2018 CONSOLIDATED REPORTS AND ACCOUNTS

SERVICING | LENDING | SOLUTIONS

doBank
Servicing | Lending | Solutions

2018 CONSOLIDATED REPORTS AND ACCOUNTS

Registered office and headquarters: Piazzetta Monte, 1 – 37121 Verona

Share capital €41,280,000.00

Registered in the Register of Banks - ABI code no. 10639

Parent Company of the doBank Banking Group registered in the Register of Banking Groups - ABI code no. 10639

Registered in the Company Register of Verona, Tax ID no. 00390840239 and VAT registration no. 02659940239

Member of the National Interbank Deposit Guarantee Fund

www.dobank.com

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GOVERNING AND CONTROL BODIES

BOARD OF DIRECTORS

Chairman	Giovanni Castellaneta (2) (4)
CEO	Andrea Mangoni
Directors	Francesco Colasanti (6)
	Emanuela Da Rin
	Giovanni Battista Dagnino (3) (2)
	Nunzio Guglielmino (4) (5)
	Giovanni Lo Storto (1) (6)
	Giuseppe Ranieri
	Marella Idi Maria Villa

BOARD OF STATUTORY AUDITORS

Chairman	Chiara Molon (7)
Standing Auditors	Francesco Mariano Bonifacio (8)
	Nicola Lorito (8)
Alternate Auditors	Sonia Peron
	Roberta Senni

AUDIT FIRM	**EY S.p.A.**
Financial Reporting Officer	**Mauro Goatin**

At the date this Consolidated Report was approved

Notes
(1) Chairman Appointments Committee
(2) Member Appointments Committee
(3) Chairman Risk and Operations with Affiliated Persons Committee
(4) Member Risk and Operations with Affiliated Persons Committee
(5) Chairman Remuneration Committee
(6) Member Remuneration Committee
(7) Chairman Supervisory Committee, pursuant to Legislative Decree 231/2001
(8) Member Supervisory Committee, pursuant to Legislative Decree 231/2001

GROUP STRUCTURE

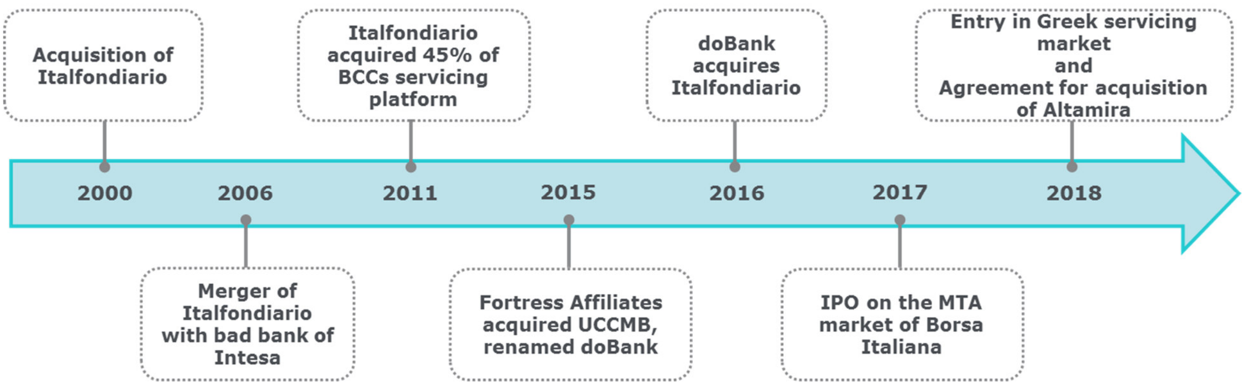
The following chart shows the composition of the doBank Group as at December 31, 2018:

doBank was formed in from the combination, under the leadership of Fortress, of Italy's two largest independent servicers: UCCMB, later renamed doBank and originally part of the UniCredit Group, and Italfondiario.

In 2016, doBank acquired 100% of Italfondiario, one of Italy's leading managers of performing and non-performing receivables on an outsourcing basis. Following the acquisition, the doBank Group was born, a market leader with more than 18 years of experience in the sector in Italy.

In July 2017, the doBank stock debuted on the stock exchange with an offer of ordinary shares targeted at institutional investors, both Italian and international, which was concluded in advance due to the strong interest shown by investors. doBank shares are traded under ISIN IT0001044996 and ticker symbol DOB [Bloomberg: DOB IM].

In addition to confirming its leadership position in the credit management sector in Italy, 2018 marks the entry of doBank into international markets, first in Greece with a contract for the management of a €1.8 billion portfolio from four systemic banks in July, then in the wider market of southern Europe with the agreement to acquire Altamira Asset Management, a company present in Spain, Portugal, Cyprus and Greece, on December 31, 2018. The expansion in the Greek market and the agreement for the acquisition of Altamira represent important steps forward in the implementation of the 2018-2020 Business Plan presented by doBank in June 2018.



DIRECTORS' REPORT ON THE GROUP

INTRODUCTION

The summary results and performance-financial indicators are based on data draw from the accounts and are used in the monitoring of performance by management and in management reporting. They are also consistent with the most commonly used metrics in the sector, ensuring the comparability of the figures presented.

THE GROUP'S BUSINESS

The doBank Group is a leader in Italy and Greece in the management of primarily non-performing loans for banks, investors and public and private financial institutions (Servicing), with a portfolio under management of more than €82 billion (Gross Book Value) at the end of 2018. The doBank Group also provides ancillary commercial, real estate and legal products and services (Ancillary Products) as well as engaging in other minor banking activities, which mainly regard the management, purchase and sale of non-performing loans.

Within the Group, doBank is specialised in Special Servicing and Real Estate activities, and its subsidiary Italfondiario primarily performs Master Servicing activities, while Ancillary Products connected with recovery activities are completed by doData and the internal Judicial Management unit.

In 2018 a significant corporate reorganisation was undertaken, which in 2019 will see doBank, subject to the issue of the required authorisations, take the form of a servicing company governed by Article 115 of the Consolidated Public Security Act (TULPS), thus ceasing to be a banking group. The reorganisation and debanking process that has been initiated is intended to make the Group's structure more coherent with the doBank business mix, which generates almost all of its revenues from servicing activities, with only residual banking activity and enable more optimal and flexible use of its financial resources, which are currently subject to the capital restrictions envisaged for banking groups.

Within the Servicing business, the services offered by the doBank Group include, among others:

- "Collection and Recovery": services comprising all loan administration, management and recovery activities, utilising in court and out-of-court recovery processes for and on behalf of third parties with regard to portfolios of performing, unlikely-to-pay (UTP) and non-performing loans (NPL, bad loans);

- "Due Diligence": services including the collection and organisation of information in data room environments as well as the analysis and assessment of loan portfolios for the preparation of business plans for collection and recovery activities;

- "Structuring": services including structuring securitisation transactions under Law 130/1999 as well as performing the role of authorized entity in securitisation transactions;

- "Co-investment": activities of co-investment in loan portfolios in partnership with major financial investors, where such activities are instrumental in obtaining servicing contracts. This business involves taking minority positions in securities issued by securitisation vehicles governed by Law 130/1999.

The Ancillary Products connected with recovery activities include, among others, the collection, processing and provision of commercial, real estate and legal information relating to debtors as well as the provision of legal services. Among the minor activities, the Group also offers selected banking products, primarily linked to its Servicing activities, such as granting mortgage loans, mainly in foreclosure auctions, and managing deposit accounts for selected clients, which together are designated Ancillary Products and Other Minor Activities. These banking products are currently being eliminated as part of the corporate reorganisation process referred to above.

Both doBank and Italfondiario, in their capacity as special servicers, have been rated "RSS1-/CSS1-" by Fitch Ratings, and "Strong" by Standard & Poor's. The Servicer Ratings assigned to doBank and Italfondiario are the highest of those assigned to Italian operators in the sector. In addition, these ratings were assigned to doBank and Italfondiario back in 2008, before any other operator in the industry in Italy. In 2017, doBank was also assigned a Master Servicer rating of "RMS2/CMS2/ABMS2" by Fitch Ratings.

The doBank Group has long been a major partner of leading Italian and foreign financial institutions and institutional investors. The Group's customer base, which in 2018 grew even more diversified, can be divided into two main categories that reflect the type of activity carried out: (i) Banks, for which the Group mainly performs "Collection and Recovery" activities and (ii) Investors, for which doBank also carries out "Due Diligence" and "Structuring" activities as well as "Collection and Recovery". doBank offers both groups of customers the entire range of Ancillary Products connected with Recovery activities.

MACROECONOMIC ENVIRONMENT

The growth of the global economy in 2018 was buffeted by significant tensions in international trade and by the recurrence of financial crises in the emerging economies.
After growth of 3.7% in 2018, the latest forecasts of the OECD[1] show global GDP slowing to 3.5% in 2019 (November 2018 forecast, revised downwards from the 3.7% expected in May 2018). The uncertainties of the economic situation had repercussions on the financial markets, triggering greater volatility in share prices in 2018 compared with the recent past.

Not immune to global developments, the European Union[2] is expected to grow by 1.9% in 2019 after the +2.1% posted in 2018, with uneven growth rates among the 28 Member States and signs of weakness in industrial production and flagging inflation, the latter reflecting developments in energy prices. In this context, the ECB reiterated its intention to maintain its monetary stimulus for an extended period of time.

The slow growth in private consumption and employment, together with fears about the strength of external demand and investment, will keep growth in Italy, after the +1% registered in 2018, below the average GDP growth rate for Europe as a whole in 2019 as well. The moderate growth of GDP should however enable a further reduction in the unemployment rate, which is expected to decline to 10.4% in 2019 from 10.7% in 2018. In addition, the positive trend in the Italian real estate sector is continuing, intrinsically linked to the management of loans secured by collateral, where the price index rose by 1.5% in 2018 after posting a +1.4% the previous year.[3]

In 2018, the Italian banking sector continued to strengthen its capital ratios and improve asset quality, reducing non-performing exposures thanks in part to the continued interest of international investors, which contributed to the development of the credit servicing market in which doBank remains a leader. It is expected that this interest will continue in the medium term starting from 2019, accompanying the main Italian banks to the process of achieving European standards. Among non-performing exposures, gross bad loans amounted to around €120 billion at the end of 2018,[4] down from around €165 billion at the end of 2017. A similar trend was registered in unlikely-to-pay positions, which amounted to around €82 billion

[1] OECD, Economic Outlook, November 2018.
[2] European Commission, European Economic Forecast – Autumn 2018.
[3] Bloomberg, Scenari Immobiliari SpA, figures for December 2017.
[4] Bank of Italy - Banks and Financial Institutions: Credit Conditions and Risk by Sector and Geographical Area – January 2019.

at the end of 2018 compared with €94 billion at the end of 2017, a signal that the Italian banking system and international investors are also focusing on this asset class in addition to bad loans. A number of concerns continue to face the Italian banking industry, including an average profitability that is below European benchmarks and the large exposure to domestic government securities, whose yields increased significantly in 2018.

The systematic approach to the problem exposures of the Italian banking system and the support of innovative instruments such as the GACS (a guarantee mechanism for securitisations of non-performing loans) continued to sustain the development of the credit servicing market, estimated by PwC at over €260 billion at the end of 2018,[5] with growth expected to continue in the medium term, representing, together with the Spanish market, one of the main markets at European level.

[5] PWC – Update on the Italian NPL servicing market – June 2018.

Group highlights

(€/000)

Key data of the consolidated income statement	Year		Change	
	2018	2017	Amount	%
Gross Revenues	233,503	213,547	19,956	9%
Net Revenues	209,593	193,406	16,187	8%
Operating expenses	(128,300)	(123,304)	(4,996)	4%
EBITDA	81,293	70,102	11,191	16%
EBITDA Margin	35%	33%	2%	6%
Non-recurring items [1]	(2,712)	-	(2,712)	n.s.
EBITDA excluding non-recurring items	84,005	70,102	13,903	20%
EBITDA Margin excluding non-recurring items	36%	33%	3%	10%
EBT	80,202	68,134	12,068	18%
EBT Margin	34%	32%	2%	8%
Net Profit (Loss) attributable to the Group	50,840	44,994	5,846	13%
Net Profit (Loss) attributable to the Group excluding non-recurring items	52,624	44,994	7,630	17%

(€/000)

Key data of the consolidated balance sheet	12/31/2018	12/31/2017	Change	
			€	%
Cash and liquid securities	74,443	50,364	24,079	48%
Financial assets	36,312	25,960	10,352	40%
Trade receivables	99,224	99,337	(113)	(0)%
Tax assets	87,355	103,941	(16,586)	(16)%
Total assets	317,036	297,500	19,536	7%
Financial liabilities	-	11,759	(11,759)	(100)%
Trade payables	21,848	21,072	776	4%
Other liabilities	15,362	14,928	434	3%
Provisions for risks and charges	20,754	26,579	(5,825)	(22)%
Shareholders' equity	232,789	206,697	26,092	13%

(€/000)

Regulatory Indicators - C.B.A.	12/31/2018	12/31/2017	Change		12/31/2018
			€	%	CRR Group
Own Funds	155,658	141,535	14,123	10%	115,987
RWA	595,006	535,492	59,514	11%	598,544
CET 1 capital ratio	26.16%	26.43%	(0.27)%	(1)%	19.38%
Total capital ratio	26.16%	26.43%	(0.27)%	(1)%	19.38%

[1] Non-recurring items include start-up costs for the Greek branch, costs associated with the Group reorganisation and a number of costs connected with the acquisition of control of Altamira Asset Management S.A.

In order to facilitate an understanding of the doBank Group's performance and financial position, a number of alternative performance measures ("Key Performance Indicators" or "KPIs") have been selected by the Group. They are summarised in the following table.

(€/000)

Key performance indicators	12/31/2018	12/31/2017
Gross Book Value (Eop) - in millions of Euro -	82,179	76,703
Collections for the period - in millions of Euro -	1,961	1,836
Collections for the Last Twelv e Months (LTM) - in millions of Euro -	1,961	1,836
LTM Collections/GBV (EoP)	2.4%	2.4%
LTM Collections Stock/GBV Stock (EoP)	2.5%	2.4%
Staff FTE/Total FTE	37%	37%
LTM Collections/Serv icing FTE	2,668	2,510
Cost/Income ratio	61%	64%
EBITDA	81,293	70,102
Non-recurring items	(2,712)	-
EBITDA excluding non-recurring items	84,005	70,102
EBT	80,202	68,134
EBITDA Margin	35%	33%
EBITDA Margin excluding non-recurring items	36%	33%
EBT Margin	34%	32%
Earning per share (Euro)	0.65	0.58
Earning per share excluding non-recurring items (Euro)	0.67	0.58
EBITDA – Capex	75,885	63,545
Net Working Capital	77,376	78,265
Net Financial Position of cash/(debt)	67,911	38,605

Key

Gross Book Value (EoP): Indicates the book value of the loans under management at the end of the reference period, gross of any potential write-downs due to expected loan losses.

Collections for the period: used to calculate commissions for the purpose of determining revenues from the servicing business, they illustrate the Group's ability to extract value from the portfolio under management.

Collections for last 12 months (LTM): collections in the twelve months prior to the reference date. The aggregate is used in interim periods to enable a like-for-like comparison with the annual figure.

LTM collections/GBV (Gross Book Value): the ratio between total gross LTM collections and the period-end GBV of the total portfolio under management. This indicator represents another metric to analyse collections for the period and LTM in absolute terms, calculated in relation to the effectiveness rate of collections, i.e. the yield of the portfolio under management in terms of annual collections and, consequently, commission income from management activities.

LTM collections Stock/GBV Stock (Gross Book Value): the ratio between total gross LTM collections on the portfolio at the start of the reference year and the end-period GBV of that portfolio. Compared with the previous indicator LTM collections/GBV, this metric represents the effectiveness rate of recoveries normalised for the entry of new portfolios during the reference year.

Staff FTE/Total FTE: the ratio between the number of employees who perform support activities and the total number of full-time employees of the Group. The indicator illustrates the efficiency of the operating structure and the focus on management activities.

LTM collections/Servicing FTE: the ratio between total LTM collections and the number of employees who perform servicing activities. The indicator provides an indication of the collection efficiency rate, i.e. the yield of each individual employee specialised in servicing activities in terms of annual collections on the portfolio under management.

Cost/Income ratio: calculated as the ratio between operating expenses and total operating revenues presented in the reclassified Income Statement. It is one of the main indicators of the Group's operating efficiency: the lower the value of the indicator, the greater the efficiency of the Group.

EBITDA and **EBT:** together with other relative profitability indicators, they highlight changes in operating performance and provide useful information regarding the Group's economic performance.

Non-recurring items: items generated in extraordinary operations such as corporate restructurings, acquisitions or disposals of entities, start-up of new businesses or entry into new markets.

EBITDA excluding non-recurring items: EBITDA attributable to core operations, excluding all items connected with extraordinary operations such as corporate restructurings, acquisitions or disposals of entities, start-up of new businesses or entry into new markets.

EBITDA Margin and **EBT Margin**: obtained by dividing EBITDA and EBT by **Gross Revenues**.

Earnings per share: calculated as the ratio between net profit for the period and the number of outstanding shares at the end of the period.

Earnings per share excluding non-recurring items: the calculation is the same as that for earnings per share, but the numerator is equal to net profit for the period excluding non-recurring items net of the associated tax effects. The latter is calculated using the normalised tax rate for the period, i.e. excluding the DTA charge.

EBITDA – Capex: calculated as EBITDA net of investments in fixed capital (including property, plant and equipment and intangible and financial assets) (“Capex”). Together with other relative profitability indicators, it highlights changes in operating performance and provides an indication on the Group's ability to generate cash.

Net Working Capital: this is represented by receivables for fees invoiced and accruing, net of payables to suppliers for invoices accounted for and falling due in the period.

Net Financial Position: this is calculated as the sum of cash, cash equivalents and highly-liquid securities, net of amounts due to banks for loans and due to customers for the current accounts opened with the Group.

GROUP RESULTS AT DECEMBER 31, 2018

Performance

The following table presents the reclassified consolidated income statement as at December 31, 2018 with comparative figures for the previous year.

(€/000)

Condensed consolidated income statement	Year		Year		Change	
		2018		2017	Amount	%
Servicing revenues		205,539		194,746	10,793	6%
Co-investment revenues		911		665	246	37%
Ancillary and other revenues		27,053		18,136	8,917	49%
Gross Revenues		**233,503**		**213,547**	**19,956**	**9%**
Outsourcing fees		(23,910)		(20,141)	(3,769)	19%
Net revenues		**209,593**		**193,406**	**16,187**	**8%**
Staff expenses		(94,054)		(83,391)	(10,663)	13%
Administrative expenses		(34,246)		(39,913)	5,667	(14)%
Operating expenses		**(128,300)**		**(123,304)**	**(4,996)**	**4%**
EBITDA		**81,293**		**70,102**	**11,191**	**16%**
EBITDA Margin		35%		33%	2%	6%
Non-recurring items included in EBITDA [1]	(2,712)		-		(2,712)	n.s.
EBITDA excluding non-recurring items	**84,005**		**70,102**		**13,903**	**20%**
EBITDA Margin excluding non-recurring items	36%		33%		3%	10%
Impairment/Write-backs on property, plant, equipment and intangible assets		(2,750)		(2,284)	(466)	20%
Net Provisions for risks and charges		(318)		(4,041)	3,723	(92)%
Net Write-downs of loans		862		1,776	(914)	(51)%
Net income (losses) from investments		917		2,765	(1,848)	(67)%
EBIT		**80,004**		**68,318**	**11,686**	**17%**
Net financial interest and commissions		198		(184)	382	n.s.
EBT		**80,202**		**68,134**	**12,068**	**18%**
Income tax for the year		(29,362)		(22,750)	(6,612)	29%
Profit (loss) from group of assets sold and held for sale net of tax		-		(390)	390	(100)%
Net Profit (Loss) attributable to the Group		**50,840**		**44,994**	**5,846**	**13%**
Non-recurring items included in Net Profit (Loss) attributable to the Group	(1,784)		-		**(1,784)**	n.s.
Net Profit (Loss) attributable to the Group excluding non-recurring items	**52,624**		**44,994**		**7,630**	**17%**
Earnings per share (Euro)		**0.65**		**0.58**	**0.07**	**13%**
Earnings per share excluding non-recurring items (Euro)	**0.67**		**0.58**		**0.10**	**17%**

[1] Non-recurring items include start-up costs for the Greek branch, costs associated with the Group reorganisation and a number of costs connected with the acquisition of control of Altamira Asset Management S.A..

The formation of EBITDA

In 2018, doBank registered a significant improvement in profitability, due to rising collections and revenues and constant attention to developments in the cost base.

More specifically, EBITDA for the year amounted to €81.3 million, an increase of 16% compared with €70.1 million in 2017, bringing the margin over revenues above 35%, an improvement of 2 percentage points compared with 33% in 2017. Excluding non-recurring charges, equal to about €2.7 million and detailed below, EBITDA grew by €13.9 million (+20%) to €84 million, and an EBITDA margin of 36%, the latter rising by 3 percentage points compared with 2017, continuing along the path of expansion envisaged in the 2018-2020 Business Plan.

The growth in gross revenues, which rose by almost €20 million (+9%) compared with 2017, to reach €234 million, is in line with the target of "over €230 million" and is entirely attributable to organic factors, first and foremost the increase in collections due to the growth in assets under management.

(€/000)

Net revenues	**Year**		**Change**	
	2018	**2017**	**Amount**	**%**
Servicing revenues	205,539	194,746	10,793	6%
o/w Banks	*131,806*	*159,763*	*(27,957)*	*(17)%*
o/w Investors	*73,733*	*34,983*	*38,750*	*111%*
Co-investment revenues	911	665	*246*	*37%*
Ancillary and other revenues	27,053	18,136	*8,917*	*49%*
Gross Revenues	**233,503**	**213,547**	**19,956**	**9%**
Outsourcing fees	(23,910)	(20,141)	*(3,769)*	*19%*
Net revenues	**209,593**	**193,406**	**16,187**	**8%**

The GBV of assets under management at the end of 2018 was equal to €82.2 billion (€76.7 billion in 2017), with the increase due to the progressive onboarding, from the start of 2018, of new servicing contracts in the amount of €13.2 billion in GBV, confirming doBank's leadership in the Italian servicing market, in addition to €1.2 billion of GBV deriving from existing contracts providing for the transfer of new positions, the most important of which is with the UniCredit Group. The main contracts onboarded during the year include the portfolios assigned to the Group by REV Gestione Crediti S.p.A. and the Italian Recovery Fund (formerly Atlante II), the portfolio of non-performing loans originated by the MPS Group and that originated by Banca Popolare Agricola di Ragusa.

In addition, the GBV under management increased to €86.4 billion, up by about €10 billion compared with the figure at the end of 2017, including the €1.8 billion contract with the four Greek systemic banks and the contracts acquired in the last quarter of 2018, whose onboarding will be completed in the first quarter of 2019.

These developments in GBV sustained the growth in the volume of recoveries, which in 2018 amounted to €1,961 million, + 7% compared with the €1,836 million posted at December 31, 2017. The increase in collections also reflects the organic growth in recovery capacity, expressed as the ratio between collections and GBV at the end of the period, which rose to 2.5% in 2018, compared with 2.4% in 2017, excluding the impact of new contracts that are still not fully reflected in collections for the period (stock collection rate). The improvement in this indicator is mainly a function of continuous developments in the IT platform to support recovery activities and the dynamic allocation of asset managers to optimise workloads. Including the new contracts progressively onboarded in 2018, the ratio of collections to GBV at the end of the period was unchanged at 2.4%.

In line with expectations, the volume of recoveries during the course of 2018 exhibited considerable seasonality connected with ordinary developments in in the activity of the Italian judicial system, which tends to concentrate work in certain months of the year, and with the timing of the onboarding of new portfolios. More specifically, the growth rate for collections was higher in the second half of the year, and about a third of collections (32% of the total) was concentrated in the fourth quarter alone.

Servicing revenues, which are the Group's focus, accounting for 88% of consolidated revenues, amounted to €205.5 million, compared with €194.7 million (+ 6%) in 2017, mainly due to higher performance fees, which are linked to the performance of collections and the portfolio under management, and to portfolio transfer indemnities from customers. The average level of base fees and performance fees was unchanged in 2018 compared with the previous year, reflecting the criteria adopted in selecting new contracts, which gave preference to those with the greatest fee-generation potential. In particular, base fees represented more than 19% of total servicing revenues, in line with 2017. The significant increase in the Investor segment (+ 111%) and the decline in the Bank segment (-17%) is attributable to the addition as from the third quarter of 2017 of revenues from the contract for the management of the Fino 1 and Fino 2 Securitisation portfolios originated by UniCredit, which had already been managed in part by the Group under the MSA contract, and by securitization transactions with and without GACS (e.g. MPS, Berenice, Banca Popolare di Ragusa, REV).

Revenues from co-investment and **revenues from ancillary products and minor activities** totalled €28.0 million, up 49% compared with 2017, reaching 12% of revenues. Contributing to the growth was the income from the ABSs issued in the Romeo SPV and Mercuzio Securitization securitizations, revenues from the data remediation business, with the activation of new contracts with non-captive customers linked to recent contracts for the management of portfolios supported by GACS, business information activities, the growth of the judicial management division, the due diligence and master servicing activities, as well as the reimbursement of costs incurred by the Greek branch doBank Hellas in connection with the management of the contract with the four systemic banks in the amount of €3.2 million.

Compared with the previous year, **fee and commission expense** increased by 19%, due both to the greater volume of collections (+ €2.5 million), and the expansion of ancillary services (+ €1.2 million).
Net revenues amounted €209.6 million at December 31, 2018, up 8% compared with 2017 (€193.4 million).

(€/000)

Operating expenses	**Year**		**Change**	
	2018	**2017**	**Amount**	**%**
Staff expenses	(94,054)	(83,391)	*(10,663)*	*13%*
Administrativ e expenses	(34,246)	(39,913)	*5,667*	*(14)%*
o/w IT	*(13,529)*	*(16,486)*	*2,957*	*(18)%*
o/w Real Estate	*(8,459)*	*(8,086)*	*(373)*	*5%*
o/w SG&A	*(12,258)*	*(15,341)*	*3,083*	*(20)%*
Operating expenses	**(128,300)**	**(123,304)**	**(4,996)**	***4%***
Non-recurring items included in EBITDA	*(2,712)*	-	*(2,712)*	*n.s.*
EBITDA excluding non-recurring items	**84,005**	**70,102**	**2,710**	***4%***

Operating expenses amounted to €128.3 million, up 4% compared with the €123.3 million posted in 2017, despite the 9% revenue growth and the launch of new initiatives in Greece and Italy, underscoring of the operating leverage the Group enjoys. The increase in **staff expenses** (from €83.4 million at December 31, 2017 to €94.0 million in 2018) reflects the strengthening of top management and the effect of the introduction of a new incentive mechanism following the listing, which in 2018 covered an entire year for the first time. This increase was mitigated by the reduction in IT costs, lower running costs and the absence projects under way in 2017, as well as cost efficiencies in general overheads.

Operating expenses in 2018 included certain **non-recurring items,** which have been used to adjust EBITDA in order to facilitate a comparison between periods and clarify the Group's structural profitability. **EBITDA excluding non-recurring items** was therefore calculated as the difference between EBITDA and the non-recurring items included in EBITDA.
These non-recurring items, which were not present in 2017, amounted to €2.7 million and include:

(i) the start-up of activities in Greece, with the establishment of the doBank Hellas branch, which has been operational since the third quarter of 2018 with an initial contract to manage a €1.8 billion portfolio;

(ii) the Group reorganization project envisaged in the 2018-2020 Business Plan, which includes, among its primary lines of growth, a greater focus on UTP servicing; and

(iii) part of the costs related to the agreement announced on December 31, 2018 to acquire the servicer Altamira Asset Management, a European leader in the management of loans and real estate assets, with assets under management of some €55 billion and a presence in the Spanish, Cypriot, Portuguese and Greek markets.

The formation of EBIT and EBT

Group **EBIT** amounted to €80.0 million compared with €68.3 million in 2017 (+17%), while **EBT** amounted to €80.2 million compared with €68.1 million in the previous year (+18%), as detailed in the following table.

(€/000)

EBIT and EBT	Year		Change	
	2018	2017	Amount	%
EBITDA	**81,293**	**70,102**	**11,191**	**16%**
Impairment/Write-backs on property, plant, equipment and intangible assets	(2,750)	(2,284)	*(466)*	*20%*
Net Provisions for risks and charges	(318)	(4,041)	*3,723*	*(92)%*
Net Write-downs of loans	862	1,776	*(914)*	*(51)%*
Net income (losses) from investments	917	2,765	*(1,848)*	*(67)%*
EBIT	**80,004**	**68,318**	**11,686**	**17%**
Net financial interest and commissions	198	(184)	*382*	*n.s.*
EBT	**80,202**	**68,134**	**12,068**	**18%**

Net impairment/write-backs on property, plant and equipment and intangible assets mainly regarded amortisation of software licences. The aggregate increased by 20% compared with 2017, reflecting the technology investments of the Group as part of the enhancement of the IT platform and the standardisation of the information system at all of the Group companies.

Net provisions for risks and charges improved sharply compared with 2017, decreasing by €3.7 million, mainly as a result of the reversal of excess provisions following the settlement of a number of positions.

Net write-downs of loans showed net writebacks of €862 thousand, 51% lower than the previous year as a result of the large positive component in 2017 (€1.8 million) connected with collections on positions that had previously been written off.

Net income (losses) from investments at December 31, 2018 amounted to €0.9 million, with the gain generated by the disposal of the interest of 45% in BCC Gestione Crediti S.p.A., a company belonging to the Iccrea Banking Group.

Net financial interest and commissions reflect the impact of the fair value measurement of financial assets (ABSs from Romeo e Mercuzio Securitisation and units of the IRF fund), as well as financial expense on credit lines.

The formation of net profit for the period

(€/000)

Net result for the period	Year		Change	
	2018	2017	Amount	%
EBT	**80,202**	**68,134**	**12,068**	**18%**
Income tax for the year	(29,362)	(22,750)	*(6,612)*	*29%*
Profit (loss) from group of assets sold and held for sale net of tax	-	(390)	*390*	*(100)%*
Net Profit (Loss) attributable to the Group	**50,840**	**44,994**	**5,846**	**13%**
Earnings per share (in Euro)	**0.65**	**0.58**	**0.07**	**13%**
Non-recurring items included in Net Profit (Loss) attributable to the Group	(1,784)	-	*(1,784)*	*n.s.*
Net Profit (Loss) attributable to the Group excluding non-recurring items	**52,624**	**44,994**	**4,062**	**9%**
Earnings per share excluding non-recurring items (Euro)	**0.67**	**0.58**	**0.10**	**17%**

Income taxes for the period amounted to €29.4 million, for an overall tax rate of 36.6%. This amount includes the DTA charge for the year of €1.9 million, which was not present in 2017 because it had already been charged to the previous year as a result of the provisions of the law ratifying the "Bank Rescue" decree (Law 15 of February 17, 2017), which postponed its entry into force. The tax rate excluding the DTA charge is equal to 34.2%.
Net profit for the year, which in the absence of profit pertaining to non-controlling interest, pertains entirely to the shareholders of the Parent Company, amounted to €50.8 million, up 13% compared with 2017. **Excluding non-recurring items**, taking account of the associated tax effects calculated at a tax rate of 34.2%, consolidated net profit came to €52.6 million, an increase of 17% compared with the previous year.

Segment Reporting

The doBank Group's business model can be analysed in two main dimensions:

- Customers;
- Business Lines.

The doBank Group's customer base can be broken down into two main categories: Banks and Investors. The business lines represent the aggregation of products/services offered by the Group, and fall into two categories: Servicing and Ancillary Products and Minor Activities.

Based on these criteria, the following table reports the revenues and EBITDA of the business segments.

(€/000)

Condensed consolidated income statement	Year 2018						
	Banks	Investors	Total Servicing	%	Ancillary & other	%	Total
Servicing revenues	131,806	73,733	205,539		-		205,539
o/w Banks	*131,806*	*-*	*131,806*		*-*		*131,806*
o/w Investors	*-*	*73,733*	*73,733*		*-*		*73,733*
Co-investment revenues	-	-	-		911		911
Ancillary and other revenues	-	-	-		27,053		27,053
Gross Revenues	**131,806**	**73,733**	**205,539**	**88%**	**27,964**	**12%**	**233,503**
Outsourcing fees	(13,278)	(4,864)	(18,141)		(5,769)		(23,910)
Net revenues	**118,528**	**68,869**	**187,398**	**89%**	**22,195**	**11%**	**209,593**
Staff expenses	(54,683)	(30,590)	(85,273)		(8,781)		(94,054)
Administrative expenses	(19,748)	(11,048)	(30,794)		(3,452)		(34,246)
o/w IT	*(7,637)*	*(4,272)*	*(11,908)*		*(1,621)*		*(13,529)*
o/w Real Estate	*(4,747)*	*(2,656)*	*(7,402)*		*(1,057)*		*(8,459)*
o/w SG&A	*(7,364)*	*(4,120)*	*(11,484)*		*(774)*		*(12,258)*
Operating expenses	**(74,431)**	**(41,638)**	**(116,067)**		**(12,233)**		**(128,300)**
EBITDA	**44,097**	**27,231**	**71,331**	**88%**	**9,962**	**12%**	**81,293**
EBITDA Margin	**33%**	**37%**	**35%**		**36%**		**35%**
EBITDA Contribution	**54%**	**33%**	**88%**		**12%**		**100%**

In 2018 the gross revenues (€205.5 million) and EBITDA (€71.3 million) of the **Servicing** segment represent 88% of their respective totals. As from the third quarter of 2017, the FINO portfolio was reclassified from the Banks segment to the Investors segment in conjunction with the change in the majority ownership of the portfolio. As a result of this reclassification and the contribution of the new business of Italfondiario (MPS, Berenice and REV), the revenues of the Investors segment expanded from €35.0 million last year to €73.7 million this year.

Ancillary products and minor activities posted an EBITDA Margin of 36%, 5 percentage points higher than in 2017.

(€/000)

	Banks	Investors	Total Servicing	Ancillary & other	Total
Servicing revenues					
Year 2018	131,806	73,733	205,539	-	205,539
Year 2017	159,763	34,983	194,746	-	194,746
Change	*(27,957)*	*38,750*	*10,793*	-	*10,793*
Co-investment revenues, ancillary and other					
Year 2018	-	-	-	27,964	27,964
Year 2017	-	-	-	18,801	18,801
Change	-	-	-	*9,163*	*9,163*
Staff expenses					
Year 2018	(54,683)	(30,590)	(85,273)	(8,781)	(94,054)
Year 2017	(63,082)	(13,822)	(76,904)	(6,487)	(83,391)
Change	*8,399*	*(16,768)*	*(8,369)*	*(2,294)*	*(10,663)*
Administrative expenses					
Year 2018	(19,748)	(11,048)	(30,796)	(3,452)	(34,248)
Year 2017	(29,222)	(6,399)	(35,621)	(4,292)	(39,913)
Change	*9,474*	*(4,649)*	*4,825*	*840*	*5,665*
EBITDA					
Year 2018	44,097	27,231	71,328	9,962	81,290
Year 2017	52,843	11,563	64,406	5,696	70,102
Change	*(8,746)*	*15,668*	*6,922*	*4,266*	*11,188*
EBITDA Margin					
Year 2018	33%	37%	35%	36%	35%
Year 2017	33%	33%	33%	30%	33%
Change	*0%*	*4%*	*2%*	*5%*	*2%*

Group financial position

Beginning with the Consolidated Interim Report at September 30, 2018, the balance sheet figures have been reclassified from a management perspective, which is more in line with the representation of the reclassified income statement and the net financial position of the Group, taking due account of the reorganisation now under way, following which the Group will no longer be considered a banking group.
At the end of this Directors' Report, in accordance with the same presentation approach for the income statement, we have included a reconciliation between the management balance sheet and the regulatory balance sheet provided for in the applicable Bank of Italy Circular 262/2005.

:/000)

Condensed balance sheet	12/31/2018	12/31/2017	Change	
			€	%
Cash and liquid securities	74,443	50,364	24,079	48%
Financial assets	36,312	25,960	10,352	40%
Equity inv estments	-	2,879	(2,879)	(100)%
Tangible assets	2,810	2,772	38	1%
Intangible assets	8,327	6,041	2,286	38%
Tax assets	87,355	103,941	(16,586)	(16)%
Trade receiv ables	99,224	99,337	(113)	(0)%
Assets on disposal	710	10	700	n.s.
Other assets	7,855	6,196	1,659	27%
Total assets	**317,036**	**297,500**	**19,536**	**7%**
Financial liabilities: due to customers	-	11,759	(11,759)	(100)%
Trade payables	21,848	21,072	776	4%
Tax Liabilities	10,174	6,105	4,069	67%
Employee Termination Benefits	9,577	10,360	(783)	(8)%
Prov ision for risks and charges	20,754	26,579	(5,825)	(22)%
Liabilities on disposal	6,532	-	6,532	n.s.
Other liabilities	15,362	14,928	434	3%
Total Liabilities	**84,247**	**90,803**	**(6,556)**	**(7)%**
Share capital	41,280	41,280	-	n.s.
Reserv es	140,915	120,700	20,215	17%
Treasury shares	(246)	(277)	31	(11)%
Result for the period	50,840	44,994	5,846	13%
Total shareholders' equity	**232,789**	**206,697**	**26,092**	**13%**
Total liabilities and shareholders' equity	**317,036**	**297,500**	**19,536**	**7%**

The **cash and liquid securities**, the composition of which is shown in the table below, amounted to €74.4 million, compared with €50.4 million at December 31, 2017, a significant increase in this item (+ 48%), despite outlays of €30.9 million for the payment of dividends and the outlay of about €13 million for the investment in the Italian Recovery Fund.

(€/000)

Cash and liquid securities	12/31/2018	12/31/2017	Change €	Change %
Cash	15	21	(6)	(29)%
Financial assets at amortised cost - L&R with banks:				
current accounts and demand deposits	73,429	49,340	24,089	49%
Financial assets at fair value through other comprehensive income:				
liquid securities	999	1,003	(4)	(0)%
Total	**74,443**	**50,364**	**24,079**	**48%**

Financial assets measured at fair value through other comprehensive income are entirely accounted for by an investment in Italian government securities (BOTs) in the amount of €1.0 million that is intended to ensure compliance with the Liquidity Coverage Ratio (LCR) requirement for short-term liquidity needs.

Financial assets also increased (+40%), rising from €26.0 million to €36.3 million.

(€/000)

Financial assets	12/31/2018	12/31/2017	Change €	Change %
At fair value through profit or loss				
Debt securities	5,240	7,734	(2,494)	(32)%
CIUs	28,963	15,222	13,741	90%
Equity instruments	47	42	5	12%
Total	**34,250**	**22,998**	**11,252**	**49%**
At amortized cost				
L&R with banks other than current accounts and demand deposits	98	109	(11)	(10)%
L&R with customers	1,964	2,853	(889)	(31)%
Total	**2,062**	**2,962**	**(900)**	**(30)%**

Financial assets measured at fair value through profit or loss increased by the amount paid for units of the Italian Recovery Fund (formerly Atlante II). At December 31, 2018 there was also a commitment of approximately €1.5 million to be paid for a further call for payment of units by Quaestio SGR S.p.A.
The item also includes the fair value of €5.2 million in respect of the remaining ABSs of the Romeo SPV and Mercuzio Securitization securitisations. The decline compared with the previous year is due to the collection of the notes on the scheduled payment dates as well as to the effects of the adjustment of the valuation model and the adoption of a new internal rate of expected return that also reflected developments in the NPL ABS spread curves during the year.

Financial assets at amortised cost decreased by €889 thousand compared with the previous December, mainly due to the reclassification to **assets held for sale of assets** connected with customer current accounts, in line with the expected implementation of the reorganisation of the doBank Group set out in the 2018-2020 Business Plan published in June 2018. At the same time, **financial liabilities: customer deposits**, which include current accounts and demand deposits held by professionals and legal counsel affiliated with the Group, were reclassified to **liabilities held for sale**.

Equity investments are equal to zero following the sale in the third quarter of the year of the 45% stake in BCC Gestione Crediti, which generated a gain of €0.9 million.

