financial assets designated at fair value through other comprehensive income	297,412,930	–
40.	Financial assets designated at amortised cost	1,423,634,017	–
	a) due from banks	78,405,353	–
	b) loans to customers	1,345,228,664	–
70. (100.)	Equity investments	72,463,384	76,156,865
80. (110)	Property and equipment	4,668,807	4,870,448
90. (120)	Intangible assets	475,249	374,198
	of which:		
	- goodwill	300,000	300,000
100. (130)	Tax assets	8,117,868	1,532,490
	a) current	2,226,555	92,476
	b) advance	5,891,313	1,440,014
120. (150)	Other assets	26,314,991	20,844,532
	Total assets	**1,892,993,877**	**1,785,249,626**

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

(amounts in euros)

New Item No. 262 (Item No. 31.12.2017)	Liabilities and shareholders' equity	31.12.2018	31.12.2017
(10.)	Due to banks	–	1,473,793
(20.)	Due to customers	–	1,501,891,245
(30.)	Securities issued	–	22,594,170
(120.)	Provisions for risks and charges	–	548,380
	b) other provisions	–	548,380
10.	Financial liabilities designated at amortised cost	1,649,542,660	–
	a) due to banks	271,441	–
	b) due to customers	1,621,021,252	–
	c) debt securities issued	28,249,967	–
20. (40.)	Financial liabilities held for trading	322,737	142,651
60. (80.)	Tax liabilities	1,595,919	4,542,088
	a) current	420,614	2,894,202
	b) deferred	1,175,305	1,647,886
80. (100.)	Other liabilities	11,494,376	9,672,643
90. (110.)	Provisions for termination indemnities	2,014,245	2,157,317
100. (120.)	Provisions for risks and charges	783,622	–
	a) commitments and guarantees given	101,376	–
	c) other provisions for risks and charges	682,246	–
110. (130.)	Valuation reserves	43,770,278	53,488,826
140. (160.)	Reserves	118,855,745	93,947,378
160. (180.)	Share capital	72,576,000	72,576,000
170. (190.)	Treasury shares (-)	(14,059,346)	(14,059,346)
180. (200.)	Profit (Loss) for the year (+/-)	6,097,641	36,274,481
	Total liabilities and shareholders' equity	**1,892,993,877**	**1,785,249,626**

INCOME STATEMENT OF BANCA FINNAT EURAMERICA S.P.A. - Part 1 of 2

(amounts in euros)

New Item No. 262 (Item No. 31.12.2017)	Items	FY 2018	FY 2017
10. (10.)	Interest income and similar income	14,035,114	6,700,989
	of which: interest income calculated with the effective interest method	(940,200)	–
20. (20.)	Interest expense and similar expense	(1,581,917)	2,190,419
30. (30.)	**Interest margin**	**12,453,197**	**8,891,408**
40. (40.)	Fee and commission income	21,547,257	17,379,477
50. (50.)	Fee and commission expense	(1,560,749)	(1,286,040)
60. (60.)	**Net fees and commissions**	**19,986,508**	**16,093,437**
70. (70.)	Dividend and similar income	7,184,018	8,049,969
80. (80.)	Profit (Losses) on trading	(170,035)	1,725,975
(100.)	Profits (losses) on disposal or repurchase of:	–	38,185,401
	b) financial assets available for sale	–	38,185,401
100.	Profits (losses) on disposal or repurchase of:	1,298,104	–
	a) financial assets designated at amortised cost	377,122	–
	b) financial assets designated at fair value through other comprehensive income	920,982	–
110.	Profits (losses) on other financial assets and liabilities designated at fair value through profit or loss	(404,349)	–
	b) other financial assets mandatorily at fair value	(404,349)	–
120. (120.)	**Net banking income**	**40,347,443**	**72,946,190**
(130.)	Net Losses/Recoveries on impairment of:	–	(5,989,262)
	a) receivables	–	(2,330,649)
	b) financial assets available for sale	–	(3,656,190)
	d) other transactions	–	(2,423)
130.	Net losses/recoveries on credit risk of:	(4,139,319)	–
	a) financial assets designated at amortised cost	(3,407,641)	–
	b) financial assets designated at fair value through other comprehensive income	(731,678)	–
150. (140.)	**Net income from financial operations**	**36,208,124**	**66,956,928**

INCOME STATEMENT OF BANCA FINNAT EURAMERICA S.P.A. - Part 2 of 2

(amounts in euros)

New Item No. 262 (Item No. 31.12.2017)	Items	FY 2018	FY 2017
160. (150.)	Administrative expenses:	(33,541,378)	(31,521,707)
	a) personnel expenses	(19,154,302)	(17,923,053)
	b) other administrative expenses	(14,387,076)	(13,598,654)
170. (160.)	Net provisions for risks and charges	(147,850)	(100,000)
	a) commitments and guarantees given	(13,984)	–
	b) other net allocations	(133,866)	(100,000)
180.(170.)	Net losses/recoveries on property and equipment	(335,573)	(327,350)
190.(180.)	Net losses/recoveries on intangible assets	(27,258)	(22,057)
200. (190.)	Other operating income/expenses	5,122,543	4,290,501
210. (200.)	**Operating costs**	**(28,929,516)**	**(27,680,613)**
220. (210.)	**Profit (loss) from equity investments**	**(224,057)**	**(1,842,576)**
260. (250.)	**Profit (loss) from continuing operations before taxes**	**7,054,551**	**37,433,739**
270. (260.)	Taxes on income from continuing operations	(956,910)	(1,159,258)
280. (270.)	Profit (loss) from continuing operations after taxes	6,097,641	36,274,481
300. (290.)	**Profit (loss) for the year**	**6,097,641**	**36,274,481**

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

(amounts in euros)

New Item No. 262 (Item No. 31.12.2017)	Items	FY 2018	FY 2017
10.	**Profit (loss) for the year**	**6,097,641**	**36,274,481**
	Other comprehensive income after taxes that may not be reclassified to the income statement		
20.	Equity designated at fair value through other comprehensive income	(368,361)	–
70. (40)	Defined benefit plans	(29,245)	(19,774)
	Other comprehensive income after tax that may be reclassified to the income statement		
(100.)	Financial assets available for sale	–	(25,325,439)
140.	Financial assets (other than equity) designated at fair value through other comprehensive income	(8,176,025)	–
170. (130.)	**Total other comprehensive income after tax**	**(8,573,631)**	**(25,345,213)**
180. (140.)	**Comprehensive income (Item 10+170)**	**(2,475,990)**	**10,929,268**

Item 20. also includes the change in the fair value of the equity investments in subsidiaries.

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY AT 31 DECEMBER 2018

(in euros)

	Balances at 31.12.2017	Change in opening balances (*)	Balances at 01.01.2018	Allocation of previous FY profit	
				Reserves	Dividends and other allocations
Share capital:	**72,576,000**		**72,576,000**	**–**	**–**
a) ordinary shares	72,576,000		72,576,000	–	–
b) other shares			–	–	–
Share issue premiums	**–**		**–**	**–**	**–**
Reserves:	**93,947,378**	**(488,407)**	**93,458,971**	**25,388,081**	**–**
a) profit	89,670,265	(488,407)	89,181,858	25,388,081	
b) other	4,277,113		4,277,113	–	–
Valuation reserve	**53,488,826**	**(1,144,917)**	**52,343,909**	**–**	**–**
Capital instruments	**–**		**–**		
Treasury shares	**(14,059,346)**		**(14,059,346)**		
Profit (Loss) for the year	**36,274,481**		**36,274,481**	**(25,388,081)**	**(10,886,400)**
Shareholders' equity	**242,227,339**	**(1,633,324)**	**240,594,015**	**–**	**(10,886,400)**

(*) Change in opening balances concerns adjustments made on the first-time adoption of IFRS 9.

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY AT 31 DECEMBER 2017

(in euros)

	Balances at 31.12.2016	Changes in opening balances	Balances at 01.01.2017	Allocation of previous FY profit	
				Reserves	Dividends and other allocations
Share capital:	**72,576,000**		**72,576,000**	**–**	**–**
a) ordinary shares	72,576,000		72,576,000	–	–
b) other shares			–	–	–
Share issue premiums	**–**		**–**	**–**	**–**
Reserves:	**93,645,724**	**–**	**93,645,724**	**361,300**	**–**
a) profit	89,308,965		89,308,965	361,300	
b) other	4,336,759		4,336,759	–	–
Valuation reserve	**78,834,039**		**78,834,039**	**–**	**–**
Capital instruments	**–**		**–**		
Treasury shares	**(14,392,190)**		**(14,392,190)**		
Profit (Loss) for the year	**3,990,100**		**3,990,100**	**(361,300)**	**(3,628,800)**
Shareholders' equity	**234,653,673**	**–**	**234,653,673**	**–**	**(3,628,800)**

Changes during the year								
	Shareholders' equity transactions							
Changes in reserves	New share issue	Purchase of treasury shares	Extra dividend distribution	Change in capital instruments	Derivatives on treasury shares	*Stock Options*	Comprehensive income FY 2018	Shareholders' equity at 31.12.2018
–	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**72,576,000**
–	–	–	–	–	–	–	–	72,576,000
–	–	–	–	–	–	–	–	–
–	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
8,693	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**118,855,745**
–								114,569,939
8,693	–	–	–	–	–	–	–	4,285,806
–	**–**	**–**	**–**	**–**	**–**	**–**	**(8,573,631)**	**43,770,278**
				–				**–**
–								**(14,059,346)**
–	**–**	**–**	**–**	**–**	**–**	**–**	**6,097,641**	**6,097,641**
8,693	**–**	**–**	**–**	**–**	**–**	**–**	**(2,475,990)**	**227,240,318**

Changes during the year								
	Shareholders' equity transactions							
Changes in reserves	New share issue	Purchase of treasury shares	Extra dividend distribution	Change in capital instruments	Derivatives on treasury shares	*Stock Options*	Comprehensive income FY 2017	Shareholders' equity at 31.12.2017
–	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**72,576,000**
–	–	–	–	–	–	–	–	72,576,000
–	–	–	–	–	–	–	–	–
–	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
(59,646)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**93,947,378**
–								89,670,265
(59,646)	–	–	–	–	–	–	–	4,277,113
–	**–**	**–**	**–**	**–**	**–**	**–**	**(25,345,213)**	**53,488,826**
				–				**–**
–		**332,844**						**(14,059,346)**
–	**–**	**–**	**–**	**–**	**–**	**–**	**36,274,481**	**36,274,481**
(59,646)	**–**	**332,844**	**–**	**–**	**–**	**–**	**10,929,268**	**242,227,339**

STATEMENT OF CASH FLOWS (indirect method)

(in euros)

	Amount	
	31.12.2018	**31.12.2017 (*)**
A. OPERATING ACTIVITIES		
1. Management	**7,497,864**	**45,183,872**
- net profit (loss) for the year (+/-)	6,097,641	36,274,481
- capital gains/losses on financial assets held for trading and on other financial assets and liabilities designated at fair value through profit or loss (-/+)	986,459	(903,548)
- capital gains/losses on hedging assets (-/+)	–	390,767
- net losses/recoveries on credit risk (+/-)	4,139,319	–
- (net losses/recoveries on impairment) (+/-)	–	5,989,262
- net losses/recoveries on property and equipment and intangible assets (+/-)	396,448	392,564
- net allocations to the provisions for risks and charges and other costs/revenues (+/-)	976,825	885,179
- taxes, duties and tax credits not liquidated (+/-)	(956,910)	(1,159,258)
- net losses/recoveries on discontinued operations the groups of assets net of tax effect (+/-)	–	–
- other adjustments (+/-)	(4,141,918)	3,314,425
2. Cash generated by/used in financial assets	**(117,195,619)**	**(12,931,682)**
- financial assets held for trading	7,642,847	(4,319,366)
- financial assets designated at fair value	–	–
- other assets mandatorily at fair value	921,010	–
- financial assets designated at fair value through other comprehensive income	(100,067,389)	–
- financial assets designated at amortised cost	(20,188,011)	–
- (financial assets available for sale)	–	(50,057,667)
- (due from banks: on demand)	–	41,301,729
- (due from banks: other receivables)	–	39,458,883
- (loans to customers)	–	(34,324,826)
- other assets	(5,504,076)	(4,990,435)
3. Cash generated by/used in financial liabilities	**124,615,647**	**(11,417,139)**
- financial liabilities designated at amortised cost	123,583,452	–
- (due to banks: on demand)	–	940,781
- (due to banks: other payables)	–	(670,420)
- (due to customers)	–	(1,751,598)
- (securities issued)	–	(1,230,347)
- financial liabilities held for trading	180,086	(10,628,849)
- financial liabilities designated at fair value	–	–
- other liabilities	852,109	1,923,294
Cash generated by/used in operating activities	**14,917,892**	**20,835,051**

	Amount	
	31.12.2018	31.12.2017 (*)
B. INVESTING ACTIVITIES		
1. Cash generated by	**4,834,956**	**8,224,359**
- disposals of equity investments	–	–
- dividends received on equity investments	4,833,724	6,225,711
- (disposal of investments held to maturity)	–	1,998,648
- disposals of property and equipment	1,232	–
- disposals of intangible assets	–	–
- disposals of business units	–	–
2. Cash used in	**(263,474)**	**(198,747)**
- purchases of equity investments	–	–
- purchases of property and equipment	(135,165)	(187,425)
- purchases of intangible assets	(128,309)	(11,322)
- purchases of business units	–	–
Cash generated by/used in investing activities	**4,571,482**	**8,025,612**
C. FINANCING ACTIVITIES		
- issues/purchases of treasury shares	–	332,844
- issues/purchases of capital instruments	–	(59,645)
- dividend distribution and other purposes	(19,460,031)	(28,974,013)
Cash generated by/used in financing activities	**(19,460,031)**	**(28,700,814)**
CASH GENERATED/USED DURING THE YEAR	**29,343**	**159,849**

(*) The figures for the previous period were prepared in accordance with IAS 39 classification and measurement criteria and are therefore not fully comparable with the figures for the current period.
Items measured only in the comparative period and no longer envisaged as from the 5th update of Bank of Italy Circular 262, in force as from 1 January 2018, are shown in brackets.

Key
(+) generated
(-) used

RECONCILIATION	31.12.2018	31.12.2017
FINANCIAL STATEMENT ITEMS		
Cash and cash equivalents at the beginning of the year	629,375	469,526
Total net cash generated/used during the year	29,343	159,849
Cash and cash equivalents: effect of exchange rate changes		
Cash and cash equivalents at the end of the year	658,718	629,375

NOTES TO THE FINANCIAL STATEMENTS OF BANCA FINNAT EURAMERICA S.P.A.

Set out below are the sections of the Notes to the Financial Statements applicable to the Bank.

Part A – Accounting policies

A.1 – General information

- Section 1 - Statement of compliance with international accounting standards
- Section 2 - General financial reporting principles
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Part A – Accounting policies

A.1 – General information

Section 1 - Statement of compliance with international accounting standards

The financial statements at 31 December 2018 of Banca Finnat Euramerica S.p.A. have been prepared applying the International Accounting Standard (IAS) and the International Financial Reporting Standards (IFRS), as amended by the International Accounting Standards Board (IASB) and approved by the European Commission, in force at 31 December 2018, in accordance with the procedures laid down in EC Regulation no. 1606/02.

The international accounting standards have been applied taking into account, where necessary, the "Framework for the Preparation and Presentation of financial statements" (the Framework).
For further guidance on the application of the new accounting standards, the Company has also referred to the interpretations provided by the International Financial Reporting Interpretations Committee (IFRIC), as well as the documents issued to support the introduction of the IAS/IFRS in Italy by the Organismo Italiano di Contabilità (OIC) – the Italian Accounting Board – and the documents produced by the Italian Bankers' Association (ABI).
If no standard or applicable interpretation applied specifically to a transaction, other event or condition, reference was made to the provisions and guidelines contained in the standards and interpretations dealing with similar and related issues, taking into account the Framework provisions.

Section 2 – General financial reporting principles

In accordance with the requirements jointly issued by the Bank of Italy, Consob and Isvap no. 2 of 6 February 2009 and paragraphs 25 and 26 of IAS 1, the Directors of the Bank have taken into account with the utmost caution and attention – for the purpose of preparing the financial statements – a series of financial, management and other indicators, in order to identify the existence of any circumstance that may be relevant for assessing the compliance with the 'going concern' requirement.

As a result of the audits carried out in respect of the realisable value of the assets – based on prudent weighted assessments – and in consideration of the reliability and results of the risk measurement systems, the Directors of the Bank are confident there is no evidence that could cast doubts in respect of the going concern assumption. Given the size of the Bank's assets, the substantial financial resources owned and the breakdown, quality and liquidity of the Bank's portfolio of financial assets, the Directors of the Bank have prepared these financial statements in the full conviction that the Bank meets the requirements of a going concern in the foreseeable future.
The separate Financial Statements of Banca Finnat Euramerica S.p.A. at 31 December 2018 were prepared in accordance with the provisions laid down by Circular no. 262 of 22 December 2005 "Banks' financial statements: layouts and preparation" – update 5 of 22 December 2017 – issued by the Bank of Italy.
This latest update absorbed the introduction of the international accounting standard IFRS 9 that replaced, with effect from 1 January 2018, IAS 39 for the accounting of financial instruments and also took into account the new accounting standard IFRS 15 "Revenue from contracts with customers".

The main changes and impacts of the two new standards - already illustrated in the 2017 Financial Statements - are analysed in two specific paragraphs "Transition to the international accounting standard IFRS 9" and "Adoption of IFRS 15" illustrated below.
The separate financial statements consist of: the Balance Sheet, Income Statement, Statement of Changes in Shareholders' Equity, Statement of Comprehensive Income, Cash Flow Statement and these Notes to the Financial Statements. They also comprise the Directors' Report on the Bank's situation, on operations as a whole and in the various sectors in which it has operated as well as on main risks and uncertainties that it faces.

The separate Financial Statement also contains, as an attachment, the Statement of changes in Equity investments.

The Corporate Governance Report is provided in the specific section, drawn up in accordance with Article 123-bis of the Italian Consolidated Financial Law.

The separate Notes to the Financial Statements provide all information required by law and additional information deemed necessary to give a true and fair view of the Bank's situation. If the information required by the international accounting standards and by the provisions of Bank of Italy Circular Letter no. 262 of 22 December 2005 - 5th does not suffice to give a true and fair, reliable, comparable and comprehensible view, the notes to the financial statements provide additional information for said purpose.

With reference to the adoption of IFRS 9, the Bank exercised the option envisaged in paragraph 7.2.15 and in paragraphs E1 and E2 of IFRS 1 "First-Time Adoption of International Financial Reporting Standards", according to which - without prejudice to the retrospective application of the new rules of measurement and representation required by the standard - the mandatory restatement on a like-for-like basis of the comparison figures in the financial statements of first-time adoption of the new standard is not envisaged. According to the indications contained in the deed of issue of the 5th update of Circular 262, banks using the exemption from the obligation to restate the comparative values must, however, include, in the first financial statements drawn up on the basis of the new Circular 262, a reconciliation statement that provides a reconciliation between the figures of the last approved financial statements and the first financial statements drawn up based on the new provisions. The form and content of this report are independently up to the competent company bodies.

The tables of the Balance Sheet, Income Statement and Statement of Comprehensive Income are made up of items, sub-items and by additional information on the items and sub-items. The items, sub-items and related details constitute the financial accounts. All items with nil balances either for the current or for the previous financial year are not shown. Revenues in the Income Statement and Statement of Comprehensive Income are shown without any sign whilst costs are shown in brackets.
Comparative figures are shown for each account item of the Balance Sheet, Income Statement and Statement of Comprehensive Income.

Consistently with Article 5 of Italian Legislative Decree no. 38 of 28 February 2005, the Separated financial statements were prepared using the euro as the presentation currency. The amounts of the statements are expressed in euro, whilst the figures of the Notes to the Financial Statements, unless otherwise specified, are expressed in thousands of euros.

The separate Financial Statements provide a true and fair view of the financial position, the result for the year and cash flows. The financial statements were also prepared, as specified above, on a going concern basis (IAS 1 paragraph 25), on an accrual basis (IAS 1 paragraphs 27 and 28), in compliance with the obligation to make adjustments to reflect the events subsequent to the reference date of the financial statements (IAS 10). The assets and liabilities, income and expenses have not been offset, except where required or allowed by a principle or interpretation (IAS 1 paragraph 32). The cost of inventory and of the financial instruments was calculated using the weighted average daily cost method, (IAS 2, paragraph 25).

The accounting principles applied to prepare these Financial Statements are substantially changed with respect to those applied to prepare the Financial Statements for 2017.

The changes are essentially due to the mandatory adoption, starting from 1 January 2018, of the following international accounting principles:

- IFRS 9 "Financial instruments", issued by the IASB in July 2014 and approved by the European Commission with Regulation (EU) 2067/2016, which replaced IAS 39 with regard to the regulation of classification and measurement of financial instruments, as well as the related impairment process;
- IFRS 15 "Revenue from Contracts with Customers", approved by the European Commission with Regulation (EU) 1905/2016, which led to the cancellation and replacement of IAS 18 "Revenue" and IAS 11 "Construction contracts".

The separate Financial Statements for Banca Finnat Euramerica S.p.A. were audited by EY S.p.A., to whose Report attached hereto specific reference is made:

The European Commission endorsed the following Regulations (through amendments or the promulgation of new standards) that will apply from 1 January 2018 onwards:

- Regulation no. 2067/2016 – IFRS 9 Financial Instruments.
- Regulation no. 1905/2016 – IFRS 15 Revenue from Contracts with Customers.
- Regulation no. 1988/2017 – IFRS 4 Joint application of IFRS 9 Financial Instruments and of IFRS 4 Insurance Contracts.
- Regulation no. 182/2018 – IFRS 2014-2016 annual improvements cycle.
- Regulation no. 289/2018 – Amendments to the IFRS 2 Share-based payment.
- Regulation no. 400/2018 – Amendments to IAS 40 Investment Property – Change in use of investment property.

The European Commission also endorsed the following Regulations (through amendments or the promulgation of new standards) that will apply from 1 January 2019 onwards:

- Regulation no. 1986/2017 – IFRS 16 Leasing.

- Regulation no. 498/2018 – Amendments to IFRS 9 Financial instruments – Prepayment features with negative compensation.

IFRS 16 introduces new rules for the accounting presentation of leases for both lessors and lessees with the aim of improving their reporting. With the coming into force of the new standard, the application of the previous standard IAS 17 and the related interpretations (IFRIC 4, SIC 15 and SIC 27) will cease.
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 the asset for a period of time in exchange for consideration.
It will apply to all transactions involving a right to use the property for a certain period of time in exchange for a certain consideration, regardless of the contractual form (it will therefore apply to both leases and rental agreements).
The lessee will be required to recognise under assets the right to use the asset subject-matter of the lease and under liabilities the present value of future lease payments. Subsequent to initial recognition, the value recorded under assets will be subject to depreciation for the duration of the contract or for the useful life of the asset, in accordance with IAS 16, or alternatively measured at fair value; as a result of the lease payments, the present value of the future lease payments recorded under liabilities will be progressively reduced against the interest to be recorded through profit or loss. The accounting representation obligations for the lessee introduced by IFRS 16 will not apply to contracts with a duration of no more than 12 months and to contracts with a low unit value.
With regard to the accounting representation of the lessor, the models envisaged by IAS 17 continue to be applied, differentiated according to whether it is a finance or operating lease; the main differences will concern sale & lease back and sublease contracts, the definition of leases and disclosure.

The Bank and the other Group companies have adopted a group policy to regulate the procedures for identifying, measuring and recognising lease agreements; 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 starting from 1 January 2019. 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 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 and to lease agreements whose residual duration at the date of first adoption is shorter than 12 months.

Upon first application, the new provisions shall be 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 will determine: a value of the lease liabilities in first application 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; 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). The different procedures for recognising the expenses connected with lease agreements will entail for the Bank 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. The negative impact, which will be progressively reabsorbed in subsequent years, is less than 1% of operating costs.

* * *

The main changes and impacts of the adoption of the two new accounting standards that came into force on 1 January 2018 are reported below.

The transition to the International Accounting Standard IFRS9

IFRS 9 replaced, with effect from 1 January 2018, IAS 39 for the recognition of financial instruments. The main changes introduced by the new standard were already illustrated in the 2017 Financial Statements.

The effects of first-time adoption of the IFRS 9 - like all impacts of new IAS/IFRS accounting standards - are recognised in shareholders' equity through the recognition of first-time adoption reserves (FTA Reserves).

The Bank performed the following activity with reference to the main changes introduced by the new standard.

A) Classification and measurement of financial assets

With regard to the portfolio of receivables, the Bank has adopted a single business model directed at the collection of the cash flows as prescribed contractually ("Held to Collect" model).

In relation to the Bank's own portfolios invested in financial instruments other than equity investments in associates and controlling interests, the Bank, taking into account the different areas of operations, adopted the three envisaged business models ("Held to Collect", "Held to Collect & Sell" and "Held to Sell") associating each model to the homogeneous portfolios on the basis of the current procedures for managing the underlying assets identified in the IAS 39 portfolios.

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

- The shares belonging to the current "Financial assets available for sale" portfolio, whose book value amounted to 5,225 thousand euros were classified for the same amount at "fair value through other comprehensive income" (no recycling) exercising the irrevocable option upon initial recognition. This reclassification did not result in changes in Shareholders' Equity.

  Following the exercise of this option, which allows the reclassification of capital instruments not held for trading in this category (always in compliance with the reference business), only dividends are recognised through profit or loss, while the valuations and results deriving from the sale are recognised in shareholders' equity and no impairment is envisaged.

- The UCI units (funds and Sicav) belonging to the "Financial assets available for sale" portfolio whose book value was 22,360 thousand euros were classified for the same amount in "Held to Sell" and measured mandatorily at "fair value through profit or loss" because, although these instruments were associated to the business model whose investment strategy has the objective of realising the contractual cash flows both by holding them and selling them, the characteristics of the contractual cash flows are not consistent with the criteria prescribed to pass the SPPI test. As a consequence of this classification, the cumulative gain recognised previously in Valuation reserves amounting to 606 thousand euros before tax effects (406 thousand euros after tax effects), was recognised in FTA reserve. Therefore, also this reclassification did not result in changes in Shareholders' equity.

- The securities issued by the Italian State that belong to the "Financial assets available for sale" portfolio, whose book value is 1,160,270 thousand euros, were classified in the "Held to Collect & Sell" category for a value of 166,621 thousand euros and in the "Held to Collect" category for a value of 992,187 thousand euros (net of the cumulative gain at 31 December 2017 recorded in the Valuation reserves, equal to 1,462 thousand euros). As a result of this classification, these Valuation reserves of 978 thousand euros before tax effects were eliminated from the book value of shareholders' equity and adjusted against the fair value of the financial assets at the date of initial recognition; therefore, financial instruments were classified as if they had always been designated at amortised cost.

- The other bond securities belonging to "Financial assets available for sale" of 28,907 thousand euros were classified for the same amount in the "Held to Collect & Sell" category.

- The financial instrument called FINRE SPV 25 8% SEN, whose book value was 726 thousand euros, previously classified as "Loans to customers", was reclassified for the same amount in the "Held to Sell" category and mandatorily measured at "fair value through profit or loss" since the characteristics of the contractual cash flows are not consistent with the criteria for passing the SPPI test.

B) Impairment

Upon first adoption, performing financial assets were distinguished between those that can be classified in the first category (Bucket 1) and those that can be classified in the second category (Bucket 2) whereas non-performing financial assets were classified in the third category (Bucket 3) in accordance with the Staging Allocation Policy adopted by the Group.

The scope of the new staging allocation rules pertains to:

- financial assets designated at amortised cost (CA). This category includes loans to customers (including trade receivables and receivables for margins from Cassa di Compensazione e Garanzia), due from banks and debt securities;
- financial assets designated at fair value through other comprehensive income (FVOCI) represented by debt securities (receivables or bonds);

- irrevocable commitments to lend funds;
- unsecured loans of a financial nature or of a commercial nature.

Upon first-time adoption of the accounting standard, the Bank carried out a detailed analysis of all performing positions, identifying the exposures that recorded a significant increase in credit risk compared to the date of disbursement at the time of initial adoption of the new accounting standard. To this end, the following main simplifications were adopted:

- for exposures due for more than 30 days at the date of first-time adoption of the new accounting standard, the assumption of a significant increase in credit risk was adopted, so these exposures were classified in Bucket 2;
- forborne performing exposures were classified in Bucket 2;
- all positions that at the date of first-time adoption were associated with prejudicial information were classified in Bucket 2 and for the purposes of the recognition of the significant increase in credit risk, the first available recognition was considered as the initial one.

The effect of the adoption of the new impairment rules was recognised in net equity through changes in dedicated first-time adoption reserves (FTA reserves) as envisaged by the new accounting standard. The impact of all impairment losses on performing financial assets amounted to a total of 1,260 thousand euros before taxes and to a total of 894 thousand euros after taxes. Total impairment losses after taxes are detailed as follows:

Impairment after taxes

(in thousands of euros)

Held to collect	
Loans to customers	151
Due from banks	70
Securities	349
Held to collect and sell	
Securities	239
Irrevocable commitments to lend funds and unsecured loans of a financial nature or of a commercial nature	**85**
Total impairment	**894**

The above impairment losses led to a reduction in total shareholders' equity of 655 thousand euros in that the impairments on Held to Collect and Sell securities were offset by the valuation reserve and therefore did not lead to changes in shareholders' equity.

C) Hedge Accounting

IFRS 9 contains the provisions related to the so-called "General Hedge Accounting Model" aimed at better reflecting the risk management policies adopted by management in financial reporting.

Therefore, by way of example but not by way of limitation, the standard extends the scope of risks for which hedge accounting of non-financial elements can be applied, eliminates the need for quantitative effectiveness tests, no longer requires retrospective assessment of the effectiveness of the hedge and no longer provides for the possibility of voluntarily revoking the application of hedge accounting once designated.

In connection with the greater flexibility introduced, the new standard envisages an even more detailed information on risk management activities by Risk Management.

At 31 December 2017, the Bank had no hedge accounting transactions.

* * * *

In summary, in light of the above, the new accounting standard on first-time adoption led to a reduction in shareholders' equity, after taxes, of 1,633 thousand euros due both to reclassifications and to impairment.

* * *

In order to represent the effects of the first-time adoption of IFRS 9, the following tables are shown below:

- Reconciliation between the published financial statements and the financial statements according to the new Circular 262;
- Reconciliation of the balance sheet figures at 31 December 2017 according to the new Circular 262 and the opening balances at 1 January 2018.

Reconciliation statement between the published Banca Finnat Euramerica balance sheet assets at 31 December 2017 and the balance sheet according to the new Bank of Italy Circular Letter no. 262 after reclassifications

(in 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	629,375			
20.	Financial assets held for trading		45,712,094		
40.	Financial assets available for sale			22,360,134	200,753,182
60.	Due from banks				
70.	Loans to customers			726,001	
100.	Equity investments				
110.	Property and equipment				
120.	Intangible assets				
130.	Tax assets				
	a) current				
	b) advance				
150.	Other assets				
TOTAL ASSETS		629,375	45,712,094	23,086,135	200,753,182

40. Financial assets designated at amortised cost		70. Equity investments	80. Property and equipment	90. Intangible assets	100. Tax assets		120. Other assets	TOTAL ASSETS
a) due from banks	b) loans to customers				a) current	b) advance		
								629,375
								45,712,094
	993,648,880							1,216,762,196
76,352,947								76,352,947
	341,288,480							342,014,481
		76,156,865						76,156,865
			4,870,448					4,870,448
				374,198				374,198
					92,476			92,476
						1,440,014		1,440,014
							20,844,532	20,844,532
								1,785,249,626
76,352,947	**1,334,937,360**	**76,156,865**	**4,870,448**	**374,198**	**92,476**	**1,440,014**	**20,844,532**	**1,785,249,626**

Reconciliation statement between the published Banca Finnat Euramerica balance sheet liabilities at 31 December 2017 and the balance sheet according to the new Bank of Italy Circular Letter no. 262 after reclassifications

(in euros)

31 December 2017 new 262 / 31 December 2017 published		10. Financial liabilities designated at amortised cost			20. Financial liabilities held 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	1,473,793					
20.	Due to customers		1,501,891,245				
30.	Securities issued			22,594,170			
40.	Financial liabilities held for trading				142,651		
80.	Tax liabilities						
	a) current					2,894,202	
	b) deferred						1,647,886
100.	Other liabilities						
110.	Provisions for termination indemnities						
120.	Provisions for risks and charges b) other provisions						
130.	Valuation reserves						
160.	Reserves						
180.	Share capital						
190.	Treasury shares (-)						
200.	Profit (Loss) for the year (+/-)						
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**1,473,793**	**1,501,891,245**	**22,594,170**	**142,651**	**2,894,202**	**1,647,886**

	80. Other liabilities	90. Provisions for termination indemnities	100. Provisions for risks and charges		110. Valuation reserves	140. Reserves	160. Share capital	170. Treasury shares (-)	180. Profit (Loss) for the year (+/-)	TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY
			a) commit-ments and guarantees given	c) other provisions for risks and charges						
										1,473,793
										1,501,891,245
										22,594,170
										142,651
										2,894,202
										1,647,886
	9,670,220		2,423							9,672,643
		2,157,317								2,157,317
				548,380						548,380
					53,488,826					53,488,826
						93,947,378				93,947,378
							72,576,000			72,576,000
								(14,059,346)		(14,059,346)
									36,274,481	36,274,481
	9,670,220	**2,157,317**	**2,423**	**548,380**	**53,488,826**	**93,947,378**	**72,576,000**	**(14,059,346)**	**36,274,481**	**1,785,249,626** / **1,785,249,626**

Reconciliation statement between the published Banca Finnat Euramerica income statement at 31 December 2017 and the income statement according to the new Bank of Italy Circular Letter no. 262 after reclassifications - Statement 1 of 2

(in euros)

31 December 2017 new 262 / 31 December 2017 published	10. Interest income and similar income	20. Interest expense and similar expense	**30. Interest margin**	40. Fee and commission income	50. Fee and commission expense	**60. Net fees and commissions**	70. Dividend and similar income
10. Interest income and similar income	6,700,989						
20. Interest expense and similar expense		2,190,419					
30. Interest margin							
40. Fee and commission income				17,379,477			
50. Fee and commission expense					(1,286,040)		
60. Net fees and commissions							
70. Dividend and similar income							8,049,969
80. Profit (Losses) on trading							
100. Profits (losses) on disposal or repurchase of:							
b) financial assets available for sale							
120. Net banking income							
130. Net Losses/Recoveries on impairment of:							
a) receivables							
b) financial assets available for sale							
d) other financial transactions							
140. Net income from financial operations							
	6,700,989	2,190,419	**8,891,408**	17,379,477	(1,286,040)	**16,093,437**	8,049,969

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 or loss	**120. Net banking income**	130. Net losses/recoveries on credit risk relating to:		**150. Net income from financial operations**	
	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		
								6,700,989
								2,190,419
								8,891,408
								17,379,477
								(1,286,040)
								16,093,437
								8,049,969
1,725,975								1,725,975
		38,185,401	–					38,185,401
								72,946,190
					(2,330,649)			(2,330,649)
			(2,951,439)			(704,751)		(3,656,190)
								(2,423)
								66,956,928
1,725,975	–	38,185,401	(2,951,439)	**69,994,751**	(2,330,649)	(704,751)	**66,959,351**	

Reconciliation statement between the published Banca Finnat Euramerica income statement at 31 December 2017 and the income statement according to the new Bank of Italy Circular Letter no. 262 (in euros) - Statement 2 of 2

(in euros)

31 December 2017 new 262 / 31 December 2017 published		160. Administrative expenses:		170. Net provisions for risks and charges		180. Net losses/recoveries on property and equipment
		a) personnel expenses	b) other administrative expenses	a) commitments and guarantees given	b) other net allocations netti	
130.	Net Losses/Recoveries on impairment of:					
	d) other financial transactions			(2,423)		
150.	Administrative expenses:					
	a) personnel expenses	(17,923,053)				
	b) other administrative expenses		(13,598,654)			
160.	Net provisions for risks and charges				(100,000)	
170.	Net losses/recoveries on property and equipment					(327,350)
180.	Net losses/recoveries on intangible assets					
190.	Other operating income/expenses					
200.	**Operating costs**					
210.	Profit (loss) from equity investments					
250.	**Profit (loss) from continuing operations before taxes**					
260.	Taxes on income from continuing operations					
270.	**Profit (loss) from continuing operations after taxes**					
290.	**Profit (loss) for the year**					
		(17,923,053)	(13,598,654)	(2,423)	(100,000)	(327,350)

	190. Net losses/ recoveries on intangible assets	200. Other operating income/ expenses	**210. Operating costs**	220. Profit (loss) from equity investments	**260. Profit (loss) from continuing operations before taxes**	270. Taxes on income from continuing operations	**280. Profit (loss) from continuing operations after taxes**	**300. Profit (loss) for the year**	
									–
									(17,923,053)
									(13,598,654)
									(100,000)
									(327,350)
	(22,057)								(22,057)
		4,290,501							4,290,501
									(27,680,613)
				(1,842,576)					(1,842,576)
									37,433,739
						(1,159,258)			(1,159,258)
									36,274,481
									36,274,481
	(22,057)	4,290,501	**(27,683,036)**	(1,842,576)	**37,433,739**	(1,159,258)	**36,274,481**	**36,274,481**	

Reconciliation statement between the separate Balance Sheet at 31 December 2017 according to the new Bank of Italy Circular no. 262 and the Balance Sheet at 1 January 2018 IFRS 9.

(amounts in euros)

	Asset items	TOTAL ASSETS 31.12.2017 after reclassifications to new items Circ. 262
10.	Cash and cash equivalents	629,375
20.	Financial assets designated at fair value through profit or loss	45,712,094
	a) financial assets held for trading	45,712,094
	c) other financial assets mandatorily at fair value	
30.	Financial assets designated at fair value through other comprehensive income	1,216,762,196
40.	Financial assets designated at amortised cost	418,367,428
	a) due from banks	76,352,947
	b) loans to customers	342,014,481
70.	Equity investments	76,156,865
80.	Property and equipment	4,870,448
90.	Intangible assets	374,198
100.	Tax assets	1,532,490
	a) current	92,476
	b) advance	1,440,014
120.	Other assets	20,844,532
	Total assets	**1,785,249,626**

Reclassifications of financial instruments from transition to IFRS 9		TOTAL ASSETS 31.12.2017 after reclassifications IFRS 9 FTA	Changes in book values due to transition to IFRS 9		TOTAL ASSETS 01.01.2018
40. Financial assets available for sale	70. Loans to customers		Change in measurement bases	Impairment	
		629,375			629,375
22,360,134	726,001	68,798,229			68,798,229
		45,712,094			45,712,094
22,360,134	726,001	23,086,135			23,086,135
(1,016,009,014)		200,753,182			200,753,182
993,648,880	(726,001)	1,411,290,307	(1,461,586)	(817,313)	1,409,011,408
		76,352,947		(69,810)	76,283,137
993,648,880	(726,001)	1,334,937,360	(1,461,586)	(747,503)	1,332,728,271
		76,156,865			76,156,865
		4,870,448			4,870,448
		374,198			374,198
		1,532,490		365,220	1,897,710
		92,476			92,476
		1,440,014		365,220	1,805,234
		20,844,532			20,844,532
–	**–**	**1,785,249,626**	**(1,461,586)**	**(452,093)**	**1,783,335,947**

Reconciliation statement between the separate Balance Sheet at 31 December 2017 according to the new Bank of Italy Circular no. 262 and the Balance Sheet at 1 January 2018 IFRS 9.

(amounts in euros)

	Liabilities and shareholders' equity	TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY 31.12.2017 after reclassifications to new items Circ. 262
10.	Financial liabilities designated at amortised cost	1,525,959,208
	a) due to banks	1,473,793
	b) due to customers	1,501,891,245
	c) debt securities issued	22,594,170
20.	Financial liabilities held for trading	142,651
60.	Tax liabilities	4,542,088
	a) current	2,894,202
	b) deferred	1,647,886
80.	Other liabilities	9,672,643
90.	Provisions for termination indemnities	2,157,317
100.	Provisions for risks and charges	548,380
	a) commitments and guarantees given	
	c) other provisions for risks and charges	548,380
110.	Valuation reserves	53,488,826
140.	Reserves	93,947,378
160.	Share capital	72,576,000
170.	Treasury shares (-)	(14,059,346)
180.	Profit (Loss) for the year (+/-)	36,274,481
	Total liabilities and shareholders' equity	**1,785,249,626**

Reclassifications of financial instruments from transition to IFRS 9	TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY 31.12.2017 after reclassifications IFRS 9 FTA	Effect of transition to IFRS 9	TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY 01.01.2018
80. Other liabilities			
	1,525,959,208		1,525,959,208
	1,473,793		1,473,793
	1,501,891,245		1,501,891,245
	22,594,170		22,594,170
	142,651		142,651
	4,542,088	(365,326)	4,176,762
	2,894,202		2,894,202
	1,647,886	(365,326)	1,282,560
(2,423)	9,670,220		9,670,220
	2,157,317		2,157,317
2,423	550,803	84,970	635,773
2,423	2,423	84,970	87,393
	548,380		548,380
	53,488,826	(1,144,917)	52,343,909
	93,947,378	(488,406)	93,458,972
	72,576,000		72,576,000
	(14,059,346)		(14,059,346)
	36,274,481		36,274,481
–	**1,785,249,626**	**(1,913,679)**	**1,783,335,947**

Adoption of the IFRS 15

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

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

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

The accounting standard IFRS 15 sets out the rules for the recognition of revenues deriving from contractual obligations with customers. IFRS 15 must be applied only if the counterparty is a customer. The customer is a 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 accounting standard requires revenue to be recognised using an approach based on the following 5 steps:

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 implicitly derived from the entity's usual commercial practices;

2) identify the performance obligations in the contract: a single contract may contain a promise to transfer more than one good or service to the customer. On recognition of the contract, the entity assesses the goods or services 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 expected price may be a fixed amount, include variable components or non-monetary components.
   With regard to this case, the standard introduces, with reference to the variable component, potential elements of estimation in the determination of the overall transaction price;

4) allocate the transaction price to the performance obligations in the contract: where a contract has multiple performance obligations, an entity will allocate the transaction price to each obligation, on the basis of the standalone selling price of each individual good or service prescribed by the contract. The standalone selling price is the price at which the entity would sell the promised good or service separately to the customer.
   The best indication of the standalone selling price is the price of the good or service that can be observed when the entity sells the good or service separately in similar circumstances and to similar customers;

5) recognise revenue when (or as) the entity satisfies a performance obligation: the revenue is

recognised when control of the goods or services is passed to the customer.
The amount of revenue to be recognised is the one allocated to the performance obligation satisfied at a point in time or over time.
In case of performance obligations "satisfied over time", the entity recognises the revenue over time, using an appropriate method to measure progress against full satisfaction of the obligation.

The analyses show that, for the Bank, the Private Banking, Institutional Customers, Advisory and Corporate Finance sectors are potentially affected by the new provisions of the standard. The main cases examined include: contracts characterised by a plurality of contractual obligations; contracts that provide for variable considerations, such as commissions related to the achievement of certain objectives; contracts that provide for the recognition of revenue when the performance obligation is satisfied at a point in time or over time. The procedures for determining revenue from contracts with customers are defined in a specific policy adopted by Banca Finnat.
The impacts of the FTA of the new standard were zero in terms of effects on shareholders' equity.
In fact, note that the accounting treatment applied by the Bank to these cases - prior to the introduction of the new standard - was already in line with the provisions of IFRS 15 and consequently, when fully implemented, there were no significant impacts in accounting terms.
Following the introduction of the new standard, impacts were instead identified in terms of greater demand for qualitative information relating to the above-mentioned revenue, as prescribed by update 5 of Circular 262 of the Bank of Italy in force since 1 January 2018.

Section 3 – Subsequent events

In the period spanning the end of the 2018 financial year and the date on which these Financial Statements were prepared, no significant events or factors that could affect the financial position, capital position, or results of operations of the Bank emerged.
The 2018 statutory financial statements will be submitted for the approval of the Shareholders' Meeting convened for 24 April 2019.

Section 4 – Other information

Risks and uncertainties linked to the use of estimates

In compliance with the IAS/IFRS standards, the Bank carries out evaluations, estimates and assumptions in support of the application of the accounting standards and for the determination of the amounts of the assets, liabilities, costs and revenues reported in the financial statements. In respect of the preparation of the Financial Statements at 31 December 2018, the Bank used estimates (based on the most recent available data) in respect of both several balance sheet and several income statement items.

Exemption from the preparation of the fourth interim financial report for 2018

With the implementation of the Directive on shareholders' rights (Italian Legislative Decree no. 27 of 27 January 2010), paragraph 1 of Article 154-*ter* was amended ("Financial Reports") of the Italian Consolidated Financial Law (the "TUF"). This amendment establishes that the annual Financial Report, comprising the draft statutory financial statements, the consolidated financial statements, if prepared, the report on operations and the certification of the appointed administrative bodies and the Manager in charge of preparing the accounting documents, must be published within 120 days of the company year end. The obligation to ensure publication within 120 days refers specifically to the "draft financial statements" approved by the administrative body and no longer to the "statutory financial statements" approved by the Shareholders' Meeting. As such, this amendment restores, for listed companies, the option to postpone approval of the financial statements within maximum terms of 180 days as established by Article 2364, paragraph 2 of the Italian Civil Code, which had been abolished by Directive 2004/109/EC (the Transparency Directive). The decree also establishes that, as an exception to Art. 2429, paragraph 1 of the Italian Civil Code, the draft financial statements must be disclosed by the directors to the board of auditors and independent auditing firm at least 15 days prior to publishing the draft.

With reference to companies belonging to the STAR segment, Borsa Italiana has established the publication - in addition to the reports concerning the first and third quarters, as required by paragraph 5 of Article 154-*ter* – also the interim report on operations with reference to the 4th quarter; it has also allowed to omit drafting said report if publication of the draft financial statements is brought forward to 90 days as from the end of the year of reference. The term of 90 days (previously set to 75 days prior to the amendments introduced with the implementation of the Directive as explained above) was established by Borsa Italiana with its notice no. 14924 of 8 October 2010 concerning the "Amendments made to the Market Regulation".
In view of the above, the Bank opted not to publish the 4th interim report on operations, by making the draft separate and consolidated Financial Statements at 31 December 2018, complete with the certification by the manager in charge of preparing the accounting documents, that of the board of statutory auditors and the auditing firm, available to shareholders and to the market within the term of 90 days from the end of the financial year.

A.2 – Information on the main financial statement items

The accounting standards adopted in preparing the Financial Statements at 31 December 2018 changed significantly with respect to those adopted for the preparation of the 2017 financial statements as concerns classification, measurement and derecognition criteria, and the methods for recognising costs and revenue.
These amendments were introduced for the application of the new accounting standards that came into force on 1 January 2018: IFRS 9 "Financial Instruments" and IFRS 15 "Revenue from Contracts with Customers". In particular, the adoption of IFRS 9 had significant impacts on the Bank in accounting terms as well.
In the light of the above, the new accounting standards adopted as from 1 January 2018 are illustrated with regard to recognition/classification, measurement and derecognition of the main items in the Financial Statements.

1. Financial assets designated at fair value through profit or loss (FVTPL)

Classification criteria

This category includes financial assets other than those recognised as Financial assets designated at fair value through other comprehensive income and Financial assets designated at amortised cost. In particular, the item includes:

- financial assets held for trading, mainly represented by debt securities, UCIs and equities and the positive value of derivative contracts held for trading (Other/Trading);
- other financial assets mandatorily at fair value, represented by financial assets that do not meet the requirements for measurement at amortised cost ("Hold to Collect") or at fair value through other comprehensive income ("Hold to Collect and Sell").

  These are financial assets whose contractual terms do not exclusively envisage capital reimbursements and interest payments on the amount of capital to be repaid (known as "SPPI test" not passed) or that are not held within the framework of a business model whose objective is the possession of assets aimed at collecting contractual cash flows or within the framework of a business model whose objective is achieved both through the collection of contractual cash flows and through the sale of financial assets;
- financial assets designated at fair value, i.e. financial assets thus defined at the time of initial recognition and where the requirements are met. In relation to this case, an entity may irrevocably designate a financial asset as designated at fair value through profit or loss at the time of recognition if, and only if, by doing so, it eliminates or significantly reduces a valuation inconsistency.

According to the general rules envisaged by IFRS 9 on the reclassification of financial assets (with the exception of equities, for which no reclassification is permitted), reclassifications to other categories of financial assets are not permitted unless the entity modifies its business model for the management of financial assets. In such cases, which are expected to be highly infrequent, financial assets may be reclassified from the category designated at fair value through profit or loss into one of the other two categories envisaged by IFRS 9 (Financial assets designated at amortised cost or Financial assets designated at fair value through other comprehensive income). The transfer value is the fair value at the time of reclassification and the effects of reclassification operate prospectively from the date of reclassification. In this case, the effective interest rate of the reclassified financial asset is determined on the basis of its fair value on the date of reclassification, and that date is considered as the date of initial recognition for the allocation to the various stages of credit risk (stage assignment) for the purposes of determining impairment.

Recognition criteria

Financial assets are initially recognised on the settlement date for debt securities and equity, on the disbursement date for loans and on the subscription date for derivative contracts.

Upon initial recognition, financial assets designated at fair value through profit or loss are recognised at fair value, without considering transaction costs or income directly attributable to the instrument itself.

Measurement criteria

Subsequent to initial recognition, financial assets designated at fair value through profit or loss are measured at fair value. The effects of the application of this measurement criteria are charged to the Income Statement.

Market prices are used to determine the fair value of financial instruments listed on an active market. In the absence of an active market, commonly adopted estimation methods and valuation models are employed that take into account all risk factors correlated with the instruments and that are based on market data, such as: valuation of listed instruments with similar characteristics, discounted cash flow calculations, option price calculation models, values posted in recent comparable transactions, etc. For equities and derivatives involving equities not listed on an active market, the cost method is used as a fair value estimate only in a residual way and limited to a few circumstances, i.e. in the case of non-applicability of all the measurement methods mentioned above (since the most recent information available to measure fair value is insufficient), or in the presence of a wide range of possible fair value assessments, in which the cost represents the most significant estimate.

For further information on the criteria for determining fair value, please refer to the specific "Information on fair value" section.

Derecognition criteria

Financial assets are derecognised only if the contractual rights to cash flows deriving from the financial asset expired or if the entity transferred the financial asset and the sale resulted in the substantial transfer of all risks and benefits related to the assets. On the other hand, if a significant portion of risks and benefits related to the financial assets sold has been maintained, these assets will continue to be recognised, even if the legal ownership of the assets has actually been transferred.

If it is not possible to determine the substantial transfer of risks and benefits, financial assets are derecognised when the control thereof is transferred. Otherwise, the fact that even partial control has been retained means that the assets must be carried for an amount proportional to the remaining involvement, which is measured by the exposure to changes in the value of the assets sold and the changes in their cash flows.

Finally, the financial assets sold are derecognised if the contractual rights to receive the relative cash flows are retained, but an obligation is concurrently assumed to pay out to other third parties the above-mentioned flows.

2. Financial assets designated at fair value through other comprehensive income (FVOCI)

Classification criteria

This category includes financial assets that meet both of the following conditions:

- the financial asset is held according to a business model whose objective is achieved both through the collection of contractual cash flows and through sale (Hold to Collect and Sell);
- the contractual terms of the financial asset envisage, at certain dates, cash flows represented solely by payments of principal and interest on the amount of principal to be repaid (known as passed "SPPI test").

The item also includes capital instruments, not held for trading, for which the option to be designated at fair value with an impact on comprehensive income was exercised at the time of initial recognition.

In particular, this item includes:

- debt securities that are part of a Hold to Collect and Sell business model and passed the SPPI test;
- equity investments that do not qualify as establishing control or joint control over or association with companies and are not held for trading, for which the option to be designated at fair value through other comprehensive income was exercised;
- loans that are part of a Hold to Collect and Sell business model and passed the SPPI test.

According to the general rules envisaged by IFRS 9 on the reclassification of financial assets (with the exception of equities, for which no reclassification is permitted), reclassifications to other categories of financial assets are not permitted unless the entity modifies its business model for the management of financial assets.

In such cases, which are expected to be highly infrequent, financial assets may be reclassified from the category measured at fair value through other comprehensive income into one of the other two categories envisaged by IFRS 9 (Financial assets designated at amortised cost or Financial assets designated at fair value through profit or loss). The transfer value is the fair value at the time of reclassification and the effects of reclassification operate prospectively from the date of reclassification. In the event of reclassification from this category to the amortised cost category, the cumulative gain (loss) recognised in the valuation reserve is recognised as an adjustment to the fair value of the financial asset at the date of reclassification. Whereas in the event of reclassification in the category of fair value through profit or loss, the cumulative gain (loss) previously recognised in the valuation reserve is reclassified from shareholders' equity to the income statement (in the item "Profit (losses) on trading").

Recognition criteria

Financial assets are initially recognised on the settlement date for debt securities and equities, and on the disbursement date for loans. Upon their initial recognition, assets are designated at fair value, which generally corresponds to the price paid. Any transaction costs or income directly attributable to the instrument itself are included in the purchase cost.

Measurement criteria

Subsequent to initial recognition, Assets classified at fair value through other comprehensive income, other than equities, are measured at fair value, with impacts deriving from application of amortised cost, the effects of impairment and any exchange rate effect recognised in the Income Statement, whereas other gains or losses arising from a change in fair value are recognised in a specific shareholders' equity reserve until the financial asset is derecognised. Upon disposal, in whole or in part, the cumulative gain or loss in the valuation reserve is reversed to the Income Statement.

The capital instruments chosen for classification in this category are measured at fair value and the amounts recognised with corresponding item in shareholders' equity must not be subsequently transferred to the income statement, even in the event of disposal. The only component relating to the equities in question that is recognised in the income statement is represented by the related dividends. Fair value is determined on the basis of the criteria already illustrated for Financial assets designated at fair value through profit or loss.

For further information on the criteria for determining fair value, please refer to the "Information on fair value" section.

Financial assets designated at fair value through other comprehensive income - both in the form of debt securities and loans - are subject to checking the significant increase in credit risk (impairment) required by IFRS 9, as are Assets at amortised cost, with the consequent recognition in the income statement of an adjustment to cover expected losses.

More specifically, on instruments classified in stage 1 (i.e. on financial assets at the time of origination, where performing, and on instruments for which there has been no significant increase in credit risk compared to the initial recognition date), a 12-month expected loss is recorded at the initial recognition date and at each subsequent reporting date. On the other hand, for instruments classified as stage 2 (performing positions for which there has been a significant increase in credit risk compared to the date of initial recognition) and stage 3 (non-performing exposures), an expected loss is recognised over the life of the financial instrument.

Vice versa, equities are not subject to impairment.

Derecognition criteria

Financial assets are derecognised only if the contractual rights to the cash flows from the financial asset expired or if the entity transferred the financial asset and the sale resulted in the substantial transfer of all the risks and benefits related to the assets. On the other hand, if a significant portion of risks and benefits related to the financial assets sold has been maintained, these assets will continue to be recognised, even if the legal ownership of the assets has actually been transferred.

If it is not possible to determine the substantial transfer of risks and benefits, financial assets are derecognised when the control thereof is transferred. Otherwise, the fact that even partial control has been retained means that the assets must be carried for an amount proportional to the remaining involvement, which is measured by the exposure to changes in the value of the assets sold and the changes in their cash flows.

Finally, the financial assets sold are derecognised if the contractual rights to receive the relative cash flows are retained, but an obligation is concurrently assumed to pay out to other third parties the above-mentioned flows.

3. Financial assets designated at amortised cost

Classification criteria

This category includes financial assets (in particular, loans and debt securities) that meet both of the following conditions:

- the financial asset is held according to a business model whose objective is achieved both through the collection of contractual cash flows, and the contractual terms of the financial asset envisage, at certain dates, cash flows represented solely by payments of principal and interest on the amount of principal to be repaid (known as passed “SPPI test”).

  More specifically, this item includes:

  - receivables due from banks and customers in different categories and debt securities meeting the requirements set out in the previous paragraph.

This category also includes operating loans related to the supply of financial activities and services as established by the Italian Consolidated Law on Banking and the Italian Consolidated Financial Law.

According to the general rules envisaged by IFRS 9 on the reclassification of financial assets, reclassifications to other categories of financial assets are not permitted unless the entity modifies its business model for the management of financial assets. In such cases, which are expected to be highly infrequent, financial assets may be reclassified from the category designated at amortised cost into one of the other two categories envisaged by IFRS 9 (Financial assets designated at fair value through other comprehensive or Financial assets designated at fair value through profit or loss). The transfer value is the fair value at the time of reclassification and the effects of reclassification operate prospectively from the date of reclassification. Gains and losses resulting from the difference between the amortised cost of the financial asset and its fair value are recognised in the income statement in the event of reclassification as Financial assets designated at fair value through profit or loss and Shareholders' equity, in the specific valuation reserve, in the event of reclassification as Financial assets designated at fair value through other comprehensive income.

Recognition criteria

Financial assets are initially recognised on the settlement date for debt securities and on the disbursement date for loans. Upon initial recognition, assets are recorded at fair value, including transaction costs or income directly attributable to the instrument itself.

In particular, with regard to loans, the date of disbursement normally coincides with the date of signing of the agreement. If such a coincidence does not occur, a commitment to disburse funds is recorded at the time of signing the agreement, which ends on the date of disbursement of the loan. The loan is recognised on the basis of its fair value, equal to the amount disbursed, or subscription price, including costs/income directly attributable to the individual loan and determinable from the start of the transaction, even if settled at a later date.

Costs that, despite having the above characteristics, are reimbursed by the debtor counterparty or classified as ordinary internal administrative costs are excluded.

Measurement criteria

Following their initial recognition, the financial assets in question are designated at amortised cost, using the effective interest rate method. In these terms, the asset is recognised in the financial statements at an amount equal to its initial recognition value, less principal reimbursements, plus or minus the cumulative amortisation (calculated using the effective interest rate method referred to above) of the difference between this initial amount and the amount at maturity (typically attributable to costs/income charged directly to the individual asset).

The effective interest rate is determined by calculating the rate that equals the present value of the future cash flows of the asset, for principal and interest, to the amount disbursed including costs/income related to the financial asset itself. This accounting method, which is based on a financial approach, allows the economic effect of costs/income directly attributable to a financial asset to be distributed over its expected residual life.

The amortised cost method is not used for assets - measured at historical cost - whose short duration makes the effect of the application of the discounting logic negligible, for those without a defined maturity or revocable loans.

