BANCA FINNAT

GRUPPO BANCA FINNAT

CONSOLIDATED HALF-YEARLY FINANCIAL REPORT AT 30 JUNE 2019

CONSOLIDATED HALF-YEARLY FINANCIAL REPORT AT 30 JUNE 2019

CONTENTS

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

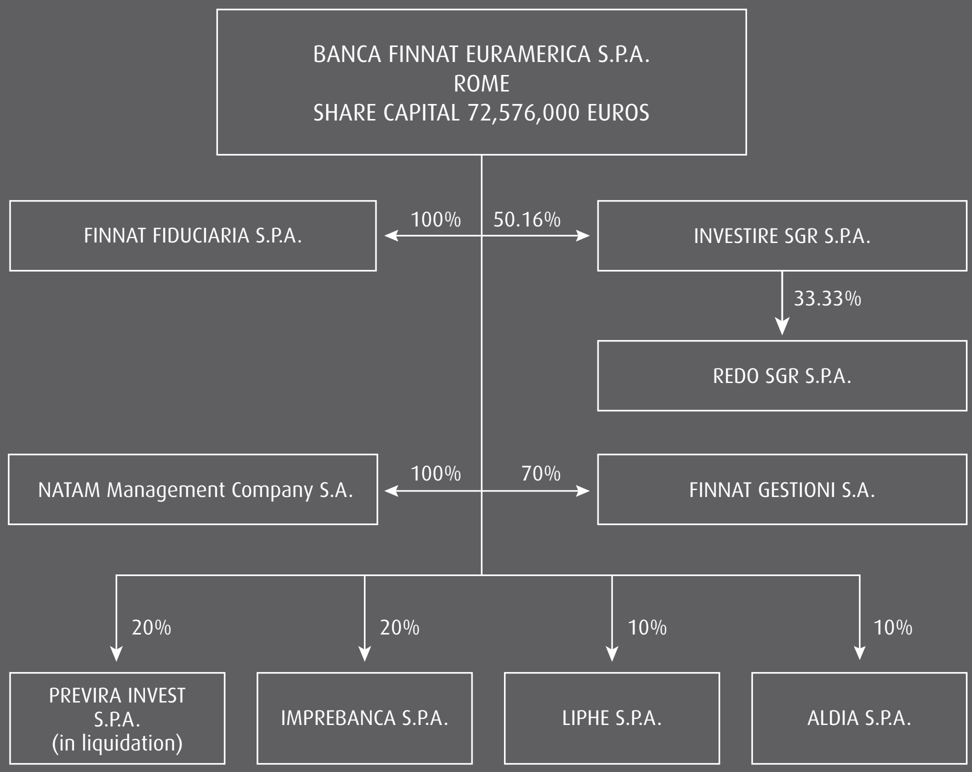
Alberto Alfiero
Deputy General Manager

AUDITING FIRM
EY S.p.A.

INTERIM REPORT ON GROUP OPERATIONS

GROUP STRUCTURE

The following diagram shows the Group's structure at 30 June 2019:



Compared to 31 December 2018, the structure has changed due to the entry into the Group of the companies Liphe S.p.A. and Aldia S.p.A. in joint venture.

KEY FIGURES FOR THE GROUP

	30 June 2018	31 December 2018	30 June 2019
CONSOLIDATED SHAREHOLDERS' EQUITY OF THE GROUP (in thousands of euros)	203,563	209,138	212,366
HUMAN RESOURCES OF THE GROUP	350	358	369
CONSOLIDATED PROFIT (LOSS) (in thousands of euros)	2,387	5,343	4,313

STOCK EXCHANGE CAPITALISATION OF BANCA FINNAT EURAMERICA

	Number of shares	Market price 30 July 2019	Capitalisation 30 July 2019 (in thousands of euros)	Consolitaded shareholders' equity (in thousands of euros)	Share capital (in thousands of euros)
ORDINARY SHARES	362,880,000	0.2890	104,872	212,366	72,576

Changes in the Group's deposits

(in thousands of euros)

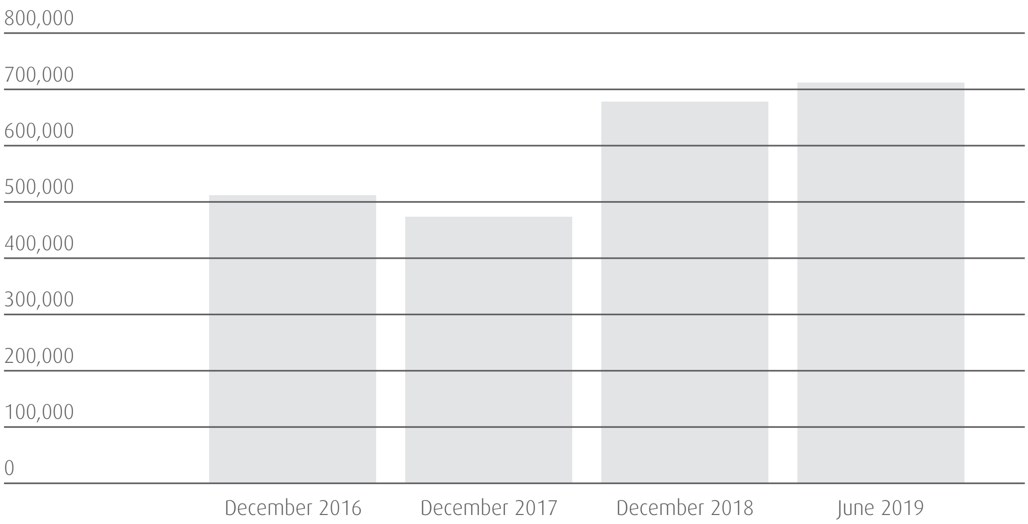
	December 2016	December 2017	December 2018	June 2019
Direct deposits from customers of the parent company	**510,686**	**472,787**	**677,119**	**710,848**
- Due to customers (current accounts)	418,331	358,892	439,262	474,014
- Time deposits	68,530	91,301	209,607	209,932
- Securities issued	23,825	22,594	28,250	26,902
Indirect deposits of the parent company	**4,505,144**	**5,540,931**	**6,152,748**	**6,718,863**
- Individual management	459,775	571,803	480,921	507,351
- Delegated management	251,061	285,681	278,565	281,355
- Deposits under administration (UCIs and securities)	3,471,594	3,924,304	4,544,537	4,883,722
- Deposits under administration under advice (UCIs and securities)	255,778	649,060	695,044	795,731
- Third-party insurance products	66,936	110,083	153,681	250,704
Trusteeship (*)	**1,374,990**	**1,458,411**	**1,629,864**	**1,842,047**
Real Estate Fund Management	**7,001,357**	**7,525,912**	**7,321,884**	**7,172,284**
Luxembourg-based Sicav fund administration (**)	–	**694,087**	**662,936**	**686,331**
Total deposits	**13,392,177**	**15,692,128**	**16,444,551**	**17,130,373**
Luxembourg-based Sicav, the "Promoter" of which is Banca Finnat (currently, New Millennium Sicav and New Millennium Sif).	**677,938**	–	–	–

(*) The figures for December 2018 and June 2019 also include the mandates of Finnat Fiduciaria S.p.A. for the administration and custody of assets without a fiduciary registration not previously included.

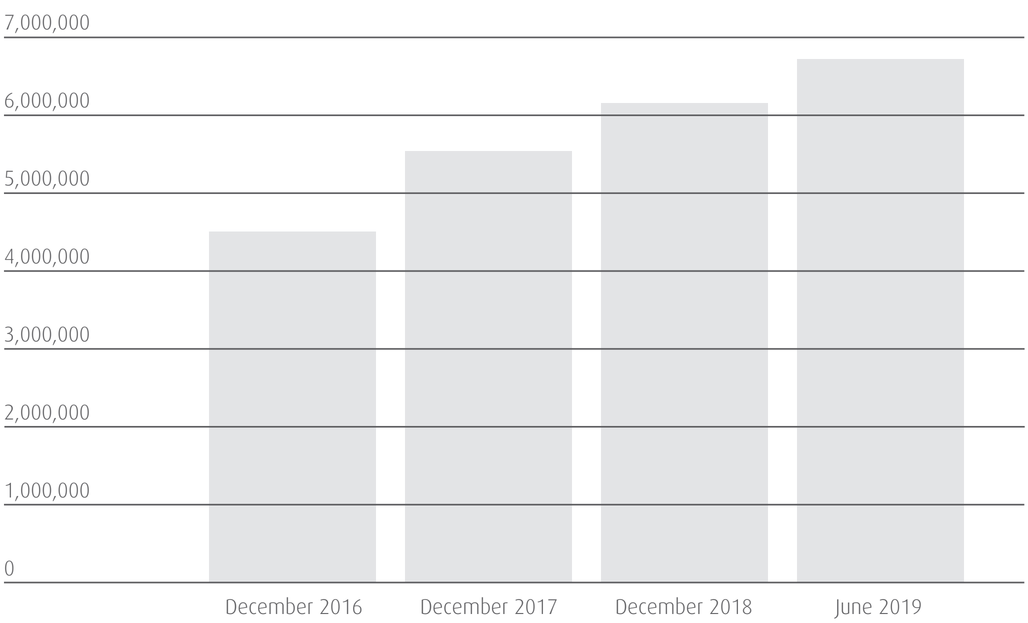
(**) The item concerns the assets under the management of the subsidiary NATAM, previously included under "Luxembourg-based Sicav fund" - posted net of those under delegated management indicated in the indirect deposits of the parent company.

The above table shows the changes in the Group's deposits broken down by type. In detail: a) direct and indirect deposits from customers refers to the Bank's activity and does not include repos having the Cassa di Compensazione e Garanzia as the counterparty; b) trusteeship includes the funding of Finnat Gestioni S.A.; c) the assets of the subsidiary InvestiRE SGR S.p.A. are measured at the market value of the total managed assets before subtracting debt (GAV).
All assets shown in the statement also take into account the amount invested in them and originating from the other types highlighted with the exception of "Luxembourg-based Sicav fund administration" that does not include the delegated management already included in the indirect deposits of the Parent Company.

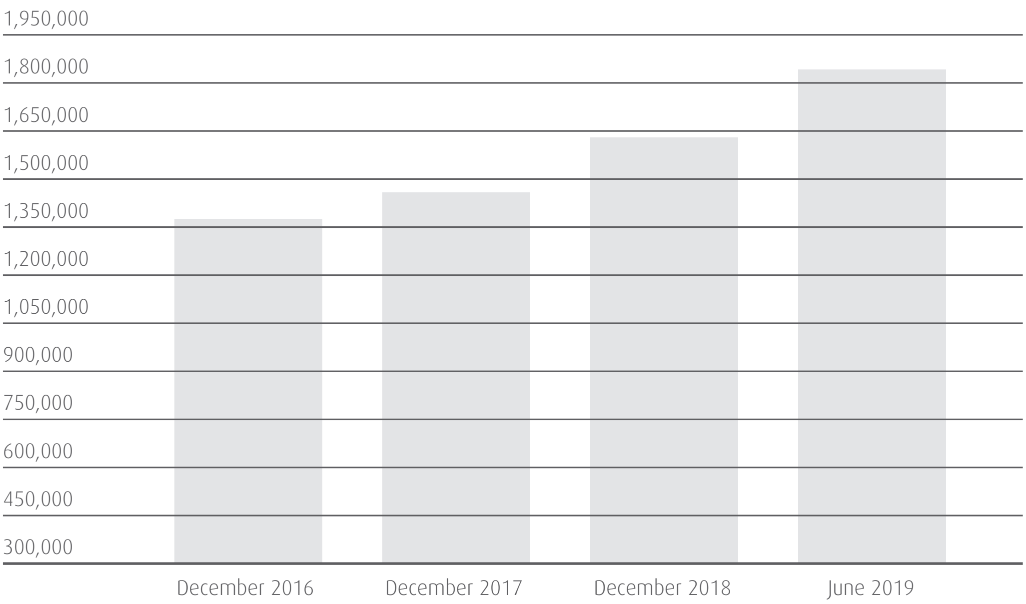
Direct deposits from customers



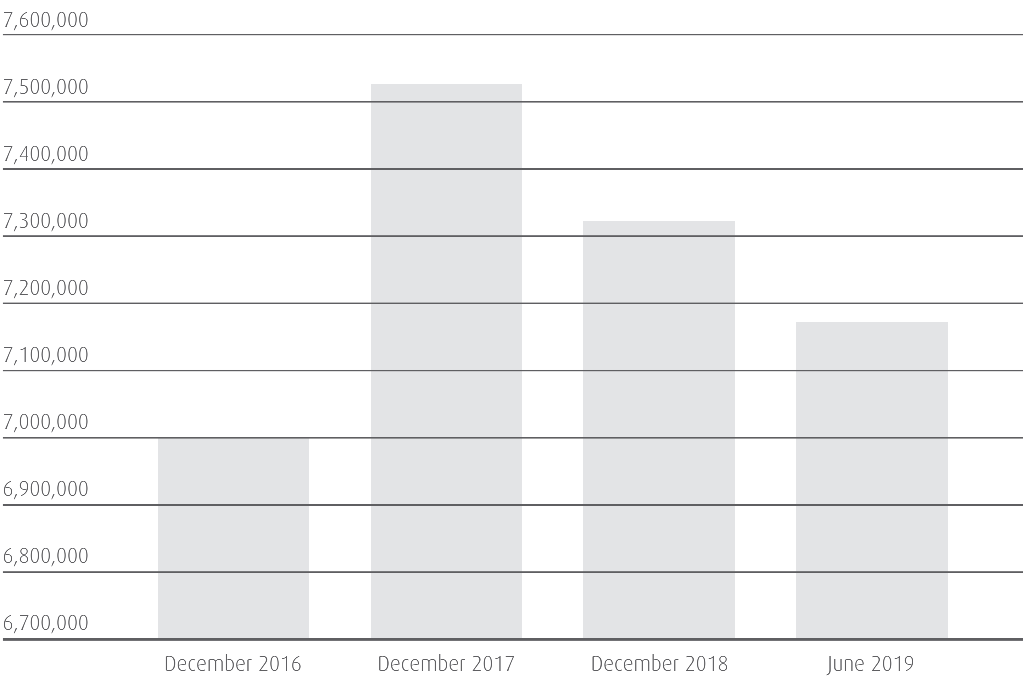
Indirect deposits



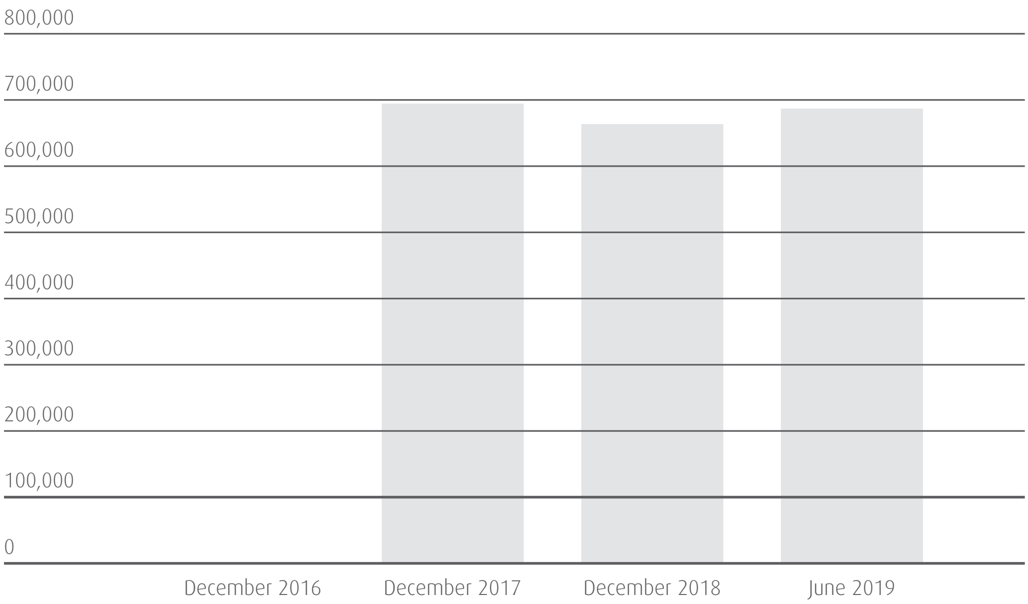
Trusteeship



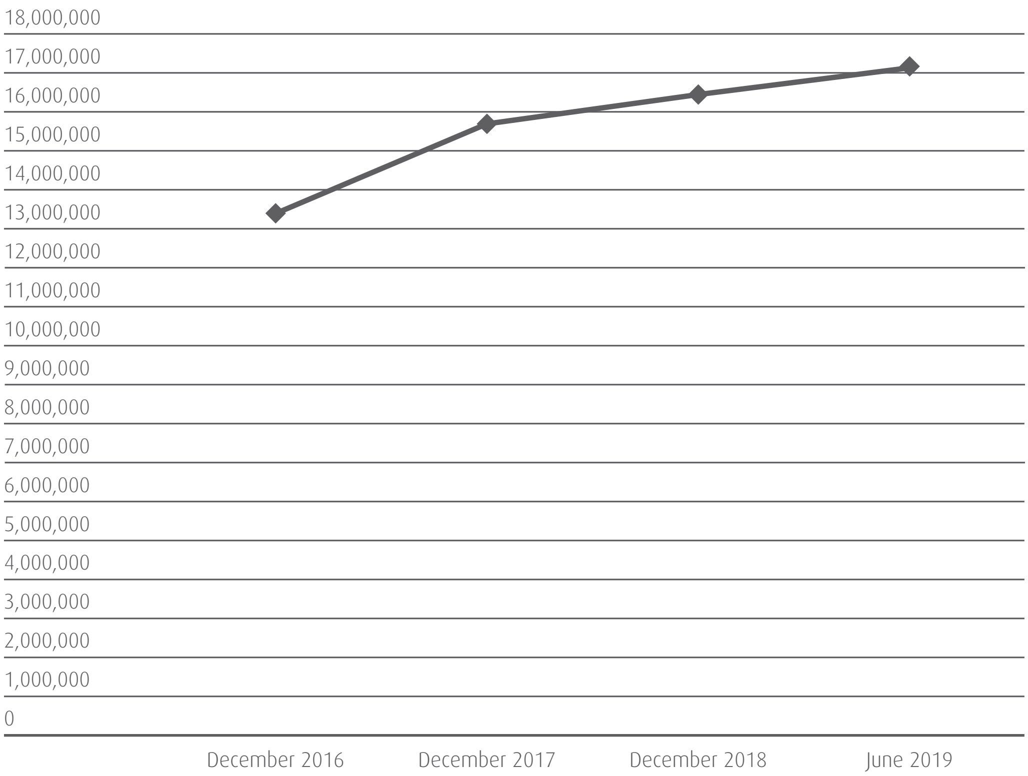
Real Estate Funds



Luxembourg-based Sicav fund administration



Total Group deposits



TREASURY SHARES AND SHARE PRICE PERFORMANCE

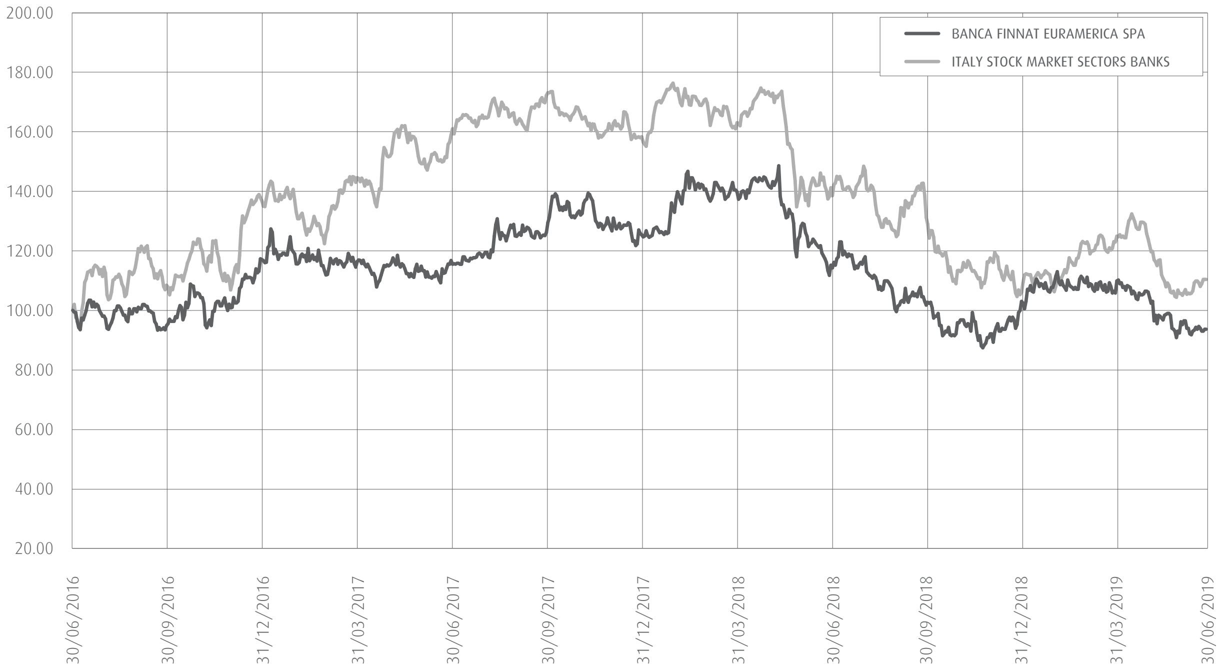
Treasury shares

At 30 June 2019, 28,810,640 treasury shares were held exclusively by the Parent Company. These shares totalling 14,059 thousand euros, equal to 7.9% of the share capital of the Bank, in application of IAS 32, were used to adjust the shareholders' equity. In the period in question, the Bank did not buy or sell any treasury shares.

Share price performance

SECURITY	Market price in euros at 30 July 2019	Market price in euros at 28 June 2019	Market price in euros at 29 March 2019	Market price in euros at 31 December 2018	Market price in euros at 28 September 2018	Market price in euros at 29 June 2018
BFE	0.2890	0.3000	0.3390	0.3180	0.3260	0.3690

BANCA FINNAT STOCK PRICE PERFORMANCE COMPARED WITH ITALIAN BANKING SECTOR INDEX (source Banca Intesa)



BUSINESS BACKGROUND

Prior to presenting the Consolidated report on operations relating to the first half of 2019, following is an overview of the domestic and international macroeconomic background.

Domestic and international macroeconomic background

During the first half of 2019, the underlying trend of global growth continued to weaken due to the persistence of uncertainties related to geopolitical factors, the growing threat of protectionism to international trade and the vulnerabilities still present in emerging markets. This is broadly in line with what has been expressed at least since mid-2018 by the most important leading indicators of the global economy, which have invariably continued to report significant slowdowns in economic activity over the last thirteen months, especially in terms of manufacturing. However, after a period characterised by a certain resilience, also the activity in the services sector began to show signs of failure. This marked economic slowdown gradually materialised, despite better than expected results in some of the major advanced economies. In the United States, Japan and the United Kingdom, growth in the first quarter of 2019 was much stronger than expected, although mainly due to temporary factors. In the United States (whose annualised growth at the end of the first quarter of 2019 was 3.1% from 2.2% in the last quarter of 2018) and in Japan (whose annualised growth was 2.1% after the sharp decrease of 2.6% recorded at the end of the third quarter of 2018) economic activity was supported by the positive contribution of net exports that, however, concealed a decline in imports of goods and services in real terms. Stockpiling also supported growth, while domestic demand was low. In the United Kingdom (whose year-on-year growth rate at the end of the first quarter of 2019 was 1.8% from 1.4% in the last quarter of 2018), the better-than-expected results largely reflected strong public spending and a significant stockpiling carried out on a precautionary basis by companies in view of the country's exit from the European Union. With regard to the Eurozone economy, the performance of the German GDP and of the Eurozone itself continued to significantly deteriorate, with downsized year-on-year growth, from the third quarter of 2018 to the first quarter of 2019. Thus, the year-on-year growth rate for the German economy decreased from 1.2% to 0.7% over the period in question, while in the Eurozone it decreased from 1.6% to 1.2% (in Italy, over the same period, the year-on-year growth rate stood at 0.6% in the third quarter of 2018 and then fell sharply and recorded an annual decrease of 0.1% at the end of the first quarter of 2019).

