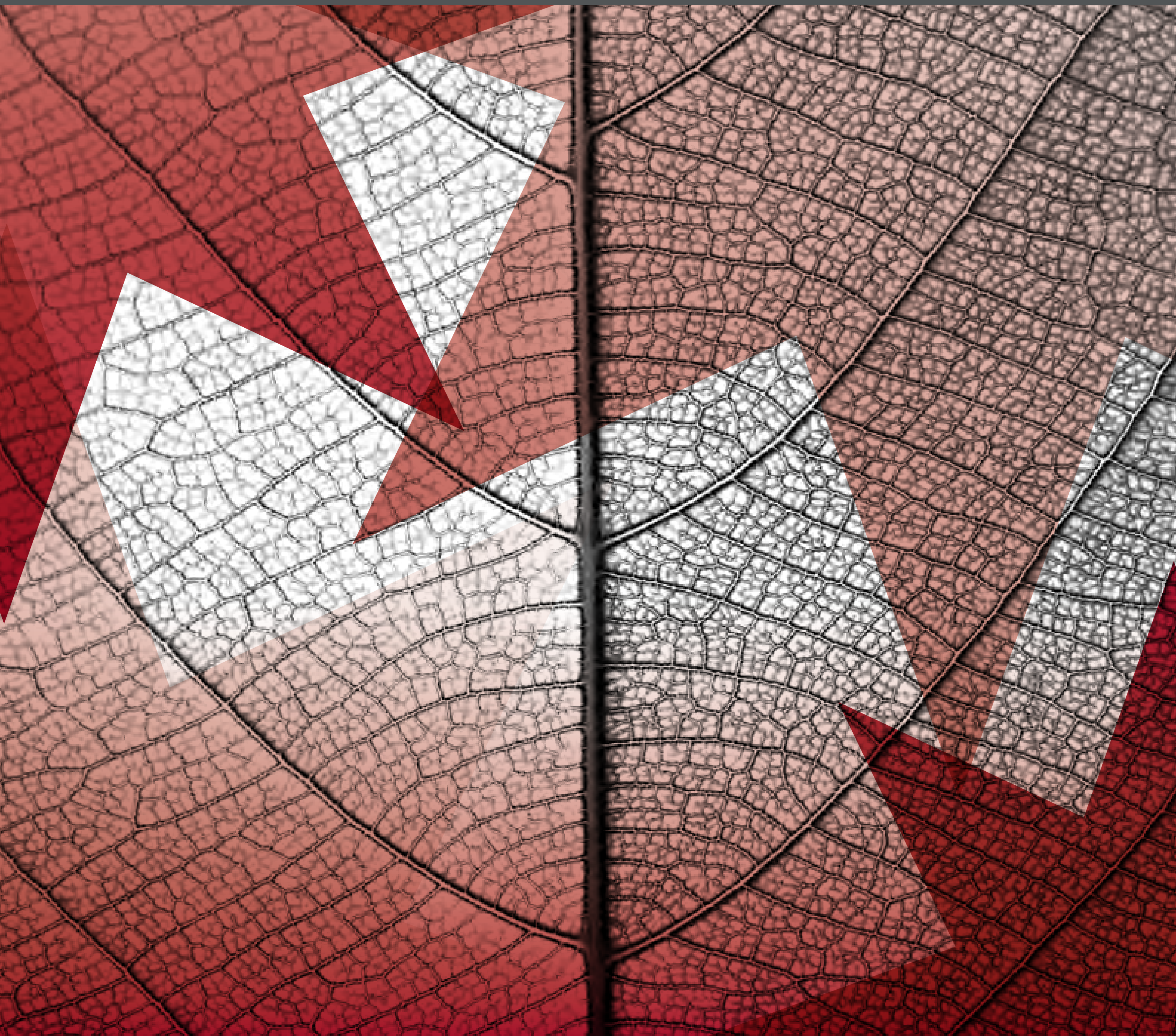
BANCA FINNAT

GRUPPO BANCA FINNAT

# CONSOLIDATED HALF-YEARLY FINANCIAL REPORT AT 30 JUNE 2020



# CONSOLIDATED HALF-YEARLY FINANCIAL REPORT AT 30 JUNE 2020

# INDICE

**BOARD OF DIRECTORS**

Carlo Carlevaris
*Honorary Chairman*

Flavia Mazzarella
*Chairman*

Leonardo Buonvino
*Deputy Chairman*

Marco Tofanelli
*Deputy Chairman*

Arturo Nattino
*Managing Director*

Ermanno Boffa
*Director*

Roberto Cusmai
*Director*

Giulia Nattino
*Director*

Maria Sole Nattino
*Director*

Lupo Rattazzi
*Director*

Andreina Scognamiglio
*Director*

**BOARD OF STATUTORY AUDITORS**

Alberto De Nigro
*Chairman*

Barbara Fasoli Braccini
*Permanent Auditor*

Francesco Minnetti
*Permanent Auditor*

Laura Bellicini
*Alternate Auditor*

Antonio Staffa
*Alternate Auditor*

**MANAGEMENT**

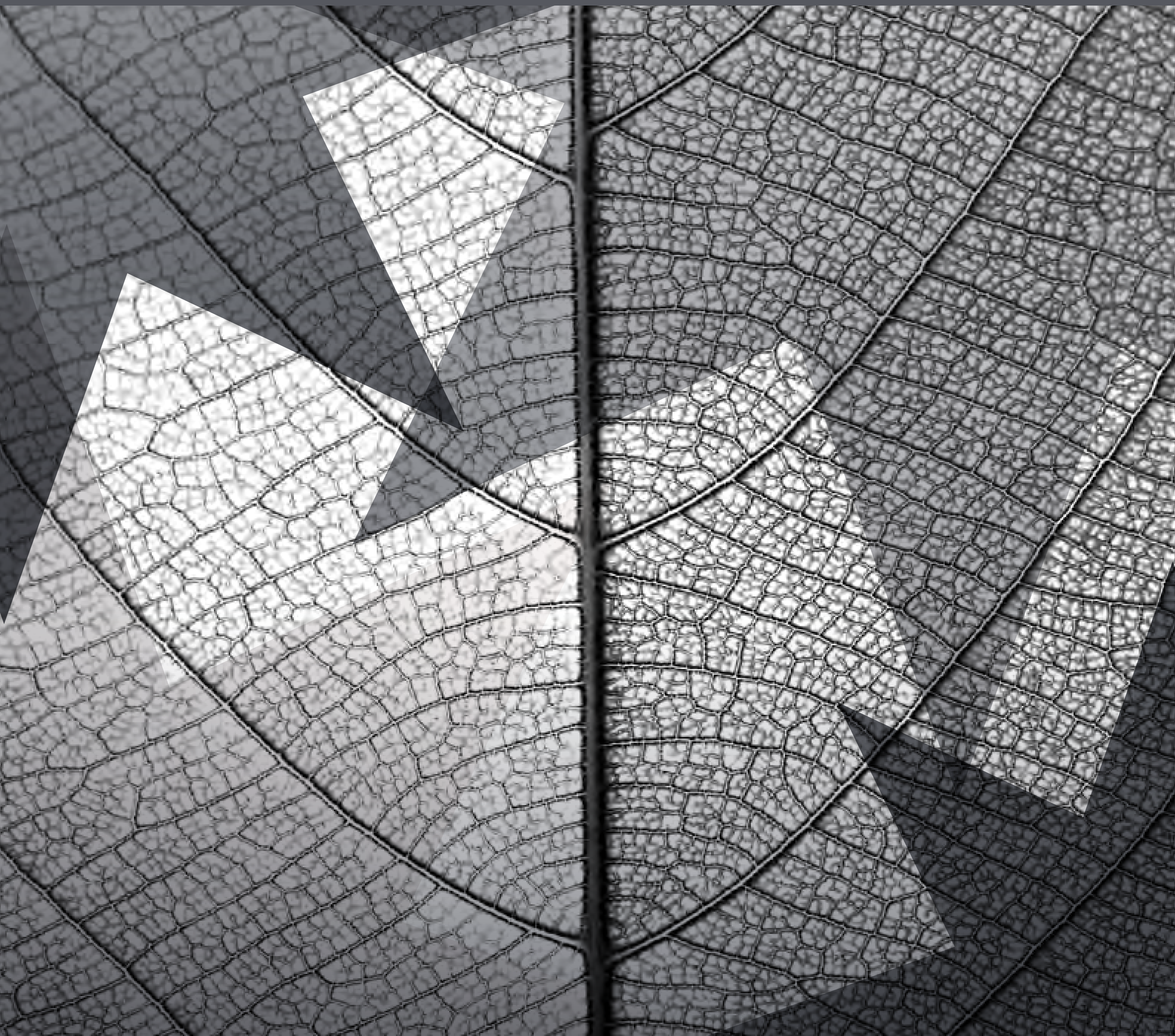
Arturo Nattino
*General Manager*

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

Alberto Alfiero
*Deputy General Manager*

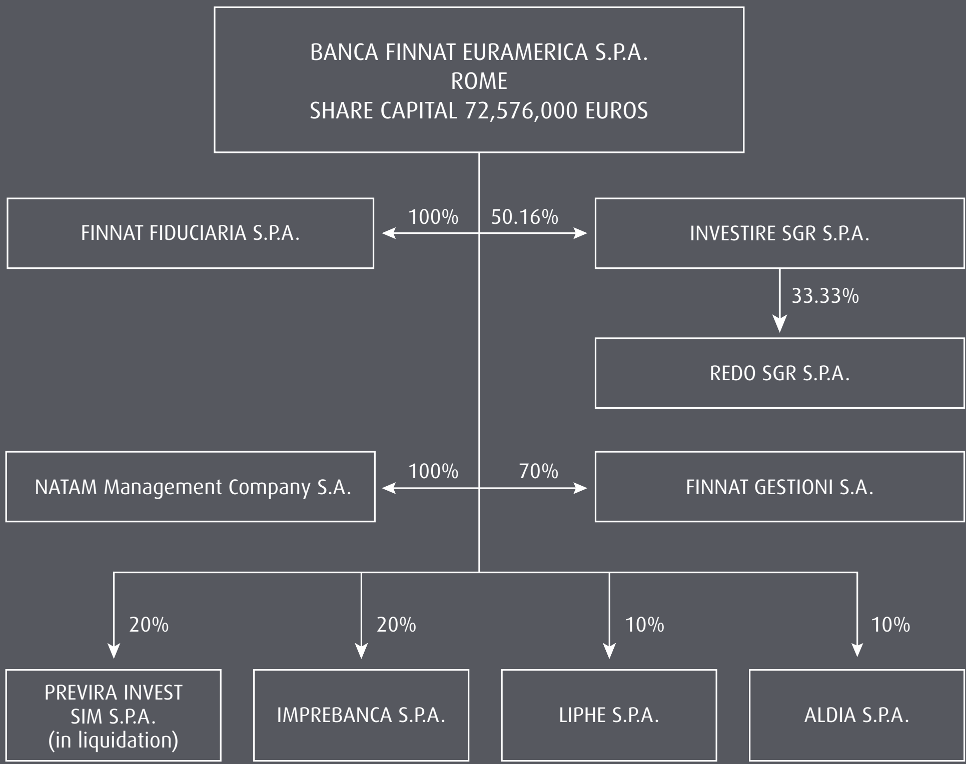
**AUDITING FIRM**
*KPMG S.p.A.*

INTERIM REPORT ON GROUP OPERATIONS



# GROUP STRUCTURE

The following diagram shows the Group's structure at 30 June 2020:




Compared to 31 December 2019, the Group's structure has not changed.

# KEY FIGURES FOR THE GROUP

| | 30 June 2020 | 31 December 2019 | 30 June 2019 |
|---|---|---|---|
| CONSOLIDATED SHAREHOLDERS' EQUITY OF THE GROUP (in thousands of euros) | 216,316 | 215,134 | 212,366 |
| HUMAN RESOURCES OF THE GROUP | 351 | 353 | 369 |
| CONSOLIDATED PROFIT (LOSS) (in thousands of euros) | 2,063 | 434 | 4,313 |

## STOCK EXCHANGE CAPITALISATION OF BANCA FINNAT EURAMERICA

| | Number of shares | Market price 10 July 2020 | Capitalisation 10 July 2020 (in thousands of euros) | Consolidated shareholders' equity (in thousands of euros) | Share capital (in thousands of euros) |
|---|---|---|---|---|---|
| **ORDINARY SHARES** | 362,880,000 | 0.2280 | 82,737 | 216,316 | 72,576 |

## Changes in the Group's deposits

(in thousands of euros)

| | December 2017 | December 2018 | December 2019 | June 2020 |
|---|---|---|---|---|
| **Direct deposits from customers of the parent company** | **472,787** | **677,119** | **802,644** | **640,294** |
| - Due to customers (current accounts) | 358,892 | 439,262 | 565,790 | 471,798 |
| - Time deposits | 91,301 | 209,607 | 211,941 | 158,083 |
| - Securities issued | 22,594 | 28,250 | 24,913 | 10,413 |
| **Indirect deposits of the parent company** | **5,540,931** | **6,152,748** | **6,441,594** | **5,411,013** |
| - Individual management | 571,803 | 480,921 | 484,820 | 446,658 |
| - Delegated management | 285,681 | 278,565 | 279,479 | 237,570 |
| - Deposits under administration (UCIs and securities) | 3,924,304 | 4,544,537 | 4,539,880 | 3,662,978 |
| - Deposits under administration under advice (UCIs and securities) | 649,060 | 695,044 | 859,826 | 768,224 |
| - Third-party insurance products | 110,083 | 153,681 | 277,589 | 295,583 |
| **Trusteeship (*)** | **1,458,411** | **1,629,864** | **1,881,194** | **1,790,634** |
| **Real Estate Fund Management (**)** | **7,525,912** | **7,321,884** | **7,078,247** | **6,476,096** |
| **Luxembourg-based Sicav fund administration** | **694,087** | **662,936** | **770,279** | **748,031** |
| **Total deposits** | **15,692,128** | **16,444,551** | **16,973,958** | **15,066,068** |

(*) The figures for December 2017 do not include the mandates of Finnat Fiduciaria S.p.A. for the administration and custody of assets without a fiduciary registration.

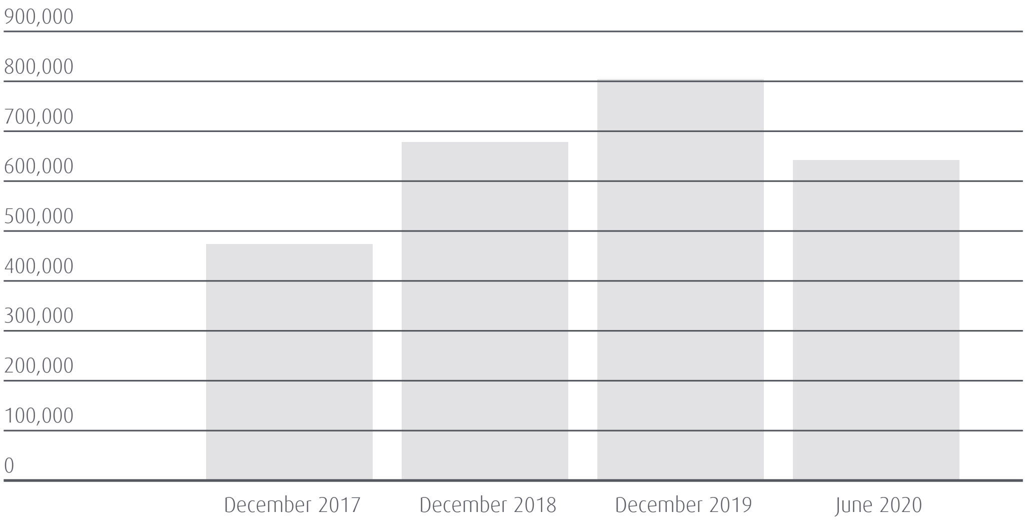
(**) The figures for December 2017 and 2018 include the assets of FIL 1 and FIL 2 funds (for a total of 327 thousand euros in 2017 and 426 thousand euros in 2018) transferred in 2019 to REDO SGR S.p.A. following the transfer of the business unit by InvestiRE SGR S.p.A.

The total assets of the Group came to 15.1 billion euros, a drop of 11.2% over the end of the previous year. This decrease is essentially attributable to the significant correction of the markets at global level, brought about by the Covid-19 pandemic.

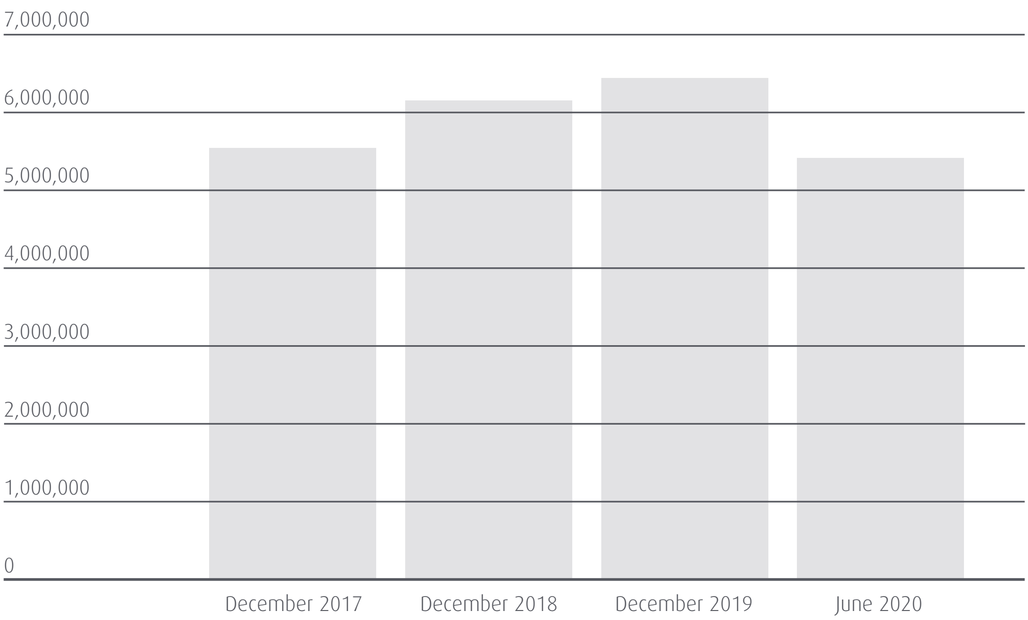
The above table shows the changes in the Group's deposits broken down by type. In detail: a) direct and indirect deposits from customers refers to the Bank's activity and does not include repos having the Cassa di Compensazione e Garanzia as the counterparty; b) trusteeship includes the deposits of Finnat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



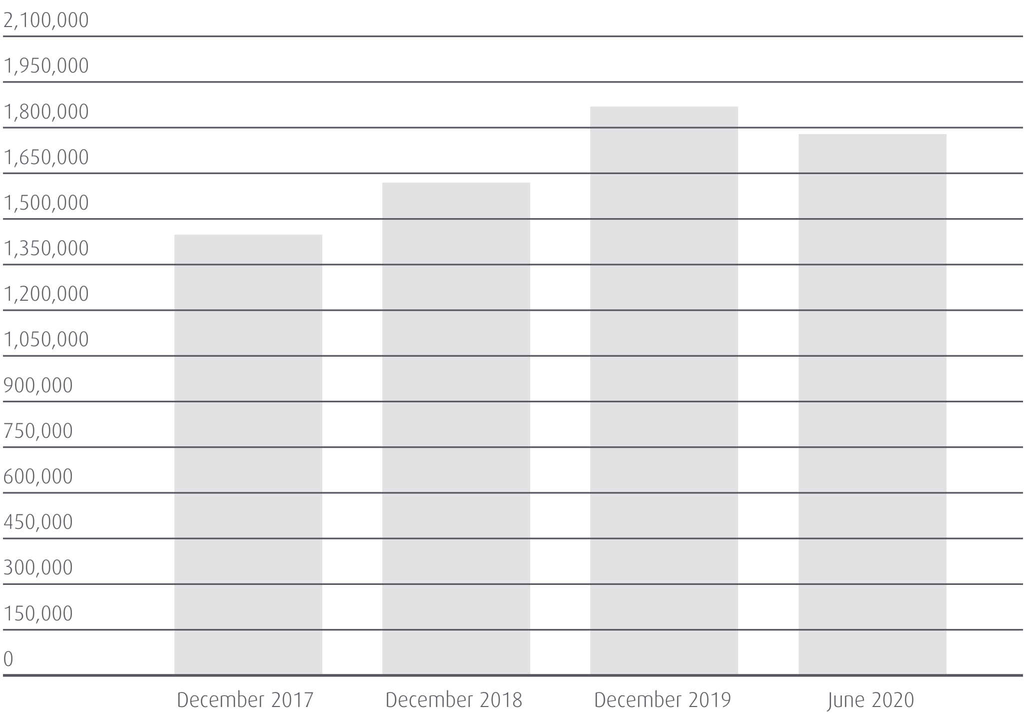
**Direct deposits from customers**



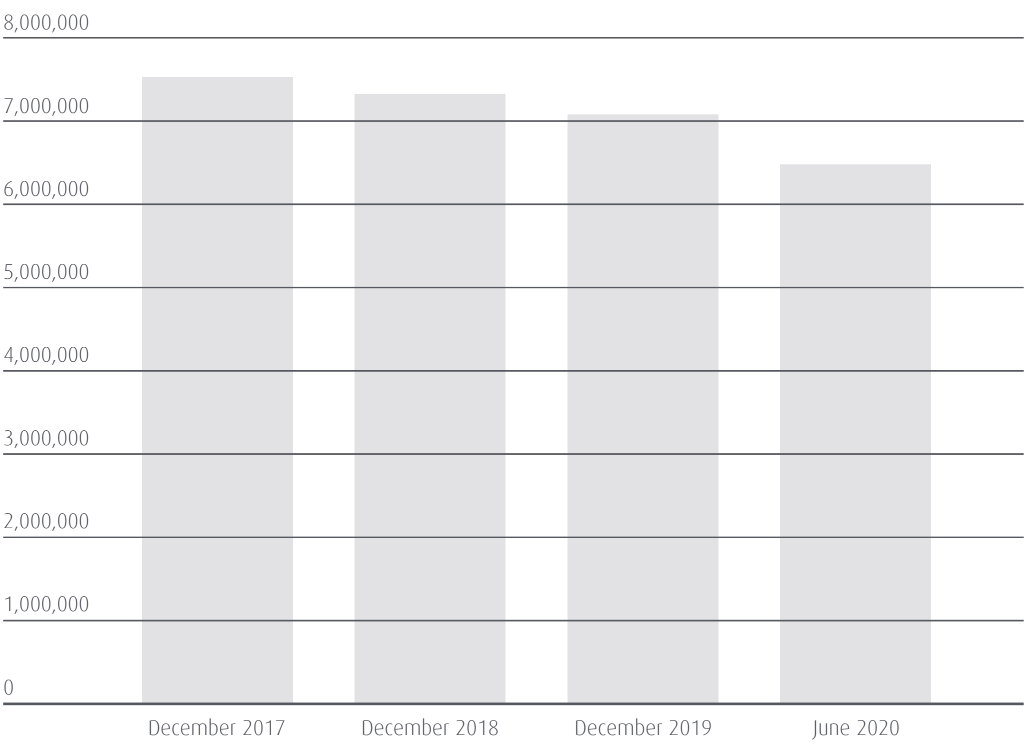

**Indirect deposits**



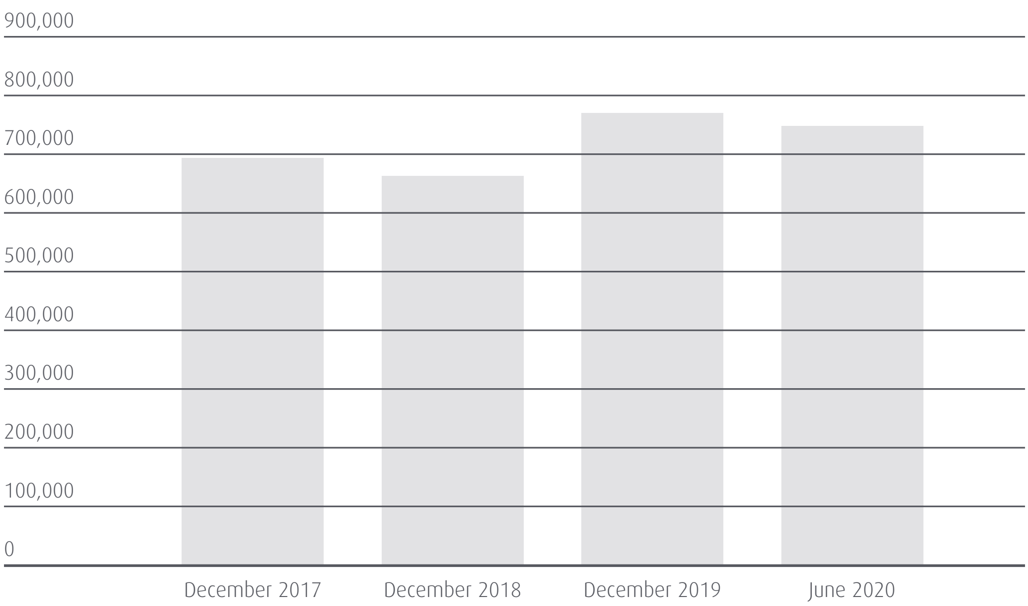
**Trusteeship**



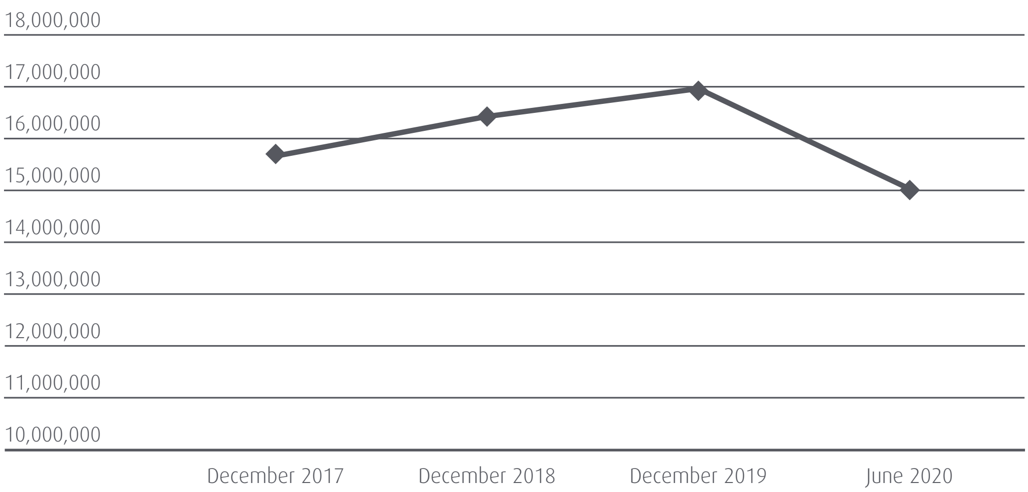

**Real Estate Funds**



**Luxembourg-based Sicav fund administration**




**Total Group deposits**



## Own shares and share price performance

**Own shares**

At 30 June 2020, 28,810,640 own 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 own shares.