Property, plant and equipment and intangible assets increased by 1% and 38% respectively, reflecting technology investments, mainly applications used in portfolio management, the set-up of the Greek branch and the software and infrastructure for Group business intelligence operations.

Tax assets decreased by €16.6 million (-16%), mainly due to the reversal of the previous tax losses against taxable income for the period, as well as the release of certain provisions for risks.
Other tax receivables mainly includes the VAT position in respect of tax authorities.

(€/000)

Tax assets	12/31/2018	12/31/2017	Change €	Change %
Current tax assets				
Paid in advance	192	165	27	16%
Tax liabilities	(159)	-	(159)	n.s.
Total	**33**	**165**	**(132)**	**(80)%**
Deferred tax assets				
Write-down on loans	55,407	55,582	(175)	(0)%
Tax losses carried forward in the future	19,397	29,933	(10,536)	(35)%
Other assets / liabilities	205	286	(81)	(28)%
Provisions	6,395	8,218	(1,823)	(22)%
Other items	2	3	(1)	(33)%
Total	**81,406**	**94,022**	**(12,616)**	**(13)%**
Other tax receivables	**5,916**	**9,754**	**(3,838)**	**(39)%**
Total tax assets	**87,355**	**103,941**	**(16,586)**	**(16)%**

Trade receivables and **trade payables** are reported below table on **net working capital**.

As noted above, **assets held for sale** include €710 thousand in customer current accounts.

The residual component **other assets**, equal to €7.9 million, mainly includes prepayments and advances to suppliers.

As can be seen in the following table, **tax liabilities** mainly regard payables for current taxes. The tax impact on the valuation reserve for ABSs of €427 thousand, and recognised under deferred taxes at December 31, 2017, following the application of the new IFRS 9, was reversed to the provision for current taxes. Starting from January 1, 2018, changes in fair value are recognised through profit or loss, and no longer through other comprehensive income.
Other tax payables mainly include payables for withholding taxes and the VAT liability.

€/000)

Tax liabilities	12/31/2018	12/31/2017	Change €	Change %
Current tax liabilities				
Taxes for the period	19,936	15,232	4,704	31%
Net payments on account	(11,768)	(11,827)	59	(0)%
Total	**8,168**	**3,405**	**4,763**	**140%**
Deferred tax liabilities	**21**	**447**	**(426)**	**(95)%**
Other tax payables	**1,985**	**2,253**	**(268)**	**(12)%**
Total tax liabilities	**10,174**	**6,105**	**4,069**	**67%**

Provisions for risks and charges contracted by 22% from their balance at the end of 2017 as a result of the reversal of excess provisions in respect of settled disputes and a reduction in provisions for staff expenses, which include provisions to finance MBO bonuses to be paid in future years on the basis of existing remuneration policies.
The final residual component of provisions for risks includes provisions for disputes for which no litigation is currently under way.

(€/000)

Provision for risks and charges	12/31/2018	12/31/2017	Change €	Change %
Legal disputes	7,420	10,313	(2,893)	(28)%
Staff expenses	9,627	8,839	788	9%
Other	3,707	7,427	(3,720)	(50)%
Total	**20,754**	**26,579**	**(5,825)**	**(22)%**

Other liabilities were broadly stable compared with 2017, increasing by 3%. They mainly consist amounts due to personnel and transit items connected with recovery activities.

Net Working Capital

The following table shows a breakdown of net working capital at December 31, 2018 and at December 31, 2017.

(€/000)

Net working capital	12/31/2018	12/31/2017
Trade receiv ables	99,224	99,337
Trade payables	(21,848)	(21,072)
Total	**77,376**	**78,265**

The aggregate amounted to €77.4 million, an improvement on the €78.3 million posted at December 31, 2017 despite the increase in revenues. The positive performance of working capital, in line with expectations, reflects the expansion of the Investors customer portfolio, which has a more favourable working capital cycle.

Net Financial Position

The following table shows a breakdown of the positive net financial position at December 31, 2018 and at December 31, 2017.

(€/000)

Net financial position	12/31/2018	12/31/2017
A Cash	15	21
B Current bank accounts	73,429	49,340
C Liquid securities	999	1,003
D Liquidity (A)+(B)+(C)	**74,443**	**50,364**
E Current bank debts	-	-
F Deposits from customers	(6,532)	(11,759)
G Other current financial debts	-	-
H Net current financial position (D)+(E)+(F)+(G)	**67,911**	**38,605**
I Non-current bank debts	-	-
J Other non-current financial debts	-	-
K Net financial position (H)+(I)+(J)	**67,911**	**38,605**

The net financial position was a positive (cash) €67.9 million at the end of 2018, a significant improvement compared with €38.6 million at the end of 2017 and characterised by the absence of bank debt. The net financial position is particularly large despite the payment of dividends of €30.9 million and the increase of €13 million in the investment in units of the Italian Recovery Fund (former Atlante II).

Operating Cash Flow

Cash generating capacity is detailed in the following table, which shows operating cash flow for the year compared with 2017.

(€/000)

Cash Flow	12/31/2018	12/31/2017
EBITDA	81,293	70,102
Capex	(5,408)	(6,557)
EBITDA-Capex	**75,885**	**63,545**
as % of EBITDA	93%	91%
Adjustment for accrual on share-based incentiv e system payments	5,814	2,195
Changes in NWC	889	1,055
Changes in other assets/liabilities	(6,454)	6,666
Operating Cash Flow	**76,134**	**73,461**
Tax paid (IRES/IRAP)	(10,480)	(1,170)
Free Cash Flow	**65,654**	**72,291**
(Inv estments)/div estments in financial assets	(8,051)	(12,509)
Equity (inv estments)/div estments	2,610	1,694
Div idend paid	(30,907)	(52,330)
Net Cash Flow of the period	**29,306**	**9,146**
Net financial Position - Beginning of period	38,605	29,459
Net financial Position - End of period	67,911	38,605
Change in Net Financial Position	**29,306**	**9,146**

The generation of operating cash flow improved in 2018, increasing by about €2.7 million on 2017 (€76.1 million, compared with €73.5 million). This was made possible by the shift of the customer mix to Investor customers noted above, as well as the progressive optimisation of finance operations, including supplier payments.

The ability to generate cash, underscored by free cash flow of €65.6 million, equal to 80% of EBITDA, enabled the Group to pay dividends of €30.9 million and to finalize the financial investment in units of the Italian Recovery Fund (formerly Atlante II), resulting in a net cash flow for the period of €29.3 million, €20.2 million greater than in 2017.

Shareholders' equity and capital ratios

Consolidated shareholders' equity at December 31, 2018 amounted to €232.8 million, compared with €206.7 million at December 31, 2016. The composition and changes in the aggregate compared with the end of the previous year are presented in the following tables.

(€/000)

Equity breakdown	12/31/2018	12/31/2017	Change €	Change %
Share capital	41,280	41,280	-	n.s.
Valuation reserv es	591	1,350	(759)	(56)%
Reserv es	140,324	119,350	20,974	18%
Treasury shares	(246)	(277)	31	(11)%
Net Profit (loss) for the period	50,840	44,994	5,846	13%
Shareholders' equity	**232,789**	**206,697**	**26,092**	**13%**

(€/000)

Changes in consolidated shareholders' equity	
Shareholders' equity as at December, 31 2017	**206,697**
Changes in opening balance (IFRS 9)	**(21)**
Increases:	**57,020**
Net profit for theperiod	50,840
Changes in v aluation reserv es (+)	366
Share payments	5,814
Decreases:	**(30,907)**
Div idends payed	(30,907)
Changes in v aluation reserv es (-)	-
Shareholders' equity as at December, 31 2018	**232,789**

(€/000)

Own Funds and capital adequacy ratios - CRR	12/31/2018	12/31/2017	Change €	Change %
Common equity TIER 1 capital (CET 1)	115,987	169,066	(53,079)	(31)%
Own Funds	**115,987**	**169,066**	**(53,079)**	**(31)%**
Risk Weighted Assets	**598,544**	**566,518**	**32,026**	**6%**
CET 1 capital ratio	19.38%	29.84%	(10.5)%	(35)%
Total capital ratio	**19.38%**	**29.84%**	**(10.5)%**	**(35)%**

The above table reports the value of own funds, risk-weighted assets and consolidated capital ratios as at December 31, 2018 and December 31, 2017, which were calculated on the basis of the regulatory principles set out in Directive 2013/36/EU (CRD IV) and Regulation (EU) 575/2013 (CRR) as transposed in Bank of Italy Circulars no. 285 and no. 286 of December 17, 2013.
As from the first quarter of 2018, with an impact on the figures at December 31, 2017 as well, the Group's scope of consolidation for the purpose of prudential supervision includes the holding company Avio S.à r.l. as the Group parent, which is not consolidated in shareholders' equity under accounting rules.

As at December 31, 2018, consolidated own funds amounted to €116.0 million, with risk-weighted assets of €598.5 million, most of which (64%) generated by operational risks and, to a lesser extent, credit risk.
The decrease in CET 1 capital compared with December 31, 2017 (-31%) mainly reflected the capital reduction of €30 million by Avio. Other factors were in particular the reduction in the computability of non-controlling interests and amounts connected with the consolidation under Avio.

As shown in the table, as at December 31, 2018, the doBank Group had a Total Capital Ratio of 19.4%, which despite the decrease of 10.5 percentage points from 2017 remains well above the minimum regulatory requirement for the period of 10.125%.

These minimum capital requirements are given in the following table[6] and take account of the notice issued on July 11, 2018, by the Bank of Italy concerning the outcome of the supervisory review process (Supervisory Review and Evaluation Process - SREP) carried out by the Bank of Italy with regard to the minimum capital requirements of the doBank Group.

Capital adequacy ratios	Minimum regulatory requirements (art. 92 CRR)	Capital conservation buffer for 2018	Minimum requirements including capital conservation buffer	SREP Requirements	Minimum requiremts including SREP and the capital conservation buffer	Countercyclical capital buffer	Total minimum requirements
Common Equity Tier 1 Ratio	4.50%	1.875%	6.38%	0.14%	6.52%	0.00%	**6.52%**
Tier 1 Capital Ratio	6.00%	1.875%	7.88%	0.19%	8.06%	0.00%	**8.06%**
Total Capital Ratio	8.00%	1.875%	9.88%	0.25%	10.13%	0.00%	**10.13%**

For management purposes and to reconcile the figures with the accounting data given in this report, the following table shows Group own funds and capital ratios as calculated under the provisions of the Consolidated Banking Act (T.U.B.), indicating virtually no change in the CET1 ratio compared with December 31, 2017 at 26.2% (-1%).

(€/000)

Fondi propri e coefficienti patrimoniali ex T.U.B.	31/12/2018	31/12/2017	Variazione €	Variazione %
Capitale primario di classe 1 (CET 1)	155,658	141,535	14,123	10%
Fondi Propri	**155,658**	**141,535**	**14,123**	**10%**
Attività ponderate per il rischio (RWA)	**595,006**	**535,492**	**59,514**	**11%**
CET 1 capital ratio	26.16%	26.43%	(0.27)%	(1)%
Total capital ratio	**26.16%**	**26.43%**	**(0.27)%**	**(1)%**

[6] Pursuant to Consob Communication n.6 of March 15, 2019

SIGNIFICANT EVENTS DURING THE FINANCIAL PERIOD

Presentation of the 2018-2020 Business Plan

At an event held in London on June 19, 2018, transmitted via a live webcast on the company's website, doBank's top management presented the 2018-2020 Business Plan (approved by the Board of Directors on the same date) to Group stakeholders, including analysts, investors, journalists, clients and employees.

The main lines of action set out in the Business Plan include strengthening our market leadership in servicing bad loans and UTPs in Italy, expanding NPL servicing activities in Greece and undertaking a major ICT investment plan and cost reduction campaign, while assessing opportunities for growth through M&A transactions, with a focus on southern Europe.

The targets in the Business Plan envisage average growth in Group gross revenues of between 8% and 9% per year from 2017 to 2020 (CAGR), average growth in Group EBITDA of more than 15% per year from 2017 to 2020 (CAGR), faster growth in earnings per share than the growth in EBITDA over the same period, substantial cash generation and a dividend payout of at least 65% of consolidated ordinary net income.

The press release and the presentation of the 2018-2020 Business Plan are available on the Company's website, www.dobank.com, in the "Investor Relations" section.

Acquisition of new servicing contracts and start of management of new loan portfolios

In the first part of 2018, the doBank Group gradually began the onboarding and management of substantial new loan portfolios, with a value of more than €13 billion.

More specifically, the onboarded portfolios included:

- the portfolio transferred to the Group by REV Gestione Crediti S.p.A., composed of non-performing loans originated by Banca delle Marche, Banca dell'Etruria e del Lazio, Cassa di Risparmio di Ferrara and Cassa di Risparmio di Chieti;
- the portfolio transferred to the Group by the Italian Recovery Fund (formerly Atlante II), comprising non-performing loans originated by Cassa di Risparmio di Rimini, Cassa di Risparmio di Cesena and Cassa di Risparmio di San Miniato (the Berenice operation);
- a portfolio of non-performing loans originated by the MPS Group and acquired from the Italian Recovery Fund;
- a portfolio of loans originated by Banca Popolare Agricola di Ragusa, which have been securitised in a transactions secured by a GACS guarantee;
- a portfolio of loans originated by the UniCredit Group as part of "Project Milano", together with other smaller portfolios.

In the second half of 2018, the Group also reached agreements with the Iccrea Banking Group and Banca Carige to manage a loan portfolio worth about €2.4 billion, which will be onboarded in the first quarter of 2019.

Formation of the doBank Hellas branch

Following completion of the passporting of the banking license, in April 2018, doBank Hellas was registered with the Chamber of Commerce of Athens (Greece), the first foreign branch of the doBank Group. The branch is already operating in the local market, one of Europe's largest for the servicing of non-performing loans, agreeing a management contract with the four main Greek banks (see following section) and continuing to pursue opportunities for growth with customer banks and investors.

Servicing contract with the four leading Greek banks

On July 31, 2018 doBank signed an agreement with the four systemic Greek banks, Alpha Bank, National Bank of Greece, Eurobank and Piraeus Bank, under the terms of which the doBank Group will manage a portfolio of non-performing loans with a gross book value of around €1.8 billion.

The agreement, which was obtained following the successful completion of a competitive call for tenders that saw the participation of 30 of the main servicers in Europe, represents the first management contract obtained by the Group in the promising Greek market. It will be managed by our local branch, doBank Hellas. As planned, during the third quarter of the year, doBank Hellas began the onboarding of the positions involved in the agreement, in preparation for the definition of the business plans, which took place in the fourth quarter, and the start of active management of the loans in January 2019.

Disposal of investment in BCC GeCre

During the third quarter, Italfondiario S.p.A. sold to the Iccrea Banking Group its 45% stake in BCC Gestione Crediti S.p.A. ("BCC GeCre"), a company belonging to the Iccrea Banking Group, for €2.6 million, with the recognition of a gain of €0.9 million.

The sale of the investment in BCC GeCre is in line with the 2018-2020 Business Plan presented in June 2018 by doBank. doBank continues to collaborate closely with the Iccrea Banking Group as a Special and Master Servicer and expects to expand the scope of this collaboration with the award of loan management contracts.

New corporate structure for the Group

In 2018 doBank outlined a new corporate structure for the Group, with the intention of making it more coherent with doBank's business mix, which generates almost all of its revenues from servicing activities. This will enable the Group to strengthen its competitiveness against the other players in its market.
As a result of the reorganisation operations and, specifically, the merger of doRe into doBank, the transfer of master servicing operations from doBank to Italfondiario and special servicing operations from Italfondiario to doBank using, respectively, of the contribution and demerger transactions described below, the parent company doBank stands out today for its greater specialisation in the special servicing and real estate services segments.
In parallel, doBank began the "debanking" process to enable the further expansion of servicing activities, which represents the company's core business, and the consolidation of the position of the Company and the Group in this market. Accordingly, the 2018-2020 Business Plan was drawn up on the basis of a strategic redefinition of the Group aimed at transforming it, as from 2019, into a listed servicing services company (pursuant to Art. 115 of the TULPS which regulates the debt recovery sector). The new structure of Group will align doBank with its European peers, while also removing significant limits on the use of capital and optimising the Group's financial structure, thus giving it an additional lever for growth and enabling important cost efficiencies, including a reduction in tax liabilities.

In response to doBank's application, the Bank of Italy then authorised the following transactions, which were finalised on December 24, 2018:

i) the merger of doRealEstate S.p.A. into doBank S.p.A. (effective from January 1, 2018);
ii) the partial demerger of Italfondiario S.p.A. assets to doBank S.p.A., with the aim of consolidating special servicing activities in a single company - doBank - (effective from January 1, 2019);
iii) the contribution to Italfondiario S.p.A. of the doBank unit responsible for master servicing activities and providing support to securitisation vehicles in cash management and corporate servicer activities (effective from January 1, 2019).

Agreement to acquire Altamira Asset Management

On December 31, 2018 doBank reached an agreement with Altamira Asset Management Holdings, S.l. for the acquisition of 85% of Altamira Asset Management S.A. a leader in southern Europe in the loan and real estate asset management market, with assets under management of about €55 billion and a presence in the Spanish, Cypriot, Portuguese and Greek markets. The stake involved in the transaction can be increased to 100% if Banco Santander S.A., which holds the remaining 15% of the capital of Altamira, exercises the co-sale right provided for in the agreements. Altamira is expected to achieve revenues of some €255 million in 2018 and an EBITDA of around €95 million.

The agreement will enable doBank to become a leader in the European market for credit management services, with assets under management of more than €140 billion (Gross Book Value) and over 2,200 employees. The combination of doBank and Altamira will create an asset-light independent pure servicing platform, able to offer investors access to the main markets in southern Europe, which have over €650 billion of non-performing assets.

The acquisition of 100% of Altamira's capital was valued at €412 million in terms of enterprise value, in addition to an earn-out of a maximum €48 million linked to growth in international markets.

The completion of the transaction is subject to normal market conditions and it is expected to close by May 2019, following the completion of the corporate reorganisation of doBank, as a result of which doBank will cease to be a banking group.
The transaction is expected to be financed with the cash available to doBank and with the use of a 5-year bank credit line of up to €450 million granted by a pool of domestic and international banks, to be used both for the acquisition of Altamira and the refinancing of Altamira's existing debt.
The credit line will accrue interest of 6-month Euribor, plus an initial spread of 250 bps linked to consolidated leverage. Considering the entire share capital of Altamira, the consolidated leverage ratio of doBank – the ratio of net debt to EBITDA - is expected to remain below 3x following the transaction and then fall rapidly as a result of the expected high cash generation.

SIGNIFICANT EVENTS AFTER THE END OF THE PERIOD

New Group structure: update
As noted above, the reorganisation process undertaken by doBank produced a number of effects at the turn of last year. Specifically, the transfer of Italfondiario operations to doBank and the contribution of operations by doBank to Italfondiario took effect as January 1, 2019.
Likewise, the "debanking" process initiated by doBank in 2018 with the intention of further strengthening of servicing activities (which represent the Company's core business), and the consolidation of the Company's and the Group's position in its key market, saw the Extraordinary Shareholders' Meeting of March 5, 2019 approve the proposal formulated by the Board of Directors to change the corporate purpose of the Company. Please note that with the implementation of this project, pending the issue of the required authorisation by the regulator, doBank intends to achieve greater rationalisation and efficiency for the Group, as the project seeks to make its corporate structure consistent with its core business of managing and recovering non-performing loans.

OUTLOOK FOR OPERATIONS

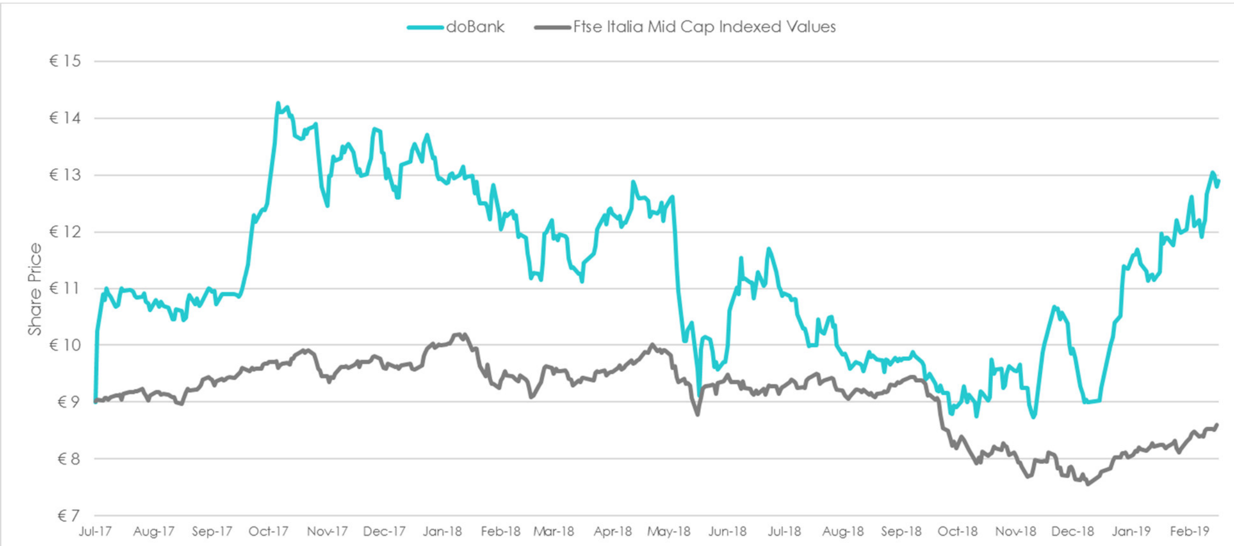
Performance for 2018 confirms the objectives of the 2018-2020 Business Plan, presented in June 2018, which provides for the strengthening of doBank's leadership in the European credit servicing market.
In particular, the Group's revenues are forecast to grow between 8% and 9% on average between 2017 and 2020 (CAGR), with Group EBITDA increasing by over 15% a year on average in the same period and earnings per share rising even faster than EBITDA, with a dividend payout ratio of at least 65% of consolidated profit.
In consideration of the importance of the agreement for the acquisition of Altamira Asset Management (press release of December 31, 2018), the Group plans to update the Business Plan targets following the completion of the acquisition, which is expected to close by May 2019.

MAIN RISKS AND UNCERTAINTIES

In consideration of the activities it performs and the results achieved, the financial position of the doBank Group is adequately scaled to meet its needs.
The financial policy pursued is in fact aimed at fostering the stability of the Group, which in view of its operations does not currently or prospectively intend to engage in speculative investment activity.
The main risks and uncertainties generated by current conditions in the financial markets do not represent any especially critical threats to the financial equilibrium of the Group and, as such, do not generate doubts about its operation as a going concern.
Please see Part E of the notes to the financial statements for more information on financial and operational risks.

DOBANK SHARES

The performance of doBank's stock since the IPO in July 2017 through the end of February 2019 is shown in the following chart, with a comparison with the mid-cap index for the Italian stock exchange in Milan.



doBank's shares have been listed on the Mercato Telematico Azionario operated by Borsa Italiana (MTA) since 14 July 2017, following a placement offer that received considerable interest from Italian and international institutional investors.
From the IPO price of €9 per share, despite the volatile performance in the second half of 2018, the stock has posted significant gains to rise to its current price of €13 per share (at the end of February 2019). This performance was driven by both the growth in the Group's results and the appreciation of investors for the 2018-2020 Business Plan, with its plans for organic growth and M&A operations.
During the period, a dividend of €0.394 per share was distributed to further increase shareholder return.
The main statistics on the performance of the doBank stock are shown in the following table.

Summary data	Eur	Date
IPO price	9.00	07/14/17
Lowest close price	8.73	11/22/18
Highest close price	14.27	10/18/17
Last close price of 2018	9.25	12/31/18
Last close price of February 2019	12.90	02/28/19
Total number of shares outstanding	80,000,000	12/31/18
of which treasury shares	1,554,353	12/31/18
Market cap	739,600,000	12/31/18
Market cap (excluding treasury shares)	725,230,007	12/31/18

doBank's communications and relations with the financial markets are managed by the Investor Relations department, whose purpose is to facilitate understanding by the financial community of the Group's strategy and objectives, so that they can been appreciated in full.
In order to ensure transparent, timely and comprehensive communication, the Investor Relations team and top management participated in numerous meetings with analysists and investors, mainly in the form of industry conferences, road shows in leading international financial markets, specific meetings and frequent conference calls.
For more information on developments in the doBank stock and the strategy and performance of the Group, please visit the investor relations section of the corporate website www.dobank.com.

OTHER INFORMATION

Management and coordination by the Parent Company

At December 31, 2018, 50.1% of the shares of the Parent Company doBank are owned by Avio S.à r.l. a company incorporated in Luxembourg, which is jointly owned by the Fortress Group (in December 2017 it was acquired by Softbank Group Corporation) and Eurocastle Investment Limited, which is the majority shareholder.
After listing on the Milan Stock Exchange and the grant of shares in accordance with remuneration policy, 48.0% of the shares were placed on the market and the remaining 1.9% consists of 1,554,353 treasury shares, measured at cost, for a total of €246 thousand held by the Parent Company.
The majority shareholder does not exercise any management or coordination powers over doBank pursuant to Art. 2497 et seq. of the Civil Code, as it does not issue directives to doBank and, more generally, does not interfere in the management of the Group. Accordingly, the strategic and management policies of the doBank Group and all of its activities in general are the product of the independent self-determination of the corporate bodies and do not involve external management by Avio.
The Parent Company doBank exercises its management and coordination powers over its direct subsidiaries as provided for in the legislation referred to above.

Transactions in treasury shares

During the year, the number of treasury shares declined following payments in shares as provided for under the 2017 remuneration policy.
At December 31, 2018, doBank held 1,554,353 treasury shares, equal to 1.9% of total share capital. Their carrying amount is €246 thousand and they are presented in the financial statements as a direct reduction of shareholders' equity under Item 180. "Treasury shares". Item 150. "Reserves" includes the associated equity reserve in the same amount.

Research and development

In 2018 the Group initiated a number of technological innovation projects, primarily connected with the credit servicing platform, which are expected to bring a competitive advantage in the future.

Report on corporate governance and ownership structure

In accordance with the third paragraph of Art. 123 bis of Legislative Decree 58 of February 24, 1998 (the Consolidated Law on Financial Intermediation), a separate report from this report on operations has been prepared. It has been approved by the Board of Directors and published together with the draft financial statements for the financial year ended at December 31, 2018. This document is made available to the public in the "Governance" section of the corporate website www.dobank.com.
Together with that Report, the "Remuneration Report" has also been prepared pursuant to Art. 123 ter of the Consolidated Law.

Consolidated Non-Financial Statement

Legislative Decree 254 of December 30, 2016 and Legislative Decree 32/2007 require to doBank as a public interest entity (bank with listed shares whose size exceeds the minimum thresholds in the decree) to publish each year information on the main risks and uncertainties to which the company is exposed, indicators of non-financial performance relevant to the specific activity of the company, and information on the environment and personnel. The first reference date for this document was December 31, 2017.
As we did the previous year, doBank has elected the option provided for in the decree to prepare a separate document from this report on operations. That document is approved by

the Board of Directors and published together with the draft financial statements for the financial year ended at December 31, 2018. This document is made available to the public in the "Investor Relations/Financial Reports and Presentations" section of the corporate website www.dobank.com.

Public disclosure by institutions

In compliance with Bank of Italy Circular no. 285 of December 17, 2013 as updated, doBank has prepared the public disclosure by institutions at December 31, 2018, which is approved by the Board of Directors and published together with the draft financial statements for the financial year ended at December 31, 2018. The document is made available to the public in the "Investor Relations/Financial Reports and Presentations" section of the corporate website www.dobank.com.

Transactions with related parties

In compliance with the provisions of the "Rules for Transactions with Related Parties" referred to in Consob Resolution no. 17221 of March 12, 2010, as amended, as well as the provisions on the prudential supervision of banks in Circular no. 263 of December 27, 2006, Title V, Chapter V on "Exposures and conflicts of interest with related parties" issued by the Bank of Italy, any transaction with related parties and connected persons shall be approved in accordance with the procedure approved by the Board of Directors, whose most recent update was approved at the meeting held on October 17, 2018.
This document is available to the public in the "Governance" section of the company website www.dobank.com.
The universe of related parties of the Group changed near the end of the previous year following the acquisition of the Fortress Investment Group LLC ("Fortress") by SoftBank Group Corp. ("SoftBank" or "SBG"). As a result of the transaction, SBG and its subsidiaries gained ownership of the shares of Fortress, which in turn held Avio S.à r.l., doBank's majority shareholder.

Pursuant to the above Consob Regulation, disclosures on transactions with related parties carried out during the year are reported below.

Transactions of greater importance

ANGERA SECURITISATION
During the last quarter of 2018, the doBank Group entered into Special Servicer, Master Servicer and ancillary Administrative Services Provider and Cash Management contracts with Angera Securitization SPV, a securitisation vehicle pursuant to Law 130/1999 whose securities have been partly subscribed by Fortress Group affiliates.
The transaction was concluded on terms equivalent to market terms and, as such, benefits from the exemption from the requirement to publish the Information Document provided for in Consob Regulation no. 17221 of March 12, 2010, as updated.

Please see Part H of the notes to the consolidated financial statements for the disclosures provided for by IAS 24 for transactions with related parties.

Disclosure on the opt-out option

We inform you that doBank S.p.A. has adopted the simplified rules provided for in Articles 70, paragraph 8, and 71, paragraph 1-bis, of the Consob Issuers Regulation no. 11971/1999, subsequently amended, and has therefore exercised the option to derogate from compliance with the obligations to publish the information documents provided for in Articles 70, paragraph 6, and 71, paragraph 1, of that Regulation on the occasion of significant mergers, spin-offs, capital increases through the contribution of assets in kind, acquisitions and sales.

Rome – March 12, 2019 The Board of Directors

Statement reconciling the reclassified consolidated income statement and the statutory consolidated income statement

(€/000)

Statement reconciling the reclassified consolidated income statement and the statutory income statement		Year	
		2018	2017
Servicing revenues		**205,539**	**194,746**
40	of which: fee and commission income	205,539	194,746
	o/w Banks	*131,806*	*159,763*
	o/w Investors	*73,733*	*34,983*
Co-investment revenues		**911**	**665**
10	of which: interest income and similar rev enues	911	665
Ancillary and other revenues		**27,053**	**18,136**
10	of which: interest income and similar rev enues	101	75
20	of which: Interest expense and similar charges	(2)	(135)
40	of which: fee and commission income	996	689
230	of which: other operating expense and income	25,958	17,507
Gross Revenues		**233,503**	**213,547**
Fee and commission expense		**(23,910)**	**(20,141)**
50	of which: fee and commission expense	(18,445)	(18,088)
190b	of which administrativ e costs: b) other administrativ e expense	(5,132)	(1,873)
230	of which: other operating expense and income	(333)	(180)
Net revenues		**209,593**	**193,406**
Staff expenses		**(94,054)**	**(83,391)**
190a	of which administrativ e costs: a) staff expense	(94,054)	(83,391)
Administrative expenses		**(34,246)**	**(39,913)**
190a	of which administrativ e costs: a) staff expenses	(802)	-
	o/w SG&A	*(802)*	-
190b	of which administrativ e costs: b) other administrativ e expense	(35,777)	(41,742)
	o/w IT	*(13,529)*	*(16,486)*
	o/w Real Estate	*(8,420)*	*(8,074)*
	o/w SG&A	*(13,828)*	*(17,182)*
230	of which: other operating expense and income	2,333	1,829
	o/w Real Estate	*(39)*	*(11)*
	o/w SG&A	*2,372*	*1,840*
Operating expenses		**(128,300)**	**(123,304)**
EBITDA		**81,293**	**70,102**
Impairment/Write-backs on property, plant, equipment and intangible assets		**(2,750)**	**(2,284)**
210	impairment / write-backs on property, plant and equipment	(696)	(364)
220	impairment / write-backs on intangible assets	(1,706)	(1,651)
230	of which: other operating expense and income	(348)	(269)
Net Provisions for risks and charges		**(318)**	**(4,041)**
190a	of which administrativ e costs: a) staff expenses	(2,235)	(780)
200	net prov isions for risks and charges	2,046	(3,243)
230	of which: other operating expense and income	(129)	(18)
Net Write-downs of loans		**862**	**1,776**
130	net losses / recov eries on credit risk	(46)	1,601
230	of which: other operating expense and income	908	175
Net income (losses) from investments		**917**	**2,765**
250	profit (loss) of equity inv estments	917	1,271
280	gains (losses) on disposal of inv estments	-	1,494
EBIT		**80,004**	**68,318**
Net financial interest and commission		**198**	**(184)**
20	of which: Interest expense and similar charges	(14)	(139)
50	of which: fee and commission expense	(205)	(44)
100	gains (losses) on disposal and repurchase	-	3
110	gains and losses on financial assets/liabilities at fair v alue through profit or loss	417	(4)
EBT		**80,202**	**68,134**
Income tax for the period		**(29,362)**	**(22,750)**
190b	of which administrativ e costs: b) other administrativ e expense	(1,913)	(24)
300	income tax expense from continuing operations	(27,449)	(22,726)
Profit (loss) from group of assets sold and held for sale net of tax		**-**	**(390)**
320	profit (loss) after tax from discontinued operations	-	(390)
Net Profit (Loss) for the period		**50,840**	**44,994**
Net Profit (Loss) attributable to the Group		**50,840**	**44,994**

Statement reconciling the reclassified consolidated balance sheet and the statutory consolidated balance sheet

(€/000)

Statement reconciling the reclassified consolidated balance sheet and the statutory consolidated balance sheet		12/31/2018	12/31/2017
Cash and liquid securities		**74,443**	**50,364**
10	Cash and cash equiv alents	15	21
30	Financial assets measured at fair v alue through comprehensiv e income	999	1,003
40a	Financial assets measured at amortised cost a) Loans and receiv ables with banks	73,429	49,340
Financial assets		**36,312**	**25,960**
20	Financial assets measured at fair v alue through profit or loss	34,250	22,998
40a	Financial assets measured at amortised cost a) Loans and receiv ables with banks	98	109
40b	Financial assets measured at amortised cost a) Loans and receiv ables with customers	1,964	2,853
Equity investments		**-**	**2,879**
70	Equity inv estments	-	2,879
Tangible assets		**2,810**	**2,772**
90	Property, plant and equipment	2,810	2,772
Intangible assets		**8,327**	**6,041**
100	Intangible assets	6,847	4,506
130	of which: Other assets - improv ements on goods of third party	1,480	1,535
Tax assets		**87,355**	**103,941**
110	Tax assets	81,439	94,187
130	of which: Other assets - tax items	5,916	9,754
Trade receivables		**99,224**	**99,337**
130	of which: Other assets - trade receiv ables for inv oices issued and to be issued	99,224	99,337
Assets on disposal		**710**	**10**
120	Non-current assets and disposal groups held for sale	710	10
Other assets		**7,855**	**6,196**
130	of which: Other assets - accrued income, prepaid expenses and other residual	7,855	6,196
TOTAL ASSETS		**317,036**	**297,500**
Financial liabilities: due to customers		**-**	**11,759**
10b	Financial liabilities measured at amortised cost b) due to customers	-	11,759
Trade payables		**21,848**	**21,072**
80	of which: Other liabilities - trade payables for inv oices issued and to be issued	21,848	21,072
Tax liabilities		**10,174**	**6,105**
60	Tax liabilities	8,189	3,852
80	of which: Other liabilities - tax items	1,985	2,253
Employee termination benefits		**9,577**	**10,360**
90	Employee termination benefits	9,577	10,360
Provisions for risks and charges		**20,754**	**26,579**
100	Prov isions for risks and charges	20,754	26,579
Liabilities associated with non-current assets and disposal groups held for sale		**6,532**	**-**
70	Liabilities associated with non-current assets and disposal groups held for sale	6,532	-
Other liabilities		**15,362**	**14,928**
80	of which: Other liabilities - debt to personnel and other residual	15,068	14,581
10b	Financial liabilities measured at amortised cost b) due to customers	294	347
TOTAL LIABILITIES		**84,247**	**90,803**
Share capital		**41,280**	**41,280**
170	Share capital	41,280	41,280
Reserves		**140,915**	**120,700**
120	Valuation reserv es	591	1,350
150	Reserv es	140,324	119,350
Trasury shares		**(246)**	**(277)**
180	Treasury shares (-)	(246)	(277)
Net profit (loss) for the period		**50,840**	**44,994**
200	Net profit (loss) for the period (+/-)	50,840	44,994
TOTAL SHAREHOLDERS' EQUITY		**232,789**	**206,697**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**317,036**	**297,500**

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Balance Sheet

(€/000)

Assets		12/31/2018	12/31/2017
10	Cash and cash equiv alents	15	21
20	Financial assets measured at fair v alue through profit or loss	34,250	22,998
	c) Other financial assets mandatorily measured at fair v alue	34,250	22,998
30	Financial assets measured at fair v alue through comprehensiv e income	999	1,003
40	Financial assets measured at amortised cost	75,491	52,302
	a) Loans and receiv ables with banks	73,527	49,449
	b) Loans and receiv ables with customers	1,964	2,853
70	Equity inv estments	-	2,879
90	Property, plant and equipment	2,810	2,772
100	Intangible assets	6,847	4,506
	of which goodwill	-	-
110	Tax assets	81,439	94,187
	a) Current tax assets	33	165
	b) Deferred tax assets	81,406	94,022
120	Non-current assets and disposal groups held for sale	710	10
130	Other assets	114,475	116,822
	Total assets	**317,036**	**297,500**

Liabilities and shareholders' equity		12/31/2018	12/31/2017
10	Financial liabilities measured at amortised cost	294	12,106
	b) Due to customers	294	12,106
60	Tax liabilities	8,189	3,852
	a) Current tax liabilities	8,168	3,405
	b) Deferred tax liabilities	21	447
70	Liabilities associated with non-current assets and disposal groups held for sale	6,532	-
80	Other liabilities	38,901	37,906
90	Employee termination benefits	9,577	10,360
100	Prov isions for risks and charges	20,754	26,579
	a) Commitments and guarantees issued	3	-
	c) Other prov isions	20,751	26,579
120	Valuation reserv es	591	1,350
150	Reserv es	140,324	119,350
170	Share capital	41,280	41,280
180	Treasury shares (-)	(246)	(277)
200	Net profit (loss) for the period (+/-)	50,840	44,994
	Total liabilities and shareholders' equity	**317,036**	**297,500**

Consolidated Income Statement

(€/000)

Items		12/31/2018	12/31/2017
10	Interest income and similar revenues	1,012	740
	of which: interest income calculated with the effective interest method	-	-
20	Interest expense and similar charges	(16)	(274)
30	**Net interest income**	**996**	**466**
40	Fee and commission income	206,535	195,435
50	Fee and commission expense	(18,650)	(18,132)
60	**Net fee and commission income**	**187,885**	**177,303**
100	Gains (losses) on disposal and repurchase of:	-	3
	b) Financial assets measured at fair value through comprehensive income	-	3
110	Gains and losses on financial assets/liabilities at fair value through profit or loss	417	(4)
	b) Other financial assets mandatorily measured at fair value	417	(4)
120	**Gross income**	**189,298**	**177,768**
130	Net losses/recoveries on impairment for credit risk:	(46)	1,601
	a) Financial assets measured at amortised cost	(46)	1,601
150	**Net profit from financial activities**	**189,252**	**179,369**
180	**Net profit from financial and insurance activities**	**189,252**	**179,369**
190	Administrative costs:	(139,913)	(127,810)
	a) Staff expense	(97,091)	(84,171)
	b) Other administrative expense	(42,822)	(43,639)
200	Net provisions for risks and charges	2,046	(3,243)
	b) Other net provisions	2,046	(3,243)
210	Impairment/write-backs on property, plant and equipment	(696)	(364)
220	Impairment/write-backs on intangible assets	(1,706)	(1,651)
230	Other operating expense and income	28,389	19,044
240	**Operating costs**	**(111,880)**	**(114,024)**
250	Profit (Loss) of equity investments	917	1,271
280	Gains (losses) on disposal of investments	-	1,494
290	**Profit (loss) before tax from continuing operations**	**78,289**	**68,110**
300	Income tax expense from continuing operations	(27,449)	(22,726)
310	**Profit (loss) after tax from continuing operations**	**50,840**	**45,384**
320	Profit (loss) after tax from discontinued operations	-	(390)
330	**Net profit (loss) for the period**	**50,840**	**44,994**
350	**Profit (loss) for the period attributable to shareholders of the Parent Company**	**50,840**	**44,994**