In such a context that was not particularly brilliant in general, the Monetary Authorities, already at the beginning of the year, unexpectedly and radically changed all their monetary policy approaches that until the end of 2018 envisaged a progressive "standardisation" of policy rates. Initially, the FED and then all the major central banks explicitly offered the market - in order to counter the current economic slowdown and to support the desired economic recovery - their willingness to undertake a new process of expansionary monetary policy to be implemented either through the leverage of interest rates or through unconventional intervention tools (e.g. through the renewal of policies of quantitative easing). At its meeting on last 6 June, the Board of Directors of the ECB decided to keep the reference interest rates unchanged, as also decided by the US Federal Reserve for the moment, but repeated its forward-looking approach to full reinvestment of maturing government bonds as part of the asset purchase programme and finally established the terms for the new series of quarterly targeted longer-term refinancing operations (TLTRO

III). In fact, these interventions are aimed at maintaining very favourable financing conditions to support economic expansion in the Eurozone.

These radical changes in the monetary policy approach envisaged by the Central Banks were justified by the persistent absence of any inflationary pressure worldwide. In the Eurozone, consumer inflation fell to 1.2% in May 2019 from 2.2% in October 2018, while in the US the annual retail price growth rate reached 1.8% from 2.5% in October 2018. Core inflation measures also remain moderate, with upward pressure on consumer prices, again in the Eurozone, net of energy and food products, of 0.8%. In terms of longer-term inflation expectations (five years for the next five), derived from financial markets, these were brought to below the 2% threshold for the US economy and 1.13% for the Eurozone economy at the end of the first half year. Therefore, world growth is expected to slow down throughout 2019 in the wake of weak manufacturing and world trade and to stabilise in the medium term. Worldwide GDP growth in real terms of 3.8% in 2018, excluding the Eurozone, is expected slowdown to 3.3% in 2019 and then to stabilise at around 3.6% in 2020/2021. World trade is expected to weaken even more in the short term and to grow in the medium term in line with expectations of a recovery in economic activity.

The financial markets

In connection with a non-brilliant macroeconomic scenario, the markets rewarded during the half-year both bonds and equity instruments. The positive performance of both asset classes was mainly due, for the former, to the renewed/persistent absence of any inflationary pressure on a global scale and to the sharp fall in inflation expectations and, for both, to the radical change in the monetary policy approach adopted by all the main Central Banks. In a few months, the result was a shift from a context of "feared recession", with fears of rising interest rates, to a context of "non-recessionary" economic slowdown in which the Central Banks have explicitly offered the market their willingness to reduce policy rates or to implement expansive monetary policies to counter the economic slowdown in progress and to encourage a recovery in the economy. With regard to Equity Markets, the first half of 2019 closed with the S&P 500 index for the US market growing by 17% since the beginning of the year and with the Nasdaq technology index increasing by 20.4%. On the European markets, the representative index of the Eurozone *DJ Eurostoxx* 50 showed an appreciation of almost 16%, with the French *CAC* 40 index growing by 17.2%, the German *DAX* index positive by 17.4% and the representative index of the domestic market *FTSE MIB* better by almost 16% compared to prices at the end of 2018. Outside the Eurozone, the capitalisation of the British market index *FTSE* 100 increased by 10.4%, while the *Swiss MKT* index of the Zurich stock market increased by 17.2%. On the Asia Pacific markets, the Japanese *Nikkei* 225 index offered a limited return of 6.3%, due to the simultaneous strengthening of the *Yen* in the half-year, while the *Hang Seng index* of the *Hong Kong* Stock Exchange grew by 10.4%. With regard to emerging markets, the *Shanghai* Stock Exchange index increased by 20% while the Indian index increased by 10% and the *Taiwanese* stock market index by 12%. On the other emerging markets, Russia recorded a performance of 18%, Argentina of 38% and Brazil of 15% (all in local currency).

In the Commodities Markets, the best performances were offered by the iron ore, which increased by about 80% in the first half-year, and by the contract for the *Nymex* traded diesel, whose prices increased by almost 45%. *WTI* crude oil listed on *Nymex* grew by 25% while natural gas listed on *ICE* in London fell by more than 50% in the first half-year. Among metals, all offered a negative return except iron ore, gold, up

10%, and nickel (+15%). Among agricultural products, corn gained 15% and wheat 3% while soybeans remained stable. Among the colonial products, coffee gained 10%, sugar 4% and cotton lost almost 12% of its value.
With regard to fixed-income markets, the current economic slowdown, the absence of global inflationary pressures and the fall in inflation expectations brought bond yields back to their lowest levels in 2016, with $13 trillion in fixed-rate instruments returning to negative yields. By now, about 24% of all global bonds and 40% of Eurozone bonds have nominal yields below zero, a percentage that increases considerably if real rates of return net of inflation are taken into account. The benchmark rate on the ten-year US Treasury Notes, at 3.26% market yield in October 2018 and already reduced to 2.75% by the end of 2018, was below the level of 2% at the end of the first half of 2019, while the benchmark rate on the ten-year German bonds, at 0.25% market yield at the end of 2018, reached negative yields of -0.3%. The yield of the ten-year Italian paper, 2.73% at the end of December 2018, also managed, at the end of June 2019, to reach levels of 100 basis points lower.
With regard to the currency market, the Euro was stable against the US dollar and the British pound during the first half-year, but depreciated against the Swiss franc by about 2% and against the Japanese Yen by almost 4%.

The property market in the first half of 2019

Italy, although to a lesser extent than the rest of Europe, is experiencing a positive moment for the property market, although in 2018 families and investors were more cautious than in the previous year.

Despite a widespread situation of uncertainty, total property turnover closed 2018 at almost 125 billion euros, with an increase of 5.1% compared to the previous year. All sectors have shown growth. The increase in turnover is almost entirely attributable to the increase in volumes traded and not to the growth in prices, which, on the other hand, have fallen in most of the territory. An increase of close to 2% is expected for 2019. The figure shows a significant slowdown in growth compared to 2018, in contrast to the rest of the continent but understandable in view of the economic problems and political uncertainty of the Country. As in the previous year, the increase in turnover forecast for 2019 is not due to an increase in prices, but only to an increase in volumes.

In 2018, the turnover generated by the residential market totalled just over 93 billion euros, an increase of just over 5% on the previous year. This increase is in line with the European average; however, it is not generated by an increase in prices but by a single increase in sales. With regard to the breakdown of the type of demand, about 60% is made up of the need for housing improvement, 20% is made up of a transition from the lease and, finally, the remaining 20% is made up of investments. The Milan market continues to be the most brilliant in the Country, with prices and sales growing rapidly. The capital market remained stable in 2018, but the pressure in demand for both lease and purchase is increasing steadily. A slight worsening is expected for 2019 compared to the previous year. Price growth remains close to zero with a recovery only in the most valuable areas.

The office market is recovering in 2018, with sales up 6.1% on the previous year. A further increase of 5.7% is expected for the current year. The market is increasingly focused on Milan and some districts of the capital. In these areas, it is the new supply (of high quality and international standards) that attracts the demand of large companies. In the areas concerned, lease fees are also on the rise, while yields are in line with the major European capitals of the services sector. The average rate of absorption is slightly up to 42% compared to 40.3% in 2017. The average vacancy rate is increasing and approaching, on average, 30%; on the other hand, it is at an all-time low (8%) in Milan. A further focusing of demand on the liveliest cities is expected for 2019, with a marked increase in lease fees, especially in the primary areas.

The commercial property market, which closed 2018 with a substantial stability compared to the previous year, maintains an attractiveness related to the territory, consumption habits and the growth of tourist flows. It is a set of elements that contributes to making the market not comparable with the European trend. The interest of investments in the Italian market remains concentrated, on the one hand, on properties located in the high streets of the main cities for which there is a low risk of vacancy rates, growing demand from retailers and solid economic fundamentals. On the other hand, the attractiveness concerns the shopping centres and retail parks closely related to the territory by adequate size, suitable offer mix and placement in secondary positions with low risk of online penetration. In addition to interest, there are also outlets for which good performance is also related to the ability to intercept tourist flows. The commercial property market closed 2018 with a turnover of 8.9 billion euros, recording a 2.9% increase compared to the previous year.

The logistics property market continued its positive trend in 2018, albeit with lower results than the excellent performance of 2017. The growing importance of e-commerce increases the demand for technological space from large hubs to small warehouses required for last mile logistics. The total turnover of logistics in 2018 recorded a change of more than 3.4% on an annual basis, reaching 4.6 billion euros. A continued growth with similar values is expected for the end of 2019. Prices and lease fees remained on average at the same levels as the previous year, with a slight decrease in sales prices. In terms of yields, after a period of continuous decline, in 2018 the trend stabilised with average values around 7%. By 2019, yields should be close to 7.5%.

The trend of the Italian hotel property market is in line with that of Europe. The positive tourist trend and good hotel performance continue to make the sector more attractive to investors and also affect the level of prices with a slight upward trend. The market is moving towards operations aimed at creating value both through the improvement of management and through complete restructuring, involving both primary and secondary destinations. The importance of the quality of the manager to which the success of operations is closely related is consolidated and the synergy between the investor and the manager becomes fundamental. The turnover of the hotel property market in 2018 reached 2.95 billion euros, recording a positive change of 11.3 percentage points compared to the previous year. By the end of 2019, estimates indicate growth in line with the previous year, with an expected increase of about 9.7%.

Finally, a look at the real estate funds market: based on the surveys on the asset management companies belonging to the working group and the projections on the entire universe of funds, the NAV of the sector reached 60 billion euros at the end of 2018, with the prospect of reaching 67 at the end of this year. In this forecast, an important role is played by public disposals that, according to the information known, should also partly use the fund instrument. The property assets held by the 450 active funds exceeded 66 billion euros, an increase of 13.8% over the year. Assets of at least 75 billion euros (plus 12.1%) are expected for 2019. A target of eighty billion euros is realistic in the short term. Overall asset allocation is stable, with a slight improvement in the office and "other" segments, with a progressively increasing share of hotels. Looking ahead, real estate funds dedicated to residence are expected. The total turnover of the asset management companies of the system was approximately 420 million euros in 2018, with approximately 1,200 employees. Purchases during the year amounted to 6.1 billion euros compared with 3.5 billion euros in disposals.

* * * * *

EXPLANATORY NOTES TO THE CONSOLIDATED HALF-YEARLY FINANCIAL REPORT

The Consolidated half-yearly financial report was prepared pursuant to Article 154-ter, paragraph 2 of Legislative Decree 195 of 6 November 2007, in accordance with the EU Directive 2004/109/EC (known as Transparency Directive). This article establishes that listed issuers were required to publish a half-yearly financial report within sixty days from the end of the first half of the financial year.

On 18 March 2016, Italian Legislative Decree no. 25 of 15 February 2016 came into force, for the implementation of directive 2013/50/EU containing amendments to the Transparency Directive. The decree also extended the deadline for the publication of the half-yearly report to three months, from the previous sixty days, specifying that the publication must take place in any event "as soon as is possible". In order to increase the distinctive level of the STAR segment, Borsa Italiana, with the amendment of Article 2.2.3 paragraph 3 of the Regulation for companies listed on the STAR segment, established that, as from 1 January 2018, this half-yearly report must be made available to the public within 75 days of the end of the first half of the financial year.

The Half-yearly financial report to be published together with the audit report, if prepared, includes:

- the Condensed half-yearly financial statements, prepared in accordance with the international accounting standards and in consolidated form, if the listed issuer is required to prepare consolidated financial statements;
- the Interim report on operations, including reference to any relevant events that took place in the first six months of the financial year and their impact on the Condensed consolidated half-yearly financial statements, including a description of the primary risks and uncertainties for the remaining six months of the year, as well as information on any material transactions with related parties;
- a declaration by the Manager in charge of preparing the accounting documents.

In compliance with Article 154-ter, paragraph 2, of the Consolidated Financial Law, the present consolidated half-yearly financial report includes:

- an Interim report on operations;
- the Condensed consolidated half-yearly financial statements (in condensed format), pursuant to IAS 34 "Interim Financial Reporting". These financial statements therefore do not contain all the information required to be set out in the annual financial statements and should, therefore, be analysed in conjunction with the financial statements for the year ended on 31 December 2018, prepared consistently with the IFRS international accounting standards issued by the International Accounting Standards Board (IASB) and endorsed by the European Economic Community (see Regulation no. 1606/2002).

  The Condensed consolidated half-yearly financial statements consist of:
  - the set of statements adopted for the Consolidated yearly financial statements: the consolidated balance sheet, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in shareholders' equity and the consolidated statement of cash flows;
  - condensed explanatory notes that also include sections A.3 and A.4 referring respectively to the information on transfers among portfolios of financial assets and on the fair value.

- a declaration by the Manager in charge of preparing the accounting documents.

The above tables and the notes to the financial statements comply with the provisions of Bank of Italy's Circular Letter no. 262 "Banking Financial Statements: formats and guidelines" - 6th update of 30 November 2018.
This latest update absorbed the introduction of the international accounting standard IFRS 16 which replaced, with effect from 1 January 2019, IAS 17 for the recognition of lease transactions.
The main changes and impacts of the new standard - already illustrated in the 2018 Financial Statements - are analysed in a specific paragraph "Adoption of the international accounting standard IFRS 16" included in the Notes to the Financial Statements, Part A - Accounting Policies, Section 5 - Other aspects.
For the application of the new set of statements - since the Group has chosen to adopt the modified retrospective approach (option B) at the time of the FTA - there is no obligation to restate the comparative data for the 2018 financial year; Therefore, the figures for 2019 are not comparable with those for the same period of the previous year with reference to the valuation of the rights of use and the corresponding lease payable/receivable in that they were determined in accordance with the international accounting standard IAS 17, in force in the reporting period.

The Condensed consolidated half-yearly financial statements are subject to a limited audit by the company EY S.p.A.

SUMMARY OF CONSOLIDATED RESULTS

The first six months of 2019 recorded a consolidated net profit of 4,313 thousand euros versus 2,387 thousand euros at 30 June 2018.

The main items that form the 2019 half-yearly results are shown below and compared with the corresponding 2018 figures:

- **Net banking income** at 30 June 2019 totals 35,237 thousand euros, compared to 32,744 thousand euros in the corresponding period of the previous year. The total increase by 2,493 thousand euros consists of the following:

  increases
  - 2,724 thousand euros for Interest margin (7,822 thousand euros at 30 June 2019, compared to 5,098 thousand euros in the same period of 2018);
  - 874 thousand euros for Net fees and commissions (25,737 thousand euros in the first six months of 2019 versus 24,863 thousand euros in the same period of 2018);
  - 311 thousand euros for Dividends and similar income (2,304 thousand euros at 30 June 2019, compared to 1,993 thousand euros in the same period of 2018);

  decreases

  - 233 thousand euros as Profit (losses) on trading. At 30 June 2019, the item had a positive balance of 434 thousand euros, versus a positive balance of 667 thousand euros in the same period of 2018;
  - 626 thousand euros for Profit from the sale of financial assets designated at amortised cost and financial assets designated at fair value through other comprehensive income (190 thousand euros at 30 June 2019 versus 816 thousand euros in the same period of 2018);
  - 557 thousand euros for Profits (losses) from other financial assets mandatorily at fair value (negative balance of 1,250 thousand euros at 30 June 2019 versus a negative balance of 693 thousand euros in the same period of 2018).

- **Net losses/recoveries on credit risk**. At 30 June 2019 , this item showed **value recoveries** totalling 701 thousand euros relating to Financial assets designated at amortised cost (480 thousand euros) and to Assets designated at fair value through other comprehensive income (221 thousand euros). At 30 June 2018, **impairment losses** had instead been made on the Financial assets designated at amortised cost and on Assets designated at fair value through other comprehensive income respectively of 1,194 thousand euros and 247 thousand euros.

- **Administrative expenses** amounted, in the first six months of 2019, to 28,654 thousand euros versus 28,415 thousand euros in the same period of 2018.
  Application of the new accounting standard IFRS 16 entails the recognition of the lease fees, instead of

in the items in question, among the costs for amortisation of the utilisation right amounting to 1,466 thousand euros (101 thousand euros referred to personnel expenses and 1,365 thousand euros referred to other administrative expenses) and among interest expenses on payables amounting to 128 thousand euros. The main changes and impacts relating to the adoption of the new accounting standard IFRS 16 are commented on in a specific section in Part A - Accounting policies Section 2 - Other aspects.
The breakdown of administrative expenses is as follows:

- personnel expenses of 19,219 thousand euros grew by 1,518 thousand euros compared to the corresponding period of the previous year (17,701 thousand euros);
- other administrative expenses, totalling 9,435 thousand euros, decreased by 1,279 thousand euros compared to the corresponding period of the previous year (10,714 thousand euros). This decrease is almost entirely due to the different accounting of the lease fees. The other administrative expenses include recoveries from customers of some costs allocated under Other operating income/expenses.

- **Net losses/recoveries on property and equipment.** The item includes impairment losses of 1,673 thousand euros (229 thousand euros of 30 June 2018) and it comprises the depreciation of the right to use assets acquired under leases, not present in the comparison period, amounting to 1,465 thousand euros. The main changes and impacts relating to the adoption of the new accounting standard IFRS 16 are commented on in a specific section in Part A - Accounting policies Section 2 - Other aspects.

- **Other operating income/expenses** at 30 June 2019 show a positive balance of 3,241 thousand euros versus 3,223 thousand euros in the same period of 2018. The item comprises the recoveries of costs from customers, amounting to 2,631 thousand euros (2,838 thousand euros in the first six months of 2018).

- **Income taxes** amounted to 2,949 thousand euros at 30 June 2019 compared to 1,863 thousand euros at 30 June 2018.

* * *

The overall profit for the first half of 2019, which also includes the change to the “Valuation reserve”, is shown in the Statement of comprehensive income.

GROUP BUSINESS SEGMENTS

Following is an overview of the Bank and Group activities carried out in the first half of 2019:

Private Banking - Sales Department

The first half of 2019 was characterised by three extremely significant factors:

- Private Banking assets exceeding 5 billion euros, the transfer of the Milan branch from via Meravigli to via Manzoni and the sending of cost reports to customers in accordance with the MiFID 2 directive.
- The growth of new customers, around 300, allowed us to consolidate our position and confirmed that the Bank's prudent policy in the management of customer assets rewarded following a year in which the markets were particularly adverse as in 2018. With regard to the allocation of customer assets, even though bancassurance, focused on class I policies, was the distinctive element of growth, asset management closed the first half of the year positively in terms of deposits, confirming its position as the mainstay of our asset allocation offer.
- The move to the Milan branch represents both Banca Finnat's desire to grow in Northern Italy and testifies to the need for further and more prestigious spaces in the face of the expansion that has already taken place. Our growth process is confirmed by the offer of a highly personalised private banking service, capable of integrating the various capacities available at Banca Finnat, such as Financial Planning, Corporate Finance and customised credit, guaranteeing customers complete wealth management activities. Customers in Northern Italy, on which the commercial effort is particularly focused and in which an entrepreneurial component is well present, are appreciating this holistic and flexible approach.

With regard to transparency of information, we decided to send the documentation relating to the costs incurred in 2018, as required by MiFID 2, together with the reports of the first quarter. The feedback from customers was positive given the simplicity of the presentation adopted and the constant information always continued to be provided during the relationship.

With regard to the coverage of customer requirements, we focused on a project that identifies issues that have emerged in recent years and that represent stages of future uncertainty for customers. These are the lengthening of life expectancy and the related requirements, which are accompanied by a particularly marked decrease in income on higher incomes, and excessively unbalanced assets on old property assets. This context is accompanied by growing difficulties in the world of work for the new generations, who are forced to emigrate to places that welcome young talent with great opportunities. Therefore, in the second half of the year, the aim is to implement the project developed so far with a series of operational solutions that integrate both family planning and suitable financial instruments for both investment and credit.

Training has been an important element in the professional growth of the Sales Department by customising the process according to the seniority and vocation of colleagues.

As part of the communication initiatives, a process of collaboration was undertaken with an important international partner in the field of contemporary art, characterised by joint events in May and next September.

Investment Banking

The **brokerage** sector shows a modest decrease in data compared to the first half of last year, but much better than in the second half of the year. In particular, there was a recovery in the equity segment at the

expense, however, of fixed-income securities trading that - thanks to modest returns and high volatility - have clearly lost some of their appeal for savers.
Looking at fees and commissions, the monthly average is in line with that of the previous year; the fees generated by the banks' Order collection - once a typical customer of the bank's order execution service - have now almost been extinguished, while the shares of private customers (both advisory and non-advisory) are growing. Looking at the types of financial instruments, there is a growing interest in foreign equities and also a constant increase in revenues related to operations on CO2 shares.

In this context, we also address the issue of corporate broking activities, i.e. all the tasks that the bank carries out in favour of issuers of listed securities (mainly, but not exclusively, on the AIM Italia market).
First of all, we refer to the activity of Specialist operator, an activity in which Banca Finnat's leadership is increasingly solid: at 30 June there were 43 operating mandates (6 of which were acquired during the half-year).
But also to the Coverage activity in which our analysts and sales are increasingly appreciated by issuers and institutional investors interested in "our" microcaps. As well as the complex of specialist Back Office support activities that are increasingly popular among issuers.
The Bank acted also as Global Coordinator and NOMAD on two placements and is preparing for a third operation to be completed before the summer break.
The various relevant transactions on AIM securities carried out on the secondary market further confirm the fact that Banca Finnat is now a point of reference for those who, both in terms of issuers and investors, operate in this market segment.

The positive recovery of government bonds favoured an excellent performance of **own account activities**: this is true both for the important portfolios of the strategic Banking Book (whose impacts on the income statement are however very limited) and on the portfolios of the tactical Banking Book and of Trading. The benefits generated by the Carry trade strategy to which the Bank exposed itself by taking advantage of every moment in the market in which opportunities were realised are confirmed to be growing.

After the difficult year of 2018 (and in particular the very difficult second half-year), the **asset management** business saw a marked recovery in the markets.
Naturally, all of our asset management products - from management lines to SICAV funds - benefited from this, although to a slightly lesser extent than the reference benchmarks, as it was considered appropriate to maintain a prudent approach in any case. The same approach that in the previous year had made it possible to limit the damage compared to many of the competitors. Proof of this is that in terms of deposits, despite the negative performance in 2018, there were fortunately no significant declines in the first six months of Assets Under Management, which actually grew; and in the case of Asset management not only for the "market effect" but also for new net deposits.

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.

During the first half of 2019, the team dedicated to this activity continued to develop its operating capacity, consolidating in particular its activity on AIM Italia, an unregulated market dedicated to small and medium-sized businesses with high development and growth potential, in which Banca Finnat has an important competitive position.

During the first half of 2019, the listing operations on AIM Italia market of AMM S.p.A. and Officina Stellare 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. Moreover, the following were completed: i) financial assistance to the promoter company involved in the construction of a service infrastructure and of tourist attractions (including an aquarium) as part of a project developed in the city of Rome; ii) financial assistance to a company active in the field of marketing tools and hardware aimed at obtaining new medium/long term credit facilities.
Among currently ongoing mandates, the following are pointed out: i) financial assistance for the development of the business plan and for finding financial resources to finance it of a company operating in the aeronautical sector; ii) financial assistance for the updating of the business plan of a company operating in the sector of marketing clothing and financial assistance for relations with its banks/lenders; iii) the appointment for assistance to Radici S.p.A., active in the textile flooring sector, in the process of listing on the AIM Italia market; iv) financial assistance to support the monitoring, implementation and updating of the business plan of a group operating in the M.I.C.E. market (Meeting, Incentive, Congress & Events); 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, as part of 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 the first half of 2019, the on-going Nomad activities for some companies listed on the AIM continued. At 30 June 2019, there were 16 companies assisted on the AIM Market.

