



BANCA FINNAT

GRUPPO BANCA FINNAT

CONSOLIDATED INTERIM REPORT ON OPERATIONS AT 30 SEPTEMBER 2019



CONSOLIDATED INTERIM
REPORT ON OPERATIONS
AT 30 SEPTEMBER 2019

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ORGANI SOCIALI

BOARD OF DIRECTORS

Carlo Carlevaris
Honorary Chairman

Flavia Mazzarella
Chairman

Leonardo Buonvino
Deputy Chairman

Marco Tofanelli
Deputy Chairman

Arturo Nattino
Managing Director

Ermanno Boffa
Director

Roberto Cusmai
Director

Giulia Nattino
Director
Maria Sole Nattino
Director

Lupo Rattazzi
Director

Andreina Scognamiglio
Director

BOARD OF STATUTORY AUDITORS

Alberto De Nigro
Chairman

Barbara Fasoli Braccini
Permanent Auditor

Francesco Minnetti
Permanent Auditor

Laura Bellicini
Alternate Auditor

Antonio Staffa
Alternate Auditor

MANAGEMENT

Arturo Nattino
General Manager

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

Alberto Alfiero
Deputy General Manager

AUDITING FIRM

EY S.p.A.

NOTES FOR READING THE INTERIM REPORT ON OPERATIONS

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

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

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

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

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

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

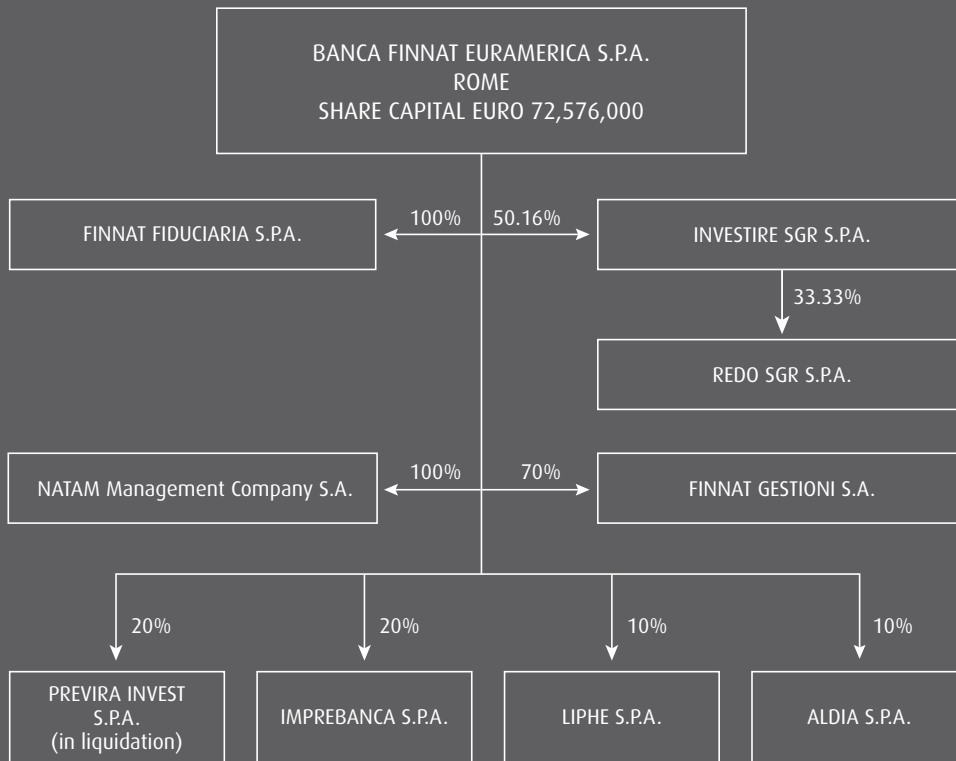
For the application of the new statements, there is no obligation to restate the comparative financial statements for the year 2018, therefore the results of the quarter in question were compared with those of the previous period as follows:

- in the Income Statement, the data for the third quarter of 2019 is compared with that of the similar period of 2018 and the economic results for the first nine months of the current year are compared with those for the same period of the previous year, while the Statement of comprehensive income provides the data referred to the first nine months of the current year, compared with that of the same period of the previous year;
- in the Balance Sheet, the values at 30 September 2019 are provided and compared with those of 31 December 2018, while the Statement of changes in shareholders' equity shows the balances at 31 December 2018 and those at 30 September 2019 and the changes that took place in the period.

In pursuance of the provisions of the regulations in force, the present Interim report on operations has not been audited.

GROUP STRUCTURE

The following diagram shows the Group's structure at 30 September 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 on 27 June 2019.



KEY FIGURES FOR THE GROUP

	30 September 2018	31 December 2018	30 September 2019
CONSOLIDATED SHAREHOLDERS' EQUITY OF THE GROUP (in thousands of euros)	201,831	209,138	217,891
HUMAN RESOURCES OF THE GROUP	354	358	366
CONSOLIDATED PROFIT (LOSS) (in thousands of euros)	3,977	5,343	3,596

STOCK EXCHANGE CAPITALISATION OF BANCA FINNAT EURAMERICA

	Number of shares	Market price 25 October 2019	Capitalisation 25 October 2019 (in thousands of euros)	Consolidated shareholders' equity (in thousands of euros)	Share capital (in thousands of euros)
ORDINARY SHARES	362,880,000	0.2810	101,969	217,891	72,576

Changes in the Group's deposits

(in thousands of euros)

	December 2016	December 2017	December 2018	September 2019
Direct deposits from customers of the parent company	510,686	472,787	677,119	759,184
- Due to customers (current accounts)	418,331	358,892	439,262	542,456
- Time deposits	68,530	91,301	209,607	191,672
- Securities issued	23,825	22,594	28,250	25,056
Indirect deposits of the parent company	4,505,144	5,540,931	6,152,748	6,557,115
- Individual management	459,775	571,803	480,921	500,102
- Delegated management	251,061	285,681	278,565	286,735
- Deposits under administration (UCIs and securities)	3,471,594	3,924,304	4,544,537	4,697,891
- Deposits under administration under advice (UCIs and securities)	255,778	649,060	695,044	811,069
- Third-party insurance products	66,936	110,083	153,681	261,318
Trusteeship (*)	1,374,990	1,458,411	1,629,864	1,634,197
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	742,097
Total deposits	13,392,177	15,692,128	16,444,551	16,864,877
Luxembourg-based Sicav, the "Promoter" of which is Banca Finnat (New Millennium Sicav and New Millennium Sif).	677,938	-	-	-

(*) The figures for December 2018 and September 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 deposits of Finnat Gestioni

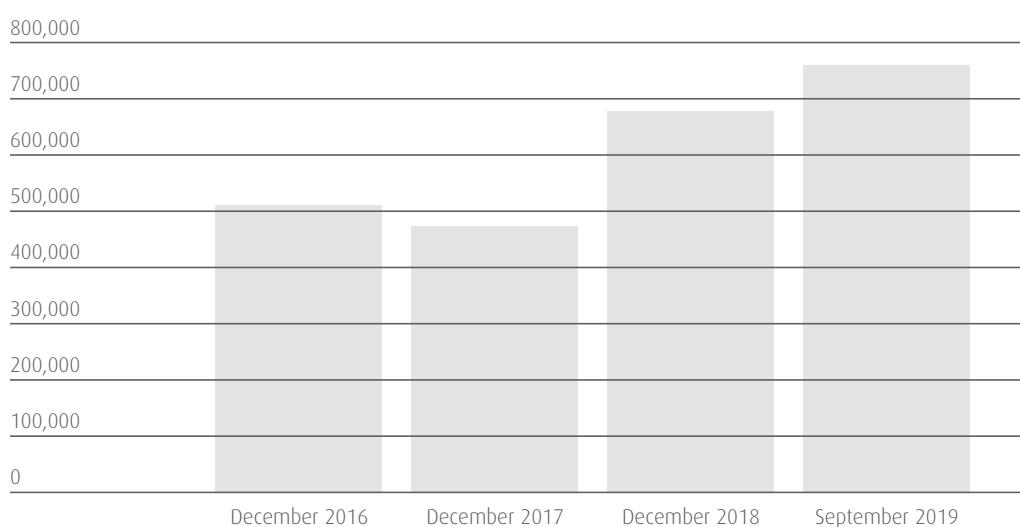


S.A.; c) the assets of the subsidiary InvestiRE SGR S.p.A. are measured at the market value of the total managed assets before subtracting debt (GAV).