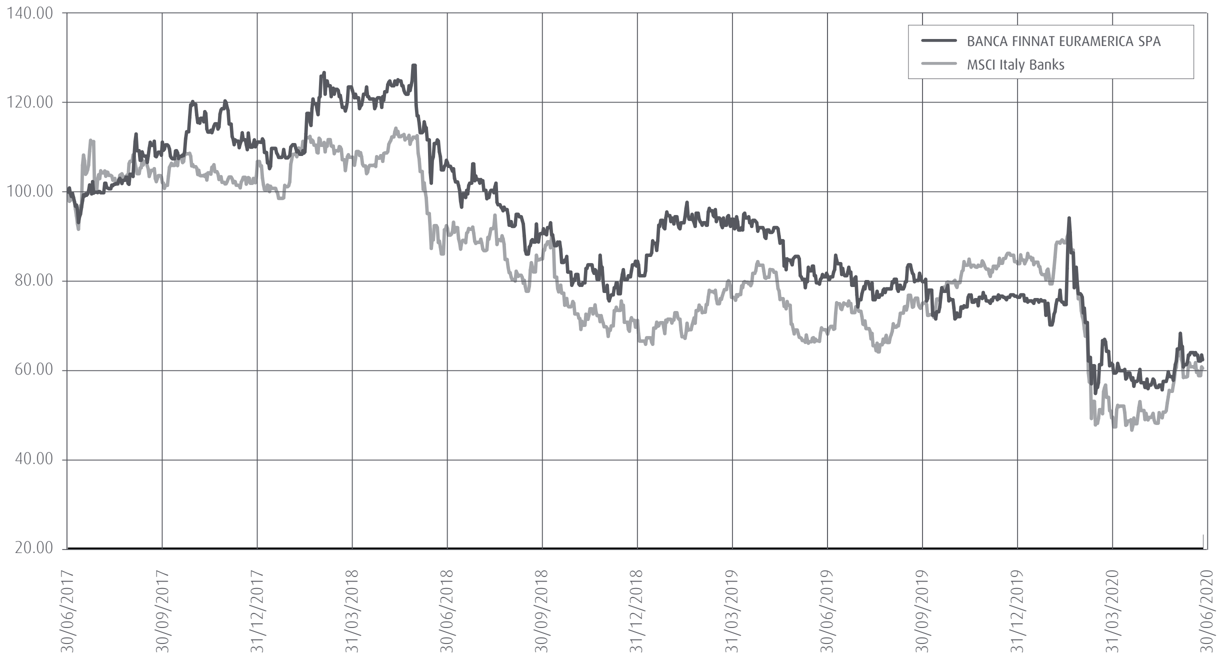


**Share price performance**

| SECURITY | Market price in euros at: | | | | | |
|---|---|---|---|---|---|---|
| | 10 July 2020 | 30 June 2020 | 31 March 2020 | 31 December 2019 | 30 September 2019 | 28 June 2019 |
| BFE | 0.2280 | 0.2310 | 0.2270 | 0.2830 | 0.2980 | 0.3000 |

**BANCA FINNAT STOCK PRICE PERFORMANCE COMPARED WITH ITALIAN BANKING SECTOR INDEX**

(source Banca Intesa)



# Business background

Prior to presenting the Consolidated report on operations relating to the first half of 2020, following is an overview of the domestic and international macroeconomic background.



**Domestic and international macroeconomic background and financial markets in the first half of 2020**

Towards the end of 2019, economic outlooks for 2020 were still largely positive, with global growth expected to reach around 3-3.5%. At the time, the US economy was considered inevitably destined for a phase of full maturity of its economic cycle: after ten years of uninterrupted growth, the estimated increase in GDP still remained quite gratifying, along with outlooks for its stock market which it was thought would be capable of maintaining underlying positivity in the event of the confirmation of two essential conditions, i.e., growth, not at all unlikely, of corporate earnings close to 10%, and the capacity of the economic system to continue to create new jobs, although an unemployment rate of 3.5% of the workforce had already been reached, marking the lowest levels of the last half century.

The coronavirus epidemic, which in the autumn had started to impact China but which then began progressively expanding, becoming a global pandemic, however quickly shook the entire expected macroeconomic scenario, generating severe, negative consequences that influenced not only economic trends but also, in return, the behaviour of the financial markets.

Following generalised production lockdowns imposed by the government authorities to safeguard public health, the initial macroeconomic evidence showed economic upheaval in the more developed countries not seen since the times of the global depression of the 1930s. In March 2020, industrial output in the Eurozone fell by 11.3% compared to the previous month (-12.8% yoy), with France recording a drop compared to the previous month of 16.2% (-17.3% yoy); Germany with a monthly decline of 9.2% and an annual decline of 11.4%; Italy with an annual decrease in industrial production (deseasonalised) of 27.2%, in industrial turnover of 25.3%, in industrial orders of 26.6% and in retail sales of 18.9% (-8.8% for the entire Eurozone area). The heavy economic repercussions were then further accentuated in April, with industrial output in the Eurozone falling by 19% compared to the prior month (-29% yoy), French production down 20.1% monthly and 34.3% annually, German production down 18% monthly and 25.3% annually, Italian industrial output down 40.7% annually (energy -13.8%, consumables -37.6%, intermediate goods -46.1% and capital good assets -51.5%) with industrial turnover down by 46.9%, industrial orders down by 49% and retail sales falling 26.7% (-19.6% in the Eurozone).

The March/April two-month period was particularly difficult for the US economy, with the industrial output ratio down by 4.5% in March and by 12.5% in April; industrial orders down by 11% in March and 13.5% in April; orders for durable goods down by 16.6% in March and 18.1% in April and retail sales falling 8.3% in March and 14.7% in April. The changed macroeconomic environment also had a significant impact on the rampant unemployment that suddenly struck the US economy, with more than 40 million new recipients of weekly government unemployment benefits and an unemployment rate which from 3.5% in late 2019 quickly reached nearly 15% of the workforce in April.

In terms of gross domestic product, the first quarter of 2020 showed a fall in GDP of 5% in annualised quarterly terms for the US economy and of 14.4% for the Eurozone; France recorded a negative annualised quarterly change of 21.4%, while in Germany, there was a contraction of 8.9%. In annual terms, the decline in GDP in the Eurozone amounted to 3.1%, with a decrease of 5.4% for the Italian economy, 5% for the French and 2.3% for the German.

On the basis of the most recent macroeconomic projections, it is estimated that global trade will have declined by 12% by the end of 2020, with the decrease in global GDP in real terms (excluding the Eurozone) expected to reach 4.9%. US GDP is now estimated, for the entire year 2020, to be down by between 6.5% and 8% (annualised figure), while Eurozone GDP should contract by around 9-10.2% (in annual terms), with the French economy down 8-11%, the German economy losing 6.5-7.8% and Italian GDP contracting by 9-12%.
In order to counteract an economic trend which could have rapidly evolved into the worst recession/ depression since 1929, the monetary authorities (governments and central banks) quickly unleashed extraordinary, highly expansionary monetary and fiscal policy interventions which, for the largest developed countries, reached 18 trillion US dollars (equal to 13% of global GDP). On 3 March 2020, the Federal Research initially lowered reference rates from 1.75% to 1.25%, to then push them down further to 0.25%/0%. New measures were then announced in support of the economy and to facilitate the functioning of the financial markets. Of these, unlimited purchases of Treasuries and other securities, or the possibility of unlimited QE (previously, the Fed had indicated a limit of 700 billion for asset acquisitions), but also new measures to provide businesses with massive access to liquidity, providing up to 300 billion in new loans to employers, consumers and companies. In Europe, between 18 March and 4 June 2020, the Governing Council of the ECB, in turn, decided to undertake extraordinary measures to maintain an effective mechanism for the transmission of monetary policy in the Eurozone:

- A new temporary programme, linked to the pandemic emergency (Pandemic Emergency Purchase Programme), was launched for the purchase of private and public sector securities, for an overall amount of 750 billion euros (later raised to 1,350 billion) and with a time horizon extended at least until the end of June 2021. In any event, the Governing Council is expected to continue with net asset acquisitions as part of the PEPP until the critical phase linked to the coronavirus is considered over.
- The range of eligible assets, within the corporate sector purchase programme (CSPP), was extended to commercial paper issued by non-financial companies, considering suitable for acquisition all types of commercial paper of adequate credit quality.
- The requirements in terms of guarantees were relaxed, with corrections made to the main risk parameters within the system of guarantees.
- Furthermore, the net acquisitions within the asset purchase programme (APP) will continue at the pace of 20 billion euros per month until the end of the year, along with the acquisitions drawing from the temporary additional funding of 120 billion, with the reference rate stable at zero and that on deposits at -0.5%.

The extent of the anticyclical measures offered to economic systems by the monetary authorities to combat potential recessionary trends would seem to have fully deployed their effects and, on the basis of the initial evidence from macroeconomic data for the May/June two-month period, relating to both the Eurozone and the US economy, considerable improvements are already emerging, not only in leading indicators of economy activity (manufacturing and services), but also in some other coincident indicators (for the moment, relating only to the US economy), such as industrial output, new jobs and retail sales.

The degree of uncertainty as to the future performance of the international economy, the possible weakening in aggregate demand, the net deterioration in the job markets and the broader margin of unused production capacity could contribute to sapping vigour from any underlying inflationary drives at global level (should there be any). In the future, a further decline in inflation is expected worldwide, within a context characterised by a reduction in oil prices and weaker demand. In the United States, the producer price index, up annually by 1.3% in December 2019, recorded an annual contraction of 0.8% in May, while consumer price growth reduced from 2.3% annually (December 2019) to 0.1% (May 2020), with the "core" index falling from 2.3% to 1.2% in the same period of time. In the Eurozone, from December 2019 to May 2020 the annual decline in producer prices accentuated from 0.6% to 5% (in Italy, the annual drop in producer prices reached 7.2% in May), while the annual trend in consumer prices fell from 1.3% to 0.1% (-0.2% in Italy), with "core" inflation going from 1.3% to 0.9%. The annual growth trend in the M3 monetary aggregate, again in the Eurozone, is close to 9%, but the simultaneous reduction in its speed of circulation is neutralising its potentially inflationary effects - in the Eurozone, in the first quarter of 2020, the share of unconsumed available resources set aside to be saved rose to 16.9% compared to 12.7% in the final quarter of 2019 (most significant increase since 1999).

Expectations concerning the strong deterioration forecast in the global macroeconomic environment obviously caused the financial markets to quickly take this event into account and at the end of the first quarter of 2020, stock indexes recorded declines in capitalisation close to 20% (since the start of the year) for the main US market (S&P 500 index), 13% for the tech index (Nasdaq), 25% for the index representative of the Eurozone (Dow Jones Eurostoxx 50) and nearly 28% for the index representative of our domestic market (FTSE MIB). At the end of the first quarter, there were declines of 20% (since the start of the year) in the Japanese market as well (Nikkei 225 index), 16% for the Hong Kong stock exchange (Hang Seng index) and 10% for the Shanghai/Shenzhen stock exchange (CSI 300 index). At the same time, all bond segments benefited from consistent acquisition flows, not only due to the extremely weak economic situation, but also due to expectations of further monetary easing interventions. At the end of February, in Europe, yields on "junk" issues stood at 3%, below the 2017 record, while in mid-March the entire curve of US government bond yields was below 1% (for the first time in history), with the US ten-year at 0.4% (compared to 1.92% at 31 December 2019) and the thirty-year at 0.83% (compared to 2.367% at 31 December 2019); the German ten-year accentuated its negative yield at -0.9% (from -0.18% at 31/12/2019) and the yield on the Italian ten-year went from 1.407% at 31 December 2019 to 1%. On the longer part of the curve (thirty years), the yield on the German thirty-year fell into the red to -0.546% from a positive yield of 0.356% at the end of 2019, while our thirty-year BTP declined to below the 2% yield threshold (1.971%) compared to 2.46% at the end of December 2019. The April/June quarter then saw a generalised rise in yields, with the rate on ten-year US Treasuries up to 0.645% and the thirty-year up to 1.4% at the end of June. Also in the Eurozone, despite the even more accommodating monetary policy due to the PEPP and the other measures adopted, yields on long-term government bonds rose, with the rate on the ten-year BTP at 1.249% and on the thirty-year at 2.213%.

Even in the primary market of Italian government bonds, from the November 2019 to the June 2020 auctions, there was a rising yield trend, with the rate on three-years moving from 0.22% to 0.46%; the rate on five-years rising from 0.64% to 0.68%; the yield on seven-years up from 0.91% to 1.10% and the yield on the thirty-year maturity remaining stable at 1.29%.

At the height of pessimism, reached in late March, the extent of the expansionary manoeuvres carried out by the monetary authorities to support economic systems then convinced the financial markets that it could be possible for economies to be able to quickly and easily overcome the particularly negative macroeconomic situation. In the subsequent April/June quarter, stock market values then witnessed sudden rises, bringing the S&P 500 to limit its reduction since the start of the year to 4.7%, while the Nasdaq even managed to close the half with positive performance of 11.4%. The index representative of the Eurozone stock market (DJ.Eurostoxx50) managed to limit its losses since the start of the year to 13.65%, while our domestic market (FTSE MIB) recorded a contraction of close to 18% during the half. In the Asia/Pacific area, the Japanese market (Nikkei 225) closed down 5.8%; the Hong Kong stock exchange's Hang Seng index lost 13.3%, while the final result of the Shanghai/Shenzhen stock exchange (CSI 300) was positive (+1.64%), albeit low. In the emerging markets, the first half of 2020 saw the Indian stock market lose nearly 15%, the Russian market fall by 10%, Brazil by 18%, Mexico by 13% and South Africa by nearly 5%.

In the commodities markets, in the first quarter the most widespread losses regarded oil product contracts, with West Texas Intermediate and Brent prices falling by 66% since the start of the year. At the end of the first quarter, significantly negative trends were also recorded for copper (-23% since the start of the year), nickel (-19%) and silver (-21%), while these prices then saw broad rebounds in the course of the subsequent quarter. At 30 June, the decline in the price of copper, since the start of the year, therefore downsized to just 3.4%; nickel closed the half down 8.7%, while silver, in the wake of the gold exploit, recorded growth of 2% since the start of the year. It is particularly worth noting trends at the end of April in the futures contract on West Texas Intermediate expiring in May which, due to particular technicalities such as the unwillingness by holders of purchase agreements to physically take possession of the oil (due to the saturation of NYMEX storage facilities) and the strong "contango" situation of the contract itself, a circumstance which heavily penalised "financial" ETFs specialised in oil, reached a negative price of up to $38 per barrel, although prices remained above the threshold of $20 per barrel for the July and August expiration dates. At 30 June 2020, in the wake of a recovery in the oil markets, the decline in the price of oil per barrel thus reduced since the start of the year to 36% on average; aluminium closed the half down 11%; iron ore rose by more than 16% while gold recorded growth of almost 18%, almost reaching its highs marked in 2011 (close to $1,800 per ounce). With respect to agricultural and "colonial" products, during the half wheat lost 13% of its value since the start of the year; soy nearly 8%; corn 15%; sugar and cotton 13%; coffee 23%.

In the currency markets, the euro appreciated by 1.3% in the first half of the year against the US dollar and 6.9% against the British pound, while it remained stable against the Japanese yen and depreciated against the Swiss franc by 2.4%.

**The property market in the first half of 2020**

The global pandemic laid the foundations and triggered the conditions for a new economic and financial crisis, from which the property market has not been immune: the expected returns and risk perception linked to real estate transactions, for nearly all asset classes whose value is strictly linked to revenue and cost flows distributed over time, will experience trend inversions in certain cases, compared to 2019 performance, with direct repercussions on property values, even in a market like Italy's, which historically has shown little volatility. The most significant changes will be seen in the short term in those asset categories whose value is necessarily linked to the capacity to generate revenue flows from leases, in cases in which such revenues will suffer from systemic and non-temporary declines.

In recent years, the Italian real estate market had started a slow recovery from the 2008 crisis. Growth rates had been cut in half compared to other European countries, but remained positive. 2019 closed with turnover of roughly 130 billion euros, up 3.9% on the previous year. For the second year in a row, all segments were in the black, with particularly notable performance in certain areas, such as the hospitality sector and international investments. The situation generated by Covid-19 blocked all sectors and forecasts for the end of the year point to an 18% decline in turnover. This estimate is based on the months of the lockdown and a resumption phase that will be slow. It is difficult to believe that the volumes lost will be recovered in the last four months of the year. A more or less intense rebound in 2021 is more likely. But there are multiple variables impacting market performance, from employment to the weight of public intervention, to the propensity of households and businesses to make investments. Although it is possible to believe that various features of the Italian market will allow for a recovery in confidence in the medium/long-term, aspects still need to be taken into consideration which are both external to the real estate market, such as a possible second wave of contagion, as well as internal, such as the risk of possible sluggishness on the part of real estate owners in adapting products to new demand, which needs to take into account contagion prevention measures which will modify their use.

The effects and possible post-Covid-19 scenarios on the main real estate asset classes are summarised below:

Residential: from the perspective of transactions, there will be significant declines; in the first six months, there was a 29.2% drop in the volume of residential sales; in the future, we expect an acceleration of rented residences to respond to various levels of uncertainty (place of work, family requirements), the possible return to the residence as a safe-haven asset, repercussions on the size of first homes, with a resulting increase in available square metres and accessory services with a particular focus on the availability of outdoor spaces.

Offices: the forecasts for this year have been revised downward, as regards transactions as well as in terms of prices; the repercussions of the emergency will be much more evident in the third quarter of the year: indeed, many activities have suffered from delays and slowdowns due to the current restrictive measures in place, so it is plausible to believe that they will be postponed to the second part of the year. For the upcoming months, a downturn in investment activities and changes in strategies by investors as well as developers are likely, with growth in demand for real estate with high levels of flexibility/usability of spaces to facilitate social interactions during periods in the office, renewed interest for properties with environmental certifications (e.g. LEED® e/o WELL™), redesign of layouts in open spaces, reconsidering the square metres/workstation ratios.

*Retail*: currently, a cautious positioning is prevailing on the part of investors, pending a settling-in period in light of the impacts of the emergency, in terms of re-openings and the performance of commercial activities, contributing to a further boost in returns and an expansion of the spread between prime and secondary products. It will be necessary to take into account the effects of the Covid-19 emergency, with a likely decline in investments, especially from abroad, due to widespread uncertainty. Tenancy and vacancy currently constitute the main risk factors, driving owners towards more accommodating positions with respect to their tenants. Commercial structures with dominant user bases are remaining stable, the growth in urban supermarkets continues, while the restaurant and leisure sectors have been severely impacted; the integration of retail with last mile logistics will need to be evaluated, also as a result of the strong boost in e-commerce; for high street retail, the recovery is linked to the return of tourist flows, especially international.

Hotel: this is the sector feeling the heaviest impact of the pandemic, with estimated losses in profitability of up to 50-80% in 2020; the less vulnerable structures will be those in tourist areas, certain regions like the south and some mountain towns will have a percentage of arrivals and presences exceeding that of international cities like Rome, Venice and Florence. The trend is towards a necessary reorganisation of that sector, taking advantage of the opportunity to aggregate tenants and create new national models bringing together the pairing between property companies and operating companies.

Logistics: in this sector, which at the end of 2019 was experiencing a very positive moment, the recovery will be more rapid: the first half of 2020 closed with an investment volume of 280 million euros. Although the Covid-19 crisis has contributed to strengthening the role of logistics as one of the most attractive asset classes at global level, the measures adopted to limit the spread of the pandemic in any event triggered a partial postponement of deals under way. Investment activities remained consistent and were characterised by the closure of transactions with a core type risk profile, confirming strong investor interest in this asset class perceived at this moment as one of the safest sectors in which to invest. Overall, logistics confirmed the centrality and importance of the sector and demand is remaining strong, driven by e-commerce and the food sector and the consolidation of developments in local logistics.

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## Explanatory notes to the Consolidated half-yearly financial report

The Consolidated half-yearly financial report was prepared pursuant to Article 154-ter, paragraph 2 of Legislative Decree 195 of 6 November 2007, in accordance with the EU Directive 2004/109/EC (the so-called Transparency Directive). This article establishes that listed issuers were required to publish a half-yearly financial report within sixty days from the end of the first half of the financial year.
On 18 March 2016, Italian Legislative Decree no. 25 of 15 February 2016 came into force, for the implementation of directive 2013/50/EU containing amendments to the Transparency Directive. The decree also extended the deadline for the publication of the half-yearly report to three months, from the previous sixty days, specifying that the publication must take place in any event "as soon as is possible". In order to increase the distinctive level of the STAR segment, Borsa Italiana, with the amendment of Article 2.2.3 paragraph 3 of the Regulation for companies listed on the STAR segment, established that, as from 1 January 2018, this half-yearly report must be made available to the public within 75 days of the end of the first half of the financial year.

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

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

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

- an Interim report on operations;
- the Condensed consolidated half-yearly financial statements (in condensed format), pursuant to IAS 34 "Interim Financial Reporting". Therefore, these financial statements do not contain all the information required to be set out in the annual financial statements and should, therefore, be analysed in conjunction with the financial statements for the year ended on 31 December 2019, prepared consistently with the IFRS international accounting standards issued by the International Accounting Standards Board (IASB) and endorsed by the European Economic Community (see Regulation no. 1606/2002).
  The Condensed consolidated half-yearly financial statements consist of:
  - the set of statements adopted for the Consolidated yearly financial statements: the consolidated balance sheet, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in shareholders' equity and the consolidated statement of cash flows;
  - condensed explanatory notes that also include sections A.3 and A.4 referring respectively to the information on transfers among portfolios of financial assets and on the fair value.
- a declaration by the Manager in charge of preparing the accounting documents.

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

## Summary of consolidated results



The first six months of 2020 recorded a consolidated net profit of 2,063 thousand euros versus 4,313 thousand euros at 30 June 2019.

The result of the period under examination fell by 2,250 thousand euros (52%) compared to the first half of 2019. It should be noted that the spread of the Covid-19 virus and the subsequent restrictions to contain it imposed by the Government authorities in the countries concerned had a small impact on the Group's net banking income for the period under review; the change compared to the same period of the previous year can be attributed for the most part to net impairment losses for credit risk relating to performing financial assets, prudentially increased taking into account the ongoing economic crisis, in line with what was indicated by the Supervisory Authorities, as outlined in detail in the section on Covid-19 in "The main transactions and significant subsequent events in the half-year".

The main items that form the 2020 half-yearly results are shown below and compared with the corresponding 2019 figures:

- **Net banking income** at 30 June 2020 totals 32,515 thousand euros, compared to 35,237 thousand euros in the corresponding period of the previous year. The overall decrease by 2,722 thousand euros may be broken down as follows:

  *increases*
  - 494 thousand euros for Interest margin (8,316 thousand euros at 30 June 2020, compared to 7,822 thousand euros in the same period of 2019);
  - 564 thousand euros for Profit from the sale of financial assets designated at amortised cost and financial assets designated at fair value through other comprehensive income (754 thousand euros at 30 June 2020 versus 190 thousand euros in the same period of 2019);
  - 832 thousand euros for Profits (losses) on other financial assets mandatorily at fair value (negative balance of 418 thousand euros at 30 June 2020 versus a similar negative balance of 1,250 thousand euros in the same period of 2019).

  *Decreases*
  - 2,343 thousand euros for Net fees and commissions (23,394 thousand euros in the first six months of 2020 versus 25,737 thousand euros in the same period of 2019); due to lower fees and commissions, by 1,510 thousand euros, deriving from the transfer of the business unit by the subsidiary InvestiRE SGR to Redo SGR;
  - 1,223 thousand euros for Dividend and similar income (1,081 thousand euros at 30 June 2020, compared to 2,304 thousand euros in the first six months of 2019);
  - 1,046 thousand euros as Profit (losses) on trading. At 30 June 2020, the item had a negative balance of 612 thousand euros compared to a positive balance of 434 thousand euros in the first six months of 2019.

- **Net losses/recoveries on credit risk**. At 30 June 2020, this item showed net **impairment losses** totalling 1,818 thousand euros relating to impairment losses of Financial assets designated at amortised cost (2,012 thousand euros) and to value recoveries of Assets designated at fair value through other comprehensive income (194 thousand euros). As noted previously, adjustments for the period arose primarily from higher provisions for expected losses on performing loans. At 30 June 2019, **value recoveries** had instead been made on Financial assets designated at amortised cost and on Assets designated at fair value through other comprehensive income respectively of 480 thousand euros and 221 thousand euros.



- **Administrative expenses** amounted, in the first six months of 2020, to 26,203 thousand euros versus 28,654 thousand euros in the same period of 2019, and are broken down as follows:
  - personnel expenses of 17,497 thousand euros are down by 1,722 thousand euros, compared to the same period of the previous year (19,219 thousand euros), also in relation to the effects of the contribution of the business unit by InvestiRE SGR to REDO SGR.
  - other administrative expenses, totalling 8,706 thousand euros, decreased by 729 thousand euros compared to the corresponding period of the previous year (9,435 thousand euros). The other administrative expenses include recoveries from customers of some costs allocated under Other operating income/expenses.

- **Net losses/recoveries on property and equipment**. The item includes impairment losses of 1,697 thousand euros (1,673 thousand euros of 30 June 2019) and comprises the depreciation of the right to use assets acquired under leases, amounting to 1,502 thousand euros (1,465 thousand euros at 30 June 2019), of which 1,380 thousand euros relating to other administrative expenses and 122 thousand euros referring to personnel expenses.

- **Other operating income/expenses** at 30 June 2020 showed a positive balance of 2,512 thousand euros versus 3,241 thousand euros in the same period of 2019. Income comprises the recoveries of costs from customers, amounting to 2,279 thousand euros (2,631 thousand euros in the first six months of 2019).