Asset Management - Real Estate 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 30 June 2019 it managed approximately 7,172 million euros of assets through 43 funds (41 reserved funds and 2 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, during the first half of 2019 the managed assets underwent a net decrease of approximately 2% compared to 31 December 2018.

In particular, the main marketing activities are described below, and they involved:
- the listed funds in the final liquidation phase. The completion of the liquidation of the Obelisco fund, which took place with the approval of the final liquidation report at 30 June 2019, and the continuation of the disposal of the residual assets of the Securfondo fund, which expires on 31 December 2019, are confirmed;
- the funds comprising mainly residential properties (FPEP, HELIOS and INPGI) which continued the fractional sale activities. The INPGI fund signed deeds for a total of approximately 27 million euros. The

Helios Fund and the FPEP Fund signed deeds in the residential fractional business for approximately 5 million euros and approximately 27 million euros, respectively; the Helios Fund also completed the requalification work of an office building in Rome, which was handed over to the tenant, a leading insurance company.

- 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 and preliminary sales contracts for approximately 29 million euros and approximately 22 million euros, respectively;
- the Funds with short-term disinvestment plant, whose activity is focused on real estate trading (Omega and Neptune Funds) that completed sales totalling approximately 24 million euros;
- the Distressed & Non Performing Assets area (Securis I, II, III, Sistema BCC, BCC Roma) continued its property portfolio disposal activities: deeds were signed totalling approximately 8 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 Fondo Spazio Sanità, and in the hotel sector in which the SGR is active through several funds under management.

Work also continued on the development of new projects that will hopefully lead to the management of new funds in the second half-year.

The activities for the enhancement of the existing portfolio include for 2019 development work for over 180 million euros, mainly on Social Housing Funds. In relation to these activities, also of note is the continuation, by the Immobilium Fund and by the Rocket Fund, of requalification work on properties for services in Milan and in Rome, respectively, with planned developments, on the basis of executed lease agreements, for more than 30 million euros, and, for the Secondo RE Fund, the conversion of a property located in Rome from offices to hotels for approximately 9 million euros.

Trusteeship

During the first half of 2019, Finnat Fiduciaria continued to develop its business by recording the satisfaction of its customers and that of its banking group.

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

The well-established initiatives undertaken by the Company have made it possible to continue successfully with the recovery of receivables; these initiatives have made it possible to consolidate the results achieved in previous years, having collected around 85% of the 2019 turnover at 30 July 2019.

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 1,737 million euros versus 1,529 million euros of 31 December 2018, with an increase of 208 million euros.

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

Considering the uncertainty of global markets and the European political instability, note the interest of customers in the first half of 2019 in diversification in the deposit of savings and in asset allocation.
In the first half of 2019, managed assets and profitability of Finnat Gestioni showed interesting signs of growth compared to the end of 2018. This growing trend is expected to be maintained and increased in the second half of 2019, thanks to the activity of opening cross-border trust accounts, in particular.

Research & Development
In the period in question, the Bank engaged in the following projects.

Organisation Area:
- A web platform supporting the activity of financial advice to customers was created and released.
- A new advanced CRM application was implemented and adopted.
- Further interventions concerning the use of the graphometric signature were completed and consequently the paperless processes were increased.
- Additional projects and procedural revisions related to the coming into force of the MIFID2, IDD and PSD2 regulations were completed.

IT and Technologies Area:
- Technological and infrastructural upgrading of the Bank's technological equipment was completed.
- A new web system of encryption of emails was introduced.
- A new file sharing system was introduced.
- The web collaboration systems in the various branches of the bank were enhanced.

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 13 March 2019.
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 24 April 2019 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 Board of Directors evaluated the results of the analysis.

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 was amended by the deadline set by the Bank of Italy to 30 April 2019.

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.

The Shareholders' Meeting of 24 April 2019 approved, among other things, the Shareholders' Meetings Regulations, as proposed by the Board of Directors.

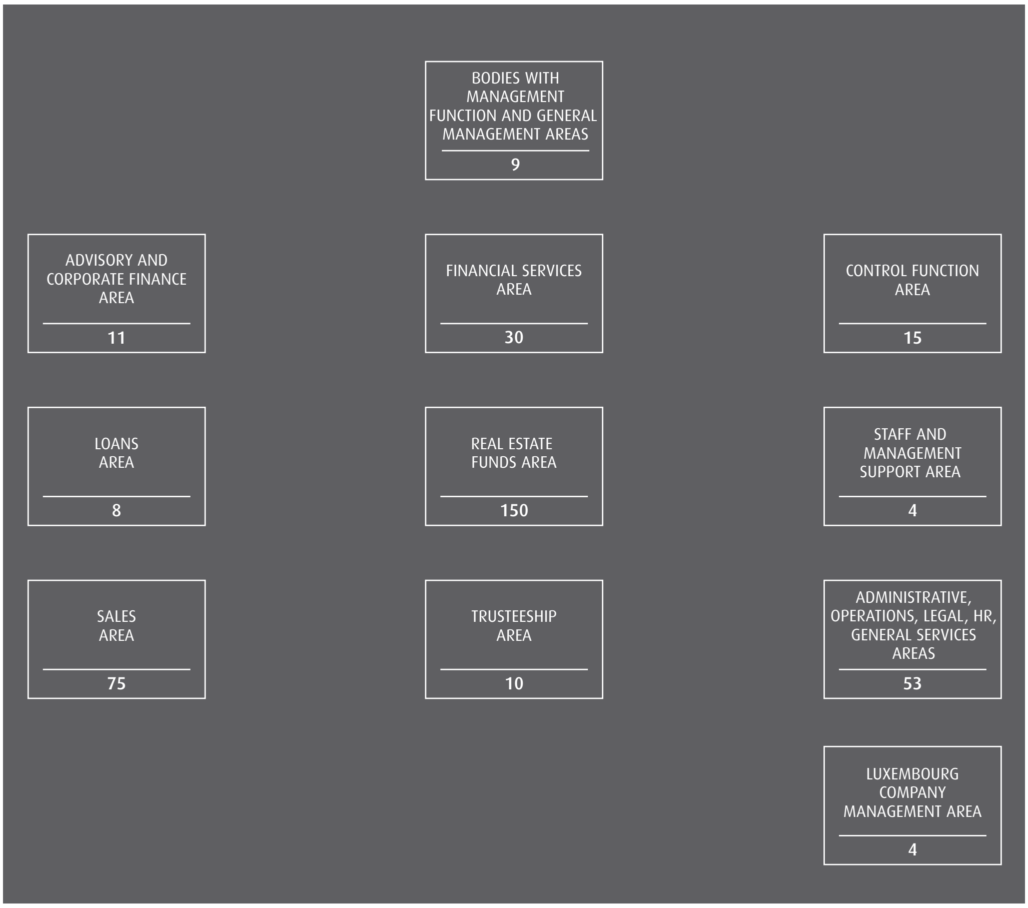
The Board of Directors meeting held on 27 June 2019, with the favourable opinion of the Risk Committee, which relied on the opinion of the Appointment Committee, the Remuneration Committee and the Board of Statutory Auditors, appointed Maria De Simone as Head of the Internal Control function.

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.

THE STRUCTURE OF BANCA FINNAT AND OF THE COMPANIES OF THE GROUP

The allocation of total human resources within the activities carried out by the Bank and the Group subsidiaries can be represented as follows:



The total number of personnel in the Group increased from 358 at 31 December 2018 to 369 at 30 June 2019 as shown in detail below:

	30.06.2019	31.12.2018
personnel employed	**357**	**347**
– executives	55	53
– managers	154	146
– clerical workers	148	148
contractors	**7**	**7**
promoters	**5**	**4**
Total	**369**	**358**

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 the first half of 2019, 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.

MARKET DISCLOSURE INFORMATION

Regarding market disclosure, the Group declares that:

- with reference to the request made by the Bank of Italy in its communication of 17 June 2008, the Bank at 30 June 2019 was not exposed to and/or did not hold an interest, either directly or through vehicle companies or other non-consolidated entities, in financial instruments or UCIs characterised by high-risk investments, such as: - SPEs (Special Purpose Entities) - CDOs (Collateralised Debt Obligations) – Other subprime exposures and Alt-A – CMBSs (Commercial Mortgage-Backed Securities) – Leveraged Finance.
- the Board of Directors of Banca Finnat Euramerica S.p.A., pursuant to Consob Resolution No. 18079 of 20 January 2012, decided, on 21 January 2013, to comply with the simplification system set forth in Articles 70 (paragraph 8) and 71 (paragraph 1-bis) of the Regulation adopted by Consob with Resolution No. 11971 of 14 May 1999 as amended and supplemented, by making use of the right, of listed companies, to depart from the obligation to submit the information documents required by Annex 3B of the Consob Regulation relating to future significant extraordinary operations such as mergers, demergers, capital increase by non-cash contributions, acquisitions and sales;
- with reference to the requests contained in joint Document no. 2 dated 6 February 2009 by the Bank of Italy, Consob and Isvap and in their subsequent Document no. 4 dated 4 March 2010 and the provisions of paragraphs 15 and 25 of IAS 1, regarding disclosures to be made with respect to going concern assumptions, please refer to the commentary provided respectively in Part A, Section 2 – General financial reporting principles and Part E – Information on Risks and Related Hedging Policies of the Notes to the 2018 Financial Statements;
- the Bank, within the prescribed deadline of 1 February 2018, exercised the option for the application of the transitional rules prescribed by the Regulation (EU) 2017/2395, “amending Regulation (EU) No

575/2013 as regards transitional arrangements for mitigating the impact of the introduction of IFRS 9 on own funds and for the large exposures treatment of certain public sector exposures denominated in the domestic currency of any Member State". The aforesaid transitional rules provide the possibility of including in Common Equity Tier 1 capital a transitional positive component, calculated in percentage terms, of the increase undergone by the allocations for expected losses on receivables by effect of the first adoption of IFRS 9. This benefit is recognised for a period of 5 years according to decreasing rates (95% in 2018, 85% in 2019, 70% in 2020, 50% in 2021, 25% in 2022). From 1 January 2023 onwards, the impact deriving from the first-time adoption of IFRS 9 will be fully reflected in the calculation of own funds. In addition to the possibility of delaying the impact deriving from the first-time adoption of the new accounting standard to 1 January 2018, the transitional arrangements provide the possibility of delaying any impacts of the new impairment model also in the first years following the date of first-time adoption of IFRS 9 albeit limited to those deriving from the measuring of performing financial assets.

OPTION FOR THE DOMESTIC CONSOLIDATED TAX SYSTEM

The Bank and its Italian-based subsidiaries have joined the "domestic consolidated tax system", pursuant to Article 117/129 of the TUIR (Consolidated Income Tax Act). The option was renewed in June 2019 for the 2019/2021 period.
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.

CONSOLIDATED OWN FUNDS AND CAPITAL RATIOS

The Consolidated regulatory capital is determined based on the harmonised regulations for Banks and the Investment companies contained in the Regulation ("CRR") and in the EU Directive ("CRD IV") of 26 June 2013 which transfer to the European Union the standards defined by the Basel Committee on Banking Supervision (known as 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 30 June 2019 amounted to 169,317 thousand euros (166,300 thousand euros at 31 December 2018), whereas the Total capital ratio, CET1 capital ratio and Tier1 ratio stood at **29.6%** (29.8% at 31 December 2018). The Bank exercised the option to apply the transitional provisions for the deferment over time of the impacts of the application of the new accounting standard on own funds - illustrated in the section "Market disclosure information". Without this application, Own funds would have been equal to 167,264 thousand euros, while the Total capital ratio, the CET1 capital ratio and Tier1 ratio would have been equal to **29.4%**.

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).

ADOPTION OF THE NEW ACCOUNTING STANDARD IFRS 16

Please refer to the Notes to the Financial Statements, Part A - Accounting policies Section 2 - Other aspects, which illustrate the main changes and the impacts of the adoption of the new accounting standard.

EXPOSURE TO DEBT SECURITIES AND SOVEREIGN DEBT FINANCING

With its “Communication on information to be provided in financial report with regard to exposures held by listed companies in sovereign debt securities”, no. DEM/11070007 of 5 August 2011, Consob references the application of document no. 2011/266 of 28 July 2011 of the European Securities and Markets Authority (ESMA) relating to the information about sovereign debt to be included in the annual and semi-annual financial reports prepared by listed companies that adopt the IAS/IFRS international accounting standards.

As indicated in the ESMA document, “sovereign debt” means bonds issued by central and local governments and by government agencies as well as loans issued to the them. The following tables highlight in more detail the exposure in debt securities by their accounting portfolio, maturity bracket and fair value hierarchy.

The following table shows, distinguished by individual country, the book value of exposures to sovereign credit risk.

Breakdown of sovereign debt securities portfolio - by issuer country (in thousands of euros)	**30.06.2019**
EU Countries	
- Italy	1,291,686

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

(in thousands of euros)

	maturity in							maturity beyond 2025	Total	Level 1
	2019	2020	2021	2022	2023	2024	2025			
Financial assets designated at fair value through profit or loss: a) Financial assets held for trading										
- Italy	–	49,933	–	1	1	–	–	1	49,936	49,936
Financial assets designated at fair value through other comprehensive income										
- Italy	25,014	39,510	12,896	–	–	97,021	76,226	–	250,667	250,667
Financial assets designated at amortised cost										
- Italy	199,881	594,107	197,095	–	–	–	–	–	991,083	991,083
Total	**224,895**	**683,550**	**209,991**	**1**	**1**	**97,021**	**76,226**	**1**	**1,291,686**	**1,291,686**

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, following the establishment of REDO SGR S.p.A. Società Benefit with an initial share capital of 500,000 euros, the company subscribed to a 33.33% stake (66.66% subscribed by Fondazione Cariplo); subsequently, on 7 June 2019, it also subscribed to the share capital increase approved by the Extraordinary Shareholders' Meeting of REDO on 28 May 2019 for a total amount of 1,000,000 euros (including a share premium of 900,000 euros).

The REDO transaction is illustrated in detail in the paragraph "Main transactions in the half-year".

At 30 June 2019, Investire SGR managed 43 real estate funds, with the GAV of the managed assets totalling 7,172 million euros, compared to 7,322 million euros at 31 December 2018.

The half-year statements at 30 June 2019 show a profit of 2,967 thousand euros compared to 2,327 thousand euros at 30 June 2018 and a shareholders' equity of 77,689 thousand euros at 30 June 2019 compared to 81,197 thousand euros at 31 December 2018.

In the first half of 2019, the company achieved fee and commission income of 14,164 thousand euros compared to 13,421 thousand euros in the same period of 2018.

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 30 June 2019, assets under management totalled 1,737 million euros, versus 1,529 million euros at 31 December 2018. The figures of managed assets for December 2018 and June 2019 also include the mandates of Finnat Fiduciaria S.p.A. for the administration and custody of assets without a fiduciary registration not previously included.

The half-year statements at 30 June 2019 show a profit of 46 thousand euros compared to 77 thousand euros at 30 June 2018 and a shareholders' equity of 1,986 thousand euros at 30 June 2019 compared to 2,032 thousand euros at 31 December 2018.

In the first half of 2019, the company achieved fee and commission income of 749 thousand euros compared to 786 thousand euros in the same period of 2018.

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 Banca per la Svizzera Italiana absorbed by EFG Bank Ltd.

Managed assets at 30 June 2019 totalled CHF 116.6 million, compared to CHF 113.7 million at 31 December 2018.

The half-year statements at 30 June 2019 show a profit of CHF 236 thousand compared to CHF 259 thousand at 30 June 2018 and shareholders' equity at 30 June 2019 amounted to CHF 2,059 thousand compared to CHF 2,289 thousand at 31 December 2018.

During the first half of 2019, the company generated fee and commission income of CHF 481 thousand compared to CHF 503 thousand in the same period of 2018.

Natam Management Company S.A.

The company, established on 30 August 2016, has its registered office in Luxembourg and share capital of 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 half-year statements at 30 June 2019 show a profit of 52 thousand euros compared to 77 thousand euros at 30 June 2018 and a shareholders' equity of 708 thousand euros at 30 June 2019 compared to 657 thousand euros at 31 December 2018.

In the first half of 2019, the company achieved fee and commission income of 853 thousand euros compared to 837 thousand euros in the same period of 2018.

RECLASSIFIED KEY BALANCE SHEET AND INCOME STATEMENT FIGURES

Following is an overview of the key balance sheet and income statement figures at 30 June 2019, compared with those at 31 December 2018 in the case of the balance sheet, and at 30 June 2018 in the case of the income statement.

The tables reflect the minimum mandatory layout provided for in Circular Letter 262/2005 issued by the Bank of Italy (update 6).

CONSOLIDATED BALANCE SHEET

(in thousands of euros)

	30.06.2019	31.12.2018	Absolute change
ASSETS			
Cash and cash equivalents	613	665	(52)
Financial assets designated at fair value through profit or loss:	81,320	60,170	21,150
a) financial assets held for trading	59,582	37,410	22,172
c) other financial assets mandatorily at fair value	21,738	22,760	(1,022)
Financial assets designated at fair value through other comprehensive income	302,075	298,665	3,410
Financial assets designated at amortised cost:	1,543,818	1,464,034	79,784
a) due from banks	93,009	88,863	4,146
b) loans to customers	1,450,809	1,375,171	75,638
Equity investments	6,647	6,400	247
Property and equipment	21,820	4,781	17,039
Intangible assets	40,884	40,974	(90)
Tax assets	17,134	19,266	-2,132
Other assets	19,437	24,772	-5,335
TOTAL ASSETS	**2,033,748**	**1,919,727**	**114,021**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Financial liabilities designated at amortised cost:	1,751,918	1,641,991	109,927
a) due to banks	780	271	509
b) due to customers	1,724,236	1,613,470	110,766
c) securities issued	26,902	28,250	-1,348
Financial liabilities held for trading	778	323	455
Tax liabilities	2,582	1,117	1,465
Other liabilities	20,536	20,370	166
Provisions for termination indemnities	5,774	5,317	457
Provisions for risks and charges:	536	783	-247
a) commitments and guarantees given	88	101	-13
c) other provisions for risks and charges	448	682	-234
Minority interests	39,258	40,688	-1,430
Group shareholders' equity	212,366	209,138	3,228
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**2,033,748**	**1,919,727**	**114,021**

CONSOLIDATED INCOME STATEMENT

(in thousands of euros)

	1st half 2019	1st half 2018	Absolute change	Percent change
Interest margin	**7,822**	**5,098**	**2,724**	**53%**
Net fees and commissions	**25,737**	**24,863**	**874**	**4%**
Dividends and similar income	2,304	1,993	311	
Profit (losses) on trading	434	667	(233)	
Profit (losses) on disposal or repurchase of:	190	816	(626)	
a) financial assets designated at amortised cost	154	96	58	
b) financial assets designated at fair value through other comprehensive income	36	720	(684)	
Profits (losses) on other financial assets and liabilities designated at fair value through profit or loss:	(1,250)	(693)	(557)	
b) other financial assets mandatorily at fair value	(1,250)	(693)	(557)	
Net banking income	**35,237**	**32,744**	**2,493**	**8%**
Net losses/recoveries on credit risk relating to:	701	(1,441)	2,142	
a) financial assets designated at amortised cost	480	(1,194)	1,674	
b) financial assets designated at fair value through other comprehensive income	221	(247)	468	
Gains/losses from contractual changes without derecognition	(1)	-	(1)	
Net income from financial operations	**35,937**	**31,303**	**4,634**	**15%**
Personnel expenses	(19,219)	(17,701)	(1,518)	
Other administrative expenses	(9,435)	(10,714)	1,279	
Net provisions for risks and charges	247	(258)	505	
Net losses/recoveries on property and equipment and intangible assets	(1,773)	(314)	(1,459)	
Other operating income/expenses	3,241	3,223	18	
Operating costs	**(26,939)**	**(25,764)**	**(1,175)**	**5%**
Profit (loss) from equity investments	**(219)**	**(72)**	**(147)**	**204%**
Profit (loss) from continuing operations before taxes	**8,779**	**5,467**	**3,312**	**61%**
Taxes on income from continuing operations	(2,949)	(1,863)	(1,086)	
Profit (loss) from continuing operations after taxes	**5,830**	**3,604**	**2,226**	**62%**
Profit (loss) of minority interests	(1,517)	(1,217)	(300)	
Net profit (loss) for the period pertaining to the Parent Company	**4,313**	**2,387**	**1,926**	**81%**

A series of Group operating ratios at 30 June 2019 compared with those for the same period in the previous year are presented below.

	1st half 2019 %	1st half 2018 %
Interest margin/net banking income	22.20	15.57
Net fees and commissions/net banking income	73.04	75.93
Cost/income ratio (operating costs/net banking income)	76.45	78.68
ROE (profit for the year/shareholders' equity)	2.03	1.17
ROA (profit for the year/total assets)	0.21	0.12

GROUP SHAREHOLDERS' EQUITY AND RECONCILIATION BETWEEN THE PARENT COMPANY'S AND THE GROUP'S SHAREHOLDERS' EQUITY AND RESULTS

Group shareholders' equity

The Group shareholders' equity at 30 June 2019, including the profit for the period, totalled 212,366 thousand euros and changed as follows:

Trend in Group Shareholders' Equity

(in thousands of euros)

Shareholders' equity at 31 December 2018	**209,138**
Dividend distribution	(3,627)
Change in valuation reserves	2,529
Changes in other reserves	13
Changes for sale of treasury shares	–
Profit (loss) for the period	4,313
Shareholders' equity at 30 June 2019	**212,366**

Reconciliation between the Parent Company's and the Group's shareholders' equity and results

(in thousands of euros)

	Shareholders' equity	of which: Profit (loss) for the period
Balance as per the Parent Company's financial statements at 30 June 2019	**232,976**	**6,608**
Results of investee companies as per the statutory financial statements:		
- fully consolidated companies	1,710	1,710
- valued by equity method	(3)	(125)
Positive differences from consolidation:		
- previous years	(2,677)	
Surplus over the book value related to:		
- fully consolidated companies	28,639	
Elimination of dividends	–	(3,890)
Other consolidation adjustments:	(48,279)	10
Balance resulting from the consolidated financial statements of the group at 30 June 2019	**212,366**	**4,313**

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

The main transactions and significant subsequent events in the half-year

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

- as already illustrated in the Report on Operations of the 2018 Financial Statements, the subsidiary InvestiRE SGR continued its preparatory activities for the implementation of the REDO transaction.
  The project provides for the establishment of a body specialised in the structuring and development of social housing, university housing and urban regeneration with a social impact carried out by InvestiRE in partnership with the Fondazione Cariplo - with the contribution of CDP Investimenti SGR - directed in the long term at the establishment of a multi-sector Sicaf under own management.
  As envisaged by the multi-stage project, on 17 December 2018 REDO SGR S.p.A. was established, with an initial share capital of 500,000 euros, of which 33.33% subscribed by the subsidiary InvestiRE SGR S.p.A. and 66.66% by Fondazione Cariplo; on 7 June 2019, the share capital increase of 1,000,000 euros (including a share premium of 900,000 euros) approved by the Extraordinary Shareholders' Meeting of the Company held on 28 May 2019 was completed, with payment by the same shareholders, on the basis of the percentage of ownership.
  In the meeting of 3 April 2019, taking into account the well-reasoned and binding opinion of the Risk Committee which relied on the fairness opinion with regard to the price of the transaction (i.e. 11.5 million euros) issued by an independent expert, the Board of Directors of the Bank decided in favour of the transfer of the business unit of InvestiRE SGR to the newly incorporated REDO and on the same date the Board of Directors of the subsidiary InvestiRE SGR S.p.A. approved the transfer. On 10 April 2019, in accordance with Article 5 of Consob Regulation no. 17221/2010 , the information document pertaining to the transfer of a business unit by the subsidiary InvestiRE SGR S.p.A. to REDO SGR S.p.A. was published on the authorised storage mechanism SDIR-NIS/NIS-Storage and on the Website of the Bank.
  Once the necessary authorisation is obtained from the Bank of Italy, the first phase of the operation involves the transfer by InvestiRE SGR to the new SGR of the business unit including the management of the two sub-funds of the FIL fund (FIL 1 and FIL 2) and the simultaneous sale of shares equal to 59% of the capital of the new SGR by Investire SGR that, following this transfer, will hold a stake equal to 33% of the capital of REDO SGR S.p.A. .
  In the meantime, the shareholders' meetings of the sub-funds of the FIL fund (FIL 1 and FIL 2) on 18 April 2019 approved the replacement of the management company from InvestiRE to REDO, but the effectiveness of the resolution passed is subject to the positive completion of the authorisation process and, obviously, to the transfer from InvestiRE to REDO of the business unit, including the resources (17 at 31 December 2018), dedicated to the FIL management.
- On 15 March 2019, the Bank signed shareholder agreements with Bio-on S.p.A. - a company operating in the modern biotechnology sector - aimed at operating in joint venture, as a financial partner, for the management of Liphe S.p.A. and Aldia S.p.A. (active in the production and marketing of biodegradable products); the share capital of both companies is currently held by Banca Finnat with a 10% stake (corresponding to 5 thousand euros) and Bio-On with a 90% stake. The agreements, for both companies, provide that the determination of the objectives and any decision concerning respectively the "Progetto

Aldia" (Aldia Project) and the "Progetto Liphe" (Liphe Project) and the achievement of the corporate purpose must be taken by mutual agreement between the two shareholders regardless of the shareholding held. The agreements, signed on 1 July 2019, also provide for a pro-rata share capital increase with a maximum commitment for Banca Finnat of 1,300 thousand euros for Aldia S.p.A. and 750 thousand euros for Liphe S.p.A.
Following the resolutions passed by the shareholders' meetings of Liphe S.p.A. and Aldia S.p.A., held on 27 June 2019, two of the four directors representing Banca Finnat were appointed to the Board of Directors of each of the two companies by virtue of the shareholders' agreements signed with Bio-On; at the same shareholders' meetings, on the appointment of Banca Finnat, the Chairman of the Board of Statutory Auditors and one alternate auditor were appointed in each of the two companies. As a result of the above and of the intentions of the parties, the two equity investments were classified as joint ventures and are therefore recognised in the consolidated financial statements using the equity method in accordance with IAS 28. The two companies are also considered related parties at 30 June 2019 and at the same date, there were no transactions in place other than the equity investment.