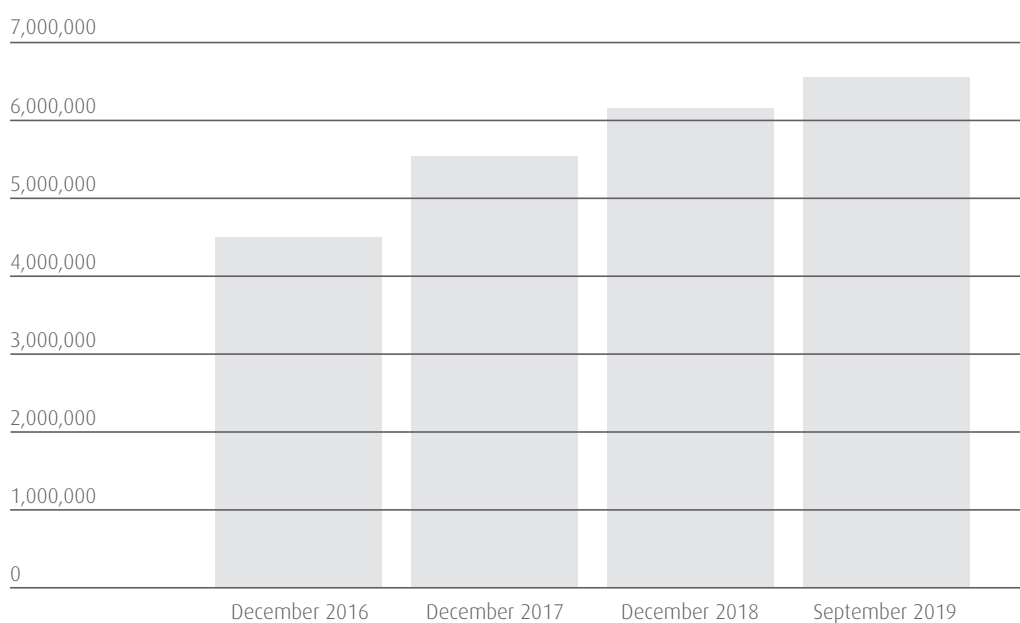
All assets shown in the statement also take into account the amount invested in them and originating from the other types highlighted with the exception of "Luxembourg-based Sicav fund administration" that does not include the delegated management already included in the indirect deposits of the Parent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

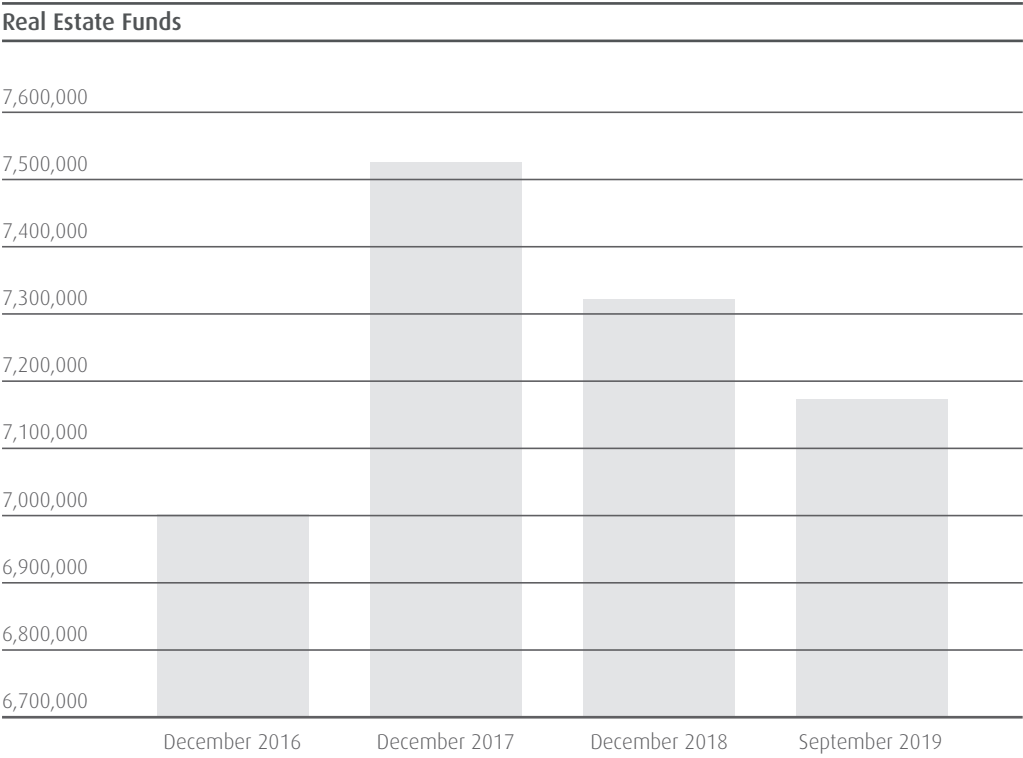
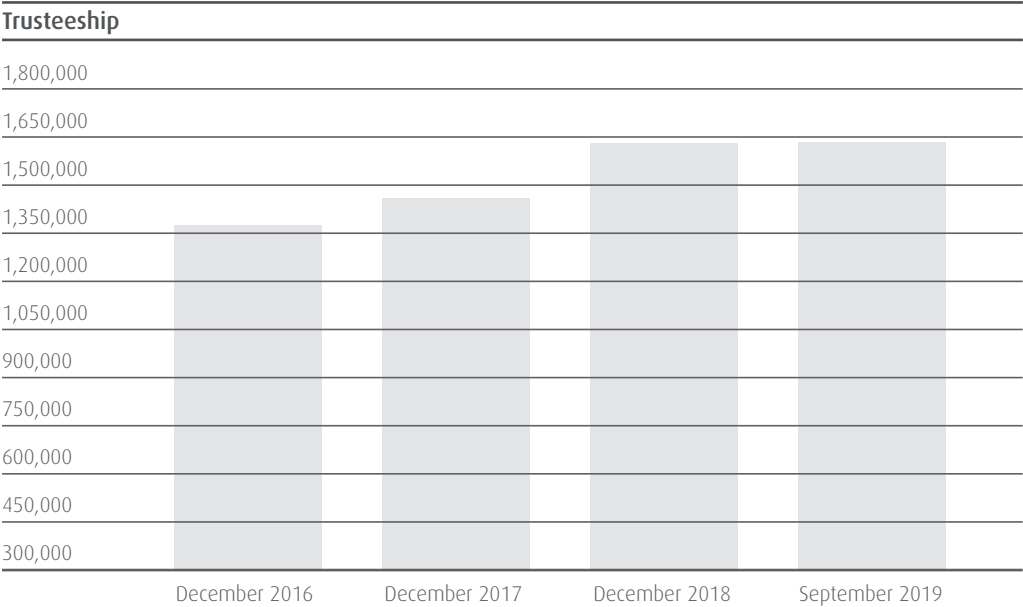


