

# Consolidated first half financial report as at **June 30, 2020**



FINECO. SIMPLIFYING BANKING.





FinecoBank S.p.A.  
Consolidated First Half  
Financial Reports  
as at 30 June 2020



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## Board of Directors

Marco Mangiagalli	Chairman
Francesco Saita	Vice Chairman
Alessandro Foti	Chief Executive Officer and General Manager
Andrea Zappia	Directors
Elena Biffi	
Giancarla Branda	
Gianmarco Montanari	
Maria Alessandra Zunino De Pignier	
Marin Gueorguiev	
Paola Giannotti De Ponti	
Patrizia Albano	

## Board of Statutory Auditors

Elena Spagnol	Chairman
Chiara Orlandini	Standing Auditors
Massimo Gatto	
Giacomo Ramenghi	Alternate Auditors
Luisa Marina Pasotti	

Deloitte & Touche S.p.A. External Auditors

Lorena Pellicieri Nominated Official in charge of drawing up  
Company Accounts

The Ordinary Shareholders' Meeting of FinecoBank of April 28, 2020 appointed the members of the new Board of Directors and the of members of the Board of Statutory Auditors, which will remain in office until the approval of the financial statements for the year ended December 31, 2022.

### Registered office

Piazza Durante 11, 20131 Milan, Italy

"FinecoBank Banca Fineco S.p.A."

in abbreviated form "FinecoBank S.p.A.", or "Banca Fineco S.p.A." or "Fineco Banca S.p.A."

Bank enrolled in the Register of Banks and Parent Company of the FinecoBank Banking Group – enrolled in the Register of Banking Groups at No. 3015, Member of the National Guarantee Fund and National Interbank Deposit Guarantee Fund.

Tax Code and Milan Companies Register no. 01392970404 – R.E.A. (Economic and Administrative Index) no. 1598155, VAT No. 12962340159





# Introduction to the Consolidated First Half Financial Report

This Consolidated first half financial report as at June 30, 2020 of FinecoBank Group (hereinafter Group) has been prepared in accordance with Article 154-ter, paragraph 2 of Legislative Decree No.58 of February 24, 1998.

In implementation of Legislative Decree no. 38 of February 28, 2005, this **Consolidated Interim Financial Statements**, which have been prepared in accordance with the IAS/IFRS issued by the International Accounting Standards Board (IASB), including the SIC and IFRIC interpretation documents, as endorsed by the European Commission, pursuant to EU Regulation 1606/2002 of July 19, 2002, implemented in Italy by Legislative Decree 28 February 2005 n. 38, and applicable to financial reports for the periods starting on January 1, 2020; in particular, it complies with the international accounting standard applicable for interim financial reporting (IAS 34). Based on paragraph 10 of this standard, FinecoBank Banca Fineco S.p.A. (hereinafter FinecoBank or Fineco or Banca or Parent Company) availed itself of the option to draw up the half-year consolidated financial statements in the abbreviated version. It includes:

- the **Consolidated Accounts of the Condensed Interim Financial Statements** comprise the Consolidated Balance Sheet, the Consolidated Income Statement, the Statement of Consolidated Comprehensive Income, the Statement of Changes in Consolidated Shareholders' Equity, the Consolidated Cash Flow Statement, presented with a comparison to the corresponding financial statements of 2019. As envisaged by IAS 34, the balance sheet figures have been compared with those as at December 31, 2019, while the income statement, statement of comprehensive income, statement of changes in shareholders' equity and cash flow statement have been compared with the corresponding figures for the first half of the previous year reported in the Consolidated first half financial report as at June 30, 2019;
- the **Notes to the accounts**, which in addition to the detailed information required by IAS 34, reported using the same tables as in the annual financial statements, the additional information required by Consob, ESMA public statements and those that are deemed useful to provide a true representation of the company situation;

and is accompanied by:

- the **Consolidated Interim Report on Operations**, which includes the condensed accounts, the main results of the various business areas, and comments on the results for the half-year and on significant events, as well as the additional information required by Consob;
- the **Certification of the Consolidated condensed half-year financial statements pursuant to Article 81-ter of Consob Regulation no. 11971 of May 14, 1999 and subsequent amendments.**

Any lack of correspondence between the figures shown in the Consolidated Interim Report on Operations and the Consolidated Interim Financial Statements is solely due to roundings.

It should be noted that the Consolidated Accounts of the Condensed Interim Financial Statements as at June 30, 2020 were prepared by referring to the instructions on the financial statements of the banks pursuant to Circular 262 of 22, December 2005 "Banking financial statements: schedules and rules compilation" and subsequent updates of the Bank of Italy.

It should be noted that, starting from December 31, 2019 a change was made in the condensed accounts shown in the Consolidated Report on Operations. In particular dividends and other income on equity investments and equity securities mandatorily at fair value shown in the balance sheet item "Dividend income and similar revenue", previously included in the condensed accounts item "Dividends and other income from equity investments", were included in the item "Net trading, hedging and fair value income" in the condensed accounts. For homogeneity, the comparative data included into this Consolidated First Half Financial Report as at June 30, 2020 and relating to the condensed income statement of June 2019 have been reclassified. For additional information, reference is made to "Reconciliation of condensed consolidated accounts to mandatory reporting schedule" and to "Reconciliation of condensed consolidated accounts to mandatory reporting schedule" of the Annexes.



# Summary data

FinecoBank is a multi-channel direct bank and one of the most important FinTech banks in Europe. It has one of the largest networks of personal financial advisors in Italy and is the leader in Italy for equity trades. FinecoBank offers an integrated business model combining direct banking and financial advice. With a single account including a full range of banking, credit, trading and investment services, which are also available through applications for smartphone and tablet.

FinecoBank is listed on the Milan Stock Market and has been on Borsa Italiana's FTSE Mib index since April 1st, 2016. On March 20th, 2017, the stock became part of the STOXX Europe 600 Index. On April 29th, 2020 S&P Global Ratings confirmed a long-term rating 'BBB' and a short-term rating 'A-2' to the Bank, both with negative outlook. The negative outlook reflects that of Italy as a whole.

FinecoBank S.p.A. is on the Standard Ethics Italian Banks Index<sup>©</sup> and the Standard Ethics Italian Index (comprising the largest 40 companies listed on the Borsa Italiana FTSE-MIB), one of the leading performance indexes and a benchmark for environmental, social and governance concerns. In July 2020, Standard Ethics raised the Bank's rating from EE to EE+ ("very strong"), which is the highest grade it assigns to banks. In explaining its decision, Standard Ethics cited the speed with which FinecoBank S.p.A. fortified its long-term sustainability strategy as soon as it became a public company.

The recent health emergency caused by the spread of the COVID-19 pandemic and the uncertainty regarding its duration have had serious repercussions on the banking and financial system, whose outlook for the near future is difficult to foresee. Even under these circumstances, FinecoBank's business model is diversified and well-balanced: the Group's diverse sources of revenue allow it to face complex stressors like this crisis. The FinecoBank Group's revenues are based on three main components (banking, brokerage, and investing) whose performance tends to be uncorrelated during periods of crisis.

At June 30th, 2020, total financial assets (direct and indirect) from customers amounted to € 82,646 million, up 1.5% on € 81,419 million at the end of 2019. "Guided products & services" made up 72.31% of assets under management, showing an increase compared to 71.07% at December 31st, 2019.

Net sales came to € 4,750 million in first half 2020 (42.4% y/y), an increase compared with the first half of 2019; net sales of assets under management came to € 1,605 million, assets under custody came to € 2,576 million and direct deposits to € 569 million. Net sales of "Guided Products & Services" amounted to € 1,699 million (+6.1% y/y).

In first half 2020, net sales through the network of Personal Financial Advisors totalled € 4,103 million (+4.1% y/y). Total financial assets (direct and indirect) at June 30th, 2020 amounted to € 71,687 million (+1.4 compared with the end of 2019).

The total financial assets (TFA) of private banking clients, i.e. with assets above € 500,000, totalled € 33,024 million or 40% of total Group total financial assets (direct and indirect).

The total number of customers at June 30th, 2020 was 1,359,260. Customers continue to reward Fineco's transparent approach, high quality and comprehensive range of financial services as represented through the "one-stop solution" concept.

In first half 2020 € 78 million in personal loans and € 552 million in mortgages were granted, and € 429 million in current account overdrafts were arranged, with an increase in exposures in current account of € 130 million compared to December 31st, 2019; this resulted in an overall 15.4%<sup>1</sup> aggregate increase in loans to ordinary customers compared to December 31st, 2019. Credit quality remains high, with a cost of risk at 14 bp, sustained by a policy of offering credit exclusively to existing customers and making use of specialist tools to analyse the Bank's vast information base. The cost of risk is structurally contained thanks also to the effect of new loans, which are mainly secured and low-risk. The ratio between impaired loans and total loans to ordinary customers at June 30th, 2020 was 0.12% (0.11% at December 31st, 2019).

To support customers' needs in relation to the COVID-19 emergency, in addition to the moratorium on mortgage payments through use of the CONSAP Fund (in accordance with the Government's Cura Italia Decree), the Bank has taken the following measures:

- participation in the Italian Banking Association (ABI) moratorium for household loans: principal payments are suspended, for personal loans and mortgages other than those covered by the CONSAP fund, for up to 12 months, while interest continues to fall due;
- introduction of a new unsecured credit line that gives eligible customers an advance on ordinary or extraordinary unemployment benefits while awaiting payment from the appropriate entities.

The net profit for the period amounted to € 180.2 million, an increase of 34.3% on the same period of the previous year. The cost/income ratio amounted to 32.6%, an improvement compared with December 31st, 2019 (38.1%), confirming the Group's operating efficiency and the widespread company culture of limiting costs. The first half 2020 results reflect the Group's sustainability and the strength of its business model, capable of generating profits in all market conditions.

<sup>1</sup>Loans refer solely to loans granted to customers (current account overdrafts, credit cards, personal loans, mortgages and unsecured loans).

# Summary data

The net profit after non-recurring items recognised in the first half of 2020<sup>2</sup> would be € 181 million, up 30.1% compared to the first half 2019 net profit after non-recurring items as at June 30, 2019<sup>3</sup>.

The Group's offering is split into three integrated areas of activity: (i) banking, including current account and deposit services, payment services, and issuing debit, credit and prepaid cards, mortgages, overdrafts and personal loans; (ii) brokerage, providing order execution services on behalf of customers, with direct access to major global equity markets and the ability to trade CFDs (on currencies, indices, shares, bonds and commodities), futures, options, bonds, ETFs and certificates; (iii) investing, including the asset management activity carried out by the subsidiary Fineco AM, by virtue of the vertically integrated business model, placement and distribution services of more than 6,300 products, including mutual funds and SICAV sub-funds managed by 71 leading Italian and international investment firms, insurance and pension products, as well as investment advisory services through a network, as at June 30, 2020, of 2,569 personal financial advisors.

## Relevant events of the period

First half of 2020 has been impacted by the health emergency caused by the spread of the COVID-19 pandemic, whose outlook for the near future is difficult to forecast.

In particular, the first half of 2020 the indirect effects of the health emergency at first caused a decrease in customer assets under management, which was partially reabsorbed as early as the second quarter 2020. In any case, compared with the Bank's competitors that trend is sharply mitigated as performance commissions are not foreseen, which are structurally variable and penalize institutions at times of market crisis. Conversely, as evidence of the decorrelation of revenue sources of the Group, during periods of high volatility as experienced in the first half of the year – especially when the pandemic was spreading most rapidly – there is a notable increase in brokerage revenues.

Regarding the Group's financial investments, mostly comprising government bonds, the direct impact of the emergency was an immediate reduction in their fair value which has already been partly recovered at June 30th, 2020. In addition, most of the Bank's government bonds are held as long-term investments and are recognized in the Held to Collect portfolio, therefore the changes in the fair value of the financial instruments, considering a volatile market context, did not, overall, have significant impacts on the Consolidated Interim Financial Statements at 30 June 2020.

As for the calculation of the expected losses, the measurement of credit exposure in the form of both loans and securities takes account of forward-looking information and, consequently, has affected by the macroeconomic scenarios used to calculate adjustments in value. During the current crisis, updating the scenarios underlying forward-looking data is an especially complex exercise. The extent of the macroeconomic repercussions of the suspension of economic and social activity during the spread of COVID-19 is still being widely debated, including in light of the extraordinary relief measures for families and businesses that various European countries have taken to help mitigate the impact of the crisis.

By virtue of the uncertainty generated by the COVID-19 pandemic and to these means of government support, the main European and international regulators (IASB, EBA, ESMA, European Commission, etc.) have provided clarity as to the regulatory and accounting treatment of credit exposures to banks and financial entities. Though they have stressed the need to incorporate the worsening macroeconomic scenario caused by the crisis, in line with the spirit of IFRS 9, they have also determined that the current state of uncertainty justifies using the flexibility that standard affords. The regulators therefore encourage institutions to take margins of flexibility beyond the mechanical application of standard models to provisions, estimating losses by giving adequate weight to long-term macroeconomic forecasts.

These Authorities have also clarified that relief measures to households and enterprises in the form of legislative or sector moratoriums do not in themselves constitute forbearance, as they are preventive and generic in nature rather than formulated ad hoc for the customer. Nor does the use of these measures entail an automatic classify a debtor as unlikely to pay. From an accounting standpoint, it has been clarified that the moratoriums do not in themselves significantly raise credit risk.

In valuing its performing loans at June 30, 2020, the Group has therefore considered a macroeconomic landscape updated to take account of the effects of the COVID-19 crisis. Appropriate adjustments have been made to account for the mitigating effects of the support measures granted to customers.

Within FinecoBank's retail clientele, to date there has been a limited impact on loans in terms of new disbursements and credit quality exposures. Any damage to portfolio quality is amply mitigated by the type of product offered (loans are secured where possible by financial guarantees and real estate) and by the Bank's prudent lending policies. For mortgage loans the average loan-to-value ratio is approximately 50% and credit facilities are backed by guarantees with conservative margins. This approach is further validated considering the Group's target retail clientele. The updated macroeconomic scenarios have led to € 0.3 million in write-downs as of June 2020. Loans that benefit from the moratoriums have been maintained

<sup>2</sup> Change in fair value of the exposure in equity securities versus the Voluntary Scheme established by the Interbank Fund for the Protection of Deposits for an amount of -€1.2 million (-€0.8 million net of the tax effect).

<sup>3</sup> Change in fair value of the exposure in equity securities versus the Voluntary Scheme established by the Interbank Fund for the Protection of Deposits for an amount of -€4.8 million (-€3.2 million net of the tax effect) and Patent box effect for an amount of €1.8 million).

## Summary data

at Stage 1 of the staging allocation, consistently with the Regulators' guidance, unless additional and specific factors were existing or have occurred that have led to a significant increase in credit risk.

As for the remaining counterparties, including bond issuers, the greatest impact of the pandemic effect has concerned Sovereign exposures. In this case, the updated macroeconomic scenarios have led to write-downs of € 3.6 million for bond issuers and approximately € 0.8 million for the other counterparties other than ordinary customers, calculated according to IFRS 9 impairment models and their post-model overlay and adjustment rules.

As regards the considerations on the assessments conducted at 30 June 2020 in relation to the impairment test of (i) intangible assets with finite life and indefinite life, specifically goodwill, Fineco brands and domains, and (ii) "property, plant and equipment" with finite life, specifically owned property, there are no indicators that could make adjustments to the related book values. For further details on the analysis carried out, please refer to the relevant paragraphs in these Notes to the accounts.

The pandemic and consequent economic and financial crisis have not harmed the Group's overall liquidity, which remains solid and stable. During the first half of the year, even during the most acute phase of the pandemic, all key ratios and cash adequacy measurements highlighted wide safety margins with respect to regulatory and internal limits. In the first quarter of 2020, two factors strengthened the Group's liquidity position: the sale of assets by customers due to turbulence in the financial markets, and an especially significant increase in cash and cash equivalents, which further boosted the rising trend for high quality liquid assets (HQLA) that began in 2019. In the second quarter, there was a gradual decrease in cash and cash equivalents due mainly to an uptick in customer investing, though they did not fall below standard pre-pandemic levels, representative of an extremely solid liquidity position. FinecoBank has experienced no difficulty or worsening of conditions in accessing the markets and executing transactions there (repos, securities trading) in terms of volumes or prices.

From a structural point of view, in the near future there will likely be an acceleration toward solutions leading to a more modern, digitalized world: customers will increasingly do their banking on digital platforms, favouring the Group's founding business model.

Because it does not base its business model on a network of physical branches, FinecoBank has been less exposed to the risk of pandemics: customers can perform transactions online or with the guidance of personal financial advisors via web collaboration procedures, without experiencing any loss of service. The Group is also set up to ensure operational continuity and remote working arrangements for nearly all its employees, guaranteeing full maintenance of service levels and of the framework of controls without interruption. In particular, FinecoBank, in line with the ministerial indications, has adopted direct measures for employees, gradually extending remote work to all, thanks to technological interventions that have allowed full company operations (e.g. complete call center decentralization which represents an essential channel interaction with customers) and the protection of employees, customers and other stakeholders, including the network of personal financial advisors qualified for off-site offering, which has already been using fully dematerialized internal processes for a long time.

With regard to Fineco AM, it should be noted that its management continuously monitors the situation created by the COVID-19 pandemic and its potential impacts, due also to restrictions issued by various local governments, and believes unchanged its capability to continue its normal operations in full. Fineco AM's management remains confident in the make-up of the portfolio and continues to assess opportunities to diversify the strategy of the funds under management, although the long-term impact of COVID-19 on financial markets and the general economy remains uncertain. At the beginning of the year, Fineco AM's net assets under management (AUM) amounted to € 13.8 billion and reached € 14.6 billion at February 21st, 2020. When the pandemic hit Europe and the rest of the world, the global economy slowed, which had a negative impact on Fineco AM's assets under management. At March 31st, 2020, as a result of this slowdown and the restrictions imposed by various governments, AUM fell to € 12.4 billion. The reduction in assets under management consequently affected management fees, with March showing lower revenues than January and February. Since the second quarter of 2020, AUM have increased in line with the recovery of the market and the economy, amounting to € 14.2 billion at June 30th, 2020, thanks in part to net inflows for the period of € 1 billion.

Looking forward, then, the Group does not expect to see a substantial impact on its strategic orientation, its objectives, or its business model, which in fact will come out stronger; nor does it estimate an overall relevant impact on performance thanks to its diversified sources of revenues.

It should also be noted that on March 27, 2020 the ECB and the Bank of Italy recommended that banks not pay dividends until at least October 2020. In order to increase the capacity to absorb losses, and to support credit to households, small businesses and corporate companies, the aforementioned Authorities invited the banks not to pay dividends for the years 2019 and 2020, at least until 1 October 2020, and to refrain from the repurchase of own shares aimed at the remuneration of the shareholders. In this regard, please note that the ordinary Shareholders' Meeting called for April 28, 2020 approved the proposal of the Board of Directors on April 6, 2020 to allocate the entire 2019 profit to the reserve.

## Summary data

On 28 July 2020 both Authorities renewed the recommendation not to proceed with the payment of dividends for the financial years 2019 and 2020 (including the distribution of reserves), not to make any irrevocable commitment for the payment of dividends for the same financial years and to not proceed with the repurchase of shares aimed at remunerating shareholders until January 1, 2021.

Lastly, it should be noted that since March 2020 FinecoBank has launched, for the first time, a project that envisages specific marketing investments aimed at customers residing in England, with the aim of increasing its presence and its brand on the territory.

# Summary data

## Condensed Accounts

### Consolidated balance sheet

(Amounts in € thousand)

ASSETS	Amounts as at		Changes	
	06/30/2020	12/31/2019	Amounts	%
Cash and cash balances	909,802	754,386	155,416	20.6%
Financial assets held for trading	14,591	7,933	6,658	83.9%
Loans and receivables with banks	723,189	566,033	157,156	27.8%
Loans and receivables with customers	4,204,291	3,679,829	524,462	14.3%
Financial investments	22,946,524	22,304,892	641,632	2.9%
Hedging instruments	75,577	64,939	10,638	16.4%
Property, plant and equipment	153,685	152,048	1,637	1.1%
Goodwill	89,602	89,602	-	-
Other intangible assets	36,592	37,492	(900)	-2.4%
Tax assets	4,186	23,444	(19,258)	-82.1%
Other assets	254,169	342,309	(88,140)	-25.7%
<b>Total assets</b>	<b>29,412,208</b>	<b>28,022,907</b>	<b>1,389,301</b>	<b>5.0%</b>

(Amounts in € thousand)

LIABILITIES AND SHAREHOLDERS' EQUITY	Amounts as at		Changes	
	06/30/2020	12/31/2019	Amounts	%
Deposits from banks	113,137	154,653	(41,516)	-26.8%
Deposits from customers	27,021,199	25,919,858	1,101,341	4.2%
Financial liabilities held for trading	8,209	3,777	4,432	117.3%
Hedging instruments	207,116	94,950	112,166	118.1%
Tax liabilities	62,928	11,437	51,491	450.2%
Other liabilities	443,965	455,748	(11,783)	-2.6%
Shareholders' equity	1,555,654	1,382,484	173,170	12.5%
- capital and reserves	1,373,995	1,093,117	280,878	25.7%
- revaluation reserves	1,485	1,002	483	48.2%
- net profit	180,174	288,365	(108,191)	-37.5%
<b>Total liabilities and Shareholders' equity</b>	<b>29,412,208</b>	<b>28,022,907</b>	<b>1,389,301</b>	<b>5.0%</b>

# Summary data

## Consolidated balance sheet - Quarterly data

(Amounts in € thousand)

ASSETS	Amounts as at				
	06/30/2020	03/31/2020	12/31/2019	09/30/2019	06/30/2019
Cash and cash balances	909,802	1,177,380	754,386	1,208,686	1,230,599
Financial assets held for trading	14,591	12,888	7,933	10,592	7,475
Loans and receivables with banks	723,189	625,247	566,033	824,635	710,347
Loans and receivables with customers	4,204,291	3,741,000	3,679,829	3,567,804	3,408,661
Financial investments	22,946,524	23,400,694	22,304,892	21,521,272	19,912,177
Hedging instruments	75,577	76,454	64,939	71,941	49,365
Property, plant and equipment	153,685	152,973	152,048	148,644	143,801
Goodwill	89,602	89,602	89,602	89,602	89,602
Other intangible assets	36,592	37,053	37,492	8,760	8,760
Tax assets	4,186	3,300	23,444	7,688	3,498
Other assets	254,169	202,426	342,309	300,341	270,368
<b>Total assets</b>	<b>29,412,208</b>	<b>29,519,017</b>	<b>28,022,907</b>	<b>27,759,965</b>	<b>25,834,653</b>

(Amounts in € thousand)

LIABILITIES AND SHAREHOLDERS' EQUITY	Amounts as at				
	06/30/2020	03/31/2020	12/31/2019	09/30/2019	06/30/2019
Deposits from banks	113,137	330,927	154,653	188,171	206,643
Deposits from customers	27,021,199	27,202,155	25,919,858	25,428,742	24,139,699
Financial liabilities held for trading	8,209	11,039	3,777	4,734	2,413
Hedging instruments	207,116	143,500	94,950	156,435	84,086
Tax liabilities	62,928	32,254	11,437	50,929	64,779
Other liabilities	443,965	322,068	455,748	642,227	409,356
Shareholders' equity	1,555,654	1,477,074	1,382,484	1,288,727	927,677
- capital and reserves	1,373,995	1,382,491	1,093,117	1,100,134	800,766
- revaluation reserves	1,485	3,152	1,002	(6,566)	(7,203)
- net profit	180,174	91,431	288,365	195,159	134,114
<b>Total liabilities and Shareholders' equity</b>	<b>29,412,208</b>	<b>29,519,017</b>	<b>28,022,907</b>	<b>27,759,965</b>	<b>25,834,653</b>



# Summary data

## Consolidated Income Statement

(Amounts in € thousand)

	1st Half		Changes	
	2020	2019	Amounts	%
Net interest	138,229	141,767	(3,538)	-2.5%
Net fee and commission income	209,739	158,643	51,096	32.2%
Net trading, hedging and fair value income	56,482	17,837	38,645	216.7%
Net other expenses/income	1,392	537	855	159.2%
<b>OPERATING INCOME</b>	<b>405,842</b>	<b>318,784</b>	<b>87,058</b>	<b>27.3%</b>
Staff expenses	(48,893)	(44,097)	(4,796)	10.9%
Other administrative expenses	(123,338)	(123,742)	404	-0.3%
Recovery of expenses	52,263	50,817	1,446	2.8%
Impairment/write-backs on intangible and tangible assets	(12,268)	(10,510)	(1,758)	16.7%
<b>Operating costs</b>	<b>(132,236)</b>	<b>(127,532)</b>	<b>(4,704)</b>	<b>3.7%</b>
<b>OPERATING PROFIT (LOSS)</b>	<b>273,606</b>	<b>191,252</b>	<b>82,354</b>	<b>43.1%</b>
Net impairment losses on loans and provisions for guarantees and commitments	(3,670)	(146)	(3,524)	n.c.
<b>NET OPERATING PROFIT (LOSS)</b>	<b>269,936</b>	<b>191,106</b>	<b>78,830</b>	<b>41.2%</b>
Other charges and provisions	(7,636)	(3,836)	(3,800)	99.1%
Net income from investments	(3,818)	5,805	(9,623)	-165.8%
<b>PROFIT (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS</b>	<b>258,482</b>	<b>193,075</b>	<b>65,407</b>	<b>33.9%</b>
Income tax for the period	(78,308)	(58,961)	(19,347)	32.8%
<b>NET PROFIT (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS</b>	<b>180,174</b>	<b>134,114</b>	<b>46,060</b>	<b>34.3%</b>
<b>PROFIT (LOSS) FOR THE PERIOD</b>	<b>180,174</b>	<b>134,114</b>	<b>46,060</b>	<b>34.3%</b>
<b>NET PROFIT (LOSS) ATTRIBUTABLE TO THE GROUP</b>	<b>180,174</b>	<b>134,114</b>	<b>46,060</b>	<b>34.3%</b>

## Summary data

## Consolidated income statement - Quarterly data

(Amounts in € thousand)

	2020	
	1st Quarter	2nd Quarter
Net interest	68,164	70,065
Net fee and commission income	104,954	104,785
Net trading, hedging and fair value income	26,394	30,088
Net other expenses/income	570	822
<b>OPERATING INCOME</b>	<b>200,082</b>	<b>205,760</b>
Staff expenses	(24,007)	(24,886)
Other administrative expenses	(60,257)	(63,081)
Recovery of expenses	23,807	28,456
Impairment/write-backs on intangible and tangible assets	(6,058)	(6,210)
<b>Operating costs</b>	<b>(66,515)</b>	<b>(65,721)</b>
<b>OPERATING PROFIT (LOSS)</b>	<b>133,567</b>	<b>140,039</b>
Net impairment losses on loans and provisions for guarantees and commitments	(963)	(2,707)
<b>NET OPERATING PROFIT (LOSS)</b>	<b>132,604</b>	<b>137,332</b>
Other charges and provisions	(1,124)	(6,512)
Net income from investments	(89)	(3,729)
<b>PROFIT (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS</b>	<b>131,391</b>	<b>127,091</b>
Income tax for the period	(39,960)	(38,348)
<b>NET PROFIT (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS</b>	<b>91,431</b>	<b>88,743</b>
<b>PROFIT (LOSS) FOR THE PERIOD</b>	<b>91,431</b>	<b>88,743</b>
<b>NET PROFIT (LOSS) ATTRIBUTABLE TO THE GROUP</b>	<b>91,431</b>	<b>88,743</b>

Starting from 30 June 2020, the revenues from the securities lending activity carried out by the Parent Company Treasury department have been included in the "Net interest" item of the condensed income statement, previously accounted for into the "Net fee and commission income" item. The business, which began in 2020, generated revenues of € 74 thousand in the first quarter of 2020, therefore they were restated in the reclassified income statement scheme shown above.

## Summary data

(Amounts in € thousand)

	2019			
	4th Quarter	3rd Quarter	2nd Quarter	1st Quarter
Net interest	69,704	69,806	71,401	70,366
Net fee and commission income	82,275	84,253	81,282	77,361
Net trading, hedging and fair value income	15,323	11,601	8,026	9,811
Net other expenses/income	2,924	147	341	196
<b>OPERATING INCOME</b>	<b>170,226</b>	<b>165,807</b>	<b>161,050</b>	<b>157,734</b>
Staff expenses	(23,558)	(22,497)	(22,444)	(21,653)
Other administrative expenses	(60,877)	(56,019)	(58,669)	(65,073)
Recovery of expenses	26,582	26,669	24,227	26,590
Impairment/write-backs on intangible and tangible assets	(6,571)	(5,783)	(5,366)	(5,144)
<b>Operating costs</b>	<b>(64,424)</b>	<b>(57,630)</b>	<b>(62,252)</b>	<b>(65,280)</b>
<b>OPERATING PROFIT (LOSS)</b>	<b>105,802</b>	<b>108,177</b>	<b>98,798</b>	<b>92,454</b>
Net impairment losses on loans and provisions for guarantees and commitments	(597)	(1,227)	1,124	(1,270)
<b>NET OPERATING PROFIT (LOSS)</b>	<b>105,205</b>	<b>106,950</b>	<b>99,922</b>	<b>91,184</b>
Other charges and provisions	(3,536)	(19,780)	(2,856)	(980)
Integration costs	-	-	2	(2)
Net income from investments	1,122	450	6,463	(658)
<b>PROFIT (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS</b>	<b>102,791</b>	<b>87,620</b>	<b>103,531</b>	<b>89,544</b>
Income tax for the period	(9,585)	(26,575)	(31,689)	(27,272)
<b>NET PROFIT (LOSS) AFTER TAX FROM CONTINUING OPERATIONS</b>	<b>93,206</b>	<b>61,045</b>	<b>71,842</b>	<b>62,272</b>
<b>PROFIT (LOSS) FOR THE PERIOD</b>	<b>93,206</b>	<b>61,045</b>	<b>71,842</b>	<b>62,272</b>
<b>NET PROFIT (LOSS) ATTRIBUTABLE TO THE GROUP</b>	<b>93,206</b>	<b>61,045</b>	<b>71,842</b>	<b>62,272</b>

# Summary data

## Main balance sheet figures

(Amounts in € thousand)

	Amounts		Changes	
	06/30/2020	12/31/2019	Amounts	%
Loans receivable with ordinary customers <sup>(1)</sup>	3,765,567	3,263,940	501,627	15.4%
Total assets	29,412,208	28,022,907	1,389,301	5.0%
Direct deposits <sup>2</sup>	26,077,316	25,589,652	487,664	1.9%
Assets under administration <sup>3</sup>	56,569,091	55,829,163	739,928	1.3%
Total customers sales (direct and indirect)	82,646,407	81,418,815	1,227,592	1.5%
Shareholders' equity	1,555,654	1,382,484	173,170	12.5%

(1) Loans receivables with ordinary customers refer solely to loans granted to customers (current account overdrafts, credit cards, personal loans, mortgages and unsecured loans).

(2) Direct deposits include overdrawn current accounts and the Cash Park deposit account.

(3) Assets under administration consist of products placed online or through FinecoBank personal financial advisors.

## Operating structure

	Data as at		
	06/30/2020	12/31/2019	06/30/2019
No. Employees	1,244	1,225	1,176
No. Personal financial advisors	2,569	2,541	2,566
No. Financial shops <sup>1</sup>	399	396	394

(1) Number of operating financial shops: financial shops managed by the Bank and financial shops managed by personal financial advisors (so called Fineco Centers).

## Summary data

## Profitability, productivity and efficiency ratios

(Amounts in € thousand)

	Data as at		
	06/30/2020	12/31/2019	06/30/2019
Net interest/Operating income	34.06%	42.96%	44.47%
Income from brokerage and other income/Operating income	65.94%	57.04%	55.53%
Income from brokerage and other income/Operating costs	202.38%	149.66%	138.80%
Cost/income ratio	32.58%	38.12%	40.01%
Operating costs/TFA	0.32%	0.33%	0.35%
Cost of risk	14 bp	12 bp	14 bp
CoR (incentive system)	13 bp	12 bp	13 bp
ROE	29.90%	29.02%	32.81%
Return on assets	1.23%	1.03%	1.04%
EVA (calculated on economic capital)	157,913	229,915	109,196
EVA (calculated on accounting capital)	113,742	198,436	93,734
RARORAC (calculated on economic capital)	63.98%	31.90%	35.54%
RARORAC (calculated on accounting capital)	15.44%	17.90%	18.83%
ROAC (calculated on economic capital)	72.99%	40.01%	43.65%
ROAC (calculated on accounting capital)	24.46%	26.01%	26.94%
Total sales to customers/Average employees	66,947	67,990	64,699
Total customer sales/(Average employees + average PFAs)	21,553	21,671	20,265

**Key**

Income from brokerage and other income: Net fee and commission income, Net trading, hedging and fair value income and Net other expenses/income.

Cost/income ratio: Operating Costs divided by Operating Income.

Operating costs/TFA: ratio of operating costs to Total Financial Assets. The TFA used for the ratio is the average for the year, calculated as the average between the balance as at June 30, 2020 and the balance as at the previous December 31.

Cost of risk: is the ratio of Net impairment losses of loans with customers in the last 12 months to loans and receivables with customers (average of the averages of the last four quarters, calculated as the average balance at the end of the quarter and the balance at the end of the previous quarter). The scope only includes loans to ordinary customers.

CoR (incentive system): is the ratio of Net impairment losses of loans with customers in the last 12 months to loans and receivables with customers (average of the balance as at December 31, 2019 and the balance at December 31 of the previous year). The scope of the exposures excludes positions deriving from bonds and advances to personal financial advisors.

ROE: ratio between the net profit and the average book shareholders' equity (excluding dividends and any donations expected to be distributed and the revaluation reserves) for the period (average between the amount of the end of period and the amount of the shareholders' equity as at December 31 of previous year). The result for the period as of June 30, 2020 and June 30, 2019 has been annualized. It should be noted that the amount of dividends approved by the Board of Directors on 11 February 2020, subsequently revoked by the Board of Directors on 6 April 2020, equal to € 195.1 million, was also excluded from the book shareholders' equity.

Return on assets: ratio of net profit after tax to total assets. The result for the period as of June 30, 2020 and June 30, 2019 has been annualized.

EVA (Economic Value Added): shows the firm's ability to create value; calculated as the difference between net profit, excluding extraordinary charges/income and related tax effects (integration costs and net profits from extraordinary investments), and the figurative cost of the allocated capital; the latter was calculated using either the greater of the regulatory capital and the economic capital absorbed either using the book value of shareholders' equity (average of single end quarters).

RARORAC (Risk adjusted Return on Risk adjusted Capital): the ratio between EVA (as described above) and the average of the quarters of the year of the allocated capital (calculated with the same methods envisaged for the calculation of the EVA) and expresses in percentage terms the capacity to create value per unit of risk taken.

ROAC (Return on Allocated Capital): the ratio of net operating profit to the average of the quarters of the year of the allocated capital (calculated with the same methods envisaged for the calculation of the EVA).

It should be noted that with regard to the "Income from brokerage and other income/Operating income" indicator, the figure as at June 30, 2019 was recalculated, for homogeneity, following the reclassification made in the condensed accounts as described into the "Introduction to the Consolidated First Half Financial Report".

# Summary data

## Balance Sheet indicators

	Data as at	
	06/30/2020	12/31/2019
Loans receivable with ordinary customers/Total assets	12.80%	11.65%
Loans and receivables with banks/Total assets	2.46%	2.02%
Financial assets/Total assets	78.02%	79.60%
Direct sales/Total liabilities and Shareholders' equity	88.66%	91.32%
Shareholders' equity (including profit)/Total liabilities and Shareholders' equity	5.29%	4.93%
Ordinary customer loans/Direct deposits	14.44%	12.75%

Credit quality	Data as at	
	06/30/2020	12/31/2019
Non-performing loans/Loans receivable with ordinary customers	0.12%	0.11%
Bad loans/Loans receivable with ordinary customers	0.05%	0.05%
Coverage <sup>1</sup> - Bad loans	90.90%	91.39%
Coverage <sup>1</sup> - Unlikely to pay	67.94%	68.01%
Coverage <sup>1</sup> - Impaired past-due exposures	49.41%	65.45%
Coverage <sup>1</sup> - Total Non-performing loans	82.80%	85.92%

(1) Calculated as the ratio between the amount of impairment losses and gross exposure.

## Own funds and capital ratios

	Data as at	
	06/30/2020	12/31/2019
Common Equity Tier 1 Capital (€ thousand)	816,955	583,031
Total Own Funds (€ thousand)	1,316,955	1,083,031
<b>Totale risk-weighted assets (€ thousand)</b>	<b>3,387,496</b>	<b>3,216,788</b>
Ratio - Common Equity Tier 1 Capital	24.12%	18.12%
Ratio - Tier 1 Capital	38.88%	33.67%
Ratio - Total Own Funds	38.88%	33.67%

	Data as at	
	06/30/2020	12/31/2019
Tier 1 Capital (€ thousand)	1,316,955	1,083,031
Exposure for leverage (€ thousand)	29,868,321	28,152,030
Transitional leverage ratio	4.41%	3.85%

The prudential requirements of the Bank at 30 June 2020 were determined on the basis of the harmonized regulation for banks and investment firms contained in Directive 2013/36/EU (CRD IV) and in Regulation (EU) 575/2013 (CRR) of June 26, 2013 and subsequent Directives/Regulations that modify the content, which transpose the standards defined by the Basel Committee for banking supervision (so-called Basel 3 regulatory framework), collected and implemented by the Bank of Italy through the Circular no. 285 of 17 December 2013 "Supervisory provisions for banks" and subsequent updates.

On 26 June 2020, Regulation 2020/873 of the EU Parliament and of the Council amending the CRR was published, making a number of adjustments to the prudential framework in the light of the health emergency Covid-19. For further details on the contents of the Regulation, see Part F - Consolidated shareholders' equity - Section 2 - Own funds and bank supervisory ratios of the Notes to the accounts.

# Summary data

Own funds as at June, 30 2020 are equal to € 1,317 million, including part of the profit of the first half 2020, allocated to increase the value of the reserves, for an amount of € 45 million, assuming the conditions set out in art. 26, paragraph 2, of EU Regulation 575/2013 (CRR), and the whole amount of 2019 profits equal to € 288.4 million.

It should be noted that on 6 April 2020 the Board of Directors of FinecoBank S.p.A, taking into account the Recommendations of the European Central Bank and the Bank of Italy issued on 27 March 2020 on dividend policy in the context of the COVID-19, in full compliance with the relevant regulations and the best consolidated practice, resolved to revoke the proposal to distribute the dividend on 2019 profits, for a total amount of 195,052,000 euros, made by the Board of Directors on 11 February 2020, and therefore resolved to propose to the Shareholders' Meeting to allocate the all 2019 result to reserves. This proposal was approved by the FinecoBank Shareholders' Meeting held on 28 April 2020.

The increase in risk-weighted assets during the first half 2020 is mainly due to credit risk due to the growth of the business, in particular to the growth of lending activity to customers and investments in covered bonds and counterparty risk due to unsecured lending.

With reference to the capital requirements applicable to FinecoBank, it should be noted that the Supervisory Review and Evaluation Process (SREP), conducted by the Bank of Italy, is currently ongoing; at the end of this process a Pillar 2 Requirement (P2R) and a Pillar 2 Guidance (P2G) applicable to the Group will be required.

As the procedure for the requirement of additional capital to be held by the FinecoBank group on top of the regulatory minimum has not been completed, the "Total SREP Capital Requirement" (TSCR) corresponds to the minimum requirement of Pillar 1 as at 30 June 2020.

The following is a summary of the transitional capital requirements and reserves for FinecoBank required as of June 2020.

Requisiti	CET1	T1	TOTAL CAPITAL
A) Requisiti di Pillar 1	4.50%	6.00%	8.00%
B) Requisiti di Pillar 2	0.00%	0.00%	0.00%
<b>C) TSCR (A+B)</b>	<b>4.50%</b>	<b>6.00%</b>	<b>8.00%</b>
D) Requisito combinato di riserva di capitale, di cui:	2.503%	2.503%	2.503%
1. riserva di conservazione del capitale (CCB)	2.500%	2.500%	2.500%
2. riserva di capitale anticiclica specifica per FinecoBank (CCyB)	0.003%	0.003%	0.003%
<b>E) Overall Capital Requirement (C+D)</b>	<b>7.003%</b>	<b>8.503%</b>	<b>10.503%</b>

As at 30 June 2020, the Group ratios are compliant with all the above requirements.

For further details, please refer to Part F – Information on consolidated shareholders' equity – Section 2 - Own funds and capital ratios of these Notes to the accounts.

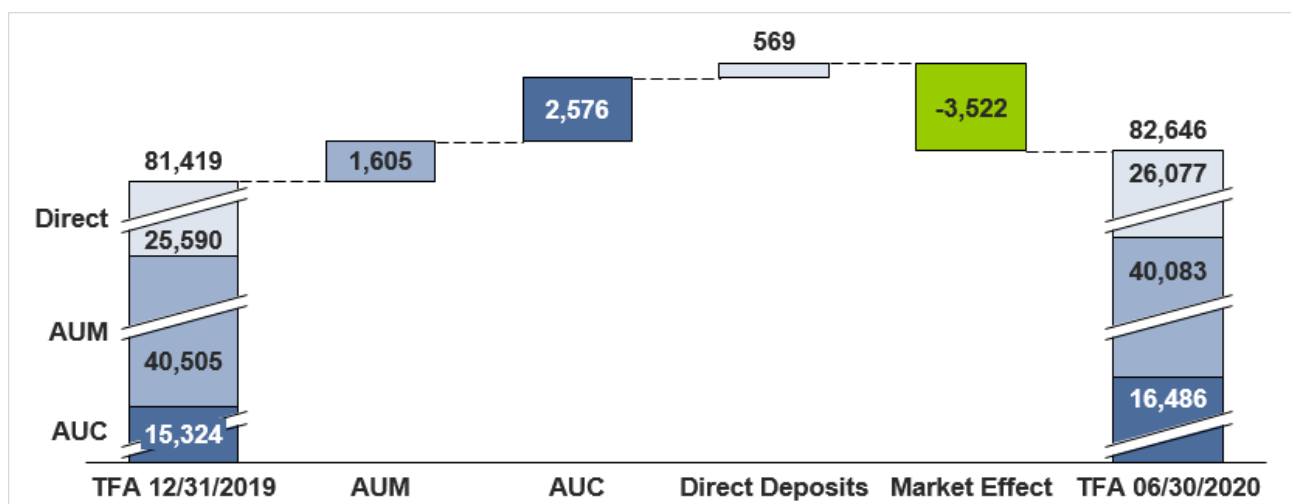
# Business performance

## Performance of total financial assets

Direct deposits showed growth of 1.9% compared to the end of the previous year, to reach € 26,077 million and confirming the high level of appreciation of the quality of the services offered by the Group among customers. Indeed, the majority of direct deposits were “transactional”, supporting customers’ overall operations. The increase in this component of sales confirms the high and increasing degree of customer loyalty, which in turn contributes to improving the stability of direct sales.

Assets under administration (Assets under Management-AUM plus Assets under Custody-AUC) came to € 56,569 million increased by 1.3% compared to December 31, 2019, thanks to net sales of € 4,750 million recorded in the first half 2020, partially offset by a negative market effect of -€ 3,522 million.

Total financial assets (direct and indirect) thus reached € 82,646 million, up 1.5% compared to the end of 2019. The quality of sales was also confirmed, which shows a percentage impact of “Guided products & services”<sup>4</sup> on TFA of 35.1%, up from the 35.4% recorded at 31 December 2019, and on Assets under Management of 72.3%, an improvement compared to 71.1% recorded at the end of 2019, thanks to the continuous refinement of the offer.



AUC = Asset Under Custody  
 AUM = Asset Under Management  
 TFA = Total Financial Asset

<sup>4</sup> Respectively, the Bank’s products and/or services developed by investing in UCITs selected from among those distributed for each asset class taking into account customers’ different risk profiles and offered to the Bank’s customers under the guided open architecture model. At the date of this report, the guided products category included the “Core Series” umbrella fund of funds, “Core Funds”, the Individual Savings Plans (“Piani Individuali di Risparmio” or “PIR”) and the “Core Unit”, “Advice Unit”, “Core Multiramo”, “Advice Top Valor”, “Old Mutual”, “Best in class”, “FAM Evolution”, “FAM Target”, “FAM Series”, “Core Pension”, “Private Client Insurance” e “GP Private value” unit-linked policies, while the “Fineco Advice”, “Fineco Stars” and “Fineco Plus” advanced advisory services (for investment) fall under the guided service category.



# Business performance

## Total financial assets

(Amounts in € thousand)

	Amounts as at		Amounts as at		Changes	
	06/30/2020	Comp%	12/31/2019	Comp%	Absolute	%
Current accounts and demand deposits	26,076,606	31.6%	25,588,332	31.4%	488,274	1.9%
Time deposits and reverse repos	710	0.0%	1,320	0.0%	(610)	-46.2%
<b>DIRECT DEPOSITS</b>	<b>26,077,316</b>	<b>31.6%</b>	<b>25,589,652</b>	<b>31.4%</b>	<b>487,664</b>	<b>1.9%</b>
Segregated accounts	169,394	0.2%	92,529	0.1%	76,865	83.1%
UCITS and other investment funds	27,657,395	33.5%	28,785,791	35.4%	(1,128,396)	-3.9%
Insurance products	10,675,738	12.9%	10,115,054	12.4%	560,684	5.5%
Asset under custody and Direct deposits under advisory	1,580,440	1.9%	1,512,000	1.9%	68,440	4.5%
<b>ASSETS UNDER MANAGEMENT BALANCE</b>	<b>40,082,967</b>	<b>48.5%</b>	<b>40,505,374</b>	<b>49.7%</b>	<b>(422,407)</b>	<b>-1.0%</b>
Government securities, bonds and stocks	16,486,124	19.9%	15,323,789	18.8%	1,162,335	7.6%
<b>ASSETS UNDER CUSTODY</b>	<b>16,486,124</b>	<b>19.9%</b>	<b>15,323,789</b>	<b>18.8%</b>	<b>1,162,335</b>	<b>7.6%</b>
<b>TOTAL FINANCIAL ASSETS</b>	<b>82,646,407</b>	<b>100.0%</b>	<b>81,418,815</b>	<b>100.0%</b>	<b>1,227,592</b>	<b>1.5%</b>
of which Guided products & services	28,983,587	35.1%	28,787,803	35.4%	195,784	0.7%

The table above shows the figures for the balance of direct and indirect deposits of the Bank's customers, including both those linked to a personal financial advisor and those operating exclusively through the online channel. Total financial assets (direct and indirect) amounting to € 82,646 million, up 1.5% compared to the end of 2019, thanks to net sales of € 4,750 million recorded in the first half 2020, partially offset by a negative market effect.

## Total financial assets - Personal Financial Advisors Network

(Amounts in € thousand)

	Amounts as at		Amounts as at		Changes	
	06/30/2020	Comp %	12/31/2019	Comp %	Absolute	%
Current accounts and demand deposits	19,744,032	27.5%	19,206,453	27.2%	537,579	2.8%
Time deposits and reverse repos	648	0.0%	1,219	0.0%	(571)	-46.8%
<b>DIRECT DEPOSITS</b>	<b>19,744,680</b>	<b>27.5%</b>	<b>19,207,672</b>	<b>27.2%</b>	<b>537,008</b>	<b>2.8%</b>
Segregated accounts	169,394	0.2%	92,529	0.1%	76,865	83.1%
UCITS and other investment funds	27,293,568	38.1%	28,374,546	40.1%	(1,080,978)	-3.8%
Insurance products	10,600,812	14.8%	10,033,227	14.2%	567,585	5.7%
Asset under custody and Direct deposits under advisory	1,580,425	2.2%	1,511,983	2.1%	68,442	4.5%
<b>ASSETS UNDER MANAGEMENT BALANCE</b>	<b>39,644,199</b>	<b>55.3%</b>	<b>40,012,285</b>	<b>56.6%</b>	<b>(368,086)</b>	<b>-0.9%</b>
Government securities, bonds and stocks	12,298,258	17.2%	11,467,385	16.2%	830,873	7.2%
<b>ASSETS UNDER CUSTODY</b>	<b>12,298,258</b>	<b>17.2%</b>	<b>11,467,385</b>	<b>16.2%</b>	<b>830,873</b>	<b>7.2%</b>
<b>TOTAL FINANCIAL ASSETS PERSONAL FINANCIAL ADVISORS NETWORK</b>	<b>71,687,137</b>	<b>100.0%</b>	<b>70,687,342</b>	<b>100.0%</b>	<b>999,795</b>	<b>1.4%</b>
of which Guided products & services	28,947,306	40.4%	28,754,383	40.7%	192,923	0.7%

The table above shows the figures for direct and indirect deposits solely for the personal financial advisors network' customers. Total financial assets, amounting to € 71,687 million, increased by 1.4% compared to December 31, 2019, thanks to net sales of € 4,103, partially offset by a negative market effect.

# Business performance

## Net sales

(Amounts in € thousand)

	1st Half 2020	Comp %	1st Half 2019	Comp %	Changes	
					Absolute	%
Current accounts and demand deposits	569,587	12.0%	1,776,359	53.3%	(1,206,772)	-67.9%
Time deposits and reverse repos	(624)	0.0%	(998)	0.0%	374	-37.5%
<b>DIRECT DEPOSITS</b>	<b>568,963</b>	<b>12.0%</b>	<b>1,775,361</b>	<b>53.2%</b>	<b>(1,206,398)</b>	<b>-68.0%</b>
Segregated accounts	82,037	1.7%	24,700	0.7%	57,337	232.1%
UCITS and other investment funds	611,529	12.9%	27,069	0.8%	584,460	2159.1%
Insurance products	757,031	15.9%	1,091,919	32.7%	(334,888)	-30.7%
Asset under custody and Direct deposits under advisory	154,381	3.3%	274,959	8.2%	(120,578)	-43.9%
<b>ASSETS UNDER MANAGEMENT BALANCE</b>	<b>1,604,978</b>	<b>33.8%</b>	<b>1,418,647</b>	<b>42.5%</b>	<b>186,331</b>	<b>13.1%</b>
Government securities, bonds and stocks	2,575,975	54.2%	140,483	4.2%	2,435,492	1733.7%
<b>ASSETS UNDER CUSTODY</b>	<b>2,575,975</b>	<b>54.2%</b>	<b>140,483</b>	<b>4.2%</b>	<b>2,435,492</b>	<b>1733.7%</b>
<b>TOTAL FINANCIAL ASSETS PERSONAL FINANCIAL ADVISORS NETWORK</b>	<b>4,749,916</b>	<b>100.0%</b>	<b>3,334,491</b>	<b>100.0%</b>	<b>1,415,425</b>	<b>42.4%</b>
of which Guided products & services	1,699,451	35.8%	1,602,100	48.0%	97,351	6.1%

The table above shows the figures for net direct sales, assets under management and assets under administration during first half 2020 compared with the same period of the previous year, for both customers linked to a personal financial advisor and online-only customers. Net sales came to € 4,750 million, increased by 42.4% compared with first half 2019.

## Net sales - Personal Financial Advisors Network

(Amounts in € thousand)

	1st Half 2020	Comp %	1st Half 2019	Comp %	Changes	
					Absolute	%
Current accounts and demand deposits	618,893	15.1%	1,375,074	47.3%	(756,181)	-55.0%
Time deposits and reverse repos	(585)	0.0%	(914)	0.0%	329	-36.0%
<b>DIRECT DEPOSITS</b>	<b>618,308</b>	<b>15.1%</b>	<b>1,374,160</b>	<b>47.2%</b>	<b>(755,852)</b>	<b>-55.0%</b>
Segregated accounts	82,037	2.0%	24,700	0.8%	57,337	232.1%
UCITS and other investment funds	622,502	15.2%	34,007	1.2%	588,495	1730.5%
Insurance products	757,988	18.5%	1,090,256	37.5%	(332,268)	-30.5%
Asset under custody and Direct deposits under advisory	154,403	3.8%	274,959	9.5%	(120,556)	-43.8%
<b>ASSETS UNDER MANAGEMENT BALANCE</b>	<b>1,616,930</b>	<b>39.4%</b>	<b>1,423,922</b>	<b>48.9%</b>	<b>193,008</b>	<b>13.6%</b>
Government securities, bonds and stocks	1,867,416	45.5%	111,622	3.8%	1,755,794	1573.0%
<b>ASSETS UNDER CUSTODY</b>	<b>1,867,416</b>	<b>45.5%</b>	<b>111,622</b>	<b>3.8%</b>	<b>1,755,794</b>	<b>1573.0%</b>
<b>TOTAL FINANCIAL ASSETS PERSONAL FINANCIAL ADVISORS NETWORK</b>	<b>4,102,654</b>	<b>100.0%</b>	<b>2,909,704</b>	<b>100.0%</b>	<b>1,192,950</b>	<b>41.0%</b>
of which Guided products & services	1,694,089	41.3%	1,605,111	55.2%	88,978	5.5%

The table above shows the figures for net direct sales, assets under management and assets under administration solely for the personal financial advisors network' customers during first half 2020 compared to the previous year. Net sales came to € 4,103 million, increased by 41% compared with first half 2019.

# Business performance

## Performance of main income statement aggregates

**Operating income** came to € 405.8 million, up 27.3% compared to € 318.8 million in the same period of 2019.

**Net fee and commission income** and **Net trading, hedging and fair value income** contributed to the increase in the operating income as they rose, respectively, by 32.2% and 216.7%, while **Net interest** fell slightly by 2.5%.

**Net interest** decreased by € 3.5 million compared to the first half of the previous year due mainly to the fall in market interest rates, partially offset by the positive contribution of the increase in volumes, the growth in lending, and more dynamic treasury management. In this regard it should be noted that the structure of the investments carried out by the Group contributed to maintaining a significant level of interest income, with the average gross margin on interest-earning assets at 1.06% (1.20% at June 30, 2019).

**Net fee and commission income** increased by € 51.1 million compared to the first half of the previous year, mainly due to the commissions generated by the Brokerage segment (+€ 36.6 million), driven by a highly volatile market, an increase in the proportion of the Bank's customers active in the Brokerage segment and the review of the offer, as well as the commissions generated by the Banking segment (+€ 9.1 million), driven in particular by the change in the monthly cost of keeping euro-denominated current accounts, which took effect from February 2020. It should be noted that this item includes the account maintenance fees that – whose introduction is subject of the proceedings brought against the Bank in December 2019 by the Italian Antitrust Authority (AGCM). Taking into account the outcome of the hearings and discussions with the abovementioned Authority, the Bank – while maintaining that it acted properly – decided to pay back customers affected by this commercial practice, for an estimated amount of € 4 million as at June 30th, 2020 (already recognised under the item Provisions for risks and charges, to which readers should refer). Despite the tough market environment, commissions generated by the Investing segment also increased (+€ 6.1 million), thanks to the continuous improvement of the offer and the quality of sales. In the first half of 2020, the subsidiary Fineco AM generated net commissions of € 32.4 million.

**Net trading, hedging and fair value income** was mainly generated by profits realised by the Brokerage segment, which includes internalisation of securities and regulated/OTC derivatives, financial instruments used for operational hedging of securities and internalised derivatives and the exchange differences on assets and liabilities denominated in currency; it was up € 31.2 million compared to the first half of the previous year, driven by financial-market volatility in the first half of 2020, which resulted in an increase of over 180% in internalised volumes. This result also includes the income components from financial instruments recognised under "Other financial assets that must be designated at fair value", which include the Visa INC class "C" preferred shares and the equity exposure accounted for the contributions paid to the Voluntary Scheme established by the National Interbank Deposit Guarantee Fund, whose fair-value measurements respectively generated, in the first half of 2020, a gain of € 0.06 million (+€ 1.9 million in the first half of 2019) and a loss of € 1.2 million (-€ 4.8 million in the first half of 2019). Finally, there are the net profits generated by the sale of government bonds recognised under "financial assets at fair value through other comprehensive income", amounting to € 1.8 million (€ 0.7 million in the first half of 2019), and recognised under "Financial assets at amortised cost", amounting to € 7 million (€ 2.1 million in the first half of 2019, including securities issued by UniCredit).

**Operating costs** remained under control with an increase of € 4.7 million compared to the same period of the previous year (+€ 4.8 million for "Staff expenses", -€ 1.9 million for "Other administrative expenses net of Recovery of expenses" and +€ 1.8 million for "Impairment/write-backs on intangible and tangible assets"). The 3.7% increase is, in any case, well contained when compared to the growth in activities, AUM, customers, structure and staff, confirming the Group's strong operating leverage and widespread corporate culture of cost management, proven by a *cost/income ratio* at 32.6% (40% as at June 30th, 2019).

**Loan loss provisions** in the first half of 2020 stood at € -3.7 million (-0.1 million in the first half of 2019) and were mainly affected by the change in the macroeconomic scenarios used in the calculation of LLPs for Expected Credit Losses at June 30th, 2020. As described above in "Significant events during the period", when assessing performing credit exposures at June 30th, 2020, the Group considered an updated macroeconomic scenario to take into account the effects of the crisis arising from the COVID-19 pandemic. The updated macroeconomic scenarios led to an € 0.3 million in LLPs. As regards other counterparties other than securities issuers, the updated macroeconomic scenarios led to LLPs of € 0.8 million, recognised using IFRS 9 impairment models and their post-model overlay and adjustment. It should also be noted that at June 30th, 2019, the Group had recorded writebacks of approximately € 2.3 million with respect to the counterparty UniCredit S.p.A., thanks to both a reduction in exposures and an improvement in the counterparty's risk profile, as a result of the financial guarantee received under the Pledge Agreement entered into following the exit of FinecoBank from the UniCredit Banking Group.

**Provisions for risks and charges** amounted to -€ 7.6 million, increasing on the -€ 3.8 million recorded in the first half of 2019. During the first half of 2020 the ordinary annual contribution required for the 2020 financial year under Directive 2014/59/EU (Single Resolution Fund) was recognised in the amount of € 0.7 million (no contribution had been requested for the 2019 financial year). In June 2020, the Bank of Italy called in additional contributions to the National Resolution Fund pursuant to Art. 1, paragraph 848 of Law 208/2015. The contribution payable by the Bank was € 0.2 million. At June 30, 2020, the Provisions for risks and charges also include a provision made by the Bank in relation to the proceedings initiated against itself in December 2019 by the Italian Antitrust Authority (AGCM). In this regard, it should be noted that on December 20th, 2019, the Bank received notice from the AGCM that it had initiated proceedings to assess the compliance with the Consumer Code (Legislative Decree 206/2005) of a commercial practice that the Bank had previously used to encourage people to open current accounts. During the first half of 2020, FinecoBank – on the advice of its lawyers – provided the AGCM with all the information required for the purposes of the assessment within the prescribed time limits, explaining the reasons why it believes it has operated correctly. Taking into account the outcome of the hearings and discussions with the AGCM, the Bank – while maintaining that it acted properly – decided to pay back customers affected by this commercial practice (the monthly account maintenance fees) charged in 2020 and to not apply these fees until December 31, 2020.

# Business performance

Pending the AGCM's decisions on the proposals made by the Bank, this substantial commitment taken by the Bank at the reporting date has been covered by a specific allocation to the Provision for risks and charges as at June 30th, 2020 in the amount of € 4 million. If the above proposal is accepted, this amount will be paid to the customers concerned during the second half of 2020 by promptly repaying the fees charged to them from February 1st, 2020.

**Profit from investments** showed a loss of 3.8 million, down 9.6 million on the first half of 2019. As described above, when assessing performing credit exposures at June 30th, 2020, the Group considered an updated macroeconomic scenario to take into account the effects of the crisis arising from the COVID-19 pandemic. Regarding exposures to bond issuers, where the greatest impact was on sovereign exposures, the updated macroeconomic scenarios led to provisions of € 3.6 million, recognised using IFRS 9 impairment models and their post-model overlay and adjustment. It should also be noted that at June 30th, 2019, the Group had recorded writebacks of approximately € 6.5 million with respect to the issuer UniCredit S.p.A., thanks to both a reduction in exposures in debt securities and an improvement in the issuer's risk profile, as a result of the financial guarantee received under the Pledge Agreement entered into following the exit of FinecoBank from the UniCredit Banking Group.

**Profit (loss) before tax from continuing operations** amounted to a profit of € 258.5 million, increasing by 33.9% on the first half of the prior year, owing in particular to the increase in Net commissions and Net trading, hedging and fair value income. Excluding non-recurring items in the first half of 2020 as previously described<sup>5</sup>, profit before tax from continuing operations would have been € 259.7 million, up 31.3% compared to the first half of 2019 (also net of non-recurring items<sup>6</sup>).

**Profit for the period** came to € 180.2 million, up 34.3% compared to € 134.1 million for the first half of the previous year. Excluding non-recurring items in the first half of 2020 as previously described<sup>7</sup>, profit for the period would have been € 181 million, up 30.1% compared to the first half of 2019 (also net of non-recurring items<sup>8</sup>).

## Performance of main balance sheet aggregates

**Cash and cash balances**, amounting to € 909.8 million, consisted mainly of the liquidity deposited in the HAM (*Home Accounting Model*) account with the Bank of Italy, used to manage short-term liquidity.

**Loans to banks** came to € 723.2 million, an increase of 27.8% compared to December 31, 2019, driven mainly by higher variation margins paid for derivative dealing. This item also includes cash and cash equivalents with credit institutions held mainly for the settlement of payment transactions and transactions involving own and customers' financial instruments.

**Loans to customers** came to € 4,204.3 million, up 14.3% compared to December 31, 2019, thanks to the increase in lending activities. In the first half of 2020, € 78 million in personal loans and € 552 million in mortgages were granted, and € 429 million in current account overdrafts were arranged, with an increase in exposures in current account of € 130 million; this resulted in an overall 15.4% aggregate increase in loans to ordinary customers compared to December 31, 2019. Non-performing loans net of impairment losses totalled € 4.7 million (€ 3.6 million as at December 31, 2019), with a coverage ratio of 82.8%. The ratio between the amount of non-performing loans and total loans to ordinary customers came to 0.12% (0.11% as at December 31, 2019).

**Other financial assets** came to € 22,946.5 million, up 2.9% compared to December 31st, 2019. The book value of debt securities issued by UniCredit S.p.A. amounted to € 6,505.8 million, down compared to € 7,501.4 million at December 31st, 2019 due to the redemption of securities maturing during the first half of 2020. Purchases made by the Group during the first half of 2020 mainly involved bonds issued by governments, supranational entities and covered bonds.

**Deposits from banks** amounted to € 113.1 million, down 26.8% compared to December 31st, 2019, mainly due to a reduction in liabilities represented by current accounts with credit institutions and securities lending transactions secured by sums of money that are fully available to the lender. This item also includes "Lease liabilities" payable to banks, amounting to € 4.9 million, which represent the financial liability corresponding to the present value of the payments due under lease agreements with credit institutions not paid on the reporting date, as required by IFRS 16.

**Deposits from customers** amounted to € 27,021.2 million, up 4.2% over December 31st, 2019, due to growth in direct deposits from customers and repurchase agreements on the MTS market. The item also includes "Lease liabilities" payable to customers of € 66.4 million, including € 0.8 million relating to the subsidiary Fineco AM, which represents the present value of payments due under lease agreements entered into with parties other than credit institutions that were not paid at the reporting date, as required by IFRS 16.

<sup>5</sup> Change in the fair value of the equity exposure to the Voluntary Scheme set up by the Interbank Deposit Guarantee Fund totalling -€1.2 million (including tax effect).

<sup>6</sup> Change in the fair value of the equity exposure to the Voluntary Scheme set up by the Interbank Deposit Guarantee Fund totalling -€4.8 million (including tax effect).

<sup>7</sup> Change in the fair value of the equity exposure to the Voluntary Scheme set up by the Interbank Deposit Guarantee Fund totalling -€0.8 million (including tax effect).

<sup>8</sup> Change in the fair value of the equity exposure to the Voluntary Scheme set up by the Interbank Deposit Guarantee Fund totalling -€3.2 million (including tax effect) and the tax benefit from the so-called Patent Box regime amounting to €1.8 million.

## Business performance

**Equity** came to € 1,555.6 million, up € 173.2 million compared to December 31st, 2019, attributable mainly to the profit earned in the first half of 2020. During the first half of 2020, coupons were paid on the AT1 instruments issued by FinecoBank, which, net of taxes, resulted in a reduction in equity of € 9.9 million.

# Business performance

## Communications and external relations

The first half of 2020 opened with the launch of the "NOI SIAMO FINECO" communication campaign.

The campaign is based on diligent research into the real reasons investors are dissatisfied with their banks and offers a solution for each of them. FinecoBank continues to be "the bank that simplifies banking" and is now positioning itself as Italians' best investment partner and the alternative people are seeking: a smart, digital, transparent bank with a network of personal advisors able to meet the increasingly specific needs of their customers, who are always placed front and centre.

In late February and mid-April, two important communication flights were planned to support the new campaign mostly via TV, press, and digital media; from March through late June, a digital campaign was planned for the trading segment; and in April a member-get-member program was launched in support of personal financial advisors.

Regarding the Reputation Management programme, by which the Reputation Institute<sup>9</sup> conducts monthly surveys of banks' reputations among a representative sample of the general public, in the first quarter of 2020 FinecoBank achieved the second-highest score with a reputation index of 66.8/100.

Events and training initiatives for customers and advisors in the first half of 2020 were severely limited by the COVID-19 emergency which, as a result of the lockdown, required entirely new methods making it possible to attend remotely. More than 700 virtual events were therefore organized and attended by approximately 40,000 existing and prospective customers.

Many other initiatives put the Bank in national media headlines as it found ways to investigate the social and economic implications of the pandemic. In April it partnered with Il Corriere della Sera to launch the initiative "L'Italia che investe: dopo la crisi una nuova normalità", in which three prominent experts – including Fineco's Chief Executive Officer and General Manager, Alessandro Foti – explained the particularities of the health and economic crisis to the general public via the newspaper's TV channel.

In the first half of the year FinecoBank decided to support the research activities of Fondazione Feltrinelli. More specifically, "Cinque lezioni di complessità" was a socio-philosophical project involving five open-audience seminars with M. Benassyag, who analysed the many factors contributing to the complexity of the society we live in and the influences to which every individual is exposed. As the main sponsor, FinecoBank in fact argues for the value of simplicity as something different and opposed to the simplistic.

The Group also confirmed and strengthened its important partnership with Fondo Ambiente Italiano (FAI). For several years, FinecoBank has been a "corporate golden donor" and from this year main sponsor of all 2020 initiatives organized by FAI throughout the country, dedicated to the theme of reopening with a focus on cultural and environmental themes. FinecoBank and FAI share a vocation for protecting assets: whether financial assets as in Fineco's case or artistic treasures and landscapes as in FAI's, both are centred on the life plans of individual people. The first major events were the open house days (Giornate FAI) in June, to be followed by more Giornate FAI in the autumn.

Once again this year, FinecoBank upheld its commitment to supporting a number of solidarity programs. In March, with the explosion of the COVID-19 pandemic, it set up a donation page at FinecoBank.com in support of two of Italy's most important and hardest-hit healthcare institutions: ASST Fatebenefratelli Sacco in Milan and the Lazzaro Spallanzani Institute for Infectious Diseases in Rome. In addition to FinecoBank's direct donation, customers responded very generously to the appeal. In response to the COVID-19 emergency, FinecoBank funded the purchase of an ambulance for the Croce Rosaceleste of Milan and contributed to the non-profit CAF Onlus to help youths who are victims of violence to recover psychologically after the long lockdown. It also made a donation to the Anvolt association, which supports cancer patients and their families by organizing transportation from the patient's home to the hospital for treatments. FinecoBank's contribution went toward the purchase of personal protective equipment and toward sanitizing spaces, ensuring social distancing, and protecting patients.

Once again in 2020, FinecoBank is a "Top Employer Italy" for its attention to employees' wellbeing and professional development and for fostering a positive, stimulating working environment.

As for Fineco's marketing and communication activities in the UK, in April it launched the new "Trade without compromise" campaign, which aims to acquire new customers in the trading segment.

Fineco Asset Management ("FAM") continued to grow its assets under management and to expand its range of investment solutions, responding quickly and effectively to the needs of end customers and personal financial advisors. In the first half of 2020 this trend was paralleled by strategic communications designed to support FAM's positioning as a major asset management player. The launch of two new investment solutions, FAM Target Boost and FAM Global Defence 2023, were backed by two ad hoc advertising campaigns focused on off-line and on-line publications, both national and industry-specific. Both products were at the centre of media relations activities, including interviews and features with FAM's CEO, aimed at presenting the new instruments by positioning them strategically within the unusual market and banking context of the first half of the year, in light of the strong financial market volatility caused by the COVID-19 crisis. In this vein, the principles of behavioural finance, automated for the first time in FAM Target Boost, were among the focus topics of media relations activities, demonstrating FAM's vocation for financial education.

<sup>9</sup> The Reputation Institute ("RI") is the world's leading reputation advisory firm. RI enables many of the world's leading companies to make more confident business decisions that build and protect reputation capital, analyse risk and sustainability topics, and drive competitive advantage. RI's most prominent management tool is the RepTrak® model for analysing the reputations of companies and institutions — best known via the Global RepTrak® 100, the world's largest and most comprehensive study of corporate reputations.

# Business performance

Toward the end of the half year, FAM shone the spotlight of the asset management industry on the topic of "sustainability beyond the product". In a virtual press conference, it explained why investing according to ESG criteria is not sufficient to call one's business "sustainable". For FAM, sustainability means having a fair approach to customers, advisors, and shareholders: only with an efficient fee structure that excludes performance commissions can an asset management firm truly call itself sustainable.

To encourage this switch and draw greater attention to such an important topic for customers, advisors, and investors, FAM has rolled out an "evolved sustainability" label – "No Performance Fees" – that it encourages the asset management community to adopt.

## Incentive plans

The Board of Directors' meeting of FinecoBank held on January 15th, 2020 – in consideration of the favourable opinion of the Remuneration Committee which met on January 13, 2020 – approved the following incentive systems subsequently approved by the Shareholders' Meeting of April 28, 2020:

- 2020 Incentive System for employees categorised as "Key Personnel";
- 2020 Incentive System for Personal Financial Advisors identified as "Key Personnel".

