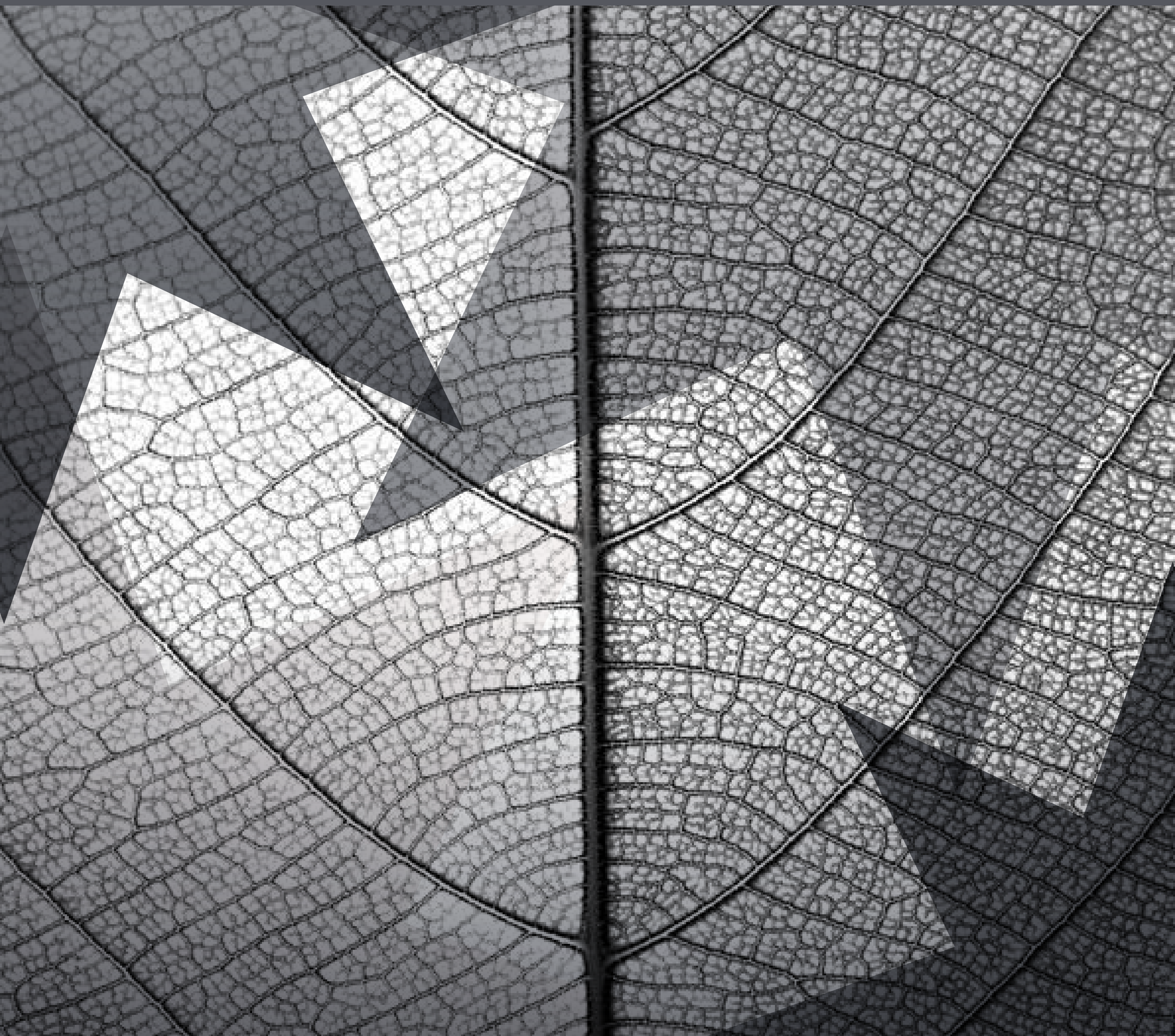
BANCA FINNAT

GRUPPO BANCA FINNAT

FINANCIAL STATEMENTS AT 31 DECEMBER 2019 - 90TH FINANCIAL YEAR

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 OF BANCA FINNAT GROUP



CONTENTS

Directors' Report on group operations

Dear Shareholders,

The consolidated financial statements for the year ended at 31 December 2019 present a net profit of 434 thousand euros, 4,909 thousand euros less than the previous year, which stood at 5,343 thousand euros. The result for the year under review was adversely impacted by losses on receivables and impairment on equity investments, pertaining to the Bank.

The main items that form the financial year results are shown below and compared with the corresponding figures of the previous year:

- **Net banking income** totals 70,324 thousand euros, compared to 68,080 thousand euros in the previous financial year. The total increase by 2,244 thousand euros consists of the following:

  increases
  - 3,755 thousand euros for Interest margin (16,286 thousand euros at 31 December 2019 compared to 12,531 thousand euros in the previous year);
  - 541 thousand euros for Net fees and commissions (52,982 thousand euros at 31 December 2019, compared to 52,441 thousand euros in the previous year);
  - 663 thousand euros for Dividend and similar income (3,013 thousand euros at 31 December 2019, compared to 2,350 thousand euros in 2018);

  decreases
  - 1,567 thousand euros as Net income on trading. At 31 December 2019, the item had a negative balance of 1,737 thousand euros, versus a positive balance of 170 thousand euros in 2018;
  - 611 thousand euros for Profit on disposal of financial assets designated at amortised cost and financial assets designated at fair value through other comprehensive income (positive balance of 706 thousand euros at 31 December 2019, versus a positive balance of 1,317 thousand euros in 2018);
  - 537 thousand euros for Net income on other financial assets mandatorily at fair value (a negative balance of 926 thousand euros at 31 December 2019 compared to a negative balance of 389 thousand euros in 2018).
- **Net losses on credit risk** amounted to 12,016 thousand euros at 31 December 2019, compared to 4,003 thousand euros in 2018. The losses for the period under review concerned Financial assets designated at amortised cost for 12,167 thousand euros (including the adjustment made by the Bank

for the receivable due from the company Bio-On described in detail in the comments to balance sheet item "4.2 Financial assets designated at amortised cost: breakdown by product of loans to customers"), while Assets designated at fair value through other comprehensive income present value recoveries of 151 thousand euros. At 31 December 2018, losses on "Financial assets designated at amortised cost" amounted to 3,228 thousand euros and losses on "Financial assets designated at fair value through other comprehensive income" amounted to 775 thousand euros.

- **Administrative expenses** amounted to 54,000 thousand euros in 2019, versus 56,181 thousand euros in 2018, down by 2,181 thousand euros overall. In particular, 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 amortisation of the right of use amounting to 2,997 thousand euros (218 thousand euros referred to personnel expenses and 2,779 thousand euros referred to other administrative expenses) and among interest expenses on payables amounting to 263 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 36,227 thousand euros grew by 38 thousand euros compared to last year (36,189 thousand euros);
  - other administrative expenses, totalling 17,773 thousand euros, decreased by 2,219 thousand euros compared to the previous year (19,992 thousand euros). This decrease is attributable, for 2,779 thousand euros, to the different accounting of lease payments. The other administrative expenses also include recoveries from customers of some costs allocated under "Other operating income/expenses".

- **Other operating income/expenses** at 31 December 2019 showed a positive balance of 5,430 thousand euros versus 5,534 thousand euros in 2018. The item comprises the recoveries of costs amounting to 4,983 thousand euros (5,039 thousand euros in the past year).

- **Profit (loss) from equity investments.** The item presents a negative balance of 175 thousand euros and concerns the Bank for 1,636 thousand euros as a result of the impairment relating to equity investments in associates and joint ventures with the company Bio-On (Adjustments described in detail in the comments to the balance sheet item "7.5 Equity investments: annual changes"), and the subsidiary InvestiRE SGR for the difference. In the previous year, the item presented a negative balance of 296 thousand euros relating to the Bank.

- **Income tax** amounted to 3,094 thousand euros versus 4,027 thousand euros at 31 December 2018.

* * *

The change in "Valuation reserves" together with the result for the year are shown in the Statement of Comprehensive Income.

THE STRUCTURE OF BANCA FINNAT EURAMERICA AND OF GROUP COMPANIES

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

BODIES WITH MANAGEMENT FUNCTION AND GENERAL MANAGEMENT AREAS
9

ADVISORY AND CORPORATE FINANCE AREA
10

FINANCIAL SERVICES AREA
31

CONTROL FUNCTION AREA
15

LOANS AREA
8

REAL ESTATE FUNDS AREA
134

STAFF AND MANAGEMENT SUPPORT AREA
4

COMMERCIAL AREA
74

TRUSTEESHIP AREA
9

ADMINISTRATIVE, OPERATIONS, LEGAL, HR, GENERAL SERVICES AREAS
56

LUXEMBOURG COMPANY MANAGEMENT AREA
3

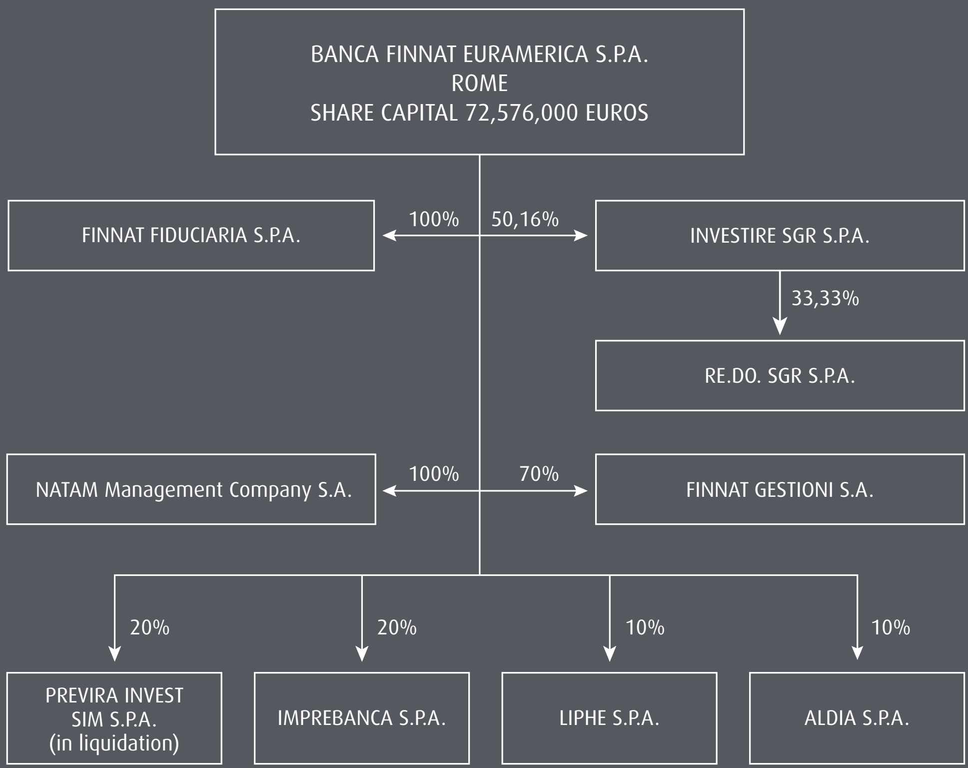
The total number of personnel in the Group increased from 358 at 31 December 2018 to 353 at 31 December 2019 as shown in detail below:

	31.12.2019	31.12.2018
personnel employed	**341**	**347**
executives	52	53
managers	145	146
clerical workers	144	148
contractors	**7**	**7**
promoters	**5**	**4**
Total	**353**	**358**

The variation of 5 units includes the decrease in the headcount by 8 units in InvestiRE SGR S.p.A. (which takes account of the 18 staff members transferred following the sale of the business unit to REDO SGR S.p.A.) and the increase of 9 units in the Bank's workforce.

The Group's Companies

At 31 December 2019, the Group's structure was as follows:



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.

Changes in the Group's deposits

(in thousands of euros)

	December 2016	December 2017	December 2018	December 2019
Direct deposits from customers of the parent company	**510,686**	**472,787**	**677,119**	**802,644**
- Due to customers (current accounts)	418,331	358,892	439,262	565,790
- Time deposits	68,530	91,301	209,607	211,941
- Securities issued	23,825	22,594	28,250	24,913
Indirect deposits of the parent company	**4,505,144**	**5,540,931**	**6,152,748**	**6,441,594**
- Individual management	459,775	571,803	480,921	484,820
- Delegated management	251,061	285,681	278,565	279,479
- Deposits under administration (UCIs and securities)	3,471,594	3,924,304	4,544,537	4,539,880
- Deposits under administration under advice (UCIs and securities)	255,778	649,060	695,044	859,826
- Third-party insurance products	66,936	110,083	153,681	277,589
Trusteeship (*)	**1,374,990**	**1,458,411**	**1,629,864**	**1,881,194**
Real Estate Fund Management (**)	**7,001,357**	**7,525,912**	**7,321,884**	**7,078,247**
Luxembourg-based Sicav fund administration (***)	-	**694,087**	**662,936**	**770,279**
Total deposits	**13,392,177**	**15,692,128**	**16,444,551**	**16,973,958**
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 December 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.

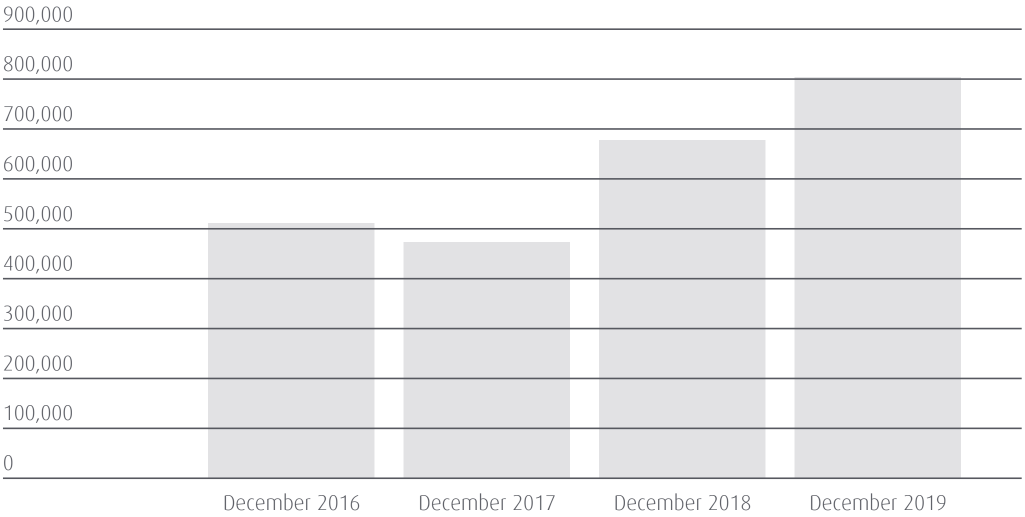
(**) The figures for December 2016, 2017 and 2018 include the assets of FIL 1 and FIL 2 funds transferred in the year to REDO SGR S.p.A. following the contribution of the Business unit by InvestiRE SGR S.p.A. The assets relating to the Management of Real Estate Funds of December 2018, net of these funds, amounted to 6,895 thousand euros; subsequently, Group assets amounted to 16,017 thousand euros.

(***) 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.

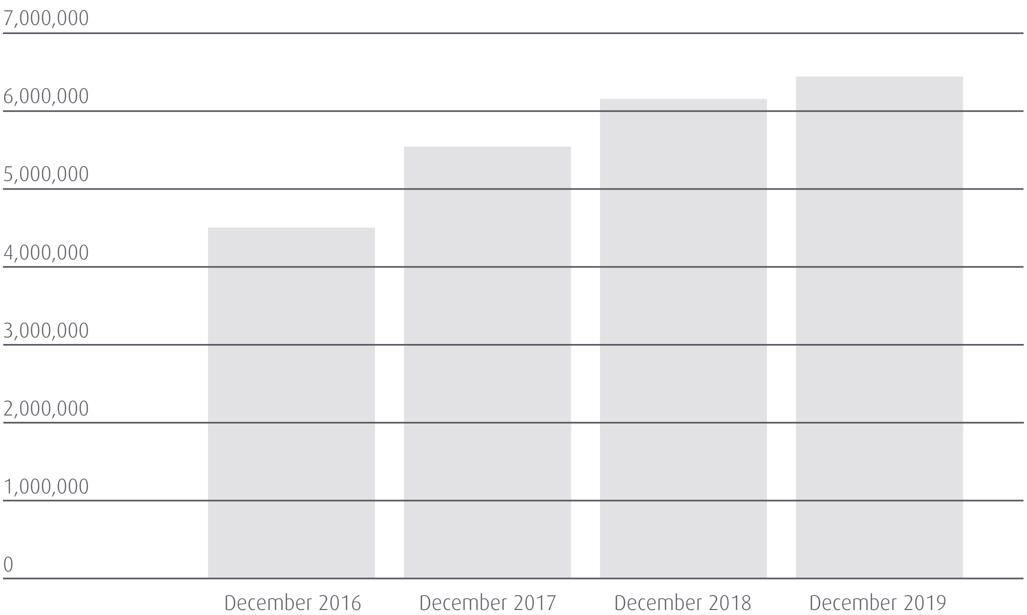
The above table shows the changes in the Group's deposits broken down by type. In detail: a) direct and indirect deposits from customers refers to the Bank's activity and does not include repos having the Cassa di Compensazione e Garanzia as the counterparty; b) trusteeship includes the deposits of Finnat 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 alrea0dy included in the indirect deposits of the Parent Company.

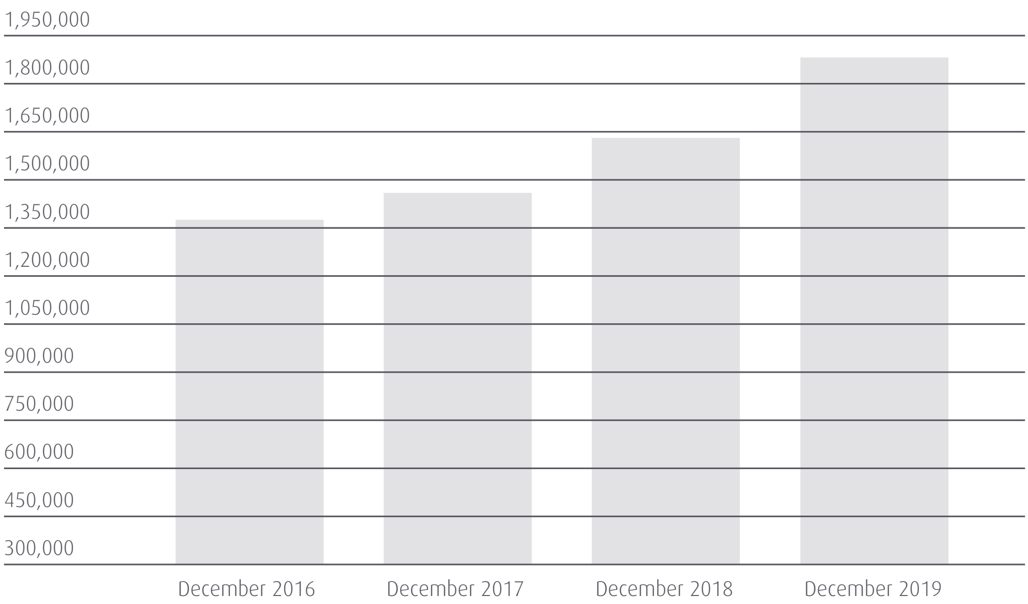
Direct deposits from customers



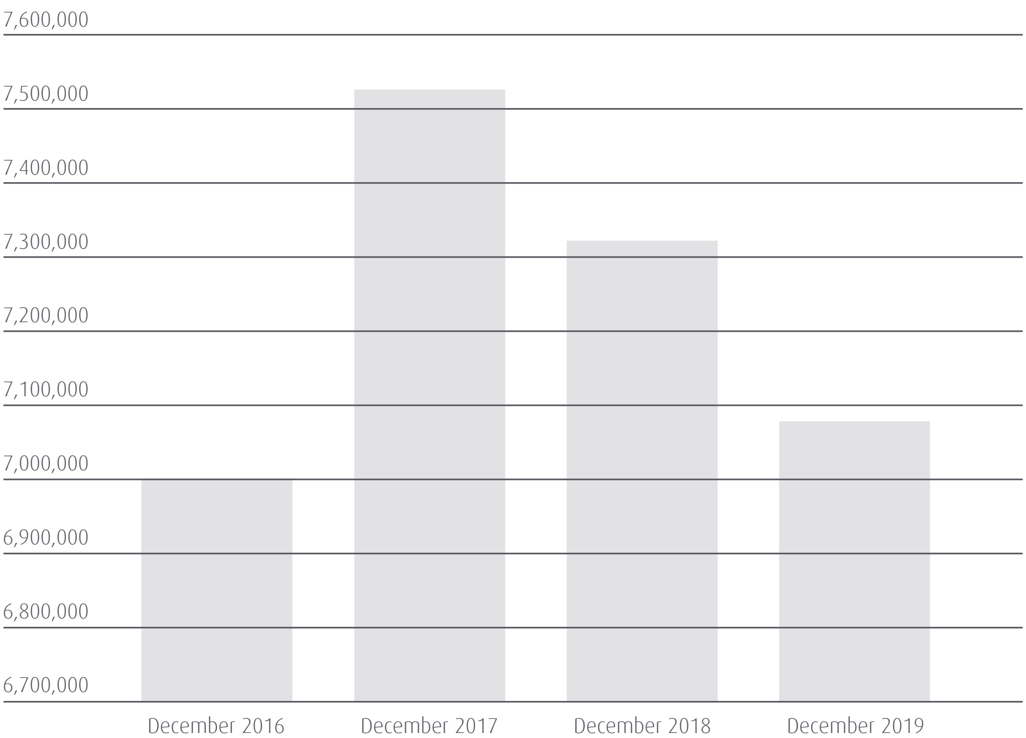
Indirect deposits



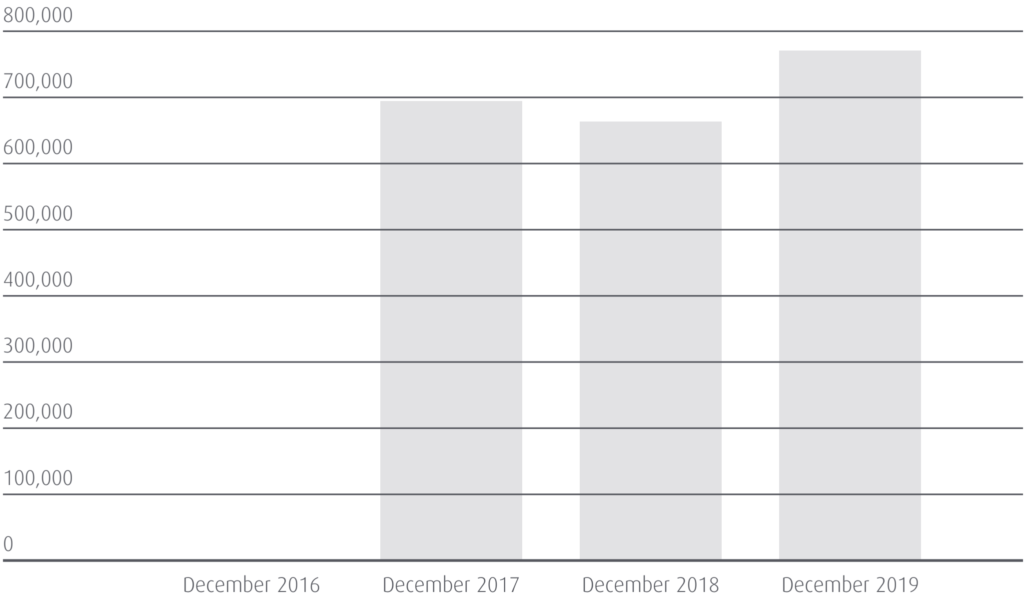
Trusteeship



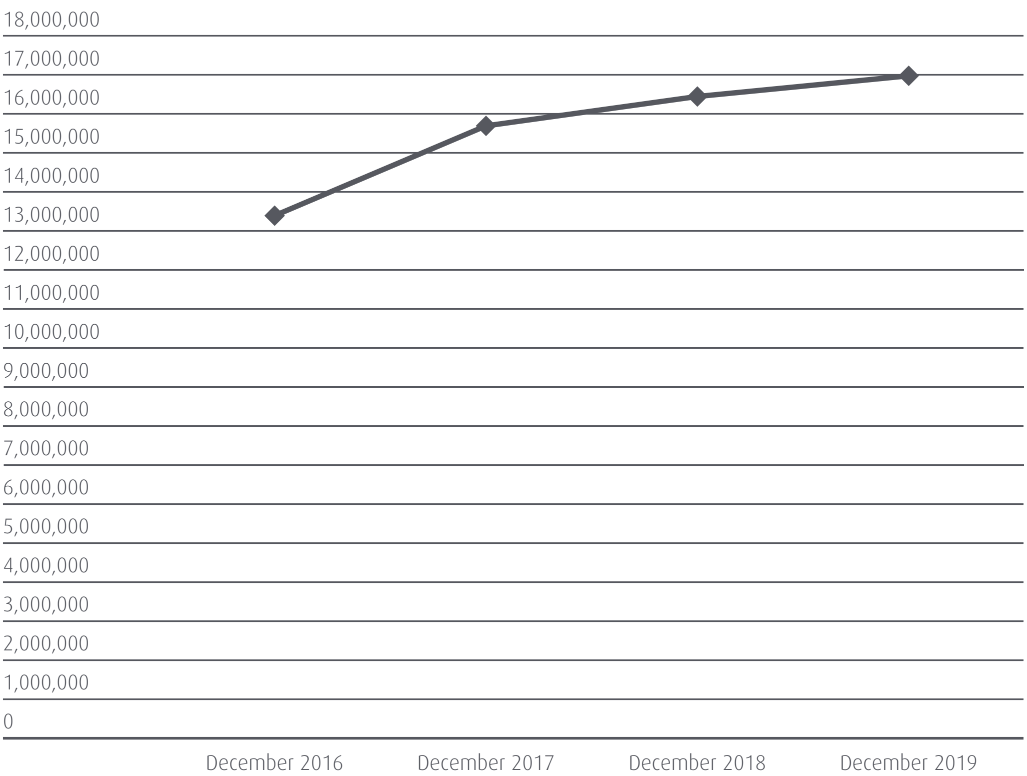
Real Estate Funds



Luxembourg-based Sicav fund administration



Total Group deposits



Group operations

For comments on the performance of investee company operations, readers are invited to refer to the report on operations in the financial statements of Banca Finnat Euramerica S.p.A., which is included in this report.

Pursuant to Consob communication no. 98084143 of 27 October 1998, it should be noted that the Group principally operates in Italy and in any event does not have operations in locations that are considered to be risk areas.

Transactions regarding securities and equity investments are illustrated and examined in detail in the Notes to the Financial Statements.

Adoption of the new accounting standards: IFRS 16

Please refer to the Notes to the Financial Statements, Part A - Accounting policies Section 5 - Other aspects, which illustrates, at the group level, the main changes and the impacts of the adoption of the new accounting standard that came into force on 1 January 2019.

Comparison of key consolidated balance sheet and income statement figures of the 2019 and 2018 financial years

Below is an overview of the key financial statement figures at 31 December 2019 compared for the Balance Sheet with the corresponding figures at 31 December 2018, and for the Income Statement with the corresponding figures of 2018.

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)

	31.12.2019	31.12.2018	Absolute change
ASSETS			
Cash and cash equivalents	699	665	34
Financial assets designated at fair value through profit or loss:	79,537	60,170	19,367
a) financial assets held for trading	57,696	37,410	20,286
c) other financial assets mandatorily at fair value	21,841	22,760	(919)
Financial assets designated at fair value through other comprehensive income	366,666	298,665	68,001
Financial assets designated at amortised cost:	1,548,092	1,464,034	84,058
a) due from banks	92,968	88,863	4,105
b) loans to customers	1,455,124	1,375,171	79,953
Equity investments	11,173	6,400	4,773
Property and equipment	20,588	4,781	15,807
Intangible assets	31,296	40,974	(9,678)
Tax assets	14,131	19,266	(5,135)
Other assets	24,970	24,772	198
TOTAL ASSETS	**2,097,152**	**1,919,727**	**177,425**
LIABILITIES AND SHAREHOLDERS’ EQUITY			
Financial liabilities designated at amortised cost:	1,815,357	1,641,991	173,366
a) due to banks	369	271	98
b) due to customers	1,790,075	1,613,470	176,605
c) debt securities issued	24,913	28,250	(3,337)
Financial liabilities held for trading	152	323	(171)
Tax liabilities	818	1,117	(299)
Other liabilities	18,858	20,370	(1,512)
Provisions for termination indemnities	5,920	5,317	603
Provisions for risks and charges:	102	783	(681)
a) commitments and guarantees given	102	101	1
c) other provisions for risks and charges	-	682	(682)
Minority interests	40,811	40,688	123
Group shareholders' equity	215,134	209,138	5,996
TOTAL LIABILITIES AND SHAREHOLDERS’ EQUITY	**2,097,152**	**1,919,727**	**177,425**

CONSOLIDATED INCOME STATEMENT

(in thousands of euros)

	FY 2019	FY 2018	Absolute change	Percent change
Interest margin	**16,286**	**12,531**	**3,755**	**30%**
Net fees and commissions	**52,982**	**52,441**	**541**	**1%**
Dividend and similar income	3,013	2,350	663	
Profits (losses) on trading	(1,737)	(170)	(1,567)	
Profits (losses) on disposal or repurchase of:	706	1,317	(611)	
a) financial assets designated at amortised cost	464	377	87	
b) financial assets designated at fair value through other comprehensive income	242	940	(698)	
Profits (losses) on other financial assets and liabilities designated at fair value through profit or loss:	(926)	(389)	(537)	
b) other financial assets mandatorily at fair value	(926)	(389)	(537)	
Net banking income	**70,324**	**68,080**	**2,244**	**3%**
Net losses/recoveries on credit risk of:	(12,016)	(4,003)	(8,013)	
a) financial assets designated at amortised cost	(12,167)	(3,228)	(8,939)	
b) financial assets designated at fair value through other comprehensive income	151	(775)	926	
Gains/losses from contractual changes without derecognition	7	-	7	
Net income from financial operations	**58,315**	**64,077**	**(5,762)**	**-9%**
Personnel expenses	(36,227)	(36,189)	(38)	
Other administrative expenses	(17,773)	(19,992)	2,219	
Net provisions for risks and charges	682	(148)	830	
Net losses/recoveries on property and equipment and intangible assets	(3,656)	(646)	(3,010)	
Other operating income/expenses	5,430	5,534	(104)	
Operating costs	**(51,544)**	**(51,441)**	**(103)**	**0%**
Profit (loss) from equity investments	**(175)**	**(296)**	**121**	**-41%**
Profit (loss) from continuing operations before taxes	**6,596**	**12,340**	**(5,744)**	**-47%**
Taxes on income from continuing operations	(3,094)	(4,027)	933	
Profit (loss) from continuing operations after taxes	**3,502**	**8,313**	**(4,811)**	**-58%**
Profit (loss) of minority interests	(3,068)	(2,970)	(98)	
Net profit (loss) for the year pertaining to the Parent Company	**434**	**5,343**	**(4,909)**	**-92%**

Following are a series of Group operating ratios at 31 December 2019 compared with the operating ratios of the previous year.