Consolidated statement of comprehensive income

(€/000)

Items		12/31/2018	12/31/2017
10.	**Net profit (loss) for the period**	**50,840**	**44,994**
	Other comprehensive income after tax not recyclable to profit or loss	364	(31)
70.	Defined benefit plans	364	(31)
	Other comprehensive income after tax recyclable to profit or loss	2	1,125
140.	Financial assets (other than equity instruments) measured at fair v alue through comprehensiv e income	2	1,125
170.	**Total other comprehensive income after tax**	**366**	**1,094**
180.	**Comprehensive income (item 10 + 170)**	**51,206**	**46,088**
190.	Consolidated comprehensiv e income attributable to non-controlling interests	-	-
200.	**Consolidated comprehensive income attributable to shareholders of the Parent Company**	**51,206**	**46,088**

Consolidated statement of changes in shareholders' equity

At 12/31/2018

(€/000)

				Allocation of profit from previous year		Changes during the year										
							Equity transactions									
	Balance as at 12/31/2017	Changes in opening balance	Balance as at 1/1/2018	Reserves	Dividends and other payouts	Changes in reserves	Issue of new shares	Acquisition of treasury shares	Distribution of extraordinary dividends	Change in equity instruments	Derivatives on own shares	Stock options	Changes in equity investments	Comprehensive income at 12/31/2018	Shareholders' equity pertaining to shareholders of Parent Company as at 12/31/2018	Shareholders' equity pertaining to non-controlling interests as at 12/31/2018
Share capital:																
- ordinary shares	41,280	-	41,280	-	-	-	-	-	-	-	-	-	-	-	41,280	-
Reserv es:																
- from profits	10,476	1,140	11,616	-	-	-	(31)	-	-	-	-	2,408	-	-	13,993	-
- other	108,874	(36)	108,838	14,087	-	-	-	-	-	-	-	3,406	-	-	126,331	-
Valuation reserv es	1,350	(1,125)	225	-	-	-	-	-	-	-	-	-	-	366	591	-
Treasury shares	(277)	-	(277)	-	-	-	31	-	-	-	-	-	-	-	(246)	-
Net profit (loss) for the period	44,994	-	44,994	(14,087)	(30,907)	-	-	-	-	-	-	-	-	50,840	50,840	-
Shareholders' equity attributable to shareholders of Parent Company	206,697	(21)	206,676	-	(30,907)	-	-	-	-	-	-	5,814	-	51,206	232,789	-
Shareholders' equity attributable to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

At 12/31/2017

(€/000)

	Balance as at 12/31/2016	Changes in opening balance	Balance as at 1/1/2017	Allocation of profit from previous year		Changes during the year									Comprehensive income at 12/31/2017	Shareholders' equity pertaining to shareholders of Parent Company as at 12/31/2017	Shareholders' equity pertaining to non-controlling interests as at 12/31/2017
							Equity transactions										
				Reserves	Dividends and other payouts	Changes in reserves	Issue of new shares	Acquisition of treasury shares	Distribution of extraordinary dividends	Change in equity instruments	Derivatives on own shares	Stock options	Changes in equity investments				
Share capital:																	
- ordinary shares	41,280	-	41,280	-	-	-	-	-	-	-	-	-	-	-	41,280	-
Reserv es:																	
- from profits	10,476	-	10,476	52,330	(52,330)	-	-	-	-	-	-	-	-	-	10,476	-
- other	106,679	-	106,679	-	-	-	-	-	-	-	-	2,195	-	-	108,874	-
Valuation reserv es	256	-	256	-	-	-	-	-	-	-	-	-	-	1,094	1,350	-
Treasury shares	(277)	-	(277)	-	-	-	-	-	-	-	-	-	-	-	(277)	-
Net profit (loss) for the year	52,330	-	52,330	(52,330)	-	-	-	-	-	-	-	-	-	44,994	44,994	-
Shareholders' equity attributable to shareholders of Parent Company	210,744	-	210,744	-	(52,330)	-	-	-	-	-	-	2,195	-	46,088	206,697	-
Shareholders' equity attributable to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Consolidated cash flow statement – indirect method-

(€/000)

Consolidated Cash Flow Statement (indirect method)	12/31/2018	12/31/2017 [1]
A. OPERATING ACTIVITIES		
1. Operations:	**73,989**	**71,826**
- Profit (loss) for the period (+/-)	50,840	44,994
- Capital gains/losses on financial assets held for trading and on other assets/liabilities measured at fair value through profit or loss (+/-)	(418)	-
- Net losses/recoveries on cerdit risk(+/-)	46	(1,601)
- Net write-offs/write-backs on property, plant and equipment and intangible assets (+/-)	2,750	2,279
- Provisions and other income/expenses (+/-)	(2,046)	3,243
- Unpaid taxes and tax credits (+)	17,085	22,125
- Other adjustments (+/-)	5,732	786
2. Liquidity generated by/used in financial assets:	**(32,409)**	**36,674**
- Other financial assets mandatorily measured at fair value	(10,832)	(22,998)
- Financial assets measured at fair value through comprehensive income	4	44
- Financial assets measured at amortised cost	(23,138)	12,755
- Other assets	1,557	46,873
3. Liquidity generated by/used in financial liabilities:	**(8,482)**	**(51,308)**
- Financial liabilities measured at amortised cost	(11,812)	(12,176)
- Other liabilities	3,330	(39,132)
Net liquidity generated by/used in operating activities - A (+/-)	**33,098**	**57,192**
B. INVESTMENT ACTIVITIES		
1. Liquidity generated by:	**3,212**	**1,698**
- Sales of equity investments	1,693	1,694
- Dividends collected on equity investments	1,186	-
- Sales of property, plant and equipment	333	4
2. Liquidity used in:	**(5,408)**	**(6,557)**
- Purchases of property, plant and equipment	(1,235)	(2,439)
- Purchases of intangible assets	(4,173)	(4,118)
Net liquidity generated by/used in investment activities - B (+/-)	**(2,196)**	**(4,859)**
C. FUNDING ACTIVITIES		
- Distribution of dividends and other	(30,908)	(52,330)
Net liquidity generated by/used in funding activities - C (+/-)	**(30,908)**	**(52,330)**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS DURING THE PERIOD - D=A+/-B+/-	**(6)**	**3**
RECONCILIATION		
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD - E	**21**	**18**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS DURING THE PERIOD - D	**(6)**	**3**
CASH AND CASH EQUIVALENTS: EFFECT OF EXCHANGE RATE VARIATIONS - F	**-**	**-**
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD - G=E+/-D+/-F	**15**	**21**

(1) In order to facilitate the comparison of financial aggregates in the two periods, the accrual of invoices to be issued and invoices to be received is no longer recognised. This new presentation approach improves the reconciliation of the data with those in the operational cash flow statement in the Directors' Report on Group operations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

PART A – ACCOUNTING POLICIES

A.1 – General information

SECTION 1 – STATEMENT OF COMPLIANCE WITH INTERNATIONAL ACCOUNTING STANDARDS

The consolidated financial statements at December 31, 2018 have been prepared in compliance with the international accounting standards (IAS/IFRS) issued by the International Accounting Standards Board (IASB) and the associated interpretations of the International Financial Reporting Interpretations Committee (IFRIC) endorsed by the European Commission and in force as at December 31, 2018 and transposed into Italian legislation with Legislative Decree 38/2005, which exercised the option provided for in Regulation (EC) no. 1606 of July 19, 2002 concerning international accounting standards.
To facilitate interpretation and support the application of the standards, the following documents have been used, even if they have not all been endorsed by the European Commission:

- *the Conceptual Framework for Financial Reporting;*
- *Implementation Guidance, Basis for Conclusions, IFRIC* and any other documentation prepared by the IASB or IFRIC complementing the main standards issued;
- the interpretation documents on the application of the IAS/IFRS in Italy prepared by the Organismo Italiano di Contabilità (Italian Accounting Board - OIC) and Associazione Bancaria Italiana (Italian Banking Association - ABI);
- European Securities and Markets Authority (ESMA) and Consob documents which pertain to the application of specific provisions of the IFRS.

The consolidated financial statements are accompanied by the certification of the Financial Reporting Officer pursuant to Article 154-bis of Legislative Decree 58/1998 and have been audited by the audit firm EY S.p.A. in accordance with Legislative Decree 39 of January 27, 2010.

SECTION 2 – BASIS OF PREPARATION

The consolidated financial statements have been prepared using the euro as the currency of account, in accordance with Article 5, paragraph 2, of Legislative Decree 38/2005, and consist of:

- the **consolidated financial statements,** which include the consolidated balance sheet, the consolidated income statement, the statement of consolidated comprehensive income, the statement of changes in consolidated shareholders' equity and the consolidated statement of cash flows (prepared using the "indirect method");
- the **notes to the financial statements**

and are accompanied by the **directors' report on group operations**.

The amounts stated are expressed in thousands of euros unless otherwise specified.

The schedules used and the associated rules of completing those schedules are consistent with the instructions issued in Circular 262 of the Bank of Italy on December 22, 2005 (5th update of December 22, 2017). In addition to data at December 31, 2018, the schedules also present the analogous comparative information at December 31, 2017. Those comparative figures have been reclassified and represented in accordance with the new schedules introduced with the 5th update of Circular 262 cited above.
Items and sections of the notes to the financial statements that do not apply to the Group have not been reported.

The consolidated financial statements have been prepared on a going concern basis in accordance with the provisions of IAS 1, and in compliance with the principles of accrual accounting, the relevance and materiality of accounting information and the prevalence of economic substance over legal form and with a view to fostering consistency with future presentations.

The accounting policies adopted in these consolidated financial statements at December 31, 2018 for the recognition, measurement and derecognition of assets and liabilities and the recognition of costs and revenues have been updated from those adopted in the preparation of the consolidated financial statements as at December 31, 2017 following the entry into force as from January 1, 2018, of the new international accounting standards IFRS 9 – "Financial Instruments" and IFRS 15 – "Revenue from Contracts with Customers".

Please see the discussion in the sections "Effects of first-time adoption of IFRS 9" and "Effects of first-time adoption of IFRS 15" below.

SECTION 3 – SCOPE AND METHOD OF CONSOLIDATION

The preparation of the consolidated financial statements at December 31, 2018 drew on the accounts at December 31, 2018 of the companies included in the scope of consolidation, which was unchanged compared with the end of the previous year, with the exception of the inclusion of the company New Bank SC S.p.A., formed by the Parent Company, doBank S.p.A. and not yet operational.
The accounts as at December 31, 2018 of the companies included in the scope of consolidation were reclassified and adjusted appropriately to take consolidation requirements into account and, where necessary, align them with the Group accounting policies.

All of the companies in the scope of consolidation use the euro as their currency of account and, accordingly, no translations of foreign currency amounts have been necessary.

The following section discussed the consolidation principles adopted by the Group in preparing the consolidated financial statements at December 31, 2018.

Subsidiaries

Entities in which doBank holds direct or indirect control are considered subsidiaries. Control over an entity is identified through the ability of the investor to exercise power in order to influence the variable returns to which the Group is exposed through its relationship with that entity.

In order to ascertain the existence of control, the following factors are considered:

- the purpose and design of the investee in order to identify the entity's objectives, the activities that determine its returns and how these activities are governed;
- power, in order to determine whether the investor has contractual rights that give it the ability to direct the relevant activities; to this end, only substantive rights that give the practical ability to govern are considered;
- the exposure in respect of the investee in order to assess whether the investor has relations with the investee whose returns of which are subject to changes that depend on the investee's performance;
- existence of potential "principal-agent" relationships.

The carrying amount of equity investments in companies consolidated on a line-by-line basis held by the Parent Company is eliminated – with the incorporation of the assets and liabilities of the investees – against the corresponding portion of shareholders' equity attributable to the Group.

Assets and liabilities, off-balance-sheet transactions, income and expense, as well as profits and losses occurring between companies within the scope of consolidation are fully eliminated, in accordance with the consolidation methods adopted.
The costs and revenues of a subsidiary are included in the consolidated figures as from the date control was acquired. The costs and revenues of a transferred subsidiary are included in the consolidated income statement until the date of the disposal, i.e. until the moment in which control over the investee is lost. The difference between the amount received for the subsidiary and the carrying amount of its net assets as of the same date is recognised in the income statement under item 280 "Gains and losses on disposal of investments" for companies subject to line-by-line consolidation.
For companies included within the scope of consolidation for the first time, the fair value of the cost incurred to obtain control over the investee, including transactions costs, is measured as of the acquisition date.
If the disposal does not involve a loss of control, the difference between the amount received in the disposal of a portion of a subsidiary and the associated carrying amount of the net assets is recognised in shareholders' equity.

Associates

An associate is an entity over which an investor has significant influence but which is not controlled exclusively or jointly controlled. Significant influence is presumed when the investor:

- holds, directly or indirectly, at least 20% of the share capital of another entity; or
- is able, including through shareholders' agreements, to exercise significant influence through:
    - representation on the governing body of the company;
    - participation in policy-making processes, including participation in decisions about dividends or other distributions;
    - material transactions between the entity and its investee;
    - interchange of managerial personnel;
    - provision of essential technical information.

Note that only companies which are governed through voting rights can be classified as subject to significant influence.
Investments in associates are measured using the equity method. In accordance with IAS 36, the carrying amount of associated companies is tested as a single asset, comparing this with the recoverable amount (defined as the higher of its value in use and its fair value less costs of disposal).

Equity method

Equity investments in companies measured using the equity method include any goodwill (less any impairment loss) paid to purchase them. The investor's share of the profit or loss of the investee after the acquisition date is recognised in the income statement under item 250. "Profit (loss) of equity investments". Any dividends distributed reduce the carrying amount of the equity investment.
If the investor's interest in a subsidiary's losses is equal to or greater than its carrying amount, no further losses are recognised, unless the investor has assumed specific obligations to or made payments on behalf of the company.
Gains and losses on transactions with associates or joint arrangements are eliminated in proportion to the percentage interest in the company.
Any changes in the valuation reserves of associates or joint arrangements, which are recorded against the value changes in the associated item, are reported separately in the statement of comprehensive income.

At December 31, 2017, the stake in BCC Gestione Crediti had been measured using the equity method. It was sold in the third quarter of 2018.

1. Investments in subsidiaries

The following table reports the companies included in the scope of consolidation:

	Company name	Headquarters	Registered Office	Type of Relationship (1)	Owner relationship		Voting rights % (2)
					Held by	Holding %	
1.	doBank S.p.A.	Verona	Verona		Holding		
2.	Italfondiario S.p.A.	Rome	Rome	1	doBank S.p.A.	100%	100%
3.	doData S.r.l.	Rome	Rome	1	doBank S.p.A.	100%	100%
4.	doSolutions S.p.A.	Rome	Rome	1	doBank S.p.A.	100%	100%
5.	New Bank SC S.p.A.	n.a.	Milan	1	doBank S.p.A.	100%	100%

Notes to the table

(1) Type of relationship:

1 = majority of voting rights at ordinary shareholders' meeting.

2 = dominant influence at ordinary shareholders' meeting.

3 = agreements with other shareholders.

4 = other types of control.

5 = centralized management pursuant to Article 39, paragraph 1, of Legislative Decree 136/2015.

6 = centralized management pursuant to Article 39, paragraph 1, of Legislative Decree 136/2015.

(2) Voting rights available in general meeting. The reported voting rights are considered effective

Changes in the scope of consolidation

Changes in the scope of consolidation during the year were as follows:

- during 2018, consistent with the provisions of the new Group structure and the 2018-2020 Business Plan described in the Report on Group Operations, a new reorganisation of the Group was begun with the formation of the company New Bank SC S.p.A., which is still not operational as it is awaiting approval of its banking license by the regulator;
- on December 24, 2018 the wholly owned subsidiary doRealEstate S.p.A. was merged into doBank S.p.A. with accounting and tax effect as from January 1, 2018.

2. Significant assessments and assumptions for determining the scope of consolidation

The doBank Group determines the existence of control and, as a consequence, the scope of consolidation, by ascertaining compliance with the requirements provided for in IFRS 10 with regard to entities in which it holds exposures:

- the existence of power over the entities' relevant activities;
- exposure to variable returns;
- the ability to affect the returns.

The factors considered for the purpose of this assessment depend on the entity's method of governance, its purpose and its financial structure.
This analysis led to the inclusion of the subsidiaries listed in the previous section within the scope of consolidation at December 31, 2018.

SECTION 4 – SUBSEQUENT EVENTS

In accordance with the provisions of IAS 10, following the closing date of the financial year no significant events occurred that would require an adjustment to the results presented in the consolidated financial statements.

Please see the appropriate section of the Report on Group Operations for a discussion of the most significant events that occurred after the close of the year.

SECTION 5 – OTHER MATTERS

1. Risks and uncertainties associated with the use of estimates

The application of accounting policies sometimes involves the use of estimates and assumptions that affect the amounts recorded in the financial statements and the disclosures regarding contingent assets and liabilities. For the purposes of the assumptions underlying estimates, we consider all information available at the date of preparation of the financial statements and any hypotheses considered reasonable in the light of past experience and current conditions in the financial markets.
More specifically, estimation processes were adopted to support the carrying amount of certain items recognised in the consolidated financial statements at December 31, 2018, as required by accounting standards. These processes are essentially based on estimates of future recoverability of the values recognised and were conducted on a going concern basis. The findings of these processes supported the carrying amounts recognised at December 31, 2018. Estimates and assumptions are reviewed regularly.
In view of the presence of uncertainty in the macroeconomic and market environment, the assumptions made, even if reasonable, might not hold in future scenarios in which the Group may operate. Accordingly, future results may differ from the estimates made for the purpose of preparing the financial statements, with the consequent probable need to make adjustments that currently cannot be foreseen or estimated to the carrying amount of the assets and liabilities recognised in the financial statements.
The following sections discuss the key accounting policies for the purposes of providing a true and fair representation of the Group's financial position and performance, both with regard to the materiality of the values in the financial statements and the considerable judgement required in performing the assessments.

Estimation of accruing servicing revenues and the effects of the application of servicing contracts
Sales revenues associated with servicing contracts for the recovery of receivables managed on an agency basis for third parties are recognised on an accruals basis on based on the Group's activities over time, using management IT procedures and complex accounting processes that take account of the different contractual terms of each agency agreement.
Servicing agreements contain numerous clauses specifying the rights and duties of doBank in relations with the participating banks, which can generate income on the one hand and contingent liabilities on the other connected with the possibility of non-performance of contractual obligations.
At the date of the preparation of these financial statements, revenues accrued in the period that have not yet been manifestly accepted by the client are recognised. Depending on the terms of contract and the established practice, that acceptance may take the form of the issuance of an invoice or an explicit notice.
At the date of the preparation of these financial statements, the portion of servicing revenues without such manifest acceptance amounted to 46% of total amounts to be invoiced at December 31, 2018 and 18% of item 40. Fee and commission income of the consolidated income statement. In addition, Any certain or contingent liabilities must be prudentially determined in order to assess compliance with the obligations set out in the servicing agreement, taking due account of natural differences in interpretation of contractual clauses in the context of actual recovery operations.

Determination of the fair value of financial assets
In the presence of financial instruments not listed on active markets or illiquid and complex instruments, it is necessary to adopt appropriate valuation processes that require the use of a certain degree of judgement concerning the choice of valuation models and the related input parameters, which may sometimes not be observable on the market.
A degree of subjectivity is present in the assessment of the observability of certain parameters and the consequent classification in the hierarchy of inputs used in determining fair value.
With particular reference to valuation methods and the non-observable inputs that may be used in fair value measurements, please see section A.4 - Information on fair value.

Estimation of the recoverability of deferred tax assets
The Group has significant deferred tax assets mainly arising from temporary differences between the date on which certain business costs are recognised in the income statement and the date on which the same those can be deducted. Deferred tax assets are written down to the extent that they are deemed unrecoverable given the outlook for performance and the resulting expected taxable income, taking due account of tax legislation, which allows those assets to be converted into tax credits under certain conditions, regardless of the Group's ability to generate future profits. In Section 11 - Tax assets and tax liabilities under assets in Part B of these explanatory notes, information is provided on the nature and the assessments conducted with regard to the recognition of deferred tax assets.

Estimation of provisions for risks and charges
The complexity of the situations that underlie outstanding disputes, together with the problems of interpretation concerning the applicable legislation, make it difficult to estimate the liabilities that may emerge when pending litigation is settled. The valuation difficulties impact both the amount and the timing of any manifestation of the liability. These are particularly evident if the proceedings are at an early stage and/or the associated preliminary enquiry is in progress.
For more information on the Group's main risk positions in respect of legal disputes (revocatory actions in bankruptcy and pending litigation), please see Section 10 - Provisions for risks and charges in Part B - Liabilities of these explanatory notes.

2. New accounting standards

The Group adopted for the first time a number of accounting standards and amendments that entered force for annual reporting periods beginning on or after January 1, 2018. The impact of first-time adoption of these measures is discussed below.

Effects of first-time adoption of IFRS 9 – Financial Instruments

On November 29, 2016, Regulation (EU) no. 2016/2067 was published in the *Official Journal of the European Union*, introducing the new international accounting standard IFRS 9 Financial Instruments. Starting from January 1, 2018, this standard replaces IAS 39, which, for financial statements for the year ending December 31, 2017, governed the classification and measurement of financial instruments.
The new standard introduces a model under which the classification of financial assets is guided, on the one hand, by the contractual characteristics of the cash flows of the instrument itself (SPPI criterion - solely payments of principal and interest) and, on the other hand, by the management intent (business model) with which the instrument is held.
The new provisions on financial assets replace the four classes envisaged under IAS 39 with the following categories determined on the basis of the two drivers indicated above:

- Financial assets measured at fair value through profit or loss;
- Financial assets measured at fair value through other comprehensive income.
- Financial assets measured at amortised cost;

Financial assets can be recognised at amortised cost or at fair value through other comprehensive income only if they pass the test on the contractual characteristics of the instrument's cash flows (SPPI test).

Equity securities are always measured at fair value through profit or loss unless the entity irrevocably elects, at initial recognition, for shares not held for trading to present changes in value in an equity reserve that will never be transferred to profit or loss, even if the financial instrument is transferred (no recycling).
With regard to the provisions on impairment, the criterion of incurred losses has been replaced with that of expected losses, moving forward the recognition of write-downs in profit or loss from the time of impairment to an earlier moment, i.e. the time of a significant increase in the credit risk and requiring in any case a write-down corresponding to the expected loss at 12 months on the entire performing portfolio without a sign of any significant increase in risk. In particular, IFRS 9 requires the recognition of expected losses according to an impairment method divided into three stages of impairment:

- 12-month expected loss (stage 1): this applies to all exposures in the absence of a significant increase in credit risk;
- lifetime expected loss (stage 2 and stage 3): this applies to performing financial assets when there has been a significant increase in credit risk (stage 2) and to impaired financial assets (stage 3) regardless of whether it is recognised on an individual or collective basis.

In 2017 the Group undertook a specific project with an initial assessment phase to identify the main gaps, a design phase aimed at identifying the steps necessary for the conversion to the new accounting standard and, finally, an implementation phase that was completed in the first quarter of 2018.
The entire project was developed with the direct involvement of the Administration, Finance and Control and Risk Management Functions in the definition of the guidelines and the policies preparatory to the implementation of IFRS 9, which were submitted for approval to the Board of Directors. Considering the pervasive impacts of IFRS 9, other Group units were also involved in the project within the framework of thematic working groups (mainly business units like the Banking Function and organisational and IT units).
The following provides a summary of the effects of the new presentation of the comparative balances at December 31, 2017 for the balance sheet and the income statement, and the impact of the first-time adoption of IFRS 9 on the consolidated shareholders' equity of the doBank Group at January 1, 2018.

<u>New presentation of comparative figures</u>

In line with the transitional rules for IFRS 9, the Group has not restated the comparative figures as at 31 December 2017 and therefore all the periodic comparative values are measured in accordance with the accounting standards used for the preparation of the 2017 consolidated financial statements.
For the sole purpose of enabling a uniform comparison of data for the period, the balance sheet and income statement layouts have therefore been reclassified and newly presented in items consistent with the composition of those items for 2018 and with the balance sheet and income statement schedules provided for in the 5th update of Bank of Italy Circular 262, as detailed below.

The portfolio of <u>financial assets measured at fair value through other comprehensive income</u> includes debt securities (BOTs) of €1 million, which are characterised by cash flows consisting solely of repayments of principal and interest and are held exclusively for the purpose of compliance with the regulatory Liquidity Coverage Ratio (LCR) requirement. These securities were previously classified as assets available for sale (AFS).

The portfolio of <u>financial assets measured at fair value through profit or loss</u> includes the remaining and more substantial assets previously classified in the AFS portfolio. This includes (i) the units of the Italian Recovery Fund (former Atlante II) in the amount of €15.2 million, whose cash flows generated by the sale of units do not represent solely payments of principal and interest; (ii) ABSs issued in the Romeo SPV and Mercuzio Securitization securitisations in the amount of €7.7 million, which did not pass the SPPI test, and (iii) the equity security represented by the participating financial instrument in Nomisma SpA in the amount of €43 thousand, for which the Group has not exercised the "OCI option".

The portfolio of financial assets measured at amortised cost corresponds to the IFRS 9 portfolio denominated "Hold to collect" (HTC), which is held for long-term investment purposes and consists of all the assets previously classified under loans and receivables with banks (€49.4 million) and loans and receivables with customers (€2.9 million) that are held for long-term investment purposes and have passed the SPPI test.

Statement reconciling the Financial Statements as in the 2017 Reports and Accounts and the IFRS 9 Financial Statements (new Circular 262) as at December 31, 2017 (reclassification of IAS 39 balances).

(€/000)

IAS 39 - 4th Circular 262 update		STOCKS			IFRS 9 - 5th Circular 262 update	
Assets		12/31/2017	Impacts of classification	12/31/2017 RESTATED	Assets	
10	Cash and cash equivalents	21	-	21	10	Cash and cash equivalents
n.a.		-	22,998	22,998	20	Financial assets measured at fair value through profit or loss c) Other financial assets mandatorily measured at fair value through profit or loss
40	Financial assets held for trading	24,001	(22,998)	1,003	30	Financial assets measured at fair value through comprehensive income
60	Loans and receivables with banks	49,449	-	49,449	40	Financial assets measured at amortised cost a) Loans and receivables with banks
70	Loans and receivables with customers	2,853	-	2,853	40	Financial assets measured at amortised cost b) Loans and receivables with customers
100	Equity investments	2,879	-	2,879	70	Equity investments
120	Property, plant and equipment	1,819	953	2,772	90	Property, plant and equipment
130	Intangible assets	4,506	-	4,506	100	Intangible assets
140	Tax assets	94,187	-	94,187	110	Tax assets
150	Non-current assets and disposal groups held for sale	10	-	10	120	Non-current assets and disposal groups held for sale
160	Other assets	117,775	(953)	116,822	130	Other assets
	Total assets	**297,500**	**-**	**297,500**		

IAS 39 - 4th Circular 262 update		STOCKS			IFRS 9 - 5th Circular 262 update	
Liabilities and shareholders' equity		12/31/2017	Impacts of classification	12/31/2017 RESTATED	Liabilities and shareholders' equity	
20	Due to customers	12,106	-	12,106	10	Financial liabilities measured at amortised cost b) Due to customers
80	Tax liabilities	3,852	-	3,852	60	Tax liabilities
	a) current	3,405	-	3,405		*a) current*
	b) deferred	447	-	447		*b) deferred*
100	Other liabilities	37,906	-	37,906	80	Other liabilities
110	Employee termination benefits	10,360	-	10,360	90	Employee termination benefits
120	Provisions for risks and charges	26,579	-	26,579	100	Provisions for risks and charges
140	Valuation reserves	1,350	-	1,350	120	Valuation reserves
170	Reserves	119,350	-	119,350	150	Reserves
190	Share capital	41,280	-	41,280	170	Share capital
200	Treasury shares (-)	(277)	-	(277)	180	Treasury shares (-)
220	Net profit (loss) for the period (+/-)	44,994	-	44,994	200	Net profit (loss) for the period (+/-)
	Total liabilities and shareholders' equity	**297,500**	**-**	**297,500**		

(€/000)

IAS 39 - 4th Circular 262 update		STOCKS 12/31/2017	Impacts of classification	12/31/2017	IFRS 9 - 5th Circular 262 update	
10	Interest income and similar revenues	740	-	740	10	Interest income and similar revenues
20	Interest expense and similar charges	(274)	-	(274)	20	Interest expense and similar charges
30	**Net interest income**	**466**	**-**	**466**	**30**	**Net interest income**
40	Fee and commission income	195,435	-	195,435	40	Fee and commission income
50	Fee and commission expense	(18,132)	-	(18,132)	50	Fee and commission expense
60	**Net fee and commission income**	**177,303**	**-**	**177,303**	**60**	**Net fee and commission income**
n.a		-	3	3	100	Gains (losses) on disposal and repurchase of: b) Financial assets measured at fair value through comprehensive income
110	Gains and losses on financial assets/liabilities at fair value through profit or loss	(1)	(3)	(4)	110	Gains and losses on financial assets/liabilities at fair value through profit or loss: b) Other financial assets mandatorily measured at fair value
120	**Gross income**	**177,768**	**-**	**177,768**	**120**	**Gross income**
130	Net losses/recoveries on impairment: a) Loans	1,601	-	1,601	130	Net losses/recoveries on impairment for credit risk: a) Financial assets measured at amortised cost
140	Net profit from financial activities	179,369	-	179,369	150	Net profit from financial activities
170	**Net profit from financial and insurance activities**	**179,369**	**-**	**179,369**	**180**	**Net profit from financial and insurance activities**
180	Administrative costs:	(127,810)	-	(127,810)	190	Administrative costs:
	a) Staff expense	(84,171)	-	(84,171)		a) Staff expense
	b) Other administrative expense	(43,639)	-	(43,639)		b) Other administrative expense
190	Net provisions for risks and charges	(3,243)	-	(3,243)	200	Net provisions for risks and charges b) Other net provisions
200	Impairment/write-backs on property, plant and equipment	(364)	-	(364)	210	Impairment/write-backs on property, plant and equipment
210	Impairment/write-backs on intangible assets	(1,651)	-	(1,651)	220	Impairment/write-backs on intangible assets
220	Other operating expense and income	19,044	-	19,044	230	Other operating expense and income
230	**Operating costs**	**(114,024)**	**-**	**(114,024)**	**240**	**Operating costs**
240	Profit (Loss) of equity investments	1,271	-	1,271	250	Profit (Loss) of equity investments
270	Gains (losses) on disposal of investments	1,494	-	1,494	280	Gains (losses) on disposal of investments
280	**Profit (loss) before tax from continuing operations**	**68,110**	**-**	**68,110**	**290**	**Profit (loss) before tax from continuing operations**
290	Income tax expense from continuing operations	(22,726)	-	(22,726)	300	Income tax expense from continuing operations
300	**Profit (loss) after tax from continuing operations**	**45,384**	**-**	**45,384**	**310**	**Profit (loss) after tax from continuing operations**
310	Profit (loss) after tax from discontinued operations	(390)	-	(390)	320	Profit (loss) after tax from discontinued operations
320	Net profit (loss) for the year	44,994	-	44,994	330	Net profit (loss) for the year
340	**Profit (loss) for the year attributable to shareholders of the Parent Company**	**44,994**	-	**44,994**	**350**	**Profit (loss) for the year attributable to shareholders of the Parent Company**

Effects of first-time adoption

The effects of the adoption of IFRS 9 associated with the application of the new impairment model and the measurement of financial assets are shown below as a consequence of the performance of the SPPI test and the identification of the business model.

These effects, which impact both the amount and the composition of shareholders' equity, mainly reflect:

- the obligation to recalculate write-downs of the financial assets in the portfolio using the "expected credit losses" approach rather than the previous "incurred credit losses" model. More specifically, with regard to performing exposures, the increase/decrease in write-downs reflected:
  - the classification in Stage 2 of part of a portfolio with a consequent "lifetime" ECL adjustment;
  - the application of write-downs to portfolios previously not subject to impairment (loans and receivables with banks, government securities);
- the need to reclassify certain financial assets in the portfolio based on the combined result of the two classification drivers provided for under the standard, i.e. the business model on the basis of which these instruments are held and the contractual characteristics of the associated cash flows (SPPI test).

The overall effect of the above was a reduction in the Group's consolidated shareholders' equity of €21 thousand net of the tax effect, which was less than €1,000.

The greatest tax effect amounted to €427 thousand and regarded the reclassification to the provision for current taxes of the taxes recognised in the valuation reserve for ABSs for which, since January 1, 2018, changes in fair value are recognised through profit and loss and no longer through other comprehensive income.

Statements reconciling the Balance Sheet as at December 31, 2017 (ex IAS 39) and the Balance Sheet at January 1, 2018 (IFRS 9)

(€/000)

IFRS 9 - 5th Circular 262 update Assets	AMOUNTS AT 12/31/2017 RESTATED (A)	Impact of transition to IFRS 9 (B)	AMOUNTS AT 01/01/2018 (C) = (A) + (B)
10 Cash and cash equivalents	21	-	21
20 c) Other financial assets mandatorily measured at fair value through profit or loss	22,998	2	23,000
30 Financial assets measured at fair value through comprehensive income	1,003	-	1,003
40 Financial assets measured at amortised cost a) Loans and receivables with banks	49,449	(1)	49,448
40 Financial assets measured at amortised cost a) Loans and receivables with customers	2,853	16	2,869
70 Equity investments	2,879	-	2,879
90 Property, plant and equipment	2,772	-	2,772
100 Intangible assets	4,506	-	4,506
110 Tax assets	94,187	-	94,187
120 Non-current assets and disposal groups held for sale	10	-	10
130 Other assets	116,822	(35)	116,787
Total assets	**297,500**	**(18)**	**297,482**

IFRS 9 - 5th Circular 262 update Liabilities and shareholders' equity	AMOUNTS AT 12/31/2017 RESTATED (A)	Impact of transition to IFRS 9 (B)	AMOUNTS AT 01/01/2018 (C) = (A) + (B)
10 Financial liabilities measured at amortised cost b) Due to customers	12,106	-	12,106
60 Tax liabilities	3,852	-	3,852
a) current	3,405	427	3,832
b) deferred	447	(427)	20
80 Other liabilities	37,906	-	37,906
90 Employee termination benefits	10,360	-	10,360
100 Provisions for risks and charges a) Commitments and guarantees issued	-	3	3
100 Provisions for risks and charges b) Other provisions	26,579	-	26,579
120 Valuation reserves	1,350	(1,125)	225
150 Reserves	119,350	1,104	120,454
170 Share capital	41,280	-	41,280
180 Treasury shares (-)	(277)	-	(277)
200 Net profit (loss) for the period (+/-)	44,994	-	44,994
Total liabilities and shareholders' equity	**297,500**	**(18)**	**297,482**

Statement reconciling IAS 39 shareholders' equity and IFRS 9 shareholders' equity

(€/000)

	01/01/2018 Impact of transition to IFRS 9
Shareholders' equity IAS 39	**206,697**
CLASSIFICATION AND MEASUREMENT	**2**
Adjustment of the carrying amount of financial assets due to change in business model	2
Adjustment to fair value of financial assets due to failure of SPPI test	-
Reclassification from valuation reserves to retained earning:	-
- net change in valuation reserves due to the application of new classification rules and measurement	(1,125)
- net change in retained earnings due to the application of new classification rules and measurement	1,125
IMPAIRMENT	**(23)**
Application of the new impairment model (ECL) to loans and receivables measured at amortised cost	**(19)**
- performing (Stage 1 and stage 2)	(19)
- non-performing (Stage 3)	-
Application of the new impairment model (ECL) to guarantees granted and commitments (irrevocable and revocable) to disburse funds	(3)
Application of the new impairment model (ECL) to debt securities at amortised cost	(1)
Reclassification from valuation reserves to retained earnings:	
- net change in valuation reserves for impairment of financial assets measured at fair value through comprehensive income	-
- net change in retained earnings for impairment of financial assets measured at fair value through comprehensive income	-
Taxation impact	-
- change deferred taxes due to the application of new classification rules and measurement	(427)
- change in current taxes due to the application of new classification rules and measurement	427
Attribution of IFRS 9 transition impact to non-controlling interests	-
Total IFRS 9 transition impact	**(21)**
Shareholder's equity IFRS 9	**206,676**

Effects of first-time adoption of IFRS 15 – Revenue from Contracts with Customers

IFRS 15 establishes a new revenue recognition model that applies to all contracts with customers with the exception of those that fall within the scope of application of other IAS/IFRS such as leases, insurance contracts and financial instruments.
The assessment conducted at the Group level found that the application of the new standard had essentially no quantitative impact or process effects.

In order to prepare the consolidated financial statements, in addition to IFRS 9 and IFRS 15 the Group adopted for the first time a number of other accounting standards and amendments that entered force for annual reporting periods beginning on or after January 1, 2018, which are listed below. These changes did not have a material impact on the asset, liability and income statement amounts reported in the financial statements:

- *IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration*;
- *Amendments to IAS 40: Transfers of Investment Property*;
- *Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions*;
- *Annual Improvements to IFRS Standards 2014-2016 Cycle*. The annual improvements cycle is intended to clarify certain provisions of the following IFRS:
  - IFRS 1 *First-time Adoption of International Financial Reporting Standards*;

  - IAS 28 *Investments in Associates and Joint Ventures*;
- *Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts*;
- *Clarifications to IFRS 15 Revenue from Contracts with Customer.*

The European Commission also endorsed the following accounting standards that were not applied as of December 31, 2018 as the Group did not opt for early adoption in the cases where this is permitted:

- IFRS 16 *Leases* (in force as from January 1, 2019. Early adoption is not permitted);
- *Amendments to IFRS 9: Prepayment Features with Negative Compensation* (in force as from January 1, 2019).
- *IFRIC 23 Uncertainty over income tax treatment* (in force as from January 1, 2019).

IFRS 16, applicable to accounting periods beginning on or after January 1, 2019, will replace IAS 17 and all related interpretations (IFRIC 4 Determining whether an arrangement contains a lease, SIC 15 Operating leases - Incentives, SIC 27 Evaluating the substance of the transactions involving the legal form of the lease).
The standard establishes that the recognition and presentation of items shall take account of the substance of the transaction or the contract.
Therefore, all the leases shall be reported by the entity in the balance sheet, as assets and liabilities, and no longer off balance sheet as in the case of operating leases today. At the time of initial recognition, the asset shall be measured on the basis of the cash flows associated with the lease, including, in addition to the present value of the lease payments, the initial direct costs associated with the lease and any costs necessary to restore the asset at the end of the lease. After initial recognition, the asset is measured on same basis as property, plant and equipment. The standard requires the recognition of the depreciation on the asset and the separate recognition of the interest component of the lease payment.
A preliminary analysis of the impact of application of IFRS 16 within the Group was carried out during 2018 with the involvement of various Group departments.
The Group will apply the modified retrospective approach envisaged in paragraph C.5 b) of IFRS 16, accounting for the cumulative effect of initial application of the standard at the transition date (January 1, 2019); consequently, no significant impacts are expected on the Group's shareholders' equity.
The Group has elected to use the two exemptions envisaged for first-time application of the standard for the following contracts:
- Short-term leases (term of less than or equal to 12 months);
- Low-value leases (less than €5,000).

Taking into account the extent to which the Group uses leases, it is expected that the adoption of the new accounting standard will result in an increase in both assets and liabilities resulting from the recognition of the rights-of-use and associated liabilities in the total estimated amount of €22.3 million for 17 properties used in the business and €947 thousand for buildings and cars supplied to employees and in the motor pool.
The 6th update of Bank of Italy Circular no. 262/2005, published on October 30, 2018, incorporates the changes introduced by IFRS 16 starting from the 2019 financial statements.