Direct deposits from customers



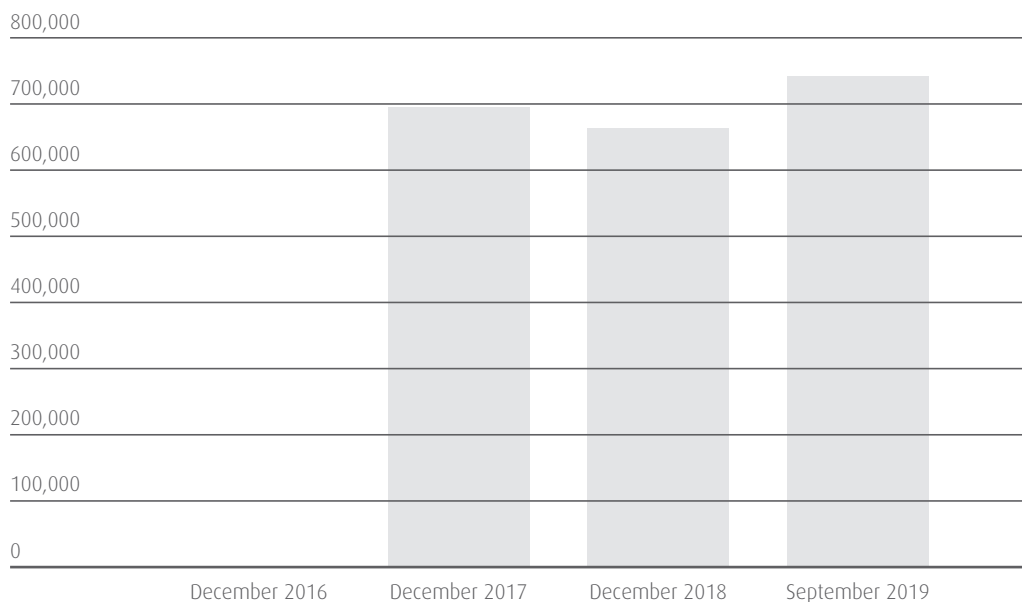
Indirect deposits



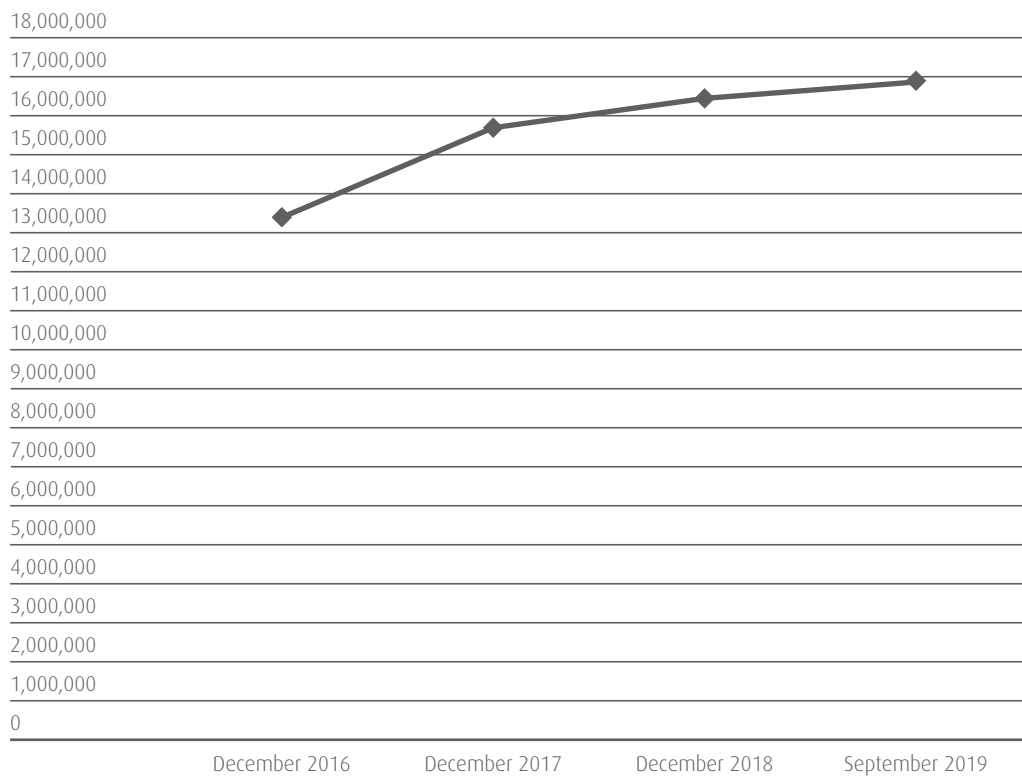




Luxembourg-based Sicav fund administration



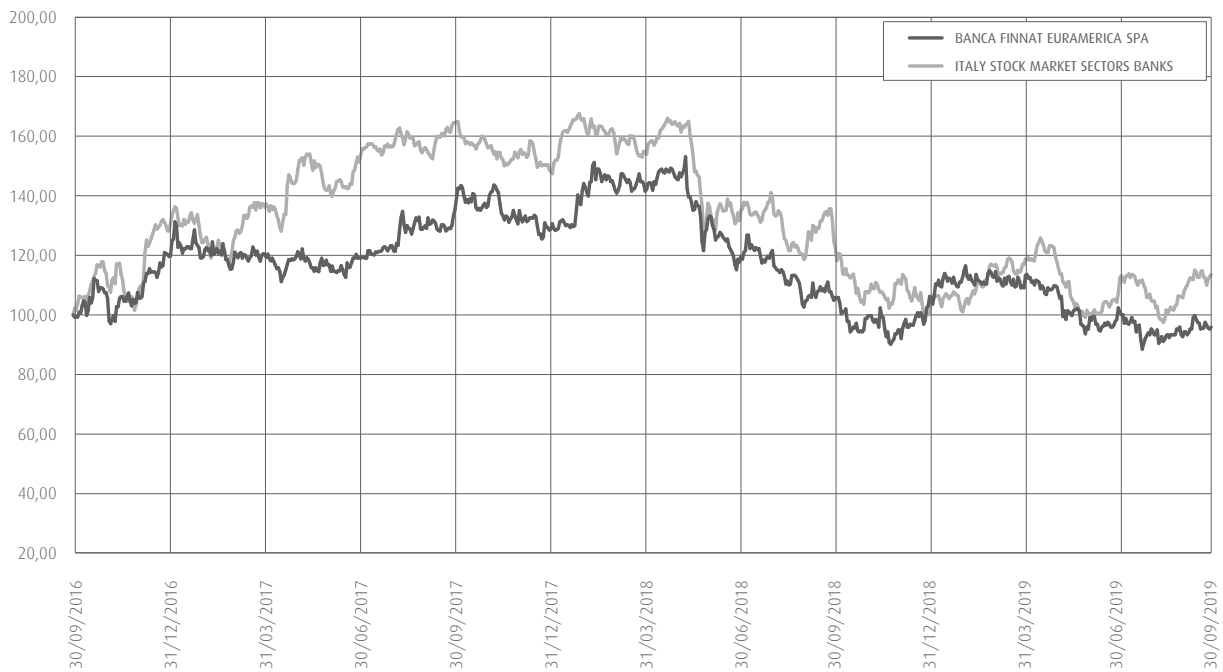
Total Group deposits



Share price performance

SECURITY	Market price in euros at 25 October 2019	Market price in euros at 30 September 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
BFE	0.2810	0.2980	0.3000	0.3390	0.3180	0.3260

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



FINANCIAL STATEMENTS



CONSOLIDATED INCOME STATEMENT

(in thousands of euros)