	FY 2019 %	FY 2018 %
Interest margin/net banking income	23.16	18.41
Net fees and commissions/net banking income	75.34	77.03
Cost/income ratio (operating costs/net banking income)	73.30	75.56
ROE (profit for the year/shareholders' equity)	0.20	2.55
ROA (profit for the year/total assets)	0.02	0.28

Significant events occurring after the end of the financial year

In the period spanning the end of the 2019 financial year and the date on which these 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.
It should be noted, however, that the pandemic caused by the new "Coronavirus" (COVID-19) which spread throughout continental China at the start of January 2020 in a period extremely close to the end of the financial year and, subsequently, also in other countries including Italy, caused a slowdown or suspension in economic and commercial activities in a number of sectors. The Group considers this to be a non-adjusting event after the reporting period pursuant to IAS 10.
Paragraph 125 of IAS 1 requires entities to provide disclosure relating to the assumptions about the future and the other main causes of uncertainty in the estimates at the close of the year which present a material risk of giving rise to significant adjustments in the carrying amounts of assets and liabilities by the next year. In the wake of a fluid, rapidly changing and volatile situation, a quantitative estimate of the potential impact of the Coronavirus on the Group's financial position cannot be provided at present, in view of the multitude of determining factors that are still unknown.
This potential impact will therefore be considered in the accounting estimates in 2020, including those relating to all the main events for which the use of subjective evaluations and estimates by the management is most needed, in support of the determination of the carrying amount of assets and liabilities, as described in Section 5 – Other aspects of the Notes to the Financial Statements.
The unexpected development of the external scenario and its possible repercussions outlined previously therefore call for more prudence when making future projections of the income statement and balance sheet results.
However, it should be noted that the Group has, from the outset, monitored developments in the global situation and then nationally, determined by the spread of the new Coronavirus. In accordance with the provisions of IAS 1 and also following the recommendations of the ESMA of 11 March 2020, the Group has implemented measures targeted at ensuring business continuity, by establishing the appropriate crisis management committee. The Group has implemented various initiatives, including the preparation of a technological framework to promote company smart working. By following the recommendations drawn up by the national authorities and institutions, the Group has quickly enabled a significant percentage of its employees to work from home, achieving the primary objective of protecting the health of its employees and subsequently guaranteeing the continuity of its operations and services offered to customers. Behavioural communications and recommendations have also been circulated to employees, and various health measures have been taken at its offices and private centres.

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 has completed transactions both with subsidiaries and related parties, ordinary transactions of lesser significance and transactions for a small amount and under market conditions which have not significantly impacted the company's financial position or results of operations.
However, it should be noted that, in 2019, a transaction of greater significance (transfer of business unit) took place between the subsidiary InvestiRE SGR S.p.A. and its associate REDO SGR S.p.A.
This transaction, in line with the provisions of the Regulation on transactions with related parties, was submitted for examination by the Boards of Directors of the companies concerned and of the parent company.
In particular, the company availed itself of the appropriate opinion of an independent expert for the financial assessment of the business unit transferred, who certified the existence of market conditions.

The Bank did not carry out any transactions 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 company's assets and the protection of minority shareholders' rights.

Information required under IAS 24 is shown in part H of the Notes to the Financial Statements.

Option for the domestic consolidated tax system

The Bank and its Italian-based subsidiaries have joined the "domestic consolidated tax system", pursuant to Articles 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 is determined.

Market disclosure information

Regarding market disclosure, the Group declares that:

- with reference to the request formulated by Bank of Italy with its communication of 17 June 2008, the Bank and, at 31 December 2019, the other Group companies were not exposed to and/or did not hold an interest, either directly or through vehicle companies or other non-consolidated entities, in financial instruments or UCIs characterised by high-risk investments, such as:- SPE (Special Purpose

Entities) - CDO (Collateralised Debt Obligations) - Other exposures vis-à-vis subprime and Alt-A - CMBS (Commercial Mortgage-Backed Securities) - Leveraged Finance;

- the Board of Directors of Banca Finnat Euramerica S.p.A., pursuant to Consob Resolution no. 18079 of 20 January 2012, decided, on 21 January 2013, to comply with the simplification system set forth in Articles 70 (paragraph 8) and 71 (paragraph 1-bis) of the Regulation adopted by Consob with Resolution no. 11971 of 14 May 1999 as amended and supplemented, by making use of the right, of listed companies, to depart from the obligation to submit the information documents required by Annex 3B of the Consob Regulation relating to future significant extraordinary operations such as mergers, demergers, capital increase by non-cash contributions, acquisitions and sales;
- with reference to the requests contained in joint Document no. 2 dated 6 February 2009 by the Bank of Italy, Consob and Isvap and in their subsequent Document no. 4 dated 4 March 2010 and the provisions of paragraphs 15 and 25 of IAS 1, regarding disclosures to be made with respect to going concern assumptions, please refer to the commentary provided in Part A, Section 2 – General financial reporting principles and Part E – Information on risks and related hedging policies of the Notes to the Financial Statements;
- the Bank's 2017 financial year was the last year of application of the sterilisation of "own funds", as envisaged by Bank of Italy Circular 285, which envisaged the right not to include, for the purpose of calculating regulatory capital, unrealised profit and loss referring to exposures towards Central Administrations classified in the category "Financial assets available for sale". This right (known as sterilisation) was valid until 31 December 2017, the date of entry into force of IFRS 9 that replaced IAS 39 on financial instruments;
- the Bank, within the prescribed deadline of 1 February 2018, exercised the option for the application of the transitional rules prescribed by the Regulation (EU) 2017/2395, amending "Regulation (EU) No 575/2013 as regards transitional arrangements for mitigating the impact of the introduction of IFRS 9 on own funds and for the large exposures treatment of certain public sector exposures denominated in the domestic currency of any Member State".

  The aforesaid transitional rules provide the possibility of including in Common Equity Tier 1 capital a transitional positive component, calculated in percentage terms, of the increase undergone by the allocations for expected losses on receivables by effect of the first-time 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.

Public disclosure by State

Figures at 31 December 2019

in accordance with Art. 89 of Directive 2013/36/EU of the European Parliament and of the Council (CRD IV)

Name	Geographic location	Nature of activity	Revenues (in thousands of euros)	Average number of employees	Pre-tax profit/loss (in thousands of euros)	Taxes on income or loss (in thousands of euros)
Parent Company						
Banca Finnat Euramerica S.p.A.	Italy	Banking	42,310	184	(211)	989
Direct subsidiaries						
Finnat Fiduciaria S.p.A.	Italy	Trusteeship	1,589	10	141	(49)
InvestiRE SGR S.p.A.	Italy	Promotion and management of closed-ended real estate funds	28,740	151	10,041	(3,887)
Natam Management Company S.A.	Luxembourg	Collective asset management	896	5	113	(32)
Finnat Gestioni S.A.	Switzerland	Financial management and consultancy services	817	1	558	(115)

Capital adequacy, prudential ratios and risk management disclosure

Information about the Group's capital adequacy and risk management are illustrated at length in the Notes to the Financial Statements, respectively in Part F – Information on consolidated shareholders' equity and in Part E – Information on risks and related hedging policies.

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 (the so-called Basel 3).
In order to enact the regulations, the Bank of Italy issued, on 17 December 2013, Circular no. 285 "Prudential Supervision Provisions for Banks".

Own funds at 31 December 2019 amounted to 180,362 thousand euros (166,300 thousand euros at 31 December 2018), whereas the Total capital ratio, CET1 capital ratio and Tier1 ratio stood at 31.6% (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 178,310 thousand euros, while the Total capital ratio, the CET1 capital ratio and Tier1 ratio would have been equal to 31.3%.

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

Research & Development

For research and development activities, readers should refer to the comments contained in the report on operations attached to the separate financial statements of the Parent Company.

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)

	31.12.2019
EU Countries	
- Italy	1,358,456

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

(in thousands of euros)

	Maturity in 2019	Maturity in 2020	Maturity in 2021	Maturity in 2022
Financial assets designated at fair value through profit or loss: a) Financial assets held for trading				
- Italy	-	50,081	-	1
Financial assets designated at fair value through other comprehensive income				
- Italy	55,079	69,572	33,031	-
Financial assets designated at amortised cost				
- Italy	-	596,526	397,708	-
Total	**55,079**	**716,179**	**430,739**	**1**

	Maturity in 2023	Maturity in 2024	Maturity in 2025	Maturity beyond 2025	Total	Level 1
	1	-	-	1	**50,084**	**50,084**
	-	76,154	80,302	-	**314,138**	**314,138**
	-	-	-	-	**994,234**	**994,234**
	1	**76,154**	**80,302**	**1**	**1,358,456**	**1,358,456**

With reference to Italian Government bonds, the Group conducts periodic stress tests that assume the increase of the Credit Spreads, assessing its effects.
From the analyses carried out, no significant impacts were observed on the Group's soundness. In case of stress, the CET1 Ratio would still reach significantly higher levels than the limits prescribed by the SREP decision for 2019.

Business outlook

The forecasts contained in the Budget, prepared at the start of the year, with the involvement of the different areas of Group business, predict a positive net result in 2020 which promises to be better than the year just ended. However, the bank will update the forecasts in 2020 to take account of the impacts of the developments in the COVID-19 epidemiological emergency.

Consolidated shareholders' equity of the Group

The Group's shareholders' equity at 31 December 2019, including the profit for the year, totalled 215,134 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	(3,629)
Change in valuation reserves	9,188
Changes in other reserves	3
Changes for sale of treasury shares	-
Profit (loss) for the period	434
Shareholders' equity at 31 December 2019	**215,134**

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 31 December 2019	**237,697**	**778**
Results of investee companies as per the statutory financial statements:		
- fully consolidated companies	3,528	3,528
- valued by equity method	-	(78)
Positive differences from consolidation:		
- previous years	(2,677)	
Surplus over the book value related to:		
- fully consolidated companies	28,625	
Elimination of dividends	-	(3,890)
Other consolidation adjustments	(52,039)	96
Balance resulting from the consolidated financial statements of the Group at 31 December 2019	**215,134**	**434**

Treasury shares

At 31 December 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, 19 March 2020

CONSOLIDATED BALANCE SHEET

(in thousands of euros)

	Asset items	31.12.2019	31.12.2018
10.	Cash and cash equivalents	699	665
20.	Financial assets designated at fair value through profit or loss	79,537	60,170
	a) financial assets held for trading	57,696	37,410
	c) other financial assets mandatorily at fair value	21,841	22,760
30.	Financial assets designated at fair value through other comprehensive income	366,666	298,665
40.	Financial assets designated at amortised cost	1,548,092	1,464,034
	a) due from banks	92,968	88,863
	b) loans to customers	1,455,124	1,375,171
70.	Equity investments	11,173	6,400
90.	Property and equipment	20,588	4,781
100.	Intangible assets	31,296	40,974
	of which:		
	- goodwill	28,129	37,729
110.	Tax assets	14,131	19,266
	a) current	3,483	2,231
	b) deferred	10,648	17,035
130.	Other assets	24,970	24,772
	Total assets	**2,097,152**	**1,919,727**

CONSOLIDATED BALANCE SHEET

(in thousands of euros)

	Liabilities and shareholders' equity	31.12.2019	31.12.2018
10.	Financial liabilities designated at amortised cost	1,815,357	1,641,991
	a) due to banks	369	271
	b) due to customers	1,790,075	1,613,470
	c) debt securities issued	24,913	28,250
20.	Financial liabilities held for trading	152	323
60.	Tax liabilities	818	1,117
	a) current	136	581
	b) deferred	682	536
80.	Other liabilities	18,858	20,370
90.	Provisions for termination indemnities	5,920	5,317
100.	Provisions for risks and charges	102	783
	a) commitments and guarantees given	102	101
	c) other provisions for risks and charges	-	682
120.	Valuation reserves	5,597	(3,592)
150.	Reserves	150,586	148,870
170.	Share capital	72,576	72,576
180.	Treasury shares (-)	(14,059)	(14,059)
190.	Minority interests (+/-)	40,811	40,688
200.	Profit (loss) for the year (+/-)	434	5,343
	Total liabilities and shareholders' equity	**2,097,152**	**1,919,727**

CONSOLIDATED INCOME STATEMENT

(in thousands of euros)

	Items	31.12.2019	31.12.2018
10.	Interest income and similar income	18,742	14,061
	of which: interest income calculated with the effective interest method	1,872	(940)
20.	Interest expense and similar expense	(2,456)	(1,530)
30.	**Interest margin**	**16,286**	**12,531**
40.	Fee and commission income	54,954	54,857
50.	Fee and commission expense	(1,972)	(2,416)
60.	**Net fees and commissions**	**52,982**	**52,441**
70.	Dividend and similar income	3,013	2,350
80.	Profit (loss) on trading	(1,737)	(170)
100.	Profit (loss) on disposal or repurchase of:	706	1,317
	a) financial assets designated at amortised cost	464	377
	b) financial assets designated at fair value through other comprehensive income	242	940
110.	Profits (losses) on other financial assets and liabilities designated at fair value through profit or loss	(926)	(389)
	b) other financial assets mandatorily at fair value	(926)	(389)
120.	**Net banking income**	**70,324**	**68,080**
130.	Net losses/recoveries on credit risk relating to:	(12,016)	(4,003)
	a) financial assets designated at amortised cost	(12,167)	(3,228)
	b) financial assets designated at fair value through other comprehensive income	151	(775)
140.	Gains/losses from contractual changes without derecognition	7	-
150.	**Net income from financial operations**	**58,315**	**64,077**
190.	Administrative expenses:	(54,000)	(56,181)
	a) personnel expenses	(36,227)	(36,189)
	b) other administrative expenses	(17,773)	(19,992)
200.	Net provisions for risks and charges	682	(148)
	a) commitments and guarantees given	-	(14)
	b) other net allocations	682	(134)
210.	Net losses/recoveries on property and equipment	(3,445)	(469)
220.	Net losses/recoveries on intangible assets	(211)	(177)
230.	Other operating income/expenses	5,430	5,534
240.	**Operating costs**	**(51,544)**	**(51,441)**
250.	Profit (loss) from equity investments	(175)	(296)
290.	**Profit (loss) from continuing operations before taxes**	**6,596**	**12,340**
300.	Taxes on income from continuing operations	(3,094)	(4,027)
310.	**Profit (loss) from continuing operations after taxes**	**3,502**	**8,313**
330.	**Profit (loss) for the year**	**3,502**	**8,313**
340.	Profit (loss) for the year of minority interests	(3,068)	(2,970)
350.	**Net profit (loss) for the year pertaining to the Parent Company**	**434**	**5,343**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(in thousands of euros)

	Items	FY 2019	FY 2018
10.	**Profit (loss) for the year**	**3,502**	**8,313**
	Other comprehensive income after taxes that may not be reclassified to the income statement		
20.	Equity designated at fair value through other comprehensive income	1,196	3,053
70.	Defined benefit plans	(346)	(142)
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	8,126	(8,189)
170.	**Total other comprehensive income after tax**	**9,054**	**(5,206)**
180.	**Comprehensive income (Item 10+170)**	**12,556**	**3,107**
190.	Consolidated comprehensive income pertaining to minority interests	2,934	2,920
200.	**Consolidated comprehensive income pertaining to the Parent Company**	**9,622**	**187**

STATEMENT OF CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY AT 31 DECEMBER 2019

(in thousands of euros)

	Total shareholders' equity at 31.12.2018	Change in opening balances	Total shareholders' equity at 1.01.2019	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 year	**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**	**-**	**-**

STATEMENT OF CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY AT 31 DECEMBER 2018

(in thousands of euros)

	Total shareholders' equity at 31.12.2017	Change in opening balances (*)	Total shareholders' equity at 1.01.2018	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**	**29,301**	**-**
a) profit	100,684	(1,708)	98,976	29,267	
b) other	63,266	(1,230)	62,036	34	-
Valuation reserves	**1,592**	**(97)**	**1,495**	**-**	**-**
Capital instruments	**-**		**-**	**-**	**-**
Treasury shares	**(14,059)**	**-**	**(14,059)**	**-**	**-**
Net Profit (Loss) for the year	**40,187**	**-**	**40,187**	**(29,301)**	**(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 year									Shareholders' equity at 31.12.2019		
	Shareholders' equity transactions								Total	Group	Minority interests
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 FY 2019			
-	-	-	-	-	-	-	-	-	72,576	72,576	-
-	-	-	-	-	-	-	-	-	72,576	72,576	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
(2,808)	-	-	-	-	-	-	-	-	188,583	150,586	37,997
(2,830)	-	-		-	-	-	-	-	127,154	117,039	10,115
22	-	-		-	-	-	-	-	61,429	33,547	27,882
-	-	-	-	-	-	-	-	9,054	5,343	5,597	(254)
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	(14,059)	(14,059)	-
-	-	-	-	-	-	-	-	3,502	3,502	434	3,068
(2,808)	-	-	-	-	-	-	-	12,556	255,945	-	-
3	-	-	-	-	-	-	-	9,622	-	215,134	-
(2,811)	-	-	-	-	-	-	-	2,934	-	-	40,811

Changes during the year									Shareholders' equity at 31.12.2018		
	Shareholders' equity transactions								Total	Group	Minority interests
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 FY 2018			
-	-	-	-	-	-	-	-	-	72,576	72,576	-
-	-	-	-	-	-	-	-	-	72,576	72,576	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
(3,606)	-	-	-	-	-	-	-	-	186,707	148,870	37,837
(3,698)	-	-		-	-	-	-	-	124,545	114,570	9,975
92	-	-		-	-	-	-	-	62,162	34,300	27,862
-	-	-	-	-	-	-	-	(5,206)	(3,711)	(3,592)	(119)
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	(14,059)	(14,059)	-
-	-	-	-	-	-	-	-	8,313	8,313	5,343	2,970
(3,606)	-	-	-	-	-	-	-	3,107	249,826	-	-
67	-	-	-	-	-	-	-	187	-	209,138	-
(3,673)	-	-	-	-	-	-	-	2,920	-	-	40,688

CONSOLIDATED STATEMENT OF CASH FLOWS (indirect method)

(in thousands of euros)

	Amount	
	31.12.2019	31.12.2018
A. OPERATING ACTIVITIES		
1. Management	**30.723**	**4.222**
- net profit (loss) for the year (+/-)	434	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 (-/+)	2,029	972
- capital gains/losses on hedging assets (-/+)	-	-
- net losses/recoveries on credit risk (+/-)	12,016	4,003
- net losses/recoveries on property and equipment and intangible assets (+/-)	2,627	680
- net provisions for risks and charges and other costs/revenues (+/-)	904	1,706
- net premiums not received (-)	-	-
- other insurance income/expenses not received (-/+)	-	-
- taxes, duties and tax credits not liquidated (+/-)	(3,094)	(4,027)
- net losses/recoveries on discontinued operations net of tax effect (+/-)	-	-
- other adjustments (+/-)	15,807	(4,455)
2. Cash generated by/used in financial assets	**(185,622)**	**(112,478)**
- financial assets held for trading	(21,305)	7,642
- financial assets designated at fair value	-	-
- other financial assets mandatorily at fair value	(91)	1,522
- financial assets designated at fair value through other comprehensive income	(67,850)	(97,424)
- financial assets designated at amortised cost	(96,146)	(19,831)
- other assets	(230)	(4,387)
3. Cash generated by/used in financial liabilities	**152,732**	**124,729**
- financial liabilities designated at amortised cost	155,397	123,376
- financial liabilities held for trading	(171)	180
- financial liabilities designated at fair value	-	-
- other liabilities	(2,494)	1,173
Cash generated by/used in operating activities	**(2,167)**	**16,473**

CONSOLIDATED STATEMENT OF CASH FLOWS (indirect method)

(in thousands of euros)

	Amount	
	31.12.2019	**31.12.2018**
B. INVESTING ACTIVITIES		
1. Cash generated by	**19**	**10**
- disposals of equity investments	-	-
- dividends received on equity investments	-	-
- disposals of property and equipment	19	10
- disposals of intangible assets	-	-
- disposals of subsidiaries and business units	-	-
2. Cash used in	**(3,381)**	**(477)**
- purchases of equity investments	(2,927)	(167)
- purchases of property and equipment	(321)	(171)
- purchases of intangible assets	(133)	(139)
- purchases of subsidiaries and business units	-	-
Cash generated by/used in investing activities	**(3,362)**	**(467)**
C. FINANCING ACTIVITIES		
- issues/purchases of treasury shares	-	-
- issues/purchases of capital instruments	-	-
- dividend distribution and other purposes	5,563	(15,974)
- sale/purchase of third-party control	-	-
Cash generated by/used in financing activities	**5,563**	**(15,974)**
CASH GENERATED/USED DURING THE YEAR	**34**	**32**

Key:
(+) generated
(-) used

RECONCILIATION	**31.12.2019**	**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	34	32
Cash and cash equivalents: effect of exchange rate changes	-	-
Cash and cash equivalents at the end of the year	699	665

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF BANCA FINNAT EURAMERICA GROUP

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
- Section 2 - General financial reporting principles
- Section 3 - Scope and methods of consolidation
- Section 4 - Subsequent events
- Section 5 - Other aspects

A.2 – Information on the main financial statement items

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

A.4 – Information on fair value

A.5 – Report on the so-called "day one profit/loss"

Part B – Information on the consolidated balance sheet

ASSETS

- Section 1 - Cash and cash equivalents - Item 10
- Section 2 - Financial assets designated at fair value through profit or loss - Item 20
- Section 3 - Financial assets designated at fair value through other comprehensive income - Item 30
- Section 4 - Financial assets designated at amortised cost - Item 40
- Section 7 - Equity investments - Item 70
- Section 9 - Property and equipment - Item 90
- Section 10 - Intangible assets - Item 100
- Section 11 - Tax assets and liabilities - Items 110 (assets) and 60 (liabilities)
- Section 13 - Other assets - Item 130

LIABILITIES

- Section 1 - Financial liabilities designated at amortised cost - Item 10
- Section 2 - Financial liabilities held for trading - Item 20
- Section 6 - Tax liabilities - Item 60
- Section 8 - Other liabilities - Item 80
- Section 9 - Provisions for termination indemnities - Item 90
- Section 10 - Provisions for risks and charges - Item 100
- Section 13 - Group equity - Items 120, 130, 140, 150, 160, 170 and 180
- Section 14 - Minority interests - Item 190

Other information

Part C – Information on the consolidated income statement

- Section 1 - Interest - Items 10 and 20
- Section 2 - Fees and commissions - Items 40 and 50

Part A – Accounting policies

A.1 – General information

Section 1 - Statement of compliance with international accounting standards

The consolidated financial statements at 31 December 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 31 December 2019, in accordance with the procedures laid down in Regulation (EC) no. 1606/2002.
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 of the document 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 financial statements in the full conviction that the Group meets the requirements of a going concern in the foreseeable future.
The Consolidated financial statements at 31 December 2019 were prepared in accordance with 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 accounting standard IFRS 16" in Section 5 - Other aspects.

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 figures of the financial statements 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 Financial Statements at 31 December 2018 with those determined at 1 January 2019 in application of the provisions of IFRS 16 in terms of the recognition of leases in the Financial Statements of the lessee, is provided in the appropriate paragraph "Adoption of the new accounting standard IFRS 16".

The Consolidated financial statements are composed of the Consolidated Balance Sheet, Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Statement of Changes in Consolidated Shareholders' Equity, Consolidated Statement of Cash Flows and these Notes to the Consolidated Financial Statements.
They also comprise the Directors' Report on operations and situation of the Group.

Taking into account the above, the accounting standards adopted for the preparation of these Consolidated 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".

The tables of the Consolidated Balance Sheet, Income Statement and Statement of Comprehensive Income comprise items, sub-items and additional information on the items and sub-items. The items, sub-items and related details constitute the financial accounts. All items with nil balances either for the current or for the previous financial year are not shown. Revenues in the Income Statement and Statement of Comprehensive Income are shown without any sign whilst costs are shown in brackets.
Comparative figures are shown for each account item of the Consolidated Balance Sheet, Income Statement and Statement of Comprehensive Income.
Consistently with Article 5 of Italian Legislative Decree no. 38 of 28 February 2005, the Consolidated financial statements were prepared using the euro as the presentation currency. Regarding the contents of the tables, all figures are expressed in thousands of euro, unless otherwise specified.
The Consolidated Financial Statements provide a true and fair view of the financial and economic position, the result for the year and cash flows. The financial statements were also prepared, as specified above, on a going concern basis (IAS 1 paragraph 25), on an accrual basis (IAS 1 paragraphs 27 and 28), in compliance with the obligation to make adjustments to reflect the events subsequent to the reference date of the financial statements (IAS 10). The assets and liabilities, income and expenses have not been

offset, except where required or allowed by a standard or interpretation (IAS 1 paragraph 32). The cost of inventory and of the financial instruments was calculated using the weighted average daily cost method (IAS 2, paragraph 25).

The Consolidated financial statements for Banca Finnat Euramerica will be audited by EY S.p.A.

As required by IAS 8, the Regulations (for amendments or issues of new standards) 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.

In addition, the European Commission endorsed the following Regulation (through amendments or the promulgation of new standards) that will apply from 1 January 2020 onwards:

- Regulation no. 2075/2019 – Amendments to IAS 8 Accounting policies, changes in accounting estimates and errors, IAS 34 Interim financial reporting, IAS 37 Provisions, contingent liabilities and contingent assets, IAS 38 Intangible assets, IFRS 3 Business combinations, IFRS 6 Exploration for and evaluation of mineral resources, and the interpretations IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22 and SIC 32.

Section 3 - Scope and methods of consolidation

1. 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.

2. 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 at 31 December 2018, the scope of consolidation changed as a result of the inclusion of the companies Liphe S.p.A. and Aldia S.p.A. in which Banca Finnat holds a stake of 10% in the share capital, corresponding respectively to a nominal value of 750 thousand euros and 1,300 thousand euros (the book values at 31 December 2019 were 150 thousand euros and 390 thousand euros respectively post-impairment carried out on 31 December 2019). As a result of the resolutions adopted by the shareholders' meetings of Liphe S.p.A. and Aldia S.p.A., held on 27 June 2019, two of the four directors and the Chairman of the Board of Statutory Auditors were appointed to the Board of Directors of each of the two companies, representing Banca Finnat based on the shareholder agreements signed in March 2019 with the company Bio-On which holds the remaining 90% of the share capital of the two companies. As a result of the aforementioned appointments, the two equity interests were classified as joint venture companies.

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 profits 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 investee companies used to prepare the consolidated financial statements were drawn up at 31 December and, if necessary, adjusted to ensure the uniform application of the same accounting principles 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 associates 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.

3. Equity investments in exclusively controlled subsidiaries with significant minority interest

3.1 Minority interests, minority voting rights and distributed dividends

Company names	Minority interests %	Minority voting rights % (1)	Dividends distributed to minority shareholders
1. InvestiRE SGR S.p.A.	49.84%	49.84%	2,709

(1) Voting rights in ordinary shareholders' meetings.

3.2 Equity investments with significant interests in third parties: financial information

Company name	Total assets	Cash and cash equivalents	Financial assets	Property and equipment and intangible assets	Financial liabilities	Shareholders' equity	Interest margin
1. InvestiRE SGR S.p.A.	104,834	2	56,303	34,871	6,774	80,852	(107)

Section 4 - Subsequent events

In the period spanning the end of the 2019 financial year and the date on which these 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.

It should be noted, however, that the pandemic caused by the new "Coronavirus" (COVID-19) which spread throughout continental China at the start of January 2020 in a period extremely close to the end of the financial year and, subsequently, also in other countries including Italy, caused a slowdown or suspension in economic and commercial activities in a number of sectors. The Group considers this to be a non-adjusting event after the reporting period pursuant to IAS 10.

Paragraph 125 of IAS 1 requires entities to provide disclosure relating to the assumptions about the future and the other main causes of uncertainty in the estimates at the close of the year which present a material risk of giving rise to significant adjustments in the carrying amounts of assets and liabilities by the next year. In the wake of a fluid, rapidly changing and volatile situation, a quantitative estimate of the potential impact of the Coronavirus on the Group's financial position cannot be provided at present, in view of the multitude of determining factors that are still unknown.

This potential impact will therefore be considered in the accounting estimates in 2020, including those relating to all the main events for which the use of subjective evaluations and estimates by the management is most needed, in support of the determination of the carrying amount of assets and liabilities, as described in Section 5 – Other aspects of the Notes to the Financial Statements.

The unexpected development of the external scenario and its possible repercussions outlined previously therefore call for more prudence when making future projections of the income statement and balance sheet results.

However, it should be noted that the Group has, from the outset, monitored developments in the global situation and then nationally, determined by the spread of the new Coronavirus. In accordance with the provisions of IAS 1 and also following the recommendations of the ESMA of 11 March 2020, the Group has implemented measures targeted at ensuring business continuity, by establishing the appropriate crisis management committee. The Group has implemented various initiatives, including the preparation of a technological framework to promote company smart working. By following the recommendations drawn

	Net banking income	Operating costs	Profit (loss) from continuing operations before taxes	Profit (loss) from continuing operations after taxes	Income (loss) from discontinued operations after taxes	Profit (loss) for the year (1)	Other income items after tax (2)	Comprehensive income (3) = (1) + (2)
	28,740	(20,252)	10,042	6,154	-	6,154	(270)	5,884

up by the national authorities and institutions, the Group has quickly enabled a significant percentage of its employees to work from home, achieving the primary objective of protecting the health of its employees and subsequently guaranteeing the continuity of its operations and services offered to customers. Behavioural communications and recommendations have also been circulated to employees, and various health measures have been taken at its offices and private centres.

Section 5 - Other aspects

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 new standard. 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 presentation and disclosure in the financial statements to:
  - short-term leases 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 low value, with the term "low 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 commencement 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 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-time adoption and not to restate the comparative figures of the financial statements 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

(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 2019 – with respect to the expenses that would have been incurred if the previous regulatory provisions had remained in force – equal to 181 thousand euros corresponding to 0.34% of administrative expenses, which impact will be progressively reabsorbed, as stated, in the following years until the expiration of the lease agreements.

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, as well as the disclosure relating to contingent assets and liabilities.

The estimates and relevant assumptions are based on previous experience and on other factors considered reasonable in the case in question and were adopted to estimate the carrying amount of the assets and liabilities that cannot be easily inferred from other sources.

In particular, estimate processes were adopted in support of the book value of some of the most significant valuation items recognised in the financial statements at 31 December 2019, as set forth in the accounting standards and the reference regulations described above. These processes are based largely on estimates of future recoverability of the values booked to the financial statements according to the rules dictated by the regulations in force and were carried out on the basis of the going concern assumption, i.e. excluding the assumption of forced settlement of the items subject to valuation.

The processes adopted confirm the book values at 31 December 2019. The parameters and information used to verify the values mentioned earlier are therefore greatly influenced by the factors which could be subject to rapid changes that are currently not foreseeable, so that subsequent effects on future book values cannot be ruled out.

The estimates and assumptions are reviewed regularly. Any changes resulting from these revisions are booked in the period in which the revision is carried out, if the same concerns solely that period. In the event in which the revision concerns both current and future periods, the change is booked in the period in which the revision is carried out in the relative future periods.

The main cases where the use of subjective evaluations by Management are most requested are:

- the quantification of losses due to impairment of receivables and, in general, other financial assets and equity investments;
- the use of valuation models for the recognition of the fair value of the financial instruments not listed in active markets;
- the estimate and the assumptions of the recoverability of deferred tax assets;
- the estimate of the recoverable value of goodwill;
- the estimate of any provisions for risks and charges.

Exemption from the preparation of the fourth interim financial report for 2019

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

With reference to companies belonging to the STAR segment, Borsa Italiana has established the publication – in addition to the reports concerning the first and third quarters, as required by paragraph 5 of Article 154-ter – also the interim report on operations with reference to the 4th quarter; it has also allowed to omit drafting said report if publication of the draft financial statements is brought forward to 90 days as from the end of the year of reference. The term of 90 days (previously set to 75 days prior to the amendments introduced with the implementation of the Directive as explained above) was established by Borsa Italiana with its notice no. 14924 of 8 October 2010 concerning the "Amendments made to the Market Regulation". In view of the above, the Bank opted not to publish the 4th interim report on operations, by making the draft Separate and Consolidated Financial Statements at 31 December 2019, complete with the certification by the Manager in charge of preparing the accounting documents, that of the Board of Statutory Auditors and the Auditing Firm, available to shareholders and to the market within the term of 90 days from the end of the financial year.

A.2 – Information on the main financial statement items

The accounting standards adopted for the preparation of the Consolidated financial statements at 31 December 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; capital instruments for which the Bank and the other Group companies do not exercise the irrevocable option for the measurement of these instruments at fair value through other comprehensive income are also included in this category;
- 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 equities, 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:
loans to 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 12 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. Value recoveries related to the passing of time are recognised in the interest margin.

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 and jointly controlled 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 or 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 revaluation 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 depreciation 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 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 decided not 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 of 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 "revaluation" 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.

9 - 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. 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 is 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 deferred tax assets and liabilities 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".

10 - 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 lend 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.

11. 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 commencement 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.

12. 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.

14 - 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.

16 - 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 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.
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.

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

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 performance obligations are 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 accounting procedures adopted before the entry into force of the provisions of IFRS 15 are in line with those described, except that for the types of trading agreements that prescribe free fees for the execution of orders on financial instruments in view of the application of fees for the consultancy and custody services proportionate to the assets under administration; for these agreements, the amount of the fees is allocated, for accounting purposes, among the obligations prescribed by the agreement, attributing

to the custody and administration service an amount equal to the standalone sale price of the service and to the trading service the residual amount.