The measurement criteria are strictly related to the inclusion of the instruments in question in one or the three stages (stages of credit risk) envisaged by IFRS 9, the last of which (stage 3) includes non-performing financial assets and the remaining (stages 1 and 2) performing financial assets.
With reference to the accounting representation of the above valuation effects, impairment losses relating to this type of asset are recognised in the Income Statement:

- upon initial recognition, for an amount equal to the 12-month expected credit loss;
- upon subsequent measurement of the asset, where the credit risk has not significantly increased compared to initial recognition, in relation to changes in the amount of impairment for losses expected in the following twelve months;
- upon subsequent measurement of the asset, where the credit risk significantly increased compared to initial recognition, in relation to the recognition of impairment for expected losses over the life of the asset as provided for in the contract;
- upon subsequent measurement of the asset, where – after a significant increase in credit risk since initial recognition – the "significance" of this increase has since disappeared, in relation to the adjustment of cumulative impairment losses to take account of the change from a full lifetime expected credit loss of the instrument to a 12-month expected credit loss.

If the financial assets in question are performing, they are measured in order to determine the impairment losses to be recorded in the financial statements at the level of the individual credit relation (or security "tranche"), depending on the risk parameters represented by probability of default (PD), loss given default (LGD) and exposure at default (EAD).
If, in addition to a significant increase in credit risk, there is evidence of impairment, the amount of the loss is measured as the difference between the book value of the asset - classified as "impaired", like all other transactions with the same counterparty - and the present value of the expected future cash flows, discounted at the original effective interest rate. The amount of the loss to be recognised in the Income Statement is defined on the basis of an analytical valuation process or determined by homogeneous categories and, therefore, analytically applied to each position and considers, as described in detail in the chapter "Impairment losses of financial assets", forward looking information and possible alternative recovery scenarios.
Non-performing assets include financial instruments that have been granted the status of bad loans, unlikely to pay or past due/overdue by more than ninety days according to the rules of the Bank of Italy, consistent with IAS/IFRS and European Supervisory regulations.
The expected cash flows take into account the expected recovery time and the estimated realisable value of any guarantee.
The original effective interest rate of each asset remains unchanged over time even though the relationship has been restructured resulting in a change in the contractual interest rate and even if the relationship ceases to bear the contractual interest for practical purposes.
If the reasons for impairment no longer apply due to an event occurring after the impairment was recognised, value recoveries are recognised in the Income Statement. The value recovery cannot exceed the amortised cost that the financial instrument would have had in the absence of previous adjustments.
Revaluations related to the passing of time are recognised in net interest income.
In some cases, during the life of the financial assets in question and, in particular, of receivables, the original contractual terms can be amended by the parties to the contract. When, over the life of an

instrument, the contractual clauses are amended, it is necessary to check whether the original asset must continue to be recognised in the financial statements or, on the contrary, whether the original instrument must be derecognised from the financial statements.
In general, changes in a financial asset lead to its derecognition and to the recognition of a new asset when they are "substantial". The assessment of whether the change is "substantial" must be subject to qualitative and quantitative considerations. In fact, in some cases it may be clear, without resorting to complex analyses, that the changes introduced substantially modify the characteristics and/or contractual flows of a given asset while, in other cases, further analyses (including quantitative analyses) will have to be carried out in order to appreciate their effects and check the need to derecognise or not the asset and to recognise a new financial instrument.

Therefore, qualitative and quantitative analyses aimed at defining the "substantiality" of the contractual changes made to a financial asset will have to consider:

- the purposes for which the changes were made: for example, renegotiations for commercial reasons and forbearance due to financial difficulties of the counterparty:
  - the first, aimed at "retaining" the customer, involve a debtor who is not in financial difficulty. This case study includes all the renegotiation operations that are aimed at adjusting the cost of the debt to market conditions.
  - the latter, carried out for "credit risk reasons" (forbearance measures), are attributable to the bank's attempt to maximise the recovery of the cash flows of the original loan. As a rule, the underlying risks and benefits are not substantially transferred after the changes and, consequently, the accounting representation that provides the most relevant information for the reader of the financial statements (except for what will be said below on the subject of objective elements), is that made through "modification accounting" and not through "derecognition" that implies the recognition in the income statement of the difference between the book value and the present value of the modified cash flows discounted at the original interest rate.
- the presence of specific objective elements ("triggers") that affect the characteristics and/or contractual flows of the financial instrument (such as, for example, a change in the currency or a change in the type of risk to which one is exposed, when correlated with equity and commodity parameters), which are deemed to entail derecognition in view of their impact (expected to be significant) on the original contractual flows.

Derecognition criteria

Financial assets are derecognised only if the contractual rights to the cash flows from the financial asset expired or if the entity transferred the financial asset and the sale resulted in the substantial transfer of all the risks and benefits related to the assets. On the other hand, if a significant portion of risks and benefits related to the financial assets sold has been maintained, these assets will continue to be recognised, even if the legal ownership of the assets has actually been transferred.
If it is not possible to determine the substantial transfer of risks and benefits, financial assets are derecognised when the control thereof is transferred. Otherwise, the fact that even partial control has been retained means that the assets must be carried for an amount proportional to the remaining

involvement, which is measured by the exposure to changes in the value of the assets sold and the changes in their cash flows.
Finally, the financial assets sold are derecognised if the contractual rights to receive the relative cash flows are retained, but an obligation is concurrently assumed to pay out to other third parties the above-mentioned flows.

4 - Hedging Transactions

Classification criteria

Risk hedging transactions are directed at neutralising potential losses, attributable to a determined risk, and recognisable on a determined element or group of elements, if that specific risk should actually manifest itself.
IFRS 9 envisages, at the time of its introduction, the possibility of continuing to apply in full the provisions of the former IAS 39 on hedge accounting (in the carved-out version approved by the European Commission) for each type of hedge (both for specific hedges and for macro hedges).

Recognition criteria

Hedging derivatives, like all derivatives, are initially recognised and subsequently measured at fair value.

Measurement criteria

Hedging derivatives are measured at fair value. In the case of fair value hedging, the change in fair value of the hedged element is offset with the change in fair value of the hedging instrument. This offset is recognised through the recognition in the income statement - under item 90 “Fair value adjustments in hedge accounting” - of said value changes, referred both to the hedged element (with regard to the changes caused by the underlying risk factor), and to the hedging instrument. Any difference, which represents the partial ineffectiveness of the hedge, consequently constitutes its net economic effect.
The derivative is designated as a hedging derivative if there is a formalised documentation of the relationship between the hedged instrument and the hedging instrument and if it is effective at the time when the hedge starts and, prospectively, throughout the time of its validity.
The effectiveness of the hedge depends on the extent to which the changes in fair value of the hedged instrument are offset by those of the hedging instrument. Therefore, the effectiveness is determined by the comparison between the aforesaid changes, taking into account the intent pursued by the company when the hedge was established.
If the hedge is ineffective, hedge accounting, as set out above, is stopped, the hedging derivative is reclassified among trading instruments and the hedged financial instrument reacquires the measurement criteria that matches its classification in the financial statements.

5 - Equity investments

Classification criteria

The item “Equity investments” includes equity investments in subsidiaries, associated companies and joint ventures.

Equity interests in other companies in which the Bank does not exercise control or over which it has no significant influence, either directly or through its subsidiaries, but which are acquired as long-term investments and not held for the purpose of trading, are classified as "Financial assets designated at fair value through other comprehensive income" in accordance with IFRS 9.

Recognition criteria

Equity investments are recorded at their settlement date and at purchase - or subscription - cost, including the additional charges.

Measurement criteria

Equity investments in subsidiaries are all measured at fair value, while equity investments in associated companies are measured at cost.

The method for determining the fair value is in line with current market practice and, on the basis of the provisions of IFRS 9, it refers to a series of objective parameters.

The model is based on the discounting of cash flows, as they emerge from the updated long-term plan of the subsidiaries. The figure is used (subject to the updating of parameters) in the preparation of financial statements in order to determine any change in fair value, taking into account any further adjustment needed given specific market situations.

Derecognition criteria

Equity investments are derecognised when they are transferred, with the substantial transfer of all related risks and benefits, or when the contractual rights to cash flows deriving from them expire.

Recognition criteria of income components

- *Equity investments in subsidiaries measured at fair value*

Changes in fair value resulting from the differences between the measurements at the end of the current year and those of the previous years are recorded using the same criteria prescribed for the category "Financial assets designated at fair value through other comprehensive income", in compliance with IAS 9.

- *Equity investments in companies measured at cost*

If there is evidence that the value of an equity investment may be impaired, the recoverable amount of said equity investment is estimated considering the present value of future cash flows that the investment could generate, including the final disposal value of the investment.

If the recoverable amount is not temporarily lower than the carrying amount, the difference is recorded in the income statement under item 220 "Profit (loss) from equity investments".

If the reasons for the impairment are removed following an event that occurs after the recognition of the impairment, value recoveries are made through profit and loss under the same item as above in the measure of the previous adjustment.

6 - Property and equipment

Classification criteria

This item includes the assets for permanent use held to generate income and the property held for investment purposes.

Property and equipment also include advance payments made for the purchase and revamping of assets that are not yet part of the production process and hence not yet subject to depreciation.

Recognition criteria

All classes of property, plant and equipment recognised as assets are initially recorded at cost, insofar as it is representative of their fair value. The cost includes the purchase price, non-recoverable purchase taxes and any cost directly descending from the installation of the asset for its intended use, minus any trade discount.

Financial expenses are recorded according to IAS 23 and, therefore, recognised as a cost in the year in which they were incurred.

Overheads and administrative expenses are not included in the initial cost of the assets in question, unless they are directly descended from the purchase of the asset or its installation.

Measurement criteria

Following their initial recognition, instrumental fixed assets and fixed investments are measured at cost minus the accumulated depreciation and taking into account any impairment losses and/or value recoveries.

This principle has been adopted because it was deemed more appropriate than the redetermination of value method provided by the reference accounting standard.

Property and equipment are depreciated each year, at rates calculated by reference to the residual possibility of using the assets, their related useful life and realisable value, except for land (incorporated in the asset value) and works of art, insofar as they have an indefinite life. In the case of land whose value is incorporated in the value of the property and equipment, the relevant separation is made only for free-standing buildings. For assets acquired during the year, the amortisation is calculated on a daily basis starting on the date on which the asset was first used.

Property and Equipment featuring an unlimited useful life cannot be depreciated.

Subsequent expenses relating to property, plant and equipment, already recorded, are added to the book value of the asset when it is likely that the future economic benefits exceed the previously established ordinary performance of the asset.

At the end of each reporting period, an impairment test is carried out on the assets. More specifically, a comparison is made between the book value of the asset (purchase cost less accumulated depreciation) and its recoverable amount, equal to the greater of the fair value, minus any sales cost, and the related value of use of the asset, meaning the present value of the future cash flows expected from the asset. Adjustments are recorded in the income statement under item 180 “Net losses/recoveries on property and equipment”. If the reasons that led to the recognition of the loss cease to apply, a value recovery is recorded that may not exceed the value that the asset would have had minus the depreciation calculated in the absence of previous impairment losses.

Derecognition criteria

The book value of a property and equipment must be derecognised on its disposal, or when no future economic benefit is expected from its use.

7 - Intangible assets

Classification criteria

Intangible assets include long-term application software. The positive difference between the value of the assets and liabilities acquired following a business combination and the related purchase price of the combined business entity is recorded under the intangible assets as goodwill.

Recognition criteria

Intangible assets are recorded at their purchase cost. The purchase cost may be adjusted for ancillary charges. The costs incurred for the purchase of intangible assets are recognised only if they are identifiable, their cost can be measured reliably, they can be controlled and they are able to generate future economic benefits. Otherwise, the cost of the intangible asset is recorded in the income statement in the year in which it was incurred.

Measurement and recognition criteria of income statement items

Following their initial recognition, intangible assets are measured at cost, less the accumulated amortisation and any impairment losses. The “at cost” measurement method was deemed more appropriate than the “redetermination of value” method. The cost of intangible assets is amortised, minus the recoverable amount, on the basis of their estimated useful life. For assets acquired during the year, the amortisation is calculated on a daily basis starting on the date on which the asset was first used. In the case of assets transferred and/or disposed of during the year, the amortisation is calculated on a daily basis until the date of transfer and/or disposal.

If the useful life of the fixed asset cannot be established and appears to be indefinite (goodwill), the asset is not amortised, however it is periodically tested for impairment and, in any case, each time objective evidence is found to this effect its initial recognition value may have to be changed. The performance of this test entails the prior allocation of goodwill to a cash-flow-generating unit, whose value can be reliably estimated. Goodwill impairment is calculated as the difference between its book value and the estimated recoverable amount, determined by reference to the cash-flow-generating unit to which the goodwill in question has been allocated. Any impairment calculated as the difference between the book value of the fixed asset and its recoverable amount is recorded in the income statement under item 240 “Goodwill impairment losses”. Goodwill impairment may not be reversed in future accounting periods as required by IAS 36.

Regarding intangible assets other than goodwill, if there is evidence of impairment, an estimate is made each year of the recoverable amount of the assets. The amount of the loss, recorded in the income statement, is equal to the difference between the book value of the asset and its recoverable amount. If the recoverable amount of a specific intangible asset cannot be determined, then the asset must be assigned to the smallest independent cash-flow-generating unit (CGU), and it is by reference to the latter that the recoverable value is estimated and compared with the book value, to establish the possible impairment loss.

Derecognition criteria

Intangible assets are derecognised when they are sold or when no future economic benefits are expected from their use.

8 - Current and deferred tax

Current and deferred income taxes, calculated in accordance with the applicable domestic regulations, is recorded in the Income Statement, except in the case of items directly charged or credited to shareholders' equity. Tax provisions are calculated on a prudential basis and also include the risk provisions set aside in connection with the ongoing disputes.

Since 2004, the Bank and its Italian-based subsidiaries have decided to join the "domestic consolidated tax system", pursuant to Articles 117/129 of the TUIR.

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.

Deferred taxation is calculated based on the tax effect of the temporary differences between the book value of the assets and liabilities and their tax value, resulting in future taxable amounts or tax deductions. For this purpose, "temporary taxable differences" means those that, in the future, will determine taxable amounts, while "temporary deductible differences" those that, in the future, will determine deductible amounts. Deferred tax assets are recorded in the financial statements insofar as they are likely to be recovered, based on the capability of the Bank, and of the other Group companies belonging to the "domestic consolidated tax system", to generate taxable income, in the future, on a regular basis.

Deferred taxation is calculated based on the applicable rates, with respect to the temporary taxable differences, with respect to which there is the likelihood of effectively incurring taxes, and the temporary deductible differences, with respect to which there is the reasonable certainty of recovering tax money back.

Deferred tax liabilities are calculated taking into account the rates expected when payment falls due.

If the deferred tax assets and liabilities relate to Income Statement items, the balancing item is represented by income tax.

When advance and deferred taxes concern transactions recorded in shareholders' equity, without affecting the income statement, the directly balancing entry is recorded in shareholders' equity, in the specific reserves where provided (Valuation reserves).

Current tax assets/liabilities related to income tax for the year are recognised net of any tax paid in advance and any withholding tax incurred.

Deferred tax assets and deferred tax liabilities are recorded in the financial statements, respectively under "Tax assets" and "Tax liabilities".

9 - Provisions for risks and charges

Provisions for risks and charges against commitments and guarantees given

The sub-item of provisions for risks and charges under examination includes the provisions for credit risk recognised against commitments to disburse funds and guarantees given that fall within the scope of application of the rules on impairment in accordance with IFRS 9. For these cases, in principle, the same methods of allocation between the three stages of credit risk and calculation of the expected loss shown with reference to financial assets designated at amortised cost or at fair value through other comprehensive income, are adopted.

Other provisions for risks and charges

The other provisions for risks and charges include the allocations relating to legal obligations or connected with employment agreements or with disputes, including those of a tax-related nature, originated from a past event for which it is likely that economic resources will be expended to comply with said obligations, provided that a reliable estimate of the related amount can be obtained.

If the time element is significant (expected outlay beyond 12 months), the allocations are discounted to the present with reference to current market rates. The allocation and any subsequent increases in the provisions due to the time factor are recognised in the income statement.

The allocated provisions are subject to periodic reviews and when it becomes unlikely that possible costs may be incurred, the allocations are fully or partly reversed to the benefit of the income statement.

10 - Financial liabilities designated at amortised cost

Classification criteria

Due to banks, Due to customers and Securities issued include the various forms of interbank and customer funding, repurchase agreements with the obligation to repurchase forward bonds and other funding instruments issued, net of any amounts repurchased.

Recognition criteria

The initial recognition of these financial liabilities occurs on the date the contract is signed, which normally coincides with the date of receipt of the sums collected or the date of issue of the debt securities.

Initial recognition is carried out based on the fair value of the liabilities, generally equal to the amount received or the issue price, plus any additional costs/income directly attributable to the individual funding or issue transaction. Internal administrative costs are excluded.

Measurement criteria

Subsequent to initial recognition, financial liabilities are designated at amortised cost using the effective interest rate method.

Exceptions are short-term liabilities, for which the time factor is negligible, which remain recorded at the value received.

Derecognition criteria

Financial liabilities are derecognised when they expire or are extinguished. Derecognition takes place also in the event of the repurchase of bonds previously issued. The difference between the book value of liabilities and the amount paid to purchase them is posted in the Income Statement.

The replacement on the market of treasury shares after they have been repurchased is considered tantamount to a new issue, with the entry of the new placement price.

11 - Financial liabilities held for trading

Classification criteria

This item includes financial liabilities, regardless of their technical form, classified in the trading portfolio. In particular, this category of liabilities includes trading derivatives with a negative fair value as well as embedded derivatives with a negative fair value that are present in complex contracts - where the primary contract is a financial liability - but not strictly related to them. Liabilities that originate from uncovered short positions generated by securities trading are also included.

Recognition criteria

These liabilities are recognised at the subscription or issue date at a value equal to the fair value of the instrument, without considering any directly attributable transaction cost or income.

Measurement criteria

All trading liabilities are measured at fair value with the result of the measurement recognised in the income statement.

Derecognition criteria

Financial liabilities held for trading are derecognised from the financial statements when the contractual rights to the corresponding cash flows expire or when the financial liability is sold substantially transferring all related risks and benefits. The resulting difference is recorded in the income statement.

12 - Foreign-currency transactions

Foreign-currency transactions are recorded in Euro, at their initial recognition, applying the spot exchange rate in force at the date of the transaction.

When preparing the financial statements, items in foreign currencies are recorded as follows:

- in the case of monetary instruments, at the spot exchange rate on the date of preparation of the financial statements, with foreign exchange differences recorded in the income statement under the item "Profit (losses) on trading";
- in the case of non-monetary instruments, they are measured at historical cost, at the exchange rate in force at the time of the original transaction;
- in the case of non-monetary instruments measured at fair value, at the spot exchange rate in force at the time of preparation of the financial statements.

Exchange rate differences relating to non-monetary items are recorded applying the accounting standards used for the profits and losses relating to the original instruments.

13 - Other information

1. Treasury shares

Treasury shares held are stated in the financial statements at cost, adjusting shareholders' equity by a corresponding amount. No profit or loss is recorded in the income statement in connection with the purchase, sale, issue and derecognition of instruments that represent the Bank's capital. The consideration paid or received is recognised directly in shareholders' equity.

Any marginal cost incurred for the repurchase of treasury shares is recorded as a decrease in shareholders' equity, as long as it is directly related to the capital transaction that otherwise would not have been incurred.

2. Provisions for termination indemnities

The staff severance fund is determined as the Bank's present obligation towards its employees, in terms of the related termination indemnity. The amount of this obligation on the date of the financial statements is estimated using actuarial methods and time-discounted using the "Projected Unit Credit Method" whereby each period of service is viewed as giving rise to an additional unit of benefit entitlement and each unit is measured separately to build up the final obligation. Once the final obligation is obtained, the Bank needs to calculate its present value, even if part of the obligation falls in the twelve-month period after the date of the financial statements. Actuarial profits/losses deriving from defined benefit plans are stated in shareholders' equity under Valuation reserves. All other components of the provisions for termination indemnities accrued during the year are posted in the income statement under item 160. Administrative expenses: a) personnel expenses in "Termination indemnities", for the amounts paid to the INPS Treasury; "payments to defined contribution supplementary external pension funds" for payments made to Supplementary Retirement Plans and "provisions for termination indemnities" for the adjustment of the fund present in the company.

3. Recognition of revenue and costs

Revenue

Revenues are gross flows of economic benefits deriving from the carrying on of the normal company business, when such flows determine increases in shareholders' equity other than the increases deriving from the contribution of shareholders.

Revenues are recognised on an accrual basis.

In particular, fee and commission income and other income from services are recognised in the financial statements only if all the following criteria are met:

1) identifying the contract with a customer;
2) identifying the performance obligations;
3) determining the transaction price;
4) allocating the transaction price to the performance obligations;
5) recognising revenue when (or as) the entity satisfies a performance obligation.

Revenues configured as variable considerations are recognised in the Income Statement if they can be reliably estimated and only if it is highly probable that this consideration must not be reversed from the Income Statement in future periods in whole or in a significant part.

In the event of a strong prevalence of uncertainty factors related to the nature of the consideration, it will be recognised only when this uncertainty is resolved. Factors that could increase the likelihood and extent of the downward adjustment of revenue include, among other things, the following:

a. the amount of the consideration is very sensitive to factors beyond the control of the entity (e.g.: market volatility);
b. experience with the type of contract is limited;

c. it is the practice to offer a wide range of price concessions or to change the terms and conditions of payment of similar contracts in similar circumstances;
d. the contract has a large number and a wide range of possible amounts of remuneration.

The consideration for the contract, the collection of which must be probable, is allocated to the individual obligations arising from the contract. The allocation must be based on the selling prices that would have been applied in a transaction involving the individual contractual commitment (standalone selling price). The best indication of the standalone selling price is the price of the good or service that can be observed when the Bank sells the good or service separately in similar circumstances and to similar customers. If the standalone selling price is not directly observable, it must be estimated.
In the event that the customer obtains a discount for the purchase of a bundle of goods or services, the discount must be allocated between all the performance obligations provided for in the contract; the discount can only be attributed to one or more obligations if all of the following criteria are met:
a. the entity normally sells separately each distinct good or service;
b. the entity normally also sells separately the bundle(s) of some of the distinct goods or services, giving a discount on the standalone selling prices of the goods or services of each bundle, and the discount is substantially the same discount provided for in the contract.

Revenue is recognised over time when the goods or services have been transferred (satisfaction of performance obligations); an asset is transferred when the customer has control of the asset, i.e. when it can use the goods or service directly and obtain all the benefits. Depending on the timing of the satisfaction of the performance obligations, the revenue can be recognised:
- when control is passed at a certain point in time; factors that may indicate the point in time at which control passes include:
  - the entity has a present right to payment for the asset;
  - the customer has legal title to the asset;
  - the entity has transferred physical possession of the asset;
  - the customer has the significant risks and benefits related to the ownership of the asset;
  - the customer has accepted the asset.
- or, alternatively, over the time provided for the satisfaction of the performance obligations, if one of the following criteria is met:
  - the customer simultaneously receives and consumes all of the benefits provided by the entity as the entity performs;
  - the entity’s performance creates or enhances an asset that the customer controls or from which it can derive all the benefits (potential cash flows);
  - the entity’s performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

Interests are recognised on an accrual basis that considers the effective yield of the asset.
The positive economic components accrued on financial liabilities are recognised under the item “Interest income and similar income”.
Default interests are recorded under the item “Interest income and similar income” when they are actually collected.

Dividends are recorded in the accounts in accordance with the shareholders' right to receive payment.

The disclosure required by IFRS 15 (Revenue from Contracts with Customers).

The Bank applied IFRS 15 at 1 January 2018 using the option provided by the standard in paragraph C2 letter b), based on which the cumulative effect of the initial application is accounted for at the date of first adoption; however, since the procedures for accounting for revenue from contracts with customers were already aligned to the provisions of IFRS 15, the cumulative effect is zero and it is not necessary to provide the amount of the impact on each item of the current year deriving from the application of the new standard with respect to the standards previously in force.

Change in accounting criteria

Revenue is recognised over time when the goods or services have been transferred (satisfaction of performance obligations): an asset is transferred when the customer has control of the asset, i.e. when it can use the goods or service directly and obtain all the benefits. Based on the accounting standards in force before 1 January 2018, revenue was recognised when the future benefits had been received or it was probable that they would be received and these benefits could be quantified reliably.

Nature of the services

A description of the main businesses from which the Bank generates its revenue from contracts with customers, distinguished by business area, is provided below.

Private banking and Banking Services

The main services provided to the private customers of the Bank by the private bankers of the Sales Department include the revenue deriving from agreements for individual portfolio management, trading, trading with consultancy services, placement, and all agreements associated with a current account relationship (cash services, payments, money management, debit cards, credit card loans, home banking, etc.).All mandatory performance is defined by formalised agreements. If the agreements include the performance of distinct services, the revenue pertaining thereto is:

- recorded separately on the basis of standalone sale prices defined contractually (as in the case of fees for services of individual portfolio management, trading and order execution on financial instruments, placement and of fees for the transmission of documents, reports and communications);
- recorded on the basis of the mandatory service performed if the services cannot be separated within the context of the agreement because one is the input of the other (as in the case of the combination of the consultancy and securities custody services) or because they are interdependent, not separable and not sold individually (as in the case of banking services associated with a current account).

Depending on the way the services are performed, revenue is recorded punctually (e.g. in the case of fees for trading, collection and payment, subscription) or, in case of services performed over time, based on the value that the services completed until the considered date have for the customer, corresponding to the amount provided by the agreement.

Individual portfolio management agreements prescribe the debiting (with annual or less than annual periodicity) of variable overperformance amount with respect to reference parameters. The determination of these fees depends on the result achieved at the end of the reference period, which cannot be estimated on the occasion of the quarterly measurements, since it is not highly probable that when, subsequently, the uncertainty associated with the variable consideration is resolved, there will be no significant downwards adjustment of the amount of the recorded cumulated revenue; these fees are affected by external factors with respect to the management activity of the bank (such as market volatility and the performance of the reference parameter).
The revenue accounting procedures adopted before the entry into force of the provisions of IFRS 15 are in line with those described, except that for the types of trading agreements that prescribe free fees for the execution of orders on financial instruments in view of the application of fees for the consultancy and custody services proportionate to the assets under administration; for these agreements, the amount of the fees is allocated, for accounting purposes, among the obligations prescribed by the agreement, attributing to the custody and administration service an amount equal to the standalone sale price of the service and to the trading service the residual amount.

Institutional customers
The main services provided by the Institutional Customers Organisational Unit of the Bank includes: the asset management services performed by appointment by UCIs, the management and trading services directed to corporate customers and to qualified counterparties, the services directed to listed issuers (specialist operator services, qualified operator, analyst coverage, centralised management, etc.).
All mandatory performance is defined by formalised agreements. Management and trading services are recognised according to the same rules prescribed for private customers.
Services directed to listed issuers are carried out over time, because customers benefits from the activity carried out continuously and they are consequently recognised based on the value for customers of the services transferred until the date considered on the basis of the amount the Bank is entitled to receive.
Centralised management services can be sold on the basis of individual modules or as packages; in this case, the value of the service provided consists of the single fee prescribed for the different services included in the package and any discount with respect to the acquisition of the individual services is allocated proportionately among the different mandatory services performed. If the agreements include services whose revenue is recognised punctually at the time of execution, the portion referred to these services is recorded at the time of performance or, if the services were not performed within the reference period of the agreement, at its periodic expiration.
The accounting procedures for revenue that were adopted before the entry into force of the provisions of IFRS 15 are substantially in line with those described above.

Advisory and Corporate Finance
"Consultancy services on financial structure", rendered to corporate customers by the Advisory & Corporate Finance Organisational Unit, to provide assistance to customers in major corporate finance matters (mergers & acquisitions, listings and IPOs, company appraisals, industrial and financial restructuring, project financing, strategic consultancy), are defined by formalised agreements. Depending on the type of assistance provided, the agreement may entail the performance of different

activities, which, however, are necessary inputs for the achievement of the objective prescribed by the agreement and therefore are inseparable and included in a single mandatory service. This service is considered completed over time regardless of the prescribed invoicing timelines because: the customer benefits from the assistance service rendered by the Bank on a continuous basis; performance of the activity does not present an alternative use for the Bank, being carried out exclusively for the Customer according to his specific characteristics and requirements; any adaptation of the activities performed for another use is subject to practical limitations because the specifications of the activities carried out are unique for that Customer; throughout the duration of the agreement, the Bank is entitled to require payment of the service completed up to the date considered even if the agreement is terminated by the Customer for reasons other than the Bank's failure to perform. However, if the assistance agreement requires releasing the declaration of appropriateness for the purposes of listing, the connected fees are recognised punctually because the Customer receives the benefits deriving from fulfilling the obligation to obtain listing on the market only on the release date.

Any success or performance commissions are instead recognised only in case of formalisation of the transactions and when the conditions underlying their ascertainment are met; these are variable fees which the Bank cannot determine in a highly probable manner before the "resolution of the uncertainty" associated with the fees themselves, being conditioned by factors on which the Bank has no control (such as actions performed by third parties: customers, investors, lenders).

The quantitative information is provided:

- in part B – Information about the balance sheet in section 4 - Financial assets designated at amortised cost, quantitative information is provided about the assets/liabilities from contracts with customers not debited in the current accounts on the basis of a breakdown by type of service.
- in part C – Information about the income statement in section 2 - Fees and commissions, quantitative information is provided about revenue from contracts with customers on the basis of a breakdown by type of service.
- in part L of the consolidated Financial Statements - Segment Reporting, quantitative information is provided about revenue from contracts with customers distinguished by the business sectors of the Group represented on the basis of a breakdown by type of service and of a breakdown by assessment procedure.

Costs

Costs are recognised when they are incurred in compliance with the criterion of correlation between costs and revenues that derive directly and jointly from the same transactions or events.

Costs (including impairment losses) that cannot be related to revenues are immediately recognised in the Income Statement.

Costs directly attributable to financial instruments designated at amortised cost and determinable from the start, regardless of the moment when they are paid, are included in the Income Statement by applying the effective interest rate.

Interests are recognised on an accrual basis that considers the effective yield of the asset.

Negative income components accrued on financial assets are recognised in the item "Interest expense and similar expense".

4. Classification of financial assets

The classification of financial assets in the three categories envisaged by IFRS 9 depends both on the business model with which the financial instruments are managed (or business model) and on the contractual characteristics of the cash flows of the financial assets (or SPPI Test). The combination of these two elements results in the classification of financial assets as follows:

- Financial assets designated at amortised cost: assets that pass the SPPI test and fall within the Held to Collect (HTC) business model;
- Financial assets designated at fair value through other comprehensive income (FVOCI): assets that pass the SPPI test and fall within the Held to Collect and Sell (HTCS) business model;
- Financial assets designated at fair value through profit or loss (FVTPL): it is a residual category that includes financial instruments that cannot be classified in the previous categories based on the results of the business model test or the test on the characteristics of the contractual flows (SPPI test not passed).

SPPI test

The Standard requires financial assets to be classified also on the basis of the characteristics of the contractual cash flows. The SPPI test requires the determination of whether the contractual cash flows consist of Solely Payments of Principal and Interest on the principal amount outstanding (IFRS 9 - B4.1.7). Contractual cash flows may be consistent with the definition of a "basic lending arrangement" even if the credit risk will be offset. Moreover, the interest rate can also include an additional fee that takes into account other risks such as liquidity risk or administrative costs. The possibility of obtaining a profit margin is also consistent with the definition of "basic lending arrangement" (IFRS 9 - B4.1.7A).

Contractual features that introduce an exposure to risks or volatility unrelated to the "basic lending arrangement", such as exposure to changes in equity prices or commodity prices, do not meet the definition of Solely Payments of Principal and Interest on the principal amount outstanding.

Therefore, the SPPI test is aimed at identifying all the contractual characteristics that may show payments other than those relating to the principal and interest accrued on the principal amount outstanding.

Only if the test is successful can the instrument be accounted for, depending on the business model identified, at amortised cost or at Fair Value through OCI.

The test will only be necessary if the adopted business model is "Collect" or "Collect and Sell". Conversely, if the instrument is managed according to the residual business model, the instrument will be accounted for at fair value regardless of the characteristics of the contractual cash flows.

Business model

The business model represents the way in which the Bank manages its financial assets, i.e. with which it intends to realise the cash flows of debt instruments. It reflects the way in which groups of financial assets are collectively managed to pursue a particular business objective and does not depend on management's intentions with respect to a single instrument but is set at a higher level of aggregation. The definition of the Group's business model takes into consideration all the useful elements that emerge both from the strategic objectives defined by the Bank's top management and from elements relating to the organisational structure of the structures proposed for the management of assets and the methods for defining the budget and evaluating their performance. The method of management is defined by the top management through the appropriate involvement of the business structures. The business model does not depend on the intentions of the management with respect to a single instrument, but rather refers to the way in which homogeneous portfolios are managed in order to achieve a given objective.

The business model is defined on the basis of several elements, such as (IFRS 9 - B4.1.2B):

- How the performance of the business model and the financial assets held within that business model are assessed and reported to the entity's key executives;
- The risks that affect the performance of the business model and the ways those risks are managed;
- How managers of the business are remunerated – e.g. whether the remuneration is based on the fair value of the assets managed or on the cash flows collected.

The drivers used to assess the performance of the various business models identified and the type of reporting produced are elements to be considered for the correct attribution of the Business Model. In particular, performance and reporting could be based on information on fair value or interest received, depending on the purpose for which the assets are held.

Adequate monitoring, escalation and reporting is essential to ensure proper management of risks that may affect portfolio performance.

The possible Business Models set out in the Standard are as follows:

- "Hold to Collect": requires the realisation of contractually envisaged cash flows. This business model is attributable to assets that will presumably be held until their natural maturity (IFRS 9 - B4.1.2C).
- "Collect and Sell": envisages the realisation of cash flows as provided for in the contract or through the sale of the instrument. This business model is attributable to assets that may be held to maturity, but also sold (IFRS 9 - B4.1.4).
- "Sell": this model is directed at realising cash flows by selling the instrument. This business model is attributable to assets managed with the objective of realising cash flows through sale - known as "trading" - (IFRS 9 - B4.1.5).

The measurement of the business model to be attributed to the portfolios is carried out on the basis of the scenarios that could reasonably occur (IFRS 9 B4.1.2A), considering all relevant and objective information available at the measurement date.

In the event that the cash flows are realised in a way that is different from initial expectations considered in the definition of the business model, this realisation will not:

- change the classification of the remaining assets held in that business model;
- give rise to a prior-period error in the entity's financial statements.

However, information on how the cash flows of the target portfolio were realised in the past, together with other relevant information, will necessarily have to be taken into account prospectively when classifying the subsequent purchase/recognition of a new asset in the financial statements. The business model must be attributed at the level of the portfolio, sub-portfolio or individual instrument, where these best reflect the way assets are managed (IFRS 9 - B4.1.2).

5. Manner of determination of the amortised cost

The amortised cost of a financial asset or a financial liability is in general the amount at which the financial asset or financial liability is measured at initial recognition minus principal reimbursements, plus

or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any impairment loss.
The effective interest rate is the rate that equalises the present value of future contractual cash payments or receipts until the expiry or the following recalculation date of the price to the net carrying amount of the financial asset or financial liability. In order to calculate the present value, the effective interest rate is applied to the flow of future receipts or payments estimated during the useful life of the financial asset or liability - or a shorter period in the presence of certain conditions (for example, the review of market rates).

If it is not possible to estimate reliably the cash flows or the expected life, the Bank uses the expected contractual cash flows for all the period of validity of the contract.
Subsequent to initial recognition, the amortised cost allows to allocate revenues and costs deducted from or summed to the instruments during its expected life through amortisation. The method of determination of the amortised cost depends on whether the measured financial assets/liabilities have a fixed or variable rate.
For fixed-rate instruments, future cash flows are quantified based on the interest rate known during the life of the loan. For variable-rate financial assets/liabilities, whose variability is not known a priori (because, for example, linked to an index), cash flows are determined by maintaining constant the last variable rate recorded. At each date of review of the rate, the redemption plan and the effective interest rate are recalculated over the entire useful life of the instrument, i.e. until the date of expiry.
Measurement at amortised cost is carried out for financial assets and liabilities designated at amortised cost (due from/to banks and loans/due to customers) and for financial assets designated at fair value through other comprehensive income. For the latter, the amortised cost is calculated for the sole purpose of recognising in the income statement the interests based on the effective interest rate; the difference between the fair value and the amortised cost is recorded in a specific shareholders' equity reserve.

6. Methods for determining impairment losses
IFRS 9 envisages a model for determining prospectively impairment losses, which requires the immediate recognition of losses on receivables even if only expected, contrary to IAS 39 that requires for their recognition the examination of past events and current conditions.

At the end of each reporting period, in accordance with IFRS 9, financial assets other than those designated at fair value through profit or loss are measured to determine whether there is any evidence that the book value of the assets may not be fully recoverable. A similar analysis is also carried out for commitments to disburse funds and guarantees issued that fall within the scope of impairment pursuant to IFRS 9.
In the event that such evidence exists (known as "impairment evidence"), the financial assets in question - consistently, where existing, with all the remaining assets pertaining to the same counterparty - are considered impaired and are included in stage 3. Against these exposures, represented by financial assets classified - in accordance with the provisions of Bank of Italy Circular no. 262/2005 - in the categories of bad loans, unlikely to pay and past due by more than ninety days, impairment losses equal to the full lifetime expected credit loss must be recognised.

For financial assets for which there is no evidence of impairment (performing financial instruments), it is necessary, instead, to check whether there are indicators such that the credit risk of the individual transaction is significantly increased compared to the time of initial recognition. The consequences of this check from the point of view of classification (or, more properly, staging) and measurement, are as follows:

- where such indicators exist, the financial asset is included in stage 2. In this case, the measurement, in accordance with the international accounting standards and even in the absence of an evident impairment, envisages the recognition of impairment losses equal to the full lifetime expected credit loss of the financial instrument. These adjustments are reviewed at the end of each subsequent reporting period both to periodically check their consistency with the constantly updated loss estimates and to take into account - in the event that the indicators of a "significantly increased" credit risk are no longer available - the changed forecast period for calculating the expected loss;
- where such indicators do not exist, the financial asset is included in stage 1. In this case, the measurement, in accordance with the international accounting standards and even in the absence of an evident impairment, envisages the recognition of 12-month expected credit losses for the specific financial instrument. These adjustments are reviewed at each subsequent reporting date both to periodically check their consistency with the constantly updated loss estimates and to take into account - in case of indicators of a "significantly increased" credit risk - the changed forecast period for calculating the expected loss.

With regard to the measurement of financial assets and, in particular, the identification of the "significant increase" in credit risk (a necessary and sufficient condition for the classification of the asset being measured in stage 2), the elements that - pursuant to the standard and its operational breakdown carried out by Banca Finnat Euramerica - constitute the main determinants to be taken into consideration are as follows:

Quantitative criteria:

a) if the counterparty's rating deteriorates by at least three classes compared to the value at the date of origin;
b) for exposures backed by collateral, where there is a 50% decrease in the value of the collateral compared with its value at the date of origin;
c) exposures with a past due date of more than 30 days (even partial) recognised at the report date in the monthly survey (or in the previous 5 monthly surveys) regardless of the counterparty and without tolerance thresholds;
d) on-demand loans with both of the following irregular trends:
    1. presence of operating tension: average percentage of use of the credit line granted, calculated over the last 180 days, of more than 80%;
    2. absence of changes in assets in the last 180 days.

Qualitative criteria:

a) forborne performing exposures in relation to a financial difficulty of the debtor;
b) exposures with irregular trends monitored by the Credits Committee of the Bank;

c) exposures to counterparties for which prejudicial information has been acquired. This requirement is to be considered valid also for prejudicial information relating to the guarantors.

A financial asset is considered non-performing and allocated to Stage 3 if one or more events that have a negative effect on expected cash flows occurred. In particular, the observable data relating to the following events constitute evidence of impairment of the financial asset:

- significant financial difficulties of the debtor (also based on the financial statement analysis such as, for example, negative changes in the debt ratio and in the capacity to cover financial expenses);
- breach of contractual clauses (such as a default or past-due event of more than 90 days);
- classification in category "D - Defaulted" within the CSE outsourcing rating model;
- a lender having granted a concession to the debtor – for economic or contractual reasons relating to the debtor's financial difficulty – that the lender would not otherwise consider;
- disappearance of an active market for that financial asset because of financial difficulties;
- the purchase or issue of a financial asset at a deep discount that reflects the incurred credit losses;
- the debtor is likely to declare bankruptcy or be subject to another financial reorganisation.

A performing financial asset at the time of initial recognition and for which one or more of the above events occur must be considered non-performing and placed in Stage 3; the allocation in this bucket envisages that:

- the allowance for doubtful receivables is determined as an amount equal to full lifetime expected credit losses of the financial asset;
- interest revenue is calculated based on the amortised cost i.e. gross book value less the allowance for doubtful receivables;
- the time value is determined, and the expected date of collection is estimated.

For these financial assets, the method for determining the loss is calculated in accordance with IFRS 9 and in line with the provisions of the credit regulations.

Once the allocation of exposures to the various stages of credit risk has been defined, the determination of expected credit losses (ECL) is carried out, at the level of individual transactions or security tranche, starting from the IRB/management approach, based on the parameters of Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD), on which appropriate corrective action is taken to ensure compliance with the requirements of IFRS 9.

The determination of the values and calculation methods are detailed in the Group Policy.

7. Assets/liabilities designated at Fair value

The Group did not use the so-called fair value option referred to in IFRS 9: therefore, the relevant asset and liability items in the balance sheet and income statement are not shown in the financial statements as they are not measured.

A.3 – Information on transfers between portfolios of financial assets

According to the general rules envisaged by IFRS 9 on the reclassification of financial assets (with the exception of equities, for which no reclassification is permitted), reclassifications to other categories of financial assets are not permitted unless the entity modifies its business model for the management of financial assets. However, such cases are expected to be highly infrequent.

A.3.1 – A.3.2 – A.3.3 - No transfers were made between portfolios of financial assets during the year due to a change in the business model.

A.4 Information on fair value

A.4.1 - Levels of fair value 2 and 3: valuation techniques and inputs used

A.4.2 - Processes and sensitivity of measurements

The techniques, valuation processes of the financial instruments and the methods for determining the fair value used by the Bank are shown below.

The fair value of financial instruments is determined based on the prices acquired by the financial markets, in the case of instruments listed on active markets (***Level 1***), or on internal valuation models, in the case of all other financial instruments.

If the instrument is not listed on an active market, or if there is no regularly functioning market, i.e. the market does not feature a sufficient and ongoing number of transactions, bid-ask spread and a volatility that is not sufficiently curbed, the fair value of the financial instruments is generally determined based on the use of valuation techniques the purpose of which is to establish the price of a hypothetical independent transaction, motivated by normal market consideration, at the date of valuation.

Regarding the valuation techniques, the following are taken into account:

- if available, the prices of recent transactions involving similar instruments, suitably adjusted to reflect the changed market conditions and the technical differences between the valued instrument and the instrument selected as similar in nature (comparable approach);
- valuation models widely used by the financial community, which have proved over the years capable of producing reliable estimates of prices, with respect to the current market conditions (Mark-to-Model).

Financial instruments classified as **Level 1** instruments include:

- stocks and bonds listed on active markets. The principal 'price source' of securities listed on regulated markets is the relevant stock exchange, and generally corresponds to the price published by the regulated market on which the security is negotiated. For financial instruments listed on the Italian Stock Exchange, the value is determined using the posted price;
- UCIs with official prices expressed by an active market; open-ended UCIs (including ETF) for which a price listed on an active market is available at the measurement date;
- foreign exchange spot transactions;
- derivatives for which prices are available on an active market (e.g., futures and options).

Lacking prices on an active market, the fair value of financial instruments is calculated according to the so-called "comparable approach" (**Level 2**), based on the use of valuation models making use of parameters that can be directly observed on the market. In this case, the valuation is not based on the prices of the actual financial instruments being valued, but on prices or credit spreads taken from the official listings of substantially similar instruments, in terms of risk-yield factors, using a certain calculation method (pricing model). This approach translates into the search for transactions on the active markets involving instruments that, in terms of their risk factors, are comparable with the valued instrument.

Following is an overview of the valuation techniques used:

- the use of current market prices of other substantially similar instruments, if they are deemed to be highly comparable (based on the country and sector to which they belong, along with their rating, maturity and degree of seniority of the securities), such as to avoid any substantial alteration of the prices or the use of trading prices – with respect to the same financial instrument – concerning market transactions between independent counterparties;
- the use of prices of similar instruments, in terms of their calibration;
- discounted cash flow models;
- option pricing models.

Financial instruments classified as **Level 2** instruments include:

- UCIs for which prices recorded in an inactive market whose values are deemed to be representative of fair value are available. If these prices are based on the NAV, this value, if available at the measurement date, may be taken into consideration for fair value purposes;
- bonds that are not traded on an active market, but which can be priced based on the prices of comparable securities, as inputs for a valuation model. The fair value of bonds without official prices expressed by an active market is calculated by using an appropriate credit spread, determined based on liquid financial instruments with similar features. Moreover, in the case of market transactions – concerning the same financial instrument – between independent counterparties account will be taken of the known trading price;
- OTC derivatives valued based on observable parameters and market models. Interest rate, exchange, share, inflation and commodity derivatives – if they are not traded on regulated markets – are known as Over The Counter (OTC) instruments, i.e. instruments that are bilaterally negotiated with market counterparties, and their valuation is conducted based on specific pricing models, fed by inputs (such as rate, exchange and volatility curves) observed on the market.

Lastly, the determination of the fair value of certain types of financial instruments is based on valuation models that require the use of parameters that cannot be directly observed on the market and which, therefore, require estimates and assumptions by the valuer (**Level 3**).

Financial instruments classified as **Level 3** instruments include:

- unlisted equities. Equity investments held at cost are also conventionally included among the Level 3 instruments;
- UCIs lacking prices expressed by a market (active and inactive) and similar listed securities. This category includes the open-end UCIs whose last measured NAV is not reported near the measurement date and the closed-end UCIs whose fair value is derived exclusively on the basis of the NAV. For these UCIs, the NAV used for measurement must prudentially be rectified to take into account any risk of not being able to carry out a transaction unless it is at prices that are significantly lower than the value of the assets represented by the NAV;
- bonds not listed on active markets, for which there are no comparable instruments, or which require the use of significant assumptions, such as the knowledge of trading prices between independent counterparties;

- OTC derivatives valued using non-market models, or market models based on parameters that cannot be observed on the market.

Level 3 instruments also include financial instruments priced by the Bank based on internal valuation models using inputs that cannot be observed on the market and personal assumptions made by the valuer.

A.4.3 - Fair value hierarchy

With the introduction of IFRS 13, the rules for measuring the fair value previously included in different accounting principles were set out in a single document.

The fair value is defined as the price that is received for the sale of an asset or that would be paid for the transfer of a liability in an orderly transaction between market participants at the measurement date.

When measuring the fair value of a financial instrument, IFRS 13 refers to the concept of hierarchy of the measurement criteria used, which was at the time introduced by an amendment to IFRS 7 that required the company to classify the measurements based on a hierarchy of levels that reflects the significance of the inputs used in the measurement of financial instruments.

This classification aims to establish a hierarchy in terms of reliability of fair value depending on the degree of discretion applied by enterprises, giving priority to the use of parameters observable on the market reflecting the assumptions that market participants would use when pricing the asset/liability.

IFRS 13 identifies three different input levels:

- Level 1: inputs represented by quoted prices (without adjustment) on active markets - as defined by IFRS 13 - for assets and liabilities subject to measurement;
- Level 2: inputs other than quoted market prices set forth above, which are observable for the asset or liability, either directly (prices) or indirectly (derived from prices);
- Level 3: inputs that are unobservable inputs for the asset or liability subject to measurement.

The choice between these types is not optional but must be done in a hierarchical order since priority is given to official prices on active markets (level 1); in the absence of such inputs, we use valuation techniques based on parameters that cannot be observed on the market (level 2); with a lower and more discretionary priority, the fair value of assets and liabilities calculated with valuation techniques based on parameters that cannot be observed on the market (level 3).

The valuation method and as a result transfers among the levels of the fair value hierarchy of a financial instrument are altered only if there are significant changes in the market or subjective conditions of the issuer of the financial instrument.

IFRS 13 contemplates that, as already indicated by IFRS 7, the instruments designated at amortised cost are provided with fair value disclosure.

Within the Bank, the following approaches were identified for calculating the fair value:

Assets designated at amortised cost

For financial assets recognised in the financial statements at amortised cost, classified in the accounting category of "Financial assets designated at amortised cost" (due from banks and loans to customers) in particular:

- for medium/long-term performing loans (mainly mortgages and leases), the fair value is determined on the basis of cash flows, suitably adjusted for expected losses, on the basis of the PD and LGD parameters. These cash flows are discounted on the basis of a market interest rate adjusted to take account of a premium deemed to express risks and uncertainties;
- for "non-performing" loans (bad loans, unlikely to pay, past due), the fair value is assumed to be equal to the net book value. In this regard, it should be noted that the market for non-performing loans is characterised by a significant illiquidity and a high dispersion of prices according to the specific characteristics of the loans. The absence of observable parameters that could be used as a reference for measuring the fair value of exposures comparable to those being measured could therefore lead to a wide range of possible fair values; for this reason, for the purposes of financial reporting, the fair value of non-performing loans is shown as the book value;
- for debt securities classified in the "Due from banks or Loans to customers" portfolio or "Securities issued" portfolio, the fair value was determined by using prices obtained on active markets or by using valuation models, as described in the previous paragraph "Fair value levels 2 and 3: valuation techniques and inputs used".
- The fair value of loans to customers and due from banks with undefined contractual expiry, in that they are on demand, is represented by the nominal value of the receivables net of the risk component represented by the calculated probability of default, in accordance with what was previously defined.

Due to banks and customers

They are entered at their nominal value that is usually equal to the amount received initially by the Bank. This value can be reasonably approximated to the fair value in that the Bank can meet its payables thanks to high capital instruments.

Securities issued

The item pertains to bonds issued by the Bank and entered at amortised cost. The fair value is calculated by using a model that considers the loan indexation parameter and a target spread.

A.4.4 Other information

The Bank does not use the exception on the compensating valuation of groups of financial assets and liabilities referred to in paragraph 48 of the IFRS 13.

Quantitative information

A.4.5 Fair value hierarchy

A.4.5.1 - Assets and liabilities measured at fair value on a recurring basis: breakdown by level of fair value

Assets/liabilities measured at fair value	31.12.2018		
	L1	L2	L3
1. Financial assets designated at fair value through profit or loss:	30,070	27,680	1,498
a) financial assets held for trading	30,070	7,330	10
b) financial assets designated at fair value	–	–	–
c) other financial assets mandatorily at fair value	–	20,350	1,488
2. Financial assets designated at fair value through other comprehensive income	288,827	–	8,586
3. Hedging derivatives	–	–	–
4. Property and equipment	–	–	–
5. Intangible assets	–	–	–
Total	**318,897**	**27,680**	**10,084**
1. Financial liabilities held for trading	243	80	–
2. Financial liabilities designated at fair value	–	–	–
3. Hedging derivatives	–	–	–
Total	**243**	**80**	**–**

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

The table below, although not fully comparable, shows at 31 December 2017 the fair value hierarchy of Assets and liabilities measured at fair value on a recurring basis drawn up in compliance with IAS 39, prepared in accordance with the provisions of the previous version of Bank of Italy Circular No. 262 (4th update).

A.4.5.1 - Assets and liabilities measured at fair value on a recurring basis: breakdown by level of fair value

Assets/liabilities measured at fair value	31.12.2017		
	L1	L2	L3
1. Financial assets held for trading	32,805	12,902	5
2. Financial assets measured at fair value	–	–	–
3. Financial assets available for sale	1,189,652	20,587	6,523
4. Hedging derivatives	–	–	–
5. Property and equipment	–	–	–
6. Intangible assets	–	–	–
Total	**1,222,457**	**33,489**	**6,528**
1. Financial liabilities held for trading	–	143	–
2. Financial liabilities measured at fair value	–	–	–
3. Hedging derivatives	–	–	–
Total	**–**	**143**	**–**

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

A.4.5.2 Annual changes of assets measured at fair value on a recurring basis (level 3)

	Financial assets designated at fair value through profit or loss				Financial assets designated at fair value through other compre-hensive income	Hedging derivatives	Property and equipment	Intangible assets
	Total	Of which: a) Financial assets held for trading	Of which: b) Financial assets designated at fair value	Of which: c) other financial assets mandatorily at fair value				
1. Initial amount	**2,504**	**5**	**–**	**2,499**	**4,751**	**–**	**–**	**–**
2. Increases	**5**	**5**	**–**	**–**	**3,913**	**–**	**–**	**–**
2.1. Purchases	5	5	–	–	425	–	–	–
2.2. Gains recognised in:	–	–	–	–	3,488	–	–	–
2.2.1. Income Statement	–	–	–	–	–	–	–	–
- of which capital gains	–	–	–	–	–	–	–	–
2.2.2. Shareholders' equity		X	X	X	3,488	–	–	–
2.3. Transfer from other levels	–	–	–	–	–	–	–	–
2.4. Other increases	–	–	–	–	–	–	–	–
3. Decreases	**1,011**	**–**	**–**	**1,011**	**78**	**–**	**–**	**–**
3.1. Sales	627	–	–	627	11	–	–	–
3.2. Reimbursements	–	–	–	–	–	–	–	–
3.3. Losses recognised in:	361	–	–	361	67	–	–	–
3.3.1. Income Statement	361	–	–	361	–	–	–	–
- of which capital losses	286	–	–	286	–	–	–	–
3.3.2. Shareholders' equity		X	X	X	67	–	–	–
3.4. Transfers to other levels	–	–	–	–	–	–	–	–
3.5. Other decreases	23	–	–	23	–	–	–	–
4. Final amount	**1,498**	**10**	**–**	**1,488**	**8,586**	**–**	**–**	**–**

The initial amount refers to 1 January 2018 after FTA reclassifications and adjustments.

Item 2.1. Purchases of Financial assets designated at fair value through other comprehensive income relates to SIT S.p.A. shares for 15 thousand euros and Real Estate Roma Olgiata shares for 410 thousand euros.
Item 2.2.2. Gains recognised in Shareholders' equity of Financial assets designated at fair value through other comprehensive income pertains almost exclusively to the measurement of SIA S.p.A. shares(3,480 thousand euros).
Item 3.1. Sales of Other financial assets mandatorily at fair value pertains solely to the sale of the FINRE SPV securities.
Item 3.3.1. Losses recognised in: Income Statement pertains to the loss on the sale of the FINRE SPV securities for 75 thousand euros and the capital loss recorded on the Apple Fund for 286 thousand euros.

A.4.5.3 Annual changes of financial liabilities measured at fair value on a recurring basis (level 3)

At the reporting date under review, the item in question has no balances.

A.4.5.4 Assets and liabilities not measured at fair value or measured at fair value on a non-recurring basis: breakdown by level of fair value

Assets/Liabilities not measured at fair value or measured at fair value on a non-recurring basis	31.12.2018			
	BV	L1	L2	L3
1. Financial assets designated at amortised cost	1,423,634	944,580	–	497,691
2. Investment Property	–	–	–	–
3. Non-current assets held for sale and discontinued operations	–	–	–	–
Total	**1,423,634**	**944,580**	**–**	**497,691**
1. Financial liabilities designated at amortised cost	1,649,542	–	–	1,649,401
2. Liabilities associated to discontinued operations	–	–	–	–
Total	**1,649,542**	**–**	**–**	**1,649,401**

Key:
BV = Book value L1 = Level 1 L2 = Level 2 L3 = Level 3

The Bank has never carried out fair value measurements on a non-recurring basis for assets and liabilities. The table below, although not fully comparable, shows at 31 December 2017 the fair value hierarchy of financial assets and liabilities not measured at fair value or measured at fair value on a non-recurring basis drawn up in compliance with IAS 39, prepared in accordance with the provisions of the previous version of Bank of Italy Circular No. 262 (4th update).

A.4.5.4 Assets and liabilities not measured at fair value or measured at fair value on a non-recurring basis: breakdown by level of fair value

Assets/Liabilities not measured at fair value or measured at fair value on a non-recurring basis	31.12.2017			
	BV	L1	L2	L3
1. Investments held to maturity	–	–	–	–
2. Due from banks	76,353	–	–	76,353
3. Loans to customers	342,014	–	–	344,988
4. Investment Property	–	–	–	–
5. Non-current assets held for sale and discontinued operations	–	–	–	–
Total	**418,367**	**–**	**–**	**421,341**
1. Due to banks	1,474	–	–	1,474
2. Due to customers	1,501,891	–	–	1,501,891
3. Securities issued	22,594	–	–	22,526
4. Liabilities associated to discontinued operations	–	–	–	–
Total	**1,525,959**	**–**	**–**	**1,525,891**

Key:
BV = Book value L1 = Level 1 L2 = Level 2 L3 = Level 3

A.5 Report on the so-called “day one profit/loss”

The Bank did not record in the financial year under review any positive/negative item arising from the initial fair value measurement of financial instruments.

Part B – Information on the balance sheet

ASSETS

Section 1 – Cash and cash equivalents – Item 10

1.1 Cash and cash equivalents: breakdown

	Total 31.12.2018	Total 31.12.2017
a) Cash	498	477
b) Demand deposits at central banks	161	152
Total	**659**	**629**

Section 2 - Financial assets designated at fair value through profit or loss - Item 20

2.1 Financial assets held for trading: breakdown by product

Items/Amounts	Total 31.12.2018		
	Level 1	Level 2	Level 3
A. Cash assets			
1. Debt Securities	25,047	1,035	–
1.1 Structured securities	–	–	–
1.2 Other debt securities	25,047	1,035	–
2. Equity	4,386	–	10
3. UCI units	183	6,260	–
4. Loans	–	–	–
4.1 Reverse repurchase agreements	–	–	–
4.2 Other	–	–	–
Total A	**29,616**	**7,295**	**10**
B. Derivatives			
1. Financial derivatives:	454	35	–
1.1 held for trading	454	35	–
1.2 related to the fair value option	–	–	–
1.3 other	–	–	–
2. Credit derivatives	–	–	–
2.1 held for trading	–	–	–
2.2 related to the fair value option	–	–	–
2.3 other	–	–	–
Total B	**454**	**35**	**–**
Total (A+B)	**30,070**	**7,330**	**10**

The financial assets held for trading amounted to 37,410 thousand euros. The balance at 1 January 2018 amounted to 45,712 thousand euros and corresponds to the balance at 31 December 2017, not having changed during the FTA.