On February 11, 2020, given the confirmation of the minimum entry conditions at Group level and the individual requisites (compliant conduct and continued employment) and the favourable opinion provided by the Remuneration Committee in its meeting of February 7, 2020, the Board of Directors of FinecoBank approved:

- for the 2014, 2015, 2016, and 2017 Incentive Systems (Bonus Pools):
  - the execution of the plans;
  - the allocation of the fourth share tranche of the 2014 plan, awarded in 2015, corresponding to 70,708 free ordinary shares, in line with the maximum amount approved by the Board of Directors on May 15th, 2014;
  - the allocation of the third share tranche of the 2015 plan, awarded in 2016, corresponding to 42,057 free ordinary shares, in line with the maximum amount approved by the Board of Directors on January 22th, 2015;
  - the allocation of the second share tranche of the 2016 plan, awarded in 2017, corresponding to 30,406 free ordinary shares, in line with the maximum amount approved by the Board of Directors on January 12th, 2016;
  - the allocation of the first share tranche of the 2017 plan, awarded in 2018, corresponding to 57,950 free ordinary shares, in line with the maximum amount approved by the Board of Directors on January 9th, 2017;
  - a free capital increase for a total amount of € 66,369.93 corresponding to a total of 201,121 FinecoBank ordinary shares with a nominal value of € 0.33 each (with the same characteristics as those in circulation and with regular dividend entitlement), in partial exercise of the authority granted to the Board of Directors by the Extraordinary Shareholders' Meeting of April 23rd, 2015, April 12th, 2016, April 11th, 2017 and April 10th, 2019 pursuant to Article 2443 of the Italian Civil Code. The dilution effect resulting from the above free capital increase has been quantified as 0.03% of the fully diluted capital.
  - for the 2014-2017 Top Management Multi-Year Plan:
- the execution of the plan;
  - the allocation of 422,779 free ordinary shares to the beneficiaries of the fourth share tranche of the plan, awarded in 2017, in line with the maximum amount approved by the Board of Directors on February 7th, 2017;
  - a free capital increase, for a total amount of € 139,517.07 corresponding to a total of 422,779 FinecoBank ordinary shares with a nominal value of € 0.33 each (with the same characteristics as those in circulation and with regular dividend entitlement), in partial exercise of the authority granted to the Board of Directors by the Extraordinary Shareholders' Meeting of June 5th, 2014, pursuant to Article 2443 of the Italian Civil Code. The dilution effect resulting from the above free capital increase has been quantified as 0.07% of the fully diluted capital.
- for the 2019 Incentive System (Bonus Pool):
  - the FinecoBank 2019 Bonus Pool;
  - the proposals for the determination of the 2019 bonus for the Chief Executive Officer and General Manager, other Key Management Personnel, and other Key Personnel;
  - the allocation of 163,658 FinecoBank ordinary shares, to be given free of charge to the above-mentioned personnel in accordance with the bonus pool regulations.
- for the Incentive System 2018:
  - the execution of the plan;
  - the allocation of the second tranche in cash of the plan awarded in 2019.
  - for the 2019 PFA Incentive System plan:
    - the proposed determination of the 2019 Bonus Pool for personal financial advisors;
    - the proposed determination of the 2019 bonus and prior-year deferrals for personal financial advisors classified as Key Personnel;
    - the allocation of FinecoBank shares with a total value of € 397,287.26 (maximum 179,534 ordinary shares), to be given free of charge to the above-mentioned personal financial advisors in accordance with the plan regulations;
    - the purchase of treasury shares, having obtained the authorisation from the Supervisory Authority, pursuant to Articles 77-78 EU 575/2013 of June 26th, 2013 (CRR), in accordance with the shareholder meeting resolutions.

## Business performance

- for the 2018 PFA Incentive System plan:
  - the execution of the plan;
  - the allocation of the second tranche in cash to the personal financial advisors classified as "Identified Staff", in accordance with the plan regulations.
  - for the 2017 PFA Incentive System plan:
    - the execution of the plan;
    - the allocation of the first share tranche of the plan, corresponding to 16,590 FinecoBank shares.
- for the 2016 PFA Incentive System plan:
  - the execution of the plan;
  - the allocation of the second tranche of the plan, corresponding to 11,548 FinecoBank shares, and the allocation of the third tranche in cash of the plan, to be granted to the personal financial advisors classified as "Identified Staff" in accordance with the plan regulations.
  - for the 2015 PFA Incentive System plan:
    - the execution of the plan;
    - the allocation of the third tranche of the plan, corresponding to 7,737 phantom shares.

The Board of Directors of Fineco Asset Management, which met on April 21st, 2020, approved its own 2020 Incentive System for Key Personnel.



# FinecoBank shares

## Share information

As of June 30 2020, the price of the share was equal to € 12.02, increasing by +14% compared to the last trading day of 2019, despite the market correction following the Covid-19 outbreak. The result is in contrast with both the FTSE MIB index and the Euro Stoxx Banks index, which since the beginning of the year recorded a contraction of 18% and 35% respectively. The average value recorded by the share in the first half of 2020 was equal to € 10.12 and its value reached its all-time high at € 12.42 in June 2020.

The company's market capitalisation equaled to € 7,324 million as of June 30, 2020.

	Year 2014	Year 2015	Year 2016	Year 2017	Year 2018	1st half 2019	Year 2019	1st half 2020
<b>Official price of ordinary shares (€ )</b>								
- maximum	4,750	7,805	7,400	8,735	11,890	12,385	12,385	12,415
- minimum	3,808	4,438	4,622	5,345	7,956	8,646	8,514	6,918
- average	4,173	6,479	5,980	6,914	9,823	10,498	10,234	10,124
- period-end	4,668	7,625	5,330	8,535	8,778	9,810	10,690	12,015
<b>Number of shares (million)</b>								
- outstanding at period end	606,3	606,5	606,8	607,7	608,4	608,4	608,9	609,6

# Results achieved in the main areas of activity

The following pages contain the main indicators and results of the main business segments: Banking, Brokerage and Investing, including the asset management business of the subsidiary Fineco AM.

Given the Bank's specific business model that entails strong vertical integration among its different activities, these three business segments are interdependent. Indeed, the Group offers its banking and investment services through a network of personal financial advisors and online and mobile channels that operate in a coordinated, integrated manner. The completeness of the services offered makes it a one-stop solution for customers' banking operations and investment needs. This strategy, which is strongly anchored to the customer, means that revenues and margins relative to various products/services (investing, banking and brokerage) are therefore highly interdependent on each other.

All activities are performed with the aim of obtaining economic results from the "industrial" management of the businesses, to minimise their financial risk. The Bank's financial management approach is to manage risks with a view to protecting the industrial returns of its various businesses while not assuming risk positions on its own account.

## Banking

### Banking and Payment cards

In first half 2020 the Banking area continued to optimize digitalisation processes and expand its offering of products and services, efforts that were also useful in dealing with the COVID-19 emergency. With the pandemic underway, in fact, new processes were implemented so that Fineco's personal financial advisors could continue to acquire customers remotely. One such process allowed advisors to open current accounts on their own, directly from the public area of [www.finecobank.com](http://www.finecobank.com), on their customers' behalf.

Regarding new products and services:

- the Multicurrency<sup>10</sup> service was expanded to include the following new currencies: Norwegian krone, Polish zloty, New Zealand dollar, Danish krone, Singapore dollar, Hong Kong dollar, Czech koruna and Hungarian forint. All customers signed up for the Multicurrency service can now operate in these currencies as well as those already offered. This expanded service was offered both in Italy and the United Kingdom;
- All customers now have free access to Moneymap, Fineco's account-integrated household budget tool that automatically categorizes incoming and outgoing movements and helps customers save money by using the "budget" function. This service has been further expanded with a feature that compares yearly expenditures and income;
- simplified F24 tax payment forms can now be paid directly from the Fineco app.

Improvements to existing products and services include:

- an increase to € 15 thousand of the limit on instant outgoing bank transfers (SCT INST). Account holders can also customize these limits from their personal area of the website;
- the real-time delivery of activation codes and user IDs for first-time access to the online personal area. The credentials are sent to the customer by e-mail and SMS (using certified contact details) as soon as the new account contract is digitally signed. Using the codes received by e-mail and SMS, customers can access the site, view their IBANs and navigate through account services. This feature is only available for account applications submitted at [finecobank.com](http://finecobank.com);
- a new Account and Cards landing page within the online personal area. For the first time, in addition to their current account movements, customers now have real-time access to all transactions made with payment cards even if they have not yet been debited to their accounts. Visa and MasterCard payments that have not yet been debited are now also visible in the "My Cards" section, along with other movements. The feature is also available in the app;
- a new process to regenerate credentials (activation code and password) via SMS. This feature is free of charge to customers with a certified cell phone number;
- a new "change password" feature using the app.

Since February 2020 there has also been a change in the monthly fee for current accounts in euros and the monthly fee for Multicurrency CHF subaccounts opened before November 26th, 2016. Customers were notified of the change in November 2019 with a unilateral modification proposal pursuant to Art. 18 of the Consolidated Banking Act, with effect from February 1, 2020.

<sup>10</sup> Multicurrency is a free service integrated with Fineco accounts that allows account holders to diversify liquidity and investments and operate directly in the world's main currencies without exchange fees (paying only a spread), and directly in the reference currency.

# Results achieved in the main areas of activity

Marketing and word-of-mouth ("member gets member") campaigns addressed to FinecoBank customers continued to be developed and managed during the period.

The table below shows a decrease in credit card spending compared with the first half 2019, mainly attributable to the contraction in consumption caused by the pandemic from COVID-19.

(Amounts in € thousand)

Credit products	Spending		Carrying amount		Changes			
	First Half 2020	06/30/2020	First Half 2019	12/31/2019	Spending		Carrying amount	
					Amount	%	Amount	%
Revolving credit cards	19,409	38,427	23,817	43,486	(4,408)	-18.5%	(5,059)	-11.6%
Credit cards full payment of balance	1,189,198	234,232	1,438,072	311,672	(248,874)	-17.3%	(77,440)	-24.8%
<b>Total</b>	<b>1,208,607</b>	<b>272,659</b>	<b>1,461,889</b>	<b>355,158</b>	<b>(253,282)</b>	<b>-17.3%</b>	<b>(82,499)</b>	<b>-23.2%</b>

## Mortgages, credit facilities and personal loans

In the lending business, the Bank continued to optimize its current loan portfolio while handling the new needs arising from the COVID-19 health emergency.

Regarding the optimisation of the current loan portfolio:

- fixed-interest mortgage loans are now offered with a "locked-in rate" depending on the characteristics of the loan (rather than the previous sum of benchmark IRS plus spread), guaranteeing the rate applicable on the date of the loan's definitive approval for the following 30 days. This aims to make loan conditions even clearer and more transparent, expanding the customer's right of withdrawal;
- an online revolving feature has been developed for ordinary securities guaranteeing Lombard loans. This feature makes it possible for customers using an ordinary portfolio to secure Lombard loans to order purchases, sales and switches within the portfolio directly from their online personal area, without assistance from their financial advisor.

To support customers' needs in relation to the COVID-19 emergency, in addition to the moratorium on mortgage payments through use of the CONSAP Fund (in accordance with the government's Cura Italia Decree), the Bank has taken the following measures:

- participation in the Italian Banking Association (ABI) moratorium for household loans: principal payments are suspended for personal loans and mortgages other than those covered by the CONSAP fund) for up to 12 months, while interest continues to fall due;
- introduction of a new unsecured credit line that gives eligible customers an advance on ordinary or extraordinary unemployment benefits while awaiting payment from the appropriate entities.

The following table shows the disbursements and balances of personal and unsecured loans, mortgages, and current account credit facilities compared, respectively, with the disbursements of the first half of 2019 and with the balance at the end of 2019.

(Amounts in € thousand)

Credit products	Disbursements		Carrying amount		Changes			
	First Half 2020	06/30/2020	First Half 2019	12/31/2019	Disbursements		Carrying amount	
					Amount	%	Amount	%
Personal loans and unsecured loans	78,046	436,788	109,404	457,577	(31,358)	-28.7%	(20,789)	-4.5%
Current account credit facilities*	428,908	1,422,227	451,100	1,292,172	(22,192)	-4.9%	130,055	10.1%
Mortgages	551,914	1,631,511	170,711	1,156,353	381,203	223.3%	475,158	41.1%
<b>Total</b>	<b>1,058,868</b>	<b>3,490,526</b>	<b>731,215</b>	<b>2,906,102</b>	<b>327,653</b>	<b>44.8%</b>	<b>584,424</b>	<b>20.1%</b>

\* With regard to Current account credit lines the column Disbursements shows the amounts granted.

Credit facilities guaranteed by securities granted in the first half of 2020 totalled € 422 million (€ 413 million in Lombard loans, € 6 million in credit facilities secured by pledge and € 2 million in credit facilities with mandate to sell), amounting to 98% of all credit lines granted.

# Results achieved in the main areas of activity

## Brokerage

In the first half of 2020 the rapid spread of the pandemic, as well as the timing of the lockdown policies, led to a significant economic contraction on all continents which in turn led to strong volatility in the financial markets. In addition, the crisis exponentially increased the world's interest in digital and customised services.

The strength of a diversified business model with a complete, integrated platform has allowed the Group to achieve excellent results, even in this complex market phase.

Thanks to the sustainability of Fineco's business model, the Brokerage business generated a profit of € 127.9 million in first half 2020 and distinguished itself in the market through a range of products that owes its success to three characteristics: ease of use, quality, and excellent price/quality ratio.

The Group continued to optimize the current product portfolio during the first half of the year. Specifically, it revised the fee structure on futures (now even more advantageous with reduced fees on IDM, Eurex and CME futures) and extended automatic (stop loss and take profit) orders on FX CFD to overnight trading. This makes it possible to add, modify and cancel customized stop loss/take profit orders on a position or on individual orders 24 hours a day, 7 days a week, except Saturdays and Sundays between 4:00 a.m. and 6:15 a.m. The feature is available in all order entry channels: website, PowerDesk and app.

The following table shows the number of orders on financial instruments recorded in the first half of 2020 compared with the same period in the previous year.

(Amounts in € thousand)

	Amounts as at		Changes	
	06/30/2020	06/30/2019	Absolute	%
Orders - Equity Italy (including internalised orders)	6,237,651	3,511,183	2,726,468	77.7%
Orders - Equity USA (including internalised orders)	1,752,969	699,139	1,053,830	150.7%
Orders - Equity other markets (including internalised orders)	648,330	279,799	368,531	131.7%
<i>Total Equity orders</i>	<i>8,638,950</i>	<i>4,490,121</i>	<i>4,148,829</i>	<i>92.4%</i>
Orders - Bonds	315,141	275,167	39,974	14.5%
Orders - Derivatives	5,316,469	1,443,485	3,872,984	268.3%
Orders - Forex	539,991	231,997	307,994	132.8%
Orders - CFDs	1,388,571	597,657	790,914	132.3%
Orders - Funds	1,849,364	1,314,353	535,011	40.7%
<b>Total orders</b>	<b>18,048,486</b>	<b>8,352,780</b>	<b>9,695,706</b>	<b>116.1%</b>

The table below shows the volume of trades carried out as direct counterparty in orders placed by customers, resulting from the insourcing of orders received on shares, derivatives, CFDs and Logos, recorded in the first half of 2020 compared with the same period last year.

(Amounts in € thousand)

	Amounts as at		Changes	
	06/30/2020	06/30/2019	Absolute	%
Equity (internationalization)	58,416,884	37,195,774	21,221,110	57.1%
Derivatives (of which internalized)	100,798,767	17,257,246	83,541,521	484.1%
Forex	29,253,935	11,255,095	17,998,840	159.9%
CFD and Logos	48,961,051	18,038,960	30,922,091	171.4%
<b>Total "internalized" volumes</b>	<b>237,430,637</b>	<b>83,747,075</b>	<b>153,683,562</b>	<b>183.5%</b>

The item "Derivatives (of which: insourced)" refers to the insourcing of orders received on options and futures which began, respectively, in July 2019 and in March 2019.

# Results achieved in the main areas of activity

## Investing

The Group uses a guided open architecture business model to offer customers an extremely wide range of asset management products - comprising collective asset management products, such as units of UCITS and SICAV shares - from carefully selected Italian and international investment firms, as well as pension and insurance products and investment advisory services.

In first half 2020, the range of collective asset management products was further enhanced with the addition to the platform of 61 new ISINs available to customers, including Fineco Asset Management funds. FAM's offerings have further expanded with new versions of FAM Target funds (part of the FAM Evolution family), which arose from the demand for a simple, customized asset allocation service and offer the double advantage of gradual entry to the market and maintenance of the purchasing power of liquidity. These new versions include Fam Target Boost, launched in April 2020, whose destocking mechanism takes advantage of market corrections to increase scheduled investments. Meanwhile, two new FAM Series strategies differ from their predecessors because they are not delegated but protected funds, with the opportunity to profit from excess liquidity.

Still with reference to collective asset management products, funds have been sold in the UK market since September 2019. As of the date of this document there are five investment houses; 154 ISINs have been launched on our platform.

In the segregated accounts business, despite a significant COVID-19 effect on the performance of existing portfolios, the growth trend continued in the first half of 2020 with a net inflow of € XX million since the start of the year. As regards pension products, customers are increasingly interested in the open Core Pension fund, sold exclusively through the FinecoBank network. With a view to improving the technology of this important instrument and to going increasingly paperless, since May 5, 2020 it has been possible to sign up customers for Core Pension not only in the traditional, off-line manner but also digitally through the web collaboration platform.

In the insurance advisory business, in the first half of the year the Group continued to market Multiramo Extra, launched in late December 2019 and Multiramo Target also continued to bring in funds. The real novelty of 2020 is the launch of Multiramo Protetta Aviva with Lifin Segregated Funds NAV protection (underwriter SG).

Primary market placements (IPOs) continued with the sale of investment certificates. The prevalent structural types are autocallable, "conditionally protected" instruments with protection barriers of up to 60%, with or without fixed coupons.

As regards advisory services, in first half 2020 the Group continued to develop solutions designed to improve the services provided to customers and personal financial advisors. It introduced new guided solutions (model portfolios) to meet the needs of all target customers characterising the Bank's model of service.

Specifically, the Group created:

- four "Mini Allocation" portfolios for "Smart Investor" customers seeking diversified risk-return profiles, using guided funds of funds solutions;
- six "Easy Allocation" portfolios for "Premium Investor" customers seeking diversified risk-return profiles with rising VaR, mostly comprising FoF solutions along with the choice of individual SICAVs to cover specific asset classes, plus a version consisting entirely of ETFs for those preferring passive strategies;
- a multiasset "destocking" portfolio built with products from various third-party SICAVs, FAM funds and ETFs, for customers wishing to gradually increase their risk exposure over time thanks to the use of FAM Target funds, which start with a prudent portfolio and eventually arrive at a balanced one;
- nine private ETF model portfolios for Affluent/Private customers, to be used mainly within the Advice program, featuring incremental risk-return profiles and a selection of high-quality, high-liquidity ETFs. These are in addition to the other private model portfolios: multiasset (SICAVs, ETFs and bonds), SICAV only, and Income;
- theme portfolios (ESG, Low Volatility, Dividends, etc.) for Private customers, where investment decisions are matched to the customer's specific needs;
- personalized portfolios for high-worth customers with complex needs that go beyond standard solutions (variable ESG weight, dividend yield, duration, exposure to currencies, costs, etc.).

All of the above portfolios are the subject of monthly X-net reports available to Fineco's personal financial advisors.

In addition, during the COVID-19 phase, the frequency of reporting on model portfolios and market trends has been increased and specific analyses of the financial crisis have been produced, including through dedicated meetings with the investment houses.

New investment certificates focusing on the ESG range have been added, thus expanding the solutions available to the Group's advisory services.

## Results achieved in the main areas of activity

The following table breaks down assets under management by type of product at June 30th, 2020, showing a slight reduction with respect to the end of 2019 due to a negative market effect booked during the first half 2020.

(Amounts in € thousand)

	Amounts as at		Amounts as at		Changes	
	06/30/2020	Comp %	12/31/2019	Comp %	Absolute	%
UCITS and other investment funds	27,657,395	69.0%	28,785,791	71.1%	(1,128,396)	-3.9%
Insurance products	10,675,738	26.6%	10,115,054	25.0%	560,684	5.5%
Segregated accounts	169,394	0.4%	92,529	0.2%	76,865	83.1%
Asset under custody and Direct deposits under advisory	1,580,440	3.9%	1,512,000	3.7%	68,440	4.5%
<b>Total assets under management</b>	<b>40,082,967</b>	<b>100.0%</b>	<b>40,505,374</b>	<b>100.0%</b>	<b>(422,407)</b>	<b>-1.0%</b>

# The network of personal financial advisors

The year 2020 began in the wake of small investors' renewed confidence in the various forms of investment, particularly asset management, which had begun to grow in the second half of 2019 thanks in part to the solid, steady performance of the markets. The spread of the COVID-19 pandemic, however, arrested the initial enthusiasm and the markets reacted very poorly. The entire industry had to face an unprecedented situation, with investors afraid for their health, the economy and their savings.

The efforts of FinecoBank's personal financial advisors to remind customers of basic investing principles based on diversification and time horizons were fundamental to assisting, advising, and supporting customers as they confirmed or adjusted their objectives and needs in the face of a scenario that had changed so suddenly.

Once again, Fineco proved to have a winning business model: personal financial advisors who build one-on-one relationships based on trust, supported by increasingly advanced, efficient and reliable technology that provides planning and risk monitoring tools while ensuring continuity. By organizing work in teams and providing remote communication technologies (web and mobile collaboration, digital signatures), the Group never missed a beat with customers and financial advisors. As confirmation of this, the first half of 2020 saw double-digit growth compared with the same period in 2019, with total net sales of € 4,103 million (+41%). Net assets under management came to € 1,617 million (+13.6%) and net assets in Guided Products amounted to € 1,694 million (+5.5%).

Even more significant in terms of value was the quality of sales made through Guided Products, confirming that the proper detection of needs, the planning of objectives over the appropriate horizon, and the monitoring of risks allow customers to avoid impulsive, emotional decisions and in fact to take advantage of the moment to build their investments.

The Group continued to acquire new customers at a steady pace, thanks also to word of mouth from customers satisfied with the constant presence and continuity the Group was able to provide at such a complex time. In the first half of the year FinecoBank opened nearly 47,226 new accounts.

The Private segment also demonstrated its appreciation for the Fineco model, with value-for-money up by 10.2% compared with the first half of 2019 (from € 30 million to € 33 million) despite undergoing a slight contraction of -1.2% in the last six months (from € 33.4 million to € 33.0 million); at 30 June 2020 the customers referable to this target referable to the network of personal financial advisors amounted to approximately 32,270 (out of the total private customers equal to approximately 35,765), chiefly in the € 1-5 million range.

As in previous years, growth in the first six months of 2020 was "healthy", without distortions from aggressive marketing initiatives or particular acquisition and recruitment programmes. Despite the steep decline in market values, the existing network maintained its average per capita portfolio at the same levels as end-2019, with Guided Products making up 73% of total assets under management. In this respect the Group was quick to finalize defensive instruments and develop new ones, thanks to the valuable contribution of FAM, so that it could also meet the needs of customers with a more cautious profile and lighten (and further diversify) existing portfolios. Solutions were arranged allowing customers with different time horizons and risk profiles to gradually increase their equity exposure; these programmes prevent market timing errors while ensuring suitable diversification and timely rebalancing.

FinecoBank moved forward with its financial education initiatives, facing the emergency and answering customers' questions during this period of deep concern for the ramifications of the pandemic. Always a stand-out on this topic, and even more so in these unprecedented times, FinecoBank offered many additional web-based events for customers and substantially increased the number of participants: in first half 2020 it organized 1,032 events (882 of them online), with a combined attendance of about 41,000 existing and prospective customers. Various subjects were addressed, from scenario analysis to the macroeconomic context, from retirement funds to behavioural finance, arriving at the solutions specific instruments can provide for given needs. On some occasions FinecoBank hosted influential speakers, including asset managers, economists, strategists, researchers and university professors.

Recruitment activities proceeded without pause, continuing to complete and complement the expansion and qualitative growth of our Network. The Group confirmed its interest in high-potential recruits who share FinecoBank's vision and customer-centric strategy, who continued to be interviewed and selected by stepping up the use of remote communication platforms. In the first half of the year, 30 new senior financial advisors were hired, 11 of them between March and June 2020.

Millennials are also of interest; the Bank continued to hire recent graduates, again using remote communication systems. The number of young recruits did decline, however, due to the cancellation of OCF exam sessions. In the first half of 2020 the Bank hired 24 advisors under the "progetto giovani" programme, including 16 from March through June.

During the COVID-19 emergency, Fineco Centers (numbering 399 throughout Italy at June 30th, 2020) have been organized to ensure the maximum safety of customers and financial advisors.

Additional investments were also made in local sales facilities, with 10 new openings that will further enhance the Bank's image and expand its presence throughout the country.

# The network of personal financial advisors

## Net sales - Personal Financial Advisors Network

(Amounts in € thousand)

	1st Half 2020	Comp %	1st Half 2019	Comp %	Changes	
					Absolute	%
Current accounts and demand deposits	618,893	15.1%	1,375,074	47.3%	(756,181)	-55.0%
Time deposits and reverse repos	(585)	0.0%	(914)	0.0%	329	-36.0%
<b>DIRECT DEPOSITS</b>	<b>618,308</b>	<b>15.1%</b>	<b>1,374,160</b>	<b>47.2%</b>	<b>(755,852)</b>	<b>-55.0%</b>
Segregated accounts	82,037	2.0%	24,700	0.8%	57,337	232.1%
UCITS and other investment funds	622,502	15.2%	34,007	1.2%	588,495	1730.5%
Insurance products	757,988	18.5%	1,090,256	37.5%	(332,268)	-30.5%
Asset under custody and Direct deposits under advisory	154,403	3.8%	274,959	9.5%	(120,556)	-43.8%
<b>ASSETS UNDER MANAGEMENT BALANCE</b>	<b>1,616,930</b>	<b>39.4%</b>	<b>1,423,922</b>	<b>48.9%</b>	<b>193,008</b>	<b>13.6%</b>
Government securities, bonds and stocks	1,867,416	45.5%	111,622	3.8%	1,755,794	1573.0%
<b>ASSETS UNDER CUSTODY</b>	<b>1,867,416</b>	<b>45.5%</b>	<b>111,622</b>	<b>3.8%</b>	<b>1,755,794</b>	<b>1573.0%</b>
<b>TOTAL FINANCIAL ASSETS PERSONAL FINANCIAL ADVISORS NETWORK</b>	<b>4,102,654</b>	<b>100.0%</b>	<b>2,909,704</b>	<b>100.0%</b>	<b>1,192,950</b>	<b>41.0%</b>
of which Guided products & services	1,694,089	41.3%	1,605,111	55.2%	88,978	5.5%

The table above breaks down net direct sales, assets under management and assets under administration attributable to the network of personal financial advisors in the first half of 2020 compared to the same period last year.

## Total financial assets - Personal Financial Advisors Network

(Amounts in € thousand)

	Amounts as at		Amounts as at		Changes	
	06/30/2020	Comp %	12/31/2019	Comp %	Absolute	%
Current accounts and demand deposits	19,744,032	27.5%	19,206,453	27.2%	537,579	2.8%
Time deposits and reverse repos	648	0.0%	1,219	0.0%	(571)	-46.8%
<b>DIRECT DEPOSITS</b>	<b>19,744,680</b>	<b>27.5%</b>	<b>19,207,672</b>	<b>27.2%</b>	<b>537,008</b>	<b>2.8%</b>
Segregated accounts	169,394	0.2%	92,529	0.1%	76,865	83.1%
UCITS and other investment funds	27,293,568	38.1%	28,374,546	40.1%	(1,080,978)	-3.8%
Insurance products	10,600,812	14.8%	10,033,227	14.2%	567,585	5.7%
Asset under custody and Direct deposits under advisory	1,580,425	2.2%	1,511,983	2.1%	68,442	4.5%
<b>ASSETS UNDER MANAGEMENT BALANCE</b>	<b>39,644,199</b>	<b>55.3%</b>	<b>40,012,285</b>	<b>56.6%</b>	<b>(368,086)</b>	<b>-0.9%</b>
Government securities, bonds and stocks	12,298,258	17.2%	11,467,385	16.2%	830,873	7.2%
<b>ASSETS UNDER CUSTODY</b>	<b>12,298,258</b>	<b>17.2%</b>	<b>11,467,385</b>	<b>16.2%</b>	<b>830,873</b>	<b>7.2%</b>
<b>TOTAL FINANCIAL ASSETS PERSONAL FINANCIAL ADVISORS NETWORK</b>	<b>71,687,137</b>	<b>100.0%</b>	<b>70,687,342</b>	<b>100.0%</b>	<b>999,795</b>	<b>1.4%</b>
of which Guided products & services	28,947,306	40.4%	28,754,383	40.7%	192,923	0.7%

The table below breaks down total financial assets attributable to the PFA network at June 30th, 2020. Direct funding, assets under management and assets under administration totalled € 71,687 million, an increase of 1.4% since December 31st, 2019, thanks to the positive contribution of € 4,102 million in the first half of the year, partially offset by the negative market effect.



# Human resources

## The parent: FinecoBank S.p.A.

At June 30th, 2020 the Bank had 1,214 employees, up from 1,201 at December 31st, 2019. The breakdown was as follows:

In the first half of 2020, despite the COVID-19 emergency, operations were uninterrupted. Nearly all employees (96%) were able to work remotely. Also remotely, selection activities continued with a view to strengthening and optimising the units devoted to business development, organisational and technological support, and risk control and management. This led to the hiring of 30 workers.

Of the 30 new recruits, many were assigned to the Customer Relationship Management area, confirming the strong and ongoing focus on young graduates. Customer Relationship Management is the starting point of a pathway of professional development that can lead to different roles within the company. Following FinecoBank's exit from the UniCredit Group, the Bank continued to insource processes previously managed by UniCredit. For this reason it was necessary to expand some units by assigning 11 workers among the total resources hired.

In continuity with previous years, the Group put effort into attracting new talent with a particular focus on Millennials, thanks in part to employer branding initiatives aimed at meeting and recruiting new graduates or undergraduates and better understanding the behavioural patterns of the new generations. In light of the COVID-19 emergency, FinecoBank took part in Digital Career Days and continued to use alternative selection methods, such as video and online interviews. Onboarding was carried out very rapidly, immediately equipping new recruits with all the tools needed to work remotely.

During the year, a total of 17 employees left the bank, including:

- 11 resignations;
- 6 for other reasons.

The Bank's employees can be broken down as follows:

Category	Men		Women		Total	
	06/30/2020	12/31/2019	06/30/2020	12/31/2019	06/30/2020	12/31/2019
Executives	23	24	6	5	29	29
Managers	286	278	111	108	397	386
Professional Areas	388	388	400	398	788	786
<b>Total</b>	<b>697</b>	<b>690</b>	<b>517</b>	<b>511</b>	<b>1,214</b>	<b>1,201</b>

At June 30th, 2020, the Bank had 90 part-time employees (7% of the total), with women employees making up 43% of the workforce. The average length of service was 11 years and the average age around 41.

# Human resources

## Employee training

Employee training in the first half of 2020 was focused on the acquisition and strengthening of specific skills required by company needs and on the updating of individual knowledge, with a specific focus on mandatory, technical, linguistic and behavioural-managerial training.

Training hours\* are broken down below by category:

Training area	Hours of training
Mandatory	5,255
Technical	5,276
Foreign Language	3,261
Conduct – Management	142
<b>Total</b>	<b>13,934</b>

\*FAM included

## Mandatory training

The Bank is committed to constantly strengthening a risk and compliance culture across the organisation, which enables its business to be profitable but also sustainable over time.

For this reason considerable attention was paid to mandatory training, extended to all FinecoBank employees, who because of the COVID-19 emergency were able to participate remotely through the MyLearning platform. In addition, mandatory training was periodically monitored to make sure all employees received this training and to protect the Bank from operational, legal and reputational risks arising from the non-completion of courses.

To ensure compliance with occupational health and safety provisions, the Bank guarantees suitable training to all affected resources.

Moreover, in 2020 FinecoBank continued to promote the importance of a Compliance Culture among employees, which is fundamental for promoting transparency and observance of rules as the basis of FinecoBank's business.

In the Customer Care department, employees took mandatory courses in insurance (IVASS) and professional development courses for the purposes of Consob intermediary regulation, adopted with resolution no. 20307 of 15 February 2018.

## Technical and behavioural training

In the first six months of the year, compatibly with the COVID-19 emergency, training sessions were organised with the assistance of external suppliers and internal resources for the acquisition of technical skills needed to improve not only company productivity but also the level of employee specialisation.

The MyCampus training catalogue is available to the Bank's human resources, further extending e-learning dedicated to various topics.

With a view to maintaining a high quality service and customer focus, training courses were held for incoming and existing staff in the Customer Care department, with a total of 4,452 hours focused on the acquisition of key technical and role-specific skills.

In 2020 FinecoBank continued to partner with "Valore D", which offers courses and other content aimed at leveraging female talent within the Group.

## Foreign language training

In the first half of 2020, some 380 employees were enrolled in English courses (classroom-based, via telephone or online). Some executives also received Legal English instruction.

Due to the COVID-19 emergency, the classrooms originally meant to be in-person were converted into online classrooms until the lockdown was lifted.

Employees are assigned to participate in foreign language training courses based on requests made by the individual unit managers, considering specific professional needs.

# Human resources

## **The subsidiary: Fineco Asset Management Designated Activity Company (Dac)**

At June 30th, 2020 the company had 30 employees (9 women and 21 men), with an average age of about 35.

New employees were hired from the market in order to complete the company's organizational set-up in business, support and control functions.

# Technology infrastructure

The current architecture of FinecoBank's IT system means that the distribution structure, internal operating structure and applications used by customers to access dedicated services can be very closely integrated.

The technology infrastructure hosted by the Group's Datacenters consists of:

- Enterprise department systems dedicated to the provision of core services, such as storage, relational databases, core banking and core trading services, and digital archiving;
- Distributed systems dedicated to the provision of Omnichannel services (website, mobile apps, extranet, telephone banking, etc.) and non-relational databases (NoSQL);
- Middleware systems for internal technical integration and integration with counterparties (EAI/BPM).

Fineco AM uses a third-party platform to manage investment services.

In the first half of 2020, the ICT & Security Office Department (CIO) carried out its usual activities for the technological upgrading, fortification and development of the ICT system, in order to provide innovative, reliable, added value services to customers.

In terms of architecture, with its customary focus on digitalisation, the Bank continued to optimise infrastructure and applications and to improve and fine-tune the applications security architecture in keeping with regulatory requirements.

A vital activity during the period was to ensure the stability of platforms in response to the especially volatile market conditions brought about by the health emergency. The Group dealt with the crisis by extending remote working options for all employees, equipping them with the necessary hardware and software and shoring up the telecommunications infrastructure.

The following changes were made to applications in light of the COVID-19 emergency:

- digitalisation of the issuance and regeneration of customer access codes;
- extension of interest rate acceptance deadline due to slower loan disbursements;
- approval of loan moratorium requests in accordance with government executive orders;
- approval of personal loan and credit line applications from customers applying for unemployment (Cassa Integrazione) benefits.

# Internal control system

The internal control system is a fundamental part of the overall governance system of banks. It ensures that bank activities are in line with bank policies and strategies and are based on principles of sound and prudent management.

Circular no. 285 of December 17th, 2013 (as amended) defines the principles and guidelines with which the internal control system of banks must comply. The circular defines the general principles of organisation, identifies the role and responsibilities of governing bodies, and sets out the characteristics and roles of corporate control functions.

The internal control system must provide protective measures that cover all types of business risk. The primary responsibility for these tasks lies with the bank's bodies, each in accordance with its specific duties. The structure of tasks and lines of responsibility of corporate functions and bodies must be clearly specified.

Banks must apply the provisions according to the proportionality principle, i.e. taking into account the operating scale and organisational complexity, the nature of the activities carried out, and the type of services provided.

As part of the supervisory review and evaluation process, the European Central bank or the Bank of Italy verify the internal control system in terms of completeness, suitability, functionality (in terms of efficiency and effectiveness) and reliability of banks.

In accordance with the provisions laid down by the Supervisory Authority, the Bank's internal control system consists of a set of rules, functions, organisational structures, resources, processes and procedures aimed at ensuring the achievement of the following objectives, in compliance with the principles of sound and prudent management:

- verifying the implementation of the Bank's strategies and policies;
- containing risk within the limits set out in the Bank Risk Appetite Framework - "RAF";
- preventing the Bank's involvement, even if unintentional, in unlawful activities (with specific reference to money laundering, usury and the financing of terrorism);
- protecting the value of assets and preventing losses;
- ensuring the effectiveness and efficiency of corporate processes;
- ensuring the security and reliability of the Bank information and ICT procedures;
- compliance of transactions with the law and supervisory regulations, as well as with the policies, regulations and internal procedures of the Bank and the FinecoBank Group.

As the parent company, FinecoBank has provided the Group with a coherent system of internal controls allowing for effective control of the strategic choices of the group as a whole and the sound management of the individual Group members.

From a methodological point of view, the Internal Control System of the Bank and Fineco AM, the only subsidiary, provides for three types of controls:

- level one controls ("line controls"): these are controls for individual activities and are carried out according to specific operational procedures based on a specific internal regulation. Monitoring and continuously updating these processes is entrusted to 'process supervisors' who are charged with devising controls able to ensure the proper performance of daily activities by the staff concerned, as well as the observance of any delegated powers. The processes subject to control relate to units that have contact with customers, as well as completely internal units;
- level two controls: these are controls related to daily operations connected with the process of measuring quantifiable risks and are carried out continuously by non-operating units. The Risk Management function controls market, credit and operational risks, as regards compliance with limits assigned to operating functions and the consistency of operations of individual production areas with established risk/return objectives; the Compliance unit is responsible for controls on non-compliance risks; for regulatory areas which already have types of control performed by the specialised structures, monitoring of compliance risk is assigned to these structures based on the "Indirect Coverage" operating model;
- level three controls: these controls are typical of internal auditing, based on analysis of information obtained from databases or company reports, as well as on-site controls. This type of control aims to identify breaches of procedures and regulations, in addition to periodically assessing the completeness, adequacy, functioning (in terms of efficiency and effectiveness) and reliability of the internal control system and information system (ICT audit) at a set frequency based on the nature and level of the risks. These controls are assigned to the Internal Audit function; to verify the compliance of the behaviour of the companies belonging to the Group with the guidelines of the Parent Company as well as the effectiveness of the internal control system, the internal audit function of FinecoBank, on a consolidated level, periodically carries out on-site controls on the components of the Group, taking into account the importance of the different types of risk assumed by the entities.

With regard to the subsidiary Fineco AM, the organisational structure involves the performance of Compliance, Risk Management and Internal Audit<sup>11</sup> activities by units within the company.

<sup>11</sup>Previously carried out by an external supplier, Internal Audit functions were insourced in June 2020.

## Internal control system

The Parent Company's 2nd and 3rd level units submit an annual report to the corporate bodies illustrating the controls carried out, their results, and the weaknesses detected with reference to the Parent Company and the banking Group as a whole, and proposing steps to be taken to remedy these deficiencies.

Institutional supervisory controls have also been set up at the Parent Company: these refer to controls by the Bank's supervisory bodies, including in particular the Board of Statutory Auditors and the Supervisory Body pursuant to Italian Legislative Decree no. 231 of June 8th, 2001.

Considering the functions and units involved, the FinecoBank's internal control system is based on:

- control bodies and functions including, according to their respective responsibilities, the Board of Directors, the Risk and Related Parties Committee, the Remuneration Committee, the Appointments Committee, the Corporate Governance and Environmental and Social Sustainability Committee, the Chief Executive Officer and General Manager<sup>12</sup>, the Board of Statutory Auditors, the Supervisory Body set up pursuant to Legislative Decree 231/01 and the corporate control functions (Risk Management, Compliance<sup>13</sup>, Internal Audit) as well as other company functions with specific internal control duties<sup>14</sup>;
- procedures for the coordination of entities involved in the internal control and risk management system, which provide for:
  - cooperation and coordination among control functions, through specific information flows that are formalised in internal regulations and through managerial committees dedicated to control issues;
  - definition of information flows between the Bank's corporate bodies and control functions.

Finally, it should be noted that, under Article 49, paragraph 1, of the Regulation (EU) No. 468/2014 of the European Central Bank (ECB/2014/17) (the SSM - single supervisory mechanism - Framework Regulation), the ECB has published, since September 4th, 2014, a periodically updated list of the names of supervised entities and groups that fall under the direct supervision of the ECB ("significant supervised entities" and "significant supervised groups", as defined in Article 2, points 16 and 22 of the SSM Framework Regulation), indicating the specific reason for direct supervision for each of them, and, if classified as significant based on size, the total value of the assets of the entity or group supervised. The Bank, as a "credit institution established in a participating Member State" and belonging to the UniCredit Group (classified as a "significant supervised group"), was categorized among the "significant supervised entities".

Further to the classification process conducted by the supervisory authorities following FinecoBank's departure from the UniCredit Group, on August 22nd, 2019 the European Central Bank informed FinecoBank of its new status as a "less significant institution" (LSI), assigning direct supervision to the Bank of Italy.

Under the Single Supervisory Mechanism (SSM), the responsibility for overseeing "less significant" banks lies with the National Competent Authorities (NCAs), leaving the ECB with indirect oversight of these banks in keeping with a proportionality principle that takes account of the size and risk profile of the intermediary and its degree of interconnection with the rest of the financial system. On the basis of these criteria, LSIs are divided into three categories (low, medium and high priority) associated with more or less intense direct supervision by the NCAs and indirect supervision by the ECB.

In a letter (no. 0044067/20) of January 14th, 2020, the Bank of Italy announced its decision, approved by the ECB's Supervisory Board on November 18th, 2019, to include FinecoBank on the list of high-priority LSIs for the year 2020.

## Main risks and uncertainties

For an exhaustive characterization of the risks and uncertainties faced by the Bank and the Group in the current market situation, reference is made to Part E of the notes to the accounts – Information on risks and related hedging policies.

<sup>12</sup> Also appointed as "Director responsible for the internal control and risk management system" in accordance with principle 7.P.3 of the Corporate Governance Code of listed companies.

<sup>13</sup> This function includes the Anti Money Laundering and Anti-Terrorism Service, responsible for managing the correct application of regulations on anti-money laundering and combating the financing of terrorism. The Compliance Officer is also appointed Head of the Anti-Money Laundering Function.

<sup>14</sup> The legislative framework and the codes of conduct assign control tasks to specific functions - other than corporate control functions - whose work should be seen as being a functional part of the Internal Control System. For the Bank in particular, these include the Local Control System for legislation concerning related-party transactions carried out with associated persons in a conflict of interest situation (under the responsibility of the Corporate Secretariat Unit of the Legal & Corporate Affairs Department), the Nominated Official in charge of drawing up company accounts pursuant to Article 154-bis of the Consolidated Finance Act (identified as the Bank's CFO), the Occupational Health and Safety Officer, the Human Resources function, the Head of Business Continuity & Crisis Management, and the Head of Outsourcing Management (Costs Manager Assistant). All corporate functions, other than corporate control functions, also participate in the Internal Control System by carrying out the level-one controls included in the business processes within their responsibility.

# Organisational structure

In continuity with the gradual organizational adjustments following the establishment of the FinecoBank Banking Group, in April 2020 some changes were made to the structure of the Chief Risk Officer's department consistently with the expansion of risk control duties and responsibilities. Specifically, tasks were reassigned and specific units were placed in charge of internal risk management rules and of validating and developing the internal risk measurement systems.

## The Parent Company's Organisational Model

The Parent Company follows a functional organisational model that groups operations on the basis of a specific function and common processes; all knowledge and abilities concerning specific operations are constantly built and strengthened, creating thorough expertise for every individual unit and thus for the organisation as a whole. The strength of the functional model is its ability to promote economies of scale, as all employees belonging to a given function will share competencies and processes, avoiding duplication and waste. The functional model also facilitates the development of vertical capacities and knowledge within the specific area and ensures a dynamic decision-making process. Although the Parent Company's current arrangement applies the concept of "functional specialisation", horizontal connections across the different functions are maintained, in part through a project-based approach at every phase of definition and release of products and services: project groups involve one or more members of the appropriate functions who bring their own in-depth knowledge from their area of expertise. The horizontal connections are also guaranteed by the work of managerial committees whose duties include monitoring progress on the most important projects. The synergies between the distribution channels and the monitoring of decision-making processes that cut across the departments are ensured by a Management Committee.

The model followed by the Bank identifies the following corporate control functions: i) compliance with regulations; ii) risk management; iii) internal audit; as well as additional specialised functions, including the CFO (Chief Financial Officer), Legal Affairs, Human Resources, Corporate Identity, and oversight of the PFA network.

In addition, the model identifies three additional functional lines, which govern:

- the sales network (Network PFA & Private Banking Department);
- the business (Global Business Department);
- operational functioning (GBS Department).

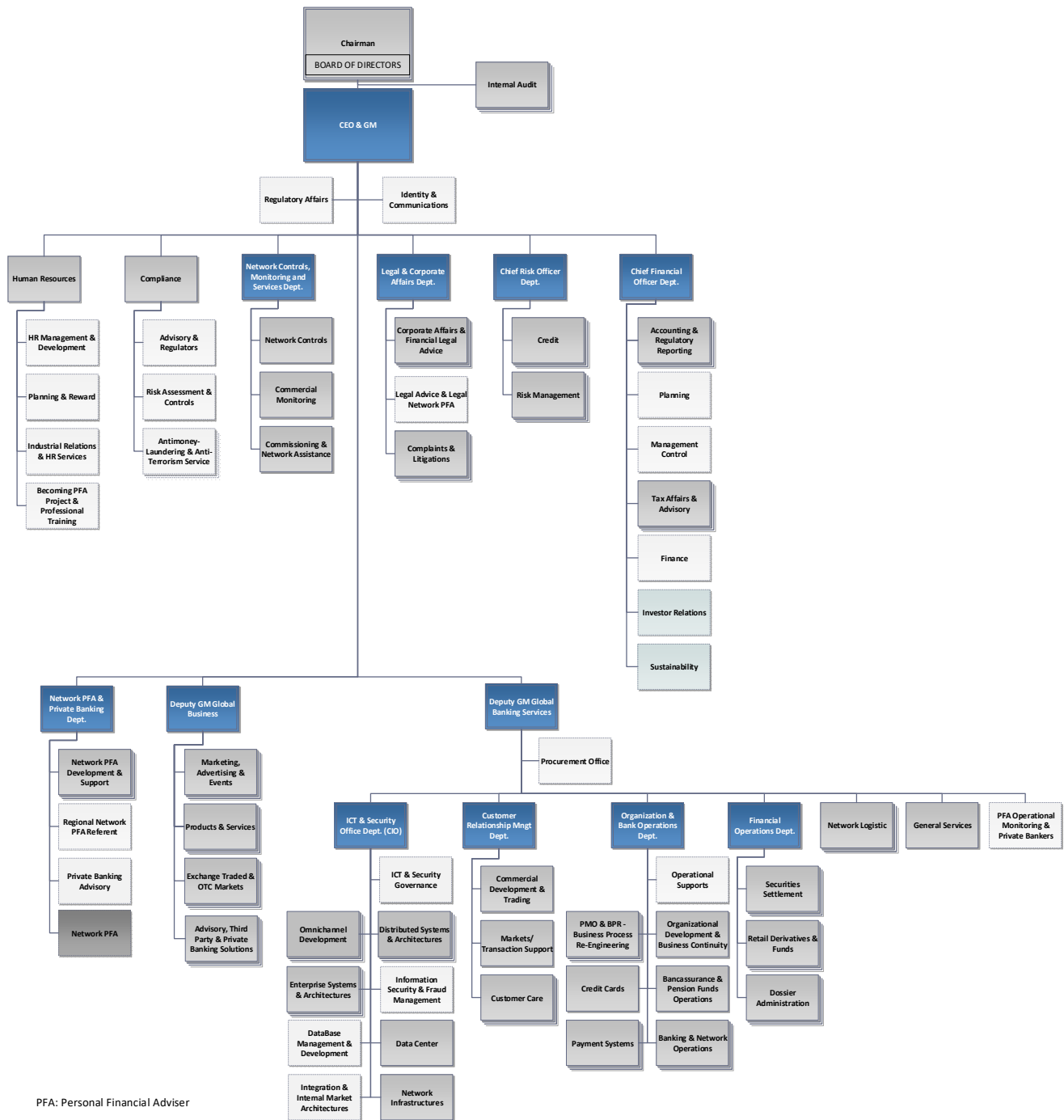
In brief:

- the PFA Network & Private Banking Department is responsible for overseeing the management and development of the personal financial advisors network enabled for off-site distribution, and for guaranteeing the necessary support to the sales network in the management of Private Banking customers;
- the Global Business Department is responsible for overseeing the development of Trading, Banking, Credit and Investing products and the financial advisory services provided to the Bank's customers;
- the GBS (Global Banking Services) Department coordinates the organisational units in charge of monitoring the organisational/operating processes and the ICT and logistics systems needed to ensure the effective and efficient operation of business support systems. The following organisational units report to the GBS Department: ICT & Security (CIO) Department, Customer Relationship Management (CRM) Department, Organisation & Bank Operations Department, Financial Operations Department, Procurement Office Team, Network Logistics Unit, General Services Unit, and Operational Monitoring & Private Bankers Team.

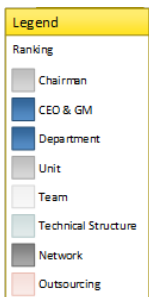
The following organisational units report to the Chief Executive Officer and General Manager: Network PFA & Private Banking Department, Global Business Department, CFO (Chief Financial Officer) Department, CRO (Chief Risk Officer) Department, Network Controls, Monitoring & Services Department, Legal & Corporate Affairs Department, GBS (Global Banking Services) Department, Human Resources Unit, Compliance Unit, Regulatory Affairs Team, and the Identity & Communications Team.

Internal Audit reports directly to the Board of Directors, the body responsible for strategic supervision.

# Organisational structure



PFA: Personal Financial Adviser





# Organisational structure

## Group management system

The Parent Company FinecoBank is responsible for maximizing the long-term value of the Group as a whole, guaranteeing the uniform governance, guidance and control of the Group entities (currently the only subsidiary is Fineco AM).

For this purpose, FinecoBank has defined rules for the governance of the FinecoBank Banking Group in order to fully exercise its role in managing and coordinating the Group<sup>15</sup>, and has outlined the Group's managerial/functional management system and disciplined the key processes between the Parent Company and the Group entities.

As the Parent Company, FinecoBank ensures the coordination of the entities' activities using a management system based on the concept of "competence lines", through the strong functional connection between the Parent Company structure and the corresponding structure of the individual entities.

The Competence Lines are the structures/functions which, operating transversally between the Parent Company and the entities, have the objective of directing, coordinating and controlling the activities and risks of the Group as a whole and of the entities, through the structures/functions present locally. The Competence Lines operate in the following areas: Investor Relations, Finance and Treasury, Planning and Control, Accounting & Regulatory Reporting, Budget & Tax Affairs (Chief Financial Officer area); Risk Management and Credit (Chief Risk Officer area); Legal/Corporate; Compliance; Internal Audit and Human Resources, Identity & Communication, Organization/Business Continuity & Crisis Management/ICT/Security/Purchasing (Global Banking Services).

With the aim of achieving a strong functional and managerial connection at Group level, within the constraints set by applicable local laws and regulations, the Competence Line Managers have a direct role and, consistently with the responsibilities of the entities' corporate bodies, specific powers of guidance, support and control with reference to the corresponding functions of each entity, always in coordination with the entity's top management.

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<sup>15</sup> In accordance with Article 61 of Legislative Decree no. 385 of September 1st, 1993 (the "Italian Banking Law") and the Supervisory Instructions issued by the Bank of Italy.

## Main balance sheet aggregates

## Consolidated balance sheet

(Amounts in € thousand)

ASSETS	Amounts as at		Changes	
	06/30/2020	12/31/2019	Amounts	%
Cash and cash balances	909,802	754,386	155,416	20.6%
Financial assets held for trading	14,591	7,933	6,658	83.9%
Loans and receivables with banks	723,189	566,033	157,156	27.8%
Loans and receivables with customers	4,204,291	3,679,829	524,462	14.3%
Financial investments	22,946,524	22,304,892	641,632	2.9%
Hedging instruments	75,577	64,939	10,638	16.4%
Property, plant and equipment	153,685	152,048	1,637	1.1%
Goodwill	89,602	89,602	-	-
Other intangible assets	36,592	37,492	(900)	-2.4%
Tax assets	4,186	23,444	(19,258)	-82.1%
Other assets	254,169	342,309	(88,140)	-25.7%
<b>Total assets</b>	<b>29,412,208</b>	<b>28,022,907</b>	<b>1,389,301</b>	<b>5.0%</b>

(Amounts in € thousand)

LIABILITIES AND SHAREHOLDERS' EQUITY	Amounts as at		Changes	
	06/30/2020	12/31/2019	Amounts	%
Deposits from banks	113,137	154,653	(41,516)	-26.8%
Deposits from customers	27,021,199	25,919,858	1,101,341	4.2%
Financial liabilities held for trading	8,209	3,777	4,432	117.3%
Hedging instruments	207,116	94,950	112,166	118.1%
Tax liabilities	62,928	11,437	51,491	450.2%
Other liabilities	443,965	455,748	(11,783)	-2.6%
Shareholders' equity	1,555,654	1,382,484	173,170	12.5%
- capital and reserves	1,373,995	1,093,117	280,878	25.7%
- revaluation reserves	1,485	1,002	483	48.2%
- net profit	180,174	288,365	(108,191)	-37.5%
<b>Total liabilities and Shareholders' equity</b>	<b>29,412,208</b>	<b>28,022,907</b>	<b>1,389,301</b>	<b>5.0%</b>

# Main balance sheet aggregates

## Cash and cash balances

Cash and cash balances, amounting to € 909.8 million, mainly includes the liquidity deposited in the HAM (Home Accounting Model) account at Bank of Italy used for short term liquidity management

## Financial assets held for trading

**Financial assets held for trading** totalled € 14.6 million and include financial instruments that meets the definition of held for trading, in particular:

- equities, amounting to € 6.1 million (€ 3.3 million as at December 31, 2019), held in the Bank's portfolio as a result of trading activity or used for the operational hedging of CFD positions on shares open with customers and intended to be traded in the short term;
- the positive valuation of spot contracts for securities in the held for trading portfolio and currencies to be settled in time frames established by market practices ("regular way") for € 6.4 million (€ 1.4 million as at December 31, 2019), which correspond to negative valuations booked under "Financial liabilities held for trading";
- the positive valuation of CFDs (indices, shares, interest rates, commodities and forex), traded in counterpart of the customers, and futures and forex, used for the related operational hedging, for € 2.1 million (€ 3.2 million as at December 31, 2019).

CFDs are "Over the counter" derivative contracts that require the payment of a spread generated by the difference between the opening and closing price of the financial instrument. The bank in operational terms hedges the imbalance of customer positions by underwriting futures or the purchase/sale of equity securities on the same underlyings or through forex transactions with institutional.

## Loans and receivables with banks

(Amounts in € thousand)

	Amounts as at		Changes	
	06/30/2020	12/31/2019	Amount	%
<b>Loans and receivables with central banks</b>	<b>265,415</b>	<b>251,574</b>	<b>13,841</b>	<b>5.5%</b>
<b>Loans and receivables with banks</b>	<b>457,774</b>	<b>314,459</b>	<b>143,315</b>	<b>45.6%</b>
Current accounts and demand deposits	269,810	250,501	19,309	7.7%
Time deposits	9,994	9,994	-	0.0%
Other loans:	177,970	53,964	124,006	229.8%
1. Reverse repos	743	4,316	(3,573)	-82.8%
2. Others	177,227	49,648	127,579	257.0%
<b>Total</b>	<b>723,189</b>	<b>566,033</b>	<b>157,156</b>	<b>27.8%</b>

Loans and receivables with banks, amounting to € 723.2 million, show an increase of 27.8% compare to December 31, 2019 mainly due to the growth of the variation margins with credit institutions for transactions in derivative contracts booked in the item "Other loans - Others".

"Loans and receivables with central banks" consist exclusively of the compulsory reserve deposit previously deposited with Bank of Italy.

"Current accounts and demand deposits" mainly consist of accounts held with credit institutions for the settlement of transactions on payment circuits, for the settlement of transactions in securities, for the management of the liquidity of UK customers and for the management of the liquidity of Fineco AM.

"Time deposits" consist exclusively of the deposit opened by Fineco AM with Intesa Sanpaolo Plc for an amount of € 10 million. The item "Other loans: Others" consists of € 172 million for the amount of the initial and variations margins and collateral deposits placed with credit institutions for derivative transactions (€ 43.8 million as at December 31, 2019) and € 5.2 million for current receivables associated with the provision of financial services (€ 5.8 million as at December 31, 2019).

# Main balance sheet aggregates

## Loans and receivables with customers

(Amounts in € thousand)

	Amount as at		Changes	
	06/30/2020	12/31/2019	Amount	%
Current accounts	1,422,227	1,292,172	130,055	10.1%
Reverse repos	153,220	160,112	(6,892)	-4.3%
Mortgages	1,631,510	1,156,353	475,157	41.1%
Credit cards and personal loans	707,377	810,061	(102,684)	-12.7%
Other loans	289,957	261,131	28,826	11.0%
<b>Total</b>	<b>4,204,291</b>	<b>3,679,829</b>	<b>524,462</b>	<b>14.3%</b>

**Loans and receivables with customers**, amounting to € 4,204.3 million, up 14.3% compared to the amount as at December 31, 2019 and can be broken down as follows:

- credit facilities in current accounts of € 1,422.2 million, up 10.1%, of which loans with a security collateral (in particular "Credit Lombard") totalled to € 1,378.9 million;
- € 153.2 million in reverse repos, made by:
  - "Multiday leverage" with retail customers and stock lending transactions with transactions institutional customers, securities lending transactions guaranteed by sums of money readily available to the lender and which are basically the equivalent of repos on securities, for an amount of € 153 million;
  - repos on securities executed on MTS market subject to accounting offsetting, as set out in IAS 32, for an amount of € 0.2 million;
- € 1,631.5 million in mortgages, up 41.1%;
- € 707.4 million in credit cards and personal loans, up 12.7%;
- € 290 million in other loans, mainly made by collateral deposits and initial and variation margins for derivative and financial instrument transactions, for an amount of € 183 million (€ 151.6 million as at December 31, 2019), and current receivables associated with the provision of financial services, for an amount of € 102.5 million (€ 104.2 million as at December 31, 2019).

## Main balance sheet aggregates

The portfolio of loan receivables with ordinary customers amounts to € 3,756.6 million and mainly consists of receivables for personal loans, mortgages, current accounts and credit card revolving and use; overall, loans receivable with ordinary customers increased of 15.4% thanks to the disbursement, during first half 2020, of a further € 78 million in personal loan and € 552 million in mortgages, plus new credit facilities in current accounts for a granted amount of € 429 million.

(Amounts in € thousand)

	Amounts as at		Changes	
	06/30/2020	12/31/2019	Amount	%
<b>Loans and Receivables with Customers (Management Reclassification)</b>				
Current accounts	1,419,994	1,290,208	129,786	10.1%
Credit cards use	272,570	355,133	(82,563)	-23.2%
Mortgages	1,631,114	1,155,943	475,171	41.1%
Personal loans	433,744	454,043	(20,299)	-4.5%
Other loans	4,370	5,312	(942)	-17.7%
<i>Performing loans</i>	<i>3,761,792</i>	<i>3,260,639</i>	<i>501,153</i>	<i>15.4%</i>
Current accounts	2,233	1,964	269	13.7%
Mortgages	396	410	(14)	-3.4%
Credit cards use	89	25	64	256.0%
Personal loans	974	860	114	13.3%
Other loans	83	42	41	97.6%
<i>Impaired loans</i>	<i>3,775</i>	<i>3,301</i>	<i>474</i>	<i>14.4%</i>
<b>Loans receivable with ordinary customers</b>	<b>3,765,567</b>	<b>3,263,940</b>	<b>501,627</b>	<b>15.4%</b>
Reverse repos	152,386	160,112	(7,726)	-4.8%
Reverse repos - impaired	834	-	834	n.c!
Collateral deposits and initial and variation margins	182,970	151,555	31,415	20.7%
Current receivables associated with the provision of financial services	102,458	103,956	(1,498)	-1.4%
Current receivables associated with the provision of financial services - impaired	76	266	(190)	-71.4%
<b>Current receivables and other receivables</b>	<b>438,724</b>	<b>415,889</b>	<b>22,835</b>	<b>5.5%</b>
<b>Loans and receivables with customers</b>	<b>4,204,291</b>	<b>3,679,829</b>	<b>524,462</b>	<b>14.3%</b>

## Impaired assets

(Amounts in € thousand)

Category	Gross amount		Impairment provision		Net amount		Coverage ratio	
	Amount as at		Amount as at		Amount as at		Data as at	
	06/30/2020	12/31/2019	06/30/2020	12/31/2019	06/30/2020	12/31/2019	06/30/2020	12/31/2019
Bad exposures	20,232	19,562	(18,391)	(17,877)	1,841	1,685	90.9%	91.4%
Unlikely to pay	3,808	4,348	(2,587)	(2,957)	1,221	1,391	67.9%	68.0%
Past-due loans	3,210	1,424	(1,586)	(932)	1,624	492	49.4%	65.4%
<b>Total</b>	<b>27,250</b>	<b>25,334</b>	<b>22,564</b>	<b>21,766</b>	<b>4,686</b>	<b>3,568</b>	<b>82.8%</b>	<b>85.9%</b>

The amount of non-performing loans net of impairment losses was € 4.7 million, of which € 1.8 million in bad exposure, € 1.2 million in unlikely to pay exposures and € 1.6 million in past-due loans. The impaired assets are the 0.12% of loan receivables with ordinary customers (the 0.11% as at December 31, 2019).

## Main balance sheet aggregates

## Financial investments

(Amounts in € thousand)

	Amounts as at		Changes	
	06/30/2020	12/31/2019	Amount	%
Financial assets at fair value through profit or loss c) other financial assets mandatorily at fair value	10,575	12,226	(1,651)	-13.5%
Financial assets at fair value through other comprehensive income	149,908	321,699	(171,791)	-53.4%
Financial assets at amortised cost	22,786,041	21,970,967	815,074	3.7%
- financial assets at amortised cost with banks - debt securities	8,366,161	8,874,329	(508,168)	-5.7%
- financial assets at amortised cost with customers - debt securities	14,419,880	13,096,638	1,323,242	10.1%
<b>Total</b>	<b>22,946,524</b>	<b>22,304,892</b>	<b>641,632</b>	<b>2.9%</b>

Financial assets at fair value through profit or loss c) other financial assets mandatorily at fair value" primarily consist of the Visa INC class "C" preferred shares, for an amount of € 8.7 million, in line with the fair value booked in 2019, and the residual equity exposure to the Voluntary Scheme set up by the Interbank Deposit Guarantee Fund (IDGF), amounting to € 1.4 million (of which € 1.1 million related to the Carige transaction and € 0.3 million related to Carim, Carismi and CariCesena transaction), with a negative impact booked in first half 2020 income statement of € 1.2 million (gross of taxes). For further details on the exposure to the Voluntary Scheme refer to Part A - Accounting Policies – Section 5 – Other matters of the notes to the accounts.

"Financial assets designated at fair value through other comprehensive income" consist of securities issued by sovereign States and residually of equity interests in companies in which the Group does not exercise control or significant influence for € 5 thousand for which, upon first application of IFRS 9, the "FVTOCI" option was exercised<sup>16</sup>. The following table shows the debt securities issued by sovereign States:

(Amounts in € thousand)

Counterparty	Amounts as at		Changes	
	06/30/2020	12/31/2019	Amount	%
Italy	-	172,704	(172,704)	-100.0%
France	37,016	36,668	348	0.9%
USA	72,498	70,891	1,607	2.3%
Ireland	40,390	41,431	(1,041)	-2.5%
<b>Total</b>	<b>149,904</b>	<b>321,694</b>	<b>(171,790)</b>	<b>-53.4%</b>

The debt securities recorded in "Financial assets at amortized cost" issued by banks include bonds issued by UniCredit S.p.A. for a total amount of € 6,505.8 million (€ 7,501.4 million as at December 31, 2019), covered bonds issued by credit institutions and bonds issued by Supranational organisations and Supranational agencies that fall within the definition of credit institutions.

<sup>16</sup> With regard to non-trading equity instruments, IFRS 9 provides for the possibility of measuring them at the fair value recognised through other comprehensive income (so-called FVTOCI – fair value through Other Comprehensive Income).

# Main balance sheet aggregates

The debt securities recorded in "Financial assets at amortized cost" issued by customers exclusively refer to bonds consist of securities issued by sovereign States and Supranational agencies. The breakdown by counterparty of securities issued by customers is shown below:

(Amounts in € thousand)

Counterparty	Amounts as at		Changes	
	06/30/2020	12/31/2019	Amount	%
Italy	5,429,235	5,139,066	290,169	5.6%
Spain	4,094,939	4,081,857	13,082	0.3%
Germany	127,100	127,178	(78)	-0.1%
Poland	27,302	118,924	(91,622)	-77.0%
France	1,005,249	696,810	308,439	44.3%
USA	241,501	338,246	(96,745)	-28.6%
Austria	519,572	398,087	121,485	30.5%
Ireland	872,079	730,905	141,174	19.3%
United Kingdom	55,439	58,658	(3,219)	-5.5%
Belgium	559,106	417,485	141,621	33.9%
Portugal	395,964	333,319	62,645	18.8%
Switzerland	52,077	-	52,077	n.c.
EFSF (European Financial Stability Facility)	401,822	352,945	48,877	13.8%
ESM (European Stability Mechanism)	397,223	303,158	94,065	31.0%
<b>Total</b>	<b>14,178,608</b>	<b>13,096,638</b>	<b>1,081,970</b>	<b>8.3%</b>

## Hedging instruments

(Amounts in € thousand)

	Amounts as at		Changes	
	06/30/2020	12/31/2019	Amount	%
Asset hedging derivatives - positive valuations	2,949	21,115	(18,166)	-86.0%
Liability hedging derivatives - positive valuations	18,980	14,944	4,036	27.0%
Adjustment to the value of assets under macro-hedge	53,647	28,880	24,767	85.8%
<b>Total assets</b>	<b>75,576</b>	<b>64,939</b>	<b>10,637</b>	<b>16.4%</b>
of which:				
Positive valuations	22,241	37,199	(14,958)	-40.2%
Accrued interest	(312)	(1,140)	828	-72.6%
Adjustments to the value of hedged assets	53,647	28,880	24,767	85.8%
<b>Total assets</b>	<b>75,576</b>	<b>64,939</b>	<b>10,637</b>	<b>16.4%</b>
Asset hedging derivatives - negative valuations	188,770	80,852	107,918	133.5%
Adjustment to the value of assets under macro-hedge	18,346	14,098	4,248	30.1%
<b>Total liabilities</b>	<b>207,116</b>	<b>94,950</b>	<b>112,166</b>	<b>118.1%</b>
of which:				
Negative valuations	158,021	58,128	99,893	171.9%
Accrued interest	30,750	22,724	8,026	35.3%
Adjustments to the value of hedged liabilities	18,346	14,098	4,248	30.1%
<b>Total liabilities</b>	<b>207,117</b>	<b>94,950</b>	<b>112,167</b>	<b>118.1%</b>

# Main balance sheet aggregates

(Amounts in € thousand)

Summary of hedging derivative valuations	Assets	Liabilities	Difference
Valuation of hedging derivatives for assets and liabilities	22,241	158,021	(135,780)
Change in macro fair value hedged of financial assets/liabilities	53,647	18,346	35,301
Change in micro fair value hedged of financial assets/liabilities	99,593	-	99,593
<b>Total</b>	<b>175,481</b>	<b>176,367</b>	<b>(886)</b>

As at June 30, 2020 the financial assets under macro-hedge consisted of mortgages with customers shown in "Financial assets at amortised cost", while the financial liabilities under macro-hedge consisted of direct deposits with customers shown in "Financial liabilities at amortised cost".

The financial assets under micro-hedge are represented by securities issued by sovereign states recorded in "Financial assets at amortized cost".

Positive and negative valuations of hedging derivatives related solely to derivative contracts that the Group has entered into to hedge against interest rate risk inherent in the above-mentioned assets and liabilities, whose income statement effect, net of € 31.1 million of negative accrued interest included in the net interest margin, was a negative amount of € 0.8 million.

## Property, plant and equipment

Property, plant and equipment are made by properties, electronic equipment, office furniture and fittings, plant and machinery.

Investments in electronic equipment were made to guarantee the ongoing update of the hardware used by all the Group's departments. Investments in office furniture and fittings and in plant and machinery are intended for use in company offices and in financial stores.

(Amounts in € thousand)

Property, plant and equipment	Balance 12/31/2019	Investments First half 2020	Other changes and sales First half 2020	Amortisation and impairment First half 2020	Balance 06/30/2020
Land	23,932	-	-	-	23,932
Properties	109,602	11,237	(1,500)	(6,255)	113,084
Electronic equipment	12,736	745	(7)	(2,330)	11,144
Office furniture and fittings	2,583	325	38	(388)	2,558
Plant and machinery	3,195	269	(43)	(454)	2,967
<b>Total</b>	<b>152,048</b>	<b>12,576</b>	<b>(1,512)</b>	<b>(9,427)</b>	<b>153,685</b>

It should be noted that the Property, plant and equipment as at June 30, 2020 include the "right of use" relating to buildings for an amount of € 70.3 million, the "right of use" relating to plants and machinery for an amount of € 0.5 million and the book value of the property, where the Bank's registered office is located, located in Milan, piazza Durante 11, for an amount of € 64.8 million, including the related land for an amount of € 23.9 million. Finally, it should be noted that on the basis of the assessments carried out at 30 June 2020, there are no indicators such as to make adjustments to the book value of the property itself

## Goodwill

The Goodwill recognised in the Bank's financial statements, and amounting to of € 89.6 million, derives from transactions carried out in the years from 2001 to 2008, involving acquisitions and mergers by absorption of business units and businesses engaged in trading operations or the distribution of financial, banking and insurance products through the personal financial advisors (Fineco On Line Sim S.p.A., Trading and Banking business unit of Banca della Rete, personal financial advisors business unit of the former FinecoGroup S.p.A., and UniCredit Xelion Banca S.p.A.).