Institutional customers

The main services provided by the Institutional Customers Organisational Unit of the Bank includes: the asset management services performed by appointment by UCIs, the management and trading services directed to corporate customers and to qualified counterparties, the services directed to listed issuers (specialist operator services, qualified operator, analyst coverage, centralised management, etc.).

All performance obligations are 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 fees 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 objectives 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 S.A.

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.

The quantitative information is provided:

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

COSTS

Costs are recognised when they are incurred in compliance with the criterion of correlation between costs and revenues that derive directly and jointly from the same transactions or events. Costs (including impairment losses) that cannot be related to revenues are immediately recognised in the Income Statement.

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

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

Negative income components accrued on financial assets are recognised in the item "Interest expense and similar expense", 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 lend funds and guarantees given 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 90 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.

A.3.1 – A.3.2 – A3.3 - No transfers were made between portfolios of financial assets during the year due to a change in the business model.

It should be noted that, however, as outlined in detail in the Report on Operations under the most significant transactions in the year the equity interests Aldia S.p.A. and Liphe S.p.A. – previously classified by the Bank under Financial assets held for trading and Financial assets designated at fair value through other comprehensive income respectively – were included in the item investments in joint ventures.

A.4 – Information on fair value

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

A.4.2 - Processes and sensitivity of measurements

The techniques, valuation processes of the financial instruments and the methods for determining the fair value used by the 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-ended UCIs whose last measured NAV is not reported near the measurement date and the closed-ended UCIs whose fair value is derived exclusively on the basis of the NAV. For these UCIs, the NAV used for measurement must prudentially be rectified to take into account any risk of not being able to carry out a transaction unless it is at prices that are significantly lower than the value of the assets represented by the NAV;
- bonds not listed on active markets, for which there are no comparable instruments, or which require the use of significant assumptions, such as the knowledge of trading prices between independent counterparties;
- OTC derivatives valued using non-market models, or market models based on parameters that cannot be observed on the market.

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

A.4.3 - Fair value hierarchy

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

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

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

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

IFRS 13 identifies three different input levels:

- Level 1: inputs represented by (unadjusted) quoted prices 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 contemplates 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.

A.4.4 Other information

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.

Quantitative information

A.4.5 Fair value hierarchy

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

Financial assets/liabilities measured at fair value	31.12.2019			31.12.2018		
	L1	L2	L3	L1	L2	L3
1. Financial assets designated at fair value through profit or loss	53,468	24,724	1,345	30,992	27,680	1,498
a) financial assets held for trading	52,555	5,141	-	30,070	7,330	10
b) financial assets designated at fair value	-	-	-	-	-	-
c) other financial assets mandatorily at fair value	913	19,583	1,345	922	20,350	1,488
2. Financial assets designated at fair value through other comprehensive income	355,833	-	10,833	290,343	-	8,322
3. Hedging derivatives	-	-	-	-	-	-
4. Property and equipment	-	-	-	-	-	-
5. Intangible assets	-	-	-	-	-	-
Total	**409,301**	**24,724**	**12,178**	**321,335**	**27,680**	**9,820**
1. Financial liabilities held for trading	-	152	-	243	80	-
2. Financial liabilities designated at fair value	-	-	-	-	-	-
3. Hedging derivatives	-	-	-	-	-	-
Total	**-**	**152**	**-**	**243**	**80**	**-**

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

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

	Financial assets designated at fair value through profit or loss				Financial assets designated at fair value through other comprehensive income	Hedging derivatives	Property and equipment	Intangible assets
	Total	Of which: a) Financial assets held for trading	Of which: b) Financial assets designated at fair value	Of which: c) Other financial assets mandatorily at fair value				
1. Initial amount	**1,498**	**10**	**-**	**1,488**	**8,322**	**-**	**-**	**-**
2. Increases	**68**	**-**	**-**	**68**	**3,074**	**-**	**-**	**-**
2.1. Purchases	-	-	-	-	1,354	-	-	-
2.2. Gains recognised in:	-	-	-	-	1,720	-	-	-
2.2.1. Income Statement	-	-	-	-	-	-	-	-
- of which capital gains	-	-	-	-	-	-	-	-
2.2.2. Shareholders' equity		X	X	X	1,720	-	-	-
2.3. Transfer from other levels	-	-	-	-	-	-	-	-
2.4. Other increases	68	-	-	68	-	-	-	-
3. Decreases	**221**	**10**	**-**	**211**	**563**	**-**	**-**	**-**
3.1. Sales	-	-	-	-	-	-	-	-
3.2. Reimbursements	-	-	-	-	-	-	-	-
3.3. Losses recognised in:	216	5	-	211	558	-	-	-
3.3.1. Income Statement	216	5	-	211	-	-	-	-
- of which capital losses	215	4	-	211	-	-	-	-
3.3.2. Shareholders' equity	-	X	X	X	558	-	-	-
3.4. Transfers to other levels	-	-	-	-	-	-	-	-
3.5. Other decreases	5	5	-	-	5	-	-	-
4. Final amount	**1,345**	**-**	**-**	**1,345**	**10,833**	**-**	**-**	**-**

Item 2.1. Purchases of Financial assets designated at fair value through other comprehensive income of 1,354 thousand euros relates to the Bank and mainly concerns the capital payment to the company Real Estate Roma Olgiata S.r.l.

Item 2.2.2. Gains recognised in: Shareholders' equity of Financial assets designated at fair value through other comprehensive income amounting to 1,720 thousand euros concerns the positive valuation conducted by the Bank on the SIA S.p.A. shares for 1,650 thousand euros and CSE shares for 70 thousand euros.

Item 2.4. Other increases relates exclusively to the acceptance of the Carige shares held by the Bank through the FITD Voluntary Scheme.

Item 3.3.1. Losses recognised in: Income Statement of the Assets mandatorily at fair value concerns the capital loss recorded by the Bank on the Apple Fund for 173 thousand euros and on the Carige shares held by the Bank through the FITD Voluntary Scheme for 38 thousand euros.

Item 3.3.2. Losses recognised in: Shareholders' equity pertains to the Bank and concerns the write-down of the Real Estate Roma Olgiata S.r.l. shares for 514 thousand euros and the loss on Calipso S.p.A. shares following the elimination of the share capital for 44 thousand euros.

Item 3.5. Other decreases relates to Aldia S.p.A. and Liphe S.p.A. shares – owned by the Bank and previously classified as Financial assets held for trading and as Financial assets designated at fair value through other comprehensive income respectively – included in the item equity investments in joint ventures.

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

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

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

Assets/Liabilities not measured at fair value or measured at fair value on a non-recurring basis	31.12.2019				31.12.2018			
	BV	L1	L2	L3	BV	L1	L2	L3
1. Financial assets designated at amortised cost	1,548,092	1,000,760	-	569,487	1,464,034	944,580	-	538,092
2. Investment property	-	-	-	-	-	-	-	-
3. Non-current assets held for sale and discontinued operations	-	-	-	-	-	-	-	-
Total	**1,548,092**	**1,000,760**	**-**	**569,487**	**1,464,034**	**944,580**	**-**	**538,092**
1. Financial liabilities designated at amortised cost	1,815,357	-	-	1,815,320	1,641,991	-	-	1,641,850
2. Liabilities associated to discontinued operations	-	-	-	-	-	-	-	-
Total	**1,815,357**	**-**	**-**	**1,815,320**	**1,641,991**	**-**	**-**	**1,641,850**

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

The Bank and the other Group companies have never carried out fair value measurements on a non-recurring basis for assets and liabilities.

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

The Bank and other Group companies have not recorded in the financial year 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 31.12.2019	Total 31.12.2018
a) Cash	544	504
b) Demand deposits at Central Banks	155	161
Total	**699**	**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	31.12.2019			31.12.2018		
	L1	L2	L3	L1	L2	L3
A. Cash assets						
1. Debt securities	50,470	-	-	25,047	1,035	-
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	50,470	-	-	25,047	1,035	-
2. Equity	1,372	-	-	4,386	-	10
3. UCI units	619	5,060	-	183	6,260	-
4. Loans	-	-	-	-	-	-
4.1 Repurchase agreements	-	-	-	-	-	-
4.2 Other	-	-	-	-	-	-
Total A	**52,461**	**5,060**	**-**	**29,616**	**7,295**	**10**
B. Derivatives						
1. Financial derivatives	94	81	-	454	35	-
1.1 held for trading	94	81	-	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	**94**	**81**	**-**	**454**	**35**	**-**
Total (A+B)	**52,555**	**5,141**	**-**	**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 amount to 57,696 thousand euros. The balance at 31 December 2018 amounted to 37,410 thousand euros.

Item "A.1. Debt securities" amounting to 50,470 thousand euros (26,082 thousand euros at 31 December 2018) consists of the following financial instruments present in Level 1: Government bonds of 50,084 thousand euros and bonds of 386 thousand euros.

The item "A.3. UCI units" amounting to 5,679 thousand euros (6,443 thousand euros at 31 December 2018) includes in Level 1: 4AIM SICAF units of 167 thousand euros, Pharus Funds of 420 thousand euros, New Millennium Funds of 28 thousand euros and other funds for 4 thousand euros; in Level 2: New Millennium Fund units of 5,060 thousand euros.

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

Items/Amounts	Total 31.12.2019	Total 31.12.2018
A. Cash assets		
1. Debt securities	**50,470**	**26,082**
a) Central Banks	-	-
b) Public administrations	50,084	10,001
c) Banks	-	14,539
d) Other financial institutions	-	1,035
of which: insurance companies	-	-
e) Non financial institutions	386	507
2. Equity	**1,372**	**4,396**
a) Banks	-	-
b) Other financial institutions	320	247
of which: insurance companies	230	30
c) Non financial institutions	1,052	4,149
d) Other issuers	-	-
3. UCI units	**5,679**	**6,443**
4. Loans	**-**	**-**
a) Central Banks	-	-
b) Public administrations	-	-
c) Banks	-	-
d) Other financial institutions	-	-
of which: insurance companies	-	-
e) Non financial institutions	-	-
f) Households	-	-
Total A	**57,521**	**36,921**
B. Derivatives		
a) Central counterparties	-	-
b) Other	175	489
Total B	**175**	**489**
Total (A + B)	**57,696**	**37,410**

The item "UCI units" includes: 905 thousand euros of bond funds, 4,771 thousand euros of equity funds and 3 thousand euros of real estate funds.

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

Items/Amounts	31.12.2019			31.12.2018		
	L1	L2	L3	L1	L2	L3
1. Debt securities	-	-	-	-	-	-
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	-	-	-	-	-	-
2. Equity	-	-	30	-	-	-
3. UCI units	913	19,583	1,315	922	20,350	1,488
4. Loans	-	-	-	-	-	-
4.1 Repurchase agreements	-	-	-	-	-	-
4.2 Other	-	-	-	-	-	-
Total	913	19,583	1,345	922	20,350	1,488

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

Financial assets mandatorily at fair value amount to 21,841 thousand euros (22,760 thousand euros at 31 December 2018).

The item Equity (Level 3) concerns the Carige shares held by the Bank through the FITD Voluntary Scheme for 30 thousand euros.

The item UCI units is composed of the units owned by the subsidiary InvestiRE SGR S.p.A. in Level 1 and the following units relating to the Bank:

- Level 2: FIP Fund for 15,957 thousand euros, New Millennium Funds for 2,736 thousand euros and Symphonia Thema Fund for 890 thousand euros;
- Level 3: Apple Fund for 1,315 thousand euros.

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

Items/Amounts	Total 31.12.2019	Total 31.12.2018
1. Equity	30	-
of which: banks	30	-
of which: other financial institutions	-	-
of which: non financial institutions	-	-
2. Debt securities	-	-
a) Central Banks	-	-
b) Public administrations	-	-
c) Banks	-	-
d) Other financial institutions	-	-
of which: insurance companies	-	-
e) Non financial institutions	-	-
3. UCI units	21,811	22,760
4. Loans	-	-
a) Central Banks	-	-
b) Public administrations	-	-
c) Banks	-	-
d) Other financial institutions	-	-
of which: insurance companies	-	-
e) Non financial institutions	-	-
f) Households	-	-
Total	21,841	22,760

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 31.12.2019			Total 31.12.2018		
	L1	L2	L3	L1	L2	L3
1. Debt securities	**355,402**	**-**	**-**	**289,998**	**-**	**-**
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	355,402	-	-	289,998	-	-
2. Equity	**431**	**-**	**10,833**	**345**	**-**	**8,322**
3. Loans	**-**	**-**	**-**	**-**	**-**	**-**
Total	**355,833**	**-**	**10,833**	**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 366,666 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 31 December 2019, total net losses on credit risk on these securities amounted to 595 thousand euros. The value is recognised in item 120. Valuation reserves (after taxes) instead of as an adjustment to this item. In 2019, net value recoveries of 151 thousand euros were carried out.
Item 2. Equity consists of an equity investment of one thousand euros (Level 3) owned by InvestiRE SGR and of the following strategic investments of the Bank:

- Level 1: Net Insurance S.p.A. (431 thousand euros including the positive valuation reserve equal to 139 thousand euros);
- Level 3: Fideuram Investimenti SGR S.p.A. (810 thousand euros), SIA S.p.A. (6,250 thousand euros including the positive valuation reserve equal to 5,130 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 Olgiata S.r.l. (1,250 thousand euros including the negative valuation reserve equal to 514 thousand euros).

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

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

Items/Amounts	Total 31.12.2019	Total 31.12.2018
1. Debt securities	**355,402**	**289,998**
a) Central Banks	-	-
b) Public administrations	314,138	251,938
c) Banks	39,058	35,919
d) Other financial institutions	-	-
of which: insurance companies	-	-
e) Financial institutions	2,206	2,141
2. Equity	**11,264**	**8,667**
a) Banks	1	1
b) Other issuers:	11,263	8,666
- other financial institutions	1,241	1,155
of which: insurance companies	431	344
- non financial institutions	10,022	7,511
- other	-	-
3. Loans	**-**	**-**
a) Central Banks	-	
b) Public administrations	-	
c) Banks	-	
d) Other financial institutions	-	
of which: insurance companies	-	
e) Non financial institutions	-	
f) Households	-	
Total	**366,666**	**298,665**

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

	Gross value				Total impairment losses			Total partial write-offs (*)
	Stage 1	of which: instruments with low credit risk	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	
Debt securities	353,909	-	2,088	-	592	3	-	-
Loans	-	-	-	-	-	-	-	-
Total 31.12.2019	**353,909**	**-**	**2,088**	**-**	**592**	**3**	**-**	**-**
Total 31.12.2018	**290,861**	**-**	**-**	**-**	**863**	**-**	**-**	**-**
of which: acquired or originated impaired financial assets	X	X	-	-	X	-	-	-

(*) Value to be reported for disclosure purposes.

The gross amount corresponds to the book value solely of Debt securities increased by the total impairment losses.

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

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

Type of transactions/Amounts	Total 31.12.2019					
	Book value			Fair value		
	Stages 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
2. Compulsory reserve	-	-	-	X	X	X
3. Reverse repurchase agreements	-	-	-	X	X	X
4. Other	-	-	-	X	X	X
B. Due from banks	**92,968**	**-**	**-**	**-**	**-**	**92,968**
1. Loans	92,968	-	-	-	-	92,968
1.1 Current accounts and demand deposits	68,980	-	-	X	X	X
1.2 Time deposits	6,727	-	-	X	X	X
1.3. Other loans:	17,261	-	-	X	X	X
- Reverse repurchase agreements	-	-	-	X	X	X
- Lease financing	-	-	-	X	X	X
- Other	17,261	-	-	X	X	X
2. Debt securities	-	-	-	-	-	-
2.1 Structured securities	-	-	-	-	-	-
2.2 Other debt securities	-	-	-	-	-	-
Total	**92,968**	**-**	**-**	**-**	**-**	**92,968**

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

The item "Due from banks" totalled 92,968 thousand euros (88,863 thousand euros at 31 December 2018).

Item B.1.2. Time deposits of 6,727 thousand euros refers exclusively to the Compulsory reserve deposited by the Bank with Depobank S.p.A. (amount after collective write-down). At 31 December 2018, the Compulsory reserve amounted to 7,075 thousand euros.

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

At 31 December 2019, total net losses on credit risk with banks amounted to 19 thousand euros (of which 15 thousand euros were attributable to the Bank). In the year in question, net value recoveries amounting to 26 thousand euros were carried out.

Total 31.12.2018					
Book value			Fair value		
Stages 1 and 2	Stage 3	of which: acquired or originated impaired	L1	L2	L3
-	**-**	**-**			
-	-	-	X	X	X
-	-	-	X	X	X
-	-	-	X	X	X
-	-	-	X	X	X
88,863	**-**	**-**	**-**	**-**	**88,863**
88,863	-	-	-	-	88,863
66,854	-	-	X	X	X
7,075	-	-	X	X	X
14,934	-	-	X	X	X
-	-	-	X	X	X
-	-	-	X	X	X
14,934	-	-	X	X	X
-	-	-			
-	-	-	X	X	X
-	-	-	X	X	X
88,863	**-**	**-**	**-**	**-**	**88,863**

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

Type of transactions/Amounts	Total 31.12.2019					
	Book value			Fair value		
	Stages 1 and 2	Stage 3	of which: acquired or originated impaired	L1	L2	L3
1. Loans	**444,922**	**16,475**	**-**	**-**	**-**	**476,519**
1.1. Current accounts	169,237	575	-	X	X	X
1.2. Reverse repurchase agreements	40,557	-	-	X	X	X
1.3. Mortgages	175,869	8,838	-	X	X	X
1.4. Credit card loans, personal loans and transfers of one fifth of salaries	-	-	-	X	X	X
1.5. Lease financing	-	-	-	X	X	X
1.6. Factoring	-	-	-	X	X	X
1.7. Other loans	59,259	7,062	-	X	X	X
2. Debt securities	**993,727**	**-**	**-**	**1,000,760**	**-**	**-**
2.1. Structured securities	-	-	-	-	-	-
2.2. Other debt securities	993,727	-	-	1,000,760	-	-
Total	**1,438,649**	**16,475**	**-**	**1,000,760**	**-**	**476,519**

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

Loans to customers totalled 1,455,124 thousand euros (1,375,171 thousand euros at 31 December 2018).

At the reporting date of these Financial Statements, the items relating to current accounts, mortgages and other loans include **impaired assets** (**Bucket 3**) relating to the Parent Company totalling 36,367 thousand euros (15,147 thousand euros after the write-downs), comprising:

- **bad loans** totalling 25,224 thousand euros (5,707 thousand euros after the write-downs) relating to the following positions:
  - 4,572 thousand euros (973 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;
  - 15,244 thousand euros (3,047 thousand euros after the write-down) relating to a receivable for a loan due from the company Bio-On. For the purposes of determining the presumed realisable value of the receivable due from the company Bio-On, the Bank's offices conducted an evaluation of the company's assets based on the public information available starting from the accounting data which are largely recognised in the company's separate and consolidated financial statements, subject to audit in relation to 2018, as well as, to a lesser extent, in the consolidated half-yearly report at 30 June 2019; the Bank also requested a fairness opinion from an independent external expert which

Total 31.12.2018					
Book value			Fair value		
Stages 1 and 2	Stage 3	of which: acquired or originated impaired	L1	L2	L3
427,413	**7,162**	**-**	**-**	**-**	**449,229**
187,767	1,560	-	X	X	X
-	-	-	X	X	X
178,212	2,179	-	X	X	X
-	-	-	X	X	X
-	-	-	X	X	X
-	-	-	X	X	X
61,434	3,423	-	X	X	X
940,596	**-**	**-**	**944,580**	**-**	**-**
-	-	-	-	-	-
940,596	-	-	944,580	-	-
1,368,009	**7,162**	**-**	**944,580**	**-**	**449,229**

certified the correctness of the evaluation methodology adopted and its results. In consideration of the typical uncertainties of the evaluations based on external information which essentially concern the impossibility of carrying out a check on the completeness of the reconstruction of the company's current equity situation, also considering the absence of a total debt statement, the presumed realisable value of the receivable resulting from the evaluation conducted internally and certified by the fairness opinion was, however, prudentially reduced by more than 50% at the time of determination of the value adjustment resolved by the Board of Directors;

- 5,408 thousand euros relating for 1,733 thousand euros to trade receivables (61 thousand euros after the write-down) and for 3,675 thousand euros (1,626 thousand euros after the write-down) and to receivables relating to cash loans.

The line-by-line write-downs carried out therefore totalled 19,517 thousand euros (including 1,672 thousand euros referring to trade receivables), with a total coverage rate of 77%.

- **unlikely to pay** totalling 8,023 thousand euros (6,404 thousand euros after the write-downs) comprising:
  - overdraft facilities amounting to 63 thousand euros (53 thousand euros after the write-down);
  - mortgage positions of 7,832 thousand euros (339 thousand euros of overdue instalments and 7,493 thousand euros of principal about to fall due);
  - trade receivables of 128 thousand euros.

  The line-by-line write-downs totalled 1,619 thousand euros (including 102 thousand euros referring to trade receivables);
- **other positions expired or past due** for over 90 days totalling 3,120 thousand euros (3,036 thousand euros after the write-downs).

At 31 December 2019, the Bank has 26 "forborne" exposures of which:

- 8 non-performing positions totalling 24,165 thousand euros (10,322 thousand euros after write-downs), of which 2 positions included among bad loans of 15,385 thousand euros, 3 positions included among unlikely to pay of 7,715 thousand euros and 3 positions included among past due loans of 1,065 thousand euros.
- 18 performing positions totalling 6,927 thousand euros.

At 31 December 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 2,299 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 2019, the Bank recorded in the Income Statement 506 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, 12,694 thousand euros for net losses on loans to customers broken down as follows: 1,200 thousand euros for portfolio value recoveries, 241 thousand euros for specific value recoveries, 14,106 thousand euros for specific impairment losses, 42 thousand euros for cancellation losses and 13 thousand euros for recoveries of receivables cancelled in previous financial years.
At 31 December 2019, the allowance for doubtful loans to Bank customers, excluding securities, totalled 23,519 thousand euros of which 21,220 thousand euros on an itemised basis and 2,299 thousand euros for portfolio impairment losses.

With regard to other Group companies, the itemised allowance for doubtful loans (**Bucket 3**) at 31 December 2019 amounted to 790 thousand euros against gross non-performing loans of 1,033 thousand euros for Finnat Fiduciaria S.p.A. and to 2,358 thousand euros against gross non-performing loans of 3,443 thousand for InvestiRE SGR S.p.A.
Whereas portfolio impairment losses relating only to loans to customers (**Bucket 1** and **Bucket 2**) at 31 March 2019 amounted to 68 thousand euros for InvestiRE SGR S.p.A. and to a total of 3 thousand euros for the other companies of the Group.

Item 1.7. Other loans includes Deposits for margins with Cassa di Compensazione e Garanzia pertaining to the Bank amounting to 30,369 thousand euros (Bucket 1), non-performing financial loans pertaining to the Bank amounting to 5,646 thousand euros (Bucket 3), trade receivables amounting to 30,246 thousand euros (of which Bucket 1 and 2 amounting to 28,831 thousand euros and Bucket 3 amounting to 1,415 thousand euros) and sublease receivables of 59 thousand euros, pertaining to the Bank (Bucket 1).

Item 2.2 Other debt securities refers exclusively to Government bonds of the Bank. The total write-down of the portfolio amounted to 506 thousand euros after utilisation for sale of 464 thousand euros.

A breakdown of "Time distribution of loans to customers by residual duration" can be found under Part E Section 1.4 – Liquidity risk.

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

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

	Closing balances at 31.12.2019 net of impairment losses	Closing balances at 31.12.2018 net of impairment losses
Loans to customers for activities of:		
- advisory and corporate finance	2,364	2,526
- specialist	969	762
- placement	773	711
- delegated management	365	305
- individual management	159	138
- collective management	27,932	31,664
- services to listed issuers (SEQ and equity research)	100	99
- other services	2,744	1,917
Total receivables before write-downs	**35,406**	**38,122**
Total line-by-line impairment losses	(4,922)	(4,798)
Total collective impairment losses on trade receivables	(240)	(333)
Total receivables after write-downs	**30,244**	**32,991**
Liabilities deriving from contracts with customers:		
- deferred income on issued invoices	(215)	(371)

The impairment losses on an itemised basis at 31 December 2019 amounted to 4,922 thousand euros and pertain to the Bank for 1,774 thousand euros (of which 82 thousand euros relating to the specialist activity, 3 thousand euros to services to listed issuers and 1,689 thousand euros relating to the advisory and corporate finance activity), to InvestiRE SGR S.p.A. for 2,358 thousand euros and Finnat Fiduciaria S.p.A. for 790 thousand euros.

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

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

Type of transactions/Amounts	Total 31.12.2019			Total 31.12.2018		
	Stages 1 and 2	Stage 3	Of which: acquired or originated impaired assets	Stages 1 and 2	Stage 3	Of which: acquired or originated impaired assets
1. Debt securities:	**993,727**	**-**	**-**	**940,596**	**-**	**-**
a) Public administrations	993,727	-	-	940,596	-	-
b) Other financial institutions	-	-	-		-	-
of which: insurance companies	-	-	-	-	-	-
c) Non financial institutions	-	-	-	-	-	-
2. Loans to:	**444,922**	**16,475**	**-**	**427,413**	**7,162**	**-**
a) Public administrations	-	-	-	-	-	-
b) Other financial institutions	147,987	1,222	-	121,343	1,241	-
of which: insurance companies	-	-	-	-	-	
c) Non financial institutions	162,329	11,121	-	175,272	1,603	-
d) Households	134,606	4,132		130,798	4,318	-
Total	**1,438,649**	**16,475**	**-**	**1,368,009**	**7,162**	**-**

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

	Gross value				Total impairment losses			Total partial write-offs (*)
	Stage 1	of which: instruments with low credit risk	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	
Debt securities	994,233	-	-	-	506	-	-	-
Loans	443,489	-	96,792	40,843	925	1,466	24,368	-
Total 31.12.2019	**1,437,722**	**-**	**96,792**	**40,843**	**1,431**	**1,466**	**24,368**	**-**
Total 31.12.2018	**1,368,711**	**-**	**93,365**	**17,623**	**2,719**	**2,485**	**10,461**	**-**
of which: acquired or originated impaired financial assets	X	X	-	-	X	-	-	-

(*) Value to be reported for disclosure purposes.

Section 7 - Equity investments – Item 70

7.1 Equity investments: information on investment relationships

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

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

The item at 31 December 2019 amounted to 11,173 thousand euros (6,400 thousand euros at 31 December 2018). With respect to 31 December 2018, the item also includes the companies Aldia S.p.A. and Liphe S.p.A. owned by the Bank for a total of 390 thousand euros and 150 thousand euros respectively.

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

7.3 Individually material equity investments: financial information

At 31 December 2019, the Group did not hold individually material equity investments in associated companies.

7.4 Individually immaterial equity investments: financial information

Company name	Book value of the equity investments	Total assets	Total liabilities	Total revenues	Profit (loss) from continuing operations after taxes	Profit (loss) from discontinued operations after taxes	Profit (loss) for the year (1)	Other income items after tax (2)	Comprehensive income (3) = (1) + (2)
Companies subject to joint control	4,988	34,015	33,869	485	(366)	-	(366)	-	(366)
Companies subject to significant influence	6,185	83,157	83,157	1,894	1	-	1	78	79

Data referred to the latest approved available situations.

The posted data are shown cumulatively and referred to the shareholding percentage held by the Group.

7.5 Equity investments: annual changes

	Total 31.12.2019	Total 31.12.2018
A. Initial amount	**6,400**	**6,457**
B. Increases	**14,515**	**239**
B.1 Purchases	14,427	167
B.2 Value recoveries	-	-
B.3 Revaluations	-	-
B.4 Other changes	88	72
C. Decreases	**9,742**	**296**
C.1 Sales	7,667	-
C.2 Impairment losses	1,558	296
C.3 Write-downs	-	-
C.4 Other changes	517	-
D. Final amount	**11,173**	**6,400**
E. Total revaluations	**-**	**-**
F. Total impairment losses	**1,558**	**296**

Item B.1 Purchases amounting to 14,427 thousand euros regards, for 2,040 thousand euros, the Bank's subscription of share capital increases of the companies Aldia S.p.A. and Liphe S.p.A. and the increases in value totalling 12,387 thousand euros registered by InvestiRE SGR S.p.A. on the equity investment in the associate REDO SGR S.p.A. following, in an initial phase, the subscription of the share capital increase and, subsequently, the transfer of the business unit with the subsequent transfer of management of FIL Funds 1 and 2.

Following the transfer, InvestiRE SGR S.p.A. sold part of the REDO SGR S.p.A shares to Fondazione Cariplo for 7,667 thousand euros, reported in item C.1 Sales. The transaction is commented on under the Main transactions in the year in the Separate Financial Statements.

Item B.4 Other changes also includes the amount of 10 thousand euros relating to the equity interests owned by the Bank, Aldia S.p.A. and Liphe S.p.A. – previously classified under Financial assets held for trading and Financial assets designated at fair value through other comprehensive income respectively, for 5 thousand euros each – included in the item equity investments in joint ventures.

Item C.2 Impairment losses refers to the associate Previra for 48 thousand euros and to the joint ventures Aldia S.p.A. for 910 thousand euros and Liphe S.p.A for 600 thousand euros. Impairment losses effected on the two joint ventures, companies today operational, were determined by the uncertainties regarding the actual continuation of sales of products, for which the companies hold a concession, determined by the insolvency proceedings that concerned the company Bio-On. In the evaluation of the two companies, account was also taken of the value attributed to the two equity investments in the fairness opinion drafted by an independent expert which the Bank availed itself of to determine the presumed realisable value of the receivable due from Bio-On.

Section 9 - Property and equipment – Item 90

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

Assets/amounts	Total 31.12.2019	Total 31.12.2018
1. Owned assets	**4,635**	**4,781**
a) land	1,308	1,308
b) buildings	2,010	2,156
c) furniture	821	840
d) electronic equipment	485	455
e) other	11	22
2. Rights of use acquired through leases	**15,953**	**-**
a) land	-	-
b) buildings	15,423	-
c) furniture	-	-
d) electronic equipment	37	-
e) other	493	-
Total	**20,588**	**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 31 December 2019, as required by the accounting standard IFRS 16, which came into force on 1 January 2019.

9.6 Property and equipment used in operation: annual changes

	Land	Buildings	Furniture	Electronic equipment	Other	Total
A. Gross initial carrying amount	**1,308**	**5,825**	**2,932**	**5,035**	**497**	**15,597**
A.1 Total net adjustment	-	3,669	2,092	4,580	475	10,816
A.2 Net initial carrying amount	**1,308**	**2,156**	**840**	**455**	**22**	**4,781**
B. Increases	**-**	**18,802**	**57**	**293**	**718**	**19,870**
B.1 Purchases	-	3,584	57	237	301	4,179
B.2 Capitalised improvement costs	-	-	-	-	-	-
B.3 Value recoveries	-	-	-	-	-	-
B.4 Positive changes in fair value allocated to:	-	-	-	-	-	-
a) shareholders' equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
B.5 Positive foreign exchange differences	-	-	-	-	-	-
B.6 Transfers from properties held for investment	-	-	X	X	X	-
B.7 Other changes	-	15,218	-	56	417	15,691
C. Decreases	**-**	**3,525**	**76**	**226**	**236**	**4,063**
C.1 Sales	-	593	-	19	-	612
C.2 Depreciation	-	2,932	76	206	231	3,445
C.3 Net losses on impairment allocated to:	-	-	-	-	-	-
a) shareholders' equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
C.4 Negative changes in fair value allocated to:	-	-	-	-	-	-
a) shareholders' equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
C.5 Negative foreign exchange differences	-	-	-	-	-	-
C.6 Transfers to:	-	-	-	-	-	-
a) investment property	-	-	X	X	X	-
b) non-current assets held for sale and discontinued operations						
C.7 Other changes	-	-	-	1	5	6
D. Net final amount	**1,308**	**17,433**	**821**	**522**	**504**	**20,588**
D.1 Total net adjustment	-	6,601	2,168	4,768	711	13,655
D.2 Final carrying amount	**1,308**	**24,034**	**2,989**	**5,290**	**1,215**	**34,243**
E. Valuation at cost						

Point B.7 Other changes of the table shown above shows the amounts relating to rights of use charged on 1 January 2019 at the moment of first-time adoption of IFRS 16. The changes in the period are reported under purchases, sales and depreciation.