Item "A.1. Debt securities" amounting to 26,082 thousand euros (33,116 thousand euros at 1 January 2018) consists of the following financial instruments:

- Level 1: government bonds of 10,001 thousand euros and bonds of 15,046 thousand euros;
- Level 2: only bond "CDP 10.1.2019 3.5%" of 1,035 thousand euros.

Item "A.3. UCI units" amounting to 6,443 thousand euros (9,736 thousand euros at 1 January 2018) includes in Level 1: 4AIM SICAF units of 142 thousand euros, New Millennium Funds of 26 thousand euros and other funds of 15 thousand euros; in Level 2: New Millennium Fund units of 6,260 thousand euros.

The table below, although not fully comparable, shows at 31 December 2017 the Financial assets held for trading: breakdown by product drawn up in compliance with IAS 39, prepared in accordance with the provisions of the previous version of Bank of Italy Circular No. 262 (4th update).

2.1 Financial assets held for trading: breakdown by product

Items/Amounts	Total 31.12.2017		
	Level 1	Level 2	Level 3
A. Cash assets			
1. Debt Securities	29,891	3,225	–
1.1 Structured securities	–	–	–
1.2 Other debt securities	29,891	3,225	–
2. Equity	2,566	–	5
3. UCI units	165	9,571	–
4. Loans	–	–	–
4.1 Reverse repurchase agreements	–	–	–
4.2 Other	–	–	–
Total A	**32,622**	**12,796**	**5**
B. Derivatives			
1. Financial derivatives:	183	106	–
1.1 held for trading	183	106	–
1.2 related to the fair value option	–	–	–
1.3 other	–	–	–
2. Credit derivatives	–	–	–
2.1 held for trading	–	–	–
2.2 related to the fair value option	–	–	–
2.3 other	–	–	–
Total B	**183**	**106**	**–**
Total (A+B)	**32,805**	**12,902**	**5**

2.2 Financial assets held for trading: breakdown by debtor/issuer/counterparty

Items/Amounts	Total 31.12.2018
A. CASH ASSETS	
1. Debt Securities	**26,082**
a) Central Banks	–
b) Public administrations	10,001
c) Banks	14,539
d) Other financial institutions	1,035
Of which: insurance companies	–
e) Non financial institutions	507
2. Equity	**4,396**
a) Banks	–
b) Other financial institutions	247
of which: insurance companies	30
c) Non financial institutions	4,149
d) Other issuers	–
3. UCI units	**6,443**
4. Loans	**–**
a) Central Banks	–
b) Public administrations	–
c) Banks	–
d) Other financial institutions	–
of which: insurance companies	–
e) Non financial institutions	–
f) Households	–
Total A	**36,921**
B. DERIVATIVES	
a) Central counterparties	–
b) Other	489
Total B	**489**
Total (A+B)	**37,410**

The item “UCI units” includes: 476 thousand euros of bond funds, 5,951 thousand euros of equity funds and 16 thousand euros of real estate funds.

The table below, although not fully comparable, shows at 31 December 2017 the Financial assets held for trading: breakdown by debtor/issuer drawn up in compliance with IAS 39, prepared in accordance with the provisions of the previous version of Bank of Italy Circular No. 262 (4th update).

2.2 Financial assets held for trading: breakdown by debtor/issuer

Items/Amounts	Total 31.12.2017
A. CASH ASSETS	
1. Debt Securities	**33,116**
a) Governments and Central Banks	15,037
b) Other public entities	–
c) Banks	14,119
d) Other issuers	3,960
2. Equity	**2,571**
a) Banks	–
b) Other issuers:	2,571
- insurance companies	38
- financial institutions	–
- non-financial companies	2,533
- other	–
3. UCI units	**9,736**
4. Loans	**–**
a) Governments and Central Banks	–
b) Other public entities	–
c) Banks	–
d) Other entities	–
Total A	**45,423**
B. DERIVATIVES	
a) Banks	
- fair value	48
b) Customers	
- fair value	241
Total B	**289**
Total (A+B)	**45,712**

2.5 Other financial assets mandatorily at fair value: breakdown by product

Items/Amounts	31.12.2018		
	Level 1	Level 2	Level 3
1. Debt Securities	**–**	**–**	**–**
1.1 Structured securities	–	–	–
1.2 Other debt securities	–	–	–
2. Equity	**–**	**–**	**–**
3. UCI units	**–**	**20,350**	**1,488**
4. Loans	**–**	**–**	**–**
4.1 Repurchase agreements	–	–	–
4.2 Other	–	–	–
Total	**–**	**20,350**	**1,488**

Financial assets mandatorily at fair value, newly adopted, amounted to 21,838 thousand euros (23,086 thousand euros at 1 January 2018) and comprises, in Level 2, units of the FIP Fund (16,816 thousand euros) and, in Level 3, units of the Apple Fund. These securities were classified at 31 December 2017 as “Financial assets available for sale”.

2.6 Other financial assets mandatorily at fair value: breakdown by debtor/issuer

Items/Amounts	31.12.2018
1. Equity	**–**
of which: banks	–
of which: other financial institutions	–
of which: non financial institutions	–
2. Debt Securities	**–**
a) Central Banks	–
b) Public administrations	–
c) Banks	–
d) Other financial institutions	–
of which: insurance companies	–
e) Non financial institutions	–
3. UCI units	**21,838**
4. Loans	**–**
a) Central Banks	–
b) Public administrations	–
c) Banks	–
d) Other financial institutions	–
of which insurance companies	–
e) Non financial institutions	–
f) Households	–
Total	**21,838**

Section 3 - Financial assets designated at fair value through other comprehensive income - Item 30

3.1 Financial assets designated at fair value through other comprehensive income: breakdown by product

Items/Amounts	31.12.2018		
	Level 1	Level 2	Level 3
1. Debt Securities	**288,482**	**–**	**–**
1.1 Structured securities	–	–	–
1.2 Other debt securities	288,482	–	–
2. Equity	**345**	**–**	**8,586**
3. Loans	**–**	**–**	**–**
Total	**288,827**	**–**	**8,586**

Financial assets designated at fair value through other comprehensive income totalled 297,413 thousand euros (200,753 thousand euros at 1 January 2018).
During FTA, this portfolio included for the same amount:

- all equities in the "Financial assets available for sale" portfolio exercising the irrevocable option upon initial recognition;
- some debt securities belonging to the "Financial assets available for sale" portfolio.

Item 1. Debt securities - Level 1 - consists mainly of Government Bonds. At 31 December 2018, total net losses on credit risk on these securities amounted to 819 thousand euros of which 732 thousand euros accrued in the year in question. The value is recognised in item 110. Valuation reserves (after taxes) instead of as an adjustment to this item.
Item 2.Equity includes the following strategic investments:

- Level 1: Net Insurance S.p.A. (345 thousand euros including the positive valuation reserve equal to 53 thousand euros);
- Level 3: Fideuram Investimenti SGR S.p.A. (1,075 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 table below, although not fully comparable, shows at 31 December 2017 the Financial assets available for sale: breakdown by product drawn up in compliance with IAS 39, prepared in accordance with the provisions of the previous version of Bank of Italy Circular No. 262 (4th update).

4.1 Financial assets available for sale: breakdown by product

Items/Amounts	Total 31.12.2017		
	Level 1	Level 2	Level 3
1. Debt Securities	1,189,177	–	–
1.1 Structured securities	–	–	–
1.2 Other debt securities	1,189,177	–	–
2. Equity	475	–	4,750
2.1 Measured at fair value	475	–	–
2.2 Measured at cost	–	–	4,750
3. UCI units	–	20,587	1,773
4. Loans	–	–	–
Total	**1,189,652**	**20,587**	**6,523**

3.2 Financial assets designated at fair value through other comprehensive income: breakdown by breakdown by debtor/issuer

Items/Amounts	31.12.2018
1. Debt Securities	**288,482**
a) Central Banks	–
b) Public administrations	251,936
c) Banks	34,405
d) Other financial institutions	–
of which: insurance companies	–
e) Non financial institutions	2,141
2. Equity	**8,931**
a) Banks	–
b) Other issuers:	8,931
- other financial institutions	1,420
of which: insurance companies	344
- non financial institutions	7,511
- other	–
3. Loans	**–**
a) Central Banks	–
b) Public administrations	–
c) Banks	–
d) Other financial institutions	–
of which: insurance companies	–
e) Non financial institutions	–
f) Households	–
Total	**297,413**

The table below, although not fully comparable, shows at 31 December 2017 the Financial assets available for sale: breakdown by debtor/issuer drawn up in compliance with IAS 39, prepared in accordance with the provisions of the previous version of Bank of Italy Circular No. 262 (4th update).

4.2 Financial assets available for sale: breakdown by debtor/issuer

Items/Amounts	Total 31.12.2017
1. Debt Securities	**1,189,177**
a) Governments and Central Banks	1,160,270
b) Other public entities	–
c) Banks	28,907
d) Other issuers	–
2. Equity	**5,225**
a) Banks	2
b) Other issuers:	5,223
- insurance companies	475
- financial institutions	1,075
- non-financial companies	3,668
- other	5
3. UCI units	**22,360**
4. Loans	**–**
a) Governments and Central Banks	–
b) Other public entities	–
c) Banks	–
d) Other entities	–
Total	**1,216,762**

3.3 Financial assets designated at fair value through other comprehensive income: gross value and total impairment losses

	Gross value				Total impairment losses			Total partial write-offs (*)
	Stage 1		Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	
		of which: instruments with low credit risk						
Debt Securities	289,301	–	–	–	819	–	–	–
Loans	–	–	–	–	–	–	–	–
Total 31.12.2018	**289,301**	**–**	**–**	**–**	**819**	**–**	**–**	**–**
of which: acquired or originated impaired financial assets	X	X	–	–	X	–	–	–

(*) Value to be reported for disclosure purposes

The gross amount corresponds to the book value plus the total impairment losses.

Section 4 – Financial assets designated at amortised cost – Item 40

4.1 Financial assets designated at amortised cost: breakdown by product of due from banks

Type of transactions/Amounts	Total 31.12.2018					
	Book value			Fair value		
	Stage 1 and 2	Stage 3	of which: acquired or originated impaired	Level 1	Level 2	Level 3
A. Due from Central Banks	**–**	**–**	**–**	**–**	**–**	**–**
1. Time deposits	–	–	–	X	X	X
2. Compulsory reserve	–	–	–	X	X	X
3. Repurchase agreements	–	–	–	X	X	X
4. Other	–	–	–	X	X	X
B. Due from banks	**78,405**	**–**	**–**	**–**	**–**	**78,405**
1. Loans	78,405	–	–	–	–	78,405
1.1 Current accounts and demand deposits	56,397	–	–	X	X	X
1.2 Time deposits	7,075	–	–	X	X	X
1.3 Other loans:	14,934	–	–	X	X	X
- Reverse repurchase agreements	–	–	–	X	X	X
- Financial leases	–	–	–	X	X	X
- Other	14,934	–	–	X	X	X
2. Debt Securities	–	–	–	–	–	–
2.1 Structured securities	–	–	–	–	–	–
2.2 Other debt securities	–	–	–	–	–	–
Total	**78,405**	**–**	**–**	**–**	**–**	**78,405**

Due from banks totalled 78,405 thousand euros (76,283 thousand euros at 1 January 2018).

Item B.1.2. Time deposits refer exclusively to the Compulsory reserve deposited with Depobank S.p.A. (amount after collective write-down). At 31 December 2017, the Compulsory reserve amounted to 5,302 thousand euros.

At 31 December 2018, total net losses on credit risk due from banks amounted to 42 thousand euros. In the year in question, value recoveries amounting to 28 thousand euros were carried out.

Item B.1.3 Other loans relates to guarantee margins on derivatives.

The table below, although not fully comparable, shows at 31 December 2017 Due from banks: breakdown by product drawn up in compliance with IAS 39, prepared in accordance with the provisions of the previous version of Bank of Italy Circular No. 262 (4th update).

6.1 Due from banks: breakdown by product

Type of transactions/Amounts	Total 31.12.2017			
	BV	FV		
		Level 1	Level 2	Level 3
A. Due from Central Banks	**–**			**–**
1. Time deposits	–	X	X	X
2. Compulsory reserve	–	X	X	X
3. Repurchase agreements	–	X	X	X
4. Other	–	X	X	X
B. Due from banks	**76,353**			**76,353**
1. Loans				
1.1 Current accounts and deposits	52,567	X	X	X
1.2 Time deposits	15,305	X	X	X
1.3 Other loans:	8,481	X	X	X
Reverse repurchase agreements	–	X	X	X
Financial Leases	–	X	X	X
Other	8,481	X	X	X
2. Debt Securities	–			
2.1 Structured securities	–	X	X	X
2.2 Other debt securities	–	X	X	X
Total	**76,353**			**76,353**

Key:
FV = fair value
BV = book value

4.2 Financial assets designated at amortised cost: breakdown by product of loans to customers

Type of transactions/Amounts	Total 31.12.2018					
	Book value			Fair value		
	Stage 1 and 2	Stage 3	of which: acquired or originated impaired	Level 1	Level 2	Level 3
1. Loans	**398,846**	**5,787**	**–**	**–**	**–**	**419,286**
1.1. Current accounts	187,768	1,560	–	X	X	X
1.2. Reverse repurchase agreements	–	–	–	X	X	X
1.3. Mortgages	178,212	2,179	–	X	X	X
1.4. Credit card loans, personal loans and transfers of one fifth of salaries	–	–	–	X	X	X
1.5. Financial Leases	–	–	–	X	X	X
1.6. Factoring	–	–	–	X	X	X
1.7. Other loans	32,866	2,048	–	X	X	X
2. Debt Securities	**940,596**		**–**	**944,580**	**–**	**–**
2.1. Structured securities	–	–	–	–	–	–
2.2. Other debt securities	940,596	–	–	944,580	–	–
Total	**1,339,442**	**5,787**	**–**	**944,580**	**–**	**419,286**

The item "Loans to customers" totalled 1,345,229 thousand euros (1,332,728 thousand euros at 1 January 2018).

At the reporting date of these financial statements, the items relating to current accounts, mortgages and other loans include **impaired assets (Bucket 3)** totalling 13,190 thousand euros (5,787 thousand euros after the write-downs), comprising:

- **bad loans** totalling 8,717 thousand euros (2,027 thousand euros after the write-downs) relating to the following positions:
  - 4,572 thousand euros (946 thousand euros after the write-off) 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;
  - 4,145 thousand euros referring to trade receivables of 1,705 thousand euros and to cash loans of 2,440 thousand euros.

  The line-by-line write-downs made totalled 6,690 thousand euros (including 1,650 thousand euros referring to trade receivables).
- **unlikely to pay** totalling 2,088 thousand euros (1,602 thousand euros after the write-downs) comprising:
  - overdraft facilities amounting to 1,700 thousand euros;

- mortgage positions of 278 thousand euros (11 thousand euros of overdue instalments and 267 thousand euros of principal about to fall due);
- trade receivables of 110 thousand euros.

The line-by-line write-downs made totalled 486 thousand euros (including 90 thousand euros referring to trade receivables);

- **other positions expired or past due** for over 90 days totalling 2,385 thousand euros (2,158 thousand euros after the write-downs).

At 31 December 2018, there were 19 "forborne" exposures of which:

- 5 non-performing positions totalling 909 thousand euros (of which 1 position included among bad loans for 141 thousand euros, 3 positions included among unlikely to pay for 116 thousand euros and 1 position included among past due loans for 652 thousand euros);
- 14 performing positions, amounting to 11,749 thousand euros.

At 31 December 2018, 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, amounting to 3,499 thousand euros, was higher than the allocations made for this purpose during FTA at 1 January 2018, which amounted to 2,188 thousand euros.

In 2018, the Bank recorded in the Income Statement 1,286 thousand euros for portfolio impairment losses on government bonds and 2,150 thousand euros for net losses on loans to customers broken down as follows: 1,311 thousand euros for portfolio impairment losses, 60 thousand euros for specific value recoveries (Bucket 3), 897 thousand euros for specific impairment losses (Bucket 3), 19 thousand euros for cancellation losses and 17 thousand euros for recoveries of receivables cancelled in previous financial years.

At 31 December 2018, the allowance for doubtful loans to customers, excluding securities, totalled 10,902 thousand euros of which 7,403 thousand euros on an itemised basis and 3,499 thousand euros for portfolio impairment losses.

Item 1.7. Other loans includes Deposits for margins with Cassa di Compensazione e Garanzia amounting to 29,893 thousand euros (Bucket 1), non-performing financial receivables amounting to 1,972 thousand euros (Bucket 3) and trade receivables amounting to 3,049 thousand euros (of which Bucket 1 and 2 amounting to 2,973 thousand euros and Bucket 3 amounting to 76 thousand euros).

Item 2.2 Other debt securities refers exclusively to Government Bonds. The total write-down of the portfolio amounted to 1,477 thousand euros after utilisation for sale of 331 thousand euros. The FTA reserve at 1 January 2018 amounted to 522 thousand euros.

A breakdown of "Time distribution of amounts due from customers by residual duration" can be found under Part E Section 4 – Liquidity risk.

The following table provides the information about contracts with customers required by IFRS 15.

Assets/liabilities deriving from contracts with customers not debited in the current accounts (ifrs 15)

	Opening balances at 01.01.2018 net of impairment losses	Closing balances at 31.12.2018 net of impairment losses
Loans to customers for activities of:		
- advisory and corporate finance	1,958	2,526
- specialist	459	762
- placement	755	711
- delegated management	832	305
- services to listed issuers (seq and equity research)	21	99
- other services	216	538
Total receivables before write-downs	**4,241**	**4,941**
Total line by line impairment losses	(1,523)	(1,740)
Total collective impairment losses on trade receivables	(102)	(152)
Total receivables after write-downs	**2,616**	**3,049**
Liabilities deriving from contracts with customers:		
- deferred income on issued invoices	(132)	(259)

The impairment losses on an itemised basis at 31 December 2018 pertain to the specialist business (59 thousand euros) and the advisory and corporate finance business (1,681 thousand euros).

The Assets recognised in view of costs to be recovered are not indicated - as required by IFRS 15 Paragraph 128 - because the amounts are small.

The table below, although not fully comparable, shows at 31 December 2017 Loans to customers: breakdown by product drawn up in compliance with IAS 39, prepared in accordance with the provisions of the previous version of Bank of Italy Circular No. 262 (4th update).

7.1 Loans to customers: breakdown by product

Type of transactions/Amounts	Total 31.12.2017					
	Book value			Fair value		
	Performing	Non-performing		Level 1	Level 2	Level 3
		Purchased	Other			
Loans						
1. Current accounts	148,002		1,958	X	X	X
2. Reverse repurchase agreements	–		–	X	X	X
3. Mortgages	158,437		1,615	X	X	X
4. Credit card loans, personal loans and transfers of one fifth of salaries	–		–	X	X	X
5. Financial Leases	–		–	X	X	X
6. Factoring	–		–	X	X	X
7. Other loans	29,343		1,933	X	X	X
Debt Securities		–	–			
8. Structured securities	–		–	X	X	X
9. Other debt securities	726		–	X	X	X
Total	**336,508**	**–**	**5,506**			**344,988**

4.4 Financial assets designated at amortised cost: breakdown by debtor/issuer of loans to customers

Type of transactions/Amounts	Total 31.12.2018		
	Stage 1 and 2	Stage 3	of which: assets non-performing acquired or originated
1. Debt securities:	**940,596**	**–**	**–**
a) Public administrations	940,596	–	–
b) Other financial institutions	–	–	–
of which: insurance companies	–	–	–
c) Non financial institutions	–	–	–
2. Loans to:	**398,846**	**5,787**	**–**
a) Public administrations	–	–	–
b) Other financial institutions	93,064	144	–
of which: insurance companies	–		
c) Non financial institutions	175,267	1,590	–
d) Households	130,515	4,053	–
Total	**1,339,442**	**5,787**	**–**

The table below, although not fully comparable, shows at 31 December 2017 Loans to customers: breakdown by debtor/issuer drawn up in compliance with IAS 39, prepared in accordance with the provisions of the previous version of Bank of Italy Circular No. 262 (4th update).

7.2 Loans to customers: breakdown by debtor/issuer

Type of transactions/Amounts	Total 31.12.2017		
	Performing	Non-performing	
		Purchased	Other
1. Debt securities:	**726**	**–**	**–**
a) Governments	–	–	–
b) Other public entities	–	–	–
c) Other issuers	726	–	–
- non-financial companies	–	–	–
- financial companies	726	–	–
- insurance companies	–	–	–
- other	–	–	–
2. Loans to:	**335,782**	**–**	**5,506**
a) Governments	–	–	–
b) Other public entities	–	–	–
c) Other entities	335,782	–	5,506
- non-financial companies	172,594	–	1,914
- financial companies	67,244	–	148
- insurance companies		–	
- other	95,944	–	3,444
Total	**336,508**	**–**	**5,506**

4.5 Financial assets designated at amortised cost: gross value and total impairment losses

	Gross value				Total impairment losses			Total partial write-offs (*)
	Stage 1		Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	
		of which: instruments with low credit risk						
Debt Securities	942,073	–	–	–	1,477	–	–	–
Loans	387,716	–	93,076	13,190	1,059	2,482	7,403	–
Total 31.12.2018	**1,329,789**	**–**	**93,076**	**13,190**	**2,536**	**2,482**	**7,403**	**–**
of which: acquired or originated impaired financial assets	X	X	–	–	X	–	–	–

(*) Value to be reported for disclosure purposes

Section 7 – Equity investments – Item 70

7.1 Equity investments: information on investment relationships

Company name	Registered office	Place of business	% share	Voting rights %
A. Exclusively controlled subsidiaries				
1. Finnat Fiduciaria S.p.A.	Rome	Rome	100.00	
2. Investire S.G.R. S.p.A.	Rome	Rome	50.16	
3. Finnat Gestioni S.A.	Lugano	Lugano	70.00	
4. Natam Management Company S.A.	Luxembourg	Luxembourg	100.00	
B. Companies subject to joint control				
C. Companies subject to significant influence (*)				
1. Prévira Invest SIM S.p.A. in liquidation	Rome	Rome	20.00	
2. Imprebanca S.p.A.	Rome	Rome	20.00	

(*) Associated companies

The share also represents the percentage of voting rights at the shareholders' meetings.

7.2 Individually material equity investments: book value, fair value and dividends received

7.3 Individually material equity investments: financial information

7.4 Individually immaterial equity investments: financial information

As indicated in the 5th revision to Circular no. 262 of 22 December 2005, the information about the above items are not provided, inasmuch as the Bank prepares the consolidated Financial Statements.

7.5 Equity investments: annual changes

	Total 31.12.2018	Total 31.12.2017
A. Initial amount	**76,157**	**75,132**
B. Increases	**1,465**	**2,868**
B.1 Purchases	–	–
B.2 Value recoveries	–	–
B.3 Revaluations	1,465	2,868
B.4 Other changes	–	–
C. Decreases	**5,159**	**1,843**
C.1 Sales	–	–
C.2 Impairment losses	224	1,843
C.3 Write-downs	4,935	
C.4 Other changes	–	–
D. Final amount	**72,463**	**76,157**
E. Total revaluations	**47,778**	**51,247**
F. Total impairment losses	**4,067**	**3,843**

Item B.3 Revaluations refers to the fair value adjustment of the subsidiary NATAM S.A. for 1,465 thousand euros.

Item C.2 Impairment losses refers to the impairment applied on the associated company Imprebanca for 224 thousand euros.

Item C.3 Write-downs refers to the fair value adjustment of the subsidiaries - InvestiRE SGR S.p.A., 4,045 thousand euros, Finnat Fiduciaria S.p.A., 603 thousand euros and Finnat Gestioni S.A., 287 thousand euros.

Item E. Total revaluations shows the total fair value adjustment of the subsidiaries amounting to 47,778 thousand euros, of which 42,038 thousand euros referred to InvestiRE SGR S.p.A.

Item F. Total impairment losses shows the total impairment applied on the associated companies, of which 3,824 thousand euros referred to Imprebanca S.p.A.

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

Changes in the item Equity investments are shown in detail in the Statement of annual changes in equity investments attached to the financial statements.

Section 8 – Property and equipment – Item 80

8.1 Property and equipment used in operation: breakdown of assets measured at cost

Assets/amounts	Total 31.12.2018	Total 31.12.2017
1. Owned assets	**4,669**	**4,870**
a) land	1,308	1,308
b) buildings	2,324	2,465
c) furniture	662	693
d) electronic equipment	375	404
e) other	–	–
2. Assets acquired under financial lease	**–**	**–**
a) land	–	–
b) buildings	–	–
c) furniture	–	–
d) electronic equipment	–	–
e) other	–	–
Total	**4,669**	**4,870**
of which: obtained through enforcement of guarantees received		

The Bank owns two offices located in Rome - Via Parigi no. 11. In 1974, the property was revalued by 8 thousand euros and further revaluations were made for a total of 1,216 thousand euros in accordance with Italian laws no. 576 of 2 December 1975, no. 72 of 19 March 1983, and no. 413 of 30 December 1991.

Moreover, as a result of the absorption of Finnat Real Estate S.r.l. in 2014, the Bank recorded, with continuity of values, the tangible assets including the free-standing building located in Rome, Corso Trieste, 118.

8.6 Property and equipment used in operation: annual changes

	Land	Buildings	Furniture	Electronic equipment	Other	Total
A. Gross initial carrying amount	1,308	5,987	2,239	4,638	–	14,172
A.1 Total net adjustment	–	3,522	1,546	4,234	–	9,302
A.2 Net initial carrying amount	1,308	2,465	693	404	–	4,870
B. Increases:	–	7	5	124	–	136
B.1 Purchases	–	7	5	123	–	135
B.2 Capitalised improvement costs	–	–	–	–	–	–
B.3 Value recoveries	–	–	–	–	–	–
B.4 Positive changes in fair value allocated to	–	–	–	–	–	–
a) shareholders' equity	–	–	–	–	–	–
b) income statement	–	–	–	–	–	–
B.5 Positive foreign exchange differences	–	–	–	–	–	–
B.6 Transfers from properties held for investment	–	–	X	X	X	–
B.7 Other changes	–	–	–	1	–	1
C. Decreases:	–	148	36	153	–	337
C.1 Sales	–	–	–	1	–	1
C.2 Depreciation	–	148	36	152	–	336
C.3 Net losses on impairment allocated to	–	–	–	–	–	–
a) shareholders' equity	–	–	–	–	–	–
b) income statement	–	–	–	–	–	–
C.4 Negative changes in fair value allocated to	–	–	–	–	–	–
a) shareholders' equity	–	–	–	–	–	–
b) income statement	–	–	–	–	–	–
C.5 Negative foreign exchange differences	–	–	–	–	–	–
C.6 Transfers to:	–	–	–	–	–	–
a) investment property	–	–	X	X	X	–
b) non-current assets held for sale and discontinued operations	–	–	–	–	–	–
C.7 Other changes	–	–	–	–	–	–
D. Net final amount	1,308	2,324	662	375	–	4,669
D.1 Total net adjustment	–	3,670	1,582	4,385	–	9,637
D.2 Final carrying amount	1,308	5,994	2,244	4,760	–	14,306
E. Valuation at cost						

The above tangible assets were recognised at cost plus any directly chargeable ancillary expenses. These have been subjected to systematic depreciation on a straight-line basis, determined according to the useful life of the asset in question and the period of effective use.

The depreciation rates applied, on the basis of the useful life of the assets, are as follows: Property 3%, Furniture and Furnishings (with the exclusion of works of art) 12%, Systems 15%-20%, Office machines and electronic equipment 20%, Vehicles 25%.

Section 9 – Intangible assets – Item 90

9.1 Intangible assets: breakdown by asset

Attività/Valori	Total 31.12.2018		Total 31.12.2017	
	Definite life	Indefinite life	Definite life	Indefinite life
A.1 Goodwill	X	300	X	300
A.2 Other intangible assets	127	48	26	48
A.2.1 Assets measured at cost:	127	48	26	48
a) Internally generated intangible assets	–	–	–	–
b) Other assets	127	48	26	48
A.2.2 Assets measured at fair value:	–	–	–	–
a) Internally generated intangible assets	–	–	–	–
b) Other assets	–	–	–	–
Total	**127**	**348**	**26**	**348**

Item A.1 equal to 300 thousand euros regards a part of the goodwill resulting from the merger of Banca Finnat Euramerica S.p.A. into Terme Demaniali di Acqui S.p.A., carried out in 2003. As it regards an intangible asset with indefinite useful life, an impairment test was carried out in accordance with the provisions of IAS 36. This evaluation did not show any loss in value to record in the income statement.

9.2 Intangible assets: annual changes

	Goodwill	Other intangible assets: generated internally		Other intangible assets: other		Total
		DEF	INDEF	DEF	INDEF	
A. Initial amount	**300**	**–**	**–**	**2,632**	**48**	**2,980**
A.1 Total net adjustment	–	–	–	2,606	–	2,606
A.2 Net initial carrying amount	**300**	**–**	**–**	**26**	**48**	**374**
B. Increases	**–**	**–**	**–**	**128**	**–**	**128**
B.1 Purchases	–			128	–	128
B.2 Increases in internal intangible assets	X			–		–
B.3 Value recoveries	X			–		–
B.4 Positive changes in fair value	–	–	–	–	–	–
- on shareholders' equity	X			–		–
- on income statement	X			–		–
B.5 Positive foreign exchange rate differences	–			–		–
B.6 Other changes	–			–		–
C. Decreases	**–**	**–**	**–**	**27**	**–**	**27**
C.1 Sales	–			–		–
C.2 Impairment losses	–	–	–	27	–	27
(-) Amortisation	X			27		27
(-) Write-downs	–	–	–	–	–	–
(+) shareholders' equity	X			–		–
(+) income statement				–		–
C.3 Negative changes in fair value	–	–	–	–	–	–
- on shareholders' equity	X			–		–
- on income statement	X			–		–
C.4 Transfers to non-current assets being disposed	–			–		–
C.5 Negative foreign exchange differences	–			–		–
C.6 Other changes	–			–		–
D. Net final amount	**300**	**–**	**–**	**127**	**48**	**475**
D.1 Total net impairment losses	–	–	–	2,633	–	2,633
E. Final carrying amount	**300**	**–**	**–**	**2,760**	**48**	**3,108**
F. Valuation at cost						

Key:
DEF: definite life
INDEF: indefinite life

The above intangible assets with definite life refer to software licenses. The useful life of the above intangible assets has been estimated as three years hence the assets have been subjected to amortisation on a straight-line basis with the application of the rate of 33.33%.

Section 10 – Tax assets and liabilities – Items 100 (assets) and 60 (liabilities)

Current tax assets totalled 2,227 thousand euros (92 thousand euros at 31 December 2017) and concerned mainly an IRAP receivable of 2,088 thousand euros.

Current tax liabilities totalled 421 thousand euros (2,894 thousand euros at 31 December 2017) and concern: assessments in dispute for 183 thousand euros (of which 178 thousand euros referred to tax year 2003), payables for IRES tax consolidation for 40 thousand euros, IRES surtax payables of 26 thousand euros and payables for VAT to be paid of 172 thousand euros.

10.1 Deferred tax assets: breakdown

	Total 31.12.2018	Total 31.12.2017
a) Of which per Italian Law 214/2011	**1,150**	**1,083**
Goodwill	547	547
Write-down of receivables set forth in Article 106 par. 3 of the TUIR	603	536
b) Other	**4,741**	**357**
Write-down of securities	4,420	42
Write-down of receivables	93	94
Termination Indemnity – IAS change	76	65
Other	152	156
Total	**5,891**	**1,440**

Deferred tax assets on Goodwill refer to the lower tax burden related to the amortisation that will contribute to the calculation of the taxable income until 2029 as extended by Stability Law no. 145/2018. Said tax goodwill – originally totalling 21,440 thousand euros – was recorded in 2003, as a result of the merger of Banca Finnat Euramerica S.p.A. and Finnat Corporate S.p.A. with Terme Demaniali di Acqui S.p.A.

10.2 Deferred tax liabilities: breakdown

	Total 31.12.2018	Total 31.12.2017
Revaluation of equity investments	657	705
Revaluation of securities	384	836
Allocation of merger deficit on securities	40	40
Other	94	67
Total	**1,175**	**1,648**

Deferred tax assets and liabilities have been determined applying the IRES rate and, where applicable, the IRAP rate in force at the date of preparation of these financial statements.

Article 2 of Italian Law Decree 225/2010 (the “mille proroghe” decree) subsequently amended by Article 9 of Italian Law Decree 201/2011 (the “Monti” decree) converted by Italian Law no. 214/2011 introduced the possibility of transforming into tax credits the deferred tax assets recorded in the financial statements

and related to the value of the goodwill and to the write-down of receivables pursuant to Article 106, paragraph 3, of the TUIR (Consolidated Income Tax Act) in force through 31 December 2013.
In particular, the transformation into tax receivables can be realised upon the occurrence of some cases identified by the regulation itself and more specifically in case of: a) statutory loss; b) tax loss; c) voluntary liquidation; d) subjecting to bankruptcy proceedings. Deferred tax assets calculated pursuant to Italian Law 214/2011, for the recognition in the financial statements, should not be subject to the test in accordance with IAS 12.

10.3 Changes in deferred tax assets (with corresponding item in the income statement)

	Total 31.12.2018	Total 31.12.2017
1. Opening balance	**1,334**	**1,744**
2. Increases	**367**	**34**
2.1 Deferred tax assets recognised in the year	367	34
a) relating to previous years	–	–
b) due to changes in accounting criteria	365	–
c) value recoveries	–	–
d) other	2	34
2.2 New taxes or tax rate increases	–	
2.3 Other increases	–	–
3. Decreases	**213**	**444**
3.1 Deferred tax assets eliminated during the year	213	444
a) reversals	213	444
b) write-offs	–	–
c) changes in accounting criteria	–	–
d) other	–	–
3.2 Tax rate reductions	–	–
3.3 Other decreases	–	–
a) changes into tax credits pursuant to Law no. 214/2011	–	–
b) other	–	–
4. Closing balance	**1,488**	**1,334**

The figures indicated in table 10.3 comprise the amounts shown in table 10.3.bis.

10.3 Changes in deferred tax assets per Law no. 214/2011

	Total 31.12.2018	Total 31.12.2017
1. Opening balance	**1,083**	**1,527**
2. Increases	**75**	**–**
3. Decreases	**8**	**444**
3.1 Reversals	8	444
3.2 Transformation into tax credits	–	–
a) deriving from losses for the year	–	–
b) deriving from tax losses	–	–
3.3 Other decreases	–	–
4. Closing balance	**1,150**	**1,083**

10.4 Changes in deferred tax liabilities (with corresponding item in the income statement)

	Total 31.12.2018	Total 31.12.2017
1. Opening balance	**108**	**2,062**
2. Increases	**227**	**52**
2.1 Deferred tax liabilities recorded in the year	227	52
a) relating to previous years	–	–
b) due to changes in accounting criteria	200	52
c) other	27	–
2.2 New taxes or tax rate increases	–	–
2.3 Other increases	–	–
3. Decreases	**200**	**2,006**
3.1 Deferred tax liabilities eliminated during the year	200	2,006
a) reversals	200	2,006
b) due to changes in accounting criteria	–	–
c) other	–	–
3.2 Tax rate reductions	–	–
3.3 Other decreases	–	–
4. Closing balance	**135**	**108**

10.5 Changes in deferred tax assets (with corresponding item in shareholders' equity)

	Total 31.12.2018	Total 31.12.2017
1. Opening balance	**106**	**315**
2. Increases	**4,303**	**43**
2.1 Deferred tax assets recognised in the year	4,303	43
a) relating to previous years	–	
b) due to changes in accounting criteria	–	
c) other	4,303	43
2.2 New taxes or tax rate increases	–	–
2.3 Other increases	–	–
3. Decreases	**6**	**252**
3.1 Deferred tax assets eliminated during the year	6	252
a) reversals	6	252
b) write-offs	–	–
c) due to changes in accounting criteria	–	–
d) other	–	–
3.2 Tax rate reductions	–	–
3.3 Other decreases	–	–
4. Closing balance	**4,403**	**106**

10.6 Changes in deferred tax liabilities (with corresponding item in shareholders' equity)

	Total 31.12.2018	Total 31.12.2017
1. Opening balance	**1,540**	**1,421**
2. Increases	**490**	**577**
2.1 Deferred tax liabilities recorded in the year	490	577
a) relating to previous years	–	–
b) due to changes in accounting criteria	118	–
c) other	372	577
2.2 New taxes or tax rate increases	–	–
2.3 Other increases	–	–
3. Decreases	**990**	**458**
3.1 Deferred tax liabilities eliminated during the year	990	458
a) reversals	306	458
b) due to changes in accounting criteria	684	–
c) other	–	–
3.2 Tax rate reductions	–	–
3.3 Other decreases	–	–
4. Closing balance	**1,040**	**1,540**

For further information on changes to deferred tax assets and liabilities, please see: for those recorded in the income statement, Part C - Section 19 Taxes on income from continuing operations and for those recorded in the shareholders’ equity Part D – Statement of comprehensive income.

* * *

With regard to tax-related disputes, it should be pointed out that the following cases are pending:

- appeal against unfavourable decision no. 253/07/10 of the Regional Tax Commission of Rome. The dispute pertains to assessment notice no. RCB030302029/2005, whereby the Revenue Agency argued that certain operating costs relating to the year 2002 were not deductible for IRPEG and IRAP purposes (costs for consultancy services and costs pertaining to a lease agreement).
  The Supreme Court, with its decision no. 27786/18 handed down on 19 June 2018, quashed the appeal decision, requiring the Regional Tax Commission of Lazio, with a different composition, to examine the merits of the case again. However, it should be pointed out that taxes amounting to 55 thousand euros plus penalties and interest were expensed in the income statement by the Bank;
- appeal against partially unfavourable decision no. 150/09/2012 of the Regional Tax Commission of Rome. The dispute pertains to the assessment notice no. RCB030302784/2008, whereby the Revenue Agency argued, in relation to the 2003 tax year, that Article 96-bis of the Consolidated Income Tax Act (taxation of 5% of the value of dividends) did not apply to the dividends distributed by the Luxembourg investee New Millenium Advisory S.A. The Supreme Court, with its decision no. 22955/18 handed down on 19 June 2018, granted the appeal promoted by the Bank, deeming well-grounded the arguments whereby the Bank denounced the violation of the aforementioned Article 53 by the Regional Tax Commission, requiring the dispute to be subjected to the second level court for a new examination.

However, it should be pointed out that taxes amounting to 83 thousand euros plus penalties and interest were expensed in the income statement by the Bank.

It should also be noted that on 29 May 2018 the Italian Tax Police started a tax audit of Banca Finnat with reference to income taxes for the 2014 tax year (extended in the course of the audit for specific activities from 2013 to 2017 tax years).

The audit was concluded on 26 July 2018 with the notification of the report on findings, which charged, for IRES and IRAP purposes, (i) the non-deductibility of some costs for services, deemed to lack the requirements of inherence and certainty, (ii) the failure to recognise alleged revenue relating to management services not charged to the subsidiary Finnat Gestioni SA.

In view of all the charges of the report on findings, the Bank allocated 134 thousand euros to the Provision for risks and charges.

In December 2018 the Revenue Agency served assessment notices for tax year 2013 for IRES and IRAP purposes (totalling 42 thousand euros plus penalties and interest).

Although the Bank deems the aforesaid charges to be groundless, it filed a Tax Settlement Proposal under Article 6, Paragraph 2, of Legislative Decree no. 218 of 19 June 1997 to the Revenue Agency, in order to reach an amicable settlement of the charges. On 4 March 2019, the Bank reached an agreement with the financial Administration settling the assessments, relating to the year 2013, paying only the additional taxes assessed.

Section 12 – Other assets – Item 120

12.1 Other assets: breakdown

	Total 31.12.2018	Total 31.12.2017
Receivables for guarantee deposits	328	328
Payables to group companies for tax consolidation	330	765
Due from the Group companies	4,722	3,399
Deposits with Cassa Compensazione e Garanzia	11,795	5,789
Due from counterparties and brokers	111	65
Tax credits for withholding tax	7,384	8,665
Sundry receivables	1,645	1,836
Total	**26,315**	**20,847**

Receivables from group companies included 4,601 thousand euros of dividends for the warrants A - resolved by the Shareholders' Meeting of the subsidiary InvestiRE SGR on 27 April 2017 and on 31 March 2018 - relating to the commissions to be collected on the performance recorded by the subsidiary on the sale of FIP properties. This amount will be paid by the subsidiary only upon payment of the commission by the FIP which will take place after approval of the Financial Statements at 31 December 2019.

LIABILITIES

Section 1 – Financial liabilities designated at amortised cost – Item 10

1.1 Financial liabilities designated at amortised cost: breakdown by product of due to banks

Type of transactions/Amounts	Total 31.12.2018			
	BV	Fair value		
		Level 1	Level 2	Level 3
1. Due to Central Banks	**–**	**X**	**X**	**X**
2. Due to banks	**271**	**X**	**X**	**X**
2.1 Current accounts and demand deposits	271	X	X	X
2.2 Time deposits	–	X	X	X
2.3 Loans	–	X	X	X
2.3.1 Repurchase agreements	–	X	X	X
2.3.2 Other	–	X	X	X
2.4 Debts for commitments to repurchase own equity instruments	–	X	X	X
2.5 Other payables	–	X	X	X
Total	**271**			**271**

Key:
BV = book value

The table below shows Due to banks: breakdown by product at 31 December 2017 drawn up in compliance with IAS 39, prepared in accordance with the provisions of the previous version of Bank of Italy Circular No. 262 (4th update).

1.1 Due to banks: breakdown by product

Type of transactions/Amounts	Total 31.12.2017
1. Due to Central Banks	**–**
2. Due to banks	**1,474**
2.1 Current accounts and deposits	1,474
2.2 Time deposits	–
2.3 Loans	–
2.3.1 Repurchase agreements	–
2.3.2 Other	–
2.4 Debts for commitments to repurchase own equity instruments	–
2.5 Other payables	–
Total	**1,474**
Fair value-level 1	–
Fair value-level 2	–
Fair value-level 3	1,474
Total Fair value	**1,474**

1.2 Financial liabilities designated at amortised cost: breakdown by product of due to customers

Type of transactions/Amounts	Total 31.12.2018			
	BV	Fair value		
		Level 1	Level 2	Level 3
1. Current accounts and demand deposits	472,030	X	X	X
2. Time deposits	189,025	X	X	X
3. Loans	938,918	X	X	X
3.1 Repurchase agreements	938,918	X	X	X
3.2 Other	–	X	X	X
4. Debts for commitments to repurchase own equity instruments	–	X	X	X
5. Other payables	21,048	X	X	X
Total	**1,621,021**	**–**	**–**	**1,621,021**

Key:
BV = book value

Item 3.1 Repurchase agreements concerns the transactions carried out with Cassa di Compensazione e Garanzia.

The table below shows Due to customers: breakdown by product at 31 December 2017 drawn up in compliance with IAS 39, prepared in accordance with the provisions of the previous version of Bank of Italy Circular No. 262 (4th update).

2.1 Due to customers: breakdown by product

Type of transactions/Amounts	Total 31.12.2017
1. Current accounts and deposits	430,215
2. Time deposits	74,296
3. Loans	980,102
3.1 Repurchase agreements	980,102
3.2 Other	–
4. Debts for commitments to repurchase own equity instruments	–
5. Other payables	17,278
Total	**1,501,891**
Fair value-level 1	–
Fair value-level 2	–
Fair value-level 3	1,501,891
Total Fair value	**1,501,891**

1.3 Financial liabilities designated at amortised cost: breakdown by product of securities issued

Type of securities/Amount	Total 31.12.2018			
	BV	Fair value		
		Level 1	Level 2	Level 3
A. Securities	28,250	–	–	28,109
1. bonds	28,250	–	–	28,109
1.1 structured	–	–	–	–
1.2 other	28,250	–	–	28,109
2. other securities	–	–	–	–
2.1 structured	–	–	–	–
2.2 other	–	–	–	–
Total	**28,250**	**–**	**–**	**28,109**

Key:
BV = book value

The item represents the bonds issued by the Bank, including the accrued coupon. The amount is shown net of the securities held for trading present in its portfolio, with a nominal amount of 1,752 thousand euros.

The table below shows at 31 December 2017 Securities issued: breakdown by product drawn up in compliance with IAS 39, prepared in accordance with the provisions of the previous version of Bank of Italy Circular No. 262 (4th update).

3.1 Securities issued: breakdown by product

Type of securities/Amount	Total 31.12.2017			
	BV	Fair value		
		Level 1	Level 2	Level 3
A. Securities	22,594	–	–	22,526
1. bonds	22,594	–	–	22,526
1.1 structured	–	–	–	–
1.2 other	22,594	–	–	22,526
2. other securities	–	–	–	–
2.1 structured	–	–	–	–
2.2 other	–	–	–	–
Total	**22,594**	**–**	**–**	**22,526**

Key:
BV = book value

Section 2 – Financial liabilities held for trading – Item 20

2.1 Financial liabilities held for trading: breakdown by product

Type of transactions/Amounts	Total 31.12.2018					Total 31.12.2017				
	NV	Fair value			FV*	NV	Fair value			FV*
		Level 1	Level 2	Level 3			Level 1	Level 2	Level 3	
A. Cash liabilities	**68**	**243**	**–**	**–**	**243**	**–**	**–**	**–**	**–**	**–**
1. Due to banks										
2. Due to customers	68	243	–	–	243	–	–	–	–	–
3. Debt Securities	–	–	–	–		–	–	–	–	
3.1 Bonds	–	–	–	–		–	–	–	–	
3.1.1 Structured	–	–	–	–	X	–	–	–	–	X
3.1.2 Other bonds	–	–	–	–	X	–	–	–	–	X
3.2 Other securities	–	–	–	–		–	–	–	–	
3.2.1 Structured	–	–	–	–	X	–	–	–	–	X
3.2.2 Other	–	–	–	–	X	–	–	–	–	X
Total A	**68**	**243**	**–**	**–**	**243**	**–**	**–**	**–**	**–**	**–**
B. Derivatives	**–**	**–**	**80**	**–**			**–**	**143**	**–**	
1. Financial derivatives		–	80	–			–	143	–	
1.1 Held for trading	X	–	80	–	X	X	–	143	–	X
1.2 Related to the fair value option	X	–	–	–	X	X	–	–	–	X
1.3 Other	X	–	–	–	X	X	–	–	–	X
2. Credit derivatives		–	–	–			–	–	–	
2.1 Held for trading	X	–	–	–	X	X	–	–	–	X
2.2 Related to the fair value option	X	–	–	–	X	X	–	–	–	X
2.3 Other	X	–	–	–	X	X	–	–	–	X
Total B	**X**	**–**	**80**	**–**	**X**	**X**	**–**	**143**	**–**	**X**
Total (A+B)	**X**	**243**	**80**	**–**	**X**	**X**	**–**	**143**	**–**	**X**

Key:

NV = face or notional value

FV* = fair value calculated excluding the changes in value due to the change in the credit rating of the issuer with respect to the issue date.

Item "A. Cash liabilities" refers to a technical overdraft closed in January 2019.

Item "B. Derivatives" includes the negative measurement of currency forwards of 72 thousand euros and the fair value measurement of an Interest Rate Swap Amortising of 8 thousand euros.

Section 6 – Tax liabilities – Item 60

See Section 10 of the assets.

Section 8 – Other liabilities – Item 80

8.1 Other liabilities: breakdown

	Total 31.12.2018	Total 31.12.2017
Social security and insurance contributions to be paid	1,150	1,129
Payables to personnel employed and contractors	1,853	1,821
Emoluments to be paid to the Directors	6	20
Emoluments to be paid to the Board of Statutory Auditors	125	121
Due to suppliers	628	916
Payables to group companies	107	107
Shareholders for dividends to be paid	1,949	1,299
Payables to brokers and institutional counterparties	2,857	123
Tax payables for withholding tax	1,106	2,366
Other payables	1,713	1,772
Total	**11,494**	**9,674**

Section 9 – Provisions for termination indemnities – Item 90

9.1 Provisions for termination indemnities: annual changes

	Total 31.12.2018	Total 31.12.2017
A. Initial amount	**2,157**	**2,225**
B. Increases	**854**	**801**
B.1 Allocation for the year	854	801
B.2 Other changes	–	–
C. Decreases	**997**	**869**
C.1 Severance indemnities paid out	343	340
C.2 Other changes	654	529
D. Final amount	**2,014**	**2,157**

Item B.1 Allocation for the year, includes the actuarial loss of 40 thousand euros recognised among valuation reserves - net of the tax effect - in accordance with IAS 19. In 2017, an actuarial loss of 27 thousand euros was recorded.

Item C.2 Other changes includes payments made to supplementary Social Security Institutes and the INPS Treasury – net of disbursements carried out – as established by Italian Law no. 296/06.

The actuarial assumptions used to calculate the liabilities as at the balance sheet date are set out below:

Demographic assumption

As regards the demography data used, life expectancy was assessed using the RG48 demographic table on population activity ratios (“Tavola di permanenza nella posizione di attivo”) (processed by the General Accounting Office, by reference to the 1948 generation), “selected, projected and subdivided by gender”, supplemented by internal statistics concerning the probability of staff leaving employment.

Economic-financial assumptions

Technical evaluations were made on the basis of the following assumptions:

- technical discount rate between 0.1484% and 1.2861%, determined on the basis of the rate curve built in view of the effective yield rate of the bonds in Euro of leading companies rated AA or higher;
- annual inflation rate 1.50%

The staff severance fund at 31 December 2018, calculated in accordance with the provisions of Article no. 2120 of the Italian Civil Code amounted to 1,850 thousand euros.

Section 10 – Provisions for risks and charges – Item 100

10.1 Provisions for risks and charges: breakdown

Items/Amounts	Total 31.12.2018
1. Provisions for credit risk related to commitments and financial guarantees given	101
2. Provisions on other commitments and other guarantees given	–
3. Company pension funds	–
4. Other provisions for risks and charges	682
4.1 Legal and tax disputes	–
4.2 Personnel expenses	–
4.3 Other	682
Total	**783**

Provisions for credit risk related to commitments and financial guarantees given of 101 thousand euros are related to collective impairment losses carried out with the introduction of the new IFRS 9 through 31 December 2018. Impairment made during FTA at 1 January 2018 amounted to 85 thousand euros.
Other provisions for risks and charges of 682 thousand euros include, for 448 thousand euros, 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 and, for 100 thousand euros, the provision made last year for any fees to be paid to an employee in the commercial area and for 134 thousand euros to the allocation made as a result of the Report on Findings of the Italian Tax Police served on 26 July 2018 as commented under Tax liabilities.

It should be noted that in 2018 the Bank received an invitation for mandatory mediation to discuss a claim for damages, amounting to 156 thousand euros, submitted by a natural person customer; the Bank deems it unlikely that the claim will be allowed, therefore no allocations were made in this regard.

The table below, although not fully comparable, shows at 31 December 2017 Provisions for risks and charges: breakdown drawn up in compliance with IAS 39, prepared in accordance with the provisions of the previous version of Bank of Italy Circular No. 262 (4th update).

12.1 Provisions for risks and charges: breakdown

Items/Amounts	Total 31.12.2017
1. Company pension funds	
2. Other provisions for risks and charges	**548**
2.1 Legal disputes	–
2.2 Personnel expenses	–
2.3 Other	548
Total	**548**

10.2 Provisions for risks and charges: annual changes

	Provisions on other commitments and other guarantees given	Pension funds	Other provisions for risks and charges	Total
A. Initial amount	**–**	**–**	**548**	**548**
B. Increases	**103**	**–**	**134**	**237**
B.1 Allocation for the year	16	–	134	150
B2. Changes due to the passing of time	–	–	–	–
B.3 Changes due to discount rate variations	–	–	–	–
B.4 Other changes	87	–	–	87
C. Decreases	**2**	**–**	**–**	**2**
C.1 Use in the year	2	–	–	2
C.2 Changes due to discount rate variations	–	–	–	–
C.3 Other changes	–	–	–	–
D. Final amount	**101**	**–**	**682**	**783**

The item B.4 Other changes comprises 85 thousand euros of the write-down of sureties and commitments, carried out upon first adoption of IFRS 9 and 2 thousand euros of the reclassification upon FTA of the line-by-line write-downs from Other liabilities.

The item B.1 Allocation for the year - Other provisions for risks and charges equal to 134 thousand euros relates to what was notified in the aforementioned Report on Findings of the Italian Tax Police.

10.3 Provisions for credit risk related to commitments and financial guarantees given

	Provisions for credit risk related to commitments and financial guarantees given			
	Stage 1	Stage 2	Stage 3	Total
Commitments to lend funds	9	13	–	22
Financial guarantees given	77	2	–	79
Total	**86**	**15**	**–**	**101**

10.6 – Provisions for risks and charges – other provisions

The provisions for risks and charges - other provisions amounted to 682 thousand euros. For details, refer to the notes at the bottom of 10.1 Provisions for risks and charges: breakdown.

Section12 – Shareholders' equity – Items 110, 130, 140, 150, 160, 170 and 180

12.1 "Share capital" and "Treasury shares": Breakdown

At 31 December 2018, the share capital paid up by the Bank was 72,576,000 euros, divided into 362,880,000 ordinary shares with a face value of euro 0.20 each.

At 31 December 2018, the treasury shares numbered 28,810,640. These shares totalling 14,059 thousand euros, equal to 7.9% of the share capital, in application of IAS 32, were used to adjust the shareholders' equity. In the year in question, the Bank did not buy or sell any treasury shares.

12.2 Share capital - Number of shares: annual changes

Items/Types	Ordinary	Other
A. Number of shares at the beginning of the year		
– fully paid-in	362,880,000	–
– not fully paid-in	–	–
A.1 Treasury shares (-)	(28,810,640)	–
A.2 Shares outstanding: initial amount	**334,069,360**	
B. Increases	**–**	**–**
B.1 New issues		
– against payment:		
- business combinations	–	–
- conversion of bonds	–	–
- exercise of warrants	–	–
- other	–	–
– for free:		
- in favour of employees	–	–
- in favour of directors	–	–
- other	–	–
B.2 Sale of treasury shares	–	–
B.3 Other changes	–	–
C. Decreases	**–**	**–**
C.1 Derecognition	–	–
C.2 Purchase of treasury shares	–	–
C.3 Disposal companies	–	–
C.4 Other changes	–	–
D. Shares outstanding: final amount	**334,069,360**	**–**
D.1 Treasury shares (+)	28,810,640	–
D.2 Number of shares at the end of the year	362,880,000	–
– fully paid-in	362,880,000	–
– not fully paid-in	–	–

12.3 Share capital: additional information

During the year, the Bank's share capital was not subject to change.

12.4 Retained earnings: other information

The “Reserves” item amounts to 118,855 thousand euros (93,947 thousand euros at 31 December 2017) and is broken down as follows:

- retained earnings:
  114,570 thousand euros consisting of the legal reserve of 11,181 thousand euros, extraordinary reserve of 82,389 thousand euros, the dividend adjustment reserve of 6,725 thousand euros, restated IAS 19 retained earnings reserve of 179 thousand euros, the reserve for merger surplus of 525 thousand euros, the reserve for treasury shares purchased of 14,059 thousand euros and the negative reserve from restated IFRS 9 of -488 thousand euros;
- other reserves:
  4,285 thousand euros consisting of the reserve for the realised gain on treasury shares of 4,277 thousand euros, of the gain on sale of shares present among Financial assets designated at fair value through other comprehensive income of 8 thousand euros.

12.6 Other information

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

Type/description	Amount at 31.12.2018	Possibility of use	Share available	Summary of utilisation during the last three years			
				for loss coverage	for other reasons		
					2015	2016	2017
Share capital:	**72,576**		–				
Reserves:	**118,855**		**93,615**				
Legal reserve	11,181	B	–				
Extraordinary reserve	82,389	A B C	82,389				
Dividend adjustment reserve	6,725	A B C	6,725				
Profit brought forward from restated IAS 19	179	A B C	179				
Accumulated losses from restated IFRS 9	(488)		(488)				
Gains on the sale of HtCS shares	8	A B C	8				
Gains on the sale of treasury shares	4,277	A B C	4,277				
Reserve for treasury shares purchased	14,059		–				
Reserve for purchases of treasury shares	–		–				
Reserve for stock option plane	–	A	–				
Reserve for merger surplus	525	A B C	525				
Valuation reserves:	**43,770**		**1,364**				
Special revaluation regulations	1,364	A B	1,364				
Valuation reserve	42,406	B	–				
Treasury shares	(14,059)		–				
TOTAL	**221,142**		**94,979**	–			
Non-distributable share	–		1,364				
Remaining distributable share	–		**93,615**				

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

OTHER INFORMATION

1. Commitments and financial guarantees given (other than those designated at fair value)

	Nominal value over commitments and financial guarantees given			Total 31.12.2018
	Stage 1	Stage 2	Stage 3	
1. Commitments to lend funds	**19,999**	**5,388**	**–**	**25,387**
a) Central Banks	–	–	–	–
b) Public administrations	–	–	–	–
c) Banks	–	–	–	–
d) Other financial institutions	15,647	–	–	15,647
e) Non financial institutions	1,877	5,380	–	7,257
f) Households	2,475	8	–	2,483
2. Financial guarantees given	**19,570**	**26**	**–**	**19,596**
a) Central Banks	–	–	–	–
b) Public administrations	–	–	–	–
c) Banks	545	–	–	545
d) Other financial institutions	5,218	–	–	5,218
e) Non financial institutions	12,665	26	–	12,691
f) Households	1,142	–	–	1,142

The above table shows the irrevocable commitments to lend funds and the financial guarantees given. Both items are subject to the write-down rules established by IFRS 9.

Financial guarantees given c) Banks shows the commitment towards the Interbank Fund for the Protection of Deposits, amounting to 523 thousand euros.

2. Other commitments and other guarantees given

Items/Nominal value	Total 31.12.2018
1. Other guarantees given	
of which: impaired	
a) Central Banks	–
b) Public administrations	–
c) Banks	–
d) Other financial institutions	–
e) Non financial institutions	–
f) Households	–
2. Other commitments	**147,826**
of which: impaired	1
a) Central Banks	–
b) Public administrations	–
c) Banks	163
d) Other financial institutions	20,411
e) Non financial institutions	94,305
f) Households	32,946

The above table shows the irrevocable commitments to lend funds and the other commitments for transactions to be settled that are not subject to IFRS 9 write-down rules.

The table below, although not fully comparable, shows at 31 December 2017 Guarantees given and commitment drawn up in compliance with IAS 39, prepared in accordance with the provisions of the previous version of Bank of Italy Circular No. 262 (4th update).