- **Income taxes** amounted to 1,580 thousand euros at 30 June 2020 compared to 2,949 thousand euros at 30 June 2019.

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The overall profit for the first half of 2020, which also includes the change to the “Valuation reserve”, is shown in the Statement of comprehensive income.

## Group business segments

Following is an overview of the Bank and Group activities carried out in the first half of 2020:

**Private Banking - Sales Department**

The first half of 2020 was obviously impacted by the Covid-19 epidemic.

To handle this very delicate phase for our customers, as well as for the country, a range of initiatives were undertaken.

In the first place, all private centres remained open during normal working hours. In the second place, a new wider ranging and easier to use app was implemented for banking services.

Investments in communication were also significant, to maintain constant contact with customers: a weekly note was drafted and sent on Sunday evenings containing updates on the evolution of the pandemic, on the main macroeconomic initiatives adopted during the period and on the financial markets. Customers were provided with a series of video clips of interviews with entrepreneurs, healthcare professionals, economists and sociologists to describe the evolution of society, economic sectors, the world of work and consumption trends, straight from the mouths of top-level experts. The result of these deep-dives and the relative macroeconomic analyses resulted in a document for our customers, which sought to shine a light on the future of an evolving world, while also proposing a series of themes for long-term investment capable of exploiting structural changes.

The half-yearly scenario was regularly presented via web.

The lockdown period saw a continuous presence of consultants at customers, in relation not just to financial matters. Every operational need was resolved by making recourse to practical, but absolutely secure, solutions, such as the use of email and telephone recordings, thus making it possible to satisfy the needs of customers forced to stay home.

As regards investments, new management lines were prepared in order to manage uncertainty in this period of great volatility. The management team was reinforced with the hiring of a senior asset management manager. The performance of our management lines maintained our promise of limiting volatility.

As concerns the economic performance of the sales department, intense consulting services made it possible to boost revenues, particularly concentrated in trading. Our order collection room was organised so as to prevent any possibility of contagion, and therefore guarantee business continuity. The budget objectives were reached and surpassed.

Towards the end of the half-year, we decided to provide our customers with the opportunity to enter the private equity world through a closed fund of funds managed by Dea Capital. Indeed, we are convinced that although investing in this segment entails the immobilisation of a minimal part of the portfolio, it will make it possible to obtain significant returns, not correlated with financial market trends, but with real economic performance.

**Investment Banking**

Investment Banking activities, and in particular how they are carried out, were also significantly impacted by the Covid-19 emergency.

Since February, the situation was handled with appropriate planning. For certain functions, in light of their specific characteristics, it was deemed appropriate to maintain resources present at the bank’s office; this

was true in particular for those activities in which there is strong interaction, including electronic, with the markets (dealing room, asset management, treasury). Even with the awareness of these requirements for a presence in the office, however, a plan was promptly launched to allow for a considerable number of employees to work from home, reducing the presence of employees at the bank to the lowest possible level and therefore also the need for commuting.
The goal of guaranteeing full business continuity while avoiding any difficulty for customers and the other organisational units of the Bank which rely on the operating services of the Finance Department was fully met: there were no problems and, indeed, even within such a difficult and unprecedented context, operations turned out to be remarkably efficient.
However, especially in the initial weeks of the lockdown, priority was given to the mere satisfaction of requirements linked to essential services, temporarily to the detriment - naturally - of growth and "development", in particular with respect to institutional counterparties. In any event, the focus on development and growth returned - as was immediately apparent - when members of the sales force returned to the office and were able to interact more effectively with each other.

Moving on to an analysis of the various sectors, in that of **brokerage**, there were no contractions relating to services for the execution of orders for which instead - as is natural in the presence of increased market volatility - there was growth in terms of volumes (in particular in equities and derivatives, unlike bonds) as well as fees and commissions generated. On this last aspect, there was very strong growth in the institutional customers and large customers segment, while in the captive component (linked to our asset management) and private segment, progress was also made, but at less impressive rates.
On brokerage activities linked to services to issuers (in general, corporate broking), the numbers are instead down, although to a limited extent, after several years of continuous growth: the Bank did not make new listings and in any case there were very few IPOs in the market. For one of these (Unidata), we obtained the mandate as specialist, but that new role was not capable of offsetting the elimination - moreover natural - of a few other mandates (due to issuer delisting, their engagement of some competitors, etc.). Moreover, aware of the difficulties that many SMEs are facing due to the Covid-19 emergency - and also in light of pressure deriving from increasingly aggressive commercial initiatives by our competitors, which would like to chip away at our market leadership - we strategically decided to reduce our rates to current customers and to provide a few other concessions for specific objective situations that were brought to our attention.

As regards **activities on the bank's own account**, although our securities portfolio is highly prudent, it experienced a significant downturn in March which, however, was then recovered for the most part, in line with the markets, so that the banking book's mark to market is showing gains. This is not true for the trading book, characterised by a quite modest exposure to equity: however, it is precisely this segment of the owned portfolio in which recoveries were more significant in the second quarter, so as to reduce the losses to insignificant amounts. Excellent opportunities were taken advantage of in the usual implementation of the carry trade strategy on domestic government bonds.

On the performance of our **asset management** products - although there were losses since the start of the year across nearly all mandates - we cannot but express a positive assessment given the relatively modest volatility to which customers were exposed and the limitation of damages in their portfolios.

During the market crash phase, our managers were extremely quick to reduce exposures to the riskiest assets, thereby softening the inevitable losses. Moreover, the underweight was quickly reduced which, along with felicitous stock picking decisions, then allowed for a significant exploitation of the market rebound which unexpectedly turned out to be particularly vigorous. The same strategies were obviously adopted for funds managed under delegation: of these, since the start of the year, Balanced has been negative, but by less than 1%; furthermore, although the absolute performance of equity funds was in the red, they all performed better than the benchmark, demonstrating the effectiveness of the stock picking implemented. The Volactive fund (positive by more than 3%) and the AIM fund are also worth mentioning: the latter not only because it outperformed its benchmark, but also because it complies with the most recent regulations on Alternative PIRs.
The bank continues to strongly believe in asset management as a distinctive element of its customer proposition strategy; bearing witness to this, in the first half of the year the management team was further reinforced. Several projects are also being finalised - on both processes and products - to guarantee that Finnat's offer remains adequate to the times and the needs expressed by the market.

**Advisory & Corporate Finance**

The first half of the year was characterised by the impacts on the economy linked to the critical issues connected to the spread of contagion and the regulatory measures adopted to limit the expansion of the Covid-19 epidemic. In this context *Advisory & Corporate Finance* activities also experienced a partial slowdown in activities, which promptly resumed in the second part of the first half of 2020.

In the first half of 2020 and within the context of the market situation caused by COVID-19, the team continued to manage the engagements under way, acquiring new ones as well, including: i) financial assistance in structuring and implementing a financial transaction aimed at obtaining the resources required to finalise an acquisition transaction (management buy in) promoted by two managers active in the industrial packaging sector; ii) financial assistance to a company active in the e-learning market, in order to identify extraordinary solutions and interventions to make it possible to strengthen the company's competitive positioning; iii) financial assistance for the remodulation/restructuring of a medium/long-term loan to a company active in the real estate sector, particularly with reference to the lease of commercial and office spaces; iv) financial assistance to identify a strategic path aiming to create a new corporate group active in the segment of windows and doors and the relative production.

Moreover, the following were completed: i) financial assistance for the updating of the business plan of a company operating in the apparel marketing sector and financial assistance for relations with its credit institutions/lenders; ii) financial assistance to the promoter company involved in the construction of a service infrastructure and of tourist attractions (including an aquarium) as part of a project developed in the city of Rome; iii) financial assistance to a company active in the field of marketing tools and hardware aimed at obtaining new medium/long term credit facilities.

In conclusion, in the first half of 2020, the on-going Nomad activities for some companies listed on the AIM continued. At 30 June 2020, there were 19 companies assisted on the AIM Market.

**Asset Management - Real Estate Fund Management**

InvestiRE SGR is positioned in the market as a primary operator, specialised in the development of property portfolios in different market segments, aimed at national and international investors. InvestiRE, based on the latest data available, is the second SGR in Italy and at 30 June 2020 it managed approximately 6.5 billion euros of assets through 43 funds (all reserved funds except one retail fund) and it represents over 250 national and international institutional investors, including insurance companies, pension, private equity, real estate funds and banks.

As a whole, during the first half of 2020 the managed assets underwent a net decrease of approximately 8.5% compared to 31 December 2019.

In particular, the main marketing activities are described below, and they involved:

- the sale of the entire residual real estate portfolio of the Vesta Fund, with the final closure of the liquidation in July;
- the funds comprising mainly residential properties (FPEP, HELIOS and INPGI) which continued the fractional sale activities. The INPGI and FPEP Funds signed deeds, respectively, for a total price of around 44.8 million euros and 8.3 million euros respectively; the Helios Fund also completed sales for a total price of 5.5 million euros. Sales of the Apple fund and INPGI Hines for a total of 1.4 million euros;
- the funds in the Long Term area continued with management and value enhancement activities; in particular, the Pegasus Fund completed disposals during the half for around 42.6 million euros;
- the social housing Funds, which continued the apartment marketing activities (lease, future sale agreement, sale); in particular, the Cà Granda Fund completed sales for 9.7 million euros;
- the Funds with a short-term disinvestment plan, whose activity is focused on real estate trading (Omega 4, Neptune 1 and Neptune 2 Funds) that completed sales totalling approximately 7.9 million euros;
- the Distressed & Non Performing Assets area (Securis I, II, III, Sistema BCC, BCC Roma) continued its property portfolio disposal activities, with the finalisation of sales for approximately 9 million euros.

Among the investment activities of the funds under management, interest continues in the market for the health care segment in which the SGR is active through the Fondo Spazio Sanità, which in April finalised the acquisition of a nursing home in Lombardy for a total of 10.2 million euros.

New project development activities also continued, which led, among other things, to:

- the establishment of a new real estate fund whose property assets, acquired in July, are composed of properties for hotel use located in Milan, Rome and Venice, for a total of 14 million euros;
- the establishment in July of a new real estate fund concerning the acquisition of a buildable area in the municipality of Milan for the creation of a complex for residential/commercial use for a value of more than 100 million euros.

Existing portfolio enhancement activities also suffered from an inevitable slowdown due to the shutdown of work sites, but in any case in the first half of 2020 development projects were carried out, both for the redevelopment of the existing portfolio and for new construction, for roughly 36.4 million euros, of which more than 50% relating to development projects in the social housing sector; in relation to development activities in the funds mainly to be used for services, the following should be noted:

- the continuation, by Immobilium Fund and Rocket Fund of works to renovate the office properties in Milan and Rome respectively, with planned developments, based on the lease agreements reached with leading international companies, for over 4.4 million euros;
- for the Secondo RE Fund, the completion of works to reconvert a property located in Rome from offices to a 4-star hotel for roughly 1.7 million euros, with the resulting delivery to the manager in February;
- the Monterosa Fund continued activities to renovate an office property in the centre of Milan, carrying out works for approximately 3 million euros.

**Trusteeship**

In the first half of 2020, Finnat Fiduciaria continued, within the scope of asset planning, to work alongside its customers and its banking group, receiving satisfaction for the activities carried out.
Assisting customers also regarded addressing planning, protection and succession questions related to business activities and to financial and property assets.
In terms of debt collection, despite the difficulties linked to the Covid-19 pandemic, the consolidated initiatives undertaken permitted the Company to achieve an impressive result, collecting 71% of its turnover for the year at 30 June 2020.
Total "trusteeship accounts" came to 1,682 million euros, compared to 1,774 million euros at 31 December 2019, marking a decrease of 92 million euros.
In coordination with the Parent Company Banca Finnat, the Company is adopting from time to time the directives received from it to limit and manage the Covid-19 emergency, thus enacting the necessary precautionary measures. In this manner, Finnat Fiduciaria guaranteed and guarantees uninterrupted service continuity for its customers.
The half-year was also characterised by intense governance activities carried out by the Body with strategic supervision functions for constant respect for the rules, their evolution and the correct application of the internal policies and procedures therein also supported by the Parent Company, in particular, as regards the Internal Audit, Anti-money laundering, Compliance and Risk Control functions.

The purpose of Finnat Gestioni, which operates in the sector of asset management of private and institutional customers, is to manage and provide financial advice to the assets deposited on the foreign depository bank identified by the customer.
It is worth noting, despite the Covid-19 emergency and market volatility, the capacity of the company to record robust and positive performance. The assets under management (CHF 115 million at 30/06/2020 compared to CHF 116 million at 31/12/2019) and the net profit of Finnat Gestioni (CHF 229 thousand at 30/06/2020 against CHF 236 thousand at 31/12/2019) in the first half of 2020 were indeed aligned with the data at the end of 2019. Note the interest of customers in the first half of 2020 in diversification in the deposit of savings and in asset allocation.

**Research & Development, organisation**

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

Organisation Area:

- The new Banca Finnat app released and published in stores
- Various projects completed in the consulting area, concerning in particular the management of performance and reporting provided to customers, with increases in the service levels offered
- Efficiency increased of the process of managing the margining of derivatives, with a view to supporting customer operations even more effectively

IT and Technologies Area:

- New deception system activated with an increase in the IT security levels of the Bank's entire infrastructure.
- Strengthening of web collaboration systems completed
- New fibre optic Internet accesses activated
- Infrastructure required to activate smart working during the coronavirus pandemic prepared, activated and managed

**Corporate governance**

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

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

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

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

Pursuant to the applicable Supervisory Provisions laid down by the Bank of Italy and in the light of the regulations issued on 30 March 2011, the Bank reported to the Shareholders' Meeting held on 29 April 2020 about the remuneration policies and incentives adopted.

With regard to the provisions of Article 36 of Italian Law Decree no. 201 of 6 December 2011, amended and converted into Italian Law no. 214 of 22 December 2011 laying down "Urgent provisions for the growth, fairness and consolidation of public accounts", and the formalities required by the Criteria for the enforcement of Article 36 of Italian Law Decree "Salva Italia" (known as "interlocking prohibition"), relating to company employees and the appointed members of the Board of Directors and Board of Statutory Auditors, on 24 January 2020 the Board of Directors made the necessary assessments of compliance with envisaged criteria.

In the course of the meetings of the Board of Directors as of 17 March 2020, the Board was kept constantly informed on the measures implemented to limit the risk of the spread of Covid-19.
At its meeting held on 24 April 2020, the Board of Directors approved the project to revise the governance of the subsidiary company InvestiRE SGR SpA.

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

## The corporate structure of Banca Finnat and of the Companies of the Group

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


The total number of personnel in the Group increased from 353 at 31 December 2019 to 351 at 30 June 2020 as shown in detail below:

| | 30.06.2020 | 31.12.2019 |
|---|---|---|
| **Personnel employed** | **338** | **341** |
| – executives | 55 | 52 |
| – managers | 145 | 145 |
| – clerical workers | 138 | 144 |
| **Contractors** | **8** | **7** |
| **Promoters** | **5** | **5** |
| **Total** | **351** | **353** |

## Related party transactions

The Bank complies with the Regulations for Related Party Transactions, approved by the Board of Directors on 27 June 2019 to define responsibilities and rules governing the identification, approval and implementation of related party transactions carried out by the Bank or by companies of the Banca Finnat banking group, in accordance with Article 2391-bis of the Italian Civil Code, the Consob Regulation adopted with Resolution no. 17221 of 12 March 2010 and Title V, Chapter 5 of the Bank of Italy Circular no. 263 introducing "New Prudential Supervision Provisions for Banks", respectively.

The Bank entered into transactions with subsidiary companies or companies subject to significant influence and ordinary transactions of lesser significance and under market conditions that have not impacted significantly on the financial position or results of operations of the company and moreover, in the first half of 2020, it did not carry out any transaction with related parties or subjects other than related parties considered to be of an "atypical or unusual" nature, and which, due to their magnitude/relevance might have cast doubts on the safeguarding of the Bank's assets and the protection of minority shareholders' rights.

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

## Market disclosure information

Regarding market disclosure, the Group declares that:

- with reference to the request formulated by Bank of Italy with its communication of 17 June 2008, the Bank and, at 30 June 2020, 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 respectively in Part A, Section 2 – General financial reporting principles and Part E – Information on risks and related hedging policies of the Notes to the 2019 Financial Statements;

- the Bank, within the prescribed deadline of 1 February 2018, exercised the option for the application of the transitional rules prescribed by the Regulation (EU) 2017/2395, amending "Regulation (EU) No 575/2013 as regards transitional arrangements for mitigating the impact of the introduction of IFRS 9 on own funds and for the large exposures treatment of certain public sector exposures denominated in the domestic currency of any Member State". The aforesaid transitional rules provide the possibility of including in Common Equity Tier 1 capital a transitional positive component, calculated in percentage terms, of the increase undergone by the allocations for expected losses on receivables by effect of the first adoption of IFRS 9. This benefit is recognised for a period of 5 years according to decreasing rates (95% in 2018, 85% in 2019, 70% in 2020, 50% in 2021, 25% in 2022). From 1 January 2023 onwards, the impact deriving from the first-time adoption of IFRS 9 will be fully reflected in the calculation of own funds. In addition to the possibility of delaying the impact deriving from the first-time adoption of the new accounting standard to 1 January 2018, the transitional arrangements provide the possibility of delaying any impacts of the new impairment model also in the first years following the date of first-time adoption of IFRS 9 albeit limited to those deriving from the measurement of performing financial assets.

On 28/4/2020, the EU, with Regulation 2020/0066 issued to combat the effects of Covid-19, supplemented the above-mentioned transitional provisions, extending their applicability from 2022 to 2024 (again with progressively decreasing percentages) for the new provisions recognised in 2020 and in 2021 against performing financial assets.

## Option for the domestic consolidated tax system

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

By virtue of this option, the Group companies determine their proportion of the taxes payable and the corresponding tax income (taxable income or tax loss) is transferred to the Parent Company, relating to which a single taxable income or loss is reported (resulting from the arithmetical sum of its own and its participating subsidiaries' incomes/losses) and, consequently, a single income tax debit/credit is determined.

## CONSOLIDATED OWN FUNDS AND CAPITAL RATIOS

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

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

Own funds at 30 June 2020 amounted to 181,748 thousand euros (180,362 thousand euros at 31 December 2019), whereas the Total capital ratio, CET1 capital ratio and Tier1 ratio stood at **35.7**% (31.6% at 31 December 2019). 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 179,639 thousand euros, while the Total capital ratio, the CET1 capital ratio and Tier1 ratio would have been equal to **35.4**%.

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

## Exposure to debt securities and sovereign debt financing

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

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

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

**Breakdown of sovereign debt securities portfolio - by issuer country**

(in thousands of euros)

| | 30.06.2020 |
|---|---|
| **EU Countries** | |
| – Italy | 1,318,587 |

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

(in thousands of euros)

| | Maturity in | | | | | | | Maturity beyond 2025 | Total | Level 1 |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | | | |
| **Financial assets designated at fair value through profit or loss: a) Financial assets held for trading** | | | | | | | | | | |
| - Italy | - | 50,047 | - | 1 | 1 | - | - | 1 | **50,050** | **50,050** |
| **Financial assets designated at fair value through other comprehensive income** | | | | | | | | | | |
| - Italy | - | 104,608 | 50,027 | - | - | 75,416 | 42,696 | - | **272,747** | **272,747** |
| **Financial assets designated at amortised cost (*)** | | | | | | | | | | |
| - Italy | - | 238,581 | 697,497 | 59,712 | - | - | - | - | **995,790** | **995,790** |
| **Total** | **-** | **393,236** | **747,524** | **59,713** | **1** | **75,416** | **42,696** | **1** | **1,318,587** | **1,318,587** |

(*) the amounts include portfolio value adjustments for credit risk for a total of 830 thousand euros.

## Performance of subsidiaries

### InvestiRE SGR S.p.A.

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

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

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

InvestiRE SGR S.p.A. held a stake of 33.33% in REDO SGR S.p.A. (company incorporated on 17 December 2018 together with Fondazione Cariplo, which held the remaining 66.66%), for a value as at 30 June 2020 of 4,533 thousand euros. On 27 November 2019, effective from 1 December 2019, the deed was signed for the transfer of the business unit from InvestiRE to REDO SGR S.p.A. and for the transfer to said entity of the management mandates of Funds Fil 1 and 2 and, subsequently, on 23 December 2019, as set out in the agreements, the sale by InvestiRE to Fondazione Cariplo of 63.89% of the equity investment in REDO SGR S.p.A. was completed. Following the transactions described, InvestiRE holds 33.3% in REDO SGR S.p.A. and Fondazione Cariplo 66.6%, as at the time of establishment.

At 30 June 2020, the company managed 43 real estate funds, with the GAV of the managed assets totalling 6,476 million euros, compared to 7,078 million euros at 31 December 2019.

The half-year statements at 30 June 2020 show a profit of 2,286 thousand euros compared to 2,967 thousand euros at 30 June 2019 and a shareholders' equity of 76,939 thousand euros at 30 June 2020 compared to 80,852 thousand euros at 31 December 2019.

In the first half of 2020, the company achieved fee and commission income of 11,884 thousand euros compared to 14,164 thousand euros in the same period of 2019, a decline attributable for 1,510 thousand euros to the transfer of the business unit by the subsidiary InvestiRE SGR to Redo SGR.

**Finnat Fiduciaria S.p.A.**

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

At 30 June 2020, assets under management totalled 1,682 million euros, versus 1,774 million euros at 31 December 2019.

The half-year statements at 30 June 2020 show a profit of 57 thousand euros compared to 46 thousand euros at 30 June 2019 and a shareholders' equity of 1,964 thousand euros at 30 June 2020 compared to 2,035 thousand euros at 31 December 2019.

In the first half of 2020, the company achieved fee and commission income of 746 thousand euros compared to 749 thousand euros in the same period of 2019.

**Finnat Gestioni S.A.**

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

The Bank holds a 70% stake in the company's share capital, which amounts to CHF 750,000, while the remaining stake is held by Banca per la Svizzera Italiana absorbed by *EFG Bank Ltd*.

Managed assets at 30 June 2020 totalled CHF 115.2 million, compared to CHF 116.4 million at 31 December 2019.

The half-year statements at 30 June 2020 show a profit of CHF 229 thousand compared to CHF 236 thousand at 30 June 2019 and shareholders' equity at 30 June 2020 amounted to CHF 2,096 thousand compared to CHF 2,317 thousand at 31 December 2019.

During the first half of 2020, the company generated fee and commission income of CHF 448 thousand compared to CHF 481 thousand in the same period of 2019.

**Natam Management Company S.A.**

The company, established on 30 August 2016, has its registered office in Luxembourg and share capital of 750,000 euros divided into 750 shares with a face value of 1,000 euros each, entirely subscribed by Banca Finnat.

The purpose of Natam is to perform collective asset management both in favour of harmonised funds and of alternative investment schemes.

The half year statements at 30 June 2020 show a profit of 56 thousand euros compared to 52 thousand euros at 30 June 2019 and a shareholders' equity of 793 thousand euros at 30 June 2020 compared to 738 thousand euros at 31 December 2019.

In the first half of 2020, the company achieved fee and commission income of 879 thousand euros compared to 853 thousand euros in the same period of 2019.

## RECLASSIFIED KEY BALANCE SHEET AND INCOME STATEMENT FIGURES

Following is an overview of the key balance sheet and income statement figures at 30 June 2020, compared with those at 31 December 2019 in the case of the balance sheet, and at 30 June 2019 in the case of the income statement.