As required by Circular no. 262, the table of changes in tangible assets relating solely to rights of use is reported below.

IFRS 16 - Property and equipment used in operation: annual changes

	Land	Buildings	Furniture	Electronic equipment	Other	Total
A. Gross initial carrying amount	**-**	**-**	**-**	**-**	**-**	**-**
A.1 Total net adjustment	-	-	-	-	-	-
A.2 Net initial carrying amount	-	-	-	-	-	-
B. Increases	**-**	**18,802**	**-**	**56**	**690**	**19,548**
B.1 Purchases	-	3,584	-	-	273	3,857
B.2 Capitalised improvement costs	-	-	-	-	-	-
B.3 Value recoveries	-	-	-	-	-	-
B.4 Positive changes in fair value allocated to:	-	-	-	-	-	-
a) shareholders' equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
B.5 Positive foreign exchange differences	-	-	-	-	-	-
B.6 Transfers from properties held for investment	-	-	X	X	X	-
B.7 Other changes	-	15,218	-	56	417	15,691
C. Decreases	**-**	**3,379**	**-**	**19**	**197**	**3,595**
C.1 Sales	-	593	-	-	-	593
C.2 Depreciation	-	2,786	-	19	192	2,997
C.3 Net losses on impairment allocated to:	-	-	-	-	-	-
a) shareholders' equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
C.4 Negative changes in fair value allocated to:	-	-	-	-	-	-
a) shareholders' equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
C.5 Negative foreign exchange differences	-	-	-	-	-	-
C.6 Transfers to:	-	-	-	-	-	-
a) investment property	-	-	X	X	X	-
b) non-current assets held for sale and discontinued operations	-	-	-	-	-	-
C.7 Other changes	-	-	-	-	5	5
D. Net final amount	**-**	**15,423**	**-**	**37**	**493**	**15,953**
D.1 Total net adjustment	-	2,786	-	19	192	2,997
D.2 Final carrying amount	**-**	**18,209**	**-**	**56**	**685**	**18,950**
E. Valuation at cost						

Section 10 - Intangible assets – Item 100

10.1 Intangible assets: breakdown by asset

Assets/Amounts	Total 31.12.2019		Total 31.12.2018	
	Definite life	Indefinite life	Definite life	Indefinite life
A.1 Goodwill	**X**	**28,129**	**X**	**37,729**
A.1.1 pertaining to the Group	X	14,260	X	19,074
A.1.2 pertaining to minority interests	X	13,869	X	18,655
A.2 Other intangible assets	**441**	**2,726**	**519**	**2,726**
A.2.1 Assets measured at cost:	441	2,726	519	2,726
a) Internally generated intangible assets	-	-	-	-
b) Other assets	441	2,726	519	2,726
A.2.2 Assets measured at fair value:	-	-	-	-
a) Internally generated intangible assets	-	-	-	-
b) Other assets	-	-	-	-
Total	**441**	**30,855**	**519**	**40,455**

Item A.1 Goodwill amounting to 28,129 thousand euros refers:

- 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.
- 27,829 thousand euros to goodwill recorded by the subsidiary InvestiRE SGR S.p.A. following the merger by incorporation in 2015, of Beni Stabili Gestioni SGR S.p.A. and Polaris RE SGR S.p.A. The value of goodwill reduced in 2019 by 9,600 thousand euros, corresponding to the portion relating to the business unit transferred to the associate REDO SGR S.p.A. The transaction is commented on in the section relating to the Main transactions in the year in the Separate Financial Statements.

  The adequacy assessment was based on the estimate of the projected cash flows to be discounted according to the Discounted Free Cash Flow to the Firm method, adopted taking into account both the characteristics of the business and the current and prospective situation of the company. It should be noted that the goodwill is attributable to the Cash Generating Unit CGU "Asset Management - Real Estate Fund Management" which coincides with the activity carried out by InvestiRE SGR.

  The internal experts of InvestiRE SGR S.p.A., on the basis of the last business plan approved by the Board of Directors, with the support of the internal specialists of the Parent Company, set up the impairment test to assess whether or not it is necessary to adjust goodwill.

  The definitive updated parameters of the Group to be used as assumptions on which the impairment calculation is based are summarised in the document "Measurement methodologies and Impairment test", approved by the competent decision-making bodies of the Bank autonomously and in advance with respect to the time of approval of the financial data at the end of the year.

  At 31 December 2019, 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 "Ke" capital, inasmuch as InvestiRE SGR S.p.A. is characterised by the current and expected absence of financial payables. The financial parameters used to calculate the WACC were defined on the basis of average market values, measured also by sample testing comparable entities; moreover, a period of explicit projection of 3 years was used, and thereafter, prudentially, no growth rates were applied: the prospective data used in the measurement at 31

December 2019 therefore refer to the 2020-2022 projections prepared by the Management of the SGR. The WACC thus determined is 5.85%.

The model for determining the equity value was lastly subjected to sensitivity analysis in order to appreciate the change of the results obtained as the adopted measurement parameters change. The analyses conducted did not bring to light any indications of impairment with reference to goodwill, not even based on a "stress test" approach, using a discount rate "Ke" (+/-50 bps).

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.

As it regards an intangible asset with indefinite useful life, an impairment test was carried out in accordance with the provisions of IAS 36. This evaluation did not show any loss in value to record in the income statement.

10.2 Intangible assets: annual changes

	Goodwill	Other intangible assets: generated internally		Other intangible assets: other		Total
		DEF	INDEF	DEF	INDEF	
A. Initial amount	**37,729**	**-**	**-**	**4,484**	**3,710**	**45,923**
A.1 Total net adjustment	-	-	-	3,965	984	4,949
A.2 Net initial carrying amount	**37,729**	**-**	**-**	**519**	**2,726**	**40,974**
B. Increases	**-**	**-**	**-**	**133**	**-**	**133**
B.1 Purchases	-	-	-	133	-	133
B.2 Increases in internal intangible assets	X	-	-	-	-	-
B.3 Value recoveries	X	-	-	-	-	-
B.4 Positive changes in fair value	-	-	-	-	-	-
- on shareholders' equity	X	-	-	-	-	-
- on income statement	X	-	-	-	-	-
B.5 Positive foreign exchange rate differences	-	-	-	-	-	-
B.6 Other changes	-	-	-	-	-	-
C. Decreases	**9,600**	**-**	**-**	**211**	**-**	**9,811**
C.1 Sales	-	-	-	-	-	-
C.2 Impairment losses	X	-	-	211	-	211
(-) Amortisation	X	-	-	211	-	211
(-) Write-downs	-	-	-	-	-	-
(+) shareholders' equity	X	-	-	-	-	-
(+) income statement	-	-	-	-	-	-
C.3 Negative changes in fair value	-	-	-	-	-	-
- on shareholders' equity	X	-	-	-	-	-
- on income statement	X	-	-	-	-	-
C.4 Transfers to non-current assets being disposed	-	-	-	-	-	-
C.5 Negative foreign exchange differences	-	-	-	-	-	-
C.6 Other changes	9,600	-	-	-	-	9,600
D. Net final amount	**28,129**	**-**	**-**	**441**	**2,726**	**31,296**
D.1 Total net impairment losses	-	-	-	4,176	984	5,160
E. Final carrying amount	**28,129**	**-**	**-**	**4,617**	**3,710**	**36,456**
F. Valuation at cost	**-**	**-**	**-**	**-**	**-**	

Key:
DEF: definite life INDEF: indefinite life

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

Current tax assets totalled 3,483 thousand euros (2,231 thousand euros at 31 December 2018) and concerned mainly IRAP receivables of the Bank of 2,030 thousand euros and IRES receivables from the domestic consolidated tax system of 1,317 thousand euros.

Current tax liabilities totalled 136 thousand euros (581 thousand euros at 31 December 2018) and they consist primarily of tax payables of foreign subsidiaries.

11.1 Deferred tax assets: breakdown

Deferred tax assets accounted for with reference to the deductible temporary differences amounted to 10,648 thousand euros (17,035 thousand euros at 31 December 2018) and refer, for 10,259 thousand euros to taxes recognised through profit or loss and for 389 thousand euros to taxes recognised with a corresponding item in shareholders' equity. Taxes recognised through profit or loss pertain to the Bank for a total of 1,670 thousand euros, InvestiRE SGR S.p.A. for 8,497 thousand euros (of which goodwill for 7,406 thousand euros) and Finnat Fiduciaria S.p.A. for 92 thousand euros; while the taxes recognised with a corresponding item in shareholders' equity pertain to the Bank for 325 thousand euros, InvestiRE SGR S.p.A. for 31 thousand euros and Finnat Fiduciaria S.p.A. for 33 thousand euros.

11.2 Deferred tax liabilities: breakdown

Deferred tax liabilities amounted to 682 thousand euros (536 thousand euros at 31 December 2018) and are recognised through profit or loss for 156 thousand euros and with a corresponding item in shareholders' equity for 526 thousand euros. The latter concern, for 514 thousand euros, taxes on positive valuation reserves relating to Financial assets designated at fair value through other comprehensive income owned by the Bank.

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

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

	Total 31.12.2019	Total 31.12.2018
1. Opening balance	**12,571**	**11,963**
2. Increases	**547**	**1,230**
2.1 Deferred tax assets recognised in the year	547	1,230
a) relating to previous years	-	-
b) due to changes in accounting criteria	-	1,136
c) value recoveries	-	-
d) other	547	94
2.2 New taxes or tax rate increases	-	-
2.3 Other increases	-	-
3. Decreases	**2,859**	**622**
3.1 Deferred tax assets eliminated in the year	2,859	622
a) reversals	281	622
b) write-offs	-	-
c) changes in accounting criteria	-	-
d) other	2,578	-
3.2 Tax rate reductions	-	-
3.3 Other decreases	-	-
a) changes into tax credits pursuant to Law no. 214/2011	-	-
b) other	-	-
4. Closing balance	**10,259**	**12,571**

The figures indicated in table 11.3 comprise the amounts shown in table 11.4.

Item 3.1 d) other relates to the subsidiary InvestiRE SGR S.p.A. and concerns, for 2,555 thousand euros, the cancellation of deferred tax assets following the reduction in goodwill for the transfer of the business unit to REDO SGR S.p.A. It should be noted that, in respect of said expense, income of 1,252 thousand euros was recorded as an adjustment of the substitute tax paid in due course.

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

	Total 31.12.2019	Total 31.12.2018
1. Opening balance	**11,111**	**11,044**
2. Increases	**-**	**75**
3. Decreases	**9,961**	**8**
3.1 Reversals	-	8
3.2 Transformation into tax credits	-	-
a) deriving from losses for the year	-	-
b) deriving from tax losses	-	-
3.3 Other decreases	9,961	-
4. Closing balance	**1,150**	**11,111**

The final amount of the deferred tax assets pursuant to Law 214/2011 relates exclusively to the Bank.

The decrease relates to the subsidiary InvestiRE SGR S.p.A. for the cancellation of taxes following the reduction in goodwill for the portion transferred to REDO SGR S.p.A. and for the reclassification of deferred tax assets pursuant to Law 214/2011 and deferred tax assets that cannot be converted.
Article 2 of Italian Law Decree 225/2010 (the "*mille proroghe*" decree) subsequently amended by Article 9 of Italian Law Decree 201/2011 (the "Monti" decree) converted by Italian Law no. 214/2011 introduced the possibility of transforming into tax credits the deferred tax assets recorded in the financial statements and related to the value of the goodwill and to the write-down of receivables pursuant to Article 106, paragraph 3, of the TUIR (Consolidated Income Tax Act) in force through 31 December 2013.

In particular, the transformation into tax credits can be realised upon the occurrence of some cases identified by the regulation itself and more specifically in case of: a) statutory loss; b) tax loss; c) voluntary liquidation; d) subjecting to bankruptcy proceedings. Deferred tax assets calculated pursuant to Italian Law 214/2011, for the recognition in the financial statements, should not be subject to the test in accordance with IAS 12.

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

	Total 31.12.2019	Total 31.12.2018
1. Opening balance	**142**	**205**
2. Increases	**14**	**229**
2.1 Deferred tax liabilities recognised in the year	14	229
a) relating to previous years	-	-
b) due to changes in accounting criteria	-	200
c) other	14	29
2.2 New taxes or tax rate increases	-	-
2.3 Other increases	-	-
3. Decreases	**-**	**292**
3.1 Deferred tax liabilities eliminated in the year	-	292
a) relating to previous years	-	292
b) due to changes in accounting criteria	-	
c) other	-	-
3.2 Tax rate reductions	-	-
3.3 Other decreases	-	-
4. Closing balance	**156**	**142**

11.6 Changes in deferred taxes assets (with corresponding item in shareholders' equity)

	Total 31.12.2019	Total 31.12.2018
1. Opening balance	**4,464**	**485**
2. Increases	**56**	**4,316**
2.1 Deferred tax assets recognised in the year	56	4,316
a) relating to previous years	-	-
b) due to changes in accounting criteria	-	-
c) other	56	4,316
2.2 New taxes or tax rate increases	-	-
2.3 Other increases	-	-
3. Decreases	**4,131**	**337**
3.1 Deferred tax assets eliminated in the year	4,131	337
a) reversals	4,131	6
b) due to changes in accounting criteria	-	331
d) other	-	-
3.2 Tax rate reductions	-	-
3.3 Other decreases	-	-
4. Closing balance	**389**	**4,464**

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

	Total 31.12.2019	Total 31.12.2018
1. Opening balance	**394**	**840**
2. Increases	**198**	**549**
2.1 Deferred tax liabilities recognised in the year	198	549
a) relating to previous years	-	-
b) due to changes in accounting criteria	-	119
c) other	198	430
2.2 New taxes or tax rate increases	-	-
2.3 Other increases	-	-
3. Decreases	**66**	**995**
3.1 Deferred tax liabilities eliminated in the year	66	995
a) reversals	66	311
b) due to changes in accounting criteria	-	684
c) other	-	-
3.2 Tax rate reductions	-	-
3.3 Other decreases	-	-
4. Closing balance	**526**	**394**

For further information on changes to deferred tax assets and liabilities, please see: for those recorded in the income statement, Part C - Section 21 Taxes on income from continuing operations and for those recorded in shareholders' equity Part D – Consolidated statement of comprehensive income.

* * *

With regard to tax disputes, a bank appeal against unfavourable decision no. 253/07/10 of the Regional Tax Commission of Lazio 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 Bank filed a prompt appeal to resume the proceedings before the Regional Tax Commission of Lazio.
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 last year 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. Subsequently, the Bank recovered the allocation to the provision for risks and charges indicated above to the income statement.

As regards the Group companies, the subsidiary InvestiRE SGR S.p.A. has tax disputes in progress, already lodged by the merged company Beni Stabili Gestioni S.p.A. SGR, regarding the objection to the IRES/IRAP assessment notices for the years 2006 and 2008. The re-admission to taxation concerns the alleged non-deductibility of expenses for property management services for retail funds, as well as, solely for the year 2008, the non-accounting of performance fees relating to the Securfondo Fund; the request to the tax authorities for higher direct taxes amounts, respectively, to 403 thousand euros for 2008 and 151 thousand euros for 2006, plus penalties and interest.
In relation to 2006, a decision was won at the first instance proceedings and the appeal proceedings were lost; an appeal is pending at the Supreme Court. The entire amount due in the form of taxes, penalties, interest and collection fees was paid, for a total of 351 thousand euros.

In relation to 2008, on 12 July 2018, the hearing was held for discussion of the case at the first instance proceedings. In February 2019, the company was notified of a negative ruling, in which the Provincial Tax Commission rejected the asset management company's appeal. Consequently, the company decided to proceed with a facilitated settlement of the pending litigation pursuant to art. 6 of Decree Law 119/2018 converted to Law 136/2018. The cost for the settlement of the litigation came to 90% of the higher taxes assessed, with no penalty and without any interest for a total of 363 thousand euros, including the amount already collected in the form a temporary collection.

Section 13 - Other assets – Item 130

13.1 Other assets: breakdown

	Total 31.12.2019	Total 31.12.2018
Receivables for guarantee deposits	501	505
Deposits with Cassa Compensazione e Garanzia	11,164	11,795
Due from counterparties and brokers	-	111
Tax credits as withholding tax	9,765	8,716
Sundry receivables	3,540	3,645
Total	**24,970**	**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 31.12.2019				Total 31.12.2018			
	BV	Fair value			BV	Fair value		
		L1	L2	L3		L1	L2	L3
1. Due to Central Banks	**-**	**X**	**X**	**X**	**-**	**X**	**X**	**X**
2. Due to banks	**369**	**X**	**X**	**X**	**271**	**X**	**X**	**X**
2.1 Current accounts and demand deposits	369	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	**369**	**-**	**-**	**369**	**271**	**-**	**-**	**271**

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

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 31.12.2019				Total 31.12.2018			
	BV	Fair value			BV	Fair value		
		L1	L2	L3		L1	L2	L3
1. Current accounts and demand deposits	582,138	X	X	X	470,257	X	X	X
2. Time deposits	191,002	X	X	X	183,013	X	X	X
3. Loans	985,179	X	X	X	938,918	X	X	X
3.1 Repurchase agreements	985,179	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	16,240	X	X	X	-	X	X	X
6. Other payables	15,516	X	X	X	21,282	X	X	X
Total	**1,790,075**	**-**	**-**	**1,790,075**	**1,613,470**	**-**	**-**	**1,613,470**

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

Item 3.1 Repurchase agreements concerns 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 31.12.2019				Total 31.12.2018			
	BV	Fair value			BV	Fair value		
		L1	L2	L3		L1	L2	L3
A. Securities	24,913	-	-	24,876	28,250	-	-	28,109
1. bonds	24,913	-	-	24,876	28,250	-	-	28,109
1.1 structured	-	-	-	-	-	-	-	-
1.2 other	24,913	-	-	24,876	28,250	-		28,109
2. other securities	-	-	-	-	-	-	-	-
2.1 structured	-	-	-	-	-	-	-	-
2.2 other	-	-	-	-	-	-	-	-
Total	**24,913**	**-**	**-**	**24,876**	**28,250**	**-**	**-**	**28,109**

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

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 5,087 thousand euros.

1.6 Lease payables

The information pursuant to IFRS 16, paragraph 58, is reported below.

Type	Maturities					
	up to 1 month	from over 1 month to 3 months	from over 3 months to 1 year	from over 1 year to 5 years	more than 5 years	Total 31.12.2019
Buildings	651	113	1,999	7,186	5,758	15,707
Electronic equipment	-	3	16	19	-	38
Other	19	32	136	285	23	495
Total	**670**	**148**	**2,151**	**7,490**	**5,781**	**16,240**

Lease payables concern the Bank for 9,176 thousand euros and the subsidiaries InvestiRE SGR S.p.A. for 6,640 thousand euros, Finnat Fiduciaria S.p.A. for 317 thousand euros and Natam for 107 thousand euros.

As regards the information pursuant to IFRS 16, paragraph 53, letter g), total cash outflows for leases in 2019 came to 2,834 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 31.12.2019					Total 31.12.2018				
	NV	Fair value			Fair value*	NV	Fair value			Fair value*
		L1	L2	L3			L1	L2	L3	
A. Cash liabilities	**-**	**-**	**-**	**-**	**-**	**68**	**243**	**-**	**-**	**243**
1. Due to banks	-	-	-	-	-	-	-	-	-	-
2. Due to customers	-	-	-	-	-	68	243	-	-	243
3. Debt securities	-	-	-	-	-	-	-	-	-	-
3.1 Bonds	-	-	-	-	-	-	-	-	-	-
3.1.1 Structured	-	-	-	-	X	-	-	-	-	X
3.1.2 Other bonds	-	-	-	-	X	-	-	-	-	X
3.2 Other securities	-	-	-	-	-	-	-	-	-	-
3.2.1 Structured	-	-	-	-	X	-	-	-	-	X
3.2.2 Other	-	-	-	-	X	-	-	-	-	X
Total A	**-**	**-**	**-**	**-**	**-**	**68**	**243**	**-**	**-**	**243**
B. Derivatives	**-**	**-**	**152**	**-**	**-**	**-**	**-**	**80**	**-**	**-**
1. Financial derivatives	-	-	152	-	-	-	-	80	-	-
1.1 Held for trading	X	-	152	-	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**	**-**	**152**	**-**	**X**	**X**	**-**	**80**	**-**	**X**
Total (A + B)	**X**	**-**	**152**	**-**	**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 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 31.12.2019	Total 31.12.2018
Social security and insurance contributions to be paid	1,517	1,678
Payables to personnel employed and contractors	3,654	4,631
Emoluments to be paid to the Directors	186	130
Emoluments to be paid to the Board of Statutory Auditors	227	214
Due to suppliers	1,303	1,380
Shareholders for dividends to be paid	1,996	1,949
Payables to brokers and institutional counterparties	1,590	2,857
Tax payables as withholding tax	2,709	1,572
Other payables	5,676	5,959
Total	**18,858**	**20,370**

Section 9 - Provisions for termination indemnities – Item 90

9.1 Provisions for termination indemnities: annual changes

	Total 31.12.2019	Total 31.12.2018
A. Initial amount	**5,317**	**4,970**
B. Increases	**1,945**	**1,630**
B.1 Allocation for the year	1,945	1,630
B.2 Other changes	-	-
C. Decreases	**1,342**	**1,283**
C.1 Severance indemnities paid out	539	489
C.2 Other changes	803	794
D. Final amount	**5,920**	**5,317**

Item B.1 Allocation for the year includes the actuarial loss of 458 thousand euros recognised among valuation reserves – net of the tax effect – in accordance with IAS 19. In 2018, an actuarial loss of 188 thousand euros was recorded.

Item C.2 Other changes includes payments made to supplementary Social Security Institutes and the INPS Treasury – net of disbursements carried out – as established by Italian Law no. 296/2006.

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

Demographic assumption

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

Economic-financial assumptions

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

- technical discount rate between 0% and 0.5458%, determined on the basis of the rate curve built in view of the effective yield rate of the bonds in Euro of leading companies rated AA or higher;
- annual inflation rate 1.00%.

Section 10 - Provisions for risks and charges – Item 100

10.1 Provisions for risks and charges: breakdown

Items/Components	Total 31.12.2019	Total 31.12.2018
1. Provisions for credit risk related to commitments and financial guarantees given	102	101
2. Provisions on other commitments and other guarantees given	-	-
3. Company pension funds	-	-
4. Other provisions for risks and charges	-	682
4.1 Legal and tax disputes	-	-
4.2 Personnel expenses	-	-
4.3 Other	-	682
Total	**102**	**783**

Item 1. Provisions for credit risk related to commitments and financial guarantees given pertaining exclusively to the Bank concerns the collective impairment losses recorded up until 31 December 2019 totalling 89 thousand euros and an individual adjustment carried out in the year on an impaired guarantee for 13 thousand euros.

Collective recoveries on commitments in the year came to 17 thousand euros and collective impairment losses on financial guarantees stood at 5 thousand euros.

The item Other provisions for risks and charges was eliminated during the year as a result of the uses of the provisions made by the Bank in previous years: 134 thousand euros for the closure of the Report on Findings of the Italian Tax Police (please refer to the comments in Section 11 - Tax assets and tax liabilities); 100 thousand euros for the settlement of the fees to be paid to an employee in the sales area as a result of the cost incurred during the year for 147 thousand euros recorded under personnel expenses; 448 thousand euros for the use of the residual amount of the allocation set aside in due course due to the fact the compensation obligations no longer applied owing to lower fees collected by a real estate fund.

It should be noted that, the compensation claim was closed successfully in 2019 with a settlement agreement, for an amount of 156 thousand euros, proposed in 2018 by a natural person customer. As a result of this settlement, the Bank recorded an amount of 3 thousand euros under losses from the cancellation of receivables; in the previous year, no provision was set aside as the conditions were not satisfied.

With reference to the events that concerned Bio-On S.p.A. and the associated top management representatives, it should be noted that the Bank received some letters from investors holding shares in the company, none of whom are bank customers, also through trade associations, in which compensation was requested for the damage suffered by said parties. The arguments contained in said letters are generic and vague both in subjective terms, and with reference to the conduct attributable to the Bank, the facts disputed and the alleged damage suffered; therefore, at the current state of play, no legal risk can be identified.

10.2 Provisions for risks and charges: annual changes

Items/Components	Provisions on other commitments and other guarantees given	Pension funds	Other provisions for risks and charges	Total
A. Initial amount	**101**	**-**	**682**	**783**
B. Increases	**18**	**-**	**-**	**18**
B.1 Allocation for the year	18	-	-	18
B.2 Changes due to the passing of time	-	-	-	-
B.3 Changes due to discount rate variations	-	-	-	-
B.4 Other changes	-	-	-	-
C. Decreases	**17**	**-**	**682**	**699**
C.1 Use in the year	17	-	682	699
C.2 Changes due to discount rate variations	-	-	-	-
C.3 Other changes	-	-	-	-
D. Final amount	**102**	**-**	**-**	**102**

The item refers exclusively to the Bank.

For comments on the changes, refer to the notes at the bottom of table 10.1 Provisions for risks and charges: breakdown.

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

	Provisions for credit risk related to commitments and financial guarantees given			
	Stage 1	Stage 2	Stage 3	Total
Commitments to lend funds	4	-	-	4
Financial guarantees given	79	6	13	98
Total	**83**	**6**	**13**	**102**

10.6 Provisions for risks and charges - other provisions

The provision for risks and charges - other provisions, pertaining exclusively to the Bank, was eliminated during the year. At 31 December 2018, it amounted to 682 thousand euros. For details, refer to the notes at the bottom of table 10.1 Provisions for risks and charges: breakdown.

Section 13 - Group equity – Items 120, 130, 140, 150, 160, 170 and 180

13.1 "Share capital" and "Treasury shares": breakdown

At 31 December 2019, the share capital paid up by the Bank was 72,576,000 euros, divided into 362,880,000 ordinary shares with a face value of euro 0.20 each.

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

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		

13.3 Share capital: additional information

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

13.4 Retained earnings: other information

The "Reserves" item amounts to 150,586 thousand euros (148,870 thousand euros at 31 December 2018) and is broken down as follows:

- Retained earnings of the Bank of 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, the reserve for merger surplus of 525 thousand euros, the reserve for treasury shares purchased of 14,059 thousand euros and the negative reserve from restated IFRS 9 of -488 thousand euros;
- other reserves of 33,547 thousand euros consisting of the reserve for the realised gain on treasury shares of 4,277 thousand euros and net losses on sale of shares present in the portfolio Financial assets designated at fair value through other comprehensive income of 35 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 31.12.2019	Total 31.12.2018
Equity investments in consolidated companies with significant interests in third parties		
1. InvestiRE SGR S.p.A.	40,170	40,078
Other equity investments	641	610
Total	**40,811**	**40,688**

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

Other information

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

	Nominal value over commitments and financial guarantees given			Total 31.12.2019	Total 31.12.2018
	Stage 1	Stage 2	Stage 3		
1. Commitments to lend funds	**9,627**	**103**	**-**	**9,730**	**10,301**
a) Central Banks	-	-	-	-	-
b) Public administrations	-	-	-	-	-
c) Banks	-	-	-	-	-
d) Other financial institutions	2,189	-	-	2,189	561
e) Non financial institutions	835	88	-	923	7,257
f) Households	6,603	15	-	6,618	2,483
2. Financial guarantees given	**18,429**	**1,160**	**299**	**19,888**	**14,682**
a) Central Banks	-	-	-	-	-
b) Public administrations	-	-	-	-	-
c) Banks	591	-	-	591	545
d) Other financial institutions	4,404	-	-	4,404	304
e) Non financial institutions	10,664	1,160	299	12,123	12,691
f) Households	2,770	-	-	2,770	1,142

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

Financial guarantees given c) Banks shows the Bank's commitment towards the Interbank Fund for the Protection of Deposits, amounting to 568 thousand euros.

2. Other commitments and other guarantees given

	Nominal value	
	Total 31.12.2019	Total 31.12.2018
1. Other guarantees given	**-**	**-**
of which: non-performing credit exposures	-	-
a) Central Banks	-	-
b) Public administrations	-	-
c) Banks	-	-
d) Other financial institutions	-	-
e) Non financial institutions	-	-
f) Households	-	-
2. Other commitments	**178,201**	**140,826**
of which: non-performing credit exposures	-	1
a) Central Banks	-	-
b) Public administrations	-	-
c) Banks	63	163
d) Other financial institutions	14,690	13,411
e) Non financial institutions	113,229	94,305
f) Households	50,219	32,946

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

3. Assets pledged as collateral of liabilities and commitments

Portfolios	Amount 31.12.2019	Amount 31.12.2018
1. Financial assets designated at fair value through profit or loss	-	-
2. Financial assets designated at fair value through other comprehensive income	-	-
3. Financial assets designated at amortised cost	993,727	940,596
4. Property and equipment	-	-
of which: property and equipment constituting inventory	-	-

5. Management and dealing on behalf of third parties

Type of service	Amount
1. Trading on behalf of customers	
a) purchases	2,870,491
1. settled	2,869,042
2. to be settled	1,449
b) sales	2,712,981
1. settled	2,712,228
2. to be settled	753
2. Portfolio management	
a) individual	730,380
b) collective	5,932,556
3. Custody and administration of securities	
a) third-party securities held in deposit: related to depositary bank activities (excluding portfolio management)	-
1. securities issued by companies included in the consolidation area	-
2. other securities	-
b) third-party securities on deposit (excluding portfolio management): other	2,882,229
1. securities issued by companies included in the consolidation area	81,125
2. other securities	2,801,104
c) third-party securities lodged with third parties	2,866,767
d) own securities lodged with third parties	1,531,389
4. Other transactions	108,982

Item 2 Portfolio management - b) collective refers to the NAV of the assets managed by InvestiRE SGR and of the assets managed by Natam.

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 FY 2019	Total FY 2018
1. Financial assets designated at fair value through profit or loss	**555**	**-**	**-**	**555**	**333**
1.1. Financial assets held for trading	555	-	-	555	333
1.2. Financial assets designated at fair value	-	-	-	-	-
1.3. Other financial assets mandatorily at fair value	-	-	-	-	-
2. Financial assets designated at fair value through other comprehensive income	**1,570**	**-**	**X**	**1,570**	**1,156**
3. Financial assets designated at amortised cost	**5,942**	**8,112**	**-**	**14,054**	**9,156**
3.1 Due from banks	-	167	X	167	167
3.2 Loans to customers	5,942	7,945	X	13,887	8,989
4. Hedging derivatives	**X**	**X**	**-**	**-**	**-**
5. Other assets	**X**	**X**	**-**	**-**	**-**
6. Financial liabilities	**X**	**X**	**X**	**2,563**	**3,416**
Total	**8,067**	**8,112**	**-**	**18,742**	**14,061**
of which: interest income on impaired financial assets	**-**	**882**	**-**	**882**	**221**
of which: interest income on finance leases	**-**	**-**	**-**	**-**	**-**

1.3 Interest expense and similar expense: breakdown

Items/Categories	Payables	Securities	Other transactions	Total FY 2019	Total FY 2018
1. Financial liabilities designated at amortised cost	1,774	13	-	1,787	793
1.1 Due to Central Banks	-	X	X	-	-
1.2 Due to banks	1	X	X	1	2
1.3 Due to customers	1,773	X	X	1,773	783
1.4 Securities issued	X	13	X	13	8
2. Financial liabilities held for trading	-	-	-	-	-
3. Financial liabilities designated at fair value	-	-	-	-	-
4. Other liabilities and funds	X	X	-	-	-
5. Hedging derivatives	X	X	-	-	-
6. Financial assets	X	X	X	669	737
Total	**1,774**	**13**	**-**	**2,456**	**1,530**
of which: interest expense related to lease payables	**263**	**-**	**-**	**263**	**-**

Interest margin, almost exclusively pertaining to the Bank, totals 16,286 thousand euros, versus 12,531 thousand euros in the previous financial year.