- On 24 April 2019, the Shareholders' Meeting of the Bank:
  - approved the financial statements at 31 December 2018 and the distribution, to the Shareholders, of a gross dividend of 0.01 euros per share, due for payment from 14 May 2019 (coupon date: 13 May 2019);
  - approved the Remuneration Policy prepared in pursuance of Article 123-ter of Italian Legislative Decree 58/98.
- On 27 June 2019, the Bank's Board of Directors granted the Chairman a mandate to convene the Ordinary Shareholders' Meeting on 1 August 2019, to decide, among other things, with regard to the appointment of the Auditing form for the nine-year period from 2020 to 2028 and the determination of the fee.

Significant events occurring after the end of the half-year period

After the end of the first half of 2019, and until the date of preparation of this Report, no significant events occurred, such as to influence or, indeed, affect the Group's operations, financial position and equity in any way. However, note that at the end of July 2019, the publication by the media of a report concerning the company Bio-On, produced by a speculative fund, in which the company was accused of alleged accounting irregularities and false corporate communications concerning the production capacity and quality of the products offered, led to a significant reduction in the market value of the company's shares, as well as the intervention by the competent bodies aimed at verifying the truthfulness or groundlessness of these allegations.
In the light of the above, note that at 30 June 2019 a credit line had been granted to the company for a total amount of 25 million euros (of which 10 million euros on demand and 15 million euros with maturity on 15 September 2019), disbursed at market conditions and almost completely drawn down. The opening of the on-demand loan was fully repaid in July 2019; consequently, at the date of preparation of this Report, the amount of the loan was 15 million euros (with maturity on 15 September 2019), almost entirely used. This loan is guaranteed by Bio-On Shares owned by the company Capsa S.p.A. for an amount equal to twice the amount of the loan granted.
Moreover, at 30 June 2019, Banca Finnat held 38,933 shares of Bio-On, equal to 0.2% of the share capital, in the portfolio of Financial assets held for trading and also held 10% (corresponding to 5 thousand euros)

of the share capital of each of the companies Liphe S.p.A. and Aldia S.p.A. as equity investments in joint ventures.

Also note that:

- on 1 July 2019, as part of the strategic lines directed at the development of Private Banking activities, to be carried out through the expansion of the customer base and the strengthening of the Northern Italy area, as prescribed by the Business Plan, the Bank moved its registered office in Milan from Via Meravigli to Via Manzoni no. 30, inside the prestigious historic building Gallarati Scotti, dating back to the beginning of the eighteenth century.
- on 1 August 2019, the Shareholders' Meeting of Banca Finnat Euramerica approved, among other things, the appointment of the auditing firm KPMG S.p.A., for the financial years from 2020 to 2028, to carry out the external audit of the statutory and consolidated financial statements and the limited audit of the condensed consolidated half-yearly financial statements, as well as the accounting auditing;

Operating outlook

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

CONDENSED CONSOLIDATED HALF-YEARLY FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEET

(in thousands of euros)

	Asset items	30.06.2019	31.12.2018
10.	Cash and cash equivalents	613	665
20.	Financial assets designated at fair value through profit or loss	81,320	60,170
	a) financial assets held for trading	59,582	37,410
	c) other financial assets mandatorily at fair value	21,738	22,760
30.	Financial assets designated at fair value through other comprehensive income	302,075	298,665
40.	Financial assets designated at amortised cost	1,543,818	1,464,034
	a) due from banks	93,009	88,863
	b) loans to customers	1,450,809	1,375,171
70.	Equity investments	6,647	6,400
90.	Property and equipment	21,820	4,781
100.	Intangible assets	40,884	40,974
	of which:		
	- goodwill	37,729	37,729
110.	Tax assets	17,134	19,266
	a) current	1,726	2,231
	b) deferred	15,408	17,035
130.	Other assets	19,437	24,772
	Total assets	**2,033,748**	**1,919,727**

CONSOLIDATED BALANCE SHEET

(in thousands of euros)

	Liabilities and shareholders' equity	30.06.2019	31.12.2018
10.	Financial liabilities designated at amortised cost	1,751,918	1,641,991
	a) due to banks	780	271
	b) due to customers	1,724,236	1,613,470
	c) securities issued	26,902	28,250
20.	Financial liabilities held for trading	778	323
60.	Tax liabilities	2,582	1,117
	a) current	1,974	581
	b) deferred	608	536
80.	Other liabilities	20,536	20,370
90.	Provisions for termination indemnities	5,774	5,317
100.	Provisions for risks and charges:	536	783
	a) commitments and guarantees given	88	101
	c) other provisions for risks and charges	448	682
120.	Valuation reserves	(1,062)	(3,592)
150.	Reserves	150,598	148,870
170.	Share capital	72,576	72,576
180.	Treasury shares (-)	(14,059)	(14,059)
190.	Minority interests (+/-)	39,258	40,688
200.	Profit (Loss) for the year (+/-)	4,313	5,343
	Total liabilities and shareholders' equity	**2,033,748**	**1,919,727**

CONSOLIDATED INCOME STATEMENT

(in thousands of euros)

	Items	1st half 2019	1st half 2018
10.	Interest income and similar income	8,992	5,872
20.	Interest expense and similar expense	(1,170)	(774)
30.	**Interest margin**	**7,822**	**5,098**
40.	Fee and commission income	26,728	26,035
50.	Fee and commission expense	(991)	(1,172)
60.	**Net fees and commissions**	**25,737**	**24,863**
70.	Dividends and similar income	2,304	1,993
80.	Profit (losses) on trading	434	667
100.	Profit (losses) on disposal or repurchase of:	190	816
	a) financial assets designated at amortised cost	154	96
	b) financial assets designated at fair value through other comprehensive income	36	720
110.	Profits (losses) on other financial assets and liabilities designated at fair value through profit or loss	(1,250)	(693)
	b) other financial assets mandatorily at fair value	(1,250)	(693)
120.	**Net banking income**	**35,237**	**32,744**
130.	Net losses/recoveries on credit risk relating to:		
	a) financial assets designated at amortised cost	480	(1,194)
	b) financial assets designated at fair value through other comprehensive income	221	(247)
140.	Gains/losses from contractual changes without derecognition	(1)	–
150.	**Net income from financial operations**	**35,937**	**31,303**
190.	Administrative expenses:	(28,654)	(28,415)
	a) personnel expenses	(19,219)	(17,701)
	b) other administrative expenses	(9,435)	(10,714)
200.	Net provisions for risks and charges	247	(258)
	a) commitments and guarantees given	13	(258)
	b) other net allocations	234	–
210.	Net losses/recoveries on property and equipment	(1,673)	(229)
220.	Net losses/recoveries on intangible assets	(100)	(85)
230.	Other operating income/expenses	3,241	3,223
240.	**Operating costs**	**(26,939)**	**(25,764)**
250.	Profit (loss) from equity investments	(219)	(72)
290.	**Profit (loss) from continuing operations before taxes**	**8,779**	**5,467**
300.	Taxes on income from continuing operations	(2,949)	(1,863)
310.	**Profit (loss) from continuing operations after taxes**	**5,830**	**3,604**
330.	**Profit (loss) for the period**	**5,830**	**3,604**
340.	Profit (loss) for the period of minority interests	(1,517)	(1,217)
350.	**Net profit (loss) for the period pertaining to the Parent Company**	**4,313**	**2,387**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(in thousands of euros)

	Items	1st half 2019	1st half 2018
10.	**Profit (loss) for the period**	**5,830**	**3,604**
	Other comprehensive income after taxes that may not be reclassified to the income statement		
20.	Equity designated at fair value through other comprehensive income	81	(152)
70.	Defined benefit plans	(320)	(125)
90.	Share of valuation reserves connected with investments carried at equity	122	72
	Other comprehensive income after taxes that may be reclassified to the income statement		
140.	Financial assets (other than equity) designated at fair value through other comprehensive income	2,523	(7,572)
170.	**Total other comprehensive income after tax**	**2,406**	**(7,777)**
180.	**Comprehensive income (Item 10+170)**	**8,236**	**(4,173)**
190.	Consolidated comprehensive income pertaining to minority interests	1,394	1,173
200.	**Consolidated comprehensive income pertaining to the Parent Company**	**6,842**	**(5,346)**

STATEMENT OF CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY AT 30 JUNE 2019

(in thousands of euros)

	Total shareholders' equity at 31.12.2018	Change in opening balances	Total shareholders' equity at 01.01.2019	Allocation of previous FY profit	
				Reserves	Dividends and other allocations
Share capital:	**72,576**		**72,576**	**–**	**–**
a) ordinary shares	72,576		72,576	–	–
b) other shares	–		–	–	–
Share issue premium	**–**		**–**	**–**	**–**
Reserves:	**186,707**	**–**	**186,707**	**4,686**	**–**
a) profit	124,545	–	124,545	5,441	
b) other	62,162	–	62,162	(755)	–
Valuation reserves	**(3,711)**	**–**	**(3,711)**	**–**	**–**
Capital instruments	**–**		**–**	**–**	**–**
Treasury shares	**(14,059)**	**–**	**(14,059)**	**–**	**–**
Net Profit (Loss) for the period	**8,313**	**–**	**8,313**	**(4,686)**	**(3,627)**
Total shareholders' equity	**249,826**	**–**	**249,826**	**–**	**(3,627)**
of which: Group shareholders' equity	**209,138**	**–**	**209,138**	**–**	**(3,627)**
of which: Minority interests	**40,688**	**–**	**40,688**	**–**	**–**

STATEMENT OF CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY AT 30 JUNE 2018

(in thousands of euros)

	Total shareholders' equity at 31.12.2017	Change in opening balances (*)	Total shareholders' equity at 01.01.2018	Allocation of previous FY profit	
				Reserves	Dividends and other allocations
Share capital:	**72,576**		**72,576**	**–**	**–**
a) ordinary shares	72,576		72,576	–	–
b) other shares	–		–	–	–
Share issue premium	**–**		**–**	**–**	**–**
Reserves:	**163,950**	**(2,938)**	**161,012**	**29,300**	**–**
a) profit	100,684	(1,708)	98,976	29,267	
b) other	63,266	(1,230)	62,036	33	–
Valuation reserves	**1,592**	**(97)**	**1,495**	**–**	**–**
Capital instruments	**–**		**–**	**–**	**–**
Treasury shares	**(14,059)**	**–**	**(14,059)**	**–**	**–**
Net Profit (Loss) for the period	**40,187**	**–**	**40,187**	**(29,300)**	**(10,886)**
Total shareholders' equity	**264,246**	**(3,035)**	**261,211**	**–**	**(10,886)**
of which: Group shareholders' equity	**222,108**	**(2,338)**	**219,770**	**–**	**(10,886)**
of which: Minority interests	**42,138**	**(697)**	**41,441**	**–**	**–**

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

Changes during the period									Shareholders' equity at 30.06.2019		
	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	Changes in equity investments	Comprehensive income of the first half of 2019	Total	Group	Minority interests
–	–	–	–	–	–	–	–	–	72,576	72,576	–
–	–	–	–	–	–	–	–	–	72,576	72,576	–
–	–	–	–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–	–	–	–
(2,813)	–	–	–	–	–	–	–	–	188,580	150,598	37,982
(2,830)	–	–		–	–	–	–	–	127,156	117,039	10,117
17	–	–		–	–	–	–	–	61,424	33,559	27,865
–	–	–	–	–	–	–	–	2,406	(1,305)	(1,064)	(241)
–	–	–	–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–	(14,059)	(14,059)	–
–	–	–	–	–	–	–	–	5,830	5,830	4,313	1,517
(2,813)	–	–	–	–	–	–	–	8,236	251,622	–	–
12	–	–	–	–	–	–	–	6,842	–	212,364	–
(2,825)	–	–	–	–	–	–	–	1,394	–	–	39,258

Changes during the period									Shareholders' equity at 30.06.2018		
	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	Changes in equity investments	Comprehensive income of the first half of 2018	Total	Group	Minority interests
–	–	–	–	–	–	–	–	–	72,576	72,576	–
–	–	–	–	–	–	–	–	–	72,576	72,576	–
–	–	–	–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–	–	–	–
(3,581)	–	–	–	–	–	–	–	–	186,731	148,828	37,903
(3,613)	–	–		–	–	–	–	–	124,630	114,569	10,061
32	–	–		–	–	–	–	–	62,101	34,259	27,842
–	–	–	–	–	–	–	–	(7,776)	(6,281)	(6,168)	(113)
–	–	–	–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–	(14,059)	(14,059)	–
–	–	–	–	–	–	–	–	3,604	3,605	2,388	1,217
(3,581)	–	–	–	–	–	–	–	(4,172)	242,572	–	–
25	–	–	–	–	–	–	–	(5,346)	–	203,565	–
(3,606)	–	–	–	–	–	–	–	1,174	–	–	39,007

CONSOLIDATED STATEMENT OF CASH FLOWS (indirect method)

(in thousands of euros)

	Amount	
	30.06.2019	31.12.2018
A. OPERATING ACTIVITIES		
1. Management	**7,472**	**4,222**
- net profit (loss) for the year (+/-)	4,313	5,343
- capital gains/losses on financial assets held for trading and on other financial assets and liabilities designated at fair value through profit or loss (-/+)	1,151	972
- capital gains/losses on hedging assets (-/+)	–	–
- net losses/recoveries on credit risk (+/-)	(701)	4,003
- net losses/recoveries on property and equipment and intangible assets (+/-)	321	680
- net provisions for risks and charges and other costs/revenues (+/-)	476	1,706
- net premiums not received (-)	–	–
- other insurance income/expenses not received (-/+)	–	–
- taxes, duties and tax credits not liquidated (+/-)	(2,949)	(4,027)
- net losses/recoveries on discontinued operations net of tax effect (+/-)	–	–
- other adjustments (+/-)	4,861	(4,455)
2. Cash generated by/used in financial assets	**(99,402)**	**(112,478)**
- financial assets held for trading	(22,073)	7,642
- financial assets designated at fair value	–	–
- other assets mandatorily at fair value	(228)	1,522
- financial assets designated at fair value through other comprehensive income	(3,189)	(97,424)
- financial assets designated at amortised cost	(79,233)	(19,831)
- other assets	5,321	(4,387)
3. Cash generated by/used in financial liabilities	**93,049**	**124,729**
- financial liabilities designated at amortised cost	92,694	123,376
- financial liabilities held for trading	455	180
- financial liabilities designated at fair value	–	–
- other liabilities	(100)	1,173
Cash generated by/used in operating activities	**1,119**	**16,473**

	Amount	
	30.06.2019	31.12.2018
B. INVESTING ACTIVITIES		
1. Cash generated by	**16**	**10**
- disposals of equity investments	–	–
- dividends received on equity investments	–	–
- disposals of property and equipment	16	10
- disposals of intangible assets	–	–
- disposals of subsidiaries and business units	–	–
2. Cash used in	**(103)**	**(477)**
- purchases of equity investments	(10)	(167)
- purchases of property and equipment	(83)	(171)
- purchases of intangible assets	(10)	(139)
- purchases of subsidiaries and business units	–	–
Cash generated by/used in investing activities	**(87)**	**(467)**
C. FINANCING ACTIVITIES		
- issues/purchases of treasury shares	–	–
- issues/purchases of capital instruments	–	–
- dividend distribution and other purposes	(1,084)	(15,974)
- sale/purchase of third-party control	–	–
Cash generated by/used in financing activities	**(1,084)**	**(15,974)**
CASH GENERATED/USED DURING THE YEAR	**(52)**	**32**

Key:
(+) generated
(-) used

RECONCILIATION	30.06.2019	31.12.2018
FINANCIAL STATEMENT ITEMS		
Cash and cash equivalents at the beginning of the year	665	633
Total net cash generated/used during the year	(52)	32
Cash and cash equivalents: effect of exchange rate changes	–	–
Cash and cash equivalents at the end of the year	613	665

NOTES TO THE FINANCIAL STATEMENTS

The sections of the notes to the financial statements applicable to the Group are shown below.

Part A – Accounting policies

A.1 – General information

Section 1 - Statement of compliance with international accounting standards

The Condensed consolidated financial statements at 30 June 2019 of Banca Finnat Euramerica Group have been prepared applying the International Accounting Standards (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 30 June 2019, 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 Condensed consolidated half-yearly financial statements – a series of financial, management and other indicators, in order to identify the existence of any circumstance that may be relevant for assessing the compliance with the going concern requirement.

As a result of the audits carried out in respect of the realisable value of the assets – based on prudent and weighted assessments – and in consideration of the reliability and results of the risk measurement systems, the Directors of the Bank are confident there is no evidence that could cast doubts in respect of the Group's going concern assumption. Given the size of the Group's assets, the substantial financial resources owned and the breakdown, quality and liquidity of the portfolio of financial assets, the Directors of the Bank have prepared these Consolidated half-yearly financial statements in the full conviction that the Group meets the requirements of a going concern in the foreseeable future.

The Group's consolidated half-yearly financial statements at 30 June 2019 have been prepared in the condensed format, consistently with IAS 34 on "Interim Financial Reporting". These financial statements, therefore, do not contain all the information required of the annual financial statements and should be examined jointly with the financial statements at 31 December 2018, also prepared in accordance with the IFRS standards issued by the International Accounting Standards Board (IASB) and endorsed by the European Commission pursuant to its regulation No. 1606/2002.

These Condensed consolidated half-yearly financial statements were prepared by applying the provisions

laid down by Circular no. 262 of 22 December 2005 "Banks' financial statements: layouts and preparation" – update 6 of 30 November 2018 - issued by the Bank of Italy.
This latest update absorbed the introduction of the international accounting standard IFRS 16 which replaced, with effect from 1 January 2019, IAS 17 for the recognition of lease transactions.
The main changes and impacts of the application of the new standard - already illustrated in the 2018 Financial Statements - are analysed in a specific paragraph called "Adoption of the new international accounting standard IFRS 16" in Section 5 - Other aspects.
The Condensed consolidated half-yearly financial statements consist of:

- Consolidated Balance Sheet;
- Consolidated Income Statement;
- Consolidated Statement of Comprehensive Income;
- Statement of Changes in Consolidated Shareholders' Equity;
- Consolidated Statement of Cash Flows;
- Notes to the Financial Statements.

The Banca Finnat Group chose to carry out the First Time Adoption (FTA) with the modified retrospective approach (option B) which provides for the option, prescribed by IFRS 16, to recognise the cumulative effect of the adoption of the Standard at the date of first adoption and not to restate the comparative data of the financial statement of first time adoption of IFRS 16. Therefore, the figures for 2019 are not comparable with those for the same period of the previous year with reference to the valuation of the rights of use and the corresponding lease payable/receivable in that they were determined in accordance with the international accounting standard IAS 17, in force in the reporting period.

The reconciliation of the balance sheet data pursuant to IAS 17 published in the consolidated financial statements of the Group at 31 December 2018 with those determined at 1 January 2019 in application of the provisions of IFRS 16 in terms of recognition of leases in the Financial statements of the lessee is provided in the specific paragraph "Adoption of the new accounting standard IFRS 16".

Taking into account the above, the accounting standards adopted for the preparation of these Condensed consolidated half-yearly financial statements are the same as those used for the preparation of the 2018 consolidated financial statements, with the exception of the amendments resulting from the application, as of 1 January 2019, of the new international accounting standard IFRS 16 "Leases".

These Condensed consolidated half-yearly financial statements have been prepared pursuant to IAS 1 Presentation of financial statements, based on the respect of such concepts as going concern, the accrual basis of accounting and the consistent presentation and classification of the relevant items. The assets and liabilities, income and expenses have not been offset, except where required or allowed by a standard or interpretation. The cost of inventory and of the financial instruments was calculated using the weighted average daily cost method, as required by IAS 2, paragraph 25.
In accordance with Article 5 of Italian Legislative Decree 38 of 28 February 2005, the Condensed consolidated half-yearly financial statements were prepared using the Euro as the presentation currency. Regarding the contents of the tables, all figures are expressed in thousand euros, unless otherwise specified.

As regards disclosures to be provided in the consolidated financial statements, the directors of the Bank have also considered that indicated in the joint document no. 4 of 4 March 2010 issued by Bank of Italy, Consob and Isvap.

The Consolidated half-yearly financial statements for Banca Finnat Euramerica were subjected to a limited audit by EY S.p.A., to whose report attached hereto specific reference is made.

As required by IAS 8, the Regulations endorsed by the European Commission that apply from 1 January 2019 onwards are shown below:

- Regulation no. 1986/2017 – IFRS 16 Leases
- Regulation no. 498/2018 – Amendments to IFRS 9 Financial Instruments – Prepayment Features with Negative Compensation
- Regulation no. 237/2019 – Amendments to IAS 28 Investments in Associates and Joint Ventures
- Regulation no. 402/2019 – Amendments to IAS 19 Employee Benefits
- Regulation no. 412/2019 – Amendments to IAS 12 Income Taxes, IAS 23 Borrowing Costs, IFRS 3 Business Combinations, IFRS 11 Joint Arrangements.

