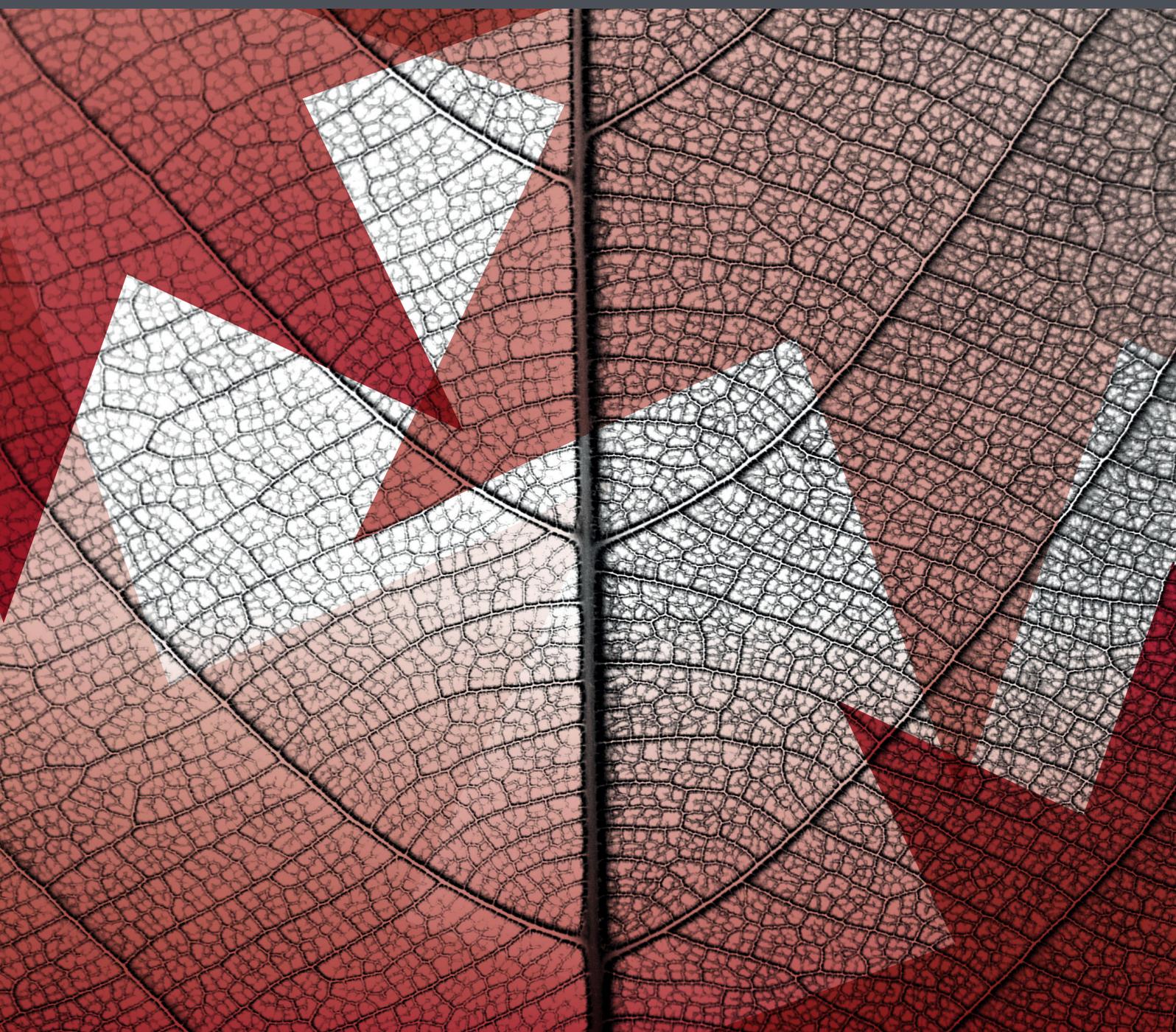




BANCA FINNAT

GRUPPO BANCA FINNAT

CONSOLIDATED INTERIM REPORT ON OPERATIONS AT 30 SEPTEMBER 2020





CONSOLIDATED INTERIM
REPORT ON OPERATIONS
AT 30 SEPTEMBER 2020

CONTENTS

CORPORATE GOVERNANCE, MANAGEMENT AND AUDITING FIRM	4
NOTES FOR READING THE INTERIM REPORT ON OPERATIONS	5
GROUP STRUCTURE	6
KEY FIGURES FOR THE GROUP	7
FINANCIAL STATEMENTS	
Consolidated Income Statement	14
Consolidated Statement of Comprehensive Income	15
Consolidated Balance Sheet	16
Statement of Changes in Consolidated Shareholders' Equity	18
List of equity investments included in the scope of consolidation	20
GENERAL COMMENTS	21
INFORMATION ON OPERATING PERFORMANCE	23
PREPARATION CRITERIA	30
INFORMATION ON TRANSFERS BETWEEN PORTFOLIOS AND ON FAIR VALUE HIERARCHY	31
INFORMATION ON THE INCOME STATEMENT, ON COMPREHENSIVE INCOME AND ON THE BALANCE SHEET	32
REPORT BY THE MANAGER IN CHARGE OF PREPARING THE ACCOUNTING DOCUMENTS	43

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.

NOTES FOR READING THE INTERIM REPORT ON OPERATIONS

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

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

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

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

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

The results of the quarter in question were compared with those of the previous period as follows:

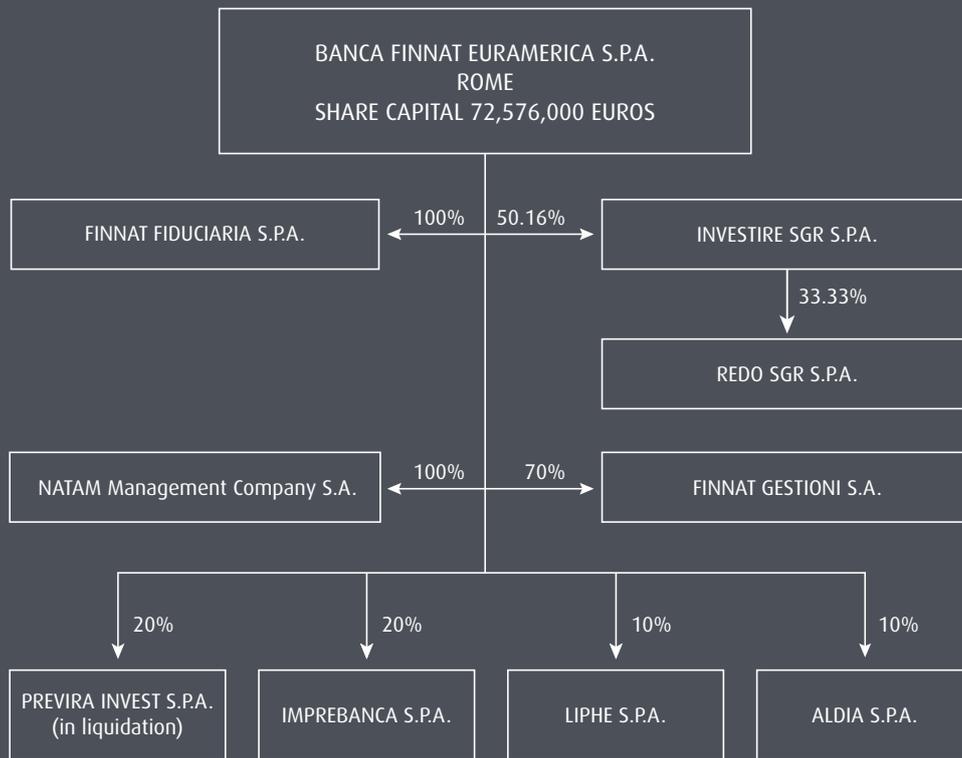
- in the Income Statement, the data for the third quarter of 2020 is compared with that of the similar period of 2019 and the economic results for the first nine months of the current year are compared with those for the same period of the previous year, while the Statement of comprehensive income provides the data referred to the first nine months of the current year, compared with that of the same period of the previous year;
- in the Balance Sheet, the values at 30 September 2020 are provided and compared with those of 31 December 2019, while the Statement of changes in shareholders' equity shows the balances at 31 December 2019 and those at 30 September 2020 and the changes that took place in the period.

Information on transfers between portfolios and on the fair value hierarchy is provided in the appropriate section.

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

GROUP STRUCTURE

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



KEY FIGURES FOR THE GROUP

	30 September 2020	31 December 2019	30 September 2019
CONSOLIDATED SHAREHOLDERS' EQUITY OF THE GROUP (in thousands of euros)	219,543	215,134	217,891
HUMAN RESOURCES OF THE GROUP	353	353	366
CONSOLIDATED PROFIT (LOSS) (in thousands of euros)	4,202	434	3,596

STOCK EXCHANGE CAPITALISATION OF BANCA FINNAT EURAMERICA

	Number of shares	Market price 21.10.2020	Capitalisation 21.10.2020 (in thousands of euros)	Consolidated shareholders' equity (in thousands of euros)	Share capital (in thousands of euros)
ORDINARY SHARES	362,880,000	0.2140	77,656	219,543	72,576

Changes in the Group's deposits

(in thousands of euros)

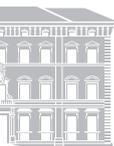
	December 2017	December 2018	December 2019	September 2020
Direct deposits from customers of the parent company	472,787	677,119	802,644	729,899
- Due to customers (current accounts)	358,892	439,262	565,790	526,375
- Time deposits	91,301	209,607	211,941	193,111
- Securities issued	22,594	28,250	24,913	10,413
Indirect deposits of the parent company	5,540,931	6,152,748	6,441,594	5,016,798
- Individual management	571,803	480,921	484,820	486,764
- Delegated management	285,681	278,565	279,479	251,979
- Deposits under administration (UCIs and securities)	3,924,304	4,544,537	4,539,880	3,206,195
- Deposits under administration under advice (UCIs and securities)	649,060	695,044	859,826	774,121
- Third-party insurance products	110,083	153,681	277,589	297,739
Trusteeship (*)	1,458,411	1,629,864	1,881,194	1,808,368
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	766,610
Total deposits	15,692,128	16,444,551	16,973,958	14,797,771

(*) The figures for December 2017 do not include the mandates of Finnati 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 14.8 billion euros, a drop of 13% over the end of the previous year. This decrease is partly attributable to the significant correction of the markets at global level, brought about by the Covid-19 pandemic.