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



**CONSOLIDATED BALANCE SHEET**

(in thousands of euros)

| | 30.06.20 | 31.12.19 | Absolute change |
|---|---|---|---|
| **ASSETS** | | | |
| Cash and cash equivalents | 573 | 699 | (126) |
| Financial assets designated at fair value through profit or loss: | 78,565 | 79,537 | (972) |
| a) financial assets held for trading | 57,567 | 57,696 | (129) |
| c) other financial assets mandatorily at fair value | 20,998 | 21,841 | (843) |
| Financial assets designated at fair value through other comprehensive income | 309,283 | 366,666 | (57,383) |
| Financial assets designated at amortised cost: | 1,478,554 | 1,548,092 | (69,538) |
| a) due from banks | 126,324 | 92,968 | 33,356 |
| b) loans to customers | 1,352,230 | 1,455,124 | (102,894) |
| Equity investments | 11,030 | 11,173 | (143) |
| Property and equipment | 19,388 | 20,588 | (1,200) |
| Intangible assets | 31,257 | 31,296 | (39) |
| Tax assets | 13,229 | 14,131 | (902) |
| Other assets | 18,027 | 24,970 | (6,943) |
| **TOTAL ASSETS** | **1,959,906** | **2,097,152** | **(137,246)** |
| **LIABILITIES AND SHAREHOLDERS' EQUITY** | | | |
| Financial liabilities designated at amortised cost: | 1,675,814 | 1,815,357 | (139,543) |
| a) due to banks | 278 | 369 | (91) |
| b) due to customers | 1,665,123 | 1,790,075 | (124,952) |
| c) debt securities issued | 10,413 | 24,913 | (14,500) |
| Financial liabilities held for trading | 32 | 152 | (120) |
| Tax liabilities | 986 | 818 | 168 |
| Other liabilities | 21,896 | 18,858 | 3,038 |
| Provisions for termination indemnities | 5,829 | 5,920 | (91) |
| Provisions for risks and charges: | 169 | 102 | 67 |
| a) commitments and guarantees given | 102 | 102 | - |
| c) other provisions for risks and charges | 67 | - | 67 |
| Minority interests | 38,864 | 40,811 | (1,947) |
| Group shareholders' equity | 216,316 | 215,134 | 1,182 |
| **TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY** | **1,959,906** | **2,097,152** | **(137,246)** |

**CONSOLIDATED INCOME STATEMENT**

(in thousands of euros)

| | 1st half 2020 | 1st half 2019 | Absolute change | Percent change |
|---|---|---|---|---|
| **Interest margin** | **8,316** | **7,822** | **494** | **6%** |
| **Net fees and commissions** | **23,394** | **25,737** | **(2,343)** | **-9%** |
| Dividend and similar income | 1,081 | 2,304 | (1,223) | |
| Profit (losses) on trading | (612) | 434 | (1,046) | |
| Profit (losses) on disposal or repurchase of: | 754 | 190 | 564 | |
| a) financial assets designated at amortised cost | 64 | 154 | (90) | |
| b) financial assets designated at fair value through other comprehensive income | 690 | 36 | 654 | |
| Profits (losses) on other financial assets and liabilities designated at fair value through profit or loss: | (418) | (1,250) | 832 | |
| b) other financial assets mandatorily at fair value | (418) | (1,250) | 832 | |
| **Net banking income** | **32,515** | **35,237** | **(2,722)** | **-8%** |
| Net losses/recoveries on credit risk of: | (1,818) | 701 | (2,519) | |
| a) financial assets designated at amortised cost | (2,012) | 480 | (2,492) | |
| b) financial assets designated at fair value through other comprehensive income | 194 | 221 | (27) | |
| Gains/losses from contractual changes without derecognition | (150) | (1) | (149) | |
| **Net income from financial operations** | **30,547** | **35,937** | **(5,390)** | **-15%** |
| Personnel expenses | (17,497) | (19,219) | 1,722 | |
| Other administrative expenses | (8,706) | (9,435) | 729 | |
| Net provisions for risks and charges | (67) | 247 | (314) | |
| Net losses/recoveries on property and equipment and intangible assets | (1,815) | (1,773) | (42) | |
| Other operating income/expenses | 2,512 | 3,241 | (729) | |
| **Operating costs** | **(25,573)** | **(26,939)** | **1,366** | **-5%** |
| **Profit (loss) from equity investments** | **(163)** | **(219)** | **56** | **-26%** |
| **Profit (loss) from continuing operations before taxes** | **4,811** | **8,779** | **(3,968)** | **-45%** |
| Taxes on income from continuing operations | (1,580) | (2,949) | 1,369 | |
| **Profit (loss) from continuing operations after taxes** | **3,231** | **5,830** | **(2,599)** | **-45%** |
| Profit (loss) of minority interests | (1,168) | (1,517) | 349 | |
| **Net profit (loss) for the year pertaining to the Parent Company** | **2,063** | **4,313** | **(2,250)** | **-52%** |

A series of Group operating ratios at 30 June 2020 compared with those for the same period in the previous year are presented below.

| | 1st half 2020 % | 1st half 2019 % |
|---|---|---|
| Interest margin/net banking income | 25.58 | 22.20 |
| Net fees and commissions/net banking income | 71.95 | 73.04 |
| Cost/income ratio (operating costs/net banking income) | 78.65 | 76.45 |
| ROE (profit for the year/shareholders' equity) | 0.95 | 2.03 |
| ROA (profit for the year/total assets) | 0.11 | 0.21 |

# Group shareholders' equity and reconciliation between the Parent Company's and the Group's shareholders' equity and results

## Group shareholders' equity

The Group shareholders' equity at 30 June 2020, including the profit for the period, totalled 216,316 thousand euros and changed as follows:

**Trend in Group Shareholders' Equity**

(in thousands of euros)

| | |
|---|---|
| **Shareholders' equity at 31 December 2019** | **215,134** |
| Dividend distribution | - |
| Change in valuation reserves | (911) |
| Changes in other reserves | 30 |
| Changes for sale of treasury shares | - |
| Profit (loss) for the period | 2,063 |
| **Shareholders' equity at 30 June 2020** | **216,316** |

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

(in thousands of euros)

| | **Shareholders equity** | **of which: Profit (loss) for the period** |
|---|---|---|
| **Balance as per the Parent Company's financial statements at 30 June 2020** | **235,420** | **4,263** |
| Results of investee companies as per the statutory financial statements: | | |
| - fully consolidated companies | 1,375 | 1,375 |
| - valued by equity method | - | (20) |
| Positive differences from consolidation: | | |
| - previous years | (2,677) | |
| Surplus over the book value related to: | | |
| - fully consolidated companies | 28,680 | |
| Elimination of dividends | - | (3,548) |
| Other consolidation adjustments: | (46,482) | (7) |
| **Balance resulting from the consolidated financial statements of the Group at 30 June 2020** | **216,316** | **2,063** |

# MAIN TRANSACTIONS IN THE HALF-YEAR, SIGNIFICANT EVENTS OCCURRING AFTER THE END OF THE HALF-YEAR PERIOD AND OPERATING OUTLOOK

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



### Covid-19

In the first few days of January 2020, the new "Coronavirus" (Covid-19) epidemic spread throughout the whole of continental China, and also to Italy and then other countries in the second half of February, declared as an unprecedented international health emergency by the World Health Organisation.
The Covid-19 pandemic, as already highlighted in the 2019 financial statements, forced the entire country into a sudden and unexpected quarantine, in order to mitigate the effects of the virus which had, and continues to have significant human, social and economic consequences, causing the slowdown or suspension of economic and commercial activities in multiple sectors. The other countries struck were also forced to adopt containment measures based on social distancing, the closure of many business activities and restrictions on travel and tourism.
Especially in March, the financial markets were significantly impacted by the considerable uncertainties with respect to future outlooks, with important downturns in share prices, tensions on money market rates and an increase in the credit risk premium on sovereign and corporate issuers, as described in detail in the section devoted to the "Business background" - Domestic and international macroeconomic background and financial markets in the first half of 2020 - to which reference is made.
Many governments, including Italy's, adopted immediate support measures such as: postponement of tax payments, provision of guarantees backing bank lending, household subsidies and the reinforcement of social security mechanisms. In particular, the main actions of the Italian government are broken down into two phases: the "Cura Italia" Decree and the "Liquidità" Decree, which should ensure the disbursement of significant amounts to help the country. The Cura Italia Decree called for the establishment of an extraordinary unemployment benefits fund in addition to state guarantees for the disbursement by banks of loans to businesses of up to 350 billion and a monthly payment of 600 euros for self-employed workers, agricultural workers, seasonal workers in the tourism sector and individuals working in the entertainment industry. The Liquidità Decree on the other hand establishes several important measures to support liquidity for Italian businesses such as: facilitations and social safety nets dedicated especially to SMEs; extension of fiscal and administrative deadlines, suspension of obligations imposed by the Italian Revenue Agency, reinforcement of the golden power, guarantee for SMEs thanks to the Guarantee Fund and loans backed by SACE. In addition to these measures, the "Rilancio" Decree set aside an additional 55 billion euros to support the recovery: strengthening of the healthcare sector, support to businesses and households, tourism and culture are just some of the measures taken by the Italian government.
Italy will also benefit from the various monetary and other policies passed within the European Union. Aside from the economic policy measures adopted by the ECB, described previously in the "Business background" section, the European Council launched a 1,800 billion euro package to stimulate the economic recovery; in particular, the economic recovery plan (Recovery Fund) amounts to 750 billion euros: of this amount, 390 billion will be disbursed in the form of subsidies, which do not need to be repaid by the recipient countries, while 360 billion euros will be distributed in the form of loans; there is also a debt sharing mechanism: to that end, the European Commission may issue common securities in the financial markets.

As a whole, these measures are hoped to be capable of generating a recovery in GDP in the second half of 2020, with a more significant recovery in 2021; the positive market reaction made it possible to partially recover the downturn recorded since the start of the year. However, there is a high degree of uncertainty surrounding the timing for the resumption of pre-crisis economic activity levels.

The Banca Finnat Group, from the outset, monitored developments in the global situation and then nationally, brought about by the spread of Covid-19. In accordance with the provisions of IAS 1 and also following the recommendations of the ESMA of 11 March 2020, measures were implemented targeted at ensuring business continuity.

**Measures adopted to handle and mitigate the impacts of the Covid-19 pandemic**

The Bank promptly set up an appropriate Crisis Management Committee, in order to manage the emergency and guarantee the safety of its employees and its customers. To this end, various initiatives were implemented, shared by the Risk Committee and the Board of Directors of the Bank which, at the meeting on 29 April 2020, approved the adjustment to the Business Continuity Plan, completed with the initiatives undertaken, including:

- as regards organisation of work: the preparation of a technological framework to promote company smart working for activities that can be carried out remotely. The Bank immediately took action to strengthen the IT infrastructure in order to integrate its "smart working" system; security infrastructure for accessing the company network and data protection measures were improved and employee awareness was raised concerning phishing campaigns. Between the end of March and early April, around 70% of employees worked remotely. Later, as the pandemic became less severe, the number of workers in smart working arrangements also declined. It should be noted in this context that the Bank and other Group companies always guaranteed the continuity of company operations to their customers as well as the usual high service levels, as described in detail in the section dedicated to "Group business segments", to which reference is made;
- regarding workplace safety: the activation of all protocols drawn up by the national Authorities and Bodies aimed at guaranteeing health and safety conditions for its employees and customers. Strict provisions were also imposed regarding: access to workplaces, cleaning, sanitisation, personal hygiene precautions and management of spaces. The Bank acquired personal protection equipment and sanitising gel and outfitted workstations with protection devices to guarantee the safety of personnel in the office;
- on the theme of information: the constant circulation, through the company intranet, of communications and behavioural recommendations for personnel as well as the publication of useful information and documents relating to the emergency.
- regarding support for its customers:
  the Bank promptly activated the measures laid out in the "Cura Italia" Decree for its corporate customers, which establishes in article 56 an extraordinary moratorium for the benefit of micro enterprises and SMEs to which loans or lines of credit had been granted. In particular, the Decree lays out the following financial support measures:
  - for revocable credit lines and loans granted for advances on receivables, the agreed amounts cannot be revoked until 30 September 2020;
  - for non-instalment loans expiring prior to 30 September 2020, the contracts are extended to 30 September under the same conditions;

- for mortgages and loans to be repaid in instalments, the payment of instalments (principal and interest or only principal) falling due prior to 30 September is suspended until 30 September.

As noted, the above-mentioned measures are provided to micro-enterprises and SMEs when they meet the following conditions: temporary shortfall in liquidity as a direct consequence of the Covid-19 epidemic and absence of non-performing debt positions.

At the reporting date, the Bank has provided 19 concessions to performing customers relating to exposures with a total gross value of 22.5 million euros, including 16 concessions to suspend mortgage instalments for an amount equal to 15,898 thousand euros (Law Decree no. 18 of 17/03/2020, converted with Law no. 27 of 30/04/2020).

The Bank also subsequently activated the agreement with Mediocredito Centrale for the application of the "Liquidità" Decree. This decree includes specific measures to support smaller SMEs and natural persons running business activities in the arts or professions, which self-certify that they have been harmed by the Covid-19 emergency; article 13, paragraph 1 letter m) of the decree establishes, inter alia, that those categories may request new loans for amounts up to 25% of their final revenues in 2019, with a maximum ceiling of 25,000 euros, with 24 months of pre-amortisation and a maximum duration of six years. The Central Guarantee Fund backs 100% of the financed amounts free of charge and automatically, enabling the Bank to disburse the sums without waiting for the final outcome of screening by the Fund.

At the date on which this Report was drafted, the Bank had received 19 requests for 11.9 million euros, of which 13 loans disbursed for 294 thousand euros.

Aside from activating the anti-crisis measures put into place by the government and described above, the Bank also provided specific facilitations. Within the scope of commercial initiatives intended to consolidate relationships with customers during the period of the pandemic and falling within the broader offer of private banking services, the Bank promoted a commercial facilitation for performing customers that do not require specific support measures; this commercial initiative is targeted at both natural persons and businesses.

Furthermore, as mentioned in the comments relating to the "Group business segments", private banking activities made it possible to maintain high standards of attention to customer requirements.

**Application of accounting standards following the Covid-19 pandemic**

The impacts of Covid-19 caused various European and national supervisory authorities to intervene with guidelines and documents providing information on the application of the international accounting standards within the context of the emergency situation. Specifically, the IASB (International Accounting Standard Board), the body responsible for issuing the international accounting standards - intervened with regard to IFRS 9, recognising the difficulty of incorporating the effects of the pandemic in forecast models and as a result specified that the methodologies used to determine expected losses should not be applied mechanically. Also with respect to IFRS 9, the ECB also provided indications particularly with reference to the inclusion of forward-looking information in determining expected losses, inviting banks to avoid the use of excessively pro-cyclical assumptions, taking into account the extreme uncertainty of the context generated by the pandemic and the impossibility of having reasonable and consistent short-term macroeconomic forecasts available, therefore favouring the adoption of expectations focused on the long term, deemed more reliable. The decisions made by the Banca Finnat Group with respect to the application of accounting standards for the preparation of the Half-yearly report as at 30 June 2020 are described in Section 5 - Other information "Covid-19 - impacts on the preparation of the Half-yearly financial report". In

any event, please note that the application of the accounting standards, by their nature based on market values and forecast assessments, is extremely complex within a context characterised by high uncertainty as concerns the evolution of the economic crisis and the health emergency and as regards the benefits of the economic interventions adopted at national and international level.
As specified previously, the revision of provisions relating to performing loans had a significant impact on the income statement in the first half of the year.



**Impact of the pandemic on Group strategies and expected results**

First of all, please note that the Banca Finnat Group's business strategies have not changed as a result of the pandemic. All the companies of the Banca Finnat Group ensured business continuity vis-à-vis counterparties and the market, always ensuring the maximum efficiency of the service offered to customers both in branch and through remote channels during the period between the first week of March and the first week of May. Subsequently, operations in the branch and activities in the operative offices continued with a progressive reduction in smart working arrangements.
Therefore, the Group's activities suffered from a decline compared to expectations at the start of the year, primarily during the lockdown period and for reasons substantially linked to limitations imposed on mobility. None of the Group's activities were suspended, even temporarily.

**The Context**

The Group operates primarily in the private banking, investment banking, advisory and corporate finance, asset management and trusteeship sectors.
As regards the impacts of Covid-19 on the banking sector, three different levels can be distinguished: at strategic and operational level, the pandemic made it necessary to reinforce digital channels and technological infrastructure, and also brought to light the opportunity to modify consolidated customer relationship procedures; the epidemiological emergency and the ensuing lockdown period had relevant impacts as regards the risks to which the sector is exposed as well, in particular increasing the risk of borrower default, reducing the value of guarantees and increasing fraud and cyber threats; at financial level, there were also impacts on the valuations of financial instruments due to the decrease in prices in international markets. With respect to the private banking sector, with the relative contraction in overall profits as well as margins, the pandemic could also favour aggregation phenomena in order to achieve economies of scale.
The uncertainties caused by Covid-19 characterising the real estate sector regard primarily the difficulty of developing the estimates underlying appraisals. During the lockdown, many production activities benefitted from facilitations or suspensions of lease payments. The continuation of the emergency situation, along with possible changes in the management of work with structural recourse to smart working in both the public and private sectors, could cause temporary tensions in commercial and office properties as well as in the tourism and hospitality sector.
Lastly, the asset management saw weaker net flows to mutual funds and asset management. With the spread of the pandemic, the strong increase in financial market volatility accelerated outflows from funds characterised by higher risk profiles. In this context, premium income from life insurance showed good staying power on the whole.

**Outlooks**

The unexpected development of the external scenario and its possible repercussions call for more prudence when making future projections of the income statement and balance sheet results. In this context characterised by the advent of an unprecedented economic crisis, despite the uncertainties linked to the possible evolution of the pandemic, the Group revised its estimates concerning the result for the year also taking into account the increase in credit risk and the impacts on revenues from commissions.

The most significant impacts of the Covid-19 pandemic on the expected result for the year 2020 of the Banca Finnat Group are related, as mentioned previously, to higher provisions against the increase in the credit risk of financial assets. As concerns operating income, a decline in net revenues from asset management is expected primarily due to the decrease in AuM as a result of the contraction in prices for fixed income as well as the stock markets, while, also thanks to the special attention devoted to customers, pressures have not been recorded in terms of product redemptions, nor have there been tensions with regard to asset liquidity. Compared to last year, a decline in revenues is also expected from services for corporate and institutional customers, which were most penalised by the economic crisis, due to the reduction in placements in the stock market (particularly in the AIM market) as well as the discounts granted on advisory and corporate finance services and specialist services provided to corporate customers by the Bank. Growth in the private banking sector, also by hiring new private advisors, suffered from a temporary slowdown in the first half of the year, which it is forecast can be partially recovered by the end of the year. Revenues from trading services are also expected to rise, due to the increase in transactions on behalf of third parties already recorded in the first half of the year, as are revenues from the placement of insurance products; the interest margin is expected to be aligned with 2019, also thanks to the positive contribution deriving from effective portfolio management on the bank's own account. With respect to the real estate funds management sector, a reduction in development fees and variable fees is expected, primarily linked to the shutdown of worksites due to the crisis triggered by Covid-19. Trusteeship revenues are expected to be in line with the previous year. The low risk profile of proprietary financial investments, almost exclusively attributable to the Bank, makes it possible to forecast a limited impact on profit (losses) from trading, despite the tensions generated by the violent, sudden price movements of all of the main assets.

The liquidity position has always remained solid thanks to the broad availability of liquid reserves. In detail, in the first half of the year, both regulatory indicators - the Liquidity Coverage Ratio (LCR) and the Net Stable Funding Ratio (NSFR) - were considerably above requirements. From the capital perspective, the Group's capital and asset quality make it possible to face the crisis with relative peace of mind.

**Other transactions and the most significant events**

- On 25 March 2020, the Deputy Judge in the proceedings ordered the postponement until 25 September 2020 of the hearing to examine the statement of liabilities of the bankruptcy of Bio-On, originally set for 17 April 2020. Following the well-known Bio-On events, already detailed in full in the 2019 financial statements, the Bank filed, within the relevant terms, the appropriate application for the admission of the receivables to bankruptcy liabilities. On 16 July 2020, the Bank signed a supplement to the existing shareholders' agreements on the companies Aldia and Liphe with the liquidators of Bio-On in order to govern some issues and establish a governance structure consistent with the effective operations of those companies.

- In the first few days of April 2020, Banca Finnat implemented an initiative to support the efforts of the two Roman hospitals Istituto Nazionale Lazzaro Spallanzani and Policlinico Gemelli, in the fight against Covid-19. The Bank decided to provide tangible support to the ongoing emergency and established that, for each new asset management service signed by its customers in 2020, an amount of 10% of its management fees will be set aside for equal contributions to the two hospitals; the sums collected will be paid to the dedicated account "Il Messaggero per emergenza coronavirus" opened at Banca Finnat.
- On 29 April 2020, the Shareholders' Meeting of the Bank:
  - approved the financial statements at 31 December 2019 and the allocation of profit for 2019 to the reserve;
  - approved the Remuneration Policy prepared in pursuance of Article 123-ter of Italian Legislative Decree 58/98.



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

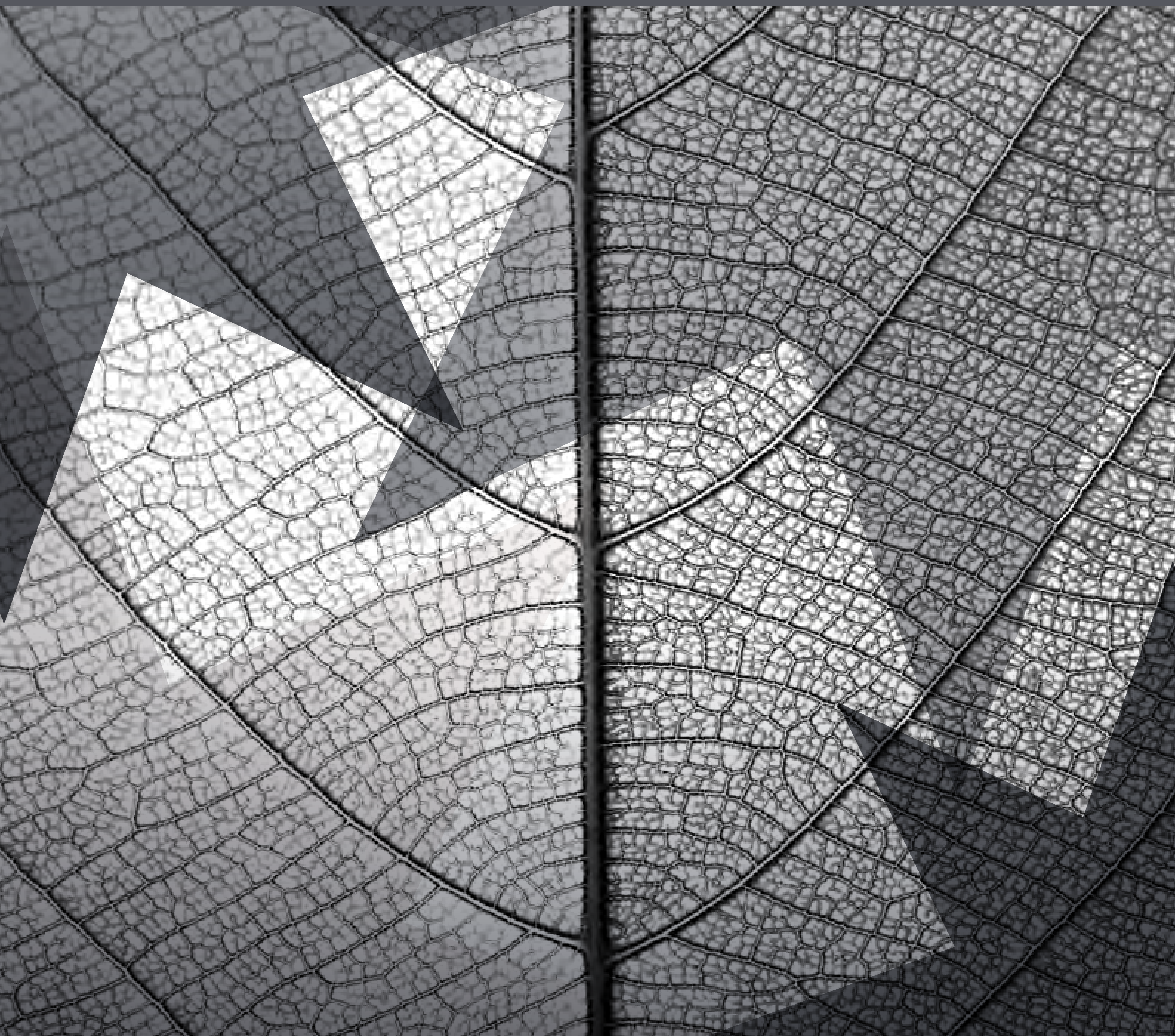
After the close of the first half of 2020 and until the date of preparation of this interim report on operations, no significant events or factors that can affect the financial position, equity position, or results of operations of the Group emerged.

Bear in mind in any event that the Bank and the other Group companies continue to constantly monitor the development of the economic situation and the impacts that the spread of Covid-19 could have.

### Operating outlook

Also in light of what is laid out in the section dedicated to the impact of the Covid-19 pandemic on the expected results, the Banca Finnat Group expects to achieve a consolidated result in 2020 which is in any event positive and higher than that recorded in 2019.