At December 31, 2018 the following new standards, amendments and interpretations had been issued by the IASB but had still not been endorsed by the European Union:

- *Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures* (in force as from January 1, 2019);
- IFRS 17 *Insurance contracts* (in force as from January 1, 2021. Early adoption is permitted);
- *Annual Improvements to IFRS Standards 2015-2017 Cycle*. The annual improvements cycle is intended to clarify certain provisions of the following IFRS (in force as from January 1, 2019):
  - IFRS 3 *Business Combinations;*

- IFRS 11 *Joint Arrangements;*
- IAS 12 *Income Taxes;*
- IAS 23 *Borrowing Costs*.

- *Amendments to IAS 19: Plan Amendment, Curtailment or Settlement (*in force as from January 1, 2019*);*
- *Amendments to References to the Conceptual Framework in IFRS Standards (*in force as from January 1, 2020*).*
- *Amendment to IFRS 3 Business Combinations* (in force as from January 1, 2020);
- *Amendments to IAS 1 and IAS 8: Definition of Material (*in force as from January 1, 2020*).*

A.2 Main items of the Financial Statements

1- Financial assets measured at fair value through profit or loss - Item 20.c) Other financial assets mandatorily measured at fair value

Recognition
Financial assets are initially recognised at the settlement date for debt securities and equities, and at the disbursement date for loans.
Upon initial recognition, financial assets measured at fair value through profit or loss are recorded at fair value, without considering transaction costs or income directly attributable to the instrument itself.

Classification
Financial assets other than those classified under financial assets measured at fair value through other comprehensive income or financial assets measured at amortised cost are classified in this category. More specifically, the item includes financial assets that are mandatorily measured at fair value, which are represented by financial assets that do not meet the requirements for measurement at amortised cost or at fair value through other comprehensive income. These are financial assets whose contractual terms do not provide exclusively for repayments of principal and interest payments on the principal amount to be repaid (failure to pass the "SPPI test") or which are not held as part of a business model whose intent is to hold assets in order to collect contractual cash flows (the "Hold to Collect" business model) or whose intent is achieved through the collection of contractual cash flows or through the sale of the financial assets (the "Hold to Collect and Sell" business model);
Accordingly, this item reports:
- debt securities and loans held as part of a "Hold to Collect" or "Hold to Collect and Sell" business model, but whose cash flows are not represented solely by payments of principal and interest (in other words, they do not pass the SPPI test);
- units of collective investment undertakings (CIUs);
- equity instruments not held for trading - which do not represent holdings in a subsidiary, associate or joint arrangement - for which the Group does not apply the permitted option, at the time of initial recognition, to designate the instrument as measured at fair value through other comprehensive income.

IFRS 9 permits the reclassification of financial assets between the various categories only when the entity changes its business model for managing financial assets (IFRS9 paragraphs 4.4. and 5.6). In these cases, which are assumed to be infrequent, the reclassification must be applied prospectively from the date of reclassification, with no restatement of gains, losses and interest recognised previously.

Measurement
Following initial recognition, financial assets measured at fair value through profit or loss are measured at fair value. The effects of the application of this measurement approach are recognised in profit or loss.

For the criteria used to determine fair value, please see to Section "A.4 Fair value disclosures".

Derecognition
Financial assets are derecognised in one of the following cases:
• if the contractual rights to the cash flows of the assets have expired;
• if the assets are sold, with the transfer of substantially all the risks and rewards of ownership of the assets. If substantially all the risks and rewards of ownership of the financial assets have been retained, those assets continue to be recognised, even if ownership of the assets themselves has been effectively transferred. If it is not possible to ascertain the substantial transfer of the risks and rewards, the financial assets are derecognised if no form of control over them has been retained. Otherwise, retention of even part of such control requires the entity to continue to recognise the assets in an amount equal to the residual continuing involvement, measured by the exposure to changes in the value of the transferred assets and changes in their cash flows;
• if the entity retains the contractual rights to receive the related cash flows with the simultaneous assumption of an obligation to pay the cash flows to another recipient.

2 - Financial assets measured at fair value through comprehensive income

Recognition
Financial assets measured at fair value through other comprehensive income are initially recognised at the settlement date at fair value for debt securities and at the disbursement date for loans. Fair value is normally equal to the consideration transferred in the transaction including transaction costs and revenues directly attributable to the instrument itself.

Classification
A financial asset is classified under financial assets measured at fair value through other comprehensive income if:
• the intent of the business model is pursued through both the collection of contractual cash flows and the sale of financial assets ("Hold to Collect and Sell");
• the associated cash flows represent solely payments of principal and interest.

This category includes debt securities and loans for which the business model is "Hold to Collect and Sell" and which have passed the SPPI test. It also includes investments in equity instruments not held for trading for which the irrevocable option to designate the instruments as at fair value through other comprehensive income was exercised at the time of initial recognition.

IFRS 9 permits the reclassification of financial assets between the various categories only when the entity changes its business model for managing financial assets (IFRS9 paragraphs 4.4. and 5.6). In these cases, which are assumed to be infrequent, the reclassification must be applied prospectively from the date of reclassification, with no restatement of gains, losses and interest recognised previously.

Measurement
Following initial recognition, interest accrued on interest-bearing instruments is recognised through profit or loss in accordance with the amortised cost method.
Gains and losses deriving from changes in fair value are recognised in the statement of comprehensive income and reported under item 120. Valuation reserves.
Such instruments undergo measurement of losses due to long-term reductions in value, as illustrated in the specific section.
These lasting value losses are recognised in profit or loss against the statement of comprehensive income and reported under item 120. Valuation reserves.

Derecognition
Financial assets are derecognised in one of the following cases:
• if the contractual rights to the cash flows of the assets have expired;

• if the assets are sold, with the transfer of substantially all the risks and rewards of ownership of the assets. If substantially all the risks and rewards of ownership of the financial assets have been retained, those assets continue to be recognised, even if ownership of the assets themselves has been effectively transferred. If it is not possible to ascertain the substantial transfer of the risks and rewards, the financial assets are derecognised if no form of control over them has been retained. Otherwise, retention of even part of such control requires the entity to continue to recognise the assets in an amount equal to the residual continuing involvement, measured by the exposure to changes in the value of the transferred assets and changes in their cash flows;
• if the entity retains the contractual rights to receive the related cash flows with the simultaneous assumption of an obligation to pay the cash flows to another recipient.

3 - Financial assets measured at amortised cost

Recognition
Financial assets measured at amortised cost are initially recognised at the settlement date at fair value, which is normally equal to the consideration transferred in the transaction including transaction costs and revenues directly attributable to the instrument itself.

Classification
A financial asset is classified under financial assets measured at amortised cost if:
• intent of the business model is to hold assets in order collect contractual cash flows ("Hold to Collect");
• the associated cash flows represent solely payments of principal and interest.

More specifically, assets recognised under this item include:
- the various technical forms of loans and receivables with banks that meet the requirements of the previous paragraph;
- the various technical forms of loans and receivables with customers that meet the requirements of the previous paragraph;
- debt securities that meet the requirements of the previous paragraph.

IFRS 9 permits the reclassification of financial assets between the various categories only when the entity changes its business model for managing financial assets (IFRS9 paragraphs 4.4. and 5.6). In these cases, which are assumed to be infrequent, the reclassification must be applied prospectively from the date of reclassification, with no restatement of gains, losses and interest recognised previously.

Measurement
Following initial recognition at fair value, these assets are measured at amortised cost, which involves the recognition of interest using the effective interest rate over the term of the loan or receivable
The carrying amount of financial assets measured at amortised cost is adjusted in order to take account of write-downs/writebacks resulting from the assessment process described in more detail in the section "Impairment of financial assets".

Derecognition
Financial assets are derecognised in one of the following cases:
• if the contractual rights to the cash flows of the assets have expired;
• if the assets are sold, with the transfer of substantially all the risks and rewards of ownership of the assets. If substantially all the risks and rewards of ownership of the financial assets have been retained, those assets continue to be recognised, even if ownership of the assets themselves has been effectively transferred. If it is not possible to ascertain the substantial transfer of the risks and rewards, the financial assets are derecognised if no form of control over them has been retained. Otherwise, retention of even part of such control requires the entity to continue to recognise the assets in an amount equal to the residual continuing involvement, measured by the exposure to changes in the value of the transferred assets and

changes in their cash flows;
• if the entity retains the contractual rights to receive the related cash flows with the simultaneous assumption of an obligation to pay the cash flows to another recipient.

5 – Equity investments

The criteria for initial recognition and subsequent measurement of equity investments are governed by IFRS 10 - Consolidated Financial Statements, IAS 27 - Separate Financial Statements, IAS 28 - Investments in Associates and Joint Ventures, and IFRS 11 - Joint Arrangements.
These standards are explained in Section 3. Method and scope of consolidation, where disclosure is also provided on the assessments and assumptions made to establish the existence of control or significant influence.
The remaining equity investments - other than subsidiaries, associates and joint ventures, and any reported under Items 120. "Non-current assets and disposal groups held for sale" and 70. "Liabilities associated with non-current assets and disposal groups held for sale" - are classified among financial assets depending on the category to which they belong (see sections 1 and 2 above).

6 – Property, plant and equipment

Recognition and classification

This item includes:

- land and buildings
- furniture and fixtures
- plant and machinery
- other machinery and equipment

and breaks down into the following categories:

- assets used in the business;
- investment property.

Assets used in the business have physical substance, are held for use in production or in the provision of goods and services or for administrative purposes and can be used for more than one financial year. Improvements to leasehold assets are improvements and incremental expenses for identifiable and separable items of property, plant and equipment. In this case, the assets are classified in specific sub-items (e.g. plant), depending on the nature of the asset in question. Normally, these investments are incurred in order to render properties leased from third parties suitable for their intended use.
Improvements and incremental expenses for identifiable and non-separable items of property, plant and equipment are recognised under Item 130. "Other assets".
The item also report property, plant and equipment classified under IAS 2 – Inventories regarding the property portfolio of the Group, which is held for sale.
Investment property refers to real estate investments pursuant to IAS 40, i.e. properties held (owned outright or held through a finance lease) in order to earn rentals and/or for capital appreciation.
Property, plant and equipment is initially recognised at cost, including all charges directly attributable to the "commissioning" of the asset (transaction costs, professional fees, direct costs to transport the asset to the assigned location, installation costs, dismantling expense).
Expenses incurred subsequently are added to the carrying amount of the asset or recognised as separate assets if it is probable that future economic benefits will be received in excess of those initially estimated and the cost can be reliably determined.
All other expenses incurred subsequently (e.g. ordinary maintenance) are recognised through profit or loss in the period in which they are incurred, under the item:

- 190.b) "Other administrative expense", if pertaining to assets used in the business; or

- 230. "Other operating expense and income", if pertaining to investment property.

Measurement

Subsequent to initial recognition, property, plant and equipment is recognised at cost net of cumulative depreciation and impairment.
Assets with defined useful lives are depreciated at constant rates over their useful life.
Assets with unlimited useful life are not depreciated.
The useful life of property, plant and equipment is reviewed at the end of each period, taking into account the conditions of use of the asset, the state of maintenance, expected obsolescence, etc. and, if these expectations differ from previous estimates, the depreciation charge for the current period and subsequent periods is adjusted.
If there is objective evidence that an individual asset may have incurred an impairment loss, the carrying amount of the asset is compared with its recoverable amount, which is equal to the higher of an assets fair value less costs to sell and its value in use, understood as the present value of expected future cash flows originated by the asset. Any write-downs are recognised under item 210. "Impairment/write-backs on property, plant and equipment" in the consolidated income statement.
If the value of a previously written-down asset is written back, the new carrying amount cannot exceed the net carrying amount that it would have had if no impairment loss had been recognised on the asset in previous years.

Derecognition

Property, plant and equipment is derecognised on disposal or when no future economic benefits are expected from its use or disposal. Any difference between the disposal value and the carrying amount is recognised in the income statement under Item 280. "Gains and losses on disposal of investments".

7 – Intangible assets

Recognition

Intangible assets are non-monetary assets with multi-year utility, are identifiable, lack physical substance, are controlled by the company and will probably generate future economic benefits.
Intangible assets mainly comprise goodwill, software, brands and patents.
Intangible assets other than goodwill are recognised at the purchase cost, including any direct costs incurred to prepare the asset for use, net of accumulated amortisation and any impairment.
Any expenses incurred subsequent to the acquisition:

- are recognised as an increase in the initial cost if they increase the future economic benefits of the underlying assets (i.e. if they increase their value or productive capacity);
- are recognised entirely through profit or loss for the year in which they are incurred in other cases (i.e., when they do not increase the original value of the assets, but merely conserve the original functionality).

Intangible assets with a finite life are amortised on a straight-line basis over their estimated useful life.
Intangible assets with an indefinite useful life are not amortised.

Measurement

If there is objective evidence that an individual asset may have incurred an impairment loss, the carrying amount of the asset is compared with its recoverable amount, which is equal to the higher of its fair value less costs to sell and its value in use, understood as the present value of expected future cash flows originated by the asset. Any write-downs are recognised under item 220. "Impairment/write-backs on intangible assets" in the consolidated income

statement.
For intangible assets with indefinite life, the carrying amount is compared with the recoverable amount on an annual basis even if no evidence of impairment is found. If the carrying amount is greater than the recoverable amount, a loss is recognised under Item 220. "Impairment/write-backs on intangible assets" in the consolidated income statement in an amount equal to the difference between the two values.
If the value of a previously written-down intangible asset other than goodwill is written back the new carrying amount shall not exceed the net carrying amount that it would have had if no impairment loss had been recognised on the asset in previous years.

Derecognition

Intangible assets are derecognised on disposal or when no future economic benefits are expected from their use or disposal. Any difference between the disposal value and the carrying amount is recognised in the income statement under Item 280. "Gains and losses on disposal of investments".

8 – Non-current assets and disposal groups held for sale

"Non-current assets and disposal groups held for sale" and "Liabilities associated with asset held for sale" include non-current assets or groups of assets/liabilities for which a disposal process has begun and whose sale is considered highly probable (IFRS 5).
The individual assets (or groups of assets held for sale) are recognised respectively under Item 120. "Non-current assets and disposal groups held for sale" and item 70. "Liabilities associated with non-current assets and disposal groups held for sale" at the lower of the carrying amount and the fair value net of disposal costs.
The positive or negative balance of income (dividends, interest, etc.) and charges (interest expense, etc.) relating to the groups of assets and liabilities held for sale, net of the associated current and deferred taxes, is recognised under item 320. "Profit (Loss) after tax from disposal groups held for sale" in the income statement.

9 – Current and deferred tax

Recognition

Tax assets and tax liabilities are recognised respectively under Item 110. "Tax assets" in assets and Item 60. "Tax liabilities" in liabilities.
In application of the "balance sheet method", items for current and deferred taxes include:

- current tax assets, i.e. excess payment of tax liabilities on the basis of current tax laws governing corporate income;
- current tax liabilities, i.e. tax liabilities to be settled on the basis of current tax laws governing corporate income;
- deferred tax assets, i.e. amounts of income taxes recoverable in future periods as a consequence of:
    - temporary deductible differences (represented mainly by costs deductible in future periods on the basis of current tax laws governing corporate income);
    - unutilised tax losses carried forward;
    - unutilised tax credits carried forward;
- deferred tax liabilities, i.e. income tax liabilities to be settled in future periods as a consequence of temporary taxable differences (mainly represented by the deferral of taxation of revenues or the advance deduction of charges on the basis of current tax laws governing corporate income).

Current tax assets and liabilities are recognised by applying current tax rates and are recognised as charges (income) using the same accrual criteria adopted for the costs and revenues which generated them. In particular, current IRES (corporate income tax) and IRAP

were calculated using the tax rates established in current tax law, using the new rate of 24% for IRES and, for doBank and Italfondiario, the surtax of 3.5 percentage points applicable to credit and financial institutions (Law 208 of December 28, 2015.
In general, deferred tax assets and liabilities arise in the cases in which the deductibility or taxability of a cost or revenue is deferred with respect to their recognition for accounting purposes.
Current tax items include payments on account (current assets) and liabilities to settle (current liabilities) for income tax for the period. Current tax liabilities and the associated receivables for payments on account still outstanding at the end of the year are recognised as a net amount in a single item.
Deferred tax assets and liabilities are recognised in the balance sheet in their full amount without offsetting.

Measurement

Deferred tax assets and liabilities are recognised on the basis of the tax rates which, as of the reporting date, are expected to be applicable in the period in which the asset will be realised or the liability will be eliminated, in accordance with current tax legislation. They are periodically reviewed in order to take account of any regulatory changes.
Deferred tax assets are only recognised if their recovery through expected future taxable income is probable, measured on the basis of the Group's ability to produce taxable income in future financial years. Deferred tax liabilities are always recognised. A requirement for the recognition of deferred tax assets is that it is considered reasonably certain in view of corporate developments that taxable income will be generated against which the temporary deductible differences will be used. In accordance with the provisions of IAS 12, the probability that future taxable income will be sufficient to utilise the deferred tax assets is subject to periodic review. If that review suggests that future taxable income will be insufficient, the deferred tax assets are reduced in a corresponding amount.
Current and deferred taxes are recognised in the consolidated income statement under item 300. "Income tax expense from continuing operations", with the exception of taxes which refer to items which are credited or debited, in the same or another financial year, directly in equity, such as, for example, those in respect of profits or losses on available-for-sale financial assets, whose changes in value are recognised directly in valuation reserves in the statement of comprehensive income.

Derecognition

Deferred tax assets and liabilities are derecognised at the time they are recovered/realised.

10 – Provisions for risks and charges

Recognition

Provisions for risks and charges consist of liabilities recognised when:

- the company has a present obligation (legal or constructive) as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation;
- a reliable estimate can be made of the amount of the obligation.

If these conditions are not met, no liability is recognised.

The sub-item of the provisions for risks and charges in question includes provisions for credit risk recognised in respect of commitments to disburse funds and guarantees issued that fall within the scope of application of the rules on impairment in accordance with IFRS 9. For these cases, the same procedures, in principle, are adopted for the allocation among the three stages (credit risk stages) and for calculating the reported expected loss with reference to financial assets measured at amortised cost or at fair value through other comprehensive income.
Other provisions for risks and charges include provisions for legal obligations or those

connected with employment relationships or disputes, including tax disputes, originated by a past event for which an outflow of economic resources to settle the obligations is probable, provided that a reliable estimate can be made of the amount of the obligations.
Where the effect of the time value of money is material, provisions are discounted using current market rates. Provisions are recognized in the income statement under item "200. Net provisions for risks and charges" and include increases in provisions due to the passage of time.

The item also includes long-term employee benefits, the charges for which are determined using actuarial methods. Actuarial gains and losses are recognized in full immediately through profit or loss.

Measurement

The amounts allocated to provisions are determined so that they represent the best estimate of the expense required to settle the obligation. In making this estimate, the risks and uncertainties pertaining to the facts and circumstances involved are taken into account.
Specifically, when the effect of deferring the charge in time is significant, the amount of the provision is determined as the present value of the best estimate of the cost assumed necessary to extinguish the obligation. In this case, the discount rate used reflects current market assessments.
Provisions are periodically reviewed and adjusted if necessary to reflect the current best estimate. When, following a review, it is found that the charge is unlikely to be incurred, the provision is reversed.

Derecognition

A provision is used only against the charges for which it was initially recognised.
Provisions for the year, recognised under item 200. "Net provisions for risks and charges" in the income statement, include increases in provisions due to the passage of time and are reported net of any reversals.

11 – Financial liabilities measured at amortised cost

Recognition and classification

Financial liabilities measured at amortised cost represented by amounts due to banks, amounts due to customers and securities issued include financial instruments (other than liabilities held for trading and those designated as at fair value) representing the various forms of funding from third parties.
Liabilities recognised by the entity as a lessee in finance lease transactions are also included.
These financial liabilities are recognised at the settlement date and initially recognised at fair value, which normally corresponds to the consideration received or the issue price, increased by any costs/proceeds directly attributable to the individual funding transaction or issue.

Measurement

Following initial recognition, financial liabilities are measured at amortised cost using the effective interest rate method.
Exception is made for short-term liabilities, for which the time factor is negligible, which continue to be carried at the amount received.

Derecognition

Financial liabilities are derecognised when they have expired or are discharged. The difference between the carrying amount of a liability and the consideration paid to purchase it is recognised in profit or loss.

16 – Other information

Other assets

Other assets essentially include items awaiting settlement and items that are not attributable

to other items in the balance sheet, including receivables from the provision of non-financial services, tax items other than those recognised in a separate item (for example, those connected with tax withholding activities), and accrued income other than that that must be capitalised in the related financial assets, including that deriving from contracts with customers pursuant to IFRS 15, paragraphs 116 et seq..
The item also includes leasehold improvements and expansions other than those allocable to item "90. Property, plant and equipment", as they are not separable to the asset to which they refer and therefore cannot be used independently.

Treasury shares

Changes in treasury shares in the portfolio are recognised directly in equity, i.e. reducing the latter by the value of purchases and increasing it by the value of sales.
This means that in the case of a subsequent transfer the difference between the sales price of the treasury shares and the associated repurchase cost, net of any tax effects, is fully recognised in shareholders' equity.

Accruals and deferrals

Accruals and deferrals, which comprises charges and income pertaining to the period accrued on assets and liabilities, are recognised as an adjustment to the assets and liabilities to which they refer.

Expenditure for leasehold improvements

Property renovation costs for properties of which the entity is not the owner are capitalised in view of the fact that over the term of the lease the entity has control of the asset and future economic benefits will flow to the entity. These costs, which are classified under other assets as provided for in the instructions of the Bank of Italy, are amortised over a period that does not exceed the term of the lease contract.
The corresponding provisions are recognised under other operating expenses.

Employee termination benefits (Trattamento di fine rapporto or TFR)

The provision for TFR for Italy-based employee benefits is treated as a post-employment defined benefit scheme. Its recognition in the financial statements therefore requires the estimation, carried out using actuarial techniques, of the amount of benefits accrued by employees and the discounting of those benefits.
The determination of these benefits was conducted by an external actuary, using the "projected unit credit method". This method uniformly distributes the cost of the benefit over the working life of the employee. Obligations are determined as the discounted value of average future benefit payments, proportioned on the basis of the ratio between years of service accrued and total seniority achieved at the time the benefit is disbursed.
Following the reform of the supplementary pension system with Legislative Decree 252 of December 5, 2005, the termination benefits accrued up to December 12, 2006 (or up to a date selected by the employee between January 1, 2007 and June 30, 2007 in the event the employee elected to transfer accrued TFR to a supplementary pension scheme) remained with the company and continue to be considered "defined-benefit post-employment benefits" and are therefore subject to actuarial measurement, although using simplified actuarial assumptions that no longer take account of forecasts of future wage increases.

TFR accruing after January 1, 2007 (or after the date of election between January 1 and June 30, 2007 by the employee to transfer TFR to (i) a supplementary pension scheme or (ii) leave the TFR with the company, which in turn deposits those contributions with the Treasury Fund operated by the National Social Security Institute (INPS) is considered to be a "defined contribution" plan.
Actuarial gains and losses, defined as the difference between the carrying amount of the liabilities and the present value of the obligation at the end of the period, are recognised in equity under Item 120. "Valuation reserves" in accordance with the provisions of the IAS 19 Revised.

Share-based payments

Share-based payments are payments made to employees or comparable persons as payment for work or other services/assets received, based on shares representing capital, which consist in the grant of rights to receive shares upon meeting quantitative/qualitative objectives.
The fair value of payments settled the issue of shares is based on their stock market price and is recognised as a cost in the income statement under Item 190.a) "Staff expense" and in the balance sheet under Item 150. "Reserves" in equity, on an accruals basis in proportion to the period in which the service is rendered.

Valuation of property

Properties considered as inventories are classified under "90. Property, plant and equipment" as provided for in the instructions of the Bank of Italy. These inventories mainly comprise properties that are to be renovated and/or undergoing renovation and trading properties.
Properties undergoing renovation are measured at the lower of cost, increased by expenses increasing of their value and the capitalisable financial expense, and the corresponding estimated realisable value, less the direct costs to sell.
Trading properties are measured at the lower of cost and estimated realisable value, which is generally represented by the market value as determined from similar property transactions in terms of location and type. The estimated realisable value and the market value are determined on the basis of independent appraisals or any lower value at which management is prepared to sell based on urban/land registry circumstances that do not correspond to the effective state of the property and legal issues (such as the illegal occupation of the properties).
Any write-downs based on the above appraisal are charged to the appropriate item in the income statement.
If the reasons prompting the write-down of the inventories' write-down should no longer obtain, write-downs recognised in previous periods are reversed through profit or loss up to the lower of cost and estimated realisable value.

RECOGNITION OF REVENUES AND COSTS

Revenues can be recognised:
- at a point in time, when the entity satisfies the performance obligation by transferring the promised asset or service to the customer;
or
- over time, as the entity satisfies the performance obligation by transferring the promised asset or service.

An asset is transferred when, or in the period in which, the customer obtains control of the asset.

Servicing fees and revenues from ancillary products

These revenues are measured at the fair value of the consideration received or due and are recognised when they can be estimated reliably. Revenues for services provided are recognised in conjunction with the completion of the services. They are recognised only when it is probable that the economic benefits of the transaction will flow to the company. Nevertheless, when the recoverability of an amount already recognised under revenues is affected by uncertainty, the revenues originally recognised are adjusted by the unrecoverable amount or the amount whose recovery is no longer certain.

Dividends

Dividends are recognised in profit or loss in the period in which their distribution is authorised.

Costs
Costs are recognised when they are incurred, on an accruals basis.
Impairment losses are recognised through profit or loss in the period in which they are ascertained.

RELEVANT IAS/IFRS DEFINITIONS

The following presents a number of concepts relevant for the purposes of the IAS/IFRS international accounting standards are outlined, in addition to those already addressed in the previous sections.

Amortised cost

The amortised cost of a financial asset or liability is the amount at which it is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and adjusted for any write-down or unrecoverability (impairment).
The effective interest rate method is a method for allocating interest income or expense over the life of a financial asset or liability. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the life of the financial instrument to the net carrying amount of the financial asset or liability. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts.
Fees and commissions that are considered an integral part of the effective interest rate include initial fees received for the disbursement or acquisition of a financial asset not classified as measured at fair value, such as, for example, those received as compensation for the assessment of the debtor's financial condition, the evaluation and registration of guarantees and, more generally, the completion of the transaction.
Transaction costs, in turn, include fees and commissions paid to agents (including employees filling the role of commercial agents), consultants, mediators and other operators, contributions levied by regulatory bodies and securities markets, and taxes and charges on the transfer. Transaction costs do not include lending costs or internal administrative or management costs.

Impairment of financial assets
Pursuant to IFRS 9, at each reporting date financial assets other than those measured at fair value through profit or loss undergo an assessment to determine whether there is evidence that the carrying amount of the assets cannot be fully recovered. An analogous analysis is conducted for commitments to disburse funds and for guarantees issued that fall within the scope of the impairment provisions of IFRS 9.
If evidence of impairment is found, the financial assets in question - consistently, where present, with all other assets pertaining to the same counterparty - are considered impaired and are classified in stage 3. Such exposures, represented by financial assets classified - pursuant to the provisions of Circular 262/2005 of the Bank of Italy - in the categories of non-performing loans, exposures unlikely to pay and exposures past due by more than ninety days, shall be written down in an amount equal to the expected losses over the entire residual life of the assets.

Financial assets for which there is no evidence of impairment (unimpaired financial instruments) shall be evaluated to determine whether there is evidence that the credit risk of the individual transaction has increased significantly since initial recognition. Following the assessment, the assets shall be classified (or, more properly, staged) as follows:
- where such evidence is found, the financial asset shall be classified in stage 2. Such valuation, consistent with the provisions of the international accounting standards and even in the absence of manifest impairment, requires for the recognition of write-downs equal to the expected losses over the residual life of the financial instrument;
- where such evidence is not found, the financial asset shall be classified in stage 1. Such

valuation, consistent with the provisions of the international accounting standards and even in the absence of manifest impairment, requires the recognition of expected losses, for the specific financial instrument, over the following twelve months.

The Group impairment process is applied to financial assets measured at amortised cost or at fair value through other comprehensive income, which include: loans, trade receivables, contract assets, debt securities, financial guarantees, and irrevocable commitments to disburse funds.
For trade receivables, in consideration of the provisions of IFRS 9 (paragraphs 5.5.15-16) and the immateriality of the financing component of such receivables, the Group has opted for the "simplified approach" which essentially provides for the calculation of total lifetime expected losses for the financial asset. Given that the residual life of trade receivables is generally less than one year, the 12-month and lifetime expected losses are the same.

A.4 Fair value disclosures

Qualitative disclosures

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction on the principal (or most advantageous) market at the measurement date on current market terms (exit price).
In order to maximise the consistency and comparability of fair value measurements and the associated disclosures, IFRS 13 establishes a fair value hierarchy that divides the inputs used to measure fair value into three levels:

- **Level 1**: the fair value of the instrument is determined on the basis of quoted prices in active markets;
- **Level 2**: the fair value of the instrument is determined on the basis of valuation techniques that use inputs observable on active markets, such as:
  - quoted prices in active markets for similar instruments;
  - observable inputs such as interest rates or yield curves, implied volatilities, early repayment risk, default rates and illiquidity factors;
  - unobservable inputs supported and corroborated by market information.
- **Level 3**: the fair value of the instrument is determined on the basis of valuation techniques that mainly use unobservable inputs that therefore involve the use of internal estimates and assumptions.

This classification is intended to establish a hierarchy based on the objectivity of fair values as a function of the degree of discretion adopted, giving precedence to the use of observable market inputs. The fair value hierarchy is also defined on the basis of the inputs used in the models adopted to determine fair value and not on the basis of the valuation techniques themselves.

A.4.1 – Fair value levels 2 and 3: valuation techniques and inputs used

The following section provides the disclosures required under IFRS 13 on accounting portfolios, both measured at fair value on a recurring basis and not measured at fair value or measured at fair value on a non-recurring basis.

Assets and liabilities measured at fair value on a recurring basis

Asset-backed securities
ABSs are measured using a discounted cash flow model based on the estimation of cash flows paid by the instrument and the estimation of a spread for discounting.

Equity securities
Equity securities are assigned to Level 1 when a quoted price on an active market considered to be liquid is available or to Level 3 when there are no quoted prices or the prices have been suspended for an indeterminate amount of time. These instruments are classified as Level 2 only if the volume of trading on the market has fallen significantly.
For equity securities carried at cost, an impairment loss is recognised when the cost exceeds the recoverable value significantly and/or for a prolonged period of time.

Investment funds
Investment funds are classified as Level 1 if they are listed on an active market. If not, they are classified as Level 3 and are measured using a credit adjustment of the NAV, based on the specific characteristics of the individual fund.

Assets and liabilities not measured at fair value or measured at fair value on a non-recurring basis

Financial instruments not measured at fair value, including payables and loans and receivables with customers and banks are not managed on a fair value basis.

Cash and cash equivalents
Given their short-term horizon and negligible credit risk, the carrying amount of cash and liquid assets approximates their fair value.

Loans and receivables with banks and customers
The fair value of loans and receivables with banks and customers, recognised at amortised cost, is mainly determined using a present value model, adjusted for risk. Accordingly, the carrying amount of loans and receivables with banks and customers is considered to be an appropriate approximation of their fair value, an aspect that results in their classification in level 3 of the hierarchy.

Description of valuation techniques

In order to measures position for which market sources do not provide a directly observable market price, specific valuation techniques widely used in market practice are used and described below.

Discounted cash flows
Valuation techniques based on discounted cash flows generally consist in estimating the expected future cash flows over the life of the instrument. The model requires an estimate of the cash flows and the adoption of market parameters for the discount: the discount rate or margin reflects the credit and/or lending spread requested by the market for instruments with similar risk profiles and liquidity, in order to determine a "discounted value". The fair value of the contract is equal to the sum of the discounted future cash flows.

Market approach
This is a valuation technique that uses prices generated in market transactions involving identical or similar assets, liabilities or groups of assets and liabilities.

NAV
The NAV (net asset value) is the difference between the total value of the fund's assets and its liabilities. An increase in NAV coincides with an increase in the fair value measurement. Generally, for funds classified as Level 3, the NAV represents a risk-free measurement. Therefore, in this case the NAV is adjusted to consider the default risk of the issuer.

A.4.2 – Estimation processes and sensitivity

As required under IFRS 13, the Group verifies that the value assigned to each position appropriately reflects the current fair value. Fair value measurement of assets and liabilities is done using various techniques, among which (but not solely) discounted cash flow and internal models. On the basis of the observability of the inputs used, all measurements are classified as Level 1, Level 2 or Level 3 in the fair value hierarchy.
For financial instruments measured at fair value and classified in level 3 (the Romeo SPV and Mercuzio Securitisation ABSs), a sensitivity analysis is performed because the procedure for quantifying fair value – the discounted cash flow model – does not permit the development of alternatives concerning the unobservable inputs used in the measurement process.
For units in the Italian Resolution Fund (formerly Atlante II), no sensitivity analysis was performed as the measurement of fair value was carried out using the value of the units at December 31, 2018 notified by Quaestio SGR.

A.4.3 – Fair value hierarchy

Financial instruments are associated with given fair value level on the basis of observability of the inputs used to measure them.
When the fair value is measured directly using an observable price quoted on an active market, the instrument falls in Level 1. When the fair value must be measured using a comparable approach or through the use of a pricing model, it falls in Level 2 or 3, depending on the observability of all the significant inputs used in the measurement.
When selecting between the various valuation techniques, that which maximises utilisation of observable inputs is used.
All transfers between fair value hierarchy levels are carried out with reference to the reporting date for the financial statements.
The main factors that contribute to transfers between fair value hierarchy levels (whether between Level 1 and Level 2 and within Level 3) include changes in market conditions and refinements in measurement models and the relative weights of the unobservable inputs used in measuring the fair value.

Quantitative disclosures

A.4.5 – Fair value hierarchy

The following tables report the breakdown of the portfolio of (i) financial assets and liabilities measured at fair value and (ii) assets and liabilities not measured at fair value or measured at fair value on a non-recurring basis, on the basis of the levels discussed earlier.

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

Level 1 includes, among “financial assets measured at fair value through other comprehensive income”, government securities (BOTs) acquired during the year in order to ensure compliance with the European regulatory requirement concerning short-term liquidity, namely the Liquidity Coverage Ratio (LCR).

Level 3 for “financial assets measured at fair value through profit or loss” mainly includes (i) the residual value of the notes issued by the Romeo SPV and Mercuzio Securitisation securitisation vehicles, equal to 5% of the total value of the notes, in the amount of €5.2 million and (ii) €29 million in respect of the amount paid in 2017 and June 2018 for the subscription of 30 units of the restricted closed-end alternative securities investment fund denominated Italian Recovery Fund (formerly Atlante II).

(€/000)

	12/31/2018			12/31/2017		
	Level 1	**Level 2**	**Level 3**	**Level 1**	**Level 2**	**Level 3**
1. Financial assets measured at fair value through P&L	-	-	34,250	-	-	22,998
a) Financial assets held for trading	-	-	-	-	-	-
b) Financial assets designated at fair value	-	-	-	-	-	-
c) Other financial assets mandatorily measured at fair value	-	-	34,250	-	-	22,998
2. Financial assets measured at fair value through comprehensive income	999	-	-	1,003	-	-
3. Hedging derivatives	-	-	-	-	-	-
4. Property, plant and equipment	-	-	-	-	-	-
5. Intangible assets	-	-	-	-	-	-
Total	**999**	**-**	**34,250**	**1,003**	**-**	**22,998**
1. Financial liabilities held for trading	-	-	-	-	-	-
2. Financial liabilities measured at fair value	-	-	-	-	-	-
3. Hedging derivatives	-	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**-**	**-**

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

(€/000)

	Financial assets measured at fair value through P&L				Financial assets measured at fair value through comprehensive income	Hedging derivatives	Property, plant and equipment	Intangible assets
	Total	*of which: a) Financial assets held for trading*	*of which: b) Financial assets designated at fair value*	*of which: c) Other financial assets mandatorily measured at fair value*				
1. Opening balances	**23,000**	**-**	**-**	**23,000**	**-**	**-**	**-**	**-**
2. Increases	***14,349***	**-**	**-**	**14,349**	**-**	**-**	**-**	**-**
2.1. Purchases	*13,170*	-	-	13,170	-	-	-	-
2.2. Profits recognized in:	1,179	-	-	1,179	-	-	-	-
2.2.1. Income Statement	1,179	-	-	1,179	-	-	-	-
of which: gains	*1,179*	-	-	*1,179*	-	-	-	-
2.2.2. Shareholders' Equity	-	*X*	*X*	X	-	-	-	-
2.3. Transfer from other levels	-	-	-	-	-	-	-	-
2.4. Other increases	-	-	-	-	-	-	-	-
3. Decreases	**(3,099)**	**-**	**-**	**(3,099)**	**-**	**-**	**-**	**-**
3.1. Sales	-	-	-	-	-	-	-	-
3.2. Redemptions	(2,286)	-	-	(2,286)	-	-	-	-
3.3. Losses recognized in:	(759)	-	-	(759)	-	-	-	-
3.3.1 Income Statement	(759)	-	-	(759)	-	-	-	-
of which: losses	*(759)*	-	-	*(759)*	-	-	-	-
3.3.2 Shareholders' Equity	-	*X*	*X*	X	-	-	-	-
3.4. Transfer to other levels	-	-	-	-	-	-	-	-
3.5. Other decreases	(54)	-	-	(54)	-	-	-	-
4. Closing balances	**34,250**	**-**	**-**	**34,250**	**-**	**-**	**-**	**-**

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

(€/000)

	12/31/2018				12/31/2017			
	Carrying amount	Level 1	Level 2	Level 3	Carrying amount	Level 1	Level 2	Level 3
1. Financial assets measured at amortised cost	75,491	-	-	75,491	52,302	-	-	52,302
2. Investment property	-	-	-	-	-	-	-	-
3. Non-current assets and diposal groups held for sale	710	-	-	710	10	-	-	10
Total	**76,201**	**-**	**-**	**76,201**	**52,312**	**-**	**-**	**52,312**
1. Financial liabilities measured at amortised cost	294	-	-	294	12,106	-	-	12,106
2. Liabilities associated with non-current assets and disposal groups held for sale	6,532	-	-	6,532	-	-	-	-
Total	**6,826**	**-**	**-**	**6,826**	**12,106**	**-**	**-**	**12,106**

PART B – CONSOLIDATED BALANCE SHEET

ASSETS

SECTION 1 – CASH AND CASH EQUIVALENTS – ITEM 10

1.1 Cash and cash equivalents: breakdown

(€/000)

	12/31/2018	12/31/2017
a) Cash	15	21
b) Demand deposits with Central banks	-	-
Total	**15**	**21**

SECTION 2 – FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS – ITEM 20

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

(€/000)

	12/31/2018			12/31/2017		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Debt securities	-	-	5,240	-	-	7,734
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	-	-	5,240	-	-	7,734
2. Equity instruments	-	-	47	-	-	42
3. Units in collectiv e inv estment undertakings	-	-	28,963	-	-	15,222
4. Loans	-	-	-	-	-	-
4.1 Repurchase agreements	-	-	-	-	-	-
4.2 Other	-	-	-	-	-	-
Total	**-**	**-**	**34,250**	**-**	**-**	**22,998**

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

(€/000)

	12/31/2018	12/31/2017
1. Equity instruments	**47**	**42**
of which: banks	-	-
of which: other financial companies	-	-
of which: non-financial companies	*47*	*42*
2. Debt securities	**5,240**	**7,734**
a) Central banks	-	-
b) Government entities	-	-
c) Banks	-	-
d) Other financial companies	5,240	7,734
of which: insurance companies	-	-
e) Non-financial companies	-	-
3. Units in collective investment undertakings	**28,963**	**15,222**
4. Loans	**-**	**-**
a) Central banks	-	-
b) Government entities	-	-
c) Banks	-	-
d) Other financial companies	-	-
of which: insurance companies	-	-
e) Non-financial companies	-	-
f) Households	-	-
Total	**34,250**	**22,998**

Debt securities are represented by the residual amount of ABSs from the Romeo SPV and Mercuzio Securitisation securitisations. The amount subscribed by the doBank corresponds to 5% of the total notes issued by the two vehicles. The decline compared with the previous year is due to the collection of the notes on the scheduled payment dates as well as to the effects of the adjustment of the valuation model and the adoption of a new internal rate of expected return that also reflected developments in the NPL ABS spread curves during the year.