These activities have been fully integrated with the Bank's ordinary operations. As a result, it is no longer possible to isolate the contribution of each company/business division from the Bank's overall income; this means that to establish the reasonableness of the value of goodwill recognised in the financial statements it is necessary to take account of the Bank's comprehensive income. The cash generating unit (CGU) is therefore the Bank as a whole, including the contribution from the subsidiary Fineco Asset Management DAC, through a vertically integrated business model.

In fact, in view of the specific business model adopted by the Group, which envisages a high level of integration between personal financial advisors and the trading and banking platform, the allocation of costs/revenues to the macro areas of activity is not considered relevant or meaningful; the personal financial advisors network is an integral part of the overall offer, along with banking, brokerage and investing services.



# Main balance sheet aggregates

It should be noted that as at June 30, 2020 there are no indicators of impairment of the goodwill, Fineco brands and domains recorded in the financial statements. COVID-19 on the main parameters used in the valuation model (net profit and RWA relating to the years 2020 and 2021 as from baseline and stressed COVID-19 scenarios approved by the Board of Directors on 7 July 2020). The results did not highlight significant impacts on the value in use, confirming the positive outcome of the impairment test performed at 31 December 2019. The result of the stress test therefore confirms the sustainability of the goodwill and the brand recognized in the financial statements at 30 June 2020 with a value in use significantly higher than the carrying amount. For all other information on the impairment test, see Part B - Balance Sheet Information in the notes to the accounts.

## Other intangible assets

Other intangible assets mainly include purchases and the implementation of information technology procedures with useful lives of several years, required in order to manage the development and ongoing provision by the Group of new and more versatile high-added-value services for customers, as well as infrastructure and application optimisations, enhancements to architecture for application security, and the developments needed to meet the new regulatory and financial reporting requirements, including the Fineco brands and domains.

(Amounts in € thousand)

Intangible assets	Balance 12/31/2019	Investments First half 2020	Other changes and sales First half 2020	Amortisation and impairment First half 2020	Balance 06/30/2020
Software	9,578	1,926	-	(2,732)	8,772
Brand	27,452	7	-	-	27,459
Other intangible assets	462	7	-	(108)	361
<b>Total</b>	<b>37,492</b>	<b>1,940</b>	<b>-</b>	<b>(2,840)</b>	<b>36,592</b>

## Tax Assets and Other Assets

(Amounts in € thousand)

	Amounts as at		Changes	
	06/30/2020	12/31/2019	Amount	%
<b>Tax assets</b>				
Current assets	373	-	373	-
Deferred tax assets	28,105	47,884	(19,779)	-41.3%
Deferred tax assets pursuant to Law 214/2011	3,300	3,828	(528)	-13.8%
<i>Total before IAS 12 offsetting</i>	<i>31,778</i>	<i>51,712</i>	<i>(19,934)</i>	<i>-38.5%</i>
Offsetting with deferred tax liabilities - IAS 12	(27,592)	(28,268)	676	-2.4%
<b>Total Tax assets</b>	<b>4,186</b>	<b>23,444</b>	<b>(19,258)</b>	<b>-82.1%</b>
<b>Other assets</b>				
Trade receivables according to IFRS15	2,931	4,579	(1,648)	-36.0%
Current receivables not related with the provision of financial services	747	2,733	(1,986)	-72.7%
Improvement and incremental expenses incurred on leasehold assets	5,704	6,067	(363)	-6.0%
Definitive items not recognised under other items:	24,042	28,062	(4,020)	-14.3%
- securities and coupons to be settled	1,996	1,537	459	29.9%
- other transactions	22,046	26,525	(4,479)	-16.9%
Tax items other than those included in the item "Tax assets":	158,770	259,098	(100,328)	-38.7%
- tax advances	151,961	252,251	(100,290)	-39.8%
- tax credit	6,809	6,809	-	-
- tax advances on employee severance indemnities	-	38	(38)	-100.0%
Items awaiting settlement:	4,250	2,495	1,755	70.3%
- notes, cheques and other documents	4,250	2,495	1,755	70.3%
Items in processing	7	13	(6)	-46.2%
Items in transit not allocated to relevant accounts	2	50	(48)	-96.0%
Accrued income and prepaid expenses other than those related to contracts with customers and other than capitalised in related financial assets or liabilities	41,123	27,178	13,945	51.3%
Accrued income and prepaid expenses related to contracts with customers other than capitalised in related financial assets or liabilities	16,593	12,034	4,559	37.9%
<b>Total other assets</b>	<b>254,169</b>	<b>342,309</b>	<b>(88,140)</b>	<b>-25.7%</b>

# Main balance sheet aggregates

It is also noted that "Deferred tax assets" are shown in the Balance Sheet net of the relevant "Deferred tax liabilities", where the requirements set out in IAS 12 are met.

The decrease in Tax assets, after IAS 12 offsetting, is mainly due to the recognising of deferred tax assets relating to the tax benefit known as the Patent Box accounted for as at December 31, 2019, following the achievement at the beginning of 2020 of the agreement with the Office of preventive agreements and international disputes of the Italian Revenue Agency regarding the methodology to be used for the calculation of the economic contribution of the intangibles object of application, which expresses its effects with the reduction of the taxable amount in the tax return for 2020.

For the item Other assets, there was a decrease in the "Tax items other than those recorded under the Tax Assets" for an amount of € 100.3 million, due to lower advance taxes paid for the substitute tax on other income, partially offset by higher advance taxes paid for stamp duties and by the increase in "Accrued income and prepaid expenses related to contracts with customers other than capitalised in related financial assets or liabilities" for an amount of € 13.9 million, mainly relating to the increase in accrued income for other administrative expenses

## Deposits from banks

(Amounts in € thousand)

	Amounts as at		Changes	
	06/30/2020	12/31/2019	Amount	%
<b>Deposits from banks</b>	<b>113,137</b>	<b>154,653</b>	<b>(41,516)</b>	<b>-26.8%</b>
Current accounts and demand deposits	41,461	70,396	(28,935)	-41.1%
Loans	54,167	74,067	(19,900)	-26.9%
-Repos	54,167	74,067	(19,900)	-26.9%
Lease liabilities	4,922	7,207	(2,285)	-31.7%
Other liabilities	12,587	2,983	9,604	322.0%
<b>Total</b>	<b>113,137</b>	<b>154,653</b>	<b>(41,516)</b>	<b>-26.8%</b>

Deposits from banks amount to € 113.1 million and show a reduction of 26.8% compared to December 31, 2019, mainly attributable to the reduction in liabilities represented by current accounts with credit institutions and by securities lending transactions guaranteed by sums of money which are fully available to the lender.

The item "Current accounts and demand deposits" mainly consisted of current accounts opened by customer banks worth € 39.2 million (€ 69.6 million as at December 31, 2019).

"Repos" are represented by repos and securities lending transactions with credit institutions, securities lending transactions guaranteed by sums of money readily available to the lender and which are basically the equivalent of repos on securities.

The item "Lease liabilities" represents the financial debt corresponding to the present value of the payments due in the lease agreements stipulated with credit institutions not paid at the reporting date, as required by IFRS 16.

The item "Other liabilities" mainly includes margin variations received for derivative transactions for an amount of € 12.4 million (€ 3 million as at December 31, 2019).

## Deposits from customers

(Amounts in € thousand)

	Amounts as at		Changes	
	06/30/2020	12/31/2019	Amount	%
Current accounts and demand deposits	26,087,072	25,573,169	513,903	2.0%
Time deposits	733	1,359	(626)	-46.1%
Loans	730,823	163,450	567,373	347.1%
- Repos	730,823	163,450	567,373	347.1%
Lease liabilities	66,409	60,118	6,291	10.5%
Other liabilities	136,161	121,762	14,399	11.8%
<b>Deposits from customers</b>	<b>27,021,198</b>	<b>25,919,858</b>	<b>1,101,340</b>	<b>4.2%</b>

## Main balance sheet aggregates

**Deposits from customers** totalled € 27,021.2 million, up 4.2% compared to December 31, 2019 and mainly consisting of current accounts with customers, increased by € 513.9 million (+2%) and repos, increased by € 567.4 million.

"Repos" consist of:

- "Short selling" with retail customers and stock lending transactions with transactions institutional customers, securities lending transactions guaranteed by sums of money readily available to the lender and which are basically the equivalent of repos on securities, for an amount of € 76.7 million;
- repos on securities executed on MTS market subject to accounting offsetting as set out in IAS 32, for an amount of € 654.1 million.

The item "Lease liabilities" represents the financial debt corresponding to the present value of the payments due in the lease agreements stipulated with parties other than credit institutions not paid at the reporting date, as required by IFRS 16.

The item "Other liabilities" comprises current payables related to the provision of financial services, totalling € 30.5 million (€ 41.4 million as at December 31, 2019), initial and variations margins for derivative and financial instrument transactions, which came to € 46 million (€ 41.2 million as at December 31, 2019) and other liabilities for rechargeable credit cards and bankers' drafts, amounting to € 59.7 million (€ 39.2 million at December 31, 2019).

### Financial liabilities held for trading

**Financial liabilities held for trading** totalled € 8.2 million and include financial instruments that meets the definition of held for trading, in particular:

- technical overdrafts, amounting to € 0.9 million (€ 1.9 million as at December 31, 2019), used for the operational hedging of CFD positions on shares open with customers and intended to be traded in the short term;
- the negative valuation of spot contracts for securities in the held for trading portfolio and currencies to be settled in time frames established by market practices ("regular way") for € 6.1 million (€ 1.3 million as at December 31, 2019), which correspond to negative valuations booked under "Financial liabilities held for trading";
- the negative valuation of CFDs (indices, shares, interest rates, commodities and forex), traded in counterpart of the customers, and futures, used for the related management coverage, for € 1.2 million (€ 0.6 million as at December 31, 2019).

CFDs are "Over the counter" derivative contracts that require the payment of a spread generated by the difference between the opening and closing price of the financial instrument. The bank in operational terms hedges the imbalance of customer positions by underwriting futures or the purchase/sale of equity securities on the same underlyings or through forex transactions with institutional.

## Main balance sheet aggregates

## Tax liabilities and Other liabilities

	Amounts as at		Changes	
	06/30/2020	12/31/2019	Amount	%
<b>Tax liabilities</b>				
Current liabilities	62,928	11,437	51,491	450.2%
Deferred tax liabilities	27,592	28,268	(676)	-2.4%
<i>Total before IAS 12 offsetting</i>	90,520	39,705	50,815	128.0%
Offset against deferred tax liabilities - IAS 12	(27,592)	(28,268)	676	-2.4%
<b>Total Tax liabilities</b>	<b>62,928</b>	<b>11,437</b>	<b>51,491</b>	<b>450.2%</b>
<b>Other liabilities</b>				
Payables to Directors and Statutory auditors	197	202	(5)	-2.5%
Payables to employees	15,313	13,342	1,971	14.8%
Social security contributions payable	7,119	6,577	542	8.2%
Current payables not related to the provision of financial services	30,732	25,866	4,866	18.8%
Payables for share-based payments or shares of the UniCredit	59	142	(83)	-58.5%
Definitive items not recognised under other items:	109,521	57,514	52,007	90.4%
- securities and coupons to be settled	9,565	20,310	(10,745)	-52.9%
- payment authorisations	90,278	22,494	67,784	301.3%
- other items	9,678	14,710	(5,032)	-34.2%
Tax items other than those included in the item "Tax liabilities":	74,623	133,690	(59,067)	-44.2%
- sums withheld from third parties as withholding agent	20,694	27,616	(6,922)	-25.1%
- other	53,929	106,074	(52,145)	-49.2%
Illiquid items for portfolio transactions	9,728	20,796	(11,068)	-53.2%
Items awaiting settlement:	67,972	74,298	(6,326)	-8.5%
- outgoing bank transfers	67,935	74,251	(6,316)	-8.5%
- POS and ATM cards	37	47	(10)	-21.3%
Items in processing:	625	463	162	35.0%
- incoming bank transfers	592	419	173	41.3%
- other items in processing	33	44	(11)	-25.0%
Sums available to be paid to customers	4,652	3,935	717	18.2%
Current payables not related with the provision of financial services	133	183	(50)	-27.3%
Deferred income related to contracts with customers other than those capitalised on the related financial assets or liabilities	10,459	6,851	3,608	52.7%
Provisions for employee severance pay	4,722	4,810	(88)	-1.8%
Provisions for risks and charges	108,110	107,079	1,031	1.0%
<b>Total Other liabilities</b>	<b>443,965</b>	<b>455,748</b>	<b>(11,783)</b>	<b>-2.6%</b>

It is also noted that, when the requirements of IAS 12 are met, the "Deferred tax liabilities" are offset against "Deferred tax assets" in the balance sheet.

The **Tax liabilities**, after IAS 12 offsetting, show an increase of € 51.5 million exclusively attributable to the recognition of current taxes.

With regard to the **Other liabilities** there was a decrease in "Tax items other than those included in the item "Tax liabilities": other" for an amount of € 59.1 million, mainly due to the decrease in the debt accounted for the stamp duty and for the substitute tax on the administered funds to be paid, in "Items awaiting settlement", due to outgoing bank transfers for an amount of € 6.3 million, and in "Illiquid items for portfolio transactions" for an amount of € 11.1 million; the decrease is offset by the growth of "Definitive items not recognised under other items" for an amount of € 52 million, due to the increase in the payment authorisations for an amount of € 67.8 million, partially offset by lower "securities and coupons to be settled" and from "Other items", for an amount of € 10.7 million and of € 5 million, respectively.

The **Provision for risks and charges** consists of:

- Provisions for credit risk relating to commitments and financial guarantees issued that fall within the scope of application of impairment rules in accordance with IFRS 9, for an amount of € 67 thousand;
- Provisions for risks and charges - Other provisions which include allowances for a total of € 108 million, for which, given a liability of uncertain amount and expiry date, a current obligation was identified as a result of a past event and the amount arising from fulfilment of said obligation could be estimated reliably.

## Main balance sheet aggregates

The disbursements, with estimated maturity exceeding 18 months, were discounted to present value using a rate equal to the time value of money.

(Amounts in € thousand)

	Amounts as at		Changes	
	06/30/2020	12/31/2019	Amount	%
<b>Provision for risks and charges for commitments and financial guarantees given</b>	<b>67</b>	<b>21</b>	<b>46</b>	<b>219.0%</b>
<b>Legal and fiscal disputes</b>	<b>28,667</b>	<b>30,910</b>	<b>(2,243)</b>	<b>-7.3%</b>
- Pending cases	20,832	22,370	(1,538)	-6.9%
- Complaints	4,099	4,794	(695)	-14.5%
- Tax disputes	3,736	3,746	(10)	-0.3%
<b>Staff expenses</b>	<b>2,480</b>	<b>4,949</b>	<b>(2,469)</b>	<b>-49.9%</b>
<b>Other</b>	<b>76,896</b>	<b>71,199</b>	<b>5,697</b>	<b>8.0%</b>
- Supplementary customer indemnity provision	64,262	63,618	644	1.0%
- provision for contractual payments and payments under non-competition agreements	392	395	(3)	-0.8%
- Other provision	12,242	7,186	5,056	70.4%
<b>Provision for risks and charges - Other provision</b>	<b>108,043</b>	<b>107,058</b>	<b>985</b>	<b>0.9%</b>
<b>Total provision for risks and charges</b>	<b>108,110</b>	<b>107,079</b>	<b>1,031</b>	<b>1.0%</b>

The item "Staff expenses", solely includes, the provisions made for the variable remuneration to be paid to employees in subsequent years, which have an uncertain due date and/or amount.

Other provisions included the provision in relation to the proceedings initiated against the Bank in December 2019 by the Italian Antitrust Authority (AGCM). In this regard, it should be noted that on December 20th, 2019, the Bank received notice from the AGCM that it had initiated proceedings to assess the compliance with the Consumer Code (Legislative Decree 206/2005) of a commercial practice that the Bank had previously used to encourage people to open current accounts. During the first half of 2020, FinecoBank – on the advice of its lawyers – provided the AGCM with all the information required for the purposes of the assessment within the prescribed time limits, explaining the reasons why it believes it has operated correctly. Taking into account the outcome of the hearings and discussions with the AGCM, the Bank – while maintaining that it acted properly – decided to pay back customers affected by this commercial practice (the monthly account maintenance fees) charged in 2020 and to not apply these fees until December 31, 2020.

Pending the AGCM's decisions on the proposals made by the Bank, this substantial commitment taken by the Bank at the reporting date has been covered by a specific allocation to the Provision for risks and charges as at June 30th, 2020 in the amount of € 4 million. If the above proposal is accepted, this amount will be paid to the customers concerned during the second half of 2020 by promptly repaying the fees charged to them from February 1st, 2020.

## Main balance sheet aggregates

## Shareholders' equity

(Amounts in € thousand)

	Amounts as at		Changes	
	06/30/2020	12/31/2019	Amount	%
Share capital	201,153	200,941	212	0.1%
Share premium reserve	1,934	1,934	-	0.0%
Reserves	678,378	397,592	280,786	70.6%
- Legal reserve	40,229	40,188	41	0.1%
- Extraordinary reserve	574,832	309,131	265,701	86.0%
- Treasury shares reserve	7,470	7,351	119	1.6%
- Other reserves	55,847	40,923	14,924	36.5%
(Treasury shares)	(7,470)	(7,351)	(119)	1.6%
Revaluation reserves	1,485	1,002	483	48.2%
Equity instruments	500,000	500,000	-	0.0%
Net profit (Loss) for the year	180,174	288,365	(108,191)	-37.5%
<b>Total</b>	<b>1,555,654</b>	<b>1,382,484</b>	<b>173,170</b>	<b>12.5%</b>

As at June 30, 2020, the Bank's share capital came to € 201.2 million, divided into 609,554,043 ordinary shares with a par value of € 0.33 each. Share premium reserve amounts to € 1.9 million.

The reserves consisted of the:

- Legal reserve, amounting to € 40.2 million;
- Extraordinary reserve, amounting to € 574.8 million;
- Reserve for treasury shares held, amounting to € 7.5 million;
- Other reserves:
  - Reserve related to equity-settled plans, amounting to € 35.2 million;
  - Reserves from profits of the subsidiary Fineco AM, amounting to € 15.6 million;
  - Reserves of unavailable profits pursuant to Article 6 paragraph 2 of Legislative Decree 38/2005, for an amount equal to € 5.1 million.

Consolidated Shareholders' equity includes the following financial instrument:

- Additional Tier 1 issued on 31 January 2018. The financial instrument is a perpetual private placement<sup>17</sup>, issued for a total of € 200 million and entirely subscribed by UniCredit S.p.A. The coupon for the first 5.5 years has been fixed at 4.82%. During first half 2020 the payment of the related coupon had been accounted for in decrease of the Extraordinary reserve for € 3.5 million, net of the related taxation;
- Additional Tier 1 issued on 11 July 2019. The financial instrument is a perpetual public placement, traded on Euronext Dublin's non-regulated market, Global Exchange Market, notes rating of BB- (S&P Global Ratings), issued for a total of € 300 million. The coupon for the first 5 years has been fixed at 5.875%. During first half 2020 the coupons paid were accounted for as a reduction in Extraordinary Reserve for an amount of € 6.4 million, net of related taxes.

As at June 30, 2020, the Group, specifically the Bank, held in the portfolio 753,310 FinecoBank ordinary shares, in order to execute the PFA incentive plans of the Bank, corresponding to 0.12% of the share capital, for an amount of € 7.5 million. During first half 2020 n. 44,000 shares were purchased in relation to the "2019 PFA Incentive System" for personal financial advisors identified as "Key personnel" and n. 11,548 and n. 16,590 FinecoBank ordinary shares held in the portfolio were assigned to personal financial advisors respectively in execution to the "2016 PFA Incentive System" and "2017 PFA Incentive System".

The Revaluation reserves consisted of:

- € 2.4 million from the net positive reserve from valuation of debt securities issued by central governments recognized in the "Financial assets designated at fair value through other comprehensive income", which recorded a decrease by € 0.7 million during first half 2020, of which +€ 1.3 million relating to the positive change in fair value and -€ 2 million relating to the reversal to the income statement for losses on the sale and repayment of the securities;
- -€ 0.9 million from the IAS19 negative reserve, which recorded a positive change of € 1.2 million during first half 2020 as a result of the recognition of actuarial gains mainly attributable to the for the Supplementary customer indemnity provision and the provision for contractual payments.

<sup>17</sup> Unrated and unlisted

## Main balance sheet aggregates

On February 11, 2020, in view of the favourable opinion provided by the Remuneration Committee in its meeting of February 7, 2020, the Board of Directors of FinecoBank approved execution of the following incentive/loyalty systems:

- 2014-2017 Top Management Multi-Year Plan for employees. In particular, we approved the allotment of 422,779 free ordinary shares to the beneficiaries of the fourth tranche of the Plan, assigned in 2017, and consequently an increase in Share capital for a total amount of € 139,517.07 with immediate effect;
- 2014, 2015, 2016, 2017, 2018 and 2019 Incentive systems for employees. In particular, we approved the allotment of 201,121 free ordinary shares to the beneficiaries of the fourth equity tranche of the 2014 Incentive System, of the third tranche of the 2015 Incentive System and of the second tranche of the 2016 Incentive System and of the first tranche of the 2017 Incentive System, and consequently an increase in Share capital for a total amount of € 66,369.93 with effect from 31 March 2020.

The FinecoBank Board of Directors of 12 March 2020 approved a free share capital increase to service the incentive plans for employees for an amount of € 5,459.19, through the issue of n. 16.543 ordinary shares, effective May 31, 2020.

In view of the above capital increases, the reserves from allocation of profit from previous years were reduced accordingly.

The Shareholders' Meeting of FinecoBank held on April 28, 2020 approved the allocation of profit for the year 2019 of FinecoBank S.p.A., amounting to € 285.9 million, as follows:

- € 0.04 million to the Legal Reserve, corresponding to 0.014% of the profit for the year, having reached the limit of a fifth of the share capital;
- € 285.8 million to the Extraordinary Reserve.

It should be noted that, in full compliance with the reference legislation, the indications of the Supervisory Authorities and the best consolidated practice on the matter, the Board of Directors of 6 April 2020 decided to revoke the proposal for the distribution of a unit dividend of 0.32 euro for a total of € 195,052,000 approved by the Board of Directors on 11 February 2020, resolving to propose to the Ordinary Shareholders' Meeting convened for 28 April 2020 the allocation to reserves of the profit for the year 2019.

The same Shareholders' Meeting, upon proposal of the Board of Directors of 11 February 2020, also approved the coverage of the negative reserve deriving from the first application of the accounting standard IFRS 9 through the use of the Extraordinary Reserve for an amount equal to € 4.9 million.

Simultaneously with the recognition of the allocation of the profit for the year 2019, the extraordinary reserve was made unavailable, pursuant to article 6 paragraph 2 of Legislative Decree 38/2005, for an amount equal to € 5.1 million.

The "Reserve related to equity-settled plans" was increased by around € 2.8 million, due to the recognition during the period of the income statement and balance sheet effects of the payment plans based on FinecoBank ordinary shares during the vesting period for the instruments, and was used of about € 0.3 million, following the allotment to personal financial advisors respectively of the second equity tranche of the "2016 PFA Incentive System", corresponding to 11,548 of FinecoBank' ordinary shares, and of the first tranche of the "2017 PFA Incentive System", corresponding to 16,590 of FinecoBank' ordinary shares.

The treasury share reserve was increased by a total of € 0.1 million, with a simultaneous decrease in the extraordinary reserve, against the aforementioned allocations in favor of personal financial advisors and treasury share purchases.

# Main balance sheet aggregates

Reconciliation between Shareholders' equity and net profit/(loss) for the period of FinecoBank and corresponding consolidated figures.

(Amounts in € thousand)

Description	Shareholders' equity	of which: net profit (loss) as at 06/30/2020
<b>FinecoBank balances as at June 30, 2020</b>	<b>1,529,701</b>	<b>169,829</b>
Effect of consolidation of Fineco AM	40,177	24,569
Dividends from Fineco AM cashed in the period	(14,224)	(14,224)
Shareholders' equity and profit attributable to minorities	-	-
<b>Balances attributable to the Group as at June 30, 2020</b>	<b>1,555,654</b>	<b>180,174</b>



## Income Statement Figures

## Consolidated Income Statement

(Amounts in € thousand)

	1st Half		Changes	
	2020	2019	Amounts	%
Net interest	138,229	141,767	(3,538)	-2.5%
Net fee and commission income	209,739	158,643	51,096	32.2%
Net trading, hedging and fair value income	56,482	17,837	38,645	216.7%
Net other expenses/income	1,392	537	855	159.2%
<b>OPERATING INCOME</b>	<b>405,842</b>	<b>318,784</b>	<b>87,058</b>	<b>27.3%</b>
Staff expenses	(48,893)	(44,097)	(4,796)	10.9%
Other administrative expenses	(123,338)	(123,742)	404	-0.3%
Recovery of expenses	52,263	50,817	1,446	2.8%
Impairment/write-backs on intangible and tangible assets	(12,268)	(10,510)	(1,758)	16.7%
<b>Operating costs</b>	<b>(132,236)</b>	<b>(127,532)</b>	<b>(4,704)</b>	<b>3.7%</b>
<b>OPERATING PROFIT (LOSS)</b>	<b>273,606</b>	<b>191,252</b>	<b>82,354</b>	<b>43.1%</b>
Net impairment losses on loans and provisions for guarantees and commitments	(3,670)	(146)	(3,524)	2413.7%
<b>NET OPERATING PROFIT (LOSS)</b>	<b>269,936</b>	<b>191,106</b>	<b>78,830</b>	<b>41.2%</b>
Other charges and provisions	(7,636)	(3,836)	(3,800)	99.1%
Net income from investments	(3,818)	5,805	(9,623)	-165.8%
<b>PROFIT (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS</b>	<b>258,482</b>	<b>193,075</b>	<b>65,407</b>	<b>33.9%</b>
Income tax for the period	(78,308)	(58,961)	(19,347)	32.8%
<b>NET PROFIT (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS</b>	<b>180,174</b>	<b>134,114</b>	<b>46,060</b>	<b>34.3%</b>
<b>PROFIT (LOSS) FOR THE PERIOD</b>	<b>180,174</b>	<b>134,114</b>	<b>46,060</b>	<b>34.3%</b>
<b>PROFIT (LOSS) FOR THE PERIOD ATTRIBUTABLE TO THE GROUP</b>	<b>180,174</b>	<b>134,114</b>	<b>46,060</b>	<b>34.3%</b>

## Net interest

Net interest in first half 2020 amounted to € 138.2 million, down by 2.5% on same period the previous year, due mainly to the fall in market interest rates, partially offset by the positive contribution of the increase in volumes, the growth in lending, and more dynamic treasury management. In this regard it should be noted that the structure of the investments carried out by the Group contributed to maintaining a significant level of interest income, with the average gross margin on interest-earning assets at 1.06% (1.20% at June 30th, 2019). The net interest item also included the income generated by the securities lending activity carried out by the Parent Company's treasury, which started in the first half of 2020, for an amount of € 0.8 million.

## Income Statement Figures

(Amounts in € thousand)

Interest Income	1st Half		Changes	
	2020	2019	Amount	%
Financial Assets held for trading	-	1	(1)	-100.0%
Financial assets at fair value through comprehensive income	794	1,653	(859)	-52.0%
Other financial assets mandatorily at fair value	1	2	(1)	-50.0%
Financial assets at amortised cost - Debt securities issued by banks	55,205	70,321	(15,116)	-21.5%
Financial assets at amortised cost - Debt securities issued by customers	62,323	42,415	19,908	46.9%
Financial assets at amortised cost - Loans and receivables with banks	343	6,405	(6,062)	-94.6%
Financial assets at amortised cost - Loans and receivables with customers	32,133	30,821	1,312	4.3%
Hedging derivatives	(8,880)	(3,224)	(5,656)	175.4%
Other assets	-	12	(12)	-100.0%
Financial liabilities	2,324	1,658	666	40.1%
Income from Treasury activity	830	-	830	0.0%
<b>Total interest income</b>	<b>145,073</b>	<b>150,064</b>	<b>(4,991)</b>	<b>-3.3%</b>

(Amounts in € thousand)

Interest Expenses	1st Half		Changes	
	2020	2019	Amount	%
Financial liabilities at amortised cost - Deposits from banks	(116)	(74)	(42)	56.8%
Financial liabilities at amortised cost - Deposits from customers	(5,266)	(6,704)	1,438	-21.5%
Financial assets	(1,462)	(1,519)	57	-3.8%
<b>Total interest expenses</b>	<b>(6,844)</b>	<b>(8,297)</b>	<b>1,453</b>	<b>-17.5%</b>
<b>Net interest</b>	<b>138,229</b>	<b>141,767</b>	<b>(3,538)</b>	<b>-2.5%</b>

**Interest income on Financial assets measured at amortized cost - Debt securities issued by banks** mainly refer to interest accrued on bonds issued by UniCredit S.p.A.. The decrease is mainly due to the reduction in volumes due to the repayment of securities maturing or repurchased by UniCredit S.p.A..

**Interest income on Financial assets measured at amortized cost - Debt securities issued by customers** refer to interest accrued on government and supranational institution securities. The increase is attributable to the growth in volumes due to purchases made during the period.

**Interest income on financial liabilities** mainly refers to interest recognized on repurchase agreements carried out on the MTS market, while **interest expense on financial assets** mainly refers to interest recognized on initial margins and guarantee deposits paid for operations in derivatives and on financial markets and on securities lending transactions guaranteed by sums of money with institutional customers.

# Income Statement Figures

The following table provides a breakdown of interest income associated with banks and customers recorded in "Financial assets at amortised cost":

(Amounts in € thousand)

Breakdown of interest income	1st Half		Changes	
	2020	2019	Amount	%
<b>Interest income on loans and receivables with banks</b>	<b>343</b>	<b>6,405</b>	<b>(6,062)</b>	<b>-94.6%</b>
- current accounts	-	5,802	(5,802)	-100.0%
- reverse repos	13	14	(1)	-7.1%
- time deposits	-	548	(548)	-100.0%
- other loans	330	41	289	704.9%
<b>Interest income on loans and receivables with customers</b>	<b>32,132</b>	<b>30,821</b>	<b>1,311</b>	<b>4.3%</b>
- current accounts	6,988	6,077	911	15.0%
- reverse repos	5,318	6,060	(742)	-12.2%
- mortgages	8,596	7,125	1,471	20.6%
- credit cards	2,338	2,412	(74)	-3.1%
- personal loans	8,859	9,095	(236)	-2.6%
- other loans	33	52	(19)	-36.3%

Interest income on loans and receivables with banks amounted to € 0.3 million, down 94.6% compared to first half 2019. The decrease was attributable to the lower interest recorded on the liquidity in foreign currency held by credit institutions, in particular UniCredit S.p.A..

Interest income on loans and receivables with customers amounted to € 32.1 million, showing an increase of 4.3% compared to first half of the previous year, thanks to higher interest on mortgages and usage of current account, partially off by the reduction in the interest income on personal loans and in the reverse repo transactions, in particular "Multiday leverage" transactions, which during the first half recorded a decrease in volumes due to the situation on the financial markets due to the pandemic from COVID-19

The following table provides a breakdown of interest expenses related to banks and customers recorded in "Financial liabilities at amortised cost":

(Amounts in € thousand)

Breakdown of interest expenses	1st Half		Changes	
	2020	2019	Amount	%
<b>Interest expenses on deposits from banks</b>	<b>(116)</b>	<b>(74)</b>	<b>(42)</b>	<b>56.8%</b>
- current accounts	(44)	(35)	(9)	25.7%
- other loans	(13)	(11)	(2)	18.2%
- lease liabilities	(59)	(28)	(31)	110.7%
<b>Interest expenses on deposits from customers</b>	<b>(5,266)</b>	<b>(6,704)</b>	<b>1,438</b>	<b>-21.5%</b>
- current accounts	(4,788)	(6,279)	1,491	-23.7%
- time deposits	(3)	(9)	6	-66.7%
- lease liabilities	(475)	(416)	(59)	14.2%

Interest expenses on deposits from banks amounted to € 0.1 million and do not show significant changes compared to the same period of the previous year.

Interest expenses on deposits from customers came to € 5.3 million, down 21.5% compared to the same period of the previous year, thanks to lower interest expenses on customer current accounts.

# Income Statement Figures

## Income from brokerage and other income

(Amounts in € thousand)

	1st Half		Changes	
	2020	2019	Amounts	%
Net interest	138,229	141,767	(3,538)	-2.5%
Net fee and commission income	209,739	158,643	51,096	32.2%
Net trading, hedging and fair value income	56,482	17,837	38,645	216.7%
Net other expenses/income	1,392	537	855	159.2%
<b>OPERATING INCOME</b>	<b>405,842</b>	<b>318,784</b>	<b>87,058</b>	<b>27.3%</b>

## Net fee and commission income

(Amounts in € thousand)

Management reclassification	1st Half		Changes	
	2020	2019	Amount	%
<b>Brokerage</b>	<b>73,136</b>	<b>36,532</b>	<b>36,604</b>	<b>100,2%</b>
<i>of which:</i>				
Equity	60,989	30,289	30,700	101,4%
Bond	4,827	1,836	2,991	162,9%
Derivatives	8,222	4,455	3,767	84,6%
Other commissions	(902)	(48)	(854)	1779,2%
<b>Investing</b>	<b>117,892</b>	<b>111,826</b>	<b>6,066</b>	<b>5,4%</b>
<i>of which:</i>				
Placement fees	3,056	2,471	585	23,7%
Management fees	120,767	116,802	3,965	3,4%
other to PFA's	(5,931)	(7,447)	1,516	-20,4%
<b>Banking</b>	<b>19,119</b>	<b>10,047</b>	<b>9,072</b>	<b>90,3%</b>
<b>Other</b>	<b>(408)</b>	<b>238</b>	<b>(646)</b>	<b>-271,4%</b>
<b>Total</b>	<b>209,739</b>	<b>158,643</b>	<b>51,096</b>	<b>32,2%</b>

**Net fee and commission income** increased by € 51.1 million compared to the first half of the previous year, mainly due to the commissions generated by the Brokerage segment (+€ 36.6 million), driven by a highly volatile market, an increase in the proportion of the Bank's customers active in the Brokerage segment and the review of the offer, as well as the commissions generated by the Banking segment (+€ 9.1 million), driven in particular by the change in the monthly cost of keeping euro-denominated current accounts, which took effect from February 2020. It should be noted that this item includes the account maintenance fees that – whose introduction is subject of the proceedings brought against the Bank in December 2019 by the Italian Antitrust Authority (AGCM). Taking into account the outcome of the hearings and discussions with the abovementioned Authority, the Bank – while maintaining that it acted properly – decided to pay back customers affected by this commercial practice, for an estimated amount of € 4 million as at June 30th, 2020 (already recognised under the item Provisions for risks and charges, to which readers should refer). Despite the tough market environment, commissions generated by the Investing segment also increased (+€ 6.1 million), thanks to the continuous improvement of the offer and the quality of sales. In the first half of 2020, the subsidiary Fineco AM generated net commissions of € 32.4 million.

**Net trading, hedging and fair value income** was mainly generated by profits realised by the Brokerage segment, which includes internalisation of securities and regulated/OTC derivatives, financial instruments used for operational hedging of securities and internalised derivatives and the exchange differences on assets and liabilities denominated in currency; it was up € 31.2 million compared to the first half of the previous year, driven by financial-market volatility in the first half of 2020, which resulted in an increase of over 180% in internalised volumes. This result also includes the income components from financial instruments recognised under "Other financial assets that must be designated at fair value", which include the Visa INC class "C" preferred shares and the equity exposure accounted for the contributions paid to the Voluntary Scheme established by the National Interbank Deposit Guarantee Fund, whose fair-value measurements respectively generated, in the first half of 2020, a gain of € 0.06 million (+€ 1.9 million in the first half of 2019) and a loss of € 1.2 million (–€ 4.8 million in the first half of 2019). Finally, there are the net profits generated by the sale of government bonds recognised under "financial assets at fair value through other comprehensive income", amounting to € 1.8 million (€ 0.7 million in the first half of 2019), and recognised under "Financial assets at amortised cost", amounting to € 7 million (€ 2.1 million in the first half of 2019), including securities issued by UniCredit).

# Income Statement Figures

The balance of **Net other expenses/income** is positive for € 1.4 million euros and shows an increase of 0.9 million euros compared to the same period of the previous year, mainly thanks to higher insurance reimbursements received in the first half of 2020.

## Operating costs

(Amounts in € thousand)

	1st Half		Changes	
	2020	2019	Amount	%
Staff expenses	(48,893)	(44,097)	(4,796)	10.9%
Other administrative expenses	(123,338)	(123,742)	404	-0.3%
Recovery of expenses	52,263	50,817	1,446	2.8%
Impairment/write-backs on intangible and tangible assets	(12,268)	(10,510)	(1,758)	16.7%
<b>Total operating costs</b>	<b>(132,236)</b>	<b>(127,532)</b>	<b>(4,704)</b>	<b>3.7%</b>

**Operating costs** show an increase compared to the same period of the previous year (+3.7%) growth that is however contained with respect to the expansion of activities, masses, customers, structure and staff, confirming the Group's strong operating leverage and the widespread corporate culture in terms of cost governance.

**Staff expenses** amounted to € 48.9 million, of which € 2 million relating to staff expenses of Fineco AM, increasing by 10.9% compared to first half of the previous year, thanks to continuous growth of the operating structure. In fact, the number of employees rose from 1,176 units as at June 30, 2019 to 1,244 resources as at June 30, 2020.

(Amounts in € thousand)

Staff expenses	1st Half		Changes	
	2020	2019	Amount	%
<b>1) Employees</b>	<b>(47,985)</b>	<b>(43,401)</b>	<b>(4,584)</b>	<b>10.6%</b>
- wages and salaries	(32,380)	(29,955)	(2,425)	8.1%
- social security contributions	(8,483)	(7,577)	(906)	12.0%
- provision for employee severance pay	(434)	(420)	(14)	3.3%
- allocation to employee severance pay provision	(33)	(63)	30	-47.6%
- payment to supplementary external pension funds:	(2,181)	(1,786)	(395)	22.1%
a) defined contribution	(2,181)	(1,786)	(395)	22.1%
- costs related to share-based payments*	(1,881)	(1,621)	(260)	16.0%
- other employee benefits	(2,593)	(1,979)	(614)	31.0%
<b>2) Directors and statutory auditors</b>	<b>(818)</b>	<b>(656)</b>	<b>(162)</b>	<b>24.7%</b>
<b>3) Recovery of expenses for employees seconded to other companies</b>	<b>1</b>	<b>94</b>	<b>(93)</b>	<b>-98.9%</b>
<b>4) Recovery of expenses for employees seconded to the company</b>	<b>(91)</b>	<b>(134)</b>	<b>43</b>	<b>-32.1%</b>
<b>Total staff expenses</b>	<b>(48,893)</b>	<b>(44,097)</b>	<b>(4,796)</b>	<b>10.9%</b>

## Income Statement Figures

(Amounts in € thousand)

Other Administrative Expenses and Recovery of expenses	1st Half		Changes	
	2020	2019	Amount	%
<b>1) INDIRECT TAXES AND DUTIES</b>	<b>(55,330)</b>	<b>(52,975)</b>	<b>(2,355)</b>	<b>4.4%</b>
<b>2) MISCELLANEOUS COSTS AND EXPENSES</b>	<b>(15,745)</b>	<b>(19,951)</b>	<b>4,206</b>	<b>-21.1%</b>
<b>A) Advertising expenses - Marketing and communication</b>	<b>(10,189)</b>	<b>(12,303)</b>	<b>2,114</b>	<b>-17.2%</b>
Mass media communications	(9,030)	(8,842)	(188)	2.1%
Marketing and promotions	(893)	(2,655)	1,762	-66.4%
Sponsorships	(219)	(37)	(182)	491.9%
Conventions and internal communications	(47)	(769)	722	-93.9%
<b>B) Expenses related to credit risk</b>	<b>(644)</b>	<b>(840)</b>	<b>196</b>	<b>-23.3%</b>
Credit recovery expenses	(107)	(307)	200	-65.1%
Commercial information and company searches	(537)	(533)	(4)	0.8%
<b>C) Expenses related to personnel</b>	<b>(11,044)</b>	<b>(11,887)</b>	<b>843</b>	<b>-7.1%</b>
Personnel training	(253)	(296)	43	-14.5%
Car rental and other staff expenses	(11)	(39)	28	-71.8%
Personal financial adviser expenses	(10,560)	(11,036)	476	-4.3%
Travel expenses	(192)	(487)	295	-60.6%
Premises rentals for personnel	(28)	(29)	1	-3.4%
<b>D) ICT expenses</b>	<b>(20,977)</b>	<b>(18,346)</b>	<b>(2,631)</b>	<b>14.3%</b>
Lease of ICT equipment and software	(1,473)	(1,255)	(218)	17.4%
Software expenses: lease and maintenance	(5,448)	(4,847)	(601)	12.4%
ICT communication systems	(3,713)	(3,385)	(328)	9.7%
ICT services: external personnel/outsourced services	(3,745)	(3,504)	(241)	6.9%
Financial information providers	(6,598)	(5,355)	(1,243)	23.2%
<b>E) Consultancies and professional services</b>	<b>(1,907)</b>	<b>(2,154)</b>	<b>247</b>	<b>-11.5%</b>
Consultancy on ordinary activities	(1,616)	(1,152)	(464)	40.3%
Consultancy for strategy, business development and organisational optimisation	(154)	(503)	349	-69.4%
Legal expenses	(70)	(260)	190	-73.1%
Legal disputes	(67)	(239)	172	-72.0%
<b>F) Real estate expenses</b>	<b>(2,382)</b>	<b>(4,247)</b>	<b>1,865</b>	<b>-43.9%</b>
Real estate services	(84)	(250)	166	-66.4%
Repair and maintenance of furniture, machinery, and equipment	(79)	(135)	56	-41.5%
Maintenance of premises	(524)	(992)	468	-47.2%
Premises rentals	(483)	(1,421)	938	-66.0%
Cleaning of premises	(313)	(289)	(24)	8.3%
Utilities	(899)	(1,160)	261	-22.5%
<b>G) Other functioning costs</b>	<b>(19,831)</b>	<b>(19,882)</b>	<b>51</b>	<b>-0.3%</b>
Surveillance and security services	(99)	(202)	103	-51.0%
Postage and transport of documents	(1,534)	(1,971)	437	-22.2%
Administrative and logistic services	(7,718)	(8,737)	1,019	-11.7%
Insurance	(1,815)	(1,756)	(59)	3.4%
Printing and stationery	(258)	(181)	(77)	42.5%
Association dues and fees	(7,322)	(6,779)	(543)	8.0%
Other administrative expenses	(1,085)	(255)	(830)	325.5%
<b>H) Adjustments of leasehold improvements</b>	<b>(1,034)</b>	<b>(1,109)</b>	<b>75</b>	<b>-6.8%</b>
<b>I) Recovery of costs</b>	<b>52,263</b>	<b>50,817</b>	<b>1,446</b>	<b>2.8%</b>
Recovery of ancillary expenses	50	82	(32)	-39.0%
Recovery of taxes	52,213	50,735	1,478	2.9%
<b>Total other administrative expenses and recovery of expenses</b>	<b>(71,075)</b>	<b>(72,925)</b>	<b>1,850</b>	<b>-2.5%</b>

Other administrative expenses net of Recovery of expenses came to € 71.1 million, of which € 2 million relating to Fineco AM, with a reduction of € 1.8 million compared to first half of the previous year.

# Income Statement Figures

There is an increase relating to the "ICT expenses", in particular higher "Software expenses: lease and maintenance" for € 0.6 million, "ICT communication systems" for € 0.3 million, "ICT services: external personnel/outsourced services" for € 0.2 million and "Financial information providers" for € 1.2 million, in addition to an increase, within the item "Other functioning costs", of the " Association dues and fees " for € 0.5 million, attributable to higher Enasarco contributions and contributions to trade associations, and the "Other administrative expenses" for € 0.8 million, attributable to higher costs connected with the performance of the Shareholders' Meeting and the renewal of the Board of Directors.

At the same time, there was a reduction in the "A) Advertising expenses - Marketing and communication" of € 2.1 million, in the " Expenses related to personnel " of € 0.8 million, attributable to the "Personal financial advisor expenses" and "Travel expenses", " Real estate expenses "for € 1.9 million and "Administrative and logistic services", under the item "Other functioning costs ", for € 1 million, due to the internalisation some services, including the internal audit function from May 2019.

**Impairment/write-backs on intangible and tangible assets** show an increase of € 1.8 million mainly referred to the depreciation recognized on the rights of use of the lease contracts entered among tangible assets, for an amount of € 1.2 million, and the depreciation on software and electronic machines, for an amount of € 0.5 million.

## Profit/(loss) before tax from continuing operations

(Amounts in € thousand)

	1st Half		Changes	
	2020	2019	Amount	%
<b>OPERATING PROFIT (LOSS)</b>	<b>273,606</b>	<b>191,252</b>	<b>82,354</b>	<b>43.1%</b>
Net impairment losses on loans and provisions for guarantees and commitments	(3,670)	(146)	(3,524)	n.c.
<b>NET OPERATING PROFIT (LOSS)</b>	<b>269,936</b>	<b>191,106</b>	<b>78,830</b>	<b>41.2%</b>
Other charges and provisions	(7,636)	(3,836)	(3,800)	99.1%
Net income from investments	(3,818)	5,805	(9,623)	-165.8%
<b>PROFIT (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS</b>	<b>258,482</b>	<b>193,075</b>	<b>65,407</b>	<b>33.9%</b>

**Loan loss provisions** in the first half of 2020 stood at € -3.7 million (-0.1 million in the first half of 2019) and were affected by the change in the macroeconomic scenarios used in the calculation of LLPs at June 30th, 2020 from *Expected Credit Losses*. As described above in "Significant events during the period", when assessing performing credit exposures at June 30th, 2020, the Group considered an updated macroeconomic scenario to take into account the effects of the crisis arising from the COVID-19 pandemic. The updated macroeconomic scenarios led to € 0.3 million in LLPs. As regards other counterparties, the updated macroeconomic scenarios led to LLPs of € 0.8 million, recognised using IFRS 9 impairment models and their post-model overlay and adjustment. It should also be noted that at June 30th, 2019, the Group had recorded writebacks of approximately € 2.3 million with respect to the counterparty UniCredit S.p.A., thanks to both a reduction in exposures and an improvement in the counterparty's risk profile, as a result of the financial guarantee received under the Pledge Agreement entered into following the exit of FinecoBank from the UniCredit Banking Group.

**Provisions for risks and charges** amounted to -€ 7.6 million, increasing on the -€ 3.8 million recorded in the first half of 2019. During the first half of 2020 the ordinary annual contribution required for the 2020 financial year under Directive 2014/59/EU (Single Resolution Fund) was recognised in the amount of € 0.7 million (no contribution had been requested for the 2019 financial year). In June 2020, the Bank of Italy called in additional contributions to the National Resolution Fund pursuant to Art. 1, paragraph 848 of Law 208/2015. The contribution payable by the Bank was € 0.2 million. At June 30, 2020 the Provisions for risks and charges includes in addition a provision made by the Bank in relation to the proceedings initiated against itself in December 2019 by the Italian Antitrust Authority (AGCM). In this regard, it should be noted that on December 20th, 2019, the Bank received notice from the AGCM that it had initiated proceedings to assess the compliance with the Consumer Code (Legislative Decree 206/2005) of a commercial practice that the Bank had previously used to encourage people to open current accounts. During the first half of 2020, FinecoBank – on the advice of its lawyers – provided the AGCM with all the information required for the purposes of the assessment within the prescribed time limits, explaining the reasons why it believes it has operated correctly. Taking into account the outcome of the hearings and discussions with the AGCM, the Bank – while maintaining that it acted properly – decided to pay back customers affected by this commercial practice (the monthly account maintenance fees) charged in 2020 and to not apply these fees until December 31, 2020.

Pending the AGCM's decisions on the proposals made by the Bank, this substantial commitment taken by the Bank at the reporting date has been covered by a specific allocation to the Provision for risks and charges as at June 30th, 2020 in the amount of € 4 million. If the above proposal is accepted, this amount will be paid to the customers concerned during the second half of 2020 by promptly repaying the fees charged to them from February 1st, 2020.

# Income Statement Figures

**Profit from investments** showed a loss of € 3.8 million, down € 9.6 million on the first half of 2020. As described above, when assessing performing credit exposures at June 30th, 2020, the Group considered an updated macroeconomic scenario to take into account the effects of the crisis arising from the COVID-19 pandemic. Regarding exposures to bond issuers, where the greatest impact was on sovereign exposures, the updated macroeconomic scenarios led to additional provisions of € 3.6 million, recognised using IFRS 9 impairment models and their post-model overlay and adjustment. It should also be noted that at June 30th, 2019, the Group had recorded writebacks of approximately € 6.5 million with respect to the issuer UniCredit S.p.A., thanks to both a reduction in exposures in debt securities and an improvement in the issuer's risk profile, as a result of the financial guarantee received under the Pledge Agreement entered into following the exit of FinecoBank from the UniCredit Banking Group.

**Profit (loss) before tax from continuing operations** amounted to a profit of € 258.5 million, increasing by 33.9% on the first half of the prior year, owing in particular to the increase in Net commissions and Net trading, hedging and fair value income. Excluding non-recurring items in the first half of 2020 as previously described<sup>18</sup>, profit before tax from continuing operations would have been € 259.7 million, up 31.3% compared to the first half of 2019 (also net of non-recurring items<sup>19</sup>).

## Income tax for the period

(Amounts in € thousand)

Income tax for the year	1st Half		Changes	
	2020	2019	Amount	%
Current IRES income tax charges	(44,435)	(44,404)	(31)	0.1%
Current IRAP corporate tax charges	(10,446)	(9,910)	(536)	5.4%
Current foreign corporate tax charges	(3,550)	(3,259)	(291)	8.9%
<b>Total current tax</b>	<b>(58,431)</b>	<b>(57,573)</b>	<b>(858)</b>	<b>1.5%</b>
Change in deferred tax assets	(19,991)	(2,499)	(17,492)	700.0%
Change in deferred tax liabilities	114	1,309	(1,195)	-91.3%
<b>Total deferred tax liabilities</b>	<b>(19,877)</b>	<b>(1,190)</b>	<b>(18,687)</b>	<b>1570.3%</b>
Goodwill redemption substitute tax	-	(198)	198	-100.0%
<b>Income tax for the year</b>	<b>(78,308)</b>	<b>(58,961)</b>	<b>(19,347)</b>	<b>32.8%</b>

Income tax for the year were calculated according to the legal provisions introduced by Legislative Decree no. 38 of February 28, 2005, which incorporated the IAS/IFRS Accounting Standards into Italian legislation, of Decree no. 48 of April 1, 2009 which introduced provisions for the implementation and coordination of tax requirements for IAS Adopter parties and subsequent provisions.

Current taxes were determined applying an IRES income tax rate of 27.5% (24% ordinary rate and 3.5% additional rate for banks) and an IRAP tax rate of 5.57% in Italy.

As regards Fineco AM, current income taxes were calculated at a rate of 12.5%, according to the currently applicable tax regime.

Law 190/2014, as amended by art. 5 of Decree-Law 3/2015, introduced the Patent Box regime into Italian law, with effect from the tax period following the one in progress as at 31 December 2014. The Patent Box is an optional regime for reduced taxation of income derived from the use (direct or indirect) of legally protectable intellectual property, industrial patents, trademarks, designs and models, processes, formulas and information relating to experience acquired in the industrial, commercial or scientific field.

The tax break consists of the exclusion of 50% of the income deriving from these intangible assets from the IRES and IRAP tax base. The exclusion percentage was 30% for the tax period after the one in progress as at 31 December 2014 and 40% for the tax period after the one in progress as at 31 December 2015. The option is irrevocable, has a duration of five financial years and is renewable.

In 2015, FinecoBank applied for its software and trademark to be admitted to the Patent Box for the five-year period 2015-2019.

In early 2020, an arrangement was reached with the Prior Agreements and International Disputes Office of the Italian Revenue Agency on the methodology to be used for the calculation of the income deriving from the intangible assets that were the subject of the application.

<sup>18</sup> Change in the fair value of the equity exposure to the Voluntary Scheme set up by the Interbank Deposit Guarantee Fund totalling -€ 2 million (-€ 8 million net of tax effect).

<sup>19</sup> Change in the fair value of the equity exposure to the Voluntary Scheme set up by the Interbank Deposit Guarantee Fund totalling -€ 8 million (-€ 2 million net of tax effect).



## Income Statement Figures

In terms of renewal of the Patent Box for the next five years 2020-2024, the software aspect is expected to be renewed, but the trademark has been excluded by express provision of law.

### Net profit/(loss) for the period and Net profit/(loss) attributable to the Group

The **Net profit (loss) for the period** – which is the same as the net profit (loss) attributable to the Group as Fineco AM is 100% controlled by the Bank – amounted to € 180.2 million, with an increase of 34.3% on first half of the previous year. Excluding the non-recurring items accounted for first half 2020 mentioned before, the Net profit for the period should be € 181 million, up 30.1% compared to the net profit of first half 2019 net of non-recurring items.

# Results of the parent and the subsidiary

## The parent: FinecoBank S.p.A.

The key figures, reclassified Balance sheet and Income statement are shown below in comparison with those of the 2019 financial year and a report on the results achieved by FinecoBank S.p.A. at individual level is shown as well.

### Key figures

#### Operating structure

	Data as at		
	06/30/2020	12/31/2019	06/30/2019
No. Employees	1,214	1,201	1,144
No. Personal financial advisors	2,569	2,541	2,566
No. Financial shops <sup>1</sup>	399	396	394

(1) Number of operating financial shops: financial shops managed by the Bank and financial shops managed by personal financial advisors (Fineco Centers).

#### Main balance sheet figures

(Amounts in € thousand)

	Amounts		Changes	
	06/30/2020	12/31/2019	Amounts	%
Loans receivable with ordinary customers <sup>(1)</sup>	3,765,567	3,263,940	501,627	15.4%
Total assets	29,376,269	27,996,389	1,379,880	4.9%
Direct deposits <sup>2</sup>	26,077,316	25,589,652	487,664	1.9%
Assets under administration <sup>3</sup>	56,569,091	55,829,163	739,928	1.3%
Total customers sales (direct and indirect)	82,646,407	81,418,815	1,227,592	1.5%
Shareholders' equity	1,529,701	1,366,876	162,825	11.9%

(1) Loans refer solely to loans granted to customers (current account overdrafts, credit cards, personal loans, mortgages and unsecured loans);

(2) Direct deposits include overdrawn current accounts and the Cash Park deposit account;

(3) Assets under administration consist of products placed online or through the sales networks of FinecoBank.

# Results of the parent and the subsidiary

## The parent: FinecoBank S.p.A.

### Balance Sheet indicators

	Data as at	
	06/30/2020	12/31/2019
Loans receivable with ordinary customers/Total assets	12.82%	11.66%
Loans and receivables with banks/Total assets	2.39%	1.96%
Financial assets/Total assets	78.12%	79.68%
Direct sales/Total liabilities and Shareholders' equity	88.77%	91.40%
Shareholders' equity (including profit)/Total liabilities and Shareholders' equity	5.21%	4.88%
Ordinary customer loans/Direct deposits	14.44%	12.75%

Credit quality	Data as at	
	06/30/2020	12/31/2019
Non-performing loans/Loans receivable with ordinary customers	0.12%	0.11%
Bad loans/Loans receivable with ordinary customers	0.05%	0.05%
Coverage <sup>1</sup> - Bad loans	90.90%	91.39%
Coverage <sup>1</sup> - Unlikely to pay	67.94%	68.01%
Coverage <sup>1</sup> - Impaired past-due exposures	49.41%	65.45%
Coverage <sup>1</sup> - Total Non-performing loans	82.80%	85.92%

(1) Calculated as the ratio between the amount of impairment losses and gross exposure.

### Own funds and capital ratios

(Amounts in € thousand)

	Data as at	
	06/30/2020	12/31/2019
Common Equity Tier 1 (€ thousand)	791,188	567,638
Total own funds (€ thousand)	1,291,188	1,067,638
<b>Total risk-weighted assets (€ thousand)</b>	<b>3,355,223</b>	<b>3,187,485</b>
Ratio - Common Equity Tier 1 Capital	23.58%	17.81%
Ratio - Tier 1 Capital	38.48%	33.49%
Ratio - Total Own Funds	38.48%	33.49%

(Amounts in € thousand)

	Data as at	
	06/30/2020	12/31/2019
Tier 1 Capital (€ thousand)	1,291,188	1,067,638
Exposure for leverage (€ thousand)	29,832,569	28,125,725
Transitional leverage ratio	4.33%	3.80%

# Results of the parent and the subsidiary

## The parent: FinecoBank S.p.A.

The prudential supervisory requirements of the Bank at 30 June 2020 were determined on the basis of the harmonized regulation for banks and investment firms contained in Directive 2013/36/ EU (CRD IV) and in Regulation (EU) 575/2013 (CRR ) of June 26, 2013 and subsequent Directives/Regulations that modify the content, which transpose the standards defined by the Basel Committee for banking supervision (so-called Basel 3 framework), collected and implemented by the Bank of Italy through the Circular no. 285 of 17 December 2013 "Supervisory provisions for banks" and subsequent updates.

On 26 June 2020, Regulation 2020/873 of the EU Parliament and of the Council amending the CRR was published, making a number of adjustments to the prudential framework in the light of the health emergency Covid-19. For further details on the contents of the Regulation, see Part F - Consolidated shareholders' equity - Section 2 - Own funds and bank supervisory ratios of the Notes to the accounts

Own funds as at June, 30 2020 are equal to €1,291.2 million, including part of the profit of the first half 2020, allocated to increase the value of the reserves, for an amount equal to €34.6 million, assuming the conditions set out in art. 26, paragraph 2, of EU Regulation 575/2013 (CRR), and the whole amount of 2019 profits equal to € 285.9 million.

It should be noted that on 6 April 2020 the Board of Directors of FinecoBank S.p.A, taking into account the Recommendations of the European Central Bank and the Bank of Italy issued on 27 March 2020 on dividend policy in the context of the COVID-19, in full compliance with the relevant regulations and the best consolidated practice, resolved to revoke the proposal to distribute the dividend on 2019 profits, for a total amount of 195,052,000 euros, made by the Board of Directors on 11 February 2020, and therefore resolved to propose to the Shareholders' Meeting to allocate the all 2019 result to reserves. This proposal was approved by the FinecoBank Shareholders' Meeting held on 28 April 2020.

The increase in risk-weighted assets during the first half 2020 is mainly due to credit risk due to the growth of the business, in particular to the growth of lending activity to customers and investments in covered bonds and counterparty risk due to unsecured lending.

It should be noted that as of 30 June 2020, the SREP process conducted by the Bank of Italy is underway which will lead to the definition of a second Pillar requirement that the FinecoBank Group will have to comply with.

The following is a summary of the transitional capital requirements and reserves for FinecoBank required as of June 2020.

Requirements	CET1	T1	Total capital
A) Pillar 1 requirements	4.50%	6.00%	8.00%
B) Pillar 2 requirements	0.00%	0.00%	0.00%
<b>C) TSCR (A+B)</b>	<b>4.50%</b>	<b>6.00%</b>	<b>8.00%</b>
D) Combined Buffer requirement, of which:	2.517%	2.517%	2.517%
1. Capital Conservation Buffer (CCB)	2.500%	2.500%	2.500%
2. Institution-specific Countercyclical Capital Buffer (CCyB)	0.017%	0.017%	0.017%
<b>E) Overall Capital Requirement (C+D)</b>	<b>7.017%</b>	<b>8.517%</b>	<b>10.517%</b>

As at 30 June 2020, the Fineco Bank ratios are compliant with all the above requirements.

# Results of the parent and the subsidiary

## The parent: FinecoBank S.p.A.

### Condensed Accounts

#### Balance sheet

(Amounts in € thousand)

ASSETS	Amounts as at		Changes	
	06/30/2020	12/31/2019	Amounts	%
Cash and cash balances	909,802	754,386	155,416	20.6%
Financial assets held for trading	14,591	7,933	6,658	83.9%
Loans and receivables with banks	700,897	549,632	151,265	27.5%
Loans and receivables with customers	4,190,202	3,668,933	521,269	14.2%
Financial investments	22,949,188	22,307,025	642,163	2.9%
Hedging instruments	75,577	64,939	10,638	16.4%
Property, plant and equipment	152,631	150,925	1,706	1.1%
Goodwill	89,602	89,602	-	-
Other intangible assets	36,406	37,280	(874)	-2.3%
Tax assets	3,824	23,450	(19,626)	-83.7%
Other assets	253,549	342,284	(88,735)	-25.9%
<b>Total assets</b>	<b>29,376,269</b>	<b>27,996,389</b>	<b>1,379,880</b>	<b>4.9%</b>

(Amounts in € thousand)

LIABILITIES AND SHAREHOLDERS' EQUITY	Amounts as at		Changes	
	06/30/2020	12/31/2019	Amounts	%
Deposits from banks	113,137	154,653	(41,516)	-26.8%
Deposits from customers	27,014,501	25,912,444	1,102,057	4.3%
Financial liabilities held for trading	8,209	3,777	4,432	117.3%
Hedging instruments	207,116	94,950	112,166	118.1%
Tax liabilities	62,928	11,344	51,584	454.7%
Other liabilities	440,677	452,345	(11,668)	-2.6%
Shareholders' equity	1,529,701	1,366,876	162,825	11.9%
- capital and reserves	1,358,387	1,079,983	278,404	25.8%
- revaluation reserves	1,485	1,002	483	48.2%
- net profit	169,829	285,891	(116,062)	-40.6%
<b>Total liabilities and Shareholders' equity</b>	<b>29,376,269</b>	<b>27,996,389</b>	<b>1,379,880</b>	<b>4.9%</b>

# Results of the parent and the subsidiary

## The parent: FinecoBank S.p.A.

### Balance sheet - Quarterly data

(Amounts in € thousand)

ASSETS	Amount sas at				
	06/30/2020	03/31/2020	12/31/2019	09/30/2019	06/30/2019
Cash and cash balances	909,802	1,177,380	754,386	1,208,686	1,230,599
Financial assets held for trading	14,591	12,888	7,933	10,592	7,475
Loans and receivables with banks	700,897	598,329	549,632	784,595	686,998
Loans and receivables with customers	4,190,202	3,724,733	3,668,933	3,559,459	3,397,711
Financial investments	22,949,188	23,403,670	22,307,025	21,522,414	19,914,762
Hedging instruments	75,577	76,454	64,939	71,941	49,365
Property, plant and equipment	152,631	151,884	150,925	147,476	142,607
Goodwill	89,602	89,602	89,602	89,602	89,602
Other intangible assets	36,406	36,854	37,280	8,535	8,521
Tax assets	3,824	3,300	23,450	7,698	3,498
Other assets	253,549	202,097	342,284	299,610	269,816
<b>Total assets</b>	<b>29,376,269</b>	<b>29,477,191</b>	<b>27,996,389</b>	<b>27,710,608</b>	<b>25,800,954</b>

(Amounts in € thousand)

LIABILITIES AND SHAREHOLDERS' EQUITY	Amount sas at				
	06/30/2020	03/31/2020	12/31/2019	09/30/2019	06/30/2019
Deposits from banks	113,137	330,928	154,653	188,171	206,643
Deposits from customers	27,014,501	27,194,669	25,912,444	25,420,269	24,132,042
Financial liabilities held for trading	8,209	11,039	3,777	4,734	2,413
Hedging instruments	207,116	143,500	94,950	156,435	84,086
Tax liabilities	62,928	30,273	11,344	49,008	64,665
Other liabilities	440,677	318,295	452,345	638,728	406,256
Shareholders' equity	1,529,701	1,448,487	1,366,876	1,253,263	904,849
- capital and reserves	1,358,387	1,366,884	1,079,983	1,087,000	787,633
- revaluation reserves	1,485	3,152	1,002	(6,567)	(7,202)
- net profit	169,829	78,451	285,891	172,830	124,418
<b>Total liabilities and Shareholders' equity</b>	<b>29,376,269</b>	<b>29,477,191</b>	<b>27,996,389</b>	<b>27,710,608</b>	<b>25,800,954</b>

**Cash and cash balances**, amounting to € 909.8 million, consisted mainly of the liquidity deposited in the HAM (*Home Accounting Model*) account with the Bank of Italy, used to manage short-term liquidity.

**Loans to banks** came to € 700.1 million, an increase of 27.5% compared to December 31st, 2019, driven mainly by higher variation margins paid for derivative dealing. This item also includes cash and cash equivalents with credit institutions held mainly for the settlement of payment transactions and transactions involving own and customers' financial instruments.

**Loans to customers** came to € 4,190.2 million, up 14.2% compared to December 31st, 2019, thanks to the increase in lending activities. In the first half of 2020, € 78 million in personal loans and € 552 million in mortgages were granted, and € 429 million in current account overdrafts were arranged, with an increase in exposures in current account of € 130 million; this resulted in an overall 15.4% aggregate increase in loans to ordinary customers compared to December 31st, 2019. Non-performing loans net of impairment losses totalled € 4.7 million (€ 3.6 million as at December 31st, 2019), with a coverage ratio of 82.8%. The ratio between the amount of non-performing loans and total loans to ordinary customers came to 0.12% (0.11% as at December 31st, 2019).

# Results of the parent and the subsidiary

## The parent: FinecoBank S.p.A.

**Other financial assets** came to € 22,949.2 million, up 2.9% compared to December 31st, 2019. The book value of debt securities issued by UniCredit S.p.A. amounted to € 6,505.8 million, down compared to € 7,501.4 million at December 31st, 2019 due to the redemption of securities maturing during the first half of 2020. Purchases made by the Group during the first half of 2020 mainly involved bonds issued by governments, supranational entities and covered bonds.

**Deposits from banks** amounted to € 113.1 million, down 26.8% compared to December 31st, 2019, mainly due to a reduction in liabilities represented by current accounts with credit institutions and securities lending transactions secured by sums of money that are fully available to the lender. This item also includes "Lease liabilities" payable to banks, amounting to € 4.9 million, which represent the financial liability corresponding to the present value of the payments due under lease agreements with credit institutions not paid on the reporting date, as required by IFRS 16.

**Deposits from customers** amounted to € 27,014.5 million, up 4.3% over December 31st, 2019, due to growth in direct deposits from customers and repurchase agreements on the MTS market. The item also includes "Lease liabilities" payable to customers of € 65.6 million, which represents the present value of payments due under lease agreements entered into with parties other than credit institutions that were not paid at the reporting date, as required by IFRS 16.

**Equity** came to € 1,529.7 million, up € 162.8 million compared to December 31st, 2019, attributable mainly to the profit earned in the first half of 2020. During the first half of 2020, coupons were paid on the AT1 instruments issued by FinecoBank, which, net of taxes, resulted in a reduction in equity of € 9.9 million.

## Results of the parent and the subsidiary

## The parent: FinecoBank S.p.A.

Income Statement<sup>20</sup>

(Amounts in € thousand)

	1st Half		Changes	
	2020	2019	Amounts	%
Net interest	138,318	141,803	(3,485)	-2.5%
Dividends and other income from equity investments	14,224	13,110	1,114	8.5%
Net fee and commission income	177,360	128,795	48,565	37.7%
Net trading, hedging and fair value income	56,408	17,797	38,611	217.0%
Net other expenses/income	1,530	562	968	172.2%
<b>OPERATING INCOME</b>	<b>387,840</b>	<b>302,067</b>	<b>85,773</b>	<b>28.4%</b>
Staff expenses	(46,871)	(41,940)	(4,931)	11.8%
Other administrative expenses	(121,375)	(122,258)	883	-0.7%
Recovery of expenses	52,263	50,817	1,446	2.8%
Impairment/write-backs on intangible and tangible assets	(12,142)	(10,394)	(1,748)	16.8%
<b>Operating costs</b>	<b>(128,125)</b>	<b>(123,775)</b>	<b>(4,350)</b>	<b>3.5%</b>
<b>OPERATING PROFIT (LOSS)</b>	<b>259,715</b>	<b>178,292</b>	<b>81,423</b>	<b>45.7%</b>
Net impairment losses on loans and provisions for guarantees and commitments	(3,679)	(150)	(3,529)	n.c.
<b>NET OPERATING PROFIT (LOSS)</b>	<b>256,036</b>	<b>178,142</b>	<b>77,894</b>	<b>43.7%</b>
Other charges and provisions	(7,636)	(3,836)	(3,800)	99.1%
Net income from investments	(3,818)	5,805	(9,623)	-165.8%
<b>PROFIT (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS</b>	<b>244,582</b>	<b>180,111</b>	<b>64,472</b>	<b>35.8%</b>
Income tax for the period	(74,754)	(55,693)	(19,061)	34.2%
<b>NET PROFIT (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS</b>	<b>169,829</b>	<b>124,418</b>	<b>45,411</b>	<b>36.5%</b>
<b>PROFIT (LOSS) FOR THE PERIOD</b>	<b>169,829</b>	<b>124,418</b>	<b>45,411</b>	<b>36.5%</b>

<sup>20</sup> As described in the "Introduction to the Annual Reports and Accounts", it should be noted that as of December 31, 2019 a change was made in the condensed accounts shown in the Consolidated Report on Operations. In particular dividends and other income on equity investments and equity securities mandatorily at fair value shown in the balance sheet item "Dividend income and similar revenue", previously included in the condensed accounts item "Dividends and other income from equity investments", were included in the item "Net trading, hedging and fair value income" in the condensed accounts. For homogeneity, the comparative data relating to the 2019 condensed accounts have also been reclassified. For additional information, reference is made to "Reconciliation of condensed consolidated accounts to mandatory reporting schedule" and to "Reconciliation of condensed accounts to mandatory reporting schedule" of the Annexes.