# CONDENSED CONSOLIDATED HALF-YEARLY FINANCIAL STATEMENTS



## CONSOLIDATED BALANCE SHEET

(in thousands of euros)

| | Asset items | 30.06.2020 | 31.12.2019 |
|---|---|---|---|
| **10.** | Cash and cash equivalents | 573 | 699 |
| **20.** | Financial assets designated at fair value through profit or loss | 78,565 | 79,537 |
| | a) financial assets held for trading | 57,567 | 57,696 |
| | c) other financial assets mandatorily at fair value | 20,998 | 21,841 |
| **30.** | Financial assets designated at fair value through other comprehensive income | 309,283 | 366,666 |
| **40.** | Financial assets designated at amortised cost | 1,478,554 | 1,548,092 |
| | a) due from banks | 126,324 | 92,968 |
| | b) loans to customers | 1,352,230 | 1,455,124 |
| **70.** | Equity investments | 11,030 | 11,173 |
| **90.** | Property and equipment | 19,388 | 20,588 |
| **100.** | Intangible assets | 31,257 | 31,296 |
| | of which: | | |
| | - goodwill | 28,129 | 28,129 |
| **110.** | Tax assets | 13,229 | 14,131 |
| | *a)* current | 2,909 | 3,483 |
| | *b)* deferred | 10,320 | 10,648 |
| **130.** | Other assets | 18,027 | 24,970 |
| | **Total assets** | **1,959,906** | **2,097,152** |

**CONSOLIDATED BALANCE SHEET**

(in thousands of euros)

| | Liabilities and shareholders' equity | 30.06.2020 | 31.12.2019 |
|---|---|---|---|
| 10. | Financial liabilities designated at amortised cost | 1,675,814 | 1,815,357 |
| | a) due to banks | 278 | 369 |
| | b) due to customers | 1,665,123 | 1,790,075 |
| | c) debt securities issued | 10,413 | 24,913 |
| 20. | Financial liabilities held for trading | 32 | 152 |
| 60. | Tax liabilities | 986 | 818 |
| | a) current | 363 | 136 |
| | b) deferred | 623 | 682 |
| 80. | Other liabilities | 21,896 | 18,858 |
| 90. | Provisions for termination indemnities | 5,829 | 5,920 |
| 100. | Provisions for risks and charges: | 169 | 102 |
| | a) commitments and guarantees given | 102 | 102 |
| | c) other provisions for risks and charges | 67 | - |
| 120. | Valuation reserves | 4,686 | 5,597 |
| 150. | Reserves | 151,050 | 150,586 |
| 170. | Share capital | 72,576 | 72,576 |
| 180. | Treasury shares (-) | (14,059) | (14,059) |
| 190. | Minority interests (+/-) | 38,864 | 40,811 |
| 200. | Profit (Loss) for the year (+/-) | 2,063 | 434 |
| | **Total liabilities and shareholders' equity** | **1,959,906** | **2,097,152** |

**CONSOLIDATED INCOME STATEMENT**

(in thousands of euros)

| | Items | 1st half 2020 | 1st half 2019 |
|---|---|---|---|
| **10.** | Interest income and similar income | 9,484 | 8,992 |
| **20.** | Interest expense and similar expense | (1,168) | (1,170) |
| **30.** | **Interest margin** | **8,316** | **7,822** |
| **40.** | Fee and commission income | 24,734 | 26,728 |
| **50.** | Fee and commission expense | (1,340) | (991) |
| **60.** | **Net fees and commissions** | **23,394** | **25,737** |
| **70.** | Dividend and similar income | 1,081 | 2,304 |
| **80.** | Profit (losses) on trading | (612) | 434 |
| **100.** | Profit (losses) on disposal or repurchase of: | 754 | 190 |
| | a) financial assets designated at amortised cost | 64 | 154 |
| | b) financial assets designated at fair value through other comprehensive income | 690 | 36 |
| **110.** | Profits (losses) on other financial assets and liabilities designated at fair value through profit or loss | (418) | (1,250) |
| | b) other financial assets mandatorily at fair value | (418) | (1,250) |
| **120.** | **Net banking income** | **32,515** | **35,237** |
| **130.** | Net losses/recoveries on credit risk relating to: | (1,818) | 701 |
| | a) financial assets designated at amortised cost | (2,012) | 480 |
| | b) financial assets designated at fair value through other comprehensive income | 194 | 221 |
| **140.** | Gains/losses from contractual changes without derecognition | (150) | (1) |
| **150.** | **Net income from financial operations** | **30,547** | **35,937** |
| **190.** | Administrative expenses: | (26,203) | (28,654) |
| | a) personnel expenses | (17,497) | (19,219) |
| | b) other administrative expenses | (8,706) | (9,435) |
| **200.** | Net provisions for risks and charges | (67) | 247 |
| | a) commitments and guarantees given | - | 13 |
| | b) other net allocations | (67) | 234 |
| **210.** | Net losses/recoveries on property and equipment | (1,697) | (1,673) |
| **220.** | Net losses/recoveries on intangible assets | (118) | (100) |
| **230.** | Other operating income/expenses | 2,512 | 3,241 |
| **240.** | **Operating costs** | **(25,573)** | **(26,939)** |
| **250.** | Profit (loss) from equity investments | (163) | (219) |
| **290.** | **Profit (loss) from continuing operations before taxes** | **4,811** | **8,779** |
| **300.** | Taxes on income from continuing operations | (1,580) | (2,949) |
| **310.** | **Profit (loss) from continuing operations after taxes** | **3,231** | **5,830** |
| **330.** | **Profit (loss) for the year** | **3,231** | **5,830** |
| **340.** | Profit (loss) for the year of minority interests | (1,168) | (1,517) |
| **350.** | **Net profit (loss) for the year pertaining to the Parent Company** | **2,063** | **4,313** |

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

(in thousands of euros)

| | Items | 1st half 2020 | 1st half 2019 |
|---|---|---|---|
| **10.** | **Profit (loss) for the year** | **3,231** | **5,830** |
| | **Other comprehensive income after taxes that may not be reclassified to the income statement** | | |
| **20.** | Equity designated at fair value through other comprehensive income | (89) | 81 |
| **70.** | Defined benefit plans | (48) | (320) |
| **90.** | Share of valuation reserves connected with investments carried at equity | 20 | 122 |
| | **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 | (819) | 2,523 |
| **170.** | **Total other comprehensive income after tax** | **(936)** | **2,406** |
| **180.** | **Comprehensive income (Item 10+170)** | **2,295** | **8,236** |
| **190.** | Consolidated comprehensive income pertaining to minority interests | 1,143 | 1,394 |
| **200.** | **Consolidated comprehensive income pertaining to the Parent Company** | **1,152** | **6,842** |

## STATEMENT OF CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY AT 30 JUNE 2020

(in thousands of euros)

| | Total shareholders' equity at 31.12.2019 | Change in opening balances | Total shareholders' equity at 1.1.2020 | 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:** | **188,583** | **-** | **188,583** | **3,502** | **-** |
| a) profit | 127,154 | - | 127,154 | 3,845 | |
| b) other | 61,429 | - | 61,429 | (343) | - |
| **Valuation reserves** | **5,343** | **-** | **5,343** | **-** | **-** |
| **Capital instruments** | **-** | | **-** | **-** | **-** |
| **Treasury shares** | **(14,059)** | **-** | **(14,059)** | **-** | **-** |
| **Net Profit (Loss) for the year** | **3,502** | **-** | **3,502** | **(3,502)** | **-** |
| **Total shareholders' equity** | **255,945** | **-** | **255,945** | **-** | **-** |
| **of which: group shareholders' equity** | **215,134** | **-** | **215,134** | **-** | **-** |
| **of which: minority interests** | **40,811** | **-** | **40,811** | **-** | **-** |

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

(in thousands of euros)

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

| Changes during the year | | | | | | | | | Shareholders' equity at 30.06.2020 | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | 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 of the first half of 2020 | | | |
| **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **72,576** | **72,576** | **-** |
| - | - | - | - | - | - | - | - | - | 72,576 | 72,576 | - |
| - | - | - | - | - | - | - | - | - | - | - | - |
| **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| **(3,060)** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **189,025** | **151,050** | **37,975** |
| (3,102) | - | - | | - | - | - | - | - | 127,897 | 117,816 | 10,081 |
| 42 | - | - | | - | - | - | - | - | 61,128 | 33,234 | 27,894 |
| **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **(936)** | **4,407** | **4,686** | **(279)** |
| **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **(14,059)** | **(14,059)** | **-** |
| **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **3,231** | **3,231** | **2,063** | **1,168** |
| **(3,060)** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **2,295** | **255,180** | **-** | **-** |
| **30** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **1,152** | **-** | **216,316** | **-** |
| **(3,090)** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **1,143** | **-** | **-** | **38,864** |

| Changes during the year | | | | | | | | | Shareholders' equity at 30.06.2019 | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | 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 of the first half of 2019 | | | |
| **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **72,576** | **72,576** | **-** |
| - | - | - | - | - | - | - | - | - | 72,576 | 72,576 | - |
| - | - | - | - | - | - | - | - | - | - | - | - |
| **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| **(2,811)** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **188,582** | **150,598** | **37,984** |
| (2,828) | - | - | | - | - | - | - | - | 127,158 | 117,039 | 10,119 |
| 17 | - | - | | - | - | - | - | - | 61,424 | 33,559 | 27,865 |
| **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **2,406** | **(1,305)** | **(1,062)** | **(243)** |
| **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **(14,059)** | **(14,059)** | **-** |
| **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **5,830** | **5,830** | **4,313** | **1,517** |
| **(2,811)** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **8,236** | **251,624** | **-** | **-** |
| **13** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **6,842** | **-** | **212,366** | **-** |
| **(2,824)** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **1,394** | **-** | **-** | **39,258** |

## CONSOLIDATED STATEMENT OF CASH FLOWS (indirect method)

(in thousands of euros)

| | Amount | |
|---|---|---|
| | 30.06.2020 | 31.12.2019 |
| **A. OPERATING ACTIVITIES** | | |
| **1. Management** | **22,666** | **30,723** |
| - net profit (loss) for the year (+/-) | 2,063 | 434 |
| - capital gains/losses on financial assets held for trading and on other financial assets and liabilities designated at fair value through profit or loss (-/+) | 1,152 | 2,029 |
| - capital gains/losses on hedging assets (-/+) | - | - |
| - net losses/recoveries on credit risk (+/-) | 1,818 | 12,016 |
| - net losses/recoveries on property and equipment and intangible assets (+/-) | 337 | 2,627 |
| - net provisions for risks and charges and other costs/revenues (+/-) | 782 | 904 |
| - net premiums not received (-) | - | - |
| - other insurance income/expenses not received (-/+) | - | - |
| - taxes, duties and tax credits not liquidated (+/-) | (1,580) | (3,094) |
| - net losses/recoveries on discontinued operations net of tax effect (+/-) | - | - |
| - other adjustments (+/-) | 18,094 | 15,807 |
| **2. Cash generated by/used in financial assets** | **131,858** | **(185,622)** |
| - financial assets held for trading | (606) | (21,305) |
| - financial assets designated at fair value | - | - |
| - other financial assets mandatorily at fair value | 425 | (91) |
| - financial assets designated at fair value through other comprehensive income | 57,577 | (67,850) |
| - financial assets designated at amortised cost | 67,543 | (96,146) |
| - other assets | 6,919 | (230) |
| **3. Cash generated by/used in financial liabilities** | **(153,621)** | **152,732** |
| - financial liabilities designated at amortised cost | (155,733) | 155,397 |
| - financial liabilities held for trading | (120) | (171) |
| - financial liabilities designated at fair value | - | - |
| - other liabilities | 2,232 | (2,494) |
| **Cash generated by/used in operating activities** | **903** | **(2,167)** |

## CONSOLIDATED STATEMENT OF CASH FLOWS (indirect method)

(in thousands of euros)

| | Amount | |
|---|---|---|
| | 30.06.2020 | 31.12.2019 |
| **B. INVESTING ACTIVITIES** | | |
| **1. Cash generated by** | **-** | **19** |
| - disposals of equity investments | - | - |
| - dividends received on equity investments | - | - |
| - disposals of property and equipment | - | 19 |
| - disposals of intangible assets | - | - |
| - disposals of subsidiaries and business units | - | - |
| **2. Cash used in** | **(148)** | **(3,381)** |
| - purchases of equity investments | - | (2,927) |
| - purchases of property and equipment | (69) | (321) |
| - purchases of intangible assets | (79) | (133) |
| - purchases of subsidiaries and business units | - | - |
| **Cash generated by/used in investing activities** | **(148)** | **(3,362)** |
| **C. FINANCING ACTIVITIES** | | |
| - issues/purchases of treasury shares | - | - |
| - issues/purchases of capital instruments | - | - |
| - dividend distribution and other purposes | (881) | 5,563 |
| - sale/purchase of third-party control | - | - |
| **Cash generated by/used in financing activities** | **(881)** | **5,563** |
| **CASH GENERATED/USED DURING THE YEAR** | **(126)** | **34** |

*Key*:
(+) generated
(-) used

| RECONCILIATION | 30.06.2020 | 31.12.2019 |
|---|---|---|
| **FINANCIAL STATEMENT ITEMS** | | |
| Cash and cash equivalents at the beginning of the year | 699 | 665 |
| Total net cash generated/used during the year | (126) | 34 |
| Cash and cash equivalents: effect of exchange rate changes | - | - |
| Cash and cash equivalents at the end of the year | 573 | 699 |

# NOTES TO THE FINANCIAL STATEMENTS

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

**Part A – Accounting policies**

A.1 – General information

- Section 1 – Statement of compliance with international accounting standards
- Section 2 – General financial reporting principles
- Section 3 – Scope and methods of consolidation
- Section 4 – Subsequent events
- Section 5 – Other information

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 – Item 110 (assets) and Item 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, 150, 170 and 180
- Section 14 – Minority interests – Item 190

**Part C – Information on the consolidated income statement**

- Section 1 – Interest – Items 10 and 20
- Section 2 – Fees and commissions – Items 40 and 50
- Section 3 – Dividend and similar income – Item 70
- Section 4 – Profit (losses) on trading - Item 80

## Part A – Accounting policies

### A.1 – General information

#### Section 1 - Statement of compliance with international accounting standards

The Condensed consolidated financial statements at 30 June 2020 of Banca Finnat Euramerica Group have been prepared applying the International Accounting Standards (IAS) and the International Financial Reporting Standards (IFRS), as amended by the International Accounting Standards Board (IASB) and approved by the European Commission, in force at 30 June 2020, in accordance with the procedures laid down in EC Regulation No. 1606/02.
The international accounting standards have been applied taking into account, where necessary, the “Framework for the Preparation and Presentation of Financial Statements” (the Framework).
For further guidance on the application of the new accounting standards, the Company has also referred to the interpretations provided by the International Financial Reporting Interpretations Committee (IFRIC), as well as the documents issued to support the introduction of the IAS/IFRS in Italy by the Organismo Italiano di Contabilità (OIC) – the Italian Accounting Board – and the documents produced by the Italian Bankers’ Association (ABI).
If no standard or applicable interpretation applied specifically to a transaction, other event or condition, reference was made to the provisions and guidelines contained in the standards and interpretations dealing with similar and related issues, taking into account the Framework provisions.

#### Section 2 – General financial reporting principles

In accordance with the requirements 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 weighted assessments – and in consideration of the reliability and results of the risk measurement systems, the Directors of the Bank are confident there is no evidence that could cast doubts in respect of the Group’s going concern assumption. Given the size of the Group’s assets, the substantial financial resources owned and the breakdown, quality and liquidity of the portfolio of financial assets, the Directors of the Bank have prepared these Consolidated half-yearly financial statements in the full conviction that the Group meets the requirements of a going concern in the foreseeable future.
The Group’s consolidated half-yearly financial statements at 30 June 2020 have been prepared in the condensed format, consistently with IAS 34 on “Interim Financial Reporting”. Therefore, these financial statements do not contain all the information required by the annual financial statements and should be examined jointly with the financial statements at 31 December 2019, also prepared in accordance with the IFRS standards issued by the International Accounting Standards Board (IASB) and endorsed by the European Commission pursuant to its regulation No. 1606/2002.

These Condensed consolidated half-yearly financial statements were prepared by applying the provisions laid down by Circular no. 262 of 22 December 2005 "Banks' financial statements: layouts and preparation" – update 6 of 30 November 2018 - issued by the Bank of Italy.
The Condensed consolidated half-yearly financial statements consist of:

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

In accordance with IAS 34, the half-yearly data consolidated at 30 June 2020 have been compared with the corresponding balance sheet and income statement. In particular, while the Balance Sheet has been compared with the figures at 31 December 2019, the Income Statement and the Statement of Comprehensive Income for the first half of 2020 have been compared with the figures for the corresponding period of the previous year.

The accounting principles applied to prepare these condensed consolidated half-yearly financial statements have remained unchanged with respect to those applied to prepare the Consolidated Financial Statements for 2019.

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

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

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

As required by IAS 8, the Regulations endorsed by the European Commission that apply from 1 January 2020 onwards are shown below:

- 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.
- Regulation no. 551/2020 - Definition of a business (Amendments to IFRS 3 Business combinations)

## Section 3 – Scope and methods of consolidation

### Equity investments in exclusively controlled subsidiaries

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

*Key*:
(1) Type of relationship:
1= majority voting rights in ordinary shareholders' meetings; 2= considerable influence in ordinary shareholders' meetings; 3= agreements with other shareholders; 4= other forms of control; 5= sole direction as per article 39, paragraph 1 of Italian Legislative Decree no. 136/2015; 6= sole direction as per article 39, paragraph 2 of Italian Legislative Decree no. 136/2015.
(2) Voting rights in ordinary shareholders' meetings, with a distinction between effective and potential rights
The percentage of voting rights in the shareholders' meeting is effective.

### Significant evaluations and assumptions to determine the scope of consolidation

The scope of consolidation includes:

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

The scope of consolidation includes all subsidiary companies, regardless of their legal status, and of whether they are going concerns or being wound up.
The scope of consolidation has not changed compared to the financial statements for the year ended 31 December 2019.

*Subsidiaries*

Subsidiaries are companies whose financial and operating policies are directly or indirectly determined and controlled by the Group to which they belong and which Group can, therefore, benefit from their activities. When determining control, account should also be taken of the companies in which Banca Finnat directly or indirectly holds more than half of the voting rights. The voting rights also include the so-called "potential" rights, which can be consistently exercised or converted into effective voting rights at any time.
The financial statements of subsidiaries are consolidated from the date on which the parent company obtains control over the company until the date on which that control ceases.

*Associated companies and joint ventures*

Associated companies are entities whose financial and operating policies are significantly influenced by the Group, but which it does not control, either jointly or separately; they are included in the consolidation according to the equity method. As required by IAS 28, equity interests classified as joint ventures are also consolidated using the equity method.
The profit or losses of the Group are recorded in the consolidated Income Statement from the date on which the significant influence started and up to the date on which it ceases.

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

*Line-by-line consolidation*

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

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

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

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

The presentation currency of the Group's financial statements is the Euro, which is also the functional currency of all the companies included in the consolidated Financial Statements.

Non-monetary assets and liabilities in foreign currencies, recorded at historical cost, are translated using the exchange rate at the date on which the transaction was originally recorded.

The financial statements of the consolidated companies expressed in foreign currencies were translated according to the exchange rate at the reporting date for the assets and liabilities; for the income statement items, the average exchange rates in the period were used, and the historical exchange rates for the shareholders' equity items. The differences between the values of the shareholders' equity items at the historical exchange rates and those descending and resulting from the translation thereof at the current exchange rates are recorded and, indeed, posted at the current exchange rates in the shareholders' equity item called "Other reserves".

*Equity consolidation method*

This method provides for the initial recording of the investee company at cost. The book value is then periodically adjusted to take into account changes in the investee company's shareholders' equity. The pro quota allocation of the net income of the investee company is recorded in a specific item of the consolidated Income Statement. The shareholders' equity of the associated companies and of the joint ventures is inferred from the latest available financial statements or from the latest financial report available at the time of preparation of the consolidated financial statements.

The difference – if any – between the book value and the recovery value of the equity investment, estimated based on the present value of the future cash flows generated by the investment itself, is recorded in the Income Statement.

**Section 4 – Subsequent events**

After the close of the first half of 2020 and until the date of preparation of this interim report on operations, no significant events or factors that can affect the financial position, equity position, or results of operations of the Group emerged.

Bear in mind in any event that the Bank and the other Group companies continue to constantly monitor the development of the economic situation and the impacts that the spread of Covid-19 could have.

**Section 5 – Other information**

**Covid-19 - impacts on the preparation of the Half-yearly financial report**

In the situation of macroeconomic scenario uncertainty generated by Covid-19, which triggered considerable volatility in the financial markets, the Bank and the other Group companies have devoted particular attention to respecting accounting and prudential regulations as well as the proper application of the international accounting standards, also taking into account Consob Warning Notice of 16/7/2020. From the analysis performed - focusing in particular on IFRS 9 and IAS 36, IFRS 15 and IFRS 16, summarised below - no particularly critical issues were identified as concerns for the drafting of this Half-yearly report.

**IFRS 9 - Financial instruments IAS 36 - Impairment of assets**

On the premise that the Bank and the other Group Companies have never modified their business models, the following topics were analysed in particular:

- Increase in credit risk.
  Taking into account the intervention of *ESMA* of 25 March and of the IFRS Foundation of 27 March, the Bank did not consider the economic support measures put into place by the government to support borrowers in response to Covid-19 as measures that automatically trigger an SICR (significant increase in credit risk); instead, it evaluated any increase in credit risk using current and outlook reasonable and supportable information at the date on which this Financial Report was drafted.
  It should also be highlighted that the moratoria granted with respect to performing customers to handle the Covid-19 emergency, in line with the provisions of the guidelines issued by the European Banking Authority (EBA/GL/2020/02) on 2 April 2020, did not entail the classification of customer exposures as forborne performing exposures since the application of a general legislative moratorium, adopted as a specific response to the current economic situation caused by the Covid-19 pandemic, is not a forbearance measure and therefore should not be considered a restructuring as a result of financial difficulty. Furthermore, for those positions, the calculation of days past due was therefore suspended.

- *Staging allocation*
  In order to prepare its financial report as at 30 June 2020, the Bank adopted a prudential approach while maintaining its policies unchanged with respect to the staging allocation, without adopting exceptions due to the extraordinary emergency situation and intended to mitigate the deterioration in exposure staging.

- Measurement of losses on loans.
  In light of the recommendations provided by international bodies and the supervisory authorities, the Bank evaluated the impacts on the impairment model generated by the increase in the level of uncertainty caused by Covid-19. The economic crisis generated by the Covid-19 epidemic caused the Bank to adopt an update in the macroeconomic scenario in order to determine expected losses on financial assets. The statistical model incorporated the downward revisions of growth, for the global economy as well as specifically for Italy. This resulted in an increase of roughly 1 million euros in collective provisions on performing loans to customers compared to what would have been recorded lacking that update.



- Fair value measurement.
  In the current context characterised by market uncertainty and volatility, there could be an increase in measurements classified as Level 3, through the use of non-observable inputs, due to the disappearance of prices quoted in active markets (Level 1) and/or observable inputs (Level 2). The movement within the fair value hierarchy could take place for various types of financial instruments. As at 30 June 2020, there have been no significant changes in the fair value hierarchy and as regards the valuation of financial instruments classified in level 3, the Group has maintained the same criteria as those adopted in the 2019 financial statements.

- Asset impairment

As at 30 June 2020, considering the crisis situation generated by Covid-19, the Bank performed exceptional impairment testing on its assets.

For Equity investments in companies measured at cost, pursuant to IAS 36, the Bank checked the recoverability of the carrying amounts and, only for Imprebanca, recognised impairment of 73 thousand euros.

As instead regards the Goodwill recognised in the financial statements of the subsidiary InvestiRE SGR, in order to decide whether it would be necessary to adjust the value of goodwill, an impairment test was performed on the basis of forecasts developed to take into account the estimated impacts of the Covid-19 pandemic with respect to the business plan approved by the Board of Directors of the asset management company, with the support of the internal specialists of the Parent Company. As regards the parameters and methodologies adopted to perform the impairment test, please refer to the comments to the item goodwill - "Intangible assets".

As regards deferred tax assets, the Group, in line with the instructions of ESMA, verified the recoverability of those assets recognised pursuant to IAS 12. On the basis of the assessments performed as at 30 June 2020 with regard to the Group's economic and financial projections, it is deemed with reasonable certainty that the deferred tax assets recognised in the balance sheet assets will be recovered in full.

**IFRS 15 - Revenue from contracts with customers**

As at 30 June 2020, the pandemic had not caused significant deteriorations in the payment capacity of Group customers; it was evaluated whether any price reductions granted may have resulted in a

contractual modification; it was evaluated whether any payment extensions granted to customers could generate a significant financial component.
The analysis performed did not show conditions for the revision of timing and methods for the recognition of revenue.

**IFRS 16 – Leases**

As lessees, the Bank and other Group companies did not exercise any extension option set forth by IFRS 16 in the case of significant events or changes caused specifically by the decline in economic activity and the uncertainty of the macroeconomic scenario, nor did they rely on the provisions of the amendment "Covid-19 Related Rent Concessions" published by the IASB on 28 May 2020, which provides lessees with the option of accounting for payment reductions without needing to evaluate, by analysing the contracts, if the changes fall within the definition of lease modification set forth in IFRS 16.



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As regards the description of the impacts at quantitative level of the Covid-19 pandemic on the consolidated income statement as at 30 June 2020, please refer to the "Summary of consolidated results" section of the Interim Report on Operations, which specifies that there have been no significant changes compared to the same period of 2019.
The section "The most significant transactions and events in the period" highlights the measures taken by the Group to support its customers to deal with the economic consequences of Covid-19, both by adopting the measures enacted by the Italian government and through commercial initiatives intended to consolidate relationships with customers during this unprecedented time.

### Information on risks and related hedging policies

Regarding the risks that can affect the management of the Finnat Group, and the monitoring systems put into place, to date, to strengthen the systems aimed at ensuring the full and effective protection of savers and investors, reference should be made to the in-depth exposition on the matter contained in the consolidated financial statements at 31 December 2019.

### 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 Half-yearly report at 30 June 2020, 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 30 June 2020. 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.



**A.2 – Information on the main financial statement items**

The main accounting standards adopted in preparing the Condensed consolidated half-yearly financial statements at 30 June 2020 remained unchanged with respect to those adopted for the 2019 financial statements as concerns classification, measurement and write-off criteria in general, and the recognition criteria for costs and revenues. They are described below:

**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 principal reimbursements and interest payments on the amount of principal 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 provision 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 profit or loss 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. Gains and losses resulting from the difference between the amortised cost of the financial asset and its fair value are recognised in the income statement in the event of reclassification as Financial assets designated at fair value through profit or loss and Shareholders' equity, in the specific valuation reserve, in the event of reclassification as Financial assets designated at fair value through other comprehensive income.

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

*Recognition criteria*

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

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

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

*Measurement criteria*

Following their initial recognition, the financial assets in question are designated at amortised cost, using the effective interest rate method. In these terms, the asset is recognised in the Financial Statements at an amount equal to its initial recognition value, less principal reimbursements, plus or minus the cumulative amortisation (calculated using the effective interest rate method referred to above) of the difference between this initial amount and the amount at maturity (typically attributable to costs/income charged directly to the individual asset). The effective interest rate is determined by calculating the rate that equals the present value of the future cash flows of the asset, for principal and interest, to the amount disbursed including costs/income related to the financial asset itself. This accounting method, which is based on a financial approach, allows the economic effect of costs/income directly attributable to a financial asset to be distributed over its expected residual life.

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

The measurement criteria are strictly related to the inclusion of the instruments in question in one or the three stages (stages of credit risk) envisaged by IFRS 9, the last of which (stage 3) includes non-performing financial assets and the remaining (stages 1 and 2) performing financial assets.

With reference to the accounting representation of the above valuation effects, impairment losses relating to this type of asset are recognised in the Income Statement:

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

If the financial assets in question are performing, they are measured in order to determine the impairment losses to be recorded in the financial statements at the level of the individual credit relation (or security "tranche"), depending on the risk parameters represented by probability of default (PD), loss given default (LGD) and exposure at default (EAD).

If, in addition to a significant increase in credit risk, there is evidence of impairment, the amount of the loss is measured as the difference between the book value of the asset - classified as "impaired", like all other transactions with the same counterparty - and the present value of the expected future cash flows, discounted at the original effective interest rate. The amount of the loss to be recognised in the Income Statement is defined on the basis of an analytical valuation process or determined by homogeneous categories and, therefore, analytically applied to each position and considers, as described in detail in the chapter "Impairment losses of financial assets", forward looking information and possible alternative recovery scenarios.

Non-performing assets include financial instruments that have been granted the status of bad loans, unlikely to pay or past due/overdue by more than ninety days according to the rules of the Bank of Italy, consistent with IAS/IFRS and European Supervisory regulations.
The expected cash flows take into account the expected recovery time and the estimated realisable value of any guarantee.
The original effective interest rate of each asset remains unchanged over time even though the relationship has been restructured resulting in a change in the contractual interest rate and even if the relationship ceases to bear the contractual interest for practical purposes.
If the reasons for impairment no longer apply due to an event occurring after the impairment was recognised, value recoveries are recognised in the Income Statement. The value recovery cannot exceed the amortised cost that the financial instrument would have had in the absence of previous adjustments. Value recoveries related to the passing of time are recognised in net interest income.
In some cases, during the life of the financial assets in question and, in particular, of receivables, the original contractual terms can be amended by the parties to the contract. When, over the life of an instrument, the contractual clauses are amended, it is necessary to check whether the original asset must continue to be recognised in the financial statements or, on the contrary, whether the original instrument must be derecognised from the financial statements.
In general, changes in a financial asset lead to its derecognition and to the recognition of a new asset when they are "substantial". The assessment of whether the change is "substantial" must be subject to qualitative and quantitative considerations. In fact, in some cases it may be clear, without resorting to complex analyses, that the changes introduced substantially modify the characteristics and/or contractual flows of a given asset while, in other cases, further analyses (including quantitative analyses) will have to be carried out in order to appreciate their effects and check the need to derecognise or not the asset and to recognise a new financial instrument.
Therefore, qualitative and quantitative analyses aimed at defining the "substantiality" of the contractual changes made to a financial asset will have to consider:

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

*Derecognition criteria*

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

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

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

**4 - Hedging Transactions**

*Classification criteria*

Risk hedging transactions are directed at neutralising potential losses, attributable to a determined risk, and recognisable on a determined element or group of elements, if that specific risk should actually manifest itself.