Equity instruments consist of non-controlling interests for which the Group has not exercised the option available under IFRS 9 to measure these instruments at fair value through other comprehensive income. They regard the investment in Nomisma S.p.A and a residual amount of less than €1 thousand representing the dues for participation in the Interbank Deposit Guarantee Fund.

Units in collective investment undertakings regard the amount paid in late 2017 and in June 2018 for the subscription of 30 units of the restricted closed-end alternative securities investment fund denominated Italian Recovery Fund (formerly Atlante II). Following the two payments, at December 31, 2018, a minimal amount of €1.5 million remained recognised under commitments.

SECTION 3 – FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH COMPREHENSIVE INCOME – ITEM 30

3.1 Financial assets measured at fair value through comprehensive income: breakdown by product

(€/000)

	12/31/2018			12/31/2017		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Debt securities	999	-	-	1,003	-	-
1.1 Structured securities	-	-	-	-	-	-
1.2 Other	999	-	-	1,003	-	-
2. Equity instruments	-	-	-	-	-	-
3. Loans	-	-	-	-	-	-
Total	**999**	**-**	**-**	**1,003**	**-**	**-**

The item is entirely composed of Italian Treasury bills (BOTs) purchased in order to meet European regulatory requirements for liquidity (the Liquidity Coverage Ratio or LCR).

3.2 Financial assets measured at fair value through comprehensive income: breakdown by issuer/borrower

(€/000)

	12/31/2018	12/31/2017
1. Debt securities	**999**	**1,003**
a) Central banks	-	-
b) Government entities	999	1,003
c) Banks	-	-
d) Other financial companies	-	-
of which: insurance companies	-	-
e) Non-financial companies	-	-
2. Equity instruments	**-**	**-**
a) Banks	-	-
b) Other issuer:	-	-
- other financial companies	-	-
of which: insurance companies	-	-
- non-financial companies	-	-
- other	-	-
3. Loans	**-**	**-**
a) Central banks	-	-
b) Government entities	-	-
c) Banks	-	-
d) Other financial companies	-	-
of which: insurance companies	-	-
e) Non-financial companies	-	-
f) Households	-	-
Total	**999**	**1,003**

3.3 Financial assets measured at fair value through comprehensive income: gross value and total write-offs

(€/000)

	Gross amount				Total write-offs			
	First stage	*of which: instruments with low credit risk*	Second stage	Third stage	First stage	Second stage	Third stage	Total partial write-offs*
Debt securities	999	-	-	-	-	-	-	-
Loans	-	-	-	-	-	-	-	-
Total 12/31/2018	**999**	-	-	-	-	-	-	-
Total 12/31/2017	**1,003**	-	-	-	-	-	-	-
of which: impaired financial assets acquired or originated	X	X	-	-	X	-	-	-

* *Value to be showed for information purposes*

SECTION 4 – FINANCIAL ASSETS MEASURED AT AMORTISED COST – ITEM 40

4.1 Financial assets measured at amortised cost: breakdown of loans and receivables with banks

(€/000)

	12/31/2018						12/31/2017					
	Carrying amount			Fair value			Carrying amount			Fair value		
	First and second stage	Third stage	*of which: impaired acquired or originated*	Level 1	Level 2	Level 3	First and second stage	Third stage	*of which: impaired acquired or originated*	Level 1	Level 2	Level 3
A. Claims on Central banks	**1**	-	-	-	-	**1**	-	-	-	-	-	-
1. Term deposits	-	-	-	X	X	X	-	-	-	X	X	X
2. Compulsory reserv es	1	-	-	X	X	X	-	-	-	X	X	X
3. Repurchase agreements	-	-	-	X	X	X	-	-	-	X	X	X
4. Other	-	-	-	X	X	X	-	-	-	X	X	X
B. Loans to banks	**73,526**	**-**	**-**	**-**	**-**	**73,526**	**49,449**	**-**	**-**	**-**	**-**	**49,449**
1. Loans	73,429	-	-	-	-	73,429	49,340	-	-	-	-	49,340
1.1 Current accounts and demand deposits	73,429	-	-	X	X	X	49,340	-	-	X	X	X
1.2 Term deposits	-	-	-	X	X	X	-	-	-	X	X	X
1.3 Other loans	-	-	-	X	X	X	-	-	-	X	X	X
- Repurchase agreements	-	-	-	X	X	X	-	-	-	X	X	X
- Finance leases	-	-	-	X	X	X	-	-	-	X	X	X
- Other	-	-	-	X	X	X	-	-	-	X	X	X
2. Debt securities	97	-	-	-	-	97	109	-	-	-	-	109
2.1 Structured	-	-	-	-	-	-	-	-	-	-	-	-
2.2 Other	97	-	-	-	-	97	109	-	-	-	-	109
Total	**73,527**	**-**	**-**	**-**	**-**	**73,527**	**49,449**	**-**	**-**	**-**	**-**	**49,449**

Loans and receivables with banks totalling €73.5 million mainly regard cash available on current accounts, mainly held with UniCredit S.p.A e Banca Intesa.
Careful liquidity management and the effect of an increase in the Investor segment compared with the Bank segment caused this item to rise significantly compared with a year earlier (+49%), despite outlays for the payment of dividends (€30.9 million) and for the investment in the Italian Recovery Fund (about €13 million).

In view of the short-term maturity of the exposures, and the floating rate paid on balances, it is reasonable to conclude that the fair value of the items corresponds to their carrying amount.

4.2 Financial assets measured at amortised cost: breakdown by product of loans and receivables with customers

(€/000)

	12/31/2018						12/31/2017					
	Carrying amount			Fair value			Carrying amount			Fair value		
	First and second stage	Third stage	*of which: impaired acquired or originated*	Level 1	Level 2	Level 3	First and second stage	Third stage	*of which: impaired acquired or originated*	Level 1	Level 2	Level 3
1. Loans	**1,698**	**266**	**266**	**-**	**-**	**-**	**2,588**	**265**	**265**	**-**	**-**	**-**
1. Current accounts	266	129	*129*	X	X	X	1,204	134	*134*	X	X	X
2. Repurchase agreements	-	-	-	X	X	X	-	-	-	X	X	X
3. Mortgage loans	1,121	122	*122*	X	X	X	1,092	117	*117*	X	X	X
4. Credit cards and personal loans, including wage assignment loans	-	-	-	X	X	X	-	-	-	X	X	X
5. Finance leases	-	-	-	X	X	X	-	-	-	X	X	X
6. Factoring	-	-	-	X	X	X	-	-	-	X	X	X
7. Other loans	311	15	*15*	X	X	X	292	14	*14*	X	X	X
2. Debt securities	-	-	-	-	-	-	-	-	-	-	-	-
2.1. Structured securities	-	-	-	-	-	-	-	-	-	-	-	-
2.2. Other debt securities	-	-	-	-	-	-	-	-	-	-	-	-
Total	**1,698**	**266**	**266**	**-**	**-**	**-**	**2,588**	**265**	**265**	**-**	**-**	**-**

At December 31, 2018 the item includes current accounts and mortgage loans to customers mainly classified in stage 1 and stage 2. More specifically, €700 thousand in respect of performing current accounts originated by banking activities was reclassified to item 120. Non-current assets and disposal groups held for sale, in conformity with the steps implementing the reorganisation of the doBank Group provided for in the 2018-2020 Business Plan published in June 2018.

4.4 Financial assets measured at amortised cost: breakdown by issuer/borrower of loans and receivables with banks

(€/000)

	12/31/2018			12/31/2017		
	First and second stage	Third stage	*of which: impaired acquired or originated*	First and second stage	Third stage	*of which: impaired acquired or originated*
1. Debt securities	**-**	**-**	**-**	**-**	**-**	**-**
a) Government entities	-	-	-	-	-	-
b) Other financial companies	-	-	-	-	-	-
of which: insurance companies	-	-	-	-	-	-
c) Non-financial companies	-	-	-	-	-	-
2. Loans to:	**1,698**	**266**	***266***	**2,588**	**265**	***265***
a) Government entities	311	-	-	293	-	-
b) Other financial companies	79	-	-	-	-	-
of which: insurance companies	-	-	-	-	-	-
c) Non-financial companies	187	200	*200*	1,202	201	*201*
d) Households	*1,121*	66	*66*	1,093	64	*64*
Total	**1,698**	**266**	***266***	**2,588**	**265**	***265***

4.5 Financial assets measured at amortised cost: gross amount and overall impairments

(€/000)

	Gross amount				Write-offs			
	First stage	*of which: instruments with low credit risk*	Second stage	Third stage	First stage	Second stage	Third stage	Total partial write-offs *
Debt securities	97	-	-	-	-	-	-	-
Loans	75,132	-	-	718	(4)	-	(452)	-
Total 12/31/2018	**75,229**	**-**	**-**	**718**	**(4)**	**-**	**(452)**	**-**
Total 12/31/2017	**52,044**	***32,012***	**15**	**725**	**(15)**	**(7)**	**(460)**	**-**
of which: impaired financial assets acquired or originated	*X*	*X*	*718*	*718*	*X*	-	*(452)*	-

* *Value to be showed for information purposes*

SECTION 7 – EQUITY INVESTMENTS – ITEM 70

7.1 Equity investments: information on ownership

At December 31, 2018, the item Equity investments was equal to zero following the sale of the interest of 45% in BCC Gestione Crediti during the third quarter of the year.

7.2 Significant shareholdings: book value, fair value and dividends received

(€/000)

Name	Carrying amount	Fair value	Dividends Received
A. Companies under joint control	-	-	-
B. Companies subject to significant influence			
1. BCC Gestione Crediti S.p.A.	-	-	1,186
Total	-	-	1,186

7.5 Equity investments: annual change

(€/000)

	12/31/2018	12/31/2017
A. Opening balances	2,879	1,608
B. Increases	-	1,271
B1. Purchases	-	-
B2. Write-backs	-	-
B3. Revaluations	-	-
B4. Other changes	-	1,271
C. Decreases	2,879	-
C1. Sales	1,693	-
C2. Write-downs	-	-
C.3 Impairments	-	-
C4. Other changes	1,186	-
D. Closing balances	-	2,879
E. Total revaluations	-	-
F. Total write-downs	-	-

Item C.1 Sales regards the sale of the 45% stake in the associate BCC Gestione Crediti and includes a gain on the sale of €917 thousand (see also Section 17 of the income statement).

Item C.4 Other changes reports the decrease in the same investment as a result of payment of the dividend in 2018.

SECTION 9 – PROPERTY, PLANT AND EQUIPMENT – ITEM 90

9.1 Property, plant and equipment used in the business: breakdown of assets carried at cost

(€/000)

	Total 12/31/2018	Total 12/31/2017
1. Owned assets	**1,897**	**1,354**
a) Land	**-**	**-**
b) Buildings	-	-
c) Furniture	772	727
d) Electronic systems	1,113	605
e) Other	12	22
2. Assets held under finance lease	**349**	**465**
a) Land	-	-
b) Buildings	-	-
c) Furniture	-	-
d) Electronic systems	349	465
e) Other	-	-
Total	**2,246**	**1,819**
of which: acquired through the enforcement of guarantees received	**-**	**-**

9.5 Inventories of property, plant and equipment governed by IAS 2: breakdown

(€/000)

	Total 12/31/2018	Total 12/31/2017
1. Inventories of property, plant and equipment through the enforcement of guarantees	**-**	-
a) Land	-	-
b) Buildings	-	-
c) Furniture	-	-
d) Electronic systems	-	-
e) Other	-	-
2. Other inventories of property, plant and equipment	**564**	**953**
Total	**564**	**953**
of which: measured at fair value net of disposal costs	**-**	**-**

The item includes 19 properties. During the year, 6 properties were sold, reducing inventories from December 31, 2017 by €333 thousand. The additional decrease in the item (€55 thousand) is attributable to write-downs of buildings on the basis of appraisals provided by independent appraisers.

9.6 Property plant and equipment used in the business: annual change

(€/000)

	Land	Buildings	Furniture	Electronic systems	Other	Total
A. Gross opening balances	**-**	**-**	**3,160**	**4,897**	**704**	**8,761**
A.1 Total net reduction in value	-	-	(2,433)	(3,826)	(683)	(6,942)
A.2 Net opening balances	**-**	**-**	**727**	**1,071**	**21**	**1,819**
B. Increases:	**-**	**-**	**1,259**	**882**	**232**	**2,373**
B.1 Purchases	-	-	185	756	-	941
B.2 Capitalised expenditure on improvements	-	-	-	-	-	-
B.3 Write-backs	-	-	-	-	-	-
B.4 Increases in fair value:	-	-	-	-	-	-
a) in equity	-	-	-	-	-	-
b) through profit or loss	-	-	-	-	-	-
B.5 Positive exchange differences	-	-	-	-	-	-
B.6 Transfer from properties held for investment	-	-	X	X	X	-
B.7 Other changes	-	-	1,074	126	232	1,432
C. Decreases	**-**	**-**	**1,212**	**492**	**242**	**1,946**
C.1 Disposals	-	-	-	-	-	-
C.2 Depreciation	-	-	140	492	8	640
C.3 Impairment losses:	-	-	-	-	-	-
a) in equity	-	-	-	-	-	-
b) through profit or loss	-	-	-	-	-	-
C.4 Reductions in fair value:	-	-	-	-	-	-
a) in equity	-	-	-	-	-	-
b) through profit or loss	-	-	-	-	-	-
C.5 Negative exchange differences	-	-	-	-	-	-
C.6 Transfers to:	-	-	-	-	-	-
a) investment property	-	-	X	X	X	-
b) assets held for sale	-	-	-	-	-	-
C.7 Other changes	-	-	1,072	-	234	1,306
D. Net closing balance	**-**	**-**	**774**	**1,461**	**11**	**2,246**
D.1 Total net reduction in value	-	-	(1,500)	(4,317)	(461)	(6,278)
D.2 Gross closing balances	**-**	**-**	**2,274**	**5,778**	**472**	**8,524**
E. Carried at cost	-	**-**	**-**	**-**	**-**	**-**

Purchases during the year mainly regarded the set-up of the doBank Hellas branch in Greece.
Depreciation charges are calculated on a straight-line basis over the residual useful life of the assets.

9.8 Inventories of property, plant and equipment regulated in IAS 2: annual change

(€/000)

	Inventories of property, plant and equipment due to enforcement of guarantees					Other inventories of property, plant and equipment	Total
	Land	Buildings	Furniture	Electronic systems	Other		
A. Opening balances	**-**	**-**	**-**	**-**	**-**	**953**	**953**
B. Increases	**-**	**-**	**-**	**-**	**-**	**-**	**-**
B.1 Purchases	-	-	-	-	-	-	-
B.2 Write-backs	-	-	-	-	-	-	-
B.3 Positive exchange differences	-	-	-	-	-	-	-
B.4 Other changes	-	-	-	-	-	-	-
C. Decreases	**-**	**-**	**-**	**-**	**-**	**389**	**389**
C.1 Disposals	-	-	-	-	-	333	333
C.2 Impairment losses	-	-	-	-	-	56	56
C.3 Negative exchange differences	-	-	-	-	-	-	-
C.4 Other changes	-	-	-	-	-	-	-
D. Closing balance	**-**	**-**	**-**	**-**	**-**	**564**	**564**

SECTION 10 – INTANGIBLE ASSETS – ITEM 100

10.1 Intangible assets: breakdown by type of asset

(€/000)

	Total 12/31/2018		Total 12/31/2017	
	Finite Life	Indefinite Life	Finite Life	Indefinite Life
A.1 Goodwill	X	-	X	-
A.1.1 Attributable to shareholders of the Parent Company	X	-	X	-
A.1.2 Attributable to non-controlling interests	X	-	X	-
A.2 Other intangible assets	6,847	-	4,506	-
A.2.1 Assets carried at cost:	6,847	-	4,506	-
a) Intangible assets generated internally	-	-	-	-
b) Other assets	6,847	-	4,506	-
A.2.2 Assets valued at fair value:	-	-	-	-
a) Intangible assets generated internally	-	-	-	-
b) Other assets	-	-	-	-
Total	**6,847**	**-**	**4,506**	**-**

The item mainly regards application software.

10.2 Intangible assets: annual changes

(€/000)

	Goodwill	Other intangible assets: generated internally		Other intangible assets: other		Total
		Finite Life	Indefinite Life	Finite Life	Indefinite Life	
A. Gross opening balances	-	-	-	14,754	-	14,754
A.1 Total net reduction in value	-	-	-	(10,248)	-	(10,248)
A.2 Net opening balances	-	-	-	4,506	-	4,506
B. Increases	-	-	-	4,173	-	4,173
B.1 Purchases	-	-	-	4,173	-	4,173
B.2 Increases in intangible assets generated internally	X	-	-	-	-	-
B.3 Write-backs	X	-	-	-	-	-
B.4 Increases in fair value	-	-	-	-	-	-
- in equity	X	-	-	-	-	-
- through profit or loss	X	-	-	-	-	-
B.5 Exchange gains	-	-	-	-	-	-
B.6 Other changes	-	-	-	-	-	-
C. Decreases	-	-	-	1,832	-	1,832
C.1 Disposal	-	-	-	-	-	-
C.2 Write-downs	-	-	-	1,706	-	1,706
- Amortization	X	-	-	1,706	-	1,706
- Write-downs	-	-	-	-	-	-
+ in equity	X	-	-	-	-	-
+ through profit or loss	-	-	-	-	-	-
C.3 Reduction in fair value	X	-	-	-	-	-
- in equity	X	-	-	-	-	-
- through profit or loss	X	-	-	-	-	-
C.4 Transfer to non-current assets held for sale	-	-	-	-	-	-
C.5 Exchange losses	-	-	-	-	-	-
C.6 Other changes	-	-	-	126	-	126
D. Net closing balances	-	-	-	6,847	-	6,847
D.1 Total net write-down	-	-	-	11,261	-	11,261
E. Gross closing balance	-	-	-	18,108	-	18,108
F. Carried at cost	-	-	-	-	-	-

Investments for the year mainly regard the development of applications to manage portfolios, setting up the IT systems of the Greek branch and software infrastructure and Group business intelligence.

Amortisation charges are calculated on a straight-line basis over the residual useful life of the assets.

SECTION 11 – TAX ASSETS AND LIABILITIES – ITEM 110 OF ASSETS AND ITEM 60 OF LIABILITIES

11.1 Deferred tax assets: breakdown

(€/000)

	12/31/2018			12/31/2017		
	IRES	IRAP	Total	IRES	IRAP	Total
Deferred tax assets in respect of:						
Property, plant and equipment / Intangible assets	168	-	**168**	238	48	286
Provisions recognized in income statement - administrative expenses	288	-	**288**	308	-	308
Provisions recognized in income statement - Risks and charges	5,792	-	**5,792**	7,450	13	7,463
Provisions recognized in equity	315	-	**315**	447	-	447
Write-down on loans	47,747	7,660	**55,407**	47,922	7,660	55,582
Other assets/liabilities	37	-	**37**	-	-	-
Tax losses carried forward	19,397	-	**19,397**	29,933	-	29,933
Other items	-	2	**2**	1	2	3
Total	**73,744**	**7,662**	**81,406**	**86,299**	**7,723**	**94,022**

The item reports deferred tax assets by deductible temporary difference.

Deferred tax assets include amounts in respect of loan write-downs and deferred tax assets determined specifically on the basis of the stocks of the components to which they refer Ie (litigation, provisions for employees).

In this regard, the Parent Company exercised the option to retain the possibility of converting deferred tax assets into tax credits pursuant to Art. 11 of Legislative Decree 59 of May 3, 2016, ratified with Law 119 of June 30, 2016. This measures introduced the optional regime in order to eliminate issues that emerged at the Community level regarding the incompatibility of the DTA transformation legislation with the rules governing state aid, ensuring that the convertibility of qualifying DTAs into tax credits is only allowed following payment of a specific charge based on the amount of those DTAs.

The law ratifying the "Bank Rescue" Decree no. 15 of February 17, 2017 changed the effective date of the fee, postponing it from 2015 to 2016 with the consequent extension of the commitment to pay an annual instalment up to the year 2030. The exercise of the option makes it possible to maintain both the possibility of transforming these qualifying DTAs (in this case DTAs deriving from write-downs of loans) into tax credits, proportional to the possible loss under accounting rules as reported in the approved financial statements, and the possibility of not deducting these amounts from own funds for prudential purposes, as the requirements of Art. 39 of the CRR (Regulation (EU) 575/2013), which provides for application of a weighting of 100% in the calculation of credit risk, are met.

With regard to deferred tax assets referred to in Law 214/2011, as a result of the express provision of Art. 56 of Decree Law 225 of 29/12/2010, the negative components corresponding to the deferred tax assets transformed into tax credits are not deductible, first offsetting on a priority basis decreases at the nearest maturity in an amount corresponding to a tax equal to the transformed DTAs. As a result of this provision, changes in the amount of deferred tax assets recognized will on begin as from 2021.

With regard to the provisions of IAS 12, deferred tax assets are subject to probability testing, taking account of forecast profits in future years and verifying that future taxable income will be available against which the deferred tax assets can be used.
In particular, for the figures at December 31, 2018, the test performed, which took account of

the 2018-2020 Business Plan presented on June 19, 2018, found that taxable income would be sufficient to use the deferred tax assets recognised by the bank.

The criteria used for the recognition of deferred tax assets can be summarised as follows:

- deferred tax assets correspond to the amounts of income tax that can be recovered in future years regarding temporary differences;
- the prerequisite for recognising deferred tax assets is the that it is reasonable to expect that taxable income will be earned against which the deductible temporary differences can be used.

IRES and IRAP were calculated by applying the tax rates established under current law, using the new 24% tax rate for IRES purposes and, for doBank and Italfondiario, applying the 3.5 percentage-point surtax envisaged for credit and financial institutions (Law 208 of December 28, 2015).

11.2 Deferred tax liabilities: breakdown

(€/000)

	12/31/2018			12/31/2017		
	IRES	IRAP	Total	IRES	IRAP	Total
Deferred tax liabilities referred to:						
Other financial instruments/ assets / liabilities	1	-	1	427	-	427
Other items	20	-	20	20	-	20
Total	**21**	**-**	**21**	**447**	**-**	**447**

In 2018 the aggregate no longer includes the deferred tax liabilities in respect of the valuation reserve for ABSs since with effect from January 1, 2018 it was reversed to current taxes as a result of the classification of those securities under financial assets measured at fair value through profit or loss, in accordance with the provisions of the new IFRS 9.

11.3 Deferred tax assets: annual changes (recognized in income statement)

(€/000)

	12/31/2018	12/31/2017
1. Opening balance	**93,574**	**105,227**
2. Increases	**3,661**	**3,682**
2.1 Deferred tax assets recognised during the year	3,618	3,572
a) in respect of previous years	205	275
b) due to changes in accounting policies	-	-
c) write-backs	-	-
d) other	3,413	3,297
2.2 New taxes or increases in tax rates	43	-
2.3 Other increases	-	110
3. Decreases	**16,145**	**15,335**
3.1 Deferred tax assets derecognised during the year	16,145	15,225
a) reversals of temporary differences	15,875	14,705
b) write-downs of non-recoverable items	-	-
c) change in accounting policies	-	-
d) other	270	520
3.2 Reduction in tax rates	-	-
3.3 Other decreases	-	110
a) conversion into tax credits under L. 214/2011	-	-
b) other	-	110
4. Closing balance	**81,090**	**93,574**

Item 2.1 under Increases – d) other mainly reports deferred tax assets in respect of risk provisions.
Item 3.1 under Decreases – a) reversals mainly reports the recovery of deferred tax assets in respect of prior-year tax losses in the amount of €12.7 million, and the recovery of tax assets following the reduction in the amount of temporary differences for provisions for litigation and charges for personnel.

11.4 Change in deferred tax assets (Law 214/2011)

(€/000)

	Total 12/31/2018	Total 12/31/2017
1. Opening balance	**55,406**	**55,406**
2. Increases	**-**	**-**
3. Decreases	**-**	**-**
3.1 Reversals	-	-
3.2 Conversion into tax credits	-	-
a) due to loss for the year	-	-
b) due to tax losses	-	-
3.3 Other decreases	-	-
4. Closing balance	**55,406**	**55,406**

The deferred tax assets referred to in Law 214/2011 regard loan write-downs that have not yet been deducted pursuant to Art. 106, paragraph 3, of the Uniform Income Tax Code, the negative components of which are deductible for income tax purposes over a number of tax periods: Art. 16 of Legislative Decree 83 of June 27, 2015 introduced a new form of deductibility for loan write-downs that reformulates the reversal of previously-recognised deferred tax assets. The value reported represents the share that can be considered transformable into tax credits under the provisions of that law if the requirements under those regulations are met.
In 2016 item 3.3 Other decreases – a) included deferred tax assets transformed into tax credits on the basis of the conditions found in the 2015 financial statements of the Parent

Company, doBank.

11.5 Deferred tax liabilities: annual changes (recognized in income statement)

(€/000)

	Total 12/31/2018	Total 12/31/2017
1. Opening balance	**20**	**20**
2. Increases	**-**	**-**
2.1 Deferred tax liabilities arising during the year	-	-
a) relating to previous years	-	-
b) due to changes in accounting policies	-	-
c) other	-	-
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
3. Decreases	**-**	**-**
3.1 Deferred tax liabilities derecognised during the year	-	-
a) reversals of temporary differences	-	-
b) change in accounting policies	-	-
c) other	-	-
3.2 Reduction in tax rates	-	-
3.3 Other decreases	-	-
4. Closing balance	**20**	**20**

11.6 Deferred tax assets: annual changes (recognized in equity)

(€/000)

	Total 12/31/2018	Total 12/31/2017
1. Opening balance	**448**	**81**
2. Increases	**(1)**	**367**
2.1 Deferred tax assets recognised during the year	-	367
a) in respect of previous years	-	-
b) due to change in accounting policies	-	-
c) other	-	367
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	(1)	-
- business combinations - mergers	**131**	**-**
3.1 Deferred tax assets derecognised during the year	128	-
a) reversals of temporary differences	105	-
b) writedown of non-recoverable items	-	-
c) due to change in accounting policies	-	-
d) other	23	-
3.2 Reduction in tax rates	-	-
3.3 Other decreases	3	-
4. Closing balance	**316**	**448**

11.7 Deferred tax liabilities: annual changes (recognized in equity)

(€/000)

	Total 12/31/2018	Total 12/31/2017
1. Opening balance	**427**	**-**
2. Increases	**1**	**447**
2.1 Deferred tax liabilities recognised during the year	1	447
a) relating to previous years	-	-
b) due to change in accounting policies	-	-
c) other	1	447
2.2 New taxes or increase in tax rates	-	-
2.3 Other increases	-	-
3. Decreases	**427**	**20**
3.1 Deferred tax liabilities derecognised during the year	-	20
a) reversals on temporary differences	-	20
b) due to changes in accounting policies	-	-
c) other	-	-
3.2 Reduction in tax rates	-	-
3.3 Other decreases	427	-
4. Final amount	**1**	**427**

Item 3. Decreases is entirely attributable to the release of deferred tax assets on the ABS reserve. Since January 1, 2018, changes in the fair value of those securities are recognised through profit or loss, and no longer through other comprehensive income, in accordance with the new IFRS 9.

11.8 Other information

Current tax assets: breakdown

(€/000)

	12/31/2018			12/31/2017		
	IRES	**IRAP**	**Total**	**IRES**	**IRAP**	**Total**
Payments on account	121	71	192	84	81	165
Tax liabilities	(98)	(61)	(159)	-	-	-
Total	**23**	**10**	**33**	**84**	**81**	**165**

Current tax liabilities: breakdown

(€/000)

	12/31/2018			12/31/2017		
	IRES	**IRAP**	**Total**	**IRES**	**IRAP**	**Total**
Taxes for the period	14,500	5,436	19,936	11,086	4,146	15,232
Net payments on account	(7,858)	(3,910)	(11,768)	(7,820)	(4,007)	(11,827)
Total	**6,642**	**1,526**	**8,168**	**3,266**	**139**	**3,405**

SECTION 12 – NON-CURRENT ASSETS AND DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE - ITEM 120 OF ASSETS AND ITEM 70 OF LIABILITIES

12.1 Non-current assets and disposal groups classified as held for sale: breakdown by asset type

(€/000)

	12/31/2018	12/31/2017
A. Assets held for disposal	-	-
A.1 Financial assets	710	10
A.2 Equity investments	-	-
A.3 Property, plant and equipment	-	-
of which: acquired through the enforcement of guarantees received	-	-
A.4 Intangible assets	-	-
A.5 Other non-current assets	-	-
Total A	**710**	**10**
of which carried at cost	-	-
of which designated at fair value, Level 1	-	-
of which designated at fair value, Level 2	-	-
of which designated at fair value, Level 3	*710*	*10*
B. Asset groups (discontinued operations)	-	-
B.1 Financial assets measured at fair value through profit or loss	-	-
- financial assets held for trading	-	-
- financial assets designated at fair value	-	-
- other financial assets mandatorily measured at fair value	-	-
B.2 Financial assets at fair value through comprehensive income	-	-
B.3 Financial assets measured at amortised cost	-	-
B.4 Equity investments	-	-
B.5 Property, plant and equipment	-	-
of which: acquired through the enforcement of guarantees received	-	-
B.6 Intangible assets	-	-
B.7 Other assets	-	-
Total B	**-**	**-**
of which carried at cost	-	-
of which designated at fair value, Level 1	-	-
of which designated at fair value, Level 2	-	-
of which designated at fair value, Level 3	-	-
C. Liabilities associated to assets held for trading	-	-
C.1 Deposits	(6,532)	-
C.2 Securities	-	-
C.3 Other liabilities	-	-
Total C	**(6,532)**	**-**
of which carried at cost	-	-
of which designated at fair value, Level 1	-	-
of which designated at fair value, Level 2	-	-
of which designated at fair value, Level 3	**(6,532)**	-
D. Liabilities associated with discontinued operations	-	-
D.1 Financial liabilites measured at amortised cost	-	-
D.2 Financial liabilites held for trading	-	-
D.3 Financial liabilites designated at fair value	-	-
D.4 Provisions	-	-
D.5 Other liabilities	-	-
Total D	**-**	**-**
of which carried at cost	-	-
of which designated at fair value, Level 1	-	-
of which designated at fair value, Level 2	-	-
of which designated at fair value, Level 3	-	-

At December 31, 2018 items A.1 Financial assets and C.1 Deposits include current accounts with customers with creditor and debtor balances, respectively, originated by banking activities in the process of disposal in connection with the reorganisation of the doBank Group.

SECTION 13 – OTHER ASSETS – ITEM 130

13.1 Other assets: breakdown

(€/000)

	12/31/2018	12/31/2017
Other assets to detail		
Accrued income other than income capitalized in associated finanical assets	15	-
Prepaid expenses	2,699	1,686
Items in processing	52	17
Items deemed definitiv e but not-attributable to other items:	104,081	103,773
- Receiv ables maturing during the period in respect of credit management and recov ery activ ities (inv oices to be issued)	82,465	65,815
- Receiv ables for inv oices issued not collected yet, for credit management and recorev y	15,029	31,068
- Receiv ables for inv oices issued not collected yet, except for credit management and recorery	1,730	2,455
- Adv ances paid to suppliers	14	85
- Other residual	4,843	4,350
Tax items other than those included in item 140	5,916	9,754
Other items	1,712	1,592
- Improv ements on goods of third party (assets not div isible)	1,480	1,534
- Other items - Other	232	58
Total	**114,475**	**116,822**

Items deemed definitive but not attributable to other items reports receivables in respect of core loan recovery activities with UniCredit, Banca Intesa and other customers and other servicing activities.

These services are not considered to fall within the definition of "financial services" as indicated in Circular no. 262/2005 of the Bank of Italy and are therefore not classified under Items 40. Financial assets measured at amortised cost.

LIABILITIES

SECTION 1 – FINANCIAL LIABILITIES MEASURED AT AMORTISED COST - ITEM 10

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

(€/000)

	12/31/2018				12/31/2017			
		Fair value				Fair value		
	Carrying amount	Level 1	Level 2	Level 3	Carrying amount	Level 1	Level 2	Level 3
1. Current accounts and demand deposits	-	X	X	X	11,759	X	X	X
2. Term deposits	-	X	X	X	-	X	X	X
3. Loans	-	X	X	X	1	X	X	X
3.1 Repos	-	X	X	X	-	X	X	X
3.2 Other	-	X	X	X	1	X	X	X
4. Liabilities for commitments to repurchase own equity instruments	-	X	X	X	-	X	X	X
5. Other liabilities	294	X	X	X	346	X	X	X
Total	**294**	**-**	**-**	**294**	**12,106**	**-**	**-**	**12,106**

At the end of the previous year, **Current accounts and demand deposits** in respect of ordinary customers mainly consisted of accounts held by legal counsel, which at December 31, 2018, in the amount of €6.5 million, were classified under item 70. Liabilities associated with assets held for sale in connection with the implementation of the reorganisation of the doBank Group; for more information, please see Section 12 of Assets.

SECTION 6 – TAX LIABILITIES – ITEM 60

See Section 11 of Assets.

SECTION 7 – LIABILITIES ASSOCIATED WITH NON-CURRENT ASSETS AND DISPOSAL GROUPS HELD FOR SALE – ITEM 70

See Section 12 of Assets.

SECTION 8 – OTHER LIABILITIES– ITEM 80

8.1 – Other liabilities: breakdown

(€/000)

		12/31/2018	12/31/2017
Items deemed definitive but not attributable to other accounts:		30,106	28,475
- account payable - suppliers		21,848	21,072
- withholding taxes		916	852
- payables to third parties for personnel costs		3,643	3,271
- other items		3,699	3,280
Available amounts to be paid to others		219	923
Items in processing		2,363	1,241
Tax items different from those included in item 60		1,985	2,252
Other liabilities due to employees		3,562	4,452
Other liabilities due to the Board of Directors		257	257
Other liabilities due to other personnel		9	256
Accrued expense other than that capitalized in the associated financial liabilities		400	50
	Total	**38,901**	**37,906**

Other liabilities increased by just 3% compared with December 31, 2018.
Items deemed definitive but not attributable to other accounts – accounts payable – suppliers essentially reports liabilities due to suppliers in respect of invoices to be received and supplies to be settled. **Items deemed definitive but not attributable to other accounts – other items** include liabilities to the National Social Security Institute (INPS) for employee contributions and other debtor items pending definitive allocation.
Other liabilities due to employees includes provisions for unused holiday entitlement and performance bonuses, as well as liabilities for termination incentives.

Tax items different from those included in item 60 mainly regard the liability to be settled with tax authorities for withholding tax on staff expenses.

SECTION 9 – EMPLOYEE TERMINATION BENEFITS – ITEM 90

9.1 Employee termination benefits: annual change

(€/000)

		12/31/2018	12/31/2017
A. Opening balances		**10,360**	**10,240**
B. Increases		**164**	**455**
B.1 Provision for the period		146	130
B.2 Other increases		18	325
C. Decreases		**(947)**	**(335)**
C.1 Severance payments		(431)	(300)
C.2 Other decreases		(516)	(35)
D. Closing balances		**9,577**	**10,360**
	Total	**9,577**	**10,360**

SECTION 10 – PROVISIONS FOR RISKS AND CHARGES– ITEM 100

10.1 Provisions for risks and charges: breakdown

(€/000)

	12/31/2018	12/31/2017
1. Provisions for credit risk related to commitments and financial guarantees issued	3	-
2. Provisions on other commitmets and guarantees issued	-	-
3. Pensions and other post-employment benefit obligations	-	-
4. Other provisions for risks and charges	20,751	26,579
4.1 Legal disputes	7,421	10,313
4.2 Staff expenses	9,627	8,839
4.3 Other	3,703	7,427
Total	**20,754**	**26,579**

The item **legal disputes** primarily reports provisions in respect of the risks of litigation brought against the Group concerning its core activities.
The item **Staff expenses** reports provisions to finance any bonuses not governed by existing agreements or determinable quantification mechanisms and MBO bonuses. The amount of this component at December 31, 2018 also reflects the new remuneration policies, which for certain categories of manager envisage changes in the structure of variable remuneration, which provides for deferred amounts and the grant of equity instruments.

Item 4.3 **Other** mainly reports provisions for risks for which no litigation has currently been undertaken.

Risks connected with outstanding litigation

The Group operates in a legal and legislative context that exposes it to a vast range of possible litigation connected with the core business of servicing, loan recovery, potential administrative irregularities and labour litigation.
The associated risks are assessed periodically in order to quantify a specific allocation to the "Provision for risks and charges" whenever an outlay is considered probable or possible on the basis of the information that becomes available, as provided for in the specific internal policies.

With regard to disputes still under way concerning the specific interpretation of a number of contractual clauses regarding reciprocal communication and sharing obligations within the scope of servicing agreements, during the year the parties continue to discuss and assess the arguments advanced. Rather than turning to arbitration, the talks are attempting to arrive at a settlement agreement providing for the renegotiation of certain aspects of the contractual provisions binding the parties. At the date of preparation of these financial statements, the emergence of liabilities for the Group as a result of those settlement agreements was judged unlikely.

10.2 Provisions for risks and charges: annual changes

(€/000)

	Funds on other commitments and guarantees issued	Pension funds	Other provisions for risks and charges	Total
A. Opening balances	**3**	**-**	**26,579**	**26,582**
B. Increases	**-**	**-**	**12,714**	**12,714**
B.1 Provision for the year	-	-	12,226	12,226
B.2 Changes due to the passage of time	-	-	-	-
B.3 Differences due to changes in discount rate	-	-	-	-
B.4 Other changes	-	-	488	488
C. Decreases	**-**	**-**	**18,542**	**18,542**
C.1 Use during the year	-	-	18,510	18,510
C.2 Differences due to changes in discount rate	-	-	-	-
C.3 Other changes	-	-	32	32
D. Closing balances	**3**	**-**	**20,751**	**20,754**

At December 31, 2018, the provision for risks and charges amounted to €20.8 million, an overall reduction of €5.8 million due to:
- increases of €12.7 million related to provisions for disputes and litigation and to the new remuneration policies, which envisage, for selected categories of managers, a different structure of variable remuneration, which takes account of deferred compensation and the grant of capital instruments;
- decreases of €18.5 million from the use of provisions for personnel for the payment of bonuses under the incentive system of the previous year and for the release of prior-year provisions for disputes which have ceased to exist.

The opening balance €3 thousand relates to total value adjustments on off-balance-sheet exposures recognised in this item in application of IFRS 9 and the new Bank of Italy circular.

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

(€/000)

	Provisions for credit risk related to commitments and financial guarantees issued			
	First stage	Second stage	Third stage	Total
Commitments to disburse funds	-	-	-	-
Financial guarantees issued	3	-	-	3
Total	**3**	**-**	**-**	**3**

10.6 Provisions for risks and charges – other provisions

(€/000)

	12/31/2018	12/31/2017
Risks on Real Estate	79	111
Disputes with suppliers	-	1,305
Other Prov isions	3,624	6,011
Total	**3,703**	**7,427**

Among other items, **Other provisions** includes €3.6 million in provisions for risks associated with expected outlays for positions managed on an agency basis for which a counterparty has made a claim but for which litigation has not been initiated and for possible disputes regarding trade receivables due from the principals in those agency contracts.

SECTION 13 – GROUP SHAREHOLDERS' EQUITY – ITEMS 120, 150, 170 AND 180

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

	12/31/2018	12/31/2017
Item 170. Share Capital (euro thousand)	41,280	41,280
Number of ordinary shares	80,000,000	80,000,000
Nominal v alue of ordinary shares	0.516	0.516
Item 180. Treasury Shares (euro thousand)	246	277
Number of treasury shares	1,554,353	1,750,000

13.2 Share capital - Number of shares of the Parent Company: annual change

	Ordinary	Other
A. Shares outstanding as at the beginning of the year	**78,250,000**	**-**
- fully paid	80,000,000	-
- not fully paid	-	-
A.1 Treasury shares (-)	(1,750,000)	-
A.2 Shares outstanding: opening balance	**78,250,000**	**-**
B. Increases	**195,647**	**-**
B.1 New issues	-	-
- against payment:	-	-
- business combinations	-	-
- bond conv erted	-	-
- warrants exercised	-	-
- other	-	-
- bonus:	-	-
- to employees	-	-
- to directors	-	-
- other	-	-
B.2 Sale of treasury shares	-	-
B.3 Other changes	195,647	-
C. Decreases	**-**	**-**
C.1 Cancellation	-	-
C.2 Purchase of treasury shares	-	-
C.3 Disposal of businesses	-	-
C.4 Other changes	-	-
D. Shares outstanding: closing balance	**78,445,647**	**-**
D.1 Treasury shares (+)	1,554,353	-
D.2. Shares outstanding as at end of the year	80,000,000	-
- fully paid	80,000,000	-
- not fully paid	-	-

Item B.3 Other changes reports the number of shares granted in 2018 to certain categories of manager as part of the new remuneration policy adopted following the IPO, which envisages the award of share-based payments.