Section 3 - Scope and methods of consolidation

Equity investments in exclusively controlled subsidiaries

Company names	Place of business	Registered office	Type of relationship (1)	Investment relationship		Voting rights % (2)
				Investor company	% stake	
1. InvestiRE SGR S.p.A.	Rome	Rome	1	Banca Finnat	50.16	50.16
2. Finnat Fiduciaria S.p.A.	Rome	Rome	1	Banca Finnat	100.00	100.00
3. Finnat Gestioni S.A.	Lugano	Lugano	1	Banca Finnat	70.00	70.00
4. Natam Management Company S.A.	Luxembourg	Luxembourg	1	Banca Finnat	100.00	100.00

Key:

(1) Type of relationship:
1 = majority voting rights in ordinary shareholders' meetings; 2 = considerable influence in ordinary shareholders' meetings; 3 = agreements with other shareholders; 4 = other forms of control; 5 = sole direction as per article 39, paragraph 1 of Italian Legislative Decree no. 136/2015; 6 = sole direction as per article 39, paragraph 2 of Italian Legislative Decree no. 136/2015.

(2) Voting rights in ordinary shareholders' meetings, with a distinction between effective and potential rights.

The percentage of voting rights in the shareholders' meeting is effective.

Significant evaluations and assumptions to determine the scope of consolidation

The scope of consolidation includes:

- the financial statements of the Parent Company Banca Finnat Euramerica S.p.A. and of the subsidiaries, consolidated on a line-by-line basis;
- the financial statements of associated companies and joint ventures stated at equity, or the last financial report available at the time of preparation of the consolidated financial statements.

The scope of consolidation includes all subsidiary companies, regardless of their legal status, and of whether they are going concerns or being wound up.

Compared to the financial statements for the year ended 31 December 2018, as already explained in detail in the Report on Operations, the scope of consolidation has changed as a result of the inclusion of Liphe

S.p.A. and Aldia S.p.A. in which Banca Finnat holds a 10% stake in each of them, corresponding to 5 thousand euros.

Subsidiaries

Subsidiaries are companies whose financial and operating policies are directly or indirectly determined and controlled by the Group to which they belong and which Group can, therefore, benefit from their activities.

When determining control, account should also be taken of the companies in which Banca Finnat directly or indirectly holds more than half of the voting rights. The voting rights also include the so-called "potential" rights, which can be consistently exercised or converted into effective voting rights at any time.

The financial statements of subsidiaries are consolidated from the date on which the parent company obtains control over the company until the date on which that control ceases.

Associated companies and joint ventures

Associated companies are entities whose financial and operating policies are significantly influenced by the Group, but which it does not control, either jointly or separately; they are included in the consolidation according to the equity method. As required by IAS 28, equity interests classified as joint ventures are also consolidated using the equity method.

The profit or losses of the Group are recorded in the consolidated Income Statement from the date on which the significant influence started and up to the date on which it ceases.

If the loss by the Group exceeds the book value of the equity investment then the value of the equity investment is derecognised and, if the investing company is committed to performing legal or implicit obligations of the investee company, or in any event to hedging its losses, any surplus is recognised in a specific liability fund.

Line-by-line consolidation

All the financial statements of the part-owned companies used to prepare the consolidated financial statements were drawn up on 30 June and, if necessary, adjusted to ensure the uniform application of the same accounting standards applied by the Parent Company.

The assets and liabilities, expenses and income of the companies consolidated according to the line-by-line method are fully recognised in the consolidated financial statements ("line-by-line" recognition of the balance sheet and income statement aggregates of the subsidiaries), after the recording of any minority interests in specific items; the book value of the equity investments is written off for the corresponding fraction of the shareholders' equity of the part-owned companies, recording the single asset and liability items (including the provisions for risks and charges) at their current value on the date of acquisition of control. Any positive difference resulting from the said writing off is recorded as goodwill, under the asset item "Intangible assets", at the date of the first consolidation and, thereafter, among the shareholders' equity reserves. Any negative difference is recorded in the Income Statement.

All intra-group balances (assets, liabilities, revenues and costs) and transactions, including any unrealised profit or loss resulting from intra-group transactions, are written off minus their theoretical tax effect, if significant. The Group's share of unrealised profit and loss with associated companies is written off.

Unrealised losses are written off only if they represent impairment losses.

The presentation currency of the Group's financial statements is the Euro, which is also the functional currency of all the companies included in the consolidated Financial Statements.
Non-monetary assets and liabilities in foreign currencies, recorded at historical cost, are translated using the exchange rate at the date on which the transaction was originally recorded.
The financial statements of the consolidated companies expressed in foreign currencies were translated according to the exchange rate at the reporting date for the assets and liabilities; for the income statement items, the average exchange rates in the period were used, and the historical exchange rates for the shareholders' equity items. The differences between the values of the shareholders' equity items at the historical exchange rates and those descending and resulting from the translation thereof at the current exchange rates are recorded and, indeed, posted at the current exchange rates in the shareholders' equity item called "Other reserves".

Equity consolidation method
This method provides for the initial recording of the investee company at cost. The book value is then periodically adjusted to take into account changes in the investee company's shareholders' equity. The pro quota allocation of the net income of the investee company is recorded in a specific item of the consolidated Income Statement. The shareholders' equity of the associated companies and of the joint ventures is inferred from the latest available financial statements or from the latest financial report available at the time of preparation of the consolidated financial statements.
The difference – if any – between the book value and the recovery value of the equity investment, estimated based on the present value of the future cash flows generated by the investment itself, is recorded in the Income Statement.

Section 4 - Subsequent events
In the period spanning from the end of the first six months, at 30 June 2019, to the date on which these Condensed consolidated half-yearly financial statements were prepared, no significant events or factors that could affect the financial and equity position or results of operations of the Group emerged.
However, note that at the end of July 2019, the publication by the media of a report concerning the company Bio-On, produced by a speculative fund, in which the company was accused of alleged accounting irregularities and false corporate communications concerning the production capacity and quality of the products offered, led to a significant reduction in the market value of the company's shares, as well as the intervention by the competent bodies aimed at verifying the truthfulness or groundlessness of these allegations.
In the light of the above, note that at 30 June 2019 a credit line had been granted to the company for a total amount of 25 million euros (of which 10 million euros on demand and 15 million euros with maturity on 15 September 2019), disbursed at market conditions and almost completely drawn down. The opening of the on-demand loan was fully repaid in July 2019; consequently, at the date of preparation of this Report, the amount of the loan was 15 million euros (with maturity on 15 September 2019), almost entirely used. This loan is guaranteed by Bio-On Shares owned by the company Capsa S.p.A. for an amount equal to twice the amount of the loan granted.
Moreover, at 30 June 2019, Banca Finnat held 38,933 shares of Bio-On, equal to 0.2% of the share capital, in the portfolio of Financial assets held for trading and also held 10% (corresponding to 5 thousand euros)

of the share capital of each of the companies Liphe S.p.A. and Aldia S.p.A. as equity investments in joint ventures.

Also note that:

- on 1 July 2019, as part of the strategic lines directed at the development of Private Banking activities, to be carried out through the expansion of the customer base and the strengthening of the Northern Italy area, as prescribed by the Business Plan, the Bank moved its registered office in Milan from Via Meravigli to Via Manzoni no. 30, inside the prestigious historic building Gallarati Scotti, dating back to the beginning of the eighteenth century.
- on 1 August 2019, the Shareholders' Meeting of Banca Finnat Euramerica approved, among other things, the appointment of the auditing firm KPMG S.p.A., for the financial years from 2020 to 2028, to carry out the external audit of the statutory and consolidated financial statements and the limited audit of the condensed consolidated half-yearly financial statements, as well as the accounting auditing;

Section 5 – Other information

Adoption of the new accounting standard IFRS 16

Regulatory provisions

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

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

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

The income statement - contrary to IAS 17 where lease payments were recorded under "Administrative expenses" - contains instead the recognition of the impairment losses deriving from the amortisation of the right of use calculated according to the duration of the agreement or for the useful life of the asset (recognised among "Operating costs") and the interest expense accrued on the payable (recognised in the "interest margin"). The Statement of Cash Flows is prepared taking into account the provisions of paragraph 44 of IAS 7.

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

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

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

Choices of the Banca Finnat Group

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

- not to apply (IFRS 16.5-8, B3-B8) the provisions contained in IFRS 16 pertaining to the recognition, the initial measurement, the subsequent measurement and the exposure in the financial statements to:
  - short-term lease agreements with up to 12 months duration for which no purchase option is provided unless the year of any renewal option is reasonably certain.
  - leases in which each underlying asset has modest value, with the term “modest value” meaning the amount of 5,000 euros; this amount refers to the value of the individual leased assets that can be purchased new at the initial validity date of the agreement.
- not to apply the provisions contained in IFRS 16 to lease agreements of intangible assets (IFRS 16.4) and to lease agreements whose residual duration at the date of first adoption is shorter than 12 months (IFRS 16.C10_c);
- to determine the discounting rate, for all agreements stipulated by Group companies as lessees, using marginal lending rates equal to the interest rate which Banca Finnat should pay for a loan, with similar duration and guarantees, necessary to obtain an asset whose value is similar to the asset consisting of the right to use it in a similar economic environment.

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

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

Impact during FTA

The impact (before tax effects) of updating the opening financial statements at 1 January 2019 as a result of the adoption of IFRS 16 using the modified retrospective approach (option B) determined, at the Group level, an increase in the assets as a result of the recognition of the right of use equal to 15,691 thousand euros with an increase in payable to lessors and receivables from sub-lessees. Therefore, no impacts on shareholders' equity have emerged because, having adopted the modified approach (option B), upon first time adoption the two values, assets and liabilities, coincide.

The final opening balances determined upon FTA are provided in detail - by company and by type of assets acquired under lease:

Balances at 1 January 2019

(in thousands of euros)

	Rights of use acquired through leases	Lease payables	Lease receivables (*)
Banca Finnat	**7,902**	**7,981**	**79**
Buildings	7,567	7,646	79
Other assets	335	335	–
InvestiRE SGR	**7,387**	**7,387**	**–**
Buildings	7,258	7,258	–
Other assets	129	129	–
Finnat Fiduciaria	**402**	**402**	**–**
Buildings	393	393	–
Other assets	9	9	–
Total Group	**15,691**	**15,770**	**79**

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

The increase in the RWA consequent to the recording of total rights of use entailed, upon FTA, a negative effect of approximately -82 bps on the CET 1.

The different procedures for recognising the expenses connected with lease agreements entailed for the Group a negative impact on the income statement of the first half of 2019 - with respect to the expenses that would have been incurred if the previous regulatory provisions had remained in force - equal to 118 thousand euros corresponding to 0.4% of administrative expenses, which impact will be progressively reabsorbed, as stated, in the following years until the expiration of the lease agreements.

Information on risks and related hedging policies

Regarding the risks that can affect the management of the Finnat Group, and the monitoring systems put into place, to date, to strengthen the systems aimed at ensuring the full and effective protection of savers and investors, reference should be made to the in-depth exposition on the matter contained in the consolidated financial statements at 31 December 2018.

Risks and uncertainties linked to the use of estimates

In compliance with the IAS/IFRS standards, the Bank and the other Group companies carry out evaluations, estimates and assumptions in support of the application of the accounting standards and for the determination of the amounts of the assets, liabilities, costs and revenues reported in the consolidated financial statements. In respect of the preparation of these Condensed consolidated half-yearly financial statements, the Bank and the other companies of the Group have used estimates (based on the most recent available data), in respect of both several balance sheet and several income statement items.

A.2 – Information on the main financial statement items

The accounting standards adopted for the preparation of these Condensed consolidated half-yearly financial statements at 30 June 2019 are the same as those used for the preparation of the 2018 Financial statements, with the exception of the amendments resulting from the application, as of 1 January 2019, of the new international accounting standard IFRS 16 "Leases".

The following accounting policies are updated with regard to the classification, measurement and derecognition phases as well as the methods for recognising costs and revenues,
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 ("Held to collect") or at fair value through other comprehensive income ("Held 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 (Held 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 through other comprehensive income was exercised at the time of initial recognition.
In particular, this item includes:
- debt securities that are part of a Held 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 Held 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 designated 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 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 income 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.

Loans to customers also include receivables for lease transactions relating to sub-leases of portions of properties.

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 investments in associated companies. As required by IAS 28, this item also includes equity interests classified as joint ventures.
Equity interests in other companies in which the Parent Company does not exercise control or over which it has no significant influence, either directly or through its subsidiaries, but which are acquired

as long-term investments and not held for the purpose of trading, are classified as "Financial assets designated at fair value through other comprehensive income".

Recognition criteria

Equity investments are recorded at their settlement date and at purchase – or subscription – cost, including the additional charges and subsequent adjustment, on the basis of the stake held in the investee company.

Measurement and recognition criteria of income statement items

After initial recognition, the book value will be adjusted to reflect changes in the shareholders' equity of the investee company. The pro quota share of the net income of the investee company is recorded under item 250 "Profit/loss from equity investments" of the consolidated income statement.

Derecognition criteria

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

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.

As from 1 January 2019, rights of use acquired through leases and relating to the use of a property and equipment (for the lessees) and assets granted under an operating lease (for the lessors) are also included.

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.

Lease agreements, in accordance with IFRS 16, are accounted for on the basis of the right of use model whereby, at the initial date, the lessee has a financial obligation to make payments due to the lessor to offset his right to use the underlying asset during the lease term. The duration of the lease agreement is determined taking into account the period of time during which the contract is due; the lease agreement is considered to be no longer due when the lessee and the lessor each have the right to terminate the lease without the consent of the other party and are at most exposed to a minimum penalty.

When the asset is made available to the lessee for use (initial recognition date), the right of use is recognised - net of VAT and any sub-leases - as a balancing entry to the payable equal to the present value of the lease payments to be made to the lessor.

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 210 “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.

Property and equipment consisting of rights of use acquired under a lease, recorded in accordance with IFRS 16, are measured using the cost model and depreciated over the lease term and periodically subjected to impairment testing.

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.

The right of use deriving from lease agreements is eliminated from the Financial Statements at the end of the term of the lease agreement, which may be modified with respect to the initial recognition of the right of use, to take into account the exercise of any early extinction, renewal or purchase options not considered at the time of recognition.

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. The Banca Finnat Group, in view of the option envisaged by IFRS 16.4, has not decided to apply the standard to any operating leases on intangible assets other than those that can be acquired under user licence. Therefore, Intangible assets do not include rights to use acquired under operating leases (as lessee) and relating to the use of an intangible asset.

Measurement and recognition criteria of income statement items

Following their initial recognition, intangible assets, including rights of use acquired under operating leases, 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 270 “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

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.

This item also includes the payables recorded by the company as a lessee under leases.

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.

With regard to lease payables, the lessee, on the starting date of the contract, recognises the payable equal to the present value of the payments due for the entire duration of the contract, discounted using marginal lending rates identified by the Group equal to the interest rate that Banca Finnat should pay for a loan, with similar duration and guarantees, necessary to obtain an asset whose value is equal to the asset consisting of the right of use in a similar economic environment.

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.

Lease payables are updated, as indicated by IFRS 16, in the presence of contractual changes due to: change in the duration of the lease; change in the guaranteed residual value, change in the exercise of the purchase option, recalculation of fixed or variable payments.

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

Provisions for termination indemnities are determined as the Group'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 Group needs to calculate its present value, even if part of the obligation falls in the twelve-month period after the reporting period. 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 190. 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 goods or services that can be observed when the company sells the goods or services 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 accounting methods of Revenue from Contracts with Customers, as required by IFRS 15, are set out below:

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 Group generates its revenue from contracts with customers, distinguished by business area, is provided below.

Banca Finnat
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 provide for 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 recognition 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 provide for 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 provided for 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 envisaged for private customers.

Services directed to listed issuers are carried out over time, because customers benefit 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 envisaged 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 revenue recognition methods 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 of the Bank 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 provided for by the agreement and therefore are inseparable and included in a single mandatory service. This service is considered completed over time regardless of the envisaged 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).

InvestiRE SGR S.p.A.

The purpose of the real estate SGR is to manage professionally and valorise the Assets of the managed Funds carrying out its own real estate initiatives, in accordance with the investment policies of each Fund. Within the scope of its activities, the SGR identifies and carries out the investments that by nature and intrinsic characteristics are appropriate to achieve the ends of the Funds, assessing the overall risks of the portfolio. Within the scope of its activities, the SGR also assesses and manages the liquidity risk, manages the accounting of the Funds and generally performs all the activities necessary for the purpose of the fund, identified in the management Regulation. The mandatory service identifiable in the formalised agreements is the Fund management and valorisation activity; the different services performed are similar to each other and they share the way the benefit is transferred to the customer and therefore they are considered a single mandatory service. The management fees, development fees and sale fees provided for in the agreements are recognised progressively according to the elapsing of time, assessing progress with the output-based method; revenues are consequently recognised on a quarterly basis on an accrual basis. In the presence of variable success fees, whose liquidation is subordinated to meeting specific conditions set forth in the regulation, these fees are recognised upon expiration of the lifetime for the Fund (or at the shorter time interval envisaged by the regulation): however, if the requirements are met, an early recognition of the success fees may be considered only if it is highly probable that the objective defined in the regulation is achieved. In particular, the portion of the performance fees on the sales of the FIA FIP, not liquidated immediately, is recognised early with respect to the definitive accrual (envisaged on the date of liquidation of the fund) if at the end of each reporting period it is deemed highly likely that there will be no significant downwards adjustment of the amount of the cumulated revenue recognised and otherwise after punctually considering all "limitations to the estimates of the variable consideration" envisaged by IFRS 15.57; the company deems that it has such elements as to be able to make reasonable estimates on the probability that the agreed variable consideration will be paid at the expiration of the fund and, on the occasion of each half-yearly closing of the fund, it verifies the conditions envisaged in a specific analysis model in order to confirm the recognition of the variable consideration in question and the related amount. The revenue recognition methods that were adopted before the entry into force of the provisions of IFRS 15 are substantially in line with those described above except with regard to FIA FIP whose regulation has been in force, however, since the year 2018.

Natam SA

Natam, a Luxembourg-based asset management company, performs, in favour of the managed UCIs: a) collective management services, such as investment management, central administration and registry services, marketing and sales services, risk management services; b) ancillary services, such as governance, document production, IT support management services. The company may delegate one or more of the activities performed to third parties. All services are provided for by formalised agreements. The services per letter a) follow the same model for transfer to the customer and they are not sold separately by the Company, consequently they are considered a single mandatory performance. The service is performed over time and the fees received are recognised assessing progress with the method based on the output measured on the basis of elapsed time; revenue is then recognised on a quarterly basis according to the amount the company is contractually entitled to require from the customer, corresponding to the value for the customer of the services completed until the date considered. Any overperformance fees are recognised only when they definitively accrue because the amount of the consideration is sensitive to factors outside the entity's control, and in particular to market volatility and to third parties' judgement and actions and, therefore, they cannot be estimated on a quarterly basis because it is not highly probable that there will be significant downwards adjustments of the consideration accrued on the occasion of the quarterly reports.

The services per letter b) constitute distinct mandatory services whose price consists of the consideration provided for contractually for each service because they correspond to prices the company could apply in case of separate sale of the individual services to the customer. The services are performed and recorded over time as indicated for the services per letter a) excepting services that entail the production of documents which are recognised punctually at the time of performance because they refer to the production of material whose benefit to the customer is provided at the time of its production and delivery.

The revenue recognition methods that were adopted before the entry into force of the provisions of IFRS 15 are in line with those described above.

Finnat Fiduciaria S.p.A.

The company provides customers with services pertaining to asset planning, fiduciary administration of financial assets and of corporate assets, and performs guarantee functions.

All services are contractually formalised.
The services are performed over time and the fees received are recognised assessing progress with the method based on the output measured on the basis of elapsed time; revenue is then recognised according to the amount the company is contractually entitled to require from the customer, corresponding to the value for the customer of the services completed until the date considered.
The revenue recognition methods that were adopted before the entry into force of the provisions of IFRS 15 are in line with those described above.

Finnat Gestioni S.A.
The company provides customers with the individual portfolio management service. The recognition of the fees follows the procedures envisaged for the same service performed by the Bank.

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", item that also includes interest expense on lease payables (while interest income and similar income include interest from subleases).

As from 1 January 2019, rents payable for property leases, company vehicles and other assets falling within the scope of IFRS 16 are not recognised under Administrative expenses (as was the case under the previous IAS 17); against the recognition of the rights of use deriving from lease agreements, impairment losses are recorded due to the depreciation of the right of use calculated on a straight-line basis according to the duration of the contract or the useful life of the right itself, while, against the recognition of the payable for the fees due for the rights of use, accrued interest expense is recorded.
Administrative expenses (Personnel expenses and Other administrative expenses) include short-term lease payments and low-value lease payments as well as variable payments for lease payments not included in the valuation of lease payables and the VAT component, if non-deductible.

"Sundry expenses" also include the depreciation of leasehold improvements acquired through leases classified as "Other assets".

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 "basic lending arrangements", 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 in charge of 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:

- "Held 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 Group uses the expected contractual cash flows for all the period of validity of the contract.

Subsequent to initial recognition, the amortised cost allows to allocate revenues and costs deducted from or summed to the instruments during its expected life through amortisation. The method of determination of the amortised cost depends on whether the 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 the Banca Finnat Euramerica Group - 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 income 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 appropriate Group Policy.

7. Assets/liabilities designated at Fair value

The Group did not use the 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.

No transfers were made between portfolios of financial assets during the period due to a change in the business model. However, note that as explained in detail in the Report on Operations, among the most significant transactions of the half-year, the equity investments in Aldia S.p.A. and Liphe S.p.A. - previously classified as Financial assets held for trading and as Financial assets designated at fair value through other comprehensive income, respectively - were included in the item equity investments in joint ventures.

A.4 Information on fair value

Levels of fair value 2 and 3: valuation techniques and inputs used

The techniques, valuation processes of the financial instruments and the methods for determining the fair value used by the Group are shown below.
The fair value of financial instruments is determined based on the prices acquired by the financial markets, in the case of instruments listed on active markets (**Level 1**), or on internal valuation models, in the case of all other financial instruments.
If the instrument is not listed on an active market, or if there is no regularly functioning market, i.e. the market does not feature a sufficient and ongoing number of transactions, bid-ask spread and a volatility that is not sufficiently curbed, the fair value of the financial instruments is generally determined based on the use of valuation 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 "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 Group based on internal valuation models using inputs that cannot be observed on the market and personal assumptions made by the valuer.

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 (unadjusted) in 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 envisages that, as already indicated by IFRS 7, the instruments designated at amortised cost are provided with fair value disclosure.

Within the Group, 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.

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

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

Financial assets/liabilities designated at fair value	30.06.2019			31.12.2018		
	L1	L2	L3	L1	L2	L3
1. Financial assets designated at fair value through profit or loss	55,081	25,039	1,200	30,992	27,680	1,498
a) financial assets held for trading	54,010	5,572	–	30,070	7,330	10
b) financial assets designated at fair value	–	–	–	–	–	–
c) other financial assets mandatorily at fair value	1,071	19,467	1,200	922	20,350	1,488
2. Financial assets designated at fair value through other comprehensive income	292,333	–	9,742	290,343	–	8,322
3. Hedging derivatives	–	–	–	–	–	–
4. Property and equipment	–	–	–	–	–	–
5. Intangible assets	–	–	–	–	–	–
Total	**347,414**	**25,039**	**10,942**	**321,335**	**27,680**	**9,820**
1. Financial liabilities held for trading	415	363	–	243	80	–
2. Financial liabilities designated at fair value	–	–	–	–	–	–
3. Hedging derivatives	–	–	–	–	–	–
Total	**415**	**363**	**–**	**243**	**80**	**–**

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

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	30.06.2019				31.12.2018			
	BV	L1	L2	L3	BV	L1	L2	L3
1. Financial assets designated at amortised cost	1,543,818	998,258	–	569,947	1,464,034	944,580	–	538,092
2. Investment property	–	–	–	–	–	–	–	–
3. Non-current assets held for sale and discontinued operations	–	–	–	–	–	–	–	–
Total	**1,543,818**	**998,258**	**–**	**569,947**	**1,464,034**	**944,580**	**–**	**538,092**
1. Financial liabilities designated at amortised cost	1,751,918	–	–	1,751,845	1,641,991	–	–	1,641,850
2. Liabilities associated to discontinued operations	–	–	–	–	–	–	–	–
Total	**1,751,918**	**–**	**–**	**1,751,845**	**1,641,991**	**–**	**–**	**1,641,850**

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 and other Group companies have not recorded in the period under review any positive/negative items arising from the initial fair value measurement of financial instruments.