1. Guarantees given and commitments

Transactions	Amount 31.12.2017
1) Financial guarantees given	6,600
a) Banks	545
b) Customers	6,055
2) Commercial guarantees given	3,737
a) Banks	–
b) Customers	3,737
3) Irrevocable commitments to lend funds	11,787
a) Banks	157
i) of certain use	157
ii) of uncertain use	–
b) Customers	11,630
i) of certain use	174
ii) of uncertain use	11,456
4) Underlying commitments on credit derivatives: protection sales	–
5) Assets pledged as collateral of third party commitments	–
6) Other commitments	16,817
Total	**38,941**

3. Assets pledged as collateral of liabilities and commitments

Portfolios	Amount 31.12.2018
1. Financial assets designated at fair value through profit or loss	–
2. Financial assets designated at fair value through other comprehensive income	–
3. Financial assets designated at amortised cost	940,596
4. Property and equipment	–
of which: property and equipment constituting inventory	–

The table below, although not fully comparable, shows at 31 December 2017 the Assets pledged as collateral of liabilities and commitments drawn up in compliance with IAS 39, prepared in accordance with the provisions of the previous version of Bank of Italy Circular No. 262 (4th update).

2. Assets pledged as collateral of liabilities and commitments

Portfolios	Amount 31.12.2017
1. Financial assets held for trading	–
2. Financial assets measured at fair value	–
3. Financial assets available for sale	983,637
4. Investments held to maturity	–
5. Due from banks	–
6. Loans to customers	–
7. Property and equipment	–

5. Management and dealing on behalf of third parties

Type of service	Amount
1. Trading on behalf of customers	
a) purchases	2,704,897
1. settled	2,700,452
2. to be settled	4,445
b) sales	2,343,097
1. settled	2,341,260
2. to be settled	1,837
2. Individual portfolio management	**707,538**
3. Custody and administration of securities	
a) third-party securities held in deposit related to depositary bank activities (excluding portfolio management)	–
1. securities issued by the bank preparing the Financial Statements	–
2. other securities	–
b) third-party securities on deposit (excluding portfolio management): other	2,778,408
1. securities issued by the bank preparing the Financial Statements	84,496
2. other securities	2,693,912
c) third-party securities lodged with third parties	2,762,020
d) own securities lodged with third parties	1,334,452
4. Other transactions	–

6. Financial assets to be offset in the financial statements, or subject to framework offset agreements or to similar agreements.

Categories	Gross amount of financial assets	Amount of the financial liabilities offset in the financial statements	Net amount of financial assets reported in the financial statements	Correlated amounts not offset in the financial statements		Net amount 31.12.2018
				Financial instruments	Cash deposits received as collateral	
	(a)	(b)	(c=a-b)	(d)	(e)	(f=c-d-e)
1. Derivatives	–	–	–	–	–	–
2. Repurchase agreements	–	–	–	–	–	–
3. Loan of securities	243	243	–	–	–	–
4. Other	–	–	–	–	–	–
Total 31.12.2018	**243**	**243**	–	–	–	–

Part C – Information on the Income Statement

Section 1 – Interest – Items 10 and 20

1.1 Interest income and similar income: breakdown

Items/Categories	Debt Securities	Loans	Other transactions	Total FY 2018
1. Financial assets designated at fair value through profit or loss:	**333**	**–**	**–**	**333**
1.1 Financial assets held for trading	333	–	–	333
1.2 Financial assets designated at fair value	–	–	–	–
1.3 Other financial assets mandatorily at fair value	–	–	–	–
2. Financial assets designated at fair value through other comprehensive income	**1,139**	**–**	**X**	**1,139**
3. Financial assets designated at amortised cost:	**1,700**	**7,449**	**–**	**9,149**
3.1 Due from banks	–	160	X	160
3.2 Loans to customers	1,700	7,289	X	8,989
4. Hedging derivatives	**X**	**X**	**–**	**–**
5. Other assets	**X**	**X**	**–**	**–**
6. Financial liabilities	**X**	**X**	**X**	**3,414**
Total	**3,172**	**7,449**	**–**	**14,035**
of which: Interest income on impaired financial assets	–	221	–	221

1.3 Interest expense and similar expense: breakdown

Items/Categories	Payables	Securities	Other transactions	Total FY 2018
1. Financial liabilities designated at amortised cost	837	8	–	845
1.1 Due to Central Banks	–	X	X	–
1.2 Due to banks	2	X	X	2
1.3 Due to customers	835	X	X	835
1.4 Securities issued	X	8	X	8
2. Financial liabilities held for trading	–	–	–	–
3. Financial liabilities designated at fair value	–	–	–	–
4. Other liabilities and funds	X	X	–	–
5. Hedging derivatives	X	X	–	–
6. Financial assets	X	X	X	737
Total	**837**	**8**	**–**	**1,582**

Interest margin totals 12,453 thousand euros, versus 8,891 thousand euros in the previous financial year. Following the 5th update of Bank of Italy Circular no. 262 in the figures at 31 December 2018, differently from the previous years, the interest was included in interest income and similar income or in interest expense and similar expense depending on the related algebraic sign. Moreover, starting from 1 January 2018 the interest income and similar income also includes the interest due to the passing of time, determined as part of the measurement of impaired financial assets on the basis of the original effective interest rate for a total value of 52 thousand euros. Previously, this item was included among Net Losses/Recoveries on impairment of receivables.

Although not fully comparable, the tables at 31 December 2017 relating to the breakdown of interest income and expense drawn up on the basis of the criteria for the classification and measurement of financial instruments under IAS 39, prepared in accordance with the provisions of the previous version of Bank of Italy Circular no. 262 (4th update), are provided below.

1.1 Interest income and similar income: breakdown

Items/Categories	Debt Securities	Loans	Other transactions	Total FY 2017
1. Financial assets held for trading	465	–	–	465
2. Financial assets available for sale	414	–	–	414
3. Investments held to maturity	2	–	–	2
4. Due from banks	–	(125)	–	(125)
5. Loans to customers	36	6,113	–	6,149
6. Financial assets measured at fair value	–	–	–	–
7. Hedging derivatives	X	X	–	–
8. Other assets	X	X	(204)	(204)
Total	**917**	**5,988**	**(204)**	**6,701**

1.4 Interest expense and similar expense: breakdown

Items/Categories	Payables	Securities	Other transactions	Total FY 2017
1. Due to Central Banks	–	X		–
2. Due to banks	(9)	X	–	(9)
3. Due to customers	(2,196)	X	–	(2,196)
4. Securities issued	X	15	–	15
5. Financial liabilities held for trading	–	–	–	–
6. Financial liabilities measured at fair value	–	–	–	–
7. Other liabilities and funds	X	X	–	–
8. Hedging derivatives	X	X	–	–
Total	**(2,205)**	**15**	**–**	**(2,190)**

Section 2 – Commissions – Items 40 and 50

2.1 Fee and commission income: breakdown

Type of service/Amounts	Total FY 2018	Total FY 2017
a) guarantees given	177	175
b) credit derivatives	–	–
c) administration, brokerage and consultancy services:	19,494	15,730
1. trading in financial instruments	4,672	4,194
2. currency dealing	–	–
3. individual portfolio management	5,332	5,303
4. custody and administration of securities	465	349
5. depository bank	–	–
6. placement of securities	4,832	3,472
7. reception and transmission of orders	–	1
8. consultancy services	2,505	1,191
8.1. on investments	595	379
8.2. on financial structure	1,910	812
9. distribution of third-party services	1,688	1,220
9.1. portfolio management	553	537
9.1.1. individual	–	–
9.1.2. collective	553	537
9.2. insurance products	1,135	683
9.3. other products	–	–
d) collection and payment services	394	259
e) servicing related to securitisations	–	–
f) factoring services	–	–
g) tax collection services	–	–
h) multilateral trading systems management	–	–
i) management of current accounts	355	310
j) other services	1,127	905
Total	**21,547**	**17,379**

The item 9.1.2 Distribution of third-party services – collective comprises 392 thousand euros of the commissions pertaining to the activity as the main distributor of the products of the subsidiary Natam.

Some 2017 items were reclassified for a like-for-like comparison with 2018.

The following table provides the information about contracts with customers required by IFRS 15.

Revenue from contracts with customers (IFRS 15)

	FY 2018 Revenue	Revenue recognised in 2018 included in the opening balance of the liabilities deriving from contracts at the start of the year	FY 2017 Revenue	Revenue recognised in 2017 included in the opening balance of the liabilities deriving from contracts at the start of the year
Breakdown by type of service				
- consultancy services	2,505	69	1,191	38
- specialist	1,306	–	1,111	7
- trading	3,366	–	3,083	–
- placement	4,832	–	3,472	–
- individual management	4,083	–	3,466	–
- collective management				
- delegated management	1,250	–	1,837	–
- services to listed issuers (seq and equity research)	267	62	204	40
- distribution of insurance products	1,135	–	683	–
- distribution of third-party services	553	–	603	–
- other services	2,250	–	1,729	–
Total fee and commission income	**21,547**	**131**	**17,379**	**85**
Line by line impairment losses of the period on trade receivables	(217)		(272)	
Collective impairment losses of the period on trade receivables (for 2017 they pertain to the FTA as at 1 January 2018)	(50)		(102)	
Losses for derecognition of receivables	(12)		–	
Total impairment losses and losses on trade receivables	**(279)**		**(374)**	

As required by IFRS 15, the following information is provided:

- variable commissions recorded and liquidated in the year pertain to performance fees on management amounting to 8 thousand euros and to success fees on consultancy services for Corporate Finance activities amounting to 70 thousand euros;
- at the closing date of the year, there were no unrecognised fees and commissions on contracts above one year.

2.2 Fee and commission income: distribution channels of products and services

Channels/Amounts	Total FY 2018	Total FY 2017
a) own branches:	**7,020**	**6,589**
1. portfolio management	5,332	5,303
2. placement of securities	–	–
3. third-party products and services	1,688	1,286
b) other outlets:	**–**	**–**
1. portfolio management	–	–
2. placement of securities	–	–
3. third-party products and services	–	–
c) other distribution channels:	**4,832**	**3,472**
1. portfolio management	–	–
2. placement of securities	4,832	3,472
3. third-party products and services	–	–

2.3 Fee and commission expense: breakdown

Services/Amounts	Total FY 2018	Total FY 2017
a) guarantees received	–	–
b) credit derivatives	–	–
c) management and brokerage services:	1,129	1,088
1. trading in financial instruments	644	520
2. currency dealing	–	–
3. portfolio management:	92	290
3.1 own portfolio	36	32
3.2 third-party portfolio	56	258
4. custody and administration of securities	272	272
5. placement of financial instruments	121	6
6. "door-to-door" sale of financial instruments, products and services	–	–
d) collection and payment services	243	68
e) other services	189	130
Total	**1,561**	**1,286**

Net fees and commissions amount to 19,987 thousand euros versus 16,093 thousand euros in the previous financial year.

Section 3 – Dividends and similar income – Item 70

3.1 Dividends and similar income: breakdown

Items/Income	Total FY 2018	
	Dividends	Similar income
A. Financial assets held for trading	5	1
B. Other financial assets mandatorily at fair value	–	1,752
C. Financial assets designated at fair value through other comprehensive income	592	–
D. Equity investments	4,834	–
Total	**5,431**	**1,753**

Although not fully comparable, the table at 31 December 2017 relating to dividends and similar income: breakdown drawn up on the basis of the criteria for the classification and measurement of financial instruments under IAS 39, prepared in accordance with the provisions of the previous version of Bank of Italy Circular no. 262 (4th update), is provided below.

3.1 Dividends and similar income: breakdown

Items/Income	Total FY 2017	
	Dividends	Income from UCI units
A. Financial assets held for trading	2	1
B. Financial assets available for sale	981	1,822
C. Financial assets measured at fair value	–	–
D. Equity investments	5,244	X
Total	**6,227**	**1,823**

Section 4 – Profit (losses) on trading – Item 80

4.1 Profit (Losses) on trading: breakdown

Transactions/Income items	Gains (A)	Profit from trading activities (B)	Losses (C)	Losses from trading activities (D)	Net income [(A+B) - (C+D)]
1. Financial assets held for trading	**688**	**1,204**	**1,277**	**1,103**	**(488)**
1.1 Debt securities	121	73	543	635	(984)
1.2 Equity	567	1,125	272	434	986
1.3 UCI units	–	6	462	34	(490)
1.4 Loans	–	–	–	–	–
1.5 Other	–	–	–	–	–
2. Financial liabilities held for trading	**–**	**–**	**–**	**–**	**–**
2.1 Debt securities	–	–	–	–	–
2.2 Payables	–	–	–	–	–
2.3 Other	–	–	–	–	–
3. Financial assets and liabilities: foreign exchange differences	**X**	**X**	**X**	**X**	**319**
4. Derivatives	**65**	**562**	**98**	**492**	**(1)**
4.1 Financial derivatives:	65	562	98	492	(1)
- On debt securities and interest rates	38	–	–	38	–
- On equity and stock indexes	27	562	98	454	37
- On currencies and gold	X	X	X	X	(38)
- Other	–	–	–	–	–
4.2 Credit derivatives	–	–	–	–	–
of which: natural hedges related to the fair value option	X	X	X	X	–
Total	**753**	**1,766**	**1,375**	**1,595**	**(170)**

Profit (Losses) on trading features a negative balance of 170 thousand euros, compared to the positive balance of 1,726 thousand euros in 2017, and may be broken down as follows:

- Negative difference between unrealised capital gains and losses, in connection with the fair value measurement of the trading portfolio, totalling 660 thousand euros (in 2017, there was a positive balance of 902 thousand euros);
- A positive balance between realised profits and losses related to trading on securities and derivatives of 171 thousand euros (in 2017, a positive balance of 669 thousand euros);
- Negative difference of 38 thousand euros between unrealised capital gains and losses in connection with the fair value measurement of currency forwards and 38 thousand euros for the capital gain on the measurement of Interest Rate Swap Amortising (in 2017, a positive balance of 73 thousand euros);
- A positive balance of 319 thousand euros between realised foreign exchange gains and losses (in 2017, a positive balance of 82 thousand euros).

Section 6 – Profit (losses) on disposal/repurchase – Item 100

6.1 Profit (Loss) from disposal/repurchase: breakdown

Items/Income items	Total FY 2018		
	Profit	Losses	Net income
A. Financial assets			
1. Financial assets designated at amortised cost	377	–	377
1.1 Due from banks	–	–	–
1.2 Loans to customers	377	–	377
2. Financial assets designated at fair value through other comprehensive income	921	–	921
2.1 Debt securities	921	–	921
2.2 Loans	–	–	–
Total assets (A)	**1,298**	**–**	**1,298**
B. Financial liabilities designated at amortised cost			
1. Due to banks	–	–	–
2. Due to customers	–	–	–
3. Debt securities issued	–	–	–
Total liabilities (B)	**–**	**–**	**–**

Item 1.2 Loans to customers refers to gains realised by the sale of Debt securities including the reversals of the valuation reserve for credit risk (331 thousand euros).

Item 2.1 Debt securities includes the reversal of the valuation reserve for credit risk amounting to 269 thousand euros.

Although not fully comparable, the table at 31 December 2017 relating to Profits (losses) on disposal or repurchase: breakdown drawn up on the basis of the criteria for the classification and measurement of financial instruments under IAS 39, prepared in accordance with the provisions of the previous version of Bank of Italy Circular no. 262 (4th update), is provided below.

6.1 Profit (Loss) from disposal/repurchase: breakdown

Items/Income items	Total FY 2017		
	Profit	Losses	Net income
Financial assets			
1. Due from banks	–	–	–
2. Loans to customers	–	–	–
3. Financial assets available for sale	38,185	–	38,185
3.1 Debt securities	12	–	12
3.2 Equity	38,173	–	38,173
3.3 UCI units	–	–	–
3.4 Loans	–	–	–
4. Investments held to maturity	–	–	–
Total assets	**38,185**	**–**	**38,185**
Financial liabilities			
1. Due to banks			–
2. Due to customers			–
3. Securities issued			–
Total liabilities	**–**	**–**	**–**

Section 7 – Profits (losses) on other financial assets and liabilities designated at fair value through profit or loss – Item 110

7.2 Net change in value of other financial assets and liabilities designated at fair value through profit or loss: breakdown of other financial assets mandatorily at fair value

Transactions/Income items	Gains (A)	Profits from disposal (B)	Losses (C)	Losses from disposal (D)	Net income [(A+B) - (C+D)]
1. Financial assets	**176**	**–**	**503**	**77**	**(404)**
1.1 Debt securities	–	–	–	75	(75)
1.2 Equity	–	–	–	–	–
1.3 UCI units	176	–	503	2	(329)
1.4 Loans	–	–	–	–	–
2. Financial assets in foreign currencies: foreign exchange differences	**X**	**X**	**X**	**X**	**–**
Total	**176**	**–**	**503**	**77**	**(404)**

Section 8 – Net losses/recoveries on credit risk – Item 130

8.1 Net losses on credit risk relating to financial assets designated at amortised cost: breakdown

Transactions/Income items	Impairment losses (1)			Value recoveries (2)		Total FY 2018 (1) – (2)
	Stage 1 and 2	Stage 3		Stage 1 and 2	Stage 3	
		Write-off	Other			
A. Due from banks	**–**	**–**	**–**	**28**	**–**	**(28)**
- Loans	–	–	–	28	–	(28)
- Debt securities	–	–	–	–	–	–
of which:acquired or originated impaired loans	–	–	–	–	–	–
B. Loans to customers	**2,597**	**19**	**897**	**–**	**77**	**3,436**
- Loans	1,311	19	897	–	77	2,150
- Debt securities	1,286	–	–	–	–	1,286
of which:acquired or originated impaired loans	–	–	–	–	–	–
Total	**2,597**	**19**	**897**	**28**	**77**	**3,408**

Please refer to the comments provided in the asset item 4.2 Financial assets designated at amortised cost: breakdown by product of loans to customers.

Although not fully comparable, the table at 31 December 2017 relating to Net losses on impairment of receivables: breakdown drawn up on the basis of the criteria for the classification and measurement of financial instruments under IAS 39, prepared in accordance with the provisions of the previous version of Bank of Italy Circular no. 262 (4th update), is provided below.

8.1 Net losses on impairment of loans: breakdown

Transactions/Income items	Impairment losses (1)			Value recoveries (2)				Total FY 2017 (1) – (2)
	Individual		Portfolio	Individual		Portfolio		
	Derecognitions	Other		A	B	A	B	
A. Due from banks	–	–	–	–	–	–	–	–
- Loans	–	–	–	–	–	–	–	–
- Debt securities	–	–	–	–	–	–	–	–
B. Loans to customers	301	2,394	71	107	328	–	–	2,331
Purchased non-performing loans	–	–		–	–			–
- Loans	–	–	X	–	–	X	X	–
- Debt securities	–	–	X	–	–	X	X	–
Other receivables	301	2,394	71	107	328	–	–	2,331
- Loans	301	2,394	71	107	328	–	–	2,331
- Debt securities	–	–	–	–	–	–	–	–
C. Total	**301**	**2,394**	**71**	**107**	**328**	**–**	**–**	**2,331**

Key: A = from interest B = other recoveries

8.2 Net losses on credit risk relating to financial assets designated at fair value through other comprehensive income: breakdown

Transactions/Income items	Impairment losses (1)			Value recoveries (2)		Total FY 2018 (1) – (2)
	Stage 1 and 2	Stage 3		Stage 1 and 2	Stage 3	
		Write-off	Other			
A. Debt securities	732	–	–	–	–	732
B. Loans	–	–	–	–	–	–
- to Banks	–	–	–	–	–	–
- to Customers	–	–	–	–	–	–
of which: acquired or originated impaired financial assets	–	–	–	–	–	–
Total	**732**	**–**	**–**	**–**	**–**	**732**

Although not fully comparable, the tables at 31 December 2017 relating to Net losses on impairment of financial assets available for sale: breakdown and to the net losses on impairment of other financial transactions: breakdown drawn up on the basis of the criteria for the classification and measurement of financial instruments under IAS 39, prepared in accordance with the provisions of the previous version of Bank of Italy Circular no. 262 (4th update), is provided below.

8.2 Net losses on impairment of financial assets available for sale: breakdown

Transactions/Income items	Impairment losses (1)		Value recoveries (2)		Total FY 2017 (1) – (2)
	Individual		Individual		
	Derecognitions	Other	A	B	
A. Debt securities	–	–	–	–	–
B. Equity	–	705	X	X	705
C. UCI units	–	2,951	X	–	2,951
D. Loans to banks	–	–	–	–	–
E. Loans to customers	–	–	–	–	–
F. Total	**–**	**3,656**	**–**	**–**	**3,656**

Key: A = from interest B = other recoveries

8.4 Net losses on impairment of other financial transactions: breakdown

Transactions/Income items	Impairment losses (1)			Value recoveries (2)				Total FY 2017 (1) – (2)
	Individual		Portfolio	Individual		Portfolio		
	Derecognitions	Other		A	B	A	B	
A. Guarantees given								–
B. Credit derivatives								
C. Commitments to disburse funds								
D. Other transactions	–	2			–			2
E. Total	**–**	**2**	**–**	**–**	**–**	**–**	**–**	**2**

Key: A = from interest B = other recoveries

Section 10 – Administrative expenses – Item 160

10.1 Personnel expenses: breakdown

Type of expenses/Amounts	Total FY 2018	Total FY 2017
1) Personnel employed	18,172	16,869
a) wages and salaries	13,290	12,427
b) social security charges	3,407	3,152
c) termination indemnities	584	599
d) supplementary benefits	–	–
e) provisions for termination indemnities	15	13
f) provisions for post employment benefits:	–	–
- defined contribution plans	–	–
- defined benefit plans	–	–
g) payments to external pension funds:	230	174
- defined contribution plans	230	174
- defined benefit plans	–	–
h) costs from share based payments	–	–
i) other benefits in favour of employees	646	504
2) Other non-retired personnel	232	235
3) Directors and statutory auditors	750	832
4) Early retirement costs		–
5) Expenses recovered for employees seconded with other companies	–	(13)
6) Expense reimbursements for third party employees seconded with the company	–	–
Total	**19,154**	**17,923**

Personnel expenses grew by 1,231 thousand euros mainly as a result of the expansion of the work force. Item 1) e) does not include the actuarial loss referred to IAS staff severance fund of 40 thousand euros (actuarial loss of 27 thousand euros in 2017), recognised - net of the tax effect - among Valuation reserves.

10.2 Average number of employees by category

	FY 2018	FY 2017
Personnel employed	**179**	**173**
(a) senior managers	28	25
(b) executives	84	53
(c) rest of personnel employed	67	95
Other personnel	**11**	**9**

10.4 Other benefits in favour of employees

Benefits in favour of employees amount to 646 thousand euros (versus 504 thousand euros last year) and concern luncheon voucher, collective health care policies, professional training, cars and other benefits.

10.5 Other administrative expenses: breakdown

Type of expense/Amounts	Total FY 2018	Total FY 2017
Rentals and condominium fees	1,994	1,897
Membership fees	158	133
EDP materials	15	3
Stationery and printing supplies	46	52
Consultancy and outsourced professional services	1,388	1,700
Outsourcing services	1,861	1,865
Auditing company fees	208	232
Maintenance	147	232
Utilities and connections	1,460	1,413
Postal, transport and shipment fees	44	57
Insurance companies	60	58
Advertising, publications and sponsorship	90	106
Office cleaning	175	169
Books, newspapers and magazines	43	29
Entertainment expenses	513	451
Travel expenses and mileage based reimbursements	166	116
Other duties and taxes	4,537	4,007
Security charges	210	174
Contributions to National Resolution Fund	909	463
Other	363	442
Total	**14,387**	**13,599**

Auditing company fees

In accordance with the requirements of art. 149-duodecies of Consob Resolution no. 15915 of 3 May 2007, we list the fees paid for 2018 for the various services provided to Banca Finnat Euramerica S.p.A. by the auditing firm.

	Party who provided the service	Payment due in 2018 (in thousands of euros)
Auditing services	EY S.p.A.	132
Declaration of compliance services	EY S.p.A.	4
Other services	Ernst & Young Financial-Business Advisors S.p.A.	20
Totale		**156**

The audit includes the auditing of financial statements, the consolidated financial statements, the consolidated half-yearly report as well as the accounting auditing.

The declaration of compliance services refer to the controls carried out on the Unico tax return form, Irap, CNM (domestic consolidation), ordinary 770 and single certification form.

Payments for the audit do not include VAT, expense reimbursements and supervisory contribution. The total expense amounts to 208 thousand euros.

The other services refer to the support activity for the assessment of the ICAAP/ILAAP Report and do not include VAT.

Section 11 – Net allocations to provisions for risks and charges – Item 170

11.1 Net provisions for credit risk relating to commitments to lend funds and financial guarantees given: breakdown

	Value recoveries	Impairment losses	Total FY 2018
Commitments to lend funds	–	12	(12)
Financial guarantees given	2	4	(2)
Total	**2**	**16**	**(14)**

11.3 Net allocations to other provisions for risks and charges: breakdown

	Total FY 2018	Total FY 2017
Allocations	(134)	(100)
Utilisation	–	–
Total	**(134)**	**100**

Please refer to the comment in Section 10 – "Provisions for risks and charges – Item 100" of the liabilities in the Balance Sheet.

Section 12 – Net losses/recoveries on property and equipment – Item 180

12.1 Net losses on property and equipment: breakdown

Assets/Income items	Depreciation (a)	Net losses on impairment (b)	Value recoveries (c)	Net income (a+b-c)
A. Property and equipment	336	–	–	336
A.1 Owned assets	336	–	–	336
- Used in operations	336			336
- For investment				–
- Inventory	X			
A.2 Acquired under financial leases		–	–	–
- Used in operation				–
- For investment				–
Total	**336**	**–**	**–**	**336**

Section 13 – Net losses/recoveries on intangible assets – Item 190

13.1 Net losses on intangible assets: breakdown

Assets/Income items	Amortisation (a)	Net losses on impairment (b)	Value recoveries (c)	Net income (a+b-c)
A. Intangible assets	27	–	–	27
A.1 Owned assets	27	–	–	27
- Internally generated by the company				–
- Other	27			27
A.2 Acquired under financial lease				–
Total	**27**	**–**	**–**	**27**

Section 14 – Other operating income/expenses – Item 200

14.1 Other operating expense: breakdown

	Total FY 2018	Total FY 2017
Amounts reimbursed to customers	5	3
Amortisation for improvements to third party assets	34	43
Other expense	11	164
Total	**50**	**210**

14.2 Other operating income: breakdown

	Total FY 2018	Total FY 2017
Rental income	132	128
Recovery of stamp duty	4,030	3,597
Recovery of substitute tax	169	99
Recovery of other expenses	458	285
Dividend and prescription waiver	214	185
Other income	170	207
Total	**5,173**	**4,501**

Other operating income and expenses show a positive balance of 5,123 thousand euros versus 4,291 thousand euros of 2017.

The item comprises the recoveries of costs from customers amounting to 4,657 thousand euros (3,981 thousand euros at 31 December 2017).

Section 15 – Profit (loss) from equity investments – Item 220

15.1 Profit (loss) from equity investments: breakdown

Income items/Amounts	Total FY 2018	Total FY 2017
A. Income	–	–
1. Revaluations		
2. Profit from disposals	–	–
3. Value recoveries		
4. Other income	–	–
B. Expense	224	1,843
1. Write-downs	–	–
2. Net losses on impairment	224	1,843
3. Losses from disposals	–	–
4. Other expense	–	–
Net income	**(224)**	**(1,843)**

Item B.2 Net losses on impairment refers to the impairment applied on the associate Imprebanca S.p.A. Last year, the impairment losses pertained to Imprebanca S.p.A., amounting to EUR 1,600 thousand euros, and Previra Invest Sim S.p.A. in liquidation, amounting to 243 thousand euros.

Section 19 – Taxes on income from continuing operations – Item 270

19.1 Taxes on income from continuing operations: breakdown

Income items/Amounts	Total FY 2018	Total FY 2017
1. Current taxes (-)	(861)	(2,680)
2. Changes in current taxes compared with previous years (+/-)	(58)	(23)
3. Reduction in current taxes (+)	–	–
3. bis Reduction in current taxes for tax receivables per Italian Law no. 214/2011 (+)	–	–
4. Change in deferred tax assets (+/-)	(211)	(410)
5. Change in deferred tax liabilities (+/-)	173	1,954
6. Income taxes for the year (-) (-1+/-2+3+3bis+/-4+/-5)	**(957)**	**(1,159)**

Current taxes refer to IRES from tax consolidation of 403 thousand euros, to the IRES surtax of 59 thousand euros and to the IRAP tax of 399 thousand euros.

The change in advance and deferred taxes is equal to the difference between those calculated on an accrual basis in the current year and those accounted for in previous periods and cancelled during the year. The amount of the change in advance and deferred taxes equal to 38 thousand euros refers to IRES for 37 thousand euros and IRAP for 1 thousand euros.

19.2 Reconciliation of theoretical tax charge to total income tax expense for the year

	FY 2018		
	IRES	IRAP	TOTAL
Pre-tax profit (loss)	7,055	7,055	
Applicable tax rate	24.00	5.57	29.57
THEORETICAL TAX CHARGE	**(1,693)**	**(393)**	**(2,086)**
3.5% IRES surtax for credit and financial institutions	(247)		(247)
THEORETICAL GLOBAL TAX CHARGE	**(1,940)**	**(393)**	**(2,333)**
Effect of income that is exempt or taxed with concessional rates	1,671	1,172	2,843
Effect of charges that are fully or partially non-deductible	(230)	(250)	(480)
Effect of income/charges that are not included in the IRAP taxable income		(929)	(929)
Changes in current taxes compared with previous years	(54)	(4)	(58)
CURRENT TAX CHARGE	**(553)**	**(404)**	**(957)**

Section 22 – Earnings per share

22.1 Average number of ordinary shares with diluted capital

The basic and diluted earnings (loss) per share are given below, in accordance with IAS 33.

The basic earnings (loss) per share are calculated by dividing the net income (in euro) of the holders of the Bank's ordinary shares (the numerator) by the weighted average of the ordinary shares outstanding during the period (the denominator).

For the purpose of calculating the basic earnings (loss) per share, the weighted average of the ordinary shares outstanding during the period is calculated based on the ordinary shares outstanding at the beginning of the period, adjusted by the amount of ordinary shares purchased or issued or sold during the period multiplied by the number of days that the shares were outstanding, in proportion to the total days in the period. Shares outstanding do not include treasury shares.

The diluted earnings (loss) per share is calculated by adjusting the earnings (loss) of ordinary shareholders, and likewise the weighted average of the shares outstanding, to take account of any impact by circumstances with diluted effects.

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

	31.12.2018	31.12.2017
Profit (loss) for the year (in Euro)	6,097,641	36,274,481
Weighted average of ordinary shares	334,069,360	333,640,587
Basic earnings (loss) per share	0.018253	0.108723

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

	31.12.2018	31.12.2017
Adjusted profit (loss) for the year (in Euro)	6,097,641	36,274,481
Weighted average of ordinary shares for diluted capital	334,069,360	333,640,587
Diluted earnings (loss) per share	0.018253	0.108723

Since the Bank has no transactions under way that might determine changes to the number of shares outstanding and the earnings (loss) of ordinary shareholders, the diluted earnings (loss) per share coincides with the basic earnings per share and it is unnecessary to perform the reconciliation provided for by paragraph 70 of IAS 33.

21.2 Other information

At the end of the reporting period, no financial instruments that could lead to the dilution of the basic earnings (loss) per share was issued.

Part D – Comprehensive income

ANALYTICAL STATEMENT OF COMPREHENSIVE INCOME

	Items	31.12.2018
10.	**Profit (loss) for the year**	**6,098**
	Other comprehensive income that may not be reclassified to the income statement	**(397)**
20.	Equity designated at fair value through other comprehensive income	(187)
	a) Changes in fair value	(187)
	b) Transfers to other shareholders' equity components	–
30.	Financial liabilities designated at fair value through profit or loss (changes of own credit rating)	–
	a) Changes in fair value	–
	b) Transfers to other shareholders' equity components	–
40.	Hedges of equity securities designated at fair value through other comprehensive income	–
	a) Changes in fair value (hedged instrument)	–
	b) Changes in fair value (hedging instrument)	–
50.	Property and equipment	–
60.	Intangible assets	–
70.	Defined benefit plans	(40)
80.	Non-current assets held for sale and discontinued operations	–
90.	Share of valuation reserves connected with investments carried at equity	–
100.	Income taxes relating to other comprehensive income that may not be reclassified to the income statement	(170)
	Other comprehensive income items that may be reclassified to the income statement	**(8,177)**
110.	Foreign investment hedge:	–
	a) changes in fair value	–
	b) reclassification to the income statement	–
	c) other changes	–
120.	Foreign exchange differences:	–
	a) changes in value	–
	b) reclassification to the income statement	–
	c) other changes	–
130.	Cash flow hedge:	–
	a) changes in fair value	–
	b) reclassification to the income statement	–
	c) other changes	–
	of which: result of net positions	–
140.	Hedging instruments (non-designated elements)	–
	a) changes in value	–
	b) reclassification to the income statement	–
	c) other changes	–
150.	Financial assets (other than equity) measured at fair value through other comprehensive income	(12,577)
	a) changes in fair value	(13,020)
	b) reclassification to the income statement	443
	– lesses on credit risk	732
	– profits/losses from disposal	(289)
	c) other changes	–

continue to next page

following from the previous page

Items	31.12.2018
160. Non-current assets held for sale and discontinued operations	–
a) changes in fair value	–
b) reclassification to the income statement	–
c) other changes	–
170. Share of valuation reserves connected with investments carried at equity:	–
a) changes in fair value	–
b) reclassification to the income statement	–
– adjustments from impairment	–
– profits/losses from disposal	–
c) other changes	–
180. Income taxes relating to other comprehensive income that may be reclassified to the income statement	4,400
190. Total other income items	**(8,574)**
200. Comprehensive income (Item 10+190)	**(2,476)**

Item 20. includes the negative change in the fair value of the equity investments in subsidiaries for a total gross amount of 3,469 thousand euros.

The negative change in Item 20. Equity designated at fair value through other comprehensive income, of 187 thousand euros, is attributed as follows:

(-) 3,469 thousand euros to changes in the fair value (before taxes) of the equity investments in subsidiaries: InvestiRE SGR S.p.A. -4,044 thousand euros, Finnat Fiduciaria S.p.A. -603 thousand euros, Finnat Gestioni SA for -287 thousand euros and Natam Management Company S.A. for +1,465 thousand euros.

(+) 3,282 thousand euros to changes in fair value (before taxes) of the other equity (of which SIA S.p.A. +3,480 thousand euros, CSE S.r.l. -67 thousand euros and Net Insurance -131 thousand euros);

The negative change of Item 150.Financial assets (other than equity) designated at fair value through other comprehensive income (before taxes) of 12,577 thousand euros is mainly due to the Government bonds.

At the end of the year, the valuation reserves (after taxes) are as follows:

Equity investments in companies measured at fair value		
InvestiRE SGR S.p.A.	41,460	euros
Finnat Fiduciaria S.p.A.	1,523	euros
Natam Management Company S.A.	1,445	euros
Finnat Gestioni S.A.	2,693	euros
Total A)	**47,121**	**euros**
Financial assets designated at fair value through comprehensive income		
SIA S.p.A. Shares	3,238	euros
CSE S.r.l. Shares	-63	euros
Net Insurance S.p.A. Shares	49	euros
Debt Securities	-7,739	euros
Total B)	**-4,515**	**euros**
Defined benefit plans C)	**-200**	**euros**
Total (A+B+C)	**42,406**	**euros**

Valuation reserves amount to 43,770 thousand euros and comprise, in addition to what is detailed above, also the valuation reserves per Law no. 576/75, Law no. 72/83 and Law no. 413/91, totalling 1,364 thousand euros.

The table below shows the Statement of comprehensive income at 31 December 2017 drawn up in compliance with IAS 39, prepared in accordance with the provisions of the previous version of Bank of Italy Circular No. 262 (4th update).

ANALYTICAL STATEMENT OF COMPREHENSIVE INCOME

	Items	Gross amount	Income tax	Net amount
10.	**Profit (loss) for the year**	**X**	**X**	**36,274**
	Other comprehensive income that may not be reclassified to the income statement			
20.	Property and equipment			
30.	Intangible assets			
40.	Defined benefit plans	(27)	8	(19)
50.	Non-current assets being disposed			
60.	Share of valuation reserves connected with investments carried at equity			
	Other comprehensive income items that may be reclassified to the income statement			
70.	**Foreign investment hedge:**			
	a) changes in fair value			
	b) reclassification to the income statement			
	c) other changes			
80.	**Foreign exchange differences:**			
	a) changes in value			
	b) reclassification to the income statement			
	c) other changes			
90.	**Cash flow hedge:**			
	a) changes in fair value			
	b) reclassification to the income statement			
	c) other changes			
100.	**Financial assets available for sale:**	**(24,991)**	**(335)**	**(25,326)**
	a) changes in fair value	2,964	322	3,286
	b) reclassification to the income statement	(27,955)	(657)	(28,612)
	- adjustments from impairment	3,656	(1,016)	2,640
	- profits/losses from disposal	(31,611)	359	(31,252)
	c) other changes	–	–	–
110.	**Non-current assets being disposed:**			
	a) changes in fair value			
	b) reclassification to the income statement			
	c) other changes			
120.	**Share of valuation reserves connected with investments carried at equity:**			
	a) changes in fair value			
	b) reclassification to the income statement			
	- adjustments from impairment			
	- profits/losses from disposal			
	c) other changes			
130.	**Total other income items**	**(25,018)**	**(327)**	**(25,345)**
140.	**Comprehensive income (Item 10+130)**	**(25,018)**	**(327)**	**10,929**

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

Part E - Information on risks and related hedging policies

Foreword

The Bank carries out their activities according to criteria of prudence and reduced exposure to risks, applying the principle of sound and prudent management.

The Bank defined the credit risk as the risk to incur losses due to the unexpected worsening of the creditworthiness of a customer, also following contractual default. The credit risk can be broken down into:

- **default risk**: risk that the borrowing counterparty is unable to meet its own obligations;
- **spread/migration risk**: risk of change in the counterparty's credit rating that determines an effect on the market value of the credit position;
- **recovery risk**: risk that the recovery actually achieved at the end of the liquidation of a counterparty's assets becomes insolvent is lower than what was originally estimated by the bank.

The credit risk of the Bank is continuously monitored by the Risk Control Function of the Parent Company, by the Credit Department, by the Credit Committee and by the other assigned functions.
For the quantification of the current internal capital on credit risk, the standardised methodology for determining the prudential capital requirements per Regulation EC 575/2013 is used.

The criteria and logic used for the purposes of determining the prudential capital requirements are adopted, consistently with the guidelines defined in the multi-year budgeting and planning process, also for the quantification of the prospective internal capital in view of the credit risk.

Section 1 - Credit risk

Qualitative information

1. General aspects

2. Credit risk management policies

2.1 Organisational aspects

The Bank's strategy, which has always been directed at optimising customer relationship, is oriented to perform high value added financial services to high standing customers, with the goal of securing their loyalty.

With this view, the Bank intends to offer to customers or potential customers, in addition to services of primary interest, such as those relating to private banking, to investment banking, fiduciary and financial consultancy, also credit facilities to build long-term relationships. For the performance of assets entailing the assumption of credit risk, the Bank has adopted a dedicated Credit Regulation, formalising the processes and the criteria to be applied to the issue of new loans or in the concession of credit facilities consistently with the credit policies and corporate strategic guidelines.

The credits issued by the Bank can be mainly classified in the following categories:

- loans to customers and to banks (typically irrevocable credit line on demand and at maturity and mortgages requiring fixed or otherwise determinable payments);
- trade receivables;
- repurchase agreements.

After their initial recognition, receivables are designated at their amortised cost, which is equal to the initial recognition value reduced/increased by capital repayments, by any impairment losses/value recoveries and by the amortisation calculated with the effective interest rate method.

In order to mitigate credit risk and avoid situations that would imply losses and write-downs on the loan portfolio, the Bank carries out credit activities that privilege receivables "guaranteed" by collateral securities or those guaranteed by liens on securities, asset management and property mortgages. Well-known customers are occasionally granted credit lines based on the creditworthiness of the customer in question.

Moreover, the company structure and organisation – which are characterised by the reduced size and accurate formalisation of credit line/loan disbursement procedures – enable to offer customers primary services, granted with rapid appraisal processes.

The operating strategy adopted by the Bank and outlined above ensured that:

- transactions carried out have low-risk exposures;
- the amount of bad loans (net of write-downs) represent less than 1% of the total shown in table "A.1.1 Breakdown of credit exposures by portfolio classification and credit quality (book values)" in the

following pages. The bad loans consist mainly of receivables secured by ample first mortgages on property;

- lending activities provide positive image and prestige feedback for the Bank, with a positive impact on "traditional" activities.

2.2 Management, measurement and control systems

The valuation of credit risk and creditworthiness of customers is carried out by delegated bodies, which operate by means of proper proxies. The delegated bodies receive all information necessary to evaluate the creditworthiness of the customers, so that they can readily express their opinion on credit line transactions.

The Bank's credit process is illustrated below.

Evaluation of the creditworthiness of credit line applicants

Creditworthiness evaluation, which is performed according to a specific procedure, is mainly aimed at verifying that credit line applicants have the ability to reimburse as well as verifying the compatibility of the individual credit line applications and the company's strategies with regard to the chosen size and breakdown of the credit portfolio.

The company functions that are involved in the creditworthiness assessment procedure act as follows:

- they accept the loan application of customers;
- they gather the documents required to examine the asset, financial and economic situation of the loan applicant and any guarantor to start filling in all the credit line forms;
- they analyse the qualitative information concerning the new customers and update the information of former customers whose creditworthiness has already been assessed;
- they verify the reliability of the data included in the document and in the information required;
- they formulate, by reference to the files set up, a creditworthiness score of the loan applicant;
- they examine all the various relationships that the Bank has in place with the same loan applicant, both credit and debit ones, and compare loans granted with guarantees offered and guarantees received with proposed guarantors;
- they prepare a summary of the assessments based on the creditworthiness of the customer and formulate an opinion with regard to the amount of the loan that could be granted, the technical use of the loan by the customer, and specify the guarantees to be received based on both qualitative and quantitative information.

The Bank also carried out a qualitative assessment of the credit exposures on the basis of a managerial internal rating system offered by the outsourcer CSE that allows to classify customers, dividing them into risk classes to which correspond different probabilities of default.

For the assessment of the credit merit and the connected division into rating classes, the main areas of investigation cover the analysis of the data listed below:

- internal performance data;
- system performance data (report from central credit register);

- financial statement information (central financial statement archives);
- socio-demographic information

Variables are estimated individually on the areas of investigation and subsequently integrated in the final model, separately for individuals and enterprises.

Credit granting

Credit granting is performed by the Deliberative Body, taking all the reasons supporting the definition of the amount that could be granted and the guarantees requested into due consideration, based on the risk inherent in the transaction.

Once the loan proposal has been positively resolved upon:

- the guarantees are requested and the loan granting process takes place;
- the credit line/loan is granted;con the guarantees are obtained and the loan granting process takes place;
- the transaction is implemented in the IT system so that it can be regularly verified: instalments due, review of the interest rate, if contractually provided for, and/or of the associated guarantees.

Management of anomalous loans

The management of anomalous loans is carried out through a careful and periodic analysis of expired positions by the company functions and with the supervision of the General Management. In particular, the General Management of the Bank receives, at a predetermined frequency, appropriate reports containing the trend of impaired loans, broken down by customer with or without loans.

"Non-performing" loans, net of write-downs, amounted in total to 5,787 thousand euros, of which 2,027 thousand euros were bad loans, 1,602 thousand euros were unlikely to pay and 2,158 thousand euros were past due exposures.

To this end, it should be stressed that non-performing loans after impairment losses at the end of 2018 were less than 1% of the total amount of the item loans to customers detailed in table A.1.1 Breakdown of credit exposures by portfolio classification and credit quality below.

Carrying out stress tests

The Bank performs stress tests every six months on credit risk in order to quantify the absorption of capital and to determine the related capital ratios. The methodologies adopted for conducting the stress test on the credit and counterparty risk assumes two different stress scenarios occurring at the same time and due to an increase in bad loans and non-performing loans and a reduction in the value of the collateral securities held.

2.3 Methods for measuring expected losses

The criteria and logic used for the purposes of determining expected losses are described in the ECL Policy of the Bank, whose scope of application consists of financial and trade receivables, as well as owned financial instruments, to verify and assess their creditworthiness.

The amount of expected losses depends on the extent of the impairment of the credit quality with respect to the initial recognition and takes into account the guarantees held to mitigate the credit risk.

Consistently with the provisions of IFRS 9, the Bank has adopted the following approach for calculating impairment:

- 12-months expected credit losses (Stage 1): if, at the reporting date, the credit risk of a financial instrument is not significantly increased with respect to the date of "first recognition", the Bank measures the losses for this financial instrument as the amount equal to the losses expected in the following 12 months;
- Lifetime expected credit losses (Stage 2): at each reporting date, the Bank measures the losses for a financial instrument as the amount equal to lifetime expected losses if the credit risk of this instrument increased significantly with respect to the date of first recognition.

Concerning the staging rules and the criteria for the recognition of credits in the respective "buckets", reference is made to the staging allocation Policy approved by the Board of Directors.

In accordance with the provisions of *IFRS* 9, the model entails the calculation of a provision at each cash flow date of the loan to carry out a "multi-period" final totalisation. In case of loans at maturity, a calculation is made at each future instalment, while for on-demand loans a single calculation is made relating to the cash flow at the maturity date.

For each period, the calculation is as follows:

- ECL(t) = EAD(t) * LGD(t) * PD marginal(t) * DF(t)
- ECL(t) = contribution to the provision of period t (from initial date of validity to date of maturity). The first period (first instalment for items at maturity or all those on demand) always starts from the date of calculation of the provisions
- t = cash flow maturity date
- EAD(t) = exposure at date t; amortised cost for loans at maturity, balance for loans on demand
- LGD(t) = lgd at time t obtained with IFRS 9 logic
- PD marginal(t) = PD cumulated(t) - PD cumulated(t-1) derived from the PD lifetime curves for the segment and the class associated with the counterparty
- DF(t) = discount at time t calculated at IRR (internal rate of return) on a 360 basis

The expected credit loss of the financial instruments represented by securities is computed by the specialised external company and provided, for each financial instrument, through management applications. The information flow has quarterly periodicity and the organisational units apply the rules prescribed in the Staging allocation policy for classification in the correct reference bucket. Default probability measures are extracted from quoted credit spreads and thus have an information content able to summarise the expectation of occurrence of future events incorporated by the market (forward looking measures). The probability of default and the LGD are estimated for each individual issuer and associated with the respective issues, providing a differentiation by level of subordination (senior and subordinate issues).

The default probability term structure for each issuer is estimated starting from the information and from the credit spreads quoted daily on the financial markets (i.e. CDS spread and prices of bonds). Specific credit spread of individual issuers are preferentially used; in this context, a credit spread is considered specific when it can be directly referred to the "risk group" to which the measured issuer belongs. If, for a given issuer, equally significant specific credit spreads are available on multiple markets, the market used preferentially is that of the CDS.

The individual issuers are mapped to the comparable issuer or to the reference cluster on the basis of the following axes of analysis:

- industrial sector,
- geographic area of interest,
- rating (ECAI);
- analysis of the fundamental financial statement data.

For financial instruments, the loss given default is assumed to be constant throughout the time horizon of the financial asset analysed and it is a function of two factors:

- ranking of the instrument;
- classification of the country of the issuer entity.

For countries considered to be developed, the LGD is set to 0.6 for senior issues and 0.8 for subordinate issues. For covered issues, the value changes with changes in the rating attributed to the individual security in question. Otherwise for emerging countries for equal subordination the level of the LGD is higher, as senior issues shall be subject to an LGD of 0.75 and subordinate issues to an LGD of 1.

2.4 Credit risk mitigation techniques

Credit risk mitigation techniques are an instrument to reduce or transfer part of the credit risk on the exposures originated and to reduce the loss that would be incurred in case of counterparty default (Loss given default).

Credit risk mitigation is carried out by privileging mainly transactions guaranteed by collateral securities. Credit lines and disbursements are granted, by the corporate bodies, only after a careful analysis of the creditworthiness and the validity and consistency of the guarantees given. Guarantees shall be explicit and not subject to conditions, as prescribed by the Supervisory Instructions.

The collateral most used by the Bank consists of mortgages on residential and non residential properties, lines on financial instruments and on liquidity. On the collateral, the estimated or appraised value of the asset (net of any encumbrances) or the market value, in the case of listed securities, is monitored. For property assets pledged as collateral, and subject to value oscillations, a "deviation" is applied on the value as such subjected to periodic revisions and otherwise every time there are sensitive contractions on their price. In relation to mortgages, the value of properties is periodically revised. For this purposes, the Bank relies on third parties with proven experience on the basis of the provisions of Article 120-*duodecies* of the Consolidated Law on Banking.

In case of personal guarantees received, the guarantor shall take on the juridically binding commitment to meet the obligations relating to one or more credit issues pertaining to a determined party. With reference to “comfort letters”, the only ones to be considered are those that are not declarative of the equity investment relationship of the parent company, but for which the guarantee function is pre-eminent, because the commitment made can actually represent a surety obligation, with accessory character with respect to the main one of the subsidiary.

3. Non-performing credit exposures

3.1 Management strategies and policies

The classification of impaired financial assets in the different default categories takes place in compliance with the instructions issued by the Supervisory Authority according to the indications of Bank of Italy Circular 272 of 2008 (as updated). Receivables classified as bad loans are subjected to an itemised assessment by the Credits Committee, by the Credits Department and by the Risk management Function which analyse the position and the Guarantees held in order to estimate their estimated realisable value. The analysis carried out follows criteria clearly defined in the company Policies. Within this context are also established the recovery times, so-called Time value on bad loans. UTP and Past due loans, in accordance with IFRS 9, are subjected to a process of valorisation of the provision that incorporates the forward looking valuation.

In consideration of the small number of positions classified as past-due or UTP, and with the goal of making a valuation that is as refined as possible, the Bank also carried out itemised assessment of past-due and UTP loans using the same logic prescribed for loans classified as bad loans, when peculiarities are identified that make itemised valuation more reliable than statistical valuation.

The monitoring of receivables to customers carried out by the Risk Control Organisation Unit, which, with the support of automated IT instruments, prepares on an established basis appropriate reports for the Senior Management. Subsequent measurement and classification of impaired loans are carried out by special committees set up within the Bank, which assess each time single credit exposures, the customers’ creditworthiness, guarantees and all other relevant factors that may affect the assessment of credit exposures.

With reference to bad loans, management is carried out by the Legal Department for the management of collection activities.

3.2 Write-off

A write-off is an event that gives rise to derecognition when there no longer are any reasonable expectations to recover the financial asset. It can take place before legal actions to recover the financial asset have been exhausted and it does not necessarily entail the waiver of the bank’s legal right to recover the receivable.

The write-off can involve the entire amount of a financial asset or a portion thereof corresponds:

- to the reversal of total impairment losses, as a corresponding item of the gross value of the financial asset, and

- for the part exceeding the amount of the total impairment losses, to the impairment of the financial asset recognised directly in the income statement.

Any amounts recovered from collection after write-off are recognised in the income statement among value recoveries.

The term "Total write-offs" means the cumulated amounts of the partial and total write-offs on financial assets.

During the financial year ended 31 December 2018, the amount of written-off position is negligible.

3.3 Acquired or originated impaired financial assets

These are the exposures that meet the definition of acquired or originated impaired financial asset per Appendix A of IFRS9. They include, among others, the impaired credit exposures acquired within sale transactions (individual or portfolio) and business combinations.

At 31 December 2018, the Group does not hold any financial assets belonging to this category.

4. Financial assets subject to renegotiation and forborne exposures

The 7th update of Bank of Italy Circular 272, on 20 January 2015, introduced two important changes pertaining to credit quality:

- the elimination of two types of non-performing loans (objectively impaired loans and restructured loans);
- the new meaning of forborne loans.

"Forborne exposures" are those deriving from concessions made in the presence of both of the following conditions:

- the borrower is (or is about to become) incapable of fulfilling the terms of the agreement as a result of financial hardship;
- the lender makes a favourable concession to the borrower because of the hardship pointed out.

The classification as forborne is assigned at the level of individual credit facility upon occurrence of specific conditions of difficulty of the borrower to fulfil his commitments, associated with an activity of the Bank directed at overcoming these difficulties (forbearance measures).

Forborne exposures can be both in each of the categories of non-performing loans (bad loans, unlikely to pay and past due exposures) and among performing loans, in relation to the state of risk of the exposure at the time of the report.

With reference to the two main directives, dictated by the EBA first and foremost, harmonised with the seventh update of Circular 272 and expressed and clarified with the Report of the Consultation prepared by Bank of Italy, the Bank sets the following lines for:

- identification of forbearance measures;
- management and monitoring of the receivables subjected to these measures.

In general, the following forbearance measures are identified:

a) maturity date extension;
b) reduction of the interest rate applied;
c) transformation of the credit facility from maturity to revocation;
d) change to instalment periodicity;
e) change to type of amortisation.

According to the internal Policies, this does not include the forbearance measures applied by the Bank to borrowers that do not have financial hardship conditions considering:

- either earning capacity;
- or the credit reserve with the banking system and their ability to obtain loans from it.

The attribution of the forborne qualification rests with the body that decides to apply the forbearance measure. The management of forborne loans takes place through the IT procedure and monitoring entails, among other activities, a quarterly information report to the Credits Committee in addition to the intervention of the head of the Risk Control in Credits Committee every time a currently or previously forborne position is analysed.

At 31 December 2018, there were 19 “forborne” exposures of which:

- 5 non-performing positions totalling 909 thousand euros (of which 1 position included among bad loans for 141 thousand euros, 3 positions included among unlikely to pay for 116 thousand euros and 1 position included among past due loans for 652 thousand euros).
- 14 performing positions, amounting to 11,749 thousand euros;

* * *

Quantitative information

A. Credit quality

A.1 Non-performing and performing exposures: balances, impairment losses, changes, breakdown by type

A.1.1 Breakdown of credit exposures by portfolio classification and credit quality (book values)

Portfolio/Quality	Bad Loans	Unlikely to pay	Non-performing past due exposures	Performing past due exposures	Other performing exposures	Total
1. Financial assets designated at amortised cost	2,027	1,602	2,158	13,157	1,404,690	1,423,634
2. Financial assets designated at fair value through other comprehensive income	–	–	–	–	288,482	288,482
3. Financial assets designated at fair value	–	–	–	–	–	–
4. Other financial assets mandatorily at fair value	–	–	–	–	–	–
5. Financial assets under disposal	–	–	–	–	–	–
Total 2018	**2,027**	**1,602**	**2,158**	**13,157**	**1,693,172**	**1,712,116**

The table below shows at 31 December 2017 the Breakdown of credit exposures by portfolio classification and credit quality (book values) in compliance with IAS 39, prepared in accordance with the provisions of the previous version of Bank of Italy Circular No. 262 (4th update).

A.1.1 Breakdown of credit exposures by portfolio classification and credit quality (book values)

Portfolio/Quality	Bad Loans	Unlikely to pay	Non-performing past due exposures	Performing past due exposures	Performing exposures	Total
1. Financial assets available for sale	–	–	–	–	1,189,177	1,189,177
2. Investments held to maturity	–	–	–	–	–	–
3. Due from banks	–	–	–	–	76,353	76,353
4. Loans to customers	1,917	1,947	1,642	8,095	328,413	342,014
5. Financial assets measured at fair value	–	–	–	–	–	–
6. Financial assets under disposal	–	–	–	–	–	–
Total 2017	**1,917**	**1,947**	**1,642**	**8,095**	**1,593,943**	**1,607,544**

A.1.2 Breakdown of credit exposures by portfolio classification and credit quality (gross and net values)

Portfolio/Quality	Non-performing			Total partial write-offs*	Performing			Total (net exposure)
	Gross exposure	Total impairment losses	Net exposure		Gross exposure	Total impairment losses	Net exposure	
1. Financial assets designated at amortised cost	13,189	7,402	5,787	–	1,422,865	5,018	1,417,847	1,423,634
2. Financial assets designated at fair value through other comprehensive income	–	–	–	–	289,301	819	288,482	288,482
3. Financial assets designated at fair value	–	–	–	–	X	X	–	–
4. Other financial assets mandatorily at fair value	–	–	–	–	X	X	–	–
5. Financial assets under disposal	–	–	–	–	–	–	–	–
Total 2018	**13,189**	**7,402**	**5,787**	**–**	**1,712,166**	**5,837**	**1,706,329**	**1,712,116**

Portfolio/Quality	Assets of evidently low credit quality		Other assets
	Cumulated losses	Net exposure	Net exposure
1. Financial assets held for trading	–	–	26,571
2. Hedging derivatives	–	–	–
Total 2018	**–**	**–**	**26,571**

The table below shows at 31 December 2017 the Breakdown of credit exposures by portfolio classification and credit quality (gross and net book values) in compliance with IAS 39, prepared in accordance with the provisions of the previous version of Bank of Italy Circular No. 262 (4th update).