## Results of the parent and the subsidiary

## The parent: FinecoBank S.p.A.

Income statement - Quarterly data<sup>21</sup>

(Amounts in thousand)

	2020	
	1st Quarter	2nd Quarter
Net interest	68,201	70,117
Dividends and other income from equity investments	-	14,224
Net fee and commission income	88,304	89,056
Net trading, hedging and fair value income	26,322	30,086
Net other expenses/income	475	1,055
<b>OPERATING INCOME</b>	<b>183,302</b>	<b>204,538</b>
Staff expenses	(23,194)	(23,677)
Other administrative expenses	(59,225)	(62,150)
Recovery of expenses	23,807	28,456
Impairment/write-backs on intangible and tangible assets	(5,997)	(6,145)
<b>Operating costs</b>	<b>(64,609)</b>	<b>(63,516)</b>
<b>OPERATING PROFIT (LOSS)</b>	<b>118,693</b>	<b>141,022</b>
Net impairment losses on loans and provisions for guarantees and commitments	(946)	(2,733)
<b>NET OPERATING PROFIT (LOSS)</b>	<b>117,747</b>	<b>138,289</b>
Other charges and provisions	(1,124)	(6,512)
Net income from investments	(89)	(3,729)
<b>PROFIT (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS</b>	<b>116,534</b>	<b>128,048</b>
Income tax for the period	(38,083)	(36,670)
<b>NET PROFIT (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS</b>	<b>78,451</b>	<b>91,378</b>
<b>PROFIT (LOSS) FOR THE PERIOD</b>	<b>78,451</b>	<b>91,378</b>

(Amounts in € thousand)

	2019			
	4th Quarter	3rd Quarter	2nd Quarter	1st Quarter
Net interest	69,729	69,859	71,422	70,381
Dividends and other income from equity investments	35,191	-	13,110	-
Net fee and commission income	65,890	68,025	65,757	63,038
Net trading, hedging and fair value income	15,318	11,492	8,066	9,731
Net other expenses/income	235	159	368	194
<b>OPERATING INCOME</b>	<b>186,363</b>	<b>149,535</b>	<b>158,723</b>	<b>143,344</b>
Staff expenses	(22,604)	(21,523)	(21,161)	(20,779)
Other administrative expenses	(60,372)	(55,230)	(57,938)	(64,320)
Recovery of expenses	26,582	26,669	24,227	26,590
Impairment/write-backs on intangible and tangible assets	(6,511)	(5,723)	(5,308)	(5,086)
<b>Operating costs</b>	<b>(62,905)</b>	<b>(55,807)</b>	<b>(60,180)</b>	<b>(63,595)</b>
<b>OPERATING PROFIT (LOSS)</b>	<b>123,458</b>	<b>93,728</b>	<b>98,543</b>	<b>79,749</b>
Net impairment losses on loans and provisions for guarantees and commitments	(589)	(1,227)	1,123	(1,273)
<b>NET OPERATING PROFIT (LOSS)</b>	<b>122,869</b>	<b>92,501</b>	<b>99,666</b>	<b>78,476</b>
Other charges and provisions	(3,536)	(19,780)	(2,856)	(980)
Integration costs	-	-	2	(2)
Net income from investments	1,123	449	6,463	(658)
Goodwill impairment	120,456	73,170	103,275	76,836
<b>PROFIT (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS</b>	<b>120,456</b>	<b>73,170</b>	<b>103,275</b>	<b>76,836</b>
Income tax for the period	(7,395)	(24,758)	(30,009)	(25,684)
<b>NET PROFIT (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS</b>	<b>113,061</b>	<b>48,412</b>	<b>73,266</b>	<b>51,152</b>
<b>PROFIT (LOSS) FOR THE PERIOD</b>	<b>113,061</b>	<b>48,412</b>	<b>73,266</b>	<b>51,152</b>

<sup>21</sup> As described in the "Introduction to the Annual reports and Accounts", it should be noted that as of December 31, 2019 a change was made in the condensed accounts shown in the Consolidated Report on Operations. In particular dividends and other income on equity investments and equity securities mandatorily at fair value shown in the balance sheet item "Dividend income and similar revenue", previously included in the condensed accounts item "Dividends and other income from equity investments", were included in the item "Net trading, hedging and fair value income" in the condensed accounts. For homogeneity, the comparative data relating to the 2019 condensed accounts have also been reclassified. For additional information, reference is made to "Reconciliation of condensed consolidated accounts to mandatory reporting schedule" and to "Reconciliation of condensed accounts to mandatory reporting schedule" of the Annexes.

# Results of the parent and the subsidiary

## The parent: FinecoBank S.p.A.

**Operating income** came to € 387.8 million, up 28.4% compared to € 302.1 million in first half 2019.

**Net fee and commission income** and **Net trading, hedging and fair value income** contributed to the increase in the operating income as they rose, respectively, by 37.7% and 216.9%, while **Net interest** fell slightly by 2.5%.

**Net interest** decreased by € 3.5 million compared to the first half of the previous year due mainly to the fall in market interest rates, partially offset by the positive contribution of the increase in volumes, the growth in lending, and more dynamic treasury management. In this regard it should be noted that the structure of the investments carried out by the Bank contributed to maintaining a significant level of interest income, with the average gross margin on interest-earning assets at 1.06% (1.20% at June 30th, 2019).

**Dividends and other income from equity investments** exclusively include dividends received by Fineco AM, equal to € 14.2 million.

**Net fee and commission income** increased by € 48.6 million compared to the first half of the previous year, mainly due to the commissions generated by the Brokerage segment (+€ 36.6 million), driven by a highly volatile market, an increase in the proportion of the Bank's customers active in the Brokerage segment and the review of the offer, as well as the commissions generated by the Banking segment (+€ 9.1 million), driven in particular by the change in the monthly cost of keeping euro-denominated current accounts, which took effect from February 2020. It should be noted that this item includes the account maintenance fees that – whose introduction is subject of the proceedings brought against the Bank in December 2019 by the Italian Antitrust Authority (AGCM). Taking into account the outcome of the hearings and discussions with the abovementioned Authority, the Bank – while maintaining that it acted properly – decided to pay back customers affected by this commercial practice, for an estimated amount of € 4 million as at June 30th, 2020 (already recognised under the item Provisions for risks and charges, to which readers should refer). Despite the tough market environment, commissions generated by the Investing segment also increased (+€ 3.5 million), thanks to the continuous improvement of the offer and the quality of sales.

**Net trading, hedging and fair value income** was mainly generated by profits realised by the Brokerage segment, which includes internalisation of securities and regulated/OTC derivatives, financial instruments used for operational hedging of securities and internalised derivatives and the exchange differences on assets and liabilities denominated in currency; it was up € 31.2 million compared to the first half of the previous year, driven by financial-market volatility in the first half of 2020, which resulted in an increase of over 180% in internalised volumes. This result also includes the income components from financial instruments recognised under "Other financial assets that must be designated at fair value", which include the Visa INC class "C" preferred shares and the equity exposure accounted for the contributions paid to the Voluntary Scheme established by the National Interbank Deposit Guarantee Fund, whose fair-value measurements respectively generated, in the first half of 2020, a gain of € 0.06 million (+€ 1.9 million in the first half of 2019) and a loss of € 1.2 million (-€ 4.8 million in the first half of 2019). Finally, there are the net profits generated by the sale of government bonds recognised under "financial assets at fair value through other comprehensive income", amounting to € 1.8 million (€ 0.7 million in the first half of 2019), and recognised under "Financial assets at amortised cost", amounting to € 7 million (€ 2.1 million in the first half of 2019, including securities issued by UniCredit).

**Operating costs** remained under control with an increase of € 4.3 million compared to the previous year (+€ 4.9 million for "Staff expenses", -€ 2.3 million for "Other administrative expenses net of Recovery of expenses" and +€ 1.7 million for "Impairment/write-backs on intangible and tangible assets"). The 3.5% increase is, in any case, well contained when compared to the growth in activities, AUM, customers, structure and staff, confirming the Bank's strong operating leverage and widespread corporate culture of cost management, proven by a *cost/income ratio* at 33.4% (41% as at June 30th, 2019).

**Loan loss provisions** in the first half of 2020 stood at € -3.7 million (-0.1 million in the first half of 2019) and were affected by the change in the macroeconomic scenarios used in the calculation of LLPs for Expected Credit Losses at June 30th, 2020. As described above in "Significant events during the period", when assessing performing credit exposures at June 30th, 2020, the Group considered an updated macroeconomic scenario to take into account the effects of the crisis arising from the COVID-19 pandemic. The updated macroeconomic scenarios led to € 0.3 million in LLPs. As regards other counterparties, the updated macroeconomic scenarios led to LLPs of € 0.8 million, recognised using IFRS 9 impairment models and their post-model overlay and adjustment. It should also be noted that at June 30th, 2019, the Bank had recorded writebacks of approximately € 2.3 million with respect to the counterparty UniCredit S.p.A., thanks to both a reduction in exposures and an improvement in the counterparty's risk profile, as a result of the financial guarantee received under the Pledge Agreement entered into following the exit of FinecoBank from the UniCredit Banking Group.

**Provisions for risks and charges** amounted to -€ 7.6 million, increasing on the -€ 3.8 million recorded in the first half of 2019. During the first half of 2020 the ordinary annual contribution required for the 2020 financial year under Directive 2014/59/EU (Single Resolution Fund) was recognised in the amount of € 0.7 million (no contribution had been requested for the 2019 financial year). In June 2020, the Bank of Italy called in additional contributions to the National Resolution Fund pursuant to Art. 1, paragraph 848 of Law 208/2015. The contribution payable by the Bank was € 0.2 million. At June 30, 2020, the Provisions for risks and charges also include a provision made by the Bank in relation to the proceedings initiated against itself in December 2019 by the Italian Antitrust Authority (AGCM). In this regard, it should be noted that on December 20th, 2019, the Bank received notice from the AGCM that it had initiated proceedings to assess the compliance with the Consumer Code (Legislative Decree 206/2005) of a commercial practice that the Bank had previously used to encourage people to open current accounts. During the first half of 2020, FinecoBank – on the advice of its lawyers – provided the AGCM with all the information required for the purposes of the assessment within the prescribed time limits, explaining the reasons why it believes it has operated correctly. Taking into account the outcome of the hearings and discussions with the AGCM, the Bank – while maintaining that it acted properly – decided to pay back customers affected by this commercial practice (the monthly account maintenance fees) charged in 2020 and to not apply these fees until December 31, 2019.

# Results of the parent and the subsidiary

## The parent: FinecoBank S.p.A.

Pending the AGCM's decisions on the proposals made by the Bank, this substantial commitment taken by the Bank at the reporting date has been covered by a specific allocation to the Provision for risks and charges as at June 30th, 2020 in the amount of € 4 million. If the above proposal is accepted, this amount will be paid to the customers concerned during the second half of 2020 by promptly repaying the fees charged to them from February 1st, 2020.

**Profit from investments** showed a loss of 3.8 million, down 9.6 million on the first half of 2020. As described above, when assessing performing credit exposures at June 30th, 2020, the Bank considered an updated macroeconomic scenario to take into account the effects of the crisis arising from the COVID-19 pandemic. Regarding exposures to bond issuers, where the greatest impact was on sovereign exposures, the updated macroeconomic scenarios led to provisions of € 3.6 million, recognised using IFRS 9 impairment models and their post-model overlay and adjustment. It should also be noted that at June 30th, 2019, the Bank had recorded writebacks of approximately € 6.5 million with respect to the issuer UniCredit S.p.A., thanks to both a reduction in exposures in debt securities and an improvement in the issuer's risk profile, as a result of the financial guarantee received under the Pledge Agreement entered into following the exit of FinecoBank from the UniCredit Banking Group.

**Profit (loss) before tax from continuing operations** amounted to a profit of € 244.6 million, increasing by 35.8% on the first half of the prior year, owing in particular to the increase in Net commissions and Net trading, hedging and fair value income. Excluding non-recurring items in the first half of 2020 as previously described<sup>22</sup>, profit before tax from continuing operations would have been € 245.8 million, up 32.9% compared to the first half of 2019 (also net of non-recurring items<sup>23</sup>).

**Profit for the period** came to € 169.8 million, up 36.5% compared to € 124.4 million for the first half of the previous year. Excluding non-recurring items in the first half of 2020 as previously described<sup>24</sup>, profit for the period would have been € 170.6 million, up 31.8% compared to the first half of 2019 (also net of non-recurring items<sup>25</sup>).

<sup>22</sup> Change in the fair value of the equity exposure to the Voluntary Scheme set up by the Interbank Deposit Guarantee Fund totalling -€ 2 million (including tax effect).

<sup>23</sup> Change in the fair value of the equity exposure to the Voluntary Scheme set up by the Interbank Deposit Guarantee Fund totalling -€ 8 million (including tax effect).

<sup>24</sup> Change in the fair value of the equity exposure to the Voluntary Scheme set up by the Interbank Deposit Guarantee Fund totalling -€ 8 million (including tax effect).

<sup>25</sup> Change in the fair value of the equity exposure to the Voluntary Scheme set up by the Interbank Deposit Guarantee Fund totalling -€ 2 million (including tax effect) and the tax benefit from the so-called Patent Box regime amounting to € 8 million.

# Results of the parent and the subsidiary

## The subsidiary: Fineco Asset Management (DAC)

Fineco AM, a wholly owned subsidiary of FinecoBank, is a UCITS Management Company and was established on 26 October 2017 in the Republic of Ireland. The principal activity of Fineco AM to offer its customers a range of UCITS product with a strategy focused on the definition of strategic asset allocation and selection of the best international managers, and therefore, diversify and improve the offer of asset management products and further increase the competitiveness of the Group within its vertically integrated business model.

The volumes of net assets under management managed by Fineco AM at 30 June 2020 amounted to € 14.2 billion (€ 13.8 billion as at December 31, 2019). This is broken down as per below:

- € 5.1 billion referred to Core Series Umbrella Fund (€ 5.8 billion as at December 31, 2019);
- € 6.8 billion referred to FAM Series UCITS ICAV (€ 6.3 billion as at December 31, 2019);
- € 2.3 billion referred to FAM Evolution ICAV (launched in January 2019).

It should also be noted that € 8.9 billion relate to retail classes and € 5.3 billion relating to institutional classes.

As at June 30, 20220, Fineco AM has a total asset of € 45.9 million. This consists of **Loans and receivables with banks**, represented by a time deposit for an amount of € 10 million and by the sight deposits with credit institutions for € 12.3 million, and **by Loans and receivables with customers**, exclusively represented operating receivables associated with the provision of services, for an amount of € 20.8 million.

Fineco AM also holds shares in its UCITS Funds, in relation to the seeding activity for an amount of € 0.3 million, which are recorded under "**Financial assets at fair value through profit or loss c) other financial assets mandatorily at fair value**". Fineco AM also holds **Other assets** for an amount of € 0.9 million, relating to prepaid expenses and tax items other than those included in the item "Tax assets".

**Deposits from banks** and **Deposits from customers** totalled € 13.4 million, are represented exclusively by operating payables connected with the provision of financial services, relating to the placement and management fees of UCITS to be paid back to the placers, including FinecoBank itself for € 6.8 million, and to investment advisors. It should be noted that the item **Deposits from customers** also includes the "Lease liabilities" from customers, amounting to € 0.8 million representing the financial debt corresponding to the present value of the payments due in the lease agreements stipulated with credit institutions not paid at the reporting date, as required by IFRS 16.

The **Other liabilities**, equal to € 3.5 million, are recognised in payables to employees and other personnel and in current payables not related with the **provision of financial services**.

**Shareholders' equity** amounted to € 28.9 million and consists of share capital for € 3 million and net income for the period of € 24.6 million and of reserves for € 1.3 million.

In first half 2020 Fineco AM generated **Net commissions** for € 32.4 million (€ 86.1 million in fee and commission income and € 53.7 million in fee and commission expense) and the **Net Profit for the period** amounted to € 24.6 million.

The number of persons employed by Fineco AM as at 30 June 2020 is 30.

# Related-party Transactions

At its meeting of November 5th, 2019 and with the prior favourable opinion of the Risk and Related Parties Committee and the Board of Statutory Auditors, the Board of Directors, to ensure continued compliance with applicable legal and regulatory provisions on the corporate disclosure of transactions with related parties and persons in conflict of interest, approved the new Global Policy Procedure for the management of transactions with persons in potential conflict of interest of the FinecoBank Group (the "Global Policy").

The Global Policy contains the provisions to observe when managing:

- related party transactions pursuant to Consob Regulation no. 17221 of March 12th, 2010 (as amended);
- transactions with associated persons pursuant to the regulations on "Risk activities and conflicts of interest with associated persons" laid down by Bank of Italy Circular no. 263 of December 27th, 2006 (Title V, Chapter 5: "New regulations for the prudential supervision of banks", as amended);
- obligations of bank officers pursuant to Article 136 of Legislative Decree 385 of September 1st, 1993 (the Consolidated Banking Act).

Considering the above, in the first half of 2020 the Group conducted less material transactions with related parties in Italy and abroad in the course of ordinary business and associated financial activities, carried out under standard conditions, hence under the terms normally applied to transactions with unrelated parties; no other transactions were undertaken with related parties that could significantly affect the Bank's or the Group's asset situation and results, nor were any atypical and/or unusual transactions conducted, including of an intercompany or related party nature.

## Transactions with Group companies

FinecoBank is the parent company of the FinecoBank Banking Group.

The following table summarises outstanding assets, liabilities, guarantees and commitments at June 30th, 2020 as well as the costs (-) and revenues (+) recognised in first half 2020 with Fineco AM, which is the sole wholly-owned consolidated company.

(Amounts in € thousand)

	Assets	Liabilities	Guarantees and commitments	Revenues (+)	Costs (-)
Transactions with the subsidiary Fineco Asset Management DAC	6,987	-	-	55,587	-

The assets shown above consist mainly of current receivables for the placement of financial products, due from the subsidiary Fineco AM and recognised as "Financial assets at amortized cost". The revenues column includes placement and management fee income paid back by the subsidiary and recognised by FinecoBank in the first half of 2020, as well as dividends on 2019 profit paid by Fineco AM for a total of € 14.2 million.

## Treasury shares

At June 30th, 2020 the Group held 753,310 FinecoBank ordinary shares (all held by the Bank itself) in connection with PFA incentive plans, amounting to 0.12% of the share capital, for a total of € 7.5 million. In the first half of 2020, 44,000 shares were purchased in relation to the 2019 PFA Incentive System for personal financial advisors identified as key personnel while 11,548 and 16,590 FinecoBank ordinary shares held in the portfolio were assigned to personal financial advisors under the 2016 and the 2017 PFA Incentive Systems, respectively.

# Subsequent events and outlook

## Subsequent events

After the end of the period, there were no significant events that lead to the adjustment of the results shown in the Condensed Interim Financial Statements at 30 June 2020.

## Outlook

The prospective scenario, despite a context of pressure on margins and general uncertainty about the effects and duration of the Coronavirus epidemic, sees the Group benefiting from two structural trends that are transforming Italian society: digitization and demand for advisory services.

The habits of banking customers have changed radically over the last ten years. The need for them to access services far from their branch or at unconventional times has increased and they are increasingly able to use the internet at any time of the day and anywhere. This need was accentuated in the months characterized by the lockdown and FinecoBank intends to continue the digitisation and computerisation of its business, not only in how it interfaces with its customers but also in its internal operational processes. The objective is to increase digitisation and generate greater savings and efficiencies for the Group. The operating leverage is identified as a key point of Fineco's competitive advantage thanks to the core system developed and managed internally. The solid and widespread IT culture within the Bank allows a high scalability of the business, also thanks to the Big Data Analytics developed internally. The increased use of mobile devices and the internet offers competitive advantages to a bank such as FinecoBank, which has always focused on technology and, more specifically, on the dual track of a digital platform matched with a network of personal specialised financial advisors.

Another structural trend that favours FinecoBank's positioning relates to the growing demand from customers for advanced and specialised advisory services, supported by Italians' propensity to save. The Italian market remains characterised by a high level of household wealth and a high rate of wealth employed in real estate investments. The higher level of uncertainty and the volatility of the financial markets, and above all the exceptional contingency experienced in the last months of the first quarter of 2020, have directed the preferences of households towards liquid products (bank drafts and deposits), insurance products and pension funds. There was, however, a clear uptick in investments in mutual funds, albeit remaining lower than in other Eurozone countries. The recent health emergency has helped to consolidate a greater awareness of the importance of managing one's savings correctly, and to promote greater attention for the world of markets. Furthermore, a change in mentality is underway by savers increasingly inclined to take advantage of qualified advice and to invest directly in the markets.

The Group will continue to pursue its organic growth-driven strategy, relying on efficient processes and quality services. The objective is to further strengthen its competitive positioning in the sector of integrated banking, brokerage and investing services, through the high quality and completeness of the financial services it offers, summed up in "one-stop solution" concept. This will be partially driven by the asset management activities of Fineco AM, which will enable the Bank to meet its customers' needs even better, be more efficient in product selection and be more profitable thanks to its vertically integrated business model.

FinecoBank had a market share by TFA (source: Bank of Italy statistical data, return flows) of 1.68% as at March 31, in June 2020, with significant potential growth margins.

Fineco intends to pursue its long-term sustainable growth objectives, including in terms of ESG<sup>26</sup>, in order to create value for stakeholders while maintaining a low risk appetite. Fineco intends to do this mainly by raising from customers without resorting to aggressive commercial offers and through the offering products characterized by fair pricing and "no performance fees", in combination with highly liquid and low risk.

<sup>26</sup> Details available in the FinecoBank Group's Consolidated Non-Financial Statement published on the FinecoBank website (<https://www.finecobank.com>).



## Consolidated balance sheet

(Amounts in € thousand)

Assets	06/30/2020	12/31/2019
10. Cash and cash balances	909,802	754,386
20. Financial assets at fair value through profit and loss	25,166	20,159
a) financial assets held for trading	14,591	7,933
c) other financial assets mandatorily at fair value	10,575	12,226
30. Financial assets at fair value through other comprehensive income	149,908	321,699
40. Financial assets at amortised cost	27,713,521	26,216,829
a) loans and receivables with banks	9,089,350	9,440,362
b) loans and receivables with customers	18,624,171	16,776,467
50. Hedging derivatives	21,930	36,059
60. Changes in fair value of portfolio hedged financial assets (+/-)	53,647	28,880
90. Property, plant and equipment	153,685	152,048
100. Intangible assets	126,194	127,094
- goodwill	89,602	89,602
110. Tax assets	4,186	23,444
a) current tax assets	373	-
b) deferred tax assets	3,813	23,444
130. Other assets	254,169	342,309
<b>Total assets</b>	<b>29,412,208</b>	<b>28,022,907</b>

(Amounts in € thousand)

Liabilities and shareholders' equity	06/30/2020	12/31/2019
10. Financial liabilities at amortised cost	27,134,336	26,074,511
a) deposits from banks	113,137	154,653
b) deposits from customers	27,021,199	25,919,858
20. Financial liabilities held for trading	8,209	3,777
40. Hedging derivatives	188,770	80,852
50. Changes in fair value of portfolio hedged financial liabilities (+/-)	18,346	14,098
60. Tax liabilities	62,928	11,437
a) current tax liabilities	62,928	11,437
80. Other liabilities	331,133	343,859
90. Provisions for employee severance pay	4,722	4,810
100. Provisions for risks and charges:	108,110	107,079
a) commitments and guarantees given	67	21
c) other provisions for risks and charges	108,043	107,058
120. Revaluation reserves	1,485	1,002
140. Equity instruments	500,000	500,000
150. Reserves	678,378	397,593
160. Share premium reserve	1,934	1,934
170. Share capital	201,153	200,941
180. Treasury shares (-)	(7,470)	(7,351)
200. Net Profit (Loss) for the year	180,174	288,365
<b>Total liabilities and Shareholders' equity</b>	<b>29,412,208</b>	<b>28,022,907</b>



## Consolidated Income statement

(Amounts in € thousand)

Item	06/30/2020	06/30/2019
10. Interest income and similar revenues	144,242	150,064
of which: interest income calculated with the effective interest method	150,797	151,615
20. Interest expenses and similar charges	(6,844)	(8,297)
<b>30. Net interest margin</b>	<b>137,398</b>	<b>141,767</b>
40. Fee and commission income	361,167	301,024
50. Fee and commission expenses	(150,597)	(142,381)
<b>60. Net fee and commission income</b>	<b>210,570</b>	<b>158,643</b>
70. Dividend income and similar revenue	53	63
80. Gains (losses) on financial assets and liabilities held for trading	49,578	18,155
90. Fair value adjustments in hedge accounting	(871)	(381)
100. Gains and losses on disposal or repurchase of:	8,821	2,784
a) financial assets at amortised cost	7,051	2,057
b) financial assets at fair value through other comprehensive income	1,770	727
110. Gains (losses) on financial assets and liabilities at fair value through profit or loss	(1,099)	(2,784)
b) other financial assets mandatorily at fair value	(1,099)	(2,784)
<b>120. Operating income</b>	<b>404,450</b>	<b>318,247</b>
130. Impairment losses/writebacks on:	(7,457)	5,627
a) financial assets at amortised cost	(7,451)	5,666
b) financial assets at fair value through other comprehensive income	(6)	(39)
140. Profit/loss from contract changes without cancellation	21	-
<b>150. Net profit from financial activities</b>	<b>397,014</b>	<b>323,874</b>
<b>180. Net profit from financial and insurance activities</b>	<b>397,014</b>	<b>323,874</b>
190. Administrative expenses	(172,100)	(166,731)
a) staff expenses	(48,893)	(44,097)
b) other administrative expenses	(123,207)	(122,634)
200. Net provisions for risks and charges	(6,779)	(3,804)
a) provision for credit risk of commitments and financial guarantees given	(46)	32
b) other net provision	(6,733)	(3,836)
210. Impairment/write-backs on property, plant and equipment	(9,428)	(7,861)
220. Impairment/write-backs on intangible assets	(2,840)	(2,650)
230. Other net operating income	52,621	50,247
<b>240. Operating costs</b>	<b>(138,526)</b>	<b>(130,799)</b>
280. Gains (losses) on disposal of investments	(6)	-
<b>290. Total profit (loss) before tax from continuing operations</b>	<b>258,482</b>	<b>193,075</b>
300. Tax expense (income) related to profit or loss from continuing operations	(78,308)	(58,961)
<b>310. Total profit (loss) after tax from continuing operations</b>	<b>180,174</b>	<b>134,114</b>
<b>330. Net Profit (Loss) for the period</b>	<b>180,174</b>	<b>134,114</b>
<b>350. Profit (loss) for the period attributable to the Parent Company</b>	<b>180,174</b>	<b>134,114</b>

	01/01/2020 – 06/30/2020	01/01/2019 – 06/30/2019
Earnings per share (euro)	0.28	0.22
Diluted earnings per share (euro)	0.28	0.22

**Note:**

For further information on "Earnings per share" and "Diluted earnings per share" please see notes to the accounts, Part C - Information on the Consolidated Income Statement, Section 25.

## Consolidated statement of comprehensive income

(Amounts in € thousand)

Items	06/30/2020	06/30/2019
<b>10. Net Profit (Loss) for the period</b>	<b>180,174</b>	<b>134,114</b>
<b>Other comprehensive income after tax without reclassification through profit or loss</b>		
70. Defined benefit plans	1,227	(2,766)
<b>Other comprehensive income after tax with reclassification through profit or loss</b>		
140. Financial assets (no equity securities) measured at fair value with an impact on total profitability	(744)	5,357
<b>170. Total other income components after tax</b>	<b>483</b>	<b>2,591</b>
180. Overall profitability (Item 10 + 170)	180,657	136,705
<b>200. Consolidated comprehensive income attributable to Parent Company</b>	<b>180,657</b>	<b>136,705</b>

## Statement of changes in consolidated shareholders' equity

## Statement of changes in consolidated shareholders' equity at 06/30/2020

(Amounts in € thousand)

	Balance as at 12/31/2019	Change in opening balance	Balance as at 01/01/2020	Allocation of profit from previous year		Change during the year										Shareholders' equity group as at 06/30/2020	Shareholders' equity minorities as at 06/30/2020
				Reserves	Dividends and other distributions	Changes in reserves	Shareholders' equity transactions								Comprehensive income exercise 2020		
							Issues of new shares	Purchase of own shares	Distributions of extraordinary dividends	Changes in equity instruments	Own share derivatives	Stock options	Changes in ownership interests				
Share capital:																	
- ordinary shares	200,941		200,941				212										201,153
- other shares																	
Share premium reserve	1,934		1,934														1,934
Reserves:																	
- from profits	364,937		364,937	288,365		(9,897)						(212)					643,193
- others	32,656		32,656									2,529					35,185
Revaluation reserves	1,002		1,002											483			1,485
Equity instruments	500,000		500,000														500,000
Treasury shares	(7,351)		(7,351)				280	(399)									(7,470)
Profit (loss) for the year	288,365		288,365	(288,365)										180,174			180,174
Shareholders' Equity Group	1,382,484		1,382,484			(9,897)	492	(399)				2,317		180,657			1,555,654
Shareholders' Equity Minor.																	

The "Reserves" column includes the 2019 profit of FinecoBank S.p.A. It should be noted that, in full compliance with the reference legislation, the indications of the Supervisory Authorities and the best consolidated practice on the matter, the Board of Directors of 6 April 2020 decided to revoke the proposal for the distribution of a dividend of € 0.32 per unit for a total of € 195,052,000 approved by the Board of Directors on February 11, 2020, resolving to propose to the ordinary Shareholders' Meeting convened for April 28, 2020 the allocation to reserves of the profit for the year 2019. The ordinary Shareholders' Meeting convened for on April 28, 2020 it therefore approved the aforementioned proposal.

The column "Stock options" includes the incentives plans serviced by FinecoBank shares.

The "Changes in reserves" column includes THE coupons paid on equity instruments net of related taxes and the transaction costs directly attributable to the issue of Equity instruments net of related taxes.

## Statement of changes in consolidated shareholders' equity at 06/30/2019

(Amounts in € thousand)

	Balance as at 12/31/2018	Change in opening balance	Balance as at 01/01/2019	Allocation of profit from previous year		Change during the year										Shareholders' equity group 06/30/2019	Shareholders' equity minorities as at 06/30/2019
				Reserves	Dividends and other distributions	Changes in reserves	Shareholders' equity transactions								Comprehensive income 06/30/2019		
							Issues of new shares	Purchase of own shares	Distributions of extraordinary dividends	Changes in equity instruments	Own share derivatives	Stock options	Changes in ownership interests				
Share capital:																	
- ordinary shares	200,773		200,773				163										200,941
- other shares																	
Share premium reserve	1,934		1,934														1,934
Reserves:																	
- from profits	321,537		321,537	56,718		(3,074)						(1,688)					375,013
- others	33,872		33,872									2,703					36,675
Revaluation reserves	(9,794)		(9,794)											2,591			(7,203)
Equity instruments	200,000		200,000														200,000
Treasury shares	(13,960)		(13,960)				345	(181)									(13,796)
Profit (loss) for the year	214,119		214,119	(56,718)	(184,501)									134,114			134,114
Shareholders' Equity Group	975,681		975,681		(184,501)	(3,074)	513	(181)				2,535		136,705			927,678
Shareholders' Equity Minor.																	

The amount of the dividend approved by the Fineco's Ordinary Shareholders' Meeting in 2019, totalling € 184,500,820.80, corresponds to € 0.303 per share.

The column "Stock options" includes the incentives plans serviced by FinecoBank shares.

The "Changes in reserves" column includes: dividends not distributed in relation to any treasury shares held by the Bank at the record date, transferred to the Extraordinary reserve; coupons paid on equity instruments net of related taxes; transaction costs directly attributable to the issue of Equity instruments net of related taxes.

## Consolidated cash flow statement

## Indirect method

(Amounts in € thousand)

A. OPERATING ACTIVITIES	Amount	
	01/01/2020 – 06/30/2020	01/01/2019 – 06/30/2019
<b>1. Operations</b>	<b>380,312</b>	<b>273,825</b>
- operating result (+/-)	180,174	134,114
- capital gains/losses on financial assets held for trading and on assets designated at fair value through profit and loss (-/+)	2,699	3,615
- capital gains/losses on hedging operations (+/-)	871	381
- net write-offs/write-backs due to impairment (+/-)	7,688	(5,169)
- net write-offs/write-backs on tangible and intangible assets (+/-)	12,268	10,510
- provisions and other incomes/expenses (+/-)	14,803	10,255
-Net uncashed premiums (-)	-	-
-Other non-cashed income/insurance charges (-/+)	-	-
- not paid tax (+/-)	54,505	54,545
- disposal groups classified as held for sale (-/+)	-	-
- other adjustments (+)	107,304	65,574
<b>2. Liquidity generated/absorbed by financial assets</b>	<b>(1,211,297)</b>	<b>(1,459,284)</b>
- financial assets held for trading	(2,680)	(1,098)
- financial assets at fair value	-	-
- other assets mandatorily valued at fair value	468	(377)
-Financial assets valued at fair value with impact on overall profitability	168,343	642,102
- financial assets valued at amortized cost	(1,466,721)	(2,115,450)
- other assets	89,292	15,539
<b>3. Liquidity generated/absorbed by financial liabilities</b>	<b>1,060,051</b>	<b>988,805</b>
- financial liabilities valued at amortized cost	1,086,569	1,042,478
- financial liabilities held for trading	(1,062)	(94)
- financial liabilities designated at fair value	-	-
- other liabilities	(25,456)	(53,579)
<b>Net liquidity generated/absorbed by operating assets</b>	<b>229,063</b>	<b>(196,654)</b>
<b>B. INVESTMENT ACTIVITY</b>		
<b>1. Liquidity generated by</b>	<b>1</b>	<b>-</b>
- equity investments	-	-
- collected dividends on equity investments	-	-
- sells of tangible assets	1	-
- sells of intangible assets	-	-
- sales/purchases divisions	-	-
<b>2. Liquidity absorbed by:</b>	<b>(14,516)</b>	<b>(72,798)</b>
- purchases of equity investments	-	-
- purchases of tangible assets	(12,576)	(70,093)
- purchases of intangible assets	(1,940)	(2,705)
- purchases of subsidiaries and company branches	-	-
<b>Net liquidity generated/absorbed by investment activity</b>	<b>(14,515)</b>	<b>(72,798)</b>
<b>C. FUNDING ACTIVITIES</b>		
- issue/purchase of treasury shares	92	332
- issue/purchase of equity instruments	-	-
- distribution of dividends and other scopes	(10,391)	(189,414)
-Sale/purchase of control of third parties	-	-
<b>Net liquidity generated/absorbed by funding activities</b>	<b>(10,299)</b>	<b>(189,082)</b>
<b>NET LIQUIDITY GENERATED/ABSORBED IN THE PERIOD</b>	<b>204,252</b>	<b>(458,534)</b>

## Consolidated cash flow statement

## RECONCILIATION

(Amounts in € thousand)

Item	Amount	
	01/01/2020 – 06/30/2020	01/01/2019 – 06/30/2019
Cash and cash equivalent at the beginning of period	934,666	2,019,314
Total net liquidity generated/absorbed in the period	204,252	(458,534)
Cash and cash equivalents: effect of period rate variations	(442)	1,619
Cash and cash equivalent at the end of the period	1,138,476	1,562,399

## Key

(+ ) generated

(- ) used

Cash flows from/used by financial liabilities of the Bank, although in accordance with IAS 7 par. 44A is representative of flows deriving from the financing/funding activity, is classified, in line with the banking activity carried out and as required by Bank of Italy Circular 262/2005, as liquidity deriving from the operating activity.

The term "Cash and cash balances" means cash recorded under item 10 of assets "Cash and cash balances" and the equivalent liquid assets recorded under item 40 of assets "Financial assets at amortised cost: a) loans and receivables with banks" (consisting of current accounts and deposits maturing within 3 months) net of the equivalent liquid liabilities recorded under item 10 of liabilities "Financial liabilities at amortised cost a): deposits from banks" (represented by current accounts and deposits maturing within 3 months).

The item "Cash and cash balances" at the end of first half 2020 consisted of:

- Cash recognised under asset item 10 "Cash and cash balances" in the amount of € 909,802 thousand;
- Current accounts and demand deposits recognised under asset item 40 "Financial assets at amortised cost: a) loans and receivables with banks" in the amount of € 270,091 thousand;
- net of the Current accounts and demand deposits recognised under liability item 10 "Financial liabilities at amortised cost: a) deposits from banks" in the amount of € 41,417 thousand.

The item "Cash and cash balances" at the end of first half of the previous year consisted of:

- Cash recognised under asset item 10 "Cash and cash balances" in the amount of € 1,230,792 thousand;
- Current accounts and demand deposits recognised under asset item 40 "Financial assets at amortised cost: a) loans and receivables with banks" in the amount of € 400,025 thousand;
- net of the Current accounts and demand deposits recognised under liability item 10 "Financial liabilities at amortised cost: a) deposits from banks" in the amount of € 68,418 thousand.



## Part A - Accounting policies

### A.1 General

#### Section 1 - Statement of Compliance with IFRS

These condensed interim consolidated financial statements of FinecoBank Banca Fineco S.p.A. (hereafter FinecoBank or Fineco or Bank) has been drawn up in accordance with the recognition and measurement criteria established by the international accounting standards (hereinafter "IFRS", "IAS" or "international accounting standards") issued by the International Accounting Standards Board (IASB), including the relevant SIC and IFRIC interpretative documents, endorsed by the European Commission until 30 June 2020, as required by European Union Regulation no. 1606/2002 of 19 July 2002 implemented in Italy by Legislative Decree 28 February 2005 n. 38, and applicable to the financial statements for the financial years starting on 1 January 2020, and, in particular, it complies with the international accounting standard applicable for interim financial reporting (IAS 34). Based on paragraph 10 of this principle, FinecoBank Banca Fineco S.p.A.) has availed itself of the option of preparing the consolidated interim financial statements in an abbreviated version.

It also forms an integral part of the consolidated half-year financial report pursuant to paragraph 2 of article 154-ter of the Consolidated Finance Act (TUF, Legislative Decree 24/2/1998 n. 58). The consolidated half-yearly financial report, as required by paragraph 2 of the aforementioned article of the TUF, includes the condensed consolidated half-year financial statements, the interim consolidated management report and the certification of the condensed consolidated half-year financial statements, provided for by paragraph 5 of art. 154-bis of the TUF, pursuant to art. 81-ter of Consob Regulation no. 11971 of May 14, 1999 and subsequent amendments and additions.

#### Section 2 - Preparation criteria

As mentioned above, these Consolidated interim financial statements have been prepared in accordance with the IAS/IFRS endorsed by the European Commission. The following documents have been used to interpret and support the application of IFRS, even though not all of them have been endorsed by the European Commission:

- The Conceptual Framework for Financial Reporting;
- Implementation Guidance, Basis for Conclusions, IFRICs and any other documents prepared by the IASB or International Financial Reporting Interpretations Committee (IFRIC) supplementing the IFRS;
- Interpretation documents on the application of IFRS in Italy prepared by the *Organismo Italiano di Contabilità* (Italian Accounting Body);
- ESMA (European Securities and Markets Authority) and Consob documents on the application of specific IFRS provisions;
- the documents prepared by the Italian Banking Association (ABI).

The Consolidated interim financial statements comprise the consolidated Balance Sheet, the consolidated Income Statement, the consolidated Statement of Comprehensive Income, the consolidated Statement of Changes in Shareholders' Equity, the consolidated Cash Flow Statement (compiled using the indirect method), and these notes to the accounts, together with the Directors' Report on Operations ("Consolidated interim Report on Operations") and the Annexes.

The figures in the Consolidated financial statements and the Notes to the Accounts are provided in thousands of euros, unless otherwise indicated, and have been prepared with reference to the instructions on the financial statements of the banks referred to in the Circular 262 of December 22, 2005 and subsequent updates. In accordance with the Bank of Italy Circular 262/2005 items in the consolidated Balance Sheet, consolidated Income Statement and consolidated Statement of Comprehensive Income for which there is no significant information to be disclosed for the reporting period and the previous year or the corresponding period of the same, are not provided nor in such cases have the tables of the Notes to the Accounts been reported.

Any discrepancies between the figures shown in the Consolidated financial statements and the notes to the consolidated accounts is solely due to roundings.

With reference to IAS 1, these Consolidated interim financial statements have been prepared on a going concern basis, as, taking into account the Group's economic, equity and financial situation, there are no doubts or uncertainties as to the ability of the same to continue its business operations and to continue operating for the foreseeable future (at least for the next 12 months).

The measurement criteria adopted are therefore consistent with this assumption and with the principles of accrual based accounting, the relevance and materiality of accounting information, and the prevalence of economic substance over legal form.

These criteria have changed in part with respect to the previous year exclusively relating to the introduction of new standards and interpretations from January 1, 2020, for further details please see the modifications described section 5 "Other matters", and in Part "A.2 – The main items of the accounts".

The activity of the Bank is not affected by any significant seasonal and/or cyclical factor.

## Part A - Accounting policies

### Section 3 – Consolidation Procedures and Scope

The following was used in order to prepare the consolidated Accounts at June 30, 2020:

- First-half accounts at June 30, 2020 of FinecoBank S.p.A.;
- First-half accounts at June 30, 2020 of Fineco Asset Management DAC, fully consolidated, prepared in accordance with IAS/IFRS where the items have been appropriately reclassified and adjusted for consolidation requirements.

The fully consolidation involves combining the balance sheets and income statements of the subsidiary on a "Line-by-Line" basis. The accounting value of the investment in the fully-consolidated companies is eliminated - as a result of assuming their assets and liabilities - as a contra-entry to the relevant quota of Shareholders' Equity of the Bank (100%, as the company is fully owned by the Bank). Assets and liabilities, off-balance sheet transactions, revenues and charges, as well as any profits and losses incurred between companies are fully eliminated, in line with the consolidation methods adopted.

#### 1. Interests in fully-owned subsidiaries

Company names	Headquarters	Registered office	Type of relationship (1)	Ownership relationship		Voting rights % (2)
				held by	holding %	
1. Fineco Asset Management DAC	Dublin	Dublin	1	FinecoBank	100%	100% effective

Key:

(1) Type of relationship:

1 = majority of voting rights and the ordinary Shareholders' Meeting

(2) Availability of votes in the ordinary Shareholders' Meeting, with a distinction between actual and potential votes.

#### 2. Valuations and key assumptions to define the scope of consolidation

No data to report.

#### 3. Interests in fully-owned subsidiaries with major minority interests

##### 3.1 *Minority interests, availability of minority votes and dividends distributed to minority shareholders*

No data to report.

##### 3.2 *Significant minority interests: accounting data*

No data to report.

#### 4. Significant restrictions

No data to report.

#### 5. Other information

No data to report.

### Section 4 - Subsequent events

No significant events have occurred after the balance sheet date that would make it necessary to change any of the information given in the Consolidated interim Financial Statements as at June 30, 2020.

The Consolidated interim Financial Statements as at June 30, 2020 were approved by the Board of Directors of July 31, 2020, which authorised their publication also pursuant to IAS10.



## Part A - Accounting policies

### Section 5 – Other matters

In the first half 2020, the following accounting standards, amendments and interpretations, approved by the European Commission, become effective for reporting periods beginning on or after January 1, 2020:

- Amendments to IFRS 9, IAS 39 and IFRS17: Interest Rate Benchmark Reform (EU Regulation 2020/34);
- Amendments to References to the Conceptual Framework in IFRS Standards (EU Regulation 2019/2015);
- Amendments to IAS 1 and IAS 8: Definition of Material (EU Regulation 2019/2104);
- Amendments to IFRS 3 Business Combinations (EU Regulation 2020/551).

Where applicable, these accounting standards, amendments and interpretations had no relevant impact on the consolidated financial position and results as at June 30, 2020.

In particular, as reported in the 2019 consolidated financial statements, at 31 December 2019 the Group had decided not to apply the Commission Regulation (EU) 2020/34, of 15 January 2020 and published on 16 January 2020, early; the Commission Regulation implements the "Amendments to IFRS 9, IAS 39 and IFRS 7: reform of the interest rate benchmarks" issued by the IASB in September 2019 and applicable from January 1, 2020, providing for temporary derogations from the requirements required for the application of hedge accounting in order to mitigate the impact deriving from the uncertainty of the IBOR reform.

In this regard, it should be noted that the Group has only fair value hedges in place which provide for the exchange of the fixed rate against Euribor and whose valuation, as collateralised, is carried out by discounting future flows with the OIS curve. Following the entry into force in 2018 of Regulation (EU) 2016/1011 of the European Parliament and of the Council of 8 June 2016 (EU Benchmark Regulation - BMR), the Euribor was subject to a reform process conducted by the European Money Markets Institute (EMMI), director of the same, to make it compliant with BMR according to a new hybrid calculation methodology (based on three levels) to be implemented by the end of 2019. Authorization was granted, pursuant to art. 34 of the BMR, on 2 July 2019 by the Belgian authority FSMA, supervisor of EMMI. The full transition to the new calculation method was completed in November 2019 and the Euribor is therefore BMR-compliant and continues to be used after January 1, 2020. With reference to the OIS curve, the same will be replaced by the € STR curve. In particular, the clearing houses (Eurex \ LCH) used by FinecoBank had initially communicated that the OIS curve would be replaced with the € STR curve on 22 June 2020, only to postpone the replacement on 27 July 2020 following the emergency COVID-19, anticipating the disposal of the Eonia rate which, as a result of the reform in question, will take place at the end of 2021.

The Group, which has chosen to continue to apply the hedge accounting requirements of IAS 39, has taken into account the above with respect to assessing the effectiveness of the hedging relationship, not detecting significant impacts on the existing hedging relationships.

As at June 30, 2020, no IFRS and IFRIC accounting standards, amendments and interpretations approved by the European Union but not yet mandatory applicable at June 30, 2020 have been issued.

As at June 30, 2020, moreover, the IASB issued the following accounting principles and interpretations or revisions thereof, whose the application is however still subject to completion of the approval process by the competent bodies of the European Union, which is still ongoing:

- IFRS 17 – Insurance contracts (May 2017), including Amendments to IFRS17 (June 2020);
- Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current (January 2020);
- Amendments to: IFRS 3; IAS 16, IAS 37 (May 2020);
- Annual Improvements 2018-2020 (May 2020);
- Amendment to IFRS 16 Leases Covid 19-Related Rent Concessions (May 2020);
- Amendments to IFRS 4 – Extension of the temporary exemption from the application of IFRS 9.

The possible effects of the future adoption of these standards, interpretations and amendments, when applicable and relevant for the Group, are reasonably estimated as not significant; the related analyses, also in relation to pending approvals, are in any case still to be completed.

#### **Interbank Deposit Guarantee Fund - Voluntary Scheme**

FinecoBank joined the Voluntary Scheme introduced by the Fondo Interbancario di Tutela dei Depositi (FITD - Interbank Deposit Guarantee Fund) in November 2015, through an amendment to its by-laws. The Voluntary Scheme is an instrument for resolving bank crises through support measures in favour of member banks, when specific conditions established by the regulations apply. The Voluntary Scheme has its own independent financial resources and the member banks have committed to providing funds on request for the implementation of its measures.

From 2016 to 2018 the Voluntary Scheme, as a private entity, approved initiatives to support some banks, in particular Cassa di Risparmio di Cesena (CariCesena), Cassa di Risparmio di Rimini (Carim), Cassa di Risparmio di San Miniato (Carismi) and Banca Carige.

For the above initiatives, FinecoBank made cash payments and simultaneously recognised in the financial statements, as indicated by the Bank of Italy, equity instruments previously classified as "Financial assets available for sale" under the accounting standard IAS 39 in effect until December 31st, 2017, and subsequently from January 1st, 2018, as "Financial assets measured at fair value" through profit or loss, based on the current accounting standard IFRS 9: c) other financial assets measured at fair value".

## Part A - Accounting policies

At June 30th, 2020 total equity instrument exposure arising from the Bank's contributions, net of write-downs and cancellations made in previous years and of the effects of the fair value measurement on that date, amounted to € 1,437 thousand (€ 1,116 thousand in contributions for the intervention in favour of Carige and € 321 thousand in favour of Carim, Carismi and CariCesena).

The fair value measurement at June 30th, 2020 of equity instruments recognised by the Bank for the operation approved by the Voluntary Scheme to support Credit Agricole CariParma's intervention on behalf of CariCesena, Cassa di Risparmio di Rimini (Carim) and Cassa di Risparmio di San Miniato (Carismi) showed impairment resulting in a further negative fair value measurement of € 1 thousand in the income statement for the first half of the year. The amount was determined by applying a fair value adjustment to the estimated fair value of Berenice securitisation instruments (mezzanine and junior instruments issued for the securitisation of the three banks' NPLs acquired under the Voluntary Scheme), as measured by an FITD-appointed advisor in the context of drawing up the Voluntary Scheme accounts at December 31st, 2019. The advisor followed the Discounted Cash Flow model in consideration of the collection estimates assumed.

The fair value measurement at June 30th, 2020 of equity instruments recognised by the Bank for the intervention on behalf of Banca Carige S.p.A. showed impairment resulting in a further negative fair value measurement of € 1,192 thousand in the income statement for the first half of the year. As market or price valuations of comparable instruments were not available, the Group determined the fair value of the instrument using an internal model based on the Market Multiples method for multi-scenario analysis, taking account of the steep decline in the price of bank stocks during the first quarter 2020 and not considering the recent increase in their market values, in order to reflect the uncertainty of evaluation deriving from COVID-19.

### **Contributions to guarantee and resolution funds**

With reference to the contributory obligations under Directive 2014/49/EU (the aforementioned DGS directive) for the year 2020, the contributions will be payable and recognized in the third quarter of the year in accordance with IFRIC 21.

With reference to the contributory obligations under Directive 2014/59/EU (the Single Resolution Fund) for the year 2020, the Bank has recognised in item 190. "Administrative expenses b) other administrative expenses" the ordinary annual contribution of € 687 thousand (no contribution was requested of the Bank in 2019).

In June 2020, the Bank of Italy called in additional contributions to the National Resolution Fund pursuant to Art. 1, paragraph 848 of Law 208/2015. FinecoBank's share, recognised in item 190. "Administrative expenses b) other administrative expenses", amounted to € 217 thousand.

### **Risks relating to the spread of COVID-19 (coronavirus)**

The health emergency caused by the spread of the COVID-19 pandemic and the uncertainty regarding its duration have had serious repercussions on the banking and financial system, whose outlook for the near future is difficult to forecast. Even under these circumstances, FinecoBank's business model is diversified and well-balanced: the Group's diverse sources of revenue allow it to face complex stressors like this crisis. The FinecoBank Group's revenues are based on three main components (banking, brokerage, and investing) whose performance during periods of crisis tends to be uncorrelated.

In the first half of 2020 the indirect effects of the health emergency at first caused a decrease in the value of customer assets under management, which was partially reabsorbed as early as the second quarter. In any case, compared with the Bank's competitors that trend is sharply mitigated as performance commissions are not foreseen, which are structurally variable and penalize institutions at times of market crisis. Conversely, as evidence of the decorrelation of revenue sources of the Group, during periods of high volatility as experienced in the first half of the year – especially when the pandemic was spreading most rapidly – there is a decided increase in brokerage revenues.

Regarding the Group's financial investments, mostly comprising government bonds, the direct impact of the emergency was an immediate reduction in their fair value which in any case has already been partly recovered as at June 30, 2020. Most of the Bank's government bonds are held as long-term investments and are recognized in the Held to Collect portfolio, hence their measurement at fair value does not affect the consolidated income statement or consolidated shareholders' equity.

As for the calculation of the expected losses, the measurement of credit exposure in the form of both loans and securities takes account of forward-looking information and consequently is affected by the macroeconomic scenarios used to calculate adjustments in value. During the current crisis, updating the scenarios underlying forward-looking data is an especially complex exercise. The extent of the macroeconomic repercussions of the suspension of economic and social activity during the spread of COVID-19 is still being widely debated, including in light of the extraordinary relief measures for families and businesses that various European countries have taken to help mitigate the impact of the crisis.

By virtue of the uncertainty generated by the COVID-19 pandemic and to these means of government support, the main European and international regulators (IASB, EBA, ESMA, European Commission, etc.) have provided banks and financial institutions with clarity as to the regulatory and accounting treatment of credit exposure. Though they have stressed the need to incorporate the worsening macroeconomic scenario caused by the crisis, in line with the spirit of IFRS 9, they have also determined that the current state of uncertainty justifies using the flexibility that standard affords.

## Part A - Accounting policies

The regulators therefore encourage institutions to take margins of flexibility beyond the mechanical application of standard models to determining provisions, and to estimate losses by giving adequate weight to long-term macroeconomic forecasts.

These authorities have also clarified that relief measures to households and enterprises in the form of legislative or category moratoriums do not in themselves constitute forbearance, as they are preventive and generic in nature rather than formulated ad hoc for the customer. Nor does the use of these measures entail therefore an automatic classify a debtor as unlikely to pay. From an accounting standpoint, it has been clarified that the moratoriums do not in themselves significantly raise credit risk.

Given the above, in valuing its performing loans at June 30th, 2020, FinecoBank has considered a macroeconomic landscape updated to take account of the effects of the COVID-19 crisis. Appropriate corrections have been made to account for the mitigating effects of the support measures granted to customers (government guarantees and moratoriums).

Within FinecoBank's retail clientele, to date there has been a limited impact on loans in terms of new disbursements and credit quality. Any damage to portfolio quality is amply mitigated by the type of product offered (loans are secured where possibly by financial guarantees and real estate) and by the Bank's prudent lending policies. For mortgage loans the average loan-to-value ratio is approximately 50% and credit facilities are backed by guarantees with conservative margins. This approach is further validated considering the Group's target retail clientele. The updated macroeconomic scenarios have led to € 0.3 million in write-downs as of June 2020. Loans that benefit from the moratoriums have been maintained at Stage 1 of the staging allocation, consistently with the regulators' guidance, unless additional and specific factors were existing or have occurred that have led to a significant increase in credit risk.

As for the remaining counterparties, including bond issuers, the greatest impact of the pandemic effect has concerned Sovereign exposures. In this case, the updated macroeconomic scenarios have led to write-downs of € 3.6 million for bond issuers and approximately € 0.8 million for the other counterparties, calculated according to IFRS 9 impairment models and their post-model overlay and adjustment rules.

The pandemic and consequent economic and financial crisis have not harmed the Group's overall liquidity, which remains solid and stable. During the first half of the year, even during the most acute phase of the pandemic, all key ratios and cash adequacy measurements highlighted wide safety margins with respect to regulatory and internal limits. In the first quarter of 2020, two factors strengthened the Group's liquidity position: the sale of assets by customers due to turbulence in the financial markets, and an especially significant increase in cash and cash equivalents, which further boosted the rising trend for high quality liquid assets (HQLA) that began in 2019. In the second quarter there was a gradual decrease in cash and cash equivalents due mainly to an uptick in customer investing, though they did not fall below standard pre-pandemic levels, representative of an extremely solid liquidity position. FinecoBank has experienced no difficulty or worsening of conditions in accessing the markets and executing transactions there (repos, securities trading) in terms of volumes or prices. For further details of liquidity management and liquidity risk, see Part E of this consolidated interim report.

From a structural point of view, in the near future there will likely be an acceleration toward solutions that will lead to a more modern, digitalized world: customers will increasingly do their banking on digital platforms, favouring the Group's founding business model.

Because it does not base its business model on a network of physical branches, FinecoBank has been less exposed to the risk of pandemics: customers can perform transactions online or with the guidance of personal financial advisors via web collaboration procedures, without experiencing any loss of service. The Group is also set up to ensure operational continuity and remote working arrangements for nearly all its employees, guaranteeing full maintenance of service levels and of the framework of controls without interruption.

Looking forward, then, the Group does not expect to see a substantial impact on its strategic orientation, its objectives, or its business model, which in fact will come out stronger; nor does it estimate an overall relevant impact on performance thanks to its diversified sources of revenues. For further details see the "Subsequent events and outlook" section of the report on operations.

The European and national authorities have responded to the financial crisis caused by the pandemic with a series of measures to support the real economy; the Italian government, too has passed various public relief packages for both individuals and businesses.

Below are the key measures adopted by the European and national authorities of potential benefit to the banking industry:

- use of capital reserves and liquidity: banks can make full use of their capital reserves and liquidity; specifically, they can temporarily operate below:
  - the level of capital defined by Pillar 2 Guidance;
  - the capital conservation buffer (national authorities may also revise the countercyclical buffer rates);
  - the liquidity coverage ratio (LCR).
- Pillar 2 Requirement: banks are allowed to partially use capital instruments that do not qualify as Common Equity Tier 1 (CET1) capital (for example, Additional Tier 1 or Tier 2 instruments) to meet the Pillar 2 Requirements (P2R).
- deduction of software from CET1: this is an acceleration of the regulatory procedure that should lead to the partial deduction from CET1 of intangible assets.
- application of transitional IFRS 9 rules: the ECB has recommended that banks that have not yet decided on the matter implement the transitional rules for adopting IFRS 9 as provided for in European Regulation 575/2013 (Capital Requirements Regulation or CRR). Note that the Group has not implemented the transitional provisions.
- request by the ECB that banks not pay dividends until at least October 2020: the ECB has revised its recommendation on the distribution of dividends by banks. To increase their loss absorption capacity and support loans to households, small businesses and corporations,

## Part A - Accounting policies

banks should not pay dividends for 2019 and 2020 until at least October 1st, 2020. Banks should also refrain from buying back their own shares to remunerate shareholders. As mentioned above, the ordinary general meeting of April 28, 2020 approved the Board of Directors' proposal of April 6, 2020 to carry forward the entire 2019 profit.

- market risk - Fundamental Review of the Trading Book (FRTB) - Standardised Approach (SA): the reference date of the first FRTB SA report pursuant to EU Regulation 876/2019 (CRRII) has been postponed to September 30th, 2021.

It should also be noted that on March 27, 2020 the ECB and the Bank of Italy recommended that banks not pay dividends until at least October 2020. In order to increase the capacity to absorb losses, and to support credit to households, small businesses and corporate companies, the aforementioned Authorities invited the banks not to pay dividends for the years 2019 and 2020, at least until 1 October 2020, and to refrain from the repurchase of own shares aimed at the remuneration of the shareholders. In this regard, please note that the ordinary Shareholders' Meeting called for April 28, 2020 approved the proposal of the Board of Directors on April 6, 2020 to allocate the entire 2019 profit to the reserve.

On 28 July 2020 both Authorities renewed the recommendation not to proceed with the payment of dividends for the financial years 2019 and 2020 (including the distribution of reserves), not to make any irrevocable commitment for the payment of dividends for the same financial years and to not proceed with the repurchase of shares aimed at remunerating shareholders until January 1, 2021.

Regarding the relief measures approved by the Italian government, the Group has adopted the following, including in consideration of its business model geared primarily toward retail customers:

- moratorium on retail mortgage loans. Main characteristics: I) scope of application extended to customers who were in financial difficulty pre-crisis, provided they are no more than 90 days late with their payments, and to freelance/self-employed workers; II) maximum duration: 18 months; III) the fund will pay up to 50% of the interest that accrues during the moratorium; IV) the moratorium already in effect for employees has been extended to freelance/self-employed workers whose revenues have decreased by more than 33% as a result of the emergency; V) elimination of ISEE (income cap) requirement; VI) suspension of complete payments (principal and interest);
- Italian Banking Association (ABI) agreement for household relief. This moratorium allows borrowers to suspend principal payments only for up to 12 months, while continuing to pay interest. It applies to secured loans other than those covered by the aforementioned programme, or to unsecured loans without government subsidies that meet certain conditions (disbursed before January 31, 2020; unimpaired or with unpaid instalments as of January 31st, 2020 for which the acceleration clause has not been invoked or the contract terminated or foreclosure initiated by third parties; mortgage loans must not be for luxury properties). To benefit from the moratorium, the applicant must also meet certain employment conditions (terminated for specified causes; laid off or reduced hours for at least 30 consecutive working days; more than a 33% decrease in revenue, due to the coronavirus emergency, compared with turnover in the last quarter of 2019 for freelance/self-employed workers) or have died or become non-self-sufficient.  
The regular amortization plan will resume when the moratorium is over or at the customer's request, and will be extended for the length of time payments were suspended.

In the absence of additional elements not strictly related to the moratorium in question, FinecoBank has applied modification accounting to both of these programmes, in line with ESMA instructions. Also, considering that interest will accrue on suspended payments, there should be no significant impact in terms of modification loss.

### ***Risks and uncertainties related to the use of estimates***

In the application of IFRS, management is required to make judgements, estimates and assumptions about the carrying amounts of certain assets and liabilities as well as the information regarding potential assets and liabilities. Estimates and related assumptions are based on previous experience and other factors considered reasonable under the circumstances and have been used to estimate the carrying values of assets and liabilities not readily available from other sources.

In particular, estimated figures have been used to support the measurement of some of the value-based items in the interim consolidated financial statements at June 30th, 2020, as required by the accounting standards and regulations. These estimates are largely based, as regards assets, on calculations of future recoverability of the values recognised in the accounts and, as regards liabilities, on estimates of the probability of using resources to meet the Group's obligations and on the amount of resources necessary to that end, according to the rules laid down in current legislation and standards. They have been made on the assumption of a going concern, on which basis these interim consolidated financial statements have been prepared, i.e. without contemplating the possibility of the forced sale of the estimated items.

The processes adopted support the carrying values at June 30th, 2020. For some of the above items the valuation is particularly complex given the uncertainty of the macroeconomic and market situation, as described in greater detail below. For other items, the complexity and subjectivity of estimates is influenced by the intricacy of the underlying assumptions, the amount and variability of available information and the uncertainties connected with possible future outcomes of proceedings, disputes and litigation.

The parameters, information and predictions used to determine the afore-mentioned values are therefore significantly affected by multiple factors, which could change rapidly in ways that are currently unforeseeable; this means that consequent future effects on the book values cannot be ruled out.

## Part A - Accounting policies

Estimates and underlying assumptions are regularly reviewed. Any changes resulting from these reviews are recognised in the period in which the review was carried out, provided the change only concerns that period. If the revision concerns both current and future periods it is recognised accordingly in both current and future periods.

Uncertainty affecting estimates is inherent, among other factors, in the determination of:

- fair value of financial instruments not listed in active markets
- securities, receivables and adjustments thereto, and in general, all other financial assets/liabilities
- employee severance pay provision and other employee and financial advisor benefits
- provisions for risks and charges
- goodwill and brand
- deferred tax assets
- tax liabilities

The quantification of the above items can vary even significantly over time, depending on changes in national and international social and economic conditions and their impact on the Group's earnings, customer solvency and the credit quality of borrowers; the performance of the financial markets, which influence interest rate fluctuation, prices and actuarial assumptions used to make estimates; legislative and regulatory changes affecting the market; and developments in existing or potential disputes.

As of this writing, we do not believe there are uncertainties of an extent to require significant adjustments by the end of the next period to the carrying amounts expressed in the interim consolidated financial statements. However, it cannot be ruled out that because of their nature, reasonable assumptions will fail to be confirmed in the Group's actual future scenarios, including as a result of uncertainty as to the present and future impact of the COVID-19 pandemic and the efficacy of the containment measures that can be implemented if infections begin to rise again, or of the authorities' previously described economic relief measures for households and businesses.

With specific reference to credit exposures, with the coming into force of IFRS 9, their valuation also considers forward-looking information and in particular the evolution of the macroeconomic scenarios used to calculate adjustments in value. For further details please refer regarding models and parameters in the specific section 18. Other information - Impairment of Part A - Accounting policies - A.2 Part relating to the main balance sheet items of the Notes to the consolidated financial statements at 31 December 2019. Within the framework of IFRS 9, for the purposes of estimating expected credit loss (ECL), in its communications aimed at ensuring consistency and comparability within the European banking industry the European Central Bank has asked banks to give greater weight to stable long-term forecasts evidenced by past experience, especially where they face uncertainty in generating reasonable and supportable forecasts. In particular, the ECB expects banks to avoid using excessively pro-cyclical assumptions in estimating ECL during the COVID-19 pandemic. Its guidance also concerns: i) the collective evaluation of significant increase in credit risk (SICR); ii) the use of long-term macroeconomic forecasts; iii) the adoption of macroeconomic projections limited to specific years. In valuing, its performing loans at June 30, 2020, the Group has therefore considered a macroeconomic landscape updated to take account of the effects of the COVID-19 crisis. Appropriate adjustments have been made to account for the mitigating effects of the support measures granted to customers. As for the remaining counterparties, including bond issuers, the write-downs have been calculated according to IFRS 9 impairment models and their post-model overlay and adjustment rules.

For further details on the models and parameters used in the measurement of IFRS 9 adjustments, please refer to the information in the section "18. Other information - Impairment" of Part A "Accounting policies – A.2. The main financial statement items" of this interim report at June 30th, 2020.

In line with European guidance on measuring significant increase in credit risk (SICR), we further note that the COVID-19 emergency has not changed the Group's internal rules for assessing the quality of loans and classifying them as Stage 1, 2, or 3. The pandemic relief measures such as the moratorium on loan instalments or tolerance of late payments are no exception, as they are not considered an automatic trigger for SICR let alone for classifying loans as forborne.

With reference to the future cash flow projections, assumptions and parameters used to measure the recoverability of goodwill of Fineco's trademarks and domains, the parameters and information used are significantly influenced by the macroeconomic market situation, which may change unpredictably in light of the uncertainties outlined above. In this regard, at June 30th, 2020 the Bank carried out an analysis of the impacts determined by the COVID-19 pandemic on the main parameters used in the valuation model (net profit and RWA relating to the years 2020 and 2021 as from baseline and stressed COVID-19 scenarios approved by the Board of Directors on 7 July 2020). The results did not highlight significant impacts on the value in use, confirming the positive outcome of the impairment test carried out at December 31st, 2019. For further information see "Part B – Balance Sheet – Section 10 – Intangible assets" of the notes to the consolidated financial statements at December 31st, 2019.

With reference to valuation techniques, unobservable inputs and parameters used to measure fair value and sensitivity to change in those inputs, see Section A.4. Information on fair value in Part A of this interim report for the half-year to June 30th, 2020.

Concerning provisions for risks and charges arising from legal disputes and claims, see "Part E – Information on risks and hedging policies - Section 1.5 - Operating risk" of these notes to the accounts.

## Part A - Accounting policies

### ***Other information***

The Condensed interim consolidated financial statements as at June 30, 2020 have been reviewed by Deloitte & Touche S.p.A., appointed, pursuant to Italian Legislative Decree no. 39 of January 27, 2010 and Regulation (UE) 2014/537, as auditor of the Bank's accounts in implementation of the Shareholders' Meeting resolution of April 16, 2013.

The entire document is lodged with the competent offices and entities as required by law.

## Part A - Accounting policies

### A.2 The main items of the accounts

As regards the criteria for classification, recognition and measurement of the main items in the financial statements, please refer to what is illustrated in Part A.2 of the Notes to the consolidated accounts of the consolidated Financial Statements closed on 31 December 2019.

### A.3 Disclosure on transfers between portfolios of financial assets

IFRS 9 and IFRS 7 allow, after initial recognition, the modification of their business model for managing financial assets and, consequently, impose the reclassification of reclassify all affected financial assets.

Such changes are expected to be very infrequent. Such changes are determined by the entity's senior management as a result of external or internal changes and must be significant to the Group's operations and demonstrable to external parties. Accordingly, a change in a Group's business model will occur only when an entity either begins or ceases to perform an activity that is significant to its operations; for example, when the entity has acquired, disposed of or terminated a business line.

Specifically, the following may be reclassified:

- the financial assets out of the amortised cost measurement category and into the fair value through profit or loss measurement category and vice versa;
- the financial assets out of the amortised cost measurement category and into the fair value through other comprehensive income measurement category and vice versa;
- the financial assets out of the fair value through profit or loss measurement category and into the fair value through other comprehensive income measurement category and vice versa.

The following changes in circumstances are not considered reclassifications:

- an item that was previously a designated and effective hedging instrument in a cash flow hedge or net investment hedge no longer qualifies as such;
- an item becomes a designated and effective hedging instrument in a cash flow hedge or net investment hedge;
- changes in measurement.

The following are not changes in business model:

- a change in intention related to particular financial assets (even in circumstances of significant changes in market conditions);
- the temporary disappearance of a particular market for financial assets;
- a transfer of financial assets between parts of the entity with different business models.
- 

During first half 2020 the Group has not made changes to its business models and, consequently, did not make any changes.

#### A.3.1 Reclassified financial assets: change of business model, book value and interest income

No data to report.

#### A.3.2 Reclassified financial assets: change of business model, fair value and impact on comprehensive income

No data to report.

#### A.3.3 Reclassified financial assets: change of business model and effective interest rate

No data to report.

# Part A - Accounting policies

For a complete description of the risks and uncertainties that the Group has to face in the current market situation, please refer to Part E - Information on risks and related hedging policies of these notes of the accounts.

## A.4 Information on fair value

### Qualitative information

This section presents a disclosure on fair value hierarchy as required by IFRS 13.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the principal market at the measurement date (i.e. an exit price).

The fair value of a payable financial liability (e.g. a demand deposit) shall not be less than the amount payable on demand, discounted from the first date at which it may be required to be paid.

As far as financial instruments listed in active markets are concerned, the fair value is determined on the basis of official prices quoted in the principal market (or the most advantageous) the Group has access to (Mark to Market).

A financial instrument shall be considered as quoted in an active market if quoted prices are readily and regularly available from a pricing service, dealer, broker, pricing or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. If official listing in an active market is not available for a financial instrument as a whole, but active markets exist for its component parts, fair value is determined on the basis of the relevant market prices for the component parts.