Items	1st January 30 September 2019	1st January 30 September 2018	1st July 30 September 2019	1st July 30 September 2018
10. Interest income and similar income	13,912	9,671	4,920	3,799
20. Interest expense and similar expense	(1,795)	(1,090)	(625)	(316)
30. Interest margin	12,117	8,581	4,295	3,483
40. Fee and commission income	40,166	38,277	13,438	12,242
50. Fee and commission expense	(1,445)	(1,858)	(454)	(686)
60. Net fees and commissions	38,721	36,419	12,984	11,556
70. Dividends and similar income	3,013	2,350	709	357
80. Profit (losses) on trading	(857)	504	(1,291)	(163)
100. Profits (losses) on disposal or repurchase of:	196	816	6	-
a) financial assets designated at amortised cost	154	96	-	-
b) financial assets designated at fair value through other comprehensive income	42	720	6	-
110. Profits (losses) on other financial assets and liabilities designated at fair value through profit or loss	(1,047)	(777)	203	(84)
b) other financial assets mandatorily at fair value	(1,047)	(777)	203	(84)
120. Net banking income	52,143	47,893	16,906	15,149
130. Net losses/recoveries on credit risk relating to:	(4,528)	(1,893)	(5,229)	(452)
a) financial assets designated at amortised cost	(4,702)	(1,477)	(5,182)	(283)
b) financial assets designated at fair value through other comprehensive income	174	(416)	(47)	(169)
140. Gains/losses from contractual changes without derecognition	7	-	8	-
150. Net income from financial operations	47,622	46,000	11,685	14,697
190. Administrative expenses:	(40,510)	(40,692)	(11,856)	(12,277)
a) personnel expenses	(27,210)	(25,704)	(7,991)	(8,003)
b) other administrative expenses	(13,300)	(14,988)	(3,865)	(4,274)
200. Net provisions for risks and charges	273	(374)	26	(116)
a) commitments and guarantees given	39	(280)	26	(22)
b) other net allocations	234	(94)	-	(94)
210. Net losses/recoveries on property and equipment	(2,560)	(348)	(887)	(119)
220. Net losses/recoveries on intangible assets	(154)	(130)	(54)	(45)
230. Other operating income/expenses	4,296	4,225	1,055	1,002
240. Operating costs	(38,655)	(37,319)	(11,716)	(11,555)
250. Profit (loss) from equity investments	(223)	(72)	(4)	-
290. Profit (loss) from continuing operations before taxes	8,744	8,609	(35)	3,142
300. Taxes on income from continuing operations	(2,895)	(2,810)	54	(947)
310. Profit (loss) from continuing operations after taxes	5,849	5,799	19	2,195
330. Profit (loss) for the period	5,849	5,799	19	2,195
340. Profit (loss) for the period of minority interests	(2,253)	(1,822)	(736)	(605)
350. Net profit (loss) for the period pertaining to the Parent Company	3,596	3,977	(717)	1,590

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(in thousands of euros)

Items	1st January 30 September 2019	1st January 30 September 2018
10. Profit (loss) for the period	5,849	5,799
Other comprehensive income after taxes that may not be reclassified to the income statement		
20. Equity designated at fair value through other comprehensive income	115	(182)
70. Defined benefit plans	(371)	(239)
90. Share of valuation reserves connected with investments carried at equity	78	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	8,771	(10,823)
170. Total other comprehensive income after taxes	8,593	(11,172)
180. Comprehensive income (Item 10+170)	14,442	(5,373)
190. Consolidated comprehensive income pertaining to minority interests	2,106	1,740
200. Consolidated comprehensive income pertaining to the Parent Company	12,336	(7,113)



CONSOLIDATED BALANCE SHEET

(in thousands of euros)

Asset items	30.09.2019	31.12.2018
10. Cash and cash equivalents	565	665
20. Financial assets designated at fair value through profit or loss	80,348	60,170
a) financial assets held for trading	58,595	37,410
c) other financial assets mandatorily at fair value	21,753	22,760
30. Financial assets designated at fair value through other comprehensive income	366,743	298,665
40. Financial assets designated at amortised cost	1,521,318	1,464,034
a) due from banks	73,494	88,863
b) loans to customers	1,447,824	1,375,171
70. Equity investments	8,638	6,400
90. Property and equipment	21,111	4,781
100. Intangible assets	40,857	40,974
of which:		
- goodwill	37,729	37,729
110. Tax assets	14,173	19,266
a) current	1,864	2,231
b) deferred	12,309	17,035
130. Other assets	16,700	24,772
Total assets	2,070,453	1,919,727



CONSOLIDATED BALANCE SHEET

(in thousands of euros)

Liabilities and shareholders' equity	30.09.2019	31.12.2018
10. Financial liabilities designated at amortised cost	1,779,939	1,641,991
a) due to banks	1,537	271
b) due to customers	1,753,346	1,613,470
c) securities issued	25,056	28,250
20. Financial liabilities held for trading	619	323
60. Tax liabilities	1,184	1,117
a) current	483	581
b) deferred	701	536
80. Other liabilities	24,418	20,370
90. Provisions for termination indemnities	5,907	5,317
100. Provisions for risks and charges:	511	783
a) commitments and guarantees given	63	101
c) other provisions for risks and charges	448	682
120. Valuation reserves	5,148	(3,592)
150. Reserves	150,630	148,870
170. Share capital	72,576	72,576
180. Treasury shares (-)	(14,059)	(14,059)
190. Minority interests (+/-)	39,984	40,688
200. Profit (Loss) for the year (+/-)	3,596	5,343
Total liabilities and shareholders' equity	2,070,453	1,919,727



STATEMENT OF CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY AT 30 SEPTEMBER 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	4,684	-
a) profit	124,545	-	124,545	5,439	
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	(4,684)	(3,629)
Total shareholders' equity	249,826	-	249,826	-	(3,629)
of which: Group shareholders' equity	209,138	-	209,138	-	(3,629)
of which: Minority interests	40,688	-	40,688	-	-



	Changes during the period									Shareholders' equity at 30.09.2019		
	Changes in reserves	Shareholders' equity transactions							Comprehensive income of the period 01.01.2019-30.09.2019	Total	Group	Minority interests
		New share issue	Purchase of treasury shares	Extra dividend distribution	Change in capital instruments	Derivatives on treasury shares	Stock Options	Changes in equity investments				
	-	-	-	-	-	-	-	-	-	72,576	72,576	-
	-	-	-	-	-	-	-	-	-	72,576	72,576	-
	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-
	(2,764)	-	-	-	-	-	-	-	-	188,627	150,630	37,997
	(2,827)	-	-	-	-	-	-	-	-	127,157	117,039	10,118
	63	-	-	-	-	-	-	-	-	61,470	33,591	27,879
	-	-	-	-	-	-	-	-	8,593	4,882	5,148	(266)
	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	(14,059)	(14,059)	-
	-	-	-	-	-	-	-	-	5,849	5,849	3,596	2,253
	(2,764)	-	-	-	-	-	-	-	14,442	257,875	-	-
	46	-	-	-	-	-	-	-	12,336	-	217,891	-
	(2,810)	-	-	-	-	-	-	-	2,106	-	-	39,984



LIST OF EQUITY INVESTMENTS INCLUDED IN THE SCOPE OF CONSOLIDATION

Company	Share capital in euros (1)	Registered office	% directly owned 30.09.2019	% indirectly owned 30.09.2019	Book value of the equity investment (in thousands of euros)	Activity
Parent Company:						
Banca Finnat Euramerica S.p.A.	72,576,000.00	Rome				Banking activity and banking group Parent Company
Direct subsidiaries:						
Finnat Fiduciaria S.p.A.	1,500,000.00	Rome	100.00			Trusteeship
Natam Management Company S.A.	750,000.00	Luxembourg	100.00			Asset management company
Finnat Gestioni S.A.	750,000.00	Lugano	70.00			Financial management and consultancy services
InvestiRE SGR S.p.A.	14,770,000.00	Rome	50.16			Promotion and management of closed-ended real estate funds
Companies subject to joint control						
Redo SGR S.p.A. (2)		Milan		33.33	427	Asset management company
Aldia S.p.A.		Bologna	10.00		1,289	Industrial company
Liphe S.p.A.		Bologna	10.00		737	Industrial company
Companies subject to significant influence						
Prévira Invest SIM S.p.A. in liquidation		Rome	20.00		9	Financial institution
Imprebanca S.p.A.		Rome	20.00		6,176	Banking activity
Total					8,638	

All subsidiaries belong to the Banca Finnat Euramerica banking group.