A.1.2 Breakdown of credit exposures by portfolio classification and credit quality (gross and net amounts)

Portfolio/Quality	Non-performing assets			Performing assets			Total (net exposure)
	Gross exposure	Individual adjustments	Net exposure	Gross exposure	Portfolio adjustments	Net exposure	
1. Financial assets available for sale	–	–	–	1,189,177	–	1,189,177	1,189,177
2. Investments held to maturity	–	–	–	–	–	–	–
3. Due from banks	–	–	–	76,353	–	76,353	76,353
4. Loans to customers	12,125	6,619	5,506	338,470	1,962	336,508	342,014
5. Financial assets measured at fair value	–	–	–	X	X		–
6. Financial assets under disposal	–	–	–	–	–	–	–
Total 2017	**12,125**	**6,619**	**5,506**	**1,604,000**	**1,962**	**1,602,038**	**1,607,544**

Portfolio/Quality	Assets of evidently low credit quality		Other assets
	Cumulated losses	Net exposure	Net exposure
1. Financial assets held for trading		–	33,405
2. Hedging derivatives			–
Total 2017		**–**	**33,405**

A.1.3 Breakdown of credit exposures by maturity brackets (book values)

Portfolio/risk stages	Stage 1			Stage 2			Stage 3		
	From 1 day to 30 days	From over 30 days to 90 days	More than 90 days	Up to 30 days	From over 30 days to 90 days	More than 90 days	Up to 30 days	From over 30 days to 90 days	More than 90 days
1. Financial assets designated at amortised cost	2,022	1	–	6,784	2,202	2,149	–	–	5,675
2. Financial assets designated at fair value through other comprehensive income	–	–	–	–	–	–	–	–	–
TOTAL 2018	**2,022**	**1**	**–**	**6,784**	**2,202**	**2,149**	**–**	**–**	**5,675**

A.1.4 Financial assets, commitments to lend funds and financial guarantees given: changes in total impairment losses and total allocations

Reasons/risk stages	Total impairment losses						
	Assets in stage 1				Assets in stage 2		
	Financial assets designated at amortised cost	Financial assets designated at fair value through other comprehensive income	of which: individual write-downs	of which: collective write-downs	Financial assets designated at amortised cost	Financial assets designated at fair value through other comprehensive income	of which: individual write-downs
Total opening adjustments	**1,460**	**–**	**–**	**1,460**	**502**	**–**	**–**
Increases from financial assets acquired or originated	1,575	604	–	2,179	105	–	–
Derecognitions other than write-offs	(378)	(269)	–	(647)	(4)	–	–
Net losses/recoveries on credit risk	(168)	128	–	(40)	365	–	–
Contractual changes without derecognition	(89)	–	–	(89)	831	–	–
Changes in estimation methodology	134	357	–	491	684	–	–
Write-offs not recognised directly in the income statement	–	–	–	–	–	–	–
Other changes	–	–	–	–	–	–	–
Total closing adjustments	**2,534**	**820**	**–**	**3,354**	**2,483**	**–**	**–**
Recoveries from collection on financial assets written off	–	–	–	–	–	–	–
Write-offs recognised directly in the income statement	14	–	14	–	–	–	–

	Assets in stage 3				Of which: acquired or originated impaired financial assets	Total allocations on commitments to lend funds and financial guarantees given			Total
of which: collective write-downs	Financial assets designated at amortised cost	Financial assets designated at fair value through other comprehensive income	of which: individual write-downs	of which: collective write-downs		Stage 1	Stage 2	Stage 3	
502	**6,619**	**–**	**6,619**	**–**	**–**	**–**	**–**	**2**	**8,583**
105	53	–	53	–	–	32	–	–	2,369
(4)	(18)	–	(18)	–	–	(3)	–	–	(672)
365	747	–	747	–	–	18	(30)	(2)	1,058
831	–	–	–	–	–	–	–	–	742
684	–	–	–	–	–	40	44	–	1,259
–	1	–	1	–	–	–	–	–	1
–	–	–	–	–	–	–	–	–	–
2,483	**7,402**	**–**	**7,402**	**–**	**–**	**87**	**14**	**–**	**13,340**
–	17	–	–	–	–	–	–	–	17
–	4	–	4	–	–	–	–	–	18

A.1.5 Financial assets, commitments to lend funds and financial guarantees given: transfers between the different credit risk stages (gross and nominal values)

Types of exposures/risk stages	Gross values/nominal value					
	Transfers between stage 1 and stage 2		Transfers between stage 2 and stage 3		Transfers between stage 1 and stage 3	
	From stage 1 to stage 2	From stage 2 to stage 1	From stage 2 to stage 3	From stage 3 to stage 2	From stage 1 to stage 3	From stage 3 to stage 1
1. Financial assets designated at amortised cost	33,083	1,822	1,177	111	217	1
2. Financial assets designated at fair value through other comprehensive income	–	–	–	–	–	–
3. Commitments to lend funds and financial guarantees given	22	529	–	12	–	299
TOTAL 2018	**33,105**	**2,351**	**1,177**	**123**	**217**	**300**

A.1.6 On-balance sheet and off-balance sheet credit exposures to banks: gross and net amounts

Type of exposures/amounts	Gross exposure		Total impairment losses and total allocations	Net exposure	Total partial write-offs*
	Non-performing	Performing			
A. ON-BALANCE SHEET CREDIT EXPOSURES					
a) Bad Loans	–	X	–	–	–
- of which: forborne exposures	–	X	–	–	–
b) Unlikely to pay	–	X	–	–	–
- of which: forborne exposures	–	X	–	–	–
c) Non-performing past due exposures	–	X	–	–	–
- of which: forborne exposures	–	X	–	–	–
d) Performing past due exposures	X	–	–	–	–
- of which: forborne exposures	X	–	–	–	–
e) Other performing exposures	X	127,757	408	127,349	–
- of which: forborne exposures	X	–	–	–	–
TOTAL A	**–**	**127,757**	**408**	**127,349**	**–**
B. OFF-BALANCE SHEET CREDIT EXPOSURES					
a) Non-performing	–	X	–	–	–
a) Performing	X	575	–	575	–
TOTAL B	**–**	**575**	**–**	**575**	**–**
TOTAL A+B	**–**	**128,332**	**408**	**127,924**	**–**

* Value to be reported for disclosure purposes

The table below shows on-balance sheet and off-balance sheet credit exposures to banks: gross and net amounts and maturity brackets at 31 December 2017 drawn up in compliance with IAS 39, prepared in accordance with the provisions of the previous version of Bank of Italy Circular No. 262 (4th update).

A.1.3 On-balance sheet and off-balance sheet credit exposures to banks: gross and net amounts and maturity brackets

Type of exposures/Amounts	Gross exposure					Specific impairment losses	Portfolio impairment losses	Net exposure
	Non-performing assets				Performing assets			
	Up to 3 months	From over 3 months to 6 months	From over 6 months to 1 year	More than 1 year				
A. ON-BALANCE SHEET EXPOSURES								
a) Bad Loans	–	–	–	–	X	–	X	–
- of which: forborne exposures	–	–	–	–	X	–	X	–
b) Unlikely to pay	–	–	–	–	X	–	X	–
- of which: forborne exposures	–	–	–	–	X	–	X	–
c) Non-performing past due exposures	–	–	–	–	X	–	X	–
- of which: forborne exposures	–	–	–	–	X	–	X	–
d) Performing past due exposures	X	X	X	X	–	X	–	–
- of which: forborne exposures	X	X	X	X	–	X	–	–
e) Other performing exposures	X	X	X	X	119,379	X	–	119,379
- of which: forborne exposures	X	X	X	X	–	X	–	–
TOTAL A	**–**	**–**	**–**	**–**	**119,379**	**–**	**–**	**119,379**
B. OFF-BALANCE SHEET EXPOSURES								
a) Non-performing	–	–	–	–	X	–	X	–
b) Performing	X	X	X	X	593	X	–	593
TOTAL B	**–**	**–**	**–**	**–**	**593**	**–**	**–**	**593**
TOTAL A+B	**–**	**–**	**–**	**–**	**119,972**	**–**	**–**	**119,972**

A.1.7 On-balance sheet and off-balance sheet credit exposures to customers: gross and net amounts

Type of exposures/amounts	Gross exposure		Total impairment losses and total allocations	Net exposure	Total partial write-offs*
	Non-performing	Performing			
A. ON-BALANCE SHEET CREDIT EXPOSURES					
a) Bad Loans	8,717	X	6,690	2,027	
- of which: forborne exposures	141	X	141	–	
b) Unlikely to pay	2,088	X	486	1,602	
- of which: forborne exposures	116	X	49	67	
c) Non-performing past due exposures	2,384	X	226	2,158	
- of which: forborne exposures	652	X	11	641	
d) Performing past due exposures	X	14,153	996	13,157	
- of which: forborne exposures	X	5,356	431	4,925	
e) Other performing exposures	X	1,596,338	4,433	1,591,905	
- of which: forborne exposures	X	6,393	581	5,812	
TOTAL A	**13,189**	**1,610,491**	**12,831**	**1,610,849**	
B. OFF-BALANCE SHEET CREDIT EXPOSURES					
a) Non-performing	1	X	–	1	
a) Performing	X	192,402	101	192,301	
TOTAL B	**1**	**192,402**	**101**	**192,302**	
TOTAL A+B	**13,190**	**1,802,893**	**12,932**	**1,803,151**	

* Value to be reported for disclosure purposes

The table below shows on-balance sheet and off-balance sheet credit exposures to customers: gross and net amounts and maturity brackets at 31 December 2017 drawn up in compliance with IAS 39, prepared in accordance with the provisions of the previous version of Bank of Italy Circular No. 262 (4th update).

A.1.6 On-balance sheet and off-balance sheet credit exposures to customers: gross and net amounts and maturity brackets

Type of exposures/Amounts	Gross exposure					Specific impairment losses	Portfolio impairment losses	Net exposure
	Non-performing assets				Performing assets			
	Up to 3 months	From over 3 months to 6 months	From over 6 months to 1 year	More than 1 year				
A. ON-BALANCE SHEET EXPOSURES								
a) Bad Loans	–	–	–	8,158	X	6,241	X	1,917
- of which: forborne exposures	–	–	–	–	X	–	X	–
b) Unlikely to pay	230	–	–	1,990	X	273	X	1,947
- of which: forborne exposures	142	–	–	157	X	153	X	146
c) Non-performing past due exposures	52	1	131	1,563	X	105	X	1,642
- of which: forborne exposures	–	–	46	650	X	5	X	691
d) Performing past due exposures	X	X	X	X	8,148	X	53	8,095
- of which: forborne exposures	X	X	X	X	–	X	–	–
e) Other performing exposures	X	X	X	X	1,509,588	X	1,909	1,507,679
- of which: forborne exposures	X	X	X	X	2,820	X	14	2,806
TOTAL A	**282**	**1**	**131**	**11,711**	**1,517,736**	**6,619**	**1,962**	**1,521,280**
B. OFF-BALANCE SHEET EXPOSURES								–
a) Non-performing	311	–	–	–	X	2	X	309
b) Performing	X	X	X	X	37,997	X	–	37,997
TOTAL B	**311**	**–**	**–**	**–**	**37,997**	**2**	**–**	**38,306**
TOTAL A+B	**593**	**1**	**131**	**11,711**	**1,555,733**	**6,621**	**1,962**	**1,559,586**

A.1.9 On-balance sheet credit exposures to customers: changes in gross non-performing exposures

Reason/Category	Bad Loans	Unlikely to pay	Non-performing past due exposures
A. Gross opening exposure	**8,158**	**2,220**	**1,747**
- of which: exposures sold and not derecognised			
B. Increases	**651**	**440**	**1,523**
B.1 inflows from performing exposures	253	155	1,082
B.2 inflows from acquired or originated impaired financial assets	–	–	–
B.3 transfers from other categories of non-performing exposures	388	150	–
B.4 contractual changes without derecognition	–	–	–
B.5 other increases	10	135	441
C. Decreases	**92**	**572**	**885**
C.1 outflows to performing exposures	–	–	1
C.2 write-off	–	4	–
C.3 collection	88	356	555
C.4 gains from disposals	–	–	–
C.5 losses from disposals	–	–	–
C.6 transfers to other categories of non-performing exposures	–	212	326
C.7 contractual changes without derecognition	–	–	–
C.8 other decreases	4	–	3
D. Gross closing exposure	**8,717**	**2,088**	**2,385**
- of which: exposures sold and not derecognised			

A.1.9bis On-balance sheet credit exposures to customers: changes in gross forborne exposures by credit quality

Reasons/Quality	Forborne exposures: non-performing	Forborne exposures: performing
A. Gross opening exposure	**995**	**2,820**
- of which: exposures sold and not derecognised		
B. Increases	**405**	**9,065**
B.1 inflows from non forborne performing exposures	83	8,916
B.2 inflows from forborne performing exposures	–	X
B.3 inflows from forborne non-performing exposures	X	120
B.4 other increases	322	29
C. Decreases	**491**	**136**
C.1 outflows to non forborne performing exposures	X	1
C.2 outflows to forborne performing exposures	120	X
C.3 outflows to forborne non-performing exposures	X	–
C.4 write-off	1	–
C.5 collection	196	135
C.6 gains from disposals	–	–
C.7 losses from disposals	–	–
C.8 other decreases	174	–
D. Gross closing exposure	**909**	**11,749**
- of which: exposures sold and not derecognised		

A.1.11 Non-performing on-balance sheet credit exposures to customers: changes in total impairment losses

Reason/Category	Reason/Category		Unlikely to pay		Non-performing past due exposures	
	Total	of which: forborne exposures	Total	of which: forborne exposures	Total	of which: forborne exposures
A. Total opening adjustments	**6,241**		**273**	**153**	**105**	**5**
- of which: exposures sold and not derecognised						
B. Increases	**524**	**141**	**391**	**49**	**217**	**6**
B.1 impairment losses from acquired or originated impaired financial assets	–	X	–	X	–	X
B.2 other impairment losses	289	10	390	49	217	6
B.3 losses from disposals	–	–	–	–	–	–
B.4 transfers from other categories of non-performing exposures	235	131	1	–	–	–
B.5 contractual changes without derecognition		X		X		X
B.6 other increases	–	–	–	–	–	–
C. Decreases	**75**	**–**	**178**	**153**	**96**	**–**
C.1 valuation value recoveries	50	–	6	2	–	–
C.2 cash value recoveries	25	–	29	19	1	–
C.3 profit from disposals	–	–	–	–	–	–
C.4 write-off	–	–	1	1	–	–
C.5 transfers to other categories of non-performing exposures	–	–	142	131	95	–
C.6 contractual changes without derecognition		X		X		X
C.7 other decreases	–	–	–	–	–	–
D. Total closing adjustments	**6,690**	**141**	**486**	**49**	**226**	**11**
- of which: exposures sold and not derecognised						

A.2 Classification of financial assets, of commitments to lend funds and of financial guarantees given in exposures according to external and internal rating classes

A.2.1 Breakdown of credit exposures, of commitments to lend funds and of financial guarantees given: by external rating classes (gross values)

Exposures		
	class 1	class 2
A. Financial assets designated at amortised cost		
- Stage 1	–	–
- Stage 2	–	–
- Stage 3	–	–
B. Financial assets designated at fair value through other comprehensive income		
- Stage 1	65,040	8,187
- Stage 2	–	–
- Stage 3	–	–
Total (A+B)	**65,040**	**8,187**
of which: acquired or originated impaired financial assets		
C. Commitments to lend funds and financial guarantees given		
- Stage 1	–	–
- Stage 2	–	–
- Stage 3	–	–
Total C	**–**	**–**
Total (A+B+C)	**65,040**	**8,187**

A.2.2 Breakdown of credit exposures, of commitments to lend funds and of financial guarantees given: by internal rating classes (gross values)

The table is not filled in, because the Bank does not use internal ratings.

External rating classes				Without rating	Total
class 3	class 4	class 5	class 6		
982,479	–	–	–	347,310	1,329,789
–	–	–	–	93,076	93,076
–	–	–	–	13,189	13,189
214,003	2,071	–	–	–	289,301
–	–	–	–	–	–
–	–	–	–	–	–
1,196,482	**2,071**	**–**	**–**	**453,575**	**1,725,355**
–	–	–	–	39,570	39,570
–	–	–	–	5,414	5,414
–	–	–	–	–	–
–	**–**	**–**	**–**	**44,984**	**44,984**
1,196,482	**2,071**	**–**	**–**	**498,559**	**1,770,339**

A.3. Distribution of the guaranteed exposures by type of guarantee

A.3.2 Secured on-balance sheet and off-balance sheet credit exposures to customers

	Gross exposure	Net exposure	Collateral (1)			
			Real estate - mortgages	Real estate - financial leases	Securities	Other collateral
1. Guaranteed on-balance sheet credit exposures:	331,573	316,799	127,753	–	88,577	83,790
1.1 fully guaranteed	299,956	286,661	124,440	–	77,310	76,959
- of which non-performing	10,620	5,248	5,078	–	12	–
1.2 partly guaranteed	31,617	30,138	3,313	–	11,267	6,831
- of which non-performing	61	13	13	–	–	–
2. Guaranteed off-balance sheet credit exposures:	54,450	54,354	7,583	–	16,364	25,668
2.1 fully guaranteed	45,763	45,684	7,583	–	14,079	22,976
- of which non-performing	–	–	–	–	–	–
2.2 partly guaranteed	8,687	8,670	–	–	2,285	2,692
- of which non-performing	–	–	–	–	–	–

Personal guarantees (2)									Total (1)+(2)
Credit derivatives					Unsecured loans				
CLN	Other derivatives				Public administrations	Banks	Other financial institutions	Other entities	
	Central counterparties	Banks	Other financial institutions	Other entities					
–	–	–	–	–	–	2,170	–	5,782	308,072
–	–	–	–	–	–	2,170	–	5,782	286,661
–	–	–	–	–	–	–	–	158	5,248
–	–	–	–	–	–	–	–	–	21,411
–	–	–	–	–	–	–	–	–	13
–	–	–	–	–	–	30	–	1,003	50,648
–	–	–	–	–	–	–	–	993	45,631
–	–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	30	–	10	5,017
–	–	–	–	–	–	–	–	–	–

B. Distribution and concentration of credit exposures

B.1 Segment distribution of on-balance sheet and off-balance sheet credit exposures to customers

Exposures/Counterparties	Public administrations		Financial institutions	
	Net exposure	Total impairment losses	Net exposure	Total impairment losses
A. On-balance sheet credit exposures				
A.1 Bad loans	–	–	–	–
- of which: forborne exposures	–	–	–	–
A.2 Unlikely to pay	–	–	–	–
- of which: forborne exposures	–	–	–	–
A.3 Non-performing past due exposures	–	–	144	16
- of which: forborne exposures	–	–	–	–
A.4 Performing exposures	1,202,534	1,916	94,097	305
- of which: forborne exposures	–	–	106	5
TOTAL (A)	**1,202,534**	**1,916**	**94,241**	**321**
B. Off-balance sheet credit exposures				
B.1 Non-performing exposures	–	–	–	–
B.2 Performing exposures	362	–	41,128	1
TOTAL (B)	**362**	**–**	**41,128**	**1**
TOTAL (A+B) 31.12.2018	**1,202,896**	**1,916**	**135,369**	**322**

The table below shows Segment distribution of on-balance sheet and off-balance sheet credit exposures to customers (book value) at 31 December 2017 drawn up in compliance with IAS 39, prepared in accordance with the provisions of the previous version of Bank of Italy Circular No. 262 (4th update).

	Financial institutions (of which: insurance companies)		Non financial institutions		Households	
	Net exposure	Total impairment losses	Net exposure	Total impairment losses	Net exposure	Total impairment losses
	–	–	1,498	6,170	529	520
	–	–	–	–	–	141
	–	–	21	90	1,581	396
	–	–	–	–	67	49
	–	–	71	56	1,943	154
	–	–	–	–	641	11
	–	–	177,916	2,858	130,515	350
	–	–	8,304	993	2,327	14
	–	**–**	**179,506**	**9,174**	**134,568**	**1,420**
	–	–	–	–	1	–
	–	–	114,243	98	36,568	2
	–	**–**	**114,243**	**98**	**36,569**	**2**
	–	**–**	**293,749**	**9,272**	**171,137**	**1,422**

B.1 Segment distribution of on-balance sheet and off-balance sheet credit exposures to customers (book value)

Exposures/Counterparties	Governments			Other public entities		
	Net exposure	Specific impairment losses	Portfolio impairment losses	Net exposure	Specific impairment losses	Portfolio impairment losses
A. On-balance sheet exposures						
A.1 Bad loans	–	–	X	–	–	X
- of which: forborne exposures	–	–	X	–	–	X
A.2 Unlikely to pay	–	–	X	–	–	X
- of which: forborne exposures	–	–	X	–	–	X
A.3 Non-performing past due exposures	–	–	X	–	–	X
- of which: forborne exposures	–	–	X	–	–	X
A.4 Performing exposures	1,175,305	X	–	–	X	–
- of which: forborne exposures	–	X	–	–	X	–
TOTAL A	**1,175,305**	**–**	**–**	**–**	**–**	**–**
B. Off-balance sheet exposures						
B.1 Bad loans	–	–	X	–	–	X
B.2 Unlikely to pay	–	–	X	–	–	X
B.3 Other non-performing assets	–	–	X	–	–	X
B.4 Performing exposures	–	X	–	–	X	–
TOTAL B	**–**	**–**	**–**	**–**	**–**	**–**
TOTAL (A+B) 31.12.2017	**1,175,305**	**–**	**–**	**–**	**–**	**–**

Financial institutions			Insurance companies			Non-financial companies			Other entities		
Net exposure	Specific impairment losses	Portfolio impairment losses	Net exposure	Specific impairment losses	Portfolio impairment losses	Net exposure	Specific impairment losses	Portfolio impairment losses	Net exposure	Specific impairment losses	Portfolio impairment losses
–	–	X	–	–	X	1,430	5,997	X	487	244	X
–	–	X	–	–	X	–	–	X	–	–	X
139	3	X	–	–	X	14	95	X	1,794	175	X
139	3	X	–	–	X	1	19	X	6	131	X
10	–	X	–	–	X	470	4	X	1,162	101	X
–	–	X	–	–	X	–	–	X	691	5	X
71,195	X	248	–	X	–	173,330	X	1,404	95,944	X	310
–	X	–	–	X	–	1,038	X	8	1,768	X	6
71,344	**3**	**248**	**–**	**–**	**–**	**175,244**	**6,096**	**1,404**	**99,387**	**520**	**310**
–	–	X	–	–	X	–	–	X	–	–	X
–	–	X	–	–	X	–	–	X	–	–	X
–	–	X	–	–	X	309	2	X	–	–	X
22,279	X	–	–	X	–	6,098	X	–	9,620	X	–
22,279	**–**	**–**	**–**	**–**	**–**	**6,407**	**2**	**–**	**9,620**	**–**	**–**
93,623	**3**	**248**	**–**	**–**	**–**	**181,651**	**6,098**	**1,404**	**109,007**	**520**	**310**

B.2 Geographical distribution of on-balance sheet and off-balance sheet credit exposures to customers

Exposures/Geographic area	Italy		Other European Countries		America		Asia		Rest of the World	
	Net exposure	Total impairment losses	Net exposure	Total impairment losses	Net exposure	Total impairment losses	Net exposure	Total impairment losses	Net exposure	Total impairment losses
A. On-balance sheet credit exposures										
A.1 Bad Loans	2,027	6,690	-	-	-	-	-	-	-	-
A.2 Unlikely to pay	1,601	465	-	-	1	21	-	-	-	-
A.3 Non-performing past due exposures	2,158	226	-	-	-	-	-	-	-	-
A.4 Performing exposures	1,593,119	5,426	11,942	3	1	-	-	-	-	-
TOTAL (A)	**1,598,905**	**12,807**	**11,942**	**3**	**2**	**21**	**-**	**-**	**-**	**-**
B. Off-balance sheet credit exposures										
B.1 Non-performing exposures	1	-	-	-	-	-	-	-	-	-
B.2 Performing exposures	191,069	101	1,014	-	218	-	-	-	-	-
TOTAL (B)	**191,070**	**101**	**1,014**	**-**	**218**	**-**	**-**	**-**	**-**	**-**
TOTAL (A+B) 2018	**1,789,975**	**12,908**	**12,956**	**3**	**220**	**21**	**-**	**-**	**-**	**-**

The table below shows Geographical distribution of on-balance sheet and off-balance sheet credit exposures to customers (book value) at 31 December 2017 drawn up in compliance with IAS 39, prepared in accordance with the provisions of the previous version of Bank of Italy Circular No. 262 (4th update).

B.2 Geographical distribution of on-balance sheet and off-balance sheet credit exposures to customers (book value)

Exposures/Geographic area	Italy		Other European Countries		America		Asia		Rest of the World	
	Net exposure	Total impairment losses	Net exposure	Total impairment losses	Net exposure	Total impairment losses	Net exposure	Total impairment losses	Net exposure	Total impairment losses
A. On-balance sheet exposures										
A.1 Bad loans	1,917	6,241	-	-	-	-	-	-	-	-
A.2 Unlikely to pay	1,946	255	-	-	1	18	-	-	-	-
A.3 Non-performing past due exposures	1,636	105	6	-	-	-	-	-	-	-
A.4 Performing exposures	1,508,696	1,939	7,078	23	-	-	-	-	-	-
TOTAL A	**1,514,195**	**8,540**	**7,084**	**23**	**1**	**18**	**-**	**-**	**-**	**-**
B. Off-balance sheet exposures										
B.1 Bad loans	-	-	-	-	-	-	-	-	-	-
B.2 Unlikely to pay	-	-	-	-	-	-	-	-	-	-
B.3 Other non-performing assets	309	2	-	-	-	-	-	-	-	-
B.4 Performing exposures	37,443	-	554	-	-	-	-	-	-	-
TOTAL B	**37,752**	**2**	**554**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
TOTAL A+B 2017	**1,551,947**	**8,542**	**7,638**	**23**	**1**	**18**	**-**	**-**	**-**	**-**

B.3 Geographical distribution of on-balance sheet and off-balance sheet credit exposures to banks

Exposures/Geographic area	Italy		Other European Countries		America		Asia		Rest of the World	
	Net exposure	Total impairment losses	Net exposure	Total impairment losses	Net exposure	Total impairment losses	Net exposure	Total impairment losses	Net exposure	Total impairment losses
A. On-balance sheet credit exposures										
A.1 Bad loans	–	–	–	–	–	–	–	–	–	–
A.2 Unlikely to pay	–	–	–	–	–	–	–	–	–	–
A.3 Non-performing past due exposures	–	–	–	–	–	–	–	–	–	–
A.4 Performing exposures	118,730	366	8,619	42	–	–	–	–	–	–
TOTAL (A)	**118,730**	**366**	**8,619**	**42**	**–**	**–**	**–**	**–**	**–**	**–**
B. Off-balance sheet credit exposures	**–**		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
B.1 Non-performing exposures	–	–	–	–	–	–	–	–	–	–
B.2 Performing exposures	575	–	–	–	–	–	–	–	–	–
TOTAL (B)	**575**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
TOTAL (A+B) 2018	**119,305**	**366**	**8,619**	**42**	**–**	**–**	**–**	**–**	**–**	**–**

The table below shows Geographical distribution of on-balance sheet and off-balance sheet credit exposures to banks (book value) at 31 December 2017 drawn up in compliance with IAS 39, prepared in accordance with the provisions of the previous version of Bank of Italy Circular No. 262 (4th update).

B.3 Geographical distribution of on-balance sheet and off-balance sheet credit exposures to banks (book value)

Exposures/Geographic area	Italy		Other European Countries		America		Asia		Rest of the World	
	Net exposure	Total impairment losses	Net exposure	Total impairment losses	Net exposure	Total impairment losses	Net exposure	Total impairment losses	Net exposure	Total impairment losses
A. On-balance sheet exposures										
A.1 Bad loans	–	–	–	–	–	–	–	–	–	–
A.2 Unlikely to pay	–	–	–	–	–	–	–	–	–	–
A.3 Non-performing past due exposures	–	–	–	–	–	–	–	–	–	–
A.4 Performing exposures	111,186	–	8,193	–	–	–	–	–	–	–
TOTAL A	**111,186**	**–**	**8,193**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
B. Off-balance sheet exposures	**–**		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
B.1 Bad loans	–	–	–	–	–	–	–	–	–	–
B.2 Unlikely to pay	–	–	–	–	–	–	–	–	–	–
B.3 Other non-performing assets	–	–	–	–	–	–	–	–	–	–
B.4 Performing exposures	593	–	–	–	–	–	–	–	–	–
TOTAL B	**593**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
TOTAL (A+B) 2017	**111,779**	**–**	**8,193**	**–**	**–**	**–**	**–**	**–**	**–**	**–**

B.4 Major exposures

a) Amount (book value) 2,559,748 thousand euros

b) Amount (weighted value) 128,579 thousand euros

c) Number 10

The provisions contained in Regulation (EU) no. 575/2013 establish that a major exposure is the exposure of an entity towards a customer or a group of connected customers whose value is equal to or greater than 10% of the entity's admissible capital.

The same provisions that the amount of the exposure of an entity towards an individual customer or a group of connected customers may not exceed 25% of the entity's admissible capital. Obviously, the amount of 25% takes into account credit risk attenuation techniques, the type of guarantee acquired and the debtor counterparty.

The corporate control functions, at a predetermined frequency, audit the total exposure of the customers or groups of connected customers that fall under the category of major exposures and provide adequate information to the Corporate Bodies.

C. Securitisation

The Bank has not carried out any securitisation transaction. At the reporting date, no such transactions, issued by the Bank, were in place.

E. Disposal of companies

A. Financial assets sold and not derecognised in full

Qualitative information

Financial assets sold and not derecognised in full refer Government Bonds used in repos carried out exclusively with Cassa di Compensazione e Garanzia.

Quantitative information

E.1 Financial assets sold recognised in full and associated financial liabilities: book values

	Financial assets sold recognised in full				Associated financial liabilities		
	Book value	of which: subject of securitisations	of which: subject of sale agreements with repurchase pact	of which non-performing	Book value	of which: subject of securitisations	of which: subject of sale agreements with repurchase pact
A. Financial assets held for trading	**–**	**–**	**–**	**X**	**–**	**–**	**–**
1. Debt Securities	–	–	–	X	–	–	–
2. Equity	–	–	–	X	–	–	–
3. Loans	–	–	–	X	–	–	–
4. Derivatives	–	–	–	X	–	–	–
B. Other financial assets mandatorily at fair value	**–**	**–**	**–**	**–**	**–**	**–**	**–**
1. Debt Securities	–	–	–	–	–	–	–
2. Equity	–	–	–	X	–	–	–
3. Loans	–	–	–	–	–	–	–
C. Financial assets designated at fair value	**–**	**–**	**–**	**–**	**–**	**–**	**–**
1. Debt Securities	–	–	–	–	–	–	–
2. Loans	–	–	–	–	–	–	–
D. Financial assets designated at fair value through other comprehensive income	**–**	**–**	**–**	**–**	**–**	**–**	**–**
1. Debt Securities	–	–	–	–	–	–	–
2. Equity	–	–	–	X	–	–	–
3. Loans	–	–	–	–	–	–	–
E. Financial assets designated at amortised cost	**942,073**	**–**	**–**	**–**	**938,918**	**–**	**–**
1. Debt Securities	942,073	–	–	–	938,918	–	–
2. Loans	–	–	–	–	–	–	–
Total 31.12.2018	**942,073**	**–**	**–**	**–**	**938,918**	**–**	**–**

The tables below relate to Financial assets sold and not derecognised at 31 December 2017: book value and whole value and to Financial liabilities for assets sold and not derecognised: book value drawn up in compliance with IAS 39, prepared in accordance with the provisions of the previous version of Bank of Italy Circular no. 262 (4th update).

E.1 Financial assets sold and not derecognised: book value and full value

Categories/Portfolio	Financial assets held for trading			Financial assets measured at fair value			Financial assets available for sale		
	A	B	C	A	B	C	A	B	C
A. Cash assets	**–**	**–**	**–**	**–**	**–**	**–**	**983,637**	**–**	**–**
1. Debt Securities	–						983,637		
2. Equity	–						–		
3. UCI	–						–		
4. Loans	–						–		
B. Derivatives				**X**	**X**	**X**	**X**	**X**	**X**
Total 31.12.2017	**–**	**–**	**–**	**–**	**–**	**–**	**983,637**	**–**	**–**
of which non-performing									

Key:
A= financial assets sold recognised in full (book value)
B= financial assets sold recognised in part (book value)
C= financial assets sold recognised in part (full value)

	Investments held to maturity			Due from banks			Due from customers			Total
	A	B	C	A	B	C	A	B	C	31.12.2017
										983,637
										983,637
	X	X	X	X	X	X	X	X	X	
	X	X	X	X	X	X	X	X	X	
	X	**X**	**X**	**X**	**X**	**X**	**X**	**X**	**X**	
	–	–	–	–	–	–	–	–	–	983,637

E.2 Financial liabilities for assets sold and not derecognised: book value

Liabilities/ Asset portfolio	Financial assets held for trading	Financial assets measured at fair value	Financial assets available for sale	Investments held to maturity	Due from banks	Due from customers	Total
1. Due to customers	**–**	**–**	**980,102**				**980,102**
a) relating to fully recognised assets	–	–	980,102	–	–	–	980,102
b) relating to partially recognised assets	–	–	–	–	–	–	–
2. Due to banks							
a) relating to fully recognised assets	–	–	–	–	–	–	–
b) relating to partially recognised assets	–	–	–	–	–	–	–
Total 31.12.2017	**–**	**–**	**980,102**	**–**	**–**	**–**	**980,102**

F. Credit risk measurement models

In order to assess the Credit Risk, the Bank uses a standardised method for the quantification of (current and perspective) internal capital in compliance with the guidelines set out in the budgeting and multi-year planning process.

In compliance with the supervisory provisions, the method adopted by the Bank to quantify internal capital enables to use collateral (pledge and mortgage) and personal guarantees as a form of credit risk mitigation. The bank prefers the acquisition of collateral characterised by high liquidity (listed financial instruments) and low-price volatility (Sovereign debt Securities).

With a view to verifying the suitability of the internal capital, also in the event of adverse outlooks linked to the negative trend of loans, the Bank carries out stress testing during ICAAP/ILAAP reporting on the credit risk. To carry out these tests, reference is made to the statistics given in the public information of the Bank of Italy, in view of the limited historical series in the Bank's possession, which has only made investments in this area for the last few years.

Section 2 - Market risks

2.1 Interest rate risk and price risk – Regulatory trading portfolio

Qualitative information

A. General aspects

The Bank defined the market risk as the risk of an unfavourable change in the value of a position in financial instruments – included in the trading portfolio for regulatory purposes – due to the adverse performance of interest, exchange and inflation rates, volatility, share prices, credit spreads, price of goods (generic risk) and creditworthiness of the issuer (specific risk).

B. Management processes and measurement methods for the interest rate risk and the price risk

Interest rate risk

The "trading portfolio" – as defined in the supervisory regulations – includes all financial instruments subject to capital requirements for market risks.

The trading portfolio includes:

- debt securities;
- shares;
- UCI units;
- derivatives held for trading.

Most of the debt securities in the portfolio at 31 December 2018 consist of government bonds whose overall duration is short. Share investments mainly refer to securities listed on the Italian Stock Exchange, with high liquidity. The portfolio instruments are denominated in euro.

The Managing Director and the General Management of the Bank provide strategic guidelines on market risk acceptance with regard to the purchase and dealing in trading securities.

With regard to the interest rate risk, the Bank monitors the changes in market rates and prepares a proper report that is sent to the Management.

Price risk

Price risk is the risk of capital losses on listed financial assets or assets that are similar to listed instruments due to fluctuations in the price of securities or to factors attributable to the peculiar situation of the issuer. The Bank adopted special internal regulations that govern and limit the risk assumption with regard to some types of financial instruments and allow the continuous monitoring of the main risk indicators (VAR – Expected Shortfall – Volatility etc.)

In addition, limits were identified and prescribed in stress conditions, considering simultaneous shocks on the credit risk - spread increases and stock price contraction.

The method adopted to calculate VaR is historical; the bank uses a holding period of 2 years, a confidence interval of 99% and a daily time horizon for the quantification of the expected risk.

The trading portfolio is mainly represented by Government debt securities. As a result, price risk is associated with the specific situation of the issuer.
With regard to the equity portfolio, it should be underlined that it almost exclusively includes listed shares with a high degree of liquidity.

Lastly, with reference to market risk management, it should be specified that transactions with similar characteristics in terms complexity, type of issuer or risk are screened by the Managing Director and by the General Management, which performs a specific evaluation also with regard to the risk profiles associated with them.

Quantitative information

1. Regulatory trading portfolio: distribution of financial assets and liabilities for cash and financial derivatives by residual duration (repricing date)

Currency: Euro

Type/Residual duration	On demand	Up to 3 months	From over 3 months to 6 months	From over 6 months to 1 year	From over 1 year to 5 years	From over 5 years to 10 years	More than 10 years	Undated
1. Cash assets	**–**	**1,000**	**9,997**	**–**	**14,997**	**1**	**–**	**–**
1.1 Debt securities	–	1,000	9,997	–	14,997	1	–	–
– with the option of early redemption	–	–	–	–	999	–	–	–
– other	–	1,000	9,997	–	13,998	1	–	–
1.2 Other assets	–	–	–	–	–	–	–	–
2. Cash liabilities								
2.1 Reverse repos	–	–	–	–	–	–	–	–
2.2 Other liabilities	–	–	–	–	–	–	–	–
3. Financial derivatives	**724**	**17,283**	**942**	**–**	**–**	**–**	**–**	**–**
3.1 With underlying security	724	–	–	–	–	–	–	–
– Options	–	–	–	–	–	–	–	–
+ Long positions	–	–	–	–	–	–	–	–
+ Short positions	–	–	–	–	–	–	–	–
– Other derivatives	724	–	–	–	–	–	–	–
+ Long positions	362	–	–	–	–	–	–	–
+ Short positions	362	–	–	–	–	–	–	–
3.2 Without underlying security	–	17,283	942	–	–	–	–	–
– Options	–	–	–	–	–	–	–	–
+ Long positions	–	–	–	–	–	–	–	–
+ Short positions	–	–	–	–	–	–	–	–
– Other derivatives	–	17,283	942	–	–	–	–	–
+ Long positions	–	8,437	471	–	–	–	–	–
+ Short positions	–	8,846	471	–	–	–	–	–

1. Regulatory trading portfolio: distribution of financial assets and liabilities for cash and financial derivatives by residual duration (repricing date)

Currency: Other currencies

Type/Residual duration	On demand	Up to 3 months	From over 3 months to 6 months	From over 6 months to 1 year	From over 1 year to 5 years	From over 5 years to 10 years	More than 10 years	Undated
1. Cash assets	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
1.1 Debt securities	–	–	–	–	–	–	–	–
– with the option of early redemption	–	–	–	–	–	–	–	–
– other	–	–	–	–	–	–	–	–
1.2 Other assets	–	–	–	–	–	–	–	–
2. Cash liabilities								
2.1 Reverse repos	–	–	–	–	–	–	–	–
2.2 Other liabilities	–	–	–	–	–	–	–	–
3. Financial derivatives	**–**	**10,663**	**–**	**–**	**–**	**–**	**–**	**–**
3.1 With underlying security	–	–	–	–	–	–	–	–
– Options	–	–	–	–	–	–	–	–
+ Long positions	–	–	–	–	–	–	–	–
+ Short positions	–	–	–	–	–	–	–	–
– Other derivatives	–	–	–	–	–	–	–	–
+ Long positions	–	–	–	–	–	–	–	–
+ Short positions	–	–	–	–	–	–	–	–
3.2 Without underlying security	–	10,663	–	–	–	–	–	–
– Options	–	–						
+ Long positions	–	–	–	–	–	–	–	–
+ Short positions	–	–	–	–	–	–	–	–
– Other derivatives	–	10,663	–	–	–	–	–	–
+ Long positions	–	5,536	–	–	–	–	–	–
+ Short positions	–	5,127	–	–	–	–	–	–

2. Regulatory trading portfolio: distribution of exposures in equity securities and stock indexes in the main countries of the market.

Transaction type/Listing index	Listed			Unlisted
	Italy	Germany	Other	
A. Equity				
- Long positions	4,148	–	209	39
- Short positions	243	–	–	–
B. Sales not yet settled on equity				
- Long positions	105	–	22	–
- Short positions	120	–	34	–
C. Other derivatives on equity				
- Long positions	–	–	–	3
- Short positions	–	–	–	–
D. Derivatives on stock indexes				
- Long positions	–	–	–	–
- Short positions	–	–	–	–

2.2 Interest rate risk and price risk – Banking portfolio

Qualitative information

A. General aspects, management processes and measurement methods for interest rate risk and price risk

Interest rate risk

The interest rate risk for the banking book is defined as the current and prospective risk of profit/capital volatility due to unfavourable fluctuations in interest rates. From the definition of the interest rate risk, it is readily apparent that said risk is generated by the imbalances deriving from core business activities as a consequence of the difference in maturity and in the periods of redefinition of the interest rate conditions of assets and liabilities. The Bank's policy for managing the interest rate risk on the banking book is directed at stabilising the interest margin on the banking book.

The internal structures of the Bank monitor on a regular basis and provide adequate reporting of the interest rate risk on the banking book to the Senior Management and to the Board of Directors of the Bank. Stress tests are also carried out on a regular basis on the interest rate risk of the Repricing Gap and Duration Gap banking book. The operating limits to risk assumption were defined by the Board of Directors of the Bank and are reviewed by it on a regular basis.

The banking book comprises financial instruments (assets and liabilities) that are not in the trading portfolio. It is mainly made up of due to/from banks and customers as well as hedging derivatives.

As regards the banking book, attention is drawn to the following aspects concerning interest rate risk:

Cash assets

- debt securities, all in Euro, total 1,229 million euros and are represented by the securities present in the portfolio of Financial assets designated at amortised cost, amounting to 941 million euros, and those present in the Financial assets designated at fair value through other comprehensive income portfolio, amounting to 288 million euros. Debt securities are mainly represented by Government Bonds with 2019 maturity amounting to 465 million euros, with 2020 maturity amounting to 567 million euros, with 2024 maturity amounting to 100 million euros and with 2025 maturity amounting to 80 million euros;
- loans to banks (Euro and foreign currencies), totalling 78 million euros, of which 56 million euros in deposits to banks and current accounts, mainly with floating rate, 7 million euros in compulsory floating rate reserve and 15 million euros in other loans;
- loans to customers (Euro and foreign currencies), totalling 405 million euros, mainly consisting of current account credit lines of 189 million euros and loans to customers of 180 million euros, mostly with variable rate.

Cash liabilities

- due to customers (Euro and foreign currencies), totalling 1,621 million euros, of which 189 million euros in fixed rate time deposits (with 2019 maturity, for a nominal amount of 87 million euros, with 2020 maturity for a nominal amount of 39 million euros, with 2021 maturity for a nominal amount of 59 million euros and maturity by 2030 for a nominal amount of 4 million euros), 472 million euros in current accounts with floating rate or with revisable fixed rate, 939 million euros in repos on securities listed in regulated markets;
- due to banks (Euro and foreign currencies) relate to loans and deposits totalling 0.3 million euros;
- debt securities totalling 28 million euros are floating-rate bonds (Euribor plus 30 b.p.) with maturity in October 2020.

Given the above, it may be concluded that the interest rate risk is low.

Price risk

Price risk is the risk of capital losses on listed financial assets or assets that are similar to listed instruments due to fluctuations in the price of securities or to factors attributable to the peculiar situation of the issuer.

The Bank adopted special internal regulations that govern and limit the risk assumption with regard to some types of financial instruments and allow the continuous monitoring of the main risk indicators (VAR – Expected Shortfall – Volatility etc.).

Quantitative information

1. Banking portfolio: distribution of financial assets and liabilities by residual duration (repricing date)

Currency: Euro

Type/Residual duration	On demand	Up to 3 months	From over 3 months to 6 months	From over 6 months to 1 year	From over 1 year to 5 years	From over 5 years to 10 years	More than 10 years	Undated
1. Cash assets	**306,999**	**164,252**	**395,867**	**227,351**	**595,027**	**403**	**22**	**–**
1.1 Debt securities	–	25,722	385,854	224,380	593,122	–	–	–
– with the option of early redemption	–	2,068	–	–	21,456	–	–	–
– other	–	23,654	385,854	224,380	571,666	–	–	–
1.2 Loans to banks	63,167	7,075	–	–	–	–	–	–
1.3 Loans to customers	243,832	131,455	10,013	2,971	1,905	403	22	–
– current accounts	175,296	–	–	–	–	–	–	–
– other loans	68,536	131,455	10,013	2,971	1,905	403	22	–
- with the option of early redemption	35,648	131,455	10,013	2,565	340	348	22	–
- other	32,888	–	–	406	1,565	55	–	–
2. Cash liabilities	**485,284**	**13,000**	**246,649**	**254,039**	**638,329**	**3,494**	**85**	**–**
2.1 Due to customers	485,013	13,000	218,399	254,039	638,329	3,494	85	–
– current accounts	464,779	13,000	19,007	54,865	97,976	3,494	85	–
– other payables	20,234	–	199,392	199,174	540,353	–	–	–
- with the option of early redemption	–	–	–	–	–	–	–	–
- other	20,234	–	199,392	199,174	540,353	–	–	–
2.2 Due to banks	271	–	–	–	–	–	–	–
– current accounts	271	–	–	–	–	–	–	–
– other payables	–	–	–	–	–	–	–	–
2.3 Debt securities	–	–	28,250	–	–	–	–	–
– with the option of early redemption	–	–	–	–	–	–	–	–
– other	–	–	28,250	–	–	–	–	–
2.4 Other liabilities	–	–	–	–	–	–	–	–
– with the option of early redemption	–	–	–	–	–	–	–	–
– other	–	–	–	–	–	–	–	–
3. Financial derivatives	**–**	**13,768**	**–**	**–**	**–**	**–**	**–**	**–**
3.1 With underlying security	–	–	–	–	–	–	–	–
– Options	–	–	–	–	–	–	–	–
+ Long positions	–	–	–	–	–	–	–	–
+ Short positions	–	–	–	–	–	–	–	–
– Other derivatives	–	–	–	–	–	–	–	–
+ Long positions	–	–	–	–	–	–	–	–
+ Short positions	–	–	–	–	–	–	–	–
3.2 Without underlying security	–	13,768	–	–	–	–	–	–
– Options	–	–	–	–	–	–	–	
+ Long positions	–	–	–	–	–	–	–	–
+ Short positions	–	–	–	–	–	–	–	–
– Other derivatives	–	13,768	–	–	–	–	–	–
+ Long positions	–	13,768	–	–	–	–	–	–
+ Short positions	–	–	–	–	–	–	–	–
4. Other off-balance sheet transactions	**32,700**	**3,141**	**–**	**–**	**16,060**	**14**	**100**	**–**
+ Long positions	6,692	3,141	–	–	16,060	14	100	–
+ Short positions	26,008	–	–	–	–	–	–	–

1. Banking portfolio: distribution of financial assets and liabilities by residual duration (repricing date)

Currency: Other currencies

Type/Residual duration	On demand	Up to 3 months	From over 3 months to 6 months	From over 6 months to 1 year	From over 1 year to 5 years	From over 5 years to 10 years	More than 10 years	Undated
1. Cash assets	**22,195**	**–**	**–**	**–**	**–**	**–**	**–**	
1.1 Debt securities	–	–	–	–	–	–	–	–
– with the option of early redemption	–	–	–	–	–	–	–	–
– other	–	–	–	–	–	–	–	–
1.2 Loans to banks	8,163	–	–	–	–	–	–	–
1.3 Loans to customers	14,032	–	–	–	–	–	–	–
– current accounts	14,032	–	–	–	–	–	–	–
– other loans		–	–	–	–	–	–	–
- with the option of early redemption	–	–	–	–	–	–	–	–
- other	–	–	–	–	–	–	–	–
2. Cash liabilities	**8,662**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
2.1 Due to customers	8,662	–	–	–	–	–	–	–
– current accounts	7,849	–	–	–	–	–	–	–
– other payables	813	–	–	–	–	–	–	–
- with the option of early redemption	–	–	–	–	–	–	–	–
- other	813	–	–	–	–	–	–	–
2.2 Due to banks	–	–	–	–	–	–	–	–
– current accounts	–	–	–	–	–	–	–	–
– other payables	–	–	–	–	–	–	–	–
2.3 Debt securities	–	–	–	–	–	–	–	–
– with the option of early redemption	–	–	–	–	–	–	–	–
– other	–	–	–	–	–	–	–	–
2.4 Other liabilities	–	–	–	–	–	–	–	–
– with the option of early redemption	–	–	–	–	–	–	–	–
– other	–	–	–	–	–	–	–	–
3. Financial derivatives	**–**	**13,768**	**–**	**–**	**–**	**–**	**–**	**–**
3.1 With underlying security	–	–	–	–	–	–	–	–
– Options	–	–	–	–	–	–	–	–
+ Long positions	–	–	–	–	–	–	–	–
+ Short positions	–	–	–	–	–	–	–	–
– Other derivatives	–	–	–	–	–	–	–	–
+ Long positions	–	–	–	–	–	–	–	–
+ Short positions	–	–	–	–	–	–	–	–
3.2 Without underlying security	–	13,768	–	–	–	–	–	–
– Options	–	–	–	–	–	–	–	–
+ Long positions	–	–	–	–	–	–	–	–
+ Short positions	–	–	–	–	–	–	–	–
– Other derivatives	–	13,768	–	–	–	–	–	–
+ Long positions	–	–	–	–	–	–	–	–
+ Short positions	–	13,768	–	–	–	–	–	–
4. Other off-balance sheet transactions	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
+ Long positions	–	–	–	–	–	–	–	–
+ Short positions	–	–	–	–	–	–	–	–

2.3 Exchange rate risk

Qualitative information

A. General aspects, management processes and measurement methods for exchange rate risk

Exchange rate risk management is the responsibility of the General Management and the Finance Department carries out trading, hedging and brokering activities within specific operating limits (amounts) with regard to both financial assets and liabilities denominated in foreign currencies in its own account or on behalf of customers.

Generally, the exposure to exchange rate risk is quite low and limited to temporary misalignments in opposite sign positions. The Bank keeps this risk to a minimum by monitoring the treasury exposure due to the time mismatching between asset and liability items.

B. Exchange rate risk hedging activity

At 31 December 2018, two hedges for GBP 1,600 thousand and CHF 13,500 thousand were open for the property.

Quantitative information

1. Distribution by currency of assets, liabilities and derivatives

Items	Currencies					
	US dollar	Pound sterling	Yen	Canadian dollar	Swiss Franc	Other currencies
A. Financial assets	**5,717**	**2,478**	**25**	**88**	**16,517**	**443**
A.1 Debt securities	–	–	–	–	–	–
A.2 Equity	–	–	–	–	–	–
A.3 Loans to banks	5,585	680	24	88	1,344	442
A.4 Loans to customers	132	1,798	1	–	12,100	1
A.5 Other financial assets	–	–	–	–	3,073	–
B. Other assets	**27**	**26**	**–**	**–**	**4**	**–**
C. Financial liabilities	**5,928**	**803**	**7**	**–**	**1,920**	**3**
C.1 Due to banks	–	–	–	–	–	–
C.2 Due to customers	5,928	803	7	–	1,920	3
C.3 Debt securities	–	–	–	–	–	–
C.4 Other financial liabilities	–	–	–	–	–	–
D. Other liabilities	**–**	**–**	**–**	**–**	**–**	**–**
E. Financial derivatives	**6,984**	**3,851**	**–**	**–**	**12,881**	**716**
– Options	–	–	–	–	–	–
+ Long positions	–	–	–	–	–	–
+ Short positions	–	–	–	–	–	–
– Other derivatives	6,984	3,851	–	–	12,881	716
+ Long positions	3,512	1,058	–	–	451	516
+ Short positions	3,472	2,793	–	–	12,430	200
Total assets	**9,256**	**3,562**	**25**	**88**	**16,972**	**959**
Total liabilities	**9,400**	**3,596**	**7**	**–**	**14,350**	**203**
Imbalance (+/-)	**(144)**	**(34)**	**18**	**88**	**2,622**	**756**

Section 3 – Derivatives and hedging policies

3.1 Derivatives held for trading

A. Financial derivatives

A.1 Financial derivatives held for trading: end-of-period notional values

Underlying assets/ Type of derivatives	Total 31.12.2018				Total 31.12.2017			
	Over the counter			Organised markets	Over the counter			Organised markets
	Central counterparties	Without central counterparties			Central counterparties	Without central counterparties		
		With offset agreements	Without offset agreements			With offset agreements	Without offset agreements	
1. Debt securities and interest rates	**–**	**–**	**4,686**	**4,216**	**–**	**–**	**1,379**	**–**
a) Options	–	–	–	–	–	–	–	–
b) Swaps	–	–	471	–	–	–	1,379	–
c) Forwards	–	–	–	–	–	–	–	–
d) Futures	–	–	4,215	4,216	–	–	–	–
e) Other	–	–	–	–	–	–	–	–
2. Equity and stock indexes	**–**	**–**	**2,394**	**1,339**	**–**	**–**	**600**	**–**
a) Options	–	–	1,055	–	–	–	600	–
b) Swaps	–	–	–	–	–	–	–	–
c) Forwards	–	–	–	–	–	–	–	–
d) Futures	–	–	1,339	1,339	–	–	–	–
e) Other	–	–	–	–	–	–	–	–
3. Currencies and gold	**–**	**–**	**21,620**	**–**	**–**	**–**	**38,576**	**–**
a) Options	–	–	–	–	–	–	–	–
b) Swaps	–	–	–	–	–	–	–	–
c) Forwards	–	–	21,620	–	–	–	38,576	–
d) Futures	–	–	–	–	–	–	–	–
e) Other	–	–	–	–	–	–	–	–
4. Goods	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
5. Other	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Total	**–**	**–**	**28,700**	**5,555**	**–**	**–**	**40,555**	**–**

A.2 Financial derivatives held for trading: gross positive and negative fair value - breakdown by product

Derivative types	Total 31.12.2018			
	Over the counter			Organised markets
	Central counterparties	Without central counterparties		
		With offset agreements	Without offset agreements	
1. Positive fair value				
a) Options	–	–	456	–
b) Interest rate swaps	–	–	–	–
c) Cross currency swaps	–	–	–	–
d) Equity swaps	–	–	–	–
e) Forwards	–	–	33	–
f) Futures	–	–	–	–
g) Others	–	–	–	–
Total	**–**	**–**	**489**	**–**
2. Negative fair value				
a) Options	–	–	–	–
b) Interest rate swaps	–	–	8	–
c) Cross currency swaps	–	–	–	–
d) Equity swaps	–	–	–	–
e) Forwards	–	–	72	–
f) Futures	–	–	–	–
g) Others	–	–	–	–
Total	**–**	**–**	**80**	**–**

The tables below show, at 31 December 2017, Financial derivatives: gross positive fair value - breakdown by product and Financial derivatives: gross negative fair value - breakdown by product drawn up in compliance with IAS 39, prepared in accordance with the provisions of the previous version of Bank of Italy Circular no. 262 (4th update).

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

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

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

Derivative types/Portfolios	Negative fair value	
	Total 31.12.2017	
	Over the counter	Central counterparties
A. Regulatory trading portfolio	142	–
a) Options	–	
b) Interest rate swaps	45	–
c) Cross currency swaps	–	–
d) Equity swaps	–	–
e) Forwards	97	–
f) Futures	–	–
g) Others	–	–
B. Banking portfolio - hedging	–	–
a) Options	–	–
b) Interest rate swaps	–	–
c) Cross currency swaps	–	–
d) Equity swaps	–	–
e) Forwards	–	–
f) Futures	–	–
g) Others	–	–
C. Banking portfolio - other derivatives	–	–
a) Options	–	–
b) Interest rate swaps	–	–
c) Cross currency swaps	–	–
d) Equity swaps	–	–
e) Forwards	–	–
f) Futures	–	–
g) Others	–	–
Total	**142**	**–**

A.3 OTC Financial derivatives held for trading: notional values, gross positive and negative fair value by counterparty

Underlying assets	Central counterparties	Banks	Other financial institutions	Other entities
Contracts not covered by offset agreements				
1) Debt securities and interest rates				
- notional value	X	932	3,542	212
- positive fair value	X	–	–	–
- negative fair value	X	8	–	–
2) Equity and stock indexes				
- notional value	X	–	85	2,309
- positive fair value	X	2	4	450
- negative fair value	X	–	–	–
3) Currencies and gold				
- notional value	X	17,694	3,926	–
- positive fair value	X	28	5	–
- negative fair value	X	44	28	–
4. Goods				
- notional value	X	–	–	–
- positive fair value	X	–	–	–
- negative fair value	X	–	–	–
5) Other				
- notional value	X	–	–	–
- positive fair value	X	–	–	–
- negative fair value	X	–	–	–
Contracts covered by offset agreements				
1) Debt securities and interest rates				
- notional value	–	–	–	–
- positive fair value	–	–	–	–
- negative fair value	–	–	–	–
2) Equity and stock indexes				
- notional value	–	–	–	–
- positive fair value	–	–	–	–
- negative fair value	–	–	–	–
3) Currencies and gold				
- notional value	–	–	–	–
- positive fair value	–	–	–	–
- negative fair value	–	–	–	–
4. Goods				
- notional value	–	–	–	–
- positive fair value	–	–	–	–
- negative fair value	–	–	–	–
5) Other				
- notional value	–	–	–	–
- positive fair value	–	–	–	–
- negative fair value	–	–	–	–

A.4 Residual life of OTC financial derivatives held for trading: notional values

Underlying/Residual life	Up to 1 year	From over 1 year to 5 years	More than 5 years	Total
A.1 Financial derivatives on debt securities and interest rates	4,686	–	–	4,686
A.2 Financial derivatives on equity and stock indexes	2,124	228	42	2,394
A.3 Financial derivatives on currencies and gold	21,620	–	–	21,620
A.4 Financial derivatives on goods	–	–	–	–
A.5 Other financial derivatives	–	–	–	–
Total 2018	**28,430**	**228**	**42**	**28,700**

The table below shows Residual life of OTC financial derivatives: notional values at 31 December 2017 drawn up in compliance with IAS 39, prepared in accordance with the provisions of the previous version of Bank of Italy Circular No. 262 (4th update).

A.9 Residual life of OTC financial derivatives: notional values

Underlying/Residual life	Up to 1 year	From over 1 year to 5 years	More than 5 years	Total
A. Regulatory trading portfolio	**39,559**	**931**	**65**	**40,555**
A.1 Financial derivatives on debt securities and interest rates	908	471	–	1,379
A.2 Financial derivatives on equity and stock indexes	75	460	65	600
A.3 Financial derivatives on foreign exchange rates and gold	38,576	–	–	38,576
A.4 Financial derivatives on other values	–	–	–	–
B. Banking portfolio	**1,780**	**–**	**–**	**1,780**
B.1 Financial derivatives on debt securities and interest rates	–	–	–	–
B.2 Financial derivatives on equity and stock indexes	–	–	–	–
B.3 Financial derivatives on foreign exchange rates and gold	1,780	–	–	1,780
B.4 Financial derivatives on other values	–	–	–	–
Total 2017	**41,339**	**931**	**65**	**42,335**

Section 4 – Liquidity risk

Qualitative information

A. General aspects, management processes and measurement methods for the liquidity risk

The Bank defined the liquidity risk as the inability to meet own payment commitments. This risk is linked to the inability to raise funds (funding liquidity risk) or to the existence of limits for the disinvestment of assets (market liquidity risk).
Funding liquidity risk means the risk according to which the Bank is not able to meet its own payment commitments and obligations efficiently (compared to the "desired" risk profile and/or "fair" economic conditions) due to the inability to raise funds without compromising its core business activities and/or financial situation.
Market liquidity risk means the risk according to which the Bank is able to dispose of an asset only by incurring capital losses due to the low liquidity of the reference market and/or due to the timing with which the transaction will be carried out.

The analysis of the Bank's financial instruments (assets and liabilities) highlights that, overall, liquidity risk is low. In fact, the loans portfolio is mostly made up of short-term funding sources both on the interbank market and with regard to customers (as it comprises mainly on-demand loans that are directly connected with the private banking activity). Most of the securities trading portfolio is made up of highly liquid debt securities issued by countries of the Eurozone.
Concerning the sources of funding, they comprise current accounts, time deposits, repos and the issue of floating rate bonds. The concentration of the funding sources, present on primary and consolidated customers, is the consequence of the business model adopted by the Bank that entails issuing loans and providing services to highly selected customers.