Section 2 - Fees and commissions – Items 40 and 50

2.1 Fee and commission income: breakdown

Type of service/Amounts	Total FY 2019	Total FY 2018
a) Guarantees given	209	113
b) Credit derivatives	-	-
c) Administration, brokerage and consultancy services:	50,959	51,357
1. trading in financial instruments	5,102	4,672
2. currency dealing	-	-
3. portfolio management	37,171	37,587
3.1. individual	6,731	6,112
3.2. collective	30,440	31,475
4. custody and administration of securities	508	465
5. depositary bank	-	-
6. placement of securities	3,935	4,832
7. reception and transmission of orders	-	-
8. consultancy services	2,189	2,505
8.1. on investments	737	595
8.2. on financial structure	1,452	1,910
9. distribution of third-party services	2,054	1,296
9.1.portfolio management	135	161
9.1.1. individual	-	-
9.1.2. collective	135	161
9.2. insurance products	1,919	1,135
9.3. other products	-	-
d) Collection and payment services	452	394
e) Servicing related to securitisations	-	-
f) Factoring services	-	-
g) Tax collection services	-	-
h) Multilateral trading systems management	-	-
i) Management of current accounts	389	355
j) Other services	2,945	2,638
Total	**54,954**	**54,857**

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

Revenue from contracts with customers (IFRS 15)

	FY 2019 Revenue	Revenue recognised in 2019 included in the opening balance of the liabilities deriving from contracts at the start of the year	FY 2018 Revenue	Revenue recognised in 2018 included in the opening balance of the liabilities deriving from contracts at the start of the year
Breakdown by type of service				
- consultancy services	2,189	109	2,505	69
- specialist	1,488	-	1,306	-
- trading	3,614	-	3,366	-
- placement	3,935	113	4,832	-
- individual management	5,447	-	4,862	-
- collective management	30,052	-	31,083	113
- delegated management	1,284	-	1,250	-
- services to listed issuers (SEQ and equity research)	506	125	267	62
- distribution of insurance products	1,919	-	1,135	-
- distribution of third-party services	523	-	553	-
- other services	3,997	24	3,698	-
Total fee and commission income	**54,954**	**371**	**54,857**	**244**
Line by line impairment losses for the period on trade receivables	(3,184)	-	(3,276)	-
Collective impairment losses for the period on trade receivables	(396)	-	(232)	-
Losses for derecognition of receivables	(11)	-	(12)	-
Total impairment losses and losses on trade receivables	**(3,591)**		**(3,520)**	

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

- during the year the Bank accounted for performance fees of 524 thousand euros and they concern, for 260 thousand euros (8 thousand euros at 31 December 2018) performance fees on management, for 54 thousand euros for performance fees on delegated management (zero at 31 December 2018) and for 210 thousand euros (70 thousand euros at 31 December 2018) success fees on corporate finance consultancy services. On the whole, variable fees were classified in 2019 totalling 282 thousand euros and, in 2020, for 127 thousand euros;
- during the year, the subsidiary InvestiRE SGR S.p.A. accounted for performance fees of 896 thousand euros (FIP 852 thousand euros and Helios 44 thousand euros). As prescribed by the FIP fund regulation, 50% of this amount will be liquidated only at the expiration of the fund if there is no significant downwards adjustment of the amount of the cumulated revenue. As a result of the assessment made, the subsidiary does not deem this eventuality to be highly probable;
- at the closing date of the year, there were no unrecognised fees and commissions on contracts above one year.

2.2 Fee and commission expense: breakdown

Services/Amounts	Total FY 2019	Total FY 2018
a) Guarantees received	-	-
b) Credit derivatives	-	-
c) Management and brokerage services:	948	1,532
1. trading in financial instruments	523	644
2. currency dealing	-	-
3. portfolio management:	93	92
3.1 own portfolio	45	36
3.2 third-party portfolio	48	56
4. custody and administration of securities	317	272
5. placement of financial instruments	15	524
6. "door-to-door" sale of financial instruments, products and services	-	-
d) Collection and payment services	296	243
e) Other services	728	641
Total	**1,972**	**2,416**

Net fees and commissions amount to 52,982 thousand euros versus 52,441 thousand euros in the previous financial year.

Section 3 - Dividend and similar income – Item 70

3.1 Dividends and similar income: breakdown

Items/Income	Total FY 2019		Total FY 2018	
	Dividends	Similar income	Dividends	Similar income
A. Financial assets held for trading	10	-	5	1
B. Other financial assets mandatorily at fair value	-	2,437	-	1,752
C. Financial assets designated at fair value through other comprehensive income	566	-	592	-
D. Equity investments	-	-	-	-
Total	**576**	**2,437**	**597**	**1,753**

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	**286**	**442**	**1,317**	**1,619**	**(2,208)**
1.1 Debt securities	-	58	317	72	**(331)**
1.2 Equity	53	306	965	1,527	**(2,133)**
1.3 UCI units	233	78	35	20	**256**
1.4 Loans	-	-	-	-	-
1.5 Other	-	-	-	-	-
2. Financial liabilities held for trading	**-**	**-**	**-**	**-**	**-**
2.1 Debt securities	-	-	-	-	-
2.2 Payables	-	-	-	-	-
2.3 Other	-	-	-	-	-
3. Financial assets and liabilities: foreign exchange differences	**X**	**X**	**X**	**X**	**361**
4. Derivatives	**25**	**600**	**13**	**431**	**110**
4.1 Financial derivatives:	25	600	13	431	110
- On debt securities and interest rates	-	-	-	-	-
- On equity and stock indexes	25	600	13	431	**181**
- On currencies and gold	X	X	X	X	**(71)**
- Other	-	-	-	-	-
4.2 Credit derivatives	-	-	-	-	-
of which: natural hedges related to the fair value option	X	X	X	X	-
Total	**311**	**1,042**	**1,330**	**2,050**	**(1,737)**

Profit (losses) on trading, referring exclusively to the Bank, features a negative balance of 1,737 thousand euros, compared to the balance of 170 thousand euros in 2018, and may be broken down as follows:

- negative difference between unrealised capital gains and losses, in connection with the fair value measurement of the trading portfolio, totalling 1,019 thousand euros (in 2018, there was a negative balance of 660 thousand euros);
- a negative balance between realised profits and losses related to trading on securities and derivatives of 1,008 thousand euros (in 2018, a positive balance of 171 thousand euros);
- negative difference of 71 thousand euros between unrealised capital gains and losses in connection with the fair value measurement of currency forwards (in 2018, a negative difference of 38 thousand euros and also included the valuation of Amortising Interest Rate Swap);
- a positive balance of 361 thousand euros between realised foreign exchange gains and losses (in 2018, a positive balance of 319 thousand euros).

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

6.1 Profits (losses) on disposal/repurchase: breakdown

Items/Income items	Total FY 2019			Total FY 2018		
	Profit	Losses	Net income	Profit	Losses	Net income
Financial assets						
1. Financial assets designated at amortised cost	464	-	464	377	-	377
1.1 Due from banks	-	-	-	-	-	-
1.2 Loans to customers	464	-	464	377	-	377
2. Financial assets designated at fair value through other comprehensive income	242	-	242	940	-	940
2.1 Debt securities	242	-	242	940	-	940
2.2 Loans	-	-	-	-	-	-
Total assets (A)	**706**	**-**	**706**	**1,317**	**-**	**1,317**
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	**312**	**84**	**1,322**	**-**	**(926)**
1.1 Debt securities	-	-	-	-	-
1.2 Equity	-	-	39	-	(39)
1.3 UCI units	312	84	1,283	-	(887)
1.4 Loans	-	-	-	-	-
2. Financial assets in foreign currencies: foreign exchange differences	**X**	**X**	**X**	**X**	**-**
Total	**312**	**84**	**1,322**	**-**	**(926)**

Losses (C) refer exclusively to the Bank, while gains relate to the Bank for 93 thousand euros and to the subsidiary InvestiRE SGR S.p.A. for 219 thousand euros. Profits from disposal concern the subsidiary InvestiRE SGR S.p.A.

At 31 December 2018, the item had a negative balance of 389 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 FY 2019	Total FY 2018
	Stages 1 and 2	Stage 3		Stages 1 and 2	Stage 3	(1) - (2)	
		Write-off	Other				
A. Due from banks	**1**	**-**	**-**	**27**	**-**	**(26)**	**(34)**
- Loans	1	-	-	27	-	(26)	(34)
- Debt securities	-	-	-	-	-	-	-
of which: acquired or originated impaired loans	-	-	-	-	-	-	-
B. Loans to customers	**4**	**67**	**14,291**	**1,819**	**350**	**12,193**	**3,262**
- Loans	4	67	14,291	1,313	350	12,699	1,976
- Debt securities	-	-	-	506	-	(506)	1,286
of which: acquired or originated impaired loans	-	-	-	-	-	-	-
Total	**5**	**67**	**14,291**	**1,846**	**350**	**12,167**	**3,228**

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 FY 2019	Total FY 2018
	Stages 1 and 2	Stage 3		Stages 1 and 2	Stage 3	(1) - (2)	
		Write-off	Other				
A. Debt securities	6	-	-	157	-	(151)	775
B. Loans	-	-	-	-	-	-	-
- to customers	-	-	-	-	-	-	-
- to banks	-	-	-	-	-	-	-
of which: acquired or originated impaired financial assets	-	-	-	-	-	-	-
Total	**6**	**-**	**-**	**157**	**-**	**(151)**	**775**

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

At 31 December 2019, the item had a positive balance of 7 thousand euros and exclusively concerns the Bank.

Section 12 - Administrative expenses – Item 190

12.1 Personnel expenses: breakdown

Type of expense/Segments	Total FY 2019	Total FY 2018
1) Personnel employed	33,952	34,032
a) wages and salaries	24,636	24,530
b) social security charges	6,486	6,358
c) termination indemnities	606	604
d) supplementary benefits	-	-
e) provisions for termination indemnities	520	484
f) provisions for post employment benefits:	-	-
- defined contribution plans	-	-
- defined benefit plans	-	-
g) payments to external pension funds:	459	470
- defined contribution plans	459	470
- defined benefit plans	-	-
h) costs from share based payments	-	-
i) other benefits in favour of employees	1,245	1,586
2) Other non-retired personnel	711	584
3) Directors and statutory auditors	1,564	1,573
4) Early retirement costs	-	-
Total	**36,227**	**36,189**

Personnel expenses rose by 38 thousand euros.
Item 1) e) does not include the actuarial loss referred to IAS provisions for termination indemnities of 458 thousand euros (actuarial loss of 188 thousand euros in 2018), recognised – net of the tax effect – among Valuation reserves.

Item 1) i) other benefits in favour of employees decreased essentially due to the introduction of IFRS 16; for comments refer to subsequent point 12.4 Other benefits in favour of employees.

12.2 Average number of employees by category

	Total FY 2019	Total FY 2018
Personnel employed	**351**	**342**
(a) senior managers	55	52
(b) executives	151	144
(c) rest of personnel employed	145	146
Other personnel	**13**	**11**

12.4 Other benefits in favour of employees

Benefits in favour of employees amount to 1,245 thousand euros (versus 1,586 thousand euros last year) and concern luncheon vouchers, collective health care policies, professional training, cars and other benefits.

Following the introduction of IFRS 16, lease payments relating to benefits assigned to employees (company car and employee accommodation) are no longer recognised under this item, but instead the amortisation charges of the right of use relating to existing contracts amounting to 218 thousand euros and for interest expense on the related debt amounting to 3 thousand euros are recognised.

12.5 Other administrative expenses: breakdown

Type of expense/Segments	Total FY 2019	Total FY 2018
Rentals and condominium fees	494	3,175
Membership fees	239	242
EDP materials	76	76
Stationery and printing supplies	63	69
Consultancy and outsourced professional services	2,648	2,441
Outsourcing services	2,132	1,972
Auditing company fees	279	304
Maintenance	975	987
Utilities and connections	1,763	1,739
Postal, transport and shipment fees	59	73
Insurance companies	315	251
Public relations and advertising expenses	247	140
Office cleaning	338	333
Books, newspapers and magazines	91	89
Entertainment expenses	529	584
Travel expenses and mileage based reimbursements	627	658
Other duties and taxes	4,613	4,579
Security charges	212	214
Contributions to National Resolution Fund	923	909
Other	1,150	1,157
TOTAL	**17,773**	**19,992**

The other administrative expenses fell by 2,219 thousand euros compared to 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 2,779 thousand euros and for interest expense on the related debt amounting to 260 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 181 thousand euros corresponding to 0.3% of item 190. Administrative expenses, which impact will be progressively reabsorbed in the following years until the expiry of the lease agreements.

Auditing company fees

In accordance with the requirements of art. 149-duodecies of Consob Resolution no. 15915 of 3 May 2007, we list the fees paid for 2019 for the different types of services provided to the Group by the auditing firms and by the entities belonging to their networks.

	Party who provided the service	Payment due in 2019 (in thousands of euros)
Auditing services	EY S.p.A.	180
Auditing services	Dreieck Fiduciaria S.A.	4
Auditing services	PwC	24
Declaration of compliance services	EY S.p.A.	9
Other services	Ernst & Young Financial-Business Advisors S.p.A.	20
Other services	Dreieck Fiduciaria S.A.	2
Total		**239**

The auditing activities include the auditing of financial statements, the accounting auditing of the Group as well as the consolidated financial statements and the consolidated half-yearly report of the Parent Company.

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

Payments do not include VAT, expense repayments and supervisory contribution. The total expense amounts to 279 thousand euros.

The other services relating to Ernst & Young Financial-Business Advisors S.p.A. refer to the resolution plan advisory activity and do not include VAT, whilst those relating to Dreieck Fiduciaria SA refer to the LRD Revision (Swiss Law on money laundering).

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 FY 2019
Commitments to lend funds	17	-	17
Financial guarantees given	-	17	(17)
Total	**17**	**17**	**-**

At 31 December 2018, this item showed net impairment losses of 14 thousand euros.

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

	Total FY 2019	Total FY 2018
Allocations	-	(134)
Utilisation	682	-
Total	**682**	**(134)**

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	3,445	-	-	3,445
- Owned	448	-	-	448
- Rights of use acquired through leases	2,997	-	-	2,997
2 Investment property	-	-	-	-
- Owned	-	-	-	-
- Rights of use acquired through leases	-	-	-	-
3 Inventory	X	-	-	-
Total	**3,445**	**-**	**-**	**3,445**

The item Rights of use acquired through leases refers to depreciation relating to employee benefits of 218 thousand euros and other administrative expenses of 2,779 thousand euros. At 31 December 2018, depreciation stood at 469 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	211	-	-	211
- Internally generated by the company	-	-	-	-
- Other	211	-	-	211
A.2 Rights of use acquired through leases	-	-	-	-
Total	**211**	**-**	**-**	**211**

At 31 December 2018, amortisation stood at 177 thousand euros.

Section 16 - Other operating income/expenses – Item 230

16.1 Other operating expense: breakdown

	Total FY 2019	Total FY 2018
Amounts reimbursed to customers	8	5
Amortisation for improvements to third party assets	37	34
Other expense	46	50
Total	**91**	**89**

16.2 Other operating income: breakdown

	Total FY 2019	Total FY 2018
Rental income	150	132
Recovery of stamp duty	4,138	4,030
Recovery of substitute tax	134	169
Recovery of other expenses	711	840
Dividend and prescription waiver	241	214
Other income	147	238
Total	**5,521**	**5,623**

Other operating income and expenses show a positive balance of 5,430 thousand euros versus 5,534 thousand euros of 2018.

The item comprises the recoveries of costs, amounting to 4,983 thousand euros (5,039 thousand euros in 2018).

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

17.1 Profit (loss) from equity investments: breakdown

Income items/Segments	Total FY 2019	Total FY 2018
1) Jointly controlled companies		
A. Income	1,900	-
1. Revaluations	-	-
2. Profit from disposals	-	-
3. Value recoveries	-	-
4. Other income	1,900	-
B. Expense	1,949	-
1. Write-downs	-	-
2. Net losses on impairment	1,510	-
3. Losses from disposals	354	-
4. Other expense	85	-
Net income	**(49)**	**-**
2) Companies subject to significant influence		
A. Income	-	-
1. Revaluations	-	-
2. Profit from disposals	-	-
3. Value recoveries	-	-
4. Other income	-	-
B. Expense	126	296
1. Write-downs	-	-
2. Net losses on impairment	48	296
3. Losses from disposals	-	-
4. Other expense	78	-
Net income	**(126)**	**(296)**
Total	**(175)**	**(296)**

Item A.4. Other income includes jointly controlled companies and shows the economic effect of the transfer from InvestiRE SGR S.p.A. of the business unit to REDO SGR S.p.A.; the transfer of 63.98% of the equity investment Fondazione Cariplo generated a loss of 354 thousand euros reported in item B.3 losses from disposals. The transaction is commented on in the section relating to the Main transactions in the year in the Separate financial statements.

The item B.2 Net losses on impairment refers to the impairment charged on the joint ventures Aldia for 910 thousand euros and Liphe for 600 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 FY 2019	Total FY 2018
1.	Current taxes (-)	(527)	(3,704)
2.	Changes in current taxes compared with previous years (+/-)	(242)	(58)
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 (+/-)	(2,312)	(528)
5.	Change in deferred tax liabilities (+/-)	(13)	263
6.	**Income taxes for the year (-) (-1+/-2+3+3bis+/-4+/-5)**	**(3,094)**	**(4,027)**

Current taxes refer to the Bank (+989 thousand euros), to InvestiRE SGR S.p.A. (-3,887 thousand euros), to the other companies of the Group for the difference.

The variation in deferred tax assets mainly concerns InvestiRE SGR S.p.A. and relates for -2,555 thousand euros to the cancellation of the deferred tax assets on the portion of goodwill allocated to the business unit transferred to REDO SGR S.p.A. In addition, InvestiRE SGR S.p.A., as a result of the non-deduction of the goodwill conferred, recorded income for substitute tax under current assets, paid in due course and the object of a refund request for 1,252 thousand euros.

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

	FY 2019		
	IRES	**IRAP**	**TOTAL**
Pre-tax profit (loss)	6,597	6,597	
Applicable tax rate	24.00	5.57	29.57
THEORETICAL TAX CHARGE	**(1,583)**	**(368)**	**(1,951)**
3.5% IRES surtax for credit and financial institutions	7		7
THEORETICAL GLOBAL TAX CHARGE	**(1,576)**	**(368)**	**(1,944)**
Effect of income that is exempt or taxed with concessional rates	2,730	1,527	4,257
Effect of charges that are fully or partially non-deductible	(793)	(351)	(1,144)
Effect of income/charges that are not included in the IRAP taxable income	-	(1,432)	(1,432)
Changes in deferred tax liabilities	(2,098)	(531)	(2,629)
Changes in current taxes compared with previous years	(135)	(67)	(202)
Rate change on deferred tax assets/liabilities	-		-
CURRENT TAX CHARGE	**(1,872)**	**(1,222)**	**(3,094)**

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 FY 2019	Total FY 2018
Consolidated equity investments with significant interests in third parties		
1. InvestiRE SGR S.p.A.	2,935	2,838
Other equity investments	133	132
Total	**3,068**	**2,970**

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 euro) of the holders of the Bank's ordinary shares (the numerator) by the weighted average of the ordinary shares outstanding during the period (the denominator).

For the purpose of calculating the basic earnings (loss) per share, the weighted average of the ordinary shares outstanding during the year is calculated based on the ordinary shares outstanding at the beginning of the year, adjusted by the amount of ordinary shares purchased or issued or sold during the year multiplied by the number of days that the shares were outstanding, in proportion to the total days in the year. 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.

	31.12.2019	31.12.2018
Profit (loss) for the year (in euro)	434,468	5,342,556
Weighted average of ordinary shares	334,069,360	334,069,360
Basic earnings (loss) per share	0.001301	0.015992

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

	31.12.2019	31.12.2018
Adjusted profit (loss) for the year (in euro)	434,468	5,342,556
Weighted average of ordinary shares for diluted capital	334,069,360	334,069,360
Diluted earnings (loss) per share	0.001301	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 had been issued.

Part D – Consolidated statement of comprehensive income

ANALYTICAL CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Items	31.12.2019	31.12.2018
10.	**Profit (loss) for the year**	**3,502**	**8,313**
	Other comprehensive income that may not be reclassified to the income statement	**928**	**2.983**
20.	Equity designated at fair value through other comprehensive income:	1,292	3,282
	a) changes in fair value	1,292	3,282
	b) transfers to other shareholders' equity components	-	-
30.	Financial liabilities designated at fair value through profit or loss (changes of own credit rating):		
	a) changes in fair value		
	b) transfers to other shareholders' equity components		
40.	Hedges of equity designated at fair value through other comprehensive income:		
	a) changes in fair value (hedged instrument)		
	b) changes in fair value (hedging instrument)		
50.	Property and equipment		
60.	Intangible assets		
70.	Defined benefit plans	(458)	(188)
80.	Non-current assets held for sale and discontinued operations		
90.	Share of valuation reserves connected with investments carried at equity	78	72
100.	Income taxes relating to other comprehensive income that may not be reclassified to the income statement	(16)	183
	Other income items that may be reclassified to the income statement		
110.	Foreign investment hedge:		
	a) changes in fair value		
	b) reclassification to the income statement		
	c) other changes		
120.	Foreign exchange differences:		
	a) changes in fair value		
	b) reclassification to the income statement		
	c) other changes		
130.	Cash flow hedge:		
	a) changes in fair value		
	b) reclassification to the income statement		
	c) other changes		
	of which: result of net positions		
140.	Hedging instruments (non-designated elements):		
	a) changes in fair value		
	b) reclassification to the income statement		
	c) other changes		
150.	Financial assets (other than equity) designated at fair value through other comprehensive income:	**12,265**	**(12,596)**
	a) changes in fair value	11,381	(13,061)
	b) reclassification to the income statement	884	465
	- losses on credit risk	(151)	772
	- profits/losses from disposal	1,035	(307)
	c) other changes	-	-

continue to next page

following from the previous page

160. Non-current assets held for sale and discontinued operations:		
a) changes in fair value		
b) reclassification to the income statement		
c) other changes		
170. Share of valuation reserves connected with investments carried at equity:		
a) changes in fair value		
b) reclassification to the income statement		
- losses on impairment		
- profits/losses from disposal		
c) other changes		
180. Income taxes relating to other comprehensive income that may be reclassified to the income statement	**4,139**	**(4,407)**
190. Total other comprehensive income	**9,054**	**(5,206)**
200. Comprehensive income (item 10+190)	**12,556**	**3,107**
210. Consolidated comprehensive income pertaining to minority interests	2,934	2,920
220. Consolidated comprehensive income pertaining to the Parent Company	**9,622**	**187**

The positive change of Item 20. Equity designated at fair value through other comprehensive income of 1,292 thousand euros refers to the Bank and it is due to changes in fair value (before taxes) of the other equity (of which SIA S.p.A. +1,650 thousand euros, CSE S.r.l. +70 thousand euros, Net Insurance +86 thousand euros and Real Estate Roma Olgiata S.r.l. -514 thousand euros).

The positive change in item 150. Financial assets (other than equity) designated at fair value through other comprehensive income (before taxes) of 12,265 thousand euros is mainly due to the Government bonds. At the end of the year, the valuation reserves of the Group (after taxes) are as follows:

Financial assets designated at fair value through other comprehensive income		
Parent Company		
SIA S.p.A. shares	4,774	euros
CSE S.r.l. shares	3	euros
Net Insurance S.p.A. shares	129	euros
Real Estate Roma Olgiata S.r.l.	-486	euros
Debt securities	373	euros
	4,793	**euros**
Other Group Companies		
Debt securities	17	euros
	17	**euros**
Total A)	**4,810**	**euros**
Defined benefit plans B)	**-591**	**euros**
Share of valuation reserves connected with investments carried at equity C)	**14**	**euros**
Total (A+B+C+D)	**4,233**	**euros**

Valuation reserves are positive by 5,597 thousand euros and comprise, in addition to what is detailed above, also the valuation reserves per Law no. 576/75, Law no. 72/83 and Law no. 413/91, recognised in the financial statements of the Bank for a total amount of 1,364 thousand euros.

Part E – Information on risks and related hedging policies

Foreword

The Parent Company Banca Finnat and the subsidiaries carry out their activities according to criteria of prudence and reduced exposure to risks, applying the principle of sound and prudent management.

The Bank defined the risk appetite for the Group, by incorporating in the Risk Appetite Framework the risk objectives and respective limits, within which the Bodies implement the strategic guidelines based on the mission and the growth objectives assigned. The thresholds determined are calibrated so as to recognise and take action on any gradual deterioration in the risk and solidity profile of the Group. The pillar I "mandatory" limits, on the ratios between the regulatory risk measures and own funds, are defined consistently with the Supervisory provisions. By contrast, the management limits refer to the system of risk limits that the Bank has introduced and developed over time and which it has governed in the respective internal regulations.

In the Risk Appetite Framework (RAF) document, the Bank defined, for the Group, the risk appetite, the tolerance thresholds and the limits that can be assumed, in accordance with the Recovery Plan and the Planning and Budget process. More specifically, a system of limits was rolled out as a management tool aimed at governing the assumption of risks and overseeing the return to normal conditions if the threshold values are exceeded. The tolerance perimeter was also defined within the RAF, deriving from the evaluations conducted under stress conditions, as well as the operating methods of monitoring and the protocols which can be activated in the event the trend in the risk profile involves a situation whereby the level corresponding to the maximum deviation permitted by the Risk Appetite Framework is exceeded.

A significant role is also played by the ICAAP/ILAAP report for the purposes of management and monitoring of risks, drafted on an annual basis by the Banca Finnat Group in compliance with the guidelines of the European Banking Authority and the provisions of the Bank of Italy.
The preparation of the ICAAP/ILAAP report, 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 also carefully monitors its liquidity risk, according to the method formalised in the appropriate documents approved by the Board of Directors, 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, the Bank prepared and sent the Group Recovery Plan to the Supervisory Authorities in April 2019 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).

Section 1 - Accounting consolidation risks

Quantitative information

A. Credit quality

A.1 Non-performing and performing credit exposures: balances, impairment losses, changes and breakdown by type

A.1.1 Breakdown of credit exposures by portfolio classification and credit quality (book values)

Portfolio/Quality	Bad loans	Unlikely to pay	Non-performing past due exposures	Performing past due exposures	Other performing exposures	Total
1. Financial assets designated at amortised cost	6,862	6,566	3,047	55,734	1,475,883	1,548,092
2. Financial assets designated at fair value through other comprehensive income	-	-	-	-	355,402	355,402
3. Financial assets designated at fair value	-	-	-	-	-	-
4. Other financial assets mandatorily at fair value	-	-	-	-	-	-
5. Financial assets under disposal	-	-	-	-	-	-
Total 2019	**6,862**	**6,566**	**3,047**	**55,734**	**1,831,285**	**1,903,494**
Total 2018	**3,182**	**1,775**	**2,205**	**13,445**	**1,733,425**	**1,754,032**

A.1.2 Breakdown of credit exposures by portfolio classification and credit quality (gross and net values)

Portfolio/Quality	Non-performing			Total partial write-offs*	Performing			Total (net exposure)
	Gross exposure	Total impairment losses	Net exposure		Gross exposure	Total impairment losses	Net exposure	
1. Financial assets designated at amortised cost	40,843	24,368	16,475	-	1,534,513	2,896	1,531,617	1,548,092
2. Financial assets designated at fair value through other comprehensive income	-	-	-	-	355,997	595	355,402	355,402
3. Financial assets designated at fair value	-	-	-	-	X	X	-	-
4. Other financial assets mandatorily at fair value	-	-	-	-	X	X	-	-
5. Financial assets under disposal	-	-	-	-	-	-	-	-
Total 2019	**40,843**	**24,368**	**16,475**	**-**	**1,890,510**	**3,491**	**1,887,019**	**1,903,494**
Total 2018	**17,623**	**10,461**	**7,162**	**-**	**1,752,935**	**6,065**	**1,746,870**	**1,754,032**

Portfolio/Quality	Assets of evidently low credit quality		Other assets
	Cumulated losses	Net exposure	Net exposure
1. Financial assets held for trading	-	1	50,644
2. Hedging derivatives	-	-	-
Total 2019	**-**	**1**	**50,644**
Total 2018	**-**	**-**	**26,571**

* Value to be reported for disclosure purposes.

Section 2 - Prudential consolidation risks

In this section, the data traditionally include, in proportion to the interest held, also the assets and liabilities of the company REDO SGR S.p.A., a joint venture investment of the subsidiary InvestiRE SGR S.p.A., consolidated proportionally for supervisory purposes.

The table below shows the reconciliation of the consolidated balance sheet data with the balance sheet data relating to the supervisory perimeter.

CONSOLIDATED BALANCE SHEET

(in thousands of euros)

Asset items		31.12.2019 Financial statements	Effects of consolidation of counterparties other than those included in the banking Group (*)	31.12.2019 Supervision
10.	Cash and cash equivalents	699		699
20.	Financial assets designated at fair value through profit or loss	79,537	-	79,537
	a) financial assets held for trading	57,696	-	57,696
	c) other financial assets mandatorily at fair value	21,841	-	21,841
30.	Financial assets designated at fair value through other comprehensive income	366,666	-	366,666
40.	Financial assets designated at amortised cost	1,548,092	173	1,548,265
	a) due from banks	92,968	442	93,410
	b) loans to customers	1,455,124	(269)	1,454,855
70.	Equity investments	11,173	(4,448)	6,725
90.	Property and equipment	20,588	431	21,019
100.	Intangible assets	31,296	4,036	35,332
	of which:			
	- goodwill	28,129	3,833	31,962
110.	Tax assets	14,131	28	14,159
	a) current	3,483		3,483
	b) deferred	10,648	28	10,676
130.	Other assets	24,970	363	25,333
	Total assets	**2,097,152**	**583**	**2,097,735**

(*) The effects are attributable to the consolidation of REDO SGR S.p.A. using the proportional method (33.333% stake held by the subsidiary InvestiRE SGR S.p.A.).

CONSOLIDATED BALANCE SHEET

(in thousands of euros)

Liabilities and shareholders' equity	31.12.2019 Financial statements	Effects of consolidation of counterparties other than those included in the banking Group (*)	31.12.2019 Supervision
10. Financial liabilities designated at amortised cost	1,815,357	-	1,815,357
a) due to banks	369	-	369
b) due to customers	1,790,075	-	1,790,075
c) debt securities issued	24,913	-	24,913
20. Financial liabilities held for trading	152	-	152
60. Tax liabilities	818	-	818
a) current	136	-	136
b) deferred	682	-	682
80. Other liabilities	18,858	551	19,409
90. Provisions for termination indemnities	5,920	32	5,952
100. Provisions for risks and charges:	102	-	102
a) commitments and guarantees given	102	-	102
120. Valuation reserves	5,597	-	5,597
150. Reserves	150,586	-	150,586
170. Share capital	72,576	-	72,576
180. Treasury shares (-)	(14,059)	-	(14,059)
190. Minority interests (+/-)	40,811	-	40,811
200. Profit (loss) for the year (+/-)	434	-	434
Total liabilities and shareholders' equity	**2,097,152**	**583**	**2,097,735**

(*) The effects are attributable to the consolidation of REDO SGR S.p.A. using the proportional method (33.333% stake held by the subsidiary InvestiRE SGR S.p.A.).

1.1 - Credit risk

Qualitative information

1. General aspects

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

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

The credit risk of the Group is continuously monitored by the Risk Control Function of the Parent Company, by the Credits Department, by the Credits Committee and by the other assigned functions.

For the quantification of the current internal capital on credit risk, the standardised methodology for determining the prudential capital requirements per Regulation EC 575/2013 is used.

2. Credit risk management policies

2.1 Organisational aspects

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

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

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

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

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

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

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

The operating strategy adopted by the Bank and outlined above ensured that:

- transactions carried out have low-risk exposures;
- the amount of bad loans (net of value adjustments made) are contained to a percentage of roughly 1% of total loans to customers included in table A.1.1 Breakdown of credit exposures by portfolio classification and credit quality shown in the next few pages;
- lending activities provide positive image and prestige feedback for the Bank, with a positive impact on "traditional" activities.

2.2 Management, measurement and control systems

The valuation of credit risk and creditworthiness of customers is carried out by delegated bodies, which operate by means of proper proxies. The delegated bodies receive all information necessary to evaluate the creditworthiness of the customers, so that they can readily express their opinion on credit line transactions.

The Bank's credit process is illustrated below.

Evaluation of the creditworthiness of credit line applicants

Creditworthiness evaluation, which is performed according to a specific procedure, is mainly aimed at verifying that credit line applicants have the ability to reimburse as well as verifying the compatibility of the individual credit line applications and the company's strategies with regard to the chosen size and breakdown of the credit portfolio.