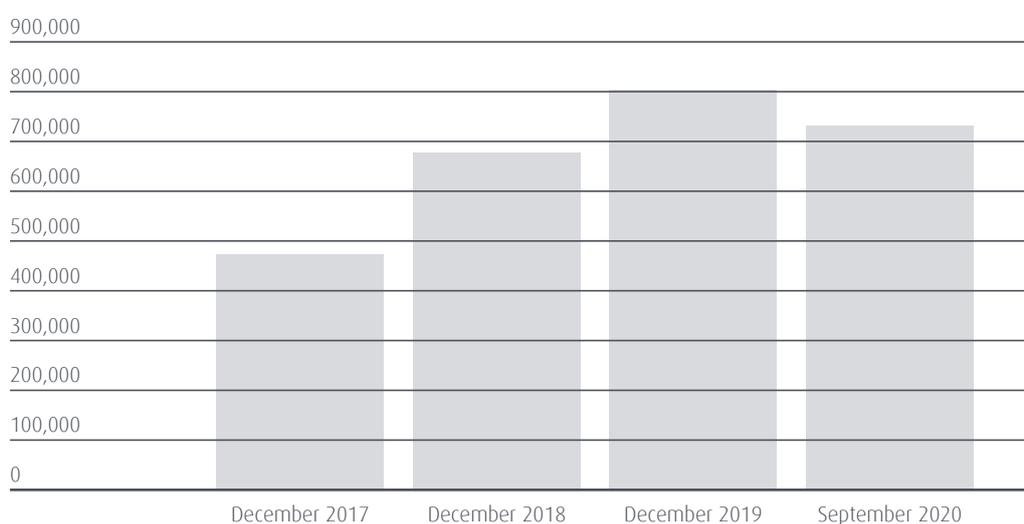




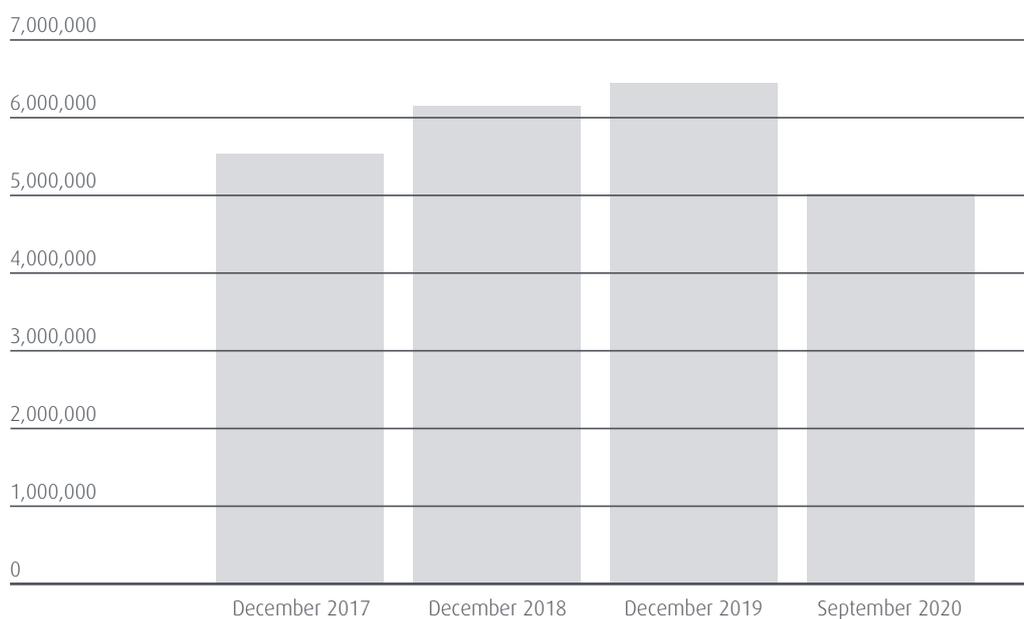
The table in the previous page shows the changes in the Group's deposits broken down by type. In detail: a) direct and indirect deposits from customers refers to the Bank's activity and does not include repos having the Cassa di Compensazione e Garanzia as the counterparty; b) trusteeship includes the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