If market quotations or other observable inputs, such as the quoted price of a similar instrument in an inactive market, are not available, the Group shall use other valuation techniques, such as:

- a market approach (e.g. using quoted prices for similar liabilities or equity instruments held by other parties as assets);
- a cost approach (e.g. it reflects the amount that would be required currently to replace the service capacity of an asset, that is the current replacement cost);
- an income approach (e.g. a present value technique that takes into account the future cash flows that a market participant would expect to receive from holding the liability or equity instrument as an asset).

The Group uses valuation models (Mark to Model) aligned with the methods generally accepted and used by the market. Valuation models, which include techniques based on the discounting of future cash flows and volatility estimates, are subject to revision both during their development and periodically in order to ensure their consistency with the objectives of the valuation.

The methods thereof exploit inputs based on prices set in recent transactions for the instrument being valued and/or prices/quotations for similar instruments in terms of risk profile.

Prices/quotations are relevant for determining significant parameters in terms of credit risk, liquidity risk, price risk and any other material risk related to the instrument being valued. Reference to these "market" parameters makes limits discretion in valuation, and ensures the verifiability of the resulting fair value.

Shall one or more risk factors be unlinked to any market data, the employed valuation models will exploit estimates based on historical data as inputs.

As a further guarantee of the objectivity of valuations resulting from valuation models, the Group performs:

- independent price verifications (IPVs);
- Fair Value Adjustment or FVAs.

Independent price verification requires prices to be monthly verified by the Risk Management Function, which is independent from risk-taking units. The verification thereof requires comparison and adjustments to the daily price according to valuations carried out by independent market participants. As far as instruments not listed in active markets are concerned, the above verification process takes as reference the prices provided by infoproviders, assigning greater relevance to those most representative of the instrument being valued. Such valuation includes: the "executability" of the transaction at the price observed, the number of contributors, the degree of similarity of the financial instruments, the consistency of prices coming from different sources, and the process followed by the infoprovider to get the information.

On January 15, 2020, the Board of Directors has updated the Global Policy "Fair Value measurement and Independent Price Verification", whose objective is to set the core principles and rules governing the Fair Value measurement Framework and the independent price verification process.



## Part A - Accounting policies

### A.4.1 Fair value levels 2 and 3: valuation techniques and input used

In order to determine a fair value for Level 2 and Level 3 financial instruments not listed and actively traded on the market, the Group uses the following valuation techniques widely-used in the market.

#### Description of evaluation techniques

##### **Discounted cash flow**

Discounted cash flow valuation techniques generally consist of developing an estimate of future cash flows that are expected to occur over the life of an instrument. In addition to the estimation of future cash flows, the model requires also the adoption of certain market's parameters for discounting: discount rate or discount margin reflects indeed the credit and / or funding spreads required by the market for instruments with similar risk and liquidity profiles in order to produce a "present value". The fair value of the contract is calculated as the sum of the present values of future cash flows.

##### **Market Approach**

Valuation technique using prices taken from market transactions involving identical or comparable assets, liabilities or groups of assets and liabilities.

##### **Fair Value Adjustments (FVAs)**

Fair value adjustment is defined as the amount to be added either to the market observed mid-price or to the theoretical price generated by a valuation model with the aim of obtaining a fair value of the position. FVAs thus ensure that the fair value reflects the realization amount from an actual market transaction.

### A.4.2 - Valuation processes and sensitivity of fair value measurements

The Group verifies that the value assigned at each trading position properly reflects the current fair value. The fair value measurement of assets and liabilities is calculated using various techniques, including discounted cash flow models and internal measurement models. All instruments shall be classified as Level 1, Level 2 or Level 3 of the fair value hierarchy according to the observability of the input used. When a position is characterised by one or more significant inputs not directly observable, a further price verification procedure shall be implemented. Procedures thereof include the revision of relevant historical data, the analysis of profits and losses, the individual valuation of each component for structural products and benchmarking. In order to ensure an appropriate level of separation between developing functions and validation functions, all valuation models developed by front office units shall be independently and centrally tested and validated. The aim thereof is to assess model risk arising from model's theoretical robustness, calibration techniques where applicable and suitability of the model to value a specific instrument in a defined market.

In addition to the daily mark to market or mark to model valuation, an Independent Price Verification (IPV) is carried out monthly by the Group's Market Risk in order to provide an independent fair value.

### A.4.3 Fair value hierarchy

The IFRS 13 principle establishes a fair value hierarchy according to the observability of the input used in the valuation techniques adopted.

The fair value hierarchy level associated with assets and liabilities shall be the lowest among those associated to all significant inputs used. As a rule, an input of valuation is not considered significant for the fair value of an instrument if the remaining inputs are able to explain most of the variance of the fair value over a period of three months. In some specific cases, the magnitude of the limit is verified in relation to the fair value of the instrument at the measurement date.

In particular, three levels are considered:

- Level 1: the fair value of instruments classified in this level is determined by quotation prices observed in active markets;
- Level 2: the fair value for instruments classified within this level is determined according to valuation models using observable market inputs;
- Level 3: the fair value for instruments classified within this level is determined through valuation models largely using significant inputs not observable on active markets.

## Part A - Accounting policies

### A.4.4 Other information

Hereby we provide IFRS 13 disclosure requirements.

#### Assets and liabilities measured at fair value on recurring basis

##### **Fixed Income Securities**

Fixed Income Securities are priced through two main process depending on the reference market liquidity. Liquid instruments listed in active markets are valued through a mark to market process and, consequently, they are marked as level 1 of the Fair Value Hierarchy.

Instruments not traded in active markets are valued through models using implied credit spread curves derived from Level 1 instruments. The model maximises the use of observable input and minimises the use of unobservable inputs. With this respect, depending on the adequacy of the credit spread curve applied, bonds are marked as Level 2 or Level 3 respectively; Level 3 is applied in case a significant unobservable credit spread is used.

The accuracy of valuations coming from both market prices of Level 1 bonds and pricing models for illiquid bonds is regularly verified through the bond Independent Price Verification (IPV) process.

##### **Structured Financial Products**

The Group determines the fair value of structured financial products using the appropriate valuation methodology consistently with the nature and the structure of the instrument itself. Such instruments shall be classified as Level 2 or Level 3 depending on the observability of the significant inputs used by the model.

##### **OTC derivatives**

The fair value of derivatives not traded in an active market derives from the application of mark-to-model valuation techniques. When there is an active market for input parameters constituting the different components of the derivative, the fair value is determined through a valuation model on the basis of the market prices of these components. Valuation techniques based on observable inputs are classified as Level 2, while those based on significant unobservable inputs are classified as Level 3.

##### **Equity Instruments**

Equity Instruments shall be marked as Level 1 when a quoted price is available on an active market and as Level 3 when no quotations are available or quotations have been suspended indefinitely. Level 2 shall be assigned only to listed securities whose trading volumes on the market are significantly low.

In order to provide a fair value for Visa INC class "C" preferred shares, the Group has adopted a model which converts the market price in dollars of Visa INC class "A" shares into euro and applies a discount factor. For the valuation as at June 30, 2020 such factor was determined equal to 8.91%, estimating as at June 30, 2020 litigation risk at 2.91% and illiquidity risk at 6%. The litigation risk component has been extracted from an historical series of data provided by Visa INC, whereas the illiquidity risk component has been derived from the illiquidity of shares having limitations on their transferability for a certain period. Visa INC class "C" preferred shares have been marked as level 3 of fair value hierarchy.

With regards to the contributions paid to the Interbank Deposit Guarantee Fund for the support measures in favour of CariCesena, Cassa di Risparmio di Rimini (Carim) and Cassa di Risparmio di San Miniato (Carismi), the fair value of the related equity instruments has been determined equal to the fair value estimate of Berenice securitisation's notes (mezzanine capital and junior notes issued for the securitization of the NPLs of the three banks purchased by the Voluntary Scheme) performed by the official advisor appointed by the Interbank Deposit Guarantee Fund. Such estimates were produced for the Voluntary Scheme Report as at December 31, 2019. The model adopted by the aforementioned advisor is based on the Discounted Cash Flow model according to the recovery forecasts.

The fair value of equity instruments arising from the contributions paid in relation to the intervention in favor of Banca Carige S.p.A., has been determined instead using an internal model adopted by the Group based on the Market Multiples methodology applied in multi-scenario analysis, taking account of the steep decline in the price of bank stocks during the first quarter 2020 and not considering the recent increase in their market values, in order to reflect the uncertainty of evaluation deriving from COVID-19..

Both the equities have been marked as level 3 of fair value hierarchy.

##### **Investment Funds**

The Group may hold investments in investment funds publishing a Net Asset Value (NAV) per share and may include investments in funds managed by the Group itself.

Funds are generally classified as FVHR Level 1 when an official price is available on active markets.

## Part A - Accounting policies

Funds shall be classified as Level 2 and Level 3 depending on the NAV availability, the transparency of the portfolio and any possible constraints/limitations.

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

Financial instruments not measured at fair value, including loans and receivables at amortised cost, are not managed on a fair value basis. For these financial instruments the fair value is calculated for disclosure purposes only, and it has no impact on the balance sheet or through profits and losses. In addition, fair value estimations on assets and liabilities not generally traded is based on internal parameters not directly observable on active markets, as defined by IFRS 13.

#### Financial assets at amortised cost

For financial assets valued at amortised cost, whose fair value is not based on prices observed on active markets (level 1), the fair value is determined using the discounted cash flow model adjusted for credit risk. Some portfolios are valued using simplified approaches, which however take into account their financial characteristics. Financial assets valued at amortised cost, whose duration is less than 12 months, for which the fair value has been estimated to be equal to the book value, have been assigned the level 3 fair value hierarchy.

The fair value for UniCredit S.p.A. securities recorded in "Financial assets at amortised cost" has been calculated using the discounted cash flow methodology, which consists of producing a forecast of the estimated cash flows over the life of the instrument and discounting at a rate that incorporates the credit spread. The credit spread is calculated according on the credit spread curve of the issuer, constructed by selecting issues, also from the the secondary market, having the same specific characteristics. Securities thereof have been marked as FVHR level 2 accordingly.

#### Financial liabilities recorded at amortised cost

The fair value for financial liabilities valued at amortised cost, is determined using the discounted cash flow model adjusted for the related issuer risk. Financial liabilities at amortised cost whose duration is less than 12 months, for which the fair value was estimated to be equal to the book value, have been assigned the level 3 fair value hierarchy.

#### Cash and cash balances

Due to their short-term nature and generally negligible credit risk, the book value of cash and cash balances approximates fair value.

## Quantitative information

### A.4.5 Fair value hierarchy

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

(Amounts in € thousand)

Assets/Liabilities at fair value	06/30/2020			12/31/2019		
	L1	L2	L3	L1	L2	L3
1. Financial assets at fair value through profit or loss	12,723	2,253	10,190	5,537	3,302	11,320
- financial assets held for trading	12,338	2,253	-	4,631	3,302	-
b) financial assets designated at fair value	-	-	-	-	-	-
c) other financial assets mandatorily at fair value	385	-	10,190	906	-	11,320
2. Financial assets at fair value through other comprehensive income	149,903	-	5	321,694	-	5
3. Hedging derivatives	-	21,930	-	-	36,059	-
4. Property, plant and equipment	-	-	-	-	-	-
5. Intangible assets	-	-	-	-	-	-
<b>Total</b>	<b>162,626</b>	<b>24,183</b>	<b>10,195</b>	<b>327,231</b>	<b>39,361</b>	<b>11,325</b>
1. Financial liabilities held for trading	7,032	1,159	18	3,217	560	-
2. Financial liabilities designated at fair value	-	-	-	-	-	-
3. Hedging derivatives	-	188,770	-	-	80,852	-
<b>Total</b>	<b>7,032</b>	<b>189,929</b>	<b>18</b>	<b>3,217</b>	<b>81,412</b>	<b>-</b>

**Key:**

L1 = Level 1

L2 = Level 2

L3 = Level 3

## Part A - Accounting policies

### **Impacts of the crisis unfolded by COVID-19 pandemic on fair value measurement**

The COVID-19 crisis has not affected fair value measurement. In particular, as far as securities on which the Group holds a relevant share are concerned, decreases or withdrawals of prices quoted in active markets (level 1) or any other observable inputs (level 2) have not been recorded so far, nor have securities changes in fair value hierarchy.

Credit Value Adjustment (CVA) and/or Debit Value Adjustment (DVA) have not been applied in determining the fair value of derivative financial instruments.

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

(Amounts in € thousand)

Assets and liabilities not measured at fair value or measured at fair value on a non-recurring basis	06/30/2020				12/31/2019			
	VB	L1	L2	L3	VB	L1	L2	L3
1. Financial assets at amortised cost	27,713,521	16,662,887	6,619,013	5,141,558	26,216,829	14,781,018	7,779,770	4,374,125
2. Tangible assets held for investment	1,926	-	-	2,367	1,980	-	-	2,950
3. Non-current assets and disposal groups classified as held for sale	-	-	-	-	-	-	-	-
<b>Total</b>	<b>27,715,447</b>	<b>16,662,887</b>	<b>6,619,013</b>	<b>5,143,925</b>	<b>26,218,809</b>	<b>14,781,018</b>	<b>7,779,770</b>	<b>4,377,075</b>
1. Financial liabilities at amortised cost	27,134,336	-	734	26,479,487	26,074,511	-	1,366	26,073,151
2. Liabilities included in disposal group classified as held for sale	-	-	-	-	-	-	-	-
<b>Total</b>	<b>27,134,336</b>	<b>-</b>	<b>734</b>	<b>26,479,487</b>	<b>26,074,511</b>	<b>-</b>	<b>1,366</b>	<b>26,073,151</b>

**Key:**

L1 = Level 1 - L2 = Level 2 - L3 = Level 3 - BV = Book Value

Tangible assets held for investment consist of one property held by the Bank, the fair value of which corresponds to the market value as determined by an appraisal carried out by an external and independent valuation firm.

## Part A - Accounting policies

### A.5 Day-one profit/loss

The initial recognition value of Financial instruments is equal to their fair value at the recognition date.

As far as instrument other than those measured at fair value through profit or loss are concerned, fair value at the recognition date is usually assumed to be equal to the amount collected or paid.

For financial instruments held for trading and financial instruments measured at fair value, any difference from the amount collected or paid at the recognition date is recorded in the appropriate caption of the income statement.

The adoption of prudent valuation models, the review processes thereof and their parameters, as well as value adjustments to reflect model risk ensure that the amount recognised in the income statement is not derived from the use of unobservable valuation parameters. In particular, the quantification of value adjustments related to model risk ensures that the part of the fair value of these instruments resulting from the adoption of subjective parameters is not recognised through profit or loss, but rather as an adjustment to their balance sheet value. Variations shall be recognised through profit or loss only where objective parameters prevail and, consequently, adjustments are no longer required.

There are no day-one profits/losses to disclose in accordance with paragraph 28 of IFRS 7.



## Part B - Consolidated Balance Sheet

### Assets

#### Section 1 - Cash and cash balances - Item 10

##### 1.1 Cash and cash balances

(Amounts in € thousand)

	Total 06/30/2020	Total 12/31/2019
a) Cash	302	53
b) Demand deposits with Central banks	909,500	754,333
<b>Total</b>	<b>909,802</b>	<b>754,386</b>

The item "(b) Demand deposits with central banks" refers to the liquidity deposited in the HAM (Home Accounting Model) account held with Bank of Italy, that FinecoBank opened in 2019.

#### Section 2 - Financial assets at fair value through profit or loss - Item 20

##### 2.1 Financial assets held for trading: product breakdown

(Amounts in € thousand)

Items/Values	Total 06/30/2020			Total 12/31/2019		
	L1	L2	L3	L1	L2	L3
<b>A. On-balance sheet assets</b>						
1. Debt securities	-	-	-	-	-	-
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	-	-	-	-	-	-
2. Equity instruments	6,051	-	-	3,289	-	-
3. Units in investment funds	-	-	-	5	-	-
4. Loans	-	-	-	-	-	-
4.1 Reverse repos	-	-	-	-	-	-
4.2 Others	-	-	-	-	-	-
<b>Total (A)</b>	<b>6,051</b>	<b>-</b>	<b>-</b>	<b>3,294</b>	<b>-</b>	<b>-</b>
<b>B. Derivatives</b>						
1. Financial derivatives	6,287	2,253	-	1,337	3,302	-
1.1 trading derivatives	6,287	2,253	-	1,337	3,302	-
1.2 related to the fair value option	-	-	-	-	-	-
1.3 others	-	-	-	-	-	-
2. Credit derivatives	-	-	-	-	-	-
2.1 trading derivatives	-	-	-	-	-	-
2.2 related to the fair value option	-	-	-	-	-	-
2.3 others	-	-	-	-	-	-
<b>Total (B)</b>	<b>6,287</b>	<b>2,253</b>	<b>-</b>	<b>1,337</b>	<b>3,302</b>	<b>-</b>
<b>Total (A+B)</b>	<b>12,338</b>	<b>2,253</b>	<b>-</b>	<b>4,631</b>	<b>3,302</b>	<b>-</b>

**Key:**

L1: Level 1  
L2: Level 2  
L3: Level 3

Financial derivatives refer to the positive valuation of CFD contracts on forex, indices, shares, interest rates, commodities and futures used for the operational hedging of CFDs on indices, interest rates and commodities. They amounted to € 2,145 thousand (€ 3,227 thousand as at December 31, 2019).

## Part B - Consolidated Balance Sheet

Sub-item B.1.1 "Derivative instruments - Trading financial derivatives" also includes the positive valuations of spot contracts for securities that meets the definition of held for trading and currencies to be settled in times established by market practices ("regular way"). They amounted to € 6,394 thousand (€ 1,412 thousand as at December 31, 2019).

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

(Amounts in € thousand)

Items/Accounts Voci/Valori	Total 06/30/2020			Total 12/31/2019		
	L1	L2	L3	L1	L2	L3
<b>1. Debt securities</b>	<b>43</b>	-	-	<b>32</b>	-	-
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	43	-	-	32	-	-
<b>2. Equity instruments</b>	<b>6</b>	-	<b>10,190</b>	<b>7</b>	-	<b>11,320</b>
<b>3. Units in investment funds</b>	<b>336</b>	-	-	<b>867</b>	-	-
<b>4. Loans</b>	-	-	-	-	-	-
4.1 Reverse repos	-	-	-	-	-	-
4.2 Others	-	-	-	-	-	-
<b>Total</b>	<b>385</b>	-	<b>10,190</b>	<b>906</b>	-	<b>11,320</b>

**Key:**

L1 = Level 1

L2 = Level 2

L3 = Level 3

The "Other financial assets mandatorily at fair value" primarily consist of the Visa INC class "C" preferred shares, for an amount of € 8,748 thousand, which saw a positive change in fair value during first half 2020 of € 66 thousand and the residual equity instruments exposure following the contribution paid to the Voluntary Scheme set up by the Interbank Deposit Guarantee Fund (IDGF) amounting to € 1,437 thousand (of which € 1,116 relating to the Banca Carige transaction and € 321 thousand relating to Carim, Carismi and CariCesena transaction), with a negative effect recorded in first half 2020 income statement amounting to € 1,193 thousand due to the fair value measurement. For more details on the fair value measurement of financial instruments, please refer to Part A - Accounting Policies - A.4 Information on the fair value of these notes to the accounts.

It should be noted that item 3. "Units in investment funds" includes UCITS held by FAM for seeding purposes.

Equity securities of issuers in default were classified by the Group as non-performing in the financial statements for a total amount of € 4 thousand.



## Part B - Consolidated Balance Sheet

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

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

(Amounts in € thousand)

Item/Values	Total 06/30/2020			Total 12/31/2019		
	L1	L2	L3	L1	L2	L3
<b>1. Debts securities</b>	<b>149,903</b>	-	-	<b>321,694</b>	-	-
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	149,903	-	-	321,694	-	-
<b>2. Equity instruments</b>	-	-	<b>5</b>	-	-	<b>5</b>
<b>3. Loans</b>	-	-	-	-	-	-
<b>Total</b>	<b>149,903</b>	-	<b>5</b>	<b>321,694</b>	-	<b>5</b>

**Key:**

L1 = Level 1

L2 = Level 2

L3 = Level 3

"Financial assets at fair value through other comprehensive income" consist of securities issued by sovereign States and, residually, of equity interests in companies in which the Group does not exercise control or significant influence for € 5 thousand for which, upon first application of IFRS 9, the "FVTOCI" option was exercised. For more details, see the information on Sovereign exposures set out in Part E of the notes to the consolidated accounts.

#### 3.3 Financial assets at fair value through comprehensive income: gross exposure and total impairment

(Amounts in € thousand)

	Gross amount				Impairment provision			
	First stage	of which: instruments with low credit risk	Second stage	Third stage	First stage	Second stage	Third stage	Total partial write-off
Debt securities	149,912	149,912	-	-	(9)	-	-	-
Loans	-	-	-	-	-	-	-	-
<b>Total 06/30/2020</b>	<b>149,912</b>	<b>149,912</b>	-	-	<b>(9)</b>	-	-	-
<b>Total 12/31/2019</b>	<b>321,720</b>	<b>321,720</b>	-	-	<b>(26)</b>	-	-	-
of which: financial assets purchased or originated credit impaired	X	X	-	-	X	-	-	-

## Part B - Consolidated Balance Sheet

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

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

(Amounts in € thousand)

Type of transaction/Amounts	Total 06/30/2020						Total 12/31/2019					
	Carrying amount			Fair value			Carrying amount			Fair value		
	First and second stage	Third stage	of which: purchased or originated credit impaired	L1	L2	L3	First and second stage	Third stage	of which: purchased or originated credit impaired	L1	L2	L3
<b>A. Loans and receivables with Central Banks</b>	<b>265,415</b>	-	-	-	-	<b>265,415</b>	<b>251,574</b>	-	-	-	-	<b>251,574</b>
1. Time deposits	-	-	-	X	X	X	-	-	-	X	X	X
2. Compulsory reserves	265,415	-	-	X	X	X	251,574	-	-	X	X	X
3. Reverse repos	-	-	-	X	X	X	-	-	-	X	X	X
4. Others	-	-	-	X	X	X	-	-	-	X	X	X
<b>B. Loans and receivables with banks</b>	<b>8,823,935</b>	-	-	<b>1,870,238</b>	<b>6,570,487</b>	<b>457,774</b>	<b>9,188,788</b>	-	-	<b>1,347,332</b>	<b>7,721,114</b>	<b>314,459</b>
1. Loans	457,774	-	-	-	-	457,774	314,459	-	-	-	-	314,459
1.1 Current accounts and demand deposits	269,810	-	-	X	X	X	250,501	-	-	X	X	X
1.2 Time deposits	9,994	-	-	X	X	X	9,994	-	-	X	X	X
1.3 Other loans:	177,970	-	-	X	X	X	53,964	-	-	X	X	X
- Reverse Repos	743	-	-	X	X	X	4,316	-	-	X	X	X
- Finance leases	-	-	-	X	X	X	-	-	-	X	X	X
- Others	177,227	-	-	X	X	X	49,648	-	-	X	X	X
2. Debts securities	8,366,161	-	-	1,870,238	6,570,487	-	8,874,329	-	-	1,347,332	7,721,114	-
2.1 Structured securities	-	-	-	-	-	-	-	-	-	-	-	-
2.2 Other debt securities	8,366,161	-	-	1,870,238	6,570,487	-	8,874,329	-	-	1,347,332	7,721,114	-
<b>Total</b>	<b>9,089,350</b>	-	-	<b>1,870,238</b>	<b>6,570,487</b>	<b>723,189</b>	<b>9,440,362</b>	-	-	<b>1,347,332</b>	<b>7,721,114</b>	<b>566,033</b>

**Key:**

L1 = Level 1

L2 = Level 2

L3 = Level 3

Loans and receivables with banks for "Current accounts and demand deposits" consist of current accounts held with credit institutions, mainly for the settlement of transactions on payment circuits, for the settlement of securities transactions, for the management of the liquidity of UK customers and for the management of Fineco AM liquidity.

The item "Other loans: Other" refers for € 172,076 thousand to the amount of the initial and variation margins and collateral deposits placed with credit institutions for derivative transactions (€ 43,854 thousand as at December 31, 2019), and € 5,151 thousand to current receivables associated with the provision of financial services (€ 5,893 thousand as at December 31, 2019).

The item "Debt securities" includes € 6,505,764 thousand relating to debt securities issued by UniCredit S.p.A. (€ 7,501,377 thousand as at December 31, 2019).

## Part B - Consolidated Balance Sheet

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

(Amounts in € thousand)

Type of transaction/Amounts	Total 06/30/2020						Total 12/31/2019					
	Carrying amount			Fair value			Carrying amount			Fair value		
	First and second stage	Third stage	of which: purchased or originated credit impaired	L1	L2	L3	First and second stage	Third stage	of which: purchased or originated credit impaired	L1	L2	L3
<b>1. Loans</b>	<b>4,199,607</b>	<b>4,684</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,418,369</b>	<b>3,676,261</b>	<b>3,568</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,808,092</b>
1.1 Current accounts	1,419,994	2,233	-	X	X	X	1,290,208	1,964	-	X	X	X
1.2 Reverse repos	152,386	834	-	X	X	X	160,112	-	-	X	X	X
1.3 Mortgages	1,631,114	396	-	X	X	X	1,155,943	410	-	X	X	X
1.4 Credit cards, personal loans and wage assignment loans	706,314	1,063	-	X	X	X	809,176	885	-	X	X	X
1.5 Finance leases	-	-	-	X	X	X	-	-	-	X	X	X
1.6 Factoring	-	-	-	X	X	X	-	-	-	X	X	X
1.7 Other loans	289,799	158	-	X	X	X	260,822	309	-	X	X	X
<b>2. Debt securities</b>	<b>14,419,880</b>	<b>-</b>	<b>-</b>	<b>14,792,649</b>	<b>48,526</b>	<b>-</b>	<b>13,096,638</b>	<b>-</b>	<b>-</b>	<b>13,433,686</b>	<b>58,656</b>	<b>-</b>
2.1 Structured securities	-	-	-	-	-	-	-	-	-	-	-	-
2.2 Other debt securities	14,419,880	-	-	14,792,649	48,526	-	13,096,638	-	-	13,433,686	58,656	-
<b>Total</b>	<b>18,619,487</b>	<b>4,684</b>	<b>-</b>	<b>14,792,649</b>	<b>48,526</b>	<b>4,418,369</b>	<b>16,772,899</b>	<b>3,568</b>	<b>-</b>	<b>13,433,686</b>	<b>58,656</b>	<b>3,808,092</b>

Key:

L1 = Level 1

L2 = Level 2

L3 = Level 3

Debt securities consist of government securities and securities issued by Supranational entities. For more details, see the information on Sovereign exposures set out in Part E of these notes to the accounts.

### 4.4 Financial assets at amortised cost: gross exposure and total impairment

(Amounts in € thousand)

	Carrying amount				Impairment provision			Write off partial total	
	First stage	of which: instruments with low credit risk	Second stage	Third stage	First stage	Second stage	Third stage		
Debt securities	22,791,101	22,791,101	-	-	(5,060)	-	-	-	
Loans	4,924,027	-	14,329	27,250	(9,232)	(6,328)	(22,566)	-	
<b>Total</b>	<b>06/30/2020</b>	<b>27,715,128</b>	<b>22,791,101</b>	<b>14,329</b>	<b>27,250</b>	<b>(14,292)</b>	<b>(6,328)</b>	<b>(22,566)</b>	<b>-</b>
<b>Total</b>	<b>12/31/2019</b>	<b>26,217,797</b>	<b>21,972,304</b>	<b>11,237</b>	<b>25,335</b>	<b>(9,577)</b>	<b>(6,196)</b>	<b>(21,766)</b>	<b>-</b>
of which: purchased or originated credit impaired financial assets	X	X	-	-	X	-	-	-	

## Part B - Consolidated Balance Sheet

### Section 5 – Hedging derivatives – Item 50

#### 5.1 Hedging derivatives: breakdown by type of hedge and by level

(Amounts in € thousand)

	Fair Value			NA	Fair Value			NA
	06/30/2020			NA	12/31/2019			NA
	L1	L2	L3	06/30/2020	L1	L2	L3	12/31/2019
<b>A. Financial derivatives</b>								
1. Fair value	-	21,930	-	1,150,000	-	36,059	-	1,917,423
2. Cash flows	-	-	-	-	-	-	-	-
3. Net investment in foreign subsidiaries	-	-	-	-	-	-	-	-
<b>B. Credit derivatives</b>								
1. Fair value	-	-	-	-	-	-	-	-
2. Cash flows	-	-	-	-	-	-	-	-
<b>Total</b>	<b>-</b>	<b>21,930</b>	<b>-</b>	<b>1,150,000</b>	<b>-</b>	<b>36,059</b>	<b>-</b>	<b>1,917,423</b>

**Key:**

NA = notional amount

L1 = Level 1

L2 = Level 2

L3 = Level 3

## Part B - Consolidated Balance Sheet

### Section 6 – Changes in fair value of portfolio hedged financial assets – Item 60

#### 6.1 Adjustments to the value of hedged assets: breakdown by hedged portfolio

(Amounts in € thousand)

Fair value of hedged assets/Amounts	Total	
	06/30/2020	12/31/2019
<b>1. Positive changes</b>	<b>53,647</b>	<b>29,405</b>
1.1 of specific portfolios:	53,647	29,405
a) financial assets at amortized cost	53,647	29,405
b) financial assets at fair value through other comprehensive income	-	-
1.2 overall	-	-
<b>2. Negative changes</b>	<b>-</b>	<b>(525)</b>
2.1 of specific portfolios	-	(525)
a) financial assets at amortized cost	-	(525)
b) financial assets at fair value through other comprehensive income	-	-
2.2 overall	-	-
<b>Total</b>	<b>53,647</b>	<b>28,880</b>

### Section 7 - Equity investments - Item 70

No data to report.

### Section 8 – Technical provisions for re-insurers – Item 80

No data to report.

## Part B - Consolidated Balance Sheet

## Section 9 - Property, plant and equipment - Item 90

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

(Amounts in € thousand)

Assets/Amounts	Total 06/30/2020	Total 12/31/2019
<b>1. Owned assets</b>	<b>80,991</b>	<b>83,301</b>
a) lands	23,932	23,932
b) buildings	40,882	41,404
c) office furniture and fittings	2,558	2,583
d) electronic system	11,144	12,736
e) other	2,475	2,646
<b>2. Assets under financial lease</b>	<b>70,768</b>	<b>66,766</b>
a) lands	-	-
b) buildings	70,276	66,218
c) office furniture and fittings	-	-
d) electronic system	-	-
e) other	492	548
<b>Total</b>	<b>151,759</b>	<b>150,067</b>
of which: obtained through enforcement of the guarantees received	-	-

A description of the methods used to calculate depreciation is provided in Part A – Accounting Policies of the Notes to the consolidated accounts as at December 31, 2019.

The Group has operational leasing transactions in place consisting of leases of the surface of the property owned aforementioned property.

Finally, it should be noted that on the basis of the assessments carried out at 30 June 2020, there are no indicators such as to make adjustments to the book value of the property.

## Part B - Consolidated Balance Sheet

### 9.2 Property, plant and equipment held for investment: breakdown of assets carried at cost

(Amounts in € thousand)

Assets/Amounts	Total 06/30/2020				Total 12/31/2019			
	Carrying value	Fair value			Carrying value	Fair value		
		L1	L2	L3		L1	L2	L3
<b>1. Owened assets</b>	<b>1,926</b>	-	-	<b>2,367</b>	<b>1,980</b>	-	-	<b>2,950</b>
a) lands	-	-	-	-	-	-	-	-
b) buildings	1,926	-	-	2,367	1,980	-	-	2,950
<b>2. Assets under financial lease</b>	-	-	-	-	-	-	-	-
a) lands	-	-	-	-	-	-	-	-
b) buildings	-	-	-	-	-	-	-	-
<b>Total</b>	<b>1,926</b>	-	-	<b>2,367</b>	<b>1,980</b>	-	-	<b>2,950</b>
of which: obtained through enforcement of the guarantees received	-	-	-	-	-	-	-	-

**Key:**

L1 = Level 1

L2 = Level 2

L3 = Level 3

### 9.3 Property, plant and equipment used in the business: breakdown of revalued assets

No data to report.

### 9.4 Property, plant and equipment held for investment: breakdown of assets measured at fair value

No data to report.

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

No data to report.

## Part B - Consolidated Balance Sheet

### Section 10 - Intangible assets - Item 100

#### 10.1 Intangible assets: breakdown by type assets

(Amounts in € thousand)

Assets/Amount	Total 06/30/2020		Total 12/31/2019	
	Finite life	Indefinite life	Finite life	Indefinite life
<b>A.1 Goodwill</b>	X	<b>89,602</b>	X	<b>89,602</b>
A.1.1 attributable to the group	X	89,602	X	89,602
A.1.2 attributable to minorities	X	-	X	-
<b>A.2 Other intangible assets</b>	<b>9,133</b>	<b>27,459</b>	<b>10,040</b>	<b>27,452</b>
A.2.1 Assets carried at cost	9,133	27,459	10,040	27,452
a) intangible assets generated internally	-	-	-	-
b) other assets	9,133	27,459	10,040	27,452
A.2.2 Assets carried at fair value	-	-	-	-
a) intangible assets generated internally	-	-	-	-
b) other assets	-	-	-	-
<b>Total</b>	<b>9,133</b>	<b>117,061</b>	<b>10,040</b>	<b>117,054</b>

Other intangible assets with an indefinite life relate to the Fineco brands and domains.

The useful life of softwares, considered for the calculation of amortisation, is 3 years, while the useful life of other intangible assets with definite life is 5 years. A description of the methods used to calculate depreciation is provided in Part A – Accounting Policies of the Notes to the consolidated accounts as at December 31, 2019.

As regards the considerations on the assessments conducted at 30 June 2020 in relation to the impairment test of intangible assets with finite life and indefinite life, specifically goodwill, Fineco brands and domains there are no indicators that could make adjustments to the related book values. For further details on the analysis on the impairment test carried out on intangible assets with indefinite life, please refer to the relevant paragraphs in these Notes to the accounts.

#### 10.3 Other information

We also report that there were no intangible assets acquired through government concession; no intangible assets were used as collateral for own debts; no intangible assets were held under a finance lease; and there were no revalued intangible assets.

##### **Other information - Impairment test**

Under IAS 36, impairment testing of intangible assets with indefinite useful lives must be performed at least annually and, in any case, whenever there is objective evidence of the occurrence of events that may have reduced their value.

Recoverable value is the greater of the value in use (present value of future cash flows generated by the asset being valued) and the associated fair value, net of sales costs.

The recoverable value of the assets subject to impairment testing must be determined for the individual assets, unless both of the following conditions exist:

- the value in use of the asset is not estimated to be close to the fair value net of selling costs;
- the asset does not generate incoming cash flows largely independent of those coming from other assets (or group of assets).

If these conditions exist, the impairment test is conducted at the level of the Cash Generating Unit (CGU) of the asset, as required by the accounting principle.



## Part B - Consolidated Balance Sheet

According to IAS 36, when determining the value in use of assets subject to impairment testing, reference must be made to the cash flows of assets in their current conditions at the testing date and representing the best estimate by the management of the overall economic conditions in place during the residual useful life of the asset.

For the purposes of impairment testing, the value in use of the cash generating unit (CGU) to which the intangible assets have been assigned must be calculated considering the cash flows for all the assets and liabilities included in the CGU and not just those for which goodwill and/or the intangible asset has been recognised upon application of IFRS 3.

### **Definition of CGU**

Estimating the value in use for the purposes of any impairment testing of intangible assets, including goodwill, which do not independently generate cash flows, but only in conjunction with other business assets, requires that these assets first be attributed to operating units that are relatively autonomous in the business context (from the points of view of independent cash flows generated and of internal planning and reporting). These operating units are defined as Cash Generating Units (CGU).

Goodwill recorded in these consolidated financial statements, deriving from the separate financial statements of the Bank, relates to buy-outs of divisions or companies engaged in trading activities or the distribution of financial, banking and insurance products through personal financial advisors. These activities have been fully integrated with FinecoBank's ordinary operations, as a result it is not possible to isolate the contribution of each company/business division from the Bank's overall income; this means that to establish the recoverability of the value of goodwill recognised in the financial statements it is necessary to take account of the Bank's comprehensive income.

The cash generating unit (CGU) to be considered for the impairment test is therefore the Bank as a whole (including the contribution from the subsidiary Fineco Asset Management DAC, an asset management company incorporated under Irish law, thanks a vertically integrated business model). In view of the specific business model adopted by the Group, which envisages a high level of integration between personal financial advisors and the trading and banking platform, so that the personal financial advisors network is an integral part of the overall offering of the Bank, which includes banking, brokerage and investing services, an allocation of costs/revenues per business units is not considered relevant or meaningful. The Fineco brand and domains purchased during the 2019 from UniCredit S.p.A. are attributed to the same CGU following the exit from the related group.

### **Estimating cash flows to determine the value in use of the CGU**

The applicable accounting principles require that the impairment test be carried out by comparing the book value of the CGU to its recoverable value. When the latter proves to be less than the book value, a write-down must be recorded in the financial statements. The recoverable value is the greater of its fair value (net of sales costs) and the related value in use.

The recoverable amount of the CGU in this case is the greater of its fair value (net of costs to sell) and the related value in use.

### **Impairment test model**

The calculation of the value in use for the purposes of impairment testing was carried out on 31 December 2019 using the Discounted Cash Flow (DCF) model. The cash flows are determined by subtracting the annual capital requirement generated by the change in the risk-weighted assets from net profit. This capital requirement is determined by considering the long-term capitalisation to be achieved, also in light of the minimum regulatory capital requirements. For further details, see Part B - Consolidated balance sheet - Section 10 - Intangible assets of the consolidated financial statements for the year ended 31 December 2019.

### **Impairment test results**

With reference to the impairment test, it is specified that at 30 June 2020 the Bank carried out an analysis of the impacts determined by the pandemic by COVID-19 on the main parameters used in the valuation model (net profit and RWA relating to the years 2020 and 2021 as from baseline and stressed COVID-19 scenarios approved by the Board of Directors on 7 July 2020). The results did not highlight significant impacts on the value in use, confirming the positive outcome of the impairment test performed at 31 December 2019. The result of the stress test therefore confirms the sustainability of the goodwill and the brand recognized in the financial statements at 30 June 2020 with a value in use significantly higher than the carrying amount.

For all other information relating to the impairment test, see Part B - Consolidated balance sheet - Section 10 - Intangible assets in the consolidated financial statements for the year ended December 31, 2019. It should also be noted that, in relation to the share prices "FinecoBank", a market capitalization of € 7,324 million is shown at June 30, 2020, significantly higher than the consolidated net equity and the result of the model used for the impairment test, which confirms the reasonableness of the criteria applied in calculating the value in use.

## Part B - Consolidated Balance Sheet

### Section 11 - Tax Assets and Tax Liabilities - Asset item 110 and liability item 60

The item "Tax assets" amounting to € 4,185 thousand at June 30, 2020, it is made exclusively of "Deferred tax assets".

The item "Tax liabilities" amounting to € 62,928 thousand at the same date, it is made exclusively of "Current tax liabilities".

#### Current Tax Assets and Liabilities

(Amounts in € thousand)

Assets/amounts	Total 06/30/2020	Total 12/31/2019
Current tax assets	373	-
Current tax liabilities	62,928	11,437

#### Deferred tax assets/liabilities

Deferred tax assets/liabilities are shown in the consolidated balance sheet net of the related deferred tax liabilities/assets; the detail is as follows:

- "Deferred tax assets" of € 30,922 thousand recognised as a balancing entry in the income statement;
- "Deferred tax assets" of € 482 thousand recognised as a balancing entry of shareholders' equity;
- "Deferred tax liabilities" of € 25,84 thousand recognised as a balancing entry in the income statement;
- "Deferred tax liabilities" of € 1,707 thousand recognised as a balancing entry of shareholders' equity.

In accordance with the law and regulations currently in force:

- the recognition of deferred tax assets for IRES income tax purposes takes into account the expected income figures of the Group for future years, according to the decisions made by the competent company bodies;
- the recognition of deferred tax assets for IRAP corporate tax purposes takes place on the basis of the Group's expected income figures for future years, and takes into account changes in the legal context;
- deferred tax liabilities are recognised whenever the relevant requirements are satisfied.

When calculating current and deferred tax assets/liabilities, a 27.5% IRES rate was used (24% standard rate and 3.5% additional rate for banks), as well as IRAP rate of 5.57% for Italy.

With regard to Fineco AM, current taxes were calculated using a 12.5% rate.

There are no deferred tax assets/liabilities not recognized in the financial statements in relation to temporary differences. Furthermore, there are no unused tax losses or tax credits.

#### 11.1 Deferred tax assets: breakdown

(Amounts in € thousand)

Assets/amounts	Total 06/30/2020	Total 12/31/2019
<b>Allocations through profit or loss</b>	<b>27,622</b>	<b>47,086</b>
- of which Patent Box ex D.L. n.3/2015	2,198	21,577
- of which Provisions for Risks and Charges	20,210	19,137
- of which Other	5,214	6,372
<b>Allocations through equity</b>	<b>482</b>	<b>798</b>
- of which Revaluation reserve application IAS 19	482	602
- of which Financial assets at fair value through comprehensive income		196
<b>Impairment losses on receivables (of which pursuant to Law 214/2011)</b>	<b>3,300</b>	<b>3,828</b>
<b>Total before IAS 12 offset</b>	<b>31,404</b>	<b>51,712</b>
Offset against deferred tax liabilities - IAS 12	(27,591)	(28,268)
<b>Total</b>	<b>3,813</b>	<b>23,444</b>

## Part B - Consolidated Balance Sheet

### 11.2 Deferred tax liabilities: breakdown

(Amounts in € thousand)

Liabilities/amounts	Total 06/30/2020	Total 12/31/2019
<b>Allocations through profit or loss</b>	<b>25,884</b>	<b>25,998</b>
- of which Goodwill and Brand	24,978	24,978
- of which Exposures in equity instruments with Voluntary Scheme	901	870
- of which Other	-	150
<b>Allocations through equity</b>	<b>1,707</b>	<b>2,270</b>
- of which Financial assets at fair value through comprehensive income	1,707	1,757
- of which Revaluation reserve IAS 19 application	-	513
<b>Total before IAS 12 offset</b>	<b>27,591</b>	<b>28,268</b>
Offset against deferred tax liabilities - IAS 12	(27,591)	(28,268)
<b>Total</b>	<b>-</b>	<b>-</b>

Section 12 - Non-current assets and disposal groups classified as held for sale and associated liabilities - Assets item 120 and liabilities item 70

No information to report.

## Part B - Consolidated Balance Sheet

### Section 13 - Other assets - Item 130

#### 13.1 Other assets: breakdown

(Amounts in € thousand)

	Total 06/30/2020	Total 12/12/2019
Trade receivables according to IFRS15	2,931	4,579
Current receivables not related with the provision of financial services	747	2,733
Improvement and incremental expenses incurred on leasehold assets	5,704	6,067
Definitive items not recognised under other items:	24,044	28,062
- securities and coupons to be settled	1,996	1,537
- other transactions	22,046	26,525
Tax items other than those included in the item "Tax assets":	158,770	259,098
- tax advances	151,961	252,251
- tax credit	6,809	6,809
- tax advances on employee severance indemnities	-	38
Items awaiting settlement:	4,250	2,495
- notes, cheques and other documents	4,250	2,495
Items in processing	7	13
Items in transit not allocated to relevant accounts	2	50
Accrued income and prepaid expenses other than those related to contracts with customers and other than capitalised in related financial assets or liabilities	41,123	27,178
Accrued income and prepaid expenses related to contracts with customers other than capitalised in related financial assets or liabilities	16,593	12,034
<b>Total</b>	<b>254,169</b>	<b>342,309</b>

## Part B - Consolidated Balance Sheet

### Liabilities

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

##### 1.1 Financial liabilities at amortised cost: product breakdown deposits from banks

(Amounts in € thousand)

Transactions type/Amounts	Total 06/30/2020				Total 12/31/2019			
	BV	Fair Value			BV	Fair Value		
		L1	L2	L3		L1	L2	L3
<b>1. Deposits from central banks</b>	-	X	X	X	-	X	X	X
<b>2. Deposits from banks</b>	<b>113,137</b>	X	X	X	<b>154,653</b>	X	X	X
2.1 Other current accounts and demand deposits	41,461	X	X	X	70,396	X	X	X
2.2 Time deposits	-	X	X	X	-	X	X	X
2.3 Loans	54,167	X	X	X	74,067	X	X	X
2.3.1 Repos	54,167	X	X	X	74,067	X	X	X
2.3.2 Other	-	X	X	X	-	X	X	X
2.4 Liabilities in respect of commitments to repurchase treasury shares	-	X	X	X	-	X	X	X
2.5 Lease liabilities	4,922	X	X	X	7,207	X	X	X
2.6 Other liabilities	12,587	X	X	X	2,983	X	X	X
<b>Total</b>	<b>113,137</b>	-	-	<b>113,137</b>	<b>154,653</b>	-	-	<b>154,653</b>

**Key:**

VB = Book value

L1 = Level 1

L2 = Level 2

L3 = Level 3

## Part B - Consolidated Balance Sheet

### 1.2 Financial liabilities at amortised cost: product breakdown deposits from customers

(Amounts in €thousand)

Transactions type/Amounts	Total 06/30/2020				Total 12/31/2019			
	BV	Fair Value			BV	Fair Value		
		L1	L2	L3		L1	L2	L3
1. Current accounts and demand deposits	26,087,072	X	X	X	25,573,169	X	X	X
2. Time deposits	733	X	X	X	1,359	X	X	X
3. Loans	730,823	X	X	X	163,450	X	X	X
3.1 Reverse repos	730,823	X	X	X	163,450	X	X	X
3.2 Other	-	X	X	X	-	X	X	X
4. Liabilities in respect of commitments to repurchase treasury shares	-	X	X	X	-	X	X	X
5. Lease payables	66,409	X	X	X	60,118	X	X	X
6. Other liabilities	136,161	X	X	X	121,762	X	X	X
<b>Total</b>	<b>27,021,198</b>	<b>-</b>	<b>734</b>	<b>26,366,350</b>	<b>25,919,858</b>	<b>-</b>	<b>1,366</b>	<b>25,918,498</b>

**Key:**

VB = Book value

L1 = Level 1

L2 = Level 2

L3 = Level 3

### 1.3 Financial liabilities at amortised cost: product breakdown of debt securities in issue

No data to report.

## Part B - Consolidated Balance Sheet

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

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

(Amounts in € thousand)

Transactions type/Amounts	Total 06/30/2020					Total 12/31/2019				
	NA	Fair Value			Fair Value *	NA	Fair Value			Fair Value *
		L1	L2	L3			L1	L2	L3	
<b>A. On-balance sheet liabilities</b>										
1. Deposits from banks	-	-	-	-	-	-	-	-	-	-
2. Deposits from customers	12,691	902	-	18	920	595	1,908	-	-	1,908
3. Debt securities	-	-	-	-	X	-	-	-	-	X
3.1 Bonds	-	-	-	-	X	-	-	-	-	X
3.1.1 Structured	-	-	-	-	X	-	-	-	-	X
3.1.2 Other bonds	-	-	-	-	X	-	-	-	-	X
3.2 Other securities	-	-	-	-	X	-	-	-	-	X
3.2.1 Structured	-	-	-	-	X	-	-	-	-	X
3.2.2 Others	-	-	-	-	X	-	-	-	-	X
<b>Total (A)</b>	<b>12,691</b>	<b>902</b>	<b>-</b>	<b>18</b>	<b>920</b>	<b>595</b>	<b>1,908</b>	<b>-</b>	<b>-</b>	<b>1,908</b>
<b>B. Derivatives</b>										
1. Financial derivatives	X	6,130	1,159	-	X	X	1,309	560	-	X
1.1 Trading derivatives	X	6,130	1,159	-	X	X	1,309	560	-	X
1.2 Related to the fair value option	X	-	-	-	X	X	-	-	-	X
1.3 Other	X	-	-	-	X	X	-	-	-	X
2. Credits derivatives	X	-	-	-	X	X	-	-	-	X
2.1 Trading derivatives	X	-	-	-	X	X	-	-	-	X
2.2 Related to the fair value option	X	-	-	-	X	X	-	-	-	X
2.3 Other	X	-	-	-	X	X	-	-	-	X
<b>Total (B)</b>	<b>X</b>	<b>6,130</b>	<b>1,159</b>	<b>-</b>	<b>X</b>	<b>X</b>	<b>1,309</b>	<b>560</b>	<b>-</b>	<b>X</b>
<b>Total (A+B)</b>	<b>X</b>	<b>7,032</b>	<b>1,159</b>	<b>18</b>	<b>X</b>	<b>X</b>	<b>3,217</b>	<b>560</b>	<b>-</b>	<b>X</b>

**Key:**

NA = notional amount

L1 = Level 1

L2 = Level 2

L3 = Level 3

FV\* = Fair value calculated excluding the changes in value due to the change in the issuer's credit rating since the issue date

Financial derivatives refer to the negative valuation of CFD contracts on forex, indices, shares, interest rates, commodities and futures used for the operational hedging of CFDs on indices, interest rates and commodities. They amounted to € 1,176 thousand (€ 580 thousand as at December 31, 2019).

Sub-item B.1.1 Derivative instruments - Trading financial derivatives includes the negative valuations of spot contracts for securities that meets the definition of held for trading and currencies to be settled in times established by market practices ("regular way"). They amounted to € 6,113 thousand (€ 1,289 thousand as at December 31, 2019).

### Section 3 - Financial liabilities designated at fair value - Item 30

No data to report.

## Part B - Consolidated Balance Sheet

### Section 4 - Hedging derivatives - Item 40

#### 4.1 Hedging derivatives: breakdown by type of hedge and by level

(Amounts in € thousand)

	Fair value			NA	Fair value			NA
	06/30/2020				12/31/2019			
	L1	L2	L3	06/30/2020	L1	L2	L3	12/31/2019
<b>A. Financial derivatives</b>	-	188,770	-	5,239,522	-	80,852	-	2,687,284
1) Fair value	-	188,770	-	5,239,522	-	80,852	-	2,687,284
2) Cash flows	-	-	-	-	-	-	-	-
3) Net investment in foreign subsidiaries	-	-	-	-	-	-	-	-
<b>B. Credit derivatives</b>	-	-	-	-	-	-	-	-
1) Fair value	-	-	-	-	-	-	-	-
2) Cash flows	-	-	-	-	-	-	-	-
<b>Total</b>	-	188,770	-	5,239,522	-	80,852	-	2,687,284

**Key:**

NA = notional amount

L1 = Level 1

L2 = Level 2

L3 = Level 3



## Part B - Consolidated Balance Sheet

### Section 5 – Changes in fair value of portfolio hedged financial liabilities - Item 50

#### 5.1 Changes to macro-hedged financial liabilities

(Amounts in € thousand)

Adjustments to the value of hedged liabilities/Components of the group	Total 06/30/2020	Total 12/31/2019
1. Positive changes to financial liabilities	18,346	14,098
2. Negative changes to financial liabilities	-	-
<b>Total</b>	<b>18,346</b>	<b>14,098</b>

### Section 6 – Tax liabilities – Item 60

See section 11 of assets.

### Section 7 – Liabilities included in disposal groups classified as held for sale – Item 70

See section 12 of assets.

## Part B - Consolidated Balance Sheet

### Section 8 – Other liabilities - item 80

#### 8.1 Other liabilities: breakdown

(Amounts in € thousand)

	Total 06/30/2020	Total 12/31/2019
Payables to Directors and Statutory auditors	197	202
Payables to employees	15,313	13,342
Social security contributions payable	7,119	6,577
Current payables not related to the provision of financial services	30,732	25,866
Payables for share-based payments or shares of the UniCredit	59	142
Definitive items not recognised under other items:	109,521	57,514
- securities and coupons to be settled	9,565	20,310
- payment authorisations	90,278	22,494
- other items	9,678	14,710
Tax items other than those included in the item "Tax liabilities":	74,623	133,690
- sums withheld from third parties as withholding agent	20,694	27,616
- other	53,929	106,074
Illiquid items for portfolio transactions	9,728	20,796
Items awaiting settlement:	67,972	74,298
- outgoing bank transfers	67,935	74,251
- POS and ATM cards	37	47
Items in processing:	625	463
- incoming bank transfers	592	419
- other items in processing	33	44
Sums available to be paid to customers	4,652	3,935
Current payables not related with the provision of financial services	133	183
Deferred income related to contracts with customers other than those capitalised on the related financial assets or liabilities	10,459	6,851
<b>Total Other liabilities</b>	<b>331,133</b>	<b>343,857</b>

## Part B - Consolidated Balance Sheet

### Section 9 - Provisions for employee severance pay - Item 90

#### 9.1 Provisions for employee severance pay: annual changes

(Amounts in € thousand)

	Total 06/30/2020	Total 12/31/2019
<b>A. Opening balance</b>	<b>4,810</b>	<b>4,561</b>
<b>B. Increases</b>	<b>55</b>	<b>488</b>
B.1 Provision of the year	20	71
B.2 Other increases	35	417
<b>C. Decreases</b>	<b>(143)</b>	<b>(239)</b>
C.1 Payments made	(13)	(196)
C.2 Other decreases	(130)	(43)
<b>D. Closing balances</b>	<b>4,722</b>	<b>4,810</b>
<b>Total</b>	<b>4,722</b>	<b>4,810</b>

The total amount of Provisions for employee severance pay as at 30 June, 2020 amounts to € 4,722 thousand (€ 4,810 thousand as at 31 December, 2019).

The following table shows the main actuarial assumptions used to remeasure the liability.

Description of the main actuarial assumptions	06/30/2020	12/31/2019
Discount rate	1.10%	0.85%
Expected inflation rate	0.95%	0.95%

As at June 30, 2020, the remeasurement of the liability relating to Provisions for employee severance pay determined a negative change in the valuation reserve relating to actuarial gains/losses on pension plans with defined benefits of € 95 thousand, net of related taxes.

For further information and details on the amount, timing and uncertainty of financial flows (sensitivities), please refer to the Financial Statements at December 31, 2019.

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

#### 10.1 Provisions risk and charges: breakdown

(Amounts in € thousand)

Items/Components	Total 06/30/2020	Total 12/31/2019
1. Provisions for credit risk of commitments and financial guarantees given	67	21
2. Provisions for other commitments and other guarantees given	-	-
3. Provisions for retirement payments and similar obligations	-	-
4. Other provisions for risks and charges	108,043	107,058
4.1 legal and tax disputes	28,667	30,910
4.2 staff expenses	2,480	4,949
4.3 other	76,896	71,199
<b>Total</b>	<b>108,110</b>	<b>107,079</b>

Item 4.1 "legal and tax disputes" mainly includes provisions made to cover complaints and disputes for damage to customers arising from the unlawful behaviour of the Bank's personal financial advisors, provisions relating to pending disputes with personal financial advisors (generally employment-related) and other ongoing court and out-of-court litigation with customers, in relation to normal banking activities, and other parties for € 24,931 thousand (€ 27,164 thousand as at December 31, 2019) and provisions for tax disputes (penalties and interest) for € 3,736 thousand (€ 3,746 thousand as at December 31, 2019). In addition to the costs incurred by the Group in the event of an unfavourable conclusion of the dispute, this provision includes the estimate of the costs to be paid to legal advisors and any technical consultants and/or experts who assist the Group in ongoing

## Part B - Consolidated Balance Sheet

disputes. This estimate was determined by the Group in relation to the ongoing litigation to the extent that it is believed that they will not be reimbursed by the counterparties, mainly on the basis of the Forensic Tariffs envisaged by current legislation.

Item 4.2 "staff expenses" includes, mainly, the provisions made for the variable remuneration to be paid to employees in subsequent years, which have an uncertain due date and/or amount.

Item 4.3 "Other" includes the Supplementary customer indemnity provision, of € 64,262 thousand (€ 63,618 thousand as at December 31, 2019), the Provision for contractual payments, of € 392 thousand (€ 395 thousand as at December 31, 2019) and other provisions made for risks related to the Group's business and operations, of € 12,243 thousand (€ 7,186 thousand as at December 31, 2019), including, in particular, provisions made for marketing and customer loyalty campaigns, incentive plans for personal financial advisors and training events for personal financial advisors and the provision made on relation to the proceedings initiated against the Bank in December 2019 by the Guarantor for Competition and the Market (A.G.C.M.).

In this regard, it should be noted that on December 20th, 2019, the Bank received notice from the AGCM that it had initiated proceedings to assess the compliance with the Consumer Code (Legislative Decree 206/2005) of a commercial practice that the Bank had previously used to encourage people to open current accounts. During the first half of 2020, FinecoBank – on the advice of its lawyers – provided the AGCM with all the information required for the purposes of the assessment within the prescribed time limits, explaining the reasons why it believes it has operated correctly.

Taking into account the outcome of the hearings and discussions with the AGCM, the Bank – while maintaining that it acted properly – decided to pay back customers affected by this commercial practice (the monthly account maintenance fees) charged in 2020 and to not apply these fees until December 31, 2020.

Pending the AGCM's decisions on the proposals made by the Bank, this substantial commitment taken by the Bank at the reporting date has been covered by a specific allocation to the Provision for risks and charges as at June 30th, 2020 in the amount of € 4 million. If the above proposal is accepted, this amount will be paid to the customers concerned during the second half of 2020 by promptly repaying the fees charged to them from February 1st, 2020.

### 10.3 Provisions for risks and charges for commitments and financial guarantees given

(Amounts in € thousand)

	Provisions for risks and charges for commitments and guarantees given			Total
	First stage	Second stage	Third stage	
Commitments	52	-	2	54
Financial guarantees given	13	-	-	13
<b>Total</b>	<b>65</b>	<b>-</b>	<b>2</b>	<b>67</b>

### 10.4 Provisions for other commitments and other guarantees given

No data to report.

### 10.5 Pensions and other post-retirement defined-benefit obligations

No data to report.

## Part B - Consolidated Balance Sheet

### 10.6 Provisions for risks and charges - other provisions

(Amounts in € thousand)

	Total 06/30/2020	Total 12/31/2019
<b>Legal and fiscal disputes</b>	<b>28,667</b>	<b>30,910</b>
- Pending cases	20,832	22,370
- Complaints	4,099	4,794
- Tax disputes	3,736	3,746
<b>Staff expenses</b>	<b>2,480</b>	<b>4,949</b>
<b>Other</b>	<b>72,896</b>	<b>71,199</b>
- Supplementary customer indemnity provision	64,262	63,618
- Provision for contractual payments and payments under non-competition agreements	392	395
- Other provisions	12,242	7,186
<b>Total provisions for risks and charges</b>	<b>108,043</b>	<b>107,058</b>

(Amounts in € thousand)

	Total 12/31/2019	Uses	Transfers and other changes	Actuarial gains (losses) IAS 19R *	Net provisions**	Total 06/30/2020
<b>Provision for risks and charges</b>						
<b>Legal and fiscal disputes</b>	<b>30,910</b>	<b>(2,510)</b>	-	-	<b>267</b>	<b>28,667</b>
- Pending cases	22,370	(1,892)	202	-	152	20,832
- Complaints	4,794	(608)	(202)	-	115	4,089
- Tax disputes	3,746	(10)	-	-	-	3,736
<b>Staff expenses</b>	<b>4,949</b>	<b>(4,861)</b>	-	-	<b>2,392</b>	<b>2,480</b>
<b>Other</b>	<b>71,199</b>	<b>(1,880)</b>	-	<b>(1,678)</b>	<b>9,255</b>	<b>76,896</b>
- Supplementary customer indemnity provision	63,618	(611)	-	(1,674)	2,929	64,262
- Contractual payments and payments under non-competition agreements	395	-	-	(4)	1	392
- Other provisions	7,186	(1,269)	-	-	6,325	12,242
<b>Total provisions for risks and charges</b>	<b>107,058</b>	<b>(9,251)</b>	-	<b>(1,678)</b>	<b>11,914</b>	<b>108,043</b>

\* The item "IAS 19R actuarial gains (losses)" includes the actuarial gains (losses) recognised in the item "Revaluation reserves" in application of IAS 19R.

\*\* The item "Net provisions" includes the costs recognised in their own income statement item to better reflect their nature (e.g. "Fee and Commission expenses", "Staff expenses", "Administrative costs" and "Interest expenses and similar charges").

The following table shows the main actuarial assumptions used to measure the liability for the supplementary customer indemnity provision and the provision for contractual payments.

Description of the main actuarial assumptions	06/30/2020	12/31/2019
Discount rate	1.10%	0.85%
Rate of salary increase	0.00%	0.00%

For further information and details on the amount, timing and uncertainty of financial flows (sensitivities), please refer to the Financial Statements at December 31, 2019.

The Provision for legal disputes includes provisions made to cover complaints and disputes for damage to customers arising from the unlawful behaviour of the Bank's personal financial advisors, provisions relating to pending disputes with personal financial advisors (generally employment-related) and other ongoing court and out-of-court litigation with customers, in relation to normal banking activities, and other parties. In addition to the costs incurred by the Group in the event of an unfavourable conclusion of the dispute, this provision includes the estimate of the costs to be paid to legal advisors and any technical consultants and/or experts who assist the Group in ongoing disputes. This estimate was determined by the Group in relation to the ongoing litigation, mainly on the basis of the Forensic Tariffs envisaged by current legislation.

The Supplementary customer indemnity provision is accrued to cover the amount of severance indemnity to be paid to the PFA network pursuant to art. 1751 of the Italian Civil Code, in the event of termination of the contract for reasons not attributable to the advisor, such as, for example, when reaching retirement age. The amount of the obligation at the end of the period was assessed with the aid of an independent actuary, in accordance with the provisions of IAS 19.

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The **Provision for staff expenses** includes provisions made in relation to the variable remuneration to be paid to employees in subsequent years which have an uncertain due date and amount.

The **Provision for contractual payments and payments under non-competition agreements** is related to a limited number of personal financial advisors; these payments are contractually provided. More specifically, the non-competition agreement is an extension of the loyalty obligation at the end of the employment contract which protects the Bank from competition from former personal financial advisors; contractual payments are a special indemnity that the Bank agrees to pay to personal financial advisors, who opted to transfer the rights and obligations arising from their contract with the Bank to third parties, where these advisors continue to keep an ethical and professional conduct with the Bank after termination of employment, with specific regard to the customer portfolio. The amount of the obligation at the end of the period relating to contractual payments was assessed with the aid of an independent actuary.

The **Provision for tax disputes** is allocated to cover tax demands received from the Italian Revenue Agency following tax audits carried out on the Bank over the years, in relation to which the Bank considers it has calculated the tax correctly and legitimately and has therefore submitted an appeal at various levels of proceedings.

The above provisions for risks and charges include the allocations for fines and interest for the additional tax being contested and requested by the Tax Authorities through tax bills or payment notices paid and for the estimated amount of legal expenses to be incurred in the various proceedings.

For more details, see Part E – Information on risks and hedging policies – Section 1.5 – Operational risk – paragraph "Risks arising from tax disputes and audits" of these notes to the accounts.

The **Other Provisions** are mainly allocated to cover the risks related to the business and operations of the Group. The provision specifically includes provisions for marketing and customer loyalty campaigns, incentive plans for the personal financial advisors and the provision for training events for the personal financial advisors and the provision made as part of the procedure started in December 2019 by the Competition and Market Authority (A.G.C.M.), as previously described.

### Section 11 – Technical provisions – Item 110

No data to report.

### Section 12 - Redeemable shares - Item 130

No data to report.

## Part B - Consolidated Balance Sheet

### Section 13 - Group Shareholders' equity - Items 120, 130, 140, 150, 160, 170 and 180

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

As at June 30, 2020, share capital came to € 201,153 thousand, comprising 609,554,043 ordinary shares with a par value of € 0.33 each.

As at June 30, 2020, the Group, specifically the Bank, held in the portfolio 753,310 FinecoBank ordinary shares, in order to execute the PFA incentive plans of the Bank, corresponding to 0.12% of the share capital, for an amount of € 7.5 million. During first half 2020 n. 44,000 shares were purchased in relation to the "2019 PFA Incentive System" for personal financial advisors identified as "Key personnel" and n. 11,548 and n. 16,590 FinecoBank ordinary shares held in the portfolio were assigned to personal financial advisors respectively in execution to the "2016 PFA Incentive System" and "2017 PFA Incentive System".

On February 11, 2020, in view of the favourable opinion provided by the Remuneration Committee in its meeting of February 7, 2020, the Board of Directors of FinecoBank approved execution of the following incentive/loyalty systems:

- 2014-2017 Top Management Multi-Year Plan for employees. In particular, we approved the allotment of 422,779 free ordinary shares to the beneficiaries of the fourth tranche of the Plan, assigned in 2017, and consequently an increase in Share capital for a total amount of € 139,517.07 with immediate effect;
- 2014, 2015, 2016, 2017, 2018 and 2019 Incentive systems for employees. In particular, we approved the allotment of 201,121 free ordinary shares to the beneficiaries of the fourth equity tranche of the 2014 Incentive System, of the third tranche of the 2015 Incentive System and of the second tranche of the 2016 Incentive System and of the first tranche of the 2017 Incentive System, and consequently an increase in Share capital for a total amount of € 66,369.93 with effect from 31 March 2020.

The FinecoBank Board of Directors of 12 March 2020 approved a free share capital increase to service the incentive plans for employees for an amount of € 5,459.19, through the issue of n. 16,543 ordinary shares, effective May 31, 2020.

In view of the above capital increases, the reserves from allocation of profit from previous years were reduced accordingly.

(Amounts in € thousand)

	Total 06/30/2020	Total 12/31/2019
Share capital	201,153	200,941
Share premium reserve	1,934	1,934
Reserves	678,378	397,593
- Legal reserve	40,229	40,188
- Extraordinary reserve	574,832	309,131
- Treasury shares reserve	7,470	7,351
- Other reserves	55,847	40,923
(Treasury shares)	(7,470)	(7,351)
Revaluation reserves	1,485	1,002
Equity instruments	500,000	500,000
Net Profit (Loss) for the period	180,174	288,365
<b>Total</b>	<b>1,555,654</b>	<b>1,382,484</b>

## Part B - Consolidated Balance Sheet

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

(Amounts in € thousand)

Items/Type	Ordinary	Others
<b>A. Shares outstanding at the beginning of the year</b>	<b>608,176,152</b>	-
- fully paid	608,913,600	-
- not fully paid	-	-
A.1 treasury shares (-)	(737,448)	-
<b>A.2 Shares outstanding: Opening balance</b>	<b>608,176,152</b>	-
<b>B. Increases</b>	<b>668,581</b>	-
B.1 New issues	640,443	-
- against payment:	-	-
- business combinations	-	-
- bonds converted	-	-
- others	-	-
- free:	640,443	-
- to employees	623,900	-
- to directors	-	-
- others	16,543	-
B.2 Sales of treasury shares	-	-
B.3 Other changes	28,138	-
<b>C. Decreases</b>	<b>(44,000)</b>	-
C.1 Cancellation	-	-
C.2 Purchase of treasury shares	(44,000)	-
C.3 Purchase of treasury shares	-	-
C.4 Other changes	-	-
<b>D. Shares outstanding: closing balance</b>	<b>608,800,733</b>	-
D.1 Treasury shares (+)	753,310	-
D.2 Shares outstanding at the end of the year	609,554,043	-
- fully paid	609,554,043	-
- not fully paid	-	-

The item B.3 "Other changes" reports the shares allocated to the personal financial advisors under the stock granting plan ("2016 PFA Incentive Plan" and "22017 PFA PLAN") for FinecoBank's Personal Financial Advisors and Network Managers.

### 13.3 Share capital: other information

The shares are not subject to any right, privilege or constraint; there are no shares reserved for issue under option and sales contracts.

### 13.4 Reserves from allocation of profit from previous years: other information

The reserves from profits consist of the:

- Legal reserve, amounting to € 40,229 thousand;
- Extraordinary reserve, amounting to € 574,833 thousand;
- Reserve for treasury shares held, amounting to € 7,470 thousand;
- Consolidation reserve, amounting to € 15,607 thousand;
- Reserves of unavailable profits pursuant to article 6 paragraph 2 of Legislative Decree 38/2005, for an amount equal to € 5,053 thousand.



## Part B - Consolidated Balance Sheet

As previously mentioned in para. 13.1 "Share capital and Treasury shares: breakdown", the Board of Directors of FinecoBank held on February 11, 2020 and on March 12, 2020, resolved free share capital increases to service the incentive plans for employees, against which the available earnings reserves, in particular the extraordinary reserve, were reduced for an amount of € 211 thousand. The aforementioned reserve was also used to cover the transaction costs directly attributable to the operations, equal to € 13 thousand net of the related taxes.

The FinecoBank Shareholders' Meeting of April 28, 2020 approved the allocation of profit for the year 2019 of FinecoBank S.p.A., amounting to € 285,891 thousand, as follows:

- € 41 thousand to the Legal reserve, corresponding to 0.014% of the profit for the year, having reached the limit of a fifth of the share capital;
- € 285,850 thousand to the Extraordinary reserve.

It should be noted that, in full compliance with the reference legislation, the indications of the Supervisory Authorities and the best consolidated practice on the matter, the Board of Directors of 6 April 2020 decided to revoke the proposal for the distribution of a unit dividend of 0.32 euro for a total of € 195,052,000 approved by the Board of Directors on 11 February 2020, resolving to propose to the Ordinary Shareholders' Meeting convened for 28 April 2020 the allocation to reserves of the profit for the year 2019.

The same Shareholders' Meeting, upon proposal of the Board of Directors of 11 February 2020, also approved the coverage of the negative reserve deriving from the first application of the accounting standard IFRS 9 through the use of the Extraordinary Reserve for an amount equal to € 4,868 thousand.

Simultaneously with the recognition of the allocation of the profit for the year 2019, the extraordinary reserve was made unavailable, pursuant to article 6 paragraph 2 of Legislative Decree 38/2005, for an amount equal to € 5,053 thousand.

As previously mentioned in para. 13.1 "Share capital and Treasury shares: breakdown", during first half 2020 n. 44,000 shares were purchased in relation to the "2019 PFA Incentive System" for personal financial advisors identified as "Key personnel" and n. 11,548 and n. 16,590 FinecoBank ordinary shares held in the portfolio were assigned to personal financial advisors respectively in relation to the "2016 PFA Incentive System" and "2017 PFA Incentive System". Consequently the Reserve for treasury shares held has been increased by € 119 thousand with a simultaneous decrease in the Extraordinary reserve.