The company functions that are involved in the creditworthiness assessment procedure act as follows:

- they accept the loan application of customers;
- they gather the documents required to examine the asset, financial and economic situation of the loan applicant and any guarantor to start filling in all the credit line forms;
- they analyse the qualitative information concerning the new customers and update the information of former customers whose creditworthiness has already been assessed;
- they verify the reliability of the data included in the document and in the information required;
- they formulate, by reference to the files set up, a creditworthiness score of the loan applicant;
- they examine all the various relationships that the Bank has in place with the same loan applicant, both credit and debit ones, and compare loans granted with guarantees offered and guarantees received with proposed guarantors;
- they prepare a summary of the assessments based on the creditworthiness of the customer and formulate an opinion with regard to the amount of the loan that could be granted, the technical use of the loan by the customer, and specify the guarantees to be received based on both qualitative and quantitative information.

The Bank also carries out a qualitative assessment of the credit exposures on the basis of a managerial internal rating system offered by the outsourcer CSE that allows to classify customers, dividing them into risk classes to which correspond different probabilities of default.
For the assessment of the creditworthiness and the connected division into rating classes, the main areas of investigation cover the analysis of the data listed below:

- internal performance data;
- system performance data (report from central credit register);
- financial statement information (central financial statement archives);
- socio-demographic information;
- variables are estimated individually on the areas of investigation and subsequently integrated in the final model, separately for individuals and enterprises.

Credit granting

Credit granting is performed by the Deliberative Body, taking all the reasons supporting the definition of the amount that could be granted and the guarantees requested into due consideration, based on the risk inherent in the transaction.

Once the loan proposal has been positively resolved upon:

- the guarantees are obtained and the loan granting process takes place;
- the credit line/loan is granted;
- the transaction is implemented in the IT system so that it can be regularly verified: instalments due, review of the interest rate, if contractually provided for, and/or of the associated guarantees.

Management of anomalous loans

The management of anomalous loans is carried out through a careful and periodic analysis of expired positions by the company functions responsible, the Credits Committee and with the supervision of the General Management. In particular, the General Management of the Bank and the functions concerned receive, at a predetermined frequency, appropriate reports containing the trend of non-performing loans, broken down by customer with or without loans.

"Non-performing" loans of the Group, net of write-downs, amounted in total to 16,475 thousand euros, of which 6,862 thousand euros were bad loans, 6,566 thousand euros were unlikely to pay and 3,047 thousand euros were past due exposures.

To this end, it should be stressed that non-performing loans after impairment losses at the end of 2019 accounted for roughly 1% of the total amount of the item loans to customers detailed in table A.1.1 Breakdown of credit exposures by portfolio classification and credit quality below.

Carrying out stress tests

The Bank performs stress tests every six months on credit risk in order to quantify the absorption of capital and to determine the related capital ratios. The methodologies adopted for conducting the stress test on the credit and counterparty risk assumes two different stress scenarios occurring at the same time and due to an increase in bad loans and non-performing loans and a reduction in the value of the collateral securities held.

2.3 Methods for measuring expected losses

The criteria and rationale used for the purposes of determining expected losses are described in the ECL Policy of the Bank, whose scope of application consists of financial and trade receivables, as well as owned financial instruments, to verify and assess their creditworthiness.
The amount of expected losses depends on the extent of the impairment of the credit quality with respect to the initial recognition and takes into account the guarantees held to mitigate the credit risk.

Consistently with the provisions of IFRS 9, the Bank has adopted the following approach for calculating impairment:

- 12-months expected credit losses (stage 1): if, at the reporting date, the credit risk of a financial instrument is not significantly increased with respect to the date of "first recognition", the Bank measures the losses for this financial instrument as the amount equal to the losses expected in the following 12 months;
- Lifetime expected credit losses (stage 2): at each reporting date, the Bank measures the losses for a financial instrument as the amount equal to lifetime expected losses if the credit risk of this instrument increased significantly with respect to the date of first recognition.

Concerning the staging rules and the criteria for the recognition of credits in the respective "buckets", reference is made to the Staging Allocation Policy approved by the Board of Directors.

In accordance with the provisions of IFRS 9, the model entails the calculation of a provision at each cash flow date of the loan to carry out a "multi-period" final totalisation. In case of loans at maturity, a calculation is made at each future instalment, while for on-demand loans a single calculation is made relating to the cash flow at the maturity date.

For each period, the calculation is as follows:

- ECL(t) = EAD(t) × LGD(t) × PD marginal(t) * DF(t)
- ECL(t) = contribution to the provision of period t (from initial date of validity to date of maturity). The first period (first instalment for items at maturity or all those on demand) always starts from the date of calculation of the provisions
- t = cash flow maturity date
- EAD(t) = exposure at date t; amortised cost for loans at maturity, balance for loans on demand
- LGD(t) = lgd at time t obtained with IFRS 9 logic
- PD marginal(t) = PD cumulated(t) - PD cumulated (t-1) derived from the PD lifetime curves for the segment and the class associated with the counterparty
- DF(t) = discount at time t calculated at IRR (internal rate of return) on a 360 basis

The expected credit loss of the financial instruments represented by securities is drawn up by a leading specialised external company and provided, for each financial instrument, through management applications. The information flow has quarterly periodicity and the organisational units apply the rules prescribed in the Staging Allocation Policy for classification in the correct reference bucket. Default probability measures are extracted from quoted credit spreads and thus have an information content able to summarise the expectation of occurrence of future events incorporated by the market (forward looking measures). The probability of default and the LGD are estimated for each individual issuer and associated with the respective issues, providing a differentiation by level of subordination (senior and subordinate issues).

The default probability term structure for each issuer is estimated starting from the information and from the credit spreads quoted daily on the financial markets (i.e. CDS spread and prices of bonds). Specific credit spread of individual issuers are preferentially used; in this context, a credit spread is considered specific when it can be directly referred to the "risk group" to which the measured issuer belongs. If, for a given issuer, equally significant specific credit spreads are available on multiple markets, the market used preferentially is that of the CDS.

The individual issuers are mapped to the comparable issuer or to the reference cluster on the basis of the following axes of analysis:

- industrial sector
- geographic area of interest
- rating (ECAI)
- analysis of the fundamental financial statement data.

For financial instruments, the loss given default is assumed to be constant throughout the time horizon of the financial asset analysed and it is a function of two factors:

- ranking of the instrument;
- classification of the country of the issuer entity.

For countries considered to be developed, the LGD is set to 0.6 for senior issues and 0.8 for subordinate issues. For covered issues, the value changes with changes in the rating attributed to the individual security in question. Otherwise for emerging countries for equal subordination the level of the LGD is higher, as senior issues shall be subject to an LGD of 0.75 and subordinate issues to an LGD of 1.

Scenarios

The impairment model adopted by the Bank, in observance of the provisions of IFRS 9, envisages the use of "forward looking scenarios" which are identified in the form of a "Baseline scenario", "Up scenario" and "Down scenario", with a probability of occurrence associated to each one. In compliance with the principle of proportionality, also dictated by the low volumes of credit exposures, the Bank adopted models and scenarios drawn up by a leading specialised external provider approved by the Board of Directors.

The scenarios contain forecasts on macroeconomic variables with a three-year time horizon and are updated annually at the time of drafting of the statutory financial statements; the probability of occurrence of the scenarios is provided by the external provider and is set at 90% for the "Baseline scenario" and 5% for the "UP scenario" and the "Down scenario".

The main macroeconomic variables used by the model provided for the 2020-2022 scenarios are reported below:

Main regressors used by the model (Macroeconomic variables)	Down scenario (average in 2020-2022 three-year period)	Baseline scenario (average in 2020-2022 three-year period)	Up scenario (average in 2020-2022 three-year period)
Interest rate on 10-year Btp (%)	1.4	0.66	0
Interest rate on 10-year bund (%)	-0.8	-0.43	-0.08
Interest rate on 3-month euro-currency - euro (%)	-0.57	-0.38	-0.2
Price index of Italian residential properties (base 2015=100)	95.15	100.72	107.55
Unemployment rate (%)	12.77	9.65	7.38
Gross domestic product (% changes, constant prices 2010)	-1.70%	0.90%	3.40%
Gross domestic product (% changes, current prices)	-0.40%	2.30%	5.00%
Default rate	0.03	0.02	0.02

The Bank conducted a sensitivity analysis on the provision for the purposes of IFRS 9 (loans to customers and due from banks in stage 1 and stage 2) in the assumption of the adoption of a Down scenario with a probability of 100% on the curves used to calculate impairment at 31 December 2019. The analyses show that an increase in the provision would be recorded amounting to roughly 250 thousand euros, an amount that, in percentage terms, accounts for 10% of the total generic impairment losses on loans to customers and due from banks in stage 1 and stage 2.

2.4 Credit risk mitigation techniques

Credit risk mitigation techniques are an instrument to reduce or transfer part of the credit risk on the exposures originated and to reduce the loss that would be incurred in case of counterparty default (Loss given default).

Credit risk mitigation is carried out by privileging mainly transactions guaranteed by collateral securities. Credit lines and disbursements are granted, by the corporate bodies, only after a careful analysis of the creditworthiness and the validity and consistency of the guarantees given. Guarantees shall be explicit and not subject to conditions, as prescribed by the Supervisory Instructions.

The collateral most used by the Bank consists of mortgages on residential and non residential properties, lines on financial instruments and on liquidity. With the objective of identifying and preventing the deterioration of the value of the guarantees held, on the collateral, the estimated or appraised value of the asset (net of any encumbrances) or the market value, in the case of listed securities, is monitored. For property assets pledged as collateral, and subject to value oscillations, a "deviation" is applied on the value as such subjected to periodic revisions and otherwise every time there are sensitive contractions on their price. In relation to mortgages, the value of properties is periodically revised. For this purpose, the Bank relies on third parties with proven experience on the basis of the provisions of Article 120-duodecies of the Consolidated Law on Banking.

In case of personal guarantees received, the guarantor shall take on the juridically binding commitment to meet the obligations relating to one or more credit issues pertaining to a determined party. With reference to "comfort letters", the only ones to be considered are those that are not declarative of the equity investment relationship of the Parent Company, but for which the guarantee function is pre-eminent, because the commitment made can actually represent a surety obligation, with accessory character with respect to the main one of the subsidiary.

3. Non-performing credit exposures

3.1 Management strategies and policies

The classification of impaired financial assets in the different default categories takes place in compliance with the instructions issued by the Supervisory Authority according to the indications of Bank of Italy Circular 272 of 2008 (as updated). Receivables classified as bad loans are subjected to an itemised assessment by the Credits Committee, by the Credits Department and by the Risk Management Function which analyse the position and the Guarantees held in order to estimate their estimated realisable value. The analysis carried out follows criteria clearly defined in the company Policies. Within this context, the recovery times are also established, so-called "Time value" on bad loans. UTP and Past-due loans, in accordance with IFRS 9, are subjected to a process of valorisation of the provision that incorporates the forward looking valuation.

In consideration of the small number of positions classified as past-due or UTP, and with the goal of making a valuation that is as refined as possible, the Bank also carries out itemised assessments of past-due and UTP loans using the same logic prescribed for loans classified as bad loans, when peculiarities are identified that make itemised valuation more reliable than statistical valuation.
The monitoring of receivables to customers carried out by the Risk Control Organisation Unit, which, with the support of automated IT instruments, prepares on an established basis appropriate reports for the Senior Management. Subsequent measurement and classification of non-performing loans are carried out by special committees set up within the Bank, which assess each time single credit exposures, the customers' creditworthiness, guarantees and all other relevant factors that may affect the assessment of credit exposures.

With reference to bad loans, management is carried out by the Legal Department for the management of collection activities.

3.2 Write-off

A write-off is an event that gives rise to derecognition when there no longer are any reasonable expectations to recover the financial asset. It can take place before legal actions to recover the financial asset have been exhausted and it does not necessarily entail the waiver of the bank's legal right to recover the receivable.
The write-off can involve the entire amount of a financial asset or a portion thereof corresponds:

- to the reversal of total impairment losses, as a corresponding item of the gross value of the financial asset, and
- for the part exceeding the amount of the total impairment losses, to the impairment of the financial asset recognised directly in the income statement.

Any amounts recovered from collection after write-off are recognised in the income statement among value recoveries.
The term "Total write-offs" means the cumulated amounts of the partial and total write-offs on financial assets.
During the financial year ended 31 December 2019, the amount of written-off position is negligible.

3.3 Acquired or originated impaired financial assets

These are the exposures that meet the definition of acquired or originated impaired financial asset per Appendix A of IFRS 9. They include, among others, the impaired credit exposures acquired within sale transactions (individual or portfolio) and business combinations.

At 31 December 2019, the Group does not hold any financial assets belonging to this category.

4. Financial assets subject to renegotiation and forborne exposures

"Forborne exposures" are those deriving from concessions made in the presence of both of the following conditions:

- the borrower is (or is about to become) incapable of fulfilling the terms of the agreement as a result of financial hardship;
- the lender makes a favourable concession to the borrower because of the hardship pointed out.

The classification as forborne is assigned at the level of individual credit facility upon occurrence of specific conditions of difficulty of the borrower to fulfil his commitments, associated with an activity of the Bank directed at overcoming these difficulties (forbearance measures).
Forborne exposures can be both in each of the categories of non-performing loans and among performing loans, in relation to the state of risk of the exposure at the time of the granting.

With reference to the two main directives, dictated by the EBA first and foremost, by Circular 272 and expressed and clarified with the Report of the Consultation prepared by Bank of Italy, the Bank sets the following lines for:

- identification of forbearance measures;
- management and monitoring of the receivables subjected to these measures.

In general, the following forbearance measures are identified:

a) maturity date extension;
b) reduction of the interest rate applied;
c) transformation of the credit facility from maturity to revocation;
d) change to instalment periodicity;
e) change to type of amortisation.

According to the internal Policies, this does not include the forbearance measures applied by the Bank to borrowers that do not have financial hardship conditions considering:

- either earning capacity;
- or the credit reserve with the banking system and their ability to obtain loans from it.

The attribution of the forborne qualification rests with the body that decides to apply the forbearance measure. The management of forborne loans takes place through the IT procedure and monitoring entails, among other activities, a quarterly information report to the Credits Committee in addition to the intervention of the head of the Risk Control in Credits Committee every time a currently or previously forborne position is analysed.

At 31 December 2019, there were 26 “forborne” exposures of which:

- 8 non-performing positions totalling 24,165 thousand euros (of which 2 positions included among bad loans of 15,385 thousand euros, 3 positions included among unlikely to pay of 7,715 thousand euros and 3 positions included among past due loans of 1,065 thousand euros);
- 18 performing positions, amounting to 6,927 thousand euros.

* * *

Quantitative information

A. Credit quality

A.1 Performing and non-performing exposures: balances, impairment losses, changes, breakdown by type and geographic area

A.1.1 Prudential consolidation - Breakdown of credit exposures by maturity brackets (book values)

Portfolio/Risk stages	Stage 1			Stage 2			Stage 3		
	From 1 day to 30 days	From over 30 days to 90 days	More than 90 days	Up to 30 days	From over 30 days to 90 days	More than 90 days	Up to 30 days	From over 30 days to 90 days	More than 90 days
1. Financial assets designated at amortised cost	13,533	292	-	38,724	2,354	830	-	627	15,848
2. Financial assets designated at fair value through other comprehensive income	-	-	-	-	-	-	-	-	-
TOTAL 2019	**13,533**	**292**	**-**	**38,724**	**2,354**	**830**	**-**	**627**	**15,848**
TOTAL 2018	**2,022**	**1**	**-**	**7,070**	**44,339**	**2,149**	**-**	**-**	**7,050**

A.1.2 Financial assets, commitments to lend funds and financial guarantees given: changes in total impairment losses and total allocations

Reasons/Risk stages	Total					
	Assets in stage 1				Assets	
	Financial assets designated at amortised cost	Financial assets designated at fair value through other comprehensive income	of which: individual write-downs	of which: collective write-downs	Financial assets designated at amortised cost	Financial assets designated at fair value through other comprehensive income
Total opening adjustments	**2,536**	**862**	**3,398**	**-**	**2,667**	**-**
Increases from financial assets acquired or originated	1,241	59	1,300	-	1,393	3
Derecognitions other than write-offs	(1,508)	(115)	(1,625)	-	(1,823)	-
Net losses/recoveries on credit risk	(844)	(210)	(1,054)	-	(765)	-
Contractual changes without derecognition	-	-	-	-	-	-
Changes in estimation methodology	-	-	-	-	-	-
Write-offs not recognised directly in the income statement	-	-	-	-	-	-
Other changes	-	(3)	(3)	-	-	-
Total closing adjustments	**1,425**	**593**	**2,016**	**-**	**1,472**	**3**
Recoveries from collection on financial assets written off	-	-	-	-	-	-
Write-offs recognised directly in the income statement	17	-	19	-	-	-

impairment losses in stage 2		Assets in stage 3				Of which: acquired or originated impaired financial assets	Total allocations on commitments to lend funds and financial guarantees given			Total
of which: individual write-downs	of which: collective write-downs	Financial assets designated at amortised cost	Financial assets designated at fair value through other comprehensive income	of which: individual write-downs	of which: collective write-downs		Stage 1	Stage 2	Stage 3	
2,667	**-**	**10,461**	**-**	**10,461**	**-**	**-**	**87**	**14**	**-**	**16,627**
1,396	-	28	-	28	-	-	82	7	-	2,813
(1,823)	-	(178)	-	(178)	-	-	(51)	(14)	-	(3,689)
(765)	-	1,908	-	1,908	-	-	(36)	-	13	66
-	-	12,197	-	12,197	-	-	-	-	-	12,197
-	-	-	-	-	-	-	-	-	-	-
-	-	(48)	-	(48)	-	-	-	-	-	(48)
-	-	-	-	-	-	-	-	-	-	(3)
1,475	**-**	**24,368**	**-**	**24,368**	**-**	**-**	**82**	**7**	**13**	**27,963**
-	-	13	-	13	-	-	-	-	-	13
-	-	2	-	2	-	-	-	-	-	19

A.1.3 Prudential consolidation - Financial assets, commitments to lend funds and financial guarantees given: transfers between the different credit risk stages (gross and nominal values)

Types of exposures/Risk stages	Gross values/nominal value					
	Transfers between stage 1 and stage 2		Transfers between stage 2 and stage 3		Transfers between stage 1 and stage 3	
	From stage 1 to stage 2	From stage 2 to stage 1	From stage 2 to stage 3	From stage 3 to stage 2	From stage 1 to stage 3	From stage 3 to stage 1
1. Financial assets designated at amortised cost	16,131	7,320	9,631	21	15,255	113
2. Financial assets designated at fair value through other comprehensive income	2,085	-	-	-	-	-
3. Commitments to lend funds and financial guarantees given	1	19	-	-	299	0
TOTAL 2019	**18,217**	**7,339**	**9,631**	**21**	**15,554**	**113**
TOTAL 2018	**33,105**	**2,351**	**2,703**	**123**	**217**	**300**

A.1.4 Prudential consolidation - On-balance sheet cash and off-balance sheet credit exposures to banks: gross and net amounts

Type of exposures/Amounts	Gross exposure		Total impairment losses and total allocations	Net exposure	Total partial write-offs*
	Non-performing	Performing			
A. ON-BALANCE SHEET CREDIT EXPOSURES					
a) Bad loans	-	X	-	-	-
- of which: forborne exposures	-	X	-	-	-
b) Unlikely to pay	-	X	-	-	-
- of which: forborne exposures	-	X	-	-	-
c) Non-performing past due exposures	-	X	-	-	-
- of which: forborne exposures	-	X	-	-	-
d) Performing past due exposures	X	-	-	-	-
- of which: forborne exposures	X	-	-	-	-
e) Other performing exposures	X	132,904	436	132,468	-
- of which: forborne exposures	X	-	-	-	-
TOTAL A	**-**	**132,904**	**436**	**132,468**	**-**
B. OFF-BALANCE SHEET CREDIT EXPOSURES					
a) Non-performing	-	X	-	-	-
b) Performing	X	689	-	689	-
TOTAL B	**-**	**689**	**-**	**689**	**-**
TOTAL A+B	**-**	**133,593**	**436**	**133,157**	**-**

* Value to be reported for disclosure purposes.

A.1.5 Prudential consolidation - On-balance sheet and off-balance sheet credit exposures to customers: gross and net amounts

Type of exposures/Amounts	Gross exposure		Total impairment losses and total allocations	Net exposure	Total partial write-offs*
	Non-performing	Performing			
A. ON-BALANCE SHEET CREDIT EXPOSURES					
a) Bad loans	29,482	X	22,620	6,862	-
- of which: forborne exposures	15,385	X	12,338	3,047	-
b) Unlikely to pay	8,230	X	1,664	6,566	-
- of which: forborne exposures	7,715	X	1,505	6,210	-
c) Non-performing past due exposures	3,131	X	84	3,047	-
- of which: forborne exposures	1,065	X	-	1,065	-
d) Performing past due exposures	X	57,061	1,327	55,734	-
- of which: forborne exposures	X	3,738	295	3,443	-
e) Other performing exposures	X	1,751,459	1,730	1,749,729	-
- of which: forborne exposures	X	3,189	96	3,093	-
TOTAL A	**40,843**	**1,808,520**	**27,425**	**1,821,938**	**-**
B. OFF-BALANCE SHEET CREDIT EXPOSURES					
a) Non-performing	299	X	13	286	-
b) Performing	X	229,138	89	229,049	-
TOTAL B	**299**	**229,138**	**102**	**229,335**	**-**
TOTAL A+B	**41,142**	**2,037,658**	**27,527**	**2,051,273**	**-**

* Value to be reported for disclosure purposes.

A.1.7 Prudential consolidation - On-balance sheet credit exposures to customers: changes in gross non-performing exposures

Reason/Category	Bad loans	Unlikely to pay	Non-performing past due exposures
A. Gross opening exposure	**12,879**	**2,306**	**2,438**
- of which: exposures sold and not derecognised	-	-	-
B. Increases	**17,081**	**7,903**	**2,488**
B.1 inflows from performing exposures	15,272	6,982	2,302
B.2 inflows from acquired or originated impaired financial assets	-	-	-
B.3 transfers from other categories of non-performing exposures	1,597	631	23
B.4 contractual changes without derecognition	-	-	-
B.5 other increases	212	290	163
C. Decreases	**478**	**1,979**	**1,795**
C.1 outflows to performing exposures	-	-	1
C.2 write-offs	25	22	1
C.3 collection	453	260	1,162
C.4 gains from disposals	-	-	-
C.5 losses from disposals	-	-	-
C.6 transfers to other categories of non-performing exposures	-	1,620	631
C.7 contractual changes without derecognition	-	-	-
C.8 other decreases	-	77	-
D. Gross closing exposure	**29,482**	**8,230**	**3,131**
- of which: exposures sold and not derecognised	-	-	-

A.1.7bis Prudential consolidation - On-balance sheet credit exposures to customers: changes in gross forborne exposures by credit quality

Reasons/Quality	Forborne exposures: non-performing	Forborne exposures: performing
A. Gross opening exposure	**909**	**11,749**
- of which: exposures sold and not derecognised	-	-
B. Increases	**24,063**	**1,667**
B.1 inflows from non forborne performing exposures	18,430	1,444
B.2 inflows from forborne performing exposures	4,915	X
B.3 inflows from forborne non-performing exposures	X	75
B.4 other increases	718	148
C. Decreases	**807**	**6,489**
C.1 outflows to non forborne performing exposures	X	-
C.2 outflows to forborne performing exposures	75	X
C.3 outflows to forborne non-performing exposures	X	4,915
C.4 write-off	-	-
C.5 collections	186	1,574
C.6 gains from disposals	-	-
C.7 losses from disposals	-	-
C.8 other decreases	546	-
D. Gross closing exposure	**24,165**	**6,927**
- of which: exposures sold and not derecognised	-	-

A.1.9 Prudential consolidation - Non-performing on-balance sheet credit exposures to customers: changes in total impairment losses

Reason/Category	Bad loans		Unlikely to pay		Non-performing past due exposures	
	Total	of which: forborne exposures	Total	of which: forborne exposures	Total	of which: forborne exposures
A. Total opening adjustments	**9,697**	**141**	**531**	**49**	**233**	**11**
- of which: exposures sold and not derecognised	-	-	-	-	-	-
B. Increases	**13,030**	**12,197**	**1,555**	**1,493**	**23**	**-**
B.1 impairment losses from acquired or originated impaired financial assets	-	X	-	X	-	X
B.2 other impairment losses	12,625	12,197	1,544	1,481	22	-
B.3 losses from disposals	-	-	-	-	-	-
B.4 transfers from other categories of non-performing exposures	303	-	11	12	1	-
B.5 contractual changes without derecognition	-	X	-	X	-	X
B.6 other increases	102	-	-	-	-	-
C. Decreases	**107**	**-**	**422**	**37**	**172**	**11**
C.1 valuation value recoveries	49	-	48	37	27	11
C.2 cash value recoveries	33	-	49	-	133	-
C.3 profit from disposals	-	-	-	-	-	-
C.4 write-off	25	-	22	-	1	-
C.5 transfers to other categories of non-performing exposures	-	-	303	-	11	-
C.6 contractual changes without derecognition	-	X	-	X	-	X
C.7 other decreases	-	-	-	-	-	-
D. Total closing adjustments	**22,620**	**12,338**	**1,664**	**1,505**	**84**	**-**
- of which: exposures sold and not derecognised	-	-	-	-	-	-

A.2 Classification of exposures based on external and internal ratings

A.2.1 Breakdown of credit exposures, of commitments to lend funds and of financial guarantees given: by external rating classes (gross values)

Exposures		
	class 1	class 2
A. Financial assets designated at amortised cost	**-**	**-**
- Stage 1	-	-
- Stage 2	-	-
- Stage 3	-	-
B. Financial assets designated at fair value through other comprehensive income	**5,033**	**-**
- Stage 1	5,033	-
- Stage 2	-	-
- Stage 3	-	-
C. Financial assets under disposal	**-**	**-**
- Stage 1	-	-
- Stage 2	-	-
- Stage 3	-	-
Total (A+B+C)	**5,033**	**-**
of which: acquired or originated impaired financial assets	-	-
D. Commitments to lend funds and financial guarantees given	**-**	**-**
- Stage 1	-	-
- Stage 2	-	-
- Stage 3	-	-
Total D	**-**	**-**
Total (A+B+C)	**5,033**	**-**

A.2.2 Prudential consolidation - Distribution of financial assets, of commitments to lend funds and of financial guarantees given: by internal rating classes (gross values)

The table is not filled in, because the Group does not use internal ratings.

External rating classes					Without rating	Total
	class 3	class 4	class 5	class 6		
	1,014,598	**-**	**-**	**-**	**560,931**	**1,575,529**
	1,014,598	-	-	-	423,932	1,438,530
	-	-	-	-	96,156	96,156
	-	-	-	-	40,843	40,843
	337,549	**2,210**	**-**	**-**	**11,205**	**355,997**
	337,549	122	-	-	11,205	353,909
	-	2,088	-	-	-	2,088
	-	-	-	-	-	-
	-	**-**	**-**	**-**	**-**	**-**
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	1,352,147	**2,210**	**-**	**-**	**572,136**	**1,931,526**
	-	-	-	-	-	
	-	**-**	**-**	**-**	**29,618**	**29,618**
	-	-	-	-	28,056	28,056
	-	-	-	-	1,263	1,263
	-	-	-	-	299	299
	-	**-**	**-**	**-**	**29,618**	**29,618**
	1,352,147	**2,210**	**-**	**-**	**601,754**	**1,961,144**

A.3. Distribution of guaranteed exposures by type of guarantee

A.3.2 Prudential consolidation - Secured on-balance sheet and off-balance sheet credit exposures to customers

	Gross exposure	Net exposure	Collateral (1)			
			Real estate - mortgages	Real estate - finance leases	Securities	Other collateral
1. Guaranteed on-balance sheet credit exposures:	384,948	364,680	155,285	-	107,881	88,342
1.1 fully guaranteed	356,181	348,144	152,806	-	104,132	85,980
- of which non-performing	17,143	10,743	10,723	-	-	-
1.2 partly guaranteed	28,767	16,536	2,479	-	3,749	2,362
- of which non-performing	16,304	4,107	-	-	65	1,000
2. Guaranteed off-balance sheet credit exposures:	73,383	73,343	5,470	-	20,225	28,925
2.1 fully guaranteed	54,286	54,247	5,470	-	19,551	26,759
- of which non-performing	299	286	-	-	-	286
2.2 partly guaranteed	19,097	19,096	-	-	674	2,166
- of which non-performing	-	-	-	-	-	-

The data shown are exclusively ascribable to the Bank.

Personal guarantees (2)									Total (1) + (2)
Credit derivatives					Unsecured loans				
CLN	Other derivatives				Public administrations	Banks	Other financial institutions	Other entities	
	Central counterparties	Banks	Other financial institutions	Other entities					
-	-	-	-	-	-	1,697	-	3,529	356,734
-	-	-	-	-	-	1,697	-	3,529	348,144
-	-	-	-	-	-	-	-	21	10,744
-	-	-	-	-	-	-	-	-	8,590
-	-	-	-	-	-	-	-	-	1,065
-	-	-	-	-	-	3	500	1,197	56,320
-	-	-	-	-	-	-	-	1,168	52,948
-	-	-	-	-	-	-	-	-	286
-	-	-	-	-	-	3	500	29	3,372
-	-	-	-	-	-	-	-	-	-

B. Distribution and concentration of credit exposures

B.1 Prudential consolidation - Segment distribution of on-balance sheet and off-balance sheet credit exposures to customers

Exposures/Counterparties	Public administrations		Financial institutions	
	Net exposure	Total impairment losses	Net exposure	Total impairment losses
A. On-balance sheet credit exposures				
A.1 Bad loans	-	-	1,085	2,381
- of which: forborne exposures	-	-	-	-
A.2 Unlikely to pay	-	-	6	2
- of which: forborne exposures	-	-	-	-
A.3 Non-performing past due exposures	-	-	131	4
- of which: forborne exposures	-	-	-	-
A.4 Performing exposures	1,357,948	683	147,987	251
- of which: forborne exposures	-	-	80	3
TOTAL (A)	**1,357,948**	**683**	**149,209**	**2,638**
B. Off-balance sheet credit exposures				
B.1 Non-performing exposures	-	-	-	-
B.2 Performing exposures	-	-	43,425	54
TOTAL (B)	**-**	**-**	**43,425**	**54**
TOTAL (A+B) 2019	**1,357,948**	**683**	**192,634**	**2,692**
TOTAL (A+B) 2018	**1,202,898**	**1,917**	**137,747**	**2,781**

	Financial institutions (of which: insurance companies)		Non financial institutions		Households	
	Net exposure	Total impairment losses	Net exposure	Total impairment losses	Net exposure	Total impairment losses
	-	-	4,330	18,470	1,447	1,769
	-	-	3,047	12,197	-	141
	-	-	5,647	1,592	913	70
	-	-	5,595	1,482	615	23
	-	-	1,145	61	1,771	20
	-	-	-	-	1,065	-
	-	-	164,921	1,895	134,607	228
	-	-	3,635	377	2,821	11
	-	**-**	**176,043**	**22,018**	**138,738**	**2,087**
	-	-	286	13	-	-
	13	-	126,018	33	59,606	2
	13	**-**	**126,304**	**46**	**59,606**	**2**
	13	**-**	**302,347**	**22,064**	**198,344**	**2,089**
	-	**-**	**293,767**	**9,289**	**171,684**	**2,185**

B.2 Prudential consolidation - Geographical distribution of on-balance sheet and off-balance sheet credit exposures to customers

Exposures/Geographic area	Italy		Other European Countries	
	Net exposure	Total impairment losses	Net exposure	Total impairment losses
A. On-balance sheet credit exposures				
A.1 Bad loans	6,862	22,597	-	23
A.2 Unlikely to pay	6,556	1,664	9	-
A.3 Non-performing past due exposures	3,043	84	4	1
A.4 Performing exposures	1,793,389	3,054	12,062	3
Total (A)	**1,809,850**	**27,399**	**12,075**	**27**
B. Off-balance sheet credit exposures				
B.1 Non-performing exposures	286	13	-	-
B.2 Performing exposures	228,144	89	693	-
TOTAL (B)	**228,430**	**102**	**693**	**-**
TOTAL A+B 2019	**2,038,280**	**27,501**	**12,768**	**27**
TOTAL (A+B) 2018	**1,792,902**	**16,120**	**12,974**	**31**

	America		Asia		Rest of the world	
	Net exposure	Total impairment losses	Net exposure	Total impairment losses	Net exposure	Total impairment losses
	-	-	-	-	-	-
	-	-	1	-	-	-
	-	-	-	-	-	-
	12	-	-	-	-	-
	12	**-**	**1**	**-**	**-**	**-**
	-	-	-	-	-	-
	212	-	-	-	-	-
	212	**-**	**-**	**-**	**-**	**-**
	224	**-**	**1**	**-**	**-**	**-**
	220	**21**	**-**	**-**	**-**	**-**

B.3 Prudential consolidation - Geographical distribution of on-balance sheet and off-balance sheet credit exposures to banks

Exposures/Geographic area	Italy		Other European Countries	
	Net exposure	Total impairment losses	Net exposure	Total impairment losses
A. On-balance sheet credit exposures				
A.1 Bad loans	-	-	-	-
A.2 Unlikely to pay	-	-	-	-
A.3 Non-performing past due exposures	-	-	-	-
A.4 Performing exposures	123,034	408	9,434	28
TOTAL (A)	**123,034**	**408**	**9,434**	**28**
B. Off-balance sheet credit exposures				
B.1 Non-performing exposures	-	-	-	-
B.2 Performing exposures	689	-	-	-
TOTAL (B)	**689**	**-**	**-**	**-**
TOTAL A+B 2019	**123,723**	**408**	**9,434**	**28**
TOTAL A+B 2018	**131,276**	**415**	**8,619**	**42**

	America		Asia		Rest of the world	
	Net exposure	Total impairment losses	Net exposure	Total impairment losses	Net exposure	Total impairment losses
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-

B.4 Large exposures

a) Amount (book value) 2,677,095 thousand euros
b) Amount (weighted value) 101,592 thousand euros
c) Number 10

The provisions contained in Regulation (EU) no. 575/2013 establish that a large exposure is the exposure of an entity towards a customer or a group of connected customers whose value is equal to or greater than 10% of the entity's admissible capital.