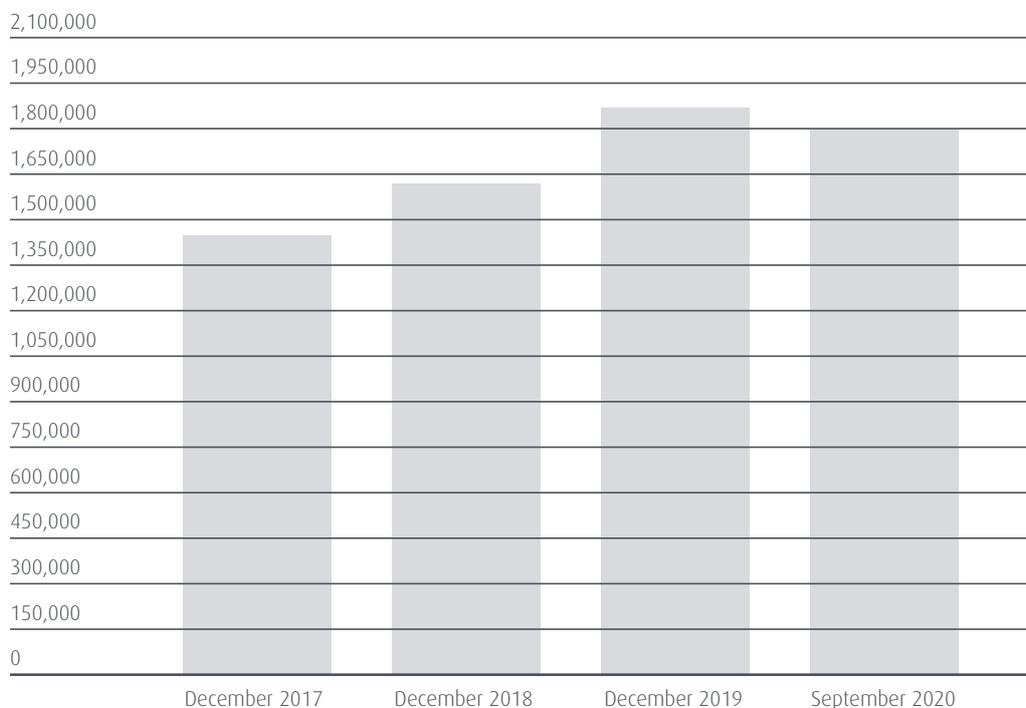
Direct deposits from customers



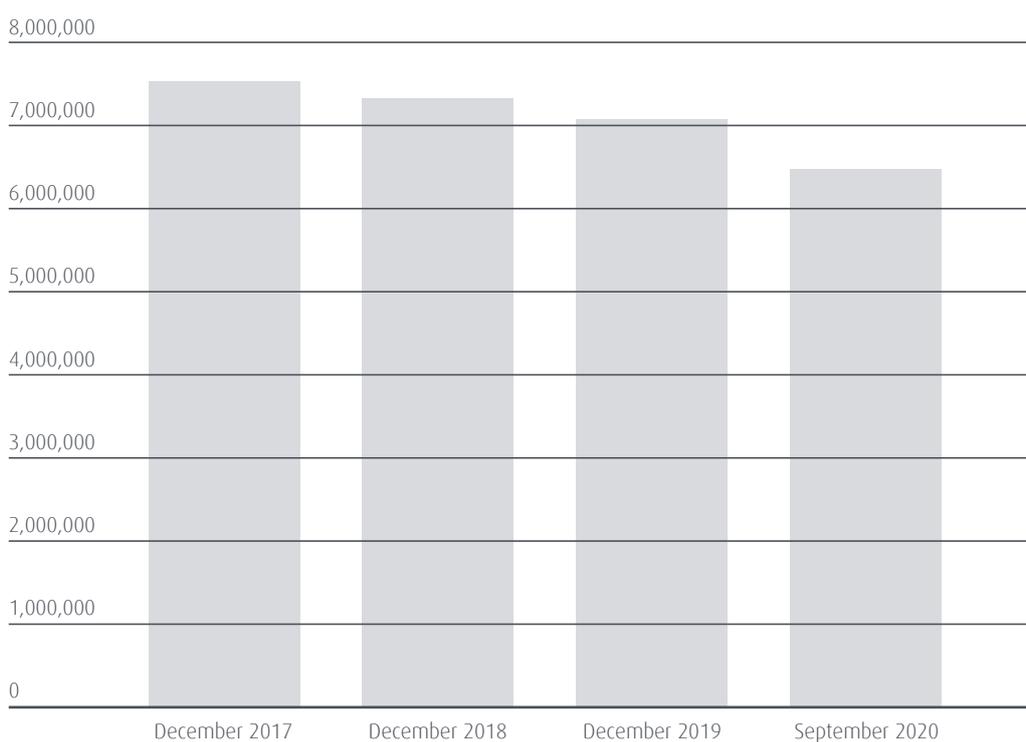
Indirect deposits

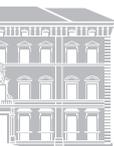


Trusteeship

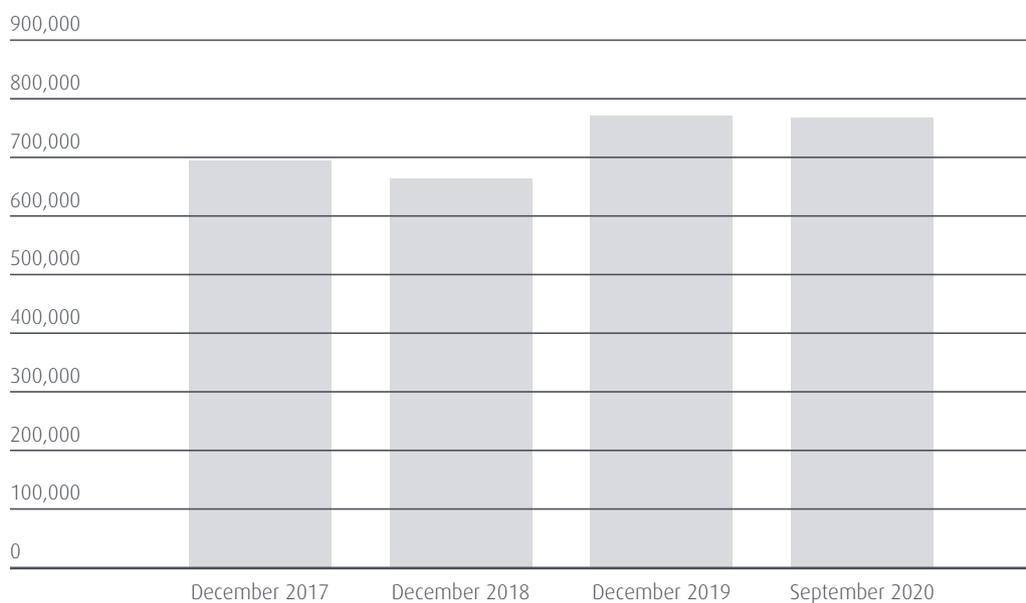


Real Estate Funds

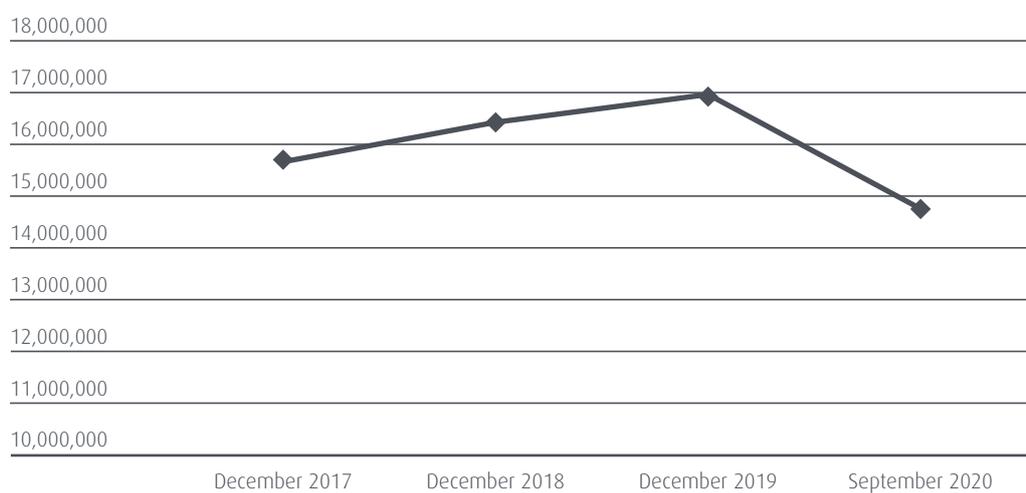




Luxembourg-based Sicav fund administration



Total Group deposits



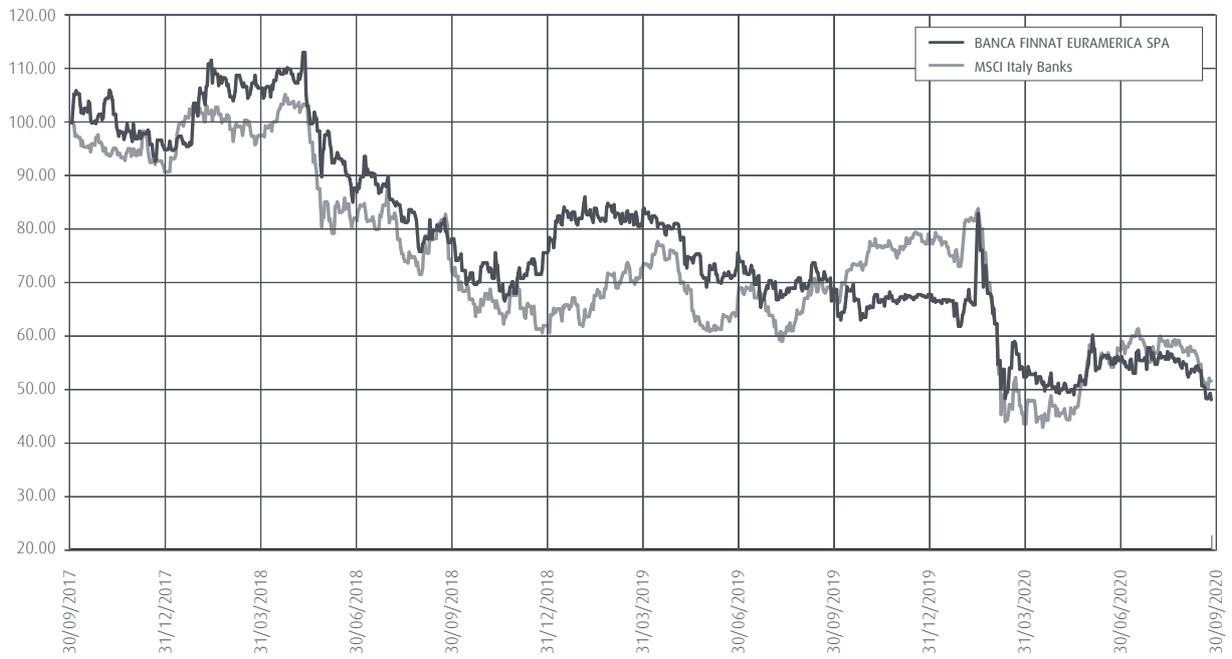
Share price performance

SECURITY	Market price in euros at:					
	21.10.2020	30.09.2020	30.06.2020	31.03.2020	31.12.2019	30.09.2019
BFE	0.2140	0.2020	0.2310	0.2270	0.2830	0.2980