In addition, during first half 2020 the Extraordinary Reserve was used for the payment of the coupons of the Additional Tier 1 instruments issued by the Bank, for € 9,884 thousand net of the related taxation.

### 13.5 Equity instruments: breakdown and annual changes

Equity instruments includes the following financial instrument:

- Additional Tier 1 issued on 31 January 2018. The financial instrument is a perpetual private placement<sup>27</sup>, issued for a total of € 200 million and entirely subscribed by UniCredit S.p.A. The coupon for the first 5.5 years has been fixed at 4.82%;
- Additional Tier 1 issued on 11 July 2019. The financial instrument is a perpetual public placement, traded on Euronext Dublin's non-regulated market, Global Exchange Market, notes rating of BB- (S&P Global Ratings), issued for a total of € 300 million. The coupon for the first 5 years has been fixed at 5.875%.

### 13.6 Other information

No data to report.

## Section 14 – Minority interests – Item 190

### 14.1 Breakdown of Item 190 "Minority interests"

No data to report.

### 14.2 Equity instruments: breakdown and annual changes

No data to report.

<sup>27</sup> Unrated and unlisted

## Part B - Consolidated Balance Sheet

## OTHER INFORMATION

## 1. Commitments and financial guarantees given

(Amounts in € thousand)

	Nominal value of commitments and financial guarantees given			Total 06/30/2020	Total 12/31/2019
	First stage	Second stage	Third stage		
<b>1. Commitments</b>	<b>30,364</b>	<b>232</b>	<b>155</b>	<b>30,751</b>	<b>19,105</b>
a) Central Banks	-	-	-	-	-
b) Governments	-	-	-	-	-
c) Banks	-	-	-	-	-
d) Other financial companies	1	-	-	1	14
e) Non-financial companies	122	-	-	122	-
f) Households	30,241	232	155	30,628	19,091
<b>2. Financial guarantees given</b>	<b>19,794</b>	<b>-</b>	<b>-</b>	<b>19,794</b>	<b>18,812</b>
a) Central Banks	-	-	-	-	-
b) Governments	-	-	-	-	-
c) Banks	17,170	-	-	17,170	17,170
d) Other financial companies	-	-	-	-	-
e) Non-financial companies	-	-	-	-	-
f) Households	2,624	-	-	2,624	1,642

The commitments to disburse funds mainly include the commitments to disburse reverse repos.

Financial guarantees given to banks include the guarantees issued in 2012 to the Italian Revenue Agency on request of UniCredit S.p.A., with indefinite duration, for a total amount of € 17,166 thousand (€ 17,166 thousand as at December 31, 2019). With regard to the residual amount, UniCredit S.p.A. has also renewed the request for release for the consolidation of pending charges to the competent office of the Regional Directorate of Liguria and the Bank is awaiting the related response.

## Part B - Consolidated Balance Sheet

### 2. Other commitments and other guarantees given

(Amounts in € thousand)

	Nominal amount Total 06/30/2020	Nominal amount Total 12/31/2019
<b>1. Other guarantees given</b>		
of which: impaired credit exposures	-	-
a) Central Banks	-	-
b) Governments	-	-
c) Banks	-	-
d) Other financial companies	-	-
e) Non-financial companies	-	-
f) Households	-	-
<b>2. Other commitments</b>	<b>1,730,256</b>	<b>1,453,932</b>
of which: impaired credit exposures	387	154
a) Central Banks	-	-
b) Governments	-	-
c) Banks	2,826	516
d) Other financial companies	25,199	20,971
e) Non-financial companies	825	90
f) Households	1,701,406	1,432,355

Other commitments refer to the margins available on revocable credit lines granted to customers and spot sales of securities to be settled in times established by market practices ("regular way").

### 3. Assets given as collateral for own liabilities and commitments

(Amounts in € thousand)

Portfolios	Amounts 06/30/2020	Amounts 12/31/2019
<b>0</b>		
1. Financial assets at fair value through profit and loss	-	133
2. Financial assets at fair value through other comprehensive income	83,073	18,300
3. Financial assets at amortized cost	2,842,764	1,763,853
4. Property, plant and equipment	-	-
of which: Property, plant and equipment material assets that constitute inventories	-	-

Assets given as collateral for own liabilities and commitments shown in the above table refer to:

- debt securities used to enter into repos with the obligation for the buyer to resell the assets covered by the transaction upon expiration of said transaction. The bonds are given as collateral for the entire duration of the transaction;
- government bonds given as collateral for bankers' drafts, as guarantee for transactions in foreign markets and/or as guarantee for transactions in derivatives. Securities are used as collateral until the Group decides to stop the transactions for which the collateral or guarantees are granted;
- debt securities issued by UniCredit S.p.A. given as collateral in securities lending transactions carried out with customers. The securities are given as collateral for the entire duration of the transaction.

## Part B - Consolidated Balance Sheet

### 4. Breakdown of investments for unit-linked and index-linked policies

No data to report.

### 8. Securities lending transactions

The Group conducts securities lending transactions on a continuous and systematic basis, with the objective of satisfying the requests of its customers, of institutional counterparties and obtaining a profit. The Group operates as the borrower, borrowing the securities of its customers and using them in securities lending transactions guaranteed by cash amounts with retail and institutional customers interested in the temporary ownership of the securities.

Against securities lending transactions guaranteed by other securities, the Group issued as collateral UniCredit S.p.A. bonds, recorded in "Financial asset at amortised cost", held in a dedicated dossier at the custodian bank for an amount higher than that of the securities borrowed by the customers, with the aim of providing a collective guarantee.

The face value of the underlying securities not recognised as assets in the accounts totalled € 213,143 thousand, for a fair value of € 126.775 thousand, broken down as follows:

(Amounts in € thousand)

Securities received on loan from:	Type of securities (nominal value 30 June 2020)		
	Sold	Sold in repos	Other purposes
Banks	-	-	-
Financial companies	-	17	-
Insurance companies	-	-	-
Non-financial companies	-	215	1
Other entities	12,651	195,245	4,014
<b>Total nominal value</b>	<b>12,651</b>	<b>195,477</b>	<b>4,015</b>

(Amounts in € thousand)

Securities received on loan from:	Type of securities (fair value 30 June 2020)		
	Sold	Sold in repos	Other purposes
Banks	-	-	-
Financial companies	-	340	-
Insurance companies	-	-	-
Non-financial companies	-	633	23
Other entities	921	116,111	8,747
<b>Total nominal value</b>	<b>921</b>	<b>117,084</b>	<b>8,770</b>

### 9. Disclosure on joint control activities

No data to report



## Part C - Consolidated Income Statement

## Section 1 - Interest - Items 10 and 20

## 1.1 Interest income and similar revenues: breakdown

(Amounts in € thousand)

Items/Type	Debt securities	Loans	Other operations	Total 06/30/2020	Total 06/30/2019
<b>1. Financial assets at fair value through profit and loss</b>	<b>1</b>	<b>-</b>	<b>-</b>	<b>1</b>	<b>3</b>
1.1 Financial assets held for trading	-	-	-	-	1
1.2 Financial assets designated at fair value	-	-	-	-	-
1.3 Other financial assets mandatorily at fair value	1	-	-	1	2
<b>2. Financial assets at fair value through other comprehensive income</b>	<b>794</b>	<b>-</b>	<b>X</b>	<b>794</b>	<b>1,653</b>
<b>3. Financial assets at amortised cost</b>	<b>117,528</b>	<b>32,475</b>	<b>X</b>	<b>150,003</b>	<b>149,962</b>
3.1 loans and receivables with banks	55,205	343	X	55,548	76,726
3.2 loans and receivables with customers	62,323	32,132	X	94,455	73,236
<b>4. Hedging derivatives</b>	<b>X</b>	<b>X</b>	<b>(8,880)</b>	<b>(8,880)</b>	<b>(3,224)</b>
<b>5. Other assets</b>	<b>X</b>	<b>X</b>	<b>-</b>	<b>-</b>	<b>12</b>
<b>6. Financial liabilities</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>2,324</b>	<b>1,658</b>
<b>Total</b>	<b>118,323</b>	<b>32,475</b>	<b>(8,880)</b>	<b>144,242</b>	<b>150,064</b>
of which: income interests impaired financial assets	-	92	-	92	104
of which: interest income on financial lease	-	-	-	-	-

## Part C - Consolidated Income Statement

## 1.3 Interest expenses and similar charges: breakdown

(Amounts in € thousand)

Items/Type	Payables	Debt securities in issue	Other transactions	Total 06/30/2020	Total 06/30/2019
1. Financial liabilities at amortized cost	(5,382)	-	X	(5,382)	(6,778)
1.1 Deposits from central banks	-	X	X	-	-
1.2 Deposits from banks	(116)	X	X	(116)	(74)
1.3 Deposits from customers	(5,266)	X	X	(5,266)	(6,704)
1.4 Debt securities in issue	X	-	X	-	-
2. Financial liabilities held for trading	-	-	-	-	-
3. Financial liabilities designated at fair value	-	-	-	-	-
4. Other liabilities and provisions	X	X	-	-	-
5. Hedging derivatives	X	X	-	-	-
6. Financial assets	X	X	X	(1,462)	(1,519)
<b>Total</b>	<b>(5,382)</b>	<b>-</b>	<b>-</b>	<b>(6,844)</b>	<b>(8,297)</b>
of which: interest expense on lease liabilities	(534)	-	-	(534)	(443)

## Part C - Consolidated Income Statement

## Section 2 – Fee and commission income and expense - Items 40 and 50

## 2.1 Fee and commission income: breakdown

(Amounts in € thousand)

Type of services/Amounts	Total 06/30/2020	Total 06/30/2019
a) guarantees given	10	31
b) credit derivatives	-	-
c) management, brokerage and consulting services:	325,791	271,805
1. securities trading	62,027	35,254
2. currency trading	-	-
3. segregated accounts	83,301	73,762
3.1. individual	-	-
3.2. collective	83,301	73,762
4. custody and administration of securities	177	181
5. custodian bank	-	-
6. placement of securities	8,609	6,283
7. reception and transmission of orders	20,246	6,726
8. advisory services	32,275	29,815
8.1. related to investments	32,275	29,815
8.2. related to financial structure	-	-
9. distribution of third-party services:	119,156	119,784
9.1. segregated accounts	81,391	86,082
9.1.1 individual	856	64
9.1.2 collective	80,535	86,018
9.2 insurance products	37,765	33,702
9.3 other products	-	-
d) collection and payment services	14,119	16,305
e) securitisation servicing	-	-
f) factoring	-	-
g) tax collection services	-	-
h) management of multilateral trading systems	-	-
i) management of current accounts	10,325	2,284
j) other services	7,492	7,454
k) securities lending transactions	3,430	3,145
<b>Total</b>	<b>361,167</b>	<b>301,024</b>

Lastly, it should be noted that item 9.1.2 "segregated accounts collective" also includes the maintenance commissions for UCIT units equal to € 78,165 thousand (€ 84,184 thousand at 30 June 2019).



## Part C - Consolidated Income Statement

## 2.2 Fee and commission expenses: breakdown

(Amounts in € thousand)

Services/Amounts	Total	
	06/30/2020	06/30/2019
a) guarantees received	-	-
b) credit derivatives	-	-
c) management and brokerage services:	(138,154)	(129,561)
1. trading in financial instruments	(5,639)	(3,634)
2. currency trading	-	-
3. portfolios management:	(12,414)	(10,027)
3.1 own portfolio	-	-
3.2 third party portfolio	(12,414)	(10,027)
4. custody and administration securities	(1,977)	(1,136)
5. financial instruments placement	-	-
6. out of office offer of financial instruments, products and services	(118,124)	(113,016)
d) collection and payment services	(8,838)	(11,644)
e) other services	(2,792)	(1,871)
f) securities lending transactions	(813)	(1,053)
<b>Total</b>	<b>(150,597)</b>	<b>(142,381)</b>

Item "c) management and brokerage services: 6. out of office offer of financial instruments, products and services", includes costs incurred in relation to Equity Settled and Cash Settled plans assigned to personal financial advisors, that are respectively recorded against the item 150. "Reserves" of the net equity for an amount of € 333 thousand (€ 125 thousand as at June 30, 2019) and the item 80. "Other liabilities" for an amount of € 3 thousand (€ 24 thousand as at June 30, 2019).

Finally, it should be noted that during the first half of 2020 the clearing and settlement fees were moved from the item "c) management and brokerage services: 4. custody and administration securities" to the item "e) other services". Therefore, the same reclassification was also presented for June 30, 2019, carrying out the aforementioned reclassification for an amount of € 1,748 thousand.

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

## 3.1 Dividend income and similar revenue: breakdown

(Amounts in € thousand)

Items/Income	Total		Total	
	06/30/2020		06/30/2019	
	Dividends	Income from UCITS Units	Dividends	Income from UCITS Units
A. Financial assets held for trading	23	-	38	-
B. Other financial assets mandatorily at fair value	30	-	25	-
C. Financial assets at fair value through other comprehensive income	-	-	-	-
D. Equity investments	-	-	-	-
<b>Total</b>	<b>53</b>	<b>-</b>	<b>63</b>	<b>-</b>

## Part C - Consolidated Income Statement

## Section 4 – Gains (losses) on financial assets and liabilities held for trading – Item 80

As at June 30, 2020

## 4.1 Gains (losses) on financial assets and liabilities held for trading: breakdown

(Amounts in € thousand)

Transactions/Income items	Unrealised gain (A)	Realized gains (B)	Unrealized losses (C)	Realized losses (D)	Net profit (loss) [(A+B) = (C+D)]
<b>1. Financial assets held for trading</b>	<b>158</b>	<b>137,703</b>	<b>(72)</b>	<b>(127,964)</b>	<b>9,825</b>
1.1 Debt securities	-	4,437	-	(3,822)	615
1.2 Equity instruments	158	130,896	(72)	(121,873)	9,109
1.3 UCITS units	-	2,370	-	(2,269)	101
1.4 Loans	-	-	-	-	-
1.5 Others	-	-	-	-	-
<b>2. Financial liabilities held for trading</b>	<b>4</b>	<b>1,234</b>	<b>(78)</b>	<b>(1,583)</b>	<b>(423)</b>
2.1 Debt securities	-	-	-	-	-
2.2 Payables	4	1,234	(78)	(1,583)	(423)
2.3 Others	-	-	-	-	-
<b>3. Financial assets and liabilities: exchange differences</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>13,126</b>
<b>4. Derivatives</b>	<b>9,340</b>	<b>128,297</b>	<b>(10,430)</b>	<b>(103,270)</b>	<b>27,050</b>
4.1 Financial derivatives:	9,340	128,297	(10,430)	(103,270)	27,050
- On debt securities and interest rates	108	926	(98)	(904)	32
- On equity securities and share indices	9,141	111,191	(10,258)	(90,682)	19,392
- On currency and gold	X	X	X	X	3,113
- Others	91	16,180	(74)	(11,684)	4,513
4.2 Credit derivatives	-	-	-	-	-
of which: natural hedges related to the fair value option	X	X	X	X	-
<b>Total</b>	<b>9,502</b>	<b>267,234</b>	<b>(10,580)</b>	<b>(232,817)</b>	<b>49,578</b>

## Part C - Consolidated Income Statement

As at June 30, 2019

(Amounts in € thousand)

Transactions/Income items	Unrealised gain (A)	Realized gains (B)	Unrealized losses (C)	Realized losses (D)	Net profit (loss) [(A+B) = (C+D)]
<b>1. Financial assets held for trading</b>	<b>51</b>	<b>60,689</b>	<b>(12)</b>	<b>(55,788)</b>	<b>4,940</b>
1.1 Debt securities	1	2,032	-	(1,770)	263
1.2 Equity instruments	50	58,313	(12)	(53,680)	4,671
1.3 UCITS units	-	344	-	(338)	6
1.4 Loans	-	-	-	-	-
1.5 Others	-	-	-	-	-
<b>2. Financial liabilities held for trading</b>	<b>1</b>	<b>304</b>	<b>(3)</b>	<b>(248)</b>	<b>54</b>
2.1 Debt securities	-	-	-	-	-
2.2 Payables	-	-	-	-	-
2.3 Others	1	304	(3)	(248)	54
<b>3. Financial assets and liabilities: exchange differences</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>5,785</b>
<b>4. Derivatives</b>	<b>4,962</b>	<b>26,095</b>	<b>(4,741)</b>	<b>(21,635)</b>	<b>7,376</b>
4.1 Financial derivatives:	4,962	26,095	(4,741)	(21,635)	7,376
- On debt securities and interest rates	72	535	(64)	(506)	37
- On equity securities and share indices	4,861	23,808	(4,614)	(19,923)	4,132
- On currency and gold	X	X	X	X	2,695
- Others	29	1,752	(63)	(1,206)	512
4.2 Credit derivatives	-	-	-	-	-
of which: natural hedges related to the fair value option	X	X	X	X	-
<b>Total</b>	<b>5,014</b>	<b>87,088</b>	<b>(4,756)</b>	<b>(77,671)</b>	<b>18,155</b>

## Section 5 – Fair value adjustments in hedge accounting – Item 90

## 5.1 Fair value adjustments in hedge accounting: breakdown

(Amounts in € thousand)

Income items/Amounts	Total 06/30/2020	Total 06/30/2019
<b>A. Gains on:</b>		
A.1 Fair value hedging instruments	6,740	14,559
A.2 Hedged asset items (in fair value hedge relationship)	120,633	59,587
A.3 Hedged liability items (in fair value hedge relationship)	10	-
A.4 Cash-flow hedging derivatives	-	-
A.5 Assets and liabilities denominated in currency	-	-
<b>Total gains on hedging activities (A)</b>	<b>127,383</b>	<b>74,146</b>
<b>B. Losses on</b>		
B.1 Fair value hedging instruments	(121,589)	(60,059)
B.2 Financial assets items (in fair value hedge relationship)	(2,405)	-
B.3 Hedged liability items (in fair value hedge relationship)	(4,258)	(14,468)
B.4 Cash-flow hedging derivatives	-	-
B.5 Assets and liabilities denominated in currency	-	-
<b>Total losses on hedging activities (B)</b>	<b>(128,252)</b>	<b>(74,527)</b>
<b>C. Fair value adjustments in hedge accounting (A-B)</b>	<b>(869)</b>	<b>(381)</b>
of which: net profit (loss) on net position	-	-

## Part C - Consolidated Income Statement

## Section 6 – Gains (Losses) on disposals/repurchases – Item 100

## 6.1 Gains (Losses) on disposals/repurchases: breakdown

(Amounts in € thousand)

Items/Income items	Total 06/30/2020			Total 06/30/2019		
	Gain	Losses	Net profit (loss)	Gain	Losses	Net profit (loss)
<b>Financial assets</b>						
1. Financial assets at amortized cost	7,079	(28)	7,051	2,057	-	2,057
1.1 Loans and receivables with banks	-	-	-	1,831	-	1,831
1.2 Loans and receivables with customers	7,079	(28)	7,051	226	-	226
2. Financial assets at fair value through other comprehensive income	1,770	-	1,770	984	(257)	727
2.1 Debt securities	1,770	-	1,770	984	(257)	727
2.2 Loans	-	-	-	-	-	-
<b>Total assets (A)</b>	<b>8,849</b>	<b>(28)</b>	<b>8,821</b>	<b>3,041</b>	<b>(257)</b>	<b>2,784</b>
<b>Financial liabilities valued at amortized cost</b>						
1. Deposits from banks	-	-	-	-	-	-
2. Deposits from customers	-	-	-	-	-	-
3. Debt securities in issue	-	-	-	-	-	-
<b>Total liabilities (B)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

## Part C - Consolidated Income Statement

Section 7 – Gains (losses) on financial assets and liabilities measured at fair value through profit and loss – Item 110

### 7.1 Gain (losses) on financial assets and liabilities measured at fair value through profit and loss: breakdown of financial assets and liabilities designated at fair value

No data to report.

As at June 30, 2020

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

(Amounts in € thousand)

Transactions/Income items	Unrealized gain (A)	Realized gain (B)	Unrealized losses (C)	Realized losses (D)	Net Profit (loss) (A+B)-(C+D)
<b>1. Financial assets</b>	<b>115</b>	<b>8</b>	<b>(1,249)</b>	<b>(2)</b>	<b>(1,127)</b>
1.1 Debt securities	-	8	(1)	-	7
1.2 Equity securities	38	-	(1,196)	(1)	(1,159)
1.3 UCITS units	77	-	(51)	(1)	25
1.4 Loans	-	-	-	-	-
<b>2. Financial assets: exchange differences</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>28</b>
<b>Total</b>	<b>115</b>	<b>8</b>	<b>(1,249)</b>	<b>(2)</b>	<b>(1,099)</b>

As at June 30, 2019

(Amounts in € thousand)

Transactions/Income items	Unrealized gain (A)	Realized gain (B)	Unrealized losses (C)	Realized losses (D)	Net Profit (loss) (A+B)-(C+D)
<b>1. Financial assets</b>	<b>1,895</b>	<b>46</b>	<b>(4,763)</b>	<b>-</b>	<b>(2,822)</b>
1.1 Debt securities	1	4	-	-	5
1.2 Equity securities	1,879	4	(4,763)	-	(2,880)
1.3 UCITS units	15	38	-	-	53
1.4 Loans	-	-	-	-	-
<b>2. Financial assets: exchange differences</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>38</b>
<b>Total</b>	<b>1,895</b>	<b>46</b>	<b>(4,763)</b>	<b>-</b>	<b>(2,784)</b>

## Part C - Consolidated Income Statement

## Section 8 – Impairment losses - Item 130

## 8.1 Impairment losses on financial assets at amortised cost: breakdown

(Amounts in € thousand)

Transactions/Income items	Impairment (1)			Write-backs (2)		Total	
	First and second stage	Third stage		First and second stage	Third stage	06/30/2020	06/30/2019
		Write-off	Others				
<b>A. Loans and receivables with banks</b>	<b>(468)</b>	<b>-</b>	<b>-</b>	<b>97</b>	<b>-</b>	<b>(371)</b>	<b>8,576</b>
- Loans	(268)	-	-	96	-	(172)	2,082
- Debt securities	(200)	-	-	1	-	(199)	6,494
of which: financial assets purchased or originated credit impaired	-	-	-	-	-	-	-
<b>B. Credit to clients</b>	<b>(8,050)</b>	<b>(74)</b>	<b>(3,175)</b>	<b>3,489</b>	<b>730</b>	<b>(7,080)</b>	<b>(2,910)</b>
- Loans	(4,441)	(74)	(3,175)	3,487	730	(3,473)	(2,260)
- Debt securities	(3,609)	-	-	2	-	(3,607)	(650)
of which: financial assets purchased or originated credit impaired	-	-	-	-	-	-	-
<b>Total</b>	<b>(8,518)</b>	<b>(74)</b>	<b>(3,175)</b>	<b>3,586</b>	<b>730</b>	<b>(7,451)</b>	<b>5,666</b>

## 8.2 Impairment losses on financial assets at fair value through comprehensive income: breakdown

(Amounts in € thousand)

Transactions/Income items	Adjustments (1)			Write-backs (2)		Total	
	First and second stage	Third stage		First and second stage	Third stage	06/30/2020	06/30/2019
		Write-off	Write-off				
A. Debt Securities	(6)	-	-	-	-	(6)	(39)
B. Loans and receivables	-	-	-	-	-	-	-
- With customers	-	-	-	-	-	-	-
- With banks	-	-	-	-	-	-	-
of which: financial assets purchased or originated credit impaired	-	-	-	-	-	-	-
<b>Total</b>	<b>(6)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(6)</b>	<b>(39)</b>

## Part C - Consolidated Income Statement

### Section 9 – Profit/loss from contract changes without cancellation – Item 140

#### 9.1 Profit (loss) from contract changes: breakdown

(Amounts in € thousand)

Items/Income items	Total 06/30/2020		
	Gain	Losses	Net profit (loss)
1. Financial assets valued at amortized cost	22	(1)	21
1.1 Receivables from banks	-	-	-
1.2 Receivables from customers	22	(1)	21
2. Financial assets valued at fair value with an impact on total profitability	-	-	-
<b>Total</b>	<b>22</b>	<b>(1)</b>	<b>21</b>

### Section 10 – Net premiums – Item 160

No data to report.

### Section 11 – Balance of other net operating income and charges from insurance management – Item 170

No data to report.

## Part C - Consolidated Income Statement

## Section 12 – Administrative expenses – Item 190

## 12.1 Staff expenses: breakdown

(Amounts in € thousand)

Type of expenses/Sectors	Total	
	06/30/2020	06/30/2019
1) Employees	(47,984)	(43,307)
a) wages and salaries	(32,380)	(29,955)
b) social security contributions	(8,483)	(7,577)
c) pension costs	(434)	(420)
d) severance pay	-	-
e) allocation to employee severance pay provision	(33)	(63)
f) provision for retirements and similar provisions:	-	-
- defined contribution	-	-
- defined benefit	-	-
g) payments to external pension funds:	(2,181)	(1,786)
- defined contribution	(2,181)	(1,786)
- defined benefit	-	-
h) costs related to share-based payments	(1,881)	(1,621)
i) other employee benefits	(2,593)	(1,979)
j) recovery of expenses for employees seconded	1	94
2) Other staffs	(91)	(134)
3) Directors and statutory auditors	(818)	(656)
4) Early retirement costs	-	-
<b>Total</b>	<b>(48,893)</b>	<b>(44,097)</b>

Item "1 h) Employees: costs related to share-based payments" includes costs incurred by the Group in relation to payment agreements based on financial instruments issued by the Bank, that are recorded against the item 150. "Reserves" of the net equity for an amount of € 1,881 thousand (€ 1,620 thousand as at December 31, 2019).



## Part C - Consolidated Income Statement

## 12.4 Other employee benefits

(Amounts in € thousand)

Type of expense/Amounts	Total 06/30/2020	Total 06/30/2019
Leaving incentives	(18)	(5)
Medical plan	(869)	(536)
Luncheon vouchers	(370)	(483)
Other	(1,336)	(955)
<b>Total</b>	<b>(2,593)</b>	<b>(1,979)</b>

## Part C - Consolidated Income Statement

## 12.5 Other administrative expenses: breakdown

Type of expense/Amounts	Total 06/30/2020	Total 06/30/2019
<b>1) INDIRECT TAXES AND DUTIES</b>	<b>(55,330)</b>	<b>(52,975)</b>
<b>A) Advertising expenses - Marketing and communication</b>	<b>(10,189)</b>	<b>(12,303)</b>
Mass media communications	(9,030)	(8,842)
Marketing and promotions	(893)	(2,655)
Sponsorships	(219)	(37)
Conventions and internal communications	(47)	(769)
<b>B) Expenses related to credit risk</b>	<b>(644)</b>	<b>(840)</b>
Credit recovery expenses	(107)	(307)
Commercial information and company searches	(537)	(533)
<b>C) Expenses related to personnel</b>	<b>(11,044)</b>	<b>(11,887)</b>
Personnel training	(253)	(296)
Car rental and other staff expenses	(11)	(39)
Personal financial advisor expenses	(10,560)	(11,036)
Travel expenses	(192)	(487)
Premises rentals for personnel	(28)	(29)
<b>D) ICT expenses</b>	<b>(20,977)</b>	<b>(18,346)</b>
Lease of ICT equipment and software	(1,473)	(1,255)
Software expenses: lease and maintenance	(5,448)	(4,847)
ICT communication systems	(3,713)	(3,385)
ICT services: external personnel/outsourced services	(3,745)	(3,504)
Financial information providers	(6,598)	(5,355)
<b>E) Consultancies and professional services</b>	<b>(1,907)</b>	<b>(2,154)</b>
Consultancy on ordinary activities	(1,616)	(1,152)
Consultancy for strategy, business development and organisational optimisation	(154)	(503)
Legal expenses	(70)	(260)
Legal disputes	(67)	(239)
<b>F) Real estate expenses</b>	<b>(2,382)</b>	<b>(4,247)</b>
Real estate services	(84)	(250)
Repair and maintenance of furniture, machinery, and equipment	(79)	(135)
Maintenance of premises	(524)	(992)
Premises rentals	(483)	(1,421)
Cleaning of premises	(313)	(289)
Utilities	(899)	(1,160)
<b>G) Other functioning costs</b>	<b>(19,831)</b>	<b>(19,882)</b>
Surveillance and security services	(99)	(202)
Postage and transport of documents	(1,534)	(1,971)
Administrative and logistic services	(7,718)	(8,737)
Insurance	(1,815)	(1,756)
Printing and stationery	(258)	(181)
Association dues and fees	(7,322)	(6,779)
Other administrative expenses	(1,085)	(256)
<b>H) Ex-ante contribution to the Single Resolution Fund and Interbank Deposit Guarantee Fund</b>	<b>(903)</b>	<b>-</b>
<b>Total</b>	<b>(123,207)</b>	<b>(122,634)</b>

Item "C) Expenses related to personnel - Personal financial advisor expenses", includes costs, incurred by the Bank in relation to the plan "PFA 2015-2017" assigned to personal financial advisors, that are recorded against the item 150. "Reserves" of the net equity for an amount of € 595 thousand (€ 1,300 thousand June 30, 2019).

The ordinary annual contribution required for the year 2020 pursuant to Directive 2014/59 / EU (Single Resolution Fund) for an amount equal to € 687 thousand has been booked in the item " Ex-ante contribution to the Single Resolution Fund and Interbank Deposit Guarantee Fund" (point H) of the table above (no contribution had been requested for the 2019 financial year). In addition, in June 2020, the Bank of Italy called the additional contributions to the National Resolution Fund (FNR) pursuant to art. From the banking system 1, paragraph 848, of Law no. 208/2015; the contribution paid by the Bank is € 217 thousand.

## Part C - Consolidated Income Statement

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

## 13.1 Net provisions for credit risk of commitments and financial guarantees given: breakdown

(Amounts in € thousand)

Transactions/income items	Impairment		Write-backs		Total 06/30/2020	Total 06/30/2019
	First and second stage	Third stage	First and second stage	Third stage		
1. Commitments	(53)	(2)	16	-	(39)	(5)
2. Financial guarantees given	(7)	-	-	-	(7)	37
<b>Total</b>	<b>(60)</b>	<b>(2)</b>	<b>16</b>	<b>-</b>	<b>(46)</b>	<b>32</b>

## 13.2 Net provisions for risks and charges relating to other commitments and other guarantees given: breakdown

No data to report.

## 13.3 Net provisions for risks and charges: breakdown

(Amounts in € thousand)

	Total 06/30/2020			Total 06/30/2019		
	Provisions	Reallocations	Total	Provisions	Reallocations	Total
Legal and fiscal disputes	(4,182)	1,555	(2,244)	(3,827)	3,276	(551)
Supplementary customer indemnity provision	(2,929)	-	(5,554)	(2,777)	-	(2,777)
Other provisions for risks and charges	(1,822)	645	(1,225)	(768)	260	(508)
<b>Total</b>	<b>(8,933)</b>	<b>2,200</b>	<b>(6,733)</b>	<b>(7,372)</b>	<b>3,536</b>	<b>(3,836)</b>

## Part C - Consolidated Income Statement

### Section 14 – Net impairment/write-backs on property, plant and equipment – Item 210

#### 14.1 Impairment on property, plant and equipment: breakdown

(Amounts in € thousand)

Assets/Income items	Depreciation	Write-downs	Write-backs	Net profit (loss)	Net profit (loss)
	1/0/1900	1/0/1900	1/0/1900	06/30/2020	06/30/2019
1/0/1900	(a)	(b)	(c)	(a + b - c)	(a + b - c)
A. Property, plant and equipment					0
1 Owned	(9,357)	(17)	-	(9,374)	(7,807)
- Used in the business	(3,673)	(11)	-	(3,684)	(3,316)
- Held for investment	(5,684)	(6)	-	(5,690)	(4,491)
2 Held under finance lease	(54)	-	-	(54)	(54)
- Used in the business	(54)	-	-	(54)	(54)
- Held for investment	-	-	-	-	-
3 Inventories	X	-	-	-	-
<b>Total</b>	<b>(9,411)</b>	<b>(17)</b>	<b>-</b>	<b>(9,428)</b>	<b>(7,861)</b>

Write-downs were recognised in the period for insignificant amounts and mainly in relation to office furniture and fittings for which a zero value in use was determined.

With regard to the description of the methods used to calculate depreciation please see Part A – Accounting Policies of the notes to the consolidated accounts as at December 31, 2019.

### Section 15 – Net impairment/write-backs on intangible assets – Item 220

#### 15.1 Impairment on intangible assets: breakdown

(Amounts in € thousand)

Assets/Income items	Depreciation	Write-downs	Write-backs	Net profit (loss)	Net profit (loss)
	1/0/1900	1/0/1900	1/0/1900	06/30/2020	06/30/2019
1/0/1900	(a)	(b)	(c)	(a + b - c)	(a + b - c)
A. Intangible assets					0
A.1 Owned	(2,840)	-	-	(2,840)	(2,650)
- Generated internally by the company	-	-	-	-	-
- Other	(2,840)	-	-	(2,840)	(2,650)
A.2 Held under finance lease	-	-	-	-	-
<b>Total</b>	<b>(2,840)</b>	<b>-</b>	<b>-</b>	<b>(2,840)</b>	<b>(2,650)</b>

A description of the methods used to calculate depreciation is provided in Part A – Accounting Policies of the notes to the consolidated accounts as at December 31, 2019.

For the disclosures required by IAS 36 paragraph 134, d), e), f) and 135, c), d), e), see Part B paragraph 13.3 Other information.

## Part C - Consolidated Income Statement

### Section 16 – Other net operating income – Item 230

#### 16.1 Other operating expenses: breakdown

(Amounts in € thousand)

Type of expense/Amounts	Total	Total
	06/30/2020	06/30/2019
Refunds and allowances	(136)	(87)
Penalties, fines and unfavourable rulings	(46)	(372)
Improvements and incremental expenses incurred on leasehold properties	(1,034)	(1,109)
Exceptional write-downs of assets	(10)	(118)
Other operating expenses	(359)	(110)
<b>Total</b>	<b>(1,585)</b>	<b>(1,796)</b>

#### 16.2 Other operating income: breakdown

(Amounts in € thousand)

Type of expense/Amounts	Total	Total
	06/30/2020	06/30/2019
Recovery of expenses:	52,263	50,817
- recovery of ancillary expenses - other	50	82
- recovery of taxes	52,213	50,735
Rental income from properties	421	399
Other income from current year	1,522	825
<b>Total</b>	<b>54,206</b>	<b>52,041</b>

The Group has not carried out sub-leasing transactions.

The Group has no financial leases. As far as operating leases are concerned, the Group, as lessor, has outstanding operations represented by leasing contracts for a part of the property owned by FinecoBank, located in Milan Piazza Durante, 11, the proceeds of which are recognized in the item "Rental income from properties".

### Section 17 – Profit (loss) of associates – Item 250

No data to report.

### Section 18 – Gains (losses) on tangible and intangible assets measured at fair value – Item 260

No data to report.

### Section 19 – Impairment of goodwill – Item 270

No data to report.

## Part C - Consolidated Income Statement

### Section 20 – Gains (losses) on disposal of investments – Item 280

#### 20.1 Gains and losses on disposal of investments

(Amounts in € thousand)

Items income/Amounts	Total 06/30/2020	Total 06/30/2019
A. Properties	-	-
- Gains on disposal	-	-
- Losses on disposal	-	-
B. Other assets	(6)	-
- Gains on disposal	1	-
- Losses on disposal	(7)	-
<b>Net profit (loss)</b>	<b>(6)</b>	<b>-</b>

The Group has not carried out sales and leasing transactions for tangible assets.

### Section 21 – Tax expense (income) related to profit or loss from continuing operations – Item 300

#### 21.1 Tax expense (income) related to profit or loss from continuing operations: breakdown

Items income/Amounts	Total 06/30/2020	Total 06/30/2019
1. Current tax (-)	(58,431)	(57,771)
4. Changes in deferred tax assets (+/-)	(19,991)	(2,499)
5. Changes in deferred tax liabilities (+/-)	114	1,309
6. Tax expense for the year (-) (-1+/-2+3+ 3 bis +/-4+/-5)	(78,308)	(58,961)

### Section 22 – Profit (Loss) after tax from discontinued operations – Item 320

No data to report.

### Section 23 – Minority interests – Item 340

No data to report.

### Section 24 – Other information

No data to report.

## Part C - Consolidated Income Statement

### Section 25 - Earnings per share

#### 25.1 Average number of diluted ordinary shares

Basic earnings per share are calculated by dividing the net profit by the average number of ordinary shares outstanding during the year.

	06/30/2020	06/30/2019
Net profit for the period (€ thousands)	180,174	134,114
Average number of outstanding shares	644,924,055	607,364,136
Average number of outstanding shares (including potential ordinary shares with dilution effect)	646,034,283	608,821,074
Basic earnings per share	0.28	0.22
Diluted Earnings Per Share	0.28	0.22

#### 25.2 Other information

No data to report





## Part E - Information on Risks and relating hedging policies

### Introduction

In order to ensure efficient and effective risk management, the risk management process is structured consistently with supervisory provisions for Banks pertaining to the internal control framework.

Risks oversight and control is performed by the Group's Risk Management function. The organisational model acknowledge as reference function the Chief Risk Officer (hereinafter, "CRO") of the Parent Company, who is responsible for credit risk, market risk, operational risk and reputational risk.

The Parent Company is responsible for first and second-level monitoring, especially for verifying that individual risk taking is consistent with the guidelines set by the Board of Directors, capital, and prudential supervisory rules.

#### Organisational framework

The Group's internal control system provides for the involvement of the following control bodies and functions, each for their respective area of competence:

- the Board of Directors;
- the Chief Executive Officer and General Manager;
- the Board of Statutory Auditors;
- the Risk and Related Parties Committee;
- the Remuneration Committee;
- the Appointments committee;
- the Corporate Governance and Environmental and Social Sustainability Committee;
- the Supervisory Body set up pursuant to Legislative Decree 231/01;
- the corporate control functions (Risk Management, Compliance, Internal Audit) as well as other company functions with specific internal control tasks.

Corporate bodies and control functions collaborate and coordinate with each other through both specific information flows formalized in internal regulations, and the establishment of managerial committees dedicated to control issues.

The Board of Directors of the Parent Company is tasked with setting strategies and guidelines for the organisational framework, overseeing and monitoring their timely execution within the assigned risk profiles. The Board of Directors is also responsible for establishing and approving risk acknowledgment and evaluation techniques as well as risk management strategic direction and policies. Eventually, the Board of Directors verifies that the internal control framework is consistent with the established risk appetite and approves risk management policies.

The Chief Executive Officer and General Manager has been assigned specific powers by the Board of Directors in all the Group's business areas. These powers shall be exercised in accordance with applicable regulations and within the internal limits established by the strategies, the guidelines, the thresholds, the risk taking procedures and the operational instructions disciplined by the applicable information notices. The Chief Executive Officer and General Manager puts in place all necessary measures to ensure the establishment and maintenance of an efficient and effective internal control system.

As far as risk management is concerned, the Board of Statutory Auditors is responsible for overseeing the completeness, adequacy, functionality and reliability of the Internal Control System and the Risk Appetite Framework.

The Risks and Related Parties Committee is composed of five non-executive and independent Directors, and has the task of supporting, with adequate preliminary investigations, the assessments and decisions of the Board of Directors concerning risks and the Internal Control and Risk System, as well as those relating to the approval of periodic financial reports.

The Remuneration Committee is composed of three non-executive and independent Directors and has the task of supporting, with adequate preliminary activities, the assessments and decisions of the Board of Directors in the following main activities: in defining the general remuneration policy for the Chief Executive Officer, the General Manager, the other Executives with strategic responsibilities as well as other identified Staff. The Remuneration Committee is also involved in examining stock or monetary incentive plans for employees and the personal financial advisors hired by the Group, and in the strategic development policies of human resources.

The Appointments Committee is composed by three non-executive and independent Directors and has the task of supporting the Board of Directors in the process of appointing and co-opting of Directors, the Chief Executive Officer, the General Manager and other members of the top management having strategic responsibilities.

The Corporate Governance and Environmental and Social Sustainability Committee is composed of three non-executive and independent Directors and has the task of supporting the Board of Directors in the following main activities: in defining FinecoBank Corporate Governance Framework, the corporate structure and the Group's corporate governance models and guidelines. Eventually, the committee is involved in every sustainability issue relevant to the FinecoBank business model and interaction dynamics with stakeholders.

## Part E - Information on Risks and relating hedging policies

The Compliance function is in charge for the management of the risk of non-compliance, i.e. the risk of incurring judicial or administrative sanctions, significant financial losses or reputation damages resulting in violations of mandatory rules or self-regulation.

The validation function, placed within the Chief Risk Officer department, is in charge of validating the Group's internal models.

The CRO Department, is responsible for credit operations and risk management. Disclosure is provided at various levels to the different corporate Bodies (Chief Executive Officer and General Manager, Board of Directors, Risk and Related Parties Committee). According to Pillar 2 framework, reputational, business and liquidity (the latter in collaboration with the CFO) shall also be monitored and reported.

The CRO and the CFO are responsible for proposing the Group Risk Appetite Framework and setting risk management strategies and policies, in line with the Bank's strategies and objectives, coordinating and monitoring their implementation by competent units also pertaining to different company areas.

The CRO Department ensures the control of the Group's overall risk profile by monitoring the exposures towards the different type of risk, consistently with the methodologies approved by the Board of Directors.

The Risk Management function prevents and monitors the risks the Group is exposed to in their different components, in particular, credit, market and operational risks. Nevertheless, also business, reputational and liquidity risk are closely monitored. The Risk Management function also supports the CRO, within its area of responsibility, in monitoring and reporting activities to the Board of Directors.

In particular, the Group Risk Management:

- is involved in the definition of the RAF, risk governance policies and the various phases that make up the risk management process, as well as in setting operating limits for the assumption of various risk types. In this context, it has, inter alia, the task of proposing quantitative and qualitative parameters necessary for the definition of the RAF, which also refer to stress scenarios and, in the event of changes to the bank's internal and external operational environment, the adjustment of parameters thereof;
- verifies the adequacy of the RAF;
- continuously checks the adequacy of risk management processes and operating limits;
- develops and maintains risk control models;
- ensures the effective implementation of the IT risk assessment methodology, supporting and coordinating the individual functions involved during the ICT risk assessment process, each for their competence area;
- defines common operational risk assessment metrics consistent with the RAF, coordinating with the compliance function, the ICT function and the business continuity function;
- defines methods of assessment and control of reputational risks, coordinating with the compliance function and any other function which may be involved;
- assists corporate bodies in assessing strategic risk by monitoring significant variables;
- develops and applies indicators highlighting irregularities and shortfalls in the risk measurement and control framework;
- evaluate the risks arising from new products and services. In particular, the identification of risks relating to new products and services is guaranteed by the permanent participation of the CRO and the Head of Risk Management in the products committee;
- verifies the performance on relevant individual credit exposures;
- continuously monitors the actual risk assumed by the Group and its consistency with risk objectives as well as compliance with the limits assigned to operating units in relation to the assumption of the various types of risk.

The function carries out monitoring and reporting activities to the corporate bodies (Chief Executive Officer and General Manager, Board of Directors and Board of Statutory Auditors) and to the Risk and Related Parties Committee. Disclosure is provided to the corporate bodies through the Quarterly Report on the Group's risk exposures; detailed reports are also specifically prepared for the Risk and Related Parties Committee, which may also include managerial information related to the performance of "key risk indicators" and resulting corrective measures.

Lastly, the participation by the Chief Risk Officer and the Head of the Risk Management function in the Products Committee ensures the oversight of the operational risk associated with new business activities, as well as creating and spreading a risk culture in among the Group's functional areas.

### Risk Appetite

The Group gives great importance to risk management and control, as conditions for guaranteeing a reliable and sustainable growth in a controlled risk environment. The risk management strategy aims at a complete and coherent vision of risks, considering both the macroeconomic scenario and the Group's risk profile, stimulating the spreading of the risk culture and strengthening a transparent and accurate representation of risks embedded in the Group's portfolios. The risk-taking strategies are summarized in the Group's Risk Appetite Framework (RAF), and subsequently approved by the Board of Directors. The RAF is defined to ensure that risk-taking activities remain in line with shareholder's expectations, taking into account the Group's risk position and the global economic situation.

The main objectives of the risk appetite are:

- explicitly assess the risks, and their interconnections at local and Group level, that the Group is willing to assume (or avoid) in a long-term perspective;

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- specifying the types of risk that the Group is willing to assume, setting targets, triggers and limits under both normal operating and stressed operating conditions;
- ensure a risk-return profile "ex-ante" consistent with sustainable long-term growth, as defined by the return forecasts of the strategic plan/budget;
- ensure that the business develops within the risk tolerance limits established by the Board of Directors, in accordance with the applicable national and international regulations;
- support discussions on future strategic choices concerning the risk profile;
- guide the vision of internal and external stakeholders towards a risk profile consistent with the strategic plan;
- provide qualitative descriptions for risks that are difficult to quantify (e.g. strategic, reputational, compliance) to strategically guide the review of processes and the internal control system.

The Risk Appetite is defined consistently with the Group's business model; for this reason, the Risk Appetite is incorporated in the budget and multi year plan process.

The Risk Appetite includes a Statement and a set of KPIs. The Statement sets out the Group's strategic positioning and the associated risk profile, while KPIs are designed to quantitatively measure the Group's performance in the following categories:

- Pillar 1 KPI: regulatory requirements, to include the KPIs required by the Supervisory Authority (e.g., capital and liquidity requirements such as LCR and NSFR);
- Managerial KPI: to ensure alignment with the budget in terms of return on capital and credit quality;
- Specific Risk KPI: to ensure control of all major risks (such as Pillar 2 capital adequacy, market risk, interest rate risk and operating risk).

For each of the above mentioned categories, one or more KPIs are identified at a consolidated level. KPI are meant to quantitatively measure the Group's performances under several respects: absolute values, ratio between comparable measures, and sensitivity analysis on defined parameters.

Targets represent the amount of risk (overall and by type) that the Group is willing to take in pursuit of its strategic objectives. Triggers define the maximum deviation from the allowed risk appetite; tolerance thresholds are set in order to ensure sufficient margins for the bank to operate, even under stress conditions, within the allowed maximum risk taking.

Limits stand for the maximum level of risk that the Group is technically able to assume without violating regulatory requirements or other constraints imposed by shareholders or supervisory authorities.

Thresholds setting is evaluated on a case-by-case basis, also through managerial decisions taken by the Board of Directors, in compliance regulatory and supervisory requirements.

Metrics are the subject to a regular monitoring and reporting, at least quarterly. Monitoring activities are carried out by the CRO Department and the CFO Department according to their competence area.

The definition of the Risk Appetite Framework is a structured process led by the Chief Risk Officer and the Chief Financial Officer, which develops in accordance with the ICAAP, ILAAP and Recovery Plan processes and represents the risk framework within which the Budget and the strategic plan are developed. Integration between the processes thereof ensure consistency between the risk-taking strategy and policy and the Planning and Budgeting process.

As far as the RAF annual update process is concerned, the main phases are reported below:

- identification of risks; this phase is shared and preparatory to the capital and liquidity adequacy assessment processes (ICAAP/ILAAP). The activity imply the identification by the Parent Company's Risk Management of all the risks - both quantitative and qualitative - to which the Group is or could be exposed, having regard to its operations and reference markets;
- definition and approval of the Risk Appetite by the Group Board of Directors;
- quarterly monitoring and reporting of Risk Appetite indicators.

### Impacts of the crisis unfolded by COVID-19 pandemic on RAF indicators

The monitoring of Risk Appetite Framework indicators has not recorded any breach directly related to the coronavirus health emergency in the threshold limits established by the Board of Directors.

### ICAAP - Internal Capital Adequacy Assessment Process

The assessment of the Group's overall risk profile is carried out annually within the ICAAP process, which represents the capital adequacy self-assessment process, whose outcomes are subject to discussion and analysis by the Supervisory Authority.

The ICAAP process includes two complementary perspectives: the regulatory perspective, in which regulatory risk metrics on pillar 1 risks shall be represented, and the economic perspective, which involve managerial measures and metrics covering all risks, including those within pillar 2 scope.

## Part E - Information on Risks and relating hedging policies

### Impacts of the crisis unfolded by COVID-19 pandemic on the ICAAP process

Following the crisis unfolded by COVID-19 pandemic, some European Regulators highlighted the need for SREP 2020 to be focused on relevant risk and weaknesses determined by the crisis, and the entity's ability to face them (including business continuity). To that end, the Bank of Italy has extended the deadline for ICAAP and ILAAP reports to June 30 2020, requiring directly supervised entities to update the report as to consider COVID-19 crisis, revising measurement and evaluations. As an additional requirement, entities have been asked to assess their capital and liquidity adequacy through scenario analysis based on stress assumptions consistent with the current emergency crisis, incorporating several levels of shock severity (baseline and adverse) and recovery speed of the economy.

As required by the Bank of Italy, FinecoBank has integrated its disclosure in order to include COVID 19 scenarios in the ICAAP report, which nevertheless did not show any criticalities or relevant impacts for the Group. Proprietary ICAAP scenarios are indeed characterized by a similar or higher level of severity.

### Risk culture

As indicated in the Risk Appetite Framework, the Group confirms its strategic approach towards the adoption of a robust business model characterized by a low risk appetite, aimed at creating the foundations for sustainable profit and returns on the cost of capital, guaranteeing continuity in generating revenues. The Group's ambition is to achieve such result with the support of an optimal Internal Control System, and effective and efficient procedures aimed at managing every risk.

In order to embody these principles and values, and apply the risk culture in day-to-day activities, numerous initiatives have been adopted, and in particular:

- institution of Managerial Committees aimed at ensuring an adequate risk awareness at all levels of the organisation, with the involvement of both business and control structures (so-called "tone from the top");
- adoption of incentive mechanisms that consider a risk weighting linked to the annual performance of a subset of RAF indicators (so called "CRO Dashboard");
- maintenance of a steady relation with the Chief Risk Officers of Group Companies, aimed at sharing information on risk profiles and on development plans, to improve their evolution and risk management;
- realization of regular induction activities with the Board of Directors and deeper risk investigation with the Risks and Related Parties Committee;
- employees are given the chance to attend the Risk Academy, in association with competence centers for learning and training, in order to develop and standardize risk understanding and knowledge.

## Part E - Information on Risks and relating hedging policies

### Section 1 – Consolidated financial statements risks

This section provides information referring to FinecoBank and Fineco AM, companies included in the consolidated financial statements.

As far as Fineco AM is concerned, risk management and control are ensured by the Risk Management function of the company, entrusted to the Chief Risk Officer, hierarchically dependent on the CEO and functionally dependent on the CRO of FinecoBank S.p.A.. FinecoBank's internal control system is structured according to the regulatory provisions provided by the current legislation. Control, monitoring and reporting methodologies already in place in FinecoBank have been extended to Fineco AM adjusting, where necessary, the methods of analysis and controls adapting them to the size, nature and complexity of the business.

Specifically, there are two main risk management activities carried out: the traditional activity of controlling the adherence of the risk/return profile of each fund (Fund Risk Management) and the activity of overseeing operational risks (Operational Risk Management); however provided for in Irish legislation.

### Quantitative information

#### A. Credit quality

#### A.1 Impaired and unimpaired exposure: amounts, impairment, changes, distribution by business activity

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

(Amounts in € thousand)

Portfolio/quality	Bad exposures	Unlikely to pay	Past due impaired exposures	Past due unimpaired exposures	Other unimpaired exposures	Total
1. Financial assets at amortised cost	1,841	1,221	1,623	23,159	27,685,677	27,713,521
2. Financial assets at fair value through other comprehensive income	-	-	-	-	149,903	149,903
3. Financial assets designated at fair value	-	-	-	-	-	-
4. Other financial assets mandatorily at fair value	-	-	-	-	43	43
5. Financial instruments classified as held for sale	-	-	-	-	-	-
<b>Total 06/30/2020</b>	<b>1,841</b>	<b>1,221</b>	<b>1,623</b>	<b>23,159</b>	<b>27,835,623</b>	<b>27,863,467</b>
<b>Total 12/31/2019</b>	<b>1,685</b>	<b>1,391</b>	<b>492</b>	<b>19,018</b>	<b>26,515,969</b>	<b>26,538,555</b>

As at June 30, 2020 there were no impaired purchased loans.

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

(Amounts in € thousand)

Portfolio/quality	Impaired				Unimpaired			Total (net exposure)
	Gross exposure	Total impairment provision	Net exposure	Total partial write-off	Gross exposure	Total impairment provision	Net exposure	
1. Financial assets at amortized cost	27,250	(22,565)	4,685	-	27,729,456	(20,620)	27,708,836	27,713,521
2. Financial assets at fair value through other comprehensive income	-	-	-	-	149,912	(9)	149,903	149,903
3. Financial assets designated at fair value	-	-	-	-	X	X	-	-
4. Other financial assets mandatorily at fair value	-	-	-	-	X	X	43	43
5. Financial instruments classified as held for sale	-	-	-	-	-	-	-	-
<b>Total 06/30/2020</b>	<b>27,250</b>	<b>(22,565)</b>	<b>4,685</b>	<b>-</b>	<b>27,879,368</b>	<b>(20,629)</b>	<b>27,858,782</b>	<b>27,863,467</b>
<b>Total 12/31/2019</b>	<b>25,336</b>	<b>(21,768)</b>	<b>3,568</b>	<b>-</b>	<b>26,550,755</b>	<b>(15,800)</b>	<b>26,534,987</b>	<b>26,538,555</b>

Portfolio/quality	Assets with of clearly poor credit quality		Other assets
	Accumulated unrealised losses	Net exposure	Net exposure
1. Financial assets held for trading	-	17	8,523
2. Hedging derivatives	-	-	21,930
<b>Total 06/30/2020</b>	<b>-</b>	<b>17</b>	<b>30,453</b>
<b>Total 12/31/2019</b>	<b>-</b>	<b>-</b>	<b>40,698</b>

**B. Disclosure on structured entities (other than securitisation companies)****B.1 Consolidated structured entities**

No data to report.

**B.2 Non-consolidated structured entities****B.2.1 Consolidated structured entities for supervisory purposes**

No data to report

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### B.2.2 Other structured entities

#### Qualitative information

The Group has exposures towards unconsolidated structured entities as a result of investments in units issued by investment funds (UCITS) that qualify as structured entities according to IFRS 12.

#### Quantitative information

The table below shows the assets, liabilities and off-balance sheet exposure to structured entities represented by unconsolidated UCITS units.

(Amounts in € thousand)

Balance sheet items/type of structured entity	Accounting portfolios of assets	Total assets (a)	Accounting portfolios of liabilities	Total liabilities (b)	Net carrying amount (c=a-b)	Maximum exposure to loss (d)	Difference between exposure to the risk of loss and the carrying amount (e=d-c)
1.U.C.I.T.S.	MFV	336	-	-	336	336	-
	AC	20,810	CA	8,818	11,991	11,991	-
<b>TOTAL</b>		<b>21,146</b>		<b>8,818</b>	<b>12,327</b>	<b>12,327</b>	<b>-</b>

#### Key

MFV = Financial assets mandatorily at fair value

AC = Financial assets at amortised cost

HFT = Held for trading

## Section 2 – Risk of the prudential consolidated perimeter

### 1.1 Credit risk

#### Qualitative information

##### 1. General Matters

The Group's objective is to provide an adequate range of products able to satisfy and secure customer loyalty, through a competitive and complete offer. The products offered and under development are consistent with the objective of preserving the portfolio quality and with profitability monitoring processes as well.

Factors generating credit risk are acknowledged according to a specific acceptance and creditworthiness policies, which are always adequately correlated to the risk/return ratio and in line with the Risk Appetite defined by the Board of Directors.

The quality of the loan portfolio, which is constantly monitored and supported by risk mitigation instruments, is overseen by scoring models that contribute to the evaluation during the approval process, ensuring that the latter be neat and duly checked. In addition to the risk level assessment, monitoring of the portfolio and its segmentation by product and seniority allow a better understanding of the best loan originating strategies. The identification of any high-risk areas allow intervention on the automated measurement systems as well as on origination policies, with the chance to take measures to limit credit risk in advance.

The credit product offer has evolved over the years, especially through the offer of mortgages loans and the granting of current account credit facilities guaranteed by a pledge on securities and investment funds with the rotational clause (Credit Lombard). Credit Lombard is the solution offered by FinecoBank to clients holding considerable investments who wish to obtain additional liquidity.

The mortgage offering mainly involves mortgage loans originated for the purchase of first and second homes (including subrogation), as well as those demanded for liquidity purposes. Non-residential mortgages are originated only to a limited extent.

The Group, moreover, has continued to improve already existing products by issuing regular credit cards to current account holders and granting personal loans. The latter can also be assessed using the "Instant approval" mode, a service allowing credit applications to be assessed in a few moments and providing the loan in real time to eligible customers.

Choices concerning the investment of the Bank's liquidity are governed by a prudential approach aimed at containing credit risk. Such approach mainly involve the subscription of Eurozone government bonds to diversify the exposure in bond instruments issued by UniCredit S.p.A., which will be held until their maturity. In order to optimize its portfolio by diversifying counterparty risk, during the first half of the year the Group has also increased its exposure to Italian government bonds (for more details, see the Information on Sovereign Exposures).

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### **Economic measures supporting households adopted in response to the COVID-19 health emergency**

In order to restrain the long-term effects of the crisis unfolded by COVID-19 health emergency, the Italian Government has implemented several supporting liquidity measures for enterprises and households. As far as the latter are concerned, the law decree n. 18 of March 17<sup>28</sup>, 2020 provided for the extension of the access to the solidarity fund for the purchase of the first home (c.d. Fondo Gasparrini) to employees suffering a brake off or a reduction of working hours for at least thirty days. The access to the fund thereof was also granted to self-employed professionals certifying a turnover decrease higher than 33% in comparison with the last quarter 2019, resulting from restrictions adopted for the COVID-19 emergency. The fund provides for the temporary interruption of payments (principal and/or interest), at the end of which the amortization schedule resumes normally.

In addition to the measures provided by the law decree n. 18 of March 17 2020, the FinecoBank Group also complied with some initiatives raised by ABI (Associazione Bancaria Italiana).

Supporting measures offered by the FinecoBank Group to its customers are the following:

- chance for clients meeting the requirements established by the solidarity fund for the purchase of the first home, to ask for a temporary interruption of payments for both principal and/or interests for one year;
- chance for clients not meeting the requirements established by the solidarity fund for the purchase of the first home, nevertheless within the scope of ABI moratoria, to ask for a temporary interruption of payments for the principal only, for one year, in relation to mortgages, extending such option also to finalities different from the purchase of the first home;
- chance for clients meeting the established minimum requirements to ask for a temporary interruption of payments for the principal only, for one year, in relation to personal loans;
- chance for workers in temporary layoffs to ask for a wage anticipation through an overdraft credit facility.

ABI supporting measures are available only to credit facilities originated before January 31, 2020, and not being past due at that date.

## **2. Credit Risk Management Policy**

### **2.1 Organisational aspects**

The direction and control activities of credit risk and counterparty risk are a Chief Risk Officer responsibility. Within the CRO Department, the Credit Risk Team is responsible for:

- monitoring credit facilities granted to customers, in order to keep in check the risk level to which the Group is exposed and promptly detect any irregularity;
- assess the risk level of individual products;
- develop and feed the models for calculating the decay rates of retail customers for individual products;
- investigate the level of predictability of the automated credit assessment systems and propose any corrective actions to the CRO;
- defining a reporting model for the Group by specifying the rules for recording stocks and flows;
- verifying the correct course of credit origination and management, also through second level controls
- supporting the CFO in the impairment procedure ensuring the correct classification of customers and assigning risk parameters at counterparty (institutional customers) or portfolio (retail customers) level;
- preparing the database used for the calculation of the Group's credit risk economic capital, ensuring minimum data quality standards;
- systematically verify compliance with operating limits relating to marginalization and formulate scenario analyses (stress tests) for assessing the sustainability of operations from an economic and capital point of view;
- supporting the CFO Department in budgeting and forecasting activities related to credit provisioning.

The Credit Unit within the CRO Department is responsible for ensuring the correct execution of the process of managing customer credit applications and credit granting, as well as ensuring the correct management of irregular or doubtful loans.

The credit process can be broken down into the following stages:

- assessment of creditworthiness;
- granting/origination of credit;
- credit monitoring;
- management of impaired loans;
- risk measurement and control.

The creditworthiness assessment aimed at investigating the repayment ability of the borrower is performed centrally by specific operating Units specialized in the different credit facilities granted to customers (personal loans, credit cards, credit lines, and mortgages). Such units are in charge of

<sup>28</sup> Converted into law with the law of 24 April 2020 n. 27.



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taking in credits applications, assessing the reliability of documentation, evaluating client's assets and income, and gathering information, also by consulting public records, private database and system data such as information available from the Bank of Italy's central credit registers.

In addition to creditworthiness assessment, credit approval also requires a consistency assessment of the credit application with the overall customer's situation, taking in to consideration also the requested credit size and the assessment and proper preservation of any collateral, which is carried out according to specific processes. Where necessary, a different amount or collateral is agreed with the Customer. Lastly, the competent decision-maker approves or rejects the application according to its delegated powers, or the credit application is escalated to a decision maker with higher delegated powers.

As far as originated overdraft credit facilities are concerned, credit monitoring is aimed at verifying the persistency of the economic conditions of the customer and the guarantor, on the base of which the credit had been approved. This check may entail collecting updated system data and information, as well as information from private databases. Checks are carried out according to specific processes at established intervals, and may change according to the amount granted.

As far as credit facilities involving an amortization schedule are concerned, and in particular for mortgages, changes in the client's prudential classification are managed according to a specific detection of any overdue payment. This method is also supplemented by the update of information on the debtor customer, already used during the credit granting process.

In line with the general principles laid down by Regulators, loans and receivables shall be classified according to their level of impairment, which may be assessed on the basis of qualitative or quantitative criteria.

The management of impaired loans entails taking all action necessary to restore them to normality or, where the relationship cannot be continued, to recover as much as possible. All the activity is disciplined by specific processes based on the type of credit facility, the amount granted, the overdue persistency of the loan and any collateralization through financial assets. Credit collection is performed both through payment reminders directly carried out by the Group and authorized credit collector companies.

Eventually, the management activity also entails forecasting losses on an individual basis, which is continuously updated according to the outcomes of recovery actions or any further information collected thereof.

Measurement and control of credit risk takes place at the assessment stage with the support of scoring tools analysing the customers' socio-demographic profiles, making an assessment of individual counterparties on a statistical basis. Such statistical assessment is supplemented, on one hand, with the support of credit bureaus for better knowledge of public and private data and on the other hand, with information coming from the Bank of Italy's Central Credit Register.

Controls are also performed through a systematic performance assessment of the loan portfolios, on the one hand, in order to estimate expected losses, on the other hand, to optimize credit-granting policies where necessary.

### 2.1.1 Credit Risk generating factors

In carrying out its credit business the Group is exposed to the risk that loans may not be repaid at maturity, due to the deterioration of the debtor's financial condition, thus resulting in a partial or full write-down. This risk is always inherent in traditional lending operations regardless of the type of credit facility. The main reasons for default lie in the borrower's lack of autonomous ability to ensure the repayment of the debt.

The main causes of default are attributable to the loss of the borrower's autonomous capacity to ensure the repayment of the debt, as well as the onset of macro-economic and political circumstances affecting the financial conditions of the debtor.

In addition to the risk associated with granting and originating credit, the Group is also exposed to counterparty risk. Counterparty risk is defined as the risk that a counterparty to a transaction eventually fails to settle the transaction itself.

Other banking activities, in addition to traditional loans and deposits, may expose the Group to additional credit risks. Counterparty risk may, for example, arise from:

- entering into derivative contracts;
- purchasing and selling securities, futures, or currencies;
- holding third-party securities.

Counterparties to these transactions or the issuers of securities held by the Group companies may fail to meet their obligations due to insolvency, political and economic events, lack of liquidity, operational weakness or other reasons. Failure to comply with a large number of transactions or one or more transactions of a significant amount would have a materially negative impact on the Group's activity, financial condition and operating results.

In addition, "Non-Traditional Credit Risk" is generated by leverage/short transactions conducted through securities lending. Such transactions, despite automatic stop losses being set within the margins, may generate credit risk if the security lacks liquidity (for example, in the case of market turmoil)

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and/or the margin is insufficient. In order to prevent such events, scenario analyses are conducted periodically to assess the impacts and implement appropriate mitigation policies.

The Group therefore controls and manages the specific risk of each counterparty as well as the overall risk arising from the loan portfolio through processes, structures and rules aimed at directing, controlling and standardizing the assessment and management of this risk, in line with the Group's best practice and principles.

### **2.2 Management, measurement and control system**

Credit risk associated with potential losses arising from customer/issuer default or from a decrease in the market value of a financial security due to the deterioration of its credit rating, is measured at the level of each counterparty/transaction and for the entire portfolio.

Credit risk measurement at origination is supported by automated assessment systems (so-called credit scoring systems). These systems also incorporate all available information and facts: public data and private data from Credit Bureaus, flows from the Central Credit register or requests for initial information to the Bank of Italy and other information on customer performance recorded by the Group. During the loan application process, attention shall be focused on taking advantage of every customer related information provided by the Bank and the System.

The collection of any guarantees, their assessment and the margins between the fair value of the guarantee and the granted amount shall be regarded as a supporting tool aimed at mitigating credit risk. There is no relevant positive correlation indeed between the value of the financial collateral and the applicant's creditworthiness. The eligibility, evaluation, monitoring and management rules for any acceptable guarantees within the Fineco Group are disciplined in a specific Collateral Management Policy.

The purpose of second level monitoring process, carried out by the Risk Management function, is to analyse credit quality and risk exposure dynamics, calculating synthetic risk indicators and representing their evolution over time in order to prepare action plans necessary to mitigate or avoid risk factors. In particular, the Risk Management function prepares:

- the Quarterly Report on risk exposure, for the Board of Directors. This report shows compliance with the defined RAF limits and parameters as well as credit trends in the loans portfolio, detailed by product type and prudential classification;
- internal reports for Management providing a global risk assessment on the whole portfolio, aimed at identifying business sustainability and remuneration margins;
- specific product reports aimed at monitoring the trend of loans and receivables by product type, making it possible to identify any irregularity within the portfolio (deterioration rates) in the various dimensions analysed (customer segment, geographic area, etc.).

Counterparty risk assessment is conducted within the risk limits (plafond) assigned to the counterparty's Economic Group, i.e. considering the Group's exposure towards all the parties legally and economically linked to the counterparty. At the end of the assessment, these limits are monitored by both first and second level functions.

The Board of Directors annually approves the Risk Appetite and the "Investment Plan"; the first one defines the propensity and limits for the Group's strategic investments, the second one provides an indication of the composition of the Group's strategic investments. According to the guidelines of the Board of Directors, the Group defines specific risk limits (plafond) towards each FIBS counterparty ("Financial Institutions, Banks and Sovereigns") with which the Group will have a credit exposure, always in compliance with the large exposure regulatory limits, where applicable.

The Group's Policy "Credit Business with Financial Institutions, Banks, Sovereigns and Corporate counterparties", establishes the principles and rules to efficiently and comprehensively evaluate, control and limit bonds issuer risk in the banking book. According to the policy, the Risk Management function monitors a series of indicators to analyse issuer risk exposure in the Group's portfolio. Through the analysis of such indicators, it is possible to detect the onset of irregularities and assess the need to take corrective actions, aimed at dealing with a deterioration in the portfolio. Credit risk monitoring in the trading book, is carried out through a breakdown by rating class and issuer sector determining the implicit riskiness in contracts.

Starting from January 1<sup>st</sup> 2018, following the adoption of IFRS 9 accounting standard, a new accounting impairment model for credit exposures has been adopted. Such model is based on (i) an "expected losses" approach instead of the "incurred losses" approach provided by the previous one and (ii) on the concept of the expected lifetime loss. For more details, see section 2.3. Expected losses measurement methods.

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### 2.3 Expected losses measurement methods

In accordance with IFRS 9 accounting principle, financial assets at amortized cost, financial assets at fair value through other comprehensive income and relevant off-balance sheet exposures are subject to impairment.

These instruments shall be classified in stage 1, stage 2 or stage 3 depending on their absolute or relative credit rating, compared to the initial recognition. In particular:

- Stage 1: this includes newly originated or acquired credit exposures as well as exposures not having suffered a significant deterioration in credit risk compared to the date of first recognition;
- Stage 2: this includes performing credit exposures having nevertheless suffered a significant deterioration in credit risk compared to the date of first recognition;
- Stage 3: this includes impaired credit exposures.

For Stage 1 exposures, the impairment is equal to the expected loss calculated on a time frame of up to one year.

For Stage 2 and 3 exposures, the impairment is equal to the expected loss calculated on a timeframe equivalent to the residual duration of the related exposure.

In order to meet the required standard, the Group has developed specific expected loss models. Such models draw on the PD, LGD and EAD estimated in conservatively manner, to which specific adjustments have been made in order to ensure full cohesion with the accounting standard. In this regard, forward-looking information has also been included with the elaboration of specific scenarios.

The expected loss is calculated for institutional counterparties, leveraging on the credit parameters provided by UniCredit S.p.A., in accordance with a specific Master Service Agreement contract entered into between FinecoBank and UniCredit S.p.A..

In order to calculate expected losses for retail counterparties, not having internal rating systems available, the risk management function make use of a proxy. This one consist of splitting up clients by product type and record any transition to non-performing through a transition matrix, then calculate an average decay rate that will work as PD. The approach described is based on the assumption that, when there are no changes in individual counterparties creditworthiness criteria, the past registered credit quality will be consistent with the future credit quality. However, in order comply with IFRS 9 requirements, parameters resulting from this proxy shall be corrected using forward looking information.