IFRS 9 envisages, at the time of its introduction, the possibility of continuing to apply in full the provisions of the former IAS 39 on hedge accounting (in the carved-out version approved by the European Commission) for each type of hedge (both for specific hedges and for macro hedges).

*Recognition criteria*

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

*Measurement criteria*

Hedging derivatives are measured at fair value. In the case of fair value hedging, the change in fair value of the hedged element is offset with the change in fair value of the hedging instrument. This offset is recognised through the recognition in the income statement - under item 90 “Fair value adjustments in hedge accounting” - of said value changes, referred both to the hedged element (with regard to the changes caused by the underlying risk factor), and to the hedging instrument. Any difference, which represents the partial ineffectiveness of the hedge, consequently constitutes its net economic effect.

The derivative is designated as a hedging derivative if there is a formalised documentation of the relationship between the hedged instrument and the hedging instrument and if it is effective at the time when the hedge starts and, prospectively, throughout the time of its validity.

The effectiveness of the hedge depends on the extent to which the changes in fair value of the hedged instrument are offset by those of the hedging instrument. Therefore, the effectiveness is determined by the comparison between the aforesaid changes, taking into account the intent pursued by the company when the hedge was established.

If the hedge is ineffective, hedge accounting, as set out above, is stopped, the hedging derivative is reclassified among trading instruments and the hedged financial instrument reacquires the measurement criteria that matches its classification in the financial statements.

**5 - Equity investments**

*Classification criteria*

The item "Equity investments" includes investments in associated companies 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, with the entry into force of IFRS 16, 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 as compensation for its 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 enforceable; the lease agreement is considered to be no longer enforceable 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 amortisation is calculated on a daily basis starting on the date on which the asset was first used.

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

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

At the end of each reporting period, an impairment test is carried out on the assets. More specifically, a comparison is made between the book value of the asset (purchase cost less accumulated depreciation) and its recoverable amount, equal to the greater of the fair value, minus any sales cost, and the related value of use of the asset, meaning the present value of the future cash flows expected from the asset. Adjustments are recorded in the income statement under item 210 “Net losses/recoveries on property and equipment”. If the reasons that led to the recognition of the loss cease to apply, a value recovery is recorded that may not exceed the value that the asset would have had minus the depreciation calculated in the absence of previous impairment losses.

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

*Derecognition criteria*

The book value of 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.

**8 - Current and deferred tax**

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

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

**9 - Provisions for risks and charges**

*Provisions for risks and charges against commitments and guarantees given*

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

**Other provisions**

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

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

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

**10. Financial liabilities designated at amortised cost**

*Classification criteria*

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

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

*Recognition criteria*

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

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

With regard to lease payables, the lessee, on the 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.

**11. Financial liabilities held for trading**

*Classification criteria*

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

*Recognition criteria*

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

*Measurement criteria*

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

*Derecognition criteria*

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

**12 - Foreign-currency transactions**

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

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

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

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

**13 - Other information**

*1. Treasury shares*

Treasury shares held are stated in the financial statements at cost, adjusting shareholders' equity by a corresponding amount. No profit or loss is recorded in the income statement in connection with the

purchase, sale, issue and derecognition of instruments that represent the Bank's capital. The consideration paid or received is recognised directly in shareholders' equity.
Any marginal cost incurred for the repurchase of treasury shares is recorded as a decrease in shareholders' equity, as long as it is directly related to the capital transaction that otherwise would not have been incurred.

*2. Provisions for termination indemnities*
Provisions for termination indemnities are determined as the Group's present obligation towards its employees, in terms of the related termination indemnity. The amount of this obligation on the date of the financial statements is estimated using actuarial methods and time-discounted using the "Projected Unit Credit Method" whereby each period of service is viewed as giving rise to an additional unit of benefit entitlement and each unit is measured separately to build up the final obligation. Once the final obligation is obtained, the Group needs to calculate its present value, even if part of the obligation falls in the twelve-month period after the reporting period. Actuarial profits/losses deriving from defined benefit plans are stated in shareholders' equity under Valuation reserves. All other components of the provisions for termination indemnities accrued during the year are posted in the income statement under item 190. Administrative expenses: a) personnel expenses in "Termination indemnities", for the amounts paid to the INPS Treasury; "payments to external pension funds: defined contribution" 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.

**Natam SA**

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

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

**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.

**Finnat Gestioni S.A.**

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

*COSTS*

Costs are recognised when they are incurred in compliance with the criterion of
correlation between costs and revenues that derive directly and jointly from the same transactions or events. Costs (including impairment losses) that cannot be related to revenues are immediately recognised in the Income Statement.
Costs directly attributable to financial instruments designated at amortised cost and determinable from the start, regardless of the moment when they are paid, are included in the Income Statement by applying the effective interest rate.
Interests are recognised on an accrual basis that considers the effective yield of the asset.
Negative income components accrued on financial assets are recognised in the item "Interest expense and similar expense", item that also includes interest expense on lease payables (while interest income and similar income include interest from subleases).

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

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

*4. Classification of financial assets*

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

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

*SPPI TEST*

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

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

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

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

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

*BUSINESS MODEL*

The business model represents the way in which the Bank manages its financial assets, i.e. with which it intends to realise the cash flows of debt instruments. It reflects the way in which groups of financial assets are collectively managed to pursue a particular business objective and does not depend on management's intentions with respect to a single instrument but is set at a higher level of aggregation.

The definition of the Group's business model takes into consideration all the useful elements that emerge both from the strategic objectives defined by the Bank's top management and from elements relating to

the organisational structure of the structures in charge of the management of assets and the methods for defining the budget and evaluating their performance. The method of management is defined by the top management through the appropriate involvement of the business structures. The business model does not depend on the intentions of the management with respect to a single instrument, but rather refers to the way in which homogeneous portfolios are managed in order to achieve a given objective.
The business model is defined on the basis of several elements, such as (IFRS 9 - B4.1.2B):

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

The drivers used to assess the performance of the various business models identified and the type of reporting produced are elements to be considered for the correct attribution of the business model. In particular, performance and reporting could be based on information on fair value or interest received, depending on the purpose for which the assets are held.
Adequate monitoring, escalation and reporting is essential to ensure proper management of risks that may affect portfolio performance.
The possible business models set out in the Standard are as follows:

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

The measurement of the business model to be attributed to the portfolios is carried out on the basis of the scenarios that could reasonably occur (IFRS 9 B4.1.2A), considering all relevant and objective information available at the measurement date.
In the event that the cash flows are realised in a way that is different from initial expectations considered in the definition of the business model, this realisation will not:

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

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

*5. Manner of determination of the amortised cost*

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

the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any impairment loss.
The effective interest rate is the rate that equalises the present value of future contractual cash payments or receipts until the expiry or the following recalculation date of the price to the net carrying amount of the financial asset or financial liability. In order to calculate the present value, the effective interest rate is applied to the flow of future receipts or payments estimated during the useful life of the financial asset or liability - or a shorter period in the presence of certain conditions (for example, the review of market rates). If it is not possible to estimate reliably the cash flows or the expected life, the Group uses the expected contractual cash flows for all the period of validity of the contract.
Subsequent to initial recognition, the amortised cost allows to allocate revenues and costs deducted from or summed to the instruments during its expected life through amortisation. The method of determination of the amortised cost depends on whether the measured financial assets/liabilities have a fixed or variable rate.

For fixed-rate instruments, future cash flows are quantified based on the interest rate known during the life of the loan. For variable-rate financial assets/liabilities, whose variability is not known a priori (because, for example, linked to an index), cash flows are determined by maintaining constant the last variable rate recorded. At each date of review of the rate, the redemption plan and the effective interest rate are recalculated over the entire useful life of the instrument, i.e. until the date of expiry.
Measurement at amortised cost is carried out for financial assets and liabilities designated at amortised cost (due from/to banks and loans/due to customers) and for financial assets designated at fair value through other comprehensive income. For the latter, the amortised cost is calculated for the sole purpose of recognising in the income statement the interests based on the effective interest rate; the difference between the fair value and the amortised cost is recorded in a specific shareholders' equity reserve.

*6. Methods for determining impairment losses*

IFRS 9 envisages a model for determining prospectively impairment losses, which requires the immediate recognition of losses on receivables even if only expected, contrary to IAS 39 that requires for their recognition the examination of past events and current conditions.
At the end of each reporting period, in accordance with IFRS 9, financial assets other than those designated at fair value through profit or loss are measured to determine whether there is any evidence that the book value of the assets may not be fully recoverable. A similar analysis is also carried out for commitments to 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 ninety days, impairment losses equal to the full lifetime expected credit loss must be recognised.
For financial assets for which there is no evidence of impairment (performing financial instruments), it is necessary, instead, to check whether there are indicators such that the credit risk of the individual transaction is significantly increased compared to the time of initial recognition. The consequences of this check from the point of view of classification (or, more properly, staging) and measurement, are as follows:

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



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

- Quantitative criteria:
    a. if the counterparty's rating deteriorates by at least three classes compared to the value at the date of origin;
    b. for exposures backed by collateral, where there is a 50% decrease in the value of the collateral compared with its value at the date of origin;
    c. exposures with a past due date of more than 30 days (even partial) recognised at the report date in the monthly survey (or in the previous 5 monthly surveys) regardless of the counterparty and without tolerance thresholds;
    d. on-demand loans with both of the following irregular trends:
        1. presence of operating tension: average percentage of use of the credit line granted, calculated over the last 180 days, of more than 80%;
        2. absence of changes in assets in the last 180 days.
- Qualitative criteria:
    a. forborne performing exposures in relation to a financial difficulty of the debtor;
    b. exposures with irregular trends monitored by the Credits Committee of the Bank;
    c. exposures to counterparties for which prejudicial information has been acquired. This requirement is to be considered valid also for prejudicial information relating to the guarantors.

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

- significant financial difficulties of the debtor (also based on the financial statement analysis such as, for example, negative changes in the debt ratio and in the capacity to cover financial expenses);
- breach of contractual clauses (such as a default or past-due event of more than 90 days);
- classification in category "D - Defaulted" within the CSE outsourcing rating model;

- a lender having granted a concession to the debtor – for economic or contractual reasons relating to the debtor's financial difficulty – that the lender would not otherwise consider;
- disappearance of an active market for that financial asset because of financial difficulties;
- the purchase or issue of a financial asset at a deep discount that reflects the incurred credit losses;
- the debtor is likely to declare bankruptcy or be subject to another financial reorganisation.

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

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

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

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

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

*7. Assets/liabilities designated at fair value*

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

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

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

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

### A.4 Information on fair value

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

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

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

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

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

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

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

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

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

Following is an overview of the valuation techniques used:

- the use of current market prices of other substantially similar instruments, if they are deemed to be highly comparable (based on the country and sector to which they belong, along with their rating,

maturity and degree of seniority of the securities), such as to avoid any substantial alteration of the prices or the use of trading prices – with respect to the same financial instrument – concerning market transactions between independent counterparties;
- the use of prices of similar instruments, in terms of their calibration;
- discounted cash flow models;
- option pricing models.



Financial instruments classified as **Level 2** instruments include:
- UCIs for which prices recorded in an inactive market whose values are deemed to be representative of fair value are available. If these prices are based on the NAV, this value, if available at the measurement date, may be taken into consideration for fair value purposes;
- bonds that are not traded on an active market, but which can be priced based on the prices of comparable securities, as inputs for a valuation model. The fair value of bonds without official prices expressed by an active market is calculated by using an appropriate credit spread, determined based on liquid financial instruments with similar features. Moreover, in the case of market transactions – concerning the same financial instrument – between independent counterparties account will be taken of the known trading price;
- OTC derivatives valued based on observable parameters and market models. Interest rate, exchange, share, inflation and commodity derivatives – if they are not traded on regulated markets – are known as Over the counter (OTC) instruments, i.e. instruments that are bilaterally negotiated with market counterparties, and their valuation is conducted based on specific pricing models, fed by inputs (such as rate, exchange and volatility curves) observed on the market.

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

Financial instruments classified as **Level 3** instruments include:
- unlisted equities. Equity investments held at cost are also conventionally included among the Level 3 instruments;
- UCIs lacking prices expressed by a market (active and inactive) and similar listed securities. This category includes the open-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.

**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.

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

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

| Financial assets/liabilities measured at fair value | 30.06.2020 | | | 31.12.2019 | | |
|---|---|---|---|---|---|---|
| | L1 | L2 | L3 | L1 | L2 | L3 |
| 1. Financial assets designated at fair value through profit or loss | 52,968 | 24,304 | 1,293 | 53,468 | 24,724 | 1,345 |
| a) financial assets held for trading | 52,338 | 5,229 | - | 52,555 | 5,141 | - |
| b) financial assets designated at fair value | - | - | - | - | - | - |
| c) other financial assets mandatorily at fair value | 630 | 19,075 | 1,293 | 913 | 19,583 | 1,345 |
| 2. Financial assets designated at fair value through other comprehensive income | 298,627 | - | 10,656 | 355,833 | - | 10,833 |
| 3. Hedging derivatives | - | - | - | - | - | - |
| 4. Property and equipment | - | - | - | - | - | - |
| 5. Intangible assets | - | - | - | - | - | - |
| **Total** | **351,595** | **24,304** | **11,949** | **409,301** | **24,724** | **12,178** |
| 1. Financial liabilities held for trading | - | 32 | - | | 152 | - |
| 2. Financial liabilities designated at fair value | - | - | - | - | - | - |
| 3. Hedging derivatives | - | - | - | - | - | - |
| **Total** | **-** | **32** | **-** | **-** | **152** | **-** |

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

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

| Assets/Liabilities not measured at fair value or measured at fair value on a non-recurring basis | 30.06.2020 | | | | 31.12.2019 | | | |
|---|---|---|---|---|---|---|---|---|
| | BV | L1 | L2 | L3 | BV | L1 | L2 | L3 |
| 1. Financial assets designated at amortised cost | 1,478,554 | 1,000,264 | - | 498,674 | 1,548,092 | 1,000,760 | - | 569,487 |
| 2. Investment property | - | - | - | - | - | - | - | - |
| 3. Non-current assets held for sale and discontinued operations | - | - | - | - | - | - | - | - |
| **Total** | **1,478,554** | **1,000,264** | **-** | **498,674** | **1,548,092** | **1,000,760** | **-** | **569,487** |
| 1. Financial liabilities designated at amortised cost | 1,675,814 | - | - | 1,675,785 | 1,815,357 | - | - | 1,815,320 |
| 2. Liabilities associated to discontinued operations | - | - | - | - | - | - | - | - |
| **Total** | **1,675,814** | **-** | **-** | **1,675,785** | **1,815,357** | **-** | **-** | **1,815,320** |

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

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

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

## Part B – Information on the consolidated balance sheet

## ASSETS

## Section1 - Cash and cash equivalents – Item 10

### 1.1 Cash and cash equivalents: breakdown

| | Total 30.06.2020 | Total 31.12.2019 |
|---|---|---|
| a) Cash | 408 | 544 |
| b) Demand deposits at central banks | 165 | 155 |
| **Total** | **573** | **699** |

## 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 | 30.06.2020 | | | 31.12.2019 | | |
|---|---|---|---|---|---|---|
| | L1 | L2 | L3 | L1 | L2 | L3 |
| **A. Cash assets** | | | | | | |
| 1. Debt securities | 50,417 | - | - | 50,470 | - | - |
| 1.1 Structured securities | - | - | - | - | - | - |
| 1.2 Other debt securities | 50,417 | - | - | 50,470 | - | - |
| 2. Equity | 1,651 | - | - | 1,372 | - | - |
| 3. UCI units | 205 | 4,823 | - | 619 | 5,060 | - |
| 4. Loans | - | - | - | - | - | - |
| 4.1 Repurchase agreements | - | - | - | - | - | - |
| 4.2 Other | - | - | - | - | - | - |
| **Total A** | **52,273** | **4,823** | **-** | **52,461** | **5,060** | **-** |
| **B. Derivatives** | | | | | | |
| 1. Financial derivatives: | 65 | 406 | - | 94 | 81 | - |
| 1.1 held for trading | 65 | 406 | - | 94 | 81 | - |
| 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** | **65** | **406** | **-** | **94** | **81** | **-** |
| **Total (A+B)** | **52,338** | **5,229** | **-** | **52,555** | **5,141** | **-** |

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

The financial assets held for trading refer exclusively to the Bank and amounted to 57,567 thousand euros. The balance at 31 December 2019 amounted to 57,696 thousand euros.

Item "A.1 Debt securities" amounting to 50,417 thousand euros (50,470 thousand euros at 31 December 2019) consists of the following financial instruments present in Level 1: Government bonds of 50,051 thousand euros and a bond of 366 thousand euros;

Item "A.3. UCI units" amounting to 5,028 thousand euros (5,679 thousand euros at 31 December 2019) includes in Level 1: 4AIM SICAF units of 166 thousand euros, New Millennium Funds of 27 thousand euros and other funds of 12 thousand euros; in Level 2: New Millennium Fund units of 4,823 thousand euros.

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

| Items/Amounts | 30.06.2020 | | | 31.12.2019 | | |
|---|---|---|---|---|---|---|
| | L1 | L2 | L3 | L1 | L2 | L3 |
| **1. Debt securities** | - | - | - | - | - | - |
| 1.1 Structured securities | - | - | - | - | - | - |
| 1.2 Other debt securities | - | - | - | - | - | - |
| **2. Equity** | - | - | 30 | - | - | 30 |
| **3. UCI units** | 630 | 19,075 | 1,263 | 913 | 19,583 | 1,315 |
| **4. Loans** | - | - | - | - | - | - |
| 4.1 Repurchase agreements | - | - | - | - | - | - |
| 4.2 Other | - | - | - | - | - | - |
| **Total** | **630** | **19,075** | **1,293** | **913** | **19,583** | **1,345** |

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

Financial assets mandatorily at fair value amounted to 20,998 thousand euros (21,841 thousand euros at 31 December 2019).
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 15,515 thousand euros, New Millennium Funds for 2,695 thousand euros and Symphonia Thema Fund for 865 thousand euros;
- Level 3: Apple Fund for 1,263 thousand euros.

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

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

| Items/Amounts | Total 30.06.2020 | | | Total 31.12.2019 | | |
|---|---|---|---|---|---|---|
| | L1 | L2 | L3 | L1 | L2 | L3 |
| **1. Debt securities** | **298,242** | **-** | **-** | **355,402** | **-** | **-** |
| 1.1 Structured securities | - | - | - | - | - | - |
| 1.2 Other debt securities | 298,242 | - | - | 355,402 | - | - |
| **2. Equity** | **385** | **-** | **10,656** | **431** | **-** | **10,833** |
| **3. Loans** | **-** | **-** | **-** | **-** | **-** | **-** |
| **Total** | **298,627** | **-** | **10,656** | **355,833** | **-** | **10,833** |

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

Financial assets designated at fair value through other comprehensive income totalled 309,283 thousand euros (366,666 thousand euros at 31 December 2019).

Item 1. Debt securities - Level 1 - consists mainly of Government Bonds held by the Bank. At 30 June 2020, total losses due to credit risk on these securities amounted to 352 thousand euros. The value is recognised in item 120. Valuation reserves (after taxes) instead of as an adjustment to this item. In the first half of 2020, net value recoveries of 194 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. (385 thousand euros including the positive valuation reserve equal to 94 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. (2,457 thousand euros including the negative valuation reserve equal to 47 thousand euros), SIT S.p.A. (15 thousand euros) and Real Estate Roma Olgiata S.r.l. (1,123 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.

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

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

| Type of transactions/Amounts | Total 30.06.2020 | | | | | | Total 31.12.2019 | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Book value | | | Fair value | | | Book value | | | Fair value | | |
| | Stage 1 and 2 | Stage 3 | of which: acquired or originated impaired | L1 | L2 | L3 | Stage 1 and 2 | Stage 3 | of which: acquired or originated impaired | L1 | L2 | L3 |
| **A. Due from central banks** | - | - | - | - | - | - | - | - | - | | | |
| 1. Time deposits | - | - | - | X | X | X | - | - | - | X | X | X |
| 2. Compulsory reserve | - | - | - | X | X | X | - | - | - | X | X | X |
| 3. Reverse repurchase agreements | - | - | - | X | X | X | - | - | - | X | X | X |
| 4. Other | - | - | - | X | X | X | - | - | - | X | X | X |
| **B. Due from banks** | **126,324** | - | - | - | - | **126,324** | **92,968** | - | - | - | - | **92,968** |
| 1. Loans | 126,324 | - | - | - | - | 126,324 | 92,968 | - | - | - | - | 92,968 |
| 1.1 Current accounts and demand deposits | 78,407 | - | - | X | X | X | 68,980 | - | - | X | X | X |
| 1.2 Time deposits | 41,358 | - | - | X | X | X | 6,727 | - | - | X | X | X |
| 1.3. Other loans: | 6,559 | - | - | X | X | X | 17,261 | - | - | X | X | X |
| - Reverse repurchase agreements | - | - | - | X | X | X | - | - | - | X | X | X |
| - Lease financing | - | - | - | X | X | X | - | - | - | X | X | X |
| - Other | 6,559 | - | - | X | X | X | 17,261 | - | - | X | X | X |
| 2. Debt securities | - | - | - | - | - | - | - | - | - | | | |
| 2.1 Structured securities | - | - | - | - | - | - | - | - | - | X | X | X |
| 2.2 Other debt securities | - | - | - | - | - | - | - | - | - | X | X | X |
| **Total** | **126,324** | - | - | - | - | **126,324** | **92,968** | - | - | - | - | **92,968** |

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

The item "Due from banks" totalled 126,324 thousand euros (92,968 thousand euros at 31 December 2019).

Item B.1.2. Time deposits of 41,358 thousand euros refers to a time deposit for 35,000 thousand euros and to the Compulsory reserve deposited by the Bank with Depobank S.p.A. for 6,358 thousand euros (amounts after collective write-down). At 31 December 2019, the Compulsory reserve amounted to 6,727 thousand euros.

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

At 30 June 2020, total net losses on credit risk with banks amounted to 24 thousand euros (of which 17 thousand euros were attributable to the Bank). In the year in question, net impairment losses amounting to 4 thousand euros were recognised.

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

| Type of transactions/Amounts | Total 30.06.2020 | | | | | | Total 31.12.2019 | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Book value | | | Fair value | | | Book value | | | Fair value | | |
| | Stage 1 and 2 | Stage 3 | of which: acquired or originated impaired | L1 | L2 | L3 | Stage 1 and 2 | Stage 3 | of which: acquired or originated impaired | L1 | L2 | L3 |
| **1. Loans** | **333,474** | **23,796** | **-** | **-** | **-** | **372,350** | **444,922** | **16,475** | **-** | **-** | **-** | **476,519** |
| 1.1. Current accounts | 145,970 | 1,318 | - | X | X | X | 169,237 | 575 | - | X | X | X |
| 1.2. Reverse repurchase agreements | 11,146 | - | - | X | X | X | 40,557 | - | - | X | X | X |
| 1.3. Mortgages | 138,738 | 16,333 | - | X | X | X | 175,869 | 8,838 | - | X | X | X |
| 1.4. Credit card loans, personal loans and transfers of one fifth of salaries | - | - | - | X | X | X | - | - | - | X | X | X |
| 1.5. Lease financing | - | - | - | X | X | X | - | - | - | X | X | X |
| 1.6. Factoring | - | - | - | X | X | X | - | - | - | X | X | X |
| 1.7. Other loans | 37,620 | 6,145 | - | X | X | X | 59,259 | 7,062 | - | X | X | X |
| **2. Debt securities** | **994,960** | **-** | **-** | **1,000,264** | **-** | **-** | **993,727** | **-** | **-** | **1,000,760** | **-** | **-** |
| 2.1. Structured securities | - | - | - | - | - | - | - | - | - | - | - | - |
| 2.2. Other debt securities | 994,960 | - | - | 1,000,264 | - | - | 993,727 | - | - | 1,000,760 | - | - |
| **Total** | **1,328,434** | **23,796** | **-** | **1,000,264** | **-** | **372,350** | **1,438,649** | **16,475** | **-** | **1,000,760** | **-** | **476,519** |

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

Loans to customers totalled 1,352,230 thousand euros (1,455,124 thousand euros at 31 December 2019).

At the reporting date of this Financial Report, the items relating to current accounts, mortgages and other loans include **non-performing assets (Bucket 3)** relating to the Parent Company totalling 45,378 thousand euros (23,329 thousand euros after the write-downs), comprising:

- **bad loans** totalling 25,159 thousand euros (5,640 thousand euros after the write-downs) relating to the following positions:
  - 4,572 thousand euros (986 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.
  - 15,249 thousand euros (3,064 thousand euros net of the write-down) relating to a receivable for a loan due from the company Bio-On. The estimate of the presumed realisable value of the receivable remained unchanged with respect to that calculated for the purposes of the 2019 financial statements, to which reference should be made as regards the measurement methodology adopted.
  - 5,338 thousand euros relating for 1,733 thousand euros to trade receivables (61 thousand euros after the write-downs) and for 3,605 thousand euros (1,530 thousand euros after the write-downs) and to receivables relating to cash loans.

The line-by-line write-downs carried out therefore totalled 19,519 thousand euros (including 1,672 thousand euros referring to trade receivables), with a total coverage rate of 78%.

- **unlikely to pay** totalling 18,247 thousand euros (15,774 thousand euros after the write-downs) comprising:
  - overdraft facilities amounting to 323 thousand euros;
  - mortgage positions of 17,756 thousand euros (269 thousand euros of overdue instalments and 17,487 thousand euros of principal about to fall due); the amount refers for 8,758 thousand euros to a loan that expired in the first quarter of 2020, largely repaid and whose residual payable was extended, taking into account the guarantees received.
  - trade receivables of 167 thousand euros.

  The line-by-line write-downs totalled 2,473 thousand euros (including 129 thousand euros referring to trade receivables);
- **other positions expired or past due** for over 90 days totalling 1,972 thousand euros (1,915 thousand euros after the write-downs).