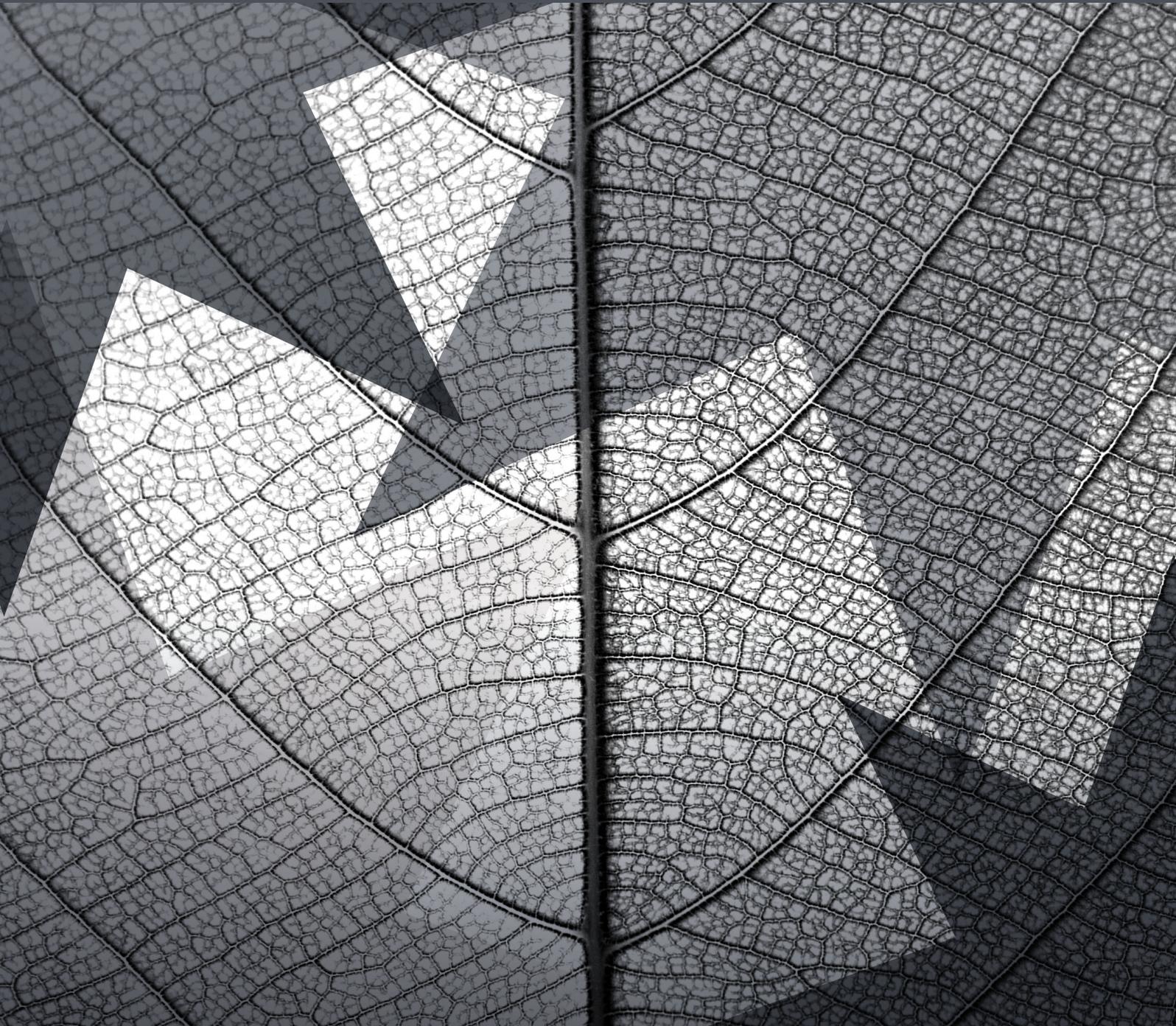


BANCA FINNAT STOCK PRICE PERFORMANCE COMPARED WITH ITALIAN BANKING SECTOR INDEX

(source Banca Intesa)



FINANCIAL STATEMENTS



CONSOLIDATED INCOME STATEMENT

(in thousands of euros)

Items	1 January 30 September 2020	1 January 30 September 2019	1 July 30 September 2020	1 July 30 September 2019
10. Interest income and similar income	14,432	13,912	4,948	4,920
20. Interest expense and similar expense	(1,883)	(1,795)	(715)	(625)
30. Interest margin	12,549	12,117	4,233	4,295
40. Fee and commission income	36,918	40,166	12,184	13,438
50. Fee and commission expense	(1,973)	(1,445)	(633)	(454)
60. Net fees and commissions	34,945	38,721	11,551	12,984
70. Dividends and similar income	1,792	3,013	711	709
80. Profit (losses) on trading	(800)	(857)	(188)	(1,291)
100. Profit (losses) on disposal or repurchase of:	800	196	46	6
a) financial assets designated at amortised cost	64	154	-	-
b) financial assets designated at fair value through other comprehensive income	736	42	46	6
110. Profits (losses) on other financial assets and liabilities designated at fair value through profit or loss	(529)	(1,047)	(111)	203
b) other financial assets mandatorily at fair value	(529)	(1,047)	(111)	203
120. Net banking income	48,757	52,143	16,242	16,906
130. Net losses/recoveries on credit risk relating to:	(2,172)	(4,528)	(354)	(5,229)
a) financial assets designated at amortised cost	(2,503)	(4,702)	(491)	(5,182)
b) financial assets designated at fair value through other comprehensive income	331	174	137	(47)
140. Gains/losses from contractual changes without derecognition	(185)	7	(35)	8
150. Net income from financial operations	46,400	47,622	15,853	11,685
190. Administrative expenses:	(38,055)	(40,510)	(11,852)	(11,856)
a) personnel expenses	(25,834)	(27,210)	(8,337)	(7,991)
b) other administrative expenses	(12,221)	(13,300)	(3,515)	(3,865)
200. Net provisions for risks and charges	(77)	273	(10)	26
a) commitments and guarantees given	(10)	39	(10)	26
b) other net allocations	(67)	234	-	-
210. Net losses/recoveries on property and equipment	(2,550)	(2,560)	(853)	(887)
220. Net losses/recoveries on intangible assets	(181)	(154)	(63)	(54)
230. Other operating income/expenses	3,610	4,296	1,098	1,055
240. Operating costs	(37,253)	(38,655)	(11,680)	(11,716)
250. Profit (loss) from equity investments	(221)	(223)	(58)	(4)
290. Profit (loss) from continuing operations before taxes	8,926	8,744	4,115	(35)
300. Taxes on income from continuing operations	(2,913)	(2,895)	(1,333)	54
310. Profit (loss) from continuing operations after taxes	6,013	5,849	2,782	19
330. Profit (loss) for the period	6,013	5,849	2,782	19
340. Profit (loss) for the period of minority interests	(1,811)	(2,253)	(643)	(736)
350. Net profit (loss) for the period pertaining to the Parent Company	4,202	3,596	2,139	(717)



CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(in thousands of euros)

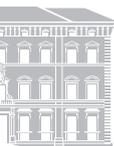
Items	1 January 30 September 2020	1 January 30 September 2019
10. Profit (loss) for the period	6,013	5,849
Other comprehensive income after taxes that may not be reclassified to the income statement		
20. Equity designated at fair value through other comprehensive income	(53)	115
70. Defined benefit plans	(68)	(371)
90. Share of valuation reserves connected with investments carried at equity	20	78
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	264	8,771
170. Total other comprehensive income after taxes	163	8,593
180. Comprehensive income (Item 10+170)	6,176	14,442
190. Consolidated comprehensive income pertaining to minority interests	1,777	2,106
200. Consolidated comprehensive income pertaining to the Parent Company	4,399	12,336



CONSOLIDATED BALANCE SHEET

(in thousands of euros)

Asset items	30.09.20	31.12.19
10. Cash and cash equivalents	785	699
20. Financial assets designated at fair value through profit or loss	77,933	79,537
a) financial assets held for trading	57,053	57,696
c) other financial assets mandatorily at fair value	20,880	21,841
30. Financial assets designated at fair value through other comprehensive income	296,275	366,666
40. Financial assets designated at amortised cost	1,681,848	1,548,092
a) due from banks	135,514	92,968
b) loans to customers	1,546,334	1,455,124
70. Equity investments	10,972	11,173
90. Property and equipment	18,590	20,588
100. Intangible assets	31,200	31,296
of which:		
- goodwill	28,129	28,129
110. Tax assets	11,703	14,131
a) current	2,015	3,483
b) deferred	9,688	10,648
130. Other assets	19,929	24,970
Total assets	2,149,235	2,097,152



CONSOLIDATED BALANCE SHEET

(in thousands of euros)

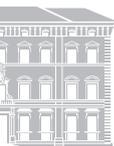
Liabilities and shareholders' equity	30.09.20	31.12.19
10. Financial liabilities designated at amortised cost	1,866,676	1,815,357
a) due to banks	114	369
b) due to customers	1,856,149	1,790,075
c) securities issued	10,413	24,913
20. Financial liabilities held for trading	26	152
60. Tax liabilities	1,142	818
a) current	414	136
b) deferred	728	682
80. Other liabilities	16,468	18,858
90. Provisions for termination indemnities	5,713	5,920
100. Provisions for risks and charges:	178	102
a) commitments and guarantees given	111	102
c) other provisions for risks and charges	67	-
120. Valuation reserves	5,795	5,597
150. Reserves	151,029	150,586
170. Share capital	72,576	72,576
180. Treasury shares (-)	(14,059)	(14,059)
190. Minority interests (+/-)	39,489	40,811
200. Profit (Loss) for the period (+/-)	4,202	434
Total liabilities and shareholders' equity	2,149,235	2,097,152



STATEMENT OF CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY AT 30 SEPTEMBER 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	-	-



Changes in reserves	Changes during the period								Shareholders' equity at 30.09.2020			
	Shareholders' equity transactions								Comprehensive income of the period 1 January 30 September 2020	Total	Group	Minority interests
	New share issue	Purchase of treasury shares	Extra dividend distribution	Change in capital instruments	Derivatives on treasury shares	Stock options	Changes in equity investments					
-	-	-	-	-	-	-	-	-	-	72,576	72,576	-
-	-	-	-	-	-	-	-	-	-	72,576	72,576	-
-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-
(3,089)	-	-	-	-	-	-	-	-	-	188,996	151,029	37,967
(3,100)	-	-	-	-	-	-	-	-	-	127,899	117,814	10,085
11	-	-	-	-	-	-	-	-	-	61,097	33,215	27,882
-	-	-	-	-	-	-	-	-	163	5,506	5,795	(289)
-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	(14,059)	(14,059)	-
-	-	-	-	-	-	-	-	-	6,013	6,013	4,202	1,811
(3,089)	-	-	-	-	-	-	-	-	6,176	259,032	-	-
10	-	-	-	-	-	-	-	-	4,399	-	219,543	-
(3,099)	-	-	-	-	-	-	-	-	1,777	-	-	39,489



LIST OF EQUITY INVESTMENTS INCLUDED IN THE SCOPE OF CONSOLIDATION

Company	Share capital in euros (1)	Registered office	% directly owned 30.09.2020	% indirectly owned 30.09.2020	Book value of the equity investment (in thousands of euros)	Activity
Parent Company:						
Banca Finnat Euramerica S.p.A.	72,576,000.00	Rome				Banking activity and banking group Parent Company
Direct subsidiaries:						
Finnat Fiduciaria S.p.A.	1,500,000.00	Rome	100.00			Trusteeship
Natam Management Company S.A.	750,000.00	Luxembourg	100.00			Asset management company
Finnat Gestioni S.A.	750,000.00	Lugano	70.00			Financial management and consultancy services
InvestiRE SGR S.p.A.	14,770,000.00	Rome	50.16			Promotion and management of closed-ended real estate funds
Companies subject to joint control						
REDO SGR S.p.A. (2)		Milan		33.33	4,320	Asset management company
Aldia S.p.A.		Bologna	10.00		390	Industrial company
Liphe S.p.A.		Bologna	10.00		150	Industrial company
Companies subject to significant influence						
Prévira Invest SIM S.p.A. in liquidation		Rome	20.00		9	Financial institution
Imprebanca S.p.A.		Rome	20.00		6,103	Banking activity
Total					10,972	

All subsidiaries belong to the Banca Finnat Euramerica banking group.
 (1) The share capital of Finnat Gestioni S.A. is expressed in Swiss Francs
 (2) Redo SGR S.p.A. is held by the subsidiary InvestiRE SGR S.p.A.