Part B – Information on the consolidated balance sheet

ASSETS

Section 1 - Cash and cash equivalents - Item 10

1.1 Cash and cash equivalents: breakdown

	Total 30.06.2019	Total 31.12.2018
a) Cash	456	504
b) Demand deposits at central banks	157	161
Total	**613**	**665**

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 30.06.2019			Total 31.12.2018		
	L1	L2	L3	L1	L2	L3
A. Cash assets						
1. Debt securities	50,314	–	–	25,047	1,035	–
1.1 Structured securities	–	–	–	–	–	–
1.2 Other debt securities	50,314	–	–	25,047	1,035	–
2. Equity	3,401	–	–	4,386	–	10
3. UCI units	179	5,128	–	183	6,260	–
4. Loans	–	–	–	–	–	–
4.1 Repurchase agreements	–	–	–	–	–	–
4.2 Other	–	–	–	–	–	–
Total A	**53,894**	**5,128**	**–**	**29,616**	**7,295**	**10**
B. Derivatives						
1. Financial derivatives:	116	444	–	454	35	–
1.1 held for trading	116	444	–	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	**116**	**444**	**–**	**454**	**35**	**–**
Total (A+B)	**54,010**	**5,572**	**–**	**30,070**	**7,330**	**10**

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

The financial assets held for trading refer exclusively to the Bank and amounted to 59,582 thousand euros. The balance at 31 December 2018 amounted to 37,410 thousand euros.
The item "A.1. Debt securities" amounting to 50,314 thousand euros (26,082 thousand euros at 31 December 2018) consists of government bonds of 49,936 thousand euros and bonds of 378 thousand euros.

The item "A.3 UCI units" amounting to 5,307 thousand euros (6,443 thousand euros at 31 December 2018) includes in Level 1: 4AIM SICAF units of 140 thousand euros, New Millennium Funds of 27 thousand euros and other funds for the difference; in Level 2: New Millennium Fund units of 5,128 thousand euros.

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

Items/Amounts	30.06.2019			31.12.2018		
	L1	L2	L3	L1	L2	L3
1. Debt securities	–	–	–	–	–	–
1.1 Structured securities	–	–	–	–	–	–
1.2 Other debt securities	–	–	–	–	–	–
2. Equity	–	–	–	–	–	–
3. UCI units	**1,071**	**19,467**	**1,200**	**922**	**20,350**	**1,488**
4. Loans	–	–	–	–	–	–
4.1 Repurchase agreements	–	–	–	–	–	–
4.2 Other	–	–	–	–	–	–
Total	**1,071**	**19,467**	**1,200**	**922**	**20,350**	**1,488**

Financial assets mandatorily at fair value amounted to 21,738 thousand euros (22,760 thousand euros at 31 December 2018) and comprises UCI units referred to the Bank (FIP Fund for 15,848 thousand euros and other funds of 3,619 euros in Level 2; Apple Fund in Level 3) and UCI units referred to the subsidiary InvestiRE SGR S.p.A. in Level 1.

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	Total 30.06.2019			Total 31.12.2018		
	L1	L2	L3	L1	L2	L3
1. Debt securities	**291,972**	**–**	**–**	**289,998**	**–**	**–**
1.1 Structured securities	–	–	–	–	–	–
1.2 Other debt securities	291,972	–	–	289,998	–	–
2. Equity	**361**	**–**	**9,742**	**345**	**–**	**8,322**
3. Loans	**–**	**–**	**–**	**–**	**–**	**–**
Total	**292,333**	**–**	**9,742**	**290,343**	**–**	**8,322**

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

Financial assets designated at fair value through other comprehensive income totalled 302,075 thousand euros (298,665 thousand euros at 31 December 2018).

Item 1 Debt securities - Level 1 - consists mainly of Government Bonds held by the Bank. At 30 June 2019, total net value recoveries for credit risk on these securities amounted to 221 thousand euros and were almost entirely attributable to the Bank. The value is recognised in item 120. Valuation reserves instead of as an adjustment to this item as required by the introduction of IFRS 9.

Item 2. Equity includes the following strategic investments of the Bank totalling 10,102 thousand euros:

- Level 1: Net Insurance S.p.A. (361 thousand euros including the positive valuation reserve before taxes equal to 69 thousand euros);
- Level 3: Fideuram Investimenti SGR S.p.A. (810 thousand euros), SIA S.p.A. (4,600 thousand euros including the gross positive valuation reserve equal to 3,480 thousand euros), Calipso S.p.A. (44 thousand euros), CSE Consorzio Servizi Bancari S.r.l. (2,507 thousand euros including the gross positive valuation reserve equal to 3 thousand euros), SIT S.p.A. (15 thousand euros), Real Estate Roma Olgiata (1,764 thousand euros), CBI S.c.p.a (1 thousand euros).

The item also includes an equity investment of one thousand euros (level 3) owned by InvestiRE SGR.

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 30.06.2019						Total 31.12.2018					
	Book value			Fair value			Book value			Fair value		
	Stage 1 and 2	Stage 3	of which: acquired or originated impaired	L1	L2	L3	Stage 1 and 2	Stage 3	of which: acquired or originated impaired	L1	L2	L3
A. Due from central banks	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**			
1. Time deposits	–	–	–	X	X	X	–	–	–	X	X	X
2. Compulsory reserve	–	–	–	X	X	X	–	–	–	X	X	X
3. Reverse repurchase agreements	–	–	–	X	X	X	–	–	–	X	X	X
4. Other	–	–	–	X	X	X	–	–	–	X	X	X
B. Due from banks	**93,009**	**–**	**–**	**–**	**–**	**93,009**	**88,863**	**–**	**–**	**–**	**–**	**88,863**
1. Loans	93,009	–	–	–	–	93,009	88,863	–	–	–	–	88,863
1.1 Current accounts and demand deposits	63,304	–	–	X	X	X	66,854	–	–	X	X	X
1.2 Time deposits	15,900	–	–	X	X	X	7,075	–	–	X	X	X
1.3. Other loans:	13,805	–	–	X	X	X	14,934	–	–	X	X	X
- Reverse repurchase agreements	–	–	–	X	X	X	–	–	–	X	X	X
- Lease financing	–	–	–	X	X	X	–	–	–	X	X	X
- Other	13,805	–	–	X	X	X	14,934	–	–	X	X	X
2. Debt securities	–	–	–	–	–	–	–	–	–			
2.1 Structured securities	–	–	–	–	–	–	–	–	–	X	X	X
2.2 Other debt securities	–	–	–	–	–	–	–	–	–	X	X	X
Total	**93,009**	**–**	**–**	**–**	**–**	**93,009**	**88,863**	**–**	**–**	**–**	**–**	**88,863**

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

The item "Due from banks" totalled 93,009 thousand euros (88,863 thousand euros at 31 December 2018). Amounts are after collective write-down.

Item B.1.2. Time deposits, which refers exclusively to the Bank, includes the Compulsory reserve deposited at the Depobank S.p.A. of 5,903 thousand euros and a time deposit with maturity by 7 July 2019 of 9,997 thousand euros. At 31 December 2018, the item referred exclusively to the Compulsory reserve of 7,075 thousand euros.

At 30 June 2019, total net losses on credit risk due from banks amounted to 32 thousand euros (of which 27 thousand euros were attributable to the Bank). In the period in question, net value recoveries amounting to 15 thousand euros were carried out (impairment losses of 81 euros in the first half of 2018).

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

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

Type of transactions/Amounts	Total 30.06.2019						Total 31.12.2018					
	Book value			Fair value			Book value			Fair value		
	Stage 1 and 2	Stage 3	of which: acquired or originated impaired	L1	L2	L3	Stage 1 and 2	Stage 3	of which: acquired or originated impaired	L1	L2	L3
1. Loans	**447,139**	**13,260**	**-**	**-**	**-**	**476,938**	**427,413**	**7,162**	**-**	**-**	**-**	**449,229**
1.1. Current accounts	183,724	1,821	-	X	X	X	187,767	1,560	-	X	X	X
1.2. Reverse repurchase agreements	30,018	-	-	X	X	X	-	-	-	X	X	X
1.3. Mortgages	170,444	8,306	-	X	X	X	178,212	2,179	-	X	X	X
1.4. Credit card loans, personal loans and transfers of one fifth of salaries	-	-	-	X	X	X	-	-	-	X	X	X
1.5. Lease financing	-	-	-	X	X	X	-	-	-	X	X	X
1.6. Factoring	-	-	-	X	X	X	-	-	-	X	X	X
1.7. Other loans	62,953	3,133	-	X	X	X	61,434	3,423	-	X	X	X
2. Debt securities	**990,410**	**-**	**-**	**998,258**	**-**	**-**	**940,596**	**-**	**-**	**944,580**	**-**	**-**
2.1. Structured securities	-	-	-	-	-	-	-	-	-	-	-	-
2.2. Other debt securities	990,410	-	-	998,258	-	-	940,596	-	-	944,580	-	-
Total	**1,437,549**	**13,260**	**-**	**998,258**	**-**	**476,938**	**1,368,009**	**7,162**	**-**	**944,580**	**-**	**449,229**

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

The item "Loans to customers" totalled 1,450,809 thousand euros (1,375,171 thousand euros at 31 December 2018).

At the reporting date of this Financial Report, the items relating to current accounts, mortgages and other loans include **non-performing assets** (**Bucket 3**) relating to the Parent Company totalling 20,658 thousand euros (11,757 thousand euros after the write-downs), comprising:

- **bad loans** totalling 8,423 thousand euros (1,607 thousand euros after the write-downs) relating to the following positions:
  - 4,572 thousand euros (960 thousand euros after the write-down) for the residual amount of a mortgage terminated on 8 July 2011. The transaction is secured by a first mortgage on property, the value of which – supported by an expert appraisal report revised on 12 January 2018 – covers the entire value of the net exposure. The recoverable amount of the credit is based on the assessed value of the guarantees, taking into account both the time for the collection of credit (in relation to the privileged position of the Bank concerning the real estate collaterals securing the exposure) and the difficulties encountered or which may be encountered in the sale of the properties within the scope of judicial enforcement procedures;
  - 3,851 thousand euros referring to trade receivables of 1,705 thousand euros and to cash loans of 2,146 thousand euros.

  The line-by-line write-downs made totalled 6,816 thousand euros (including 1,650 thousand euros referring to trade receivables).

- **unlikely to pay** totalling 9,049 thousand euros (7,146 thousand euros after the write-downs) comprising:
  - overdraft facilities amounting to 1,706 thousand euros;
  - mortgage positions of 7,232 thousand euros (180 thousand euros of overdue instalments and 7,052 thousand euros of principal about to fall due);
  - trade receivables of 111 thousand euros.

  The line-by-line write-downs made totalled 1,903 thousand euros (including 90 thousand euros referring to trade receivables);
- other positions **expired or past due** for over 90 days totalling 3,186 thousand euros (3,004 thousand euros after the write-downs).

At 30 June 2019, there are 21 "forborne" exposures of which:

- 6 non-performing positions totalling 5,796 thousand euros (of which 1 position included among bad loans of 141 thousand euros, 4 positions included among unlikely to pay of 5,024 thousand euros and 1 position included among past due loans of 631 thousand euros).
- 15 performing positions, amounting to 7,167 thousand euros;

At 30 June 2019, the Bank calculated the write-down of the portfolio for performing loans to customers in **Bucket 1** and **Bucket 2** relating to cash loans. This write-down amounted to 1,971 thousand euros, lower than the allocations made for this purpose at 31 December 2018 (equal to 3,499 thousand euros). Starting from the current year, the methodological framework underlying the calculation of impairment losses on loans, adopted starting from last year with the entry into force of IFRS 9, was refined to stabilise the impact of anomalous events in the measurements of the statistical databases used to determine the expected losses. The value recovery highlighted above is partly due to the improvement of the credit rating of existing positions and partly to said refinement.

In the first half of 2019, the Bank recorded in the Income Statement 650 thousand euros for portfolio value recoveries on government bonds; this value recovery was determined by the decrease of the probability of default associated with the Italian public debt, calculated from the consortium impairment model adopted by the Bank, as a result of the attenuation of the tensions that had characterised the market of Italian government bonds in the second half of the previous year.

The Bank also recorded, in the first six months of the current year, 80 thousand euros for net losses on loans to customers broken down as follows: 1,528 thousand euros for portfolio value recoveries, 220 thousand euros for specific value recoveries, 1,742 thousand euros for specific impairment losses, 97 thousand euros for cancellation losses and 11 thousand euros for recoveries of receivables cancelled in previous financial years.

At 30 June 2019, the allowance for doubtful loans to customers, excluding securities, totalled 10,872 thousand euros of which 8,901 thousand euros on an itemised basis and 1,971 thousand euros for portfolio impairment losses.

With regard to other Group companies, the analytical allowance for doubtful loans (**Bucket 3**) at 30 June 2019 amounted to 771 thousand euros against gross non-performing loans of 1,190 thousand euros for

Finnat Fiduciaria S.p.A. and to 2,356 thousand euros against gross non-performing receivables of 3,441 thousand euros for InvestiRE SGR S.p.A.
Whereas portfolio impairment losses relating only to loans to customers (**Bucket 1** and **Bucket 2**) at 30 June 2019 amounted to 189 thousand euros for InvestiRE SGR S.p.A. and to a total of 2 thousand euros for the other companies of the Group.

In the half-year, InvestiRE SGR S.p.A carried out impairment losses of 111 thousand euros whereas Finnat Fiduciaria carried out value recoveries of 6 thousand euros.

Item 1.7. Other loans includes Deposits for margins with Cassa di Compensazione e Garanzia pertaining to the Bank amounting to 36,068 thousand euros (Bucket 1), non-performing financial loans pertaining to the Bank amounting to 1,552 thousand euros (Bucket 3), trade receivables amounting to 28,399 thousand euros (of which Bucket 1 and 2 amounting to 26,818 thousand euros and Bucket 3 amounting to 1,581 thousand euros) and sublease receivables of 67 thousand euros (Bucket 1).

Item 2.2 Other debt securities refers exclusively to Government Bonds of the Bank. At 30 June 2019, the total write-down of the portfolio amounted to 673 thousand euros after utilisation for sale of 154 thousand euros.

Section 7 - Equity investments - Item 70

7.1 Equity investments: information on investment relationships

Company name	Registered office	Place of business	Type of relationship	Investment relationship		Voting rights %
				Investor company	Ownership %	
A. Companies subject to joint control						
B. Companies subject to significant influence						
1. Prévira Invest S.p.A. in liquidation	Rome	Rome	Significant influence	Banca Finnat	20.00	
2. Imprebanca S.p.A.	Rome	Rome	Significant influence	Banca Finnat	20.00	
3. REDO S.G.R. S.p.A.	Milan	Milan	Significant influence-Joint venture	InvestiRE SGR	33.33	
4. LIPHE S.p.A.	Bologna	Bologna	Joint venture	Banca Finnat	10.00	
5. ALDIA S.p.A.	Bologna	Bologna	Joint venture	Banca Finnat	10.00	

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

The item at 30 June 2019 amounted to 6,647 thousand euros (6,400 thousand euros at 31 December 2018). Compared to 31 December 2018, the companies Aldia S.p.A. and Liphe S.p.A. joined the group for a value of 5 thousand euros each.

Section 9 - Property and equipment - Item 90

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

Assets/amounts	Total 30.06.2019	Total 31.12.2018
1. Owned assets	**4,656**	**4,781**
a) land	1,308	1,308
b) buildings	2,082	2,156
c) furniture	842	840
d) electronic equipment	407	455
e) other	17	22
2. Rights of use acquired through leases	**17,164**	**–**
a) land	–	–
b) buildings	16,655	–
c) furniture	–	–
d) electronic equipment	47	–
e) other	462	–
Total	**21,820**	**4,781**
of which: obtained through enforcement of guarantees received	–	–

Point 2 of the table above shows the rights of use relating to lease agreements at 30 June 2019, as required by the accounting standard IFRS 16, which came into force on 1 January 2019.

Section 10 - Intangible assets - Item 100

10.1 Intangible assets: breakdown by asset

Assets/Amounts	Total 30.06.2019		Total 31.12.2018	
	Definite life	Indefinite life	Definite life	Indefinite life
A.1 Goodwill:	**X**	**37,729**	**X**	**37,729**
A.1.1 pertaining to the Group	X	19,074	X	19,074
A.1.2 pertaining to minority interests	X	18,655	X	18,655
A.2 Other intangible assets	**429**	**2,726**	**519**	**2,726**
A.2.1 Assets measured at cost:	429	2,726	519	2,726
a) Internally generated intangible assets	–	–	–	–
b) Other assets	429	2,726	519	2,726
A.2.2 Assets measured at fair value:	–	–	–	–
a) Internally generated intangible assets	–	–	–	–
b) Other assets	–	–	–	–
Total	**429**	**40,455**	**519**	**40,455**

Item A.1 Goodwill amounting to 37,729 thousand euros comprises:

- for 300 thousand euros referring to a part of the goodwill resulting from the merger in 2003 of Banca Finnat Euramerica S.p.A. into Terme Demaniali di Acqui S.p.A.
- 37,429 thousand euros referring to the goodwill recognised, in 2015, by the subsidiary InvestiRE SGR S.p.A.

Item A.2 Other intangible assets - Indefinite life consists of the positive consolidation differences of the following companies:

- Finnat Fiduciaria S.p.A., 984 thousand euros;
- InvestiRE SGR S.p.A., 1,693 thousand euros;

The provisions of IAS 36 require that goodwill, and therefore the Cash Generating Units to which it is allocated, in the case of goodwill recorded by the subsidiary InvestiRE SGR S.p.A., is attributable to the cash flows deriving from the management of the real estate funds by the SGR, be subjected to an impairment test at least once a year and that certain qualitative and quantitative indicators of presumption of impairment be continuously monitored, in order to verify the existence of any conditions that require an immediate assessment of any impairment through the performance of a new impairment test.
In the light of that envisaged by the standard and given the variability of the economic scenario and financial markets that affect the parameters used to verify the recoverability of the goodwill values recorded, some indicators (discounting rate and cash flows) were analysed in order to identify any elements that could lead to changes in the conclusions of the impairment test conducted with reference to the Financial Statements at 31 December 2018.
In particular:

- For the purposes of discounting the cash flows and the terminal value, a rate representing the weighted average cost of the capital invested in the Company (WACC) which, in this specific case, matches the cost of capital “Ke”, in as much as InvestiRE SGR S.p.A. is characterised by the current and expected absence of financial payables. The financial parameters used were determined on the basis of the same criteria adopted in the valuation at 31 December 2018, taking into account the projections prepared by the management of the SGR.

- In terms of cash flows, the economic results of the SGR for the first half of 2019 are satisfactory and above the economic forecasts used by the internal experts of InvestiRE S.G.R. S.p.A. for impairment testing at 31 December 2018. In particular, the projection of the net result contained in the first Forecast prepared by the company, confirmed by the state of progress at 30 June 2019, is in line with the Budget.

Based on the analyses carried out, no indicators and/or changes such as to affect the determination of goodwill had emerged at 30 June 2019 and therefore there was no need to carry out a new impairment test for the purposes of preparing this half-yearly report.

Section 11 - Tax assets and liabilities - Items 110 (assets) and 60 (liabilities)

Current tax assets totalled 1,726 thousand euros (2,231 thousand euros at 31 December 2018) and concerned mainly IRAP receivables of the Bank of 1,698 thousand euros.

Current tax liabilities totalled 1,974 thousand euros (581 thousand euros at 31 December 2018) and mainly concerned IRAP tax payables of 299 thousand euros, payables for IRES tax consolidation of 1,123 thousand euros, IRES surtax payables of 156 thousand euros and VAT payables of 317 thousand euros.

Deferred tax assets amounted to 15,408 thousand euros (17,035 thousand euros at 31 December 2018) and refer primarily to a lower tax burden in perspective, related to the amortisation of goodwill in the forthcoming years, until 2029 as extended by the Stability Law no. 145/2018. Of these, 534 thousand euros pertain to the Bank for the goodwill recognised in 2003 on the occasion of the merger of Banca Finnat Euramerica S.p.A. and of Finnat Corporate S.p.A. into Terme Demaniali di Acqui S.p.A., and 9,684 thousand euros referred to the subsidiary InvestiRE SGR. for the goodwill recognised in 2015 as a result of the merger of Beni Stabili Gestioni SGR S.p.A. and Polaris RE SGR S.p.A.

Deferred tax liabilities amounted to 608 thousand euros (536 thousand euros at 31 December 2018).

Deferred tax assets and liabilities have been determined applying the IRES and, where applicable, IRAP rates in force at the date of preparation of this Consolidated half-yearly financial report.

* * *

With regard to tax disputes, an appeal against unfavourable decision no. 253/07/10 of the Regional Tax Commission of Rome is still pending. 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. The reinstatement of the proceedings before the Regional Tax Commission of Lazio must be completed by 30 January 2020. 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.

With reference to the dispute concerning the assessment notice no. RCB030302784/2008, whereby the Revenue Agency argued, in relation to the 2003 tax year, that Article 96-bis of the pro tempore Consolidated Income Tax Act in force (taxation of 5% of the value of dividends) applied to the dividends distributed by the Luxembourg investee New Millennium Advisory S.A. - the Bank applied the *easy settlement of tax disputes* (Article 6 and Article 7, paragraph 2, letter b) and paragraph 3, of Italian Decree-Law no. 119 of 23 October 2018, converted, with amendments, by Italian Law no. 136 of 17 December 2018), definitively closing the dispute in question by paying 90 per cent of the value of the higher taxes claimed, net of the amount already paid in the course of the proceedings.

In this regard, the Bank paid the amount of 75 thousand euros.

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.

Although the Bank considers the above disputes to be unfounded, it has settled the disputes for the years 2013 to 2016 by means of the Tax assessment settlement pursuant to Article 6, paragraph 2, of Italian Legislative Decree no. 218 of 19 June 1997, paying a total amount of 92 thousand euros.

With reference to the subsidiary Investire SGR, note that it applied the easy settlement of tax disputes as envisaged by Italian Law no. 136 of 17 December 2018, definitively closing the dispute with the Italian Revenue Agency arising from the assessment notified on 10 September 2013 to the company Beni Stabili Gestioni S.p.A. SGR (a company merged by Investire SGR) regarding disputed deductions for IRES and IRAP purposes for the 2008 financial year.

On 30 May 2019, InvestiRE SGR settled the dispute by paying the amount of 246 thousand euros (in addition to the amount of 187 thousand euros paid pending court proceedings).

Section 13 - Other assets - Item 130

13.1 Other assets: breakdown

	Total 30.06.2019	Total 31.12.2018
Receivables for guarantee deposits	506	505
Deposits with Cassa Compensazione e Garanzia	4,975	11,795
Due from counterparties and brokers	39	111
Tax credits as withholding tax	8,317	8,716
Sundry receivables	5,600	3,645
Total	**19,437**	**24,772**

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 30.06.2019				Total 31.12.2018			
	BV	Fair Value			BV	Fair Value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
1. Due to Central Banks	**–**	**X**	**X**	**X**	**–**	**X**	**X**	**X**
2. Due to banks	**780**	**X**	**X**	**X**	**271**	**X**	**X**	**X**
2.1 Current accounts and demand deposits	780	X	X	X	271	X	X	X
2.2 Time deposits	–	X	X	X	–	X	X	X
2.3 Loans	–	X	X	X	–	X	X	X
2.3.1 Repurchase agreements	–	X	X	X	–	X	X	X
2.3.2 Other	–	X	X	X	–	X	X	X
2.4 Debts for commitments to repurchase own equity instruments	–	X	X	X	–	X	X	X
2.5 Lease payables	–	X	X	X	–	X	X	X
2.6 Other payables	–	X	X	X	–	X	X	X
Total	**780**	**–**	**–**	**780**	**271**	**–**	**–**	**271**

Key:

BV = Book value

Payables due to banks refer only to the Parent Company.