The Bank's overall exposure to liquidity risk is therefore maintained at modest levels thanks to the structure of the financial portfolio described above.

The ability to meet commitments promptly and economically is guaranteed by carefully monitoring the position through the use of information systems that ensure the ongoing monitoring of the liquidity requirements that are managed, where necessary, by resorting to the interbank deposits and, alternatively, to the repos market.

On the basis of the supervisory provisions, the Bank has defined the guidelines on the governance and management of liquidity risk and the methods of stress tests to be carried out. More specifically, the roles and responsibilities have been defined by the company bodies involved, the calculation methods of the LCR (Liquidity Coverage Ratio) and NSFR (Net Stable Funding Ratio) and the criteria to be applied in carrying out stress testing.
The short-term liquidity management policy, monitoring using the LCR indicator, includes all limits and alert thresholds that allow, both in normal market conditions and in stressful periods, for the measurement of the liquidity risk to which it is exposed. The liquidity needed to cope with any structural imbalance in the

breakdown of assets and liabilities along a one-year timeframe, instead, is monitored through the NSFR indicator.
Within the liquidity risk management process, the Bank's Risk Control organisational unit:
periodically carries out the stress tests identified by the Bank for risk measurement, performing the measurements necessary to determine the value of the LCR - Liquidity Coverage Ratio - indicator (aimed at assuring that the Bank holds an amount of high quality liquid assets that enables it to withstand stress situations on the funding market for a time horizon of 30 days) and the NSFR - Net Stable Funding Ratio - indicator (aimed at assuring a structural balance of the financial statements of the bank);
prepare the report to be sent to the Senior Management in which the liquidity risk exposure determined on the basis of stress tests is illustrated.

The analyses carried out at 31 December 2018 show that the potential outgoing cash flows are entirely covered by the inflows and by the liquidity buffer held by the Bank, and therefore no risk situations are noted.

Quantitative information

1. Time distribution of financial assets and liabilities by residual duration

Currency: Euro

Item/Time frame	On demand	From over 1 day to 7 days	From over 7 days to 15 days	From over 15 days to 1 month	From over 1 month to 3 months	From over 3 months to 6 months	From over 6 months to 1 year	From over 1 year to 5 years	More than 5 years	Undated
Cash assets	**303,225**	**–**	**1,093**	**1,266**	**4,053**	**256,969**	**236,948**	**708,645**	**243,774**	**7,077**
A.1 Treasury Bonds	–	–	–	–	61	250,425	224,918	558,306	180,001	–
A.2 Other debt securities	–	–	1,035	177	2,229	29	159	49,505	–	–
A.3 UCI units	28,281	–	–	–	–	–	–	–	–	–
A.4 Loans	274,944	–	58	1,089	1,763	6,515	11,871	100,834	63,773	7,077
- Banks	63,197	–	–	–	–	–	–	–	–	7,077
- Customers	211,747	–	58	1,089	1,763	6,515	11,871	100,834	63,773	–
Cash liabilities	**484,970**	**–**	**178**	**600**	**12,468**	**218,438**	**254,243**	**666,577**	**3,579**	**–**
B.1 Deposits and current accounts	464,735	–	178	357	12,468	19,041	55,064	97,975	3,579	–
- Banks	270	–	–	–	–	–	–	–	–	–
- Customers	464,465	–	178	357	12,468	19,041	55,064	97,975	3,579	–
B.2 Debt securities	–	–	–	–	–	5	5	28,248	–	–
B.3 Other liabilities	20,235	–	–	243	–	199,392	199,174	540,354	–	–
Off-balance sheet transactions	**197,605**	**2,927**	**–**	**9**	**21,774**	**118**	**5,904**	**25,436**	**9,418**	**–**
C.1 Financial derivatives with exchange of capital	–	2,927	–	–	21,620	–	–	–	15	–
- Long positions	–	1,440	–	–	17,694	–	–	–	–	–
- Short positions	–	1,487	–	–	3,926	–	–	–	15	–
C.2 Financial derivatives without exchange of capital	464	–	–	–	–	–	–	–	–	–
- Long positions	456	–	–	–	–	–	–	–	–	–
- Short positions	8	–	–	–	–	–	–	–	–	–
C.3 Deposits and loans to be received	–	–	–	–	–	–	–	–	–	–
- Long positions	–	–	–	–	–	–	–	–	–	–
- Short positions	–	–	–	–	–	–	–	–	–	–
C.4 Commitments to lend funds	195,994	–	–	–	147	74	5,289	19,492	1,025	–
- Long positions	84,984	–	–	–	147	74	5,289	19,492	1,025	–
- Short positions	111,010	–	–	–	–	–	–	–	–	–
C.5 Financial guarantees given*	1,147	–	–	9	7	44	615	5,944	8,378	–
C.6 Financial guarantees received	–	–	–	–	–	–	–	–	–	–
C.7 Credit derivatives with exchange of capital	–	–	–	–	–	–	–	–	–	–
- Long positions	–	–	–	–	–	–	–	–	–	–
- Short positions	–	–	–	–	–	–	–	–	–	–
C.8 Credit derivatives without exchange of capital	–	–	–	–	–	–	–	–	–	–
- Long positions	–	–	–	–	–	–	–	–	–	–
- Short positions	–	–	–	–	–	–	–	–	–	–

Bank "Undated Loans" refer to the deposit in the Compulsory reserve.

Item C.1 includes the value of the purchases and sales of securities not yet settled.

1. Time distribution of financial assets and liabilities by residual duration

Currency: Other currencies

Item/Time frame	On demand	From over 1 day to 7 days	From over 7 days to 15 days	From over 15 days to 1 month	From over 1 month to 3 months	From over 3 months to 6 months	From over 6 months to 1 year	From over 1 year to 5 years	More than 5 years	Undated
Cash assets	**22,236**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
A.1 Treasury Bonds	–	–	–	–	–	–	–	–	–	–
A.2 Other debt securities	–	–	–	–	–	–	–	–	–	–
A.3 UCI units	–	–	–	–	–	–	–	–	–	–
A.4 Loans	22,236	–	–	–	–	–	–	–	–	–
- Banks	8,173	–	–	–	–	–	–	–	–	–
- Customers	14,063	–	–	–	–	–	–	–	–	–
Cash liabilities	**8,662**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
B.1 Deposits and current accounts	7,849	–	–	–	–	–	–	–	–	–
- Banks	–	–	–	–	–	–	–	–	–	–
- Customers	7,849	–	–	–	–	–	–	–	–	–
B.2 Debt securities	–	–	–	–	–	–	–	–	–	–
B.3 Other liabilities	813	–	–	–	–	–	–	–	–	–
Off-balance sheet transactions	**308**	**2,811**	**–**	**–**	**21,620**	**–**	**–**	**–**	**–**	**–**
C.1 Financial derivatives with exchange of capital	–	2,811	–	–	21,620	–	–	–	–	–
- Long positions	–	1,610	–	–	3,926	–	–	–	–	–
- Short positions	–	1,201	–	–	17,694	–	–	–	–	–
C.2 Financial derivatives without exchange of capital	–	–	–	–	–	–	–	–	–	–
- Long positions	–	–	–	–	–	–	–	–	–	–
- Short positions	–	–	–	–	–	–	–	–	–	–
C.3 Deposits and loans to be received	–	–	–	–	–	–	–	–	–	–
- Long positions	–	–	–	–	–	–	–	–	–	–
- Short positions	–	–	–	–	–	–	–	–	–	–
C.4 Commitments to lend funds	308	–	–	–	–	–	–	–	–	–
- Long positions	154	–	–	–	–	–	–	–	–	–
- Short positions	154	–	–	–	–	–	–	–	–	–
C.5 Financial guarantees given*	–	–	–	–	–	–	–	–	–	–
C.6 Financial guarantees received	–	–	–	–	–	–	–	–	–	–
C.7 Credit derivatives with exchange of capital	–	–	–	–	–	–	–	–	–	–
- Long positions	–	–	–	–	–	–	–	–	–	–
- Short positions	–	–	–	–	–	–	–	–	–	–
C.8 Credit derivatives without exchange of capital	–	–	–	–	–	–	–	–	–	–
- Long positions	–	–	–	–	–	–	–	–	–	–
- Short positions	–	–	–	–	–	–	–	–	–	–

Section 5 – Operating risks

Qualitative and quantitative information

A. General aspects, management processes and measurement methods for operating risk

Operating risk is defined as the risk to incur losses arising from the inadequacy or weakness in procedures, human resources and internal systems, or from external events. These include losses arising from frauds, human errors, interruptions in business activities, unavailability of systems, contractual default, natural and/or geopolitical disasters. The operating risk includes the legal risk, while it does not include strategic and reputational risks.

The Bank, albeit adopting a standardised calculation method of the operating risks, carries out their analysis/self-assessment. In order to standardise the quantification process of operating risks, the Bank has also formalised the adopted method in the document called "Management of operating risks in Banca Finnat".
The analysis of operational risks and the identification of processes with major impact are periodically carried out by the Risk Control Organisational Unit to detect in a timely manner the business areas and the processes with higher operational risk in order to take the necessary corrective actions.
In particular, the analysis focuses on the identification, within the above-mentioned operating procedures, of the activities that may generate operating risks for the Bank and of the related controls to mitigate the risks themselves.

With regards to the quantification of internal capital supporting the operating risk, as previously mentioned, the Bank uses the basic approach under the scope of determining prudential equity requirements, as prescribed by the provisions per Regulation EU 575/2013.

In this context, the internal control function verifies that said procedures, and any revisions thereof, are correctly implemented and are observed, as well as ensuring that they comply with regulations in force.

Part F – Information on shareholders' equity

Section 1 – Shareholders' equity

Qualitative and quantitative information

The shareholders' equity comprises the Share Capital, Reserves, Treasury Shares, Valuation Reserves and Profit (loss) for the year. All financial instruments that are not classified as financial assets or liabilities according to the IAS/IFRS are considered part of the equity.

For supervisory purposes, the relevant aggregate equity is calculated based on the applicable regulations laid down by the Bank of Italy and constitutes the reference control data of the prudential supervisory regulations.

Pursuant to the above-mentioned regulations, the Bank is required to comply with a minimum supervisory ratio of 8%, calculated by reference to credit and market prices.

The net equity of the Bank totals 227,240 thousand euros. It is detailed in the table below.

B.1 Equity: breakdown

Items/Amounts	Amount 31.12.2018
1. Share capital	72,576
2. Share issue premiums	–
3. Reserves	118,855
- retained earnings	114,570
a) legal reserve	11,181
b) statutory reserve	–
c) treasury shares	14,059
d) other	89,330
- other	4,285
4. Capital instruments	–
5. (Treasury shares)	(14,059)
6. Valuation reserves:	43,770
- Equity designated at fair value through other comprehensive income	50,345
- Hedges of equity securities designated at fair value through other comprehensive income	–
- Financial assets (other than equity) designated at fair value through other comprehensive income	(7,739)
- Property and equipment	–
- Intangible assets	–
- Foreign investment hedge	–
- Cash flow hedge	–
- Hedging instruments (non-designated elements)	–
- Foreign exchange differences	–
- Non-current assets held for sale and discontinued operations	–
- Financial liabilities designated at fair value through profit or loss (changes of own credit rating)	–
- Actuarial profit (loss) on defined benefit social security plans	(200)
- Share of valuation reserves connected with investee companies carried at equity	–
- Special revaluation regulations	1,364
7. Profit (loss) for the year	6,098
Total	**227,240**

Item 6. Valuation reserves, totalling 43,770 thousand euros, comprises the sub-items:

- Equity designated at fair value through other comprehensive income amounting to 50,345 thousand euros of which Equity Investments in subsidiaries measured at fair value amounting to 47,121 thousand euros (InvestiRE SGR S.p.A., 41,460 thousand euros, Finnat Fiduciaria S.p.A., 1,523 thousand euros, Finnat Gestioni S.A. 2,693 thousand euros and Natam Management Company S.A. 1,445 thousand euros) and other equity, 3,224 thousand euros.
- Actuarial profit (loss) relating to defined benefit pension plans: the portion of the IAS staff severance fund that, in accordance with IAS 19, is recognised in valuation reserves in the amount of -200 thousand euros.
- Special revaluations regulations: revaluations made on owned property in accordance with the provisions of Italian Laws no. 576 of 2 December 1975, no. 72 of 19 March 1983, no. 413 of 30 December 1991 for a total of 1,356 thousand euros and a further revaluation of 8 thousand euros performed in FY 1974.

The table below shows Shareholders' equity: breakdown at 31 December 2017 drawn up in compliance with IAS 39, prepared in accordance with the provisions of the previous version of Bank of Italy Circular No. 262 (4th update).

B.1 Equity: breakdown

Items/Amounts	Amount 31.12.2017
1. Share capital	72,576
2. Share issue premiums	–
3. Reserves	93,947
- retained earnings	89,670
a) legal reserve	9,367
b) statutory reserve	–
c) treasury shares	14,392
d) other	65,911
- other	4,277
4. Capital instruments	–
5. (Treasury shares)	(14,059)
6. Valuation reserves:	53,489
- Financial assets available for sale	52,297
- Property and equipment	
- Intangible assets	
- Foreign investment hedge	
- Cash flow hedge	
- Foreign exchange differences	
- Non-current assets being disposed	
- Actuarial profit (loss) on defined benefit social security plans	(172)
- Share of valuation reserves connected with investee companies carried at equity	
- Special revaluation regulations	1,364
7. Profit (loss) for the year	36,274
Total	**242,227**

B.2 Valuation reserves of financial assets designated at fair value through other comprehensive income: breakdown

Assets/amounts	Total 31.12.2018	
	Positive reserve	Negative reserve
1. Debt Securities	1,012	8,751
2. Equity	50,408	63
3. Loans	–	–
Total	**51,420**	**8,814**

The reserve of item 1. Debt securities mainly concerns the fair value adjustment, after taxes, on total Government Bonds.

The reserve of item 2. Equity securities also includes the adjustment to fair value, net of taxes, of equity investments in subsidiaries by 47,121 thousand euros.

The table below, shows at 31 December 2017 the Valuation reserves of financial assets available for sale: breakdown drawn up in compliance with IAS 39, prepared in accordance with the provisions of the previous version of Bank of Italy Circular No. 262 (4th update).

B.2 Valuation reserves of financial assets available for sale: breakdown

Assets/amounts	Total 31.12.2017	
	Positive reserve	Negative reserve
1. Debt Securities	1,262	85
2. Equity	50,714	–
3. UCI units	406	–
4. Loans	–	–
Total	**52,382**	**85**

B.3 Valuation reserves of financial assets designated at fair value through other comprehensive income: annual changes

	Debt Securities	Equity	Loans
1. Initial amount	**437**	**50,714**	**–**
2. Positive changes	**965**	**4,683**	**–**
2.1 Increases in fair value	221	4,683	–
2.2 Losses for credit risk	732	X	–
2.3 Reclassification of negative reserve to the income statement	12	X	–
2.4 Transfers to other shareholders' equity components (equity securities)	–	–	–
2.5 Other changes	–	–	–
3. Negative changes	**9,141**	**5,052**	**–**
3.1 Decreases in fair value	8,936	5,052	–
3.2 Recoveries on credit risk	–	–	–
3.3 Reclassification of positive reserve to the income statement: from disposal	205	X	–
3.4 Transfers to other shareholders' equity components (equity securities)	–	–	–
3.5 Other changes	–	–	–
4. Final amount	**(7,739)**	**50,345**	**–**

The initial amount refers to 1 January 2018 after FTA reclassifications and adjustments.

The comment of changes in Valuation reserves of financial assets designated at fair value through other comprehensive income is provided in part D - Comprehensive income.

B.4 Valuation reserves related to defined benefit plans: annual changes

Negative Reserves related to defined benefit plans are negative by 200 thousand euros and increased by 28 thousand euros compared to 2017 (negative by the amount of 172 thousand euros).

Section 2 – Own funds and capital ratios

Please refer to the disclosure on own fund and on capital adequacy contained in the public disclosure ("Third Pillar") of the Banca Finnat Group.

Part G - Business combinations pertaining to entities or business units

Section 1 - Combinations completed during the year

No business combinations were completed during the year, as regulated by IFRS 3, which would have entailed the acquisition of control over businesses or legal entities.

Section 2 - Combinations completed after the end of the year

In the period spanning the end of the 2018 financial year and the date on which these financial statements were prepared, no business combinations regulated by IFRS 3 were carried out.

Part H – Related party transactions

In terms of related party transactions, the Bank has complied with the Regulations for related party transactions, approved by the Board of Directors on 2 August 2013.

For further information on related-party transactions carried out during the financial year, please refer to the paragraph in the Directors' Report on Operations.

As required by IAS 24, information on related-party transactions is provided below.

1. Information on remuneration of key executives

As a result of the latest amendments made by Consob to its resolution no. 11971 of 14 May 1999 for the aforesaid information, please refer to the "Report on Remuneration" prepared in accordance with Article 123-ter of the Italian Consolidated Financial Law and according to form 7-bis of Annexe 3A of the Issuers' Regulation.

2. Information on related-party transactions

The following table shows the assets, liabilities, guarantees and commitments at 31 December 2018 separately for different types of related parties under IAS 24.

BALANCE SHEET	Financial receivables (payables)	Receivables (Payables) for the domestic consolidated tax system	Other receivables (Payables)	Sureties issued	Available margins on sureties and irrevocable credit lines granted
SUBSIDIARIES					
InvestiRE SGR S.p.A.	(6,639)	295	4,494	4,914	15,086
Finnat Fiduciaria S.p.A.	(1,147)	35	–	–	–
Natam Management Company SA	–	–	120	–	–
ASSOCIATED COMPANIES					
Imprebanca S.p.A.	(214)	–	–	23	–
MANAGEMENT WITH STRATEGIC RESPONSIBILITIES AND COMPANY REPRESENTATIVES	**(2,490)**	**–**	**–**	**–**	**(612)**
OTHER RELATED PARTIES	**(4,212)**	**–**	**260**	**1**	**–**

Receivables (Payables) for domestic consolidated tax system and Other Receivables (Payables) are included in the financial statement items "Other assets" and "Other liabilities".

With regard to subsidiaries and associated companies, the breakdown of main income statement items is also shown.

INCOME STATEMENT	Other operating income (Other administrative expenses)	Interest income (expense)	Dividends	Fee and Commission income (expense)
SUBSIDIARIES				
InvestiRE SGR S.p.A.	24	(52)	4,646	64
Finnat Fiduciaria S.p.A.	6	–	–	27
Finnat Gestioni SA	–	–	188	–
Natam Management Company SA	–	–	–	467
ASSOCIATED COMPANIES				
Imprebanca S.p.A.		1	–	–

Part I - Payment agreements based on own capital instruments

There are no payment agreements based on own capital instruments.

Part L – Segment Reporting

The Bank draws up the segment reporting in part L of the Notes to the Consolidated Financial Statements, exercising the option granted by the Circular Letter of the Bank of Italy no. 262 of 22 December 2005 and subsequent amendments.

Significant non-recurring operations and positions or transactions descending from atypical and/or unusual operations

Pursuant to the Consob Communication DEM/6064293 of 28 July 2006, it should be noted that:

- in 2018, no non-recurring events occurred or were carried out, meaning events or operations that do not usually take place, in connection with ordinary business operations;
- no atypical and/or unusual transactions took place during 2018, either within the Group or with related or third parties. Atypical and/or unusual transactions are those operations which, due to their magnitude/importance, to the nature of the counterparty, to the subject matter of the transaction and to the method for determining the transfer price and time frame (close to the year-end), may give rise to doubts as to: the accuracy/completeness of the information set out in the financial statements, any conflict of interest, the safeguarding of the company's net worth and the protection of minority interests.

The most significant Group transactions in the 2018 financial year are commented on in a special section of the Directors' Report on Operations.

ATTACHMENTS TO THE FINANCIAL STATEMENTS

STATEMENT OF CHANGES IN EQUITY INVESTMENTS

Statement of changes in equity investments

(amounts in euros)

	31.12.2017	
	No. of shares or units	Value
Subsidiaries		
Finnat Fiduciaria S.p.A.	300,000	6,200,000
InvestiRE SGR S.p.A.	7,409	59,389,441
Finnat Gestioni S.A.	525	3,360,000
Natam Management Company S.A.	750	750,000
Total Subsidiaries (A)		**69,699,441**
Companies subject to significant influence		
Prèvira Invest SIM S.p.A. in liquidation	30,000	57,424
Imprebanca S.p.A.	10,000,000	6,400,000
Total Companies subject to significant influence (B)		**6,457,424**
Total (A+B)		**76,156,865**

Purchases and subscriptions		Sales and liquidations		Profit (loss)	Changes in fair value/ impairment	31.12.2018	
No. of shares or units	Value	No. of shares or units	Value			No. of shares or units	Value
–	–	–	–	–	(602,980)	300,000	5,597,020
–	–	–	–	–	(4,045,154)	7,409	55,344,287
–	–	–	–	–	(286,783)	525	3,073,217
–	–	–	–	–	1,465,493	750	2,215,493
–	**–**	**–**	**–**	**–**	**(3,469,424)**		**66,230,017**
–	–	–	–	–		30,000	57,424
–	–	–	–	–	(224,057)	10,000,000	6,175,943
–	**–**	**–**	**–**	**–**	**(224,057)**		**6,233,367**
–	**–**	**–**	**–**	**–**	**(3,693,481)**		**72,463,384**

Relazione del Collegio sindacale all'Assemblea degli Azionisti di Banca Finnat Euramerica SpA
(ai sensi dell'Art. 153 D.Lgs. 24 febbraio 1998 n. 58)
Esercizio chiuso il 31 dicembre 2018

Signori Azionisti,

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

La presente relazione riferisce sull'attività svolta dal Collegio della Società nell'esercizio chiuso al 31 dicembre 2018.

Il Collegio in carica alla data della presente Relazione è stato nominato dall'Assemblea degli Azionisti del 27 aprile 2018 ed è composto da Alberto De Nigro (Presidente), Barbara Fasoli Braccini (Sindaco effettivo) e Francesco Minnetti (Sindaco effettivo).

Nel corso dell'esercizio chiuso il 31 dicembre 2018, il Collegio ha svolto l'attività di vigilanza prevista dalla legge (e, in particolare, dall'art. 149 del TUF e dall'art. 19 del D.Lgs. n. 39 del 2010), tenuto conto dei principi di comportamento del Collegio Sindacale di società quotate raccomandati dal Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili, e delle disposizioni Consob in materia di controlli societari.

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

Attività di vigilanza sull'osservanza della legge e dello statuto

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

L'attività di vigilanza sopra descritta è stata svolta nel corso di 24 riunioni del Collegio, nonché assistendo a tutte le riunioni del Consiglio di Amministrazione, che sono state tenute in numero complessivo di 13. Inoltre, il Collegio ha partecipato alle 11 riunioni del Comitato Rischi e alle 7 riunioni del Comitato Remunerazioni e alla Assemblea del 27 aprile 2018.

Si fa presente infine che il Comitato per le Nomine si è riunito n. 6 volte nel corso dell'anno.

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

Inoltre, il Collegio:

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

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

In particolare, si segnalano le seguenti operazioni ed eventi di particolare rilevanza nel 2018:

- *in data 26 marzo 2018 il Consiglio di Amministrazione della Banca ha esaminato e approvato il Piano Industriale di Gruppo 2018-2020;*
- *in data 27 aprile 2018 l'Assemblea degli Azionisti della Banca:*
  - *ha approvato il Bilancio al 31 dicembre 2017 e la distribuzione agli Azionisti di un dividendo lordo pari a Euro 0,03 per azione con data pagamento a partire dal 16 maggio 2018 (stacco cedola in data 14 maggio 2018);*
  - *ha nominato, per il triennio 2018-2020, i componenti del Consiglio di Amministrazione e del Collegio Sindacale nonché il Presidente Onorario nella persona del Dott. Carlo Carlevaris;*
  - *ha approvato la Politica di Remunerazione redatta ai sensi dell'art. 123-ter del D.Lgs. 58/98;*
- *in data 27 aprile 2018 il Consiglio di Amministrazione della Banca ha nominato quale Presidente la Dott.ssa Flavia Mazzarella, Vice Presidenti il Dott. Leonardo Buonvino ed il Dott. Marco Tofanelli, Amministratore Delegato il Dott. Arturo Nattino. Il Consiglio inoltre ha proceduto alla nomina dei componenti del Comitato per le Remunerazioni, del Comitato Rischi, del Comitato Nomine e dei Componenti dell'Organismo di Vigilanza nonché del Lead Indipendent Director nella persona del Dott. Marco Tofanelli;*
- *Il Consiglio di amministrazione dell'InvestiRE SGR S.p.A. del 12 dicembre 2018, a seguito di una proposta di Fondazione Cariplo per promuovere in Lombardia, con il contributo anche di CDP Investimenti SGR, un soggetto specializzato nella strutturazione e sviluppo di progetti di housing sociale, edilizia universitaria e rigenerazione urbana ad impatto sociale, ha approvato nel suo complesso un'operazione la cui ambizione, nel lungo termine, è la costituzione di una Sicaf multicomparto endogestita. Il progetto, sottoposto ad una serie di condizioni autorizzative da parte di vari soggetti coinvolti, prevede nel breve la nascita di una nuova SGR, partecipata da Investire SGR, che*

gestisca a tendere OICR nella forma di Sicaf eterogestite ed avrà caratteristiche statutarie che contemperano i normali obiettivi societari con obiettivi di impatto sociale (Benefit Company). A tal fine è stata costituita il 17 dicembre 2018 la REDO SGR S.p.A. – Società Benefit (di seguito "REDO"), con un capitale sociale di Euro 500.000 sottoscritto per il 33,33% da Investire e per il 66,66% da Fondazione Cariplo. In data 22 gennaio 2019 REDO ha presentato formale istanza a Banca d'Italia per l'autorizzazione ad operare come società di gestione del risparmio. L'operazione prevede infatti, una volta ottenuta la necessaria autorizzazione da Banca d'Italia, il trasferimento da InvestiRE SGR alla nuova SGR della gestione dei due comparti del fondo FIL (FIL 1 e FIL 2), previa delibera dell'assemblea dei partecipanti dei Fondi con il voto favorevole di almeno il 90% delle quote in circolazione, attraverso anche il conferimento del ramo d'azienda, inclusivo delle risorse (n. 17 al 31 dicembre 2018), dedicate alla gestione del FIL.

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

- *ai sensi dell'art. 151, commi 1 e 2, del TUF:*
  - *ha avuto uno scambio di informazioni con i Collegi Sindacali delle società direttamente controllate.*
  - *ha ricevuto dall'Organismo di Vigilanza (di seguito, l'"OdV"), composto da due membri del Collegio e da un membro esterno, informazioni circa la propria attività, dalla quale non risultano anomalie o fatti significativi censurabili.*

Sulla base delle informazioni acquisite, ha rilevato l'osservanza degli obblighi informativi in materia di informazioni regolamentate, privilegiate ovvero richieste dalle autorità di vigilanza.

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

Il Collegio:

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

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

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

Il Consiglio di Amministrazione vigila sul generale andamento della gestione, con particolare attenzione alle situazioni di conflitto di interessi, tenendo in considerazione, in particolare, le informazioni ricevute dall'Amministratore Delegato, dal Comitato Rischi, nonché confrontando periodicamente i risultati conseguiti con quelli programmati.

Rileviamo che nel Consiglio di Amministrazione sono presenti cinque amministratori indipendenti e riteniamo che il numero di consiglieri indipendenti sia adeguato rispetto alla composizione dell'intero Consiglio.

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

Abbiamo preso atto che, in ottemperanza all'art. 123-bis del D.Lgs. 58/1998, la Banca – aderente al Codice di Autodisciplina del Comitato per la Corporate Governance delle Società quotate – ha elaborato la Relazione sul Governo Societario.

Il Collegio non ha rilevato nel corso dell'esercizio chiuso al 31 dicembre 2018 l'esistenza di operazioni atipiche e/o inusuali con società del Gruppo, con terzi o con parti correlate.

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

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

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

Ed in tale ambito abbiamo proceduto allo scambio di informazioni con i Collegi Sindacali delle società controllate anche mediante riunione collegiale. Nei contatti intercorsi con tali organi di controllo non sono emersi aspetti di particolare rilievo.

* * * * *

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

Informativa al Consiglio di Amministrazione sull'esito della revisione legale e sulla relazione aggiuntiva di cui all'art. 11 del Regolamento europeo (Reg. UE 537/2014)

Il Collegio rappresenta che la società di revisione E&Y S.p.A. ha rilasciato in data 29 marzo 2019 la relazione aggiuntiva ex art. 11 del Regolamento europeo, che rappresenta i risultati della revisione legale dei conti effettuata e include la dichiarazione relativa all'indipendenza di cui all'art. 6, paragrafo 2, lettera a), del Regolamento, oltre che le informative richieste dall'art. 11 del medesimo Regolamento, senza individuare carenze significative. Il Collegio

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

Relativamente all'esercizio precedente, il Collegio Sindacale ha provveduto ad informare il Consiglio di Amministrazione in merito agli esiti della revisione legale nella riunione del 14 maggio 2018.

Attività di vigilanza sul processo di informativa finanziaria.

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

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

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

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

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

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

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

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

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

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

In data 19 marzo 2019, il Responsabile dell'Internal Audit ha rilasciato la propria relazione per l'esercizio 2018 ove viene rappresentato che il sistema di controllo interno adottato dalla società presenta un buon livello di adeguatezza ed efficacia.

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

L'Organismo di Vigilanza ha relazionato sulle attività svolte nel corso dell'esercizio 2018 senza segnalare profili di criticità degni di menzione, evidenziando una situazione nel complesso soddisfacente e di sostanziale allineamento a quanto previsto dal Modello di Organizzazione, Gestione e Controllo.

Attività di vigilanza sulla revisione legale del bilancio d'esercizio e del bilancio consolidato

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

- *il Collegio Sindacale: (i) ha analizzato l'attività svolta dalla società di revisione e, in particolare, l'impianto metodologico, l'approccio di revisione utilizzato per le diverse aree significative di bilancio e la pianificazione del lavoro di revisione; (ii) ha condiviso con la società di revisione le problematiche relative ai rischi aziendali, potendo così apprezzare l'adeguatezza della risposta pianificata dal revisore in termini di approccio di revisione con i profili, strutturali e di rischio, della Società e del Gruppo;*

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

La Società di Revisione legale ci ha informato che, nel corso della sua attività di riscontro e di verifica dei dati per il bilancio e nel corso delle verifiche trimestrali, non è venuta a conoscenza di atti o fatti ritenuti censurabili o degni di segnalazione. Essa ha rilasciato in data 29 marzo 2019 la relazione sulla revisione del bilancio d'esercizio e la relazione sulla revisione del bilancio consolidato. Sul punto si rappresenta che:

o *entrambe le relazioni contengono: (i) il giudizio di rappresentazione veritiera e* *corretta della situazione patrimoniale e finanziaria di Banca Finnat Euramerica S.p.A. e del Gruppo al 31 dicembre 2018, del risultato economico e dei flussi di cassa per l'esercizio chiuso a tale data in conformità agli International Financial Reporting Standards adottati dall'Unione Europea nonché ai provvedimenti emanati in attuazione dell'art. 9 del D.Lgs. 38/05 e dell'art. 43 del D.Lgs. 18 agosto 2015, n. 136; (ii) la descrizione degli aspetti chiave della revisione e le procedure di revisione in risposta agli aspetti chiave; (iii) il giudizio di coerenza della relazione sulla gestione con il bilancio d'esercizio e consolidato al 31 dicembre 2018 e sulla conformità della stessa alle norme di legge; (iv) il giudizio di coerenza di alcune specifiche informazioni della relazione sul governo societario e gli assetti proprietari indicate nell'art. 123-bis, comma 4, del D.Lgs. 58/1998 con il bilancio d'esercizio e consolidato al 31 dicembre 2018; (v) la conferma che il giudizio sul bilancio d'esercizio e il giudizio sul bilancio consolidato espresso nelle rispettive relazioni sono in linea con quanto indicato nella relazione aggiuntiva destinata allo scrivente Collegio Sindacale, nella sua funzione di comitato per il controllo interno e la revisione contabile, predisposta ai sensi dell'art. 11 del Regolamento europeo;*

- *le citate relazioni non contengono rilievi né richiami di informativa.*

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

Indipendenza della Società di Revisione

Il Collegio Sindacale ha vigilato, anche con riferimento a quanto previsto dall'art. 19 del D.Lgs. 39/2010, sull'indipendenza della società di revisione E&Y S.p.A., verificando la natura e l'entità dei servizi diversi dal controllo contabile prestati alla Banca e alle sue controllate da parte della stessa società di revisione e delle entità appartenenti al network della medesima.

Nella relazione finanziaria annuale al bilancio, al quale si rinvia, è stata data completa informativa sui compensi corrisposti dalla Banca, e dalle sue controllate alla società di revisione E&Y S.p.A., inclusa la sua rete, ai sensi dell'articolo 149 duodecies del Regolamento Emittenti.

I compensi corrisposti nel 2018, senza considerare il contributo Consob e le spese vive, sono:

Revisione contabile € 185mila
Servizi di attestazione € 9 mila
Altri servizi € 20 mila

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

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

Si precisa che nell'ambito della categoria "Altri servizi" (diversi dalla revisione contabile e dai servizi di attestazione) resi da Ernst & Young Financial-Business Advisors S.p.A. per € 20 mila gli stessi si riferiscono all'attività di supporto per l'assessment del Resoconto ICAAP/ILAAP per il quale il Collegio ha dato il proprio nulla osta.

L'incidenza degli "Altri servizi" rispetto alla "Revisione contabile" e ai "Servizi di attestazione (connessi alla revisione contabile)" è pertanto pari al 10,30%.

Alla luce di quanto esposto, il Collegio ritiene quindi sussistente il requisito di indipendenza della società di revisione E&Y S.p.A., che ha fornito, con lettera allegata alla Relazione aggiuntiva ex art. 11 del regolamento europeo, conferma annuale della propria indipendenza ai sensi dell'art. 6 paragrafo 2) lett. a) del Regolamento Europeo 537/2014 e ai sensi del paragrafo 17 dell'ISA Italia 260.

Procedura volta alla selezione dei revisori legali

Nel corso dell'esercizio non si è resa necessaria alcuna procedura volta alla selezione dei revisori legali.

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

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

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

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

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

Omissioni o fatti censurabili, altri pareri resi, azioni intraprese

Il Collegio dà atto che:

- *nel corso dell'esercizio ha rilasciato i seguenti pareri:*
    - *pareri ai sensi dell'art. 2389 3° comma del Codice Civile;*
    - *Parere su adeguamento al decreto di recepimento della IV Direttiva AML;*
    - *espresso voto favorevole, ai sensi art. 136 D.Lgs n. 385/1993 e successive modifiche, su operazioni creditizie;*
    - *verificato la corretta applicazione dei criteri e delle procedure di accertamento adottate dal Consiglio di Amministrazione per valutare i requisiti di onorabilità, professionalità ed indipendenza dei suoi membri;*
    - *accertato che i requisiti di indipendenza dei componenti il Collegio già sussistenti all'atto di nomina permangono;*
    - *seguito il processo di formazione e approvazione del resoconto ICAAP e ILAAP;*
- *non sono state presentate denunce di cui all'art. 2408 cod. civ., così come non sono stati presentati esposti di alcun genere;*
- *non è stato necessario presentare all'Assemblea le proposte così come previsto dall'art. 153, comma 2 del D.lgs. 58/98, né il Collegio si è avvalso dei poteri di convocazione dell'Assemblea o del Consiglio di Amministrazione.*

Bilancio d'esercizio, bilancio consolidato e relazione sulla gestione

Con specifico riguardo all'esame del bilancio d'esercizio chiuso al 31 dicembre 2018, del bilancio consolidato (redatti in base ai principi contabili internazionali IAS/IFRS emessi dall'International Accounting Standards Board (IASB) adottati dall'Unione Europea, nonché conformemente ai provvedimenti emanati in attuazione dell'art. 9, comma 3 del D.Lgs. n. 38 *del 2005 e dell'art. 43 del D.Lgs. n. 136 del 2015) e della Relazione sulla gestione, il Collegio riferisce quanto segue:*

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

* * * * *

Tenuto conto di tutto quanto precede, sotto i profili di nostra competenza e valutata positivamente la proposta di distribuzione dei dividendi, non rileviamo motivi ostativi circa l'approvazione del bilancio al 31 dicembre 2018 e le proposte di delibera formulate dal Consiglio di Amministrazione.

Roma, 29 marzo 2019

Il Collegio Sindacale

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

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

Relazione sulla revisione contabile del bilancio d'esercizio

Giudizio

Abbiamo svolto la revisione contabile del bilancio d'esercizio della Banca Finnat Euramerica S.p.A. (la "Società" o la "Banca"), costituito dallo stato patrimoniale al 31 dicembre 2018, dal conto economico, dal prospetto della redditività complessiva, dal prospetto delle variazioni del patrimonio netto, dal rendiconto finanziario per l'esercizio chiuso a tale data e dalla nota integrativa.

A nostro giudizio, il bilancio d'esercizio fornisce una rappresentazione veritiera e corretta della situazione patrimoniale e finanziaria della Società al 31 dicembre 2018, del risultato economico e dei flussi di cassa per l'esercizio chiuso a tale data, in conformità agli International Financial Reporting Standards adottati dall'Unione Europea, nonché ai provvedimenti emanati in attuazione dell'art. 9 del D. Lgs. 28 febbraio 2005, n.38 e dell'art. 43 del D. Lgs. 18 agosto 2015, n. 136.

Elementi alla base del giudizio

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

Aspetti chiave della revisione contabile

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

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Abbiamo identificato il seguente aspetto chiave della revisione contabile:

Aspetto chiave	Risposte di revisione
Valutazione Partecipazioni	
La voce 70 dell'attivo individuale espone le partecipazioni in società controllate al fair value pari al 31 dicembre 2018 a 72 milioni di Euro e fa riferimento alle seguenti imprese controllate: Finnat Fiduciaria S.p.A., InvestiRE S.G.R. S.p.A., Finnat Gestioni S.A. e Natam S.A. La valutazione delle partecipazioni è un aspetto rilevante per la revisione contabile in quanto le modalità di valutazione e determinazione del valore corrente di ciascuna partecipazione sono basati su assunzioni che richiedono agli amministratori l'esercizio di una significativa discrezionalità nella scelta di metodologie, assunzioni e parametri (quali il Weighted Average Cost of Capital, il costo del capitale proprio "Ke" ed il tasso di crescita "g") nella previsione dei loro flussi di cassa futuri e, in quanto si tratta di variabili che possono risultare sensibili agli andamenti futuri dei mercati e degli scenari economici. L'informativa sulla valutazione delle partecipazioni è riportata dagli amministratori nella Parte A "Politiche Contabili" e nella Sezione 7 "Partecipazioni" della Parte B della nota integrativa.	Le nostre procedure di revisione in risposta all'aspetto chiave della revisione contabile hanno incluso, tra l'altro: - la comprensione delle modalità di determinazione del fair value delle partecipazioni adottate dalla Banca con l'ausilio di esperti interni della Direzione in linea con la metodologia di valutazione approvata dai competenti organi aziendali della Banca; - la valutazione della competenza, della capacità e dell'obiettività degli esperti interni della Direzione della Banca; - l'analisi delle assunzioni alla base delle previsioni dei flussi di cassa futuri e della loro determinazione; - la valutazione delle previsioni rispetto all'accuratezza storica delle precedenti previsioni. Nello svolgimento delle nostre verifiche ci siamo anche avvalsi dell'ausilio di nostri esperti in tecniche di valutazione d'azienda, in particolare con riferimento alla valutazione dell'appropriatezza della metodologia e della ragionevolezza delle assunzioni utilizzate dagli amministratori per la determinazione del fair value delle imprese controllate, nonché per la verifica dell'accuratezza matematica dei calcoli e l'analisi di sensitività sulle assunzioni chiave. Infine, abbiamo esaminato l'adeguatezza dell'informativa resa in nota integrativa.

Responsabilità degli amministratori e del collegio sindacale per il bilancio d'esercizio

Gli amministratori sono responsabili per la redazione del bilancio d'esercizio che fornisca una rappresentazione veritiera e corretta in conformità agli International Financial Reporting Standards adottati dall'Unione Europea, nonché ai provvedimenti emanati in attuazione dell'art. 9 del D. Lgs. 28 febbraio 2005, n. 38 e dell'art. 43 del D. Lgs. 18 agosto 2015, n. 136 e, nei termini

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previsti dalla legge, per quella parte del controllo interno dagli stessi ritenuta necessaria per consentire la redazione di un bilancio che non contenga errori significativi dovuti a frodi o a comportamenti o eventi non intenzionali.

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

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

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

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

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

- abbiamo identificato e valutato i rischi di errori significativi nel bilancio d'esercizio, dovuti a frodi o a comportamenti o eventi non intenzionali; abbiamo definito e svolto procedure di revisione in risposta a tali rischi; abbiamo acquisito elementi probativi sufficienti ed appropriati su cui basare il nostro giudizio. Il rischio di non individuare un errore significativo dovuto a frodi è più elevato rispetto al rischio di non individuare un errore significativo derivante da comportamenti od eventi non intenzionali, poiché la frode può implicare l'esistenza di collusioni, falsificazioni, omissioni intenzionali, rappresentazioni fuorvianti o forzature del controllo interno;
- abbiamo acquisito una comprensione del controllo interno rilevante ai fini della revisione contabile allo scopo di definire procedure di revisione appropriate nelle circostanze, e non per esprimere un giudizio sull'efficacia del controllo interno della Società;
- abbiamo valutato l'appropriatezza dei principi contabili utilizzati nonché la ragionevolezza delle stime contabili effettuate dagli amministratori e della relativa informativa;
- siamo giunti ad una conclusione sull'appropriatezza dell'utilizzo da parte degli amministratori del presupposto della continuità aziendale e, in base agli elementi probativi acquisiti, sull'eventuale esistenza di una incertezza significativa riguardo a eventi o circostanze che possono far sorgere dubbi significativi sulla capacità della Società di continuare ad operare come un'entità in funzionamento. In presenza di un'incertezza significativa, siamo tenuti a richiamare l'attenzione nella relazione di revisione sulla relativa informativa di bilancio ovvero, qualora tale informativa sia inadeguata, a riflettere tale circostanza nella

formulazione del nostro giudizio. Le nostre conclusioni sono basate sugli elementi probativi acquisiti fino alla data della presente relazione. Tuttavia, eventi o circostanze successivi possono comportare che la Società cessi di operare come un'entità in funzionamento;

- abbiamo valutato la presentazione, la struttura e il contenuto del bilancio d'esercizio nel suo complesso, inclusa l'informativa, e se il bilancio d'esercizio rappresenti le operazioni e gli eventi sottostanti in modo da fornire una corretta rappresentazione.

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

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

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

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

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

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

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

Relazione su altre disposizioni di legge e regolamentari

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

Gli amministratori della Banca Finnat Euramerica S.p.A. sono responsabili per la predisposizione della relazione sulla gestione e della relazione sul governo societario e gli assetti proprietari della Banca Finnat Euramerica S.p.A. al 31 dicembre 2018, incluse la loro coerenza con il relativo bilancio d'esercizio e la loro conformità alle norme di legge.

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Abbiamo svolto le procedure indicate nel principio di revisione (SA Italia) n. 720B al fine di esprimere un giudizio sulla coerenza della relazione sulla gestione e di alcune specifiche informazioni contenute nella relazione sul governo societario e gli assetti proprietari indicate nell'art. 123-bis, comma 4, del D. Lgs. 24 febbraio 1998, n. 58, con il bilancio d'esercizio della Banca Finnat Euramerica S.p.A. al 31 dicembre 2018 e sulla conformità delle stesse alle norme di legge, nonché di rilasciare una dichiarazione su eventuali errori significativi.

A nostro giudizio, la relazione sulla gestione e alcune specifiche informazioni contenute nella relazione sul governo societario e gli assetti proprietari sopra richiamate sono coerenti con il bilancio d'esercizio della Banca Finnat Euramerica S.p.A. al 31 dicembre 2018 e sono redatte in conformità alle norme di legge.

Con riferimento alla dichiarazione di cui all'art. 14, c. 2, lettera e), del D. Lgs. 27 gennaio 2010, n. 39, rilasciata sulla base delle conoscenze e della comprensione dell'impresa e del relativo contesto acquisite nel corso dell'attività di revisione, non abbiamo nulla da riportare.

Roma, 29 marzo 2019

EY S.p.A.

Wassim Abou Said
(Socio)

BANCA FINNAT GRUPPO BANCA FINNAT

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

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

   delle procedure amministrative e contabili per la formazione del Bilancio di esercizio al 31 dicembre 2018.

2. Al riguardo non sono emersi aspetti di rilievo.

3. Si attesta, inoltre, che:
   3.1. il Bilancio d'esercizio:
   a. è redatto in conformità ai principi contabili internazionali applicabili riconosciuti nella Comunità europea ai sensi del regolamento (CE) n. 1606/2002 del Parlamento europeo e del Consiglio, del 19 luglio 2002;
   b. corrisponde alle risultanze dei libri e delle scritture contabili;
   c. è idoneo a fornire una rappresentazione veritiera e corretta della situazione patrimoniale, economica e finanziaria dell'emittente.

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

Roma, 22 marzo 2019

L'Amministratore Delegato

(Arturo Nattino)

Il Dirigente preposto alla redazione dei documenti contabili societari

(Giulio Bastia)

2018 REPORT ON CORPORATE GOVERNANCE AND SHAREHOLDERS[1] (PREPARED IN ACCORDANCE WITH ARTICLE 123-BIS OF THE ITALIAN CONSOLIDATED FINANCIAL LAW)

APPROVED BY THE BOARD OF DIRECTORS ON 19 MARCH 2019

TRADITIONAL ADMINISTRATION AND CONTROL MODEL

CONTENTS

(1) The Report is published on the Website of the Bank at www.bancafinnat.it in the section Investor Relations - Corporate Governance.

GLOSSARY

Code/Governance Code: the Governance Code of listed companies approved in July 2018 by the Corporate Governance Committee and promoted by Borsa Italiana S.p.A., ABI, ANIAia, Assogestioni, Assonime and Confindustria.
Civil Code/C.C.: the Italian Civil Code.
Board: the Board of Directors of the Issuer.
Issuer: Banca Finnat S.p.A..
Year: the 2018 financial year to which the Report refers.
Consob Issuers Regulation: the Regulation issued by the Consob with its resolution no. 11971 of 1999 (as amended) for issuers.
Consob Markets Regulation: the Regulation issued by the Consob with its resolution no. 20249 of 2017 for markets.
Consob Related Parties Regulation: the Regulation issued by the Consob with its resolution no. 17221 of 12 March 2010 (as amended) for related party transactions.
Report: the report on corporate governance and shareholder structure, which companies are obligated to prepare in accordance with Article 123-bis of the Italian Consolidated Financial Law.
TUF: Italian Legislative Decree no. 58 of 24 February 1998 (Consolidated Financial Law).

REPORT ON CORPORATE GOVERNANCE AND SHAREHOLDERS

The present Report intends to provide an exhaustive representation on the corporate governance system adopted by Banca Finnat Euramerica S.p.A. and it contains information about the shareholders and on adoption of the Codes of Conduct.
The Report is made available at the website of Banca Finnat Euramerica S.p.A. in the Investor Relations - Corporate Governance section.
The information contained herein refers to the year ended 31 December 2018 and, with regard to specific issues, it was updated at 19 March 2019, on which date the Board of Directors approved it.

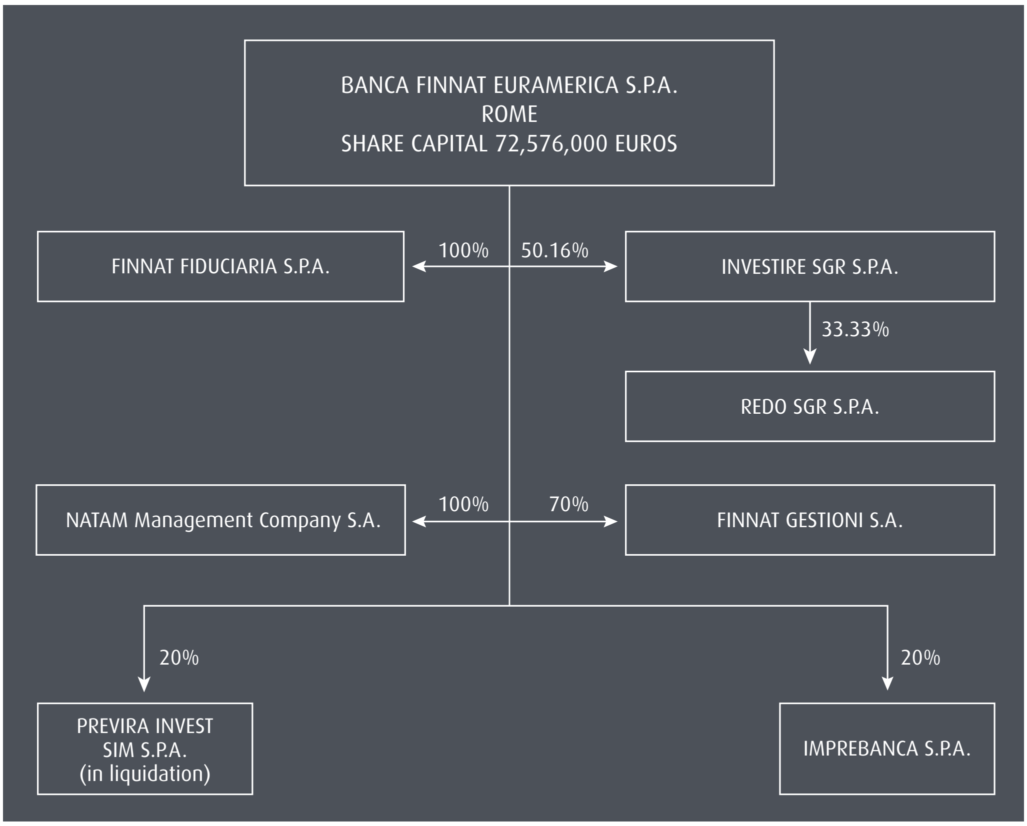
The Report takes into account the "2018 Annual Report - 6th report on the application of the Governance Code" sent to all the Chairman of Italian listed Companies, with information copies to the Managing Director and to the Chairman of the Board of Statutory Auditors, by the Corporate Governance Committee of Borsa Italiana.

1.0 ISSUER PROFILE

Banca Finnat Euramerica S.p.A., with more than a century of banking tradition, coupled with independence, dependability and confidentiality, administers and manages the assets of wealthy investors.
Listed on the STAR segment of Borsa Italiana, it is specialised in performing investment and advisory services for private and institutional customers.

Its high specialisation and professionalism distinguish it in the Italian banking landscape: directly and with other Group companies, it offers a broad range of services and financial products, from Private Banking to Consultancy services, from Trusteeship Activities to Family Office, from Real Estate and management of Real Estate Funds to Advisory & Corporate Finance and to Services for Institutional Investors.
To complete the Investment services, which have a central role within the Bank's activities, traditional Banking Services are also performed.
The Bank has adopted the traditional administration and control model, comprising two bodies appointed by the Shareholders' Meeting: the Board of Directors (with 11 Members), central body in the corporate governance system, exclusively in charge of managing and providing strategic supervision for the Bank and the Group, and the Board of Statutory Auditors with oversight functions over the administration and over compliance with the law and with the Articles of Association.
The Board of Directors, also in accordance with the recommendations of the Governance Code, established three Committees within the Board (Risk, Appointments and Remunerations Committees), consisting of independent Directors and providing proposals, advice and preliminary studies for the Board itself.
The account auditing activity is entrusted to a specialised company (EY S.p.A.) enrolled in the dedicated Register, appointed by the Shareholders' Meeting for the nine years from 2011 to 2019, upon the justified proposal of the Board of Statutory Auditors.
The Supervisory Body under Legislative Decree no. 231/2001 is appointed by the Board of Directors.

Banca Finnat is the Parent Company of the Banca Finnat S.p.A. Group which at the date of the present report comprises the following.



The Code of Ethics

The Code of Ethics defines the values and the ethical principles that inspire the activity of Banca Finnat and of its subsidiary, which must be complied with by the Corporate Bodies, the Senior Management, employees, consultants and contractors, suppliers, financial promoters, attorney and any other party who may act on behalf of the Bank and of its subsidiaries.

The Boards of Directors of the Bank and of its Subsidiaries undertake to enforce the principles contained in the Code of Ethics, enhancing trust, cohesion and group spirit, and they are inspired by the values expressed therein, also in determining the business objectives.

All Code of Ethics recipients shall know it and comply with its provisions, actively contributing to its widespread adoption and enforcement, throughout the time in which they work for the Bank and for its subsidiaries. All recipients shall also safeguard, by their conduct, the respectability and image of Banca Finnat and of its subsidiaries and to preserve the solidity of the corporate assets.

The principles contained in the Code of Ethics also supplement the rules of behaviour that personnel shall follow, by virtue of current regulations, of employment agreements, of internal procedures, and of the codes of conduct which the Group has adopted or promulgated internally.

The principles that Banca Finnat and its subsidiaries apply and the values they intend to pursue are: lawfulness, integrity, dignity and equality, quality, business ethics, professionalism and collaboration.

Small and Medium Enterprises issuing listed shares (SME)

Law Decree no. 91 of 24 June 2014 ("*Competitiveness Decree*"), converted with amendments by Law no. 116 of 11 August 2014, made significant changes to Law Decree no. 58 of 24 February 1998 (hereafter "Consolidated Financial Law"). This decree introduced in the Consolidated Financial Law, inter alia, a definition of small and medium enterprises issuing listed shares ("SMEs", see Article 1, Paragraph 1, Letter *w-quater.1* of the Consolidated Financial Law), as well as regulations applicable to the aforesaid enterprises that provides for more flexible rules (compared to the rules pertaining to listed companies in general), directed at promoting and incentivising the access to the market of venture capital.

For these purposes, the legislators indicated two dimensional parameters (and their thresholds) useful for the identification of the enterprises to be included in the SME category:

- average capitalisation, which must be less than 500 million euro,
- average capitalisation, which must be less than 300 million euro,

The Consob resolution no. 20621 of 10 October 2018 at Article 1, Paragraph 1.5 establishes in relation to listed SMEs that "*The Consob publishes the list of SMEs on its Website, on the basis of the values of the capitalisation and of the revenue calculated by it*".

At the date of approval of the Financial Statements by the Board of Directors of the Bank, the Consob has not yet published this list on its site. However, the dimensional parameters useful for identifying the enterprises to be included in the SME category referred to Banca Finnat are lower than the indicated thresholds.

2.0 INFORMATION ON SHAREHOLDERS AT 31 DECEMBER 2018

a) Share capital structure

The share capital of Banca Finnat at 31 December 2018 amounts to 72,576,000.00 euros, fully paid-in, consisting of 362,880,000 ordinary shares, all with a nominal value of 0.20 euros. Shares in Banca Finnat are listed in the STAR segment of Borsa Italiana.

At the date of the present Report, there are no ongoing programmes for the purchase and/or sale of treasury shares. At 31 December 2018, Banca Finnat Euramerica held 28,810,640 treasury shares, equal to 7.9%.

b) Restrictions to the transfer of securities

In addition to the provisions of current legislation concerning the equity investment in the share capital of a bank, there are no other restrictions to the transfer of Bank shares.

c) Major equity investments

The Bank's shares are placed in the central management system for uncertified securities with Monte Titoli S.p.A.

The main equity investments at 31 December 2018, as shown in the communications received pursuant to Article 120 of the Italian Consolidated Financial Law are indicated in Table 1 hereto.

d) Securities granting special rights

No securities have been issued granting special control rights.

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

There are no share participation schemes for employees.

f) Restriction to voting rights

There are no restrictions to voting rights.

g) Shareholder agreements

The Directors are not aware of the existence of any significant shareholder agreement in accordance with Article 122 of the Italian Consolidated Financial Law.

h) Change of control clauses and provisions established by the Articles of Association on takeover bids

No significant agreements were executed that become effective, are amended, or are extinguished in case of change of control of the Bank.

The Articles of Association of Banca Finnat do not make exceptions to the passivity rules established by Article 104, paragraphs 1 and 2, of the Italian Consolidated Financial Law nor to the application of the neutralisation rules laid down by Article 104-bis, paragraphs 2 and 3, of the Italian Consolidated Financial Law.

i) Delegations to increase the share capital and authorisations to purchase treasury shares

No powers were delegated for capital increases, nor are Directors granted the power to issue investment financial instruments.

The Bank of Italy with measure no. 1039475/11 of 19 December 2011 authorised the Bank to purchase treasury shares accounting for more than 5% of the share capital, within the maximum limit of 10 million euros.

l) Management and coordination

The Bank is not subject to Management and Coordination pursuant to Article 2497 et seq. of the Italian Civil Code.

The information required by Article 123 bis, paragraph 1 letter i) and letter l) of the Italian Consolidated Financial Law) is respectively explained in paragraph 4.1 (Board of Directors - appointment and replacement) and in paragraph 9.0 (Remuneration of Directors) of this Report.

3.0 COMPLIANCE

Banca Finnat adheres to the Governance Code of Borsa Italiana S.p.A. in the version of July 2018.

The Bank resolved to adopt the new recommendations of the Code on the matter of gender diversity, through the adoption of a specific Policy, being drafted at the date of the present Report.

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

A revised audit of compliance with the Code was carried out in January 2019 on the occasion of the review by the Board of Directors of the 2018 Annual Report - 6th report on the application of the Governance Code sent to all the Chairmen of Italian listed Companies, with information copies to the Managing Director and to the Chairman of the Board of Statutory Auditors, by the Corporate Governance Committee of Borsa Italiana.

The present Report was prepared according to the format of Borsa Italiana S.p.A. for the Corporate Governance Report, 8th Edition, of January 2019.

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

4.0 BOARD OF DIRECTORS

4.1 Appointment and replacement

In accordance Article 12 of the Articles of Association, the Board of Directors consists of a minimum of five and a maximum of eleven members, who remain in office for three years and whose term of office expires

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

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

at the date of the shareholders' meeting called for approval of the financial statements of their final year in office.

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

Should the majority of the directors elected by the Shareholders' Meeting cease their office due to standing down, death or other causes, the entire Board is considered as having stood down and any director remaining in office must call the Shareholders' Meeting urgently to reconstitute the Board.

The entire Board of Directors is appointed on the basis of lists presented by the Shareholders, in which candidates must be listed with a progressive number (Article 12-bis of the Articles of Association). Lists must be presented to the Bank on or before the twenty-fifth day prior to the date set for the first calling of the Meeting and be made available to the public at the registered offices and published on the Bank's website without delay and, in any case no less than twenty-one days prior to the date set for the first calling of the Meeting.