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

(2) Redo SGR S.p.A. is held by the subsidiary InvestiRE SGR S.p.A.



GENERAL COMMENTS

Results of the Banca Finnat Euramerica Group

The first nine months of 2019 recorded a consolidated net profit of 3,596 thousand euros versus 3,977 thousand euros at 30 September 2018.

The result for the period under review decreased by 381 thousand euros (9.6%) compared to the same period of the previous year, despite the impairment losses recorded by the Bank in relation to the exposure to the company Bio-On.

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

- **Net banking income** at 30 September 2019 totals 52,143 thousand euros, compared to 47,893 thousand euros in the corresponding period of the previous year. The total increase by 4,250 thousand euros consists of the following:

increases

- 3,536 thousand euros for Interest margin (12,117 thousand euros at 30 September 2019, compared to 8,581 thousand euros in the same period of 2018);
- 2,302 thousand euros for Net fees and commissions (38,721 thousand euros in the first nine months of 2019 versus 36,419 thousand euros in the same period of 2018);
- 663 thousand euros for Dividends and similar income (3,013 thousand euros at 30 September 2019, compared to 2,350 thousand euros in the same period of 2018);

decreases

- 1,361 thousand euros as Profit (losses) on trading. At 30 September 2019, the item had a negative balance of 857 thousand euros compared to a positive balance of 504 thousand euros in the same period of 2018.
 - 620 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 (196 thousand euros at 30 September 2019 versus 816 thousand euros in the same period of 2018);
 - 270 thousand euros for Profits (losses) from other financial assets mandatorily at fair value (negative balance of 1,047 thousand euros at 30 September 2019 versus a negative balance of 777 thousand euros in the same period of 2018).
- **Net losses/recoveries on credit risk.** At 30 September 2019, this item showed net **impairment losses** for a total of 4,528 thousand euros relating to Financial assets designated at amortised cost for 4,702 thousand euros and recoveries relating to Assets designated at fair value through other comprehensive income of 174 thousand euros. At 30 September 2018, net **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 of 1,477 thousand euros and 416 thousand euros, respectively.





- **Administrative expenses** amounted, in the first nine months of 2019, to 40,510 thousand euros versus 40,692 thousand euros in the same period of 2018.

Application of the new accounting standard IFRS 16 entails the recognition of lease payments, instead of in the items in question, among the costs for amortisation of the right of use amounting to 2,248 thousand euros (157 thousand euros referred to personnel expenses and 2,091 thousand euros referred to administrative expenses) and among interest expenses on payables amounting to 196 thousand euros. The main changes and impacts relating to the adoption of the new accounting standard IFRS 16 are shown in a specific paragraph.

The breakdown of administrative expenses is as follows:

- personnel expenses of 27,210 thousand euros grew by 1,506 thousand euros compared to the corresponding period of the previous year (25,704 thousand euros);
 - other administrative expenses, totalling 13,300 thousand euros, decreased by 1,688 thousand euros compared to the corresponding period of the previous year (14,988 thousand euros). This decrease is mainly due to the different accounting of lease payments. 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 2,560 thousand euros (348 thousand euros of 30 September 2018) and it comprises, as stated, the depreciation of the right to use assets acquired under leases, amounting to 2,248 thousand euros.
 - **Other operating income/expenses** at 30 September 2019 show a positive balance of 4,296 thousand euros versus 4,225 thousand euros in the same period of 2018. The item comprises the recoveries of costs from customers amounting to 3,639 thousand euros (3,794 thousand euros in the first nine months of 2018).
 - **Income taxes** amounted to 2,895 thousand euros at 30 September 2019 versus 2,810 thousand euros at 30 September 2018

* * *

The overall profit of the first nine months of 2019 that also includes the change in the “Valuation reserve” is reported in the Statement of Comprehensive Income.

INFORMATION ON OPERATING PERFORMANCE

Market disclosure information

Regarding market disclosure, the Group declares that:

- with reference to the request made by the Bank of Italy in its communication of 17 June 2008, the Bank at 30 September 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.

The most significant transactions and events in the period

Concerning the most significant transactions and 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.

- As already mentioned in the consolidated half-yearly financial report at 30 June 2019, on 15 March 2019 Banca Finnat signed two shareholder agreements with Bio-on S.p.A. concerning Liphe S.p.A. and Aldia S.p.A. In compliance with the obligations set out in these shareholder agreements, on 27 June 2019 the shareholders' meetings of Liphe S.p.A. and Aldia S.p.A. resolved to appoint (i) two of the four members of the Board of Directors; and (ii) the Chairman of the Board of Statutory Auditors and one alternate auditor, on the appointment of Banca Finnat. In consideration of the above, starting from the consolidated half-yearly financial report at 30 June 2019, Liphe S.p.A. and Aldia S.p.A. were classified by the Bank as joint ventures and therefore both equity investments, equal to 10% of the share capital of each, were recognised in the consolidated financial statements using the equity method, as required by IAS 28.

On 13 September 2019, the shareholders' meetings of Liphe S.p.A. and Aldia S.p.A., again in compliance with the provisions of the shareholder agreements, resolved: (i) to amend the articles of association; and (ii) to increase the share capital of Aldia S.p.A. from 50 thousand euros to 13 million euros and of Liphe S.p.A. from 50 thousand euros to 7.5 million euros, under option to the shareholders. In order to subscribe to the portion of the above share capital increases, on 30 September 2019, Banca Finnat paid 1,295 thousand euros into Aldia S.p.A. and 745 thousand euros into Liphe S.p.A.

- 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 firm for the nine-year period from 2020 to 2028 and the determination of the fee.
- 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 - following the imminent expiry of the nine-year task previously assigned to the auditing firm E&Y S.p.A. - 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.
- On 13 September 2019, the loan granted by Banca Finnat to Bio-on S.p.A. for a total amount of 15 million euros and expiring on 15 September 2019 was extended, with deferred payments, until 15 September 2020. The first tranche of 7 million euros, due on 30 September 2019, was not repaid and, therefore, the total amount of the loan was classified among non-performing forborne exposures as unlikely to pay and prudently written down by 4.8 million euros. The write-down was also made in consideration of the deterioration of the operations, financial position and equity resulting from the half-yearly report published in October 2019 by Bio-on S.p.A. and of the significant reduction in the economic forecasts for the year 2019 contained therein compared to what previously communicated by the Company, as well as the further events relating to Bio-on S.p.A. that occurred after the end of the quarter and described in the specific section below. The loan is guaranteed by a revolving pledge on Bio-on S.p.A. shares without voting rights for Banca Finnat, issued by the parent company Capsa S.r.l.

Significant events occurring after the end of the quarter

After the end of the first nine months 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, it should be noted that:

- with regard to the REDO transaction, as described in the previous paragraph:
 - on 16 October 2019, the Bank of Italy issued an order authorising REDO SGR - a company in which the subsidiary InvestiRe SGR holds an interest - to provide collective asset management services. The company's registration in the register of asset management companies is subject to the approval of certain amendments to the company's articles of association;
 - on 21 October 2019, the extraordinary shareholders' meeting of REDO SGR amended the company's articles of association, as required by the authorisation measure, in order to enter into the register of asset management companies.



- on 6 November 2019, the Bank of Italy announced that REDO SGR S.p.A. had been registered as an asset management company with effect from 25 October 2019.
- On 22 October 2019, the Public Prosecutor's Office of Bologna challenged top executives of Bio-on S.p.A. and others for committing offences of false corporate communications and market rigging. On behalf of the Public Prosecutor's Office, the Italian Tax Police seized assets and financial resources of some of the suspects. At the same time, Borsa Italiana S.p.A. suspended the share of Bio-on S.p.A. from trading on the AIM Italia market.

Also in consideration of the events described above, Banca Finnat, at the date of preparation of this report, realised losses from trading and accrued capital losses totalling 566 thousand euros on Bio-on S.p.A. shares not included in the result for the period at 30 September 2019, as required by international accounting standards (IAS 10).