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

Type of transactions/Amounts	Total 30.06.2019				Total 31.12.2018			
	BV	Fair Value			BV	Fair Value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
1. Current accounts and demand deposits	519,257	X	X	X	470,257	X	X	X
2. Time deposits	187,537	X	X	X	183,013	X	X	X
3. Loans	985,015	X	X	X	938,918	X	X	X
3.1 repurchase agreements	985,015	X	X	X	938,918	X	X	X
3.2 other	–	X	X	X	–	X	X	X
4. Debts for commitments to repurchase own equity instruments	–	X	X	X	–	X	X	X
5. Lease payables	17,361	X	X	X	–	X	X	X
6. Other payables	15,066	X	X	X	21,282	X	X	X
Total	**1,724,236**	**–**	**–**	**1,724,236**	**1,613,470**	**–**	**–**	**1,613,470**

Key:

BV = Book value

Item 3.1 Repurchase agreements concern the transactions between the Bank and Cassa di Compensazione e Garanzia.

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

Type of securities/Amount	Total 30.06.2019				Total 31.12.2018			
	BV	Fair Value			BV	Fair Value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
A. Securities	26,902	–	–	26,829	28,250	–	–	28,109
1. bonds	26,902	–	–	26,829	28,250	–	–	28,109
1.1 structured	–			–	–			–
1.2 other	26,902			26,829	28,250			28,109
2. other securities	–	–	–	–	–	–	–	–
2.1 structured	–			–	–			–
2.2 other	–			–	–			–
Total	**26,902**	**–**	**–**	**26,829**	**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 3,102 thousand euros.

Section 2 - Financial liabilities held for trading - Item 20

2.1 Financial liabilities held for trading: breakdown by product

Type of transactions/Amounts	Total 30.06.2019					Total 31.12.2018				
	NV	Fair value			Fair value*	NV	Fair value			Fair value*
		L1	L2	L3			L1	L2	L3	
A. Cash liabilities	**41**	**414**	**–**	**–**	**414**	**68**	**243**	**–**	**–**	**243**
1. Due to banks										
2. Due to customers	41	414	–	–	414	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	**41**	**414**	**–**	**–**	**414**	**68**	**243**	**–**	**–**	**243**
B. Derivatives	**–**	**–**	**364**	**–**			**–**	**80**	**–**	
1. Financial derivatives		–	364	–			–	80	–	
1.1 Held for trading	X	–	364	–	X	X	–	80	–	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**	**–**	**364**	**–**	**X**	**X**	**–**	**80**	**–**	**X**
Total (A+B)	**X**	**414**	**364**	**–**	**X**	**X**	**243**	**80**	**–**	**X**

Key:
NV = Face or Notional value
L1 = Level 1
L2 = Level 2
L3 = Level 3
Fair value* = 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

Financial liabilities refer exclusively to the Bank.

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

Item B. Derivatives includes the negative measurement of currency forwards.

Section 6 - Tax liabilities - Item 60

See Section 11 of the assets.

Section 8 - Other liabilities - Item 80

8.1 Other liabilities: breakdown

	Total 30.06.2019	Total 31.12.2018
Social security and insurance contributions to be paid	1,337	1,678
Payables to personnel employed and contractors	4,653	4,631
Emoluments to be paid to the Directors	385	130
Emoluments to be paid to the Board of Statutory Auditors	151	214
Due to suppliers	1,185	1,380
Shareholders for dividends to be paid	1,996	1,949
Payables to brokers and institutional counterparties	185	2,857
Tax payables as withholding tax	1,825	1,572
Other payables	8,819	5,959
Total	**20,536**	**20,370**

Section 9 - Provisions for termination indemnities - Item 90

9.1 Provisions for termination indemnities: annual changes

	Total 30.06.2019	Total 31.12.2018
A. Initial amount	**5,317**	**4,970**
B. Increases	**1,088**	**1,630**
B.1 Allocation for the period	1,088	1,630
B.2 Other changes	–	–
C. Decreases	**631**	**1,283**
C.1 Severance indemnities paid out	364	489
C.2 Other changes	267	794
D. Final amount	**5,774**	**5,317**

Item B.1 Allocation for the period includes the actuarial loss of 424 thousand euros (actuarial loss of 188 thousand euros in 2018) recognised among valuation reserves - net of the tax effect - in accordance with IAS 19.

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.

Section 10 - Provisions for risks and charges - Item 100

10.1 Provisions for risks and charges: breakdown

Items/Components	Total 30.06.2019	Total 31.12.2018
1. Provisions for credit risk related to commitments and financial guarantees given	88	101
2. Provisions on other commitments and other guarantees given	–	–
3. Company pension funds	–	–
4. Other provisions for risks and charges	448	682
4.1 Legal and tax disputes	–	–
4.2 Personnel expenses	–	–
4.3 Other	448	682
Total	**536**	**783**

The item refers exclusively to the Bank.

Provisions for credit risk related to commitments and financial guarantees given of 88 thousand euros are related to collective impairment losses carried out with the introduction of the IFRS 9 through 30 June 2019. In the half-year, value recoveries amounting to 12 thousand euros were carried out.

The item Other provisions for risks and charges includes 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. The change compared to 31 December 2018 is due for 134 thousand euros to the use of the provision made last year for the closure of the RoF of the Tax Police (see Section 11 - Tax assets and liabilities) and for 100 thousand euros to the definition of the responsibilities to be attributed to an employee in the commercial area following the cost incurred in the half year for 147 thousand euros recorded under personnel expenses.

Section 13 - Group equity - Items 120, 150, 170 and 180

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

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

At 30 June 2019, 28,810,640 treasury shares were held exclusively by the Parent Company. These shares totalling 14,059 thousand euros, equal to 7.9% of the share capital of the Bank, in application of IAS 32, were used to adjust the shareholders' equity. In the period in question, the Bank did not buy or sell any treasury shares.

13.2 Capital - Number of shares of the parent company: annual changes

Items/Types	Ordinary	Other
A. Number of shares at the beginning of the year	**362,880,000**	
– fully paid-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 of 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		

13.4 Retained earnings: other information

The balance sheet item 150. Reserves amounts to 150,598 thousand euros (148,870 thousand euros at 31 December 2018) and is broken down as follows:

- retained earnings of the Bank:
  117,039 thousand euros consisting of the legal reserve of 11,486 thousand euros, extraordinary reserve of 84,553 thousand euros, the dividend adjustment reserve of 6,725 thousand euros, restated IAS 19 retained earnings reserve of 179 thousand euros, restated IFRS 9 accumulated losses of -488 thousand euros, reserve for merger surplus of 525 thousand euros, reserve for purchase of treasury shares of 14,059 thousand euros;
- other reserves:
  other reserves of 33,559 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 and of the consolidation reserve for the difference.

Section 14 - Minority interests - Item 190

14.1 Breakdown of Item 190 "Minority interests"

Company names	Total 30.06.2019	Total 31.12.2018
Equity investments in consolidated companies with significant interests in third parties		
1. Investire SGR S.p.A.	38,701	40,078
Other equity investments	557	610
Total	**39,258**	**40,688**

The item Other equity investments refers exclusively to Finnat Gestioni S.A.

Part C – Information on the consolidated income statement

Section 1 - Interest - Items 10 and 20

1.1 Interest income and similar income: breakdown

Items/Categories	Debt securities	Loans	Other transactions	Total 1st half 2019	Total 1st half 2018
1. Financial assets designated at fair value through profit or loss	**128**	**–**	**–**	**128**	**172**
1.1. Financial assets held for trading	128	–	–	128	172
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	**822**	**–**	**X**	**822**	**464**
3. Financial assets designated at amortised cost:	**2,669**	**4,070**	**–**	**6,739**	**3,686**
3.1 Due from banks	–	86	X	86	79
3.2 Loans to customers	2,669	3,984	X	6,653	3,607
4. Hedging derivatives	**X**	**X**	**–**	**–**	**–**
5. Other assets	**X**	**X**	**–**	**–**	**–**
6. Financial liabilities	**X**	**X**	**X**	**1,303**	**1,550**
Total	**3,619**	**4,070**	**–**	**8,992**	**5,872**
of which: interest income on impaired financial assets	–	238	–	238	44
of which: interest income on finance leases	–	–	–	–	–

1.3 Interest expense and similar expense: breakdown

Items/Categories	Payables	Securities	Other transactions	Total 1st half 2019	Total 1st half 2018
1. Financial liabilities designated at amortised cost	(892)	(7)	–	(899)	(345)
1.1 Due to Central Banks	–	X	X	–	–
1.2 Due to banks	–	X	X	–	(1)
1.3 Due to customers	(892)	X	X	(892)	(340)
1.4 Securities issued	X	(7)	X	(7)	(4)
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	(271)	(429)
Total	**(892)**	**(7)**	**–**	**(1,170)**	**(774)**
of which: interest expense related to lease payables	(129)	–	–	(129)	–

The interest margin, referring almost exclusively to the Bank, amounted to 7,822 thousand euros versus 5,098 thousand euros for the same period of 2018.

Section 2 - Fees and commissions - Items 40 and 50

2.1 Fee and commission income: breakdown

Type of services/Amounts	Total 1st half 2019	Total 1st half 2018
a) guarantees given	101	44
b) credit derivatives	–	–
c) administration, brokerage and consultancy services:	24,609	24,290
1. trading in financial instruments	2,340	2,493
2. currency dealing	–	–
3. portfolio management	17,982	17,402
3.1. individual	3,165	3,144
3.2. collective	14,817	14,258
4. custody and administration of securities	254	206
5. depository bank	–	–
6. placement of securities	1,871	2,257
7. reception and transmission of orders	–	–
8. consultancy services	1,055	1,237
8.1. on investments	351	285
8.2. on financial structure	704	952
9. distribution of third-party services	1,107	695
9.1. portfolio management	66	85
9.1.1. individual	–	–
9.1.2. collective	66	85
9.2. insurance products	1,041	610
9.3. other products	–	–
d) collection and payment services	224	206
e) servicing related to securitisations	–	–
f) factoring services	–	–
g) tax collection services	–	–
h) multilateral trading systems management	–	–
i) management of current accounts	188	169
j) other services	1,606	1,326
Total	**26,728**	**26,035**

Some 2018 items were reclassified for a like-for-like comparison with 2019.

2.2 Fee and commission expense: breakdown

Services/Amounts	Total 1st half 2019	Total 1st half 2018
a) guarantees received	–	–
b) credit derivatives	–	–
c) management and brokerage services:	464	736
1. trading in financial instruments	255	355
2. currency dealing	–	–
3. portfolio management:	49	46
3.1 own portfolio	23	18
3.2 third-party portfolio	26	28
4. custody and administration of securities	150	129
5. placement of financial instruments	10	206
6. "door-to-door" sale of financial instruments, products and services	–	–
d) collection and payment services	152	127
e) other services	375	309
Total	**991**	**1,172**

Net fees and commissions amounted to 25,737 thousand euros against 24,863 thousand euros of the previous half-year.

Section 3 - Dividends and similar income - Item 70

3.1 Dividends and similar income: breakdown

Items/Income	Total 1st half 2019		Total 1st half 2018	
	Dividends	Similar income	Dividends	Similar income
A. Financial assets held for trading	4	–	4	1
B. Other financial assets mandatorily at fair value	–	1,734	–	1,397
C. Financial assets designated at fair value through other comprehensive income	566	–	591	–
D. Equity investments	–	–	–	–
Total	**570**	**1,734**	**595**	**1,398**

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	**362**	**315**	**474**	**257**	**(54)**
1.1 Debt securities	24	55	100	66	(87)
1.2 Equity	45	185	346	179	(295)
1.3 UCI units	293	75	28	12	328
1.4 Loans	–	–	–	–	–
1.5 Other	–	–	–	–	–
2. Financial liabilities held for trading	**–**	**–**	**–**	**–**	**–**
2.1 Debt securities	–	–	–	–	–
2.2 Payables	–	–	–	–	–
2.3 Other	–	–	–	–	–
Financial assets and liabilities: foreign exchange differences	**X**	**X**	**X**	**X**	**223**
3. Derivatives	**217**	**569**	**6**	**429**	**265**
3.1 Financial derivatives:	217	569	6	429	265
- On debt securities and interest rates	–	–	–	–	–
- On equity and stock indexes	217	569	6	429	351
- On currencies and gold	X	X	X	X	(86)
- Other	–	–	–	–	–
3.2 Credit derivatives	–	–	–	–	–
of which: natural hedges related to the fair value option	X	X	X	X	–
Total	**579**	**884**	**480**	**686**	**434**

In the first six months of 2019, profit (losses) on trading, referring exclusively to the Bank, featured a positive balance of 434 thousand euros, compared to 667 thousand euros in the same period of 2018, and may be broken down as follows:

- Positive difference of 99 thousand euros between unrealised capital gains and losses, in connection with the fair value measurement of the trading portfolio, (in the first half of 2018, positive difference of 222 thousand euros);
- A positive balance between realised profits and losses related to trading on securities and derivatives of 198 thousand euros (in the first half of 2018, a positive balance of 266 thousand euros);
- Negative difference of 86 thousand euros between unrealised capital gains and losses in connection with the fair value measurement of currency forwards (in the first half of 2018, a positive difference of 59 thousand euros and also included the valuation of Interest Rate Swap Amortising);
- A positive balance of 223 thousand euros between realised foreign exchange gains and losses (in the first half of 2018, a positive balance of 120 thousand euros).

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

6.1 Profit (losses) on disposal/repurchase: breakdown

Items/Income items	Total 1st half 2019			Total 1st half 2018		
	Profit	Losses	Net income	Profit	Losses	Net income
Financial assets						
1. Financial assets designated at amortised cost	154	–	154	96	–	96
1.1 Due from banks	–	–	–	–	–	–
1.2 Loans to customers	154	–	154	96	–	96
2. Financial assets designated at fair value through other comprehensive income	36	–	36	720	–	720
2.1 Debt securities	36	–	36	720	–	720
2.2 Loans	–	–	–	–	–	–
Total assets (A)	**190**	**–**	**190**	**816**	**–**	**816**
Financial liabilities designated at amortised cost						
1. Due to banks	–	–	–	–	–	–
2. Due to customers	–	–	–	–	–	–
3. Securities issued	–	–	–	–	–	–
Total liabilities (B)	**–**	**–**	**–**	**–**	**–**	**–**

Item 1.2 Loans to customers and item 2.1 Debt securities both refer to the net income achieved by the Bank following the sale of Debt securities.

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	**265**	**–**	**1,515**	**–**	**(1,250)**
1.1 Debt securities	–	–	–	–	–
1.2 Equity	–	–	–	–	–
1.3 UCI units	265	–	1,515	–	(1,250)
1.4 Loans	–	–	–	–	–
2. Financial assets in foreign currencies: foreign exchange differences	X	X	X	X	–
Total	**265**	**–**	**1,515**	**–**	**(1,250)**

Item 1.3 UCI units Gains (A) pertains to the Bank amounting to 87 thousand euros and to the subsidiary InvestiRE SGR S.p.A. amounting to 178 thousand euros; whereas Losses (C) pertain exclusively to the Bank and refer almost exclusively to the FIP Fund of 1,227 thousand euros and to the Apple Fund of 287 thousand euros.

The item at 30 June 2018 had a negative balance of 693 thousand euros.

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 1st half 2019 (1) – (2)	Total 1st half 2018
	Stage 1 and 2	Stage 3		Stage 1 and 2	Stage 3		
		Write-off	Other				
A. Due from banks	–	–	–	15	–	(15)	81
- Loans	–	–	–	15	–	(15)	81
- Debt securities	–	–	–	–	–	–	–
of which: acquired or originated impaired loans	–	–	–	–	–	–	–
B. Loans to customers	12	122	1,854	2,180	273	(465)	1,113
- Loans	12	122	1,854	1,530	273	185	669
- Debt securities	–	–	–	650	–	(650)	444
of which: acquired or originated impaired loans	–	–	–	–	–	–	–
Total	**12**	**122**	**1,854**	**2,195**	**273**	**(480)**	**1,194**

Please refer to the comments provided in the asset items Financial assets designated at amortised cost: breakdown by product of due from banks and loans to customers (asset tables of the notes to the financial statements 4.1 and 4.2).

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 1st half 2019 (1) – (2)	Total 1st half 2018
	Stage 1 and 2	Stage 3		Stage 1 and 2	Stage 3		
		Write-off	Other				
A. Debt securities	–	–	–	221	–	(221)	247
B. Loans	–	–	–	–	–	–	–
- Customers	–	–	–	–	–	–	–
- Banks	–	–	–	–	–	–	–
of which: acquired or originated impaired financial assets	–	–	–	–	–	–	–
Total	**–**	**–**	**–**			**(221)**	**247**

Section 9 - Gains/losses from contractual changes without derecognition – Item 140

The item at 30 June 2019 had a negative balance of 1 thousand euros referring exclusively to the Bank.

Section 12 - Administrative expenses - Item 190

12.1 Personnel expenses: breakdown

Type of expense/Segments	Total 1st half 2019	Total 1st half 2018
1) Personnel employed	18,045	16,582
a) wages and salaries	13,143	11,915
b) social security charges	3,554	3,119
c) termination indemnities	281	278
d) supplementary benefits	–	–
e) provisions for termination indemnities	237	226
f) provisions for post employment benefits:	–	–
- defined contribution plans	–	–
- defined benefit plans	–	–
g) payments to external pension funds:	205	218
- defined contribution plans	205	218
- defined benefit plans	–	–
h) costs from share based payments	–	–
i) other benefits in favour of employees	625	826
2) Other non-retired personnel	371	367
3) Directors and statutory auditors	803	752
4) Early retirement costs	–	–
Total	**19,219**	**17,701**

Personnel expenses grew by 1,518 thousand euros compared to the same period last year. The increase pertains to the Bank, i.e. 1,299 thousand euros, the subsidiary InvestiRE SGR S.p.A., i.e. 172 thousand euros, Natam S.A., i.e. 34 thousand Euros, and the other Group companies totalling 13 thousand euros.

Item 1) e) includes the amount of IAS provisions for termination indemnities, net of actuarial gains recognised among Valuation reserves following the changes made to IAS 19.

Following the introduction of IFRS 16, lease payments relating to benefits assigned to employees are no longer recognised under this item, but instead the amortisation charges of the right of use relating to existing contracts amounting to 101 thousand euros and for interest expense on the related debt amounting to 1 thousand euros are recognised.

12.5 Other administrative expenses: breakdown

Type of expense/Segments	Totale 1st half 2019	Totale 1st half 2018
Rentals and condominium fees	274	1,591
Membership fees	122	127
EDP materials	37	35
Stationery and printing supplies	32	37
Consultancy and outsourced professional services	1,083	1,232
Outsourcing services	1,278	1,167
Auditing company fees	148	162
Maintenance	493	456
Utilities and connections	878	807
Postal, transport and shipment fees	33	43
Insurance companies	136	124
Public relations and advertising expenses	100	67
Office cleaning	166	169
Books, newspapers and magazines	48	46
Entertainment expenses	203	354
Travel expenses and mileage based reimbursements	342	356
Other duties and taxes	2,458	2,539
Security charges	104	105
Contributions to National Resolution Fund	799	810
Other	701	487
TOTAL	**9,435**	**10,714**

The other administrative expenses decreased by 1,279 thousand euros compared to the first six months of 2018.
This decrease is almost entirely due to the different accounting of the lease payments relating to rentals.

Following the introduction of IFRS 16, lease payments relating to other administrative expenses are no longer recognised under this item, but instead the amortisation charges of the right of use relating to existing contracts amounting to 1,365 thousand euros and for interest expense on the related debt amounting to 127 thousand euros are recognised.

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

* * *

The different procedures for recognising the expenses connected with lease agreements entailed for the Group a negative impact on the income statement of 2019 - with respect to the expenses that would have been incurred if the previous regulatory provisions had remained in force - equal to 118 thousand euros corresponding to 0.4% of item 190. Administrative expenses, which impact will be progressively reabsorbed in the following years until the expiry of the lease agreements.

Section 13 - Net provisions for risks and charges - Item 200

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

	Value recoveries	Impairment losses	Total 1st half 2019
Commitments to lend funds	12	–	12
Financial guarantees given	1	–	1
Total	**13**	**–**	**13**

At 30 June 2018, this item showed net impairment losses of 258 thousand euros.

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

	Total 1st half 2019	Total 1st half 2018
Allocations	–	–
Utilisation	(234)	–
Total	**234**	**–**

Both items of Section 13, pertaining exclusively to the Bank, are commented in Section 10 - "Provisions for risks and charges - Item 100" of the liabilities in the Balance Sheet.

Section 14 - Net losses/recoveries on property and equipment - Item 210

14.1 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				
1 Used in operations	1,673	-	-	1,673
- Owned	207	-	-	207
- Rights of use acquired through leases	1,466	-	-	1,466
2 Investment property	-	-	-	-
- Owned	-	-	-	-
- Rights of use acquired through leases	-	-	-	-
3 Inventory	X	-	-	-
Total	**1,673**	**-**	**-**	**1,673**

The item Rights of use acquired through leases refers to depreciation relating to employee benefits of 101 thousand euros and other administrative expenses of 1,365 thousand euros.

Section 15 - Net losses/recoveries on intangible assets - Item 220

15.1 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				
A.1 Owned assets	100	-	-	100
- Internally generated by the company	-	-	-	-
- Other	100	-	-	100
A.2 Rights of use acquired through leases	-	-	-	-
Total	**100**	**-**	**-**	**100**

In the first half of 2018, amortisation amounted to 85 thousand euros.

Section 16 - Other operating income/expenses - Item 230

16.1 Other operating expense: breakdown

	Total 1st half 2019	Total 1st half 2018
Amounts reimbursed to customers	8	2
Amortisation for improvements to third party assets	14	18
Other expense	72	28
Total	**94**	**48**

16.2 Other operating income: breakdown

	Total 1st half 2019	Total 1st half 2018
Rental income	75	57
Recovery of stamp duty	2,221	2,151
Recovery of substitute tax	50	136
Recovery of other expenses	360	551
Dividend and prescription waiver	241	214
Other income	388	162
Total	**3,335**	**3,271**

Other operating income and expenses show a positive balance of 3,241 thousand euros versus 3,223 thousand euros at 30 June 2018.

The item comprises the recoveries of costs from customers amounting to 2,631 thousand euros (2,838 thousand euros at 30 June 2018).

Section 17 - Profit (loss) from equity investments - Item 250

17.1 Profit (loss) from equity investments: breakdown

Income items/Segments	Total 1st half 2019	Total 1st half 2018
1) Jointly controlled companies		
A. Income	–	–
1. Revaluations	–	–
2. Profit from disposals	–	–
3. Value recoveries	–	–
4. Other income	–	–
B. Expense	–	–
1. Write-downs	–	–
2. Net losses on impairment	–	–
3. Losses from disposals	–	–
4. Other expense	–	–
Net income	**–**	**–**
2) Companies subject to significant influence		
A. Income	–	–
1. Revaluations	–	–
2. Profit from disposals	–	–
3. Value recoveries	–	–
4.Other income	–	–
B. Expense	219	72
1. Write-downs	49	72
2. Net losses on impairment	170	–
3. Losses from disposals	–	–
4. Other expense	–	–
Net income	**(219)**	**(72)**
Total	**(219)**	**(72)**

Item B.1 Write-downs refers to the losses for the period, pertaining to the group, of the indirect associated company REDO SGR S.p.A. of 46 thousand euros and of the Joint ventures Aldia S.p.A. and Liphe S.p.A. of 1 thousand euros and 2 thousand euros, respectively.

Item B.2 Net losses on impairment refers to the associates Imbrebanca S.p.A. of 122 thousand euros and Previra S.p.A. in liquidation of 48 thousand euros.