A key aspect of the new accounting model required to calculate expected credit losses is the Stage Allocation model, whose purpose is to transfer exposures between Stage 1 and Stage 2 (as Stage 3 is equivalent to that of impaired exposures), where Stage 1 mainly includes (i) newly originated exposures, (ii) exposures not having suffered a significant increase in credit risk compared to the initial recognition, and (iii) exposures associated with a low credit risk level (low credit risk exemption) at the reporting date.

The Stage Allocation assessment model is based on a combination of relative and absolute elements: The main elements are:

- the comparison at transaction level between the PD value at the time of origination and the value at the reporting date, both quantified according to internal models through the adoption of thresholds which consider all the key variables of each transaction that may influence the Group's expectations about ongoing changes in PD (e.g. age, maturity, level of PD at the time of origination);
- absolute elements such as the backstops provided for by the regulation (e.g. 30 day Expired);
- other internal findings (forborne classification).

As far as bond securities are concerned, the Group has opted to apply the low credit risk exemption on investment grade securities, in full accordance with the provisions of the accounting standard.

The criteria for determining write-downs for loans and receivables are based on the discounting of expected cash flows of principal and interest, which, according to the portfolio management model, may also refer to market operations. In order to determine the present value of cash flows, the basic requirement is the identification of estimated proceeds, the timing of payments and the discounting rate used.

The loss amount on impaired exposures classified as bad loans, unlikely to pay and past due, according to the categories specified below, is calculated as the difference between the value at first recognition and the present value of estimated cash flows discounted at the original interest rate of the financial asset.

For all fixed-rate positions, the interest rate determined in this manner is also held constant in future accounting years, while for floating rate positions the interest rate is updated according to contractual terms.

If the original interest rate is not directly available, or where its detection is judged as excessively expensive, the interest rate best approximating the original one is applied, including through practical expedients not affecting the substance and ensure consistency with international accounting standards.

Recovery timings are estimated according to business plans or forecasts based on the experience of historical recovery timings observed for similar classes of loans, taking into account the customer segment, type of loan, type of guarantee and any other factors deemed relevant or, if the conditions exist, of expected market transactions.

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### Parameters and risk level definitions used in the calculation of provisions

As mentioned above, ECL models leverage on PD, LGD and EAD parameters, as well as the effective interest rate. Models are used for the calculation of provisions for all institutional counterparties, most of which are Financial Institutions, Banks and Sovereigns (FIBS counterparties).

Specifically:

- PD (Probability of Default) expresses the percentage probability that the credit exposure will incur in a default event, within a defined timeline (e.g. 1 year);
- LGD (Loss Given Default) expresses the percentage of estimated loss (1-recovery rate) shall the default event actually occur;
- EAD (Exposure at Default) expresses the measurement of the exposure at the time of the credit position default event;
- Effective Interest Rate is the discount rate expressing the time value of the money.

Such parameters are calculated starting from those used for regulatory purposes, adjusted in order to ensure compliance with the accounting principle, and consistency with regulatory requirements.

The main adjustments are made in order to:

- remove the prudentiality required for regulatory purposes only;
- introduce point-in-time adjustments to replace the through-the-cycle adjustments required for regulatory purposes;
- include forward-looking information;
- extend the credit risk parameters to a multi-year perspective.

Lifetime PD, the through-the-cycle PD curves were obtained by adapting the cumulative default rates to reflect point-in-time and forward-looking provisions of portfolio default rates.

Recovery rates incorporated in the through-the-cycle LGD have been adapted in order to remove the prudential margin and to reflect the latest trends in recovery rates, as well as expectations on future trends discounted to the actual interest rate or its best approximation.

Stage 3 positions includes the corresponding impaired exposures which, in accordance with the Bank of Italy rules defined in Circular 272 of 30 July 2008 and following updates, correspond to the aggregate Non-Performing Exposures referred to in ITS EBA (EBA/ITS /2013/03/rev1 24/7/2014).

In particular, reference is made to the EBA definition of Non-Performing exposures and to the definition of impaired assets established by the Bank of Italy, as reported in the section Part A - Accounting Policies - Impairment.

### Forward-looking information used in calculating write-downs

The expected credit loss deriving from the parameters described in the forgoing paragraph considers macroeconomic forecasts through the application of multiple scenarios to the forward looking components.

Specifically, the forward looking component is determined by three macroeconomic scenarios, a basic scenario ("Baseline"), a positive scenario and an adverse scenario. The basic scenario is the main reference one, as it is the one considered most likely; the positive and adverse scenarios stand for alternative events, respectively better and worse.

### Impacts of the crisis unfolded by COVID-19 pandemic on Expected Credit Losses

As already explained in the previous paragraph, the IFRS 9 principle require that, as far as Expected Credit Losses estimation is concerned, not only current and historical information be used, but also forward looking information shall be taken into account.

In the current crisis context, the update of scenarios underlying Forward looking components is a complex exercise. The magnitude of macroeconomic impacts attributable to the brake off of economic and social activities during the spread of Covid-19 is still largely under debate, also in consideration of supporting measures to families and corporations adopted by several European countries, which will contribute to mitigate the effects of the crisis.

In response to the uncertainty generated by COVID19 pandemic and the adoption of public supporting measures, the main European and international Regulators (IASB, EBA, ESMA, European Commission, ...) have provided institutions with consistent instructions on the prudential and accounting treatment of credit exposures.

On the one hand, in accordance with the spirit of the rule, Regulators have highlighted the need to take into account the deterioration of the macroeconomic environment triggered by the crisis; on the other hand, considering the uncertainty of the situation, they suggest to make full use of flexibility embedded in IFRS9 principle.

Flexibility as meant by Regulators, allow institution to take some margins and avoid the mechanical application of the existing expected credit losses approaches to determine the amount of provisions, by estimating the expected credit losses giving sufficient weight to long-term stable macroeconomic outlooks.

## Part E - Information on Risks and relating hedging policies

Eventually, it has been clarified that the application of supporting measures in the form of private or legislative moratoria, do not automatically classify as forbearance measures, as they have preventive and general nature (they are not borrower specific). Moreover, the application of a supporting measure do not significantly affect the present value of the loan, and accordingly, do not trigger the classification to Unlikely to pay. Similarly, from an accounting point of view, moratoria do not automatically lead to a Significant Increase in Credit Risk.

In light of the above, FinecoBank in evaluating its performing loans as of June 30, 2020, has considered a macroeconomic scenario as to keep into account the effects of the crisis unleashed by Covid 19 pandemic. The outcomes were duly adjusted in order to consider the effects of the different supporting measures offered to clients.

As far as credit provisioning on retail customers is concerned, limited impacts have been detected, in terms of both new originations, and credit quality of the exposures. Effects on the portfolio credit quality are largely mitigated by the type of credit facilities granted (loans assisted, where possible by financial and real estate collateral) and by the bank's careful granting policies. In relation to mortgages, the average loan to value is in fact approximately equal to 50%, whereas most of the overdraft credit facilities granted are assisted by financial collateral, evaluated through conservative haircuts. Such approach is further validated in consideration of the retail segment the Group addresses to. The update of macroeconomic scenarios in June 2020 resulted in €0.3 million of provisioning. Exposures taking advantage of specific supporting measures (moratoria) have been kept, according to regulator's approach, at stage 1 of IFRS9 staging allocation.

As for the remaining counterparties, including bond issuers, the greatest impact of the pandemic effect has concerned Sovereign exposures. In this case, the updated macroeconomic scenarios have led to write-downs of € 3.6 million for bond issuers and approximately € 0.8 million for the other counterparties, calculated according to IFRS 9 impairment models and their post-model overlay and adjustment rules.

### **2.4 Credit risk mitigation techniques**

As risk mitigation to the different originated credit facilities the Group accepts several types of collateral. Mortgages on real estate loans, pledge on shares, bonds or investment funds, insurance contracts and government bonds are used to guarantee current account overdraft facilities.

Collateralization does not, however, relieve the Group from carrying out an overall credit risk assessment, primarily focused on the customer's income capacity, regardless of the additional guarantee provided. The valuation of the pawn collateral is based on its actual value, i.e. the market value for the financial instruments listed in a regulated market. Such value is subject to haircut percentages, differentiated on the basis on the financial instruments received as collateral and the concentration of the client's collateral portfolio.

For real estate collaterals, the principles and rules are described in the policy "Granting of residential mortgages with property collateral to current account holders of FinecoBank S.p.A.". Real estate valuation is performed by external technical experts included in the Register of Engineers, Architects and Surveyors or industrial experts who are not therefore susceptible to conflict of interest.

Valuations, moreover, are subject to periodic reviews.

### **3. Impaired credit exposures**

#### **3.1 Management strategies and policies**

Loans prudential classification as past due, unlikely to pay or bad exposure is carried out consistently with the criteria set forth by the Bank of Italy. The classification as bad exposure, linked to the customer's insolvency, shall always be individually assessed and defined according to the outcome recovery actions. Loss provisioning estimate shall also be individual for positions classified as past due and unlikely to pay.

As far as overdraft are concerned, the classification criterion is related to the outcome of recovery actions or the forced sale of securities to cover debts.

Reclassification of exposures to a better risk category shall only be authorised if the overdue amount has been paid in full, consistently with the original payment schedule. Alternatively, the exposure may be classified to a better risk category where considerable payments have been made, leading to believe that the debt exposure is very likely to be repaid.

Handling procedure for overdue performing loans involves specific credit recovery actions, according to the amount of overdue days.

## Part E - Information on Risks and relating hedging policies

### **Impacts of the crisis unfolded by COVID-19 pandemic on non performing exposures**

As already mentioned, the application of supporting measures such as private or legislative moratorias do not constitute in themselves forbearance measures, nor imply an automated classification of the position as a non performing loan<sup>29</sup>. The Group nevertheless submit these positions to a careful monitoring, aimed at promptly spotting any credit deterioration signal.

As of June 30, 2020 it was not registered any increase in the non performing exposures directly related to the COVID-19 crisis.

### **3.2 Write-off**

The Group records write-off by reducing the gross exposure of a financial asset whenever there are no reasonable expectations of recovering all or part of that asset.

As a result, the Group shall recognise a write-off in the following cases:

- there is no longer any reasonable expectation of recovering all or part of the asset, despite of the legal rights to recover the accrued capital and interest;
- waiver of the legal right to recover the principal and any accrued interest;
- termination of the legal right to recover capital and interest due to the conclusion of recovery attempts.

### **3.3 Purchased or originated impaired financial assets**

The Group's current business model and company policies approved by the Board of Directors do not expect any purchase of impaired loans or origination of new credit facilities, in any form (personal loans, mortgages, current account credit facilities, etc.), to already non-performing customers.

### **4. Commercial renegotiations and forbearance measures**

Renegotiations of financial instruments determining a change in the contractual terms are recognized, as described above, according to the materiality of variations in the contractual terms. The evaluation of the materiality of changes shall be carried out considering both qualitative and quantitative terms, in particular whenever liabilities are concerned. For more details reference is made to the paragraph "Renegotiations" on part A – Accounting policies of the Notes to the consolidated financial statements as of December, 2019.

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<sup>29</sup> Past due day counter is determined according to the new amortization plan modified by the moratorium.

## Part E - Information on Risks and relating hedging policies

## Quantitative information

## A. Credit quality

## A.1 Impaired and unimpaired credit exposures: amounts, impairment, changes, distribution by business activity

## A.1.1 Regulatory consolidation - Breakdown of financial assets by past due bands (carrying value)

(Amounts in € thousand)

Portfolios/stages	First stage			Second stage			Third stage			
	From 1 to 30 days	Between 30 days and 90 days	Over 90 days	From 1 to 30 days	Between 30 days and 90 days	Over 90 days	From 1 to 30 days	Between 30 days and 90 days	Over 90 days	
1. Financial assets at amortised cost	19,682	312	107	1,205	955	898	35	39	3,409	
2. Financial assets at fair value through other comprehensive income	-	-	-	-	-	-	-	-	-	
3. Financial instruments classified held for sale	-	-	-	-	-	-	-	-	-	
<b>Total</b>	<b>06/30/2020</b>	<b>19,682</b>	<b>312</b>	<b>107</b>	<b>1,205</b>	<b>955</b>	<b>898</b>	<b>35</b>	<b>39</b>	<b>3,409</b>
<b>Total</b>	<b>12/31/2019</b>	<b>17,070</b>	<b>896</b>	<b>35</b>	<b>14</b>	<b>932</b>	<b>72</b>	<b>28</b>	<b>22</b>	<b>3,128</b>

## Part E - Information on Risks and relating hedging policies

## A.1.4 Regulatory consolidation - On-balance sheet and off-balance-sheet credit exposures to banks: gross and net values

(Amounts in € thousand)

Type of exposure/amounts	Gross exposures		Total impairment	Net Exposure	Total partial write-off
	Impaired	Unimpaired			
<b>A. On-balance sheet credit exposures</b>					
a) Bad exposure	-	X	-	-	-
- of which: forbome exposures	-	X	-	-	-
b) Unlikely to pay	-	X	-	-	-
- of which: forbome exposures	-	X	-	-	-
c) Past-due impaired loans	-	X	-	-	-
- of which: forbome exposures	-	X	-	-	-
d) Past due non-impaired exposures	X	-	-	-	-
- of which: forbome exposures	X	-	-	-	-
e) Other unimpaired exposures	X	9,090,016	(663)	9,089,353	-
- of which: forbome exposures	X	-	-	-	-
<b>Total (A)</b>	<b>-</b>	<b>9,090,016</b>	<b>(663)</b>	<b>9,089,353</b>	<b>-</b>
<b>B. Off-balance sheet exposures</b>					
a) Impaired	-	X	-	-	-
b) Unimpaired	X	134,201	(6)	134,195	-
<b>Total (B)</b>	<b>-</b>	<b>134,201</b>	<b>(6)</b>	<b>134,195</b>	<b>-</b>
<b>Total (A+B)</b>	<b>-</b>	<b>9,224,217</b>	<b>(669)</b>	<b>9,223,548</b>	<b>-</b>

In the above table, item B. "Off-balance sheet exposures" includes the counterparty risk related to repos that can be classified as "Securities Financing Transactions" (SFT) defined in prudential regulations, amounting to € 94,946 thousand.



## Part E - Information on Risks and relating hedging policies

## A.1.5 Regulatory consolidation - On-balance sheet and off-balance-sheet credit exposures to customers: gross and net values

(Amounts in € thousand)

Type of exposure/Amounts	Gross exposures		Total value adjustments and total provisions	Net exposure	Total Write-off
	Impairment	Non impairment			
0			0	0	0
Tipologie esposizioni/valori	0	0	0	0	0
<b>A. On-balance sheet credit exposures</b>					
a) Bad exposure	20,232	X	(18,391)	1,841	-
- of which: forborne exposures	249	X	(215)	34	-
b) Unlikely to pay	3,808	X	(2,587)	1,221	-
- of which: forborne exposures	446	X	(293)	153	-
c) Past-due impaired loans	3,210	X	(1,586)	1,624	-
- of which: forborne exposures	6	X	(4)	2	-
d) Past due non-impaired exposures	X	23,695	(536)	23,159	-
- of which: forborne exposures	X	8	-	8	-
e) Other unimpaired exposures	X	18,765,702	(19,432)	18,746,270	-
- of which: forborne exposures	X	86	(1)	85	-
<b>Total (A)</b>	<b>27,250</b>	<b>18,789,397</b>	<b>(42,532)</b>	<b>18,774,115</b>	<b>-</b>
<b>B. Off-balance sheet exposures</b>					
a) Impaired	542	X	(2)	540	-
b) Unimpaired	X	1,782,570	(60)	1,782,510	-
<b>Total (B)</b>	<b>542</b>	<b>1,782,570</b>	<b>(62)</b>	<b>1,783,050</b>	<b>-</b>
<b>Total (A+B)</b>	<b>27,792</b>	<b>20,571,967</b>	<b>(42,594)</b>	<b>20,557,165</b>	<b>-</b>

In the above table, item B. "Off-balance sheet exposures" includes the counterparty risk related to securities lending transactions collateralised by other securities and to repos that can be classified as "Securities Financing Transactions" (SFT) defined in prudential regulations, amounting to € 427,535 thousand.

## Part E - Information on Risks and relating hedging policies

### B.4 Large exposures

At June 30, 2020 "risk positions" constituting "large exposure" pursuant to the provisions of Implementing Regulation (EU) no. 680/2014 of the Commission of 16 April 2014, establishing technical implementation rules with regard to supervisory reporting, in accordance with Regulation (EU) no. 575/2013 of the European Parliament and of the Council, and subsequent amending Regulations, are the following:

- book value: € 23,040,717 thousand, excluding the reverse repo transactions;
- non-weighted value: € 23,141,695 thousand;
- weighted value: € 485,098 thousand;
- number of "risk positions": 20.

It should be noted that, in compliance with the EBA Guidelines on connected customers pursuant to Article 4, paragraph 1, point 39) of Regulation (EU) no. 575/2013, large exposures also include counterparties having interconnections with central administrations and that, although they do not exceed the threshold of 10% of the eligible capital for large exposures individually, they do exceed it where considered together with the exposure to the central administration they are interconnected with.

As already mentioned, following the deconsolidation of FinecoBank from the UniCredit Group, FinecoBank and UniCredit S.p.A. have reached a Pledge Agreement setting the supply by UniCredit S.p.A. of financial collateral in favor of FinecoBank, aimed at collateralize the credit risk exposure arising from UniCredit bonds until their expected maturity. Current account exposures were also collateralized until November 2019, whereas the financial guarantees issued by FinecoBank in favor of Agenzia delle entrate (the Italian supervisory tax authority) at the request of UniCredit S.p.A., will be collateralized until their extinction. According to the agreement, all provided guarantees shall meet the requirements of the applicable legislation in order to be eligible in the context of credit risk mitigation (CRM), resulting in the reduction of risk-weighted assets and net exposure subject to the large exposure regime.

Eventually, please note that deferred tax assets within the exposure towards the Italian Central Government have been exempted and, therefore, their weighted value is null.

It should be noted that the value of the associated financial liabilities shown in the table above have been indicated gross of the offsets made in the financial statements pursuant to IAS 32.

### D.2 Prudential consolidated perimeter - Financial assets sold partially recognized and associated financial liabilities: carrying value

No data to report.

### D.3 Prudential consolidated perimeter - Sales transactions relating to financial liabilities with repayment exclusively based on assets sold and not derecognised: fair value

No data to report.

### ***B. Assets sold and fully derecognised with recognition of continuing involvement***

#### **Qualitative information**

No data to report.

#### **Qualitative information**

No data to report.

### D.4 Prudential consolidated - Covered bond transactions

No data to report.

## Part E - Information on Risks and relating hedging policies

### Information on Sovereign Exposures

The Group is exposed to the sovereign debt of some countries, having invested a portion of its assets in debt securities issued by governments and recognized in the captions "Financial assets designated at fair value through other comprehensive income" and "Financial assets measured at amortised cost". The following table shows the face value, the book value and the fair value of these exposures as at June 30, 2020. Sovereign debt securities classified under the caption "Other financial assets mandatorily at fair value" accounts for € 40 thousand.

In addition, the Group hold investments in debt securities issued by Supranational institutions and Agencies accounted for in "Financial assets at amortized cost" (for further details, see the Part B of these Notes to the Consolidated Accounts).

(Amounts in € thousand)

	Nominal Value 06/30/2020	Carrying value 06/30/2020	Fair value 06/30/2020	%
<b>Italy</b>	<b>4,954,000</b>	<b>5,429,235</b>	<b>5,549,738</b>	<b>18.5%</b>
Financial assets at amortised cost	4,954,000	5,429,235	5,549,738	19.6%
<b>Spain</b>	<b>3,680,000</b>	<b>4,094,939</b>	<b>4,195,701</b>	<b>13.9%</b>
Financial assets at amortised cost	3,680,000	4,094,939	4,195,701	14.8%
<b>Germany</b>	<b>125,000</b>	<b>127,100</b>	<b>136,016</b>	<b>0.4%</b>
Financial assets at amortised cost	125,000	127,100	136,016	0.5%
<b>Poland</b>	<b>23,000</b>	<b>27,302</b>	<b>28,377</b>	<b>0.1%</b>
Financial assets at amortised cost	23,000	27,302	28,377	0.1%
<b>France</b>	<b>1,005,500</b>	<b>1,042,265</b>	<b>1,083,970</b>	<b>3.5%</b>
Financial assets at fair value through other comprehensive income	35,000	37,016	37,016	24.7%
Financial assets at amortised cost	970,500	1,005,249	1,046,954	3.6%
<b>U.S.A.</b>	<b>312,555</b>	<b>313,999</b>	<b>322,087</b>	<b>1.1%</b>
Financial assets at fair value through other comprehensive income	71,441	72,498	72,498	48.4%
Financial assets at amortised cost	241,114	241,501	249,589	0.9%
<b>Austria</b>	<b>512,500</b>	<b>519,572</b>	<b>546,981</b>	<b>1.8%</b>
Financial assets at amortised cost	512,500	519,572	546,981	1.9%
<b>Ireland</b>	<b>857,500</b>	<b>912,469</b>	<b>952,359</b>	<b>3.1%</b>
Financial assets at fair value through other comprehensive income	35,000	40,390	40,390	26.9%
Financial assets at amortised cost	822,500	872,079	911,969	3.1%
<b>United Kingdom</b>	<b>54,799</b>	<b>55,439</b>	<b>55,420</b>	<b>0.2%</b>
Financial assets at amortised cost	54,799	55,439	55,420	0.2%
<b>Belgium</b>	<b>540,000</b>	<b>559,106</b>	<b>586,889</b>	<b>1.9%</b>
Financial assets at amortised cost	540,000	559,106	586,889	2.0%
<b>Portugal</b>	<b>330,000</b>	<b>395,964</b>	<b>396,105</b>	<b>1.3%</b>
Financial assets at amortised cost	330,000	395,964	396,105	1.4%
<b>Switzerland</b>	<b>51,638</b>	<b>52,077</b>	<b>52,018</b>	<b>0.2%</b>
Financial assets at amortised cost	51,638	52,077	52,018	0.2%
<b>Total sovereign exposures</b>	<b>12,446,492</b>	<b>13,529,467</b>	<b>13,905,661</b>	<b>46.0%</b>

The % reported in line with Sovereign counterparties and in the item "Total Sovereign exposures" have been determined on the Group's total assets, whereas those reported in line with the balance sheet captions have been determined on the total of the individual captions of the financial statements.

Please note that securities denominated in currencies other than euro have been converted into euro according to the spot exchange rate at the reference date of the financial statement.

As at June 30, 2020, investments in debt securities issued by Sovereign states accounted for 46% of the Group's total assets, and none of them were structured debt securities. The Group is therefore exposed to fluctuations in the price of the public debt securities of the countries listed above. Tensions or volatility in the government bond market may negatively affect the Group's financial position and performance.

## Part E - Information on Risks and relating hedging policies

The following table shows the sovereign ratings as at June 30, 2020 for countries to which the Group is exposed, provided by Fitch Ratings, Moody's and Standard & Poor's.

	Moody's	Fitch Ratings	Standard & Poor's
Italy	Baa3	BBB-	BBB
Spain	Baa1	A-	A
Germany	Aaa	AAA	AAA
Poland	A2	A-	A-
France	Aa2	AA	AA
USA	Aaa	AAA	AA+
Austria	Aa1	AA+	AA+
Ireland	A2	A+	AA-
Belgium	Aa3	AA-	AA
Portugal	Baa3	BBB	BBB
United Kingdom	Aa2	AA-	AA
Switzerland	Aaa	AAA	AAA

## Part E - Information on Risks and relating hedging policies

### 1.2 - Market risk

Market risk derives from changes in market variables (interest rates, securities prices, exchange rates, etc.) affecting the economic value of the Group's portfolio. The latter includes assets held in the trading book (assets held for trading) as well as those in the banking book, i.e. the transactions connected to strategic investment choices.

#### Risk Management Strategies and Processes

The Board of Directors of FinecoBank sets strategic guidelines for market risk taking, approves the market risk general framework and any significant changes, relating to the organisational structure, strategies, and methodologies and defines maximum risk appetite level.

The strategic approach of the Group is to maintain the minimum level of market risk compatibly with business needs and the limits established by the Risk Appetite Framework approved by the Board of Directors.

Market risk in FinecoBank is defined through two sets of limits:

- Overall measures of market risk (e.g. VaR): which are meant to establish a boundary to the economic capital absorption and to the economic loss accepted in trading activities; these limits must be consistent with assigned revenue targets and the defined risk taking capacity;
- Granular measures of market risk (Sensitivity limits, Stress scenario limits, Nominal limits): which exist independently of, but act in concert with the overall limits; in order to control more effectively and more specifically different risk types, desks and products, these limits are generally granular sensitivity or stress-related limits. The levels set for granular limits aim at limiting the concentration in individual risk factors and the excessive exposure in risk factors which are not sufficiently covered under VaR.

#### Structure and Organisation

The Market Risk function, within the Risk Management Unit, in full compliance with local legal and regulatory obligations is tasked primarily – but not exclusively – with:

- defining, implementing and refining adequate metrics at a global level to measure the exposure to market risk;
- proposing, based on the defined metrics, risk limits consistent with the risk appetite approved by the Board of Directors;
- calculating risk metrics for the global and granular measures for the Group's portfolios;
- checking that the measurements are consistent with the approved limits;
- initiating the escalation process when limits are exceeded, engaging the Group's Top Management;
- discussing and approving new products with innovative and complex market risk profiles.

#### Risk measurement and reporting framework

##### **Trading Book**

The main tool used by the Group to measure the market risk of trading positions is Value at Risk (VaR), calculated using the historic simulation approach.

The historic simulation method involves the daily revaluation of positions on the basis of market price trends over an appropriate observation period. The resulting distribution of profit and losses is analysed to determine the effect of extreme market fluctuations on portfolios. The percentile value of the distribution corresponding to the set confidence level represents the VaR. The following parameters are used to calculate the VaR: confidence level 99%; time horizon of 1 day; daily update of the time series; observation period of 250 days.

##### **Banking Book**

The primary responsibility for monitoring and controlling Market Risk management in the banking book lies with the Group's competent Bodies. The Risk Management function of the Group is responsible for monitoring market risk on the banking book by defining the structure, the relevant data and the frequency for adequate reporting.

Market risk in the banking book mainly consists of credit spread risk, interest rate risk and exchange rate risk.

The first one mainly arises from investments in debt securities held for liquidity purposes. Market risk associated with the bond portfolio is monitored and restrained by limits on the notional amount, Economic Value sensitivity and Value at Risk.

## Part E - Information on Risks and relating hedging policies

The second one, interest rate risk, is managed for stabilization purposes. The banking book interest rate risk measure covers the dual aspect of the value and the net interest income/expense of the Group. More precisely, the different, and complementary, perspectives involve:

- Economic value perspective: variation in interest rates can affect the economic value of assets and liabilities. The economic value of the Group may be viewed as the present value of the expected net cash flows, defined as the expected cash flows on assets minus the expected cash flows on liabilities. A relevant risk measure from this perspective is the economic value sensitivity per time bucket for a 1 basis point rate shock. Such measure is considered as relevant to assess the economic value impact of various changes in the yield curve. The economic value sensitivity is also calculated for a 200bp parallel shock. A monitoring variable from this perspective is the value at risk resulting from interest rate risk component only;
- Income perspective: the focus of analysis is the impact of changes of interest rates on accrued or reported Net Interest Income that is the difference between revenues generated by interest sensitive assets and the cost related to interest sensitive liabilities. An example of a risk measure used is the Net Interest Income sensitivity for a 100bp parallel shock in rates. Such measure provides an indication of the impact that such a shock would have on the net interest margin over the next 12 months.

The third one is exchange rate risk. This exposure mainly derives from a mismatching of assets and liabilities in USD. Exchange rate risk is hedged through the matching of assets and liabilities denominated in currency or through spot transactions in foreign currencies.

### Procedures and methodologies for valuation of Trading Book positions

The Group ensures that the value applied to each trading book position appropriately reflects the current fair (market) value, i.e. the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. The fair value of each financial instrument is based on, or derived from, observable market prices or inputs. The availability of observable prices or other market variables, differs by product and market, and might change over time.

If observable prices or parameters are readily and regularly available (i.e. satisfying adequate liquidity requirements), they are directly employed in the determination of fair value (mark-to-market).

In non-active markets or for certain instruments, for which observable prices or inputs are not available, fair value is calculated using valuation techniques that are appropriate for the specific instrument (mark-to-model). This approach involves estimation and judgement, therefore, it might require valuation adjustments in order to take into account bid-ask spreads, liquidity and counterparty risk, besides the employed pricing model. In addition, each pricing model used for fair value calculation is validated by a dedicated function independent from business units.

In order to ensure an adequate separation between developing functions and validating functions, all valuation models developed shall be centrally tested and validated by functions fully independent from those that have developed the model thereof. Model validation is also centrally carried out for any new system or analysis tool whose outcome has a potential impact on the Group's economic results.

In addition to daily marking to market or marking to model, the Risk Management Function carries out an Independent Price Verification (IPV). This is the process through which market prices or model inputs are regularly verified for accuracy and independence. Whereas marking to market or marking to model may be performed daily by front-office dealers, the verification of market prices and model inputs is performed on a monthly basis.

### Impacts of the crisis unfolded by COVID-19 pandemic on market risks

As of June 30, 2020, no impacts directly linked to the health emergency were registered on the Group's market risk profile, both for the trading and the banking book portfolio.

### Risk measures

#### VaR

The VaR calculated within market risk measurement for both banking and trading book is based on the historical simulation approach. The selected model has several advantages:

- it is easy to understand and communicate;
- it does not require any specific assumptions about the functional form of the distribution of yields of the risk factors;
- it does not require an estimation of the variance-covariance matrix of the market factors that may affect the value of the portfolio.
- it captures the correlation structure reflected in the simultaneous changes in market factors, implicitly assuming that it will remain constant in the future.

## Part E - Information on Risks and relating hedging policies

On the other hand VaR models based on historical simulations do not provide any information on the amount of the loss exceeding the VaR. This why the Group's framework uses additional instruments such as stress tests.

### 1.2.1 Interest rate risk and price risk – regulatory trading book

#### Qualitative information

##### A. General Matters

The trading book is used to hold debt securities (ordinary and subordinated, structured and plain vanilla), equity instruments, and certificates – listed and non-listed – related to brokerage activities with retail customers.

The Group does not perform proprietary trading and does not assume speculative positions in its books. Accounting movements in the Group's trading book are recorded against brokerage activities with retail customers, in particular for OTC instruments trading. Other movements in the trading book are recorded for the own account dealing, available for several securities when the Group takes on the role of counterparty to the customer. This activity is performed as a result of the options introduced by the MiFID which allow the execution of orders for financial instruments in a number of execution venues including internal execution.

##### B. Processes for managing and methods for measuring interest rate risk and price risk

For a characterization of both internal risk monitoring, managing processes and risk assessment methodologies, please refer to the introduction.

### 3. Regulatory trading book: internal models and other methods of sensitivity analysis

The Group monitors the VaR of the Trading Book on a daily basis.

As at June 30, 2020, the daily VaR of the trading book amounted to € 71 thousand. The average for the second quarter 2020 is € 189 thousand, with a maximum peak of € 556 thousand (this has been recorded during to the initial instability phase caused by the Italian lockdown in response to the Corona Virus health emergency), and a minimum of € 13 thousand.

The volatility in the price of instruments determines direct impacts on the income statement.

### 1.2.2 Interest rate risk and price risk – banking book

#### Qualitative information

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

Interest rate risk consists of changes in interest rates affecting:

- the net interest margin, thus, the Group's earnings;
- the net present value of assets and liabilities, as well as the present value of future cash flows.

The Group measures and monitors interest rate risk daily, within the methodological framework and the corresponding limits or thresholds approved by the Board of Director. Such limits concern the sensitivity of the net interest margin and the economic value.

Interest rate risk has an impact on every position resulting from strategic investment decisions (banking book).

The main sources of interest rate risk may be classified as follows:

- gap risk: this derives from the term structure of the banking book and describes the risk arising from the instrument's timing of interest rate update. The gap risk also includes the repricing risk, arising from time mismatches in terms of the repricing of the Group's assets and liabilities. These mismatches result in a risk associated with the yield curve. This risk relates to the Group's exposure to changes in the slope and shape of the yield curve.
- basis risk: this can be divided into two types of risk:
  - tenor risk, arising from the mismatch between instrument expiry and the change in interest rates;

## Part E - Information on Risks and relating hedging policies

- currency risk, defined as the risk of a potential offsetting between interest rate sensitivities arising from exposure to the interest rate risk in various currencies;
- option risk – risk resulting from implicit or explicit options in the Group's banking book positions.

Within the organisational framework described above, the Board of Directors approves the limits on interest rate. These limits are set in terms of VaR (calculated using the methodology described above in relation to the trading book). The Parent Company is responsible for managing the exposure to interest rate risk within the limits assigned.

In order to assess the effects of changes in the yield curve on the banking book, scenario analyses involving the parallel shifts in the rate curve of +/- 100 bps and +/- 200 bps are conducted at weekly intervals; further six standardized scenarios proposed by EBA guidelines are also conducted monthly. For more details see section 2. *Banking book: internal models and other methods of sensitivity analysis*.

### 2. Banking book: internal models and other methods of sensitivity analysis

In order to measure interest rate risk in the Group's financial statements it is necessary to measure the sensibility of loans and deposits to changes in the yield curve. FinecoBank has developed specific behavioural models aimed at estimating the maturity profile of asset and liability items that do not have a contractual maturity; indeed, even though some assets and liabilities may be payable on demand, they could actually show some stickiness.

The following table provides the results of the analyses conducted in all currencies.

(Amounts in € thousand)

	Value analysis (shift + 200 bp)	Value analysis (shift - 200 bp)	Value analysis (shift +1 bp)	Irvar*	Interest rate analysis (+100bp)	Interest rate analysis (-30bp)
06/30/2020	43,505	36,033	289	2,478	119,731	-33,322

\*1 day holding period, 99% confidence level%.

The sensitivity analysis on the Group's Capital, which was conducted assuming a shift of + 200 basis points on the euro interest rate curve, showed a positive impact of € 43,505 thousand. A shift of -200 basis points showed a positive impact of € 36,033 thousand.

The sensitivity analysis on the Group's Capital, which was conducted assuming a shift of + 1 basis point, showed a positive impact of € 289 thousand.

As of June 30, 2020, the interest rate VaR figure for the Bank came to approximately € 2,478 thousand. The average for the second quarter 2020 is equal to € 3,123 thousand with a maximum peak of € 5,637 thousand and a minimum of € 958 thousand.

Total VaR, including the Credit Spread Risk component arising mainly from government securities held as investment of liquidity and including the Credit Spread Risk component deriving from UniCredit instruments, amounts to € 168,141 thousand. The average for the second quarter 2020 is equal to € 116,165 thousand with a maximum peak of € 173,324 thousand and a minimum of € 32,299 thousand. During the year, the indicator calculation method was revised, including, among other things, UniCredit instruments and a different depth of the underlying time series.

The sensitivity analysis on net interest margin (NIM), which was conducted assuming a shift of +100 basis points on the euro interest rate curve, showed a positive impact of € 119.731 thousand. A shift of -30 basis points would have a negative impact of -€ 33.322 thousand on the NIM over the next 12 months.

### 1.2.3 Exchange Rate Risk

#### Qualitative information

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

As part of its treasury activities, the Group collects funds in foreign currencies, mainly US dollars, through customer deposits, subsequently investing these funds mainly in bank deposit and bonds with leading credit institutions, denominated in the same currency. The impact on balance sheet items is estimated through the Forex VaR indicator.

The VaR of the Group's positions is not used for the calculation of Pillar 1 capital requirement, as it is not required by the selected traditional standardised approach. The metric described is therefore only used for managerial and risk monitoring purposes.



## Part E - Information on Risks and relating hedging policies

### ***B. Exchange rate risk hedging***

Exchange rate risk is hedged through the matching of assets and liabilities denominated in currency or through spot transactions in foreign currencies.

The component of exchange rate risk that contributes to the formation of the overall VaR is usually tied to the temporal mismatch between assets and liabilities in US dollars.

### **2. Internal models and other methods of sensitivity analysis**

As at June 30, 2020, the daily Forex VaR of the overall portfolio (banking and trading books) was approximately € 75 thousand. The average for the second quarter 2020 is equal to € 46 thousand with a maximum peak of € 75 thousand and a minimum of € 21 thousand.

## Part E - Information on Risks and relating hedging policies

### 1.4 - Liquidity Risk

#### Qualitative information

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

Liquidity risk can be briefly defined as the risk that the Group, also due to unexpected future events, may be unable to meet its payment obligations or to efficiently match expected cash inflows and outflows.

The different types of liquidity risk managed by the Group are as follows:

- short-term liquidity risk refers to the risk of non-compliance between the amount and / or deadlines of incoming and outgoing cash flows in the short term (less than one year);
- market liquidity risk is the risk that the Group may face significant and adverse price change, generated by exogenous and endogenous factors resulting in losses, through the sale of assets considered liquid. In the worst case, the Group may not be able to liquidate the positions thereof;
- structural liquidity risk is defined as the Group's inability to procure, in a stable and sustainable manner, the necessary funds to maintain an adequate ratio between medium / long-term assets and liabilities (over one year) at a reasonable price without impacting the daily operations or the financial situation of the Group;
- stress or contingency risk is linked to future and unexpected obligations (for example withdrawals from deposits) and may require the bank to have a greater amount of liquidity than the one considered necessary to manage the ordinary business;
- financing risk is the risk that the Group may not be able to deal effectively with any planned cash outflows.

In order to deal with its exposure to liquidity risk, the Group invests the part of its liquidity estimated by internal models as persistent and stable (so-called core liquidity) into medium/long-term investments. The amount of liquidity characterized by a lower persistence profile (so-called non-core liquidity) is employed in liquid or easily liquidable assets, such as, for example, demand deposits, short-term loans or government securities that can be used as a short-term source of funding at the Central Bank.

as of June 30, 2020, there were no "Contingent liquidity and funding needs", such as, for example, accelerated repayment clauses or the issue of additional guarantees relating to a downgrade of the Group.

#### **The key principles**

The Group's purpose is to maintain liquidity at a level that allows to conduct the main operations safely, finance its activities at the best rate conditions in normal operating circumstances and always remain in a position to meet payment commitments. In particular, the investment policy consider as a priority, among all prudential criteria, the liquidability of the instruments; the outcome of this policy translates into liquidity indicators exceeding by far minimum regulatory requirements.

The "Group Liquidity Policy", directly applicable to the Parent Company and its Legal Entities, sets the set of principles and rules that oversee the management of liquidity and related risks in the Group. In particular, the Policy describes the management of liquidity and its risks in standard and crisis conditions, first and second level control activities and the Group's related governance, defining roles and responsibilities of corporate Bodies and functions, both for the Parent Company and its Legal Entities.

#### **Roles and responsibilities**

The "Group Liquidity Policy" establishes the principles adopted in terms of internal governance, which envisage the involvement of the Treasury and Risk Management functions.

The operational management of liquidity is carried out by the Treasury department, which ensures effective and efficient management of liquidity in the short and medium/long term, monitoring of liquidity exposure and first-level controls on the management process.

The Risk Management function is responsible for monitoring compliance with limits and implementing the rules on liquidity risk, the implementation of selected risk metrics and the assessment of selected methods.

To this end the "Group Liquidity Policy" explicitly refers to the first and second level monitoring, both from a regulatory and management standpoint:

- Short-term liquidity risk management (operational liquidity), which considers the events that may impact upon the Group's liquidity position from one day up to one year. The primary objective is to maintain the Group's capacity to fulfil its ordinary and extraordinary payment obligations while minimising the relevant costs;
- Structural liquidity risk management (structural risk), which considers the events that may impact upon the Group's liquidity position over one year. The primary objective is to maintain an adequate ratio between medium/long term liabilities and medium to long-term assets, with a view to avoiding pressures on short-term funding sources (both current and future);

## Part E - Information on Risks and relating hedging policies

- Stress tests: Liquidity risk is a low probability, high impact event. Therefore, stress testing is a tool able to reveal potential vulnerabilities. The Group uses several scenarios ranging from general market crisis to idiosyncratic crisis, and combinations thereof.

In this context, the Group takes into account all of assets, liabilities, off-balance sheet positions and present and future events that generate certain or potential cash flows, thereby protecting the Group from risks related to the transformation of maturity.

### **Short term liquidity management**

Short-term liquidity management aims at ensuring that the Group remains in a position to fulfil its cash payment obligations always, whether expected or unexpected, focusing on the exposure for the first twelve months.

On a daily basis, the Group calculates the Operative Maturity Ladder, which measures the cash inflows and outflows affecting the monetary base, with details of the main temporal buckets.

The Group's objective is to provide sufficient short-term liquidity to deal with a particularly adverse liquidity crises for at least three months.

### **Structural liquidity management**

The objective of the Group's structural liquidity management is to maintain an adequate ratio between medium/long term assets and liabilities (generally over one year), with a view to avoiding pressures on short-term funding sources, both current and future. To this end, the Group adopts a prudent approach to its investments of liquidity, taking into account funding maturities. The indicator used and monitored as part of the wider Risk Appetite Framework (NSFR) ensures that assets and liabilities have a sustainable maturity structure.

### **Liquidity Stress Test**

Stress testing is a risk management tool used to evaluate the potential effects of a specific event on an entity's financial position. As a forward looking tool, liquidity stress testing is used to assess the institution's liquidity risk.

Periodically the Group carry out scenario analysis to evaluate the impact of simultaneous changes in various risk factors, defining a hypothetical and consistent stress event whose assumptions are mainly consist of outflows of demand deposits and a decrease in the value of Sovereign bonds (Counterbalancing Capacity).

### **Behavioural modelling of Liabilities**

FinecoBank has developed specific behavioural models aimed at estimating the maturity profile of liability items not having a contractual maturity; indeed, even though some assets and liabilities may be payable on demand, they could actually shows some stickiness.

More specifically, liabilities modelling aims to build a profile reflecting at best the behavioural characteristics of the items. An example is on sight deposit: estimates of the maturity profile reflect the perceived stickiness. Such behavioural models are developed by FinecoBank's Risk Management function and validated by Group's Internal Validation Unit.

### **Group's Contingency Liquidity Management**

The objective of the Group "Contingency Plan on liquidity risk", defined in the Group Liquidity Policy, is to ensure timely implementation of effective interventions also during the initial stage of a liquidity crisis, through a clear identification of individuals, powers, responsibilities, communication, and reporting criteria, with the aim of increasing significantly the probability of successfully overcoming the state of emergency. This is achieved through:

- activation of extraordinary liquidity governance and operating model;
- consistent communication both internal and external;
- a set of available mitigating liquidity actions;
- a set of early warning indicators, also included within the Group Recovery Plan, showing any possible evidence of a developing liquidity crisis.

### **Internal Liquidity Adequacy Assessment Process (ILAAP)**

In accordance with prudential provisions, the Group annually assesses the adequacy of the liquidity governance and management framework (ILAAP process) and gives appropriate disclosure to the Competent National Authority according to the terms established by the relevant legislation.

## Part E - Information on Risks and relating hedging policies

As required by the Bank of Italy, FinecoBank has supplemented its disclosure in order to include COVID-19 scenarios in the ILAAP report. The outcomes of scenarios thereof did not show any criticality or relevant impacts for the Group, as proprietary ILAAP scenarios regularly carried out by FinecoBank are characterized by a higher severity level.

### **Impacts of the crisis unfolded by COVID-19 pandemic on liquidity**

In March 2020, FinecoBank has recorded a sharp increase in direct customer deposits due to the high market uncertainty resulting from COVID-19 pandemic. During the second quarter 2020, incoming and outgoing liquidity flows have normalized, showing the stability of the Group's liquidity position.

## 1.5 - Operating risk

### Qualitative information

#### **A. General aspects, operational processes and methods for measuring operational risk**

##### **Operational risk definition**

Operational risk is defined as the risk of losses due to errors, violations, interruptions, or damage caused by internal processes, personnel, financial advisors, systems or by external events. This definition includes legal and compliance risks, but excludes strategic and reputational risk.

For example, losses arising from the following can be defined as operational: internal or external fraud, employment practices and workplace safety, customer claims, product distribution, fines and penalties for regulatory breaches, damage to the Company's physical assets, business disruption and system failures, and management of processes.

##### **Operational risk framework**

The Board of Director has approved the policies and procedures for controlling, measuring and mitigating the Group's operational risks. The operational and reputational risk policy, which has been updated and approved by the Board of Directors in February 2020, defines the roles of corporate bodies and of the risk management function as well as any interactions with other functions involved in the process. Besides setting roles and responsibilities, the policy describes the risk measuring and monitoring process and the activities carried out for mitigation and prevention purposes.

##### **Organisational structure**

The Board of Directors is responsible for approving all aspects relating to the operational risk framework and verifying the adequacy of the measurement and control system and is regularly updated on changes to the risk profile and operational risk exposure.

The reports produced by the Risk Management function for the Board of Directors ensure that management and control bodies are constantly updated on the operational risk trend within the Group and they are able to actively intervene in the management and mitigation of the risks. The Chief Risk Officer and Risk Management's participation in the Products Committee also ensures oversight of the operational risk associated with the Group's new business activities.

The Operational Risk Management (ORM) team is part of the broader Risk Management function, which reports to the Chief Risk Officer of FinecoBank, who in turn reports directly to the Chief Executive Officer and General Manager.

The main activities carried out by the Team in terms of operational risk are:

- definition of the system for mitigating and controlling operational risks, in compliance with external regulations and, in accordance with the guidelines provided by the Board of Directors, and the Group's operational evolution;
- regularly prepare reports on exposure to operational and reputational risks aimed at informing and supporting management in management activities;
- prepare a Risk Indicators Framework aimed at preventing human error related operational risks and deficiencies in internal procedures as well as incorrect execution of processes;
- verify that operating loss data identified by the various areas of the Group are regularly and promptly recorded;
- carry out, in collaboration with the other corporate functions, scenario analyses aimed at identifying and preventing potentially high impact losses, albeit unlikely;
- propose operational risk mitigation strategies to the Head of the Unit and to the CRO;
- carry out training and support on the control of operational risks to the Group's structures;
- guarantee a reputational risk oversight within the perimeter defined by the Group;

## Part E - Information on Risks and relating hedging policies

- carry out systematic remote controls, through Risk Indicators, on the entire sale Network, in order to mitigate the internal fraud risks arising from to PFA operations;
- implement and update the Anomaly Indicator management framework, also according to new company activities and regulations;
- evaluate the effectiveness of PFA disloyalty insurance coverage, considering renewals, franchise and excess;
- evaluate operational and/or reputational risks resulting from the most significant transactions (e.g. significant outsourcing), ensuring their consistency with the RAF;
- ensure the effective implementation of the ICT risk assessment methodology, supporting and coordinating the individual functions involved during the process, each according to their responsibilities.

### **Operational risk management and mitigation**

Operational risk management consists in the review of processes meant to reduce the identified risks, the management of the related insurance policies, as well as the identification of the suitable franchise and excess values thereof.

In order to identify and develop new mitigation measures, it has been established a Permanent Work Group (PWG). The PWG, which includes the CRO, the Risk Manager as well as Information Security & Fraud Manager and Organisation, is meant to allow participating functions to share their respective expertise in relation to projects planned or under way, new processes and products, or changes to them, and anything else that might affect the Group's risk profile.

As part of operational risk prevention and controls on the sales network, the Risk Management function has focused its activities on fraud prevention.

The development of remote monitoring aimed at preventing frauds has led to the creation of a system called System of Fraud Identification and Analysis (SoFIA). Such system can process a larger amount of data and information than individual indicators. The system works through an alert mechanism detecting any irregularity on a daily basis.

In this way, all of the names highlighted to be checked are assessed at the same time with regard to all remote indicators.

On the basis of qualitative and quantitative assessments of these indicators, the assigned staff select any cases that need to be reported to the Network Controls, Monitoring and Network Services Department – reporting directly to the Chief Executive Officer – for subsequent examination.

Moreover, the Operational Risk team is updated annually on the results of the tests conducted in accordance with the Business Continuity and Disaster Recovery plans.

In addition to the aforementioned controls, reputational risks are monitored through the risk assessment carried out by the risk management function throughout the definition, development and approval phase of the Group's products. To that end both the Chief Risk Officer and the Risk Management attend the Product Committee.

### **Risk measurement system**

FinecoBank applies the standardized method (TSA) for the calculation of capital requirements for operational risk. Nevertheless, the governance, the oversight and the reporting framework previously adopted and developed for the internal method for measuring the capital requirement (AMA), have been retained.

The Operational and Reputational Risk function carried out the collection and classification of loss data, external loss data, as well as loss data resulting from scenario analysis and risk indicators.

The collection and classification of operating losses is carried out for internal prevention and improvement purposes. As far as risk indicators are concerned, there are currently 61 key risk indicators divided into control areas (Credit Cards, Compliance, HR, Legal, Operations securities, Payment Systems, Claims, Risk Management, IT systems, Security, Administration and Audit), with which the Group means to measure its exposure to operational risk. Should indicators show irregular values, this might be related to changes in the exposure to operational risk.

Scenario analyses allow the assessment of the Group's exposure to operational risk characterised by low frequency but high potential impact. Scenarios are set by analysing internal losses, external events, risk indicator trends, critical processes, products and risk classes.

Risk capital for operational risk used for regulatory purposes as at June 30, 2020, amounted to € 88,265 thousand.

### **Risks arising from significant legal disputes**

FinecoBank is involved in individually irrelevant legal proceedings, over which there is considerable uncertainty regarding the outcome and the amount of possible charges, which the Bank could be forced to pay. Where the outcome is likely to be adverse and the amount of the charges is predictable, the Group makes appropriate provisions according to the circumstances. Provisions are made by making the best possible estimate of the amount

## Part E - Information on Risks and relating hedging policies

that the Group will reasonably be expected to pay in discharging its obligations and in consistency with applicable international accounting standards. Specifically, as warranty against these obligations and customer claims not yet resulted in legal proceedings, as at June 30, 2020, FinecoBank had provisions in place for risks and charges of € 24,931 thousand. The provisions thereof includes both legal costs due by the Group in the event of an adverse conclusion of the dispute plus the estimated expenses to be paid to legal advisors and/or any experts who assist the Group in ongoing disputes to the extent that it is believed that they will not be reimbursed by the counterparties. Such estimate was determined by the Group, in relation to the current disputes, according on the analysis of Forensic official tariffs provided for by current legislation.

### **Risks arising from tax assessments and disputes**

Risks arising from tax assessments and disputes as at June 30, 2020 mainly refer to a notice of assessment related to the year 2003. The dispute relates to the use of tax credits for € 2.3 million, for which FinecoBank has appealed to the Supreme Court as it considers its arguments to be well-founded. The Bank has already paid the additional taxes and interest due.

With regard to the aforementioned dispute, the higher taxes, interests and penalties have already been recognised in the income statement with a contra entry, respectively, in tax liabilities and the provision for risks and charges. Moreover, tax receivables for the amounts paid to the tax administration have been recognised.

In light of the foregoing, as at June 30, 2020 the Group had in place provisions that adequately reflect the specific circumstances and are in line with international accounting standards; specifically, to tax liabilities of for a total of € 5.6 million, for higher tax, and to provisions for risks and charges of € 3.8 million, for penalties and interest.

### **Environmental risk**

The Group has long been sensitive to issues related to climate change and is constantly committed to monitoring the effects and assessing, in the context of risk governance, the repercussions and effects on its credit and asset management activities.

Considering the business activity carried out and the adopted business model, Fineco believes having a moderate environmental impact, as well as being exposed to climate change to a limited extent. The investment policy is in fact based on granting of credit to Retail customers and investing mainly in financial instruments of Central Administrations (Government Bonds). Credit grating to large, small and medium-sized enterprises and corporate projects or plants financing is not part of the Group's policy.

The limited exposure to firms preserves the Group both from the risk of causing impacts on the environment through financing counterparties associated with a high environmental risk (e.g. industries in the energy sector) and from the risk of indirectly being affected by any possible environmental events damaging its customers. The high diversification of the commercial portfolio (both in individual and territorial terms) protects indeed the Group from the possible deterioration of the solvency of customers due to environmental factors, such as atmospheric events or natural disasters.

The environmental impact of the FinecoBank Group is therefore mainly attributable to the direct consumption of resources at its operating offices and financial advisors offices. For the initiatives promoted by the Group, aimed at reducing consumption at its operating offices, please refer to the Consolidated Non-Financial statement as of December 31, 2020.

### **Risks associated with "Brexit"**

The Group carefully assesses the risks that may arise from the United Kingdom's exit from the European Union and which are mainly related to the regulatory and political uncertainties deriving from Brexit. FinecoBank offers UK customers remote banking and investment services thanks to the MiFid passport of financial products. The freedom to provide investment services in the UK remains valid even after the Brexit event.

In order to continue the development of business activities in the United Kingdom, FinecoBank has started the preparatory procedures for opening a branch in England with a role of promotion, marketing and placement. The limited activities that will be carried out by the branch greatly mitigate the risk of Brexit without agreement. With regard to business activities with banks and financial institutions there are no significant impacts expected, as the group holds relations almost exclusively with counterparties having their registered office within the European Union.

### **The assessment of ICT operational risk**

The prudential regulations require Banks to conduct an analysis, at least annually, of the Group's ICT risk and to submit the results of the assessment made to the Board of Directors.

In particular, regulations have introduced standards and specific requirements for managing and assessing ICT risk that require Banks to assess the exposure to these risks, not only by gathering and analysing economic losses, but also by considering additional information, such as ICT incidents occurred and information related to the riskiness of the Group's assets (hardware and software).

## Part E - Information on Risks and relating hedging policies

FinecoBank has established and adopted a framework for the assessment of ICT risk: the results of the analysis, conducted in collaboration with the Group's Business, ICT and Organisation structures, were reported to the Board of Directors during 2019. The analysis showed that, with respect to the business volumes processed and the complexity of the processes involved, the residual IT risk of FinecoBank is on average low. The exposure to residual risk has been formally accepted by Fineco's Top Management without the need to identify additional mitigation measures.

The Group's goal is also to protect customers and the business by ensuring data security, declined in its characteristics of availability, confidentiality and integrity. Particular attention is in fact paid to the issues of Cyber Security & Fraud Management from the system design phase, as enabling elements for the correct definition of solutions and services offered, also taking advantage of the opportunities offered by the evolving regulatory context, in order to create full security for the customer while maintaining ease of use.. For further information on Cyber Security and Fraud Management, please refer to the Consolidated Non-Financial statement of the FinecoBank Group as at June 30, 2020, published on the FinecoBank website (<https://www.finecobank.com>).

### **Analysis of operational and security risks related to payment services**

In accordance with the 28th update of Bank of Italy Circular 285, the Group will carry out an assessment of operational and security risks related to payment services provided by the Group during 2020. The adequacy of mitigation measures and control mechanisms in place are also in scope. The resulting report will be sent to the Bank of Italy within September 2020, according to the extension granted by the latter, aimed at mitigating the impact of COVID-19 on the banking system.

### **Impacts of the crisis unfolded by COVID-19 pandemic on operational risks**

No relevant impacts have been detected, except for physiological slowdown of certain operational activities in relation to the early stages of the emergency and the arrangement of procedures related to government measures adopted in response to the crisis. Available KRI are not showing any risk profile change, and it has not been detected any operational loss strictly connected with COVID 19 so far.

### **Quantitative information**

Operational loss analyses enable the ORM team to make assessments on the Group's exposure to operational risk and to identify any critical areas.

The main sources of operating losses are shown below by "event type", i.e. by type of event that generated them according to the Basel II framework:

- Internal fraud: losses due to unauthorised activities, fraud, embezzlement or infringement of laws, regulations or company directives that involve at least one internal staff member of the Group or a resource hired under an agency contract (PFA);
- External fraud: losses owing to fraud, embezzlement or violation of laws by subjects external to the Group;
- Employment practices and workplace safety: losses due to actions not compliant with the law or to agreements regarding employment, health and safety, to the payment of compensation for bodily harm, or to cases of discrimination or non-application of equality conditions;
- Customers, products and professional practices: losses arising from non-fulfilment of professional obligations towards customers or from the nature or characteristics of the products or services provided;
- Damage from external events: losses arising from external events, including natural disasters, acts of terrorism and vandalism;
- Business disruption and system failures: losses owing to business disruption and system failures or interruptions;
- Process management, execution and delivery: losses due to deficiencies in the completion of transactions or management of processes, as well as losses due to relations with commercial counterparties, vendors and suppliers.

## Part E - Information on Risks and relating hedging policies

### 1.6 - Other risks

Although the risk types described above represent the main categories, there are others the Group considers nevertheless important. According to Pillar 2 regulatory requirements, in addition to credit, market, operational and liquidity risks, the Group has identified the following other risk types:

- **Business risk** is defined as the gap between the Group's expected net result and any unforeseen and adverse variances. It may be caused by a significant deterioration of market conditions, changes to competition or the Group's cost structure;
- **Strategic risk** is the risk of incurring in potential losses due to decisions or radical changes in the business environment, improper implementation of decisions, poor response to changes in the operating context, resulting in negative impacts to the risk profile, capital and earnings as well as the overall direction and scope of a bank over the long run;
- **Real Estate Risk** represents the potential loss resulting from market values fluctuations of the real estate portfolio. Properties held as collateral are not considered as they fall within credit risk perimeter.

Eventually, in addition to the risks listed above, it is worth mentioning compliance risk i.e. the risk of incurring judicial or administrative sanctions, significant financial losses or damage to reputation as a result of violations of mandatory rules (of law or of regulations).

After having identified all relevant risks, it shall be defined the best evaluation method for each one: qualitative or quantitative. Quantitative measurement is carried out through internal capital calculation. The latter stands for the capital necessary to cope with any loss related to the Group's activities and includes all risks defined by the Group as quantifiable in terms of Economic Capital, consistently with Pillar II regulatory requirements.

Credit, market, operational, business and real estate risks are measured in quantitative terms through economic capital and the periodic execution of stress tests. Stress tests are one of the tools used to check significant risks in order to assess the Group's vulnerability to "exceptional but plausible" events, providing further information in addition to monitoring activities.

### Section 3 – Insurance companies risk

No information to report.

### Section 4 – Other companies' risk

No information to report.



## Part F - Consolidated shareholders' equity

### Section 1 - Consolidated Shareholders' equity

#### A. Qualitative information

The control of capital adequacy at individual and consolidated level is performed by the capital management activity where the size and optimal combination among the various capitalization instruments are defined, in compliance with regulatory constraints and in line with the risk profile assumed by the Group.

The Group assigns a priority role to the activities aimed at the management and allocation of capital according to the risks assumed, for the purpose of developing its operations with a view to creating value. The activities are articulated in the different phases of the planning and control process and, in particular, in the plan and budget processes and in the monitoring processes (analysis of expected and achieved performance, analysis and control of limits, analysis and trend monitoring of capital ratios). In the dynamic management of capital, therefore, the Holding draws up the financial plan and monitors the regulatory capital requirements, anticipating the appropriate interventions necessary to achieve the objectives. The monitoring relates on the one hand to both shareholders' equity and the composition of Own funds and, on the other hand, to the planning and performance of risk weighted assets (RWA) and exposure for the purpose of determining the Leverage ratio.

Capital and its allocation are therefore extremely important in defining strategies, since on the one hand it represents the shareholders' investment in the Group, which must be adequately remunerated, on the other hand it is a scarce resource on which there are external limitations imposed by regulatory provisions.

The consolidated shareholders' equity includes the following financial instrument:

- Additional Tier 1 issued on 31 January 2018. The financial instrument is a perpetual private placement<sup>30</sup>, issued for a total of € 200 million and entirely subscribed by UniCredit S.p.A. The coupon for the first 5.5 years has been fixed at 4.82%;
- Additional Tier 1 issued on 11 July 2019. The financial instrument is a perpetual public placement, intended to trade on Euronext Dublin's non-regulated market, Global Exchange Market, notes rating of BB- (S&P Global Ratings), issued for a total of € 300 million. The coupon for the first 5 years has been fixed at 5.875%.

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<sup>30</sup> Unrated and unlisted

## Part F - Consolidated shareholders' equity

## B. Quantitative information

## B.1 Consolidated Shareholders' equity: breakdown by company type

(Amounts in € thousand)

Net equity items	Prudential consolidated	Insurance companies	Other companies	Consolidation adjustments and eliminations	Total
1. Share capital	201,153	-	-	-	201,153
2. Share premium reserve	1,934	-	-	-	1,934
3. Reserves	678,378	-	-	-	678,378
4. Equity instruments	500,000	-	-	-	500,000
5. (Treasury shares)	(7,470)	-	-	-	(7,470)
6. Revaluation reserves:	1,485	-	-	-	1,485
- Financial assets (other equity securities) designated at fair value through other comprehensive income	2,415	-	-	-	2,415
- Actuarial gains (losses) on defined benefit plans	(930)	-	-	-	(930)
7. Net profit (loss) for the year	180,174	-	-	-	180,174
<b>Total</b>	<b>1,555,654</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,555,654</b>

## B.2 Revaluation reserves for financial assets at fair value through comprehensive income: breakdown

(Amounts in € thousand)

Assets/values	Prudential consolidation		Insurance companies		Other companies		Consolidation adjustments and eliminations		Total	
	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve
1. Debt securities	2,415	-	-	-	-	-	-	-	2,415	-
2. Equity securities	-	-	-	-	-	-	-	-	-	-
3. Loans	-	-	-	-	-	-	-	-	-	-
<b>Total 06/30/2020</b>	<b>2,415</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,415</b>	<b>-</b>
<b>Total 12/31/2019</b>	<b>3,556</b>	<b>(397)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,556</b>	<b>(397)</b>

## Part F - Consolidated shareholders' equity

## B.3 Revaluation reserves for financial assets at fair value through comprehensive income: annual changes

(Amounts in € thousand)

	Debt securities	Equity securities	Loans
<b>1. Opening balance</b>	<b>3,159</b>	-	-
<b>2. Increases</b>	<b>1,297</b>	-	-
2.1 Fair value increases	1,293	-	-
2.2 Adjustments for credit risk	4	X	-
2.3 Reclassification through profit or loss of realised negative reserves	-	X	-
2.4 Transfer from other shareholder's equity item (equity securities)	-	-	-
2.5 Other changes	-	-	-
<b>3. Decreases</b>	<b>(2,041)</b>	-	-
3.1 Fair value reductions	-	-	-
3.2 Recoveries for credit risk	-	-	-
3.3 Reclassification through profit or loss of realised positive reserves	(2,041)	X	-
3.4 Transfer to other shareholder's equity item (equity securities)	-	-	-
3.5 Other changes	-	-	-
<b>4. Closing balance</b>	<b>2,415</b>	-	-

## B.4 Revaluation reserves on defined benefit obligations: annual changes

(Amounts in € thousand)

	Actuarial gains (losses) on defined benefits plans
<b>1. Opening balance</b>	<b>(2,157)</b>
<b>2. Increases</b>	<b>1,227</b>
2.1 Fair value increases	1,227
2.2 Other changes	-
<b>3. Decreases</b>	<b>-</b>
3.1 Fair value reductions	-
3.2 Other changes	-
<b>4. Closing balance</b>	<b>(930)</b>

## Section 2 - Own funds and banking regulatory ratios

## 2.1 Own funds

## A. Qualitative information

Own Funds as of 30 June 2020 amounted to € 1,316,955 thousand and were determined on the basis of the harmonized rules for banks and investment companies contained in Directive 2013/36 / EU (CRD IV) and in Regulation (EU) 575 / 2013 (CRR) of 26 June 2013 and subsequent Directives / Regulations that modify the content, which transpose the standards defined by the Basel Committee for banking supervision (so-called Basel 3 framework), collected and implemented by the Bank of Italy through Circular no. 285 of 17 December 2013 "Supervisory provisions for banks" and subsequent updates. In particular, it should be noted that on 26 June 2020, Regulation (EU) 2020/873 of the EU Parliament and of the Council was published, which amends the CRR, making a series of adjustments to the prudential reference framework in light of the COVID-19 health emergency., specifically:

- the possibility introduced by the Regulation (EU) 2019/876 ("CRR II") to exclude software assets from intangible assets to be deducted from . Common Equity Tier 1 ("CET1") has been anticipated by one year. As at 30 June 2020, the EBA has not published the regulatory technical standards needed for the application of this rule;

## Part F - Consolidated shareholders' equity

- a transitional treatment period has been introduced, from January 1, 2020 to December 31, 2022, during which institutions can exclude the amount of unrealized profits and losses accumulated at starting from 31 December 2019 on debt instruments measured at fair value recognized in the other components of the comprehensive income statement corresponding to exposures to central administrations, regional administrations or local authorities referred to in Article 115 (2) of the CRR, and to sector bodies public pursuant to Article 116 (4) of the CRR, excluding impaired financial assets. At 30 June 2020, the Group did not make use of the option to apply temporary treatment;
- the transitional regime has been extended until 31 December 2024 which allows to reduce the potential impact on CET1 deriving from the increase in provisions for expected losses on loans calculated according to the IFRS 9 impairment model, through the progressive inclusion in CET1. At 30 June 2020, the Group did not make use of the option to apply the transitional provisions;
- the more favorable prudential treatment envisaged for loans disbursed for the assignment of the fifth, for exposures to SMEs and for exposures to subjects that manage infrastructure projects, was brought forward by one year. These provisions did not determine impacts on the Group's capital requirements;
- until 31 December 2024 the transitional treatment provided for the public debt issued in the currency of another Member State was restored, which allows the application of a more favorable weighting factor, which gradually increases until the end of the transitional period, for exposures to central governments and central banks of member states denominated in the national currency of another member state. This treatment allowed the Group to benefit from an insignificant reduction in risk-weighted assets;
- the provision of calendar provisioning has been changed in order to align the treatment of impaired exposures backed by public guarantees or counter-guarantees granted by individual national governments with that reserved for impaired exposures guaranteed or insured by official export credit agencies, so such that for the first seven years there is no minimum level of provisions on the guaranteed portion;
- the offsetting mechanism associated with the discretionary power of the competent authority to allow credit institutions to temporarily exclude exposures to the Central Bank from the calculation of leverage has been modified.

In addition, the Basel Committee approved on 27 March 2020 the postponement by one year (to 1 January 2023) of the deadline for the implementation of Basel III standards.

(Amounts in € thousand)

	Total 06/30/2020	Total 12/31/2019
Common Equity Tier 1 - CET1	816,955	583,031
Additional Tier 1 – AT1	500,000	500,000
TIER 2 – T2	-	-
<b>Own Funds</b>	<b>1,316,955</b>	<b>1,083,031</b>

### 1. Common Equity Tier 1 – CET 1

The financial instruments included in the Common Equity Tier 1 consist of 609,554,043 ordinary shares with a par value of € 0.33 euro, amounting to € 201,153 thousand, net of 753,310 treasury shares, amounting to € 7,470 thousand, and own CET1 instruments held by customers that simultaneously used a line of credit, even if not granted for this purpose, for an amount equal to € 745 thousand.

Common Equity Tier 1 also includes the profit for the first half of 2020 (for the portion that will not be distributed) assuming the conditions set out in art. 26, paragraph 2, of EU Regulation 575/2013 (CRR).

For information on the other items of Common Equity Tier 1 see the details provided at the bottom of the table presented in the Quantitative information.

### 2. Additional Tier 1 – AT1

Additional Tier 1 consists of:

- the bond Additional Tier 1 issued on January 31st 2018. The financial instrument is a perpetual, private placement, issued for a total of € 200 million, entirely subscribed by UniCredit S.p.A.. The coupon for the first 5,5 years is fixed at 4.82%;
- the bond Additional Tier 1 issued on July, 11th 2019. The financial instrument is a perpetual, public placement, intended to trade on Euronext Dublin's non-regulated market, Global Exchange Market, notes rating of BB- (S&P Global Ratings), issued for a total of € 300 million. The coupon for the first 5 years has been fixed at 5.875%.

## Part F - Consolidated shareholders' equity

## 3. Tier 2 – T2

As at June 30, 2020 there were no Tier 2 capital items.

## B. Quantitative information

(Amounts in € thousand)

	06/30/2020	12/31/2019
<b>A. Common Equity Tier 1 - CET1 first time application of prudential filters</b>	<b>918,684</b>	<b>685,975</b>
of which CET1 instruments subject to transitional provisions	-	-
B. Prudential filters for cet1 (+/-)	(466)	(506)
<b>C. CET1 before items to be deducted and the effects of the transitional arrangements (A +/- B)</b>	<b>918,218</b>	<b>685,470</b>
D. Items to be deducted from CET1	101,263	102,438
E. Transitional arrangements – Impact on CET1 (+/-)	-	-
<b>F. Total Common Equity Tier 1 Capital - CET1 (C - D +/- E)</b>	<b>816,955</b>	<b>583,031</b>
<b>G. Additional Tier 1 - AT1 before items to be deducted and the effects of the transitional arrangements</b>	<b>500,000</b>	<b>500,000</b>
of which AT1 instruments subject to transitional provisions	-	-
H. Items to be deducted from AT1	-	-
I. Transitional arrangements – Impact on AT1 (+/-)	-	-
<b>L. Total Additional Tier 1 - AT1 (G - H +/- I)</b>	<b>500,000</b>	<b>500,000</b>
<b>M. Tier 2 before items to be deducted and the effects of the transitional arrangements</b>	<b>-</b>	<b>-</b>
of which T2 instruments subject to transitional provisions	-	-
N. Items to be deducted from T2	-	-
O. Transitional arrangements – Impact on T2 (+/-)	-	-
<b>P. Total Tier 2 (Tier 2 - T2) (M - N +/- O)</b>	<b>-</b>	<b>-</b>
<b>Q. Total own funds (F + L + P)</b>	<b>1,316,955</b>	<b>1,083,031</b>

## A. Common Equity Tier 1 – CET 1 first time application of prudential filters

The item includes:

- the share capital, made of 609,554,043 ordinary with a par value of 0.33 euro, totaling € 201,153 thousand;
- the share premium reserve, totaling € 1,934 thousand;
- the legal reserve, the extraordinary reserve and the other reserves, for an amount equal to € 678,378 thousand, including the 2019 profit whose allocation to reserves was approved by the Shareholders' Meeting of 28 April 2020;
- accumulated other comprehensive income (OCI) which are related to the net positive reserve for debt securities issued by central governments, recognized in the "Financial assets at fair value through other comprehensive income", for an amount of € 2,415 thousand, and to the negative reserve of Defined Benefit Obligations for an amount of € -930 thousand;
- the portion of the first half of 2020 net profit intended to increase the value of the reserves, for an amount equal to € 44,979 thousand, assuming satisfied the conditions set by art. 26, paragraph 2, of EU Regulation 575/2013 (CRR).