GENERAL COMMENTS

Results of the Banca Finnat Euramerica Group

The first nine months of 2020 recorded a consolidated net profit of 4,202 thousand euros versus 3,596 thousand euros at 30 September 2019.

It should be noted that the Group's net banking income for the period under review was affected by the spread of the Covid-19 virus and the subsequent restrictions to contain it imposed by the Government authorities in the countries concerned; it should also be noted that the result of the period was affected by 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. The effects of the spread of the Covid-19 are outlined in detail in the paragraph "The most significant transactions and events in the period".

The main items that form the results of the first nine months of 2020, compared with those of the corresponding period of 2019, are shown below:

- **Net banking income** at 30 September 2020 totals 48,757 thousand euros, compared to 52,143 thousand euros in the corresponding period of the previous year. The total decrease by 3,386 thousand euros may be broken down as follows:

Increases

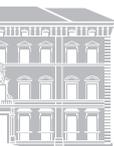
- 432 thousand euros for Interest margin (12,549 thousand euros at 30 September 2020, compared to 12,117 thousand euros in the same period of 2019);
- 57 thousand euros as Profit (losses) on trading. At 30 September 2020, the item had a negative balance of 800 thousand euros compared to a negative balance of 857 thousand euros in the first nine months of 2019;
- 604 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 (800 thousand euros at 30 September 2020 versus 196 thousand euros in the same period of 2019);
- 518 thousand euros for Profits (losses) on other financial assets mandatorily at fair value (negative balance of 529 thousand euros at 30 September 2020 versus a negative balance of 1,047 thousand euros in the same period of 2019).

Decreases

- 3,776 thousand euros for Net fees and commissions (34,945 thousand euros in the first nine months of 2020 versus 38,721 thousand euros in the same period of 2019); the decrease is partly due to lower fees and commissions, by 2,109 thousand euros, deriving from the transfer of the business unit by the subsidiary InvestIRE SGR to Redo SGR;
- 1,221 thousand euros for Dividend and similar income (1,792 thousand euros at 30 September 2020, compared to 3,013 thousand euros in the first nine months of 2019);

- **Net losses/recoveries on credit risk.** At 30 September 2020, this item showed net **impairment losses** totalling 2,172 thousand euros relating to impairment losses of Financial assets designated at amortised cost (2,503 thousand euros) and to value recoveries of Assets designated at fair value through other comprehensive income (331 thousand euros). Adjustments for the period arose primarily





from higher provisions for expected losses on performing loans. At 30 September 2019, impairment losses had instead been made on the Financial assets designated at amortised cost of 4,702 thousand euros (of which 4,848 thousand euros related to the specific impairment loss made by the Bank on the Bio-on credit) and value recoveries relating to Assets designated at fair value through other comprehensive income of 174 thousand euros.

- **Administrative expenses** amounted, in the first nine months of 2020, to 38,055 thousand euros versus 40,510 thousand euros in the same period of 2019.
The breakdown of administrative expenses is as follows:
 - personnel expenses of 25,834 thousand euros decreased by 1,376 thousand euros, compared to the same period of the previous year (27,210 thousand euros);
 - other administrative expenses of 12,221 thousand euros decreased by 1,079 thousand euros compared to the same period of the previous year (13,300 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 2,550 thousand euros (2,560 thousand euros at 30 September 2019) and comprises the depreciation of the right to use assets acquired under leases, amounting to 2,258 thousand euros (2,248 thousand euros at 30 September 2019).
- **Other operating income/expenses** at 30 September 2020 show a positive balance of 3,610 thousand euros versus 4,296 thousand euros in the same period of 2019. Income comprises the recoveries of costs from customers, amounting to 3,298 thousand euros (3,639 thousand euros in the first nine months of 2019).
- **Income taxes amounted to 2,913 thousand euros** at 30 September 2020 versus 2,895 thousand euros at 30 September 2019.

* * *

The overall profit of the first nine months of 2020 that also includes the change in the “Valuation reserve” is reported in the Statement of Comprehensive Income.

INFORMATION ON OPERATING PERFORMANCE

Market disclosure information

Regarding market disclosure, the Group declares that:

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



The most significant transactions and events in the period

Covid-19

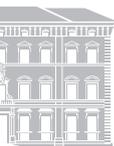
In the first few days of January 2020, the new “Coronavirus” (Covid-19) epidemic spread throughout the whole of continental China, and also to Italy and then other countries in the second half of February, declared as an unprecedented international health emergency by the World Health Organisation.

The Covid-19 pandemic, as already highlighted in the 2019 financial statements and in the interim reports of the current financial year, 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 - contained in the Consolidated half-yearly report at 30 June 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 in the “Business background” section of the 2020 Consolidated half-yearly financial report, the European Council passed 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 an improvement in estimates, albeit negative, of GDP in 2020, with a more significant recovery in 2021. However, there is a high degree of uncertainty surrounding the timing for the resumption of pre-crisis economic activity levels.



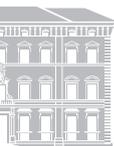
The Banca Finnat Group, from the outset, monitored developments in the global situation and then nationally, brought about by the spread of Covid-19. In accordance with the provisions of IAS 1 and also following the recommendations of the ESMA of 11 March 2020, measures were implemented targeted at ensuring 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. After the summer holidays, with the resumption of office activities, the Bank faced the emergency in continuity with the previous period and continued to apply “smart working”; following the issue of the DPCM on 6 September 2020 (which extended the precautionary measures to counter and contain the spread of the coronavirus), the Bank increased smart working by extending it to new business structures. 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;
- 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, continuing to ensure suitable sanitary facilities. It also further refined the body temperature detection procedure with thermal scanners in order to guarantee the maximum safety of personnel in the office. Moreover, as every year, the Bank organised the flu vaccination for all personnel and extended it to family members;
- 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 laid out the following financial support measures:
 - for revocable credit lines and loans granted for advances on receivables, it was envisaged that the agreed amounts could not be revoked until 30 September 2020;
 - for non-instalment loans expiring prior to 30 September 2020, it was envisaged that the contracts would be 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 was expected to be suspended until 30 September 2020.

On 14 August 2020, the Government, in view of the prolonged economic effects of the health crisis, issued Italian Law Decree no. 104, article 65 of which extends the moratorium for SMEs pursuant to article 56 of the “Cura Italia” Decree, postponing the date of 30 September 2020 to 31 January 2021. For companies already admitted, the extension of the moratorium operates automatically without any formality, unless expressly waived, while for companies that have not yet been admitted it is possible to submit a request by 31 December 2020.

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 authorised 20 concessions to performing customers relating to exposures with a total gross value of 22.6 million euros, including 17 concessions to suspend mortgage instalments for an amount equal to 15,9 million euros (Italian Law Decree no. 18 of 17 March 2020 converted with Italian Law no. 27 of 30 April 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 30,000 euros, with 24 months of pre-amortisation and a maximum duration of six years. The Central Guarantee Fund backs 100% of the loans up to 30,000 euros free of charge and automatically, enabling the Bank to disburse the sums, in a simplified manner, without waiting for the final outcome of screening by the Fund. At the reporting date, the Bank had received 17 applications - already paid out - of 409 thousand euros. Moreover, the Bank received 2 applications from companies with up to 499 employees (pursuant to Article 13 of the aforementioned Decree) for a total of 11.5 million euros, already paid out, 90% backed by the Central Guarantee Fund and up to a maximum of 5 million euros for each company.

Aside from activating the anti-crisis measures carried out 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.

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 Group ensured the 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. Therefore, the Group’s activities suffered from a decline compared to expectations at the start of the year, primarily during the lockdown period between March and May

and for reasons substantially linked to limitations imposed on mobility. None of the Group's activities were suspended, even temporarily.

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 regard, it should be noted that the reintroduction of partial restrictions in many European countries, including Italy, contributed to a renewed increase in the volatility of the main European stock exchange indexes.