The same provisions that the amount of the exposure of an entity towards an individual customer or a group of connected customers may not exceed 25% of the entity's admissible capital. Obviously, the amount of 25% takes into account credit risk attenuation techniques, the type of guarantee acquired and the debtor counterparty.

The corporate control functions, at a predetermined frequency, audit the total exposure of the customers or groups of connected customers that fall under the category of large exposures and provide adequate information to the Corporate Bodies.

C. Securitisation

The Group has not carried out any securitisation transaction. At the reporting date, no such transactions, issued by the Group, were in place.

D. Disposal of companies

A. Financial assets sold and not derecognised in full

Qualitative information

Financial assets sold and not derecognised in full refer to Government bonds used in repos carried out exclusively by the Bank with Cassa di Compensazione e Garanzia.

Quantitative information

D.1 Prudential consolidation - Financial assets sold recognised in full and associated financial liabilities: book values

	Financial assets sold recognised in full				Associated financial liabilities		
	Book value	of which: subject of securitisations	of which: subject of sale agreements with repurchase pact	of which non-performing	Book value	of which: subject of securitisations	of which: subject of sale agreements with repurchase pact
A. Financial assets held for trading	**-**	**-**	**-**	**X**	**-**	**-**	**-**
1. Debt securities	-	-	-	X	-	-	-
2. Equity	-	-	-	X	-	-	-
3. Loans	-	-	-	X	-	-	-
4. Derivatives	-	-	-	X	-	-	-
B. Other financial assets mandatorily at fair value	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1. Debt securities	-	-	-	-	-	-	-
2. Equity	-	-	-	X	-	-	-
3. Loans	-	-	-	-	-	-	-
C. Financial assets designated at fair value	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1. Debt securities	-	-	-	-	-	-	-
2. Loans	-	-	-	-	-	-	-
D. Financial assets designated at fair value through other comprehensive income	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1. Debt securities	-	-	-	-	-	-	-
2. Equity	-	-	-	X	-	-	-
3. Loans	-	-	-	-	-	-	-
E. Financial assets designated at amortised cost	**994,234**	**-**	**-**	**-**	**985,179**	**-**	**-**
1. Debt securities	994,234	-	-	-	985,179	-	-
2. Loans	-	-	-	-	-	-	-
Total 31.12.2019	**994,234**	**-**	**-**	**-**	**985,179**	**-**	**-**
Total 31.12.2018	**942,073**	**-**	**-**	**-**	**938,918**	**-**	**-**

E. Prudential consolidation - Credit risk measurement models

In order to assess the Credit Risk, the Bank uses a standardised method for the quantification of (current and perspective) internal capital in compliance with the guidelines set out in the budgeting and multi-year planning process.

In compliance with the supervisory provisions, the method adopted by the Bank to quantify internal capital enables to use collateral (pledge and mortgage) and personal guarantees as a form of credit risk mitigation. The Bank prefers the acquisition of collateral characterised by high liquidity (listed financial instruments) and low-price volatility (Sovereign debt securities).

With a view to verifying the suitability of the internal capital, also in the event of adverse outlooks linked to the negative trend of loans, the Bank carries out stress testing during ICAAP/ILAAP reporting on the credit risk. For the performance of these tests, reference is made to macroeconomic and idiosyncratic events which include the increase in default positions, reduction in value of the guarantees and the increase in the Probability of Default.

1.2 - Market risks

1.2.1 Interest rate risk and price risk – Regulatory trading portfolio

Qualitative information

A. General aspects
The Bank defined the market risk as the risk of an unfavourable change in the value of a position in financial instruments – included in the trading portfolio for regulatory purposes – due to the adverse performance of interest, exchange and inflation rates, volatility, share prices, credit spreads, price of goods (generic risk) and creditworthiness of the issuer (specific risk).

B. Management processes and measurement methods for the interest rate risk and the price risk
Interest rate risk
The "trading portfolio" – as defined in the supervisory regulations – includes all financial instruments subject to capital requirements for market risks.

The trading portfolio includes:
- debt securities;
- shares;
- UCI units;
- derivatives held for trading.

Most of the debt securities in the portfolio at 31 December 2019 consist of government bonds whose overall duration is short. Share investments mainly refer to securities listed on the Italian Stock Exchange, with high liquidity. The portfolio instruments are denominated in euro.

The Managing Director and the General Management of the Bank provide strategic guidelines on market risk acceptance with regard to the purchase and dealing in trading securities.

With regard to the interest rate risk, the Bank monitors the changes in market rates and prepares a proper report that is sent to the Management.

Price risk
Price risk is the risk of capital losses on listed financial assets or assets that are similar to listed instruments due to fluctuations in the price of securities or to factors attributable to the peculiar situation of the issuer. The Bank adopted special internal regulations that govern and limit the risk assumption with regard to some types of financial instruments and allow the continuous monitoring of the main risk indicators (VAR – Expected Shortfall – Volatility etc.)

In addition, limits were identified and prescribed in stress conditions, considering simultaneous shocks on the credit risk – spread increases and stock price contraction.

The method adopted to calculate VAR is historical; the bank uses a holding period of 2 years, a confidence interval of 99% and a daily time horizon for the quantification of the expected risk.

The trading portfolio is mainly represented by Government debt securities. As a result, price risk is associated with the specific situation of the issuer.
With regard to the equity portfolio, it should be underlined that it almost exclusively includes listed shares with a high degree of liquidity.

Lastly, with reference to market risk management, it should be specified that transactions with similar characteristics in terms complexity, type of issuer or risk are screened by the Managing Director and by the General Management, which performs a specific evaluation also with regard to the risk profiles associated with them.

Quantitative information

1. Regulatory trading portfolio: distribution of cash financial assets and liabilities and financial derivatives by residual duration (repricing date)

(Currency: Euro)

Type/Residual duration	On demand	Up to 3 months	From over 3 months to 6 months	From over 6 months to 1 year	From over 1 year to 5 years	From over 5 years to 10 years	More than 10 years	Undated
1. Cash assets	**-**	**-**	**-**	**50,081**	**388**	**1**	**-**	**-**
1.1 Debt securities	-	-	-	50,081	388	1	-	-
- with the option of early redemption	-	-	-	-	-	-	-	-
- other	-	-	-	50,081	388	1	-	-
1.2 Other assets	-	-	-	-	-	-	-	-
2. Cash liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2.1 Repos	-	-	-	-	-	-	-	-
2.2 Other liabilities	-	-	-	-	-	-	-	-
3. Financial derivatives	**-**	**7,915**	**-**	**-**	**-**	**-**	**-**	**-**
3.1 With underlying security	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security	-	7,915	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	7,915	-	-	-	-	-	-
+ Long positions	-	3,680	-	-	-	-	-	-
+ Short positions	-	4,235	-	-	-	-	-	-

1. Regulatory trading portfolio: distribution of cash financial assets and liabilities and financial derivatives by residual duration (repricing date)

(Currency: Other currencies)

Type/Residual duration	On demand	Up to 3 months	From over 3 months to 6 months	From over 6 months to 1 year	From over 1 year to 5 years	From over 5 years to 10 years	More than 10 years	Undated
1. Cash assets	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1.1 Debt securities	-	-	-	-	-	-	-	-
- with the option of early redemption	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
1.2 Other assets	-	-	-	-	-	-	-	-
2. Cash liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2.1 Repos	-	-	-	-	-	-	-	-
2.2 Other liabilities	-	-	-	-	-	-	-	-
3. Financial derivatives	**-**	**7,915**	**-**	**-**	**-**	**-**	**-**	**-**
3.1 With underlying security	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security	-	7,915	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	7,915	-	-	-	-	-	-
+ Long positions	-	4,235	-	-	-	-	-	-
+ Short positions	-	3,680	-	-	-	-	-	-

2. Regulatory trading portfolio: distribution of exposures in equity and stock indexes in the main countries of the market

Transaction type/Listing index	Listed			Unlisted
	Italy	Germany	Other	
A.Equity				
- Long positions	1,333	-	39	-
- Short positions	-	-	-	-
B. Sales not yet settled on equity				
- Long positions	143	-	6	-
- Short positions	187	-	12	-
C. Other derivatives on equity				
- Long positions	-	-	-	2
- Short positions	-	-	-	-
D. Derivatives on stock indexes				
- Long positions	-	-	-	-
- Short positions	-	-	-	-

1.2.2 Interest rate risk and price risk – Banking book

Qualitative information

A. General aspects, management processes and measurement methods for interest rate risk and price risk

Interest rate risk

The interest rate risk for the banking book is defined as the current and prospective risk of profit/capital volatility due to unfavourable fluctuations in interest rates. From the definition of the interest rate risk, it is readily apparent that said risk is generated by the imbalances deriving from core business activities as a consequence of the difference in maturity and in the periods of redefinition of the interest rate conditions of assets and liabilities. The Bank's policy for managing the interest rate risk on the banking book is directed at stabilising the interest margin on the banking book.

The internal structures of the Bank monitor on a regular basis and provide adequate reporting of the interest rate risk on the banking book to the Senior Management and to the Board of Directors of the Bank. Stress tests are also carried out on a regular basis on the interest rate risk of the Repricing Gap and Duration Gap banking book. The operating limits to risk assumption were defined by the Board of Directors of the Bank and are reviewed by it on a regular basis.

The banking book comprises financial instruments (assets and liabilities) that are not in the trading portfolio. It is mainly made up of due to/from banks and customers as well as hedging derivatives.

As regards the banking book, attention is drawn to the following aspects concerning interest rate risk:

Cash assets

- debt securities, all in euro, total 1,349 million euros and are represented by the securities present in the portfolio of Financial assets designated at amortised cost, amounting to 995 million euros, and those present in the Financial assets designated at fair value through other comprehensive income portfolio, amounting to 354 million euros. Debt securities are mainly represented by Government bonds with 2020 maturity amounting to 723 million euros, with 2021 maturity amounting to 431 million euros, with 2024 maturity amounting to 76 million euros and with 2025 maturity amounting to 80 million euros;
- loans to banks (euro and foreign currencies), totalling 93 million euros, of which 69 million euros in deposits to banks and current accounts, mainly with floating rate, 7 million euros in compulsory floating rate reserve and 17 million euros in other loans;
- loans to customers (euro and foreign currencies), totalling 461 million euros, mainly consisting of current account credit lines of 170 million euros, mortgage loans to customers of 185 million euros, mostly with variable rate, and reverse repurchase agreements for 41 million euros.

Cash liabilities

- due to customers (euro and foreign currencies), totalling 1,790 million euros, of which 190 million euros in fixed rate time deposits (with 2020 maturity, for a nominal amount of 73 million euros, with

2021 maturity for a nominal amount of 43 million euros, with 2022 maturity for a nominal amount of 61 million euros and maturity by 2030 for a nominal amount of 13 million euros), 584 million euros in current accounts with floating rate or with revisable fixed rate, 985 million euros in repos on securities listed in regulated markets;

- due to banks (euro and foreign currencies) relate to loans and deposits totalling 0.3 million euros;
- debt securities totalling 25 million euros are floating-rate bonds (Euribor plus 30 b.p.) with maturity in October 2020.

Given the above, it may be concluded that the interest rate risk is low.

Price risk

Price risk is the risk of capital losses on listed financial assets or assets that are similar to listed instruments due to fluctuations in the price of securities or to factors attributable to the peculiar situation of the issuer.

The Bank adopted special internal regulations that govern and limit the risk assumption with regard to some types of financial instruments and allow the continuous monitoring of the main risk indicators (VAR – Expected Shortfall – Volatility etc.)

Quantitative information

1. Banking portfolio: distribution of financial assets and liabilities by residual duration (repricing date)

(Currency: Euro)

Type/Residual duration	On demand	Up to 3 months	From over 3 months to 6 months	From over 6 months to 1 year	From over 1 year to 5 years	From over 5 years to 10 years	More than 10 years	Undated
1. Cash assets	**315,937**	**633,007**	**189,889**	**285,124**	**455,320**	**3,408**	**-**	**-**
1.1 Debt securities	-	440,802	176,466	281,442	450,419	-	-	
- with the option of early redemption	-	3,093	-	5,152	18,443	-	-	-
- other	-	437,709	176,466	276,290	431,976	-	-	-
1.2 Loans to banks	70,152	6,727	-	-	-	-	-	-
1.3 Loans to customers	245,785	185,478	13,423	3,682	4,901	3,408	-	-
- current accounts	165,519	-	-	-	-	-	-	-
- other loans	80,266	185,478	13,423	3,682	4,901	3,408	-	-
- with the option of early redemption	44,836	123,830	13,423	2,058	257	300	-	-
- other	35,430	61,648	-	1,624	4,644	3,108	-	-
2. Cash liabilities	**583,627**	**377,305**	**77,262**	**375,246**	**380,825**	**5,911**	**85**	**-**
2.1 Due to customers	583,258	377,305	52,349	375,246	380,825	5,911	85	-
- current accounts	569,241	20,410	2,940	40,305	126,298	131	85	-
- other payables	14,017	356,895	49,409	334,941	254,527	5,780	-	-
- with the option of early redemption	-	-	-	-	-	-	-	-
- other	14,017	356,895	49,409	334,941	254,527	5,780	-	-
2.2 Due to banks	369	-	-	-	-	-	-	-
- current accounts	369	-	-	-	-	-	-	-
- other payables	-	-	-	-	-	-	-	-
2.3 Debt securities	-	-	24,913	-	-	-	-	-
- with the option of early redemption	-	-	-	-	-	-	-	-
- other	-	-	24,913	-	-	-	-	-
2.4 Other liabilities	-	-	-	-	-	-	-	-
- with the option of early redemption	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
3. Financial derivatives	**-**	**-**	**4,546**	**-**	**-**	**-**	**-**	**-**
3.1 With underlying security	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security	-	-	4,546	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	4,546	-	-	-	-	-
+ Long positions	-	-	4,546	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
4. Other off-balance sheet transactions	**20,116**	**6,404**	**-**	**-**	**6**	**8**	**-**	**-**
+ Long positions	6,849	6,404	-	-	6	8	-	-
+ Short positions	13,267	-	-	-	-	-	-	-

1. Banking portfolio: distribution of financial assets and liabilities by residual duration (repricing date)

(Currency: Other currencies)

Type/Residual duration	On demand	Up to 3 months	From over 3 months to 6 months	From over 6 months to 1 year	From over 1 year to 5 years	From over 5 years to 10 years	More than 10 years	Undated
1. Cash assets	**20,982**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1.1 Debt securities	-	-	-	-	-	-	-	
- with the option of early redemption								
- other								
1.2 Loans to banks	16,531							
1.3 Loans to customers	4,451	-	-	-	-	-	-	-
- current accounts	4,293							
- other loans	158							
- with the option of early redemption								
- other	158							
2. Cash liabilities	**15,096**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2.1 Due to customers	15,096							
- current accounts	13,730							
- other payables	1,366							
- with the option of early redemption								
- other	1,366							
2.2 Due to banks	-							
- current accounts	-	-	-	-	-	-	-	-
- other payables	-	-	-	-	-	-	-	-
2.3 Debt securities								
- with the option of early redemption	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2.4 Other liabilities								
- with the option of early redemption	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
3. Financial derivatives	**-**	**-**	**4,546**	**-**	**-**	**-**	**-**	**-**
3.1 With underlying security								
- Options	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other derivatives								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security	-	-	4,546	-	-	-	-	-
- Options								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	4,546	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	4,546	-	-	-	-	-
4. Other off-balance sheet transactions	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-

1.2.3 Exchange rate risk

Qualitative information

A. General aspects, management processes and measurement methods for exchange rate risk

Exchange rate risk management is the responsibility of the Bank's General Management and the Finance Department carries out trading, hedging and brokering activities within specific operating limits (amounts) with regard to both financial assets and liabilities denominated in foreign currencies in its own account or on behalf of customers.

Generally, the exposure to exchange rate risk is quite low and limited to temporary misalignments in opposite sign positions. The Bank keeps this risk to a minimum by monitoring the treasury exposure due to the time mismatching between asset and liability items.

B. Exchange rate risk hedging activity

At 31 December 2019, two hedges for GBP 2,300 thousand and CHF 2,000 thousand were open for the property.

Quantitative information

1. Distribution by currency of assets, liabilities and derivatives

Items	Currencies					
	US dollar	Pound sterling	Yen	Canadian dollar	Swiss franc	Other currencies
A. Financial assets	**7,518**	**7,659**	**129**	**78**	**5,464**	**134**
A.1 Debt securities	-	-	-	-	-	-
A.2 Equity	-	-	-	-	-	-
A.3 Loans to banks	6,839	6,395	128	78	2,959	132
A.4 Loans to customers	679	1,264	1	-	2,505	2
A.5 Other financial assets	-	-	-	-	-	-
B. Other assets	**35**	**25**	**-**	**-**	**-**	**-**
C. Financial liabilities	**8,467**	**4,753**	**29**	**-**	**1,847**	**1**
C.1 Due to banks	-	-	-	-	-	-
C.2 Due to customers	8,467	4,753	29	-	1,847	1
C.3 Debt securities	-	-	-	-	-	-
C.4 Other financial liabilities	-	-	-	-	-	-
D. Other liabilities	**-**	**-**	**-**	**-**	**-**	**-**
E. Financial derivatives	**3,058**	**2,906**	**4,592**	**-**	**1,904**	**-**
- Options	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-
- Other derivatives	3,058	2,906	4,592	-	1,904	-
+ Long positions	1,867	34	2,296	-	37	-
+ Short positions	1,191	2,872	2,296	-	1,867	-
Total assets	**9,420**	**7,718**	**2,425**	**78**	**5,501**	**134**
Total liabilities	**9,658**	**7,625**	**2,325**	**-**	**3,714**	**1**
Imbalance (+/-)	**(238)**	**93**	**100**	**78**	**1,787**	**133**

1.3 Derivatives and hedging policies

1.3.1 Derivatives held for trading

A. Financial derivatives

A.1 Financial derivatives held for trading: end-of-period notional values

Underlying assets/Type of derivatives	Total 31.12.2019				Total 31.12.2018			
	Over the counter			Organised markets	Over the counter			Organised markets
	Central counterparties	Without central counterparties			Central counterparties	Without central counterparties		
		With offset agreements	Without offset agreements			With offset agreements	Without offset agreements	
1. Debt securities and interest rates	**-**	**-**	**-**	**-**	**-**	**-**	**4,686**	**4,216**
a) Options	-	-	-	-	-	-	-	-
b) Swaps	-	-	-	-	-	-	471	-
c) Forwards	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	4,215	4,216
e) Other	-	-	-	-	-	-	-	-
2. Equity and stock indexes	**-**	**-**	**2,415**	**1,828**	**-**	**-**	**2,394**	**1,339**
a) Options	-	-	587	-	-	-	1,055	-
b) Swaps	-	-	-	-	-	-	-	-
c) Forwards	-	-	-	-	-	-	-	-
d) Futures	-	-	1,828	1,828	-	-	1,339	1,339
e) Other	-	-	-	-	-	-	-	-
3. Currencies and gold	**-**	**-**	**9,138**	**-**	**-**	**-**	**21,620**	**-**
a) Options	-	-	-	-	-	-	-	-
b) Swaps	-	-	-	-	-	-	-	-
c) Forwards	-	-	9,138	-	-	-	21,620	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
4. Goods	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
5. Other	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total	**-**	**-**	**11,553**	**1,828**	**-**	**-**	**28,700**	**5,555**

A.2 Financial derivatives held for trading: gross positive and negative fair value - breakdown by product

Derivative types	Total 31.12.2019				Total 31.12.2018			
	Over the counter			Organised markets	Over the counter			Organised markets
	Central counterparties	Without central counterparties			Central counterparties	Without central counterparties		
		With offset agreements	Without offset agreements			With offset agreements	Without offset agreements	
1. Positive fair value								
a) Options	-	-	94	-	-	-	456	-
b) Interest rate swaps	-	-	-	-	-	-	-	-
c) Cross currency swaps	-	-	-	-	-	-	-	-
d) Equity swaps	-	-	-	-	-	-	-	-
e) Forwards	-	-	81	-	-	-	33	-
f) Futures	-	-	-	-	-	-	-	-
g) Others	-	-	-	-	-	-	-	-
Total	**-**	**-**	**175**	**-**	**-**	**-**	**489**	**-**
2. Negative fair value								
a) Options	-	-	-	-	-	-	-	-
b) Interest rate swaps	-	-	-	-	-	-	8	-
c) Cross currency swaps	-	-	-	-	-	-	-	-
d) Equity swaps	-	-	-	-	-	-	-	-
e) Forwards	-	-	152	-	-	-	72	-
f) Futures	-	-	-	-	-	-	-	-
g) Others	-	-	-	-	-	-	-	-
Total	**-**	**-**	**152**	**-**	**-**	**-**	**80**	**-**

A.3 OTC Financial derivatives held for trading: notional values, gross positive and negative fair value by counterparty

Underlying assets	Central counterparties	Banks	Other financial institutions	Other entities
Contracts not covered by offset agreements				
1) Debt securities and interest rates				
- notional value	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
2) Equity and stock indexes				
- notional value	X	-	81	2,334
- positive fair value	X	-	19	75
- negative fair value	X	-	-	-
3) Currencies and gold				
- notional value	X	6,842	2,296	-
- positive fair value	X	36	45	-
- negative fair value	X	116	36	-
4) Goods				
- notional value	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
5) Other				
- notional value	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
Contracts covered by offset agreements				
1) Debt securities and interest rates				
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
2) Equity and stock indexes				
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
3) Currencies and gold				
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
4) Goods				
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
5) Other				
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-

A.4 Residual life of OTC financial derivatives held for trading: notional value

Underlying/Residual life	Up to 1 year	From over 1 year to 5 years	More than 5 years	Total
A.1 Financial derivatives on debt securities and interest rates	-	-	-	-
A.2 Financial derivatives on equity and stock indexes	1,853	562	-	2,415
A.3 Financial derivatives on currencies and gold	9,138	-	-	9,138
A.4 Financial derivatives on goods	-	-	-	-
A.5 Other financial derivatives	-	-	-	-
Total 2019	**10,991**	**562**	**-**	**11,553**
Total 2018	**28,430**	**228**	**42**	**28,700**

1.4 Liquidity risk

Qualitative information

A. General aspects, management processes and measurement methods for the liquidity risk

The Group defined the liquidity risk as the inability to meet own payment commitments. This risk is linked to the inability to raise funds (funding liquidity risk) or to the existence of limits for the disinvestment of assets (market liquidity risk).

Funding liquidity risk means the risk according to which the Bank and the companies of the Group are not able to meet their own payment commitments and obligations efficiently (compared to the "desired" risk profile and/or "fair" economic conditions) due to the inability to raise funds without compromising their core business activities and/or financial situation.

Market liquidity risk means the risk according to which the Group is able to dispose of an asset only by incurring capital losses due to the low liquidity of the reference market and/or due to the timing with which the transaction will be carried out.

The analysis of the Group's financial instruments (assets and liabilities) highlights that, overall, liquidity risk is low. In fact, the loans portfolio is mostly made up of short-term funding sources both on the interbank market and with regard to customers (as it comprises mainly on-demand loans that are directly connected with the private banking activity). Most of the securities trading portfolio is made up of highly liquid debt securities issued by countries of the Eurozone.

Concerning the sources of funding, they comprise current accounts, time deposits, repos and the issue of floating rate bonds. The concentration of the funding sources, present on primary and consolidated customers, is the consequence of the business model adopted by the Bank that entails issuing loans and providing services to highly selected customers.

The Group's overall exposure to liquidity risk is therefore maintained at modest levels thanks to the structure of the financial portfolio described above.

The ability to meet commitments promptly and economically is guaranteed by carefully monitoring the position through the use of information systems that ensure the ongoing monitoring of the liquidity requirements that are managed, where necessary, by resorting to the interbank deposits and, alternatively, to the repos market.

On the basis of the supervisory provisions, the Bank has defined the guidelines on the governance and management of liquidity risk and the methods of stress tests to be carried out. More specifically, the roles and responsibilities have been defined by the corporate bodies involved, the calculation methods of the LCR (Liquidity Coverage Ratio) and NSFR (Net Stable Funding Ratio) and the criteria to be applied in carrying out stress testing.
The short-term liquidity management policy, monitoring using the LCR indicator, includes all limits and alert thresholds that allow, both in normal market conditions and in stressful periods, for the measurement of the liquidity risk to which it is exposed. The liquidity needed to cope with any structural imbalance in the breakdown of assets and liabilities along a one-year timeframe, instead, is monitored through the NSFR indicator.
Within the liquidity risk management process, the Bank's Risk Control organisational unit:

- periodically carries out the stress tests identified by the Bank for risk measurement, performing the measurements necessary to determine the value of the LCR - Liquidity Coverage Ratio - indicator (aimed at assuring that the Bank holds an amount of high quality liquid assets that enables it to withstand stress situations on the funding market for a time horizon of 30 days) and the NSFR - Net Stable Funding Ratio - indicator (aimed at assuring a structural balance of the financial statements of the bank);
- prepare the report to be sent to the Senior Management in which the liquidity risk exposure determined on the basis of stress tests is illustrated.

The analyses carried out at 31 December 2019 show that the potential outgoing cash flows are entirely covered by the inflows and by the liquidity buffer held by the Bank, and therefore no risk situations are noted.

Quantitative information

1. Time distribution of financial assets and liabilities by residual duration

(Currency: Euro)

Item/Time frame	On demand	From over 1 day to 7 days	From over 7 days to 15 days	From over 15 days to 1 month	From over 1 month to 3 months	From over 3 months to 6 months	From over 6 months to 1 year	From over 1 year to 5 years	More than 5 years	Undated
Cash assets	**303,654**	**40,557**	**58**	**41,296**	**459,108**	**23,910**	**350,448**	**591,225**	**146,125**	**6,728**
A.1 Treasury bonds	-	-	-	-	421,204	20,509	327,490	505,549	80,001	-
A.2 Other debt securities	-	-	-	5,145	11,125	28	5,205	20,472	-	-
A.3 UCI units	27,490	-	-	-	-	-	-	-	-	-
A.4 Loans	276,164	40,557	58	36,151	26,779	3,373	17,753	65,204	66,124	6,728
- Banks	70,168	-	-	-	-	-	-	-	-	6,728
- Customers	205,996	40,557	58	36,151	26,779	3,373	17,753	65,204	66,124	-
Cash liabilities	**583,307**	**120**	**4,274**	**9,217**	**363,709**	**53,784**	**398,858**	**380,825**	**5,996**	**-**
B.1 Deposits and current accounts	569,290	120	4,274	8,547	7,484	2,947	40,432	126,298	216	-
- Banks	369	-	-	-	-	-	-	-	-	-
- Customers	568,921	120	4,274	8,547	7,484	2,947	40,432	126,298	216	-
B.2 Debt securities	-	-	-	-	-	-	24,913	-	-	-
B.3 Other liabilities	14,017	-	-	670	356,225	50,837	333,513	254,527	5,780	-
Off-balance sheet transactions	**16,568**	**3,323**	**-**	**-**	**6,970**	**6,600**	**3,493**	**12,347**	**9,562**	**-**
C.1 Financial derivatives with exchange of capital	-	3,323	-	-	4,592	4,546	-	-	-	-
- Long positions	-	1,384	-	-	2,296	4,546	-	-	-	-
- Short positions	-	1,939	-	-	2,296	-	-	-	-	-
C.2 Financial derivatives without exchange of capital	94	-	-	-	-	-	-	-	-	-
- Long positions	94	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.3 Deposits and loans to be received	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.4 Commitments to lend funds	15,422	-	-	-	2,327	87	3,050	2,958	2,700	-
- Long positions	2,150	-	-	-	2,327	87	3,050	2,958	2,700	-
- Short positions	13,272	-	-	-	-	-	-	-	-	-
C.5 Financial guarantees given	1,052	-	-	-	51	1,967	443	9,389	6,862	-
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-
C.7 Credit derivatives with exchange of capital	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.8 Credit derivatives without exchange of capital	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-

Bank "Undated loans" refer to the deposit in the Compulsory reserve.
Item C.1 includes the value of the purchases and sales of securities not yet settled.

1. Time distribution of financial assets and liabilities by residual duration

(Currency: Other currencies)

Item/Time frame	On demand	From over 1 day to 7 days	From over 7 days to 15 days	From over 15 days to 1 month	From over 1 month to 3 months	From over 3 months to 6 months	From over 6 months to 1 year	From over 1 year to 5 years	More than 5 years	Undated
Cash assets	**20,992**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
A.1 Treasury bonds	-	-	-	-	-	-	-	-	-	-
A.2 Other debt securities	-	-	-	-	-	-	-	-	-	-
A.3 UCI units	-	-	-	-	-	-	-	-	-	-
A.4 Loans	20,992	-	-	-	-	-	-	-	-	-
- Banks	16,534	-	-	-	-	-	-	-	-	-
- Customers	4,458	-	-	-	-	-	-	-	-	-
Cash liabilities	**15,096**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
B.1 Deposits and current accounts	13,730	-	-	-	-	-	-	-	-	-
- Banks	-	-	-	-	-	-	-	-	-	-
- Customers	13,730	-	-	-	-	-	-	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	1,366	-	-	-	-	-	-	-	-	-
Off-balance sheet transactions	**-**	**3,323**	**-**	**-**	**4,592**	**4,546**	**-**	**-**	**-**	**-**
C.1 Financial derivatives with exchange of capital	-	3,323	-	-	4,592	4,546	-	-	-	-
- Long positions	-	1,939	-	-	2,296	-	-	-	-	-
- Short positions	-	1,384	-	-	2,296	4,546	-	-	-	-
C.2 Financial derivatives without exchange of capital	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.3 Deposits and loans to be received	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.4 Commitments to lend funds	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.5 Financial guarantees given	-	-	-	-	-	-	-	-	-	-
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-
C.7 Credit derivatives with exchange of capital	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.8 Credit derivatives without exchange of capital	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-

1.5 Operating risk

Qualitative and quantitative informations

A. General aspects, management processes and measurement methods for operating risk

Operating risk is defined as the risk to incur losses arising from the inadequacy or weakness in procedures, human resources and internal systems, or from external events. These include losses arising from frauds, human errors, interruptions in business activities, unavailability of systems, contractual default, natural and/or geopolitical disasters. The operating risk includes the legal risk, while it does not include strategic and reputational risks.