At 30 June 2020, the Bank had 32 "forborne" exposures of which:
- 12 non-performing positions totalling 34,031 thousand euros (19,487 thousand euros after write-downs), of which 2 positions included among bad loans of 15,390 thousand euros, 7 positions included among unlikely to pay of 17,563 thousand euros and 3 positions included among past due loans of 1,078 thousand euros.
- 20 performing positions totalling 7,727 thousand euros.

At 30 June 2020, 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 2,987 thousand euros, higher than the allocations made for this purpose through 31 December 2019 (equal to 2,299 thousand euros).

In the first half of 2020, the Bank recorded in the income statement 388 thousand euros for portfolio impairment losses on government bonds; it also recorded 1,663 thousand euros for net losses on loans to customers broken down as follows: 688 thousand euros for portfolio impairment losses, 78 thousand euros for specific value recoveries, 1,003 thousand euros for specific impairment losses, 50 thousand euros for cancellation losses.

At 30 June 2020, the allowance for doubtful loans to Bank customers excluding securities, totalled 25,036 thousand euros of which 22,049 thousand euros on an itemised basis and 2,987 thousand euros for portfolio impairment losses.

With regard to other Group companies, the analytical allowance for doubtful accounts **(Bucket 3)** at 30 June 2020 amounted to 765 thousand euros against gross non-performing receivables of 1,231 thousand euros for Finnat Fiduciaria S.p.A. and to 2,203 thousand euros against gross impaired receivables of the same amount for InvestiRE SGR S.p.A.
Whereas the allowance for doubtful accounts relating to portfolio impairment losses relating only to loans to customers (**Bucket 1** and **Bucket 2**) at 30 June 2020 amounted to 39 thousand euros for InvestiRE SGR S.p.A. and to 5 thousand euros for the other companies of the Group.
In the first half of 2020, the subsidiaries recognised net value recoveries on loans to customers in the income statement of 43 thousand euros.

Item 1.7. “Other loans” includes Deposits for margins with Cassa di Compensazione e Garanzia and ICE Clear Europe Ltd pertaining to the Bank amounting to 29,257 thousand euros (*Bucket 1*), non-performing financial loans pertaining to the Bank amounting to 5,580 thousand euros (*Bucket 3*), trade receivables amounting to 8,863 thousand euros (of which Bucket 1 and 2 amounting to 8,298 thousand euros and Bucket 3 amounting to 565 thousand euros) and sublease receivables of 50 thousand euros, pertaining exclusively 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 830 thousand euros after utilisation for sale of 64 thousand euros.

### Section 7 - Equity investments – Item 70

#### 7.1 Equity investments: information on investment relationships

| Company name | Registered office | Place of business | Type of relationship | Investment relationship | | Voting rights % |
|---|---|---|---|---|---|---|
| | | | | Investor company | Ownership % | |
| **A. Companies subject to joint control** | | | | | | |
| 1. REDO SGR S.p.A. | Milan | Milan | *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 liquidation | 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 30 June 2020 amounted to 11,030 thousand euros (11,173 thousand euros at 31 December 2019) and includes: Redo SGR S.p.A. 4,378 thousand euros, Liphe S.p.A. 150 thousand euros, Aldia S.p.A. 390 thousand euros, Previra Invest S.p.A. in liquidazione 9 thousand euros and Imprebanca S.p.A. 6,103 thousand euros.

## Section 9 - Property and equipment – Item 90

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

| Assets/amounts | Total 30.06.2020 | Total 31.12.2019 |
|---|---|---|
| **1. Owned assets** | **4,508** | **4,635** |
| a) land | 1,308 | 1,308 |
| b) buildings | 1,942 | 2,010 |
| c) furniture | 800 | 821 |
| d) electronic equipment | 439 | 485 |
| e) other | 19 | 11 |
| **2. Rights of use acquired through leases** | **14,880** | **15,953** |
| a) land | - | - |
| b) buildings | 14,359 | 15,423 |
| c) furniture | - | - |
| d) electronic equipment | 28 | 37 |
| e) other | 493 | 493 |
| **Total** | **19,388** | **20,588** |
| of which: obtained through enforcement of guarantees received | - | - |

Point 2 of the table above shows the rights of use relating to lease agreements, as required by the accounting standard IFRS 16.

## Section 10 - Intangible assets – Item 100

### 10.1 Intangible assets: breakdown by asset

| Assets/Amounts | Total 30.06.2020 | | Total 31.12.2019 | |
|---|---|---|---|---|
| | Definite life | Indefinite life | Definite life | Indefinite life |
| **A.1 Goodwill:** | **X** | **28,129** | **X** | **28,129** |
| A.1.1 pertaining to the Group | X | 14,260 | X | 14,260 |
| A.1.2 pertaining to minority interests | X | 13,869 | X | 13,869 |
| **A.2 Other intangible assets** | **402** | **2,726** | **441** | **2,726** |
| A.2.1 Assets measured at cost: | 402 | 2,726 | 441 | 2,726 |
| a) Internally generated intangible assets | - | - | - | - |
| b) Other assets | 402 | 2,726 | 441 | 2,726 |
| A.2.2 Assets measured at fair value: | - | - | - | - |
| a) Internally generated intangible assets | - | - | - | - |
| b) Other assets | - | - | - | - |
| **Total** | **402** | **30,855** | **441** | **30,855** |

Item A.1 “Goodwill” amounting to 28,129 thousand euros comprises:

- 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. in 2015 following the merger by incorporation in 2015, of Beni Stabili Gestioni SGR S.p.A. and Polaris RE SGR S.p.A., and subsequently adjusted in 2019 by 9,600 thousand euros, corresponding to the portion relating to the business unit transferred to the joint venture REDO SGR S.p.A.

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 forecasts developed to take into account the estimated impacts of the Covid-19 pandemic with respect to the 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 a document for internal use “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 half-yearly financial data.

At 30 June 2020, 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 30 June 2020 therefore refer to the 2020-2022 projections prepared by the Management of the SGR. The WACC thus determined is 6.01%.

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;

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

Current tax assets totalled 2,909 thousand euros (3,483 thousand euros at 31 December 2019) and concerned mainly IRAP receivables of 1,845 thousand euros (1,818 thousand euros of which referring to the Bank) and IRES receivables from the domestic consolidated tax system of 1,003 thousand euros.

Current tax liabilities totalled 363 thousand euros (136 thousand euros at 31 December 2019) and they consist primarily of VAT payables for 277 thousand euros.

Deferred tax assets accounted for with reference to the deductible temporary differences amounted to 10,320 thousand euros (10,648 thousand euros at 31 December 2019) and refer, for 9,611 thousand euros to taxes recognised through profit or loss and for 709 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 1,596 thousand euros, InvestiRE SGR S.p.A. for 7,937 thousand euros (of which goodwill for 7,283 thousand euros) and Finnat Fiduciaria S.p.A. for 78 thousand euros; while the taxes recognised with a corresponding item in shareholders' equity pertain to the Bank for 637 thousand euros, InvestiRE SGR S.p.A. for 33 thousand euros and Finnat Fiduciaria S.p.A. for 39 thousand euros.

Deferred tax liabilities amounted to 623 thousand euros (682 thousand euros at 31 December 2019) and are recognised through profit or loss for 98 thousand euros and as a balancing entry in shareholders' equity for 525 thousand euros (of which 523 thousand euros recognised against 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.

* * *

With regard to tax disputes referring to the Bank, an appeal against an 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 advisory 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.

As regards the Group companies, the subsidiary InvestiRE SGR S.p.A. has a tax dispute 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 year 2006. The re-admission to taxation concerns the alleged non-deductibility of expenses for property management services for retail funds; the request of the tax authorities for higher direct taxes amounts to 151 thousand euros, plus penalties and interest.

In relation to that dispute, 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.

## Section 13 - Other assets - Item 130

### 13.1 Other assets: breakdown

| | Total 30.06.2020 | Total 31.12.2019 |
|---|---|---|
| Receivables for guarantee deposits | 504 | 501 |
| Deposits with Cassa Compensazione e Garanzia | 2,007 | 11,164 |
| Deposits with Ice Clear Europe | 1,064 | - |
| Due from counterparties and brokers | 233 | - |
| Tax credits as withholding tax | 10,351 | 9,765 |
| Sundry receivables | 3,868 | 3,540 |
| **Total** | **18,027** | **24,970** |

## LIABILITIES

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

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

| Type of transactions/Amounts | Total 30.06.2020 | | | | Total 31.12.2019 | | | |
|---|---|---|---|---|---|---|---|---|
| | 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** | **278** | **X** | **X** | **X** | **369** | **X** | **X** | **X** |
| 2.1 Current accounts and demand deposits | 278 | X | X | X | 369 | 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** | **278** | **-** | **-** | **278** | **369** | **-** | **-** | **369** |

*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 30.06.2020 | | | | Total 31.12.2019 | | | |
|---|---|---|---|---|---|---|---|---|
| | BV | Fair value | | | BV | Fair value | | |
| | | L1 | L2 | L3 | | L1 | L2 | L3 |
| 1. Current accounts and demand deposits | 499,524 | X | X | X | 582,138 | X | X | X |
| 2. Time deposits | 133,341 | X | X | X | 191,002 | X | X | X |
| 3. Loans | 997,774 | X | X | X | 985,179 | X | X | X |
| 3.1repurchase agreements | 997,774 | X | X | X | 985,179 | X | X | X |
| 3.2other | - | X | X | X | - | X | X | X |
| 4. Debts for commitments to repurchase own equity instruments | - | X | X | X | - | X | X | X |
| 5. Lease payables | 15,201 | X | X | X | 16,240 | X | X | X |
| 6. Other payables | 19,283 | X | X | X | 15,516 | X | X | X |
| **Total** | **1,665,123** | **-** | **-** | **1,665,123** | **1,790,075** | **-** | **-** | **1,790,075** |

*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 30.06.2020 | | | | Total 31.12.2019 | | | |
|---|---|---|---|---|---|---|---|---|
| | BV | Fair value | | | BV | Fair value | | |
| | | L1 | L2 | L3 | | Level 1 | Level 2 | Level 3 |
| A. Securities | 10,413 | - | - | 10,384 | 24,913 | - | - | 24,876 |
| 1. bonds | 10,413 | - | - | 10,384 | 24,913 | - | - | 24,876 |
| 1.1 structured | - | - | - | - | - | - | - | - |
| 1.2 other | 10,413 | - | - | 10,384 | 24,913 | - | | 24,876 |
| 2. other securities | - | - | - | - | - | - | - | - |
| 2.1 structured | - | - | - | - | - | - | - | - |
| 2.2 other | - | - | - | - | - | - | - | - |
| **Total** | **10,413** | **-** | **-** | **10,384** | **24,913** | **-** | **-** | **24,876** |

*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 19,587 thousand euros.

## Section 2 - Financial liabilities held for trading - Item 20

### 2.1 Financial liabilities held for trading: breakdown by product

| Type of transactions/Amounts | Total 30.06.2020 | | | | | Total 31.12.2019 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | NV | Fair value | | | Fair value* | NV | Fair value | | | Fair value* |
| | | | | | | | | | | |
| **A. Cash liabilities** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| 1. Due to banks | - | - | - | - | - | - | - | - | - | - |
| 2. Due to customers | - | - | - | - | - | - | - | - | - | - |
| 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** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| **B. Derivatives** | **-** | **-** | **32** | **-** | **-** | **-** | **-** | **152** | **-** | **-** |
| 1. Financial derivatives | - | - | 32 | - | - | - | - | 152 | - | - |
| 1.1 Held for trading | X | - | 32 | - | X | X | - | 152 | - | 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** | **-** | **32** | **-** | **X** | **X** | **-** | **152** | **-** | **X** |
| **Total (A + B)** | **X** | **-** | **32** | **-** | **X** | **X** | **-** | **152** | **-** | **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*

This item, referring exclusively to the Bank, concerns the negative measurement of currency forwards.

## Section 6 - Tax liabilities – Item 60

See Section 11 of the assets.

## Section 8 - Other liabilities – Item 80

### 8.1 Other liabilities: breakdown

| | Total 30.06.2020 | Total 31.12.2019 |
|---|---|---|
| Social security and insurance contributions to be paid | 1,210 | 1,517 |
| Payables to personnel employed and contractors | 3,881 | 3,654 |
| Emoluments to be paid to the Directors | 387 | 186 |
| Emoluments to be paid to the Board of Statutory Auditors | 152 | 227 |
| Due to suppliers | 1,692 | 1,303 |
| Shareholders for dividends to be paid | 1,743 | 1,996 |
| Payables to brokers and institutional counterparties | 828 | 1,590 |
| Tax payables as withholding tax | 1,718 | 2,709 |
| Other payables | 10,285 | 5,676 |
| **Total** | **21,896** | **18,858** |

## Section 9 - Provisions for termination indemnities – Item 90

### 9.1 Provisions for termination indemnities: annual changes

| | Total 30.06.2020 | Total 31.12.2019 |
|---|---|---|
| **A. Initial amount** | **5,920** | **5,317** |
| **B. Increases** | **736** | **1,945** |
| B.1 Allocation for the year | 736 | 1,945 |
| B.2 Other changes | - | - |
| **C. Decreases** | **827** | **1,342** |
| C.1 Severance indemnities paid out | 673 | 539 |
| C.2 Other changes | 154 | 803 |
| **D. Final amount** | **5,829** | **5,920** |

Item B.1 "Allocation for the year", includes the actuarial loss of 62 thousand euros (actuarial loss of 458 thousand euros in 2019) recognised among valuation reserves - net of the tax effect - in accordance with IAS 19.

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

## Section 10 - Provisions for risks and charges – Item 100

### 10.1 Provisions for risks and charges: breakdown

| Items/Components | Total 30.06.2020 | Total 31.12.2019 |
|---|---|---|
| 1. Provisions for credit risk related to commitments and financial guarantees given | 102 | 102 |
| 2. Provisions on other commitments and other guarantees given | - | - |
| 3. Company pension funds | - | - |
| 4. Other provisions for risks and charges | 67 | - |
| 4.1 Legal and tax disputes | - | - |
| 4.2 Personnel expenses | - | - |
| 4.3 Other | 67 | - |
| **Total** | **169** | **102** |

The item refers exclusively to the Bank.

Item 1. "Provisions for credit risk related to commitments and financial guarantees given" concerns the collective impairment losses recorded up until 30 June 2020 totalling 89 thousand euros and an individual adjustment on an impaired guarantee for 13 thousand euros.
Collective impairment losses on commitments in the year came to 5 thousand euros and collective recoveries on financial guarantees stood at 5 thousand euros.

The item "Other provisions for risks and charges" includes the provision made in the first half of 2020 to cover any indemnity to be paid to an employee.

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

**13.1 “Share capital” and “Treasury shares”: Breakdown**

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

At 30 June 2020, 28,810,640 own 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 own shares.

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

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

### 13.4 Retained earnings: other information

The “Reserves” item amounts to 151,050 thousand euros (150,586 thousand euros at 31 December 2019) and is broken down as follows:

- Retained earnings of the Bank of 117,816 thousand euros consisting of the legal reserve of 11,524 thousand euros, extraordinary reserve of 85,292 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 33,234 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 30.06.2020 | Total 31.12.2019 |
|---|---|---|
| Equity investments in consolidated companies with significant interests in third parties | | |
| 1. InvestiRe SGR S.p.A. | 38,274 | 40,170 |
| Other equity investments | 590 | 641 |
| **Total** | **38,864** | **40,811** |

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

## Part C – Information on the consolidated income statement

### Section 1 - Interest - Items 10 and 20

#### 1.1 Interest income and similar income: breakdown

| Items/Categories | Debt securities | Loans | Other transactions | Total 1st half 2020 | Total 1st half 2019 |
|---|---|---|---|---|---|
| **1. Financial assets designated at fair value through profit or loss** | **418** | **-** | **-** | **418** | **128** |
| 1.1. Financial assets held for trading | 418 | - | - | 418 | 128 |
| 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** | **590** | **-** | **X** | **590** | **822** |
| **3. Financial assets designated at amortised cost:** | **3,110** | **3,763** | **-** | **6,873** | **6,739** |
| 3.1 Due from banks | - | 26 | X | 26 | 86 |
| 3.2 Loans to customers | 3,110 | 3,737 | X | 6,847 | 6,653 |
| **4. Hedging derivatives** | **X** | **X** | **-** | **-** | **-** |
| **5. Other assets** | **X** | **X** | **2** | **2** | **-** |
| **6. Financial liabilities** | **X** | **X** | **X** | **1,601** | **1,303** |
| **Total** | **4,118** | **3,763** | **2** | **9,484** | **8,992** |
| **of which: interest income on impaired financial assets** | **-** | **509** | **-** | **509** | **238** |
| **of which: interest income on finance leases** | **-** | **-** | **-** | **-** | **-** |

#### 1.3 Interest expense and similar expense: breakdown

| Items/Categories | Payables | Securities | Other transactions | Total 1st half 2020 | Total 1st half 2019 |
|---|---|---|---|---|---|
| 1. Financial liabilities designated at amortised cost | 746 | - | - | 746 | 899 |
| 1.1 Due to Central Banks | - | X | X | - | - |
| 1.2 Due to banks | 1 | X | X | 1 | - |
| 1.3 Due to customers | 745 | X | X | 745 | 892 |
| 1.4 Securities issued | X | - | X | - | 7 |
| 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 | 422 | 271 |
| **Total** | **746** | **-** | **-** | **1,168** | **1,170** |
| **of which: interest expense related to lease payables** | **124** | **-** | **-** | **124** | **129** |

The interest margin, referring almost exclusively to the Bank, amounted to 8,316 thousand euros versus 7,822 thousand euros for the same period of 2019.

## Section 2 - Fees and commissions - Items 40 and 50

### 2.1 Fee and commission income: breakdown

| Type of service/Amounts | Total 1st half 2020 | Total 1st half 2019 |
|---|---|---|
| a) guarantees given | 95 | 101 |
| b) credit derivatives | - | - |
| c) administration, brokerage and consultancy services: | 22,857 | 24,654 |
| 1. trading in financial instruments | 3,316 | 2,340 |
| 2. currency dealing | - | - |
| 3. portfolio management | 15,704 | 17,982 |
| 3.1. individual | 2,947 | 3,165 |
| 3.2. collective | 12,757 | 14,817 |
| 4. custody and administration of securities | 242 | 299 |
| 5. depositary bank | - | - |
| 6. placement of securities | 1,697 | 1,871 |
| 7. reception and transmission of orders | - | - |
| 8. consultancy services | 817 | 1,055 |
| 8.1. on investments | 392 | 351 |
| 8.2. on financial structure | 425 | 704 |
| 9. distribution of third-party services | 1,081 | 1,107 |
| 9.1. portfolio management | 66 | 66 |
| 9.1.1. individual | - | - |
| 9.1.2. collective | 66 | 66 |
| 9.2. insurance policies | 1,015 | 1,041 |
| 9.3. other products | - | - |
| d) collection and payment services | 150 | 179 |
| e) servicing related to securitisations | - | - |
| f) factoring services | - | - |
| g) tax collection services | - | - |
| h) multilateral trading systems management | - | - |
| i) management of current accounts | 202 | 188 |
| j) other services | 1,430 | 1,606 |
| **Total** | **24,734** | **26,728** |

Some 2019 items were reclassified for a like-for-like comparison with 2020.

### 2.2 Fee and commission expense: breakdown

| Services/Amounts | Total 1st half 2020 | Total 1st half 2019 |
|---|---|---|
| a) guarantees received | - | - |
| b) credit derivatives | - | - |
| c) management and brokerage services: | 836 | 464 |
| 1. trading in financial instruments | 627 | 255 |
| 2. currency dealing | - | - |
| 3. portfolio management: | 44 | 49 |
| 3.1 own portfolio | 21 | 23 |
| 3.2 third-party portfolio | 23 | 26 |
| 4. custody and administration of securities | 158 | 150 |
| 5. placement of financial instruments | 7 | 10 |
| 6. "door-to-door" sale of financial instruments, products and services | - | - |
| d) collection and payment services | 98 | 152 |
| e) other services | 406 | 375 |
| **Total** | **1,340** | **991** |

Net commissions amount to 23,394 thousand euros versus 25,737 thousand euros in the previous half year period.

The subsidiary InvestiRE SGR S.p.A. recorded a decrease in net fees and commissions of 2,286 thousand euros, also attributable to the elimination of the management and development fees of the funds FIL 1 and FIL 2 (amounting to 1,510 thousand euros at 30 June 2019) due to the transfer of the management mandates of the two funds to REDO SGR S.p.A. following the "Agreement for the replacement of the Management Company" signed on 27 November 2019.

The Bank and the other group companies recognised a decrease of 73 thousand euros and an increase of 16 thousand euros, respectively.

## Section 3 - Dividend and similar income – Item 70

### 3.1 Dividend and similar income: breakdown

| Items/Income | Total 1st half 2020 | | Total 1st half 2019 | |
|---|---|---|---|---|
| | Dividends | Similar income | Dividends | Similar income |
| A. Financial assets held for trading | 1 | 1 | 4 | - |
| B. Other financial assets mandatorily at fair value | - | 655 | - | 1,734 |
| C. Financial assets designated at fair value through other comprehensive income | 424 | - | 566 | - |
| D. Equity investments | - | - | - | - |
| **Total** | **425** | **656** | **570** | **1,734** |

## 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** | **52** | **167** | **764** | **261** | **(806)** |
| 1.1 Debt securities | 12 | 10 | 424 | 7 | **(409)** |
| 1.2 Equity | 20 | 152 | 73 | 239 | **(140)** |
| 1.3 UCI units | 20 | 5 | 267 | 15 | **(257)** |
| 1.4 Loans | - | - | - | - | - |
| 1.5 Other | - | - | - | - | - |
| **2. Financial liabilities held for trading** | **-** | **-** | **-** | **-** | **-** |
| 2.1 Debt securities | - | - | - | - | - |
| 2.2 Payables | - | - | - | - | - |
| 2.3 Other | - | - | - | - | - |
| **Financial assets and liabilities: foreign exchange differences** | **X** | **X** | **X** | **X** | **(171)** |
| **3. Derivatives** | **2** | **237** | **24** | **224** | **365** |
| 3.1 Financial derivatives: | 2 | 237 | 24 | 224 | 365 |
| - On debt securities and interest rates | - | - | - | - | - |
| - On equity and stock indexes | 2 | 237 | 24 | 224 | **(9)** |
| - On currencies and gold | X | X | X | X | **374** |
| - Other | - | - | - | - | - |
| 3.2 Credit derivatives | - | - | - | - | - |
| of which: natural hedges related to the fair value option | X | X | X | X | - |
| **Total** | **54** | **404** | **788** | **485** | **(612)** |

Net income from trading activities, referring exclusively to the Bank, features a negative balance of 612 thousand euros, compared to a positive balance of 434 thousand euros in the first half of 2019, and may be broken down as follows:

- Negative difference of 734 thousand euros between unrealised capital gains and losses, in connection with the fair value measurement of the trading portfolio, (in the first half of 2019, positive difference of 99 thousand euros);
- A negative balance between realised profits and losses related to trading on securities and derivatives of 81 thousand euros (in the first half of 2019, a positive balance of 198 thousand euros);
- A positive difference of 374 thousand euros between unrealised capital gains and losses in connection with the fair value measurement of currency forwards (negative balance of 86 thousand euros in the first half of 2019);
- A negative balance of 171 thousand euros between realised foreign exchange gains and losses (in the first half of 2019, a positive balance of 223 thousand euros).

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

### 6.1 Profit (losses) on disposal/repurchase: breakdown

| Items/Income items | Total 1st half 2020 | | | Total 1st half 2019 | | |
|---|---|---|---|---|---|---|
| | Profit | Losses | Net income | Profit | Losses | Net income |
| **Financial assets** | | | | | | |
| 1. Financial assets designated at amortised cost | 64 | - | 64 | 154 | - | 154 |
| 1.1 Due from banks | - | - | - | - | - | - |
| 1.2 Loans to customers | 64 | - | 64 | 154 | - | 154 |
| 2. Financial assets designated at fair value through other comprehensive income | 694 | 4 | 690 | 36 | - | 36 |
| 2.1 Debt securities | 694 | 4 | 690 | 36 | - | 36 |
| 2.2 Loans | - | - | - | - | - | - |
| **Total assets (A)** | **758** | **4** | **754** | **190** | **-** | **190** |
| **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** | **-** | **-** | **418** | **-** | **(418)** |
| 1.1 Debt securities | - | - | - | - | - |
| 1.2 Equity | - | - | - | - | - |
| 1.3 UCI units | - | - | 418 | - | (418) |
| 1.4 Loans | - | - | - | - | - |
| **2. Financial assets in foreign currencies: foreign exchange differences** | **X** | **X** | **X** | **X** | **-** |
| **Total** | **-** | **-** | **418** | **-** | **(418)** |

Losses (C) refer to the Bank for 263 thousand euros and to the subsidiary InvestiRE SGR S.p.A. for 155 thousand euros. The item at 30 June 2019 had a negative balance of 1,250 thousand euros.

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

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

| Transactions/Income items | Impairment losses (1) | | | Value recoveries (2) | | Total 1st half 2020 | Total 1st half 2019 |
|---|---|---|---|---|---|---|---|
| | Stage 1 and 2 | Stage 3 | | Stage 1 and 2 | Stage 3 | (1) - (2) | |
| | | Write-off | Other | | | | |
| **A. Due from banks** | **4** | **-** | **-** | **-** | **-** | **4** | **(15)** |
| - Loans | 4 | - | - | - | - | 4 | (15) |
| - Debt securities | - | - | - | - | - | - | - |
| of which: acquired or originated impaired loans | - | - | - | - | - | - | - |
| **B. Loans to customers** | **1,082** | **213** | **1,128** | **31** | **384** | **2,008** | **(465)** |
| - Loans | 694 | 213 | 1,128 | 31 | 384 | 1,620 | 185 |
| - Debt securities | 388 | - | - | - | - | 388 | (650) |
| of which: acquired or originated impaired loans | - | - | - | - | - | - | - |
| **Total** | **1,086** | **213** | **1,128** | **31** | **384** | **2,012** | **(480)** |

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

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

| Transactions/Income items | Impairment losses (1) | | | Value recoveries (2) | | Total 1st half 2020 | Total 1st half 2019 |
|---|---|---|---|---|---|---|---|
| | Stage 1 and 2 | Stage 3 | | Stage 1 and 2 | Stage 3 | (1) - (2) | |
| | | Write-off | Other | | | | |
| A. Debt securities | - | - | - | 194 | - | (194) | (221) |
| B. Loans | - | - | - | - | - | - | - |
| - To Customers | - | - | - | - | - | - | - |
| - To Banks | - | - | - | - | - | - | - |
| of which: acquired or originated impaired financial assets | - | - | - | - | - | - | - |
| **Total** | **-** | **-** | **-** | **194** | **-** | **(194)** | **(221)** |

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

The item at 30 June 2020 had a negative balance of 150 thousand euros referring exclusively to the Bank.