It should be noted that, depending on the development of the corporate situation of Bio-on S.p.A., the value of the equity investments in Aldia S.p.A. and Liphe S.p.A. - equal to 1,289 thousand euros and 737 thousand euros, respectively, at 30 September 2019 - and the loan granted to Bio-on S.p.A., whose value, net of the write-down, at 30 September 2019 is equal to 10.3 million euros, will be subject to further evaluation during the preparation of the financial statements.

Operating outlook

Based on the current forecasts formulated by the offices of the Bank and by the subsidiaries, taking into account the impairment losses carried out until the date of preparation of this report, a lower result is expected to be achieved for 2019 compared with the previous year.

PREPARATION CRITERIA

General principles

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

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

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

The quarterly financial statements taken as the basis of the consolidation process are those prepared by the subsidiaries approved by the respective Governing Bodies with reference to 30 September 2019. For the



associated companies, instead, reference was made to the last financial statements available at the time of the preparation of the present report. The financial statements acquired are adjusted, when necessary, to make them compliant with the Group's accounting standards.

In particular:

- the consolidated income statement data was provided both for the quarter of reference and for the period between the beginning of the financial year and the closing date of 30 September 2019 and was compared with the same periods of the previous financial year; whereas the Consolidated statement of comprehensive income data was provided with regard to the first nine months of the current financial year and it was compared with the data of the same period of the previous year;
- the balance sheet data at 30 September 2019 was compared with that at 31 December 2018;
- the shareholders' equity data shows the balances at 31 December 2018 and that at 30 September 2019 and the changes that took place in the period;
- the profit for the period is after the taxes determined on the basis of the current rates and of the elements available at the date of preparation. The Bank and its Italian-based subsidiaries have decided to join the "domestic consolidated tax system" pursuant to Articles 117/129 of the TUIR. The option was renewed in June 2019 for the 2019/2020/2021 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 is determined.

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

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

Compared to the financial statements for the year ended 31 December 2018, as already explained in detail in the paragraph "The most significant transactions of the period", the scope of consolidation changed as a result of the inclusion as joint ventures of Liphe S.p.A. and Aldia S.p.A. in which Banca Finnat holds a 10% stake in each of them. Therefore, as required by IAS 28, these equity investments are consolidated using the equity method.

In pursuance of the provisions of the regulations in force, the present Interim report on operations has not been audited.

Adoption of the new IFRS 16

Regulatory provisions

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





interpretations (IFRIC 4, SIC 15 and SIC 27).

IFRS 16 defines a lease as a contract the performance of which depends on the use of an identified asset and that 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, present only in the half-yearly report and in the financial statements, 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 depreciation 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 time 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 that 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-time 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-time 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	-
Other Companies	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 nine months of 2019 - with respect to the expenses that would have been incurred if the previous regulatory provisions had remained in force - equal to 151 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 TRANSFERS BETWEEN PORTFOLIOS AND ON FAIR VALUE HIERARCHY

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 between portfolios of financial assets were made in the period in question due to a change in the business model. However, note that as explained in detail in the paragraph "The most significant transactions of the period", 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.

Fair value hierarchy

The balances at 30 September 2019 and at 31 December 2018 of the financial instrument portfolios measured at fair value and broken down based on a hierarchy that reflects the importance of the inputs



used in the valuations are shown below.

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

- Level 1: inputs represented by quoted prices (unadjusted) in active markets for assets and liabilities subject to measurement;
- Level 2: inputs other than quoted market prices set forth above, which are observable for the asset or liability, either directly (prices) or indirectly (derived from prices);
- Level 3: inputs that are unobservable inputs for the asset or liability subject to measurement.

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

Financial assets/liabilities measured at fair value	30.09.2019			31.12.2018		
	L1	L2	L3	L1	L2	L3
1. Financial assets designated at fair value through profit or loss	54,100	25,048	1,200	30,992	27,680	1,498
a) financial assets held for trading	53,144	5,451	-	30,070	7,330	10
b) financial assets designated at fair value	-	-	-	-	-	-
c) other financial assets mandatorily at fair value	956	19,597	1,200	922	20,350	1,488
2. Financial assets designated at fair value through other comprehensive income	357,002	-	9,741	290,343	-	8,322
3. Hedging derivatives	-	-	-	-	-	-
4. Property and equipment	-	-	-	-	-	-
5. Intangible assets	-	-	-	-	-	-
Total	411,102	25,048	10,941	321,335	27,680	9,820
1. Financial liabilities held for trading	2	617	-	243	80	-
2. Financial liabilities designated at fair value	-	-	-	-	-	-
3. Hedging derivatives	-	-	-	-	-	-
Total	2	617	-	243	80	-

Key:

L1 = Level 1

L2 = Level 2

L3 = Level 3



INFORMATION ON THE INCOME STATEMENT, COMPREHENSIVE INCOME AND BALANCE SHEET

INCOME STATEMENT

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

INTEREST

	Period 01.01.2019 - 30.09.2019	Period 01.01.2018 - 30.09.2018
Interest income and similar income	13,912	9,671
Interest expense and similar expense	(1,795)	(1,090)
Interest margin	12,117	8,581

Interest margin, almost exclusively pertaining to the Bank, increased by 3,536 thousand euros.

The interest margin referring to the third quarter of 2019 amounted to 4,295 thousand euros versus 3,483 thousand euros in the same period of 2018.

FEE AND COMMISSION

	Period 01.01.2019 - 30.09.2019	Period 01.01.2018 - 30.09.2018
Fee and commission income	40,166	38,277
Fee and commission expense	(1,445)	(1,858)
Net fees and commissions	38,721	36,419

The net fees and commissions of the first nine months of 2019 increased by 2,302 thousand euros compared to the same period of the previous year. The increase pertains to the subsidiary InvestiRE SGR S.p.A. (1,636 thousand euros) and to the Bank (729 thousand euros) while the other subsidiaries decreased by 63 thousand euros.

In the third quarter of 2019, net fees and commissions amounted to 12,984 thousand euros versus 11,556 thousand euros in the same period of 2018.

PROFIT (LOSSES) ON TRADING

Profit (losses) on trading, referring exclusively to the Bank, featured a negative balance of 857 thousand euros in the first nine months of 2019, compared to the positive balance of 504 thousand euros in the corresponding period of the previous year, and may be broken down as follows:

- A negative balance between realised profits and losses related to trading on securities and derivatives of 68 thousand euros;
- A negative difference of 999 thousand euros between unrealised capital gains and losses, in connection with the fair value measurement of the trading portfolio;
- Foreign exchange gains of 210 thousand euros.



Profit (losses) on trading in the third quarter of 2019 featured a negative balance of 1,291 thousand euros, compared to an equally negative balance of 163 thousand euros of the previous financial year.

PROFITS (LOSSES) ON DISPOSAL OR REPURCHASE OF:

a) financial assets designated at amortised cost

The item, referring exclusively to the Bank, featured a positive balance of 154 thousand euros in the first nine months of 2019, compared to the equally positive balance of 96 thousand euros in the corresponding period of the previous year.

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

In the first nine months of 2019, the item had a positive balance of 42 thousand euros versus a positive balance of 720 thousand euros in the first nine months of 2018.

In the third quarter of 2019, only the item financial assets designated at fair value through other comprehensive income changed, showing a positive balance of 6 thousand euros, while both items showed no changes in the same period of the previous year.

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

b) other financial assets mandatorily at fair value

In the first nine months of 2019, the item had a negative balance of 1,047 thousand euros deriving from the algebraic sum between the net capital losses recorded by the Bank of 1,291 thousand euros and the capital gain recorded by InvestiRE SGR S.p.A. of 244 thousand euros. In the first nine months of 2018, the item still had a negative balance of 777 thousand euros.

The result for the third quarter of 2019 had a positive balance of 203 thousand euros compared to the negative balance of 84 thousand euros in the same period of the previous year.