Each Shareholder or party adhering to a significant shareholders' agreement in accordance with Article 122 of Italian Legislative Decree no. 58 dated 24 February 1998, the respective controlling parties, the subsidiaries and joint control parties in accordance with Article 93 of Italian Legislative Decree no. 58 dated 24 February 1998, may only present, or participate in the presentation of a single list. They may not present or participate in the presentation of more than one list, directly or through a third party or trustee company. Subscriptions and votes cast in breach of this prohibition will not be assigned to any list.

Only Shareholders who alone or jointly with other shareholders hold a total of 2.5% of the share capital with voting rights in the Company's Ordinary Shareholders' Meetings may present lists. Alternative measures may be established by fundamental provisions of law or regulations that will be stated, if applicable, in the notice calling the Meeting. In order to prove ownership of the number of shares necessary to present lists, at the same time Shareholders must provide the Company with the specific certificate issued by a broker qualified in accordance with the law. Together with each list, within the terms of its publication and filing with the registered offices, the following must be filed: (i) information about the identity of the shareholders who presented the lists, with the indication of their total shareholding; (ii) the statements whereby individual candidates accept their candidature and certify, under their own liability, that there is no reason for which they should not be elected or are incompatible with the office, and that they meet the requirements of professionalism and honour and, where applicable, independence, required by current laws and regulations; (iii) a curriculum vitae providing comprehensive information about the personal and professional characteristics of each candidate, and (iv) additional information required by provisions of law and regulations.

Lists presenting at least three candidates shall present a number of candidates belonging to the less represented gender that assures gender balance compliance at least to the minimum extent required by current laws and regulations.

Lists presented that do not comply with the above provisions shall be considered as not presented.

Should there be more than seven members of the Board of Directors, each list must contain at least two candidates in possession of the requirements of independence established for Auditors by current legislation. Should, on the other hand, there be fewer than seven members of the Board of Directors, each list must contain at least one candidate in possession of the requirements of independence established for auditors by current legislation. One of the candidates in possession of these requirements of independence must be included in the first place of each list.

Where more than one list are voted, members of the Board of Directors will be elected as follows:

a) where the relevant Meeting resolution determines a Board of Directors comprising eleven members, six directors shall be elected in the progressive order in which they are listed, from the list that has obtained the greatest number of votes. Where the relevant Meeting resolution determines a Board of Directors comprising nine members, five directors shall be elected in this way, or four where the Board of Directors shall consist of seven members, or three where the Board of Directors shall consist of five members, and

b) where the relevant Meeting resolution determines a Board of Directors comprising eleven members, five directors shall be elected in the progressive order in which they are listed, from the minority list that has obtained the greatest number of votes. Where the relevant Meeting resolution determines a Board of Directors comprising nine members, four directors shall be elected in this fashion, or three where the Board of Directors shall consist of seven members, or two where the Board of Directors shall consist of five members.

Each share gives the right to one vote.

Should only one list be presented, or should no lists be presented, the Meeting shall resolve by relative majority, without applying the above procedure.

Should one or more Directors cease their office during the year, as long as the majority of the Board continues to comprise Directors appointed by the Meeting, the following shall take place in accordance with Art. 2386 of the Italian Civil Code: i) the Board of Directors shall appoint replacements from candidates pertaining to the same list to which the Directors who have ceased their office pertained, in progressive order starting from the first who had not been elected. This is without prejudice to the fact that where the replacement must meet the independence requirements, the first independent candidate from the same list who had not been elected, shall be appointed; ii) should no candidates (or independent candidates) remain on the list who had not previously been elected, the Board of Directors shall replace the Directors who have ceased their office without applying the provisions of point i). With regards to the members of the BoD, the Issuer shall, in addition to the provisions of the Italian Consolidated Financial Law, comply with the provisions of the Code.

On 3 April 2013, on the proposal of the Appointment Committee, the Board of Directors approved the document that describes the optimal qualitative and quantitative composition of the Board of Directors, supplemented with the Recommendations on the optimal qualitative and quantitative composition of the Board of Directors issued by the Appointment Committee on 22 March 2018.

Succession Plans

The Appointment Committee, as tasked by the Board of Directors, on 13 March 2018 delved further into the matter of succession Plans for executive directors (“contingency plan”) and it: i) acquired the market data pertaining to contingency plans adopted in the sector by comparable banks in terms of dimension and type of business; ii) delved further into the Bank’s system of delegated powers.

At the end of the analysis carried out, considering the shareholding structure of the Bank, its dimensions and its operating complexity, the Appointment Committee concluded deeming that in the current situation it is not necessary to adopt specific succession plans for executive directors; it recommended to the Managing Directors and to the structures of the Bank to verify the system of delegated powers on a going concern basis.

4.2 Composition

The Board of Directors was appointed by the Shareholders' Meeting of 27 April 2018 and will remain in office until approval of the financial statements at 31 December 2020. All Directors were appointed from the only list of candidates presented by the relative majority shareholder, Arturo Nattino.

At 31 December 2018, the members of the Board of Directors were as follows:

1. **Carlo Carlevaris**, Honorary Chairman (non-independent, non-executive); time in office since first appointment: 15 years.
2. **Flavia Mazzarella**, Chairman (independent, non-executive); time in office since first appointment: 2 years.
3. **Arturo Nattino**, Managing Director and General Manager (non-independent, executive); time in office since first appointment: 9 years.
4. **Leonardo Buonvino**, Deputy Chairman (non-independent, executive); time in office since first appointment: 12 years.
5. **Marco Tofanelli**, Deputy Chairman (independent, non-executive); time in office since first appointment:1 year *.
6. **Ermanno Boffa**, Director (independent, non-executive); time in office since first appointment: 9 years.
7. **Roberto Cusmai**, Director (independent, non-executive); time in office since first appointment: 6 years.
8. **Giulia Nattino**, Director (non-independent, non-executive); time in office since first appointment: 5 years.
9. **Maria Sole Nattino**, Director (non-independent, non-executive); time in office since first appointment: 3 years
10. **Lupo Rattazzi**, Director (non-independent, non-executive); time in office since first appointment: 10 years.
11. **Andreina Scognamiglio**, Director (independent, non-executive); time in office since first appointment: 3 years.

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

Diversity Policies

The Bank, with the resolution of the Board of Directors of 3 April 2013, identified its optimal qualitative and quantitative composition and the profile of the candidates to the office of Director. In particular, the Board expressed its views on the number of executive, non-executive and independent directors, as well as on the professional skills and competencies deemed optimal in relation to the characteristics and operations of the Bank. The document is available on the Bank's website in the section "Investor Relations - Corporate Governance". This document was supplemented with the Recommendations on the optimal qualitative and quantitative Composition of the Board of Directors issued by the Appointment Committee of 22 March 2018. In accordance with Article 12-bis of the Articles of Association, the lists of candidates to the Board of Directors, presenting at least three candidates shall present a number of candidates belonging to the less represented gender that assures gender balance compliance at least to the minimum extent required by current laws and regulations.

(*) Appointed for the first time on 15 December 2011 until resignation on 20 November 2015.

The current composition of the Board of Directors complies with gender quota regulations.
In light of the 6th Report on the application of the Governance Code and of the promulgation of the new recommendations introduced in July 2018, the Board of the Bank deemed it appropriate to strengthen its compliance with the new principles by means of Policy on gender diversity, currently being drafted.

Maximum accumulation of the offices held in other companies

In relation to the express provisions of Points 1.C.2, 1.C.3 and 2.C.5 of the Governance Code, the Board decided to express its guidance with regards to the maximum number of offices that may be accumulated, to ensure that Directors can dedicate the time necessary for the effective performance of the task assigned them with the Bank.
The Board, on the indication of the Appointments Committee, in the course of its meeting of 9 February 2018 expressed its guidance with regard to the maximum limit to the accumulation of the offices held by the Directors, establishing the following:

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

Offices held in companies of the Banca Finnat Euramerica S.p.A. Group are excluded from the accumulation limit.
The above in compliance with the regulations set forth in Article 36 of Italian Law Decree "*Salva Italia*" (the so-called "interlocking prohibition").
The list of the offices held by the members of the Board of Directors of Banca Finnat at 31 December 2018 is as follows:

CARLO CARLEVARIS

Deputy Chairman of Cementir Holding S.p.A.; Member of the Board of Directors of Immobiliare Caltagirone S.p.A. and Il Messaggero S.p.A.

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

FLAVIA MAZZARELLA

Independent Director, Chairman of the Risk Committee and Member of the Nominations and Remuneration Committee of GHC GAROFALO Health Care S.p.A.

ARTURO NATTINO

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

LEONARDO BUONVINO

Director of InvestiRE SGR S.p.A.

MARCO TOFANELLI

Director and Member of the Nominations and Remuneration Committee of InvestiRE SGR S.p.A. and Independent Director of Armonia SGR.

ERMANNO BOFFA

Director and Member of the Nominations and Remuneration Committee of InvestiRE SGR S.p.A. and Permanent Auditor of Willis S.p.A.

GIULIA NATTINO

Director of Finnat Immobiliare S.p.A.

MARIA SOLE NATTINO

Director of Finnat Fiduciaria S.p.A.

LUPO RATTAZZI

Director of GL Investimenti s.r.l. and Director of Vianini S.p.A.

Non-executive Directors are, in terms of number and authority, sufficient to guarantee that their opinion is of a suitable weight in taking board resolutions. Non-executive Directors bring their general and specific competences to board discussions, helping take resolutions that comply both with the company's interests and the principles of healthy and prudent management.

induction program

In 2018, the members of the Board of Directors periodically participated in initiatives on economic, legal and financial matters with particular relevance in relation to the operations of the Bank.
In particular, the meetings pertained to matters like: new accounting standards IFRS 15, Icaap - Ilaap Report, Financial Products.

4.3 Role of the Board of Directors

The Articles of Association grant the Board of Directors the broadest powers of Bank ordinary and extraordinary administration. More specifically, they grant the faculty to carry out all acts and deeds it may hold appropriate for the implementation and attainment of the corporate purpose, only excluding any act that the law reserves to the Shareholders' Meeting.

In 2018, 13 meetings of the Board of Directors were held; their average duration was 2.20 hours. During 2019, 3 meetings have already been held and a further 4 are scheduled.

Meetings are called by providing at least 5 days' notice, in accordance with the Articles of Association, via registered letter or e-mail.

In compliance with the recommendations of the Governance Code, the Board meetings are held by dedicating to the items on the agenda the time required for allowing a constructive debate and obtain the contribution of the Directors.

As a rule, the Joint General Manager is invited to attend the Board meetings; the heads of the audit functions and the key executives are invited to attend as well, depending on the items in the agenda of the subsidiaries as well.

The Bank established an IT platform to which every member of the Board of Directors and of the Board of Statutory Auditors can access with his/her own credentials to consult the documents produced by the meetings of the Board of Directors.

The documents are published on the platform as a rule 5 days before the date of the meeting.

In addition to the powers exclusively attributed by Article 2381 of the Italian Civil Code, also taking into account the indications of the Code, in 2018 the Board of Directors of the Bank, in particular:

i) assessed, on the basis of information acquired from the appointed bodies (Managing Director, General Manager, Joint General Manager, Manager in charge of preparing the accounting documents), and with the control Function, the suitability of the administrative and accounting organisation, with a special reference to the internal control and risk management system; the Board of Directors continuously verified the corporate structure and consequently the efficiency of the internal control system;

ii) examined the organisational, administrative and accounting structure of the subsidiaries;

iii) examined and approved the Bank's financial and industrial strategic plans and approved the quarterly, half-yearly and annual and consolidated balance sheet and income statements of the Bank and its subsidiaries, and periodically monitored their implementation;

iv) assessed and approved the Bank's operations in advance and, in compliance with that specified by the Group Regulations, approved operations of significant strategic, economic, equity and financial importance involving its subsidiaries;

v) verified the existence of the requirements of current regulations pertaining to the requirements of professionalism, integrity and independence for Directors and Statutory Auditors.

vi) positively ascertain the independence of 5 Directors;

Self-assessment

By virtue of the provisions of Bank of Italy Circular no. 285 (Part One; Title IV; Chapter 1; Section VI "Self-assessment of the bodies"), on 26 October 2018 the Board approved the "Regulation of the self-assessment process of the corporate bodies of Banca Finnat S.p.A."

In accordance with the Governance Code and with Bank of Italy Circular no. 285 of 17 December 2013 and with the aforesaid Regulation, the Board of Directors of the Bank, for year 2018 as well, carried out the self-assessment which focused on the general operation of the Board, on the information flows, on participation in the strategic direction process, on the effectiveness of the Committee, on the remuneration system.

The Bank decided not to rely on an external consulting firm.

The self-assessment process comprised the following steps:

a) definition of a questionnaire, referred to the year 2018, structure in 5 sections, which was transmitted to the members of the Board of Directors in office during the time of execution of the self-assessment process;
b) collecting the questionnaires;
c) processing of the results in anonymous, aggregate form;
d) identifying the indications that emerged;
e) drafting the "Disclosure on the results of the 2018 self-assessment" submitted for the review of the Appointments Committee on 13 March 2018 and approved by the Board of Directors on 19 March 2018.

From the analysis of the outcomes presented to the Board of Directors of 19 February 2019, the following emerged:

1) The composition of the Board of Directors is balanced in relation to the differentiation by age, gender and basic education and training and the Directors deem that diversity is fully applied to date.
   With a view to compliance with the new recommendations of the Governance Code, and hence to maintaining the effects of the "Golfo-Mosca" Law, the Board resolved to adopt a specific diversity polity, currently being drafted.
2) a reflection on the optimal qualitative and quantitative composition of the Board of Directors is recommended also in view of the recent EBA guidelines on the diversification of competencies, including IT skills, that meets the specific needs of the Bank. In this regard, the document on the optimal qualitative and quantitative composition of the Board of Directors will be revised.
3) the Secretarial Office of the Board adequately supports the Board of Directors.
   In particular, a considerable improvement has emerged lately in the transmission of documentation in preparation of Board meetings, so as to allow Directors to carry out a thorough review of the aforesaid documentation.
4) The usefulness of a structured induction plan, calling for periodic meetings with the attendance of all Directors, emerged;
   A training programme will be organised, after identifying the most interesting topics for Directors and Statutory Auditors.
5) It is recommended that BoD meetings be held more frequently to dedicate individual meetings to particularly significant issue; *the Board found that the frequency of the meetings is adequate for its activity and operating complexity*.
6) It has been found that Committees within the Board should prepare a work plan to identify the objectives to be achieved in the three years or in the year of reference. *In this regard, the committees within the Board did not deem it necessary to prepare a plan of activities.*

With regard to the self-assessment made for the year 2017, from the analysis of the questionnaires a globally positive judgement had emerged on the composition and on the operation of the Board and some areas of improvement had been identified:

1) the composition of the Board in quantitative and qualitative terms had been deemed adequate by a broad majority, however, with a view to streamlining the workings of the Board, a reduction to 9 Directors instead of 11 was suggested.
   In this regard, the Shareholders' Meeting held on 27 April 2018 confirmed that the current composition of the Board is adequate in quantitative terms.
2) With regard to the induction activity, it was deemed that structured sessions should be held on particularly complex topics.
   In 2018, induction sessions were held on to matters like: new accounting standards IFRS 15, Icaap - Ilaap Report, Financial Products.
3) Margins of improvement were stressed in the timeliness of making available the pre-board meeting documentation, to stimulate the liveliness of the discussion.
   As the answers to the questionnaire for 2018 indicate, the Directors noted an improvement in the times required for the documentation to be made available.
4) In relation to the operation of the Appointment Committee, it had been stressed that a better specification of the role and duties of the Committee should be provided.
   In this regard, as soon as it took office, the Committee supplemented its Regulation, approved by the Board of Directors on 12 July 2018.

At the end of the self-assessment process of the Board of Directors at 31 December 2017, and in view of the renewal of the Board of Directors, the Appointment Committee expressed its recommendations to the shareholders with respect to the managers and professionals whose presence on the Board was deemed appropriate, also considering diversity criteria.

4.4 APPOINTED BODIES

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

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

The Deputy Chairman of the Board of Directors is appointed, in accordance with the Articles of Association, to replace the Chairman in all his tasks and powers, taking his/her place in the event of his/her absence or impediment.

The Managing Director, without prejudice to the powers of the Board of Directors in accordance with the law and the articles of association, is granted all powers necessary for the Bank's administration, with the broadest powers in this respect. Within the scope of the tasks assigned, the Managing Director shall represent and sign on the Bank's behalf.

The Managing Director reports back to the Board of Directors every six months with regard to the exercise of his/her appointments. Without the following intended as any limit to the above delegation, the tasks, powers, faculties and appointments specified hereto by way of example, are conferred to the Managing Director.

a. Statutory and representation powers:
   1. To exercise, also on behalf of the Chairman with powers, in case of his/her absence or impediment, legal representation of the Bank, before third parties and in judgement, and the corporate signature, in accordance with Article 19 of the Bank's Articles of Association;
   2. to exercise the powers necessary for the administration of the Bank; by way of non-comprehensive example, the Managing Director is vested with the following powers.

b. Management:
   1. to prepare the Bank's Business Plan and submit it to the resolution of the Board of Directors;
   2. to submit to the Board of Directors the draft consolidated financial statements, the interim reports and the draft annual budget, prepared with the support of the Joint General Manager;
   3. to assure to the Board of Directors, or to the bodies delegated by it, full knowledge and governability of the company's business, defining effective procedures and information flows;
   4. to implement the strategic indications and resolutions of the Board of Directors, supervising their implementation and ensuring that they are carried out in compliance with the set guidelines;
   5. in case of particular urgency, to make decisions for which the authority rests with the Board of Directors and the Executive Committee, if one is provided, with the input of the Chairman of the Board of Directors; the decisions thus made are brought to the attention of the competent Body during the first meeting in accordance with Article 17 of the Bank's Articles of Association;
   6. to monitor the adequacy of the Bank's capital and financial means as prescribed by pertinent regulations;
   7. to give instructions in relations with investee companies;
   8. to represent the Bank in the shareholders' meetings of other companies or entities, also issuing proxies for participation in such meetings, and to exercise all related rights;
   9. to exercise any and all other power attributed continuously or from time to time by the Board of Directors;
   10. to stipulate deeds and agreements of any type and nature, provided they are consistent with the purpose of the company and fall within the scope of ordinary administration, within the powers delegated to him and in compliance with the regulations promulgated by the Supervisory Authority;
   11. to propose to the Board of Directors resolutions with regards to the purchase, sale, granting of mortgage and ultra-nine-year rent of properties;
   12. to propose to the Board of Directors resolutions with regards to the purchase, sale and rent of businesses or business units;
   13. to propose to the Board of Directors resolutions with regard to the acquisition and disposal of majority equity investments and operations on the capital of subsidiaries;
   14. to propose to the Board of Directors resolutions with regard to subsidiary management strategies;
   15. to pass resolutions with regard to the taking and disposal of non-majority equity investments and operations on the capital of non-subsidiaries up to 1,000,000 euros;
   16. to propose to the Board of Directors resolutions with regard to the taking and disposal of non-majority equity investments and operations on the capital of non-subsidiaries above 1,000,000 euros;

17. to stipulate lease agreements with duration of no more than nine years, insurance and service agreements for services to be received and rendered;
18. to represent the Bank before the judicial authorities, in any type of Court and before arbitrators and appoint legal counsel, attorneys and arbitrators.

c. Organisation
   1. To assure the consistency of the organisational structure with respect to the Bank's goals and strategies;
   2. to propose to the Board of Directors the establishment, transfer and closing of branches;
   3. periodically to report to the Board of Directors about the corrective measures adopted in case of deficiencies or anomalies brought to light by the control functions.

d. Disposal of assets
   1. To dispose or sell property and equipment and intangible assets, with a value of up to 1,000,000 euros net of amortisation/depreciation;
   2. after the verification by the Manager in charge of preparing the accounting documents and with the favourable opinion of the Credits Committee, to assign credits without recourse, at a value of no less than 80% of the net value recorded in the financial statements;
   3. after the verification by the Manager in charge of preparing the accounting documents, and with the favourable opinion of the Credits Committee, to sell credits with recourse, for net amounts below 1,000,000 euros recorded in the financial statements.

e. Communication
   1. To entertain relations with the media and with analysts;
   2. to prepare the market disclosures about price sensitive and non price sensitive information, upon proposal of the Studies, Research and Investor Relations unit and jointly with the manager in charge of preparing the accounting documents if the disclosure contains financial information (Article 114 of Italian Legislative Decree 58/98);
   3. to approve the content of any advertising or promotional message.

f. Relations with the authorities, public administration and with agencies
   1. To represent the Bank before the CONSOB and the Bank of Italy and the other Supervisory and administrative authorities, including independent ones, with the express power to sign and present communications, reports and notices.
   2. to challenge tax assessments before the tax commissions and administrative offices of every kind and level;
   3. to adhere to bankruptcy proceedings in general, to file oppositions and challenges, to promote, intervene and concur in enforcement procedures, also filing assignment petitions. To participate in tenders for public and private bidding called by state administrations, state-controlled bodies, public agencies in general and private entities; to submit bids also with rises, to accept and sign the provisional and definitive awards, and the related Agreements;
   4. to entertain relations with the Italian Revenue Agency in response to financial investigations and for the notification of open financial relations;

5. to sign agreements with the Bank of Italy for any reason and cause, including, for example, the agreements for participation in centralised payment systems.

g. Financial activities and investment services
   1. To provide for the purchases and sales of treasury shares according to the plans approved by the Shareholders' Meeting and according to the procedures approved by the Board of Directors;
   2. to implement the policies for managing HTS, HTCS and HTC portfolios based on the guidance resolutions of the Board of Directors, supervising compliance with the connected risk limits set out in the Regulations for financial activities.

GENERAL MANAGER

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

a. Management and organisation
   1. To sign the correspondence of the Bank and the documents related to the exercise of the assigned powers, with promise of ratification and approval and under the legal obligations;
   2. to assure the operational management of the Bank, according to the approved organisation model, imparting operating directives and informing the organisation about the goals and policies to be pursued;
   3. to assure the preparation and revision of internal regulations and the formalisation of the corporate processes, in order to assure efficiency and correctness in the operational management of the Bank, consistently with the duties and responsibilities of the organisational units tasked with executing the activities, as they are defined in the corporate organisational chart;
   4. to assure the functionality of the internal audit system and the adoption of suitable and timely corrective measures in case of deficiencies or anomalies reported by the competent corporate functions;
   5. to assure, in compliance with the indications and directives of the Board of Directors, the adoption and full availability of an effective, complete and reliable information system, adequate for the Bank's functional and operational needs;
   6. to implement effective communication channels, in order to assure that the personnel of the Bank's Organisational Unit are aware of the policies and procedures pertaining to their duties and responsibilities and, within that scope, to identify and minimise areas of potential conflict of interest;
   7. to inform the Board of Directors, at least once every six months, about the most significant decisions made for the management of the company within the scope of his/her powers;
   8. to grant customers rebates and discounts connected with the Bank's products and services.

b. Personnel
   1. To direct and supervise all matters related to human resources and to issue specific regulations for organisational purposes.
   2. to propose to the Board of Directors the approval of the annual budget for personnel expenses and the related remuneration policies, consistently with the strategies approved in the industrial plan, subsequently executing them - after approval - also by exercising the power set out below;

3. to oversee negotiations for the drawing up of any supplementary corporate employment contracts;
4. to propose to the Board of Directors the hiring, promotion, termination of the Bank's "significant personnel" as defined in the document pertaining to personnel remuneration policies, approved by the Bank's Shareholder's Meeting, and prepared in compliance with supervisory provisions;
5. to hire, promote, terminate the remain personnel under defined and undefined duration employment contracts, setting their level, functions, compensation and improvements.
6. to supervise the entire process of any disciplinary charges and adopt and notify disciplinary penalties;
7. to decide with regard to the execution of continuous collaboration contracts for personnel not directly employed by the Bank;
8. to stipulate insurance coverage in favour of employees;
9. to grant advance payments, at employees' request, from the accrued employee termination indemnity;
10. to make decisions with regards to the appointment and revocation of those responsible for departments, organisational units and branches. With the exclusion of the organisations referred to the Bank's "significant personnel", which remain under the authority of the Board of Directors:
11. to represent the Bank with respect to all social security, insurance and labour Institutions, complying with current labour provisions, specifically concerning insurance, indemnities, taxes, and to represent the Bank with respect to workers' unions and employers' trade associations;
12. to authorise travels and attendance at training courses, according to the powers defined in the Regulations on personnel management and administration. In detail, the following powers are granted:
    i. based on the estimated total cost of the travel, to authorise the expe1nse of up to 50,000 euros. Limit for each individual travel and subject to the provisions of the annual expense budget;
    ii. based on the registration cost for each individual person in a training course, to authorise the expense;
13. to assume expense commitments, also through the use of corporate credit card loans, for entertainment expenses up to 300,000 euros for each individual event.

c. Communication
    1. To sign account statements and notices to customers, including those required by bank disclosure regulations;

d. Relations with the authorities, public administration and with agencies
    1. To carry out all actions pertaining to transactions on accounts, securities and deposits held with the Bank of Italy;
    2. to represent the Bank before inland revenue offices, registry offices, revenue technical offices, the Revenue Service, the value added tax offices, service centres, the tax register, municipal offices, including those for local taxes, and before the general record of equities, preparing, signing and filing petitions, appeals, complaints, declarations, returns and forms for third party income subject to withholding tax, the monthly and annual VAT returns, making payments or collecting reimbursements;

3. to manage relations with the Interbank Fund for the Protection of Deposits;
4. to entertain relations with judicial authorities;
5. to sign any document necessary to deposit trademarks, patents and distinguishing marks with competent administrative bodies;
6. to file reports and/or complaints and to make garnishee's statements;
7. to file criminal complaints with the competent Judicial Authority within legal initiatives involving the Bank, and to accept the withdrawal of the complaint.

e. Banking Services
   1. To issue, endorse, accept and protest bank cheques, bills of exchange, promissory notes, deposit warrants and other bills also for collection, subject to prescribed limits to credit and settlement powers;
   2. to discount and defer bills;
   3. to negotiate, acquire, sell, also on the bank's own behalf, bank bills and commercial paper;
   4. to open current accounts and deposit accounts with any bank and postal current accounts and to operate thereon, carrying out all transactions necessary for their operation;
   5. to stipulate guaranteed loan agreements with the Bank of Italy and other banks;
   6. to authorise bank and intra-bank transfers in Italy or abroad on behalf of private customers and of institutional customers with direct relations, subject to the bank's official counter-signature and certification of funds availability, without limits to their amounts. Powers without amount limits shall nonetheless remain within the supervisory limits for risk concentration (25% of regulatory capital);
   7. to authorise bank and intra-bank transfers on behalf of the Bank (suppliers, commissions, etc.), subject to the authorisation already provided according to the assigned expense powers;
   8. to authorise the issue of bank drafts on customer's behalf;
   9. to receive amounts, make payments and issue receipt;
   10. to authorise the general conditions and the interest rates by type of service/transaction (bank service price list);
   11. to grant waivers with respect to the price list, by relationship, up to a complete zeroing of the value of all commission items;

f. Financial activities and investment services
   1. To request membership in regulated market management companies and multilateral trading facilities, signing the related conventions and restricting the required deposits and to activate conventions with intermediaries/brokers;
   2. to guide the policies for managing company liquidity and the "banking book", supervising compliance with the connected risk limits set out in the Regulations for financial activities;
   3. to order or authorise, within the scope of the specific guidelines of the Board of Directors, transactions on the bank's own behalf or on behalf of third parties on financial instruments, also not listed on Italian or foreign regulated markets and on currencies and transactions on the money market. At the proposal of the Deputy General Manager - Finance Area, to execute framework agreements for over the counter operations and financial guarantee contracts.

4. to authorise settlement of transactions on financial instruments and currencies, and payment orders on the accounts pertaining to transactions in the finance area;
5. to intervene on the Bank's behalf in all transactions concerning the transfer of securities, signing for deposits, receipts, transfers, authentication and similar;
6. to authorise the general mandate conditions (investment service price list);
7. to grant waivers on commissions and expenses (with respect to the price list) by relationship, up to a complete zeroing of the value of all commission items;
8. to authorise transactions with single counterparty entailing temporary loans beyond the limits prescribed for that counterparty;
9. to sign bid documents, information prospectuses, information documents pertaining to financial instruments and products issued or offered by the Bank;
10. to promote, organise and participate directly, with or without providing guarantees with respect to the issuer, in syndicates for the placement and guarantee of financial instruments, also long term, in euro or in foreign currencies, signing the related agreements with guaranteed and sub-guaranteed issuers with all broadest powers to define the remuneration and procedures of the transactions in question, within the scope of the granted powers, within the limit of 20,000,000 euros for each individual transaction; and to organise, without assumption of share, loans and financing, also medium and long term, in euro and foreign currencies, upon specific appointment by the beneficiary;
11. to carry out repo transactions up to amount of 200,000,000 euros for each individual transaction.

g. Credit, settlements, mortgages and property seizures
   1. To approve and authorise settlements and concessions / renewals / changes to credit lines, within the scope of his powers, by technical form, as described in detail below:
      i. to authorise current account overdrafts beyond the agreed limit, up to 2,000,000 euros per individual overdraft;
      ii. to authorise current account overdrafts, up to 2,000,000 euros per individual overdraft;
      iii. to issue credit card loans to customers, or to increase the maximum monthly utilisation limit of 50,000 euros (black card);
      iv. to grant credit lines/loans with "class A risk" as defined by the credit Regulations, up to a maximum amount of 1,500,000 euros;
      v. to grant credit lines/loans with "class B risk" as defined by the credit Regulations, up to a maximum amount of 2,000,000 euros;
      vi. to grant credit lines/loans with "class C risk" as defined by the credit Regulations, up to a maximum amount of 3,500,000 euros;
      vii. to grant current account overdraft credit lines, up to a maximum amount of 2,500,000 euros;
      viii. to authorise the purchase of securities with temporary current account overdraft, up to a maximum amount of 2,500,000 euros;
      ix. to authorise "reserved entry unlocking", without amount limits;
      x. to authorise the use of the error accounts for purchase/sale of securities on third parties' behalf, with a limit of 500,000 euros for each individual event (income statement impact generated by the activation of the errors account, regardless of the sign);

xi. to grant credit lines for customers' "forward transactions", up to a maximum amount of 3,500,000 euros. For forward transactions hedging positions in securities with duration up to 6 months, a "utilisation" of the line equal to 20% of the forward, equal to 50% with durations above 6 months is generated. For speculative transactions, the "utilisation" is 100% of the forward;

xii. to authorise Euro current account overdrafts for foreign transactions, without amount limits;

xiii. to authorise foreign currency current account overdrafts for foreign transactions, without amount limits;

xiv. to authorise temporary overdrafts (up to 3 days) for transactions on financial instruments, up to a maximum amount of 5,000,000 Euros;

xv. to grant credit lines for transactions entailing risk "of delivery" or "of a commercial nature" (max deferral 6 business days) in relation to the collection of the price, up to a maximum amount of 4,000,000 euros;

2. to provide sureties and guarantees in the interest of the Bank and of third parties, within the limits of the powers assigned under point 1.;
3. subject to the decision by the competent level in terms of amount, in accordance with the then-current credit regulations, to constitute, in the bank's favour, guarantees of any nature in particular with regard to the granting of mortgages; to allow inscriptions, transcriptions, cancellations, postponements, reductions, annotations, subrogations, fractionings; to request preventive remedies, to enforce recovery actions, on public registries;
4. to request, negotiate and stipulate with banks and financial intermediaries credit transactions in the Bank's favour for up to 10,000,000 euros;
5. to settle disputes - out-of-court or judicially - in relation to credits, with impacts not amounting to more than 250,000 euros. To waive credits of an amount no greater than this same limit. With the preventive opinion of the Credits Committee;
6. to take resolutions - with effect also towards third parties and the competent Property Registrars - with regards to the restriction, reduction, division, subordination, renovation, cancellation (fully or partially) or mortgages and the release of mortgaged property, with a declaration exonerating the Keeper of the records from all relevant liability; all this, furthermore, with reference to cases of total or partial credit recovery, restructuring (see above), settlement (see above) or renunciation of credit (see above) and with the limits set out therein; with reference to the cases of payment or reimbursement - total or partial - of the amount due, with no limit of amounts;
7. to waive - with the same effects and limits as per the previous point - property repossessions and to request the cancellation of transcriptions of property seizures and/or any notes;
8. with reference to matters other than credit-related, to act judicially, also through precautionary or executive measures and also by interventions, in every venue and degree also before arbitrators and to lodge appeals for declarations of bankruptcy and insolvency, proposing the related petitions for admission, including late ones, intervening and proposing petitions of any nature in insolvency proceedings and objections to total debt statements. To appoint legal counsel, attorneys and arbitrators for this purpose. All for credits whose amount, for each position, do not exceed 1,000,000 euros; to request preventive remedies, to enforce recovery actions, on public registries;
9. to give execution to the resolutions of the Credits Committee.

h. Expenses

1. To undertake and authorise spending commitments according to the procedures and in accordance with the powers set out in the Regulations for general expenses and investments. In detail, the following powers are granted:
   i. to assume spending commitments for costs connected with the operation of the Bank, not regulated by specific conventions or administration agreements up to 250,000 euro for each individual expense;
   ii. to assume commitments for investments directed at assuring the operation of the Bank. With a maximum limit of 1,000,000 euros for each individual investment;
   iii. to assume individual commitments up to 100,000 euros each for operation, unforeseen events, consultancy services, promotion, supplies etcetera.

i. Disputes and complaints

1. At the proposal of the head of the Compliance function, definitively address each individual complaint;
2. to appoint and revoke legal counsel, attorneys and arbitrators;
3. to accept and stipulate settlements with the opposing parties in judgement, up to 250,000 euros of amount for the transaction;
4. to represent the Bank in court and to confer powers of attorney, also for settlements and for depositions, including formal ones;
5. to respond definitively to each individual complaint for amounts up to 500,000 euros;
6. to decide reimbursement and returns; waivers to revenues and settlements in the pre-dispute phase (with the exception of cases of restructuring of problem credits and/or of increased credit risk); payments not in accordance with the contractual terms for amounts up to 500,000 euros on an annual basis;
7. to accept out of court settlements for amounts up to 250,000 euros;

Chairman of the Board of Directors

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

Disclosure to the Board

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

During Board meetings, the Chairman of the Board of Directors informs the Directors in a timely manner of all updates to first and second level regulations linked to the Bank and Group's activities.

4.5 OTHER EXECUTIVE DIRECTORS

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

4.6 INDEPENDENT DIRECTORS

The Board of Directors appointed by the Shareholders' Meeting of 27 April 2018 and in office until approval of the 2020 financial statements, was formed in accordance with the criteria specified in the Governance Code and with the rules promulgated by the Bank of Italy and by Consob. It consists of 11 Directors, 5 of whom are independent.
Each independent Director filed his/her professional CV and released the statement of independent and undertook to notify the Board of Directors of any changes that may occur during his/her dime in office as Director.
Each Director's independence has been assessed on his/her appointment, with regard to the requirements laid down by the law and the Governance Code, and the results of the assessment were disclosed to the public with a communication to the market.

By specifically investigating, on 4 May 2018, the Board of Statutory Auditors ascertained the correct application of the criteria adopted by the Board to assess the independence of its Directors.

The Board, on the occasion of the annual self-assessment process, verified the independence of its on members in the meeting of 19 March 2019.
In addition to confirming - having ascertained the existence of the independence conditions prescribed both by the Italian Consolidated Financial Law - the independence of the directors Roberto Cusmai, Flavia Mazzarella, Andreina Scognamiglio, Marco Tofanelli, the Board declared the independence of the director Ermanno Boffa.
For the latter, the independence in accordance with the Consolidated Financial Law was ascertained because this director does not hold executive office either in Banca Finnat, or in any Company of the Banca Finnat Group, nor are there any preventative situations in accordance with Article 147-ter of the Consolidated Financial Law.
The Board also deemed that while Mr. Ermanno Boffa, is in the situation prescribed by the Governance Code under application criterion 3.C.1.e), i.e. in office for more than nine years in the past twelve, having regard more to substance than to form, the aforesaid criterion may be waived, inasmuch as the extended term of office does not, in this specific case, constitute such a relationship as would compromise or even merely condition his independence. The Board concluded that Mr. Ermanno Boffa, by virtue of the experience and professionalism he has gained, has demonstrated and expressed high and consolidated ethical and professional qualities that allow him to express his full independence.

With reference to 2018, the independent Directors met once without the other Directors and they expressed some positive considerations, inter alia, with respect to the quality of the board information and of the induction meetings.

4.7 LEAD INDEPENDENT DIRECTOR

In the meeting of 27 April 2018, the Board of Directors - although its conditions did not apply, to be consistent with the best market practices - appointed Mr. Marco Tofanelli as Lead Independent Director, assigning him the duties prescribed by the Code.

5.0 PROCESSING OF COMPANY DATA

The Bank has set up the internal procedure "Management of public disclosures of significant events and circumstances", with the aim of allowing the fulfilment of informative commitments pursuant to Article 114 of Italian Legislative Decree no. 58 dated 24 February 1998, providing the criteria suitable for identifying documents and information concerning the Bank and the subsidiaries, not in the public domain, and of such a level that, if made public, able to significantly affect the price of the financial instruments issued by the Bank (price sensitive issues), in addition to other significant events and circumstances, and to govern the methods by which such are disclosed to the public.

Communication obligations are met, on the Bank Managing Director's behalf and on his instruction, by the "Investor Relator".
Communications are made immediately available to the public in compliance with the law.
The "Investor Relator" publishes the disclosure on the Bank's website in both Italian and English, by the time of opening of the market on the day after the date on which said news is disclosed.
The disclosure remains available on the website for at least five years as from the date of publication.
https://www.bancafinnat.it/it/pages/index/2/19/0/19/Info-regolamentate-Sito-Istituzionale.
In compliance with the provisions of Article 115-bis of Italian Legislative Decree no. 58/98, and of Regulation (EU) no. 596/2014 the Bank has set up the "Register of Persons with access to privileged information" (Insider Register). The Legal Department appointed to hold the "Insider Register".
The Bank has also adopted a specific internal procedure, the "Internal Dealing Code", which is binding for all Board members and aims to govern the disclosure to be made to the market, in the event of company representatives trading in Bank shares https://www.bancafinnat.it/it/pages/index/2/19/0/19/Info-regolamentate-Sito-Istituzionale.

6.0 INTERNAL BOARD COMMITTEES

To perform its duties more effectively, the Board has appointed from within it the Appointments Committee, the Remuneration Committee and the Risk Committee, consisting exclusively of non-executive independent Directors. For the Risk Committee and the Remuneration Committee, at least one member has accounting, financial and risk management experience.
No other Committees have been established within the Board of Directors.
The functions of the Committees have been attributed as prescribed by the Governance Code.
The functions of the Committees are not reserved to the Board.

7.0 APPOINTMENT COMMITTEE

The Committee comprises the following non-executive Directors, all of whom are independent: **Andreina Scognamiglio** serving as Chairman, **Lupo Rattazzi** and **Marco Tofanelli**.
The Appointment Committee provides advice and formulates proposals and recommendations for the Board

of Directors, in order to identify professionals who can contribute to the optimal qualitative and quantitative composition of the Board.

In particular the Committee shall carry out the following tasks:

a) serves in a consultative role in:
   i. preventive identification of the qualitative and quantitative composition of the Board deemed optimal in relation to the objectives indicated in paragraph 1 of Part One, Title IV, Chapter 1, Section IV of Bank of Italy Circular no. 285 of 17 December;
   ii. identification of the theoretical profile (including characteristics of professionalism and independence) of the candidates deemed appropriate for the same purposes;
   iii. subsequent verification that the qualitative and quantitative composition deemed optimal matches the actual one resulting from the appointment process.
b) expresses recommendations pertaining to the professionals whose presence within the Board is deemed appropriate and to the topics per Articles 1.C.3. and 1.C.4 of the Governance Code;
c) expresses its opinion on the suitability of the candidates who, based on the analysis it carried out, the Board has identified to hold the offices, both when lists are submitted to the Shareholders' Meeting and when they are co-opted by the directors;
d) provides support to the bodies providing strategic supervision and management of the following processes:
   i. appointment and co-optation of the directors as specified in letter a) above. With reference to the need to assure a high degree of diversification of the collective composition of the body, the Committee - subject to the obligations prescribed by law - sets an objective in terms of proportion of the less represented gender and may prepare a plan to increase said proportion to the set margin;
   ii. self-assessment of the bodies as prescribed in Part One, Title IV, Chapter 1, Section IV of Bank of Italy Circular no. 285 of 17 December 2013 and in the Regulation of the Bank;
   iii. verification of the conditions prescribed by Article 26 of the Italian Consolidated Law on Banking;
   iv. definition of the plans for succession in top executive positions prescribed in Part One, Title IV, Chapter 1, Section IV of Bank of Italy Circular no. 285 of 17 December 2013.

The Chairman of the Committee coordinates the meetings, whose minutes are recorded by the secretary appointed on each case; the Chairman of the Committee, during each meeting of the Board of Directors, provides information about the activity carried out and the content of the meetings.

In 2018, the Appointment Committee met 6 times and meetings had an average duration of 30 minutes; during the current year, the Committee held one meeting.

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

In 2018, the Appointment Committee:

1. provided regular information to the Board of Directors through its Chairman, reporting in the first useful board meeting, about the activity carried out and the contents of the Committee meetings held in the time intervals between Board of Directors meetings;
2. expressed its opinion on the appointment of the Head of the Internal Auditing Department;
3. expressed its opinion on the results of the self-assessment by the Board of Directors;

4. set forth in writing its recommendations on the optimal qualitative and quantitative composition of the Board;
5. revised its internal Regulation;
6. expressed its opinion on the appointments in the subsidiaries.

8.0 REMUNERATIONS COMMITTEE

The Committee comprises the following non-executive Directors, all of whom are independent: **Roberto Cusmai**, serving as Chairman, **Ermanno Boffa** and **Andreina Scognamiglio**.
The meetings of the Committee are attended by the Chairman of the Board of Statutory Auditors or by another Statutory Auditor designated by him/her.
The Remunerations Committee provides advice and submits proposals to the Board of Directors concerning the remuneration of corporate officers and heads of the corporate audit functions and the determination of personnel remuneration criteria; in particular:
The Committee provides advice and submits proposals concerning the remuneration of corporate officers and heads of the corporate audit functions and the determination of personnel remuneration criteria, and it supports the Board of Directors with its advice and proposals, in particular:

1. it oversees the correct enforcement of the rules for the remuneration of the heads of the corporate audit functions, in close cooperation with the audit body;
2. it oversees the preparation of the documentation to be submitted to the Board of Directors for the related decisions;
3. it collaborates with the other Committees within the Board of Directors, in particular with the Risk Committee;
4. it assures the involvement of the competent corporate functions in the definition and control of remuneration policies and practices;
5. it expresses its views, relying also on the information received from the competent corporate functions, on the attainment of performance targets, to which the incentive plans are tied, and on the ascertainment of the other conditions set for payment of the compensation;
6. it provides adequate feedback on the activity it carries out to the corporate bodies, including the Shareholders' Meeting;
7. it reports to Shareholders with regard to the way it carries out its duties; for this purpose, at least the Chairman or another member of the Committee shall attend the annual Shareholders' Meeting;
8. it submits to the Board of Directors proposals for the remuneration of the Managing Director and of the other Directors holding special offices, monitoring the enforcement of the decisions adopted by the Board;
9. it periodically assesses the criteria adopted for the remuneration of key managers, it oversees their enforcement on the basis of the information provided by the Managing Director and it formulates general recommendations on the matter to the Board of Directors;
10. it proposes to the Board of Directors the incentive systems deemed most appropriate (including stock option plans and the other share-based plans, i.e. "share retention") and it monitors the application and the evolution over time of the plans approved by the Shareholders' Meeting on the proposal of the Board itself.

In the performance of its duties, the Committee:

- coordinates with the Board of Statutory Auditors, which in expressing the opinion per Art. 2389 Paragraph 3 of the Italian Civil Code, verifies the consistency of the Committee's proposals to the Board of Directors with the remuneration policy;
- may access the information and the corporate functions necessary to carry out its tasks and it may rely on outside consultants, within the terms set by the Board of Directors. The Bank will make available to the Committee financial resources, when necessary, to carry out its duties, within the limits of the specific budget approved by the Board of Directors;
- it has the authority to rely on the services of a consultant in order to obtain information about the market practices pertaining to compensation policies, preventively verifying that said consultant is not in situations that may compromise his/her independence;

The duties of the Committee are set by resolution of the Board of Directors who established and they can be supplemented or changed by subsequent resolution of the Board of Directors on the proposal of the Committee.

In 2018, the Committee did not deem it necessary to rely on outside consultants.

The Remunerations Committee met 7 times in 2018, with an average duration of approximately 45 minutes per meeting; in the current year, 2 meetings were held.

No director concerned took part in the meetings of the Remunerations Committee during which proposals were made with regard to their remuneration.

The Heads of the Functions involved in relation to the items in the Agenda were invited to attend.

During 2018, the Committee, on the basis of the documentation received from the Bank and retained in the records of the Board of Directors' secretarial office:

- provided regular information to the Board of Directors through its Chairman, reporting in the first useful board meeting, about the activity carried out and the contents of the Committee meetings held in the time intervals between Board of Directors meetings;
- examined the general principles and the 2018 incentive System and expressed its favourable opinion;
- formulated remuneration proposals to personnel whose remuneration and incentive systems are decided by the body with strategic supervision function;
- examined the Incentive System of the subsidiaries;
- it approved the report on the activity carried out in 2018;
- expressed favourable opinion on the remuneration policies for Directors, employees and contractors not bound by an employment agreement;
- examined the Remuneration Report on the remuneration paid out in 2017, prepared pursuant to Article 123-ter of Italian Legislative Decree 24 February 1998, no. 58 ("TUF" Italian Consolidated Financial Law) and of Article 84-quater of Consob Regulation no. 11971 ("RE"), as well as in compliance with the Prudential Supervisory Provisions of the Bank of Italy, and it expressed its favourable opinion at the first useful meeting of the Board of Directors;
- expressed favourable opinion on paying additional compensation with respect to those set by the Shareholders' Meeting to a Director holding a specific office;
- expressed favourable opinion on the proposal to recognise annual compensation to the Managing Director for the time in office, pro rata temporis, taking into account the particular tasks and duties he

will have to carry out in accordance with Article 2389, 3rd paragraph of the Italian Civil Code and to the regulations of the Code; it examined the Regulation of the Committee to verify any revisions to be made and deemed it adequate;

- ascertained that the conditions for the activation of the 2017 Incentive System of the Bank and of the companies of the Group were met;
- expressed favourable opinion to the granting of bonuses for "significant personnel" according to the proposal in the record;
- formulated proposals to the Board of Directors with respect to the granting of bonuses to top managers and to the Heads of the Control Functions;
- examined the extension of the defined duration appointment for the Head of the Internal Audit Function.

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

9.0 DIRECTORS' REMUNERATION

On 27 April 2018, the Shareholders' Meeting of Banca Finnat approved the policy for the remuneration of Directors, employees and contractors not employed directly by the Bank.
In accordance with Article 114, paragraph 5 of the Italian Consolidated Financial Law, it is declared that on 31 December 2018, there are no agreements in place concerning indemnity to be paid to Directors in the event of early termination of their office.
For all information about the policies for the remuneration of Directors adopted by the Bank, please refer to the "Remuneration Report" prepared in accordance with Article 123-*ter* of the Italian Consolidated Financial Law referred to the year 2018, to be published within the terms prescribed by law on the Website www.bancafinnat.it in the Corporate Governance section.

10.0 RISK COMMITTEE

The Committee comprises the following non-executive Directors, all of whom are independent: Marco Tofanelli, serving as Chairman, Ermanno Boffa and Roberto Cusmai.
The Board of Statutory Auditors attends the Committee's meetings.
The Risk Committee, as prescribed in its own Regulation, performs the duties of the independent directors' Committee as provided by the "Regulation for Related Party Transactions and for the assumption of risk assets with regard to Related Parties" of Banca Finnat.
To enable the Board of Directors to make its own decisions with better knowledge, contributing to ensure that they are the result of adequate preparation and evaluation, the Committee, in relation to the internal auditing and risk management System and to the approval of the periodic financial reports, performs preparatory, advisory and proposal-making functions, by formulating proposals, recommendations and opinions.

Opinions to the Board of Directors

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

a) to the definition of the guidelines of the internal audit and risk management system defined by the Board itself, so that the main risks of Banca Finnat S.p.A. and of its subsidiaries are correctly identified and adequately measured, managed and monitored, determining the criteria for the compatibility of such risks with a management of the enterprise that is consistent with the identified strategic objectives;
b) to compliance with the principles to which the internal audit system and the corporate organisation must be aligned and with the requirements that must be fulfilled by the corporate audit functions, bringing to the attention of the Board of Directors any weaknesses and the consequent corrective actions to be promoted; for this purpose it also assesses the proposals of the body with management functions;
c) to the assessment, with at least monthly periodicity, of the adequacy of the internal auditing and risk management system with respect to the characteristics of the company and the assumed risk profile, as well as its effectiveness;
d) to the description in the corporate governance report of the main characteristics of the internal audit and risk management system, and of the coordinating procedures between the parties involved therein, expressing its assessment of the systems' adequacy;
e) to the approval - at least on an annual basis - of the work plan prepared by the internal audit function, and of any changes thereto in the course of the year;
f) to the assessment of the results illustrated by the independent audit firm in the letter of recommendations and in the report on the fundamental questions emerged from the audit;
g) to the appointment and revocation of the head of the internal audit functions, to the adequacy of the resources assigned to him/her to perform his/her duties, and to the definition of his/her remuneration, consistently with company policies;
h) to the definition of the corporate policy for outsourcing corporate audit functions;
i) to the Bank's interest in the completion of related party Transactions, and to the advisability and substantial correctness of their conditions. In this regard, for any matters not expressly provided herein, the "Regulation for Related Party Transactions and for the assumption of risk assets with regard to Related Parties" of Banca Finnat, revised on 18 December 2018, is understood to be referenced herein.

Assistance to the Board of Directors

In assisting the Board of Directors, the Committee:

In relation to accounting:

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

In relation to the Internal Audit Function:

c) monitors the autonomy, adequacy, effectiveness and efficiency of the internal audit function;

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

In relation to the Internal Control Functions:

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

In relation to Risk Management and Control:

j) reports to the Board of Directors, at least once every six months, at the time of approving the financial statements and the half-yearly report, on the work performed and the adequacy of the internal auditing and risk management system;
k) supports, with adequate preliminary activities, the evaluations and decisions of the Board of Directors relating to the management of the risks deriving from prejudicial events of which the Board of Directors had become aware;
l) supports the Board in the definition and approval of the risk control strategy and policies. Within the RAF, the Committee performs the necessary assessment and propulsive activity to enable the Board of Directors to define and approve the risk targets and the tolerance thresholds, by virtue of Circular no. 263, Title V, Chapter 7;
m) it ascertains that the incentives underlying the remuneration and incentivising system of the bank are consistent with the RAF ("Risk Appetite Framework"), without prejudice to the responsibilities and authority of the Remunerations Committee;
n) supports the Board in the verification and correct application of the strategies, of the risk control policies and of the RAF;
o) supports the Board in the definition of the policies and processes for the assessment of corporate activities, including the verification that the price and conditions of transactions with customers are consistent with the business model and with the risk strategies;
p) meets at least once a year with the Supervisory Body in accordance with Legislative Decree no. 231/2001, and it reviews its annual report.

In the performance of its duties, the Committee:

q) identifies all information flows that must be addressed to it with respect to risks;
r) may access the information and the corporate functions necessary to carry out their tasks and to rely on outside consultants, within the terms set by the Board of Directors. The Bank will make available to the Committee financial resources, when necessary, to carry out its duties, within the limits of the

specific budget approved by the Board of Directors;

s) exchanges all information of mutual interest with the audit body and, if appropriate, it coordinate with it for the performance of their respective tasks;

t) adopts measures directed at assuring that the transactions in which a director is the bearer of an interest on its own or on third parties' behalf are carried out transparently and complying with criteria of substantial correctness.

In 2018, the Committee met 11 times for an average duration of 1.40 minutes; 3 meetings were held in the current year.
The Heads of the Functions involved in relation to the items in the agenda were invited to attend.

During the meeting held in the period between 1 January and 31 December 2018, the Committee carried out the following activities:

a) In ensuring compliance with Bank of Italy provisions and with the Governance Code:
- provided regular information to the Board of Directors through its Chairman, reporting in the first useful board meeting, about the activity carried out and the contents of the Committee meetings held in the time intervals between Board of Directors meetings;
- prepared and shared its annual Report to the Board on the activity carried out in 2017; it prepared its opinion on the adequacy and effectiveness of the internal control and risk management system;
- prepared and shared its half-year Report to the Board on the activity carried out from 1 January to 30 June 2018;
- it reviewed the revision to Regulation for Related Party Transactions and for the assumption of risk assets with regard to Related Parties, and related policy;
- revised its own Regulation.

b) In relation to risk management

In its **meetings with the Risk Management Function**, the Committee:
- i) analysed the quarterly Dashboard of the risk control Office; (ii) received information about a revision of the Group's Restructuring Plan; iii) analysed the annual Report of the Risk Control Office and the plan of activities for 2018; iv) reviewed the ICAAP Preliminary Summary; v) analysed the Third Pillar; vi) analysed the RAF - Risk Appetite Framework; vii) reviewed the ICAAP/ILAAP report.

In its **meetings with the Compliance Department**, the Committee:
- i) analysed the quarterly Dashboard; ii) analysed the quarterly Report on related party transactions; iii) analysed the annual Report on complaints; iv) reviewed the 2018 plan of activities; v) reviewed a related party transaction involving a small amount; vi) analysed the revision of some framework resolutions on trading in financial instruments with related parties, CO2 transactions with related parties and current account overdrafts; vii) reviewed the half-yearly Report of the Compliance Department on the transactions involving financial instruments carried out by the corporate officers.

In its **meetings with the Anti-Money Laundering Department**, the Committee:
- i) reviewed the quarterly and yearly Report; ii) examined the results of the self-assessment of money laundering risks.

The Committee received the illustration of the report on the activity carried out in the second half of 2017 and in the first half of 2018 by the **Supervisory Body**.

c) In relation to the Internal Audit process

In its meeting with the Internal Audit Function, the Committee reviewed:

- i) the quarterly Dashboard; ii) the Report on the audits carried out on the important operating functions outsourced outside the Group; iii) the 2017 annual Report on the audits carried out; iv) the 2018 audit plan; v) the Report on investment services; vi) the results of the audit on the application of the new IFRS 9.

The Committee received information about the new employment agreement executed by the Head of the Internal Audit Function and it expressed its favourable opinion on its extension.

d) In relation to accounting:

In its meetings with the Head of the Administration and Control Department, the Committee:

- i) reviewed the Impairment test - methodological note and the related revision; ii) acknowledged the preliminary results at 31 December 2017; iii) acknowledged what was communicated concerning the process of formation of the Bank's multi-year Business Plan for the years 2018-2020 and its main contents; iv) viewed the information provided by the Manager in charge of preparing the accounting documents concerning the 2018 financial statements; v) analysed the Staging Allocation Policy, the Benchmark Cash Flow Policy and the Validation Policy; vi) assessed the correct utilisation of the accounting standards and their consistency for the purposes of preparing the consolidating financial statements together with the Manager in charge of preparing the accounting documents, after receiving the input of the audit firm and of the Board of Statutory Auditors, as well as actual compliance with the administrative and accounting procedures (Article 154-bis of the Consolidated Financial Law); vii) acknowledged what has been communicated with regard to the draft individual and consolidated financial statements at 31 December 2017 and to the process for their formation; viii) examined the preliminary group result at 30 June 2018; ix) examined the consolidated half-yearly financial report at 30 June 2018; x) delved into the checks of the Manager in charge of preparing the accounting documents at 30 June 2018.

11.0 INTERNAL AUDITING AND RISK MANAGEMENT SYSTEM

The Bank, in line with current regulations and consistently with the indications of the Code, has adopted an Internal Control and Risk Management System capable of continuously monitoring the typical risks of the company's activity.

Thus, the Internal Auditing System is the comprehensive set of organisational controls, procedures and rules of conduct directed at enabling, through an adequate process of identification, measurement, management and monitoring of the main risks, a sound and proper management of the company, consistent with pre-set objectives. This system is an integral part of operations and it involves all sectors and corporate structure, each called, for matters under its competence, to assure constant, continuous monitoring of the risks.

The Internal Auditing System therefore meets the need to assure sound and prudent management of the

activities of the Bank and of the group, reconciling, at the same time, the attainment of the company objectives, the correct and punctual monitoring of risks and operations guided by correctness criteria; this system also meets the prescription of Article 7 of the Code.
The Internal Auditing system of Banca Finnat, defined by the Board of Directors and subject to periodic monitoring, consists of:

a) *line audits*: audits - of a systematic or periodic nature on a sample of data - carried out by the heads of the individual operating units, directed at assuring the correct performance of the transactions carried out by the same productive structures or included in the procedures or carried out within the scope of *back office* activities;
b) *risk management audits*: audits carried out by the heads of the individual operating units and by the Risk Management Organisational Unit, connected with the process of definition of risk measurement methods, pertaining to the verification of compliance with the limits assigned to the various operating units and the check of consistency of the operations of the individual productive areas compared to the risk/return targets assigned for the individual types of risks (credit, market, operational);
c) *compliance audits*: audits carried out by the Compliance Organisational Unit on the operations' compliance with the law, with the instructions of the supervisory Authorities and with the Bank's own regulations;
d) *anti-money laundering audits*: audits carried out by the Anti-Money Laundering Organisational Unit on the operations' compliance with the law, with the instructions of the supervisory Authorities concerning anti-money laundering and financial contrast to terrorism, and with the consequent self-regulation rules of the Bank;
e) *internal audit activity*: carried out by the Internal Auditing Function to check the regularity of the Bank's operations and risk trends, to assess the functionality of the comprehensive internal audit system and to identify any anomalies and violations of procedures and regulations.

On 26 June 2018, the Board of Directors approved the fourth version of the RAF - Risk Appetite Framework, represented by the Policies, by the Processes, by the limits and control systems implemented by the Group to define and monitor the risk level the Bank intends to assume.

Whistleblowing was activated.
On 17 December 2015, the Board of Directors approved a policy for the internal violation reporting systems ("whistleblowing"), to enable the Bank's personnel to report actions and facts that can violate regulations governing banking and financial activities. The term "system" means the set of controls through which the Bank manages the whistleblowing information flow.
In the Policy, the Bank outlined the concrete scope of the regulation, through a non-comprehensive exemplifying list of cases of reportable violations.