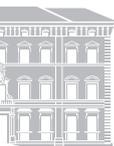
In this context characterised by the advent of an unprecedented economic crisis, despite the uncertainties linked to the possible evolution of the pandemic, the Group revised its estimates concerning the result for the year also taking into account the increase in credit risk and the impacts on revenues 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 by private customers, 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, already partially recovered during the third quarter and which it is expected to be further recovered by the end of the financial 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 particular, in the first nine months of 2020, the 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 events concerning Bio-On, already detailed in full in the 2019 financial statements, the Bank submitted, within the relevant terms, the proof of claim in bankruptcy. 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. On 25 September 2020, the Deputy Judge of the Bio-On bankruptcy issued the decree of enforceability of the proof of claim in bankruptcy. The Bank was admitted, as per the request submitted at the time, among unsecured credits of 15,278 thousand euros.

- 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 quarter

After the end of the first nine months 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.

In October, the process that led Cassa Depositi e Prestiti S.p.A. and Banca Intesa San Paolo to obtain authorisation from the Bank of Italy to purchase a 30% and 10% stake, respectively, in the share capital of REDO SGR S.p.A. was completed.

As a result, by the end of November, the agreements signed between the current shareholders of REDO SGR and the buyers will be implemented, and in particular:

- a final purchase and sale agreement of 10 million shares will be signed by the current shareholders of REDO SGR (one third of which by InvestIRE SGR) in favour of the buyers, for a total value of 1 million euros;
- a capital increase of REDO SGR will be subscribed by the buyers for an amount, including the subscription price, of 7 million euros.

As a result of the operations described above, the share capital of REDO SGR will be divided into 200 million shares as follows: Fondazione Cariplo will hold 40% of the share capital, Cassa Depositi e Prestiti S.p.A. 30%, InvestIRE 20% and Intesa 10%.

Since October, there has been an acceleration in the development of the Covid-19 epidemic, which has entered an acute phase and shows a gradual increase in the number of cases diagnosed.

In the first fortnight of October, there was an increase in the curve of contagions, admissions to hospitals and, among these, admissions to intensive care wards.

Since mid-October, there has been a worsening of all indicators of the epidemic with a sudden increase in the number of cases tested. The restrictions imposed by some regions in response to the growth trend of the epidemic curve have not proved adequate to prevent the increase in the occupancy rate of beds in intensive care and the consequent increase in death rates. The Government, with the issue of three DCPMs in October, passed stricter restrictions in order to contain the contagion as much as possible in the presence of a continuous resurgence of the virus and thus to avoid a new generalised lockdown.

The DPCM of 24 October 2020 introduced further restrictions to contain contagion in order to supplement those adopted with previous decrees; these measures include: the closure or restriction of certain trade,

tourism and service activities; compulsory 75% distance learning for all high schools; the recommendation, where possible, to encourage the use of smart-working, especially for office tasks; the requirement to have respiratory protective equipment always available and wear it indoors.

In support of economic activities that were limited or directly closed with the DPCM, new emergency measures were issued. On 28 October 2020, the Government passed a measure worth 5.4 billion euros (“Ristori” Law Decree no. 137/2020) designed to offset the restrictions against Covid-19; the main measures include: the disbursement of non-repayable subsidies unrelated to the drop in sales to all companies forced to close or reduce working hours due to restrictions, a 10-week extension of the unemployment benefits fund to 31 January 2021 and a tax credit for commercial rents.

On 3 November 2020, following the steady and progressive increase in contagion in recent weeks, the Government passed a new DPCM to contain and mitigate the pandemic wave. The additional restrictions envisaged by the DPCM valid throughout Italy, in addition to those already in force, include, among other things: curfews from 10 p.m. to 5 a.m., 100% distance learning in all high school classes, maximum capacity of 50% on public transport, closure of shopping centres on Saturdays, Sundays and public holidays. The Decree also establishes a subdivision of the national territory into different areas corresponding to different risk scenarios; medium and high risk areas will have to observe additional restrictions. The measures envisaged by the new DPCM will be valid until 3 December 2020.

The Bank and the Group companies, in the critical situation described above, continue to face the emergency in continuity with the previous period, in line with the DPCMs in force, further strengthening the healthcare facilities and increasing the number of workers in smart working, which has also been extended to the business structures.

The Bank’s Coronavirus Emergency Committee monitors the ongoing development of the pandemic at the national level in order to provide guidance on how to deal with any potential outbreaks.

It should be noted that, despite the great emergency situation described above, all the companies of the Banca Finnat Group ensured and ensure 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.

Operating outlook

The uncertainty about the development of the spread of the Coronavirus and the impacts on the national economy of the further restrictions introduced in order to contain the epidemic, make it extremely difficult at present to draw up accurate estimates of the potential repercussions on the 2020 economic result. 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.



PREPARATION CRITERIA

General principles

The Interim report on operations of the Banca Finnat Group at 30 September 2020 was prepared - as illustrated under “Notes for reading the Interim report on operations” - as prescribed by Article 2.2.3, Paragraph 3 of the Regulation of Borsa Italiana for listed companies on the STAR segment and referencing the criteria prescribed by the IAS/IFRS international accounting standards. The Report provides quantitative balance sheet and income statement information posted in thousands of euros using, when possible, the layouts prescribed by Bank of Italy Circular no. 262 “Banks’ financial statements: layouts and preparation rules” 6th update of 30 November 2018.

The preparation criteria of this Report remained unchanged with respect to those adopted for the Financial Statements at 31 December 2019.

In the situation of the macroeconomic scenario uncertainty generated by the pandemic still in progress, the Bank and the other Group companies took into account the interpretative and supporting documents on the application of international accounting standards, in relation to the impact of Covid-19, issued by the regulatory and supervisory bodies, with a special attention to Consob Warning Notice of 16/7/2020, when preparing the Interim Report on Operations at 30 September 2020.

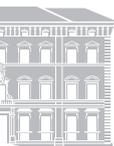
From the analysis carried out - focusing in particular on IFRS 9 and IAS 36, IFRS 15 and IFRS 16, shown in detail in the Notes to the financial statements of the 2020 Half-Yearly Report in Section 5, Other information to which reference is made - no particular critical issues were identified for the preparation of this Report.

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

The quarterly financial statements taken as the basis of the consolidation process are those prepared by the subsidiaries approved by the respective Governing Bodies with reference to 30 September 2020. On the other hand, for the associated companies, reference was made to the last financial statements available at the time of the preparation of this report. The financial statements acquired are adjusted, when necessary, to make them compliant with the Group’s accounting standards.

In particular:

- the consolidated income statement data was provided both for the quarter of reference and for the period between the beginning of the financial year and the closing date of 30 September 2020 and was compared with the same periods of the previous financial year; whereas the Consolidated statement of comprehensive income data was provided with regard to the first nine months of the current financial year and it was compared with the data of the same period of the previous year;
- the balance sheet data at 30 September 2020 was compared with that at 31 December 2019;
- the shareholders’ equity data shows the balances at 31 December 2019 and that at 30 September 2020 and the changes that took place in the period;



- the profit for the period is after the taxes determined on the basis of the current rates and of the elements available at the date of preparation. The Bank and its Italian-based subsidiaries have decided to join the “domestic consolidated tax system” pursuant to Articles 117/129 of the TUIR. The option was renewed in June 2019 for the 2019/2020/2021 period. By virtue of this option, the Group companies determine their proportion of the taxes payable and the corresponding tax income (taxable income or tax loss) is transferred to the Parent Company, relating to which a single taxable income or loss is reported (resulting from the arithmetical sum of its own and its participating subsidiaries’ incomes/losses) and, consequently, a single income tax debit/credit is determined.

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

The scope of consolidation has not changed compared to the financial statements for the year ended 31 December 2019.

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

INFORMATION ON TRANSFERS BETWEEN PORTFOLIOS AND ON FAIR VALUE HIERARCHY

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 carried out by the Group in the period under review due to a change in the business model.

Fair value hierarchy

The balances at 30 September 2020 and at 31 December 2019 of the financial instrument portfolios measured at fair value and broken down based on a hierarchy that reflects the importance of the inputs used in the valuations are shown below.

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

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



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

Financial assets/liabilities measured at fair value	30.09.2020			31.12.2019		
	L1	L2	L3	L1	L2	L3
1. Financial assets designated at fair value through profit or loss	53,114	23,593	1,226	53,468	24,724	1,345
a) financial assets held for trading	52,489	4,564	-	52,555	5,141	-
b) financial assets designated at fair value	-	-	-	-	-	-
c) other financial assets mandatorily at fair value	625	19,029	1,226	913	19,583	1,345
2. Financial assets designated at fair value through other comprehensive income	285,619	-	10,656	355,833	-	10,833
3. Hedging derivatives	-	-	-	-	-	-
4. Property and equipment	-	-	-	-	-	-
5. Intangible assets	-	-	-	-	-	-
Total	338,733	23,593	11,882	409,301	24,724	12,178
1. Financial liabilities held for trading	-	26	-	-	152	-
2. Financial liabilities designated at fair value	-	-	-	-	-	-
3. Hedging derivatives	-	-	-	-	-	-
Total	-	26	-	-	152	-

Key:

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

INFORMATION ON THE INCOME STATEMENT, COMPREHENSIVE INCOME AND BALANCE SHEET
INCOME STATEMENT

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

INTEREST

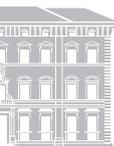
	Period 1 January - 30 September 2020	Period 1 January - 30 September 2019
Interest income and similar income	14,432	13,912
Interest expense and similar expense	(1,883)	(1,795)
Interest margin	12,549	12,117

Interest margin, almost exclusively pertaining to the Bank, increased by 432 thousand euros.

The interest margin referring to the third quarter of 2020 amounted to 4,233 thousand euros versus 4,295 thousand euros in the same period of 2019.