13.3 Share capital: other information

Share capital is represented by no. 80,000,000 ordinary shares with a par value of €0.516 each for which there is no provision for special rights, preferences or restrictions, including restrictions on the distribution of dividends or the repayment of capital.

13.4 Profit reserves: other information

(€/000)

Reserves from allocation of profits or tax-suspended reserves	12/31/2018	12/31/2017
Legal reserve	8,256	8,256
Reserve art. 7 Law 218/90	2,305	2,305
Tax-suspended reserve from business combination (UniCredit Credit Management Service S.p.A.)	3	3
Reserve from FTA IAS art. 7 par. 7 Lgs. Decree 38/2005	8,780	8,780
Reserve from FTA IAS IFRS 9	1,140	-
Reserve from retained earnings - Share Based Payments	2,408	-
Reserve established in by laws for purchase of treasury shares	246	277
Reserve from retained earnings IAS art. 6 par. 2 Lgs. Decree 38/2005	(9,145)	(9,145)
Total	**13,993**	**10,476**

Other reserves	12/31/2018	12/31/2017
Extraordinary reserve	95,860	92,837
Reserve, Lgs. Decree 153/99	6,103	6,103
Legal reserve for distributed earnings	44	44
Reserve art. 7 Law 218/90	4,179	4,179
Reserve from business combination (UniCredit Credit Management Service S.p.A.)	578	4
Share Based Payments Reserve	5,602	2,195
Consolidation reserve	13,965	3,512
Total	**126,331**	**108,874**

Profit reserves increased during the year as a result of the impact of the first-time adoption of IFRS 9, which is discussed in detail in the section on accounting policies (€1.1 million) and the amount of the share-based payment awarded following the calculation of payments under the 2017 remuneration policy (€2.4 million) at December 31, 2017 included in the specific **Share-Based Payments Reserve** under Other Reserves. There was a concomitant reduction of €31 thousand in the Reserve established in the bylaws for purchase of treasury shares.
Among **Other reserves,** the **Extraordinary reserve** increased by €3 million as a result of the allocation of part of 2017 net income as authorised by the Shareholders' Meeting.
In addition, the **Share-Based Payments Reserve** was adjusted by €3.4 million for the year's share of share-based payments accounted for in accordance with IFRS 2.

OTHER INFORMATION

1. Guarantees issued and commitments

(€/000)

	Nominal value of commitments and financial guarantees issued			Total	Total
	First stage	Second stage	Third stage	12/31/2018	12/31/2017
1. Commitments to disburse funds	**595**	**-**	**-**	**595**	**1,851**
a) Central banks	-	-	-	-	-
b) Government entities	-	-	-	-	-
c) Banks	-	-	-	-	-
d) Other financial companies	-	-	-	-	-
e) Non-financial companies	-	-	-	-	1,851
f) Households	595	-	-	595	-
2. Financial guarantees issued	**-**	**-**	**-**	**-**	**-**
a) Central banks	-	-	-	-	-
b) Government entities	-	-	-	-	-
c) Banks	-	-	-	-	-
d) Other financial companies	-	-	-	-	-
e) Non-financial companies	-	-	-	-	-
f) Households	-	-	-	-	-

2. Other commitments and guarantees issued

(€/000)

	Nominal value	
	12/31/2018	12/31/2017
1. Other guarantees issued	**-**	-
of which: non-performing exposures	-	-
a) Central Banks	-	-
b) Government entities	-	-
c) Banks	-	-
d) Other financial companies	-	-
e) Non-financial companies	-	-
f) Households	-	-
2. Other commitments	**1,536**	**14,706**
of which: non-performing exposures	-	-
a) Central Banks	-	-
b) Government entities	-	-
c) Banks	-	-
d) Other financial companies	1,536	14,706
e) Non-financial companies	-	-
f) Households	-	-

6. Asset management and intermediation on behalf of others

(€/000)

	Amount
1. Management and trading on behalf of third parties	-
a) Purchases	-
1. settled	-
2. unsettled	-
b) Sales	-
1. settled	-
2. unsettled	-
2. Portfolio management	-
a) individual	-
a) collective	-
3. Custody and administration of securities	**55,116**
a) Third-party securities on deposit as part of custodian bank services (excluding portfolio management)	-
1. Securities issued by companies included in consolidation	-
2. Other securities	-
b) Third party securities on deposit (excluding portfolio management): other	-
1. Securities issued by companies included in consolidation	-
2. Other securities	-
c) Third-party securities deposited with third parties	-
d) Securities owned by bank deposited with third parties	55,116
4. Other	**-**

PART C – CONSOLIDATED INCOME STATEMENT

SECTION 1 – INTEREST – ITEM 10 AND 20

1.1 Interest income and similar revenues: breakdown

(€/000)

	Debt securities	Loans	Other transactions	12/31/2018	12/31/2017
1. Financial assets measured at fair value through profit or loss:	911	-	-	911	665
1.1 Financial assets held for trading	-	-	-	-	-
1.2 Financial assets designated as at fair value	-	-	-	-	-
1.3 Other financial assets mandatorily measured at fair value	911	-	-	911	665
2. Financial assets measured at fair value through comprehensive income	-	-	X	-	-
3. Financial assets measured at amortised cost:	3	98	X	101	75
3.1. Loans and receivables with banks	3	50	X	53	23
3.2. Loans and receivables with customers	-	48	X	48	52
4. Hedging derivatives	X	X	-	-	-
5. Other assets	X	X	-	-	-
5. Financial liabilities	X	X	X	-	-
Total	**914**	**98**	**-**	**1,012**	**740**
of which: interest income on impaired financial assets	-	-	-	**-**	-

Item 1.3, **Other financial assets mandatorily measured a fair value,** reports interest on the ABSs of the Romeo SPV S.r.l. and Mercuzio Securitisation securitisation vehicles established under the provisions of Law 130/1999 (the "Securitisation Act"), of which the Group holds 5% of total notes issued.

1.3 Interest expense and similar charges: breakdown

(€/000)

	Payables	Securities	Other transactions	12/31/2018	12/31/2017
1. Financial liabilities measured at amortised cost	(16)	-	-	(16)	(146)
1.1 Due to central banks	-	X	X	-	-
1.2. Due to banks	(1)	X	X	(1)	(139)
1.3. Due to customers	(15)	X	X	(15)	(7)
1.4. Debt securities in issue	X	-	X	-	-
2. Financial liabilities held for trading	-	-	-	-	-
3. Financial liabilities designated as at fair value	-	-	-	-	-
4. Other liabilities and provisions	X	X	-	-	(128)
5. Hedging derivatives	X	X	-	-	-
6. Financial assets	X	X	X	-	-
Total	**(16)**	**-**	**-**	**(16)**	**(274)**

SECTION 2 – FEE AND COMMISSION INCOME AND EXPENSE – ITEMS 40 AND 50

2.1 Fee and commission income: breakdown

(€/000)

	12/31/2018	12/31/2017
a) Guarantees issued	-	-
b) Credit deriv ativ es	-	-
c) Management, brokerage and consulting serv ices:	-	-
1. Financial instrument trading	-	-
2. Currency trading	-	-
3. Portfolio management	-	-
3.1. Indiv idual	-	-
3.2 Collectiv e	-	-
4. Custody and administration of securities	-	-
5. Custodian bank	-	-
6. Placement of securities	-	-
7. Order reception and transmission	-	-
8. Adv isory serv ices	-	-
8.1 Related to inv estments	-	-
8.2 Related to financial structure	-	-
9. Distribution of third-party serv ices	-	-
9.1. Portfolio management	-	-
9.1.1. Indiv idual	-	-
9.1.2. Collectiv e	-	-
9.2. Insurance products	-	-
9.3. Other products	-	-
d) Collection and payment serv ices	40	47
e) Securitization serv icing	78,922	36,955
f) Factoring	-	-
g) Tax collection serv ices	-	-
h) Management of multilateral trading facilities	-	-
i) Management of current accounts	39	42
j) Other serv ices: serv icing mandates	127,534	158,391
Total	**206,535**	**195,435**

Overall, fee and commission income increased by 6% compared with 2017. This is the result of an improvement in performance fees driven by a greater volume of collections (+7%), as well as a significant contribution from portfolio transfer indemnities (+€4.2 million compared with 2017). Conversely, base fees declined (-0.9%) despite an increase in the portfolio under management (+6.8%) justified by the mismatch in the timing of incoming and outgoing portfolio flows during the year.

The composition of fee and commission income changed compared with 2017, due mainly to the Fino 1 and Fino 2 securitisation contracts acquired in 2017, with a consequent decrease in **j) other services – agency operations**, which reports fee and commission income from the management and recovery of unsecuritised loans on behalf of customers. That reduction was more than offset by an increase in **e) servicing services for securitisations**.

2.2 Fee and commission expense: breakdown

(€/000)

	12/31/2018	12/31/2017
a) Guarantees receiv ed	(3)	(24)
b) Credit deriv ativ es	-	-
c) Management, brokerage and consultancy serv ices:	(21)	(7)
1. Financial instrument trading	-	-
2. Currency trading	-	-
3. Portfolio management:	-	-
3.1 Own portfolio	-	-
3.2 Third party portfolio	-	-
4. Custody and administration of securities	(21)	(7)
5. Placement of financial instruments	-	-
6. Off-site distribution of financial instruments, products and serv ices	-	-
d) Collection and payment serv ices	(212)	(259)
e) Other serv ices: serv icing mandates and sundry intermediation	(18,414)	(17,842)
Total	**(18,650)**	**(18,132)**

Item e) **Other services – agent operations and sundry intermediation,** which reports fee and commission expense payable to the debt collection network, increased by 3%, mainly due to an increase in the volume of collections.

SECTION6 – GAIN (LOSSES) ON DISPOSAL/REPURCHASE – ITEM 100

6.1 Gains (Losses) on disposal/repurchase: breakdown

(€/000)

	12/31/2018			12/31/2017		
	Gains	Losses	Net Result	Gains	Losses	Net Result
Financial assets						
1. Financial assets measured at amortised cost	-	-	-	-	-	-
1.1 Loans and receiv ables with banks	-	-	-	-	-	-
1.2 Loans and receiv ables with customers	-	-	-	-	-	-
2. Financial assets measured at fair v alue through comprehensiv e income	-	-	-	3	-	3
2.1 Debt securities	-	-	-	3	-	3
2.2 Loans	-	-	-	-	-	-
Total assets (A)	**-**	**-**	**-**	**3**	**-**	**3**
Financial liabilities measured at amortised cost	-	-	-	-	-	-
1. Due to banks	-	-	-	-	-	-
2. Due to customers	-	-	-	-	-	-
3. Debt securities in issue	-	-	-	-	-	-
Total liabilities (B)	**-**	**-**	**-**	-	-	**-**

SECTION 7 – GAINS/LOSSES ON FINANCIAL ASSETS/LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS – ITEM 110

7.2 – Net change of other financial assets and liabilities measured at fair value through profit or loss: breakdown of financial assets mandatorily measured at fair value

(€/000)

	Unrealized profits (A)	Realized profit (B)	Unrealized losses (C)	Realized losses (D)	Net result 12/31/2018 [(A+B) -(C+D)]
1. Financial assets	**1,179**	**-**	**(759)**	**(3)**	**417**
1.1 Debt securities	-	-	(759)	(3)	(762)
1.2 Equity instruments	2	-	-	-	2
1.3 Units in collective investment undertakings	1,177	-	-	-	1,177
1.4 Loans	-	-	-	-	-
2. Financial assets: exchange differences	**X**	**X**	**X**	**X**	**-**
Total	**1,179**	**-**	**(759)**	**(3)**	**417**

The measurement at fair value at December 31, 2018 of the ABSs of the Romeo SPV and Mercuzio Securitisation securitisations showed a decrease of €759 thousand in fair value. The reflected the adjustment of the discount rate to account for the change in the average market rate for similar transactions compared with 2017.

By contrast, the fair value of the units of the Italian Recovery Fund increased (€1.2 million) as a result of the adjustment of the Fund's NAV at December 31, 2018.

SECTION 8 – NET LOSSES/RECOVERIES ON IMPAIRMENT – ITEM 130

8.1 Net losses for credit risk in respect of financial assets measured at amortised cost: breakdown

(€/000)

	Write-downs (1)			Write-backs (2)		Total 12/31/2018	Total 12/31/2017
	First and second stage	Third stage: Write-offs	Third stage: Other	First and second stage	Third stage		
A. Loans and receivables with banks	**-**	**-**	**-**	**-**	**-**	**-**	-
- Loans	-	-	-	-	-	-	-
- Debt securities	-	-	-	-	-	-	-
of which: acquired or originated financial assets	-	-	-	-	-	-	-
B. Loans and receivables with customers	(84)	(10)	-	44	4	**(46)**	**1,601**
- Loans	(84)	(10)	-	44	4	(46)	1,601
- Debt securities	-	-	-	-	-	-	-
of which: acquired or originated financial assets	-	-	-	-	4	*4*	-
Total	**(84)**	**(10)**	**-**	**44**	**4**	**(46)**	**1,601**

The item reports net write-backs mainly attributable to collections on previously written-off positions in our own portfolio.

SECTION 12 – ADMINISTRATIVE COSTS – ITEM 190

12.1 Staff expense: breakdown

(€/000)

	12/31/2018	12/31/2017
1) Employees	(90,037)	(80,952)
a) Wages and salaries	(61,855)	(57,841)
b) Social contributions	(16,708)	(14,715)
c) Employee termination benefits	(24)	(352)
d) Pension costs	-	-
e) Allocation to employee termination benefits provision	59	32
f) Allocation to provision for post-employment benefits and similar:	-	-
– defined contribution	-	-
- defined benefit	-	-
g) Payments to external supplementary pension funds:	(4,931)	(4,713)
– defined contribution	(4,931)	(4,713)
- defined benefit	-	-
h) Costs related to share-based payments	(1,018)	(473)
i) Other employee benefits	(5,560)	(2,890)
2) Other staff	(223)	(80)
3) Directors and statutory auditors	(6,831)	(3,139)
4) Retired personnel	-	-
Total	**(97,091)**	**(84,171)**

Staff expense increased by 15% compared with 2017, reflecting the increase in average costs due to the strengthening of top management and the new post-IPO remuneration policies.

12.2 Average number of employees by category

	12/31/2018	12/31/2017
Payroll employees	1,264	1,177
a) Executives	39	30
b) Managers	519	468
c) Other employees	706	679
Other staff	11	11
Total	**1,274**	**1,188**

12.4 Other employee benefits

(€/000)

	12/31/2018	12/31/2017
Voluntary termination incentives	(2,235)	(781)
Seniority bonuses	(324)	167
Expense for replacement of employee canteen service	(1,211)	(917)
Supplementary health care	(1,110)	(1,072)
Donations to personnel	(30)	(48)
Other	(650)	(239)
Total	**(5,560)**	**(2,890)**

12.5 Other administrative expense: breakdown

(€/000)

	12/31/2018	12/31/2017
1) Indirect taxes and duties	**(2,678)**	**(405)**
Settled	(766)	(405)
Unsettled	(1,912)	-
2) Miscellaneous costs and expenses	**(40,144)**	**(43,234)**
Adv ertising marketing and communication	**(429)**	**(528)**
- Adv ertising costs - mass media communication	(27)	(191)
- Marketing and promotions	(272)	(320)
- Sponsorship	(85)	-
- Conv entions and internal communication	(45)	(17)
Expenses related to credit risk	**(1,239)**	**(335)**
- Credit recov ery expenses	(529)	(141)
'- Commercial information and company reports	(710)	(194)
Indirect expenses related to personnel	**(1,433)**	**(2,004)**
- Staff training	(22)	(114)
- Car rental and other personnel expenses and PFA	(379)	(557)
- Trav el expenses	(905)	(1,154)
- Rentals and property leases for personal use	(127)	(179)
Information & communication technology expenses	**(16,085)**	**(18,150)**
- Hardware costs: rent and maintenance	(2,494)	(3,230)
- Software costs: rent and maintenance	(7,474)	(3,867)
- ICT serv ice	(2,391)	(9,334)
- Financial infoprov ider	(2,473)	(1,353)
- Other ICT expenses	(1,253)	(366)
Consulting and professional serv ices	**(8,031)**	**(7,667)**
- Consulting on ordinary activ ities (no projects)	(4,505)	(4,207)
- Consulting for one-off projects - legislativ e compliance	(38)	(284)
- Strategy, business ev olution and organizational optimization consulting	(358)	(1,350)
- Legal expenses	(3,130)	(1,826)
Real estate expenses	**(7,370)**	**(7,145)**
- Real estate serv icing	(114)	(93)
- Furniture, machinery and equipment maintenance	-	(11)
- Office maintenance	(383)	(443)
- Rental of real estate	(5,302)	(5,047)
- Office cleaning	(469)	(598)
- Utilities	(1,102)	(953)
Other operating costs	**(5,557)**	**(7,405)**
- Surv eillance and security serv ices	(446)	(355)
- Postage and document transport	(1,144)	(1,027)
- Administrativ e and logistical serv ices	(2,421)	(4,224)
- Insurance	(1,142)	(1,365)
- Printing and stationery	(106)	(108)
- Association dues, fees and contributions to trade associations - Guarantee Schemes	(216)	(154)
- Contributions to the National Resolution Fund	-	(54)
- Other administrativ e expenses - Other	(82)	(118)
Total	**(42,822)**	**(43,639)**

The breakdown shows that **Indirect taxes and duties** reports the DTA charge of €1.9 million for 2018 only. The law ratifying the "Bank Rescue" Decree 15 of February 17, 2017, modified the entry into force of the DTA charge, postponing it from 2015 to 2016, with the consequence that the amount provisioned in 2016 and paid in the first half of 2017 settled the amount due for 2017 without impacting profit or loss.

Miscellaneous costs and expenses posted a decrease of 7% connected with one-off costs recognised in 2017, such as IT expenses for the migration of information systems and costs connected with the listing on the Milan stock exchange, as well actions to contain costs, such as the insourcing of certain back-office activities and the renegotiation of a number of supply contracts.

SECTION 13 – NET PROVISIONS FOR RISKS AND CHARGES – ITEM 200

13.3 Net provisions for other risk charges: breakdown

(€/000)

	12/31/2018			12/31/2017		
	Provisions	Reallocation of excess	Total	Provisions	Reallocation of excess	Total
Other net provisions						
1.1 Legal disputes	(2,754)	2,080	(674)	(3,751)	1,763	(1,988)
- Current disputes	(2,382)	1,096	(1,286)	(3,416)	1,646	(1,770)
- Disputes regarding employees	(372)	984	612	(335)	117	(218)
1.2 Staff costs	-	-	-	-	-	-
1.3 Other	(424)	3,144	2,720	(1,846)	591	(1,255)
Total	**(3,178)**	**5,224**	**2,046**	**(5,597)**	**2,354**	**(3,243)**

The item had a positive balance of €2.0 million, compared with a negative balance in 2017. The improvement reflected the reversal of excess provisions for a number of disputes with personnel and disputes that did not go to court, classified under item 1.3 Other, only partly offset by new provisions for litigation.

SECTION 14 – IMPAIRMENT/WRITE-BACKS ON PROPERTY, PLANT AND EQUIPMENT – ITEM 210

14.1 Impairment on property, plant and equipment: breakdown

(€/000)

	Depreciation (a)	Impairment losses (b)	Write-backs (c)	Net impairment/write-back 12/31/2018 (a + b - c)
A. Property, plant and equipment				
A.1 Owned	(523)	(56)	-	(579)
- Used in the business	(523)	-	-	(523)
- Held for investment	-	-	-	-
- Inventories	X	(56)	-	(56)
A.2 Held under finance lease	(117)	-	-	(117)
- Used in the business	(117)	-	-	(117)
- Held for investment	-	-	-	-
Total	**(640)**	**(56)**	**-**	**(696)**

Depreciation charges were determined on an accruals basis in relation to the estimated useful life of the assets.

SECTION 15 – IMPAIRMENT/WRITE-BACKS ON INTANGIBLE ASSETS – ITEM 220

15.1 Impairment on intangible assets: breakdown

(€/000)

	Depreciation and amortisation (a)	Write-downs for impairment (b)	Write-backs (c)	Net impairment/ write-back 12/31/2018 (a + b - c)
A. Intangible assets				
A.1 Owned	(1,706)	-	-	(1,706)
- Generated internally by the company	-	-	-	-
- Other	(1,706)	-	-	(1,706)
A.2 Held under finance lease	-	-	-	-
Total	**(1,706)**	**-**	**-**	**(1,706)**

Amortisation charges were determined on an accruals basis in relation to the estimated useful life of the assets.

SECTION 16 – OTHER OPERATING EXPENSE AND INCOME – ITEM 230

16.1 Other operating expense: breakdown

(€/000)

	12/31/2018	12/31/2017
Write-downs on leasehold improvemets (non-separable assets)	(348)	(264)
Outlays for miscellaneous charges from previous financial years	(150)	(280)
Other operating expenses from current period	(451)	(414)
Total	**(949)**	**(958)**

16.2 Other operating income: breakdown

(€/000)

	12/31/2018	12/31/2017
Recovery of expenses	9,235	3,104
Revenues from contractual and repetitive administrative services	18,591	15,775
Various reimbursement of charges paid in previous financial years	677	472
Indemnities	-	-
Reductions in liabilities	-	-
Other operating income from current period	835	651
Total	**29,338**	**20,002**

Other operating income increased by 47% compared with December 31, 2017.

More specifically, the improvement was registered in **Recovery of expenses** as a result of the increase in recoveries for information and commercial services from customers, as well as the recovery of costs connected with the start of operations at the new doBank Hellas branch from the Greek banks that assigned the portfolios.

Revenues from contractual and repetitive administrative services mainly include revenues for administrative servicing and corporate services provider activities. The increase for the year reflected the expansion of judicial activities and data quality services (+€1.3 million).

SECTION 17 – PROFIT (LOSS) OF EQUITY INVESTMENTS – ITEM 250

17.1 Profit (loss) of equity investments: breakdown

(€/000)

	12/31/2018	12/31/2017
1) Jointly owned companies		
A. Income	-	-
1. Revaluations	-	-
2. Gains on disposal	-	-
3. Write-backs	-	-
4. Other Gains	-	-
B. Expense	-	-
1. Write-downs	-	-
2. Impairment loss	-	-
3. Losses on disposal	-	-
4. Other expenses	-	-
Net profit (loss)	**-**	**-**
2) Companies subject to significant influence		
A. Income	917	1,271
1. Revaluations	-	1,271
2. Gains on disposal	917	-
3. Write-backs	-	-
4. Other Income	-	-
B. Expense	-	-
1. Write-downs	-	-
2. Impairment loss	-	-
3. Losses on disposal	-	-
4. Other expenses	-	-
Net profit (loss)	**917**	**1,271**
Total	**917**	**1,271**

Gains on disposal reports the gain in the sale of the investment in BCC Gestione Crediti S.p.A. in the third quarter of 2018. The 45% stake had been classified among equity investments under significant influence and accounted for using the equity method, whose financial impact in 2017 was represented by the amount recognised under **Revaluations**.

SECTION 20 – GAINS (LOSSES) ON DISPOSAL OF INVESTMENTS – ITEM 280

20.1 Gains (losses) on disposal of investments: breakdown

(€/000)

	12/31/2018	12/31/2017
A. Property	-	-
- Gains on disposal	-	-
- Losses on disposal	-	-
B. Other assets	-	1,494
- Gains on disposal	-	1,494
- Losses on disposal	-	-
Net Profit	**-**	**1,494**

The item amounted to zero at the end of the period, while at December 31, 2017 it reported the profit on the sale of the investment in Gextra S.r.l..

SECTION 21 – INCOME TAX EXPENSE FROM CONTINUING OPERATIONS – ITEM 300

21.1 Income tax expense from continuing operations: breakdown

(€/000)

	12/31/2018	12/31/2017
1. Current taxes (-)	(14,971)	(10,839)
2. Adjustment to current tax of prior years (+/-)	6	(235)
3. Reduction of current taxes for the year (+)	-	-
3.*bis* Reduction in current tax for the year due tax credits under L. 214/2011 (+)	-	-
4. Changes in deferred tax assets (+/-)	(12,483)	(11,652)
5. Changes in deferred tax liabilities (+/-)	-	-
6. Tax expense for the period (-) (-1+/-2+3+3bis+/-4+/-5)	(27,449)	(22,726)

21.2 Reconciliation of theoretical tax charge to actual tax charge

(€/000)

	12/31/2018	12/31/2017
total profit (loss) before tax from continuing operations (item 290)	**78,289**	**68,110**
Theoretical tax rate	27.50%	27.50%
Theoretical computed taxes on income	(21,529)	(18,730)
1. Different tax rates	104	136
2. Non-taxable income - permanent differences	234	377
3. Non-deductible expenses - permanent differences	(525)	(814)
4. IRAP (regional business tax)	(5,557)	(4,276)
5. Prior years and changes in tax rates	(156)	-
a) Effect on current taxes	(156)	-
- tax loss carryforward/unused tax credit	-	-
- other effects of previous periods	*(156)*	-
b) Effect on deferred taxes	-	-
- changes in tax rate	-	-
- tax recoveries from previous years deductible costs (-)	-	-
- temporary tax adjustments non-deductible costs (+)	-	-
- establishment of new taxes (-) repeal of previous taxes (+)	-	-
6. Valuation adjustments and non-recognition of deferred tax assets/liabilities	-	-
- Deferred tax assets write-downs	-	-
- Deferred tax assets recognition	-	-
- Deferred tax assets non-recognition	-	-
- Deferred tax asset/liability non-recognition in accordance with IAS 12.39 and 12.44	-	-
7. Measurement of associates	-	349
8. Other differences	(20)	232
Income tax recognised in income statement	**(27,449)**	**(22,726)**

SECTION 22 – PROFIT (LOSS) AFTER TAX FROM DISCONTINUED OPERATIONS – ITEM 320

22.1 Profit (loss) after tax from discontinued operations: breakdown

(€/000)

	12/31/2018	12/31/2017
1. Income	-	800
2. Expense	-	(1,153)
3. Valuation of disposal groups and related liabilities	-	-
4. Profit (loss) on disposal	-	-
5. Tax	-	(37)
Profit (Loss)	**-**	**(390)**

At December 31, 2017 the item reported the revenue and expenses of the investment in Gextra S.r.l., which was sold the previous year.

22.2 Income taxes on discontinued operations: breakdown

(€/000)

	12/31/2018	12/31/2017
1. Current taxes (-)	-	(37)
2. Changes in deferred tax assets (+/-)	-	-
3. Changes in deferred tax liabilities (+/-)	-	-
4. Tax expense for the year (-1+/-2+/-3)	**-**	**(37)**

SECTION 25 – EARNINGS PER SHARE

25.1 and 25.2 Average number of ordinary shares with diluted capital and other information

	12/31/2018	12/31/2017
Net profit of the Group (in thousands of Euro)	50,840	44,994
Average number of outstanding shares	78,375,698	78,250,000
Average number of potentially dilutive shares	319,655	337,102
Average number of diluted shares	78,695,353	78,418,551
Earnings per share	**0.6487**	**0.5750**
Diluted earnings per share (Units of Euro)	**0.6460**	**0.5738**

The average number of outstanding shares is net of the average number of treasury shares.

PART D – CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

DETAILED BREAKDOWN OF CONSOLIDATED COMPREHENSIVE INCOME

(€/000)

	Total 12/31/2018	Total 12/31/2017
10. Net profit (loss) for the year	**50,840**	**44,994**
Other comprehensive income not recycled to profit or loss	**364**	**(31)**
20. Equity instruments designated at fair v alue through comprehensiv e income:	-	-
a) fair v alue changes	-	-
b) transfers to other equity components	-	-
30. Financial liabilities designated at fair v alue through profit or loss (change in its own creditworthiness):	-	-
a) fair v alue changes	-	-
b) transfers to other equity components	-	-
40. Hedges of equity instruments designated at fair v alue	-	-
a) fair v alue change (hedged instrument)	-	-
b) fair v alue change (hedging instrument)	-	-
50. Property, plant and equipment	-	-
60. Intangible assets	-	-
70. Defined-benefit plans	472	(31)
80. Non-current assets classified as held for sale	-	-
90. Share of v aluation reserv es of equity accounted inv estments	-	-
100. Income tax of other comprehensiv e income not recyclable to profit or loss	(108)	-
Other comprehensive income not recycled to profit or loss	**2**	**1,125**
110. Hedges of foreign inv estments:	-	-
a) fair v alue changes	-	-
b) reclassification to profit or loss	-	-
c) other changes	-	-
120. Exchange differences	-	-
a) fair v alue changes	-	-
b) reclassification to profit or loss	-	-
c) other changes	-	-
130. Cash flow hedges	-	-
a) fair v alue changes	-	-
b) reclassification to profit or loss	-	-
c) other changes	-	-
of which: net position result	-	-
140. Hedging instruments (elements non designated)	-	-
a) fair v alue changes	-	-
b) reclassification to profit or loss	-	-
c) other changes	-	-
150. Financial assets (different from equity instruments) measured at fair v alue through comprehensiv e income:	2	1,552
a) fair v alue changes	2	1,552
b) reclassification to profit or loss	-	-
- impairments for credit risk	-	-
- gains/losses on disposal	-	-
c) other changes	-	-
160. Non-current assets and disposal groups held for sale	-	-
a) fair v alue changes	-	-
b) reclassification to profit or loss	-	-
c) other changes	-	-
170. Share of v aluation reserv es of equity accounted inv estments	-	-
a) fair v alue changes	-	-
b) reclassification to profit or loss	-	-
- impairment losses	-	-
- gains/losses on disposal	-	-
c) other changes	-	-
180. Income tax of other comprehensiv e income recyclable to profit or loss	-	(427)
190. Total other comprehensive income	**366**	**1,094**
200. Comprehensive income (items 10 + 190)	**51,206**	**46,088**
210. Consolidated comprehensiv e income attributable to non-controlling interests	**-**	**-**
220. Consolidated comprehensive income attributable to shareholders of the Parent Company	**51,206**	**46,088**

PART E - INFORMATION ON RISKS AND RISK MANAGEMENT POLICIES

Introduction

The Internal Control and Risk Management System consists of the set of rules, procedures and organisational structures designed to identify, measure and monitor the main risks. Consistent with the provisions of Bank of Italy Circular no. 285 of December 17, 2013 as updated, the doBank Banking Group assigns strategic importance to the Internal Control System, considering it not only a key element in ensuring effective risk management and the alignment of the company's strategies and policies with the principles of sound and prudent management, but also as a prerequisite for the creation of long-term value, for preserving the quality of the assets and for the appropriate allocation of capital.
The adoption of an internal control and risk management system is also consistent with the provisions of the Borsa Italiana Corporate Governance Code, which the Parent Company doBank decided to adopt to after its listing on the Italian regulated market (MTA), in the awareness that one of the crucial elements of the governance of a listed company is precisely its internal control system.
The doBank Group has structured the Internal Control System so as to ensure a high level of integration and coordination among the actors within the system, in compliance with the principles of proportionality and cost effectiveness. The guidelines for the system have been set out in specific internal rules, while the detailed operating instructions and information regarding the controls carried out at the various levels of the company processes are contained in specific policies, rules and internal procedures. This documentation is subject to constant monitoring to ensure updating and/or revisions in order to effectively incorporate regulatory changes and best practice in this field.
The roles of the various actors involved in the internal control system (Board of Directors, Board of Auditors, Risk and Transactions with Connected Persons Committee, Executive Director in charge of the internal control system, Supervisory Body pursuant to Legislative Decree 231/2001, Internal Audit, Financial Reporting Officer, Risk Management, Compliance and Anti-Money Laundering) are described in detail in the "Report on Corporate Governance and Ownership Structure" prepared in accordance with Paragraph 3 of Art. 123 bis of Legislative Decree 58 of February 24, 1998 (Consolidated Law on Financial Intermediation) as updated, the latest version of which was approved by the Board of Directors on March 13, 2018 and published on the doBank website in the Governance section - Shareholders' Meeting - Documents and Reports.
As regards the structure of the control units, an organisational model has been adopted which provides for their centralisation with the Parent Company, doBank. This decision was prompted by the need to implement strong and incisive overall strategic coordination, in particular of the Group's Internal Control System, ensuring overall operational rationalisation and greater efficiency of the system. In any event, the operational features of each of the Group companies were incorporated in the model, adopting a proportionality principle that took account of characteristics of their activities and the size of the company involved.
With regard to risk governance, in line with applicable supervisory requirements, the doBank Group reviews at least annually the strategic guidelines of the "Risk Appetite Framework", which are subject to approval by the Parent Company's Board of Directors, and of the risk management policies.
An integral part of the broader risk management system is the prudential control process that the doBank Group performs independently in its self-assessment of capital adequacy (ICAAP) and the system for the governance and management of liquidity risk (ILAAP), consistent with regulatory requirements and formalised in a specific annual document (the ICAAP/ILAAP Report).

SECTION 1– RISKS WITHIN SCOPE OF PRUDENTIAL CONSOLIDATION

QUANTITATIVE DISCLOSURES

A. Credit quality

A.1 Non-performing and performing loans: amounts, write-downs, changes, distribution by business activity

A.1.1 Breakdown of financial assets by portfolio and credit quality (carrying value)

(€/000)

	Bad loans	Unlikely to pay	Non-performing past-due	Other non-performing	Performing exposures	Total
1. Financial assets measured at amortised cost	265	-	-	-	75,226	75,491
2. Financial assets measured at fair v alue through comprehensiv e income	-	-	-	-	999	999
3. Financial assets designated as at fair v alue	-	-	-	-	-	-
4. Financial assets mandatorily measured at fair v alue	-	-	-	-	5,240	5,240
5. Financial instruments classified as held for sale	-	3	-	-	697	700
Total 12/31/2018	**265**	**3**	**-**	**-**	**82,162**	**82,430**
Total 12/31/2017	**265**	**-**	**-**	**45**	**60,729**	**61,039**

A.1.2 Breakdown of financial assets by portfolio and credit quality (gross and net values)

(€/000)

	Non-performing				Performing			
	Gross exposure	Total value adjustments	Net exposure	Partial overall write-offs*	Gross exposure	Total value adjustments	Net exposure	Total (net exposure)
1. Financial assets measured at amortised cost	718	452	266	-	75,229	4	75,225	75,491
2. Financial assets measured at fair v alue through comprehensiv e income	-	-	-	-	999	-	999	999
3. Financial assets designated at fair v alue	-	-	-	-	X	X	-	-
4. Other financial assets mandatorily at fair v alue through profit or loss	-	-	-	-	X	X	5,240	5,240
5. Financial assets disposal underway	13	11	2	-	701	3	698	700
Total 12/31/2018	**731**	**463**	**268**	**-**	**76,929**	**7**	**82,162**	**82,430**
Total 12/31/2017	**725**	**460**	**265**	**-**	**53,072**	**(16)**	**60,774**	**61,039**

(€/000)

	Lower-quality assets		Other assets
	Accumulated losses	Net exposure	Net exposure
1. Financial assets held for trading	-	-	-
2. Hedging	-	-	-
Total 12/31/2018	**-**	**-**	**-**
Total 12/31/2017	**-**	**-**	**-**

SECTION 2 – RISKS WITHIN SCOPE OF PRUDENTIAL CONSOLIDATION

1.1 CREDIT RISK

QUALITATIVE DISCLOSURES

1. General aspects

During 2018 the Parent Company, doBank, continued its credit activity, albeit still with limited volumes.[7] After routine processing, proposal and authorisation activities performed in compliance with the principle of assessing counterparty creditworthiness, and in accordance with the instructions of the supervisory authorities, the Bank continued the granting and reviewing of loans, in the form of both revocable unsecured credit facilities and long-term mortgage loans for the purpose of acquiring residential properties in foreclosure auctions organised by Italian courts.

2. Credit risk management policies

2.1 Organisational aspects

Credit risk is defined as the risk for the creditor that a borrower will not discharge a financial obligation at maturity or subsequently. Against this risk, the Parent Company doBank has adopted appropriate internal management processes (risk measurement, application processing, disbursement, control and monitoring of developments in exposures, review of credit lines, classification of exposures, intervention in the event of anomalies, criteria for the classification, measurement and management of impaired exposures) that have been defined considering the principle of proportionality and undergo periodic review.
Credit operations, which are a residual activity with respect to the core business, can expose the Group to the risk of default, i.e. the risk of incurring losses due to the failure of a counterparty to perform its contractual obligations or to a reduction in the quality of the credit granted to the counterparty. This type of risk is therefore a function both of the intrinsic solvency of the debtor and of the economic conditions of the market in which the debtor operates.
The doBank Group is also exposed to the credit risk generated by servicing agreements under which Group companies accrue trade receivables in respect of counterparties, who may default due to insolvency, political and economic events, liquidity shortages, operational deficiencies or other reasons.
The Parent Company has organisational units devoted to the management and control of credit risk, ensuring the separation of departments and functions that, in line with sound and prudent banking operations, are responsible for granting and disbursing credit from those charged with performing controls. The Credit Assessment unit within the Risk Management department, which is independent of the business units proposing transactions, plays a key role in assessing the creditworthiness of counterparties, actively participating in the phases of the lending process with the issue of non-binding opinions that accompany proposals for the granting and/or modification/revision of a loan before it is submitted to the competent decision-making body of the Bank for approval. The unit also participates in the position monitoring phase and, above all, if the credit standing of a counterparty should deteriorate, delineating the overall situation of the customer and coordinating with the commercial unit. In turn, Risk Management, within the scope of its activities, ensures that the necessary second-level controls are performed to ensure the monitoring of credit exposures, the classification of those exposures and the measurement of the related provisions as determined in accordance with the “Financial Asset Impairment Policy”, which incorporates the provisions of the new IFRS 9 concerning impairment.
Credit risk is also addressed within the Group Risk Appetite Statement with the definition of a

[7] In the corporate transformation provided for in the 2018-2020 Business Plan, doBank will become a servicing company – pursuant to Article 115 of the T.U.L.P.S, terminating its banking operations.

system of threshold values (Target, Trigger and Tolerance) that Risk Management monitors to ensure compliance.

2.2 Management, measurement and control systems

For the purposes of determining the prudential capital requirement for credit risk, the doBank Group adopts the standardized approach in accordance with prudential regulations (Regulation (EU) No. 575/2013 of the European Parliament and of the Council of June 26, 2013 - the CRR), dividing its exposures into portfolios and applying differentiated prudential treatments to each, consistent with the relevant supervisory regulations. The Group does not use external ratings assigned by external rating agencies (ECAIs), recognized for prudential purposes on the basis of specific regulations, to assess credit worthiness.
With regard to the granting of loans - a minor activity compared with the core business of the Bank and the Group, which is focused mainly on servicing activities - the Parent Company performed control activities for the entire relatively small portfolio. This approach makes it possible to promptly detect any possible deterioration in counterparty creditworthiness, thereby enabling implementation of all the activities deemed appropriate or necessary to ensure compliance with the principle of sound and prudent management of banking assets.