The reports pertain to any behaviour constituting a violation of the rules governing the banking activity and investment services (Consolidated Law on Banking and Consolidated Financial Law).
On 15 March 2018, the Compliance Department submitted the report to the Board of Directors on the internal Whistleblowing systems for 2017.
The report indicates that in 2017 the Compliance received two reports through the aforementioned system.

The matters were further examined and upon completing them the Department did not find any violations of banking or financial provisions.
The process was completed within the set terms and the result was communicated to the persons making the report.
The report was made available to the Bank's personnel through its publication on the corporate Intranet by the Department.
The report ends with the 2018 work plan.

The Internal Audit System of the Bank also extends to the Subsidiaries.
The Bank defined in a dedicated Policy the guidelines and the fundamental values on which its Internal Audit System is based.
The keystone principles are:

- the corporate activity must comply with the applicable internal and external rules and it must be traceable and documentable;
- the assignment and the exercise of the powers within a decision-making process must be coupled with the positions of responsibilities and with the significance and/or the critical nature of the underlying economic transactions;
- there must be no subjective identity between those who make or implement the decisions, those who must provide accounting evidence of the transactions that were decided and those who must audit them as prescribed by law and by internal procedures;
- the confidentiality and compliance with regulations protecting privacy must be assured.

Responsibility for the Internal Audit System rests, in accordance with current regulations, with the Board of Directors, which shall: (i) set its guidelines, strategic directions and risk management policies, (ii) approve the organisational structure of the Bank, ensuring that duties and responsibilities are clearly and appropriately assigned and periodically verify their adequacy and actual operation, ensuring that the main corporate risks are identified and managed properly: (iii) ensure that the audit functions have an appropriate level of independence within the structure and are provided with adequate resources for correct operation. Moreover, the Board of Directors with the support of the Risk Committee within the Board, periodically assesses the functionality, effectiveness and efficiency of the Internal Control System, promptly adopting any corrective measures as deficiencies and/or anomalies emerge in the performance of the audits.
The Board of Directors, to implement the provisions of the Code with respect to internal audits and to comply with the recommendation of the current supervisory regulations, has established the Risk Committee within the Board itself; inter alia, the Committee carries out the preparatory activity, directed at enabling the Board to perform its functions the best possible way with regard to the competencies in question.
To implement the recommendations of the Code on the matter of internal controls, the Board:

a) defined the guidelines of the Internal Audit and Risk Management System, so that the main risks of the Bank and of its subsidiaries are correctly identified and adequately measured, managed and monitored, also determining, by approving the Risk Appetite Framework, the degree of compatibility of such risks with a management of the Bank that is consistent with the identified strategic objectives, both with an annual and multi-year perspective;

b) periodically assesses the adequacy of the Internal Audit and Risk Management System with respect to the Bank's characteristics and to the assumed risk profile, as well as its effectiveness; this assessment takes place mainly through: (i) the review, carried out with the support of the Risk Committee and with quarterly periodicity, of the results of the reports prepared by the heads of the auditing departments and with annual periodicity, of the results of the annual Reports, also prepared by the heads of the auditing departments (ii) approval of the work plans prepared by the Heads of the company auditing departments.

Moreover, the Bank exercises management and coordination activities with respect to group companies through:

a) strategic control over the evolution of the different areas of activity in which the group operates and of the risks bearing on the property portfolio. This is control both on the expansion of the activities carried out by the companies of the group and on the policies for acquisition and disposal by group companies; strategic coordination is carried out mainly through the presence, in the Boards of Directors of each subsidiaries, of some exponents designated by the Board of the Bank;
b) management control directed at assuring that the conditions of economic, financial and capital balance of both the group's individual companies and the group as a whole are maintained. These control needs are met through the preparation of plans, schedules and budgets (company and group), and through the analysis of periodic statements, interim reports, yearly financial statements, at the individual company and consolidated level with reference to the entire group. Management coordination is provided through the intervention of the Planning and Management Control Organisational Unit that manages relations with the bodies/functions of the subsidiaries;
d) technical-operational control directed at assessing the various risk profiles provided to the group by the individual subsidiaries.

The Managing Director oversees the implementation of the strategies, of the RAF and of the risk governance policies defined by the Board of Directors.

Briefly, this Body:

a) promotes the development and widespread adoption, at all levels, of an integrated risk culture in relation to the different types of risks and extended to the entire Bank;
b) oversees the implementation of the strategies, of the Risk Appetite Framework - "RAF" (risk objective system) and of the risk governance policies defined by the Board of Directors;
c) defines and oversees the implementation of the risk management process, assuring its consistency with the risk appetite framework and the risk governance policies and sets operational limits to the assumption of the various types of risk, consistent with the risk appetite framework;
d) establishes the responsibilities of the corporate structures and departments involved in the risk management process, in order to prevent potential conflicts of interest; it also assures that the relevant activities are directed by qualified personnel, with an adequate level of independence and with adequate experience and knowledge for the duties they must perform;
e) defines the internal information flows directed at ensuring that the corporate Bodies and the corporate auditing Functions are fully aware and capable of governing the risk factors and of verifying compliance with the RAF;
f) carries out the initiatives and interventions necessary to continuously assure the completeness,

adequacy, functionality and reliability of the internal audit system and informs the Board of Directors of the results of the checks carried out;

g) assures a correct, timely and secure management of the information for accounting, managerial and reporting purposes.

Internal auditing system in relation to the financial disclosure process

The Internal Auditing System in relation to the financial disclosure process is considered an integral part of the risk management system.

The purpose of the System is to assure the reliability, accuracy, trustworthiness and timeliness of the financial disclosure published periodically by the Bank, where these terms mean:

- **Reliability**: disclosure having the characteristics of correctness and compliance with generally accepted accounting principles and having the requirements prescribed by the applied laws and regulations;
- **Accuracy**: disclosure having the characteristics of neutrality and precision. The disclosure is considered neutral if it lacks preconceived distortions aimed at influencing its users' decision-making process in order to obtain a predetermined result;
- **Trustworthiness**: disclosure having the characteristics of clarity and completeness, such as to lead to informed investment decisions by investors. The disclosure is deemed clear if it facilitates the understanding of complex aspects of the company, but without becoming excessive and redundant;
- **Timeliness**: disclosure complying with the prescribed deadlines for its publication.

With reference to the measures adopted by the Bank to assure the characteristics of reliability, accuracy, trustworthiness and timeliness of the financial disclosure, reference is made to the activities carried out with respect to the definition of the Governance and Control Model of the Manager in charge, prepared in accordance with Article 154-bis of the Italian Consolidated Financial Law, which constitute a necessary prerequisite to assure a constant and complete view of the corporate areas that are actually relevant for the purposes of the preparation of the statutory and consolidated corporate accounting documents.

The definition of the Governance and Control Model of the Manager in charge of the Banca Finnat Group was guided:

- by the preliminary identification of a recognised, widely employed comparison model;
- by comparison with reference practices defined or referenced by institutional bodies;
- by comparison with domestic and international best practices adopted by businesses comparable with the Banca Finnat Group.

The model used as a reference by the Bank, which constitutes an internationally recognised method for analysing and evaluating the Internal Auditing System is the one established by the CoSO Report – "Internal Control Integrated Framework" – developed by the "Committee of Sponsoring Organisation of the Treadway Commission".

Within the scope of the activities carried out, the roles and responsibilities were punctually identified of the corporate Functions involved in the existing risk control and management system in relation to the financial disclosure process of the Bank and of the Group.

The correct operation of the existing risk control and management system in relation to the financial disclosure process is a prerequisite and it cannot be independent from the punctual identification of the roles and responsibilities of the involved corporate functions.

In this regard, the Bank formalised its internal information flows and adopted a synoptic picture of the relationships between the Manager in Charge and the other corporate functions.

The Bank adopted, in compliance with the provisions of Article 154-bis of the Italian Consolidated Financial Law the office of the Manager in charge of preparing the accounting documents, who performs the following duties:

a) verification of the adequacy and actual application of administrative and accounting procedures for the preparation of the statutory and consolidated financial statements and of the abbreviated half-yearly financial statements;
b) verification that the documents are prepared in accordance with the applicable international accounting standards;
c) verification that documents match the accounting books and entries;
d) verification of the documents' ability to give a true and fair representation of the economic, financial and equity situation of the bank and of the set of companies included in the consolidation;
e) verification, for the statutory and consolidated financial statements, that the report on operations includes a reliable analysis of the management performance and results, as well as the situation of the Bank and the group of companies included in the consolidation, along with a discussion of the primary risks and uncertainties to which they are exposed.

To exercise the activities and to implement the necessary controls, the Manager in charge employs the control functions and the other Organisational Units of the Bank and of the Group and in particular:

a) of the Internal Auditing department, which provides the Manager in Charge with elements and information in relation to the critical areas observed within the Group in the course of its activity, providing its own opinions on the adequacy of the different entities of the Group and the necessary improvement actions;
b) of the Organisation Service, which provides the necessary support for the formalisation of the processes, risks and sensitive controls;
c) of the Companies of the Group that co-operate with the Manager in Charge, providing the necessary data and information to carry out their duties and reporting any anomaly and weakness of procedures noted within the scope of their activity, which may cause significant impacts on the financial situation of the company or of the Group.

During the 2018 financial year, the Board of Directors approved the work Plan prepared by the Internal Audit Function with the input of the Board of Statutory Auditors and assessed the Internal Auditing and risk management system of the Bank, considering it appropriate to the features of the business carried on by the Bank.

The following is a brief description of the main auditing devices adopted by the Bank.

The compliance department

The Compliance Department, which reports to the Board of Directors of the Bank, oversees, in accordance with the most recent regulations of the Bank of Italy, according to a risk-based approach, the management of non-compliance risk with regard to business activities, verifying inter alia that the internal procedures are adequate to prevent this risk.

In general terms, the compliance action concerns the regulatory areas in respect of which forms of specialised supervision are not already provided for within the Bank.

The Compliance Department is responsible for the management of non-compliance risk for the most relevant regulations, such as those pertaining to the exercise of banking and intermediation activities, management of conflicts of interest, transparency with regards to customers and, more generally, regulations established to protect the consumer, verifying that internal procedures are adequate for the prevention of said risk.

For the other regulations for which specialised supervision already exists, it is responsible, together with the specialist departments in charge of defining the methodologies for the assessment of the compliance risk and the related procedures.

In addition it performs for Finnat Fiduciaria, under outsourcing arrangements, the activities prescribed for the Compliance department, when applicable; the activity is regulated by a dedicated agreement; concurrently, it ensures guidance, coordination and control of the activities performed by the Compliance Department of the investee Investire ImmobiliaRE SGR, Finnat Gestioni SA and Natam Management Company.

The Department shall carry out the following tasks:

a) it assists the Risk Manager in the definition of the methodology for defining compliance risks and assesses and controls the reputation risk according to the procedures established by him;
b) it identifies the procedures appropriate to ensure an adequate supervision of non-compliance risks identified in accordance with the methodology per letter a);
c) it continuously identifies the applicable regulations, measure and assess their impact on processes and on corporate procedures and propose the organisational and regulatory measures necessary to comply with reference regulations;
d) it assesses the suitability and efficiency of the measures taken to remedy any deficiency in complying with obligations laid down by the relevant legislation;
e) it informs the competent organisational units about obligations contained in the reference regulations, in case of procedural or contractual changes;
f) it assesses in advance compliance with the applicable regulation of all innovative projects, including operations in new products or services or the entry in new markets, which the Bank intends to undertake, having regard inter alia to the prevention and management of conflicts of interest both between the different activities performed by the Bank, and with reference to the employees and to corporate officers;
g) it provides consultancy and support services with regard to company bodies in areas in which non-compliance risk is significant, and it collaborates in the staff training activity on the provisions applicable to the activities carried out;
h) it carries out, also with the collaboration of specialist departments, specific tests as well as regular controls on business procedures to evaluate their effectiveness and adequacy in relation to the objective of preventing non-compliance risk;
i) it continuously verifies compliance with the contractual limits prescribed for the individual asset management lines, and it prepares information reports for the involved corporate functions;
j) it assists the Operations Department and the risk Control organisational Unit both in the analysis of the ICT risk of the Bank and in the preparation of the period information to the Managing Director on the analyses and assessments carried out;
k) it verifies the analysis of conformity and of the outsourcing agreements and with suppliers;

l) it provides company bodies with adequate information flows on the results of the activities carried out, the initiatives implemented on identified problems and the corrective actions to be taken, also with reference to the Trust Company of the group and to the other investees;
m) It coordinates and exchanges information flows, with the other corporate control functions and towards the Supervisory Body for matters under its competence;
n) it verifies the consistency of remuneration and company incentive policies and practices;
o) it verifies the compliance of the audit procedures of ICAAP with the external and internal regulations;
p) it monitors trading carried out on behalf of third parties and on its own behalf on financial instruments, for the purpose of complying with regulations on Market Abuse;
q) it manages the internal violation reporting system (whistleblowing): it receives any reports, it verifies their truthfulness and it notifies the competent corporate bodies for the consequent and appropriate assessments;
r) it manages the customer complaints log;

For the purposes of the guidance, coordination and control activity as parent company, Compliance with respect to the investees, it can:

- ask clarifications in relation to matters under its competence;
- directly verify compliance with the obligations of the investee according to the procedures. In this case, the checks are carried out with the aid of the corresponding Department of the investee. The results of the checks are communicated to the administration and control bodies of the Parent Company and of the investee.

Internal Auditing

Internal Audit activities are entrusted to the Internal Auditing Organisational Unit that directly reports to the Board of Directors of the Bank.

The Function is provided with the required autonomy and independence from the operating structures and has adequate resources and means to carry out its task, works with personnel with appropriate knowledge and professional skills and has no access restrictions to company data and files.

Internal Auditing is responsible for ensuring a constant and independent supervisory action on the regular course of the operations and processes of the Bank in order to prevent or report the occurrence of anomalous and risky behaviours or situations, evaluating the effectiveness of the overall internal auditing system and its suitability to ensure the effectiveness and efficiency of corporate processes, safeguard the value of assets and protect against losses, ensure the reliability and integrity of financial and management information, the compliance of the operations both with the policies established by the company governance bodies and by internal and external laws and regulations. It also provides consultancy services to the business functions also by taking part in projects, in order to improve the effectiveness of control processes.

The tasks and activities of the Function, in addition to being defined in the company Function Diagram, are defined in the special Regulations issued by the Board of Directors of the Bank.

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

The Internal Audit Function carries out the aforesaid activity for Banca Finnat as well as for the investee Finnat Fiduciaria S.p.A. on the basis of a dedicated outsourcing agreements that regulates the services rendered. It also performs coordination activities on the subsidiary Investire SGR S.p.A. and it carries out control activities on the investees Finnat Gestioni SA and Natam Management Company.
The weaknesses found during the audits are systematically reported to the Organisational Units involved for a prompt action of improvement in respect of which a follow-up is carried out subsequently.
The Internal Audit Function was assigned the task of overseeing the regular performance of operations of the Bank and the evolution of risks and to assess the completeness, adequacy, functionality and reliability of the components of the Internal Audit System, suggesting possible improvements to the Risk Appetite Framework ("RAF"), to the risk management process and to the instruments for measuring and controlling risks, formulating, on the basis of the results of the audits, recommendations to corporate bodies.
The main activities of the Function:

a) checking, also with on-site inspections, the regularity of the different corporate activities and compliance, in the different operating sectors, with the limits prescribed by the authorising mechanisms, as well as full and correct use of the available information in the different activities;
b) assessing the completeness, adequacy, functionality and reliability of the other components of the internal audit system including second level control corporate functions, of the risk management process and of the other corporate processes;
c) verifying the effectiveness of the RAF definition process, the internal consistency with the overall set-up and the conformity of corporate operations with the RAF;
d) verifying the adequacy and correct operation of the corporate processes, including outsourced ones, and of the methods for assessing corporate activities with particular regard to financial instruments.

The Internal Audit Function reports every quarter to the corporate bodies on the results of the activities carried out and it prepares and submits to the aforesaid bodies the report on the set of activities it carried out during the year also with respect to outsourcers for the important operating functions outsourced. Together with the annual report on the activity carried out, the Internal Audit Function, it also submits the Plan for the three-year activities that is approved by the Board of Directors, with the input of the Risk Committee.

Risk control department

The Risk Control Organisational Unit, which reports to the Board of Directors of the Bank, is an important safeguard for the management of the risks connected with the different corporate activities.
The Function is provided with the required autonomy and independence from the operating structures and has adequate resources and means to carry out its task, works with personnel with appropriate knowledge and professional skills and has no access restrictions to company data and files.
The Functions collaborates in the definition and implementation of the Risk Appetite Framework (RAF) and of the related risk governance policies and in the definition, preparation and revision of the Recovery Plan framework.
Among the main activities of the Function:

a) assist the governing bodies and the senior management in defining the RAF, risk controlling policies and the different phases that form their management process as well as fixing the operating limits to the assumption of various types of risk;

b) propose the quantity and quality parameters required for defining the RAF, which also refer to stress scenarios and, in case of amendments to the internal and external operating contexts, the adjustment to such parameters;
c) verify the adequacy of the RAF and, continuously, the adequacy of the management process of risks and operating limits;
d) periodically prepare the risk map, the ILAAP self-assessment in consideration of the results produced by the competent Organisational Units of the Bank and prepare the ICAAP/ILAAP Report in accordance with the RAF;
e) develop, validate and maintain the risk measurement and control systems ensuring their compliance with the requirements of the specific legislation;
f) define common metrics for assessing the operating risks in compliance with the RAF, coordinating with the Compliance Department and with the Operation Management in the IT area and define methods of assessment and control of reputational risks, coordinating with the Compliance Department and the most exposed corporate Functions;
g) assist the company bodies in the assessment of the strategic risk by monitoring the significant variables;
h) analyse the risks of new products and services and those deriving from the entry in new operating and market segments;
i) provide preventive opinions on the consistency of major transactions with the RAF;
j) monitor the actual risk assumed by the Bank and its consistency with the risk objectives;
k) monitor trends on individual credit exposures and prepare and adequate reporting for the company functions involved;
l) assure the monitoring activities pertaining to the receivables, as they are detailed and defined in the Regulations and in the Policies of the Bank,
m) support the Credits Committee in the evaluation of anomalous loans, providing its own recommendations on the matter;
n) prepare the Restructuring Plan;
o) continuously monitor the risk profile with respect to the threshold levels associated with the recovery indicators;
p) activate and carry out disclosure and escalation actions if the threshold levels of the recovery indicators are exceeded/overrun;
q) monitor the activation and execution of the recovery options.

The anti-money laundering department

The Anti-Money Laundering Department reports to the Board of Directors of the Bank and its task is to supervise the commitment of prevention and management of the risk of money laundering and terrorist financing.

The Department has the required autonomy and independence from the operating structures and has adequate resources and means to carry out its task, works with personnel with appropriate knowledge and professional skills and has access to all the activities of the bank and to any relevant information of the performance of its duties.

The Department is responsible for the performance of the activities prescribed by the current anti-money laundering regulations both for the Bank and, through outsourcing arrangements, for Finnat Fiduciaria S.p.A.,

as well as to ensure guidance, coordination and control of the activities of the anti-money laundering departments present in the investees, according to the profiles dictated by the Group Regulation.
The head of the Department performs the functions of "Person in charge under Article 41 of Italian Legislative Decree no. 231/2007" (person in charge of reporting suspicious transactions).
Among the main activities of the Function:

a) identify applicable laws and regulations and measure their impact on processes and internal procedures and collaborate in the identification of the internal auditing system and procedures to prevent and counter money laundering risks;
b) verify whether the internal auditing system and the procedures adopted are suitable and propose necessary or appropriate organisational and procedural changes in order to ensure adequate control over money laundering risks;
c) provide consultancy and support services to the company bodies and to the senior management; if new products, services and activities are offered by carrying out preventively the pertaining assessments;
d) verify the reliability of the supply information system of the Single Electronic File and ensure on a monthly basis the transmission to the FIU of the aggregated data concerning the recording in the File;
e) provide company bodies with adequate information flows on the results of the activities carried out, the initiatives implemented on identified problems and the corrective actions to be taken;
f) reporting on the personnel training activities also with reference to the company Finnat Fiduciaria S.p.A. and to InvestiRE SGR;
g) evaluate the reports of suspicious transactions received and transmit to the Financial Information Unit the reports deemed credible by the Head of the Department, by virtue of the specific delegation of power received.

The board of statutory auditors

For information on the Board of Statutory Auditors, please refer to paragraphs 13.0 and 14.0 of this Report.

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

The Board of Directors has a central role with respect to internal audits, assisted by the Risk Committee within the board, which assesses with annual periodicity the adequacy, effectiveness and actual operation of the system as a whole in relation to the characteristics of the Bank, with the input of the Manager in charge of preparing the accounting documents and the engaged Independent Auditor.
In the meeting of 14 June 2017, the Board identified the Managing Director as the Director in charge of the Internal Auditing and Risk Management System.
The Director in charge of the Internal Auditing System:

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

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

11.2 HEAD OF THE INTERNAL AUDITING DEPARTMENT

The Internal Audit Department reports directly to the Board of Directors and it is not outsourced to third parties. The Head of the Department is Ms. Enrica Macciò.

The Head of Internal Auditing prepares the three-year Plan of audits that includes the continuous actions prescribed by the regulations (fixed part) and the audits oriented towards the areas and the processes deemed most significant in correlation to the related risks (variable part).

The Audit Plan is structured according to a risk based approach, with the goal of intervening on the main corporate risks and of covering the relevant corporate scope within a reasonable time interval. The objectives of the planned activities are defined for each area of intervention and they aim, very briefly, to verify the correct performance of the operations, the adequacy and effectiveness of the internal auditing and risk management system.

At the end of each audit, the Head of the Department draws up a report, which describes in detail the activities carried out, their results and the suggestions made to remove any anomaly reported or to improve the auditing system within the analysed processes. The records of the audits are delivered to the Senior Management, to the Heads of the Organisational Units involved in the audit process and, if of interest, to the other corporate audit departments.

The Head of Internal Auditing also prepares a quarterly summary report (tableau de bord) on the audits carried out in the reference quarter and annually, the summary report on the activities performed during the year, as well as the report on the audits carried out with respect to the important outsourced operating functions which it submits to the Board of Directors, after it is analysed by the Risk Committee and by the Board of Statutory Auditors.

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

In 2018, the Internal Audit department carries out the audit activities according to the work plan approved by the Board of Directors of 16 March 2018. The areas of intervention pertained to:

a) anti-money laundering and anti-terrorism;
b) the ICAAP - ILAAP process and the RAF;
c) the application of the new International Accounting Standards - IFRS 9;
d) transactions with related parties and privileged information;
e) the set of the activities of the headquarters and branches both with reference to banking services and to the investment services rendered;
f) the important operating functions outsourced;
g) the security and reliability of the IT systems.

In addition to the aforesaid activities carried out in the parent company, Internal Auditing carried out audit activities with respect to the subsidiaries Finnat Fiduciaria S.p.A., Finnat Gestioni SA and Natam

Management Company and it carried out guidance and coordination activities with respect to the subsidiary InvestiRE SGR.

11.3 ORGANISATIONAL MODEL PURSUANT TO ITALIAN LEGISLATIVE DECREE NO. 231/2001

In 2004, the Bank adopted an Organisation, management and auditing model in accordance with Italian Legislative Decree no. 231/2001 (hereafter, "the Model").

On 15 May 2012, the Board of Directors resolved to assign to the Board of Statutory Auditors the function of Supervisory Body in accordance with the provisions of Article 6, paragraph 4-bis of Italian Legislative Decree no. 231/01, introduced by the 2012 Stability Law; on 27 April 2018 the Board, with a partial exemption of the composition of the Supervisory Body and the Board of Statutory Auditor, appointed an external member (Mr. de' Micheli) among the members of the Board.

In 2018 the Supervisory Body completed the process of completely revising the Model, which was approved on 23 January 2019 by the Board of Directors.

The Model consists of a 'general part', summarising the main contents of Italian Legislative Decree no. 231/2001, and a 'special part', which identifies the various activities of the Bank presenting a potential risk of committing the different types of crimes considered by Italian Legislative Decree no. 231/2001, the structures and/or departments of the Bank where these crimes can easily be committed, and the procedures and/or internal rules aimed at preventing the commitment of the following crimes:

i) Crimes in matters concerning relations with the Public Administration;
ii) Computer crimes and unlawful processing of data;
iii) Currency forgery crimes;
iv) Corporate crimes;
v) Crimes committed for terrorist purposes or to avert the democratic order, organised crime and transnational organised crime, money laundering crimes;
vi) Market abuse;
vii) Manslaughter and severe or very severe injury through negligence with violation of work place health and safety regulations;
viii) Money laundering crimes;
ix) Crimes relating to violation of copyright;
x) Environmental offences (Italian Legislative Decree no. 121/2011);
xi) Employment of third-country nationals with unlawful residence permit;
xii) Racism and Xenophobia offences.

11.4 AUDITING FIRM

Auditing of the accounts is entrusted, in accordance with the law, to an audit firm enrolled in the special Consob register, engaged by the Shareholders' Meeting.

The auditing firm is EY S.p.A., engaged by the Shareholders' Meeting on 29 April 2011 for the nine-year period between 2011 and 2019 to audit the separate and consolidated financial statement the half-yearly report.

The auditing firm has the task of ascertaining that the company's books are kept correctly, management events reported correctly in the accounts and that the statutory accounts comply with the results of the accounts and checks performed and with the regulations governing them.

The audit firm has free access to the data, to the documentation and to the information useful for the performance of its own activities.
For each year, the company issues a report on the Bank's financial statements each year, giving its opinion on the compliance of the statutory financial statements with the regulations governing them.

11.5 MANAGER IN CHARGE OF PREPARING THE ACCOUNTING DOCUMENTS AND OTHER CORPORATE ROLES AND DEPARTMENTS

The Shareholders' Meeting held on 30 April 2007 adapted the Bank's articles of association, introducing, at Article 13, the role of the Manager in charge of preparing the accounting documents (hereafter, "Manager in charge"), chosen from amongst personnel employed who have performed - in the Bank or other companies - managerial roles for at least three years in matters of accounts and/or auditing and/or internal auditing, or, alternatively, have exercised the profession of accountant for at least five consecutive years.
In any case, the Manager in charge must satisfy the integrity requirements prescribed in accordance to the applicable regulations for the appointment of members of the auditing bodies of listed companies.
The task is conferred on an open-ended basis or until an expiry date that may be established at the time of appointment, unless revoked, in both cases, by the Board of Directors.
In accordance with Article 154-*bis* of the Consolidated Financial Law of 9 February 2017, with the favourable opinion of the Board of Directors - with the input of the Appointment, Remuneration and Risk Committees - appointed Mr. Giulio Bastia, as Joint General Manager and Manager in charge of preparing the accounting documents and ascertained his professionalism and integrity requirements subject annual verification.
The Board of Directors shall exercise oversight to ensure that the Manager in charge of preparing the accounting documents has adequate means and powers available to carry out his/her assigned duties with the help of all necessary human and material resources pertaining to the Bank, and independently exercising his spending power up to the limit of the budget annually authorised by the Board of Directors on the basis of a specific proposal presented by the Manager in charge of preparing the accounting documents and first submitted to the Board of Statutory Auditors.
In more detail, the Manager in charge of preparing the accounting documents is vested with all necessary powers for discharging his duties, so he can autonomously:

1. formulate and sign all accounting communications to be sent to the market on the Bank's behalf;
2. sign correspondence and communications of an accounting nature that are binding for the Bank;
3. prepare and sign the reports to the annual and consolidated financial statements;
4. prepare and approve business procedures impacting the individual and consolidated financial statements and documents subject to certification;
5. freely access all information deemed significant both inside the Bank and the companies of the group, to obtain adequate flows of information and/or documentation;
6. communicate with all and/or operative and auditing managers of the Bank;
7. have free access to all the Bank's IT systems;
8. have spending power up to the limits of the budget authorised annually by the Board of Directors;
9. organise the business structure using internal resources and, where necessary, may also outsource activities;
10. organise the human resources of the organisational units involved based on number and professionalism;

11. organise his office, hiring and organising all human resources and technical means held to be necessary;
12. use Internal Auditing, Organisation and Compliance for the mapping and analysis of the processes of competence and in implementing any specific controls held to be necessary.

Risk Control Department

The Risk Control Department reports hierarchically to the Board of Directors.
Currently, the Head of the Department, appointed by the Board of Directors, is Mr. Antonio Mancaniello (for his duties, please refer to point 11.0).

Anti-Money Laundering Department

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

Compliance Department

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

Internal Audit Function

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

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

The Board of Directors of the Bank assess at least on a half-yearly basis the adequacy and effectiveness of the Internal Auditing and Risk Management System with respect to the characteristics of the Bank and to the assumed risk profile.
All flows supporting the assessments of the Internal Audit and Risk Management System by the board of Directors of the Bank are preliminarily examined by the Risk Committee within the Board - which meets jointly with the Board of Statutory Auditors - that reports the results of its preliminary activity directly to the Board, with periodic Reports and/or by issuing opinions.
In the meetings of 19 and 22 March 2019, the following were submitted to the Board:

a) the Risk Committee's Report on the activity carried out in 2018;
b) the Remunerations Committee's Report on the activity carried out in 2018;
c) the Supervisory Body's Report on the activity carried out in 2018;
d) the Annual Report of the Internal Auditing Department on the 2018 audits and the 2019 Plan; the Report of the Internal Auditing Department on the audits carried out in 2018 on investment services;
e) the Compliance Department's Report on the activity carried out in 2018 and the Report on customer complaints for 2018; the annual Audit Plan for 2019;
f) the Risk Control Department's Report on the activity carried out in 2018;

g) the Report by the Manager in charge of preparing the accounting documents;
h) the Remuneration Report per Article 123-ter of the Italian Consolidated Financial Law.

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

12.0 DIRECTORS' INTERESTS AND TRANSACTIONS WITH RELATED PARTIES

On 18 December 2018, the Board of Directors approved a new version of the "Regulation for Related Party Transactions and for the assumption of risk assets with regard to Related Parties" already adopted in 2013 in accordance with Art. 2391-*bis* of the Italian Civil Code, of Consob Regulation no. 17221/2010 and with Title V, Chapter 5 of the New Prudential Supervisory Provisions for banks set forth in Circular Letter no. 263 of the Bank of Italy. The aforementioned Regulation is available on the Company website (wwww.bancafinnat.it) in Investor Relations/Corporate Governance.
The Bank also adopted specific software for the assessment of the Related Parties and for the management of Related Party Transactions.

13.0 APPOINTMENT OF AUDITORS

In accordance with Article 20 of the Articles of Association, the Shareholders' Meeting elects the Board of Statutory Auditors, comprising three Standing Auditors and two Alternate Auditors.
The entire Board of Statutory Auditors is appointed on the basis of lists presented by the Shareholders, wherein candidates must be listed and progressively numbered with regard to candidates to the office of Standing Auditor, and assigned progressive letters with regards to Alternate Auditors.
The entire Board of Statutory Auditors is appointed in compliance with gender balance regulations in force.
Lists must be presented to the Bank on or before the twenty-fifth day prior to the date set for the first calling of the Meeting and be made available to the public at the registered offices and published on the Bank's website without delay and, in any case no less than twenty-one days prior to the date set for the first calling of the Meeting.
Each shareholder or party adhering to a significant shareholders' agreement in accordance with Article 122 of Italian Legislative Decree no. 58 dated 24 February 1998, the respective controlling parties, the subsidiaries and joint control parties in accordance with Article 93 of Italian Legislative Decree no. 58 dated 24 February 1998, may only present, or participate in the presentation of a single list. They may not present or participate in the presentation of more than one list, directly or through a third party or trustee company. They may not vote for different lists directly or through a third party or trustee company. Candidates may only be presented on a single list, at risk of ineligibility. Subscriptions and votes cast in breach of this prohibition will not be assigned to any list.
Only shareholders who alone or jointly with other shareholders hold a total of 2% of the shares with voting

rights in the Bank's Ordinary Shareholders' Meetings may present lists. Alternatively, lesser measures may be established by fundamental provisions of law or regulations to be stated, if applicable, in the notice calling the Meeting. In order to prove ownership of the number of shares necessary to present lists, at the same time shareholders must provide the Bank with the specific certificate issued by a broker qualified in accordance with the law. Together with each list, within the terms of its filing with the registered offices, the following must be filed and published: (i) the statements whereby individual candidates accept their candidacy and certify, under their own liability, that there is no reason for which they should not be elected or are incompatible with the office, and that they meet the requirements prescribed d by current laws and regulations (including the limits to the accumulation of offices) for taking the respective offices; (ii) comprehensive information about the personal and professional characteristics of each candidate, and (iii) additional information required by provisions of law and regulations.

Lists presented that do not comply with the above provisions shall be considered as not presented.

Should there be more than one list, the members of the Board of Statutory Auditors are elected as follows:

a) two Permanent Auditors and one Alternate Auditor are elected from the list that has obtained the greatest number of shareholder votes, in the progressive order in which they are listed;
b) the Chairman of the Board of Statutory Auditors (the "Minority Auditor") and an Alternate Auditor are elected from the list that has obtained the second greatest number of votes, in the progressive order in which they are listed.

Should equal votes be cast between two or more lists, the candidates of the list whose first candidate for the office of Standing Auditor is most senior in terms of age will be elected.

Should it become necessary to replace an Auditor, the Alternate Auditor pertaining to the same list as that to which the Auditor to be replaced originally pertained shall be appointed. Should this not be the case, the subsequent candidate in progressive order on this list will be appointed, or, where the Auditor standing down is the minority Auditor, the first candidate of the second minority list in terms of number of votes, shall be appointed.

Where it is not possible to replace the Minority Auditor according to the mechanisms above, the Shareholders' Meeting called to re-form the Board in accordance with the law shall allow for the appointment of this Auditor in compliance with the principles of the regulations adopted by Consob with resolution no. 11971/1999.

Where only one list has been presented, the first three candidates shall be appointed Standing Auditors elected by majority, and the fourth and fifth candidate shall be the Alternate Auditors.

The Board of Statutory Auditors, or at least two Auditors, can call the Shareholders' Meeting by notifying the Chairman of the Board of Directors to this effect.

The Board of Statutory Auditors, or at least one Auditor, may call the meeting of the Board of Directors and/or the Executive Committee, by notifying the Chairman of the Board of Directors to this effect.

14.0 COMPOSITION AND OPERATION OF THE BOARD OF STATUTORY AUDITORS

In accordance with Article 20 of the Articles of Association, the Board of Statutory Auditors consists of three standing auditors and two alternate Auditors appointed by the Ordinary Shareholders' Meeting. All must be

auditors registered with the official roll held by the Ministry of Justice.
Auditors remain in office for three years and may stand for re-election. The Shareholders' Meeting that appoints the Auditors and the Chairman of the Board of Statutory Auditors also determines their fees. The Auditors shall be reimbursed all costs sustained by virtue of their office.
The Board of Statutory Auditors currently in office was appointed by the Shareholders' Meeting of 27 April 2018 and will remain in office until approval of the financial statements at 31 December 2020.
The members of the Board of Statutory Auditors were appointed from among the only list of candidates presented by the relative majority shareholder, Arturo Nattino. Since no minority list was presented, Alberto De Nigro was elected Chairman of the Board of Statutory Auditors at the proposal of the majority shareholder. The Shareholders' Meeting approved the appointment of Board of Statutory Auditors with the favourable vote of 93% of the voting share capital (accounting for 69% of the share capital).
The members of the Board of Statutory Auditors are: **Alberto De Nigro** (Chairman), **Barbara Fasoli Braccini** (Permanent Auditor), **Francesco Minnetti** (Permanent Auditor), **Antonio Staffa** (Alternate Auditor) and **Laura Bellicini** (Alternate Auditor).
The CV with the personal and professional characteristics of the Statutory Auditors is available on the Website of the Bank, www.bancafinnat.it in the "*Governance*" section.
During the year, there has been a constant exchange of information between the Board of Statutory Auditors and the Bank's auditing departments.

In 2018, the Board of Statutory Auditors met 24 times, with meeting attendance at 93% and with an average duration of approximately 2.30 hours. This year, 3 meeting has already been held.
The Board of Statutory Auditors attends the meetings of the Risk Committee and of the Remunerations Committee.
The Board of Statutory Auditors positively assessed the existence of the requirements of independence of its members for 2018 so informed the Board.
The Board of Statutory Auditors, which met on 19 March 2019, verified, in accordance with the Governance Code, the correct application of the assessment criteria and procedures adopted by the Board of Directors to evaluate the independence of individual directors.

An Auditor who, on his own or on third parties' behalf, has an interest in a given transaction of the Issuer, shall promptly and thoroughly inform the other auditors and the Chairman of the Board of Statutory Auditors with regard to the nature, terms, origin and scope of his/her interest.
In relation to coordination between the parties involved in the internal control and risk management system, please refer to paragraph 11.6 above.

In 2018, the members of the Board of Statutory Auditors participated in initiatives on economic, legal and financial matters with particular relevance in relation to the operations of the Bank; in particular, they participated in meetings to delve into topics such as: new accounting standards: IFRS 15, ICAAP - ILAAP Report, Financial Products.

With respect to the accumulation of the appointments to serve as members of the administration and control bodies in other companies, the limits set by Consob with Article 144-terdecies of the Issuers

Regulation shall apply.
Based on the communications received, the offices of Director or Statutory Auditor held by each Auditor in other companies are indicated below:

Alberto De Nigro (Chairman)
Vianini S.p.A. (Chairman of the Board of Statutory Auditors), **Autostrade per l'Italia** (Permanent Auditor), **F2i** (Permanent Auditor), **Atlantia S.p.A.** (Permanent Auditor).

Francesco Minnetti (Permanent Auditor)
InvestiRE SGR S.p.A. (Chairman of the Board of Statutory Auditors), **Green Arrow SGR S.p.A.** (Chairman of the Board of Statutory Auditors), **Green Arrow Capital S.p.A.** (Chairman of the Board of Statutory Auditors).

Diversity Policies
The Bank compliance with gender diversity criteria, in the composition of the Board of Statutory Auditors: one third of the permanent and alternate members of the Board consists of statutory auditors of the less represented gender.

15.0 RELATIONS WITH SHAREHOLDERS

The Bank dedicates particular attention to investor relations instruments, to manage transparently relations with shareholders and the financial community (institutional investors, managers, analysts); for this purpose, it organises periodic meeting with the financial community, of which it provides adequate information in its own Website, in the dedicated section.
In the specific Investor Relations section of the Bank's website (www.bancafinnat.it), information of both an accounting and financial nature is available (financial statements, half-yearly reports and quarterly reports, trend of the market value of financial instruments issued by the Bank and traded on regulated markets), in addition to information of interest to most shareholders (the make-up of the company bodies, group set-up, etc.), as well as press releases, documents presented during the regular meetings with the financial community, explanations of extraordinary operations and other significant and price-sensitive information.
The website also includes the Calendar of Corporate Events, with the dates of the Shareholders' Meetings and the meetings of the Board of Directors called to approve the draft statutory financial statements, the consolidated financial statements, the half-yearly report and the interim management reports, in addition to those of a more strictly financial nature.
The Investor Relations Manager of Banca Finnat is Mr. Gianfranco Traverso Guicciardi (tel. 06/699331 e-mail: g.traverso@finnat.it).

16.0 SHAREHOLDERS' MEETINGS

The Shareholders' Meeting, duly constituted, represents all shareholders. Its resolutions, when taken in compliance with the law, oblige them even if not having attended or in disagreement. The ordinary or extraordinary meeting meets in accordance with the law and the provisions of the Articles of Association. The Board of Directors must call the Shareholders' Meeting to approve the financial statements at least once a year, within one hundred and twenty days of year end. Ordinary and extraordinary meetings can be held in either the registered offices or elsewhere, in a place to be specified in the notice of calling, as long as within the territory of the Italian State. For the methods by which the Shareholders' Meetings may be called, their constitution and the validity of the resolutions passed are in accordance with the provisions of law.

The Chairman of the Shareholders' Meeting ensures that the meeting has been regularly called, ascertaining the identity and legitimate presence of those in attendance, governs its proceedings and the results of votes cast. Said results must be noted in the minutes.

There are no provisions for: shares with multiple votes, loyalty shares, or particular rules pertaining to the percentages set for exercising the shares and the prerogatives safeguarding minorities.

The Shareholders' Meeting is chaired by the Chairman, or by the Deputy Chairman (there are two) of the Board of Directors in his absence, or in the absence of both by the person appointed by the shareholders present.

The Chairman appoints a secretary, who need not necessarily be a shareholder, and may choose two scrutinisers from amongst those in attendance.

Resolutions are taken in compliance with provisions of law and of the Articles of Associations. They are binding for all shareholders even if not in attendance or in disagreement.

In accordance with Article 8 of the Articles of Association, all those able to prove their legitimate presence in accordance with the methods established by current legislation may attend the shareholders' meeting. The right to attend and exercise voting rights is certified by a communication to the Bank, made through a qualified intermediary in the favour of the party with voting rights, on the basis of the evidence relating to the terms of the accounting date of the seventh trading day prior to the date established for the shareholders' meeting at its first call (record date). Those recorded as holders of shares only subsequent to the above-stated record date shall not have, therefore, the right to attend and vote in the Shareholders' Meeting.

The notice by the intermediary must reach the Bank no later than on the third trading day prior to the date established for the shareholders' meeting at its first calling. This is without prejudice to the legitimate right to attend the shareholders' meeting and vote should notices reach the Bank beyond said terms, provided it is prior to the start of the meeting.

Shareholders may be represented in the Shareholders' Meeting, providing the representative appointed by the Bank with a written proxy without expense on their part, or a proxy transmitted electronically as provided by applicable regulations. In this case, the electronic notification of the proxy may be carried out using the appropriate section of the Company's Website, according to the procedures indicated in the notice of call. For all that is not specified herein, the provisions of Article 2372 of the Italian Civil Code and Articles from 136 to 144 of Italian Legislative Decree no. 58 dated 24 February 1998, shall apply.

Shareholders have the right to ask questions about the items on the agenda by e-mailing said queries to ufficiolegale@finnat.it, or by posting them addressed to Banca Finnat S.p.A. – Ufficio Legale – Piazza del Gesù 49, 00186 Rome, attaching the documents proving the legitimate right to vote.

Shareholders who individually or jointly represent at least one fortieth of the share capital, may ask, within 10 days of the publication of the notice of call, for the supplement of the items on the agenda, specifying

the further items proposed in the request. The request must be presented in writing to the Registered Office, upon demonstration of the relative legitimate presence of the Shareholders' proposing it. Within the above terms and in the same ways, any proponent must also provide the Board of Directors with a report on the items whose discussion is proposed.
Shareholders attending the meeting may speak by raising their hands.
Five Directors attended the Shareholders' Meeting of 27 April 2018.
The Board of Directors reported on the operations it carried out.
All documents about the Shareholders' Meeting are made available in a timely manner on the Bank's Website and at its registered office.
In the course of the Shareholders' Meeting, the Chairman of the Board of Directors informs shareholders of the remuneration and incentive policies in favour of the members of the Board of Directors, of the employees and of the contractors of the group for the reference year in compliance with current internal and EU regulations, as well as about the Remuneration Report in accordance with Article 123-ter of the Italian Consolidated Financial Law.
The minutes of the Meeting, when not drawn up by a notary, must be signed by the Chairman and Secretary.
On 18 December 2018, the Board of Directors adopted, in accordance with Article 7 of the Articles of Association and in compliance with the principles enunciated in the Code, a regulation governing the conduct of the ordinary and extraordinary Shareholders' Meeting of the Bank. The document in question will be submitted for approval to the next Shareholders' Meeting already scheduled for 24 April 2019.
During the year, no significant changes occurred in the market capitalisation of the Bank's shares or in its shareholders.

17.0 FURTHER CORPORATE GOVERNANCE PRACTICES

Credits Committee

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

Functions of the Committee

The Credits Committee:

- formulates the credit policy contents to be submitted to the Managing Director at the Board of Directors;
- expresses consultative opinion on the credit line and status shift proposals for positions reserved to the decision-making competence of the bodies above the Committee itself, after obtaining the opinion of the head of the Risk Control OU;

- resolves, within the limits of its competence, proposals of assumption of credit risk and status shift for positions under its competence for all types of credit within the risk limit set by the Board of Directors, after obtaining the opinion of the head of the Risk Control OU;
- carries out periodic checks on credit exposures and on compliance with the ratios defined by the supervisory Authorities;
- defines the economic conditions to be applied to the individual credit lines;
- proposes, when necessary, the revision/update of the document that regulates the duties, Regulations, procedures and support system for the lending activity;
- analyses and assesses the reports prepared by the Risk Control Organisational Unit with regard to rating changes for major counterparties and to stage changes of the reports and resolution on this regard;
- resolves, within the scope of its competence, the start of credit collection initiatives;
- approves the periodic reports on the activity carried out, prepared by the Credits Organisational Unit, to be submitted when prescribed to the Board of Directors.

Functioning and periodicity of meetings

The Credits Committee generally meets once a week and, in any case, each time it may be necessary.
The Head of the Legal Department serves as Committee Secretary, preparing the meeting minutes; the minutes, approved at the end of the meeting, are signed by the Chairman and by the Secretary and the related documentation is retained by the Legal Department.
The Committee shall periodically report to the Board of Directors on the activity it carries out.

Resolutions – Confidentiality obligations

The Committee passes its resolutions by majority vote of those in attendance, expressed by raising their hands. Any contrary votes or abstentions are mentioned in the minutes.
Committee members shall keep strict confidentiality and refrain from divulging any information whereof they become aware in the performance of their duties and they act with utmost diligence to prevent the external disclosure of confidential information.
In particular, the Credits Committee:

1. Approves and authorises - within the scope of its powers - granting / renewing / changing credit lines, as described in detail below by technical form:
   i. to grant credit lines/loans with “class A risk” as defined by the credit Regulations, up to a maximum amount of 2,500,000 euros;
   ii. to grant credit lines/loans with “class B risk” as defined by the credit Regulations, up to a maximum amount of 3,000,000 euros;
   iii. to grant credit lines/loans with “class C risk” as defined by the credit Regulations, up to a maximum amount of 5,000,000 euros;
   iv. to grant credit lines for customers’ “forward transactions”, up to a maximum amount of 5,000,000 euros. For forward transactions hedging positions in securities with duration up to 6 months, a “utilisation” of the line equal to 20% of the forward, equal to 50% with durations above 6 months is generated. For speculative transactions, the “utilisation” is 100% of the forward;
   v. to grant credit lines for transactions entailing risk “of delivery” or “of a financial nature” with deferred

payment/delivery (max deferral 6 business days) in relation to the collection of the price, up to a maximum amount of 5,000.00 euros;

2. Provides for the allocation of bad loans and their maximum write-down to the amount of 600,000 euros for each write-down and it proposes to the Board of Directors anomalous credit positions with higher losses.
3. Decides with regard to the restructuring of anomalous credit positions that entail recognising losses of no more than 600,000 euro for each position and purposes to the Board of Directors anomalous credit positions with higher losses.
4. Defines the economic conditions to be applied to the individual credit lines.
5. Within the Policy Expected Credit Losses, it can, with justification, apply exemptions with respect to:
   a) rating attributed to the receivables by the CSE procedure;
   b) annual default rate of the receivables;
   c) criteria for classification and measurement of the receivables recorded in "Stage 3";
   d) haircut quantification criteria.

The Credits Committee reports to the Board on a quarterly basis on the activity carried out.
The Credits Committee expresses an opinion with regards to the granting of credit lines for signing and cash and loans in general in relation to financial transactions of all natures and types, even where exceeding the short-term, for cash or other, on the basis of proposals prepared by the competent departments, for proposals under the competence of higher bodies.

Management Committee

The Management Committee is a body supporting the Managing Director and General Manager in the definition of the guidelines and of the investment strategies for asset management.
The Committee, internally established in accordance with the function chart, currently comprises: Managing Director and General Manager (chairman), Deputy General Manager, Head of Sales Department, Head of Investments and institutional relations department, Head of Studies, research and investor relations organisational Unit, Joint Sales Director, Representative of Family office organisational Unit, Head of institutional Investors organisational Unit.

Functions of the Committee

a) to formulate proposals, within the investment policies, assessing whether to maintain and/or make any changes to the breakdown of the managed portfolio;
b) to provide operational guidance in relation to the practical implementation of the initiatives and lastly to agree the respective interventions;
c) to provide indications, as a result of the assessments made, with regard to the lines of action to be undertaken in terms of investment strategy;
d) to analyse, in collaboration with the office of the Deputy General Manager and in particular with the Asset Management organisational unit, the managed customers' portfolio, thereby assessing the performance and general strategies on the investments carried out by the bank;
e) to monitor and evaluate current market performance, in order to reach opinions on future performance.

Treasury Committee

The Treasury Committee is a body supporting the Managing Director and General Manager with respect to the investment policies and guidelines for the assets of the Bank.

Functions of the Committee:

a) to define the investment strategies for the assets of the Bank;
b) to provide addresses with regard to the consequent asset allocation consistently with the risk limits set by the Board of Directors;
c) to monitor performance of the treasury activity;
d) to analyse the property portfolios;
e) to monitor the trend and the situation of the Bank's liquidity and to provide indications in this regard.

The Committee, internally established in accordance with the function chart, currently comprises: Managing Director and General Manager (chairman), Deputy General Manager, Joint General Manager and Head of Credits organisational Unit, Head of Sales Department, Head of Treasury organisational Unit, Head of Risk Control organisational Unit.

Internal Risk and Audit Committee

The Internal Risk and Audit Committee provides support to the Managing Director and General Manager in formulating proposals pertaining to the identification, measurement, management and monitoring of the group's risks and of the RAF and in analysis the risks and their level of control, assured by the corporate audit functions and by the operational processes.

The Committee, established internally according to function chart, currently consists of the Managing Director and General Manager (Chairman) and, as members, the Joint General Manager, the Deputy General Manager, the Head of Internal Auditing, the Head of Risk Management, the Head of Anti-Money Laundering, the Head of Compliance and the Head of the Operations Department.

Functions of the Committee

The Committee meets every 3 months:

- to analyse the group's level of risk exposure in relation to the different classes of risks, with the support of the organisational units tasked with risk management and control;
- to analyse and propose upgrades to the group's internal audit system;
- to support the Managing Director and General Manager in the analysis and in the assessment of the restructuring plan and in the assessment of the revisions to be made to the Plan;
- to analyse and assess any exceedance of the defined thresholds of the recovery indicators and if the conditions for the proposed resolution to open the state of crisis hold true, to support the Managing Director and General Manager in the consequent activities under their competence;
- to analyse the performance of corporate liquidity and its monitoring, to assess any exceedance of the risk tolerance thresholds set by the Board of Directors and, if the Emergency Plan (CFP) is activated, to support the Managing Director and General Manager in the consequent activities under their competence.

18.0 CHANGES SINCE THE YEAR END OF REFERENCE

No significant changes in corporate governance have taken place since the end of the Year.

19.0 CONSIDERATIONS ON THE LETTER OF 21 DECEMBER 2018 OF THE CHAIRMAN OF THE CORPORATE GOVERNANCE COMMITTEE

The Chairman of the Board of Directors in its meeting of 23 January 2019 opened a discussion with regard to the letter of 21 December 2018 of the chairman of the Corporate Governance Committee Ms. Patrizia Grieco and on the attached Annual Report - 6th Report on the Application of the Governance Code for 2018, eighth year of activity of the Committee.

The Board agreed on the need to improve the timeliness of making available the pre-board meeting documentation, and this recommendation also emerged from the Independent Directors' Committee.

The Board also stressed the important improvements with respect to the past and it decided to sensitise the structure to assure greater timeliness in the production of the board documentation.

It then deemed it useful to make available the documentation intended for the Board on the dedicated platform as it is made available by the offices, also before the five days identified by the board regulation, without prejudice to the transmission of the more complex documentation closer to the date of the Board meeting. It deemed that such balancing may allow the Directors to adequately delve into the topics to be discussed.

With regard to the independence of the Directors, the Board, confirming the importance of the role of independent Directors, deemed adequate the procedure for verifying the requirements, i.e. upon appointment and then with annual periodicity; with regard to the verification for 2018, the Board examined the question in the meeting of 19 March 2019.

With regard to the self-assessment process, the Board deemed that the recent Regulation, which defines its execution procedures, gives guarantees about the transparency of the process and promotes the contribution of the individual Directors.

With regard to the issue of remuneration, the Board, also taking into account the in-depth reviews carried out by the Remuneration Committee, highlighted that the Bank annually defines the remuneration and incentive Policies valid for the entire Group and the incentive system for the Bank that is consistent with the expected capitalisation and profitability levels and with the risk containment strategy.

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TABLE 1: INFORMATION ON SHAREHOLDERS

SHARE CAPITAL STRUCTURE at 31 December 2018				
	No. of shares	**% of share capital**	**Listed/ unlisted**	**Rights and obligations**
Ordinary shares	362,880,000	100%	STAR	N.A.
Shares with limited voting right (savings shares)	N.A.	N.A.	N.A.	N.A.
Shares without voting right	N.A.	N.A.	N.A.	N.A.

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

	Listed/ unlisted	**No. of instruments in issue**	**Categories of shares under conversion/ exercise**	**No. of shares under conversion/ exercise**
Convertible bonds	NA	NA	NA	NA
Warrant	NA	NA	NA	NA

MAJOR EQUITY INVESTMENTS at 31 December 2018

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

Based on the communications pursuant to Article 120 of the Italian Consolidated Financial Law on 31 December 2018.

TABLE 2: COMPOSITION OF THE BOARD OF DIRECTORS AND OF THE COMMITTEES AT 31.12.2018

							Board of Directors			
Office	**Members**	**Date of birth**	**Date of first appoint.** *	**In office since**	**In office until**	**List** **	**Exec.**	**Non exec.**	**Indep. Code**	**Indep. Cons. Fin. Law**
Chairman	Mazzarella Flavia	1958	10.02.16	27.04.18	Appr. 2020 Fin. St.	M		X	X	X
Onorary Chairman	Carlevaris Carlo	1931	21.06.03	27.04.18	Appr. 2020 Fin. St.	M		X		
Deputy Chairman	Buonvino Leonardo	1937	28.04.06	27.04.18	Appr. 2020 Fin. St.	M	X			
○ Deputy Chairman	Tofanelli Marco	1962	15.12.11	27.04.18	Appr. 2020 Fin. St.	M		X	X	X
◊ • Managing Director and General Manager	Nattino Arturo	1964	14.05.09	27.04.18	Appr. 2020 Fin. St.	M	X			
Director	Boffa Ermanno	1966	29.04.09	27.04.18	Appr. 2020 Fin. St.	M		X	X	X
Director	Cusmai Roberto	1943	26.04.12	27.04.18	Appr. 2020 Fin. St.	M		X	X	X
Director	Nattino Giulia	1974	24.04.13	27.04.18	Appr. 2020 Fin. St.	M		X		
Director	Nattino Maria Sole	1976	28.04.15	27.04.18	Appr. 2020 Fin. St.	M		X		
Director	Lupo Rattazzi	1953	28.10.08	27.04.18	Appr. 2020 Fin. St.	M		X		
Director	Scognamiglio Andreina	1959	28.04.15	27.04.18	Appr. 2020 Fin. St.	M		X	X	X
NO DIRECTORS LEFT OFFICE DURING THE REFERENCE YEAR										
No. of meetings held during the year: 13										
Indicate the required quorum for presentation of the lists by minorities for the election of one or more members (per TUF Art. 147-ter): 2.5%										

Notes:

The symbols indicated below need to be entered in the "Office" column:

- • This symbol indicates the director in charge of the internal control and risk management system.
- ◊ This symbol indicates the person mainly responsible for managing the issuer (Chief Executive Officer or CEO).
- ○ This symbol indicates the Lead Independent Director (LID).
- * The date of first appointment of each statutory auditor is the date on which the auditor was appointed for the first time (in absolute terms) to the Board of Directors of the issuer.
- ** This column shows the list from which each director was drawn ("M": majority list; "m": minority list "BoD": list presented by the BoD).
- *** This column indicates the number of offices as director or auditor held by the party in other companies listed in regulated markets, also abroad, in financial entities, banking, insurance or significant sized companies. In the Report on Corporate Governance, the offices are indicated extensively.
- (*) This column shows the directors' attendance at the meetings of the Board of Directors and the Committees (indicate the number of meetings attended with respect to the total number of the meetings (s)he could have attended: e.g. 6/8; 8/8 etc.).
- (**) This column indicates the qualification of the director within the Committee: "P": Chairman; "M": Member.

		Risk Committee		Remunerations Committee		Appointment Committee		Executive Committee (if any)	
No. of other offices ***	(*)	(*)	(**)	(*)	(**)	(*)	(**)	(*)	(**)
1	13/13							N.A.	
3	7/13							N.A.	
0	13/13							N.A.	
1	12/13	11/11	P			6/6	M	N.A.	
0	13/13							N.A.	
1	10/13	11/11	M	7/7	M			N.A.	
0	12/13	11/11	M	7/7	P			N.A.	
0	11/13							N.A.	
1	12/13							N.A.	
2	11/13					5/6	M	N.A.	
0	11/13			7/7	M	5/6	P	N.A.	

Risk Committee: 11 | Remunerations Committee: 7 | Appointments Committee: 6 | Executive Committee: N.A.

TABLE 3: COMPOSITION OF THE BOARD OF STATUTORY AUDITORS

Office	Members	Date of Birth	Date of first appointment *
Chairman	Alberto De Nigro	1958	26/04/2012
Permanent Auditor	Barbara Fasoli Braccini	1969	28/04/2015
Permanent Auditor	Francesco Minnetti	1964	21/06/2003
Permanent Auditor	Laura Bellicini	1964	28/04/2015
Permanent Auditor	Antonio Staffa	1943	26/04/2015
NO STATUTORY AUDITORS LEFT OFFICE DURING THE REFERENCE YEAR			
No. of meetings held during the reference year: 24			
Indicate the require quorum for presentation of the lists by minorities for the election of one or more members (per TUF Art. 148): 2 %			

Notes:

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

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

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

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

In office since	In office until	List **	Indep. Code	Board meetings attended ***	No. of other offices ****
27/04/2018	Appr. 2020 Fin. Stat.	M	X	23/24	4
27/04/2018	Appr. 2020 Fin. Stat.	M	X	21/24	0
27/04/2018	Appr. 2020 Fin. Stat.	M		21/24	2
27/04/2018	Appr. 2020 Fin. Stat.	M	X	***	0
27/04/2018	Appr. 2020 Fin. Stat.	M	X	***	3

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Codice Univoco (SDI)	IOPVBGU		

Società quotata al mercato ufficiale con azioni ammesse alla negoziazione nel segmento STAR
I dati sopra riportati sono relativi alla capogruppo Banca Finnat Euramerica S.p.A.

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