## Section 12 - Administrative expenses – Item 190

### 12.1 Personnel expenses: breakdown

| Type of expense/Segments | Total 1st half 2020 | Total 1st half 2019 |
|---|---|---|
| 1) Personnel employed | 16,325 | 18,045 |
| a) wages and salaries | 11,920 | 13,143 |
| b) social security charges | 3,191 | 3,554 |
| c) termination indemnities | 295 | 281 |
| d) supplementary benefits | - | - |
| e) provisions for termination indemnities | 227 | 237 |
| f) provisions for post employment benefits: | - | - |
| - defined contribution plans | - | - |
| - defined benefit plans | - | - |
| g) payments to external pension funds: | 193 | 205 |
| - defined contribution plans | 193 | 205 |
| - defined benefit plans | - | - |
| h) costs from share based payments | - | - |
| i) other benefits in favour of employees | 499 | 625 |
| 2) Other non-retired personnel | 339 | 371 |
| 3) Directors and statutory auditors | 833 | 803 |
| 4) Early retirement costs | - | - |
| **Total** | **17,497** | **19,219** |

Personnel expenses fell by 1,722 thousand euros compared to the same period of last year. The reduction pertains to the Bank for 437 thousand euros and the subsidiary InvestiRE SGR S.p.A. for 1,293 thousand euros (due almost exclusively to the transfer of 18 employees following the contribution of the business unit to REDO SGR S.p.A.), while for the other Group companies there was an increase totalling 8 thousand euros.

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

**12.5 Other administrative expenses: breakdown**

| Type of expense/Segments | Total 1st half 2020 | Total 1st half 2019 |
|---|---|---|
| Rentals and condominium fees | 211 | 274 |
| Membership fees | 131 | 122 |
| EDP materials | 37 | 37 |
| Stationery and printing supplies | 20 | 32 |
| Consultancy and outsourced professional services | 1,006 | 1,083 |
| Outsourcing services | 1,260 | 1,278 |
| Auditing company fees | 110 | 148 |
| Maintenance | 595 | 493 |
| Utilities and connections | 816 | 878 |
| Postal, transport and shipment fees | 21 | 33 |
| Insurance companies | 148 | 136 |
| Public relations and advertising expenses | 257 | 100 |
| Office cleaning | 200 | 166 |
| Books, newspapers and magazines | 48 | 48 |
| Entertainment expenses | 44 | 203 |
| Travel expenses and mileage based reimbursements | 91 | 342 |
| Other duties and taxes | 2,204 | 2,458 |
| Security charges | 112 | 104 |
| Contributions to National Resolution Fund | 923 | 799 |
| Other | 472 | 701 |
| **TOTAL** | **8,706** | **9,435** |

The other administrative expenses decreased by 729 thousand euros compared to the first six months of 2019.

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

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

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

| | Value recoveries | Impairment losses | Total 1st half 2020 |
|---|---|---|---|
| Commitments to lend funds | - | 5 | (5) |
| Financial guarantees given | 5 | - | 5 |
| **Total** | **5** | **5** | **-** |

At 30 June 2019, this item showed net value recoveries of 13 thousand euros.

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

| | Total 1st half 2020 | Total 1st half 2019 |
|---|---|---|
| Allocations | 67 | |
| Utilisation | - | (234) |
| **Total** | **67** | **(234)** |

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

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

#### 14.1 Net losses on property and equipment: breakdown

| Assets/Income items | Depreciation (a) | Net losses on impairment (b) | Value recoveries (c) | Net income (a + b - c) |
|---|---|---|---|---|
| A. Property and equipment | | | | |
| 1. Used in operations | 1,697 | - | - | 1,697 |
| - Owned | 195 | - | - | 195 |
| - Rights of use acquired through leases | 1,502 | - | - | 1,502 |
| 2. Investment property | - | - | - | - |
| - Owned | - | - | - | - |
| - Rights of use acquired through leases | - | - | - | - |
| 3. Inventory | X | - | - | - |
| **Total** | **1,697** | **-** | **-** | **1,697** |

The item “Rights of use” acquired through leases refers to depreciation relating to employee benefits of 122 thousand euros and other administrative expenses of 1,380 thousand euros. In the first half of 2019, depreciation amounted to 1,673 thousand euros.

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

#### 15.1 Net value adjustments on tangible assets: breakdown

| Assets/Income items | Depreciation (a) | Net losses on impairment (b) | Value recoveries (c) | Net income (a + b - c) |
|---|---|---|---|---|
| A. Intangible assets | | | | |
| A.1 Owned assets | 118 | - | - | 118 |
| - Internally generated by the company | - | - | - | - |
| - Other | 118 | - | - | 118 |
| A.2 Rights of use acquired through leases | - | - | - | - |
| **Total** | **118** | **-** | **-** | **118** |

In the first half of 2019, amortisation amounted to 100 thousand euros.

## Section 16 - Other operating income/expenses – Item 230

### 16.1 Other operating expenses: breakdown

| | Total 1st half 2020 | Total 1st half 2019 |
|---|---|---|
| Amounts reimbursed to customers | 36 | 8 |
| Amortisation for improvements to third party assets | 24 | 14 |
| Other expenses | 48 | 72 |
| **Total** | **108** | **94** |

### 16.2 Other operating income: breakdown

| | Total 1st half 2020 | Total 1st half 2019 |
|---|---|---|
| Rental income | 72 | 75 |
| Recovery of stamp duty | 1,967 | 2,221 |
| Recovery of substitute tax | 16 | 50 |
| Recovery of other expenses | 296 | 360 |
| Dividend prescription and waiver | 253 | 241 |
| Other income | 16 | 388 |
| **Total** | **2,620** | **3,335** |

Other operating income and expenses show a positive balance of 2,512 thousand euros versus 3,241 thousand euros at 30 June 2019.

The item comprises the recoveries of costs from customers amounting to 2,279 thousand euros (2,631 thousand euros at 30 June 2019).

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

### 17.1 Profit (loss) from equity investments: breakdown

| Income items/Segments | Total 1st half 2020 | Total 1st half 2019 |
|---|---|---|
| **1) Jointly controlled companies** | | |
| A. Income | - | - |
| 1. Revaluations | - | - |
| 2. Profit from disposals | - | - |
| 3. Value recoveries | - | - |
| 4. Other income | - | - |
| B. Charges | 70 | - |
| 1. Write-downs | 70 | - |
| 2. Net losses on impairment | - | - |
| 3. Losses from disposals | - | - |
| 4. Other expenses | - | - |
| **Net income** | **(70)** | **-** |
| **2) Companies subject to significant influence** | | |
| A. Income | - | - |
| 1. Revaluations | - | - |
| 2. Profit from disposals | - | - |
| 3. Value recoveries | - | - |
| 4. Other income | - | - |
| B. Charges | 93 | 219 |
| 1. Write-downs | | - |
| 2. Net losses on impairment | 93 | 219 |
| 3. Losses from disposals | - | - |
| 4. Other expenses | - | |
| **Net income** | **(93)** | **(219)** |
| **Total** | **(163)** | **(219)** |

Under jointly controlled companies, item B.1 “Write-downs” includes the loss for the period pertaining to the group of the indirect associated company REDO SGR S.p.A., while under companies subject to significant influence item B. “Charges” refers to Imprebanca S.p.A.

Some 2019 items were reclassified for a like-for-like comparison with 2020.

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

#### 21.1 Taxes on income from continuing operations: breakdown

| Income items/Segments | | Total 1st half 2020 | Total 1st half 2019 |
|---|---|---|---|
| 1. | Current taxes (-) | (992) | (2,426) |
| 2. | Changes in current taxes compared with previous years (+/-) | 1 | (174) |
| 3. | Reduction in current taxes (+) | - | - |
| 3.bis | Reduction in current taxes for tax | - | - |
| | receivables set forth in Italian Law No. 214/2011 | | |
| 4. | Change in deferred tax assets (+/-) | (648) | (337) |
| 5. | Change in deferred tax liabilities (+/-) | 59 | (12) |
| **6.** | **Income taxes for the year (-) (-1+/-2+3+3bis+/-4+/-5)** | **(1,580)** | **(2,949)** |

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

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

#### 23.1 Breakdown of Item 340 “Profit (loss) for the year of minority interests”

| Company names | Total 1st half 2020 | Total 1st half 2019 |
|---|---|---|
| Consolidated equity investments with significant interests in third parties | | |
| 1. InvestiRe SGR S.p.A. | 1,104 | 1,455 |
| Other equity investments | 64 | 62 |
| **Total** | **1,168** | **1,517** |

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

## Section 25 - Earnings per share

### 25.1 Average number of ordinary shares with diluted capital

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

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

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

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

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

| | 30.06.2020 | 31.12.2019 |
|---|---|---|
| Profit (loss) for the year (in Euro) | 2,062,960 | 434,468 |
| Weighted average of ordinary shares | 334,069,360 | 334,069,360 |
| Basic profit (loss) per share | 0.006175 | 0.001301 |

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

| | 30.06.2020 | 31.12.2019 |
|---|---|---|
| Adjusted profit (loss) for the year (in Euro) | 2,062,960 | 434,468 |
| Weighted average of ordinary shares for diluted capital | 334,069,360 | 334,069,360 |
| Diluted profit (loss) per share | 0.006175 | 0.001301 |

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 F – Information on the consolidated shareholders' equity

### Section 1 - Consolidated shareholders' equity

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

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

The consolidated shareholders' equity at 30 June 2020 amounted to 255,180 thousand euros, of which the Group shareholders' equity was 216,316 thousand euros and the shareholders' equity of minority interests was 38,864 thousand euros.

At 30 June 2020, the valuation reserves of the Group (after taxes) are broken down as follows:

| Financial assets designated at fair value through other comprehensive income A) | Valuation reserves at 30.06.2020 | | | Valuation reserves at 31.12.2019 | | | Changes in Reserves |
|---|---|---|---|---|---|---|---|
| | positive | negative | Balance (a) | positive | negative | Balance (b) | (a-b) |
| **PARENT COMPANY** | | | | | | | |
| CSE S.r.l. shares | - | 44 | (44) | 3 | - | 3 | (47) |
| Net Insurance shares | 87 | - | 87 | 129 | - | 129 | (42) |
| Sia shares | 4,774 | - | 4,774 | 4,774 | - | 4,774 | - |
| Real Es Roma Olgiata S.r.l | | 486 | (486) | | 486 | (486) | - |
| Italian Government securities and bonds | 302 | 1,042 | (740) | 253 | 404 | (151) | (589) |
| Value adjustments for credit risk | 332 | - | 332 | 523 | - | 523 | (191) |
| | **5,495** | **1,572** | **3,923** | **5,682** | **890** | **4,792** | **(869)** |
| **OTHER GROUP COMPANIES** | | | | | | | |
| Italian government securities and bonds of Finnat Fiduciaria S.p.A. | - | 28 | (28) | - | 21 | (21) | (7) |
| Value adjustments for credit risk | 7 | - | 7 | 39 | - | 39 | (32) |
| | **7** | **28** | **(21)** | **39** | **21** | **18** | **(39)** |
| **Total A)** | **5,502** | **1,600** | **3,902** | **5,721** | **911** | **4,810** | **(908)** |
| **Defined benefit plans B)** | **-** | **614** | **(614)** | **-** | **591** | **(591)** | **(23)** |
| **Share of valuation reserves connected with investments carried at equity C)** | **34** | **-** | **34** | **14** | **-** | **14** | **20** |
| **Valuation reserves D)** | **1,364** | **-** | **1,364** | **1,364** | **-** | **1,364** | **-** |
| **Total (A+B+C+D)** | **6,900** | **2,214** | **4,686** | **7,099** | **1,502** | **5,597** | **(911)** |

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

## Section 2 - Own funds and capital ratios

### 2.1 Scope of the regulations

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

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

### 2.2 Banks' own funds

Own funds at 30 June 2020 amounted to 181,748 thousand euros compared to 180,362 thousand euros at 31 December 2019, whereas the Total capital ratio, CET1 capital ratio and Tier1 ratio stood at 35.7% compared to 31.6% at 31 December 2019. 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 179,639 thousand euros, while the Total capital ratio, the CET1 capital ratio and Tier1 ratio would have been equal to 35.4%.

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

### A. Qualitative information

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

They comprise the sum of:

| | | |
|---|---|---|
| 1. Common Equity Tier (Common Equity Tier 1 or CET1) | Euros | 181,748 |
| 2. Additional Tier 1 (Additional Tier 1 or AT1) | Euros | - |
| 3. Tier 2 (Tier 2 or T2) | Euros | - |

## B. Quantitative information

| | Total 30.06.2020 | Total 31.12.2019 |
|---|---|---|
| **A. Common Equity Tier 1 (CET1) before the application of prudential filters** | **230,461** | **229,194** |
| of which CET 1 instruments subject to transitional provisions | - | - |
| **B. Prudential filters for CET 1 (+/-)** | **(395)** | **(453)** |
| **C. CET 1 including deductions and the effects of the transitional regulations (A+/-B)** | **230,066** | **228,741** |
| **D. Deductions from CET1** | **50,427** | **50,431** |
| **E. Transitional regulations - Impact on CET 1 (+/-)** | **2,109** | **2,052** |
| **F. Total Common Equity Tier 1 (Common Equity Tier 1 - CET1) (C - D+/-E)** | **181,748** | **180,362** |
| **G. Additional Tier 1 (AT1) including deductions and the effects of the transitional regulations** | **-** | **-** |
| of which AT 1 instruments subject to transitional provisions | - | - |
| **H. Deductions from AT1** | **-** | **-** |
| **I. Transitional regulations - Impact on AT 1 (+/-)** | **-** | **-** |
| **L. Total Additional Tier 1 (AT1) (G-H +/-I)** | **-** | **-** |
| **M. Tier 2 (T2) including deductions and the effects of the transitional regulations** | **-** | **-** |
| of which T2 instruments subject to transitional provisions | - | - |
| **N. Deductions from T2** | **-** | **-** |
| **O. Transitional regulations - Impact on T2 (+/-)** | **-** | **-** |
| **P. Total Tier 2 (T2) (M-N +/-O)** | **-** | **-** |
| **Q. Total own funds (F+L+P)** | **181,748** | **180,362** |

## 2.3 Capital adequacy

### A. Qualitative information

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

As shown in the table on the breakdown of risk assets and on capital ratios, the Group's Total capital ratio, CET 1 Capital Ratio and Tier 1 Capital Ratio are equal to 35.7%. These indices widely exceed minimum capital requirements at consolidated level mandated for us by the Bank of Italy at the conclusion of the supervisory review and evaluation process (SREP) established by Directive 2013/36/EU (CRD IV).

### B. Quantitative information

| Categories/Amounts | Non-weighted amounts | | Weighted amounts/Requirements | |
|---|---|---|---|---|
| | 30.06.2020 | 31.12.2019 | 30.06.2020 | 31.12.2019 |
| **A. RISK ASSETS** | | | | |
| A.1 Credit and counterparty risk | | | | |
| 1. Standard methodology | 2,894,642 | 3,009,319 | 355,087 | 419,973 |
| 2. Methodology based on internal ratings | | | | |
| 2.1 Basic | | | | |
| 2.2 Advanced | | | | |
| 3. Securitisation | - | - | - | - |
| **B. CAPITAL REQUIREMENTS FOR SUPERVISORY PURPOSES** | | | | |
| B.1 CREDIT AND COUNTERPARTY RISK | | | 28,407 | 33,598 |
| B.2 Risk of adjustment of the credit measurement | | | 3 | 3 |
| B.3 Settlement risk | | | | |
| B.4 Market risks | | | 1,382 | 1,165 |
| 1. Standard methodology | | | 1,382 | 1,165 |
| 2. Internal models | | | | |
| 3. Concentration risk | | | | |
| B.5 Operating risk | | | 10,937 | 10,937 |
| 1. Basic method | | | 10,937 | 10,937 |
| 2. Standardised method | | | - | - |
| 3. Advanced method | | | | |
| B.6 Other calculation elements | | | | |
| B7. Total prudential requirements | | | 40,729 | 45,703 |
| **C. RISK ASSETS AND ADEQUACY RATIOS** | | | | |
| C.1 Risk-weighted assets | | | 509,121 | 571,300 |
| C.2 Common Equity Tier 1/Risk-weighted assets (CET1 capital ratio) | | | 35.7% | 31.6% |
| C.3 Tier 1 capital/Risk-weighted assets (Tier 1 capital ratio) | | | 35.7% | 31.6% |
| C.4 Total own funds/Risk-weighted assets (Total capital ratio) | | | 35.7% | 31.6% |

**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 27 June 2019.

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

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

**1. Information on remuneration of key executives**

As a result of the latest amendments made by Consob to its resolution no. 11971 of 14 May 1999 for the aforesaid information, please refer to the "Report on Remuneration" prepared in accordance with Article 123-ter of the Italian Consolidated Financial Law and according to form 7-bis of Annex 3A of the Issuers' Regulation, approved by the shareholders' meeting of 29 April 2020.

**2. Information on transactions with related parties**

The following table shows the assets, liabilities, guarantees and commitments at 30 June 2020 separately for different types of related parties under IAS 24.

| BALANCE SHEET | Financial receivables (payables) | Other receivables (payables) | Sureties issued | Available margins on sureties and irrevocable credit lines granted |
|---|---|---|---|---|
| **ASSOCIATED COMPANIES** | | | | |
| Imprebanca S.p.A. | (278) | - | 64 | - |
| **MANAGEMENT WITH STRATEGIC RESPONSIBILITIES AND COMPANY REPRESENTATIVES** | (2,007) | - | - | - |
| **OTHER RELATED PARTIES** | (53) | 407 | - | - |

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

With regard to associated companies, the income statement items include just one thousand euros in interest expense.

## 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 performance. 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 half-year by the individual segments are commented on in the Report on Operations.

### Consolidated aggregate income statement values for the 1st half of 2020, 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 | 1,683 | 6,417 | | 8 | (50) | 258 | 8,316 |
| Net fees and commissions | 7,491 | 2,642 | 425 | 1,164 | 11,822 | (150) | 23,394 |
| Dividends | 150 | 52 | | | | 879 | 1,081 |
| Profit (losses) on trading | | (612) | | | | | (612) |
| Profit (losses) on disposal or repurchase of: | | 754 | | | | | 754 |
| a) financial assets designated at amortised cost | | 64 | | | | | 64 |
| b) financial assets designated at fair value through other comprehensive income | | 690 | | | | | 690 |
| Profits (losses) on other financial assets and liabilities designated at fair value through profit or loss | | (118) | | | (155) | (145) | (418) |
| b) other financial assets mandatorily at fair value | | (118) | | | (155) | (145) | (418) |
| **NET BANKING INCOME** | **9,324** | **9,135** | **425** | **1,172** | **11,617** | **842** | **32,515** |
| Operating costs | (7,247) | (2,285) | (593) | (497) | (8,085) | (6,866) | (25,573) |
| Net losses/recoveries on credit risk relating to: | (1,387) | (329) | (71) | 51 | 31 | (113) | (1,818) |
| a) financial assets designated at amortised cost | (1,387) | (483) | (71) | 11 | 31 | (113) | (2,012) |
| b) financial assets designated at fair value through other comprehensive income | | 154 | | 40 | | | 194 |
| Gains/losses from contractual changes without derecognition | (150) | | | | | | (150) |
| Profit (loss) from equity investments | | | | | | (163) | (163) |
| **PRE-TAX PROFIT** | **540** | **6,521** | **(239)** | **726** | **3,563** | **(6,300)** | **4,811** |

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

(**) The data pertaining to "Financial Holding and Governance Centre" includes overhead costs.

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

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

(**) The data pertaining to "Financial Holding and Governance Centre" includes overhead costs.

### Consolidated aggregate balance sheet values at 30 June 2020 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 | | 57,567 | | | 630 | 20,368 | 78,565 |
| a) financial assets held for trading | | 57,567 | | | | | 57,567 |
| c) other financial assets mandatorily at fair value | | | | | 630 | 20,368 | 20,998 |
| Financial assets designated at fair value through other comprehensive income | | 296,728 | | 1,513 | 1 | 11,041 | 309,283 |
| Financial assets designated at amortised cost | 296,800 | 1,120,099 | 786 | 4,455 | 39,693 | 16,721 | 1,478,554 |
| a) due from banks | | 95,664 | | 3,660 | 35,445 | (8,445) | 126,324 |
| b) loans to customers | 296,800 | 1,024,435 | 786 | 795 | 4,248 | 25,166 | 1,352,230 |
| Equity investments | | | | | 4,378 | 6,652 | 11,030 |
| **Liability items** | | | | | | | |
| Financial liabilities designated at amortised cost | 580,748 | 1,087,843 | | 310 | 6,472 | 441 | 1,675,814 |
| a) due to banks | | 278 | | | | | 278 |
| b) due to customers | 571,195 | 1,086,705 | | 310 | 6,472 | 441 | 1,665,123 |
| c) debt securities issued | 9,553 | 860 | | | | | 10,413 |
| Financial liabilities held for trading | | | | | | 32 | 32 |

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

## Consolidated aggregate balance sheet values at 30 June 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 | | 59,582 | | | 1,070 | 20,668 | 81,320 |
| a) financial assets held for trading | | 59,582 | | | | | 59,582 |
| c) other financial assets mandatorily at fair value | | | | | 1,070 | 20,668 | 21,738 |
| Financial assets designated at fair value through other comprehensive income | | 290,448 | | 1,524 | 1 | 10,102 | 302,075 |
| Financial assets designated at amortised cost | 333,268 | 1,148,566 | 736 | 4,086 | 40,040 | 17,122 | 1,543,818 |
| a) due from banks | | 81,594 | | 3,420 | 16,161 | (8,166) | 93,009 |
| b) loans to customers | 333,268 | 1,066,972 | 736 | 666 | 23,879 | 25,288 | 1,450,809 |
| Equity investments | | | | | 454 | 6,193 | 6,647 |
| **Liability items** | | | | | | | |
| Financial liabilities designated at amortised cost | 597,498 | 1,144,929 | | 360 | 7,005 | 2,126 | 1,751,918 |
| a) due to banks | | 780 | | | | | 780 |
| b) due to customers | 571,457 | 1,143,288 | | 360 | 7,005 | 2,126 | 1,724,236 |
| c) debt securities issued | 26,041 | 861 | | | | | 26,902 |
| Financial liabilities held for trading | | | | | | 778 | 778 |

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

### B – Secondary reporting

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

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

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

- in the first half of 2020, no non-recurring events occurred or were carried out, meaning events or operations that do not usually take place, in connection with ordinary business operations;
- no atypical and/or unusual transactions took place during the half-year period, either within the Group or with related or third parties. Atypical and/or unusual transactions are those operations which, due to their magnitude/importance, to the nature of the counterparty, to the subject matter of the transaction and to the method for determining the transfer price and time frame (close to the year-end), may give rise to doubts as to: the accuracy/completeness of the information set out in the financial statements, any conflict of interest, the safeguarding of the company's net worth and the protection of minority interests.

The most significant transactions in the first half of 2020 are commented on in a special section of the Interim report on operations.

BANCA FINNAT GRUPPO BANCA FINNAT



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

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

   delle procedure amministrative e contabili per la formazione del Bilancio consolidato semestrale abbreviato al 30 giugno 2020.

2. Al riguardo non sono emersi aspetti di rilievo.

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

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

Roma, 10 settembre 2020

| **L'Amministratore Delegato** | **Il Dirigente preposto alla redazione dei documenti contabili societari** |
| --- | --- |
| (Arturo Nattino) | (Giulio Bastia) |

KPMG

KPMG S.p.A.
Revisione e organizzazione contabile
Via Ettore Petrolini, 2
00197 ROMA RM
Telefono +39 06 80961.1
Email it-fmauditaly@kpmg.it
PEC kpmgspa@pec.kpmg.it

## Relazione di revisione contabile limitata sul bilancio consolidato semestrale abbreviato

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

### Introduzione

Abbiamo svolto la revisione contabile limitata dell'allegato bilancio consolidato semestrale abbreviato, costituito dallo stato patrimoniale consolidato, dal conto economico consolidato, dal prospetto della redditività consolidata complessiva, dal prospetto delle variazioni del patrimonio netto consolidato, dal rendiconto finanziario consolidato e dalle note illustrative, del Gruppo Banca Finnat Euramerica al 30 giugno 2020. Gli Amministratori di Banca Finnat Euramerica S.p.A. sono responsabili per la redazione del bilancio consolidato semestrale abbreviato in conformità al principio contabile internazionale applicabile per l'informativa finanziaria infrannuale (IAS 34) adottato dall'Unione Europea. E' nostra la responsabilità di esprimere una conclusione sul bilancio consolidato semestrale abbreviato sulla base della revisione contabile limitata svolta.

### Portata della revisione contabile limitata

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

### Conclusioni

Sulla base della revisione contabile limitata svolta, non sono pervenuti alla nostra attenzione elementi che ci facciano ritenere che il bilancio consolidato semestrale abbreviato del Gruppo Banca Finnat Euramerica al 30 giugno 2020 non sia stato redatto, in tutti gli aspetti significativi, in conformità al principio contabile internazionale applicabile per l'informativa finanziaria infrannuale (IAS 34) adottato dall'Unione Europea.

## Altri aspetti

Il bilancio consolidato per l'esercizio chiuso al 31 dicembre 2019 e il bilancio consolidato semestrale abbreviato per il periodo chiuso al 30 giugno 2019 sono stati rispettivamente sottoposti a revisione contabile e a revisione contabile limitata da parte di un altro revisore che, in data 30 marzo 2020, ha espresso un giudizio senza modifica sul bilancio consolidato e, in data 12 settembre 2019, ha espresso delle conclusioni senza modifica sul bilancio consolidato semestrale abbreviato.

Roma, 11 settembre 2020

KPMG S.p.A.

Riccardo De Angelis
Socio

| | | | |
|---|---|---|---|
| Share Capital | € 72,576,000 fully paid-up | Telephone | +39 06 69933.1 |
| Registered office | 00186 Rome – Palazzo Altieri - Piazza del Gesù, 49 | Fax | +39 06 6784950 |
| R.E.A. Reg. No. | 444286 | 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