2.3 Measurement method for expected losses

The new IFRS 9 *Financial Instruments*, which entered force as from January 1, 2018, in replacement of IAS 39, has had an impact on the methods used to classify and measure financial instruments and on the rationale and calculation methods for impairment losses.
IFRS9 introduced a model in which the classification of financial assets is guided on the one hand by the contractual cash flows of the instruments and, on the other, by the management intent with which the instruments are held (the Group's business model).
Following analysis to identify the main areas of impact, the doBank Group implemented appropriate applicative and organisational arrangements to ensure the consistent, comprehensive and effective adoption of the provisions of the new standard, formalised in the Financial Asset Impairment Policy. The new impairment process of the doBank Group is applied to financial assets measured at amortised cost and at fair value (through other comprehensive income), which include loans, trade receivables, contract assets, debt securities, financial guarantees, irrevocable commitments to disburse funds, including intercompany balances. Equity investments are excluded.
The remaining categories of financial assets not mentioned here are measured at fair value through profit or loss and are therefore not subject to the impairment process.
Consistent with the provisions of the new standard, the impairment model adopted by the doBank Group provides for the classification of financial assets into three levels (or "stages"), which correspond to distinct methods for calculating the losses to be reported.
Stage 1 includes performing assets, for which 12-month expected credit losses are measured.
Stage 2 includes the assets still performing but show evidence of a significant increase in credit risk since initial recognition. Lifetime expected credit losses are measured in this case, i.e. expected losses over the time horizon until the instrument expires.
Finally, stage 3 includes non-performing assets (impaired past due, unlikely to pay and bad loans) that show evidence of such a large increase in credit risk since initial recognition as to be considered impaired, i.e. assets for which events have occurred that negatively impact estimated future cash flows, such as a missed or late payment. Also in this case, the expected lifetime credit loss is measured.
In this area, in order to determine impairment, performing exposures are assessed using a standard approach that provides for the application of risk parameters differentiated by type of counterparty and type of exposure, defined by Risk Management and set out in a specific policy.
For the purposes of correctly allocating performing exposures to stage 1 or stage 2, and in order to identify a significant deterioration in the counterparty's creditworthiness, the doBank Group has defined qualitative and quantitative trigger events differentiated by the type of counterparty and the type of portfolio to which the exposure is allocated.
The trigger events defined by the doBank Group are associated with objective information that can be detected as part of position monitoring activity, such as:

- the granting of forbearance measures in response to the effective financial difficulties of the counterparty;
- a deterioration in the credit risk of the counterparty following developments not directly associated with default on a position with the Group (for example, classification of a counterparty with multiple loans as non-performing, classification of securities as not investment grade, etc.);
- information acquired in the context of the management the relationship, which can be useful for detecting a significant change in the credit risk of the counterparty;
- payments past due by at least 30 days or positions over limit by at least 30 days (rebuttable presumption).

In relation to the latter aspect, consistent with the provisions of the accounting standard, the doBank Group gives the position owners the authority to rebut this presumption, which is necessary in reclassifications to another stage, if they have reasonable and supportable information that shows the absence of correlation between the breach of that 30 day limit and a significant deterioration of the credit quality of the counterparty.

With regard to individual non-performing positions allocated to stage 3 (which are marginal in number and in carrying amount and were not originated by doBank's own banking operations but rather acquired over time), the procedures and tools supporting the activity of the workout units always enable position managers to prepare accurate forecasts of the amounts and timing of expected recoveries on the individual relationships in accordance with the state of progress in the recovery management process. These analytical evaluations take account of all the elements objectively connected with the counterparty and are in any case conducted by the position managers in compliance with the principle of sound and prudent management.

In consideration of the provisions of IFRS 9 and the scarce significance of the interest component of trade receivables and contract assets that fall within the scope of IFRS 15, the doBank Group has opted to apply the simplified approach for these types of financial assets. The application of this approach essentially involves the calculation of total expected losses over the residual life of the financial asset. Considering that the residual life of trade receivables is generally less than a year, the 12-month and lifetime expected credit losses tend to coincide.

2.4 Credit risk mitigation techniques

Medium/long-term loans, aimed primarily at consumer households for the purchase of assets in foreclosure auctions, are all secured by suitable collateral in the form of voluntary first mortgages on those assets, which can all be classified as residential buildings.

These guarantees are acquired on the basis of expert appraisals consistent with the model adopted and in compliance with the supervisory regulations in this area.

The Parent Company doBank has adjusted its policies for granting loans secured by mortgages on properties to the applicable regulatory provisions, ensuring that the acquisition and management of mortgages takes place in a manner that ensures both their effectiveness in respect of third parties and their reasonably prompt enforceability.

In order to guarantee the eligibility of mortgage guarantees on residential and non-residential properties, in compliance with supervisory regulations, the Bank verifies the absence of any correlation between the value of the property and the creditworthiness of the borrower, thus ascertaining that the borrower's capacity to repay the loan does not depend to a significant extent on the cash flows generated by the building pledged as collateral, but rather on the borrower's ability to repay the debt by drawing on other documented sources.

In order to ensure an appraisal consistent with the actual risk inherent in the secured asset, the Bank monitors the value of the mortgaged property at least once a year in the case of non-residential properties and once every three years for residential" properties, unless more frequent checks would be warranted by market conditions subject to significant changes, revising the valuation of the property pledged as collateral when the available information indicates that its value could be significantly reduced in relation to the general price level in the reference market.

To ensure the ongoing monitoring of the quality and adequacy of the properties securing loans, the Parent Company has adopted a specific procedure for the "Assignment of Appraisers and Real Estate Appraisal and Monitoring", which contains the guidelines to be adopted in this area for mortgage loans for foreclosure auctions offered to doBank customers.

3. Non-performing financial assets

3.1 Management strategies and policies

Monitoring positions and proposing reclassification to a higher risk category is the responsibility of the units in charge of managing the position, while the Risk Management department is responsible for verifying the appropriateness and consistency of the classifications and the suitability of provisions determined in accordance with the Financial Asset Impairment Policy, which incorporates the provisions of IFRS 9 concerning impairment. In this context, the Parent Company doBank is equipped with IT units and procedures for the management, classification and control of loans in relation to the nature and composition of its loan portfolio.

The Parent Company doBank assesses its positions classified in stage 3 in accordance with the provisions of IFRS 9, which uses the so-called analytical approach based on the findings of its position monitoring process.

When a debtor belongs to an economic group, an assessment is conducted of the need to consider the exposures of other Group entities as impaired as well if those positions are not already considered in default, with the exception of exposures involved in isolated disputes that are not correlated with the solvency of the counterparty.

The principles for the determination of analytical assessments remain unaffected, being assessed periodically and any time significant new information is acquired, as well as in relation to the evolution of the outlook for recovery and the strategies implemented.

The main elements considered in an accurate assessment of expected loss on stage 3 positions are the following:

- assets of the customer and any guarantors (net of any encumbrances);
- the current and prospective performance and financial position of the principal obligor;
- the existence of any repayment plans, duly agreed by all guarantors, and their regular performance;
- the value and enforceability of existing guarantees;
- collateral (most often) or unsecured guarantees obtained voluntarily or acquired through a court order.

The criteria for determining impairment losses are based on the discounting of expected cash flows in respect of principal and interest over the lifetime of the position (lifetime expected loss). For the purpose of determining the present value, the key elements are represented by the identification of the estimated collections, the dates on which they fall due and the discount rate to be applied. To estimate collections on problem loans, analytical forecasts are used. As regards the time component, reference is made to detailed payment plans or, in their absence, estimated values, if available.

3.2 Write-offs

A write-off is an event that gives rise to the derecognition of a receivable and is carried out when there is no longer any reasonable expectation of recovery, considering the receivable to be unrecoverable. This may occur before legal action to recover the financial asset has been completed.

The write-off may concern the entire amount of the financial asset or a portion thereof.

In identifying the circumstances that would prompt a write-off, considering the current composition of the Group's non-performing portfolio, which is residual in terms of volumes and number of positions, the doBank Group has not established additional procedures beyond those mentioned above for the assessment of expected losses.

The doBank Group did not perform any write-offs during the year.

3.3 Acquired or originated non-performing financial assets

Financial assets that qualify as purchased or originated credit-impaired financial assets consist of credit exposures acquired or originated in a situation in which the counterparty already meets the requirements to be classified as impaired.
For the doBank Group, at the end of the financial year, these assets are entirely attributable to positions that are over ten years old, purchased over time and classified as non-performing, whose original purchase price amounted to €907 thousand. As at December 31, 2018, the exposure associated with these positions amounted to €718 thousand (gross of analytical write-downs of €452 thousand).
The provisions always correspond to the expected lifetime losses on the exposures recognised at each reporting date, with provisions equal to zero at the time of initial recognition in the case of purchased credit-impaired assets. Originated credit-impaired financial assets are valued individually at the time of initial recognition.
The processes and tools supporting the activity of the workout units always enable managers to prepare accurate forecasts regarding the amount and timing of expected recoveries on the individual exposures, based on the state of progress of the recovery process. These analytical assessments take account of all the documented and/ or known information and are in any case performed by the position managers in compliance with the principle of sound and prudent management and the applicable regulations.
Collection activities associated with the purchased portfolios developed in a manner consistent with the repayment plans. The distribution of expected future collections over the 2019-2023 period shows a greater concentration of amounts at the end of the time horizon.

4. Renegotiated financial assets and forborne exposures

The original contractual terms and conditions may be modified during the life of the contractual relationship.
Under the current regulatory framework, impaired financial assets are classified in accordance with their level of impairment into three categories: "bad loans", "unlikely to pay" and" impaired past-due and/or overlimit exposures". Another category regards “exposures granted forbearance measures" (forborne exposures), referring to exposures involved in renegotiations and/or refinancings due to the financial difficulties of the borrower, which in fact comprise impaired positions (impaired forborne exposures) and performing positions (other forborne exposures). Impaired forborne exposures represent an attribute of the previous categories of impaired assets. In the doBank Group, these exposures, although extremely residual in terms of volume, are managed in strict compliance with the relevant regulatory provisions in terms of the timing and method of classification and the time they remain classified in the individual stages.

QUANTITATIVE DISCLOSURES

A – Credit quality

A.1 Non-performing and performing loans: amounts, write-downs, changes, distribution by business activity/region

A.1.1 Prudential consolidation - Distribution of financial assets by time past due (carrying amount)

(€/000)

	First stage			Second stage			Third stage		
	From 1 day to 30 days	Over 30 days to 90 days	Over 90 days	From 1 day to 30 days	Over 30 days to 90 days	Over 90 days	From 1 day to 30 days	Over 30 days to 90 days	Over 90 days
1. Financial assets measured at amortised cost	-	-	-	-	-	-	-	-	265
2. Financial assets measured at fair v alue through comprehensiv e income	-	-	-	-	-	-	-	-	-
Total 12/31/2018	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**265**
Total 12/31/2017	**-**	**-**	**-**	**-**	**-**	**55**	**-**	**-**	**265**

A.1.2 Prudential consolidation - Financial assets, commitments to disburse funds and financial guarantees issued: changes in gross write-downs and gross provisions

(€/000)

	Total write-downs								
	Assets in the first stage					Assets in the second stage			
	Financial assets measured at amortised cost	Financial assets measured at fair value through comprehensive income	*of which: individual impairments*	*of which: collective impairments*		Financial assets measured at amortised cost	Financial assets measured at fair value through comprehensive income	*of which: individual impaiments*	*of which: collective impaiments*
Opening balance	21	-	-	*21*	-	1	-	-	*1*
Increases by financial assets acquired or originated	-	-	-	-	-	-	-	-	-
Eliminations different by write-offs	-	-	-	-	-	-	-	-	-
Net write-offs/write-backs for credit risk	*(14)*	-	-	*(14)*	-	-	-	-	-
Contractual changes without cancellations	-	-	-	-	-	-	-	-	-
Change in estimation procedure	-	-	-	-	-	-	-	-	-
Write-off	-	-	-	-	-	-	-	-	-
Other changes	(3)	-	-	*(3)*	-	(1)	-	-	*(1)*
Closing balance	**4**	**-**	**-**	***4***	**-**	**-**	**-**	**-**	**-**
Collection recov eries on financial assets due to write-off	-	-	-	-	-	-	-	-	-
Write-off through profit or loss	-	-	-	-	-	-	-	-	-

(€/000)

	Total write-downs								
	Assets in the third stage				of which: impaired financial assets acquired or originated	Total provisions on commitments to disburse funds and financial guarantees issued			Total
	Financial assets measured at amortised cost	Financial assets measured at fair value through comprehensive income	*of which: individual impairments*	*of which: collective impairments*		First stage	Second stage	Third stage	
Opening balance	460	-	*460*	-	*460*	3	-	-	**485**
Increase in financial assets acquired or originated	-	-	-	-	-	-	-	-	-
Eliminations other than write-offs	-	-	-	-	-	-	-	-	-
Net write-downs/write-backs for credit risk	(48)	-	*(48)*	-	*(48)*	-	-	-	(62)
Contractual changes without cancellations	-	-	-	-	-	-	-	-	-
Change in estimation procedure	-	-	-	-	-	-	-	-	-
Write-offs	-	-	-	-	-	-	-	-	-
Other changes	40	-	*40*	-	*40*	-	-	-	36
Closing balance	**452**	**-**	***452***	**-**	***452***	**3**	**-**	**-**	**459**
Recoveries from collections on written-off financial assets	-	-	-	-	-	-	-	-	**-**
Write-offs recognised through profit or loss	-	-	-	-	-	-	-	-	**-**

A.1.4 Prudential consolidation - On- and off-balance-sheet credit exposures with banks: gross and net values

(€/000)

	Gross exposure		Total writedowns and total provisions	Net exposure	Total partial write-offs*
	Non-performing	Performing			
A. On-balance-sheet exposures					
a) Bad loans	-	X	-	-	-
- of which: forborne exposures	-	*X*	-	-	-
b) Unlikely to pay	-	X	-	-	-
- of which: forborne exposures	-	*X*	-	-	-
c) Non-performing past-due	-	X	-	-	-
- of which: forborne exposures	-	*X*	-	-	-
d) Performing past-due	X	-	-	-	-
- of which: forborne exposures	*X*	-	-	-	-
e) Other performing exposures	X	73,527	-	73,527	-
- of which: forborne exposures	*X*	-	-	-	-
Total A	**-**	**73,527**	**-**	**73,527**	**-**
B. Off-balance-sheet exposures					
a) Non-performing	-	X	-	-	-
b) Performing	X	-	-	-	-
Total B	**-**	**-**	**-**	**-**	**-**
Total A+B	**-**	**73,527**	**-**	**73,527**	**-**

**Value to be showed for information purposes*

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

(€/000)

	Gross exposure		Total writedowns and total provisions	Net exposure	Total partial write-offs*
	Non-performing	Performing			
A. On-balance-sheet exposures					
f) Bad loans	718	X	452	266	-
- of which: forborne exposures	-	X	-	-	-
g) Unlikely to pay	13	X	10	3	-
- of which: forborne exposures	-	X	-	-	-
h) Non-performing past-due	-	X	-	-	-
- of which: forborne exposures	-	X	-	-	-
i) Performing past-due	X	-	-	-	-
- of which: forborne exposures	X	-	-	-	-
j) Other performing exposures	X	8,642	8	8,634	-
- of which: forborne exposures	X	-	-	-	-
Total A	**731**	**8,642**	**470**	**8,903**	**-**
B. Off-balance-sheet exposures					
c) Non-performing	-	X	-	-	-
d) Performing	X	595	-	595	-
Total B	**-**	**595**	**-**	**595**	**-**
Total A+B	**731**	**9,237**	**470**	**9,498**	**-**

** Value to be showed for information purposes*

A.1.7 Prudential consolidation - Credit exposures with customers: change in gross non-performing exposures

(€/000)

	Bad loans	Unlikely to pay	Non-performing past-due
A. Opening balance - gross exposure	**725**	**-**	**-**
- of which: assets sold but not derecognised	-	-	-
B. Increases	**10**	**13**	**-**
B.1 Transfers from performing exposures	-	13	-
B.2 Transfers from impaired financial assets acquired or originated	-	-	-
B.3 Transfers from other categories of non-performing exposure	-	-	-
B.4 Contractual changes without cancellations	-	-	-
B.5 Other increases	10	-	-
C. Decreases	**17**	**-**	**-**
C.1 Transfers to performing exposures	-	-	-
C.2 Write-offs	-	-	-
C.3 Collections	17	-	-
C.4 Gains on disposal	-	-	-
C.5 Losses on disposal	-	-	-
C.6 Transfers to other categories of non-performing exposure	-	-	-
C.7 Contractual changes without cancellations	-	-	-
C.8 Other decreases	-	-	-
D. Closing balance - gross exposure	**718**	**13**	-
- of which: assets sold but not derecognised	-	-	-

A.1.9 Prudential consolidation – Impaired on-balance-sheet credit exposures with customers: change in total write-downs

(€/000)

	Bad loans		Unlikely to pay		Non-performing past-due	
	Total	*- of which: exposures with forbearance*	Total	*- of which: exposures with forbearance*	Total	*- of which: exposures with forbearance*
A. Total opening balance	**460**	**-**	**-**	**-**	**-**	**-**
- of which: assets sold but not derecognised	-	-	-	-	-	-
B. Increases	-	-	**10**	-	-	-
B.1 Write-downs of impaired financial assets acquired or originated	-	X	-	X	-	X
B.2 Other write-downs	-	-	10	-	-	-
B.3 Losses on disposal	-	-	-	-	-	-
B.4 Transfers from other categories of non-performing exposure	-	-	-	-	-	-
B.5 Contractual changes without cancellations	-	X	-	X	-	X
B.6 Other increases	-	-	-	-	-	-
C. Decreases	**8**	-	-	-	-	-
C.1 Write-backs from valuation	-	-	-	-	-	-
C.2. Write-backs from collections	-	-	-	-	-	-
C.3 Gains on disposal	-	-	-	-	-	-
C.4 Write-offs	-	-	-	-	-	-
C.5 Transfers to other categories of non-performing exposure	-	-	-	-	-	-
C.6 Contractual changes without cancellations	-	X	-	X	-	X
C.7 Other decreases	8	-	-	-	-	-
D. Total closing balance	**452**	**-**	**10**	**-**	**-**	**-**
- of which: assets sold but not derecognised	-	-	-	-	-	-

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

The Group does not use internal ratings or external ratings assigned by recognised rating agencies (ECAI) to assess creditworthiness. Accordingly, no classification in recognised.

A.2.1 Prudential consolidation - Breakdown of financial assets, commitments to disburse funds and guarantees issued per class of external ratings (gross values)

The distribution of exposures by external rating is not material for the Group, given that its customers are largely unrated. Accordingly, no breakdown is reported.

A.2.2 Prudential consolidation - Breakdown of financial assets, commitments to disburse funds and guarantees issued per class of internal ratings (gross values)

The Group does not use internal ratings to manage credit risk.

A.3 Distribution of secured credit exposures by type of guarantee

A.3.2 Prudential consolidation - On- and off-balance sheet credit exposures with customers

(€/000)

	Gross exposure	Net exposure	Collateral guarantee (1)				Personal guarantee (2)	
							Loan derivatives	
								Other derivatives
			Real estate - mortgages	Real estate - financial lease	Securities	Other collateral	CLN	Central counterparties
1. Secured on balance sheet credit exposures:	**1,768**	**1,321**	**1,178**	**-**	**-**	**-**	**-**	**-**
1.1 totally guaranteed	1,768	1,321	1,178	-	-	-	-	-
- of which non-performing	-	-	-	-	-	-	-	-
1.2. partially guaranteed	-	-	-	-	-	-	-	-
- of which non-performing	-	-	-	-	-	-	-	-
2. Secured off-balance sheet credit exposures:	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2.1. totally guaranteed	-	-	-	-	-	-	-	-
- of which non-performing	-	-	-	-	-	-	-	-
2.2. partially guaranteed	-	-	-	-	-	-	-	-
- of which non-performing	-	-	-	-	-	-	-	-

(€/000)

	Personal guarantee (2)							Total (1) + (2)
	Loan derivatives							
	Other derivatives			Unsecured loans				
	Banks	Other financial companies	Other entities	Public administration	Banks	Other financial companies	Other entities	
1. Secured on balance sheet credit exposures:	**-**	**-**	**144**	**-**	**-**	**-**	**-**	**1,322**
1.1 totally guaranteed	-	-	144	-	-	-	-	1,322
- of which non-performing	-	-	-	-	-	-	-	-
1.2. partially guaranteed	-	-	-	-	-	-	-	-
- of which non-performing	-	-	-	-	-	-	-	-
2. Secured off-balance sheet credit exposures:	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2.1. totally guaranteed	-	-	-	-	-	-	-	-
- of which non-performing	-	-	-	-	-	-	-	-
2.2. partially guaranteed	-	-	-	-	-	-	-	-
- of which non-performing	-	-	-	-	-	-	-	-

B. Distribution and concentration of credit exposures

B.1 Prudential consolidation - Distribution of on- and off-balance sheet credit exposures to customers by sector

(€/000)

	Government entities		Financial companies		*Financial companies (of which: insurance companies)*	
	Net exposure	Total impairments	Net exposure	Total impairments	*Net exposure*	*Total impairments*
A. On balance sheet exposure						
A.1 Bad loans	-	-	-	-	-	-
- *of which: forborne exposures*	-	-	-	-	-	-
A.2 Unlikely to pay	-	-	-	-	-	-
- *of which: forborne exposures*	-	-	-	-	-	-
A.3 Non-performing past-due	-	-	-	-	-	-
- *of which: forborne exposures*	-	-	-	-	-	-
A.4 Performing exposures	311	3	7,015	-	-	-
- *of which: forborne exposures*	-	-	-	-	-	-
Total A	311	3	7,015	-	-	-
B. Off-balance sheet exposures						
B.1 Bad loans	-	-	-	-	-	-
B.2 Unlikely to pay	-	-	-	-	-	-
Total B	-	-	-	-	-	-
Total 12/31/2018 (A+B)	**311**	**3**	**7,015**	**-**	**-**	**-**
Total 12/31/2017 (A+B)	**1,297**	**12**	**7,734**	**-**	**-**	**-**

(€/000)

	Non-financial companies		Households	
	Net exposure	Total write-downs	Net exposure	Total write-downs
A. On balance sheet exposure				
A.1 Bad loans	200	388	66	64
- *of which: forborne exposures*	-	-	-	-
A.2 Unlikely to pay	-	-	3	10
- *of which: forborne exposures*	-	-	-	-
A.3 Non-performing past-due	-	-	-	-
- *of which: forborne exposures*	-	-	-	-
A.4 Performing exposures	187	3	1,121	2
- *of which: forborne exposures*	-	-	-	-
Total A	**387**	**391**	**1,190**	**76**
B. Off-balance sheet exposures	**-**	**-**	**-**	**-**
B.1 Bad loans	-	-	-	-
B.2 Unlikely to pay	-	-	595	-
Total B	-	-	595	-
Total 12/31/2018 (A+B)	**387**	**391**	**1,785**	**76**
Total 12/31/2017 (A+B)	**16,099**	**459**	**1,166**	**12**

B.2 Prudential consolidation - Distribution of on- and off-balance-sheet credit exposures to customers by geographical area

(€/000)

	Italy		Other European		Americas		Asia		Rest of the world	
	Net exposure	Total write-downs	Net exposure	Total write-downs	Net exposure	Total write-downs	Net exposure	Total write-downs	Net exposure	Total write-downs
A. On balance sheet exposures										
A.1 Bad loans	266	(452)	-	-	-	-	-	-	-	-
A.2 Unlikely to pay	3	(10)	-	-	-	-	-	-	-	-
A.3 Non-performing past-due	-	-	-	-	-	-	-	-	-	-
A.4 Performing exposures	8,634	(8)	-	-	-	-	-	-	-	-
Total A	**8,903**	**(470)**	-	-	-	-	-	-	-	-
B. Off-balance sheet exposures										
B.1 Non-performing exposures	-	-	-	-	-	-	-	-	-	-
B.2 Performing exposures	595	-	-	-	-	-	-	-	-	-
Total B	**595**	-	-	-	-	-	-	-	-	-
Total 12/31/2018 (A+B)	**9,498**	**(470)**	-	-	-	-	-	-	-	-
Total 12/31/2017 (A+B)	**11,590**	**(483)**	**14,706**	-	-	-	-	-	-	-

B.3 Prudential consolidation - Distribution of on- and off-balance-sheet credit exposures to banks by geographical area (carrying amount)

(€/000)

	Italy		Other European		Americas		Asia		Rest of the world	
	Net exposure	Total write-downs	Net exposure	Total write-downs	Net exposure	Total write-downs	Net exposure	Total write-downs	Net exposure	Total write-downs
A. On-balance-sheet exposures										
A.1 Bad loans	-	-	-	-	-	-	-	-	-	-
A.2 Unlikely to pay	-	-	-	-	-	-	-	-	-	-
A.3 Non-performing past-due	-	-	-	-	-	-	-	-	-	-
A.4 Performing exposures	71,155	-	2,372	-	-	-	-	-	-	-
Total A	**71,155**	-	**2,372**	-	-	-	-	-	-	-
B. Off-balance-sheet exposures										
B.1 Non-performing exposures	-	-	-	-	-	-	-	-	-	-
B.2 Performing exposures	-	-	-	-	-	-	-	-	-	-
Total B	-	-	-	-	-	-	-	-	-	-
Total 12/31/2018 (A+B)	**71,155**	-	**2,372**	-	-	-	-	-	-	-
To	**49,449**	-	-	-	-	-	-	-	-	-

B.4 Large exposures

(€/000)

	12/31/2018	12/31/2017
a) Amount (carrying v alue)	213,621	231,577
b) Amount (weighted v alue)	148,499	157,278
c) Number of positions	15	13

C. Securitisations

Qualitative disclosures

On September 30, 2016, the assignment of the non-performing portfolio of the Parent company doBank to the securitisation vehicle Romeo SPV Srl ("Romeo") was finalised. Romeo was established pursuant to Law 130/1999. Subsequently, during the second quarter of 2017, the unsecured portion of the portfolio was transferred to the vehicle Mercuzio Securitisation S.r.l. ("Mercutio") and at the same time the issue of ABSs by both the SPVs was completed with a single tranche of securities.
doBank, as originator, has subscribed a nominal amount of notes equal to 5% of the total securities issued in order to comply with the provisions of the retention rule referred to in Regulation (EU) 575/2013 (the CRR).
In both operations, doBank plays the role of Servicer and Administrative Services Provider.

Information on securitisations
The tables below summarise the securitisations originated by the Bank whose securities were subsequently sold.

SECURITISATION NAME:	**ROMEO SPV**
Type of transaction:	Traditional - Self-securitization
Originator:	doBank S.p.A.
Issuer:	Romeo SPV S.r.l.
Servicer:	doBank S.p.A.
Arranger:	-
Target transaction:	Funding
Type of assets securitised:	ordinary loans - mortgages - funding
Quality of assets securitised:	Non-performing loans
Closing date:	9/30/2016
Date of transfer to Mercuzio Securitisation:	4/7/2017
Nominal value of reference portfolio:	1,305,684,292 €
Net amount of pre-existing writedowns/writebacks:	90,166,017 €
Disposal Profit & Loss realized:	0 €
Portfolio disposal price:	90,166,017 €
Issue guarantees granted by the bank:	-
Issue guarantees granted by third parties:	-
Bank lines of credit:	-
Third parties lines of credit:	-
Other credit enhancements:	None
Other relevant information:	None
Ratings Agencies:	No Rating Agency
Amount of CDS or other supersenior risk transferred:	-
Amount and conditions of tranching:	
. ISIN	IT0005248981
. Type of security	Single tranche
. Class	A
. Rating	n.d.
. Quatation	not listed
. Issue date	5/18/2017
. Legal maturity	4/27/2037
. Call option	none
. Expected duration	11 years
. Rate	16.25%
. Subordinated level	none
. Reference position	128,000,000 €
. Nominal value at end of financial year	50,839,515 €
. Security subscribers	Romeo S.C.S; doBank S.p.A.

SECURITISATION NAME:	MERCUZIO SECURITISATION
Type of transaction:	Traditional - Self-securitization
Originator:	Romeo SPV S.r.l.
Issuer:	Mercuzio Securitisation S.r.l.
Servicer:	doBank S.p.A.
Arranger:	-
Target transaction:	Funding
Type of assets securitised:	ordinary loans - mortgages - funding
Quality of assets securitised:	Non-performing loans
Closing date:	4/7/2017
Nominal value of reference portfolio:	1,871,733,955 €
Net amount of pre-existing writedowns/writebacks:	77,136,699 €
Disposal Profit & Loss realized:	-10,409,726 €
Portfolio disposal price:	66,726,973 €
Issue guarantees granted by the bank:	-
Issue guarantees granted by third parties:	-
Bank lines of credit:	-
Third parties lines of credit:	-
Other credit enhancements:	None
Other relevant information:	None
Ratings Agencies:	No Rating Agency
Amount of CDS or other supersenior risk transferred:	-
Amount and conditions of tranching:	
. ISIN	IT0005251126
. Type of security	Single tranche
. Class	A
. Rating	n.d.
. Quatation	not listed
. Issue date	5/30/2017
. Legal maturity	7/26/2037
. Call option	none
. Expected duration	10 years
. Rate	16.25%
. Subordinated level	none
. Reference position	40,000,000 €
. Nominal value at end of financial year	34,009,574 €
. Security subscribers	Fortress Italian NPL Opportunities Series Fund LLC - Series 7; doBank S.p.A.

Quantitative disclosures

C.1 Prudential consolidation - Exposures in respect of main own securitizations by type of securitized assets and type of exposure

(€/000)

	On-balance-sheet exposure						Financial guarantees issued						Credit lines					
	Senior		Mezzanine		Junior		Senior		Mezzanine		Junior		Senior		Mezzanine		Junior	
	Carrying amount	Write-downs/Write-backs	Carrying amount	Write-downs/Write-backs	Carrying amount	Write-downs/Write-backs	Carrying amount	Write-downs/Write-backs	Carrying amount	Write-downs/Write-backs	Carrying amount	Write-downs/Write-backs	Carrying amount	Write-downs/Write-backs	Carrying amount	Write-downs/Write-backs	Carrying amount	Write-downs/Write-backs
A. Fully derecognized																		
Non-performing assets																		
- A.1 Non-performing loans	-	-	-	-	5,240	(759)	-	-	-	-	-	-	-	-	-	-	-	-
Romeo SPV S.r.l.	-	-	-	-	3,351	(460)	-	-	-	-	-	-	-	-	-	-	-	-
Mercuzio Securitisation S.r.l.	-	-	-	-	1,889	(299)	-	-	-	-	-	-	-	-	-	-	-	-
B. Partially derecognized																		
Type of activity	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B. Not derecognized																		
Type of activity	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

C.3 Prudential consolidation - Involvement in special purpose securitization vehicles

(€/000)

	Registered office	Consolidation	Assets			Liabilities		
			Loans	Debt securities	Other	Senior	Mezzanine	Junior
Romeo SPV S.r.l.	Verona	NO	-	3,351	-	-	-	-
Mercuzio Securitisation S.r.l.	Verona	NO	-	1,889	-	-	-	-

C.4 Prudential consolidation - Involvement in unconsolidated special purpose securitization vehicles

(€/000)

	Amounts at 12/31/2018						
	Classification under assets	Total Assets (A)	Classification under liabilities	Total Liabilities (B)	Net carrying amount (C=A-B)	Maximum exposure to risk of loss (D)	Difference between exposures to risk of loss and carrying amount (E=D-C)
Vehicle company issuing ABS	Financial assets measured at fair v alue through profit or loss	5,240	-	-	5,240	5,240	-

C.5 Prudential consolidation - Servicer activities – own securitizations: collections on securitized assets and redemption of securities issued by the securitization vehicle

(€/000)

Servicer	Vehicle company	Securitised assets (year-end figure)		Loan collections during the year		% of securities redeemed (year-end figure)					
						Senior		Mezzanine		Junior	
		Non-performing	Performing	Non-performing	Performing	Non-performing	Performing	Non-performing	Performing	Non-performing	Performing
doBank S.p.A.	Romeo SPV S.r.l.	1,225,085	-	50,560	-	-	-	-	-	60%	-
doBank S.p.A.	Mercuzio Securitisation S.r.l.	1,741,162	-	7,746	-	-	-	-	-	15%	-

E. Prudential consolidation – models for measuring credit risk

The doBank Group uses the standardised approach, which involves the allocation of exposures to different portfolios depending on the nature of the counterparty or the technical characteristics or nature of the exposure and the application of different weights to each portfolio.
In this process, the doBank Group does not use ratings issued by recognised rating agencies.
With regard to the calculation of capital requirements and in particular the credit risk capital requirement, the reported amounts are given in the following table, indicating nominal and weighted values (in euros):

	12/31/2018	
	Exposure amount (€)	**Risk weighted exposure after application of the SMEs support factor (€)**
Exposures to central government or central banks	69,025,353	68,321,103
Exposures to non-profit and public-sector entities	273,961	75,317
Exposures to supervised entities	123,044,785	24,608,957
Exposures to corporates and other entities	59,649,426	62,693,871
Retail exposures	680,267	510,200
Exposures secured by real estate	1,120,727	397,846
Past-due exposures	268,333	351,310
Short -term exposures to corporates and other parties or authorities	-	-
Exposure to collective investment undertakings	31,019,871	46,269,259
Equity exposures	52,865	52,866
Other exposures	13,894,892	13,880,260
Credit risk - Standardized Approach	**299,030,480**	**217,160,989**

Note that the exposures measured using the standardised approach also include deferred tax assets, broken down as follows:

- those that are not based on future profitability and which meet the requirements of Art. 39 of Regulation 575/2013. As mentioned above, for these components, which amount to €55.4 million, the applicable regulations provide for the application of a 100% risk weighting;
- those that are based on future profitability and originate from temporary differences, and for which the weighting applied is 250%, as provided for by Art. 48 of Regulation 575/2013, as they are within the threshold of 10% of own funds, equal to €5.2 million.

1.2 MARKET RISKS

1.2.1 INTEREST RATE AND PRICE RISK -SUPERVISORY TRADING BOOK

Qualitative information

A. General aspects

Financial risks are represented by fluctuations in the value of positions as a result of changes in market prices/factors. The doBank Group does not hold exposures exposed to such risks. The Group does not engage in trading and does not hold trading books of shares or units in collective investment undertakings.

B. General aspects, management and measurement of interest rate risk and price risk

In view of the fact that the Group does not engage in trading and does not hold trading books of securities, it has therefore not implemented special management processes or advanced measurement methods for interest rate risk and price risk. Interest rate risk calculated using standard methods provided for in the applicable supervisory instructions of the Bank of Italy is monitored periodically.

Quantitative disclosures

Nothing to report.

1.2.2 INTEREST RATE AND PRICE RISK - BANKING BOOK

Qualitative disclosures

A. General aspects, management and measurement of interest rate risk and price risk

The particular nature of the doBank Group's balance sheet means that assessing the matching of repricing dates is not significant. This justifies the absence of specific process and methods for measuring interest rate risk.

Quantitative disclosures

1. Banking book: breakdown by residual maturity (re-pricing date) of financial assets and liabilities

(€/000)

	On demand	Up to 3 months	3 to 6 months	6 months to 1 year	1 to 5 years	5 to 10 years	More than 10 years	Unspecified term
1. Balance sheet assets	**74,973**	**857**	**3**	**1,017**	**117**	**103**	**5,359**	**-**
1.1 Debt securities	122	-	-	1,010	60	26	5,118	-
- with prepayment option	-	-	-	-	-	-	-	-
- other	122	-	-	1,010	60	26	5,118	-
1.2 Loans to banks	73,429	-	-	-	-	-	-	-
1.3 Loans to customers	1,422	857	3	7	57	77	241	-
- current accounts	395	-	-	-	-	-	-	-
- other loans	1,027	857	3	7	57	77	241	-
- with prepayment option	1	857	3	7	57	77	241	-
- other	1,026	-	-	-	-	-	-	-
2. Balance sheet liabilities	**98**	**32**	**32**	**65**	**67**	**-**	**-**	**-**
2.1 Due to customers	98	32	32	65	67	-	-	-
- current accounts	98	-	-	-	-	-	-	-
-Other liabilities	-	32	32	65	67	-	-	-
- with prepayment option	-	-	-	-	-	-	-	-
- other	-	32	32	65	67	-	-	-
2.2 Due to banks	-	-	-	-	-	-	-	-
- current accounts	-	-	-	-	-	-	-	-
-Other liabilities	-	-	-	-	-	-	-	-
2.3 Debt securities	-	-	-	-	-	-	-	-
- with prepayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2.4 Other liabilities	-	-	-	-	-	-	-	-
- with prepayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
3. Financial derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
3.1 With underlying security	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other deriv ativ es	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other deriv ativ es	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
4. Other off-balance-sheet items	**-**	**-**	**1,536**	**1,536**	**-**	**-**	**-**	**-**
+ Long positions	-	-	-	1,536	-	-	-	-
+ Short positions	-	-	1,536	-	-	-	-	-

In addition to government securities of €1.0 million, **Debt securities** include the residual value of the ABSs of the Romeo SPV and Mercuzio Securitisation transactions.
Other off-balance-sheet transactions report the amount still to be paid in respect of the subscription of 30 units of the Italian Recovery Fund closed-end alternative investment fund (formerly Atlante II).

1.2.3 EXCHANGE RATE RISK

doBank and its subsidiaries are not exposed to exchange rate risk as they do not hold assets or liabilities denominated in foreign currencies.

1.4 LIQUIDITY RISK

Qualitative disclosures

A. General aspects, management and measurement of liquidity risk

Liquidity risk is the risk that the bank might not be able to meet its obligations when they fall due owing to the inability to raise funds or the presence of limits on the sale of assets. Liquidity is the ability of a bank to finance the growth of its assets and to meet its payment obligations, without incurring unacceptable losses or costs.

Referring to internationally agreed definitions, there is a distinction between Funding Liquidity Risk and Market Liquidity Risk.

Funding Liquidity Risk is the risk that the bank will not be able to raise funds to meet expected and unexpected current and future cash outflows in an economically efficient manner, without jeopardising the day-to-day operations of the bank itself. .

Market Liquidity Risk is the risk that the bank will not be able to liquidate a financial asset without incurring capital losses due to an illiquid market or market disorder. The two forms of liquidity risk are often correlated and can manifest themselves upon the occurrence the same triggering factors.

Given the current operations of the Group, the processes for controlling and mitigating liquidity risk focus exclusively on Funding Liquidity Risk.

As part of its management and coordination activities, the Parent Company doBank is responsible for the adoption of a consolidated liquidity risk management system that complies with the regulatory principles of prudential supervision. In this context, responsibility for the strategic decisions on the governance and management of liquidity risk, the setting of the tolerance threshold for liquidity risk and verification of the overall reliability of the liquidity risk management system is assigned to the corporate bodies of the Parent Company. .

In consideration of its organisational structure, the doBank Group has adopted a unified approach and centralised the management of liquidity risk, with the Parent Company's Treasury unit managing Group liquidity and meeting the subsidiaries' requirements in accordance with internal procedures. The Risk Management department is responsible for monitoring the exposure to risk and verifying compliance with the specified limits.

The liquidity risk management framework comprises strategies and procedures for monitoring this risk and is aimed at ensuring that a sufficient amount of liquid instruments to meet the Group's commitments is always available in the short term, including in stress scenarios. In the long term it seeks to maintain an appropriate balance in the composition of the Group's assets and liabilities.

This framework is organised into the following main phases:

- identification of liquidity risk;
- monitoring of risk exposure even under stress conditions;
- definition of the response plan for crisis situations;
- reporting and information flows.

The Parent Company doBank identifies and monitors liquidity risk on a current and forward-looking basis. In particular, the prospective assessment takes account of probable developments in the cash flows connected with the Group's business.

For the purposes of this assessment, the Risk Management department performs a weekly survey of cash flows, preparing a maturity ladder (cumulative balances by maturity bucket), based on the reporting flows made available promptly by the Treasury unit. More specifically, all expected cash inflows and outflows are subdivided into time bands, including both reasonably certain flows and those estimated on forward-looking basis. Excesses/shortfalls are calculated for each time band, which are then summed to obtain the overall excess/shortfall for all the time bands.

This approach makes it possible to monitor the management of operating liquidity, in particular events that could impact the Group's liquidity position over a period of up to 12 months, with the primary objective of maintaining an ability to meet ordinary and extraordinary payment obligations, minimising costs. For time horizons beyond one year, monitoring is based on the NSFR indicator (Net Stable Funding Ratio) in order to verify the medium/long-term cash balance of the Group's structure.

In addition to the survey of expected cash flows, the doBank Group monitors the sustainability of short-term financial equilibrium with an early warning indicator system, which is consistent with the nature, objectives and operational complexity of the Group. It serves to identify any potential crisis situations, so as to allow organisational units to activate appropriate management measures in order to mitigate the risk as effectively as possible. One of the main instruments for mitigating liquidity risk is the holding of reserves of liquid assets. The liquidity buffer represents the amount of liquid assets held by the Group and readily usable under stress conditions and deemed appropriate in relation to the risk tolerance threshold specified.