NET LOSSES/RECOVERIES ON CREDIT RISK RELATING TO:

a) financial assets designated at amortised cost

The item in the first nine months of 2019 showed net impairment losses of 4,702 thousand euros deriving from the algebraic sum of the impairment losses made by the Bank of 4,608 thousand euros (of which 4,848 thousand euros relating to the exposure to Bio-on), by the subsidiary InvestiRE SGR S.p.A. of 117 thousand euros and value recoveries of 23 thousand euros made by the subsidiary Finnat Fiduciaria S.p.A.

In the first nine months of 2018, impairment losses totalling 1,477 thousand euros had been carried out.

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

The item in the first nine months of 2019 showed net value recoveries of 174 thousand euros made exclusively by the Bank. In the first nine months of 2018, impairment losses of 416 thousand euros had been carried out.

In the third quarter of 2019, losses on credit risk totalled 5,229 thousand euros compared to 452 thousand euros in the same period of the previous year.



ADMINISTRATIVE EXPENSES

	Period 01.01.2019 - 30.09.2019	Period 01.01.2018 - 30.09.2018
Personnel expenses	27,210	25,704
Other administrative expenses	13,300	14,988
Total	40,510	40,692

The administrative expenses decreased by 182 thousand euros in total compared to the first nine months of 2018.

Application of the new accounting standard IFRS 16 entails the recognition of the lease payments, instead of in the items in question, among the costs for depreciation of the right of use amounting to 2,248 thousand euros (157 thousand euros relating to personnel expenses and 2,091 thousand euros referred to administrative expenses) and among interest expenses on payables amounting to 196 thousand euros.

Personnel expenses grew by 1,506 thousand euros compared to the same period last year in part by effect of the expansion of the work force. The increase pertains to the Bank, i.e. 1,172 thousand euros, the subsidiary InvestIRE SGR S.p.A., i.e. 290 thousand euros and the other Group companies totalling 44 thousand euros.

In the third quarter of 2019, personnel expenses amounted to 7,991 thousand euros versus 8,003 thousand euros in the same period of 2018.

The other administrative expenses decreased by 1,688 thousand euros compared to the first nine months of 2018. This decrease is also due to the different accounting of the lease payments.

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

In the third quarter of 2019, other administrative expenses amounted to 3,865 thousand euros versus 4,274 thousand euros in the same period of 2018.

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 nine months of 2019 - with respect to the expenses that would have been incurred if the previous regulatory provisions had remained in force - equal to 151 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.

NET LOSSES/RECOVERIES ON PROPERTY AND EQUIPMENT

The item includes impairment losses of 2,560 thousand euros (348 thousand euros in the first nine months of 2018) and it comprises the depreciation of the right to use assets acquired under leases, amounting to 2,248 thousand euros.

In the third quarter of 2019, the item showed net losses of 887 thousand euros compared to 119 thousand euros in the same period of the previous year.



OTHER OPERATING INCOME/EXPENSES

Other operating income and expenses showed a positive balance of 4,296 thousand euros versus 4,225 thousand euros in the first nine months of 2018. The item comprises the recoveries of costs from customers amounting to 3,639 thousand euros (3,794 thousand euros in the first nine months of 2018). Net of the recoveries, the item decreased by 657 thousand euros.

In the third quarter of 2019, the item had a positive balance of 1,055 thousand euros, versus a positive balance of 1,002 thousand euros in the same period of the previous year.

INCOME TAXES

In the first nine months of the current year, the item had a balance of 2,895 thousand euros versus 2,810 thousand euros in the same period of the previous year.

In the third quarter of 2019, the item had a positive balance of 54 thousand euros, versus a negative balance of 947 thousand euros in the same period of the previous year.

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

COMPREHENSIVE INCOME

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

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

The change in valuation reserves - shown in the Statement of Comprehensive Income under item "20. Equity designated at fair value through other comprehensive income is positive by 115 thousand euros and it pertains exclusively to the Parent Company.

The change in valuation reserves - shown in the item "90. Share of valuation reserves connected with investments carried at equity" is positive by 78 thousand euros and it pertains exclusively to the Parent Company.

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

The change in valuation reserves - shown in the Statement of Comprehensive Income under item "140. Financial assets (other than equity) designated at fair value through other comprehensive income" is positive by 8,771 thousand euros and it pertains to debt securities. The change is entirely referred to the Group and it is positive both for the Bank, by 8,758 thousand euros, and for Finnat Fiduciaria S.p.A., by 13 thousand euros.



At 30 September 2019, the valuation reserves of the Group (after taxes) are broken down as follows:

Financial assets designated at fair value through other comprehensive income

(in thousands of euros)

Parent Company		
SIA S.p.A. shares	3,238	euros
CSE S.r.l. shares	3	euros
Net Insurance S.p.A. shares	98	euros
Debt securities	1,019	euros
	4,358	euros
Other Group Companies		
Finnat Fiduciaria (Debt securities)	17	euros
	17	euros
Total A)	4,375	euros
Defined benefit plans B)	605	euros
Share of valuation reserves connected with investments carried at equity C)	14	euros
Valuation reserves D)	1,364	euros
Total (A+B+C+D)	5,148	euros

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



BALANCE SHEET

The most significant balance sheet components at 30 September 2019 are presented below, expressed in thousands of euros:

FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS

a) financial assets held for trading

The financial assets held for trading, referred exclusively to the Bank, amounted to 58,595 thousand euros.

The item comprises debt securities of 50,602 thousand euros, UCI units of 5,261 thousand euros, equity securities and warrants of 2,315 thousand euros. The item further comprises the positive valuation on forward contracts relating to sales and purchases of currencies of 417 thousand euros.

c) other financial assets mandatorily at fair value

The item had a balance of 21,753 thousand euros and is made up of UCI units owned by the Bank of 20,797 thousand euros and by InvestiRE SGR S.p.A. of 956 thousand euros.

FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

The item amounts to 366,743 thousand euros and refers to financial instruments present in the portfolios of the following companies:

The portfolio of the Parent Company for a total amount of 365,211 thousand euros, comprises:

- debt securities totalling 355,074 thousand euros;
- equity securities totalling 10,137 thousand euros constituting strategic investments, broken down as follows:
 - Level 1: Net Insurance S.p.A. (397 thousand euros including the positive valuation reserve equal to 105 thousand euros);
 - Level 3: Fideuram Investimenti SGR S.p.A. (810 thousand euros), SIA S.p.A. (4,600 thousand euros including the positive valuation reserve equal to 3,480 thousand euros), Calipso S.p.A. (44 thousand euros), CSE Consorzio Servizi Bancari S.r.l. (2,507 thousand euros including the positive valuation reserve equal to 3 thousand euros), SIT S.p.A. (15 thousand euros) and Real Estate Roma Olgiate S.r.l. (1,764 thousand euros).

The portfolio of the other Group companies comprise debt securities owned by Finnat Fiduciaria S.p.A. of 1,531 thousand euros and an equity interest of one thousand euros owned by InvestiRE SGR S.p.A.

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

The impairment losses carried out through 30 September 2019 on the debt securities present in this item relate to the Bank for 604 thousand euros and to Finnat Fiduciaria S.p.A. for 44 thousand euros.

The total amount of 648 thousand euros was recorded under item 120. Valuation reserves instead of as an adjustment to this item.



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

Due from banks amounted to 73,494 thousand euros (of which 59,586 thousand euros pertaining to the Bank) net of global impairment losses of 27 thousand euros (of which 23 thousand euros pertaining to the Bank). This item does not include debt securities.

b) loans to customers

Loans to customers total 1,447,824 thousand euros and they relate to loans of 455,675 thousand euros and to debt securities, exclusively owned by the Bank, of 992,149 thousand euros. The amounts are shown net of global impairment losses through 30 September 2019 equal to 20,036 thousand euros of which 19,440 thousand euros on loans and 596 thousand euros on securities.