FEES AND COMMISSION

	Period 1 January - 30 September 2020	Period 1 January - 30 September 2019
Fee and commission income	36,918	40,166
Fee and commission expense	(1,973)	(1,445)
Net fees and commissions	34,945	38,721



The net fees and commissions of the first nine months of 2020 decreased by 3,776 thousand euros compared to the same period of the previous year.

This change is mainly due to the decrease in net fees and commissions of 2,729 thousand euros of the subsidiary InvestiRE SGR S.p.A. attributable, in particular, to the elimination of the management and development fees of the funds FIL 1 and FIL 2 (amounting to 2,109 thousand euros at 30 September 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. It should be noted that, net of the effects of said transaction, the net fees and commissions of the Group would have recorded a decrease of 1,667 thousand euros of which 1,086 thousand euros referring to the Bank. In the third quarter of 2020, net fees and commissions amounted to 11,551 thousand euros versus 12,984 thousand euros in the same period of 2019.

PROFIT (LOSSES) ON TRADING

Profit (Losses) on trading, referring exclusively to the Bank, featured a negative balance of 800 thousand euros in the first nine months of 2020, compared to the negative balance of 857 thousand euros in the corresponding period of the previous year, and may be broken down as follows:

- A negative balance between realised profits and losses related to trading on securities and derivatives of 58 thousand euros;
- A negative difference of 1,048 thousand euros between unrealised capital gains and losses, in connection with the fair value measurement of the trading portfolio;
- Foreign exchange gains of 306 thousand euros.

Profit (Losses) on trading in the third quarter of 2020 featured a negative balance of 188 thousand euros, compared to a negative balance of 1,291 thousand euros of the previous financial year.

PROFIT (LOSSES) ON DISPOSAL OR REPURCHASE OF:

a) financial assets designated at amortised cost

In the first nine months of 2020, the item, referring exclusively to the Bank, had a positive balance of 64 thousand euros versus a positive balance of 154 thousand euros of the first nine months of 2019.

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

In the first nine months of 2020, the item, referring exclusively to the Bank, had a positive balance of 736 thousand euros versus a positive balance of 42 thousand euros of the first nine months of 2019.

In the third quarter of 2020, the item financial assets designated at fair value through other comprehensive income showed a positive balance of 46 thousand euros (positive balance of 6 thousand euros also in the third quarter of 2019), while the item financial assets designated at amortised cost did not change in both quarters.



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

b) other financial assets mandatorily at fair value

In the first nine months of 2020, the item had a negative balance of 529 thousand euros deriving from net capital losses, on UCI units, of 369 thousand euros recorded by the Bank and of 160 thousand euros recorded by InvestiRE SGR S.p.A. In the first nine months of 2019, the item still had a negative balance of 1,047 thousand euros.

The result for the third quarter of 2020 had a negative balance of 111 thousand euros compared to the positive balance of 203 thousand euros in the same period of the previous year.

NET LOSSES/RECOVERIES ON CREDIT RISK RELATING TO:

a) financial assets designated at amortised cost

In the first nine months of 2020, the item presented net impairment losses of 2,503 thousand euros of which 2,395 thousand euros carried out by the Bank, 23 thousand euros carried out by Finnat Fiduciaria S.p.A. and 85 thousand euros by InvestiRE SGR S.p.A. Adjustments for the period arose primarily from higher provisions for expected losses on performing loans.

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

In the first nine months of 2020, the item presented net value recoveries of 331 thousand euros carried out by the Bank for 286 thousand euros and by Finnat Fiduciaria S.p.A. for 45 thousand euros.

On the other hand, at 30 September 2019, impairment losses had been made on Financial assets designated at amortised cost and value recoveries on Assets designated at fair value through other comprehensive income of 4,702 thousand euros and 174 thousand euros, respectively.

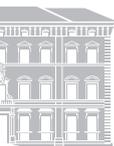
In the third quarter of 2020, losses on credit risk totalled 354 thousand euros compared to 5,229 thousand euros in the same period of the previous year (of which 4,848 thousand euros related to the specific impairment loss made by the Bank on the Bio-on credit).

ADMINISTRATIVE EXPENSES

	Period 1 January - 30 September 2020	Period 1 January - 30 September 2019
Personnel expenses	25,834	27,210
Other administrative expenses	12,221	13,300
Total	38,055	40,510

The administrative expenses decreased by 2,455 thousand euros in total compared to the first nine months of 2019.

Personnel expenses fell by 1,376 thousand euros compared to the same period of the previous year. The reduction mainly pertains to the subsidiary InvestiRE SGR S.p.A. for 1,631 thousand euros (due for 1,109 thousand euros to the transfer of 18 employees following the transfer of the business unit to REDO SGR S.p.A.).



In the third quarter of 2020, personnel expenses amounted to 8,337 thousand euros versus 7,991 thousand euros in the same period of 2019.

Other administrative expenses decreased by 1,079 thousand euros compared to the first nine months of 2019 and mainly concerned the subsidiary InvestiRE SGR S.p.A. for 629 thousand euros and the Bank for 404 thousand euros.

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

In the third quarter of 2020, other administrative expenses amounted to 3,515 thousand euros versus 3,865 thousand euros in the same period of 2019.

NET LOSSES/RECOVERIES ON PROPERTY AND EQUIPMENT

The item includes impairment losses of 2,550 thousand euros (2,560 thousand euros in the first nine months of 2019) and comprises the depreciation of the right to use assets acquired under leases, amounting to 2,258 thousand euros (2,248 thousand euros in the first nine months of 2019), of which 2,069 thousand euros relating to other administrative expenses and 189 thousand euros referring to personnel expenses.

In the third quarter of 2020, the item showed net losses of 853 thousand euros compared to 887 thousand euros in the same period of the previous year.

OTHER OPERATING INCOME/EXPENSES

Other operating income and expenses showed a positive balance of 3,610 thousand euros versus 4,296 thousand euros in the first nine months of 2019. Income comprises the recoveries of costs from customers, amounting to 3,298 thousand euros (3,639 thousand euros in the first nine months of 2019).

In the third quarter of 2020, the item had a positive balance of 1,098 thousand euros, versus a positive balance of 1,055 thousand euros in the same period of the previous year.

INCOME TAXES

In the first nine months of the current year, the item had a balance of 2,913 thousand euros versus 2,895 thousand euros in the same period of the previous year.

In the third quarter of 2020, the item had a negative balance of 1,333 thousand euros, versus a positive balance of 54 thousand euros in the same period of the previous year.

Income taxes were calculated based on the applicable tax rates.

COMPREHENSIVE INCOME

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



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

The change in valuation reserves - shown in the Statement of Comprehensive Income under item “20. Equity designated at fair value through other comprehensive income” is negative by 53 thousand euros and it pertains exclusively to the Parent Company.

The change in valuation reserves - shown in the item “90. Share of valuation reserves connected with investments carried at equity” is positive by 20 thousand euros and it pertains exclusively to the Parent Company.

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

The change in valuation reserves - shown in the Statement of Comprehensive Income under item “140. Financial assets (other than equity) designated at fair value through other comprehensive income” is positive by 264 thousand euros and it pertains to debt securities. The change is entirely referred to the Group and it is positive for the Bank, by 302 thousand euros, and negative for Finnat Fiduciaria S.p.A., by 38 thousand euros.

* * *

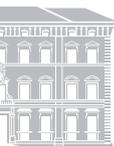
At 30 September 2020, the valuation reserves of the Group (after taxes) are broken down as follows:

Financial assets designated at fair value through other comprehensive income

(in euros)

Parent Company		
SIA S.p.A. shares.	4,774	euros
CSE S.r.l. shares	-44	euros
Net Insurance S.p.A. shares	124	euros
Real Estate Roma Olgiata S.r.l.	-486	euros
Debt securities	674	euros
	5,042	euros
Other Group Companies		
Finnat Fiduciaria (Debt securities)	-21	euros
	-21	euros
Total A)	5,021	euros
Defined benefit plans B)	-624	euros
Share of valuation reserves connected with investments carried at equity C)	34	euros
Valuation reserves D)	1,364	euros
Total (A+B+C+D)	5,795	euros

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



BALANCE SHEET

The most significant balance sheet components at 30 September 2020 are presented below, expressed in thousands of euros:

FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS

a) financial assets held for trading

The financial assets held for trading, referred exclusively to the Bank, amounted to 57,053 thousand euros.

The item comprises debt securities of 50,412 thousand euros, UCI units of 4,689 thousand euros, equities and warrants of 1,929 thousand euros. The item further comprises the positive valuation on forward contracts relating to sales and purchases of currencies of 23 thousand euros.

b) other financial assets mandatorily at fair value

The item had a balance of 20,880 thousand euros and is made up of Carige shares held by the Bank through the Voluntary Scheme of the FITD for 30 thousand euros, UCI units owned by the Bank of 20,225 thousand euros and shares of the Immobiliam Fund held by InvestiRE SGR S.p.A. of 625 thousand euros.

FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

The item amounts to 296,275 thousand euros and refers to financial instruments of the Group companies as indicated below:

The portfolio of the Bank comprises for a total amount of 294,754 thousand euros:

- debt securities totalling 283,675 thousand euros;
- equities totalling 11,079 thousand euros constituting strategic investments, broken down as follows:
 - Level 1: Net Insurance S.p.A. (425 thousand euros including the positive valuation reserve equal to 133 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. (1,122 thousand euros including the negative valuation reserve equal to 514 thousand euros).