At present, the Group’s liquidity reserve is essentially represented by a highly liquid government security held by the Parent Company doBank (a BOT), with a constant fair value constant over time, assuming the continuation of current and forecast macroeconomic conditions, amounting to approximately €1 million.

The Risk Management Function monitors the adequacy of the liquidity reserve by closely monitoring the expected volume of cash flows at different time horizons in order to ensure a minimum level of reserves sufficient to meet the Group's funding needs and/or the specified risk tolerance threshold.

The method for identifying and monitoring liquidity risk, in particular the maturity ladder, already incorporates stress scenario in the prudential values adopted. However, the Group remains exposed to the risk of extraordinary events associated with from information/procedural issues (for example the incorrect measurement or forecasting of cash flows), the failed settlement of a significant cash flow by a counterparty or a major liquidity outflow. The Risk Management department therefore conducts stress tests in order to assess the prospective quantitative and qualitative impact of adverse events on the risk exposure. The findings of the stress tests are used to verify the Group's ability to cope autonomously with unforeseen liquidity crises in the period in which they initially occur and before undertaking structural measures to modify the asset/liability structure and to ensure the consistency of warning and alert thresholds of the indicators used.

This process is formalised in the Liquidity Risk Policy, which was approved by the Parent Company's Board of Directors on October 17, 2017. The document sets out the principles, methods, rules and processes necessary to prevent the emergence of liquidity crisis situations and the rules to be adopted when such crises occur (contingency funding and recovery plan).

This system is integrated with the Group's overall risk management framework and is consistent with the Group's risk propensity as defined by the Risk Appetite Framework.

Quantitative disclosures

1. Distribution by residual contractual maturity of financial assets and liabilities

(€/000)

	On demand	1 to 7 days	7 to 15 days	15 days to 1 month	1 to 3 months	3 to 6 months	6 months to 1 year	1 to 5 years	More than 5 years	Unspecified term
Balance sheet assets	**74,818**	**-**	**-**	**7**	**20**	**20**	**1,115**	**503**	**34,909**	**-**
A.1 Government securities	-	-	-	-	-	-	999	-	-	-
A.2 Other debt securities	122.00	-	-	-	-	-	11	60	5,144	-
A.3 Units in collective investment undertakings	-	-	-	-	-	-	-	-	28,963	-
A.4 Loans	74,696	-	-	7	20	20	105	443	802	-
- Banks	73,429	-	-	-	-	-	-	-	-	-
- Customers	1,267	-	-	7	20	20	105	443	802	-
On balance sheet liabilities	**6,630**	**32**	**-**	**-**	**-**	**32**	**65**	**67**	**-**	**-**
B.1 Deposits and current accounts	6,532	-	-	-	-	-	-	-	-	-
- Banks	-	-	-	-	-	-	-	-	-	-
- Customers	6,532	-	-	-	-	-	-	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	98	32	-	-	-	32	65	67	-	-
Off balance sheet transactions	-	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
C.1 Financial derivatives with exchange of principal	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.2 Financial derivatives without exchange of principal	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.3 Deposits and loans to be received	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to disburse funds	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	1,536	-	-	-
- Short positions	-	-	-	-	-	1,536	-	-	-	-
C.5 Financial guarantees given	-	-	-	-	-	-	-	-	-	-
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-
C.7 Credit derivatives with exchange of principal	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.8 Credit derivatives without exchange of principal	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-

1.5 OPERATIONAL RISKS

Qualitative disclosures

A. General aspects, management and measurement of operational risk

Operational risk is the risk of incurring losses due to the inadequacy or the failure of procedures, human resources and internal systems, or to external events. This includes, among other things, losses from fraud, human error, the interruption of operations, system unavailability, contractual breaches and natural disasters. Operational risks includes legal risk, while strategic and reputational risks are not included.
The doBank Group pays close to the links between the various types of risk, identifying possible repercussions in terms of operational risks. In particular, full compliance with regulatory and contractual provisions is also relevant for the prevention and containment of operational risks.
In accordance with the recommendations of the Basel Committee on Banking Supervision ("Sound Practices for the Management and Supervision of Operational Risk"), the appropriate management of operational risk means: identification, assessment, monitoring and control/mitigation of risk.
In order to equip the Group with a comprehensive set of principles and rules to ensure appropriate management, the method adopted by the Group envisages:

- the identification and assessment of the operational risk inherent in every product, activity, process and system;
- the periodic monitoring of operational risk profiles and exposures to significant losses;
- specific strategies, policies, processes and procedures to control and/or mitigate significant operational risks.

With regard to organisational aspects, the doBank Group has defined the operational risk management system as the set of policies and procedures for the control, measurement and mitigation of operational risks. Operational risk policies are common principles that establish the role of corporate bodies, the risk control function and interactions with other units in the process.
The doBank Group has set up its own risk control structure in compliance with supervisory regulations and the related activities and levels of responsibility have been defined and formalised appropriately in the Company's internal rules and regulations.
The governance structure for operational risks envisages not only the direct involvement of senior management but also an Operational Risks Committee, which was set up to:

- propose action to address risks detected or reported by the Risk Management department or by other units;
- review the operational risk reports of other Group companies;
- propose control procedures and limits on operational risks;
- monitor risk mitigation actions.

The Operational Risks Committee established both at the Parent Company, doBank, and at the supervised subsidiary Italfondiario meets quarterly on the basis of a calendar set at the beginning of the year or at the request of one of the Committee members.
To control the operational risks of the doBank Group, activities are centralised with the Operational and Reputational Risks unit within the broader Risk Management department of the Parent Company.
Finally, with regard to IT risk, defined as the risk of incurring financial losses, reputational harm or loss of market share as a result of breaches of confidentiality, integrity, availability, execution of unauthorized transactions or the non-traceability of information, in accordance with the applicable supervisory provisions, the doBank Group adopts an integrated representation of business risks in which IT risk is considered as a component of operational risks.
Following the significant changes in the company as time has passed, in 2017 the Parent Company doBank decided it was appropriate to revise the method previously adopted for assessing and monitoring IT risks to ensure it was suitable for the new organisational context.
In 2018, a new framework for the ICT risk management process for the entire doBank Group was implemented and has been formalised in the document "IT Risk Management Policy",

approved by the Board of Directors of doBank on December 19, 2017. This document specifies the roles and responsibilities of the various units involved and the phases of the assessment process, with an indication of the data used and the activities necessary to determine the IT risk exposure and the associated business impacts.
As part of management and coordination activity, the Risk Management department of the Parent Company is responsible for analysing and monitoring IT risks for the subsidiaries.
The analysis process provides for the assessment of IT risk as a combination of the level of exposure of IT resources to certain risk scenarios and the impacts that the materialisation of such risks could have on the business. Potential IT risk, i.e. the risk to which the service is potentially exposed, and residual IT risk, i.e. the risk to which the service is exposed once the security measures have been applied, are identified in detail. Specific reports are produced as the output of the IT risk analysis process.
The framework adopted, in line with the provisions of Circular no. 285/2013 of the Bank of Italy as updated, provides for the risk analysis process to be performed with the frequency appropriate to the type of ICT resources and risks present and in response to situations that could change the overall level of IT risk (for example, transactions of greater importance, projects related to major changes, serious incidents).
In this regard, during the year IT risks were assessed and a corrective action plan was development to mitigate the risks that were found.

Quantitative disclosures

In order to manage operational risks, the doBank Group has implemented a structured set of processes, functions and resources dedicated to:

- the collection of internal loss data for the entities belonging to the Group;
- the determination and calculation of risk indicators for the Group's most significant entities, preparing corporate reporting;
- the control of capital at risk.

During 2018, the Parent Company doBank implemented a multi-company market IT tool to manage, in a single environment, risk process analysis and activities related to other control functions. In particular, for the purposes of the key activities of the Parent Company's Risk Management department, the application enables the registration in the same environment of operational losses and the identification of operational risks for all Group companies.

With regard to loss data, the Parent Company's Operational and Reputational Risks unit performs an annual analysis of the chart of accounts in order to identify and update a list of accounts that could potentially include operational losses. The analysis of movements on these accounts is conducted quarterly and leads to the determination of operational losses to be recorded in a specific database for each company of the Group.

The doBank Group classifies the events in the following categories, in accordance with the New Basel Capital Accord and Regulation (EU) no. 575/2013:

- Internal fraud;
- External fraud;
- Employment practices and workplace safety;
- Customers, products and business practices;
- Damage to physical assets;
- Business disruption and system failures;
- Execution, delivery and process management.

On a quarterly basis, a monitoring report is prepared for the corporate bodies – the Board of Directors and Board of Auditors - containing an analysis of operational losses and operational capital at risk.

Among the tools used by the doBank Group for the identification of operational risks, risk indicators are a forward-looking component that promptly reflects improvements or deteriorations in the risk profile as a result of changes in operating segments, in human resources, technological and organisational resources as well as in the internal control system.

Specific risk indicators have been created which are monitored on a monthly basis for doBank and for the main Group companies. These include:

- about 70 indicators grouped into different risk areas for the Parent Company doBank;
- about 24 indicators grouped into different risk areas for the doSolutions subsidiary;
- about 26 indicators for the Italfondiario subsidiary.

The data from the risk indicators are analysed on a monthly basis and compared with the previous month to justify any positive or negative changes in order to highlight any risks in corporate processes. Specific analysis reports are then produced for each company. A specific report is prepared on a quarterly basis for the Risks and Related Party Transactions Committee in addition to the Operational Risks Committee (with regard to critical thresholds).

For the Parent Company doBank, an action plan is prepared on at least a quarterly basis for indicators that do not fall within the range established by the Operational Risks Committee. For the subsidiaries, with particular regard to Italfondiario and doSolutions, indicators that exceed the tolerance thresholds are shared with the related process owners in order to understand the underlying phenomena and initiate any corrective activities.

Finally, the Parent Company doBank has set up a reporting system that ensures timely reporting on operational risks to the corporate bodies and to the managers of the organizational units involved. The frequency and content of reporting is consistent with the level of risk and varies depending on the recipient and the intended use of the information.

For the purpose of calculating the own funds requirement for operational risks, the Group uses the Basic Indicator Approach (BIA), in compliance with the relevant supervisory provisions. Under the Basic Indicator Approach, the own funds requirement for operational risks is equal to 15% of the three-year average of the relevant indicator as established in Article 316 of Regulation 575/2013 based on the last three annual observations at the end of the financial year.

At December 31, 2018, the own funds requirement for the doBank Group calculated using the BIA amounted to €30.5 million.

PART F - CONSOLIDATED SHAREHOLDERS’ EQUITY

SECTION 1 – CONSOLIDATED SHAREHOLDERS' EQUITY

A. QUALITATIVE DISCLOSURES

Group shareholders' equity consists of the sum of the balances of the following consolidated balance sheet items:

- Capital net of treasury shares;
- Share premiums;
- Reserves;
- Valuation reserves;
- Capital instruments;
- Result for the period.

The amount of capital is the result of policies and decisions aimed at ensuring that capital is consistent with the activities and risks to which the Group is exposed, in compliance with the prudential supervisory regulations and the risk propensity defined by the Risk Appetite Framework (RAF).

The RAF is the reference framework that identifies the Group's appetite for risk, setting ex ante the risk/return objectives that the Group intends to achieve and the consequent operating limits, taking account of the interconnections between the companies belonging to the Group, both in normal operating conditions and in possible adverse scenarios.

For regulatory purposes, the relevant balance sheet aggregate for this purpose is determined on the basis of the current instructions of the Bank of Italy as well as the "Basel III" framework contained in Directive (EU) 2013/36 (CRD IV) and in Regulation (EU) no. 575/2013 (CRR).

The monitoring of compliance with regulatory capital adequacy rules and minimum supervisory requirements, as well as the limits established by the RAF, is performed on a constant basis by the designated control units and periodically reported to the Board of Directors.

Further analysis and preventive verification of the Group's capital adequacy takes place in the assessment of "transactions of greater importance", i.e. transactions whose individual size, type or complexity could have a significant impact on the Group's operations and its financial stability, in terms of the prospective value of assets and potential losses.

Consolidated shareholders' equity at December 31, 2018 amounted to €232.8 million, compared with €206.7 million at December 31, 2017.

Transactions in treasury shares
As of December 31, 2018, doBank held 1,554,353 treasury shares worth €246 thousand, equal to their par value.
The number of treasury shares held decreased by 195,647 compared with the end of 2017, reflecting share-based payments made in execution of the 2017 remuneration policy for the IPO and MBO Bonus.

B. QUANTITATIVE DISCLOSURES

B.1 Consolidated shareholders' equity: breakdown by type of entity

(€/000)

	Prudential consolidation	Insurance companies	Other companies	Consolidation adjustments and eliminations	Total
1. Share Capital	**61,600**	**-**	**15,000**	**(35,320)**	**41,280**
2. Share premium reserve	**-**	**-**	**-**	**-**	**-**
3. Reserves	**135,193**	**-**	**-**	**5,131**	**140,324**
4. Equity instruments	**-**	**-**	-	-	**-**
5. (Treasury shares)	**(246)**	**-**	-	-	**(246)**
6. Valuation reserves	**(395)**	**-**	**-**	**986**	**591**
- Equity instruments designated as at fair value through comprehensive income	-	-	-	-	-
- Hedge of equity instruments designated as at fair value through comprehensive income	-	-	-	-	-
- Financial assets (other than equity instruments) measured at fair value through comprehensive income	2	-	-	-	2
- Property, plant and equipment	-	-	-	-	-
- Intangible assets	-	-	-	-	-
- Hedges of investments in foreign operations	-	-	-	-	-
- Cash flow hedge	-	-	-	-	-
- Hedging instruments [elements non designated]	-	-	-	-	-
- Exchange differences	-	-	-	-	-
- Non-current assets and disposal groups held for sale	-	-	-	-	-
- Financial liabilities measured at fair value through profit or loss (changes of own credit standing)	-	-	-	-	-
- Actuarial gains (losses) on defined-benefit plans	**(826)**	-	-	**986**	**160**
- Valuation reserves from investments accounted for using the equity method	-	-	-	-	-
- Special revaluation laws	**429**	-	-	-	**429**
7. Profit (loss) for the period - shareholders of parent company and non-controlling interests	**62,299**	**-**	**-**	**(11,459)**	**50,840**
Total	258,451	-	15,000	(40,662)	232,789

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

(€/000)

	Prudential consolidation		Insurance companies		Other companies		Elimination and consolidation adjustments		Total 12/31/2018	
	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve
1 Debt securities	-	-	-	-	-	-	2	-	2	-
2 Equity securities	-	-	-	-	-	-	-	-	-	-
3 Loans	-	-	-	-	-	-	-	-	-	-
Total 12/31/2018	-	-	-	-	-	-	**2**	-	**2**	-
Total 12/31/2017	**1,179**	**(54)**	-	-	-	-	-	-	**1,179**	**(54)**

B.3 Valuation reserves from financial assets measured at fair value through other comprehensive income: annual change

(€/000)

	Debt securities	Equity securities	Loans
1. Opening balances	**-**	-	-
2. Increases	**2**	**-**	**-**
2.1 Increases in fair value	2	-	-
2.2 Write-downs for credit risk	-	X	-
2.3 Reversal to income statement of negative reserves for disposal	-	X	-
2.4 Transfer to other shareholders' equity items (equity instruments)	-	-	-
2.5 Other changes	-	-	-
3. Decreases	**-**	**-**	**-**
3.1 Decreases in fair value	-	-	-
3.2 Write-backs for credit risk	-	-	-
3.3 Reversal to income statement of positive reserves: from sale	-	X	-
3.4 Transfer to other shareholders' equity items (equity instruments)	-	-	-
3.5 Other changes	-	-	-
4. Closing balances	**2**	-	-

B.4 Valuation reserves for defined benefit schemes: annual change

(€/000)

	Prudential consolidation	Insurance Companies	Other Companies	Eliminations and consolidation adjustments	Total 12/31/2018
1. Opening balance	**(1,189)**	-	-	**986**	**(203)**
2. Increases	**378**	-	-	-	**378**
2.1 Actuarial profits	**378**	-	-	-	**378**
2.2 Other changes	-	-	-	-	-
3. Decreases	**(15)**	-	-	-	**(15)**
3.1 Actuarial losses	**(13)**	-	-	-	**(13)**
3.2 Other changes	**(2)**	-	-	-	**(2)**
4. Closing balance	**(826)**	-	-	**986**	**160**

SECTION 2 – OWN FUNDS AND CAPITAL RATIOS

Please see the disclosures on own funds and capital adequacy in the "Third Pillar" disclosures to the public provided at the consolidate level with data as at December 31, 2018.
The document is available in the "Investor Relations / Financial reports and presentations" of the corporate website www.dobank.com.

PART G – BUSINESS COMBINATIONS

SECTION 1 – BUSINESS COMBINATIONS COMPLETED IN THE PERIOD

This section provides detailed information on business combinations involving companies or business units undertaken with counterparties outside the Group, which are accounted for using the purchase method as provided for under IFRS 3 "Business combinations".

Business combinations involving companies or business units already controlled directly or indirectly by doBank as part of the Group's internal reorganisations are also reported here. These transactions, which do not have economic substance, are accounted for in the financial statements of the seller and the buyer on a predecessor value basis.

External business combinations

In 2018, no business combinations were completed with companies outside the Group. However, as already indicated in the Report on Group Operations, on December 31, 2018 doBank reached an agreement with Altamira Asset Management Holdings, S.l. for the acquisition of 85% of Altamira Asset Management S.A. a leader in southern Europe in the loan and real estate asset management market, with assets under management of about €55 billion and a presence in the Spanish, Cypriot, Portuguese and Greek markets. The stake involved in the transaction can be increased to 100% if Banco Santander S.A., which holds the remaining 15% of the capital of Altamira, exercises the co-sale right provided for in the agreements. Altamira is expected to achieve revenues of some €255 million in 2018 and an EBITDA of around €95 million.
The completion of the transaction is subject to normal market conditions and it is expected to close by May 2019, following the completion of the corporate reorganisation of doBank, as a result of which doBank will cease to be a banking group.
The transaction is expected to be financed with the cash available to doBank and with the use of a 5-year bank credit line of up to €450 million granted by a pool of domestic and international banks, to be used both for the acquisition of Altamira and the refinancing of Altamira's existing debt.
The credit line will accrue interest of 6-month Euribor, plus an initial spread of 250 bps linked to consolidated leverage. Considering the entire share capital of Altamira, the consolidated leverage ratio of doBank – the ratio of net debt to EBITDA - is expected to remain below 3x following the transaction and then fall rapidly as a result of the expected high cash generation.

Internal business combinations

During 2018 a number of business combination transactions were carried out within the Group involving the sale or acquisition of units with companies under common control (business combinations under common control) in line with the strategic direction of the Group in context of the corporate reorganization announced on June 19, 2018, which among other things is intended to make the Group structure more consistent with the doBank business mix. These transactions, which closed December 24, 2018, have no economic substance and are accounted for in the financial statements of the seller and the buyer on a predecessor value basis. They are shown below:

• the merger of the subsidiary doRealEstate S.p.A. into doBank S.p.A. (effective from January 1, 2018);

• the partial demerger of Italfondiario S.p.A. assets, representing the special servicer operations incorporating the entire loan portfolio managed by Italfondiario, to doBank (effective from January 1, 2019);

• the contribution to Italfondiario S.p.A. of the doBank unit responsible for master servicing activities and providing support to securitisation vehicles in cash management and corporate servicer activities (effective from January 1, 2019).

SECTION 2 – BUSINESS COMBINATIONS COMPLETED AFTER THE END OF PERIOD

External business combinations

The doBank Group did not carry out business combinations between the end of the year and the preparation of these consolidated financial statements.
As reported above, it is expected that the acquisition of control of Altamira Asset Management S.A. will be completed by the end of the second quarter of 2019.

Internal business combinations

As reported above, the partial demerger and contribution of assets between Italfondiario S.p.A. and doBank S.p.A. took effect after the close of the year.

SECTION 3 – RETROSPECTIVE ADJUSTMENTS

In 2018, no retrospective adjustments were made to business combinations carried in previous years.

PART H -RELATED-PARTY TRANSACTIONS

INTRODUCTION

The provisions of IAS 24 apply for the purposes of disclosures on related parties. That standard defines the concept of related party and identifies the relationship between related parties and the entity preparing the financial statements.

Pursuant to IAS 24, significant related parties for the doBank Group include:

- the Parent Company;
- associates, joint ventures and their subsidiaries;
- key management personnel;
- close family members of key management personnel and companies controlled, including jointly, by key management personnel or their close family.

For the purposes of managing transactions with related parties, reference is made to the Bank of Italy instructions in Circular no. 263/2006 (Title V, Chapter 5) as well as the provisions of Art. 136 of Legislative Decree 385/1993, under which company officers may assume obligations in respect of the bank that they administer, manage or control only under an unanimous decision of the bank's administrative body.
In compliance with the above regulations and with Consob Resolution no. 17221 of March 12, 2010, doBank has adopted the "doBank Group procedure for the management of transactions with connected persons and related parties and transactions conducted in situations of conflict of interest", published on the corporate website of doBank (www.dobank.com), which defines the principles and rules for managing the risk associated with situations of possible conflict of interest engendered by the proximity of certain parties to decision-making centres.
To manage transactions with related parties, doBank has established a Risks and Related Party Transactions Committee – composed of three independent directors and a non-executive director – which is charged with the task of issuing reasoned opinions reasoned opinions to the Board of Directors regarding transactions with related parties in the cases governed by the procedure.

1. Information on remuneration of key management personnel

The following table provides information on the remuneration of key management personnel in 2018. The definition of key management personnel under IAS 24, includes those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly. This category includes the members of the Board of Directors, including the Chief Executive Officer and the Statutory Auditors of the Parent Company and all the subsidiaries, as well as the other key management personnel designated as "Relevant Personnel" pursuant to Bank of Italy Circular no. 285.

(€/000)

	12/31/2018
Short term benefits	5,038
Post-employment benefits	204
Other long term benefits	-
Sev erance indemnity	670
Share-based payments	6,947
Total	**12,859**

2. Related-party transactions

The following reports information on transactions with related parties pursuant to IAS 24.

During the period, low-value transactions with related parties of an ordinary nature and lesser importance were carried out, mainly attributable to contracts for the provision of services.
All transactions with related parties carried out in 2018 were concluded in the interest of the Group and on market or standard conditions.

The following table shows the assets, liabilities and guarantees and commitments outstanding at December 31, 2018, with separate indication for the various types of related parties pursuant to IAS 24.

(€/000)

	12/31/2018						
	Parent Company	Unconsolidated subsidiaries	Associates	Joint ventures	Key management personnel	Other related parties	Total
Financial assets	-	-	-	-	-	-	-
Other assets	-	82	-	-	-	2,171	2,253
Total assets	-	**82**	-	-	-	**2,171**	**2,253**
Other liabilities	-	-	-	-	-	2	2
Total Liabilities	-	-	-	-	-	**2**	**2**

(€/000)

	12/31/2018						
	Parent Company	Unconsolidated Subsidiaries	Associates	Joint Ventures	Key management personnel	Other related parties	Total
Fee and commission income /(expense)	-	-	-	-	-	134	134
Other income /(expense)	-	-	-	-	-	(946)	(946)
Total	-	-	-	-	-	**(812)**	**(812)**

With 50.1% of the shares, the **ultimate parent company** is Avio S.à r.l., a company incorporated under Luxembourg law that is jointly owned by the Fortress Group (since December 2017 acquired by Softbank Group Corp.) and Eurocastle Investment. After the listing on the Milan Stock Exchange and the grant of shares in accordance with remuneration policy, 48.0% of the shares were placed on the market and the remaining 1.9% consists of 1,554,353 treasury shares, measured at cost, for a total of €246 thousand held by the Parent Company.
The majority shareholder does not exercise any management or coordination powers over doBank pursuant to Art. 2497 et seq. of the Civil Code

The main relationships with **other related parties** regard:

- FIG LLC: for due diligence receivables of €1.2 million included under other assets;
- Torre SGR S.p.A.: the company rents the Group of a number of properties for one of the main local offices in Rome for a fee of €2.8 million at December 31, 2018, which is included under other expense; doBank also sublets a number of rooms to the company, generating income of €260 thousand;
- Real estate owned companies: doBank provides real estate management services for a number of REOCOs, generating fee and commission income of €131 thousand.

PART I – SHARE-BASED PAYMENTS

QUALITATIVE DISCLOSURES

1. Description of payment agreements based on own equity instruments

At its meeting of April 19, 2018, the Shareholders' Meeting approved the remuneration and incentive policies of the doBank Group, which include remuneration systems that in some cases provide for the use of the Group's own financial instruments.
More specifically, the following types of remuneration are envisaged:

- part of the fixed remuneration and the entire variable portion of remuneration based on the annual Management by Objectives (MBO) incentive system for the Chief Executive Officer is paid in shares;
- part of the variable remuneration, connected with the MBO system for key management personnel (selected from among Relevant Personnel) and select managers (with responsibility for ongoing development and planning initiatives), is paid in shares. This is subject to the achievement of over-performance with respect to the targets of the MBO system, with the consequent payment of a variable component of remuneration up to a limit of 200% of fixed remuneration.

Part of the variable component of remuneration indicated above is paid up front and part on a deferred basis. The up-front portion is paid after approval by the Shareholders' Meeting of the financial statements for the accrual period for the incentive (by the end of July).
The deferred variable portion is subject to a deferral ranging from 3 to 5 years depending on the beneficiary.

In order to ensure long-term financial stability, liquidity and the ability to generate risk-adjusted profits, in line with the Group's long-term strategic objectives, the deferred incentive is paid on condition that the gates relating to financial soundness and liquidity are achieved, measured with reference to the year prior to their vesting (vesting period).
Shares awarded up front are subject to a two-year retention period, while for the deferred portions is subject to a 1-year retention requirement, which runs from the moment they vest.

The Group uses treasury shares for the remuneration described above.
The reference price for the calculation of the number of shares to be awarded as the equivalent value of variable remuneration is determined using the average stock price in the 3 months prior to the grant date. For the remuneration in shares of the Chief Executive Officer, the reference price is the average stock price in the 30 days prior to the grant date

In order to reflect performance levels and risk actually assumed, as well as take account of individual conduct, the Group has established ex-post correction mechanisms (malus and claw-back) defined in accordance with the provisions of the relevant national collective bargaining agreements, where applicable, or any individual contracts/engagements.

For more details on the methods and terms for the award of shares, please see the documentation published on the website of the doBank Group www.dobank.com ("Governance/Remuneration" section).

QUANTITATIVE DISCLOSURES

1. Annual changes

The table on annual changes has not been prepared since the Group's share-based payment agreements do not meet the requirements established for that table.

2. Other Information

The estimated total cost of the above remuneration in 2018, providing for share-based payments, is equal to €7.4 million and is deferred over the entire vesting period provided for in the associated remuneration policies. The charge in profit or loss for the year amounted to €5.8 million (of which €1.5 million for the 2017 Plan and €4.3 million for the 2018 Plan) and is reflected in a specific equity reserve.

PART L – SEGMENT REPORTING

In 2018, the doBank Group operated in a single business sector, namely the management of non-performing loans.
From the point of view of the geographical scope of operations, during the year the Group conducted most of its activity in Italy as the servicing operations of the new doBank Hellas branch in Greece will have an impact as from 2019.
Please see the Report on Operations for more information on the results and disclosures on the doBank Group's various areas of operation.

ANNEX 1 – TABLE OF FEES FOR THE YEAR FOR SERVICES PROVIDED BY THE AUDITING FIRM AND BY ENTITIES BELONGING TO THE AUDITING FIRM NETWORK EY S.P.A.

(€)

Type of services (amounts in euros and excluding expenses)	Ernst & Young S.p.A.		Ria Grant Thornton
	doBank S.p.A.	Subsidiaries (*)	doBank S.p.A.
Statutory audit of the financial statements	105,383	105,514	-
Other services	18,621	-	-
Reviews for tax returns	3,581	-	-
Non-Financial Statement	-		9,850
Total	**127,585**	**105,514**	**9,850**

(*) companies of the banking group and other fully consolidated companies

ANNEX 2 – COUNTRY-BY-COUNTRY REPORTING

In relation to the obligations established by Circular no. 285 "Supervisory provisions for banks" of December 17, 2013, as updated, on country-by-country reporting introduced with Art. 89 of Directive 2013/36/EU ("CRD IV"), the following chart reports the information indicated under letters a), b), c), d), e), and f) of Annex A of Part One, Title III, Chapter 2, with reference to the situation as at December 31, 2018.

a) Name of company and nature of activity
Name: doBank Group - Parent Company: doBank S.p.A. Activity: The doBank Group, which is specialised in the management of non-performing loans, operates throughout Italy and provides services that can be summarised in the concepts of "Servicing, Lending, Solutions". Servicing: this consists in the management, for the purposes of recovery, of non-performing receivables on behalf of third parties or in the restoration of receivables with late payments to performing status. The service is performed for a broad range of customers, mainly located in Italy and consisting of banks, commercial and industrial companies, courts for the liquidation of assets in bankruptcy, loan-guarantee consortia, financial and insurance companies, lease companies, factoring companies and SPVs involved in securitisations. To ensure the maximum efficiency of recovery without compromising relations with the counterparty, the processes activated by doBank are oriented towards reaching of out-of-court agreements with debtors. Lending: customers are offered specialised banking services such as current accounts for professionals for the online payment of court expenses, or current accounts for court offices, delegated agents and other operators authorised to manage amounts deriving from civil and criminal court proceedings or from asset custody activities and compulsory sales. In order to expand participation in foreclosure auctions, doBank also offers products such as "foreclosure auction mortgage loans" that enable customers to purchase a property at auction without drawing down their available liquidity. Solutions: the doBank Group performs a range of services and advisory activities through its business information companies and develops effective solutions for the recovery of receivables through the sale of the properties securing those loans.
b) Turnover[8]
€189,298,435
c) Number of employees on a full time equivalent basis[9]
1,030
d) Profit or loss before tax[10]
€78,289,383
e) Tax on profit or loss[11]
€-27,448,983
f) Public subsidies received[12]
€1,064,609

[8] Expressed as the value of gross income reported under item 120 of the consolidated income statement at December 31, 2018.
[9] The "number of employees on a full time equivalent basis" is calculated as the ratio between the total number of hours worked by all employees (excluding overtime) and the total number of hours worked by a full-time employee.
[10] "Profit or loss before tax" is the sum of items 290 and 320 (the latter before tax) of the consolidated income statement referred to in Circular no. 262.
[11] "Tax on profit or loss" is the sum of the taxes reported under item 300 of the consolidated income statement referred to in Circular no. 262 and the income taxes pertaining to disposal groups held for sale.
[12] "Public subsidies received" reports subsidies received directly from government departments. The item does not include operations carried out by central banks for the purpose of ensuring financial stability or operations to facilitate the transmission of monetary policy impulses. Similarly, they do not include operations qualifying as State aid transactions approved by the European Commission.

ANNEX 3 – GOVERNMENT GRANTS PURSUANT TO LAW124/2017

In 2018, the doBank Group received the following government grants subject to the Article 1, paragraphs 125-129, of Law 124/2017, providing for mandatory disclosure as from 2018:

(€)

Type of grant	Amount		
	doBank S.p.A. (1)	Italfondiario S.p.A.	doSolutions S.p.A.
Employment Fund	45,839	147,000	-
Training grants - Banks Fund	-	31,826	-
Contribution relief for work-life balance	117,762	74,883	36,127
Contribution relief for new permanent hiring or conversion to permanent contracts (Law 190/2014)	97,570	455,158	58,444
Total	**261,171**	**708,867**	**94,571**

(1) The amounts include the grant received by doRealEstate S.p.A. in 2018 (€ 54,806)

CERTIFICATIONS AND REPORTS ON THE CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Financial Statements Certification pursuant to art.81-ter of Consob Regulation No.11971/99, as amended

1. The undersigned

- Sig. Andrea Mangoni, in his capacity as Chief Executive Officer (CEO);
- Sig. Goatin Mauro, as the Manager Charged with preparing the financial reports of doBank S.pA., of also in compliance with Art.154-bis, (paragraphs 3 and 4) of Italian Legislative Decree No.58 of 24 February 1998, do hereby certify:
  - the adequacy in relation to the Legal Entity's features and
  - the actual application of the administrative and accounting procedures employed to draw up the 2018 Consolidated Financial Statements.

2. The adequacy of administrative and accounting procedures employed to draw up the 2018 Consolidated Financial Statements has been evaluated by applying a model developed by doBank SpA, in accordance with "Internal Control - Integrated Framework (CoSO)" and with the "Control Objective" for IT and Related Technologies (Cobit) ", which represent reference standards for the internal control system and for financial reporting, generally accepted internationally.

3. The undersigned also certify that:

   3.1. the 2018 Consolidated Financial Statements:

   a) were prepared in compliance with applicable international accounting standards recognised by the European Community pursuant to European Parliament and Council Regulation No.1606/2002 of 19 July 2002;

   b) correspond to the results of the accounting books and records;

   c) are suitable to provide a fair and correct representation of the economic and financial situation of the issuer and of the group of companies included in the scope of consolidation;

   3.2. the Report on Operations includes a reliable analysis of the operating trend and results, as well as of the situation of the issuer and of the Legal Entities included in the scope of consolidation, together with a description of the main risks and uncertainties they are exposed to.

Rome, March 12, 2019

Andrea Mangoni

Chief Executive Officer

Mauro Goatin

Financial Reporting Officer

doBank S.p.A.

Consolidated financial statements as at December 31, 2018

Independent auditor's report in accordance with article 14 of Legislative Decree n. 39, dated 27 January 2010, and article 10 of EU Regulation n. 537/2014

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Independent auditor's report in accordance with article 14 of Legislative Decree n. 39, dated 27 January 2010 and article 10 of EU Regulation n. 537/2014
(Translation from the original Italian text)

To the Shareholders of
doBank S.p.A.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of doBank Group ("the Group"), which comprise the statement of financial position as at December 31, 2018, and the income statement, the statement of comprehensive income, the statement of changes in equity and the cash flows statement for the year then ended, and the notes to the consolidated financial statements.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the doBank Group as at December 31, 2018, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with the regulations issued for implementing article 9 of Legislative Decree n. 38/2005 and article 43 of Legislative Decree n. 136/2015.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.
We are independent of doBank S.p.A. in accordance with the regulations and standards on ethics and independence applicable to audits of financial statements under Italian Laws. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We identified the following key audit matter:

Key Audit Matter	Audit Response
Estimate of the of the accruing portion of the revenues related to servicing contracts and connected contractual obligations The Group operates in the management and recovery of loans, mainly non-performing, under mandate of banks and financial institutions, and the related revenues are recorded on an accruals basis, through the use of IT and management information procedures and complex reporting processes on the activity carried out, considering the different contractual specificities of each mandate. These revenues, recorded under item 40. Commission income of the consolidated income statement, for approximately 62% of the total amount are related to credit management and recovery services and for the remainder to the servicing activity for securitization transactions. The aforesaid contracts also provide for detailed rights and duties clauses for the Group in relationships with its counterparties, which may also generate contingent liabilities from any failure to meet contractual obligations. At year-end, the Directors determine part of these revenues with a complex procedure for estimating the amounts accrued over the period, considering the detailed contractual provisions, the trend of actual recoveries, as well as any contractual indemnities to be recognized in relation to particular events or specific circumstances. At the financial year-end, the portion of servicing revenues without a clear acceptance by the counterparty amounted to 46% of the total amount of invoices to be issued and to 18% of item 40. Commission income of the consolidated income statement. For these reasons, the estimate of the revenues related to servicing contracts and the connected contractual obligations has been considered a key audit matter.	Our audit procedures in response to the key aspect have included, among other things: • an understanding of the process for recognizing commission income and charges from contractual provisions and of the related key controls, as well as the testing of these controls; • the verification of the appropriateness of the methodology and the reasonableness of the valuation assumptions used, as well as the performance of compliance procedures on key controls; • the execution of substantive procedures concerning the actual application of the estimation methodology and the related assumptions in determining the commission income, both fixed and variable; • the comparison of estimates related to the previous year with the those subsequently reported and the analysis of the deviations in order to support the reliability of the estimation process; • execution of compliance tests of a sample of transactions on the billing process; • we assessed the adequacy of the disclosures provided in the explanatory notes.

The disclosure relating to the commission income from credit management and recovery and the methods adopted to their estimation is included in Parts A - Accounting policies, B - Information on the consolidated balance sheet and C - Information on the consolidated income statement of the notes to the consolidated financial statements.	

Responsibilities of Directors and Board of Statutory Auditors for the Consolidated Financial Statements

The Directors are responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with the regulations issued for implementing article 9 of Legislative Decree n. 38/2005 and article 43 of Legislative Decree n. 136/2015, and, within the terms provided by the law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Directors are responsible for assessing doBank Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Statutory Auditors ("Collegio Sindacale") is responsible, within the terms provided by the law, for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we have exercised professional judgment and maintained professional skepticism throughout the audit. In addition:

- we have identified and assessed the risks of material misstatement of the consolidated financial statements, whether due to fraud or error; have designed and performed audit procedures responsive to those risks, and obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- we have obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the doBank Group's internal control;

- we have evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;
- we have concluded on the appropriateness of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the doBank Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the doBank Group to cease to continue as a going concern;
- we have evaluated the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- we have obtained sufficient appropriate audit evidence regarding the financial information of the entities or the business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We have communicated with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We have provided those charged with governance with a statement that we have complied with the ethical and independence requirements applicable in Italy, and we have communicated with them all matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we have determined those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We have described these matters in our auditor's report.

Additional information pursuant to article 10 of EU Regulation n. 537/14

The shareholders of doBank S.p.A., in the general meeting held on June 17, 2016, engaged us to perform the audits of the separate and consolidated financial statements of each years ending December 31, 2016 to December 31, 2024.

We declare that we have not provided prohibited non-audit services, referred to article 5, par. 1, of EU Regulation n. 537/2014, and that we have remained independent of doBank S.p.A. in conducting the audit.

We confirm that the opinion on the consolidated financial statements included in this report is consistent with the content of the additional report to the Board of Statutory Auditors ("Collegio Sindacale") in their capacity as audit committee, prepared in accordance with article 11 of the EU Regulation n. 537/2014.

Report on compliance with other legal and regulatory requirements

Opinion pursuant to article 14, paragraph 2, subparagraph e), of Legislative Decree n. 39 dated 27 January 2010 and of article 123-bis, paragraph 4, of Legislative Decree n. 58, dated 24 February 1998

The Directors of doBank S.p.A. are responsible for the preparation of the Report on Operation and of the Report on Corporate Governance and Ownership Structure of doBank Group as at December 31, 2018, including their consistency with the related consolidated financial statements and their compliance with the applicable laws and regulations.

We have performed the procedures required under audit standard SA Italia n. 720B, in order to express an opinion on the consistency of the Report on Operations and of specific information included in the Report on Corporate Governance and Ownership Structure as provided for by article 123-bis, paragraph 4, of Legislative Decree n. 58, dated 24 February 1998, with the consolidated financial statements of doBank Group as at December 31, 2018 and on their compliance with the applicable laws and regulations, and in order to assess whether they contain material misstatements.

In our opinion, the Report on Operation and the above mentioned specific information included in the Report on Corporate Governance and Ownership Structure are consistent with the consolidated financial statements of doBank Group as at December 31, 2018 and comply with the applicable laws and regulations.

With reference to the statement required by article 14, paragraph 2, subparagraph e), of Legislative Decree n. 39, dated 27 January 2010, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have no matters to report.

Statement pursuant to article 4 of Consob Regulation implementing Legislative Decree n. 254, dated 30 December 2016

The Directors of doBank S.p.A. are responsible for the preparation of the non-financial information pursuant to Legislative Decree n. 254, dated 30 December 2016. We have verified that non-financial information have been approved by the Directors.

Pursuant to article 3, paragraph 10, of Legislative Decree n. 254, dated 30 December 2016, such non-financial information are subject to a separate compliance report signed by other auditor.

Verona – March 25, 2019

EY S.p.A.
Signed by: Marco Bozzola, Partner

This report has been translated into the English language solely for the convenience of international readers.