At the end of the reporting period of this Report, the items relating to current accounts, mortgages and other loans include **non-performing assets (Bucket 3)** relating to the Parent Company totalling 35,789 thousand euros (21,800 thousand euros after the write-downs), comprising:

- **bad loans** totalling 10,089 thousand euros (2,803 thousand euros after the write-downs) relating to the following positions:
 - 4,572 thousand euros (966 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 a special expert appraisal report 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;
 - 5,517 thousand euros referring to trade receivables of 1,705 thousand euros and to cash loans of 3,812 thousand euros.

The line-by-line write-downs made totalled 7,286 thousand euros (including 1,650 thousand euros referring to trade receivables).

- **unlikely to pay** totalling 23,095 thousand euros (16,606 thousand euros after the write-downs) comprising:
 - overdraft facilities amounting to 15,195 thousand euros (10,340 thousand euros after the write-down);
 - mortgage positions of 7,772 thousand euros (237 thousand euros of overdue instalments and 7,534 thousand euros of principal about to fall due);
 - trade receivables of 128 thousand euros.

The line-by-line write-downs totalled 6,489 thousand euros (including 91 thousand euros referring to trade receivables);

- **other positions expired or past due** for over 90 days totalling 2,605 thousand euros (2,391 thousand euros after the write-downs).

At 30 September 2019, the Bank has 22 “forborne” exposures of which:

- 5 non-performing positions totalling 20,879 thousand euros of which 1 position included among bad loans for 141 thousand euros and 4 positions included among unlikely to pay for 20,738 thousand euros.



- 17 performing positions totalling 6,477 thousand euros.

At 30 September 2019, the Bank calculated the write-down of the portfolio for performing loans to customers in **Bucket 1** and **Bucket 2** relating to cash loans. This write-down amounted to 2,146 thousand euros, lower than the allocations made for this purpose through 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 nine months of 2019, the Bank recorded in the Income Statement 726 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 reduction 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 period in question, 5,353 thousand euros for net losses on loans to customers broken down as follows: 1,353 thousand euros for portfolio value recoveries, 248 thousand euros for specific value recoveries, 6,869 thousand euros for specific impairment losses, 97 thousand euros for cancellation losses and 12 thousand euros for recoveries of receivables cancelled in previous financial years.

At 30 September 2019, the allowance for doubtful loans to customers, excluding securities, totalled 16,134 thousand euros of which 13,988 thousand euros on an itemised basis and 2,146 thousand euros for portfolio impairment losses.

With regard to other Group companies, the analytical allowance for doubtful loans (**Bucket 3**) at 30 September 2019 amounted to 755 thousand euros against gross non-performing loans of 1,062 thousand euros for Finnat Fiduciaria S.p.A. and to 2,356 thousand euros against gross non-performing loans of 3,441 thousand euros for InvestiRE SGR S.p.A.

Portfolio impairment losses relating only to loans to customers (**Bucket 1** and **Bucket 2**) at 30 September 2019 amounted to 194 thousand euros for InvestiRE SGR S.p.A. and to a total of 1 thousand euros for the other companies of the Group.

EQUITY INVESTMENTS

Equity investments amount to 8,638 thousand euros and they are distinctly indicated in the table on page 18.

PROPERTY AND EQUIPMENT AND INTANGIBLE ASSETS

Property and equipment amount to 21,111 thousand euros, of which 13,702 thousand euros to the Parent Company.

Property and equipment referred to Rights of use acquired through leases - introduced, starting from the current year, by the international accounting standard IFRS 16 - amounted to 16,519 thousand euros at 30 September 2019.



Intangible assets amounted to 40,857 thousand euros. The item comprises the goodwill recorded in 2003 by the Bank, i.e. 300 thousand euros, and the goodwill recorded in 2015 by the subsidiary InvestiRE SGR S.p.A., i.e. 37,429 thousand euros.

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

TAX ASSETS

Tax assets of 14,173 thousand euros consist of receivables for current assets of 1,864 thousand euros and deferred tax assets of 12,309 thousand euros. Deferred tax assets refer mainly to the tax amortisation of goodwill to be applied in upcoming years, i.e. 10,073 thousand euros, of which 9,546 thousand euros referred to the subsidiary InvestiRE SGR S.p.A. and 527 thousand euros referred to the Bank.

OTHER ASSETS

The item has a balance of 16,700 thousand euros and comprises mainly receivables from Cassa Compensazione e Garanzia of 4,289 thousand euros, receivables from Tax Authorities as withholding agent, amounting to 6,635 thousand euros, and receivables from Counterparties and Brokers of 275 thousand euros.

FINANCIAL ASSETS DESIGNATED AT AMORTISED COST

a) due to banks

The item, pertaining exclusively to the Bank, amounts to 1,537 thousand euros.

b) due to customers

The item amounts to 1,753,346 thousand euros and comprises 984,455 thousand of repurchase agreements carried out with Cassa di Compensazione e Garanzia. The item also comprises, starting from the current year, lease payables of 16,775 thousand euros.

c) Securities issued

The item, pertaining exclusively to the Bank, amounts to 25,056 thousand euros and refers to the bond, issued by the Bank, including the accrued coupon. The amount is shown net of the value of securities held for trading present in the portfolio of the Bank, with a nominal amount of 4,952 thousand euros.

FINANCIAL LIABILITIES HELD FOR TRADING

The item, pertaining exclusively to the Bank, amounts to 619 thousand euros and includes the negative measurement on forward contracts for sales and purchases of currencies of 617 thousand euros.

TAX LIABILITIES

Tax liabilities of 1,184 thousand euros consist of payables for current taxes of 483 thousand euros and deferred tax liabilities of 701 thousand euros.

OTHER LIABILITIES

Other liabilities, amounting to 24,418 thousand euros comprise payables for pension and insurance contributions of 1,197 thousand euros, payables to Brokers and Counterparties of 928 thousand euros, tax payables as withholding tax of 1,719 thousand euros, payables to suppliers of 1,370 thousand euros and payables to personnel of 4,588 thousand euros.



PROVISIONS FOR RISKS AND CHARGES**a) commitments and guarantees given**

The item, pertaining exclusively to the Bank and amounting to 63 thousand euros, refers to the impairment losses recorded through 30 September 2019. In the first nine months of 2019, value recoveries amounting to 39 thousand euros were carried out.

b) other provisions for risks and charges

The item, of 448 thousand euros, 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. In the period under review, 134 thousand euros of the provision was used for the closure of the RoF of the Tax Police and 100 thousand euros for the definition of the responsibilities to be attributed to an employee in the commercial area.

SHAREHOLDERS' EQUITY

The consolidated shareholders' equity of the Group amounts to 217,891 thousand euros. At 31 December 2018, the Group's shareholders' equity amounted to 209,138 thousand euros. The change in the total Shareholders' equity, of the Group and of Minority Interests that took place in the period in question is shown in the dedicated table.

Own funds at 30 September 2019 amounted to 174,841 thousand euros (166,300 thousand euros at 31 December 2018), whereas the Total capital ratio, CET1 capital ratio and Tier1 ratio stood at 30.42% (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 172,789 thousand euros, while the Total capital ratio, the CET1 capital ratio and Tier1 ratio would have been equal to 30.17%.

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

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

Rome, 14 November 2019





DICHIARAZIONE DEL DIRIGENTE PREPOSTO ALLA REDAZIONE DEI DOCUMENTI CONTABILI SOCIETARI

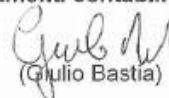
Il sottoscritto dott. Giulio Bastia, Dirigente preposto alla redazione dei documenti contabili societari di Banca Finnat Euramerica S.p.A., ai sensi dell'art. 154-bis, comma secondo, del decreto legislativo 24 febbraio 1998 n. 58,

attesta

che il Resoconto intermedio di gestione consolidato al 30 settembre 2019 corrisponde alle risultanze documentali, ai libri ed alle scritture contabili.

Roma, 14 novembre 2019

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


(Giulio Bastia)

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Unique Code (SDI)	I0PVBGU		

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