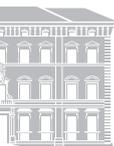
The portfolio of the other Group companies comprise debt securities owned by Finnat Fiduciaria S.p.A. of 1,520 thousand euros and an equity interest of one thousand euros owned by InvestiRE SGR S.p.A.

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

The impairment losses carried out through 30 September 2020 on the debt securities present in this item relate to the Bank for 192 thousand euros and to Finnat Fiduciaria S.p.A. for 5 thousand euros.

The total amount of 197 thousand euros was recorded under Valuation reserves instead of as an adjustment to the item under review.





FINANCIAL ASSETS DESIGNATED AT AMORTISED COST

a) due from banks

Due from banks amounted to 135,514 thousand euros (of which 103,657 thousand euros pertaining to the Bank) net of global impairment losses of 31 thousand euros (of which 21 thousand euros pertaining to the Bank). This item does not include debt securities.

b) loans to customers

Loans to customers total 1,546,334 thousand euros and they relate to loans of 449,192 thousand euros and to debt securities, exclusively owned by the Bank, of 1,097,142 thousand euros. The amounts are shown net of global impairment losses through 30 September 2020 equal to 29,283 thousand euros (of which 28,832 thousand euros on loans and 451 thousand euros on securities).

At the end of the reporting period of this Report, the items relating to current accounts, mortgages and other loans include **non-performing assets (Bucket 3)** relating to the Parent Company totalling 46,316 thousand euros (24,231 thousand euros after the write-downs), comprising:

- **bad loans** totalling 25,112 thousand euros (5,630 thousand euros after the write-downs) relating to the following positions:
 - 4,572 thousand euros (993 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 (3,069 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 adopted measurement method.
 - 5,291 thousand euros referring for 1,721 thousand euros to trade receivables (61 thousand euros after the write-downs) and for 3,570 thousand euros (1,507 thousand euros after the write-downs) to receivables relating to cash loans.

Therefore, the line-by-line write-downs carried out totalled 19,482 thousand euros (including 1,660 thousand euros referring to trade receivables), with a total coverage rate of 78%.

- **unlikely to pay** totalling 19,235 thousand euros (16,730 thousand euros after the write-downs) comprising:
 - overdraft facilities amounting to 578 thousand euros;
 - mortgage positions of 18,490 thousand euros (54 thousand euros of overdue instalments and 18,436 thousand euros of principal about to fall due); the amount refers for 8,784 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 2,505 thousand euros (including 136 thousand euros referring to trade receivables);

- **other positions expired or past due** for over 90 days totalling 1,969 thousand euros (1,871 thousand euros after the write-downs).

At 30 September 2020, the Bank had 34 “forborne” exposures of which:

- 12 non-performing positions totalling 33,961 thousand euros (19,404 thousand euros after write-downs), of which 2 positions included among bad loans of 15,391 thousand euros and 10 positions included among unlikely to pay of 18,570 thousand euros;
- 22 performing positions totalling 7,799 thousand euros.

At 30 September 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 3,591 thousand euros, higher than the allocations made for this purpose through 31 December 2019 (equal to 2,299 thousand euros).

In the first nine months of 2020, the Bank recorded in the income statement 8 thousand euros for portfolio impairment losses on government bonds; it also recorded 2,380 thousand euros for net losses on loans to customers broken down as follows: 1,292 thousand euros for portfolio impairment losses, 131 thousand euros for specific value recoveries, 1,126 thousand euros for specific impairment losses, 93 thousand euros for cancellation losses.

At 30 September 2020, the allowance for doubtful loans to Bank customers, excluding securities, totalled 25,676 thousand euros of which 22,085 thousand euros on an itemised basis and 3,591 thousand euros for portfolio impairment losses.

With regard to other Group companies, the analytical allowance for doubtful accounts (**Bucket 3**) at 30 September 2020 amounted to 796 thousand euros against gross non-performing receivables of 1,217 thousand euros for Finnat Fiduciaria S.p.A. and to 2,326 thousand euros against gross non-performing receivables of the same amount for InvestiRE SGR S.p.A.

Whereas the allowance for doubtful accounts relating to portfolio impairment losses only for loans to customers (**Bucket 1** and **Bucket 2**) at 30 September 2020 amounted to 30 thousand euros for InvestiRE SGR S.p.A. and to 4 thousand euros for the other companies of the Group.

In the first nine months of 2020, the subsidiaries recognised net impairment losses on loans to customers in the income statement of 103 thousand euros.

EQUITY INVESTMENTS

Equity investments amounted to 10,972 thousand euros and they are distinctly indicated in the table on page 18.

PROPERTY AND EQUIPMENT AND INTANGIBLE ASSETS

Property and equipment amounted to 18,590 thousand euros, of which 11,983 thousand euros to the Parent Company.



Property and equipment relating to rights of use acquired through *leases* - introduced by the international accounting standard IFRS 16 - amounted to 14,171 thousand euros at 30 September 2020.

Intangible assets amounted to 31,200 thousand euros. The item comprises the goodwill recorded in 2003 by the Bank, i.e. 300 thousand euros, and the goodwill recorded in 2015 by the subsidiary InvestiRE SGR S.p.A., i.e. 27,829 thousand euros. The latter value, originally amounting to 37,429 thousand euros, decreased in 2019 by 9,600 thousand euros, corresponding to the portion relating to the business unit transferred to the associate REDO SGR S.p.A.

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

TAX ASSETS

Tax assets of 11,703 thousand euros consist of receivables for current assets of 2,015 thousand euros and deferred tax assets of 9,688 thousand euros.

OTHER ASSETS

The item has a balance of 19,929 thousand euros and comprises receivables from Cassa Compensazione e Garanzia of 1,615 thousand euros, receivables from Ice Clear Europe of 3,826 thousand euros, receivables from Tax Authorities as withholding agent, amounting to 9,155 thousand euros, and receivables from Counterparties and Brokers of 1,587 thousand euros.

FINANCIAL LIABILITIES DESIGNATED AT AMORTISED COST

a) due to banks

The item, pertaining exclusively to the Bank, amounts to 114 thousand euros.

b) due to customers

The item amounts to 1,856,149 thousand euros and comprises 1,097,328 thousand euros of repurchase agreements carried out by the Bank with Cassa di Compensazione e Garanzia. The item also comprises lease payables of 14,497 thousand euros.

c) securities issued

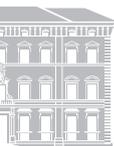
The item, pertaining exclusively to the Bank, amounts to 10,413 thousand euros and refers to the bond, issued by the Bank, including the accrued coupon. The amount is shown net of the value of securities held for trading present in the portfolio of the Bank, with a nominal amount of 19,587 thousand euros. It should be noted that this bond has expired and was consequently repaid on 20 October 2020.

TAX LIABILITIES

Tax liabilities of 1,142 thousand euros consist of payables for current taxes of 414 thousand euros and deferred tax liabilities of 728 thousand euros.

OTHER LIABILITIES

Other liabilities, amounting to 16,468 thousand euros comprise payables for pension and insurance contributions of 1,219 thousand euros, payables to Brokers and Counterparties of 113 thousand euros, tax



payables as withholding tax of 989 thousand euros, payables to suppliers of 1,254 thousand euros and payables to personnel and collaborators of 4,160 thousand euros.

PROVISIONS FOR RISKS AND CHARGES

a) commitments and guarantees given

The item, pertaining exclusively to the Bank and amounting to 111 thousand euros, refers to the impairment losses recorded through 30 September 2020. In the first nine months of 2020, impairment losses amounting to 10 thousand euros were recorded.

c) other provisions for risks and charges

The item, exclusively attributable to the Bank, of 67 thousand euros includes the provision made in the period to cover a potential indemnity to be paid to an employee.

SHAREHOLDERS' EQUITY

The consolidated Shareholders' equity of the Group amounts to 219,543 thousand euros. At 31 December 2019, the Group's shareholders' equity amounted to 215,134 thousand euros. The change in the total Shareholders' equity, of the Group and of Minority interests that took place in the period in question is shown in the dedicated table.

Own funds at 30 September 2020 amounted to 182,935 thousand euros (180,362 thousand euros at 31 December 2019), whereas the Total capital ratio, CET1 capital ratio and Tier1 ratio stood at 33.0% (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 180,824 thousand euros, while the Total capital ratio, the CET1 capital ratio and the Tier1 ratio would have been equal to 32.7%.

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).

At 30 September 2020, 28,810,640 treasury shares were held exclusively by the Parent Company. These shares totalling 14,059 thousand euros, equal to 7.9% of the share capital of the Bank, in application of IAS 32, were used to adjust the shareholders' equity. In the period in question, the Bank did not buy or sell any own shares.

Rome, 12 November 2020



DICHIARAZIONE DEL DIRIGENTE PREPOSTO ALLA REDAZIONE DEI DOCUMENTI CONTABILI SOCIETARI

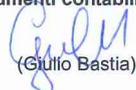
Il sottoscritto dott. Giulio Bastia, Dirigente preposto alla redazione dei documenti contabili societari di Banca Finnat Euramerica S.p.A., ai sensi dell'art. 154-bis, comma secondo, del decreto legislativo 24 febbraio 1998 n. 58,

attesta

che il Resoconto intermedio di gestione consolidato al 30 settembre 2020 corrisponde alle risultanze documentali, ai libri ed alle scritture contabili.

Roma, 12 novembre 2020

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


(Giulio Bastia)



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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