Section 21 - Taxes on income from continuing operations - Item 300

21.1 Taxes on income from continuing operations: breakdown

Income items/Segments		Total 1st half 2019	Total 1st half 2018
1.	Current taxes (-)	(2,426)	(794)
2.	Changes in current taxes compared with previous years (+/-)	(174)	–
3.	Reduction in current taxes (+)	–	–
3.bis	Reduction in current taxes for tax receivables set forth in Italian Law No. 214/2011	–	–
4.	Change in deferred tax assets (+/-)	(337)	(1,186)
5.	Change in deferred tax liabilities (+/-)	(12)	117
6.	**Income taxes for the year (-) (-1+/-2+3+3bis+/-4+/-5)**	**(2,949)**	**(1,863)**

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

Section 23 - Profit (loss) for the year of minority interests - Item 340

23.1 Breakdown of Item 340 "Profit (loss) for the year of minority interests"

Company names	Total 1st half 2019	Total 1st half 2018
Consolidated equity investments with significant interests in third parties		
1. Investire SGR S.p.A.	1,455	1,150
Other equity investments	62	67
Total	**1,517**	**1,217**

The item Other equity investments refers exclusively to Finnat Gestioni S.A.

Section 25 - Earnings per share

25.1 Average number of ordinary shares with diluted capital

The basic and diluted earnings (loss) per share, at consolidated level, are given below, in accordance with IAS 33. As no Group company holds any Parent Company shares, the consolidated figures coincide with those relating to the Bank.

The basic earnings (loss) per share are calculated by dividing the consolidated net income (in euros) of the holders of the Bank's ordinary shares (the numerator) by the weighted average of the ordinary shares outstanding during the period (the denominator).
For the purpose of calculating the basic earnings (loss) per share, the weighted average of the ordinary shares outstanding during the period is calculated based on the ordinary shares outstanding at the beginning of the period, adjusted by the number 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 consolidated profit (losses) 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.

	30.06.2019	**31.12.2018**
Profit (loss) for the period (in euro)	4,313,015	5,342,556
Weighted average of ordinary shares	334,069,360	334,069,360
Basic earnings (loss) per share	0.012911	0.015992

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

	30.06.2019	**31.12.2018**
Adjusted profit (loss) for the period (in euro)	4,313,015	5,342,556
Weighted average of ordinary shares for diluted capital	334,069,360	334,069,360
Diluted earnings (loss) per share	0.012911	0.015992

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.

25.2 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 F – Information on the consolidated shareholders' equity

Section 1 - Consolidated shareholders' equity

The Group shareholders' equity comprises the Capital, Reserves, Treasury shares, Valuation reserves and Profit for the year. All financial instruments that are not classified as financial assets or liabilities according to the IAS/IFRS are considered part of the equity.

For supervisory purposes, the relevant aggregate equity is calculated based on the applicable regulations laid down by the Bank of Italy and constitutes the reference control data of the prudential supervisory regulations.

The consolidated shareholders' equity at 30 June 2019 amounted to 251,624 thousand euros, of which the Group shareholders' equity was 212,366 thousand euros and the shareholders' equity of minority interests was 39,258 thousand euros.

The valuation reserve relating to Financial assets designated at fair value through other comprehensive income is exclusively attributable to the Group and is detailed as follows:

	Valuation reserves at 30.06.2019			Valuation reserves at 31.12.2018			Changes in Reserves
	Positive	Negative	Balance (a)	Positive	Negative	Balance (b)	(a-b)
PARENT COMPANY							
CSE S.r.l. shares	3	–	3	–	63	(63)	66
Net Insurance shares	64	–	64	49	–	49	15
Sia shares	3,238	–	3,238	3,238	–	3,238	–
Italian Government securities and bonds	339	6,101	(5,762)	222	8,751	(8,529)	2,767
Losses for credit risk	533	–	533	790	–	790	(257)
TOTAL PARENT COMPANY	**4,177**	**6,101**	**(1,924)**	**4,299**	**8,814**	**(4,515)**	**2,591**
OTHER GROUP COMPANIES							
Italian government securities and bonds of Finnat Fiduciaria S.p.A.	–	19	(19)	34	31	3	(22)
Losses for credit risk	35	–	35	–	–	–	35
TOTAL OTHER GROUP COMPANIES	**35**	**19**	**16**	**34**	**31**	**3**	**13**
TOTAL GROUP	**4,212**	**6,120**	**(1,908)**	**4,333**	**8,845**	**(4,512)**	**2,604**

Section 2 - Own funds and capital ratios

2.1 Scope of the regulations

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

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

2.2 Banks' own funds

Own funds at 30 June 2019 amounted to 169,317 thousand euros compared to 166,300 thousand euros at 31 December 2018, whereas the Total capital ratio, CET1 capital ratio and Tier1 ratio stood at 29.6% compared to 29.8% at 31 December 2018. The Bank exercised the option to apply the transitional provisions for the deferment over time of the impacts of the application of the new accounting standard on own funds - illustrated in the section "Market disclosure information". Without this application, Own funds would have been equal to *167,264* thousand euros, while the Total capital ratio, the CET1 capital ratio and Tier1 ratio would have been equal to *29.4%*.

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).

A. Qualitative information

The own funds represent the first safeguard against the risks associated with overall bank activities and the main reference parameter for an assessment of the solidity of the bank.
They comprise the sum of:

1. Common Equity Tier 1 (CET1)	169,317	euros
2. Additional Tier 1 (AT1)	–	euros
3. Tier 2 (T2)	–	euros

B. Quantitative information

		Total 30.06.2019	Total 31.12.2018
A.	Common Equity Tier 1 (CET1) before the application of prudential filters	223,495	219,569
	of which CET 1 instruments subject to transitional provisions	–	–
B.	Prudential filters for CET 1 (+/-)	(391)	(366)
C.	CET 1 including deductions and the effects of the transitional regulations (A+/-B)	223,104	219,203
D.	Deductions from CET1	55,840	55,911
E.	Transitional regulations–Impact on CET 1 (+/-)	2,053	3,008
F.	Total Common Equity Tier 1 (CET1) (C–D+/-E)	169,317	166,300
G.	Additional Tier 1 (AT1) including deductions and the effects of the transitional regulations	–	–
	of which AT 1 instruments subject to transitional provisions	–	–
H.	Deductions from AT1	–	–
I.	Transitional regulations–Impact on AT 1 (+/-)	–	–
L.	Total Additional Tier 1 (AT1) (G-H +/-I)	–	–
M.	Tier 2 (T2) including deductions and the effects of the transitional regulations	–	–
	of which T2 instruments subject to transitional provisions	–	–
N.	Deductions from T2	–	–
O.	Transitional regulations–Impact on T2 (+/-)	–	–
P.	Total Tier 2 (T2) (M-N +/-O)	–	–
Q.	Total own funds (F+L+P)	169,317	166,300

2.3 Capital adequacy

A. Qualitative information

Italian banks must maintain a minimum CET 1 ratio of 4.5%, TIER 1 ratio of 6% and Total Capital Ratio of 8%. In addition to these minimum ratios, the new regulations require banks to also hold a capital conservation buffer (CCB capital) of 2.5% of the bank's total risk exposure, consisting of Common Equity Tier 1, bringing the overall requirement to 10.5%.

As shown in the table on the breakdown of risk assets and on capital ratios, the Group's Total capital ratio, CET 1 Capital Ratio and Tier 1 Capital Ratio are equal to 29.6%. 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).

B. Quantitative information

Categories/Amounts	Non-weighted amounts		Weighted amounts/Requirements	
	30.06.2019	31.12.2018	30.06.2019	31.12.2018
A. RISK ASSETS				
A.1. Credit and counterparty risk				
1. Standard methodology	2,935,404	2,790,102	417,462	405,604
2. Methodology based on internal ratings				
2.1 Basic				
2.2 Advanced				
3. Securitisation	-	-	-	-
B. CAPITAL REQUIREMENTS FOR SUPERVISORY PURPOSES				
B.1. Credit and counterparty risk			33,397	32,448
B.2. Risk of adjustment of the credit measurement			5	6
B.3. Settlement risk				
B.4. Market risks			1,764	1,602
1. Standard methodology			1,764	1,602
2. Internal models				
3. Concentration risk				
B.5. Operating risk			10,546	10,546
1. Basic method			10,546	10,546
2. Standardised method			-	-
3. Advanced method				
B.6. Other calculation elements				
B.7. Total prudential requirements			45,712	44,602
C. RISK ASSETS AND ADEQUACY RATIOS				
C.1. Risk-weighted assets			571,395	557,531
C.2. Common Equity Tier 1/Risk-weighted assets (CET1 capital ratio)			29.6%	29.8%
C.3. Tier 1 capital/Risk-weighted assets (Tier 1 capital ratio)			29.6%	29.8%
C.4. Total own funds/Risk-weighted assets (Total capital ratio)			29.6%	29.8%

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 Annex 3A of the Issuers' Regulation, approved by the shareholders' meeting of 24 April 2019.

2. Information on related-party transactions

The following table shows the assets, liabilities, guarantees and commitments at 30 June 2019 separately for different types of related parties under IAS 24.

BALANCE SHEET	Financial receivables (Payables)	Other receivables (Payables)	Sureties issued	Available margins on sureties and irrevocable credit lines granted
ASSOCIATED COMPANIES				
Imprebanca S.p.A.	(758)	–	23	–
MANAGEMENT WITH STRATEGIC RESPONSIBILITIES AND COMPANY REPRESENTATIVES	**(1,309)**	**–**	**10**	**–**
OTHER RELATED PARTIES	**(10,841)**	**405**	**1**	**–**

Other Receivables (Payables) refer to the financial statement items "Other assets" and "Other liabilities".

With regard to associated companies, there are no income statement items above one thousand euros.

Part L – Segment Reporting

A – Primary reporting

For the purpose of identifying operating segments and establishing the figures to be allocated, the segment reporting of the Banca Finnat Group is based on its organisation and management structure, along with the internal auditing system used to support the management's operating decisions.

The Banca Finnat Group operates primarily in Italy.

For IAS segment reporting purposes, the Group has adopted the "management approach", selecting as the primary representative base, for the breakdown of its balance sheet and income statement figures, the main business sectors through which it carries out its consolidated activities and which constitute the internal reporting segments used by the Management for allocating resources and analysing the related performances. In addition to reflecting the operational responsibilities specified by the Group's organisational assets, the sectors of activity consist of the aggregation of business units that have similar characteristics with reference to the type of products and services sold.

The segments identified for providing an operation-based description of the Group results are:

- Private Banking (comprises the offer of investment services and of typical banking services to the Bank's private customers).
- Investment Banking (comprises the services offered to the Bank's institutional customers and by the company of the Natam SA Group, the treasury activity and the management and development of trading activities on the Bank's own behalf and on behalf of third parties).
- Advisory and corporate finance (comprises the consultancy services provided by the Bank in the sector of corporate finance and assistance in extraordinary finance transactions directed at corporate customers).
- Trusteeship activity (comprises the trusteeship services offered to customers through the companies of the Finnat Fiduciaria Group and Finnat Gestioni SA).
- Asset Management - Property Fund Management (comprises the management of real estate funds carried out by the company of the InvestiRE SGR Group).
- Financial Holding and Governance Centre (comprises the strategic investments held by the Bank and the activities of supervision of the Group direction, coordination and control functions; overhead costs and intra-group cancellations are in this sector).

Income statement calculation criteria by business segment

The calculation of pre-tax profit by business segment is based on the following criteria:

- Interest margin: The Bank's interest margin, allocated in the Private Banking, Investment Banking and Financial Holding sectors, is calculated by contribution on the basis of the "Internal Transfer Rates" differentiated by products and due dates; as regards the other Group entities, the various differences between interest income and similar income and interest expense and similar expense were allocated to the relevant Business Area.
- Net fees and commissions: net fees and commissions were identified through the direct allocation of the income components on various business segments.

- Profit (losses) on trading: it was attributed to the business segments that actually generated that profit.
- Dividends, Profit (losses) on disposal/repurchase of financial assets designated at amortised cost and financial assets designated at fair value through other comprehensive income: they are reclassified line by line on the individual sectors concerned.
- Profits (losses) on other financial assets and liabilities mandatorily at fair value: they were attributed to the business segments that actually generated that profit.
- Operating costs: the aggregate includes personnel expenses, other administrative expenses (net of recovered costs), net losses on property and equipment and intangible assets, the allocations to provisions for risks and charges and other operating expenses and income. The operating costs of the subsidiaries go directly into the business segment in which they are included; concerning Banca Finnat, the allocation among the different business segments takes place by the application of a "cost allocation" model (in relation to specific criteria, referred to the activity carried out) for all costs for which attribution to the business centres on the basis of the unique functional position of the resources is not possible.
- Net losses/recoveries on credit risk relating to financial assets designated at amortised cost and financial assets designated at fair value through other comprehensive income: they are allocated line by line on the individual sectors.

Criteria for calculating the balance sheet aggregates by business segment

Balance sheet aggregates were calculated according to the matching concept, with costs/revenues allocated to the single segments.

In particular:

- Loans to customers are the assets directly employed in the operating activities of the segment and directly attributable thereto;
- due to customers and securities issued are the liabilities that result from the operating activities of each sector that are directly attributable to that segment.

Assets/liabilities that cannot be reasonably attributed were allocated to the "Financial Holding and Governance Centre" segment.

The activities carried out in the half-year by the individual segments are commented on in the Report on Operations.

Consolidated aggregate income statement values for the 1st half of 2019, by business segment

(in thousands of euros)

Business segments	Private Banking	Investment Banking (*)	Advisory and Corporate Finance	Trusteeship	Asset Management Real Estate Funds	Financial Holding and Governance Centre (**)	TOTAL
Interest margin	1,975	5,770		7	(55)	125	7,822
Net fees and commissions	6,976	2,766	708	1,173	14,108	6	25,737
Dividends	184	61				2,059	2,304
Profit (losses) on trading		434					434
Profit (losses) on disposal or repurchase of:		190					190
a) financial assets designated at amortised cost		154					154
b) financial assets designated at fair value through other comprehensive income		36					36
Profits (losses) on other financial assets and liabilities designated at fair value through profit or loss		(201)			178	(1,227)	(1,250)
b) other financial assets mandatorily at fair value		(201)			178	(1,227)	(1,250)
NET BANKING INCOME	**9,135**	**9,020**	**708**	**1,180**	**14,231**	**963**	**35,237**
Operating costs	(7,336)	(2,124)	(621)	(497)	(9,592)	(6,769)	(26,939)
Net losses/recoveries on credit risk relating to:	233	840	(38)	6	(111)	(229)	701
a) financial assets designated at amortised cost	233	619	(38)	6	(111)	(229)	480
b) financial assets designated at fair value through other comprehensive income		221					221
Gains/losses from contractual changes without derecognition	(1)						(1)
Profit (loss) from equity investments						(219)	(219)
PRE-TAX PROFIT	**2,031**	**7,736**	**49**	**689**	**4,528**	**(6,254)**	**8,779**

(*) The data pertaining to the "Investment Banking" sector includes the activity of the Luxembourg-based Management Company Natam.
(**) The data pertaining to "Financial Holding and Governance Centre" includes overhead costs.

Consolidated aggregate income statement values for the 1st half of 2018, by business segment

(in thousands of euros)

Business segments	Private Banking	Investment Banking (*)	Advisory and Corporate Finance	Trusteeship	Asset Management Real Estate Funds	Financial Holding and Governance Centre (**)	TOTAL
Interest margin	1,809	3,211		7	43	28	5,098
Net fees and commissions	6,706	2,725	1,071	1,214	13,176	(29)	24,863
Dividends	153	52				1,788	1,993
Profit (losses) on trading		667					667
Profit (losses) on disposal or repurchase of		797		19			816
a) financial assets designated at amortised cost		96					96
b) financial assets designated at fair value through other comprehensive income		701		19			720
Profits (losses) on other financial assets and liabilities designated at fair value through profit or loss	20	(24)			145	(834)	(693)
b) other financial assets mandatorily at fair value	20	(24)			145	(834)	(693)
NET BANKING INCOME	**8,688**	**7,428**	**1,071**	**1,240**	**13,364**	**953**	**32,744**
Operating costs	(6,739)	(2,226)	(634)	(480)	(9,441)	(6,244)	(25,764)
Net losses on impairment of:	(187)	(808)	(109)	13	(315)	(35)	(1,441)
a) financial assets designated at amortised cost	(187)	(562)	(109)	14	(315)	(35)	(1,194)
b) financial assets designated at fair value through other comprehensive income		(246)		(1)			(247)
Profit (loss) from equity investments						(72)	(72)
PRE-TAX PROFIT	**1,762**	**4,394**	**328**	**773**	**3,608**	**(5,398)**	**5,467**

(*) The data pertaining to the "Investment Banking" sector includes the activity of the Luxembourg-based Management Company Natam.
(**) The data pertaining to "Financial Holding and Governance Centre" includes overhead costs.

Consolidated aggregate balance sheet values at 30 June 2019 by business segment

(in thousands of euros)

Business segments	Private Banking	Investment Banking (*)	Advisory and Corporate Finance	Trusteeship	Asset Management Real Estate Funds	Financial Holding and Governance Centre	TOTAL
Asset items							
Financial assets designated at fair value through profit or loss		59,582			1,070	20,668	81,320
a) financial assets held for trading		59,582					59,582
c) other financial assets mandatorily at fair value					1,070	20,668	21,738
Financial assets designated at fair value through other comprehensive income		290,448		1,524	1	10,102	302,075
Financial assets designated at amortised cost	333,268	1,148,566	736	4,086	40,040	17,122	1,543,818
a) due from banks		81,594		3,420	16,161	(8,166)	93,009
b) loans to customers	333,268	1,066,972	736	666	23,879	25,288	1,450,809
Equity investments					454	6,193	6,647
Liability items							
Financial liabilities designated at amortised cost	597,498	1,144,929		360	7,005	2,126	1,751,918
a) due to banks		780					780
b) due to customers	571,457	1,143,288		360	7,005	2,126	1,724,236
c) securities issued	26,041	861					26,902
Financial liabilities held for trading						778	778

(*) The data pertaining to the "Investment Banking" sector includes the activity of the Luxembourg-based Management Company Natam.

Consolidated aggregate balance sheet values at 30 June 2018 by business segment

(in thousands of euros)

Business segments	Private Banking	Investment Banking (*)	Advisory and Corporate Finance	Trusteeship	Asset Management Real Estate Funds	Financial Holding and Governance Centre	TOTAL
Asset items							
Financial assets designated at fair value through profit or loss		72,763			1,180	21,836	95,779
a) financial assets held for trading		72,763					72,763
c) other financial assets mandatorily at fair value					1,180	21,836	23,016
Financial assets designated at fair value through other comprehensive income		207,225		1,526	1	4,795	213,547
Financial assets designated at amortised cost	327,537	1,169,940	650	4,555	38,121	24,748	1,565,551
a) due from banks		138,282		3,663	13,502		155,447
b) loans to customers	327,537	1,031,658	650	892	24,619	24,748	1,410,104
Equity investments						6,457	6,457
Liability items							
Financial liabilities designated at amortised cost	614,036	1,071,670			139	4,426	1,690,271
a) due to banks		1,121					1,121
b) due to customers	587,481	1,069,689			139	4,426	1,661,735
c) securities issued	26,555	860					27,415
Financial liabilities held for trading		23				103	126

(*) The data pertaining to the "Investment Banking" sector includes the activity of the Luxembourg-based Management Company Natam.

B – Secondary reporting

The distribution of balance sheet and income statement figures by geographical area is not shown due to the fact that the Group operates almost exclusively in Italy.

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 the first half of 2019, 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 the half-year period, 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 transactions in the first half of 2019 are commented on in a special section of the Interim report on operations.

BANCA FINNAT GRUPPO BANCA FINNAT

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

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

   delle procedure amministrative e contabili per la formazione del Bilancio consolidato semestrale abbreviato al 30 giugno 2019.

2. Al riguardo non sono emersi aspetti di rilievo.

3. Si attesta, inoltre, che:
   3.1. il Bilancio consolidato semestrale abbreviato:
   a. è redatto in conformità ai principi contabili internazionali applicabili riconosciuti nella Comunità europea ai sensi del regolamento (CE) n. 1606/2002 del Parlamento europeo e del Consiglio, del 19 luglio 2002;
   b. corrisponde alle risultanze dei libri e delle scritture contabili;
   c. è idoneo a fornire una rappresentazione veritiera e corretta della situazione patrimoniale, economica e finanziaria dell'emittente e dell'insieme delle imprese incluse nel consolidamento.

   3.2. La Relazione intermedia sulla gestione comprende un'analisi attendibile dei riferimenti agli eventi importanti che si sono verificati nei primi sei mesi dell'esercizio e alla loro incidenza sul Bilancio consolidato semestrale abbreviato, unitamente a una descrizione dei principali rischi e incertezze per i sei mesi restanti dell'esercizio. La Relazione intermedia sulla gestione comprende, altresì, un'analisi attendibile delle informazioni sulle operazioni rilevanti con parti correlate.

Roma, 12 settembre 2019

L'Amministratore Delegato

(Arturo Nattino)

Il Dirigente preposto alla redazione dei documenti contabili societari

(Giulio Bastia)

EY S.p.A.
Via Po, 32
00198 Roma

Tel: +39 06 324751
Fax: +39 06 32475504
ey.com

Relazione di revisione contabile limitata sul bilancio consolidato semestrale abbreviato

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

Introduzione

Abbiamo svolto la revisione contabile limitata del bilancio consolidato semestrale abbreviato, costituito dallo stato patrimoniale al 30 giugno 2019, dal conto economico, dal prospetto della redditività complessiva, dal prospetto delle variazioni del patrimonio netto, dal rendiconto finanziario per il periodo chiuso a tale data e dalle relative note illustrative di Banca Finnat Euramerica S.p.A. e controllate (Gruppo Banca Finnat Euramerica). Gli Amministratori sono responsabili per la redazione del bilancio consolidato semestrale abbreviato in conformità al principio contabile internazionale applicabile per l'informativa finanziaria infrannuale (IAS 34) adottato dall'Unione Europea. È nostra la responsabilità di esprimere una conclusione sul bilancio consolidato semestrale abbreviato sulla base della revisione contabile limitata svolta.

Portata della revisione contabile limitata

Il nostro lavoro è stato svolto secondo i criteri per la revisione contabile limitata raccomandati dalla Consob con Delibera n. 10867 del 31 luglio 1997. La revisione contabile limitata del bilancio consolidato semestrale abbreviato consiste nell'effettuare colloqui, prevalentemente con il personale della società responsabile degli aspetti finanziari e contabili, analisi di bilancio ed altre procedure di revisione contabile limitata. La portata di una revisione contabile limitata è sostanzialmente inferiore rispetto a quella di una revisione contabile completa svolta in conformità ai principi di revisione internazionali (ISA Italia) e, conseguentemente, non ci consente di avere la sicurezza di essere venuti a conoscenza di tutti i fatti significativi che potrebbero essere identificati con lo svolgimento di una revisione contabile completa. Pertanto, non esprimiamo un giudizio sul bilancio consolidato semestrale abbreviato.

Conclusioni

Sulla base della revisione contabile limitata svolta, non sono pervenuti alla nostra attenzione elementi che ci facciano ritenere che il bilancio consolidato semestrale abbreviato del Gruppo Banca Finnat Euramerica al 30 giugno 2019 non sia stato redatto, in tutti gli aspetti significativi, in conformità al principio contabile internazionale applicabile per l'informativa finanziaria infrannuale (IAS 34) adottato dall'Unione Europea.

Roma, 12 settembre 2019

EY S.p.A.

Giuseppe Miele
(Socio)

Share Capital	euro 72,576,000 fully paid-in	Telephone	+39 06 69933.1
Registered office	00186 Rome – Palazzo Altieri - Piazza del Gesù, 49	Fax	+39 06 6784950
R.E.A. Reg. No.	444286	Web-site	www.bancafinnat.it
Tax Identification No.	00168220069	E-mail	banca@finnat.it
VAT Registration No.	00856091004	Investor Relations	investor.relator@finnat.it
Unique Code (SDI)	IOPVBGU		

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

www.bancafinnat.it