From the item have been deducted:

- treasury shares directly held for an amount equal to € 7,470 thousand;
- own CET1 instruments held by customers that simultaneously used a line of credit, even if not granted for this purpose, for an amount equal to € 745 thousand;
- own CET1 instruments that the entity has the real or possible obligation to purchase for 1 million euros, equal to the maximum disbursement provided for the repurchase of treasury shares in implementation of the long-term incentive plan called "PFA 2020 Incentive System" and authorized by the Supervisory Authority pursuant to articles 77-78 EU Regulation no. 575/2013 (CRR);
- own CET1 instruments held synthetically in the trading portfolio for an amount equal to € 31 thousand.

## Part F - Consolidated shareholders' equity

### **B. CET1 Prudential filters**

The item includes the filter relating to the additional valuation adjustments (AVA) calculated on assets and liabilities measured at fair value, amounting to € -466 thousand.

### **D. Items to be deducted from CET1**

The item includes:

- goodwill, net of deferred taxes, amounting to € 65,094 thousand;
- other intangible assets amounting to € 35,848 thousand;
- equity exposure to the Voluntary Scheme set up by the Interbank Deposit Guarantee Fund (IDGF), amounting to € 321 thousand.

### **E. Transitional arrangements - Impact on CET1**

For the year 2020, no transitional adjustments is in force.

### **G. Additional Tier 1 - AT1 before items to be deducted and the effects of the transitional arrangements**

Additional Tier 1 capital includes the bond Additional Tier 1 issued by FinecoBank on January, 31st 2018 and on July, 11<sup>th</sup> 2019, as previously described.

## Part F - Consolidated shareholders' equity

## Reconciliation of Own funds with Carrying amounts

(Amounts in € thousand)

	Accounting figures*	Amounts relevant for own funds purpose**
<b>ASSET ITEMS</b>		
<b>100. Intangible assets, of which:</b>	<b>126,194</b>	<b>(126,194)</b>
<i>Goodwill</i>	89,602	(89,602)
<i>Other intangible assets</i>	36,592	(36,592)
<b>110. Tax assets, of which:</b>	<b>4,185</b>	<b>25,252</b>
<i>current tax assets</i>	373	-
<i>deferred tax assets that do not rely on future profitability</i>	3,300	-
<i>deferred tax assets that rely on future profitability</i>	28,104	-
<i>deferred tax liabilities</i>	(27,592)	25,252
<b>LIABILITY ITEMS</b>		
<b>120. Revaluation reserves, of which:</b>	<b>1,485</b>	<b>1,485</b>
<i>Revaluation reserves for financial assets valued at fair value with impact on other comprehensive income</i>	2,415	2,415
<i>Revaluation reserves for net actuarial gains (losses)</i>	(930)	(930)
<b>140. Capital instruments</b>	<b>500,000</b>	<b>500,000</b>
<b>150. Reserves</b>	<b>678,379</b>	<b>678,379</b>
<b>160. Share premium reserve</b>	<b>1,934</b>	<b>1,934</b>
<b>170. Share capital</b>	<b>201,153</b>	<b>201,153</b>
<b>180. Treasury shares</b>	<b>(7,470)</b>	<b>(7,470)</b>
<b>200. Net Profit (Loss) for the period</b>	<b>180,174</b>	<b>44,979</b>
<b>OTHER ELEMENTS OF OWN FUNDS</b>		
<b>Total other elements, of which:</b>		<b>(2,563)</b>
Own CET1 instruments held by customers who simultaneously used a line of credit		(745)
Actual or potential obligations to purchase Common Equity Tier 1 capital instruments		(1,000)
Prudential filters (-) fair value adjustments		(466)
Prudential filters (-) deduction of the exposure in equity instruments to the Voluntary Scheme		(321)
Deductions of holdings of own Common Equity Tier 1 capital instruments synthetically held		(31)
		-
<b>OWN FUNDS</b>		<b>1,316,955</b>

\* The figures for the accounting consolidation and the regulatory consolidation are the same, hence they are shown in a single column.

\*\* The plus/minus sign (+/-) represents the (positive/negative) contribution to Own Funds.

## Part F - Consolidated shareholders' equity

## Changes in Own Funds

(Amounts in € thousand)

	01/01/2020 - 06/30/2020	01/01/2019 - 12/31/2019
<b>Common Equity Tier 1 Capital - CET1</b>		
<b>Start of period</b>	<b>583,031</b>	<b>502,713</b>
<b>Instruments and Reserves</b>		
Share capital and issue-premium reserve	871	127
<i>of which: own CET1 instruments held by customers who simultaneously used a line of credit</i>	660	(41)
Retained earnings	184,946	(186)
Accumulated other comprehensive income and other reserves	3,012	9,479
Net profit of the period	44,979	93,313
<b>Regulatory adjustments</b>		
Additional regulatory adjustments	40	(286)
Intangible assets net of related liabilities	1,174	(27,887)
Transitional adjustments related to IAS19	-	(1,044)
Direct, indirect and synthetic holdings by an institution of own CET1 instruments	(1,098)	6,600
Exposure amount of the following items which qualify for a RW of 1250%, where the institution opts for the deduction alternative: securitisation positions	1	202
<b>End of period</b>	<b>816,955</b>	<b>583,031</b>
<b>Additional Tier 1 – AT1</b>		
<b>Start of period</b>	<b>500,000</b>	<b>200,000</b>
Additional Tier 1 issued in the period	-	300,000
<b>End of period</b>	<b>500,000</b>	<b>500,000</b>
<b>TIER 2 – T2</b>		
<b>Start of period</b>	<b>-</b>	<b>-</b>
<b>End of period</b>	<b>-</b>	<b>-</b>
<b>OWN FUNDS</b>	<b>1,316,955</b>	<b>1,083,031</b>

## 2.2 Capital adequacy

## A. Qualitative information

The prudential supervisory requirements of the Group as of 30 June 2020 were determined on the basis of the harmonized regulation for banks and investment firms contained in Directive 2013/36 / EU (CRD IV) and in Regulation (EU) 575/2013 (CRR ) of June 26, 2013 and subsequent Directives/Regulations that modify the content, which transpose the standards defined by the Basel Committee for Banking Supervision (so-called Basel 3 framework), collected and implemented by the Bank of Italy through the Circular n. 285 of 17 December 2013 "Supervisory provisions for banks" and subsequent updates.

On the basis of these provisions, the Group must meet the following requirements regarding Own Funds provided for in Article 92 of the CRR, expressed as a percentage of the total risk exposure amount (RWA - Risk Weighted Assets):

- a Common Equity Tier 1 ratio of at least 4.5%;
- a Tier 1 capital ratio of at least 6%;
- a Total capital ratio of at least 8%.

Furthermore, in addition to these minimum requirements, banks are required to meet the combined buffer requirement, according to the article 128(6) of EU Directive 2013/36/UE. Failure to comply with such combined buffer requirement triggers restrictions on distributions, requiring to apply the calculation of the Maximum Distributable Amount (MDA), and the need to adopt a capital conservation plan.

The combined buffer requirement applicable to FinecoBank includes the following buffers:

- Capital Conservation Buffer (CCB) according to the article 129 of CRDIV, equal to 2.5% of risk weighted assets of the Bank;



## Part F - Consolidated shareholders' equity

- Institution specific Countercyclical Capital Buffer (CCyB) to be applied in period of excessive credit growth, coherently with the article 130 of CRDIV (paragraphs 1 to 4) which for the Bank is equal to 0.003% as of 30 June 2020. Article 136 of the Directive EU / 2013/36 (Capital Requirements Directive, CRD4) establishes the obligation for the designated national authorities to activate an operational framework for the definition of the countercyclical capital buffer ratio (CCyB) starting from 1 January 2016. The ratio is subject to a quarterly review. The European legislation was implemented in Italy with the Circular n. 285/2013 of the Bank of Italy (Supervisory Provisions for Banks), which contains specific rules on CCyB. The legislative decree 12 May 2015, n. 72 identified the Bank of Italy as the authority designated to adopt macro-prudential measures in the banking sector, including the CCyB. From this date, therefore, institutions have the obligation to hold their own specific countercyclical capital reserve equivalent to the total amount of their risk exposure, calculated in accordance with Article 92, paragraph 3, of Regulation (EU) n. 575/2013, multiplied by the weighted average of the countercyclical coefficients.

With reference to the capital requirements applicable to FinecoBank, it should be noted that the Supervisory Review and Evaluation Process (SREP), conducted by the Bank of Italy, is currently ongoing; at the end of this process a Pillar 2 Requirement (P2R) and a Pillar 2 Guidance (P2G) applicable to the Group will be required.

As the procedure for the requirement of additional capital to be held by the FinecoBank group on top of the regulatory minimum has not been completed, the "Total SREP Capital Requirement" (TSCR) corresponds to the minimum requirement of Pillar 1 as at 30 June 2020.

The following is a summary of the transitional capital requirements and reserves for FinecoBank required as of June 2020.

Requirements	CET1	T1	Total capital
A) Pillar 1 requirements	4.50%	6.00%	8.00%
B) Pillar 2 requirements	0.00%	0.00%	0.00%
<b>C) TSCR (A+B)</b>	<b>4.50%</b>	<b>6.00%</b>	<b>8.00%</b>
D) Combined Buffer requirement, of which:	2.503%	2.503%	2.503%
1. Capital Conservation Buffer (CCB)	2.500%	2.500%	2.500%
2. Institution-specific Countercyclical Capital Buffer (CCyB)	0.003%	0.003%	0.003%
<b>E) Overall Capital Requirement (C+D)</b>	<b>7.003%</b>	<b>8.503%</b>	<b>10.503%</b>

As at 30 June 2020 the FinecoBank ratios are compliant with the requirements above.

With regard to qualitative information about the methods used by the Bank to assess the capital adequacy of Own Funds in support of current and future assets, please refer to Section 1 - Consolidated Shareholders' equity of this Part F.

## Part F - Consolidated shareholders' equity

## B. Quantitative information

(Amounts in € thousand)

Category/amount	Non-weighted amounts		Weighted/required amounts	
	06/30/2020	12/31/2019	06/30/2020	12/31/2019
<b>A. RISK ASSETS</b>	-	-	-	-
<b>A.1 Credit and counterparty risk</b>	<b>21,960,656</b>	<b>19,444,377</b>	<b>2,255,846</b>	<b>2,072,548</b>
1. Standardised approach	21,960,656	19,444,377	2,255,846	2,072,548
2. Internal rating method	-	-	-	-
2.1 Basic	-	-	-	-
2.2 Advanced	-	-	-	-
3. Securitisations	-	-	-	-
<b>B. REGULATORY CAPITAL REQUIREMENTS</b>			-	-
<b>B.1 Credit and counterparty risk</b>			<b>180,468</b>	<b>165,804</b>
<b>B.2 Risk of adjustment of valuation of credit</b>			<b>81</b>	<b>80</b>
<b>B.3 Settlement risk</b>			<b>2</b>	<b>2</b>
<b>B.4 Market risk</b>			<b>2,184</b>	<b>3,192</b>
1. Standardised approach			2,184	3,192
2. Internal models			-	-
3. Concentration risk			-	-
<b>B.5 Operational risk</b>			<b>88,265</b>	<b>88,265</b>
1. Basic Indicator Approach			-	-
2. Standardised approach			88,265	88,265
3. Advanced measurement approach			-	-
<b>B.6 Other calculation elements</b>			-	-
<b>B.7 Total prudential requirements</b>			<b>271,000</b>	<b>257,343</b>
<b>C. RISK ASSETS AND CAPITAL RATIOS</b>			-	-
C.1 Risk-weighted assets			3,387,496	3,216,788
C.2 Common Equity Tier 1 Capital/Risk-weighted assets (CET1 capital ratio)			24.12%	18.12%
C.3 Tier 1 capital/Risk-weighted assets (Tier 1 capital ratio)			38.88%	33.67%
C.4 Own funds/Risk-weighted assets (Total capital ratio)			38.88%	33.67%

Risk-weighted assets have been calculated by multiplying the total of prudential requirements by 12.5 (the inverse of the minimum compulsory coefficient of 8%).

The increase in risk-weighted assets in June 2020 is mainly due to business growth, securities lending and investments in covered bonds.

## Part F - Consolidated shareholders' equity

## Exposure to credit and counterparty risk: breakdown by type of portfolio

(Amounts in € thousand)

Portfolio	06/30/2020			12/31/2019		
	Exposure to credit and counterparty risk	Risk-weighted assets	Capital requirement	Exposure to credit and counterparty risk	Risk-weighted assets	Capital requirement
<b>Total IRB approach</b>	-	-	-	-	-	-
Central governments or central banks	14,892,276	67,713	5,417	14,075,686	127,206	10,177
Regional governments or local authorities	241,272	-	-	-	-	-
Public-sectors entities	324,823	1	-	279,893	-	-
Multilateral development banks	630,036	-	-	465,887	-	-
International organisations	799,045	-	-	656,102	-	-
Institutions	1,193,953	222,697	17,816	572,645	97,290	7,783
Corporates	163,719	163,719	13,098	173,865	173,865	13,909
Retail	1,124,632	843,474	67,477	1,240,088	930,066	74,405
Secured by mortgages on immovable property	1,630,978	571,464	45,717	1,155,945	404,998	32,400
Exposures in default	3,779	3,800	304	3,502	3,506	280
Items associated with particularly high risk	1,116	1,673	134	2,307	3,461	277
Covered bonds	642,615	66,411	5,313	544,598	56,612	4,529
Claims on institutions and corporates with a short-term credit assessment	-	-	-	-	-	-
Collective investment undertakings (UCITS)	345	345	28	873	873	70
Equity instruments	8,760	8,761	701	8,697	8,697	696
Other exposures	303,090	303,083	24,247	264,143	264,137	21,131
<b>Total standardised approach</b>	<b>21,960,439</b>	<b>2,253,141</b>	<b>180,252</b>	<b>19,444,230</b>	<b>2,070,710</b>	<b>165,657</b>
<b>Exposures to central counterparties in the form of pre-financed contributions to the default fund</b>		<b>2,705</b>	<b>216</b>		<b>1,838</b>	<b>147</b>
<b>Risk assets - Credit and counterparty risk</b>	<b>21,960,439</b>	<b>2,255,846</b>	<b>180,468</b>	<b>19,444,230</b>	<b>2,072,548</b>	<b>165,804</b>

## Part F - Consolidated shareholders' equity

## Capital requirement per type of risk and approach used

(Amounts in € thousand)

Type of risk	Approach used	Capital requirements 06/30/2020	Capital requirements 12/31/2019
1. On-balance-sheet risk assets	Standardised approach	171,806	163,483
2. Guarantees issued and commitments to disburse funds	Standardised approach	132	141
3. Derivative contracts	Current value approach	290	316
4. Securities financing transactions	CRM - Comprehensive method with regulatory adjustments for volatility	8,024	1,717
<b>Capital requirements credit and counterparty risk</b>		<b>180,252</b>	<b>165,657</b>
<b>Capital requirements for exposures to central counterparties in the form of pre-funded contributions to the default fund</b>		<b>216</b>	<b>147</b>
<b>Market risk</b>			
1. Foreign-exchange risk	Standardised approach	17	128
2. Debt securities position risk	Standardised approach	788	1,758
3. Equity securities position risk	Standardised approach	1,180	1,202
4. Position risk on commodities	Standardised approach	199	86
5. CIU position risk	Standardised approach	-	18
<b>Capital requirements for market risk</b>		<b>2,184</b>	<b>3,192</b>
1. Concentration risk	Standardised approach	-	-
<b>Capital requirements for concentration risk</b>			
1. Risk of credit valuation adjustment	Standardised approach	81	80
<b>Capital requirements for risk of credit valuation adjustment</b>		<b>81</b>	<b>80</b>
1. Settlement risk	Standardised approach	2	2
<b>Capital requirements for settlement risk</b>		<b>2</b>	<b>2</b>
1. Operational risk	Standardised approach	88,265	88,265
<b>Capital requirements for operational risk</b>		<b>88,265</b>	<b>88,265</b>
<b>Total capital requirements</b>		<b>271,000</b>	<b>257,343</b>

## Part H - Related-party transactions

Information on the fees paid to key management personnel and on related-party transactions, pursuant to IAS 24 is shown below.

### 1. Details of compensation for key management personnel

Key management personnel are persons having authority and responsibility within the Parent Company for planning, directing, and controlling the Companies' activities, directly or indirectly. This category includes Board members and members of the Board of Statutory Auditors, pursuant to requirements of the Bank of Italy Circular no. 262 of December 22, 2005 as amended and updated, as well as the Chief Executive Officer and General Manager, the Deputy General Manager/GBS Manager, the Chief Financial Officer, the PFA Network Commercial and Private Banking Manager, the Deputy General Manager/Global business Manager.

(Amounts in € thousand)

Items/sectors	Total 06/30/2020	Total 06/30/2019
Remuneration paid to "Key Management Personnel", Directors and the Board of Statutory Auditors		
a) short-term benefits	3,455	2,730
b) post-employment benefits	128	100
<i>of which under defined benefit plans</i>	-	-
<i>of which under defined contribution plans</i>	128	100
c) other long-term employee benefits	-	-
d) termination benefits	-	-
e) share-based payments	1,216	1,186
<b>Total</b>	<b>4,799</b>	<b>4,016</b>

### 2. Related-party transactions

The Board of Directors, in order to ensure continued compliance with applicable legal and regulatory provisions on corporate disclosure on transactions with related parties and persons in conflict of interest, during the meeting on July 31, 2018 and with the prior favourable opinion of the Risk and Related Parties Committee and the Board of Statutory Auditors approved the new "*Procedures Global Policy for the management managing of transactions with subjects persons in potential conflict of interest of the FinecoBank Group*" (the "*Procedures Global Policy*").

The aforementioned Global Policy includes the provisions to be complied with when managing:

- related parties transactions pursuant to the Consob Regulation adopted by resolution on March 12, 2010, no. 17221 as subsequently amended;
- transactions with associated persons pursuant to the regulations on "*Risk activities and conflicts of interest with Associated Persons*", laid down by Bank of Italy Circular on December 27, 2006, no. 263, Title V, Chapter 5 ("*New regulations for the prudential supervision of banks*", as amended);
- obligations of bank officers pursuant to Article 136 of Legislative Decree 385 on September 1, 1993, showing the "*Consolidated Law on Banking*".

Considering the above, during first half of 2020, intercompany transactions and transactions with other Italian and foreign related parties, smaller transactions, were conducted within the ordinary course of the Group's business and related financial activities, and were carried out under standard conditions or conditions similar to those applied to transactions with unrelated third parties; in the same period, no other transactions were undertaken with related parties that could significantly affect the Bank's and the FinecoBank Group's asset situation and results, or atypical and/or unusual transactions, including intercompany and related party transactions.

## Part H - Related-party transactions

The following statement shows the outstanding assets, liabilities, guarantees and commitments as at June 30, 2020, for each group of related parties pursuant to IAS 24:

(Amounts in € thousand)

	Amounts as at June 30, 2020					
	Directors, board of statutory auditors and key management personnel	Other related parties	Total	% of carrying amount	Shareholders	% of carrying amount
Financial assets at amortised cost						
b) loans and receivable with customers	960	17	977	0.01%	4,199	0.02%
<b>Total assets</b>	<b>960</b>	<b>17</b>	<b>977</b>	<b>-</b>	<b>4,199</b>	<b>0.01%</b>
Financial liabilities at amortised cost b) deposits from customers	1,533	538	2,071	0.01%	722	0.00%
Other liabilities	135	-	135	0.04%	-	-
<b>Total liabilities</b>	<b>1,668</b>	<b>538</b>	<b>2,206</b>	<b>0.01%</b>	<b>722</b>	<b>0.00%</b>
<b>Commitments and financial guarantees given</b>	<b>86</b>	<b>10</b>	<b>96</b>	<b>0.19%</b>	<b>-</b>	<b>-</b>

The following table sets out the impact of transactions with related parties on the main Consolidated Income Statement items, for each group of related parties.

(Amounts in € thousand)

	Income Statement first half 2020					
	Directors, board of statutory auditors and key management personnel	Other related parties	Total	% of carrying amount	Shareholders	% of carrying amount
Interest income and similar revenues	1	-	1	0.00%	-	-
Fee and commission income	3	2	5	0.00%	9,010	2.49%
Fee and commission expenses	-	-	-	-	(1,208)	0.80%
Impairment losses/writebacks	-	-	-	-	(16)	0.21%
Other net operating income	24	3	27	0.05%	-	-
<b>Total income statement</b>	<b>28</b>	<b>5</b>	<b>33</b>		<b>7,786</b>	

With regard to the category "Directors, Board of Statutory Auditors and Key Management Personnel", in application of the special regulations laid down in Article 136 of Legislative Decree 385/93 (Consolidated Law on Banking), the obligations established for persons that perform administrative, management and control functions pursuant to those regulations were unanimously approved by a resolution of the Board of Directors with the favourable vote of all members of the Board of Statutory Auditors, in accordance with Article 136 of said Consolidated Law on Banking.

The category "Directors, Board of Statutory Auditors and Key Management Personnel" includes their dealings (excluding their remuneration, which are discussed in point 1. *Details of compensation for key management personnel*) and dealings with the Head of Internal Audit of FinecoBank, mainly concerning assets for credit card use, mortgages and liabilities for funds held by them with the Bank. The income statement for first half 2020 refers to the costs and revenues generated from the aforesaid assets and liabilities.

The "Other related parties" category, if any, includes:

- close family members of key management personnel (i.e., relatives who could be expected to influence, or be influenced by the party involved);
- companies controlled (or jointly controlled) by, or associated with, "key management personnel" or their close family members;
- Group employee post-employment benefit plans.

Transactions with "Other related parties", mainly refer to assets for credit card use and liabilities for funds held with the Bank. The income statement for first half 2020 refers to the costs and revenues generated from the aforesaid assets and liabilities.

The dealing with the "Other related parties" category mainly concerning assets for credit card use and liabilities for funds held by them with the Bank. The income statement for 2019 refers to the costs and revenues generated from the aforesaid assets and liabilities.

The "Shareholders" category includes the shareholders and their subsidiaries holding which at June 30, 2020 held an investment in FinecoBank higher than 3% of the share capital represented by shares with voting rights. The balance sheet amounts include for current receivables and debts associated with the provision of financial services referring to the commissions to be cashed for the placement and management of asset management products. The income statement includes the same fees and commissions accrued for the first half 2020.

## Part L – Segment reporting

Segment reporting information is not provided as the Fineco's particular business model provides for a high level of integration among its different activities including the activity carried-out by the Irish subsidiary Fineco Asset Management DAC thanks to the vertically integrated business model; thus it is not significant to identify distinct operating sectors.

The banking and investment services are offered by FinecoBank through a network of personal financial advisors and online and mobile channels, that operate in a coordinated and integrated manner. The fully-comprehensive nature of the services offered allows to act as a one-stop solution for customers' banking and investment requirements. This strategy, which is strongly anchored to the customer, means that revenues and margins relative to various products/services (investing, banking and brokerage) are highly interdependent on each other. This integration approach has also inspired top management in setting company targets and identifying the means to achieve them.

As regards information on revenues from customers by product/service, in view of the above, reference should be made to information in Part C - Information on the consolidated income statement of these notes to the accounts.

It is note worthing that FinecoBank mainly targets retail customers in Italy, given the non-significant contribution from operations to UK customers. The subsidiary Fineco Asset Management DAC carries out asset management activities in Ireland, towards the Italian retail customers and towards institutional customers, mainly resident in Luxembourg and in Ireland.

Information concerning the degree of dependency on main customers is therefore considered by top management as not relevant and is not therefore disclosed.

## Part M – Leasing

### Section 1 - Lessee

#### Qualitative information

The leasing contracts that fall within the scope of application of the standard IFRS16 are represented by the lease contracts of the properties used by the Group and by the financial shops used by financial advisors and managed directly by the Bank, in addition to lease contracts for machinery and cars.

The Group is potentially exposed to outgoing financial flows, for variable payments due for leasing (in particular referring to the ISTAT revaluation), not included in the initial valuation of the lease liability.

The Group has determined the duration of the lease, for each individual contract, considering the "non-cancellable" period during which it has the right to use the underlying asset and taking into account all the contractual aspects that can change this duration, including, in particular, the possible presence of:

- periods covered by a right of resolution (with related penalties) or an option to extend the lease to the lessee, the lessor alone, or to both, even at different periods over the duration of the contract;
- periods covered by an option to purchase the underlying asset.

In general, with regard to contracts that provide the option right for the Bank or the subsidiary to automatically renew the lease at the end of an initial contractual period, the duration of lease has determined based on historical experience (in particular for the Bank) and the information available at the date, considering in addition to the non-cancellable period also the period subject to the extension option (first contract renewal period), except for the existence of business plans to dispose of the leased asset as well as clear and documented assessments by the competent Group structures that lead to consider reasonable the failure to exercise the option to renew or exercise the termination option, also taking into account, with particular regard to the financial shops in use by the financial advisors of the Bank, the commercial strategies of recruitment and territorial organization of the network.

The Group has not provided guarantees on the residual value of the leased asset and has no commitments for the stipulation of lease contracts not included in the value of the lease liability recognized in the financial statements.

In accordance with the rules set by the standard, which grants exemptions in this regard, contracts underlying the so-called "Low-value assets" (for which the threshold was set at € 5 thousand) mainly consisting of mobile phone rental contracts, all leasing contracts with a contractual duration of 12 months or less (so-called "short term lease") it was decided not to apply the principle to the leasing of intangible assets (mainly represented by software leasing). For these contracts, the related fees are recognized in the income statement on accrual basis for the corresponding duration.

#### Quantitative information

With regard to the information on the rights of use acquired with the lease, please refer to Part B - Assets - Section 9 - Tangible assets - Item 90 of these notes to the accounts.

With regard to the information on the lease liabilities, please refer to Part B - Liabilities - Section 1 - Financial liabilities at amortized cost - Item 10 of these notes to the accounts.

Furthermore, with regard to the information on:

- interest expenses on leasing liabilities, please refer to Part C - Section 1 - Item 20;
- the other charges connected with the rights of use acquired with the lease, please refer to Part C - Section 14 - Net impairments / write-backs on property, plant and equipment - Item 210.

It should be noted that no gains and losses deriving from sale and leaseback transactions have been recorded, as well as income deriving from sub-lease transactions.



## Part M – Leasing

The depreciation recognized for the year for right-of-use assets by class of underlying asset is shown below:

(Amounts in € thousand)

Assets	Depreciation 1st half 2020
<b>Right of use</b>	
<b>1. Property, plant and equipment</b>	<b>(5.691)</b>
1.1 land	-
1.2 buildings	(5.561)
1.3 office furniture and fittings	-
1.4 electronic systems	-
1.5 other	(130)

As of June 30, 2020, there are no short-term leasing commitments for which the cost has not already been recognized in the income statement for the first half 2020.

### Section 2 - Lessor

#### Qualitative information

The Group has leasing operations, in its capacity as lessor, represented exclusively by lease contracts for a part of the surface of a part of the property owned by FinecoBank, located in Milan Piazza Durante, 11, classified as operating leases in the financial statements.

With reference to the ways in which the lessor manages the risk associated with the rights it maintain on the underlying assets, it should be noted that the contracts include clauses that prohibit the tenant from transferring the contract to third parties without the written consent of the lessor, periodic updates of the rent according to the ascertained variation of the ISTAT index for consumer prices for the families of workers and employees and a contractual expiry at the end of which, in the event of non-renewal where required, the lease contract ceases and the premises fall within the availability of the lessor.

#### Quantitative information

Payments due for operating leases have been recognized in the consolidated income statement as income. For more details, please refer to Part C - Section 16 - Other operating income and charges - Item 230 of these notes to the accounts.

#### 1. Balance sheet and income statement information

The Group has not recognized leasing loans. As regards the activities granted under operating leasing, as previously described, the Group has leasing transactions in place as lessor represented by leasing contracts for a part of the property owned by FinecoBank, located in Milan Piazza Durante, 11.

The payments due for the operating lease have been recognized, on an accrual basis, in the consolidated income statement as income. For more details, please refer to that illustrated in Part C - Section 16 - Other operating expenses and income - Item 230 of these notes to the accounts.

#### 2. Financial lease

##### 2.1 Classification by time bands of the payments to be received and reconciliation with the loans for leasing entered in the assets

No information to report.

##### 2.2 Other information

No information to report.

## Part M – Leasing

### 3. Operating lease

#### 3.1 Classification by time bands of the payments to be received

A maturity analysis of the undiscounted lease payments to be received is shown below. It should be noted that the payments refer to the contractual rents provided for in the lease contracts of part of the property owned by FinecoBank, which allow tenants to withdraw early in compliance with the notice provided in the contract.

(Amounts in € thousand)

Time buckets	Total 06/30/2020 lease payments to be received
Up to 1 year	730
Between 1 year and 2 years	730
Between 2 years and 3 years	730
Between 3 years and 4 years	730
Between 4 years and 5 years	445
Over 5 years	120
<b>Total</b>	<b>3,485</b>

#### 3.2 Other information

As indicated above, the Group has leasing transactions in place as a lessor represented by leasing contracts for a part of the property owned by FinecoBank, located in Milan Piazza Durante, 11. For information on the methods with the which the Group manages the risk associated with the rights it retains on the underlying assets, please refer to the paragraph "Qualitative information" included in this section.





## Reconciliation of condensed consolidated accounts to mandatory reporting schedule

(Amounts in € thousand)

ASSETS	Amount ss at	
	06/30/2020	12/31/2019
Cash and cash balances = item 10	909,802	754,386
Financial assets held for trading	14,591	7,933
20. Financial assets at fair value through profit or loss a) financial assets held for trading	14,591	7,933
Loans and receivables with banks	723,189	566,033
40. Financial assets at amortised cost a) loans and receivables with banks	9,089,350	9,440,362
less: Financial assets at amortised cost a) loans and receivables with banks - Debt securities	(8,366,161)	(8,874,329)
Loans and receivables with customers	4,204,291	3,679,829
40. Financial assets at amortised cost b) loans and receivables with customers	18,624,171	16,776,467
less: Financial assets at amortised cost b) loans and receivables with customers - Debt securities	(14,419,880)	(13,096,638)
Financial investments	22,946,524	22,304,892
20. Financial assets at fair value through profit or loss c) other financial assets mandatorily at fair value	10,575	12,226
30. Financial asset at fair value through on other comprehensive income	149,908	321,699
Financial assets at amortised cost a) loans and receivables with banks - Debt securities	8,366,161	8,874,329
Financial assets at Amortised cost b) loans and receivables with customers - Debt securities	14,419,880	13,096,638
Hedging instruments	75,577	64,939
50. Hedging derivatives	21,930	36,059
60. Changes in fair value of portfolio hedged financial assets (+/-)	53,647	28,880
Property, plant and equipment = item 90	153,685	152,048
Goodwill = item 100. Intangible assets of which: goodwill	89,602	89,602
Other intangible assets = item 100 net of goodwill	36,592	37,492
Tax assets = item 110	4,186	23,444
Other assets = item 130	254,169	342,309
<b>Total assets</b>	<b>29,412,208</b>	<b>28,022,907</b>

## Reconciliation of condensed consolidated accounts to mandatory reporting schedule

(Amounts in € thousand)

LIABILITIES AND SHAREHOLDERS' EQUITY	Amount ss at	
	06/30/2020	12/31/2019
Deposits from banks	113,137	154,653
10. Financial liabilities at amortised cost a) deposits from banks	113,137	154,653
Deposits from customers	27,021,199	25,919,858
10. Financial liabilities at amortised cost b) deposits from customers	27,021,199	25,919,858
Financial liabilities held for trading = item 20	8,209	3,777
Hedging instruments	207,116	94,950
40. Hedging derivatives	188,770	80,852
50. Changes in fair value of portfolio hedged financial liabilities (+/-)	18,346	14,098
Tax liabilities = item 60	62,928	11,437
Other liabilities	443,965	455,748
80. Other liabilities	331,133	343,859
90. Provisions for employee severance pay	4,722	4,810
100. Provisions for risks and charges	108,110	107,079
Shareholders' Equity	1,555,654	1,382,484
- capital and reserves	1,373,995	1,093,117
140. Equity instruments	500,000	500,000
150. Reserves	678,378	397,593
160. Share premium reserve	1,934	1,934
170. Share capital	201,153	200,941
180. Treasury shares (-)	(7,470)	(7,351)
- revaluation reserves	1,485	1,002
120. Revaluation reserves of which: financial assets at fair value through other comprehensive income	2,415	3,159
120. Revaluation reserves for actuarial net gains (losses) for defined benefit plans	(930)	(2,157)
- net profit = item 200	180,174	288,365
<b>Total liabilities and shareholders' equity</b>	<b>29,412,208</b>	<b>28,022,907</b>

# Reconciliation of condensed consolidated accounts to mandatory reporting schedule

(Amounts in € thousand)

INCOME STATEMENT	1° Half	
	2020	2019
Net interest	138,229	141,767
30. Net interest margin	137,398	141,767
+ net commissions on Treasury securities lending	831	-
Dividends and other income from equity investments	-	-
70. Dividend income and similar revenue	53	63
less: dividends from held-for-trading equity instruments included in item 70	(23)	(38)
less: dividends from mandatorily at fair value equity instruments included in item 70	(30)	(25)
Net fee and commission income = item 60	209,739	158,643
60. Net fee and commission income	210,570	158,643
Less: net commissions on Treasury securities lending	(831)	-
Net trading, hedging and fair value income	56,482	17,837
80. Gains (losses) on financial assets and liabilities held for trading	49,578	18,155
90. Fair value adjustments in hedge accounting	(871)	(381)
110. Gains (losses) on financial assets and liabilities at fair value through profit or loss	(1,099)	(2,784)
100. Gains (losses) on disposal or repurchase of: b) financial asset at fair value through other comprehensive income	1,770	727
+ dividends from held-for-trading equity instruments included in item 70	23	38
+ dividends from mandatorily at fair value equity instruments included in item 70	30	25
+ gains (losses) on disposal or repurchase of: a) financial assets at amortised cost - debt securities (unimpaired)	7,051	2,057
Net other expenses/income	1,392	537
230. Other net operating income	52,621	50,246
less: other net operating income - of which: recovery of expenses	(52,263)	(50,817)
less: adjustments of leasehold improvements	1,034	1,108
100. Gains (losses) on disposal or repurchase of: a) financial assets at amortised cost (unimpaired)	7,051	2,057
less: gains (losses) on disposal or repurchase of: a) financial assets at amortised cost - debt securities (unimpaired)	(7,051)	(2,057)
<b>OPERATING INCOME</b>	<b>405,842</b>	<b>318,784</b>
Staff expenses	(48,893)	(44,097)
190. Administrative expenses - a) staff expenses	(48,893)	(44,097)
Other administrative expenses	(123,338)	(123,742)
190. Administrative expenses - b) other administrative expenses	(123,207)	(122,634)
less: ex-ante contributions to the Single Resolution Fund (SRF) Deposit Guarantee Systems (DGS)	903	-
+ adjustments of leasehold improvements	(1,034)	(1,108)
Recovery of expenses	52,263	50,817
230. Other net operating income- of which: recovery of expenses	52,263	50,817
Impairment/write-backs on intangible and tangible assets	(12,268)	(10,510)
210. Impairment/write-backs on property, plant and equipment	(9,428)	(7,860)
220. Impairment/write-backs on intangible assets	(2,840)	(2,650)
<b>Operating costs</b>	<b>(132,236)</b>	<b>(127,532)</b>
<b>Operating profit (loss)</b>	<b>273,606</b>	<b>191,252</b>
Net impairment losses on loans and provisions for guaranteed and commitments	(3,670)	(146)
130. Impairment losses/writebacks on: a) financial assets at amortised cost	(7,451)	5,666
less: impairment losses/writebacks on: a) financial assets at amortised cost - debt securities	3,806	(5,844)
130. Impairment losses/writebacks on: b) financial assets at fair value through other comprehensive income	(6)	(39)
less: impairment losses/writebacks on: b) financial assets at fair value through other comprehensive income - debt securities	6	39
140. Profit/loss from contract changes without cancellation	21	-
200. Net provisions for risks and charges a) provision for credit risk of commitments and financial guarantees given	(46)	32
<b>Net operating profit (loss)</b>	<b>269,936</b>	<b>191,106</b>
Other charges and provisions	(7,636)	(3,836)
200. Net provisions for risks and charges b) other net provision	(6,733)	(3,836)
+ ex-ante contributions to the Single Resolution Fund (SRF) Deposit Guarantee Systems (DGS)	(903)	-
Net income from investments	(3,818)	5,805
+ impairment losses/writebacks on: a) financial assets at amortised cost - debt securities	(3,806)	5,844
+ impairment losses/writebacks on: b) financial assets at fair value through other comprehensive income - debt securities	(6)	(39)
280. Gains (losses) on disposal of investments	(6)	-
<b>Profit (loss) before tax from continuing operations</b>	<b>258,482</b>	<b>193,075</b>
Income tax for the period = item 300	(78,308)	(58,961)
<b>Net profit (loss) before tax from continuing operations</b>	<b>180,174</b>	<b>134,114</b>
<b>Profit (loss) for the period</b>	<b>180,174</b>	<b>134,114</b>
<b>Profit (loss) for the period attributable to the Group</b>	<b>180,174</b>	<b>134,114</b>





# Certification of Consolidated interim financial statements pursuant to article 81-ter of Consob regulation no. 11971 of May 14, 1999 as amended

1. The undersigned, Alessandro Foti, as Managing Director and General Manager of FinecoBank S.p.A., and Lorena Pellicieri, as Nominated Official in charge of drawing up company accounts of FinecoBank S.p.A, taking into account the provisions of Article 154-bis, par. 3 and 4 of Legislative Decree 58 of February 24, 1998, do hereby certify:

- the adequacy in relation to the Company's features and
- the actual application

of the administrative and accounting procedures used in the preparation of the 2020 Consolidated interim financial statements.

2. The adequacy of the administrative and accounting procedures employed to draw up the Consolidated interim financial statements has been evaluated in accordance with the "Internal Control - Integrated Framework (CoSO)" and the "Control Objective for IT and Related Technologies (Cobit)", which are international commonly accepted standards for the internal control system and for financial reporting.

3. The undersigned also certify that:

3.1 The Consolidated Interim Financial Statements:

- a) were prepared in compliance with applicable international accounting standards recognised by the European Community pursuant to European Parliament and Council Regulation 1606/2002 of July 19, 2002;
- b) correspond to the results of the books and accounting records;
- c) are suitable to provide a fair and correct representation of the financial position and performance of the issuer and the group of companies included in the scope of consolidation;

3.2. The Consolidated interim report on operations includes a reliable analysis of the most significant events in the first six months of the financial year and their impact on the Condensed interim consolidated financial statements, together with a description of the main risks and uncertainties concerning the remaining six months of the year. The Consolidated first half financial report also contains a reliable analysis of information on significant related party transactions.

Milan, July 31, 2020

FinecoBank S.p.A.  
The Chief Executive Officer and  
General Manager  
Alessandro Foti



FinecoBank S.p.A.  
The Manager Responsible for Preparing  
the Company's Financial Reports  
Lorena Pellicieri







# Report of the External Auditors

## REPORT ON REVIEW OF THE HALF-YEARLY CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

**To the Shareholders of  
FINECOBANK BANCA FINECO S.p.A.**

### Introduction

We have reviewed the accompanying half-yearly condensed consolidated financial statements of Gruppo FinecoBank (the "Group"), which comprise the consolidated balance sheet as of June 30, 2020, and the consolidated income statement, the statement of consolidated comprehensive income, the statement of changes in consolidated equity and the consolidated statement of cash flow for the six month period then ended, and the related explanatory notes. The Directors of FinecoBank Banca Fineco S.p.A. (the "Bank") are responsible for the preparation of these half-yearly condensed consolidated financial statements in accordance with the International Accounting Standard applicable to the interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to express a conclusion on the half-yearly condensed consolidated financial statements based on our review.

### Scope of Review

We conducted our review in accordance with the criteria recommended by the Italian Regulatory Commission for Companies and the Stock Exchange ("Consob") for the review of the half-yearly financial statements under Resolution n° 10867 of July 31, 1997. A review of half-yearly condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (ISA Italia) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying half-yearly condensed consolidated financial statements of Gruppo FinecoBank as of June 30, 2020 are not prepared, in all material respects, in accordance with the International Accounting Standard applicable to the interim financial reporting (IAS 34) as adopted by the European Union.

DELOITTE & TOUCHE S.p.A.

Signed by  
**Alessandro Grazioli**  
Partner

Milan, Italy  
August 5, 2020

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

Ancona Bari Bergamo Bologna Brescia Cagliari Firenze Genova Milano Napoli Padova Parma Roma Torino Treviso Udine Verona

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# Glossary

## Additional Tier 1

Equity instruments in line with the provisions of Regulation (EU) No.575/2013 (CRR) on prudential requirements for credit institutions and investment firms, which have the following characteristics:

- full discretion of the issuer in coupon payments and redemptions, also advanced, of the principal outstanding;
- the instrument is perpetual or has a maturity equal to duration of the entity;
- it maintains within the full discretion of the issuer the possibility to perform a write-up of the nominal value after the occurrence of a capital event that has determined a write-down;
- no provisions that force the issuer to provide for payments (must-pay clauses) following genuine events under the direct control of the parties.

## Accelerated book building offering

Procedure through which particularly large shareholdings are sold to institutional investors. This type of transaction is used by majority shareholders to sell share packages or by the company to rapidly obtain capital (for acquisitions or to refinance debt).

## AMA (Advanced Measurement Approach)

Applying this methodology, operational risk requirement is obtained using calculation models based on operational loss data and other evaluation elements collected and processed by the Bank. Admittance threshold and specific suitability requirements have been established for the use of the standard and advanced approaches. For the AMA approach the requirements regard the measurement system, as well as the management system.

## Assets under management

Investment funds, segregated accounts and insurance products.

## Assets Under Custody

Government securities, bonds and shares.

## Audit

Audit Process of controlling a company's activities and accounting, carried out either by an internal body (internal audit) or by an external firm of auditors (external audit).

## Available financial resources (AFR)

AFR are the resources that can be used to safeguard the bank from insolvency. The AFR are an economic measure that consider the potential reserves, hybrid debt instruments, IFRS reserves, goodwill and other intangible assets, treasury shares held and the expected profits.

## Bad exposure

Exposures to borrowers in a state of insolvency (even when not recognised in a court of law) or in an essentially similar situation, regardless of any loss forecasts made by the bank (i.e. irrespective of whether there are any – secured or personal – guarantees covering the exposures).

## Banking book

Used in relation to financial instruments, particularly securities, this term identifies the portion of those portfolios intended for "proprietary" activities.

## Bail-in

Resolution measures adopted by the competent authorities that can involve the conversion of debt instruments into shares or the reduction in the value of liabilities, imposing losses on certain categories of creditors in accordance with the BRRD.

## Basel 2

International agreement on the capital requirements of banks in relation to the risks assumed by them. This agreement has been adopted, at national level, by the respective competent supervisory authorities, including the Bank of Italy. The new prudential regulations, which came into force in Italy in 2008, are based on three pillars.

- Pillar 1: while the objective of a level of capitalisation equivalent to 8% of the risk-weighted exposures remains unchanged, a new set of rules has been defined for measuring the typical risks associated with banking and financial activities (credit risk, counterparty risk, market risk and operational risk) which provides for alternative calculation methods characterised by different levels of complexity, with the ability to use internally developed models subject to prior authorisation by the Regulatory Authority;

# Glossary

- Pillar 2: requires banks to have processes and tools for determining the adequate level of total internal capital (Internal Capital Adequacy Assessment Process - ICAAP) for covering all types of risk, including risks other than those covered by the overall capital requirement (Pillar I), within the framework of an evaluation of current and future exposure that takes account of strategies and of changes in the reference context. It is the Supervisory Authority's task to examine the ICAAP process, formulate an overall judgement and, where necessary, apply the appropriate corrective measures;
- Pillar III: introduces obligations to publish information concerning capital adequacy, exposure to risks, and the general characteristics of the systems used for identifying, measuring and managing those risks.

## Basel 3

International agreement amending Basel 2 adopted in December 2010, containing amendments to the prudential rules on the capital and liquidity of banks, with the gradual entry into force of the new capital requirements from January 1, 2014 until December 31, 2019. These rules have been implemented at European level through the CRD IV "Package".

## Bank Recovery and Resolution Directive or BRRD

Refers to the Directive approved by the European Parliament and the Council, respectively. On April 15 and May 6, 2014, regarding the establishment of a recovery and resolution framework for the crisis affecting credit institutions and investment firms.

## Basis point

The bp or basis point represents 0.01% of a particular amount, or one hundredth of a percentage point. 100 basis points are equivalent to 1%.

## Best practice

Behaviour commensurate with the most significant experience and/or the best level of knowledge achieved in relation to a given technical or professional field.

## Budget

Statement forecasting the future costs and revenues of a business.

## Capital conservation buffer

According to the definition contained in Article 128 of the CRD IV, this is a capital reserve whose establishment is required by the regulations – as also specified in the Supervisory Provisions – aimed at providing banks of a high quality capital buffer to be used in periods of market strain to prevent malfunctions of the banking system and avoid disruptions in the credit granting process, amounting to 2.5% of risk-weighted assets, calculated in accordance with Article 92, sub-section 3, of the CRR on an individual and consolidated basis.

## CDS – Credit Default Swap

A derivative in which a seller of protection engages, for a fee, to pay the buyer of protection a fixed amount if a certain event indicating a deterioration of the creditworthiness of a reference entity occurs.

## CFO

Chief Financial Officer.

## CGU – Cash Generating Unit

A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

## Common Equity Tier 1 or CET 1

The Common Equity Tier 1 under Basel 3, mainly consisting of ordinary paid-up capital, the related share premium, operating profit, reserves and other regulatory adjustments, as provided for by the CRR regulation and the Supervisory Regulations.

## Clawback clause

Action of repayment of the bonus received when, after its disbursement, intentional or negligent conduct of the employee emerges that, if it had been known at the time of disbursement, would have been sufficient not to satisfy the assessment of compliance, or that disbursement has been made in breach of legal or regulatory provisions.



# Glossary

## Corporate

Customer segment consisting of medium to large businesses.

## Cost/income ratio

The ratio of operating expenses to operating income. It is one of the main key performance indicators of the bank's efficiency: the lower the ratio, the more efficient the bank.

## Cost of Risk

The ratio of Net impairment losses of loans with customers in the last 12 months to loans and receivables with customers (average of the averages of the last four quarters, calculated as the average balance at the end of the quarter and the balance at the end of the previous quarter). The scope only includes loans to commercial customers. It is one of the risk indicators of bank assets: the lower the ratio, the less risky the bank assets.

## CoR (incentive system)

The ratio of Net impairment losses of loans with customers in the last 12 months to loans and receivables with customers (average of the balance at period end and the balance at December 31 of the previous year). The scope of the exposures excludes positions deriving from bonds and advances to personal financial advisors.

## Countercyclical capital buffer

The countercyclical capital buffer consisting of Common Equity Tier 1 pursuant to Supervisory Regulations, according to the concept contained in Articles 128 and 130 of the CRD IV, equal to the risk weighted assets, calculated in accordance with Article 92, paragraph 3, of the CRR by the Company's countercyclical capital buffer, determined according to the criteria established by the Supervisory Regulations at an amount ranging from 0% to 2.5%.

## Covenant

A loan agreement clause whereby the lender is entitled to restructure or call in the loan upon occurrence of the events specified in the clause, which ties changes in the borrower's earnings and financial performance to default events/events modifying the contractual terms and conditions (maturity, interest rates, etc.).

## Covered bond

A bond which, in addition to being guaranteed by the issuing bank, may also be covered by a portfolio of mortgages or other high-quality loans transferred, for that purpose, to a specific SPV – Special Purpose Vehicle (q.v.).

## Credit Quality – EL

$EL\% = EL/EAD$

Represents the expected loss as a percentage of the exposure in the event of default (EAD) of the performing portfolio.

The perimeter is the customers of the performing portfolio.

## Credit quality step

A Step, based on external ratings, which is used to assign risk weights under the standardised approach for credit risk.

## CRD (Capital Requirements Directives)

EU Directives 2006/48 and 2006/49, adopted by Bank of Italy circular 263/2006 of December 27, 2006 as amended. The CRD IV "Package" has replaced the two aforementioned Directives and consists of the EU Directive 2013/36 on the taking up of the business of credit institutions and prudential supervision and the EU Regulation 575/2013 on prudential requirements, adopted by the Bank of Italy circular 285 of December 17, 2013 as amended.

## Credit risk

The risk that an unexpected change in the credit rating of a counterparty, the value of the collateral they have provided, or of the amount used in the event of insolvency generates an unexpected change in the lending position of the Bank.

## Credit counterparty risk

The risk that the counterparty in a transaction in financial instruments may enter default before settling all the agreed cash flows.

# Glossary

## **CRM - Credit Risk Mitigation**

Credit Risk Mitigation is a set of techniques, ancillary contracts to the loan or other instruments (e.g. securities, guarantees), which reduces credit risk capital requirements.

## **CRO**

Chief Risk Officer.

## **Default**

A party's declared inability to honour its debts and/or the payment of the associated interest.

## **Direct deposits**

Current accounts, repos and time deposits.

## **EAD – Exposure At Default**

Relating to the on-balance and off-balance sheet positions, EAD is defined as the estimation of the future value of an exposure at the time of the debtor's default. Only banks that meet the requirements for adopting the "IRB – Internal Rating Based" advanced approach are allowed to estimate EAD (q.v.). Other banks are required to refer to regulatory estimations.

## **EBA European Banking Authority**

The European Banking Authority is an independent EU Authority which works to ensure effective and consistent prudential regulation and supervision across the European banking sector.

## **ECA**

Export Credit Agency.

## **ECAI**

External Credit Assessment Institution.

## **ECB**

European Central Bank. The ECB is the central bank for Europe's single currency, the euro.

## **Economic capital**

Capital level that is required by a bank to cover the losses that may occur with at a time horizon of one year and a certain probability or confidence level. Economic Capital is a measure of the variability of the Expected Loss of the portfolio and depends on the degree of diversification of the portfolio itself.

## **EPS – Earnings Per Shares**

An indicator of a company's profitability calculated by dividing the net profit by the average total outstanding shares (excluding treasury shares).

## **EPS – Diluted Earnings Per Shares**

An indicator of a company's profitability calculated by dividing the net profit by the average total diluted outstanding shares (excluding treasury shares).

## **EVA (Economic Value Added)**

EVA is an indicator of the value created by a company. It shows the firm's ability to create value; calculated as the difference between net profit excluding extraordinary charges and related tax effects (integration costs and net profits from extraordinary investments), and the figurative cost of the allocated capital; the latter was calculated using either the greater of the regulatory capital and the economic capital absorbed either using the book value of shareholders' equity (average of single end quarters).

## **Expected Losses**

The losses recorded on average over a one year period on each exposure (or pool of exposures).

## **Fair value**

The price at which an asset can be traded or a liability settled in a free-market transaction between independent parties at arm's length.

# Glossary

## **Forbearance/Forborne exposures**

According to the EBA Implementing Technical Standard, forborne exposures are exposures in respect of which forbearance measures have been extended, consisting of concessions towards a debtor facing or about to face difficulties in meeting its financial commitments ("financial difficulties").

## **Funding**

Provision, in various forms, of the funds necessary to finance business activities or particular financial transactions.

## **Futures**

Standardised contracts through which parties undertake to exchange money, transferable securities or goods at a set price at a future date. These contracts are traded on regulated markets, where their execution is guaranteed.

## **Goodwill**

The additional sum paid for the acquisition of an equity interest, equal to the difference between the cost and the corresponding share of net assets, for the portion not attributable to the identifiable assets of the acquired company.

## **Guided products & services**

The Bank's products and/or services developed by investing in UCITs selected from among those distributed for each asset class taking into account customers' different risk profiles and offered to the Bank's customers under the guided open architecture model. At the date of this report, the guided products category included the "Core Series" umbrella fund of funds, "Core Funds", the Individual Savings Plans ("Piani Individuali di Risparmio" or "PIR") and the "Core Unit", "Advice Unit", "Core Multiramo", "Advice Top Valor", "Old Mutual", "Best in class", "FAM Evolution", "Core Pension", "Private Client Insurance" e "GP Private value" unit-linked policies, while the "Fineco Advice", "Fineco Stars" and "Fineco Plus" advanced advisory services (for investment) fall under the guided service category.

## **Guided Products & Services/AUM**

The ratio of Guided Products & Services (q.v.) to Assets under Management (q.v.).

## **Guided Products & Services/TFA**

The ratio of Guided Products & Services to Total Financial Assets.

## **HNWI**

High Net Worth Individual, i.e. Private customers with TFA of over one million euros.

## **IAS/IFRS**

International accounting standards issued by the International Accounting Standard Board (IASB), a private international body established in April 2001, involving representatives of the accounting professions of the principal countries and, as observers, the European Union, IOSCO (International Organization of Securities Commissions) and the Basel Committee. This body is the successor of the International Accounting Standards Committee (IASC), set up in 1973 to promote harmonisation of the rules for the preparation of company accounts. When the IASC became the IASB, it was decided, among other things, to name the new accounting principles "International Financial Reporting Standards" (IFRS). At international level, work is currently underway to harmonise the IAS/IFRS with the US GAAP – United States Generally Accepted Accounting Principles (q.v.).

## **ICAAP – Internal Capital Adequacy Assessment Process**

See "Basel 2 – Pillar 2".

## **Impairment**

Within the framework of the IAS/IFRS (q.v.), this refers to the loss of value of a balance sheet asset, recorded when the book value is greater than the recoverable value, i.e. the sum that can be obtained by selling or using the asset.

## **Impaired loans**

Loans and receivables are reviewed periodically in order to identify those that, following events occurring after initial recognition (at market value, which is, usually, equal to the amount paid including transaction costs and income directly attributable to the disbursement of the credit) show objective evidence of possible impairment. These include a loans to which the status of non-performing, unlikely to pay and past due has been assigned, according to the Bank of Italy rules in line with the IAS/IFRS (q.v.).

## **Internal Capital**

# Glossary

Represents the amount of capital required to cover potential losses and is required to support the business activities and positions held. Internal Capital is the sum of the aggregated Economic Capital and a cushion that considers the effects of the cycle and model risk.

## **(Internal) validation**

Expert unit, internal but sufficiently independent, that verifies the adequacy of internal models for internal and regulatory purposes and issues a formal opinion about their usefulness and effectiveness. Usually a prerequisite for the validation process carried out by the authorities.

## **Index linked**

Policies whose performance at maturity depends on a benchmark parameter that may be a share index, a basket of securities or another indicator.

## **IRB – Internal Rating Based**

Method for determining the capital needed to cover credit risk within the framework of Pillar 1 of Basel 2 (q.v). The rules are applied to the exposures of the banking book. Furthermore, in the IRB methods the risk weightings of the assets are determined on the basis of the bank's own internal evaluations of the debtors (or, in some cases, of the transactions). Using systems based on internal ratings, the banks determine the weighted risk exposure. The IRB methods consist of a basic method and an advanced method, which differ in terms of the risk parameters that the bank must estimate: in the basic method, the banks use their own estimates for "PD – Probability of Default" and the regulatory values for the other risk parameters; in the advanced method, the banks use their own estimates for "PD – Probability of Default", "LGD – Loss Given Default", "CCF – Credit Conversion Factors" and, where provided for, "M - Maturity" (q.v.). The use of IRB methods for the calculation of capital requirements is subject to authorisation from the Bank of Italy.

## **IRS – Interest Rate Swap**

See "Swap".

## **Joint venture**

Agreement between two or more companies for the conduct of a given economic activity, usually through the constitution of a joint stock company.

## **Ke**

The cost of equity is the minimum return on investment required by the shareholder. It is the sum of a risk-free rate and an additional spread remunerating the shareholder for the credit risk and the volatility of the share price. The cost of capital is based on medium-long term averages of market parameters.

## **KPI - "Key Performance Indicators"**

Set of indicators used to evaluate the success of a particular activity or process.

## **Key Risk Indicators**

The risk indicators are quantitative metrics that reflect exposure to Operational Risks of specific processes or products: the value expressed by an indicator should be related to changes in risk levels.

## **Large exposures**

The sum of all the exposures towards a counterparty that are equal to or more than 10% of the eligible capital of the Issuer, when: (i) the exposures are the sum of the on-balance-sheet risk assets and the off-balance-sheet operations with a counterparty, as defined by the regulations on credit risk, without applying the weighting factors established therein (these exposures do not include the risk assets deducted in the determination of the Own Funds); (ii) a counterparty is a customer or a group of connected customers.

## **LCP**

Loss Confirmation Period.

## **LCR - Liquidity Coverage Ratio**

The Liquidity Coverage Ratio (LCR) is structured in such a way as to ensure that an institution maintains an adequate level of high quality non-restricted liquid assets that can be converted into cash to meet its liquidity needs over a period of 30 calendar days in a particularly acute liquidity stress scenario specified by the supervisory authorities. The LCR is defined as the ratio between the stock of high quality liquid assets and the total cash outflows in the next 30 calendar days.

# Glossary

## Leasing

Contract whereby one party (the lessor) conveys the right to use an asset to another party (the lessee) for a given period of time and in exchange for consideration.

## LGD – Loss Given Default

Expected value (which may be conditional upon adverse scenarios) of the ratio, expressed as a percentage, between the loss giving rise to the default and the amount of exposure at the time of the default (“EAD - Exposure At Default”, q.v.).

## Liquidity risk

The risk of the company being unable to meet its payment commitments due to the inability to liquidate assets or obtain sufficient funding from the market (funding liquidity risk) or due to the difficulty/inability to easily liquidate positions in financial assets without significantly and unfavourably affecting the price because of insufficient depth or temporary malfunction of the financial market (market liquidity risk).

## Long and Short Margining

Margining is a trading method that allows investors to buy (long leverage) or sell (short selling) by investing only a part of the liquidity required.

## Market risk

Consists of the effect that changes in market variables (interest rates, securities prices, exchange rates, etc.) can cause to the economic value of the portfolio, when it includes assets held in the trading book, as well as those posted in the banking book, both on the operations characteristically involved in commercial banking and in the choice of strategic investments.

## Master servicing agreement

Type of contract under which two or more parties regulate the key terms of subsequent transactions and/or further agreements to be implemented between them in the future.

## Maturity Ladder

Instrument for managing and monitoring short-term liquidity (operational liquidity), which, by offsetting assets and liabilities whose maturity falls within each individual time band, enables the identification of mismatches (periodic and cumulative) between incoming and outgoing cash flows and, therefore, to calculate the net financial requirement (or surplus) over the period of the year.

## Model Risk Category

The MRCs have been introduced at the group level in order to characterise the types of operational loss in more detail. They are obtained from the combination of the seven event types established by Basel II with one or more of products offered to customers.

## Non-performing exposures

According to the EBA Implementing Technical Standards, non-performing exposures are all on-balance-sheet and off-balance-sheet exposures that satisfy either or both of the following criteria:

- material exposures which are more than 90 days past due/overdrawn;
- exposures for which the debtor is assessed as unlikely to pay its credit obligations in full without realisation of collateral, regardless of the existence of any past-due amount or of the number of days past due.

## NSFR - Net Stable Funding Ratio

The Net Stable Funding Ratio (NSFR) is structured to ensure that long-term assets are financed with at least a minimum amount of stable liabilities in relation to their respective liquidity risk profiles. The NSFR is aimed at limiting the excessive use of short-term wholesale deposits in periods of abundant market liquidity and encouraging a better assessment of liquidity risk based on all balance sheet and off-balance sheet items. The NSFR is defined as the ratio between the total available stable funding and the total required stable funding.

## NSFR Adjusted

The NSFR Adjusted ratio is based on the regulatory ratio NSFR (Net Stable Funding Ratio) but is adjusted by maturity (i.e. by bucket) considering maturities of more than 3 and 5 years respectively. The NSFR Adjusted is therefore used to monitor and control the structural liquidity situation on maturities over the year. The NSFR is defined as the ratio between the cumulative liabilities over the year and the cumulative assets over the year.

# Glossary

## Operational risk

The risk of losses due to errors, violations, interruptions, or damage caused by internal processes, personnel, systems or by external events. This definition includes legal and compliance risks, but excludes strategic and reputational risk. For example, losses arising from the following can be defined as operational: internal or external fraud, employment practices and workplace safety, customer claims, product distribution, fines and penalties for regulatory breaches, damage to the Company's physical assets, business disruption and system failures, and management of processes.

## Option

The right, but not the commitment, acquired by the payment of a premium, to buy (call option) or sell (put option) a financial instrument at a given price (strike price) by or at a determined future date (American option/European option).

## OTC – Over The Counter

Over-the-counter (OTC) trading consists of the exchange of financial instruments such as shares, bonds, derivatives or goods directly between two counterparties. The OTC markets do not have standardised contracts or buying/selling procedures and are not associated with a set of rules (admissions, controls, obligations of information, etc.) like those that govern the official markets.

## Own funds or Total Capital

The own funds of a bank consist of a series of regulatory defined items (excluding the negative items to be deducted), classified based on capital quality and loss absorbing capacity. From January 1, 2014, after the CRR came into force, Own Funds consists of the sum of Tier 1 capital and Tier 2 capital.

## Past-due and/or overdrawn impaired exposures

On-balance sheet exposures, other than those classified as bad loans or unlikely to pay that are past due or overdrawn at the reporting date. They represent the total exposure to any borrower not included in the unlikely to pay and bad loans categories, who at the reporting date has expired facilities or unauthorised overdrafts that are more than 90 days past due and meet the requirements set out by local supervisory regulations for their classification under the "past due exposures" category (TSA banks) or "defaulted exposures" (IRB banks).

## Payout ratio

The percentage of net income that is distributed to shareholders. The percentage paid out is determined mainly on the basis of the company's self-financing needs and the return expected by shareholders.

## PD – Probability of Default

Default Probability of a counterparty entering into a situation of "default" (q.v.) within a period of one year.

## Private banking

Financial services aimed at "high-end" private customers for the global management of financial needs.

## RARORAC - Risk adjusted Return on Risk adjusted Capital

An indicator calculated as the ratio between EVA (as described above) and the average of the quarters of the year of the allocated capital (calculated with the same methods envisaged for the calculation of the EVA) and expresses in percentage terms the capacity to create value per unit of risk taken.

## Rating

Evaluation of the quality of a company or its issues of debt securities on the basis of the company's financial soundness and prospects. This evaluation is made either by specialist agencies or by the bank on the basis of internal models.

## Retail

Customer segment consisting principally of private individuals, self-employed professionals, traders and artisans.

## Return on asset – R.O.A.

Ratio of net profit after tax to total assets.

## Risk Taking Capacity

Ratio between Available Financial Resources and Internal Capital.

# Glossary

**Risk-weighted assets**

See the item "RWA - Risk-Weighted Assets".

**ROAC – Return on Allocated Capital**

An indicator calculated as ratio of net operating profit to the average of the quarters of the year of the allocated capital (calculated with the same methods envisaged for the calculation of the EVA).

**ROE**

Ratio between net profit and the average shareholders' equity for the period (excluding dividends and any donations expected to be distributed and the revaluation reserves), calculated as the average of the balance at the end of the period and that of the previous December 31st.

**RWA - Risk-Weighted Assets**

It is the value of on-balance sheet and off-balance sheet risk-weighted assets on the basis of different weighting factors according to the class in which the exposure is classified and its credit quality, in accordance with the banking regulations issued by the regulatory authorities for the calculation of the solvency ratios.

**Sensitivity**

The greater or lesser degree of sensitivity with which certain assets or liabilities react to changes in rates or other reference parameters.

**Sensitivity Analysis**

Sensitivity analysis quantifies the change in value of a financial portfolio resulting from an unfavourable change in major risk factors (interest rate, exchange rate, equity).

**SME**

Small and medium enterprises.

**SPV –Special Purpose Vehicle**

An entity – partnership, limited company or trust – set up to pursue specific objectives, such as isolating financial risk or obtaining special regulatory or tax treatment for specific portfolios of financial assets. SPV's operations are accordingly limited by a set of rules designed for this purpose. In general the SPVs' sponsors (q.v.) do not hold equity in them. The equity is held by other entities in order to ensure that there is no shareholder relationship with the Sponsor (q.v.). SPVs are usually bankruptcy-remote, in that their assets cannot be claimed by the creditors of the sponsor, even if the latter becomes insolvent.

**Swap**

A transaction that generally consists of the exchange of financial streams between operators according to different contractual arrangements. In the case of an interest rate swap (IRS), the counterparties exchange payment streams that may or may not be linked to interest rates, calculated on a notional principal amount (for example, counterparty pays a stream on the basis of a fixed rate, while the other does so on the basis of a variable rate). In the case of a currency swap, the counterparties exchange specific amounts in two different currencies, with these amounts being exchanged back in due course according to predefined arrangements that may concern both the capital (notional) and the streams of interest payments.

**Tier 1 Capital**

Tier 1 capital (tier 1) includes Common Equity Tier 1 - CET1 and Tier 1 additional capital (Additional Tier 1 - AT1).

**Tier 1 Capital Ratio**

The percentage of a bank's Tier 1 Capital to its risk weighted assets "RWA – Risk Weighted Assets" (q.v.).

**Total Financial Assets - TFA**

Assets Under Management (q.v.), Assets Under Custody (q.v.) and Direct Deposits (q.v.).

**Trading Book**

Positions held for trading are those held intentionally for a subsequent sale in the near term and/or assumed with the intention of benefiting, in the short term, from the differences between buying and selling prices, or other price or interest rate interest variations.

# Glossary

### **UCI – Undertakings for Collective Investment**

This term includes “UCITS – Undertakings for Collective Investment in Transferable Securities” (q.v.) and collective investment funds (real estate collective investment funds, closed-end investment funds).

### **UCITS – Undertakings for Collective Investment in Transferable Securities**

This term covers open-end real estate investment funds, both Italian and foreign, and investment companies with variable capital. The latter are joint stock companies that have the sole purpose of collective investment of the assets gathered through a public offer of their own shares.

### **Unlikely to pay**

On-balance and off-balance sheet exposures that meet the definition of unlikely to pay, which do not meet the conditions to be classified as bad loans. The classification as “unlikely to pay” derives from the assessment of the debtor’s unlikeliness (without actions such as realisation of collateral) to repay fully his credit obligation (principal and/or interest). This assessment is made independently of any past due and unpaid amount (or instalment). The classification of an exposure as unlikely to pay is not necessarily tied to evident issues (non-repayment), but is rather linked to indicators of a potential default of the borrower.

### **VaR – Value at Risk**

A method used for quantifying risk. It measures potential future losses which will not be exceeded within a specified period and with a specified probability.





## Public disclosure requirements for exposures subject to measures applied in light of the crisis Covid-19

With the Communication of 30 June 2020, the Bank of Italy implemented the EBA Guidelines on reporting and public disclosure requirements for exposures subject to measures applied in light of the crisis Covid-19 (EBA/GL/2020/07), which are therefore also applicable to less significant banks and banking groups.

Below are the templates subject to public disclosure under the above mentioned EBA guidelines as at 30 June 2020. Please note that Template 3 "Information on newly originated loans and advances provided under newly applicable public guarantee schemes introduced in response to COVID-19 crisis" is not reported as it is without values.

### Template 1 Information on loans and advances subject to legislative and non-legislative moratorium

(Amounts in € thousand)

	Gross carrying amount				Accumulated impairment, accumulated negative changes in fair value due to credit risk				Gross carrying amount	Inflows to non-performing exposures		
	Performing		Non performing		Performing		Non performing					
	Of which: exposures with forbearance measures	Of which: Instruments with significant increase in credit risk since initial recognition but not credit-impaired (Stage 2)	Of which: exposures with forbearance measures	Of which: Unlikely to pay that are not past-due or past-due <= 90 days	Of which: exposures with forbearance measures	Of which: Instruments with significant increase in credit risk since initial recognition but not credit-impaired (Stage 2)	Of which: exposures with forbearance measures	Of which: Unlikely to pay that are not past-due or past-due <= 90 days				
Loans and advances subject to moratorium	29,567	29,567	-	38	-	-	(87)	(87)	-	(20)	-	-
of which: Households	29,567	29,567	-	38	-	-	(87)	(87)	-	(20)	-	-
of which: Collateralised by residential immovable property	26,840	26,840	-	-	-	-	(51)	(51)	-	-	-	-
of which: Non-financial corporations	-	-	-	-	-	-	-	-	-	-	-	-
of which: Small and Medium-sized Enterprises	-	-	-	-	-	-	-	-	-	-	-	-
of which: Collateralised by commercial immovable property	-	-	-	-	-	-	-	-	-	-	-	-

### Template 2 Breakdown of loans and advances subject to legislative and non-legislative moratorium by residual maturity of moratoria

(Amounts in € thousand)

	Number of obligors	Gross carrying amount							
		Of which: legislative moratoria	Of which: expired	Residual maturity of moratoria					
				≤ 3 months	> 3 months ≤ 6 months	> 6 months ≤ 9 months	> 9 months ≤ 12 months	> 1 year	
Loans and advances for which moratorium was offered	466	31,269	-	-	-	-	-	-	-
Loans and advances subject to moratorium (granted)	434	29,660	23,136	93	877	14,333	3,281	6,663	4,413
of which: Households		29,660	23,136	93	877	14,333	3,281	6,663	4,413
of which: Collateralised by residential immovable property		26,927	23,136	87	757	13,816	3,101	4,754	4,413
of which: Non-financial corporations		-	-	-	-	-	-	-	-
of which: Small and Medium-sized Enterprises		-	-	-	-	-	-	-	-
of which: Collateralised by commercial immovable property		-	-	-	-	-	-	-	-