The Bank, albeit adopting a standardised calculation method of the operating risks, periodically carries out their analysis/self-assessment. In order to standardise the quantification process of operating risks, the Bank has also formalised the adopted method in the document called "Management of operating risks in Banca Finnat".

The analysis of operating risks and the identification of processes with major impact are periodically carried out by the Risk Control Organisational Unit to detect in a timely manner the business areas and the processes with higher operating risk in order to take the necessary corrective actions.

In particular, the analysis focuses on the identification, within the above-mentioned operating procedures, of the activities that may generate operating risks for the Bank and of the related controls to mitigate the risks themselves.

During the year ended 31 December 2019, periodic meetings continued to be held between the Parent Company and the subsidiaries InvestiRE SGR S.p.A. and Finnat Fiduciaria S.p.A.; during the meetings, the controls applied by the subsidiaries were analysed without observing any anomalies.

With regards to the quantification of internal capital supporting the operating risk, as previously indicated, the Bank uses the basic approach under the scope of determining prudential equity requirements, as envisaged by the supervisory provisions per Regulation 575/2013.

In this context, the internal control function verifies that said procedures, and any revisions thereof, are correctly implemented and are observed, as well as ensuring that they comply with regulations in force.

Section 4 - Risks of other companies

At 31 December 2019, all the subsidiaries of the Parent Company belong to the Group; therefore, there are no risks of other companies.

Part F – Information on the consolidated shareholders' equity

Section 1 - Consolidated shareholders' equity

Qualitative and quantitative informations

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.

Pursuant to the above-mentioned regulations, the Bank is required to comply with a minimum capital ratio of 8%, calculated by reference to credit and market prices.

The consolidated shareholders' equity of the Group and of Minority interests totals 255,945 thousand euros, of which the Group shareholders' equity is 215,134 thousand euros. It is detailed in the table below.

B.1 Consolidated equity: breakdown by company type

Shareholders' equity items	Prudential consolidation	Insurance companies	Other companies	Consolidation cancellations and adjustments	Total
1. Share capital	72,576	-	-	-	72,576
2. Share issue premiums	-	-	-	-	-
3. Reserves	188,583	-	-	-	188,583
4. Capital instruments	-	-	-	-	-
5. (Treasury shares)	(14,059)	-	-	-	(14,059)
6. Valuation reserves:	5,343	-	-	-	5,343
- Equity designated at fair value through other comprehensive income	4,419	-	-	-	4,419
- Hedges of equity designated at fair value through other comprehensive income	-	-	-	-	-
- Financial assets (other than equity) designated at fair value through other comprehensive income	390	-	-	-	390
- Property and equipment	-	-	-	-	-
- Intangible assets	-	-	-	-	-
- Foreign investment hedge	-	-	-	-	-
- Cash flow hedge	-	-	-	-	-
- Hedging instruments (non-designated elements)	-	-	-	-	-
- Foreign exchange differences	-	-	-	-	-
- Non-current assets held for sale and discontinued operations	-	-	-	-	-
- Financial liabilities designated at fair value through profit or loss (changes of own credit rating)	-	-	-	-	-
- Actuarial profit (loss) on defined benefit pension plans	(844)	-	-	-	(844)
- Share of valuation reserves connected with investee companies carried at equity	14	-	-	-	14
- Special revaluation regulations	1,364	-	-	-	1,364
7. Profit (loss) for the year (+/-) of the Group and minority interests	3,502	-	-	-	3,502
Shareholders' equity	**255,945**	**-**	**-**	**-**	**255,945**

B.2 Valuation reserves of financial assets designated at fair value through other comprehensive income: breakdown

Assets/amounts	Prudential consolidation		Insurance companies		Other companies		Consolidation cancellations and adjustments		Total 31.12.2019	
	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve
1. Debt securities	814	424	-	-	-	-	-	-	814	424
2. Equity	4,906	486	-	-	-	-	-	-	4,906	486
3. Loans	-	-	-	-	-	-	-	-	-	-
Total 31.12.2019	**5,720**	**910**	**-**	**-**	**-**	**-**	**-**	**-**	**5,720**	**910**
Total 31.12.2018	**4,333**	**8,845**	**-**	**-**	**-**	**-**	**-**	**-**	**4,333**	**8,845**

The breakdown of the valuation reserves refers to the Group and concerns almost exclusively the fair value adjustment, after taxes, of the securities held by the Bank.

B.3 Valuation reserves of financial assets designated at fair value through other comprehensive income: annual changes

	Debt securities	Equity	Loans
1. Initial amount	**(7,736)**	**3,224**	**-**
2. Positive changes	**8,610**	**1,682**	**-**
2.1 Increases in fair value	7,626	1,682	-
2.2 Losses for credit risk	98	X	-
2.3 Reclassification of negative reserves to the income statement	886	X	-
2.4 Transfers to other shareholders' equity components (equity)	-	-	-
2.5 Other changes	-	-	-
3. Negative changes	**484**	**486**	**-**
3.1 Decreases in fair value	8	486	-
3.2 Recoveries on credit risk	361	-	-
3.3 Reclassification to the income statement from positive reserves: from disposal	115	X	-
3.4 Transfers to other shareholders' equity components (equity)	-	-	-
3.5 Other changes	-	-	-
4. Final amount	**390**	**4,420**	**-**

The comment of changes in Valuation reserves of financial assets designated at fair value through other comprehensive income is provided in Part D – Consolidated statement of comprehensive income.

B.4 Valuation reserves related to defined benefit plans: annual changes

Reserves related to defined benefit plans were negative by 844 thousand euros (of which the Group's amounted to 591 thousand euros and third parties' reserves amounted to 253 thousand euros). At 31 December 2018, these Reserves were negative by 499 thousand euros (of which the Group's reserves 380 thousand euros and third parties' reserves by 119 thousand euros).

Section 2 - Own funds and capital ratios

Please refer to the disclosure on own funds and on capital adequacy contained in the public disclosure ("Third Pillar").

Part G - Business combinations pertaining to entities or business units

Section 1 - Combinations completed during the year

No business combinations were completed during the year, as regulated by IFRS 3, which would have entailed the acquisition of control over businesses or legal entities.

It should be noted, however, that, effective from 1 December 2019, the subsidiary InvestiRE SGR S.p.A. transferred a business unit to its associate REDO SGR S.p.A. and the management mandates for Fil Funds 1 and 2. The details of the transaction are outlined in the paragraph "Main transactions in the year" of the separate financial statements.

Section 2 - Combinations completed after the end of the year

In the period spanning the end of the 2019 financial year and the date on which these financial statements were prepared, no business combinations regulated by IFRS 3 were carried out.

Part H – Related party transactions

In terms of related party transactions, the Bank has complied with the Regulations for related party transactions, approved by the Board of Directors on 2 August 2013.

For further information on related party transactions carried out during the financial year, please refer to the paragraph in the Directors' Report on Operations.

As required by IAS 24, information on related party transactions is provided below.

1. Information on remuneration of key executives

As a result of the latest amendments made by Consob to its resolution no. 11971 of 14 May 1999 for the aforesaid information, please refer to the "Report on Remuneration" prepared in accordance with Article 123-ter of the Italian Consolidated Financial Law and according to form 7-bis of Annex 3A of the Issuers' Regulation.

2. Information on related party transactions

The following table shows the assets, liabilities, guarantees and commitments at 31 December 2019 separately for different types of related parties under IAS 24.

BALANCE SHEET	Financial receivables (payables)	Other receivables (payables)	Sureties issued
ASSOCIATED COMPANIES			
Imprebanca S.p.A.	(369)	-	23
MANAGEMENT WITH STRATEGIC RESPONSIBILITIES AND COMPANY REPRESENTATIVES	(4,356)	-	10
OTHER RELATED PARTIES	(9,727)	406	1

Other receivables (payables) refer to the financial statement items "Other assets" and "Other liabilities".

With regard to associated companies, the income statement items include only interest income from Imprebanca S.p.A. and amount to approximately 2 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 - Real Estate 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: these 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 year by the individual segments are commented on in the Report on Operations.

Consolidated aggregate income statement values for 2019 by business segment

Business segments	Private Banking	Investment Banking (*)	Advisory and Corporate Finance	Trusteeship	Asset Management Real Estate Funds	Financial Holding and Governance Centre (**)	TOTAL
Interest margin	3,538	12,637		15	(107)	203	16,286
Net fees and commissions	14,774	5,911	1,621	2,391	28,543	(258)	52,982
Dividends	190	61				2,762	3,013
Profit (loss) on trading		(1,737)					(1,737)
Profit (loss) on disposal or repurchase of:		706					706
a) financial assets designated at amortised cost		464					464
b) financial assets designated at fair value through other comprehensive income		242					242
Net income from other financial assets and liabilities designated at fair value through profit or loss		(119)			303	(1,110)	(926)
b) other financial assets mandatorily at fair value		(119)			303	(1,110)	(926)
NET BANKING INCOME	**18,502**	**17,459**	**1,621**	**2,406**	**28,739**	**1,597**	**70,324**
Operating costs	(13,768)	(4,006)	(1,151)	(942)	(19,750)	(11,927)	(51,544)
Net losses/recoveries on credit risk relating to:	(55)	667	(26)	(20)	8	(12,590)	(12,016)
a) financial assets designated at amortised cost	(55)	510	(26)	(14)	8	(12,590)	(12,167)
b) financial assets designated at fair value through other comprehensive income		157		(6)			151
Gains/losses from contractual changes without derecognition	7						7
Profit (loss) from equity investments						(175)	(175)
PRE-TAX PROFIT	**4,686**	**14,120**	**444**	**1,444**	**8,997**	**(23,095)**	**6,596**

(*) 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 31 December 2019 by business segment

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		57,696			913	20,928	79,537
a) financial assets held for trading		57,696					57,696
c) other financial assets mandatorily at fair value					913	20,928	21,841
Financial assets designated at fair value through other comprehensive income		353,870		1,532	1	11,263	366,666
Financial assets designated at amortised cost	346,528	1,127,111	674	4,325	50,856	18,598	1,548,092
a) due from banks		71,836		3,069	25,827	(7,764)	92,968
b) loans to customers	346,528	1,055,275	674	1,256	25,029	26,362	1,455,124
Equity investments					4,448	6,725	11,173
Liability items							
Financial liabilities designated at amortised cost	622,428	1,183,674		317	6,774	2,164	1,815,357
a) due to banks		369					369
b) due to customers	598,375	1,182,445		317	6,774	2,164	1,790,075
c) securities issued	24,053	860					24,913
Financial liabilities held for trading						152	152

(*) 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 geographic area is not shown, due to the fact that the Group operates mainly in Italy.

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

Revenue from contracts with customers (IFRS 15)

IFRS 15 STATEMENT - FEE AND COMMISSION INCOME BY BUSINESS UNIT

Business segments	Private Banking	Investment Banking (*)	Advisory and Corporate Finance	Trusteeship	Asset Management Real Estate Funds	Financial Holding and Governance Centre (**)	TOTAL
Breakdown by type of service							
- consultancy services	704	32	1,452	-	-	-	2,188
- listed issuer services	8	1,987	-	-	-	-	1,995
- trading	2,504	1,107	-	-	-	4	3,615
- placement	3,191	567	169	-	-	8	3,935
- management	3,480	2,449	-	817	28,664	-	35,410
- delegated management	885	394	-	-	-	5	1,284
- distribution of insurance products	1,900	4	-	-	-	16	1,920
- distribution of third-party services	95	428	-	-	-	-	523
- other services	2,054	433	-	1,578	-	19	4,084
Total	**14,821**	**7,401**	**1,621**	**2,395**	**28,664**	**52**	**54,954**

Business segments	Private Banking	Investment Banking (*)	Advisory and Corporate Finance	Trusteeship	Asset Management Real Estate Funds	Financial Holding and Governance Centre (**)	TOTAL
Breakdown by assessment procedure							
Over time	10,973	5,474	1,242	2,395	27,768	23	47,875
At a given moment	3,848	1,927	379	-	896	29	7,079
Total	**14,821**	**7,401**	**1,621**	**2,395**	**28,664**	**52**	**54,954**

(*) 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.

PART M – Disclosure on leases

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.
This section contains the information required by IFRS 16 which is not present in the other parts of the financial statements.

Section 1 - Lessee

Qualitative information

At 31 December 2019, there were 64 leases, of which i) 19 relating to buildings; ii) 2 relating to electronic systems; iii) 43 relating to other types (of which 40 cars).

A total of 96.7% of the value of rights of use booked to balance sheet assets refers to property leases, which primarily include properties for office and bank branch use and, to a lesser extent, employee accommodation. The property leases recognised in rights of use, all relating to assets located predominantly in Italy, have durations exceeding 12 months and typically have renewal or extinguishment options that can be exercised by the lessor and the lessee according to the legal or contractual provisions. The contracts do not make provision for forward purchases of properties; in addition, the leases do not envisage significant restoration costs.
As set out in the Banca Finnat Group's Policy, adopted by the Group companies to govern the methods of identification, evaluation and accounting recognition of leases, in the event of the signing of new rental contracts, the duration of the lease is determined by taking into account the expiry of the contracts and any options set out in the lease, such as, for example, lease extension or termination options. In particular, in the largely prevailing cases of leases drafted according to the provisions of Law 392/1978, with a contractual duration of 6 years and the option of tacitly renewing the six-year lease by six years, the total duration of the lease is set at 12 years. In cases in which the analysis of the individual leases results in new elements or specific situations, this general indication is superseded.

Leases relating to electronic systems, exclusively relating to the Bank, concern 0.2% of the value of rights of use recognised in balance sheet assets.

Leases relating to other types concern 3.1% of the value of rights of use recognised in balance sheet assets and refer, for 2.8%, to long-term rental contracts relating to cars provided to employees, directors (personal and business use) or made available to the Bank branches and other Group offices, and for the remainder to ATMs and TCRs pertaining exclusively to the Bank. Almost all car contracts have a five-year duration and do not include an option to buy the asset. Furthermore, no provision is made for renewal options but the contracts can be extended based on management of the fleet of cars; in the event of early termination, a penalty will generally be applied. Lease fees are paid early on a monthly basis.

In 2019, the Group did not carry out any sale or leaseback transactions.

As regards sub-leasing, bear in mind that the Bank has a single sub-lease in place on a portion of a property for an insignificant amount.

Based on the provisions of the Policy, cited above, the Banca Finnat Group avails itself of the exemptions set out in IFRS 16 and, subsequently: i) the provisions regarding the recognition, initial measurement, subsequent measurement, presentation and disclosure in the financial statements of short-term leases with a duration of equal to or less than 12 months and leases in which the underlying asset is of a low value are not applied; low value means 5 thousand euros; ii) the provisions of IFRS 16 do not apply to leases of intangible assets.

Quantitative information

Part B - Assets in the Notes to the Financial Statements shows, respectively, the information on the rights of use acquired under a lease:

- Table 8.1 - Property and equipment used in operation: breakdown of assets measured at cost
- Table 8.6 - Property and equipment used in operation: annual changes and Table IFRS 16 - Property and equipment used in operation: annual changes

Part B - Liabilities shows lease payables:

- Table 1.1 - Financial liabilities designated at amortised cost: breakdown by product of due to banks
- Table 1.2 - Financial liabilities designated at amortised cost: breakdown by product of due to customers
- Table 1.6 - Lease payables.

In particular, rights of use acquired under a lease amount to 15,953 thousand euros at 31 December 2019, of which 15,423 thousand euros relating to property leases. Lease payables amounted to 16,240 thousand euros. Please refer to said sections for more details.

Lastly, please refer to the specific sections contained in Part C of the Notes to the Financial Statements for information concerning:

- interest income and interest expense relating to lease payables (Section 1 Interest – Tables 1.1 and 1.3);
- depreciation of right-of-use assets (Section 14 - Net losses/recoveries on property and equipment).

Section 2 - Lessor

As of today, the Group has no transactions in place involving the transfer of assets, either under an operating or finance lease.

Significant non-recurring operations and positions or transactions deriving from atypical and/or unusual operations

Pursuant to the Consob Communication DEM/6064293 of 28 July 2006, it should be noted that:

- in 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 2019, either within the Group or with related or third parties. Atypical and/or unusual transactions are those operations which, due to their magnitude/importance, to the nature of the counterparty, to the subject matter of the transaction and to the method for determining the transfer price and time frame (close to the year-end), may give rise to doubts as to: the accuracy/completeness of the information set out in the financial statements, any conflict of interest, the safeguarding of the company's net worth and the protection of minority interests.

The most significant Group transactions in the 2019 financial year are commented on in a special section of the Director's Report on Operations of the Separate Financial Statements.

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Relazione della società di revisione indipendente ai sensi dell'art. 14 del D. Lgs. 27 gennaio 2010, n. 39 e dell'art. 10 del Regolamento (UE) n. 537/2014

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

Relazione sulla revisione contabile del bilancio consolidato

Giudizio

Abbiamo svolto la revisione contabile del bilancio consolidato del Gruppo Banca Finnat Euramerica (il "Gruppo"), costituito dallo stato patrimoniale al 31 dicembre 2019, dal conto economico, dal prospetto della redditività complessiva, dal prospetto delle variazioni del patrimonio netto, dal rendiconto finanziario per l'esercizio chiuso a tale data e dalla nota integrativa.

A nostro giudizio, il bilancio consolidato fornisce una rappresentazione veritiera e corretta della situazione patrimoniale e finanziaria del Gruppo al 31 dicembre 2019, del risultato economico e dei flussi di cassa per l'esercizio chiuso a tale data, in conformità agli International Financial Reporting Standards adottati dall'Unione Europea nonché ai provvedimenti emanati in attuazione dell'art. 9 del D. Lgs. 28 febbraio 2005, n.38 e dell'art. 43 del D. Lgs. 18 agosto 2015, n. 136.

Elementi alla base del giudizio

Abbiamo svolto la revisione contabile in conformità ai principi di revisione internazionali (ISA Italia). Le nostre responsabilità ai sensi di tali principi sono ulteriormente descritte nella sezione Responsabilità della società di revisione per la revisione contabile del bilancio consolidato della presente relazione. Siamo indipendenti rispetto alla Banca Finnat Euramerica S.p.A. in conformità alle norme e ai principi in materia di etica e di indipendenza applicabili nell'ordinamento italiano alla revisione contabile del bilancio. Riteniamo di aver acquisito elementi probativi sufficienti ed appropriati su cui basare il nostro giudizio.

Aspetti chiave della revisione contabile

Gli aspetti chiave della revisione contabile sono quegli aspetti che, secondo il nostro giudizio professionale, sono stati maggiormente significativi nell'ambito della revisione contabile del bilancio consolidato dell'esercizio in esame. Tali aspetti sono stati da noi affrontati nell'ambito della revisione contabile e nella formazione del nostro giudizio sul bilancio consolidato nel suo complesso; pertanto su tali aspetti non esprimiamo un giudizio separato.

Abbiamo identificato il seguente aspetto chiave della revisione contabile:

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Aspetto chiave	Risposte di revisione
Impairment test Avviamento La voce 100 dell'attivo consolidato espone l'avviamento pari a 28 milioni di Euro relativo alla controllata InvestiRE SGR S.p.A. a seguito della fusione per incorporazione nell'esercizio 2015, di Beni Stabili Gestioni SGR S.p.A. e Polaris RE SGR S.p.A.. Come previsto dal principio contabile internazionale IAS 36 "Riduzione di valore delle attività", la controllata InvestiRE SGR S.p.A. sottopone annualmente l'avviamento al procedimento di verifica del valore recuperabile ("impairment test"). L'impairment test dell'avviamento è un aspetto rilevante per la revisione contabile in quanto il suddetto procedimento di verifica si basa su assunzioni che richiedono agli amministratori l'esercizio di una significativa discrezionalità nella scelta di metodologie, assunzioni e parametri, (quali il Weighted Average Cost of Capital "WACC", il costo del capitale proprio "Ke" e il tasso di crescita "g"), che possono risultare sensibili anche agli andamenti futuri dei mercati e degli scenari economici. L'informativa di bilancio relativa all'avviamento è riportata nella Sezione 10 "Attività Immateriali" della Parte B della nota integrativa.	Le nostre procedure di revisione in risposta all'aspetto chiave della revisione contabile hanno incluso, tra l'altro: • la comprensione delle modalità di determinazione del valore recuperabile adottate dalla controllata InvestiRE SGR S.p.A., con l'ausilio di un esperto interno della Direzione della controllata stessa, in linea con la metodologia di impairment e di valutazione approvata anche dai competenti organi aziendali della capogruppo; • la valutazione della competenza, della capacità e dell'obiettività dell'esperto interno della Direzione della controllata; • l'analisi delle assunzioni alla base delle previsioni dei flussi di cassa futuri e della loro determinazione; • la valutazione delle previsioni rispetto all'accuratezza dei dati storici considerati nelle precedenti previsioni. Nello svolgimento delle nostre verifiche ci siamo anche avvalsi dell'ausilio di nostri esperti in tecniche di valutazione d'azienda, in particolare con riferimento alla valutazione dell'appropriatezza della metodologia e della ragionevolezza delle assunzioni utilizzate dagli amministratori per la determinazione del valore recuperabile, nonché per la verifica dell'accuratezza matematica dei calcoli e l'analisi di sensitività sulle assunzioni chiave. Infine, abbiamo esaminato l'adeguatezza dell'informativa resa in nota integrativa.

Responsabilità degli amministratori e del collegio sindacale per il bilancio consolidato

Gli amministratori sono responsabili per la redazione del bilancio consolidato che fornisca una rappresentazione veritiera e corretta in conformità agli International Financial Reporting Standards adottati dall'Unione Europea, nonché ai provvedimenti emanati in attuazione dell'art. 9 del D. Lgs. 28 febbraio 2005, n. 38 e dell'art. 43 del D. Lgs. 18 agosto 2015, n. 136 e, nei termini previsti dalla legge, per quella parte del controllo interno dagli stessi ritenuta necessaria per consentire la redazione di un bilancio che non contenga errori significativi dovuti a frodi o a comportamenti o eventi non intenzionali.

Gli amministratori sono responsabili per la valutazione della capacità del Gruppo di continuare ad operare come un'entità in funzionamento e, nella redazione del bilancio consolidato, per l'appropriatezza dell'utilizzo del presupposto della continuità aziendale, nonché per un'adeguata informativa in materia. Gli amministratori utilizzano il presupposto della continuità aziendale nella redazione del bilancio consolidato a meno che abbiano valutato che sussistono le condizioni per la liquidazione della capogruppo Banca Finnat Euramerica S.p.A. o per l'interruzione dell'attività o non abbiano alternative realistiche a tali scelte.

Il collegio sindacale ha la responsabilità della vigilanza, nei termini previsti dalla legge, sul processo di predisposizione dell'informativa finanziaria del Gruppo.

Responsabilità della società di revisione per la revisione contabile del bilancio consolidato

I nostri obiettivi sono l'acquisizione di una ragionevole sicurezza che il bilancio consolidato nel suo complesso non contenga errori significativi, dovuti a frodi o a comportamenti o eventi non intenzionali, e l'emissione di una relazione di revisione che includa il nostro giudizio. Per ragionevole sicurezza si intende un livello elevato di sicurezza che, tuttavia, non fornisce la garanzia che una revisione contabile svolta in conformità ai principi di revisione internazionali (ISA Italia) individui sempre un errore significativo, qualora esistente. Gli errori possono derivare da frodi o da comportamenti o eventi non intenzionali e sono considerati significativi qualora ci si possa ragionevolmente attendere che essi, singolarmente o nel loro insieme, siano in grado di influenzare le decisioni economiche degli utilizzatori prese sulla base del bilancio consolidato.

Nell'ambito della revisione contabile svolta in conformità ai principi di revisione internazionali (ISA Italia), abbiamo esercitato il giudizio professionale e abbiamo mantenuto lo scetticismo professionale per tutta la durata della revisione contabile. Inoltre:

- abbiamo identificato e valutato i rischi di errori significativi nel bilancio consolidato, dovuti a frodi o a comportamenti o eventi non intenzionali; abbiamo definito e svolto procedure di revisione in risposta a tali rischi; abbiamo acquisito elementi probativi sufficienti ed appropriati su cui basare il nostro giudizio. Il rischio di non individuare un errore significativo dovuto a frodi è più elevato rispetto al rischio di non individuare un errore significativo derivante da comportamenti od eventi non intenzionali, poiché la frode può implicare l'esistenza di collusioni, falsificazioni, omissioni intenzionali, rappresentazioni fuorvianti o forzature del controllo interno;
- abbiamo acquisito una comprensione del controllo interno rilevante ai fini della revisione contabile allo scopo di definire procedure di revisione appropriate nelle circostanze, e non per esprimere un giudizio sull'efficacia del controllo interno del Gruppo;
- abbiamo valutato l'appropriatezza dei principi contabili utilizzati nonché la ragionevolezza delle stime contabili effettuate dagli amministratori e della relativa informativa;

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- siamo giunti ad una conclusione sull'appropriatezza dell'utilizzo da parte degli amministratori del presupposto della continuità aziendale e, in base agli elementi probativi acquisiti, sull'eventuale esistenza di un'incertezza significativa riguardo a eventi o circostanze che possono far sorgere dubbi significativi sulla capacità del Gruppo di continuare ad operare come un'entità in funzionamento. In presenza di un'incertezza significativa, siamo tenuti a richiamare l'attenzione nella relazione di revisione sulla relativa informativa di bilancio ovvero, qualora tale informativa sia inadeguata, a riflettere tale circostanza nella formulazione del nostro giudizio. Le nostre conclusioni sono basate sugli elementi probativi acquisiti fino alla data della presente relazione. Tuttavia, eventi o circostanze successivi possono comportare che il Gruppo cessi di operare come un'entità in funzionamento;
- abbiamo valutato la presentazione, la struttura e il contenuto del bilancio consolidato nel suo complesso, inclusa l'informativa, e se il bilancio consolidato rappresenti le operazioni e gli eventi sottostanti in modo da fornire una corretta rappresentazione;
- abbiamo acquisito elementi probativi sufficienti e appropriati sulle informazioni finanziarie delle imprese o delle differenti attività economiche svolte all'interno del Gruppo per esprimere un giudizio sul bilancio consolidato. Siamo responsabili della direzione, della supervisione e dello svolgimento dell'incarico di revisione contabile del Gruppo. Siamo gli unici responsabili del giudizio di revisione sul bilancio consolidato.

Abbiamo comunicato ai responsabili delle attività di governance, identificati ad un livello appropriato come richiesto dai principi di revisione internazionali (ISA Italia), tra gli altri aspetti, la portata e la tempistica pianificate per la revisione contabile e i risultati significativi emersi, incluse le eventuali carenze significative nel controllo interno identificate nel corso della revisione contabile.

Abbiamo fornito ai responsabili delle attività di governance anche una dichiarazione sul fatto che abbiamo rispettato le norme e i principi in materia di etica e di indipendenza applicabili nell'ordinamento italiano e abbiamo comunicato loro ogni situazione che possa ragionevolmente avere un effetto sulla nostra indipendenza e, ove applicabile, le relative misure di salvaguardia.

Tra gli aspetti comunicati ai responsabili delle attività di governance, abbiamo identificato quelli che sono stati più rilevanti nell'ambito della revisione contabile del bilancio dell'esercizio in esame, che hanno costituito quindi gli aspetti chiave della revisione. Abbiamo descritto tali aspetti nella relazione di revisione.

Altre informazioni comunicate ai sensi dell'art. 10 del Regolamento (UE) n. 537/2014

L'assemblea degli azionisti della Banca Finnat Euramerica S.p.A. ci ha conferito in data 29 Aprile 2011 l'incarico di revisione legale del bilancio d'esercizio e consolidato della Società per gli esercizi con chiusura dal 31 dicembre 2011 al 31 dicembre 2019.

Dichiariamo che non sono stati prestati servizi diversi dalla revisione contabile vietati ai sensi dell'art. 5, par. 1, del Regolamento (UE) n. 537/2014 e che siamo rimasti indipendenti rispetto alla Società nell'esecuzione della revisione legale.

Confermiamo che il giudizio sul bilancio consolidato espresso nella presente relazione è in linea con quanto indicato nella relazione aggiuntiva destinata al collegio sindacale, nella sua funzione di comitato per il controllo interno e la revisione contabile, predisposta ai sensi dell'art. 11 del citato Regolamento.

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Relazione su altre disposizioni di legge e regolamentari

Giudizio ai sensi dell'art. 14, comma 2, lettera e), del D. Lgs. 27 gennaio 2010, n. 39 e dell'art. 123-bis, comma 4, del D. Lgs. 24 febbraio 1998, n. 58

Gli amministratori della Banca Finnat Euramerica S.p.A. sono responsabili per la predisposizione della relazione sulla gestione e della relazione sul governo societario e gli assetti proprietari del Gruppo Banca Finnat Euramerica al 31 dicembre 2019, incluse la loro coerenza con il relativo bilancio consolidato e la loro conformità alle norme di legge.

Abbiamo svolto le procedure indicate nel principio di revisione (SA Italia) n. 720B al fine di esprimere un giudizio sulla coerenza della relazione sulla gestione e di alcune specifiche informazioni contenute nella relazione sul governo societario e gli assetti proprietari indicate nell'art. 123-bis, comma 4, del D. Lgs. 24 febbraio 1998, n. 58 con il bilancio consolidato del gruppo Banca Finnat Euramerica al 31 dicembre 2019 e sulla conformità delle stesse alle norme di legge, nonché di rilasciare una dichiarazione su eventuali errori significativi.

A nostro giudizio, la relazione sulla gestione e alcune specifiche informazioni contenute nella relazione sul governo societario e gli assetti proprietari sopra richiamate sono coerenti con il bilancio consolidato del gruppo Banca Finnat Euramerica al 31 dicembre 2019 e sono redatte in conformità alle norme di legge.

Con riferimento alla dichiarazione di cui all'art. 14, comma 2, lettera e), del D. Lgs. 27 gennaio 2010, n. 39, rilasciata sulla base delle conoscenze e della comprensione dell'impresa e del relativo contesto acquisite nel corso dell'attività di revisione, non abbiamo nulla da riportare.

Roma, 30 marzo 2020

EY S.p.A.

Giuseppe Miele
(Revisore Legale)

BANCA FINNAT

GRUPPO BANCA FINNAT

ATTESTAZIONE DEL BILANCIO CONSOLIDATO 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 al 31 dicembre 2019.

2. Al riguardo non sono emersi aspetti di rilievo.

3. Si attesta, inoltre, che:
   3.1. il Bilancio consolidato:
   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 sulla gestione comprende un'analisi attendibile dell'andamento e del risultato della gestione, nonché della situazione dell'emittente e delle imprese incluse nel consolidamento, unitamente alla descrizione dei principali rischi e incertezze cui sono esposti.

Roma, 19 marzo 2020

L'Amministratore Delegato

(Arturo Nattino)

Il Dirigente preposto alla redazione dei documenti contabili societari

(Giulio Bastia)

SUMMARY OF THE RESOLUTIONS BY THE SHAREHOLDERS' MEETING

On 29 April 2020, the ordinary General Meeting of the Shareholders of Banca Finnat Euramerica S.p.A.:

with reference to item one on the agenda of the Meeting, approved:

i. the Directors' report on the situation of the Group and the management's performance;
ii. the Balance Sheet, Income Statement and Notes to the Financial Statements at 31 December 2019, and related attachments, of Banca Finnat Euramerica S.p.A., as presented by the Board of Directors, as a whole and based on the make-up of the single items;
iii. the allocation of the operating profit as follows:

operating profit	**777,688**	**euros**
– 5% to the legal reserve, appropriated in accordance with the law and the articles of association	38,884	euros
– to the extraordinary reserve	738,804	euros
Total	**777,688**	**euros**

Furthermore, the above mentioned appropriation of the operating profit conforms to Article 6 of Legislative Decree 38/2005.

With reference to item two on the agenda, approved:

- the Remuneration Report, pursuant to Article 123-ter of Legislative Decree 58/1998, which includes the Company's remuneration policy statement regarding its Directors, Employees and freelance Collaborators;

- the decision to grant the board of directors the authority to implement the said remuneration policy, also taking into account any requests received from the supervisory board on the matter, which board of directors may also sub delegate the said authority to the chief executive officer.

* * * *

Rome, 29 April 2020

DESIGN BY
Ape Communication Srl

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R.E.A. Reg. No.	444286	Website	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